RELATIONSHIP BETWEEN LIQUIDITY AND PROFITABILITY OF COMMERCIAL BANKS IN NEPAL

A Thesis

By

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Exam Roll No: 784/2016
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Submitted in partial fulfillment of the requirement for the degree of
Master of Business Studies (MBS)
In the
Faculty of Management
Tribhuvan University

Kirtipur, Kathmandu
Dec, 2018

RECOMMENDATION LETTER

It is certified that thesis entitled **"Relationship between liquidity and profitability of commercial banks in Nepal"** has been prepared by Rewati Raman Pangeni is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Relationship between liquidity and profitability of commercial banks in Nepal"** presented by Rewati Raman Pangeni, a candidate for the degree of **Master of Business Studies** (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Acknowledgement

This research entitled "Relationship between Liquidity and Profitability of Commercial Banks in Nepal" has been prepared for the partial fulfillment of the requirement for the Degree of Masters of Business Studies. The general purpose of the study is to discuss, examine and evaluate the liquidity position, profitability status and the relationship between liquidity and profitability position of the Nepalese commercial banks.

The Completion of the study is a result of help and support of several hands. Therefore, I would like to express my heartfelt gratitude to all those respondents for their help and support.

I acknowledge the encouragement, guidance, constant follow-ups and suggestions from my supervisor, Lect. Dr. Bal Ram Chapagain. It is for his tireless and invaluable efforts and by setting time for me his busy schedule that this research paper has been successful. It was an enjoyable period during the research work to be with him as a supervisor.

I would like to express cordial gratitude to Prof. Dr. Sanjay Kumar Shrestha (Chairperson, research committee) for his timely and continuous guidance throughout the study. Likewise, I am grateful to Prof. Dr. Bhoj Raj Aryal, the head of Central Department of Management (CDM) and also highly appreciate the efforts of all teacher and other members of central department of management, libraries staffs who inspired and provided the needed materials to complete this thesis.

I would like to express my sincere thanks to my parents, family members and friends who always encouraged and inspired me continuously in whatever way it is possible.

Rewati Raman Pangeni

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ABSTRACT

Liquidity management and profitability are very important issues in the growth and survival of banks and the ability to handle the trade-off between the two is of great concern. Liquidity is most significant discipline of Banks' Profitability. This study has investigated the relationship between liquidity and profitability of Nepalese commercial banks. The main objective was to explore and examine the liquidity position, profitability status and relationship between liquidity and profitability in of Nepalese commercial banks. To accomplish this objective descriptive research approach has been adopted. Data collected and used secondary data from the annual report statements of the Nepalese commercial banks and NRB. Analysis was based on data extracted from annual reports and accounts of the companies for the relevant period. Correlation and regression analysis were employed to examine the relationship between liquidity and profitability. The ROA, ROE and net profit margin was used to measure profitability status and current ratio, cash and bank balance to total deposit and cash and bank balance to current deposit ratio was used to measure liquidity position. The study covered ten Nepalese commercial banks (i.e. ADBL, Everest, Himalayan, Nepal SBI, Nepal Investment, Nabil, Laxmi, Global Ime, Kumari and Prime Commercial Banks) in Nepal over a period of past 10 fiscal years from 2007/08 to 2019/17. Findings established a positive and significant relationship between liquidity and profitability among the Nepalese commercial banks over the period. However, the findings of this paper are based on a study conducted on the selected banks. Hence, the results show that ADBL and NABIL have good liquidity position and profitability position. Therefore, the results are valid for banking sector.

Key Words: Liquidity, Profitability and Nepalese Commercial Banks

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ABBREVIATIONS

A.M.	Arithmetic Mean
ADBL	Agriculture Development Bank Limited
C & B	Cash and Bank
C.V	Coefficient of Variation
CA	Current Assets
CBBCDR	Cash and Bank Balance to Current Deposit Ratio
CBBTDR	Cash and Bank Balance to Total Deposit Ratio
CD	Current Deposit
CL	Current Liabilities
CR	Current Ratio
EBL	Everest Bank Limited
F/Y	Fiscal Year
GBIME	Global IME Bank Limited
HBL	Himalayan Bank Limited
II	Interest Income
KBL	Kumari Bank Limited
LBL	Laxmi Bank Limited
NABIL	Nabil Bank Limited
NIBL	Nepal Investment Bank Limited
NP	Net Profit
NPAT	Net Profit after Tax
NPM	Net Profit Margin
NRB	Nepal Rastra Bank
PCB	Prime Commercial Bank Limited
ROA	Return on Assets
ROE	Return on Equity
S.D.	Standard Deviation
SBI	State Bank of India
SE	Shareholder's Equity
TA	Total Assets
TD	Total Deposit

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

General Banking business involves the mobilization of funds from excess or surplus units of the economy and giving out to deficit units as loans and advances. This is called financial intermediation. The performance of these functions by banks opens them to several risks; prominent among these is liquidity risk. Liquidity risk is the risk of loss to a bank resulting from its inability to meet its needs for cash. The liquidity of a commercial bank is its ability to fund all contractual obligations as they fall due. These may include lending and investment commitments and deposit withdrawals and liability maturates, in the normal course of business, (Amengor, 2010).

An institution established by law, which deals in money and credit is called bank. When a bank performs multiple tasks, the efficiency and effectiveness of work becomes weak. Hence, different banks are established for different purposes. The commercial bank is the oldest form of bank. There is considerable change in the original form of commercial bank. In general, bank means the commercial banks. Hence, the definitions of bank are also equally applicable to commercial banks. The profit maximization is the main objective of these banks.

Liquidity management is an important tool for the management of organizations; it reflects the organization's ability to repay short-term liabilities, which include operating expenses and financial expenses resulting within the organization in the short term. As well as part of long-term debt during the financial year or the operating cycle, whichever is longer? There are many liquidity ratios used by organizations to manage their liquidity such as (current ratio, quick ratio, cash ratio, defensive interval ratio) which can greatly affect the financial performance of companies, (Robinson, Henry, Pirie, Broihahn, & Cope, 2015).

Profitability refers to the net income of the company (Bank) where company's revenues exceed its expenses. Income is generated from the activities of the companies (Banks) and expense is the cost of resources which are used to generate profit. Profitability is the main objective of the companies. Businesses cannot survive in the market for the long run without profitability. So evaluating past profitability,

calculating current profitability and foretelling future profitability is very important for the company. Revenue and expense are shown at the income statement which refers to the profitability of the company while cash inflow & cash outflow are shown at cash flow statement which refers to the liquidity of the company, (Das, Chowdhury, Rahman, & Dey, 2015).

It has negative or inverse relationship between liquidity and profitability because huge liquidity position decreases the profitability of the bank and vice-versa. But in some cases, liquidity problem can create a panic to the depositor and banks can fall under trouble of repayment of deposited money. At the liquidity shortfall banks cannot increase the advance position to increase the profitability. So that banks try to manage the liquidity position very efficiently. To increase the profitability banks go to the risky investment because there is a positive relationship between higher risk and higher return. On the other hand, higher risk endangers the liquidity of the banks. When interest rate is lower, the liquidity position of any bank is higher and higher liquidity position indicates the availability of capital base. Liquidity surplus can be occurred if there is huge money at hand with too few investments in real sectors. As a result of economic depression fund usually is invested in bad ventures and bad ventures cannot repay the money of the banks because they do not do well in the business and banks suffer from liquidity position at hand for further investment or repayment of the depositors' money, (Panigrahi, 2014).

Liquidity and profitability has got tremendous importance in the corporate world. Liquidity refers to the management of current assets and current liabilities of a company. It plays key role in defining, whether a firm is able to effectively manage it short term obligations. Due to its dire importance it is important for firms to maintain a reasonable amount their assets in the form of cash in order to meet their short term obligations. Balanced liquidity level is necessary for the effectiveness and profitability of a firm. Therefore, firms need to determine the optimum level of the liquidity in order to ensure high profitability. Liquidity should neither be too low nor too high. Rather, it should maintain a reasonable level. Whereas, profitability refers to the revenues earned by firms, against their operations and incurred expenses. In order to find the profitability level of firms, Profitability ratios are used, whereby it can clearly be examined that where the firm stands in terms of profitability. Enhancement

of profitability is the ultimate purpose of every firm, and each of them strives to achieve optimum profitability. Since, there is a significant relationship between liquidity and profitability of the firm, so the firm is required to maintain optimum level of liquidity, (Ali Khan & Ali, 2016).

In conclusion, we can say that banking is not static but a dynamic concept. It is a product of centuries and the development which has taken place is the product of a method of trial and error and experiences which were made and the results that followed relating to the acceptance of money and valuables as deposits, keeping them as such, lending them, whether to private individuals, to states or other bodies and for controlling the multifarious and multi-dimensional activities which in the beginning were only trivial and could be ignored but with the growth of time, become international in character and multi-dimensional in nature. In this study, an attempt has been made to analyze and evaluate the trade- off between liquidity and profitability of commercial Banks in Nepal. A bank has to perform several functions and among such, maintaining a balance between liquidity and profitability is also among one of the major function. In the absence of proper balance between liquidity and profitability, a bank cannot function properly in the right direction. So, the bank is always found paying the due consideration in maintaining the appropriate balance between such.

1.2 Problem Statement and Research Questions

Banking sector supports the economic growth of the country. Bank can also be termed as “an intermediary,” which bridges the gap between the savers of the fund and the user of the funds. Banks are the custodians and distributors of liquid capital, which is lifeblood of commercial and industrial activities. According to Kent, "A bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditure.”

In response to the economic liberalization policy of the government, establishment of private and joint venture banking is continued. The tendency to concentrate these banks only in urban areas has raised certain questions. This state of affairs cannot contribute much to the socio-economic development of the country where ninety

percent of the population depends upon agriculture. These commercial banks are reluctant to extend their operation in rural areas. But these banks are inclined to pay fines rather than directing their resources to such less profitable sector. This problem remains to be solved.

This study will basically focus its attention to reveal the struggle and success achieved by the joint venture banking. Commercial banks' main motive is to make profit by providing services to the customers. In Nepal, the profitability rate, operating expenses, dividend distribution among the shareholders etc. have been found inconsistent. Against this backdrop, this study possesses the following research questions:

1. What is the liquidity position of Nepalese commercial banks?
2. What is the profitability status of Nepalese commercial banks?
3. What is the relationship between liquidity and profitability of Nepalese commercial banks?

1.3 Purpose of the Study

The general purpose of the study is to discuss, examine and evaluate the relationship between liquidity and profitability position of the concerned commercial banking system in Nepal. Thus, this study has been conducted to achieve the following objectives:

1. To examine the liquidity position of Nepalese commercial banks.
2. To identify the profitability status of Nepalese commercial banks.
3. To examine the relationship between liquidity and profitability of Nepalese commercial banks.

1.4 Significance of the Study

This study will be helpful to enhance the financial performance of concern organization. This study will be usable and valuable for academicians, students, teachers and practitioners in the field of accounting and finance. This study enlightens the shareholders, financial agencies, stock exchange, stock trader, customers, depositors and debtors who can objectively identify the better banks to deal with.

1.5 Limitations of the Study

In the context of Nepal, problem of reliable data is the major problem for research study. There is considerable place for arguing about its accuracy and reliability. Every study has limitations due to different factors of institutions, time-period taken, reliability of statistical data, tools and variances. The following limitations are pointed out in this study of relationship between liquidity and profitability position of commercial banks:

1. The study focused only ten commercial banks which may not truly represent the characteristics of entire Nepalese commercial banking industry.
2. This study mainly conducted on the basis of secondary data. Therefore, the generalization of findings depends upon truthfulness of secondary data.
3. This study covered the analysis of only ten years data from FY 2007/08 to FY 2016/17. Hence, the conclusion drawn confirms to the above period only.

1.6 Chapter Plan

The study on relationship between liquidity and profitability of commercial Banks has been divided into five chapters respectively; Introduction, Literature Review, Methodology, Results and Conclusion.

Chapter-I: Introduction

The introduction chapter deals with the general background and the subject matter of the study. It consists of introduction of research study, which explains the focus of the study, statement of the problem, purpose of the study, significance of the study and limitations of the study.

Chapter-II: Literature Review

In the second chapter, the relevant and pertinent literature and various studies have been reviewed. The review has been made in terms of the theoretical background of banking principles that are relevant to this research work.

Chapter-III: Methodology

The third chapter briefly explains about the research methodology, which has been used to evaluate the liquidity and profitability position of banks under consideration. This chapter consists of research design, sample and population, sources of data, and

statistical and financial tools and techniques to measure the liquidity and profitability position of commercial Banks.

Chapter-IV: Results

In the fourth chapter, the data required for the study has been presented, analyzed and interpreted by using various tools and techniques of financial management and statistics to present the result relating to the study.

Chapter V: Conclusion

The fifth chapter is the final chapter of the study, which consists of the summary of the four earlier chapters. This chapter tries to draw out a conclusion of the study and attempts to offer various suggestions and implications for the improvement of the future performance of the banks under review.

Finally, bibliography and appendices are also included at the end of the study.

CHAPTER - II
REVIEW OF LITERATURE

The review of literature for the concerned subject matter for the present study has been presented in this chapter. Here, in this chapter review of concept of financial performance tools and techniques of concept of liquidity and profitability performance related research studies, regulating relating to commercial banks is strived to present briefly. The main purpose of doing research is reviewing and gaining new knowledge and the reviewing. The literature of the related documents helps the researcher to reach near his purpose. This chapter highlights upon the existing literature.

2.1 Theoretical Review

2.1.1 Concept of Liquidity

Liquidity is the status and part of the assets which can be used to meet the obligation. Liquidity can be viewed in terms of liquidity stored in the balance sheet and in terms of liquidity available through purchased funds. The degree of liquidity depends upon the relationship between cash assets plus those assets which can be quickly turned into cash and the liability awaiting payment. Generally, the definition of liquidity can't be found in the same way, in the countries of whole world. Because, it is known, as much as the development of the monetary sector take place or the use of monetary devices increases, so much the definition of it goes wider. Liquidity means the whole money stock of money, (Bhandari, 2013).

Bank liquidity refers to the ability of the bank to ensure the availability of finds to meet financial commitments or maturing obligations at a reasonable price at all times. Put tersely, bank liquidity means a bank having money where they need it particularly to satisfy the withdrawal needs of the customers. The survival of commercial banks depends greatly on how liquid they are since illiquidity being a sign of imminent distress can easily erode the confidence of the public in the banking sector and results to deposit, (Adebayo, David, & Samuel, 2011).

Liquidity management is an important tool for the management of organizations; it reflects the organization’s ability to repay short-term liabilities, which include

operating expenses and financial expenses resulting within the organization in the short term. As well as part of long-term debt during the financial year or the operating cycle, whichever is longer? There are many liquidity ratios used by organizations to manage their liquidity such as (current ratio, quick ratio, cash ratio, defensive interval ratio) which can greatly affect the financial performance of companies, (Robinson, Henry, Pirie, Broihahn, & Cope, 2015).

