PERFORMANCE EVALUATION AS AN EFFECTIVE TOOLS FOR CONTROL

(With Special Reference to Nepal Development Bank Ltd and Development Credit Bank Ltd)

By BHUPENDRA KUMAR KHADKA Shanker Dev Campus T.U. Regd. No. 7-1-224-128-98 Campus Roll No. : 1578/060

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 July, 2009

RECOMMENDATION

This is to certify that the Thesis

Submitted by: **BHUPENDRA KUMAR KHADKA**

Entitled:

PERFORMANCE EVALUATION AS AN EFFECTIVE TOOLS FOR CONTROL

(With Special Reference to Nepal Development Bank Ltd and Development Credit Bank Ltd)

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

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

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

by

BHUPENDRA KUMAR KHADKA

Entitled:

PERFORMANCE EVALUATION AS AN EFFECTIVE TOOLS FOR CONTROL

(With Special Reference to Nepal Development Bank Ltd and Development Credit 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

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

Viva-Voce Committee

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

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled "PERFORMANCE EVALUATION AS AN EFFECTIVE TOOLS FOR CONTROL (With Special Reference to Nepal Development Bank Ltd and Development Credit 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 Master's Degree in Business Study (M.B.S.) under the supervision of Prof. Dr. Kamal Deep Dhakal and Shanker Raj Joshi of Shanker Dev Campus.

.....

Bhupendra Kumar Khadka Researcher

T.U. Regd. No.: 7-1-224-128-98

Campus Roll No. : 1578/060

TABLE OF CONTENTS

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 Introduction of Sample Banks	3
1.2.1 Introduction of NDBL	4
1.2.2 Introduction of DCBL	5
1.3 Statement of the Problem	7
1.4 Objectives of the Study	8
1.5 Significance of the Study	8
1.6 Limitations of the Study	9
1.7 Organization of the Study	10
CHAPTER - II REVIEW OF LITERATURE	
2.1 Review of Books & Articles	11
2.1.1 Concept of Financial Analysis	11
2.1.2 Objectives of Financial Performance Analysis	13
2.1.3 Significance of Financial Performance Analysis	15
2.1.4 Major Steps in Financial Analysis	17
2.1.5 Types of Financial Analysis	17
2.1.6 Techniques of Financial Analysis	18
2.1.7 Limitations of Financial Performance Analysis	24
2.1.8 Financial performance analysis of bank	26

28

2.2 Review of Thesis & Dissertation Reports

CHAPTER - III	RESEARCH METHODOLOGY	
3.1 Research Design	gn	31
3.2 Population and Sample		31
3.3 Sampling Proc	edure	32
3.4 Data Collection	n Procedure	32
3.4.1 Primary Da	ata	32
3.4.2 Secondary	Data	32
3.5 Tools for Anal	ysis	33
3.5.1 Financial to	ools	33
3.5.2 Accounting	g Tools	33
3.5.3 Statistical	Γools	33
CHAPTER - IV	PRESENTATION AND ANALYSIS OF DATE	ГА
4.1 Presentations of	of Data from Secondary Sources	35
4.1.1 Liquidity R	Ratio	35
4.1.1.1 Cash ar	nd Bank Balance to Total Deposit Ratio	36
4.1.1.2 Current	Ratio	37
4.1.1.3 Quick I	Ratio	38
4.1.1.4 Cash ar	nd Bank Balance to Current Liabilities Ratio	39
4.1.1.5 Cash ar	nd Bank Balance to Current Assets Ratio	40
4.1.1.6 NRB B	alance to Total Deposit Ratio	41
4.1.2 Profitability	y Ratio	42
4.1.2.1 Return	on Total Assets	42
4.1.2.2 Return	on Shareholder's Equity Ratio	44
4.1.2.3 Return	on Working Capital Ratio	45
4.1.2.4 Investm	nent Income to Investment Ratio	46
4.1.2.5 Net Pro	ofit to Total Deposits Ratio	47
4.1.3 Leverage R	Ratio	48
4.1.3.1 Debt to	Equity Ratio	48
4.1.3.2 Debt to	Assets Ratio	50
4.1.3.3 Interest	Coverage Ratio	51

