

**A COMPREHENSIVE STUDY ON FINANCIAL PERFORMANCE**  
**(With reference to Nepal SBI & Nepal Bangladesh Bank)**

**By:**  
**TANKA NATH PAUDYAL**  
**Shanker Dev Campus**  
**Campus Roll No.: 1343/063**  
**T.U. Regd. No.: 7-3-39-608-2006**

**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**  
**June 2010**

## **RECOMMENDATION**

This is to certify that the thesis

Submitted by:

**TANKA NATH PAUDYAL**

**Entitled:**

**A COMPREHENSIVE STUDY ON FINANCIAL PERFORMANCE  
(With reference to Nepal SBI & Nepal Bangladesh Bank)**

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

.....

<b>Asso. Prof. Achyut Raj Bhattarai</b> (Thesis Supervisor)	<b>Prof. Bishweshor Man Shrestha</b> (Head, Research Department)	<b>Prof. Dr. Kamal Deep Dhakal</b> (Campus Chief)
--	---	--

.....

**Laxman Raj Kandel**  
(Thesis Supervisor)

## **VIVA-VOCE SHEET**

We have conducted the viva –voce of the thesis presented

By

**TANKA NATH PAUDYAL**

Entitled:

**A COMPREHENSIVE STUDY ON FINANCIAL PERFORMANCE  
(With reference to Nepal SBI & Nepal Bangladesh Bank)**

*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 (Thesis Supervisor) .....

Member (External Expert) .....

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**A Comprehensive Study on Financial Performance (With reference to Nepal SBI & Nepal Bangladesh Bank)**” 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 **Asso. Prof. Achyut Raj Bhattarai** and **Laxman Raj Kandel** of Shanker Dev Campus, T.U.

.....

**Tanka Nath Paudyal**

**T.U. Regd. No.: 7-3-39-608-2006**

**Campus Roll No. : 1343/063**

## **ACKNOWLEDGEMENT**

At first, I would like to thank Shanker Dev Campus for its greatest support to complete my MBS degree thesis and also helping me throughout my research work. The infrastructures of the campus have played an eminent role to complete this thesis in time. My thesis supervisors Asso. Prof. Achyut Bhattarai and Laxman Kandel of Sanker Dev Campus had assisted me throughout the completion of this thesis and therefore I am very much indebted to their contributions. Their assistance for this research work has been preferred to be very prudent and I would like to thank from the core of my heart, there have been considerable helping hands from many other personalities of the campus. In this regard, I would like to tank to all of the. I would like to thank also the campus chief Prof. Dr. Kamal Deep Dhakal of Shanker Dev Campus for providing necessary suggestions during my research work.

I am thankful to all known and unknown lecturers and other staff members of central department of management for helping me to make my final work productive one. The librarians of Shaker Dev and Central Department will always be remembered for their assistance to provide me necessary documents related to my thesis. The Annual Report relating to banks has also been very fruitful to complete my study. So I am also thankful to both (SBI & NBBL) person who help me to complete my study. My friends Suman Acharya, Shiba Pathak and Bhaskar Bhattarai have always been kind to all my inquires to complete my works in time. Similarly, I am indebted to all my brother and sister for his support and motivation to complete this thesis in time.

**Tanka Nath Poudyal**

## ABBREVIATIONS

ADB	-	Agriculture Development Bank
BOK	-	Bank of Kathmandu
C.V.	-	Coefficient of Variation
CA	-	Current Assets
CL	-	Current Liabilities
CSD	-	Cash & Saving Deposit
D/P Ratio	-	Dividend Payout Ratio
DPS	-	Dividend per Share
EBIT	-	Earning Before Interest and Tax
EBL	-	Everest Bank Limited
EPS	-	Earning per Share
GDP	-	Gross Domestic Product
HBL	-	Himilayan Bank Limited
JVB	-	Joint Venture Bank
MPS	-	Market Price Per Share
NABIL	-	Nepal Arab Bank Limited
NBBL	-	Nepal Bangladesh Bank Limited
NBL	-	Nepal Bank Limited
NGBL	-	Nepal Grindlays Bank Limited
NIBL	-	Nepal Investment Bank Limited
NPAT	-	Net Profit after Tax
NSBI	-	Nepal State Bank of India Limited
NWC	-	Net Working Capital
RBB	-	Rastra Banijaya Bank
RE	-	Retained Earning
ROA	-	Return on Assets
ROCE	-	Return on Capital Employed
SD	-	Standard Deviation
TA	-	Total Assets