2.1.2 Concept of Profitability

Profitability refers to the net income of the Bank where company's revenues exceed its expenses. Income is generated from the activities of the Banks and expense is the cost of resources which are used to generate profit. Profitability is the main objective of the companies. Businesses cannot survive in the market for the long run without profitability. So evaluating past profitability, calculating current profitability and foretelling future profitability is very important for the company. Revenue and expense are shown at the income statement which refers to the profitability of the company while cash inflow & cash outflow are shown at cash flow statement which refers to the liquidity of the company, (Das, Chowdhury, Rahman, & Dey, 2015).

The word profitability is composed of two words, namely, profit and ability. The term profit has been explained above and the term ability indicates the power of a business entity to earn profits. The ability of a concern also denotes its earning power or operating performance. The profitability may be defined as the ability of a given investment to earn a return from its use, (Aulsian, 2014).

Profit is the difference between revenues and expenses over a period of time (usually one year). Profit is the ultimate 'output' of a company, and it will have no future if it fails to make sufficient profits. Therefore, the financial manager should continuously evaluate the efficiency of the company in terms of profits. The profitability ratios are calculated to measure the operating efficiency of the company. Besides management of the company, creditors and owners are also interested in the profitability of the firm. Creditors want to get interest and repayment of principal regularly. Owners want to get a required rate of return on their investment. This is possible only when the company earns enough profits, (Pandey, 2012).

Profitability ratio indicates the degree of success in achieving desired profit. It furnishes answers to how efficiently the bank is being managed. Although profitability ratio mainly studies the earning power of the bank, it depicts almost entire performance of the bank, (Khan & Jain, 2010).

2.1.3 Relationship between Liquidity and Profitability

Profitability and liquidity are the most prominent issues that management of each organization should take studying and thinking about them into account as their most important duties. Liquidity refers to the ability of a firm to meet its short term obligations. Liquidity plays a crucial role in the successful functioning of a business firm. A study of liquidity is of major importance to both the internal and external analysts because of its close relationship with day to day operations of a business, (Bhunia, 2010).

For a bank, the words liquidity and profitability come again and again. There is no possibility of profitability without liquidity. Also, there is no growth in liquidity without profitability. These are complement to each other. But these two also are opponent to each other. If there is high liquidity in bank, the bank can't gain profit. Because, most part of the liquidity is reserved in the bank, it doesn't give profit to the bank. The bank can't invest the amount. It is not possible to hope profitability without investment, (Budha, 2016).

For profitability, the bank has to keep liquidity low in the bank, invest the cash fund, it can gain profit after some time but it can invite a great accident to the bank. If there is no maintenance of liquidity in the bank as a balance form, the bank can't carry out its banking transaction. Different obstructions may come to banking transaction, not only the bank losses, its business, but also destroys the reputation of bank. Eventually, it becomes matter of great loss for the investors, creditors and the nation who invested the amount on it.

Of all fundamental and sound lending principles of the investment policy, the principality of liquidity and profitability are very much crucial. In the lack of liquidity the bank can't give payment to the depositors in the time of their demand, and can't pay the loan to the creditors. The bank's daily work can't be run. The bank, under the law can't keep and maintain the capital funds. Not only this much, the bank also

becomes unable to face any economic rise and fall occurring in coming days. So, to keep liquidity is very important. If high liquidity is harmful to the bank, liquidity crisis too is malignant to the bank. To be free from both of these two conditions, the bank should be able to maintain balance of liquidity.

Similarly, the bank should keep in balance the principle of profitability. If there remains high liquidity in the bank, the bank will be successful in its goal. The commercial banks always are intensified with the concept of gaining profit. So, they are eager to invest in the profitable sectors. To gain much profit, they should be able to flow long term loan, short term and mid-term loan which brings profit to the bank.

The bank always follows the principle of profitability more carefully. Sometimes, the bank, with the view point of gaining profit and safety, invests in the sectors that are considered less important, from which it can earn much profit or loss. This is a matter which depends on time and situation. It is very difficult for the bank to discharge both of these function together, to keep liquidity and earn profit are compulsory for the bank. But if the bank without carrying both these principles moves forward, it becomes unsuccessful in its goal. The bank should not forget these two principles all the time. It should be able to maintain these principles in balance all the time. The bank should maintain understanding between these two principles.

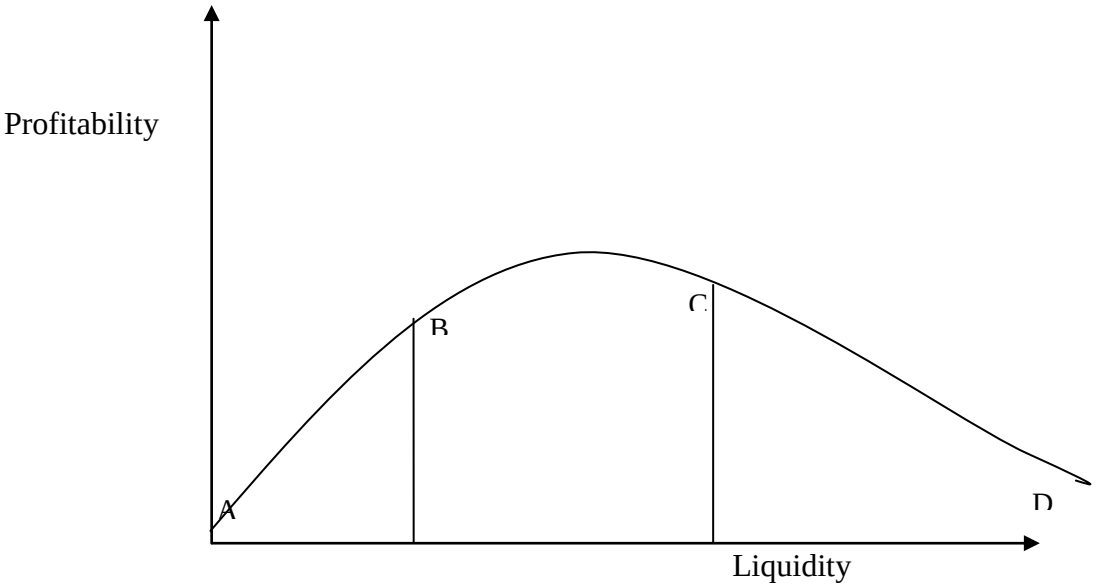
If the bank attempts to run its transactions ignoring these two principles, certainly the bank will bear an economic disaster. Hence, the bank gives emphasis upon the necessity of internal co-ordination between liquidity and profitability due to following reasons:

1. Liquidity is necessary to make payment of all sorts of deposits.
2. Liquidity is necessary to save the bank from the economic rise and fall.
3. The bank should not keep high (much) liquidity to gain profit.
4. In the lack of profitability, the bank can’t be operated.
5. Also, if there is liquidity crisis in the bank, it can’t be run.
6. Also, the bank should earn much profit to pay the shareholders, creditors and the employees of the bank.
7. Also, for competition, the bank should gain profit.
8. The bank can’t manage its transactions without gaining profit.

With the above mentioned reasons, the liquidity and the profitability have their peculiar importance in the bank. So, from business point of view, it is necessary to maintain balance, between principalities of liquidity and profitability, (Bhandari, 2013).

A company must preserve adequate amount of liquidity to meet its daily obligations but liquidity in excess of what is adequately required by the company to finance it operations may be counter-productive. The liquidity requirement of firms differs depending on the circumstances of the company, (Pandy, 2005). Theoretically a company requires preserving a liquidity level that is not detrimental to its profitability. Empirical evidence shows a negative correlation between liquidity and profitability but a company cannot operate with zero liquidity in order to maximize its profits. This relationship is depicted using figure 1.1; liquidity increase leads to increase in profitability (point A to B) up to a certain point where any further increase in liquidity; profitability remains constant (point B to C) beyond this point any further increase in liquidity will lead to decrease in profitability (point C to D).

Figure 1.1 Relationship between liquidity and Profitability



Source: (Mahavidyalaya, Nirajan, & Suvaran, 2010)

2.2 Review of Related Studies

Various studies have been conducted in different aspect of commercial banks and JVBs. The conclusion of the previous studies on the different aspects of commercial Banks is relevant to this study. Thus, the studies of previous articles, journals and thesis are reviewed in this regard.

2.2.1 Review of Journal and Articles

Pira (2008) study has given its contribution to the financial area knowledge by observing that for the international airline carriers. There is not a dilemma between liquidity and profitability on the short term, maybe this is also true for other industrial segments or maybe it just a specificity of the airline sector. Also it has demonstrated that the management of working capital indeed achieves a higher importance over troubled times, the results shows that companies with a safer liquidity margin were much more able to achieve a better performance during the crises. Thus, the research emphasizes the importance of the active management of working capital, by showing objectively the benefits of it during the crises time.

Kolhoefer and Salem (2008) has analyzed current problems of the Egyptian banking sector, which is dominated by public banks. The reported problems include a massive proportion of non-performing loans in the banks' credit portfolios as well as significant profitability problems, especially in the public banks. Some empirical data is gathered using a bank-specific Return on Equity- Analysis. Results support the reported problems and also show some structural weaknesses of both public and private banks.

Bordeleau and Graham (2010) have underlined the importance of sound bank liquidity management. In response, regulators are devising new liquidity standards with the aim of making the financial system more stable and resilient. In this paper, the authors analyzed the impact of liquid asset holdings on bank profitability for a sample of large U.S. and Canadian banks. Results suggest that profitability is improved for banks that hold some liquid assets, however, there is a point at which holding further liquid assets diminishes a banks' profitability, all else equal. Moreover, empirical evidence also suggests that this relationship varies depending on a bank's business model and the state of the economy. These results are particularly

relevant as policymakers devise new standards establishing an appropriate level of liquidity for banks. While it is generally agreed upon that banks undervalued liquidity prior to the recent financial crisis, one must also consider the trade- off between resilience to liquidity shocks and the cost of holding lower-yielding liquid assets as the latter may impact banks' ability to generate revenues, increase capital and extend credit.

Adebayo, David and Samuel (2011) this study examined liquidity management and commercial banks' profitability in Nigeria. The major aims of the study were to find empirical evidence of the degree to which effective liquidity management affects profitability in commercial banks and how commercial banks can enhance their liquidity and profitability positions. Considering the nature of the survey, quantitative methods of research were applied. In attempt to achieve the objectives of the study, several findings were made through the analysis of both the structured and unstructured questionnaire on the management of banks and the financial reports of the sampled banks. The data obtained from the Primary and Secondary sources were analyzed through collection, sorting and grouping of the data in tables of percentages and frequency distribution. They formulated a hypothesis, which were statistically tested through Pearson correlation data analysis. Findings from the testing of this hypothesis indicate that there is significant relationship between liquidity and profitability. That means profitability in commercial banks is significantly influenced by liquidity and vice versa. The study concluded that for the success of operations and survival, commercial banks should not compromise efficient and effective liquidity management and that both illiquidity and excess liquidity are "financial diseases" that can easily erode the profit base of a bank as they affect bank's attempt to attain high profitability-level. Finally the study recommends): The Central Bank should be encourage maintaining a flexible Minimum Monetary Policy [MPR] or discount rate so as to enable the commercial banks take advantage of the alternative measures of meeting the unexpected withdrawal demands, and reduce the tendency of maintaining excess idle cash at expense of profitability, the monetary authority should as a matter of urgency encourage and legitimate the use of credit cards and enforce cheque usage for huge amounts in the day to day business transaction, finally , interested

researchers should dwell on the same area of this research extensively using a wider data and area of coverage.

Lartey, Antwi and Boadi (2013) study has found that the relationship between the liquidity and profitability if banks listed on the Ghana Stock Exchange. Seven out of the nine listed banks were involved in the study. The study was descriptive in nature. It adopted the longitudinal time dimension, specifically, the panel method. The trend in liquidity and profitability were determined by the use of time series analysis. The main liquidity ratio was regressed on the profitability ratio. It was found that for the period 2005-2010, both the liquidity and the profitability of the listed banks were declining. Again, it was also found that there was a very weak positive relationship between the liquidity and profitability of the listed banks in Ghana.

Ajanthan (2013) has investigated the relationship between liquidity and profitability of trading companies in Sri Lanka. The main objective was to examine the nature and extent of the nexus between liquidity and profitability in profit-oriented quoted trading companies and also to determine whether any relationship exist between the two performance measures. Analysis was based on data extracted from annual reports and accounts of the companies for the relevant period. Correlation and regression analysis respectively were employed to examine the nature and extent of the relationship between the variables and determine whether any cause and effect relationship between them. The study covered 08 listed trading companies in Sri Lanka over a period of past 5 years from 2008 to 2012. Correlation& regression analysis and descriptive statistics were used in the analysis and findings suggest that there is a significant relationship exists between liquidity and profitability among the listed trading companies in Srilanka. However, the findings of this paper are based on a study conducted on the selected companies. Hence, the results are not generalizable to non-quoted companies. Secondly, the sample only comprises trading companies. Therefore, the results are valid for this sector.

Panigrahi (2014) experts say that the goal of working capital management should be to enable a firm to maximize profits of its operations while meeting both short term debt and upcoming operational expenses, i.e. to preserve liquidity. But increasing Profitability would tend to reduce firms' liquidity and too much attention on liquidity would tend to affect the profitability. No doubt, every firm tries to maximize the

profitability by preserving the liquidity. However, increasing profits at the cost of liquidity might cause serious trouble to the firm and this problem might lead to financial insolvency as well. Thus an effective WCM would be needed to strike a balance between the two core objectives of the firm. It is essential that the firm's liquidity should be properly balanced. Because, excessive liquidity on one hand indicates the accumulation of idle funds that don't fetch any profits for the firm and on the other hand, insufficient liquidity might damage the firm's goodwill, deteriorate firm's credit standings and that might lead to forced liquidation of firm's assets. Afterwards problems like bankruptcy and insolvency might happen. To sum up, a company unable to make profits might be termed as a sick company but, a company having no liquidity might cease to exist. But when a company like Wal-Mart, is able to generate profit and maximize shareholder's wealth with negative working capital, can we say that the company is in the verge of bankruptcy or is it a sign of managerial efficiency? Same is the case with ACC Limited, which is the company of our study. The study found that even with having negative working capital in most of the times, the company was able to earn a good rate of return because of its aggressive working capital policy but its solvency was ultimately at a stake.

Niresh (2014) has study profitability and liquidity are the most prominent issues in the corporate finance literature. The ultimate goal for any firm is to maximize profitability. However, too much attention on profitability may lead the firm into a pitfall by diluting the liquidity position of the organization. In this way, the present study is initiated to find out the cause and effect relationship between liquidity and profitability. The study covered 31 listed manufacturing firms in Sri Lanka over a period of past 5 years from 2007 to 2011. Correlation analysis and descriptive statistics were used in the analysis and findings suggest that there is no significant relationship between liquidity and profitability among the listed manufacturing firms in Sri Lanka.

Bossey and Moses (2015) this study was carried out to examine the liquidity-profitability trade off of deposit money banks in Nigeria. The study was carried on fifteen deposit money banks in Nigeria and covered a panel data of 2010 to 2012. Two models were specified and estimated using Ordinary Least Squares (OLS)

technique. The empirical results revealed that there is a statistically significant relationship between bank liquidity measures-current ratio, liquid ratio, cash ratio, loans to deposit ratio, loans to asset ratio- and return on equity. However, when return on asset was used as proxy for profitability, the relationship became statistically insignificant. It was suggested that the banks should evaluate and redesign their liquidity management strategy so that it will not only optimize returns to shareholders equity but also optimize the use of the assets.

