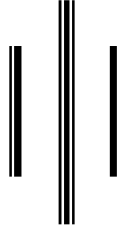


**A COMPARATIVE STUDY ON LIQUIDITY POSITION
OF NEPAL BANK LIMITED AND AGRICULTURAL
DEVELOPMENT BANK LIMITED**



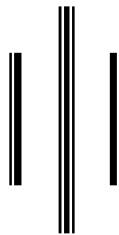
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SUBMITTED TO:

Office of the Dean

Faculty of Management

Tribhuvan University

**In the Partial Fulfilment of the Requirement for the Degree of
Master of Business Studies (M.B.S)**

Kathmandu, Nepal

May 2014

DECLARATION

I hereby declare that the work done in thesis entitled “**A Comparative Study on Liquidity Position of Nepal Bank Limited and Agricultural Development Bank Limited**” has been submitted to United College, affiliated to Tribhuvan University is my own created work reported in the form of partial fulfilment of the requirement of Master’s of Business Studies (MBS) course under the guidance of respected teacher Prof. Bal Krishna Shrestha.

Anjali Manadhar

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This research **“A Comparative Study on Liquidity Position of Nepal Bank Limited and Agricultural Development Bank Limited”** has been conducted with the view to examine performance of two commercial banks. This effort is partial fulfilment for the degree of Master of Business Studies (MBS) under the course designed by the faculty of management, T.U.

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Anjali Manadhar

TABLE OF CONTENT

Page No.

Recommendation

Viva-Voce Sheet

Declaration

Acknowledgement

Table of Contents

List of Tables

Abbreviation

CHAPTER ONE : INTRODUCTION 1-8

1.1	General Background	1
1.1.1	Introduction of Nepal Bank Limited	3
1.1.2	Introduction of Agricultural Development Bank Limited	4
1.2	Statement of the Problem	5
1.3	Objectives of the Study	6
1.4	Significance of the Study	6
1.5	Limitation of the Study	7
1.6	Organization of the Study	7

CHAPTER TWO : REVIEW OF LITERATURE 9-36

2.1	Conceptual /Theoretical Review	9
2.1.1	Concept of Bank	10
2.1.2	Origin of Bank in Nepal	10
2.1.3	Introduction to Bank.	11
2.1.4	Introduction to Commercial Bank	12
2.1.5	Functions of Commercial Bank	13
2.1.6	Meaning of Liquidity	16

2.1.7	Needs for liquidity Mobilization	17
2.1.8	Strategy of liquidity Management	18
2.1.9	Factors Influencing Bank's Liquidity	20
2.1.10	Demand and Supply of Bank Liquidity	20
2.2	Review of NRB Directives	29
2.3	Review of Journals/Articles	30
2.4	Review of previous Thesis	32

CHAPTER THREE : RESEARCH METHODOLOGY **37-43**

3.1	Research Design	37
3.2	Source of Data	37
3.3	Sample Selection	38
3.4	Data Collection Procedure	38
3.5	Tolls and Techniques for Data Analysis	38
3.5.1	Financial Tools	39
3.5.2	Statistical Tools	41

CHAPTER FOUR : PRESENTATION AND ANALYSIS OF DATA **44-78**

4.1	Current Assets Analysis	44
4.1.1	Cash Balance Position	44
4.1.2	Balance with NRB Position	45
4.1.3	Balance with Financial Institution	46
4.1.4	Loan and Advance and Bills Purchase Position	47
4.1.5	Overall Current Assets Position of NBL	48
4.1.6	Overall CA Position of ADBL	49
4.2	Current Liability Analysis	50
4.2.1	Borrowing Position	50
4.2.2	Bills Payable	51

4.2.3	Bank Overdraft	52
4.2.4	Income Tax Payable	53
4.2.5	Overall Current Liabilities Position of NBL	54
4.2.6	Overall Current Liabilities Position of ADBL	55
4.3	Total Equity Position	56
4.3.1	Share Capital Position	56
4.3.2	Reserve and Surplus Position	57
4.4	Total Debt Position	58
4.4.1	Total Debenture and Bonds	58
4.5	Total Deposit Position	59
4.6	Total Fund Position	62
4.7	Analysis of Current Ratio	64
4.8	Current Asset to Total Fund	66
4.9	Current Liability on Total Fund	68
4.10	Coefficient of Correlation Analysis	70
4.11	Major Finding of the Study	74

CHAPTER FIVE : SUMMARY, CONCLUSION AND

RECOMMENDATION

79-84

5.1	Summary	79
5.2	Conclusion	80
5.3	Recommendation	82

BIBLIOGRAPHY

APPENDICES

LIST OF TABLE

	Page No.	
Table 4.1	Cash Balance Position	44
Table 4.2	Balance with NRB Position	45
Table 4.3	Balance with Financial Institution	46
Table 4.4	Loan and Advance and Bills Purchase Position	47
Table 4.5	Overall Current Assets Position of NBL	48
Table 4.6	Overall CA Position of ADBL	49
Table 4.7	Borrowing Position	50
Table 4.8	Bills Payable	51
Table 4.9	Bank Overdraft	52
Table 4.10	Income Tax Payable	53
Table 4.11	Overall Current Liabilities Position of NBL	54
Table 4.12	Overall Current Liabilities Position of ADBL	55
Table 4.13	Share Capital Position	56
Table 4.14	Reserve and Surplus Position	57
Table 4.15	Total Debenture and Bonds	58
Table 4.16	Current Deposit Position	59
Table 4.17	Saving Deposit Position	60
Table 4.18	Fixed Deposit Position	61
Table 4.19	Other Deposit Position	62
Table 4.20	Total Fund Position of NBL	63
Table 4.21	Total Fund Position of ADBL	64
Table 4.22	Current Asset to Current Liability	65
Table 4.23	Current Asset to Total Fund of NBL	66
Table 4.24	Current Asset to Total Fund of ADBL	67
Table 4.25	Current Liability on Total Fund of NBL	68
Table 4.26	Current Liability on Total Fund of ADBL	69

Table 4.27	Correlation Coefficient between Cash Balance and Current Liability	70
Table 4.28	Correlation Coefficient between Balance with NRB and Total Current Liability	71
Table 4.29	Correlation Coefficient between Balance with Financial Institution and Current Liability	72
Table 4.30	Correlation Coefficient between Money at Call at Short Notice and Current Liability	73
Table 4.31	Correlation between Loan and Advance and Current Liability	74

ABBREVIATION

ABBS	-	Any Branch Banking Services
ADBL	-	Agricultural Development Bank Limited
BAFIO	-	Bank and Financial Institution Ordinance
BOKL	-	Bank of Kathmandu Limited
C.A.	-	Current Assets
C.L.	-	Current Liability
C.V.	-	Coefficient of Variation
CRR	-	Cash Reserve Ratio
NBL	-	Nepal Bank Limited
NDBL	-	Nepal Development Bank Limited ²
NRB	-	Nepal Rastra Bank
RBB	-	Rastriya Banijya Bank
S.D.	-	Standard Deviation
SFDP	-	Small Farmer Development Programme

CHAPTER ONE

INTRODUCTION

1.1 General Background

Bank is a financial institution which maintains the self-confidence of various segments of the society and extends credit to the people. Bank plays a significant role in the development of the country. The financial institution is an indispensable part for the upliftment of the country. It can be considered as the catalyst to the economic growth of the country. The financial institution is a vast field comprising of banks, financial companies, insurance companies, co-operatives, stocks exchange and the foreign exchange markets, mutual funds etc .These institution collect idle and the scattered money from the general public and finally invest in different enterprises that consequently help in reducing poverty, increase in the life style of the people, increase employment opportunities. Banks and other financial institution play a vital role to encourage thrift and discourage hoardings by mobilizing the resources and removing the habit of hoarding.

Nepal, as one of the least developed country where poverty has stood as a challenge to the country .Agriculture is the mainstay of the economy, providing livelihood to the population. Even though the country is unable to fulfil the national requirement of people. So without industrial development, it is impossible to have social and the economic development. So, Banks play the significant role for the industrial and economic development. Commercial banks have been contributing a lot towards the promotion and expansion of both export and the import trade. The commercial banks is an institution which accepts deposits, subject to cheques and make short term loans to the business enterprises. The

number of commercial banks operating in Nepal are increasing everyday and many more are in the pipeline to commence their business.

Commercial bank are very much successful to bring healthy competition among banks, increase foreign investment, promote and expand export-import trade, introduce new techniques and the technologies.

The development of the country is always measured by its economic development through economic indices. Therefore, every country gives emphasis on the upliftment and prosperity of its economy. The financial institutes act as intermediaries by transferring the resources from the point of surplus to the deficit. They collect scattered financial resources from the mass and invest them among those who are associated with social, commercial and economic activities of the country.

Nowadays, there is less opportunity in banking sector to make investment because of the competition. In this condition Banks can take initiation in search of new opportunities so that they can survive in the competitive market and earn profit. But, Investment is the risky job. In recent times, many commercial banks are providing consumer-financing facilities. They provide direct housing loans, home equity loans, Vehicles loan, education loan, loans for household appliances. These all activities affect the cash flows, liquidity and profitability of banks.

The study related to analyze the liquidity management of commercial banks in Nepal. The study has been done with special reference to the Nepal Bank Limited and Agricultural Development Bank limited

1.1.1 Introduction of Nepal Bank Limited

NBL, The first bank of Nepal was established in November 15,1937A.D. (Kartik 30, 1994).

It was formed under the principle of joint venture (joint venture between government and general public).When the bank first started NBL's authorized capital was Rs 10Million and issued capital was Rs 2.5 Million of which paid up capital was Rs 842 thousand with 10 shareholders. The bank has been providing banking services through its all the branches in different geographical location of the country.

The basic mission statement of NBL is NEW.

N-Network: for inclusion use banks networks to increase its reach all over the country from urban areas to rural areas.

E-Enhance the values: to employees, shareholders, government, and the customers.

W-World Class Banking services: Provide world class banking services by achieving excellence in customer services and adopting high level technology standards.

NBL's basic objectives are:

-) Focus on building positive net worth and meeting minimum capital requirement over the coming 5 years.
-) Focus on increasing the customers based market services.
-) Maximize the potential efficiency of banks staff.
-) Focus on minimizing the risk associated with the business.
-) Focus on providing world class business solution.

) Focus on increasing sustainable profit.

NBL have been operating its banking services with its 112 branches with its head office located at Dharmapath , Kathmandu. There are all together 28 branches within Kathmandu valley while rest branches are spread across the nation. It have been providing various services such as safe deposit vaults, Trade finance, SMS Banking, Any Branch Banking Services (ABBS), Internet Banking , ATM and Debit Card.

1.1.2 Introduction of Agricultural Development Bank Limited

ADBL is an autonomous organization largely owned by government of Nepal. With the main objective of providing institutional credit for enhancing the production and productivity of agricultural sector in the country, ADBL was established in 1968 under the ADBN act 1967, as successor to the cooperative Bank. The bank has been working as a premier rural credit institution since last three decades, contributing a more than 67 percent of institutional credit supply in the country. Rural finance is the principal operational area of ADBL. It has also been executing Small Farmers Development Program (SFDP), the major poverty alleviation program launched in the country. Further more the bank has also been involved in commercial banking operation since 1984. In the line with Bank and Financial Institution Ordinance (BAFIO), ADBL has been incorporated as public limited company on July 2005.

ADBL has been operating as ‘A’ category financial institution under the legal framework of BAFIO and the company Act, 2005. ADBL has a vision to be a mass - based complete Bank serving from urban to rural and with the mission to deliver comprehensive banking solution strengthening its extensive network.

The basic objective of ADBL are as follows:

-) To provide quality banking services.
-) To adopt market driven strategy.
-) To obtain sustained and competitive return on investment.

ADBL has been providing various services to general public such as fax, Bank Guarantee, Cheques clearing, Safe deposit Vault. It has been providing different loan facilities such as Auto loan, Education loan, Home loan, Agricultural Production loan, Small and cottage Industry loan, Livestock loan etc. It have been rendering the services with its head office located at Ramshah Path, Kathmandu and also providing banking facilities from its various branches spread all around the country.

1.2 Statement of the Problem

Liquidity is the most sensible and critical aspect of banks. The need of liquidity management for economic development of the country is no more to question. But we are facing an acute problem of resource mobilization. Liquidity problem might bring difficulty in providing services like depositing withdrawal, loaning disbursement etc. The main problem of all the commercial banks regarding liquidity is to sacrifice profitability of the concerned bank while trying to maintain adequate liquidity. Changing interest rate affect both customer's demand for deposits and customer's demand for loans. So, the another problem of the banks relating to liquidity is the changing interest rate.

The banks of Nepal have to face the problem of unstable political environment. Besides being a developing country, people of Nepal hardly understand the concept of banking and its use, thus this makes banks difficult to operate its major function, especially in rural areas

The major problems that have been identified for the purpose of this study are:

- a. What is the current asset position of the selected banks?
- b. What is the current liability position of the selected banks?
- c. What is the deposit position of the selected banks?
- d. Are they maintaining liquidity?
- e. What is the relationship current asset and current liability?

1.3 Objectives of the Study

The main objective of this research is to examine and study the liquidity management of Nepal Bank Limited and Agricultural Development Bank Limited. The specific objectives are:

- a. To analyze the deposits position of the selected banks.
- b. To analyze the liquidity position of the selected banks.
- c. To find the relationship between current asset and current liability.
- d. To provide suggestion for the improvement based on the findings.
- e. To find out the position of current asset and current liability on total fund.

