

**TRADE-OFF BETWEEN LIQUIDITY AND PROFITABILITY OF JOINT
VENTURE BANKS IN NEPAL**

(NABIL, HBL AND EBL)

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RECOMMENDATION

This is to certify that the thesis

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**Trade-Off between Liquidity and Profitability of Joint Venture Banks in Nepal (NABIL, HBL and EBL)**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Asso. Prof. Ruchila Pandey** of Shanker Dev Campus, T.U.

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This is a study on banking sector. This study has been undertaken to present report on the practical operation of bank in Nepal in its proper perspective. In this regard study has been conducted at Everest Bank Limited (EBL), Himalayan Bank Limited (HBL) and NABIL Bank Limited (NABIL).

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ABBREVIATIONS

A/C	:	Account
ABBS	:	Anywhere Branch Banking System
ANOVA	:	Analysis of Variance
ATM	:	Automatic Teller Machine
C.V	:	Coefficient of Variation
d.f.	:	Degree of Freedom
DPS	:	Dividend per Share
EBL	:	Everest Bank Limited
EPS	:	Earning per Share
F/Y	:	Fiscal Year
HBL	:	Himalayan Bank Limited
i.e.	:	That is
JVBs	:	Joint Venture Banks
MPS	:	Market Price per Share
NABIL	:	Nabil Bank Limited
NBL	:	Nepal Bank Limited
NRB	:	Nepal Rastra Bank
PNB	:	Punjab National Bank
ROA	:	Return on Assets
ROCE	:	Return on Capital Employed
ROE	:	Return on Equity
SCT	:	Smart Choice Technology
SMEs	:	Small and Medium Sized Enterprises
SWOT	:	Strength, Weakness, Opportunities and Threats
U.K.	:	United Kingdom
UAE	:	United Arab Emirates
viz.	:	Namely

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Generally, an institution established by law, which deals with money and credit is called bank. A bank simply carries out the work of exchanging money, providing loan, accepting deposit and transferring the money. When a bank performs multiple tasks, the efficiency and effectiveness of work becomes weak. Hence, different banks are established for different purposes.

The commercial bank is the oldest form of bank. There is considerable change in the original form of commercial bank. In general, bank means the commercial bank. Hence, the definitions of bank are also equally applicable to commercial banks. The profit maximization is the main objective of this bank. In the present context, the term commercial bank itself is a misnomer. It does not separate banks from other financial institutions. This name was appropriate at the time when the banks used to grant the commercial loans to the traders for production, transport and storage of commodities.

Certainly, no comparison can be made between ancient and modern banks. In the ancient time, merchants, moneylenders and gold smiths used to perform the work of banking in every country. The merchants used to exchange the gold, silver and gems. The moneylenders were found lending and borrowing money even in quite primitive communities. Whereas, Goldsmiths became the precursor of the modern bank note and the forerunners of the modern banking institutions. Hence, the banks started to carry out the work of creating credit, issuing the notes, depositing, lending, transacting the bills of exchange and promissory note etc.

Banking sector plays a vital role for the country's economic development. So, bank is a resource mobilizing institution, which accepts deposit from various sources and invests such accumulated resources in the field of agriculture, trade, commerce, industry, tourism etc. Broadly, we can say banks draw surplus money from the people who are not using it at present and are holdings for future and supplies loans to those who are in position to use it for productive purpose.

"Banks are among the most important sources of short-term working capital for businesses. They have become increasingly active in recent years in making long-term business loans for new plant and equipment. When businesses and consumers must make payments for purchase of goods and services, more often they use bank provided cheques, credit or debit credit or debit cards, or electronic accounts connected to a computer network. It is the banker to whom they turn most frequently for advice and counsel, when they need financial information and financial planning."

"In conclusion, we can say that banking is not static but a dynamic concept. It is a product of centuries and the development which has taken place is the product of a method of trial and error and experiences which were made and the results that followed relating to the acceptance of money and valuables as deposits, keeping them as such, lending them, whether to private individuals, to states or other bodies and for controlling the multifarious and multi-dimensional activities which, in the beginning were only trivial and could be ignored but with the growth of time, become international in character and multi dimensional in nature calling for actions on the part of the states as the actions on the part of the individuals failed and state control became eminent."

In this study, an attempt has been made to analyze and evaluate the trade off between liquidity and profitability of Joint Venture Banks (JVBS) in Nepal. A

bank has to perform several functions and among such, maintaining a balance between liquidity and profitability is also among one of the major function. In the absence of proper balance between liquidity and profitability, a bank cannot function properly in the right direction. So, the bank is always found paying the due consideration in maintaining the appropriate balance between such.

1.1.1 Development of Banking in Nepal

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

In 1877 A.D. Tejaratha Adda was established by then government. The main purpose of this institution was to provide credit facilities for government staff and general public by collecting gold and silver at 5% rate of interest. Tejarath Adda did not use to accept deposit, it only provided credit facilities. So, we cannot say, it had performed fully banking transaction. But it played an important role towards the institutional development of banking system in Nepal.

On the course of development of bank, Nepal Bank Limited was established in 1994 under the Nepal Bank Act 1994 (1938) as a commercial bank. NBL has been providing banking services and facilities from 1994 B.S. up to now. Really, NBL is the first modern bank in the history of banks in Nepal. Until mid 1940s, only metallic coins were used as medium of exchange. So, the government felt the need

of separate institution or body to issue national currencies and promote financial organization in the country. Hence, the Nepal Rastra Bank (NRB) Act 1955 was formulated and was approved by the government. Accordingly, the Nepal Rastra Bank was established in 1956 A.D. as the central bank of Nepal. After the establishment of NRB, the first 5 years plan was introduced in the country. The establishment of NRB set a milestone in the history of banking in Nepal. After this, a new way of thinking and a new sort of spirit arose in the field of banking. NRB was established with an objective of supervising, protecting and directing the functions of commercial banking activities. Although NRB was established in 2012, it took entirely a decade to consolidate its powers as the banker's bank and controller of the credit. NRB for the first time issued the Nepali notes on 7th Falgun 2016.

In a view of the various development programs launched after the beginning of planned development in the country, government established another commercial bank Rastra Banijya Bank in Public sector on 23rd January 1966 to provide banking facilities and to help economic development.

The tasks of bank are very dynamic, complex and riskier. In this Context, only local commercial banks could not play their role in the development of modern banking. Realizing this fact, the government felt that joint venture banks could contribute significantly in the formation and mobilization of internal capital for trade and commerce. As management of JVBs are mainly hold by foreign banks, it was felt some competitive advantages like increased skilled personal with modern banking knowledge, efficient banking services, advance management, skills and an international network of bank branches. Accordingly, government introduced new banking policy in 1980's. They policy allowed foreign banks to operate as JVBs, provide autonomy to fix interest rate to a certain limit and introduced

auctioning of government securities. These reforms are considered partial liberalization and a way to open economic policy.

As a result, the first JVB, Nepal Arab Bank Limited was established in 2041 (1985) under the Commercial Bank Act 2031 (1974) and the Companies Act 2021 (1965). In short form, it is called NABIL Bank. Nepal entered a new era of development following the historic political changes with the restoration of parliamentary system of government based on multi-party democracy in 1991 A.D. As an important strategy in resource mobilization, democratic elected government has given high priority to foreign investment, private sector participation and economic liberalization.

In this context, the government encouraged foreign investment in Nepal by providing attractive incentives and facilities with liberal and economic policy. The importance attached to foreign investment was clearly reflected in the new constitution. In the directive principles of the constitution, it is stated that a policy of attracting foreign capital and technology will be adapted. When democratically elected government introduced liberalization and open economic policy, the number of JVBs has increased rapidly. Apart from JVBs, a number of other financial institutions also emerged in the country.

It is clear that the growth of banks in Nepal is satisfactory. Certainly, it is not enough satisfaction in comparison to other countries. First of all, the banks are not enough. Secondly, the competition is not found in banking functions. Thirdly, the banks are increased in number in urban areas only. Modern and joint investment banks are not established in rural areas. Hence, the rural people are not getting banking services.

1.1.2 A Brief Profile of Everest Bank Limited (EBL)

Everest Bank Limited (EBL) started its operations in 1994 with a view and objective of extending professionalized and efficient banking services to various segments of the society. EBL joined hands with Punjab National Bank (PNB), India as its joint venture partner in 1997. The bank is providing its services through a wide network of 42 branches across the nation and over 250 correspondents across the globe. All the major branches of the bank are connected through Anywhere Branch Banking System (ABBS), a facility which enables a customer to do banking transactions from any of the branches irrespective of their having accounts in other branch.

The Bank in association with Smart Choice Technology (SCT) is providing ATM services for its customers. EBL Debit Card can be accessed a more than 50 ATMs and over 350 Point of Sales across the nation. The bank is also managing the SCT ATM at Tribhuvan International Airport for the convenience of the customers and the travelers, the first and the only bank in Nepal to place ATM outlet at the Airport.

EBL is playing a pivotal role in facilitating remittance to and from across globe. Being the first Nepalese bank to open a representative office in Delhi, India, the Nepalese in India can open account in Nepal from the designated branches of Punjab National bank and remit their savings economically through banking channels to Nepal. Now EBL has opened a representative office in Malaysia, Qatar and UAE. The bank has a Drafts Drawing Arrangement with 175 branches of PNB all over India.

With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries, which enables quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and U.K.

The bank recognizes the value of offering a complete range of services. It pioneered in extending various customer friendly products such as Home Loan, Education Loan, EBL Flexi Loan, EBL Property Plus (Future Lease Rentals), Home Equity Loan, Car Loan, Loan Against Shares, Loan Against Life Insurance Policies, Project Finance, Trade Finance and Loan for Professionals.

1.1.3 A Brief Profile of Himalayan Bank Limited (HBL)

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities – Loans and Deposits.

Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Millionaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL. Other financial institutions in the country have been following its lead by introducing similar products and services. Therefore, HBL stand for the innovations that bring about in this country to help the Customers besides modernizing the banking sector. With the highest deposit base and loan portfolio amongst private sector banks and extending guarantees to correspondent banks covering exposure of other local banks under the credit standing with foreign correspondent banks, the bank believe it obviously lead the banking sector of Nepal. The most recent rating of HBL by Bankers Almanac as country's No. 1 Bank easily confirms the claim.

All Branches of HBL are integrated into Globus (developed by Temenos), the single Banking software where the Bank has made substantial investments. This has helped the Bank provide services like 'Any Branch Banking Facility', Internet

Banking and SMS Banking. Living up to the expectations and aspirations of the Customers and other stakeholders of being innovative, HBL very recently introduced several new products and services. Millionaire Deposit Scheme, Small Business Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL also has a dedicated offsite 'Disaster Recovery Management System'. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software-Himal Remit TM. By deputing HBL own staff with technical tie-ups with local exchange houses and banks, in the Middle East and Gulf region, HBL is the biggest inward remittance handling Bank in Nepal. All this only reflects that HBL has an outside-in rather than inside-out approach where Customers' needs and wants stand first.

Himalayan Bank has access to the worldwide correspondent network of Habib bank for fund transfer, letter of credit or any banking business anywhere in the world. Habib Bank is the largest and oldest bank in Pakistan having over 1700 domestic and 65 overseas branches covering all continents and over 1800 correspondents worldwide. Besides, Himalayan Bank has correspondent arrangement with 178 internationally renowned banks like American Express Bank, Citibank, etc.

1.1.4 A Brief Profile of NABIL Bank Limited (NABIL)

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services

through its 47 points of representation across the kingdom and over 170 reputed correspondent banks across the globe.

Nabil, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Banglore, India, Internet banking system and Telebanking system.

Today, Nabil Bank is in a unique position in the banking industry in Nepal. As the nation's first joint venture bank it has an unmatched 26 years of operational experience, giving it unparalleled insight into the market, risks, opportunities and customer needs. In conjunction to this, the bank today surges ahead in meeting its Mission to be the "Bank of 1st Choice" for all its stakeholders.

Nabil wants to be an actively participating 'good corporate citizen' in all the Communities that the bank works in. And finally, the bank wants its high performing staff and the best people looking to build a career in banking to make Nabil Bank their first choice. The journey is hard and filled with challenges, but it is equally fulfilling and with a multitude of opportunities. To achieve this mission, the bank believes in delivering excellence to its stakeholders in an array of avenues, not just one parameter like profitability or market-share.

The Bank has always given due importance in maintaining harmonious relations amongst staff at all levels. There is also a registered authorized staff union in the

Bank. The management and staff union are working closely in achieving the common goal of becoming the Bank of the 1st choice.

1.2 Focus of the Study

This study will focus on the trade off between liquidity and profitability of the three joint venture banks namely, Everest Bank Limited, Himalayan Bank Limited and NABIL Bank Limited, from the period of 2062/63 to 2066/2067. In this study attempts will be made to get knowledge about the relationship between liquidity and profitability, operational efficiency of the management, efficient use of total assets by the management etc. For the purpose of this study, evaluation of the bank is made with respect to liquidity and profitability ratios.

1.3 Statement of the Problem

In response to the economic liberalization policy of the government, establishment of private and JVBs is continued. The tendency to concentrate these banks only in urban areas like Kathmandu, Biratnagar, Birgunj, Pokhara etc. has raised certain questions. This state of affairs cannot contribute much to the socio-economic development of the country where 90% of the population depends upon agriculture. These commercial banks are reluctant to extend their operation in rural areas. But these banks are inclined to pay fines rather than directing their resources to such less profitable sector. This problems remains to be solved.

This study, basically focus our attention to reveal the struggle and success achieved by the JVBs. Commercial banks main motive is to make profit by providing services to the customers. In Nepal, the profitability rate, operating expenses, dividend distribution among the shareholders etc. have been found inconsistent. There must be some reasons behind such differences in performance. The problem of the study refers to the liquidity and profitability analysis of JVBs.

In this study, attempts will also be made to sort out the answers to the following questions:

1. How efficiently JVBs are managing their liquidity?
2. To what extent these banks have been able to raise their profitability?
3. Do they manage and utilize their assets efficiently?
4. Does the overall liquidity and profitability position indicate any special strength and weakness of these JVBs?
5. Why the focus of joint venture banks is mainly in Central and Urban areas only?
6. How far the joint venture banks have contributed in the economic development of the country?
7. How competitive are joint venture banks with other commercial banks within the country?
8. Why joint venture banks are often and frequent named/awarded Bank of the Year?

1.4 Objectives of the Study

Every report is prepared with certain objectives in mind. In the absence of specific objective, the study loses its value. The general purpose of the study is to discuss, examine and evaluate the tradeoff between liquidity and profitability position of the concerned JVBs in Nepal. Thus, this study has been conducted for the following objectives:

1. To examine the liquidity and profitability of the bank.
2. To determine the operational efficiency and to know how efficiently the total assets have been used by the management.
3. To examine the dividend policy of the observed bank.
4. To examine the relationship of total deposit with cash and bank balance and with net profit.

1.5 Significance of the Study

The study of the analysis of liquidity and profitability position of joint venture banks in Nepal plays vital role in the managerial decision. Every organization has to analyze its financial performance in the every step of its operation, promotion, and expansion. There should be an appropriate equilibrium between the earning and non-earning assets. Commercial banks are always guided by the objective of profitability. All financial decisions of commercial banks are for the betterment of shareholders wealth. There should be an effective system of funds allocation in order to safeguard the banks from the danger of illiquidity. An appropriate level must be achieved between them. The study ponders to find out whether commercial banks are alert or not in this regard.

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

Thus, this study analyses and states to maintain balance between principalities of liquidity and profitability. This study will be a helpful tool for the bank too in analyzing its practices on trade off between liquidity and profitability.

1.6 Limitations of the Study

In the context of Nepal, problem of reliable data is the major problem for research study. There is considerable place for arguing about its accuracy and reliability. Every study has limitations due to different factors of institutions, time-period taken, reliability of statistical data, tools and variances.

The following limitations are pointed out in this study of trade off between liquidity and profitability position of JVBs:

1. The study will be done according to the information provided by the banks and not with the help of experience gained on actual working environment.
2. Secondary data will occupy its significant position in the study: research based on secondary data is not far from limitations.
3. This study covers the analysis of only five years data from FY 2062/63 to FY 2066/67; hence, the conclusion drawn confirms to the above periods only.
4. This study is limited to the study of three JVBs only.
5. The only major financial statements like Balance Sheet, Income Statement, Profit & Loss A/C, Cash Flow Statement has been taken from all the respective banks for the analysis.
6. The study focuses only on the liquidity and profitability analysis and does not cover other aspects of activities.
7. The ratio and tools that is going to be used in the study may vary due to different definition of terms given by different authors.

1.7 Organization of the Study

The study on trade off between liquidity and profitability of JVBs has been divided into five chapters viz. Introduction, Review of Literature, Research Methodology, Presentation, and Analysis of Data and Summary, Conclusion and Recommendation.

Chapter-I Introduction

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

Chapter – II Review of Literature

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

Chapter – III Research Methodology

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

Chapter – IV Presentation and Analysis of Data

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

Chapter – V Summary, Conclusion and Recommendations

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

CHAPTER – II

REVIEW OF LITERATURE

The review of literature is a very important aspect of the research. This chapter highlights upon the existing literature. For this, several books, dissertation, reports, handouts and articles published in journals and newspapers are reviewed.

2.1 Theoretical Review

2.1.1 Concept of Liquidity

"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 fund 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"(Panday, 2000:114).

"Liquidity is the status and part of the assets which can be used to meet the obligation. Liquidity can be viewed in terms of liquidity stored in the balance sheet and in terms of liquidity available through purchased funds. The degree of liquidity depends upon the relationship between cash assets plus those assets which can be quickly turned into cash and the liability awaiting payment. Generally, the definition of liquidity can't be found in the same way, in the countries of whole world. Because, it is known, as much as the development of the

monetary sector take place or the use of monetary devices increases, so much the definition of it goes wider. Liquidity means the whole money stock of money" (Bhandari, 2003:143).

The liquidity position of bank is very important to maintain the public faith upon banks. People deposit their precious assets and funds into bank with the faith that banks repay it with guarantee as agreed terms and conditions. So, bank must refund the public deposit on demand or on expiry of predetermined time period. When a bank fails to repay deposited money on deposit, it leads to the loss of public faith upon banks. Then account holders rush into bank to withdraw their money deposited.

Lack of adequate liquidity is often one of the first signs that a bank is in serious financial trouble. The troubled bank usually begins to lose deposits. This erodes its supply of cash and forces the bank to dispose its more liquid assets. In this situation, other bank becomes more increasingly reluctant to lend the troubled bank any funds without additional security or a high rate of interest. This will further reduce the earnings of the problem of bank and threatens it with failure.

Liquidity management is much more important than we may realize, because a bank can be closed if it cannot raise enough liquidity even though technically it may still be solvent. Many banks assume that liquid funds can be borrowed virtually without limit any time they are needed. Therefore, they see little need to store liquidity in the form of easily marketed, stable-price assets. The enormous cash shortages experienced in recent years by banks in trouble make clear that liquidity needs cannot be ignored.

"Liquidity is an important principle of bank lending. According to the principle of liquidity, banks should invest their funds in such sectors, where investment can be

converted into cash easily and quickly without remarkable loss on their value. Banks should invest majority of their funds in government securities and first class securities, which possess sufficient liquidity" (Singh, 2062:97).

There are certain securities such as central, state and local government bonds, which are easily saleable without affecting their market prices. The shares and debentures of ordinary firms are not easily marketable. So, the banks should make investments in government securities and shares and debentures of reputed joint stock companies. This is the basic principle of liquidity.

Liquidity is the availability of cash in the amount and at the time needed at a reasonable cost. One of the most important tasks faced by the management of any bank is ensuring adequate liquidity. A bank is considered to be liquid if it has ready access to immediately spendable funds at reasonable cost of precisely the time those funds are needed. This suggests that a liquid bank either has the right amount of immediately spendable funds on hand when they are required or can quickly raise liquid funds by borrowing or by selling assets.

The liquidity position of a firm would be satisfactory if it is able to meet its current obligations when they become due. A Firm can be said to have the ability to meet its short-term liabilities if it has sufficiently liquid funds to pay the interest on its short-maturing debt usually within a year as well as to repay the principal. This ability is reflected in the liquidity ratios of a firm. The liquidity ratios are particularly useful in credit analysis by banks and other suppliers of short-term loans.

2.1.2 Importance of Liquidity

A bank can't be run without liquidity. The NRB from time to time changes the legal provision about the liquidity. The compulsion about the commercial banks

should keep the cash about in their various funds shows the importance of liquidity. The commercial banks and financial institutions should maintain the balance of cash fund in required quantity that the law and the NRB fix. The importance of liquidity is considered very sensitive because if it can't maintain the liquidity, it has to pay fine. The commercial banks and financial institutions should keep the stock of liquid assets in the ratio of their deposit liability, as fixed by the NRB.

The commercial banks and the financial institutions should keep a fund correctly which the percent fixed from time to time for the liability of total deposit. The process of fixing the fund is as fixed by the central bank from time to time. The central bank can give the interest with the rate fixed by the bank from time to time to the amount in the fund. If a commercial bank or a financial institution does not keep the stock of liquid property as per the law and policy of the central bank, then there is a provision to fine them. In this way, if a commercial bank and a financial institution can't maintain liquidity, there is legal provision that the NRB can impose fine as a punishment. So, there is no dispute that liquidity is the most important thing for a bank.

People deposit their savings into bank to safeguard them, earn interest, and get back whenever they need. Therefore, banks must maintain liquidity to refund the deposit, when account holders withdraw deposits. Hence, Liquidity is the life-blood of bank, without which a bank cannot survive for long. Banking transactions are more dependent upon the mutual faith between bankers and customers. It is essential to maintain sufficient cash reserve in bank to maintain the public faith. The basic importance of bank liquidity can be presented as follows:

- a. Liquidity is essential for the payment of all sorts of deposits such as current, call, saving and fixed account of its customer's.

- b. Liquidity is important to meet the daily expenses that are spent in the administrative functions.
- c. Liquidity is important to maintain statutory liquidity ratio in banks.
- d. Liquidity is important and inevitable factor to advance loan.
- e. Liquidity is needed to pay dividend to their shareholders.
- f. Liquidity is essential to face the economic rise and fall or economic crisis.
- g. Liquidity is essential to gain trust from the public including other sectors.
- h. Liquidity is necessary for the efficient and healthy competition among banks.

