

CHAPTER- I

ITRODUCTION

1.1 Background of study

Financial institution in the economy plays a crucial role in the process of economic growth of the country. Financial institution refers to a business concern, which is mainly confined to finance for the development of the trade, commerce and industry. Trade, commerce and industry are the prime factors of the economic development. Bank is a financial institution, which primarily deals in borrowing and lending. Banking is a vital part of national economy and a vehicle for the mobilization of economy's financial resources and extension of credit to the business and service enterprises.

Commercial Banks are the heart of the financial system. They is known as the pillar of economy of the country. They hold the deposit of individuals, government and business units and make available capital for the development of industry, trade and business by investing the saving collected as deposit. They also vendor numerous service to their customer like Agency function, General Utility function, Overseas function etc for the betterment to its customer in the competitive market. They assist both the flow of the goods and service from the producer to customer, the financial activities of the government .They provide large portion of medium of exchange and they are the media through which monetary policy is affected. This fact shows that the commercial banking system of a nation is very important functioning of its economy.

As per Bank and financial institution Act 2063 B. S. “A commercial bank means the bank which deal in exchanging currency accepting deposit, giving loans and doing commercial transaction.”

The growth of banking in Nepal is not so long in comparison with other developed or developing countries. Nepal had to wait for a long time to come to the present banking system. The development of any country cannot be imagined without economic activities. The development of the banking system is one of the grounds for economic development. Therefore, we should take a bank as strong means for the economic development. The

development of a bank is interwoven with the development of a person, a society and a nation. It is impossible to fulfill the needs without bank whether it is inside the nation or in foreign country, whether it is individual development or business and whether it is the people or the government. Therefore, to solve the problems relating to economic development, development of banking system is necessary.

Banking in modern sense started with the inception of Nepal bank limited (NBL) on B.S. 1994-07-30. NBL had a Herculean responsibility of attracting people toward banking sector from predominant moneylenders net and of expanding banking services. Being a commercial bank, it was natural that NBL paid more attention to profit generating business and preferred opening branch at urban centers.

Government however had onus of providing banking services to the nook and corner of the country and managing financial system in a proper way. Thus Nepal Rastra Bank (NRB) was set up on B.S. 2013-01-14 as a central bank under Nepal Rastra Bank Act 2012 B.S. Since then it has been functioning as the government's bank and has contributed to the growth of financial sector.

Integrated and speedy development of the country is possible only when competitive banking service reaches nook and corner of the country. Keeping this in mind, government set up Rastriya Banijiya Bank (RBB) in B.S 2022-10-10, as fully government owned commercial bank. Similarly, agricultural development Bank (ADB) was established in B.S. 2024 – 10 – 07 to provide finance for agricultural products so that agricultural productivity could be enhance by introducing modern agricultural techniques.

With the establishment of RBB and ADB, banking services spread to both urban and rural areas to help the common people to reduce their burden of paying higher rate of interest to moneylenders and absolved them from kowtowing before moneylenders. It is natural expectations of customers keep on increasing. Once they got banking services, they were expecting improvement and efficiency. However, excess political and bureaucratic interference and absence of modern managerial concept in these institutions was hurdle in this regard. Banking services to the satisfaction of customers was very different. The inception of Nepal Arab Bank Limited (Renamed as Nabil Bank Limited) in B.S. 2041-03-29 as a first joint venture bank proved to be milestone in the history of banking which gave a new ray of hope to the sluggish financial sectors. After that a number of joint

venture commercial banks are established. These are Standard Chartered Bank Ltd, SBI Bank Ltd, Nepal Bangladesh Bank Ltd, Nepal Credit and Commercial Bank Ltd, Nepal Industrial and Commercial Bank Ltd. Machhapuchchre Bank Ltd, Laxmi Bank Ltd, etc. These banks are playing a great role for the economic development of the country directly or indirectly.

Working capital is a controlling nerve of center of every business organization because no business can run smoothly without the proper control upon it. Thus, it plays the crucial role in the success and failure of the organization. As the management of current assets and current liabilities of the business organization is necessary for day-to-day operations, it plays the key role in the success and failure of the organization not only in the short run, in the long run also. In the concern of the management of working capital there have been made number of studies from different management experts and students in various enterprises.

The management of working capital plays a vital role for exiting of any public enterprises successfully while studies it. It is the centers on the routine day-to-day administration of current assets and current liabilities. Therefore, working capital management in public enterprises is very important mainly for four reasons. Firstly, public enterprises must need to determine the adequacy of investment in current assets otherwise; it could seriously erode their liquidly base. Secondly, they must select the type of current assets, suitable for investment to raise their operational efficiency. Thirdly, they are required to ascertain the turnover of current assets, which determine profitability of the concerns. Lastly, they must find out the appropriate source of funds of finance current assets.

1.2 Profile of Sample Companies

1.2.1 NABIL Bank Limited (NABIL)

NABIL Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. NABIL was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, NABIL provides a full range of commercial banking services through its 47 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. Bank has authorized capital of Rs. 2100 million, issued capital Rs. 2029.78 million

and paid up capital Rs.2029.78 million. In which, general public invested 30% share, foreign ownership 50 percentage share, other licensed institution 5.15% and others 3.85 percent.

NABIL, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business.

Highly qualified and experienced management team manages operations of the bank including day-to-day operations and risk management. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Tele-banking system (www.nabilbank.com.np).

1.2.2 Himalayan Bank Limited (HBL)

Himalayan Bank was established in 2049 B.S. by a few distinguished business personalities of Nepal in partnership with Employees provident fund and Habib Bank Limited, one of the largest commercial bank of Pakistan. It is the first bank of Nepal whose maximum shares are hold by the Nepalese private sector. Besides commercial banking services, the bank also offers industrial and merchant banking services. Bank was established with authorized capital Rs. 120 million, issued capital Rs.60 million and paid up capital Rs.30 million. In which, Nepali founder invested 51% share. Habib Bank of Pakistan invested 20% share. Employee provident fund invested 14% shares and remaining 15 % shares issued for public. With its head and corporate office at Thamel, Kathmandu, the bank has 33 branches. Thirteen of its branches are located inside the Kathmandu Valley while the rest are spread across the nation (Please note that Kathmandu Valley comprises Kathmandu, lalitpur and Bhaktapur Districts. Besides, a branch looking exclusively at electronic cards and related products, is based in Patan, Lalitpur.

HBL has always been committed to providing a quality service to its valued customers' will a personal touch. All customers are treated with at most courtesy as valued clients. The Bank, wherever possible, offers tailor made facilities to its clients, based on the

unique needs and requirements of different clients. To further extend the reliable and efficient services to its valued customers, HBL has adopted the latest banking technology.

1.3 Statement of the problems

Working capital management decisions is the most sensitive for every firm. It is_wilder activity in the working capital decision. It has various factors Working capital management decisions is the most sensitive for every firm. It affecting the decisions; it should maintain optimal level of working capital. Determining the optimum level of working capital is the crux problems of every business organization. It can be regarded as a Life-blood of an enterprises ordinarily, their working capital stand for that pad of capital, which is required for the financing of working needs of the enterprises, it represents that part of funds, which circulation firm one to another firm in the ordinary conduct of business.

In most Nepalese enterprises, the management of working capital has been misunderstood as the management of money and managers are found over conscious about the holding of money rather than its efficient utilization. At the same time, they never thought of the sources of working capital and usually depend on government for it. Though most of the enterprises in Nepal have well recognized the importance of proper working capital management, they are still facing the problems of working capital management.

In this study, focus our attention to analysis of working capital management of different selected commercial banks. Commercial banks are the financial institutions that help in the commercial economic development of a country. Commercial profit by providing quality services to the customer but there are so many problems in the commercial are not appropriate training and orientation class in different level of employees. There is another main problem of Nepalese commercial banks are not effective management of working capital, policy, planning, and organization, staffing co-ordination, controlling and reporting resources. Another problem of the bank is that they have adequate volume of deposit in relation to loan, advance and overdraft. This may cause to pay higher volume of interest in relation to interest received. Interest earning is the major sources of income the enough liquidity position, poor handling of resources and hence ignoring small savers is another problems of the bank.

In Nepal, the profitability rate, operating expenses, dividend distribution, among the shareholders etc. have been found inconsistent and difference. There must be same reasons behind difference in the working performance. Due to inefficient working capital management, organization establishment at the same period with equal capital, operating in the same condition have different earning capacity. In short, one of the major problems of that these selected commercial banks are facing poorly management of working capital. In this study, following issues are to be dealt for the purpose of this study.

- What is the comparative (year wise) working capital position of sample banks?
- What is the position of liquidity and profitability of sample banks?
- Is the composition of working capital appropriate?
- What are the sources of financing of current assets?
- What is the relationship between working capital and profitability?

1.4 Objectives of study

The main objective of this is to examine of the management of working capital of sample banks. The specific objectives of the studies are as follows.

- To find out the composition of current assets and current liabilities of sample banks.
- To analyze the liquidity and profitability position of sample banks.
- To find out the working capital trend of sample banks.
- To find out the relationship between working capital and profitability.

1.5 Significant of the study

This study is concerned with the theoretical, explanation and practical application of working capital management selected commercial banks. Working capital involves the large portion of the firm's total assets, about more than half of the total assets. On the other hand, financial manager is used to killing long time span in managing of working capital. Investment in fixed assets can be reduced through renting and leasing but the investment in current assets are unavoidable. Therefore, this study will be great references: The significance of the study lies in the fact comparative basis and enable in

drawing inference regarding the working capital management of the selected is significantly to the management of the commercial bank, shareholder, policy makers and above all future management studies.

The study throws light on the degree of efficiency of the working capital management. Hence, the inference drawn from this study will be important to the working capital management of the capital management of the selected bank under the study in making their working capital decision.

The shareholders are the real owner commercial banks. They are interested in the fair return on their investment through proper utilization of the fund hence; the present study will be of immediate help of the shareholder in adjusting, whether their funds are properly in adjusting whether they are getting a fair of return on their investment.

The study will also be of immense help to the policy makers i.e. Officials of the Government, concerned industry, internal Revenue office, formulating policy, rules and regulations regarding the operations of the commercial banks.

1.6 Limitations of the Study

The major limitations of the study are as follows.

- The study concerns the analysis of only 5 years data since 2063/064 to 2067/068.
- The study is only concern in working capital management and the financial performance of the selected banks.
- The study is mainly base on secondary data. Therefore, the accuracy of the result depends on the accuracy of the data provided by the selected banks.
- This study has been confining only two of the commercial banks, namely NABIL and HBL.
- The study follows limited tools such as ratio analysis, mean, coefficient of variation, correlation and hypothesis.

1.7 Organization of the Study

The whole study is dividing into the following five different chapters.

Chapter – I: Introduction

This chapter includes general background of the study, statements of the problems, objectives of the study, significances of the study, limitations of the study and organization of the study.

Chapter - II: Review of Literature

This chapter deals with review of the different literature in regards to the theoretical analysis and review of books, articles and thesis related to the study field. Therefore, it includes conceptual framework and other related studies.

Chapter – III: Research Methodology

This chapter includes research design, population and sample, sources of the information used, period of the study, financial indicators and the statistical tools used.

Chapter - IV: Presentation and Analysis of Data

This chapter includes presentation of the financial variables and statistical tools used while interpreting the data so collected from the different sources and major findings of the study is included in this chapter.

Chapter - V: Summery, Conclusions and Recommendation

This chapter briefly represents the summery of the whole study and the conclusions and the recommendations for the effective and smooth running of the concerned commercial banks under the study.

Similarly, at the front part of the study table of contents, list of table and figure and abbreviation are presents and bibliography and appendices are presents at the end of the study.

CHAPTER - II

REVIEW OF LITERATURE

This chapter is concerned with review of literature relevant to the topic working capital management. The purpose of reviewing of literature is to develop some expertise in one's area, to see what new contribution has made and to receive some ideas for developing a research design. Thus, previous studies cannot be ignored as they provide the foundation of the present study. This chapter highlights the literature that is available in concerned subject as to my knowledge, research work, and relevant study on this topic, review of journals and articles and review of thesis work performed previously.

2.1 Conceptual Framework

Conceptual framework deals with the theoretical aspects of working capital, working capital management, working capital investment and financing policies, financing of working capital, need for working capital, determinants of working capital etc.

2.1.1 Concept of Working Capital

Every commercial bank needs various types of assets in order to carry out its function without any interruption. They are fixed and current assets. Some fixed assets have physical existences and are required to producing goods and services over long period. This type of fixed assets is called tangible fixed assets. It includes land, building, plant, machinery, furniture, and so on. However, some other fixed assets cannot generate goods and services directly. However, it reflects the right of the firm. It is called intangible fixed assets. It represents patents, copyrights, trademarks, and goodwill. Both fixed assets are written off over a period. Current assets are those resources of the firm, which either are held in the form of case or expect to be converted into cash with in an operating cycle of the business. It includes, cash, marketable securities, account receivable, stock of raw materials, work-in-progress, and finished goods. Among these, some assets are required to meet the need of regular production and some for day-to-day expenses and short-term obligations. Current liabilities are those claims of outsiders, which are expecting to be matured with in an accounting year. It includes; creditors, bill payable and outstanding expenses.

Working capital refers to the resources of the firm that are used to conduct operations day-to-day work that makes the business successful. Without cash, bills cannot be paid, without receivables; the firm cannot allow timing difference between delivering goods or services and collecting the money to pay for them. Without inventories, the firm cannot engage in production nor can it stock goods to provide immediate deliveries. Because of the critical nature of current assets, the management of working capital is one of the most important areas in determining whether a firm will be successful. The term working capital refers to the current assets of the firm those items that can be converted into cash within the year. Hence, working capital management is the management for the short term. It is a process of short-term decision making regarding the current assets and current liabilities affecting the long term operation of an enterprise. It is a process of planning and controlling the level of mix of current assets of the firm as well as financing these assets. It concludes decision regarding cash and marketable securities, receivables, inventories and current liabilities with an objective of maximizing the overall value of a firm.

According to N.P. Agrawal (1981:70) “working capital consists broadly at the portion of the assets of business used in, or related to ,current operational and represented at the any one time of the operating cycle by such items an account receivable, inventories of raw material, stores work in progress, finished goods bills receivable and cash. Asses of this type are relatively temporary nature, since the invested names are normally capable of being reconverted or of being change in form with in the short period of time, and the time ultimate recovery depends on the manufacturing cycle as well as sales and collection cycles”.

Working capital is a controlling nerve of center of every business organization because no business can run smoothly without the proper control upon it. Thus, it plays the crucial role in the success and failure of the organization. As the management of current assets and current liabilities of the business organization is necessary for day-to- day operations, it plays the key role in the success and failure of the organization not only in the short run, in the long run also. In the concern of the management of working capital there have been made number of studies from different management experts and students in various enterprises

Generally, there are two concepts of working capital .Gross working capital and net working capital.

2.1.1.1 Gross Working Capital

The gross working capital concept refers to the capital invested in current assets and financing of current assets. It represented by the firm's total investment into current assets. It includes cash, short-term securities, inventory, and account receivables. This concept is also known as quantitative concept because it does not concern with the current liabilities. GWC indicates the total sum of current assets. “The gross working capital is represented by current assets appearing on the asset side of balance sheet” (Sharma; 1967). The concept emphasis that excessive investments in current assets affect the profitability as idle investment yields nothing. From the management viewpoint, “gross working capital deals with the problems of managing individual assets in the day-to-day operation.”(Kuchhal; 1998).

Symbolically,

$$\text{Gross working capital} = \text{Total Current assets.}$$

The GWC concept focuses the attention on general two assets of working capital (current assets) management, which are;

- Optimum investment in current assets and
- Financing mix of current assets.

The level of investment in current assets should be just adequate. The level of current assets may be fluctuating with the changing business activity. Thus, this concept can help earning more profit through maximum utilization of current assets.

2.1.1.2 Net Working Capital

The net working capital refers to excess of current assets over current liabilities. Current liabilities are those liabilities, which are intended at their inception to be paid in the ordinary course of business within an accounting year. NWC concept is also known as qualitative concept of working capital. This shows the liquidity position. . “Net working capital can be positive or negative .A positive net working capital will arise when current

assets exceed current liabilities .A negative net working capital occurs when current liabilities are in excess of current assets” (Pandey: 1999). NWC is that portion of firm’s current assets, which is financed with long-term funds.

Symbolically,

$$\text{NWC} = \text{Total Current Assets} - \text{Total Current Liabilities.}$$

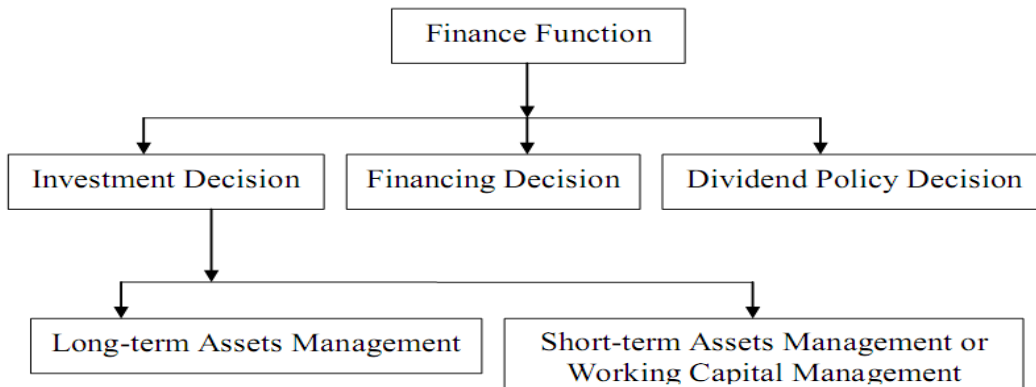
The NWC concept helps to determine optimum mixture of short-term capital and long-term capital of business organization, which is used to analyze the profitability, liquidity and risk –return position of organization. “The net concept is more useful, if the purpose is to find out liquidity position of enterprise.”(Pradhan:1986). Therefore, short-term creditors want an enterprise to maintain current asset at a higher level as compared to current liabilities .This concept is more useful for running business.

2.1.2 Working Capital Management

Finance is the lifeblood for any organization, without which the operation of any business concern is not possible. Only the availability fund is not enough, it requires the proper management of those funds to drive a firm on the road to success. The management of the funds of a business can be described as financial management. Financial management is mainly concerned with two aspects. They are fixed assets and liabilities and current assets and liabilities. Fixed assets and liabilities are long term investment and sources of funds, current assets and liabilities means current or the short-term uses and sources of funds. Both of such funds play an important role in the financial aspects of a business concern.

Figure: 2.1

Working capital management as a financial function



In the words of K.V. Smith, the term working management is closely related with short-term financing and it is concerned with collection and allocation of resources. Working Capital management is related to the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationships that exist between them. (Smith, 1974:5)

According to I. M. Pandey there are two concepts of working capital gross concept and net concept. The gross working capital, simply called as working capital refers to the firm's investment in current assets. Current assets are the assets, which can be converted into cash within accounting year (or operating cycle), and include cash, short-term securities, debtors, bill receivable and stocks. The term net, working capital refers to the difference between current assets and current liabilities. Current liabilities are those claims of outsiders, which are expected to mature for payment within an accounting year and include creditors, bills payable and outstanding expenses. Net working capital can be positive or negative. A positive net working capital will arise when current assets exceed current liabilities and a negative net working capital occurs when current liabilities are in excess of current assets. He also added that net working capital concept also covers the question of judicious mix of long-term and short-term funds for financing current assets. (Pandey, 1991: 796-797)

The goal of working capital management is to support the long-term operation and financial goals of the business. In effect, this involves recognizing the relationship

between risk and return. Three elements must have included in analyzing the tradeoff between risk and return when managing working capital.

a. Insolvency

This condition occurs when a firm can no longer pay its bills and must default on obligations and possibility declares bankruptcy.

b. Profitability of assets

Different level of current assets will have varied effects on profits. A high level of inventory will require high carrying cost. At the same time, the firm will have a wide range of goods to sell and may be able to generate higher sales and profit. Each decision on the level of cash, receivables and inventory should consider the effects to different level.

c. Cost of financing

When interest rate is high, its costs more to carry inventory then when rates are low. Large cash balance may not earn the return that is possible if he cash is converted into operating assets. The cost of debt and the opportunity costs of alternative investments are items to consider when evaluating working capital level.

