WORKING CAPITAL MANAGEMENT OF NEPALESE COMPANIES

A THESIS

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RECOMMENDATION

This is to certify that this thesis

Submitted by :-

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"Working Capital Management of Nepalese Companies"

Has been prepared as approved this department in the prescribed format of Faculty of Management. This thesis is forwarded fork examination.

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DECLARATION

I hereby, declare that this thesis entitled "**Working Capital Management of Nepalese Companies**" submitted to Central Department of Management T.U. Kirtipur, faculty of Management, T.U., is my original work done in the form of partial fulfillment of the requirements for the Master's Degree in Business studies (MBS) under the supervision of **Ass. Prof. Ajay Prasad Dhakal**, Central Department of Management T.U. Kirtipur.

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LIST OF ABBREVIATIONS

ATM	-	Automatic Teller Machine
B.S	-	Bikram Sambat
C.A.	-	Current Assets
CBCAE	-	Cash and Bank Balance to Current Ratio
CATA	-	Current Assets to Total Assets
CBTDR	-	Cash and Bank Balance to Total Deposit Ratio
IOGCAR	-	Investment on Government Securities to Current Assets Ratio
C.L	-	Current Liabilities
C.R	-	Current Ratio
FA	-	Fixed Assets
C.V.	-	Co-efficient of Variation
NBL	-	Nepal Bank Limited
RBBL	-	Rastrya Banijya Bank
NIBL	-	Nepal Investment Bank Limited
SCBNL	-	Standard Chartered Bank Limited
HBL	-	Himaliyan Bank Limited
SBI	-	Investment Bank Limited
DSK	-	Dhaka Stock Exchange
NBBL	-	Nepal Bangladesh Bank Limited
EBL	-	Everest Bank Limited
F/Y	-	Fiscal Year
i.e	-	That is
Mgmt	-	Management
NP	-	Net Profit
TU	-	Tribhuvan University
TI	-	Total Investment
KSC	-	Karachi Stock Exchange
NEPSE	-	Nepal Stock Exchange

CHAPTER ONE

INTRODUCTION

1.1 General Background of the Study

Economic development depends upon how well the financial system is working in the Nation. Financial institution or intermediaries are the organization that channels the saving of government, business and individual into loan and investment. Financial institution plays vital role in development of the country. Trade, commerce and industry are key factor of development of the economy. To channelize the fund from saving unit to borrowing unit financial institutions like Bank, Co-operatives, mutual fund etc works as a bridge. Among this commercial bank comprise the largest group of depository institutions in size. Banks are extremely necessary for healthy economy.

Commercial banks are established to improve people's economic welfare and facility, to provide loan to the agriculture, industry and commerce and to offer banking services to the people and country. By accepting deposits, the banks promote that habit of thrift and saving among the people. They hold the individuals, government institution and business units. And those deposits are mobilized by lending and investing activities. Commercial bank is an institution which accepts deposit, make business loan and others related services.

Bank of Venice established in 1157 A.D is the first commercial bank in the world, in the beginning. Commercial bank's functions were confined to accepting deposit and giving loans. However, there functions have, now, increased manifold, later than Bank of Genla (1320), the Bank of Amsterdam(1609), the Martins Bank in London were established.

The history of financial institution in Nepal is no longer. The concept of financial institution was introduced when the first commercial bank named "Nepal bank ltd" established in 1937 as semi government organization, where the central bank has not established. The central bank of Nepal is established in 26th 1955 named "Nepal Rasta Bank". The objective of establishing of central bank was to supervising, regulating and

directing to financial institution in Nepal. Another commercial bank fully owned by the government named “Rastriya Banijaya Bank” got established in 1966.

There was a long gab of 17 years before mow entrants coming into the banking sector. The Nepal Bank ltd dominated the financial sector of the country for almost 30 years without any competition. Rastriya Banijya Bank and Nepal Bank Ltd open numerous branches in some big city of Nepal. This bank helps people to mobilize there saving. In 1984 Nepal Arab Bank (NABIL Bank limited) opened the door for the joint venture banks in Nepal. In 1985 and 1986 two other joint venture banks named Nepal Indosuez Bank and Nepal Grind lay bank started the operation. In 1991 government adopted the liberalization policy which makes easy to financial institutions to entrance in Nepali markets as on other banks came to the market.

Commercial banks are the supplies of finance for the trade and industry and play a vital role in the economic and financial life of country. By investing the saving in the productive areas, they help in the formation of capital. All industrial sectors wish to provide maximum satisfaction to their customer. Their main objective is profit maximization, which depends upon smooth running of business. To run the business smoothly, it is highly important to manage the warning capital in every direction of financing and investing activities because without properly balancing the working capital, the business enterprise cannot grab the opportunity in regular course of business. In most banks the management of working capital has been misunderstood as the management of money rather than its efficient utilization. They are also facing the problem of working capital management due to the unprofessional important for the success of any organization. For that purpose, present study may be a valuable piece of study in the field of Nepalese banks. Another important part of this study is to present the relationship between working capital management on profit further strategies to support the working capital management. At present, there are various commercial banks in Nepal and researcher has attempted to take only nine banks for purpose of the research study. The present study is directed towards working capital management of commercial banks in Nepal.

1.2 Statement of the Problems

Working capital is a life blood for organization, the management of working capital is in itself a decision area within the framework of the overall financial management. Most of the Nepalese organization misused the word working capital. It has been understood as management of money rather than its efficient utilization. The management of working capital is a synonymous to management of short term liquidity. It has been regarded as one of the key factor in the decision making issues. It is become an important and challenging job of the financial manager this days also it is a challenging job to point out as to how much working capital needed for a particular business firm or organization. An efficient management of working capital helps greater profitability and vice-versa. We should note that every firm required investing not only into the fixed component of assets but also required maintaining certain investment in working capital or we can say current assets. Working capital in commercial banks is slightly difference than manufacturing and non manufacturing capital. Commercial banks are great monetary institution which playing important role to generate welfare of the economy.

1.3 Objective of the Study

Working capital management is the significant and improvement to the overall management. Various factor of working capital influence the working capital position. Thus the main objective of this study is to analyze how well the commercial banks are managing the working capital. Working capital management plays vital role on succeed and failure of the company. This study is focusing on study of working capital of selected banks and analysis them. It helps to identify the existing problem and is to insight to the comparative analysis of the selected banks.

- To study working capital of ten senior bank.
- To analyze the current assets and current liabilities of the selected bank under study during past years.
- To analyze their liquidity, composition of working capital, assets utilization and profitability.

- Find the basic reasons of the working capital management god or bad.
- To analyze the working capital management and its impact in profit.
- To provide recommendation and suggestion, on the basic of analysis for the improvement of working capital management of sample banks.

1.4 Need and Significance of the Study

Nepalese commercial banks are operating in the competitive environment. In this situation banks have to adobe suitable strategies for their better performance. It is hardly to find which requires any amount of working capital. The success of and failure of the organization depends upon strategy, and working capital management is also a main strategy.

The current assets represent significant part of total assets for most of the firm. The size and volatility of current assets make working capital management a major managerial concern.

The firm aim to maximize the shareholders wealth, shareholder wealth maximize when firm earns efficient operation and to earn efficient profit so firm have to manage efficient working capital.

The working capital management is significant for maintaining desire scale of operation. The relationship between growth in sales and working capital used is direct and close. As each firm is always concerned about maximizing sales revenue it must involve in working capital management higher the sales higher the working capital is needed. The basic objective of working capital is to manage current assets. Now some of the points to be note to maintain the efficient level of current assets.

1) What is the need to invest in current assets?
2) How much to invest in current assets.
3) In what proportion should be invest in short term current assets and long term current assets.
4) Which source should be used to invest in current assets?

The working capital is crux of problem to prepare the proper strategy. If working capital is ignored it will cause a serious problem to any organization. It is also important to maintain continuous cash flow.

1.5 Limitation of the Study

Research is itself vast and challenging study for anyone else. This present study has been limited in terms of period of study as well as source and nature if of data.

a. This study is limited in ten commercial banks.
b. This study is based on secondary data which is derived from NEPSE website www.nepalstock.com, www.nrb.org.com, related banks websites.
c. This study covers only five years of data from 2006/07 to 2010/11.
d. Due to the limitation of time all related area are impossible to study in depth.
e. The gathered data are not tried to verify.
f. The data available by organization are not in organized firm, it is organized by researcher according to need of the study.
g. The main limitation of the study is time constraint, financial problem, lack of research problem and lack of recent information.

1.6 Organization of the Study

This study is divided into five chapters.

Chapter: 1

The fist chapters deals with introduction, which includes general background, profile of Banks, focus of the study, statement of the problem, objective of the study, limitation of the study and scheme of the study.

Chapter: 2

This chapter devote to theoretical analysts and brief review of related and pertinent literature available. It includes a discussion on the conceptual framework and review of the major studies.

Chapter: 3

The third chapter deals which the research methodology. It contains the research the design, period covered, population and sample, sources types of data processing procedure and tools for analysis.

Chapter: 4

The fourth chapter deals with the data presentation and analysis on the basis of financial statement annual report and websites of the companies concern.

Chapter: 5

The fifth chapter or last chapter presents major findings, conclusion followed by recommendations for the future package of plan of action.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction

The study of working capital management in Nepalese context is not an entirely new effort, reporters, journalist, student etc. on the study working capital management of various Nepalese enterprises, companies etc. the previous study provides the foundation to the present study, which gives guideline for the research work. The purpose of literature review is thus to find out what research studies have been made in one's chosen field of study and what remains to be done. In other words the purpose of literature reviews is to develop some expertise in related areas to see what new contribution can be made and to receive some ideas for developing research design.

This chapter is related to the review of related studies about working capital management the chapter includes conceptual framework, review of dissertations made by previous student of MBA/MBS.

2.2 Conceptual frameworks

2.2.1 Working Capital

The term working capital is originated with the old Yankee Peddler, who would lode up his wagon with goods and then goes off on his route to paddle his wares. The merchandise was called working capital because it was what he actually sold or "turned over" to produce his profit he borrowed funds called working capital loan to buy the merchandise, they had to be repaid offer each trip.

The term working capital originated at a time when most industries were closely related to agriculture. Processors would buy crops in the fall, process them, sell the finished product, and end up just before the next harvest with relatively low inventories. Bank loans with maximum maturities of one year were used to finance both the purchase and

the processing costs, and these loans were retired with the proceeds from the sales of the finished product. Weston & Brigham (1980)

Working capital refers to the resources of the firm that are used to conduct operations to day to day work that makes the business successful. Without cash, bills cannot be paid, without receivables, the firm cannot allow timing difference between delivering goods or services and collecting the money to pay for them, without inventories the firm cannot engage in production nor can't 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 assets of the firm these items that can be converted into cash within the year. Net working capital is defined as the difference between current assets and current liabilities. Hampton and Wagner (2006)

The business firm needs not only fixed capita but also the working capital for day to day operation. Conceptually the "working capital" deal with the nature of current assets and current liabilities, which must be ready in cash within a year such as, security, inventories, account receivable, cash and marketable securities etc. The investment in current assets is working capital or we can say working capital is related with short term financing.

(Net working capital) may be defined as the difference between current assets (working capital) and current liabilities. It is a measure of liquidity, which as defined as the adequacy of near term cash to meet the firm's obligation, a highly liquid firm has sufficient cash to pay its bill at all time. An illiquid firm is unable to pay its bill when due.

Basic problem facing the financial manager of on enterprises is to trade off between confliction but equally important goal of the liquidity and profitability. Greater the liquid resources of the firm, lesser will be its profitability and the vice-versa. He has to maintain the working capital at such the level as many ensure satisfactory earning to the enterprises without jeopardizing it liquidity position.

Working capital refers to the resources of the firm that are used to conduct day to day operating that be paid, with receivable the firm cannot be paid, with receivable the firm cannot allow timing different between delivering goods to services and collection the

money to pay for them without inventories the firm cannot engage in production or can it stock goods to provides immediate deliveries.

The term working capital management is closely related with short-term finance and it is concerned with collection and allocation of the resources. Working capital management is related to the problems arises in attempting to manage the current assets and current liabilities and the relationship that exist between them or it is concerned with determining the firm's level of investment in current assets and financing pattern of the current assets. It has become an important and challenging job of the manger these days. The financial manager should spent and significant amount of his time in the day to day operation of the firm relating to the management of working capital because it affects both profitability and risk of the firm.

Working capital management is the functional area of finance that covers all the current amount of the firm. It is concerned with the adequacy of current asset as well as the level of posed by current liabilities. It is discipline that seeks proper policies for managing current assets and liabilities and practical techniques for maximizing the benefits for managing working capital.

Maintaining optimal level of working capital is serious problem with which the financial manager is seriously concerned because problem of trade off between risk and return is involved. A firm is required to carry adequate amount of working capital so as to carry on the productive a d distributive activities smoothly.

2.2.2 Working Capital Policies

Noted earlier working capital management is concerned with investment in current assets. The basic issue of working capital center on maintaining a trade-off between profitability versus risk associated to current assets investment and financing policies. The level of current assets investment affect the profitability and risk position of the firm and again so does the financing pattern of current assets. The manager should maintain optimal level of working capital for a better result. Holding excessive current assets is unproductive where idle fund earn nothing that result less profitability on the other hand inadequate

current assets put obstruction in the process of production and sales. Inadequate current assets firm may not be able to pay current obligation which create a risk in firm and organization fall in financial distress.

Current assets financing policy calls for maintaining appropriate mix of long term and short term fund. It is concerned with determining the financing pattern of current assets. Appropriate level of current assets varies from firm to firm. However, optimum level of current assets exists and it depends on the trade-off between risk and return associate with current assets investment.

2.2.3 Concept of Working Capital

The concept of working capital has been a matter of great controversy among the financial experts broadly speaking, different views on working capital can be categorized into two concept Gross concept and net concept.

1) Gross Concept

Gross Working capital refers to the firm's investment in current asset. Current assets are those assets which can be converted into cash within an accounting year (or operating cycle) and include cash, short-term securities, debtors, (accounts receivable or book debts) bills receivable and stock (inventory). (Pandey, 2005)

It is represented by the firm total investment into current assets, so gross concepts of working capital are the total amount of available for financing of current assets. This is a going concept, since the financial manager is highly concerned with the management of these assets with a view to bringing about productivity from other assets.

"lf all expenses needed to run day-to-day operation of gross concepts of business, such as amount to be invested in the form of cash, finished goods, receivables etc, are put together, it is called working capital. This working capital and total current asset are synonymous together it is called working capital. It and current assets are synonymous". Pradhan & Koirala (2006)

2) Net working Capital

Net working capital refers to the excess of current assets over current liabilities, in other word it is the part of current assets, which is financed by long-term fund, creditors (account payable), bills payables, and outstanding expenses.

Net working capital refers to the difference between current assets and current liabilities, current liabilities are those claims of outsiders which are expected to mature for payment within an accounting year and include creditors (account payables), bills payable, and outstanding expenses. Net working capital can be positive or negative. A positive net working capital will arise when current assets exceed current liabilities. A negative net working capital occurs when current liabilities are excess of current assets. Pandey (2005)

Working capital is the total component of receivable, liquidity, inventory, and current liabilities. He has grouped them according to the way they affect valuation and also described the different methods for effective management of cash and marketable securities and valuation 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". Van Horne and Wachowiczh, (2004)

2.2.4 Type of Working Capital

In the basic of time there are two type of working capital: permanent working capital and variable working capital. Working capital is necessary for any organization for continuous production and sales without any interruption. The need of the current assets arises because of the operating cycle. Magnitude of current assets needs is not always same, it increase and decrease over the time.

1. **Permanent Working Capital**

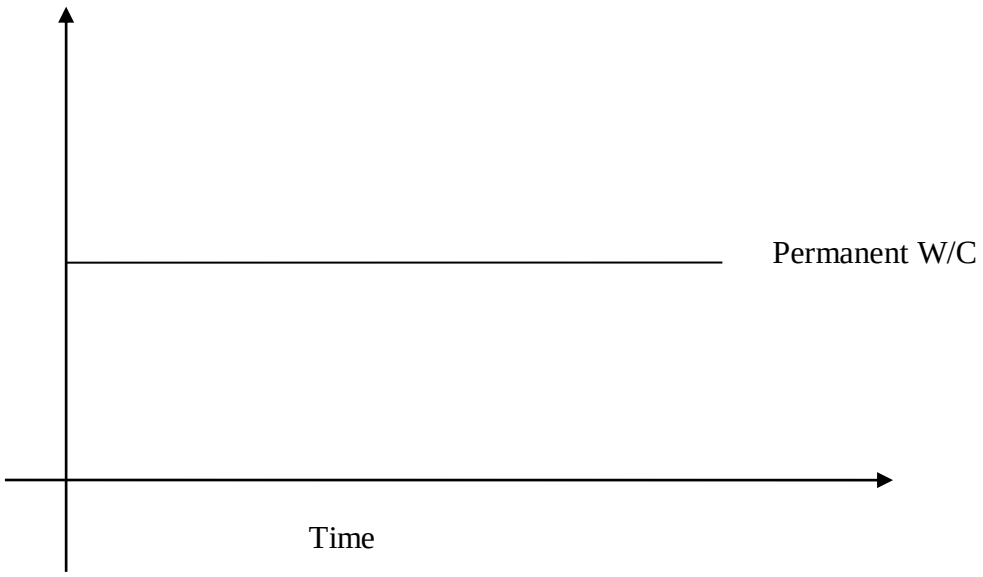
There is always a minimum level of current assets which is continuously required by the firm to carry on its business operation. The minimum level of current assets is referred to as permanent or fixed working capital.

Permanent or fixed working capital is the minimum level of current assets. It is permanent in the same way as the firms fixed assets or depending upon the changes in production and sales the need for working capital, over and above permanent working capital will fluctuate. Pandey (2005)

There is certain level of current assets that a firm must hold at all times for regular operation of its business. This level of current assets is known as permanent current assets and the need of permanent working capital level arise because of holding fixed investment in permanent current assets. Paudel and Gautam et al (2009)

It is the amount of fund required to produce the goods and services necessary to satisfy demand and its lower point, or an organization hold certain minimum amount of working capital to sure production and sales function that permanent working capital.

Fig. No. 2.1



Source:- Financial Management (2006)

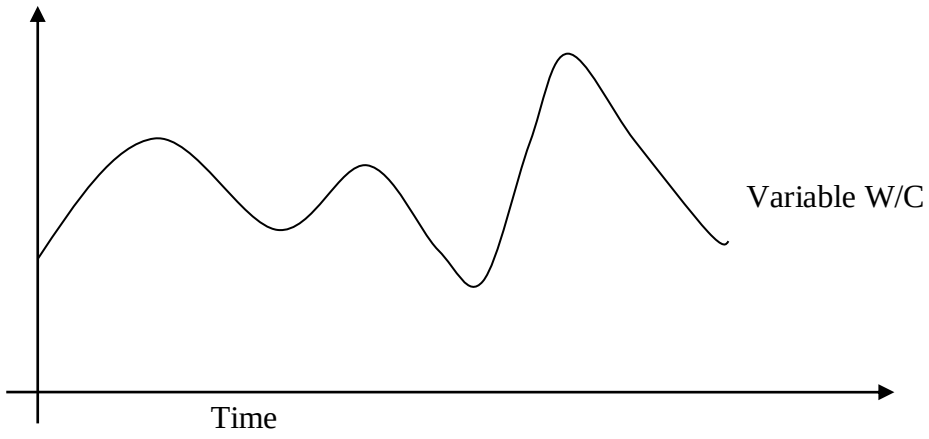
2. Temporary or Variable Working Capital

Variable working capital is the extra working capital needed to support changing production and sales activities of the firm. Both kinds of working capital permanent and fluctuating are necessary to facilitate production and sale through the operating cycle. Pandey (2005)

The extra working capital, need to support the changing production and sales activities are called fluctuation, temporary or variable working capital. Variable or temporary working capital is the amount of current assets that varies with seasonal requirement. For example, if there is a peak selling during any month, the firm has to maintain additional investment in receivable and inventory. As a result, the need for working capital increases above the permanent level. Paudel and Gautam et al (2009)

So due to the variation on seasonal requirement, payment, inventory, receivable and cash conversion cycle required more temporary working capital which is called variable working capital. The temporary working capital is created by the firm to meet liquidity requirement that will last only, temporarily. Temporary working capital increase and decrease due to different factors.

Fig. No. 2.2



Source:- Financial Management (2006)

2.2.5 Factor Effecting Working Capital

There are number of variable that effect working capital need. The amount of working capital depends upon those variables which directly or indirectly affect the working capital and there are no set rules of formula to determine working capital requirements of the firm. All factors have different importance to make decision of optimal level of working capital.

1) **Nature and Size of Business**

   The level of working capital is affected by nature and size of business. If a firm belong to the trading sector or the financial sector It requires very less investment in the fixed assets as compare to a manufacturing sector, so magnitude of working capital requirement in business enterprises is, to a considerable degree, a function of the nature and character of business which a firm would start.

   These firms which engaged in manufacturing of essential product of daily consumption would need relatively less amount of working capital in view of the fact that there would be constant and sufficiently cash flow in the firm to take care of its current liabilities.

2) **Cash Conversion Cycle**

   Cash conversion cycle is the length of the time or period lag between the time cash flow occurs in the form of purchase, investment in inventories and receivables and the time cash inflow occur in the form of cash sales or collection of credit sales. Longer the cash conversion cycle larger will be the working capital requirement for the firm.

3) **Manufacturing Cycle**

   Manufacturing cycle starts with purchase and use of raw materials and completes with the production of finished goods. There are many processes and work done in work in progress such as raw material scanning, processing, production, packing, delivery etc so, Longer the manufacturing cycle, larger will be the firm's

working capital requirements. An extended manufacturing time span means a larger tie-up of funds in inventories.

4) **Production Policy**

If a firm adopts steady production policy, the investment in inventories will build up during off season. As a result, working capital need of the firm increase and vice-versa.