2.1.3 Criteria for Measuring Bank Liquidity

The bank liquidity is the most important of a bank. If there is less bank liquidity, the bank can't be run. If there is much liquidity, the bank should bear great loss economically. Both high liquidity and low liquidity are not good omen for the bank. The bank should be able to keep the liquidity in balance. This is very difficult task. However, the bank liquidity can be measured by the following criteria:

a) Deposit investment ratio

Liquidity can be measured by the deposit investment ratio. The depositors deposit the cash in the current, call, saving and fixed accounts. The bank receives the most liquidity as deposit. The bank invests the capital collected by deposit in various profitable and productive sectors in the form of loan. By earning much profit from it, the bank can get a lot of amount from the amount of deposit. The bank has the nature of paying lower interest to the depositors and taking higher interest from the place it invested. And the bank doesn't invest all the cash as loan. A part from the deposit invested, the bank also has other cash. Thus, the criteria of liquidity can be found from it.

b) Investment in Assets

The criteria of measuring liquidity in bank, depends on the type of asset which the bank has made investment. The bank doesn't waste cash stock received from different source of capital. The bank can invest the money, it possesses in different types of assets. In such condition, the bank has low liquidity because the investment made in such nature of assets need much cash. And the bank gains income very low from such nature of assets. But in contrast to it, if the bank has invested in the share of various companies, the investment in government securities and treasury bills and in the debentures of different business institution, bank liquidity is abundant. In this way, the investment that the bank did can be used as the criteria of measuring liquidity.

c) Cash Reserve Ratio

The cash reserve ratio too can be taken as criteria of measuring bank liquidity. The commercial bank should maintain the cash reserve ratio as fixed by the central bank by opening an account in central bank and also should maintain the statutory liquidity ratio, in its own treasury. It changes from time to time. Thus, bank liquidity can be measured from this too.

d) Profitability

The bank should be able to earn income from the medium of investment because it is a legal person. The objective of the bank is intensified with the concept of gaining profit. The bank should invest its money to gain the profit. The bank can invest in various ways. A great deal of cash is deposited in a bank from different accounts as deposit. The bank invest as loan, the cash fund and the cash collected from various other sources. In addition to it, the bank spreads its investments in various profitable sectors. The bank provides various banking services to its customers. The bank becomes successful if it generates income from such all investments and functions. But the bank certainly provides little interest to the

account holders who deposit the money in the bank. Thus, the liquidity can be guessed from the profit of which a bank has gained.

e) Investment in Loan

The bank distributes loans in different sectors. The source of loan investment is important for the various sources of income of the bank. It is an important to know what sort of loan and how much loans the bank has distributed, while the bank distributes the loan. If the bank is intensified with the concept of gaining profit, the bank flows loan on a long term and mid term basis. If it has paid its attention to the safety, it invests in short term loan. If a great deal of amount is invested in long term and mid term, then there is lower liquidity. Thus, loan investment too can be the criteria of measuring the liquidity.

f) Structure of Bank

The organizational structure of a bank too gives speculation of bank liquidity. If the structure of the bank is in single nature, there is higher liquidity in the bank. If the banks have many branches, liquidity is lower because the liquidity remains scattered in different branches and sub-branches. In this way, the bank liquidity can be found out from the organizational structure of a bank.

g) Position of Business

If the business environment of the bank is good, then liquidity remains low. On the country, if the business environment is not good then liquidity remains high in the bank. In this way, the position of the business can be the medium to guess the criteria of measuring liquidity.

2.1.4 Concept of Profitability

"Profitability is a measure of efficiency and the search for it provides an incentive to achieve efficiency. Profitability also indicates public acceptance of the product

and shows that the firm can produce competitively. Moreover, profits provide the money for repaying the debt incurred to finance the project and the resources for the internal financing of expansion. The profitability of a firm can be measured by its profitability ratios. In other words, the profitability ratios are designed to provide answers to questions such as (i) is the profit earned by the firm adequate? (ii) what rate of return does it represent? (iii) what is the rate of profit for various division and segments of the firm? (iv) what is the earning per share? (v) what amount was paid in dividends? (vi) what is the rate of return to equity-holders? And so on." (Khan and Jain; 1992:98) Profitability ratio indicates the degree of success in achieving desired profit. It furnishes answers to how efficiently the bank is being managed. Although profitability ratio mainly studies the earning power of the bank, it depicts almost entire performance of the bank.

"Profit is the difference between revenues and expenses over a period of time (usually one year). Profit is the ultimate 'output' of a company, and it will have no future if it fails to make sufficient profits. Therefore, the financial manager should continuously evaluate the efficiency of the company in term of profits. The profitability ratios are calculated to measure the operating efficiency of the company. Besides management of the company, creditors and owners are also interested in the profitability of the firm. Creditors want to get interest and repayment of principal regularly. Owners want to get a required rate of return on their investment. This is possible only when the company earns enough profits"(Panday, 2000: 420).

Commercial banks are established to earn profit. Without profit, they cannot survive for the long period of time. All the stakeholders of the bank put pressure on the bank management to earn profit for their own sake. Without profit these stakeholders cannot be satisfied and without them bank cannot exists. So, bank wants to invest all of its funds in those sectors which ensure higher return. Further

more, there is always positive attitude of depositors and other lenders towards the highly profitable banks. As a result, bank can acquire funds easily and can spend their transactions.

Profit is a reward for risk taking. Profit for a bank is the difference between borrowing rate of interest and lending rate of interest. Generally, an interest rate is the composite of liquidity risk premium, default risk premium, inflation risk premium and risk free rate. Investments on liquid assets are free from liquidity risk and default risk. So, interest rates or rate of return from such investment are comparatively very low. Banks want to invest on those assets which ensure higher return rate. However, they cannot escape from the investment on liquid assets. So, appropriate investment portfolio which ensures both liquidity and profitability is essential.

2.1.5 Principle of Profitability

Commercial banks are the profit-oriented business organizations. They are established by issue of shares to general public, who purchase shares to earn profit in terms of dividends. Therefore, profitability should be the cardinal principle for making investment. According to principle of profitability, banks should invest their funds in such sectors, which ensure higher rate of return. Banks must earn sufficient profits to meet all expenses for daily administration, expansion and growth as well as payment of dividend to shareholders. That is why; it should invest in profitable sectors, which assure a fair and stable return on the funds invested.

Banks can either invest their funds in securities or advance loans to productive sectors to generate profit. The earning capacity of securities and share depends upon the interest rate, the dividend rate, and the tax benefits they carry. It is largely, the government securities that carry the exemption of taxes. The bank

should invest more in such tax-free securities. But banks should not invest in the share of such new companies. New companies also carry tax exemption. This is because shares of new companies are not considered as safe investments.

In loan sectors, bank should grant loans to those sectors generating high rate of return. Still they cannot neglect the risk and liquidity factors. Higher return involves higher risk, thus, there should be a proper check and balance between risk and return for investment. Bank should select the loan proposal bearing high return with proportionately low risk.

2.1.6 Trade-off between Liquidity and Profitability

For a bank, the words liquidity and profitability come again and again. There is no possibility of profitability without liquidity. Also, there is no growth in liquidity without profitability. These are complement to each other. But these two also are opponent to each other. If there is high liquidity in bank, the bank can't again profit. Because, most part of the liquidity is reserved in the bank, it doesn't give profit to the bank. The bank can't invest the amount. It is not possible to hope profitability without investment. For profitability, the bank has to keep liquidity low in the bank, invest the cash fund, it can gain profit after some time but it can invite a great accident to the bank. If there is no maintenance of liquidity in the bank as a balance form, the bank can't carry out its banking transaction. Different obstructions may come to banking transaction, not only the bank losses, its business, but also destroys the reputation of bank. Eventually, it becomes matter of great loss for the investors, creditors and the nation who invested the amount on it.

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

bank, under the law can't keep and maintain the capital funds. Not only this much, the bank also becomes unable to face any economic rise and fall occurring in coming days. So, to keep liquidity is very important. If high liquidity is harmful to the bank, liquidity crisis too is malignant to the bank. To be free from both of these two conditions, the bank should be able to maintain balance of liquidity.

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

"The bank always follows the principle of profitability more carefully. Sometimes, the bank, with the view point of gaining profit and safety, invests in the sectors that are considered less important, from which it can earn much profit or loss. This is a matter which depends on time and situation. It is very difficult for the bank to discharge both of these function together, to keep liquidity and earn profit are compulsory for the bank. But if the bank without carrying both these principles moves forward, it becomes unsuccessful in its goal. The bank should not forget these two principles all the time. It should be able to maintain these principles in balance all the time. The bank should maintain understanding between these two principles. If the bank attempts to run its transactions ignoring these two principles, certainly the bank will bear an economic disaster. Hence, the bank gives emphasis upon the necessity of internal co-ordination between liquidity and profitability due to following reasons:

- a. Liquidity is necessary to make payment of all sorts of deposits.
- b. Liquidity is necessary to save the bank from the economic rise and fall.
- c. The bank should not keep high (much) liquidity to gain profit.

- d. In the lack of profitability, the bank can't be operated.
- e. Also, if there is liquidity crisis in the bank, it can't be run.
- f. Also, the bank should earn much profit to pay the shareholders, creditors and the employees of the bank.
- g. Also, for bank competition, the bank should gain profit.
- h. The bank can't manage its transactions without gaining profit.

With the above mentioned reasons, the liquidity and the profitability have their peculiar importance in the bank. So, from business point of view, it is necessary to maintain balance, between principalities of liquidity and profitability" (Bhandari, 2003:164).

The importance of liquidity and profitability in a bank is paramount. They are recognized as two wheels of a cart because in the absence of any of them, the bank cannot forgo ahead. However, there is a practice of treating them as antagonistic to each other because liquidity is maintained at the cost of profitability and vice-versa.

Similarly, a bank always puts in efforts to maximize its profitability. This is so because its shareholders expect fair rate of return, depositors expect better rate of interest and employees expect handsome salary and bonus. If the bank cannot satisfy either of these parties then the success of the bank is always questioned.

2.2 Review of Related Studies

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

2.2.1 Review of Articles

Acharya (2004) according to his article titled “*Problem of Liquidity Management in Nepalese Organization*” has indicated two major problem – operational problems and organizational problem regarding the working capital management in Nepalese PE’s have been described the operational problems, according to Acharya, listed in the first part, are increased of liquid liability than liquid assets, not allowing the liquid ratio 2:1 and show turnover of inventory. Similarly , change in working capital in relation to fixed capital had very low impact over the profitability and then transmutation of capital employed to sales, absence of management information system, break even analysis, funds flow analysis and ratio analysis were either undone or ineffective for the performance evaluation. Finally the study points monitoring or the proper functioning of working capital management has never been considered a managerial jobs.

In the second part, Acharya has listed the organizational problem in the PE’s. In the most of the PE’s there is a lack of regular internal and external audit system as well as evaluation of financial results. Similarly while a very few PE’s have been able to present their capital requirement of finance department is known satisfactory and some PE’s are even facing the underutilization of capacity. To make and efficient use of funds for minimizing the risk of loss and to attend profit objectives, Acharya has made some suggestions. For example, PE’s should avoid the system of crisis decision which prevailed frequently in the operations, avoid fictitious holding of assets, the finance staffs should be acquainted with scientific tools used for the presentation and analysis of data. Acharya has also suggested optimizing level of investment at appoint in time. Neither over nor under investment in working capital desired by the management of an enterprises because of these situation will erode the efficiency of the concern.

Kennon, J. (2005) Bizfinance. About. Com, in the articles “*The Importance of Liquidity and Liquid Assets, A lesson from September 11th*” After the September 11th terrorist attacks, the American financial system was shut down for four days. With stock exchange closed, investors learnt the importance of liquidity after they temporarily lost access to cash and investments. As we reflect on the tragedy, investors should remember one important lesson: at least some portion of our net worth should be liquid.

The term liquidity refers to how fast something can be turned into cold, hard cash. Liquid assets are those that are thought to be turned to cash immediately. These are the most liquid assets (meaning we can immediately spend them), but the least safe. On the other end of the scale are assets such as real estate, which can take months or even years to convert into cash.

In most cases, depositing the money in a bank is considered extremely safe. America’s banks have not frozen since 1933 when Roosevelt declared a “banking holiday” which lasted three days, and it seems relatively unlikely such an event would happen again in the near future. Money market funds can cause problems because, we may lose access to our cash if the financial markets shut down (which is precisely what happened to many investors on September 11th). For emergency purposes, we should not consider stocks, bonds, mutual funds, government treasuries, annuities, or insurance policies as liquid assets. In addition to normal market fluctuations, these investments may become completely illiquid if the exchanges are closed.

Even if we don’t own any investments, we still need a cash reserve. Once Manhattan was shut down, many businesses could not operate. In some cases, employees were not paid for several weeks, leaving them without a source of income. What if there was a tragedy or extraordinary event in our area and we

suddenly couldn't report to work? Taking the scenario one step further, what if such an event caused our company to run into tough financial times and it either closed its doors started laying off most of the work force? How would we survive? If we had realized the importance of liquidity, we would be able to stay afloat for a least several months using our cash reserves.

Shrestha (2007), in the articles "*The Efficiency Monitoring and Forecasting Framework the Nepal Rastra Bank in the Context of Liquidity Management in the Nepalese Banking and Financial System*" has stated liquidity management as the part of risk management framework of financial services industry. He found taking high liquidity risk as well as high credit risk are two main factors that cause banks of fail. Although high liquidity risk alone is not likely to cause banks failures, a liquidity crisis usually signals a need for change. The articles concluded proper liquidity management ensures that banks and financial institutions financial commitments and obligations are met. Maintaining adequate liquidity also helps in avoiding forced sale of assets. The need for bank liquidity stems form seasonal, cyclical trend and short-term irregular movements in deposits and loans. The different sources available to meet these liquidity needs were identified and grouped into asset and liability liquidity sources. The treasury mangers must consider the purpose of the liquidity need, the length of time for which funds are needed, the access to liability markets, the cost and the characteristics of various liquidity sources and interest rate forecast.

Walt, J. (2008) in the articles "*Sound Practices for Management Liquidity in Banking organization*" attributed Liquidity, or the ability of fund increases in assets and meet obligations as they come due, is crucial to the ongoing viability of any banking organization. Sound liquidity management can reduce the probability of serious problems. Indeed, the importance of liquidity transcends the individual bank, since a liquidity shortfall at a single institution can have system wide

repercussions. For this reason, the analysis of liquidity requires bank management not only to measure the liquidity position of the bank on an ongoing basis but also examine how funding requirements are likely to evolve under various scenarios, including adverse conditions.

2.2.2 Review of Thesis

Gumanju(2004), conducted this master's thesis entitled "*A Comparative Study of Financial Performance analysis of NBL 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.

Dhungana (2006) conducted this masters thesis entitled "*Liquidity Position of Commercial Banks of Nepal With reference to 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 fund of the banks and so on.

Malla (2007) has conducted thesis entitled, “*Financial Performance of Commercial Bank with Special Reference to Himalayan & NABIL Bank Ltd.*” The main objective of the study is to analyze the liquidity position & the profitability of these two banks.

She has found that the high liquidity ratios are maintained by this banks. The measurement of assets management has revealed that the total liability to total assets of HBL has the highest ratio than of NABIL. She has also found that considering EPS, performance of HBL is better than NABIL but comparing net profit and shareholders' equity, the performance of NABIL is better. She concludes that the overall liquidity ratio of NABIL is better; it has low degree of surviving capacity in the adverse liquidity position caused by interest sensitive deposit.

Tamang (2008) conducted this masters thesis entitled “*Financial Performance Analysis of Commercial Banks of 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 the 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 the banks etc.

On the basis of his findings, he recommended that both the banks should review 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.

Limbu (2009) has conducted thesis entitled “*Credit Management of NABIL Bank Limited*” highlighted that aggregate performance and condition of NABIL bank. In the aspect of liquidity position, cash and bank balance reserve ratio shows the more liquidity position. Cash and bank balance to total deposit has fluctuating trend in 5 years study period. Cash and bank balance to liquid deposit is also fluctuating. The average of cash and bank to interest sensitive ratio is able to maintain good financial condition.

The main objectives of the research study were as follow:

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

The main findings and conclusions are according to calculated ratio. In the aspect of assets management ratio, assets management position of the bank shows better

performance in the recent year. Non-performing assets to total assets ratio is decreasing trend. The bank is able to obtain higher lending opportunity during the study period. Therefore, credit management is in good position of the bank. In leverage ratio, Debt to equity ratio is in an increasing trend. High total debt to total assets ratio possess higher financial risk and vice-versa. It represents good condition of Total assets to net worth ratio. In the aspect of profitability position, total net profit to gross income, the total interest income to total income ratio of bank is in increasing trend. The study shows the little high earning capacity of NABIL through loan and advances. Earnings per share and The Price earnings ratio of NABIL is in increasing trend. Loan loss provision to total loan and advances ratio and Non performing loan to total loan and advance ratio of NABIL is in decreasing trend. The ratio is continuously decreasing this indicates that bank increasing performance. Thus, credit management is in a good position. In the statistical tools analysis, average mean, correlation analysis and trend analysis have been calculated. Correlation coefficient between total credit and total assets shows high degree of positive correlation. Correlation coefficient between total deposit and loan & advances has high degree of positive Correlation it is concluded that increasing total deposit will have positive impact towards loan & advances. Trend analysis tools are done for future forecasting. Trend analysis for total, loan & an advance, Total asset and Net profit is done to see future prospect.

Karki (2010) made thesis report on “*Liquidity and Profitability Position of Commercial Banks of Nepal*” which includes SCBL, NABIL, HBL, EBL, and NIBL with the objective to examine the liquidity and profitability position of the commercial banks of Nepal. The thesis work investigated following findings:

- The liquid asset of SBL is highest among the above mentioned banks.
- Liquid assets maintained by NIBL are higher than that EBL.
- In terms of cash reserve ratio liquidity position of NIBL is most satisfactory.

- The average net profit made by SCBL is highest. In terms of net profit margin SCBL is most efficient.

According to the thesis it would be better if EBL increases the liquid assets considering the short term liabilities requirement. NABIL and EBL should be careful enough while maintaining CRR, and thus should not jeopardize the credibility of the bank. Similarly the banks should reengineer the portfolios of its investment to achieve higher profit.

2.3 Research Gap

The trade off between liquidity and profitability of joint ventures banks of Nepal has been conducted by few researchers. However the comparative study between EBL, HBL and NABIL has not been carried out till date. The research has taken into consideration the Liquidity and Profitability position of Commercial Banks of Nepal which included SCBL, NABIL, HBL, EBL and NIBL. The previous research is only limited to financial and statistical analysis of commercial banks of Nepal. The previous researchers has been incomplete to show the impact of profitability over the maintained liquidity it has only explained the trend that has been established between the liquidity and profitability, it has become incomplete to explain the impact over the operational efficiency and the specific problems faced by the banks due to conflicting impact of profitability over liquidity. Therefore, this research is broader and is aimed to analyze the impact of profitability and liquidity by examining the dividend policy and by examining relationship of total deposit with cash and bank balance and with net profit.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

In the modern world, research has become an indispensable in all spheres of human activity. Research is essentially systematic inquiry seeking facts through objectives verifiable methods in order to discover the relationship among them and to deduce from them broad principles or laws. It is really a method of critically thinking by defining and redefining problems, formulating hypothesis or suggested solution, collecting, organizing and evaluating data, making deductions and making conclusions to determine whether they fit the formulated hypothesis.

Research is a systematic method to finding out solution to a problem where as research methodology refers to various sequential steps to be adopted by a research in studying a problem with certain objectives in view. In other words, research methodology describes the methods, techniques and process applied in the entire aspect of the study. It is a sequential procedure and method to be adopted in a systematic study.

It has been clear that research methodology is a systematic and scientific method of identifying problems, collecting facts and information tabulating and recording the data, setting hypothesis, analyzing the facts and researching certain conclusion with a view of findings answer to the problems. In fact, research methodology is one of the crucial aspects of the thesis writing. So the present chapter outlines the entire research methodology used and followed in this study.

3.2 Research Design

Research design refers to the conceptual structure within which the research is conducted. It is the plan, structure and strategy of investigation conceived so as to

obtain a number of research questions and to control variance. It is essential for the whole study and helps in finding out deficiency in expectation of the starting of work. The research design is the outline of a plan to test the hypothesis and should include all the procedures that follow. It is said that the formidable problem that follows in task of defining the research is the preparation of design of the research project, popularly known as research design. Basically, the research design has two purposes. The first purpose is to answer the research question or test the research hypothesis. The second purpose of research design is to control variance.

"Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximum information with minimal expenditure of effort, time and money. Research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of the staff, time and money. Research design, in fact, has a great bearing on the reliability of the results arrived at and as such constitutes the firm foundation of the entire edifice of the research work" (Kothari, 1999:40).

"Thus, a research design is a plan for the collection and analysis of data. It presents a series of guideposts to enable the researcher to progress in the right direction in order to achieve the goal. The design may be a specific presentation of the various steps in the research process. These steps include the selection of a research problem, presentation of the problem, formulation of hypothesis, conceptual clarity, Methodology, survey of literature and documentation, bibliography, data collection, testing of the hypothesis, interpretation, presentation and report writing. Generally, a common research design possesses the five basic elements viz. (i) selection of problem (ii) methodology (iii) data gathering (iv) Data analysis and (v) Report writing" (Joshi, 2007:12).

The main objective of this study is to analyze and evaluate the relationship between liquidity and profitability position of the selected JVBs and provide suggestions on the basis of the evaluation. To accomplish this objective, analytical and descriptive research design has been adopted. It tries to describe and analyze all these facts that have been collected for the purpose of the study.

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

3.3 Population and Sample

The term "population" used in statistic denotes the aggregate from which the sample is to be taken and the term "sample" is that part of the population, which we select for the purpose of investigation. Population refers not only to people but the totality of all observations that have been selected for the study. Population is also known as universe. Sample refers to a part chosen from the population. Thus, in statistics, population means whole and the sample means the party of the whole.

Since, this study is focused on the JVBs, thus, here the population encompasses all the JVBs functioning its operation within the country. Since, study of whole population may not be effective due to several factors, thus, sampling becomes

essential to draw inference for the population. So, among all the JVBs, three JVBs have been selected randomly as sample, viz. Everest Bank Limited, Himalayan Bank Limited and NABIL Bank Limited. Here the sample comprises 50% of the total population.

3.4 Sources of Data

Analysis of data means to study the tabulated material in order to determine inherent facts or meanings. It involves breaking down the existing complex factors into simpler parts and putting them together in new arrangements for interpretation. A plan of analysis should be prepared in advance before the actual collection of the material. A preliminary analysis plan for investigation process requires detailed information about similarities, differences, trends, outstanding factors etc.

This research would include both primary and secondary data. Data collected by the researcher or through agent for the first time from related field and possessing original character are known as primary data. Primary data are also called first source. On the other hand, data collected by come one else, used already and are made available to other in the form of published statistics are known as secondary data. Once primary data have been used, it loses its primary characteristics and becomes secondary. The difference between primary and secondary data is a matter of relativity. Primary data are generally used in those cases where the secondary data do not provide an adequate basis for analysis. In certain cases, both data may be employed.

3.5 Data Collection Techniques

Once the purpose of statistical investigation has defined, the next step is the collection of the data that are relevant for analysis in a meaningful manner. Thus, collection of data is considered as an integral part of the research activity. In this

regard, the annual report (i.e. financial statement of the concerned fiscal years have been collected from the respective banks. Moreover, several books, journals, articles and magazines, and various websites have also been referred for the information's.

