

**FINANCIAL PERFORMANCE ANALYSIS OF
NEPALESE COMMERCIAL BANKS**
(A Comparative Study on Everest Bank Ltd. and Nepal Investment Bank Ltd)

A THESIS

Submitted By
Sanju Khatri
Bhairahawa Multiple Campus
TU Registration No. 7-1-274-497-200
Exam Roll No. 1284

Submitted To
Office of the Dean
Faculty of Management
Tribhuvan University

**In partial fulfillment of the requirements for the degree of
Masters of Business Studies (M.B.S)**

**Bhairahawa, Rupandehi
September, 2010**

VIVA-VOCE SHEET

We have conducted the viva-voce sheet examination of the thesis

Submitted by
Sanju Khatri

Entitled

**FINANCIAL PERFORMANCE ANALYSIS OF NEPALESE COMMERCIAL BANKS
(A Comparative Study on Everest Bank Ltd. and Nepal Investment Bank Ltd)**

and found the thesis to be the original work of the student and written in according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Degree of Master's in Business Studies (MBS)

Viva – Voce Committee:

Chairperson Research Department:

Member (Thesis Supervisor):

Member (External Expert):

Date:

RECOMMENDATION

This is certify that the thesis

**Submitted by
Sanju Khatri**

Entitled:

**FINANCIAL PERFORMANCE ANALYSIS OF NEPALESE COMMERCIAL BANKS
(A Comparative Study on Everest Bank Ltd. and Nepal Investment Bank Ltd)**

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

.....
(Dr. Ramji Gautam)

Thesis Supervisor
&
Head of Research Department

.....
(Kapil Dev Lamichhane)
Campus Chief

Date:.....

DECLARATION

I hereby declare that the work reported in this thesis entitled **Financial Performance Analysis of Nepalese Commercial Banks (A Comparative Study on Everest Bank Ltd. and Nepal Investment Bank Ltd.)** submitted to Bhairahawa Multiple Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements of the Master's Degree of Business Study under the supervision of Dr. Ramji Gautam Lecturer, Bhairahawa Multiple Campus, Tribhuvan University.

September, 2010

.....
Sanju Khatri
Researcher
Bhairahwa Multiple Campus

ACKNOWLEDGEMENTS

I would like to express heartiest gratitude to my thesis Supervisor Lecturer Dr. Ramji Gautam of Bhairahawa Multiple Campus, Bhairahawa for his continuous suggestion and support in making this thesis.

I am thankful to Associate Professor Kapil Dev Lamichhane, Campus Chief of Bhairahawa Multiple Campus and Lecturer Narendra Raj Pandey, coordinator of MBS Programme for providing necessary ideas.

Similarly, I must acknowledge to library staffs of Bhairahawa Multiple Campus and central Library of T.U. for providing necessary books and documents.

I would like to express my sincere thanks to my parents and family members, who always encouraged and inspired me continuously in whatever way it is possible.

I am also thankful to my friends Subash, Saru Deepak who directly or indirectly help me in this endeavor.

Sanju Khatri

TABLE OF CONTENTS

Title	Page No.
VIVA VOCE SHEET	
RECOMMENDATION	
DECLARATION	
ACKNOWLEDGMENTS	
TABLE OF CONTENTS	
LIST OF TABLES	
LIST OF FIGURE	
ABBREVIATIONS	
CHAPTER –I	
INTRODUCTION	1-9
1.1 Background of the Study	1
1.1.1 Introduction to Bank	2
1.1.2 Function of Commercial Banks	3
1.1.3 Private Commercial Banks in Nepal	5
1.1.4 Brief introduction of Everest Bank Ltd. and Nepal Investment Bank Ltd	5
1.2 Statement of Problem	6
1.3 Scope or significance of Study	7
1.4 Objectives of the Study	8
1.5 Limitation of the Study	8
1.6 Scheme of the Study	9
CHAPTER –II	
REVIEW OF LITERATURE	10-30
2.1 Review of Related Studies	11
2.1.1 Meaning of Financial analysis	11
2.1.2 Significance of Financial Analysis	13
2.1.3 Financial Performance Analysis of Bank	16
2.1.4 Technique of Financial Analysis	17
2.1.5 Types of Ratio Analysis	17
2.2 Review of Journals	22
2.3 Review of Article	24
2.4 Review of Thesis	25
2.5 Research Gap	30

	CHAPTER –III	
RESEARCH METHODOLOGY		31-49
3.1 Research Design		31
3.2 Sources of Data		31
3.3 Data Collection Process		32
3.4 Population and Sample		32
3.5 Methods of Analysis		33
3.5.1 Financial Tools		33
3.5.1.1 Ratio Analysis		33
3.5.2 Statistical Tools		44
3.5.2.1 Arithmetic Mean		44
3.5.2.2 Standard Deviation		44
3.5.2.3 Coefficient of Variation (C.V.)		45
3.5.2.4 Correlation Analysis		46
3.5.2.5 Probable Error of the Co-efficient of Correlation		46
3.5.2.6 Coefficient of Determination		47
3.5.2.7 Trend analysis		47
3.5.2.8 Regression Analysis		49
3.5.2.9 Testing of Hypothesis		49

