FINANCIAL PERFORMANCE ANALYSIS OF HIMALAYAN BANK LTD

A Project Work Report

BY

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DECLARATION

I hereby declare that the project work entitled FINANCAL PERFORMANCE OF HIMALAYAN BANK LTD submitted to the faculty of management, Tribhuvan University,Kathmandu is an original piece of work under the suprivision of Dr.Binod sah, faculty member, R.R.M Campus, Janakpur dham, and is submitted in partial fulfillment of the requirement for the of the degree of bachelor of Business study (BBS).This project work report has not been submitted to any other university or institution for the award of any degree or diploma.

……………………………

Nagendra Kumar Mandal

Date: ………………….

ACKNOWLEDGEMENT

I want to show my all gratitude to my parents,only because of their blessings I am here. I also want to show my gratefulness to my Mentor, my Gure **DR. Binod sah**, who has taught me everything in **FINANCIAL RFORMANCE ANALYSIS OF HIMALAYAN BANK LTD**, and whose knowledge reflects from my every writing. I am also very thankful to my research scholar friend who have always been with me.

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ABBREVIATION

ATM	:	Automated Teller Machine
B.S.	:	Bikram Sambat
C.V.	:	Coefficient off Variation
GDP	:	Gross Domestic Product
i.e	:	That is
LTD	:	Limited
MBS	:	Master of business Studies
NEPSE	:	Nepal Stock Exchange
No.	:	Number
NRB	:	Nepal Rastra Bank
T.U.	:	Tribhuvan University
A.D	:	Anno Domini
LC	:	Latter of Credit
ABBS	:	Any Branch Banking System
CRR	:	Cash Reserve Ratio
Ktm.	:	Kathmandu
SEBON	:	Securities Bond of Nepal
Pes	:	Public Enterprises
&	:	And
%	:	Percentage
WC	:	Working Capital

NWC	:	Net Working Capital
Misc.	:	Miscellaneous
HBL	:	Himalayan Bank Limited

CHAPTER 1

INTRODUCTION

1.1 Background

A bank is a licensed and regulated financial institution that lends money, Assets deposit and carriage out other financial transactions for its clients . Bank is a financial institution which deals with money. Bank collects money from the savers and lend to users of funds. Bank raised funds by issuing shares borrowing funds and accepting deposits. These funds are and accepting deposits.These funds are used by bank to buy securities and to grant loans.

According to P.A. Samuelson :- *''Bank provides services to its clients and in turn receives perquisites in different forms.''*

Nepal Rastra Bank (NRB) was set up in 2013B.S. as a central bank under NRB act 2012 B.S. since then it has been fluctuating as the governments bank and has contributed to the growth of financial sector. After this, government set up Rastriya Banijya Bank (RRB) in B.S. 2023 as a fully government owned commercial bank. As the name suggests, Commercial banks are to carry out commercial transaction only . But commercial banks had to carry out the function of all type of financial institution.

Hence, Industrial Development center (IDC) was set up in 2013 B.S. for industrial development. In 2016, IDS was converted to Nepal Industrial Development

Corporation (NIDC). Similarly, Agricultural Development Bank (ADB) was established in B.S. 2024 to provide financial for agricultural produces so that agricultural productivity cold be enhance by introducing modern agricultural techniques.The commercial bank have been established gradually after the commercial bank act 2013 B.S. with the passage of time so many commercial banks have been established gradually because of the liberal and market financial friendly economic policy of Nepal government. The banking activity are getting very much dynamic as well as complex. Because of the higher return on investment, entrepreneurs were interested in setting of new banks including branches of foreign bank. However, current political and economic scenario of the country coupled witnew prudential norms of Nepal Rastra Bank and stiff completion may make the entrepreneurs give a second thought to the idea of established banks.

1.2 Profit of Organization Himalayan Bank

Himalayan Bank was established in 1993 in joint venture with Habin Bank Limited of Pakistan. Despite the tough competition in the Nepales Banking sector, Himalatan Bank has been able to maintain a lead in the primary banking activities Loans and Deposit.

Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovation approaches to merchandising and customer service. Products such as premium savings account,HBL proprietary card and millionaire deposit scheme besides services such as ATMs and tele-banking were first introduced by country have been following our lead by introducing similar product and services. Therefore, we stand for the innovation that we bring about in this country to help our customers besides modernizing the banking sector. With the highest deposit base and loan portfolio amongst private sector banks and extending guarantees to correspondent banks covering exposure of other local bank under our credit standing with foreign correspondent banks, we believe we obviously lead the banking sector of Nepal. The most recent rating of HBL by Banker's Almanac as country's number I Bank easily confirms our claim.

All branch of HBL are integrated into Globus (Developed by Temenos),The single Banking software where the Bank has made substantial investments. This has helped the Bank provide service like 'Any Branch Banking facility' Internet Banking and SMS Banking. Living up to the expectations and aspirations of the customers and other stakeholders of being innovative, HBL introduced several new products and services. Millionaire Deposit scheme, small and medium Enterprise loan, prepaid visa card, international Travel Quota credit card, customer finance through credit card and online TOEFL , SAF, IELTS, etc. fee payment facility are some of products and services. HBL also has a dedicated offsite 'Distance Recovery Management System' . Looking at the numbe of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer softwar-HimalRemitTM . By deputing our own staff with technical tie-ups with local exchange house and banks, in the middle East and Gulf region HBL is the biggest inward remittance handling Bank in Nepal. All this only reflects that HBL has an outside –in rather than inside-out approach where customers, needs and wants stand first.

