

**COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE
OF RASTRIYA BANIJYA BANK LIMITED AND NEPAL
BANK LIMITED**

A Thesis

By

JAMUNA DHAKAL

Central Department of Management

ClassRoll No: 28

Exam Roll No: 700/016

T. U. Reg. No: 7-2-575-85-2011

Submitted in Partial Fulfillment of the Requirements for the Degree of

Masters of Business Studies (MBS Semester)

in the

Faculty of Management

Tribhuvan University

Kathmandu, Nepal

2018

**COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE
OF RASTRIYA BANIJYA BANK LIMITED AND NEPAL
BANK LIMITED**

A Thesis

By

JAMUNA DHAKAL

Central Department of Management

ClassRoll No: 28

Exam Roll No: 700/016

T. U. Reg. No: 7-2-575-85-2011

Submitted in Partial Fulfillment of the Requirements for the Degree of

Masters of Business Studies (MBS Semester)

in the

Faculty of Management

Tribhuvan University

Kathmandu, Nepal

2018

RECOMMENDATION LETTER

It is certified that thesis entitled “Comparative Analysis of Financial Performance of RastriyaBanijya Bank Limited and Nepal Bank Limited” submitted by JamunaDhakal is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forward for examination.

Asso.Prof. JagatTimilsina
Thesis Supervisor
Central Department of Management
Trihuvan University,
Kirtipur, Kathmandu, Nepal

Date:

APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **Comparative Analysis of Financial Performance of RastriyaBanijya Bank Limited and Nepal Bank Limited** by **JamunaDhakala** candidate for the degree of **Master of Business Studies (MBS)** and conducted the Viva Voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

Asso.Prof. JagatTimilsina

Thesis Supervisor

Phul Prasad Subedi

Internal Examiner

Prof. Bhawani Shankar Acharya

External Examiner

Prof. Bhawani Shankar Acharya

(Chairperson, Research Committee)

Prof. Dr. Bhoj Raj Aryal

(Head of Department)

Date:

CERTIFICATION OF AUTHORSHIP

I certify that the work in the thesis has not previously been submitted for a degree nor has it been submitted as part of requirement for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me under the supervision of Asso. Prof. JagatTimilsina. Any help that I have received in my research work and the presentation of the thesis itself has been acknowledged. In addition, I certify that all information source and literature used are indicated in the reference section of thesis.

JamunaDhakal

Date:

ACKNOWLEDGEMENTS

This entitled thesis ‘Comparative Analysis of Financial Performance of RastriyaBaniija Bank Limited and Nepal Bank Limited’ has been prepared in partial fulfillment for the Degree of Master of Business Studies (M.B.S.) under the Faculty of Management, Tribhuvan University, in based on research models involving the use of qualitative aspect of Financial Performance. I would like to express my heartfelt gratitude and appreciation to all for their support.

I have great satisfaction and pleasure to express to my appreciation and sincerity to my thesis supervisor Asso. Prof. JagatTimilsina of Central Department of Management, TU for his excellent and effective guidance and supervision. I will remain thankful for his valuable direction useful suggestion and comments during course of preparing this thesis without his help this work would not have come in this form.

I highly appreciate to the staff of RBBL and NBL, TU Central Library for their valuable advices and support in collecting and presenting the necessary data.

Last but not the least, I would like to express my deep gratefulness to my entire friends and my family members for the encouragement and moral support from inception to complete this thesis research work.

Thank you.