5) **Seasonal Element**

Quantum and form of working capital register wide variations from season to season in concern dealing in seasonal products. In preparing for winter season which is peak business season for woolen mills, they have to build up high inventories.

These mills are engaged in heavy production few months before onset of winter. Total amount of working capital expands and cash is reduced.

6) **Terms of Purchase**

The terms of credit purchase from the supplier also affects the level of working capital. If the term of credit purchase is relatively longer the firm will have large spontaneous source of financing in the form of accounts payable. This reduces the working capital need.

7) **Growth and Expansion Activities**

The working capital needs of the firm increase as it grows in terms of sales or fixed assets. It is difficult to precisely determine the relationship between volume of sales and the working capital needs.

The critical fact, however, is that the need for increased working capital funds does not follow growth in business activities but precedes it. It is, therefore, necessary to make advance planning of working capital for a growing from on a continuous basic.

8) **Access to Money Market.**

The level of working capital to be maintained by firm is also determined by capacity of the firm to borrow on short notice. If the firm has good access to bank and finance companies, it can raise short term borrowing at very short notice so that working capital requirement is reduce

2.2.6 Significance of Working Capital

Every organization needs adequate amount of working capital. It should be in good health and efficiently circulated. Business can't run smoothly without the proper management of working capital. It is the lifeblood and controlling nerve center for any types of business organization.

The need for working capital to run the day to day business activities cannot be overemphasized. We will hardly find a business firm which does not requires any amount of working capital. Indeed firms differ in their requirements of the working capital.

We know that a firm should aim at maximizing the wealth of its shareholders. In its endeavor to do so, a firm should earn sufficient return from its operations. Earning a steady amount of profit requires successful sales activity. The firm has to invest enough funds in current assets for generating sales. Pandey (2005)

Working capital management is significant for maintaining a desired scale of operation. The relationship between growth in sales and working capital used is direct and close. As each firm is always concerned about maximizing sales revenue it must involve in working capital management.

Working capital management is also important to maintain continuous cash flows. A good working capital management reflects in terms of adequate level of account receivable, inventories and cash flows in and out of the firm. In other words a firm doing better in working capital management can maintain control on its account receivable and inventories and ensures the regular cash flow. Paudel and Gautam et al (2009)

Working capital is needed for following purpose.

1. For the purpose of raw material, component and spares.
2. To pay wages and salary.
3. To maintain day to day expenses and overhead cost such as fuels, power, and office expenses.
4. To meet the cost as packing. Advertising costs.
5. To provide credit facilities to the customers.

6. To maintain the inventory of raw material, work in progress, stores, spares and finished goods.

2.2.7 Principles of Working Capital

The following are the general principle of working capital management-policy.

1. Principle of risk variation.
2. Principle of cost of capital.
3. Principle of equity position
4. Principe of maturity position

The first principle refers to the risk associated with the amount of working capital employed. The second principle is concerned with the Problems of determining the idea level of working capital. The third principle is concerned with the risk directly related to the type capital used for financing working capital requirements and debt equity ratio, and the fourth principle is concerned with maturity dates relatively more importance for risk is insolvency.

2.2.8 Financing of Working Capital

Working capital management is concerned with investment in current assets. If the world is certainty of cash flows. Perhaps no working capital management is required, if cash inflows or profitability associated with current assets were certain, no excess level of current assets over current liabilities would have to be maintain. The firm would be able to hold enough cash to satisfy current payment, exactly sufficient level of inventory to satisfy current production and sales requirement and so on. But, long as uncertainty about cash flows exist, the financial manager must care for maintaining optimum level of current assets. Paudel and Gautam et al (2009)

Current assets can be financed by raising the funds from currents liabilities of long-term debt. What proportion of current asset shall be financed by current liabilities and what

proportion should be by long-term debt is determined by working capital financing policy. The firm can adopt different financing policies. These types of financing policies by distinguished as long-term financing, short term financing and spontaneous financing. The importance sources of long term financing are shares, debentures, preferences shares, retained earnings and debt from financial institutions. Short-term financing refers to those sources of short-term credit that the firm must arrange in advance. These sources include short-term bank loans Commercial papers, factoring receivables and public deposit. Spontaneous financing refers to the automatic sources of short-term funds. The major source of such financing is trade credit i.e. creditors, bills payables and outstanding expenses. Spontaneous sources of finances are the cost free. So, a firm would like to finance its current assets with spontaneous sources as much as possible. Every firm is expected to utilize spontaneous to the fullest extent. Thus, the real choice of financing current assets is in between short term and long-term sources. We shall, therefore, concentrate our attention on the short term versus long term financing. (Pandey, 2005)

The basic approaches of determining an appropriate working capital financing are as follows:

A. Matching or hedging approach

B. Conservative approach

C. Aggressive approach

A) Matching or Hedging Approach:

This approach falls in between the aggressive and conservative approach. The matching or hedging approach to current assets financing ranges between high profitability low liquidity and low profitability high liquidity states. This approach seeks to trade off between profitability and liquidity. It should be noted that the trade-off, the management of firm seeks for profitability and liquidity, depends on the extent to which it capable of taking risk. As conventional rule, management of a firm may seek the mid-point of the minimum and

the maximum monthly requirement of the funds during the given period for permanent financing.

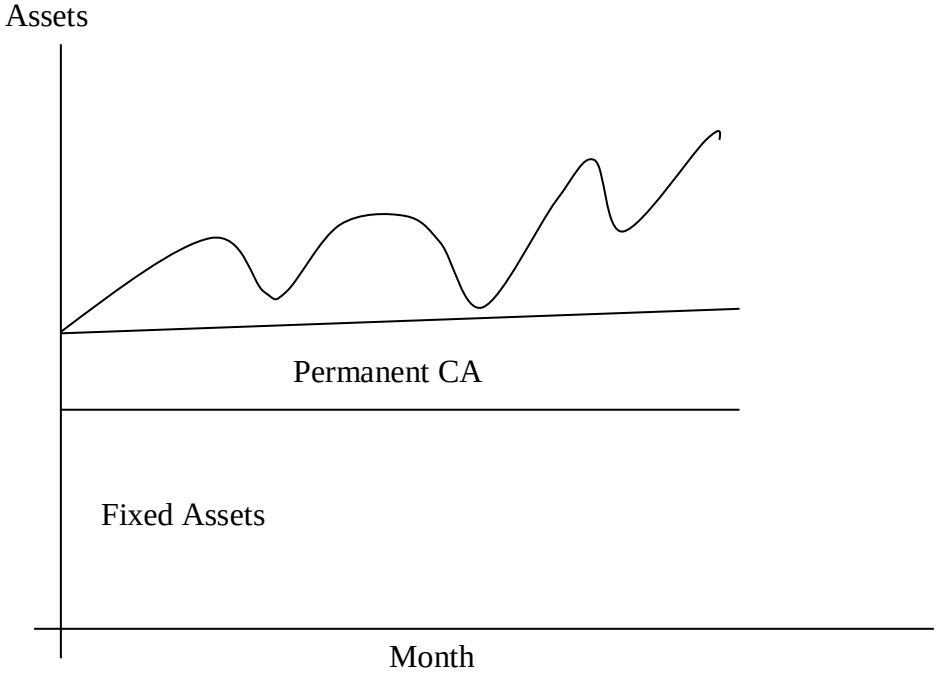
The firm can adopt a financial plan which matches the expected life of assets with expected life of the sources of funds raised to finance assets. Thus, a ten years loan may be raised to finance a plant with an expected life of ten years; stock of goods to be sold in thirty days may be financed with a thirty-day commercial paper or bank loan. The justification for the exact matching is that, since the purpose of financing is to pay for assets, the source of financing and assets should be relinquished simultaneously. Using long term financing for short-term assets is expensive as funds will not be utilized for the full period. Similarly, financing long- term assets with short-term financing is costly as well as inconvenient as arrangement for the new short-term financing will have to made on continuing basic. Pandey (2005)

B) Conservative Approach

The total fund requirements are financed by long-term fund. The short-term funds are used only in the situation of emergency. The risk is minimized under this approach. The liquidity positions of the firm will be relatively greater than in hedging approach. The cost of financing under conservative approach, the cost of financing increase because conservative approach uses long term sources for current assets. (Dangol, 1997)

A firm in practice may adopt a conservative approach in financing its current and fixed assets. The financing policy of the firm is said to be conservative when it depend more on long-term fund for financing needs. Under a conservative plan, the firm finances its permanent assets and also a part of temporary current assets with long-term financing. In the periods when the firm has no need for temporary current assets, the idle long-term funds can be invested in the tradable securities to conservative liquidity. The conservative plan relies heavily on long-term financing and, therefore, the firm has less risk of facing the problem of shortage of fund. Pandey (2005)

Fig. No. 2.3



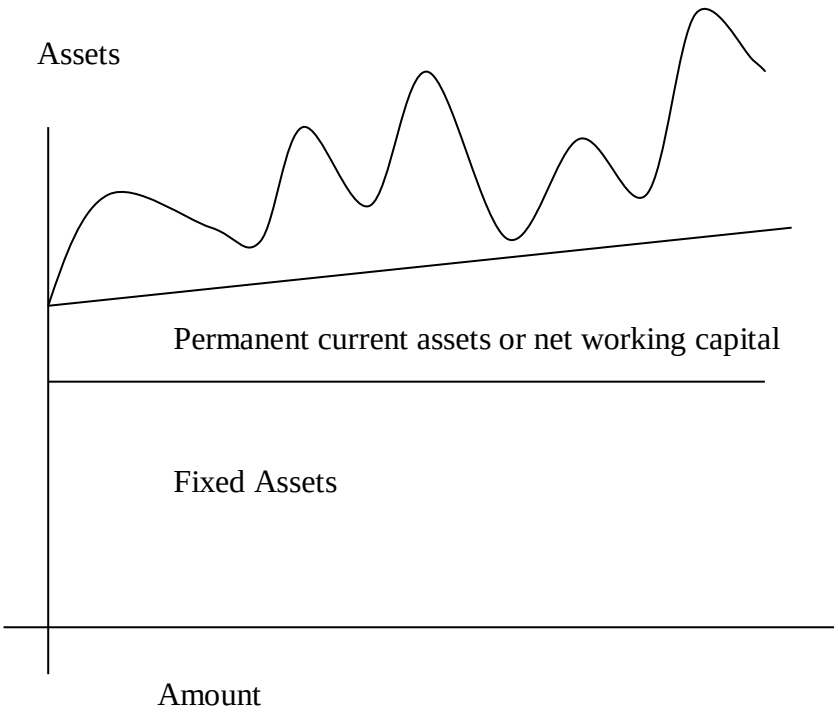
Source:- Financial Management (2006)

C) Aggressive Approach

According to the aggressive policy, the firm's seasonal requirement is financed with short-term funds and its permanent requirement is financed with long-term funds and its permanent requirement is financed with long-term funds. This approach to current assets financing calls for matching the maturity of funds requirement to the maturity of assets. Paudel and Gutam et al (2009)

A firm may be aggressive in financing its assets. An aggressive policy is said to be followed by the firm when it uses more short-term financing than warranted by the matching plan. Under an aggressive policy, the firm finances a part of its permanent current assets with short-term financing. Some extremely aggressive firm may even finance a part of their fixed assets with short-term financing the relatively more use of short-term financing makes the firm more risky. Pandey (2005)

Fig. No. 2.4



Source:- Financial Management (2006)

2.3 Cash Management

Cash management is on the main area of working capital management being the most liquid assets. So it should be never under estimated. It should be managed well. The cash management involves formulation of programmed for cash receipt and cash payment for meeting day-to-day transaction and unforeseen contingencies, a firm has to held cash.

There are various sources of working capital management that can be needed for business firm. Generally there are three sources of working capital, as cash management, receivable management and inventory management.

Cash is the most important current assets for the operation of the business. Cash is the basic input needed to keep the business running on a continuous basis. It is also the ultimate output expected to be realized by selling the service or product manufactured by the firm. The firm should keep sufficient cash neither more or less. It should be managed

well cash in the money, which the firm cash disburse immediately without any restriction. Pandey (2005)

Cash refers to all the moneys items that are immediately available to help for paying a firm's bills on the balance sheet. A firm will normally list cash assets in two categories- cash and marketable securities. Cash assets are coin and currencies held by the firm to cash register and peltry cash where marketable securities include the firm short-term investment on treasury bills, commercial paper, negotiable time certificates and deposit etc. done from excessive cash.

Cash is required to meet a firm's transactions and precautionary needs. A firm needs cash to make payment for question of resources and services for the normal condition of the business. It keeps additional funds to meet any emergency situation.

Some firm may also maintain cash for taking advantage of speculative change in price of input and output. Bank uses the following steps to solve the cash inflow and outflow.

i. **Cash Planning:-**

   Cash inflows and outflow should be planned to project cash surplus or deficit for each period of the planning periods, whether the weekly, monthly prepares it half and yearly.

ii. **Managing the Cash Flows:-**

   Every business firm should be properly managed there cash outflows and inflows according to their nature and position of the firm. The cash inflows should be accelerated as for as possible; the outflow of cash should be decelerated.

iii. **Optimum Level of Cash:-**

   In the business organization there may be over flows or under cash flows. Thus it should be decided at the appropriate level. The cost to excess cash and drawback of cash deficiency should be matched to determine the optimum level of cash balance.

iv. **Inventory surplus cash:-**

   The ideal cash balance or surpluses cash balance should be properly invested to other profitable areas to change and earn desired profit. The firm should be

decided about the division of cash balance, bank deposit, and marketable securities and inter corporate lending.

2.3.1 Motives of Holding Cash

We have already outlined that cash is the most liquid and least productive current assets of a firm. Cash, if it remains idle, earns nothing but involves cost in terms of interest payable of finance it. If the cash is least productive current assets, why should a firm hold the cash? Every firm should hold certain amount of absolute cash or marketable securities. There are three important motives for holding cash they are as follow.

a) Transaction Motive:-

Transaction motive refers to the need to hold cash to satisfy normal disbursement collection activities associated with firms ongoing operation. In its ordinary course of action, a firm frequently involves in purchase and sales of goods or services.

A firm should make payment in terms of cash for the purchase of goods payment of wages, salary, interest, commission, brokerage, rent, taxes, insurance, dividend and so on. Likewise, a firm receives cash in terms of sales revenue, interest on loan given to outsider, return on investment made outside the firm and so on. If these payments and receipts in terms of cash were perfectly synchronized, a firm would not have to hold cash for transaction motive. But, in real world situation, cash inflow and cash outflow cannot be matched exactly. Sometimes receipt of cash exceeds the disbursement while at other times disbursement exceeds the receipt. Because of this reason, if disbursement exceeds the receipt, a firm should hold certain level of cash to meet current payment in excess of receipt during the period.

Mismatch in receipt and disbursement happens most in retail trade because sales revenue fluctuates more frequently whereas payment for purchase is almost certain and fixed. Similarly, some businesses are of seasonal nature, which require greater amount of cash to build up inventory to meet seasonal sales requirement.

b) Precautionary Motive:-

Precautionary motive refers to holding cash as a safely margin to act as a financial reserve. A firm should also hold some cash for the payment of unpredictable or unanticipated events. A firm may have to face emergencies such as strikes and lockup form employees, increase in cost of raw materials, funds and labor, falls in market demand and so on.

These emergencies also bound a firm to hold certain level of cash. But how much cash is hold against these emergencies depends on the degree of predictability associated with future cash flow. If there is high degree of predictability, less cash is held. Dome firms may have strong borrowing capacity at a very short notice, so that they can borrow at the time when emergencies occur. Such a firm may hold very minimum amount of cash for this motive. The precautionary needs for holding cash usually it satisfied by holding near cash items such as, investment in marketable securities.

c) Speculation motive:-

Speculative motive refers to the need to hold cash to take advantage of bargain purchase, attractive interest rates, and favorable exchange rate fluctuations. Some firms hold cash in excess than transaction and precautionary needs to involve in speculation. Speculative need for holding cash requires that firm possibly may have some profitable opportunities to exploit, which are out of the normal course of business. These opportunities arise in conditions, when price of raw material is expected to fall, when interest are on borrowed funds are expected to decline, and purchase of inventory occurs at reduced price on immediate cash payment.

The firm may purchase large quantity of inventory when price actually falls and sell them in future at higher price when it rises in the market. Similarly, a firm may purchase different securities when interest rate is high and sell them in future when interest rate declines. These unexpected moments put the firm in benefit. Therefore firm hold cash for speculation.

2.3.2 Cash Budgeting

Cash budget is cash management tools used for maintaining synchronization between cash inflows and outflows. The extent of firm efficiency on cash management depends on its ability to forecast and manage cash inflow and outflow. If cash inflow and outflow were perfectly predicated, no cash management would be required. But cash outflows are almost certain whereas cash inflow is uncertain. Therefore, first of all, the firms should determine the extent to which cash flows are not synchronized. This requires the preparation of a schedule known as cash budget that provides a forecast of cash receipts, cash payment and surplus/deficits thereof during the plan period cash budget serves as the most important techniques of planning and controlling the use of cash. The essence of preparing cash budget it to determine whether at a given point of time there is surplus or shortage of cash.

Preparation of cash budget requires several considerations. The first consideration is to determine time period for which the cash budget is to be prepared. The period varies among firms. Depending upon the size and nature of cash flow, it is prepared for a year, a quarter, a week and even on daily basic but generally, it is prepared on monthly basic. The second consideration is to determine the operating and financial cash flows expected for the period. Operating cash inflow includes cash sales, collection of credit sales and proceeds realized from the sale of fixed assets. Whereas operation cash outflow includes, cash purchase, payment of credit purchase, wages, salaries, selling and other administrative expenses, purchase of fixed and so on. Similarly, financial cash inflow includes borrowing, interest and dividend received, and issue of new shares, bond, debentures, sales of securities, financial cash outflow includes payment of interest, tax, dividends, redemption of share and debentures and repurchase of share and debentures.

Finally the firm prepares cash budget to determine net cash flow position. Cash budget mainly consists three sections. The second section shows all cash payment for the period. Finally, the third section shows surplus/deficits for the period suggesting the financial manager to borrow or to invest. Paudel and Gautam et al (2009)

2.3.3 Management of Receivable

Receivables also termed as trade credit or debtors, one important component of current assets that result through credit sales. Then a firm sells its product in credit, account receivable are created. Account receivable is the money receivable in some future date for the sales of products and services at present. In today's corporate organization, significant amount of transactions are performed in credit. Most companies, when they face competition, use credit sales as an important tool of sales promotion. As a sales promotional tool, creating accounts receivable enhances firm's sales revenue and pushes up its profitability. But at the same time, after sales have been made, the actual collection of payment may be delayed for months. As these late payments stretch out over the time, they may cause a company to experience a substantial drop in its profit margin. The extension of credit involves risk and cost, so that the firm's receivable management should be able to measure the benefit as well as cost to determine its effectiveness. Paudel and Gautam et al (2009)

In general aspects, amount due from customer is known as receivables. It is arise when goods or service of a firm are sold on credit bases. Receivables are current asset representing amount owed to the firm as a result of the sales goods or services in ordinary course of business. Receivable are an important component of working capital management. In the conduct of a business, it plays an important role. For maximizing the sales, for increasing the profit and to meet the competition the receivables are very important. The receivables are also known by various other names, like Account receivables, trade receivables, customer receivables, sundry debtors, trade debtors, trade acceptance, book debs, bill receivables etc. The advance to salesman, goods transferred to branches, goods sent on consignment and advance against suppliers are not included on receivable. Dongol (1997)

2.3.4 Inventory Management

Inventor refers to the goods and materials used by a firm for the purpose of production and sales. It also includes the items, which are used as supportive materials to facilitate

production. There are three basic type of inventory. There are three basic types of inventory: raw materials, work-in-process and finished goods. Raw materials are the items purchased by firm to use in production of finished product. Work-in-process consists of all items currently in the process of production. These are actually the partly manufactured products. And, finished goods consist of those items, which have already been produced but not yet sold. Inventory constitutes one of the important items of current assets, which permits smooth operation of production and sales process of a firm. Paudel and Gautam et al (2009)

Inventory management is one of the aspects of production Management. Production management is developed and handle by production engineer. Procurement is handling its specialist. Therefore, later inventory management becomes a separate and significant management of the development of inventories. Under the Inventory management, there is not only essential production approach but also need marketing management but actually inventory management is purely subject or production management. Dongol (1997)

2.3.5 Inventory Cost

The challenge of inventory management is to maintain adequate stock of inventory for smooth production and sales operation and at the same time to minimize the funds being tied up in inventory. Financial manager should determine the level of inventory at which these two conditions are met. First, financial manager requires understanding the different types of cost associated with investment in inventory and then he/she should apply the inventory management models to meet these two conditions. Therefore, in theses section, we look into each type of cost affected by the investment in inventories. They are classified as inventory carrying costs and inventory ordering cost. The inventory total cost is the total of carrying and ordering costs. They are as follow:

a) Carrying / Holding cost
b) Ordering cost
c) Stock-out cost

a) Carrying Cost:-

Carrying costs are the cost of holding inventory in stock for a specified time period. These costs are normally stated as rupee per unit per year. The important components of carrying of inventory are cost storage, insurance and taxes, cost of deterioration and obsolescence, cost of funds being tied up in inventory and so on.

As the level of inventory holding increases, the carrying cost also increase. Carrying costs vary from one firm to another and some empirical studies show that they are likely to be in the range of 20 to 25 percent of average inventory value. However, it should be noted that some components of carrying costs such as storage and insurance costs are variable in response to the nature and value, and other costs such as obsolescence, shrinkage, and spoilage costs are variable in response to the nature of products only.

b) Ordering Cost:-

Another cost associated with investment in inventory is ordering cost. Ordering costs include the costs of placing and receiving an order. The important components of ordering costs are: cost of writing a purchase order, cost of processing the paperwork, cost of receiving an order and checking it against the invoice, cost of running a purchasing department, personnel and telephone cost, cost of preparing specifications and so on.