Das, Chowdhury, Rahman and Dey (2015) has analyzed better liquidity management depends on the market condition, internal regulations and implementation of these regulations. If banks want to increase the profitability, liquidity should be managed very efficiently. This research is conducted by considering the banking condition and it proves that excess liquidity reduces the profitability. Several techniques have been used to find out this truth.

Ahmad (2016) study has found to know the relationship between two ratios of the financial statements i.e. profitability and liquidity. The study is focused on the banking sector. The relation is measured by current ratio, quick ratio, and net-working capital. The bank under study is standard chartered bank Pakistan. From the findings of this study we came to conclusion that there is weak positive relation between liquidity and profitability. Quantitative research design is used as tool for the study. To find the relation and strength of the relation correlation and regression are used. So companies need to focus on liquidity management which has a positive relation with the company's profitability.

Khan and Ali (2016) have analyzed the relationship between liquidity and profitability of commercial banks in Pakistan. Correlation and regression are used respectively to find the nature of the relationship and extend of relationship between dependent and independent variables. Secondary data was used for analysis which was extracted from the last five years (2008-2014) annual accounts of Habib Bank Limited. The relation is measured by liquidity, profitability, current ratio, quick ratio, gross profit margin, net profit margin. The study has found that there as significant positive relationship between liquidity with profitability of the banks. None of the variable shows negative relation with all the ratios of liquidity. Hence that research indicated that liquidity has positive relationship with profitability.

Durrah, Rahaman, Jamil and Ghafeer (2016) the study aims to examine the relationship between liquidity ratios and indicators of financial performance (profitability ratios) in the food industrial companies listed in Amman Bursa during the period. The study sample included eight industrial companies which operate in the field of food listed in Amman bursa. The results showed no relationship between all liquidity ratios and the gross profit margin, while there is a weak positive relationship between the current ratio and each of the operating profit margins and the net profit margin, as the study pointed to the existence of a positive relationship between (quick ratios, defensive interval ratio) and operating cash flow margin. There is a positive relationship between liquidity ratios (current ratio, quick ratio, cash ratio) and return on assets.

Sunday and Ndukaife (2016) the broad objective of this study was to assess the effects of liquidity management on performance of deposit money banks (DMBs) in Nigeria. Four specific objectives were made from the broad objective which includes: to determine the relationship between liquidity ratio and profitability, to ascertain the relationship between cash to deposit ratio and profitability among others. To address the objectives, research questions and stated hypotheses, relevant data were gathered from CBN and NDIC annual publications for 16years covering 2000-2015 The data were presented in tables and based on the models specified; the hypotheses were tested using regression analysis by employing a statistical package E-view 8.0. The result of the OLS showed that there is a negative and significant relationship between liquidity ratio and DMBs' profitability and there is a positive and significant relationship between cash to deposit ratio and profitability of the DMBs. In line with these findings, it is recommended that instead of keeping excessive liquidity as a provision of unexpected deposit withdrawals from the customers, the DMBs should find it reasonable to adopt other measures of meeting such requirements which can include borrowing and discounting bills and also that there is a need to invest the excess of liquidity available at in available investments with various degrees of liquidity in order to increase the banks' profitability and to get benefits from the time value of the available money.

Patel and Sharma (2017) has study the relationship between liquidity and profitability in public sector enterprises in the state of Gujarat. The relation is measured with the

help of various financial ratios viz. current ratio, quick ratio, working capital ratio and return on capital employed and debt equity ratio. This study found that weak positive relation between liquidity and profitability. Quantitative research design is used as tool for the study. To find the relation and strength of the relation correlation and regression are used. Study recommends that companies need to focus on liquidity management which has a positive relation with the company's profitability.

Nabeel and Hussain (2017) the basic purpose of this research is to examine the effect of liquidity management on profitability in the banking sector of Pakistan. Liquidity management is independent and profitability is dependent variable. The secondary data used for this study and taking from publish annual report of ten banks (2006-2015). The data was analyzed by using correlation, descriptive statistics and regression techniques run on E-views. The quick, current, cash, interest coverage and capital adequacy ratios is taken as dimension of liquidity and return on assets, return on equity, and earnings per share as dimension of profitability. The research findings show that interest coverage, capital adequacy and quick ratio has a positive whereas the cash and current ratio has negative relationship with banks profitability.

Al-Qadi and Khanji (2018) the aim of this paper is to examine the relationship between liquidity and profitability, through more than liquidity indicator. The paper main goal is to answer the following question: Do different indicators of liquidity have the same effect on profitability either negatively or positively? Liquidity indicators include current ratio and quick ratio which measure the company's ability to meet its short-term obligations, while profitability is measured by ROA and ROE. The data has been collected from ASE. Different tests applied to analyze the relationship between liquidity and profitability. This study sought to find out whether liquidity through quick ratio has significant impact on Jordanian trade services companies profitability through return on asset (ROA). The study used the 2008-2015 financial reports of 11 Jordanian trade companies listed at Amman Stock Exchange (ASE). The study revealed that there is significant impact of independent variable quick ratio on dependent variable return on asset (ROA). That means profitability through return on assets (ROA) is significantly influenced by liquidity through current and quick ratio.

2.3 Research Gap

The relationship between liquidity and profitability of commercial banks in Nepal has been conducted by few researchers. However the comparative study between ADBL, Everest, Himalayan, Nepal SBI, Nepal Investment, Nabil, Laxmi, Global Ime, Kumari and Prime Commercial Banks has not been carried out till date. The research has taken into consideration the Liquidity and Profitability Position of Commercial Banks of Nepal which included SCBL, NABIL, HBL, EBL and NIBL on the basis of research conducted by Lok Bahadur Karki of Shanker Dev Campus. In global context various related research between banks of different nations has been taken into consideration.

The previous research is only limited to financial and statistical analysis of commercial banks of Nepal. The previous researchers has been incomplete to show the impact of profitability over the maintained liquidity it has only explained the trend that has been established between the liquidity and profitability, it has become incomplete to explain the impact over the operational efficiency and the specific problems faced by the banks due to conflicting impact of profitability over liquidity. Therefore, this research is broader and is aimed to analyze the impact of profitability and liquidity by analyzing their trends using statistical and financial tools to draw the effective conclusion. So this is the research gap of study.

2.4 Conceptual Framework

The conceptual framework is the foundation on which the entire thesis is based. This research is comprised the independent variable (liquidity) and the dependent variable (profitability).

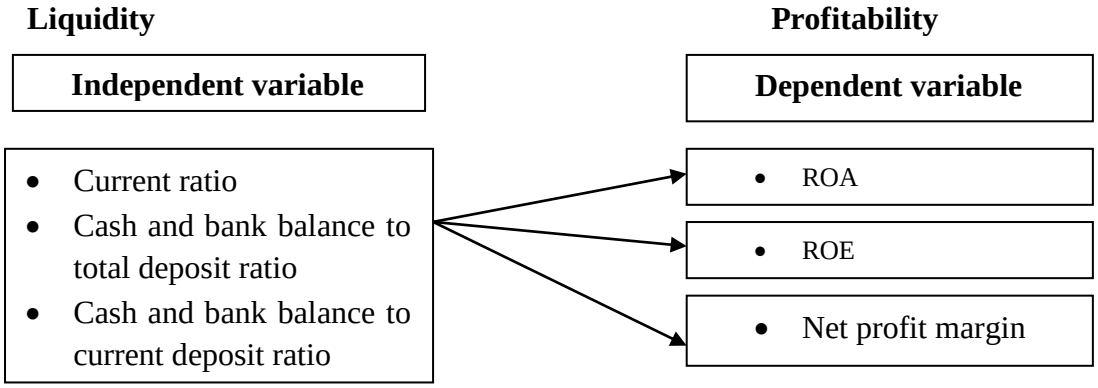


Figure 2.1 Conceptual Framework

Profitability is a dependent variable affected by various factors such as liquidity. The liquidity and profitability ratios used to examine the relation between liquidity and profitability in commercial banks of Nepal. Liquidity ratios as independent variables and profitability ratios as dependent variables were used in the study.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Methodology

In this section methodology used by the researcher in this study is presented. This section also incorporates definitions of some of the major terms used in the study, which are placed at the end of this section.

3.2 Research Approach

This study seeks to analyze and evaluate the relationship between liquidity and profitability position of the selected commercial banks and provide suggestions on the basis of the evaluation. To accomplish this objective descriptive and analytical research approach has been adopted. It tries to describe and analyze all these facts that have been collected for the purpose of the study.

Mostly the secondary data have been used for the research study. The data are collected from the various websites, annual reports of the respective banks etc. Hence, the research design is made by collecting the information from the different source and data have been tabulated and analyzed by using various financial and statistical tools. The financial tools include liquidity and profitability ratios. Similarly, the statistical tools include average or mean, standard deviation, coefficient of variation, coefficient of correlation and regression analysis. This study tries to make comparison and establishes relationship between two or more variables. At the end, summary, conclusion and recommendations are set for the purpose of the study.

3.3 Sampling Procedure

In the present context, there are 28 commercial banks operating in Nepal. All the listed commercial banks in the country are the target population. Among all the commercial banks ten banks have been selected which have highest paid- up capital as sample are ADBL, Everest, Himalayan, Nepal SBI, Nepal Investment, Nabil, Laxmi, Global Ime, Kumari and Prime Commercial Banks. The sample had selected on the basis of convenience sampling technique.

3.4 Research Instruments

This research instruments included secondary data. In this research data collected from the annual reports of the Commercial Banks and annual supervision report of NRB.

3.5 Collection of Data

Data was mainly collected from secondary sources. Data used from the annual report. Moreover, several books, journals, articles and magazines, and various websites have also been referred for the information.

3.6 Data Analysis Tools

Financial Tool

Financial tools are those which are used for the analysis and interpretation of financial data. Here in this study, the financial tools include:

(A) Liquidity Ratio

Bank is an institution which deals with money. Cash is the most liquid fund and it is considered as the defense of banks. The bank should maintain certain amount of cash in order to meet its cash requirements of the depositors. The structure of cash was in the form of cash in it vault and the cash kept in other banks as well as in central bank of the country. The central bank, NRB also directs all the commercial banks to maintain certain percentage of cash and bank balance for the purpose of maintenance of liquidity.

(a) Current Ratio

The current ratio is a measure of the firm's short-term solvency. Current ratio establishes a relationship between current assets and current liabilities. It is calculated as under.

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

(b) Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total deposits ratio measures the capacity of bank to meet unexpected demand made by depositors, i.e. current account holders, saving depositors, call and other depositor. This ratio is computed by using the following formula:

$$\text{Cash and Bank Balance to Total Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

(c) Cash and Bank Balance to Current Deposit Ratio

This ratio is designed to measure the bank's ability to meet the immediate obligations. It is employed to measure whether cash and bank balance is sufficient to cover its current calls margin including deposits. This ratio is computed by:

$$\text{Cash and Bank Balance to Current Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Deposit}}$$

(B) Profitability Ratio

Profitability ratio is one of the important indicators of operating efficiency. One of the focus of commercial banks is to be enough profitable so as to meet a variety of objectives like achieving a desirable liquidity position, meet fixed interest obligation, overcome the future contingencies, explicit hidden investment opportunities, encourage branch expansion etc. Profitability ratio, as a matter of fact, is the best indicator of overall efficiency of the bank.

(a) Return on Total Assets (ROA)

Return on total assets or simply return on assets, measures the productivity of the assets. This ratio judges the effectiveness in using the total fund supplied by the owners and creditors. ROA is calculated as under;

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

(b) Return on Equity (ROE)

Return on equity relates the profitability of a company to equity shareholders' equity. ROE measures the company's profitability in terms of return to equity shareholders. It is calculated as under:

$$\text{Return on Equity} = \frac{\text{Net Profit After Tax}}{\text{Shareholder's Equity}}$$

Where,

Shareholder's Equity = Share Capital + Reserve & Surplus

(c) Net Profit Margin

Net profit margin indicates margin of compensation left to the owners for providing their capital, after all expenses have met. It helps in determining the efficiency with which the affairs of the business are being managed. A net profit margin would enable the firm to withstand adverse economic conditions and low margin will have opposite implications.

$$\text{Net Profit Margin} = \frac{\text{Net Profit After Tax}}{\text{Interest Income}}$$

Statistical Tools

Statistical tools are the measures or the instruments to analyze the collected data from the different sources. In statistics, there are numerous statistical tools to analyze the data of various natures. In this study, the following statistical tools have been used to analyze the data:

(A) Arithmetic Mean (A.M.)

Arithmetic Mean of a given set of observations is the sum of the observation divided by the number of observations. In such as case all the items are equally important. Simple Arithmetic Mean is used in this study as per necessary for analysis

We have,

$$\text{Mean } (\overline{X}) = \frac{\Sigma x}{n}$$

Where ∑x = sum of all values of the observations

n = Number of observation

x = Value of variables

(B) Standard deviation (S.D.)

Standard deviation (S.D.) is defined as the positive square root of the mean of the square of the deviations taken from the A.M. and denoted by (σ). The most useful and frequently used measure of dispersion is the S.D. or root-mean square deviation. The S.D. has proven to be extremely useful measure of spread in part because it is mathematically tractable. If is formulated by

$$\sigma = \sqrt{\frac{\sum\left(X - \overline{X}\right)^2}{N}}$$

Where (σ) = Standard deviation

$\sum\left(X - \overline{X}\right)^2$ = Sum of the square of mean deviation

N = No. of observation

(C) Coefficient of variation (C.V)

The relative measure of dispersion based on standard deviation is called coefficient of standard deviation and 100 time coefficient of standard deviation is called coefficient of variation. It is denote by C.V. Thus,

C.V. = $\frac{\sigma}{\overline{x}}$*100%

Where σ = Standard Deviation

$\overline{X}$ = Mean Value of Variables

The distribution having less C.V. is said to be less variable or more consistent. A distribution having greater C.V. is said to be more variable or less consistent.

(d) Coefficient of correlation (r)

Correlation analysis enables to have an idea about the degree and direction of the relationship between the two variables under study. However, it fails to reflect upon the cause and effect relationship between the variables. The coefficient of correlation, denoted by r is computed as under:

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2}\ \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

(e) Regression Analysis

Regression is a statistical method for investing relationships between the variables by the establishment of an approximate functional relationship between them. It is considered as a useful tool for determining the strength of relationship between two (Simple Regression) or more (Multiple regression) variables. It helps to predict or estimate the value of one variable when the value of other variable/variables is known. The regression line of dependent variable (Y) on independent variable (X) is given by;

$Y = a + bX$…….. (I)

Where, a = constant

b = regression coefficient

CHAPTER – IV

RESULTS

4.1. Introduction

This chapter entitled “Results” is a crucial chapter and has been organized to present the result, analyze and interpret them accordingly. The basic objective of this study is to observe and analyze the relationship between liquidity and profitability position of ADBL, Everest, Himalayan, Nepal SBI, Nepal Investment, Nabil, Laxmi, Global Ime, Kumari and Prime Commercial Banks

The results in this study have been done through the help of financial statements of the year from FY 2007/08 to FY 2016/17. Data are presented in the form of tabular and diagrammatic form and are analyzed with the help of widely accepted tools of financial ratios. Moreover, statistical tools such as, average mean, standard deviation, co-efficient of variation, and correlation co-efficient have been used to analyze the data. A balance should always be maintained between liquidity and profitability hence, the bank should follow certain principles of liquidity and profitability.

