COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF NEPAL INVESTMENT BANK LTD. AND HIMALAYAN BANK LTD.

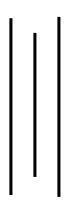
By:

KAMALA HAMAL Shanker Dev Campus

Campus Roll No: 1799/062

T.U. Regd. No.: 7-2-55-810-2002

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 (MBS)

Kathmandu, Nepal September 2010

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

KAMALA HAMAL

Entitled:

COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF NEPAL INVESTMENT BANK LTD. AND HIMALAYAN BANK LTD.

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

•••••	•••••	•••••
Asso. Prof. Ruchila Pandey	Prof. Bisheshwor Man Shrestha	Prof. Dr. Kamal Deep Dhakal
(Thesis Supervisor)	(Head of Research Department)	(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By:

KAMALA HAMAL

Entitled:

COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF NEPAL INVESTMENT BANK LTD. AND HIMALAYAN BANK LTD.

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for

Master Degree of Business Studies (MBS)

Viva-Voce Committee

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

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled "Comparative Financial Performance Analysis of Nepal Investment Bank Ltd. and Himalayan Bank Ltd." submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master Degree in Business Studies (MBS) under the supervision of Asso. Prof. Ruchila Pandey of Shanker Dev Campus.

.....

Kamala Hamal Shanker Dev Campus

Campus Roll No: 1799/062

T.U. Regd. No: 7-2-55-810-2002

ACKNOWLEDGEMENT

This thesis entitled "Comparative Financial Performance Analysis of Nepal Investment Bank Limited and Himalayan Bank Limited" has been prepared for the partial fulfillment of the requirement of Master Degree of Business Studies (M.B.S.) under the Faculty of Management, Tribhuvan University, is bases on research model involving the use of quantitative and qualitative as well as qualitative aspect of financial performance.

I wish to extend my deep sense of indebtedness to my thesis supervisor Associate Professor Ruchila Pandey of Shanker Dev Campus. She always provided me valuable guidelines, insightful comments, encourangment and generous treatment to complete this thesis. I also thank to express my deep admiration to Prof. Bisheswor Man Shrestha, Head of research Department of Shanker Dev Campus, whose valuable suggestions helped me to complete this research work.

I also express my gratitude to the staff of various corporate bodies, including SEBO/N, Nepal Investment Bank Limited and Himalayan Bank Limited.

Finally, I would like to express my genuine appreciation to the staffs of library of Shanker Dev Campus and Tribhuvan University.

At last, I express my heartfelt gratitude to my parents and all my family members as well as all friends and colleagues without their cordial cooperation, this work could have been very difficult for me.

Similarly, my special thanks goes to Miss Sharmila Parajuli to help me every step of thesis work.

Kamala Hamal

TABLE OF CONTENTS

Recommendation	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER – I INTRODUCTION	
1.1 Background	1
1.1.1 Origin and Historical Growth of Banking	2
1.1.2 Evolution of Banking in Nepal	5
1.1.3 Introduction of Two Selected Commercial Banks	7
1.1.3.1 Nepal Investment Bank Limited	7
1.1.3.2 Himalayan Bank Limited	8
1.2 Statement of the Problems	9
1.3 Objective of the Study	11
1.4 Scope of the Study	12
1.5 Importance of the Study	12
1.6 Limitation of the Study	13
1.7 Chapter Scheme	13
CHAPTER – II REVIEW OF LITERATURE	
2.1 Conceptual Review	15
2.1.1 Concept of Banking	15
2.1.2 Commercial Banks	16
2.1.3 Function of Commercial Bank	17

2.1.4 Concept of Financial Performance	19
2.2 Review of Studies	21
2.2.1 Review of Journal and Books	21
2.2.2 Review of Articles	23
2.2.3 Review of Thesis	26
2.3 Research Gap	34
CHAPTER- III RESEARCH METHODOLOGY	
3.1 Introduction	35
3.2 Research Design	36
3.3 Data Collection Procedures	37
3.4 Populations and Sample	38
3.5 Methods of Data Analysis	38
3.5.1 Ration Analysis	39
3.5.1.1 Liquidity Ratios	39
3.5.2 Limitation of Research Methodology	48
CHAPTER – IV DATA PRESENTATION AND ANALYSIS	
4.1 Financial Analysis	49
4.1.1 Ratio Analysis	50
4.1.1.1 Liquidity Ratio	50
4.1.1.2 Assets Management Ratio	55
4.1.1.3 Profitability Ratio	60
4.1.1.4 Other Ratios	69
4.2.2 Trend Analysis and Projection for Next Five Years	76
4.2 Major Findings of the Study	92
4.2.1 Financial Analysis	92

