

***A COMPARATIVE STUDY ON FINANCIAL  
PERFORMANCE OF SELECTED COMMERCIAL  
BANKS IN NEPAL***

Submitted by:  
GITA SHAPKOTA  
BHAIRAHAWA MULTIPLE CAMPUS  
T.U. REGD. NO.: 7-2-52-284-2001  
EXAM ROLL NO. : 1145/2063

A Thesis Submitted to:  
OFFICE OF THE DEAN  
FACULTY OF MANAGEMENT  
TRIBHUVAN UNIVERSITY

**In partial Fulfillment of the requirements for  
Master's Degree in Business Studies (MBS)**

Bhairahawa, Rupandehi  
November, 2008

# **Recommendation**

This is to certify that the Thesis

Submitted By:

GITA SHAPKOTA

Entitled

## ***“A Comparative Study on Financial Performance of Selected Commercial Banks in Nepal”***

*has been prepared as approved by this department in the prescribed format of the faculty of management. This thesis is forwarded for the Examination.*

.....  
Mr. Prasad Mani Dixit

Thesis Supervisor

.....  
Mr. Prasad Mani Dixit

Co-ordinator

MBS Program

Date: .....

.....  
Mr. Kapil Dev Lamichhane

Campus Chief

# VIVA-VOCE SHEET

We have conducted the Viva-Voce examination of the thesis

By

Gita Shapkota

Entitled

***“A Comparative Study on Financial Performance of Selected Commercial Banks in Nepal”***

*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 Degree in Business Studies (MBS).*

## Viva-Voce Committee

Chairperson, Research Committee \_\_\_\_\_

Member, (Thesis Supervisor) \_\_\_\_\_

Member, (External Expert) \_\_\_\_\_

Date: \_\_\_\_\_

## Declaration

I hereby declare that the work reported in this thesis entitled **"A Comparative Study on Financial Performance of Selected Commercial Banks in Nepal"** submitted to Bhairahawa Multiple Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements for the Master of Business Studies (M.B.S.) under the supervision and kind guidance of my respected teacher **Mr. Prasad Mani Dixit** of Bhairahawa Multiple Campus.

.....  
Gita Shapkota  
Bhairahawa Multiple Campus  
T.U. Regd. No: 7-2-52-284-2001  
Exam Roll No: 1145/2063

Date: .....

## ACKNOWLEDGEMENT

This research study on “*A Comparative Study on Financial Performance of Selected Commercial Banks in Nepal*” has been prepared to fulfill the particular requirement of the MBS program. For this, I am greatly thankful to the management faculty of Bhairahawa Multiple Campus and all authors and researchers who have contributed to the area of my research. I further hope that I have interpreted their view and expression properly.

First of all, I would like to express my special thank to my thesis supervisor the former Campus Chief **Mr. Prasad Mani Dixit** for his valuable suggestion, supervision, kind guidance and constant inspirations throughout the process of the preparation and completion of this dissertation. I am also grateful to **Mr. Lucky Prasad Joshi** and **Mr. Ramji Gautam**, the lecturer of the campus whose valuable suggestion and co-operation added strength to write this thesis. I am thankful to all lecturers and other staff members for assisting me to make my final work more productive. The librarian of the Bhairahawa Multiple Campus will also always be remembered for their assistance to provide me necessary materials relate to my thesis.

I would like to acknowledge the constant support and help provided by Mangala Pandey and Bidhya Shree Raymajhi, my loving friends who not only encourage me to prepare this dissertation but also helped me a lot to collect the necessary data as required for dissertation.

I express my sincere gratitude to my respected parents, lovely brothers, friends and other concerned parties for their kindest co-operation, inspiration and patients during the research work.

Last, but not the least, I would like to thank Mr. Rabindra KC, Kalika Cyber Café for his excellent computer setting.

**November, 2008**

Researcher

**Gita Shapkota**

# Table of Contents

Page No.

