

**COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS
OF NEPALESE COMMERCIAL BANKS**

A dissertation submitted to the Office of the Dean, Faculty of
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Master's Degree

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertations entitled “Comparative financial performance analysis of Nepalese Commercial Banks”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the references sections of the dissertation.

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September, 2021

Report of Research Committee

Ms. Sonisha Shankar has defended research proposal entitle “**Comparative financial performance analysis of Nepalese Commercial Banks**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Gyan Mani Adhikari and submit the thesis for evaluation and viva voce examination.

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Approval Sheet

We have examined the dissertation entitled “**Comparative financial performance analysis of Nepalese commercial banks**” Presented by Ms. **Sonisha Shankar** for the degree of **Master of Business Studies (MBS)**. We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS

HBL= Himalayan Bank Limited

EBL= Everest Bank Limited

NRB= Nepal Rastra Bank

CFS= Cash Flow Statement

MPT= Modern Portfolio Theory

PSX= Palestine securities exchange

ROA= Return On Assets

NIM= Net Income Margin

GDP= Gross Domestic Product

CR= Credit Risk

Abstract

This study examines the comparative financial performance analysis of Nepalese commercial banks. The study is based on the secondary data of two commercial banks with 10 observations for the period 2015/16 to 2019/20. The profitability ratio is selected as dependent variables while liquidity ratio, leverage ratio, and turnover ratio is selected as independent variables. The data were collected from annual reports of concerned sample bank. The result shows that, EBL is more profitable in term of the liquidity ratio. The result further shows that, EBL has high risk in term of leverage ratio it conclude that EBL has greater utilization of assets than HBL

CHAPTER I

INRODUCTION

1.1 Background of the study

Banking system occupies an important role in economic development of a country. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and focus the core of the money market in an advance country. The basic function of bank is to collect deposit as much as possible from customers and mobilize it into the most preferable and profitable sector like industry, commerce, agriculture, entertainment etc. Like other countries, Goldsmiths, merchants and moneylenders were the ancient bankers of Nepal. Tejarath Adda established during the tenure of the Prime Minister Ranoddip Singh (B.S 1993) was the first steps towards the institutional development of banking in Nepal. Tejarath Adda did not collect deposit from the pub (Abebe, 2014)lic but grave a loan to employee and public against the bullion. But the concept of modern banking institution in Nepal was introduced when the first commercial bank, Nepal Bank Limited (NBL) was established in 1994 B.S. Nepal bank was the only financial institution of the country until the formation of Nepal Rastra bank in 2013 B.S. NRB is the central bank which issued the Nepalese note/currency for the first time in 2016 B.S.

Commercial banks in Nepal fall under class 'A' financial institution, its objectives is to promote and help in the operation of trade, commerce and industries in the country. Commercial banks are the general banks whose primary functions are related to acceptance of public deposit and providing individual and corporate loan at a certain rate of interest. There are 27 'A' class commercial banks in Nepal as per Nepal Rastra Bank report of the mid April 2020. In Nepal, 'A' class commercial should have a minimum capital of Rs. 8 Arba, this is as per the directive by NRB. Global IME bank has the highest capital of Rs 18.98 Arba. Performance evaluation is the important channel for enterprise stakeholders to get the performance information (Sun, 2011). The performance evaluation of a commercial bank is usually related to how well the bank can use its assets, shareholder's equities and liabilities, revenue and expenses.

The performance evaluation of bank is important for all parties including depositors, investors, bank manager and regulators. Evaluations of a firm's performance usually employs the financial ratio method, because it provides a simple description about the firm's financial performance in comparison with previous period and help to improve its performance of management (Linetal 2005).The efficacy of a financial system to reduce information and transportation cost play a an important role in determining the rate of saving, investment decision, technological innovations and hence the rate of economic growth. According to Myers, "financial statement analysis is largely a study of relationship among the various financial factors in business as disclosed by a single set of statement and a study of the trend of these factors as shown in a series of statement". According to Verma financial performance in border sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the result of a firm's policies and operations in monetary terms.

Financial statement is written records that convey the business activities and financial performance of a company. Analysis of financial statement refers to the treatment of information contained in the financial statement in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned.It is the process of analyzing financial statement, involves the rearranging, comparing ad measuring the significance of financial and operating data. Such a steps helps to reveal the relative significance and effect of items of the data in relation to the time period and/or between two organizations. The tools for the analysis of financial statement are ratio analysis. This analysis describes a particular relationship between elements of one with the other element in a financial report. Financial statement includes three statements: balance sheet, income statement and cash flow statement.

Balance Sheet

Balance sheet shows assets, debt and the company's capital at a given time. It provides an overview of how well the company manages its assets and liabilities. Analysts can find information about long-term vs. short-term debt on the balance sheet. They can also find information about what kind of assets the company owns and what percentage of assets are financed with liabilities vs. stockholders' equity. It shows financial status of the firm, so balance sheet is also known as financial position indicator of the firm.

Income statement

Income statement primarily focuses on a company's revenues and expenses during a particular period. Once expenses are subtracted from revenues, the statement produces a company's profit figure called net income. It is also referred to as the profit and loss statement; the income statement provides the gross profit margin, the cost of goods sold, operating profit margin and net profit margin. It also provides an overview of the number of shares outstanding, as well as a comparison against performance the prior year.

Cash Flow Statement

Cash flow statement (CFS) measures how well a company generates the cash to pay its debt obligation, fund its operating expenses, and fund investment. It is a combination of both income statement and balance sheet. CFS also provides the source and use of cash flow from operations, investing and financing.

Financial ratio analysis of a company is used to assess the situation and trends and also measure the performance of management. Through analysis of the ratio, it can be used as a basis to assess whether management's performance has reached a predetermined goal or not and to know early on trends that management performance can be anticipated. Financial ratios help us to find the symptoms of operational and financial problems of a company, which can be ascertained by examining the behavior of these ratios. The result of analysis can be used to observe the weakness of the company during the period of time to walk, is there any weakness in the company that can be repaired, while the results are good enough to be maintained in the future. Further historical ratio analysis can be used for the preparation of plans and policies in the coming years in order to determine the right policy direction. A company's financial performance is normally judged by a series of ratios or figures, however, there are three ratio parameters which can be used to evaluate financial performance, they are: a) Return on Equity b) Equity per Share c) Price Earnings Ratio.

Therefore, the aim of this study is to measure the best performance among Himalayan Bank Ltd and Everest Bank Ltd to find out the relationship between bank-specific factors (ratios) and the banks' performance. Himalayan Bank is the commercial bank of Nepal with most of its shares held by the private sector of Nepal. Besides commercial

banking services, this bank also offers industrial and merchant banking service. It was established in January 18, 1993 AD. It was founded by renowned individuals of Nepal in partnership with the Employees Provident Fund and Habib bank Limited Pakistan. Everest Bank limited was established in 1994 which is joint venture of Panjab National Bank, India. Panjab National Bank holds 20% equity share of this bank. The process of analyzing financial statement involves the rearranging, comparing and measuring the significance of financial and operating data. Such a step helps to reveal the relative significance and effort of item of the data in relation to the time period and/or between two organizations.

1.2 Problem Statement

Banks has been contributing towards the development of any economy for a long time at the moment it is treated as an important banking industry in modern world. Now days the functioning area of bank not limited within same geographical limit of any country. Therefore bank has to manage large volume transaction. Industry related stakeholder need to know about the financial performance of the bank. The survival of commercial bank and other financial institution depend upon how they manage their assets and liabilities to maximize their profit within minimum exposure of assets to risk and guided by three important conflicting criteria of solvency, liquidity, and profitability. In Nepal many banks and financial companies have opened up within a span of few years. The current situation has brought a cutthroat competition in banking business. Although joint venture banks have managed to perform better than other local commercial banks within the short period of time they have been facing a neck competition against one another. The study emphasis lay upon the performance of HBL and EBL. The struggle and survival, pros and cons, up down and ability of the bank to adopt in the changing economic condition effectively would be deals and analyzed. The financial performance of government banks is visibly low. Government banks have deal with various social obligations and gave to provide different subsidies. At the same time, Joint venture banks can merely operates for profit making. With the prevailing economic condition of the country, the investment in manufacturing, productive, agriculture and industrial sectors has not grown satisfactorily. Hence, HBL and EBL are also not succeeding perfectly to shift the deposit in profitable sectors.

Financial analysis is conducted to find out the current performance of bank. Conducting cross section analysis if financial ratio bank management knows the position of its bank relative to the performance of overall banking industry and bank management may identify its problem area. To analysis financial performance ratio analysis is the most logical way to show the bank financial position. So this study has conduct to expose restriction of the financial area and process of financial performance through ratio analysis of HBL and EBL by comparing bank's past year balance sheet income statement and cash flow by generating ratio that conduct how much financial stability can be achieve. Performance of the banks has to be viewed both in terms of profitability and stability. Hence, it is imperative to consider factors while measuring performance so as to see which bank is doing better in terms of maintaining a good balance between the conflicting goals of profitability and soundness.

Thus, the present study seeks to explore the efficiency and comparative financial performance of HBL and EBL. The problem of the study will ultimately find out the reason about difference in financial performance. A comparative analysis of financial performance of bank would be highly beneficial for pointing out their strength and weakness. At present there are 27 commercial banks, in spite of rapid growth, some indicators shows performance is not much encouraging towards the service coverage. The study tries to analyze the present performance of bank which would give the answer of following queries:

- i. What are the determinants of financial performance of HBL and EBL?
- ii. What is the relationship of ratio among HBL and EBL through financial indicator?

1.3 Objectives of study

The main objectives of the study is to evaluate and analysis the financial performance of these two banks i.e., HBL and EBL and to recommend the suitable suggestion for improvement.

- i. To identify the determinants of financial performance of HBL and EBL.
- ii. To assess relationship of ratio among HBL and EBL through financial indicator.

1.4 Rational of the study

Financial performance analysis helps in identifying the financial strengths weaknesses of the firm by properly establishing the relationship between the item of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. Therefore, these financial statements are very useful for the stakeholders, as they obtain all insight information. The financial performance of commercial banking sector should be very much capable in enhancing the capital market as well. A financial ratio is a relationship that indicates something about a company's activities, such as the ratiobetween the company's current assets, liabilities or between its account receivable and its annual sales. The basis source for this ratio is the company's financial statements that contain figures on assets, liabilities, profit and loss.

Financial analysis helps companies assess their financial health, and assist them in making decisions concerning their management and activities. Companies also have to protect the interests of their stakeholders. Therefore financial analysis provides the essential information to stakeholders which help to protect their interest. It assists management in decision making process, drafting various plans and also in establishing an effective controlling system. They are creating threats to the government banks. Most of the investors are investing their money and assets without any proper knowledge and information. This study will be beneficial for the entire person who directly/indirectly related to banking business. It will give the information about the financial condition of HBL and EBL and it will definitely help to increase to analytical power of the investors, depositors, shareholders, debenture holders, suppliers, debtors, creditors etc.

This study will focus on comparative financial performance between HBL and EBL. This comparative financial performance analysis gives insight into the relative financial condition and performance of these banks. This study helps to know about the strength and weakness of sampled banks and also help in providing an intuitive understanding of how efficiency resources are employed and business is conducted. This comparative financial performance analysis gives insight into the relative financial condition and performance of these banks; this will provide guideline for improving its performance to achieve the banks objectives.

1.5 Limitations of study

As every research has its own limitation, this study is not biased. The research is done for the partial fulfillment of M.B.S. Therefore, this study has some limitations, which are listed below:

- i. This study is limited to comparative study of financial performance of two joint venture banks HBL and EBL.
- ii. This study is based on secondary data and evaluated of data at least 5years period.
- iii. In this study, only selected financial tools: liquidity ratio, leverage ratio, turnover ratio and profitability ratio are used so that the interpretation from other tools can be different.

1.6 Organization of study

This study has organized into following five chapters.

Chapter I: Introduction

This chapter includes background of the study, statement of problems, objectives of the study, significance of the study and limitation of the study.

Chapter II: Review of Literature

This chapter reviews the existing literature on the concept of financial performance analysis. It contains review of journal, articles and earlier research paper related to the subject. It also includes research gap.

Chapter III: Research Methodology

This chapter expresses the way and technique of the study applied in research process. It includes research design, population and sample, data collection procedure and processing, tools and method of analysis.

Chapter IV: Result and Discussion

In this chapter collected and processed data will presented, analyzed and interpreted with using financial tool as well as statistical tools.

Chapter V: Summary and Conclusion

In this chapter, summary of whole study, conclusion and recommendation will made.

At the end of the study, references and appendix are also included.

CHAPTRE II

REVIEW OF LITERATURE

A literature review is a survey of scholarly sources on a specific topic. It provides an overview of current knowledge, allowing identifying relevant theories, methods, and gaps in the existing research writing. A literature review involves finding relevant publications (such as books and journal articles), critically analyzing them, and explaining what you found. A good literature review doesn't just summarize sources – it analyzes, synthesis, and critically evaluates to give a clear picture of the state of knowledge on the subject. It illuminates how knowledge has evolved within the field, highlighting what has already been done, what is generally accepted, what is emerging and what is the current state of thinking on the topic. Literature review are secondary source and do not report new or original experimental work. Review of literature is also refers to any collection of materials on a topic or discusses published information in particular subject area.

2.1 Theoretical review

CAMELS Model

CAMELS model is the rating system wherein the bank regulators or examiners (generally the officers trained by RBI), evaluates an overall performance of the banks and determine their strengths and weaknesses. CAMELS rating are based on the financial statements of the banks, Viz. Profit and loss account, balance sheet and on-site examination by the bank regulators. The CAMELS acronym stands for capital adequacy, assets quality, management, earning, liquidity and sensitivity.

Capital adequacy: Capital adequacy is a reflection of the inner strength of a bank, which would stand it in good stead during the times of crisis. Capital adequacy may have a bearing on the overall performance of a bank, like opening of new branches, fresh lending in high risk but profitable areas, manpower recruitment and diversification of business through subsidiaries or through specially designated branches, as the RBI could think these operational dimensions to the bank's capital adequacy achievement (Shankar, 1997).

Assets quality: Asset quality covers an institutional loan's quality, which reflects the earnings of the institution. This shows the stability of the bank when faced with

particular risks. Asset quality is reflected by the efficiency of an institution's investment policies and practices.