4.2 Liquidity Ratio

Commercial banks need liquidity to meet loan demand and deposit withdrawals. Liquidity is also needed for the purpose of meeting cash reserve ratio (CRR) requirements prescribed by NRB. The commercial banks should ensure that they do not suffer from the liquidity problem and should ensure that it does not have excess liquidity as well. The failure of the bank to meet this obligation will result bad credit image and loss of creditors confidence

4.2.1 Current Ratio

The current ratio is a measure of the firm's short-term solvency. Current ratio of 2:1 or more is generally considered satisfactory, which is not a strict rule. This conventional rule is based on the assumption that even if the current assets are decreased by half, the firm can easily meet its current obligations.

Table 4.1 Current Ratio

year	ADBL	EBL	HBL	SBI	NIBL	NABIL	LBL	GBIME	KBL	PCB
2007/08	1.19	1.09	1.08	1.22	1.09	1.10	1.14	1.09	1.13	1.18
2008/09	1.25	1.07	1.08	1.08	1.09	1.00	1.12	1.10	1.13	1.12
2009/10	1.31	1.08	1.07	1.06	1.10	1.07	1.12	1.10	1.13	1.11
2010/11	1.30	1.08	1.07	1.06	1.12	1.10	1.12	1.12	1.16	1.13
2011/12	1.25	1.07	1.07	1.05	1.12	1.08	1.10	1.09	1.11	1.10
2012/13	1.26	1.08	1.12	1.06	1.13	1.08	1.12	1.09	1.09	1.10
2013/14	1.19	1.06	1.09	1.09	1.13	1.09	1.09	1.11	1.10	1.10
2014/15	1.22	1.13	1.08	1.11	1.12	1.08	1.08	1.12	1.12	1.10
2015/16	1.18	1.15	1.10	1.17	1.16	1.11	1.09	1.15	1.10	1.11
2016/17	1.19	1.16	1.11	1.19	1.16	1.13	1.14	1.11	1.15	1.16
mean	1.23	1.10	1.09	1.11	1.12	1.08	1.11	1.11	1.12	1.12
SD	0.04	0.03	0.02	0.06	0.02	0.03	0.02	0.02	0.02	0.03
CV	3.65	3.11	1.54	5.30	2.10	3.01	1.79	1.60	1.90	2.38

Source: Appendix I to X

The table 4.2 measured the current ratio of the sampled banks. The table showed that the current ratio of ADBL fluctuated during the ten years periods. The ratio was highest (1.31 times) in the fiscal year 2009/10 and lowest (1.18 times) in the fiscal year 2015/16. In average, ADBL maintained 1.23 times as the current ratio to meet the obligations. Similarly, the current ratio of EBL was highest (1.16 times) in the fiscal year 2016/17 and lowest (1.06 times) in the fiscal year 2013/14. In average, the current ratio of EBL was 1.10 times and the coefficient of variation in the ratio was 3.11%.

Likewise, the current ratio of HBL was stable for first two fiscal years, i.e. 1.08 times, and then decreased to 1.07 which was stable next three fiscal year 2009/10, 2010/11 and 2011/12. And it fluctuated during the five years periods. In average HBL maintained 1.09 times and the coefficient of variation in the ratio was 1.54%. Also, the current ratio of SBI fluctuated during the ten years periods. The ratio was highest (1.22 times) in the fiscal year 2007/08 and lowest (1.05 times) in the fiscal year

2011/12. In average, SBI maintained 1.11 times as the current ratio to meet the obligations.

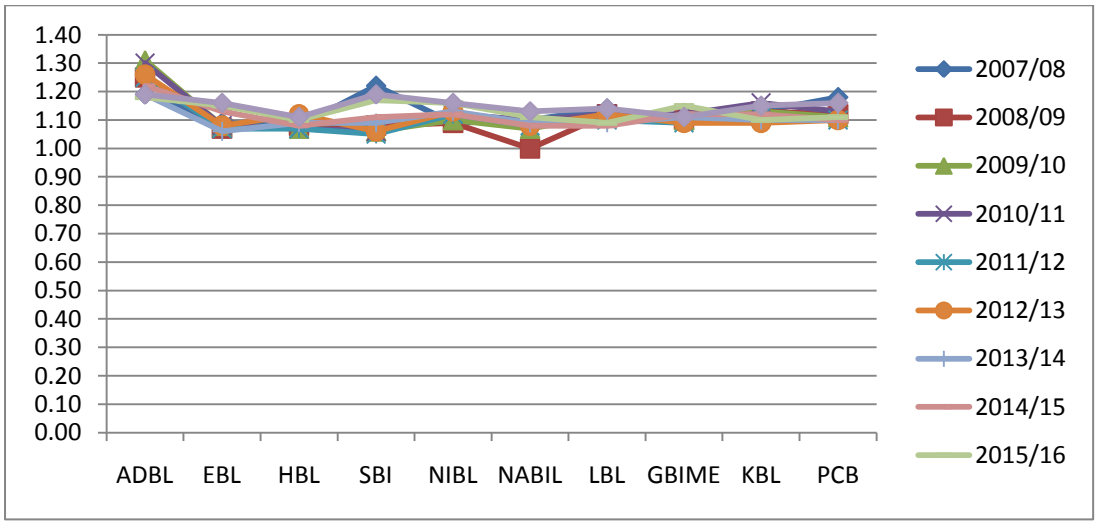
Similarly current ratio of NIBL fluctuated through the overall period of time having highest current ratio of 1.16 times in the fiscal year 2015/16 and 2016/17. The lowest current ratio of NIBL was in the year 2007/08 and 2008/09 i.e. 1.09. The average current ratio of NIBL is 1.12 over the period of study. Also the current ratio of NABIL fluctuated during the ten fiscal years. The ratio was highest (1.13 times) in the fiscal year 2016/17and lowest (1.00 times) in the fiscal year 2008/2009. The average current ratio of NABIL is 1.08 times over the ten fiscal periods.

The highest current ratio of LBL is 1.14 times in the fiscal year 2007/08 and 2016/17 and the lowest current ratio is 1.08 times in the fiscal year 2014/15. This shows that the current ratio of LBL fluctuated throughout the period of study having average current ratio of 1.11 times. Whereas the highest current ratio of GBIME was in the year 2015/16 i.e. 1.15 times and the lowest was in the fiscal year 2007/08, 2011/12 and 2012/13 i.e. 1.09. The average current ratio of GBIME was found to be 1.11 times throughout the period of study.

Finally, current ratio of KBL was 1.15 times in the fiscal year 2016/17 showing the highest current ratio whereas the lowest current ratio was 1.09 times in the fiscal year 2012/13. The average current ratio of KBL is 1.12 times. The highest current ratio of PCB is 1.18 times in the fiscal year 2007/08 and lowest was 1.10 times in the fiscal year 2011/12, 2012/13, 2013/14 and 2014/15. The average current ratio was 1.12 times throughout the period of study.

Comparing ten sampled banks, it can be concluded that the liquidity position of ADBL was better than that of others, since the average current ratio of ADBL (1.23 times) was greatest in comparison with that of EBL (1.10 times), HBL (1.09 times), SBI (1.11 times), NIBL (1.12 times), NABIL (1.08 times), LBL (1.11 times), GBIME (1.11 times), KBL (1.12 times) and PCB (1.12 times). However, the ratio was most stable in HBL, since the coefficient of variation in the ratio of HBL (1.54%) was lowest.

Figure 4.1 Current Ratio



4.2.2 Cash and Bank Balance to Total Deposit Ratio

Adequate liquidity is also must in the banking sector in order to protect its solvency and to honor its short-term obligations and liabilities. Hence bank should have enough cash and bank balance in comparison to total deposit.

Table 4.2 Cash and Bank Balance to Total Deposit Ratio

Year	ADBL	EBL	HBL	SBI	NIBL	NABIL	LBL	GBIME	KBL	PCB
2007/08	11.13	11.13	4.55	9.79	10.90	8.37	11.34	17.32	7.31	5.65
2008/09	14.81	18.50	8.79	6.81	16.96	9.03	11.42	12.64	11.30	11.71
2009/10	12.81	21.17	10.30	9.86	13.61	3.02	10.18	16.19	15.63	19.62
2010/11	13.98	14.89	7.24	11.50	16.24	4.96	15.16	11.64	6.88	15.45
2011/12	14.54	20.73	13.33	10.33	20.70	7.77	19.49	18.46	16.93	23.31
2012/13	17.51	19.43	6.87	13.09	21.23	9.25	13.36	16.25	13.46	18.90
2013/14	13.45	21.21	8.57	12.21	22.68	13.26	17.43	14.80	17.75	21.35
2014/15	14.83	30.23	11.40	16.34	15.79	15.35	12.34	12.72	14.93	16.15
2015/16	12.20	24.66	9.02	15.93	11.99	9.31	11.32	11.57	11.89	16.19
2016/17	15.64	22.49	9.60	16.20	14.24	11.01	10.34	18.58	14.94	18.82
Mean	14.09	20.44	8.97	12.21	16.43	9.13	13.24	15.02	13.10	16.71
S.D.	1.82	5.18	2.45	3.20	4.00	3.60	3.15	2.73	3.75	5.08
CV	12.91	25.33	27.37	26.22	24.35	39.40	23.82	18.17	28.61	30.40

Source: Appendix I to X

The table 4.2 measures the cash and bank balance kept by the banks in respect to the total deposit collected. The table presented that the cash and bank balance to total deposit of ADBL was in fluctuating trend. The ratio was highest 17.51% in the fiscal year 2012/13 and lowest 11.13% in the fiscal year 2007/08. In average, ADBL kept 14.09% of the total deposit as cash and bank balance to meet the cash requirement. However, the coefficient of variation is 12.91%. Also, the ratio of EBL fluctuating during the entire period and thus ranged from 11.13% in the fiscal year 2007/08 to 30.23% in the fiscal year 2014/15. In average, EBL kept 20.44% of the total deposit as cash and bank balance. The coefficient of variation is 25.33%.

Likewise, the cash and bank balance to total deposit of HBL was in fluctuating trend. The ratio was highest 13.33% in the fiscal year 2011/12 and lowest 6.87% in the fiscal year 2012/13. In average, HBL kept 8.97% of the total deposit as cash and bank balance. The coefficient of variation is 27.37%. Also, the ratio of SBI fluctuating during the entire period and thus ranged from 6.81% in the fiscal year 2008/09 to 16.34% in the fiscal year 2014/15. In average, SBI kept 12.21% of the total deposit as cash and bank balance. The coefficient of variation is 26.22%.

Consequently, the cash and bank balance to total deposit of NIBL was in fluctuating trend. The ratio was highest 22.68% in the fiscal year 2013/14 and lowest 10.90% in the fiscal year 2007/08. In average, HBL kept 16.43% of the total deposit as cash and bank balance. The coefficient of variation is 24.35%. Also, the ratio of NABIL fluctuating during the entire period and thus ranged from 3.02% in the fiscal year 2009/10 to 15.35% in the fiscal year 2014/15. In average, NABIL kept 9.13% of the total deposit as cash and bank balance. The coefficient of variation is 39.40%.

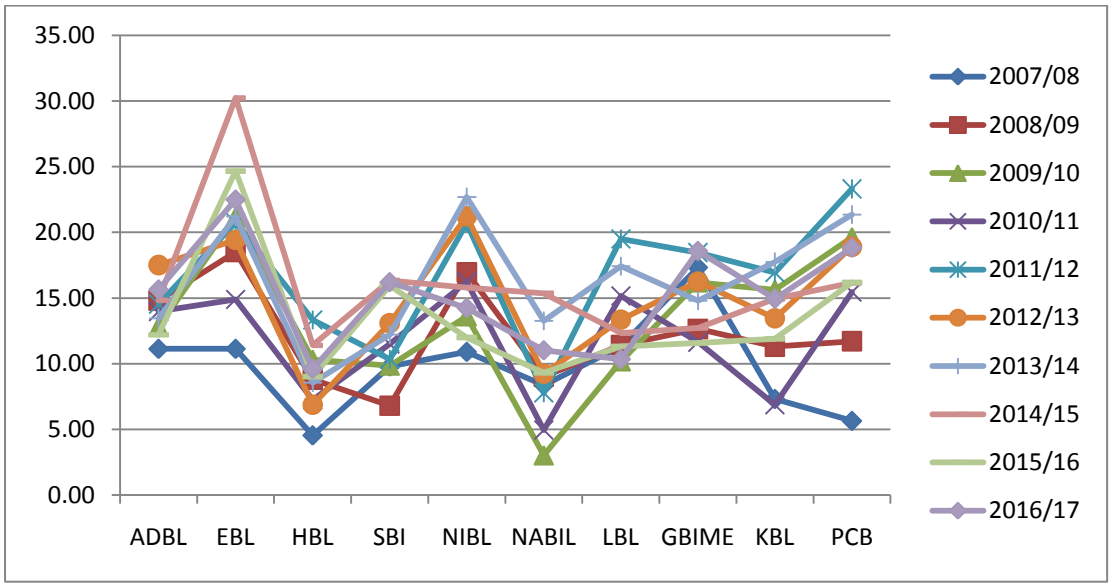
Similarly, the cash and bank balance to total deposit of LBL was in fluctuating trend. The ratio was highest 19.49% in the fiscal year 2011/12 and lowest 10.18% in the fiscal year 2009/10. In average, LBL kept 13.24% of the total deposit as cash and bank balance. The coefficient of variation is 23.82%. Also, the ratio of GBIME fluctuating during the entire period and thus ranged from 11.57% in the fiscal year 2015/16 to 18.58% in the fiscal year 2016/17. In average, GBIME kept 15.02% of the total deposit as cash and bank balance. The coefficient of variation is 18.17%.

Finally, the cash and bank balance to total deposit of KBL was in fluctuating trend. The ratio was highest 17.75% in the fiscal year 2013/14 and lowest 6.88% in the

fiscal year 2010/11. In average, KBL kept 13.10% of the total deposit as cash and bank balance. The coefficient of variation is 28.61%. Also, the ratio of PCB fluctuating during the entire period and thus ranged from 5.65% in the fiscal year 2007/08 to 23.31% in the fiscal year 2011/12.. In average, PCB kept 16.71% of the total deposit as cash and bank balance. The coefficient of variation is 30.40%.

Comparing ten banks on the basis of cash and bank balance to total deposit ratio, it can be concluded that EBL has the practice of highest percentage of total deposit collected in the form of cash and bank balance than other banks to meet the immediate cash requirement.

Figure 4.2 Cash and Bank Balance to Total Deposit Ratio



4.2.3 Cash and Bank Balance to Current Deposit Ratio

This ratio is designed to measure the bank's ability to meet the immediate obligations. It is employed to measure whether cash and bank balance is sufficient to cover its current calls margin including deposits.