Ordering costs are also called production set up costs if the product are produced within the firm. We assume that ordering costs vary in direct proportion to the number of the order placed, meaning that ordering costs increase or decrease in direct proportion to the change in number of order placed.

C) Stock-out Cost:-

Stock out is associated with demand. The deflection in stock returns, in loss of sales or back order cost. When sales are lost due to stock out, the firm losses both the profit margin on sales and the firm's goodwill. If the customer uses another business elsewhere, future profit margin may another business elsewhere. Future profit margin may also be lost and back order cost is needed to maintain regular customers and to use again after inventories have been replenished. Back order cost includes loss of

goodwill, money paid to re- order goods and notification to customer, which goods arrived.

2.3.6 Inventory Management Technique

This section is concerned with establishing and applying proper inventory control system to reduce the inventory cost. Some of the inventory management technique are as below:-

1) **ABC Analysis:-**

   A firm keeps different categories of inventories. Some inventories are used in larger quantities but have very small unit value and other inventories are kept in small quantities. As inventories from one category to another differ in their value and significance to the firm to the firm.ABC analysis is used to make selective control upon the inventories on the basic of their relative value to the firm. It classify all inventories into three categories A, B, C and on the basic of their value, categories consist of those items of inventories, which are about 15 percentage in terms of quantity but cover about 70 percentage of investment on inventories. As on B consist those items which covers about 30 percentage of quantity but involves about 20 percentage of investment in inventories and the last C categories consist those items which cover 55 percentage quantity but covers 10 percentage of investment in inventories.

2) **Just in Time:-**

   In recent years the management of inventory has become most popular. Most firm apply Just in time (JIT) inventory control. It is a system of inventory control in which a firm coordinates production with suppliers so that raw materials or components arrive just as they needed in production process. In this system the inventories are received as when they are needed for production that facilitates the firm to minimize carrying cost of inventory. The use of computerized data processing and information system has made JIT more efficient. If the firm needs specified type of inventory, it could simply go through the internet web site of those commodity exchanges where it could call for all possible suppliers. Various

suppliers than bit for the contract of supplying inventory according to the need of the firm. Larger firms design a specific computer programming to count the stock of inventories. It is the system in which a computer is sued to determine the re order level JIT with computerized system is more applicable for reducing the ordering cost associated to inventory so that EOQ and its cost could minimized significantly. The reduction in EOQ also enables the firm to minimize significantly. The reduction in EOQ also enables the firm to minimize the average inventory level so that inventory carrying cost also decrease.

3) **Out-sourcing:-**

   It is a recently developed practice of acquiring some components of inventory used in finished product from outside rather than producing by the firm itself. Jut for example, a company that manufactures inverters can also manufacture the batteries required for inverters or acquired from the outside supplier. Out-sourcing is mainly considered for cost effectiveness of components of inventories. The firm may decide to use out-sourcing of buying from outside is cheaper than manufacturing by itself.

4) **Two Bin System:-**

   Under this system, inventories are stocked in two separate bins. Then the stock of one bin is completely used, the firm places a reorder to fill the bin and inventories are drawn for use from the second bin.

5) **Budgetary Control System:-**

   Under this system, budgeted level of inventory usage is determined in advance. The actual usage of inventories is compared against budgeted consumption to identify the favorable and unfavorable variance of inventory uses.

2.4 Review of Related Study

This part is mainly focused on the review of journals/articles published by different management who are experts on working capital management.

Ganesan (2007) Examined working capital management efficiency of firms from telecommunication equipment industry. The relationship using correlation and regression

analyses. ANOVA analysis is done to study the impact between working capital management efficiency and profitability is examined of working capital management on profitability. Using a sample of 443 annual financial statements of 349 telecommunication equipment companies covering the period 2001-2007, this study found evidence that even though "day's working capital" is negatively related to the profitability, it is not significantly impacting the profitability of firms in telecommunication equipment industry.

Analysis of working capital management efficiency was done on a sample of 349 telecommunication equipment companies. The analysis was done to find statistical evidence to support the four hypotheses. It is found that significant statistical evidence exists to support the hypotheses (H1 and H2) that the working capital management efficiency is negatively associated to the profitability and liquidity. When the working capital management efficiency is improved by decreasing days of working capital, there is improvement in profitability of the firms in telecommunication firms in terms of profit margin. It is observed that there is no significant statistical evidence to support the hypothesis (H3) that the firms in telecommunication equipment industry manage all the three components of WCM equally.

From the statistical evidences it is observed that DWC of the sample firms is higher than DWC of the industry average and the WCM components DSO and DPO are in line with their industry averages. This indicates the inventory management among the sample firms may not be efficient. The statistical evidences indicate that the management of DSO does not have much impact on the return on assets and profit margin. This is mainly due to heavy fixed assets requirements in telecommunication industry. There is also evidence that there is poor management of accounts receivable and accounts payable. Overall there is evidence that the working capital management efficiency in telecommunication industry is poor. It is recommended that the telecommunication industry should improve working capital management efficiency by concentrating on reducing inventory and improving DPO by getting more credits from suppliers.

Tahmina (2011) He aim to investigate the effects of working capital management efficiency as well as maintaining liquidity on the profitability of corporation. He took five

cement industry of Bangladesh which is listed in DSK and studied during 2005 to 2009. His study finds a negative relationship between cash conversion cycle and recommended the firms should forecast their sales and hold cash enough as according to their projects sales level. He found that firms in the cement industry in Bangladesh have enough scope to enhance their profitability and handling their working capital in more efficient ways.

E. Enyi, (2012), is an another articles published in Nigeria. Enyi found Nigerian firm should established a number of some key variables that affect corporate liquidity and profitability among manufacturing firms in Nigeria. That includes Cash conversion period, inventory conversion period and corporate sixe or sales. These factor will either positively affect profitability depending on how effective and efficient firm's liquidity management has piloted corporate finance manager. And working capital management becomes paramount and very crucial in maintaining both liquidity and profitability of the corporate enterprises.

Ahmed (2010) Another article relating to working capital has published in Pakistan. This study investigates the impact of working capital management on performance of the firm using a sample of 253 non financial companies of Karachi stock Exchange (KSE). He used secondary data from balance sheet of related companies. His result suggests theat out of the five selected components of working capita management only current assets over total sales showed significant negative relationship with both the proxies of performance i.e. return on equity and return on assets. While current asset over total assets (CATA), inventory turnover, debtor's turnover and current ratio showed significant positive relationship with performance. Logistic regression result suggested that probability firm being profit is highly determined CATA, CATS and CR.

Acharya, (2005) has published an article relating on working capital management. He has defined the two major problem i.e. operational problem and organizational problems, regarding the working capital management in Nepalese public enterprises. The operational problems; he found where increase of current liabilities than current assets, not allowing the current ratio 2:1 and low turnover of inventories. Similarly, change in working capital in relation to fixed capital had very low impact over profitability, than transmutation of working capital employed to sales, absent of apathetic management

information system. Break-even analysis, funds flow analysis and ratio analysis 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.

Muhammad and Irfan, (2011) has analyzed the Impact of working capital management of firms performance. The study has done on non-financial institutions of KSE-30 index and the purpose of the study it to investigate the impact of working capital management on firms performance on non-financial institutions listed in Karachi Stock Exchange (KSE-30) index and the data has been taken from 21 listed companies from over a period for the year 2001 to 2011. The finding show that working capital management has significant impact on firm's performance and it is conducted that managers can increase value of share holder and return on asset by reducing there inventory size, cash conversion cycle and net trading cycle. Increase in liquidity and time period to supplier will also lead firm's overall performance.

Bagchi and Khamrui, (2012) has published an article relating relationship between working capital management and profitability. The purpose of this study is to investigate the relationship between working capital management and firm profitability and to identify the variables that most affect profitability. Preferred samples are from 10 FMCG companies from the year of 2000-2001 to 2009-2010. Better utilization of firm's resources lead to value creation. In study empirically investigation of working capital management of firm's has done on firm's profitability using a sample of Indian FMCG companies. According to study results both CCC and debt used by the firm are negatively associated with firm's profitability.

Acharya, (2008) Which is based on the finding and conclusion of his D. Phil Thesis. In the study, he has focused his study on the working capital management of Nepal Tea Development Corporation (NTDC) four years from 1975/76 to 1982/83. A.D. He has also made the comparison of the finding with the other five-selected PEs. In the Study, he fund that the net working capital of NTDC has negative due to increase in current liabilities. Inventory had the largest period and it was accumulating in the corporation. It has inventories twenty-four months' sales. The size of aggregate receivables of NTDC

had also been increasing and its study period. Cash balance held by the corporation was insufficient to meet the routing work of the corporation. At the same time the liquidity position of the NTDC was very poor since current assets were less than the current liabilities. While comparing to other selected PEs. He found that the turnover of inventory, receivable and current asses in NTDC were below the average thereby relating with higher investment in each of them irrespective of the sales achieve. The break even analysis relievable that the NTDC had been selling mostly below the breakeven and had incurred variable cost sometimes even higher than sales price. The suggestion he was made on his articles is proper planning of production and sales, new credit policy.

Shrestha's article has described the conceptual ingredients concerning the working capital, such as conceptual setting sources of working capital and types of working capital. From the analysis that the liquidity and profitability position of those enterprises, he found that for PEs has maintained adequate liquidity position two had excessive and remaining had failed to maintain desirable liquidity position. On the turnover, four had adequate turnover, one had high turnover and remaining three had not satisfactory turnover on net working capital. He had also found that out of ten EPs six PEs were operating at losses while only four were getting some percentage of profits. After analyzing these constraints, he had bought certain policy issues, they are as follow:

- There is a lack of suitable financial planning for determining their working capital needs in Pes.
- The manager of Pes was being unable to give attention to working capital management.
- There exist no proper consistency between liquidity position and turnover of assets.
- Pes being unable to show positive relationship between turnover and return on net working capital.

He had made some suggestive measures to overcome from the above policy issues i.e. identification of need funds, regular checks, development of management information system. Positive attitude towards risk and profit and determination of right combination of short term and long term sources of fund to finance working capital needs.

Ganesh (2007) Published an article relating to working capital management the focused on implementing of effective working capital. Implementing an effective working capital management system is an excellent system in excellent way for many companies to improve their earnings. The two main aspects of working capital management are ratio analysis and management of individual components of working capital. Thus the importance of adequate of working capital in commercial can never be over emphasized. Over capitalization implies that a company has too large funds for its requirements, resulting in a low rate of return and situation which implies as less than optimal use of resources. Insolvency risk is there in the case of under capitalization of working capital. And management of effective working capital plays a pivotal role in growth or to sustain in market for any organization.

Shrestha (2009) aim to explain the working capital of listed manufacturing company i.e. ULL, NLO, and BNL and the relationship between working capital covers only six years period from 056/057 to 061/062 B.S.

She found that the ratio of cash to Current assets is varied among the manufacturing companies during the study period from 2000 to 2005. The higher investment in cash means higher idle fund in the company and the lowest investment in cash means unable to meet its maturing liabilities on times. The overall company average of receivable to CAs ratio is 0.293 times. Only NLO has the ratio above the average and rests of them have ratio below the average. The overall company's average of inventory to CAs ratio is 0.315 times. The overall inventory turnover ratio is 5.67 times. The overall receivable turnover ratio is 14.77 times. The lowest receivable turnover means the company can't collect their debt on time or on short period. Hence, the company should maintain their ratio. The above result shows that positive net working capital management of Nepalese manufacturing companies find to some extend good.

Jha, (2004) He has studied the working capital of two banks Nepal SBI Bank Ltd and Nepal Bank of Cylon Ltd. His main objectives is to analyze the importance of the proper management of working capital in short term and long term. He also compares the two leading commercial working capital management. And he has drawn some major finding that the Working capital is most important part of banks and it should bit be neglected.

The theory of high risk and high return is applied in the bank. He found that Nepal SBI bank followed conservative working capital and Nepal Bank of Cylon Ltd followed moderate policy and There is a positive correlation between banks product analysis proved that the theoretical relationship among the variable is supported by Nepalese data. This days Nepalese bank are facing certain policy issues like deficient financial planning, neglect in working capital management. To overcome this issues bank should undertake measure of information system, positive attitude towards risk and profit determination right, combination of short term and long term sources of fund to finance working capital are needs etc.

Pradhan (2005) He aim study working capital management on three joint venture banks they are Nabil bank, Nepal Investment Bank Limited and Standard chartered Bank Nepal Limited. He has studied those banks for five years period, 2056 to 2061 BS. The major findings of his study were components of current assets of these three sample banks are higher fluctuating during the study period, Cash and bank are fluctuating and they hold minor percentage of total current assets. The banks are decreasing the percentage of money at call or short notice and utilized more of higher funds in loan and advance of interest earning purpose. NABIL and NIBL are investing relatively high in loan and advance than SCBNL on the other hand SCBNL holds higher percentage of government securities and miscellaneous current assets in comparison to NABIL and NIBL. Liquidity position of SCBNL is better than that of NABIL and NIBL since it has higher current ratio and quick ratio. Thus SCBNL is considered as liquid bank. Among those three sample banks SCBNL is found to have better profitability position in comparison to NABIL and NIBL.

Timilsena (2009) His aim to study working capital management of Nepalese joint venture bank during the period from 2002/03 to 2006/07. Study are done on Nepal Bangladesh Bank, Standard Chartered Bank Limited, NABIL bank and Everest Bank Limited.

The major findings of his study are there is the positive correlation coefficient between current assets and current liabilities of concerned bank. EBL had the highest degree positively perfect correlation between current assets and current liabilities and NABIL had the lowest degree of negative correlation under the study period. SCBL had the

highest degree positively correlation between cash balance and current assets and NBBL the lowest degree of correlations. EBL had the highest degree positively perfect correlation between receivable and current assets and SCBL had the lowest degree of correlation. EBL had the highest degree positively perfect correlation between net profit and current assets and NBBL had the lowest degree negative correlation.

Pradhan (2011) has main aim to explain of the management of working capital in commercial banks. The study covers only five years periods, i.e. from the fiscal year 2005/06 to 2009/010. He found that Long-term debt has been used in paltry amount compared to short-term debt. The net working capital has increasing trend in all the banks except in HBL. SCBNL and HBL have met the minimum cash reserve ratio directed by NRB. The CRR maintained during the five year periods is satisfied. The relationship of return on equity and equity growth is in complete reverse order only in HBL, which also indicates the adoption of perfect aggressive working capital policy by the bank. The net profit has positive relationship with net working capital, short term debt and long term debt. However, the relationship between net profit & long term debt is statistically insignificant in SCBNL and NABIL.

Shrestha (2012) She aim to study the management of working capital in Nepalese company listed in NEPSE. Study was conduct during the period 206/07 to 2010/11

She found that NIBL had the higher mean of gross working capital growth percentage and low mean of gross working of HBL. SCBNL had the highest net working capital growth and KBL had the lowest mean of net working capital similarly the average value of loan and advance to total deposit ratio is highest of KBL and lowest average ratio of loan and advance to total deposit is SCBNL. The average value of loan and advance to fixed deposit ratio is highest of SBI and lowest of NIC. Average value of loan ad advance to saving deposit ratio is highest of NIC and SCBNL had lowest of this ratio. The average ratio of net profit to shareholder's equity ratio is higher of EBL and lower of SBI and coefficient of correlation between investment on government securities and total deposit is higher of NABIL bank and lower ratio of KBL

3.5 Research gap

Working capital is most essential aspect of the firm. It pays vital role on profitability and success of business firm. Various research has done under this topic.

And now the same review but presented in far better wary:

Previous research with concerned topic was completely depended over limited journal, articles and books but this research has no boundary analyze the related document to improve its quality and effectiveness. Previous research is based on limited year statistic and sample of two or four sample but this research include ten sample banks with five years.

So, this study will be fruitful to those interested scholars, students teachers, students, teachers, civil society, stakeholders, businessman and government as well as policy perspectives.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In simple methodology can be defined as, it is used to give a clear cut idea on what the researcher is carrying out his or her research. In order to plan in a right point of time and to advance the research work methodology makes the right platform to the researcher to mapping out the research work in relevance to make solid plans.

More over methodology guides the researcher to involve and to be active in his or her particular field of enquiry. Most of the situations the aim of the research and the research topic won't be same at all time it varies from its objectives and flow of the research but by adopting a suitable methodology this can be achieved.

Right from selecting the topic and carrying out till recommendations research methodology drives the researcher in the right track. The entire research plan is based on the concept of right methodology.

Research methodology in composed of two words research and methodology research is a systematic and organized effort to investigate a specific problem that needs a solution Sekavan (1992).

"Research methodology is vital and absolutely indispensable part of social scientific and educational research. Without research methodology, modern social science and educational research would still be in the Age." Kerlinger (1986)

More over through methodology the external environment constitutes the research by giving idea on setting the right research objective, followed by literature point of view, based on the chosen analysis through interviews or questionnaires findings will be obtained and finally concluded massage by this research.

On the other hand from the methodology the internal environment constitute by understanding and identifying the right type of research, strategy, philosophy, time, horizon, approaches, followed by right procedures and techniques based on his or her research work. In other hand the research methodology acts as the nerve center because the entire research in bounded by it and to perform a good research work, the internal and external environment has to follow the right methodology process.

3.2 Research Design

A research design is specification of methods and procedures for acquiring the information needed. Research design is a plan structure and strategy of investigation conceived so as to obtain answer to research questions to control variances. Research design is plan for the collection and analysis of data.

In this context, this present study adopts that research design, which is analytical as well as exploratory in nature. Similarly the present study also follows the both descriptive and inferential analysis of working capital management various historical secondary data analysis of Nepalese bank with a view of achieve better result from the analysis. This study seeks to analyze working capital management of Nepalese selected different banks, the research design of the study is therefore, analytical and statistical type, attempts has been made to describe and explore the composition of working capital of the selected banks for the period of ten years ranging 2001/2011. In conclusion it can be said that research is more quantitative rather than qualitative.

3.3 Population and Sample

At present there are 31, Commercial Banks in Nepal. There were 32 Commercial Banks before but recent NIC Bank and Bank of Asia has merged and became NIC Asia Bank. Nepal bank is the first commercial bank and Senimar Bank is the latest bank of Nepal. Among 31 commercial banks ten senior banks are taken as sample they are Nepal Bank Limited (NBL), RASTRYA BANAJYA BANK (RBB), NABIL Bank, NEPAL INVESTMENT BANK (NIBL), STANDARD CHATERED BANK (SCBNL), HIMALAYAN BANK (HBL), NEPAL SBI Bank, NEPAL BANGLADESH BANK, EVEREST BANK (EBL) and BANK OF KATHMANDU (BOK). Financial statement of latest 5 years from 2006/07 to 20010/2011 has been taken as sample data for the comparative study of working capital management.

LIST OF THE BANKS IN NEPAL

Name of Bank	**Head office**

1.Nepal Bank Limited	Dharmapath, Kathmandu
2.Rastriya Banijya Bank	Singhadurbar Plaza, Kathmandu
3.Nabil Bank	Kamaladi, Kathmandu
4.Nepal Investment Bank	Durbar marga, Kathmandu
5.Standard Chartered	NewBaneshwor, Kathmandu
6.Himalayan Bank Limited	Thamel, Kathmandu
7.Nepal SBI Bank Ltd	Hattisar, Kathmandu
8.Nepal Bangladesh bank Ltd	NewBaneshor, Kathmandu
9.Everest bank Ltd	Baneshor, Kathmandu
10.Bank of Kathmandu	Kamalphokhari, Kathmandu
11.NCC Bank	Bagbazar, Kathmandu
12.Lubini Bank limited	Durbar marg, Kathmandu
13.NIC Asia Bank limited	Kamaladi, Kathmandu
14.Machhapuchchhre Bank ltd	Nayabazar, Phokhara Nepal
15.Kumari Bank limited	Putalisadak, Kathmandu
16.Laxmi Bank limited	Hattisar, Kathmandu
17. Siddhartha Bank Ltd	Hattisar, Kathmandu
18.Agriculture Development Bank Ltd	Ramsahah path, Kathmandu
19.Globle bank Limited	Paniphokhari, Kathmandu
20.Citizen Bank Limited	Shardasadan,Kathmandu
21. Prime Bank Limited	Newroad, Kathmandu
22. Sunrise Bank Limited	Gairidhar, Kathmandu
23.DCBL Bank Limited	Kamaladi, Kathmanu
24.NMB Bank Limited	Babarmahal, Kathmandu
25.Kist Bank Limited	Anamnagar, Kathmandu
26.Janata Bank Limited	New Baneshwor, Kathmandu
27.Megha Bank Limited	Kanthipath, Kathmandu
28.Commerz and Trust Bank Ltd	Kamaladi, Kathmandu
29.Civil Bank Limited	Kamaladi, Kathmandu

30.Century Bank Limited	Putalisadak, Kathmandu
31. Sanima Bikash Bank Limited	Naxal, Kathmandu

Sourcr :- Nepal Rastra Bank

3.4 Sources of Data

The study is mainly based on the secondary data. The required data have been extracted from the annual reports of respective banks collected from concerned banks and downloaded from official websites. The supplementary data and information have been acquired from various sources like magazines, newspaper, brochures, booklets, periodicals and bulletins, published and unpublished report, related documents and journals available in different libraries, other organizations like Nepal Stock Exchange, Nepal Rastra Bank, and official website of corresponding organization.

3.5 Data Processing Procedure

Method of analysis are applied as sample as possible. The obtained data are presented in various tables, diagrams and chart with supporting interpretation. Those details calculations that cannot show in the body part of the report are presented in appendices at the end.

3.6 Tools and Technique of Analysis

All the data are historical data. On the basis of historical data financial and statistical tools are used to analytical of different variables.

3.6.1 Financial Tools

In this research study various financial tools are used for the analysis. There are various ratios but in this study some of the ratios are selected from them. 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 organizations.