By analyzing the above concept about working capital, we concluded that, all the corporations, whether public or private, manufacturing or non-manufacturing have just adequate working capital to serve in competitive market. It is because excessive or inadequate working capital is dangerous from the firm's point of view. Excessive investment on working capital affects a firm's profitability just as idle investment, yields nothing. In the same way, inadequate investment on working capital affects the liquidity position of the company and leads to financial embarrassment and failure of the company.

2.1.3 Types of Working Capital

Working capital can be classified into two parts; permanent working capital and variable working capital.

2.1.3.1 Permanent (Fixed) Working Capital

Permanent working capital refers to that level of current assets, which is required on continuous basis over the entire year. A manufacturing concern cannot operate regular production and sales functions in the absence of this portion of working capital. Therefore, a manufacturing concern holds certain minimum amount of working capital ensure uninterrupted production and sales functions. This portion of working capital is directly related to the firm's expansion of operation capacity.

2.1.3.2 Variable Working Capital

Variable working capital represents that portion of working capital, which required over permanent working capital. Therefore, this portion of working capital depends up on the nature of firm's production, relation between labor and management. The firms, which are seasonal in character in their business, need a large amount of working capital for holding inventory during the peak period. But as soon as the peak period is over, the working capital becomes idle. Therefore, firm having seasonality in their business find it convenient to meet their working capital requirement by restoring to short term sources such as

- Bank loan
- Public deposit
- Trade credit and other payables
- Provision for taxation
- Depreciation provision etc.

2.1.4 Sources of Working Capital

The required of the working capital depends upon the organization objectives, time situation and time. This suggests that dependence on only one or specific sources of capital may create obstacles and problems. Therefore, the enterprise has to use combination of one or more sources of capital in management of working capital. After ascertaining the amount of working capital needed to the enterprises, permanent capital can be collected from capital market where as working capital collected from money

market. According to nature of working capital, following different sources may be available (Kuchhal; 1998).

2.1.4.1 Sources of Permanent or Fixed Working Capital

The requirement of working capital may vary from firm to firm due to the unpredictable nature of cash inflow associated with current liabilities. Long term sources are used to meet the requirement for permanent or fixed working capital.

a. Issues of Shares

The enterprises can issue ordinary and preference share taking consideration on capital structure of enterprises for the collection of permanent working capital. Issues of preference share is better than to issue ordinary share to collect working capital because a redeemable preference share can be returned when firm does not need it.

b. Issue of Debenture

When the working capital requirement is permanent and non-seasonal, the corporation can issue debenture, being a fixed burden on corporate earnings. The managerial board will be free from debenture-holders who have no any right on management and control of enterprises.

c. Public Deposit

The reputed enterprises accept deposit from public for several years. On these deposits, certain predetermined interest should be paid in certain time.

d. Plugging Back of Profit

These important sources of permanent working capital are generated from the business operation in profit. Required permanent working capitals are fulfilled from the retained earnings, which is the same portion of profit without distributing to shareholders.

e. Special Financial Institution

The reliable sources of permanent working capital are commercial banks, financial institution and other organized institution. They provide short term or mid-term loan facilities.

2.1.4.2 Sources of Temporary or Variable Working Capital

The short-term sources are used to meet the requirement of working capital. Some special variable working capital sources are as follows.

a. Private Loans

Taking loans from personal or private sources fulfills the working capital need of the organization. Firm takes short loans from personal investor, businesspersons, property owners, friends and relatives.

b. Commercial Banks

Commercial bank collects small scattered saving from various people and firms, which are invested in industries and business. They provide short-term loans in the form of cash credit, overdraft facilities, discounting of bills of exchange, etc.

c. Plugging Back of Profit

It can be the source of seasonal working capital in addition to permanent working capital. It is very popular and quick source of working capital financing.

d. Public Deposit

Public deposit can also be the sources of variable working capital by collecting small scattered saving for operating business.

e. Financial Institution

Financial institutions are established with certain objectives, such as NIDB, ADB, RDB, etc. which provides short term, midterm and long term loans as per required for the enterprises.

f. Trade Credit

The trade credit is the most popular sources of working capital. Sellers provide credit to buyers for short period without any mortgage, which is termed as trade credit. “The trade credit means providing credit by one business to another business. The supply of goods or services by producers to other firms like retail traders for some time without making immediate payment is an example to trade credit”(Joshi and Dongol;2056

2.1.5 Needs for Working Capital

Most of firms aim at maximizing the wealth of shareholders. The firms should earn sufficient return from its operation. The extent to which profit can be earned naturally depends upon the magnitude of sales among the other things. Specially, working capital required to spend on raw materials, salary, wages, rent, electricity, advertisement and other sales related expenses. The need for working capital can be categorized into the following ways.

2.1.5.1 Transaction Motive

A business firms holds cash for smooth running of business. The conduct its ordinary business and making purchases and sales, working capital is needed. In the business, where billings are predictable cash inflows, can be scheduled and synchronized with the need for the cash outflow. In a seasonal business, more cash may be needed and if firms want to operate transaction smoothly, they have to keep inventory of raw materials and finished goods. Generally, a business firm invests on marketable securities that can be converted into cash in a short time. It is temporary investment. Therefore, to run business smoothly in an uninterrupted basis, a business firm has to manage working capital for transaction motive.

2.1.5.2 Compensation Balance Motive

The commercial bank performs many functions for business firms. Sometimes, firm pays service charge by direct fee and sometimes by maintaining compensation balance. Compensation balance is the advance deduction bank on loan. It represents that the firm agrees to maintain in its checking account with the bank. With this assurance, the bank can provide such funds as long-term loan.

2.1.5.3 The Precautionary Motive

Precautionary motive is the need to hold cash and inventories to guard against the risk of unpredictable change in demand and supply forces and other factors such as strike, failure of important customers, unexpected slow down in collection of account receivable, cancellation of some order for goods and some other unexpected emergency. Thus, the firm needs the working capital to meet any contingencies in future.

2.1.5.4 The Speculative Motive

The working capital is needed to meet the speculative motive, which refers to the desires of a firm to take advantage of the following opportunities.

- To grab the opportunities of profit making investment.
- To grab the opportunity to purchase raw material at a reduced price on payment of immediate cash.
- To speculate on interest rate and
- To purchase at favorable price, etc.

To grab these opportunities, the business enterprises have to manage cash and marketable securities. It also represents 'war chest' or pool of funds, which a firm may draw quickly to meet a short-term opportunity, including acquisition.

2.1.6 Determinants of Working Capital

All the firms, whether public or private, manufacturing or non-manufacturing, must have adequate working capital to survive in competitive market. It should have neither too excess nor too inadequate working capital. However, there are no sets of rules or formulae to determine the working capital requirement of the firm. It is because of a large number of factors that influence the working capital requirement of the firm. A number of factors affect different firm in different ways. Internal policies and changes in environment also affect the working capital. Generally, the following factors affect the working capital requirement of the firm (Pandey; 1999: 816).

a. Nature & Size of the Business

Working capital requirements of a firm are influenced by the nature of its business. Greater the size of the business, greater will be the need of working capital similarly, the trading business needs more working capital than that of service type business.

b. Manufacturing Cycle

Working capital requirement of an enterprise is also influenced by the manufacturing or production cycle. It refers to the time involved to make the finished goods from the raw materials. During the process of manufacturing cycle, the larger will be working capital requirement and vice-versa.

c. Production Policy

Working capital requirements is also determined by its production policy. The firm producing seasonal goods may locate its sales in different seasons. This type of fluctuating production policy affects the working capital policy of the firm.

d. Availability of Credit

Availability of credit facility is another factor that affects the working capital requirement. If the firm can get credit facility easily on favorable conditions, it requires less working capital to run the firm smoothly otherwise more working capital is required to operate the firm smoothly.

e. Profit Margin

The level of profit margin differs from firm to firm. It depends upon the nature and quality of product, marketing management and monopoly power in the market. If the firm deals with the high quality product, has a sound marketing management and has enjoyed monopoly power in the market then it earns quite high profit and vice-versa. Profit is a source of working capital pool by generating more internal funds.

f. Growth and Expansion

A growing firm needs more working capital than those static ones. However, it is difficult to precisely determine the relationship between the growth and expansion of the firm and working capital needs.

g. Credit Policy

Working capital requirement depends on terms of sales. Different terms may be followed to different customers according to their credit worthiness. If the firm follows the liberal credit policy then it requires more working capital. Conversely, if firm follows the stringent credit policy, it requires less working capital.

h. Level of Tax

The level of taxes also influences working capital requirement. The amount of taxes to be paid in advance is determined by the prevailing tax regulations. However, the firm's profit is not constant or cannot be predetermined. Tax liability in a sense of short-term liquidity is payable in cash. Therefore, the provision for tax amount is one of the important aspects of working capital planning. If tax liability increases, it needs to increase the working capital and vice versa.

i. Price Level Change

Generally, a firm is required to maintain the higher amount of working capital if the price level rises, because the same level of current assets needs more funds due to the increasing price. In conclusion, the implications of changing price level on working capital position will vary from firm to firm depending on the nature and other relevant consideration of the operation of the concerned firms.

2.1.7 Working Capital Policy

The basic issue of working capital policy refers to the firm's basic policies relating (1) the target level for each category of current assets and (2) how current assets will be financed. There are two policies in working capital management to examine the above two issues.

2.1.7.1 Current Assets Investment Policy

The decision concerned with determining the level of investment in current assets is to taken in the firm .Current asset investment calls for maintaining optimum level of current assets .The level of current assets investment affect profitability and risk position of the firm. If firms holding excessive level of current assets are unproductive, as idle current assets earn nothing this result into decline in profitability of the firm .On the other side, inadequate current assets put obstruction in the process of production and sale. The firm may not be able to pay operating expenses and current obligation when they are due. It increases the risk of default .The level of investment in current assets should be such that reasonable tradeoff between profitability versus risk is maintain. There are three alternative current assets investment policy, which are follows (Weston, and Brigham; 1996)

a. Conservative Policy/Relaxed

In this policy, the firm hold relatively large amount of cash, marketable securities, inventory and receivables to support a given level of sales. This policy creates longer inventory and cash conversion cycle. It creates the longer receivables collection period due to the liberal credit policy. Thus, this policy provides the lowest expected return on investment with lower risk.

b. Aggressive /Restricted Policy

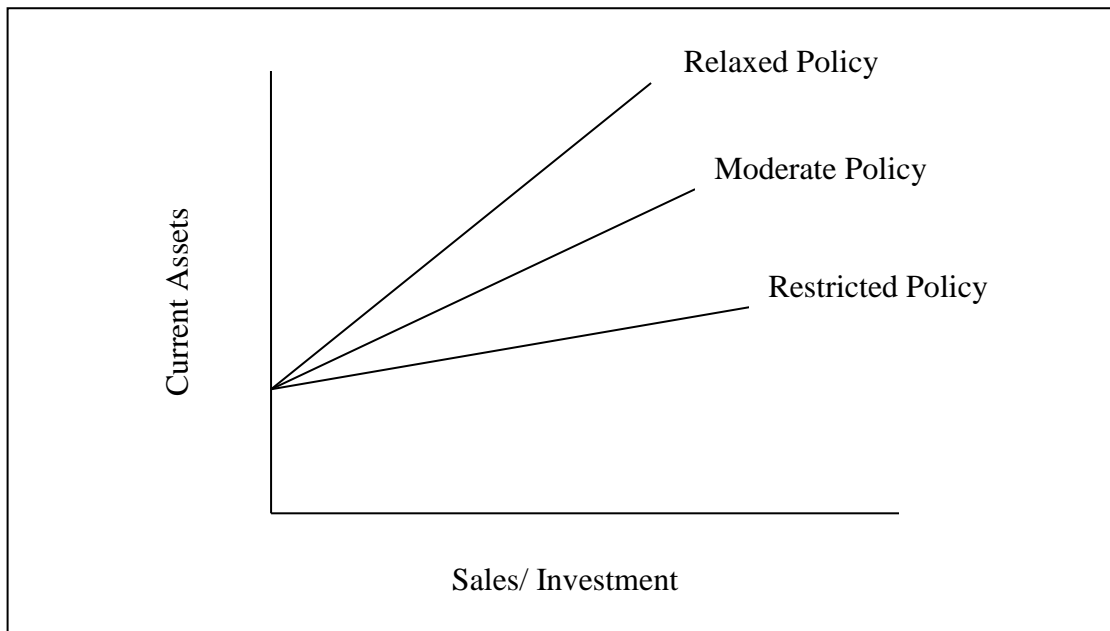
An aggressive policy calls for relatively smaller investment in current assets, which is comparatively lower ratio of current assets to sale. The firm using this policy assumes high risk, as it would find difficult to pay current bills in time, lost in sale because of restrictive credit policy it's create obstacle in production because of shortage o f inventories.

c. Moderate Current Assets Investment Policy

In this policy, a firm holds the amount of current assets in between the relaxed and restrictive policy .Both risk and return are moderate in this policy.

Figure: 2.2

Current Assets Investment Policies



2.1.7.2 Current Assets Financing Policy

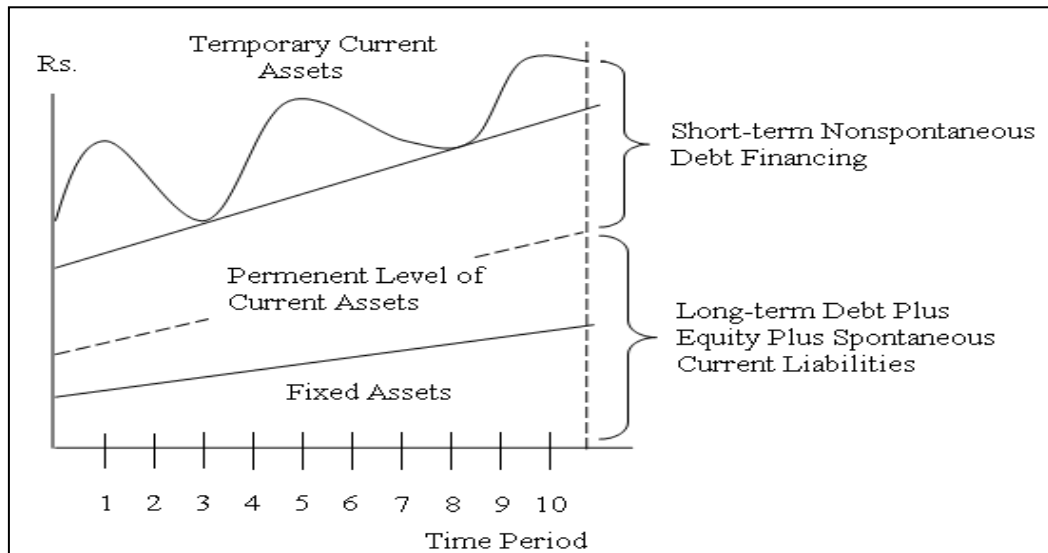
Financing the long term or short-term funds to current assets has significant impact on an enterprises risk or return, liquidity and profitability. “Deciding how should current liabilities be used to finance current assets is one of the most important decisions concerning working capital management” (Pradhan; 1986). Long term as well as short term funds involves cost and cost of financing is a deciding factor in the use of different type of funds. Financing policy deals with the optimum financing mix of short-term and long-term liabilities. Depending upon attitude towards risk, liquidity and profitability, the management can follow following three alternative working capital financing approaches.

a. Aggressive or Tight Working Capital Financing Approach

In this policy, the firm finances not only temporary current assets but also a part of the permanent current assets with short-term financing sources and rest with long term financing sources. In other word, the firm finances not only temporary current asset but also a portion of permanent current asset with short-term financing. Some aggressive firms may even finance a part of their fixed asset with short-term financing. Hence, this sort of mix financing increases the profitability and expense toward risk by financing

relatively larger position of its assets through lower cost short-term borrowing. Under this policy, higher the risk, higher the return and low liquidity position.

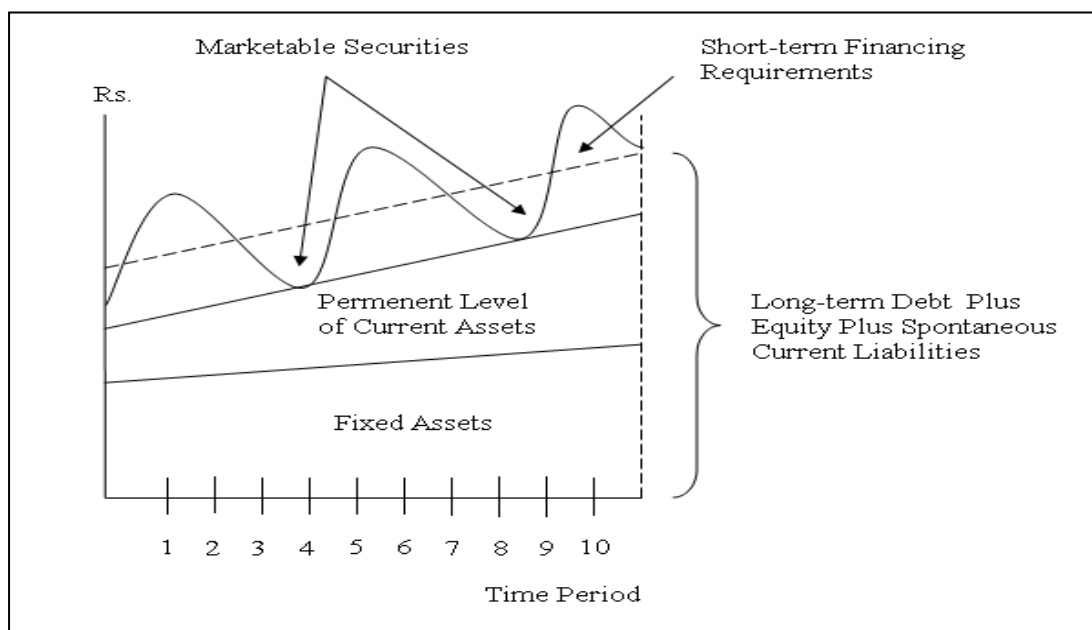
Figure: 2.3
Aggressive Financing Policy



b. Conservative Policy

Conservative approach “refers to a financing mix which is less risky leading to low profitability and high liquidity, the approach would be to finance all funds required from long term funds”(Pradhan: 1986). The financing policy of firm is said to conservative when it depend more on long term funds for financing needs. “Under this financing policy, the firm finances its permanent assets and a part of temporary current assets with long term financing” (Pandey: 1999). This policy leads to high level of current assets, with long-term conversion cycle, low level of current liabilities and higher interest cost. The risk and return are lower than that of aggressive one. The risk adverse management follows this policy.

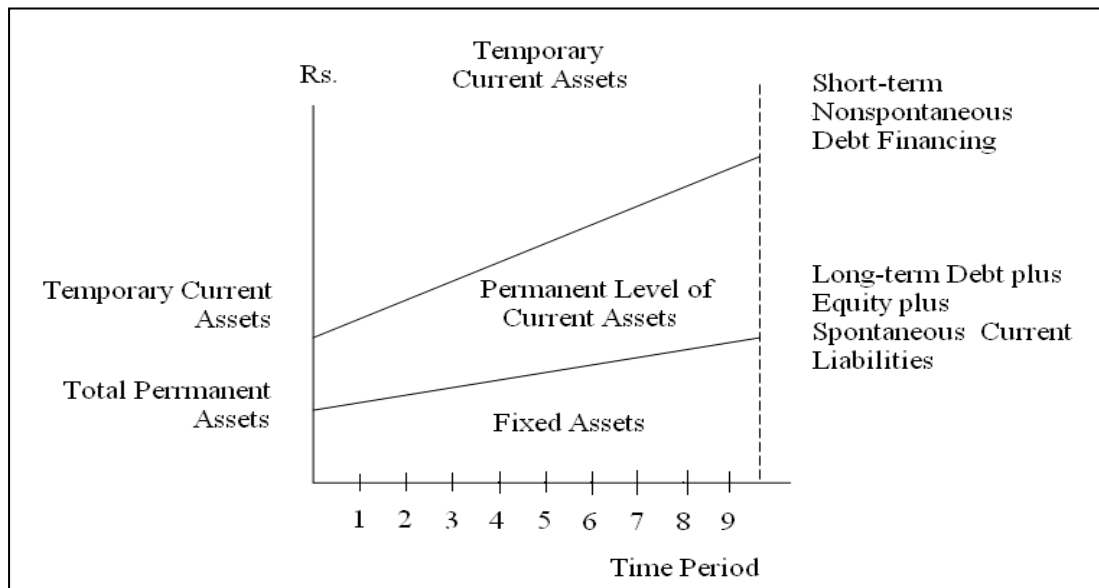
Figure: 2.4
Conservative Policy



c. Maturity Matching/Hedging/Self Liquidity/Moderate Approach

This approach of working capital policy entails moderate risk with moderate returns. This firm can adopt a financial plan, which involves the matching of the expected life of assets with the expected life of the sources of funds raised to finance assets. When the firm follows matching approach, long term financing will be used to finance fixed assets and permanent current assets and short-term financing to finance temporary or variable current assets (Pandey:1999). This approach tries to achieve tradeoff between profitability and liquidity with neither too risky nor least risky by financing mix. “it lies in between a low-liquidity, high profitability case and a high –liquidity low profitability case”(Pradhan:1986).

