Chapter-1
INTRODUCTION

1.1 Background of the study

Nepal is one of least developed country, which is locked between the two most populated countries in the world, namely China and India which are financially developed but the main cause of underdevelopment of Nepal is the scarcity of capital . Nepal launched its 5 year planned for economic development more than five decades ago. Now days, she has adopted the path of economic development through liberazation. However, any strategy for development requires a good investment policy. Good investment policy has a positive impact on economic development of the country and vice-versa. The proper mobilization and utilization of domestic resources is one of the key factors in the economic development of country. Financial institutions have catalytic role in the process of economic development. Successful formulation and effective implementation of investment policy is the prime requisite for the successful performance of banks and other financial intuitions. Overall national development of any country depends upon the economic development of that country and economic development largely depends upon financial infrastructure of that country. Therefore, the primary goal of any nation including Nepal is rapid economic development to promote the welfare of the people and the nation as well. Nepal being one of the least developed countries has been trying to embark upon the path of economic development by economic growth rate and developing all sectors of economy. And for the development of financial infrastructure there is the requirement of working capital resources. For the mobilization of investible resources, financial market is an important intermedediary through which effective bridge bank or financial institution occurs. In simple language, bank can be defined as a placing of the demand units and surplus units can be ensured. Financial institutions are engaged in mobilization of saving from surplus units and deploy funds into the demand units for productive investment. In this respect, financial market plays important role in mobilizing a constant flow of saving and channeling these financial resources for expanding productive capital in the countries. To increase the place of industrialization with in a country huge amount of capital is needed and at the threshold point actual need of where the transactions of money takes place. In other

words, bank is such institutions that collect scattered deposit and advance loans. A bank collects deposit from different individuals and institutions. These collected deposits are mobilized by giving loans to different industries, commercial enterprises, individuals' etc.

A bank doesn't only perform the activity of receiving deposits and advancing loans but at the same time it performs payment or remittance and other credit activities as well. That's why bank plays a important role in the economic development of nation. Bank fills the gap between the searcher and provider of the fund. It also provides sufficient bank support for the growth and expansion of trade and industry of the nation, which eventually helps to develop the economic condition of the national. Early banks were different from modern commercial bank in many respects. The bank which operated in the past combined central bank functions, such as issue of currency with commercial banking like accepting deposits and financing business. In course of time this practice was abandoned and specialized institutions for the central banking functions were created. Now a central bank can be easily distinguished from a commercial bank due to their objectives and unique functions.

Commercial banks are the suppliers of finance for trade and industry and play a vital role in the economic and financial life of the nation. By investing the saving in the productive areas, they help the formation of capital. The qualitative credit policy ensures creation portion of the credit bank invested in the productive and priority areas so that there may not be shortage of resources in such areas. In addition flexible monetary and credit policy improve the prevailing slow down in the economic activities to alleviate slow credit expansion to the private sector from the banking sector. Rural people of underdeveloped countries like Nepal need various banking facilities. In most of the countries, the banks are generally concentrated in the urban and semi-urban sector and the rural sector is neglected due to risk and low return. But the main sources of national income of developing countries come from the very rural sector. In fact, the rural development is the key to the economic development without which other sector of the economy cannot be flourished. Developing countries like Nepal have low capacity to save. This low saving capacity is one of the major causes of bad economic condition of the developing countries. That's why the basic problem of the developing is raising the level of saving. Now a days in Nepal, different banks such as development bank, Agriculture bank, joint venture bank, industrial bank, commercial bank, co-operative bank, etc. are operational. Main purpose of bank is to collect the scattered saving and put

them into productive sector so that saving will be safe and properly utilize for the around development of the country.

1.1.1 Evolution of bank and banking system

"Concept of banking has been developed from the ancient history with the effort of ancient gold smith who developed the practice of storing people's gold and valuables for safe custody and a given receipt by the goldsmith, wherever the receipt was presented the depositors would get back their gold and valuables paying a small amount as fee for keeping and serving ".

When the Roman Empire collapsed, European started commercial and trading activities in 16th and 17th century. Similarly mainly three communities or groups revived commercial banking transaction.

They are as follows: -

(a) The Merchant: - Merchant used to go different places for trading and they used to carry coins with them. But as the time passed and the size of business grew,it was impossible for them to carry huge amount of coins with them . As merchants were regarded as respected persons in the society, they started to issue letters which was treated as gold as money while executing trading instead of setting the trade with coins or money. These letters gave birth to modern negotiable instruments.

(b) Gold-smith: - Gold smith had very sound credit standing in the society. They used to safe to keep valuables. Fear of theft & Robbery led people to keep valuables in the custody of the gold smith. Gold smiths used to charge commissions for the safe keeping and also to return the valuables on demand. The depositors had to visit them for part and full with drawl of valuables Gold and Silver used to remain with the Gold smith for relatively a long time but coins had to be withdrawn from time to time in order to remove the in conveniences. Gold smiths stared issuing a receipt to the depositors with a notation. I owe u (IOU)….." Which can be transferred to any person the depositor so wished? This gave birth to the bank note.

(c) Money Lender: - The next stage of in the development of banking arose, when the goldsmith became money-lenders. Money lenders used to give loan to the

needy public out of their own treasury. Later on, savers started depositing their deposits/ saving with the money-lenders.

The goldsmith & moneylenders experienced that all the moneys deposited with them were not withdrawn at a time. Some of the amount was kept as deposit while some was withdrawal but a large amount used to remain with them. Then they started offering interest on the deposits & started utilizing these funds to disburse the loans to the needy people. They used to keep fraction of total deposit in the form of cash to honor withdrawn demands 7 rest was lent. This principle of fractional reserve is the foundation of modern banking enables banks to create credit.

All functions & activities performed by merchants, goldsmiths & moneylenders in the ancient time are being performed by the various types of banks in modern ways at the present time. In fact the main function of banks is to get engaged in the transaction of money however at present time banks perform several other functions, hence a bank can be defined as a **'financial department store'.** Which renders a host of financial service besides taking deposits & giving loans.

The bank of Venica of Italy was the first banking institution in the word, which was established in 1157 AD. The first joint stock bank of the world is the bank of England, which was incorporated in 1694 AD. And later on it became the first central bank of the world in 1944 AD. The second bank was established in Spain in 1401 AD.

1.1.2 Evolution of banking sector in Nepal

Nepalese history of banking sector is rather than more slow evolution. Even now, the banking system is still in the evolution phase. So far as banking is concerned with debt, we may go back in the Nepalese history, where a merchant namely "Sankhdhar" is recorded. He was the person who alone paid all debts of the people exiting in the country at that time. Since then he introduced a new era called "Nepal" Sambat". This record proves the existence of money lending function at that time. During the course of development of borrowing, we further come across the term "Tanka Dhari" at the end of the 14^{th} century meaning moneylenders. They are one of the 64 castes classified on the basis of occupation.

Established of Tejarath Adda by the government in 1877 AD. It was the first step towards development of banking in Nepal. Tejaratha Adda did not collect deposits from the people but provide credit facility & gave loans to the employees & general public at minimum interest rate of 5 percent against the bullion.

The history of modern banking system in Nepal started only after the establishment of Nepal Bank Ltd is the first bank of Nepal set up on 30th Kartik 1994 B.S. Till the establishment of Nepal Rastra Bank, Nepal Bank Ltd, was also discharging the function of central Bank. As a result, Nepal Rastra Bank (NRB) was established as Central Bank in 1956 A.D. (2014 B.S.). The new Nepal Rastra Bank Act was brought out in 2002 by replacing the erstwhile act of 1955. The new act has provided operational autonomy and independence to the Bank. Information about the NRB including its policies, functions and activities can be accessed through the menu at left. The objective of the bank was to promote, develop and facilitate banking sectors. Rastriya Banijya Bank (RBB) established in 2022 B.S. under RBB acts 2021. Since then many important financial institutions till now. Bank is among the most important financial institutions in the economy and is among the most important financial institutions in the economy and is absolutely for business in thousand of towns and cities. Banks most be identified by the functions (services and roles) it performs in the economy. With the political freedom in 1951, a planned development process has been started in the country that leads to the formulation of first development plan in money supply and help banking development in the country.

Table No-1.1

Lists of Licensed Commercial Banks

S.N.	Commercial Banks	Established date (B.S.)	Operation date (B.S.)	Head office
1	Nepal Bank Ltd.	1994/07/30	1994/07/30	Kathmandu
2	Rastriya Banijya Bank	2022/10/10	2022/10/10	Kathmandu
3	Laxmi Bank Ltd.	2041/03/29	2041/03/29	Kathmandu
4	Nepal investment Bank Ltd.	2042/11/16	2042/11/16	Kathmandu
5	Standard Chartered Bank Ltd.	2043/10/16	2043/10/16	Kathmandu

6	Himalayan Bank ltd.	2049/10/05	2049/10/05	Kathmandu
7	Nepal SBI Bank ltd.	2050/03/23	2050/03/23	Kathmandu
8	Nepal Bangladesh Bank Ltd.	2050/02/23	2050/02/23	Kathmandu
9	Everest Bank Ltd.	2051/07/01	2051/07/01	Kathmandu
10	Bank of Kathmandu Ltd.	2051/11/28	2051/11/28	Kathmandu
11	NCC Bank Ltd.	2053/06/28	2053/06/28	Siddhharthanagar
12	Lumbini Bank Ltd.	2055/04/01	2055/04/01	Narayangadh
13	NICAsia Bank Ltd.	2055/04/05	2055/04/05	Biratnager
14	Machhapuchhre Bank Ltd.	2057/06/	2057/06/	Pokhara
15	Kumari Bank Ltd.	2056/08/24	2057/12/21	Katmandu
16	Civil bank Ltd	2066\67		Birgunj
17	Siddhartha Bank Ltd.	2058/06/12	2059/09/09	Kathmandu
18	Citizens Bank International Ltd	2007/04/20	2007/04/20 A.D.	Kathmandu
19	Global IME Bank Ltd	2006 A.D.	2007/01/02	Katmandu
20	Nabil Bank Ltd	2041/03/29	1983	Kathmandu
21	Prime Bank Ltd	2064/06/07	2064/06/07	Kathmandu
22	Sunrise Bank Ltd	2064/06/25	2064/06/25	Kathmandu
23	Mega Bank Ltd	2064/06/25	2064/06/25	Kathmandu
24	Janata Bank Ltd	2067/07/03		Kathmandu
25	Nepal Merchant Bank Ltd ank Ltd	2067	-	Kathmandu
26	Development Credit Bank Ltd	2064/12/23	-	Kathmandu
27	Nepal Agriculture Development Bank Ltd	2024/10/27	-	Kathmandu
28	Nepal Merchant Bank Ltd	2065/02/20	-	Kathmandu
29	Sanima Bank Ltd	2068/02/12	-	Kathmandu
30	Prabhu Bank Ltd.	2071/05/10	-	Kathmandu

(Source: Banking & Financial Static)

During the mid-1980's the country adopted the policy of liberalization, which attracted the foreign banks to come to Nepal. In 1984 Nepal Arab Bank was established

as the joint venture bank. After the restoration of democracy in Nepal in 1990, Nepal adopted democratic constitution that was launched as the best social-legal document in the world. Further the economic liberalized with a view of enhancing private sector. Under the commercial banking sphere, majority occupied by large number of joint venture banks.

1.1.3 A brief over view of joint venture banks selected for the study.

Joint Venture Banks are financial intermediaries, financing deficits units' money deposited with them by surplus units. The financial system or banking industry in precise is a complex network embracing payments mechanism and the borrowing and lending of funds. Though they have other important functions, the key role played by these banks in the system is to act as financial intermediaries channeling funds from those with excess income to those wishing to borrow. Joint venture banks are formed in Nepal as full-fledged commercial bank under the Economic Act 2021B.S. and operated under the Banijya Bank Act 2031 B.S. All Nepalese JVBs are established and operated under the rules, regulation and guidance of Nepal Rastra Bank. Selected joint venture banks' introduction is as follows: -

(A) Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Ltd. (NIBL), previously, Nepal Indosuez Bank limited, was established in 21st January 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

With the decision of credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002 the 50% of shareholding of credit Agricole Indosuez Bank Ltd.

The name of the bank has been changed to Nepal Investment Bank Ltd upon approval of banker's annual general meeting, Nepal Rastra Bank and company registrar's office with the following shareholding structure.

Table No 1.2

Composition and ownership of Capital

S.N.	Share holders	No. of Director	No of shares
1	A group of companies (Group A)	4	50%
2	Rastriya Banijya Bank(Group B)	1	15%
3	Rastriya Beema Sansthan(Group C)	1	15%

4	General Public	1	20%
5	Independent Professional Director	1	-
	Total		100%

Table No 1.3

Capital Amount of NIBL

S.N.	Types of Capital	Amounts
1	Authorize Capital	Rs.590, 000,000.00
2	Issued Capital	Rs.295, 293,000.00
3	Paid up Capital	Rs.295, 293,000.00

Management Soundness:

Managed by a team of experienced bankers and professionals having proven track record.

Interest Rate Structure:

Deposit: -
Saving: - 2.50% p.a.
E-zee saving:-2.75% p.a.
Fixed deposit:-1.25% to 5.00 % p.a.
Lending: - 4.00% to 13.00% p.a.

Table No 1.4

Financial Indicators (Rs. In million)

Particulars	**F.Y.2067/68**	**F.Y.2068/69**	**F.Y.2069/70**
Paid up Capital	295.29	587.74	590.59
Core Capital	710.61	1161.48	1393.27
Capital Fund	1099.38	1578.77	2094.20
Total Loan & Advance	7338.57	10453.16	13178.15
Total Investment	4172.48	4074.19	5672.86
NPL	181.43	281.00	272.00
Total Deposit(LCY+FCY)	11524.68	14254.57	18927.31
Savings	4886.10	6703.51	8081.98
Current	1500.11	1583.03	1705.67
Fixed/Call	4851.49	5682.01	8861.18
Others	286.98	286.02	278.47

Net worth Per Share	246.89	200.80	239.67
Earning Per Share	51.70	39.50	59.35
Loan loss Provision	208.44	327.11	401.94
Return to Assets	1.13	1.42	1.61
Return to Equity	20.94%	19.67%	24.76%
Net Profit/Loss	152.67	232.15	350.53
No. of Branches	12	13	14
No. of Staff	325	353	390

(Sources: - Arthik Mimnsha 2068, Section F, page no. 14)

(B) Laxmi Bank Ltd :Laxmi Bank was incorporated in April 2002 as the country's 16th commercial bank. In 2004 the bank merged with HISEF Finance Limited, a first Generation Finance Company, marking the first ever corporate merger in Nepal. Laxmi bank today is one of the best managed banks in the country. With an asset of NRR 21 billion, 25 branches and 350 employees, today the bank is amongst the 10 top Financial Institutions in terms of market share and operation. Laxmi bank was re- registered in 2006 as a catogary 'A' Financial Institution Under the "Bank and Financial Institutions Act,. The share are listed and traded in the Nepal stock exchange. The Bank is committed to excellence in delivery of entire financial services in order to achieve sound business growth and maximize stakeholder values .

Table No1.5

Financial Indicators 000'

Particulars	**F.Y.2067/68**	**F.Y.068/69**	**F.Y.2069/70**
Paid up Capital	374,640	374,640	374,640
Core Capital	1,378,972	1,450,185	1,606,898
Capital Fund	1,560,156	1,664,361	1,884,242
Loan & Advance	6,693,862	8,420,869	9,206,280
Total Investment	11,360,328	9,702,553	12,847,536
NPL	252,198	226,308	195,932
Total Deposit	21,161,442	19,363,470	23,061,032
Saving	12,771,826	13,030,929	14,597,674
Current	5,816,936	4,356,337	4,681,937
Fixed	1,428,495	1,416,383	2,136,307
Others(Magin+Call)	1,144,185	559,820	1,645,113
Net worth Per share	399.25	422.38	468.22
Loan loss provision	283,620	277,661	270,862
ROA	2.27%	2.46%	2.56%
ROE	35.95%	33.89%	37.55%
Net Profit/Loss	537,800	536,245	658,756

No. of branch	18	20	25
No. of staffs	252	299	350

(Sources: - Arthik Mimnsha 2068, Section F, page no. 16)

Board of Directors

Mr. Rajendra Khetan
Chairman
Chairman, Gorkha Brewery Pvt. Ltd.
Chairman, Himalayan Snax and Noodles Pvt. Ltd.
Chairman, Everest Insurance Co. Ltd.
Chairman, Prime Life Insurance Ltd.

Mr. C.P. Khetan
Director
Managing Director Gorkha Brewery Pvt. Ltd.

Mr. Jiban Raj Kandel
Director (Representing the General Public)
Director Sansara Pvt. Ltd.

Mr. Shambhu Prasad Acharya
Professional Director

Mr. Bhola B. Adhikary
Director (Representing the General Public)
Executive Chairman- East Nepal Development Endeavor P. Ltd.

Mr. Rishi Ram Gautam
Director (Representing CIT)
Executive Director, Citizen Investment Trust

Mr. Ratan Lal Sanghai
Director
Vice Chairman, Everest Insurance Co.
Engaged in garment, textile and plastic manufacturing

Mr. Gopi Krishna Sikaria
Director
Promoter, Mercantile Finance Co. Ltd.
Director, Nepal Petroleum P. Ltd.

Mr. Madhu Sudan Agarwal
Advisor
President, S R Drugs Lab. P. Ltd.
Executive Director, Sunrise Group
Director, Everest Insurance Co. Ltd
Executive Member, Nepal Chamber of Commerce
Treasurer,Nepal China Chamber of Commerce and Industry

Mr. Sudesh Khaling
Chief Executive Officer

Management Team

Sudesh Khaling
Chief Executive Officer
Amit Adhikari Branch Manager, Sukedhara
Bishal Thapa Branch Manager, Birgunj
Sumed Bhattarai Head- Corporate Banking
Babin Satyal Branch Manager, New Baneshwor
Manohar Uprety Branch Manager - Narayanghat
Amit Sharma Manager - Human Resources
Sabina Banskota Branch Manager – Hattisar
Pooja Shah Branch Manager, Bhatbhateni
Bhuwaneshwor P. Shah Corporate Affairs Director
Pratesh K.C Branch Manager – Maharajgunj
Purushottam Pudasaini Branch In- charge, Parsa
Jiwan Limbu Chief Technology Officer
Ujwal Baidya Branch Manager, Banepa
Raju Bhandari Branch In-charge, Pokhara Industrial District
Piyush Aryal Head - Finance & Treasury
Abhinav Mayur Kasaudhan Branch Manager, Bhairahawa
Suman Prasad Gelal Branch Manager, Teku
Nirmal Dahal Head - Credit Risk
Sumod Man Sainju Branch Manager, Butwal
Amit Kumar Karn Branch Manager - Janakpur
Bhubal Rai Chief Operating Officer
Euden Koirala Branch Manager - Lagankhel
Saroj Kumar Chaudhari Branch Manager - Nepalgunj
Ajaya B. Shah Head - Retail Financial Services
Deepak Thapa Branch Manager, Damak
Shambhu Rathi Branch Manager, Biratnagar
Sanjeev Raj Joshi Head - Trade, Payments & Credit Operation
Amita Rai Branch Manager, Ekantakuna
Sishu Joshi Branch Manager, Pulchowk
Rajiv Sapkota Head - Business Development
Sailendra Raj Pande Branch Manager, Taulihawa
Siddha Bahadur Bhandari Branch Manager, Itahari
Dipesh Amatya Head - Small Business Financial Services
Sugat Manandhar Branch Manager, New Road
Ujwal Ghimire Branch Manager, Dharan
Anup Shrestha Head, Consumer Financing
Binit Sijapati Branch Manager, Pokhara
Bishnu Mani Adhikari Branch Manager, Charikot
Bharti Pande Head, Private Banking
Temba Sherpa Branch Incharge, Khadichaur
Anish Khanal Branch Incharge, Hile

Table no-1.6

OWNERSHIP PATTERN

S.N.	Shareholder	No. of share
1.	Promoter group	55.42%
2.	Citizen investment trust	9.02%
3.	General Public	35.56%
	Total	100%

Table No- 1.7
CAPITAL AMOUNT OF LAXMI BANK

S.N.	Types OF Capital	Amount
1.	Authorized capital	2,000,000,000
2.	Issued capital	1,613,520,500
3.	Paid up capital	1,613,520,500

- To offer any branch banking.
- To launch credit a credit card.
- To launch the real time on line ATMS
- To be a member of SWIFT.
- To offer electronic banking to corporate.

*Being one of the most socially responsible corporate in the country.

- To offer any branch banking.
- To launch credit a credit card.
- To launch the real time on line ATMS
- To be a member of SWIFT.
- To offer electronic banking to corporate.

1.2 Focus of the Study

Generally the financial management decisions are related with management of assets and liabilities in the long term and short term. The Short-term financial management is also known as working capital management. It deals with management of current assets and current liabilities of firms. As we know that a firm's value cannot be maximized in the long run unless it survives in the short run. Firms fail most often because they are unable

to meet their working capitals needs. Therefore, sound working capital management is a requisite for a firm's survival.

Working capital deals with the matrix of current assets and current liabilities. The conversion process of current assets that include cash, inventory and accounts receivable, etc must be quick as possible to get readily available cash with in one year to meet the financial obligations. Similarly, the current liabilities comprising sundry debtors, trade creditors, account payable, short-term bank loan, outstanding expenses, etc must be paid in one year as they become due.

Bank is a business organization where monetary transaction occurs. It creates funds from its clients' saving and lends the same to needy person or business companies in terms of loans, advance and investment. So proper financial decision making is more important in banking transaction for efficiency and profitability. Most of the financial decisions of a bank are concerned with current assets and current liabilities. The working capital management of bank is different from that of other business enterprises. It also needs efficient management. Investment in working capital of other business enterprises is apart of current assets of bank's working capital and we consider deposit and short-term borrowings as a part of current liabilities. So this study focuses the "Working capital management of **"Laxmi Bank Ltd & NIBL"**.

1.3 Statement of the Problem

Banking sector provides investors good investment opportunities with fair return and instant liquidity with minimum risk. It helps mobilize financial resources for the investment development projects and thereby helps to economic development, in turn future development of the banking. Among various studies, working capital management play vital role to success banking program.

Working capital management has been regarded as one of the conditioning factor in decision-making issues. The management of working capital is synonymous to the management of short-term liquidity. Working capital is regarded as the lifeblood and nerve of business concern and essential to accommodate the smooth operation of any organizations. Under and over allocation of working capital is harmful to an enterprise to achieve its primary objectives. Therefore, maintaining optimal level of working capital is the crux of the problem as it is strongly related to the trade off between risk and return. However, it is difficult to point out as to how much working capital needed by a

particular business organization. An organization, which is not willing to take financial risks, can go for more short-term liquidity. The more short-term liquidity means more of current assets and less current liabilities. The less current liabilities implies less short-term financing heading to lower returns resulting from the use of more high cost long term financing. So it is very essential to analyze and find out problems and its solution to make efficient use of funds for minimizing risk of loss to attain profit objectives. Inadequate investment in working capital threatens the solvency of enterprise as well as affects its growth. On the other hand, excessive investment in working capital yields nothing. Therefore, working capital should be determined in such way that total cost i.e. cost of liquidity and cost of non-liquidity is minimum. Hence, the goal of working capital management is to manage the firm's current assets and current liabilities in such a way that it should maintain satisfactory level. Working capital management of bank is more difficult than the manufacturing and non-manufacturing business organizations. Commercial banks are monetary institutions that are playing important role to general welfare of the economic. The responsibility of commercial banks is more than other financial institutions. They must be ready to pay on demand without warning or notice, a good share of their liabilities. Banks collect funds from different types of deposits for providing loan and advances to different sector. To get high return, banks must try to increase funds from deposits as well as their investment. The first motive of banking business is to borrow public saving and lend to needy people. But commercial banks always face the problem of utilizing more deposits as investment fully and productively. The gap between collection of deposits and disbursement of loans increase the cash balance on the bank, which require paying its large amount of liabilities on its depositors' demand without notice. But large amount of idle cash balance also decrease profitability of banks.

Two samples are taken from joint venture banks i.e. **Laxmi Bank Ltd Bank Ltd (LAXMI BANK LTD) and Nepal Investment Bank Limited (NIBL).** It is the question of the study that whether there is any relationship of working capital management with regard to their performance and profitability among these banks. So the major problems that have been identified for the purpose of this study.

Specifically the main study is as follows.

(1) What are the relationship between profit and working capital of **LAXMI BANK LTD and NIBL?**

(2) What are the major factor affecting the working capital management of **LAXMI BANK LTD and NIBL?**

(3) Which of the current assets are more problematic in **LAXMI BANK LTD and NIBL ?**

(4) What are the lending pattern of loan and advances and other investment?

(5) What are the components of working capital, which affects the operating income of **LAXMI BANK LTD and NIBL ?**

1.4 Objectives of the Study

In the context of above-mentioned background, the main objective of the study is to analyze the management of working capital of **LAXMI BANK LTD and NIBL** . The specific objectives of the studies are pointed as follows: -

(1) To analyze the current assets and current liabilities of the **LAXMI BANK LTD and NIBL** and their impact on liquidity and profitability.

(2) To analyze the liquidity, long term solvency and profitability position of **LAXMI BANK LTD and NIBL.**

(3) To analyze the comparative study of working capital management of **LAXMI BANK LTD and NIBL .**

(4) To provide recommendations and suggestion for the improvement of the Nepalese banks.

1.5 Significance of the Study

The financial sector of Nepal is expanding day by day. In the recent days, the nation is facing with lots of economic hurdles and other as well. Due to this situation, financial markets are also running slowly. In this situation, this study will be helpful to the investor to overview their financial performance and to formulate further strategic to do much better in their horizon. This study will give a clear picture of financial position of the bank.

Banking is a part of the financial market where different saving are collected and employed. It serves as a link between suppliers and users of funds. It is a mechanism for

the mobilization of public savings and channelizing them in productive investments. Development and expansion of stock market is essential for the rapid economic growth of the country. In other words, to enhance the role of banking in economic activities, it is essential for the financial resources to flow easily and simple manner that would, in turn, help to achieve the economic development of the country. Nepalese financial market is small and it is at early stage of growth as compared to big and developed financial market.

Working capital is regarded as the lifeblood and nerve of business concern and is essential to accommodate the smooth operation of any originations. Under and over allocation of working capital is harmful to an enterprise to achieve its primary objectives. Inadequate investment in working capital threatens the solvency of enterprise as well as affects it growth. On the other hand, excessive investment in working capital yields nothing. Nepalese commercial banks are operating in the competitive environment. In this situation, banks are adopting suitable strategies for the existence. They should balance to coordinate the different function area of business concern. The success or failure of any organization depends on it strategy, which is affected by working capital management. Working capital management is the crux of problem to prepare the proper strategy on its favors. So, the "Working Capital Management of Joint Venture Banks in Nepal" is beneficial to the scholar, academicians, investors, professionals, decision makers, concern banks, etc.

At last, after completion of this study, this report will be kept in the library, which will play the role of reference to the students making similar study in the future.

1.6 Limitations of the Study

Every study has its own limitations so this study also is not an exception. This study also have some drawbacks and limitations. Some of them are presented as below: -

(1) This study is conducted to fulfill the requirement of master degree in business studies (MBS). So the study cannot cover all the dimensions of the subject matter.
(2) Due to the lack of the time, this study is based only on five years facial data from 2065/066 to 2069/070.
(3) The study is based mainly on the secondary data.
(4) To analyze working capital management, limited tools and techniques are used

(5) Non-availability of the required data, this study may reduce the scope of the study.

(6) Out of various commercial banks, this study concern with the two commercial banks i.e. **LAXMI BANK LTD and NIBL .**

(7) Although there are various aspects of financial management, this studies mainly concerned with the working capital aspect of the sample banks

1.7 Organization of the Study

This study has been organized in to five different segments or chapter to make the study more systematic. The chapters one to five convey the following titles: -

(1) **Introductions: -**The first chapter contains the introductory part of the study. It describes the major issues and background of the study; it also deals with the scope of the study, statement of the problem, objectives of the study, hypothesis setting, significant of the study, limitation of the study and organization of the study.

