

A COMPREHENSIVE STUDY ON FINANCIAL PERFORMANCE
(With reference to Nepal SBI & Nepal Bangladesh Bank)

By:

Meera Katwal

Roll No: 216/064

Central Department of Management

T.U. Regd. No: 7-2-274-485-2004

Tribhuvan University

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfilment of the requirement for the degree of
Master of Business Studies (MBS)

September 2011

RECOMMENDATION

This is to certify that the thesis

Submitted by:

MEERA KATWAL

Entitled:

“A COMPREHENSIVE STUDY ON FINANCIAL PERFORMANCE”

(With reference to Nepal SBI & Nepal Bangladesh Bank)

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

.....
Dr. Arun Kumar Thakur
(Thesis Supervisor)

.....
Dr. Bal Krishna Shrestha
(Chairman, Research Department)

.....
Dr. Dev Raj Adhikari
(Head of Department)

VIVA- VOCE SHEET

We have conducted the viva –voce of the thesis presented

By

MEERA KATWAL

Entitled:

**“A COMPREHENSIVE STUDY ON FINANCIAL PERFORMANCE”
(With reference to Nepal SBI & Nepal Bangladesh Bank)**

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

Master of Business Studies (MBS)

Viva-Voce Committee

Chairman, Research Department

Member (External Expert)

Member (Thesis Supervisor)

Member (Head of Department)

DECLARATION

I hereby, declare that the work reported in this thesis entitled “**A Comprehensive Study on Financial Performance (With reference to Nepal SBI & Nepal Bangladesh Bank)**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfilment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Dr. Arun Kumar Thakur** of **Tribhuvan University**.

.....
Meera Katwal
Roll No: 216/064
T.U. Regd. No: 7-2-274-485-2004

ACKNOWLEDGEMENT

This research study on “**A Comprehensive Study on Financial Performance (With reference to Nepal SBI & Nepal Bangladesh Bank)**” has been prepared to fulfil the partial requirement for the Master Degree in Business Studies (MBS), Tribhuvan University. I am greatly thankful to the Management Department of Tribhuvan University for providing this opportunity.

The actual writing of this research study, of course, is only a small part of the total energy that has been expended. I have received direct and indirect assistance from different people. I would like to express my sincere thanks to all of them.

Above all, I am indebted to my dissertation supervisor Mr. Arun Kumar Thakur, for his valuable scholarly supervision, constructive comments and suggestions that helped me to give the shape of thesis in its present form. Without his proper guidance and cooperation, this research study would not be finished in time.

I would also like to express my sincere gratitude to my friends and colleagues, without their cordial co- operation this work would have been very difficult for me.

Meera Katwal

TABLE OF CONTENTS

Recommendation

Viva Voce Sheet

Declaration

Acknowledgement

Table of Contents

List of Tables

List of Figures

Abbreviations

	Page No.
CHAPTER-I	1-18
INTRODUCTION	
1.1 Background of the Study	1
1.1.1 Concept of Banking	3
1.1.2 Historical Development of Banking System in Nepal	6
1.1.3 Concept of Commercial Banks	9
1.1.4 Concept of Joint Venture Banks	10
1.1.5 Introduction of Two Selected Banks	11
1.1.5.1 Introduction to Nepal SBI Bank Ltd.	11
1.1.5.2 Introduction to Nepal Bangladesh Bank Ltd.	13
1.2 Focus of Study	14
1.3 Statement of Problem	15
1.4 Objectives of the Study	16
1.5 Significance of the Study	16
1.6 Limitations of the Study	17
1.7 Organization of the study	17

CHAPTER – II REVIEW OF LITERATURE 19 - 37

2.1	Conceptual Framework/ Theoretical Review	19
2.1.1	Concept of Financial Statement Analysis	19
2.1.2	Need of Financial Analysis	20
2.1.3	Ratio Analysis	21
2.1.3.1	Importance of Ratio Analysis	23
2.1.3.2	Limitations of Ratio Analysis	23
2.2	Review of Articles and Thesis	24
2.2.1	Review of Articles	24
2.2.2	Review of Thesis	28
2.3	Research Gap	37

CHAPTER – III RESEARCH METHODOLOGY 38 - 53

3.1	Research Design	38
3.2	Population and Sample	39
3.3	Sources and Collection of Data	39
3.4	Data Collection Procedure	40
3.5	Method of Data Analysis	40
3.5.1	Financial Tools	42
3.5.1.1	Ratio Analysis	41
3.5.1.1.1	Liquidity Ratio	41
3.5.1.1.2	Leverage Ratio	43
3.5.1.1.3	Activity Ratio	44
3.5.1.1.4	Profitability Ratio	45
3.5.1.1.5	Other Ratio	47
3.5.2	Statistical Tools	49
3.5.2.1	Arithmetic Mean	49
3.5.2.2	Standard Deviation	49
3.5.2.3	Coefficient of Variation	50