1.4 Significance of the Study

Liquidity Analysis is important for maintaining public confidence. This study focus on how the NBL and ADBL maintains its liquidity needs. The additional importance of this study are as follows:

- a. The study is important to policy makers and academic professionals to formulate policies and the plans based on the performance of the banks.

- b. To get knowledge about the importance of the liquidity analysis of the bank.
- c. The study helps to know how well the selected banks are utilizing their deposits.
- d. The study helps these banks to compare each other's performance and the plans accordingly for the future.
- e. The study even guide to investors , customers, competitors, personnel of the banks, stockbrokers, dealers, market markers etc to take various decisions regarding deposits and borrowings.

1.5 Limitation of the Study

Despite of various importance of this study it will have some crucial limitation as well. The followings will be the main limitation of relating to the study.

- a. The study is based on secondary data so it may contain reporting errors.
- b. The study is made within limited timeframe, limited data and with lack of research experiments.
- c. The study covers the past and the present state of the commercial banks in Nepal and will not make any projection in future.
- d. There are various banks but this study is focused only on the two banks they are Nepal Bank Limited and Agricultural Development Bank Limited.

1.6 Organization of the Study

The entire study is divided into 5 chapters. Brief information of what each chapter contains is given below.

Chapter One : Introduction

It is an introductory chapter which includes general background . It also discuss about statement of the problem, objective of the study, significance of the study, limitation and organization of the study.

Chapter Two: Review of Literature

This chapter deals with review of literature which contains of conceptual framework review of NRB directives, journals, articles and previous thesis.

Chapter Three: Research Methodology

This chapter is concerned with research methodology used in this study. It consists of research design, sources of data, sample selection and the data collection, procedure tolls and techniques for data analysis.

Chapter Four: Presentation and Analysis of Data

This is the heart of the chapter related with the study and presents the findings of the study and also comments brief on them. This study shows the true picture of analysis of relevant data and the information.

Chapter Five: Summary, Conclusion and Recommendations

This chapter is the summarization of the overall picture of the study and draws conclusion and also offer suggestion and recommendations for the improvement on the future.

CHAPTER TWO

REVIEW OF LITERATURE

Review of literature means reviewing research studies or other relevant proposition in the related area of the study so that all the past and previous studies, their conclusion and perspective of deficiency may be known and further researcher can be conducted or done. It is an integral mandatory process in research works. This chapter is focused on brief discussion about abstract regarding the theories of liquidity. The purpose of reviewing the literature is to develop some expertise in one's area to see what new contribution can be made and to receive some ideas for developing a research design. Thus, the previous studies can't be ignored because they provide the foundation to the present study.

Review of relevant literature implies putting new spectacle in old eyes to think in new ways by posing the problem with new data and information to see that what results are derived. The focus of the review is portfolio management of commercial bank. The primary purpose of literature is to learn and it helps researcher to find out what research studies have been conducted in one's chosen field of study, and what remains to be done. For review study, the researcher uses different books, reports, journals and research studies published by various institutions, unpublished dissertations. Some reviews taken for this study are:-

1. Conceptual Framework/ Theoretical Review
2. Review of related studies

2.1 Conceptual /Theoretical Review

It is concerned with the theoretical part relevant to the topic.

2.1.1 Concept of Bank

Generally, an institution established by law, which money and credit is called bank. It is obvious that in a common sense, an institution involved in monetary transaction is called bank. A bank is a financial institution, which plays a significant role in the country. It facilitates the growth of trade and industry, and boost national economy. However, a bank is a resource of economic development, which maintains the self-confidence of various segments of society and extends credit to the people. A bank is a business organization that receives and holds deposits of funds from other, makes loans or extends credit and transfers funds by written orders of depositors. The Business of Banking is collection of funds from community and extending credit to the people for useful purposes. Bank plays a vital role in making money from lenders to borrowers. Bank is a profit seeking business, not a community charity profit seeker. It is expected to pay dividend and otherwise, add to the wealth of shareholders .Hence, in concise, It is an institution which accepts deposits in different accounts, provide loans of different types, and creates credit.

2.1.2 Origin of Bank in Nepal

Our history of banking sectors is rather more slow evolution. So far as banking is concerned with the debt, we may go in the Nepalese history, where merchants named, “SANKHDHAR” is recorded. He was the person who alone paid all the debt of existing people of Nepal. Later he introduced the “Nepal Sambat”. During the course of development of borrowing we further across the term “Tanka Dhari” at the end of 14th century who meant money lenders. They are one of the 64 castes divided among occupations.

In 1877 A.D. Tejarath Adda was established by the government. The main purpose of this institution was to provide credit facility at minimum 5%. This marks the beginning of organized financial institution in Nepal. Banking in modern sense started from the establishment of Nepal Bank Limited in 1937 A.D. with the cooperation of Imperial Bank of India. It came into existence under the "Nepal Bank Act 1937" as the first commercial bank of Nepal which marks the beginning of the organized banking system in Nepal. Later, Nepal Rastrya Bank (NRB) Act 1955 was formulated under the coordination of Royal Principal Royal Advisor Sardar established in 1966 A.D. After the establishment of this Bank there was a progress in the banking industry in Nepal.

2.1.3 Introduction to Bank.

- i. It deals with money: it accepts deposits and advances loans.
- ii. It also deals with credit; it has the ability to create credit by expanding its liabilities.
- iii. It is a commercial institution, it aims at earning profit.

A bank acts as a middleman between supplier of funds and the users of the funds, collecting those funds from different sectors. Bank grants more installments loans than other financial institution. They are among of the most important financial institution in the economy.

Banks are the important players in financial market and the other financial services such as investment funds. Mostly, it is concerned with supplying short term loans and the long term loans to the individual and to the business institution. Nowadays, whenever business and individual customers make purchase, they mostly use cheques, credit or debit cards.

According to Kent, "A bank is an organization whose principal operation is concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing together for expenditure."

According to Prof Kinley, "A bank is an establishment which makes to individual such advance of money as may be required and safely made, and to which individuals entrust money when not required by them for use."

According to Economist Walker Leaf, "A bank is that institution or the individual who always ready to service money on deposits to be returned against the cheques of their depositors."

2.1.4 Introduction to Commercial Bank

The concept of Commercial Bank evolved from the concept of commerce and bank. Generally, Commercial bank refers to the bank. It links with the commercial class of people. Commercial bank is the financial institution which accepts deposit and arrange for their productive users. It is profit oriented bank. Its primary function is the transfer of monetary resources from the savers to the users. So, it pools together the saving of surplus and arranges it.

According to Commercial Bank Act 2063, "A commercial bank is the one which exchange money, deposit money, accepts deposit , grants loans and perform commercial banking function."

Commercial bank are almost everywhere the largest of all financial intermediaries. They have the widest range of activities and they provide a large amount of the money supply. Similarly, these banks finance industries and individual by lending them money or loan and accept both

saving and checking accounts. It gives certain interest rate to the depositors and charges certain rate of interest that are provided to the depositors.. These deposits from individual and the institution are invested to satisfy the short term financing requirement of the business and the industry.

A commercial banker is a dealer in money and substitute for money, such as cheque or bills of exchange. It also provides a variety of financial services (The New Encyclopedia Britannica, 1985).

In Nepal, There are around 31 commercial banks operating so far. The commercial banks in Nepal are categorized into four groups on the basis of capital owned. They are fully government owned bank like Rastriya Banijya Bank, the government and private sector bank: Nepal Bank Limited. The JVB's consists of Nabil Bank Limited, Standard Chartered Bank Nepal Ltd, Himalayan Bank Limited, Nepal Bangladesh Bank, Nepal SBI Bank Limited, Everest Bank Limited and privately owned banks are Lumbini Bank Ltd, NIC Bank Limited, Kumari Bank Limited, Nepal Investment Bank Limited, Laxmi Bank Limited, Machhapuchhre Bank Limited, NCC Bank Limited, Bank of asia Nepal Ltd, Sunrise Bank Ltd, NMB Bank etc.

However, Central Bank is the main bank of any nation that direct and controls all other banks .In Nepal, Nepal Rastra Bank is the central bank and all the commercial bank performs their function under its rules, regulation and directions.

2.1.5 Functions of Commercial Bank

Commercial Banks are the most important type of financial institute for the nation in terms of aggregate assets. Traditional function of

commercial banks is only concerned with accepting deposits and providing loans. But modern commercial banks work for overall development of trade, commerce, service and agriculture also. The main function of commercial banks are as follows:

a) Accepting Deposits

The most significant and traditional function of commercial bank is accepting deposits from the public. In case of current deposit, no interest is paid by bank but the depositor can withdraw his money any time he likes without notice. Saving deposit are paid a small rate of interest and the bank imposes certain restriction on then withdrawal of money .Fixed deposits are made with by the persons who have idle money with them .They can withdraw their money only after the expiry of the fixed period of the time. These deposits carry the highest rate of interest that depends on the period for which the money is deposited.

b) Providing Loans

Banks provide loans against appropriate securities to the public and companies. Loans can be granted in the form of cash credit, short term loans, overdraft, discounting of bills and demand loans. Under a cash credit system, borrower is sanctioned a credit limit up to which he can borrow from the bank. The interest is calculated on the amount actually withdrawn. Short term loans are given as personal loans against some security. The interest is payable on the entire sum of loan granted. In case of Overdraft, a person is allowed to overdraw his current account to a certain limit as specified by bank. The interest is paid on the amount outstanding against his balance and not on the amount of loan sanctioned.

c) Credit Creation

A bank can be called the factory or the manufacturer of the credit. In the process of accepting and depositing money, banks multiply credit in the economy. It depends on cash reserve ratio.

d) Transfer of Funds

Commercial banks can transfer funds of customers to other customer's accounts in the same or the different bank through cheque, drafts, mail transfer, and telegraphic transfer .etc.

e) Agency Function

The bank also performs number of services on the behalf of the customers. The following are the agency function provided by the bank.

- Dealing with transaction of foreign exchange business.
- Serving as a agent of correspondent on behalf of the customers.
- Issuing the letter of credit, circulate notes travellers cheques etc.
- Purchasing and selling different kinds of securities and remitting funds.
- Keeping valuable articles in safe custody.
- Banks can execute the will of their customers after their deaths.

f. Other Functions

- Payment of credit letter and travellers cheques, gift cheque, bank draft etc.
- Banks also provide locker services for the valuable securities of their customers and charge a very normal fee.

- Banks also deals in foreign exchange such banks are usually called foreign exchange banks.

2.1.6 Meaning of Liquidity

Liquidity is defined as banks capacity to pay cash exchange of deposits. Liquidity and profitability are interlinked with each other in banking business. Inadequate liquidity may lead to collapse of the bank while excess liquidity is determined by banks profitability. In order to remove demerits associated with the maintaining inadequate and excess liquidity, banks should maintain optimum level of liquidity ratio. Banks has to keep liquidity according to the directives and guidelines of Nepal Rastra Bank. Liquidity ratio measurement is an important tools to measure financial performance of the firms.

By Liquidity, it means readiness with which the bank can convert the asset into the cash. Liquidity means short term solvency of the borrower. A banker is essentially the lender of short term funds because he knows that the bank of his deposits is repayable on demand or at short notice. As the bankers deposit are subject to the legal obligation of being repayable on demand and at a short notice, he must ensure liquidity also while lending so that on times of need, he will be able to convert the assets into cash.

Bank can ensure high liquidity by keeping all the deposits in the form of cash only. In such s case, he will not be in the position to meet the interest obligation and expenditure of establishment. From experiences, he has learnt that he can safely lend out the substantial portion of funds. But while lending he should try to ensure liquidity ie. In times of need he must be able to obtain repayment of the money within a reasonably short time. Liquidity also implies that the asset can be sold

without any loss. Thus, the concept of liquidity has twin aspects namely quick sale ability or convertibility of assets and the absence of risk of loss in such conversion.

In conclusion, Liquidity is the ability of bank to meet its obligation on time. Especially in relation to repayment of inter bank borrowing and the customers deposit. Liquidity management is a very crucial job of the commercial bank and the bank should maintain adequate amount of cash in its vault and NRB for its daily operation and administrative purpose. As per the arrangement of NRB, effective from fiscal year 2008 July to 2011 April, the commercial banks are required to maintain the cash reserve of 5.5 percent with NRB of its total deposit liability with NRB.

2.1.7 Needs for liquidity Mobilization

The following are the reason for why liquidity mobilization is needed in developing countries like Nepal. The following points are the needs for the liquidity mobilization.

1. The need of liquidity mobilization is felt to control unnecessary expenditure. If there is no saving, the extra money that the people have can be forwarded buying unnecessary and the luxury goods. So, the government should help to collect more liquidity sleeping legal procedure to control unnecessary expenditure.
2. Capital is needed for the development of any sector of the country. The objective of liquidity mobilization is to collect the scattered capital in different forms within the country.
3. Commercial banks are playing a vital role for the national development. Liquidity mobilization is necessary to increase their activities. Commercial banks are granting loan not only in

productive sectors but also in other sectors like food grains, gold and silver.

4. To increase saving is to mobilize liquidity. It is because if the production of agriculture and industrial products increase, it gives additional income, which helps to save more and on timely. It plays a good role in liquidity mobilization.

2.1.8 Strategy of liquidity Management

There are 3 major strategies for liquidity management. They are asset Liquidity Management Strategy, Borrowed Liquidity Management and Balanced (Assets & Liquidity) Liquidity Management Strategy.

