

**“A STUDY ON FINANCIAL RATIO ANALYSIS OF  
LISTED COMMERCIAL BANK”  
(WITH REFERENCE TO NIBL & LAXMI BANK LTD)**

**Submitted by:**

**Rajiv Lakhey**

**Thakur Ram Multiple Campus, Birgunj  
T.U. Registration No: - 7-1-15-1447-98  
T.U Exam Roll No:-2<sup>ND</sup> Year 150404  
TRM Campus Roll No.364/2065**

**Submitted to:**

**Office of the Dean  
Faculty of management  
Tribhuvan University**

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

**Birgunj, Nepal  
November, 2014**

# RECOMMENDATION

This is to certify that the thesis  
*Submitted by:*

**Rajiv Lakhey**

**Campus Roll No.364/2065**  
**T.U. Registration No: - 7-1-15-1147-98**

*Entitled*

**“A STUDY ON FINANCIAL RATIO ANALYSIS OF LISTED  
COMMERCIAL BANK :  
(WITH REFERENCE TO NIBL & LAXMI BANK LTD)**

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

-----  
**Lalan Dwibedi**  
**(Thesis Supervisor)**

-----  
**Dr. Deepak Shakya**  
**(Head of Research Committee)**

-----  
**(Campus Chief)**  
**Thakur Ram Multiple Campus**  
**Birgunj,Parsa**

# VIVA-VOCE SHEET

We have conducted the Viva-Voce examination of the thesis

Submitted by:

**RAJIV LAKHEY**

Entitled

**"A STUDY ON FINANCIAL RATIO ANALYSIS OF LISTED  
COMMERCIAL BANK"**

**(WITH REFERENCE TO NIBL & LAXMI BANK LTD)**

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 requirements for Master's of Business Studies (MBS).

**Viva –Voce Committee:**

Head of Research Department .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

Date: .....

# DECLARATION

I hereby declare that the research work entitled “**A Study on Financial Ratio Analysis of Listed Commercial Bank with Reference to NIBL and Laxmi Bank Ltd.** ” submitted to Research department of T.R.M.C. Birgunj, Faculty of Management, Tribhuvan University, is my original work done in the form of the partial fulfillment of the requirement of Master of Business Studies (MBS) under the supervision of **Mr. Lalan Dwibedi** lecturer of **Thakur Ram Multiple Campus Birgunj.**

**Date:** .....

---

**Rajiv Lakhey**

**Thakur Ram Multiple Campus**

**Roll No: -364/065**

**T.U Registration No: 7-1-15-1147-98**

## **Acknowledgements**

Banking sector is a part of the financial market. It serves as a link between suppliers and users of capital funds. It is a mechanism for the mobilization for the public savings and channelizing them in productive investments. Development and expansion of banking sector is essential for the rapid economic growth of the country. In order to enhance the role of banking sector in economic activities, it is essential to follow financial resource easily and simple manner which would, in turn, help to achieve the economic development economy development of the country. Viewed in this perspective, A Study on Financial Ratio Analysis of listed Commercial Bank NIBL & LAXMI BANK LTD. assumed as a greater significance. I hope it will be beneficial to further academic researchers and other interested people as well.

I owe a deep of gratitude to Mr. Lalan Dwibedi, Lecturer of TRM Campus, Birgunj, Parsa for his constant encouragement, patient guidance and valuable supervision at every stage of my work. This work would not have been materialized in the present form without his incisive observations and intellectual direction in the course of completion.

I am also grateful to Dr. Deepak Shakya, Head of Research Committee, TRM Campus, Birgunj, Parsa whose valuable suggestion and co-operation enable me to write this thesis in the present form.

Thanks are also due to the staffs of Nepal Investment Bank Limited and Laxmi Bank Limited for providing the annual reports, without which this research study would not have been possible.

I would like to express debt of gratitude to my parents & friends for their continuous supports & suggestions in my efforts.

Needless to say, to error is human kind and I am also no exception, so I alone am responsible for any deficiencies that may have reminded in this work.