HBL is not only a Bank, It is Committed Corporate Citizen

Corporate Social Responsibility (CSR) holds one of the very importance aspect of HBL. Being one of the corporate citizens of the country, HBL has always promoted social activities. Many activities that do a common good to the society have been undertaken by HBL in the past and this happens as HBL on an ongoing basic. Significant portion of the sponsorship budget of the Bank is committed towards activities that assist the society as large.

The Bank's Vision

Himalayan Bank Limited Holds of a vision to a Leading Bank of the country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the Bank.

The Bank's Mission

The Bank's mission I t become preferred provider of quality finance services in the country. There are two components in the mission of the Bank; Preferred Provider and Quality Finance Services; therefore we at HBL believe that the mission will be accomplished only by satisfying these two important components with the customer at focus. The Bank always strives positioning itself in the hearts and minds of the customers.

The Bank's Objective:

To become the Bank of first choice is the main objective of the Bank.

1.3 Objectives

The main objectives of the study are to evaluate and analysis the financial performance of these two joint venture banks i.e. HBL to recommend the suitable suggestion for improvement.

a) To analyze and compare the Financial strength and weakness as of the sample finance institution.
b) To evaluate the financial position of HBL.
c) To provide recommendations for improvement on the basis of financing.

1.4 Rationale

- This study explains the shareholders about the financial performance of their respective banks.
- The study also compels the management of respective banks for selfassessment of what they have done in the past and guides them in their future plan and programs.

1.5 Review 1.51 Reiew of Legislative Provision

Nepal's first commercial bank, the Nepal Bank Limited, was established in 1937. The government owned 51percentage of the shares in the bank and controlled its operations to large extent. Nepal Bank Limited was headquartered in Kathmandu and had branches in other part of the country. There were other government banking institutions. Rastriya Banijay Bank (National Commercial Bank), a state-owned commercial bank, was established in 1966. The land REFORM saving corporation was established in 1966 to deal with finance related to land reforms.

There were two other specialized finance institution. Nepal Industrial Development corporation, a state-owned development finance organization headquartered in Kathmandu, was established in 1959 with United state assistance to offer finance and technical assistances to private industry. Although the government invested in the corporation, representatives from the private business sector also sat on the board of directors. The Co-operative Bank, which become the Agriculture Development Bank in 1967, was the main source of financing for small agribusinesses and cooperative. Almost 75 percent of the bank was state-owned; 21 percent was owned by the Nepal Rastra bank, and 5 percent by cooperative and private individual .This Agricultural Development Bank also served as the government's implementing agency for small farm's group development project assisted by the Asian Development Bank (see Glossary) and financed by the United National Development Program. The Ministry of Finance reported in 1990 that Agricultural Development Bank, which is vested with the leading role in agricultural loan investment, had granted loans to only 9 percent of total number of farming families since 1965. Since the 1960s, both commercial and specialized banks have expended. More business and households had better access to the credit market although the credit market had not expanded.

In the mid-1980s, there foreign commercial banks opened branch in Nepal. The Nepal Arab bank was co-owned by the Emirater bank international limited (Dubai), the Nepalese government, and the Nepalese public. The Nepal Indosuez bank wasjointly owned by the fresh Banque Indosuez, Rastriya Banijya Bank, rastriya Beema Sanstha (National Insurance Corporation), and the Nepalese public. Nepal Grindlays Bank was coowned by a British firm called Grindlays Bank, local financial interest, and the Nepalese public.

Nepal Rastra Bank Was created in 1956 as the central bank. Its function was to supervise commercial banks and to guide the basic monetary policy of the nation. Its major aims were to regulate this issue of paper money; secure countrywide circulation of Nepalese currency and achieve stability in its exchange rates; mobilize capital for economic development and for trade and industry growth ; develop the banking system in the country, thereby ensuring the existence of banking facilities; and maintain the economic interests of the general public.

Nepal Rastra Bank also was to oversee foreign exchange rates and foreign exchange reserves.

1.5.2 Review of Project Work Report

Mr. Adhikari (2008) thesis ʻʻ A Comparative Study of Financial Performance of NSBIBL and EBLʼʼ conclude that EBL is found superior regarding the liquidity, quality assets they possessed and capital adequacy overall capital structure of NSBIBL appears more levered than that on EBL. But NSBIBL is found superior in term of profitability and turnover comparatively interest remained more dominate in the total income and expenses of NSBIBL than that of EBL. Regarding the test of hypothesis is (at 5% level of significance) the performance of the sampled banks significantly different with respect to the ratio, loans and advances to saving deposits. Loan loss provision to total deposit interest earned to total assets and tax per share correlation analysis signifies that EBL is successful to utilize its resources more efficiently than NSBIBL. (Adhikari, 2001, p.28) The review of the above mention bunch of research writes haves definitely enriched my vision to elaborate analysis to come to the meaningful conclusion in realistic term and thereby come with some conclusion, few key suggestion that help in improvement of commercial banks. Previous researches on the basis of financial performance of commercial banks in Nepal. But this research is about joint venture bank of Nepal with sample of Nepal SBI Bank Limit and Everest Bank Limited. This research is about the financial performance of selected two banks. In the previous research, there is no clear-cut finance performance of joint venture banks. The research can help the people who wanted to know about the overall financial performance of joint venture bank in Nepal. There are two-selected bank to find out the comparative financial position of selected bank. Therefore, this topic may not new but the researches efforts may be appreciable.

Joshi, Archana (2008) conducted a study on ʻʻA Comparative Study on Financial Performance of Nepal SBI bank ltd & Nepal Bangladesh bank Ltd.ʼʼ With the following objectives.

- ❖ To highlight various aspects of relating to financial performance of Nepal Bangladesh bank and Nepal SBI bank.