Management: Management assessment determines whether an institution is able to properly react to financial stress. This component rating is reflected by the management's capability to point out, measure, look after and control risks of the institution's daily activities.

Earning:The Earnings/Profit is a Conventional Parameter of measuring financial performance. Higher income generally reflects a lack of financial difficulties and so would be expected to reduce the likelihood of failure of a bank (Cole and Gunther, 1996)

Liquidity:To assess a bank's liquidity, examiners look at interest rate risk sensitivity, availability of assets that can easily be converted to cash, dependence on short-term volatile financial resources and ALM technical competence.

Sensitivity:Sensitivity covers how particular risk exposures can affect institutions. Examiners assess an institution's sensitivity to market risk by monitoring the management of credit concentrations.

Modern Portfolio Theory

The Modern Portfolio Theory (MPT) was developed by **Harry M. Markowitz** and published under the title "Portfolio Selection" in the 1952 Journal of Finance. MPT is a theory of finance that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. MPT says that it is not enough to look at the expected risk and return of one particular stock. By investing in more than one stock, an investor can reap the benefits of diversification- chief among them, a reduction in the riskiness of the portfolio. Markowitz showed that investment is not just about picking stocks, but about choosing the right combination of stocks. Modern portfolio theory has had a marked impact on how investors perceive risk, return and portfolio management. The theory demonstrates that portfolio diversification can reduce investment risk.

Univariate Model

The univariate model as proposed by William Beaver, which is published in The Accounting Review in October 1968, achieved a moderate level of predictive accuracy. Univariate analysis assumes that a single variable was used for predictive purposes. Such a model would use individual financial ratios to forecast financial failure. William Beaver study classified a company as failed when any one of the following events occurred: bankruptcy, bond default, an overdrawn bank account or nonpayment of a preferred stock dividend. The Beaver study indicated that the following ratios was the best for the forecasting financial failure: (i) Cash Flow / Total Debt; (ii) Net Income / Total Assets (returns on assets); (iii) Total Debt / Total Assets (debt ratio). Assuming that the ratios identified by Beaver are valid in forecasting financial failure, it would be wise to pay particular attention to trends in these ratios when following a company. Beaver is reasoning for seeing these ratios as valid in forecasting financial failure appears to be very sound. These three ratios for Cooper for 1995 will be compute earlier. Cash flow/total debt was 35.69% which appears to be good. Net income/total assets (return on assets) was 10.33%, which appears to be good. The debt ratio was 34.53%, which is very good. Thus, Cooper appears to have minimal risk of financial failure.

Tobin's Q Model

The Tobin's Q model was popularized by Nobel Laureate James Tobin and invented in 1966 by Nicholas Kaldor. Tobin suggested a hypothesis that the combined market value of all companies on the stock market should be about equal to their replacement costs. The ratio can be used for valuing a single company and even the whole stock market. It measure whether a firm or an aggregate market is relatively over or undervalued.

$$\text{Tobin's Q} = \frac{\text{Equity market value} + \text{Liabilities market value}}{\text{Equity book value} + \text{Liabilities book value}}$$

However, in real life it is difficult to estimate the replacement cost of total assets. Thus, there is a modification of the original formula, in which the replacement costs of the assets are replaced with their book values.

$$\text{Tobin's Q} = \frac{\text{Equity market value}}{\text{Equity book value}}$$

The Q ratio is widely used to determine the value of a company. If the ratio is greater than 1, the market value of a company exceeds the value of its booked assets. The company is overvalued as the market value reflects some unmeasured or unrecorded assets. It indicates that a company is earning higher than assets replacement costs. When ratio is lower than 1, the value of the company is booked assets exceeds their market value. It implies that for some reason, the market undervalues the company. The ideal scenario is when the Q ratio is equals 1. It suggests that the market fairly values the company assets.

2.2 Empirical Review

Alkhatib & Hui (2012) examined the financial performance of five Palestinian Commercial bank listed on Palestine securities exchange (PEX). This study employed the correlation and multiple regression analysis of annual time and series data from 2005-2010 to capture the impact of bank size, credit risk, operational efficiency and assets management on financial performance. The financial performance were measured by using three indicators; internal-based performance measured by return on assets, market-based performance measured by Tobin's Q model (price/book value of equity) and economic-based performance measured by economic value add. This study conclude that the operational efficiency and assets management individually have significant impact on ROA, when they used along with bank size and credit risk, they add significant effect on Tobin's and EAV.

Hui, (2012) analyzed financial performance of different ownership structure commercial banks in Nepal based on their financial characteristics and identified the determinants of performance exposed by financial ratio, which were based on CAMEL model. The study employed econometric model (multivariate regression analysis) by formulating two regression models to estimate the impact of capital adequacy ratio, non-performing loan ratio interest expenses to total loan, net interest margin ratio and credit to deposit ratio to the financial profitability namely return on assets and return on equity of bank. The result shows that the public sector banks are significantly less efficient than their counterpart. However domestic private banks are equally efficient to foreign-owned (joint venture) banks. This study conclude that the multiple regression analysis were significant but had a negative effect on ROA while non performing loan and credit to deposit ratio didn't have any considerable effect on ROA. The capital adequacy ratio positively influences the return on equity.

Nyanga, (2012) examined the determinants of financial performance of commercial banks in Kenya. In order to achieve the objectives of this study, the research was designed as an explanatory study. The population was all the 43 commercial banks by December 2011. All the banks were used in the study. A ten year secondary data from 2001 to 2010 was collected from Banking Survey and the Central Bank of Kenya. This study employed descriptive analysis; correlation analysis and regression analysis were used to perform the data analysis. Significance was tested at 5% level. The study found that capital adequacy and exchange rates were negatively correlated with ROE while liquidity, operating cost efficiency, size, risk, GDP, and inflation had a positive influence on ROE. Overall, the independent variables accounted for 95.3% of the variance in ROE. Further, the results revealed that exchange rate was negatively related with ROA while capital adequacy, liquidity, operating cost efficiency, size, risk, GDP, and inflation had positive effects on ROA. This study concluded that the independent variables accounted for 95.6% of the variance in ROA. However, none of these effects were significant at 5% level of confidence. None of the models was influence on the financial performance of commercial banks in Kenya. The study recommends that there is need for commercial banks to improve their performance in terms of their ROEs and ROAs. The study also recommends that banks should improve on their liquidity more so the ability of the banks to promptly repay the depositors.

Uwuigbe & Fakile, (2012) investigated the linkage between corporate governance and financial performance of banks, this study contribute to the existing literature by assessing the effect of size of boards on the performance of banking sector on a developing economy like Nigeria. The study employed a range of data drawn from the Nigerian Stock Exchange fact book (2008), which contain information on board size and the performance proxies. Regressing performance on board size, it was observed that bank with board size below 13 are more viable then those with board size above 13. The study further observed that the bank with larger board recorded profit lower than those with smaller boards. The study concluded that there is a significant negative relationship between board size and bank financial performance a t-value of -1.977 and p-value of 0.053. This is because increasing in board size occurs with increase in agency problem (such as director free-riding) within the board and board

become less effective. The study recommended a smaller board size for better financial performance and to reduce the problem of free rider of banks in Nigeria.

Ally, (2013) analyzed the financial performance of commercial banking sector in Tanzania for the period of 7 years from 2006-2012. This study employed financial ratio to measure profitability and liquidity of banks, in addition Analysis of Variance (ANOVA) was used to test the significance difference of profitability. The study found that overall bank financial performance increased considerably in the first two years of the analysis. The result showed that, there is no significance means of difference of profitability among of peer banks group in term of ROA, however a significance difference among banks group is existed in term of ROE and NIM.

Hassan & Adam, (2014) examined financial performance of Erbil Bank for Investment and Finance, Kurdistan region of Iraq during the period of 2009-2013. This study used financial ratios analysis which is used to measure the financial position for the bank and on broader range statistical tools also have been used for analysis purpose of several variables which would affect the banking system in general. The findings of the study showed the positive behavior of the financial position for Erbil Bank and some of their financial factors variables influence the financial performance for the bank. This study conclude that the overall financial performance of Erbil Bank is improving in terms of liquidity ratios, assets quality ratios or credit performance, profitability ratios (NPM, ROA, and ROE). This study suggests a set of recommendations regarding the development and enhancing of some banking operations which will boost the bank's profitability and improve the financial performance for the bank.

Islam, (2014) analyzed the financial performance of National Bank Limited in Bangladesh for period 2008-2013. The study used financial ratio analysis method which helps to draw an overview about financial performance of National Bank Limited in term of profitability, liquidity, and credit performance. The study further identified specific area of bank to work on which can ensure sustainable growth for these bank. The result showed that the profitability performance of NBL is not in satisfactory level, liquidity is quite good compare to other. This study conclude that the overall bank performance in term of profitability (ROA, ROE, C/I), liquidity and

credit performance has been improving since 2008 up to 2011 and declining at 2012 including 2013 and banks increase the size of their portfolio during the period.

Abebe, (2014) examined the determinants of financial performance of commercial banks in Ethiopia by using panel data of bank over the period 2002-2013. Since the data is secondary in nature, the quantitative approach to research was considered. This study employed fixed effect model. Both internal and external factor were included. The internal factors used in the study include capital structure; Income diversification, operating cost and bank size whereas external factors are effective tax rate, real GDP growth and inflation. Moreover ROA and NIM were used as performance measure. The finding of study showed that in Ethiopian banking industry the large bank size perform better than the smaller bank due to the extension of scale and the large size banks obtain advantages by their size to generate more return. The study conclude that, based on regression model all bank specific variables expect bank size affect performance of bank significantly but negatively. Further, bank size affects performance significantly and positively. In addition to this, macro-economic factor have no significant effect on the performance of bank except the tax rate which negatively but significantly affect ROA. The study recommended that the Ethiopian commercial bank can improve their fee based income by introducing innovative product and services.

Desta, (2016)analyzed the financial performance of the African banks. Seven banks were observed among 30 African best banks as identified by the Global Finance magazine. This study employed CAMEL composite and component rating. The study found that the banks are rated as strong and satisfactory when rating is terms of capital adequacy ratio and earning ability. Conversely, they were rated as less satisfactory, deficient and critically deficient when rated in term of assets quality, management quality and liquidity. Standard bank of South Africa ltd. Ranked last among the banks under study, but it was selected as the winner best regional bank by the Global Finance Magazine in 2015. The study concluded that the composite CAMEL rating reveals variations among the observed banks. Even if all the banks are compositely rated as fair, they have differences when each component and their aggregate average is considered. The study recommended that to employ the CAMEL composite and component rating on a periodic basis in order to withstand business fluctuation and vulnerability to outside influence.

Birru, (2016) investigated the impact of capital structure on financial performance of selected commercial banks in Ethiopia over the past five (5) year period from 2011 to 2015 using secondary data collected from financial statements of the commercial banks. Data was then analyzed on quantitative approach using multiple regression models. The study used two accounting-based measures of financial performance (i.e. return on equity (ROE) and return on assets (ROA)) as dependent variable and five capital structure measures (including debt ratio, debt to equity ratio, loan to deposit, bank's size and asset tangibility) as independent variable. The findings of the study shows that DR, DER, SIZE and TANG have statistically significant factors affecting financial performance measured by return on assets and return on equity at 1%, 5% and 10% significant level and LD is statically insignificant with its respective nature of impact. The study suggests recommendations that the commercial banks of Ethiopia should focus on the proportion of debt used by the bank, the manner of utilizing the resources while expanding the banks and the amount of investment on fixed asset. The study concluded that the financial performance, which is measured by both ROA, is significantly and negatively associated with capital structure proxies such as DER, SIZE and TANG whereas DR have negative impact.

Abdeldayem & Sherbiney, (2018) examined and compared the financial performance of the three banking models in Egypt: Islamic, conventional, and mixed banks during the period of 2003-2010. The study employed multiple regression models and financial ratio to study the influence of both internal banks-specific characteristics and external macroeconomic environment. The findings reveal that operation efficiency has a significant negative impact on three types of bank in Egypt, while bank's size and inflation rate have a significant influence merely on the performance of conventional banks. This study conclude that the ROA of conventional banks is higher than ROA Islamic bank and mixed bank, while there is no significant difference between performance of Islamic bank and mixed bank in term of ROA. Regarding performance of bank in term of ROE, it concludes that performance of conventional bank is higher than Islamic bank.

Antoun, Coskun, & Georgiezski, (2018) investigated the bank-specific, industry-specific, and macroeconomic determinants of the financial performance of banks in Central and Eastern European Countries. The study employed CAMEL ratio and unbalanced panel data covering the period 2009-2014, which were collected from the

Bank Scope database, World Development Indicators, and the Financial Structure and Development Dataset. This study found that the asset quality and earnings of banks are negatively affected by size, and positively affected by business mix and inflation. Capital adequacy and liquidity were found to be negatively affected by size and positively affected by bank concentration and economic growth. The study concludes that bank performance in CEE countries not only relies on bank-specific determinants, but is also affected by industry-specific and macroeconomic variables. These results could provide insights to bank managers and regulators for improving the banking system and optimizing policy-making processes.

Samail, Zaidi, Mohamed, & Kamaruzaman, (2018) investigated the determinants of the financial performance of Islamic banking in Malaysia. The performance of Islamic Bank measured based on return on asset (ROA), while the independent variables examined were capital adequacy (CA), asset quality (AQ), and liquidity management (LM). The data for this research were collected from twelve out of sixteen Islamic Banks in Malaysia listed by Bank Negara Malaysia. The annual reports were analyzed for six years which were from the year 2010 until 2016. The findings revealed that there is a significant relationship between asset quality and liquidity management towards the performance of Islamic Banking in Malaysia. However, there is insignificant relationship between capital adequacies towards the performance of Islamic Banking in Malaysia. Nevertheless, there are still other factors that may affect the performance of Islamic Banking in Malaysia. The study recommends that it is important to identify the factors that contribute the performance of Islamic Banks to ensure the sustainability of the industry and the country's economy.