November, 2014

**Rajiv Lakhey**  
**M.B.S.**  
**Thakur Ram Multiple Campus**  
**Birgunj, Nepal**

## TABLE OF CONTENTS

<b>Titles</b>	<b>PAGE NO</b>
Recommendation	I
Viva-Voce Sheet	II
Declaration	III
Acknowledge	IV
Table of Contents	V-VII
List of Tables	VIII
List of Figures	IX
Abbreviation	X

### CHAPTER-1

<b>Introduction</b>	<b>1-17</b>
1.1 Background of the study	1
1.1.1 Evolution of bank and banking system	3
1.1.2 Evolution of banking sector in Nepal	4
1.1.3 A brief over view of joint venture banks selected for the study	7
1.2 Focus of the Study	12
1.3 Statement of the Problem	13
1.4 Objectives of the Study	15
1.5 Significant of the Study	15
1.6 Limitation of the Study	16
1.7 Organization of the Study	17

### CHAPTER-2

<b>Review of Literature</b>	<b>18-36</b>
2.1 Introduction	18
2.2 Conceptual Framework	18
2.2.1 Meanings of Banks	18
2.2.2 Meanings of Commercial Banks	19
2.2.3 Meanings of Joint Venture Banks	20
2.2.4 Meanings of Working Capital	20
2.2.5 Objectives of Working Capital in Banks	21
2.2.6 Determinants of Working Capital in Banks	22
2.3 Review of Literature	22
2.3.1 Review of Books	22
2.3.2 Review of Thesis	25
2.3.3 Reviews of different Studies	33

### CHAPTER-3

<b>Research Methodology</b>	<b>37-47</b>
3.1 Introduction	37
3.2 Research Design	37
3.2.1 Population and Samples	38

3.2.2 Nature and sources of Data	38
3.2.3 Data Processing Procedure	38
3.2.4 Tools and Techniques of Analysis	38
3.2.4.1 Financial Tools	39
3.2.4.2 Statistical Tools	45

## CHAPTER-4

<b>Data Presentation and Analysis</b>	<b>48-96</b>
4.1 Introduction	48
4.2 Composition of Working Capital	48
4.2.1 Cash and Bank Balance	50
4.2.2 Money at Call or Short-notice	51
4.2.3 Loan and Advance	52
4.2.4 Government Securities	53
4.2.5 Miscellaneous	53
4.3 Liquidity Position	54
4.3.1 Current Ratio	55
4.3.2 Quick Ratio	56
4.3.3 Cash and Bank balance to Total deposit Ratio	57
4.3.4 Saving deposit to Total Deposit Ratio	59
4.4 Activity Turnover Ratio	60
4.4.1 Loan and Advance to Total Deposit Ratio	60
4.4.2 Loan and Advance to Fixed Deposit Ratio	62
4.4.3 Loan and Advance to Saving Deposit Ratio	63
4.5 Capital Structure or Leverage Ratio	64
4.5.1 Long term Debt to Net worth Ratio	65
4.5.2 Net Fixed Assets to Long term Debt Ratio	66
4.6 profitability Ratio	67
4.6.1 Interest Earned to Total Assets Ratio	67
4.6.2 Net profit to total Assets Ratio	69
4.6.3 Net profit to Shareholders' Equity Ratio	70
4.6.4 Net profit to Total Deposit Ratio	71
4.6.5 Service Cost to Total Deposit Ratio	72
4.7 Trend Analysis	73
4.7.1 Cash and Bank balance percentage	74
4.7.2 Money at Call or Short notice	75
4.7.3 Loan and advance percentage	77
4.7.4 Government Securities percentage	78
4.7.5 Current Assets Ratio	80
4.7.6 Quick Assets Ratio	81
4.8 Correlation Analysis	82
4.8.1 Co-efficient of correlation between Investments on Government Securities and Total Deposit	83
4.8.2 Co-efficient of correlation between Investment on Loan	

and Advance and Total Deposit	84
4.8.3 Co-efficient of Correlation between on Loan and Advance And Net profit	85
4.8.4 Co-efficient of Correlation between on Cash and Bank balance And Current Assets	86
4.9 Test of Hypothesis	87
4.9.1 Composition of Working Capital	88
4.9.2 Liquidity Position	89
4.9.3 Profitability Position	91
5. Major Findings	93

## **CHAPTER-5**

<b>Summary, Conclusion and Recommendation</b>	<b>97-100</b>
5.1 Summary	97
5.3 Conclusion	98
5.4 Recommendations	99
<b>Bibliography</b>	<b>101-103</b>
<b>Appendix</b>	<b>XI-XIX</b>

