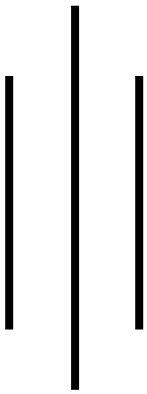
A STUDY ON LIQUIDITY AND PROFITABILITY ANALYSIS OF COMMERCIAL BANKS IN NEPAL

(With reference to NABIL Bank Ltd, Himalayan Bank Ltd, Nepal SBI Bank Ltd, Kumari Bank Ltd, and Everest Bank Ltd)



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has been prepared as approved by this department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

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DECLARATION

I hereby declare that the data and work presented in this study entitled **" A STUDY ON LIQUIDITY AND PROFITABILITY ANALYSIS OF COMMERCIAL BANKS"**

With reference to
NABIL Bank Ltd, Himalayan Bank Ltd, Nepal SBI Bank Ltd, Kumari Bank Ltd,
and Everest Bank Ltd

submitted to Post Graduate Campus, Faculty of Management, Tribhuvan University is my original work done for the partial fulfillment of the requirement of the Degree of Master of Business Studies (M.B.S) under the guidance and supervision of Prof. Dr. Khagrndra Acharya Lecturer and head of R&D department of Post Graduate Campus, Biratnagar.

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ABBREVIATIONS

ABBS	Anywhere Branch Banking System
A/C	Account
ATM	Automated Teler Machine
C.V	Coefficient of variation
EBL	Everest Bank Limited
F/Y	Fiscal Year
HBL	Himalayan Bank Ltd
i.e.	That is
Inv.	Investment
Int.	Interest
JVBs	Joint Venture Banks
L&A.	Loan and Advances
Ltd.	Limited
MPS	Market Per Share
NRB	Nepal Rastra Bank
P.E	Probable Error
R	Correlation
ROA	Return on Assets
ROE	Return on Equity
S.D	Standard deviation
SBL	Siddhartha Bank Ltd.
SCBNL	Standard Chartered Bank Nepal Limited
SCT	Smart Choice Technology
SMEs	Small and Medium Sized Enterprises
SWOT	Strength, Weakness, Opportunities and Threats

CHAPTER –I
INTRODUCTION

1.1 Background of the study

History of modern commercial banking industry in Nepal begins from 1937, when Nepal Bank Limited was incorporated. However, it wasn't until 1984 when the then HMG/Nepal started to liberalize the banking sector in the country. Private sectors rushed into the finance industries especially after the restoration of democracy in 1990 (Baral, 2005). NRB's major changes in policy measures has led to significant changes in the Nepali Banking Industry in the past three decades; these changes resulted into entry of foreign joint-venture banks and domestic private banks into the market and widened the scale and scope of activities undertaken by the banks (Gajurel & Pradhan, 2010).

NRB Directives for Investment Policy

- **Investment on priority sector:-**

NRB has pointed priority sector as agriculture sector, cottage and small industry sector, service oriented sector, corporative sector etc. In which the commercial bank must invest 10% of their total deposits. The provision totally based on the objectives for uplifting life style of people in remote and village area.

- **Investment on Co-operative sector (Deprived sector)**

Co-operative institutions, rural development banks etc which are licensed by NRB are also to be compulsory invest by commercial bank. In certain ratio determined to joint-venture Banks as per such regulation. JVB's has invested 3% of total outstanding credit of for co-operative sector.

1.2 List of the Bank in sample

In Nepal there are more than 30 commercial Banks, but only 5 commercial Banks were taken as samples, there are,

Everest Bank Limited

Himalayan Bank Limited

NABIL Bank Limited

Kumari Bank Limited

Nepal SBI Bank Limited

1.3 Profile of the selected Bank

Everest Bank LTd.

Everest Bank LTd. started its operation in 2051/ 07/01 B.S. from its head office Lazimpat, Kathmandu with a view of extending professionalized and efficient Banking services to various segments of the society in the beginning of its establishment irt was managed by United Bank of India Ltd. later on EBL joint hands with Punjab National Bank (PNB), India as its Joint venture partner in 1997 A.D.

The shareholding of Everest Bank Ltd. is considered of three different investors namely the Nepalese Promoters 50%, Punjab National Bank 20% and General Public 30% initially of the time of establishment.

The Bank was successful to register operating profit in the very first year of its operations which is indeed historical. EBL provides a full range of commercial Banking services through its outlet across the nation and reputed correspondent Banks across the Global.

Himalayan Bank Limited

After the opening of Nepalese door to foreign commercial Bank during mid eighties, Nepal took pride in growth and progress in the Banking Industries with this development by his Majesty Government. Himalayan Bank Ltd. was incorporated in 1992 by a few distinguished business personalities of Nepal in partnership with employees provident fund and Habib Bank Ltd., one of the largest commercial Bank of Pakistan, Banking operation commence from January 1993. It is the first commercial Bank of Nepal whose maximum shares are held by the

Nepalese private sector besides commercial Banking services, the Bank also offers industries and merchant Banking services. It is the fourth Joint venture Bank in Nepal established under the commercial act 2031 B.S.

HBL is pioneer to bring products like credit cards ATM and Tele -Banking, Cheques that are hard to counter felt and so forth. It also provides full range of Banking product and service such as current saving, call and term deposit account funds transfer services, safe deposit lockers , priority Banking in home Banking, Auto loan , home loan , foreign exchange services , personal loan, corporate employee account, letter of credit, commercial lending etc. catering to a wide range of customer from individual to mid- market local corporate to multinational and large public sector companies as well as embassies and agencies airlines, hotel and Government corporation.

Large no. of nonperforming loan is the main cause of Bank, failure with respect to performance Banks now use various measures to asses Bank efficiency and related functions in the Bank lending process. Traditional Banks determined operating efficiency by using measures of Bank profitability such as Return on Equity, Return on Assets such as monitory output per staff member and total operating expenses per unit of output.

Nabil Bank Limited

Nabil Bank limited is the first joint venture bank of Nepal. It started operations in July 1984, Nabil was incorporated with the objective of extending international standard modern banking services to various sector of the society pursuing its objective, Nabil provides a full range of commercial banking services through its 19 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. Nabil is come as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking in story of Nepal. It started an era of modern banking with customer satisfaction, measured as a focal objective while doing business.

Operation of the bank including day to day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped by modern technology which includes ATMs, credit Card, state of art, and world renowned software from Infosys technologies system. Bangalore, India, Inter banking system and tele-banking system. Financial times of London have announced Nabil Bank Ltd as the whiner of the "Bank of The Year" 2004.

Kumari Bank Limited

Kumari Bank Limited came into existences as the 15th commercial Bank of Nepal by starting its Banking operations from Chaitra 21, 2057 B.S. (April 03, 2001) with an objective of providing competitive and modern Banking services in the Nepalese financial market, the Bank has paid up capital of Rs. 1603800000 of which 70% is contributed from promoters and remaining from public.

Kumari Bank Limited has been providing wide- range of modern Banking services through 29 points of representations located in various urban and semi urban part of the country. The Bank is pioneer in providing some of the latest /lucrative Banking services like E-Banking and SMS Banking services in Nepal. The adoption of modern globus Software, developed by temenos NV, Switzerland and arrangement of centralized data base system enables customers to make highly secured transactions in any Branches regardless of having account with particular branch. Similarly the Bank has been providing 365 Days Banking facilities, extended Banking hours till 7 pm in the evening, utility Bill payment service, inward and outward Remittance services, online remit services and various other Banking services.

Nepal SBI Bank LTD.

Nepal SBI Bank LTD started its operations in 2050/03/23 B.S. from its head office Kathmandu. Nepal SBI Bank LTD (NSBL) , is the first indoor- Nepal joint venture in the financial sector sponsored by 3 institutional promoters ,namely State Bank of India, Employee Provident Fund and Agricultural Development of Nepal through a

Memorandum of understanding signed on 17th July 1992 . The Bank operates with the objectives of providing loan to industry, commerce and Trade. The Bank has more than 10 branches in various places SBI Bank also provides management support as per the technical services agreement. The main objective of the bank is to carry out modern Banking business in the country. The Bank provides loans to agriculture, commerce and industrial sectors. This has not only helped the Bank to constantly improve its service level but has also kept it prepared for future adaptation of new technology.

1.4 Focus of the Study

This study focused on the tradeoff between liquidity and profitability of the 5 Banks namely NABIL Bank, Kumari Bank, Himalayan Bank, Nepal SBI Bank and Everest Bank Limited from the period of 2006/7 to 2011/12. In this study attempts was made to get knowledge about the liquidity and profitability, operational efficiency of the management, efficient use of total assets by the management, etc by identifying strength and weakness of respective banks for the purpose of this study. Evaluation of the Bank is made with respect to liquidity and profitability ratios.

1.5 Statement of the problem

To avoid the developed countries' problems and contribute the welfare of national economy, various commercial Banks have established. The present study seeks to explore the efficiency and weakness of NABIL Bank Limited, Kumari Bank Limited, Himalayan Bank Limited, Everest Bank Limited and Nepal SBI Bank Limited with the help of liquidity and profitability ratio. These Banks are competing in the same economic environment and financial market and are operating fully under computerized system to meet the growing competition in banking system. Liquidity and profitability management is an important function of any business because it is the determinant of whether the entity will be in operation

in the foreseeable future. Moreover, a position considered adequate for a Bank in one time period may not be so in another.

The study especially dealt with the following problems:

i) What was the Liquidity and Profitability position of the Banks?
ii) Are the stakeholders being benefited by the Liquidity and profitability performance of the Banks?
iii) How is the financial performance of the company?
iv) Whether all five Banks were using accounting rules and regulations?
v) Are the available fund properly utilized or not?
vi) What is the relationship between investment on loan, advance and deposit, net profit and net profit?
vii) What is the investment portfolio behavior of the banks?

1.6 Objectives of the study

The basic objectives of the study were to evaluate the financial performance of Bank comparing the various financial approaches of current year regarding with previous year. In the absence of specific objective, the study loses its value. The general purpose of the study was to discuss, examine and evaluate the tradeoff between liquidity and profitability position of various commercial Banks in Nepal. The basic objective of the study is to evaluate the financial performance of different Banks in different year. The specific objectives of the studies were as follows:

- To analyze the liquidity and profitability position of Banks.
- To measure the efficiency in management and utilization of the assets.
- To lookout the financial strength and weakness of the Bank.
- To make necessary suggestion and recommendation of specific problems and financial performance.

1.7 Significance of the study

Suitable strategy plays vital role in a bank for their sustain existence. The study will be helpful to aware the shareholder regarding investment policies of their banks. The study suggests to the management how they can improve their managing power and recommends what is the clue to raise the profit. Though, this is only study but it gives feedback to policy makers, will useful them who formulate the policy for regulation. All stakeholders can identify which bank is the best and to whom have to invest.

1.8 Limitation of the study

As every study has been conducted within certain limitation and assumption. The present study of liquidity and profitability position of Banks had the following limitations:

- This study is concerned to only five banks and on the latest six year data.
- The whole study is based on secondary data from the respective banks and websites on net, article, newspapers.
- In This study only selected tools and technique are used.
- This study is conducted only for suggestion not for directing.

1.9 organization of the study

The study will be organized into five chapters:

Chapter 1

Introduction

This chapter deals with the subjects matters of the study consisting Background of the study, statement of the problem, objective of the study, significance of the study , limitation of the study and organization of the study.

Chapter 2

Review of literature

This chapter deals with review of the different literature of the study field. Therefore, it includes conceptual framework along with the review of major books, journal, research work and thesis etc.

Chapter 3

Research methodology

This chapter deals with research methodology and it includes research design, population and sample, source and technique of data collection, data analysis tools and limitation of the methodology

Chapter 4

Presentation and analysis of Data

This chapter deals with analysis and interpretation of the data using financial and statistical tools describe in chapter three. Similarly this chapter also includes the major findings of the study.

Chapter 5

Summary, Conclusion and Recommendations

This chapter deals with summary of the study held, the conclusion made ultimately and the possible suggestion.

CHAPTER II
REVIEW OF LITERATURE

The past on historical know ledge parody the base: therefore the literature is based on the previous knowledge. The effort has been to cover as much literature, articles, and thesis & research paper as possible to make the study in informative & broad. This chapter has been divided into two main sections: The four sector of the chapter implores with the capital frame work of study. Second sector implores the review of previous studies.

2.1 Commercial Bank

Commercial bank Get 1975 A.D. defended "A commercial bank is one which exchange money deposits accepts deposits, grant loans & per forms commercial banking function & Co-operatives, agriculture & industries for such specific purpose"

Commercial bank is a corporation which accepts demand deposits subject to check & makes short term loans to bus mess enterprises, regardless of the scope of its other service (banking USA 172).

"A bank is one who in the or diary covers of This bus mess recovers money which he repays by honoring chives of persons from which of one whose account it receives it" (Bardford, 453-454)

Commercial bank has main role in the economic development. For economic development, commercial bank should mobilize the collection towards the profitable, secured & marketable sectors.

The income & profit of the bank depend upon the lending procedure applied by the bank as well as lending policy & investment in different securities also affect the

income & profit in the investment procedures & policies it is always taken in MMD that "the greater the credit created by the bank-Higher will be the profitability." Sound policies help commercial banks to maximize quality & quantity of investment and thereby: achieve the own objective of profit maximization & social welfare.

2.2 Investment

Investment can be defined as sacrifice of present consumption with expectation of return in future. Investment takes place at present but return can be expected in future but return in uncertain too. Uncertainty is measured by risk that is why there is always involvement of risk in investment.

Investment usually involves putting money into a debt, which is not necessarily marketable in order to enjoy a series of return the investment is expected to yield. On the other hand speculation is usually a shorter than phenomena. Speculators tend to buy assets with expecting of a profit that can be earned from subsequent price change & sale. Investments are usually made expecting a certain stream of income, which has existed, will not change in the future.

"Investment is made in assets. Assets in all are of two types' real assets (land, building, factures etc.) and financial assets (stock, bond, t-bills etc.). These two investments are not competitive but complementary. Highly developed institutions for financial greatly facilitate real investment."(Bhattarai, 2004: 142)

Investment is nothing but deploying our saving in manner that ensures safety of our money & provides a sustained return to supplement our regular income (Delhi Stock exchange 2002). The term investment covers a possible where there are a devour saving. If all the income & saving are consumed to solve the problems of hand to mouth and to other basic needs then there is no existence of in investment are interrelated.

2.3 Liquidity

Company liquidity and the ratios which reflect it are the basis of theoretical considerations in this point. Liquidity can be defined in three contexts, we can distinguish the asset, asset-equity, and cash aspects of financial liquidity. The asset aspect of financial liquidity, which is financial liquidity of company's assets – is the ability to convert assets into cash in the shortest possible time, at the lowest possible costs and without losing their value. Appropriate resources of liquid elements of the assets, including cash, are the enterprise's protection against the loss of financial liquidity.

The most common and the most frequently used concepts of financial liquidity concern mutual relations between current assets and those current liabilities which are financed from current assets. This is then the asset-equity aspect of financial liquidity (Bhattarai, 2003, p. 33). Financial liquidity of an enterprise may be defined as the ability to settle its liabilities (short-term ones, payable within one year) on time, determining the possibility of paying these liabilities in a situation when they become due instantly, through liquidizing possessed high-liquidity assets (current assets). Financial liquidity of an enterprise is better when larger parts of its assets are high-liquidity elements, and worse when the opposite is true. The mutual relationship between assets and liabilities in shaping financial liability also requires that we pay attention to the quality of our debts. Financial liquidity is better when the due time of their payment is distant, that is when current liabilities constitute a smaller part of all liabilities. Therefore, if an enterprise wants to maintain high level of financial liquidity, it must possess a large share of cash and high liquidity assets and a small share of short-term liabilities. The enterprise's solvency is defined not through the quality (size, structure, liquidity) of the possessed current assets, but by the generally understood ability to pay with cash. This possibility is determined by cash flows; therefore company solvency is a cash aspect of liquidity (Kusak, 2006, p. 10).

In financial liquidity theories we distinguish static and dynamic measurement of financial liquidity. Static measurement relies on data included in the balance sheet, while dynamic measurement uses data from the cash flow account.

2.3.1 Liquidity ratio

Static measurement of liquidity determines the relation between current assets and short-term liabilities. The ratios based on this relation are the relationship of various ranges of current assets with different liquidity levels to short-term liabilities. They reflect, thus, various degrees of financial liquidity of an enterprise (Nowak, 1996, p. 194). There are three basic ratios of financial liquidity.

The current ratio is the most frequently used one Dresler, 2001, p. 211). It offers a general view of the company liquidity and is a starting point of its analysis. It defines to what degree current assets cover short-term liabilities. It determines then potential ability of an enterprise to pay all its current liabilities through liquidizing possessed resources of current assets. The higher the value of the ratio, the higher this ability is.

The least liquid element of current assets is inventory. To obtain the liquidity measure on the basis of a group of assets which are easier to sell, we separate them from the current ratio. The quick ratio shows to what degree short-term liabilities are covered with the most liquid current assets.

“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 device increases, so much the definition of it goes wider. Liquidity means the whole money stock of money."(Bhandari, 2003: 143).

Liquidity ratio measures the ability of the firm to meet its current obligations. In fact, analysis of liquidity needs the preparation of cash budgets and cash and Funds Flow statements; but liquidity ratios, by establishing a ratio between cash and other current assets to current obligations, provide a quick measure of liquidity. A firm should ensure that it does not suffer from lack of liquidity, and also that it does not have excess liquidity. The failure of a company to meet its obligations due to lack of sufficient liquidity will result in a poor creditworthiness , loss of creditors' confidence , or even in legal tangles resulting in the closure of the company. A very high degree of liquidity is also bad; idle assets earn nothing. The firm's fund will be unnecessarily tied up in current assets. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity." (Pandey, 2000: 114) .

2.3.2 Theory of Liquidity

2.3.2.1 Trade off Theory Liquidity

Under perfect capital market assumptions holding cash neither creates nor destroys value. The firm can always raise funds from capital markets when funds are needed, there are no transaction costs in raising these funds, and the funds can always be raised at a fair price because the capital markets are assumed to be fully informed about the prospects of the firm.

The trade-off theory suggests that firms target an optimal level of liquidity to balance the benefit and cost of holding cash. The cost of holding cash includes low rate of return of these assets because of liquidity premium and possibly tax disadvantage. The benefits of holding cash are in twofold:

1. The firms save transaction costs to raise funds and do not need to liquidate

2. The firm can use liquid assets to finance its activities and investment if other sources of funding are not available or are extremely expensive. Business Management Dynamics Vol.2, No.2, Aug 2012, pp.10-25

As theory, the use of trade off model cannot be ignored, as it explains that, firms with high leverage attracts high cost of servicing the debt thereby affecting its profitability and it becomes difficult for them to raise funds through other sources. Holding cash on that point is not only maintained by the smaller firm but also larger firms. So firm size does not matter when the question of bankruptcy interrupt the capital structure decision.

2.3.2.2 Pecking Order Theory Liquidity

The theory emerges as a result of asymmetric information existing in the financial markets, that is, corporate managers often have better information about the health of their companies than outside investors. Apart from the transaction costs of issuing new securities, companies have to accept the information costs arising from asymmetric information. In this way, new securities issued on the financial market could be infra–valued because of informational asymmetries, and this is especially true in the case of new equities.

Myers & Majluf (1984) introduced very influential pecking order theory saying; manager prefers to finance deficit of capital by issuing SAFE security. The theory states that, in the event where retained earnings and other internal source of financing will be low to invest then manager will issue debt and only issue new equity with possibility of issuing junk debt (Financial distress possibility). An important survey of Myers (2003) documented the following findings on the pecking order theory of corporate financing:

1. Firms prefer to use internal source of fund as their first choice.

2. Dividend payout ratio has separate determinants. A change in dividend payout ratio does not facilitate capital expenditure.

3. In the question of external financing, debt issuance is more preferable by the firm than issuance of equity.

4. The firm's debt ratio shows their requirement of external financing.

A determinant of cash holding from the perspective of pecking order theory has been supported by other researchers more than trade off theory. Sebastian (2010) Examine Dutch firm's liquidity and solvency and their effect on financial decision. He discovers that, corporate liquidity and solvency interact through information, hedging, and leverage channels. The information and hedging channels increase equity-value of firms which helps to pay regular dividend and most importantly reduce volatility in cash flow.

Frank & Goyel (2002) Studied US firms (1971-1998) and came up with evidence that bigger firms are more organized to take decision followed by this theory. Smaller firms were not following this theory and being traded publicly during that time which also supports trade-off theory. As the smaller firms moved away from pecking order theory so, overall average moves further from the pecking order.

Soku (2008) tested US firms (1971-2006) and found different security issues pattern by small, medium and large industry. While testing financial flexibility and capital structure of the firms the author observed that, large mature firms prefer using internal funds and safe debt in order to recharge financial flexibility rather than issuing equity. In case of small firms though they have low leverage, in order to cope with lack of cash at hand, they prefer to issue equity and increase cash

holdings. However he ends up with Financial flexibility hypothesis which refers firms hold cash and expect future cash flow, and that characterize their future investment plan and current ability to sort out financial constraints.

Salehi & Bigler (2009) studied performance of Firms at Iran and find it relationship with capital structure. They found that, book value and market value of equity both are measure are often used to determining expected cash flow. For Iranian firms, market value of equity was given more emphasis while considering responsible variable to hold cash. Firms with high profitability and good performance hold less debt. Two important decision has been taken here-MV of equity is an important measurement to see how much cash is at firms hand and good firm may have less debt, though they may have high profitability. So these firms also carry high possible cost of financial distress. All three major variables also play an important role behind firms; cash holding decision which is another face of capitals structure.
Business Management Dynamics Vol.2, No.2, Aug 2012, pp.10-25

2.4 Profitability

The profit of commercial bank mainly depends on the interest rate, volume of loan and its time period and nature of investment in different securities. It is a fact that a commercial bank can maximize its volume of wealth through maximization of return on their investment and lending so, they must invest their funds where they gain maximum profit. Ambition of profit to commercial bank seem reasonable as the bank has to cover all the expenses and make payment in the forms dividend to the shareholder who contribute to build up to bank's capital and interest to the depositors. For this the bank calculates the cost of fund and likely return, if the spread is enough irrespective of risk involved and absorbs its liquidity. Obligation, it will go ahead for investment good bank is one who invests more of its fund in

different earning assets standing. Safety from the problem of liquidity, i.e. keeping cash reserved to meet day to day requirements of the depositors.

2.4.1 Theory of profitability

Theories are analytical tools for understanding, explaining, and making predictions about a given subject matter. There are various theories with regard to Liquidity management and profitability:

- **Clark Theory of Profitability**

Clark begins his theory with an analysis of a profit-less economy and taking into account its key futures. The profit less economy is compared with profit-generating economies and significant differences were identified to indicate the causes of profit. This method was adopted by Schumpeter and Knight. The profit-less economy is refer to as 'static state', in which all factors are constant and not subject to change, the market is assumed to be perfect; hence the absence of monopoly and entrepreneurial efforts are rewarded according to management wage levels. There is perfect mobility and flow of all economic units in a frictionless environment; in short all impediments to perfect competition are dissolved.

"The society acts and lives, but does so in a changeless manner" (Siddiqi, 1971). Any change in these factors will produce a tremor in the system but the economy will adjust and settle at new equilibriums. So changes in population and capital will result in corresponding fluctuations in wages and interest rates, the economy will absorb these changes and then settle back to a static state. Similarly, changes in techniques of production will affect output and prices; adoption of the same techniques by other producers will cause a shift in the equilibrium, but once these become ubiquitous the equilibrium will resume. The ability of the economy to endure such changes is due to the competitive equilibrium dynamics of the free market. Competition, remarks Knight, has the "tendency to eliminate profit or loss and bring the value of economic goods to equality with their cost" (Knight, 1921).

Real economies as noted by Clark will, however, not buffer such changes instantaneously as there will necessarily be a time lag. It is into this frictional delay that the entrepreneur seeks to enter and make his profit before equilibrium returns and consumes his profit. Profit is hence a transitional phenomenon: "untransformed increments of wages and interest" (Siddiqi, 1971), its temporary nature demands from the entrepreneur a dynamic endeavour to seek out or generate opportunities on which he can capitalize. This process is summed up in Clark's statement that "dynamic forces, then, account today for the existence of an income that static forces will begin to dispose of tomorrow" . (Siddiqi, 1971). Economies are, however, in constant change, the five variables mentioned by Clark are never static; population and capital are in constant growth, innovation in production and management of resources are continually researched and consumer demands are subject to ever-changing fashions and trends. The entrepreneur thus finds permanence for as long as he can keep ahead of the changes, react before competitors and organize his efforts with sound knowledge of the market. Clark's analysis determines that the essential cause of profit is change. These changes yield a surplus in the market prior to equilibrium and they are the sought-after profits of the entrepreneur.