1. Assets Liability Management Strategy

The oldest approach to meeting bank liquidity needs is known as assets liquidity management. In its purest form, this strategy calls for storing liquidity in the form of holding assets, predominantly in cash and marketable securities. When liquidity is needed selected assets are sold for cash until the entire bank's demand for cash are met. This strategy is used mainly by smaller banks that find it a less risky approach to liquidity management than relying on the borrowing. But assets conversion is not a cost less approach to liquidity management. First, selling assets means the bank loses the future earnings from those assets which would have generated if they had not been sold off. Thus, there is an opportunity cost to storing liquidity in assets when those assets must be sold. Most assets sales also involve transaction cost paid to security brokers. Moreover the assets in question may need to be sold in a market experiencing declining prices, subjecting the bank to the risk of substantial capital losses. Finally, liquid assets generally carry the lowest rates of return.

2. Borrowed Liquidity (Liability) Management Strategy:

The borrowed liquidity strategy often called purchased liquidity or liability management. Borrowing liquid funds has number of advantages. A bank can choose to borrow only when it actually needs funds unlike storing liquidity in assets where a store house of at least home liquid assets must be hold at all times, lowering the bank to leave the volume and composition of its assets portfolio unchanged it is satisfied with the assets it currently holds. In contrast, selling assets to provide shrinks, the size of a bank as its total assets holding decline. Borrowing liquidity is the most risky approach to solving bank liquidity problems but also has the highest expected return because of the volatility of money market interest rates & the rapidly with which the availability of credit can change. The bank's borrowing cost is always uncertain which adds greater uncertainty to the bank's net earnings. The principal sources of borrowing liquidity for a bank include large negotiable CDs, federal funds borrowings, repurchase agreements.

3. Balanced (Asset & Liability) Liquidity Management Strategy

It is the combined use of liquid assets holding management and borrowed liability liquidity management. Due to the risk inherent in relying on borrowed liquidity and the cost of storing liquidity in assets, most banks compromise in choosing mixed liquidity management strategy. Under this strategy, bank should deal with both liquid asset management & liability management maintaining proper balance between them.

Under a balanced liquidity management strategy, some of the expected demands for liquidity are stored in liquid assets. They are principally holdings of marketable securities and deposits at other banks.

Meanwhile, other anticipated liquidity needs are backs topped by advance agreements for lines of credit from other banks and other suppliers of funds. Unexpected cash needs are typically met from short term borrowings. Longer term liquidity needs can be planed for and funds to meet them can be managed from short term and medium term loans and advances.

2.1.9 Factors Influencing Bank's Liquidity

Generally, need of bank liquidity is affected by the following factors.

1. External Environmental Factors
 - i. Prevailing interest rate of bank:
If interest rate is high demand is low & liquidity need as low.
 - ii. Saving and investment situation:
If income & saving scale of people is high, less liquidity. If investment in commercial field is high, high liquidity.
 - iii. Growth & scheming position of the financial market if opposite, high liquidity.
2. Internal Factors:
 - i) Lending policy of bank: Great quantity for long term investment needs high liquidity. If short term loan policy, low liquidity.
 - ii) Management capacity:- If management is efficient & ready to bear risk, low liquidity is needed.

2.1.10 Demand and Supply of Bank Liquidity

Bank liquidity is the total balance of cash and near about cash. Government securities, shares and debenture are also known as bank

liquidity. They are near cash as they can be sold into market without losing their values. Bank liquidity is essential to meet various cash demands. The bank liquidity is demanded under various heading such as by cheque payment, loan advancement, administrative expenses and meet contingencies. In addition to this, bank liquidity is essential to satisfy the interest of shareholders.

Demand of Bank Liquidity

Cash is the most liquid assets of bank. It includes the local currencies, foreign currencies, gold, silver and coins. In addition to these government securities and first class securities are also known as liquidity of bank. Basically, demand of bank liquidity is emerged from the headings.

a) Withdrawal of Customer Deposit:

Banks accept mainly three types deposits, namely current deposit, fixed deposit and saving deposit. Such deposit should be refunded when accounts holder demand for saving and current deposits are refunded on demand of account holders. Fixed deposit is refunded after expire of due date.

b) Acceptable Loan Requests

Commercial banks should earn profit for survival. So they must advance loan against interest. After maintaining minimum liquidity balance (cash reserve ratio and statutory liquidity ratio). Banks advances profitable and secured loans borrowers. Hence, bank liquidity is demanded by borrowers. Bank need to maintain certain level of liquidity to approve loan proposal. When loan proposal is accepted banks should be able to pay such as the commitment made with the loan applicant.

c) Repayment of Non. Deposit Borrowings

When banks need liquidity they borrow loan from money market. Such loan should be repaid with interest after expiry of due date. Bank liquidity is demanded by such repayment of non deposit borrowing too.

d) Operating Expenses & Taxes

It is the expense incurred selling banking services. It is also includes taxes. Banks need certain liquidity to meet administration expenses such as payment for salary, rent, stationery, telephone, electricity taxes etc. Bank should control the administration expenses to minimize the level of liquidity and maximize the investment. It helps to expand profit of bank.

e) Payment of Stockholder Cash Dividends

When bank runs in profit, they should entertain stockholders with cash dividends. It is essential to increase the value of stockholders. It is essential to increase the value of stockholder. For this purpose, there is annual demand of liquidity after annual meeting in profitability banks.

f) Payment of Interest

Banks have to pay interest on the deposit collected under fixed account & saving account. Thus, the payment of interest on deposit also demands for bank liquidity. Generally, interest on saving account is to be paid at the end of the month. It is paid by crediting the amount of interest on the concerned account, where as the interest on fixed deposit is paid either on every three months or on the expiry of due dates.

g) Expansion & Growth

For continuous existence, banks have to adjust as per the changing environment. Banks should provide additional liquidity for modification, modernization, expansion and growth, research and survey program should be conducted to find out new sectors of banking services. There should be additional budget for such purpose. All these activities demand bank liquidity.

h) Cash Reserve Ratio

All the commercial banks have to maintain certain cash balance as cash reserve ratio in central bank. It is called cash reserve ratio (CRR). Similarly there should be a certain cash balance in the bank vault. The minimum balance should be maintained by law. It is called statutory liquidity ratio. Such ratio is determined according to the ratio of deposit collected by banks. CRR and SLR are determined by the central bank for this liquidity is demanded by bank. When cash reserve ratio & statutory liquidity ratio is increased by the central bank the demand for liquidity is also simultaneously increased.

Supply of Bank Liquidity

All the sources of bank fund are known as the supply of bank liquidity. There should be proper balance between the demand of bank liquidity & supply of bank liquidity. The major sources of bank liquidity are given below:-

a) Customer Deposits

Commercial banks accept deposits from public under various accounts such as bank liquidity because majority of bank fund is

collected through this source. Maintaining appropriate cash balance, bankers invest the most deposit liquidity into productive sector like industries and traders.

b) Interest on Bank Loan

The main objective of advancing loan is to earn interest. Banks must earn interest to fulfill the demand of bank liquidity (for administration expenses, expansion growth and payment of dividend). The basic concept of banking is to accept deposit in lower interest rate and advance loan in higher interest rate. The spread rate between them is the profit of bankers. Hence, interest on bank loan is also a source of bank liquidity.

c) Loan Repayment

After proper evaluation, bank accept loan proposal and provide loan to the borrowers. Bank loans have predetermined time period of maturity and rate of interest. All loans are repaid into bank after expiry of due date. In installment system loans are repaid with interest on monthly basis. Hence, repayment of loan is known as the sources of bank liquidity.

d) Sale of Assets

Banks purchased different types of fixed assets for banking operation. They can purchase land and building, furniture, computer, machines and equipment as required for the daily banking operation. Such fixed assets can be sold and converted into liquidity whenever needed. Thus, sales of fixed assets may become the sources of bank liquidity.

e) Borrowing from Money Market

The development of technology & commerce enhanced the money market. Today any institution including bank can easily borrow money from the money market. Finance companies, capital market, insurance companies, saving and investment institution, provident fund office, citizen investment funds etc are the major sources of liquidity under money market.

f) Revenue from the sales of Non-deposits services:-

Modern bankers provide money many more banking services as per demand of customer. Except interest earned and deposits banks have some other sources of liquidity. Banks render various types of services like collection of cheques transfer of fund (remittance), issue of letter of credit, bank guarantee.

g) Reserve Fund

Banking is a risky business. Therefore, banks should open different types of reserve funds to sue when needed. Reserve funds are created from the profit. Banks do not distribute all their profits to the shareholders. Certain percentage of annual profit is appropriate to various reserve funds such as general reserve, reserve for doubtful debt etc. the amount separated for reserve funds is generally deposited in other financial institution. They are used as the stock observes of financial fluctuation in banking market. In this way such reserves funds are also one of the sources of bank liquidity.

h) Share Capital

Commercial banks are the business organizations established under Joint Stock Company. Like other companies, banks raise capital by issuing shares in general public so the capital is also important sources of bank capital. but it must be noted that it is not regular sources of income. The liquidity collected by issue of share is the long-term investment of general public. Such liquidity is not refunded until the resolution of the bank. So, bankers generally use such liquidity in fixed assets such as purchase of land & building, furniture, equipments etc. There may be authorized capital, issued capital, called up capital and paid up capital in banks. Among them liquidity is only the paid up portion of bank capital.

Demand and Supply of Bank Liquidity.

Demand of Bank Liquidity	Supply of Bank Liquidity
* withdrawals of customer deposits	* customers deposit
* acceptable loan request	* interest on bank loan.
* repayment of non-deposit borrowings	* loan repayment.
* operating expenses & taxes.	* sale of assets
* payment of stockholder cash dividends	* borrowing from money market.
* payment of interest.	* revenue from sale of non deposit services
* expansion and growth.	* reserve funds
* cash reserve ratio.	* share capital.

There are various sources of liquidity demand and supply come together to determine each banks net liquidity position at any moment is time. That new liquidity position at time 't' is as follows.

Net liquidity position calculation Table .

A.	Supplies of Liquidity Flowing into the Bank.
	+ Customer deposit
	+ Interest on Bank loan
	+ Revenue from the sale of non deposit services.
	+ Loan repayments.
	+ Sale of assets
	+ Borrowings from the money market.
	+ Reserve funds.
	+Share capital
B.	Demand on the Bank for Liquidity
	+ Withdrawals of customer deposit
	+ Acceptable loan request.
	+ Repayment of non deposit borrowing
	+ Operating expenses and taxes.
	+ Payment of interest
	+ Payment of stockholders cash dividend.
	+ Expansion & growth.
	+ Cash Reserve ratio.
C.	A bank's net liquidity position (Lt) (A-B)

When the bank's total demand for liquidity exceeds its total supply of liquidity management must prepare for a liquidity deficit deciding when and where to raise additional liquid funds. On the other hand if at any point in time the total supply of liquidity of the bank exceeds all of its liquidity demands. Management must prepare for a liquidity surplus. For this, the management has to decide when & where to invest surplus liquid funds profitability until they are needed to cover future liquidity demands. Liquidity has critical time dimension. Some bank liquidity

needs are immediate or nearly. So for example, several large fixed deposits may be due to mature tomorrow. The customer will withdraw these deposits rather than rolling them over into new deposits. Sources of funds that can be accessed immediately must be used to meet these near-term liquidity pressures such as borrowing from another bank. Long term liquidity demands arise from seasonal cyclical and trend factors. For example, liquid funds are generally in greater demand during the fall & summer coincident with school, holidays and customer travel plans. Timing is critical for liquidity management. Banker must plan carefully how, when and where needed liquid funds can be raised.

The essence of the Liquidity Management problem for a bank may be described in two succinct statements.

- a) Rarely are the demands for bank liquidity equal to the supply of liquidity at any particular moment in time. The bank must continually deal with either a liquidity deficit or a liquidity surplus.
- b) There is a trade off between bank liquidity and profitability. The more bank resources are tied up in readiness to meet demands for liquidity the lower is the bank's expected profitability.

Thus ensuring adequate liquidity is a never ending problem for bank management that will always have significant implication for the bank's profitability, implication for the bank's profitability, liquidity, management decision cannot be made in isolation from all the other service areas, department and branches. Resolving liquidity problems subject a bank to cost. It includes interest cost on borrowed funds the transaction cost of time & money in finding adequate liquid funds and an opportunity cost that must be forgone to help to meet a bank's liquidity

needs. The management must weight these costs against the immediately of liquidity needs.

2.2 Review of NRB Directives

According to Nepal Rastra Bank Directives No 5 provisions of reducing the risk on activities of commercial banks, NRB has classified the risk related to commercial banks transactions into four sectors.

- Liquidity risk
- Interest rate risk
- Foreign exchange rate
- Risk related to loan & advances.

Clause 1: Provisions of reducing liquidity risk

Banks need to classify time interval on the basis of payment periods & maturity period.

- Assets & liabilities with maturity periods of 0 -90 days.
- Assets and liabilities with maturity period from 91 – 180 days.
- Assets and liabilities with maturity period from 181 – 270 days.
- Assets and liabilities with maturity period from 271 – 365 days,

2. NRB has brought following directives for liquidity are as

- 7 % of current and saving deposit liabilities and 4.5 % of fixed deposit liabilities.
- 2 % of total deposit liabilities should be cash in vaults.

3 Cash in Vault shall include only the local currency and foreign currency except clearing cheques

4. Liabilities with unfixed maturity periods

Core capital from current deposit & compensating balance need to include in time interval above one year.