(2) **Review of literature: -** The second chapter deals with the conceptual frame work, review of empirical works, relevant research studies, review of majors studies in Nepal and finally concluding remarks of the literature.

(3) **Research methodology:** - The third chapter contains research methodology employed in the study. It explains the research methods, research design, nature and sources of data, data processing, procedure, the basic tools and techniques and definitions of key terms.

(4) **Presentations and analysis of data :**- The fourth chapter contains presentation and analysis of data. In this chapter, data is collected through different sources such as balance sheet, profit and loss account and presented in tables. Using ratio analysis and statistical tools has performed analysis and interpretations of data.

(5) **Summary, conclusion and recommendation:**- The fifth chapter contains summary and conclusion of the study. After that all necessary recommendation are presented for the improvement of the further study and research.

Chapter-2

REVIEW OF LITERATURE

2.1 Introduction

Review of literature is second step of researcher after selection of topic. It is the way to develop concepts, ideas to select the area of study by reviewing the related materials. The review is done on the topic "Working Capital Management of commercial banks in Nepal". The articles and the research work carried out on related topics were reviewed from national and international daily newspaper/report/journals related books and websites, which were available from various sources. Every study is very much based on past knowledge. The previous study cannot be ignored because they provide the foundation to the present study. There must be continuity in research. This continuity in research is ensured by linking the present study with past research studies. This chapter highlights the literature that is available in concerned subject as to my knowledge, research work, and relevant study on this topic, review of journals and articles and review of thesis work performed previously.

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. There relevant finding issue, arguments, logics and suggestion which will given glimpses, guide line to go further depth of the study. In order words there has to be continuity in research is insured by linking the present study with the post research study. The chapter has been divided into segments. They are conceptual framework and review of literature. Conceptual framework provides the conceptual thoughts about the commercial bank and review of literature provides the analysis of related books, articles and thesis.

2.2 Conceptual Framework

2.2.1 Meaning of Banks

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses. The bank in general, the investment of money in definite sector through depositor's amount, The bank perform various situation the country e.g. boost up economic situation, transfer of money, letter of credits, locker,

collects cheques from customer, lending investors etc. A bank can generate revenue in a variety of different ways including interest and transaction fees.

In general, the 'Bank' is an institution that accepts deposit in different accounts and provides loans of different types. Many changes have taken place in the function of bank from the initial stage of its development to present day. There are many types of banks present doesn't accept deposit such as central and industrial bank. Since, it is very difficult to find out the critical aspect of banking so banks provide services to different people and perform the different function.[1]

2.2.2 Meaning of Commercial Banks

The concept of evolved from the concept of commerce bank actually denotes commercial bank. Commercial bank is that financial institution which deals in accepting depositing of person and institutions and giving loans against securities. Commercial bank serves accepting deposit, providing loan, purchasing bills and letter of exchange, transferring money, taking agency function, and foreign currency transaction, etc. Commercial bank also provides technical and administrative assistant to industries, trade and business.

In today's context the operating function of the commercial bank are, (a) to collect working capital (b) to utilize the working capital in various purpose (c) by utilizing the working capital, it earns profit and (d) part of the profit is distributed as dividend and part of the profit is retained for the expiation of banking transaction. [2]

Commercial Bank Act, 2031 B.S. of Nepal has defined it as "A commercial bank is one which exchange money, deposits money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank meant for co-operating agriculture, industries or for such specific purpose. The Commercial Bank Act, 2031 also pointed the functions of commercial banks. They take deposits and grants loans in different forms. They purchase and discount bill of exchange, promissory note, and exchange of foreign currency. They discharge various functions on behalf of their customers provided that they are paid for their services." [3]

American Institute of Banking defines commercial bank as "Commercial Bank is a corporation which accepts deposits subject to cheques and makes short term loans to business enterprises, regardless, of the scope of its other services." The institution also aid down the four functions of commercial bank as receiving and handling deposits

1*Ronald Grywinshki, The New fashioned Banking, May-June 1993, P.87*

2 Garg, K.N.," Money, Banking, Trade & Finance" Allabhad , India, 1997 P.127

3 Commercial Bank Act, 2031 B.S.

(deposit function), handling payment of money (payment function), making loans, and investments (loan function) and creating money by extension (Money Function).[4]

2.2.3 Meaning of Joint Venture Banks

"A joint Venture is forming of two forces between two or more enterprises for the purpose of carrying out of specific operation (industrial or commercial investments, production trade)."[5]

Nepalese Joint Venture Banks should take initiation in search of new opportunities to survive in the competitive market and earn profit. There is highly liquidity in the market but there seems no profitable place to invest. At the same time, the bank and financial institution are offering very low deposit interest rate. In this situation Nepalese Joint Venture Banks required to explore new opportunities to make investment if they want to survive in the competition market. Since commercial banks can inspire entrepreneurship, the banks should also consider national interests and government emphasis for the economic growth of the country.

2.2.4 Meaning of Working Capital

According to I.M. Panday, there are two concepts of working capital gross concept and net concept. The **Gross Working Capital** , simply called as Working Capital, refers to the farm's investment in current assets. Current Assets are the assets which can be converted in to cash with in one accounting year (or operating cycle) and include cash, short-term securities, debtors, bill receivable and stocks. The term **Net Working capital** refers to the difference between current assets and current liabilities. Current liabilities are those of outsiders, which are expected to mature for payment with in an accounting year includes creditors' bills payable, bank overdraft and outstanding expenses or accrued income.Net working capital can be positive or negative. A positive working capital can be arise when current assets exceed current liabilities and negative working capital net working capital occurs when current liabilities are in excess of current assets. Net working capital concept also covers the question of judicious of long term and short-term funds for financing current assets.[6]

Working Capital refers to the resources of the firm that are used to conduct day to day operation that makes business successful. Without cash, bills can not be paid without receivable the firm can not allow timing different between delivering goods to services

4 *American Institution of Banking, Principle of Bank Operation, USA, 1972, P.345.*
5 Gupta, D.P., Banking System, 1984, P.15.
6 Panday, I.M., "Financial Management", New Delhi, Vikash Publication house, 1992, P.796-797.

and collecting the money to pay them, without inventories the firm cannot be engage in production nor can it stock goods to provide immediate deliveries. As a result of the critical nature of current assets the management of working capital is one of the most important areas in determining whether a firm will be successful. Need of working capital is directly related to firm growth. The term working capital refers to the current assets of the firm's those items that can converted into cash with in the year. Net working capital is defined as the different as the difference between current assets and current liabilities.[7]

"Working capital may be defined as the funds developed by the company in the form of cash, stock, sundry debtors and other current assets. The total sum of the funds deployed in such assets is termed as gross working capital.Net working capital is defined as the difference gross working capital and current liabilities. The term working capital generally means net working capital. The liquidity position of a company is dependent of the investment in working capital." [8]

2.2.5 Objectives of Working Capital in Banks

A bank undertakes many transactions daily. Sometimes, customers deposit large quantity and sometimes customers withdraw from their deposits in high quantity. Investment fund of bank is covered by deposit collections of different types of account holder. A bank should have to pay the money to depositors when they want to withdraw. For daily operation of office and to meet the administrative expenses, a bank should have certain level of working capital. Working capital is required to run the business smoothly and efficiently in the context of the set objectives. It is no doubt that no company can achieve its goal without proper use of working capital. Therefore, it can compare as lifeblood to the organization.

The main objectives of working capital management are:-

(a) To pay depositors,
(b) To maintain cash reserve ratio (CRR)
(c) To maintain statutory liquidity ratio (SLR)
(d) To increase the attraction of business
(e) To achieve goal and smoothly run business.
(f) To take risk and economic fluctuation in the future.

7 *John J. Hamption and Cealia L.Wagner, Working Capital Management, USA, 1989, P.34.*
8 *Pradhan, Surendra, Basis of financial management, 1992, P.148. Kathmandu Educational Enterprises.*

2.2.6 Determinants of Working Capital in Banks

Many factors are affects to determine the capital structure of banks. They are cauterizing in two ways. And presented as below:-

(A) External Factor:

a. Prevailing interest rate:-

If interest rate is high cash demand is low & liquidity need is low.

b. Saving and Investment rate:-

If income & saving scale of people is high, low liquidity. If investment in commercial field is high, high liquidity.

c. Growth & slacking position of financial market:-

If financial market of bank is in growth and prosperity, then low liquidity and if opposite, high liquidity.

(B) Internal Factor:

a. Lending Policy of bank:-

Largest quantity for long term investment needs high liquidity and if short term loan policy, low liquidity.

b. Management capacity: -

If management is efficient & ready to bear risk, low liquidity.

c. Strategic Planning & funds flow situation:-

Liquidity depends upon planning, & strategic. Current a/c needs high liquidity and fixed deposit needs low liquidity.

2.3 Review of Literature

2.3.1 Review of Books:

The well-known professors **Weston and Brigham** have given some theoretical insights into working capital management after their various research studies on it. The conceptual finding of their study provides their sound knowledge and guidance for the further studies on the field of management working capital in any enterprise and naturally to this study as well. They explain, in the beginning. The importance of working capital, concept of working capital, financing of working capital, the use of short term versus long term debt, relationship of current assets to fixed assets to fixed assets. In the next chapter they are dealt with the various components of working capitals and their efficient management techniques. The components of working capital they have dealt with are cash, marketable, securities, receivable and inventories. For the efficient

management of cash, they have explained the major sources and forms of short term financing, such as trade credit, loans from commercial banks and commercial paper.[9] Another well known expert, **Professors** and writer, **James C. Van Horne** has given the concept of capital structure management in his book 'Financial Management and Policy.' It is usually described as involving the administration of these assets namely cash, marketable securities, receivables, inventories and the administrative of current liabilities. It means the working capital management is concern with the problem that arises in attempting to manage the current assets, the current liabilities and the inter relationship that exit between them. He has also described the different methods for efficient management of cash and marketable securities and various models for balancing cash and marketable securities. For the management of receivable, different credit and collection policies have been described and various principles of inventory have been examined for inventory management and control.[10]

Dr. Radhe Shyam Pradhan has published a book on management of working capital in Nepalese **PEs. T**his book is based on the study of nine manufacturing public enterprises of Nepal for the duration of ten years from 1973 to 1982 AD. In his study, he aimed at examining the various aspects of management of working capital in selected manufacturing public enterprises of Nepal. The specified objectives undertaken in his study were.

a. To conduct risk return analysis of liquidity of working capital position.
b. To assess the short term financial liquidity position of the enterprises.
c. To assess the structure and utilization of working capital.
d. To estimate the transaction demand functions of working capital its various components.

Some major findings he found in his study, most of the selected enterprises have been activating a trade off between risk and return thereby following neither an aggressive nor a conservative approach. Most of the enterprises have poor liquidation position, the poor liquidity position has been noticed as the enterprises have either negative cash flows or negative earnings before tax or they have excessive net current debts which can not be paid in a year.

9 *Weston, J. Fred & Brigham,Eugen F.,"Managerial Finance " 1984 P.332 Chicago the Dryden Press.*

10 *James C. Van Horne," Financial Management and Policies", 2000.P.183.*

1. The Nepalese manufacturing PEs have on an average half of their total assets in the form of current assets. Different components of the current assets, on an average, the share of the inventories in total assets is the largest followed by receivables and cash in most of the selected enterprises. The economics scales of scale have been highest for inventories followed by cash and gross working capital, receivable and net working capital. The regression results also show that the level of working capital and its components and enterprise desires to hold depend not only on sales but on holding cost also.[11]

According to the **Professor I.M. Pandey** has described some conceptual ingredients, which are based on his various research studies. He has described various aspect of working capital management into five chapters.

The first chapter deals with the concept of the working, need for working capital, determents of working capital, dimension of working capital management, optimum level of current assets, and working capital trends.

In the second chapter, he has described the management of cash and marketable securities, where he has dealt with facts of cash management, motives for holding cash, cash planning, managing the cash flows, determining the optimum cash balance, investment in marketable securities.

In the third chapter, he has described the management of receivable, in which he has dealt with goals with credit management, optimum credit policies, aspect of credit policies, credit producers for individual accounts.

In fourth chapter on inventory management, he has described the need to hold inventories, objectives of inventory management, inventory management technique, selective inventory control technique and financial manager's role in inventory management.

In fifth chapter, he has described conclusion and recommendation.[12]

Another writer **Surendra Pradhen,** in his book "Basic of Financial Management" has shed light on financing of working capital as "There are two way of financing working capital requirement i.e. internal and external sources. Internal sources use of retained earnings, deprecation fund and share capital. External sources include trade credit, advance from customers, short term deposit, cash credit, short term government loan

11 *Pradhan, Radhe Shyam," Management of Working capital" New Delhi, National Book Organization.1986.*

12 *Pandey I.M, "Financial Management" 1992 P.790 New Delhi, Vikash Publication House.*

etc." Generally a sources or combination of various sources of financing to be used depends on the types of current assets (permanent and variable) to maintain. The long term sources such as stock issue, debt and bonds are spontaneous type of short term sources are not enough to cover the required size of permanent current assets.[13]

2.3.2 Review of Thesis:-

(i) Sunita Shrestha 's "Portfolio Behavior of Commercial Banks in Nepal" based on the study of two local commercial banks, three joint venture banks and one development bank. Her study mentioned as followings findings:

2. Total deposits have been the major sources of fund for all the banks.
3. Capital and reserve funds do not seem to have changed much over the year.
4. The user of the fund analysis shows that the resources of commercial banks are allocated in the liquid funds, investment on securities, loans and advances, bills purchases and discount.
5. Among the portfolio, for Nepalese banks loan and advances share highest volume of the resources and the bills purchased and discount list over the year.
6. The excess reserves of the commercial banks show unused resource. The cash reserve exceeds much more then the required cash reserve.[14]

(ii)Prem Kumar Shrestha has carried out a study on working capital management of Bhrikuti Paper Mills Limited. He has analyzed the financial statement of the mill for five year (044/45 to 048/49). The objectives of the study were to analyze the current assets and current liabilities and impact of current assets and one current liability. He has used ratio analysis as major tools of his study. In his study he found that cash and bank balance, inventories and receivable were the major component of current assets. Cash and bank balance have held the largest part of current assets. He found the increasing trend in liquidity decreasing in current assets turnover. Finally he has concluded the discouraging profitability caused by the low return on total investment of the mills.[15]

(iii)Bashudev Giri has carried out of the study on working capital management in Birgunj Sugar Factory Ltd. He has analyzed the financial statement of the factory for

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13 *Pradhen, Surendra ,"Basic of Financial Management" 2000 P.144 Katmandu Educational Enterprises.*
14 *Shrestha,Suniti, " Portfoliow Behavior of Commercial Banks in Nepal",1995 Kathmandu Dangol Prienters.*

15 *Shrestha,Pream Kumar,"A Study on Working Capital Management of Bhrikuti Papers Mills Ltd" unpublished Master's Degree Thesis, 1994,Kirtipur, T.U.*

nine years (041/42 to 050/51). The objectives of the study were to analyze the net working capital and relationship between current assets and current liabilities, effect on working capital on profitability and other operation. He has used financial ratio as the major tools of his study. He found that inventories, receivable, cash and bank balance were major share of current assets. Inventory had held the major portion of current assets. He found the fluctuating trend in current assets, and their improper use. Moreover he found the unsatisfactory profitability position of the factory.[16]

(iv) Anir Raj Bhandari, in his thesis entitled "working capital management", has done research work for the ten year period (2034 to 2043 B.S.). He has drawn some major findings from his study were as follows:-

1. The bank has heavy liquid assets that reflect the improper utilization of the bank's fund due to heavy growth in deposit and other borrowed capital, the volume of share capital become insufficient.
2. Rate of return on shareholders investment is considered insufficient; the bank could not fully utilize its fund and not paid attention to the portfolio management in investment.[17]

(v) ***Narendra Bahadur Amatya*** ,in his thesis entitled, "An appraisal of financial position of Nepal Bank Limited" main findings of his study are as follows:-

1. Regarding the liquidity management, the bank is in a better position. The bank has been following a uniform policy to finance current assets and current liabilities.
2. The bank is successful in deposit collection but it has always adopted conservative and traditional credit policy.
3. The trade commerce advances are paying major role in credit composition of the bank. Although the reserve of the bank is increasing gradually. The reserve plays a nominal role in the credit expansion control.
4. The major portion of investment of bank is in Nepal Government's securities. And the volume of transaction is high in all respects but the bank does not show higher ratio of profit or it shows a decreasing trend of profit.[18]

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16 *Bashudev Giri ," Working Capital Management in Birgunj Sugar Factory Ltd" un published Master degree Thesis , Kritipur, T.U,.1996,*

17 *Bhandhari, Anir Raj,'"Working Capital Management-A Case Study of Nepal Bank ltd." Unpublished Master's Degree thesis Kritipur,T.U. 1986.*

18 *Amatya, NagendraBahadur,"An Appraisal of Financial Position of Nepal Bank Ltd."unpublished master's Degree thesis, Kritipur,T.U. 1993,*

(vi) Ramji Poudel in his thesis entitle "A comparative analysis of financial performance between NBL and NGBL" has drawn some major findings. Although the liquidity position of NBL is better than NGBL but on the hole of the current assets of these banks are adequate to meet the current liabilities. NGBL has better credit position than NBL, in term of short term investment. It also found that NBL has better turnover and highly levered than NGBL. Joint venture banks such as NGBL is fast growing, the overall profitability are higher but government owned commercial banks such as NBL has higher expenditure and profit making capacity is lower and gradually decreasing.[19]

(vii) Niraj K.C. in his thesis entitles "Comparative study of Working Capital Management of NBL and NIBL" aims to examination the management of working capital in NBL and NIBL. Main objectives of his study, to study the current assets and current liabilities and their impact and relationship to each other of NBL and NIBL; to analyze the comparative study of working capital management of NBL and NIBL; to recommended and suggest for improvement of working capital management NBL & NIBL. His study suggest to NBL & NIBL as follows:-

1. The average bank and cash balance and loan and advance are higher on NIBL than NBL.
2. Management of loan and advances is more problematic in NBL than NIBL.
3. Interest income of NBL is better than NIBL.
4. Liquidity management of these two banks are significantly different.
5. NIBL has been better utilazition of deposits in income generating activity than NBL. It also shows that NIBL has better investment efficiency in loan and advances.
6. Due to more conservative working capital policy risk of insolvency is lesser but cost of fund is higher on NBL than NIBL.
7. Profitability position of NIBL is far better although NBL earned higher interest than NIBL.[20]

(viii) Arjun Lal Joshi has conducted another study relating to Working Capital Management. He has analyzed the financial statement of Biratnager Jute Mill for five years (2036/037 to 2040/41). This study has focused on problem of working capital

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19 *Poudel, Ramgi, "A Comparative Analysis of Financial Performance between Nepal Bank Ltd & Nepal Grindlays bank Ltd." Un published Master's Degree thesis, Kritipur, T.U., 1993.*

20 Niraj,K.C. ," A Comparative Study of Working Capital Management of NBL and NIBL." Unpublished Master's Degree thesis Shanker Dev Campus 2000.

management, and the current assets and current liabilities. He has used financial ratios as the major tools of his study. He found that inventories held the major share of current assets followed by the debtors and very negligible cash balance. Mill's had poor liquidity position and financed by short-term sources. He found mills had not earned sufficient profit even to pay the interest on short-term loans. Moreover, he found the operation deficiencies caused by managerial imprudence and gross negligence in working capital management.[21]

(ix).Rajendra Giri in his study has attempted to evaluate working capital management of Balaju Textile Industry Ltd(BTIL). The major findings of his study are no significant improvement in working capital during study period. Increased working capital is financed by sales of fixed assets or sources of share capital. Current assets were financed by long term financing and high level of sluggish inventory's amount to unnecessary tied-up funds, impairment of profit and increased cost.[22]

(x) Pradeep Kumar Pathak has carried out another study relating to working capital management. He has tried to make an evaluation of working capital management of Nepal Lube Oil Ltd. He analyzed the working capital management of the Oil Ltd for five fiscal years from 2043/44 to 2047/48 .He has focused on the working capital management with respect to cash credit and inventory management, and relationship sales and different variables of working capital. He has used ratio analysis; Karl pearson's co-efficient of correlation (r) and t-test.

Major findings of his study were high portion of current assets, unfavorable liquidity position and very low level of cash. Inventories have occupied the major portion of current assets, but the share of the finished goods stock is very low. Receivable has the second place in current assets and it is continuously growing. Finally he concluded that this company had adopted the moderate financing policy.[23]

(xi) H.P. Lamsal had undertaken a study entitled "A Comparative study of working capital management of Laxmi Bank Ltd & Nabil Bank .The main objective of his study was to study the current assets and current liabilities and their impacts on liquidity and

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21 Joshi, Arjun Lal, "A study on working capital management in Biratnager Jute Mill" unpublished Master's Degree thesis, T.U.1986

22 *Giri, Rajendra," A case Study of Working Capital Management of BTIL"*, unpublished Master's Degree thesis, *T.U.1986.*

23 Pathak, Pradeep Kumar," An Evaluation of Working Capital Management of Nepal Lube Oil Ltd", unpublished Master's Degree thesis, Kirtipur, *T.U.1994.*

profitability as well as to analyze, the liquidity, assets utilization, long term solvency and profitability position of selected banks. He used five years financial data from 2054/55 to 2058/59. His findings are as follows:-

1. Nabil and Laxmi Bank maintain current ratio of 1.55 and 1.31 in an average respectively. Trend values of current ratio were negative. The average quick ratio of Nabil and Laxmi Bank were 0.64 and 0.75 respectively. Liquidity of Laxmi Bank was always better than Nabil during the period.
2. Laxmi Bank had more short-term and less costly resources of fund then Nabil. Nabil had better investment efficiency on loans and advance. Both banks follow conservative working capital policy though Nabil has more. Laxmi Bank has better profitability than Nabil.[24]

(xii) A thesis submitted by **Gopal Prasad Regmi** a capital structure management of "Nicon Air Limited". The study should that the company as operating with debt capital relatively higher than equity in total debt capital and if it's not possible, they need to issue more equity share or convert preferences share in to equity share. He further added that the company should minimize its operational cost and apply technological based management to suggest that the management should adopt competitive strategy policy to balance with its different investors as well as identify and select the best alternative financing from available fund.[25]

(xiii) Kisharjung Baral had completed his study on capital structure and cost of capital in public sector enterprise in Nepal. He has used correlation coefficient as an analytical tool for conduction is research. Trend analysis and ratio analysis is has subsidiary tools. He has concluded that capital structure of corporate enterprise in public sector in Nepal more or less in outcome of the deliberate decision of Government Nepal but not a product of market and their structure further the added the debt performances of PEs is very poor and they are not supporting to increase the wealth of the society but diluting it and hand lindering the development of the country.[26]

(xiv) Deepak khanal has presented his dissertation "The Capital Structure Management of industrial Public Enterprise". He found that capital investment and earning were not co-related most of public enterprise was in loss position. Debt equity ratio was not

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24 *Lamsal, Hari Prasad, "A comparative Study of Working Capital Management of NIBL &NIBL unpublished master's degree thesis, T.U. 2004.*

25 *Regmi,M..R.."A study on Capital Structure Management of Necon Air Ltd"* unpublished Master's Degree thesis, *T.U.1998.*

26 *Baral ,K.J. "Capital Structure and Cost of Capital public enterprises in Nepal"* unpublished Master's Degree thesis, *T.U.1996.*

satisfactory, financial performance of these companies were not good, so he suggested that the management should reduced government subsidy and donation. They should improve their performance efficient.[27] Mr. Madhav Prasad Gautam had undertaken a study entitled "A Capital Structure Management of J.V. Commercial Banks with NIBL and NBBL". The main objective of his study was to study, analyzed and interpret different aspects of capital structure management of selected joint venture commercial bank and to see whether these commercial banks had optimal capital structure or not. The main objectives were as follows:-

1. To study the existing capital structure of financial position of selected joint venture banks and to analyze its impact on the profitability.
2. To access the debt servicing capacity of the joint venture commercial bank.
3. To examine the correlation and the significance of their relationship between different ratios related to capital structure.
4. To provide suggestions and recommendations for the optimum capital structure of the joint venture bank.

He used only secondary data. He also used financial and statistical tools to examine the soundness of banks i.e. ratio analysis, correlation coefficient, etc. The major findings are as follows:-

- All JVB's has used high percentage of total debt in raising the assets. The higher ratio constitutes that the outsider's claim in total assets of the bank is owner claim. The on an average, NBBL bank constitutes 16.27 times of D/E ratio, which should be reduce as quickly as possible. The financial risk of the banks NBBL average degree of financial leverage constitutes 3.73 times which indicates the higher degree of financial risk.
- The average ROE of JVB's i.e. NIBL & NBBL are 37.36 & 21.15 respectively. The ROE ratio has great impact to show the realities performance and strength of the bank in attractive future investment. NIBL earning of 37.06% has been able to utilize the shareholder's equity in efficient way then NBBL.
- The ICR shows that all banks are able in paying interest in comparison NIBL is operating efficiency in terms of ICR. NB should make efforts to retire excessive debt to here comfortable coverage ratio.

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27 *Khanal, Deepak," A Study on Capital Structure of Industrial Public Enterprises"* unpublished Master's Degree thesis, Kritipur, *T.U.1992.*

- EPS of NIBL increasing trend then NBBL. In those regard, public would be attracted to buy the share. So, banks are suggested to collect the funds through issuing shares.
- The NI approach implies that portion of higher leverage consequently increasing the value of the firm. This approach is well acquainted with this study as the value of the banks has increased in according portion of leverage.
- The K0 of banks positive even though the rate of return in last three years has declining trend.

The private sector banks have been successful increasing their deposit and credit portfolio remarkable over the last one year. The figures also show that most of these banks have been cautious about loans and advances. The operating profits of all private sector commercial bank have gone up, so they have the provision for loan loss. In short the banking sector in Nepal is somehow doing well even thought it has to face a number of hurdle during the past the few years.

(xv) Resha Shrestha had undertaken a study entitled "A Study on Working Capital Management of NIBL". The main objective of his study was as follows:-

- To analyze the liquidity, composition of working capital, assets utilization and profitability utilization of NIBL.
- To know whether the NIBL banks has maintain optimum or working capital or not.
- To analyze the current assets policy of NIBL bank.
- To analyze the current liabilities policy of NIBL bank.
- To analyze the financing pattern of working capital of NIBL bank.
- To identify the liquidity position of NIBL bank.
- To examine the relationship between liquidity and profitability of NIBL bank.
- To point out the valuable recommendations and suggestions based on analysis.
- To suggest the appropriate management system of working capital of the NIBL.

The major findings of his study are summarizing below:-

1. The major components of current assets in NIBL bank are cash and bank balance, loan and advances, and government securities. Other current assets are also the component of the current assets. The average percentages covered by these components during the study are cash and bank balance is 20.18%, loan and advances is 54.40%, loan and advances 19.52%, and other current assets are 5.85%. It shows that the average percentage of loan and advances is higher and

then in the second place comes cash and bank balance after that comes government securities. Other current assets hold very little percentage of total current assets. The trend value of loan and advance are government securities proportion are positive and trend value of cash and bank balance is negative, which implies that **NIBL** bank is investing its current assets in income generating sectors. The trend value shows that the management of loan and advances is more problematic in the bank's current assets management.

2. Amoung the major three current assets components, government securities holds the smallest portion and it is fluctuating every year with in the study period. The ratio range from 30.97% to 8.34%. The total average percentage of loan & advances and government securities are 54.4% and 19.52% respectively. It shows that interest income is satisfactory.
3. The liquidation position of bank is analyzed with the current ratio, quick ratio, cash and bank balance to current, margin and other deposit ratio. The current ratio is ranging from 1.7 to 1.34. NIBL has maintained its current ratio of 1.49 in average over the study period. The current assets ratio trend is negative. The average quick ratio is 0.6. so it is found that the current ratio and quick ratio of the bank can be considered good but still it is not meeting the standard ratio i.e. 2:1 and 1:1 respectively. The trend of quick ratio and current ratio are decreasing which shows that the bank is trying to reduce its idle cash & bank balance. Although higher liquidity consider as low risk, lower profit but in commercial bank higher liquidity is not always the cause of lower profitability.
4. Correlation between investment on government securities and total deposit are not significant. It shows that there is no closely relationship between investment on government securities and total deposits. The significant correlation of between government securities and total deposit shows that only idle cash balance are invested on government securities if there is no more opportunities to invest on loan and advances. Loan and advances are total deposit are significantly correlated with coefficient value r=0.91. It shows that the bank utilizes its total deposit on loan and advances effectively.
5. Coefficient of correlation between cash and bank balance and current liabilities is-0.58. It shows that the holding of cash and bank balance is not related with current liabilities.