- **Schumpeter Theory of Profitability**

Following on the method of Clark, Schumpeter developed the 'circular flow model' in which a profit-less economy is described where perfect competition extinguishes surpluses of monopoly and friction. The analyses of the 'circular flow' economy differ in detail from the 'static state' model of Clark. So departures between an ideally competitive environment and actual economies yield the causes of profit. Schumpeter, however, is far more selective in his approach than Clark. Schumpeter identifies the single notion of innovation as paramount, so that changes based upon innovation are the cause of profit. Gradual changes in population and capital would easily be anticipated by the market and hence present no opportunity

for the entrepreneur. Schumpeter goes on to describe five areas in which innovation will lead to profit generation (Siddiqi, 1971):

(i) Innovations in commodities, either by introducing new products or improving old ones;
(ii) Innovations in production techniques;

(iii) Finding new and fertile markets;

(iv) Locating new resources and raw materials;

(v) Changes in industrial organization.

The entrepreneur is for Schumpeter an innovator, who by virtue of his innovation is able to break from the competition, acquire a transitory monopoly in which he can accrue profits until his competitors catch up, but, before they do so, he is able to move on to further innovation in new fields. Schumpeter did not Business Management Dynamics Vol.2, No.2, Aug 2012, pp.10-25

See the entrepreneur's reward as a surplus value but rather as a functional reward linked to his innovative ability (Siddiqi, 1971). The impact of innovation was huge, leading to gales of creative destruction as innovations caused old inventories, ideas, technologies, skills, and equipment to become obsolete. Schumpeter saw the model of perfect competition in which different companies sold similar goods at similar prices produced through similar techniques as immaterial to progress

2.5 Liquidity v profitability

Liquidity and profitability are two fundamental categories of company activities, constituting the basis of its evaluation (Szczepaniak, 1996, p. 35). Striving to

maintain financial liquidity on a high level indicates keeping a large share of current assets, especially cash. This increases the financial liquidity level, and companies which quickly, without any delays, settle their liabilities in cash may expect to obtain some discounts from their suppliers and clients, enjoy greater trust of loan-providers who analyze liquidity before granting loans, and most of all, it diminishes the risk of insolvency.

On the other hand, maintaining too big share of current assets may be disadvantageous for the company profitability. This is especially true about the excess cash in relation to expected expenses and this part of products or material inventory which does not participate in the current turnover, and thus do not contribute to generating profit and are only some kind of security for unexpected events, such as sudden boost of demand or problems with supplies. Moreover, receivables, belonging to current assets, are only potential means, whose reception cannot be guaranteed, and which could be used more effectively with more efficient open account policy. The surplus of cash, inventories and receivables constitute the excess current assets and generate the cost of lost opportunities. The cost of lost opportunities is the loss of potential profit which would be earned if some resources frozen in current assets were allocated for the undertakings increasing company profitability. The resources frozen in the excess current assets could be allocated for investment in fixed assets, such as buildings, machines, equipment and vehicles, which, if used appropriately, account for the company production potential and thus its income possibilities (Gajdka and Walińska, 2004, p. 466). If there is no need to invest in fixed assets, the excess of the resources frozen in current assets could be located in long-term capital investments, such as deposit accounts or shares in another enterprise. Maintaining excessive level of inventories, apart from the costs of lost opportunities, generates additional costs related to storing and insuring them – the higher the level of inventories, the higher the costs of keeping them. Moreover, in case of inventories stored for a long time the company may bear the costs resulting from their deterioration or aging,

experiencing the loss amounting to their total value (Gajdka and Walińska, 2008, p. 467).

Engaging resources in current assets brings some benefits and losses. If the losses (in shape of the cost of lost opportunities) begin to exceed the benefits, it means that the further growth of current assets, though increasing security of financial liquidity, may contribute to the decline in profitability. The level of liquidity and profitability depends not only on assets structure, but also on the structure of its financing sources. Apart from the equity contributed by owners or obtained from retained profits, in economic reality an enterprise must partly finance its activities using financial obligations. Own equity usually is not sufficient to perform all necessary undertakings, and, in addition, with high profitability, using loan capital brings extra benefits in shape of the financial leverage effect. From the perspective of financial liquidity, the most essential issue is that of the share of short-term liabilities in capital financing undertakings.

The smaller the share of short-term liabilities, the higher the level of financial liquidity, as the number of payables to be settled in the nearest time is decreasing. This means that a greater part of assets is financed with own equity and long-term liabilities, which are relatively expensive (Gajdka and Walińska, 2004, p. 468) (they are characterized by greater risk that short-term loans from the perspective of capital owners, so their cost must be bigger). Higher cost of capital causes bigger operating costs, which decreases profits and lowers profitability of assets. On the other hand, high share of short-term liabilities in capital causes low level of financial liquidity, but trading and tax liabilities included in it, if paid on time, do not generate any interests. Current liabilities thus are relatively cheap and, as they do not constitute a big cost of company activities, contribute to increased profitability of assets.

The sources of financing assets have an opposite influence on the level of liquidity and profitability that the assets as far as enforceability are concerned (the period of time needed for liquidizing assets and paying back capital). The greater the share of short-term liabilities in all liabilities, the lower the level of liquidity and higher profitability of an enterprise.

2.6 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 JVBs is relevant to this study. Thus, the studies of previous thesis are review in this regard.

Gumanju (2004) , conducted this master's thesis entitled " A comparative study of financial performance Analysis of HBL and NIB, with the general objective of examining and evaluating the financial performance of Himalayan Bank Limited (HBL) and Nepal Investment Bank (NIB) concludes the findings such as :

- The Liquidity position of NIB is better than HBL,
- The analysis of leverage ratio shows that HBL has higher ability in utilizing debts than NIB in terms of total debt to total equity, total assets and total capital ratio,
- The profitability position of NIB is better than HBL in terms of ROA,
- The EPS and DPS of HBL are better than NIB,
- The correlation co-efficient showed the positive relationship between total debt and net profit of HBL and NIB etc.

On the basis of analysis and evaluation of various financial and statistical tools, he recommended that both the banks should maintain standard current ratio. Moreover, he also suggested that both the banks should improve their capacity by improving effective organization structure and controlling capital structure and so on.

Paudel (2006) conducted this master's thesis entitled "Liquidity management of commercial Banks in Nepal with reference to Bank of Kathmandu (BOK), Nepal Industrial and Commercial Bank (NIC) , HBL, EBL and NABIL", with the objective of examining and analyzing the Liquidity position and its management in Nepalese commercial Banks has concluded the findings such as

- The Liquidity position of NIC is strong, EBL is poor and BOK, HBL and NABIL are moderate in terms of cash and bank balance to current deposit ratio,
- The liquidity position of EBL , NIC and BOK are proportionately better than NABIL and HBL in terms of short-term investment to total investment ratio,
- The efficient deposit utilization in investment of NABIL is good, BOK is poor and NIC, HBL and EBL are moderate and so on.

Paudel (2006) conducted this master's thesis entitled "A study on Liquidity and Investment position of Joint venture commercial Banks in Nepal "with reference to EBL and NABIL. The main objective of his study was to examine the investment - liquidity policy of EBL and NABIL. His major finding from the study includes,

- In aggregate, the liquidity position of EBL is comparatively better than NABIL's. However, there are some instances where EBL has maintained more liquid funds than requirements,
- EBL has not been successful for mobilization of funds on investments in comparison with NABIL. However, EBL has been able to mobilize most of the investment in government securities than NABIL's.
- The growth rate of investment portfolio of NABIL is comparatively better than EBL. However, NABIL has given more priority to profitability than liquidity and so on.

Dhungana (2006) conducted this master's thesis entitled "Liquidity position of commercial Banks of Nepal with reference of BOK, HBL, Standard Chartered Bank (SCB) , Nepal Bank Limited (NBL), NIB and EBL," with the objective of examining the relationship between liquidity and profitability has concluded the findings such as,

- The Banks under study are maintaining very high level of liquidity than the rate imposed by the NRB.
- Saving and fixed deposits are in higher proportion as the major sources of funds for each bank,
- There is positive correlation between change in deposit and change in total liquid funds of the banks and so on.

Shrestha (2007) conducted this master's thesis entitled "Performance measurement of Joint venture Banks in Nepal with reference of EBL, SCB, Nepal state Bank of India (NSBI) and NABIL." The main objective of his study was to access the investment policy and strategies followed by the Banks under study. His major findings from the study includes,

- SCB has the highest mean current ratio whereas, NABIL has the poorest,
- NABIL has maintained highest cash and Bank balance to total deposit ratio among all the Banks under study,
- The condition of the entire Banks are moderate to maintain investment to total deposit ratio,
- EBL has the highest earning power capacity than the other Banks under study etc.

With the analysis and evaluation of various financial and statistical tools, he recommended that all the banks under study should collect more amounts of deposits through variety of deposit schemes and facilities. Moreover, he also

suggested EBL to keep wide vision in investment, Further; he strongly recommended the banks to invest its more funds in shares and debentures.

Tamang, (2008) conducted his master's thesis entitled "Financial performance analysis of Commercial Banks in Nepal with reference to NIB and NABIL," with the objective to measure the operating efficiency, stability and profitability of NIB and NABIL along with their financial strength and weakness concludes the findings such as ,The liquidity position of NIB is better than that of NABIL

- NABIL, has utilized more debt than NIB,
- The profitability ratio of NABIL is better than that of NIB in terms of ROA,
- The EPS and DPS of NABIL are better than that of NIB,
- There is positive correlation between total debt and net profit for both banks etc.

On the basis of his findings, he recommended that both the Banks should view their overall capital structure and investment portfolio to make better mix in capital structure. Moreover, he also suggested that both the banks should also give due consideration in improving their liquidity position.

CHAPTER -III
RESEARCH METHODOLOGY

3.1 Introduction

Having stated about introduction & reviewing of literature in chapter I & II, now the task has come to make decisive choice of research methods to support the in realistic term with sound empirical analysis. The study with try to come at conclusion regarding with what position EBL, HBL, Nabil, KBL and NSBL has got in the Commercial banking sectors in Nepal. Then these chapters will deals the research methodology used in the study for analysis of the five sampled Commercial Bank.

3.2 Research Methodology

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. (C.R. Kothari, 1989) in other words, research methodology describes the method & process applied in the entire aspect of the study. It is a way to solve the research problem systematically & scientifically. A fact research methodology is much vague than research methods i.e. research method is just a part of research methodology. It considers the logic behind the use of the methods in the context of research study & explains why a particular method or techniques is used. Thus research methodology is concerned not only about the different types of methods used but also about various other facts like what data have been collected, what are the purpose & problem of research etc. so, to up the research methodology that has been adopted for the study is mentioned in This chapter, which deals with the research design, sources of data, data collection, population & sample, processing & tabulating procedures.

3.3 Research design

Research design means an overall framework for the activities to be taken during the course of a research study. It enables the way of research providing the tools &

techniques for the data collection & analysis & sampling plan to be followed. Generally research design describes the general plan for collecting analyzing & evaluating data after identifying. It is an integrated system that guides the researcher in formulating, implementing & controlling the study conceived so as to obtain answers to research questions & to control variance. Both analytical & descriptive methods have been used to attain the overall objectives. Firstly, it specifies the sources & type of information relevant to research question, secondly it specifies; the data. Thus, a research design specifies various methods & procedures for acquiring the information including from which sources & by what procedure it is obtained.

3.4 Sources of data

After defining the research design, how the work comes to define the sources of relevant data for the research study. Generally, Secondary data are sources of this study.

On the other hand secondary data are those data that are collected by someone else or used already & made available to other in the form of published statistics such as annual reports, periodicals, newspapers, magazines etc. once a primary data is used, it loses its originality & becomes secondary. This study is mainly depends on the use of secondary data that consists of annual reports of the concerned bank. However besides the annual reports various other sources of data have also been used for the purpose of the study plan documents, newspaper, magazine, economic journals, NRB reports etc. similarly, a structured interview questionnaire also has been used.

3.5 Population & Sample

Population or universe refers to the industries of the same-nature of its service & product. It is the collection or the aggregate of objects or the set of results of an operation. On the other hand sample means the representative parts of population selected from it with the objectives of investigating its properties. Thus, a sample is

just a portion of the population selected with a view to draw conclusions about the population under study.

In context of Nepal, 32 commercial banks are in operation In data. These twenty five banks are regarded as population. But, it is not possible to study all data related with these twenty five banks. Hence five banks have been taken as sample from the whole population i.e. twenty five banks. The sample banks are as follows:-

- Everest Bank LTD.
- Himalayan Bank LTD.
- Nabil Bank Ltd.
- Kumari Bank Limited
- Nepal SBI Bank Limited

3.6 Data Analysis Procedure

To achieve the objectives of the study, the collected data are categorized, tabulated, processed & analyzed using different financial tools like liquidity and profitability along with statistical tools like mean, standard deviation and coefficient of variation. Calculated results were tabulated under different headings the objectives to compare with each other & their significance carried out to interpret the result.

3.7 Data Analysis Tools

Data analysis refers to the analyzing the data in order to determine the inherent facts or meanings from the tabulated data, presentation & analysis of data is the care of the research work. Data that has been collected are first presented in systematic manner in tabular forms & then analyzed by applying different financial & statistical tools to achieve the objectives of the study. The tools applied are as follows:

3.7.1 Descriptive Analysis

In This analysis the relationship between accounting figure is analyzed. To compare a firm's financial performance & status to that of other firms, or itself over time of period & to trace out the strength & weaknesses. Following financial ratios are calculated & analyzed.

- **Liquidity Ratio**

Liquidity ratios are used to judge a firm's ability to meet short-term obligation of a company. Under this ratio the following ratios are calculated.

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

Current assets include cash and those assets which can be converted within cash within a year, such as cash and bank balance, money at call and short notice, and other assets. Whereas, all obligations maturing within a year are included in current liabilities. Current liabilities include bills payable and other liabilities.

As a conventional rule, a current ratio 2 to 1 or more is considered satisfactory. This rule is based on the logic that in a worse situation even if the value of current assets becomes half, the firm will be able to meet its obligation. The current ratio represents a margin of safety for creditors. The higher the current ratio, the greater the margin of safety, the larger the amount of current assets in relation to current liabilities, the more the firm's ability to meet its current obligations.

“However, an arbitrary standard of 2 to 1 should not be followed blindly. Firms with less than 2 to 1 current ratio may be doing well, while firms with 2 or 1 or even higher current ratio may be struggling to meet their obligations. This is so because the current ratio is a test of quantity, not quality. The current ratio measures only total 'rupees' worth of current assets and total rupees worth of current liabilities. It does not measure the quality assets. Liabilities are not subject

to any fall in value, they have to be paid. But current assets can decline in value. If the firm's current assets consist of doubtful and slow- paying debtors or slow-moving and obsolete stock of goods, then the firm's ability to pay bills is impaired, its short term solvency is threatened. Thus too much reliance should not be placed on the current ratio; further investigations about the quality, the items of current assets are necessary. However, the current ratio is crude and quick measure of the firm's liquidity." (Pandey: 2000:14).

- **Quick ratio**

Quick ratio establishes a relationship between quick or liquid assets and current liabilities. An asset is liquid if it can be converted into cash immediately or reasonably soon without a loss of value. Cash is the most liquid asset. Other assets which are considered to be relatively liquid and included in quick assets are debtors and bills receivables and marketable securities. Inventories are considered to be less liquid. Inventories normally require some time for realizing into cash; their value also has a tendency to fluctuate. Thus, quick assets equal current assets minus pre-paid and inventories. The quick ratio is found out by dividing quick assets by current liabilities.

$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$

Generally, a quick ratio of 1 to 1 is considered to represent a satisfactory current financial condition. Although quick ratio is a more, penetrating test of liquidity than the current ratio, yet it should be used cautiously. A quick ratio of 1 to 1 more does not necessarily imply sound liquid position. It should be remembered that all debtors may not be liquid, and cash may be immediately needed to pay operating expenses. It should also be noted that inventories are not absolutely non- liquid. To a measurable extent, inventories are available to meet current obligations. Thus, a company with a high value of quick ratio can suffer from the shortage of funds if it

has slow- paying, doubtful and long - duration outstanding debtors. On the other hand, a company with a low value of quick ratio may really be prospering and paying its current obligations in time if it has been turning over its inventories efficiently. Nevertheless, the quick ratio remains an important index of the firm's liquidity.

- **Cash and Bank Balance to Current Deposit Ratio**

Cash and Bank Balance to current Deposit Ratio measures the availability of bank, highly liquid funds to meet its unanticipated calls on different types of deposits. This ratio indicates the ability of Banks funds to cover their saving, fixed call and other deposit. This ratio also access that what proportion of cash and Bank balance remains with the Bank. This ratio is computed by:

$$\text{Cash and Bank Balance to total deposit ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current deposit}}$$

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- **Profitability Ratio**

Profitability ratio measures the overall banking operation of the company in regards to the profit. Profitability ratio is determined by the financial institution to find out their profit earning capacity on various kinds of funds they employed.

Profit indicates the efficiency of the bank. A bank can make the profit through the sound lending policy and the quality of service it provides. Higher is the profit ratio higher will be the efficiency of the bank. Following are the some profitability ratio studied in this report.

- **Net profit Ratio**

Net profit Ratio shows the relationship between net profit and operating income. The purpose of net profit is to show the overall profitability i.e, efficiency of the Bank. Higher the net profit ratio, the better it is considered. This ratio is also useful in making inter -firm comparison of the profitability. Net profit ratio is computed as under:

$$\text{Net profit ratio} = \frac{\text{Net Profit}}{\text{Operating income}}$$

Where,

Operating Income = Interest income + commission and Discount + Exchange gain

- **Return on Equity (ROE)**

Equity shareholders are the real owners of a company and are the risk - bearers and are entitled to total profits earned by the company after preference dividend. Return on equity relates the profitability of a company to equity. Roe measures the company's profitability in terms of return to equity shareholders. It is calculated as under:

$$\text{ROE} = \frac{\text{Net Profit after tax}}{\text{Shareholder's equity}}$$

Where, shareholder's equity = share capital+ Reserve and surplus

- **Return on Total Assets (ROA)**

Return on Total Assets simply return on Assets , measures the productivity of the assets. It is measured in terms of relationship between net profit and assets. "This ratio judges the effectiveness in using the total fund supplied by the owners and creditors . Higher ratio shows the Higher return on the assets used in the business thereby , indicating effective use of the resources available and vice- versa ". (Munakarmi, 2000:3.37)

ROA is calculated as under:

$$\text{ROA} = \frac{\text{Net profit after Interest}}{\text{Total Assets}}$$

3.7.2 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 nature . In this study , the following statistical tools have been used to analyze the data.

- **Average $\bar{X}$**

The term 'average' is referred as measure of central tendency. The average is the measure , which condense the huge data into a single value, which represents the entire data and generally located at the central part. There are different types of average but only arithmetic mean used for this study. Arithmetic mean is the most popular frequently used measure of central tendency. It is the sum of all observations to the number of observations. Arithmetic of a set of observations is their sum divided by the number of observations. In general, if $X_1+X_2+X_3+\ldots\ldots\ldots X_n$ are the given N observations than their arithmetic mean denoted by X is given by ,

$$\bar{X} = \frac{X_1+X_2+X_3+\ldots\ldots\ldots X_n}{N}$$

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

Where, $\sum X$= Sum of the observations N= Number of years

- **Standard Deviation**

"Standard deviation is the square root of the arithmetic average of the squares of the deviations , measured from the mean . Thus, in the calculation of standard deviation , first the arithmetic average is calculated and the deviation of various items from the arithmetic average are squared. The squared deviations are totaled and the sum is divided by the number of items. The square root of the resulting figure is the standard deviation of the series."(Enhanced and B.M. Agrawal, 2000: 9.25). The standard deviation is conventionally represented by the Greek letter sigma (σ). If $X_1+X_2+X_3+\ldots\ldots\ldots X_n$ is a set of N observations then, standard deviation is given by ,

$$\sigma = \sqrt{\frac{\sum (X - \overline{X})}{N}}$$

$\sum X- \overline{X}$ = Sum of the squares of deviations measured from mean, and

N = Number of observations

- **Coefficient of variations (C.V.)**

Coefficient of variation is computed the variability of two distributions. A distribution with smaller C.V. is said to be more homogeneous or uniform or less variable than the other, and the series with greater C.V. is said to be more heterogeneous or more variable than the other. It is computed as under:

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

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This chapter "Data presentation and Analysis" is an important part of the study. Here, the calculated data are interpreted and analyzed to fulfill the objectives of this research. Under This chapter various financial ratios are used which are related to analyze the investment policy of the selected banks. The financial indicators of selected banks are compared with the help of statistical tools i.e. mean, S.D, C.V etc.

4.1 Liquidity ratio

Liquidity ratio measures the ability of banks to meet the investment purposes. A commercial bank must maintain its satisfactory liquidity positron to meet the credit need of the customer also. Banks have to maintain enough liquidity because they have to meet the demand of deposits, withdrawals, pay maturity.

4.1.1 Current ratio

NRB has directed all the commercial banks to deposit certain percentage of total deposit In NRB balance. The ratio is calculated as NRB balance to total deposit = NRB deposit/ total deposit

Table 4.1

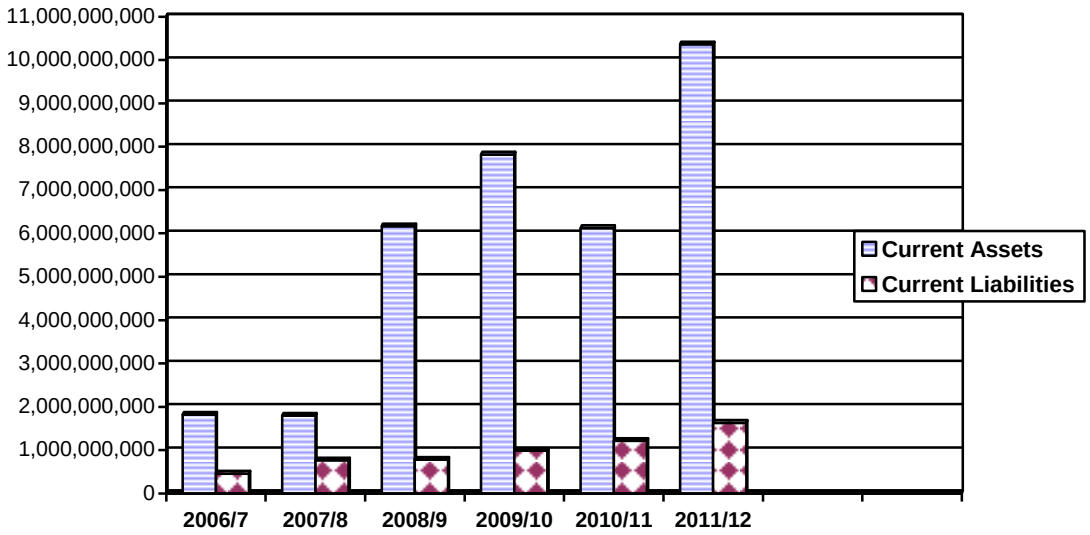
Current ratio of Everest Bank Limited

Year	Current Assets	Current Liabilities	Ratio
2006/07	1820274386	457590572	3.98
2007/08	1797935344	763558645	2.35
2008/09	6164371163	778277353	7.92
2009/10	7818815003	986712848	7.92
2010/11	61212862952	1212751867	5.05
2011/12	10363306297	1629725898	6.36
Average Mean			5.6
Standard Deviation			2.03
Co-efficient of variation			36.33%

Source: Annual Report (from 2006/07 to 2011/12) of Everest Bank Limited

Figure 4.1

Current ratio of Everest Bank Limited



The table and figure shows that the current ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 3.98, 2.35, 7.92, 5.05 and 6.36 respectively. Its average current ratio is 5.6, standard deviation is 2.03 and co-efficient of variation is 36.33%.