3.6 Data Analysis Tools

The collected data will be analyzed with the help of different financial and statistical tools.

3.6.1 Financial Tools

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

- Liquidity Ratio
- Profitability Ratio

3.6.1.1 Liquidity Ratio

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

(a) Current Ratio

The current ratio is a measure of the firm's short-term solvency. It indicates the availability of current assets in rupees for every one rupee of current liability. Current ratio establishes a relationship between current assets and current liabilities.

It is calculated as under.

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

Current assets include cash and those assets which can be converted into 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 of 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 to 1 or even higher current ratios 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 of 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 of the items of current assets are necessary. However, the current ratio is crude-and quick measure of the firm's liquidity" (Panday, 2000:114).

(b) 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 asset equals 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 obligation in time if it has been turning over its inventories efficiently. Nevertheless, the quick ratio remains an important index of the firm's liquidity.

(c) Cash and Bank Balance to Current Deposit Ratio

This ratio is designed to measure the bank's ability to meet the immediate obligations. It is employed to measure whether cash and bank balance is sufficient to cover its current calls margin including deposits. Current deposit must be paid when depositors demand their deposit. The higher ratio indicates the bank is in high liquid and the lower ratio indicates the bank is in less liquid. This ratio is computed by:

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

(d) Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total 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:

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

3.4.1.2 Profitability Ratio

Each and every firm has been established to earn profit by fulfilling human needs and wants. Profit is a kind of fuel for business enterprise or firms. Without profit no firm can survive. Therefore, profit is essential for a firm's survival and future growth. Hence, management of the firm is interested in the operating efficiency of the firm. Profitability ratio is one of the important indicators of operating efficiency. One of the focus of commercial banks is to be enough profitable so as to meet a variety of objectives like achieving a desirable liquidity position, meet fixed interest obligation, overcome the future contingencies, explicit hidden

investment opportunities, encourage branch expansion etc. Profitability ratio, as a matter of fact, is the best indicator of overall efficiency of the bank.

(a) 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. New 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

(b) 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 shareholders' 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 & Surplus

(c) Return on Total Assets (ROA)

Return on total assets or 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" (Munankarmi, 2000:3.37).

ROA is calculated as under;

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

Here, total assets include "both fixed and current assets. However, assets that is not productive like goodwill should be excluded. It is needless to add that fictitious assets and accumulated loss shown on the assets side are also excluded in any case. Here investments are included as they are productive, in the sense that they are capable of earning interest" (Sharma, 1998:260).

(d) Return on Capital Employed (ROCE)

Return on capital employed is an overall profitability ratio. This ratio establishes relationship between profit earned and capital employed ROCE indicates the overall return on the capital employed in the business. It points out whether the capital employed is being profitably and efficiently used in the business or not. Higher the ratio better is the profit earning capacity of the enterprise. ROCE is calculated as under.

$$\text{ROCE} = \frac{\text{Net Profit after Interest}}{\text{Capital Employed}}$$

Where, Capital Employed = Shareholder's Equity + Debenture & Bonds + Loan & Borrowings

(e) Earning Per Share (EPS)

Earning per share is the ratio, which is calculated to assess the availability of total profits per share. It is a very important ratio for equity shareholders to assess the

return on equity share. More the EPS better is the performance of the company. The increasing tendency of EPS enhances the possibility of more dividend and bonus shares. EPS only shows how much 'theoretically' belongs to the ordinary shareholders. It does not reveal how much is paid to the owners as dividends nor how much of the earnings are retained in the business.

It is calculated as under:

$$\text{EPS} = \frac{\text{Net Profit after Preference Dividend}}{\text{Number of Equity Shares}}$$

(f) Dividend Per Share (DPS)

Dividend per share measures the dividend distributed among the equity shareholders on a per share basis. The objective of computing this ratio is to know what an equity shareholder by way of dividend exactly receives. There are two components of this ratio; Amount of earning distributed as dividend and, number of equity shares. DPS should not be taken at its face value as the increased DPS may not be reliable measure of the profitability as the equity base may have increased due to increased retention without any change in the number of outstanding shares.

It is calculated as under:

$$\text{DPS} = \frac{\text{Dividend paid to Shareholder's}}{\text{Number of Equity Shares}}$$

(g) Dividend pay-out Ratio

Dividend pay-out ratio measures the profit distributed between dividends per share and earning per share. The main purpose to calculate this ratio is to find out the amount of dividend paid out of EPS. "If the dividend pay out ratio is subtracted from 100, it will give what percentage share of the net profits are retained in the business" (Khan and Joshi, 2003:107).

It is calculated as under:

$$\text{Dividend pay – out Ratio} = \frac{\text{DPS}}{\text{EPS}}$$

(h) Earning Yield Ratio

Earning yield ratio shows the relationship between earning per share and market value of share. "In general, higher ratio tells the story of success and lower ratio signifies the insufficiency of return on investment made on shares as compared to market price." (Wagle and Dahal, 2008:10.18) It is calculated as under:

$$\text{Earning Yield Ratio} = \frac{\text{EPS}}{\text{MPS}}$$

(i) Dividend Yield Ratio

Dividend yield ratio shows the relationship between dividend per share (DPS) and Market value per share (MPS). This ratio is closely related to EPS and DPS. Higher market value leads to decrease the ratio and vice-versa. It is calculated as under:

$$\text{Dividend Yield Ratio} = \frac{\text{DPS}}{\text{MPS}}$$

3.4.2 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 natures. In this study, the following statistical tools have been used to analyze the data:

3.4.2.1 Mean(\bar{X})

The term 'Mean' is referred as a measure of central tendency. The mean is the measure, which condense a huge data into a single value, which represents the

entire data and generally located at the central part. There are different types of mean but only arithmetic mean is used for this study. Arithmetic mean is the most popular and frequently used measure of central tendency. It is the sum of all observations to the number of observations.

Arithmetic mean of a given set of observations is their sum divided by the number of observations. In general, if X_1, X_2, \dots, X_n are the given N observations, then their arithmetic mean, denoted by \bar{X} is given by,

$$\bar{X} = \frac{X_1 + X_2 + \dots + X_n}{N} = \frac{\sum X}{N}$$

Where,

$\sum X$ = Sum of the observations, and

N = Number of Years

3.4.2.2 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" (Elhance and Aggarwal, 2000: 9.25) The standard deviation is conventionally represented by the Greek letter sigma (σ). If X_1, X_2, \dots, X_n is a set of N observations then, standard deviation is given by,

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

Where,

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

N = Number of Observations

3.4.2.3 Coefficient of Variation (C.V.)

Coefficient of variation is computed for comparing 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.

$$\text{C. V.} = \frac{\sigma}{\bar{X}} \times 100\%$$

3.4.2.4 Trend Analysis

A general tendency of the time series data to increase or decrease or stagnate during a long period of time is called the secular trend or simple trend. Trend is the general, smooth, long-term average tendency. "It is not necessary that the increase or decline should be in the same direction throughout the given period. It may be possible that different tendencies of increase, decrease or stability are observed in different sections of time. However, the overall tendency may be upward, downward or stable. Such tendencies are the result of the forces which are more or less constant for a long time or which change very gradually and continuously over a long period of time. Such as the change in the population, tastes, habits and customs of the people in a society, and so on. They operate in an evolutionary manner and do not reflect sudden changes" (Gupta, 2001:510).

The study of the data over a long period of time enables to have a general idea about the pattern of the behavior of the phenomenon under consideration. By isolating trend values from the given time series, the short-term and irregular movements can be studied. Moreover, trend analysis enables to compare two or

more time series over different periods of time and draws important conclusions about them. Least square is one of the best ways of obtaining the trend values. The principle of least squares provide an analytical or mathematical device to obtain an objective fit to the trend of the given time series.

The equation of a straight line is $Y = a + bX$, where a and b are constants

3.4.2.5 Coefficient of Correlation (r)

"The correlation is a statistical tool which studies the relationship between two variables and correlation analysis involves methods and techniques used for studying and measuring the extent of the relationship between the two variables."

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

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

3.4.2.6 Regression Analysis

The literal or dictionary meaning of the regression is moving backward or going back or the return to the average value. Regression analysis is the technique of studying how the variations on one series are related to variation in another series. It determines the nature and strength of relationship between two variables. Thus, regression is the estimation of unknown values or prediction of one variable from known values of other variables. The regression analysis confined to the study of only two variables at a time is called simple regression.

“The known value which is used for prediction (or estimation), is called independent (or regressor or predictor or explanator) variable and the unknown value which is to be estimated (or predicted by known value is called dependent (or regressed or explained) variable.”(Sharma and Chaudhary,2008:426)

A line fitted to a set of data points to estimate the relationship between two variables is called regression line. A line fitted by the method of least square is the line of best fit. A line of regression gives the best estimate of one unknown variable for any given value of the other variable.

3.4.2.7 Hypothesis

Hypothesis is the assumption about the population parameter then its validity is tested. “It may or may not be found valid on verification. The act of verification involves testing the validity of such assumption which, when undertaken on the basis of sample evidence, is called statistical hypothesis or testing of hypothesis or test of significance. In other words, a procedure to assess the significance of a statistic or difference between two independent statistics is known as test of significance”.

The test of hypothesis finds out whether it deserves the acceptance or rejection of the hypothesis. The main goal of testing of hypothesis is to test the characteristics of hypothesized population parameter based on sample information whether the difference between the population parameter and sample statistic is significant or not. There are two types of hypothesis namely, Null hypothesis and Alternative hypothesis. The hypothesis of no difference is called null hypothesis denoted by H_0 and a complementary hypothesis against the null hypothesis is called alternative hypothesis denoted by H_1 .

In this study, in order to test whether the sample correlation coefficient is significant of any correlation between the variables in the population, t-test for significance of an observed sample correlation coefficient is applied.

3.4.2.8 ANOVA

To test the homogeneity of several means, the analysis of variance (ANOVA) is a powerful statistical tool for tests of significance to evaluate difference among the parameters of several groups. In other words, ANOVA is a statistical technique specially designed to test whether the means of more than two qualitative populations are equal. It provides a technique to make inferences about whether all the samples have come from the same normal population having the same mean.

There are two types of ANOVA namely, one way ANOVA and, two way ANOVA. Under one way ANOVA, the influence of only one factor or variable is studied whereas, fewer than two ways ANOVA, the effect of two factors or variables are studied simultaneously. Under this study, one way ANOVA is only used for the purpose of analysis and evaluation.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter entitled “Presentation and Analysis of Data” is a crucial chapter and has been organized to present the result and analyze them accordingly. The basic objective of this study is to observe and analyze the trade off between liquidity and profitability position of Everest Bank Limited (EBL), Himalayan Bank Limited (HBL) and Nabil Bank Limited (NABIL). The presentation and analysis of data in this study have been done through the help of financial statements of the year from FY 2062/63 to FY 2066/67.

This chapter provides a mechanism for meeting the basic objectives as stated earlier in the first chapter of the study. The study has followed the methodology as described in the third chapter in order to attain the objectives. Data collected for the analysis of trade off between liquidity and profitability position of EBL, HBL and NABIL are presented in the form of tabular and diagrammatic form and are analyzed with the help of widely accepted tools of financial ratios. But it is notable that all types of financial ratios are not studied under this chapter. Only those ratios are calculated, analyzed and presented which are very significant to pasteurize the study. Moreover, statistical tools such as, average mean, standard deviation, co-efficient of variation, trend analysis, correlation co-efficient, regression analysis, hypothesis (t-test) and ANOVA test have been used to analyze the data.

A bank basically deals with two conflicting goals namely, liquidity and profitability. Managers of bank can obtain the trade off between liquidity and profitability by following the method of cash planning, managing cash flow, managing optimum cash level and investing idle funds in shift able assets. Since,

liquidity and profitability both are important aspect for the bank, thus, bank can't ignore any of them, in fact, and the bank should go side by side with both the concept. A balance should always be maintained between liquidity and profitability hence, the bank should follow certain principles of liquidity and profitability.

4.2 Liquidity Ratio

4.2.1 Current Ratio

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

Table 4.1
Current Ratio

Everest Bank Limited (EBL)			
FY	Current Assets	Current Liabilities	Ratio
2062/63	1,380,180,824	744,421,364	1.85%
2063/64	1,070,415,930	864,350,232	1.24%
2064/65	1,826,274,386	502,208,064	3.64%
2065/66	1,797,935,344	894,031,398	2.01%
2066/67	1,627,688,103	711,596,474	2.29%
Average Mean			2.21%
Standard Deviation			0.80
Co-efficient of Variation			36.20%
Himalayan Bank Limited (HBL)			
FY	Current Assets	Current Liabilities	Ratio
2062/63	2,948,068,814	638,871,727	4.61%
2063/64	3,218,410,314	768,519,769	4.19%
2064/65	3,099,161,645	556,351,142	5.57%
2065/66	3,240,624,449	698,737,519	4.64%
2066/67	2,316,084,030	977,243,609	2.37%
Average Mean			4.28%
Standard Deviation			1.04
Co-efficient of Variation			24.30%

NABIL Bank Limited (NABIL)			
FY	Current Assets	Current Liabilities	
2062/63	2,523,582,299	839,315,319	3.01%
2063/64	2,381,419,027	915,112,220	2.60%
2064/65	1,841,148,491	837,105,689	2.20%
2065/66	2,909,808,670	934,375,511	3.11%
2066/67	2,310,311,404	1,070,257,535	2.15%
Average Mean			2.61%
Standard Deviation			0.40
Co-efficient of Variation			15.32%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table and figure shows that the current ratio of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 1.85%, 1.24%, 3.64%, 2.01% and 2.29% respectively. Its average current ratio is 2.21%, Standard deviation is 0.80 and Co-efficient of variation is 36.20%.

The current ratio of HBL in the 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 4.61%, 4.19%, 5.57%, 4.64% and 2.37% respectively. Its average current ratio is 4.28%, Standard deviation is 1.04 and co-efficient of variation is 24.30%.

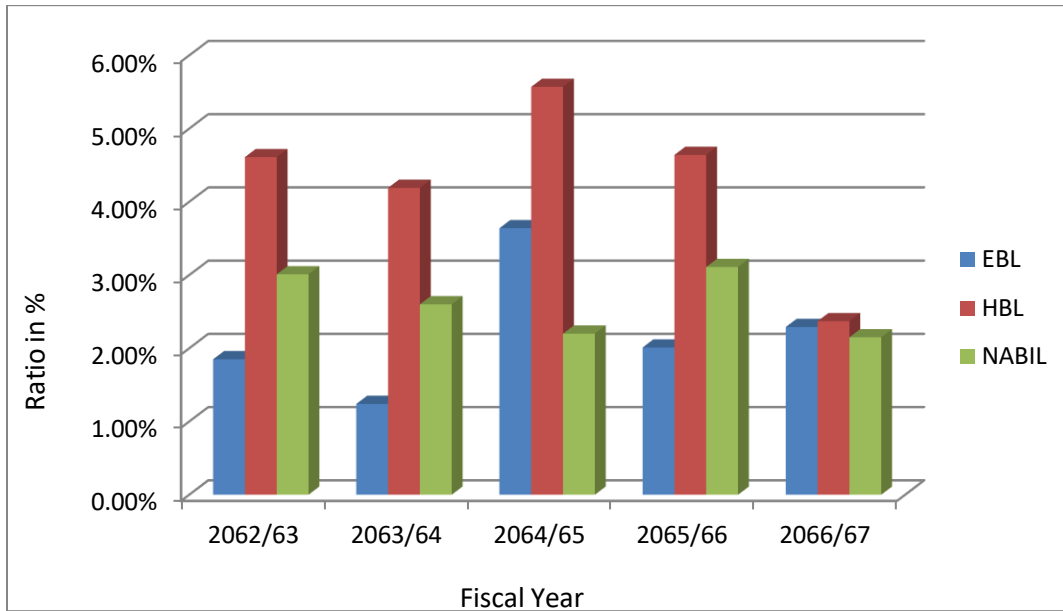
The current ratio of NABIL in the 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 3.01%, 2.60%, 2.20%, 3.11% and 2.15% respectively. Its average current ratio is 2.61%, standard deviation is 0.40 and co-efficient of variation is 15.32%.

The figure shows that the higher average current ratio of HBL shows that it has good liquidity within the bank in terms of current ratio as compared to EBL and NABIL. This means HBL has ability to meet its current obligations come form its

customers. On the other hand, the lower C.V. of NABIL shows that it is more consistent in maintaining the funds within the bank than EBL and HBL.

Figure. 4.1

Current Ratio



4.2.2 Quick Ratio

Quick ratio establishes the relationship between quick assets and current liabilities.

It is computed as under:

Table 4.2

Quick Ratio

Everest Bank Limited (EBL)			
FY	Quick Assets	Current Liabilities	Ratio
2062/63	1,378,364,863	744,421,364	1.85%
2063/64	1,069,230,791	864,350,232	1.24%
2064/65	1,824,973,601	502,208,064	3.63%
2065/66	1,795,507,239	894,031,398	2.01%
2066/67	1,610,475,247	711,596,474	2.26%
Average Mean			2.20%
Standard Deviation			0.65
Co-efficient of Variation			29.54%

Himalayan Bank Limited (HBL)			
FY	Quick Assets	Current Liabilities	Ratio
2062/63	2,935,954,129	638,871,727	4.60%
2063/64	3,204,210,867	768,519,769	4.17%
2064/65	3,086,462,057	556,351,142	5.55%
2065/66	3,227,005,153	698,737,519	4.62%
2066/67	2,259,617,411	977,243,609	2.31%
Average Mean			4.25%
Standard Deviation			1.06
Co-efficient of Variation			24.94%
NABIL Bank Limited (NABIL)			
FY	Quick Assets	Current Liabilities	Ratio
2062/63	2,509,926,543	839,315,319	2.99%
2063/64	2,364,533,344	915,112,220	2.58%
2064/65	1,824,645,316	837,105,689	2.18%
2065/66	2,895,313,644	934,375,511	3.10%
2066/67	2,255,244,720	1,070,257,535	2.11%
Average Mean			2.59%
Standard Deviation			0.40
Co-efficient of Variation			15.44%

Sources: Annual Reports of EBL, HBL and NABIL Bank

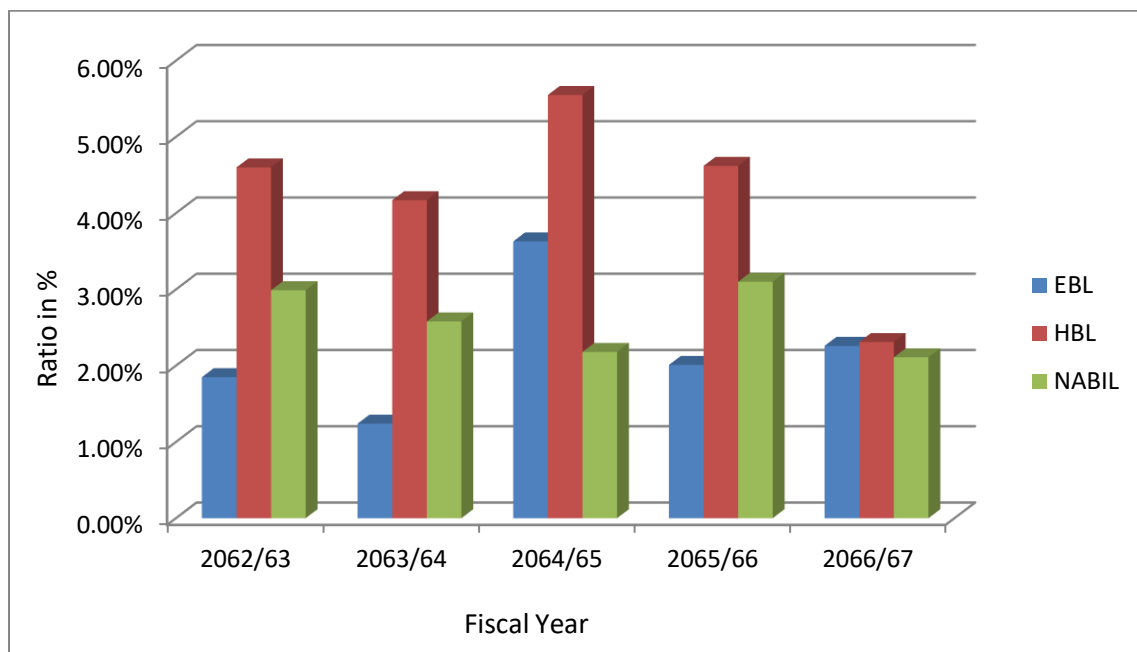
The table shows that the quick ratio of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 1.85%, 1.24%, 3.63%, 2.01% and 2.26% respectively. Its average quick ratio is 2.20%, Standard deviation is 0.65 and Co-efficient of variation is 29.54%.

The quick ratio of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 4.60%, 4.17%, 5.55%, 4.62% and 2.31% respectively. Its average quick ratio is 4.25%, Standard deviation is 1.06 and co-efficient of variation is 24.94%.

The quick ratio of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 2.99%, 2.58%, 2.18%, 3.10% and 2.11% respectively. Its average quick ratio is 2.59%, standard deviation is 0.40 and coefficient of variation is 15.44%.

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

Figure 4.2
Quick Ratio



4.2.3 Cash and Bank Balance to Current Deposit Ratio

Cash and bank balance to current deposit ratio establishes the relationship between cash & bank balance and current deposits. It is computed as under:

Table 4.3
Cash and Bank Balance to Current Deposit Ratio

Everest Bank Limited (EBL)			
FY	Cash and Bank Balance	Current Deposit	Ratio
2062/63	1,552,967,494	1,145,794,695	135.54%
2063/64	1,501,515,266	1,673,983,140	89.70%
2064/65	2,667,971,830	2,492,346,111	107.05%
2065/66	6,164,371,163	4,859,946,758	126.84%
2066/67	7,818,815,003	4,173,319,653	187.35%
Average Mean			129.30%
Standard Deviation			33.10
Co-efficient of Variation			25.60%
Himalayan Bank Limited (HBL)			
FY	Cash and Bank Balance	Current Deposit	Ratio
2062/63	1,717,352,336	5,028,150,556	34.16%
2063/64	1,757,341,252	5,589,580,391	31.44%
2064/65	1,448,142,890	4,784,216,160	30.27%
2065/66	3,048,526,788	3,218,224,894	94.73%
2066/67	3,866,490,684	3,745,624,493	103.23%
Average Mean			58.77%
Standard Deviation			33.01
Co-efficient of Variation			56.17%
NABIL Bank Limited (NABIL)			
FY	Cash and Bank Balance	Current Deposit	Ratio
2062/63	630,238,588	2,910,589,772	21.66%
2063/64	1,399,825,851	3,395,239,772	41.23%
2064/65	2,671,141,055	5,284,368,064	50.55%
2065/66	3,372,512,471	5,480,533,468	61.54%
2066/67	1,400,097,804	7,904,619,852	17.71%
Average Mean			38.54%
Standard Deviation			16.73
Co-efficient of Variation			23.41%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the cash and bank balance to current deposit ratio of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 135.54%, 89.70%, 107.05% ,126.84% and 187.35% respectively. Its average cash & bank to current deposit ratio is 129.30%, Standard deviation is 33.10 and Co-efficient of variation is 25.60%.