6. Coefficient of correlation between loan and advances and net profit is 0.38, which is less than 6Per. It shows that the net profit is significantly related with loan & advances. It shows that the change on loan & advances do not change the amount of profit significantly.[28]

2.3.3 Review of Different Studies:-

This part is mainly focused on the review of journal/ articles published by different management experts in working capital management.

P**rof. M.K. Shrestha on "Analysis of capital structure in selected public enterprises."** He has found that the selected public enterprises under study have a very confusing capital structure since the corporations are not guided by objectives based financial plans and policies. In many instance atomisms become the basis of capital structure and most of them want eliminate debt if possible to relive financial obligations. He has further pointed out that there were neither public enterprise nor government developed criteria in determining capital structure and this is the reason as to way debt equity ratio because a tickslish problem. He has also suggested that the debt equity ratio should neither highly. Levered to created too much financial obligation that he beyond capacity to meet nor should it be much lower levered to infuse operational strategy to by pass responsibility without performance.[29]

Dr. R.S. Pradhan and K.D. Koirala studied on the "Aspects of working capital management in Nepalese corporations" during 031/32 to 035/36. Among the eleven public corporations, five manufacturing and six non-manufacturing corporations. The problem dealt in this study were size of investment in current assets management and it also dealt with the motive for holding cash and inventory and major factors affecting the size of investment. In this study report, they concluded that investment of current assets had declined over the period of time in both types of corporations. However, the Nepalese PEs had consistently more investment in cash and receivables as compared to non-manufacturing corporations due to more liberal and less consistent credit policies. Inventory management is of great significance to manufacturing corporations and management of cash and receivables is of great significance to non manufacturing corporation. The major motive of holding cash in Nepalese corporation was to provide a

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28 *Shrestha, Resha "A Study on Working Capital Management of NIBL" unpublished Master's Degree Thesis, Kirtipur, T.U. 2004.*
29 *Shrestha M..K,,."An Analysis of Selected Public Enterprise", Prsshsan Njopa, year16, no 2 March 1985.*

reserve for routine net out flows of cash and for holding inventory was to facilitate smooth operation of production and sales. They are found that working capital was more difficult to manage than fixed capital. Further more, the inventory in Manufacturing Corporation and cash and receivables in non-manufacturing ones were more problematic to manage.

With reference to the above problems and findings they recommended that need to control investment in working capital as a whole manufacturing corporation as the average proportion of working capital to sales increased over time. Since manufacturing and non Manufacturing Corporation had been trying to control investment in receivables. The focus of the attention should be derived to control of investment in cash and inventory. But Manufacturing Corporation should pay attention to control the investment in inventory.[30]

Dr. K.Acharaya, has published an article relating on working capital management. He has defined the two major problem i.e. operational problems and organizational problems, regarding the working capital management in Nepalese public enterprises. The operational problems; he found were increase of current liabilities then current assets, not allowing the current ratio 2:1 and slow turnover of inventories. Similarly, change in working capital in relation to fixed capital had very low impacts over the profitability, then transmutation of working capital employed to sales, absent of apathetic management information system. Break-even analysis funds flow analysis and ratio analyses were either undone or ineffective for performance evaluation. Finally, monitoring of the proper functioning of working capital management has never been considered as managerial job.

In the second part, he has listed the organizational problems in the public enterprises; there is lack of regular and internal external audit system as well as evaluation of financial results. Similarly, very few public enterprises have been able to present their capital requirement functioning of finance department is not satisfactory and some public enterprises are even facing the under utilization of capacity.[31]

L.D. Mahat has published article relating to spontaneous resources working capital management. He has defined the three major sources of working capital management i.e.

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30 *Pradhan, R.S. & Koirala, K.D. "An Aspect of Working Management in Nepalses corporation" institute of management, Kirtipur,T.U. 1982.*

31 *Acharaya K. "Problem and Implementation of in management of working capital in Nepalese enterprises", ISDOC Bulletin, Vol. 10 no 3Jan-Mar, 1985.*

equity financing, debt financing and spontaneous sources of financing, regarding the working capital management. Debt financing include short-term bank financing such as bank overdraft, cash credit, bills purchases and discounting, letter of credit etc. whereas spontaneous sources of working capital include trade credit, provisions and accrued expenses.

Mr. Mahat has defined that working capital management is one of the important pillars of corporate finance. However, Nepalese industries are facing difficulty in their survival by the cause of recession, which can bring best and worst corporate finance such an environment should be efficient enough to cope with the possible worst happenings in future for working capital management. He had said that managing the working capital resources for a profit making industries are routine affairs of just making payment and arranging collection of debtors. In contrast, the company in debt trouble, it is rather difficult to meet its working capital gap by way of debt financing, the company should have to bear interest, which may cause to increase in the percentage of operating expenses to the turnover and depletion in the profits. Therefore, spontaneous sources of working capital in order to improve its performance.[32]

Murari Raj Sharma in "Joint venture Bank in Nepal coexisting or crowding out" pointed that it would be definitely being unwise for Nepal not to let the JVB's to operate in the country. Also not to take advantages of them as additional them means of resources mobilization as well as harbinger of new era in Banking. But it well certainly by un fortunate for country to develop the JVB's at the cost of the domestic bank's so for one should admit frankly that, no different treatment has been extended to the domestic and JVB,s also shows their alacrity to come forward to share the trails and tribulations of poor country. Both types of banks will coalesce and exist, complimenting each other and contributing for the nations accelerated developments on the country. If JVB's use their strength against their trading in to the cumber some path of development along with the domestic bank and the government, they will eventually crowed out the domestic bank from the more profitable urban area and uncreative urban sector unless remedying by determination of the government.[33]

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32 *Mahat, L.d., "Spontaneous Sources of Working Capital Management", The Katmandu Post Daily, vol. XII no, 98 May 26 2004*

33 *Sharma, M.R. "Joint venture bank in Nepal" HMG year 1952 issue 1980 pp31-42.*

Prof. M.K. Shrestha on "Analysis of capital structure in selected public enterprise". He has found that the public selected enterprise under study have a very confusing capital structure since the corporations are not guided by objectives based financial plans and policies. In many instance atomisms become the basis of capital structure and most of them want to eliminate debt if possible of relive financial obligations. He has further pointed out that there were neither the public enterprises nor government developed criteria in determining capital structure and this is the reason as to way debt equity ratio should neither highly. Levered to created too much financial obligation that he beyond capacity to meet nor should it be much low levered to infuse operational strategy to by pass responsibilities without performance.[34]

Rima Devi Shrestha conducted the study on the topic of focus on capital structure. Selected and listed public companies. She used data from 19 companies and study had covered different sectors manufacturing finance, utility services and other allied area. She had found that most of these companies have debt capital relatively very higher then equity capital consequently most of the area operating at losses to the extend that payment of interest on loan has been and seriously issues. Most of the loses are after charging interest on loan she suggested that the government has to consider in public enterprises is that of evaluating the relationship between use of debt and its impact on overall earning of public enterprises. So government should be sure in knowing how to return will be minimized by using debt capital. Government having invested large amount of many public enterprise were of the responsibility to repay the debt schedules. The other thing which needs to be made publicity transparent the government money which needs to be made to be made publicity transparent that government money is not a lost less found. Government has to analysis; cost and risk return trade off. Thus, capital structure needs to be more determinant by realistic analysis of cost.[35]

From the review of above mentioned bunch of research works, it is clear that there are very few of research work on study of working capital management of commercial banks. And the study of working capital management of **NIBL & LAXMI BANK LTD** has been carried out with a view to fulfill that gap.

34*Shretha, M.K., "Analysis of Capital Structure in Selected Public Company", PRASHSAN NJOPA, year16, no 2 march 1985.*

35 Shrestha, Rima Devi "Focus of Capital Structure" Pravha journal of management, Nepal Commerce Campus Ktm, 1993 vol.no.10.

Chapter-3
RESEARCH METHODOLOGY

3.1 Introduction:

Research Methodology is the way to solve the research problem systematically. The research methodology considers the logic behind the methods used in the context of research study and explains why particular method or technique is used. "Research methodology refers to the various sequential steps to adopt by a research in studying a problem with certain objectives in view". The prime objectives of this study are to evaluate and assess the dividend policy of the commercial banks. It would appropriate to mention here that search projects are not meaningful to be unless they are in sequential order, which will be determined by the particular problem at hand. The study is mainly based on secondary data gathered from respective annual report of commercial bank especially from profit and loss account, balance sheet and other publications made by the bank.

A methodology is usually a guideline system for solving a problem, with specific components such as phases, tasks, methods, techniques and tools. Methodology is defines as the collection, presentation, analysis and interpretation (by the use of statistical and financial tools) of numerical data or it may be defined as the method of used to prepare the report including collecting, presenting, analyzing and interpreting the data.

3.2 Research Design:

A research design encompasses the methodology and procedure employed to conduct scientific research. Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research question and to control Variations. It is the framework for the activities to carry out during the period of research study. It lays down a format for collection of data, analysis and interpretation as well. This study is based on analytical and descriptive to provide analytical insight and to achieve the prescribed result. This study is analytical in nature. A true research design is basically concerned with various steps to collect the data for analysis and draw a relevant conclusion. The research design allows the researchers to take an appropriate measure and direction towards the predetermined goals and objectives.

"A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure". ***(Kothari : 1992, 25)***

The research examines the facts and postulates in certain frameworks on details and supplies the important information on subject matter, summary of the study, major findings of the study, recommendations, conclusion etc. are the most significant information among them they are derived with the help of some financial and statistical tools.

3.2 .1Population and Sample:

At present there are 32 commercial banks in Nepal. Among them **NIBL and LAXMI BANK,** the first two banks, has been taken as a sample for the study. Financial statements of last five fiscal years from F.Y.2063/64 to 2067/68 have been taken as sample data for comparative study of working capital management. These banks are chosen as they account for considerable market share of the banking sectors.

3.2.2 Nature and Sources of Data:

This study based on secondary data only. The necessary data and information have been collected from various sources covering a period of five years (i.e., from 2006/07 to 2010/11). The data relating to the financial performance are directly obtained from concerned bank. And other information are obtained from unpublished official records of concerned bank, booklets, journals, bank's official website, related publications of performance and other organization like Nepal Rastra Bank.

3.2.3 Data Processing Procedure:

Analysis is the careful study of available facts so that one can understand and draw conclusions from them on the basis of established principals and sound logic. Data are analyzed by using simple methods so that everyone would easily understand it. The obtained data are presented in various tables, diagrams and chart, which definitely helps to reach towards meaningful interpretation of the presented date. For the seek of convenience, the calculations that cannot be shown in the body part of the report are presented in the appendices section.

3.2.4 Tools and Techniques of Analysis:

Different tools and techniques are used to analysis the numerical data. Under this study, financial as well as statistical tools have been used to analysis the gathered data and information.

3.2.4.1 Financial Tools

In this research study various financial tools are employed for the analysis. There are various ratios but in this study some selected ratios among them are used.Financial tools basically help to analyze the strength and weakness of a firm. Ratio analysis being one of the important financial tools has been used in this study. In financial analysis a ratio is used as a benchmark for evaluating the financial position and performance of a firm. Ratios help to summarize the large quantities of financial data and to make qualitative judgment about the firm's performance. There are various ratios but in this study some selected ratios among them are used.

3.2.4.1.1 Ratio Analysis:

The main focus will be on ratio analysis. Ratio analysis is the most important tools of the financial analysis, which help to ascertain the financial conditions of the originations. "Ratio analysis is such a power full tool of financial analysis that thought the help of it economic and financial position of business unit can be fully x-rayed."[36] Ratios are calculated to obtain the better insight into real situation of working capital management of sample banks. Various ratios are employed grouped for the analysis of composition of working capital, liquidity position, activity or turnover position, profitability position and capital structure or leverage position.

(A) Composition of Working Capital:

Working capital refers to the resources of the firm that are used to conduct day to day operation that makes business successful. Simply, working capital refers to the current assets of the firms that can be converted into cash with in one year. The main composition of working capital is as follows:-

(a) Cash and Bank balance
(b) Loan and Advances
(c) Government Securities
(d) Money at call or short notice

Composition of working capital is analyzed by calculating the following ratio:-

(I) Cash and Bank balance to Total Current Asset Ratio $= \frac{\text{Cash and Bank balance}}{\text{Total Current Assets}} \times 100\%$

(II) Money at Call to Total Current Asset Ratio $= \frac{\text{Money at Call}}{\text{Total Current Assets}} \times 100\%$

(III) Loan & Advance to Total Current Asset Ratio $= \frac{\text{Loan \& Advance}}{\text{Total Current Assets}} \times 100\%$

(IV) Government Securities to Total Current Asset Ratio $= \frac{\text{Government Securities}}{\text{Total Current Assets}} \times 100\%$

What percentage of working capital cover is shown by this ratio? Lower the ratio means higher will be the risk, profitability, and vice-versa.

(B) Liquidity Ratios:

Liquidity ratio measure the firm's ability to meet current obligations. It reflects the short-term financial strength of business. One of the main objectives of working capital management is keeping sound liquidity position. Cash is the main liquid assets and other assets which can be easily converted into cash are also called near cash or liquid assets. So managing or maintaining liquid assets is termed as liquidity. In banking sector liquidity is very essential for smooth operation of daily banking business. There are two ratios under liquidity ratio which are as follows.

(I) Current Ratio: - A ratio between current assets and current liabilities is known as current ratio. Current assets are those assets which can be converted into cash with in short period of time, normally not exceeding one year. Cash in hand, cash at bank, bills receivable, marketable securities, short term investment, inventory, debtors, prepaid or paid in advance, accrued or outstanding income, loan and advances, account receivable , government securities, etc are current assets.

Current liabilities are those obligation which are payable with in short period, normally not exceeding one year. Creditors, bank overdraft, short term loan, bills payable, provision for tax, provision for dividend received in advance, outstanding expenses, account payable, etc are current liabilities.

The calculation is made by dividing total of current assets by total of current liabilities. Thus,

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

Higher the current ratio better is the liquidity position. In banking sector business 2:1 is considered to be an adequate ratio. If the current ratio of a bank is less than 2:1 the solvency position of the firm is not good. The cash may not be available to pay current

liabilities. If the current ratio is more than 2:1, the bank may have an excessive investment in current assets then do not produce adequate return.

(II) Quick Ratio: - A ratio between quick assets and current liabilities is known as quick ratio. The calculation is made by dividing total quick assets by total current liabilities. Thus,

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

Quick assets = Current assets – Inventory – Prepaid expenses

Higher the quick ratio better is the liquidity position. For banking types of business 1:1 is considered to be an adequate ratio. If the quick ratio of the bank is less than 1:1 the solvency position of the bank is not good. The cash may not available to pay current liabilities. If the quick ratio is more than 1:1 then the company may have an excessive investment in quick assets that do not produce adequate return.

(III) Cash and Bank Balance to Total Deposit Ratio: - This ratio is employed to measure whether bank and cash balance is sufficient to cover its current calls margin including deposits. It is calculated by dividing cash and bank balance total deposit.

Thus,

$$\text{Cash and Bank balance to Total Deposit Ratio} = \frac{\text{Cash and Bank balance}}{\text{Total Deposit}} \times 100\%$$

(IV) Saving Deposit to Total Deposit Ratio: -Saving deposit is interest bearing short-term deposit. The rate of interest in this deposit is less than fixed deposit. In this deposit only limited amount of money can be with drawn each day. The limit of withdrawing from this account differs according to banks' rules and regulations. The ratio is developed in order to find out the proportion of saving deposit, which is interest bearing and short term in nature. It is find out by dividing the total amount of saving deposits by the total amount of deposit. The ratio is calculated as follows:-

$$\text{Saving Deposit to Total Deposit Ratio} = \frac{\text{Total Saving Deposit}}{\text{Total Deposit}} \times 100\%$$

(C) Activity or Turnover Ratios:

Activity ratios are employed to evaluate the efficiency with which the bank manages and utilizes its assets. The ratios are also called turnover ratio because they indicate the speed with which the assets are being converted or turnover ratio because they indicate the speed with which assets are being converted turnover into sales. These ratios are intended to measure the effectiveness of employment of the resources in a business concern. Through these ratios, it is known whether the funds employed have been used effectively in the business activities or not.

(I) Loan and Advances to Total Deposit Ratio: -

This ratio assesses to what extent the bank is able to utilize the depositors' funds to earn profit by providing loans and advances. It is computed dividing the total amount of loans and advances by total deposited funds. The ratio is calculated as follows:-

$$\text{Loan and Advance to Total Deposit Ratio} = \frac{\text{Loan and Advance}}{\text{Total Deposit}} \times 100\%$$

Higher ratio is the symptom of higher or proper utilization of funds and low ratio is the signal of balance remained unutilized or idle.

(II) Loan and Advances to Saving Deposit Ratio: -

This ratio examines that how many times the funds is used in loans and advances against saving deposits. For commercial banks, saving deposits are short-term interest bearing obligations, whereas investment in loans and advances are the main sources of earning. This ratio is computed dividing loans and advances by saving deposit as under. A low ratio indicates idle cash balance. It means total funds not properly utilized. The ratio is calculated as follows:-

$$\text{Loan and Advance to Saving Deposit Ratio} = \frac{\text{Loan and Advance}}{\text{Saving Deposit}} \times 100\%$$

This ratio examines to what extent the saving deposits are utilized for income earning purpose.

(III) Loan and Advances to Fixed Deposit Ratio: -

This ratio assesses, how many times the fund is used to loans and advances against fixed deposits. Fixed deposits are interests bearing long term obligation and major sources of investment in loan and advances for income generating purpose by commercial banks. This ratio indicates how many times the long term interest bearing deposits are utilized

for generating income, is calculated by dividing the amount of loan and advances by total deposit in fixed account. The ratio is calculated as follows:-

$$\text{Loan and Advance to Fixed Deposit Ratio} = \frac{\text{Loan and Advance}}{\text{Total Fixed Deposit}} \times 100\%$$

(D) Capital Structure or Leverage Ratios:

Leverage ratios show the proportions of debt and equity in financing the bank's assets. Long term creditors, like debenture holder, financial institution etc. are more concerned with the firm's long term financial strength. In fact, a bank should have a strong short as well as long term financial position. To judge the long term financial position of the bank, financial leverage, or capital structure ratios are calculated.

(I) Long term Debt to Net Worth Ratio: -

Long term debt refers to the amount of fixed deposits and loan of the banks. This ratio measures the proportion of outsiders and owners' fund employed in the capitalization of banks. It is calculated by dividing the fixed obligations of the banks by owner's claim. It is calculated as follows.

$$\text{Long term Debt to Net worth Ratio} = \frac{\text{Long term Debt}}{\text{Net worth}} \times 100\%$$

A high ratio shows the large share of financing by the creditors, as compare to that of owners. This means creditor would suffer more in times of distress than the owner. This is why creditors prefer low debt equity ratio high ratio high risk and profitability, and vice versa.

(II) Net Fixed Assets to Long term Debt Ratio: -

Net fixed assets are applied to both physical and financial assets. This ratio is calculated to find out how many times not fixed assets are compared to the fixed liabilities. It is computed dividing net fixed assets by long term debt.

$$\text{Net fixed Assets to Long term Debt Ratio} = \frac{\text{Net Fixed Assets}}{\text{Long term Debt}} \times 100\%$$

(III) Interest Coverage Ratio: -

A ratio between earning before interest and tax and interest is known as interest coverage ratio. It measures the debt servicing capacity of the bank. It also known as times-interest-earned ratio. It is calculated in following ways.

$$\text{Interest Coverage ratio} = \frac{\text{Earning before interest and tax} * 100\%}{\text{Interest}}$$

A high ratio is a sign of low burden of borrowing of a business. From the point of view of creditors, the large the coverage, the greater the ability of the bank to make the payment of the interest to creditors.

(E) Profitability Ratios:

Profit is the different between revenues and expenses over a period of time. A bank should earn profit to survive and growth over a long period of time, an it will have no future if it fails to make sufficient profits. Therefore, the financial manager should continuously evaluate the efficiency of the banks in term of profits. The profitability ratios are calculated to measure the operating efficiency of a bank. Besides management of the bank, creditors and owners are also interested in the profitability of the bank. Creditors want to get the interests and repayment of the principal regularly. Owners want to get a reasonable return on their investment. This is possible only when the bank earns enough profits.

(I) Interest Earned to Total Assets Ratio: -

It is the ratio, which formed to find out the percentage of the interest earned to total assets. This is derived by dividing the amount of interest earned by the total assets of the bank. It is calculated in following ways.

$$\text{Interest Earned to Total Assets Ratio} .= \frac{\text{Interest Earned}}{\text{Total assets}} \text{ X } 100\%$$

Higher ratio indicates the return from investment is higher. Higher ratio is more efficient of management and utilization of share holder's fund.

(II) Net Profit to Total Assets Ratio: -

This ratio is very much crucial for measuring the profitability of funds invested in the bank's assets. It measures the return on assets. It is computed by dividing the net profit after tax by total assets. The formula used for computing this ratio is as:-

$$\text{Net Profit to Total Assets Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}} \text{ X } 100\%$$

This ratio measures the profitability of all financial resources invested in the firm's assets. Hence, the higher ratio implies that the available source and tools are employed efficiently and vice versa.

(III) Net Profit to Shareholders' Equity Ratio: -

This ratio tells us the earning power on shareholders' book investment and is frequently used in comparing two or more firms in an industry. The return on equity or net profit to shareholders' equity ratio is calculated by dividing the amount of net profit after tax by the amount of net worth. The following formula is used to calculate net profit to total deposit ratio.

$$\text{Net Profit to Shareholders' Equity Ratio} = \frac{\text{Net Profit after Tax}}{\text{Net Worth}} \times 100\%$$

(IV) Net Profit to Total Deposit Ratio: -

This ratio is used for measuring the internal rate of return from deposits. It is computed by dividing the net profit by total deposits. The following formula is used to calculate net profit to total deposit ratio.

$$\text{Net Profit to Total Deposit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Total Deposit}} \times 100\%$$

Higher ratio indicates the return from investment on loans and advances are desirable and higher ratio is more efficient of management and utilization of shareholders' fund and lower ratio indicates the funds are not properly mobilizing.

(V) Services Cost to Total Assets Ratio: -

A sound management always tries to utilize its larger amount of assets with minimum cost. This ratio is useful in measuring the assets utilization with cost of services. The ratio is computed dividing the cost of services by total assets.

$$\text{Service Cost to Total Assets Ratio} = \frac{\text{Total Services Cost}}{\text{Total Assets}} \times 100\%$$

Higher ratio indicates the return from investment is not desirable and higher ratio is not good efficient of management and utilization of shareholders' fund and lower ratio shows more efficient of management and resources are well mobilizing.

3.2.4.2 Statistical tools

In this research study some statistical some statistical tools are used for analysis the data more accurately. That is given below.

(A) Trend Analysis:

The tools that are used to show grandly increase or decrease of variables over a period of time is known as trend analysis. With the help of trend analysis the tendency of variables over the period can be seen clearly.

i) MEAN

Mean is the condence value central value or typical value around which most of data tend to cluster . Mean is also known as average . It can be defined as arithmetic mean of a given set of observation is their sum divided by the no. of observation.

ii) STANDARD DEVIATION

The standard deviation is the absolute measure of dispersion.Standard deviation is defined as the square root of the squared deviation taken from arithmetic mean.

iii) COEFFICIENT OF VARIATION(C.V)

The standard deviation is the absolute measure of dispersion .The relative of measure of dispersion based on the standard deviation is known as coeffient of s.d . The coefficient of s.d multiplied by 100 is known as coefficient of variation.It helps to compare the variability of the two distribution .Less c.v more will be uniformity & vice versa.

(B)Correlation Analysis:

Correlation is the statistical tools that we can use to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of figures. If two quantities vary in a related manner so that a movement – an increase or decrease in one trend to accompanied by a movement in the same or opposite direction in other, they called correlated. If the relationship is direct they are called positively correlated and if the relation is inverse they are called negatively correlated. If any change in one doses not affect the over variable they are called uncorrelated. The correlation may be perfect, imperfect or zero. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of coefficient of correlation is always between +1 and -1, r is +1, it means there is perfect relationship between two variables and vice versa. When r is 0, it means there is no relationship between two variables.

(C) Hypothesis Test:

Hypothesis test is one of the important applications of statistical interference in decision making. In hypothesis test, an assumption is made about the population parameter. To test whether the assumption or hypothesis is right or not, a sample is selected from the population and sample statistic is obtained. The main goal of hypothesis test it to test the characteristics of hypothesized population parameter based on sample information whether the difference between population parameter and sample static is significant or not. Smaller the difference, the sample mean is close to hypothesized value and large the difference the hypothesized value has low chance to correct.

Generally, two complementary are set up at one time i.e. a) Null Hypothesis (H_0) and (b) Alternative Hypothesis (H_1). A statistical hypothesis or assumption made about the population parameter to testing its validity for the purpose of possible acceptance is called null hypothesis and complementary hypothesis to null hypothesis is called alternative hypothesis. Among this two hypotheses if one is accepted, then the other hypothesis is rejected and vice versa.

Chapter-4

DATA PRESENTATION AND ANALYSIS

4.1 Introduction:

This is the fourth chapter of this thesis. This chapter is the most important part of this thesis work. It is the heart of the entire report. After the collection of the data, an analysis of the data and interpretation of the results are necessary. Analysis of the data comes prior to interpretation. The facts and figure collected are to be processed with a view to reducing them to manageable proportions. Only be such a careful and systematic processing, the data collected will lend itself for statistical treatment and meaningful interpretation. The main purpose of the study is known thoroughly about the working capital management of sample banks i.e. **LAXMI BANK LTD AND NIBL**. The major variables of this study are cash and bank balance, money at call or short notice, loan and advance, government securities. The relevant data and information of working capital as well as financial performance of sample banks are presented, tabulated and analyzed accordingly. To reach toward accurate interpretation, this study analyzes composition of current assets and current liabilities, relationship between current assets and fixed assets, current assets and total assets, turnover position, liquidity position and profitability position. It covers to analyze the ratio as well as the trend with the use of least square method. It also uses correlation analysis and hypothesis test.

4.2 Composition of Working Capital:

Business needs different types of assets to operate its activities. Few needed assets are for long term fulfillment of the business activities and few assets are needed to carry out the day to day operation of the business. The assets that are used to carry out day to day operation of the business are known current assets. The composition of current assets of **LAXMI BANK LTD AND NIBL** are cash and bank balance, money at call or short notice, loan and advance and government securities. Miscellaneous current assets are also a component of current assets. Prepaid expenses, outstanding income like interest receivable and other current assets included in miscellaneous current assets.

The following table shows the amount cash and bank balance, money at call or short notice, loan and advances, government securities and miscellaneous current assets of the sample bank i.e.**LAXMI BANK LTD AND NIBL**

Table No 4.1
Current Assets Components (Rs. In million)

S.N.	Banks	Fiscal Year	Cash & Bank balance	Money at call or shortnotice	Loan & Advance	Government Security	Misc.Current Assets	Total
1	LAXMI BANK	065/66	1144.77	670.20	7775.95	3588.77	708.61	13888.30
		066/67	970.49	918.73	8189.99	3672.63	492.20	14244.04
		067/68	559.38	868.43	10586.17	2413.94	543.88	14971.80
		068/69	630.24	1734.90	12922.54	2301.46	544.67	18133.81
		069/70	1399.83	563.53	15545.78	4808.34	512.05	22829.53
2	NIBL	065/66	926.53	40.00	5772.14	400.00	379.22	7517.89
		066/67	1226.92	310.00	7130.13	2001.10	476.18	11144.33
		067/68	1340.49	140.00	10126.06	1948.50	412.73	13967.78
		068/69	2336.52	70.00	12776.21	2522.30	201.09	17906.12
		069/70	2441.51	362.97	17286.43	3256.40	233.67	23580.98

Appendix 1,2

According to the above, we came to know that each item of current assets contain different amount of rupees. To be clear about the proportion of each item i.e. cash and bank balance, money at call short or notice, loan and advance, investment in government securities and miscellaneous current assets.