Table 4.2

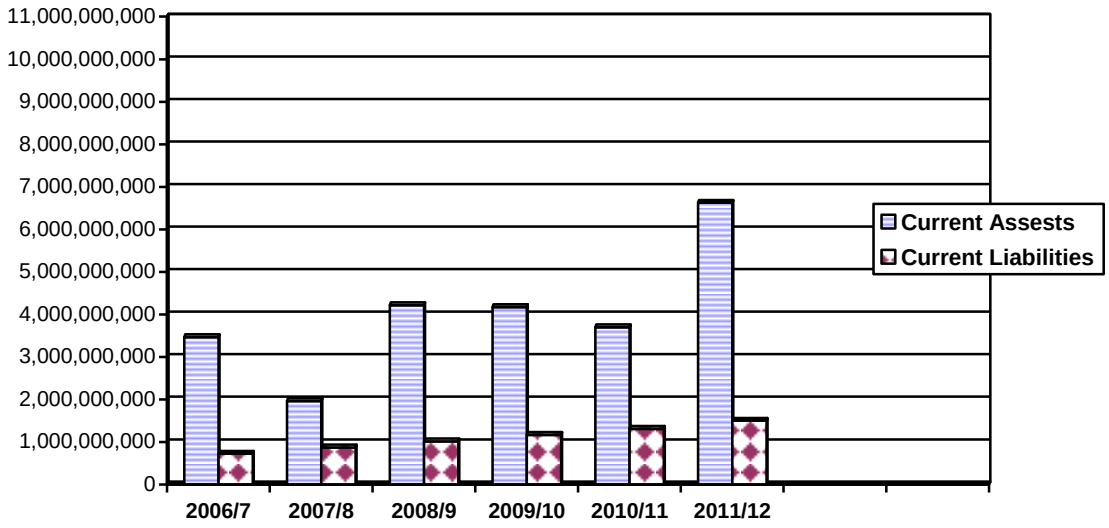
Current Ratio of Himalayan Bank Limited

Year	Current Assets	Current Liabilities	Ratio
2006/07	3467365111	728255889	4.76
2007/08	1966672390	876572706	2.24
2008/09	4219140438	1019096353	4.14
2009/10	4175330684	1166717209	3.58
2010/11	3698651321	1310098581	2.82
2011/12	6626896158	1501423840	4.41
Average Mean			3.66
Standard Deviation			0.89
			24.28%

Source: Annual Report (from 2006/07 to 2011/12) of Himalayan Bank Limited

Figure 4.2

Current Ratio of Himalayan Bank Limited



The table and figure shows that the current ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 4.76, 2.24, 4.14, 3.58, 2.82 and 4.41 respectively. Its average current ratio is 3.66, standard deviation is 0.89 and co-efficient of variation is 24.28%.

Table 4.3

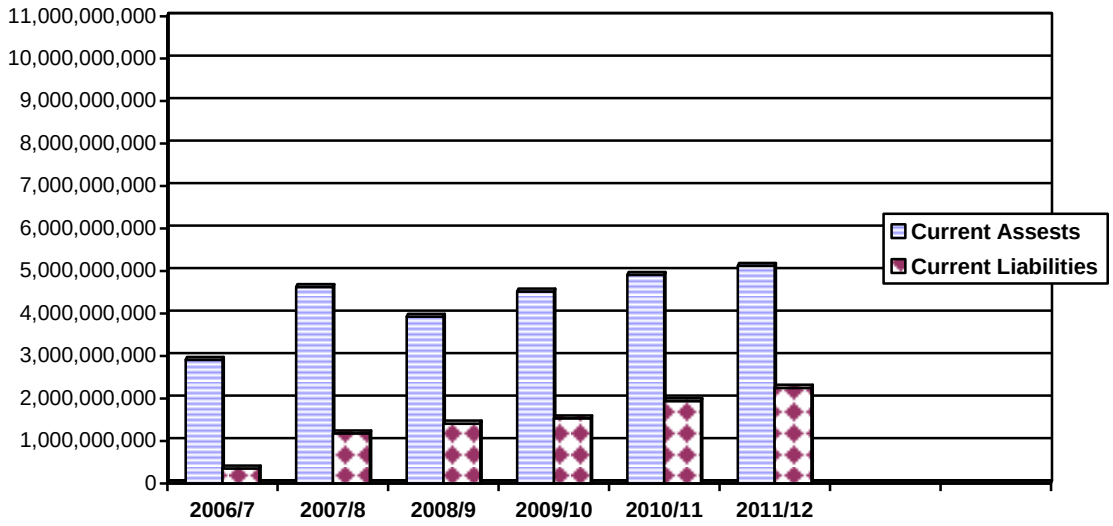
Current Ratio of Nabil Bank Limited

Year	Current Assets	Current Liabilities	Ratio
2006/07	2909808670	352079858	8.26
2007/08	4623501755	1180512693	3.92
2008/09	3925400768	1407596027	2.79
2009/10	4518241804	1529899140	2.95
2010/11	4911061368	1939670683	2.53
2011/12	5120481683	2249755681	2.28
Average Mean			3.79
Standard Deviation			1.12
Co-efficient of variation			29.55%

Source: Annual Report (from 2006/07 to 2011/12) of Nabil Bank Limited

Figure 4.3

Current Ratio of Nabil Bank Limited



The table and figure shows that the current ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 8.26, 3.92, 2.79, 2.95, 2.53 and 2.28 respectively. Its average current ratio is 3.79, standard deviation is 1.12 and co-efficient of variation is 29.55%.

Table 4.4

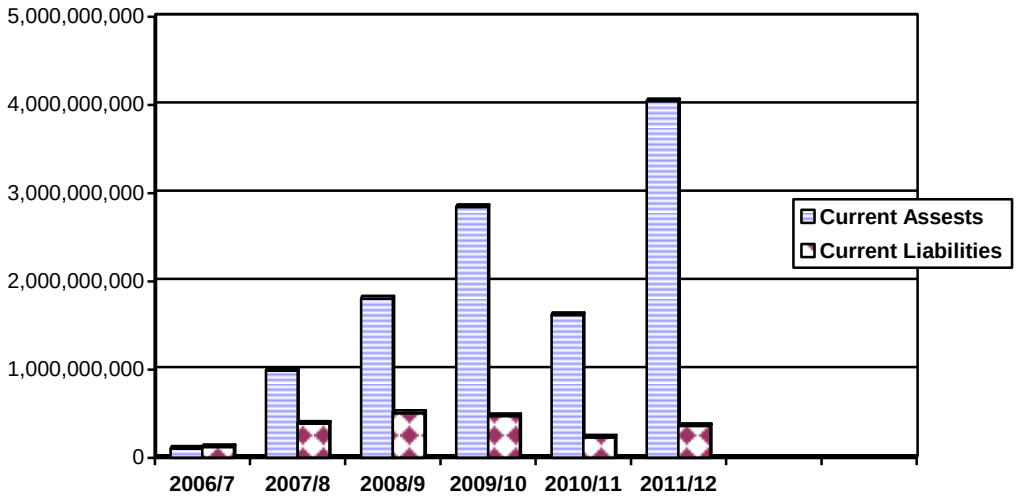
Current Ratio of Kumari Bank Limited

Year	Current Assets	Current Liabilities	Ratio
2006/07	104432795	122620072	5.48
2007/08	989201677	387432892	2.56
2008/09	1806298800	509267138	3.55
2009/10	2843829299	474723072	6
2010/11	1620044334	230744184	7.02
2011/12	4043870734	363724357	11.12
Average Mean			5.5
Standard Deviation			3.01
Co-efficient of variation			54.76%

Source: Annual Report (from 2006/07 to 2011/12) of Kumari Bank Limited

Figure 4.4

Current Ratio of Kumari Bank Limited



The table and figure shows that the current ratio of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 2.7, 2.56, 3.55, 6, 7.02 and 11.12 respectively. Its average current ratio is 5.5, standard deviation is 3.01 and co-efficient of variation is 21.72%.

Table 4.5

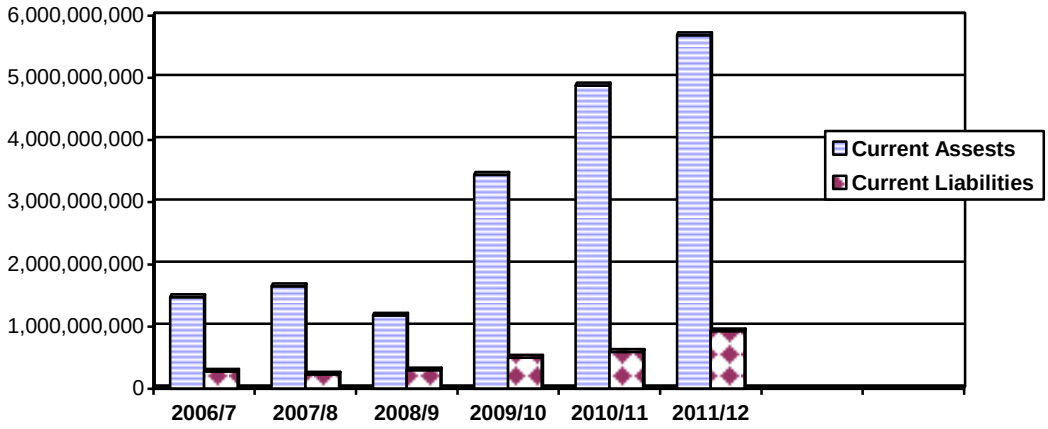
Current Ratio of Nepal SBI Bank Limited

Year	Current Assets	Current Liabilities	Ratio
2006/07	1472690227	277258459	5.31
2007/08	1646973203	229926212	7.16
2008/09	1176439838	296611560	3.97
2009/10	3441261477	500701194	6.87
2010/11	4877825858	593497531	8.22
2011/12	5686632496	924984664	6.15
Average Mean			6.28
Standard Deviation			1.36
Co-efficient of variation			21.72%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nepal SBI Bank

Figure 4.5

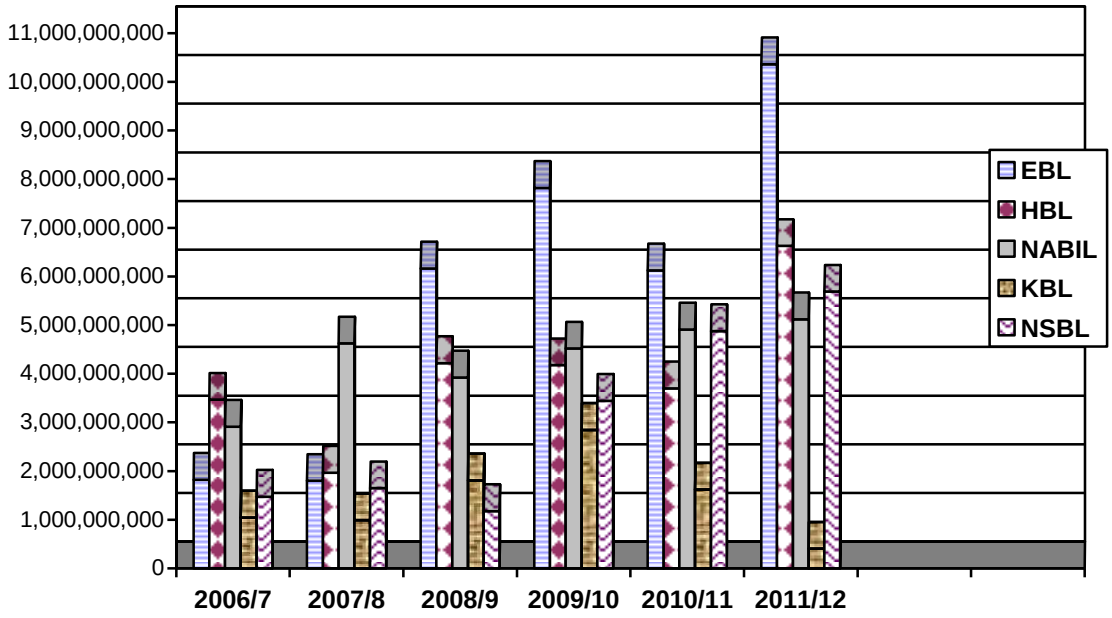
Current Ratio of Nepal SBI Bank Limited



The table and figure shows that the current ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 5.31, 7.16, 3.97, 6.87, 8.22 and 6.15 respectively. Its average current ratio is 6.28, standard deviation is 1.36 and co-efficient of variation is 21.72%.

Figure 4.6

Current Ratio



The above table and figure shows that the current ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 3.98, 2.35, 7.92, 5.05 and 6.36 respectively. Its average current ratio is 5.6, standard deviation is 2.03 and co-efficient of variation is 36.33%.

The above table and figure shows that the current ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 4.76, 2.24, 4.14, 3.58, 2.82 and 4.41 respectively. Its average current ratio is 3.66, standard deviation is 0.89 and co-efficient of variation is 24.28%.

The above table and figure shows that the current ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 8.26, 3.92, 2.79, 2.95, 2.53 and 2.28 respectively. Its average current ratio is 3.79, standard deviation is 1.12 and co-efficient of variation is 29.55%.

The above table and figure shows that the current ratio of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 2.7, 2.56, 3.55, 6, 7.02 and 11.12 respectively. Its average current ratio is 5.5, standard deviation is 3.01 and co-efficient of variation is 21.72%.

The above table and figure shows that the current ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 5.31, 7.16, 3.97, 6.87, 8.22 and 6.15 respectively. Its average current ratio is 6.28, standard deviation is 1.36 and co-efficient of variation is 21.72%.

The above figure shows that the higher current ratio of NSBL shows that it has good liquidity within the bank in terms of current ratio as compared to EBL, HBL, NABIL and KBL. On the other hand, the lower C.V. of NSBL shows that it is more consistent in maintaining the funds within the bank than EBL, HBL, NABIL and KBL.

4.1.2 Quick Ratio

Quick ratio establishes the relationship between quick assets and current liabilities. It is computed as under:

Table No 4.7

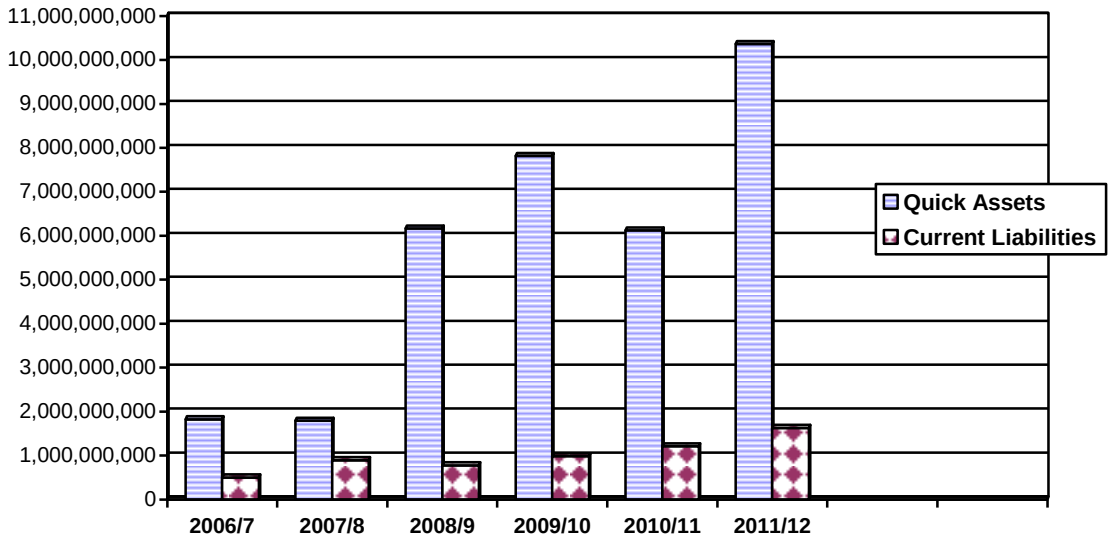
Quick Ratio of Everest Bank Limited

Year	Quick Assets	Current Liabilities	Ratio
2006/07	1824973601	502208064	3.63
2007/08	1795507239	894031398	2.01
2008/09	6164371163	778277353	7.92
2009/10	7818815003	986712848	7.92
2010/11	6122862952	1212751867	5.05
2011/12	10363306297	1629725898	6.36
Average Mean			5.48
Standard Deviation			2.17
Co-efficient of variation			39.65%

Source: Annual Report (from 2006/07 to 2011/12) of Everest Bank Limited

Figure No 4.7

Quick Ratio of Everest Bank Limited



The table and figure shows that the Quick ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 3.63, 2.01,

7.92, 7.92, 5.05 and 6.36 respectively. Its average quick ratio is 5.48, standard deviation is 2.17 and co-efficient of variation is 39.65%.

Table No 4.8

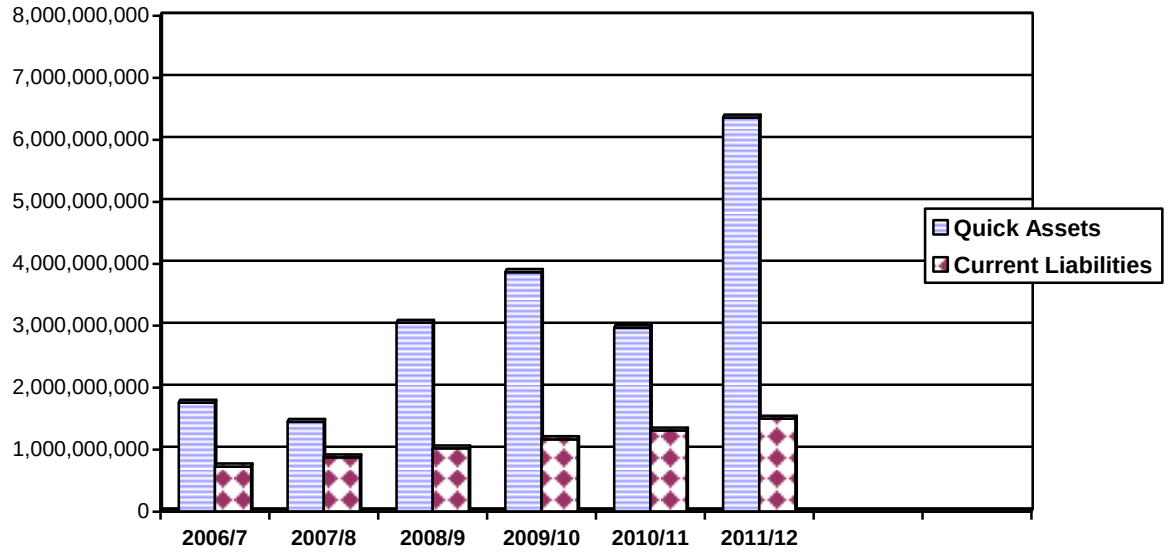
Quick Ratio of Himalayan Bank Limited (HBL)

Year	Quick Assets	Current Liabilities	Ratio
2006/07	1757341252	728255889	2.41
2007/08	1448142890	876572706	1.65
2008/09	3048526752	1019096353	2.99
2009/10	3866490684	1166717209	3.31
2010/11	2964651321	1310098581	2.26
2011/12	6362296158	1501423840	4.24
Average Mean			2.81
Standard Deviation			0.83
Co-efficient of variation			29.56%

Source: Annual Report (from 2006/07 to 2011/12) of Himalayan Bank Limited

Figure No 4.8

Quick Ratio of Himalayan Bank Limited (HBL)



The table and figure shows that the Quick ratio of HBL in the FY 2006/07,FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 2.41, 1.65, 2.99,

3.31, 2.26 and 4.24 respectively. Its average quick ratio is 2.81, standard deviation is 0.83 and co-efficient of variation is 29.56%.

Table No 4.9

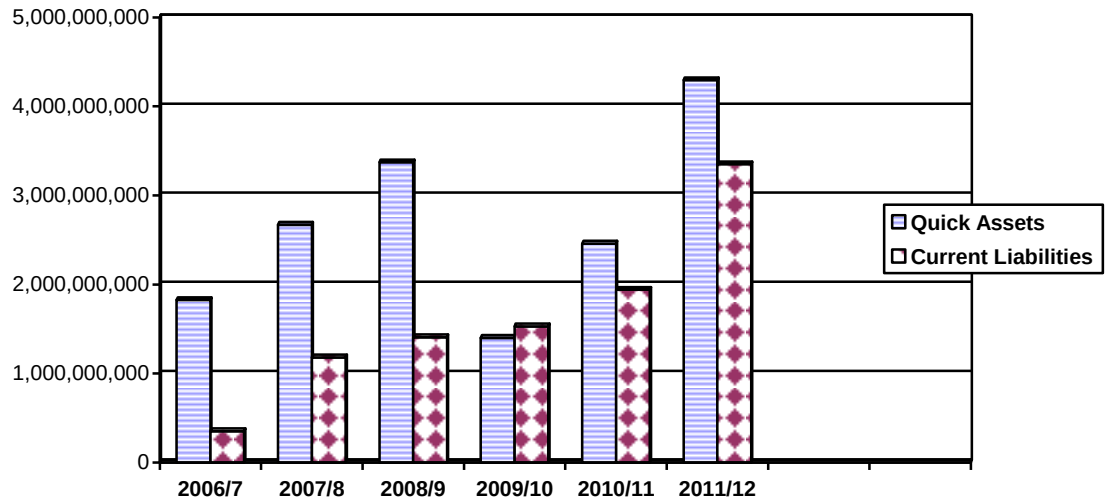
Quick Ratio of Nabil Bank Limited (NABIL)

Year	Quick Assets	Current Liabilities	Ratio
2006/07	1824641316	352079858	5.28
2007/08	2671141055	1180512693	2.62
2008/09	3372512471	1407596027	2.4
2009/10	1400097804	1529899140	0.92
2010/11	2458549590	1939670683	1.27
2011/12	4294046006	3349755681	1.92
Average Mean			2.3
Standard Deviation			1.39
Co-efficient of variation			60.25%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nabil Bank Limited

Figure No 4.9

Quick Ratio of NABIL



The table and figure shows that the Quick ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 5.18,

2.62, 2.4, 0.92, 1.27 and 1.91 respectively. Its average quick ratio is 2.3, standard deviation is 1.39 and co-efficient of variation is 60.25%.

Table No 5

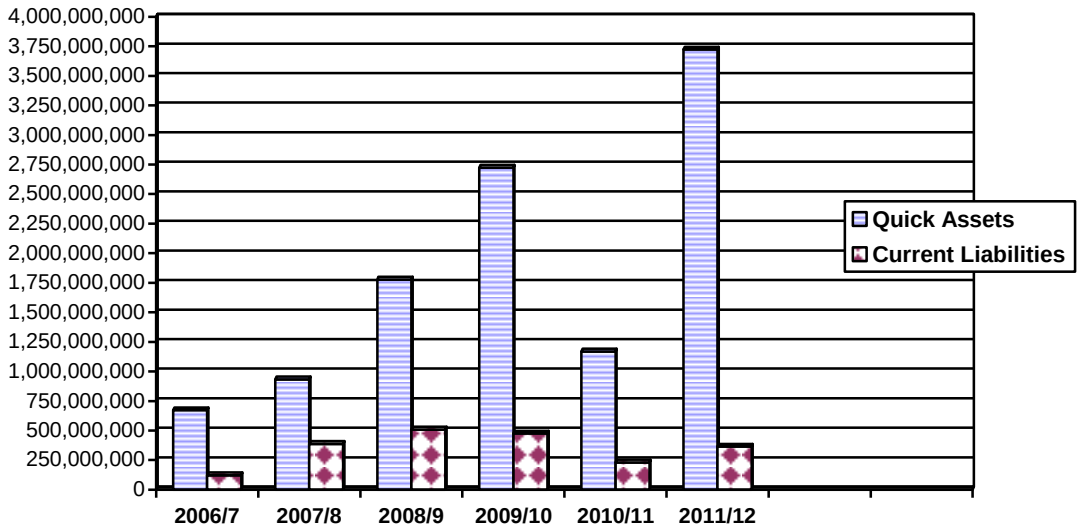
Quick Ratio of Kumari Bank Limited (KBL)

Year	Quick Assets	Current Liabilities	Ratio
2006/07	672112951	122620072	5.48
2007/08	933841677	387432892	2.41
2008/09	1776298800	509267138	3.5
2009/10	2723829299	474723072	5.74
2010/11	1168524334	230744184	5.06
2011/12	3722627593	363724357	10.23
Average Mean			5.4
Standard Deviation			2.45
Co-efficient of variation			45.44%

Sources: Annual Reports (from 2006/07 to 2011/12) of Kumari Bank Limited

Figure No 5

Quick Ratio of Kumari Bank limited (KBL)



The table and figure shows that the Quick ratio of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 5.48, 2.41, 3.5,

5.74, 5.06 and 10.23 respectively. Its average quick ratio is 5.4, standard deviation is 2.45 and co-efficient of variation is 45.44%.