A. Activity Ratio/ Turnover Ratio

Activity ratios are intended to measure the effectiveness to 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. The following are the ratio employed to analyze the activeness of the concerned joint venture.

i. **Loans and Advances to Total Deposit Ratio:-**

The ratio assess to what extent the bankers are able to utilize the depositor's fund to earn profit by providing loans and advances. In other words, how quickly total collected deposits are converted into loans and advances given to the client to earn income. It is computed by dividing the total amount of loan and advances to total deposit fund. Higher ratio indicates higher utilization of funs and low ratio is the signal of inefficiency or remaining idle.

Loans and Advances to Total Deposit Ratio= $\frac{Loan\ and\ Advance}{Total\ Deposits}$

ii. **Loan and Advances to Fixed Deposit Ratio:**

This ratio differs slightly from the former one because it includes the fixed deposits only. The ratio measure how many amount is used in loans and advances in comparison to fixed deposits. Fixed deposits are interest bearing long term obligations where as loan and advances are the major sources of investment in generating income for commercial banks. It is calculated as follow.

Loans and advances to Fixed Deposit Ratio = $\frac{Loans\ and\ Advances}{Fixed\ Deposit}$

iii. **Loan and Advance to Saving Deposit Ratio:**

This ratio is also employed for the purpose of measuring utilization of saving deposit in generating revenue by giving loan and advance to the client i.e. to determine to what extent collected saving deposit amount being deployed in providing loan and advances to generate income; saving deposits are interest bearing obligation for short term purpose whereas loan and advances are the short term investment for revenue income. This ratio indicate how much short term interest bearing deposits are utilized for income generating purpose.

Loans Advances to Savings Deposit Ratio= $\frac{Loans\ and\ Advance}{Saving\ Deposit}$

B) Profitability Ratio

Profitability ratio measures how effectively the firm is being operating. Owners, manager and creditors are interested to their to their financial soundness of the firm. Owners are eager know their returns whereas manager are interested on there operating efficiency. So they calculate profitability ratio because expectations of both owners and manager are evaluated in terms of profit earned by the firm. The profitability ratio, as the name suggests, measures the operating profitability in terms of profit margin returns on equity and return on total investment, and reflects the overall efficiency and effectiveness, of management. Shareholders, bankers, government, tax collectors, employee are concerned with the profitability of the company. The shareholders are interested with their rate of returns, employees in the future prospect of the company, government in companies tax payment capacity and bankers in the perspective of the company. A required level of profit is necessary for survival and growth of a firm a competitive environment.

Profitability can be measured in terms of relationship between net profit and assets. This ratio is also known as profit-to-assets ratio. It measures the profitability of investment.

Following are the major ratios used to measure the profitability of a firm:-

i. **Interest Earned to total Assets Ratio**:

   This ratio is used to determine total interest earned from investments over the total assets of a firm, it can be calculated as follow.

   Net profit to total Assets Ratio = $\frac{Net\ profit}{Total\ Assets}$

ii. **Net profit to Total Assets Ratio:**

   Profit to total assets ratio is useful in measuring the profitability of all financial resources invested compared to total assets of a firm. This ratio is calculated by dividing the amount of net profit by the amount of total assets employed.

   Net Profit to Total Assets Ratio = $\frac{Net\ Profit}{Total\ Assets}$

iii. **Net Profit to Total Deposit Ratio**:

   This ratio measures the percentage of profit earned from the utilization of the total deposits. Deposits are mobilized for investment, loan and advances to the public

in generating revenue. Higher ratio indicates those funds are not properly mobilized.

Net Profit to Total Deposit Ratio = $\frac{Net\ Profit}{Total\ Deposit}$

iv. Total Interest Expenses to Total Interest Income Ratio

This ratio measures the percentage of total interest expenses against total interest income. This ratio is calculated by dividing total interest expenses by total interest income.

Total Interest Expenses to Total Interest Income = $\frac{\text{Total Interest Expenses}}{\text{Total Interest Income}}$

C) Current Assets to Total Assets

The ratio of current assets to total assets indicates what percentages of company's total assets have been invested in the form of current assets of firm, which is calculated as:

CA/TA = $\frac{Current\ Assets}{Total\ Assets}$

As the ratio increases risk and profitability of the company would decrease likewise. The low ratios indicate the small amount of working capital.

D) Cash And Bank Balance to Current Assets (CB/CA)

The immediate solvency of the cash is measured with this ratio. As cash and bank balance is the most liquid form of current assets. It shows the relationship between cash and bank balance and the total current assets. The ratio represents the portion of cash and bank balance in current assets. It is calculated as:

CB/CA = $\frac{Cash\ And\ Bank\ Balance}{\text{Current Assets}}$

The ratio should not be large, because higher ratio indicates the poor cash management.

3.6.2 Statistical Tools

In this research study some statistical tools are used for analysis the data more accurately. The tools are:-

(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.

(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 tends to accompanied by a movement in the same or opposite direction in the other, they are called correlated. If the relationship is direct they are called positively correlated and if the relationship is inversed they are called negatively correlated. If any change in one does not affect the other variable they are called uncorrected. The correlation may be perfect, imperfect or zero. Among the various methods of finding out coefficient 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 variables

CHAPTER FOUR
PRESNTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter entitled "presentation, analysis and interpretation of data" is the crucial chapter as it utilizes the processed data tools and techniques of working capital analysis, as described in research methodology to achieve the objectives of this study. Objectives of this study are to find out the solutions of the problems identified. Joint venture banks are facing working capital management problems of current assets, fixed assets, long term and short term solvency, profitability and value of the firm. This study aim to determining the effect of working capital variable on the profitability and value of the firm and they're by, generalizing the result.

For this purpose the collected and organized data should be analyzed through different tools and techniques and interpreted. The data constitute the financial information extracted from the financial statement i.e. income financial statement and balance sheet period. The fiscal years of 5 years period from 2006/07to 2010/11 are the sample year for this study. These data are presented in the tabular form, diagram or the graphical form the analysis through different statistical and financial tools.

Analysis and interpretation of data involves an attempt to determine the significance and meaning of financial data so that a judgment on past activities can be made and a forecast may be done of the prospect for future earning ability to pay interest debt maturity both current as well as long term and profitability of sound.

The analysis and interpretation of data requires a comprehensive and intelligent as well as the determining of relationship with other data to facilitate comparison.

Interpretation and analysis are closely connected because interpretation is impossible without analysis and lack of interpretation analysis is useless. Therefore, interpretation requires analysis. Analysis involves the compilation of data ranking data as per its relative significance, making, and data homogeneous and examines that the data using different device.

On the other hand, interpretation of data according to the analysis is necessary because more examination of the components does not lead to definite conclusion and statement has to be dissected in to this constituent in order to measure the relative magnitude of various entities.

In this study presentation' interpretation and analysis of data has been conducted on the basis of research question and objectives of the study.

4.2.1 Composition of Working Capital and its Trend Analysis

The working capital refers to the resources of the firm that are used to conduct day to day operation that makes business successful. To operate the business, different kinds of assets are needed. For day-to-day business operation, different types of current assets are required. It must keep a proportion of its assets in forms that can readily be converted into cash. This is the way that can make confidences in banking system. The main component of current assets are cash and bank balance, loan and advance and investment on government securities. Miscellaneous current assets are also a component of current assets. Prepaid expenses, outstanding income, for example, interests receivable, and other current assets are included on miscellaneous current assets. The major components of current assets of the sample banks viz. NBL, RBBL, NABIL, NIBL, SCBNL, HBL, SBI, NBBL, EBL, BOK are cash and bank balance, money at call or short notice, loan and advance government securities and miscellaneous current assets are shown on table below.

Table-4.1

Average of Current Assets Components of Ten Sample Banks (Rs. In millions)

Sample of banks	cash and bank Balance	Money at call	Loan and Advance	Government Securities	Misc. Current assets	Total
NBL	7850.5	400	19966.22	9307.42	9230.34	46754.48
RBB	10369.02	217.76	27148.9	21830.28	23300.74	82866.7
NABIL	2254.16	1727.88	25331.36	5405.08	2561.06	37279.54

NIBL	5814.16	414.16	30646.54	5398.26	3032.94	45306.06
SCBNL	2465.56	2712.06	14128.42	8748.18	1538.86	29593.08
HBL	2565.02	785.42	24716.5	5465.96	1576	35108.9
SBI	2561.6	467.95	15001.82	3293.7	871.7	22196.77
NBBL	2044.06	216.25	8806.9	1480	2419.32	14966.53
EBL	5257.64	346	23380.82	5251.3	880.84	35116.6
BOK	1676.48	399.28	14269.22	2629.44	203.26	19177.68

Source:- Nepal Rastra Bank

Above table 4.1 shows the average current assets of 5 years of 10 sample banks. Cash and bank balance component of current assets of RBB is higher than other banks and BOK is lower cash and bank balance comparing to other sample bank similarly another component of current assets Money at call shows that SCBNL is higher than other bank and EBL is relatively low, loan and advance is also major component of Current assets. Nabil bank has higher Average loan and advance and NBBL has low compare to other sample bank likewise NIBL bank has higher government securities and NBB has low investment on government securities, RBB has higher investment in miscellaneous current assets and SBI bank has lower amount of miscellaneous.

Above table shows NIBL has higher current assets compare to other banks and BOK has relatively low amount of average current assets.

4.2.2 Composition of Current Liabilities

Current liabilities are equally important as current assets as current assets. Current liabilities are those claims of outsiders, which are expected to mature for payment within an accounting year and include creditors, bills payable and outstanding expenses. In case of commercial banks there's current liabilities are slightly different than manufacturing company. The component of current liabilities is as follow.

Table 4.2

Average Current Liabilities of ten Sample Banks (Rs. In millions)

Sample of Bank	Saving Deposit	Call & other deposit	Bills payable	Short term loan	Dividend Payable	Other current liabilities	Total current liabilities
NBL	28109.46	225.46	52.28	1872.64	323.88	9968.76	40552.48
RBB	40128.42	1050.2	56.4	3491.06	454.32	25614.38	70794.78
NABIL	13007.98	8352.66	186.9	1357.88	205.72	2833	25944.14
NIBL	13874.9	11412.08	44.4	1071.38	1221.2	2537.48	30161.44
SCBNL	1541.78	3141.78	70.34	613.63	106	1093.68	6567.21
HBL	14214	2768.66	141.36	548	354.92	1992.42	20019.36
SBI	5779.4	1621.44	1299.46	855.72	185.94	1451.44	11193.4
NBBL	6218.32	1547.42	21.82	130	62.16	5038.24	13017.96
EBL	12416.6	5716.66	84.02	524.24	427.96	1312.22	20481.7
BOK	6542.62	2841.7	27.52	538.98	150.02	778.94	10879.78

Source:- Nepal Rastra Bank

Above table shows the component of current liabilities and average current liabilities of ten sample banks. According to the table RBB has higher saving deposit and SBI has lower saving deposit, NIBL has higher call and other deposit and Nepal Bank has lower call and other deposit, similarly SBI bank has higher bills payable and NBBL has a lower Bills payable. The short term loan of RBB bank is higher than other bank and NBB short-term loan is low. Another component of current liabilities is dividend payable is higher of RBB and lower of is NBBL, next component of current Liabilities is other miscellaneous liabilities which is higher of NBL and lower of BOK. Average current liabilities of individual bank on five sample years is calculated which shows higher current liabilities is maintain by RBB and lower amount of average current liabilities is SCBNL. Average current liabilities is RBB>NBL>NIBL>NABIL>EBL>HBL>NBBL>SBI>BOK>SCBNL

4.3 Gross Working Capital Growth

Gross working capital means the current assets. Below table shows the gross working capital in different fiscal years, and growth percentage of gross working capital. Higher the gross working capital indicates higher liquidity.

Table 4.3

Gross Working Capital **(Rs. In millions)**

Fiscal year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
NBL	GWC	42541.3	44785.1	47831.9	44700.3	52713.8	8.76
	Growth	3.37	5.27	6.8	6.54	17.92	
RBBL	GWC	69856.7	78230.1	79170.9	95839.5	90800.8	7.25
	Growth	7.3	11.98	1.20	21.05	-5.25	
NABIL	GWC	24798.9	28210.1	37956.3	49214.6	46037.79	17.19
	Growth	14.46	13.75	34.54	29.66	-6.45	
NIBL	GWC	26082.9	35662.6	39207.8	61578.2	63170.5	25.17
	Growth	19.6	36.72	4.94	57.05	2.58	
SCBNL	GWC	22808.5	27496.2	31767.1	29452.8	36440.8	13.93
	Growth	17.34	20.552	15.33	-7.28	23.72	
HBL	GWC	26857.2	31152.1	35141.5	39636.5	42757.2	12.57
	Growth	13.44	15.99	12.8	12.79	7.87	
SBI	GWC	14947.3	18123	21456.9	23655.3	31397.5	18.65
	Growth	11.65	21.24	18.39	10.25	32.72	
NBBL	GWC	12651.5	13819.3	15659.6	14743.6	17309.9	7.65
	Growth	9.33	4.25	13.31	-5.84	17.41	
EBL	GWC	22843.7	28074.2	36665.7	40907.7	45707.7	19.76
	Growth	22.1	22.89	30.6	11.5	11.73	
BOK	GWC	13782.9	16435.5	19231.6	22726.5	23711.9	14.03
	Growth	11.4	14.24	17.01	18.17	4.33	
Total Average of ten sample bank							23.43

According to the table 4.3 presents the gross working capital, i.e. current assets, situation of the ten sample banks. All ten sample banks gross working capital growth is running in fluctuating trend sometimes increased and sometimes decreasing trend. In 2006/07 EBL maintain higher gross working capital growth rate and RBBL is lower gross Working capital likewise in 2007/08 NABIL bank is higher gross working capital growth rate and NBL is lower gross working capital growth rate. In Fiscal year 2008/09 again NABIL bank has higher gross working capital growth rate and RBB is lower gross working capital gross working capital similarly in fiscal year 2009/10 NIBL has higher and SCBNL is negative gross working capital growth rate. Fiscal year 2010/11 SBI has higher gross working capital growth rate and NABIL bank has negative gross working capital growth rate. In aggregate average gross working capital growth rate are NIBL>EBL>SBI>NABIL>BOK>SCBNL>NBL>NBBL>RBBL

4.4 Net Working Capital Growth

Net working capital means the excess of current assets to current liabilities. Higher the current assets than short term debt demands higher amount of other capital, either long term debt capital or equity capital. The net working capital of the nine sample banks for the five fiscal year periods and the growth has been shown in the table below.

Table 4.4

Net Working Capital = Current Assets – Current Liabilities (Rs. In millions)

Fiscal year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
NBL	NWC	3890.3	4103.8	4211.8	5395.7	1220.8	5.65
	Growth	5.1	5.58	2.63	2.81	12.26	
RBBL	NWC	4964.1	7931.6	1241.3	2703.9	55402.9	9.45
	Growth	23.7	59.77	-84.34	20.32	10.89	
NABIL	NWC	6429.8	6096.8	9790.2	2200.9	3235.2	25.93
	Growth	17.65	-5.17	57.44	12.75	46.99	
NIBL	NWC	4013.8	6116.3	7016.8	9125.8	11552.8	30.07

	Growth	26.7	52.8	14.2	30.1	26.59	
SCBNL	NWC	3234.6	5425.4	6914.5	11005.7	11309.6	32.27
	Growth	30.9	-27.44	27.44	59.16	27.76	
HBL	NWC	9966.5	9788	11639.5	18864.2	15187.4	29.12
	Growth	40.7	50.98	62.07	62.07	-19.49	
SBI	NWC	1945.6	9461.5	11235.4	11657.6	19315.21	44.87
	Growth	25.6	38.3	91.17	3.75	65.68	
NBBL	NWC	257.6	1167.5	2653.9	3716.5	16063.1	24.85
	Growth	18.4	35.22	27.31	40.03	3.32	
EBL	NWC	10166	11137.1	12855.6	15914	21690.7	21.11
	Growth	20.5	9.55	15.43	23.79	36.29	
BOK	NWC	4534.2	5247	17953.8	13928.4	10926.1	20.03
	Growth	16.3	15.72	24.17	22.42	21.55	

Above table shows the Net working capital growth rate of ten sample banks from fiscal year 20006/07 to 2010/11. Nepal Bank's Net working capital is growing 5.1 percentages in fiscal year 2006/07. But in fiscal year 2007/08 it is increasing in decreasing rate. In fiscal year 2010/11 it is increasing by 12.26 percentages. Similarly RBB bank net working capital is also growing in mixed way. There is higher degree of growth rate of 59.77 percentages in fiscal year 2007/08 and decrease of net working capital by -84.34 percentages in fiscal year 2008/09. NABIL bank net working capital is in growing trend it is increasing 17.65 % in fiscal year 2006/07 and 46.99 % in fiscal year 2010/11. Likewise NIBL bank networking capital increased by 52.8 % in fiscal year 2007/08 which is highest increase and lowest increase is 14.2 % in fiscal year 2008/09 SCBNL net working capital is decreased by -27.44 % in fiscal year 2007/08 and Himalayan bank Net working capital is decreased by -19.49 % in 2010/11. SBI bank NWC is increased 65.68 % in 2010/11 where NBBL NWC is grows 40.03 % in fiscal year 2009/10. EBL is growing its Net working capital from fiscal year 2007/08. Bank of Kathmandu net working capital grows 15.72 % in 2006/07 and 21.55 % in fiscal year 2010/11.

In aggregate the position of working capital of ten sample banks are as follows

SBI>SCBNL>NIBL>HBLL>NABIL>NBBL>EBL>BOK>RBB>NBL

4.5 Activity or 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.

4.5.1 Loan and Advance to Total Deposit Ratio

This ratio assesses to what extent the bank is able to utilize the depositor's funds to earn profit by providing loans and advances. 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 as follows:

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

The following table shows the bank's loan and advances to total deposit.

Table 4.5.1

Loan and Advance to Total Deposit Ratio **(Rs. In millions)**

Fiscal year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
	L & D	13377.5	15480.6	19261	25074.2	26637.8	
	T D	38715.2	41451.7	42129.9	42129.94	46804.2	
NBL	Ratio	0.345	0.373	0.457	0.595	0.569	0.467
	L & D	25214.8	27353.6	31464.1	35616.6	36792.2	
	T D	50192.6	57990.8	67976.3	68623.2	73924.1	
RBBL	Ratio	0.502	0.471	0.462	0.519	0.497	0.491
NABIL	L & D	15657.1	21514.6	27816.6	32902.8	38765.6	0.715

	T D	23342.4	31915	37348.3	46334.8	49691.4	
	Ratio	0.67	0.674	0.744	0.71	0.78	
	L & D	17482	27145.5	36250.4	40689.6	41665.2	
	T D	24488.9	34451.8	46697.9	50094.7	50138.1	
NIBL	Ratio	0.728	0.787	0.776	0.812	0.831	0.786
	L & D	10538.1	13355	13118.6	15932.2	17698.2	
	T D	24640	29743.9	36871.8	35182.7	37999.2	
SCBNL	Ratio	0.427	0.448	0.355	0.452	0.473	0.431
	L & D	17672	19985.2	25292.1	28976.6	31656.6	
	T D	29905.8	31805.3	34681	37609.4	40920.6	
HBL	Ratio	0.59	0.628	0.729	0.771	0.773	0.698
	L & D	9846.7	12574.9	15465.2	17887.2	21657.1	
	T D	11445.2	13715.4	27945.2	34896.3	42415.4	
SBI	Ratio	0.86	0.9164	0.553	0.512	0.51	0.67
	L & D	8302.8	8420	8507.9	8860.1	9943.7	
	T D	9464	10883.7	9995.6	10052.5	11511.7	
NBBL	Ratio	0.877	0.773	0.851	0.881	0.862	0.848
	L & D	14059.2	18814.3	24366.2	28129.7	31534.7	
	T D	19097.7	23976.3	33322.9	36932.3	41127.9	
EBL	Ratio	0.736	0.784	0.731	0.763	0.766	0.756
	L & D	9663.6	12692.9	14894.7	16847.1	17247.8	
	T D	12358.6	15832.7	18083.9	20315.8	21018.4	
BOK	Ratio	0.781	0.801	0.823	0.829	0.821	0.81

The above table shows Loan and Advance to Total Deposit ratio. The Loan and Advance to total deposit ratio of NBL is increasing trend but it decrease at the year 2010/11, the highest ratio of NBL is in 2009/20010 and lowest ratio is in 2006/07. Likewise, the ratio of RBB is fluctuating trend. NABIL bank loan and advance to total deposit is increasing year by year, highest in 2009/10 and lowest in2008/09 similarly NIBL ratio is also increasing year by year highest in 2010/11 and lowest in 2006/07 the NABIL bank shows

increasing trends highest in latest year and lowest in starting sample year, SCBNL is also in increasing trend with highest ratio 0.473 in 2010/11 and lowest ratio 0.427 in 2006/07. Similarly HBL ratio is raising year by year but the ratio of SBI is decreasing trend with lowest in 2010/11 and highest in 2007/08 likewise the EBL ratio and BOK ratio shows increasing. BOK ratio is higher in 2009/10 and lowest ratio in 2006/07.

But in average NBBL maintain higher loan and advance to total deposit ratio and SCBNL has lower ratio. So the average ratio shows NBBL>BOK>NIBL>EBL>NABIL>HBL>SBI>RBB>NBL>SCBNL.

4.5.2 Loan and Advance to Fixed Deposit Ratio

This ratio examines that how many times the fund is used in loan and advances against fixed deposits. For commercial banks, fixed deposits are long-term interest bearing obligations where as loan and advances are the major sources of investment in generating income for commercial banks. This ratio is computed dividing loans and advances by fixed deposit as under. A low ratio indicates indicate idle cash balance. It means total funds not properly utilized. This ratio is computed as:

$$\text{Loan and Advances to Fixed Deposit Ratio} = \frac{\text{Loan and Advances}}{\text{Fixed Deposit}}$$

The following table shows the ratio of fixed deposits is utilized for income earning purpose of sample banks.