Assfaw, (2018) investigated the bank specific factors which can affect the financial performance of private commercial banks in Ethiopia. A total of 6 private commercial banks (those having well organized financial data till 2017) were purposefully taken & their audited annual financial reports were analyzed for the period of 2011- 2017. This study employed descriptive statistic, Pearson Correlation Coefficient and Multiple Linear Regression Analytical approaches. In this study, return on equity, return on asset and net interest margin as the dependent variables and bank specific factors like banks size, liquidity management, asset quality, management efficiency and capital adequacy as independent variables were used. The results indicated that

capital adequacy, management efficiency and size of banks have positive and statistically significant effect on financial performance of private commercial banks of Ethiopia measured by ROA, ROE and NIM. Further the study found that asset quality was not statistically significant determinant of sound financial performance of private commercial banks in Ethiopia. The study concluded that liquidity management of banks has statistically negative impact on the financial soundness of private commercial banks of Ethiopia. The study recommend that the commercial private banks in Ethiopia should create enough capital through issuance of shares, investment, and retained earnings to run their business in healthy way since greater capital reduces the chance of distress and it boasts their profit.

Al-Eitan & Khalid, (2019) examined the impact of credit risk (CR) on the financial performance of Jordanian commercial banks listed in Amman Stock Exchange, for the period 2008-2017. A panel data analysis of both fixed and random-effect models and GLS method are employed to determine the impact of CR on performance of 16 Jordanian listed banks. The study found that CR has a negative and significant impact on return on assets (ROA) and return on equity (ROE). While, the total deposits and bank size have positive and significant impact on financial performance of these Jordanian commercial banks. The study concluded that the impact of CR (doubtful loans, nonperforming loans and loan loss) are negative and statistically significant on profitability of Jordanian commercial banks. The study recommends developing a strategy to monitor the credit facilities granted, control customers who have been granted credit and assess their financial position and develop an analytical model that helps the credit management to predict the client's situation and determine the probability of default and compliance with the necessary measures to reduce the risk the bank will be exposed.

2.3 Research Gap

In this study, the major area is to disclose the financial performance relates to Nepalese commercial banks (Joint Venture). This type of research was done rarely. This study shows that the unique feature of findings. Previous researches on the basis of financial performance of commercial banks in Nepal. But this research is about financial performance of joint venture banks of Nepal with sample of Himalayan Bank Limited and Everest Bank Limited. In the previous, there is no clear cut

accounting and financial performance of joint venture banks. The research can help the people who want to know about the overall financial standard and accounting procedure of joint venture bank in Nepal. There are two selected banks to find out the problem and prospects of study. Therefore, this topic may be new as well as the research effort may be appreciable.

CHAPTER III

RESEARCH METHODOLOGY

The rationale behind the study is to evaluate and assess the financial position or performance of the two newly operated joint venture banks viz. Himalayan Bank Limited and Everest Bank Limited. Thus, this chapter includes those methods and techniques used for finding out a fore said purpose.

Research methodology refers to the specific procedure or technique used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability. It is a way to systematic solve the research problem it is scientific investigation process and a science of studying how much research is to be carried out Therefore, this study aims at analyzing and interpreting the purpose of comparative financial performance or appraisal of two joint venture banks. This chapter focuses and deals with the following aspects or methodology:

3.1 Research Design

Research design is the task of defining the research problem. In other words, research design is the arrangement of conditions, for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which the research is conduct. The design allows researcher to hone in on research method that are suitable for the subject matter and set up their studies up foe success.

General objective; of this research study is to examine and evaluate the financial performance of joint venture banks especially that of HBL and EBL in order to achieve the objective, both descriptive and analytical research design has been followed. Descriptive research aims to accurately and systematically describe a population, situation and phenomenon. It can use a wide variety of research method to investigate one or more variables.

3.2 Population sample and Sampling design

In research terminology the population refers to a comprehensive group of individuals, institutions, objects and so forth which have a common characteristic that

are the interest of a researcher. The population for this study comprises nine joint venture banks currently operating in the country. All the joint venture banks perform the functions of commercial banks under rules, regulations and directives of Nepal Rastra Bank.

Sample is an unbiased number of observation taken from a population. In this study, according to convenience sampling design two banks: Himalaya Bank Limited and Everest Bank limited are selected as a sample of this study. In convenience sample method, the samples are selected as per the convenience of the research and select the sample in easy availability.

3.3 Sources of Data

This study is based on secondary data. Secondary data refers to second hand information; these are not originally collected rather obtained from already published or unpublished sources. However, necessary suggestion are also taken from various experts both inside the bank whenever required the necessary data is obtained from the head office of the joint venture banks such as, published balance sheet, profit and loss account and other related statement of accounts as well as the annual reports of the respectively banks. Likewise, other related and necessary information is also obtained from:

- the publication of security exchange centre
- different publications of bank
- financial and Economic Journal
- NRB report and bulletins and its official website
- Various articles published in journal and financial magazines
- Official website of HBL and EBL.

3.4 Data Processing

Data obtained from the, various sources cannot be directly used in their original form further they need to be verified and simplified for the purpose of analysis. Data information, figure and facts so obtained need to be checked, rechecked edited and tabulated for computation. According to the nature of data, they have been inserted in meaningful tables, which have been shown in annexes. Homogenous data have been

sorted in one table using financial and statistical tools data have been analyzed and interpreted.

3.5 Method of Data Analysis

3.5.1 Financial Tools

Financial tools are those, which are used for the analysis and interpretation of financial data. These tools can be used to get the precise knowledge of a business, which in turn, are fruitful in exploring the strengths and weaknesses of the financial policies and strategies.

Ratio Analysis

Ratio analysis helps to summarize the large quantities of financial data and to make quantitative judgments about the firm's financial performance. Ratio is the expression of one figure in terms of another. It is the expression of relationship between the mutually independent figures, in financial analysis; ratio is used as an index of yardstick for evaluating the financial position and performance of firm. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined. It helps the analysis to make qualitative judgment in about the financial position and performance of the firm. Therefore, it helps to establish relationship among various ratios and interpret them specially, based on comparison between two or more firms or inter-firm comparison and comparison between present and past ratios for the same firm give enormous and fruitful results to examine the financial performance.

There are numerous ratios to analyze and interpret the financial form of the enterprise or firm. However, in this study, only important and relevant ratios are used to check the financial health of two Joint Venture Banks in Nepal, which are as below;

Liquidity ratio

These ratios indicate whether the firm would be in a position to meet its short-term obligation in time. These ratios show the short-term solvency of the concern. It measures short-term debt paying ability of the firm. The following ratios are developed and used for our purpose to find the liquidity positions of the two joint venture banks:

a) Cash to total deposit ratio.

Higher the ratio shows higher liquidity position and ability to cover the deposits and vice versa. The ratio is compute by dividing cash by total deposits.

$$\text{Cash to total deposit} = \frac{\text{Cash}}{\text{total deposit}}$$

b) Cash and bank balance to total deposit ratio

The ratio shows the proportion of total deposits held as most liquid assets. High ratio shows the strong liquidity position of the bank. The bank should maintain adequate cash and bank balance to meet the unexpected as well as heavy withdrawal of deposits. High ratio indicates sound liquidity position of the bank; however, too high ratio is not enough as it reveals the underutilization of fund.

$$\text{Cash and bank balance to total deposit ratio} = \frac{\text{Cash and bank balance}}{\text{Total deposit}}$$

c) NRB balance to total deposit

Commercial banks are required to hold certain portion of current and saving deposits in Nepal Rastra Bank's account. It is to ensure the smooth functioning and sound liquidity position of the bank. As per the directive of Nepal Rastra Bank, the required ratio is 8% therefore the ratio measures whether the bank is following the direction of NRB or not.

$$\text{NRB balance to current saving deposit} = \frac{\text{NRB balance}}{\text{total deposit}}$$

d) Cash and bank balance to current deposit

This ratio is calculated to find the ability of banks to pay total calls made on current deposits. It is calculated by current deposits. The formula used for computing this ratio is as;

$$\text{cash and bank balance to current deposit} = \frac{\text{Cash and bank balance}}{\text{Total deposit}}$$

Capital structure ratio or leverage ratio

Leverage ratios also termed as long term solvency ratios of capital structure ratios. The term “solvency” implies the ability of a business to meet its long-term debts. Thus, solvency ratios convey a firm’s ability to meet its long-term obligation.

a. Total debt to total assets ratio

Total debt to total assets ratio signifies the extent of debt financing on the assets and measures the financial security to creditors. Total debt is the output of total liabilities minus profit, reserve fund, paid up capital. The formula to compute this ratio is as;

$$\text{Total debt to total assets ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

The ratio shows the contribution of creditors in financing the assets of the bank. High ratio indicates that the greater portion of the bank's assets has been financed through outsider's fund.

b. Debt equity ratio

Debt equity ratio measures the relative claims of creditors and owners against the assets of the firm. This ratio indicates the relationship between debt and equity. The ratio is also termed as total debt to net worth ratio. This ratio can be calculated as;

$$\text{Debt equity ratio} = \frac{\text{Total debt}}{\text{Net worth}}$$

Net Worth = Paid up Capital + Reserve Fund

Total debt = Long-term debts + Current liabilities.

The ratio shows the mix of debt and equity in capital. It measures creditors' claims against owners. A high ratio shows that the creditors' claims are greater than those of owners are.

c. Total debt to shareholder's fund ratio

This ratio measures the total debt financing on shareholder's fund. Shareholder's fund is the combination of paid up capital, reserve and profit. This ratio can be computed by using following formula.

$$\text{Total debt to Shareholder's fund ratio} = \frac{\text{Total debt}}{\text{Shareholder's fund}}$$

d. Shareholder's equity to total assets ratio

This ratio explains the percentage of shareholder's equity used in total assets. Shareholder's equity is the combination of paid up capital and reserve fund.

$$\text{Shareholder's equity to total assets ratio} = \frac{\text{Shareholder's equity}}{\text{Total assets}}$$

Turnover Ratio

Turnover ratios, also known as utilization ratios or activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. They measure how effectively the firm uses investment and economic resources at its command. Investments are made in order to produce profitable sales. Unlike other manufacturing concerns, the bank produces loans, advance and other innovation.

a) Investment to total deposit ratio

This ratio measures the mobilization of percentage amount of total deposits on investment. It calculated by dividing the amount of investment in various institutions by the amount of total deposit.

$$\text{Investment to total deposit} = \frac{\text{Investment}}{\text{Total deposit}}$$

b) Investment to total assets

This ratio measures the percentage of total assets mobilize in investment. This ratio computed by using formula as;

$$\text{Investment to total assets} = \frac{\text{Investment}}{\text{Total assets}}$$

c) Loan and advanced to total deposit ratio

This ratio also measures the contribution of total deposit on only loan and advance not in investment. The formula used to find out this ratio is as;

$$\text{Loan and advance to total deposit} = \frac{\text{Loan and advance}}{\text{Total deposit}}$$

High ratio means the greater use of deposits for investing in loans and advances. However, very high ratio shows poor liquidity position and risk in loans on the contrary; too low ratio may be the causes of idle cash or use of fund in less productive sector.

d) Performing assets to total assets

Performing assets to total assets include those assets, which are invested for income generating purpose. It can be calculated by using this formula as;

$$\text{Performing assets to total assets} = \frac{\text{Performing assets}}{\text{total assets}}$$

The ratio measures what percentage of the assets has been funded for income generation. High ratio indicates greater utilization of assets and hence sound profitability position.

Profitability Ratio

Profitability ratios are designed to highlight the end-result of the business activities, which in the imperfect world of ours, is the sole criterion of cover all efficiency of business unit. A company should earn profit to survive and grow over a long period. It is a fact that sufficient profit must be earned to sustain the operations of the business, to able to obtain funds from investors for expansion and growth; and to contribute towards the social overheads for the welfare of society. The profitability ratios are calculated to measure the operating efficiency of the company. Management of the company, creditors and owners are interested in the profitability of the firm.

a) Return on total assets ratio

This ratio measures the relationship between the total assets and net profit after tax. It measures the profitability of the assets and determines how effectively the managements have used the total assets. It is the ratio of net profit after tax by total assets.

$$\text{Net profit to total assets ratio} = \frac{\text{Net profit}}{\text{Total assets}}$$

b) Return on equity

This ratio indicates the profitability of the owner's investment. This is the most commonly used ratio for measuring the return on owner's investment. It can be calculated by using formula as:

$$\text{Return on equity} = \frac{\text{Net profit aftr tax}}{\text{shareholder's equity}}$$

c) Return on Net Loan and Advance

This ratio measures the company's returns from loan and advances. Return means net profit after tax. The following formula used for computing this ratio is as;

$$\text{Return on net loan and advance} = \frac{\text{Net profit after tax}}{\text{Net loan and advance}}$$

d) Earnings per share

It measures the profit available to the equity shareholders. The objective of computing this ratio is to measures the profitability of the firm on per equity share. The formula used to find out the earning per share is as;

$$\text{Earning per share} = \frac{\text{Net profit after tax}}{\text{No. of share issued}}$$

3.6 Research framework and definition of variables

Financial performance is performed to determine the liquidity, solvency, efficiency and profitability position of an organization. The function or the performance of finance can be broken down into three major decisions i.e. the investment decision, financing decision, and dividend decision. An optimal combination of the three decisions will maximize the value of the firm. The financial performance of the bank can be measure in different ways in which it is depend upon different independent variables which can be sown in the following figure:

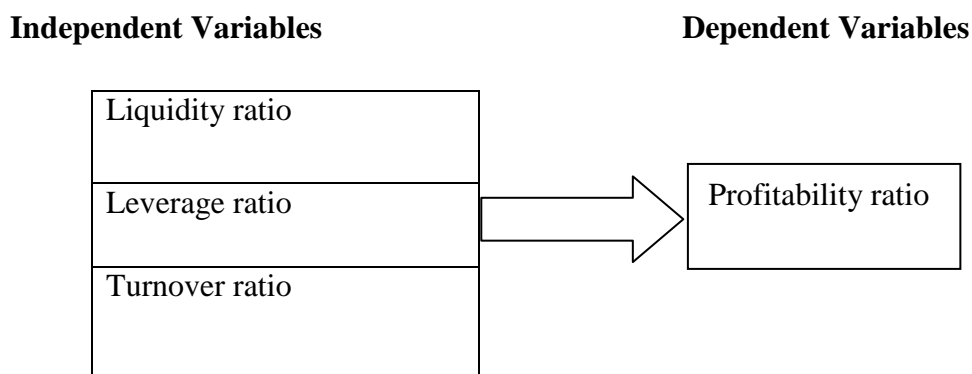


Figure: Different independent variables that affect the financial performance of the bank.

Independent Variables

Liquidity ratio

Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without rising external capital. It measures the company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio, and operating cash flow ratio.