- ❖ To analyze various aspects of relating to financing performance through the use of appropriate financial tools.
- ❖ To show the cause of change in case position of the banks. Though her research she has presented the following finding of the study:-

The analysis of liquidity of these commercial banks shows different position here; the average current ratio of NSBIL is greater than of NBBL. Therefore, the liquidity position of SBI is in normal position. The turnover of the commercial banks is the main indication of income generation activities. There ratio are used to judge how efficiently the firm is using its resources. From the analysis of turnover of these banks, NBBL has better turnover than NSBL in terms of loans and advance to total deposit ratio. Thus, NBBL has better utilization of resources income generation activities than NSBL bank; which definitely lead to increase in income and this making an increment profit for the organization. Despite the fluctuating trend in the ratio of cash and bank balance to total deposit NSBL bank is more efficient than NBBL in cash management i.e., it is more able to keep more cash balance against its various deposits.

The analysis of profitability of these two commercial bank is also different. the overall calculation seems to better for NBBL though certain ratios like dividend per share, dividend payout ratios etc. Are better for NSBI bank. From the calculation, NBBL seems to tackle their investors more efficiently. Going though net profit to total deposit ratio, it can be said that NBBL seems to be more successful in mobilizing its customers saving in much more productive sectors. NBBL has slightly riskier debt financing position in comparison to NSBI bank.

1.6 Methods

1.6.1 Research Design

Research design is the task of defining the research problem. In other words,’’A research design is the arrangement of conditions, for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which the research is conduct. General objective; of this research study is to examine andevaluate the financial performance of joint venture banks especially that of HBL and in order to achieve the objective, both descriptive and analytical research design has been followed. The study focuses on the examination of relationship between those variables that influence-financial decisions of the sampled batiks hence; it is an ex-post factor research.

1.6.2 Sources of Data

Although present study is on secondary data. However, necessary suggestion are also taken form various experts both inside the bank whenever required the necessary data is obtained form the head office of the JVBs such as, published balance sheet, profit and loss account and other related statement of accounts as well as the annual reports of the respectively banks. Likewise, other related arid necessary information are also obtained from the publication of security exchange canter, Nepal Rasta Bank and other publications used for the purpose are book & booklets magazine journals, newspaper school of thought etc.

1.6.3 Population and Sample

The Population refers to the entire group of people, event, or things of interest that the researcher wishes to investigate. Thus, total 27 commercial banks operating in Nepal constitutes the population of the data and the bank understudy (i.e. LBL and NBL) constitutes the sample for the study.

Financial Tools **A. Liquidity Ratio** a) **Current Ratio**

This ratio indicated the current short-term solvency position of current ratio is the relationship between current assets and current liabilities. It is calculation by dividing the current liabilities by current assets, which is expressed as follows:

Current Ratio = $\frac{\text{Current Assets}}{\text{Current labilities}}$ ……times

Current ratio is a measure of firm's solvency. It indicates the availability of the current assets in rupees for every one rupees current liability. As a conventional rule, a current ratio of 2 to 1 in considered satisfactory. However, these rules should not be blindly followed, as it is the test of quantity not quality. In spite of its shortcoming, it is crude and quick measure of the firm's liquidity.

b) Quick Ratio.

The relationship between quick assets and current liabilities is known quick ratio. It also called liquidity quick ratio or acid test ratio. High quick ratio indicates better liquidity position and vice -versa. It is calculated as follows:-

$$\text{Quick Ratio} = \frac{\text{Quick assets}}{\text{Current liability}} \quad \text{......times}$$

1:1 quick ratio is employed as the standard for comparison from company point of view.

B. Assets Management Ratio.

Assets management ratio is calculated to test efficiency of organization. These ratios measure how efficiency the firm is management its assets.

a) Assets Utilization Ratio.

The math-metical relationship between total operating revenue and total assets is called assets utilization ratio. It is calculated by the use of following equation:-

$$\text{Assets Utilization Ratio} = \frac{\text{Total operating revenue}}{\text{Total assets}} \times 100 \quad \text{.......\%}$$

C. Debt Management Ratio.

Debt Management ratio are calculated to judge the long term financing position or long term solvency position of a firm.

The long term solvency position means the firm ability to meet long term liabilities. It consist following ratios.

a) Debt Ratio / Debt to Total Assets Ratio.

The relationship between total debt and total assets is known as debt ratio. It is calculated as follows:-

$$\text{Debt Ratio} = \frac{\text{Total debt}}{\text{Total assets}} \times 100 \quad \text{........\%}$$

Lowe debt ratio is better from creditors point of view because lower ratio provides safety to their capital in the event of liquidation.

b) Debt Equity Ratio.

Debt Equity ratio is used to evaluate the long term solvency of a firm. This ratio expresses the relationship between debt capital and reflects the relative claim of then on the assets of firm. It is calculated by the uses of following formula:

$$\text{Debt equity ratio} = \frac{\text{Total debt}}{\text{Total equity}} \times 100 \quad \text{.....\%}$$

Lower debt equity is preferable because lower ratio present the creditors capital in the event of liquidation.

c) Time Interest Ratio.

Time Interest Ratio (TIE Ratio):- Time Interest Ratio, also known as the interest coverage ratio, measure the ability of firm's current operating earnings (EBIT) to meet current interest obligations.it is the ratio of EBIT to interest charge. The ratio shows number of times the interest payments are covered by the firm's operating earnings.it is calculated as follows:

$$\text{Time interest Ratio} = \frac{\text{EBIT}}{\text{Interest charges}} \quad \text{.......times.}$$

Higher TIE ratio is better because higher ratio indicates greater ability to pay their interest obligation on timely.

D) Profit ability Ratio.