Figure: 2.5
Moderate Policy



In conclusion, conservative or loose working capital policy refers to that policy under which a firm keeps high level of investment in working capital variables like high level of receivable throughout liberal policy, high inventory and cash/bank balance while aggressive or tight working capital policy just follows the reverse policy that of former policy. However, moderate policy follows the medium way between aggressive and conservative working capital policy.

2.1.8 Goals of Working Capital Policies

Working capital policies are the basis guidelines or strategies to achieve target financial performance in relation to working capital. Following are the firm's goals of working capital (Hampton; 1998).

a. Adequate Liquidity

The most important goal of working capital policy is to achieve adequate liquidity for the conduct of day-today operation .With the lack of sufficient cash to pay their bills when due, they will experience continuing problems.

b. Minimization of Risk

Relatively current liabilities are the source of financing which may involve low costs. The firm must ensure that these near term obligations (current liabilities) do not become excessive compared to the current asset on hand to pay them. The matching of assets and liabilities among current is a task of minimizing the risk.

c. Contribute to Maximum Firm's Value

The firm retains working capital for the same purpose as it holds any other assets to maximize the present value of common stock and value of the firm. The investment of excess cash, minimization of inventories, speedy collection of receivables, and elimination of unnecessary and costly short-term financing all contribute to maximizing the value of the firm.

2.1.9 Liquidity vs. Profitability: Risk-Return Trade Off

The firm may follow a conservative or an aggressive policy, which involves risk-return trade off. "Determination of the appropriate level of investment in the different components of current assets and the size of current liabilities involves decision concerning the tradeoff between liquidity, profitability and risks."(Gopal: 1996). The objective of conducting risk-return analysis is to know whether the firms are following an aggressive, a conservative or a moderate approach. When a firm has followed an aggressive approach, the current liabilities are used to finance a position of fixed asset. In the conservative approach the firm uses only long-term funds to finance all kind of current assets and fixed assets without making use of any of the current liabilities .On the moderate approach firm uses long-term funds to finance a portion of current assets. When current assets holding at the minimum level would mean interrupted production, sales and solvency. "Its current assets holding will depend on its working capital policy. These policies involve risk return trade-offs" (Pandey: 1999).

2.2 Review of Various Books

William Armah (2006) working capital management is the management of the net of current assets and current liabilities with the objective of reaching the right balance between profitability and liquidity.

The aim of managing inventory (stock), trade receivables (debtors), cash, trade payables (creditors), is to obtain the right balance of all the current assets and current liabilities at any given time so that the achieve the objectives of working capital management in the form of profitability and liquidity.

Working capital management is made up of so many parts, such as the management of inventory, management of trade receivables, management of cash, management of trade payables, financing of working capital.

To discuss the different approaches to financing working capital, it is important to identify that ordinarily, company may use short-term sources of finance-to-finance its short-term activities, such as working capital activities and long-term source of finance for its capital investments in non-current assets.

The choice of which source of finance a company uses to finance its working capital and other activities depend on several factors such as: availability of fund, the length of time such funds may be required for, the purpose for which the funds is required, the size of the company, the rate of interest but for the discussion of the financing of the working capital, the two main factors that needs to be considered are the risk of the finance used and the cost of finance; either by financing working capital using short or long-term source of finance.

The risk and cost factors are inversely related, in that if a company goes for a low risk source of finance, it is related to a high cost source of finance and vice versa. Assuming a normal yield curve (the term structure of interest rate) where the interest rate curve is upward sloping, a short-term loan will be cheaper than a long-term source of finance. This means that based on cost, a company may rather choose to use short-term source of finance than a long-term source of finance.

Based on risk, short-term source of finance (e.g. bank overdraft) is assumed to be more risky than a long-term source of finance (e.g. long-term bank loans). Bank overdraft can technically be withdrawn on demand, at short notice, even if a company use short-term loan, upon maturity, it may not be renewed or it may be renewed on unfavorable terms, unlike long-term loan where a company meeting its loan interest payment and the terms of the loan, will not have to worry about its withdrawal or it not being renewed as may be the case with the short-term.

Pandey (2007) “There are specially two concepts of working capital: Gross concept and net concept. The gross working capital simply called as working capital refers to the firm's investment on current assets. Current assets are those assets, which can be converted in to cash with in an according year and included cash, short-term securities, debtors, bill receivable, stock, inventories and pre-paid expenses. The term net, working capital refers to the differences between current assets and current liabilities. Current liabilities are those claims of outsiders which can expected to mature for payment with in an accounting year and includes creditors, bills payable, Bank overdraft and outstanding expenses or accrued income. Net working capital can be negative or positive. A negative net working capital occurs when current liabilities are in excess of current assets.”

Bhattacharyya (2008) in financial management, two important decisions are very vital and crucial. They are decision regarding fixed assets/fixed capital and decision regarding working capital/current assets. Both are important and a firm always analyzes their effect to final impact upon profitability and risk. Fixed capital refers to the funds invested in such fixed or permanent assets as land, building, and machinery etc. Whereas working capital refers to the funds locked up in materials, work in progress, finished goods, receivables, and cash etc.

Thus, in very simple words, working capital may be defined as “capital invested in current assets.” Here current assets are those assets, which can be converted into cash within a short period and the cash received is again invested into these assets. Thus, it is constantly receiving or circulating. Hence, working capital is also known as circulating capital or floating capital.

Khan & Jain (2009) The term working capital has several meanings in business and economic development finance. In accounting and financial statement analysis, working

capital is defined as the firm's short-term or current assets and current liabilities. Net working capital represents the excess of current assets over current liabilities and is an indicator of the firm's ability to meet its short-term financial obligations from a financing perspective; working capital refers to the firm's investment in two types of assets. In one instance, working capital means a business's investment in short-term assets needed to operate over a normal business cycle. This meaning corresponds to the required investment in cash, accounts receivable, inventory, and other items listed as current assets on the firm's balance sheet. In this context, working capital financing concerns how a firm finances its current assets. A second broader meaning of working capital is the company's overall no fixed asset investments. Businesses often need to finance activities that do not involve assets measured on the balance sheet. For example, a firm may need funds to redesign its products or formulate a new marketing strategy, activities that require funds to hire personnel rather than acquiring accounting assets. When the returns for these "soft costs" investments are not immediate but rather are reaped over time through increased sales or profits, then the company needs to finance them. Thus, working capital can represent a broader view of a firm's capital needs that includes both current assets and other non-fixed asset investments related to its operations. In this chapter, we use this last meaning of working capital and focus on the tools and issues involved in financing these business investments.

Roy (2010) working capital is a financial metric, which represents operating liquidity available to a business, organization or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Net working capital is calculated as current assets minus current liabilities. It is a derivation of working capital, that is commonly used in valuation techniques such as DCFs (Discounted cash flows). If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit.

A company can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of

working capital involves managing inventories, accounts receivable and payable and cash.

2.3 Review of Journal & Articles

Vedavinayagam Ganesan (2007) in his article *“An Analysis Of Working Capital Management Efficiency In Telecommunication Equipment Industry”* analysis of working capital management efficiency was done on a sample of 349 telecommunication equipment companies. The analysis was done to find statistical evidence to support the four hypotheses. It is found that significant statistical evidence exists to support the hypotheses (H1 and H2) that the working capital management efficiency is negatively associated to the profitability and liquidity. When the working capital management efficiency is improved by decreasing days of working capital, there is improvement in profitability of the firms in telecommunication firms in terms of profit margin. It is observed that there is no significant statistical evidence to support the hypothesis (H3) that the firms in telecommunication equipment industry manage all the three components of WCM equally. From the statistical evidences, it is observed that DWC of the sample firms is higher than DWC of the industry average and the WCM components DSO and DPO are in line with their industry averages. This indicates the inventory management among the sample firms may not be efficient. The statistical evidences indicate that the management of DSO does not have much impact on the return on assets and profit margin. This is mainly due to heavy fixed assets requirements in telecommunication industry.

There is also evidence that there is poor management of accounts receivable and accounts payable. Overall, there is evidence that the working capital management efficiency in telecommunication industry is poor. It is recommended that the telecommunication industry should improve working capital management efficiency by concentrating on reducing inventory and improving DPO by getting more credits from suppliers.

International Management Review (2009) working capital management as the regulation, adjustment, and control of the balance of current assets and current liabilities of a firm such that maturing obligations are met and the fixed assets are properly serviced. In order to manage working capital efficiently, there must exist two elements as necessary

components and desirable quantities. Good working capital management must ensure an acceptable relationship between the different components of a firm's working capital so as to make an efficient mix, which will guarantee capital adequacy. Thus, working capital management should make sure that the desirable quantities of each component of the working capital are available for management.

Abdul Raheman (2010) in his article "*Working Capital Management and Corporate Performance of Manufacturing Sector in Pakistan*" describe that the contribution of manufacturing sector, the second largest sector of the economy, plays a significant role in the economic growth of Pakistan. In this perspective, the main objectives of the study is to empirically analyze the impact of working capital management on performance of manufacturing firms listed at Karachi Stock Exchange using panel data. Furthermore, the objective is also to find out the degree of aggressiveness in investment and financing policies of working capital for manufacturing sector.

The results shows that for overall manufacturing sector, Working Capital Management has a significant impact on profitability of the firms and plays a key role in value creation for shareholders as longer Cash Conversion Cycle and Net Trade Cycle have negative impact on Net Operating Profitability of a firm. The Cash Conversion Cycle and Net Trade Cycle offer easy and useful way to check working capital management efficiency. For value creation of shareholders, firms must try to keep these numbers of days to minimum level. The negative association of Average Collection Period with Net Operating Profitability has not been validated using fixed effect model. This shows problems with the collection policy in general for the firms in manufacturing sector. There exists negative association between Inventory Turnover in Days and Net Operating Profitability for the manufacturing sector as a whole, which implies that keeping lesser inventories will increase profitability. Similar to Average Collection Period, the positive association of Average Payment Period with Net Operating Profitability is not proven in case of fixed effect model for the manufacturing sector in general which also shows the problems with the payment policy of firm.

The Gross Working Capital Turnover Ratio and Current Assets to Total Assets also has the significant positive impact on profitability. The Current Assets to Total Assets Ratio shows that firms in general have lower degree of aggressiveness in

working capital investment policy and Net Operating Profitability. The negative sign of Current Liabilities to Total Assets Ratio indicates lower degree of aggressiveness in working capital financing policy and Net Operating Profitability. Leverage is negatively associated with Profitability which implies that increase in debt financing; adversely affect the performance of a firm measured by profitability. Regarding the size and profitability, increase in size (measured in terms of natural logarithm of sales), leads to an increase in the profitability of the firm. Sales Growth has positive association with profitability since growth, as an indicator of firm's business opportunities, is a very important factor, which allows firm to enjoy more profits.

Muhammad Azam (2011) "*Impact of Working Capital Management on Firms' Performance*" state that working capital management has significant impact on firms' performance and it is concluded that managers can increase value of shareholder and return on asset by reducing their inventory size, cash conversion cycle and net trading cycle. Increase in liquidity and time period to supplier will also lead firms' overall performances. This report indicates that there should have proper inventory management system to avoid over stock of inventory resulting efficient outcome of investment. It has to make sure certain standards and levels which will stop us piling up inventory. Companies should engage in relationship with those suppliers who allow long credit time and those customers who allow short payment period.

Jayanta Chakrabarti (1012) in his article "*Relationship between Working Capital Management and Profitability*" firms have to maintain an optimal level of working capital that maximizes its value. Huge inventory base and a liberal trade credit policy may lead to lofty sales, whereas larger inventory reduces the risk of a stock-out. On the other hand, trade credit may stimulate sales because it allows customers to assess product quality before paying. One of the well-accepted measures of working capital is the Cash Conversion Cycle (CCC), i.e., the time lag between the expenditure for the purchases of raw materials and the collection of sales of finished goods. The longer this time lag, the larger the investment in working capital. A longer CCC might increase profitability because it leads to higher sales. However, corporate profitability might also decrease with the CCC, if the costs of higher investment in working capital rise

faster than the benefits of holding more inventories and/or granting more trade credit to customers.

This discussion on the importance of working capital management, its various components and their impact on profitability leads us to the problem statement, which we will be analyzing in this study. Moreover, this study validates some of the findings of previous authors by way of examining the relationship between working capital management and profitability of the sample Indian FMCG firms, thus, adding substance to the existing theory developed by previous authors.

2.4 Review of Previous Research Work

Shrestha (2007) has conducted research on “*Working Capital Management of Nepalese Commercial Banks in Nepal*” The main objectives were;

- To evaluate working capital of the banks and analyze their assets structure and their implications.
- To analyze of working capital trend position of selected Bank.
- To analyze the financial position of these selected banks by using different tools and techniques.
- To shed light on creation and mobilization of fund in EBL and SCBNL.

The major findings of her study were as follows.

- The liquidity positions of commercial banks are not very poor though the rule of thumb the standard ratio should be 2:1. The banks are unable to maintain the current ratio in accordance with standard.
- EBL has the highest level of current assets of Rs.19892.90 million in the year 2063/64 and the lowest level of current assets of Rs.7887.40 million in the year 2059/60.
- On average, it holds the level of current assets of Rs.12585.64 million. SCBNL has the highest level of current assets of Rs.23494.63 million in the year 2060/61 and the lowest level of current assets of Rs.19322.67 million in the year 2061/62. On average it holds the level of current assets of Rs.21420.80 million.

- The level of net working capital of SCBNL is fluctuated over the period. During the study period of 5 years from 2059/60 to 2063/64, the highest amount of net working capital is Rs.3176.82 million in 2059/60 and that of lowest amount is - Rs.4454.55 million in 2063/64.
- The level of net working capital of EBL is fluctuated over the period. During the study period of 5 years from 2059/60 to 2063/64, the highest amount of net working capital is Rs.459.60 million in 2061/62 and that of lowest amount is - Rs.38.20 million in 2063/64.
- The current ratio of the banks are in fluctuating order with lower than the standard ratio. The SCBNL has maintained the ratio is not lesser than 1.06 but EBL has not meet that ratio in the overall five fiscal years.

Dhungana (2008) has conducted research on “*Working Capital Management of Unilever Nepal Limited*”. The main objectives of his study were;

- To assess the liquidity and profitability position of UNNL.
- To determine the structure and utilization of working capital of ULNL.
- To know the working capital policy of ULNL.
- To provide appropriate recommendation.

The major findings of this study were;

- Current structure levels of ULNL are not stable.
- Current assets turnover ratio has found increasing trend.
- The company has not been able to convert current assets quickly in cash in order to meet current liabilities. The current ratio and quick ratio revealed and unsatisfactory liquidity position of ULNL and thereafter to increase the financial position for working capital.
- ULNL is following moderate working capital financing mix policy.

Lamsi (2009) has conduct research study on “*A comparative study of working capital management of NABIL and Standard Chartered Bank Nepal Limited*”. The main objectives were;

- To study the current assets and current liabilities and their impact on liquidity and profitability.
- To analyze the liquidity, assets utilization, long-term solvency and profitability position of both banks.
- To analyze the comparative study of working capital management between NABIL and SCBNL.

His major findings were,

- Fixed deposits and saving deposits turnover position are also not satisfactory on both banks.
- Interest earned to total assets ratio is higher on NABIL but net profit ratios are less than SCBNL.
- The major components of current assets in NABIL and SCBNL are cash and bank balance, loan and advance and government securities.
- The liquidity position of SCBNL is better than NABIL.
- The turnover position of NABIL has better than SCBNL. The NABIL has better utilization of deposits in income generating activity than SCBNL.
- Long-term debt to net worth ratio of NABIL is always higher than SCBNL on that study period.

Amatya (2010) has carried out a research work on the topic “*A Comparative Study of Working Capital of Manufacturing Companies*”. The main objectives of her study were;

- To analyze the composition of working capital of Nepal Lever Ltd. & Dabur Nepal Ltd.
- To examine the liquidity and profitability position of Nepal Lever Ltd.& Dabur Nepal Ltd.
- To examine cash conversion cycle of Nepal Lever Ltd. & /Dabur Nepal Ltd.
- To comparatively evaluate and analyzed the working capital management efficiency of Nepal Lever Ltd. & Dabur Nepal Ltd.

Her major finding were,

- Both the enterprises excess investment on inventory. DN Ltd has high level of stock due to low circulation of inventory. NL Ltd has high prepaid and advanced, which shows that it is not able to collect its receivable at time. NL Ltd has high cash and bank balance, which shows that it has poor cash management.
- NL Ltd has highly invested in the current assets. NL Ltd cannot meet current obligation in compare to DL Ltd. NL Ltd may not be able to pay current liabilities.
- The liquidity position of DN Ltd is higher than NL Ltd. Profitability position of DN Ltd is poor in comparison to NL Ltd, as it failed to utilize its assets.
- DN Ltd has unsuitable investing and financing of current assets. Very low utilization of current assets is the main weakness aspect comparison to NL Ltd. In overall, inefficient working capital management is the main caused for DN Ltd for operating less profit in comparison to NL Ltd.

Koirala (2011) has carried out a research work on the topic “*A Comparative Study of Working Capital Management With Reference to Standard Chartered Bank Nepal Limited and Himalayan Bank Limited*”. The main objectives of her study were;

- To study the position of current assets and current liabilities.
- To analyze the comparative study of working capital management between sample firms.
- To analyze the composition of working capital, assets utilization and profitability of sample firms.

Her major finding were,

- The major components of current assets in SCBNL and HBL are cash and bank balance, loan and advance and government securities.
- In the study period, the proportion of cash and bank balance, loan and advances and government securities to total current assets on an average are 14.47%, 35.57% and 30.02% in SCBNL and 8.83%, 50.33% and 18.51% in HBL, respectively.
- The trend value of cash and bank balance is negative in both banks so as the trend value of loan and advance is positive in SCBNL as well as in HBL. The trend value of government securities is negative in both SCBNL and HBL.

- The net working capital of both SCBNL and HBL are positive in the study period, which shows sufficient amount of working capital for operational requirement in the banks.
- The liquidity positions of banks are analyzed with the current ratio, quick ratio and cash balance to deposit ratio. The current ratio of SCBNL and HBL ranges from 1.137 to 1.22 and 1.33 to 1.44 respectively.

2.5 Research Gap

Research gap refers to the gap between previous research and this research. The different students, experts and researcher about working capital management have conducted many research studies. The financial and statistical tools used by most of the researchers were ratio analysis, test of hypothesis and regression analysis. This research includes different tools like ratio analysis, standard deviation, correlation analysis, co-efficient of variation and t-test as specific tools to find out the impact of working capital with various variables such as profit, current assets, component of current assets, and component of current liabilities. Thus the research study made on " working capital management of commercial banks " will be an effort to analyze on detail about working capital management in present situation with the help of various related financial as well as statistical tools and techniques. The study can be beneficial to all the concerned parties and people as well.

CHAPTER – III

RESEARCH METHODOLOGY

This chapter describes the methodology employed in this study. Research methodology is a sequential procedures and methods to achieve the objectives of the study. A sound research study needs to follow a proper methodology in order to achieve predetermined objectives. Thus, this chapter deals with research design, population and sample, nature and sources of data and tools for analysis of data and definition of key terms.