## LIST OF TABLES

<u>S.N.</u>	<u>Table No</u>	<u>Titles</u>	<u>Page No</u>
1.	1.1	Lists of Licensed Commercial Banks	5
2.	1.2	Composition and Ownership Capital of NIBL	7
3.	1.3	Capital Amount of NIBL	8
4.	1.4	Financial Indicators (NIBL)	8
5.	1.5	Financial Indicators LAXMI BANK LTD	9
6.	1.6	Composition of ownership Capital of LAXMI BANK LTD	12
7.	1.7	Capital amount of LAXMI BANK LTD	12
8.	4.1	Current Assets Components (Amount)	49
9.	4.2	Current Assets Component (Percentage)	49
10.	4.3	Current Ratio	55
11.	4.4	Quick Ratio	57
12.	4.5	Cash and Bank balance to Total deposit Ratio	58
13.	4.6	Saving to Total deposit Ratio	59
14.	4.7	Loan and Advance to Total Deposit Ratio	61
15.	4.8	Loan and Advance to Fixed Deposit Ratio	62
16.	4.9	Loan and Advance to Saving Deposit Ratio	63
17.	4.10	Long term Debt to Net worth Ratio	65
18.	4.11	Net Fixed Assets to Long term Debt Ratio	66
19.	4.12	Interest Earned to Total Assets Ratio	68
20.	4.13	Net Profit to Total Assets Ratio	69
21.	4.14	Net Profit to Shareholders' Equity Ratio	70
22.	4.15	Net Profit to Total Deposit Ratio	71
23.	4.16	Services Cost to Total Assets Ratio	72
24.	4.7.1	Trend Value of Cash and Bank Balance	74
25.	4.7.2	Trend Value of Money at calls or Short notice	75
26.	4.7.3	Trend Value of Loan and Advance	77
27.	4.7.4	Trend Value of Government Securities	78
28.	4.7.5	Trend Value of Current Ratio	80
29.	4.7.6	Trend Value of Quick Ratio	81
30.	4.8.1	Coefficient of Correlation between Government Securities And Total Deposit	83
31.	4.8.2	Coefficient of Correlation between Loan and Advance and Total Deposit	84
32.	4.8.3	Coefficient of Correlation between Loan and Advance and Net Profit	85
33.	4.8.4	Coefficient of Correlation between Cash and Bank balance And Current Liabilities	86
34.	4.9.1	Composition of Working Capital for Hypothesis Test	88
35.	4.9.2	Liquidity Position for Hypothesis test	90
36.	4.9.3	Profitability Position for Hypothesis Test	91

## List of Graphs

<b>S.N.</b>	<b>Graph No</b>	<b>Titles</b>	<b>Page No</b>
1.	4.1	Cash and Bank balance (Bar Diagram)	50
2.	4.2	Money at call or Short notice (Bar Diagram)	51
3.	4.3	Loan and Advance (Bar Diagram)	52
4.	4.4	Government Securities (Bar Diagram)	53
5.	4.5	Miscellaneous Current Assets (Bar Diagram)	54
6.	4.7.1	Cash and Bank balance percentage (Trend Line)	74
7.	4.7.2	Money at Call or Short notice percentage (Trend Line)	76
8.	4.7.3	Loan and Advance percentages (Trend Line)	77
9.	4.7.4	Government Securities (Trend Line)	79
10.	4.7.5	Current Ratio (Trend Line)	80
11.	4.7.6	Quick Ratio (Trend Line)	82

## ABBREVIATION

A/C	Account
AD	After Death
BC	Before Christ
BS	Bikram Sambat
BTIL	Balaju Textile Industry Limited
CA	Current Assets
CBB	Cash and Bank Balance
CBs	Commercial Banks
CL	Current Liabilities
CS	Cost of services
DDC	Dairy Development Corporation Nepal
e.g.	For Example
FD	Fixed Deposit
FY	Fiscal Year
TD	Total Deposit
HMG	His Majesty Government
IE	Interest Earned
JVBs	Joint Venture Banks
L & A	Loan and Advance
LTD	Long Term Debt
Ltd.	Limited
M.B.S.	Master in Business Studies
Misc.	Miscellaneous
NABIL	Nabil Bank Limited
NBL	Nepal Bank Limited
NFA	Net Fixed Assets
NGBL	Nepal Grindlays Bank Ltd.
NIBL	Nepal Investment Bank Limited
No.	Number
NP	Net Profit
NRB	Nepal Rastriya Bank
NW	Net Worth
p.	Page Number
PMs	Public Enterprises
QA	Quick Assets
RBB	Rastriya Banijya Bank
ROA	Return on Assets
ROE	Return on Equity
RS	Rupees
SCBNL	Standard Chartered Bank Nepal Limited
SD	Saving Deposit

T.U. Tribhuvan University  
TA Total Assets