Table 4.3 Cash and Bank Balance to Current Deposit Ratio

Year	ADBL	EBL	HBL	SBI	NIBL	NABIL	LBL	GBIME	KBL	PCB
2007/08	151.20	107.06	30.27	77.27	119.70	50.55	435.92	225.62	155.41	310.42
2008/09	231.80	126.83	94.72	66.46	210.80	61.53	175.74	421.34	227.69	602.18
2009/10	149.60	187.37	103.20	120.23	169.30	17.71	224.39	475.39	400.59	726.29
2010/11	164.20	127.80	80.24	114.53	201.40	45.05	370.36	249.15	147.47	532.00
2011/12	147.60	169.96	138.80	145.86	178.60	65.06	506.72	517.07	376.82	930.62
2012/13	122.80	138.47	62.42	153.13	237.40	80.90	348.69	420.64	289.96	738.40
2013/14	103.30	202.97	86.49	160.55	162.20	104.70	472.61	318.52	351.91	744.67
2014/15	111.30	354.71	98.68	175.07	121.90	124.60	165.88	232.42	345.16	519.94
2015/16	84.88	267.87	87.28	187.83	93.91	63.21	228.65	218.45	248.81	379.30
2016/17	151.80	241.16	98.69	210.03	127.60	77.25	158.39	420.22	341.07	422.50
Mean	141.85	192.42	88.08	141.10	162.28	69.06	308.74	349.88	288.49	590.63
S.D.	40.69	77.26	28.16	46.45	46.14	30.23	134.10	113.73	90.21	194.24
CV	28.68	40.15	31.97	32.92	28.44	43.78	43.44	32.50	31.27	32.89

Source: Appendix I to X

The table 4.3 measures the cash and bank balance kept by the banks in respect to the current deposit collected. The table presented that the cash and bank balance to current deposit of ADBL was in fluctuating trend. The ratio was highest 231.80% in the fiscal year 2008/09 and lowest 84.88% in the fiscal year 2015/16. In average, ADBL kept 141.85% of the current deposit as cash and bank balance to meet the immediate cash requirement. However, the coefficient of variation is 28.68%. Also, the ratio of EBL fluctuating during the entire period and thus ranged from 107.06% in the fiscal year 2007/08 to 354.71% in the fiscal year 2014/15. In average, EBL kept 192.42% of the current deposit as cash and bank balance. The coefficient of variation is 40.15%.

Likewise, the cash and bank balance to current deposit of HBL was in fluctuating trend. The ratio was highest 138.80% in the fiscal year 2011/12 and lowest 30.27% in the fiscal year 2007/08. In average, HBL kept 88.08% of the current deposit as cash and bank balance. The coefficient of variation is 31.97%. Also, the ratio of SBI fluctuating during the entire period and thus ranged from 66.46% in the fiscal year

2008/09 to 210.03% in the fiscal year 2016/17. In average, SBI kept 141.10% of the current deposit as cash and bank balance. The coefficient of variation is 32.92%.

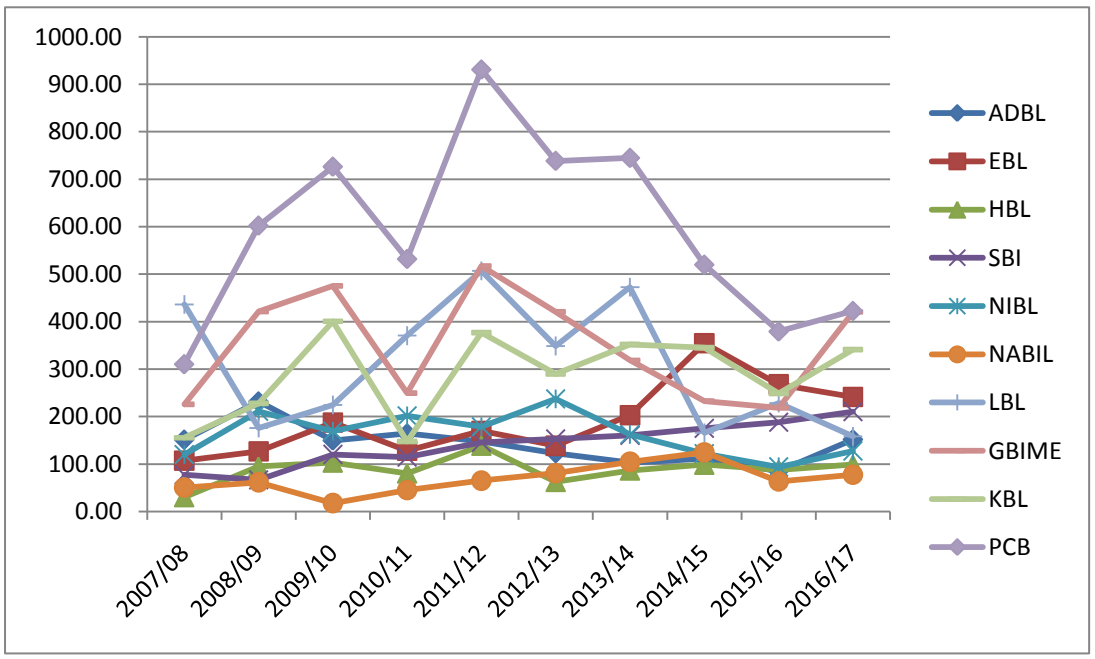
Consequently, the cash and bank balance to current deposit of NIBL was in fluctuating trend. The ratio was highest 237.40% in the fiscal year 2012/13 and lowest 93.91% in the fiscal year 2015/16. In average, HBL kept 162.28% of the current deposit as cash and bank balance. The coefficient of variation is 28.44%. Also, the ratio of NABIL fluctuating during the entire period and thus ranged from 17.71% in the fiscal year 2009/10 to 124.60% in the fiscal year 2014/15. In average, NABIL kept 69.06% of the current deposit as cash and bank balance. The coefficient of variation is 43.78%.

Similarly, the cash and bank balance to current deposit of LBL was in fluctuating trend. The ratio was highest 506.72% in the fiscal year 2011/12 and lowest 158.39% in the fiscal year 2016/17. In average, LBL kept 308.74% of the current deposit as cash and bank balance. The coefficient of variation is 43.44%. Also, the ratio of GBIME fluctuating during the entire period and thus ranged from 218.45% in the fiscal year 2015/16 to 517.07% in the fiscal year 2011/12. In average, GBIME kept 349.88% of the current deposit as cash and bank balance. The coefficient of variation is 32.50%.

Finally, the cash and bank balance to current deposit of KBL was in fluctuating trend. The ratio was highest 400.59% in the fiscal year 2009/10 and lowest 147.47% in the fiscal year 2010/11. In average, KBL kept 288.49% of the current deposit as cash and bank balance. The coefficient of variation is 31.27%. Also, the ratio of PCB fluctuating during the entire period and thus ranged from 310.42% in the fiscal year 2007/08 to 930.62% in the fiscal year 2011/12. In average, PCB kept 590.63% of the current deposit as cash and bank balance. The coefficient of variation is 32.89%.

Comparing ten banks on the basis of cash and bank balance to current deposit ratio, it can be concluded that PCB has the practice of highest and NABIL has lowest percentage of current deposit collected in the form of cash and bank balance.

Figure 4.3 Cash and Bank Balance to Current Deposit Ratio



4.3 Profitability Ratio

Profit maximization and wealth maximization are primary objectives of any organization. Therefore all the organization tries to maximize its profit. It is very important for their survival in this competitive market for their future growth. Profit indicates the present condition of the organization where they stand in the market. In this section various profitability ratios, which reflects the operating efficiency of the bank have been analyzed.

4.3.1 Return on Total Assets (ROA)

Return on Total Assets explains the contribution of assets to generating net profit. Return on total assets is calculated by dividing net profit after tax by total assets of the company. Higher return on total assets indicates the higher efficiency in the utilization of total assets and vice-versa.

Table 4.4 Return on Total Assets (ROA)

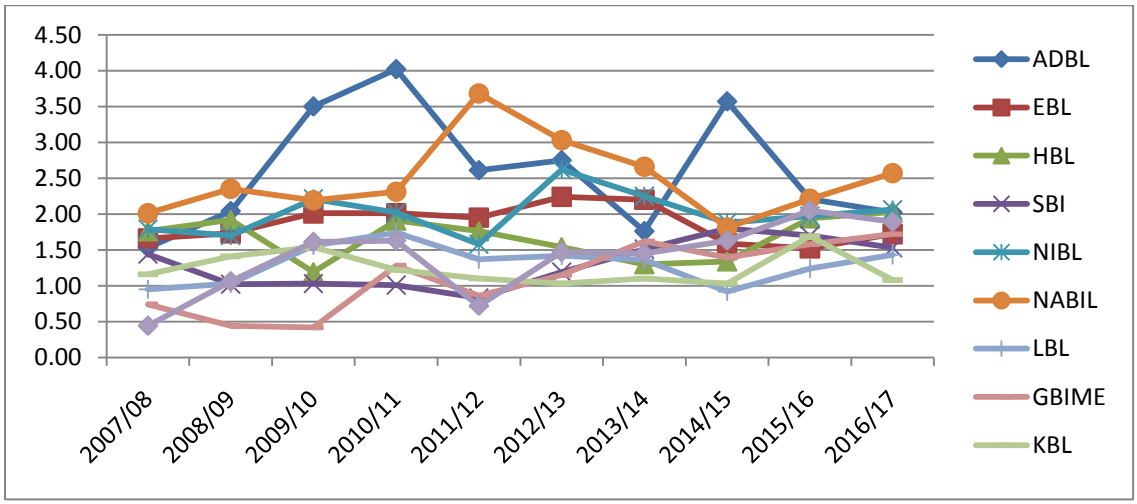
Year	ADBL	EBL	HBL	SBI	NIBL	NABIL	LBL	GBIME	KBL	PCB
2007/08	1.53	1.66	1.76	1.44	1.79	2.01	0.95	0.74	1.16	0.44
2008/09	2.04	1.73	1.92	1.02	1.70	2.35	1.03	0.44	1.41	1.06
2009/10	3.50	2.01	1.19	1.03	2.21	2.19	1.56	0.42	1.54	1.61
2010/11	4.02	2.01	1.91	1.01	2.02	2.31	1.74	1.28	1.22	1.63
2011/12	2.61	1.95	1.76	0.83	1.58	3.68	1.37	0.86	1.10	0.72
2012/13	2.75	2.24	1.54	1.19	2.62	3.03	1.42	1.15	1.03	1.47
2013/14	1.76	2.20	1.30	1.51	2.25	2.66	1.36	1.62	1.10	1.45
2014/15	3.57	1.59	1.34	1.80	1.88	1.81	0.92	1.39	1.03	1.63
2015/16	2.21	1.52	1.94	1.70	1.97	2.21	1.24	1.58	1.69	2.05
2016/17	2.02	1.72	2.03	1.53	2.06	2.57	1.43	1.72	1.08	1.89
Mean	2.60	1.86	1.67	1.31	2.01	2.48	1.30	1.12	1.24	1.40
S.D.	0.85	0.25	0.30	0.33	0.30	0.54	0.27	0.48	0.23	0.51
CV	32.53	13.60	18.22	25.45	15.03	21.89	20.55	42.98	18.70	36.39

Source: Appendix I to X

The table 4.4 shows that the return on assets ratio of selected banks for last ten consecutive years. The returns on assets ratio of selected banks are fluctuating trend during the study period. The average rate of return on assets of ADBL is 2.60%, EBL 1.86%, HBL 1.67%, SBI 1.31%, NIBL 2.01%, NABIL 2.48%, LBL 1.30%, GBIME 1.12%, KBL 1.24% and PCB 1.40%. This shows ADBL has highest ROA i.e. 2.60% and GBIME has lowest ROA i.e. 1.12% over the study period.

C.V. measures the variation among variables. The CV of ADBL is 32.53%, EBL 13.60%, HBL 18.22%, SBI 25.45%, NIBL 15.03%, NABIL 21.89%, LBL 20.55%, GBIME 42.98%, KBL 18.70% and PCB 36.39%. It shows GBIME has highest CV i.e. 42.98% which indicates highly fluctuation on ROA and EBL has lowest CV i.e. 13.60% which indicates more consistency on ROA.

Figure 4.4 Returns on Total Assets (ROA)



4.3.2 Return on Equity (ROE)

Return on shareholders' reflects how well the firm has used the resources of the owners. It is calculated by dividing profit after tax by net worth. The ratio of net profit to owners' equity reflects the extent to which social responsibility toward owners has been accomplished. This ratio is thus a great interest to present as well as prospective shareholders and a great concern to management.

Table 4.5 Return on Equity (ROE)

Year	ADBL	EBL	HBL	SBI	NIBL	NABIL	LBL	GBIME	KBL	PCB
2007/08	12.54	23.48	25.31	17.53	25.91	30.61	10.38	8.45	12.75	3.85
2008/09	10.24	28.96	24.13	18.45	23.03	32.94	14.07	5.24	16.06	13.80
2009/10	17.41	30.12	14.80	16.00	27.59	29.68	17.10	4.80	17.70	21.13
2010/11	18.06	29.90	22.35	16.12	22.80	29.21	17.75	13.17	11.34	14.48
2011/12	12.99	26.12	20.70	15.01	17.17	31.11	15.48	10.45	11.61	10.40
2012/13	14.68	30.47	17.81	20.29	27.28	33.17	15.51	13.90	10.96	16.20
2013/14	11.67	28.40	31.10	20.35	24.48	30.36	14.96	15.90	11.53	15.29
2014/15	22.27	22.84	15.98	18.86	20.01	22.07	10.03	13.12	11.80	17.22
2015/16	13.60	20.32	21.93	19.25	15.66	24.31	11.98	15.87	17.75	20.66
2016/17	11.77	17.38	18.61	14.65	16.65	25.63	10.49	17.75	8.18	15.56
Mean	14.52	25.80	21.27	17.65	22.06	28.91	13.78	11.87	12.97	14.86
S.D.	3.68	4.59	4.85	2.11	4.45	3.71	2.86	4.49	3.16	4.98
CV	25.36	17.77	22.81	11.94	20.18	12.82	20.79	37.88	24.35	33.54

Source: Appendix I to X

The table 4.5 indicates the efficiency of the banks in generating profit through mobilizing the shareholders' property. The table showed that the return on equity of ADBL was highest, 22.27%, in the fiscal year 2014/15 and lowest, 10.24%, in the fiscal year 2008/09. In average, the return on equity of ADBL was 14.52%, which indicated that ADBL was able to generate Rs. 14.52 as net income from the mobilization of Rs. 100 of shareholders' equity. The CV of ADBL is 25.36%. Also, the ratio of EBL fluctuating during the entire period and thus ranged from 17.38% in the fiscal year 2016/17 to 30.47% in the fiscal year 2012/13. In average, ROE of EBL was 25.80%. The coefficient of variation is 17.77%.

Similarly, return on equity of HBL was highest, 31.10%, in the fiscal year 2013/14 and lowest, 14.80%, in the fiscal year 2009/10. In average, the ROE of HBL was 21.27 The CV of HBL is 22.81%. Also, the ratio of SBI fluctuating during the entire period and thus ranged from 14.65% in the fiscal year 2016/17 to 20.35% in the fiscal year 2013/14. In average, return on equity of SBI was 17.65%. The coefficient of variation is 11.94%.