Research methodology is a path from which we can solve research dilemma systematically to accomplish the basic objective of the study. It consists of a brief explanation of research design, nature and sources of data, method of data collection and methods of tools used for analyzing data.

3.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data that aim to combine relevance to the research purpose with economy in procedure. Research design is the plan, structure and strategy of investigation conceived to obtain answers to research questions and to objective of this study. To achieve the objective of this study, descriptive and analytical research design has been used.

It is the process, which gives us an appropriate way to reach research goal. It includes definite procedures and techniques, which guide in sufficient way for analyzing and evaluating the study. This study is carried out by using both quantitative and qualitative analysis methods. Mostly, secondary data has been used for analysis, but the discussion and personal interview with the concerned employees of the selected bank is used for qualitative analysis. Hence, research design of this study is based on descriptive and analytical method.

3.2 Nature and Source of Data

For the purpose of this study, data are collected mainly from the secondary source. The secondary data are based on the second hand information. Secondary data were gathered much more quickly than primary. Secondary source are bulletins and newspapers of selected banks, annual reports, official document, reference material collected from library.

3.3 Population and Sample

The term population of data denotes for the data of each organization which is within the boundary of specific organization whereas sample data are the data of those organization which has been selected from that whole population for study. Random selected method is to be used while selecting sample organizations for this study. The population data for this study comprises all commercial banks, which are currently operating in Nepal. The sample consists of two selected banks. The selected sample banks for the analysis are as follows.

- NABIL Bank Limited
- Himalaya Bank Limited

3.4 Method of Data Collection

It indicates the sources of data and how they were collected. In this study, data are collected through published sources. They were collected from the correspondent offices and their respective websites. The annual reports of concern banks, NRB publications, the data regarding the profile of concern banks and other related documents were collected from internet websites. Unpublished master's thesis, books, research papers, articles, journals have been collected mainly from Centre Library of Tribhuvan university, library of Shanker Dev Campus and NRB Magazines and newspapers were from concerned authorities.

3.5 Method of Data Analysis

Method of data analysis is the raw data processing technique to find out the result for making decision. Financial as well as statistical tools are used to analysis of data.

3.5.1 Financial Tools

Financial analysis is the process of identifying the financial strengths and weaknesses of the organization by properly establishing relationships between the items of the balance sheet and the profit and loss account.

Ratio analysis is a powerful tool of financial analysis. A ration is designed as the indicated quotient of two mathematical expressions and as the relationship between two or more variables. In financial analysis, ratio is used as a benchmark for evaluating the financial position and performance of a firm. The financial tools used in this study are as follows.

3.5.1.1 Liquidity Ratio

Liquidity ratios are used to judge the ability of banks to meet its short-term liabilities those are likely to mature in the short period. The current ratio and quick ratio measure the liquidity position of the company. Liquidity of any business organization is directly related to working capital or current assets and current liabilities of that organization. One of the main objectives of working capital management is to maintain good liquidity position.

a. Current Ratio

Current Ratio reflects the strength of current assets available with the company over its current liabilities into cash in one accounting year. This ratio indicates the current short-term solvency position of the bank. The current ratios are the ratios of total current assets to current liabilities. Higher current ratio indicates better liquidity position.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

b. Quick Ratio

Quick ratio is used to measure the ability of concerned firms to pay current obligation (Short term) without depending on other liquid assets of current ratio. It provides relationship between quick assets with current liabilities. This quick ratio can be found out by dividing the total quick assets by total liabilities.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

c. Loan & Advances to Total Deposit Ratio

The ratio assess to what extent the bankers are able to utilize the depositors' fund to earn profit by providing loans and advances. High ratio shows the better position of the firm.

$$\text{Loan \& Advances to Total Deposit Ratio} = \frac{\text{Loan \& Advance}}{\text{Total deposit}}$$

d. Net Working Capital to Total Assets Ratio

Working capital management is the management of all short-term assets used in daily operations. Investing in raw materials, inventories, work-in-progress, account receivables are all known as working capital investment. The proper management of a firm's working capital is very much crucial to the financial manager in the competitive scenario. Furthermore, the total investment in the current assets that can be converted into cash within one year is called gross working capital but the difference between current assets and current liabilities is known as net working capital. This ratio is useful to calculated the percentage of net working capital to total assets.

$$\text{Net Working Capital to Total Assets Ratio} = \frac{\text{Net Working Capital}}{\text{Total Assets}}$$

3.5.1.2 Profitability Ratios

Profitability is the result of a number of corporate policies and decisions. It measures how effectively the firm is being operated and managed. Besides owner and managers, creditors are also interested to know the financial soundness of the firm. Owners are eager to know their returns where as manager are interested in their operating efficiency.

a. Return on Loans & Advances

This ratio shows the return on loans and advances during the year. Higher ratio of net income to loans & advance is better.

$$\text{Return on Loans \& Advances} = \frac{\text{Net Profit After Tax}}{\text{Loans \& Advance}}$$

b. Return on Total Deposit

The ratio of return on Total deposit measures the capacity of bank to generate profit from its investment on total deposit. In other words, return on total deposit is the contribution of total deposit to net profit after tax. Therefore, this ratio is the proportion of return from total deposit and it is calculated as follows.

$$\text{Return on Total Deposit} = \frac{\text{Net Profit After Tax}}{\text{Total deposit}}$$

c. Return on Total Assets

The return on total assets measures the overall effectiveness of management in generating profit with its available assets. The higher the firm's return on assets the better it is doing in operation and vice versa. It is calculated as follows.

$$\text{Return on Total Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

d. Return on Equity

The return on equity measures the return on the owner's investment in the firm. Higher ratio on return on equity is better for owner.

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Equity}}$$

3.5.2 Statistical Tools

Statistical tools are used to analyze the relationship between two or more variables and to find how these variables are related. In this study, following statistical tools are used.

a. Arithmetic Mean or Average

The mean or average value is a single value within the range of the data that is used to represent all the values in the series. Since an average is somewhere within the range of the data, it is also called a measure of central value. It is calculated by;

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N}$$

Where,

$$\begin{aligned}\bar{X} &= \text{Arithmetic Mean} \\ \sum X &= \text{Sum of values of all items, and,} \\ N &= \text{Number of items}\end{aligned}$$

b. Standard Deviation

The standard deviation is the measure that is most often used to describe variability in data distributions. It can be thought of as a rough measure of the average amount by which observations deviate on either side of the mean. Denoted by Greek letter is (read as sigma), standard deviation is extremely useful for judging the representatives of the mean. Standard deviation is calculated as;

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum(X-\bar{x})^2}{N}}$$

Where,

$$\begin{aligned}\sigma &= \text{Standard deviation} \\ \sum(X - \bar{x})^2 &= \text{Sum of squares of the deviations} \\ &\quad \text{measured from arithmetic average.} \\ N &= \text{Number of items}\end{aligned}$$

c. Coefficient of Variation

The coefficient of variation is the ratio of standard deviation to the mean for a given sample used to measure spread. It can also be thought of as the measure of relative risk. The larger the coefficient of variation, the greater the risk relative to the average. Mathematically,

$$CV = \frac{\sigma}{\bar{X}}$$

Where,

CV	=	Coefficient of Variation
σ	=	Standard Deviation
\bar{X}	=	Arithmetic Mean

d. Coefficient of Correlation

Correlation is a statistical tool design to measure the degree of association between two or more variables. In other word if the changes in one variable affects the changes in other variable, then the variable are said to be co-related when it is used to measure the relationship between two variables, then it is called simple correlation. The coefficient of correlation measures the degree of relationship between two sets of figures. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of coefficient of correlation is always lie between +1 and - 1. The formula for the calculation of coefficient of correlation between X and Y is given below.

$$r = \frac{\sum x_1 x_2}{\sqrt{\sum x_1^2 \sum x_2^2}}$$

Where,

r	=	Correlation coefficient
$\sum x_1$	=	$X_1 - \bar{X}_1$
$\sum x_2$	=	$X_2 - \bar{X}_2$

e. Trend Analysis

Trend analysis is used to show decrease or increase in variables over the period. With the help of trend analysis, the tendency of variables over the period can be seen clearly.

f. Assessment of the Sample Correlation Coefficient

For this study, t-test for significance of an observed and sample correlation coefficient is used.

Set up Hypothesis

Null hypothesis (H_0); $\rho = 0$ i.e. There is no correlation between the considered variables.

Alternative Hypothesis (H_1); $\rho \neq 0$ i.e. There is significant correlation between the considered variables.

Test statistic under H_0 ;

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

Where,

r	=	Sample correlation between two variables
r^2	=	Sample correlation Coefficient
n	=	No of Pair of observations

Level of significance: Level of significance $\alpha = 5\%$

Critical Value: Tabulated or critical value of t at α % level of significance for $(n - 2)$ degree of freedom obtain from 't' tables.

Decision: If calculated 't' is less than or equal to tabulated value of 't' it falls in the accepted region and the null hypothesis is accepted and if calculated 't' is greater than tabulated 't' null hypothesis is rejected.

g. Independent t-test

In order to answer whether the average value of net working capital and net profit are significantly different or not between these, two sample banks, independent t- test has been applied.

Null hypothesis (H_0); $\mu_1=\mu_2$ i.e. there is no significance difference between the average value of two sample banks.

Alternative Hypothesis (H_1); $\mu_1\neq\mu_2$ i.e. there is significance difference between the average values of two sample banks.

Test statistic under H_0 ;

$$t = \frac{(\bar{X}_1 - \bar{X}_2)}{\sqrt{S^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

Where,

\bar{X}_1 = Sample mean value of X_1 series

\bar{X}_2 = Sample mean value of X_2 series

n_1 = No of X_1 series

n_2 = No. of X_2 series

S^2 = $\frac{n_1 s_1^2 + n_2 s_2^2}{n_1 + n_2 - 2}$

s_1^2 = Variance of X_1 series (σ_1)²

s_2^2 = Variance of X_2 series (σ_2)²

Level of significance: Level of significance $\alpha = 5\%$

Critical Value: Tabulated or critical value of t at α Percentage level of significance for $(n_1 + n_2 - 2)$ degree of freedom obtain from t tables.

Decision: If calculated 't' is less than or equal to tabulated value of 't' it falls in the accept region and the null hypothesis is accepted and if calculated 't' is greater than tabulated 't' null hypothesis is rejected.

For this study, some set of null and alternative hypothesis have been formulated and tested.

H_0 : There is no significance difference between the average values of NWC of two sample banks.

H_1 : There is significance difference between the average values of NWC of two sample banks.

H_0 : There is no significance difference between the average values of NPAT of two sample banks.

H_1 : There is significance difference between the average values of NPAT of two sample banks.

CHAPTER - FOUR

PRESENTATION & ANALYSIS OF DATA

To find the answer of research problem, the collected data are necessary to present and analyze by processing. This chapter will present the data on table & figure. The main objective of the study is to present data and analyze them with the help of various financial and statistical tools. This chapter consists of analysis and presentation of empirical data. The important variables are very sensitive and taken into consideration, so this chapter will present the analysis of components of working capital. The major ratios for the study are liquidity ratios, assets management ratio, debt management ratios, profitability ratios and composition of working capital. The variables of the ratios indicated above are also tried to study in details. Firstly it is attempted to deal about the working capital policies followed by bank and then financial position of success/failure companies has been analyzed applying various methods.

4.1 Working Capital Policy & Trend Analysis

Working capital policy can be categorized into three categories aggressive, moderate and conservative policy. Nepalese commercial banks listed in NEPSE have also followed the above mentioned types of working capital policies. The firms use to adopt different working capital policies according to the financial managers' attitude towards the risk return trade off. One of the most important decisions of financial manager is how much current liabilities should be used to finance current assets. Hence, it is tried to analyze on the basis various variables and ratios, taking five years data. The analysis is done period wise.

4.1.1 Analysis of Composition of Current Assets

Business needs different types of assets to operate its activities some assets are needed for the long term fulfillment of the business activities while others are needed to carry out the day to day operation of the business. The assets that are used to carry out the day to day operation of business are known as current assets. Every bank has to maintain the appropriate level of current assets to run the business smoothly because the

success/failure of any bank depends upon the proper management of current assets. The level of current assets is analyzed as year-wise.

Table: 4.1
Comoponents of Current Assets of NABIL

(Rs. In Million)

Year	Cash & Bank Balance	Loan, Advance & Bill Purchased	Investment in Government securities	Money at call & short notice	Misc. Current assets	Total Current Assets
063/64	1552.96	9801.31	3322.44	66.96	178.01	14921.68
064/65	2391.42	13664.08	3614.54	-	222.66	19892.71
065/66	2667.97	18339.08	3237.98	346.00	76.22	24967.25
066/67	6164.38	23884.67	3371.42	-	92.17	33912.63
067/68	7818.82	27556.36	2745.28	-	536.19	38656.64

Sources: Annual report of NABIL 2063/064 to 2067/068

Above table 4.1 shows that NABIL has the highest level of current assets of Rs. 38656.64 million in the year 2067/68 and the lowest level of current assets of Rs.14921.68 million in the year 2063/64. The components of current assets of the bank are Cash & Bank Balance, Loan&Advances, Government Securities. Money at Call & Short notice and Miscellaneous Current Assets.Out of these componants loan and advance has the highest amount in each year and all items are increasing in each year without miscellaneous current assets so,the volume of current asset are increasing trend in each year.The proportion of each components are shows in the following tables and figure.

Table: 4.2
Componants of Current Assets of NABIL

(In Percentage)

Year	Cash & Bank Balance	Loan, Advance & Bill Purchased	Investment in Government securities	Money at call & short notice	Misc. Current assets	Total
063/64	10.41	65.69	22.27	0.45	1.19	100
064/65	12.02	68.69	18.17	0.00	1.12	100
065/66	10.69	73.45	13.56	1.39	1.31	100
066/67	18.18	70.43	9.94	0.00	0.86	100
067/68	20.23	71.28	7.10	0.00	1.39	100

Sources: Annual report of NABIL 2063/064 to 2067/068

Figure: 4.1

Componants of Current Assets of NABIL

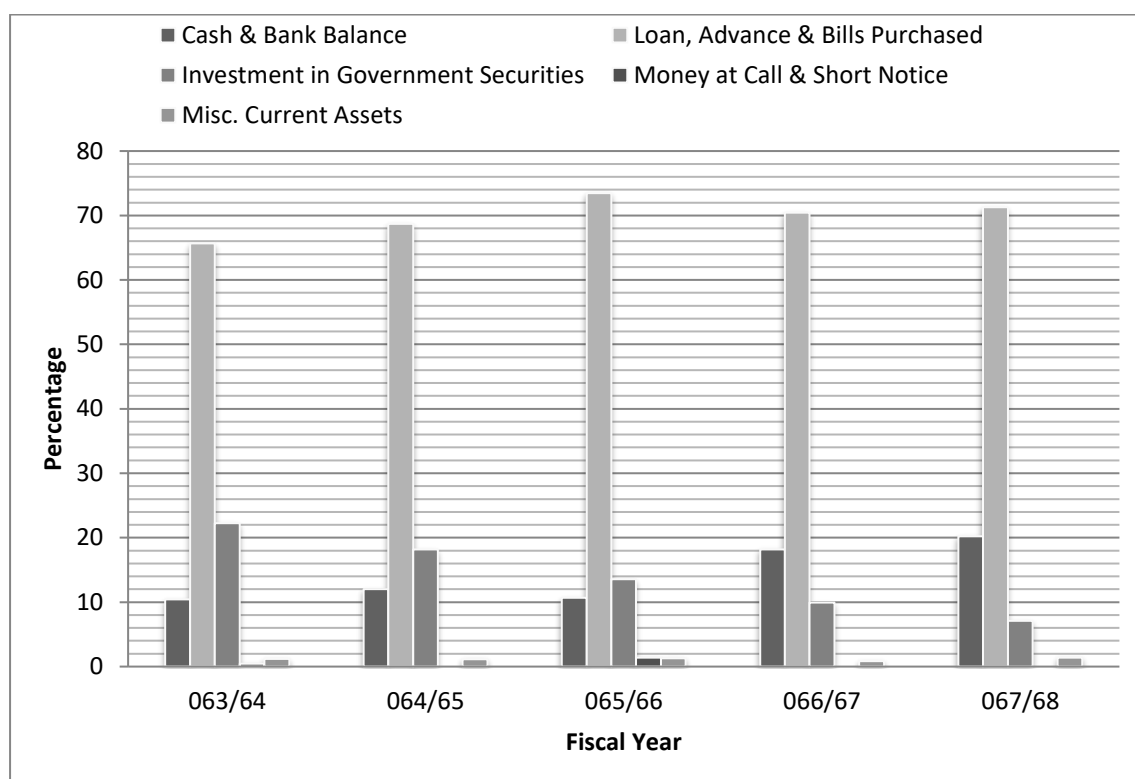


Table 4.2 and figure 4.1 shows that NABIL has the highest level of Cash & Bank Balance in current assets of 20.23 percentages in the year 2067/68 and the lowest level of it in current assets of 10.41 percentages in the year 2063/64. The level of Loan & Advances is highest in 2065/66 and that of lowest in 2063/64. The level of Government Securities is highest in 2063/64 and that of lowest in 2067/68. Similarly the level of Misc. Current Assets is highest in 2065/66 and that of lowest in 2064/65. Out of these components major proportion holds by loan & advance in each year and all components are in fluctuating trend in this five year time period.

Table: 4.3**Comoponents of Current Assets of HBL**

(Rs. In Million)

Year	Cash & Bank Balance	Loan, Advance & Bill Purchased	Investment in Government securities	Money at call & short notice	Misc. Current assets	Total Current Assets
063/64	1276.24	8935.42	7210.50	1977.27	638.56	20037.99
064/65	2021.02	10502.64	5995.10	1761.15	633.05	20912.96
065/66	2050.24	13718.60	7157.73	2197.54	1349.32	26473.43
066/67	3137.16	13679.76	9050.99	2055.55	820.69	28744.15
067/68	1929.31	15956.95	7878.56	1669.46	691.55	28125.83

Sources: Annual report of HBL 2063/064 to 2067/068

In the table 4.3 HBL has the highest level of current assets of Rs. 28744.15 million in the year 2066/67 and the lowest level of current assets of Rs. 20037.99 million in the year 2063/64. The components of current assets of the bank are Cash & Bank Balance, Loan&Advances, Government Securities.Money at Call & Short notice and Miscellaneous Current Assets.Out of these componants loan and advance has the highest amount in each year.The proportion of each components are shows in the following tables and figure.

