

**COMPARATIVE FINANCIAL PERFORMANCE  
ANALYSIS OF NEPAL INVESTMENT BANK LIMITED  
AND HIMALAYAN BANK LIMITED**

**By:**

**ATMA RAM DAWADI**

SHANKER DEV CAMPUS

Roll No: 632/065

TU Regd. No. 7-2-548-10-2005

**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 (M.B.S.)

Kathmandu, Nepal

May, 2013

**RECOMMENDATION**

This is to certify that the thesis:

Submitted by

**ATMA RAM DAWADI**

Entitled

**COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF NEPAL  
INVESTMENT BANK LIMITED AND HIMALAYAN BANK LIMITED**

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

.....  
Asso. Prof. Ruchila Pandey  
(Thesis Supervisor)

.....  
Prof. Dr. Kamal Deep Dhakal  
(Head of Research Department)

.....  
Asso. Prof. Prakash Singh Pradhan  
(Campus Chief)

**VIVA - VOCE SHEET**

We have conducted the viva-voce of the thesis presented by  
**ATMA RAM DAWADI**

Entitled

**COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF NEPAL  
INVESTMENT BANK LIMITED AND HIMALAYAN BANK LIMITED**

*And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for Master's Degree in Business Studies (M.B.S.)*

**Viva-Voce Committee**

Head of Research Department .....  
Member (Thesis Supervisor): .....  
Member (External Expert): .....

Date: .....

## DECLARATION

I hereby declare that the work reported in this thesis entitled “**COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF NEPAL INVESTMENT BANK LIMITED AND HIMALAYAN 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 of Master of Business Studies (MBS) under the guidance and supervision of Asso. Prof. Ruchila Pandey of Shanker Dev Campus.

Researcher

Atma Ram Dawadi

Roll No. 632/065

## **ACKNOWLEDGEMENT**

This entitled thesis COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF NEPAL INVESTMENT BANK LIMITED AND HIMALAYAN BANK LIMITED has been prepared for the partial fulfillment of the requirement of Master's Degree of Business Studies (M.B.S) under the Faculty of Management, Tribhuvan University, is based on research models involving the use of quantitative as well as qualitative aspect of financial performance.

I wish to extend my deep sense of indebtedness to Asso. Prof. Ruchila Pandey, thesis supervisors who provided me valuable guidelines, insightful comments, encouragement to complete this thesis. This work has been come out in the present form with her inspiration, valuable suggestions, and guidelines. I am also thankful to staff member of Shanker Dev campus and central library of T.U.

I express my heartfelt gratitude to my parents and all my family members who always inspired me to complete this journey of higher education from the benchmark of my academic qualification that I had. Without their encouragement and inspiration, my higher education could not have been fulfilled.

I also thank to all my friends and colleagues. Without their cordial cooperation, this work could have been very difficult for me. Similarly, I thank to Mr Ram Subba for valuable suggestion and help. The entire family member who always encouraged me to complete this work.

Thank You.

**Atma Ram Dawadi**

## TABLE OF CONTENTS

Page No

Recommendation  
Viva-Voce sheet  
Declaration  
Acknowledgement  
Table of Content  
List of table  
List of figure  
Abbreviation

### CHAPTER - I

#### INTRODUCTION1

1.1. Background of the Study	1
1.2. Profile of Sample Banks	4
1.3. Statement of Problems	6
1.4. Objectives of the Study	6
1.5. Significant of the study	7
1.6. Limitation of the Study	7
1.7. Organization of the Study	8

### CHAPTER - II

#### REVIEW OF LITERATURE 10

2.1 Conceptual Review	10
2.1.1 Bank	10
2.1.2 Concept of Commercial Bank	10
2.1.3 Financial Statements	11
2.1.4 Financial Performance Analysis	12
2.1.5 Objectives of Financial Performance Analysis	15
2.1.6 Need of Financial Performance Analysis/ Financial Statement Analysis	16

2.1.7 Significance of Financial Analysis	16
2.1.8 Process of Financial Performances Analysis	18
2.1.9 Types of Financial Performance Analysis	18
2.1.10 Techniques of Financial (Statement) Analysis	20
2.1.11 Limitations of Financial Performance Analysis	25
2.2 Review of Journal and Articles	27
2.3 Review of Thesis	30
2.4 Research Gap	37

## CHAPTER - III

### RESEARCH METHODOLOGY

3.1 Introduction	39
3.2 Research Design	39
3.3 Population and Sample	40
3.4 Nature and Sources of data	40
3.5 Data Collecting Procedures	40
3.6 Tools and Techniques used	41
3.6.1 Financial Tools	41
3.6.2 Analysis of Financial Ratios	41
3.6.3 Ratio Analysis	41
3.6.7 Primary Data Analysis	47
3.7 Statistical Tools	48
3.7.1 Average Mean	48
3.7.2 Standard deviation	48
3.7.3 Coefficient of variation	48
3.7.4 Coefficient of correlation (r)	49
3.7.5 Trend Analysis	50

## CHAPTER – IV

### PRESENTATION AND ANALYSIS OF DATA

4.1 Financial Analysis	51
------------------------	----

4.1.1 Ratio Analysis	51
4.1.1.1 Liquidity Ratio	51
4.1.1.2 Assets Management Ratio	57
4.1.1.3 Profitability Ratio	63
4.1.1.4 Risk Ratio	72
4.1.1.5 Other Ratios	77
4.2 Primary Data Analysis	82
4.3 Statistical Analysis	94
4.3.1 Coefficient of Correlation Analysis	95
4.3.2 Time Series Analysis (Trend Analysis)	99
4.3 Major Findings of the Study	105
CHAPTER – V SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	113
5.1 Summary	113
5.2 Conclusions	115
5.3 Recommendation	118
Bibliography	
Appendix	

