A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF NEPAL INVESTMENT BANK LTD AND EVEREST BANK LTD.

By:

Bikram Panthi Tribhuvan Multiple Campus T.U. Registration No: No 7-1-052-280-96

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.)

Tansen, Palpa 2012

RECOMMENDATION

This is to certify that Bikram Panthi has prepared the Thesis entitled "A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF NEPAL INVESTMENT BANK LTD AND EVEREST BANK LTD" under my supervision. It embodies has original and independent work. I am fully satisfied with the work in terms of its literature review, research methodology, presentation and analysis of data and over all research work.

This Thesis has been prepared in the form as required by the faculty of management for the partial fulfillment of the Master's Degree in Business Studies (M.B.S.)

It is forwarded for the examination. I recommended this Thesis for approval as acceptance.

Mahesh Bhattarai

Thesis Supervisor

Π



तानसेन, पाल्पा, नेपाल Tansen, Palpa, Nepal © 075-520030, 520114, 520116 Fax: 075-520114 क्याम्पस प्रमुखको कार्यालय Office of the Campus Chief

प.सं./Ref No. :-च.बं. :-

मिति/Date:-

Approval Sheet

This is to certify that the thesis

Submitted by:

Bikram Panthi

Entitled:

A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF NEPAL INVESTMENT BANK LTD AND EVEREST BANK LTD

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

•••••	
Mahesh Bhattarai	Santosh Lal Shrestha
(Thesis Supervisor)	(Head of Research Committee)
••••••	
Keshav Raj Sharma	
(Campus Chief)	



तानसेन, पाल्पा, नेपाल Tansen, Palpa, Nepal © 075-520030, 520114, 520116 Fax: 075-520114 क्याम्पर प्रमुखको कार्यालय Office of the Campus Chief

प.सं./Ref No. :-च.बं. :-

मिति/Date:-

VIVA-VOCE SHEET

We have conducted the viva -voce examination of the thesis presented

By

Bikram Panthi

Entitled:

"A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF NEPAL INVESTMENT BANK LTD AND EVEREST BANK LTD" is found to be the original work of the student and written according to the prescribed format. We recommend this thesis to be accepted as partial fulfillment of the requirement for Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Chairman, Research Committee	
Santosh Lal Shrestha	
Member (Thesis Supervisor)	
Mahesh Bhattarai	
Member (External Expert)	
Date :-	

DECLARATION

I here by declare that the work reported in this thesis entitled "A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF NEPAL INVESTMENT BANK LTD AND EVEREST BANK LTD" submitted to Tribhuwan Multiple Campus Tansen, Faculty of Management, Tribhuwan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree of Business Studies (M.B.S.) under the supervision of **Mahesh Bhattarai** teaching assistant of Tribhuwan Multiple Campus, Tansen Palpa.

Bikram Panthi Tribhuvan Multiple Campus Tansen, Palpa

ACKNOWLEDGEMENT

I owe a deep debt of gratitude to Mahesh Bhattarai, Teaching, assistant, Tribhuwan Multiple Campus Tansen Palpa, for his constant encouragement, patient guidance and valuable supervision at every stage of my work. This work would not have been materialized at the present form without his incisive observations and intellectual direction in the course of completion.

I am also gratefully to my teacher's, Campus chief Keshab Raj Shrama, Assistant Campus chief Yubaraj Paudyal and researcher department Head Santosh Lal Shrestha Warmly support me to write this Thesis.

I am equally grateful to librarians of Tribhuwan Multiple campus and also i would like to extend my, gratitude to all the staff of the responding banks for solving my quires without which it would be a difficult for me to complete this thesis.

I am thankful to all of my friend for their corrective suggestions especially to. Arun Achharya, Madan Devkota, Madhab Pandey. I would like to thank especially. Mr. Prakash rawal who assisted me in secondary data analysis and every steps of the work. I would like to thank Dolphin multiple service for beautiful computer printing and setting.

Finally, I must express debt of gratitude to my whole family and relatives for their continuous support in my efforts. I hope, this small effort of mine will be of great value to those who are involved in "A Comparative Study of Financial Performance of Nepal Investment Bank Limited and Everest Bank Limited" and all the other future researchers of their area of managerial finance. I apologize for any errors committed in this work.

It was a great experience of doing a thesis work which certainly I helped me to gain deep knowledge in the subject mater. Though it was very difficult to get data and information, it was pleasant feeling to accomplish the thesis work finally.

Bikram Panthi

TABLE OF CONTENTS

Recommendation	I
Approval Sheet	II
Viva-Voce Sheet	III
Declaration	IV
Acknowledgement	V
Table of Contents	VI
List of Tables	IX
List of figures	X
Abbreviations	XI
CHAPTER – I	
INTRODUCTION	
1.1 Background	1
1.2 Meaning of Commercial Bank	2
1.3 Introduction of the Selected Commercial Banks Everest Bank Ltd.	
and Nepal Investment Bank Ltd.	2
1.4 Statement of the Problem	3
1.5 Objectives of the Study	4
1.6 Importance of the Study	4
1.7 Limitation of the Study	5
1.8 Organization of the Study	5
CHAPTER – II	
LITERATURE REVIEW	
2.1 Review of Books	7
2.2 Role of Joint Venture Bank in Nepal	11
2.3 Banking Techniques	12
2.4 Foreign Investment	12
2.5 Conceptual Review of Commercial/ Joint Venture Banks	13
2.6 Review of Journals Related to Joint Venture Banks	13