Leverage ratio

A leverage ratio is one of the financial measurements that look at how much capital in the form of debt or assesses the ability of a company to meet its financial obligation. Leverage ratio is important because companies rely on a mixture of equity and debt to finance their operations, and knowing the amount of debt held by a company is useful in evaluating whether it can pay off its debts as they come due. It include: debt to

assets ratio, debt to equity ratio, debt to capital ratio, assets to equity ratio and debt to EBITDA ratio.

Turnover ratio

Turnover ratio is the quantity of any assets which is used by a business to generate revenue through its sales. It is an efficiency ratio to check how efficiently the company is using different assets to extract earning from them. It include capital employed turnover ratio, total assets turnover ratio, debtor turnover ratio, fixed assets turnover ratio, inventory turnover ratio.

Dependent variable

Profitability ratio

Profitability ratio are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating cost, balance sheet assets or shareholder's equity over time, using data from a specific point in time. Profitability ratio includes return on assets (ROA), return on equity (ROE), net profit margin, operating expenses ratio other include return on invest capital, return on capital employed.

CHAPTER IV

RESULT AND DISCUSSION

In this chapter, data and information regarding overall financial performance of Himalayan Bank Limited and Everest Bank Limited are presented and analyzed. This analysis, attempts to throw light on various aspects of the bank's performance such as: deposit trend, investment, loan and advance, liquidity, leverage, efficiency and earning power. The data are presented and analyzed in different tables to arrive at some concrete and explicit obtained from various published and unpublished financial statements, reports, bulletins, articles and so on. However, conclusions have been derived on the basis of personal observation, informal interviews and discussions with the concerned officials and other financial experts.

4.1 Ratio analysis

Ratio analysis has been adapted to evaluate the financial health, operating result and growth of the sampled banks. A ratio is widely used as a financial analysis to find out the position and performance of HBL and EBL. The ratio analysis has been grouped into five categories, which reflect the liquidity ratio, leverage ratio, activity ratio, and profitability ratio of the bank. A ratio is calculated by dividing one nature of the relationship with the other.

4.1.1 Liquidity ratio

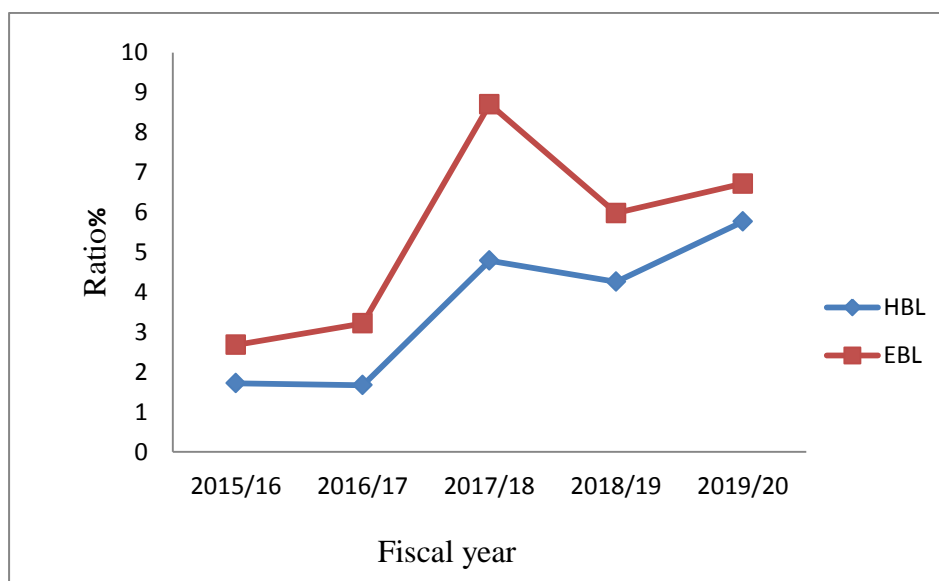
The liquidity ratios are analyzed to judge the bank's ability to meet the short-term obligations. The liquidity ratio shows the present cash solvency and the ability to solvent in adverse situation. It includes cash to total deposit ratio, cash and bank balance to total deposit ratio, NRB balance to total deposit ratio and cash and bank balance to current deposit ratio.

4.1.1.1 Analysis of cash to total deposit ratio

The ratio measures the ability of banks to meet its immediate up to total deposit legations.

Table: 4.1*Cash to total deposit ratio*

Year	Ratio (%)	
	HBL	EBL
2015/16	1.72	2.68
2016/17	1.67	3.22
2017/18	4.79	8.71
2018/19	4.26	5.98
2019/20	5.77	6.72
Average	3.46%	5.46%

*Source: Appendix no. 1***Figure: 4.1***Cash to total Deposit Ratio*

The table 4.1 and figure 4.1 show the comparative ratio of cash to total deposit of HBL and EBL. The table shows that the cash to deposit ratio of HBL is 1.72%, 1.67%, 4.79%, 4.26% & 5.77% and cash to total deposit of EBL is 2.68%, 3.22%, 8.71%, 5.98% & 6.72% respectively from year 2015/16 to 2019/20. The average cash

to total deposit of HBL and EBL is 0.364 and 0.582 respectively. It indicates comparatively EBL have the strong liquidity position then HBL.

4.1.1.2 Analysis of cash and bank balance to total deposit ratio

It measures whether cash and bank balance in hand is sufficient to cover its current calls margined to total deposits.

Table: 4.2

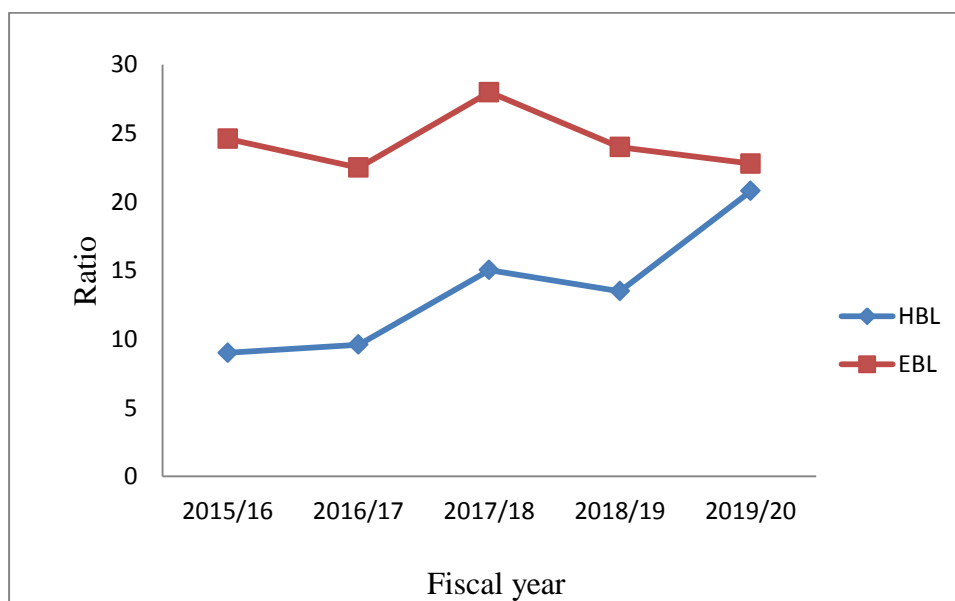
Cash and bank balance to total deposit

Year	Ratio (%)	
	HBL	EBL
2015/16	9.0	24.6
2016/17	9.60	22.5
2017/18	15.04	28
2018/19	13.5	24
2019/20	20.8	22.8
Average	13.6	24.2

Source: Appendix no. 2

Figure: 4.2

Cash and bank balance to total deposit ratio



The table 4.2 and figure 4.2 show the cash and bank balance to total deposit ratio of two different banks HBL and EBL. It shows the cash and bank balance to total deposit of HBL is 9.0%, 9.6%, 15.04%, 13.5%, and 20.8% and cash and bank balance to total deposit of EBL is 24.6%, 22.5% 28% 24% and 22.8%. The average cash and bank balance to total deposit of HBL and EBL is 13.6% and 24.2% respectively. The ratio of HBL is in increasing order from 2015/16 to 2017/18 and after that in 2018/19 it decreases to 13.5, in 2019/20 it again increase to 20.8%. Ratio of EBL is in fluctuating order. Overall ratios indicate that the liquidity position of EBL is stronger than HBL.

4.1.1.3 Analysis of NRB balance to total deposit ratio

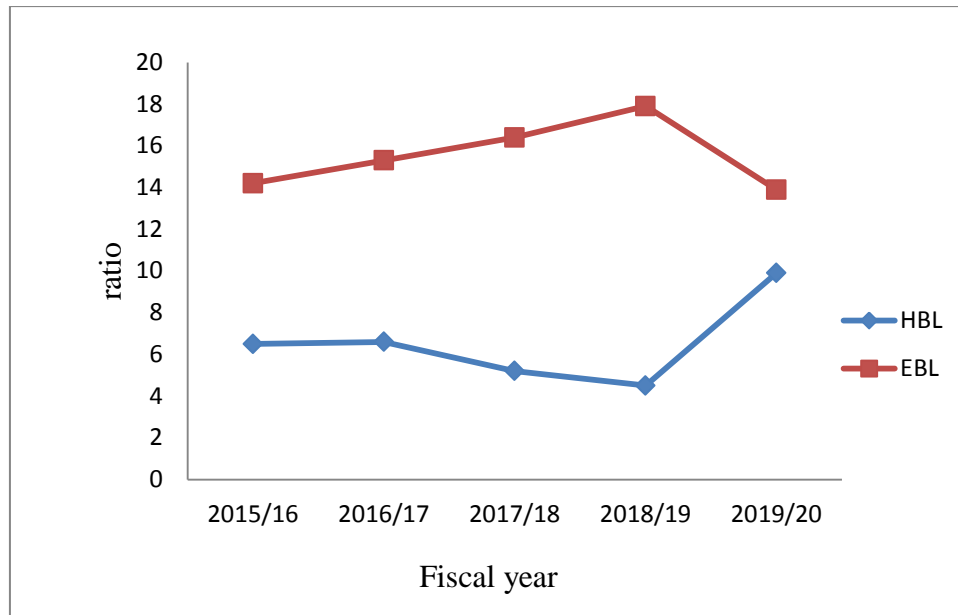
It is to ensure the smooth functioning and sound liquidity position of the bank. And also measures whether the bank is following the direction of NRB or not.

Table:4.3

NRB balance to total deposit ratio

Year	Ratio (%)	
	HBL	EBL
2015/16	6.5	14.2
2016/17	6.6	15.3
2017/18	5.2	16.4
2018/19	4.5	17.9
2019/20	9.9	13.9
Average	6.5	15.5

Source: Appendix no. 3

Figure: 4.3*NRB balance to total deposit*

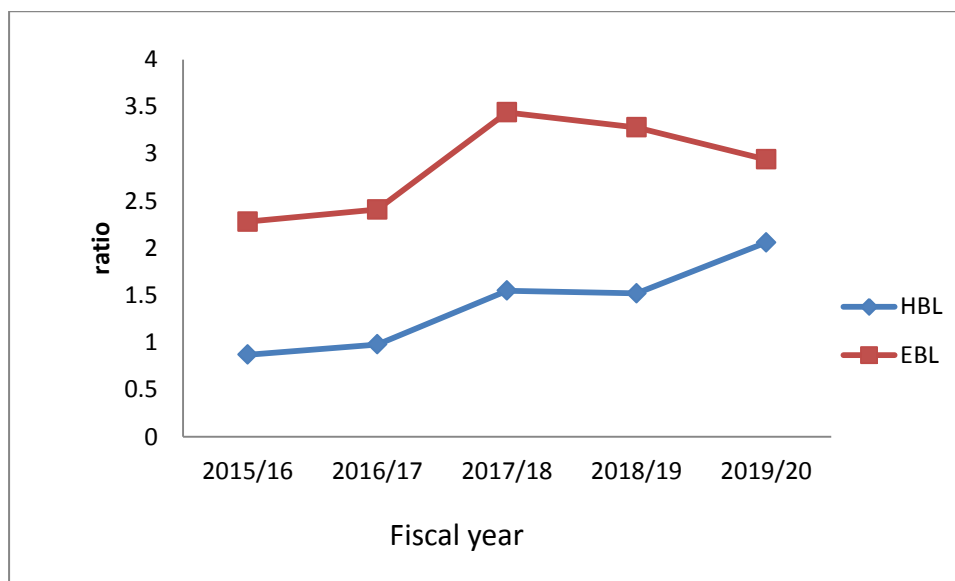
The table 4.3 and figure 4.3 show the ratio of NRB balance to total deposit of two joint venture HBL and EBL. Here, the NRB balance to total deposit ratio of HBL 6.5%, 6.6%, 5.2%, 4.5% and 9.9%. Ratio in year 2019/20 is highest and lowest in year 2018/19. The NRB balance to total deposit of EBL is 14.2%, 15.3%, 16.4%, 17.9% and 13.9% respectively from year 2015/16 to 2019/20. Ratio of EBL is in increasing order for four year from 2015/16 to 2018/19 and in 2019/2020 it decrease. The average ratio of HBL and EBL is 6.5% and 15.5% respectively. Comparatively, it is greater in EBL, which indicates that EBL is stronger in liquidity position than HBL. EBL has deposited excess cash in NRB, which may affect the profitability adversely because idle cash earns nothing, it can be concluded that the ratio of EBL varied to a greater extent than that of HBL.

4.1.1.4 Cash and bank balance to current deposit ratio

This ratio is calculated to find the ability of banks to pay total calls made on current deposits

Table:4.4*Cash and bank balance to current deposit*

Year	Ratio (times)	
	HBL	EBL
2015/16	0.87	2.28
2016/17	0.98	2.41
2017/18	1.55	3.44
2018/19	1.52	3.28
2019/20	2.06	2.94
Average	1.39	2.87

*Source: Appendix no. 4***Figure: 4.4***Cash and bank balance to current deposit*

The table 4.4 and figure 4.4 reveals the cash and bank balance to current deposit ratio of two different banks HBL and EBL. The ratio of HBL is 0.87%, 0.98%, 1.55%, 1.52% and 2.06% from year 2015/16 to 2019/20. The ratio of EBL is 2.28%, 2.41%, 3.44%, 3.28% and 2.94% from year 2015/16 to 2019/20. Average ratio of both banks is 1.39% and 2.87% respectively. Here, comparatively the average ratio of EBL is highest then HBL.

