FINANCIAL PERFORMANCE

OF

EVEREST BANK LIMITED

&

STANDARD CHARTERED BANK LIMITED

By:

RAJAN TULADHAR

Shanker Dev Campus

Campus Roll No: 935/059

TU Regd. No.: 34803 - 93

A Thesis Submitted to:

Office of the Dean

Faculty of Management Tribhuvan University

In partial fulfillment of the requirement for the degree of Master of Business Studies (M.B.S.)

> Kathmandu, Nepal March, 2009

DECLARATION

I hereby declare that the work done in thesis entitled "FINANCIAL PERFORMANCE OF EVEREST BANK LIMITED AND STANDARD CHARTERED BANK LIMITED" has been submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my own created work reported in the form of partial fulfillment of the requirement of Master's of Business studies (M.B.S.) course under the guidance of respected teachers Sashi Kant Mainali and Rabindra Bhattarai of Shanker Dev Campus.

RAJAN TULADHAR

Researcher

VIVA -VOCE SHEET

We have conducted the viva-voce of the thesis

Submitted by:

RAJAN TULADHAR

Entitled:

"FINANCIAL PERFORMANCE OF

EVEREST BANK LIMITED AND STANDARD CHARTERED BANK LIMITED"

And found the thesis to be the original work of the student written according to the prescribed

format. We recommend the thesis to be accepted as partial fulfillment of the requirements for

Master's Degree in Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department	·
Member (Thesis Supervisor)	:
Member (Thesis Supervisor)	:
Member (External Expert)	:

Date:

RECOMMENDATION

This is to certify that the thesis:

Submitted by:

RAJAN TULADHAR

Entitled:

"FINANCIAL PERFORMANCE OF EVEREST BANK LIMITED AND STANDARD CHARTERED BANK LIMITED"

has been prepared as approved by this department in the prescribed format of

Faculty of Management. This thesis is forwarded for examination.

Sashi Kant Mainali

(Thesis Supervisor)

Dr. Kamal Deep Dhakal

(Campus Chief)

Rabindra Bhattarai

(Thesis Supervisor)

ACKNOWLEDGEMENT

I express my sincere gratitude to all the authors and learned personalities, whose writings have been cited in this study. I also express my sincere gratitude to those authors whose writings though are not cited but helped and inspired me in making my vision clear and reaching on conclusion.

I extend my deep sense of indebtedness to my respected supervisors Sashi Kant Mainali and Rabindra Bhattarai of Shanker Dev Campus for their precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without their valuable insight, I would not think of accomplishment of this thesis paper. I acknowledge my profound gratitude to Sample Banks for the cooperation shown and providing necessary data.

I want to give thanks for the staff members of T.U. Central Library, Shanker Dev Campus Library who provided the reference and reading materials during the period of research.

Finally, I would like to express my sincere gratitude to all my family members for their assistance, timely encouragement in every steps and financial support. In addition, the special thanks goes to GRADS investment Research and Consultancy Pvt. Ltd for providing helpful data and all my friends who provided me crucial support, is also part of my sincere thanks.

RAJAN TULADHAR

Researcher

TABLE OF CONTENS

CHAPTER -I		
INTRODUCTION	1	
1.1 Background of the Study	1	
1.1.1 Concept of Commercial Banks	3	
1.1.2 Role of the Commercial Banks	6	
1.1.3 Profile of sample Bank	7	
1.2 Focus of the Study	8	
1.3 Statement of the Problem	9	
1.4 Objectives of the Study	10	
1.5 Significance of the Study	10	
1.6 Limitation of the Study	11	
1.7 Organization of the Study	11	
CHAPTER - II		
REVIEW OF LITERATURE 13		
2.1 Conceptual Review	13	
2.1.1 Bank	13	
2.1.2 Concept of Commercial Bank	13	
2.1.3 Financial statements	14	
2.1.4 Financial Performance Analysis	15	
2.1.5 Objectives of Financial Performance Analysis	18	
2.1.6 Need of Financial Performance Analysis/ Financial Statement Analysis	19	

2	2.1.7 Significance of Financial Analysis	19
2	2.1.8 Process of Financial Performances Analysis	21
2	2.1.9 Types of Financial Performance Analysis	21
2	2.1.10 Techniques of Financial (Statement) Analysis	23
2	2.1.11 Limitations of Financial Performance Analysis	29
2.2	Review of Journals and Articles	30
2.3	Review of Thesis	32
CHA	APTER - III	
RES	SEARCH METHODOLOGY	42
3.1	Introduction	42
3.2	Research Design	43
3.3	Population and Sample	44
3.4	Nature and Sources of data	44
3.5	Data Collecting Procedures	44
3.6	Tools and Techniques used	44
3.7	Financial Tools	45
3	3.7.1 Analysis of Financial Ratios	45
	3.7.1.1 Liquidity Ratio	45
	3.7.1.2 Activity Ratio	47
	3.7.1.3 Profitability Ratio	48
	3.7.1.4 Lending Efficiency Ratio	50
3.8	Statistical Tools	51
3	3.8.1 Average/Mean	51

3.8.2 Standard deviation	52
3.8.3 Coefficient of variation	52
3.8.4 Coefficient of correlation (r)	53
3.8.5 Trend Analysis	54