Table No 5.1

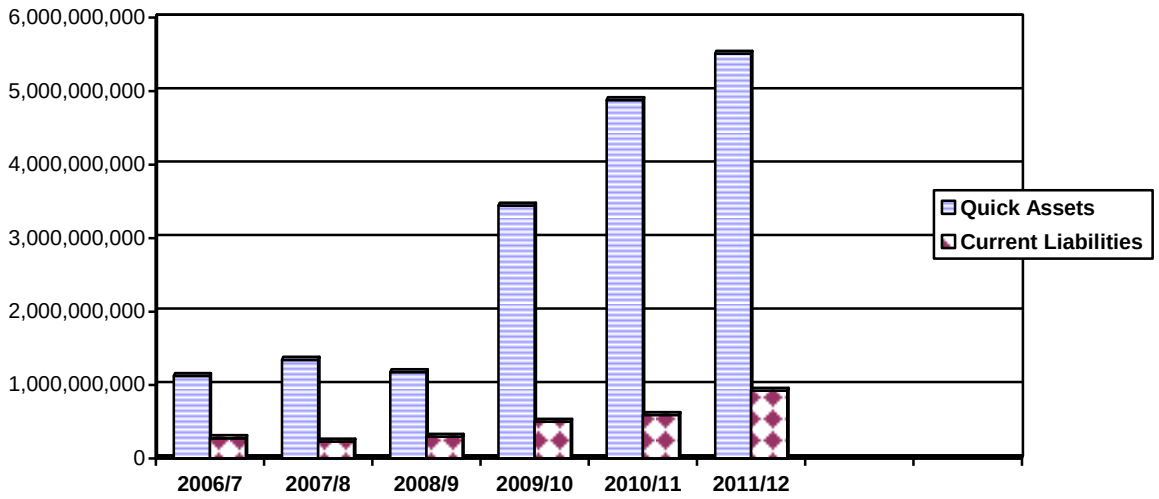
Quick Ratio of NSBL

Year	Quick Assets	Current Liabilities	Ratio
2006/07	1122690227	277258459	4.05
2007/08	1342960326	229926212	5.84
2008/09	1176439838	296611560	3.97
2009/10	3441261477	500701194	6.87
2010/11	4877825858	593497531	8.22
2011/12	5508382496	924984664	5.96
Average Mean			5.82
Standard Deviation			1.42
Co-efficient of variation			24.36%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nepal SBI Bank

Figure No 5.1

Quick Ratio of NSBL

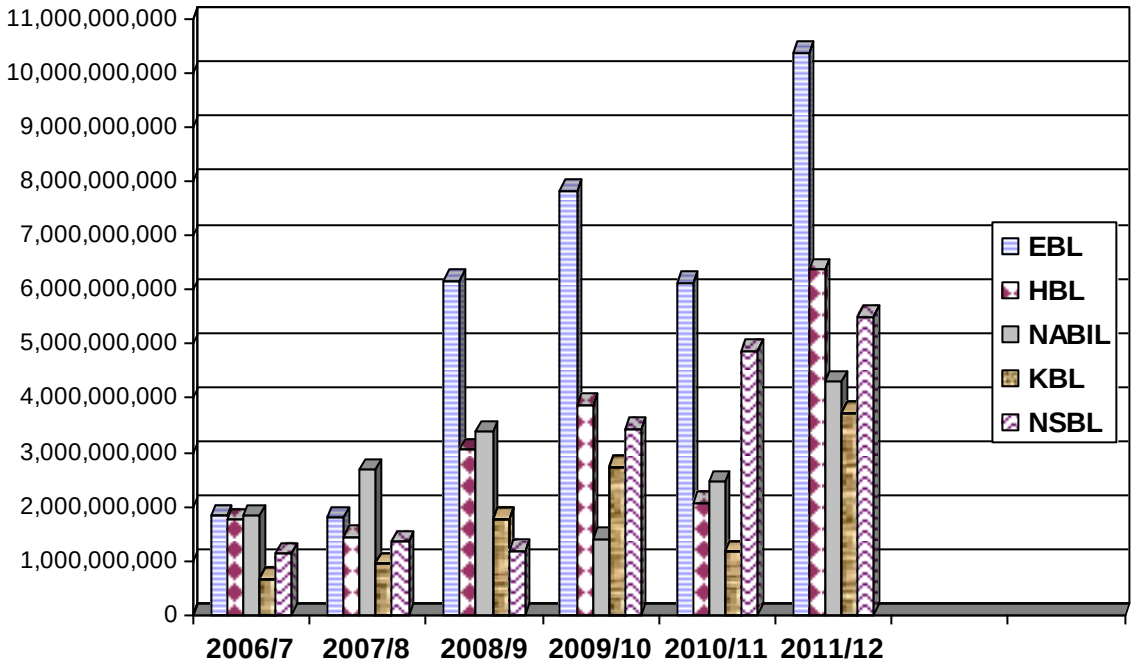


The table and figure shows that the Quick ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 4.05, 5.84, 3.97,

6.87, 8.22 and 5.96 respectively. Its average quick ratio is 5.82, standard deviation is 1.42 and co-efficient of variation is 24.36%.

Figure No. 5.2

Quick Ratio



The table and figure shows that the Quick ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 3.63, 2.01, 7.92, 7.92, 5.05 and 6.36 respectively. Its average quick ratio is 5.48, standard deviation is 2.17 and co-efficient of variation is 39.65%.

The table and figure shows that the Quick ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 2.41, 1.65, 2.99, 3.31, 2.26 and 4.24 respectively. Its average quick ratio is 2.81, standard deviation is 0.83 and co-efficient of variation is 29.56%.

The table and figure shows that the Quick ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 5.18,

2.62, 2.4, 0.92, 1.27 and 1.91 respectively. Its average quick ratio is 2.3, standard deviation is 1.39 and co-efficient of variation is 60.25%.

The table and figure shows that the Quick ratio of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 5.48, 2.41, 3.5, 5.74, 5.06 and 10.23 respectively. Its average quick ratio is 5.4, standard deviation is 2.45 and co-efficient of variation is 45.44%.

The table and figure shows that the Quick ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 4.05, 5.84, 3.97, 6.87, 8.22 and 5.96 respectively. Its average quick ratio is 5.82, standard deviation is 1.42 and co-efficient of variation is 24.36%.

The figure shows that the higher quick ratio of NSBL shows that it has good liquidity within the bank in terms of quick ratio as compared to EBL, HBL, NABIL and KBL. On the other hand, the lower C.V. of NSBL shows that it is more consistent in maintaining the funds within the bank than EBL, HBL, NABIL and KBL

4.1.3 Cash and Bank Balance to current assets ratio

Cash and Bank Balance to current assets ratio establishes the relationship between cash and bank balance and current assets. It is computed as under:

Table No. 5.3

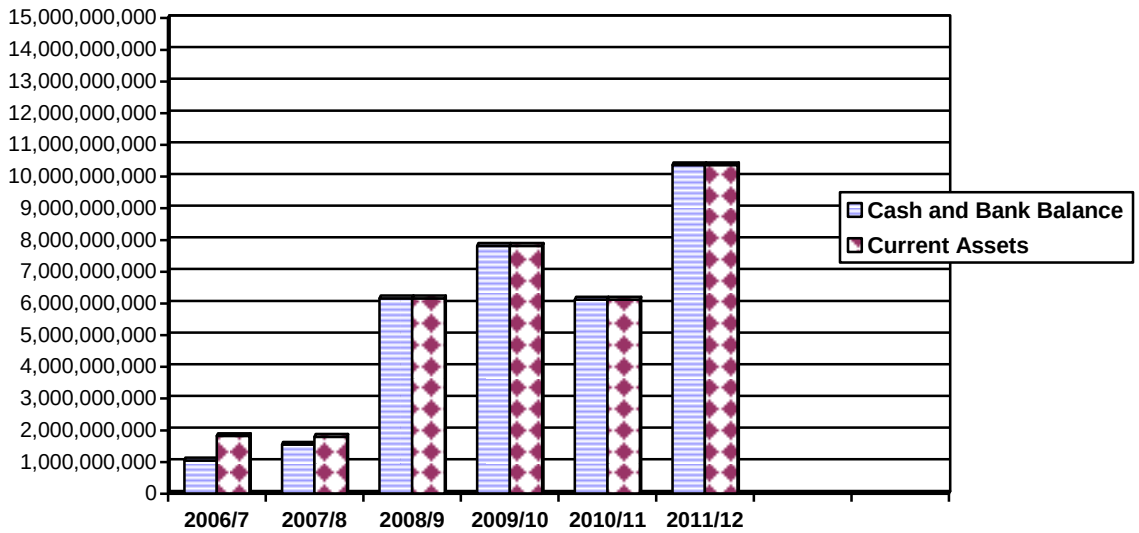
Cash and bank balance to current assets ratio of EBL

Year	Cash and Bank Balance	Current Assets	Ratio
2006/07	1049989208	1820274386	0.58
2007/08	1552967494	1797935344	0.86
2008/09	6164371163	6164371163	1
2009/10	7818815003	7818815003	1
2010/11	6122862952	6122862952	1
2011/12	10363366307	10363366307	1
Average Mean			0.91
Standard Deviation			0.14
Co-efficient of variation			15.54%

Sources: Annual Reports (from 2006/07 to 2011/12) of Everest Bank

Figure No. 5.3

Cash and bank balance to current assets ratio of EBL



The table and figure shows that the cash and bank balance to current assets ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.58, 086, 1,1,1,1respectively. Its average cash and bank

balance to current assets ratio is 0.91, standard deviation is 0.14 and co-efficient of variation is 15.54%.

Table No. 5.4

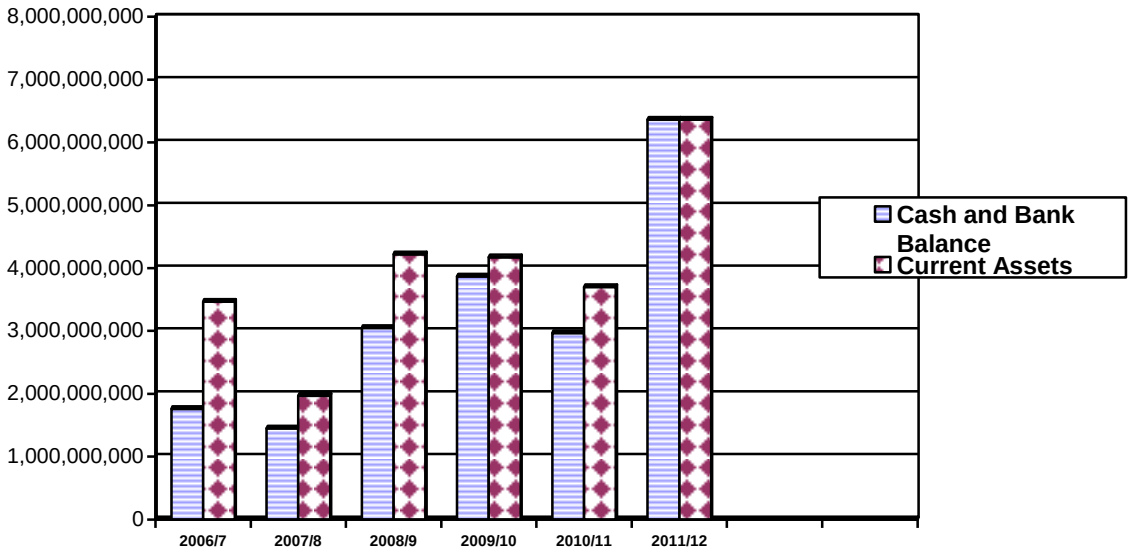
Cash and Bank Balance to Current Assets Ratio of HBL

Year	Cash and Bank Balance	Current Assets	Ratio
2006/07	1757341252	3467365111	0.51
2007/08	1448142890	1966672390	0.74
2008/09	3048526752	4219140438	0.72
2009/10	3866490684	4175330684	0.93
2010/11	2964651321	3698651321	0.8
2011/12	6362296158	6626896158	0.96
Average Mean			0.78
Standard Deviation			0.15
Co-efficient of variation			19.02%

Sources: Annual Reports (from 2006/07 to 2011/12) of Himalayan Bank

Figure No. 5.4

Cash and Bank Balance to Current Assets Ratio of HBL



The table and figure shows that the cash and bank balance to current assets ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.51, 0.74, 0.72, 0.93, 0.8 and 0.96 respectively. Its average cash and bank balance to current assets ratio is 0.78, standard deviation is 0.15 and co-efficient of variation is 19.02%.

Table No. 5.5

Cash and Bank Balance to Current Assets Ratio of NABIL

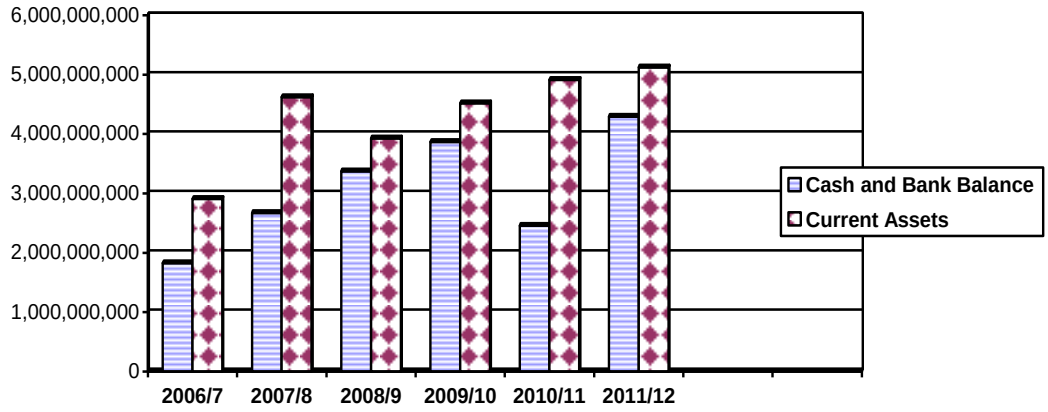
Year	Cash and Bank Balance	Current Assets	Ratio
2006/07	1824641316	2909808670	0.63
2007/08	2671141055	4623501755	0.58
2008/09	3372512471	3925400768	0.86
2009/10	3866490684	4518241804	0.31
2010/11	2458549590	4911061368	0.5
2011/12	4294046006	5120481683	0.84
Average Mean			0.62

Standard Deviation	0.44
Co-efficient of variation	70.3%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nabil Bank

Figure No. 5.5

Cash and Bank Balance to Current Assets Ratio of NABIL



The table and figure shows that the cash and bank balance to current assets ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.63, 0.58, 0.86, 0.31, 0.5 and 0.84 respectively. Its average cash and bank balance to current assets ratio is 0.62, standard deviation is 0.44 and co-efficient of variation is 70.3%.

Table No. 5.6

Cash and Bank Balance to Current Assets Ratio of KBL

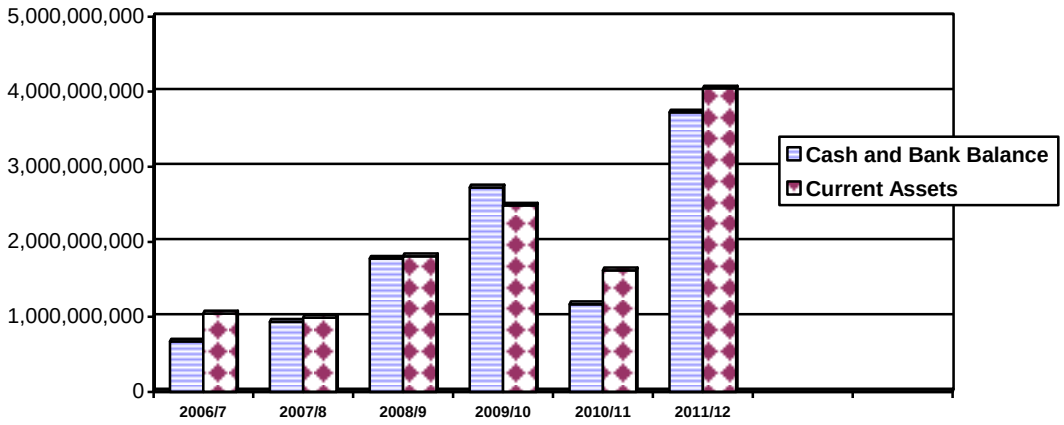
Year	Cash and Bank Balance	Current Assets	Ratio
2006/07	672112951	1044327951	0.64
2007/08	933841677	989201677	0.94
2008/09	1776298800	1806298800	0.98
2009/10	2723829299	2483829299	0.96
2010/11	1168524334	1620044334	0.72
2011/12	3722627593	4043870734	0.92
Average Mean			0.86
Standard Deviation			0.14

Co-efficient of variation	16.44%

Sources: Annual Reports (from 2006/07 to 2011/12) of Kumari Bank

Figure No. 5.6

Cash and Bank Balance to Current Assets Ratio of KBL



The table and figure shows that the cash and bank balance to current assets ratio of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.64, 0.94, 0.98, 0.96, 0.72 and 0.92 respectively. Its average cash and bank balance to current assets ratio is 0.86, standard deviation is 0.14 and co-efficient of variation is 16.44%.

Table No. 5.7

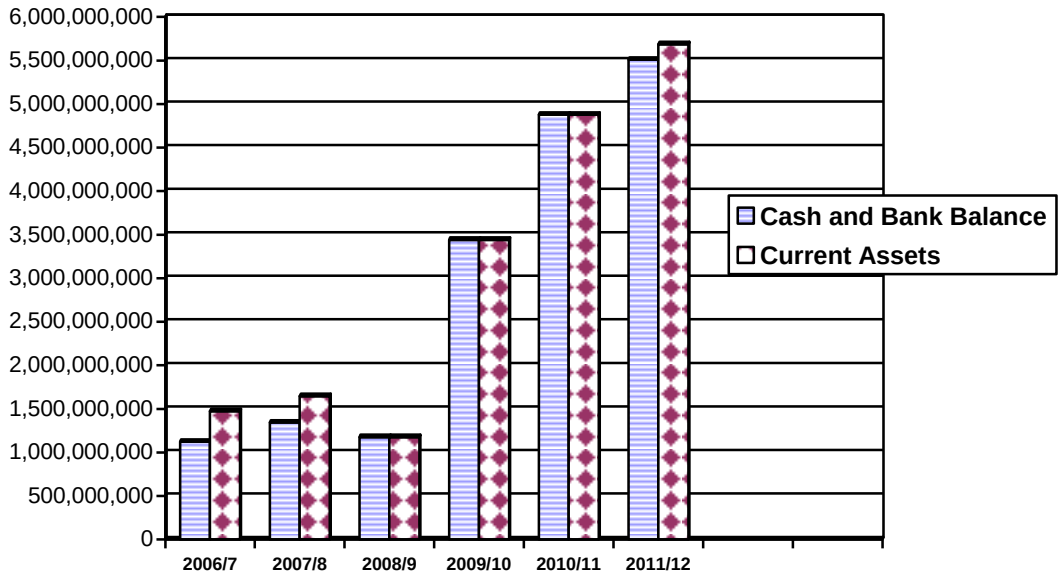
Cash and Bank Balance to Current Assets Ratio of NSBL

Year	Cash and Bank Balance	Current Assets	Ratio
2006/07	1122690227	1472690227	0.76
2007/08	1342960326	1646973203	0.82
2008/09	1176439838	1176469839	1
2009/10	3441261477	3441261477	1
2010/11	4877825858	4877825858	1
2011/12	5508382496	5686632496	0.97
Average Mean			0.92
Standard Deviation			0.1
Co-efficient of variation			10.87%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nepal SBI Bank

Figure No. 5.7

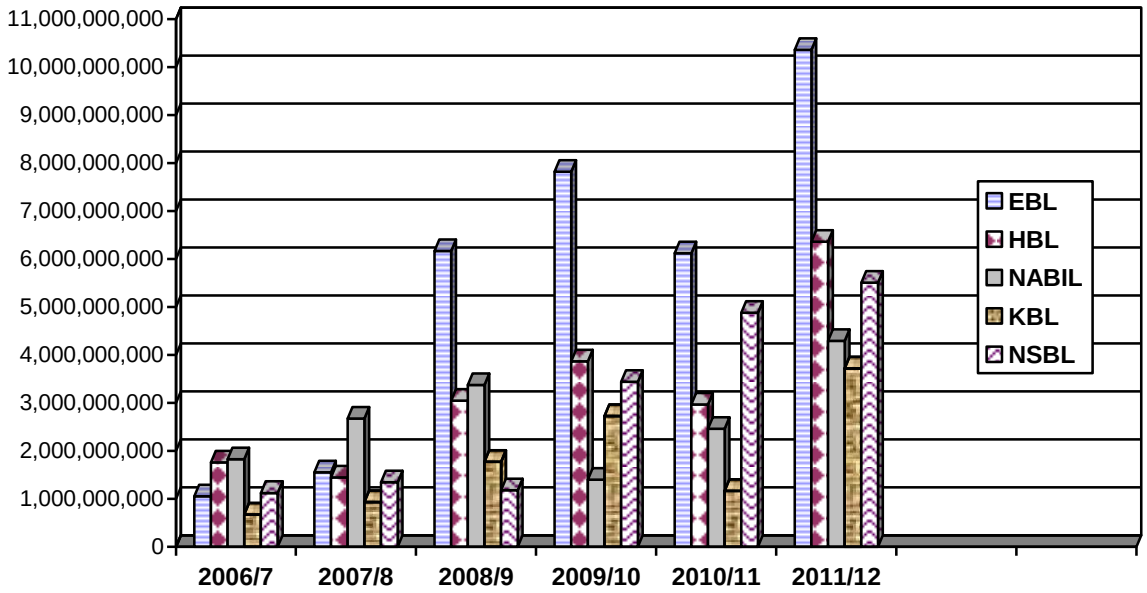
Cash and Bank Balance to Current Assets Ratio of NSBL



The table and figure shows that the cash and bank balance to current assets ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.76, 0.82, 1,1, 1 and 0.97 respectively. Its average cash and bank balance to current assets ratio is 0.92, standard deviation is 0.1 and co-efficient of variation is 10.87%.

Figure No. 5.8

Cash and Bank Balance to current assets ratio



The table and figure shows that the cash and bank balance to current assets ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.58, 086, 1,1,1,1respectively. Its average cash and bank balance to current assets ratio is 0.91, standard deviation is 0.14 and co-efficient of variation is 15.54%.

The table and figure shows that the cash and bank balance to current assets ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.51, 0.74, 0.72, 0.93, 0.8 and 0.96 respectively. Its average cash and bank balance to current assets ratio is 0.78, standard deviation is 0.15 and co-efficient of variation is 19.02%.

The table and figure shows that the cash and bank balance to current assets ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.63, 0.58, 0.86, 0.31, 0.5 and 0.84 respectively. Its average cash and bank balance to current assets ratio is 0.62, standard deviation is 0.44 and co-efficient of variation is 70.3%.

The table and figure shows that the cash and bank balance to current assets ratio of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.64, 0.94, 0.98, 0.96, 0.72 and 0.92 respectively. Its average cash and bank balance to current assets ratio is 0.86, standard deviation is 0.14 and co-efficient of variation is 16.44%.

The table and figure shows that the cash and bank balance to current assets ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.76, 0.82, 1,1, 1 and 0.97 respectively. Its average cash and bank balance to current assets ratio is 0.92, standard deviation is 0.1 and co-efficient of variation is 10.87%.

The figure shows that the higher Cash and Bank balance to current assets ratio of NSBL shows that it is comparatively better position to pay the customers' current deposits as compared to EBL, HBL, NABIL and KBL. On the other hand, the lower C.V. of NSBL shows that it is more consistent in maintaining the cash and bank balance to pay the current deposits of the customers.