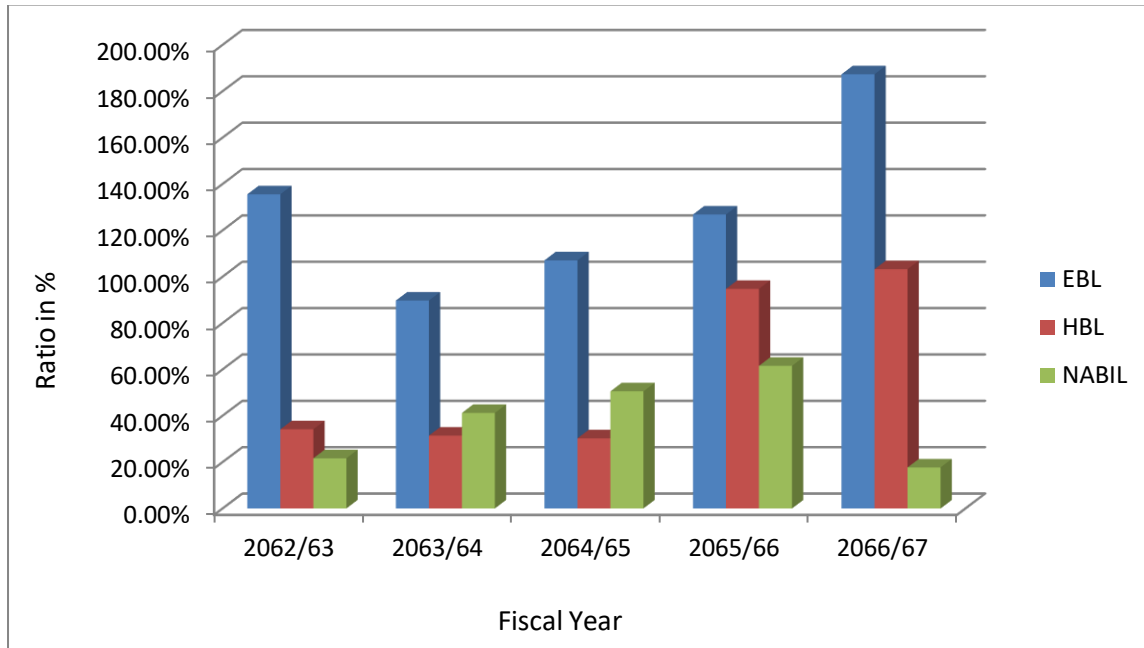
The cash & bank balance to current of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 34.16%, 31.34%, 30.27%, 94.73% and 103.23% respectively. Its average cash & bank balance to current deposit ratio is 58.77%, Standard deviation is 33.01 and co-efficient of variation is 56.17%.

The cash & bank balance to current deposit ratio of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 21.66%, 41.23%, 50.55%,61.54% and 17.71% respectively. Its average cash & bank balance to current deposit ratio is 38.54%, standard deviation is 16.73 and co-efficient of variation is 23.41%.

The figure shows that higher average cash & bank balance to current deposit ratio of EBL shows that it is comparatively in better position to pay the customers current deposits as compared to HBL and NABIL. However, the lower C.V. of NABIL reveals that it is more consistent in maintaining the cash and bank balance to pay the current deposits of the customers.

Figure 4.3

Cash and Bank Balance to Current Deposit Ratio



4.2.4 Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total deposit ratio establishes the relationship between cash & bank balance and total deposits. It is computed as under:

Table 4.4

Cash and Bank Balance to Total Deposit Ratio

Everest Bank Limited (EBL)			
FY	Cash and Bank Balance	Total Deposit	Ratio
2062/63	1,552,967,494	13,802,444,988	11.25%
2063/64	1,501,515,266	18,186,253,541	8.26%
2064/65	2,667,971,830	23,976,298,535	11.13%
2065/66	6,164,371,163	33,322,946,246	18.50%
2066/67	7,818,815,003	36,932,310,008	21.17%
Average Mean			14.06%
Standard Deviation			4.91
Co-efficient of Variation			34.92%

Himalayan Bank Limited (HBL)			
FY	Cash and Bank Balance	Total Deposit	Ratio
2062/63	1,717,352,336	26,490,851,640	6.48%
2063/64	1,757,341,252	30,048,417,756	5.85%
2064/65	1,448,142,890	31,842,789,356	4.55%
2065/66	3,048,526,788	34,682,306,863	8.79%
2066/67	3,866,490,684	37,611,202,274	10.28%
Average Mean			7.19%
Standard Deviation			2.07
Co-efficient of Variation			28.79%
NABIL Bank Limited (NABIL)			
FY	Cash and Bank Balance	Total Deposit	Ratio
2062/63	630,238,588	19,347,399,440	3.26%
2063/64	1,399,825,851	23,342,285,327	6.00%
2064/65	2,671,141,055	31,915,047,467	8.37%
2065/66	3,372,512,471	37,348,255,840	9.03%
2066/67	1,400,097,804	46,410,700,628	3.02%
Average Mean			5.94%
Standard Deviation			2.50
Co-efficient of Variation			42.09%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the cash & bank balance to total deposit ratio of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 11.25%, 8.26%, 11.13%, 18.50% and 21.17% respectively. Its average cash & bank balance to total deposit ratio is 14.06%, standard deviation is 4.91 and co-efficient of variation is 34.92%.

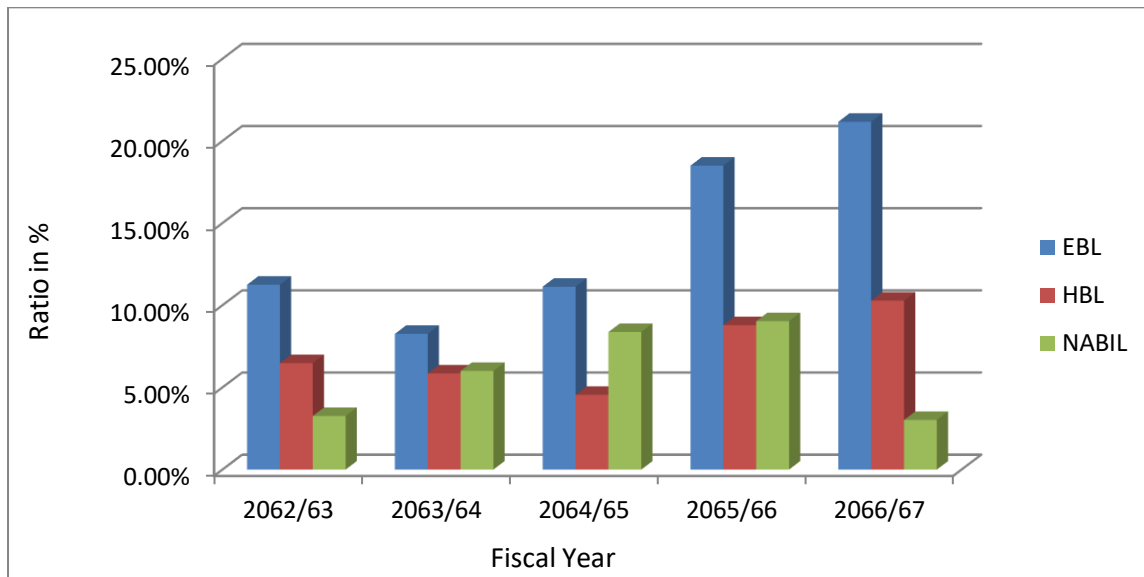
The cash & bank balance to total deposit ratio of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 6.48%, 5.85%, 4.55%, 8.79% and 10.28% respectively. Its average cash & bank balance to total deposit ratio is 7.19%, standard deviation is 2.07 and co-efficient of variation is 28.79%.

The cash & bank balance to total deposit ratio of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 3.26%, 6.00%, 8.37%, 9.03 % and 3.02% respectively. Its average cash & bank balance to total deposit ratio is 5.94%, standard deviation is 2.50 and co-efficient of variation is 42.09%.

The figure shows that the higher average cash & bank balance to total deposit ratio of EBL shows that it has been maintaining comparatively high cash and bank balance from the total deposit as compared to HBL and NABIL. However, the lower C.V. of HBL reveals that it is more consistent in maintaining the cash and bank balance from total deposit. Higher the C.V. of NABIL shows that it is not consistent in maintain the cash and balance in terms of total deposit

Figure 4.4

Cash and Bank Balance to Total Deposit Ratio



4.3 Profitability Ratio

4.3.1 Net Profit Ratio

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

Table 4.5
Net Profit Ratio

Everest Bank Limited (EBL)			
FY	Net Profit	Operating Income	Ratio
2062/63	237,290,936	824,505,685	28.78%
2063/64	296,409,281	841,332,298	35.23%
2064/65	451,218,613	1,209,898,087	37.29%
2065/66	638,732,757	1,544,965,598	41.34%
2066/67	831,765,632	1,927,976,053	41.14%
Average Mean			37.16%
Standard Deviation			5.04
Co-efficient of Variation			13.56%
Himalayan Bank Limited (HBL)			
FY	Net Profit	Operating Income	Ratio
2062/63	457,457,696	1,990,051,825	22.98%
2063/64	491,822,905	1,393,361,792	35.29%
2064/65	635,868,519	1,597,495,036	39.80%
2065/66	752,834,735	1,988,047,919	37.86%
2066/67	508,798,193	2,157,958,409	23.58%
Average Mean			31.90%
Standard Deviation			7.19
Co-efficient of Variation			22.54%
NABIL Bank Limited (NABIL)			
FY	Net Profit	Operating Income	Ratio
2062/63	635,262,349	1,448,292,413	43.86%
2063/64	673,959,698	1,480,157,875	45.53%
2064/65	746,468,394	1,670,427,262	44.68%
2065/66	1,031,053,098	2,220,983,026	46.42%
2066/67	1,138,570,802	2,764,088,060	43.19%
Average Mean			44.34%
Standard Deviation			8.05
Co-efficient of Variation			23.96%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the net profit ratio of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 28.78%, 35.23%, 37.29%, 41.34%

and 41.14 % respectively. Its average net profit ratio is 37.16%, standard deviation is 5.04 and co-efficient of variation is 13.56%.

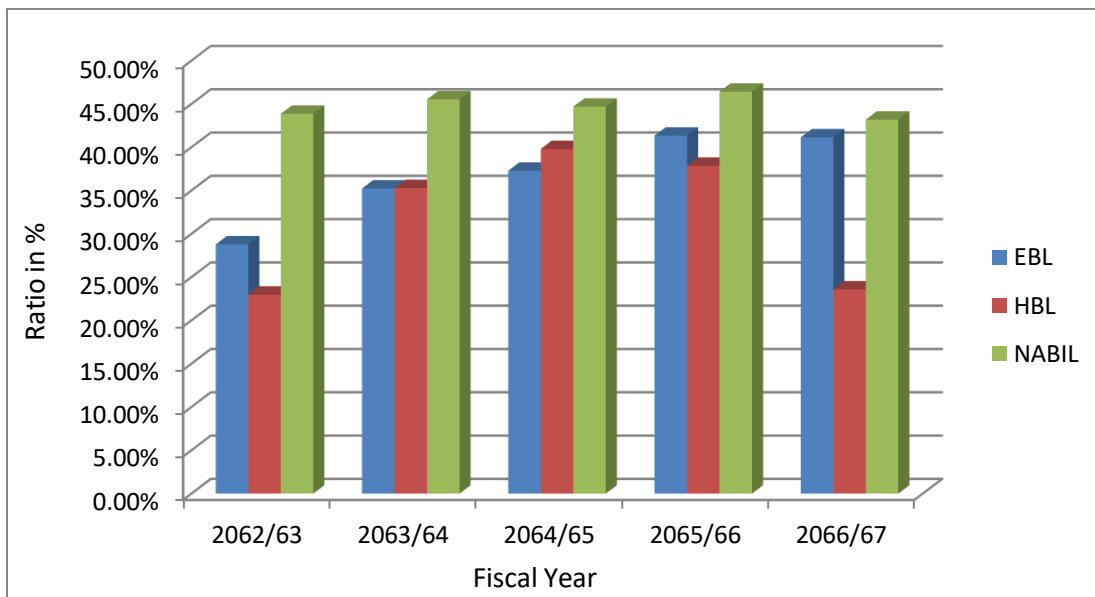
The net profit ratio of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 22.98%, 35.29%, 39.80%, 37.86% and 23.58 % respectively. Its average net profit ratio is 31.90%, standard deviation is 7.19 and co-efficient of variation is 22.54%.

The net profit ratio of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 43.86%, 45.53%, 44.68%, 46.42% and 43.19% respectively. Its average net profit ratio is 44.34%, standard deviation is 8.05 and co-efficient of variation is 23.96%.

The figure shows that the higher average net profit ratio of NABIL shows that it has been earning high rate of profit continuously in the successive fiscal years as compared to EBL and HBL. However, the lower C.V. of EBL reveals that it is also more consistent in earning the profit than HBL and NABIL.

Figure 4.5

Net Profit Ratio



4.3.2 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 4.6
ROE of EBL, HBL and NABIL Banks

Everest Bank Limited (EBL)			
FY	Net Profit after Tax	Shareholder's Equity	Ratio
2062/63	237,290,936	1,059,89,131	22.41%
2063/64	296,409,281	1,201,515,266	24.67%
2064/65	451,218,613	1,921,237,580	23.48%
2065/66	638,732,757	2,203,625,055	28.98%
2066/67	831,765,632	2,759,137,855	29.69%
Average Mean			25.94%
Standard Deviation			3.07
Co-efficient of Variation			11.84%
Himalayan Bank Limited (HBL)			
FY	Net Profit after Tax	Shareholder's Equity	Ratio
2062/63	457,457,696	1,766,175,616	25.90%
2063/64	491,822,905	2,146,499,655	22.91%
2064/65	635,868,519	2,512,991,602	25.30%
2065/66	752,834,735	3,276,976,194	22.97%
2066/67	508,798,193	4,702,135,883	10.82%
Average Mean			21.58%
Standard Deviation			5.50
Co-efficient of Variation			25.49%
NABIL Bank Limited (NABIL)			
FY	Net Profit after Tax	Shareholder's Equity	Ratio
2062/63	635,262,349	1,874,994,417	33.88%
2063/64	673,959,698	2,057,049,715	32.76%
2064/65	746,468,394	2,437,198,989	30.63%
2065/66	1,031,053,098	3,130,240,637	32.94%
2066/67	1,138,570,802	3,834,225,992	30.15%
Average Mean			31.98%
Standard Deviation			3.45
Co-efficient of Variation			10.78%

Sources: Annual Reports of EBL, HBL and NABIL Bank

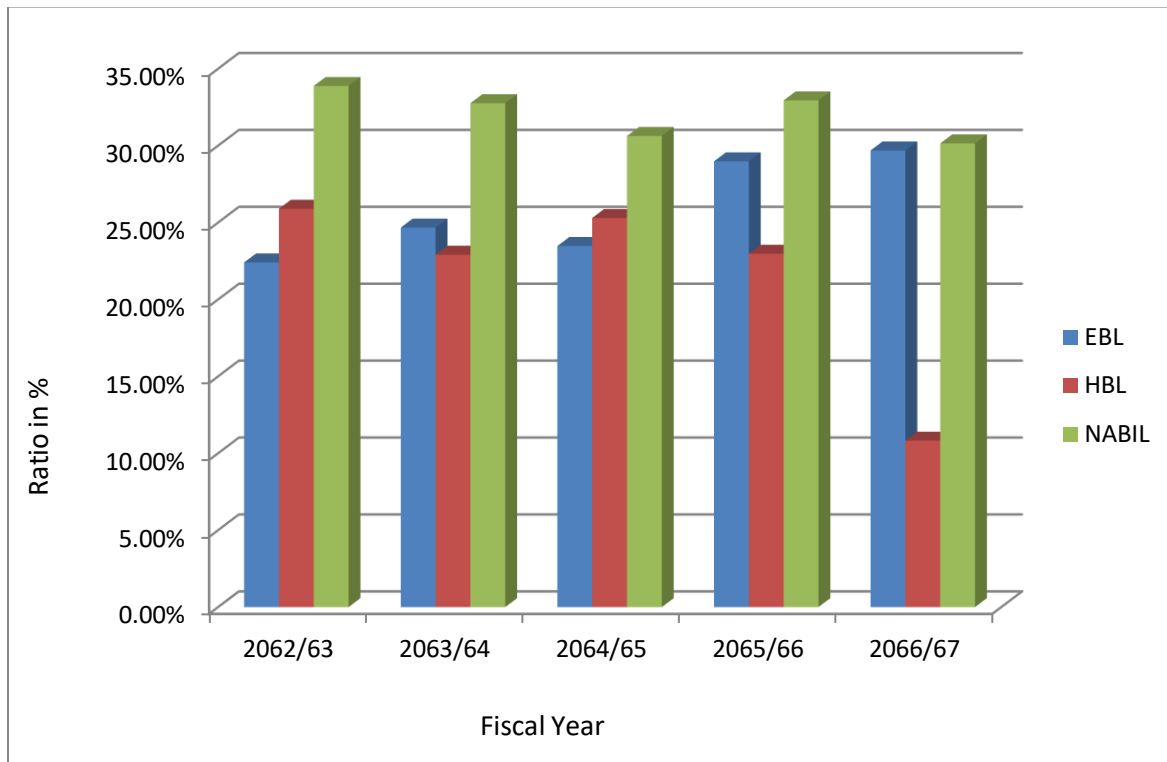
The table shows that the ROE of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 22.41%, 24.67%, 23.48%, 28.98% and 29.69% respectively. Its average ROE is 25.94%, standard deviation is 3.07 and co-efficient of variation is 11.84%.

The ROE of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 25.90%, 22.91%, 25.30%, 22.97% and 10.82% respectively. Its average ROE is 21.58%, standard deviation is 5.50 and co-efficient of variation is 25.49%.

The ROE of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 33.88%, 32.76%, 30.63%, 32.94% and 30.15% respectively. Its average ROE is 31.98%, standard deviation is 3.45 and co-efficient of variation is 10.78%.

The figure shows that the higher average ROE of NABIL reveals that NABIL has been efficiently utilizing the owners' investment comparatively better than EBL and HBL. Higher the ROE of NABIL also reveals that NABIL is increasing the profit which is good for the equity shareholder's. Moreover, the lower C.V. of NABIL also suggests that it is more consistent in utilizing the owners' investment efficiently.

Figure 4.6
ROE of EBL, HBL and NABIL Banks



4.3.4 Return on Assets (ROA)

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

Table 4.7
ROA of EBL, HBL and NABIL Banks

Everest Bank Limited (EBL)			
FY	Net Profit after Interest	Total Assets	Ratio
2062/63	237,290,936	15,959,284,687	1.48%
2063/64	296,409,281	21,432,574,300	1.38%
2064/65	451,218,613	27,149,342,884	1.66%
2065/66	638,732,757	36,916,848,654	1.73%
2066/67	831,765,632	41,382,760,711	2.00%
Average Mean			1.65%
Standard Deviation			0.21
Co-efficient of Variation			12.73%

Himalayan Bank Limited (HBL)			
FY	Net Profit after Interest	Total Assets	Ratio
2062/63	457,457,696	29,460,389,672	1.55%
2063/64	491,822,905	33,519,141,111	1.47%
2064/65	635,868,519	36,175,531,637	1.76%
2065/66	752,834,735	39,330,131,823	1.91%
2066/67	508,798,193	42,717,124,613	1.19%
Average Mean			1.58%
Standard Deviation			0.25
Co-efficient of Variation			15.82%
NABIL Bank Limited (NABIL)			
FY	Net Profit after Interest	Total Assets	Ratio
2062/63	635,262,349	22,329,971,078	2.84%
2063/64	673,959,698	27,253,393,008	2.47%
2064/65	746,468,394	37,132,759,149	2.01%
2065/66	1,031,053,098	43,867,397,504	2.35%
2066/67	1,138,570,802	52,079,725,697	2.27%
Average Mean			2.38%
Standard Deviation			0.27
Co-efficient of Variation			11.35%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the ROA of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 1.48%, 1.38%, 1.66%, 1.73% and 2.00% respectively. Its average ROA is 1.65%, Standard deviation is 0.21 and co-efficient of variation is 12.73%.

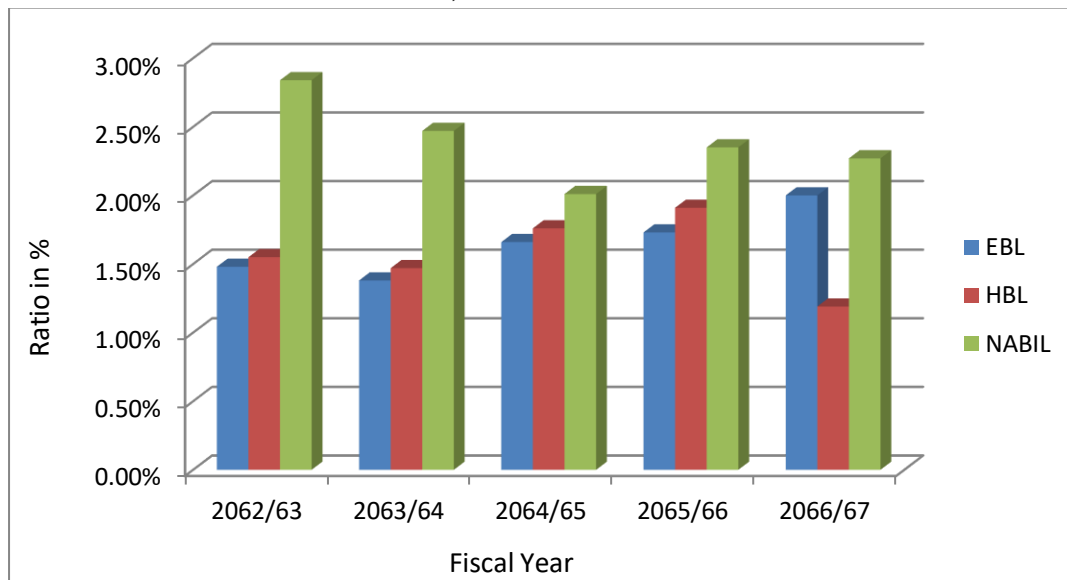
The ROA of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 1.55%, 1.47%, 1.76%, 1.91% and 1.19% respectively. Its average ROA is 1.58%, standard deviation is 0.25 and co-efficient of variation is 15.82%.

The ROA of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 2.84%, 2.47%, 2.01%, 2.35% and 2.27% respectively. Its

average ROA is 2.38%, standard deviation is 0.27 and co-efficient of variation is 11.35%.