	CHAPTER –IV	
DATA PRESENTATION AND ANALYSIS		50-93
4.1. Presentation of Data:		51
4.1.1 Five year comparative Balance Sheet of EBL		51
4.1.2 Five year comparative Profit & Loss A/c of EBL		52
4.1.3 Five year comparative Balance Sheet of NIBL		53
4.1.4 Five year comparative Profit & Loss A/c of NIBL		54
4.2 Ratio Analysis:		54
4.2.1 Liquidity ratio		55
4.2.2 Leverage Ratio or Capital Structure Ratio		60
4.2.3 Activity Ratios or Assets and Investment Management Ratio		62
4.2.4 Profitability Ratio		69
4.2.5 Capital Adequacy Ratio		75
4.3 Statistical Analysis:		76
4.3.1 Coefficient of Correlation Analysis:		76
4.3.1.1 Correlation between Total Deposits and loan and Advances		77
4.3.1.2 Correlation between Total Deposit and Long-term Investment		78
4.3.1.3 Correlation between long-term Investment and Net Profit		79
4.3.1.4 Correlation between loan and Advances and Net Profit		80
4.3.2 Trend Analysis:		80
4.3.2.1 Trend Analysis of Total Deposit		81
4.3.2.2 Trend Analysis of Loan & Advances		82
4.3.2.3 Trend Analysis of Long-term Investment		84

4.3.3 Simple Regression analysis:	85
4.3.3.1 Regression analysis between Net Profit and Total Deposit	85
4.3.3.2 Regression analysis between Net Profit and Loan and Advances	86
4.3.3.3 Regression analysis between Net Profit and Long-term Investment	87
4.4 Major Finding of the Study	89

CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATIONS	94-98
5.1 Summary	94
5.2 Conclusion	95
5.3 Recommendations	96

BIBLIOGRAPHY

ANNEXES

LIST OF FIGURES

Figure No:		Page No.
4.1	Trend Analysis of Total Deposit	82
4.2	Trend Analysis of Loan & Advances	83
4.3	Trend Analysis of Long-term Investment	84

LIST OF TABLES

Table No:	Page No.	
4.1	Five-Year Comparative Balance Sheet of EBL	51
4.2	Five-Year Comparative Profit & Loss A/c of EBL	52
4.3	Five-Year Comparative Balance Sheet of NIBL	53
4.4	Five-Year Comparative Profit & Loss A/c of NIBL	54
4.5	Current Ratio	55
4.6	Cash and Bank Balance to Total Deposit Ratio	56
4.7	Cash and Bank Balance to Current Assets Ratio	57
4.8	Loan and Advances to Current Assets Ratio	58
4.9	Fixed Deposit to Total Deposit Ratio	59
4.10	Debt-Equity Ratio	60
4.11	Debt -assets Ratio	61
4.12	Coverage Ratio	62
4.13	Loan and Advances to Total Deposit Ratio	63
4.14	Loan and Advances to Fixed Deposit Ratio	64
4.15	Loan and Advances to Total Assets Ratio	65
4.16	Long-term Investment to Total Deposit Ratio	65
4.17	Performing Assets to Total Assets Ratio	66
4.18	Performing Assets to Total Debt Ratio	67
4.19	Personnel Expenses to Total Income Ratio	68
4.20	Office Expenses to Operating Profit Ratio	69
4.21	Net Profit to Total Deposit Ratio	70
4.22	Net Profit to Total Assets Ratio	71
4.23	Return on Net Worth	72
4.24	Total Interest Earned to Total Assets Ratio	73
4.25	Total Interest Paid to Total Assets Ratio	73
4.26	Return on Capital Employed Ratio	74
4.27	Shareholder's Fund to Total Deposit Ratio	75
4.28	Shareholder's Fund to Total Assets Ratio	76
4.29	Correlation between Total Deposits and loan and Advances	77
4.30	Correlation between Total Deposit and long-term Investment	78
4.31	Correlation between long-term Investment and Net Profit	79
4.32	Correlation between loan and Advances and Net Profit	80
4.33	Trend Analysis of Total Deposit	81
4.34	Trend Analysis of Loan & Advances	83
4.35	Trend Analysis of Long-term Investment	84
4.36	Regression analysis between net profit and total deposit	85
4.37	Regression analysis between net profit and loan and advances.	86
4.38	Regression analysis between net profit and long-term investment.	87

ABBREVIATIONS

\$	United States Dollar
A.D.	Anno Domino
B.S.	Bikram Samba
C.B.	Commercial Bank
C.V.	Coefficient of Variation
CRR	Cash Reserve Ratio
DPS	Dividend per Share
EBL	Everest Bank Limited
Etc	Ecetera
F.Y	Fiscal Year
GDP	Gross Domestic Product
i.e	That is
IFIC	International Finance Investment and Commercial Bank Limited
JVB	Joint Venture Bank
Ltd.	Limited
M/B	Market to Book
MVPS	Market Value per Share
NIBL	Nepal Invesment Bank Ltd.
NRB	Nepal Rastra Bank Limited
P.	Page
P.E	Probable Error
P.P	Pages
RBB	Rastriya Banijya Bank
ROA	Return on Assets
S.D.	Standard Deviation
T.U.	Tribhuvan University