4.1.2 Capital structure ratio or leverage ratio

The long- term solvency position of the bank can be measured by using this leverage ratio and also called it capital structure ratio. It defined as ability to assure the long-term creditors with regard the periodic interest payment and the principal. In this study the debt equity ratio, shareholder's equity ratio and total debt ratio of the bank are examined.

4.1.2.1 Analysis of total debt to total assets ratio

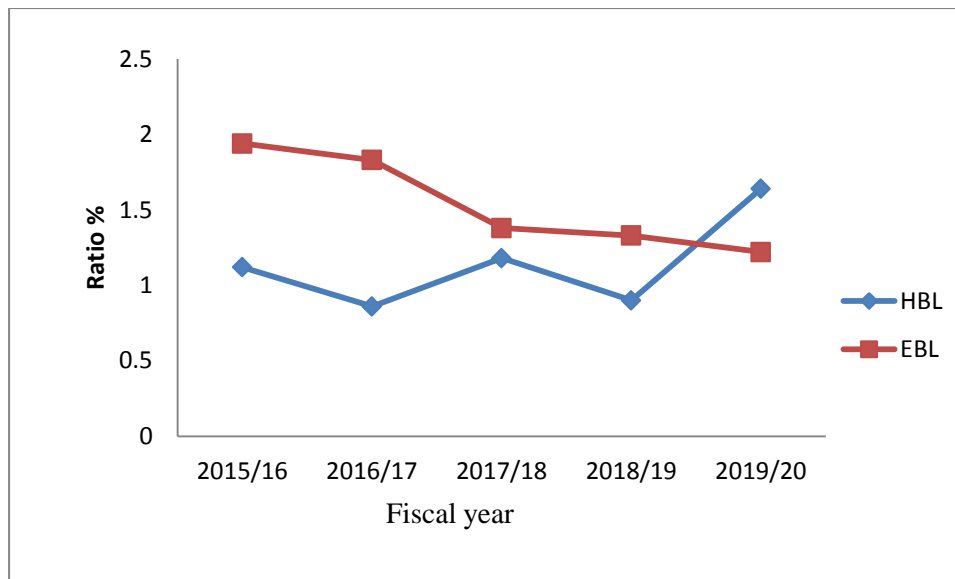
The ratio shows the contribution of creditors in financing the assets of the bank. It measures creditors' claims against owners.

Table: 4.5

Total debt to total assets ratio

Year	Ratio%	
	HBL	EBL
2015/16	1.12	1.96
2016/17	0.86	1.83
2017/18	1.18	1.38
2018/19	0.9	1.33
2019/20	1.64	1.22
Average	1.14	1.54

Source: Appendix no. 4

Figure: 4.5*Total debt to total assets ratio*

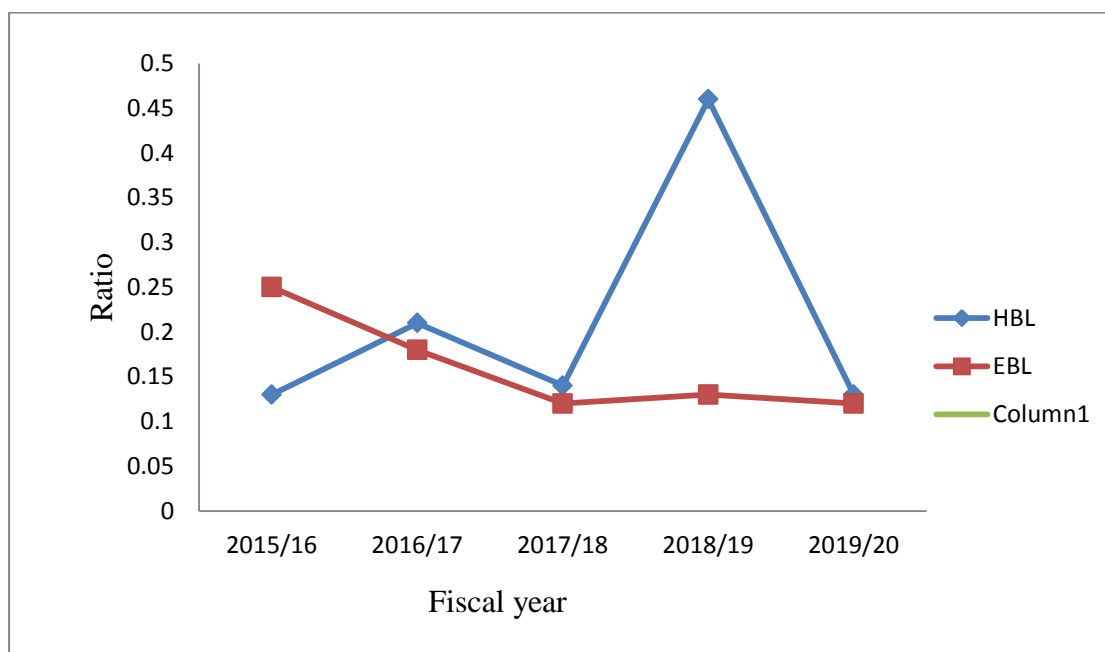
The table 4.6 and figure 4.6 show that the total debt to total assets ratio of HBL and EBL. Under the study period of five years, the ratio is fluctuating in each year of both banks. The highest ratio of HBL is 1.64% in FY 2019/20 and the lowest ratio is 0.86% in FY 2016/17 and its average ratio is 1.14%. The highest ratio of EBL is 1.94% in FY 2015/16 and the lowest ratio is 1.22% in FY 2019/20 and its average ratio is 1.54%. Comparatively EBL has highest total debt to assets ratio than HBL. It implies that creditors' claims against owners of EBL is higher than that of HBL

4.1.2.2 Analysis of debt equity ratio

Debt equity ratio measures the relative claims of creditors and owners against the assets of the firm. It indicates the relationship between debt and equity

Table4.6*Debt to equity ratio*

Year	Ratio	
	HBL	EBL
2015/16	0.13	0.25
2016/17	0.21	0.18
2017/18	0.14	0.12
2018/19	0.86	0.13
2019/20	0.13	0.12
Average	0.14	10.18

*Source: Appendix no. 6***Figure: 4.6***Debt to equity ratio*

The table 4.6 and figure 4.6 reflect that the debt-equity ratio of two joint venture banks namely HBL and EBL. Under the study period of five year, the ratio is in fluctuating order. The ratio of HBL is 12.5%, 20.9%, 14.23%, 8.56% and 13.4% from year 2015/16 to 2019/20 and its average ratio is 13.92%. The ratio of EBL is 24.8%, 18.48%, 12.43%, 12.9% and 12.1% from year 2015/16 to 2019/20 and its average

ratio is 16.75%. Here, EBL has highest ratio than HBL. It indicates that the creditors' claims of EBL greater than those of owners.

4.1.2.3 Analysis of Shareholder's equity to total assets ratio

This ratio measure the percentage of shareholder's equity used in total assets

Table no.4.7

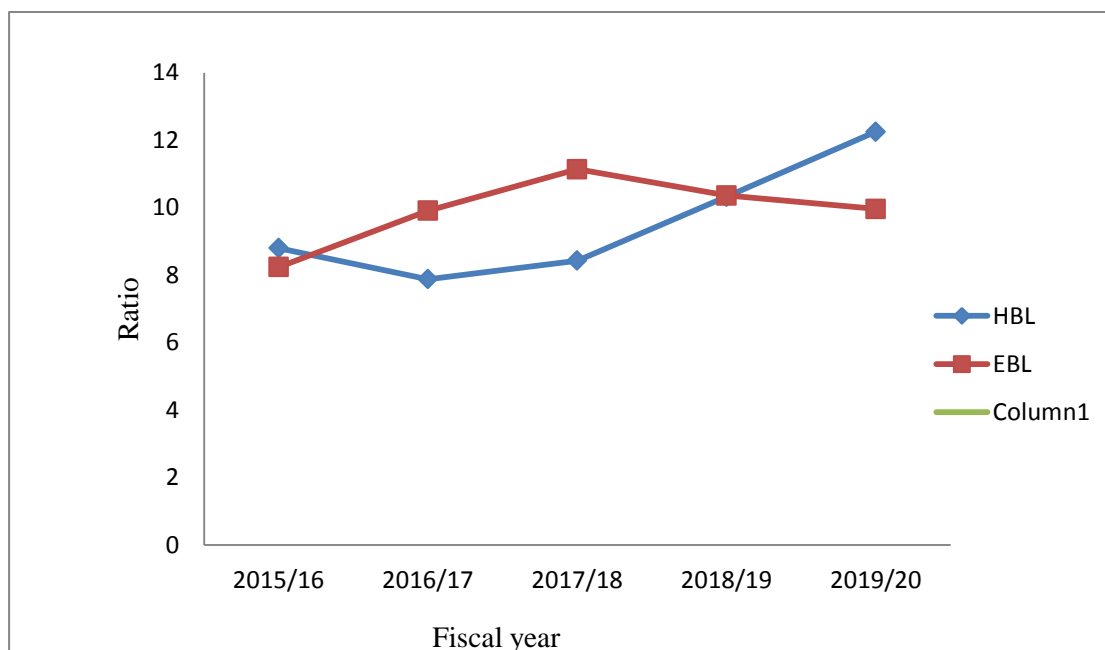
Shareholder's equity to total assets ratio

Year	Ratio%	
	HBL	EBL
2015/16	8.8	8.24
2016/17	7.88	9.91
2017/18	8.43	11.14
2018/19	10.38	10.36
2019/20	12.25	9.96
Average	8.79	9.9

Source: Appendix no.

Figure: 4.7

Shareholder's equity to total assets ratio



The table 4.7 and figure 4.7 reveal the shareholder's equity to total assets ratio of HBL and EBL. The average of shareholder's equity to total assets ratio of these both bank during the five years study period are 8.79% and 9.9% respectively. The ratio of HBL is 8.8%, 7.8%, 8.43%, 10.28% and 12.25% from year 2015/16 to 2019/20. The ratio of EBL is 8.24%, 9.91%, 11.14%, 10.36% and 9.96% from year 2015/16 to 2019/20. Average ratio of HBL and EBL is 8.79 and 9.9 respectively. Comparatively, it implies that the average ratio of EBL is higher than that of HBL.

4.1.2.4 Analysis of total debt to shareholder's fund

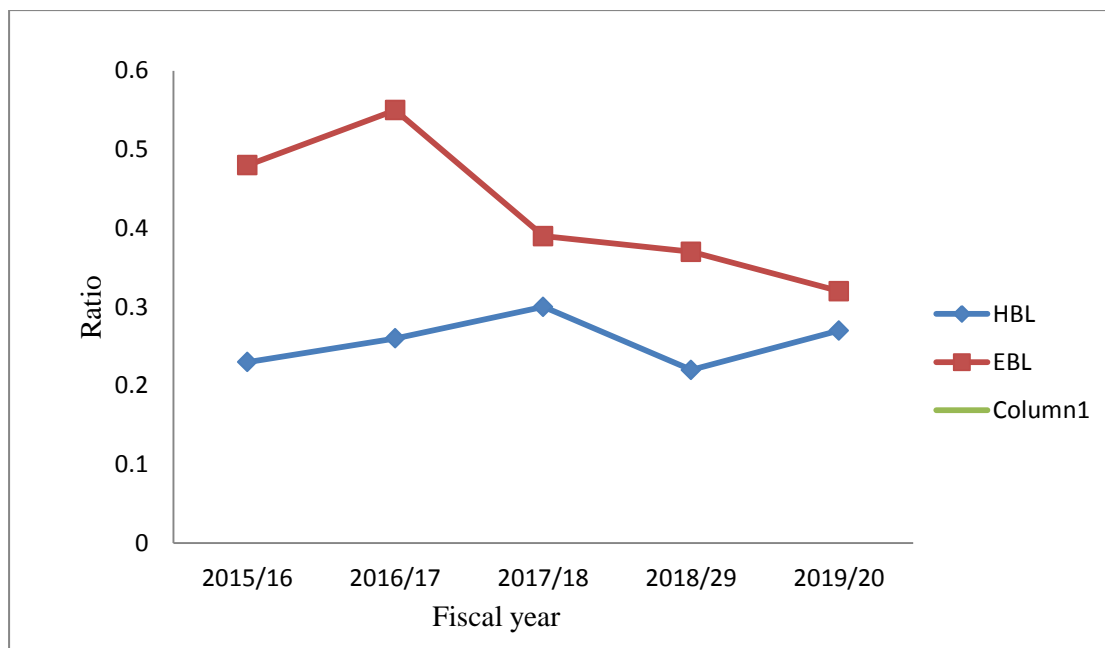
This ratio measures the total debt financing on shareholder's fund.

Table no. 4.8

Total debt to shareholder's fund

Year	Ratio (times)	
	HBL	EBL
2015/16	0.23	0.48
2016/17	0.26	0.55
2017/18	0.30	0.39
2018/19	0.22	0.37
2019/20	0.27	0.32
Average	0.25	0.42

Source: Appendix no. 8

Figure: 4.8*Total debt to shareholder's fund ratio*

The table 4.8 and figure 4.8 shows the total debt to shareholder's fund of two different joint venture banks HBL and EBL. This ratio measures the total debt financing on shareholder's fund. The ratio of HBL is fluctuating from FY 2015/16 to 2019/20 that is 0.23%, 0.26%, 0.30%, 0.22% and 0.17% respectively. The ratio of EBL is also fluctuating in each year that is 0.48%, 0.55%, 0.39%, 0.37% and 0.32% respectively. The average ratio of HBL and EBL is 0.25% and 0.42%. This study shows the greater average ratio of EBL compare with HBL.