The figure shows that the higher average ROA of NABIL reveals that NABIL has been able to utilize its overall resources supplied by the owners and creditors in efficient way in comparison with EBL and HBL. The high ratio also reflects the successes of NABIL's management. However, the lower C.V. of NIBL suggests that NABL is more consistent in utilizing the overall resources efficiently.

Figure 4.7
ROA of EBL, HBL and NABIL Banks



4.3.5 Return on Capital Employed (ROCE)

Return on capital employed establishes the relationship between net profit after interest and capital employed. It is computed as under:

Table 4.8
ROCE of EBL, HBL and NABIL Banks

Everest Bank Limited (EBL)			
FY	Net Profit after Interest	Capital Employed	Ratio
2062/63	237,290,936	1,262,808,301	18.79%
2063/64	296,409,281	1,501,515,266	19.74%
2064/65	451,218,613	2,221,237,580	20.31%
2065/66	638,732,757	2,815,625,055	22.69%
2066/67	831,765,632	3,463,737,855	24.01%
Average Mean			21.11%
Standard Deviation			1.94
Co-efficient of Variation			9.19%
Himalayan Bank Limited (HBL)			
FY	Net Profit after Interest	Capital Employed	Ratio
2062/63	457,457,696	2,270,800,513	20.15%
2063/64	491,822,905	2,742,467,466	17.93%
2064/65	635,868,519	3,456,169,575	18.40%
2065/66	752,834,735	3,619,880,537	20.80%
2066/67	508,798,193	3,939,205,130	12.92%
Average Mean			18.04%
Standard Deviation			2.72
Co-efficient of Variation			15.35%
NABIL Bank Limited (NABIL)			
FY	Net Profit after Interest	Capital Employed	Ratio
2062/63	635,262,349	2,270,800,513	27.97%
2063/64	673,959,698	2,039,622,215	22.95%
2064/65	746,468,394	4,037,198,989	18.49%
2065/66	1,031,053,098	5,111,545,637	20.17%
2066/67	1,138,570,802	4,209,125,929	27.05%
Average Mean			23.33%
Standard Deviation			13.78
Co-efficient of Variation			59.06%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the ROCE of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 18.79%, 19.74%, 20.31%, 22.69% and

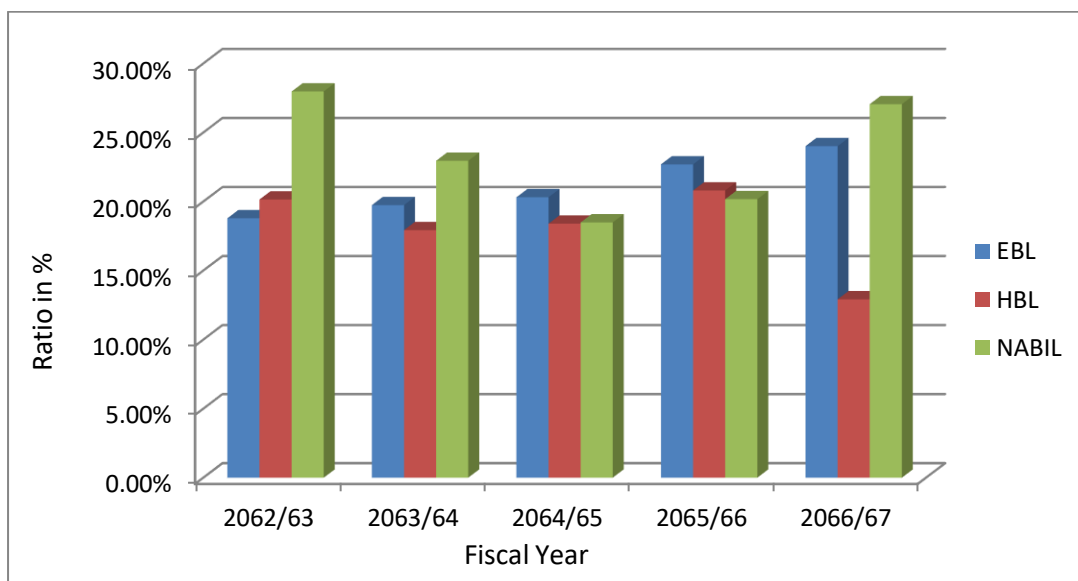
24.01% respectively. Its average ROCE is 21.11%, standard deviation is 1.94 and co-efficient of variation is 9.19%.

The ROCE of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 20.15%, 17.93%, 18.40%, 20.80% and 12.92% respectively. Its average ROCE is 18.04%, standard deviation is 2.72 and co-efficient of variation is 15.35%.

The ROCE of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 27.97%, 22.95%, 18.49%, 20.17% and 27.05% respectively. Its average ROCE is 23.33%, standard deviation is 13.78 and co-efficient of variation is 59.06%.

The figure shows that the higher average ROCE of NABIL reveals that NABIL have been utilizing the available resources supplied by the owners and creditors more efficiently than EBL and HBL. However, the lower C.V. of EBL suggests that EBL is more consistent in utilizing the available resources.

Figure 4.8
ROCE of EBL, HBL and NABIL Banks



4.3.6 Earning Per Share (EPS)

Earning per share establishes the relationship between net profits after preference dividend and number of equity shares. It is computed as under:

Table 4.9
EPS of EBL, HBL and NABIL Banks

Everest Bank Limited (EBL)			
FY	Net Profit after Preference Dividend	No. of Equity Shares	Rupee
2062/63	237,290,936	3,780,000	62.78
2063/64	296,409,281	3,780,000	78.42
2064/65	451,218,613	4,914,000	91.82
2065/66	638,732,757	6,388,210	99.99
2066/67	831,765,632	8,304,673	100.16
Average Mean			86.63
Standard Deviation			14.34
Co-efficient of Variation			16.55%
Himalayan Bank Limited (HBL)			
FY	Net Profit after Preference Dividend	No. of Equity Shares	Rupee
2062/63	457,457,696	7,722,000	59.24
2063/64	491,822,905	8,108,100	60.66
2064/65	635,868,519	10,135,125	62.74
2065/66	752,834,735	12,162,150	61.90
2066/67	508,798,193	16,000,000	31.80
Average Mean			55.27
Standard Deviation			11.79
Co-efficient of Variation			21.33%
NABIL Bank Limited (NABIL)			
FY	Net Profit after Preference Dividend	No. of Equity Shares	Rupee
2062/63	635,262,349	4,916,544	129.21
2063/64	673,959,698	4,916,544	137.08
2064/65	746,468,394	6,892,160	108.31
2065/66	1,031,053,098	9,657,470	106.76
2066/67	1,138,570,802	14,491,240	78.61
Average Mean			111.99
Standard Deviation			20.40
Co-efficient of Variation			18.22%

Sources: Annual Reports of EBL, HBL and NABIL Bank

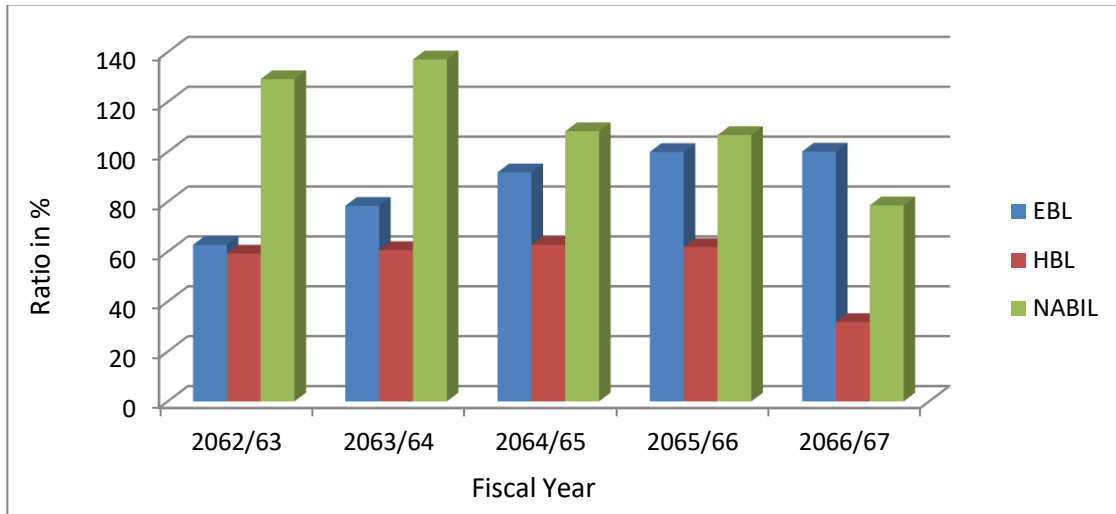
The table shows that the EPS of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are Rs. 62.78, Rs. 78.42, Rs. 91.82, Rs. 99.99 and Rs. 100.16 respectively. Its average EPS is Rs. 86.63, standard deviation is 14.34 and co-efficient of variation is 16.55%.

The EPS of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are Rs. 59.24, Rs. 60.66, Rs. 62.74, Rs. 61.90 and Rs. 31.80 respectively. Its average EPS is Rs. 55.27, standard deviation is 11.79 and co-efficient of variation is 21.33%.

The EPS of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are Rs. 129.21, Rs. 137.08, Rs. 108.31, Rs. 106.76 and Rs. 78.61 respectively. Its average EPS is Rs. 111.99, standard deviation is 20.40 and co-efficient of variation is 18.22%.

The figure shows that the higher average EPS of NABIL reveals that NABIL's shareholders can get higher dividend and bonus share on every share held than EBL's and HBL's shareholder. More the EPS of NABIL shows that it has better performance than EBL and HBL. However, the lower C.V. of EBL suggests that EBL is more consistent in earning per share than NABIL and HBL.

Figure 4.9
EPS of EBL, HBL and NABIL Banks



4.3.7 Dividend per Share (DPS)

Dividend per share establishes the relationship between dividend paid to shareholders and number of equity shares. It is computed as under:

Table 4.10
DPS of EBL, HBL and NABIL Banks

Everest Bank Limited (EBL)			
FY	Dividend paid to Shareholder's	No. of Equity Shares	Rupee
2062/63	94,500,000	3,780,000	25
2063/64	37,800,000	3,780,000	10
2064/65	98,280,000	4,914,000	20
2065/66	191,646,300	6,388,210	30
2066/67	249,140,190	8,304,673	30
Average Mean			23
Standard Deviation			6.48
Co-efficient of Variation			28.17%

Himalayan Bank Limited (HBL)			
FY	Dividend paid to Shareholder's	No. of Equity Shares	Rupee
2062/63	231,660,000	7,722,000	30
2063/64	121,621,500	8,108,100	15
2064/65	253,378,125	10,135,125	25
2065/66	145,945,800	12,162,150	12
2066/67	189,473,600	16,000,000	11.84
Average Mean			18.77
Standard Deviation			10.11
Co-efficient of Variation			53.86%
NABIL Bank Limited (NABIL)			
FY	Dividend paid to Shareholder's	No. of Equity Shares	Rupee
2062/63	417,906,240	4,916,544	85
2063/64	491,654,400	4,916,544	100
2064/65	413,529,600	6,892,160	60
2065/66	338,011,450	9,657,470	35
2066/67	434,737,200	14,491,240	30
Average Mean			62
Standard Deviation			27.31
Co-efficient of Variation			44.05%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the DPS of EBL in the FY 2062/63, FY 2063/64, FY2064/65, FY 2065/66, and FY 2066/67 are Rs. 25, Rs. 10, Rs. 20, Rs 30 and Rs.30 respectively. Its average DPS is Rs. 23, standard deviation is 6.48 and co-efficient of variation is 28.17%.

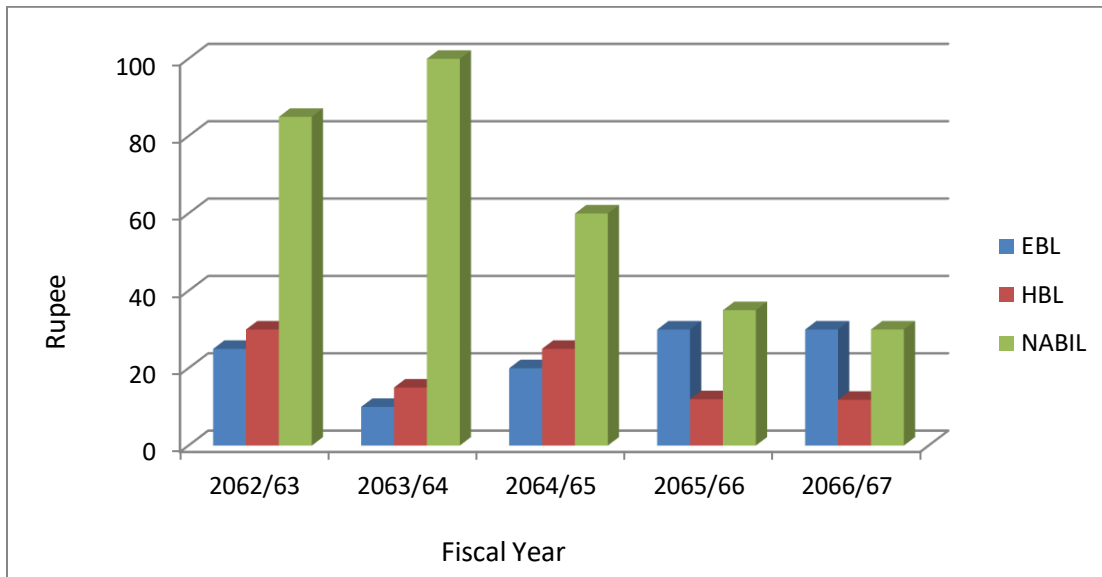
The DPS of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are Rs. 30, Rs. 15, Rs. 25, Rs. 12 and Rs. 11.84 respectively. Its average DPS is Rs. 18.77 and standard deviation is 10.11 and co-efficient of variation is 53.86%.

The DPS of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are Rs. 85, Rs. 100, Rs. 60, Rs. 35 and Rs. 30 respectively. Its

average DPS is Rs. 62, standard deviation is 27.31 and co-efficient of variation is 44.05%.

The figure shows that the higher average DPS of NABIL signifies that NABIL is more successful to win the confidence of the investors. This means NABIL can sell its shares more easily than those shares of EBL and HBL. Moreover, the lower C.V. of EBL also suggests that it is more consistent in distributing the dividend to its shareholders than HBL and NABIL.

Figure 4.10
DPS of EBL, HBL and NABIL Banks



4.3.8 Dividend Pay-out Ratio

Dividend pay-out ratio establishes the relationship between dividend per share (DPS) and earning per share (EPS).

Table 4.11
Dividend pay-out Ratio

Everest Bank Limited (EBL)			
FY	DPS	EPS	Ratio
2062/63	25	62.78	39.82%
2063/64	10	78.42	12.75%
2064/65	20	91.82	21.78%
2065/66	30	99.99	30.00%
2066/67	30	100.16	29.95%
Average Mean			26.85%
Standard Deviation			9.08
Co-efficient of Variation			31.82%
Himalayan Bank Limited (HBL)			
FY	DPS	EPS	Ratio
2062/63	30	59.24	50.64%
2063/64	15	60.66	24.72%
2064/65	25	62.74	39.84%
2065/66	12	61.90	19.38%
2066/67	11.84	31.80	37.23%
Average Mean			34.36%
Standard Deviation			11.14
Co-efficient of Variation			32.42%
NABIL Bank Limited (NABIL)			
FY	DPS	EPS	Ratio
2062/63	85	129.21	65.78%
2063/64	100	137.08	72.95%
2064/65	60	108.31	55.40%
2065/66	35	106.76	32.78%
2066/67	30	78.61	38.16%
Average Mean			53.01%
Standard Deviation			15.46
Co-efficient of Variation			29.16%

Sources: Annual Reports of EBL, HBL and NABIL Bank

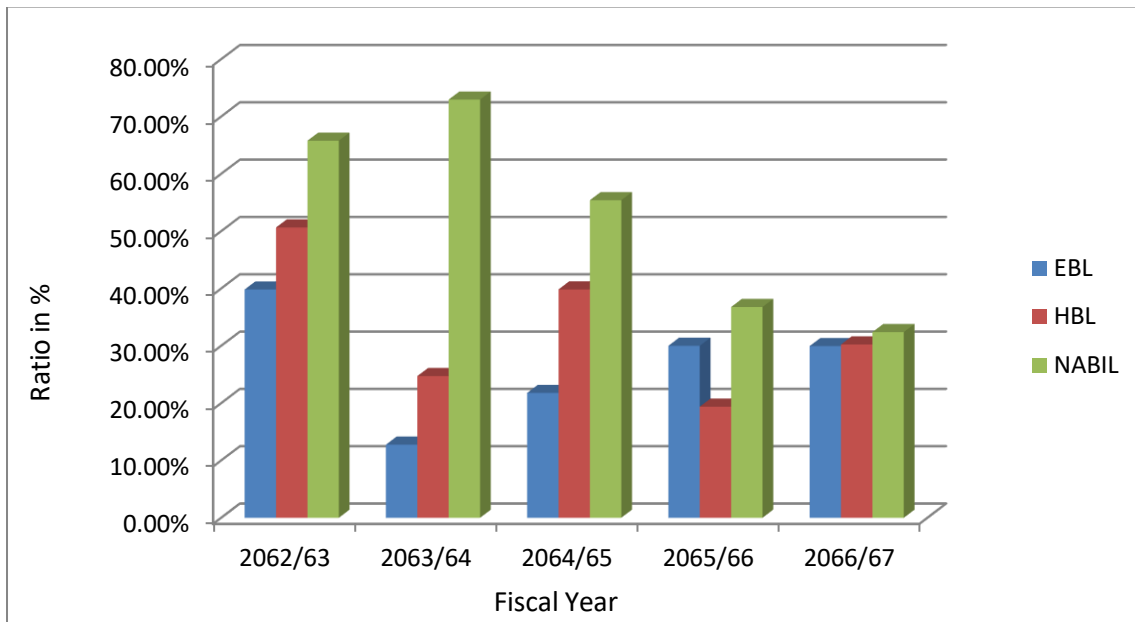
The table shows that the dividend pay-out ratio of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66 and FY 2066/67 are 39.82%, 12.75%, 21.78%, 30.00% and 29.95% respectively. Its average dividend pay-out ratio is 26.85%, standard deviation is 9.08 and co-efficient of variation is 31.82%.

The dividend pay-out ratio of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66 and FY 2066/67 are 50.64%, 24.72%, 39.84%, 19.38% and 37.23% respectively. Its average dividend pay-out ratio is 34.36%, standard deviation is 11.14 and co-efficient of variation is 32.42%.

The dividend pay-out ratio of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 65.78%, 72.95%, 55.40%, 32.78% and 38.16% respectively. Its average dividend pay-out ratio is 53.01%, standard deviation is 15.46 and co-efficient of variation is 29.16%.

The figure shows that the higher average dividend pay-out ratio of NABIL states that it has paid out higher percentage of net profit as dividend to its equity holders than EBL and HBL. Moreover, the lower C.V. of EBL also suggests that it is more consistent in distributing the dividend to its shareholders.

Figure 4.11
Dividend pay-out Ratio



4.3.9 Earning Yield Ratio

Earning yield ratio establishes the relationship between earning per share (EPS) and market price per share (MPS). It is computed as under:

Table 4.12
Earning Yield Ratio

Everest Bank Limited (EBL)			
FY	EPS	MPS	Ratio
2062/63	62.78	1379	4.55%
2063/64	78.42	2430	3.22%
2064/65	91.82	3132	2.93%
2065/66	99.99	2455	4.07%
2066/67	100.16	1630	6.14%
Average Mean			4.18%
Standard Deviation			1.12
Co-efficient of Variation			26.79%
Himalayan Bank Limited (HBL)			
FY	EPS	MPS	Ratio
2062/63	59.24	1100	5.38%
2063/64	60.66	1740	3.48%

2064/65	62.74	1980	3.17%
2065/66	61.90	1760	3.52%
2066/67	31.80	816	3.90%
Average Mean			3.89%
Standard Deviation			0.60
Co-efficient of Variation			15.42%
NABIL Bank Limited (NABIL)			
FY	EPS	MPS	Ratio
2062/63	129.21	2240	7.90%
2063/64	137.08	5050	11.44%
2064/65	108.31	5275	9.27%
2065/66	106.76	4899	7.03%
2066/67	78.61	2384	5.77%
Average Mean			8.28%
Standard Deviation			1.95
Co-efficient of Variation			23.55

Sources: Annual Reports of EBL, HBL and NABIL Bank

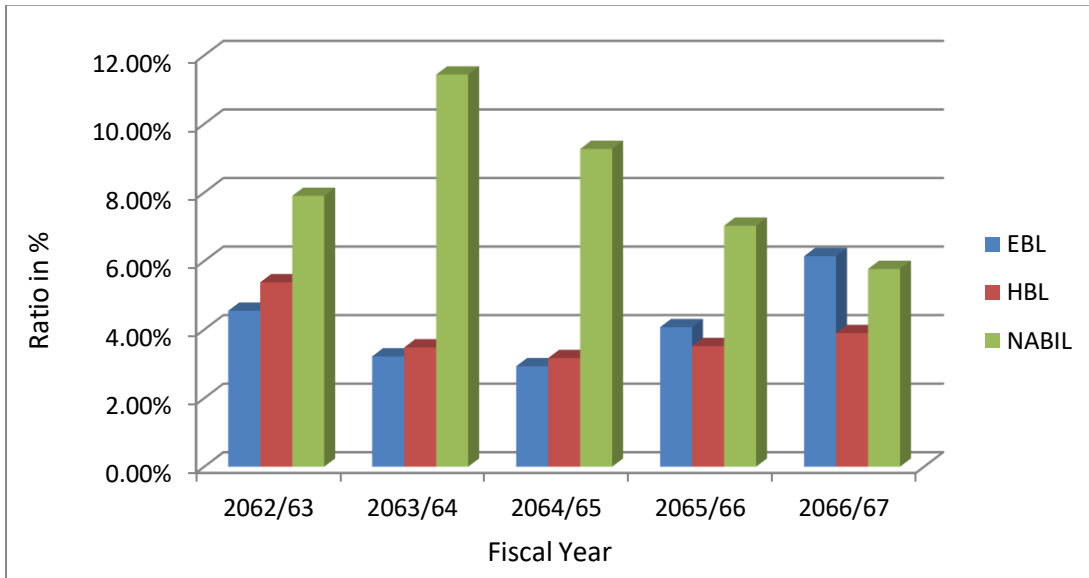
The table shows that the earning yield ratio of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 4.55%, 3.22%, 2.93%, 4.07% and 6.14% respectively. Its average earning yield ratio is 4.18%, standard deviation is 1.12 and co-efficient of variation is 26.79%.

The earning yield ratio of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 5.38%, 3.48%, 3.17%, 3.52% and 3.90% respectively. Its average earning yield ratio is 3.89%, standard deviation is 0.60 and co-efficient of variation is 15.42%.