Table-4.5.2

Loan and Advance to Fixed Deposit Ratio **(Rs. In millions)**

fiscal Year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
	L & D	13377.5	15480.6	19261	25074.2	26637.8	
	F D	5393.2	4757.9	3579.4	4241.1	7482.3	
NBL	Ratio	2.480438	3.253662	5.381069	5.912193	3.560109	4.116
RBBL	L & D	25214.8	27353.6	31464.1	35616.6	36792.2	5.502

	F D	6997.5	4479.8	3207.8	6539.2	14266.9	
	Ratio	3.603401	6.105987	9.808623	5.44663	2.57885	
	L & D	15657.1	21514.6	27816.6	32902.8	38765.6	
	F D	5435.2	8464.1	8310.7	14711.1	16840.8	2.65
NABIL	Ratio	2.880685	2.541865	3.347083	2.236597	2.301886	
	L & D	17482	27145.5	36250.4	40689.6	41665.2	
	F D	7516.8	7944.2	11633.4	16825.1	18378.3	2.7
NIBL	Ratio	2.325724	3.417021	3.116062	2.418387	2.267087	
	L & D	10538.1	13355	13118.6	15932.2	17698.2	
	F D	3196.5	3301.1	7101.7	9175.1	10136.2	2.528
SCBNL	Ratio	3.296762	4.045621	1.847248	1.736461	1.746039	
	L & D	17372	19985.2	25292.1	28976.6	31656.6	
	F D	8201.1	6423.9	6377.1	11328.6	13507.4	2.814
HBL	Ratio	2.118252	3.11107	3.966082	2.557827	2.343649	
	L & D	9846.7	12574.9	15465.2	17887.2	21657.1	
	F D	5517.3	6854.9	17438.4	22148.9	28012.6	1.212
SBI	Ratio	1.784695	1.83444	0.886847	0.807589	0.77312	
	L & D	8302.8	8420	8507.9	8860.1	9943.7	
	F D	1578.1	1166.7	912.2	1357.3	2601.7	6.426
NBBL	Ratio	5.261264	7.216937	9.326792	6.527739	3.822001	
	L & D	14059.2	18814.3	24366.2	28129.7	31534.7	
	F D	5658.7	6598	7094.7	10440.3	15061.9	2.7
EBL	Ratio	2.484528	2.851516	3.434423	2.694338	2.093673	
	L & D	9663.6	12692.9	14894.7	16847.1	17247.8	
	F D	3037.2	3703.1	4474.6	6383.6	7850.3	2.948
BOK	Ratio	3.181746	3.427642	3.328722	2.639122	2.197088	

Above table 4.5.2 shows the loan and advance to fixed deposit ratio of ten sample Banks for fiscal year 2006/07 to 20010/11. According to the table NBL maintain higher ratio on

FY 2009/10 and lower ratio in FY 2006/07 by 2.48. RBB maintain higher Loan and advance to fixed deposit ratio on 2008/09 and lower ratio on FY 3010/11. Similarly NABIL bank ratio is higher on FY 2008/09 and lower ratio 2010/11. NIBL bank ratio is in fluctuating trend with higher ratio of 4.04 on FY 2007/08 and lower ratio on 2010/11. This trend is followed by SCBNL with higher ratio of 4.04 in FY 2008/09 and lower ratio of 1.73. HBL bank higher ratio is in 3.96 in 2008/09 and lower ratio in 2.11 in 2006/07. Similarly SBI bank maintain higher ratio in 2007/08 and lower in 2010/11 by 0.77. NBB shows higher ratio in9.32 in FY 2008/09 and lower ratio in 3.82 in FY 2010/11. Likewise EBL maintain higher ratio in 2008/09 by 3.43 and lower ratio is 2.09 in FY 2010/11, BOK higher ratio is 3.42 in FY 2007/08. In average the loan and advance to fixed deposit position of ten sample banks are as follow. NBBL>RBB>NBL>BOKL>HBL>EBL>NIBL>NABI>SCBNL>SBI

4.5.3 Loan and Advance to Saving Deposit Ratio

This ratio is employed for the purpose of measuring the utilization of saving deposits in generating revenue by giving loan and advances to the client i.e. to what extent collected saving deposit amount is deploying in providing loan and advances to generate income. Saving deposit are interests bearing obligation for short-term purpose whereas loan and advances are the short-term investment for revenue income. This ratio indicates how many times short term interest bearing deposit for income generating purpose. It is calculated as follows:

$$\text{Loan and Advances to Saving Deposit Ratio} = \frac{\text{Loan and Advances}}{\text{Saving Deposit}}$$

The following table shows ratios of ten sample banks.

Table-4.5.3

Loan and Advance to Saving Deposit Ratio **(Rs. In millions)**

fiscal Year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
NBL	L & D	13377.5	15480.6	19261	25074.2	26637.8	0.713212
	SD	26425.4	28545.1	31079.7	27241.3	27255.8	

	Ratio	0.506236	0.542321	0.619729	0.920448	0.977326	
	L & D	25214.8	27353.6	31464.1	35616.6	36792.2	
	SD	32909.4	40213	46102.8	42826.9	38590	0.782787
RBBL	Ratio	0.766188	0.680218	0.682477	0.831641	0.953413	
	L & D	15657.1	21514.6	27816.6	32902.8	38765.6	
	SD	10187.4	12160	14520.4	13783.6	14288.5	2.064411
NABIL	Ratio	1.536908	1.769293	1.915691	2.387098	2.713063	
	L & D	17482	27145.5	36250.4	40689.6	41665.2	
	SD	10742.2	13688.8	17066.2	14322.5	13554.8	2.329871
NIBL	Ratio	1.627413	1.983045	2.124105	2.840957	3.073834	
	L & D	10538.1	13355	13118.6	15932.2	17698.2	
	SD	15244.2	17856	19187.7	12430	11619.8	0.985555
SCBNL	Ratio	0.691286	0.747928	0.683698	1.281754	1.523107	
	L & D	17372	19985.2	25292.1	28976.6	31656.6	
	SD	15784.7	17935	20061	16294.7	15994.6	1.446624
HBL	Ratio	1.100559	1.114313	1.26076	1.778284	1.979205	
	L & D	9846.7	12574.9	15465.2	17887.2	21657.1	
	SD	3274.7	4171.2	5822.3	7348.8	8079.2	2.758486
SBI	Ratio	3.006901	3.014696	2.656201	2.43403	2.6806	
	L & D	8302.8	8420	8507.9	8860.1	9943.7	
	SD	5582.9	6867.2	7099.3	5889.8	5652.4	1.345003
NBBL	Ratio	1.487184	1.226118	1.198414	1.0542	1.7591	
	L & D	14059.2	18814.3	24366.2	28129.7	31534.7	
	SD	90180	11883.9	14782.3	13360	13039.1	1.58228
EBL	Ratio	0.155902	1.583176	1.648336	2.105516	2.418472	
	L & D	9663.6	12692.9	14894.7	16847.1	17247.8	
	SD	5526.8	6595.2	7260.3	6723.2	6607.6	2.168141
BOK	Ratio	1.748498	1.924566	2.051527	2.505816	2.610297	

Above table shows the loan and advance to saving deposit ratio. Ten sample banks are taken for the study. From the table we can know the ratio of individual bank's year wise. NBL loan and advance to saving deposit ratio is in increasing train with lower ratio of 0.50 in starting year of the study period and higher ratio of 0.97 in last year of the study sample year. Similarly the increasing train is followed by RBB with ratio of 0.766 in FY 2006/07 and higher ratio of 0.95 in FY 2010/11. NABIL bank loan and advance to saving deposit ratio is also in increasing train with 1.53 in starting FY 2006/07 and the ratio of 2.71 in FY 2010/11. NIBL bank's ratio is also in increasing train with 1.62 times in FY 2006/07 and 3.07 times in 2010/11. Similarly SCBNL ratio is also increasing with higher ratio in FY 2010/11 and lower ratio in2006/07, HBL ratio is increasing year by year with 1.97 time in 2010/11. SBI, NBB and EBL is also increasing ratio with higher ratio of 2.68, 1.75, 2.41 respectively. Bank Of Kathmandu maintain 1.74 times in 2006/07 and 2.61 in 2010/11.

The average loan and advance to saving deposit for five fiscal year of each individual bank's rank as under.

SBI>NIBL>BOK>NABIL>EBL>HBL>NBB>SCBNL>RBB>NBL

4.6 Profitability Ratio

Profit is an important factor that determines the firm's expansion and diversification. 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 to in a particulars business or not. This ratio is related as the engine that drives the business and indicates economic progress.

Under this study various profitability ratios are developed upon the profit under different circumstances to measure the operating efficiency of these nine sample banks. Different profitability ratios are required to support the purpose of the study so the various ratios have been developed, which have been mentioned below.

4.6.1 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 firms.

It is calculated as follows:

$$\text{Interest Earned to Total Assets Ratio} = \frac{\text{Interest Earned}}{\text{Total Assets}}$$

Table No. 4.6.1

Interest Earned to Total Assets Ratio **(Rs. In millions)**

fiscal Year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
	IE	2049.1	1848.6	2094.9	2690.1	2865.1	
	TA	47707.1	49660	54608.8	50093.5	55700.1	0.044736
NBL	Ratio	0.042952	0.03722	0.03836	0.05370	0.05143	
	IE	2282.8	2356.9	2708.7	3444.1	4207.6	
	TA	72041.3	84686.2	99662.6	89448.2	94646.7	0.033931
RBBL	Ratio	0.031687	0.02783	0.02717	0.03850	0.04445	
	IE	1309.9	1587.7	1978.6	2798.4	4047.7	
	TA	29660.4	38478.6	45941.6	54609.8	61292.6	0.049155
NABIL	Ratio	0.044163	0.04126	0.04306	0.05124	0.06603	
	IE	1172.7	1584.9	2194.2	3267.9	4653.5	
	TA	28572.8	40205.5	54634.5	59554.7	61357	0.050268
NIBL	Ratio	0.041043	0.03942	0.04016	0.05487	0.07584	
	IE	1189.6	1411.9	1591.1	1887.22	2042.1	`
	TA	29937.4	34312.9	41678.8	41525.2	45227.2	0.041932
SCBNL	Ratio	0.039736	0.04114	0.03817	0.04544	0.04515	
	IE	1626.4	1775.5	1963.6	2342.1	3148.6	
	TA	34645.5	37526.8	40790.7	44768.8	49298.5	
HBL	Ratio	0.04694	0.04731	0.04813	0.05231	0.06386	0.051716

	IE	708.7	831.1	970.51	1460.4	2269.7	
	TA	15397.2	18594	31989.8	39381.3	47129.9	0.041261
SBI	Ratio	0.04602	0.04469	0.03033	0.03708	0.04815	
	IE	758.1	982	828.2	1337.11	1167.62	
	TA	14282.3	15584.2	16829.9	16022.3	18322.1	0.062497
NBBL	Ratio	0.05308	0.06301	0.04921	0.08345	0.06372	
	IE	903.41	1144.4	1548.6	2186.8	3102.4	
	TA	23335.3	28565.9	38000.3	42053	46895.6	0.047537
EBL	Ratio	0.03871	0.04006	0.04075	0.05200	0.06615	
	IE	718.1	819.1	134.1	1347.7	1870.8	
	TA	14997.5	18159.1	21009.3	24058.8	25582.1	0.045703
BOK	Ratio	0.04788	0.04510	0.00638	0.05601	0.07312	

Table 4.6.1 shows the ratio of interest earned to total Assets of ten sample banks. Table shows higher ratio of 0.053 of NBL in FY 2009/10 and lower ratio of 0.037 in FY 2007/08, RBB has a higher ratio in 0.44 in FY 2010/11 and lower ratio in2008/09. Similarly NABIL bank has the higher ratio 0.066 in fiscal year 2010/11 and lower ratio 0.044 in FY 2006/07 NIBL bank is increasing ratio from FY 2007/08 and maintain the higher ratio 0.075 in FY 2010/11. SCBNL ratio is in increasing train with higher ratio in 0.045 in FY 2010/11 and lower ratio in FY 2006/07. The same position is following by HBL with higher ratio of 0.063 in 2010/11 and lower ratio 0.046 in FY 2006/07. Likewise SBI bank has higher ratio in FY 2010/11 and lower ratio in 2008/09. NBB has higher ratio of 0.083 in FY 2009/10 and lower ratio of 0.049 in FY 2007/08, EBL has higher ratio in FY 0.066 in FY 2010/11 and lower ratio in 2006/07. At last BOK maintain higher ratio of 0.073 in FY 2010/11 and lower ratio of 0.047 in FY 2006/07. Looking for aggregate average ratio of ten banks we found:- NBBL>HBL>NIBL>NABIL>EBL>BOK>NBL>SCBNL>SBI>RBB

4.6.2 Net Profit to Total Assets Ratio:-

This ratio is very much crucial for measuring the profitability of all financial resources 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:

$$\text{Net Profit to Total Assets} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

The following table shows the net profit to total assets ratio of ten sample banks.

Table-4.6.2

Net Profit to Total Assets Ratio **(Rs. In millions)**

fiscal Year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
	NP	226.9	239.2	894.2	428.6	466.3	
	T A	47707.1	49660	54608.8	50093.5	55700.1	0.008575
NBL	Ratio	0.004756	0.004817	0.01635	0.008556	0.008372	
	NP	1616.9	1768.7	1923.6	2010.6	2122.6	
	T A	72041.3	84686.2	99662.6	89448.2	94646.7	0.021507
RBBL	Ratio	0.022444	0.020885	0.019301	0.022478	0.022427	
	NP	673.9	746.4	1031.05	1138.5	1255.6	
	T A	29660.4	38478.6	45941.6	54609.8	61292.6	0.021179
NABIL	Ratio	0.022721	0.019398	0.022443	0.02088	0.020485	
	NP	501.3	696.7	900.6	1265.9	1326.5	
	T A	28572.8	40205.5	54634.5	59554.7	61357	0.018847
NIBL	Ratio	0.017545	0.017328	0.01644	0.021256	0.021619	
	NP	691.6	818.9	1025.1	1085.8	1251.6	
	T A	29937.4	34312.9	41678.8	41525.2	45227.2	0.025077
SCBNL	Ratio	0.023102	0.023866	0.024595	0.026148	0.027674	
	NP	491.8	635.8	752.8	508.7	735.1	
	T A	34645.5	37526.8	40790.7	44768.8	49298.5	0.015173
HBL	Ratio	0.014195	0.016943	0.018455	0.011363	0.014911	

	NP	254.9	247.7	316.3	319.7	312.9	
	T A	15397.2	18594	31989.8	39381.3	47129.9	0.010904
SBI	Ratio	0.016555	0.013322	0.009888	0.008118	0.006639	
	NP	-1061.5	596.4	2158.1	1021.3	1121.3	
	T A	14282.3	15584.2	16829.9	16022.3	18322.1	0.043424
NBBL	Ratio	-0.07432	0.03827	0.12823	0.063742	0.061199	
	NP	296.4	451.2	638.7	831.7	961.8	
	T A	23335.3	28565.9	38000.3	42053	46895.6	0.017118
EBL	Ratio	0.01272	0.015795	0.016808	0.01977	0.020509	
	NP	262.3	361.4	461.7	509.2	601.3	
	T A	14997.5	18159.1	21009.3	24058.8	25582.1	0.020807
BOK	Ratio	0.01749	0.019902	0.02196	0.021165	0.023505	

Above table no 4.6.2 shows net profit to total assets or it measure the return on assets. NBL ratio is in fluctuating train where low ratio of 0.042 in FY 2006/07 and high ratio of 0.24 in FY 2008/09. The RBBL ratio is also fluctuating increasing in first three years and decreasing in last two years, NABIL bank's higher ratio in 0.75 in FY 2008/09 and lower ratio of 0.077 in FY 2009/10. NIBL bank ratio is higher in FY 2007/08 and lower in 2006/07 similarly SCBNL ratio is higher in FY 2006/07 and low ratio in 2009/10. HBL bank ratio is higher in FY 2008/09 and lower in 2002009/10. SBI bank ratio is high in 0.46 FY 2006/07. NBB has 1.73 times in FY 2008/09 and EBL high ratio is 0.09 in FY 2008/09 and low ratio of 0.052 in 20006/07. Finally BOK ratio is high in 2007/08 fiscal year and low ratio of 0.076 in FY 2009/10.

Average net profit to total assets ratio of ten sample banks are

NBB>RBBL>NABIL>SCBNL>NBL>BOK>NIBL>HBL>EBL>SBI

4.6.3 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 as:

$$\text{Net Profit to Total Deposit Ratio} = \frac{\text{Net Profit}}{\text{Total Deposit}}$$

The following table shows the net profit to total deposit ratio of nine sample banks.

Table-4.6.3

Net Profit to Total Deposit Ratio **(Rs. In millions)**

fiscal Year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
	NP	226.9	239.2	894.2	428.6	466.3	
	TD	39014.2	41451.7	42129.9	42129.4	46804.2	0.010589
NBL	Ratio	0.005816	0.005771	0.021225	0.010173	0.009963	
	NP	1616.9	1768.7	1923.6	2010.6	2122.6	
	TD	50192.6	57990.8	67976.3	68623.2	73924.1	0.029805
RBBL	Ratio	0.032214	0.0305	0.028298	0.029299	0.028713	
	NP	673.9	746.4	1031.05	1138.5	1255.6	
	TD	23342.4	31915	37348.3	46334.8	49691.4	0.025941
NABIL	Ratio	0.02887	0.023387	0.027606	0.024571	0.025268	
	NP	501.3	696.7	900.6	1265.9	1326.5	
	TD	24488.9	34451.8	46697.9	50094.7	50138.1	0.022341
NIBL	Ratio	0.02047	0.020222	0.019286	0.02527	0.026457	
	NP	691.6	818.9	1025.1	1085.8	1251.6	
	TD	24640	29743.9	36871.8	35182.7	37999.2	0.02944
SCBNL	Ratio	0.028068	0.027532	0.027802	0.030862	0.032938	
	NP	491.8	635.8	752.8	508.7	735.1	
	TD	29905.8	31805.3	34681	37609.4	40920.6	0.017926
HBL	Ratio	0.016445	0.01999	0.021706	0.013526	0.017964	
	NP	254.9	247.7	316.3	319.7	312.9	
	TD	11445.2	13715.4	27945.2	34896.3	42415.4	0.013638
SBI	Ratio	0.022271	0.01806	0.011319	0.009161	0.007377	
NBBL	NP	-1061.5	596.4	2158.1	1021.3	1121.3	0.071509

	TD	9464	10883.7	9995.6	10052.5	11511.7	
	Ratio	-0.11216	0.054798	0.215905	0.101597	0.097405	
	NP	296.4	451.2	638.7	831.7	961.8	
	TD	19097.7	23976.3	33322.9	36932.3	41127.9	0.019882
EBL	Ratio	0.01552	0.018819	0.019167	0.02252	0.023386	
	NP	262.3	361.4	461.7	509.2	601.3	
	TD	12358.6	15832.7	18083.9	20315.8	21018.4	0.024651
BOK	Ratio	0.021224	0.022826	0.025531	0.025064	0.028608	

Above table no 4.6.2 shows net profit to total assets or it measure the return on assets. NBL ratio is in fluctuating train where low ratio of 0.0085 in FY 2009/10 and high ratio of 0.016 in FY 2008/09. The RBBL ratio is also fluctuating decreasing in first three years and increasing in last two years, NABIL bank's higher ratio in 0.0227 in FY 2006/07 and lower ratio of 0.019 in FY 2007/08. NIBL bank ratio is higher in FY 2010/11 and lower in 2008/09 similarly SCBNL ratio is higher in FY 2010/11 and low ratio in 2006/07 and the train shows the increasing trend. HBL bank ratio is higher in FY 2008/09 and lower in 2009/10. SBI bank ratio is high 0.00988 FY 2008/09. NBB has higher ratio of 0.12 times in FY 2008/09 and EBL high ratio is 0.020 in FY 20010/11 and low ratio of 0.012 in 20006/07. Finally BOK ratio is high in 2010/11 fiscal year and low ratio of 0.017 in FY 2006/07.

Average net profit to total assets ratio of ten sample banks are

NBB>SCBNL>RBB>NABIL>BOK>NIBL>EBL>HBL>SBI>NBL

4.7.1 Current Assets to Total Assets

The ratio of current assets to total assets indicates what percentages of company's total assets have been invested in the form of current assets of firm, which is calculated as:

$$\text{CA/TA} = \frac{Current\ Assets}{Total\ Assets}$$

As the ratio increases risk and profitability of the company would decrease likewise. The low ratios indicate the small amount of working capital. The following table shows the current assets to total assets ratio of nine sample banks.