The profit ability ratios, also known as performance ratios, assess the firm's ability to earn profit's on sales, assets and equity profit ability ratios are calculated to test the overall efficiency of a firm. It consists of following ratios:

a) Return on Assets (ROA).

It is the ratio of net income to total assets. High return on assets indicates better control on total expenses and effective utilization of total assets. It can be calculated by dividing net income to total assets.

$$\text{Return on Assets (ROA)} = \frac{\text{Net income}}{\text{Total assets}} \times 100 \quad \text{......\%}$$

Higher return is preferable because higher ratio indicates the better utilization of assets for generation net income.

b) Return on equity (ROE).

It is the relationship between net income and shareholder's equity. It indicates how the firm has used the resources contributed by the owner's. High return on equity shows that more efficient the management of utilization of shareholder's funds. It is calculated as follows:

$$\text{Return on Equity (ROE)} = \frac{\text{Net income}}{\text{Total equity}} \times 100 \quad \ldots\ldots\ldots\ldots\%$$

Higher ratio is better because higher ratio indicates the better control on expenses, optimum utilization of debt and total assets.

C) Basic Earning power Ratio.

The relationship between earning before interest and tax and total assets is known as basic earning power ratio. It is collected as follows.

$$\text{Basic Earning power ratio} = \frac{\text{EBIT}}{\text{Total assets}} \times 100 \quad \ldots\ldots\%$$

Higher ratio is preferable because higher ratio indicates the better utilization of assets for generating operating income. **E) Other Ratio.**

a) Earning Per Share (EPS)

The relationship between net income offer tax and number of equity share outstanding is known as earning per share. It is calculated as follows:-

$$\text{Earning per share(EPS)} = \frac{\text{Tax}}{\text{No. of equity share outstanding}}$$

Rs……per share

1.7 Limitations.

The limitations of the study are as follows:-

i) The whole study is based on secondary data available on annual reports on websites of respective banks.
ii) The study covers only six years period.
iii) The accuracy of secondary data absolutely relies on the annual report of complete banks.

CHAPTER-ii
RESULTS AND ANALYSIS

This chapter is primarily concerned with presentation and analysis of data. In this study effort has been made to analyze the collected data by using financial and statistical tools as well as various graphical presentation.

2.1 Presentation of data in tables and figure and their analysis.

There are various types of financing ratio to analyze financial statement. They can be grouped in following ways.

2.1.1 Liquidity Ratio.

Liquidity ratios are calculated to judge the liquidity or short term solvency position of the firm. Liquidity position means the form availability to pay short-tern obligation. Generally short-term creditors are interested liquidity ratio. In liquidity ratios includes current ratio and quick ratio. It consists following ratio:

i) Current Ratio

Current ratio is the quantitative relationship between current assets is calculated to test the ability of firms to pay current liabilities out of current assets. It is calculated as following:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \quad \text{....times}$$

Where,

Current assets = cash balance+ Balance with Nepal Rastra Bank + Balance with Banks/Financial institution + money at call and short notice + Advance and bills purchase.

Current liabilities = Borrowings + Deposits + Bills Payables + Proposed Dividend + income tax liabilities + other liabilities.

2.1 Data presentation Financial Analysis

Table no. 2.1

Current ratio

Bank	HBL		
Year	Current assets	Current liabilities	Current ratio
2017/18	95663017626	94755466323	1.01
2018/19	102113762002	101557373923	1.00
2019/20	113318419943	116427810779	0.97
2020/21	13383765536	135560564802	0.99
2021/22	15403970619	155497902244	0.99

Source: Annual report of HBL

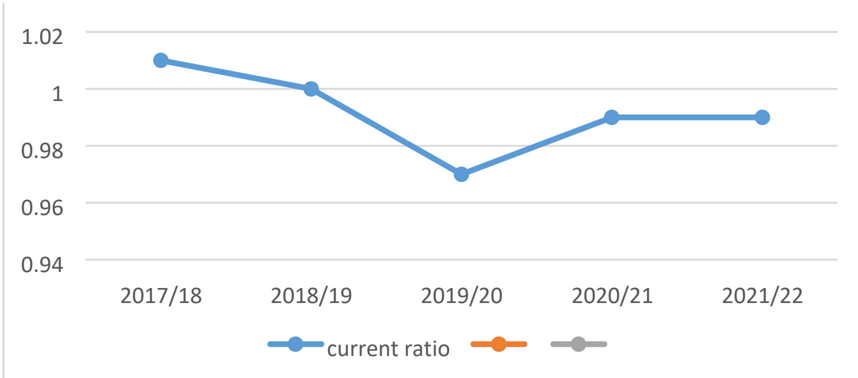

Figure o. 2.1: Current rat

Current ratio is better for the company point of view. The CR of fiscal year 2017/18 to 2021/22 are 1.01:1, 1.01:1, 0.97:1, 0.99:1 and 0.99:1 respectively. However these ratios are not near to the adequate ratio 2:1. We can say that the liquidity position of the bank is lower than standard. If current ratio of the firm is less than 2:1, it means the firm has difficulty in meeting its obligation and if

current ratio is more than 2:1 the company may have excessive investment in current assets. **ii) Quick ratio.**

The relationship between quick assets and current liabilities is known quick ratio. It is also called liquid ratio or acid test ratio. High quick ratio indicates better liquidity position and vice-versa. It is calculated as follows:

$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}} \quad \text{......times}$$

Where, Quick assets = cash balance + Balance with Nepal Rastra Bank + Balance with Bank /financial institution + Money at call and short notices.