The percentage of each item of current assets to total current assets has been taken and shown in the following tables:-

Table No.4.2
Current Assets Components (in percentage)

S.N.	Banks	Fiscal Year	Cash & Bank balance	Money at call or shortnotice	Loan & Advance	Government Security	Misc.Current Assets	Total
1	LAXMI BANK LTD	065/66	8.24	4.83	55.99	25.84	5.10	100
		066/67	6.81	6.45	57.50	25.78	3.46	100
		067/68	3.74	5.80	70.70	16.13	3.63	100
		068/69	3.48	9.57	71.25	12.70	3.00	100
		069/70	6.13	2.47	68.10	21.06	2.24	100
		Average	5.68	5.82	64.71	20.30	3.49	
2	NIBL	065/66	12.32	0.54	76.78	5.32	5.04	100

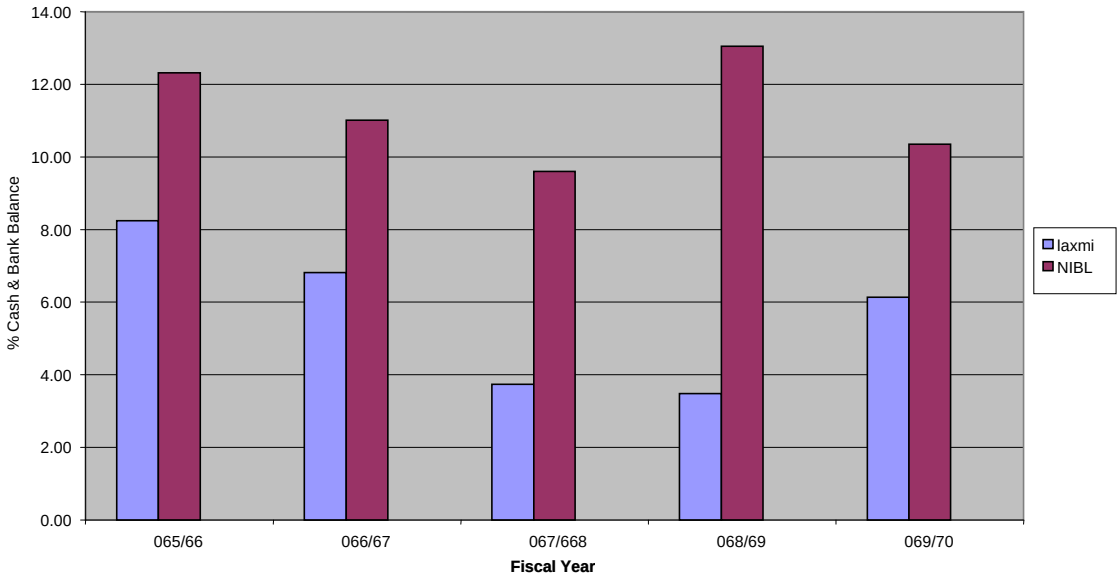
		066/67	11.01	2.78	63.98	17.96	4.27	100
		067/68	9.60	1.00	72.50	13.95	2.95	100
		068/69	13.05	0.39	71.35	14.09	1.12	100
		069/70	10.35	1.54	73.31	13.81	0.99	100
		Average	11.27	1.25	71.58	13.03	2.87	

Sources: Appendix 11

4.2.1 Cash and Bank Balance:-

According to the above table no 4.2; samples banks' cash and bank balance percentage are fluctuating over the study period. Following bar diagram shows this clearly.

Bar Diagram No 4.1
Cash and Bank balance



According to above bar diagram, the sample banks allocate their cash and bank balance as their needs.

LAXMI BANK LTD,

In the first year the bank has invest 8.24% of their current assets in cash and bank balance. In the second year, the cash and bank balance is decrease to 6.81% and then third and fourth year it is decreased to 3.74% and 3.48% respectively. In the final year, the cash and bank balance is highly increased to 6.13%.

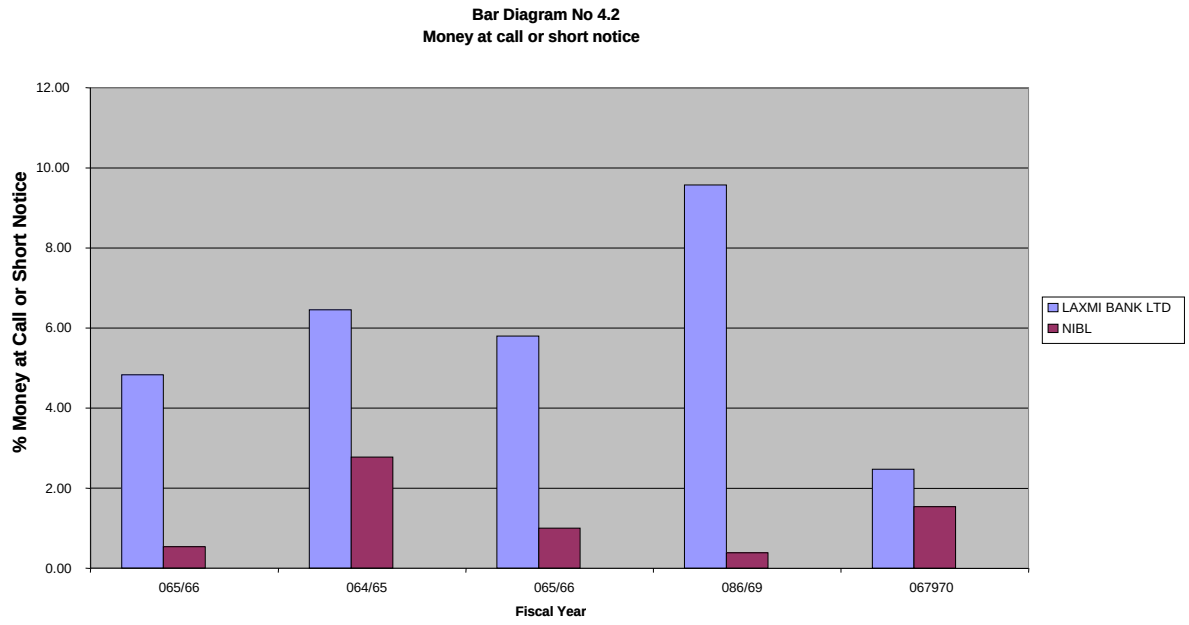
NIBL,

The bank has decrease and increasing trend. In the first year, it has invested 12.32% of their current assets in cash and bank balance. Then, it is decreased to 11.01% and 9.60% in second and third year respectively. In the fourth year, it is increased to 13.05%. In the final year, the cash and bank balance is decreased to 10.35%.

The average cash and bank balance percentage of **LAXMI BANK LTD & NIBL** are 5.68%, 11.17% respectively.

4.2.2 Money at Call or Short-Notice:-

According to table no 4.2 it is clear that money at call or short notice percentages of sample banks are fluctuating all over the study period. Following bar diagram shows it clearly.



LAXMI BANK LTD,

In the first year, money at call short notice is 4.83% and it is slowly increased to 6.45% in the second year. In the third year, it is decreased to 5.80%. Suddenly, in the fourth year, it is increase to 9.57%. In the final year, the percentage of money at call is decreased to 2.47%.

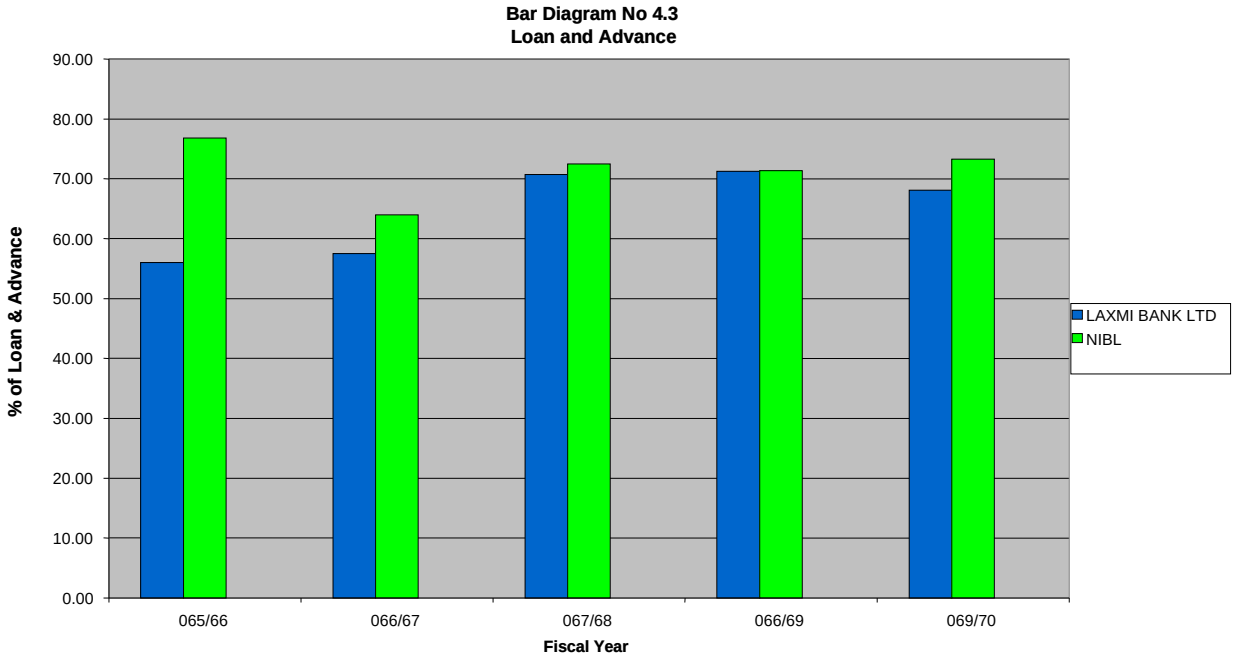
NIBL,

The bank has decrease and increasing trend. In the first year, it has invested 0.54% of their current assets in money at call or short notice. Then, it is increased to 2.78% in second year and decreased to 1.00% in third year. In the fourth year, it is decreased to 0.39%. In the final year, the money at call or short notice is increased to 1.54%.

The average money at call or short notice percentage of **LAXMI BANK LTD, NIBL** are 5.82% & 1.25% respectively. **NIBL** has invested small portion of current assets in his money at call or short notice.

4.2.3 Loan and Advance:-

According to table no 4.2 it is clear that loan and advance percentages of sample banks are fluctuating all over the study period. Following bar diagram shows it clearly.



According to above bar diagram, the sample banks allocate their loan and advance as their needs.

LAXMI BANK LTD,

In the first year, loan and advance is 55.99% and it is slowly increased to 57.50% in the second year. In the third year, it is increased to 70.70%. Suddenly, in the fourth year, it is increased to 71.25%. In the final year, the percentage of loan and advance is decreased to 68.10%.

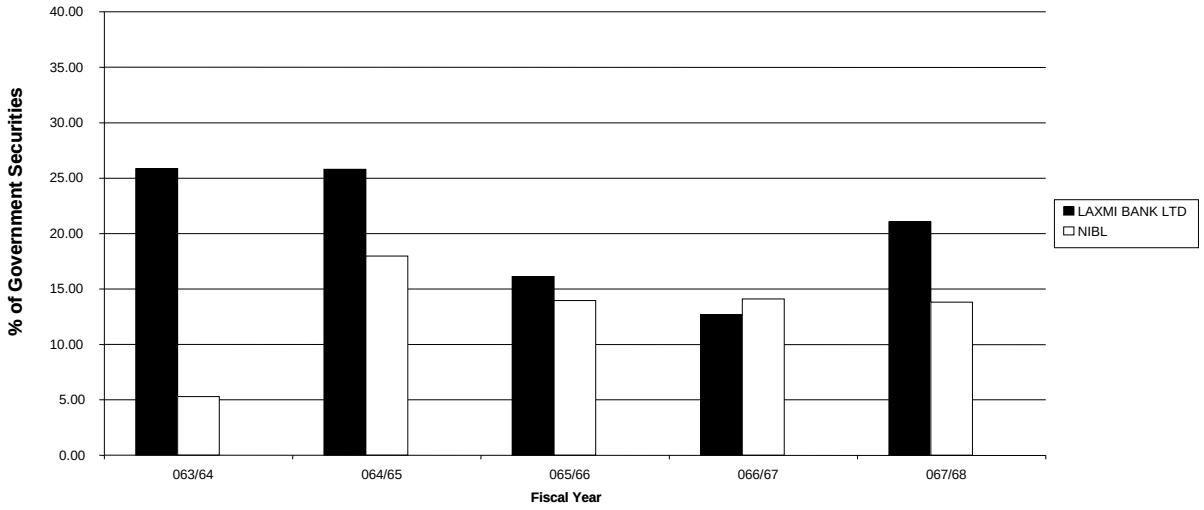
NIBL,

The bank has decrease and increasing trend. In the first year, it has invested 76.78% of their current assets in loan and advance. Then, it is decreased to 63.98% in second year and increased to 72.50% in third year. In the fourth year, it is decreased to 71.35%. In the final year, loan and advance is increased to 73.31%. The average loan and advance percentage of **LAXMI BANK LTD, NIBL** are 64.71%, 71.58% respectively. **LAXMI BANK LTD** has invested small portion of current assets in his loan and advance.

4.2.4 Government Securities:-

According to table no 4.2 it is clear that loan and advance percentages of sample banks are fluctuating all over the study period. Following bar diagram shows it clearly.

Bar Diagram No 4.4
Government Securities



According to above bar diagram, the sample banks allocate their loan and advance as their needs.

LAXMI BANK LTD,

In the first year, government security is 25.84% and it is slowly decreased to 25.78% in the second year. In the third year, it is even decreased to 16.13%. in the fourth year, it is decreased to 12.70%. In the final year, the percentage of government security is increased to 21.06%.

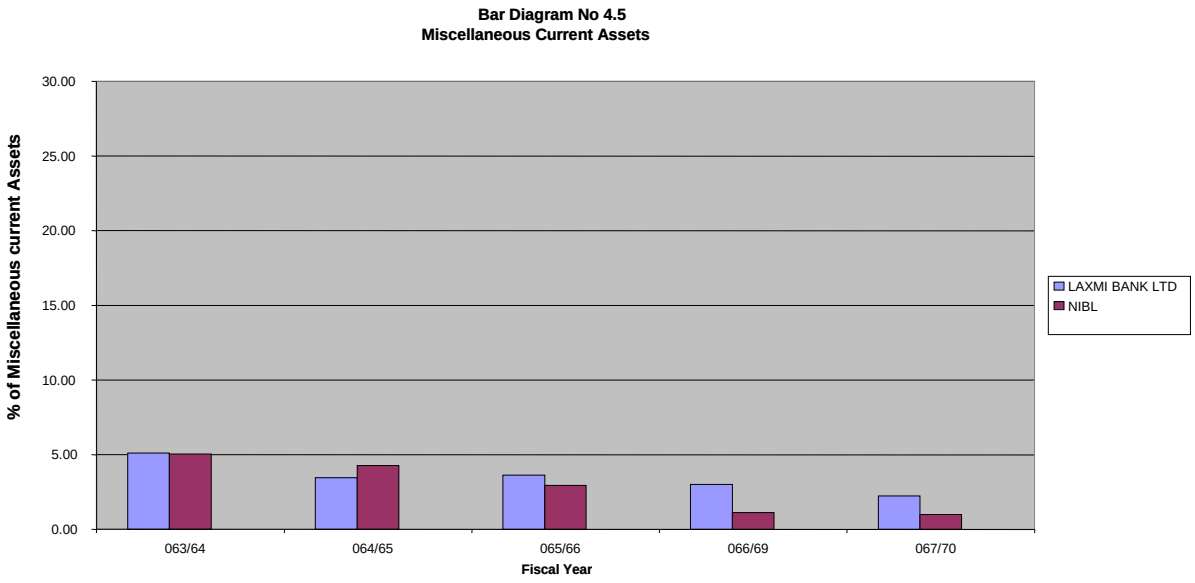
NIBL,

The bank has decrease and increasing trend. In the first year, it has invested 5.32% of their current assets in government securities. Then, it is increased to 17.96% in second year and decreased to 13.95% in third year. In the fourth year, it is increased to 14.09%. In the final year, government security is increased to 13.81%.

The average loan and advance percentage of **LAXMI BANK LTD & NIBL** are 20.23%, 13.03% respectively. **NIBL** has invested small portion of current assets in his government security.

4.2.5 Miscellaneous Current Assets:-

According to table no 4.2 it is clear that loan and advance percentages of sample banks are fluctuating all over the study period. Following bar diagram shows it clearly.



According to above bar diagram, the sample banks allocate their loan and advance as their needs.

LAXMI BANK LTD,

In the first year, miscellaneous current asset is 5.10% and it is slowly decreased to 3.46% in the second year. In the third year, it is even increased to 4.27%. In the fourth year, it is decreased to 3.00%. In the final year, the percentage of miscellaneous is decreased to 2.24%.

NIBL,

The bank has increasing and decreasing trend. In the first year, it has invested 5.04% of its current assets in miscellaneous current assets. Then, it is decreased to 4.27% in second year and decreased to 2.95% in third year. In the fourth year, it is decreased to 1.12%. In the final year, miscellaneous current asset is decreased to 0.99%.

The average loan and advance percentage of **LAXMI BANK LTD & NIBL** are 3.49% & 2.87% respectively. **NIBL** has invested small portion of current assets in his miscellaneous current assets.

From the overall analysis of the composition of working capital **NIBL and LAXMI BANK LTD** have better utilized their funds on loan and advance to earn S. So, the compositions of working capital of sample banks are different.

4.3 Liquidity Position

Liquidity of an organization is directly relater with the working capital or current assets and current liabilities of that organization. Liquidity is one of the main objectives of

working capital management. These ratios provide insight into the present cash solvency in the event of adverse financial condition. In case of banks working capital management is mainly concerned with the liquidity management. And a bank is not operating its function without sound liquidity. To measure the banks' liquidity position, various liquidity ratios are calculated.

4.3.1 Current Ratio

The current ratio measures the short-term solvency position of a bank, i.e. ability to meet its current obligations. Higher current ratio indicates better liquidity position. In other words, current ratio represents a margin of safety, i.e. a 'cushion' of protections for creditors and higher the current ratio, greater the margin of safety, larger the amount of current assets in relation to current liabilities and more the banks liabilities and more the banks' ability to meet its obligations.

The calculation is made by dividing total of current assets by total of current liabilities. Thus,

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

The following table shows the current ratio of LAXMI BANK LTD & NIBL .

Tableno -4.3

Current Ratio Time Rs.Million

Fiscal Year	LAXMI BANK LTD			NIBL		
	CA	CL	Ratio	CA	CL	Ratio
065/66	13868.30	15135.42	0.92	7517.89	8359.46	0.90
066/67	14244.04	15153.01	0.94	11144.33	12506.95	0.89
067/68	14971.80	15420.81	0.97	13967.78	15078.84	0.93
068/69	18133.81	20351.95	0.89	17906.12	19350.83	0.93
069/70	22829.53	25095.29	0.91	23580.98	24899.12	0.95
Average			0.93			0.92
Total Average of the sample banks = 0.925						

Sources: Appendix 1,2

According to table 4.3 the sample banks' current ratio is different all over the study period. They allocate their current assets according to their needs.

LAXMI BANK LTD,

In the first year, current ratio is 0.92 and it is slowly increased to 0.94 in the second year. In the third year, it is even increased to 0.97. In the fourth year, it is decreased to 0.89. In the final year, the ratio of current ratio is increased to 0.91.

NIBL,

The bank has increasing and decreasing trend. In the first year, its current ratio is 0.90. Then, it is decreased to 0.89 in second year and increased to 0.93 in third year. In the fourth year, it is neither increase nor decrease i.e.0.93. In the final year, current ratio is increased to 0.95.

The average current ratio of **LAXMI BANK LTD, NIBL** are 0.93 & 0.92 respectively. The total average of current assets of sample banks is 0.925. NIBL has invested small portion in current assets.

From the above analysis, it can be concluded that although the banks are not meeting the standard ratio i.e.2:1, its current ratio can be considered good, as its current assets excess current liabilities. There is increasing and decreasing trend of current ratio of sample banks. **NIBL** has heights current ratio then sample bank but not meet stand ard.

4.3.2 Quick Ratio

Quick ratio establishes a relationship between quick or liquid assets and current liabilities. An asset is liquid if it can be converted into cash immediately or reasonably soon without loss of original value. Cash is most liquid assets. Under this study cash and bank balance, money at call or short notice and government securities are included in quick assets. A ratio between quick assets and current liabilities is known as quick ratio. The calculation is made by dividing total quick assets by total current liabilities.

Thus,

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

The following table shows the quick ratio of **LAXMI BANK LTD & NIBL .**

Table no-4.4

Quick Ratio (Rs.Million)

Fiscal Year	LAXMI BANK LTD			NIBL		
	QA	CL	Ratio	QA	CL	Ratio
065/66	5403.74	15135.42	0.36	1366.53	8359.46	0.16
066/67	5561.85	15153.01	0.37	3538.02	12506.95	0.28
067/68	3841.75	15420.81	0.25	3428.99	15078.84	0.23
068/69	4666.60	20351.95	0.23	4928.82	19350.83	0.25
069/70	6771.70	25095.29	0.27	6060.88	24899.12	0.24
Average			0.30			0.23
Total Average of the sample banks =0..265						

Sources: Appendix 1,2.

According to table 4.4 the sample banks' quick ratio is different all over the study period. They allocate their quick assets according to their needs.

LAXMI BANK LTD,

In the first year, quick ratio is 0.36 and it is slowly increased to 0.37 in the second year. In the third year, it is decreased to 0.25. In the fourth year, it is even decreased to 0.27. In the final year, the ratio of quick ratio is increased to 0.27.

NIBL,

The bank has increasing and decreasing trend. In the first year, its quick ratio is 0.16. Then, it is increased to 0.28 in second year and decreased to 0.23 in third year. In the fourth year, it is even increased to 0.25. In the final year, quick ratio is decreased to 0.24.

The average current ratio of **LAXMI BANK LTD & NIBL** are 0.29 & 0.23 respectively. The total average of current assets of sample banks is 0.265 . **NIBL** has invested small portion in quick assets.

From the above analysis, it can be concluded that although the banks are not meeting the standard ratio i.e.1:1, its quick ratio can be considered good, as its quick assets equal to current liabilities. There is increasing and decreasing trend of quick ratio of sample bank. **NIBL** have lower quick ratio among sample banks so the banks has no sound manageable of working capital.

4.3.3 Cash and Bank balance to Total Deposit Ratio (Excluding Fixed)

The ratio shows the ability of banks immediate funds to cover their deposit. It can be calculated by dividing cash and bank balance by deposits (excluding fixed deposit).

Thus,

$$\text{Cash and Bank balance to Total Deposit Ratio} = \frac{\text{Cash and Bank balance}}{\text{Total Deposit}} \times 100\%$$

The following table shows the quick ratio o**f LAXMI BANK LTD & NIBL .**

Tableno -4.5

Cash & Bank balance to Total Deposit Ratio (%) In million

Fiscal	LAXMI BANK LTD			NIBL		
Year	CBB	TD	Ratio	CBB	TD	Ratio
065/66	1144.77	11195.11	10.23	926.53	6249.93	14.82
066/67	970.49	11808.47	8.22	1226.92	9230.00	13.29
067/68	559.38	12508.07	4.47	1340.49	11042.30	12.14
068/69	630.24	15898.31	3.96	2336.52	13514.34	17.29
069/70	1399.83	17907.10	7.82	2441.51	16972.17	14.39
Average			6.94			14.39
Total Average of the sample banks = 10.665						

Sources: Appendix 1,2

According to table 4.5 the sample banks' cash and bank balance to total deposit ratio is different all over the study period. They allocate their cash and bank balance according to their needs.

LAXMI BANK LTD,

In the first year, cash and bank balance to total deposit ratio is 10.23% and it is slowly decreased to 8.22% in the second year. In the third year, it is decreased to 4.47%. In the fourth year, it is even decreased to 3.96%. In the final year, the ratio of cash and bank balance to fixed deposit ratio is increased to 7.82%.

NIBL,

The bank has increasing and decreasing trend. In the first year, its cash and bank balance ratio is 14.82%. Then, it is decreased to13.29% in second year and even decreased to 12.14% in third year. In the fourth year, it is increased to 17.29%. In the final year, cash and bank balance ratio is decreased to 14.39%.

The average cash and bank balance to total deposit ratio of **LAXMI BANK LTD, NIBL** are 6.94% & 14.39%. The total average of cash and bank to total deposit ratio of sample banks is 10.665. **LAXMI BANK LTD** has invested small portion in cash and bank balance.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. An idle cash and bank balance badly affect the profitability of the bank as well. So the decreasing trend can be considered as a plus point of the bank but the

same time low cash and bank balance reduces the promptness of bank to repay its current, margin, call and saving deposit whether demanded by its customers. So the banks must be careful about it. **LAXMI BANK LTD** has lowest cash and bank balance to total deposit ratio so the bank invested their fund to earn more interest. However, **NIBL** have greater cash and bank balance ratio so they have more idle fund and less risky. So NIBL has sounded manageable of working capital and high risky.

4.3.4 Saving Deposit to Total Deposit Ratio

Saving deposit is interest bearing short-term deposit. The ratio is developed in order to find out the proportion of saving deposit, which is interest bearing and short-term in nature. It is calculated by dividing the total amount of saving deposit by the amount of total deposit, which is as follows.

$$\text{Saving Deposit to Total Deposit Ratio} = \frac{\text{Total Saving Deposit}}{\text{Total Deposit}} \times 100\%$$

The following table shows the saving deposit to total deposit ratio of **LAXMI BANK LTD, NIBL .**

Tableno -4.6
Saving to Total Deposit Ratio (%)

Fiscal Year	LAXMI BANK LTD			NIBL		
	SD	TD	Ratio	SD	TD	Ratio
065/66	5229.72	13447.65	38.89	2434.05	7922.75	30.72
066/67	5994.12	14119.03	42.45	4886.10	11524.68	42.40
067/68	7026.34	14586.61	48.17	6702.55	14254.57	47.02
068/69	8770.76	19347.40	45.33	8081.98	18927.31	42.70
069/70	10187.35	23342.29	43.64	10742.33	24488.86	43.87
Average			43.70			41.34
Total Average of the sample banks = 42.52						

Sources: Appendix 1,2

According to table 4.6 the sample banks' saving to total deposit ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, saving to total deposit ratio is 38.89% and it is slowly increased to 42.45% in the second year. In the third year, it is increased to 48.17%. In the fourth year,

it is even decreased to 45.33%. In the final year, the ratio of saving to total deposit ratio is decreased to 43.64%.

NIBL,

The bank has increasing and decreasing trend. In the first year, its saving to total deposit ratio is 30.72%. Then, it is increased to 42.40% in second year and even increased to 47.02% in third year. In the fourth year, it is decreased to 42.70%. In the final year, saving and total deposit ratio is increased to 43.87%.

The average saving to total deposit ratio of **LAXMI BANK LTD & NIBL** are 43.70% & 41.34% The total average of saving to total deposit ratio of sample banks is 42.52%. **NIBL** has lowest portion of saving deposit.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. Higher saving deposit shows higher risk and highest gain. So the large amount of saving deposit in total deposit shows the high liquidity of the bank. For saving deposit bank has to pay interest but current, margin and other deposit are non-interest bearing deposit. They are nominal cost fund. As the bank has to pay interest on saving deposit, higher amount of saving deposit to total deposit increase the burden of interest payment to the bank, which may affect the profitability. So the banks must be careful about it. **NIBL** has lowest saving to total deposit ratio so the bank has lowest burden and low risk. However, **LAXMI BANK LTD** have greater saving to total deposit ratio so it hasss more risky and burden. So **NIBL** has sounded manageable of working capital and lowest risky.