The earning yield ratio of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 7.90%, 11.44%, 9.27%, 7.03% and 5.77% respectively. Its average earning yield ratio is 8.28%, standard deviation is 1.95 and co-efficient of variation is 23.55%.

The figure shows that the higher average earning yield ratio of NABIL reveals that NABIL is comparatively earning more confidence from its investors and public than EBL and HBL. However, the lower C.V. of HBL suggests that HBL is more consistent in earning yield ratio than NABIL and EBL.

Figure 4.12
Earning Yield Ratio



4.3.10 Dividend Yield Ratio

Dividend yield ratio establishes the relationship between dividend per share (DPS) and market price per share (MPS). It is computed as under:

Table 4.13
Dividend Yield Ratio

Everest Bank Limited (EBL)			
FY	DPS	MPS	Ratio
2062/63	25	1379	1.43%
2063/64	10	2430	0.41%
2064/65	20	3132	0.63%
2065/66	30	2455	1.22%
2066/67	30	1630	1.84%
Average Mean			1.11%
Standard Deviation			0.52
Co-efficient of Variation			46.85%

Himalayan Bank Limited (HBL)			
FY	DPS	MPS	Ratio
2062/63	30	1100	2.72%
2063/64	15	1740	0.86%
2064/65	25	1980	1.26%
2065/66	12	1760	0.68%
2066/67	11.84	816	1.45%
Average Mean			1.39%
Standard Deviation			0.72
Co-efficient of Variation			51.79%
NABIL Bank Limited (NABIL)			
FY	DPS	MPS	Ratio
2062/63	85	2240	3.79%
2063/64	100	5050	1.98%
2064/65	60	5275	1.14%
2065/66	35	4899	0.71%
2066/67	30	2384	1.26%
Average Mean			1.78%
Standard Deviation			1.08
Co-efficient of Variation			60.67%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the dividend yield ratio of EBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 1.43%, 0.41%, 0.63%, 1.22% and 1.84% respectively. Its average dividend yield ratio is 1.11%, standard deviation is 0.52 and co-efficient of variation is 46.85%.

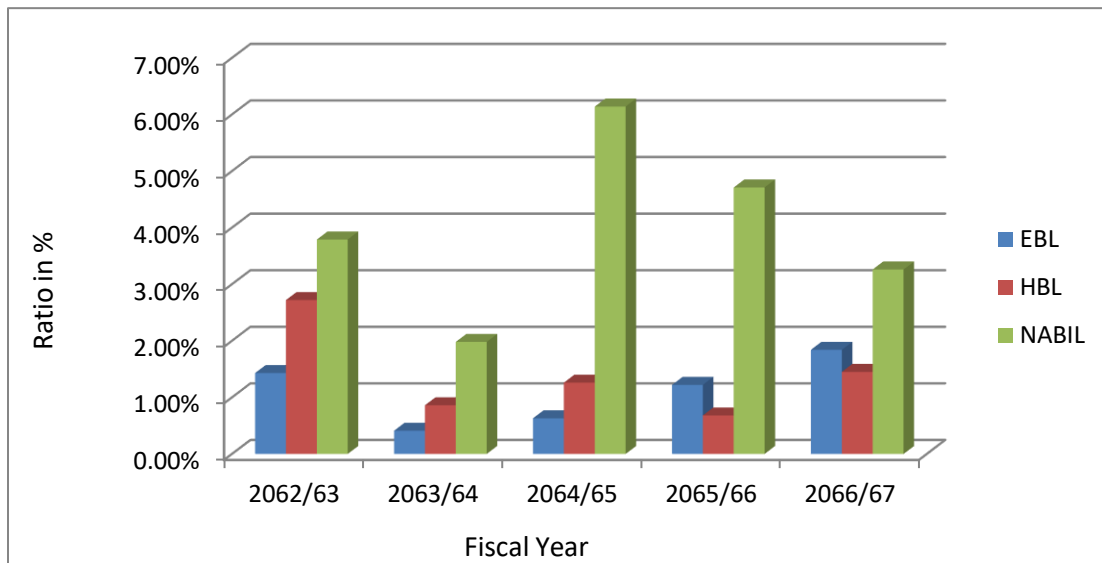
The dividend yield ratio of HBL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 2.72%, 0.86%, 1.26%, 0.68% and 1.45% respectively. Its average dividend yield ratio is 1.39%, standard deviation is 0.72 and co-efficient of variation is 51.79%.

The dividend yield ratio of NABIL in the FY 2062/63, FY 2063/64, FY 2064/65, FY 2065/66, and FY 2066/67 are 3.79%, 1.98%, 1.14%, 0.71% and 1.26%

respectively. Its average dividend yield ratio is 1.78%, standard deviation is 1.08 and co-efficient of variation is 60.67%.

The figure shows that the higher average dividend yield ratio of NABIL states it yields more dividend than EBL and HBL. NABIL banks investors can earn more cash dividend on its share than EBL and HBL. Moreover, the lower C.V. of EBL also suggests that it is more consistent in dividend yield ratio than HBL and NABIL.

Figure 4.13
Dividend Yield Ratio



4.4 Trend Analysis

Trend analysis enables to have a general idea about the pattern of the behavior of the phenomenon under consideration.

4.4.1 Trend Values (Y_c) of EPS by Least Square Method

Table 4.14

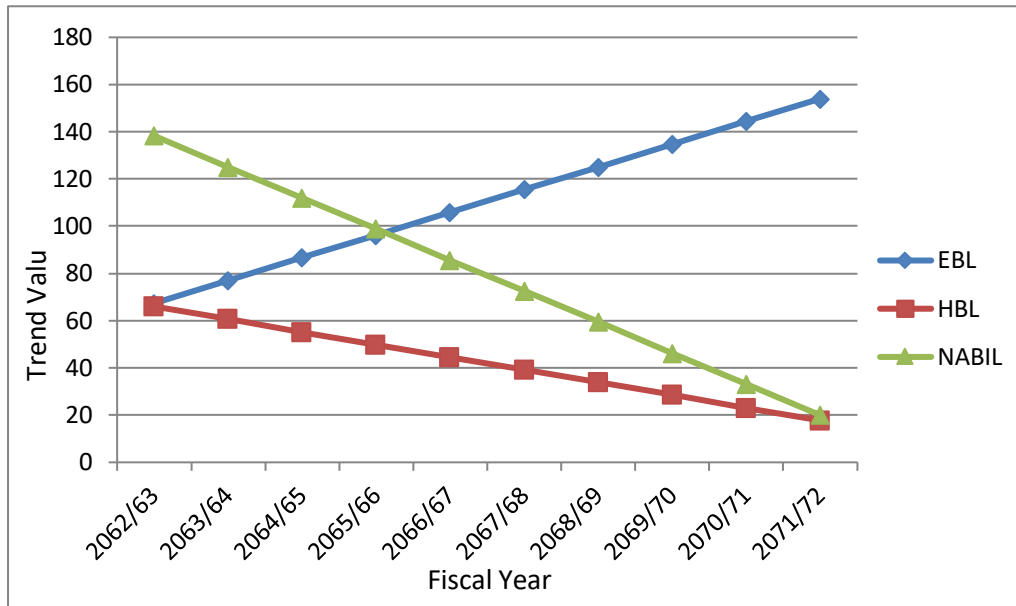
Trend Value of EPS

FY	Banks		
	EBL	HBL	NABIL
2062/63	67.37	65.99	138.29
2063/64	77.00	60.63	125.14
2064/65	86.63	55.27	111.99
2065/66	96.26	49.91	98.84
2066/67	105.89	44.55	85.69
2067/68	115.52	39.19	72.54
2068/69	125.15	33.83	59.39
2069/70	134.78	28.47	46.24
2070/71	144.41	23.11	33.09
2071/72	154.04	17.75	19.94

Source: Appendix 1, 2 and 3

Figure 4.14

Trend Value of EPS



The table clearly shows that the EPS of EBL is in the increasing trend in the successive fiscal years. It has increased from Rs. 67.37 in FY 2062/63 to Rs.

154.04 in the FY 2071/72. Whereas, the table showed that the EPS of HBL is in declining trend in the successive fiscal year. It has declined from Rs 65.99 in FY 2062/63 to Rs 17.75 in FY 2071/72. On the other hand, NABIL has also declining trend in the successive fiscal year. It has declined form Rs. 138.29 in the FY 2062/63 to Rs. 19.94 in the FY 2071/72. The trend value is decreasing because of earning per share. EPS of HBL and NABIL is decreasing form the FY 2062/63 to 2066/67.

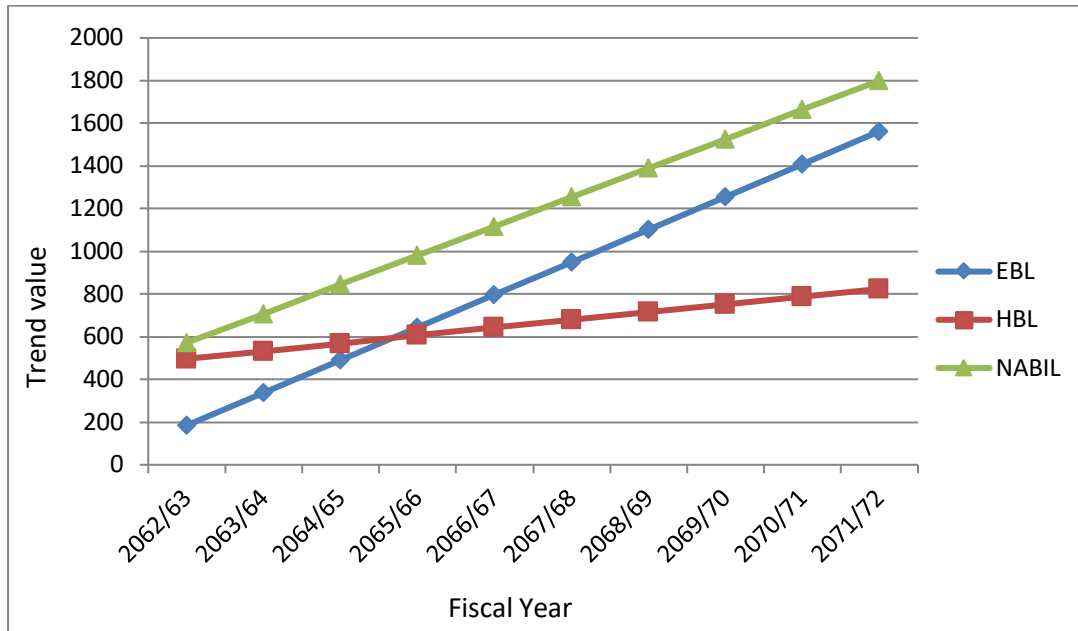
4.4.2 Trend Values (Yc) of Net Profit by Least Square Method
Table 4.15

Trend Value of Net Profit

FY	Banks		
	EBL	HBL	NABIL
2062/63	184.83	496.61	572.31
2063/64	337.95	532.98	708.68
2064/65	491.07	569.35	845.05
2065/66	644.19	605.72	981.42
2066/67	797.31	642.09	1117.79
2067/68	950.43	678.46	1254.16
2068/69	1103.55	714.83	1390.53
2069/70	1256.67	751.57	1526.90
2070/71	1409.79	787.57	1663.27
2071/72	1562.91	823.94	1799.64

Source: Appendix 4, 5 and 6

Figure 4.15
Trend Value of Net Profit



The table clearly shows that the net profit of EBL is in the increasing trend in the successive fiscal years. It has increased from Rs. 184.83 in FY 2062/63 to Rs. 156.91 in the FY 2071/72. Whereas, the table showed that the net profit of HBL is also in the increasing trend in the successive fiscal years. It has increased from Rs. 496.612 in FY 2062/63 to Rs. 823.94 in the FY 2071/72. On the other hand, NABIL has also an increasing trend of net profit in the successive fiscal years. It has increased from Rs. 572.31 in FY 2062/63 to Rs. 1799.64 in the FY 2071/72.

4.5 Correlation Co-efficient (r)

Correlation analysis deals to determine the degree of relationship between two or more variables. In correlation analysis, only one variable is treated as dependent and one or more variables are treated as independent. The correlation coefficient between two variables X and Y, denoted by r, is a numerical measure of linear relationship between them. In this study, total deposits of banks are treated as

independent variable whereas, cash and bank balance and, net profit are treated as dependent variables.

4.5.1 Correlation Co-efficient between Total Deposit and Cash & Bank Balance

The correlation co-efficient between total deposit (X) an independent variable and cash and bank balance (Y) a dependent variable is to measure the degree of relationship between the two variables.

Table 4.16

Correlation Co-efficient between Total Deposit and Cash & Bank Balance

Banks	r	r²
EBL	0.99	98.01%
HBL	0.90	81.00%
NABIL	0.65	42.25%

Source: Appendix 7, 8 and 9

The table shows that EBL has high degree of positive correlation, HBL has moderate degree of positive and NABIL has low degree of positive correlation between total deposit and cash and bank balance. Moreover, the coefficient of determinants (r^2) of EBL, HBL and NABIL are 98.01%, 81.00% and 42.25% respectively.

4.5.2 Correlation Co-efficient between Total Deposit and Net Profit

The correlation co-efficient between total deposit (X) and independent variable and net profit (Y) a dependent variable is to measure the degree of relationship between the two variables.

Table 4.17

Correlation Co-efficient between Total Deposit and Net Profit

Banks	r	r²
EBL	0.89	79.21%
HBL	0.53	28.09%
NABIL	0.83	68.89%

Source: Appendix 10, 11 and 12

The table shows that EBL and NABIL have high degree of positive correlation whereas HBL has low degree of positive correlation between total deposit and profit. Moreover, the coefficient of determinants (r^2) of EBL, HBL and NABIL are 79.21%, 28.09% and 68.89% respectively.

4.6 Regression Analysis

Regression analysis is the technique of studying how the variations in one series are related to variations in another series. As simple regression consists two variables only, one of Y on X and the other of X on Y. But in this study only Y on X is considered. The line of regression of Y on X is used to estimate (or predict) the value of dependent variable Y for any given value of independent variable X. In another words, the regression equation of Y on X is used to describe the change in the value of Y for given change in the value of X.

4.6.1 Regression Equation of Cash and Balance on Total Deposit

The regression equation of cash and bank balance (Y) on total deposit (X) is used to describe the change in the value of cash and bank balance for given change in the value of total deposit.

Table 4.18

Regression equation of Cash and Balance on Total Deposit

Banks	Regression Equation
EBL	$Y = -1189.75+0.24X$
HBL	$Y = -850.67+0.12X$
NABIL	$Y = 595.68+0.016X$

Source: Appendix 13, 14 and 15

The table shows that the regression equation of cash and bank balance (Y) on total deposit (X) of EBL is $Y = -1189.75+0.24X$, HBL is $Y = -850.67+0.12X$ and NABIL is $Y = 595.68+0.016X$.

4.6.2 Regression equation of Net Profit on Total Deposit

The regression equation of net profit (Y) on total deposit (X) is used to describe the change in the value of net profit for given change in the value of total deposit.

Table 4.19

Regression Equation of Net Profit on Total Deposit

Banks	Regression Equation
EBL	$Y = 218.97+0.018X$
HBL	$Y = 305.49+0.010X$
NABIL	$Y = 564.50+0.013X$

Source: Appendix 16, 17 and 18

The table shows that the regression equation of net profit (Y) on total deposit (X) of EBL is $Y = 218.97+0.018X$, HBL is $Y = 305.49+0.010X$ and NABIL is $Y = 564.50+0.013X$.

4.7 Hypothesis (t-test)

Hypothesis test is one of the important aspects of the theory of decision making. It consists of decision rules required for drawing probabilistic inferences about the

population parameters. The testing of hypothesis enables to find out whether it deserves the acceptance or rejection of the hypothesis.

4.7.1 T-test of Correlation Co-efficient between Total Deposit and Cash & Bank Balance

In order to test whether the correlation co-efficient between total deposit and cash and bank balance is significant or not, t-test is applied.

Table 4.20
T-test of correlation Co-efficient between Total Deposit and Cash & Bank Balance

Banks	t_{cal}	t_{tab}	Remarks
EBL	2.69	3.182	t _{cal} < t _{tab} : Insignificant
HBL	0.87	3.182	t _{cal} < t _{tab} : Insignificant
NABIL	0.99	3.182	t _{cal} < t _{tab} : Insignificant

Source: Appendix 19, 20 and 21

The table shows that under all the cases i.e. EBL, HBL and NABIL the calculated value of t (t_{cal}) is less than the tabulated value of t (t_{tab}) thus, it is insignificant which means that the variables are uncorrelated in the population i.e. r is insignificant of correlation in the population.

4.7.2 T-test of correlation Co-efficient between Total Deposit and Net Profit

In order to test whether the correlation co-efficient between total deposit and net profit is significant or not, t-test is applied.

Table 4.21
T-test of correlation Co-efficient between Total Deposit and Net Profit

Banks	t_{cal}	t_{tab}	Remarks
EBL	2.02	3.182	t _{cal} < t _{tab} : Significant
HBL	1.52	3.182	t _{cal} < t _{tab} : Insignificant
NABIL	3.07	3.182	t _{cal} <t _{tab} : Insignificant

Source: Appendix 22, 23 and 24

The table shows that under EBL, HBL and NABIL, the calculated value of t (t_{cal}) is less than the tabulated value of t (t_{tab}) thus, it is insignificant which means that the variables are uncorrelated in the population i.e. r is insignificant of correlation in the population.

4.8 ANOVA

The analysis of variance (ANOVA) is a powerful statistical tool for tests of significance to evaluate differences among the parameters of several groups.

4.8.1 One – way ANOVA Test of EPS of EBL, HBL and NABIL

In order to test whether there is significant difference between EPS of EBL, HBL and NABIL or not, one-way ANOVA is applied.

Table 4.22
One-way ANOVA Test of EPS

F_{cal}	F_{tab}	Remarks
35.08	3.89	F _{cal} >F _{tab} : Significant

Source: Appendix 25 and 26

The table shows that, the calculated value of F (F_{cal}) is greater than the tabulated value of F (F_{tab}) thus; it is significant which means that there is significance difference between 3 EPS of these 3 JVBs.

4.8.2 One-way ANOVA Test of Current Ratio of EBL, HBL and NABIL

In order to test whether there is significant difference between Current Ratio of EBL, HBL and NABIL or not, one-way ANOVA is applied.

Table 4.23

One-way ANOVA Test of Current Ratio

F_{cal}	F_{tab}	Remarks
71.30	3.89	F _{cal} >F _{tab} : Significant

Source: Appendix 27 and 28

The table shows that, the calculated value of F (F_{cal}) is greater than the tabulated value of F (F_{tab}) thus; it is significant which means that there is significance difference between 3 Current Ratio of these 3 JVBs.

4.9 Major Findings of the Study

- The average current ratio of EBL, HBL and NABIL are 2.21%, 4.28% and 2.61% respectively. Moreover, the C.V. of such banks is 36.20%, 24.30% and 15.32% respectively. It shows that NABIL is more consistent in maintaining the current ratio among the other two banks.
- The average quick ratio of EBL, HBL and NABIL are 2.20%, 4.25% and 2.59% respectively. It shows that HBL is in a better position of liquidity in terms of quick ratio as compared to EBL and NABIL whereas; the position of EBL seems to be weak on such regard.
- The average cash and bank balance to current deposit ratio of EBL, HBL and NABIL are 129.30%, 58.77% and 38.54% respectively. The high mean ratio of cash & bank balance to current deposit of EBL indicates the sound liquidity position of the bank is better than that of HBL and NABIL.
- The average mean ratio of cash and bank balance to total deposit of EBL, HBL and NABIL are 14.06%, 7.19% and 5.94% respectively. It reveals that

EBL has maintained adequate cash and bank balance to meet the unexpected as well as heavy withdrawal of deposits.

- The average net profit ratio of EBL, HBL and NABIL are 37.16%, 31.90% and 44.34% respectively. It shows that NABIL is comparatively earning higher rate of profit than EBL and HBL.
- The average ROE of EBL, HBL and NABIL are 25.94%, 21.58% and 31.98% respectively. It reveals that NABIL has been efficiently utilizing the owners' investment comparatively better than EBL and HBL.
- The average ROA of EBL, HBL and NABIL are 1.65%, 1.58% and 2.38% 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 during the study period. The high ratio also reflects the successes of NABIL's management.
- The average ROCE of EBL, HBL and NABIL are 21.11%, 18.04% and 23.33% respectively. The higher mean ratio of NABIL reveals efficient utilization of available resources supplied by the owners and creditors.
- The average mean of EPS of EBL, HBL and NABIL are Rs. 86.63, Rs.55.27 and Rs. 111.99 respectively. The higher EPS of NABIL means NABIL's shareholders can get higher amount on every share held.
- The average DPS of EBL, HBL and NABIL are Rs. 23, Rs. 18.77 and Rs. 62 respectively. The higher mean DPS of NABIL signifies that NABIL is more successful to win the confidence of the investors. This means NABIL can sell its shares more easily than those shares of EBL and HBL.
- The average dividend pay-out ratio of EBL, HBL and NABIL are 26.85%, 34.36% and 53.01% respectively. The high dividend pay-out ratio of NABIL means high percentage of net profit is paid out as dividend to the equity holders.

- The average earning yield ratio of EBL, HBL and NABIL are 4.18%, 3.89% and 8.28% respectively. Moreover, the C.V. of such banks are 26.79%, 15.42% and 23.55% respectively. HBL with lower C.V. is more consistent in earning yield ratio whereas; EBL with high C.V. seems less consistent.
- The average mean dividend yield ratio of EBL, HBL and NABIL are 1.11%, 1.39% and 1.78 respectively. Moreover, the C.V. of such banks are 46.85%, 51.79% and 60.67% respectively. On the basis of C.V., NABIL seems to be more consistent whereas, EBL and HBL having less C.V. are less consistent.
- The trend analysis of EPS of EBL, HBL and NABIL shows that EBL, have an increasing trend whereas HBL and NABIL has a declining trend.
- The trend analysis of net profit of EBL, HBL and NABIL shows that all these 3 JVBs have an increasing trend. However, NABIL increasing trend of net profit is better than EBL and HBL.
- The correlation co-efficient between total deposit and cash & bank balance of EBL, HBL and NABIL are 0.99, 0.90 and .65 respectively. It shows that EBL has high degree of positive relationship, HBL has moderate degree of positive relationship and NABIL has low degree of positive relationship between total deposit and cash & bank balance.
- The correlation co-efficient between total deposit and net profit of EBL, HBL and NABIL are 0.89, 0.53 and 0.83 respectively. It shows that there exists high degree of positive relationship between total deposit and net profit in EBL, HBL and NABIL.
- The regression equation of cash and bank balance (Y) on total deposit (X) of EBL is $Y = -1189.75 + 0.24X$, HBL is $Y = -850.67 + 0.12X$ and NABIL is $Y = 595.68 + 0.016X$.
- The regression equation of net profit (Y) on total deposit (X) of EBL is $y = 218.97 + 0.018X$, HBL is $Y = 305.49 + 0.010X$ and NABIL is $Y = 564.50 + 0.013X$.