4.1.4 Cash and Bank balance to total deposit ratio

Cash and Bank Balance to Total Deposit ratio establishes the relationship between cash and bank balance to total deposits. It is compare as under:

Table no. 5.9

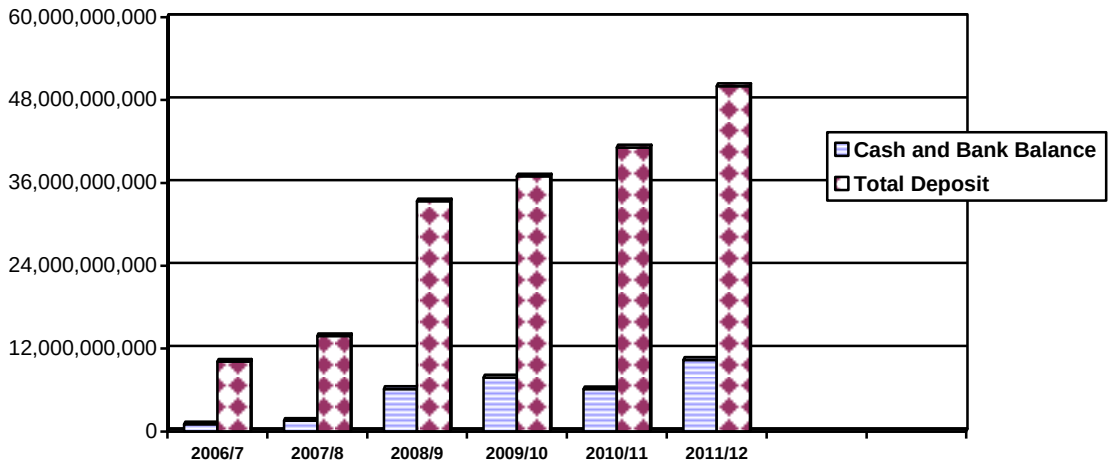
Cash and Bank balance to total deposit ratio of EBL

Year	Cash and Bank Balance	Total Deposit	Ratio
2006/07	1049989208	10097690989	0.1
2007/08	1552967494	13802444988	0.11
2008/09	6164371163	33322946246	0.19
2009/10	7818815003	36932310008	0.21
2010/11	6122862952	41127914339	0.15
2011/12	10363366307	50006100272	0.21
Average Mean			0.16
Standard Deviation			0.05
Co-efficient of variation			29.97%

Sources: Annual Reports (from 2006/07 to 2011/12) of Everest Bank

Figure no. 5.9

Cash and Bank balance to total deposit ratio of EBL



The table and figure shows that the cash and bank balance to total deposit ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.1, 0.11, 0.19,0.21, 0.15 and 0.21 respectively. Its average cash and bank balance to total deposit ratio is 16, standard deviation is 0.05 and co-efficient of variation is 29.97%.

Table no. 6

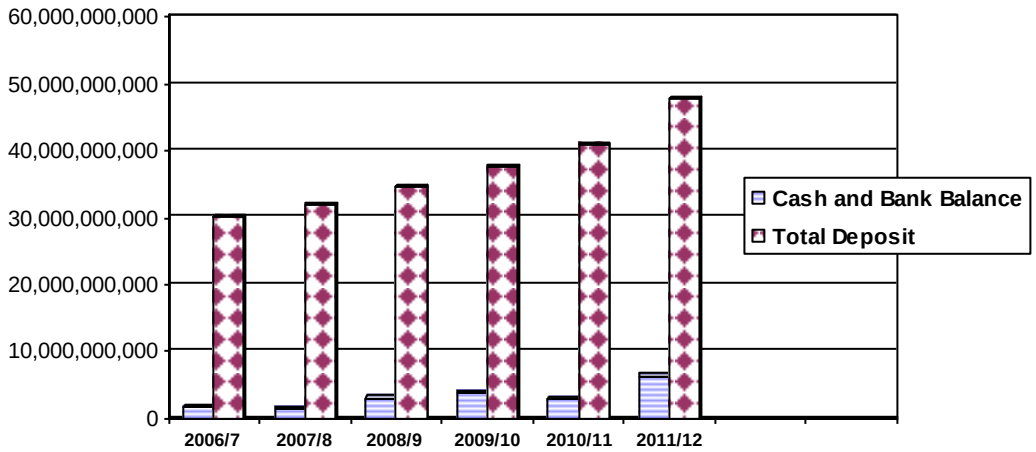
Cash and Bank balance to total deposit ratio of HBL

Year	Cash and Bank Balance	Total Deposit	Ratio
2006/07	1757341252	30048417756	0.06
2007/08	1448142890	31842789356	0.05
2008/09	3048526752	34681345179	0.09
2009/10	3866490684	37611202274	0.1
2010/11	2964651321	40920627030	0.07
2011/12	6362296158	47730993909	0.13
Average Mean			0.08
Standard Deviation			0.03
Co-efficient of variation			43.3%

Sources: Annual Reports (from 2006/07 to 2011/12) of Himalayan Bank

Figure no. 6

Cash and Bank balance to total deposit ratio of HBL



The table and figure shows that the cash and bank balance to total deposit ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.06, 0.05, 0.09, 0.1, 0.07 and 0.13 respectively. Its

average cash and bank balance to total deposit ratio is 0.08, standard deviation is 0.03 and co-efficient of variation is 43.3%.

Table no. 6.1

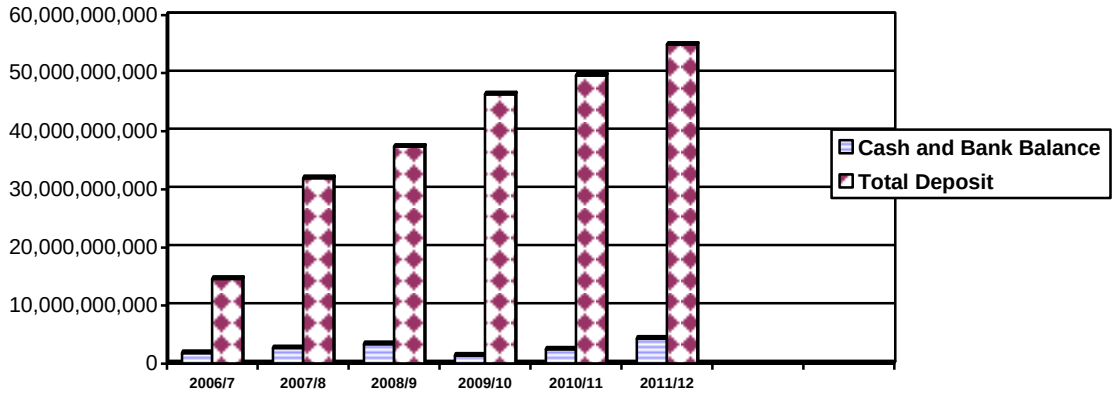
Cash and Bank balance to total deposit ratio of NABIL

Year	Cash and Bank Balance	Total Deposit	Ratio
2006/07	1824641316	14586608707	0.13
2007/08	2671141055	31915047467	0.08
2008/09	3372512471	37348255840	0.09
2009/10	1400097804	46340700628	0.03
2010/11	2458549590	49608376346	0.05
2011/12	4294046006	54905676208	0.08
Average Mean			0.08
Standard Deviation			0.09
Co-efficient of variation			112.5%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nabil Bank

Figure no. 6.1

Cash and Bank balance to total deposit ratio of NABIL



The table and figure shows that the cash and bank balance to total deposit ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.13, 0.08, 0.09, 0.03, 0.05 and 0.08 respectively. Its

average cash and bank balance to total deposit ratio is 0.08, standard deviation is 0.09 and co-efficient of variation is 112.5%.

Table no. 6.2

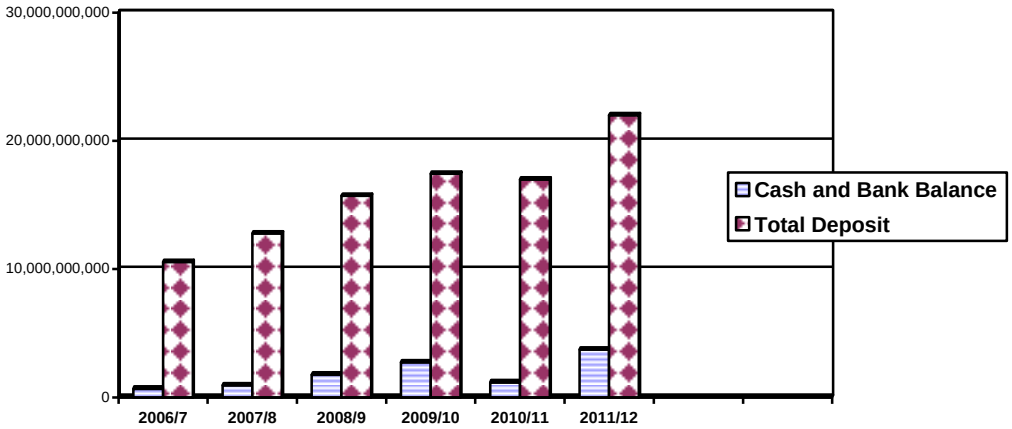
Cash and Bank balance to total deposit ratio of KBL

Year	Cash and Bank Balance	Total Deposit	Ratio
2006/07	672112951	10557091198	0.06
2007/08	933841677	12774281014	0.07
2008/09	1776298800	15710925263	0.11
2009/10	2723829299	17432253032	0.16
2010/11	1168524334	16986279457	0.07
2011/12	3722627593	21985198276	0.17
Average Mean			0.11
Standard Deviation			0.05
Co-efficient of variation			43.6%

Sources: Annual Reports (from 2006/07 to 2011/12) of Kumari Bank

Figure no. 6.2

Cash and Bank balance to total deposit ratio of KBL



The table and figure shows that the cash and bank balance to total deposit ratio of kBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11

and 2011/12 are 0.06, 0.07, 0.11, 0.16, 0.07 and 0.17 respectively. Its average cash and bank balance to total deposit ratio is 0.11, standard deviation is 0.05 and co-efficient of variation is 43.6%.

Table no. 6.3

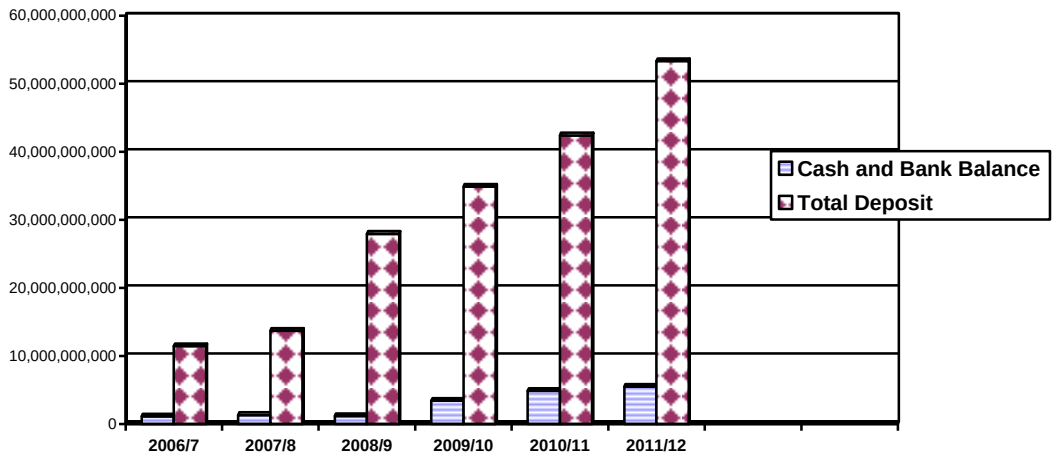
Cash and Bank balance to total deposit ratio of NSBL

Year	Cash and Bank Balance	Total Deposit	Ratio
2006/07	1122690227	11445286030	0.1
2007/08	1342960326	13715394960	0.1
2008/09	1176439838	27957220794	0.04
2009/10	3441261477	34896424201	0.1
2010/11	4877825858	42415443294	0.12
2011/12	5508382496	53337264193	0.1
Average Mean			0.09
Standard Deviation			0.03
Co-efficient of variation			29.4%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nepal SBI Bank

Figure no. 6.3

Cash and Bank balance to total deposit ratio of NSBL

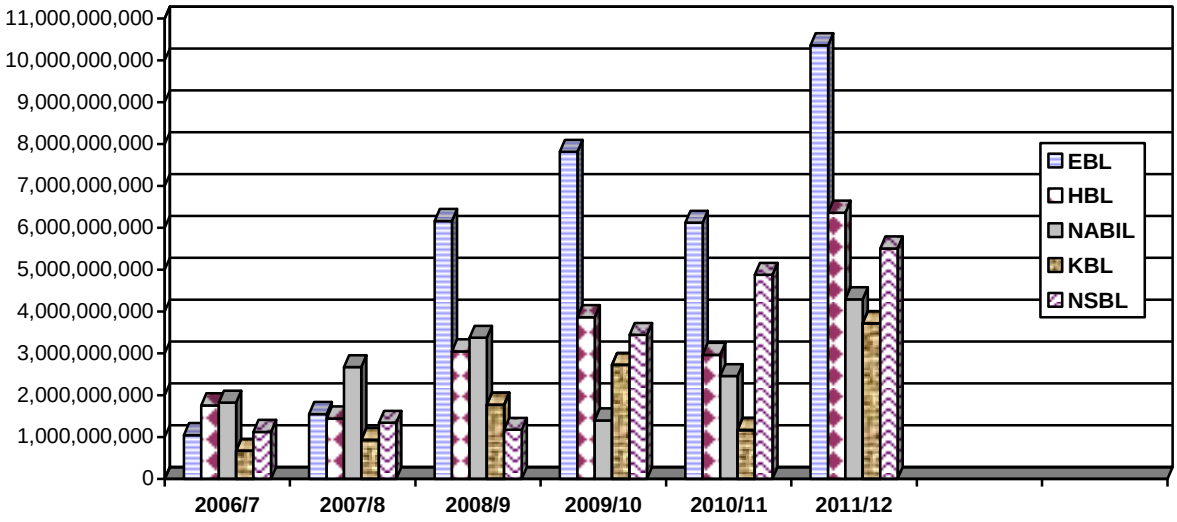


The table and figure shows that the cash and bank balance to total deposit

ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.1, 0.1, 0.04, 0.1, 0.12 and 0.1 respectively. Its average cash and bank balance to total deposit ratio is 0.09, standard deviation is 0.03 and co-efficient of variation is 29.4%.

Figure 6.4

Cash and Bank Balance to total deposit ratio



The table and figure shows that the cash and bank balance to total deposit ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.1, 0.11, 0.19,0.21, 0.15 and 0.21 respectively. Its average cash and bank balance to total deposit ratio is 0.16, standard deviation is 0.05 and co-efficient of variation is 29.97%.

The table and figure shows that the cash and bank balance to total deposit ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.06, 0.05, 0.09, 0.1, 0.07 and 0.13 respectively. Its average cash and bank balance to total deposit ratio is 0.08, standard deviation is 0.03 and co-efficient of variation is 43.3%.

The table and figure shows that the cash and bank balance to total deposit ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.13, 0.08, 0.09, 0.03, 0.05 and 0.08 respectively. Its average cash and bank balance to total deposit ratio is 0.08, standard deviation is 0.09 and co-efficient of variation is 112.5%.

The table and figure shows that the cash and bank balance to total deposit ratio of kBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.06, 0.07, 0.11, 0.16, 0.07 and 0.17 respectively. Its average cash and bank balance to total deposit ratio is 0.11, standard deviation is 0.05 and co-efficient of variation is 43.6%.

The table and figure shows that the cash and bank balance to total deposit ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 0.1, 0.1, 0.04, 0.1, 0.12 and 0.1 respectively. Its average cash and bank balance to total deposit ratio is 0.09, standard deviation is 0.03 and co-efficient of variation is 29.4%.

The figure shows that the higher Cash and Bank balance to total deposit ratio of EBL shows that it has been maintaining comparatively high cash and Bank balance from the total deposits as compared to HBL, NABIL , KBL and NSBL. On the other hand, the lower C.V. of NSBL shows that it is more consistent in maintaining the cash and bank balance from total deposits of the customers.

4.2 Profitability Ratio

4.2.1 Net Profit Ratio

Net Profit Ratio establishes the relationship between net profit and operating income. It is computed as under:

Table No. 6.5

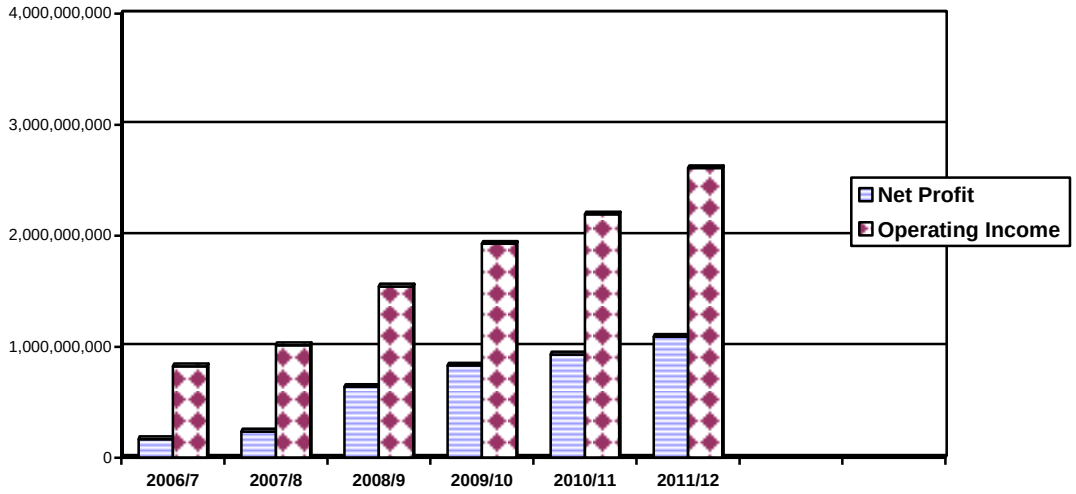
Net Profit Ratio of EBL

Year	Net Profit	Operating Income	Ratio
2006/07	168214611	824505685	20.4%
2007/08	237290936	1014648371	23.39%
2008/09	638732757	1544965598	41.34%
2009/10	831765632	1927976053	43.14%
2010/11	931303628	2192940003	42.47%
2011/12	1090564222	2609735240	41.79%
Average Mean			35.42%
Standard Deviation			9.62
Co-efficient of variation			27.16%

Sources: Annual Reports (from 2006/07 to 2011/12) of Everest Bank

Figure No. 6.5

Net Profit Ratio of EBL



The table and figure shows that the Net Profit ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 20.4%, 23.39%, 41.34%, 43.14%, 42.47% and 41.79% respectively. Its average Net Profit ratio is 35.42%, standard deviation is 9.62 and co-efficient of variation is 27.16%.

Table No. 6.6

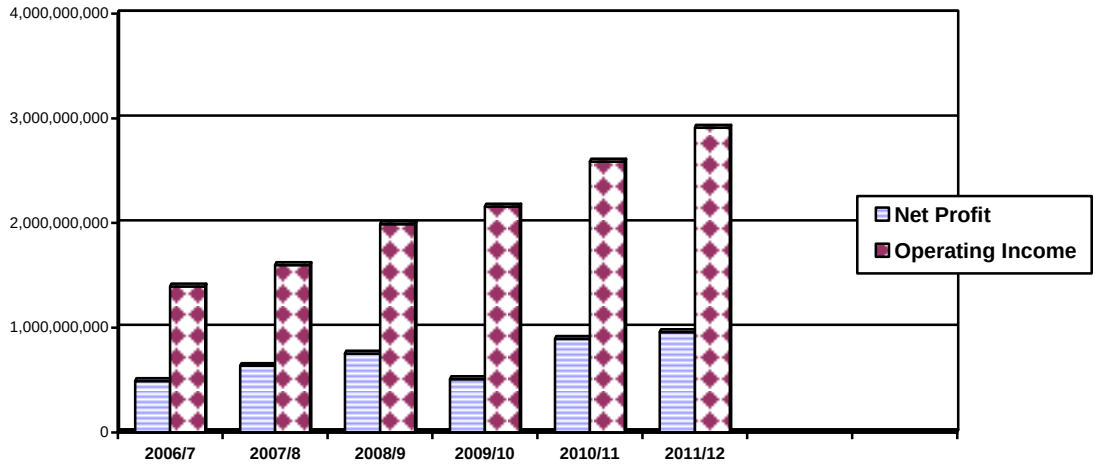
Net Profit Ratio of HBL

Year	Net Profit	Operating Income	Ratio
2006/07	491822905	1393361792	35.3%
2007/08	635868519	1597495036	39.8%
2008/09	752834735	1988047919	37.87%
2009/10	508798193	2157958409	23.58%
2010/11	893115143	2586743976	34.53%
2011/12	958638260	2911212795	32.93%
Average Mean			34%
StandardDeviation			5.17
Co-efficient of variation			15.2%

Sources: Annual Reports (from 2006/07 to 2011/12) of Himalayan Bank

Figure No. 6.6

Net Profit ratio of HBL



The table and figure shows that the Net Profit ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 35.3%, 39.8%, 37.87%, 23.58%, 34.53% and 32.93% respectively. Its average Net Profit ratio is 34%, standard deviation is 5.17 and co-efficient of variation is 15.2%.

Table No. 6.7

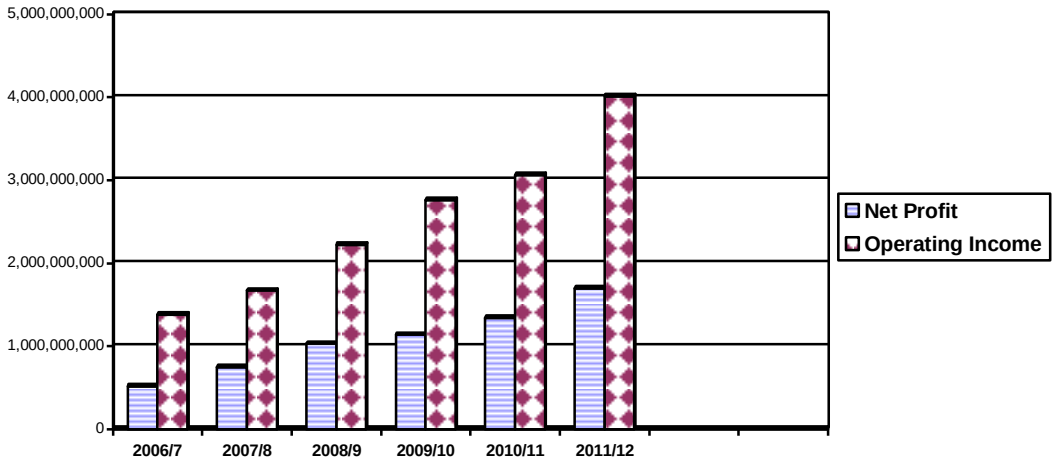
Net Profit ratio of NABIL

Year	Net Profit	Operating Income	Ratio
2006/07	520114085	1382002187	37.63%
2007/08	746468694	1670427262	44.69%
2008/09	1031053098	2220983026	46.42%
2009/10	1138570802	2764088060	41.19%
2010/11	1344179420	3061980958	43.9%
2011/12	1700375650	4014853041	42.35%
Average Mean			42.7%
Standard Deviation			2.81
Co-efficient of variation			6.58%

Sources: Annual Reports (from 2006/07 to 2011/12) of NABIL Bank

Figure No. 6.7

Net Profit ratio of NABIL



The table and figure shows that the Net Profit ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 37.63%, 44.69%, 46.42%, 41.19%, 43.9% and 42.35% respectively. Its average Net Profit ratio is 42.7%, standard deviation is 2.81 and co-efficient of variation is 6.58%.