CHAPTER - IV

PRESENTATIONS AND ANALYSIS OF DATA55	
4.1 Analysis of Financial Rations	55
4.1.1 Liquidity Ratio	55
4.1.2 Activity Ratio	65
4.1.3 Profitability Ratio	71
4.1.4 Lending Efficiency Ratio	86
4.2 Statistical tools	92
4.2.1 Correlation Coefficient	92
4.2.2 Trend Analysis:	99
4.2.3 Major Findings of the Study	107

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATION 113		113
5.1	Summary	113
5.2	Conclusions	116
5.3	Recommendations	124
Bibli	iography	
Appendix		

LIST OF TABLE

		1.0.
Table No 4.1	Current Ratio of EBL and SCBNL	56
Table No 4.2	Cash and Bank Balance to Current Assets Ratio	58
Table No 4.3	Investment on Government Treasury Bills to Current Assets	60
Table No 4.4	Loan and Advance to Current Assets Ratio	62
Table No 4.5	Cash and Bank Balance to Total Deposit Ratio	64
Table No. 4.6	Loan and Advance to Total Deposit Ratio	66
Table No 4.7	Total Investment to Total Deposit Ratio	68
Table No 4.8	Loan and Advances to Total Assets	70
Table No 4.9	Return on Equity Ratio (ROE)	72
Table No 4.10	Interest Earned to Total Assets Ratio	74
Table No 4.11	Interest Paid to Working Fund Ratio	76
Table No 4.12	Interest Earned to Operating Income Ratio	78
Table No 4. 13	Return on Total Assets Ratio	80
Table No 4.14	Return on Loan and Advances Ratio	82
Table No 4.15	Earning per Share	83
Table No 4.16	Price Earning Ratio	85
Table No 4.17	Loan Loss Provision to Total Loan and Advances	87
Table No 4.18	Interest Expenses to Total Deposit Ratio	89
Table No 4.19	Non-Performing Loan to Total Loan and Advances	91
Table No 4.20	Coefficient of Correlation Between Deposit and Loan and Advance	e 94
Table No 4.21	Coefficient of Correlation Between deposit and investment	95
Table No 4.22	Coefficient of Correlation Between Total Assets and Net Profit	97
Table No 4.23	Coefficient of Correlation Between Net Profit and Total Deposit	98
Table No 4.24	Calculation of Trend Analysis and Total Deposit of EBL	100
Table No 4.25	Calculation Trend Analysis and Total Deposit of SCBNL	101
Table No 4.26	Trend of Total Deposit of EBL and SCBNL	102
Table No 4.27	Calculation Trend Analysis of Total Loan and Advance of EBL	104
Table No 4.28	Calculation Trend Analysis of Total Loan and Advance of SCBNL	105
Table No 4.29	Trend Analysis of Total Loan and Advance	106

LIST OF FIGURE

		Page No.
Figure No 2.1	Du Pont System of Financial Analysis	26
Figure No 4.1	Current Ratio of EBL and SCBNL	57
Figure No 4.2	Cash and Bank balance to Current Assets Ratio	59
Figure No 4.3	Investment on Government Treasury Bills to Current Assets	61
Figure No 4.4	Loan and Advance to Current Assets Ratio	63
Figure No 4.5	Cash and Bank Balance to Total Deposit Ratio	65
Figure No 4.6	Loan and Advance to Total Deposit Ratio	67
Figure No 4.7	Total Investments to Total Deposit Ratio	69
Figure No 4.8	Loan and Advances to Total Assets	71
Figure No 4.9	Return on Equity Ratio (ROE)	73
Figure No 4.10	Interest Earned to Total Assets Ratio	75
Figure No 4.11	Interest Paid to Working Fund Ratio	77
Figure No 4.12	Interest Earned to Operating Income Ratio	79
Figure No 4.13	Return on Total Assets Ratio	81
Figure No 4.14	Return on Loan and Advances Ratio	83
Figure No 4.15	Earning Per Share	84
Figure No 4.16	Price Earning Ratio	86
Figure No 4.17	Loan Loss Provision to Total Loan and Advances	88
Figure No 4.18	Interest Expenses to Total Deposit Ratio	90
Figure No 4.19	Non-Performing Loan to Total Loan and Advances	92
Figure No 4.20	Trend of Total Deposit of EBL and SCBNL	103
Figure No 4.21	Trend Analysis of total Loan and Advance	107

ABBREVIATIONS

ADB	=	Agricultural Development Bank
AGM	=	Annual General Meeting
BS	=	Before Domini (Bikram Sambat)
CA	=	Current Assets
CAR	=	Capital Adequacy Ratio
CL	=	Current Liabilities
CRR	=	Cash Reserve Ratio
CV	=	Coefficient of Variance
EBL	=	Everest Bank Limited
EPS	=	Earning Per Share
FY	=	Fiscal Year
Govt	=	Government
HR	=	Human Resource
INGO	=	International Non-governmental Organization
JVBs	=	Joint Venture Banks
MBS	=	Masters in Business Studies
NABIL	=	Nepal Arab Bank Limited
NBL	=	Nepal Bank Limited
NEPSE	=	Nepal Stock Exchange
NIDC	=	Nepal Industrial Development Corporation
NGO	=	Non-governmental Organization
NPA	=	Non-Performing Assets

NPL	=	Non-Performing Loans
NRB	=	Nepal Rastra Bank
OBS	=	Off-Balance Sheet
RBB	=	Rastriya Banijya Bank
ROA	=	Return on Assets
SBI	=	State Bank of India
SCBNL	=	standard charter Bank
SD	=	Standard Deviation
SEC	=	Securities Exchange Center