Likewise, return on equity of NIBL was highest 27.59%, in the fiscal year 2009/10 and lowest 15.66%, in the fiscal year 2015/16. In average, the ROE of NIBL was 22.06% The CV of NIBL is 20.18%. Also, the ratio of NABIL was fluctuating during the entire period and thus ranged from 22.07% in the fiscal year 2014/15 to 33.17% in the fiscal year 2012/13. In average, return on equity of NABIL was 28.91%. The coefficient of variation is 12.82%.

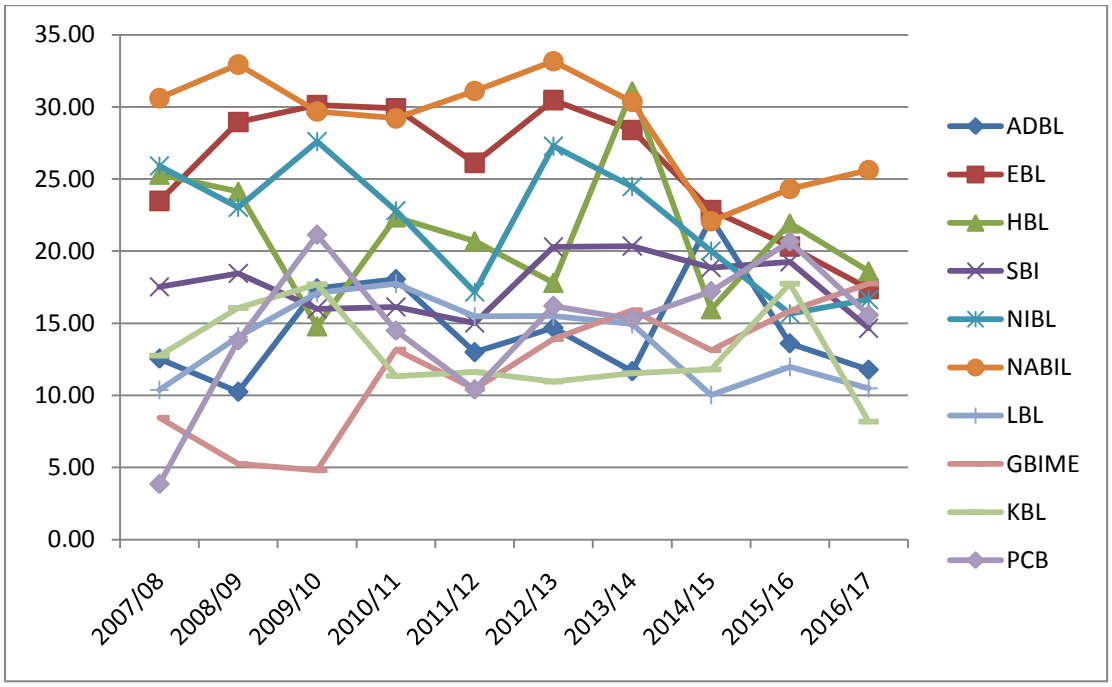
Consequently, return on equity of LBL was highest 17.75%, in the fiscal year 2010/11 and lowest 10.03%, in the fiscal year 2014/15. In average, the ROE of LBL was 13.78% The CV of LBL is 20.79%. Also, the ratio of GBIME was fluctuating during the entire period and thus ranged from 4.80% in the fiscal year 2009/2010 to 17.75% in the fiscal year 2016/17. In average, return on equity of GBIME was 11.87%. The coefficient of variation is 37.88%.

Finally, return on equity of KBL was highest 17.70%, in the fiscal year 2009/10 and lowest 8.18%, in the fiscal year 2016/17. In average, the ROE of KBL was 12.97% The CV of KBL is 24.35%. Also, the ratio of PCB was fluctuating during the entire period and thus ranged from 3.85% in the fiscal year 2007/2008 to 20.66% in the

fiscal year 2015/16. In average, return on equity of PCB was 14.86%. The coefficient of variation is 33.54%.

Comparing the ROE of sample banks it can be concluded that the average ROE of NABIL bank is highest i.e. 28.19% and the lowest is of GBIME i.e. 11.87%. This shows that the shareholders of NABIL bank get the highest return whereas the return to shareholders of GBIME was lowest. Similarly the average return of ADBL is 14.52%, EBL is 25.80%, HBL is 21.27%, SBI is 17.65%, NIBL is 22.06%, LBL is 13.78%, KBL is 12.97% and PCB is 14.86%.

Figure 4.5 Return on Equity (ROE)



4.3.3 Net Profit Margin

Net profit margin indicates margin of compensation left to the owners for providing their capital, after all expenses have been met. It helps in determining the efficiency with which the affairs of the business are being managed. A net profit margin would enable the firm to withstand adverse economic conditions and low margin will have opposite implications.

Table 4.6 Net Profit Margin

Year	ADBL	EBL	HBL	SBI	NIBL	NABIL	LBL	GBIME	KBL	PCB
2007/08	16.89	29.13	32.38	25.57	31.72	37.71	16.88	17.04	18.18	12.50
2008/09	24.98	29.19	32.15	21.64	27.54	36.85	17.20	8.04	19.00	17.27
2009/10	34.63	26.79	16.17	17.28	27.19	28.12	18.30	4.98	16.89	18.58
2010/11	39.09	21.50	20.64	14.95	20.27	25.56	16.79	11.46	11.15	14.53
2011/12	26.72	22.00	20.30	12.74	17.37	27.65	15.55	11.90	11.30	9.70
2012/13	30.30	29.80	20.40	18.75	32.58	38.92	17.72	14.00	11.30	17.16
2013/14	17.97	29.93	20.22	23.21	33.36	41.16	19.08	25.56	14.18	19.26
2014/15	41.11	31.51	24.03	27.87	33.91	36.34	16.14	20.62	16.24	23.00
2015/16	25.62	34.21	38.58	33.46	37.64	45.79	22.03	27.71	26.60	31.37
2016/17	22.65	29.73	31.39	38.94	33.67	44.79	21.48	27.23	18.38	28.19
Mean	28.00	28.38	25.63	23.44	29.53	36.29	18.12	16.85	16.32	19.16
S.D.	8.25	3.97	7.39	8.26	6.45	7.09	2.17	8.14	4.74	6.74
CV	29.48	13.99	28.82	35.25	21.83	19.53	11.98	48.28	29.07	35.18

Source: Appendix I to X

The table 4.6 shows that the net profit margin of ADBL was highest in the year 2014/15 i.e. 41.11% and the lowest was 16.89% in the year 2007/08. The average net profit margin was 28.00% and the CV was 29.48%. the highest net profit margin of EBL was 34.21% in the year 2015/16 and the lowest was 21.50% in the year 2010/11. The average net profit margin of EBL is 28.38% and the CV was 13.99% throughout the period of study.

Likewise, the highest net profit margin of HBL was 38.58% in the year 2015/16 which was the highest net profit margin whereas 16.17% in the year 2009/10 recording the lowest net profit margin. The average net profit margin of HBL was 25.63% whereas CV is 28.82%. the highest net profit margin of SBI bank was 38.94% in the year 2016/17 and the lowest was 12.74% in the year 2011/12. The average net profit margin of SBI is 23.44% and the CV is 35.25%.

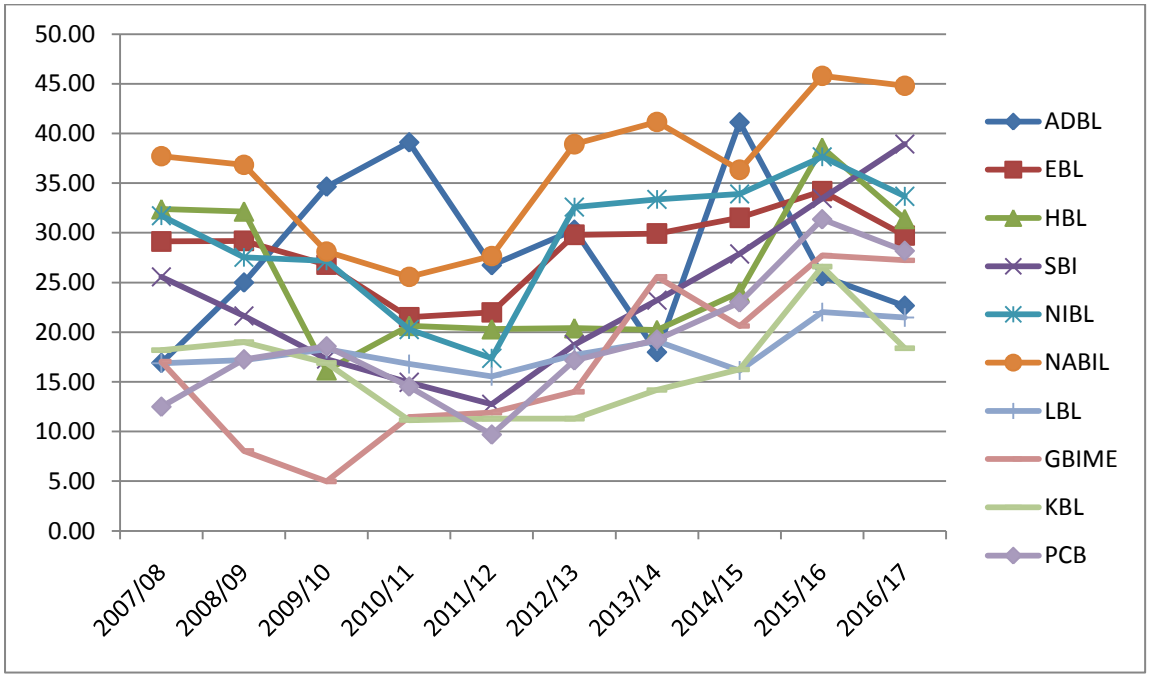
Consequently, the highest net profit margin of NIBL was 37.64% in the year 2015/16 and the lowest was 17.37% in the year 2011/12. The average net profit margin of NIBL is 29.53% and the CV is 21.83%. the highest net profit margin of NABIL bank was 44.79% in the year 2016/17 and the lowest was in the year 2010/11 i.e. 25.56%. The average net profit margin of NABIL is 36.29% and CV is 19.53%.

Similarly, the highest net profit margin of LBL was 21.48% in the year 2016/17 and the lowest is 16.14% in the year 2014/15. The average net profit margin of LBL is 18.12% whereas the CV is 11.98%. The highest net profit margin of GBIME is 27.71% in the year 2015/16 whereas the lowest is 4.98% in the year 2009/10. The average net profit margin of GBIME is 16.85% whereas CV is 48.28%.

Finally, the highest net profit margin of KBL was 26.60% in the year 2015/16 and the lowest was 11.15% in the fiscal year 2010/11. The average net profit margin of KBL is 16.32% and the CV is 29.07%. The highest net profit margin of PCB was 31.37% in the year 2015/16 and the lowest was 9.70% in the year 2011/12. The average net profit margin of PCB is 19.16% and CV is 35.18%.

Comparing the average net profit margin of selected banks, the highest net profit margin is of NABIL i.e. 36.29% and the lowest is of KBL i.e. 16.32%. From the above analysis we can interpret that the operational efficiency of NABIL was best in the industries and the KBL was not so good as compared to industry.

Figure 4.6 Net Profit Margin



4.4 Coefficient of Correlation (r)

Correlation analysis was used to determine the strength and direction of the linear relationship between the variables under consideration.

Table 4.7 Correlation Matrix

Correlations						
	CR	CBBTDR	CBBCDR	ROA	ROE	NPM
CR	1	.087	-.026	.358**	-.351**	.197*
CBBTDR	.087	1	.526**	-.009	-.047	-.008
CBBCDR	-.026	.526**	1	-.408**	-.434**	-.486**
ROA	.358**	-.009	-.408**	1	.613**	.746**
ROE	-.351**	-.047	-.434**	.613**	1	.629**
NPM	.197*	-.008	-.486**	.746**	.629**	1
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

Table 4.7 presents the correlation among the dependent and independent variables. Obviously, this table shows correlations between the liquidity variables (i.e. current ratio, cash and bank balance to total deposit ratio and cash and bank balance to current deposit) and profitability variables (i.e. return on asset, return on equity and net profit margin).

The correlation coefficient between CR and ROA is 0.358. The correlation of CR with ROA is meaningful. In the context of this significant relationship, highly inferences can be made. The correlation coefficient between CR and ROE is -0.351. The correlation of CR with ROE is negative but significant relationship. Consequently, the correlation coefficient between CR and NPM is 0.197. This is positive and significant relationship.

Similarly, the relationship coefficient between CBBTDR and ROA is -0.009. The correlation of CBBTDR with ROA is negative and insignificant relationship. The correlation coefficient between CBBTDR and ROE is -

0.047. The correlation of CBBTDR with ROE is negative and insignificant relationship. Also, the correlation coefficient between CBBTDR and NPM is -0.008, which was negative and insignificant relationship.

Finally, the correlation coefficient between CBBCDR and ROA is -0.408, which was negative relationship but significant relationship. The correlation coefficient between CBBCDR and ROE is -0.434, which was negative relationship but significant relationship. Also, the correlation coefficient between CBBCDR and NPM is -0.486, which was negative but significant relationship.

4.5 Regression Analysis.

Regression is a statistical method for investing relationships between the variables by the establishment of an approximate functional relationship between them. It is considered as a useful tool for determining the strength of relationship between two (Simple Regression) or more (Multiple regression) variables.

4.5.1 The Multiple Regression of ROA on Liquidity

The regression of ROA and liquidity variables (i.e. current ratio, cash and bank balance to total deposit ratio and cash and bank balance to current deposit) impact has been analyzed by defining the ROA changes in terms of liquidity position of selected banks. The regression of ROA on liquidity as indicated in the table 4.5.1. The equation for this regression module is as follows:

ROA= a_1 + b_1 CR + b_2 CBBTDR + b_3 CBBCDR..... (i)

Where,

ROA= Return on Asset, CBBTDR= Cash and bank balance to total deposit, CBBCDR= Cash and bank balance to current deposit, a_1= Constant, b_1, b_2 , b_3 = Regression Coefficient.

Table 4.8 Regression of ROA on Liquidity Position.

Model	Regression Coefficient	Coefficient of Determination (r^2)	P- Value	F-test	Result
Constant	-2.930	0.328	0.000	15.593	Significant
CR	4.139				
CBBTDR	0.033				
CBBCDR	-0.002				

a) Dependent variable: ROA (b) Predictors: (Constant), CR, CBBTDR, CBBCDR, (c) Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix XI

In table 4.8, the multiple regression of ROA on liquidity shows that regression coefficients is positive for CR. Hence, larger the CR higher will be the impact on ROA. In this study, there is a positive regression coefficient of CBBTDR and ROA but there is a negative regression coefficient between CBBCDR and ROA. Hence, when CR and CBBTDR increases, ROA also increases and while CBBCDR increases ROA decreases and vice versa.