Table No. 6.8

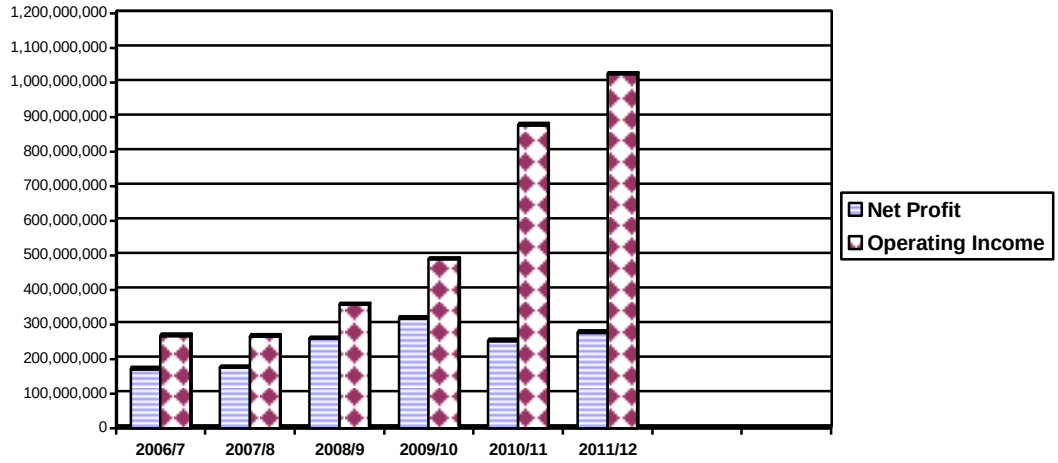
Net Profit ratio of KBL

Year	Net Profit	Operating Income	Ratio
2006/07	170262909	267297309	63.7%
2007/08	174930227	264881602	66.04%
2008/09	258379191	356482275	72.48%
2009/10	316542342	488061680	64.86%
2010/11	251236970	875302677	28.7%
2011/12	275504670	1022972035	26.93%
Average Mean			53.79%
Standard Deviation			18.58
Co-efficient of variation			34.54%

Sources: Annual Reports (from 2006/07 to 2011/12) of Kumari Bank

Figure No. 6.8

Net Profit ratio of KBL



The table and figure shows that the Net Profit ratio of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are.63.7%, 66.04%, 72.48%, 64.86%, 28.7% and 26.93% respectively. Its average Net Profit ratio is 53.79%, standard deviation is 18.58 and co-efficient of variation is 34.54%.

Table No. 6.9

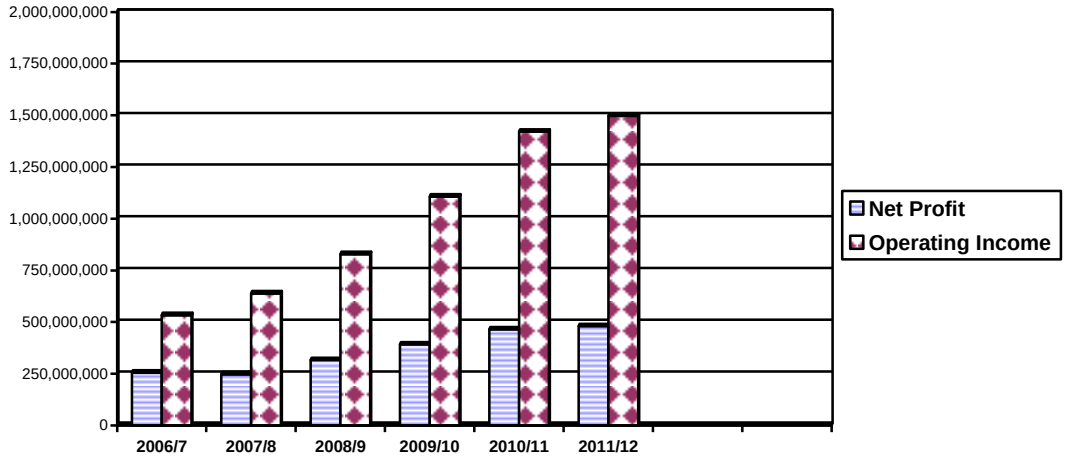
Net Profit ratio of NSBL

Year	Net Profit	Operating Income	Ratio
2006/07	254908844	533511488	47.78%
2007/08	247770758	638059332	38.83%
2008/09	316373495	828666471	38.18%
2009/10	391742119	1106827776	35.39%
2010/11	464564999	1421063570	32.69%
2011/12	480105493	1496936146	32.07%
Average Mean			37.44%
Standard Deviation			4.78
Co-efficient of variation			12.76%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nepal SBI Bank

Figure No. 6.9

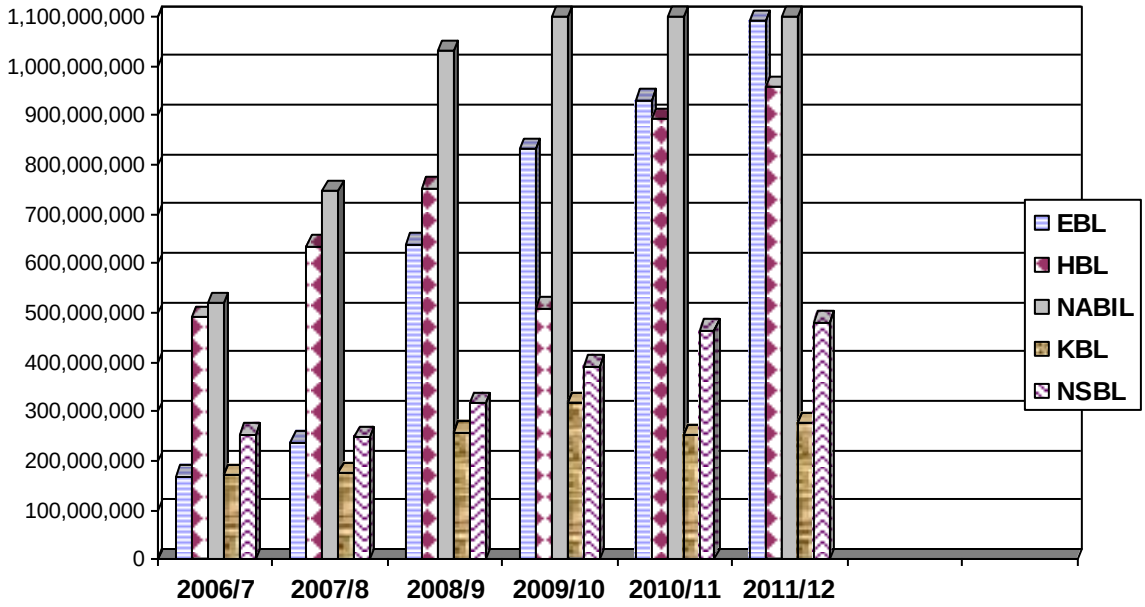
Net Profit ratio of NSBL



The table and figure shows that the Net Profit ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 47.78%, 38.83%, 38.18%, 35.39% , 32.69% and 32.07% respectively. Its average Net Profit ratio is 37.44%, standard deviation is 4.78 and co-efficient of variation is 12.76%.

Figure No. 7

Net Profit Ratio



The table and figure shows that the Net Profit ratio of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 20.4%, 23.39%, 41.34%, 43.14%, 42.47% and 41.79% respectively. Its average Net Profit ratio is 35.42%, standard deviation is 9.62 and co-efficient of variation is 27.16%.

The table and figure shows that the Net Profit ratio of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 35.3%, 39.8%, 37.87%, 23.58%, 34.53% and 32.93% respectively. Its average Net Profit ratio is 34%, standard deviation is 5.17 and co-efficient of variation is 15.2%.

The table and figure shows that the Net Profit ratio of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 37.63%, 44.69%, 46.42%, 41.19%, 43.9% and 42.35% respectively. Its

average Net Profit ratio is 42.7%, standard deviation is 2.81 and co-efficient of variation is 6.58%.

The table and figure shows that the Net Profit ratio of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are.63.7%, 66.04%, 72.48%, 64.86%, 28.7% and 26.93% respectively. Its average Net Profit ratio is 53.79%, standard deviation is 18.58 and co-efficient of variation is 34.54%.

The table and figure shows that the Net Profit ratio of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 47.78%, 38.83%, 38.18%, 35.39% , 32.69% and 32.07% respectively. Its average Net Profit ratio is 37.44%, standard deviation is 4.78 and co-efficient of variation is 12.76%.

The figure shows that the higher average net profit ratio of KBL shows that it has been earning high rate of profit continuously in the successive fiscal year as compared to EBL, HBL, NABIL , and NSBL. On the other hand, the lower c.v. of NABIL shows that it is more consistent in earning the profit than EBL, HBL, KBL and NSBL.

4.2.2 Return on Equity (ROE)

Return on equity establishes the relationship between net profit after tax and shareholder's equity. It is computed as under:

Table No. 7.1

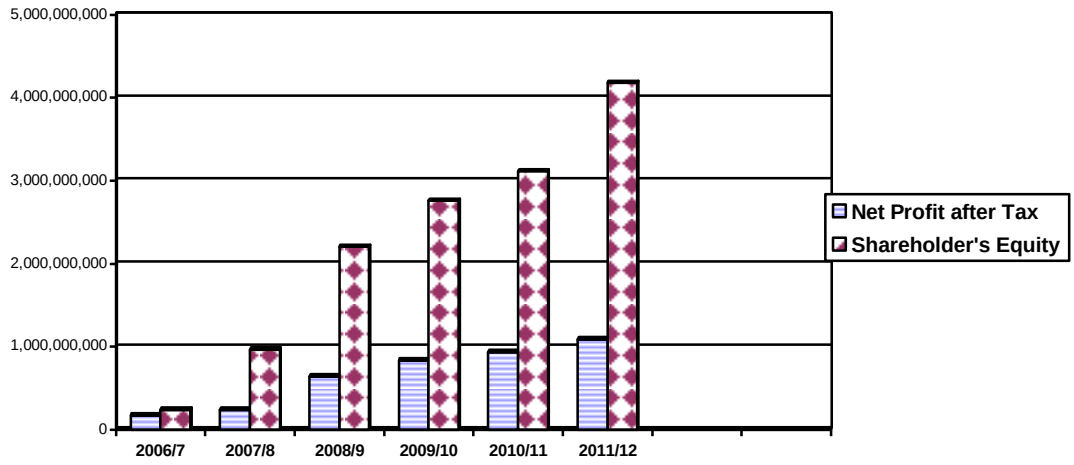
ROE of EBL

Year	Net Profit after tax	Shareholder's Equity	Ratio
2006/07	168214611	237290936	20.2%
2007/08	237290936	962808301	24.65%
2008/09	638732757	2203625055	28.99%
2009/10	831765632	2759137855	30.15%
2010/11	931303628	3113546056	29.91%
2011/12	1090564222	4177302887	26.11%
Average Mean			26.67
Standard Deviation			3.52
Co-efficient of Variation			13.19%

Sources: Annual Reports (from 2006/07 to 2011/12) of Everest Bank

Figure No. 7.1

ROE of EBL



The table and figure shows that the ROE of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 20.2%, 24.65%, 28.99%, 30.15% , 29.91% and 26.11% respectively. Its average ROE is 26.67%, standard deviation is 3.52 and co-efficient of variation is 13.19%.

Table No. 7.2

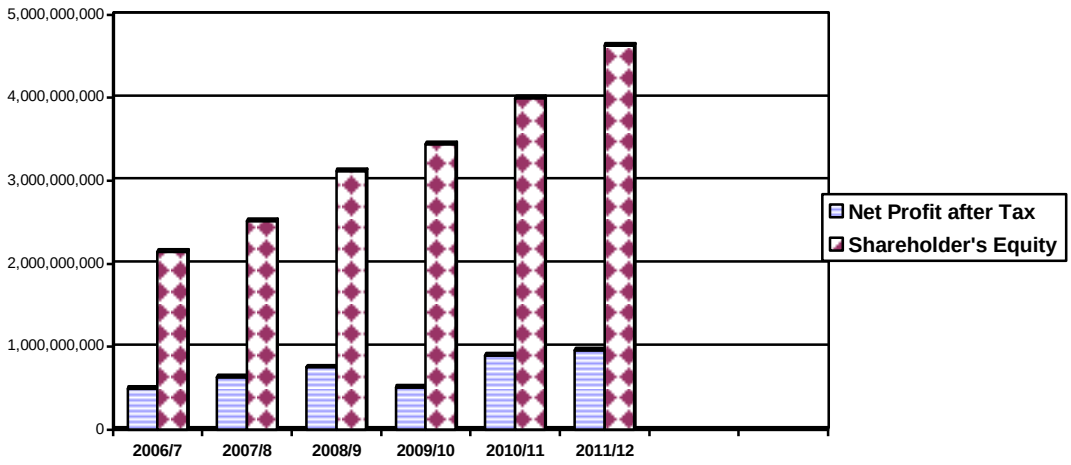
ROE of HBL

Year	Net Profit after tax	Shareholder's equity	Ratio
2006/07	491822905	2146499655	22.91%
2007/08	635868519	2512991602	25.3%
2008/09	752834735	3119880537	24.13%
2009/10	508798193	3439205130	14.79%
2010/11	893115143	3995478273	22.35%
2011/12	958638260	4632010133	20.7%
Average Mean			21.7%
Standard Deviation			3.4
Co-efficient of variation			15.68%

Sources: Annual Reports (from 2006/07 to 2011/12) of Himalayan Bank

Figure No. 7.2

ROE of HBL



The table and figure shows that the ROE of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 22.91%, 25.3%, 24.13%, 14.79% , 22.35% and 20.7% respectively. Its average ROE is 21.7%, standard deviation is 3.4 and co-efficient of variation is 15.68%.

Table No. 7.3

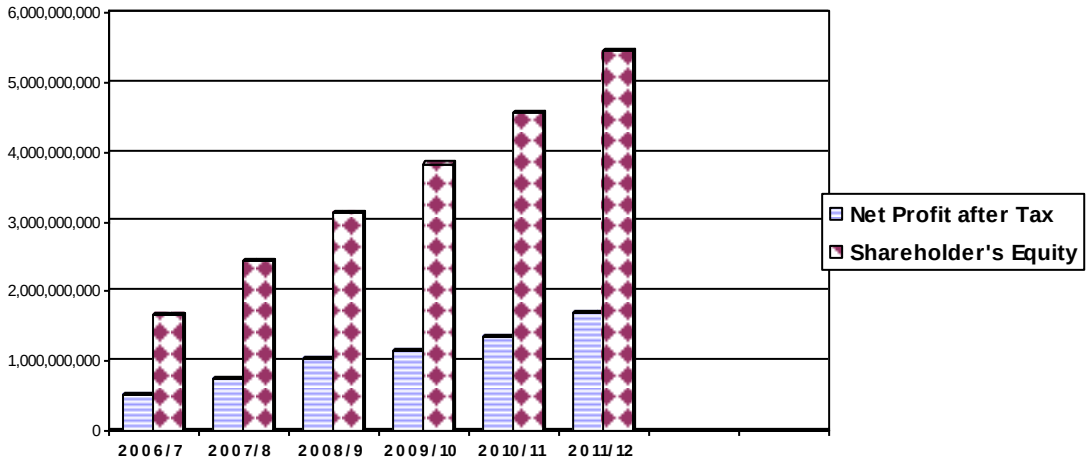
ROE of NABIL

Year	Net Profit after tax	Shareholder's equity	Ratio
2006/07	520114085	1657638305	31.38%
2007/08	746468694	2437198989	30.63%
2008/09	1031053098	3130240637	32.94%
2009/10	1138570802	3834225929	29.69%
2010/11	1344179420	4572056221	29.4%
2011/12	1700375650	5460524108	31.14%
Average Mean			30.86%
Standard Deviation			1.17
Co-efficient of variation			3.79%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nabil Bank

Figure No. 7.3

ROE of NABIL



The table and figure shows that the ROE of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 31.38%, 30.63%, 32.94%, 29.69% , 29.4% and 31.14% respectively. Its average ROE is 30.86%, standard deviation is 1.17 and co-efficient of variation is 3.79%.

Table No. 7.4

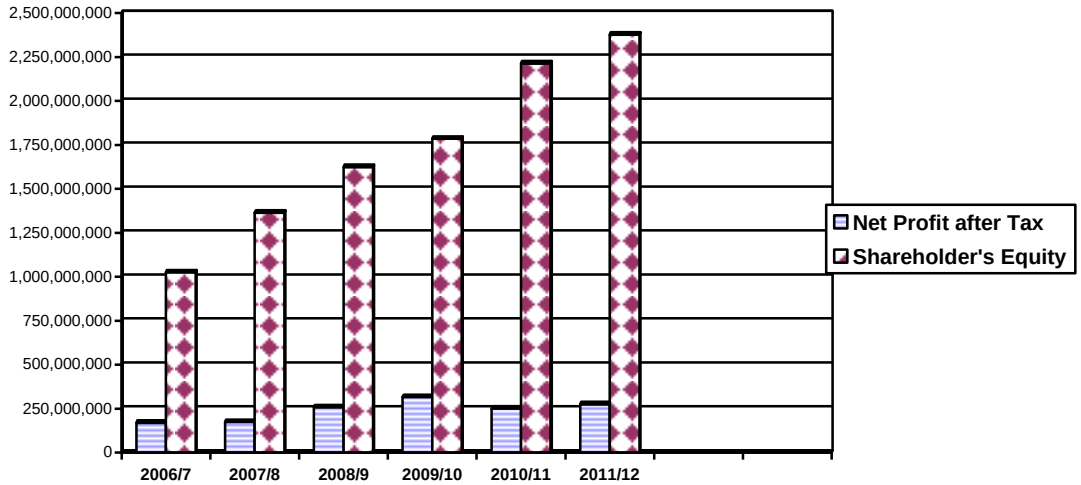
ROE of KBL

Year	Net Profit after tax	Shareholder's equity	Ratio
2006/07	170262909	1025630159	16.6%
2007/08	174930227	1364885269	12.82%
2008/09	258379191	1624952708	15.9%
2009/10	316542342	1785759048	17.73%
2010/11	251236970	2213836668	11.35%
2011/12	275504670	2377075338	11.59%
Average Mean			14.33%
Standard Deviation			0.99
Co-efficient of variation			

Sources: Annual Reports (from 2006/07 to 2011/12) of Kumari Bank

Figure No. 7.4

ROE of KBL



The table and figure shows that the ROE of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 16.6%, 12.82%, 15.9%, 17.73% , 11.35% and 11.59% respectively. Its average ROE is 14.33%, standard deviation is 0.99 and co-efficient of variation is 6.91%.

Table No. 7.5

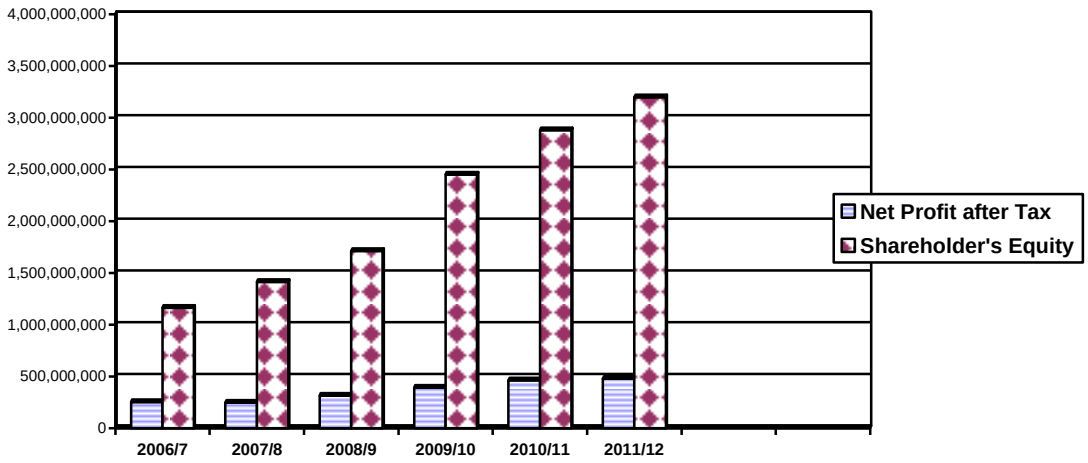
ROE of NSBL

Year	Net Profit after tax	Shareholder's equity	Ratio
2006/07	254908844	1163290851	
2007/08	247770758	1414644812	17.51%
2008/09	316373495	1712607195	18.47%
2009/10	391742119	2450554070	15.99%
2010/11	464564999	2879293150	16.13%
2011/12	480105493	3197458863	15.02%
Average Mean			17.51%
Standard Deviation			2.26
Co-efficient of Variation			12.92%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nepal SBI Bank

Figure No. 7.5

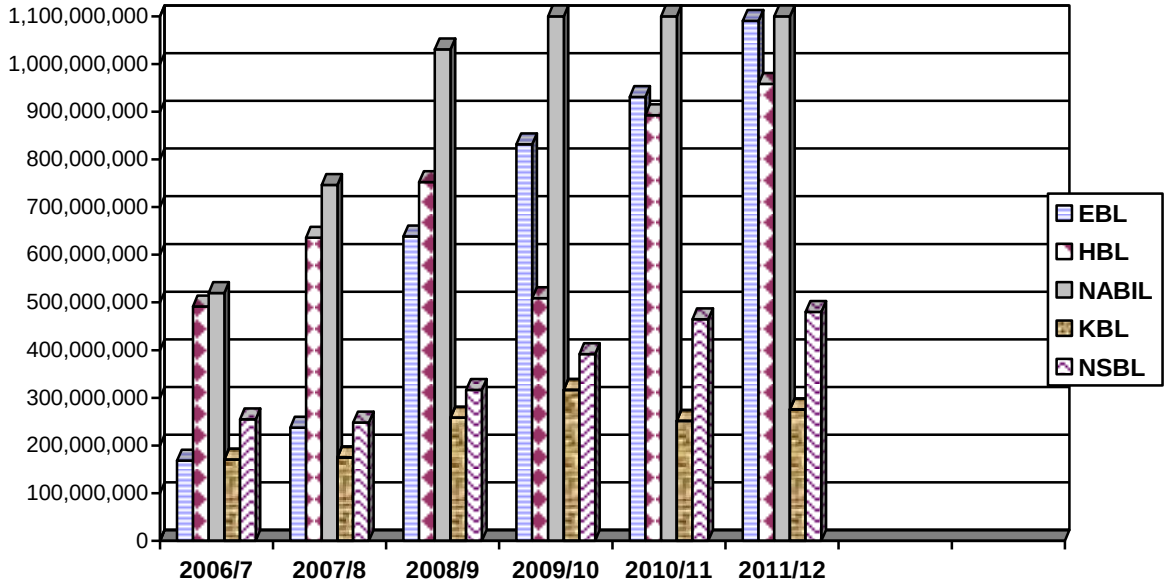
ROE of NSBL



The table and figure shows that the ROE of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 21.91%, 17.51%, 18.47%, 15.99% , 16.13% and 15.02% respectively. Its average ROE is 17.51%, standard deviation is 2.26 and co-efficient of variation is 12.92%.

Figure No. 7.6

ROE



The table and figure shows that the ROE of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 20.2%, 24.65%, 28.99%, 30.15% , 29.91% and 26.11% respectively. Its average ROE is 26.67%, standard deviation is 3.52 and co-efficient of variation is 13.19%.

The table and figure shows that the ROE of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 22.91%, 25.3%, 24.13%, 14.79% , 22.35% and 20.7% respectively. Its average ROE is 21.7%, standard deviation is 3.4 and co-efficient of variation is 15.68%.

The table and figure shows that the ROE of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 31.38%, 30.63%, 32.94%, 29.69% , 29.4% and 31.14% respectively. Its average ROE is 30.86%, standard deviation is 1.17 and co-efficient of variation is 3.79%.

The table and figure shows that the ROE of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 16.6%, 12.82%, 15.9%, 17.73% , 11.35% and 11.59% respectively. Its average ROE is 14.33%, standard deviation is 0.99 and co-efficient of variation is 6.91%.

The table and figure shows that the ROE of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 21.91%, 17.51%, 18.47%, 15.99% , 16.13% and 15.02% respectively. Its average ROE is 17.51%, standard deviation is 2.26 and co-efficient of variation is 12.92%.

The figure shows that the higher average ROE of NABIL shows that it has been utilizing the owner's investment as compared to EBL, HBL, KBL and NSBL. On the other hand, the lower C.V. of NABIL shows that it is more consistent in utilizing the owner's investment efficiently.