Table: 4.4**Componants of Current Assets of HBL**

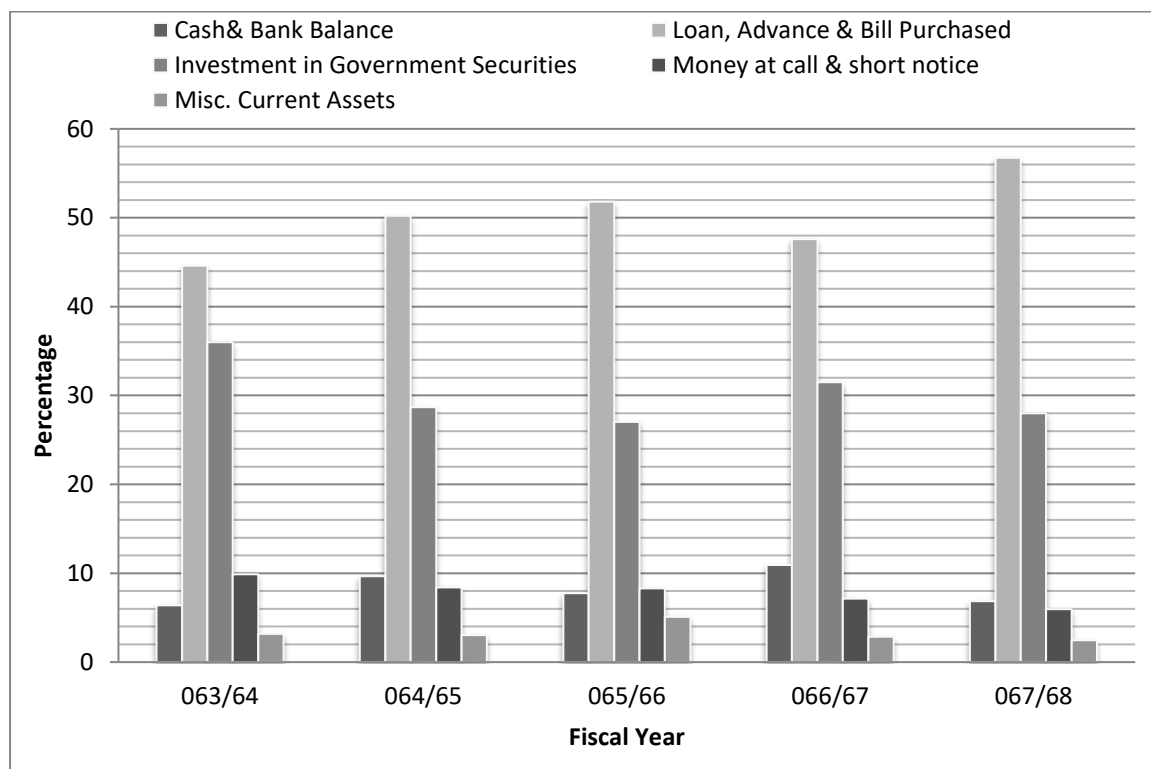
(In Percentage)

Year	Cash & Bank Balance	Loan, Advance & Bill Purchased	Investment in Government securities	Money at call & short notice	Misc. Current assets	Total
063/64	6.37	44.59	35.98	9.87	3.19	100
064/65	9.66	50.22	28.67	8.42	3.03	100
065/66	7.74	51.82	27.04	8.30	5.10	100
066/67	10.91	47.59	31.49	7.15	2.86	100
067/68	6.86	56.73	28.01	5.94	2.46	100

Sources: Annual report of HBL 2063/064 to 2067/068

Figure: 4.2

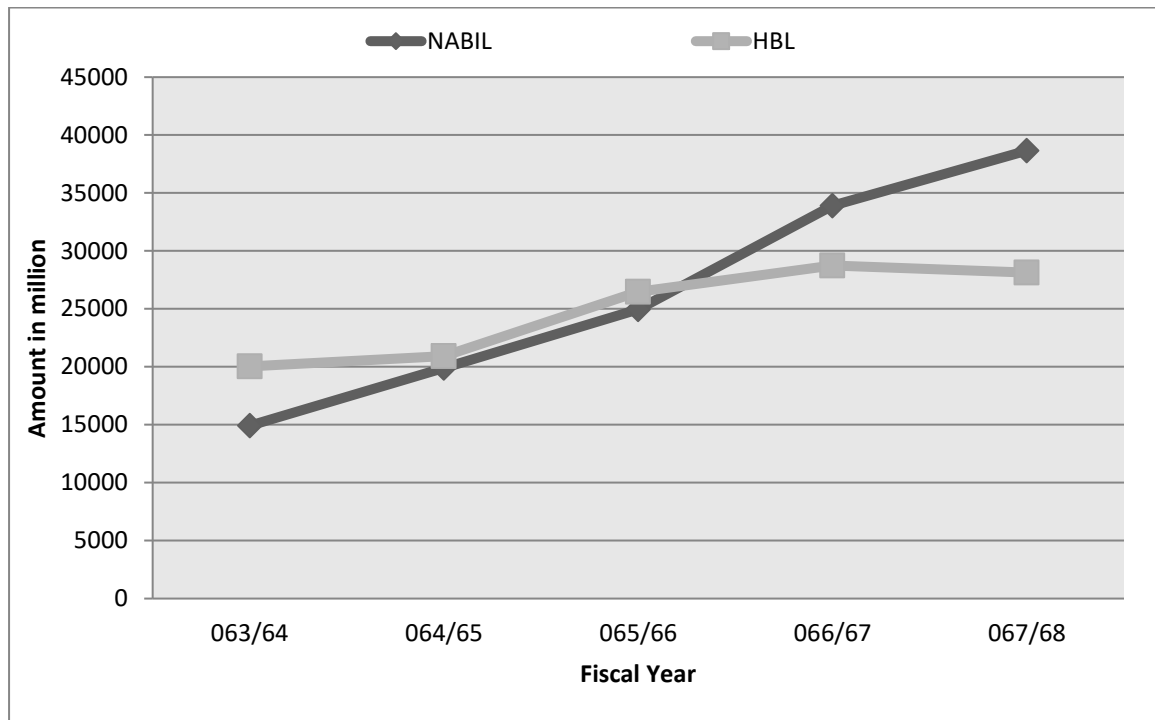
Components of Current Assets of HBL



Above table 4.4 and figure 4.2 shows that HBL has the highest level of Cash & Bank Balance in current assets of 10.91 percentages in the year 2066/67 and the lowest level of it in current assets of 6.37 percentages in the year 2063/64. The level of Loan & Advances is highest in 2067/68 and that of lowest in 2063/64. The level of Government Securities is highest in 2063/64 and that of lowest in 2065/66. Similarly the level of Misc. Current Assets is highest in 2065/66 and that of lowest in 2064/66. Out of these components major proportion holds by loan & advance in each year and all components are in fluctuating trend in this five year time period.

Figure: 4.3

Trend Line of Current Assets of NABIL & HBL



Above figure shows that the trend of current assets of NABIL is increasing each year but HBL increasing up to year 2066/67 & decrease in 2067/68. A total current asset of NABIL is less than the HBL up to 2065/66, after that current assets of NABIL is more than the HBL. In 2067/68, the difference of current assets between NABIL & HBL is Rs. 10530.81million.

4.1.2 Analysis of Components of Net Working Capita

Net Working Capital is the difference between current assets and current liabilities. Net working capital can be positive or negative. A positive net working capital will arise when current assets exceed current liabilities. A negative net working capital occurs when current liabilities is excess of current assets.

$$\text{Net Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

All the organization should have just adequate working capital to serve in competitive market. Excessive or inadequate working capital is dangerous from the firm's point of view. Excessive investment working capital affects a firm's profitability just as idle investment yields nothing. In the same way inadequate or negative working capital may be harmful to the organization. So, net working capital can be more useful for the analysis

of trade-off between profitability and risk. It enables a firm to determine how much amount is left for operational requirement.

Table: 4.5
Components of Net Working Capital of NABIL

(Rs. In Million)

Year	Current Assets (CA)	Current Liabilities (CL)	Net Working Capital (CA-CL)
063/64	14921.68	10454.12	4467.56
064/65	19892.71	14304.41	5588.3
065/66	24967.25	18481.92	6485.33
066/67	33912.63	27051.25	6861.38
067/68	38656.64	27478.74	11177.9

Sources: Annual report of NABIL 2063/064 to 2067/068

Table: 4.6
Components of Net Working Capital of HBL

(Rs. In Million)

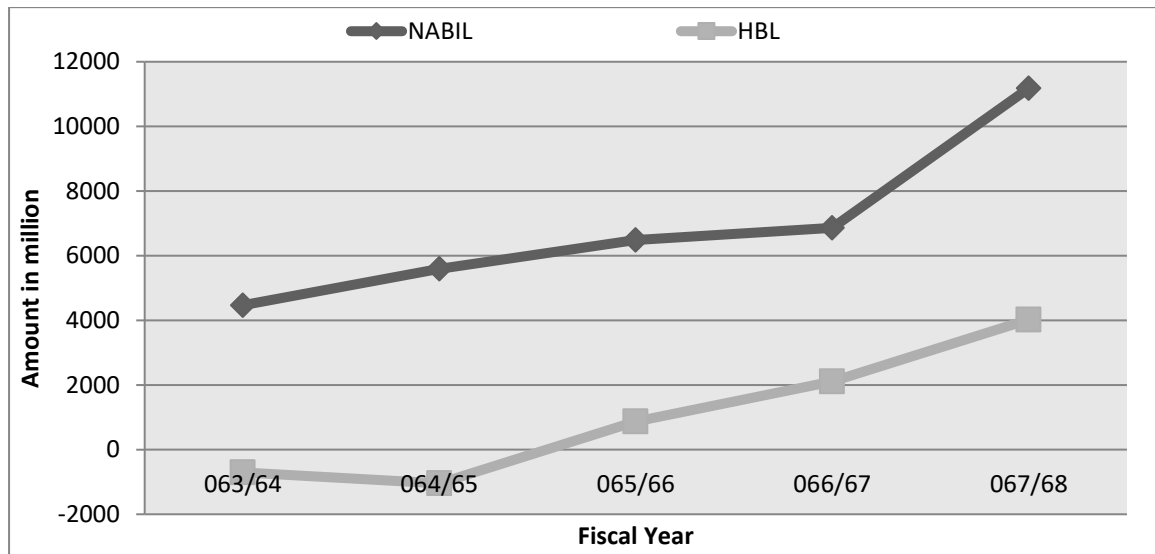
Year	Current Assets (CA)	Current Liabilities (CL)	Net Working Capital (CA-CL)
063/64	20037.99	20741.21	-703.22
064/65	20912.96	21957.6	-1044.64
065/66	26473.43	25603.93	869.50
066/67	28744.15	26639.33	2104.82
067/68	28125.83	24105.29	4020.54

Sources: Annual report of HBL 2063/064 to 2067/068

The above table 4.5, 4.6 & figure 4.3 shows that the level of net working capital, current assets and current liabilities of NABIL & HBL. During the study period of 5 years from 2063/64 to 2067/68, the highest amount of net working capital of NABIL is Rs. 11177.9 million, current assets is Rs. 38656.64 million, current liabilities is Rs. 27478.74 million in 2067/68 and that of lowest amount are Rs. 4467.56 million, 14921.68 million and 10454.12 respectively in 2063/64. Over the study period NABIL has positive working capital, it means the firm has higher level of current assets than current liabilities. Trend of working capital is increasing each year.

During the study Period, the highest amount of net working capital of HBL is Rs. 4020.54 million in 2067/68, current assets is Rs. 28744.15 million, current liabilities is Rs. 26639.33 million in 2066/67 and that of lowest amount aer Rs. -1044.64 million in 064/65, 20037.99 million and 20741.21 respectively in 2063/64. The working capital of HBL is negative in 2063/64 & 2064/65, it means the level of current liabilities is higher than current assets.

Figure: 4.4
Trend Line of Net Working Capital of NABIL & HBL



4.2 Financial Ratio and Trend Analysis

Financial analysis is the process of identifying the financial strengths and weaknesses of the organization by properly establishing relationship between the items of the balance sheet and the profit and loss account. Ratio analysis is a powerful financial tool to measure the financial performance of banks. As mentioned in research methodology, liquidity, debt management, Assets management and profitability ratios are calculated.

4.2.1 Liquidity Ratio

Liquidity of any business organization is directly related with the working capital or current assets and current liabilities of that organization. In other words, one of the main objectives of working capital management is keeping sound liquidity position. Bank is different organization which is engaged in mobilization of funds. Therefore, without sound liquidity position, bank is not able to operate its function. In this study, to measure

the bank's solvency position or ability to meet its short-term obligation, current ratio and quick ratio are calculated to know the trend of liquidity.

Current ratio indicates the current short term solvency position of bank. Higher current ratio indicates better liquidity position. In other words, current ratio represents a margin of safety, i.e. a „cushion' of protection for creditors and the highest the current ratio, greater the margin of safety, large the amount of current assets in relation to current liabilities, more the banks ability to meet its current obligations.

Quick ratio establishes a relationship between quick or liquid assets and current liabilities. An asset is liquid if it can be converted into cash immediately or reasonably soon without a loss of original value. Cash is a most liquid asset. other assets which are considered to be relatively liquid and included in quick assets are government securities and money at call & short notice.

Table: 4.7
Liquidity Ratios

(Rs. In Million)

Year	Current Ratio		Quick Ratio	
	NABIL	HBL	NABIL	HBL
063/64	1.43	0.97	0.47	0.44
064/65	1.39	0.95	0.42	0.35
065/66	1.35	1.03	0.34	0.37
066/67	1.25	1.08	0.35	0.42
067/68	1.41	1.17	0.38	0.40

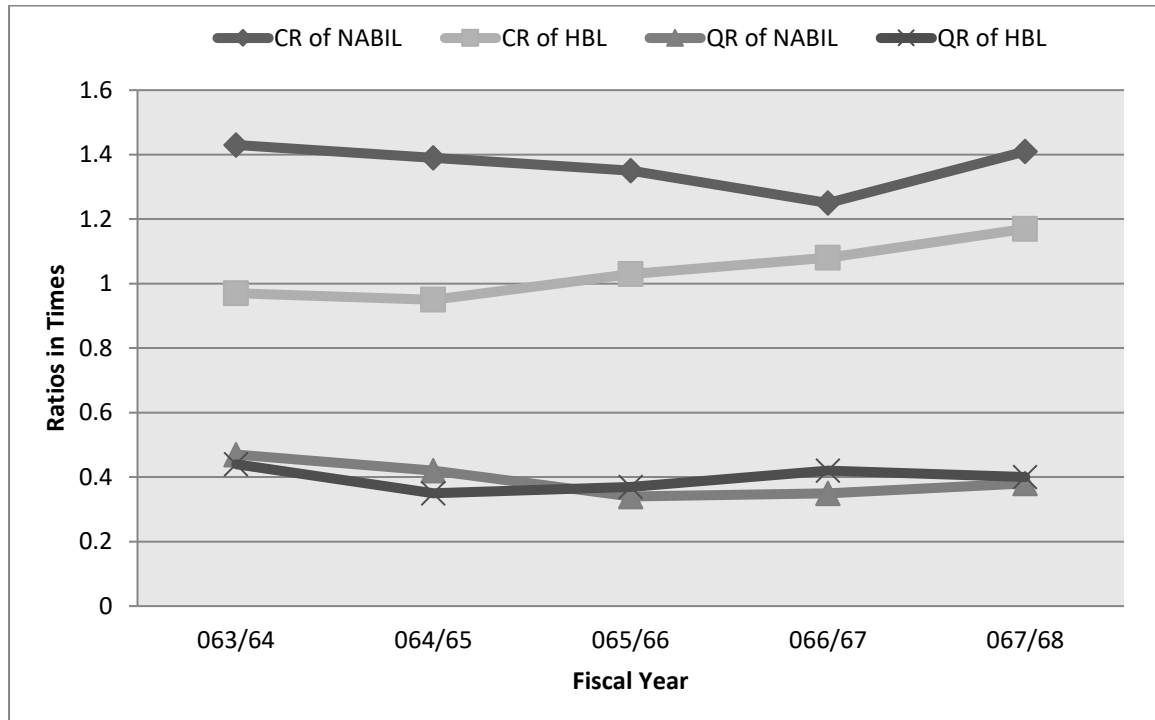
Sources: Appendix 1 & 2

Table 4.5 and figure 4.4 shows that the liquidity position of NABIL & HBL by the help of current ratio and quick ratio. During the study period of 5 years from 2063/64 to 2067/68, the highest current ratio of NABIL is 1.43 times in 2063/64 and that of lowest is 1.25 times in 2066/67. Over the study period the highest quick ratio is 0.47 times in 2063/64 and that of lowest is 0.34 times in 2064/65. Over the study period the quickt ratio & current ratio of NABIL is in fluctuating trend.

Similarly, the highest current ratio of HBL is 1.17 times in 2063/64 and that of lowest is 0.95 times in 2064/65. Over the study period the highest quick ratio is 0.44 times in 2063/64 and that of lowest is 0.34 times in 2064/65. Over the study period the quickt ratio

& current ratio of HBL is in fluctuating trend. The banks can not maintain the standard of these ratios so overall liquidity position of banks is good but not better. These ratios are presented in the following figures.

Figure: 4.5
Trend Line of Liquidities Ratios



4.2.2 Debt Management Ratios

Debt management ratio indicate the extent to which debt financing is being used by a firm. It is a measure of long term solvency of firm. In this study, to measure the bank's long term solvency position debt-assets, debt-equity, long-term debt to total assets and total deposit to total assets ratio are calculated to know the trend of long term solvency. Debt-assets ratio shows the proportion of total debts used in financing total assets of a firm. Higher debt ratio is better for the firm.

Debt-Equity ratio is express the relationship between debt capital and equity capital, and reflects their relative claim on the assets of a firm. Lower debt-equity ratio is better for the firm.

Table: 4.8
Debt management Ratios

(In Percentage)

Year	Debt Assets Ratio (DAR)		Debt Equity Ratio (DER)	
	NABIL	HBL	NABIL	HBL
063/64	92.38	93.19	60.09	43.75
064/65	90.07	92.60	62.54	45.64
065/66	89.49	92.52	63.34	44.68
066/67	91.49	92.38	61.52	46.44
067/68	93.93	91.62	62.57	45.21

Sources: Appendix 11

Figure: 4.6

Trend Line of Debt management Ratios

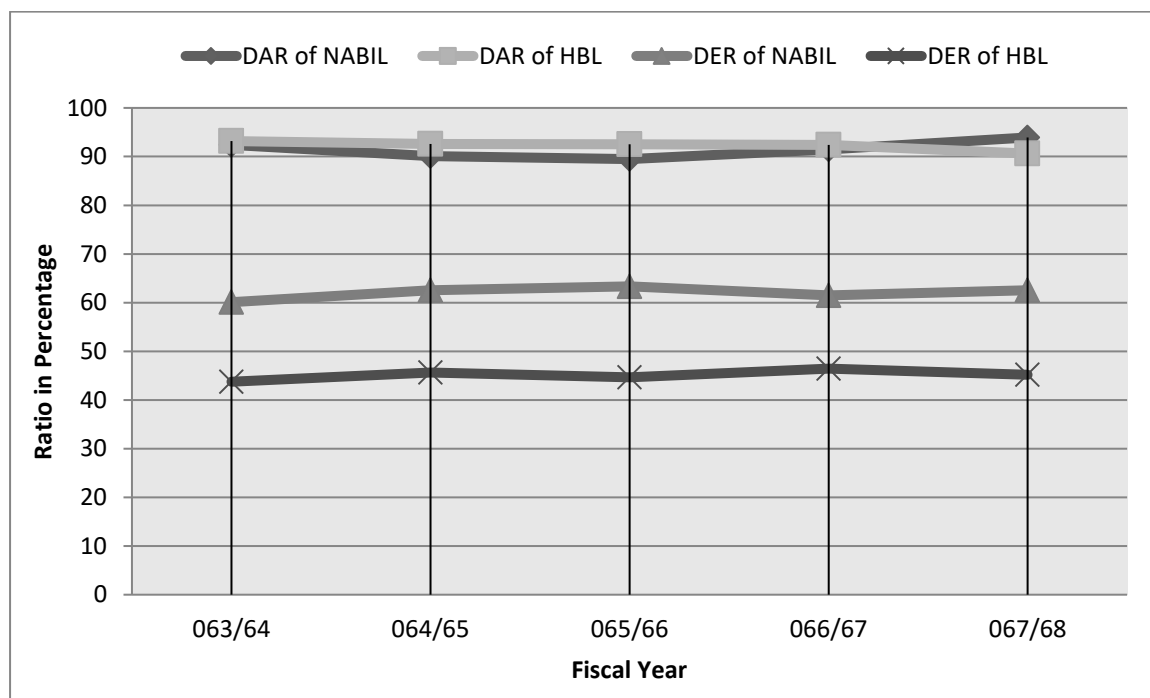


Table 4.8 and figure 4.5 shows that the long term solvency position of NABIL & HBL by the help of debt-assets ratio & debt-equity ratio. During the study period of 5 years from 2063/64 to 2067/68, the highest debt-assets ratio of NABIL is 93.93 percentage in 2067/68 and that of lowest is 90.07 percentage in 2064/65. The highest debt-equity ratio is 63.34 percentage in 2065/66 and that of lowest is 60.09 percentage in 2063/64. Over the study period the debt-assets ratio & debt-equity ratio of NABIL is in fluctuating trend. The highest debt-assets ratio of HBL is 93.19 percentage in 2063/64 and that of lowest is 91.62 percentage in 2067/68. The highest debt-equity ratio is 45.64 percentage in 2064/65

and that of lowest is 43.75 percentage in 2063/64. Over the study period the debt-assets ratio & debt-equity ratio of HBL is in fluctuating trend.

4.2.3 Assets Management Ratio

Assets Management Ratio look at the amount of various types of assets and attempt to determine if they are too high or too low with regard to current operating levels. Assets management ratios measure the effectiveness of a firm's assets utilization. In this study, to measure the effectiveness of a firm's assets utilization, loan & advance to total deposit, loan & advance to fixed deposit and loan & advance to saving deposit are calculated.