Similarly, in table 4.8 the coefficient of determination of the equation is 32.80%. That means the variables CR, CBBTDR and CBBCDR is responsible on ROA 32.80 % and the rest are covered by other factors on determining the ROA of selected commercial banks.

Similarly, the test of P-value adds to include that the relationship between ROA and CR, CBBTDR, CBBCDR of selected commercial bank is significant. Since calculated P-value is 0.000, which is less than P-value of 0.05 at 5% level of significance.

4.5.2 The Multiple Regressions of ROE on Liquidity

The regression of ROE and liquidity variables (i.e. current ratio, cash and bank balance to total deposit ratio and cash and bank balance to current deposit) impact has been analyzed by defining the ROE changes in terms of liquidity position of selected banks. The regression of ROE on liquidity as indicated in the table 4.5.2. The equation for this regression module is as follows:

ROA= a_1 + b_1 CR + b_2 CBBTDR + b_3 CBBCDR..... (i)

Where,

ROE = Return on Equity, CBBTDR= Cash and bank balance to total deposit, CBBCDR= Cash and bank balance to current deposit, a_1= Constant, b_1, b_2 , b_3 = Regression Coefficient.

Table 4.9 Regression of ROE on Liquidity Position.

Model	Regression Coefficient	Coefficient of Determination (r^2)	P- Value	F-test	Result
Constant	75.052	0.386	0.000	20.109	Significant
CR	-51.109				
CBBTDR	0.429				
CBBCDR	-0.023				

a) Dependent variable: ROE (b) Predictors: (Constant), CR, CBBTDR, CBBCDR, (c) Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix XII

In table 4.9, the multiple regression of ROE on liquidity shows that regression coefficients is negative for CR. There is a positive regression coefficient of CBBTDR and ROE but there is a negative regression coefficient between CBBCDR and ROE. Hence, when CR and CBBCDR increase, ROA decreases and while CBBTDR increases ROA also increases and vice versa.

Similarly, in table 4.9 the coefficient of determination of the equation is 38.60%. That means the variables CR, CBBTDR and CBBCDR is responsible on ROE 38.60 % and the rest are covered by other factors on determining the ROE of selected commercial banks.

Similarly, the test of P-value adds to include that the relationship between ROE and CR, CBBTDR, CBBCDR of selected commercial bank is significant. Since calculated P-value is 0.000, which is less than P-value of 0.05 at 5% level of significance.

4.5.3 The Multiple Regression of NPM on Liquidity

The regression of NPM and liquidity variables (i.e. current ratio, cash and bank balance to total deposit ratio and cash and bank balance to current deposit) impact has been analyzed by defining the NPM changes in terms of liquidity position of selected banks. The regression of NPM on liquidity as indicated in the table 4.5.3. The equation for this regression module is as follows:

NPM = a_1 + b_1 CR + b_2 CBBTDR + b_3 CBBCDR..... (i)

Where,

ROA = Return on Asset, CBBTDR = Cash and bank balance to total deposit, CBBCDR = Cash and bank balance to current deposit, a_1= Constant, b_1, b_2 , b_3 = Regression Coefficient.

Table 4.10 Regression of NPM on Liquidity Position.

Model	Regression Coefficient	Coefficient of Determination (r^2)	P- Value	F-test	Result
Constant	-5.461	0.344	0.000	16.760	Significant
CR	25.966				
CBBTDR	0.593				
CBBCDR	-0.033				

a) Dependent variable: NPM (b) Predictors: (Constant), CR, CBBTDR, CBBCDR, (c) Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix XIII

In table 4.10, the multiple regression of NPM on liquidity shows that regression coefficients is positive for CR. Hence, larger the CR higher will be the impact on NPM. In this study, there is a positive regression coefficient of CBBTDR and NPM but there is a negative regression coefficient between CBBCDR and NPM. Hence, when CR and CBBTDR increases, NPM also increases and while CBBCDR increases NPM decreases and vice versa.

Similarly, in table 4.10 the coefficient of determination of the equation is 34.40%. That means the variables CR, CBBTDR and CBBCDR is responsible on NPM 34.40

% and the rest are covered by other factors on determining the NPM of selected commercial banks.

Similarly, the test of P-value adds to include that the relationship between NPM and CR, CBBTDR, CBBCDR of selected commercial bank is significant. Since calculated P-value is 0.000, which is less than P-value of 0.05 at 5% level of significance.

4.6 Major Findings of the Study

From the above data analysis, the following major findings have been drawn;

- The average current ratio maintained by ADBL was 1.23 times, EBL was 1.10 times, HBL was 1.09 times, SBI was 1.11 times, NIBL was 1.12, NABIL was 1.08, LBL was 1.11, GBIME was 1.11, KBL was 1.12 and PCB was 1.12 times. Thus, the liquidity position of ADBL was strongest in terms of current ratio.
- The average cash and bank balance to total deposit ratio of ADBL is 14.09%, EBL was 20.44%, HBL was 8.97%, SBI was 12.21%, NIBL was 16.43%, NABIL was 9.13%, LBL was 13.24%, GBIME was 15.02%, KBL was 13.10% and PCB was 16.71%. The highest average cash and bank balance to total deposit ratio is of EBL i.e. 20.44% and the lowest is of HBL i.e. 8.97%. It shows that the liquidity maintain by EBL is highest in comparison to total deposit ratio and the lowest is of HBL.
- The average cash and bank balance to current deposit ratio of ADBL is 141.85%, EBL was 192.42%, HBL was 88.08%, SBI was 141.10%, NIBL was 162.28%, NABIL was 69.06%, LBL was 308.74%, GBIME was 349.88%, KBL was 288.49% and PCB was 590.63%. The highest average cash and bank balance to current deposit ratio is of GBIME and lowest is of HBL. It shows that the cash and bank balance of GBIME is highest in comparison to current deposit collected, and lowest is of HBL.
- The average return on total asset of ADBL is 2.60%, EBL was 1.86%, HBL was 1.67%, SBI was 1.31%, NIBL was 2.01%, NABIL was 2.48%, LBL was 1.30%, GBIME was 1.12%, KBL was 1.42%, and PCB was 1.40%. The highest average ROA is of ADBL and lowest is of GBIME. It shows that the

average return earned by ADBL was highest in comparison to asset utilized whereas GBIME was lowest.

- The average ROE of ADBL is 14.52%, EBL was 25.80%, HBL was 21.27%, SBI was 17.65%, NIBL was 22.06%, NABIL was 28.91%, LBL was 13.78%, GBIME was 11.87%, KBL was 12.97% and PCB was 14.86%. The highest ROE is of NABIL and lowest is of GBIME. It shows that the return on equity utilized was more in NABIL and less in GBIME among the selected banks on the study.
- The net profit margin of ADBL was 28%, EBL was 28.38%, HBL was 25.63%, SBI was 23.44%, NIBL was 29.53%, NABIL was 36.29%, LBL was 18.12%, GBIME was 16.85%, KBL was 16.32% and PCB was 19.16%. It shows that the highest NPM is of NIBL and lowest is of KBL.
- The correlation coefficient between ROA and CR is 0.358. It shows that the relationship between ROA and CR was positive and significant relationship. Also the correlation coefficient between ROA and CBBTDR is -0.009. This shows that the relationship between ROA and CBBTDR was negative and insignificant relationship. Similarly, the correlation coefficient between ROA and CBBCDR is -0.408. It was negative but significant relationship.
- The correlation coefficient between ROE and CR is -0.351. It shows that the relationship between ROE and CR was negative and significant relationship. Also the correlation coefficient between ROE and CBBTDR is -0.047. This shows that the relationship between ROA and CBBTDR was negative and insignificant relationship. Similarly, the correlation coefficient between ROE and CBBCDR is -0.434. It was negative but significant relationship.
- The correlation coefficient between NPM and CR is 0.197. It shows that the relationship between NPM and CR was positive and significant relationship. Also the correlation coefficient between NPM and CBBTDR is -0.008. This shows that the relationship between NPM and CBBTDR was negative and insignificant relationship. Similarly, the correlation coefficient between NPM and CBBCDR is -0.486. It was negative but significant relationship.

4.7 Discussion

The findings of the study show that profitability of Nepalese commercial banks is positively correlated with profitability. This may be taken to mean that as bank Increases its liquidity level; its profitability would also increase. Therefore banks can increase value for share holders by maintaining an optimal liquidity level that will ensure that the bank is in a position to meet the short term obligations as they fall due. This will ensure that the bank does not incur unnecessary costs associated with stock outs and bankruptcy costs and the opportunity costs associated with excess liquidity. Liquidity level should not fall below minimum requirement as it will lead to the inability of the organization to meet short term obligation that are due. Banks needed to develop various strategies to improve their liquidity position.

CHAPTER – V

CONCLUSION

This chapter will handle the summary, conclusion and recommendations of the study.

5.1 Summary

The institutions, engaged in financial activities are known as commercial banks. Commercial banks are the real intermediaries who transfer savings from the savers to the borrowers so that the money can be used in productive sectors. This study has been prepared to know about the relationship between liquidity and profitability position of ADBL, Everest, Himalayan, Nepal SBI, Nepal Investment, Nabil, Laxmi, Global Ime, Kumari and Prime Commercial Banks. The liquidity and profitability are two major components for a bank to achieve its objectives. If there is high liquidity in bank, the bank can't gain profit. Because, most part of the liquidity is reserved in the bank, it doesn't give profit to the bank. In the first chapter, the background and subject matter of the study consisting statement of the problem, significance and limitations of the study has been dealt. In the second chapter, the relevant review of literature has been made in terms of theoretical background of banking principles as well journals; articles and previous thesis have been reviewed.

Third chapter deals with the research methodology that has been used to evaluate the liquidity and profitability position of commercial banks under study. In the fourth chapter, the data and information are presented, analyzed and interpreted by the help of financial and statistical tools. Finally, in the fifth and last chapter, summary, conclusion and recommendations have been made regarding the entire study. For the purpose of analysis and evaluation, different financial and statistical tools have been used. Here, financial tools include liquidity ratio and profitability ratio whereas; statistical tools include average mean, standard deviation, co-efficient of variation, co-efficient of correlation and regression analysis. The liquidity ratios includes current ratio, quick ratio, cash and bank balance to total deposit ratio, cash and bank balance to current deposit ratio. These ratios help to analyze and evaluate the liquidity position of banks. Similarly, the profitability ratios such as return on asset, return on equity and net profit margin assist to analyze and evaluate the profitability position of banks.

The data that have been analyzed by such financial and statistical tool includes from FY 2007/08 to FY 2016/17. This study is mainly conducted on the basis of secondary data. Therefore, the study has inherent limitation of the secondary data. The authenticity of the study depends on the authenticity of the data provided and collected. For the systematic analysis of study, chapter plan have been made. Basically, the entire research work has focused on the descriptive study on relationship between liquidity and profitability of Nepalese commercial banks. In this study attempts are made to get knowledge about the relationship between liquidity and profitability, operational efficiency of the management, efficient use of total assets by the management and found strength & weakness of selected commercial banks according to overall liquidity and profitability position etc.

5.2. Conclusion

Liquidity is the most sensible and crucial aspect of the bank. Lack of adequate liquidity is often one of the first signs that a bank is in serious financial trouble and lead to the loss of public faith upon banks. Thus, ensuring adequate liquidity is a never-ending problem for the bank management that will always have significant implications for the bank's profitability.

Profitability is the measurement of efficiency. It indicates the degree of success in achieving desired profit. It shows entire performance of bank. On the basis of the study, the liquidity position of ADBL is comparatively better than other sampled banks according to current ratio. Whereas, on the basis of cash and bank balance to total deposit ratio and cash and bank balance to current deposit ratio, the liquidity position of GBIME, PCB, NIBL and ADBL seems to be adequate. The average net profit margin of NABIL, ADBL, EBL, and NIBL seems to be better than other remaining selected commercial banks as they have higher net profit margin.

5.3. Implications

The implications are presented in the last part of this chapter considering the major findings and gaps fund. The implications presented have been certainly milestone to improve existing condition in this field. These implications may also have some repercussions, but there is no doubt of these measures to improve the existing conditions. The following recommendations have been given for the enhancement of the liquidity and profitability position of the selected banks;

1. Since, the average current ratio of NABIL is comparatively lower than the other selected commercial banks under study, so NABIL is strongly suggested to increase its liquidity position in term of current ratio.
2. The average cash and bank balance to total deposit ratio of HBL is lower in the selected commercial banks so it is recommended to maintain adequate cash and bank balance to total deposit ratio in HBL.
3. Since, the average cash and bank balance to current deposit ratio of NABIL bank and HBL are lower among the selected commercial banks. So it is highly recommended to maintain the industry average cash and bank balance to current deposit ratio for NABIL and HBL bank.
4. The average ROA of GBIME is lower among the selected commercial banks so it is recommended for GBIME to increase the utilization of assets that derives more profits.
5. The average ROE of GBIME is lower among the selected commercial banks so it is recommended to increase the performance that yield more profit to the bank.
6. The average NPM of GBIME and KBL are lowest among the selected commercial banks. So, it is strongly recommended to increase the profitability by decreasing the operating and other expenses.
7. All these commercial banks under study are suggested to concentrate more on their performance, business growth rate, asset quality and governance practices. Apart from these, market reputation, diversified service range and rate of shareholders should also be taken into account by the banks so, that it

not only be beneficial for the bank but will also play a vital criteria or tool in regarding a reward as one of the best bank of the nation.

8. The study may be helpful to fulfill the gap of proper research about the relationship between liquidity and profitability. It may provide the knowledge about liquidity management in Nepalese commercial banks and their profitability position.

5.4 Suggestions for Further Research

This research covers the existing liquidity management practice, existing liquidity position and its trend, factors affecting the liquidity and profitability. It also provides different banking tools for liquidity management as well as for profitability position, so other researcher may make their study wider by selecting different topic such as credit position, liquidity position, profitability position, impact of liquidity and profitability in share price etc with the help of this study. Further studies can also be carried out to establish other determinants of profitability that require to be managed and how that will impact in the overall goals of commercial banks in Nepal. Similarly one can select other financial institutions as well as other companies like manufacturing companies, other service companies for study. For the further study and analysis, this study may be guideline to other researchers.

