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FINANCIAL PERFORMANCE ANALYSIS OF NEPAL SBI BANK LTD

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ABSTRACT

A sound financial system is indispensable for a healthy and vibrant economy. The banking sector constitutes important components of the financial services industry. The performance of any country's economy depends largely on the performance of banking sector. The performance evaluation of banking sector is important through performance measurement system that provides an opportunity to assess of Nepal SBI Bank Ltd. The studies of efficiencies of bank are very important for policy makers, industry leaders and many others who are reliant on the banking sector. The performance of banks has been an issue of major interest for various stakeholders such as regulators, customers, investors and general public. The performance analysis of banks is useful to the policy- makers to identify the success or failure of bank and to adopt good strategies for the success of the bank.

KEYWORDS: *Debt Equity ratio, Financial Performance, Liquidity Position.*

INTRODUCTION

Financial performance is the process of measuring how effectively a company utilizes its assets from primary mode of business to raise incomes it also measures organizations whole financial health over a particular period of time. Financial performance of the organization deals with the financial strength and weaknesses of bank accurately establishing a relationship between the balance sheet and income statement. This process used to clearly understand the growth of longterm and short-term of bank. There are several ways to analyze data the researcher used ratio analysis in this research. This analysis also helpful determines the credit worthiness of the bank to evaluate the market position among the competitors.

HISTORY OF NEPAL SBI BANK LTD.

Nepal SBI Bank Ltd. (NSBL) is the first Indo-Nepal joint venture in the financial sector sponsored by three institutional promoters, namely State Bank of India (SBI), Employees Provident Fund and Agricultural Development Bank of Nepal through a Memorandum of Understanding signed on 17 July 1992.

NSBL was incorporated as Public Limited Company at the Office of the Company Registrar on 28 April 1993 under Regn. No. 17-049/50 with an Authorized Capital of Rs.12 Crores and was licensed by Nepal Rastra Bank on 6 July 1993 under license No. NRB/l.Pa./7/2049/50. NSBL commenced operation with effect from 7 July 1993 with one full-fledged office at Durbar Marg, Kathmandu with 18 staff members. The staff strength has since increased to 991 as on 09.02.2021 on NSBL working in 88 branches, 19 extension counters, 7 Provincial Offices, 1 Intouch outlet & a Corporate Office.

Under the Banks & Financial Institutions Act, 2063, Nepal Rastra Bank granted fresh license to NSBL classifying it as an "A" class licensed institution on 26 April 2006 under license No. NRB/I.Pra.Ka.7/062/63. The Authorized capital is Rs.1500.00 crore and Paid up Capital is Rs.895.62 Crores. The management team consists of Managing Director & CEO, Dy.CEO & Chief financial officer and Chief Operating Officer from SBI (They are deputed by SBI for management support as per the Technical Services Agreement)

State Bank of India (SBI) holds 55 percent of the total share capital of the Bank, 15 percent is held by the Employees Provident Fund and the balance is held by the general public.

In terms of the Technical Services Agreement between SBI and the NSBL, the former provides management support to the bank through its expatriate officers including Managing Director who is also the CEO of the Bank. Central Management Committee (CENMAC) consisting of the Managing Director & CEO, Dy. CEO & Chief Financial Officer, Chief Operating Officer, Chief Business Development Officer and Chief Risk & Compliance Officer oversee the overall banking operations in the Bank.

REVIEW OF LITERATURE

Nagalekshmi V S, Vineetha S Das (2018), found that the positive impact of merger Kotak Mahindra Bank Ltd with ING-Vysya Bank. It also found that momentous increment in various budgetary like operating profit, net profit, earnings per share, interest earned, return on assets, equity share capital, income on investment etc.

K. Dinesh Kumar and G. Venugopal (2018) revealed that ICICI Bank good performance of balance sheet ratios and Debt coverage ratios and next position of HDFC Bank. SBI andKotak Mahindra Bank performance is good in profitability ratios.

Murad Mohammad, Galif Al-Kaseasbah and Abdel Karim SalimIssa Albkour (2018) in their paper entitled, financial performance of Indian Banking sector: A Case Study of SBI and ICICI Bank. To examine the financial performance of SBIandICICI Bank. During the study, it was found that the SBI recorded fluctuating trend on the other hand ICICI failed to manage the increasing trend.

Vinoth Kumar and BhawnaMalhothra (2017), attempted has been made evaluate the performance &financial soundness of selected private sector banks in India for the period 2007- 2017 CAMEL approach has been used. This study concluded that the Axis Bank is ranked first under the CAMEL analysis followed by ICICI Bank. Kotak Mahindra Bank occupied the third position. The fourth position occupied by HDFC Bank and the last position is occupied by Induslndbank amongst all the selected banks.

Suruchi Satsangi Prem Das Saini (2017), analyzed financial performance of Kotak Mahindra Bank merger with ING Vysya Bank. The findings of the study showed the high growth rate which is observed in the financial performance of the Kotak Mahindra Bank after the mergers and acquisitions.