# TABLE OF CONTENTS

Recommendation	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	<b>Page No.</b>
<b>CHAPTER – I</b>	<b>INTRODUCTION</b>
1.1 Background of the Study	1
1.1.1 Development of Banking Industry in Nepal	3
1.1.2 Introduction to Nepal NSBI Bank Ltd.	6
1.1.3 Objectives of Nepal NSBI Bank Ltd.	7
1.1.4 Services offered by Nepal NSBI	7
1.1.5 Introduction to Nepal Bangladesh Bank Ltd.	7
1.1.6 Objectives of Nepal Bangladesh Bank	8
1.1.7 Services offered by Nepal Bangladesh Bank	8
1.2 Focus of the Study	9
1.3 Statement of the Problem	9
1.4 Objectives of the Study	10
1.5 Limitation of the Study	11
1.6 Organization of the Study	11
<b>CHAPTER – II</b>	<b>REVIEW OF LITERATURE</b>
2.1 Introduction	13
2.2 Conceptual Framework	13
2.2.1 Concept of Banking	13
2.2.2 Concept of Commercial/Joint Venture Bank	16
2.2.3 Function of Commercial Banks	16
2.3 Financial Statement Analysis	18
2.3.1 Objective of Financial Analysis	19

2.3.2 Need of Financial Analysis	19
2.4 Review of Articles, Thesis and Journals	20
2.4.1 Review of Articles	20
2.4.2 Review of Thesis	24
2.5 Research Gap	31

### **CHAPTER – III RESEARCH METHODOLOGY**

3.1 Research Design	33
3.2 Population and Sample	34
3.3 Sources and Collection of Data	34
3.4 Method of Data Analysis	34
3.4.1 Financial Tools	34
3.4.2 Statistical Tools	40

### **CHAPTER – IV PRESENTATION AND ANALYSIS OF DATA**

4.1 Ratio Analysis	43
4.1.1 Liquidity Ratio	43
4.1.2 Activity Ratio/ Turnover Ratio	48
4.1.3 Capital Adequacy Ratio	52
4.1.4 Capital Structure Ratio	54
4.1.5 Profitability Ratios	59
4.1.6 Invisibility Ratio	63
4.1.7 Income Analysis	66
4.1.8 Correlation and Regression Analysis	68
4.3 Major Findings	72

### **CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATION**

5.1 Summary	75
5.2 Conclusion	76
5.3 Recommendations	78

### **Bibliography**

### **Appendices**



## LIST OF TABLES

<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
4.1	Cash and Bank Balance to Total Deposit Ratio	43
4.2	NRB Balance to Current & Saving Deposit Ratio	45
4.3	NRB Balance to Fixed Deposit Ratio	46
4.4	Fixed Deposit to Total Deposit Ratio	47
4.5	Investment to Total Deposit Ratio	49
4.6	Loans and Advances to Total Deposit Ratio	50
4.7	Loan and Advances to Total Assets Ratio	51
4.8	Net worth to Total Assets Ratio	52
4.9	Net Worth to Total Deposit Ratio	53
4.10	Debt to Equity Ratio	55
4.11	Debt to Total Capital Ratio	56
4.12	Total Debt to Total Assets Ratio	56
4.13	Interest Coverage Ratio	58
4.14	Return on Total Assets Ratio	59
4.15	Net worth to Total Deposit Ratio	60
4.16	Return on Total Deposit Ratio	61
4.17	Office Operating Expenses to Total Income Ratio	62
4.18	Earnings per Share	63
4.19	Dividend per Share	64
4.20	Dividend Payout Ratio	65
4.21	Income Analysis of NBBL	67
4.22	Interest Income of NSBI	67
4.23	Regression Analysis on DPS and EPS	68
4.24	Trend of Performing EPS of NSBI Bank Limited	70
4.25	Regression Analysis on MPS and P/E Ratio	71
4.26	Trend of Performing MPS of NSBI Bank Limited	72

## LIST OF FIGURES

<b>Figure No.</b>	<b>Title</b>	<b>Page No.</b>
4.1	Cash and Bank Balance to Total Deposit Ratio	44
4.2	NRB Balance to Current & Saving Deposit Ratio	45
4.3	NRB Balance to Fixed Deposit Ratio	47
4.4	Fixed Deposit to Total Deposit Ratio	48
4.5	Investment to Total Deposit Ratio	49
4.6	Loans and Advances to Total Deposit Ratio	50
4.7	Loan and Advances to Total Assets Ratio	52
4.8	Net Worth to Total Assets Ratio	53
4.9	Net Worth to Total Deposit Ratio	54
4.10	Debt to Equity Ratio	55
4.11	Total Debt to Total Assets Ratio	57
4.12	Interest Coverage Ratio	58
4.13	Net Worth to Total Deposit Ratio	60
4.14	Office Operating Expenses to Total Income Ratio	62
4.15	Earnings per Share	64
4.16	Dividend per Share	65
4.17	Dividend Payout Ratio	66
4.18	Trend of Performing EPS of NSBI Bank Limited	70
4.19	Trend of Performing MPS of NSBI Bank Limited	72