

FINANCIAL PERFORMANCE ANALYSIS OF NEPAL BANK LIMITED



Submitted By:

**HARI PRASAD SUBEDI
SHANKER DEV CAMPUS**

T.U. Registration. No: 7-1-292-0073-96

Campus Roll No: 212/061

Symbol No: 392953

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 (M.B.S.)**

Kathmandu, Nepal

April, 2011

RECOMMENDATION

This is to certify that the Thesis.

Submitted by:

HARI PRASAD SUBEDI

Entitled:

FINANCIAL PERFORMANCE ANALYSIS OF NEPAL BANK LIMITED

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

.....

Dr. Keshav Raj Joshi (Thesis Supervisor)	Prof. Bisheshwor Man Shrestha (Head of Research Department)	Prof. Dr. Kamal Deep Dhakal (Campus Chief)
---	--	---

VIVA- VOCE SHEET

We have conducted the viva- voce examination of the thesis

Presented by:

HARI PRASAD SUBEDI

Entitled:

FINANCIAL PERFORMANCE ANALYSIS OF NEPAL 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 Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department -----

Member (Thesis Supervisor) -----

Member (External Expert) -----

DECLARATION

I hereby declare that the work reported in this thesis “**Financial Performance Analysis of Nepal 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 in Business Studies (M.B.S) under the supervision of Dr. **Keshav Raj Joshi** of **Shanker Dev Campus**.

.....
HARI PRASAD SUBEDI

Researcher

SHANKER DEV CAMPUS

T.U. Regd. No: 7-1-292-0073-96

Campus Roll No: 212/061

Symbol No: 392953

ACKNOWLEDGEMENT

This thesis entitled “**Financial Performance Analysis of Nepal Bank Limited**” is a Masters Degree thesis prepared as practical fulfilled of MBS course under Tribhuvan University of Nepal. It aims to analysis of financial performance of Nepal bank limited. I would like to express my deep and profound gratitude to my supervisor **Dr. Keshav Raj Joshi** for their expert, scholarly and timely guidance. I am always grateful for their valuable suggestions, advices and constant supervisions, advices and affectionate behave during the research period. I am glad by getting them as a supervisor. Also, I express my indebtedness to all the lecturers of Shanker Dev Campus, Tribhuvan University for their academic support.

I would like to extend my gratitude to the respectable teachers for their valuable suggestions, guidance and support. I would never forget my friends who always encouraged me and helped me by providing support for the preparation of this thesis.

I am also grateful to all the Library of Shanker Dev Campus. I would like to express my respect and, indebtedness to my parents for their continuous support to complete my study. My heartfelt thanks also go to my wife Parbati Subedi who always encouraged writing thesis.

I would like to extend thanks to the respondent banks for providing the necessary data and valuable suggestions on my subjects on my subject matter. I hope this work could be useful for future research in this field.

Finally, effort has been made to avoid to all type of error and mistake, though mistake can be made by everyone, so I'm sorry for the unknown mistake that I made in this work.

HARI PRASAD SUBEDI

TABLE OF CONTENTS

Recommendations	
Viva- Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
Abbreviations	
	PAGE NO.
CHAPTER-I INTRODUCTION	1-11
1.1 Back Ground of the Study	1
1.2 Emergence of Commercial Bank in the Economy	3
1.3 Statements of the Problem	8
1.4 Objectives of the Study	8
1.5 Focus of the study	9
1.6 Significance of the Study	10
1.7 Limitation of the Study	10
1.8 Organization of the Study	11
CHAPTER-II REVIEW OF LITERATURE	12-29
2.1 Conceptual Framework	12
2.2 Review of Previous Studies	23
2.3 Review of Articles	26
2.4 Review of Journals	27
2.5 Previous of Thesis	27
2.6 Research Gap	29
CHAPTER- III RESEARCH METHODOLOGY	30-37
3.1 Research Design	30
3.2 Nature and Sources of Data	30

3.3	Population and Sample	31
3.4	Data Collection Procedure/ Methods / Techniques	31
3.5	Financial and Statistical Tools for the Analysis of Data	32
3.5.1	Financial Ratio Analysis Ratio	32
3.5.1.1	Liquidity Ratio	32
3.5.1.2	Capital Structure ratio or Leverage ratio	33
3.5.1.3	Activity Ratio/ Turnover ratio	34
3.5.1.4	Profitability Ratio	35
3.5.2	Trend Analysis	36
3.5.3	Statistical Tools	36
3.5.3.1	Arithmetic Mean	36
3.5.3.2	Karl Pearson's Coefficient of Correlation	37

CHAPTER- IV PRESENTATION AND ANALYSIS OF DATA 38-83

4.1	Ratio Analysis	38
4.1.1	Liquidity Ratio	38
4.1.1.2	Analysis of Cash and Bank Balance to Total Deposit	41
4.1.1.3	Analysis of NRB Balance to Total Deposits Ratio	43
4.1.1.4	Analysis of Cash and Bank Balance to Current Deposit Ratio	44
4.1.2	Leverage/ Capital Structure Ratio	45
4.1.2.1	Analysis of Total Debt to Total Assets	47
4.1.2.1	Analysis of Debt- Equity	49
4.1.2.2	Analysis of Total Debt to Shareholder's fund	50
4.1.2.4	Analysis of Shareholder's Equity to Total Assets	52
4.1.3	Activity Ratio	53
4.1.3.1	Analysis of Investment to Total Deposit	54
4.1.3.2	Analysis of Investment, Loan and Advance to Total Assets	58
4.1.3.3	Analysis of Investment, Loan and Advance to Total Deposits	60
4.1.3.4	Analysis of Loan and Advance to Total Deposit	61
4.1.3.5	Analysis of Non - Performing Assets to Total Loan	62