4.2.3 Return on Assets (ROA)

Return on Assets establishes the relationship between net profit after interest and total assets. It is computed as under:

Table No. 7.7

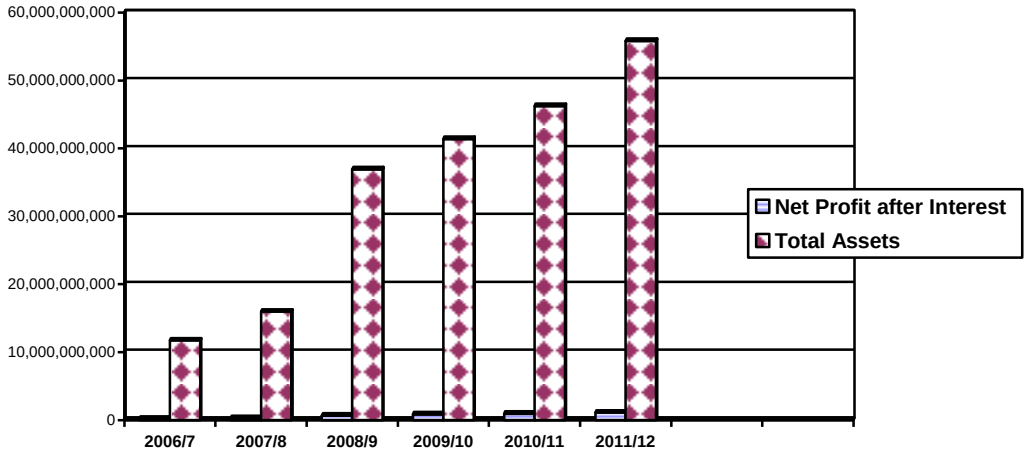
ROA of EBL

Year	Net Profit after interest	Total assets	Ratio
2006/07	171949241	11732516418	1.47%
2007/08	255290926	15959284687	1.6%
2008/09	638732757	36916848654	1.73%
2009/10	831765632	41382760711	2.01%
2010/11	931303628	46236212262	2.01%
2011/12	1090564222	55813129057	1.95%
Average Mean			1.8%
Standard Deviation			0.2
Co-effeicient of Variation			11.11%

Sources: Annual Reports (from 2006/07 to 2011/12) of Everest Bank

Figure No. 7.7

ROA of EBL



The table and figure shows that the ROA of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 1.47%, 1.6%, 1.73%, 2.01% , 2.01% and 1.95% respectively. Its average ROA is 1.8%, standard deviation is 0.2 and co-efficient of variation is 11.11%.

Table No. 7.8

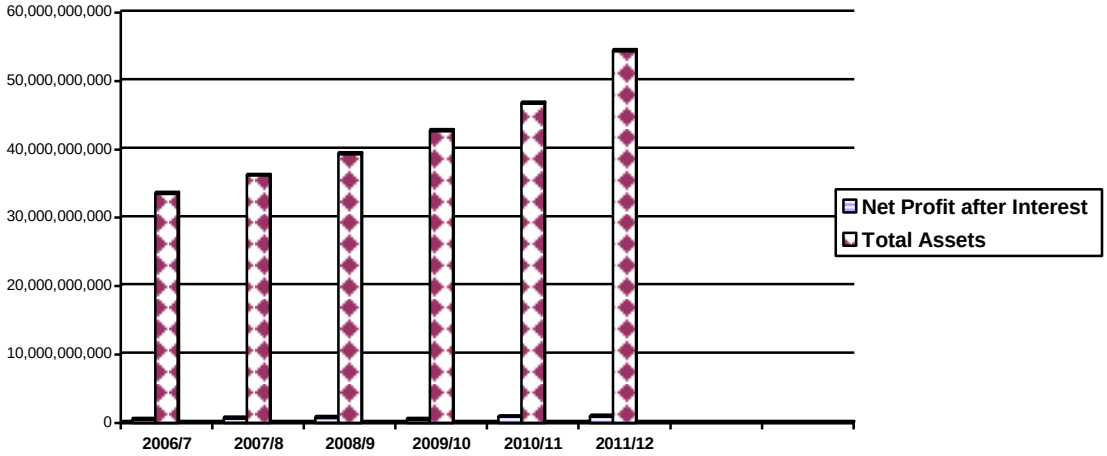
ROA of HBL

Year	Net Profit after interest	Total assets	Ratio
2006/07	491822905	33519141111	1.47%
2007/08	635868519	36175531637	1.76%
2008/09	752834735	39330131823	1.91%
2009/10	508798193	42717124613	1.19%
2010/11	893115143	46736203884	1.91%
2011/12	958638260	54364427882	1.76%
Average Mean			1.67%
Standard Deviation			0.26
Co-efficient of variation			15.84%

Sources: Annual Reports (from 2006/07 to 2011/12) of Himalayan Bank

Figure No. 7.8

ROA of HBL



The table and figure shows that the ROA of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 1.47%, 1.76%, 1.91%, 1.19% , 1.91% and 1.76% respectively. Its average ROA is 1.67%, standard deviation is 0.26 and co-efficient of variation is 15.84%.

Table No. 7.9

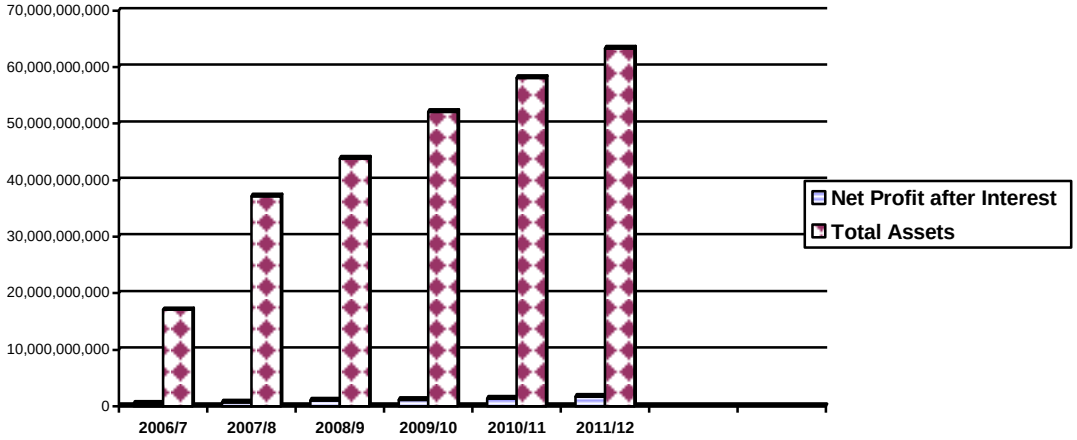
ROA of NABIL

Year	Net Profit	Operating Income	Ratio
2006/07	520114085	17064082093	3.05%
2007/08	746468694	37132759149	2.01%
2008/09	1031053098	43867397504	2.35%
2009/10	1138570802	52079725697	2.19%
2010/11	1344179420	58099619842	2.31%
2011/12	1700375650	63257372483	2.69%
Average Mean			2.43%
Standard Deviation			0.35
Co-efficient of variation			14.26%

Sources: Annual Reports (from 2006/07 to 2011/12) of NABIL Bank

Figure No. 7.9

ROA of NABIL



The table and figure shows that the ROA of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 3.05%, 2.01%, 2.35%, 2.19% , 2.31% and 2.69% respectively. Its average ROA is 2.43%, standard deviation is 0.35 and co-efficient of variation is 14.26 %.

Table No. 8

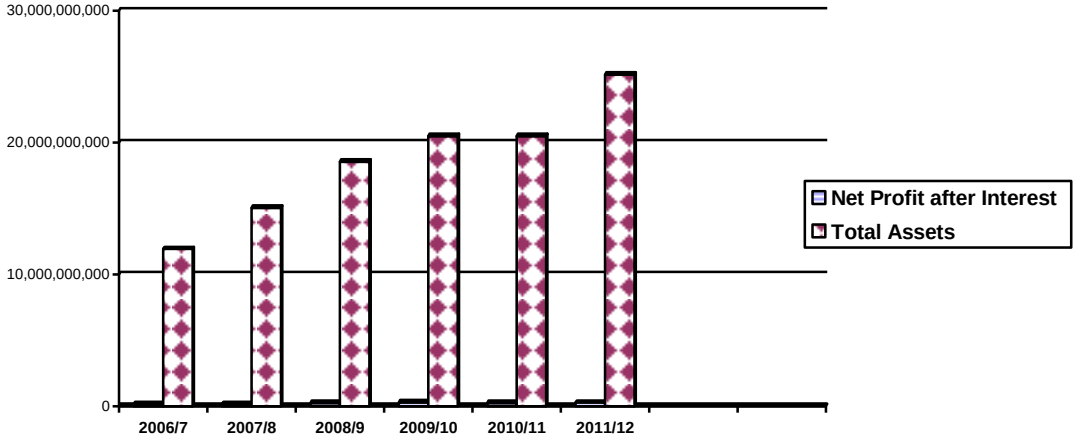
ROA of KBL

Year	Net Profit	Operating Income	Ratio
2006/07	170262909	11918311429	1.43%
2007/08	174930227	15036249428	1.16%
2008/09	258379191	18538565109	1.39%
2009/10	316542342	20485578742	1.55%
2010/11	251236970	20491785309	1.23%
2011/12	275504670	25131400971	1.1%
Average Mean			1.31%
Standard Deviation			0.26
Co-efficient of variation			20.2%

Sources: Annual Reports (from 2006/07 to 2011/12) Kumari Bank

Figure No. 8.1

ROA of KBL



The table and figure shows that the ROA of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 1.43%, 1.16%, 1.39%, 1.55% , 1.23% and 1.1% respectively. Its average ROA is 1.31%, standard deviation is 0.26 and co-efficient of variation is 20.2 %.

Table No. 8.2

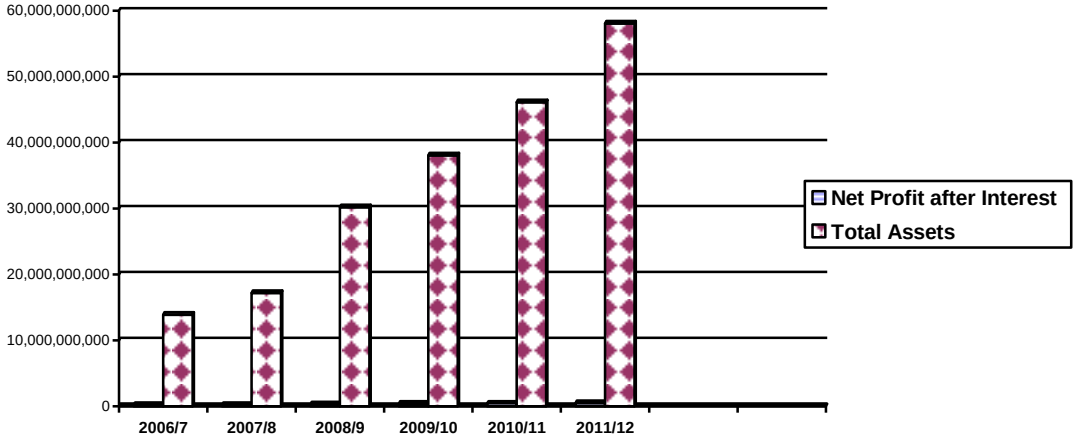
ROA of NSBL

Year	Net Profit	Operating Income	Ratio
2006/07	254908844	13901200559	1.83%
2007/08	247770758	17187446174	1.44%
2008/09	316373495	30166439549	1.05%
2009/10	391742119	38047679465	1.03%
2010/11	464564999	46088233975	1.01%
2011/12	480105493	58059707720	0.83%
Average Mean			1.2%
Standard Deviation			0.33
Co-efficient of variation			27.64%

Sources: Annual Reports (from 2006/07 to 2011/12) of Nepal SBI Bank

Figure No. 8.2

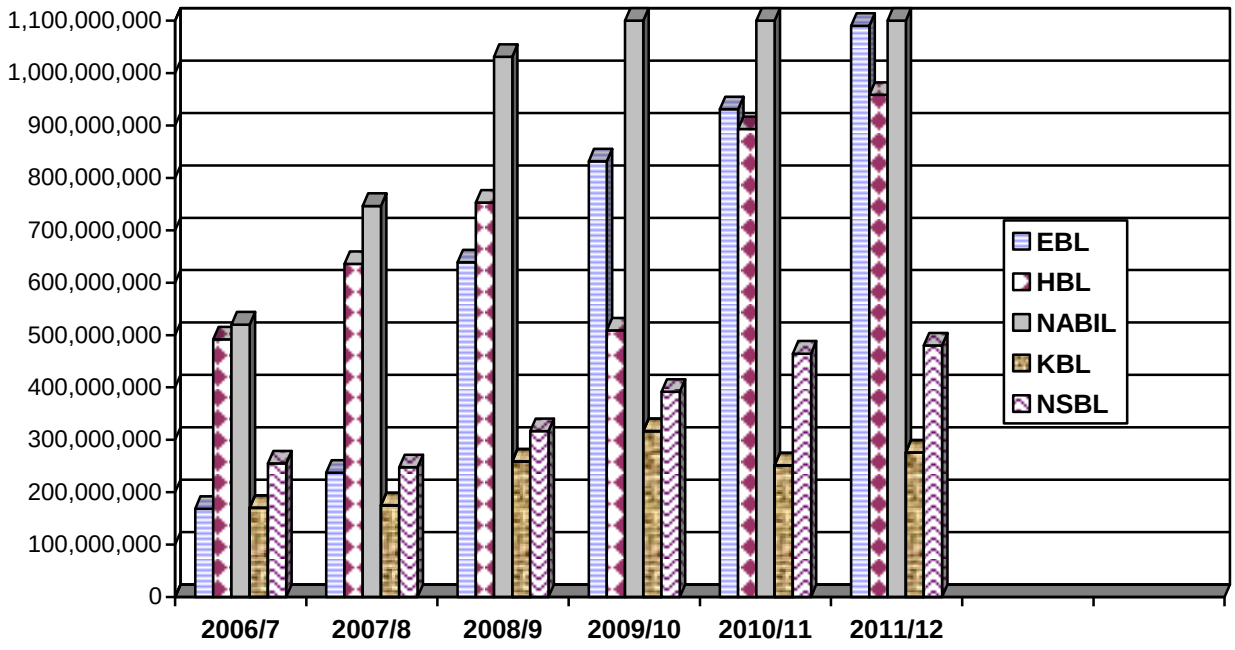
ROA of NSBL



The table and figure shows that the ROA of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 1.83%, 1.44%, 1.05%, 1.03% , 1.01% and 0.83% respectively. Its average ROA is 1.2%, standard deviation is 0.33 and co-efficient of variation is 27.64 %.

Figure no. 8.3

ROA



The table and figure shows that the ROA of EBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 1.47%, 1.6%, 1.73%, 2.01% , 2.01% and 1.95% respectively. Its average ROA is 1.8%, standard deviation is 0.2 and co-efficient of variation is 11.11%.

The table and figure shows that the ROA of HBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 1.47%, 1.76%, 1.91%, 1.19% , 1.91% and 1.76% respectively. Its average ROA is 1.67%, standard deviation is 0.26 and co-efficient of variation is 15.84%.

The table and figure shows that the ROA of NABIL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 3.05%, 2.01%, 2.35%, 2.19% , 2.31% and 2.69% respectively. Its average ROA is 2.43%, standard deviation is 0.35 and co-efficient of variation is 14.26 %.

The table and figure shows that the ROA of KBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 1.43%, 1.16%, 1.39%, 1.55% , 1.23% and 1.1% respectively. Its average ROA is 1.31%, standard deviation is 0.26 and co-efficient of variation is 20.2 %.

The table and figure shows that the ROA of NSBL in the FY 2006/07, FY 2007/08, FY 2008/09, 2009/10, 2010/11 and 2011/12 are 1.83%, 1.44%, 1.05%, 1.03% , 1.01% and 0.83% respectively. Its average ROA is 1.2%, standard deviation is 0.33 and co-efficient of variation is 27.64 %.

The figure shows that the higher average ROA of NABIL shows that it has been utilizing its overall resources in efficient way as compared to EBL, HBL, KBL and NSBL. On the other hand, the lower C.V. of EBL shows that it is more consistent in utilizing the overall resources efficiently.

4.2.4 SWOT Analysis

It is an analysis of organization's strengths, weaknesses, opportunities and threats in order to identify a strategic niche that the organization can exploit the SWOT analysis serves as the starting point of strategic plan formulation. Thus an attempt has been made regarding Swot analysis of 5 JVBs under study.

4.2.4.1 Strengths

They come from internal environment. It is inherent capacity which can be used to gain strategic advantage over competitors. The main strengths of all the 5 commercial Banks under study is that their employees are highly motivated, trained and equipped with modern and latest technologies. The general working environments and the services and facilities provided by these banks are highly appreciable. In fact, these Banks under study are the icons of the nation in the field of financial institutions. EBL, HBL, KBL, NABIL and NSBL all these 5 Banks have maintained a proper balance between liquidity and profitability, which also adds in their advantage. These Banks goodwill and prestige are so high that anyone can trust blindly simply in their names only. Moreover, all the financial and statistical ratios and tools used, applied and tested also suggests the same. Thus all these subjects may be regarded as one of the major strengths of EBL, HBL, KBL, NABIL and NSBL.

4.2.4.2 Weaknesses

They come from internal environment. It is inherent limitation which creates a strategic disadvantage over competitors. In the present context, these Banks are found depending and relying upon their reward and gift schemes to attract the customer's deposits. Such programs may affect negatively. Apart from it, these JVBs under study highly focuses their Banking transactions in urban and central areas only. Moreover, inconsistent dividend pay- out ratio is also one of their main disadvantages. Thus all these subjects may be regarded as the weaknesses of EBL, HBL, NABIL, KBL and NSBL.

4.2.4.3 Opportunities

They come from external environment. It is favorable in the environment. The end of conflict or war between Maoists and the government may be regarded as the favorable environment for the financial institutions. Moreover, the changing policies of the government and the central Banks have also spread diversified opportunities for these banks under study. The development of infrastructures, transformation and communications etc. in the rural areas by the government are the opportunities of these Banks to operate their Banking transactions in such areas. Moreover, having high liquidity within the Bank and having high deposits of customers in their vault, these Banks under study are always in a better position to make some huge investments in productive and profitable sectors. Thus, all these subjects add as opportunities of EBL, HBL, KBL, NABIL and NSBL.

4.2.4.4 Threats

They come from external environment. It is an unfavorable position in the environment. The political instability and emerging of violence and nuisance within the country has negatively affected and threatened the financial institutions. Moreover, the rapid growth and emergence of different kinds of financial institutions such as Banks, development Banks, Finance Companies, Co- operative organizations are seen as the competitors for these three Banks under study. However, the Banks established under foreign joint investments are giving big challenges to these Banks. In this era of cut - throat competition, a minor mistake or policy below the standard than other Banks may cost high for these Banks. Moreover, the adoption of new and modern technologies using systematic and scientific work procedures, better and increasing the services and facilities by other Banks etc. also creates a kind of threats for EBL, HBL, KBL, NABIL and NSBL.

4.3 Major Findings of the study

- The average current ratio of EBL, HBL, NABIL KBL and NSBL are 5.6, 3.66, 3.79, 5.5 and 6.28 respectively. Moreover, the C.V of such Banks is 36.33%, 24.28%, 29.55%, 54.76% and 21.72% respectively. It shows NSBL is more consistent in maintaining the current ratio among the other 4 Banks.

- The average quick ratio of EBL, HBL, NABIL KBL and NSBL are 5.48, 2.81, 2.3, 5.4 and 5.82 respectively. It shows NSBL is in a better position of liquidity in terms of quick ratio as compared to the other 4 Banks whereas, the position of NABIL seems to be week on such regard

- The average cash and Bank Balance to current assets ratio of EBL, HBL , NABIL KBL and NSBL are 0.91, 0.78, 0.62, 0.86 and 0.92 respectively. It shows NSBL is in a better position of liquidity as compared to the other 4 Banks.

- The average cash and Bank Balance to total deposit ratio of EBL, HBL, NABIL, KBL and NSBL are 0.16, 0.08, 0.08, 0.11 and 0.09 respectively. It shows EBL indicates the adequate cash and Bank Balance to meet the unexpected as well as heavy withdrawal of deposits.

- The average net profit ratio of EBL, HBL, NABIL, KBL and NSBL are 35.42%, 34%, 42.7%, 53.79% and 37.44% respectively. It shows that KBL is comparatively earning higher rate of profit than EBL, HBL, NABIL and NSBL.

- The average ROE of EBL, HBL, NABIL, KBL and NSBL are 26.67%, 21.7%, 30.86%, 14.33% and 17.51% respectively. It reveals that NABIL

has been efficiently utilizing the owner's investment comparatively better than EBL, HBL, KBL and NSBL.

- The average ROA of EBL, HBL, NABIL, KBL and NSBL are 1.8%, 1.67%, 2.43%, 1.31% and 1.2% respectively. The higher mean ratio of NABIL states that NABIL has been able to utilize its overall resources in efficient way in comparison with EBL and HBL, KBL and NSBL during the study period. The high ratio also reflects the success of NABIL's management.

- The analysis of different financial and statistical tools clearly shows that NSBL is best, healthier and sound Bank than EBL, HBL, KBL and NABIL on almost every aspect of the study. It reveals that NSBL has maintained a proper balance between liquidity and profitability. Due to the proper equilibrium between the liquidity and profitability, NSBL has clearly dominated the race as compared of EBL, HBL, NABIL and NSBL. But it does not imply that other Banks have failed to maintain the proper balance between the liquidity and profitability but comparatively less or below than NSBL.

CHAPTER V
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary

This study has been prepared to know about the tradeoff between liquidity and profitability position of EBL, HBL, NABIL, KBL andNSBL for the purpose of analysis and evaluation of different financial statistical tools have been used. Here, financial tools include liquidity ratio and profitability ratio whereas, statistical tools include average mean, standard deviation and co-efficient of variation .The data that have been analyzed by such financial and statistical tool include from FY 2006/07, 2007/8 to FY 2011/12. For the systematic analysis of study, chapter plan have been made.

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. Third chapter deals with the research methodology that has been used to evaluate the liquidity and profitability position of the 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.

5.2 Conclusions

The growth of financial sector in Nepal is much better compared to the other sectors in the country. The decade long conflict has had its toll on every sector including the financial sector. Despite the conflict, private commercial banks continued growing. It is this very growth and many other reasons that have attracted investors towards the financial sector. There are a sizeable number of commercial banks, finance companies and co-operative Banks in the country

although bulk of the loan and deposit portfolio remains with private sector commercial Banks.

- The financial sector is supposed to be one of the growth engines of a country's economy.

- It plays a significant role in the promotion of economic growth, private sector development and poverty reduction.

- The concentration of private Banks has been more in urban areas than rural parts of the country. This would have been understandable during the conflict period where each bank was looking forward to being secure and the staffs were looking for survival. A year since the restoration of peace in the country.

- The banking services expansion still is confined to urban areas. Private Banks seem to be hesitant to go to rural or even sub-urban areas to open up branches.

- Some of the valid reasons for private Banks not going into suburbs and rural parts of the country could be lack of collateral, lack of information, lack of quality manpower, lack of knowledge and skills, lack of efficient management and promoter's lack of formal education, lack of technology etc.

- Digging deeper into the loan portfolios of private Banks, one can easily make out that the primary focus has been on big size corporate loans. Only a small portion of the loan portfolios could be seen to have been going to the small and medium sized enterprises, popularly known as SMEs.

- The big corporate accounts , compared to small accounts enjoy lower interest rates- the reason being a sheer lack of pricing know-how of the private Banks. The smaller accounts on the other hand are paying higher interest rates even if their risk of going default in much lower.

- This 'high-risk' perception of private Banks about SMEs is one of the primary reasons private banks do not venture branches in suburbs and rural parts of Nepal.

- On the basis of current ratio and quick ratio, the liquidity position of NSBL is comparatively better than EBL, HBL, NABIL and KBL whereas, on the basis of cash and Bank balance to current deposit ratio and cash and bank balance to current deposit ratio and cash and Bank balance to total deposit ratio, the liquidity position of NSBL and EBL seems to be more sound than HBL, NABIL and KBL.

- The average net profit ratio, ROE and ROA of KBL and NABIL are a far better bank than other banks in almost every aspect that have been analyzed and evaluated in the study.

- Although the banks are reporting of study profits, the banks have a tendency to hide bad loans by restructuring them t show good performance. In order to check such practice, the central bank has announced a new measure in its monetary policy, which requires all auditors to make long - time guidelines. The effort helps to trace the real situation of the banks so that the NRB could take corrective measures in time.

- In the present context, in order to attract the customers towards the Bank for higher deposit collections, various kinds of reward programs have been

practiced by the Banks. Such kinds of programs may have brought negative impacts in the different field of society.

- Thus, in order to avoid it, and maintain favorable economic environment, the central Banks has imposed restrictions on lucky draws, gifts and reward programs being carried out by banks and financial institutions to attract deposit.

- NRB, issuing a circulation, has made arrangement not to carry out any gift and reward programs in order to make deposit collection attractive. NRB has, however, provided time up to the month of Asar 2065 B.S. to end such programs that have been carried out by the Banks and financial institutions.

- The JVBs under study are found that they pay their amount of time of their performance, business growth rate, asset quality and governance practices. Apart from it, these Banks also do consider in their market reputation, diversified service range, rate of return provided to their shareholders etc. On the basis of such kinds of activities, JVBs are often and frequently named / awarded Bank of the year.