Table No. 2.2

Quick ratio

Fiscal year	Quick assets	Current liabilities	Quick ratio

2017/18	20473953040	94755466323	0.22
2018/19	18575362921	101557373923	0.18
2019/20	19546077271	116427810779	0.17
2020/21	31996189002	135560564802	0.24
2021/22	26273199111	155497902244	0.17

Sources: Annual Report of HBL

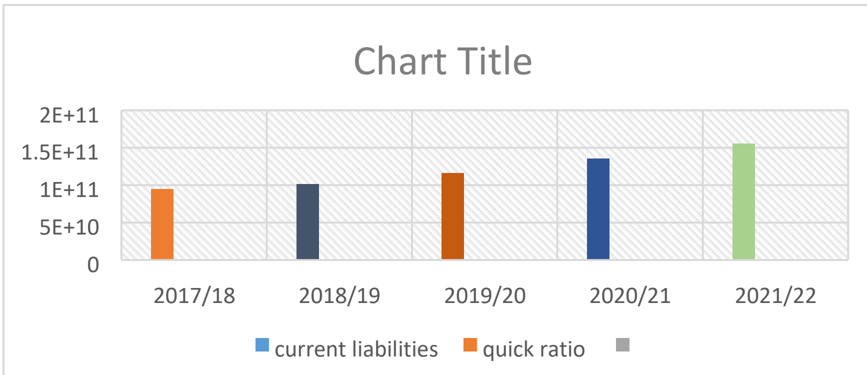

Figure No. 2.2 Quick ratio

1:1Quick ratio is the standard from computer point of view. The above table shows that quick ratio of different fiscal year from 2017/18 to 2021/22 are below than standard. Finally, we can say that the liquidity position of the bank is weak.

2.1.2 Assets Management ratio.

Assets management ratio also known as efficiency or activity turnover ratio indicates the efficiency of the use of assets in generating sales. **i) Assets utilization Ratio.**

The mathematical relationship between total operating revenue and total assets is called assets utilization ratio. It is calculated by the uses of following equation:

Total operating revenue

$$\text{Assets utilization ratio} = \frac{}{\text{Total assets}} \times 100 \quad ....\%$$

Where,

Total operating revenue= Interest income +commission and Discount + other operating income + exchange gain.

Table No. 2.3

Assets utilization ratio.

Fiscal year	Total operating revenue	Total assets	Ratio %
2017/18	5359783714	108063252383	4.96
2018/19	5853377686	116462301380	5.03
2019/20	6680856224	133151142073	5.02
2020/21	6418810145	155884918983	4.12
2021/22	7369634009	178490925886	4.96

Source: Annual report of HBL.

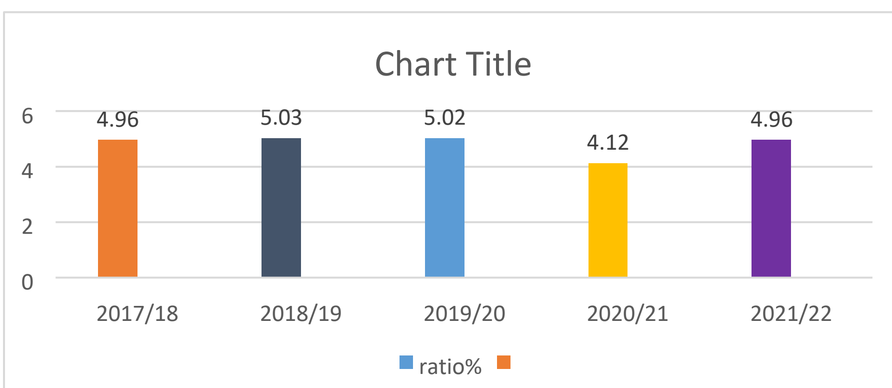

Figure No. 2.3 Assets utilization ratio.

The above table shows that the assets utilization ratio of different fiscal year from 2017/18 to 2021/22 are 4.96%, 5.03%, 5.02%, 4.12%, and 4.96% respectively which indicates the ratios is in fiscal year 2018/19 increase than decrease in fiscal year 2019/20 to 2020/21.

2.1.3 Debt Management Ratio:-

Debt management ratio are calculated to judge the long term financial position or long term solvency position of a firm. The long term solvency position means the firm ability to meet long term liabilities it consists following ratio.

I) **Debt Ratio /Debt to Total assets ratio**:-

The relationship between total debt and total assets is known as debt ratio. It is calculated as follows.

$$\text{Debt Ratio} = \frac{\text{Total debt}}{\text{Total assets}} \times 100 \quad .....\%$$

Where,

Total Debt = Debenture + Bonds + current liabilities.

Table No. 2.4

Debt ratio

Fiscal year	Total debt	Total assets	Ratio %
2017/18	96735106617	108063252383	88.59
2018/19	102323404385	116462301380	87.86
2019/20	117156343693	133151142073	87.99
2020/21	138295665371	155884918983	88.72
2021/22	158358212496	178490925886	88.72

Sources: Annual report of HBL.

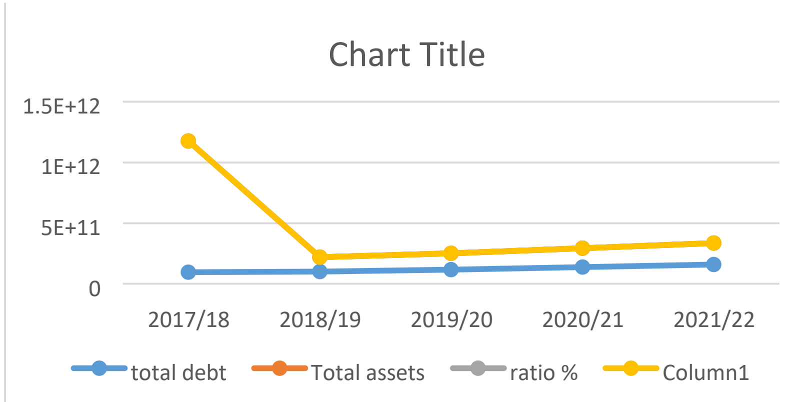

Figure No. 2.4 debt ratio.