CHAPTER -V SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary	96
5.2 Conclusion	100
5.3 Recommendations	102

1.1.1.1

1.1.1.2 Bibliography

Appendices

LIST OF TABLES

Table	No. Title	Page No.
4.1	Current Ratio	51
4.2	Cash and Bank Balance to Total Deposits Ratios (in percentage)	52
4.3	Cash and Bank Balance to Current Assets Ratios	54
4.4	Loans and Advance to Total Deposit Ratio	56
4.5	Total Investment to Total Deposit Ratio	57
4.6	Loans and Advance to Total Assets Ratio	59
4.7	Return on Loans and Advance	61
4.8	Return on Total Assets Ratio (ROTA)	62
4.9	Return on Net Worth/Equity Ratio	64
4.10	Interest earned to Total Assets Ratio	66
4.11	Return on Total Deposit Ratio	68
4.12	Earnings per share (EPS)	70
4.13	Dividend Per Share (DPS)	71
4.14	Earning Yield Ratio	73
4.15	Dividend Yield Ratio	74
4.16	Price Earnings Ratio (P/E ratio) (in times)	75
4.17	Trend Value of Net Profit of NIBL and HBL	79
4.18	Trend value of Loan and Advances of NIBL and HBL	81
4.19	Trend Value of Total Deposit of NIBL and HBL	83
4.20	Trend Value of Total Investment of NIBL and HBL	85
4.21	Trend Value of Dividend per share of NIBL and HBL	88
4.22	Trend Value of Earning Per Share of NIBL and HBL	90

LIST OF FIGURES

Figur	e No. Title	Page No.
1.1	Share Holding Structure of NIBL	8
4.1	Current Ratio	52
4.2	Cash and Bank Balance Total Deposit Ratio	53
4.3	Cash and Bank Balance to Current Assets Ratios	55
4.4	Loans and Advance to Total Deposit Ratio	57
4.5	Total Investment to Total Deposit Ratio	58
4.6	Loan and Advance Total Assets Ratio	60
4.7	Return on Loan and Advance	62
4.8	Return on Total Assets Ratio	63
4.9	Return on Net Worth/Equity Ratio	65
4.10	Interest Earned to Total Assets Ratio	67
4.11	Return on Total Deposit Ratio	69
4.12	Earnings Per Share	71
4.13	Dividend Per Share	72
4.14	Earning Yield Ratio	73
4.15	Dividend Yield Ratio	75
4.16	Price Earnings Ratio	76
4.17	Trend Value of Net Profit of NIBL and HBL	80
4.18	Trend value of Loan and Advances of NIBL and HBL	82
4.19	Trend Value of Total Deposit of NIBL and HBL	84
4.20	Trend Value of Total Investment of NIBL and HBL	86
4.21	Trend Value of Dividend Per Share of NIBL and HBL	89
4.22	Trend Value of Earning Per Share of NIBL and HBL	91

ABBREVIATIONS

AD : Anno Domini

ADB : Asian Development Bank

AGM : Annual General Meeting

ATM : Automated Teller Machine

C.V : Coefficient of Variation

CB : Commercial Bank

CEO : Chief Executive Officer

DPS : Dividend Per Share

EAT : Earning After Tax

EPS : Earning Per Share

FY : Fiscal Year

HBL : Himalayan Bank Limited

i.e. : That is

IMF : International Monitory Fund

JVBs : Joint Venture Banks

Ltd. : Limited

MBS : Master of Business Studies

MPS : Market Price Per Share

NBL : Nepal Bank Limited

NEPSE : Nepal Stock Exchange

NIBL: Nepal Investment Bank Limited

No. : Number

NPAT : Net Profit After Tax

NPV : Net Present value

NRB : Nepal Rastra Bank

S.D : Standard Deviation

TU : Tribhuvan University