Saving deposits should be taken as long term liabilities.

2.3 Review of Journals/Articles

Journals article and bulletins are of great significance for thesis writing. So, various published and unpublished articles by different expert & journals and bulletins are as follows: -

Sharma Bibek (2000 A.D) on his title " Banking future on competition." Found that all the commercial banks are established and operating in urban areas. His achievements are:-

- Commercial banking are charging rate of interest on lending.
- Commercial banking are establishing & providing their services in urban areas only. They do not have interest to establish in rural areas.
- Only the RBB and NBL have branches in rural areas.
- They do not properly analyze the Credit system. The researcher further states that private commercial banks have mushroom only in urban areas where large volume of banking transaction and activities are possible.

For the Liquidity Management, Dr. Bchari Binod Pokhrel and Mr. Ujwal Raj Gautam (2004 A.D) in their book, " Fundamental of Financial Management have given some conceptual ingredients. As attempts should be made to accelerate collection and handle disbursement so that maximum liquidity is available collection liquidity is accelerated by means of concentration banking lock box system and other specific pick plans. A firm can reduce its liquidity balance by adopting quicker

mechanism of transferring fund. The optimum level of liquidity depends upon the predictability of future liquidity flows their volatility fixed cost of security transaction and the carrying cost of holding liquidity that is interest rate foregone and marketable securities.

For the liquidity Management Kiran Thapa and Dipendra Kumar Neupane (2005 A.D) in their book, " Banking and Insurance have given some idea about liquidity indicator approach.

The worst possible liquidity position for the bank:

Deposit growth falls significance below management's expectations so that actual deposit total sometimes goes below the lowest point on the bank's historical minimum deposit growth track. Moreover suppose loan demand sometime goes beyond the high points of the bank's loan growth track. In this situation liquidity Manager would have to purpose for a sizeable liquidity deficit and develop a plan for raising substantial amounts of liquid funds.

The best possible liquidity position for the bank:

Deposit growth turns out to be significantly above management's expectation, so that it touches the highest points in the bank's deposit growth track. Moreover suppose loan demand turns out to be significantly below Management's expectations so that loan demand grows along a minimum path that touches the low points in the bank's loan growth track. In this situation liquidity manager must have to plan for investing these surplus funds in order to maximize the bank's return. The most likely outcomes lie somewhere between there extremes many banks like to calculate their expected liquidity requirement based on the probabilities they assign to different possible outcomes.

Dr. Yuvaraj Khatiwada, newly appointed governor in Annapurna Post (2010 A.D) accused commercial banks, " At present situation Nepalese banking sector is facing liquidity problem due to their own causes such as high investments on unproductive sector i.e. real state involve in competition to increase market share and in bonus distribution. "he adds" directors of commercial banks create big problem but the situation is in control. NRB is going to make a policy to solve it."

NRB introduces refinancing for productive sectors. Republica (2nd April,2010) Board meeting of NRB endorsed on 1st April 2010.it would extend refinance loans upto Rs.25 billion to the financial institution against collateral of good loans that they own NRB categories good loans as those that are securing interest and principals or defaulted by period of less than 3 months.

2.4 Review of previous Thesis

Thapa Uttam Bahadur (2004) has conducted his study on " Liquidity Management practices before and after financial sector program in Nepal Bank Ltd." The objective of the study was comparatively examined and analysis the liquidity position and liquidity management practice in Nepal Bank Ltd. Before & after financial sector reform program on liquidity of bank.

His major findings are as follows

Average liquidity & bank balance and loan advances percentage is higher in Nepal Bank Ltd before FSRP than after FSRP.

Fixed deposit to total deposit ratio of Nepal Bank Limited before and after FSRP is always decreasing trend. The turnover ratio of Nepal Bank Ltd before FSRP have decreasing trend.

Shrestha Rajani (2007) made a thesis report entitle "Liquidity Management of NABIL Bank Ltd." The objectives of study is to analyzes financial ratios, trend analysis of ratio and provide suggestion for the future betterment of NABIL Bank Ltd.

The major findings of the study are as follows

Liquidity ratio of NABIL Bank Ltd are fluctuating over the study period. The profitability ratio are fluctuating and increasing trend. The interest income and expenses are in increasing. In order to maintain fluctuating trend of profitability, she recommends investing different risk profile by establishing special investment promotion unit. She has also recommended to minimize the minimum cash balance that should be maintained by depositor and enhance the wide range of service provided to customer as per changing environment.

Shrestha Leela Kumari (2008) has carried out her research on "A study of cash management of Joint Venture Bank". Her main objective was to analyze the current assets and current liabilities and their impact and relationship to each other.

Her major findings of the study are as follows.

Liquidity and bank balance holds the part of current liquidity and bank balance inventories and receivables. There is increasing trend in liquidity and decreasing trend in current assets turnover of Joint Venture bank. Average liquidity and bank with respect with current assets and total assets is increasing year after year during her study period and liquidity and bank balance holds largest amount of idle liquidity balance of both bank. Inventory to current assets ratio show decreasing trend but it has improved later. Similarly, inventory to TAs ratio shows fluctuating

trend. There is no consistency in inventory balance. Liquidity position of the company shows increasing trend and excessive quick ratio indicates excessive investment in liquid quick assets of the company. Due to lack of definite credit & collection policy receivable has increased year after year.

Limbu Ram (2008) in his dissertation. "Credit Management of NABIL Bank Ltd" highlighted that aggregate performance and condition of NABIL Bank. In this aspect of liquidity position cash and bank balance reserve ratio shows more liquidity position. Cash and bank balance to current deposit has fluctuating trend in 5 years study period. Cash and bank balance to current deposite is also fluctuating. The average mean of cash and bank balance to interest sensitive ratio is able to maintain good financial condition.

The main objective of the research study are as follows

-) To evaluate various financial ratio of NABIL Bank.
-) To analyze the portfolio of lending selected sector of banks.
-) To determine the impact of deposit in liquidity and its effect on lending practices.
-) To offer suitable suggestion based on findings of this study.

The main findings and conclusion are according to calculated ratio. In this aspect of asset management ratio. Asset management position of the bank shows better performance in the recent years. Non-performing assets to total assets ratio is decreasing trend. The bank is able to obtain higher lending opportunities during the study period. Therefore, credit management is in good position of the bank. In leverage ratio, debt to equity ratio is in an increasing trend. High total debt to total assets ratio

posses higher financial risk and vice-versa. It represents good condition of total assets to Net Worth ratio.

Gadtaula Milan Raj (2009) has carried out his research on " liquidity management of Nepal Development Bank Ltd and Development credit Bank Ltd" his main objectives of this study is to examine and analyze liquidity position of Nepal Development Bank Ltd and Development Credit Bank Ltd i.e Management of individual current assets like liquidity and bank balance.

The major findings of the study are as follows:

To fulfill the objective an appropriate research methodology was developed which include financial tools and statistical tools. In the ratio analysis four different categories were listed with their sub division. The ratio tested was liquidity ratio, profitability ratio, leverage ratio and utilization ratio. Liquidity ratio measures the firm's ability to fulfill its short-term commitments. These ratio measures the firm's ability to fulfill its short-term commitments. These ratio focus on currents assets and current liabilities and are used to ascertain the short term solvency position of a firm. Both banks have very low liquidity position because the both current and quick ratio are below the standard. Both banks cannot pay short- term liability at the time of its creditors demand. It may create difficult situation in future. So, both banks should keep sufficient level of current and quick assets to maintain its liquidity position. The investment position of DCBL and NDBL, out of its total deposit were not satisfactory because the investment to total deposit ratio are too much low. The study shows that investment of total deposits were not satisfactory for investment. So, it is recommended that both banks should give priority for productive investment. Both bank used very high

proportion of debt is its capital structure. The NDBL has very high debt to total assets. Similarly, DCBL has also high debt to total assets. So, this indicates poor financial condition of both banks. The ratio of NDBL is very critical than DCBL. So both banks should either increase its own equity capital or decrease debt financing. Both banks have provided more loan and advances from its saving, Fixed and total deposit. So, both banks should review its loan policy. The government has not given any consideration to legislate legal rules regarding the liquidity position as well as debt financing. So they give their attention for legal requirement in maintaining liquidity as well as debt financing.

Maharjan Bidhya Laxmi (2009) made a thesis report entitled "Liquidity Management of Commercial Banks of Nepal." Her main objectives was comparatively examined and analyze the liquidity position of NIBL, HBL and NABIL.

The major findings of this study are as follows

Nepalese commercial Banks are in optimum liquidity position with slightly variation and are not changing significantly over the study period. The factors investment opportunity, internal rate, NRB regulation is to be found most affecting factor of liquidity position. The CRR ratio prescribed by NRB of liquidity management is found and adequate and some has suggested increasing its level. NRB is effectively monitoring its banks during the last Years and intervention is required to maintain effective liquidity position.

CHAPTER THREE

RESEARCH METHODOLOGY

Research Methodology is concerned with various methods and techniques, which are used in the process of research studies. It includes wide range of methods including quantitative technique for data analysis and presentation. It facilitates the research work and provides reliability and validity to it. The research methodology is followed to achieve the basic objectives and goals of research work. The major components of research methodology followed in this research study are discussed below.

3.1 Research Design

To achieve the objective of this study, analytical and descriptive research design has been used.

3.2 Source of Data

The nature of data required for this research work is secondary data so that data have collected from secondary sources. This refers to data that are already used and gathered by others. The major sources of secondary data are as follows:-

-) Annual reports of ADBL and NBL
-) Internet and E-mail
-) NRB directives
-) Newspaper, journals, magazines , articles
-) Dissertation of Central Library of TU and Library of Shanker Dev Campus

3.3 Sample Selection

The objectives of the research is to explore and describe the liquidity position of commercial bank i.e. HBL and BOKL. Nowadays a number of commercial banks have been emerging rapidly. Some have already been established and other are in the process of establishment. Here, the total 31 commercial banks shall constitute the population of data and two banks under the study constitute the sample under this study. Among them ADBL and NBL have been selected as sample for the present day. Financial statements of five years selected as sample for this purpose.

3.4 Data Collection Procedure

Data collected from various secondary sources will be presented in tables. So as to meet the requirements of the study. Different tool and techniques are used for collecting the data for this study. Most of the data will be processed by using relevant statistical tools and it will be shown in tabular form.

3.5 Tolls and Techniques for Data Analysis

Presentation and analysis of data is one of the important part of the research work. The collected raw data will first be presented in systematic manner in tabular form and then will be analyzed by applying different financial and statistical tools to achieve the research objectives. Besides these some graph, charts and tables will be presented to analyze and interpret the findings of the study. The tools applied are:-

1. Financial tools
2. Statistical tolls

3.5.1 Financial Tools

Financial Tools are calculated to ascertain the financial condition of the firm. It is the relationship between financial variables contained in the financial statements (i.e. balance sheet, profit and loss account and income statement). It helps the related parties to spot out the financial strength and weakness of firm. The financial tools are used in this study are as follows:

1) Liquidity Ratio

This ratio measures the liquidity position of a firm. It measure firm's ability to meet its short-term obligations. As a financial analytical following liquidity ratio will be used.

a) Current Ratio

It shows the relationship between current asset and current liabilities. Higher the current ratio betters the liquidity position. It can be compounded by dividing the total assets by current liabilities which can be shown as follows:-

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

b) Cash and Bank balance to Total Fund.

Cash and bank balance are the most liquid current assets. This ratio measures the percentage of most liquid fund with the bank to make immediate payment to the depositor. This ratio can be computed by dividing cash and bank balance by total fund and can be presented as:-

$$\text{Cash and Bank balance to total fund} = \frac{\text{Cash and bank balance}}{\text{Total fund}}$$

Cash and bank balance includes cash in hand, foreign cash in hand, cheques and other cash items, balance with domestic and foreign banks.

c) Cash and bank balance to total fund

This ratio measures the proportion of most liquid assets ie cash and bank balance among the total fund of the bank. This ratio can be computed by dividing cash and bank balance by current assets and can be presented as:-

$$\text{Cash and bank balance to total fund} = \frac{\text{Cash and bank balance}}{\text{Total fund}}$$

d) Balance with financial institution to total fund.

Balance with financial institution include the balance maintained by the bank with the various financial institution .This ratio can be computed by dividing balance with financial institution to total fund .It can be presented as:-

$$\begin{aligned} &\text{Balance with financial institution to total fund:} \\ &= \frac{\text{Balance with financial institution}}{\text{Total fund}} \end{aligned}$$

e) Loans and advances to total fund

Loans and advances is the major components in the total working fund (total assets) which indicate the ability of bank to utilize the deposit in the form of loan and advances to earn high return. The ratio can be computed by dividing loans and advances by total fund and can be presented as:

$$\text{Loans and advances to total fund} = \frac{\text{Loans and advances}}{\text{Total fund}}$$

3.5.2 Statistical Tools

Some important statistical tools will be used to achieve the objective of this study. In this study statistical tools such as mean, standard deviation, coefficient of variation, coefficient of correlation and trend analysis will be used.

i) Mean Average

The mean or average value is 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 data, it is called a measures of central value. Average value is determined by adding together all the terms and by dividing this total by the number or items. The formula is given below:-

$$\bar{X} = \frac{X}{N}$$

Where,

\bar{X} = mean of the values.