The above table shows that the debt ratio of different fiscal year from 2017/18 to 2021/22. The highest debt ratio is 88.72%, which incurred in the year 2020/21 and 2021/22 and lowest debt ratio is 87.86% which incurred in the year 2018/19. Lower debt ratio is better from creditor's point of view because lower ratio provides safely to their investment in the event of liquidation. **ii) Debt equity ratio.**

Debt equity ratio is used to evaluate the long term solvency of a firm. This ratio express the relationship between debt capital and equity capital and reflects the relative claim of them on them on the assets of firm. It is calculated by the use of following formula.

Debt equity ratio = $\frac{\text{Total debt}}{\text{equity}} \times 100$ ......% Shareholder's

Where,

Shareholder's equity = share capital + reserve and surplus.

Table No. 2.5

Debt equity ratio

Fiscal year	Total debt	Shareholder's equity	Ratio%
2017/18	95735106617	12328145766	7.77

2018/19	102323404385	14138896995	7.24
2019/20	117156343693	15994798380	7.32
2020/21	138295665371	17589253612	7.86
2021/22	158358212496	20132713390	7.87

Sources: Annual reports of HBL

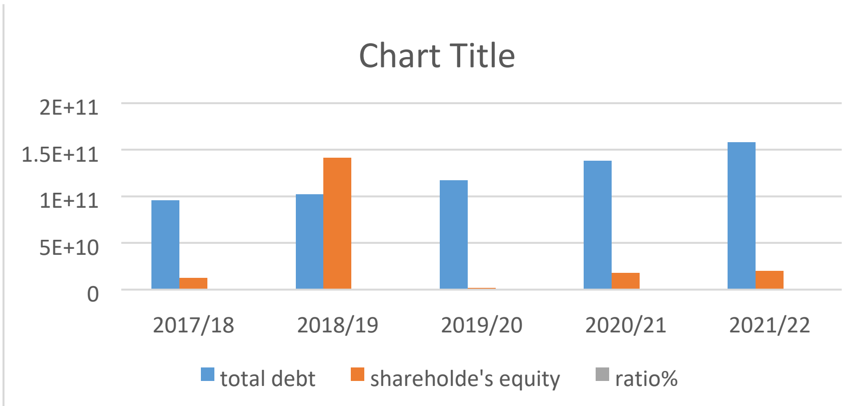

Figure No.2.5 Debt equity ratio.

The above table shows that the debt equity ratio of Himalayan Bank are 7.77%, .24%, 32%, 7.86%, and 7.87% respectively. The highest debt equity ratio is 7.87%, which incurred in the year 2021/22 and the lowest debt equity ratio 7.24%, which incurred in the year 2018/19. Lowest debt equity ratio better from creditor point of view because lower ratio provides safety to their investment in the event of liquidation.

iii)Time investment ratio (TIE Ratio).

Times interest ratio, also known as the interest coverage ratio, measures the ability of firm's current interest obligations. It is the ratio of EBIT to interest charge. The ratio shows number of time the interest payments are covered by the firm's operating earnings. It is calculated as follows.

EBIT

TIE ratio = $\frac{}{\text{Interest charges}}$ ......times

Where,

Earning Before Interest and Tax = operating profit

Table No. 2.6

Time Interest Ratio

Fiscal year	EBIT	Interest Expenses	Ratio(Times)
2017/18	3263235647	3173333669	1.03
2018/19	2988665577	5403047172	0.55
2019/20	3942211731	6594074206	0.60
2020/21	3411565135	7357289768	0.46
2021/22	4307865633	6582118789	0.65

Sources: Annual Report of HBL

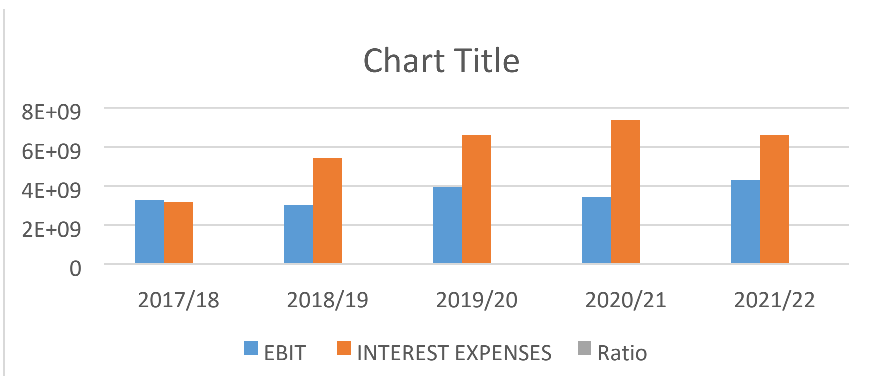

Figure No. 2.6 Time interest ratio.

Time interest ratio of Himalayan bank ltd from fiscal year 2017/18 to 2021/22 are 1.03, 0.55, 0.60, 0.46, and 0.65 respectively fiscal year 2018/19. But the again increase in fiscal year 2019/20.

2.1.4 Profitability ratio.

The profitability ratio, also known as performance ratios, assets the firm's ability to earn profits on sales, assets and equity. Profitability ratio are calculated to test the overall efficiency of a firm. It consists of following ratios.

i) Return on Assets (ROA)

It is the ratio of net income divided by total assets is known as return on assets high return on assets indicates better control on total expenses and effective utilization of total assets. It can be calculated by dividing net income to total assets.

$$\text{Return on Assets} = \frac{\text{Net income}}{\text{Total assets}} \times 100 \quad \text{..........\%}$$

Table No. 2.7
Return on assets.