- The JVBs are found more superior and far ahead than other local commercial Banks operating within the country.

- The JVBs are fully equipped with all kinds of modern and latest technologies.

- They are always spending their greater time in upgrading the technologies so the customers can enjoy and have greater amount of satisfaction with the attachment with the bank.

- On the other hand, the local commercial Banks are still in the emerging trend in regard to modern and latest technologies. But it does not mean that these local commercial Banks are out of reach of upgraded technologies.

- They are adopting new technologies to facilitate their customers but one can conclude that they are comparatively behind the JVBs in respect to technologies.

- The adoption of new technologies and greater amount of facilities and services has certainly increased the life standard of people.

5.3 Recommendations

- There is a direct effect of current state of political instability of our country in the field of commercial and financial situation.

- Due to the violating environment in the country, people have not been able to mobilize and utilize the resources.

- Most of the commercial Banks have been struggling against the economic crisis. Despite such conditions, it is found that the JVBs under this study are running on profit for the period 2006/07 to 2011/12. Thus, all these JVBs should be appreciated for their banking transactions inspire of the present critical situation.

- Since, the average current ratio and quick ratio of HBL and NABIL are comparatively lower than the other 3 JVBs under study, but not below the standard rate, so HBL and NABIL is suggested to increase its liquidity position in terms of cash & Bank Balance from the deposits . Thus NABIL is advised to be more consistent under this regard.

- The Banks are found that the saving from the rural communities is neglected, without which they can't contribute much to the economic development of the country.

- Thus, these JVBs under study are suggested to open their branches in the rural areas too and provide their services which will consequently be helpful for the upliftment of the nation.

- Since, Nepal have fixed exchange rate regime with India , thus, it is suggested to the entire financial institutions within the country including these 3 JVBs under study to limit because at the present scenario of inter-relation between Nepali economy with India's , Nepal would lose if it floats its currency.

- The Bank should give continuity in providing both conceptual and practical training to the staff to enhance their knowledge, skill and competency level.

- The Bank should remain consistently vigilant in enhancing their moral and motivation.

- Similarly, the Bank should enhance effectiveness, efficiency and proper coordination of its departmental tasks by continuously reviewing its structural design in accordance with the need of the changing time and situation.

- Since NRB already stated that it will impose restrictions on lucky draws and gifts in the near future, thus, all these JVBs under study are recommended to close down all its reward programs immediately as soon as possible.

- Moreover, these Banks are suggested to come up with other kinds of modern and latest facilities and services to attract the customers' deposit rather than conducting reward programs.

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

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APPENDIX - 1

Everest Bank Ltd
Balance Sheet

Capital& Liabilities	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Share Capital	45000000	831400000	1030467300	1279607490	1391570439	1761126410
2.Reserves and Funds	157824701	1089837580	1479530365	1479530365	1721975617	2416176477
3.Debentures and Bonds	_	300000000	300000000	300000000	300000000	_
4.Borrowing Outstanding	_	_	404600000	404600000	482000000	_
5.Deposit Liabilities	_	23976298535	36932310008	36932310008	41127914339	50006100272
6.Bills Payable	_	49429700	145514679	145514679	49716572	692398816
7.Proposed Dividend Payable	_	140790370	276252832	276252832	576897427	30646879
8.Income Tax Liabilities	_	41143107	(1136458)	(1136458)	26900414	9297074
9.Other liabilities	842323194	720443592	566081795	566081795	559237454	897383129
Total Capital and Liabilities	**1450157895**	**27149342884**	**41382760711**	**41382760711**	**46236212262**	**55813129057**

Assets	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Cash Balance	128757118	822989425	944695793	1091500407	1048998721	1700991770
2. Balance with Nepal Rastra Bank	503047813	1080914554	4787163541	5625113849	4706320590	8159753523
3 Balance with Banks/Financial Institution	_	764067851	432511829	1102200747	367543641	502561014
4. Money at Call. and Short Notice	187445000	346000000	_	_	_	_
5. . Investment	_	5059557544	5948480273	5008307589	7743928321	7863627165
6. . Loans, Advances and Bills Purchase	_	18339085562	23884673616	27556356032	31057691462	35910974673
7. Fixed Assets	_	360512480	427157451	463094391	460258735	547925679
8. . Non Banking Assets	_	_	_	_	_	_
9. Other Assets	2511655999	376215468	492166151	536187696	851470792	1127295233

Total assets	**9608570861**	**27149342884**	**36916848654**	**41382760711**	**46236470792**	**46236212262**

APPENDIX - 2

Everest Bank Ltd
Profit & Loss Account

partiCulars	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Interest Income	657249073	1548657132	2186814992	3102451484	4331026087	4959998415
2.Interest Expenses	_	632609264	1012874353	1572790306	2535875552	2873334682
Net Interest Income	**657249073**	**916047868**	**1173940639**	**1529661178**	**1795150535**	**2086663733**
3.Commission and Discount	74331079	150264074	202094446	208123481	203468424	233569801
4. Other Operating Income	_	79133767	106403694	142311427	148061979	179822385
5. Exchange Fluctuation Income	27793563	64452378	62526819	47879967	46259065	109679321
Total operating income	**102124642**	**1209898087**	**1544965598**	**1927976053**	**2192940003**	**2609735240**
6. Staff Expenses	157957084	157957084	186919870	226364009	293130567	352050004
7. Other operating expenses	233766645	233766645	292010522	352511231	383112054	467292948
8.Exchange fluctuation Loss	_	_	_	_	_	_
Operating profit before provision for possible losses	**391723729**	**818174358**	**1066035206**	**1349100813**	**1516697382**	**1790392288**
9. Provision for possible Losses	_	(99340505)	93084880	77010625	(98299482)	(252054098)
Operating Profit	**391723729**	**718833853**	**972950326**	**1272090188**	**1418397900**	**1538338190**

10.Non Operating income/ (expense)	4519287	4519287	5005256	12338972	1433385	25155849
11.Loan loss provision written back	20201067	20201067	8044170	83553461	56337478	150348539
Profit from regular activities	**743554208**	**743554208**	**985999752**	**1367982621**	**1476168763**	**1713842578**
12.Profit /Loss from extraordinary activities	(18998727)	(18998727)	(5549170)	(61192476)	(12051522)	_
Net profit after considering all activities	**724555481**	**724555481**	**980450582**	**1306790145**	**1464117241**	**1713842578**
13.Provision for staff bonus	65868681	65868681	89131871	118799104	133101567	155803871
14.Provision for income tax	_	_	_	_	_	_
*Current year's	216913302	216913302	276864301	357020130	427531909	478355956
*Upto previous year	_	(9445115)	_	_	560247	_
*Deferred tax	_	_	(24278347)	(794721)	(28380110)	(10881471)
Net profit/loss	**85300000**	**451218613**	**638732757**	**831765632**	**931303628**	**1090564222**

APPENDIX - 3

Himalayan Bank Ltd
Balance Sheet

Capital& Liabilities	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Share Capital	810810000	1013512500	1216215000	2000000000	2400000000	2760000000
2.Reserves and Funds	1335689655	1499479102	1903665537	1439205130	1595478273	1872010133
3.Debentures and Bonds	360000000	860000000	500000000	500000000	500000000	500000000
4.Borrowing Outstanding	235967811	83177973	_	_	10000000	_

5.Deposit Liabilities	30048417756	31842789356	34681345179	37611202274	40920627030	47730993909
6.Bills Payable	91303206	102669796	113509140	216158879	31655586	19003372
7.Proposed Dividend Payable	130939748	263076319	162096954	189473600	336842000	322106400
8.Income Tax Liabilities	11913476	19131036	10163115	_	_	_
9.Other liabilities	494099459	491695555	733327144	761084730	941600995	1160314068
Total Capital and Liabilities	**33519141111**	**36175531637**	**39320322069**	**42717124613**	**46736203884**	**54364427882**

Assets	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Cash Balance	177242226	278183489	473759695	514223569	632046156	951333515
2. Balance with Nepal Rastra Bank	1272543067	935841697	2328405821	2604790901	1390625787	3979163789
3 Balance with Banks/Financial Institution	307555959	234117704	246361272	747476214	941979378	1431798854
4. Money at Call. and Short Notice	1710023859	518529500	1170793650	308840000	734000000	264600000
5. . Investment	11822984558	13340176785	8710690646	8444910165	8769938671	10031580497
6. . Loans, Advances and Bills Purchase	16997997046	19497520482	24793155269	27980628760	31566976755	34965433862
7. Fixed Assets	574060430	726068462	952196395	1061870757	1187493049	1305364357
8. . Non Banking Assets	12766060	10306683	22694688	_	_	_
9. Other Assets	6433967906	634786835	62264633	1054384247	1513144088	1435153008
Total assets	**33519141111**	**36175531637**	**39320322069**	**42717124613**	**46736203884**	**54364427882**

APPENDIX - 4

Himalayan Bank Ltd
Profit & Loss Account

particulars	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Interest Income	1775582617	1963647472	2342198179	3148605196	4326887323	4724887323
2.Interest Expenses	767411247	823744838	934778015	1553530687	2414807243	2816441404

Net Interest Income	**1008171370**	**1139902634**	**1407420164**	**1595074509**	**1911333345**	**1908445919**
3.Commission and Discount	193224228	202888358	284302277	270258732	350365112	510840279
4. Other Operating Income	40328872	62103241	46342872	112346425	129516981	182028635
5. Exchange Fluctuation Income	151637322	192600803	249982606	180278743	195528538	309897962
Total operating income	**1393361792**	**1597495036**	**1988047919**	**2157958409**	**2586743976**	**2911212795**
6. Staff Expenses	272225308	307528289	360980641	414983894	517591827	634228832
7. Other operating expenses	341561021	329005633	398316566	471102966	582209813	714436436
8.Exchange fluctuation Loss	_	_	_	_	_	_
Operating profit before provision for possible losses	**779575463**	**960961114**	**1228750712**	**1271871549**	**1486942336**	**1562547527**
9. Provision for possible Losses	90688827	58431489	68805514	692640089	471728863	505491167
Operating Profit	**68886636**	**902529625**	**1159945198**	**579231460**	**1015213473**	**1057056360**
10.Non Operating income/ (expense)	3493278	9700477	3810145	12382440	15855933	8005610
11.Loan loss provision written back	412654152	184106852	19484655	265542038	228145590	859976635
Profit from regular activities	**1105034066**	**1096336954**	**1183239998**	**857155938**	**1259214996**	**1925038605**
12.Profit /Loss from extraordinary activities	(315890702)	52614270	(9973406)	(25855926)	102292025	(397037895)
Net profit after considering all activities	**789143364**	**1043722737**	**1173266592**	**831300012**	**1361507021**	**1528000710**
13.Provision for staff	71740305	94883886	106660599	75572728	123773366	138909155

bonus						
14.Provision for income tax	717403059	948838851	313771258	246929091	344618512	430453295
*Current year's	225580154	312970332	340776052	246070406	338351341	450548218
*Upto previous year	_	_	568826	1454373	813229	377880
*Deferred tax	_	_	(27573620)	(595688)	5453942	(20472803)
Net profit/loss	**491822905**	**635868519**	**752834735**	**508798193**	**893115143**	**958638260**

APPENDIX - 5

Nabil Bank Ltd
Balance Sheet

Capital& Liabilities	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Share Capital	491654000	689216000	965747000	2028773600	2029769400	2435723280
2.Reserves and Funds	1565395000	1747982989	2164493637	1805452329	2542286821	3024800828
3.Non-controlling Interest	_	_	_	_	28917414	30336486
3.Debentures and Bonds	_	240000000	300000000	300000000	300000000	300000000
4.Borrowing Outstanding	882573000	1360000000	1681305000	74900000	1650599178	311080000
5.Deposit Liabilities	23342285000	31915047467	37348255840	46340700628	49608376346	54905676208
6.Bills Payable	83515000	238421890	463138615	425443908	415767753	179142358
7.Proposed Dividend Payable	509418000	437373004	361325024	434737200	608930820	811907760
8.Income Tax Liabilities	_	38776869	80232454	24904405	46529177	51106490
9.Other liabilities	378553000	465940930	502899934	644813627	868442933	1207599073
Total Capital and Liabilities	**27253393000**	**37132759149**	**43867397504**	**52079725697**	**58099619842**	**63257372483**

Assets	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**

1.Cash Balance	270407000	511426584	674395434	635986600	744592259	1050668504
2. Balance with Nepal Rastra Bank	1113415000	1829470769	2648596348	549454618	1473986407	3681980327
3 Balance with Banks/Financial Institution	16003000	330243702	49520689	214656586	239970924	(438602825)
4. Money at Call. and Short Notice	563533000	1952360700	552888297	3118144000	2452511778	826435677
5. . Investment	8945311000	9939771428	10826379001	13600916613	13003205527	14076850055
6. . Loans, Advances and Bills Purchase	15545779000	21365053318	27589933041	32268873283	38034097554	41605682634
7. Fixed Assets	286895000	598038998	660988986	781480397	941257815	894495291
8. . Non Banking Assets	_	_	_	_	_	_
9. Other Assets	512050000	606393650	864695708	910213600	1209997578	1559862820
Total assets	**27253393000**	**37132759149**	**43867397504**	**52079725697**	**58099619842**	**63257372483**

APPENDIX - 6

Nabil Bank Ltd
Profit & Loss Account

particulars	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Interest Income	1587759000	1978486196	2798486196	4047725656	5258269627	6145750888
2.Interest Expenses	555710000	1153280052	1153280052	1960107902	2946691281	3152940354
Net Interest Income	**1032049000**	**1645206144**	**1645206144**	**2087617754**	**2311578346**	**2992810534**
3.Commission and Discount	238183000	179693027	179693027	215481543	290855057	367676396
4. Other Operating Income	_	144164143	144164143	169548006	183444757	207295626
5. Exchange Fluctuation Income	209926000	251919712	251919712	291440756	276102798	447070485
Total operating income	**1480158000**	**2220983026**	**2220983026**	**2764088060**	**3061980958**	**4014853041**
6. Staff Expenses	240161000	339897913	339897913	367162384	455616099	505008894
7. Other operating	188183000	265158033	265158033	334668677	403992554	432880991

expenses						
8.Exchange fluctuation Loss	_	_	_	_	_	_
Operating profit before provision for possible losses	**1051813000**	**1615927080**	**1615927080**	**2062256999**	**2202372305**	**3076963156**
9. Provision for possible Losses	14206000	45722434	45722434	355829115	109470414	413948680
Operating Profit	**1037607000**	**1570204646**	**1570204646**	**1706427884**	**2092901891**	**2663014476**
10.Non Operating income/ (expense)	5281000	2190102	2190102	6454724	6981078	9939751
11.Loan loss provision written back	10926000	10617867	10617867	39791809	7101374	_
Profit from regular activities	**1053814000**	**1583012615**	**1583012615**	**1752674417**	**2106984343**	**2672954227**
12.Profit /Loss from extraordinary activities	40737000	43521866	43521866	34321843	3148475	(3036749)
Net profit after considering all activities	**1094551000**	**1626534481**	**1626534481**	**1786996260**	**2110132818**	**2669917478**
13.Provision for staff bonus	99505000	147866771	147866771	162518278	192007714	243074316
14.Provision for income tax	321086000	447614612	447614612	485907180	572394411	723698440
*Current year's	314527000	470701921	470701921	472823385	570933629	731904979
*Upto previous year	6560000	918745	918745	831939	212364	_
*Deferred tax	_	(24006054)	(24006054)	12251856	1248418	(8206539)
15.Shareof Non-Controlling interest in the profit of Subsidiary	**_**	**_**	**_**	**_**	1551273	2769072
Net profit/loss	**673960000**	**1031053098**	**1031053098**	**1138570802**	**1344179420**	**1700375650**

APPENDIX - 7

Kumari Bank ltd
Balance Sheet

Capital& Liabilities	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Share Capital	750000000	1070000000	1186099200	1306015920	1603800000	1603800000
2.Reserves and Funds	275630159	294885269	438853508	479743128	610036668	773275338
3.Debentures and Bonds	_	400000000	400000000	400000000	400000000	400000000
4.Borrowing Outstanding	212970000	100000000	293420000	429739536	660925000	5403000
5.Deposit Liabilities	10557091198	12774281014	15710925263	17432253032	16986279457	21985198276
6.Bills Payable	16554384	65296714	70087025	42312957	8118121	20698657
7.Proposed Dividend Payable	_	_	6583752	156816002	6581717	112266000
8.Income Tax Liabilities	11006805	(96650253)	234986	_	_	_
9.Other liabilities	95058883	331786431	432361375	238698167	216044346	230759700
Total Capital and Liabilities	**11918311429**	**15026599175**	**18538565109**	**20485578742**	**20491785309**	**25131400971**

Assets	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Cash Balance	190748210	565641118	549108504	574,065,903	524,780,914	584140254
2. Balance with Nepal Rastra Bank	384844510	244576115	1120760644	1,663,997,917 3	526,948,923	2862923783
3 Balance with Banks/Financial Institution	96520231	123624444	106429652	485,765,479	116,794,497	275563556
4. Money at Call. and Short Notice	372215000	55360000	30000000	120,000,000	451,520,000	321243141
5. . Investment	1678418415	2138797590	1510828482	2,298,345,764	3,533,622,908	2940556674
6. . Loans, Advances and Bills Purchase	8929013115	11335087939	14593346830	14,765,912,480	14,626,073,558	17614348989
7. Fixed Assets	189323741	222000872	247832774	285,637,988	306,276,829	277268923
8. . Non Banking Assets	2394684	3140779	_	-	_	_
9. Other Assets	74833523	338370318	380258223	291,853,211	405,767,680	255355651

Total assets	**11918311429**	**15026599175**	**18538565109**	**20,485,578,742**	**20,491,785,309**	**25131400971**

APPENDIX - 8

Kumari Bank ltd

Profit and Loss Account

particulars	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Interest Income	791284209	957245724	1374722467	1,871,066,357	2,251,791,724	2441580226
2.Interest Expenses	397053120	498734222	816202890	1,188,918,173	1,566,551,598	1622491760
Net Interest Income	**394231089**	**498511502**	**558519577**	**682,148,185**	**685,240,127**	**819088466**
3.Commission and Discount	40764126	48494633	79104277	97,652,505	99,707,633	110865509
4. Other Operating Income	15280956	17805210	19746723	28,770,784	53,635,577	48812311
5. Exchange Fluctuation Income	20294440	41807623	59001781	37,924,853	36,719,340	44205749
Total operating income	**470570612**	**566618968**	**716372358**	**846496326**	**875302677**	**1022972035**
6. Staff Expenses	74243628	89570438	115984919	143277770	168351843	194295522
7. Other operating expenses	104079476	148143138	186502160	202078830	212938673	212542554
8.Exchange fluctuation Loss	_	_	_	_	_	_
Operating profit before provision for possible losses	**292247508**	**328905392**	**413885279**	**501139726**	**494012161**	**616133959**
9. Provision for possible Losses	24950199	64023790	57403005	13078046	113779647	187044796
Operating Profit	**267297309**	**264881602**	**356482274**	**488061680**	**380232514**	**429089163**
10.Non Operating income/ (expense)	669885	15588389	1111653	699180	632371	3477443

11.Loan loss provision written back	6264578	7240964	47021147	14824913	13787709	133156
Profit from regular activities	**274231772**	**287710955**	**404615074**	**503585774**	**394652594**	**432699762**
12.Profit /Loss from extraordinary activities	(816882)	(4531068)	(876031)	(352000)	(342296)	_
Net profit after considering all activities	**273414890**	**283179887**	**403739043**	**503233774**	**394310298**	**432699762**
13.Provision for staff bonus	24855899	25743626	36703549	45748525	35846391	39336342
14.Provision for income tax	78296082	82506034	105592905	140942907	107226938	117858750
*Current year's	78296082	80721591	113669682	140371638	100032524	116808100
*Upto previous year	_	_	_	1521507	3023417	_
*Deferred tax	_	1784443	(8076777)	4170997	(950239)	1050650
Net profit/loss	**170262909**	**174930227**	**261442589**	**316542342**	**251236970**	**275504670**

APPENDIX - 9

Nepal SBI Bank LTD
Balance Sheet

Capital& Liabilities	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Share Capital	647798400	874527840	1224338976	1861324239	2102966165	2355738504
2.Reserves and Funds	515492451	540116972	488268219	589229831	776326985	841720359
3.Debentures and Bonds	200000000	200000000	200000000	200000000	200000000	600000000
4.Borrowing Outstanding	815365219	1627480190	_	_	_	_
5.Deposit Liabilities	11445286030	13715394960	27957220794	34896424201	42415443294	53337264193

6.Bills Payable	48855749	75115471	62947325	72368229	80685337	78616237
7.Proposed Dividend Payable	91024235	12228852	18411112	83080145	93465163	104699488
8.Income Tax Liabilities	_	_	_	_	_	3468901
9.Other liabilities	137378475	142581889	215253123	345252820	419347031	738200038
Total Capital and Liabilities	**13901200559**	**17187446174**	**30166439549**	**38047679465**	**46088233975**	**58059707720**

Assets	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Cash Balance	287530644	308101599	652027266	815679624	1007688499	1186755022
2. Balance with Nepal Rastra Bank	556678464	403810203	444138596	1842802239	2330927217	3269609702
3 Balance with Banks/Financial Institution	278481119	631048524	80273976	782779614	1539210142	1052017772
4. Money at Call. and Short Notice	350000000	304012877	_	_	_	178250000
5. . Investment	2659452919	3088886918	13286181660	16305632815	18911021520	24463451958
6. . Loans, Advances and Bills Purchase	9460450701	12113698428	15131747944	17480548194	21365711129	26142094172
7. Fixed Assets	97218804	120222259	253580695	418244760	417002530	715920555
8. . Non Banking Assets	3847024	_	_	_	_	_
9. Other Assets	207540884	217665366	318489412	401992219	516612938	1051608539
Total assets	**13901200559**	**17187446174**	**30166439549**	**38047679465**	**46088233975**	**58059707720**

APPENDIX - 10

Nepal SBI Bank ltd
Profit and Loss Account

particulars	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**	**2011/12**
1.Interest Income	831116781	970512681	1460445686	2269704291	3099907735	3769483069
2.Interest Expenses	412261744	454917713	824700275	1443693573	2096038379	2770798689
Net Interest Income	**418855037**	**515594968**	**635745411**	**826010718**	**1003869356**	**998684380**

3.Commission and Discount	52591560	50917830	78836624	131692149	236159350	255351737
4. Other Operating Income	12601352	19557259	52790137	78796662	95172658	141761704
5. Exchange Fluctuation Income	49463539	51989275	61294299	70328247	70532720	101138325
Total operating income	**533511488**	**638059332**	**828666471**	**1106827776**	**1405734084**	**1496936146**
6. Staff Expenses	53232464	74890269	12989160	130336536	255430285	289153228
7. Other operating expenses	120111581	152379842	223965592	343850266	429743236	456126353
8.Exchange fluctuation Loss	_	_	_	_	_	_
Operating profit before provision for possible losses	**360167443**	**410789221**	**482711719**	**632640974**	**720560563**	**751656565**
9. Provision for possible Losses	59376948	57463909	40345336	62350544	46308152	78011798
Operating Profit	**300790495**	**353325312**	**442366383**	**570290430**	**674252411**	**673644767**
10.Non Operating income/ (expense)	(256759)	(271006)	2516407	2552892	3113765	2182640
11.Loan loss provision written back	78515105	29782580	198672788	56621276	179122158	91695108
Profit from regular activities	**379048849**	**382836886**	**643555578**	**629464598**	**856488334**	**767522515**
12.Profit /Loss from extraordinary activities	_	_	(156220828)	(37266000)	(137672628)	(12203577)
Net profit after considering all activities	**379048841**	**382836886**	**487334750**	**592198598**	**718815706**	**755318938**
13.Provision for staff bonus	34458986	34803353	44303159	53836236	65346882	68665358
14.Provision	**89681011**	100262775	126658096	146620243	188903825	206548087

for income tax						
*Current year's	86704011	105745947	133123502	183015350	206531475	229051564
*Upto previous year	2977000	870463	2582900	(28395565)	(4928484)	729573
*Deferred tax	_	(6353635)	(9048306)	(7999542)	(12699166)	(23233050)
Net profit/loss	**254908844**	**247770758**	**316373495**	**391742119**	**464564999**	**480105493**