A COMPARATIVE STUDY ON PROFITABILLITY ANALYSIS OF GLOBAL IME BANK LTD AND SIDDHARTHA BANK LTD

A THESIS

Submitted By:-HEM RAJ SHARMA Shanker Dev Campus

T.U. Regd. No: 6-1-316-28-2000

Campus Roll No: 1634/064

Second Year Exam Roll No: 391146

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, 2014

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

HEM RAJ SHARMA

Entitled:

"A Comparative Study on Profitability Analysis of Global IME Bank Ltd and Siddhartha Bank Ltd"

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

(Asso. Prof. Shree Bhadra Neupane)	(Prof. Dr. Kamal Deep Dhakal)	(Asso. Prof. Prakash Singh Pradhan
Thesis Supervisor	Head of Research department	,
(Pitri Raj Adhikari)		
Thesis Supervisor		

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By

HEM RAJ SHARMA

Entitled:

"A Comparative Study on Profitability Analysis of Global IME Bank Ltd and Siddhartha 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 the Degree of Master of Business Studies (M.B.S)

Viva-Voce Committee

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

DECLARATION

I hereby declare that this thesis entitled (A Comparative Study on

Profitability Analysis of Global IME Bank Ltd and Siddhartha 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 Degree of Master of Business Studies (M.B.S)under the

supervision of Asso. Prof. Shree Bhadra Neupane and Pitri Raj Adhikari

of Shanker Dev Campus.

HEM RAJ SHARMA

Researcher

T.U. Reg. No. 6-1-316-28-2000

Campus Roll No.: 1634/064

Second Year Exam Roll No: 391146

ACKNOWLEDGEMENTS

Writing research report is a challenging job. It needs dedication and goal

orientated attitude. After completing the work, easy felling is experienced. I have

also been through this experience. I am grateful with all of them who have,

supervised, encouraged and guided me to complete this job and give me a chance

to experience this luck.

I shall remain in debited to my supervisors Asso. Prof. Shree Bhadra Neupane and

Pitri Raj Adhikari of Shanker Dev Campus for their contribution, valuable

suggestion, guidance and instruction to complete this task.

I would like to express my profound gratitude to all reputed authors whose

writings have provided me the necessary guidance and valuable material for the

enrichment of my project work in all possible ways. My thanks also go to the

individuals and institutions that generously provided required information to me.

I owe personal debt of my gratitude to Mr. Ganesh Pokhrel for his continuous and

admirable motivation for completing this report. And also deserves special thanks

to Mr. Bhishma Kandel who helped me in completing this report. I also thank the

staffs of GIBL and SBL who helped me for providing the necessary reports as

required. I am very thankful to those personalities who are directly and indirectly

involved in conducting this research and are associated with me in different

capacities for this help, suggestions and encouragement.

Thank You.

Hem Raj Sharma

(Researcher)

Shanker Dev Campus

TABLE OF CONTENTS

Recommendation

Viva-Voce Sheet

Declaration

Acknowledgement	
Table of Content	
List of Tables	
List of Figures	
Abbreviation	
	Page No.
CHAPTER-I: INTRODUCTION	1-12
1.1 Background of the study	1
1.2 Brief Profile of Sample Banks	6
1.3 Focus of the Study	8
1.4 Statement of the problem	8
1.5 Objective of the Study	10
1.6 Significance of the Study	10
1.7 Limitations of the Study	11
1.8 Organization of the Study	11
CHAPTER-II: REVIEW OF LITERATURE	13-47
2.1 Conceptual Framework	13
2.1.1 Profit and Profitability	13
2.1.2 Meaning of Profit	15
2.1.3 Theories of Profit	18
2.1.4 Need for Profit	18
2.1.5 Profitability of Commercial Banks	19