X = summation of the value

N = no. of observation

ii) Standard Deviation

The standard deviation is the measures that are most often used to describe variability in data distribution. It can be thought of as rough measures of the average amount by which observation deviate on either side of the mean. Standard deviation is represented by:

$$\text{Standard deviation } (\sigma) = \frac{(\sum Z\bar{X})^2}{nZ1}$$

Where,

\bar{X} = expected return of the historical data

N = number of observation

iii) Coefficient of Variation

The relative measures of dispersion is the co-efficient of variation, comparable across distribution, which is defined as the ratio of the standard to the mean expressed in percent. The coefficient of variation (C.V) is given by following formula.

$$\text{Coefficient of Variation (CV)} = \frac{\sigma}{\bar{X}} \times 100$$

iv) Coefficient of Correlation

The correlation between the different variables of a bank is compared to measure the performance of these banks. Correlation refers to the degree of relationship between two variables. If between two variables, increase or decrease in one causes increase or decrease in another, then such variables are correlated variables. The reliability of the values of coefficient of correlation is measured by probable errors. This interprets whether variables are correlated positively or negatively. This tool analyzes the relationship between the those variables by which it is helpful to make appropriate investment policy for profit minimization. The Karl Pearson Coefficient of correlation is given by following formula:-

$$\text{Coefficient of Correlation (r)} = \frac{\phi_{XY}}{\sqrt{\phi_{X^2}} \sqrt{\phi_{Y^2}}}$$

Where,

$$x = X - \bar{X}$$

N = number of pairs of observation.

$$y = Y - \bar{Y}$$

The Karl Pearson on Coefficient of correlation always falls between -1 or $+1$. The value of correlation in minus signifies the negative and in plus signifies the positive correlation. As the value of correlation reaches to the value of zero. It is said that there is no significant relationship between the variables.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the presentation and analysis of data. For the purpose of the study secondary data have been collected from the concerned commercial banks, collected data have been presented in tables and charts. Statistical tools such as mean, standard deviation and coefficient of variation are used to analyze the data.

4.1 Current Assets Analysis

Current assets includes cash balance, cash balance with NRB, balance with financial institution, money at call at short notice, loan and advance and bills purchase ,so the current analysis includes analysis of all the items of current assets.

4.1.1 Cash Balance Position

Table 4.1
Cash Balance Position

(In Thousand)

Year	ADBL		NBL	
	Cash Balance	Index	Cash Balance	Index.
2064/65	905235	-	1181792	-
2065/66	1413971	156.20	1515655	128.25
2066/67	1366731	150.98	1603489	135.68
2067/68	1581094	174.66	1570315	132.88
2068/69	2057014	227.23	1940995	164.24
Mean	1464809		1562449.2	
S.D.	207598.745		135123.24	
C.V.	0.142		0.086	

Table No. 4.1 shows the cash balance position of NBL & ADBL. The cash balance of NBL is in increasing trend. Similarly, cash balance of ADBL is also in increasing trend. The mean ratio of NBL is 1464809 and ADBL is Rs. 1562449.2. Similarly, S.D. and C.V. of NBL are Rs. 207598.745 and 0.142 and S.D. and C.V. of ADBL are 135123.24 and 0.086 respectively.

4.1.2 Balance with NRB Position

Table No. 4.2
Balance with NRB Position

(In Thousand)

Year	NBL		ADBL	
	Balance with NRB	Index	Balance with ADBL	Index
2064/65	4430641	-	1806731	-
2065/66	6619700	149.48	2717813	150.43
2066/67	7493118	169.13	1759468	97.38
2067/68	9343275	210.88	2553275	141.33
2068/69	10635913	240.05	3280013	181.54
Mean	7704529.4		2423460	
S.D.	1204636.67		321949.01	
C.V.	0.156		0.133	

Table No. 4.2 shows the balance with NRB of both NBL and ADBL. NBL has increasing trend of balance with NRB as compared to ADBL. NBL has higher cash balance in year 2068/69 as compared to the previous years. Similarly, ADBL has fluctuating trend of cash balance with NRB. ADBL also have higher cash balance with NRB during the year 2068/69.

4.1.3 Balance with Financial Institution

Table 4.3
Balance with Financial Institution

(In Thousand)

Year	NBL		ADBL	
	Balance with financial Institution	Index	Balance with financial Institution	Index
2064/65	1004559	-	912032	-
2065/66	1036435	103.17	1075869	117.96
2066/67	1044675	103.99	1035206	113.51
2067/68	1100274	109.53	674585	73.97
2068/69	1486784	148.00	869105	95.29
Mean	1134545.4		913359.4	
S.D.	250263.9733		79147.56	
C.V.	0.2206		0.087	

Table 4.3 shows the balance with financial institution of NBL and ADBL. NBL has fluctuating trend of balance with financial institution. During the year 2068/69 NBL has higher balance with financial institution. Similarly, ADBL has fluctuating trend of balance with financial institution. The mean ratio of NBL's balance with financial institution is Rs. 1134545.4 and S.D. and C.V. are Rs. 250263.9733 and 0.2206 respectively. Similarly, ADBL's mean ratio is 913359.4 and S.D. and C.V. are 79147.56 and 0.087 respectively.

4.1.4 Loan and Advance and Bills Purchase Position

Table 4.4
Loan and Advance and Bills Purchase Position

(In Thousand)

Year	NBL		ADBL	
	Loan & advance	Index	Loan & advance	Index
2064/65	13251963	-	30589428	-
2065/66	17614898	132.92	32603095	106.58
2066/67	23560956	177.79	33876957	110.75
2067/68	24671282	186.17	34459919	112.65
2068/69	27670840	208.81	39427045	128.89
Mean	18973987.8		34191288.8	
S.D.	3198860.83		7753788.503	
C.V.	0.169		0.268	

Table No. 4.4 shows loan and advance and bills purchase of both NBL and ADBL during the year 2064/65 to 2068/69. NBL have increasing trend of loan and advance and similarly, ADBL have also increasing trend of ADBL. During the year 2068/69 both the banks have higher loan and advance and bills purchase as compared to previous year. The mean ratio of NBL is 18973987.8 and that of ADBL is 34191288.8 the S.D. and C.V. of NBL are 3198860.83 and 0.169 respectively. Similarly, S.D. & C.V. of ADBL are 7753788.503 and 0.268.

4.1.5. Overall Current Assets Position of NBL

Table 4.5
Overall Current Assets Position of NBL

(In Percentage)

Year	Cash Balance	Balance With NRB	Balance with financial Institution	Money call at short notice	Loan & advance & Bill Purchase
2064/65	5.95	22.29	5.06	-	66.70
2065/66	5.57	24.35	3.81	1.47	64.80
2066/67	4.76	22.23	3.09	0	69.91
2067/68	4.23	25.19	2.96	1.08	66.53
2068/69	4.65	25.48	3.56	0	66.30
Average	5.032	23.91	3.696	0.51	66.85

Table No. 4.5 shows the overall current assets position. It shows the percentage of all the current assets items on the total current assets. The percentage of cash balance on total current assets of NBL is higher in 2064/65. Similarly, percentage with NRB on total current assets is higher in 2068/69. Similarly, during the year 2064/65 the percentage of balance with financial institution is higher than that of other years. Percentage of money at call at short notice is higher in year 2065/66. Finally, percentage of loan advances & bills purchase on total current assets is higher during the year 2066/67.

4.1.6 Overall CA Position of ADBL

Table 4.6
Overall CA Position of ADBL

(In Percentage)

Year	Cash Balance	Balance with NRB	Balance with financial institution	Money at call at short notice	Loan & advance & bills purchase
2064/65	2.64	5.27	2.662	0.145	89.28
2065/66	3.53	6.78	2.69	5.62	81.39
2066/67	3.45	4.44	2.61	4.06	85.44
2067/68	4.02	6.49	1.72	0.069	87.69
2068/69	4.508	7.19	1.90	0	86.40
Average	3.63	6.032	2.31	1.98	86.04

Table No. 4.6 shows the overall current assets position on ADBL. It shows the percentage of all the current assets item to the total assets. In cash balance during the year 2068/69, the percentage of cash balance on current assets is higher than other years. Similarly, the percentage of balance with NRB is higher during the year 2068/69. The balance with financial institution total current assets is higher during the year 2065/66. Similarly in year 2065/66, the percentage of money at call at short notice is higher as compare to other years. The loan and advance of NBL on total current assets is higher during the year 2064/65. The above table shows that higher percentage of total current assets comes from loan & advances & bills purchase.

4.2 Current Liability Analysis

Current liabilities are those liabilities which are liable to pay within short period of time. Current liabilities includes the short term borrowings, bills payable, proposed dividend payable, bank overdraft and income tax payable etc. So, current liability analysis include analysis of both NBL and ADBL during the study period of 5 years i.e. 2064/65 to 2068/69.

4.2.1 Borrowing Position

The borrowing includes the short term borrowing of the banks. It shows the level of borrowing of the bank during each year to meet their short term obligations.

Table 4.7
Borrowing Position

(In Thousand)

Year	NBL		ADBL	
	Borrowing	Index	Borrowing	Index
2064/65	1820089	-	257373	-
2065/66	1970675	108.27	198250	77.03
2066/67	2125141	116.76	259562	100.85
2067/68	1840211	101.10	243701	94.69
2068/69	2153794	118.33	927171	360.24
Mean	1981982		377211.4	
S.D.	77641.03		154213.811	
C.V.	0.0392		0.409	

Table No. 4.7 show the borrowing position of both banks i.e. NBL and ADBL. The borrowing position of NBL is in fluctuating trend.

During the study period, NBL has highest borrowing during the year 2068/69. The mean borrowing of NBL is Rs. 1981982 and NBL's S.D. and C.V. are 77641.03 and 0.0392 respectively.

Similarly, ADBL's also have fluctuating trend of borrowing within the study period. During the year 2068/69, ADBL's have highest borrowing as compared to other previous years. The mean borrowing of ADBL is 377211.4 and its S.D. and C.V. are 154213.81 and 0.409 respectively. The S.D. and C.V. of ADBL is higher as compared to that of NBL which indicate high risk.

4.2.2 Bills Payable

Table 4.8
Bills Payable

(In Thousand)

Year	NBL	
	Bills Payable	Index
2064/65	52343	-
2065/66	12016	22.96
2066/67	65936	125.96
2067/68	34436	65.78
2068/69	74767	142.84
Mean	47899.6	
S.D.	12589.22	
C.V.	0.263	

Table No. 4.8 shows the bills payable of NBL during the study period. The bills payable of NBL is in fluctuating trend. During the year 2068/69, the bills payable of NBL is higher as compared to previous years. The mean bills payable of NBL is Rs. 47899.6 and its S.D. and

C.V. are Rs. 12589.22 and 0.263 respectively. During the study period from 2064/65 to 2068/69, ADBL doesnot have any bills payable.

4.2.3 Bank Overdraft

Table 4.9
Bank Overdraft

(In Thousand)

Year	ADBL		NBL	
	Bank overdraft	Index	Bank overdraft	Index
2064/65	32553827	-	41829391	-
2065/66	35159610	108.004	45194232	108.04
2066/67	3272568	99.75	42882040	102.52
2067/68	34394627	105.65	46808435	111.90
2068/69	43235096	132.811	56052372	134.00
Mean	35563145.6		38833294	
S.D.	2221975.022		5159518.081	
C.V.	0.062		0.133	

The Table No. 4.9 shows the bank overdraft position of both NBL and ADBL. Bank overdraft of NBL has been found to be in increasing trend. Bank overdraft is higher during 2068/69 as compared to the bank overdraft of 2064/65. The mean bank overdraft of NBL is Rs. 38833294. Similarly, S.D. and C.V. of NBL's bank overdraft is Rs. 5159518.081 and 0.133 respectively.

Similarly, ADBL's bank overdraft has also been found in increasing trend. During the year 2068/69, the bank overdraft is higher than that of the previous years. The mean bank overdraft of ADBL is Rs. 38833294 and the S.D. and C.V. are 5159518.08 and 0.133 respectively.

As compared to ADBL, NBL have higher S.D. and C.V. which indicates the high risk and insignificance.

4.2.4 Income Tax Payable

Table 4.10
Income Tax Payable

(In Thousand)

Year	ADBL	
	Income tax payable	Index
2064/65	365242	-
2065/66	597718	163.65
2066/67	941920	257.89
2067/68	13470905	367.13
2068/69	-	-
Mean	649157	
S.D.	201165.23	
C.V.	0.31	

Table No. 4.10 shows the income tax payable of ADBL. The income tax of ADBL is in increasing trend. The tax payable is twice during the year 2066/67 as compared to year 2064/65. Similarly, the income tax is found to increase more than three times in the year 2067/68. The mean income tax payable of ADBL is Rs. 649157 whereas its S.D. and C.V. are Rs. 201165.23 and 0.31 respectively. NBL doesnot have any income tax payable during the study period from 2064/65 to 2068/69.

4.2.5 Overall Current Liabilities Position of NBL

Table 4.11
Overall Current Liabilities Position of NBL

(In Percentage)

Year	Borrowing	Bills payable	Proposed dividend	Bank overdraft
2064/65	4.16	0.12	0.00473	95.71
2065/66	4.18	0.025	0.00438	95.79
2066/67	3.26	0.101	0.00315	65.89
2067/68	3.78	0.071	-	96.15
2068/69	3.69	0.128	-	96.18
Average	3.814	0.089	0.00245	89.94

The table 4.11 shows the overall current liabilities position of NBL. It shows the percentage of all the current liabilities items on the total current liability. The percentage of borrowing on the total current liability is in fluctuating trend. The average borrowing of the NBL is found to be 3.814 percent. Similarly, the percentage of bills payable on current liability is also in fluctuating trend. During the year 2068/69 the percentage of bills payable on current liability is higher as compared to previous year during the study period. The mean percentage of bills payable is 0.0899 percent. The proposed dividend is also in decreasing trend with its average percentage of 0.00245 percent. The percentage of bank overdraft of NBL on its total current liability is fluctuating trend. Except in year 2066/67 the percentage of bank overdraft on current liability is in increasing trend.