Loan & Advances to Total Deposit Ratio ratio assess to what extent the bankers are able to utilize the depositors' fund to earn profit by providing loans and advances. High ratio shows the better position of the firm.

Loan & advance to fixed deposit ratio indicates how much long term interest bearing deposits are utilized for income generating purpose. This ratio measures the utilization of fixed deposit in generating revenue by giving loan and advance to the client. Loan & advance to saving deposit ratio indicates how much short term interest bearing deposits are utilized for income generating purpose.

Table: 4.9
Assets Management Ratios

Year	LA-TDR (%)		NWC-TAR (%)		TAT (In Times)		FAT (In Times)	
	NABIL	HBL	NABIL	HBL	NABIL	HBL	NABIL	HBL
063/64	71.01	38.75	27.99	-2.73	0.07	0.06	7.01	14.00
064/65	75.13	42.61	26.07	-3.65	0.06	0.05	8.06	12.41
065/66	76.49	46.12	23.89	2.61	0.07	0.05	5.13	15.13
066/67	71.68	38.70	18.59	5.25	0.07	0.05	6.01	15.24
067/68	74.61	45.35	27.01	10.00	0.08	0.06	7.56	19.38

Source: Appendix 3,4,5 & 6

Figure: 4.7
Trend Line of Loan & Advance to Total Deposit Ratio and
Net Working Capital to Total Assets Ratio

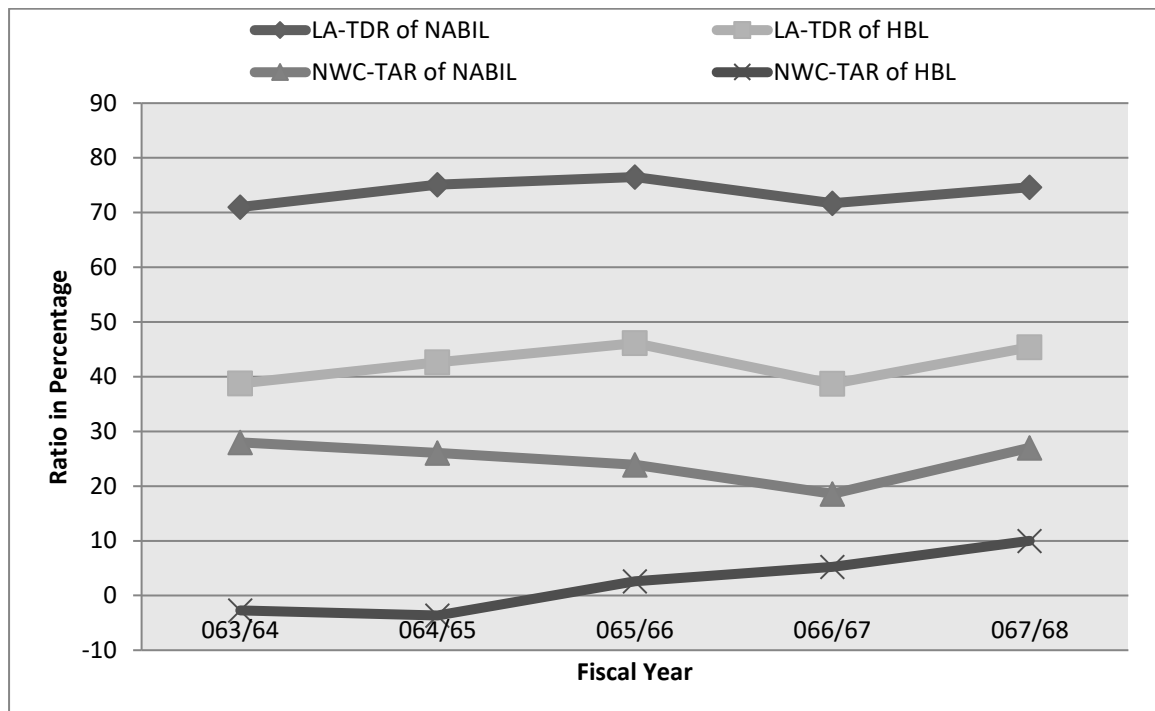


Table 4.9 and figure 4.6 shows that the percentage amount of loan & advance utilize from total deposit and percentage amount of net working capital utilize from total assets of NABIL & HBL. During the study period of 5 years from 2063/64 to 2067/68, the highest loan & advance to total deposit ratio of NABIL is 76.49 percentage in 2065/66 and that of lowest is 71.01 percentage in 2063/64. The highest net working capital to total assets Ratio is 27.99 percentage in 2063/64 and that of lowest is 18.59 percentage in 2066/67. Over the study period the Loan & advance to total deposit Ratio & working capital to total assets ratio of NABIL is in fluctuating trend.

Similarly, the highest loan & advance to total deposit ratio of HBL is 45.35 percentage in 2067/68 and that of lowest is 38.70 percentage in 2066/67. The highest net working capital to total assets Ratio is 10.00 percentage in 2067/68 and that of lowest is -3.65 percentage in 2064/65. Over the study period the Loan & advance to total deposit Ratio & working capital to total assets ratio of NABIL is in fluctuating trend.

Figure: 4.8
Trend Line of Fixed Assets Turnover

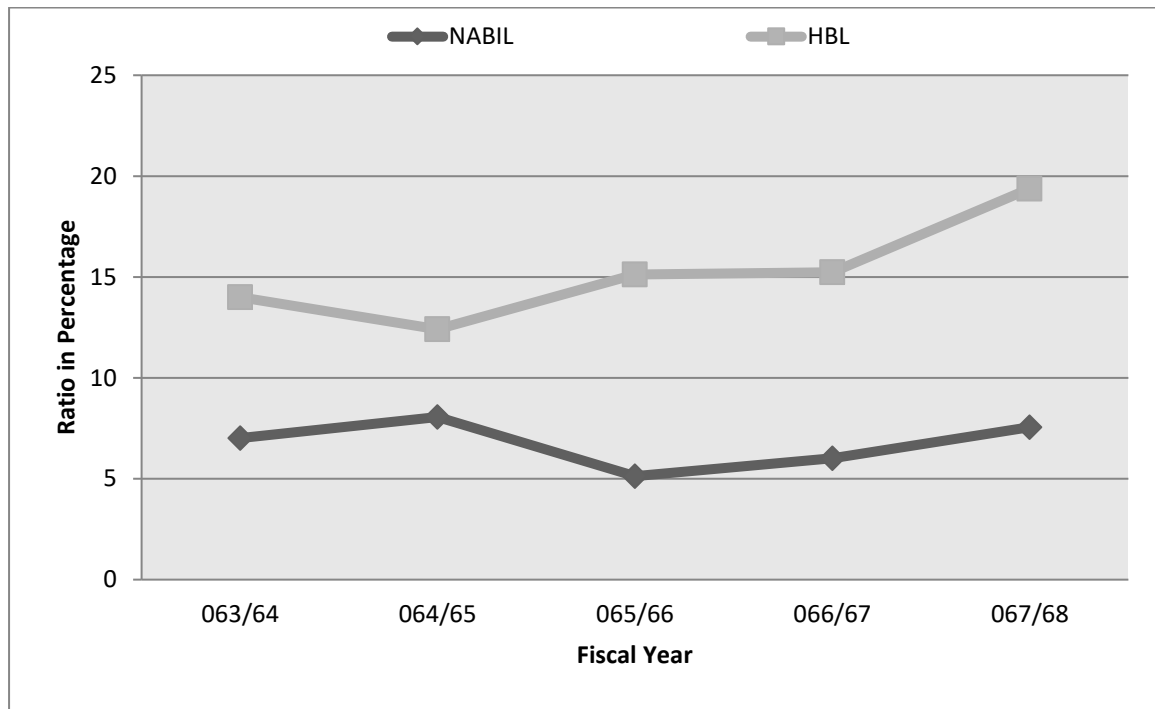
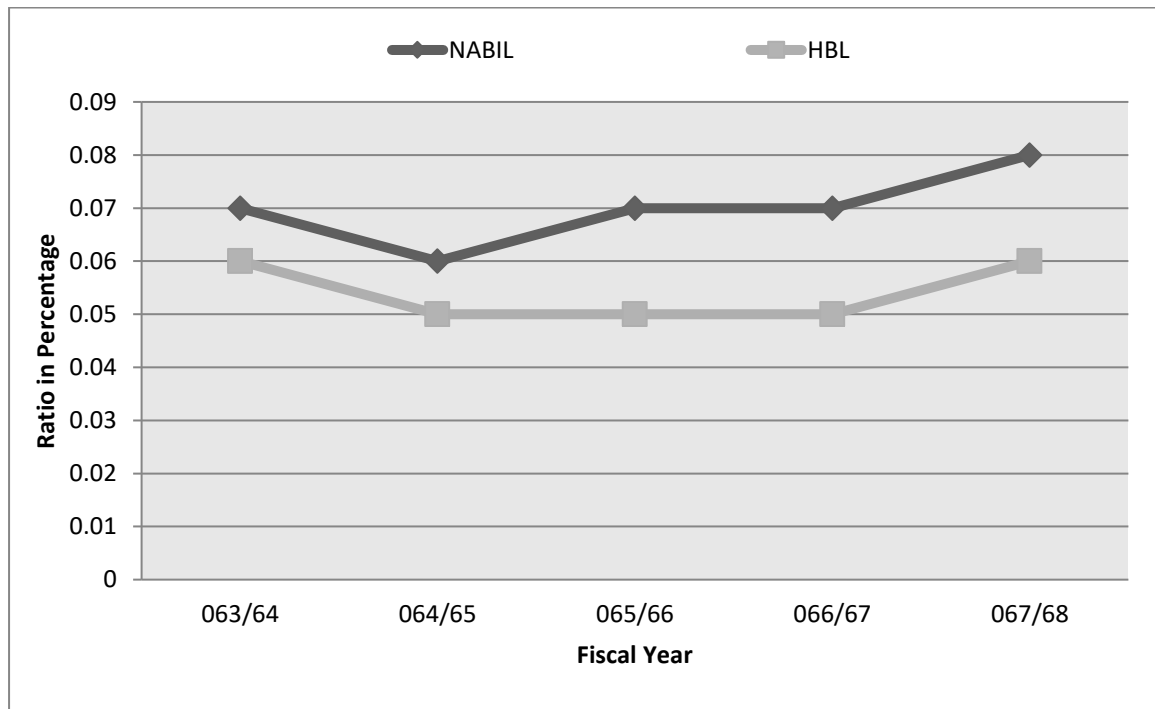


Figure 4.7 & 4.8 shows that the assets utilization of NABIL & HBL by the help of total assets turnover and fixed assets turnover ratio. During the study period of 5 years from 2063/64 to 2067/68, the highest total assets turnover ratio of NABIL is 0.08 times in 2066/67 and that of lowest is 0.06 times in 2064/65 . Over the study period the total asstes turnover ratio of NABIL is in fluctuating trend. The highest fixed assets turnover rattoo is 8.06 times in 2064/65 and that of lowest is 5.13 times in 2065/66. Over the study period the fixed assets turnover ratio of NABIL is in fluctuating trend.

The highest total assets turnover ratio of HBL is 0.06 times in 2063/64 & 2067/68 and equal 0.05 in other remaining three years.Over the study period the total asstes turnover ratio of HBL is in fluctuating trend. The highest fixed assets turnover rattoo is 19.38 times in 2067/68 and that of lowest is 12.41 times in 2064/65. Over the study period the fixed assets turnover ratio of HBL is in fluctuating trend.

Figure: 4.9
Trend Line of Total Assets Turnover



4.2.4 Profitability Ratio

Profitability ratios measure the overall performance of the bank by determining the effectiveness of the bank in generating profit and establishing relationship between profit and assets. Profitability ratio indicates the degree of success in achieving desired profit. Various profitability ratios are calculated to measure the efficiency of the bank. Success and failure of the bank depends upon its profitability showing how efficiently it is utilizing its deposit, assets, equity etc. In this study to measure how effectively the firm is being operated and managed, return on loan & advance, return on total deposit, return on total assets and return on equity ratio are calculated.

Return on loan & advance measures the earning capacity of commercial banks on its deposits mobilized on loan and advances. Mostly loan and advances include loan, cash credit, overdrafts bills purchased and discounted.

Return on total deposit ratio reflects the extent to which the banks have been successful in mobilizing its total deposit. total deposit of the bank is its creditorship. The prior objective of the bank is collected more deposit and utilization in various sectors i.e. to earn high profit there by maximizing return on its total deposits.

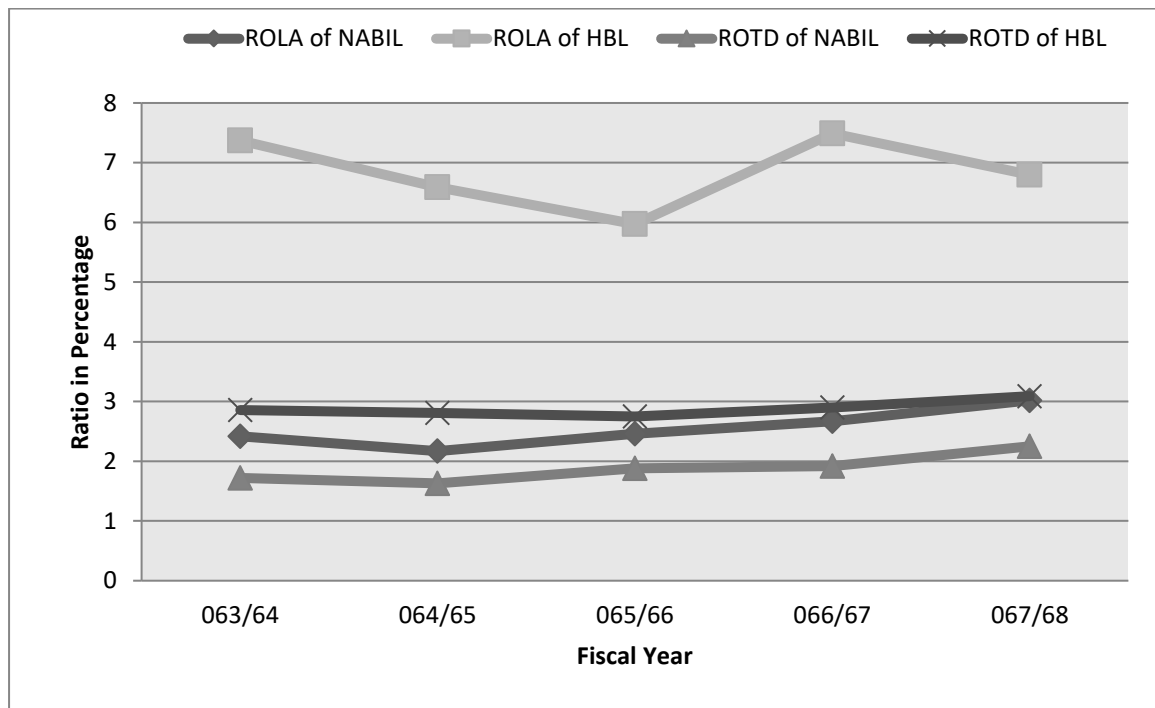
Return on total assets ratio is calculated to reveal the profitability of the banks with respect to total assets. It measures the profitability of all financial resources invested in the banks assets.

Table: 4.10
Profitability Ratios

Year	ROLA(%)		ROTD (%)		ROTA (%)		ROTE(%)	
	NABIL	HBL	NABIL	HBL	NABIL	HBL	NABIL	HBL
063/64	2.42	7.37	1.72	2.86	1.49	2.56	24.64	37.55
064/65	2.17	6.59	1.63	2.81	1.38	2.42	24.67	32.68
065/66	2.46	5.97	1.88	2.75	1.66	2.46	23.48	32.85
066/67	2.67	7.49	1.92	2.90	1.73	2.56	28.98	33.58
067/68	3.02	6.80	2.25	3.09	2.01	2.70	30.15	32.22

Source: Appendix 7, 8, 9, & 10

Figure: 4.10
Trend Line of Return on Loan & Advance and Return on Total deposit of NABIL & HBL

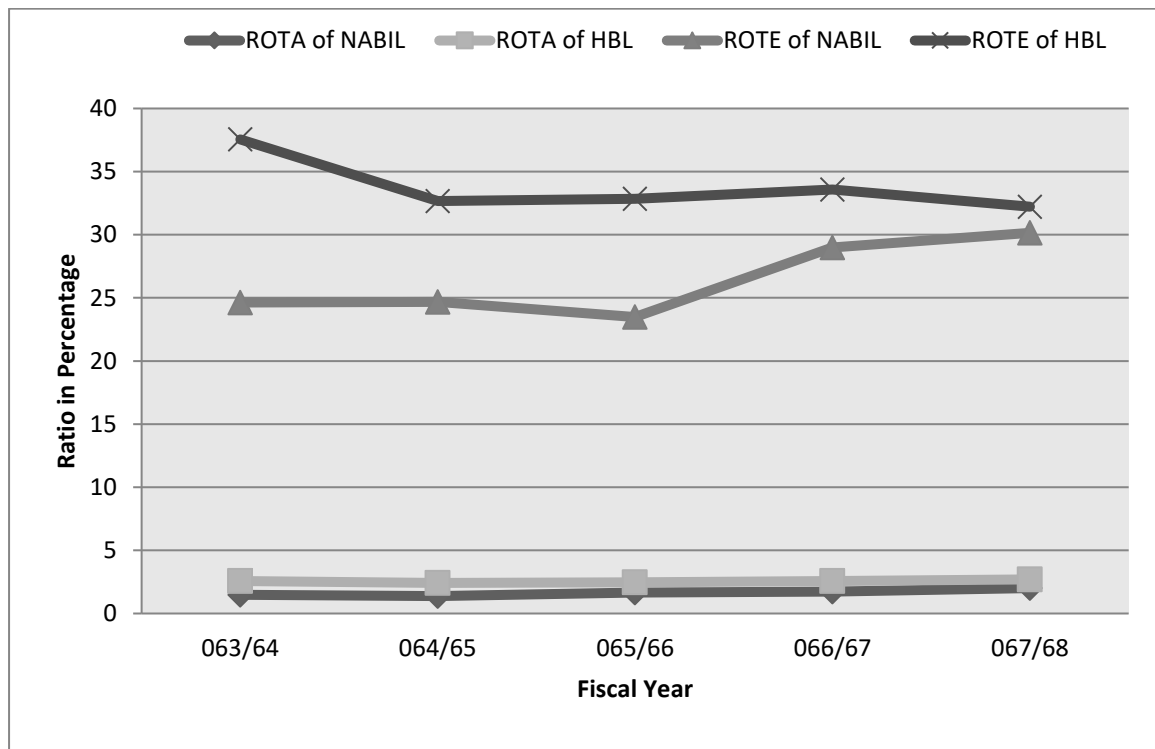


Above table 4.10 and below figure 4.10 shows that the profitability earned by the bank from utilization of total deposit and giving loan. During the study period of 5 years from 2063/64 to 2067/68, the highest return on loan & advance ratio of NABIL is 3.02

percentage in 2067/68 and that of lowest is 2.17percentage in 2064/65 . It means the bank earned 3.02 percentage in 2067/68 and 2.17 percentage in 2064/65 by giving loan.Over the study period the loan & advance ratio of NABIL is in fluctuating trend. The highest return on total deposit rattoo of NABIL is 2.25 percentage in 2067/68 and that of lowest is 1.63 percentage in 2064/65. It means the bank earned 2.25 percentage in 2067/68 and 1.63 percentage in 2064/65 by utilizing deposit. Over the study period the return on total deposit ratio of NABIL is in fluctuating trend.

During the study period of 5 years from 2063/64 to 2067/68, the highest return on loan & advance ratio of HBL is 7.49 percentage in 2066/67 and that of lowest is 5.97 percentage in 2065/66. It means the bank earned 7.49 percentage in 2066/67 and 5.97 percentage in 2065/66 by giving loan.Over the study period the loan & advance ratio of HBL is in fluctuating trend. The highest return on total deposit rattoo of HBL is 3.09 percentage in 2067/68 and that of lowest is 2.81 percentage in 2064/65. It means the bank earned 3.09 percentage in 2067/68 and 2.81percentage in 2064/65 by utilizing deposit. Over the study period the return on total deposit ratio of HBL is in fluctuating trend.