JamunaDhakal
Central Department of Management, TU

ABSTRACT

This study entitled “Comparative Analysis of Financial Performance of RastriyaBanijya Bank Limited and Nepal Bank Limited” was conducted on government-owned banks of Nepal. Both the descriptive and comparative financial performance analysis approaches were used. Five year audited financial reports from 2069/70 to 2073/74 of the two government-owned commercial banks were taken for analysis purpose. Qualitative analysis was undertaken by looking at various set of ratios and statistical tools that are routinely used to measure bank performance. Conclusions were then drawn from the computation of the relevant ratios that allowed the author to make an effective comparison of said banks. So, for most researches have tried to assess the growth of private banks relative to government-owned banks in terms of assets ownership and loan granting ability. But this study has tried to assess two government-owned commercial banks financially sound or not by as a case study. Financial ratios were considered to measure capital adequacy, assets quality, management quality, earning quality, liquidity quality and profitability of the commercial banks. In both financial performance analysis approaches i.e., the descriptive and comparative analysis, commercial banks of Nepal’s financial performance showed that RBBL gets first position on the basis of CBBCA(17.02%), CBBTDR(17.76%), ROA(1.83%), ROE(60.65%) and ITDR(29.16%). While NBL gets first position on the basis of CAR(1.35%), LATAR(56.28%) and NPALAR(4.36%). It is also found that the determination factor CAR, CBBCA, ROE, ROA impact the financial performance of commercial bank in Nepal. It also concluded that the CAR, CBBCA, ROA, ROE, IEIIR are one the key determinants of financial performance of commercial banks in Nepal.

The study recommends the weak bank to improve their financial performance by improving the assets quality, management quality, earning quality and liquidity quality and it also recommend the bank management has to work to retain optimum amount of cash and granting the excess amount to borrowers of the bank as a loan or investing it in other profitable investments. Actually the banks should come forward to increase the number of clients, develop entrepreneurship, diversify their business with large number of small investors and come forward to meet the national objective of privatization by mobilizing more entrepreneurs.

TABLE OF CONTENTS

	Page No.
CERTIFICATION OF AUTHORSHIP	ii
RECOMMENDATION LETTER	iii
APPROVAL SHEET	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
ABBREVIATION	xi
ABSTRACT	xii
CHAPTER – I: INTRODUCTION	1-9
1.1 Background of the Study	1
1.2 Profil of The Selected Bank	3
1.2.1 Rastriya Banijya Bank Limited	3
1.2.2 Nepal Bank Limited	4
1.3 Focus of the Study	5
1.4 Statement of the Problems	5
1.5 Purposes of the Study	7
1.6 Significant of the Study	7
1.7 Limitations of the Study	8
1.8 Organization of the Study	8
CHAPTER - II: REVIEW OF LITERATURE	10-24
2.1 Conceptual Framework	10
2.1.1 Commercial Bank	10
2.1.2 Financial Statements	11
2.1.3 Financial Performance Analysis	13
2.1.4 Objectives of Financial Performance Analysis	15
2.1.5 Need of Financial Performance Analysis/ Financial Statement Analysis	16

2.2	Review of Related Studies	17
2.2.1	Review of Journals and Articles	17
2.2.2	Review of Related Thesis	19
2.3	Research Gap	24
CHAPTER - III: RESEARCH METHODOLOGY		25-37
3.1	Research Design	25
3.2	Population and Sample	26
3.3	Nature and Sources of Data	26
3.4	Data Collection Technique	26
3.5	Data Analysis Technique	27
3.5.1	Financial Tools	27
3.5.1.1	Liquidity Ratios	27
3.5.1.2	Activity/Assets Management Ratio	29
3.5.1.3	Profitability Ratios	30
3.5.1.4	Lending Efficiency Ratio	32
3.5.2	Statistical Tools	33
3.5.3	Diagrammatic and Graphical Representation	36
CHAPTER – IV: PRESENTATION AND ANALYSIS OF DATA		38-69
4.1	Financial Tools	38
4.1.1	Liquidity Ratios	38
4.1.1.1	Current Ratio	38
4.1.1.2	Cash and bank balance to current assets ratio	40
4.1.1.3	Cash and Bank Balance to Total Deposit Ratio	41
4.1.2	Activity Ratio	43
4.1.2.1	Loan and Advance to Total Deposit Ratio	43
4.1.2.2	Loan and Advances to Total Assets Ratio	45
4.1.2.3	Investment to Total Deposit Ratio	46
4.1.3	Profitability Ratio	48
4.1.3.1	Return on Total Assets Ratio	49
4.1.3.2	Return on Equity	50
4.1.3.3	Total Interest Expenses to Total Interest Income	52