Fiscal year	Net income	Total assets	Ratio %
2017/18	2281774191	108063252383	2.11
2018/19	1875610467	116462301380	1.61
2019/20	2763848475	133151142073	2.08
2020/21	2586722710	155884918983	1.67
2021/22	2998623045	178490925886	1.68

Sources: Annual Report of HBL

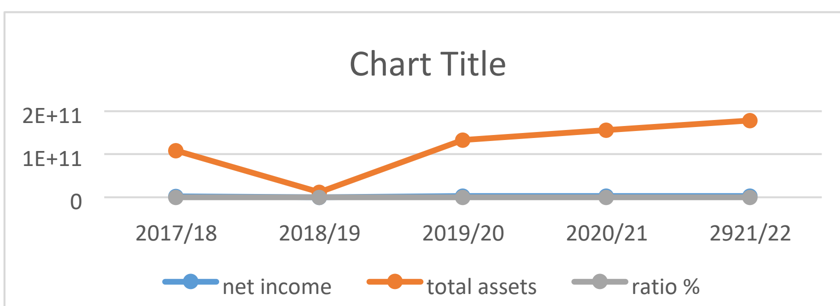

Figure No. 2.7 Return on assets

from 2017/18 to 2021/22 are 2.11%, 1.61%, 2.08%, 1.67%, 1.68%, respectively. The above table shows that the ratios of return on assets on different fiscal year The highest ratio is 2.11%, in fiscal year 2017/18 which indicated the better utilization of assets for generating income. And the lowest ratio is 1.61%, in fiscal year 2018/19 which indicates the available assets are not utilized effectively.

Ii) Return on equity (ROE).

It is the relationship between net income and shareholder's equity. It indicates how the firm has used the resources contributed by the owner's. High return on equity shows that more efficient the management of utilization of share, holder's funds. It is calculated as follows:

$$\text{Return on equity} = \frac{\text{Net income}}{\text{Total equity}} \times 100 \quad .....\%$$

Where, Total equity = share capital + reserve and surplus.

Table No. 2.8

Return on equity

Fiscal year	Net income	Total equity	Ratio %
2017/18	2281774191	12328145766	18.51
2018/19	1875610467	14138896995	13.27
2019/20	2763848475	15994798380	17.23
2020/21	2586722710	17589253612	14.71
2021/22	29986233045	20132713390	14.9o

Sources: Annual report of HBL.

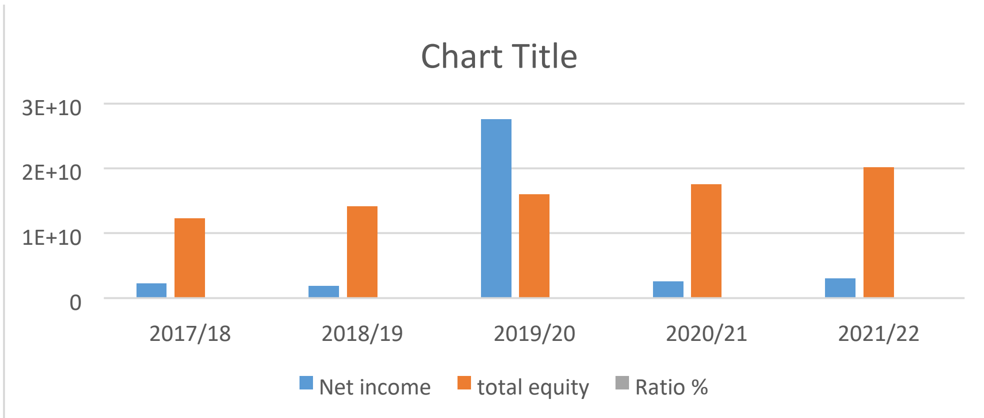

Figure No. 2.8 Return on equity

The above table shows that the ratio of return on equity on different fiscal year 2017/18 to 2021/22 are 18.51%, 13.27%, 17.23%, 14.71% and 18.51% in fiscal year 2017/18 which implies that the rate of return on equity holder's investment is good. And the lowest ratio is 13.27%, in fiscal year 2018/19 which indicates that the rate of return on equity on investment is low.

iii)Basic Earning Power Ratio.

The relationship between earnings before interest and tax and total assets is known as basic earning power ratio. It is calculated as follows.

$$\text{Basic Earning Power Ratio} = \frac{\text{EBIT}}{\text{Total assets}} \times 100 \quad \text{.........\%}$$

Table No. 2.9 Basic earning power ratio.

Fiscal year	EBIT	Total assets	Ratio %
2017/18	3263235647	108063252383	3.02
2018/19	2988665577	116462301380	2.57
2019/20	3942211731	133151142073	2.96
2020/21	3411565135	155884918983	2.19
2021/22	4307865633	178490925886	2.41

Sources: Annual report of HBL.