4.1.3.4 Long Term Debt to Net Worth Ratio		
4.1.4 Utilization Ratio		
4.1.4.1 Investment to Total Deposits Ratio		
4.1.4.2 Loans and Advances to Total Deposits Ratio	54	
4.1.4.3 Loans and Advances to Fixed Deposits Ratio	56	
4.1.4.4 Loans and Advances to Saving Deposits Ratio	57	
4.1.5 Invisibility Ratio	58	
4.1.5.1 Earning per Share	58	
4.1.5.2 Dividend per Share		
4.1.5.3 Dividend Pay-Out Ratio		
4.1.6 Correlation Analysis	62	
4.1.6.1 Correlation Analysis between Total Deposit and Net Profit	62	
4.1.6.2 Correlation Analysis between Net Profit and Net Worth		
4.1.6.3 Correlation Analysis between Total Deposit and Investment		
4.1.6.4 Correlation Analysis between Loans and		
Advances and Total Deposits	64	
4.2 Presentation of Data from Primary Sources		
4.3 Major Findings	64	
CHAPTER -V SUMMARY, CONCLUSION AND RECOMMENDATE	ΓIONS	
5.1 Summary	80	
5.2 Conclusion	81	
5.3 Recommendations	81	

Bibliography

Annexes

LIST OF TABLES

Table	e No. Title	Page No
4.1	Cash and Bank Balance to Total Deposit Ratio	36
4.2	Current Ratio	37
4.3	Quick Ratio	38
4.4	Cash and Bank Balance to Current Liabilities Ratio	39
4.5	Cash and Bank Balance to Current Assets Ratio	40
4.6	NRB Balance to Total Deposit Ratio	41
4.7	Return on Total Assets Ratio	43
4.8	Return on Shareholder's Equity Ratio	44
4.9	Return on Working Capital Ratio	45
4.10	Investment Income to Investment Ratio	46
4.11	Net Profit to Total Deposits Ratio	47
4.12	Debt to Equity Ratio	49
4.13	Debt to Assets Ratio	50
4.14	Interest Coverage Ratio	51
4.15	Long Term Debt to Net Worth Ratio	52
4.16	Investment to Total Deposits Ratio	54
4.17	Loans and Advances to Total Deposits Ratio	55
4.18	Loans and Advances to Fixed Deposits Ratio	56
4.19	Loans and Advances to Saving Deposits Ratio	57
4.20	Earning per Share	59
4.21	Dividend per Share	60
4.22	Dividend Payout Ratio	61
4.23	Knowledge of Performance Evaluation	65
4.24	Calculation of Chi-square test of Knowledge of Performance	65
4.25	View on ROE shows Performance or Not	66
4.26	Calculation of Chi-square test of ROE shows Performance or No	t 67

ABBREVIATIONS

AD : Anno Dominie

ATM : Automatic Teller Machine

BS : Bikram Sambat

DCBL : Development Credit Bank Ltd.

DFI : Direct Foreign Investment

EAT : Earning After Tax

EPF : Employees Provident Fund

FY: Fiscal Year

HBL : Himalayan Bank Ltd.

IDBI : Industrial Development Bank of India

JVB : Joint Venture Bank

KTM : Kathmandu

NABIL: Nepal Arab Bank (NABIL) Bank Ltd.

NCSL : Nepal Co-operative Society Ltd.

NDBL : Nepal Development Bank Ltd.

NEPSE : Nepal Stock Exchange

NIBL : Nepal Investment Bank Ltd.

(Previously Nepal Indosuez Bank Ltd.)

NPAT : Net Profit after Tax

NRB : Nepal Rastra Bank

NSBIBL: Nepal SBI Bank Ltd.

POS : Point of Sales

RBS : Rastriya Beema Sansthan

ROE : Return on Equity

SCBNL : Standard Chartered Bank Nepal Ltd.

(Previously Nepal Grindlays Bank Ltd.-NGBL)

TU : Tribhuvan University