Figure: 4.11
Trend Line of Return on Total Assets and Return on Total Equity
of NABIL & HBL



The profitability earned by the bank from utilization of total assets and total equity of NABIL is 1.49 percentage in 063/64, 1.38 percentage in 064/65 and then increasing up to 2.01 percentage in 067/68. It shows that the bank effectiveness in utilization of total assets is increasing each year. The highest return on total equity ratio of NABIL is 30.15 percentage in 2067/68 and that of lowest is 23.48 percentage in 2065/66. The bank effectiveness in utilization of total equity is in fluctuating trend over the study period each year.

The profitability earned by the bank from utilization of total assets and total equity of HBL is 2.56 percentage in 063/64, 2.42 percentage in 064/65 and then increasing up to 2.70 percentage in 067/68, it shows that the bank effectiveness in utilization of total assets is increasing each year. The highest return on total equity ratio of HBL is 37.55 percentage in 2063/64 and that of lowest is 32.22 percentage in 2067/68. The bank effectiveness in utilization of total equity is in fluctuating trend over the study period each year. Which is presented by the following graph.

4.3 Statistical Analysis

Statistical analysis is necessary to establish relationship between two or more variables and to find how these variables are related. In this study arithmetic mean, standard deviation, coefficient of variation, correlation and hypothesis test are used to analyze data.

4.3.1 Mean and Standard Deviation

The mean or average value is a single value within the range of the data that is used to represent all the values in the series. Since an average is somewhere within the range of the data, it is also called a measure of central value.

The standard deviation is the measure that is most often used to describe variability in data distributions. It can be thought of as a rough measure of the average amount by which observations deviate on either side of the mean. Standard deviation is extremely useful for judging the representativeness of the mean.

Table: 4.11**Mean value And Standard Deviation of NABIL & HBL**

Componants	NABIL		HBL	
	Mean Value	Standard Deviation	Mean Value	Standard Deviation
Current Assets	26470.18 million	9782.51 million	24858.87 million	4098.36 million
Working Capital	6916.09 million	2554.89 million	1049.4 million	2087.5 million
Current Ratio	1.37 times	0.069 times	1.04 times	0.088 times
Quick Ratio	0.39 times	0.054 times	0.39 times	0.037 times
Debt-Assets ratio	91.47%	1.79%	92.46%	0.56%
Debt-Equity Ratio	92.46%	0.56%	45.14%	1.01%
Loan & Advance to Total deposit Ratio	73.78%	0.02%	42.31%	0.035%
Total Assets Turnover Ratio	0.07 times	0.01 times	0.05 times	0.002 times
Fixed Assets Turnover Ratio	6.75 times	1.19 times	15.23%	2.586%
Net Working Capital to Total Assets Ratio	24.71%	0.04%	2.30%	0.057%
Return On Loan & Advance Ratio	2.55%	0.28%	6.85%	0.006%
Return On Total Deposit Ratio	1.88%	0.24%	2.88%	0.001%
Return On Total Assets Ratio	1.65%	0.002%	2.54%	0.001%
Return On Equity Ratio	26.38%	0.03%	33.78%	0.022%

Source: Annual reports of NABIL and Appendix 12, 13, 14, 15

4.3.2 Co-efficient of Correlation

The coefficient of correlation measures the degree of relationship between two sets of figures. The result of coefficient of correlation is always lie between +1 and -1. It shows the effect of changes in one variable on another variable

Table: 4.12
Co-efficient Of Correlation

Componants	Correlation	
	NABIL	HBL
Current Ratio And Quick Ratio	0.709	0.60
Total Deposit And Net Profit Afetr Tax	0.986	0.984
Total Deposit And Loan And Advance	0.997	0.924

Source: Appendix 12, 13, 14, 15

The above table 4.12 shows that the degree of relationship between current ratio and quick ratio, total deposit and net profit after tax and total deposit & loan and advance under five year study period from 063/64 to 067/68. In this study, current ratio & total deposit are independent variable (X) and quick ratio, net profit after tax and loan & advance are dependent variable (X_1).

From the above table, it is found that the coefficient of correlation between current ratio and quick ratio of NABIL is 0.709 i.e. there is high degree of positive correlation between two variables. It means correlation co-efficient between current ratio and quick ratio of NABIL is perfect correlation.

Co-efficient of correlation between current ratio and quick ratio of HBL is 0.60 i.e. there is positive correlation between two variables. It means correlation co-efficient between current ratio and quick ratio of NABIL is positive.

Co-efficient of correlation between total deposit and net profit after tax of NABIL is 0.986 and HBL is 0.984 i.e. there is high degree of positive correlation between two variables. It means if one variables increase or decrease another variables also increase or decrease in the same direction. Correlation of coefficient between total deposit and net profit after of NABIL and HBL is perfect correlation.

Co-efficient of correlation between total deposit and loan & advance of NABIL is 0.977 and HBL is 0.924 i.e. there is high degree of positive correlation between two variables. It means if one variables increase or decrease another variables also increase or decrease in the same direction by the same amount. Correlation of

coefficient between total deposit and loan & advance of NABIL & HBL is perfect correlation.

4.3.3 Hypothesis Test

A hypothesis is a conjectural statement of the relation between two or more variables. Hypothesis is always in declarative sentence form and they relate either generally or specifically, variables to variables. In this study, test of significance of difference between two mean is used to analysis. In case of testing the significance of difference between two means of small sample, t-values are used to the t-distribution. In this study, following sets of hypothesis have been formulated and tasted.

H₀: There is no significance difference between working capital of NABIL & HBL.

H₁: There is significance difference between working capital of NABIL & HBL.

H₀: There is no significance difference between Current ratio of NABIL & HBL.

H₁: There is significance difference between Current ratio of NABIL & HBL.

H₀: There is no significance difference between Total Deposit of NABIL & HBL.

H₁: There is significance difference between Total Deposit of NABIL & HBL.

H₀: There is no significance difference between total assets turnover of NABIL & HBL.

H₁: There is significance difference between total assets turnover of NABIL & HBL.

Table: 4.13

Testing of Hypothesis (T-Distribution)

Tested Variable	Degree Of Freedom	Level Of Significance	Calculated T-Value	Tabulated T- Value	Result
Net Working Capital	(5+5-2)=8	$\alpha=5\%$	0.0002	2.306	H ₀ Accepted
Current Ratio	(5+5-2)=8	$\alpha=5\%$	0.004	2.306	H ₀ Accepted
Total Deposit	(5+5-2)=8	$\alpha=5\%$	0.085	2.306	H ₀ Accepted
Total Assets Turnover	(5+5-2)=8	$\alpha=5\%$	0.005	2.306	H ₀ Accepted

Source: Appendix 12, 13, 14 & 15

From the above table 4.13, It is found that the tabulated value of t-distribution is greater than calculated value in each case by considering the test statistic. So, null hypothesis H_0 is accepted and alternative hypothesis H_1 is rejected, it means there is no significant difference between net working capital, current ratio, total deposit and debt assets ratio & total assets turnover of NABIL & HBL. In other words, there is significant relationship between net working capital, current ratio, total deposit and total assets turnover.

4.4 Major Findings of the Study

Basically in this research work, all the data has been obtained from secondary sources. Data has been analyzed by using financial as well as statistical tools. This topic focuses on the major findings of the study, which are derived from the analysis of working capital management of the selected banks with comparatively applying five years data from 206/64 to 2067/68. The major findings of the study derived from the analysis of financial tools of the selected banks are given below.

- The major components of current assets of NABIL & HBL are cash and bank balance, loan & advance, government securities and miscellaneous current assets and current liabilities are deposit liabilities, bills payable, income tax liabilities, dividend liabilities & other current liabilities. The level of current assets and current liabilities are in increasing trend over the study period.
- The liquidity positions of NABIL & HBL is not very poor but the rule of thumb the standard ratio should be 2:1. The banks are unable to maintain the current ratio in accordance with standard.
- The trend of current assets of NABIL is increasing each year but HBL increasing up to year 2066/67 & decrease in 2067/68. A total current asset of NABIL is less than the HBL up to 2065/66, after that current assets of NABIL is more than the HBL. In 2067/68, the difference of current assets between NABIL & HBL is Rs. 10530.81 million.
- The level of net working capital of NABIL is in increasing trend over the period of time. During the study period of 5 years from 2063/64 to 2067/68,

the highest amount of net working capital is Rs.11177.9 million in 2067/68 and that of lowest amount is Rs.4467.56 million in 2063/64. The working capital position of HBL is negative in first two years and then increasing.

- During the study period of 5 years from 2063/64 to 2067/68, the highest debt-assets ratio of NABIL is 93.93 percentage in 2067/68 and that of lowest is 90.07 percentage in 2064/65. The highest debt-equity ratio is 63.34 percentage in 2065/66 and that of lowest is 60.09 percentage in 2063/64. Over the study period the debt-assets ratio & debt-equity ratio of NABIL is in fluctuating trend.
- The highest debt-assets ratio of HBL is 93.19 percentage in 2063/64 and that of lowest is 91.62 percentage in 2067/68. The highest debt-equity ratio is 45.64 percentage in 2064/65 and that of lowest is 43.75 percentage in 2063/64. Over the study period the debt-assets ratio & debt-equity ratio of HBL is in fluctuating trend.
- During the study period of 5 years from 2063/64 to 2067/68, the highest loan & advance to total deposit ratio of NABIL is 76.49 percentage in 2065/66 and that of lowest is 71.01 percentage in 2063/64. The highest net working capital to total assets Ratio is 27.99 percentage in 2063/64 and that of lowest is 18.59 percentage in 2066/67. Over the study period the Loan & advance to total deposit Ratio & working capital to total assets ratio of NABIL is in fluctuating trend.
- The highest loan & advance to total deposit ratio of HBL is 45.35 percentage in 2067/68 and that of lowest is 38.70 percentage in 2066/67. The highest net working capital to total assets Ratio is 10.00 percentage in 2067/68 and that of lowest is -3.65 percentage in 2064/65. Over the study period the Loan & advance to total deposit Ratio & working capital to total assets ratio of NABIL is in fluctuating trend.
- During the study period of 5 years from 2063/64 to 2067/68, the highest total assets turnover ratio of NABIL is 0.08 times in 2067/68 and that of lowest is 0.06 times in 2063/64 .Over the study period the total asstes turnover ratio of

NABIL is in fluctuating trend. The highest fixed assets turnover ratio is 8.06 times in 2064/65 and that of lowest is 5.13 times in 2065/66. Over the study period the fixed assets turnover ratio of NABIL is in fluctuating trend.

- The highest total assets turnover ratio of HBL is 0.06 times in 2063/64 & 2067/68 and equal 0.05 in other remaining three years. Over the study period the total assets turnover ratio of HBL is in fluctuating trend. The highest fixed assets turnover ratio is 19.38 times in 2067/68 and that of lowest is 12.41 times in 2064/65. Over the study period the fixed assets turnover ratio of HBL is in fluctuating trend.
- The highest return on loan & advance ratio of NABIL is 3.02 percentage in 2067/68 and that of lowest is 2.17 percentage in 2064/65. It means the bank earned 3.02 percentage in 2067/68 and 2.17 percentage in 2064/65 by giving loan. Over the study period the loan & advance ratio of NABIL is in fluctuating trend.
- The highest return on total deposit ratio of NABIL is 2.25 percentage in 2067/68 and that of lowest is 1.63 percentage in 2064/65. It means the bank earned 2.25 percentage in 2067/68 and 1.63 percentage in 2064/65 by utilizing deposit. Over the study period the return on total deposit ratio of NABIL is in fluctuating trend.
- During the study period of 5 years from 2063/64 to 2067/68, the highest return on loan & advance ratio of HBL is 7.49 percentage in 2066/67 and that of lowest is 5.97 percentage in 2065/66. It means the bank earned 7.49 percentage in 2066/67 and 5.97 percentage in 2065/66 by giving loan. Over the study period the loan & advance ratio of HBL is in fluctuating trend.
- The highest return on total deposit ratio of HBL is 3.09 percentage in 2067/68 and that of lowest is 2.81 percentage in 2064/65. It means the bank earned 3.09 percentage in 2067/68 and 2.81 percentage in 2064/65 by utilizing deposit. Over the study period the return on total deposit ratio of HBL is in fluctuating trend.

- The coefficient of correlation between current ratio and quick ratio of NABIL is 0.709 i.e. there is high degree of positive correlation between two variables. It means correlation co-efficient between current ratio and quick ratio of NABIL is perfect correlation.
- Co-efficient of correlation between current ratio and quick ratio of HBL is 0.10 i.e. there is positive correlation between two variables. It means correlation co-efficient between current ratio and quick ratio of NABIL is positive.
- Co-efficient of correlation between total deposit and net profit after tax of NABIL is 0.986 and HBL is 0.984 i.e. there is high degree of positive correlation between two variables. It means if one variables increase or decrease another variables also increase or decrease in the same direction. Correlation of coefficient between total deposit and net profit after of NABIL and HBL is perfect correlation.
- Co-efficient of correlation between total deposit and loan & advance of NABIL is 0.977 and HBL is 0.924 i.e. there is high degree of positive correlation between two variables. It means if one variables increase or decrease another variables also increase or decrease in the same direction by the same amount. Correlation of coefficient between total deposit and loan & advance of NABIL & HBL is perfect correlation.
- The tabulated value of t-distribution is greater then calculated value in each case by considering the test statistic. So, null hypothesis H_0 is accepted and alternative hypothesis H_1 is rejected, it means there is no significance difference between net working capital, current ratio ratio, total deposit and debt assets ratio & total assets turnover of NABIL & HBL.

CHAPTER - FIVE

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

This chapter includes summary conclusion & recommendation of the study. The final and most important task of the researchers is to enlist fact findings of the study and give suggestion for further improvement. The analysis is performed with the help of financial tools and statistical tools. The analysis is associated with comparison and interpretation. Under financial analysis, various financial ratios related to the working capital management are used and under statistical analysis some relevant statistical tools are used.

5.1 Summary

The development of any country largely depends upon its economic development. Economic development demands transformation of savings or resources into the actual investment. Capital formation is the prerequisite in setting the overall pace of the economic development of a country. It is the financial institution that transfers funds from surplus spending units to deficit units.

Banking sector plays a vital role for the country's economic development. Bank is a resource mobilizing institution, which aspect deposits from various sources, and invests such accumulated resources in the fields of agriculture, trade, commerce, industry, tourism etc. Banks help to mobilize the small saving collectively to huge capital markets. Commercial banks basically help to promote the money market by providing expert managerial skills and by using advanced and often state of the art technologies to serve the customers in an efficient and effective manner.

In financial sector, there are various commercial banks established as joint venture. After implementation of the open market policy, joint venture commercial banks are opened as private banks. In competitive financial market performance of joint venture banks are very good. The main objective of the study was to study the comparative analysis of the working capital as well as ratio analysis of commercial banks, i.e. NABIL and HBL. To fulfill this objective and other specific objective as described in chapter one, an appropriate research methodology has development, which include the

ratio analysis as a financial tools and statistical tools with t-test (hypothesis) tools. The major ratio analysis consists of the composition of working capital position, liquidity ratio, debt management ratio, assets management ratio and profitability ratio. Under these, main ratios and their trend position are studied in the chapter four. In order to test the relationship between the various components of working capital, Karl Pearson's correlation coefficient 'r' is calculated and analyzed.

Now-a-days, many commercial banks are rapidly opened in Nepal as commercial banks with higher technology and efficient methods in banking sector especially after the political reform of the country. At present, 32 commercial banks are operating in Nepal. But in this study, only two commercial banks has been undertaken i.e. Everest Bank Ltd. and Standard Chartered Bank Nepal Ltd. This study has been completed on the basis of secondary data. Periodical review and analysis of financial aspects of the banks are very necessary to see the clear financial pictures; working capital's components of Nepalese commercial banks in Nepal i.e. NABIL and HBL has been carried out to fulfill this requirement.

Studied of selected banks are introduced. Problems are stated to set the objectives of the study. The objectives are to evaluate the working capital management and financial analysis of NABIL and HBL banks and to identity their strengths and weaknesses. Theoretical framework of ratio analysis, correlation between two variables, its importance and limitations, research methodology and limitations of the study are mentioned.

The findings of liquidity ratios, debt management ratio, asset management ratio and profitability ratios are presented on a comparative basis. Besides, statistical analysis i.e. mean, standard deviation, of all ratios and correlation coefficient of current ratio & quick ratio, the total deposit with net profit and loans & advances, and test of hypothesis made is also done of the selected banks. This analysis gives clear picture of the performance of the bank with regard to its operation. All of the information and data are collected from related banks i.e. websites, annual reports.

5.2 Conclusion

On the basis of entire research study some conclusions have been deduced. This study particularly deals about the working capital position with financial analysis of commercial banks in Nepal. The present study is mainly an attempt to give account of comparative study about commercial banks in different aspects such as liquidity position, profitability position, and market position and other related ratios and indicators of the basis of financial statement. After conducting the working capital management of NABIL and HBL, covering the study period of 2063/64 to 2067/68, the following conclusions can be drawn from the study.

The level of current assets of NABIL is in increasing trend each year it shows that the business volume of NABIL is growing up. But the level of current assets of HBL is in fluctuating trend each year it shows that the business volume of HBL is fluctuating each year. The mean value of current ratio of NABIL is 1.37:1 as well as HBL is 1.04:1. This is lesser than the standard current ratio 2:1. The banks are unable to maintain the current ratio in accordance with standard.

The level of working capital of NABIL is positive and is in increasing trend each year but HBL working capital is negative in first two year, It means HBL can not fulfill the short term financial obligation. The overall position of debt management ratio of both banks are not bad, over the study period debt management ratios are in fluctuating trend and very low, it means the banks have low risk due to the debt financing.

During the study period of 5 years from 2063/64 to 2067/68, the overall position of assets management ratios are in fluctuating trend. The total assets turnover ratio and return on total deposit ratio are very low, it means the firms performance to managing their assets and deposit is low. But the NABIL position is better than HBL in the case of assets management. Profitability ratios of NABIL is in increasing trend over the study period, It means the earning capacity of the bank is increasing each year. The overall efficiency and operating result of the NABIL is better on the basis of financial analysis.

Profitability ratios of HBL is in fluctuating trend over the study period, It means the earning capacity of the bank is not increasing each year. The overall efficiency and

operating result of the NABIL is better on the basis of financial analysis. But the profitability position of NABIL is better than HBL. The coefficient of correlation between two variables (i.e. current ratio and quick ratio, total deposit and net profit and total deposit and loans & advances) of the selected banks is nearly 1. There is high degree of positive correlation between these two variables, it also reveals that relationship between two variables of the selected banks is closer to perfect correlation. Relationship between two variables is significant.

T-test between the variables of NABIL & HBL is less than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables so that, it is significant.

5.3 Recommendation

- Although proportion of loan and advances out of the total current assets of NABIL & HBL is more than other current assets but the proportion of loan & advance is fluctuating each year it is not better for the company. So, it should review its policy to increase the trend, as it is the most productive assets.
- Positive working capital represents the sound financial management of the bank. Similarly, negative working capital represents the poor financial management of the bank. In case of NABIL, we found positive working capital and HBL has negative working capital. Therefore, to eradicate this situation this bank should be formulate and implement suitable working capital policy. There should be keeping optimum size of investment in current assets and current liabilities.
- The liquidity position in terms of current ratio and quick ratio of NABIL & HBL are below than normal standard. Therefore, these banks suggest that to enhance liquidity position by keeping optimum current assets.
- The turnover of the commercial banks is the primary factor of income generating activity. Total assets turnover and fixed assets turnover position of the banks are not satisfactory. Due to the poor turnover position, the chances of bad debts and non-earning idle funds are high. Therefore, these banks should give proper attention on collection of over-dated loan and advances and utilization of idle funds as loan and advances.

- Low return on assets of NABIL suggest that it should cut down its operating cost in order to maxmized its profit.
- The unskilled manpower, over-staffing, unnecessary expenses, misuse of facilities, heavy expenses on overhead etc. may be the causes for high operating cost. So, these bank are recommended to pay attention to these aspects.
- These banks are suggested to invest in deprived sector as directed by NRB in order to contribute to the overall development of the country.
- Since the economy of the country has become weaker since the last decade, the studied banks are advised to concentrate more on risk free securities and low risk loans.
- The bank should keep in peace with the changing banking technologies, improve organizational structure, provide quality services to its customers and actively participate in social welfare programmes. Organizational culture that acquires, develops, utilizes and maintains the employees in a high morale is preferred.
- Further studies can be conduct by using more sample size.

