

**A COMPARATIVE STUDY ON PERFORMANCE
EVALUATION
OF
HIMALAYIAN BANK LIMITED AND
NABIL BANK LIMITED WITH APPLICATION OF
DUPONT APPROACH**

By:

Bikram Chettri

Patan Multiple Campus
T.U. Regd: No. 27553/94
Roll No: 39/59

A Thesis 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.)***

Patan
May 2009

RECOMNDATION

This is to certify that the thesis

Submitted by:

Mr. Bikram Chettri

Entitled:

**A Comparative study on Financial Performance
of
HBL Bank Limited and NABIL Bank Limited
With Application of Du Pont Approach**

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

Mr. Bishnu Gopal Khimbaja
(Supervisor)

Mr. Shiva Prasad Pokharel
(M.B.S Coordinator)

Mrs. Krishna Badan Nakarmi
(Campus Chief)

Date: -----

VIVA – VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Ms. Bikram Chettri

Entitled

**“A comparative Study on Financial performance of HBL and
NABIL Bank Limited with
Application of Du Pont Approach”**

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 requirements for the degree of

Master of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department: _____

Member (Thesis Supervisor): _____

Member (External Expert): _____

Date: _____

DECLARATION

I, hereby, declare that the work reported in this thesis entitled “**A comparative Study on Financial performance of HBL and NABIL Bank Limited with application of DuPont Approach** ” 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 in Business Studies (MBS) under the supervision of Mr Bishnu Gopal Khimbaja, chairman, Management subject Committee of Patan Multiple Campus.

Bikram Chettri

College Roll No.: 39/059

May 2008

TABLE OF CONTENT

RECOMMENDATION

VIVA-VOICE SHEET

DECLARATION

ACKNOWLEDGEMENT

LIST OF ABBREVIATIONS

CHAPTERS		PAGES
CHAPTER 1	INTRODUCTION	1- 10
1.1	Background of the Study	1
1.2	Banking System in Nepal	2
1.3	Profile of Concern Banks	3
1.4	Statement of the Problem	5
1.5	Objectives of the Study	7
1.6	Significance of the Study	7
1.7	Limitation of the Study	8
1.8	Structure of the Study	9
CHAPTER 2	REVIEW OF LITERATURE	11 - 35
2.1	Conceptual Review	12
2.1.1	Concept of Bank	12
2.1.2	Functions of the Commercial Bank	13
2.1.3	Development of Commercial Banks in Nepal	15
2.1.4	Role of Joint Venture Banks in Nepal	17
2.2	Review of Legislative Provision	18
2.2.1	Investment Management Regulation	19
2.2.2	Regulatory Policy	24
2.3	Review of Books and Journals	26
2.3.1	Review of Books	26

2.3.2	Review of Journals	29
2.3.3	Review of Thesis	31
2.4	Research Gaps	35
CHAPTER 3	RESEARCH METHODOLOGY	36-55
3.1	Research Design	36
3.2	Source of Data	36
3.3	Population and Sampling	37
3.4	Data Collection Procedure	37
3.5	Method of Data Analysis	37
3.5.1	Financial Variables, Tools and Models Used	37
3.5.1.1	Financial Tools	38
3.5.1.2	Financial Variables	38
3.5.1.3	DuPont Model of Financial Analysis	39
3.5.2	Statistical Tools Used	50
3.5.2.1	Arithmetic Mean	51
3.5.2.2	Standard Deviation:	51
3.5.2.3	Correlation and Regression analysis	52
3.5.2.4	Coefficient of Correlation	52
3.5.2.5	Regression Analysis	53
3.5.2.6	Trend Analysis	54
3.5.2.7	Test of hypothesis	55
CHAPTER 4	PRESENTATION AND ANALYSIS OF DATA	56 -117
4.1	Analysis of Return on Equity (ROE)	56
4.1.1	Analysis of Composition of ROE using the DuPont Model	57
4.1.2	Breakdown of ROE	62
4.1.3	Further Breakdown of ROE so as to analysis Efficiency	69
4.2	Analysis of ROA	77
4.2.1	Analysis of Composition of ROA Using the DuPont Model	78
4.2.2	Analysis of ROA by Decomposing the Variables of Income Statement	83

4.3	Other Financial Indicators	96
4.3.1	Earning Per Share (EPS)	95
4.3.2	Market Value per Share(MVPS)	96
4.3.3	Price Earnings Ratio	97
4.4	Analysis of Descriptive Statistics	98
4.4.1	Analysis Descriptive Statistics of Variables used in DuPont	98
4.4.2	Analysis of Descriptive Statistics of Break-down of ROE	100
4.4.4	Descriptive statistics of EPS, MVPS and PER	104
4.4.5	Correlation and Regression analysis	105
4.4.7	Test of hypothesis	111
4.4.8	Trend Analysis	112
4.5	Findings	117
CHAPTER 5	SUMMARY AND CONCLUSION	125 131
5.1	Summary	125
5.2	Conclusion	126
5.3	Recommendation	130
BIBLIOGRAPHY		132-134
APPENDIXES		135-143

LIST OF FIGURES

Figures	Title	Page
4.1	Net Profit	59
4.2	Total Operating Revenue	60
4.3	Total Assets	61
4.4	Total Equity	62
4.5	Net Profit Margin	64
4.6	Asset Utilization Ratio	66
4.7	Equity Multiplier	67
4.8	Return on equity	68
4.9	Tax Management efficiency Ratio	72
5.0	Expense control efficiency Ratio	73
5.1	Asset Management efficiency Ratio	74
5.2	Fund Management efficiency Ratio	76
5.3	Return on Equity	77
5.4	Net Profit Margin	79
5.5	Asset Utilization ratio	81
5.6	Return on Assets	82
5.7	Interest Income to Total Assets	85
5.8	Interest Expense to Total Assets	86
5.9	Interest Margin to Total Assets	87
6.0	Non-Interest Income to Total Assets	88
6.1	Non-Interest Expense to Total Assets	89
6.2	Non-Interest Margin to Total Assets	90
6.3	Provision for Loan loss to TA	91
6.4	Provision for Staff Bonus	92
6.5	Provision for Tax to TA	93
6.6	Return on Assets	94

6.7	Earning Per Share	96
6.8	Market Value Per Share	97
6.9	Price Earning Ratio	98
7.0	Trend Analysis of ROE of HBL	114
7.1	Trend Analysis of ROE of NABIL	114
7.2	Trend Analysis of ROA of NABIL	116
7.3	Trend Analysis of ROA of NABIL	116

LIST OF ABBREVIATIONS

AU	:	Asset Utilization
B.S	:	Bikram Sambat
CV	:	Coefficient of Variation
DPS	:	Dividend Per Share
EBL	:	Everest Bank Limited
EM	:	Equity Multiplier
EPS	:	Earning Per Share
FY	:	Fiscal Year
HBL	:	Himalayan Bank Limited
IM	:	Interest Margin
JVBs	:	Joint Venture Banks
Ltd	:	Limited
NBBIL	:	Nepal Arab Bank Limited
NPM	:	Net Profit Margin
NRB	:	Nepal Rastra Bank
P.Er	:	Probable Error
r	:	Correlation coefficient
RBB	:	Rastriya Banijya Bank
ROA	:	Return on Assets
ROE	:	Return on Equity
Rs	:	Rupees
SD	:	Standard Deviation
T.U.	:	Tribhuvan University
TA	:	Total Assets
TD	:	Total Deposit
TD	:	Total Debt
TE	:	Total Equity

TI : Total Investment
TOR : Total Operating Revenue