3.5.2.4 Correlation Coefficient Analysis	50
3.5.2.5 Trend Analysis	52

CHAPTER-IV PRESENTATION AND ANALYSIS OF DATA 54 - 94

4.1	Ratio Analysis	54
4.1.1	Liquidity Ratio	54
4.1.1.1	Current Ratio	54
4.1.1.2	Cash and Bank Balance to Total Deposit	56
4.1.1.3	Cash and Bank Balance to Current Assets	57
4.1.2	Leverage Ratio	59
4.1.2.1	Debt Equity Ratio	59
4.1.2.2	Debt Assets Ratio	61
4.1.2.3	Interest Coverage Ratio	62
4.1.3	Activity Ratio	64
4.1.3.1	Total Investment to Total Deposit Ratio	64
4.1.3.2	Loan and Advance to Total Deposit	66
4.1.3.3	Loan and Advance to Total Assets	68
4.1.4	Profitability Ratios	69
4.1.4.1	Return on Total Assets	70
4.1.4.2	Return on Equity	71
4.1.4.3	Return on Total Deposit	73
4.1.4.4	Return on Loan and Advance	75
4.1.4.5	Total Interest Earned to Total Assets	76
4.1.5	Other Ratio	77
4.1.5.1	Earning Per Share	78
4.1.5.2	Dividend per Share	79
4.1.5.3	Dividend Payout Ratio	81
4.1.5.4	Price Earning Ratio	82

4.2	Statistical Tools	83
4.2.1	Correlation between Net Profit and Total Deposit	84
4.2.2	Correlation between Interest Payment and EBIT	85
4.3	Trend Analysis	86
4.3.1	Trend Analysis of Net Profit	87
4.3.2	Trend Analysis of Loan and Advance	88
4.4	Major Findings	90

CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATION 95-99

5.1	Summary	95
5.2	Conclusion	96
5.3	Recommendations	98

Bibliography

Appendix

LIST OF TABLES

Table No.	Title	Page No.
4.1	Current Ratio	55
4.2	Cash and Bank Balance to Total Deposit Ratio	56
4.3	Cash and Bank Balance to Current Assets	58
4.4	Total Debt to Total Equity Ratio	60
4.5	Total Debt to Total Assets Ratio	61
4.6	Interest Coverage Ratio	63
4.7	Total Investment to Total Deposit	65
4.8	Loans and Advances to Total Deposit Ratio	66
4.9	Loan and Advances to Total Assets Ratio	68
4.10	Return on Total Assets Ratio	70
4.11	Return on Equity	72
4.12	Return on Total Deposit	73
4.13	Return on Loan and Advance	75
4.14	Total Interest Earned to Total Assets	76
4.15	Earnings per Share	78
4.16	Dividend per Share	80
4.17	Dividend Payout Ratio	81
4.18	Price Earning Ratio	82
4.19	Evaluation Criteria of NBBL and NSBI Bank Limited	85
4.20	Evaluation Criteria of NBBL and NBSI Bank Limited	86
4.21	Trend Value of Net Profit of NSBI and NBBL Bank Limited	87
4.22	Trend Value of Loan and Advance of NSBI and NBBL Bank Limited	89

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Current Ratio	56
4.2	Cash and Bank Balance to Total Deposit Ratio	57
4.3	Cash and Bank Balance to Current Assets	59
4.4	Total Debt to Total Equity Ratio	61
4.5	Total Debt to Total Assets Ratio	62
4.6	Interest Coverage Ratio	64
4.7	Total Investment to Total Deposit	66
4.8	Loans and Advances to Total Deposit Ratio	67
4.9	Loan and Advances to Total Assets Ratio	69
4.10	Return on Total Assets Ratio	71
4.11	Return on Equity	73
4.12	Return on Total Deposit	74
4.13	Return on Loan and Advance	76
4.14	Total Interest Earned to Total Assets	77
4.15	Earnings per Share	79
4.16	Dividend per Share	80
4.17	Dividend Payout Ratio	82
4.18	Price Earning Ratio	83
4.19	Trend Value of Net Profit of NSBI and NBBL Bank Limited	88
4.20	Trend Value of Loan and Advance of NSBI and NBBL Bank Limited	90

ABBREVIATIONS

AD	:	Anno Domini
ADB	:	Asian Development Bank
AGM	:	Annual General Meeting
ATM	:	Automated Teller Machine
AV	:	Average Mean
C.V	:	Coefficient of Variation
CB	:	Commercial Bank
CBB	:	Cash and Bank Balance
CEO	:	Chief Executive Officer
DPS	:	Dividend per Share
DPR	:	Dividend Payout Ratio
EPS	:	Earning Per Share
EBIT	:	Earning Before Interest and Tax
FY	:	Fiscal Year
HMG	:	His Majesty Government
i.e.	:	That is
IDC	:	Industrial Development Centre
IFIC	:	International Finance Investment and Commerce
IMF	:	International Monetary Fund
JVBs	:	Joint Venture Banks
Ltd.	:	Limited
MBS	:	Master of Business Studies
MPS	:	Market Price per Share
NBL	:	Nepal Bank Limited
NBBL	:	Nepal Bangladesh Bank Limited
NEPSE	:	Nepal Stock Exchange
NIBL	:	Nepal Investment Bank Limited
NIDC	:	Nepal Industrial Development Corporation
No.	:	Number

NPAT	:	Net Profit after Tax
NPV	:	Net Present value
NRB	:	Nepal Rastra Bank
NSBI	:	Nepal SBI Bank Limited
P/E	:	Price Earning Ratio
P.E	:	Probable Error
P/L	:	Profit and Loss Account
r	:	Correlation Coefficient
r^2	:	Coefficient of Determination
ROA	:	Return on Total Assets
ROE	:	Return on Equity
RBB	:	Rastriya Banijya Bank
S.D	:	Standard Deviation
SCBNL	:	Standard Chartered Bank Nepal Limited
SHE	:	Shareholder's Equity
TU	:	Tribhuvan University