4.4 Activity Turnover Ratio

Activity ratios are used to evaluate the efficiency with which the firm manages and utilizes its assets. These ratios are also employed to evaluate the speed with which assets are being converted and turnover. These ratios moreover, help in measuring the bank's ability to utilize their available resources. It has had direct impact on the efficiency of the company. There is no standard of ideal management through a greater turnover is regarded as efficient utilization of the assets.

4.4.1 Loan and Advance to Total Deposit Ratio

This ratio measures the extent to which banks are successful in utilizing the profit generating purpose. In other words how quickly collected deposits total are converted into loan and advances given to the client to earn income. It is calculated by dividing loan and advance to total deposit.

Thus,

$$\text{Loan and Advance to Total Deposit Ratio} = \frac{\text{Loan and Advance}}{\text{Total Deposit}} \times 100\%$$

The following table shows the loan and advance to total deposit ratio of **LAXMI BANK LTD & NIBL .**

Table no-4.7

Loan & Advance to Total Deposit Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	L&A	TD	Ratio	L&A	TD	Ratio
065/66	7755.95	13447.65	57.68	5772.14	7922.75	72.86
066/67	8189.99	14119.03	58.01	7130.13	11524.68	61.87
067/68	10586.17	14586.61	72.57	10126.06	14254.57	71.04
068/69	12922.54	19347.40	66.79	12776.21	18927.31	67.50
069/70	15545.78	23342.29	66.60	17286.43	24488.86	70.59
Average			64.33			68.77
Total Average of the sample banks = 66.55						

Sources: Appendix 1,2

According to table 4.7 the sample banks' loan and advance to total deposit ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, loan and advance to total deposit ratio is 57.68% and it is slowly increased to 58.01% in the second year. In the third year, it is increased to 72.57%. In the fourth year, it is even decreased to 66.79%. In the final year, the ratio of loan and advance to total deposit ratio is decreased to 66.60%.

NIBL,

The bank has increasing and decreasing trend. In the first year, its loan and advance to total deposit ratio is 72.86%. Then, it is decreased to 61.87% in second year and even increased to 71.04% in third year. In the fourth year, it is decreased to 67.50%. In the final year, loan and advance to total deposit ratio is increased to 70.59%.

The average loan and advance to total deposit ratio of **LAXMI BANK LTD & NIBL** are 64.33% & 68.77% . The total average of loan and advance to total deposit ratio of sample banks is 66.55 %. **NIBL** has highest portion of loan and advance to total deposit ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. Higher loan and advance to total deposit ratio shows higher risk and higher turn over. So, **LAXMI BANK LTD** has invested its deposit in loan and advance

to earn higher profit. However, **NIBL** has lower loan and advance to total deposit ratio so its have less risky and they have earn lower. So **LAXMI BANK LTD** has sounded manageable of working capital.

4.4.2 Loan and Advance to Fixed Deposit Ratio

This ratio examines that how many times the fund is used in loan and advances against fixed deposit. Fixed deposits are interest bearing long term obligation where as loan and advances are the major sources of investment in generating income for commercial bank. This ratio indicates how many times the long term interest bearing deposits are utilized for generating income, is calculated by dividing the amount of loan and advances by total deposit in fixed account. The ratio is calculated as follows:-

$$\text{Loan and Advance to Fixed Deposit Ratio} = \frac{\text{Loan and Advance}}{\text{Fixed Deposit}} \times 100\%$$

The following table shows the loan and advance to fixed deposit ratio of **LAXMI BANK LTD, NIBL .**

Table no-4.8
Loan & Advance to Fixed Deposit Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	L&A	FD	Ratio	L&A	FD	Ratio
065/66	7755.95	2252.54	344.32	5772.14	1672.82	345.05
066/67	8189.99	2310.57	354.46	7130.13	2294.68	310.72
067/68	10586.17	2078.54	509.31	10126.06	3212.27	315.23
068/69	12922.54	3449.09	374.67	12776.21	5412.97	236.03
069/70	15545.78	5435.19	286.02	17286.43	7516.69	229.97
Average			373.75			287.40
Total Average of the sample banks = 330.575						

Sources: Appendix 1,2

According to table 4.8 the sample banks' loan and advance to fixed deposit ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, loan and advance to fixed deposit ratio is 344.32% and it is slowly increased to 354.46% in the second year. In the third year, it is increased to 509.31%. In the fourth year, it is even decreased to 374.67%. In the final year, the ratio of loan and advance to fixed deposit ratio is decreased to 286.02%.

NIBL, The bank has increasing and decreasing trend. In the first year, its loan and advance to total fixed deposit ratio is 345.05%. Then, it is decreased to 310.72% in second year and even increased to 315.23% in third year. In the fourth year, it is increased to 236.03%. In the final year, loan and advance to total fixed deposit ratio is decreased to 229.97%.

The average loan and advance to total fixed deposit ratio of **LAXMI BANK LTD, NIBL** are 373.75%& 287.40% . The total average of loan and advance to total fixed deposit ratio of sample banks is 330.575%. **LAXMI BANK LTD** has highest portion of loan and advance to total fixed deposit ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. Higher loan and advance to total fixed deposit ratio shows lower risk and higher turn over. So, **LAXMI BANK LTD** has more invested in loan and advance to earn highest profit . However, **NIBL** has lower invested in loan and advance so it has higher risk and has lower portion of earn. So **LAXMI BANK LTD** has sounded manageable of working capital.

4.4.3 Loan and Advance to Saving Deposit Ratio

This ratio examines that how many times the funds is used in loans and advances against saving deposits. For commercial banks, saving deposits are short-term interest bearing obligations, whereas investment in loans and advances are the main sources of earning. This ratio is computed dividing loans and advances by saving deposit as under. A low ratio indicates idle cash balance. It means total funds not properly utilized. The ratio is calculated as follows:-

$$\text{Loan and Advance to Saving Deposit Ratio} = \frac{\text{Loan and Advance}}{\text{Saving Deposit}} \times 100\%$$

The following table shows the loan and advance to saving deposit ratio of **LAXMI BANK LTD & NIBL .**

Table no -4.9

Loan & Advance to Saving Deposit Ratio

Fiscal	LAXMI BANK LTD			NIBL		
Year	L&A	SD	Ratio	L&A	SD	Ratio
065/66	7755.95	5229.72	148.31	5772.14	2434.05	237.14
066/67	8189.99	5994.12	136.63	7130.13	4886.10	145.93
067/68	10586.17	7026.34	150.66	10126.06	6702.55	151.08
068/69	12922.54	8770.76	147.34	12776.21	8081.98	158.08

069/70	15545.78	10187.35	152.60	17286.43	10742.33	160.92
Average			147.11			170.63
Total Average of the sample banks =158.87						

Sources: Appendix 1,2.

According to table 4.9 the sample banks' loan and advance to saving deposit ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, loan and advance to saving deposit ratio is 148.31% and it is slowly decreased to 136.63% in the second year. In the third year, it is increased to 150.66%. In the fourth year, it is even decreased to 147.34%. In the final year, the ratio of loan and advance to saving deposit ratio is increased to 152.60%.

NIBL,

The bank has increasing and decreasing trend. In the first year, its loan and advance to saving deposit ratio is 237.14%. Then, it is decreased to 145.93% in second year and even increased to 151.08% in third year. In the fourth year, it is increased to 158.08%. In the final year, loan and advance to saving deposit ratio is increased to 160.92%.

The average loan and advance to saving deposit ratio of **LAXMI BANK LTD & NIBL** are 147.11% & 170.63% . The total average of loan and advance to saving deposit ratio of sample banks is 158.87%. **NIBL** has highest portion of loan and advance to saving deposit ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. Higher loan and advance to saving deposit ratio shows lower risk and higher turnover. So, **NIBL** has more invested in loan and advance to earn highest profit then all sample banks. However, **LAXMI BANK LTD** have lower invested in loan and advance so they have higher risk and they have earned lower portion of profit. So **NIBL** has sounded manageable of working capital.

4.5 Capital structure or Leverage Ratio

Leverage refers to the ratio of debt to equity in capital structure of the firm. Debt and equity are long term obligations and remaining parts in the liabilities side of the balance sheet are termed as short term obligations. Both types of obligation are required in forming the capital structure of the firm. The long term financial position of the firm is determined by the leverage or capital structure. The different leverage ratios are

maintained to measure the financial risk or proportion of outsider fund and owners' capital used by the firm.

4.5.1 Long term Debt to Net worth Ratio

Long term debt refers to the amount of fixed deposits and loan of the banks. This ratio measures the proportion of outsiders and owners' fund employed in the capitalization of banks. It is calculated by dividing the fixed obligations of the banks by owner's claim. It is calculated as follows.

$$\text{Long term Debt to Net worth Ratio} = \frac{\text{Long term Debt}}{\text{Net worth}} \times 100\%$$

The following table shows the long term debt to net worth ratio of **LAXMI BANK LTD & NIBL .**

Table no -4.10

Long-term Debt to Net worth Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	LTD	NW	Ratio	LTD	NW	Ratio
065/66	2365.55	1314.18	180.00	1689.07	638.53	264.52
066/67	2421.37	1481.68	163.42	2314.18	729.05	317.42
067/68	2186.42	1657.64	131.90	3227.32	1180.17	273.46
067/69	3551.52	1874.99	189.42	5976.84	1415.44	422.26
069/70	5536.24	2057.05	269.13	8330.29	1878.12	443.54
Average			186.77			344.24
Total Average of the sample banks = 265.505						

Sources: Appendix 1, 2

According to table 4.10 the sample banks' long term debt to net worth ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, long term debt to net worth is 180.00% and it is slowly decreased to 163.42% in the second year. In the third year, it is also decreased to 131.90%. In the fourth year, it is even increased to 189.42%. In the final year, the ratio of long term debt to net worth ratio is increased to 269.13%.

NIBL,

The bank has increasing and decreasing trend. In the first year, its long term debt to net worth ratio is 264.52%. Then, it is increased to 317.42% in second year and even

decreased to 273.46% in third year. In the fourth year, it is increased to 422.26%. In the final year, loan and advance to net worth ratio is increased to 443.54%.

The average long term debt to net worth ratio of **LAXMI BANK LTD & NIBL** are 186.77% & 344.24%. The total average of long term debt to net worth ratio of sample banks is 265.505 %. **NIBL** has highest portion of long term debt to net worth ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. Higher long term debt to net worth ratio shows higher risk and higher turnover. So, **NIBL** has more invested on long term debt to earn highest profit then all sample banks. However, **LAXMI BANK LTD** has lower invested on long term debt. So it has lower risk and s earned lower portion of profit. So **NIBL** has sounded manageable of working capital.

4.5.2 Net Fixed Assets to Long term Debt Ratio

Net fixed assets are applied to both physical and financial assets. This ratio is calculated to find out how many times not fixed assets are compared to the fixed liabilities. It is computed dividing net fixed assets by long term debt.

$$\text{Net fixed Assets to Long term Debt Ratio} = \frac{\text{Net Fixed Assets}}{\text{Long term Debt}} \times 100\%$$

The following table shows the Net fixed assets to long term debt ratio of **LAXMI BANK LTD, NIBL .**

Table no-4.11

Net-Fixed Assets to Long term Debt Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	NFA	LTD	Ratio	NFA	LTD	Ratio
065/66	251.91	2365.55	10.65	191.11	1689.07	11.31
066/67	338.13	2421.37	13.96	249.79	2314.18	10.79
067/68	361.24	2186.42	16.52	320.59	3227.32	9.93
068/69	319.09	3551.52	8.98	343.45	5976.84	5.75
069/70	286.90	5536.24	5.18	759.46	8330.29	9.12
Average			11.06			9.38
Total Average of the sample banks = 10.22						

Sources: Appendix 1,2.

According to table 4.11 the sample banks' net fixed assets to long term debt ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, a net fixed asset to long term debt ratio is 10.65% and it is slowly increased to 13.96% in the second year. In the third year, it is also increased to 16.52%. In the fourth year, it is even decreased to 8.98%. In the final year, the ratio of net fixed assets to long term debt ratio is decreased to 5.18%.

NIBL,

The bank has increasing and decreasing trend. In the first year, their net fixed asset to long term debt ratio is 11.31%. Then, it is decreased to 10.79% in second year and even decreased to 9.93% in third year. In the fourth year, it is decreased to 5.75%. In the final year, a net fixed asset to long term debt ratio is increased to 9.12%.

The average net fixed asset to long term debt ratio of **LAXMI BANK LTD & NIBL** are 11.06% & 9.38%. The total average of net fixed asset to long term debt ratio of sample banks is 10.22%. **NIBL** has highest portion of net fixed asset to long term debt ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend and very low portion of long term debt used in the net fixed assets. It means large portion of long term debt is used in the capital formation of the samples banks.

4.6 Profitability Ratio

Profitability ratios indicate the degree of success in achieving desired profit. Various profitability ratios are calculated to measure the operating efficiency of business enterprises. Through profitability ratios the lender and investors want to decide whether to invest in a particular business or not. Under this study various profitability ratios are developed upon the profit under different circumstances to measure the operating efficiency of these three sample banks.

4.6.1 Interest Earned to Total Assets Ratio

This ratio helps to find out how much a firm has earned interest from it's investment with reference to its total assets. It is the ratio, which formed to find out the percentage of the interest earned to total assets. This is derived by dividing the amount of interest earned by the total assets of the bank. It is calculated in following ways.

$$\text{Interest Earned to Total Assets Ratio} = \frac{\text{Interest Earned}}{\text{Total assets}} \times 100\%$$

The following table shows the interest earned to total assets ratio of **LAXMI BANK LTD & NIBL .**

Table no -4.12

Interest Earned to Total Assets Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	IE	TA	Ratio	IE	TA	Ratio
065/66	1017.87	16562.61	6.15	459.51	9014.24	5.10
066/67	1001.62	16745.49	5.98	731.40	13255.50	5.52
067/68	1068.75	17186.33	6.22	886.80	16274.06	5.45
068/69	1310.00	22329.37	5.87	1172.74	21330.14	5.50
069/70	1587.76	27253.39	5.83	1584.99	27590.84	5.74
Average			6.01			5.46
Total Average of the sample banks = 5.735						

Sources: Appendix 1, 2.

According to table 4.12 the sample banks' interest earned to total assets ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, interest earned to total assets ratio is 6.15% and it is slowly decreased to 5.98% in the second year. In the third year, it is also increased to 6.22%. In the fourth year, it is even decreased to 5.87%. In the final year, the ratio of interest earn to total assets ratio is decreased to 5.83%.

NIBL,

The bank has increasing and decreasing trend. In the first year, interest earn to total assets ratio is 5.10%. Then, it is increased to 5.52% in second year and even decreased to 5.45% in third year. In the fourth year, it is increased to 5.50%. In the final year, interest earned to total assets ratio is increased to 5.74%.

The average interest earned to total assets ratio of **LAXMI BANK LTD, NIBL** are 6.01% & 5.46% . The total average of interest earned to total assets ratio of sample banks is 5.735%. **LAXMI BANK LTD** has highest portion of interest earned to total assets ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. **LAXMI BANK LTD e**arns more interest on the basis of total assets but the bank has not satisfactory earn. However, **NIBL** has lower interest earn to total assets ratio so it has not sounded manageable of working capital.

4.6.2 Net Profit to Total Assets Ratio

This ratio helps to find out the profitability of all financial resources invested in the firms' assets. The return on assets (ROA) or profit to assets ratio is calculated by dividing the amount of net profit by the amount of total assets employed. The ratio can be express as follows.

$$\text{Net Profit to Total Assets Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

The following table shows the net profit to total assets ratio of **LAXMI BANK LTD & NIBL .**

Table no -4.13

Net Profit to Total Asset Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	NPAT	TA	Ratio	NPAT	TA	Ratio
065/66	416.25	16562.61	2.51	116.82	9014.24	1.30
066/67	455.31	16745.49	2.72	152.67	13255.50	1.15
067/68	518.63	17186.33	3.02	232.14	16274.06	1.43
068/69	635.26	22329.37	2.84	350.52	21330.14	1.64
069/70	673.96	27253.39	2.47	501.40	27590.84	1.82
Average			2.71			1.47
Total Average of the sample banks =			2.09			

Sources: Appendix 1, 2.

According to table 4.13 the sample banks' net profit to total assets ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, net profit to total assets ratio is 2.51% and it is slowly increased to 2.72% in the second year. In the third year, it is also increased to 3.02%. In the fourth year, it is even decreased to 2.84%. In the final year, net profit to total assets ratio is decreased to 2.47%.

NIBL,

The bank has increasing and decreasing trend. In the first year, net profit to total assets ratio is 1.30%. Then, it is decreased to 1.15% in second year and even increased to 1.43% in third year. In the fourth year, it is increased to 1.64%. In the final year, net income to total assets ratio is increased to 1.82%.

The average net income to total assets ratio of **LAXMI BANK LTD & NIBL** are 2.71% & 1.47% . The total average of interest earned to total assets ratio of sample banks is 2.09%. **LAXMI BANK LTD** has highest net income to total assets ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. All the sample banks' have not profibality position is not good. **LAXMI BANK LTD** earns more net profit on the basis of its total assets. However, **NIBL** has lower net profit to total assets ratio so it has not earned sound profit.

4.6.3 Net Profit to Shareholders' Equity Ratio

This ratio tells us the earning power on shareholders' book investment and is frequently used in comparing two or more firms in an industry. The return on equity or net profit to shareholders' equity ratio is calculated by dividing the amount of net profit after tax by the amount of net worth. The following formula is used to calculate net profit to total deposit ratio.

$$\text{Net Profit to Shareholders' Equity Ratio} = \frac{\text{Net Profit after Tax}}{\text{Net Worth}} \times 100\%$$

The following table shows the net profit after tax to net worth ratio of **LAXMI BANK LTD & NIBL .**

Table no-4.14

Net Profit to Shareholders' Equity Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	NPAT	NW	Ratio	NPAT	NW	Ratio
065/66	416.25	1314.18	31.67	116.82	638.53	18.30
066/67	455.31	1481.68	30.73	152.67	729.05	20.94
067/68	518.63	1657.64	31.29	232.14	1180.17	19.67
068/69	635.26	1874.99	33.88	350.52	1415.44	24.76
069/70	637.96	2057.05	31.01	501.40	1878.12	26.70
Average			31.72			22.07
Total Average of the sample banks = 26.895						

Sources: Appendix 1, 2

According to table 4.14 the sample banks' net profit after tax to net worth ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, net profit after tax to net worth ratio is 31.67% and it is slowly decreased to 30.73% in the second year. In the third year, it is also increased to 31.29%.

In the fourth year, it is even increased to 33.88%. In the final year, net profit after tax to net worth ratio is decreased to 31.01%.

NIBL,

The bank has increasing and decreasing trend. In the first year, net profit after tax to net worth ratio is 20.94%. Then, it is decreased to 19.67% in second year and even decreased to 19.67% in third year. In the fourth year, it is increased to 24.76%. In the final year, net profit after tax to net worth ratio is increased to 26.70%.

The average net income after tax to net worth ratio of **LAXMI BANK LTD & NIBL** are 31.72% & 22.07% . The total average of net profit after tax to shareholders' equity ratio of sample banks is 26.90%. **LAXMI BANK LTD** has highest net income after tax to net worth ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. All the sample banks' have profitability position is not good. **LAXMI BANK LTD** earns more net profit on the basis of its net worth. However, NIBL has weak position so it has not more efficient using its working fund.

4.6.4 Net Profit to Total Deposit Ratio

This ratio is used for measuring the internal rate of return from deposits. It is computed by dividing the net profit by total deposits. The following formula is used to calculate net profit to total deposit ratio.

$$\text{Net Profit to Total Deposit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Total Deposit}} \times 100\%$$

The following table shows the net profit after tax to total deposit ratio of **LAXMI BANK LTD& NIBL .**

Table no -4.15

Net Profit to Total Deposit Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	NPAT	TD	Ratio	NPAT	TD	Ratio
065/66	416.25	13447.65	3.10	116.82	7922.75	1.47
066/67	455.31	14119.03	3.22	152.67	11524.68	1.32
067/68	518.63	14586.61	3.56	232.14	14254.57	1.63
068/69	635.26	19347.40	3.28	350.52	18927.31	1.85
069/70	637.96	23342.29	2.73	501.40	24488.86	2.05
Average			3.18			1.67
Total Average of the sample banks = 2.425						

Sources: Appendix 1,2.

According to table 4.15 the sample banks' net profit after tax to net worth ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, net profit after tax to total deposit ratio is 3.10% and it is slowly increased to 3.22% in the second year. In the third year, it is also increased to 3.56%. In the fourth year, it is even decreased to 3.28%. In the final year, net profit after tax to total deposit ratio is decreased to 2.73%.

NIBL,

The bank has increasing and decreasing trend. In the first year, net profit after tax to total deposit ratio is 1.47%. Then, it is decreased to 1.32% in second year and even increased to 1.63% in third year. In the fourth year, it is increased to 1.85%. In the final year, net profit after tax to total deposit ratio is increased to 2.05%.

The average net income after tax to total deposit ratio of **LAXMI BANK LTD & NIBL** are 3.18% & 1.67% . The total average of net profit after tax to total deposit ratio of sample banks is 2.425%. **LAXMI BANK LTD** has highest net income after tax to total deposit.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. All the sample banks' have profitability position is not good. **LAXMI BANK LTD** earns more net profit on the basis of its total deposit. However, **NIBL** has weak position so it has not more efficient using its working fund.

4.6.5 Services Cost to Total Deposit Ratio

A sound management always tries to utilize its larger amount of assets with minimum cost. This ratio is useful in measuring the assets utilization with cost of services. The ratio is computed dividing the cost of services by total assets.

$$\text{Services Cost to Total Assets Ratio} = \frac{\text{Services Cost}}{\text{Total Assets}} \times 100\%$$

The following table shows the service cost to total assets ratio of **LAXMI BANK LTD & NIBL**

Tableno -4.16

Services Cost to Total Assets Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	SC	TA	Ratio	SC	TA	Ratio
065/66	527.93	16562.61	3.19	250.50	9014.24	2.78
066/67	463.78	16745.49	2.77	415.95	13255.50	3.14
067/68	443.06	17186.33	2.58	451.55	16274.06	2.77
068/69	576.94	22329.37	2.58	611.61	21330.14	2.87
069/70	795.87	27253.39	2.92	830.90	27590.84	3.01
Average			2.81			2.91
Total Average of the sample banks = 2.86						

Sources: Appendix 1,2.

According to table 4.16 the sample banks' service cost to total assets ratio is different all over the study period.

LAXMI BANK LTD,

In the first year, service cost to total assets ratio is 3.19% and it is slowly decreased to 2.77% in the second year. In the third year, it is also decreased to 2.58%. In the fourth year, it is even same to 2.58%. In the final year, services cost to total assets ratio is increased to 2.92%.

NIBL,

The bank has increasing and decreasing trend. In the first year, services cost to total assets ratio is 2.78%. Then, it is increased to 3.14% in second year and even decreased to 2.77% in third year. In the fourth year, it is increased to 2.87%. In the final year, service cost to total assets ratio is increased to 3.01%.

The average services cost to total assets ratio of **LAXMI BANK LTD & NIBL** are 2.81% & s 2.91%. The total average of services cost to total assets ratio of sample banks is 2.86%. **NIBL** has highest services cost to total deposit ratio.

From the above analysis, it can be concluded that the banks have increasing and decreasing trend. All the sample banks' have profitability position is not good. **NIBL** earns more net profit on the basis of its total assets. However**, LAXMI BANK LTD** has weak position so it has not more efficient using its working fund.

4.7 Trend Analysis

The tools that are used to show grandly increase or decrease of variables over the selected period of time is known as trend analysis. With the help of trend analysis the

tendency of variables over the period can be seen clearly. It is a part of time series analysis. For a long period it is desire to indicate whether the present data is increasing or decreasing. It is also attempted to find out growth factor. The trend analysis projects the rate of change so that budgeting and planning can be made easier. Therefore, trend analysis is taken as a tool to find out future behavior of the data. Least square method of trend analysis is used for the study.

4.7.1 Cash and Bank Balance Percentage

According to the table no 4.7.1, samples banks' cash and bank balance percentage and trend values are fluctuating over the study period. The value of constant a and b of sample banks are as follows.

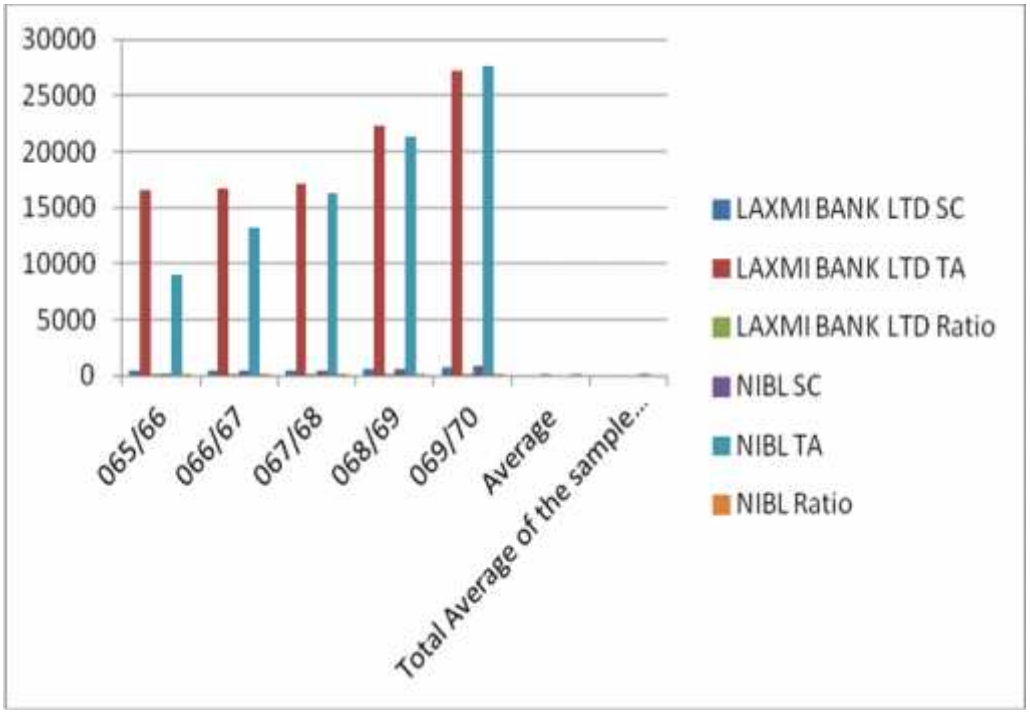
Table no 4.7.1

Bank	A	B
LAXMI BANK LTD	5.68	-0.76
NIBL	11.27	-0.19

Sources: Appendix 5

According to the above table no 4.7.1; the rate of change on cash and bank balance percentage b is negative. It shows that decreasing cash and bank balance percentage to total current assets in all samples banks. Laxmi Bank has highest negative value i.e. -0.76 which indicates the better utilization of cash on income generating sources.