- The calculation of t-test showed that the correlation co-efficient between total deposit and cash & bank balance are insignificant under all the JVBs under study.
- The calculation of t-test showed that the correlation co-efficient between total deposit and net profit are insignificant under EBL, HBL and NABIL.
- The one-way ANOVA test of EPS of EBL, HBL and NABIL shows that there is significant difference between 3 EPS of these 3 JVBs.
- The one-way ANOVA test of Current Ratio of EBL, HBL and NABIL shows that there is significant difference between 3 Current Ratio of these 3 JVBs.
- Simply looking on the investment report of these 3 JVBs under study, it is found that these banks invest their funds in government treasury bills, government securities, and foreign banks and in corporate shares. However, the most interesting point to be noted here is that these JVBs invests less than 1% of their funds in corporate shares.
- The analysis of different financial and statistical tools clearly shows that NABIL is best, healthier and sound bank than EBL and HBL on almost every aspect of the study. It reveals that NABIL has maintained a proper balance between liquidity and profitability. Due to the proper equilibrium between the liquidity and profitability, NABIL has clearly dominated the race as compared of EBL and HBL. But it does not imply that EBL and HBL have failed to maintain the proper balance between liquidity and profitability. They have also tried their best in their own way in maintaining the proper equilibrium between the liquidity and profitability but comparatively less or below than NABIL.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study has been prepared to know about the tradeoff between liquidity and profitability position of EBL, HBL and NABIL. For the purpose of analysis and evaluation different financial and statistical tools have been used. Here, financial tools include liquidity ratio and profitability ratio whereas, statistical tools include average mean, standard deviation, co-efficient of variation, trend analysis, correlation co-efficient, regression analysis, hypothesis (t-test) and ANOVA test. The data that have been analyzed by such financial and statistical tool includes from FY 2062/63 to FY 2066/67. 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 JVBs 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 Conclusion

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, development banks, finance companies and co-operative banks operating 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 is 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 HBL is comparatively better than EBL and NABIL. Whereas, on the basis of cash and bank balance to current deposit ratio and cash and bank balance to total deposit ratio, the liquidity position of EBL seems to be more sound than HBL and NABIL.

The average net profit ratio, ROE, ROA, ROCE, EPS, and DPS, Dividend pay-out Ratio, Earning Yield Ratio and Dividend Yield Ratio of NABIL are comparatively better than EBL and HBL. It clearly shows that NABIL is a far better bank than EBL and HBL in almost every aspect that have been analyzed and evaluated in the study.

The trend analysis of EPS of EBL, HBL and NABIL shows that EBL has an increasing trend of EPS in the present and future. Where HBL and NABIL show that it has decreasing trend. On the other hand, the trend analysis of net profit ratio of all these 3 JVBs has an increasing trend. But when compared among these 3 JVBs, the net profit shows that NABIL have a better increasing trend.

The correlation co-efficient between total deposit and cash & bank balance of EBL, HBL and NABIL are such that EBL has high degree of positive relationship, where HBL has moderate and NABIL has low degree of positive relationship. Moreover, the correlation co-efficient between total deposit and net profit of EBL, HBL and NABIL such that NABIL and EBL has high degree of positive correlation whereas HBL has low degree of positive correlation.

The t-test of total deposit and cash and bank balance of all the JVBs under study are insignificant. However, the t-test of total deposit and net profit of EBL, HBL and NABIL are insignificant.

The analysis of one-way ANOVA test of EPS of EBL, HBL and NABIL clearly shows that all these 3 JVBs differ significantly in terms of EPS. Moreover, the analysis of same test of current ratio of these 3 JVBs also shows that these banks also differ in terms of current ratio.

Although the banks are reporting of steady profits, the banks have a tendency to hide bad loans by restructuring them to 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 would help to trace the real situation of the banks so that the NRB could take corrective measures in time. To earn more profit commercial banks should invest their fund on short terms loans and increase the income base fees.

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 do 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.

5.2 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 2062/063 to 2066/067. Thus, all these JVBs should be appreciated for their banking transactions in spite of the present critical situation.

- Since, the average current ratio and quick ratio of EBL is comparatively lower than the other 2 JVBs under study, and below the standard rate as well, so EBL is strongly suggested to increase its liquidity position in terms of current and quick ratio so that it can be able to meet the demand of the customers when required.
- The coefficient of variation (C.V.) of HBL in terms of cash & bank balance to current deposit are high. It implies that HBL is less consistent in maintaining the cash and bank balance from the deposits. Thus, HBL is advised to be more consistent under this regard.
- Nepalese shareholders are very much concerned about the payment of cash dividend by the banks. So, the banks are suggested to pay the cash dividend consistently. Hence, the bank especially HBL with having high C.V. is recommended to maintain consistent dividend policy.

- The trend analysis of EPS of EBL, HBL and NABIL clearly shows that EBL has increasing trend in terms of EPS where as HBL and NABIL has decreasing trend. According to statistics of last five year HBL and NABIL has reported profit; however the profit is in diminishing trend. Thus HBL and NABIL is strongly suggested to pay due consideration in this regard, so that it can take the necessary action to increase its EPS. To increase their profit both the banks are recommended to increase fee based income, make proper investment in shares. These two banks should maintain the liquidity position.
- The banks are found that the saving from the rural communities re 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. Now Nepal Rastra bank has also made the rule that every bank has to open one branch in the rural area. This rules should be followed by the these three JVs banks.
- 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 control the credit and maintain the inflation rate in a limit because at the present scenario of inter-relation between Nepali economy with India's, Nepal would lose if it floats its currency. Now a days Nepal Rastra bank has made a different circular related to Indian currency, so to stop the floatation of Indian currency these joint ventures banks are recommended to follow the circulars of Nepal Restra bank.
- All these 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 it 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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APPENDICES

APPENDIX 1

Calculation of Trend Value of EPS of EBL by Least Square Method

Years (t)	EPS (Y)	t-2064/65 (X)	XY	X ²	Trend Value (Yc)
2062/63	62.78	-2	-125.56	4	67.37
2063/64	78.42	-1	-78.42	1	77.00
2064/65	91.82	0	0	0	86.63
2065/66	99.99	1	99.99	1	96.26
2066/67	100.16	2	200.32	4	105.89
n = 5	∑Y = 433.17	∑X=0	∑XY = 96.33	∑X²=10	

Let the trend line be given by the equation,

$$Y_c = a + bX \dots\dots\dots \text{Equation 1}$$

Its normal equations are,

$$\sum Y = na + b \sum X \dots\dots\dots \text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots \text{Equation 3}$$

Putting the respective value in equation 2, we have

$$433.17 = 5a + b(0)$$

$$\text{Or, } 5a = 433.17$$

$$\text{Or, } a = 86.63$$

Again, putting the respective value in equation 3, we have

$$96.33 = a(0) + 10b$$

$$\text{Or, } 10b = 99.33$$

$$\text{Or, } b = 9.63$$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y_c = a + bX$$

$$\text{Or, } Y_c = 86.63 + 9.63X$$

Estimated Trend Values of EPS of EBL in the Future Years

Year:	2067/68	2068/69	2069/70	2070/71	2071/72
Yc:	115.52	125.15	134.78	144.41	154.04

APPENDIX 2

Calculation of Trend Value of EPS of HBL by Least Square Method

Years (t)	EPS (Y)	t-2064/65 (X)	XY	X²	Trend Value (Yc)
2062/63	59.24	-2	-118.48	4	65.99
2063/64	60.66	-1	-60.66	1	60.63
2064/65	62.74	0	0	0	55.27
2065/66	61.90	1	61.90	1	49.91
2066/67	31.80	2	63.60	4	44.55
n = 5	∑Y = 276.34	∑X=0	∑XY = 9.34	∑X²=10	

Let the trend line be given by the equation,

$$Y_c = a + bX \dots\dots\dots \text{Equation 1}$$

Its normal equations are,

$$\sum Y = na + b \sum X \dots\dots\dots \text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots \text{Equation 3}$$

Putting the respective value in equation 2, we have

$$276.34 = 5a + b(0)$$

$$\text{Or, } 5a = 276.34$$

$$\text{Or, } a = 55.27$$

Again, putting the respective value in equation 3, we have

$$-53.64 = a(0) + 10b$$

$$\text{Or, } 10b = -53.64$$

$$\text{Or, } b = -5.36$$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y_c = a + bX$$

$$\text{Or, } Y_c = 55.27 + (-5.36)X$$

Estimated Trend Values of EPS of HBL in the Future Years

Year:	2067/68	2068/69	2069/70	2070/71	2071/72
Yc:	39.19	33.83	28.47	23.11	17.75

APPENDIX 3

Calculation of Trend Value of EPS of NABIL by Least Square Method

Years (t)	EPS (Y)	t-2064/65 (X)	XY	X ²	Trend Value (Yc)
2062/63	129.21	-2	-258.42	4	138.29
2063/64	137.08	-1	-137.08	1	125.14
2064/65	108.31	0	0	0	111.99
2065/66	106.76	1	106.76	1	98.84
2066/67	78.61	2	157.22	4	85.69
n = 5	∑Y = 559.97	∑X=0	∑XY = -131.52	∑X²=10	

Let the trend line be given by the equation,

$$Y_c = a + bX \dots\dots\dots \text{Equation 1}$$

Its normal equations are,

$$\sum Y = na + b \sum X \dots\dots\dots \text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots \text{Equation 3}$$

Putting the respective value in equation 2, we have

$$559.97 = 5a + b(0)$$

$$\text{Or, } 5a = 559.97$$

$$\text{Or, } a = 111.99$$

Again, putting the respective value in equation 3, we have

$$-131.52 = a(0) + 10b$$

$$\text{Or, } 10b = -131.52$$

$$\text{Or, } b = -13.15$$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y_c = a + bX$$

$$\text{Or, } Y_c = 111.99 + (-13.15)X$$

Estimated Trend Values of EPS of NABIL in the Future Years

Year:	2067/68	2068/69	2069/70	2070/71	2071/72
Yc:	72.54	59.39	46.24	33.09	19.94

APPENDIX 4

Calculation of Trend Value of Net Profit of EBL by Least Square Method

Years (t)	Net Profit (Y)	t-2064/65 (X)	XY	X²	Trend Value (Yc)
2062/63	237.29	-2	-474.58	4	184.83
2063/64	296.40	-1	-296.40	1	337.95
2064/65	451.21	0	0	0	491.07
2065/66	638.73	1	638.73	1	644.19
2066/67	831.76	2	1663.52	4	797.31
n = 5	∑Y = 2455.39	∑X=0	∑XY = 1531.27	∑X²=10	

Let the trend line be given by the equation,

$$Y_c = a + bX \dots\dots\dots \text{Equation 1}$$

Its normal equations are,

$$\sum Y = na + b \sum X \dots\dots\dots \text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots \text{Equation 3}$$

Putting the respective value in equation 2, we have

$$2455.39 = 5a + b(0)$$

$$\text{Or, } 5a = 2455.39$$

$$\text{Or, } a = 491.07$$

Again, putting the respective value in equation 3, we have

$$1531.27 = a(0) + 10b$$

$$\text{Or, } 10b = 1531.27$$

$$\text{Or, } b = 153.12$$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y_c = a + bX$$

$$\text{Or, } Y_c = 491.07 + 153.12X$$

Estimated Trend Values of Net Profit of EBL in the Future Years

Year:	2067/68	2068/69	2069/70	2070/71	2071/72
Yc:	950.43	1103.55	1256.67	1409.79	1562.91

APPENDIX 5

Calculation of Trend Value of Net Profit of HBL by Least Square Method

Years (t)	Net Profit (Y)	t-2064/65 (X)	XY	X²	Trend Value (Yc)
2062/63	457.45	-2	-914.90	4	496.61
2063/64	491.82	-1	-491.82	1	532.98
2064/65	635.86	0	0	0	569.35
2065/66	752.83	1	752.83	1	605.72
2066/67	508.79	2	1017.58	4	642.09
n = 5	∑Y = 2846.75	∑X=0	∑XY = 363.69	∑X²=10	

Let the trend line be given by the equation,

$$Y_c = a + bX \dots\dots\dots \text{Equation 1}$$

Its normal equations are,

$$\sum Y = na + b \sum X \dots\dots\dots \text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots \text{Equation 3}$$

Putting the respective value in equation 2, we have

$$2846.75 = 5a + b(0)$$

$$\text{Or, } 5a = 2846.75$$

$$\text{Or, } a = 569.35$$

Again, putting the respective value in equation 3, we have

$$363.69 = a(0) + 10b$$

$$\text{Or, } 10b = 363.69$$

$$\text{Or, } b = 36.37$$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y_c = a + bX$$

$$\text{Or, } Y_c = 569.35 + 36.37X$$

Estimated Trend Values of Net Profit of HBL in the Future Years

Year:	2067/68	2068/69	2069/70	2070/71	2071/72
Yc:	678.46	714.83	751.20	787.57	823.94

APPENDIX 6

Calculation of Trend Value of Net Profit of NABIL by Least Square Method

Years (t)	Net Profit (Y)	t-2064/65 (X)	XY	X²	Trend Value (Yc)
2062/63	635.26	-2	-1270.52	4	572.31
2063/64	673.95	-1	-673.95	1	708.68
2064/65	746.46	0	0	0	845.05
2065/66	1031.05	1	1031.05	1	981.42
2066/67	1138.57	2	2277.14	4	1117.79
n = 5	∑Y = 4225.29	∑X=0	∑XY = 1363.72	∑X²=10	

Let the trend line be given by the equation,

$$Y_c = a + bX \dots\dots\dots \text{Equation 1}$$

Its normal equations are,

$$\sum Y = na + b \sum X \dots\dots\dots \text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots \text{Equation 3}$$

Putting the respective value in equation 2, we have

$$4225.29 = 5a + b(0)$$

$$\text{Or, } 5a = 4225.29$$

$$\text{Or, } a = 845.05$$

Again, putting the respective value in equation 3, we have

$$1363.72 = a(0) + 10b$$

$$\text{Or, } 10b = 1363.72$$

$$\text{Or, } b = 136.37$$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y_c = a + bX$$

$$\text{Or, } Y_c = 845.05 + 136.37X$$

Estimated Trend Values of Net Profit of NABIL in the Future Years

Year:	2067/68	2068/69	2069/70	2070/71	2071/72
Yc:	1254.16	1390.53	1526.90	1663.27	1799.64

APPENDIX 7

Correlation Co-efficient between Total Deposit (X) and Cash & Bank Balance (Y) of Everest Bank Limited (EBL)

Years	X	Y	X ²	Y ²	XY
2062/63	13802.44	1552.96	44822489.40	1298619.79	7629375.57
2063/64	18186.25	1501.51	65026483.21	399171.24	5094772.02
2064/65	23976.30	2667.99	101963343.30	1102479.01	10602473.52
2065/66	33322.95	61643.71	190507350.06	2411715.82	21434775.25
2066/67	36932.31	7818.81	1363995522	61133946.19	288767084.07
N = 5	126220.25	75184.98	1766315187.97	66345932.05	333528480.43

We have,

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

$$r = \frac{5 \times 333528480.43 - 126220.25 \times 75184.98}{\sqrt{5 \times 1766315187.97 - (75591.30)^2} \sqrt{5 \times 66345932.05 - (12193.15)^2}}$$

$$r = \frac{1667642402.15 - 921696059.60}{\sqrt{8831575939.85 - 5714044636} \sqrt{331729660.25 - 148672906.9}}$$

$$r = \frac{745946342.55}{\sqrt{311731303.85} \sqrt{183056753.35}}$$

$$r = \frac{745946342.55}{55834.86 \times 13529.85}$$

$$r = \frac{745946342.55}{755437280.57}$$

$$r = 0.99$$

∴ Co – efficient of determination (r^2) = $(0.99)^2 = 0.9801$ i. e. 98.01%

APPENDIX 8

Correlation Co-efficient between Total Deposit (X) and Cash & Bank Balance (Y) of Himalayan Bank Limited (HBL)

Years	X	Y	X ²	Y ²	XY
2062/63	26490.85	1717.35	441310014.46	3917272.23	41578016.57
2063/64	30048.42	1757.34	484454626.71	4004721.39	44046632.19
2064/65	31842.79	1448.14	615735092.28	4058089.38	49987078.73
2065/66	34682.30	3048.53	701765133.72	2949291.02	45494061.25
2066/67	37611.20	3866.49	1414602365	14949744.92	145423328.69
N = 5	160675.14	11837.85	3657867232.17	2987911.94	326529117.43

We have,

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

$$r = \frac{5 \times 326529117.43 - 160675.14 \times 11837.85}{\sqrt{5 \times 3657867232.17 - (131933.77)^2} \sqrt{5 \times 2987911.94 - (11578.70)^2}}$$

$$r = \frac{1632645587.15 - 1527621542.69}{\sqrt{18289336160.8 - 17406519666.4} \sqrt{149395594.7 - 134066293.69}}$$

$$r = \frac{105024044.46}{\sqrt{882816494.4} \sqrt{15329301.01}}$$

$$r = \frac{105024044.46}{29712.23 \times 3915.27}$$

$$r = \frac{105024044.46}{116331402.75}$$

$$r = 0.90$$

∴ Co – efficient of determination (r^2) = $(0.90)^2 = 0.8100$ i. e. 81.00%

APPENDIX 9

Correlation Co-efficient between Total Deposit (X) and Cash & Bank Balance (Y) of NABIL Bank Limited (NABIL)

Years	X	Y	X ²	Y ²	XY
2062/63	19347.40	6302.39	180839559.48	1310498.35	15394477.74
2063/64	23342.29	1399.82	199347008.14	941850.84	13702377.43
2064/65	31915.05	2671.14	212769191.29	312905.99	8159457.90
2065/66	37348.25	3372.52	374321886.76	397202.46	12193595.38
2066/67	46410.70	1400.10	2153953074.49	1960252.00	64979156.96
N = 5	158363.69	15145.97	3121230720.16	4922709.64	114429065.41

We have,

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

$$r = \frac{5 \times 114429065.41 - 158363.69 \times 15145.97}{\sqrt{5 \times 3121230720.16 - (107911.4)^2} \sqrt{5 \times 4922709.64 - (4704.97)^2}}$$

$$r = \frac{572145327.05 - 507719899.66}{\sqrt{15606153600.8 - 11644870249.9} \sqrt{24613548.2 - 22136742.70}}$$

$$r = \frac{64425427.39}{\sqrt{108537014.22} \sqrt{1363079.86}}$$

$$r = \frac{64425427.39}{62938.73 \times 1573.79}$$

$$r = \frac{64425427.39}{99052343.88}$$

$$r = 0.65$$

\therefore Co-efficient of determination (r^2) = $(.65)^2 = 0.4225$ i.e. 42.25 %

APPENDIX 10

Correlation Co-efficient between Total Deposit (X) and Net Profit (Y) of Everest Bank Limited (EBL)

Years	X	Y	X ²	Y ²	XY
2062/63	13802.44	237.29	44822489.40	56306.54	1588647.06
2063/64	18186.25	296.41	65026483.21	87855.89	2390220.60
2064/65	23976.30	451.22	101963343.30	203599.49	4556279.68
2065/66	33322.95	638.73	190507350.06	407976.01	8816032.50
2066/67	36932.31	831.77	1363995522	691841.33	30719187.49
N = 5	126220.25	2455.42	1766315187.97	1447579.26	48070367.33

We have,

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

$$r = \frac{5 \times 48070367.33 - 75591.30 \times 2455.42}{\sqrt{5 \times 1766315187.97 - (75591.30)^2} \sqrt{5 \times 1447579.26 - (2455.42)^2}}$$

$$r = \frac{240351836.65 - 185608389.85}{\sqrt{8831575939.85 - 5714044635.69} \sqrt{7237896.3 - 6029087.38}}$$

$$r = \frac{54743446.8}{\sqrt{3117531304.16} \sqrt{1208808.92}}$$

$$r = \frac{54743446.8}{55834.86 \times 1099.46}$$

$$r = \frac{54743446.8}{61388195.18}$$

$$r = 0.89$$

∴ Co-efficient of determination (r^2) = $(0.89)^2 = 0.7921$ i. e. 79.21%

APPENDIX 11

Correlation Co-efficient between Total Deposit (X) and Net Profit (Y) of Himalayan Bank Limited (HBL)

Years	X	Y	X ²	Y ²	XY
2062/63	26490.85	457.46	441310014.46	209269.65	9610036.05
2063/64	30048.42	491.82	484454626.71	241886.91	10825120.50
2064/65	31842.79	635.87	615735092.28	404330.66	15778484.54
2065/66	34682.30	752.83	701765133.72	566753.00	19943106.60
2066/67	37611.20	508.80	1414602365	258877.44	19136578.56
N = 5	160675.14	2846.78	3657867232.17	1681117.66	75293326.25

We have,

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

$$r = \frac{5 \times 75293326.25 - 160675.14 \times 2846.78}{\sqrt{5 \times 3657867232.17 - (131933.77)^2} \sqrt{5 \times 1681117.66 - (2846.78)^2}}$$

$$r = \frac{376466631.25 - 375586317.76}{\sqrt{18289336160.8 - 17406519666} \sqrt{8405588.3 - 8104156.37}}$$

$$r = \frac{8802133.49}{\sqrt{882816494.4} \sqrt{301431.93}}$$

$$r = \frac{8802133.49}{29712.23 \times 549.64}$$

$$r = \frac{8802133.49}{16312905.64}$$

$$r = 0.53$$

∴ Co – efficient of determination (r^2) = $(0.53)^2 = 0.2809$ i. e. 28.09%

APPENDIX 12

Correlation Co-efficient between Total Deposit (X) and Net Profit (Y) of NABIL Bank Limited (NABIL)

Years	X	Y	X ²	Y ²	XY
2062/63	19347.40	635.26	180839559.48	403555.27	8542760.49
2063/64	23342.29	673.96	199347008.14	454222.08	9515661.46
2064/65	31915.05	746.47	212769191.29	557217.46	10888466.77
2065/66	37348.25	1031.05	374321886.76	1063064.10	19948136.77
2066/67	46410.70	1138.57	2153953074.49	1296341.65	52841830.70
N = 5	158363.69	4225.31	3121230720.16	3774400.56	101736856.19

We have,

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

$$r = \frac{5 \times 101736856.19 - 158363.69 \times 4225.31}{\sqrt{5 \times 3121230720.16 - (107911.4)^2} \sqrt{5 \times 3774400.56 - (4225.31)^2}}$$

$$r = \frac{508684280.95 - 455959117.53}{\sqrt{15606153600.8 - 11644870249.9} \sqrt{18872002.8 - 17853244.59}}$$

$$r = \frac{52725163.42}{\sqrt{3961283350.9} \sqrt{1018758.21}}$$

$$r = \frac{52725163.42}{62938.73 \times 1009.34}$$

$$r = \frac{52725163.42}{63526577.74}$$

$$r = 0.83$$

∴ Co – efficient of determination (r^2) = $(0.83)^2 = 0.6889$ i. e. 68.89%

APPENDIX 13

Regression Equation of Cash and Bank Balance (Y) on Total Deposit (X) of EBL

Let the regression equation of Y on X be,

$$Y = a + bX \dots\dots\dots\text{Equation 1}$$

Where,

Y is dependent variable, a and b are constant, and X is independent variable.