4.1.3.4	Net Profit to Loan and Advances Ratio	53
4.1.4	Lending Efficiency Ratio	55
4.1.4.1	Loan loss provision to Loan and Advances Ratio	55
4.1.4.2	Non-Performing Assets to Total Loan and Advances Ratio	56
4.1.4.3	Non-Performing Assets to Total Assets Ratio	58
4.2	Statistical Tools	59
4.2.1	Coefficient of Correlation	59
4.2.1.1	Correlation between Total Deposit and Total Investment	60
4.2.1.2	Correlation between Loan and Advances and Net profit	61
4.2.1.3	Correlation between Total Deposit and loan & advances	62
4.2.2	Trend Analysis	63
4.2.2.1	Trend Analysis of Total Deposit	63
4.2.2.2	Trend Analysis of Net profit	65
4.3	Major Findings of the Study	66
CHAPTER - V: SUMMARY CONCLUSION & RECOMMENDATIONS		70-74
5.1	Summary	70
5.2	Conclusion	72
5.3	Recommendations	73

REFERENCES

APPENDICES

LIST OF TABLES

	Page No.
Table 4.1: Current ratio	39
Table 4.2: Cash and Bank balance to Current Assets Ratio	40
Table 4.3: Cash and Bank Balance to Total Deposit Ratio	42
Table 4.4: Loan and Advance to Total Deposit Ratio	44
Table 4.5: Loan & Advance to Total Assets Ratio	45
Table 4.6: Investment to Total Deposit Ratio	47
Table 4.7: Return on Total Assets Ratio	49
Table 4.8: Return on Equity	51
Table 4.9: Interest Expenses to Interest Income Ratio	52
Table 4.10: Net Profit to Loan and Advance Ratio	54
Table 4.11: Loan loss provision to Loan and Advance Ratio	55
Table 4.12: Non-Performing Loan to Total Loan and Advances	57
Table 4.13: Non-Performing Loan to Total Assets Ratio	58
Table 4.14: Correlation between total deposit and investment	60
Table 4.15: Correlation between loan & advances and Net profit	62
Table 4.16: Correlation between Total Deposit and loan & advances	62
Table 4.17: Trend of total Deposit	64
Table 4.18: Trend Analysis of Net profit	65

LIST OF FIGURES

	Page No.
Figure 4.1: Current Ratio	39
Figure 4.2: Trend of Cash and Bank Balance to Current Assets Ratio	41
Figure 4.3: Trend of Cash and Bank Balance to Total Deposit Ratio	42
Figure 4.4: Trend of Total Loan and Advance to Total Deposit Ratio	44
Figure 4.5: Trend of Loan and advances to Total Assets Ratio	46
Figure 4.6: Trend of Investment to Total Deposit Ratio	48
Figure 4.7: Return on Total Assets	50
Figure 4.8: Return on Equity	51
Figure 4.9: Interest Expenses to Interest Income Ratio	53
Figure 4.10: Trend of Net Profit to Loan and Advance Ratio	54
Figure 4.11: Trend of Loan loss provision to Loan and Advance Ratio	56
Figure 4.12: Trend of Non-Performing Loan to Total Loan and Advances	57
Figure 4.13: Trend of Non-Performing Loan to Total Assets Ratio	59
Figure 4.14: Trend of Total Deposits	64
Figure 4.15: Trend of Net Profit	66

ABBREVIATIONS

AD	:	Anno Domini
ATM	:	Automated Tailor Machine
BS	:	BikramSambat
CA	:	Current Assets
CABBCAR	:	Cash and Bank Balance to Current Assets Ratio
CB	:	Commercial Banks
CBBTDR	:	Cash and bank balance to total deposit ratio
CL	:	Current Liabilities
CR	:	Current Ratio
CV	:	Coefficient of Variation
F/Y	:	Fiscal Year
II	:	Interest Income
IDRBT	:	Institute for Development and Research in Banking Technology
IEIIR	:	Interest Expenses to Interest Income Ratio
ITDR	:	Investment to Total Deposit Ratio
L & A	:	Loan and Advance
LATAR	:	Loans and Advances to Total Assets Ratio
LLP	:	Loan Loss Provision
Ltd	:	Limited
NBL	:	Nepal Bank Limited
NPALAR	:	Non-Performing loan and Loan and Advance Ratio
NRB	:	Nepal Rastra Bank
RBBL	:	RastriyaBanijya Bank Limited
ROE	:	Return on Equity
ROTA	:	Return on Total Assets
SD	:	Standard Deviation
T.A	:	Total Assets