PriyankaJha (2017), analyzed financial performance of Public Sector Banks (Punjab National Bank) and Private Sector Banks (ICICI) in India. The researcher concludes her research PNB has lower operational efficiency comparatively than ICICI Bank. In case of dividend pay- out ratio, debt-equity ratio and interest expended to interest earned, ICICI Bank has performed sounder as compare to PNB.

Jaiswal and Jain (2016) entitled a comparative study of financial performance SBI and ICICI Bank in India. This study examines the financial performance of Indian Banks with the help of CAMEL Model. This study compare the financial performance of SBI and ICICI from 2010-11 to 2014-15.

OBJECTIVES OF THE STUDY

- To evaluate the financial performance of Nepal SBI Bank Ltd.
- To analyze the liquidity and solvency position of the bank.
- To find the changes in the trends of the bank using trend analysis.

LIMITATIONS OF THE STUDY

- The study is restricted only the five financial years i.e.2015, 2016, 2017, 2018 and 2019.

• The study completely based on secondary data and the accuracy of the analysis depends on the data obtained

METHODOLOGY

This study is quantitative nature meaning it primarily deals with financial statement of Nepal SBI Bank Ltd. for the past five years. This study is based on secondary data which is taken from banks website and the annual reports. The data is analyzed by the ratio analysis and the performance of the bank is clearly explained for the study period.

CURRENT RATIO

Current ratio establishes relationship between current assets and current liabilities. Current assets mean any asset is converted in to cash within a year or 12 months. Current liabilities are those liabilities are settled or repay within a year. Current Ratio = Current Assets/ Current Liabilities. The standard norm or rule of thumb for current ratio is 2:1. It means that let the total amount of current liabilities. When a bank's current ratio is 2 or more it means that its liquidity position is good.

Table-1: Current Ratio

Year	2018-19	2017-18	2016-17	2015-16	2014-15
CR	1.1672:1	1.6:1	1.152:1	1.12:1	1.081:1

Source: Website of Nepal SBI Bank Ltd.

It Indicates That Banks Liquidity And Its Repayment Of Debts Are Sound During The Period Of Study.

Cash Position Ratio

This ratio is also called "Absolute Liquidity Ratio" or Super Quick Ratio. This is a variation of quick ratio. This ratio is calculated when liquidity is highly restricted in terms of cash and cash equivalents. This ratio measures liquidity in terms of cash and near cash items and short term current liabilities. Cash position ratio is calculated with the help of the following formula.

Cash Position ratio = Cash and Bank Balances + Marketable Securities / Current Liabilities An ideal cash position ratio is 0.75:1. This ratio is a more rigorous measure of a firms liquidity position.

Table-2: Cash Position Ratio

Year	2018-19	2017-18	2016-17	2015-16	2014-15
CPR	1.16:1	1.151:1	1.12:1	1.1:1	1.081:1

Source: Website of Nepal SBI Bank Ltd.

During the study period the bank liquidity position is good.

Debt-Equity Ratio

This ratio is otherwise called as "External-Internal Equity Ratio". Mainly it is calculated to assess the financial soundness of long-term policies and to determine the relative shares of outsiders and shareholders. It determines relationship between the debt and equity. Debt-Equity Ratio = Shareholders Funds / Total Long-Term Funds A high debt-equity ratio shows the highest claims of creditors over assets of the firm than those of shareholders. A high ratio reveals an unfavorable position of the company. A low debt-equity ratio indicates lesser claim of creditors and a higher margin is safe for them. The standard norm of this ratio 2:1 is satisfactory.

Table 3: Debt-Equity Ratio

Year	2018-19	2017-18	2016-17	2015-16	2014-15
DER	2.71	2.61	2.29	2.19	2.02

Source: Website of Nepal SBI Bank Ltd.

These ratios are less than the standard norm of 2:1. Hence, the creditors are safe during the study period.

Proprietary Ratio

This ratio is called as owners fund ratio or net worth ratio. This ratio points out relationship between the stake holder's funds and total tangible assets. Proprietary Ratio = Shareholders funds/Total tangible assets. This ratio is very useful to determine the long-term solvency of the company. It is important to the creditors who can ascertain the proportion of shareholders' funds in the total assets employed in the company.

Table 4: Proprietary Ratio

Year	2018-19	2017-18	2016-17	2015-16	2014-15
PR	36.21	37.90	43.43	45.1	50.23

Source: Website of Nepal SBI Bank Ltd.

These ratios are more than the standard norm. It is clearly shows that the creditors are highly safe during the study period.

FINDINGS

Current ratio indicates that banks liquidity and its repayment of debts are sound during the period of study.

Cash position ratio or Absolute Liquidity Ratio is showsduring the study period the bank liquidity position is good.

Fixed assets ratio explains portion of working capital had financed by long-term funds during the study period.

Debt equity ratio explains the creditors are safe during the study period.

Proprietary ratio reveals that the bank long-term solvency position is good in the study period.

CONCLUSION

The Nepal SBI Bank Ltd. is the largest bank in Nepal. The researcher find the financial performance for the past five financial years from 2014-15 to 2018-19. The data collected from annual reports of the bank and the web site. The data analyzed through various ratios. This research article finally concluded that the financial performance is strong during the study period.

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