Then, two normal equations estimating a and b are,

$$\sum Y = na + b \sum X \dots\dots\dots\text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots\text{Equation 3}$$

$\sum X$	$\sum X^2$	$\sum Y$	$\sum XY$	N
126220.25	1766315187.97	75184.98	333528480.43	5

Source: Appendix 7

Putting the respective value in equation 2 and 3, we have

$$75184.98 = 5a + 126220.25.3b \dots\dots\dots\text{Equation 4}$$

$$333528480.43 = 126220.25a + 1766315187.97b \dots\dots\dots\text{Equation 5}$$

Multiplying equation 4 by 12193.15 and equation 5 by 1 then subtracting equation 5 from equation 4, we have

$$184339211.92 = 126220.25a + 1766315187.97b$$

$$333528480.43 = 126220.25a + 1766315187.97b$$

$$\begin{array}{r} - \qquad \qquad \qquad - \qquad \qquad \qquad - \\ \hline 149189268.51 = 623506260.84b \end{array}$$

$$149189268.51 = 623506260.84b$$

Or, $b = 0.24$

Putting the value of b in equation 4, we have

$$12193.15 = 5a + 75591.3(0.24)$$

Or, $a = -1189.75$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y = -1189.75 + 0.24X$$

This is the estimated regression equation of Cash and Bank Balance (Y) on Total Deposit (X) of EBL

APPENDIX 14

Regression Equation of Cash and Bank Balance (Y) on Total Deposit (X) of HBL

Let the regression equation of Y on X be,

$$Y = a + bX \dots\dots\dots\text{Equation 1}$$

Where,

Y is dependent variable, a and b are constant, and X is independent variable.

Then, two normal equations estimating a and b are,

$$\sum Y = na + b \sum X \dots\dots\dots\text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots\text{Equation 3}$$

$\sum X$	$\sum X^2$	$\sum Y$	$\sum XY$	N
160675.14	3657867232.17	11837.85	326529117.43	5

Source: Appendix 8

Putting the respective value in equation 2 and 3, we have

$$11837.85 = 5a + 160675.14b \dots\dots\dots\text{Equation 4}$$

$$326529117.43 = 160675.14a + 3657867232.17b \dots\dots\dots\text{Equation 5}$$

Multiplying equation 4 by 26386.77 and equation 5 by 1 then subtracting equation 5 from equation 4, we have

$$305524308.54 = 160675.14a + 3657867232.17b$$

$$326529117.43 = 160675.14a + 3657867232.17b$$

$$\begin{array}{r} - \qquad \qquad \qquad - \qquad \qquad \qquad - \\ \hline 21004808.89 = 176561187.95b \end{array}$$

Or, $b = 0.12$

Putting the value of b in equation 4, we have

$$11578.7 = 5a + 131933.77(0.12)$$

Or, $a = -850.67$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y = -850.67 + 0.12X$$

This is the estimated regression equation of Cash and Bank Balance (Y) on Total Deposit (X) of HBL.

APPENDIX 15

Regression Equation of Cash and Bank Balance (Y) on Total Deposit (X) of NABIL

Let the regression equation of Y on X be,

$$Y = a + bX \dots\dots\dots\text{Equation 1}$$

Where,

Y is dependent variable, a and b are constant, and X is independent variable.

Then, two normal equations estimating a and b are,

$$\sum Y = na + b \sum X \dots\dots\dots\text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots\text{Equation 3}$$

$\sum X$	$\sum X^2$	$\sum Y$	$\sum XY$	N
158363.69	3121230720.16	15145.97	114429065.41	5

Source: Appendix 9

Putting the respective value in equation 2 and 3, we have

$$15145.97 = 5a + 158363.69b \dots\dots\dots\text{Equation 4}$$

$$114429065.41 = 158363.69a + 3121230720.16 b \dots\dots\dots\text{Equation 5}$$

Multiplying equation 4 by 21582.28 and equation 5 by 1 then subtracting equation 5 from equation 4, we have

$$101543979.93 = 158363.69a + 2328974049.99b$$

$$114429065.41 = 158363.69a + 3121230720.16 b$$

$$\begin{array}{r} - \qquad \qquad \qquad - \qquad \qquad \qquad - \\ \hline 12885085.48 = 792256670.17b \end{array}$$

Or, $b = 0.016$

Putting the value of b in equation 4, we have

$$4704.97 = 5a + 107911.4(0.016)$$

Or, $a = 595.68$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y = 595.68 + 0.016X$$

This is the estimated regression equation of Cash and Bank Balance (Y) on Total Deposit (X) of NABIL.

APPENDIX 16
Regression Equation of Net Profit (Y) on Total Deposit (X) of EBL

Let the regression equation of Y on X be,

$$Y = a + bX \dots\dots\dots\text{Equation 1}$$

Where,

Y is dependent variable, a and b are constant, and X is independent variable.

Then, two normal equations estimating a and b are,

$$\sum Y = na + b \sum X \dots\dots\dots\text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots\text{Equation 3}$$

$\sum X$	$\sum X^2$	$\sum Y$	$\sum XY$	N
126220.25	1766315187.97	2455.42	48070367.33	5

Source: Appendix 10

Putting the respective value in equation 2 and 3, we have

$$2455.42 = 5a + 126220.25b \dots\dots\dots\text{Equation 4}$$

$$48070367.33 = 126220.25a + 1766315187.97b \dots\dots\dots\text{Equation 5}$$

Multiplying equation 4 by 2455.42 and equation 5 by 1 then subtracting equation 5 from equation 4, we have

$$37121677.97 = 126220.25a + 1142808927.13b$$

$$48070367.33 = 126220.25a + 1766315187.97b$$

$$\begin{array}{r} - \\ \hline 10948689.36 = 623506260.84b \end{array}$$

Or, $b = 0.018$

Putting the value of b in equation 4, we have

$$2455.42 = 5a + 75591.3(0.018)$$

Or, $a = 218.97$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y = 218.97 + 0.018X$$

This is the estimated regression equation of Net Profit (Y) on Total Deposit (X) of EBL.

APPENDIX 17

Regression Equation of Net Profit (Y) on Total Deposit (X) of HBL

Let the regression equation of Y on X be,

$$Y = a + bX \dots\dots\dots\text{Equation 1}$$

Where,

Y is dependent variable, a and b are constant, and X is independent variable.

Then, two normal equations estimating a and b are,

$$\sum Y = na + b \sum X \dots\dots\dots\text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots\text{Equation 3}$$

$\sum X$	$\sum X^2$	$\sum Y$	$\sum XY$	N
160675.4	3657867232.17	2846.78	75293326.25	5

Source: Appendix 11

Putting the respective value in equation 2 and 3, we have

$$2846.78 = 5a + 160675.4b \dots\dots\dots\text{Equation 4}$$

$$75293326.25 = 160675.4a + 3657867232.17 b \dots\dots\dots\text{Equation 5}$$

Multiplying equation 4 by 26386.75 and equation 5 by 1 then subtracting equation 5 from equation 4, we have

$$33339108.34 = 160675.4a + 2551176813.96b$$

$$75293326.25 = 160675.4a + 3657867232.17 b$$

$$\begin{array}{r} - \qquad \qquad \qquad - \qquad \qquad \qquad - \\ \hline 176042.70 = 17656382.63b \end{array}$$

Or, $b = 0.010$

Putting the value of b in equation 4, we have

$$2846.78 = 5a + 131933.77(0.010)$$

Or, $a = 305.49$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y = 305.49 + 0.010X$$

This is the estimated regression equation of Net Profit (Y) on Total Deposit (X) of HBL.

APPENDIX 18

Regression Equation of Net Profit (Y) on Total Deposit (X) of NABIL

Let the regression equation of Y on X be,

$$Y = a + bX \dots\dots\dots\text{Equation 1}$$

Where,

Y is dependent variable, a and b are constant, and X is independent variable.

Then, two normal equations estimating a and b are,

$$\sum Y = na + b \sum X \dots\dots\dots\text{Equation 2}$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots\text{Equation 3}$$

$\sum X$	$\sum X^2$	$\sum Y$	$\sum XY$	N
158363.69	3121230720.16	4225.31	101736856.19	5

Source: Appendix 12

Putting the respective value in equation 2 and 3, we have

$$4225.31 = 5a + 158363.69b \dots\dots\dots\text{Equation 4}$$

$$101736856.19 = 158363.69a + 3121230720.16b \dots\dots\dots\text{Equation 5}$$

Multiplying equation 4 by 21582.28 and equation 5 by 1 then subtracting equation 5 from equation 4, we have

$$91191823.51 = 158363.69a + 2328974049.99b$$

$$101736856.19 = 158363.69a + 3121230720.16b$$

$$\begin{array}{r} - \qquad \qquad \qquad - \qquad \qquad \qquad - \\ \hline 10545032.68 = 792256670.17b \end{array}$$

Or, $b = 0.013$

Putting the value of b in equation 4, we have

$$4225.31 = 5a + 107911.4(0.013)$$

Or, $a = 564.50$

Now, substituting the value of **a** and **b** in equation 1, we have

$$Y = 564.50 + 0.013X$$

This is the estimated regression equation of Net Profit (Y) on Total Deposit (X) of NABIL.

APPENDIX 19

T-test of Correlation Co-efficient between Total Deposit and Cash and Bank Balance of Everest Bank Limited (EBL)

Step 1 Null Hypothesis $H_0: P = 0$

There is no significance difference between correlations in the population.

Step 2 Alternative Hypothesis $H_1: P \neq 0$

There is significance difference between correlation in the population.

Step 3 Test Statistics under H_0

$$t_{\text{cal}} = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

$$= \frac{0.84}{\sqrt{1-0.70.56}} \times \sqrt{5-2}$$

$$= \frac{0.84}{\sqrt{0.2944}} \times \sqrt{3}$$

$$= \frac{0.84}{0.54} \times 1.73$$

$$= .4536 \times 1.73$$

$$= 2.69$$

Step 4 Critical Values under H_1

The tabulated value of t for d.f. = $5.2 = 3$ at 5% level of significance due to two tailed test is given by,

$$t_{\text{tab}} = 3.182$$

Step 5 Decision

Since, $t_{\text{cal}} < t_{\text{tab}}$ thus, H_0 is accepted, which means that the variables in the population are uncorrelated i.e. r is insignificant of correlation in the population.

APPENDIX 20

T-test of Correlation Co-efficient between Total Deposit and Cash and Bank Balance of Himalayan Bank Limited (HBL)

Step 1 Null Hypothesis $H_0: P = 0$

There is no significance difference between correlations in the population.

Step 2 Alternative Hypothesis $H_1: P \neq 0$

There is significance difference between correlations in the population.

Step 3 Test Statistics under H_0

$$t_{\text{cal}} = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

$$= \frac{0.45}{\sqrt{1-0.20}} \times \sqrt{5-2}$$

$$= \frac{0.45}{\sqrt{0.89}} \times \sqrt{3}$$

$$= \frac{0.45}{0.89} \times 1.73$$

$$= 0.51 \times 1.73$$

$$= 0.87$$

Step 4 Critical Values under H_1

The tabulated value of t for d.f. = $5-2 = 3$ at 5% level of significance due to two tailed test is given by,

$$t_{\text{tab}} = 3.182$$

Step 5 Decision

Since, $t_{\text{cal}} < t_{\text{tab}}$ thus, H_0 is accepted, which means that the variables in the population are uncorrelated i.e. r is insignificant of correlation in the population.

APPENDIX 21

T-test of Correlation Co-efficient between Total Deposit and Cash and Bank Balance of NABIL Bank Limited (NABIL)

Step 1 Null Hypothesis $H_0: P = 0$

There is no significance difference between correlations in the population.

Step 2 Alternative Hypothesis $H_1: P \neq 0$

There is significance difference between correlations in the population.

Step 3 Test Statistics under H_0

$$t_{\text{cal}} = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

$$= \frac{0.50}{\sqrt{1-0.25}} \times \sqrt{5-2}$$

$$= \frac{0.50}{\sqrt{0.75}} \times \sqrt{3}$$

$$= \frac{0.50}{0.87} \times 1.73$$

$$= 0.57 \times 1.73$$

$$= 0.99$$

Step 4 Critical Values under H_1

The tabulated value of t for d.f. = $5.2 = 3$ at 5% level of significance due to two tailed test is given by,

$$t_{\text{tab}} = 3.182$$

Step 5 Decision

Since, $t_{\text{cal}} < t_{\text{tab}}$ thus, H_0 is accepted, which means that the variables in the population are uncorrelated i.e. r is insignificant of correlation in the population.

APPENDIX 22

T-test of Correlation Co-efficient between Total Deposit and Net Profit of Everest Bank Limited (EBL)

Step 1 Null Hypothesis $H_0: P = 0$

There is no significance difference between correlations in the population.

Step 2 Alternative Hypothesis $H_1: P \neq 0$

There is significance difference between correlations in the population.

Step 3 Test Statistics under H_0

$$t_{cal} = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

$$= \frac{0.76}{\sqrt{1-0.58}} \times \sqrt{5-2}$$

$$= \frac{0.76}{\sqrt{0.43}} \times \sqrt{3}$$

$$= \frac{0.76}{0.65} \times 1.73$$

$$= 1.17 \times 1.73$$

$$= 2.02$$

Step 4 Critical Values under H_1

The tabulated value of t for d.f. = 5.2 = 3 at 5% level of significance due to two tailed test is given by,

$$t_{tab} = 3.182$$

Step 5 Decision

Since, $t_{cal} < t_{tab}$ thus, H_0 is accepted, which means that the variables in the population are correlated i.e. r is significant of correlation in the population.

APPENDIX 23

T-test of Correlation Co-efficient between Total Deposit and Net Profit of Himalayan Bank Limited (HBL)

Step 1 Null Hypothesis H_0 : $P = 0$

There is no significance difference between correlations in the population.

Step 2 Alternative Hypothesis H_1 : $P \neq 0$

There is significance difference between correlations in the population.

Step 3 Test Statistics under H_0

$$t_{cal} = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

$$= \frac{0.66}{\sqrt{1-0.44}} \times \sqrt{5-2}$$

$$= \frac{0.66}{\sqrt{0.56}} \times \sqrt{3}$$

$$= \frac{0.66}{0.75} \times 1.73$$

$$= 0.88 \times 1.73$$

$$= 1.52$$

Step 4 Critical Values under H_1

The tabulated value of t for d.f. = $5.2 = 3$ at 5% level of significance due to two tailed test is given by,

$$t_{tab} = 3.182$$

Step 5 Decision

Since, $t_{cal} < t_{tab}$ thus, H_0 is accepted, which means that the variables in the population are uncorrelated i.e. r is insignificant of correlation in the population.

APPENDIX 24

T-test of Correlation Co-efficient between Total Deposit and Net Profit of NABIL Bank Limited (NABIL)

Step 1 Null Hypothesis H_0 : $P = 0$

There is no significance difference between correlations in the population.

Step 2 Alternative Hypothesis H_1 : $P \neq 0$

There is significance difference between correlations in the population.

Step 3 Test Statistics under H_0

$$t_{\text{cal}} = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

$$= \frac{0.87}{\sqrt{1-0.76}} \times \sqrt{5-2}$$

$$= \frac{0.87}{\sqrt{0.24}} \times \sqrt{3}$$

$$= \frac{0.87}{0.49} \times 1.73$$

$$= 1.77 \times 1.73$$

$$= 3.07$$

Step 4 Critical Values under H_1

The tabulated value of t for d.f. = $5.2 = 3$ at 5% level of significance due to two tailed test is given by,

$$t_{\text{tab}} = 3.182$$

Step 5 Decision

Since, $t_{\text{cal}} < t_{\text{tab}}$ thus, H_0 is accepted, which means that the variables in the population are uncorrelated i.e. r is insignificant of correlation in the population.

APPENDIX 25

One-way ANOVA Test of EPS of EBL, HBL and NABIL

Year	EBL (X ₁)	HBL (X ₂)	NABIL (X ₃)	X ₁ ²	X ₂ ²	X ₃ ²
2062/63	28.33	30	85	802.5889	900	7225
2063/64	15.26	15	100	232.8676	225	10000
2064/65	26.75	25	60	715.5625	625	3600
2065/66	34.13	12	35	1164.8569	144	1225
2066/67	33.26	11.84	30	1106.2276	140.1856	900
N = 15	137.73	93.84	310	4022.1035	2034.1856	22950

$$\begin{aligned} \text{Total} &= \sum X_1 + \sum X_2 + \sum X_3 \\ &= 137.73 + 93.84 + 310 \\ &= 541.57 \end{aligned}$$

$$\text{Correlation Factor (CF)} = \frac{\text{Total}}{N} = \frac{541.57}{15} = 36.10$$

$$\begin{aligned} \text{Sum Square due to Total (SST)} &= \sum X_1^2 + \sum X_2^2 + \sum X_3^2 - CF \\ &= 4022.1035 + 2034.1856 + 22950 - 36.10 \\ &= 28970.19 \end{aligned}$$

$$\begin{aligned} \text{Sum Square due to Column (SSC)} &= \frac{(\sum X)^2}{n_1} + \frac{(\sum X_2)^2}{n_2} + \frac{(\sum X_3)^2}{n_3} - CF \\ &= \frac{(137.73)^2}{5} + \frac{(93.84)^2}{5} + \frac{(310)^2}{5} - 36.10 \\ &= 3793.91 + 1761.1891 + 19220 - 36.10 \\ &= 24738.99 \end{aligned}$$

$$\begin{aligned} \text{Sum Square due to Error (SSE)} &= \text{SST} - \text{SSC} \\ &= 28970.19 - 24738.99 \\ &= 4231.20 \end{aligned}$$

APPENDIX 26

Step 1 Null Hypothesis (H_0): $\mu_1 = \mu_2 = \mu_3$

There is no Significance difference between 3 EPS.

Step 2 Alternative Hypothesis (H_0): $\mu_1 \neq \mu_2 \neq \mu_3$

There is significance difference between 3 EPS.

Step 3 Test Statistics under H_0

Source of Variation	Sum Square	d.f.	Mean Sum Square	F Ratio
Due to Column	SSC = 24738.99	C-1 = 3-1 = 2	MSC = 12369.49	$F_{cal} = 35.08$
Due to Error	SSE = 4231.20	N-C = 15-3 = 12	MSE = 352.60	

Calculations

$$MSC = \frac{SSC}{C - 1} = \frac{24738.99}{2} = 12369.49$$

$$MSE = \frac{SSE}{N-C} = \frac{4231.20}{12} = 352.6$$

$$F_{cal} = \frac{MSC}{MSE} = \frac{12369.49}{352.60} = 35.08$$

Step 4 Critical Value under H_1

The tabulated value of F for degree of freedom (d.f.) 2, 12 at 5% level of significance is given by,

$$F_{tab} = 3.89$$

Step 5 Decision

Since, $F_{cal} > F_{tab}$, thus H_1 is accepted, which means there is significance difference between 3 EPS.

Note: Here, C denotes Number of Sampled Columns i.e. 3 (EBL, HBL and NABIL)

APPENDIX 27

One-way ANOVA Test of Current Ratio of EBL, HBL and NABIL

Year	EBL (X ₁)	HBL (X ₂)	NABIL (X ₃)	X ₁ ²	X ₂ ²	X ₃ ²
2062/63	1.85	4.61	3.01	3.42	21.25	9.06
2063/64	1.24	4.19	2.60	1.54	17.56	6.76
2064/65	3.64	5.57	2.20	13.25	31.02	4.84
2065/66	2.01	4.64	3.11	4.04	21.53	9.67
2066/67	2.29	2.37	2.15	5.24	5.62	4.62
N = 15	11.03	21.38	13.07	27.49	96.98	34.95

$$\begin{aligned}
 \text{Total} &= \sum X_1 + \sum X_2 + \sum X_3 \\
 &= 11.03 + 21.38 + 13.07 \\
 &= 45.48
 \end{aligned}$$

$$\text{Correlation Factor (CF)} = \frac{\text{Total}}{N} = \frac{45.48}{15} = 3.03$$

$$\begin{aligned}
 \text{Sum Square due to Total (SST)} &= \sum X_1^2 + \sum X_2^2 + \sum X_3^2 - \text{CF} \\
 &= 13.07 + 27.49 + 96.98 - 3.03 \\
 &= 134.51
 \end{aligned}$$

$$\begin{aligned}
 \text{Sum Square due to Column (SSC)} &= \frac{(\sum X)^2}{n_1} + \frac{(\sum X_2)^2}{n_2} + \frac{(\sum X_3)^2}{n_3} - \text{CF} \\
 &= \frac{(11.03)^2}{5} + \frac{(21.38)^2}{5} + \frac{(13.07)^2}{5} - 3.03 \\
 &= 24.33 + 91.42 + 34.16 - 3.03 \\
 &= 146.88
 \end{aligned}$$

$$\begin{aligned}
 \text{Sum Square due to Error (SSE)} &= \text{SST} - \text{SSC} \\
 &= 146.88 - 134.51 \\
 &= 12.37
 \end{aligned}$$

APPENDIX 28

Step 1 Null Hypothesis (H_0): $\mu_1 = \mu_2 = \mu_3$

There is no Significance difference between 3 Current Ratio.

Step 2 Alternative Hypothesis (H_0): $\mu_1 \neq \mu_2 \neq \mu_3$

There is significance difference between 3 Current Ratio.

Step 3 Test Statistics under H_0

Source of Variation	Sum Square	d.f.	Mean Sum Square	F Ratio
Due to Column	SSC = 146.88	C-1 = 3-1 = 2	MSC = 73.44	$F_{cal} = 71.30$
Due to Error	SSE = 12.37	N-C = 15-3 = 12	MSE = 1.03	

Calculations

$$MSC = \frac{SSC}{C-1} = \frac{146.88}{2} = 73.44$$

$$MSE = \frac{SSE}{N-C} = \frac{12.37}{12} = 1.03$$

$$F_{cal} = \frac{MSC}{MSE} = \frac{73.44}{1.03} = 71.30$$

Step 4 Critical Value under H_1

The tabulated value of F for degree of freedom (d.f.) 2, 12 at 5% level of significance is given by,

$$F_{tab} = 3.89$$

Step 5 Decision

Since, $F_{cal} > F_{tab}$, thus H_1 is accepted, which means there is significance difference between 3 EPS.

Note: Here, C denotes Number of Sampled Columns i.e. 3 (EBL, HBL and NABIL)