PERFORMANCE OF NEPALESE COMMERCIAL BANKS (A Comparative Study of BOK and NSBI)

By

SITA PRASAI

Shanker Dev Campus

Campus Roll No: 1352/065

T.U. Reg. No: 7-2-271-312-2005

Second Year Exam Roll No:

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

In the Partial Fulfillment of the Requirement for the Degree of
Master of Business Studies (M.B.S.)

Kathmandu, Nepal August, 2013

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

SITA PRASAI

Entitled:

PERFORMANCE OF NEPALESE COMMERCIAL BANKS

(A Comparative Study of BOK and NSBI)

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

(Asso. Prof. Ruchila Pandey)	(Prof. Dr. Kamal Deep Dhakal)	(Asso. Prof. Prakash Singh Pradhan
Thesis Supervisor	Head of Research Department	Campus Chief

VIVA-VOCE SHEET

We have conducted the viva-voce of the thesis presented By

SITA PRASAI

Entitled:

PERFORMANCE OF NEPALESE COMMERCIAL BANKS (A Comparative Study of BOK and NSBI)

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's in Business studies (M.B.S.)

Viva-Voce Committee

Head, Research Department	•••••
Member (Thesis Supervisor)	
Member (External Expert)	

DECLARATION

I, hereby, declare that the work reported in this thesis entitled **PERFORMANCE OF NEPALESE COMMERCIAL BANKS (A Comparative Study of BOK and NSBI)** submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work done for the partial fulfillment of the requirement for the Masters of Business Studies (MBS) under the supervision of **Asso. Prof. Ruchila Pandey** of Shanker Dev Campus., Putalisadak, Kathmandu.

Sita Prasai

Researcher

Roll No: 1352/065

T.U. Regd. No. 7-2-271-312-2005

Shanker Dev Campus

Date: - August, 2013

ACKNOWLEDGEMENT

This is an attempt to present thesis entitled PERFORMANCE OF NEPALESE

COMMERCIAL BANKS (A Comparative Study of BOK and NSBI) prepared for

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

is an outcome of continuous and immeasurable cooperation and support of several hands.

I would like to express my heartfelt gratitude to all for their support.

I express my sincere honor and special sense of gratitude to my academic supervision,

Asso. Prof. Ruchila Pandey for their generous guidance, thoughtful encouragement and

brilliant insight throughout this research work.

I am extremely indebted to my parents and brother and Sister who have contributed their

valuable time and resources in making me what I am now.

I am grateful to BOK & NSBI and Central Library of T.U. I am indebted to the sources of

inspiration of all known and unknown authors and writers from whom; I gathered a great

impetus to the completion of this thesis.

Due thanks and appreciations go to my Teachers and all the family members who despite

many inconveniences provide me with a suitable environment throughout the study

period.

Sita Prasai

Roll No: 1352/065

Shanker Dev Campus

V

TABLE OF CONTENTS

]	Page No.
Reco	mmenda	tion	i
Viva-	-voce Sh	eet	ii
Decla	aration		iii
Ackn	Acknowledgement		iv
Table	e of Cont	tents	v
List o	of Table		vii
List o	of Figure		viii
	eviation		ix
Cl	.4 T	T., 4., . J.,	1.0
•	•	Introduction	1-8
1.1		al Background of the Study	1
1.0	1.1.1	Brief Introduction of Sample Banks	3
1.2	•	of the Study	5
1.3	Statement of the Problem		6
1.4	Objectives of the study		7
1.5	Limita	ation of the study	7
1.6	Chapt	er Plan	7
Chap	oter-II:	Review of Literature	9-27
2.1	Conce	eptual Review	9
	2.1.1	Concept of Financial Performance	9
	2.1.2	Concept of Financial Analysis	11
	2.1.3	Objectives of Financial Analysis	12
2.2	Scena	Scenario of Commercial Bank	
	2.2.1	Concept of Commercial Bank	13
	2.2.2	Historical development of Banking System in Nepal	14
	2.2.3	Function of Commercial Bank	16
	2.2.4	Role of Commercial Banks in the Development of the Econo	my 17
2.3	Revie	w of Related Studies	18
	231	Review of Books	18