4.1.3 Turnover ratio/ Activity ratio

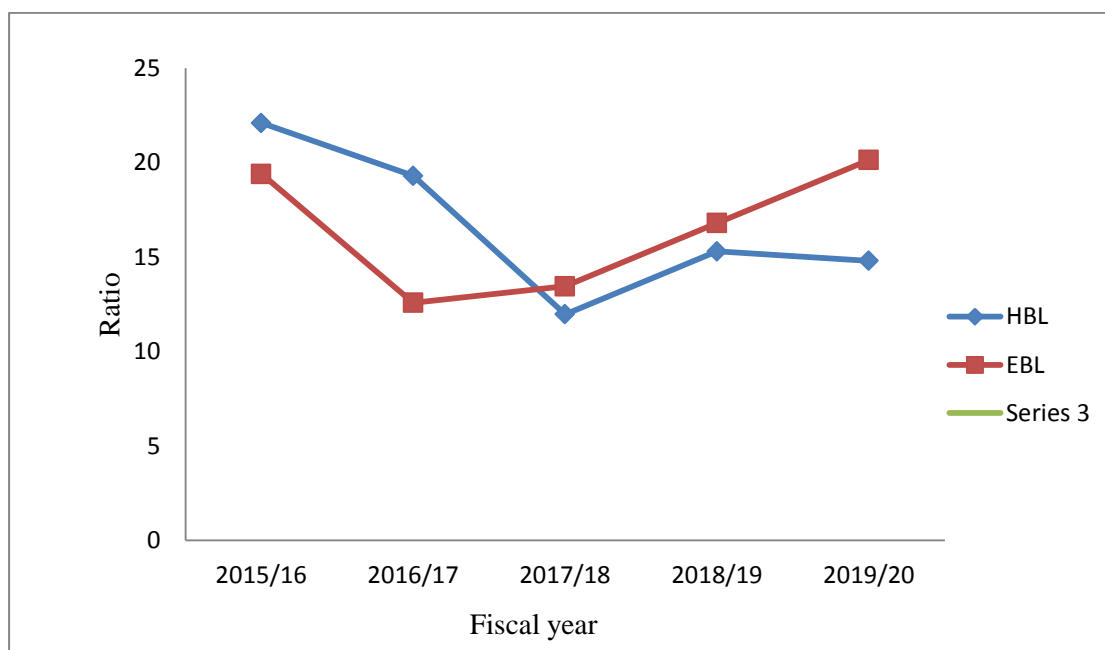
The activity ratios are concerned with the efficiency of assets management of the bank. The efficiency of the firm shows how the assets managed and utilized. Greater turn over, higher the efficient management of the company and vice-versa. To evaluate the activity ratio, we analyze the investment, loan and advances and non-performing assets against the resources as deposit, assets and total loan of the bank.

4.1.3.1 Analysis if investment to total deposit ratio

The ratio shows how efficiently the major resources of the bank have been mobilized. High ratio indicates managerial efficiency regarding the utilization of deposits.

Table no. 4.9*Investment to total deposit ratio*

Year	Ratio%	
	HBL	EBL
2015/16	22.10	19.4
2016/17	19.30	12.58
2017/18	11.97	13.46
2018/19	15.3	16.8
2019/20	14.8	20.14
Average	16.75	16.47

*Source: Appendix no. 9***Figure: 4.9***Investment to total deposit ratio*

The table 4.9 and figure 4.9 reflects the investment against total deposit ratio of two different banks HBL and EBL. It gives the picture of how the deposit is mobilized in investment sector. The ratio of HBL from 2015/16 to 2019/20 are 22.10%, 19.30%, 11.97%, 15.30% and 14.80% respectively and its average ratio is 16.75%. The ratio of EBL from 2015/16 to 2019/20 are 19.4%, 12.58%, 13.46%, 16.8% and 20.14% respectively and its average ratio is 16.47%. This study shows that the average ratio of

HBL is more than EBL. It indicates that HBL mobilized deposit in investment sector better than EBL.

4.1.3.2 Analysis of investment to total assets ratio

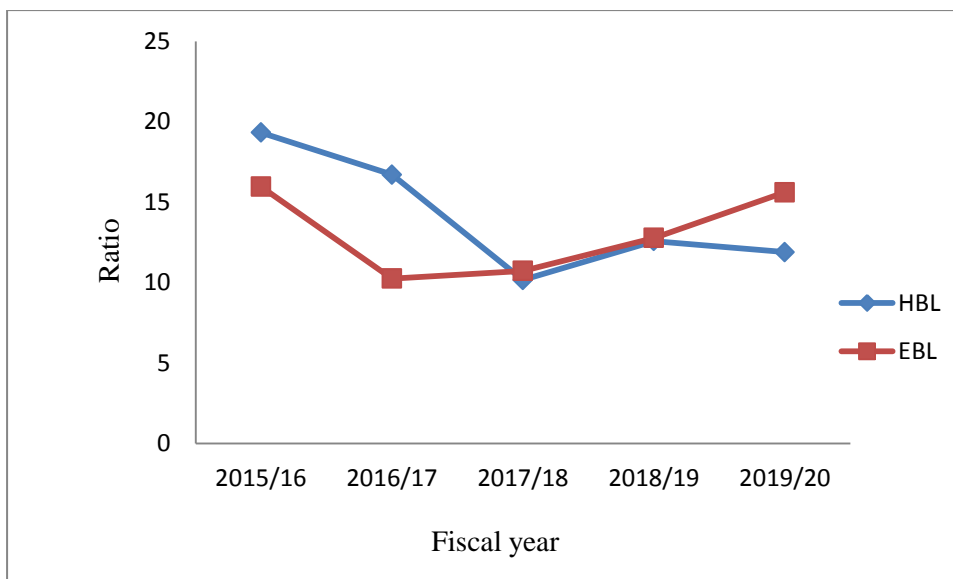
This ratio measures the percentage of total assets mobilize in investment.

Table no. 4.10

Investment to total assets ratio

Year	Ratio	
	HBL	EBL
2015/16	19.33	15.97
2016/17	16.72	10.26
2017/18	10.17	10.74
2018/19	12.59	12.79
2019/20	11.9	15.62
Average	14.14	13.07

Source: Appendix no. 10

Figure: 4.10*Investment to total assets ratio*

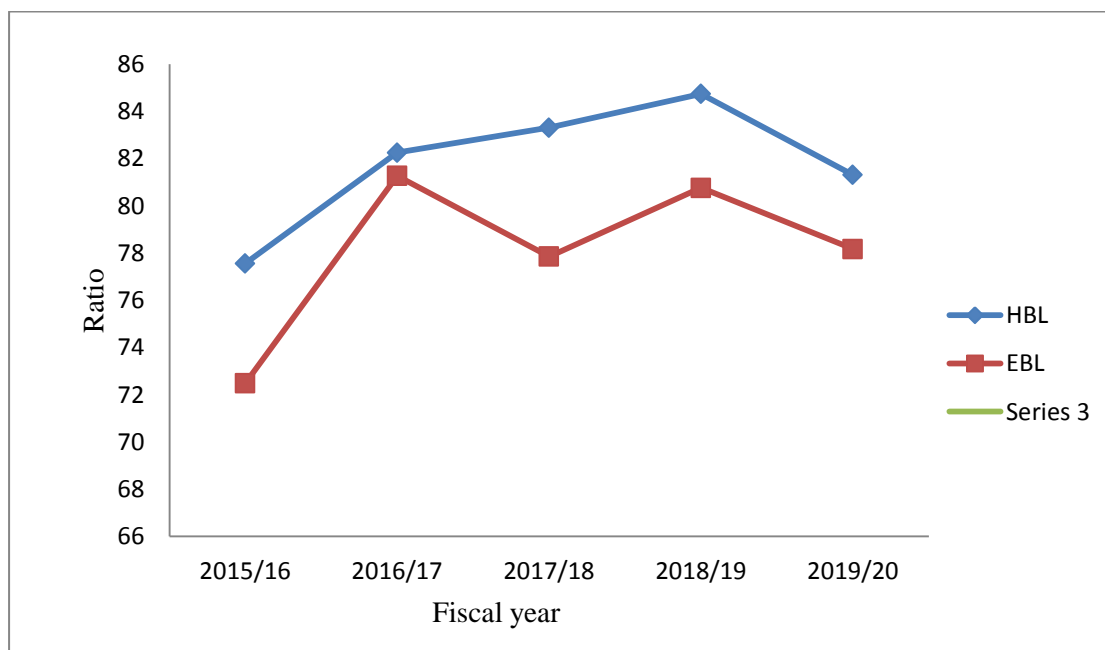
The table 4.10 and figure .10 show the total lending against the total deposit ratio of HBL and EBL. This ratio shows how much available resources have been utilized in income generating sector. The ratio of HBL are 19.33%, 16.72%, 10.17%, 12.59% and 11.9% from FY 2015/16 to 2019/20, its average ratio is 14.14%. The ratio of EBL are 15.07%, 10.26%, 10.74%, 12.79% and 15.62% from FY 2015/16 to 2019/20, its average ratio is 13.07%. Comparatively the average ratio of HBL is greater than EBL.

4.1.3.3 Analysis of loan and advance to total deposit ratio

The ratio measures the extent to which the bank are successful in utilizing outsiders fund in the form of extending loans and advance.

Table no. 4.11*Loan and advance to total deposit ratio*

Year	Ratio	
	HBL	EBL
2015/16	77.56	72.49
2016/17	82.25	81.27
2017/18	83.31	77.85
2018/19	84.74	80.76
2019/20	81.31	78.17
Average	81.84	78.12

*Source: Appendix no. 11***Figure: 11***Loan and advance to total deposit ratio*

The table 4.11 and figure 4.11 shows the ratio of loan and advance to total deposit of two different joint venture banks HBL and EBL. The ratio of HBL in first FY 2015/16 is 77.56% after that the ratio is in increasing order for 3 years that is 82.25%, 83.31% and 84.74% and at last year it decreases to 81.31% and its average ratio is 81.84%. The ratio of EBL is in fluctuating order; 72.49%, 81.27%, 77.85%, 80.76% and 78.17% respectively from year 2015/16 to 2019/20, and its average ratio is 78.12%.

High ratio means the greater use of deposits for investing in loans and advances. In this study HBL has higher average ratio than EBL.

4.1.3.4 Analysis of performing assets to total assets ratio

It shows the pattern of use of the fund collected from the outsiders, high ratio represents the success of bank in utilization of creditors fund in productive areas

Table no. 12

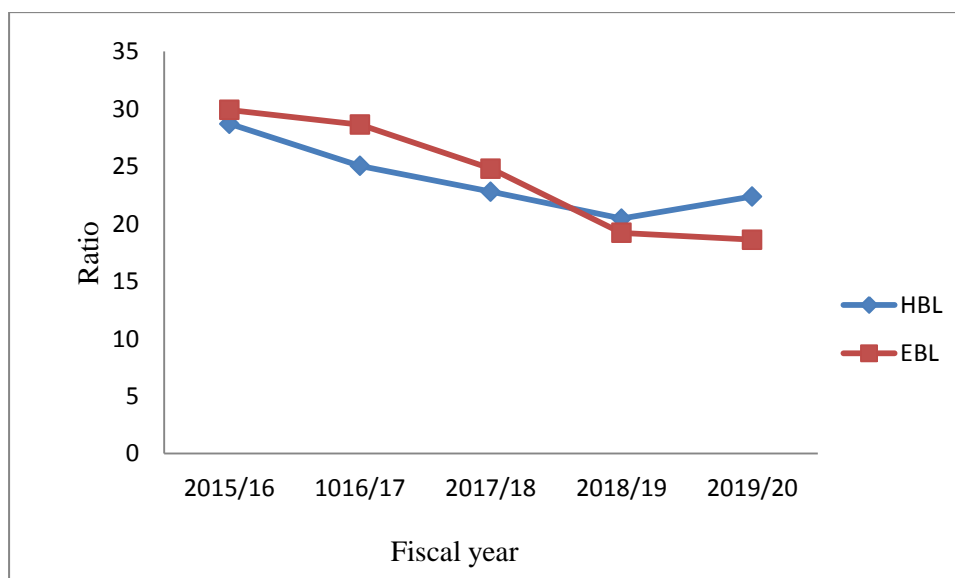
Performing assets to total assets ratio

Year	Ratio (%)	
	HBL	EBL
2015/16	28.70	29.9
2016/17	25.03	28.62
2017/18	22.79	24.79
2018/19	20.45	19.21
2019/20	22.37	18.61
Average	23.87	24.25

Source: Appendix no. 12

Figure: 4.12

Performing assets to total assets ratio



The table 4.12 and figure 4.12 depicts the ratio of performing assets to total assets of HBL and EBL for the FY 2015/16 to 2019/20. The performing assets to total loan ratio of HBL is increasing from year 2015/16 to 2018/19 that is 28.70%, 25.03%, 22.79% and 20.45% respectively after that in last year it again increase to 22.37% and its average ratio is 23.83%. The performing assets to total loan of HBL are decreasing from year 2015/16 to 2019/20; 29.9%, 28.62%, 24.79%.19.21% and 18.61%respectively, and its average ratio is 24.25%. Comparatively the average ratio of EBL is greater than HBL. High ratio indicates greater utilization of assets and hence sound profitability position.

4.1.4 Profitability ratio

The overall financial efficiency for the both short - term and the long - term obligations are reflected by this ratio. The bank should earn legitimate amount of profit to survive in the market and its growth. Therefore, this study has analyzed how the bank is operating the activities in connection of profit maximization. In this regard, it calculates earning power, return of the bank, and interprets it.

4.1.4.1 Analysis of return on total assets ratio

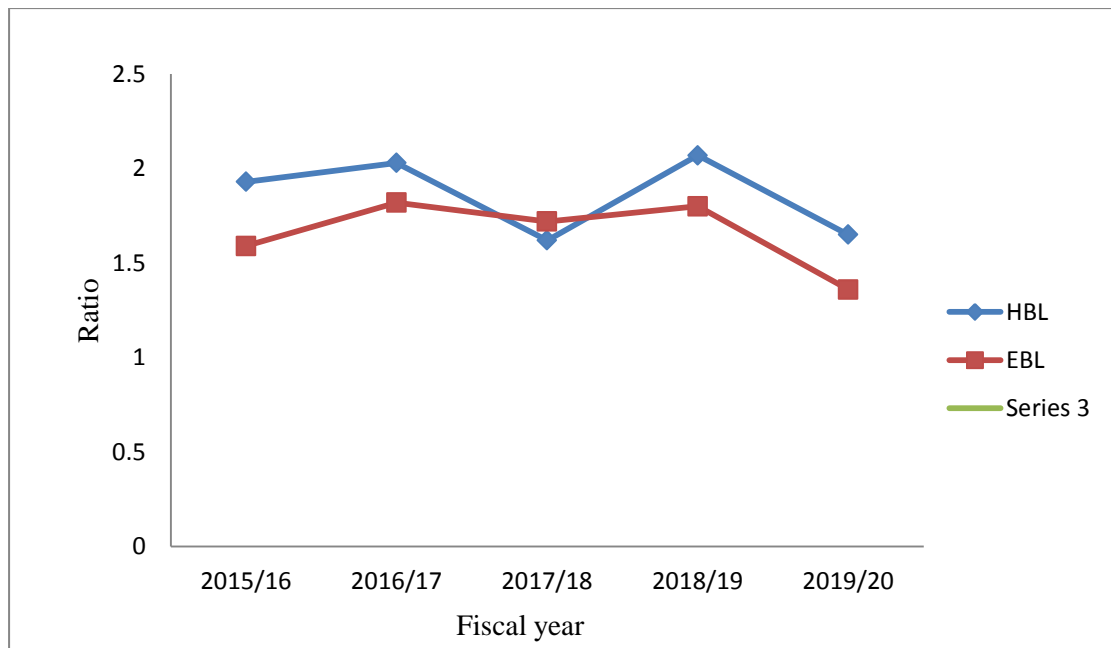
It measures the efficiency of bank in utilization of the overall assets. High ratio indicates the success of management in overall operation.