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APPENDICES

Appendix: 1

Computation Of Liquidity Ratio of NABIL

Year	Current Assets(CA)	Current Liabilities(CL)	Quick Assets(QA)	Current Ratio (CR = CA/CL)	Quick Ratio (QR = QA/CL)
062/63	14921.68	10454.12	4942.37	1.43	0.47
063/64	19892.71	14304.41	6005.96	1.39	0.42
064/65	24967.25	18481.92	6251.95	1.35	0.34
065/66	33912.63	27051.25	9535.79	1.25	0.35
066/67	38656.64	27478.74	10564.093	1.41	0.38

Appendix: 2

Computation Of Liquidity Ratio of HBL

Year	Current Assets(CA)	Current Liabilities(CL)	Quick Assets(QA)	Current Ratio (CR = CA/CL)	Quick Ratio (QR = QA/CL)
062/63	20037.99	20741.21	9187.77	0.97	9187.77
063/64	20912.96	21957.6	7756.25	0.95	7756.25
064/65	26473.43	25603.93	9355.27	1.03	9355.27
065/66	28744.15	26639.33	11106.54	1.08	11106.54
066/67	28125.83	24105.29	9548.02	1.17	9548.02

Appendix: 3

Computation of Loan & Advance to Total Deposit Ratio And Net Working Capital to Total Assets Ratio of NABIL

Year	Loan & Advance (LA)	Total Deposit (TD)	Total Assets (TA)	Net Working Capital (NWC)	Loan & Advance to Total Deposit Ratio (LA-TDR = LA/TD)	Net Working Capital to Total Assets Ratio (NWC-TAR = NWC/TA)
062/63	9801.31	13802.45	15,959.29	4467.56	71.01	27.99
063/64	13664.08	18186.25	21,432.57	5588.3	75.13	26.07
064/65	18339.09	23976.30	27,149.34	6485.33	76.49	23.89
065/66	23884.67	33322.95	36,916.85	6861.38	71.68	18.59
066/67	27556.36	36932.31	41,382.76	11177.9	74.61	27.01

Appendix: 4

Computation of Loan & Advance to Total Deposit Ratio And Net Working Capital to Total Assets Ratio of HBL

Year	Loan & Advance (LA)	Total Deposit (TD)	Total Assets (TA)	Net Working Capital (NWC)	Loan & Advance to Total Deposit Ratio (LA-TDR = LA/TD)	Net Working Capital to Total Assets Ratio (NWC-TAR = NWC/TA)
062/63	8935.42	23061.03	25767.35	-703.22	38.75%	-2.73%
063/64	10502.64	24647.02	28596.69	-1044.64	42.61%	-3.65%
064/65	13718.6	29743.99	33335.79	869.5	46.12%	2.61%
065/66	13679.76	35350.82	40066.57	2104.82	38.70%	5.25%
066/67	15956.95	35182.72	40213.32	4020.54	45.35%	10.00%

Appendix: 5

Computation of Total Assets Turnover Ratio

And Fixed Assets Turnover ratio of NABIL

Year	Total Assets (TA)	Fixed Assets (FA)	Total Income (TI)	Total Assets Turnover (TAR = TI/TA)	Fixed Assets Turnover (FAT = TI/FA)
062/63	15,959.29	152.09	1066.5	0.07	7.01
063/64	21,432.57	170.10	1370.7	0.06	8.06
064/65	27,149.34	360.51	1848.2	0.07	5.13
065/66	36,916.85	427.16	2565.3	0.07	6.01
066/67	41,382.76	463.09	3500.8	0.08	7.56

Appendix: 6

Computation of Total Assets Turnover Ratio

And Fixed Assets Turnover ratio of HBL

Year	Total Assets (TA)	Fixed Assets (FA)	Total Income (TI)	Total Asses Turnover (TAR = TI/TA)	Fixed Assets Turnover (FAT = TI/FA)
062/63	25767.35	101.3	1418.25	0.06	14.00
063/64	28596.69	125.59	1558	0.05	12.41
064/65	33335.79	117.27	1774.14	0.05	15.13
065/66	40066.57	137.29	2092.12	0.05	15.24
066/67	40213.32	118.54	2297.7	0.06	19.38

Appendix: 7

Computation Of Return On Loan & Advance Ratio

And Return On Total Deposit Ratio of NABIL

Year	Total Deposit (TD)	Loan & Advance (LA)	Net Income (NI)	Return On Loan & Advance (ROLA = NI/LA)	Return On Total Deposit (ROTA = NI/TD)
062/63	13802.45	9801.31	237.2	2.42	1.72
063/64	18186.25	13664.08	296.4	2.17	1.63
064/65	23976.30	18339.09	451.2	2.46	1.88
065/66	33322.95	23884.67	638.7	2.67	1.92
066/67	36932.31	27556.36	831.8	3.02	2.25

Appendix: 8

Computation Of Return On Loan & Advance Ratio

And Return On Total Deposit Ratio of HBL

Year	Total Deposit (TD)	Loan & Advance (LA)	Net Income (NI)	Return On Loan & Advance (ROLA = NI/LA)	Return On Total Deposit (ROTD = NI/TD)
062/63	23061.03	8935.42	658.76	7.37%	2.86%
063/64	24647.02	10502.64	691.67	6.59%	2.81%
064/65	29743.99	13718.6	818.92	5.97%	2.75%
065/66	35350.82	13679.76	1025.11	7.49%	2.90%
066/67	35182.72	15956.95	1085.87	6.80%	3.09%

Appendix: 9

Computation Of Return On Total Assets Ratio

And Return On Total Equity Ratio of NABIL

Year	Net Income (NI)	Total Assets (TA)	Total Equity (TE)	Return On Total Assets (ROTA = NI/TA)	Return On Total Equity (ROTE = NI/TE)
062/63	237.2	15,959.29	962.81	1.49	24.64
063/64	296.4	21,432.57	1,201.52	1.38	24.67
064/65	451.2	27,149.34	1,921.24	1.66	23.48
065/66	638.7	36,916.85	2,203.63	1.73	28.98
066/67	831.8	41,382.76	2,759.14	2.01	30.15

Appendix: 10

Computation Of Return On Total Assets Ratio

And Return On Total Equity Ratio of HBL

Year	Net Income (NI)	Total Assets (TA)	Total Equity (TE)	Return On Total Assets (ROTA = NI/TA)	Return On Total Equity (ROTE = NI/TE)
062/63	658.76	25767.35	1754.13	2.56	37.55
063/64	691.67	28596.69	2116.35	2.42	32.68
064/65	818.92	33335.79	2492.54	2.46	32.85
065/66	1025.11	40066.57	3052.47	2.56	33.58
066/67	1085.87	40213.32	3369.71	2.70	32.22

Appendix: 11

Computation of Debt Assets Ratio & Debt Equity Ratio

Year	Total Assets (TA)	Total Debt (TD)	Total Equity (TE)	Debt Assets Ratio (DAR = TD/TA)	Debt Equity Ratio (DER = TD/TE)
062/63	25767.35	24013.22	1754.13	93.19%	43.75
063/64	28596.69	26480.35	2116.35	92.60%	45.64
064/65	33335.79	30843.32	2492.54	92.52%	44.68
065/66	40066.57	37014.1	3052.47	92.38%	46.44
066/67	40213.32	36843.49	3369.71	91.62%	45.21

Appendix - 12

Calculation for Mean value, Standard Deviation, T-test & Correlation between Current Ratio & Quick Ratio

Year	Current Ratio(X ₁)	Quick Ratio(X ₂)	$x_1 = X_1 - \bar{X}_1$	$x_2 = X_2 - \bar{X}_2$	$x_1 \cdot x_2$	x_1^2	x_2^2
062/63	1.43	0.47	0.004	0.006	0.005	0.00	0.01
063/64	1.39	0.42	0.001	0.001	0.001	0.00	0.00
064/65	1.35	0.34	0.000	0.003	0.001	0.00	0.00
065/66	1.25	0.35	0.013	0.002	0.005	0.01	0.00
066/67	1.41	0.38	0.002	0.000	0.000	0.00	0.00
N ₁ = 5 N ₂ = 5	Σ X ₁ = 6.83	Σ X ₂ = 1.97			Σ x ₁ .x ₂ = 0.011	Σ x ₁ ² = 0.019	Σ x ₂ ² = 0.012

For Current Assets, Mean (\bar{X}) = $\frac{\sum X_1}{N_1} = \frac{6.83}{5} = 1.37$

S.D (σ) = $\sqrt{\frac{\sum(X_1 - \bar{x}_1)^2}{N_1}} = \sqrt{\frac{0.019}{5}} = 0.069$

For Quick Assets,

Mean (\bar{X}) = $\frac{\sum X_2}{N_2} = \frac{1.97}{5} = 0.39$

S.D (σ) = $\sqrt{\frac{\sum(X_2 - \bar{x}_2)^2}{N_2}} = \sqrt{\frac{0.012}{5}} = 0.054$

Correlation between Current Ratio & Quick ratio,

$$(r_{12}) = \frac{\sum x_1 x_2}{\sqrt{\sum x_1^2 \sum x_2^2}}$$

$$= \frac{0.011}{\sqrt{0.091 \times 0.012}} = 0.709$$

For Hypothesis:

Test statistic under H_0 ,

$$t = \frac{(\bar{x}_1 - \bar{x}_2)}{\sqrt{S^2 \left(\frac{1}{n_1} + \frac{1}{n_2}\right)}} = \frac{(1.37 - 0.39)}{\sqrt{0.0048 \left(\frac{1}{5} + \frac{1}{5}\right)}} = 0.001$$

$$S^2 = \frac{n_1 s_1^2 + n_2 s_2^2}{n_1 + n_2 - 2}$$

$$= \frac{5 \times 0.069^2 + 5 \times 0.054^2}{5 + 5 - 2} = 0.0048$$

Appendix -13

Calculation for Mean value, Standard Deviation, T-test & Correlation between Total Deposit and Loan & Advance

Year	Total Deposit (X ₁)	Loan & Advance (X ₂)	x ₁ =X ₁ - \bar{x}_1	x ₂ =X ₂ - \bar{x}_2	x ₁ . x ₂	x ₁ ²	x ₂ ²
062/6 3	13802.44	9801.31	- 11441.6 1	- 8847.7 9	 101232959.7	 .3	 7
063/6 4	18,186.2 5	13664.0 8	- 7,057.7 9	- 4985.0 2	 35183258.2	 67	 24850424.4

064/6			-				
5	23,976.2	18339.0	1,267.7			1607194.6	96109.3002
	9	9	5	-310.02	393022.0743	26	3
065/6	33,322.9	23884.6	8,078.8	5235.5		65268547.	27411224.6
6	4	7	9	7	42297645.58	65	4
066/6	36,932.3	27556.3	11,688.	8907.2		136615403	79339191.6
7	1	5	25	6	104110305.2	.1	4
$N_1 = 5$ $N_2 = 5$	$\Sigma X_1 =$ 126220.25	$\Sigma X_2 =$ 93245.51			$\Sigma x_1 x_2 =$ 283217190.8	$\Sigma x_1^2 =$ 384213984.4	$\Sigma x_2^2 =$ 209980390.9

For Total Deposit,

$$\text{Mean } (\bar{X}) = \frac{\Sigma X_1}{N_1} = \frac{126220.25}{5} = 25244.1$$

$$\text{S.D } (\sigma) = \sqrt{\frac{\Sigma(X_1 - \bar{x}_1)^2}{N_1}} = \sqrt{\frac{384213984.4}{5}} = 9800.69$$

For Loan & Advance'

$$\text{Mean } (\bar{X}) = \frac{\Sigma X_2}{N_2} = \frac{93245.51}{5} = 18649.10$$

$$\text{S.D } (\sigma) = \sqrt{\frac{\Sigma(X_2 - \bar{x}_2)^2}{N_2}} = \sqrt{\frac{209980390.9}{5}} = 7245.35$$

Correlation between Total Deposit and Loan & Advance,

$$\begin{aligned} (r_{12}) &= \frac{\Sigma x_1 x_2}{\sqrt{\Sigma x_1^2 \Sigma x_2^2}} \\ &= \frac{283217190.8}{\sqrt{384213984.4 \times 209980390.9}} = 0.997 \end{aligned}$$

For Hypothesis,

Test statistic under H_0 ,

$$t = \frac{(\bar{X}_1 - \bar{X}_2)}{\sqrt{S^2 \left(\frac{1}{n_1} + \frac{1}{n_2}\right)}} = \frac{(25244.1 - 18649.101)}{\sqrt{92842888.19 \left(\frac{1}{5} + \frac{1}{5}\right)}} = 0.005$$

$$S^2 = \frac{n_1 s_1^2 + n_2 s_2^2}{n_1 + n_2 - 2} = \frac{5 \times 9800.69^2 + 5 \times 7245.35^2}{5 + 5 - 2} = 92842888.19$$

Appendix - 14

Calculation for Mean value, Standard Deviation & Correlation between Total Deposit & Net Profit After Tax

Year	Total Deposit (X ₁)	Net Profit After Tax (X ₂)	x ₁ =X ₁ - \bar{x}_1	x ₂ =X ₂ - \bar{x}_2	x ₁ . x ₂	x ₁ ²	x ₂ ²
062/6 3	13802.44	237.2	- 11441.6 1	- -253.86	2904567.11	130910343 .3	64444.90
063/6 4	18,186.2 5	296.4	- 7,057.7 9	- -194.66	1373869.40	49812495. 67	37892.52
064/6 5	23,976.2 9	451.2	- 1,267.7 5	- -39.86	50532.52	1607194.6 26	1588.82
065/6 6	33,322.9 4	638.7	8,078.8 9	147.64	1192767.32	65268547. 65	21797.57
066/6 7	36,932.3 1	831.8	11,688. 25	340.74	3982654.31	136615403 .1	116103.75
N ₁ = 5 N ₂ = 5	Σ X ₁ = 126220.25	Σ X ₂ = 2455.30			Σ x ₁ .x ₂ = 9504390.66	Σ x ₁ ² = 384213984.4	Σ x ₂ ² = 241827.55

For Total Deposit,

$$\text{Mean } (\bar{X}) = \frac{\sum X_1}{N} = \frac{126220.25}{5} = 25244.1$$

$$\text{S.D } (\sigma) = \sqrt{\frac{\sum (X_1 - \bar{x}_1)^2}{N_1}} = \sqrt{\frac{384213984.4}{5}} = 9800.69$$

For Net Profit After Tax,

$$\text{Mean } (\bar{X}) = \frac{\sum X_2}{N_2} = \frac{2455.30}{5} = 491.06$$

$$\text{S.D } (\sigma) = \sqrt{\frac{\sum (X_2 - \bar{x}_2)^2}{N_2}} = \sqrt{\frac{241827.55}{5}} = 245.88$$

Correlation between Total Deposit & Net Profit After Tax,

$$(r_{12}) = \frac{\sum x_1 x_2}{\sqrt{\sum x_1^2 \sum x_2^2}} = \frac{9504390.66}{\sqrt{384213984.4 \times 241827.55}} = 0.986$$

Appendix – 15

Calculation for Mean value, Standard Deviation & T-test of Debt-Assets Ratio & Debt-Equity Ratio

Year	Debt-Assets Ratio (X ₁)	Debt-Equity Ratio (X ₂)	x ₁ =X ₁ - \bar{x}_1	x ₂ =X ₂ - \bar{x}_2	x ₁ . x ₂	x ₁ ²	x ₂ ²
062/63	8.37	31.16	2.40	6.15	14.76	5.77	37.80
063/64	9.54	24.97	3.57	-0.04	-0.15	12.74	0.00
064/65	4.09	15.61	-1.88	-9.40	17.66	3.53	88.27
065/66	3.77	27.77	-2.21	2.76	-6.09	4.87	7.63
066/67	4.09	25.54	-1.88	0.53	-0.99	3.55	0.28
N ₁ = 5 N ₂ = 5	$\sum X_1 = 29.86$	$\sum X_2 = 125.05$			$\sum x_1 . x_2 =$ 25.19	$\sum x_1^2 =$ 30.45	$\sum x_2^2 =$ 133.99

For-Debt Assets Ratio,

$$\text{Mean } (\bar{X}) = \frac{\sum X_1}{N} = \frac{29.86}{5} = 5.97$$

$$\text{S.D } (\sigma) = \sqrt{\frac{\sum (X_1 - \bar{x}_1)^2}{N_1}} = \sqrt{\frac{30.45}{5}} = 2.76$$

For Debt-Equity ratio,

$$\text{Mean } (\bar{X}) = \frac{\sum X_2}{N_2} = \frac{125.05}{5} = 25.01$$

$$\text{S.D } (\sigma) = \sqrt{\frac{\sum (X_2 - \bar{x}_2)^2}{N_2}} = \sqrt{\frac{133.99}{5}} = 5.79$$

For Hypothesis,

Test statistic under H_0 ,

$$t = \frac{(\bar{X}_1 - \bar{X}_2)}{\sqrt{S^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}} = \frac{(5.97 - 25.01)}{\sqrt{25.72 \left(\frac{1}{5} + \frac{1}{5} \right)}} = 0.002$$

$$S^2 = \frac{n_1 s_1^2 + n_2 s_2^2}{n_1 + n_2 - 2} = \frac{5 \times 2.76^2 + 5 \times 5.79^2}{5 + 5 - 2} = 25.72$$

Commercial Banks in Nepal

S.N	Name of Banks	Date of Operation	Central Office
1	Nepal Bank Limited	1994-07-30	Dharmapath, Ktm
2	Ristriya Banijya Bank	2022-10-10	Singha Darbar, Ktm
3	Agriculture Development Bank	2024-11-17	Ramshahpath, Ktm
4	Nepal Arab Bank Limited	2041-03-29	Kantipanh, Ktm
5	Nepal Investment Bank Limited	2042-11-26	Darbarmarg, Ktm
6	Standard Chartered Bank Nepal Limited	2043-10-16	Newbaneshor, Ktm
7	Himalayan Bank Limited	2049-10-05	Themal, Ktm
8	Nepal Bangladesh Bank Limited	2050-02-23	Newbaneshor, Ktm
9	Nepal SBI Bank Limited	2050-03-23	Hattisar, Ktm
10	Everest Bank Limited	2051-07-01	Lajimpat, Ktm
11	Bank Of Kathmandu Limited	2051/11/28	Kamaladi, Ktm
12	Nepal Credit & Commerce Bank Limited	2053-06-28	Siddharthanagar, Rupandehi
13	Lumbini Bank Limited	2055-04-01	Narayangadh, Chitawan
14	NIC Bank Limited	2055-04-05	Biratnagar, Morang
15	Machhapuchchhre Bank Limited	2057-06-07	Prithivichowk, Pokhard
16	Kumari Bank Limited	2057-12-21	Putakisadak, Ktm
17	Laxmi Bank Limited	2058-12-21	Adarsanagar, Birjung
18	Siddhartha Bank Limited	2059-09-09	Kamaladi, Ktm
19	Global Bank Limited	2063-09-18	Parsa, Birjung
20	Citizens Bank International Limited	2064-01-07	Kamaladi, Ktm
21	Prime Commercial Bank Limited	2064-06-07	New Road, Ktm
22	Bank of Nepal Limited	2064-06-25	Tripureshowar, Ktm
23	Sunrise Bank Limited	2064-06-25	Gairidhara, Ktm

24	Nepal Merchant Bank Limited	2053-08-11	Babarmahal,Ktm
25	Development Credit Bank Limited.	2057-09-07	Newbaneshor,Ktm
26	Kist Bank Limited	2066-01-24	Kamaladi,Ktm
27	Janta Bank Nepal Limited	2066-12-23	Anamnagar,Ktm
28	Mega Bank Limited	2067-04-07	Kantipath, Kathmandu
29	Commerce & Trust Bank Limited	2067-06-04	Kamaladi, Kathmandu
30	Civil Bank Limited	2067-08-10	Kamaladi, Kathmandu
31	Century Commercial Bank	2067-09-07	Putalisadak, Kathmandu
32	Sanima Bank Limited		Naxal, Kathmandu