	2.3.2	Review of Journals and Articles	20
	2.3.3	Review of Previous Thesis	22
2.4	Resear	ch Gap	27
Chapt	er-III:	Research Methodology	28-40
3.1	Resear	ch Design	29
3.2	Popula	tion and Sample	29
3.3	Nature and Sources of Data		30
3.4	Data Collecting Procedure		30
3.5	Data Processing Procedure		30
3.6	Tools a	and Techniques of Performance Analysis	31
	3.6.1	Financial Tools	31
	3.4.2	Statistical Tools	37
Chapt	er-IV:	Data Presentation and Analysis	41-73
4.1	Financ	ial Tools	41
	4.1.1	Ratio Analysis	41
		4.1.1.1 Liquidity Ratio	41
		4.1.1.2 Assets Management Ratio	49
		4.1.1.3 Profitability Ratio	55
		4.1.1.4 Activity Risk Ratio	61
4.2	Statisti	cal Tools	64
	4.2.1	Coefficient of Correlation Analysis & Test of Hypothesis	64
	4.2.2	Trend Analysis	67
4.3	Major	Findings of the Study	71
Chapt	er-V: S	ummary, Conclusions & Recommendations	74-78
5.1	Summa	ary	74
5.2	Conclu	asions	76
5.3	Recom	mendations	78
Biblio	graphy		
Apper	ndices		

LIST OF TABLES

]	Page No.
Table: 4.1:	Current Assets to Current Liability	42
Table: 4.2:	Cash and Bank Balance to Total Deposit Ratio	43
Table: 4.3:	Cash and Bank Balance to Current Assets	45
Table: 4.4:	Investment on Government Securities to Current Assets	46
Table: 4.5:	Loan and Advances to Current Assets	48
Table: 4.6:	Loan and Advance to Total Deposit	49
Table: 4.7:	Total Investment to Total Deposit	51
Table: 4.8:	Loan and Advances to Total Assets	52
Table: 4.9:	Investment on Government Securities to Total Assets	54
Table: 4.10:	Return on Loan and advances	56
Table: 4.11:	Return on Total Assets Ratio	57
Table: 4.12:	Total Interest Earned to Total Operating Income Ratio	59
Table: 4.13:	Total Interest Paid to Total Assets Ratio	60
Table: 4.14:	Liquidity Risk Ratio	62
Table: 4.15:	Credit risk ratio	63
Table: 4.16:	Coefficient of correlation between deposit and loan & advances and test of hypothesis	65
Table: 4.17:	Coefficient of correlation between deposit and total investment and test of hypothesis	66
Table: 4.18:	Coefficient of correlation between outside assets and net profit and test of hypothesis	67
Table: 4.19:	Trend analysis of loan & advances to total deposits ratio of BOK & S	SBI 68
Table: 4.20:	Trend analysis of total investment to total deposit ratio of Sample Ba	nk 70

LIST OF FIGURES

	Page	No.
Figure: 4.1:	Current Assets to Current Liability Ratio	42
Figure: 4.2:	Cash and Bank Balance to Total Deposit Ratio	44
Figure: 4.3:	Cash and Bank Balance to Current Assets	45
Figure: 4.4:	Investment on Government Securities to Current Assets	47
Figure: 4.5:	Loan and Advances to Current Assets	48
Figure: 4.6:	Loan and Advance to Total Deposit	50
Figure: 4.7:	Total Investment to Total Deposit	51
Figure 4.8:	Loan and Advances to Total Assets	53
Figure: 4.9:	Investment on Government Securities to Total Assets	54
Figure: 4.10:	Return on Loan and advances	56
Figure: 4.11:	Return on Total Assets Ratio	58
Figure: 4.12:	Total Interest Earned to Total Operating Income Ratio	59
Figure: 4.13:	Total Interest Paid to Total Assets Ratio	61
Figure: 4.14:	Liquidity Risk Ratio	62
Figure: 4.15:	Credit risk ratio	64
Figure: 4.16:	Trend analysis of loan and advances to total deposits ratio of BOK & SBI	69
Figure: 4.17:	Trend analysis of total investment to total deposit ratio of sample banks	71

ABBREVIATION

A/C : Account

AD : Anon Dominic

ADB : Agriculture Development Bank

Amt : Amount

ATM : Automated Teller Machine

BS : Bikram Sambat

EBL : Everest Bank Limited

C.V. : Coefficient of Variance

Deb. : Debenture

F/Y : Fiscal Year

HBL : Himalayan Bank Limited

i.e. : That is

Ltd : Limited

MBS : Masters in Business Studies

NABIL : Nepal Aurab Bank Limited

NBBL : Nepal Bangladesh Bank limited

NRB : Nepal Rasta Bank

SCBL : Standard charter Bank Limited

NIBL : Nepal Investment Bank Limited

NIDC : Nepal Development Corporation

NSBI : Nepal State Bank of India

Pvt : Private

r : Correlation

Rs : Rupees

SD : Standard Deviation

S.No : Serial number

TU : Tribhuvan University

UAE : United Arab Emirates

USA : United States of America

VDC : Village Development Commute

VOL : Volume

% : Percent

& : And