2.1.6 Liquidity	20
2.1.7 Trade-off between Profitability and Liquidity	21
2.1.8 Financial statements of the Commercial Bank	22
2.2 Review of Journals and Articles	28
2.3 Review of Thesis	34
CHAPTER-III: RESEARCH METHODOLOGY	48-60
3.1 Research design	48
3.2 Nature and Sources of data	49
3.3 Population and Sample	49
3.4 Method of Data Collection	49
3.5 Method of Data presentation and Analysis	50
3.5.1 Financial Tools	50
3.5.2 Statistical Tools	58
CHAPTER – IV: DATA PRESENTATION AND ANALYSIS	61-87
41 E' '1 D (' A 1 '	
4.1 Financial Ratio Analysis	61
4.1 Financial Ratio Analysis 4.1.1 Return on Equity	61 61
•	
4.1.1 Return on Equity	61
4.1.1 Return on Equity4.1.2 Return on total Assets (ROTA)	61 63
4.1.1 Return on Equity4.1.2 Return on total Assets (ROTA)4.1.3 Earnings Per Share (EPS)	61 63 64
 4.1.1 Return on Equity 4.1.2 Return on total Assets (ROTA) 4.1.3 Earnings Per Share (EPS) 4.1.4 Net profit margin 	61 63 64 66
 4.1.1 Return on Equity 4.1.2 Return on total Assets (ROTA) 4.1.3 Earnings Per Share (EPS) 4.1.4 Net profit margin 4.2 Income expenses Analysis 	61 63 64 66 67
 4.1.1 Return on Equity 4.1.2 Return on total Assets (ROTA) 4.1.3 Earnings Per Share (EPS) 4.1.4 Net profit margin 4.2 Income expenses Analysis 4.2.1 Component of Income 	61 63 64 66 67 67
 4.1.1 Return on Equity 4.1.2 Return on total Assets (ROTA) 4.1.3 Earnings Per Share (EPS) 4.1.4 Net profit margin 4.2 Income expenses Analysis 4.2.1 Component of Income 4.2.2 Component of Expenses 	61 63 64 66 67 67 69
 4.1.1 Return on Equity 4.1.2 Return on total Assets (ROTA) 4.1.3 Earnings Per Share (EPS) 4.1.4 Net profit margin 4.2 Income expenses Analysis 4.2.1 Component of Income 4.2.2 Component of Expenses 4.2.3 Loan Loss provision to Total Income 	61 63 64 66 67 67 69 71
 4.1.1 Return on Equity 4.1.2 Return on total Assets (ROTA) 4.1.3 Earnings Per Share (EPS) 4.1.4 Net profit margin 4.2 Income expenses Analysis 4.2.1 Component of Income 4.2.2 Component of Expenses 4.2.3 Loan Loss provision to Total Income 4.2.4 Operating Expenses to Total Income 	61 63 64 66 67 67 69 71 73
 4.1.1 Return on Equity 4.1.2 Return on total Assets (ROTA) 4.1.3 Earnings Per Share (EPS) 4.1.4 Net profit margin 4.2 Income expenses Analysis 4.2.1 Component of Income 4.2.2 Component of Expenses 4.2.3 Loan Loss provision to Total Income 4.2.4 Operating Expenses to Total Income 4.2.5 Staff Expenses per Employee 	61 63 64 66 67 67 69 71 73 74

	4.3.3 NPA to Credit	79
	4.3.4 Loan loss Provision to NPA	81
4.4	Statistical Analysis	82
	4.4.1 Trend analysis of Net profit	82
4.5	Major Findings	84
СНАР	TER – V: SUMMARY, CONCLUSION AND	
	RECOMMENDATIONS	88-94
5.1 \$	Summary	88
5.2	Conclusion	90
5.3 I	Recommendations	92
BIBI	LIOGRAPHY	
ANN	EXURE	

LIST OF TABLES

Ta	ble No.	Page No.
1.	Return on Equity Ratio	62
2.	Return on Total Assets	63
3.	Earning Per Share	65
4.	Net Profit Margin	66
5.	Components of Income	68
6.	Component of Expenses	69
7.	Loan Loss Provision to Total Income	72
8.	Operating Expenses to Total Income	73
9.	Staff Expenses Per Employee	75
10.	. Credit to Deposit Ratio	76
11.	. Interest Spread	78
12.	. NPA to Credit	80
13.	. Loan Loss Provision to NPA	81
14.	. Trend of Net Profit Analysis	83

LIST OF FIGURES

Fig	gure No.	Page No.
1.	Return on Equity	62
2.	Return on total Assets	64
3.	Earning per share	65
4.	Net profit margin	67
5.	Components of Income	68
6.	Components of Income of GIBL	68
7.	Components of Income of SBL	69
8.	Components of Expenses	70
9.	Components of Expenses of GIBL	70
10.	Components of Expenses of SBL	71
11.	Loan Loss Provision To Total Income	72
12.	Operating Expenses To Total Income	74
13.	Staff Expenses per Employee	75
14.	Credit Deposit Ratio	77
15.	Interest Spread	79
16.	NPA to Credit	80
17.	Loan Loss Provision to NPA	82
18.	Trend Analysis of Net Profit	83

ABBREVIATIONS

A.D Anna Dommini

ADB/N Agriculture Development Bank/Nepal

ATM Automated Teller Machine

B.S Bikram Sambat

C.V Coefficient of Variance

EPS Earning Per Share

GDP Gross Domestic Product

GIBL Global IME Bank Ltd

HPPC Hindering to profit Planning

LC Letter Of Credit

Ltd. Limited

NGO Non-Government Organization

NIDC Nepal Industrial Development Corporation

NPA Non-Performing Assets

NPAT Net Profit after Tax

NRB Nepal Rastra Bank

ROE Return on Equity

ROTA Return on Total Assets

SBL Siddhartha Bank Ltd

S.D Standard Deviation