4.1.3.6	Analysis of Non Performing Assets to Total Assets Ratio	64
4.1.3.7	Analysis of Interest Suspense to Non-performing Assets Ratio	65
4.1.3.8	Analysis of Loan Loss Provision to Non-Performing Assets	67
4.1.4	Profitability Ratio	68
4.1.4.1	Analysis of Earning Power Ratio or Return on Assets	69
4.1.4.2	Analysis of Return on Equity	71
4.1.4.3	Analysis of Return on Net Loan and Advance	72
4.1.4.4	Analysis of Earning Per Share	73
4.2	Trend Analysis	74
4.2.1	Deposit Growth Trend	74
4.2.2	Trend of Investment, Loan and Advance	77
4.2.3	Trend of Deposit Utilization	78
4.3	Analysis of Correlation Coefficient of Various Variables	79
4.3.1	Correlation Coefficient of net worth and net profit	79
4.4	Major Findings of the Study	81

CHAPTER – IV SUMMARY, CONCLUSION AND

RECOMMENDATION

84-88

5.1	Summary	84
5.2	Conclusion	85
5.3	Recommendation	86

BIBLIOGRAPHY

APPENDIX

LIST OF TABLE

TABLE NO.	TITLE	PAGE NO.
Table: 4.1	Showing the Total Cash, Total Deposit, Total Cash and Bank Balance, Total NRB Balance and Total Current	39
Table: 4.2	Analysis of Cash to Total Deposit	40
Table: 4.3	Analyses of Cash and Bank Balance to Total Deposit	41
Table: 4.4	Analysis of NRB Balance to Total Deposits Ratio	43
Table: 4.5	Analyses of Cash and Bank Balance to Current Deposit Ratio	44
Table: 4.6	Total Debt, Total Assets, and total Shareholder's Equity and Shareholder's fund	46
Table: 4.7	Analysis of Total Debt to Total Assets	47
Table: 4.8	Analysis of Debt- Equity	49
Table: 4.9	Analysis of Total Debt to Shareholder's fund	50
Table: 4.10	Analysis of Shareholder's Equity to Total Assets	52
Table: 4.11	Total Investment, Total Deposit, total Investment, Loan & Advance and Total Loan & Advance	53
Table: 4.12	Total non-Performing Assets, Total Loan, Total Interest Suspense and Total Loan Loss Provision.	54
Table: 4.13	Analysis of Investment to Total Deposit	54
Table: 4.14	Analysis of Investment to Total Assets	56
Table: 4.15	Analysis of Investment, Loan and Advance to Total Assets	58
Table: 4.16	Analysis of Investment, Loan and Advance to Total Deposit	60
Table: 4.17	Analysis of Loan and Advance to Total Deposit	61
Table: 4.18	Analysis of Non - Performing Assets to Total Loan	62
Table: 4.19	Analysis of Non Performing Assets to Total Assets Ratio	64
Table: 4.20	Analysis of Interest Suspense to Non-performing Assets Ratio	65

Table: 4.21 Analysis of Loan Loss Provision to Non-Performing Assets	67
Table: 4.22 Total net Profit, Total net worth and Total No. of Shares	69
Table: 4.23 Analysis of Earning Power Ratio or Return on Assets	69
Table: 4.24 Analysis of Return on Equity	71
Table: 4.25 Analysis of Return on Net Loan and Advance	72
Table: 4.26 Analysis of Earning Per Share	73
Table: 4.27 Total Fixed Deposit, total Current Deposit	75
Table: 4.28 Deposit Growth Trend	76
Table: 4.29 Investments, Loan and Advance Trend	77
Table: 4.30 Trend of Deposit Utilization	78
Table: 4.31 Correlation Coefficient of net worth and net profit of NBL	79
Table: 4.32 Correlation Coefficient of Total Deposit and Investment	80
Table: 4.33 Correlation Coefficient of Non-performing Assets and Total Loan of NBL	81

LIST OF FIGURE

FIGURE NO.	TITLE	PAGE NO.
Figure: 4. 1	Analysis of Cash to Total Deposit	40
Figure: 4. 2	Analysis of Cash and Bank Balance to Total Deposit	42
Figure: 4.3	Analysis of NRB Balance to Total Deposits Ratio	43
Figure: 4.4	Analyses of Cash and Bank Balance to Current Deposit Ratio	45
Figure: 4.5	Analysis of Total Debt to Total Assets	48
Figure: 4.6	Analysis of Debt- Equity	50
Figure: 4:7	Analysis of Total Debt to Shareholder's fund	51
Figure: 4.8	Analysis of Shareholder's Equity to Total Assets	52
Figure: 4.9	Analysis of Investment to Total Deposit	55
Figure: 4.10	Analysis of Investment to Total Assets	57
Figure: 4.11	Analyses of Investment, Loan and Advance to Total Assets	59
Figure: 4:12	Analysis of Investment, Loan and Advance to Total Deposit	60
Figure: 4.13	Analyses of Loan and Advance to Total Deposit	62
Figure: 4.14	Analyses of Non Performing Assets to Total Loan	63
Figure 4.15	Analyses of Non Performing Assets to Total Assets Ratio	64
Figure: 4.16	Analysis of Interest Suspense to Non-performing Assets Ratio	66
Figure: 4.17	Analysis of Loan Loss Provision to Non-Performing Assets	67
Figure: 4.18	Analysis of Earning Power Ratio or Return on Assets	70
Figure 4.19	Analysis of Return on Equity	71
Figure: 4.20	Analysis of Earning Per Share	73