Figure no 4.7.1



LAXMIBANK

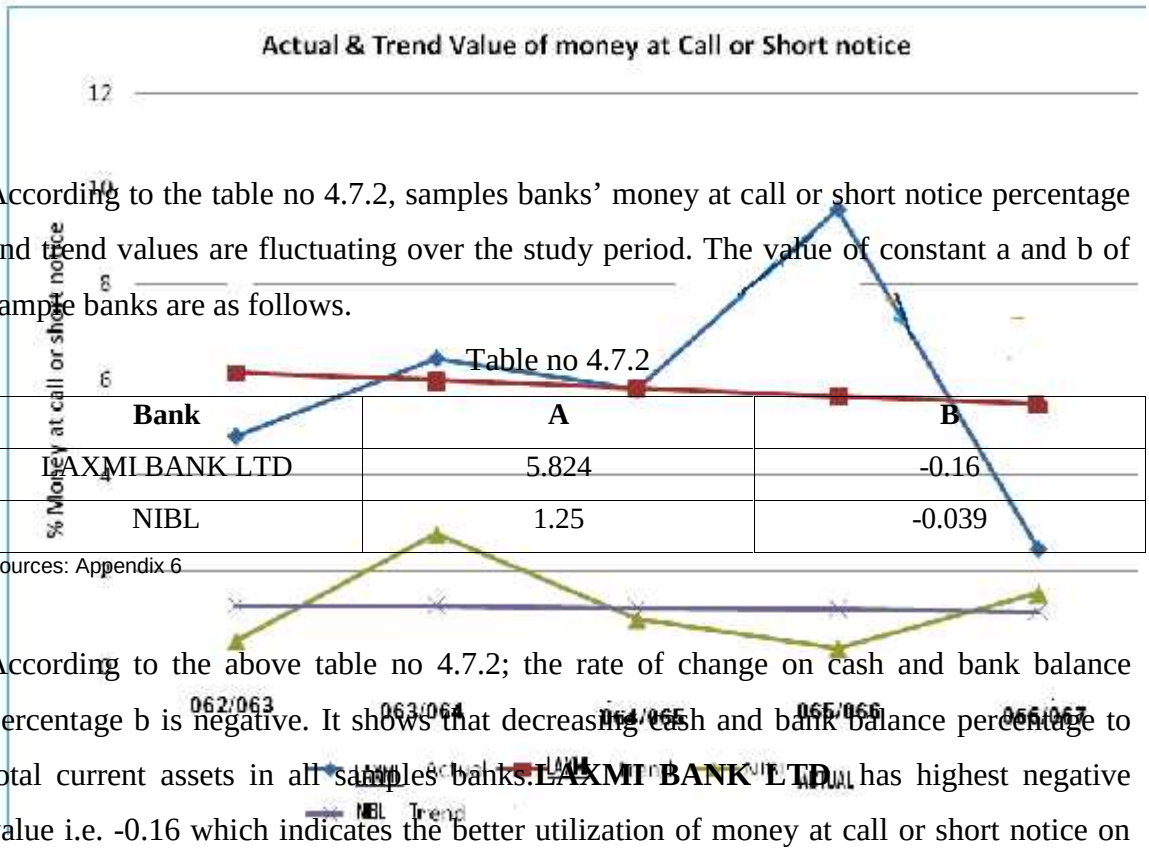
In the first year the bank has cash and bank balance trend value 7.19% of their current assets. In the second year, the cash and bank balance trend is decreased to 6.44% and then third and fourth year it is decreased to 5.68% and 4.93% respectively. In the final year, the cash and bank balance trend is highly decreased to 4.17%.

NIBL,

The bank has decreasing trend. In the first year, cash and bank balance trend is 11.46% of their current assets. Then, it is same i.e.11.46% and 11.27% in third year. In the fourth year, it is decreased to 11.08%. In the final year, the cash and bank balance trend is decreased to 10.89%.

It is conclude that the trend line of **NIBL** is always higher of the study period due to high cash and bank balance percentage. In this way, we can say that average cash and bank balance percentage of **NIBL** is higher then **LAXMI BANK LTD** . Trend value of cash and bank balance of **NIBL** shows that the bank has maintain constant balance.

4.7.2 Money at Call or Short Notice



According to the table no 4.7.2, samples banks' money at call or short notice percentage and trend values are fluctuating over the study period. The value of constant a and b of sample banks are as follows.

Table no 4.7.2

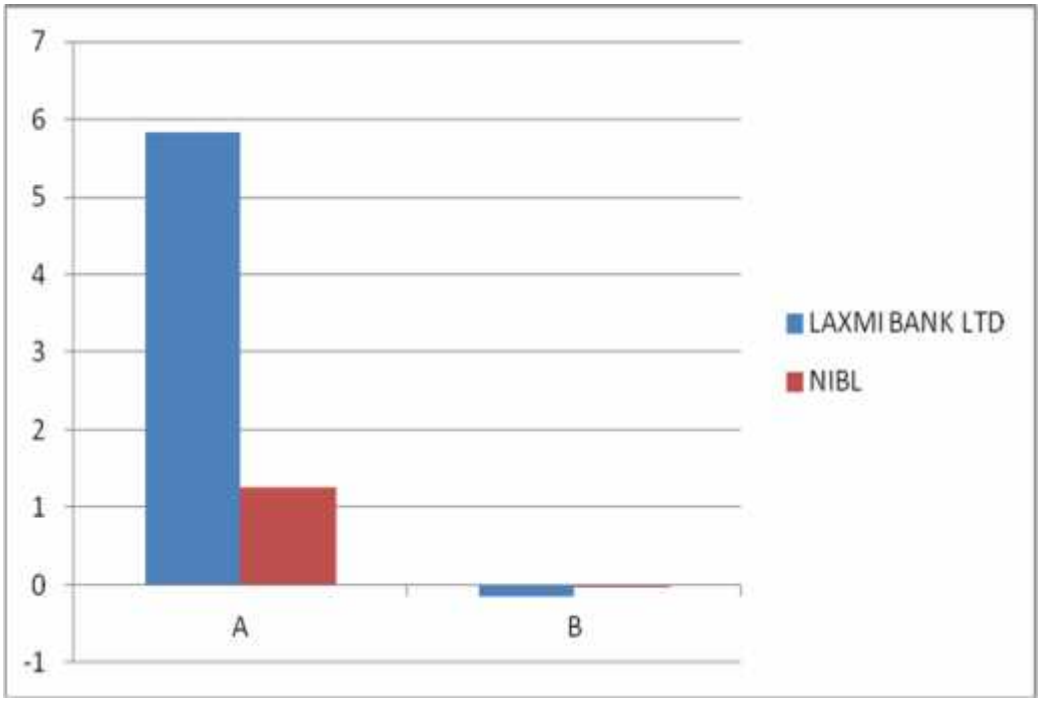
Bank	A	B
LAXMI BANK LTD	5.824	-0.16
NIBL	1.25	-0.039

Sources: Appendix 6

According to the above table no 4.7.2; the rate of change on cash and bank balance percentage b is negative. It shows that decreasing cash and bank balance percentage to total current assets in all samples' banks.**LAXMI BANK LTD.** has highest negative value i.e. -0.16 which indicates the better utilization of money at call or short notice on income generating sources.

Figure-4.7.2

Sources: Appendix 6&11



According to above Figure no 4.7.2, the sample banks allocate their money at call or short notice as their needs.

LAXMI BANK LTD

In the first year the bank has money at call or short notice percentage trend value 6.14% of their current assets. In the second year, the money at call or short notice trend is decreased to 5.98% and then third and fourth year it is decreased to 5.82% and 5.66% respectively. In the final year, the money at call or short notice percentage trend is highly decreased to 5.5%.

NIBL,

The bank has decreasing trend. In the first year, money at call or short notice percentage trend is 1.29% of their current assets. Then, it is same i.e.1.29% and 1.25% in third year.

In the fourth year, it is decreased to 1.21%. In the final year, the money at call or short notice trend is decreased to 1.17%.

It is conclude that the trend line of Laxmi Bank is always higher of the study period due to high money at call or short notice percentage. In this way, we can say that average cash and bank balance percentage of **LAXMI BANK LTD**is higher then **NIBL.**

4.7.3 Loan and Advance Percentage

According to the table no 4.7.3, samples banks' loan and advance percentage and trend values are fluctuating over the study period. The value of constant a and b of sample banks are as follows.

Table no 4.7.3

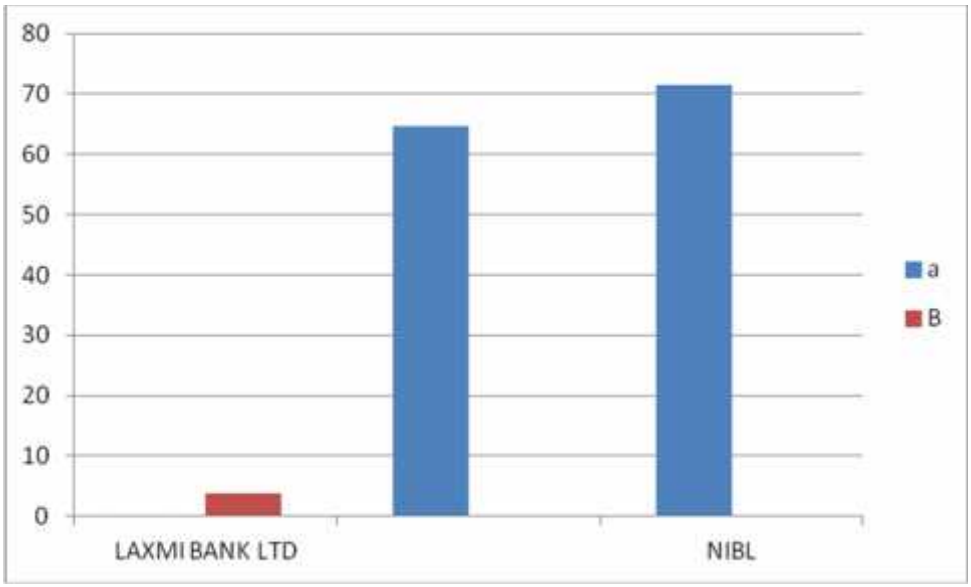
Bank	a	B
LAXMI BANK LTD	64.71	3.80
NIBL	71.58	0.043

Sources: Appendix 7

According to the above table no 4.7.3; the rate of change on loan and advance percentage b is positive. It shows that increasing loan and advance percentage to total current assets in all samples banks. Laxmi Bank Ltd has highest positive value i.e.3.80 which indicates the better utilization of fund on income generating sources.

Figure-4.7.3

Sources: Appendix 7 & 11



According to above Figure no 4.7.3, the sample banks allocate their fund in loan and advance as their needs.

LAXMI BANK LTD,

In the first year the bank's loan and advance percentage trend value 57.11% of their current assets. In the second year, loan and advance trend is increased to 60.91% and then third and fourth year it is increased to 64.71% and 68.51% respectively. In the final year, the loan and advance percentage trend is highly increased to 72.30%.

NIBL,

The bank has increasing trend. In the first year, loan and advance percentage trend is 71.54% of their current assets. Then, it is same i.e.71.54% and it is increased to 71.58% in third year. In the fourth year, it is increased to 71.63%. In the final year, loan and advance trend is increased to 71.67%.

It is conclude that the trend line of **NIBL** is always higher of the study period due to high loan and advance percentage. In this way, we can say that average cash and bank balance percentage of **NIBL** is higher then**LAXMI BANK LTD**

. Trend value of loan and advance of **NIBL** shows that the bank has maintained constant.

4.7.4 Government Securities Percentage

According to the table no 4.7.4, samples banks' government securities percentage and trend values are fluctuating over the study period. The value of constant a and b of sample banks are as follows.

Table no 4.7.4

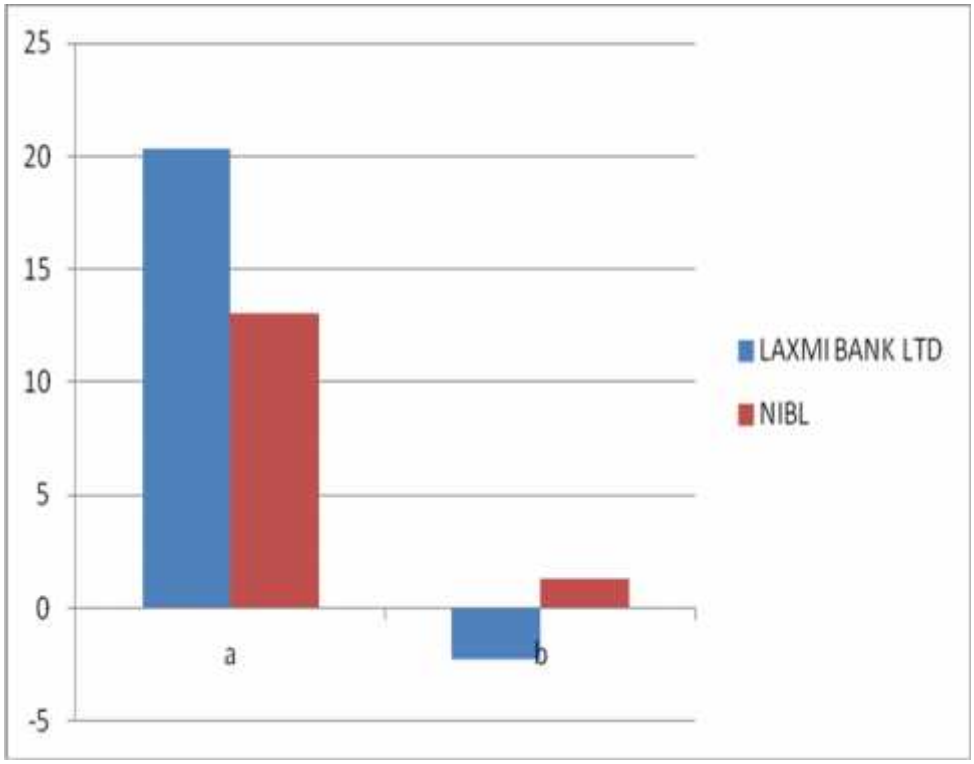
Bank	**a**	**b**
LAXMI BANK LTD	20.30	-2.26
NIBL	13.03	1.31

Sources: Appendix 8

According to the above table no 4.7.4; the rate of change on government securities percentage b is negative of **LAXMI BANK LTD.**

. It shows that decreasing in investment in government securities which indicates the better utilization of fund on income generating sources. **LAXMI BANK LTD** utilizes their fund more efficiently.

Figure4.7.4



Sources: Appendix 8 & 11

According to above Figure no 4.7.4, the sample banks allocate their fund in government securities as their needs.

LAXMI BANK LTD,

In the first year the bank's government securities percentage trend value 24.83% of their current assets. In the second year, government securities trend is decreased to 22.57% and then third and fourth year it is decreased to 20.30% and 18.04% respectively. In the final year, the government securities percentage trend is highly decreased to 15.77%.

NIBL,

The bank has increasing trend. In the first year, government securities percentage trend is 11.72% of their current assets. Then, it is same i.e.11.72% and it is increased to 13.03% in third year. In the fourth year, it is increased to 14.34%. In the final year, government securities trend is increased to 15.65%.

It is conclude that the trend line of **LAXMI BANK LTD** is always higher of the study period due to high government securities percentage. In this way, we can say that average cash and bank balance percentage of **LAXMI BANK LTD** is higher then **NIBL**. Trend value of government securities of **LAXMI BANK LTD** shows that the bank has maintained decrease. **LAXMI BANK LTD** invests in government sector due to low risk and priory sector.

4.7.5 Current assets Ratio

According to the table no 4.7.5, samples banks' current assets ratio percentage and trend values are fluctuating over the study period. The value of constant a and b of sample banks are as follows.

Table no 4.7.5

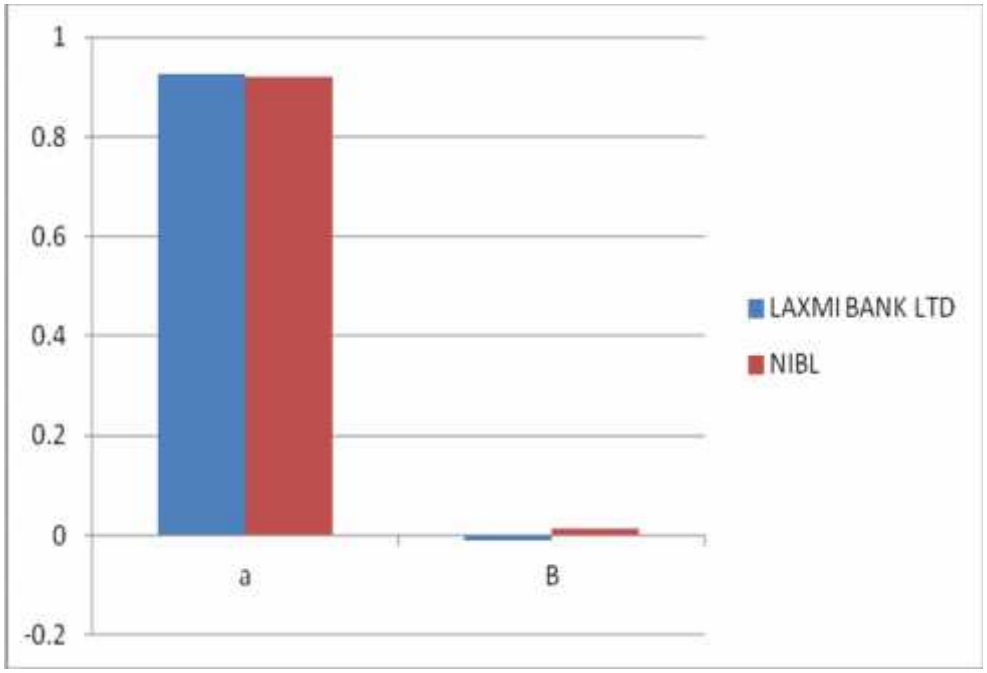
Bank	a	B
LAXMI BANK LTD	0.926	-0.01
NIBL	0.92	0.014

Sources: Appendix 9

According to the above table no 4.7.5, the rate of change on current ratio percentage b is negative of **LAXMI BANK LTD. I**t shows that decreasing in investment in current assets which indicates the investment in current assets is decreasing trend and unable to meet the standard. **NIBL** has positive b constant it shows better utilization of fund on standard maintaining is 1:2

.Figure-4.7.5

Sources: Appendix 9 &11



According to above Figure no 4.7.5, the sample banks allocate their fund in current assets as their needs.

LAXMI BANK LTD,

In the first year the bank's current assets trend value 0.94. In the second year, current assets trend is decreased to 0.93% and then third year its trend value is same i.e. 0.93 and fourth year it is decreased to 0.92%. In the final year, current assets trend is highly decreased to 0.91%.

NIBL,

The bank has increasing trend. In the first year, current assets trend is 0.91. Then, it is same i.e.0.91 and it is increased to 0.92 in third year. In the fourth year, it is increased to 0.93. In the final year, current assets trend is increased to 0.95.

It is conclude that the current asset trend line of **LAXMI BANK LTD** is always higher of the study period due to high current assets. In this way, we can say that average current assets ratio of **LAXMI BANK LTD** is higher then **NIBL.** Trend value of current assets ratio of shows that **LAXMI BANK LTD** bank has maintained for stander increasing total current assets. Trend value of current assets ratio of shows that it is always better than **NIBL** so the **LAXMI BANK LTD** has better liquidity position in comparison to other sample bank.

4.7.6 Quick assets Ratio

According to the table no 4.7.6, samples banks' quick assets ratio and trend values are fluctuating over the study period. The value of constant a and b of sample banks are as follows.

Table no 4.7.6

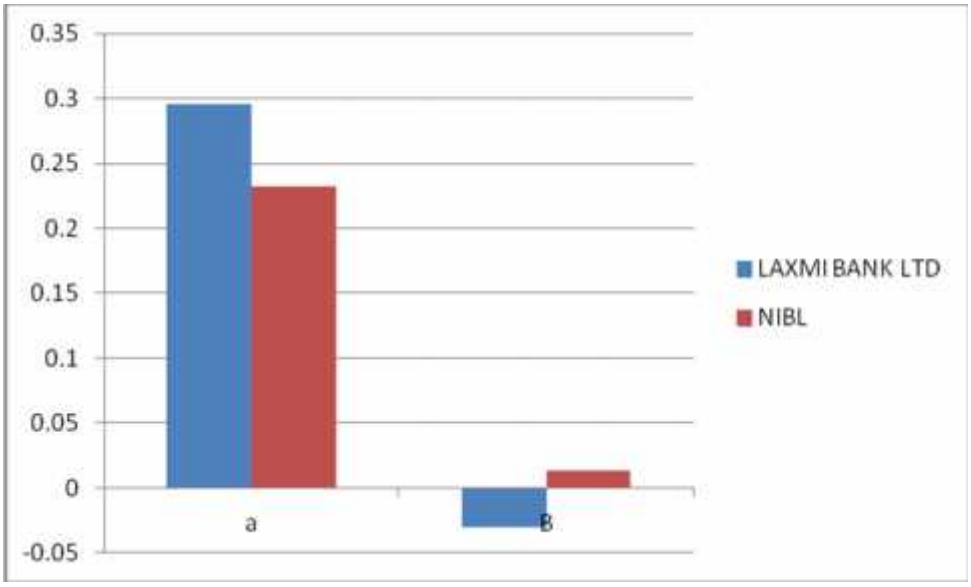
Bank	a	B
LAXMI BANK LTD	0.296	-0.03
NIBL	0.232	0.013

Sources: Appendix 10

According to the above table no 4.7.6, the rate of change on quick ratio b is negative of **LAXMI BANK LTD** . It shows that decreasing in investment in quick assets which indicates the investment in quick assets is decreasing trend and unable to meet the standard. **NIBL** has positive b constant it shows better utilization of fund on stander maintaining i.s.1:1.

Figure-4.7.6

Sources: Appendix 10 &11



According to above Figure no 4.7.6, the sample banks allocate their fund in quick assets as their needs.

LAXMI BANK LTD,

In the first year the bank's quick assets ratio trend value 0.36. In the second year, quick assets ratio trend is decreased to 0.33 and then third year its trend value is decreased to 0.30 and fourth year it is decreased to 0.26. In the final year, quick assets ratio trend is highly decreased to 0.23.

NIBL,

The bank has increasing trend. In the first year, quick assets ratio trend is 0.22. Then, it is same i.e.0.22 and it is increased to 0.23 in third year. In the fourth year, it is increased to 0.25. In the final year, quick assets ratio trend is increased to 0.26.

4. 8 Correlation Analysis

Correlation is the statistical tool, which measure the relationship between two or more variables of a population or a sample. In other words, it describes the degree to which

one variable is linearly related to another. The coefficient of correlation measure the degree of relationship between two sets of figures. Among the various methods of findings out co-efficient of correlation, Karl Person's method is applied in the study. The result of co-efficient of correlation is always between +1 and -1 when r is +1, it means there is perfect relationship between two variables and vice versa. When r is 0 it means there is no relationship between two of them.

4.8.1 Co-efficient of Correlation between Investment on Government Securities and Total Deposit

The coefficient of correlation between investment on government securities and total deposit is to measure the degree of relationship between government securities and total deposit. Banks utilize their collected deposit on loan and advance as well as in government securities. But commercial banks use large amount of deposit on loan and advances. Only the idle deposit is invested on government securities. The purpose of computing correlation coefficient is to justify whether the excess deposits are significantly used in government securities or not or whether there is any relationship between these two variables. The following table shows the coefficient of correlation between deposits and government securities.

According to above Table no 4.8 .1shows the correlation, PEr & 6Per of the sample banks.

LAXMI BANK LTD,

The bank has correlation between government securities and total deposit is 0.31 which show positive correlation, probability error (PEr) is 0.27 and 6PEr is1.63. Correlation's value is less then 6PEr which indicate that there is not significant between government securities and total deposit.

NIBL,

The bank has correlation between government securities and total deposit is 0.95 which show positive correlation, probability error (PEr) is 0.03 and 6PEr is 0.17. Correlation's value is greater then 6PEr which indicate that there is highly significant between government securities and total deposit.

It is conclude that NIBL has highly significant. Although, Laxmi Bank Ltd has positive correlation but no significant between government securities and total deposit.

4.8.2 Co-efficient of Correlation between Investment on Loan and Advance and Total Deposit

The coefficient of correlation between investment on loan and advance and total deposit is to measure the degree of relationship between loan and advance and total deposit. Banks utilize their collected deposit on loan and advance. Commercial banks use large amount of deposit on loan and advances to earn more interest. The purpose of computing correlation coefficient is to justify whether the excess deposits are significantly used in loan and advance or not or whether there is any relationship between these two variables. In correlation analysis, total deposit is independent variable and loan and advance is dependent variable. The following table shows the coefficient of correlation between loan and advance and total deposit.

Table no 4.8.2

Bank	Correlation	PEr	6Per
LAXMI BANK LTD	0.98	0.01	0.06
NIBL	0.99	0.01	0.06

Sources: Appendix 13 a, b

According to above Table no 4.8.2 shows the correlation, PEr & 6Per of the sample banks.

LAXMI BANK LTD,

The bank has correlation between loan and advance and total deposit is 0.98 which show positive correlation, probability error (PEr) is 0.01 and 6PEr is0.06. Correlation's value is greater then 6PEr which indicate that there is highly significant between loans and advance and total deposit.

NIBL,

The bank has correlation between loan and advance and total deposit is 0.99 which show positive correlation, probability error (PEr) is 0.01 and 6PEr is 0.06. Correlation's value is greater then 6PEr which indicate that there is highly significant between loans and advance and total deposit.

It is conclude that NIBL has highly significant. Although, Laxmi Bank Ltd has positive correlation and highly significant between loans and advance and total deposit.

4.8.3 Co-efficient of Correlation between on Loan and Advance and Net Profit

The coefficient of correlation between loans and advance and net profit is to measure the degree of relationship between loans and advance and net profit. Commercial banks use

large amount of deposit on loan and advances to earn more interest and profit. The purpose of computing correlation coefficient is to justify whether the excess deposits are significantly used in loan and advance to earn more net profit or not or whether there is any relationship between these two variables. In correlation analysis, total loans and advance is independent variable and net profit is dependent variable. The following table shows the coefficient of correlation between loan and advance and total deposit.

Table no 4.8.3

Bank	**Correlation**	**PEr**	**6Per**
LAXMI BANK LTD	0.98	0.01	0.06
NIBL	0.997	0.002	0.01

Sources: Appendix 14a, b

According to above Table no 4.8.3 shows the correlation, PEr & 6Per of the sample banks.

LAXMI BANK LTD,

The bank has correlation between loan and advance and total deposit is 0.98 which show positive correlation, probability error (PEr) is 0.01 and 6PEr is0.06. Correlation's value is greater then 6PEr which indicate that there is highly significant between loans and advance and net profit.

NIBL,

The bank has correlation between loan and advance and total deposit is 0.99 which show positive correlation, probability error (PEr) is 0.002 and 6PEr is 0.01. Correlation's value is greater then 6PEr which indicate that there is highly significant between loans and advance and net profit.

It is conclude that NIBL has highly significant. Although, Laxmi Bank Ltd has positive correlation and highly significant between loans and advance and net profit.

4.8.4 Co-efficient of Correlation between on cash and bank balance and current liabilities

The coefficient of correlation between cash and bank balance and current liabilities is to measure the degree of relationship between cash and bank balance and current liabilities. Commercial banks use large amount of cash and bank balance to meet their current obligation. The purpose of computing correlation coefficient is to justify whether the excess cash and bank balance are significantly used to meet current obligation or not or whether there is any relationship between these two variables. In correlation analysis, total cash and bank balance is independent variable and current liabilities are dependent variable. The following table shows the coefficient of correlation between cash and bank balance and current liabilities.

Table no 4.8.4

Bank	Correlation	PEr	6Per
LAXMI BANK LTD	0.46	0.24	1.43
NIBL	0.95	0.03	0.18

Sources: Appendix 15 a, b

According to above Table no 4.8.4 shows the correlation, PEr & 6Per of the sample banks.

LAXMI BANK LTD,

The bank has correlation between cash and bank balance and current liabilities is 0.46 which show positive correlation, probability error (PEr) is 0.24 and 6PEr is1.43. Correlation's value is less then 6PEr which indicate that there is no significant between cash and bank balance and current liabilities.

NIBL,

The bank has correlation between cash and bank balance and current liabilities is 0.95 which show positive correlation, probability error (PEr) is 0.03 and 6PEr is 0.18. Correlation's value is greater then 6PEr which indicate that there is highly significant between cash and bank balance and current liabilities.

It is conclude that NIBL has highly significant. Although, Laxmi Bank Ltd has positive correlation and no significant between cash and bank balance and current liabilities.

4. 9 Test of Hypothesis

Hypothesis test is one of the important applications of statistical interference in decision making. In hypothesis test, an assumption is made about the population parameter. To test whether the assumption or hypothesis is right or not, a sample is selected from the population and sample statistic is obtained. The main goal of hypothesis test it to test the characteristics of hypothesized population parameter based on sample information whether the difference between population parameter and sample static is significant or not. Smaller the difference, the sample mean is close to hypothesized value and large the difference the hypothesized value has low chance to correct.