---

Recommendation	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
List of Abbreviations	

<b>Chapter I: Introduction</b>	<b>1-13</b>
1.1 Background of the Study	1
1.2 NABIL Bank Ltd.	5
1.3 Standard Chartered Bank Ltd.	7
1.4 Nepal SBI Bank Ltd.	8
1.5 Focus of the Study	10
1.6 Statement of the Problem	10
1.7 Objective of the Study	11
1.8 Significance of the Study	12
1.9 Limitation of the Study	12
1.10 Organization of the Study	12
<b>Chapter II: Review of Literature</b>	<b>14-30</b>
2.1 Conceptual Framework	14
2.1.1 Concept of Financial Statement	14
2.1.2 Concept of Financial Analysis	17
2.2 Review of Related Articles	22
2.3 Review of Previous Thesis	24
2.4 Research Gap	29

<b>Chapter III : Research Methodology</b>	<b>31-38</b>
3.1 Research Design	31
3.2 Nature and Sources of Data	32
3.3 Population and Sample	32
3.4 Method of Data Analysis	33
3.4.1 Financial Tools	33
3.4.1.1 Liquidity Ratio	33
3.4.1.2 Leverage or Capital Structure Ratio	34
3.4.1.3 Activity or Turnover Ratio	34
3.4.1.4 Profitability Ratio	35
3.4.1.5 Other Ratio	35
3.4.2 Statistical Tools	36

<b>Chapter IV : Presentation and Analysis of Data</b>	<b>39-111</b>
4.1 Introduction	39
4.2 Financial Analysis	39
4.2.1 Ratio Analysis	40
4.2.1.1 Liquidity Ratio	40
4.2.1.2 Capital Structure Ratio	50
4.2.1.3 Activity Ratio	58
4.2.1.4 Profitability Ratio	63
4.2.1.5 Other Ratio	73
4.3 Karl Pearson's Coefficient of Correlation and Probable Error	100
4.3.1 Computation of Correlation Coefficient of NABIL	102
4.3.2 Computation of Correlation Coefficient of SCBL	103
4.3.3 Computation of Correlation Coefficient of NSBI	104
4.4 Major Findings of the Study	106

## **Chapter V : Summary, Conclusion & Recommendation**

5.1	Summary	112
5.2	Conclusions	113
5.3	Recommendations	115
<b>Bibliography</b>		<b>I-III</b>



## List of Tables

Table No.	Title	Page No.
1.1	List of Licensed Commercial Banks in Nepal	4
4.1	Current Ratio	42
4.2	Cash & Bank Balance to Total Deposit Ratio	44
4.3	Cash & Bank Balance to Current Assets Ratio	46
4.4	Loan & Advances to Current Assets Ratio	48
4.5	Total Debt to Equity Ratio	51
4.6	Total Debt to Asset Ratio	53
4.7	Net Fixed Assets to Net Worth Ratio	55
4.8	Interest Coverage Ratio	57
4.9	Loan and Advances to Total Deposit Ratio	59
4.10	Performing Assets to Total Assets Ratio	61
4.11	Return on Total Assets Ratio	64
4.12	Return on Net Worth Ratio	66
4.13	Return on Capital Employed Ratio	68
4.14	Return on Total Deposit Ratio	70
4.15	Interest Earned to Total Assets Ratio	72
4.16	Earning Per Share	74
4.17	Dividend Per Share	76
4.18	Dividend Payout Ratio	78
4.19	Interest Earning Assets to Total Assets Ratio	80
4.20	Interest Paying Liabilities to Total Liabilities Ratio	82
4.21	Interest Paid to Interest Income Ratio	84
4.22	Spread	86
4.23	Operating Income of Selected Commercial Banks	88
4.24	Interest Income to Total Operating Income	89
4.25	Commission and discount Earned to Total Operating Income	90
4.26	Foreign Exchange Income to Total Operating Income	92