## LIST OF TABLE

Page No

Table 4.1 Current assets to current liability (in times)	52
Table 4.2 Cash and Bank Balance to Total Deposit Ratio	53
Table 4.3 Cash and Bank Balance to Current Asset Ratio	55
Table 4.4 Investment on Government Securities to Current Assets Ratio	56
Table 4.5 Loan and Advance to Total Deposit Ratio	58
Table 4.6 Total Investment to Total Deposit Ratio	59
Table 4.7 Loan and Advances to Total Assets Ratio	61
Table 4.8 Investment on Government Securities to Total Assets ratio	62
Table 4.9 Return on Loan and advances	64
Table 4.10 Return on Total Assets Ratio	65
Table 4.11 Return on Equity Ratio	67
Table 4.12 Interest Earned to Total Assets Ratio	68
Table 4.13 Total Interest Earned To Total outside Assets Ratio	70
Table 4.14 Interest Earned to Operating Income Ratio	71
Table 4.15 Credit Risk Ratio	73
Table 4.16 Liquidity Risk Ratio	75
Table 4.17 Asset Risk Ratio	76
Table 4.18 Earning Per Share	78
Table 4.19 Market price per share (in Rs)	79
Table 4.20 Price Earning Ratio	81
Table 4.21 Respondent's Profession	82
Table 4.22 Loan and Deposit customers of NIBL	83
Table 4.23 Customers availing different types of loan	84
Table 4.24 Customers availing different types of loan	84
Table 4.25 Customer's response in interest rates of Banks	85
Table 4.26 Performance and service of banks	86
Table 4.27 Customers view about staff of Banks	87
Table 4.28 Capital structure of banks	87

Table 4.29 Customer's view about financial need of banks	88
Table 4.30 Financial Performance Management Banks	89
Table 4.31 The preference of bank	89
Table 4.32 Sector for investment	90
Table 4.33 Expectation of Shareholder	91
Table 4.34 Expectation on return from investment	92
Table 4.35 Purpose of holding share of banks	92
Table 4.36 Investor preference towards share investment	93
Table 4.37 Financial analysis for to purchase share of banks	94
Table 4.38 Correlation between Deposit and Loan and Advances	95
Table 4.39 Correlation between Deposit and Total Investment	96
Table 4.40 Correlation between Loan and advance and Net profit	97
Table 4.41 Correlation between Total Deposit and Net Profit	98
Table 4.42 Trend analysis of Total Deposit of NIBL and HBL	100
Table 4.43 Trend analysis of Total Loan and Advance of NIBL and HBL	101
Table 4.44 Trend analysis of Total Investment between NIBL and HBL	103
Table 4.45 Trend Analysis of Net Profit between NIBL and HBL	104

## LIST OF FIGURE

	Page No
Figure 2.1 Du Pont System of Financial Analysis	23
Figure 4.1 Current Ratio	52
Figure 4.2 Cash and Bank Balance to Total Deposit Ratio	54
Figure 4.3 Cash and Bank Balance to Current Asset Ratio	55
Figure 4.4 Investment on Government Securities to Current Assets Ratio	57
Figure 4.5 Loan and Advance to Total Deposit Ratio	58
Figure 4.6 Total Investment to Total Deposit Ratio	60
Figure 4.7 Loan and Advances to Total Assets Ratio	61
Figure 4.8 Investment on Government Securities to Total Assets ratio	63
Figure 4.9 Return on Loan and advances	64
Figure 4.10 Return on Total Assets Ratio	66
Figure 4.11 Return on Equity Ratio	67
Figure 4.12 Interest Earned to Total Assets Ratio	69
Figure 4.13 Total Interest Earned To Total outside Assets Ratio	70
Figure 4.14 Interest Earned to Operating Income Ratio	72
Figure 4.15 Credit Risk Ratio	74
Figure 4.16 Liquidity Risk Ratio	75
Figure 4.17 Asset Risk Ratio	77
Figure 4.18 Earning Per Share	78
Figure 4.19 Market price per share	80
Figure 4.22 Price Earning Ratio	81
Figure 4.23 Trend Line of Total Deposit of NIBL and HBL	100
Figure 4.24 Trend line of Total Loan and Advance of NIBL and HBL	102
Figure 4.25 Trend Line of Total Investment between NIBL and HBL	103
Figure 4.26 Trend Line of Net Profit between NIBL and HBL	105

## **ABBREVIATION**

ADB	Agricultural Development Bank
AGM	Annual General Meeting
BOK	Bank of Kathmandu Limited
BPS	Book-value Per Share
BS	Bikram Sambat (Abbreviation of Bikram Era)
CEO	Chief Executives Officer
CV	Coefficient of Variation
DPS	Dividend per Share
EBL	Everest Bank Limited
EPS	Earning Per Share
GDP	Gross Domestic Product
HBL	Himalayan Bank Limited
G/N	Government of Nepal
IMF	International Monetary Fund
MBL	Machhapuchre Bank Limited
MPS	Market Price of Share
NABIL	Nabil Bank Limited
NBL	Nepal Bank Limited
NEPSE	Nepal Stock Exchange
NIB	Nepal Investment Bank Limited
NICB	Nepal Industrial & Commercial Bank Limited
NPV	Net Present Value
NRB	Nepal Rastra Bank
PE	Price Earnings
RBB	Rastra Banijya Bank
SBI	Nepal State Bank of India Limited
SCBNL	Standard Chartered Bank Nepal Limited
SEBO/N	Security Board of Nepal