In this study three hypothesis sets are set to identify whether there is significant different or not in (i) composition of working capital management, (ii) liquidity position and (iii) profitability position among three sample banks. Here, two complementary are set up at one time i.e. a) Null hypothesis (H_0) and b) Alternative hypothesis (H_1). Among these two hypotheses if one is accepted, then the other hypothesis is rejected and vice versa. **Hypothesis 1**

H_o: There is no significant difference in composition of working capital among **LAXMI BANK LTD & NIBL .**

H_1: There is significant difference in composition of working capital among **LAXMI BANK LTD & NIBL .**

Hypothesis 2

H_0: There is no significant difference in liquidity position among **LAXMI BANK LTD & NIBL .**

H_1: There is significant difference in liquidity position among **LAXMI BANK LTD & NIBL .**

Hypothesis 3

H_0: There is no significant difference in profitability position among **LAXMI BANK LTD, & NIBL .**

H_1: There is significant difference in profitability position among **LAXMI BANK LTD & NIBL .**

Since three banks are taken into consideration as samples in this study, F- test is applied to test the validity of our assumptions. For applying F-test in the contest of small sample, the F value is calculated first and compared with the table value of F at a 5% level of significance for given degree of freedom. If calculated value is greater than tabulated

value, the null hypothesis is rejected i.e. the difference is significant at 5% level of significance. But if F is less than the conserving table value of F the null hypothesis is accepted i.e. the different is not significance. For the computation of value F, analysis of variance (ANOVA), a statistical tool is used. It is powerful statistical technique for the tests of significant to evaluate difference among then two variables. For the test of hypothesis one-factor analysis of variance is used.

4. 9.1 Composition of Working Capital

The composition of working capital of sample banks i.e. LAXMI BANK LTD& NIBL are tested as follows by formulating null and alternative hypothesis.

Null Hypothesis

H_o: There is no significant difference in composition of working capital among **LAXMI BANK LTD & NIBL .**

Alternative Hypothesis

H_1: There is significant difference in composition of working capital among **LAXMI BANK LTD& NIBL .**

The following table shows the mean value, calculated F value and tabulated F value to measure the composition or structure of working capital management of sample banks.

Table no – 4.9.1

Working Capital	LAXMI BANK LTD (Mean)	NIBL (Mean)	Calculated F-Value	Tabulated F- Value	Decision
Cash & Bank balance	5.68	11.27	25.41	5.32	H_0 reject
Money at Call or Short notice	5.82	1.25	13.77	5.32	H_0 reject
Loan and Advances	64.71	71.58	3.08	5.32	H_0 accepted
Government Securities	20.30	13.03	4.75	5.32	H_0 accepted
Other Current Assets	3.49	2.87	0.42	5.32	H_0 accepted

Sources: Appendix 16,17,18,19,20

According to above Table no 4.9.1 shows the mean, F value decision of the sample banks.

A. Cash and bank balance

The sample banks Laxmi Bank Ltd, NIBL have cash and bank balance mean values are 5.68, 11.27 . Their calculated F (1,8) value is 25.41 and tabulated F- value at 5% level of significant for (1,8) i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is rejected.

B. Money at call or short notice

The sample banks Laxmi Bank Ltd, NIBL have money at call or short notice mean values are 5.82, 1.25 . Their calculated F (1,8) value is 13.77 and tabulated F- value at 5% level of significant for (1,8) i.e. $F_{0.05}$ (1,8) equal to 5.32. Since the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is rejected.

C. Loan and Advances

The sample banks Laxmi Bank Ltd, NIBL have loan and advances mean values are 64.71, 71.58 .Their calculated F (1,8) value is 3.08 and tabulated F- value at 5% level of significant for (1,8) i.e. $F_{0.05}$ (1,8) equal to 5.32. Since the calculated value of F is less than tabulated value of F, there is significant difference and H_0 is accepted.

D. Government Securities

The sample banks Laxmi Bank Ltd, NIBL have government securities mean values are 20.30& 13.03.Their calculated F (1,8) value is 4.75 and tabulated F- value at 5% level of significant for (1,8) i.e. $F_{0.05}$ (1,8) equal to 5.32. Since the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is accepted.

E. Miscellaneous (other) current assets

The sample banks Laxmi Bank Ltd, NIBL have miscellaneous current assets mean values are 3.49, 2.87 Their calculated F (1,8) value .42 and tabulated F- value at 5% level of significant for (1,8) i.e. $F_{0.05}$ (1,8) equal to 5.32. Since the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is accepted.

. It is conclude that the sample banks' cash and bank balance, money at call or short notice, loan and advances, government securities and miscellaneous current assets are significantly different. There is significant difference in composition of working capital among Laxmi Bank Ltd, NIBL

4. 9.2 Liquidity Position

The liquidity position of sample banks i.e. **LAXMI BANK LTD, NIBL** are tested as follows by formulating null and alternative hypothesis.

Null Hypothesis

H_0: There is no significant difference in liquidity position among **LAXMI BANK LTD, NIBL .**

Alternative Hypothesis

H_1: There is significant difference in liquidity position among **LAXMI BANK LTD, NIBL .**

The following table shows the mean value, calculated F value and tabulated F value to measure the liquidity position of working capital management of sample banks.

Table no – 4.9.2

Ratios	LAXMI BANK LTD (Mean)	NIBL (Mean)	Calculated F-Value	Tabulated F- Value	Decision
Current ratio	0.93	0.92	0.12	5.32	H_0 accepted
Quick ratio	0.30	0.23	2.73	5.32	H_0 accepted
Cash & bank balance to total deposit	6.94	14.39	25.74	5.32	H_0 reject
Saving deposit to total deposit	43.70	41.34	0.55	5.32	H_0 accepted

Sources: Appendix 21,22,23,24

According to above Table no 4.9.2 shows the mean, F value decision of the sample banks.

A. Current ratio

The sample banks Laxmi Bank Ltd, NIBL have current ratio mean values are 0.93, 0.92. Their calculated F (1,8) value is 0.12 and tabulated F- value at 5% level of significant for (1,8) is 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is accepted.

B. Quick ratio

The sample banks Laxmi Bank Ltd, NIBL have quick ratio mean values are 0.30, 0.23 . Their calculated F (1,8) value is 2.73 and tabulated F- value at 5% level of significant for (1,8) is 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is accepted .

C. Cash and bank balance to total deposit

The sample banks Laxmi Bank Ltd, NIBL have cash and bank to total deposit mean values are 6.94, 14.39 Their calculated F (1,8) value is 25.74 and tabulated F- value at 5% level of significant for (1,8) is 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is rejected.

D. Saving deposit to total deposit

The sample banks Laxmi Bank Ltd, NIBL have saving deposit to total deposit mean values are 43.70, 41.34 Their calculated F (1,8) value is 0.55 and tabulated F- value at 5% level of significant for (1,8) is 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated

value of F is greater than tabulated value of F, there is significant difference and H_0 is accepted.

. It is conclude that the sample banks' current ratio, quick ratio, cash and bank balance to total deposit ratio and saving deposit to total deposit ratio are significantly different. There is significant difference in liquidity position Laxmi Bank Ltd, NIBL

4. 9.3 Profitability Position

The profitability position of sample banks i.e. **LAXMI BANK LTD, NIBL** are tested as follows by formulating null and alternative hypothesis.

Null Hypothesis

H_0: There is no significant difference in profitability position among **LAXMI BANK LTD, NIBL .**

Alternative Hypothesis

H_1: There is significant difference in profitability position among **LAXMI BANK LTD, NIBL .**

The following table shows the mean value, calculated F value and tabulated F value to measure the profitability position of sample banks.

Table no – 4.9.3

Ratio	LAXMI BANK LTD (Mean)	NIBL (Mean)	Calculated F-Value	Tabulated F- Value	Decision
Interest Earned to total assets	6.01	5.46	18.32	5.32	H_0 reject
Net profit to total assets	2.71	1.47	62.53	5.32	H_0 reject
Net profit to Share holders' Equity	31.42	22.05	33.74	5.32	H_0 reject
Net profit to total Deposit	3.18	1.66	64.97	5.32	H_0 reject
Cost of services to Total Assets	2.81	2.91	0.62	5.32	Ho accepted
Long term debt to net worth	186.77	344.24	12.91	5.32	H_0 reject
Net fixed assets to long term debt	11.06	9.38	0.58	5.32	H_0 accept

Sources: Appendix 25,26,27,28,29,30,31

According to above Table no 4.9.3 shows the mean, F value decision of the sample banks.

A. Interest earned to total assets ratio

The sample banks **LAXMI BANK LTD, NIB**L have interest earned to total assets ratio mean values are 6.01, 5.46 . Their calculated F (1,8) value is 18.32 and tabulated F- value at 5% level of significant for (1,8)= 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is rejected.

B. Net profit to total assets ratio

The sample banks **LAXMI BANK LTD, NIB**L have net profit to total assets ratio mean values are 2.71, 1.47 Their calculated F (1,8) value is 62.53 and tabulated F- value at 5% level of significant for (1,8)= 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is rejected.

C. Net profit to share holders' equity ratio

The sample banks **LAXMI BANK LTD , NIBL** have net profit to share holders' equity ratio mean values are 31.72, 22.05 . Their calculated F (1,8) value is 33.74and tabulated F- value at 5% level of significant for (1,8)= 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is rejected.

D. Net profit to total deposit ratio

The sample banks **LAXMI BANK LTD, NIBL** have net profit to total deposit ratio mean values are 3.18, 1.66 Their calculated F (1,8) value is 64.97 and tabulated F- value at 5% level of significant for (1,8)= 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is rejected.

E. Cost of services to total assets ratio

The sample banks , **LAXMI BANK LTD ., NIBL** have cost of services to total assets ratio mean values are 2.81, 2.91 Their calculated F (1,8) value is 0.62 and tabulated F- value at 5% level of significant for (1,8)= 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is accepted.

F. Long term debt to net worth ratio

The sample banks **LAXMI BANK LTD .& NIBL** have long term debt to net worth ratio mean values are 186.77, 344.24. Their calculated F (1,8) value is 12.91 and tabulated F-value at 5% level of significant for (1,8)= 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is rejected.

G. Net fixed assets to long term debt ratio

The sample banks **LAXMI BANK LTD ., NIBL** have net fixed assets to long term debt ratio mean values are 11.06, 9.38 Their calculated F (1,8) value is 0.58 and tabulated F-value at 5% level of significant for (1,8)= 5.32 i.e. $F_{0.05}$ (1,8) equal to 5.32. Since, the calculated value of F is greater than tabulated value of F, there is significant difference and H_0 is accepted.

It is conclude that the sample banks' interest earned to total assets ratio, net profit to total assets ratio, net profit to share holders' equity ratio, net profit to total deposit ratio, cost of services to total assets ratio and long term debt to net worth ratio are significantly different but net fixed assets to long term debt ratio is accepted. Although, it is conclude that there is significant difference in profibality position amon**g LAXMI BANK LTD, NIBL**

5. Major Findings:

The major findings of this study during the period of five fiscal years i.e. 063/64 to 067/68 are summarized as follows.

The average major components of the current assets i.e. cash and bank balance, money at call or short notice, loan and advance, government securities and miscellaneous are 5.68%, 5.82%, 64.71%, 20.30% and 3.49% on **LAXMI BANK LTD** and 11.27%, 1.25%, 71.58%, 13.03% and 2.87% on NIBL . It shows that the average cash and bank balance , loan and advance percentages , money at call or short notice, government securities and miscellaneous are higher in **NIBL .**

The liquidity positions of the sample banks are analyzed with the current ratio, quick ratio and cash and bank balance to total deposit ratio. The average current ratio of **LAXMI BANK LTD & NIBL** are 0.93 & 0.92 . Similarly, average quick ratio of **LAXMI BANK LTD, & NIBL** are 0.29 & 0.23 and average cash and bank balance to deposit ratios are 6.94% & 7.94% respectively. **Laxmi Bank** Ltd has highest current and quick ratio and NIBL has highest cash and bank balance ratio.

The average saving deposit to total deposit ratio of **LAXMI BANK LTD, NIBL** and are 43.70% & 41.34% . It shows that Laxmi Bank Ltd has 43.70% deposit on saving account out of total deposit over the study period. Laxmi Bank Ltd has more short term and less costly sources of fund than **NIBL** .

The activity turnover ratio of banks are analyzed with the loan and advance to total deposit ratio, loan and advance to fixed deposit ratio and loan and advance to saving deposit ratio. The average value of loan and advance to total deposit ratio, loan and advance to fixed deposit ratio and loan and advance to saving deposits ratio are 64.33%, 373.75% and 147.11% on **LAXMI BANK LTD** and 68.77%, 287.40% and 170.63% on NIBL . From the analysis, it is found that NIBL is employing its fund more effectively than Laxmi Bank Ltd.

The profitability position of the sample banks are measured by various angles. It measure the strength and efficient of the banks. Average interest earned to total assets ratio, net profit to total assets ratio (ROA), net profit to share holders' equity ratio (ROE), net profit to total deposit ratio and services cost to total deposit ratio are 6.01%, 2.71% , 31.72%,3.18% and 2.81% on **LAXMI BANK LTD;** 5.46%,1.47%,22.07%,1.67% & 2.91%. **LAXMI BANK LTD**'s average interest earned to total deposit and net profit to total deposit ratio are better than NIBL . Laxmi Bank Ltd's average net profit to total assets ratio (ROA) and net profit to shareholders' equity ratio (ROE) are better than NIBL. Average services cost to total deposit ratio of NIBL is better than LAXMI BANK LTD .

Leverage measures the long term solvency position of the sample banks. Average long term debt to net worth ratio is 186.77% and 344.24% on Laxmi Bank Ltd & NIBL. Laxmi Bank Ltd has lowest ratio than NIBL. Similarly, average net fixed assets to long term debt ratio is 11.06%& 9.38% on LAXMI BANK LTD & NIBL. LAXMI BANK LTD has highest ratio than NIBL. Although, both the sample banks have lowest net fixed assets portion as compare to long term debt.

Trend line shows the investment pattern of the sample banks. Trend value of cash and bank balance and loan and advance of LAXMI BANK LTD is positive and money at call or short notice and government securities is negative. It shows that the bank decreased it investment in unproductive sector and increased in productivity sector i.e. loan and advance. NIBL decreased to investment in cash and bank balance, money at call or short notice because it's trend value is negative and trend value of loan and advance and government securities is positive. It implies that NIBL increase its funds on income

generating current assets. trend value of money at call or short notice is negative and cash and bank balance, loan and advance and government securities are positive. It shows the better utilization of fund in current assets.

The trend value of current ratio and quick ratio is negative in LAXMI BANK LTD. It shows that the bank decrease it's fund in current assets and invests in income generating sector. LAXMI BANK LTD's current and quick ratio trend value is positive; it shows that the bank has increased in current assets. 's current and quick ratio trend value is positive and negative respectively; it shows that the bank has increased in current assets and decreased in quick assets. Although, has better liquidity position.

Correlation between government securities and total deposit of NIBL is highly significant; it shows that there is close relationship between two variables. But there is not close Correlation between government securities and total deposit of LAXMI BANK LTD . There is significant correlation between loan and advance and total deposit on LAXMI BANK LTD & NIBL . The banks have been better utilization of their total deposit on loan and advance. There is significant correlation between loan and advance to net profit i.e. increase in loan and advance positive impact in profit. There is positive correlation between cash and cash and bank to current liabilities and highly significant in NIBL but no significant in LAXMI BANK LTD .

From the calculation of hypothesis, the composition of working capital are cash and bank balance, money at call or short notice, loan and advances, government securities and miscellaneous current assets are significantly different. There is significant difference in composition of working capital among LAXMI BANK LTD ., NIBL . Since, the mean value of loan and advance loan and advance on total current assets of the sample banks are significantly high and invest their fund in income generating sectors.

From the calculation of hypothesis, liquidity position of the sample banks' current ratio, quick ratio, cash and bank balance to total deposit ratio and saving deposit to total deposit ratio are significantly different. There is significant difference in liquidity position LAXMI BANK LTD .& NIBL . Since the mean value of current ratio, quick ratio, and saving deposit to total deposit ratio of is higher then LAXMI BANK LTD and NIBL but cash and bank balance to total deposit ratio of is lower. However, liquidity position of is better.

From the calculation of hypothesis, profitability position of the sample banks' interest earned to total assets ratio, net profit to total assets ratio, net profit to share holders' equity ratio, net profit to total deposit ratio, cost of services to total assets ratio and long

term debt to net worth ratio are significantly different but net fixed assets to long term debt ratio is not significant. Although, it is conclude that there is significant difference in profibality position among LAXMI BANK LTD & NIBL . The mean value of interest earned to total assets ratio, net profit to total assets ratio, net profit to total deposit ratio and long term debt to net worth ratio of LAXMI BANK LTDis higher then NIBL but mean value of LAXMI BANK LTD‘s net profit to share holders’ and cost of services to total assets are lower than NIBL . So, average profitability position of LAXMI BANK LTD is sound and manageable than the other.

Chapter-5
SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter explain the summarize of whole study, major findings, conclusion of the study and forward the applicable recommendations for better and efficient management of working capital management of sample banks. The main purpose of this study is to make familiar about the working capital management as well as financial performance of **LAXMI BANK LTD & NIBL** to the reader and interested person.

5.1 Summary

Nepal is the landlocked and least developed country, which is locked between the two most populace countries in the world, namely China and India which is financially developed but the scarcity of capital has been the main cause of underdevelopment of Nepal. For development requires a fixed supply of medium to long-term capital funds for the productive investment. Financial institutions are engaged in mobilization of saving from surplus units and deploy funds into the demand units for productive investment. In this respect, financial market plays important role in mobilizing a constant flow of saving and channeling these financial resources for expanding productive capital in the countries. To increase the place of industrialization with in a country huge amount of capital is needed and at the threshold point actual need of bank or financial institution occurs. Bank is such institutions that collect scattered deposit and advance loans. A bank collects deposit from different individuals and institutions. These collected deposits are mobilized by giving loans to different industries, commercial enterprises, individuals' etc. In this process, Joint venture banks are putting their best effort. Such banks help to transfer foreign investment and advanced technology from one country to another. Nepal has adopted different liberal and free economy policy to encourage such foreign investment in banking sector.

The main objective of the study was to study the analysis of the working capital management as well as financial performance of joint venture banks i.e. **LAXMI BANK LTD** & **NIBL .** Most of the financial decisions of the banks are concerned with the current assets and current liabilities. Working capital management is concerned with current assets and current liabilities. Generally, working capital refers to the difference

between current assets and current liabilities. So, working capital management is one of the important factor of decision making, related to short term financing.

To make this thesis more understandable to the interested party, available data and information are presented in different tables, diagram with appropriate analysis and interoperations. This thesis work has been divided in to five chapters. They are introduction, review of literature, research methodology, presentation and data analysis and finally summary findings and recommendation.

To carry out thesis work secondary data have been used. The necessary data are derived from the balance sheet and profit and loss account of **LAXMI BANK LTD & NIBL** . Only five fiscal years data i.e. 2063/64 to 2067/68 is taken as sample.

To fulfill the objective of this study and specific objective which described in chapter one, an appropriate research methodology has been developed which includes the ratio analysis as financial tools as a financial tools and trend analysis, correlation coefficient and test of hypothesis as statistical tools. The major ratio analysis consists of the composition of working capital position, liquidity position, turnover position, capital structure position and profitability position. To test the relationship between various components of working capital, **Karl Pearson's correlation coefficient r** is calculated and analyzed. Some null hypotheses are sets, calculated and tested the validity by using **F**-test.

5.2 Conclusion:

Working capital components of the sample banks are fluctuating all over the study period. Cash and bank balance, money at call or short notice and miscellaneous current assets cover the small portion of the total current assets. Loan and advance and. government securities cover huge portion of total current asset **LAXMI BANK LTD** invests more in loan and advance to earn more income then other. invests more in government securities to earn more and secured income. It is found that segregates its fund in working capital soundly and manageable.

LAXMI BANK LTD has highest current and quick ratio than **NIBL. LAXMI BANK LTD** is unable to meet the standard although it is better than other bank. However, the samples banks are efficient in the management of the funds but failed to maintain minimum required level of the liquidity. So, the liquidity position of **LAXMI BANK LTD** is better than **NIBL**. Since, it has higher ROE and service cost. Interests earn to

total asset ratio, net profit to total assets ratio (ROA) of **LAXMI BANK LTD** is higher then **NIBL** . Over all study of the working capital management of the sample banks are sound and manageable. **LAXMI BANK LTD** is better than **NIBL .**

5.3 Recommendations:

On the basis of analysis and major findings of the study following recommendations are made.

1. **LAXMI BANK LTD** segregates low portion in the loan and advance, so it is unable to maximize the shareholders' value. **LAXMI BANK LTD** must have to increase loan and advance portion from 64.71% to 75%. The bank should have to improve its current investment policy about loan and advance.
2. All the sample banks' liquidity position is not good even . Their current and quick ratio is very low then the normal standard. They will have to face liquidity problem in the near future. It is better, as soon as the , **LAXMI BANK LTD** and **NIBL** maintain the standard by increasing current and quick assets.
3. Saving deposit is the less cost bearing fund, so it is beneficial that higher saving deposit increasing the profit and decreasing the fund cost. **LAXMI BANK LTD and NIBL** have 50% under saving to total deposit ratio. So the banks must increase the saving deposit. Other side, **LAXMI BANK LTD** and have lower cash and bank balance to total deposit ratio and it is suggest that the bank must increase the cash and bank balance to maintain the liquidity position.
4. Activity turn over ratio is fluctuating all over the study period. **LAXMI BANK LTD** used very low percentage of total deposit in loan and advance. Similarly, fixed assets turnover position of **NIBL** is not satisfactory. Due to the poor turnover position the chances of bad debts and non earning idle fund are high. So the bank should have to give proper attention. Both banks have improved and change their investment policy to utilize funds in more productivity sectors.
5. Profitability positions of the sample banks are not reasonable. Interest earned to total assets ratio of and return on assets (**ROA),** return on equity **(ROE),** net profit to total deposit, services cost to total assets ratio of **NIBL** is not satisfactory. So, the two banks should give proper attention to improve investment policy and utilize funds in income generating sector.

6. Both the banks' profitability position is not satisfactory. It is due to high cost of the fund. So, the bank should reduce fund cost through increasing non interest bearing fund.
7. By adopting the matching working capital management policy instead of adopting conservative working capital policy, the banks can improve in its profitability in the short-run as well as in the long run.

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Appendices - 1

(I) **Liquidity Ratio:**

(a) Cash and Bank Balance to Current Assets Ratio

$$\textit{Cash and Bank balance to Total current assets ratio} = \frac{\textit{Cash and Bank balance}}{\textit{Total Current Assets}} X \quad 100\%$$

(Rs. in Millions)

	NIBL BANK			LAXMI BANK		
Year	**Cash & Bank**	**Current Assets**	**Ratio (%)**	**Cash & Bank**	**Current Assets**	**Ratio (%)**
2065/66	926.53	7517.89	12.32	1144.77	13888.30	8.24
2066/67	1226.92	11144.33	11.01	970.49	14244.04	6.81
2067/68	1340.49	13967.78	9.60	559.38	14971.80	3.74
2068/69	2336.52	17906.12	13.05	630.24	18133.81	3.48
2069/70	2441.51	23580.96	10.35	1399.83	22829.53	6.13
Mean			**11.27**			**5.68**

Appendices - 2

(b) Money at Call or Short-Notice to Current Assets Ratio

$$\textit{Money at Call to Total Current Asset Ratio} = \frac{\textit{Money at Call}}{\textit{Total Current Assets}} X \quad 100\%$$

(Rs. in Millions)

	NIBL BANK			LAXMI BANK		
Year	**Money at Call**	**Current Assets**	**Ratio (%)**	**Money at Call**	**Current Assets**	**Ratio (%)**
2065/66	40	7517.89	0.54	670.20	13888.30	4.83
2066/67	310	11144.33	2.78	918.73	14244.04	6.45
2067/68	140	13967.78	1.00	868.43	14971.80	5.80
2068/69	70	17906.12	0.39	1734.90	18133.81	9.57
2069/70	362.97	23580.96	1.54	563.53	22829.53	2.47
Mean			**1.25**			**5.82**

Appendices – 3

(c) Loan & Advances to Current Assets Ratio

$$\text{Loan \& Advance to Total Current Asset Ratio} = \frac{\text{Loan \& Advance}}{\text{Total Current Assets}} \times 100\%$$

(Rs. in Millions)

	NIBL BANK			LAXMI BANK		
Year	**Loan & Advance**	**Current Assets**	**Ratio (%)**	**Loan & Advance**	**Current Assets**	**Ratio (%)**
2065/66	5772.14	7517.89	76.78	7775.95	13888.30	55.99
2066/67	7130.13	11144.33	63.98	8189.99	14244.04	57.50
2067/68	10126.06	13967.78	72.50	10586.17	14971.80	70.70
2068/69	12776.21	17906.12	71.35	12922.54	18133.81	71.25
2069/70	17286.43	23580.96	73.31	15545.78	22829.53	68.10
Mean			**71.58**			**64.71**

Appendices – 4

(d) Investment on Government Securities to Current Assets Ratio

$$\text{Government Securities to Total Current Asset Ratio} = \frac{\text{Government Securities}}{\text{Total Current Assets}} \times 100\%$$

(Rs. in Millions)

	NIBL BANK			LAXMI BANK		
Year	**Inv. On Govt. Sec.**	**Current Assets**	**Ratio (%)**	**Inv. on Govt. Sec.**	**Current Assets**	**Ratio (%)**
2065/66	400.00	7517.89	5.32	3588.77	13888.30	25.84
2066/67	2001.10	11144.33	17.96	3672.63	14244.04	25.78
2067/68	1948.50	13967.78	13.95	2413.94	14971.80	16.13
2068/69	2522.30	17906.12	14.09	2301.46	18133.81	12.70
2069/70	3256.40	23580.96	13.81	4808.34	22829.53	21.06
Mean			**13.03**			**20.30**

Appendices - 5

(e) Miscellaneous Current Assets ratio:-

$$\textit{Miscellaneous Current Assets Ratio} = \frac{\textit{Miscellaneous Current Assets}}{\textit{Current Assets}}$$

(Rs in Millions)

	NIBL BANK			LAXMI BANK		
Year	**Misc.C.A**	**Current Assets**	**Ratio (%)**	**Misc.C.A**	**Current Assets**	**Ratio (%)**
2065/66	379.22	7517.89	5.04	708.61	13888.30	5.10
2066/67	476.18	11144.33	4.27	492.20	14244.04	3.46
2067/68	412.73	13967.78	2.95	543.88	14971.80	3.63
2068/69	201.09	17906.12	1.12	544.67	18133.81	3.00
2069/70	233.67	23580.96	0.99	512.05	22829.53	2.24
Mean			**2.87**			**3.49**

Appendices - 6

(f) Current Ratio:

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

(*Rs in Millions)*

Fiscal Year	**LAXMI BANK LTD**			**NIBL**		
	CA	**CL**	**Ratio**	**CA**	**CL**	**Ratio**
065/66	13868.30	15135.42	0.92	7517.89	8359.46	0.90
066/67	14244.04	15153.01	0.94	11144.33	12506.95	0.89
067/68	14971.80	15420.81	0.97	13967.78	15078.84	0.93
068/69	18133.81	20351.95	0.89	17906.12	19350.83	0.93
069/70	22829.53	25095.29	0.91	23580.98	24899.12	0.95
Average			0.93			0.92
Total Average of the sample banks = 0.925						

Appendices - 7

(g) **Quick Ratio:**

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

(Rs in Millions)

Fiscal Year	**LAXMI BANK LTD**			**NIBL**		
	QA	CL	Ratio	QA	CL	Ratio
065/66	5403.74	15135.42	0.36	1366.53	8359.46	0.16
066/67	5561.85	15153.01	0.37	3538.02	12506.95	0.28
067/68	3841.75	15420.81	0.25	3428.99	15078.84	0.23
068/69	4666.60	20351.95	0.23	4928.82	19350.83	0.25
069/70	6771.70	25095.29	0.27	6060.88	24899.12	0.24
Average			0.30			0.23
Total Average of the sample banks =0..265						

Appendices – 8

(II) **Assets management Ratio:**

(a) Cash and Bank Balance to Total Deposit Ratio**:**

$$\textit{Cash and Bank balance to Total Deposit Ratio} = \frac{\textit{Cash and Bank balance}}{\textit{Total Deposit}} \; X \; 100\%$$