Appendix I

Himalyan Bank Limited															
Year	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	8915	92881	2178	9033	107255	103238	11705	93049	6938	1.11	9.60	98.69	2.03	18.61	31.39
2015/16	7875	87336	1935	9023	99863	96409	8824	87911	5016	1.10	9.02	87.28	1.94	21.93	38.58
2014/15	8387	73538	1112	8499	82802	80042	6959	73871	4628	1.08	11.40	98.68	1.34	15.98	24.03
2013/14	5542	64675	959	6408	73590	70901	3084	65003	4743	1.09	8.57	86.49	1.30	31.10	20.22
2012/13	3648	53072	944	5844	61153	59605	5300	53405	4627	1.12	6.87	62.42	1.54	17.81	20.40
2011/12	6362	47731	959	4584	54364	51624	4632	48072	4725	1.07	13.33	138.79	1.76	20.70	20.30
2010/11	2964	40920	893	3694	46736	44035	3995	41289	4326	1.07	7.24	80.24	1.91	22.35	20.64
2009/10	3866	37611	509	3745	42717	40600	3439	38016	3147	1.07	10.28	103.23	1.19	14.80	16.17
2008/09	3048	34681	753	3218	39320	37723	3120	34967	2342	1.08	8.79	94.72	1.92	24.13	32.15
2007/08	1448	31843	636	4784	36175	34804	2513	32228	1964	1.08	4.55	30.27	1.76	25.31	32.38

Appendix II

Nepal SBI Bank Limited															
Year	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	13230	81665	1523	6299	99829	97298	10398	81942	3911	1.19	16.20	210.03	1.53	14.65	38.94
2015/16	10389	65214	1332	5531	78515	76656	6920	65534	3981	1.17	15.93	187.83	1.70	19.25	33.46
2014/15	8435	51628	1065	4818	59277	57734	5646	51849	3821	1.11	16.34	175.07	1.80	18.86	27.87
2013/14	6655	54493	923	4145	61083	59657	4536	54835	3977	1.09	12.21	160.55	1.51	20.35	23.21
2012/13	7713	58920	771	5037	64796	62546	3799	59262	4111	1.06	13.09	153.13	1.19	20.29	18.75
2011/12	5509	53337	480	3777	58060	56292	3198	53524	3769	1.05	10.33	145.86	0.83	15.01	12.74
2010/11	4878	42415	464	4259	46088	45155	2879	42589	3104	1.06	11.50	114.53	1.01	16.12	14.95
2009/10	3441	34896	392	2862	38047	37227	2450	35052	2269	1.06	9.86	120.23	1.03	16.00	17.28
2008/09	1904	27957	316	2865	30916	30322	1713	28045	1460	1.08	6.81	66.46	1.02	18.45	21.64
2007/08	1343	13715	248	1738	17187	16849	1415	13803	970	1.22	9.79	77.27	1.44	17.53	25.57

Appendix III

Nepal Investment Bank limited															
Year	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	17897	125669	3114	14023	150818	148178	18708	128123	9249	1.16	14.24	127.63	2.06	16.65	33.67
2015/16	13026	108627	2551	13871	129783	127864	16288	110290	6777	1.16	11.99	93.91	1.97	15.66	37.64
2014/15	14315	90631	1962	11742	104345	101997	9807	90714	5786	1.12	15.79	121.91	1.88	20.01	33.91
2013/14	16745	73831	1940	10324	86174	84381	7926	74868	5816	1.13	22.68	162.19	2.25	24.48	33.36
2012/13	13253	62429	1915	5582	73152	71354	7021	63374	5878	1.13	21.23	237.42	2.62	27.28	32.58
2011/12	11804	57011	1039	6611	65756	64085	6050	57165	5983	1.12	20.70	178.55	1.58	17.17	17.37
2010/11	8140	50138	1176	4042	58356	56809	5159	50748	5803	1.12	16.24	201.39	2.02	22.80	20.27
2009/10	6816	50094	1265	4025	57305	55769	4585	50772	4653	1.10	13.61	169.34	2.21	27.59	27.19
2008/09	7918	46698	900	3756	53010	51559	3908	47304	3268	1.09	16.96	210.81	1.70	23.03	27.54
2007/08	3755	34451	696	3138	38873	37625	2686	34648	2194	1.09	10.90	119.66	1.79	25.91	31.72

Appendix IV

Everest Bank Limited															
year	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	21384	95094	2006	8867	116510	110636	11545	95676	6747	1.16	22.49	241.16	1.72	17.38	29.73
2015/16	23117	93735	1730	8630	113885	109271	8514	95206	5057	1.15	24.66	267.87	1.52	20.32	34.21
2014/15	25117	83094	1574	7081	99153	94702	6891	83585	4996	1.13	30.23	354.71	1.59	22.84	31.51
2013/14	13173	62108	1550	6490	70445	67249	5457	63399	5178	1.06	21.21	202.97	2.2	28.4	29.93
2012/13	11215	57720	1471	8099	65741	63873	4828	58957	4937	1.08	19.43	138.47	2.24	30.47	29.8
2011/12	10364	50006	1091	6098	55813	54138	4177	50738	4960	1.07	20.73	169.96	1.95	26.12	22
2010/11	6123	41128	931	4791	46236	44924	3114	41781	4331	1.08	14.89	127.8	2.01	29.9	21.5
2009/10	7819	36932	831	4173	41382	40383	2759	37353	3102	1.08	21.17	187.37	2.01	30.12	26.79
2008/09	6164	33322	638	4860	36916	35997	2203	33722	2186	1.07	18.5	126.83	1.73	28.96	29.19
2007/08	2668	23976	451	2492	27149	26412	1921	24207	1548	1.09	11.13	107.06	1.66	23.48	29.13

Appendix V

Kumari Bank Limited															
Year	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	7773	52038	661	2279	60994	59901	8080	52079	3596	1.15	14.94	341.07	1.08	8.18	18.38
2015/16	4511	37951	716	1813	42417	41741	4034	38033	2692	1.10	11.89	248.81	1.69	17.75	26.60
2014/15	4991	33422	395	1446	38199	37361	3347	33422	2433	1.12	14.93	345.16	1.03	11.80	16.24
2013/14	4895	27578	342	1391	31021	30466	2967	27632	2411	1.10	17.75	351.91	1.10	11.53	14.18
2012/13	3407	25319	291	1175	28223	27665	2656	25352	2464	1.09	13.46	289.96	1.03	10.96	11.81
2011/12	3723	21985	276	988	25131	24599	2377	22118	2442	1.11	16.93	376.82	1.10	11.61	11.30
2010/11	1168	16986	251	792	20491	19779	2213	17003	2251	1.16	6.88	147.47	1.22	11.34	11.15
2009/10	2724	17432	316	680	20522	19906	1785	17631	1871	1.13	15.63	400.59	1.54	17.70	16.89
2008/09	1776	15711	261	780	18538	17910	1625	15787	1374	1.13	11.30	227.69	1.41	16.06	19.00
2007/08	934	12774	174	601	15026	14463	1365	12830	957	1.13	7.31	155.41	1.16	12.75	18.18

Appendix VI

Laxmi Bank Limited															
Year	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	6136	59320	1006	3874	70389	67581	9591	59384	4683	1.14	10.34	158.39	1.43	10.49	21.48
2015/16	5451	48154	677	2384	54663	52541	5649	48165	3073	1.09	11.32	228.65	1.24	11.98	22.03
2014/15	4935	39992	416	2975	45340	43041	4146	39998	2578	1.08	12.34	165.88	0.92	10.03	16.14
2013/14	5331	30592	475	1128	34919	33478	3175	30615	2489	1.09	17.43	472.61	1.36	14.96	19.08
2012/13	3466	25944	423	994	29808	28948	2728	25947	2387	1.12	13.36	348.69	1.42	15.51	17.72
2011/12	4449	22832	356	878	26029	25344	2300	23003	2289	1.10	19.49	506.72	1.37	15.48	15.55
2010/11	2774	18299	375	749	21559	21065	2113	18780	2233	1.12	15.16	370.36	1.74	17.75	16.79
2009/10	1840	18083	327	820	20952	20492	1912	18300	1787	1.12	10.18	224.39	1.56	17.10	18.30
2008/09	1833	16051	189	1043	18386	18037	1343	16076	1099	1.12	11.42	175.74	1.03	14.07	17.20
2007/08	1238	10917	120	284	12695	12411	1156	10933	711	1.14	11.34	435.92	0.95	10.38	16.88

Appendix VII

Agriculture Development Bank															
ADBL	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	15612	99816	2565	10287	126867	119720	21797	100493	11325	1.19	15.64	151.76	2.02	11.77	22.65
2015/16	10659	87387	2465	12558	111785	104283	18128	88111	9620	1.18	12.20	84.88	2.21	13.60	25.62
2014/15	11428	77035	3603	10268	100887	93650	16182	77035	8765	1.22	14.83	111.30	3.57	22.27	41.11
2013/14	8866	65898	1521	8580	86512	79531	13034	66841	8462	1.19	13.45	103.33	1.76	11.67	17.97
2012/13	9524	54397	2260	7757	82160	68613	15395	54397	7458	1.26	17.51	122.78	2.75	14.68	30.30
2011/12	6285	43239	1861	4257	71395	56488	14323	45358	6966	1.25	14.54	147.64	2.61	12.99	26.72
2010/11	4809	34394	2385	2929	59322	46644	13209	35991	6101	1.30	13.98	164.19	4.02	18.06	39.09
2009/10	4161	32472	1892	2782	54020	44189	10867	33690	5464	1.31	12.81	149.57	3.50	17.41	34.63
2008/09	5207	35159	1057	2246	51818	44951	10325	36033	4231	1.25	14.81	231.83	2.04	10.24	24.98
2007/08	3624	32553	669	2397	43686	39020	5335	32919	3961	1.19	11.13	151.19	1.53	12.54	16.89

Appendix VIII

Global IME Bank Limited															
Globalime	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	18935	101911	2006	4506	116592	114135	11304	102748	7366	1.11	18.58	420.22	1.72	17.75	27.23
2015/16	8642	74683	1382	3956	87701	85852	8706	74728	4988	1.15	11.57	218.45	1.58	15.87	27.71
2014/15	7656	60176	961	3294	69186	67310	7323	60248	4661	1.12	12.72	232.42	1.39	13.12	20.62
2013/14	7740	52292	974	2430	60018	58199	6127	52553	3810	1.11	14.8	318.52	1.62	15.9	25.56
2012/13	5544	34111	449	1318	39018	37321	3231	34134	3207	1.09	16.25	420.64	1.15	13.9	14
2011/12	4969	26914	265	961	30664	29512	2536	27150	2226	1.09	18.46	517.07	0.86	10.45	11.9
2010/11	1754	15066	225	704	17522	17047	1708	15207	1963	1.12	11.64	249.15	1.28	13.17	11.46
2009/10	2434	15031	73	512	17201	16665	1521	15172	1465	1.1	16.19	475.39	0.42	4.799	4.983
2008/09	1382	10932	55	328	12626	12102	1049	11009	684	1.1	12.64	421.34	0.44	5.243	8.041
2007/08	1268	7319	61	562	8265	7998	722	7350	358	1.09	17.32	225.62	0.74	8.449	17.04

Appendix IX

Nabil Bank Limited															
Year	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	13091	118896	3613	16946	140332	135562	14095	120329	8066	1.13	11.01	77.25	2.57	25.63	44.79
2015/16	10263	110267	2819	16237	127300	123287	11595	111272	6156	1.11	9.307	63.21	2.21	24.31	45.79
2014/15	16004	104238	2094	12848	115986	112802	9486	104732	5762	1.08	15.35	124.6	1.81	22.07	36.34
2013/14	9993	75389	2320	9546	87275	83700	7641	76977	5636	1.09	13.26	104.7	2.66	30.36	41.16
2012/13	5882	63610	2219	7271	73241	70219	6689	65182	5702	1.08	9.247	80.9	3.03	33.17	38.92
2011/12	4276	55024	1696	6572	63200	60763	5451	56066	6134	1.08	7.771	65.06	2.68	31.11	27.65
2010/11	2458	49608	1344	5456	58099	55948	4601	50679	5258	1.1	4.955	45.05	2.31	29.21	25.56
2009/10	1400	46340	1138	7904	52079	50388	3834	47225	4047	1.07	3.021	17.71	2.19	29.68	28.12
2008/09	3372	37348	1031	5480	43867	42341	3130	42529	2798	1	9.029	61.53	2.35	32.94	36.85
2007/08	2671	31915	746	5284	37132	35928	2437	32629	1978	1.1	8.369	50.55	2.01	30.61	37.71

Appendix X

Prime Commercial Bank															
Year	C & B	TD	NP	CD	TA	CA	SE	CL	II	CR	C & B toTD	C & B to CD	ROA	ROE	NPM
2016/17	12392	65856	1468	2933	77703	76452	9435	65974	5208	1.16	18.82	422.5	1.89	15.56	28.19
2015/16	7825	48342	1116	2063	54399	53616	5403	48486	3557	1.11	16.19	379.3	2.05	20.66	31.37
2014/15	6624	41006	746	1274	45801	45031	4333	41116	3243	1.1	16.15	519.94	1.63	17.22	23
2013/14	7268	34045	553	976	38031	37380	3617	34135	2871	1.1	21.35	744.67	1.45	15.29	19.26
2012/13	5442	28798	478	737	32409	31932	2951	28926	2786	1.1	18.9	738.4	1.47	16.2	17.16
2011/12	5593	23991	269	601	37158	26660	2587	24233	2774	1.1	23.31	930.62	0.72	10.4	9.697
2010/11	2926	18939	360	550	22086	21791	2486	19254	2477	1.13	15.45	532	1.63	14.48	14.53
2009/10	3508	17883	325	483	20218	19947	1538	18033	1749	1.11	19.62	726.29	1.61	21.13	18.58
2008/09	1379	11780	142	229	13456	13209	1029	11795	822	1.12	11.71	602.18	1.06	13.8	17.27
2007/08	298	5275	28	96	6388	6231	728	5276	224	1.18	5.649	310.42	0.44	3.846	12.5

Appendix XI

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	CBBCDR, CR, CBBTDR[b]		Enter

a. Dependent Variable: ROA

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.572[a]	.328	.307	.55306

a. Predictors: (Constant), CBBCDR, CR, CBBTDR

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.309	3	4.770	15.593	.000[b]
	Residual	29.364	96	.306		
	Total	43.672	99			

a. Dependent Variable: ROA

b. Predictors: (Constant), CBBCDR, CR, CBBTDR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.930	1.205		-2.431	.017
	CR	4.139	1.079	.323	3.836	.000
	CBBTDR	.033	.014	.238	2.406	.018
	CBBCDR	-.002	.000	-.525	-5.317	.000

a. Dependent Variable: ROA

Appendix XII

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	CBBCDR, CR, CBBTDR[b]		Enter

a. Dependent Variable: ROE

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621[a]	.386	.367	5.37000

a. Predictors: (Constant), CBBCDR, CR, CBBTDR

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1739.686	3	579.895	20.109	.000[b]
	Residual	2768.346	96	28.837		
	Total	4508.032	99			

a. Dependent Variable: ROE

b. Predictors: (Constant), CBBCDR, CR, CBBTDR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	75.052	11.702		6.414	.000
	CR	-51.109	10.478	-.393	-4.878	.000
	CBBTDR	.429	.133	.305	3.224	.002
	CBBCDR	-.023	.004	-.605	-6.408	.000

a. Dependent Variable: ROE

Appendix XIII

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	CBBCDR, CR, CBBTDR[b]		Enter

a. Dependent Variable: NPM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.586[a]	.344	.323	7.30468

a. Predictors: (Constant), CBBCDR, CR, CBBTDR

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2682.805	3	894.268	16.760	.000[b]
	Residual	5122.400	96	53.358		
	Total	7805.205	99			

a. Dependent Variable: NPM

b. Predictors: (Constant), CBBCDR, CR, CBBTDR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.461	15.917		-.343	.732
	CR	25.966	14.253	.152	1.822	.072
	CBBTDR	.593	.181	.321	3.278	.001
	CBBCDR	-.033	.005	-.651	-6.673	.000

a. Dependent Variable: NPM

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