

FINANCIAL PERFORMANCE ANALYSIS OF EVEREST BANK LIMITED

A THESIS

Submitted By:

**MUNENDRA KHANAL
Shanker Dev Campus
Campus Roll No: 1375/063
T.U. Registration No: 7-1-256-104-98**

Submitted To:

**Office of the Dean
Faculty of Management
Tribhuvan University**

**In partial fulfillment of the requirements for the
Degree of
Master of Business Studies (M.B.S.)**

**Kathmandu, Nepal
March, 2013**

RECOMMENDATION

This is to certify that the thesis

Submitted by:

MUNENDRA KHANAL

Entitled:

**FINANCIAL PERFORMANCE ANALYSIS OF EVEREST BANK
LIMITED**

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

.....
Shree Bhadra Neupane
(Thesis Supervisor)

.....
Prof. Dr. Kamal Deep Dhakal
(Head, Research Department)

.....
Asso. Prof. Prakash Singh Pradhan
(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce examination of the thesis presented by

MUNENDRA KHANAL

Entitled:

FINANCIAL PERFORMANCE ANALYSIS OF EVEREST BANKLIMITED

And found the thesis to be the original work of the student and written according to the prescribed format of Faculty of Management, Tribhuvan University. We recommend the thesis to be accepted as partial fulfillment of the requirement for the Degree of Master of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I here by declare that the work reported in this thesis entitled “**Financial Performance Analysis of Everest Bank Limited**” submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Studies (M.B.S.) under the supervision of Prof. Shree Bhadra Neupane of Shanker Dev Campus, T.U.

Date:

.....
MUNENDRA KHANAL
Researcher
Shanker Dev Campus
Campus Roll No. 1375/063
T.U. Registration No: 7-1-256-104-98

ACKNOWLEDGEMENTS

First of all, I would like to thank Tribhuvan University for giving chance to prepare the thesis for a partial requirement to the fulfillment of M.B.S. program held under Tribhuvan University.

I express my profound gratitude to my supervisor Shree Bhadra Neupane for his patient and continuous guidance with valuable comments and kind support to me all way through this thesis.

At this moment I cannot forget teaching and non-teaching staffs of Shanker Dev Campus, T.U. who inspired me by showing keen interest in my work. The help of my friends are also unforgettable to me. There are other compatriots who have been supportive, directly or indirectly. I thank all of them.

At last but not least, my paramount dedication is to my family members who have been uninterrupted source of sustain for me while in during the tribulation of this research work.

MUNENDRA KHANAL
Shanker Dev Campus

TABLE OF CONTENTS

Page No.

Recommendation

Viva- Voce Sheet

Declaration

Acknowledgements

Table of Contents

List of Tables

List of Figures

Abbreviations

CHAPTER – I INTRODUCTION 1-8

1.1 Background of the Study 1

1.2 Introduction to Everest Bank Limited 3

1.3 Statement of the Problems 5

1.4 Objectives of the Study 6

1.5 Importance of the Study 6

1.6 Limitations of the Study 6

1.7 Significance of the Study 7

1.8 Organization of the Study 7

CHAPTER - II REVIEW OF LITERATURE 9-26

2.1 Conceptual Framework 9

2.1.1 Meaning of Financial Performance Analysis 9

2.1.2 Importance of Financial Analysis 10

2.1.3 Financial Performance Analysis of Commercial Bank 13

2.2 Review of Journals/Articles 14

2.3 Review of Thesis 16

Research Gap 26

CHAPTER - III RESEARCH METHODOLOGY	27-45
3.1 Research Design	27
3.2 Nature & Source of Data	28
3.3 Population and Sample	28
3.4 Method of Analysis	29
3.4.1 Financial Tools	29
3.4.1.1 Ratio Analysis	29
3.4.1.1.1 Liquidity Ratio	30
3.4.1.1.2 Assets Management Ratio/Activity Ratio	32
3.4.1.1.3 Profitability Ratio	34
3.4.1.1.4 Leverage Ratio	37
3.4.1.1.5 Asset Quality Ratio	39
3.4.1.1.6 Market Value/Growth Ratio	40
3.4.1.2 Income and Expenditure Analysis	42
3.4.2 Statistical Tools	42
3.4.2.1 Karl Person's Coefficient of Correlation	42
3.4. 2.2 Probable Error of Correlation Coefficient	43
3.4.2.3 Trend Analysis	43
3.4.2.2 Arithmetic Mean	44
3.4.2.5 Standard Deviation	45
3.4.2.6 Coefficient of Variation	45
CHAPTER IV DATA PRESENTATION AND ANALYSIS	46-92
4.1 Ratio Analysis	46
4.1.1 Liquidity Ratio	46
4.1.2 Activity Ratio/Assets Management Ratio	50
4.1.3 Profitability Ratio	57
4.1.4 Leverage Ratio	63
4.1.5 Asset Quality Ratio	66
4.1.6 Market Value/Growth Ratio	69
4.2 Income and Expenditure Analysis	73