Cash & Bank balance to Total Deposit Ratio (%) In million						
Fiscal	**LAXMI BANK LTD**			**NIBL**		
Year	CBB	TD	Ratio	CBB	TD	Ratio
065/66	1144.77	11195.11	10.23	926.53	6249.93	14.82
066/67	970.49	11808.47	8.22	1226.92	9230.00	13.29
067/68	559.38	12508.07	4.47	1340.49	11042.30	12.14
068/69	630.24	15898.31	3.96	2336.52	13514.34	17.29
069/70	1399.83	17907.10	7.82	2441.51	16972.17	14.39
Average			6.94			14.39
Total Average of the sample banks =				10.665		

Appendices – 9

(b) Saving Deposit to Total Deposit Ratio:

$$\textit{Saving Deposit to Total Deposit Ratio} = \frac{\textit{Total Saving Deposit}}{\textit{Total Deposit}} \; X \; 100\%$$

Saving to Total Deposit Ratio (%)

Fiscal Year	LAXMI BANK LTD			NIBL		
	SD	TD	Ratio	SD	TD	Ratio
065/66	5229.72	13447.65	38.89	2434.05	7922.75	30.72
066/67	5994.12	14119.03	42.45	4886.10	11524.68	42.40
067/68	7026.34	14586.61	48.17	6702.55	14254.57	47.02
068/69	8770.76	19347.40	45.33	8081.98	18927.31	42.70
069/70	10187.35	23342.29	43.64	10742.33	24488.86	43.87
Average			43.70			41.34
Total Average of the sample banks = 42.52						

Appendices – 10

(c) Loan and Advances to Total Deposit Ratio: -

$$\textit{Loan and Advance to Total Deposit Ratio} = \frac{\textit{Loan and Advance}}{\textit{Total Deposit}} \; X \; 100\%$$

(Rs. in Millions)

Loan & Advance to Total Deposit Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	L&A	TD	Ratio	L&A	TD	Ratio
065/66	7755.95	13447.65	57.68	5772.14	7922.75	72.86
066/67	8189.99	14119.03	58.01	7130.13	11524.68	61.87
067/68	10586.17	14586.61	72.57	10126.06	14254.57	71.04
068/69	12922.54	19347.40	66.79	12776.21	18927.31	67.50
069/70	15545.78	23342.29	66.60	17286.43	24488.86	70.59
Average			64.33			68.77
Total Average of the sample banks = 66.55						

Appendices - 11

(d) Loan and Advance to Fixed Deposit Ratio

$$\textit{Loan and Advance to Fixed Deposit Ratio} = \frac{\textit{Loan and Advance}}{\textit{Fixed Deposit}} \; X \; 100\%$$

(Rs. in Millions)

Loan & Advance to Fixed Deposit Ratio

Fiscal Year	**LAXMI BANK LTD**			**NIBL**		
	L&A	FD	Ratio	L&A	FD	Ratio
065/66	7755.95	2252.54	344.32	5772.14	1672.82	345.05
066/67	8189.99	2310.57	354.46	7130.13	2294.68	310.72
067/68	10586.17	2078.54	509.31	10126.06	3212.27	315.23
068/69	12922.54	3449.09	374.67	12776.21	5412.97	236.03
069/70	15545.78	5435.19	286.02	17286.43	7516.69	229.97
Average			373.75			287.40
Total Average of the sample banks = 330.575						

Appendices – 12

(e) Loan and Advance to Saving Deposit Ratio**:**

$$\textit{Loan and Advance to Saving Deposit Ratio} = \frac{\textit{Loan and Advance}}{\textit{Saving Deposit}} \; X \; 100\%$$

(Rs. in Millions)

Loan & Advance to Saving Deposit Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	L&A	SD	Ratio	L&A	SD	Ratio
065/66	7755.95	5229.72	148.31	5772.14	2434.05	237.14
066/67	8189.99	5994.12	136.63	7130.13	4886.10	145.93
067/68	10586.17	7026.34	150.66	10126.06	6702.55	151.08
068/69	12922.54	8770.76	147.34	12776.21	8081.98	158.08
069/70	15545.78	10187.35	152.60	17286.43	10742.33	160.92
Average			147.11			170.63
Total Average of the sample banks =158.87						

Appendices - 13

(III) **Capital Structure or Leverage Ratio**

(a) Long term debt to Net worth Ratio:

$$\textit{Long term Debt to Net worth Ratio} = \frac{\textit{Long term Debt}}{\textit{Net worth}} \; X \; 100\%$$

(Rs. in Millions)

Long-term Debt to Net worth Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	LTD	NW	Ratio	LTD	NW	Ratio
065/66	2365.55	1314.18	180.00	1689.07	638.53	264.52
066/67	2421.37	1481.68	163.42	2314.18	729.05	317.42
067/68	2186.42	1657.64	131.90	3227.32	1180.17	273.46
068/69	3551.52	1874.99	189.42	5976.84	1415.44	422.26
069/70	5536.24	2057.05	269.13	8330.29	1878.12	443.54
Average			186.77			344.24
Total Average of the sample banks = 265.505						

Appendices – 14

(b) Net Fixed Assets to Long term Debt Ratio

$$\textit{Net fixed Assets to Long term Debt Ratio} = \frac{\textit{Net Fixed Assets}}{\textit{Long term Debt}} \; X \;\; 100\%$$

(Rs. in Millions)

Net-Fixed Assets to Long term Debt Ratio

Fiscal Year	**LAXMI BANK LTD**			**NIBL**		
	NFA	LTD	Ratio	NFA	LTD	Ratio
065/66	251.91	2365.55	10.65	191.11	1689.07	11.31
066/67	338.13	2421.37	13.96	249.79	2314.18	10.79
067/68	361.24	2186.42	16.52	320.59	3227.32	9.93
068/69	319.09	3551.52	8.98	343.45	5976.84	5.75
069/70	286.90	5536.24	5.18	759.46	8330.29	9.12
Average			11.06			9.38
Total Average of the sample banks = 10.22						

Appendices – 15

(IV) **Profitability Ratio**

(a) Interest Earned to Total Assets Ratio

$$\textit{Interest Earned to Total Assets Ratio} = \frac{\textit{Interest Earned}}{\textit{Total assets}} \; X \;\; 100\%$$

Interest Earned to Total Assets Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	IE	TA	Ratio	IE	TA	Ratio
065/66	1017.87	16562.61	6.15	459.51	9014.24	5.10
066/67	1001.62	16745.49	5.98	731.40	13255.50	5.52
067/68	1068.75	17186.33	6.22	886.80	16274.06	5.45
068/69	1310.00	22329.37	5.87	1172.74	21330.14	5.50
069/70	1587.76	27253.39	5.83	1584.99	27590.84	5.74
Average			6.01			5.46
Total Average of the sample banks = 5.735						

Appendices – 16

(b) Net Profit to Total Assets Ratio

$$\textit{Net Profit to Total Assets Ratio} = \frac{\textit{Net Profit}}{\textit{Total Assets}} \; X \; 100\%$$

(Rs. in Millions)

Net Profit to Total Asset Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	NPAT	TA	Ratio	NPAT	TA	Ratio
065/66	416.25	16562.61	2.51	116.82	9014.24	1.30
066/67	455.31	16745.49	2.72	152.67	13255.50	1.15
067/68	518.63	17186.33	3.02	232.14	16274.06	1.43
068/69	635.26	22329.37	2.84	350.52	21330.14	1.64
069/70	673.96	27253.39	2.47	501.40	27590.84	1.82
Average			2.71			1.47
Total Average of the sample banks = 2.09						

Appendices – 17

(c) Net Profit to Shareholders' Equity Ratio

$$\textit{Net Profit to Shareholders' Equity Ratio} = \frac{\textit{Net Profit after Tax}}{\textit{Net Worth}} \; X \; 100\%$$

(Rs. in Millions)

Net Profit to Shareholders' Equity Ratio

Fiscal Year	**LAXMI BANK LTD**			**NIBL**		
	NPAT	NW	Ratio	NPAT	NW	Ratio
065/66	416.25	1314.18	31.67	116.82	638.53	18.30
066/67	455.31	1481.68	30.73	152.67	729.05	20.94
067/68	518.63	1657.64	31.29	232.14	1180.17	19.67
068/69	635.26	1874.99	33.88	350.52	1415.44	24.76
069/70	637.96	2057.05	31.01	501.40	1878.12	26.70
Average			31.72			22.07
Total Average of the sample banks = 26.895						

Appendices – 18

(d) Net Profit to Total Deposit Ratio

$$\textit{Net Profit to Total Deposit Ratio} = \frac{\textit{Net Profit after Tax}}{\textit{Total Deposit}} \; X \; 100\%$$

(Rs. in Millions)

Net Profit to Total Deposit Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	NPAT	TD	Ratio	NPAT	TD	Ratio
065/66	416.25	13447.65	3.10	116.82	7922.75	1.47
066/67	455.31	14119.03	3.22	152.67	11524.68	1.32
067/68	518.63	14586.61	3.56	232.14	14254.57	1.63
068/69	635.26	19347.40	3.28	350.52	18927.31	1.85
069/70	637.96	23342.29	2.73	501.40	24488.86	2.05
Average			3.18			1.67
Total Average of the sample banks = 2.425						

Appendices - 19

(e) Services Cost to Total Deposit Ratio

$$\textit{Services Cost to Total Assets Ratio} = \frac{\textit{Services Cost}}{\textit{Total Assets}} \; X \; 100\%$$

(Rs. in Millions)

Services Cost to Total Assets Ratio

Fiscal Year	LAXMI BANK LTD			NIBL		
	SC	TA	Ratio	SC	TA	Ratio
065/66	527.93	16562.61	3.19	250.50	9014.24	2.78
066/67	463.78	16745.49	2.77	415.95	13255.50	3.14
067/68	443.06	17186.33	2.58	451.55	16274.06	2.77
068/69	576.94	22329.37	2.58	611.61	21330.14	2.87
069/70	795.87	27253.39	2.92	830.90	27590.84	3.01
Average			2.81			2.91
Total Average of the sample banks = 2.86						

Appendix-20

Calculation of Trend Value of Cash and Bank Balance to Current Assets Ratio

F.Y. (X)	X^2	LAXMI BANK			NIBL		
		Y_1	XY_1	$Yc_{1=a+bx}$	Y_2	XY_2	$Yc_{2=a+bx}$
-2	4	8.24	-16.5	7.19	12.32	-24.64	11.46
-1	1	6.81	-6.81	6.44	11.01	-11.01	11.46
0	0	3.74	0	5.68	9.60	0.00	11.27
1	1	3.48	3.48	4.93	13.05	13.05	11.08
2	4	6.13	12.26	4.17	10.35	20.7	10.89
	$\Sigma X^2=$ 10	$\Sigma Y_1=$ 28.40	$\Sigma XY_1=$ -7.55		$\Sigma Y_2=$ 56.33	$\Sigma XY_2=$ -1.90	56.14

LAXMI BANK

$$a=\frac{\Sigma Y_1}{N}=\frac{28.40}{5}=5.68 \qquad b=\frac{\Sigma XY_1}{\Sigma X^2}=\frac{-7.55}{10}=-0.76$$

NIBL

$$a=\frac{\Sigma Y_2}{N}=\frac{56.33}{5}=11.266 \qquad b=\frac{\Sigma XY_2}{\Sigma X^2}=\frac{-1.9}{10}=-0.19$$

Appendix-21

Calculation of Trend Value of Money at call or short notice to Current Assets Ratio

F.Y. (X)	X^2	LAXMI BANK			NIBL		
		Y_1	XY_1	$Yc_{1=a+bx}$	Y_2	XY_2	$Yc_{2=a+bx}$
-2	4	4.83	-9.66	6.14	0.54	-1.08	1.29
-1	1	6.45	-6.45	5.98	2.78	-2.78	1.29
0	0	5.80	0	5.82	1.00	0.00	1.25
1	1	9.57	9.57	5.66	0.39	0.39	1.21
2	4	2.47	4.94	5.50	1.54	3.08	1.17
	$\Sigma X^2=$ 10	$\Sigma Y_1=$ 29.12	$\Sigma XY_1=$ -1.6		$\Sigma Y_2=$ 6.25	$\Sigma XY_2=$ -0.39	6.21

LAXMI BANK

$$a=\frac{\Sigma Y_1}{N}=\frac{29.12}{5}=5.824 \qquad b=\frac{\Sigma XY_1}{\Sigma X^2}=\frac{-1.6}{10}=-0.16$$

NIBL

$$a=\frac{\Sigma Y_2}{N}=\frac{6.25}{5}=1.25 \qquad b=\frac{\Sigma XY_2}{\Sigma X^2}=\frac{-0.39}{10}=-0.039$$

Appendix-22

Calculation of Trend Value of Loan and advance to Current Assets Ratio

F.Y. (X)	X^2	LAXMI BANK			NIBL		
		Y_1	XY_1	$Yc_{1=a+bx}$	Y_2	XY_2	$Yc_{2=a+bx}$
-2	4	55.99	-112	57.11	76.78	-153.6	71.54
-1	1	57.50	-57.5	60.91	63.98	-63.98	71.54
0	0	70.70	0	64.71	72.50	0.00	71.58
1	1	71.25	71.25	68.51	71.35	71.35	71.63
2	4	68.10	136.2	72.30	73.31	146.62	71.67
	$\Sigma X^2=$ 10	$\Sigma Y_1=$ 323.54	$\Sigma XY_1=$ 37.97		$\Sigma Y_2=$ 357.9	$\Sigma XY_2=$ 0.43	357.96

LAXMI BANK

$$a=\frac{\Sigma Y_1}{N}=\frac{323.54}{5}=64.71$$

$$b=\frac{\Sigma XY_1}{\Sigma X^2}=\frac{37.97}{10}=3.80$$

NIBL

$$a=\frac{\Sigma Y_2}{N}=\frac{357.9}{5}=71.584$$

$$b=\frac{\Sigma XY_2}{\Sigma X^2}=\frac{0.43}{10}=0.043$$

Appendix-23

Calculation of Trend Value of Government securities to Current Assets Ratio

F.Y. (X)	X^2	LAXMI BANK			NIBL		
		Y_1	XY_1	$Yc_{1=a+bx}$	Y_2	XY_2	$Yc_{2=a+bx}$
-2	4	25.84	-51.7	24.83	5.32	-10.64	11.72
-1	1	25.78	-25.8	22.57	17.96	-17.96	11.72
0	0	16.13	0	20.30	13.95	0.00	13.03
1	1	12.70	12.7	18.04	14.09	14.09	14.34
2	4	21.06	42.12	15.77	13.81	27.62	15.65
	$\Sigma X^2=$ 10	$\Sigma Y_1=$ 101.51	$\Sigma XY_1=$ -22.6		$\Sigma Y_2=$ 65.13	$\Sigma XY_2=$ 13.11	66.44

LAXMI BANK

$$a=\frac{\Sigma Y_1}{N}=\frac{101.51}{5}=20.3$$

$$b=\frac{\Sigma XY_1}{\Sigma X^2}=\frac{-22.64}{10}=-2.26$$

NIBL

$$a=\frac{\Sigma Y_2}{N}=\frac{65.13}{5}=13.026$$

$$b=\frac{\Sigma XY_2}{\Sigma X^2}=\frac{13.11}{10}=1.311$$

Appendix-24

Calculation of Trend Value of Current Assets Ratio

F.Y. (X)	X^2	LAXMI BANK			NIBL		
		Y_1	XY_1	$Yc_{1=a+bx}$	Y_2	XY_2	$Yc_{2=a+bx}$
-2	4	0.92	-1.84	0.94	0.90	-1.8	0.91
-1	1	0.94	-0.94	0.93	0.89	-0.89	0.91
0	0	0.97	0	0.93	0.93	0.00	0.92
1	1	0.89	0.89	0.92	0.93	0.93	0.93
2	4	0.91	1.82	0.91	0.95	1.9	0.95
	$\Sigma X^2=$ 10	$\Sigma Y_1=$ 4.63	$\Sigma XY_1=$ -0.07		$\Sigma Y_2=$ 4.6	$\Sigma XY_2=$ 0.14	4.61

LAXMI BANK

$$a=\frac{\Sigma Y_1}{N}=\frac{4.63}{5}=0.926$$

$$b=\frac{\Sigma XY_1}{\Sigma X^2}=\frac{-0.07}{10}=-0.01$$

NIBL

$$a=\frac{\Sigma Y_2}{N}=\frac{4.6}{5}=0.92$$

$$b=\frac{\Sigma XY_2}{\Sigma X^2}=\frac{0.14}{10}=0.014$$

Appendix-25

Calculation of Trend Value of Quick Ratio

F.Y. (X)	X^2	LAXMI BANK			NIBL		
		Y_1	XY_1	$Yc_{1=a+bx}$	Y_2	XY_2	$Yc_{2=a+bx}$
-2	4	0.36	-0.72	0.36	0.16	-0.32	0.22
-1	1	0.37	-0.37	0.33	0.28	-0.28	0.22
0	0	0.25	0	0.30	0.23	0.00	0.23
1	1	0.23	0.23	0.26	0.25	0.25	0.25
2	4	0.27	0.54	0.23	0.24	0.48	0.26
	$\Sigma X^2=$ 10	$\Sigma Y_1=$ 1.48	$\Sigma XY_1=$ -0.32		$\Sigma Y_2=$ 1.16	$\Sigma XY_2=$ 0.13	1.17

LAXMI BANK

$$a=\frac{\Sigma Y_1}{N}=\frac{1.48}{5}=0.296$$

$$b=\frac{\Sigma XY_1}{\Sigma X^2}=\frac{-0.32}{10}=-0.03$$

NIBL

$$a=\frac{\Sigma Y_2}{N}=\frac{1.16}{5}=0.232$$

$$b=\frac{\Sigma XY_2}{\Sigma X^2}=\frac{0.13}{10}=0.013$$

Appendix-26(A)

Calculatuon of Correlation Coefficient between Government Securities & Total Deposit of Laxmi Bank

GS(X)	TD(Y)	x=(X-)	x^2	y=(Y- $\overline{Y}$	y^2	xy
3588.77	11195.11	231.74	53704.35	#######	7119835.56	-618357.64
3672.63	11808.47	315.60	99604.62	#######	4222786.62	-648543.81
2413.94	12508.07	-943.09	889414.98	#######	1836951.94	1278206.78
2301.46	15898.31	-1055.57	1114223.80	2034.90	4140809.87	-2147973.21
4808.34	17907.10	1451.31	2106306.52	4043.69	16351412.64	5868652.92
ΣX= 16785.14	ΣY= 69317.06		Σx^2= 4263254.28		Σy^2= 33671796.64	Σxy= 3731985.04

$= \frac{\sum X}{N} = \frac{16785.14}{5} =$ 3357.028

$\overline{Y} = \frac{\sum Y}{N} = \frac{69317.06}{5} =$ 13863.412

Correlation, $r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{3731985.04}{11981295.05} =$ 0.31

PEr= $\left(0.6745 \frac{1-r2}{\sqrt{N}}\right)$ = 0.6745 $\frac{0.902977545}{2.2361}$ = 0.27

6PEr: 1.63

Appendix-26(B)

Calculatuon of Correlation Coefficient between Government Securities & Total Deposit of NIBL

GS(X)	TD(Y)	x=(X- $\overline{X}$	x^2	y=(Y- $\overline{Y}$	y^2	xy
400.00	6249.93	-1625.66	2642770.44	#######	26541228.71	8375104.45
2001.10	9230.00	-24.56	603.19	#######	4716489.38	53338.13
1948.50	11042.30	-77.16	5953.67	-359.45	129202.86	27735.01
2522.30	13514.34	496.64	246651.29	2112.59	4463044.96	1049197.69
3256.40	16972.17	1230.74	1514720.95	5570.42	31029601.26	6855741.17
ΣX= 10128.30	ΣY= 57008.74		Σx^2= 4410699.53		Σy^2= 66879567.16	Σxy= 16361116.45

$\overline{X} = \frac{\sum X}{N} = \frac{10128.3}{5} =$ 2025.66

$\overline{Y} = \frac{\sum Y}{N} = \frac{57008.74}{5} =$ 11401.748

Correlation, $r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{16361116.45}{17175147.03} =$ 0.95

PEr= $\left(0.6745 \frac{1-r2}{\sqrt{N}}\right)$ = 0.6745 $\frac{0.092545321}{2.2361}$ = 0.03

Appendix-27(A)

Calculatuon of Correlation Coefficient between Loan & Advance and Total Deposit of Laxmi Bank

LA(X)	TD(Y)	x=(X $\overline{X}$	x^2	y=(Y- $\overline{Y}$	y^2	xy
7755.95	11195.11	-3244.14	10524418.39	#######	7119835.56	8656334.58
8189.99	11808.47	-2810.10	7896639.53	#######	4222786.62	5774584.29
10586.17	12508.07	-413.92	171326.46	#######	1836951.94	560997.74
12922.54	15898.31	1922.45	3695829.38	2034.90	4140809.87	3911997.80
15545.78	17907.10	4545.69	20663333.94	4043.69	16351412.64	18381368.28
ΣX= 55000.43	ΣY= 69317.06		Σx^2= 42951547.69		Σy^2= 33671796.64	Σxy= 37285282.69

$$\overline{X} = \frac{\sum X}{N} = \frac{55000.43}{5} = 11000.09$$

$$\overline{Y} = \frac{\sum Y}{N} = \frac{69317.06}{5} = 13863.41$$

$$\text{Correlation, } r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{37285282.69}{38029669.72} = 0.98$$

$$\text{PEr} = \left(0.6745 \frac{1-r^2}{\sqrt{N}}\right) = 0.6745 \quad \frac{0.03876}{2.2361} = 0.01$$

6PEr: 0.070

Appendix-27(B)

Calculatuon of Correlation Coefficient between Loan & Advance and Total Deposit of NIBL

LA(X)	TD(Y)	x=(X- $\overline{X}$	x^2	y=(Y- $\overline{Y}$	y^2	xy
5772.14	6249.93	-4846.05	23484239.37	#######	26541228.71	24965988.23
7130.13	9230.00	-3488.06	12166590.47	#######	4716489.38	7575196.02
10126.06	11042.30	-492.13	242195.87	-359.45	129202.86	176896.58
12776.21	13514.34	2158.02	4657033.06	2112.59	4463044.96	4559007.34
17286.43	16972.17	6668.24	44465371.35	5570.42	31029601.26	37144888.52
ΣX= 53090.97	ΣY= 57008.74		Σx^2= 85015430.12		Σy^2= 66879567.16	Σxy= 74421976.68

$$\overline{X} \quad \frac{\sum X}{N} = \frac{53090.97}{5} = 10618.19$$

$$\overline{Y} = \frac{\sum Y}{N} = \frac{57008.74}{5} = 11401.75$$

$$\text{Correlation, } r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{74421976.68}{75404211.88} = 0.99$$

$$\text{PEr} = \left(0.6745 \frac{1-r^2}{\sqrt{N}}\right) = 0.6745 \quad \frac{0.02588}{2.2361} = 0.01$$

6PEr: 0.05

Appendix-28(A)

Calculatuon of Correlation Coefficient between Loan & advance and Net Profit of Laxmi Bank

LA(X)	NP(Y)	x=(X- $\overline{X}$)	x^2	y=(Y- $\overline{Y}$)	y^2	xy
7755.95	416.25	-3244.14	10524418.39	-123.63	15284.87	401079.02
8189.99	455.31	-2810.10	7896639.53	-84.57	7152.42	237655.44
10586.17	518.63	-413.92	171326.46	-21.25	451.65	8796.54
12922.54	635.26	1922.45	3695829.38	95.38	9096.96	183359.82
15545.78	673.96	4545.69	20663333.94	134.08	17976.91	609477.56
ΣX= 55000.43	ΣY= 2699.41		Σx^2= 42951547.69		Σy^2= 49962.82	Σxy= 1440368.38

$$\overline{X} \quad \frac{\sum X}{N} = \frac{55000.43}{5} = 11000.09$$

$$\overline{Y} = \frac{\sum Y}{N} = \frac{2699.41}{5} = 539.88$$

$$\text{Correlation, } r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{1440368.38}{1464916.46} = 0.98$$

$$\text{PEr} = \left(0.6745 \frac{1-r^2}{\sqrt{N}}\right) = 0.6745 \quad \frac{0.033233839}{2.2361} = 0.01$$

6PEr: 0.06

Appendix-28(B)

Calculatuon of Correlation Coefficient between Loan & advance and Net Profit of NIBL

LA(X)	NP(Y)	x=(X- $\overline{X}$)	x^2	y=(Y- $\overline{Y}$)	y^2	xy
5772.14	116.82	-4846.05	23484239.37	-153.89	23682.13	745759.25
7130.13	152.67	-3488.06	12166590.47	-118.04	13933.44	411731.07
10126.06	232.14	-492.13	242195.87	-38.57	1487.64	18981.61
12776.21	350.52	2158.02	4657033.06	79.81	6369.64	172231.26
17286.43	501.40	6668.24	44465371.35	230.69	53217.88	1538295.36
ΣX= 53090.97	ΣY= 1353.55		Σx^2= 85015430.12		Σy^2= 98690.73	Σxy= 2886998.55

$$\overline{X} \quad \frac{\sum X}{N} = \frac{53090.97}{5} = 10618.194$$

$$\overline{Y} = \frac{\sum Y}{N} = \frac{1353.55}{5} = 270.71$$

$$\text{Correlation, } r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{2886998.55}{2896590.22} = 0.997$$

$$\text{PEr} = \left(0.6745 \frac{1-r^2}{\sqrt{N}}\right) = 0.6745 \quad \frac{0.00661}{2.2361} = 0.002$$

6PEr: 0.01

Appendix-29(A)

Calculatuon of Correlation Coefficient between Cash & Bank Balance and Current Liabilities of Laxmi Bank

CBB(X)	CL(Y)	x=(X- $\overline{X}$	x^2	y=(Y- $\overline{Y}$	y^2	xy
1144.77	15135.42	203.83	41545.85	#######	9584448.21	-631026.21
970.49	15153.01	29.55	873.08	#######	9475844.70	-90957.19
559.38	15420.81	-381.56	145589.56	#######	7898831.56	1072374.66
630.24	20351.95	-310.70	96535.73	2120.65	4497173.39	-658891.44
1399.83	25095.29	458.89	210578.20	6863.99	47114413.63	3149804.48
ΣX= 4704.71	ΣY= 91156.48		Σx^2= 495122.43		Σy^2= 78570711.48	Σxy= 2841304.29

$$\overline{X} = \frac{\sum X}{N} = \frac{4704.71}{5} = 940.94$$

$$\overline{Y} = \frac{\sum Y}{N} = \frac{91156.48}{5} = 18231.30$$

$$\text{Correlation, } r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{2841304.29}{6237156.51} = 0.46$$

$$\text{PEr} = \left(0.6745 \frac{1-r^2}{\sqrt{N}}\right) = 0.6745 \quad \frac{0.792479}{2.2361} = 0.24$$

6PEr: 1.43

Appendix-29(B)

Calculatuon of Correlation Coefficient between Cash & Bank Balance and Current Liabilities of NIBL

CBB(X)	CL(Y)	x=(X- $\overline{X}$	x^2	y=(Y- $\overline{Y}$	y^2	xy
926.53	8359.46	-727.86	529786.00	#######	58975948.98	5589689.82
1226.92	12506.95	-427.47	182734.02	#######	12475659.77	1509876.64
1340.49	15078.84	-313.90	98535.72	-960.20	921984.04	301410.62
2336.52	19350.83	682.13	465295.88	3311.79	10967953.00	2259058.07
2441.51	24899.12	787.12	619551.60	8860.08	78501017.61	6973910.73
ΣX= 8271.97	ΣY= 80195.20		Σx^2= 1895903.22		Σy^2= 161842563.40	Σxy= 16633945.87

$$\overline{X} = \frac{\sum X}{N} = \frac{8271.97}{5} = 1654.394$$

$$\overline{Y} = \frac{\sum Y}{N} = \frac{80195.2}{5} = 16039.04$$

$$\text{Correlation, } r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{16633945.87}{17516787.30} = 0.95$$

$$\text{PEr} = \left(0.6745 \frac{1-r^2}{\sqrt{N}}\right) = 0.6745 \quad \frac{0.0982593}{2.2361} = 0.03$$

6PEr: 0.18