4.27	Other Income to Total Operating Income	93
4.28	Operating Expenses of Selected Commercial Banks	95
4.29	Interest and Commission Paid to Total Operating Expenses	96
4.30	Staff Expenses to Total Operating Expenses	97
4.31	Provision for Bonus to Total Operating Expenses	98
4.32	Other General Expenses to Total Operating Expenses	99
4.33	Correlation Coefficient between total deposit and loan & advances of NABIL	102
4.34	Correlation Coefficient between total deposit and loan & advances of SCBL	103
4.35	Correlation Coefficient between total deposit and loan & advances of NSBI	105

## List of Figures

<b>Figure No.</b>	<b>Title</b>	<b>Page No.</b>
4.1	Current Ratio	42
4.2	Cash & Bank Balance to Total Deposit Ratio	44
4.3	Cash & Bank Balance to Current Assets Ratio	47
4.4	Loan & Advances to Current Assets Ratio	49
4.5	Total Debt to Equity Ratio	51
4.6	Total Debt to Asset Ratio	53
4.7	Net Fixed Assets to Net Worth Ratio	55
4.8	Interest Coverage Ratio	57
4.9	Loan and Advances to Total Deposit Ratio	60
4.10	Performing Assets to Total Assets Ratio	62
4.11	Return on Total Assets Ratio	65
4.12	Return on Net Worth Ratio	67
4.13	Return on Capital Employed Ratio	69
4.14	Return on Total Deposit Ratio	70
4.15	Interest Earned to Total Assets Ratio	72
4.16	Earning Per Share	74
4.17	Dividend Per Share	76
4.18	Dividend Payout Ratio	78
4.19	Interest Earning Assets to Total Asses Ratio	80
4.20	Interest Paying Liabilities to Total Liabilities	82
4.21	Interest Paid to Interest Income Ratio	84
4.22	Spread	86
4.23	Interest Income to Total Operating Income	89
4.24	Commission and Discount Earned to Total Operating Income	91
4.25	Foreign Exchange Income to Total Operating Income	92
4.26	Other Income to Total Operating Income	93
4.27	Interest and Commission Paid to Total Operating Expenses	96

4.28	Staff Expenses to Total Operating Expenses	97
4.29	Provision for Bonus to Total Operating Expenses	99
4.30	Other General Expenses to Total Operating Expenses	100

## List of Abbreviations

$\Sigma$	=	Summation
&	=	And
@	=	At the rate
\$	=	Dollar
A/C	=	Account
ATM	=	Automatic Teller Machine
B.S	=	Bikram Sambat
B/S	=	Balance Sheet
CD	=	Credit to Total Deposit
Co.	=	Company
CRR	=	Cash Reserve Ratio
C.V	=	Coefficient of Variation
DBL	=	Dubai Bank Ltd.
DPR	=	Dividend Payout Ratio
DPS	=	Dividend per Share
EBIL	=	Emirates Bank International Ltd.
EBIT	=	Earning before Interest and taxes
EPS	=	Earning per Share
etc	=	Etcetera
i.e.	=	That is
JVBs	=	Joint Venture Banks
Ltd	=	Limited
MBS	=	Master Degree of Business Studies
N	=	No. of Year
NABIL	=	Nepal Arab Bank Ltd.
NBBL	=	Nepal Bangladesh Bank Ltd.
NGBL	=	Nepal Grindlays Bank Ltd.
NIBL	=	Nepal Investment Bank Ltd.
NRB	=	Nepal Rastra Bank Ltd.
P	=	Page No.

PE	=	Probable Error
P & L A/C	=	Profit and Loss Account
Pvt.	=	Private
r	=	Karl Pearson's Coefficient of Correlation
RBB	=	Rastriya Banijya Bank
Rs.	=	Rupees
S.D.	=	Standard Deviation
SN	=	Serial Number
SWIFT	=	The Society Of Worldwide International Bank Financial
T.U.	=	Tribhuvan University