4.2.1 Income Analysis	73
4.2.2 Expenditure Analysis	76
4.3 Statistical Tools	81
4.3.1 Correlation Analysis	81
4.3.2 Trend Analysis	85
4.4 Major Findings of the Study	89

CHAPTER V SUMMARY, CONCLUSION AND RECOMMENDATIONS

	93-96
5.1 Summary	93
5.2 Conclusion	94
5.3 Recommendations	95
Bibliography	97
Appendices	101

LIST OF TABLES

List of Table	Page No.
Table 4.1 Current Ratio	47
Table 4.2 Cash and Bank Balance to Current and Saving Deposit Ratio	48
Table 4.3 Cash & Bank Balance to Total Deposit Ratio	49
Table 4.4 Investment in Government Securities to Total Deposit	50
Table 4.5 Loan & Advance to Total Deposit Ratio	51
Table 4.6 Loan & Advance to Fixed Deposit Ratio	52
Table 4.7 Loan & Advance to Saving Deposit Ratio	53
Table 4.8 Investment to Total Deposit Ratio	54
Table 4.9 Performing Asset to Total Assets Ratio	55
Table 4.10 Performing Asset to Total Debt Ratio	56
Table 4.11 Return on Total Asset	57
Table 4.12 Return on Total Deposit	58
Table 4.13 Total Interest Expense to Total Interest Income Ratio	59
Table 4.14 Interest Earned to Total Assets Ratio	60
Table 4.15 Staff Expenses to Total Income Ratio	61
Table 4.16 Office Operation Expenses to Total Income Ratio	62
Table 4.17 Debt Equity Ratio	64
Table 4.18 Debt Asset Ratio	65
Table 4.19 Interest Coverage Ratio	66
Table 4.20 Loan Loss Coverage Ratio	67
Table 4.21 Loan Loss Provision to Total Income Ratio	68
Table 4.22 Loan Loss Provision to Total Deposit Ratio	69
Table 4.23 Earnings per Share	70
Table 4.24 Dividend per Share	71
Table 4.25 Price Earnings Ratio	72
Table 4.26 Interest Income	73
Table 4.27 Commission and Discount Income	74
Table 4.28 Foreign Exchange Fluctuation Income	75

Table 4.29 Other Income	76
Table 4.30 Interest Expenses	77
Table 4.31 Staff Expenses	78
Table 4.32 Operating Expenses	79
Table 4.33 Bonus Facility	80
Table 4.34 Correlation between Total Deposit and Profit	81
Table 4.35 Correlation Analysis between Investment and Profit	82
Table 4.36 Correlation Analysis between Deposit and Investment	83
Table 4.37 Correlation Analysis between Income and Expenditure	84
Table 4.38 Trend Analysis of Total Deposit	85
Table 4.39 Trend Analysis of Profit	87

LIST OF FIGURES

List of Figure	Page No.
Figure 4.1 Trend Analysis of Total Deposit	86
Figure 4.2 Trend Analysis of Profit	88

ABBREVIATIONS

HMG	:	His Majesty Government
NRB	:	Nepal Rasta Bank
NIDC	:	Nepal Industrial Development Corporation
NABIL	:	Nepal Arab Bank Limited
PNB	:	Punjab National Bank
NCC	:	Nepal Credit and Commerce Bank
NIC	:	Nepal Industrial and Commercial Bank
NBL	:	Nepal Bank Limited
RBB	:	Rastriya Banijya Bank
NIBL	:	Nepal Investment Bank Limited
SCBNL	:	Standard Chartered Bank Limited
HBL	:	Himalayan Bank Limited
NBBL	:	Nepal Bangladesh Bank
EBL	:	Everest Bank Limited
BOK	:	Bank of Kathmandu Limited
LBL	:	Lumbini Bank Limited
MPBL	:	Machhapuchhre Bank Limited
KBL	:	Kumari Bank Limited
LXBL	:	Laxmi Bank Limited
SBL	:	Siddhartha Bank Limited
ATM	:	Automatic Teller Machine
ABBS	:	Any Where Branch Banking System
SCT	:	Smart Choice Technology
UK	:	United Kingdom
TT	:	Telex Transfer
AIB	:	American Institution of Banking
EPS	:	Earning Per Share
DPS	:	Dividend Per Share
P/E	:	Price Earning Ratio

P.E.	:	Probable Error
ROE	:	Return on Equity
A. D.	:	Anno Domini
JVB	:	Joint Venture Bank
WTO	:	World Trade Organization
BHLs	:	Bank Holding Companies
MVPS	:	Market Value per Share
MPS	:	Market Price per Share
NSBIBL	:	Nepal SBI Bank Limited