4.2.6 Overall Current Liabilities Position of ADBL

Table 4.12

Overall Current Liabilities Position of ADBL

(In Percentage)

Year	Borrowing	Income tax payable	Proposed dividend	Bank overdraft
2064/65	7.76	1.10	-	98.13
2065/66	5.47	1.65	0.762	97.12
2066/67	7.64	2.8	0.813	95.65
2067/68	7.33	4.03	0.83	103.43
2068/69	2.09	-	0.621	97.29
Average	6.058	1.916	0.6052	98.324

Table No. 4.12 shows the overall current liability position of ADBL. It shows the percentage of all the items of current liabilities on the total current liabilities. The percentage of borrowing on total current liabilities is in fluctuating trend. Among the five year study period, in 2068/69, the percentage of borrowing on total current liabilities is less as compared to previous year. The average percentage borrowing of ADBL on the total current liability is 6.058 percent. The income tax payable is in increasing trend. The average percentage of income tax payable on total current liability is 1.916 percent. Similarly, proposed dividend payable on total current liability is in fluctuating trend during the five year study period with its average percentage on total current liabilities of 0.652 percent. Similarly, percentage of bank overdraft on total current liability is also in fluctuating trend. During the year 2067/68, the percentage of bank overdraft on total current liability is higher than in the other years.

The average percentage of bank overdraft on total current liabilities is 98.324 percent.

4.3 Total Equity Position

Total equity includes the share capital, reserve and surplus. Total equity position indicates the level of equity position of each banks.

4.3.1 Share Capital Position

Share capital includes various kinds of share capital. It includes authorized capital, issued capital, paid-up capital, subscribed capital. So, share capital position includes the level of share capital maintained by the banks during the 5 years study period.

Table 4.13
Share Capital Position

(In Thousand)

Year	NBL		ADBL	
	Share capital	Index	Share capital	Index
2064/65	380382	-	10777500	-
2065/66	380382	100	10777500	100
2066/67	380382	100	9437500	87.57
2067/68	380382	100	9474300	87.91
2068/69	1772827	466.06	9474300	87.91
Mean	658871		9988220	
S.D.	311360.17		360333.69	
C.V.	0.472		0.36	

Table No. 4.13 shows that share capital position of both the banks NBL and ADBL. the share capital, in case of NBL is same upto the year 2067/68 and increases four time than in the year 2064/65. The average

share capital position of the bank is Rs. 658871 and its S.D. and C.V. is found to Rs. 311360.17 and 0.472.

Similarly, in case of ADBL the share capital is in fluctuating trend. It is decreased in the year 2066/67 and slightly increases in the year 2067/68 and remains as it is. The mean share capital is Rs. 9988220 and its S.D. is 360333.69 and C.V. is 0.36. As compared to NBL, ADBL has high risk due to its higher S.D.

4.3.2 Reserve and Surplus Position

Table 4.14
Reserve and Surplus Position

(In thousand)

Year	NBL		ADBL	
	Reserve & surplus	Index	Reserve & surplus	Index
2064/65	-6388684	-	-5402981	-
2065/66	-5234694	81.94	-452327	83.72
2066/67	-4985312	78.03	1430000	26.47
2067/68	-4856965	76.02	3715179	68.76
2068/69	-4680604	73.26	3498345	64.75
Mean	-43292518		557643.2	
S.D.	-21280719.65		1869623.064	
C.V.	0.4916		3.35	

Table No. 4.14 shows the reserve and surplus of both of the banks. The NBL has negative reserve and surplus over the study period. The reserve and surplus position has been found in decreasing trend. The mean reserve and surplus is 43292518 and S.D. is 21280719.85 and C.V. is 0.4916. Similarly, in case of ADBL, during the year 2064/65 and 2065/66, the bank has negative reserve and surplus but then it increased

in the year 2066/67. But then after it decreased. So, reserve and surplus position of ADBL is in fluctuating trend. The mean reserve and surplus of ADBL is 557643.2 and the S.D. and C.V. are 1869623.07 and 3.35 respectively.

4.4 Total Debt Position

Total debt position includes the debenture and bonds and the borrowing of both the banks during the 5 year's study period.

4.4.1 Total Debenture and Bonds

Table 4.15
Total Debenture and Bonds

(In thousand)

Year	NBL		ADBL	
	Debenture & bonds	Index	Debenture & bonds	Index
2064/65	-	-	-	-
2065/66	-	-	-	-
2066/67	-	-	2300000	
2067/68	-	-	2300000	
2068/69	-	-	2300000	
Mean	-		1380000	-
S.D.	-		629880.94	-
C.V.	-		0.456	-

The Table No. 4.15 shows the position of debenture and bond position of both banks. NBL does not have any investment in debenture and bonds overall the study period. Similarly in case of ADBL, the investment in debenture and bonds are only from the year 2066/67. The debenture and bonds remains unchanged upto the year 2068/69. The

mean debenture position in Rs. 1380000 and S.D. and C.V. are Rs. 629880.94 and 0.456.

4.5 Total Deposit Position

The deposit include the various kinds of deposits. They are current deposit, saving deposit, fixed deposit and other deposits. So, the deposit position evaluates the level of various types of deposit maintained by both banks.

Table 4.16
Current Deposit Position

(In thousand)

Year	NBL		ADBL	
	Current deposit	Index	Current deposit	Index
2064/65	6766342	-	2397401	-
2065/66	9923275	146.66	2246743	93.72
2066/67	10942415	161.72	2415763	100.76
2067/68	10905855	161.18	2929201	122.182
2068/69	12326789	182.18	4257773	177.60
Mean	10172935.2		2849376.2	
S.D.	1043897.87		414232.89	
C.V.	0.103		0.1454	

Table No. 4.16 shows the current deposit position of both the banks during the study period. The current deposit position of NBL is in increasing trend. The current deposit position of NBL has been found to increase in the subsequent year as compared to the current deposit in the year 2064/65. The mean current deposit of NBL is 10172935.2. Its S.D. and C.V. are Rs. 1043897.87 and 0.103 respectively.

Similarly, the current deposit position of ADBL is also in increasing trend. The mean current deposit is Rs. 2849376.2. Its S.D. and C.V. are Rs. 414232.89 and 0.1454 respectively. The current deposits position of NBL is better than that of ADBL.

Table 4.17
Saving Deposit Position

(In thousand)

Year	NBL		ADBL	
	Saving deposit	Index	Saving deposit	Index
2064/65	26427197	-	18382467	-
2065/66	31284260	118.38	21156512	115.09
2066/67	27313756	103.35	18336280	99.75
2067/68	22501339	85.14	17269468	93.94
2068/69	24909160	94.25	19964384	108.60
Mean	26487142.4		19021822.2	
S.D.	1621648.04		766273.93	
C.V.	0.0612		0.0403	

Table No. 4.17 shows the saving deposit position of NBL and ADBL. The saving deposit of NBL is in fluctuating trend during the study period. During the year 2065/66, the saving deposit of the higher than that of other years. The mean saving deposit of the NBL is Rs. 26487142.4. Its S.D. and C.V. are Rs. 1621648.04 and 0.0612.

Similarly, the saving deposit position of ADBL is also in fluctuating trend. During the year 2065/66, ADBL have higher saving deposit. The mean saving deposit of ADBL is 19021822.2. Its S.D. and C.V. are 766273.93 and 0.0403. The saving deposit position of NBL is better than that of ADBL.

Table 4.18
Fixed Deposit Position

(In thousand)

Year	NBL		ADBL	
	Fixed deposit	Index	Fixed deposit	Index
2064/65	5393446	-	10981035	-
2065/66	3586190	66.49	10672587	97.19
2066/67	4226765	78.37	10664770	97.11
2067/68	7481194	138.71	13376918	121.82
2068/69	11664593	216.27	18111428	164.93
Mean	6470437.6		12761347.6	
S.D.	1630063.99		1599420.96	
C.V.	0.252		0.125	

Table No. 4.18 shows the fixed deposit position of both NBL and ADBL during the 5 year study period. The fixed deposit of NBL is in increasing trend. The fixed deposit of NBL is found to increase to more than two times in the year 2068/69 as compared to fixed deposit in the year 2064/65. The mean fixed deposit of NBL is 6470437.6. Its S.D. and C.V. are 1630063.99 and 0.252. Similarly, the fixed deposit position of ADBL is also in increasing trend. The mean fixed deposit is Rs. 12761347.6. Its S.D. and C.V. are Rs. 1599420.96 and 0.125. ADBL have been maintaining higher fixed deposit than that of NBL.

Table 4.19
Other Deposit Position

(In thousand)

Year	NBL		ADBL	
	Other deposit	Index	Other deposit	Index
2064/65	427219	-	792924	-
2065/66	400507	93.74	1083767	136.68
2066/67	399103	93.42	1055753	133.15
2067/68	592047	138.58	819039	103.29
2068/69	715183	167.40	901507	113.69
Mean	5068118		930598	
S.D.	2550826.97		66788.07	
C.V.	0.503		0.072	

Table No. 4.19 shows the other deposit position of both the banks. NBL has increasing pattern of other deposit during the study period. The mean of other deposit is Rs. 5068118. Its S.D. and C.V. are Rs. 2550826.97 and 0.503.

Similarly, the other deposit position of ADBL is in fluctuating trend. During the year 2065/66. ADBL's other deposit is higher as compare to other year. The mean of other deposit of ADBL is 930598, S.D. and C.V. are Rs. 66788.07 and 0.072 respectively.

4.6 Total Fund Position

The total fund includes the all the sources of funds. They are share capital, reserve and surplus, debenture and bonds, borrowings and total deposits. So, fund position shows the amount of funding from various sources.

Table 4.20
Total Fund Position of NBL

(In Percentage)

Year	Equity	Total debt	Total deposit
2064/65	-15.96	4.83	111.13
2065/66	-11.47	4.66	106.82
2066/67	-11.39	5.26	106.14
2067/68	-10.13	4.17	105.97
2068/69	-5.26	3.9	105.79
Average	-10.84	4.56	107.17

Table No. 4.20 shows the overall found position of NBL. It shows the percentage of all the items of fund on the total funds. The large portion of fund is covered by the total deposit, NBL have negative reserve and surplus. The percentage of equity on total fund each year is in fluctuating trend. Its mean percentage is -10.84 percent. In case of debt, the percentage of debt on total fund is also in fluctuating trend. During the year 2066/67, the percentage of fund from debt is higher as compared to other years. The mean percentage of debt financing is 4.56 percent. Similarly, the percentage of deposit on total fund is in fluctuating trend. During the year 2064/65, the large portion of fund in covered by the total deposit. The average percentage of deposit on total fund is 107.17 percent.

Table 4.21
Total Fund Position of ADBL

(In Percentage)

Year	Equity	Total debt	Total deposit
2064/65	14.07	0.674	85.25
2065/66	22.60	0.434	76.96
2066/67	23.68	5.57	70.75
2067/68	26.31	5.07	68.61
2068/69	21.83	5.43	72.74
Average	17.50	3.435	74.86

Table No. 4.21 shows the total fund position of ADBL. It shows the percentage of equity, debt and total deposit on the total fund. The percentage of equity on total fund is in fluctuating trend. During the year 2067/68, the equity portion on total fund is higher. The average equity portion during the 5 year is 17.50 percent. Similarly, the total debt percentage on total fund is in increasing trend with its mean portion of 3.435 percent over the 5 years period. The total deposit portion on total fund is higher than that of equity and debt. But the percentage of deposit over the 5 year period is in fluctuating trend. During the year 2064/65, high percentage of fund is occupied by the deposit portion.

4.7 Analysis of Current Ratio

Current ratio is the ratio of current asset to current liability. This ratio measures the liquidity position of the commercial banks. It indicates the ability of banks to meet the short term obligation.

Table 4.22
Current Asset to Current Liability

(In Thousand)

Year	NBL			ADBL		
	Current Assets	Current Liabilities	Ratio	Current Assets	Current Liabilities	Ratio
2064/65	19868955	43703891	0.454	34263421	33173442	1.0.3
2065/66	27186688	47178988	0.58	40054946	36201578	1.11
2066/67	33702238	65075167	0.52	10312831	33950050	0.30
2067/68	37085146	48683082	0.76	39296163	33255233	1.18
2068/69	41734532	58280933	0.72	45630177	44438267	1.03
Mean	0.607			0.93		
S.D.	0.065			0.179		
C.V.	0.107			0.192		

Above table shows the current ratio of selected commercial banks during the study period. The current ratio of NBL and ADBL is in fluctuating trend. In general, it can be said that both the banks have sound ability to meet their term obligation. In case of NBL, the CR is high in 2067/68, 2068/69 (i.e. 0.76 and 0.72). Similarly, ADBL has high current ratio during the year 2067/68 i.e.1.18. In the average ,liquidity position of ADBL is greater than NBL due to high mean ratio ($0.93 > 0.607$). So. ADBL seems sound in meeting short term obligation than that of NBL. Likewise ,S.D and C.V of NBL is less than ADBL i.e. $0.065 < 0.179$ and $0.107 < 0.192$. So, it can be said that current ratio of ADBL is more consistent than that of NBL.