Table-4.7.1

Current Assets to Total Assets **(Rs. In millions)**

fiscal Year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
	CA	42541.3	44785.1	47831.9	44700.3	52713.8	
	TA	47707.1	49660	54608.8	50093.5	55700.1	0.901635
NBL	Ratio	0.891718	0.901834	0.875901	0.892337	0.946386	
	CA	69856.7	78230.1	79170.9	81357.6	90800.8	
	TA	72041.3	84686.2	99662.6	89448.2	94646.7	0.911349
RBBL	Ratio	0.969676	0.923764	0.794389	0.90955	0.959366	
	CA	24978.9	28210.1	37956.3	49214.6	46037.79	
	TA	29660.4	38478.6	45941.6	54609.8	61292.6	0.810761
NABIL	Ratio	0.842163	0.733137	0.826186	0.901205	0.751115	
	CA	26082.9	35662.6	39207.8	61578.2	63170.5	
	TA	28572.8	40205.5	54634.5	59554.7	61357	0.916207
NIBL	Ratio	0.912858	0.887008	0.717638	0.071133	0.07429	
	CA	22808.5	27496.2	31767.1	29452.8	36440.8	`
	TA	29937.4	34312.9	41678.8	41525.2	45227.2	0.76808
SCBNL	Ratio	0.761873	0.801337	0.762188	0.709275	0.805728	
	CA	26857.2	31152.1	35141.5	39636.5	42757.2	
	TA	34645.5	37526.8	40790.7	44768.8	49298.5	0.843902
HBL	Ratio	0.7752	0.830129	0.861508	0.88536	0.867312	
	CA	14947.3	18123	21456.9	23655.3	31397.5	
	TA	15397.2	18594	31989.8	39381.3	47129.9	0.776611
SBI	Ratio	0.97078	0.974669	0.670742	0.600673	0.666191	
NBBL	CA	12651.5	13819.3	15659.6	14743.6	17309.9	0.913596

	TA	14282.3	15584.2	16829.9	16022.3	18322.1	
	Ratio	0.885817	0.886751	0.930463	0.920192	0.944755	
	CA	22843.7	28074.2	36665.7	40907.9	45707.7	
	TA	23335.3	28565.9	38000.3	42053	46895.6	0.974808
EBL	Ratio	0.978933	0.982787	0.964879	0.97277	0.974669	
	CA	13782.9	16435.5	19231.6	22726.5	23711.9	
	TA	14997.5	18159.1	21009.3	24058.8	25582.1	0.9222
BOK	Ratio	0.919013	0.905083	0.915385	0.944623	0.926894	

Table no 4.7.1 shows the ratio if current assets to total assets. This ratio indicate the amount of investment in current assets higher the ratio higher amount of investment and vice-versa. According to the table NBL maintain higher current assets in FY 2010/11 and low amount of CA in FY 2006/07. RBB ratio is higher in 2006/07 and low ratio in FY 2008/09. Similarly NABIL man ratio is 90.1% in FY 2009/10. NIBL bank ratio is in decreasing train where high ratio in the starting year of the study and low ratio in the end of the year of the study. SCBNL maintain high ratio in 80.10% in FY 2010/11 and low ratio in FY 2009/10. HBL is increasing its current assets year by year. 77% in FY 2006/07 and 86.7 % in FY 2010/11 SBI bank ratio is in decreasing where 97.07% in the first Fiscal year and 66.6% in last fiscal year of the study. NBB is increasing its current assets 88.58 at FY 2006/07 and 97.46 % in FY 2010/11. EBL maintain an average of 97.4 % of CA where there is low rate of deviation of CA. BOK bank maintain higher ratio of 94.46% in 2009/10 and low ratio of 90.05% in FY 2007/08. Average ratio of ten sample bank of five fiscal year starting from 2006/07 to 2010/11 are as follow

EBL>BOK>NIBL>NBBL>RBB>NBL>HBL>NABIL>SBI>SCBNL

4.7.2 Cash and Bank Balance to Current Assets Ratio

Cash is the most liquid component of the working capital. It plays vital role to achieve effective management of working capital in all business enterprises. The ratio should not

be large because higher ratio indicates the poor cash management. The main purpose of holding cash is to meet daily business requirement. The following table represents the proportion of cash and bank balance to current assets of nine sample banks during the study period. It is calculated as:

$$\text{CB/CA} = \frac{Cash\ and\ Bank\ Balance}{Current\ Assets}$$

The ratio should not be large, because higher ratio indicates the poor cash management.

Table-4.7.2

Cash and Bank Balance to Current Assets Ratio (Rs. In millions)

fiscal Year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
	C& BB	7003.6	5055.2	9054.7	9968.6	10838.1	
	CA	42541.3	44785.1	47831.9	44700.3	52713.8	0.179084
NBL	Ratio	0.164631	0.112877	0.189303	0.22301	0.205603	
	C& BB	5687.9	14034.8	13482.1	11587.5	7053	
	CA	69856.7	78230.1	79170.9	81357.6	12428.7	0.228204
RBBL	Ratio	0.081422	0.179404	0.170291	0.142427	0.567477	
	C& BB	1399.6	2671.1	3372.5	1395.6	2432	
	CA	24978.9	28210.1	37956.3	49214.6	46037.79	0.064151
NABIL	Ratio	0.056031	0.094686	0.088852	0.028357	0.052826	
	C& BB	2441.5	3755	7918	6815.8	8140.4	
	CA	26082.9	35662.6	39207.8	61578.2	63170.5	0.128079
NIBL	Ratio	0.093605	0.105292	0.20195	0.110685	0.128864	
	C& BB	2234.9	2050.2	3137.3	1929.3	2975.8	`
	CA	22808.5	27496.2	31767.1	29452.8	36440.8	0.083695
SCBNL	Ratio	0.097985	0.074563	0.098759	0.065505	0.081661	
	C& BB	1549.6	1396.7	3048.6	3866.1	2964.3	
	CA	26857.2	31152.1	35141.5	39636.5	42757.2	0.07123
HBL	Ratio	0.057698	0.044835	0.086752	0.097539	0.069329	

	C& BB	1122.6	1347.6	1910.9	3549.5	4877.5	
	CA	14947.3	18123	21456.9	23655.3	31397.5	0.108784
SBI	Ratio	0.075104	0.074359	0.089058	0.150051	0.155347	
	C& BB	1162.8	1962.1	2571.4	2049.2	2474.7	
	CA	12651.5	13819.3	15659.6	14743.6	17309.9	0.13601
NBBL	Ratio	0.09191	0.141983	0.164206	0.138989	0.142964	
	C& BB	3329.7	2852.4	6164.4	7818.8	6122.9	
	CA	22843.7	28074.2	36665.7	40907.9	45707.7	0.148115
EBL	Ratio	0.14576	0.101602	0.168124	0.191132	0.133958	
	C& BB	1301.6	1440.4	2169	1337.2	1136.6	
	CA	13782.9	16435.5	19231.6	22726.5	23711.9	0.080326
BOK	Ratio	0.094436	0.08764	0.112783	0.058839	0.047934	

Table no 4.7.2 shows the ratio of cash and bank balance to current ratio. Where NBL ratio is high in FY 2009 and low ratio of 11.2 % in FY 2007/08. RBB ratio is higher in FY 56.7 in FY 2010/11 and low ratio of 8.14 % in FYU 2006/07. NABIL bank ratio is high in FY 2007/08 and low ratio in FY 2009/10. Similarly NIBL bank ratio is high in FY 2006/07 and low ratio of6.5 % in 2009/10. HBL ratio is in fluctuating train with high ratio of 9.7 % in FY 2009/10. SBI bank ratio is in increasing train with low ratio of 7.5 in FY 2006/07 and high ratio of 15.55 % in FY 2010/11. NBB ratio is increasing sometime and decreasing something, its ratio is higher in FY 16.4 in FY 2009/10 and low ratio of 0.09 in FY 2006/07. Everest bank ratio is high in FY 2009/10 with 19.11 % and low ratio of 10.16 in 2007/08 where BOK ratio is high in FY 11.7 % and low ratio of 4.7 % in FY 2010/11.

Now average ratio of ten sample bank of five fiscal year starting from 2006/07 to 2010/11 are as follow

RBB>NBL>EBL>NBBL>NIBL>SBI>SCBNL>BOK>HBL>NABIL.

4.7.3 Total Expenses to Total Interest Income

This ratio measures the percentage of total interest expenses against total interest income. This ratio is calculated by dividing total interest expenses by total interest income.

Total interest expenses to total income= = $\frac{\text{Total Interest Expenses}}{\text{Total InterestIncome}}$

The following table shows the total interest expenses to total interest income ratio of nine sample banks.

Table-4.7.3

Total Interest Expenses to Total Interest Income Ratio (Rs. In millions)

fiscal Year		**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Average**
	TIE	774.32	772.64	772.65	791.7	764.4	
	TII	2049.03	1848.6	2094.9	2690.1	2865.1	0.345156
NBL	Ratio	0.377896	0.41796	0.368824	0.294301	0.266797	
	TIE	850.1	942.7	102.5	1067.7	1386.9	
	TII	2282.8	2356.9	2708.7	3444.1	4207.6	0.289967
RBBL	Ratio	0.372394	0.399975	0.037841	0.310008	0.329618	
	TIE	357.1	555.7	758.4	1153.2	1960.1	
	TII	1309.9	1587.7	1978.6	2798.4	4047.7	0.380453
NABIL	Ratio	0.272616	0.350003	0.383301	0.412093	0.48425	
	TIE	490.9	685.5	992.1	1686.9	2553.8	
	TII	1172.7	1584.9	2194.2	3267.9	4653.5	0.473653
NIBL	Ratio	0.418607	0.432519	0.452147	0.516203	0.548791	
	TIE	303.1	413.05	471.7	543.7	575.7	
	TII	1189.6	1411.9	1591.1	1887.2	2042.1	0.282763
SCBNL	Ratio	0.254792	0.292549	0.296462	0.288099	0.281916	
	TIE	648.8	767.4	823.7	934.7	1553.5	
	TII	1626.4	1775.5	1963.6	2342.1	3148.6	0.42862
HBL	Ratio	0.398918	0.432216	0.419485	0.399086	0.493394	

	TIE	334.7	412.2	454.9	824.7	1443.6	
	TII	708.7	831.1	597.5	1460.4	2269.7	0.662677
SBI	Ratio	0.472273	0.495969	0.7625	0.564708	0.636031	
	TIE	518.09	432.2	397.9	409.7	476.7	
	TII	758.1	982.1	828.2	1337.1	1167.6	0.463721
NBBL	Ratio	0.683406	0.440077	0.48044	0.306409	0.408273	
	TIE	401.3	517.1	632.6	1012.8	1572.7	
	TII	903.4	1144.4	1548.6	2186.8	3102.4	0.454927
EBL	Ratio	0.444211	0.451852	0.408498	0.463142	0.50693	
	TIE	308.1	339.1	417.5	563.1	902.9	
	TII	718.1	819	1034.1	1347.7	1870.8	0.429455
BOK	Ratio	0.429049	0.414042	0.403733	0.417823	0.482628	

Above table shows the ratio of total expenses to total interest income. Looking for the table NBL ratio is higher in 41.7% FY 2007/08 and low ratio of 26.6% in FY 2010/11. RBB ratio is high in FY 39.99% in FY 2007/08 and low ratio of 28.9 % in FY 2010/11. NABIL bank ratio is increasing yearly from 27.26 % FY 2006/07 to 48.4 % FY 2010/11. Similarly NBL ratio is higher in FY 2010/11. SCBNL ratio is in fluctuating train which increase in first two years and remain equal in last two year. HBL ratio is high in FY 2010/11 and low ratio of 39.8 % in 2006/07, SBI bank ratio is high in FY 2008/09. NBB ratio is high in fiscal year 2006/07 and low ratio of 30.6 % in FY 2009/10. Everest bank ratio is in increasing train with 44.4 % in fiscal year2006/07 and 50.69 % in fiscal year 2010/11. Bank Of Kathmandu ratio is high in FY 2010/11 and low in FY 2008/09.

In aggregate the average ratio of ten sample bank is shown comparatively as below

SBI>NIBL>NBBL>EBL>BOK>HBL>NABIL>NBL>RBB>SCBNL.

4.8. Trend Analysis

Trend analysis of ten sample banks facts in very significance from the view of forecasting its discloses. Trend analysis enables whether the working capital of the company is

improving to deteriorating in the coming year. To analyze the trend of data shows in the financial statements it is necessary to have statement for at least five years or more years and it involves the calculation of percentage relationship that each statement items relating to base years is taken as 100% and percentage relationship are calculated for other remaining years on the base of base years. Trend percentage discloses change in financial operating data between specific period and on this basis forecast for future can be made. For this purpose base year should be made formal year. So, the trend analysis of the significance item of the company's financial year with tabulation and presentation of them by charts and graphs research is going analyze some of the following significant items contained in the financial statement with the help of trend analysis of nine sample banks. The tools that are used to show grandly increases or decreased 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 clearly.

4.8.1 Trend Value Analysis of Gross Working Capital

Trend value analysis of gross working capital are given below where value of 'a' and 'b' are constant.

Table -4.8.1

Trend Value Analysis of Gross Working Capital

Sample of Banks	**'a'**	**'b'**
NBL	3.4337	0.2059
RBB	6.4932	0.5949
NABIL	1.7798	0.6448
NIBL	1.4954	1.0062
SCBNL	2.0862	0.2922
HBL	2.3023	0.4028
SBI	-1.0386	0.384320.
NBB	0.1156	1.1762

EBL	1.7271	0.5856
BOK	1.1329	0.2614

The value of change on gross working capital 'b' is positive in all nine sample banks but it is higher in NIBL. It implies that the gross working capital is increasing higher in NIBL in comparison to other eight sample banks.

Figure-4.8.1(A)

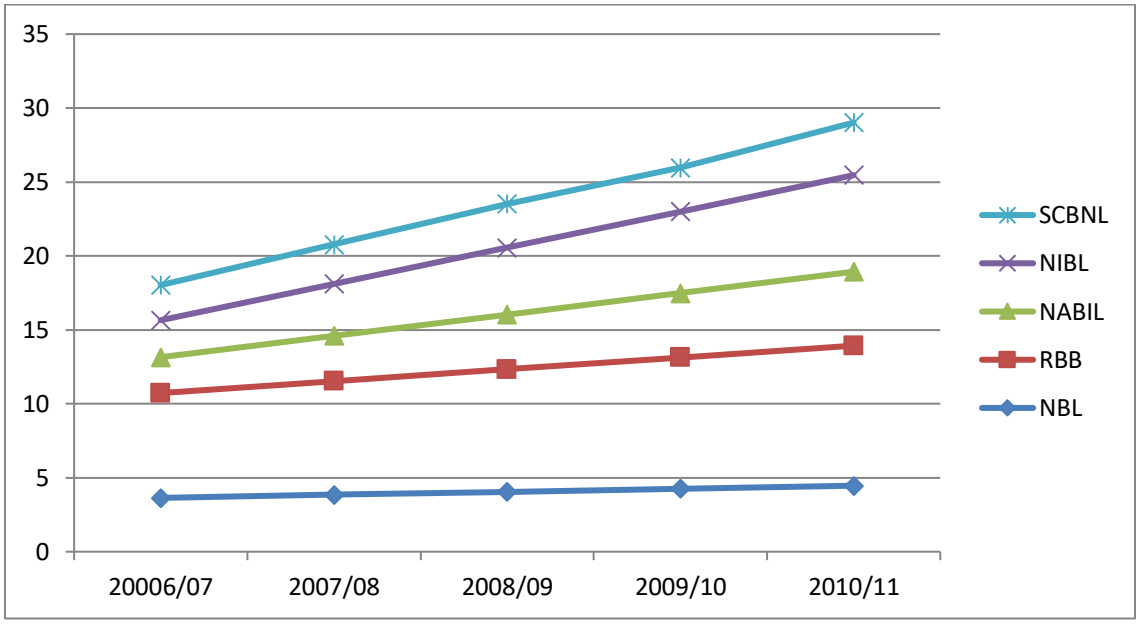


Figure no. 8.8.1 (A) show the trend of five sample banks where SCBNL bank working capital is increasing in higher rate than NBL, NABIL and RBB. And NBL working capital is growing in low rate

Figure No. 4.8.1 (B)

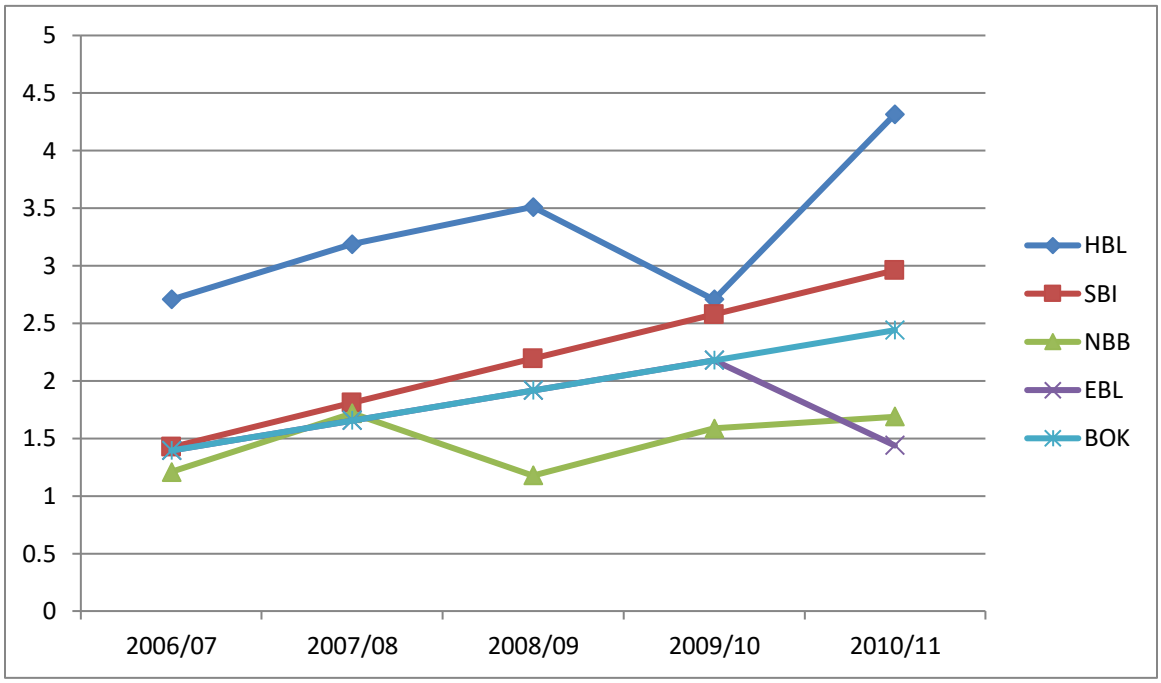


Figure No. 4.8.1 (B) shows the next five banks working capital trend which shows the higher growth of HBL compare to other four banks HBL growing train is following by SBI bank where BOK is growing slightly in five years.

Above figure shows the working capital growth trend. From the figure above we can forecast the growth of working capital for upcoming year.

4.8.2 Trend Value Analysis of Net Working Capital

From the calculation of net working capital trend is given below. The value of constant 'a' and 'b' of respective banks are as follos:

Table-4.8.2

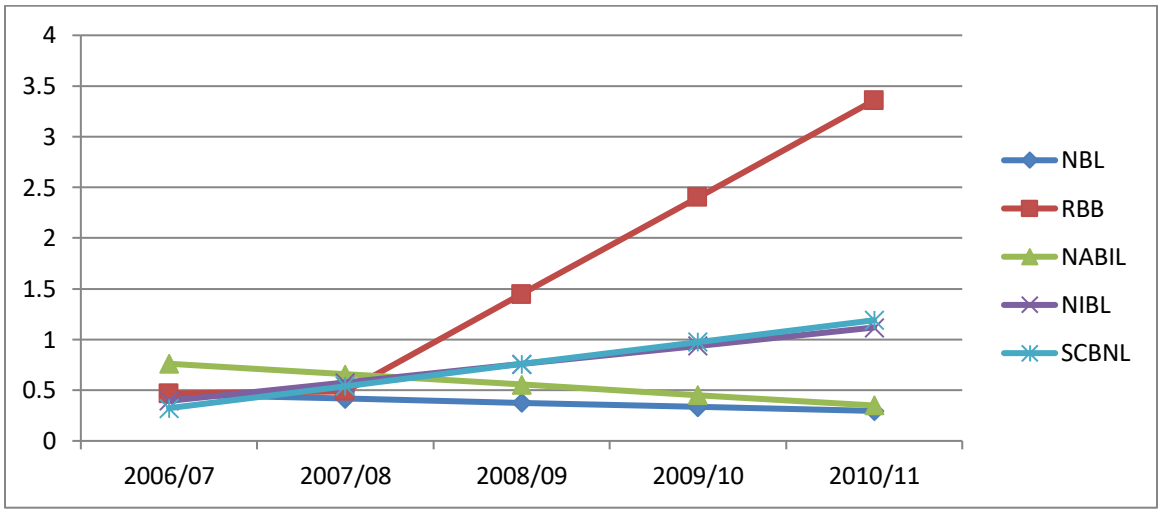
Trend Value Analysis of Net Working Capital

Sample of Banks	**'a'**	**'b'**
NBL	0.49786	0.0.831

RBB	1.4239	0.9563
NABIL	0.86369	0.10285
NIBL	0.2139	0.1809
SCBNL	0.10584	0.2173
HBL	0.72337	0.19518
SBI	0.5645	0.2193
NBB	0.362	0.29523
EBL	0.61251	0.27224
BOK	0.4078	0.21465

The above table shows the trend of net working capital growth of ten sample banks of five fiscal year, where all value of 'b' is in positive. RBB value is higher than other nine banks which indicate net working capital is growing higher rate than other nine banks.

Figure No. 4.8.2 (A)



The figure no. 4.2.8 (b) showes the trend line of Net working capital. Where growth rate of RBB is higher than SCBNL and NIBL and other two bank's NABIL and NBL net working capital is decreasing.

Figure no.- 4.8.2. (B)

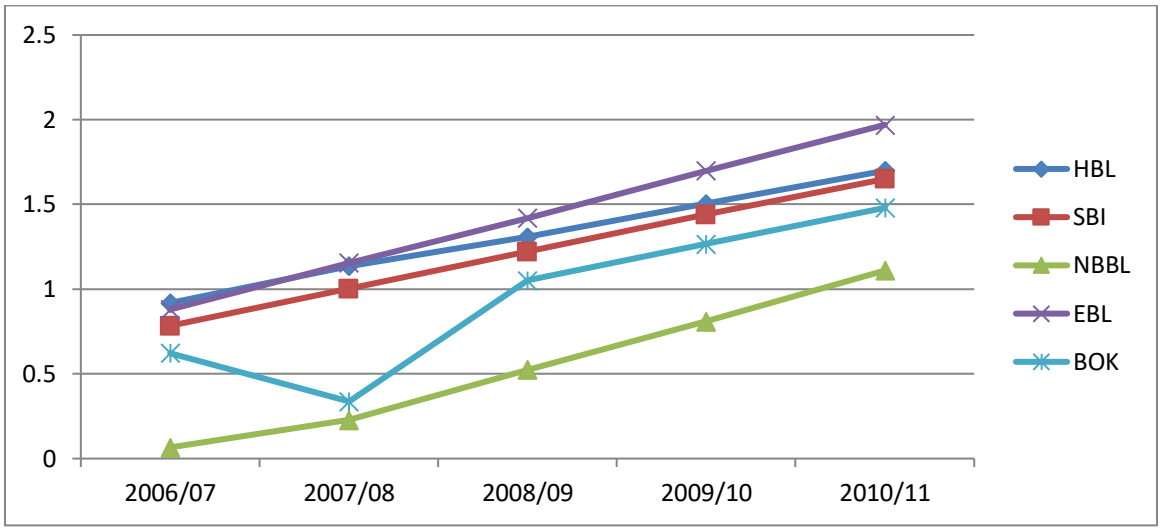


Figure no 4.8.2 (S) shows remaining five banks net working cpaital growth trends. EBL net working capital is growing faster than SBI, HBL, NBB, EBL, BOK. By this analysis we can say that EBL net working capital value is better.

