AN ANALYSIS OF THE BUSINESS AND FINANCIAL PERFORMANCE OF NABIL BANK LIMITED

Submitted By: BIKRANT ACHARYA Shanker Dev Campus Campus Roll No.: 1085/2064 T.U. Regd. No.: 7-2-39-545-2002 2nd Year Exam Symbol No.: 390029

> 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 (MBS)

> Kathmandu, Nepal September, 2012

RECOMMENDATION

This is to certify that the thesis

Submitted by:

BIKRANT ACHARYA

Entitled:

AN ANALYSIS OF THE BUSINESS AND FINANCIAL PERFORMANCE OF NABIL BANK LIMITED

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

Lecturer Rita Maskey
(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 of the thesis presented

by:

BIKRANT ACHARYA

Entitled:

AN ANALYSIS OF THE BUSINESS AND FINANCIAL PERFORMANCE OF NABIL BANK LIMITED

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

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

DECLARATION

I hereby declare that the work reported in this thesis entitled " **An Analysis of the Business and Financial Performance of Nabil Bank Limited**" 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 (MBS) under the supervision of **Lecturer Rita Maskey** of Shanker Dev Campus.

.....

Bikrant Acharya Shanker Dev Campus Campus Roll No.: 1085/2064 T.U. Regd. No.: 7-2-39-545-2002 2nd Year Exam Symbol No.: 390029

ACKNOWLEDGMENTS

This research work entitled "An Analysis of the business and Financial *Performance of Nabil Bank Limited*" is prepared to submit in Office of the Dean, Faculty of Management, and T.U. in partial fulfillment of requirement of the Master Degree of Business Studies (M.B.S.).

I would like to express my sincere gratitude to Lecturer Rita Maskey of Shanker Dev Campus for her constant encouragement, valuable suggestions in the course of the preparation of this Thesis and undertaking of the supervision of my entire research work. This form of the report is the outcome of this continuous encouragement, helpful suggestions and comments.

I am thankful to staff members of Shanker Dev Camus, Nabil Bank Limited, Bank of Kathmandu, Everest Bank Limited, Central Bank of Nepal and Nepal Stock Exchange board and other compatriots who have been supportive directly or indirectly for providing me necessary data, information, encouragement and relevant facts required for the preparation of this research work.

Bikrant Acharya

TABLE OF CONTENTS

Recommendation

Viva-Voce Sheet

Declaration

Acknowledgement

Table of Contents

List of Tables

List of Figures

Abbreviations

Page No.

CHAPTER – I INTRODUCTION

1.1 Background of the Study	1
1.2 Statement of the Problem	4
1.3 Objectives of the Study	6
1.4 Significance of the Study	6
1.5 Limitation of the Study	7
1.6 Organization of the Study	8

CHAPTER – II REVIEW OF LITERATURE

2.1 Conceptual Framework	9
2.1.1 Concept of Bank	9
2.1.2 Origin of Bank	12
2.1.3 Concept and Function of Commercial Bank	14
2.1.4 Importance and Objectives of Business Analysis and	
Financial Performance	15
2.1.5 Limitations of Business Analysis and Financial Performance	16
2.1.6 Method of Analyzing and Evaluating Business	
Analysis and Financial Performance	17
2.2 Review of Related Studies	18
2.3 Review of Unpublished Dissertation	22
2.4 Research Gap	28

CHAPTER – III RESEARCH METHODOLOGY

3.1 Introduction	30
3.2 Research Design	31
3.3 Population and Sample	31
3.4 Sources of Information	32
3.4.1 Primary Source	32
3.4.2 Reasons for Using Primary Sources	32
3.4.3 Secondary Source	33
3.4.4 Reasons for Using Secondary Sources	33
3.5 Data Collection Procedures	34
3.5.1 Methods Used to Collect Primary Data	34
3.5.2 Methods Used to Collect Secondary Data	34
3.5.3 Limitations of Information Gathering	35
3.5.4 Ethical Issues During Information Gathering	36
3.6 Method of Data Analysis	36
3.6.1 PESTEL Analysis	36
3.6.2 Porter's Five Forces Model Analysis	38
3.6.3 SWOT Analysis	39
3.6.4 Ratio Analysis	40
3.6.5 KPIs Benchmarking	50

CHAPTER –IV DATA PRESENTATION AND ANALYSIS

4.1 PESTEL Analysis – Analysis of External Environment of Bank	53
4.1.1 Political Factors	53
4.1.2 Economic Factors	53
4.1.3 Social Factors	54
4.1.4 Technological Factors	54
4.1.5 Environmental Factors	54
4.1.6 Legal Factors	54
4.2 Porter's five Forces Analysis	55

4.2.1 Bargaining Power of Buyers (Customers)	55
4.2.2 Bargaining Power of Suppliers	55
4.2.3 Threat of New Entrants	55
4.2.4 Threat of Substitutes	56
4.2.5 Rivalry Among Competitors	56
4.3 SWOT Analysis	57
4.3.1 Strengths of Bank	57
4.3.2 Weakness of Bank	57
4.3.3 Opportunities of Bank	58
4.3.4 Threats of Bank	58
4.4 Ratio Analysis	58
4.4.1 Liquidity Ratios	59
4.4.2 Management Efficiency ratios	61
4.4.3 Profitability Ratios	63
4.4.4 Capital Adequacy Ratio	64
4.4.5 Market/Shareholder Ratios	66
4.5 KPI Benchmarking	68
4.5.1 Liquidity Indicator Benchmarking	68
4.5.2 Management Efficiency- Indicator – Benchmarking	69
4.5.3 Profitability Indicator Benchmarking	71
4.5.4 Capital Adequacy Indicator Benchmarking	72
4.5.5 Market Indicator – Benchmarking	72
4.6 Major Findings of the Study	73

CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATIONS

Bibliography	
5.3 Recommendations	80
5.2 Conclusions	78
5.1 Summary	76

Annexure

LIST OF TABLES

Table	e No. Title	Page
No.		
4.1	Total list of Bank and Financial Institutions	56
4.2	Liquidity Ratio	59
4.3	Cash and Bank Balance Vs Money at Call and Short Notice	60
4.4	Management Efficiency Ratio	62
4.5	Profitability Ratio	63
4.6	Capital Adequacy Ratio	65
4.7	Market Ratio	66
4.8	NEPSE Index	67
4.9	Benchmarking of Liquidity Ratio	68
4.10	Benchmarking of Management Efficiency Ratio	69
4.11	Benchmarking of Profitability Ratio	71
4.12	Benchmarking of Capital Adequacy Ratio	72
4.13	Benchmarking of Market Ratio	72

LIST OF FIGURES

Figure	No. Title	Page No.
4.1	Cash and Bank Balance Vs Money at call and Short Notice	60
4.2	Capital Base of Nabil Bank	65
4.3	NEPSE Index	67
4.4	Non Performing Loan / Total Loan	70
4.5	Market Share Price	73

ABBREVIATIONS

BOK	:	Bank of Kathmandu
EBL	:	Everest Bank Ltd.
EPS	:	Earning Per Share
FY	:	Fiscal Year/ Financial Year
HBL	:	Himalayan Bank Limited
JVBs	:	Joint Venture Banks
KPI	:	Key Performance Indicator
MVPS	:	Market Value Per Share
NIBL	:	Nepal Indosuez Bank (NIBL)
NRB	:	Nepal Rastra Bank
Num	:	Numbers
P/E ratio	:	Price Earning Ratio
Rs	:	Nepali Rupees