4.8. Current Asset to Total Fund

Current asset to total fund indicates the percentage of current asset to the total fund of both the banks. Following table shows the percentage of all the items of current assets on the total fund

Table 4.23
Current Asset to Total Fund of NBL

(In Percentage)

Year	Cash Balance	Balance with NRB	Balance with financial institution	Money at call	Loan & advance
2064/65	3.13	11.77	2.67	0.00	35.21
2065/66	3.58	15.64	2.45	0.945	41.63
2066/67	3.97	18.54	2.59	0.00	58.32
2067/68	3.55	21.15	2.50	0.906	55.85
2068/69	3.51	19.23	2.69	0.00	50.04
Average	3.55	17.27	2.58	0.3702	48.21

Table 4.23 shows the percentage of current assets items on the total fund of NBL. Percentage of cash balance on total fund is in fluctuating trend. In the FY 2065/67, the percentage of cash balance on total fund is higher above the other years. The average percentage of cash balance over the five years is 3.55 percent. The percentage of balance with NRB on total fund is in increasing trend upto the FY 2067/68 and decreases during the year 2068/69. The average balance with NRB on total fund over the five year period is 17.27 percent.

Similarly, the balance with financial institutions on total fund is in increasing trend over the 5 year period with the average percentage of balance with financial institution is 2.58 percent. The percentage of money at call during the year 2065/66 is 0.945 percent and that of in year 2067/68 is 0.906. And the average percentage of money at call on total fund over the five year period is 0.3702 percent. Likewise, the total fund is highest during the year 2066/67. The average percentage of loan and advance on total fund is 48.21 percent.

Table 4.24
Current Asset to Total Fund of ADBL

(In Percentage)

Year	Cash Balance	Balance with NRB	Balance with financial institution	Money at call	Loan & advance
2064/65	2.37	4.73	2.39	0.131	80.11
2065/66	3.095	5.95	2.34	4.912	71.37
2066/67	2.98	3.83	2.26	3.51	73.81
2067/68	3.15	5.09	1.34	0.054	68.79
2068/69	3.46	5.52	1.46	-	66.33
Average	3.011	5.024	1.96	1.7214	72.07

Table 4.24 shows the current asset to total fund of ADBL. It shows the percentage of cash balance, balance with NRB, balance with financial institution and money at call and loans and advances on total fund. The percentage of cash balance on total fund is in fluctuating trend. During the FY 2068/69, the percentage of cash balance on total fund is highest among the study period.

Similarly, the balance with NRB is in fluctuating trend. The average percentage of balance with NRB over the 5 years period is 5.024 percent. The percentage of balance with financial institution on total fund is in decreasing trend. The average percentage of balance with financial institution is 1.96 percent. Similarly, the percentage of money at call on total fund is in fluctuating trend. It has an average percentage of money at call on total fund is 1.7214 percent. The percentage of loan and advance on total fund during the study period is in decreasing trend with its average percentage of 72.07 percent.

4.9 Current Liability on Total Fund

Current liability on total fund is the ratio of current liability on total fund. It deals with all the current liabilities items on total fund.

Table 4.25
Current Liability on Total Fund of NBL

(In Percentage)

Year	Borrowing	Bills payable	Proposed dividend payable	Bank overdraft
2064/65	4.835	0.139	0.0055	111.13
2065/66	4.658	0.0284	0.00488	106.82
2066/67	5.26	0.163	0.00507	106.14
2067/68	4.166	0.078	-	105.97
2068/69	3.895	0.135	-	101.36
Average	4.5628	0.1087	0.00309	106.28

Table 4.25 shows the percentage of each individual item of current liability on total fund. The percentage of borrowing on total fund is in fluctuating trend. During the year 2066/67, the percentage of borrowing

on total fund is higher. The average percentage of borrowing on total fund is 4.563 percent.

Similarly, the percentage of bills payable on total fund is in fluctuating trend. It has its average percentage of 0.1087 percent. Likewise, proposed dividend payable is also in fluctuating trend. Its average percentage on total fund is 0.00309 percent. Among all the items, large portion of the total fund is occupied by bank overdraft. Over the 5 year study period, the percentage of bank overdraft on total fund is in decreasing trend. During the year 2064/65 the percentage on total fund is highest among other following years. The average percentage of bank overdraft on total fund is 106.28 percent.

Table 4.26
Current Liability on Total Fund of ADBL

(In Percentage)

Year	Borrowing	Proposed dividend payable	Bank overdraft	Income tax payable
2064/65	0.674	-	85.25	0.956
2065/66	0.434	0.604	76.96	1.31
2066/67	0.565	0.601	70.75	2.052
2067/68	0.486	0.551	68.61	2.675
2068/69	1.68	0.464	72.74	-
Average	3.839	0.444	74.86	1.3986

Table 4.26 shows the percentage of all the current liabilities on the total fund of ADBL. The borrowing's percentage on total fund is in fluctuating trend. Among the other year in 2068/69, the percentage of borrowing on total fund is higher. The average percentage borrowing over 5 year study period is 3.839 percent. Similarly, the percentage of

proposed dividend payable on total fund is in decreasing trend. The average percentage of proposed dividend payable on total fund over 5 years is 0.444 percent.

Likewise, the bank overdraft's percentage on total fund is in fluctuating trend. During 2064/65, the percentage of bank overdraft on total fund is highest among other years. The average percentage of bank overdraft on total fund is 74.86 percent. The percentage of income tax payable on total fund is in increasing trend. The average percentage of income tax payable on total fund is 1.3986 percent.

4.10 Coefficient of Correlation Analysis

Coefficient of correlation shows the relationship between two or more than two variables. It measures that the two variables are positively or negatively correlated. For this purpose, Karl Pearson's coefficient of correlation has been taken and applied to find out and analyze the relationship between variables.

The following table shows the r , R^2 , P.Er and 6 P.Er between the variable of NBL and ADBL for the study period.

A. Correlation Coefficient between Cash Balance and Current Liability

Table 4.27

Correlation Coefficient between Cash Balance and Current Liability

Banks	Evaluation criterion				Remarks
	r	R^2	P.Er	6 P.Er.	
ADBL	0.815	0.665	0.101	0.606	Significant
NBL	0.657	0.432	0.1713	1.028	Insignificant

Table 4.27 shows the correlation between cash balance and current liability of both bank NBL and ADBL. The correlation coefficient of NBL is 0.657 and that of ADBL is 0.815. In addition, coefficient determination of ADBL is 0.665, it means only 66.5 percent of cash balance is explained by current liability. The correlation coefficient of ADBL is insignificant which shows the significant relationship between cash balance and current liability. Similarly, the coefficient of correlation between cash balance and current liability of NBL is 0.657 it shows positive correlation. The coefficient of determination of NBL is 0.432 which shown only 43.2 percent of cash balance is explained by current liability. The correlation coefficient is insignificant since its correlation coefficient is less than 6 P.Er. It shows insignificant relationship between cash balance and current liability.

B. Correlation Coefficient between Balance with NRB and Total Current Liability

The coefficient of correlation between balance with NRB and current liability measures the degree of relationship between these two variables. The main objective of computing correlation coefficient is to justify whether cash balance with NRB have significant relationship or not. The following table shows r , R^2 , P.Er and 6 P.Er between those variable of NBL and ADBL during the study period.

Table 4.28
Correlation Coefficient between Balance with NRB and Total Current Liability

Banks	Evaluation criterion				Remarks
	r	R^2	P.Er	6 P.Er.	
NBL	-0.247	0.0613	0.2831	1.698	Insignificant
ADBL	-0.0048	0.000002304	0.3016	1.809	Insignificant

Table 4.28 shows the correlation between balance with NRB and current liability of both banks. The correlation coefficient of NBL is negative which shows the negative relationship between these variable. The coefficient of determination of NBL is 0.0613 which shows only 6.13 percent of balance with NRB is explained by current liability. Since, the correlation coefficient is less than 6. P.Er, it is insignificant.

Similarly, the correlation between balance with NRB and current liability of ADBL is negative which signifies negative correlation between these two variables. The relationship between these variable is insignificant.

C. Correlation Coefficient between Balance with Financial Institution and Current Liability

The coefficient of correlation between balance with financial institution and current liability measure the degree of relationship between these two variables of both banks.

Table 4.29
Correlation Coefficient between Balance with Financial Institution and Current Liability

Banks	Evaluation criterion				Remarks
	r	R ²	P.Er	6 P.Er.	
NBL	1.210	1.464	0.14	0.841	Significant
ADBL	0.023	0.000518	0.301	1.809	Insignificant

The Table 4.29 shows the correlation of balance with financial institution and current liability of both banks. NBL have positive correlation between these variable. There has been found significant relationship between the variables since the correlation coefficient is

higher than 6.P.Er. Similarly, the correlation coefficient of ADBL is positive. So, it shows positive correlation between these variables. But there is insignificant relationship between balance with financial institution and total current liability since its correlation coefficient is less than 6.P.Er.

D. Correlation Coefficient between Money at Call at Short Notice and Current Liability

The correlation coefficient between money at call at short notice and current liability shows the degree of relationship between these two variables. The following table shows the relationship between these variables of both the banks.

Table 4.30
Correlation Coefficient between Money at Call at Short Notice and Current Liability

Banks	Evaluation criterion				Remarks
	r	R ²	P.Er	6 P.Er.	
NBL	-2.16	4.664	-1.1052	-6.6313	Insignificant
ADBL	-0.083	0.00691	0.2996	1.797	Insignificant

Table No. 4.30 shows the correlation between the money at call at short notice and current liabilities of both the banks. The correlation coefficient of NBL have negative correlation between these two variables. There is insignificant relationship between these two variables.

Similarly, the correlation between the money at call at short notice and current liability have negative relationship and it has insignificant relationship between these two variables.

E. Correlation between Loan and Advance and Current Liability

The correlation between loan and advance and current liability shows the degree of relationship between these two variables. The following table shows the relationship between these two variables.

Table 4.31

Correlation between Loan and Advance and Current Liability

Banks	Evaluation criterion				Remarks
	r	R ²	P.Er	6 P.Er.	
ADBL	-0.074	0.00542	0.300	1.8	Insignificant
NBL	1.348	1.819	-0.25	-1.48	Significant

The Table No. 4.31 shows the correlation between loan and advance and current liability of both banks. The correlation coefficient of NBL is positive so, it have positive correlation between loan and advance and current liability. The relationship between these variable is significant.

Similarly, the correlation coefficient of ADBL is negative so it shows the negative relationship between the two variables and the relationship between the variable is insignificant.

4.11 Major Finding of the Study

From the above research study following findings are drawn on the liquidity position of the selected commercial banks.

- 1) The cash balance position of NBL and ADBL is in increasing trend over the study period. The average cash balance of ADBL Rs. 1464809 and that of NBL is Rs. 1562449.2. The S.D. and C.V. of ADBL is Rs. 207598.745 and 0.142 respectively. Similarly, the

average cash balance of NBL is Rs. 1562449.2 and the S.D. and C.V. of NBL is 135123.24 and 0.086 respectively. In comparison, NBL seems better in maintaining its cash balance position.

- 2) The balance with NRB position of NBL is in increasing trend during the study period. The mean balance with NRB is Rs. 7704529.4 and its S.D. and C.V. are Rs. 1204636.67 and 0.156. Similarly, balance with NRB of ADBL is in fluctuating trend. The average balance with NRB is Rs. 2423460. In comparison, NBL seems better in maintaining its cash balance with NRB.
- 3) The balance with financial institutions of NBL is in increasing trend the five year study period; with its average balance of Rs. 1134545.4 and S.D. and C.V. are 250263.9733 and 0.2206 respectively. Similarly balance with financial institution of ADBL is in fluctuating trend with mean balance of Rs. 913359.4 and S.D. and C.V. of 79147.56 and 0.087 respectively.
- 4) The loan and advance and bills purchase position of ADBL is better than that of NBL. The loan and advance of both banks are in increasing trend. But ADBL is more better in advancing the loans. The average loan and advance of NBL is Rs. 18973987.8 and S.D. of 3198860.83 and C.V. of 0.169. Similarly, the average loan and advance of ADBL is 34191288.8 and its S.D. and C.V. are 7753788.50 and 0.268 respectively.
- 5) In both the banks, higher portion of total current asset is occupied by the loan and advance. The cash balance, balance with NRB and balance with financial institution and money at call at short notice are in fluctuating trend during the study period of both the bank.

- 6) The borrowing of ADBL is higher than that of NBL. NBL have fluctuating borrowing over the study period. The average borrowing of NBL is 1981982. Its S.D. is 77641.03 and C.V. is 0.0392. Similarly, ADBL also have fluctuating borrowing with its average borrowing of Rs. 377211.4. The S.D. and C.V. of ADBL are Rs. 154213.81 and 0.409.
- 7) The income tax payable of ADBL is in increasing trend upto year 2067/68 whereas there is no any tax payable in 2068/69. The mean income tax payable is 649157 and S.D. is 201165.23 and C.V. is 0.31.
- 8) The bills payable of NBL is in fluctuating trend. The average bills payable of NBL is Rs. 47899.6 and S.D. and C.V. of NBL's bills payable are Rs. 12589.22 and 0.263.
- 9) The bank overdraft of ADBL is in fluctuating trend. Its average bank overdraft is Rs. 3556314.60. its S.D. and C.V. are Rs. 2221975.022 and 0.062. Similarly bank overdraft of NBL is 38833294. Its S.D. and C.V. are Rs. 5159518.081 and 0.133. NBL has higher bank overdraft than that of ADBL.
- 10) The overall current liability position of NBL shows higher portion of liabilities is occupied by the bank overdraft. The average borrowing during the study period is 38.14 percent of total current liability. Similarly, average bills payable is 0.089 percent. Its average proposed dividend is 0.00245. The average percentage of bank overdraft during the 5 year study period is 89.94 percent.
- 11) The overall current liability of ADBL shows the higher portion of current liability is occupied by bank overdraft. The average

borrowing during the 5 years study period is 6.058 percent. Similarly, average income tax payable of 1.916 percent. The average proposed dividend of 0.6052 percent and average bank overdraft of 98.324 percent.