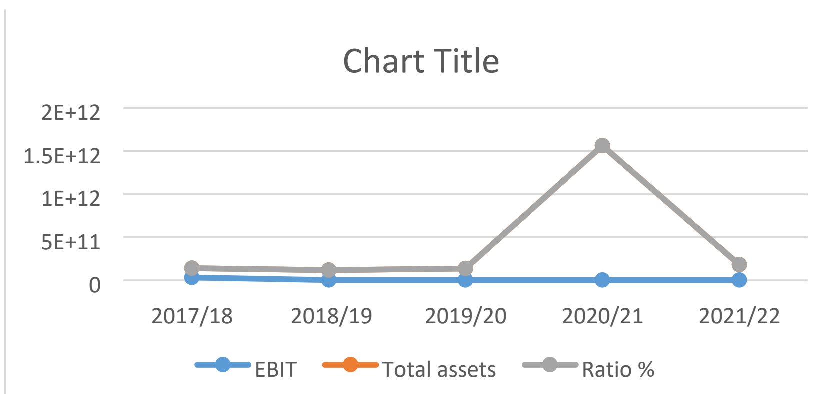

Figure: 2.9 Basic earning power ratio

The above table shows that the ratio of basic earning power ratio of difficult rent fiscal year from 2017/18 to 2019/22 are 3.02%, 2.57%, 2.96%, 2.19%, and 2.41% respectively. The highest ratio is 3.02%, in the fiscal year 2017/18 and the lowest ratio is 2.19% in the fiscal year 2020/21 the highest ratio indicates ability of firm's assets to generate high operating income but there are low ratios of Himalyan bank limited.

2.1.5 Other ratio.

i) Earning Per Share (EPS).

The relationship net income other tax and number of equity share outstanding is known as earning per share. it is calculated as follows:

$$\text{Earning per share} = \frac{\text{Net income after tax}}{\text{No. of equity share outstanding}} \quad \text{Rs.....per share.}$$

Table No. 2.10

Earning per share.

Fiscal year	Net income	No. of equity share outstanding	EPS (Rs)
2017/18	2281774191	64384148	35.44
2018/19	1875610467	80257187	23.37
2019/20	2763848475	85198782	28.92
2020/21	2586722710	93721837	27.60
2021/22	2998623045	106826614	28.07

Sources: Annual report of HBL.

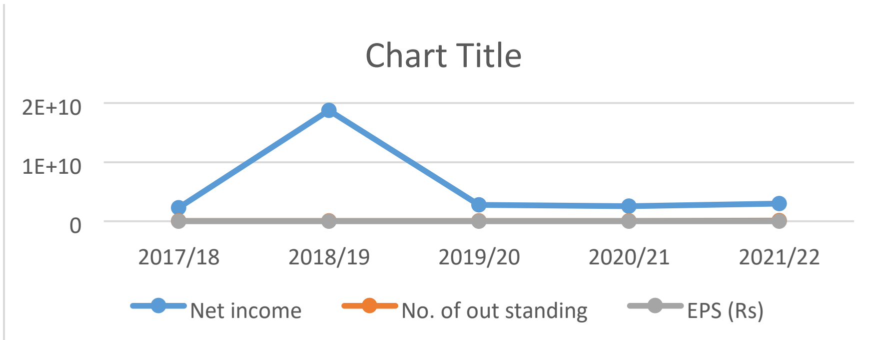

Figure No.2.10 Earning per share

The above table shows that the EPS of different fiscal year from 2017/18 to 2021/22 are Rs35.44, Rs23.37, Rs28.92, Rs27.60, and Rs28.07 respectively. The highest EPS is 35.44 in fiscal year 2077/18 which indicate that the good performance of Himalyan Bank Limited and the lowest EPS is Rs23.37 in fiscal year 2018/19which indicates that the performance of Himalyan bank limited is lower than other fiscal year.

2.2 Major finding.

The following have been derived from the analysis and interpretation of date.

- The ratio bellow the stated standard may be accepted as satisfactory, but it signifies that the bank have the poor liquidity position.

i) **Liquidity and short term solvency position** :-

In terms of current ratio of Himalyan bank is below than the normal standard. Current ratio of the banks is in fluctuation trend over the five years period. In terms of quick ratio bank has below ratio of quick from the normal standard. Quick ratio of banks is in decreasingtrend. Banks are the organization, dealing with money so, banks can operate at current and quick ration below than

standard, which indicates that the bank has do not meet the case requirement of client in timely.

ii) **Assets management ratio**:-

The assets utilization ratio is employed to measure the utilization of their total assets on total operating revenue. The assets utilization ratio is in decreasing trend over the five years period, which indicate not utilize the total assets efficiency. **iii)Debt Management Ratio :-**

The debt management ratio is employed to judge the long term solvency position of a firm. The debt ratio, debt equity ratio is fluctuation trend over five years and the TIE ratio is also in fluctuation trend over five years period. The debt ratio is very high, which indicates the debt capital is more used by the bank.

iv)Profitability Ratio and Earning Capacity:-

The profitability ratio are calculated to measure operating efficiency of a company. It is the indicator of the financial performance of any in any institution. Profitability an term of return on assets, return on equity basic earning power ratio is in decreasing trend over five year. EPS decreased over five year. In conclusion Himalyan Banks performance is not well.

Chapter iii

Summary and conclusion

This chapter focuses on summarizing the study held with the conclusions on the basics of findings. Two major aspect of the study are discussed in this chapter. At the beginning summary and conclusion has been drown up based on findings. The chapter is very important in sense that.

3.1 summary

To know the real performance of banks the researcher observed and analyzed the comparative performance analysis of two commercial banks for five year period. It is hoped that the comparative performance analysis of the commercial banks will give a rational result and represent the overall banking scenario in terms of performance analysis.

3.2 conclusion

Establishment of commercial banks establishment joint venture banks have continues in response to the economic liberalization policies of the government. So now in Nepal there are twenty six commercial banks competing with each other in their business. These joint venture banks are mainly concentrated themselves on financial foreign trade commercial and industry. This study has been mentioned already that the research concentrates. The researcher has evaluate date for the last five (5) years period i.e. 2017/18 to 2021/22 the researcher has analyzed the date by using financial tools like ratio analysis.

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