Table no. 4.13

Return on total assets

Year	Ratio (%)	
	HBL	EBL
2015/16	1.93	1.59
2016/17	2.03	1.82
2017/18	1.62	1.72
2018/19	2.07	1.80
2019/20	1.65	1.36
Average	1.86	1.65

Source: Appendix no. 1

Figure: 4.13*Return on total assets*

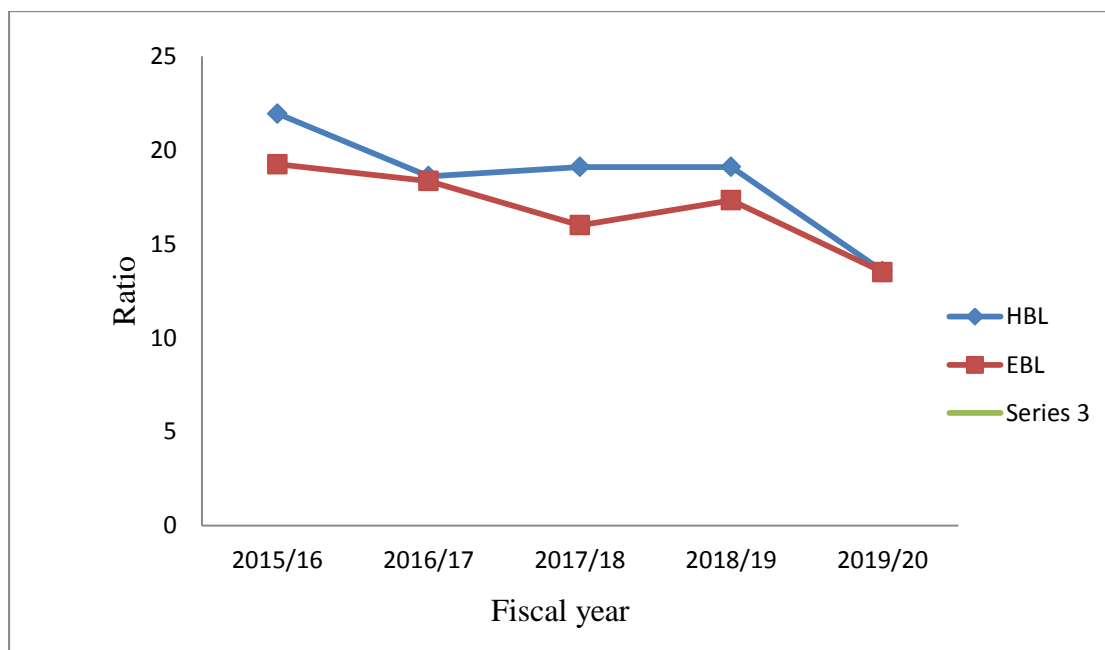
The table 4.13 and figure 4.13 reveals the earning power against the total assets available in the HBL and EBL during the study period of FY 2015/16 to 2019/20. The highest earning power of HBL is 2.03% in year 2016/17; the lowest one is 1.62% in year 2017/18. The highest earning power of EBL is 1.82% in year 2016/17; the lowest earning power is 1.36% in 2019/20. The average return on assets of HBL and EBL is 1.86% and 1.65% respectively; it shows that in average the earning power of HBL is greater than EBL.

4.1.4.2 Analysis of return on equity

This ratio measures the rate of return that the owners of common stock of a company receive on their shareholdings. It signifies how good the bank is in generating returns on the investment it received from its shareholders

Table no. 4.14*Return on equity*

Year	Ratio%	
	HBL	EBL
2015/16	21.94	19.25
2016/17	18.61	18.35
2017/18	19.10	16.00
2018/19	19.10	17.33
2019/20	13.55	13.50
Average	18.46%	16.89%

*Source: Appendix no 14***Figure: 4.14***Return on equity*

The table 4.14 and figure 4.14 exhibits the ratio of net profit and net worth as return on equity of HBL and EBL for the FY 2015/16 to 2019//20. The return on equity of HBL is 21.94%, 18.61%, 19.10%, 19.105 and 13.55%, its average ratio is 18.46%. The return on equity of EBL is 19.25%, 18.35%, 16.00%, 17.33% and 13.50%, its

average ratio is 16.89%. This ratio indicates the profitability of the owner's investment. Highest ratio shows the improvement situation of bank and lowest ratio shows the poorer situation of bank with its return on equity (net worth). Average ratio of HBL is greater than EBL.

4.1.4.3 Analysis of return on net loan and advance

This ratio measures the company's return from loan and advances.

Table no. 4.15

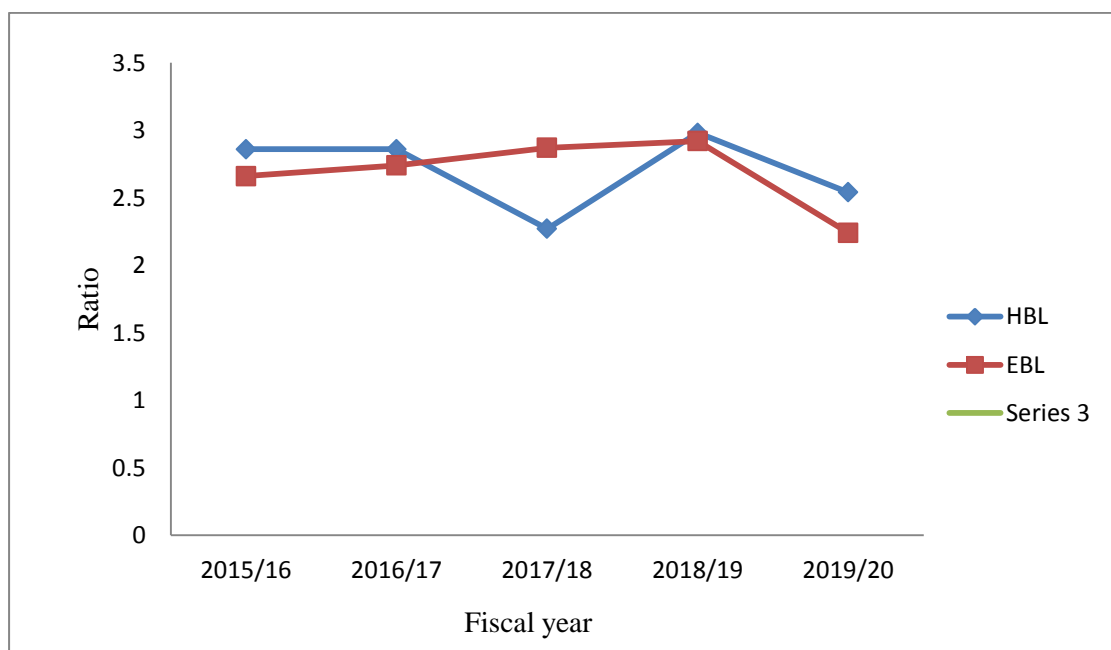
Return on net loan and advance

Year	Ratio%	
	HBL	EBL
2015/16	2.86	2.66
2016/17	2.86	2.74
2017/18	2.27	2.87
2018/19	2.98	2.92
2019/20	2.54	2.24
Average	2.7%	2.68%

Source: Appendix no. 15

Figure: 4.15

Return on net loan and advance



The table 4.15 and figure 4.15 show the ratio of return on net loan and advances of HBL and EBL. The ratio of HBL is 2.86%, 2.86%, 2.27%, 2.98%, and 2.54% and the ratio of EBL is 2.66%, 2.74%, 2.78%, 2.92% and 2.24% respectively from FY 2015/16 to 2019/20. The average ratio of HBL and EBL is 2.7% and 2.68% respectively. This study shows the average ratio of HBL is greater than the average ratio of EBL, comparatively it indicates that the return from loan and advances of HBL is greater than EBL.

4.1.4.4 Analysis of earning per share

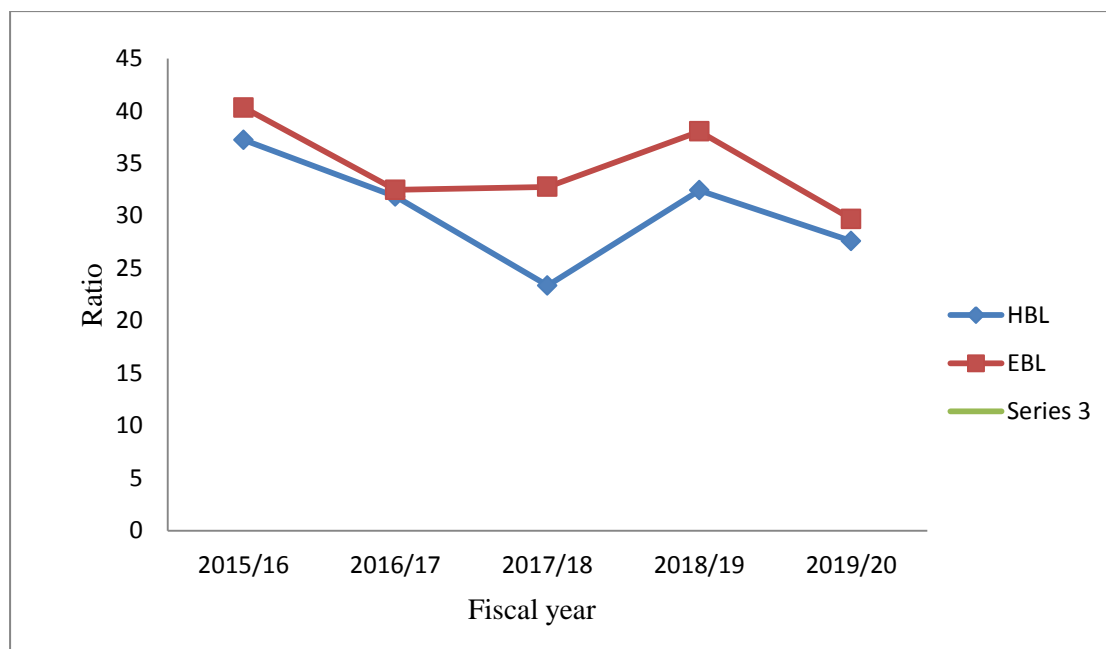
EPS measure the bank's share price; it is a figure describing a bank's profit per outstanding share of stock.

Table no. 4.16

Earnings per share

Year	Ratio (Rs)	
	HBL	EBL
2015/16	37.25	40.33
2016/17	31.85	32.48
2017/18	23.37	32.78
2018/19	32.44	38.05
2019/20	27.60	29.71
Average	30.49	34.67

Source: Appendix no. 16

Figure: .16*Earnings per share*

The table 4.16 and figure 4.16 depicts the earning per share (EPS) of two joint venture banks namely HBL and EBL. EPS of HBL is in decreasing order for three year from 2015/16 to 2017/18 that is Rs. 37.25, Rs 31,85, and Rs. 23.37 , in 2018/19 it increase to Rs. 32.44, and in 2019/20 again it decrease and become Rs. 27.60. Earnings per share of EBL are in fluctuating order that is Rs. 40.33, Rs. 32.48 Rs. 32.78, Rs. 38.05 and Rs. 29.71 from year 2015/16 to 2019/20. The highest EPS of HBL is Rs. 37.25 whereas the highest EPS of EBL is 40.33.

4.2 Findings

The preceding chapter have discussed and explored the facts and matters required for the various parts of the study. Having completed the basic analysis required for the study, the final and most important task of the researcher is to en list findings issues and gap of the study and gives suggestions for further improvement. This would be meaningful to the top management of the bank to initiate action and achieve the desired result. The objective of the researchers is not only to point errors and mistakes but also to correct them and give directions for further growth and improvement. The main findings of the study that are derived on the basis of financial data analysis of Nepal Bank Ltd are presented below:

Liquidity ratio

- I. In term of Cash to deposit ratio the average ratio of EBL is 5.46%, which is higher than HBL of 3.64%. And with comparing to average ratio, EBL is more profitable because the liquidity position of EBL is better than that of HBL.
- II. In term of Cash and bank balance to deposit ratio the average ratio of EBL is 24.2%, which is higher than HBL of 13.6%. And with comparing to average ratio, EBL is more profitable because the liquidity position of EBL is better than that of HBL.
- III. In term of NRB balance to deposit ratio the average ratio of EBL is 15.5%, which is higher than HBL of 6.5%. And with comparing to average ratio, EBL is more profitable because the average ratio of EBL is better than that of HBL.
- IV. In term of cash and bank balance to current deposit ratio the average ratio of EBL and HBL are 1.39 times and 2.87 times respectively. With comparing to average ratio, EBL is more profitable than HBL.

Leverage ratio

- I. While comparing total debt to total assets ratio, the average ratio of EBL is higher than that of HBL i.e. 1.54 % > 1.14%. This implies that EBL has riskier debt financing position as compared to HBL over the study period.
- II. The total debt to shareholders equity ratio describes the lenders contribution for each rupee of the owners' contribution. This explains that EBL ratio is less fluctuating over the study period, than HBL. High total debt to shareholders equity ratio refers that the use of debts by the banks helps to enhance the rate of return of shareholders fund.
- III. In term of shareholder's equity to total assets the average ratio of EBL is higher than that of HBL that is 8.79% and 9.9 respectively. This ratio explains the percentage of shareholder's equity used in total assets.
- IV. In term of total debt to shareholder's fund. The average ratio EBL is higher than that of HBL that is 0.25 times and 0.42 times respectively. This study implies that the total debt financing on shareholder's fund of EBL is higher than HBL.