- 12) The share capital position of ADBL is better than NBL. The mean share capital of NBL is 658871 while that of ADBL is Rs. 9988220. The S.D. of NBL is 311360.17 and C.V. of 0.472. Similarly, S.D. and C.V. of ADBL is 360333.69 and 0.36.
- 13) NBL has negative reserve and surplus. Its average reserve and surplus is -43292518.
- 14) The current deposit position of NBL is in increasing trend .The S.D and C.V of NBL is Rs 1043897.87 and 0.103.The current deposit of ADBL is also in increasing trend .As compare to ADBL,NBL is better in maintaining the current deposit.
- 15) The saving deposit position of NBL is in fluctuating trend. As Compare to ADBL ,NBL has been maintaining higher saving Deposit.
- 16) The fixed deposit position of NBL is in increasing trend .Similarly ADBL has also increasing trend of fixed deposit, As compare to NBL, ADBL have higher fixed deposit position.\
- 17) Generally ,banks have to maintain more liquid asset but the Current ratio of both banks are below standard of 2.1.The mean current ratio of NBL is 60.7 percent and that of ADBL is 93 percent. The current ratio of ADBL is higher than that of NBL.

- 18) Total fund of NBL includes higher portion of loan and advances, Similarly the total fund of ADBL also includes higher portion of loan and advances.
- 19) The coefficient of correlation between cash balance and current liability of NBL is 0.657 and that of ADBL is 0.815 NBL have insignificant relationship whereas ADBL have significant relationship between these two variables.
- 20) The coefficient of correlation between cash balance with NRB and current liability of NBL is -0.247 and that of ADBL is -0.0048 which indicate insignificant relationship of both banks with these variables.
- 21) The correlation coefficient between balance with financial institution and current liability of NBL is 1.210 which shows significant relationship. Similarly that of ADBL correlation coefficient is 0.023 having insignificant relationship.
- 22) The correlation coefficient between money at call of short notice and current liability of NBL is -2.16 and that of ADBL is -0.083 which shows insignificant relationship.
- 23) The correlation coefficient between loan and advance and current liability of NBL is -0.074 which shows insignificant relationship. Similarly, the correlation coefficient between these two variables of ADBL is 1.348 which shown ignorant relationship. It moves in the same direction.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

In this chapter, summary conclusion and recommendation are included. All the summary and conclusion are made according to obtained data from analysis, Recommendation had made which would be beneficial for all concerned person management of bank and other stakeholders.

This research is concerned about the comparative study on liquidity position of Nepal Bank Limited and Agriculture Development Bank Limited. Liquidity is the ability of bank to meet its obligation on time, especially in relation to repayment of inter-bank borrowing and customer deposits liquidity management is a very crucial job of commercial bank and the bank should maintain adequate amount of cash in its vault and NRB for its daily operation and administration purpose. As per the arrangement of NRB effective from fiscal year 2008 July, the commercial banks are required to maintain cash reserve of 5.5% with NRB of its total deposit liability with NRB. The provision of cash in vault maintenance has been withdrawn now.

The researcher has identified that research problem and set objectives to solve research problems about capital structure of selected commercial bank as described in introduction chapter. To make this study more effective, related literatures have been required. The review of literature provide the foundation of knowledge in order to undertake this research more precisely. This section also includes concept of banking, commercial banks, concept of liquidity etc.

Research Methodology has been described in third chapter, which is a way to solve the research problems with the help of various tools and techniques. This chapter includes the various financial as well as statistical tools to analyze the data in order to come to the decision. This chapter includes the research design, population and sample data collection procedure, data period and method of analysis. This study is mainly conducted on the basis of secondary data collected from annual reports. Official report, economic journal financial statement etc and authorize website of concern bank. The five year statement has been examined for the purpose of the study.

The presentation and analysis of data has been made comparative analytical and their interpretation has done in chapter four by applying the wide varieties of methodology as stated in chapter three. It includes the various financial tools ratio analysis is done which consists liquidity ratio. Assets management ratio and profitability ratio. Various statistical tools such as arithmetic mean, standard deviation coefficient of correlation and trend analysis has been applied to fulfil the objective of this study. The major findings of the study are also included in the final section of the presentation and analysis chapter.

In the aspect of liquidity position, cash and bank balance reserve ratio show the more liquidity position. Cash and bank balance to total deposit have fluctuating trend in 5 years study period.

5.2 Conclusion

Thus this research is concluded with the major objectives of highlighting liquidity management of two commercial banks i.e. Nepal Bank Limited and Agriculture Development Bank Limited. The observation and conclusion derived by analyzing liquidity position and as

well as relevant financial and statistical ratios of commercial banks. This has helped to reach conclusion and provide workable solution for the liquidity position of selected banks.

The current ratio of NBL and ADBL is higher than that of ADBL. The current asset position of NBL includes higher percentage of loan and advance and bills purchase over the five year period. Similarly, overall current asset position of ADBL include higher amount of loan and advance. The overall current liability position include higher portion of bank overdraft of both banks.

The fund position of ADBL is better than NBL since, NBL has negative reserve and surplus. As compare to ADBL, NBL maintain higher liquid asset. The percentage of current asset to total fund of NBL is comparatively higher than that of ADBL. But, large portion of total fund is occupied by loans and advances in case of both the banks. Both the commercial bank NBL and ADBL have positive correlation.,

The correlation between cash balance and current liability of both bank have positive correlation. They move in a same direction. The correlation coefficient of cash balance with current liability of NBL is insignificant whereas that of ADBL is significant.

The correlation coefficient between balance with NRB and current liability of NRB is insignificant. There is negative correlation between balance with total current liability. Similarly, in case of ADBL, there is negative correlation between balance with NRB and current liability and have insignificant relationship.

The correlation coefficient between balance with financial institution to current liability of both banks NBL and ADBL have

positive relationship. NBL have significant relationship with these two variable whereas, in case of ADBL, there is insignificant relationship between the balance with financial institution and current liability.

The correlation coefficient between money at call at short notice and current liability of both bank have negative relationship and have insignificant relationship between these two variables.

The correlation between loan and advance and current liability of NBL have negative relationship and have insignificant relationship whereas, in case of ADBL, there is positive relationship with significant correlation coefficient.

5.3 Recommendation

Based on the analysis and finding of the study. The following recommendation can be made as suggestion to make the liquidity management of ADBL and NBL effective and efficient. This would help to draw some outline and make reforms in the respective banks.

) Generally, banks have to maintain appropriate liquid assets. The current ratio of the two banks. NBL and ADBL is considerable. This can be regarded as good liquidity position. The liquidity position affects external factors such as prevalent investment situation, central bank requirement and so on. Considering the growth position of financial market, the lending policy management capabilities, strategic planning & fund flow situation, bank should maintain enough liquid asset to pay short term obligation. So, it is recommended to sound liquidity position to NBL and ADBL.

-) To get success in competitive banking environment, deposit must be utilized as loan & advances. The largest item of bank asset side is loan and advances. It has been found that loan and advances to total deposit ratio of NBL is lower than that of ADBL. It means NBL has not properly used their existing fund as loan and advances. So, NBL is recommended to follow liberal lending policy and to invest more deposit in loan and advances.
-) NBL and ADBL should minimize their existing level of excess liquidity by investing in more profitable sectors. Idle assets of their in form of excess cash or equivalent should be diverted in various investment opportunities available in the market. Those less risky investment sectors should be identified.
-) All the banks should have to make effort in order to minimize their non-performing credit. NBL especially, must be more conscious on this part. Making credit policy more transparent, standard and less risky should increase the quality of credit.
-) NBL and ADBL have a possible risk because there is a large amount of doubtful loan and advances and risky investment. So, it is recommended to evaluate the investment opportunities and alternatives using statistical capital budgeting and other financial tools to avoid large amount of doubtful debt & risk.
-) NBL and ADBL need to bring in newer schemes to mobilize their higher amount of deposit is extending credit.
-) Both the banks are recommended to formulate and implement the sound and effective investment policy to increase volume of total helps to meet required level of

profitability as well as social responsibility. The banks should consider rural areas in making investment policy.

- J The political instability directly affect the economic sector such as hotel and tourism, manufacturing and trading sector. Bank loan and advances is decreasing in this sector. So, banks should give priority to these sector as well as banks should create new investing sector to mobilize deposit.
- J Keeping all these in consideration NBL has little less performance than that of ADBL. Therefore, in future ahead, NBL should improve its weakness by adopting the innovative approach to marketing. In the light of growing competition in the banking sector, both bank NBL and ADBL should be customer oriented. It should strengthen and activate its marketing function as it is an effective tool to attract and retain the customers.
- J For the purpose the bank should develop an innovative approach to bank marketing and formulate new strategies of serving customers in a more convenient and satisfactory way by optimally utilizing the modern technology and offering new facilities to the customers at competitive prices. The bank is also required to explore new market areas. For this purpose, it is recommended to form a strong market department in its central level which deals with the banking products, places, prices, and promotion.

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Appendix - I
Agricultural Development Bank Limited
Balance Sheet as on

Particulars	FY 2064/65	FY 2065/66	FY 2066/67	FY 2067/68	FY 2068/69
Total Capital & Liabilities					
Share Capital	10,777,500	10,777,500	9,437,500	9,474,300	9,474,300
Reserve and Surplus	-5,402,981	-452,327	1,430,000	3,715,179	3,498,345
Debenture and Bonds	0	0	2,300,000	2,300,000	2,300,000
Borrowings	257,373	198,250	259,562	243,701	927,171
Deposits	32,553,827	35,159,610	32,72,568	34,394,627	43,235,096
Bills Payable	0	0	0	0	0
Proposed and Dividend Payable	0	276,000	276,000	276,000	276,000
Income Tax Payable	365,242	597,718	941,920	1,340,905	0
Other Liabilities	5,174,996	5,261,987	6,902,674	7,496,652	8,935,424
Total Liabilities	44,085,957	51,818,739	54,020,226	59,241,365	68,646,338
Total Assets					
Cash Balance	905,235	1,413,971	1,366,731	1,581,094	2,057,014
Balance With NRB	1,806,731	2,717,813	1,759,468	2,553,275	3,280,013
Balance with Banks /Financial Institution	912,032	1,075,869	1,035,206	674,585	869,105
Money at Call & Short Notice	49,995	2,244,198	1,611,342	27,290	0
Investment	2,881,659	4,896,062	4,540,084	7,267,285	10,837,876
Loan Advances and Bills Purchase	30,589,428	32,603,095	33,876,957	34,459,919	39,427,045
Fixed Assets	781,149	803,332	968,745	1,022,893	1,363,209
Non- Banking ASSETS	0	0	0	0	0
Other ASSETS	6,159,727	6,064,398	8,861,693	11,655,023	10,812,076
Total liabilities	44,085,957	51,818,739	54,020,226	59,241,365	68,646,338

Appendix - II
Nepal Bank Limited
Balance Sheet as on

S. N.	Particulars	FY 2064/65	FY 2065/66	FY 2066/67	FY 2067/68	FY 2068/69
	Total Capital & liabilities					
1	Share Capital	380,382	380,382	380,382	380,382	1,772,827
2	Reserve and Surplus	-6,388,684	-5,234,694	-4,985,312	-4856965	-4680604
3	Debenture and Bonds	0	0	0	0	0
4	Borrowings	1,820,089	1,970,675	22,125,141	1,840,211	2,153,794
5	Deposits	41,829,391	45,194,232	42,882,040	46,808,435	56,052,372
6	Bills Payable	52,343	12,016	65,936	34,436	74,767
7	Proposed and Dividend Payable	2,068	2,065	2,050	0	0
8	Income Tax Payable	0	0	0	0	0
9	Other Liabilities	4,357,856	5,234,433	4,268,465	6,952,157	3,242,363
	Total Liabilities	42,053,444	47,559,109	44,736,652	51,158,657	58,615,521
	Total Assets					
1	Cash Balance	1,181,792	1,515,655	1,603,489	1,570,315	1,940,995
2	Balance With NRB	4,430,641	6,619,700	7,493,118	9,343,275	10,635,913
3	Balance with Banks /Financial Institution	1,004,559	1,036,435	1,044,675	1,100,274	1,486,784
4	Money at Call & Short Notice	0	400,000	0	400,000	0
5	Investment	16,570,755	13,397,559	5,784,372	7,585,544	8,391,726
6	Loan Advances and Bills Purchase	13,251,963	17,614,898	23,560,956	24,671,282	27,670,840
7	Fixed Assets	207,528	249,393	301,488	334,956	351,064
8	Non- Banking ASSETS	0	0	0	0	0
9	Other ASSETS	5,406,206	6,725,469	4,945,556	6,153,009	3,138,197
	Total Assets	42,053,444	47,559,109	44,736,652	51,158,657	58,615,521