4.8.3 Trend Value Analysis of Total Deposit

From the calculation of total deposit amount trend are given below where the value of constant 'a' and 'b' of respective banks are as follows:

Table-4.8.3

Trend Value Analysis of Total Deposit

Sample of Banks	**'a'**	**'b'**
NBL	3.8566	0.13841
RBB	4.460	0.5890
NABIL	1.75909	0.67117
NIBL	2.1090	0.6694
SCBNL	2.3039	0.31157
HBL	2.6633	0.27828

SBI	0.7749	0.65121
NBB	0.43931	0.03263
EBL	1.3786	0.57016
BOK	1.09737	0.21821

The amount of change on total deposit 'b' is positive in all nine sample banks but it is higher in EBL. It implies that the total deposit amount is increasing higher in EBL in comparison to other eight sample banks.

Figure No.-4.8.3(A)

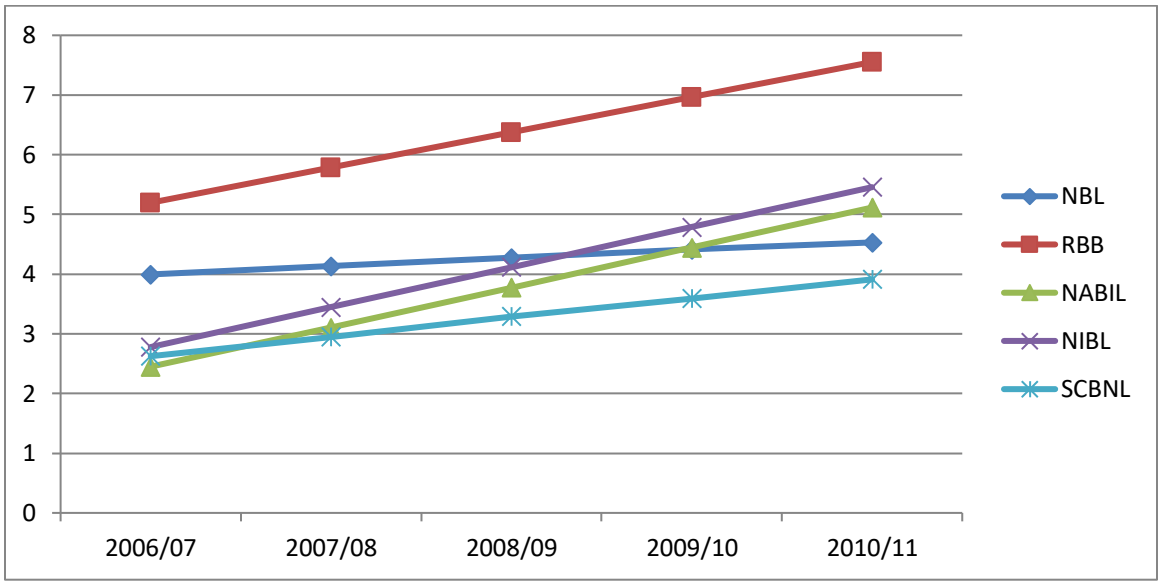
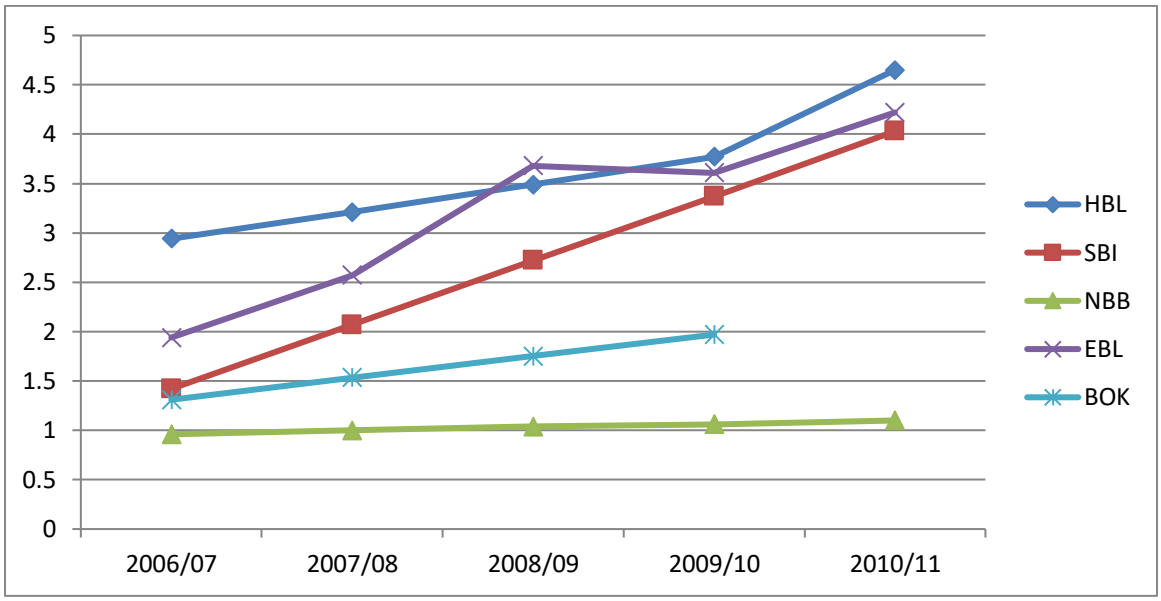


Figure no. 4.8.3 (B) shows the total deposit train of first five banks NBL, RBB, NABIL, NIBL, SCBNL. Among them RBB total deposit is growing faster than other four banks. RBB growing trend is following by NIBL and NABIL and other two bank NBL and SCBNL is growing slightly.

Table No. 4.8.3 (B)



Above figure shows the remaining five years total deposit trend where HBL total deposit is growing faster than other banks. EBL is following the same trend and SBI and BOK is also growing its total deposit. Nepal Bangladesh bank deposit is growing slightly.

4.8.4 Trend Value Analysis of Net Profit After Tax

From the calculation of net profit after tax amount trend are given below the value of constant 'a' and 'b' of respective banks are as follows:

Table-4.8.4

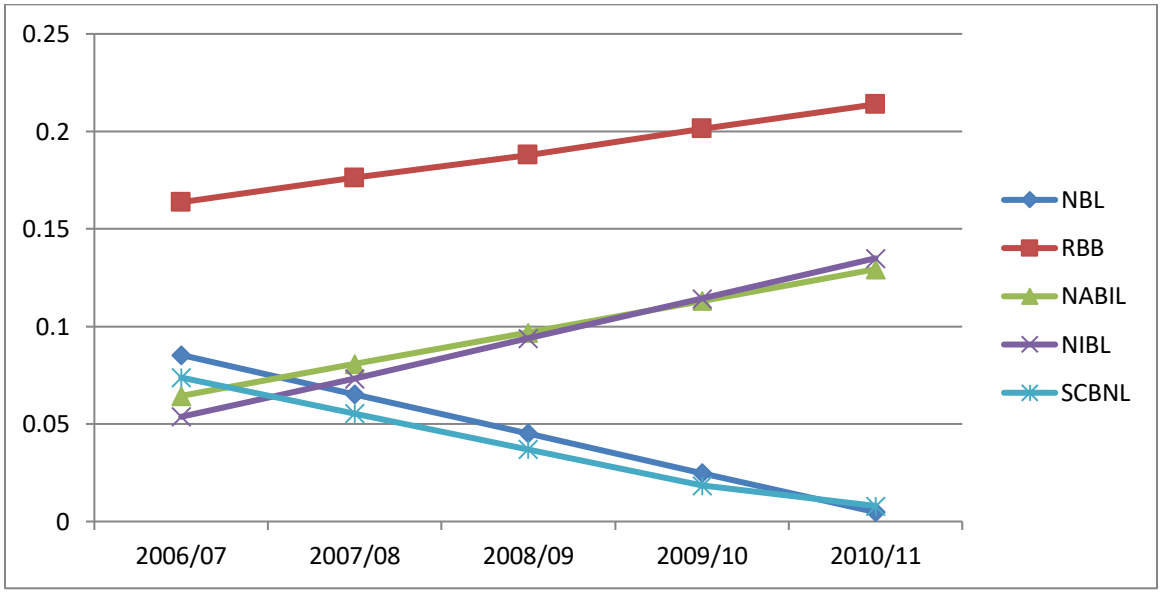
Trend Value Analysis of Net Profit After Tax

Sample of Banks	**'a'**	**'b'**
NBL	0.10554	0.020144
RBB	0.15125	0.012533
NABIL	0.04826	0.01621
NIBL	0.03213	0.020566
SCBNL	0.09223	-0.01843

HBL	0.051699	0.003595
SBI	0.02339	0.00188
NBB	0.069554	-0.012932
EBL	0.012257	0.017113
BOK	0.01878	0.00843

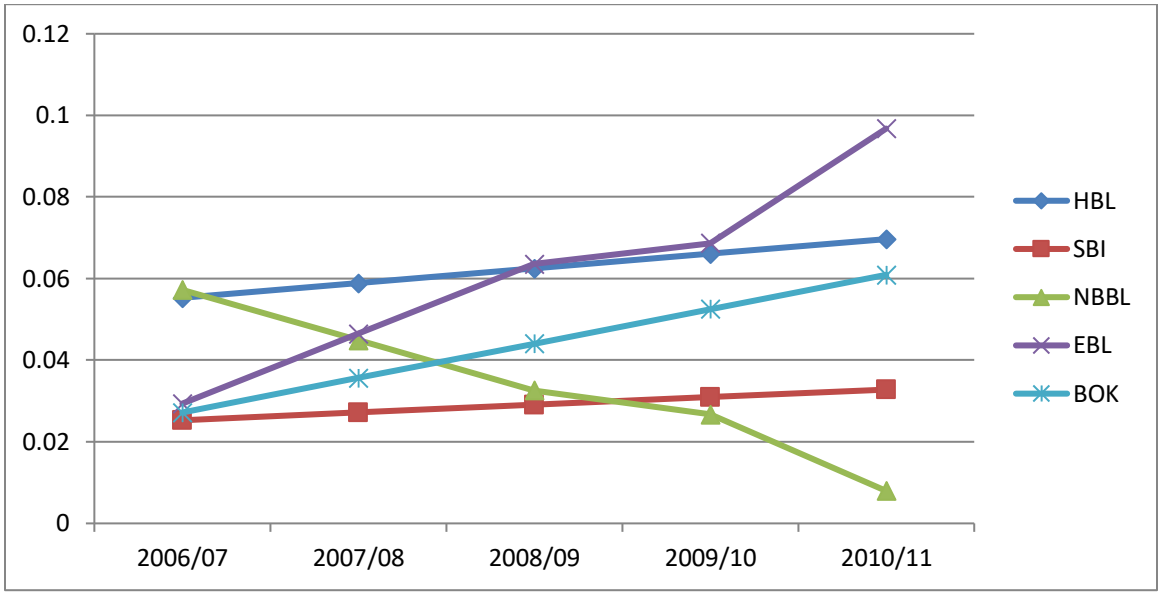
The rate of change on net profit after tax amount 'b' is positive is all nine sample banks but it is higher in NIBL. It implies that the net profit after tax amount is increasing higher in NIBL in comparison to other eight sample banks.

Figure No.-4.8.4(A)



Above figure shows the five banks net profit after tax trend where RBB net profit is growing faster than other banks. NBL and SCBNL trend is in decreasing and NABIL and NBL is increasing satisfactory condition.

Figure No.-4.8.4(B)



4.9 Correlation Analysis

Correlation is the statistical tools that we can use to describe the degree to which one variabale 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 tends to accompanied by a movement in the same or opposite direction in the other, they are called correlated. If the relationship is direct they are called positively correlated and if the relationship is inversed they are called negatively correlated. If any change in one does not affect the other variable they are called uncorrected. The correlation may be perfect, imperfect or zero. Among the various methods of finding out coefficient 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 variables.

It is calculated by inputting the data directly in two arrays of the command.

Using Standard Error (S.Er) where,

S.E (r) = $\frac{(1-r^2)}{\sqrt{n}}$

P.E. (r) = 0.6745 x S.E (r)

The Probable Error is used to test whether the calculated value of sample correlation coefficient is significant or not. A few rules for the interpretation of the significance of correlation coefficient are as follows:

i. If r < P.E. (r), then the value of 'r' is not significant (i.e.., insignificant)

ii. lf r > 6 x P.E. (r), then r is definitely significant

iii. In other situations, nothing can be calculated with certainty.

4.9.1 Coefficient of Correlation between Loan & Advances & Net Profit

The basic function of Commercial Bank is to collect deposits and invest such funds on loan and advances to generate higher profit. Large amount of loan and advances generate higher profit. The coefficient of correlation between loan and advances and net profit is calculated to measure the degree of relationship between loan and advances and net profit. In correlation analysis, net profit is independent variable and loan and advances is dependent variable. The purpose of computing coefficient of correlation is to justify whether the loan and advances are significantly generating profit or not and whether there is any relationship between these two variables.

The following table shows the coefficient of correlation between loan and advances and net profit i.e. r, PEr, and 6PEr of nine sample banks.

Table-4.9.1

Result of Coefficient of Correlation

Sample of Bank	R	Per	6Per
NBL	0.9576	0.2796	1.67791
RBB	0.9819	0.01082	0.0649
NABIL	0.9843	0.00940	0.0563
NIBL	0.95085	0.0289	0.17354

SCBNL	0.3987	0.2548	1.58
HBL	0.4366	0.24414	1.4648
SBI	0.8190	0.09931	0.59587
NBB	0.95768	0.02498	0.1498
EBL	0.99938	0.00037	0.00224
BOK	0.6658	0.1679	1.007

Table 4.9.1 shows the correlation of coefficient of loan and advance to Net profit of ten sample banks. Where EBL correlation is higher than other nine banks. The position of correlation of coefficient of ten sample banks are 0.999 in EBL, 0.9843 in NABIL, 0.9819 in RBB, 0.9577 in NBB, 0.9570 in NBL, 0.0.95085 in NIBL, 0.8190 in SBI, 0.6658 in BOK, 0.4366 in HBL, 0.3987 in SCBNL. The value of correlation of coefficient shows the higher positive relationship between these variables in ten banks. And the probable of error are 0.27 in NBL, 0.0108 in RBB, 0.009 in NABIL, 0.02879 in NIBL, 0.2548 in SCBNL, 0.24414 in HBL, 0.099 in SBI, 0.099 in NBB, 0.00037 in EBL, 0.16 in BOK.

4.9.2 Coefficient of Correlation between Loan and Advances and Total Deposits

The coefficient of correlation between loan and advances and total deposits is calculated to measure the degree of relationship between major components of current assets i.e. loan and advances and major sources of fund on bank i.e. total deposits. In correlation analysis, deposit is independent variable and loan and advances is dependent variable. The purpose of computing coefficient of correlation is to justify whether the deposits are significantly used in loan and advances or not and whether there is any relationship between these two variables.

The following table shows the coefficient of correlation between loan and advances and total deposits i.e. r, PEr and 6PEr of nine sample banks.

Table-4.9.2

Result of Coefficient of Correlation

Sample Banks	R	Per	6per
NBL	0.9576	0.025	0.1523
RBB	0.9540	0.027	0.16
NABIL	0.9904	0.00600	0.036
NIBL	0.9963	0.0024	0.014
SCBNL	0.3649	0.2614	1.56
HBL	0.9892	0.00648	0.0388
SBI	0.9803	0.01173	0.070
NBBL	0.7615	0.1267	0.760
EBL	0.9962	0.0022	0.013
BOK	0.99270	0.0043	0.026

Above table 4.9.2 shows the correlation of coefficient of loan and advance to total deposit of ten sample banks. Where NIBL correlation is higher than other nine sample banks. The position of correlation of coefficient of ten sample banks are 0.993 in NIBL, 0.996 in EBL, 0.996 in BOK, 0.994 in BABIL, 0.9892 in HBL, 0.9803 in SBI, 0.9576 in NBL, 0.9504 in RBB, 0.7615 in NBB and 0.3649 in SCBNL. The value of correlation of coefficient shows the high positive relationship between these variables in ten banks. Probable of error is 0.025 in NBL, 0.027 in RBB, 0.006 in NABIL, 0.024 in NIBL, 0.26 in SCBNL, 0.0064 in HBL, 0.011 in SBI, 0.12 in NBB, 0.0022 in EBL and 0.0043 in BOK.

4.9.3 Coefficient of Correlation between Cash and Bank Balance and Current Liabilities

Cash and bank balances are most liquid component of current assets. This is required to meet the unexpected short term obligation i.e. 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.

The following table shows the coefficient of correlation between cash and bank balance and current liabilities i.e. r, PEr, 6PEr of nine sample banks.

Table-4.9.3

Results of Coefficient of Correlation

Sample Banks	R	Per	6per
NBL	0.0144	0.2972	1.78
RBB	0.655	0.1722	1.033
NABIL	0.8433	0.0872	0.583
NIBL	0.8082	0.104	0.627
SCBNL	0.2980	0.274	1.649
HBL	0.9687	0.01898	0.113
SBI	0.667	0.167	1.004
NBBL	0.722	0.144	0.866
EBL	0.64644	0.1757	1.05
BOK	0.889	0.063	0.379

Above table shows the correlation of coefficient of cash and bank balance to current liabilities. Where HBL correlation is higher than other nine sample banks. The position of correlation of coefficient of ten sample banks are 0.9687 in HBL, 0.889 in BOK, 0.8433 in NABIL, 0.8082 in NIBL,0.722 in NBBL, 0.667 in SBI, 0.655 in RBB, 0.6464 in EBL and 0.2980 in SCBNL. Correlation of coefficient shows the high positive relationship between these variables in ten banks. Probable of error is 0.029 in NBL, 0.17 in RBB, 0.087 in NABIL, 0.104 in NIBL, 0.274 in SCBNL, 0.018 in HBL, 0.167 in SBI, 0.144 in NBB, 0.1757 in EBL and 0.063 in BOK.

4.9.4 Coefficient of Correlation between Investment on Government Securities and Total Deposits

The coefficient of correlation between investment on government security and total deposit is to measure the degree of relationship between government security and total deposit. Bank utilizes its collected deposit loan and advances as well as in government securities. But Commercial bank uses larger amount of deposit on loan and advances. Only the idle deposits are 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 whether there is any relationship between these two variables. The table shows the coefficient of between these two variables.

The following table shows the coefficient of correlation between government securities and total deposits i.e. r, PEr, 6PEr of nine sample banks viz. NABIL, NIBL, SCBNL, HBL, SBI, EBL, BOK, NIC, and KBL.

Table-4.9.4

Results of Coefficient of Correlation

Sample Banks	R	Per	6per
NBL	0.7948	0.1109	0.66
RBB	0.9563	0.025	0.154
NABIL	0.7919	0.112	0.674
NIBL	0.2472	0.2832	1.699
SCBNL	0.9492	0.02886	0.1791
HBL	0.7162	0.1469	0.8814
SBI	0.7744	0.0680	0.40
NBBL	0.5803	0.20	1.20
EBL	0.5618	0.2064	1.238
BOK	0.5274	0.0174	0.104

Above table shows the correlation of coefficient of investment on government securities to total deposit. Where RBB correlation is higher than other nine sample banks. The position of correlation of coefficient of ten sample banks are 0.9563 in RBB, 0.9492 in SCBNL, 0.9748 in NBL, 0.791 in NABIL, 0.7744 in SBI, 0.716 in HBL,0.5803 in NBBL, 0.5618 in EBL, 0.527 in BOK and 0.247 in NIBL. Correlation of coefficient shows the high positive relation ship between these variables in ten banks. Probable of error is 0.119 in NBL, 0.025 in RBB, 0.112 in NABIL, 0.2832 in NIBL, 0.0.0288 in SCBNL, 0.146 in HBL, 0.068 in SBI, 0.20 in NBB, 0.2064 in EBL and 0.0174 in BOK.

4.9.5 Coefficient of Correlation between Current Assets and Current Liabilities

The coefficient of correlation between current assets and current liabilities is calculated to measure the degree of relationship between two variables.

The following table shows the coefficient of correlation between current assets and current liabilities i.e. r, PEr, and 6PEr of nine sample banks.

Table-4.9.5

Results of Coefficient of Correlation

Sample Banks	R	Per	6per
NBL	0.442	0.2425	1.455
RBB	0.3759	0.259	1.554
NABIL	0.8469	0.852	0.511
NIBL	0.801	0.6419	0.6466
SCBNL	0.0631	0.299	0.79
HBL	0.8186	0.099	0.59
SBI	00.8348	0.0241	0.144
NBBL	0.4199	0.24	1.49
EBL	0.9376	0.0368	0.22
BOK	0.779	0.118	0.711

Above table shows the correlation of coefficient of current assets and current liabilities. Where EBL correlation is higher than other nine sample banks. The position of correlation of coefficient of ten sample banks are 0.9376 in EBL, 0.8469 in NABIL, 0.8348 in SBI, 0.8186 in HBL, 0.801 in NIBL, 0.779 in BOK, 0.442 in NBL 0.41 and 0.37 in RBB . Correlation of coefficient shows the positive relation ship between these variables in ten banks. Probable of error is 0.2425 in NBL, 0.259 in RBB, 0.851 in NABIL, 0.6419 in NIBL, 0.299 in SCBNL, 0.099 in HBL, 0.0241 in SBI, 0.24 in NBB, 0.0368 in EBL and 0.118 in BOK.