2.7 Financial Analysis	
2.8 Objectives of Financial Analysis	18
2.9 Techniques of Financial Analysis	20
2.10 Review of previous related researches	21
CHAPTER – III	
RESEARCH METHODOLOGY	
3.1 Research Design	25
3.2 Population and sample	26
3.3 Natures and sources of Data	26
3.4 Data Collection Techniques	26
3.5 Data Analysis Techniques	27
CHAPTER –IV	
PRESENTATION AND ANALYSIS OF DATA	
4.1 Financial Tools (Ratio Analysis)	40
4.1.1 Liquidity ratio	40
4.1.2 Current ratio (CR)	40
4.1.3 Cash and bank balance to current and saving deposit ratio	42
4.1.4 Cash & bank balance to total deposit ratio	44
4.1.5 Cash & bank balance to current assets ratio	46
4.1.6 Loan & Advance to Fixed Deposit Ratio	48
4.2 Leverage ratio	50
4.2.1 Total debt to equity ratio	50
4.2.2 Total debt to total assets ratio	52
4.2.3 Debt to total capital ratio	54
4.2.4 Interest coverage ratio	56
4.2.5 Net worth to total assets ratio	58
4.2.6 Net worth to total deposits ratio	60
4.2.7 Performing Assets to Total Assets Ratio	62
4.3 Profitability ratios	64
4.3.1 Return on total Assets ratio	65
4.3.2 Return on net worth	67

4.3.3 Return to total deposit ratio	68
4.3.4 Total interest expenses to total interest income	70
4.3.5 Interest earned to total Assets ratio	72
4.3.6 Staff expenses to total Net income ratio	74
4.3.7 Office operation expenses to total income ratio	76
4.4 Other financial indicators	78
4.4.1 Earning Per Share (EPS)	78
4.4.2 Dividend Per Share (DPS)	80
4.4.3 Price Earning Ratio (P/E ratio)	82
4.4.4 Market Price Per Share (MPS)	84
4.4.5 Dividend Payout ratio (DPR)	86
4.4.6 Karl Pearson's Coefficient of correlation between Total Debt	
and Net Profit after Tax.	88
4.5 Major Findings	91
CHAPTER - V	
SUMMARY, CONCLUSION AND RECOMMENDATIONS	
5.1 Summary	93
5.2 Conclusions	94
5.3 Recommendations	95
Bibliography	
Appendix	

LIST OF TABLES

Table No.	Titles	Page No.
4.1	Current Ratio	41
4. 2	Cash and bank balance to current & saving deposits ratio	43
4.3	Cash & bank balance to total deposit	45
4.5	Cash & Bank Balance to current Assets & Ratio	47
4.6	Loan & Advance to fixed deposited ratio	49
4.7	Total Debt to equity Ratio	51
4.8	Total Debt to Total Assets Ratio	53
4.9	Total Debt to Total Capital Ratio	55
4.10	Interest coverage Ratio	57
4.11	Net worth to Total Assets Ratio	59
4.12	Net worth to total Deposited Ratio	61
4.13	Performing Assets to Total Assets Ratio	63
4.14	Return on total Assets ratio	65
4.15	Return on net worth	67
4.16	Return to total deposit ratio	69
4.17	Total interest expenses to total interest income	71
4.18	Interest earned to total Assets ratio	73
4.19	Staff expenses to total Net income ratio	75
4.20	Office operation expenses to total income ratio	77
4.21	Earning Per Share	79
4.22	Dividend Per Share	81
4.23	Price Earning ratio	83
4.24	Market Price Per Share	85
4.25	Dividend Payout ratio (DPR)	87
4.26	Calculation of Karl Pearson's Coefficient of Correlation	
	between NPAT and Total Debt of EBL	89
4.27	Calculation of Karl Pearson's coefficient between NPAT	
	and Total debt of NIBL	90

LIST OF FIGURES

Figure No.	Titles	Page No.
4.1	Current Ratio	41
4. 2	Cash and bank balance to current & saving deposits ratio	43
4.3	Cash & bank balance to total deposit	45
4.5	Cash & Bank Balance to current Assets & Ratio	47
4.6	Loan & Advance to fixed deposited ratio	49
4.7	Total Debt to equity Ratio	51
4.8	Total Debt to Total Assets Ratio	54
4.9	Total Debt to Total Capital Ratio	56
4.10	Interest coverage Ratio	57
4.11	Net worth to Total Assets Ratio	59
4.12	Net worth to total Deposited Ratio	61
4.13	Performing Assets to Total Assets Ratio	64
4.14	Return on total Assets ratio	66
4.15	Return on net worth	67
4.16	Return to total deposit ratio	69
4.17	Total interest expenses to total interest income	72
4.18	Interest earned to total Assets ratio	73
4.19	Staff expenses to total Net income ratio	75
4.20	Office operation expenses to total income ratio	77
4.21	Earning Per Share	79
4.22	Dividend Per Share	81
4.23	Price Earning ratio	83
4.24	Market Price Per Share	85
4.25	Dividend Payout ratio (DPR)	87

ABBREVIATIONS

ADB/N Agricultural Development Bank

C.V. Coefficient of Variation

Co. Company

DPS Dividend Per Share

EBL Everest Bank Limited

EPS Earning Per Share

i.e. that is

L.C. Letter of Credit

Ltd. Limited

MBs Master's Degree of Business Studies

MPS Marketing Price Per Share

NABIL Nabil Bank Limited

NIBL Nepal Investment Bank Limited

NIDC Nepal Industrial Development Corporation

No. Number

NP Net Profit

NPAT Net Profit After Tax

NPBIT Net Profit Before Interest and Tax

NRB Nepal Rastra Bank

NSE Nepal Stock Exchange

P.E. Probable Error

P/E Price-Earning

PNB Punjab National Bank

r correlation coefficient

Rs. Rupees

S.D. Standard Deviation

T.U. Tribhuvan University