Turnover/ activity ratio

- I. The investment by total deposit ratio measures the capacity utilization. The average ratio of HBL is higher than that of EBL i.e. $16.75\% > 16.47\%$. It shows that greater fluctuation in ratios of HBL than EBL. From the above analysis it is employed that, HBL is utilizing its deposits more on investment. It has better position in utilizing its proportion of deposits.
- II. In term of investment to total assets ratio, the average ratio of HBL is higher than that of EBL i.e. $14.14\% > 13.07\%$. In this analysis, it is concluded that HBL has proper utilization of total assets than EBL because HBL has higher average ratio than EBL.
- III. The loan and advance to total deposit ratio is employed to measure the utilization of their total deposit on loan and advances. The average ratio of EBL is nominally lower than that of HBL $81.84\% < 78.12\%$. It shows that both HBL has better utilization of deposits than that of EBL.
- IV. Performing assets to total assets ratio measures what percentage of the assets has been funded for income generation. The average ratio of EBL is higher than that of HBL, which indicates that EBL has greater utilization of assets and hence sound profitability position.

Profitability ratio

- I. Profitability in term of net profit to total assets ratio of HBL is found higher than that of EBL. The yearly ratio of both banks is in fluctuating trend. It can be seen that EBL net profit to total assets ratio is less than that of HBL i.e. $1.65\% < 1.86\%$.
- II. In term of return on equity ratio the average ratio of HBL is higher than that of EBL that is 18.14% and 16.89% respectively. It indicates that HBL has better utilization of equity with compare with EBL.
- III. Return on net loan and advance ratio measures the company's return from loan and advances. This study analysis that the average ratio of HBL is little bit higher than that of EBL that is 2.7% and 2.68% respectively.
- IV. Earnings per share measure the profit available to the equity shareholders. Here, the average EPS of EBL is higher than that of EBL that is Rs. 34.67 and Rs. 30.49 respectively, it reflects the sound profitability if EBL than HBL.

EPS refers to the income available to the common shareholders on per share basis.

4.3 Discussion

Liquidity ratio of EBL is better than HBL. HBL was losing its liquidity position continuously up to the fourth of study period in the last year it has improved the ratio. This result is support by the study of (Abdeldayem, 2018).

The leverage position of EBL and HBL shows that, both banks are highly leveraged. This result is support by the study of (Abdeldayem, 2018).

From the analysis of turnover of these two banks, HBL has better turnover than EBL in terms of loan and advances to fixed deposit ratio and investment by total deposit ratio. This result is support the study of (Nyanga, 2012).

Profitability position of HBL is in best condition as the bank is incurring higher profit. This finding is support with the previous study of (Nyanga, 2012).

CHAPTER V

SUMMARY AND CONCLUSION

This chapter is dedicated to provide conclusions after comparatively analyzing the financial performance of two joint venture banks named EBL and HBL. It also tries to provide some recommendations to the concerned banks from the conclusion derived from the study.

5.1 Summary

The financial analysis is the process of identifying the financial strength and weakness of the firm. It is the written records that convey the business activities and financial performance of a company. The research work entitled the comparative study on financial performance analysis of two commercial banks - HBL and EBL. Financial tools have been used to make this study more effective and informative. Four types of ratio; liquidity ratio, leverage ratio, turnover ratio and profitability ratio have been analyzed. This study has covered five years data from 2015/16 to 2019/20 of HBL and EBL. The main objective of this study is to identify the determinant of financial performance of sampled banks. The study mainly based on the secondary data using convenience sampling design.

Liquidity position of EBL is better; it has sufficient cash and bank balance to deposit than that of HBL. The leverage position of EBL and HBL shows that, both banks are highly leveraged. From the analysis the proportion of outsiders claim, in the total capitalization, is higher in EBL. From the analysis of turnover of these two banks, HBL has better turnover in terms of loan and advances to fixed deposit ratio and investment to total deposit ratio. So, HBL has better utilization of resources in income generating activities. In terms of profitability net profit to total assets ratio, return to net worth (shareholders equity), return on net loan and advance ratio HBL is always greater than that of EBL. Thus, it can be concluded that HBL is getting good return from its investment.

5.2 conclusion

In summary, from both the literature and research methodology it concluded that:

The liquidity ratio measures the ability of a firm to meet its short-term obligations and select the short-term financial solvency of a firm. The Liquidity position of cash to deposit ratio of EBL is higher than that of HBL (i.e. $5.46\% > 3.64\%$ on an average). So, it is concluded that EBL has sufficient cash and bank balance to deposit than that of HBL. Likewise, the liquidity position of EBL in terms of cash and bank balance to total deposit ratio is found higher than HBL. Here, EBL has so high ratio that it is not better because “ideal assets earn nothing”. So, both banks should invest in productive area. The average ratio of NRB o total deposit and cash and bank balance to current ratio is EBL is also higher than that of HBL. From overall analysis if liquidity ratio it concludes that EBL is in better position than HBL.

The average of total debt to shareholder equity ratio higher in EBL than that of HBL it implies that the proportion of outsiders claim, in the total capitalization, is higher in EBL. Thus, EBL has more risky and aggressive capital structure than HBL. Total debt to total assets ratio implies a bank success in exploiting debts to be more profitable as well as its riskier capital structure. The average of total debt to total assets ratio of EBL is higher than HBL, which implies that EBL has riskier debt financing position than that of HBL. From this analysis, capital structure ratio has clearly referred that total debt to shareholders fund and total assets are slightly higher for HBL as compared to EBL.

The activity turnover ratio is used to examine the efficiency with which the firm manages and utilizes its assets. The activity turnover of HBL in terms of investment to total deposit, investment to total assets and loan and advances to total deposit ratio is slightly higher than that of EBL. From the analysis; it is concluded that HBL has been successfully utilized their deposits and assets in term of investment and loan and advances for profit generating purpose compared to EBL.

Profitability ratio is measurement of efficiency. It provides the degree of success in achieving desired profit. Profitability in terms of net profit to total assets ratio, return

to net worth (shareholders equity), return on net loan and advance ratio HBL is always greater than that of EBL. Thus, it can be concluded that HBL is getting good return from its investment. The average EPS of EBL is higher than HBL i.e. Rs. 34.67 > Rs. 30.49 within the study period. This shows that, EBL is found better performance in term of EPS than HBL.

5.3 Implications

A clear financial picture can be viewed from all above presentation. Now, some valuable and timely suggestions and recommendations are put forwarded on the basis of findings and conclusion or literally their financial pictures in order to revitalize and improve the financial position of HBL and EBL.

- I. The overall liquidity position of EBL is better than HBL. HBL was losing its liquidity position continuously up to the fourth of study period in the last year it has improved the ratio, So HBL has to maintain this ratio forwards.
- II. The leverage position of EBL and HBL shows that, both banks are highly leveraged. Use of more debt helped to enhance the rate of return on shareholders' fund. However, excessive use of debt may cause solvency of the bank. So, these banks should maintain a proper balance of total debt to shareholders fund.
- III. The turnover of the commercial banks is the main factor of income generating activity. From the analysis of turnover of these two banks, HBL has better turnover than EBL in terms of loan and advances to fixed deposit ratio and investment by total deposit ratio. So, HBL has better utilization of resources in income generating activities than EBL. So, it is recommended that EBL should invest its deposit in profit generating sector.
- IV. Profitability position of HBL is in best condition as the bank is incurring higher profit. Here, comparatively, HBL has better profitability position. However, both banks are not in satisfactory level. So both banks are recommended to utilize the resources more efficiently for profit generating sector. If assets remain idle, banks should bear high cost and cause low profit margin.

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Appendix-1

Cash to total deposit ratio

Year	Cash		Total deposit	
	HBL	EBL	HBL	EBL
2015/16	1498347320	2514947575	87335785849	93735480708
2016/17	1558322040	3060845724	92881114255	95094461030
2017/18	4741359383	10065422666	98988791212	115511705922
2018/19	4658553979	7759121374	109387060433	129568152895
2019/20	7231138781	9646947712	125264381690	14354575184

Appendix-2

Cash and bank balance to total deposit

Years	Cash and bank balance		Total deposit	
	HBL	EBL	HBL	EBL
2015/16	7847984059	23117394498	87335785849	93735480708
2016/17	8915385658	21383490030	92881114255	95094461030
2017/18	14890143936	32295170501	98988791212	115511705922
2018/19	14773324554	31118539900	109387060433	129568152895
2019/20	26092917105	32744822601	125264381690	14354575184

Appendix-3

NRB balance to total deposit

Year	NRB balance		Total deposit	
	HBL	EBL	HBL	EBL
2015/16	5677702310	13356018269	87335785849	93735480708
2016/17	6141151917	14577083955	92881114255	95094461030
2017/18	5159259737	18938747835	98988791212	115511705922
2018/19	4883535225	23304568526	109378060433	129568152895
2019/20	12407815815	19972674889	125264381690	14354575184

Appendix-4

Cash and bank balance to current deposit

Year	Cash and bank balance		Current deposit	
	HBL	EBL	HBL	EBL
2015/16	7847984059	23117394498	9022902938	8629903086
2016/17	8915385658	21383490030	9032609733	8867660592
2017/18	14890143936	32295170501	9599836368	9394126099
2018/19	14773324554	31118539900	9680557033	9492809015
2019/20	26029917105	32744822601	12605850851	11121783668

Appendix-5

Total debt to total assets ratio

Year	Total debt		Total assets	
	HBL	EBL	HBL	EBL
2015/16	1104174092	2236662237	99863008080	113885046402
2016/17	922892887	1699191367	107255479966	116510445575
2017/18	1377611505	1068845000	116462301380	144811151443
2018/19	1183960560	1068845000	133151142073	170077533454
2019/20	2563661608	1068845000	155884918983	185023189704

Appendix-6

Debt equity ratio

Year	Total debt		Net worth	
	HBL	EBL	HBL	EBL
2015/16	1104174092	2236662237	8823768128	9393900000
2016/17	922892887	1699191367	4402126753	11544600000
2017/18	1377611505	1068845000	9820122609	16134507425
2018/19	1183960560	1068845000	13823651502	17625063404
2019/20	2563661608	1068845000	19092491225	18637356460

Appendix-7

Shareholder's equity to total assets ratio

Year	Shareholder's equity		Total assets	
	HBL	EBL	HBL	EBL
2015/16	8823768128	9393900000	99863008080	113885046420
2016/17	4402126753	11544600000	107255479966	116510445575
2017/18	9820122609	16134507425	116462301380	144811151443
2018/19	13823651502	17625063404	133151142073	170077533454
2019/20	19092491225	18637356460	155884918983	187023189704

Appendix-8

Total debt to shareholder's fund

Year	Total debt		Shareholder's fund	
	HBL	EBL	HBL	EBL
2015/16	1104174092	2236662237	4848888500	4606426899
2016/17	922892887	2134162237	3590667378	3811858733
2017/18	1377611505	2005636029	4523962180	5071290367
2018/19	1183960560	2274914094	5303395658	6050137923
2019/20	1563661068	2251679338	5720209797	6955579206

Appendix-9

Investment to total deposit ratio

Year	Investment		Total deposit	
	HBL	EBL	HBL	EBL
2015/16	19306073338	18198739944	87335785849	93735480708
2016/17	17929265359	11964561347	92881114255	95094461030
2017/18	11852256817	15554185400	98988791212	115511705922
2018/19	16771122333	21769680181	109387060433	129568152895
2019/20	18637452400	28913510026	125096953081	143545475184

Appendix-10

Investment to total assets ratio

Year	Investment		Total assets	
	HBL	EBL	HBL	EBL
2015/16	19306073338	18198739944	99863008080	113885046402
2016/17	17929265359	11964561347	107255479966	116510445575
2017/18	11852256817	15554185400	116462301380	144811151443
2018/19	16771122333	21769680181	133151142073	170077533454
2019/20	18637452400	28913510026	155884918983	185023189704

Appendix-11

Loan and advance to total deposit

Year	Loan and advance		Total deposit	
	HBL	EBL	HBL	EBL
2015/16	67745978944	67955107021	87335785849	93735480708
2016/17	76394259228	77287764142	92881114255	95094461030
2017/18	82474993680	89927569569	98988792121	115511705922
2018/19	92697318360	104644200903	109387060433	129568152895
2019/20	101728467164	112211738338	125096953081	143545475184

Appendix-12

Performing assets to total assets

Year	Performing assets		Total assets	
	HBL	EBL	HBL	EBL
2015/16	28663093726	34069705788	99863008080	113885046402
2016/17	26844650997	33348051377	107255479966	116510445575
2017/18	26544315746	35908405321	116462301380	144811151443
2018/19	27240112226	32679535426	133151142073	170077533454
2019/20	34880621296	34433132621	155884918983	185023189704

Appendix-13

Return on total assets

Year	Net profit		Total assets	
	HBL	EBL	HBL	EBL
2015/16	1935907634	1809263536	99863008080	113885046402
2016/17	2178234893	2118021520	107255479966	116510445575
2017/18	1875610467	2581681778	116462301380	144811151443
2018/19	2763848475	3054122062	133151142073	170077533454
2019/20	2586722710	2516243710	155884918983	185023189704

Appendix-14

Return on equity

Year	Net profit		Shareholders' equity	
	HBL	EBL	HBL	EBL
2015/16	1935907634	1809263536	8823768128	9393900000
2016/17	2178234893	2118021520	11705196753	11544600000
2017/18	1875610467	2581681778	9820122609	16134507425
2018/19	2763848475	3054122062	13823651502	17625063404
2019/20	2586722710	2516243710	19092491225	18637356460

Appendix-15

Return on net loan and advance

Year	Net profit		Loan and advance	
	HBL	EBL	HBL	EBL
2015/16	1935907634	1809263536	67745978944	67955107021
2016/17	2178234893	2118021520	76394259228	77287764142
2017/18	1875610467	2581681778	82474993680	89927569569
2018/19	2763848475	3054122062	92697318360	104644200903
2019/20	2586722710	2516243710	101728467164	112211738338

Appendix-16

Earnings per share

Year	Net profit		No. of share	
	HBL	EBL	HBL	EBL
2015/16	1935907634	1809263536	51970674	44861481
2016/17	2178234893	2118021520	68390420	65210022
2017/18	1875610467	2581681778	80257187	78757833
2018/19	2763848475	3054122062	85198781	80266020
2019/20	2586722710	2516243710	93685605	84693494