4.10 Major Findings of the Study

The major findings of this study during the period of five years starting fiscal year 2006/07 to 2010/11 of ten sample banks NBL, RBB, NABIL, NIBL, SCBNL, HBL, SBI, NBB, EBL and BOK. From the analysis of working capital management are summarized below:-

1. Looking for the gross working capital NIBL had the highest gross working capital growth percentages i.e. 25.7 % and low gross working capital of 7.2 for RBB during the study period. The position of average gross working capital of ten sample banks are NIBL>EBL>SBI>NABIL>BOK>SCBNL>NBL>NBBL>RBBL i.e. 25.17>19.76>18.65>17.19>14.03>13.93>8.76>7.65>7.25.
2. SBI net working capital is growing higher rate comparing to other nine sample bank and the NBL net working capital is growing slowly. The position of average net working capital of ten sample banks on five years study period is SBI>SCBNL>NIBL>HBL>NABIL>NBBL>EBL>BOK>RBB>NBL
   and net working capital rate is 44.7%>32.7%>30.7%>29.12%>25.93%>24.85%>21.11%>20.03%>9.45%>5.65.
3. NBBL loan and advance to total deposit ratio is higher than other nine banks and other hand SCBNL has lower ratio of 0.43. loan and advance to total deposit position of ten sample banks are

NBBL>BOK>NIBL>EBL>NABIL>HBL>SBI>RBB>NBL>SCBNL i.e. 84.8%>81%>78.6%>75.6%>71.5%>69.8%>67%>49.1%>46.7%43.1%.

4. The average value of loan and advances to fixed deposit ratio is highest of NBBL i.e. 6.42 times and SBI has lower ratio of loan and advance to fixed deposit i.e. 1.212. The order wise position of loan and advance to fixed deposit are NBBL>RBB>NBL>BOK>HBL>EBL>NIBL>NABI>SCBNL>SBI i.e. 6.42%>5.50%>4.11%>2.9%>2.81%>2.7>2.7%>2.63%>2.52%>1.21%. NBB has greater ratio that implies SBI is utilizing its fixed deposit in loan and advance more efficiency than eight other sample banks.
5. Looking to the loan and advance to saving deposit ratio there is higher ratio maintain by SBI bank i.e. 2.75 and lower ratio of 0.71 of NBL. The average position of loan and advance to saving deposit of ten sample banks are SBI>NIBL>BOK>NABIL>EBL>HBL>NBB>SCBNL>RBB>NBL where the value of L&D to SD is 2.75%>2.31%>2.16%>2.06>1.58%>1.44%>1.34%>0.98%>0.78%>0.71. SBI ratio is high that means SBI is utilizing efficiently its short-term funds and NBL is unable to use short-term funds efficiently.
6. Interest earned to total assets implies the efficient use of total assets to earn interest income. Here looking for the interest earn to total assets NBBL has higher ratio than other sample banks i.e. 0.062 and RBB has lowest ratio of 0.033. The position of interest income to total assets of ten sample banks are NBBL>HBL>NIBL>NABIL>EBL>BOK>NBL>SCBNL>SBI>RBB. Where the value of this banks are 0.062>0.051>0.050>0.049>0.047>0.045>0.044>0.041>0.041>0.033. This ratio shows that NBBL use total assets efficiently to generate income than other banks and RBB has low ratio which implies that less efficient use of total assets to generate income.
7. The average ratio of net profit to total assets of NBB is higher i.e. 0.55 and low average ratio is 0.025 of SBI bank. The position of net profit to total assets are NBB>RBBL>NABIL>SCBNL>NBL>BOK>NIBL>HBL>EBL>SBI, And their value are 0.5541>0.336>0.17>0.10>0.0887>0.075>0.075>0.070>0.025. This ratio implies that

NBB is using more efficiently working found of assets to earn higher rate of profit. NABIL SCBNL, NBL, BOK is utilizing quite satisfying way and EBL and SBI is weakly utilizing its working capital.

8. The average ratio of net profit to total deposit ratio measures the internal rate of return. NBB has a higher ratio of net profit to total deposit i.e. 0.071 and low ratio of NBL i.e. 0.010. The position of net profit to total deposit ratio of ten sample banks of five years study period are NBB>RBBL>SCBNL>NABIL>BOK>NIBL>EBL>HBL>SBI>NBL. The ratio of sample banks are 0.071>0.029>0.029>0.025>0.024>0.022>0.019>0.017>0.013>0.010. This ratio shows that NBB is has better performance to mobilization of total deposit and lower mobilization of total deposit by NBL. SCBNL, NABIL, BOK, NIBL, EBL, HBL has satisfactory condition.
9. Current assets to total assets ratio indicates that investment percentage in current assets out of total assets. The average higher ratio is maintain by EBL that is 0.97 and lower average ratio is maintain by SCBNL i.e. 0.76. the position of the ratio of ten sample banks are EBL>BOK>NIBL>NBBL>RBB>NBL>HBL>NABIL>SBI>SCBNL i.e. 0.97>0.92>0.916>0.913>0.911>0.91>0.84>0.81>0.77>0.76. Higher ratio indicate higher percentage investment in current assets and lower ratio shows low percentage investment in current assets.
10. Cash and bank balance to current assets indicate how efficiently the cash are managed. This ratio should not be higher because it shows the ideal fund. The position of average cash and bank balance to current assets are RBB>NBL>EBL>NBBL>NIBL>SBI>SCBNL>BOK>HBL>NABIL i.e. 0.22>0.17>0.14>0.13>0.12>0.10>0.080>0.080>0.071>0.064. low ratio of cash and bank balance to current assets indicate better management of cash so here NABIL had made a better cash management than other nine sample banks.
11. Total expenses to total interest income measures the percentage of expenses against interest income. SCBNL has low ratio of total expenses to total interest income and SBI has a high ratio. The overall average position of ten sample bank are

SBI>NIBL>NBBL>EBL>BOK >HBL>NABIL>NBL>RBB>SCBNL. The ratio values are 0.66>0.473>0.46>0.45>0.42>0.42>0.38>0.34>0.28>0.28. Now we can say that SCBNL has low expenses then other nine banks and SBI has higher expenses.

12. The gross working capital trend is increasing of all ten sample banks in study period. Where HBL gross working capital is growing faster than other banks it helps to forecast that HBL gross working capital will grow further coming year.
13. Net working capital trend also increasing in all ten sample banks during the study period of 2006/07 to 2010/11. Among them RBB net working capital is growing rapidly. This trend helps to conclude the net working capital of RBB is better than other sample banks.
14. All banks total deposit are growing in study period. Among them the trend of total deposit of RBB is growing rapidly compared to other banks. From this trend analysis we can forecast that RBB bank total deposit grows rapidly in coming year. But NBB total deposit is growing slightly in study period.
15. Trend of net profit after tax of RBB is growing year by year where the net profit after tax of SCBNL,NBBL and NBL is in decreasing trends. Other banks HBL, EBL, BOK, NABIL, and NIBL trend is satisfactory growth.
16. The position of correlation of coefficient of loan and advance to total deposit of ten sample banks are 0.999 in EBL, 0.9843 in NABIL, 0.9819 in RBB, 0.9577 in NBB, 0.9570 in NBL, 0.0.95085 in NIBL, 0.8190 in SBI, 0.6658 in BOK, 0.4366 in HBL, 0.3987 in SCBNL. So the correlation of coefficient shows the positive relationship between loan and advance to net profit.
17. The position of correlation of coefficient of loan and advance to total deposit of ten sample banks are 0.9687 in HBL, 0.889 in BOK, 0.8433 in NABIL, 0.8082 in NIBL,0.722 in NBBL, 0.667 in SBI, 0.655 in RBB, 0.6464 in EBL and 0.2980 in SCBNL. Correlation of coefficient shows the high positive relationship between loan and advance to Total deposit.
18. The position of correlation of coefficient of investment on government securities to total deposit of ten sample banks are 0.9563 in RBB, 0.9492 in SCBNL, 0.9748 in NBL, 0.791 in NABIL, 0.7744 in SBI, 0.716 in HBL,0.5803 in NBBL, 0.5618 in

EBL, 0.527 in BOK and 0.247 in NIBL. Correlation of coefficient shows the high positive relation ship between these variables in ten banks.

19. Correlation of coefficient of current assets and current liabilities of ten sample banks are 0.9376 in EBL, 0.8469 in NABIL, 0.8348 in SBI, 0.8186 in HBL, 0.801 in NIBL, 0.779 in BOK, 0.442 in NBL 0.41 and 0.37 in RBB . Correlation of coefficient shows the positive relationship between these variables in ten banks.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter is used to summarize the whole study, to draw the major findings, conclusion of the study and forward the applicable recommendation for more better and efficient management of working capital of ten senior banks the intent of this study is to analyze the working capital and its impact. The brief introduction of this study has been already presented in the first chapter. In the second chapter the available literature about the capital structure management has been reviewed. Research methodology has explained in the third chapter and the available data have been presented an analyzed in the forth chapter.

This is a last chapter of the study, in this concluding chapter, an attempt has been made first to make present summary of the study, then conclusion of the analysis and some recommendation which are useful to take corrective action.

5.1 Summary

Working capital is one of the major factors of the company. It is life-blood to operate the business day-to-day smoothly. The study aims at examining the impact of current assets and current liabilities, current assets and cash balance, total debt to equity, return, EPS, receivable etc. by using the secondary data. The study mainly aims to assessment and analysis working capital management of four senior ten commercial banks in Nepal.

The study is based on secondary data of related commercial banks listed in Nepal Stock Exchange (NEPSE) Ltd. covering the five years study periods from 2006/07 to 2010/011.

The research works divided in five chapters consisting, a brief introduction about this study and company has been already presented in chapter I, in chapter II, various related books, journals, and other publications as well as unpublished master level dissertation have been recovered. Research methodology has been described in chapter in III. While all the available data have been presented and analyzed and major findings in chapter IV.

In this chapter, the effort has been made first to present summary and conclusion drawn from the analysis. While last step proceeds with recommendation to concerned companies.

The objectives of this thesis were

1. To analyze the current assets and current liabilities of the selected books under study period during the study of five years period of 2002/03 to 2006/07.
2. To analysis and evaluate the different ratio related to working capital.
3. To analyze and evaluate the working capital with the help of trend analysis.
4. To find the basic reason of the working capital management good or bad.
5. To provide reformative suggestion for the further improvement of sample ten senior commercial banks.

The study has used both accounting and statistical tool for the analysis. In accounting tools different items as related working capital were computed to represent different ratio. In statistical tools arithmetic mean, standard deviation, coefficient of correlation, probable error, trend analysis, analysis of the sample banks were obtained from Nepal stock exchange Ltd through internet website www.nepalstock.com this study is observed from 2006/07 to 2010/11.

The study is based on the descriptive and interferential analysis. Descriptive analysis involved relationship, analysis, and compare to among items of related working capital. Inferential analysis involved the coefficient of correlation is between different ratios, probable error, with the help of Karl Pearson's correlation coefficient, financial tools also used.

5.2 Conclusion

In conclusion, it can be said that working capital management is one of the most important parts of every financial institution. Working capital is a crucial capital, which is often compared to life-blood of the human being. After analyzing the ten sample banks NBL, RBB, NABIL, NIBL, SCBNL, HBL, SBI, NBBL, EBL and BOK following conclusions have been derived from the study.

I took data of ten senior commercial banks and analyze data as our requirement and find something the researcher wants to draw the conclusion the basis of the forward objective. All components of current assets and current liabilities of these ten sample banks are highly fluctuating during the study period. Gross working capital growth percentage of NIBL is better than that of other nine sample banks because it has higher rate of percentage. The growth rate in net working capital of SBI is highest, from which it can be considered that SBI has paid greatest attention in increasing net working capital than other nine sample banks. The activity turnover position on loan and advances to total deposit ratio of NBBL is highest, from which it can be considered that NBBL is employing the funds more efficiently for the profit generating purpose on loan and advances than other sample banks. The loan and advances to fixed deposit ratio of NBB is better than that of other sample banks. This ratio implies that NBB is utilizing its fixed deposit in loan and advance more efficiency than nine other sample banks. The loan and advances to saving deposit ratio of SBI is better than eight other sample banks. It implies that SBI is utilizing short-term fund of outsider more effectively than other nine sample banks.

The profitability ratio position on the interest earned to total assets ratio of NBB is better than other nine sample banks. This implies that NBB is efficiently using its total assets to earn interest income. The net profit to total assets ratio of NBB is better than nine other sample banks. It implies that NBB is more efficiently using its working fund of assets to earn higher rate of profit. The net profit to total deposit ratio of NBB is better than eight other sample banks. It implies that NBB has better performance on mobilization of total deposits. The current assets to total assets of EBL are better than other sample banks because its average ratio is greater other sample banks, its working fund of assets quite satisfactorily. The cash and bank balance to current assets ratio should not be large, because higher ratio indicates the poor cash management so it can be concluded that RBB has better than that of other sample banks due to its lower ratio. The average ratio of total interest expenses to total interest income of SBI is greater than that of eight other sample banks. Thus, under this study the conclusion has been made that SBI is a better bank from profitability aspects.

Statistically, it can be assumed that the relationship between loan and advances and net profit that there is significant relationship between loan and advances and net profit in all ten sample banks. There is significant relationship between loan and advances and total deposits in these all ten sample banks. From the above analysis, it can be concluded that all banks have utilized its total deposits on loan and advances effectively. But higher value of 'r' in NIBL show better relationship as well as better utilization of deposits in loan and advances then other sample banks. There is significant relationship between cash and bank balance and current liabilities in all sample banks, but higher value of 'r' in HBL show better relationship as well as better utilization of cash and bank balance and current liabilities than other eight sample banks. There is significant relationship between loan and advances and net profit in all nine sample banks, but higher value of 'r' in EBL show better relationship as well as better utilization of total deposits than other nine sample banks. The computed correlation coefficient between current assets and current liabilities of nine samples banks have positive relationship order to measure the degree of change on dependent variable.

5.3 Recommendations

Ten sample banks under consideration are commercial banks. All banks have been passing through a very tough phase. For the viewpoint of ratio the proper identification of the extent of bank ability of these banks are successful to some extent to meet there operational as well as the working capital goals. On the basis of analysis and findings of this study following recommendations are made.

1. This study has included only ten commercial banks and their five-year data, so covering all Commercial banks may be other avenue.
2. This study is based on secondary data. So, conducting research based on primary data with effort of more time period may be another avenue for others researcher.
3. All the banks should be made regular check to identify both excess and short current assets. This avoids risk in management of working capital. Many financial tools and techniques (i.e. ratio analysis, trend analysis and coefficient) help to banks to identify the deviation.

4. Total deposit turnover position of bank is less than one. Fixed deposits and saving deposits turnover position are also not satisfactory. Due to the poor turnover position the chances of bad debts and non earning idle fund are high. So the bank should give proper attention on collection of over dated loan and advances and utilization of idle fund in more productive sectors.
5. These banks has low relationship between loan and advance to total deposit and net profit it should be increase to utilize total deposit to earn interest income.
6. The trend of net working capital of some banks is negative or declining. Thus, the banks also to make attempts to increase these values.
7. The ratio net profit to total assets of some banks are low they have to make should make more and high attention to make it satisfied.
8. By adopting the matching working capital management policy instead of adoption conservative working capital policy, the bank can improve in its profitability in the short run as well as in the long run.
9. The investments portfolio of these banks is risk free, low earning, consisting almost ht government securities. To improve the profitability of their investment portfolio, they have to search other safety investment opportunities apart from the government securities.
10. These sample banks ROA is lower, the reason is that they deposits at higher costs. To improve the ratio they should lower the cost o funds, lower the operating cost and none operating cost as well.
11. Banks should have highly positive relationship between loan and advance with total deposit and loan and advance with net profit.
12. Banks should have proper cash planning to estimate the cash receipt and payment which helps to minimize the problem of excess or deficit cash balance. This result to increase profitability position.
13. All sample banks branches are operating in major cities and urban areas. These banks should open new branches focusing remote area to help government plan and policies of decentralization of banking service.

14. Still a huge portion of Nepalese peoples have no access of banking service. To improve deposit, to increase economic condition of local people and to improve saving behavior of local people more branches should establish.

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APPENDIX

Nepal Bank Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	42541.3	44785.1	47831.9	44700.3	52713.8
Total Deposit	38715.2	41451.7	42129.9	42129.94	46804.2
C & BB	7003.6	5055.2	9054.7	9968.6	10838.1
Current Liabilities	38651	40681.3	43620.1	39304.6	40505.4
Net income	226.9	239.2	984.2	428.6	466.3
Total Assets	47707.1	49660	54608.8	50093.5	55700.1
Total interest income	2049.03	1884.6	2049.9	2690.1	2865.1

Rastriya Banijya Bank **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	69856.7	78230.1	79170.9	95839.5	90800.8
Total Deposit	50192.6	57990.8	67976.3	68623.2	73924.1
C & BB	69856.7	78230.1	79170.9	81357.6	12428.7
Current Liabilities	64892.6	70298.5	77929.6	68800	353973.9
Net income	1616.9	1768.7	1923.6	2010.6	2122.5
Total Assets	72041.3	84686.2	99662.6	89448.2	94646.7
Total interest income	2256.9	2356.9	2708.7	3444.1	4207.6

Nabil Bank Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	24978.9	28210.1	37956.3	49214.6	46037.79
Total Deposit	23342.4	31915	37348.3	46334.8	49691.4
C & BB	1399.6	2671.1	3372.5	1395.6	2432
Current Liabilities	18549.1	22113.3	28166.1	27210.7	33681.5
Net income	673.9	746.4	1031.05	1138.5	1255.6
Total Assets	29660.4	38478.6	45941.6	54609.8	61292.6
Total interest income	1309.9	1587.7	1978.6	2798.4	4047.7

Nepal Investment Bank Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	26082.9	35662.6	39207.8	61578.2	63170.5
Total Deposit	24488.9	34451.8	46697.9	50094.7	50138.1
C & BB	2441.5	3755	7918	6815.8	8140.4
Current Liabilities	17069.1	26546	35171.9	38313	33707.4
Net income	501.3	696.7	900.6	1265.5	1326.5
Total Assets	28572.8	40205.5	54634.5	59554.7	61357
Total interest income	490.9	685.5	992.1	1686.9	2553.8

Standard chartered Bank Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	22808.5	27496.2	31767.1	29452.8	36440.8
Total Deposit	24640	29743.9	36871.8	35182.7	37999.2
C & BB	2234.9	2050.2	3137.3	1929.3	2975.8
Current Liabilities	19573.9	22070.8	24852.6	18447.1	19131.2
Net income	296.4	451.2	638.7	831.7	961.8
Total Assets	29937.4	34312.9	41678.8	41525.2	45227.2
Total interest income	303.1	413.05	471.7	543.7	575.7

Himalayan Bank Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	26857.2	31152.1	35141.5	39636.5	42757.2
Total Deposit	29905.8	31805.3	34681	37609.4	40920.6
C & BB	1549.6	1396.7	3048.6	3866.1	2954.3
Current Liabilities	6888.7	21364	23502	20772.3	27569.8
Net income	296.4	451.2	638.7	831.7	961.8
Total Assets	34645.5	37526.8	40790.7	44768.8	49298.5

Total interest income	648.8	767.4	823.7	934.7	1553.5

Nepal Bangladesh Bank Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	12651.5	13819.3	15659.6	14743.6	17309.9
Total Deposit	9464	10883.7	9995.6	10052.5	11511.7
C & BB	1162.8	1962.1	4571.4	2049.2	2474.7
Current Liabilities	12909.1	14986.8	13605.7	11027.1	12046.8
Net income	-1061.5	596.4	2158.1	1021.3	1121.3
Total Assets	14282.3	15584.2	16829.9	16022.3	18322.1
Total interest income	758.1	982.1	828.2	1337.1	1167.6

Nepal SBI Bank Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	14947.3	18123	21456.9	23655.3	31397.5
Total Deposit	11445.2	13715.4	27945.2	34896.3	42415.4
C & BB	1122.6	1347.6	1910.9	3549.5	4877.5
Current Liabilities	13001.7	8661.5	10221.5	11997.7	12082.3
Net income	254.9	247.7	316.3	319.7	312.9
Total Assets	15397.2	18594	31989.8	39381.3	47129.9
Total interest income	708.7	831.1	597.5	1460.4	2269.7

Everest Bank Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	22843.7	28074.2	36665.7	40907.9	45707.7
Total Deposit	19097.7	23976.3	33322.9	36932.3	41127.9
C & BB	3329.7	2852.4	6164.4	7818.8	6122.9
Current Liabilities	12677.7	16910.1	23810.1	24993.9	24017
Net income	296.4	451.2	638.7	831.7	961.8
Total Assets	23335.3	28565.9	38000.3	42053	46895.6

Total interest income	1093.4	1144.4	1548.6	2186.8	3102.4

Bank of Kathmandu Limited **(Rs in Million)**

Description	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**20010/11**
Current Assets	13782.9	16435.5	19231.6	22726.5	23711.9
Total Deposit	12358.6	15832.7	18083.9	20315.8	21018.4
C & BB	1301.6	1440.4	2169	1337.2	1136.6
Current Liabilities	9248.7	11188.5	12377.8	8798.1	12785.8
Net income	262.3	361.4	461.7	509.2	601.3
Total Assets	14997.5	18159.1	21009.3	24058.8	25582.1
Total interest income	718.1	819	1034.1	1347.7	1870.8