

**LIQUIDITY AND PROFITABILITY ANALYSIS OF JOINT
VENTURE BANKS IN NEPAL**
(With Reference to Everest Bank, Himalayan Bank and NABIL Bank Limited)

Submitted By
Sova Sharma
Lumbini Banijya Campus
T.U. Regd. No: 7-2-302-162-2005
Exam Roll No: 1290

Submitted To
Office of the Dean
Faculty of Management
Tribhuvan University

In partial fulfillment of the requirement for the Degree of
Master of Business Studies (M.B.S.)

Butwal, Nepal
April, 2013

VIVA- VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by

Sova Sharma

Entitled

**LIQUIDITY AND PROFITABILITY ANALYSIS OF JOINT VENTURE BANKS IN
NEPAL**

(With Reference to Everest Bank, Himalayan Bank and NABIL Bank Limited)

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Degree of Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

Date:

RECOMMENDATION

This is to certify that the thesis

Submitted by

Sova Sharma

Entitled

**LIQUIDITY AND PROFITABILITY ANALYSIS OF JOINT VENTURE BANKS IN
NEPAL**

(With Reference to Everest Bank, Himalayan Bank and NABIL Bank Limited)

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

.....
(Mr. Krishna Gautam)
Thesis Supervisor

.....
(Prof. Dr. Ishwor Gautam)
Head of Research Department

DECLARATION

I hereby declare that the work reported in the thesis entitled “**Liquidity and Profitability Analysis of Joint Venture Banks in Nepal**” (With Reference To Everest Bank, Himalayan Bank and Nabil Bank Limited) submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work as partial fulfillment of the requirement of the Degree of Master of Business Studies (M.B.S.) under the guidance and supervision of Mr. Krishna Gautam of Lumbini Banijya Campus, Tribhuvan University.

April, 2013

.....
Sova Sharma
Researcher
Lumbini Banijya Campus
T.U. Regd. No: 7-2-302-162-2005
Exam Roll No: 1290

ACKNOWLEDGEMENTS

This research entitled “Liquidity and Profitability Analysis of Joint Venture Banks in Nepal (With Reference To Everest Bank, Himalayan Bank and Nabil Bank Limited)” has been prepared for the partial fulfillment of the requirement for the Degree of Masters of Business Studies. The general purpose of the study is to discuss, examine and evaluate the trade off between liquidity and profitability position of the concerned joint venture banks of Nepal.

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

I am very much grateful to my supervisor Mr. Krishna Gautam and my other respected teachers of Lumbini Banijya Campus for providing me valuable suggestion, information and comments. And further more I would like to thanks chairman of Research Committee,

I want to extend by debtness to respected companies who provided the reports and study materials. Likewise, I am thankful to the librarians of Lumbini Banijya Campus who helped me providing necessary information and suggestions.

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

.....
Sova Sharma

TABLE OF CONTENTS

VIVA-VOCE SHEET	ii
DECLARATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABBREVIATIONS	ix

Chapter	Page No.
----------------	-----------------

CHAPTER: I

INTRODUCTION	1-7
1.1 Background of the Study	1
1.2 Statement of the Problem	2
1.3 Objectives of the Study	4
1.4 Significance of the Study	4
1.5 Limitations of the Study	5
1.6 Organization of the Study	6

CHAPTER: II

REVIEW OF LITERATURE	8-22
2.1 Theoretical Review	8
2.1.1 Concept of Liquidity	8
2.1.2 Criteria for Measuring Liquidity Position of Bank	11
2.1.3 Concept of Profitability	13
2.1.4 Principle of Profitability	15
2.1.5 Trade-off between Liquidity and Profitability	15
2.2 Review of Related Studies	18
2.3 Research Gap	22

CHAPTER: III

RESEARCH METHODOLOGY	23-33
3.1 Introduction	23
3.2 Research Design	23
3.3 Population and Sample	24
3.4 Sources of Data	24
3.5 Data Collection Techniques	24
3.6 Data Analysis Tools	25

CHAPTER: IV		
PRESENTATION AND ANALYSIS OF DATA		34-57
4.1	Introduction	34
4.2	Liquidity Ratio	35
4.3	Profitability Ratio	42
4.4	Assets Utilization of JVB's	46
4.5	Resource Utilization of JVB's	48
4.6	Correlation Co-efficient	51
4.7	Hypothesis (t-test)	51
4.8	Trend Analysis	52
4.9	SWOT Analysis	53
4.10	Major Findings of the Study	55

CHAPTER: V		
SUMMARY, CONCLUSION AND RECOMMENDATIONS		58-62
5.1	Summary	58
5.2	Conclusion	60
5.3	Recommendations	61

BIBLIOGRAPHY
APPENDIXES

LIST OF TABLES

Table No.

Page No.

4.1	Current Ratio	39
4.2	Quick Ratio	41
4.3	Cash & Bank Balance to Current Deposit Ratio	43
4.4	Cash & Bank Balance to Total Deposit Ratio	46
4.5	Net Profit Ratio	48
4.6	Return on Equity (ROE)	50
4.7	Return on Assets (ROA)	52
4.8	Return on Capital Employed (ROCE)	55
4.9	Correlation Co-efficient between Total Deposit and Net Profit	57
4.10	T-test of Correlation Co-efficient between Total Deposit and Net profit	59
4.11	Trend Value of Net Profit	61

LIST OF FIGURES

Figure No.

Page No.

4.1	Current Ratio	41
4.2	Quick Ratio	43
4.3	Cash & Bank Balance to Current Deposit Ratio	45
4.4	Cash & Bank Balance to Total Deposit Ratio	48
4.5	Net Profit Ratio	50
4.6	Return on Equity (ROE)	52
4.7	Return on Assets (ROA)	54
4.8	Return on Capital Employed (ROCE)	56
4.9	Trend Value of Net Profit	59

ABBREVIATIONS

ABBS	Any Branch Banking System
A/C	Account
ATM	Automated 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 Arab 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
UAE	United Arab Emirates
U.K.	United Kingdom
viz.	Namely