CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Generally, an institution established by law, which deals in money and credit is called bank. A bank simply carries out the work of exchanging money, providing loan, accepting deposit and transferring 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, transportation and storage of commodities.

Certainly, no comparison can be made between ancient and modern banks. In the ancient time, merchants, moneylenders and goldsmiths 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. 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 holding 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 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, became international in character and multi-dimensional in nature calling for actions on the part of the state 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 dept, we may go back in the Nepalese history, where a merchant namely “Sankhadhar” is recorded. He was the person who 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 14^{th} century meaning money lenders. They are one of the 64 castes classified on the basis of occupation (Shrestha, 2009:2).

In 1877 A.D. TejarathaAdda was established by then government. The main purpose of this institution was to provide credit facilities for government staffs and general public by collecting gold and silver at 5% rate of interest. TejarathaAdda did not use to accept deposit, it only provided credit facilities. So, we cannot say, it had performedfully banking transaction. But it played an important role towards the institutional development of banking system in Nepal (Shrestha, 2009:2).

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. 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, Nepal Rastra Bank was established in 1956 A.D. as the central bank of Nepal. After the establishment of NRB, the first 5 year 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 power as the banker's bank and controller of the credit. NRB for the first time issued Nepali notes on 7^{th}Falgun 2016 (Shrestha, 2009:4).
In a view of the various development programs launched after the beginning of planned development in the country, government established another commercial bank, RastriaBanijya Bank in public sector on 23^{rd} January 1966 to provide banking facilities and to help economic development (Shrestha, 2009:4).

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 formulation and mobilization of internal capital for trade and commerce. As management of JVBs are mainly held by foreign banks, the need for some competitive advantages like increased skilled personal with modern banking knowledge, efficient banking services, advance management skills and an international network of bank branches were felt. Accordingly, government introduced new banking policy in 1980's. The policy allowed foreign banks to operate as JVBs, provide autonomy to fix interest rates to a certain limit and introduced auctioning of government securities. These reforms are considered partial liberalization and a way to open economy policy (Shrestha, 2009:9).

As a result, the first JVB, Nepal Arab Limited was established in 2041 (1985) under the Commercial Bank Act 2031 (1974) and the Company 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, elected democratic government has given high priority to foreign investment, private sector participation and economic liberalization (Shrestha, 2009:10).

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 liberation 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, 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 operation 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 18 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 (Annual Reports of EBL, 2009:1).

The Bank in association with Smart Choice Technology (SCT) is providing ATM services for its customers. EBL Debit Card can be accessed at more than 50 ATMs and over 250 Points of Sales across the nation. The bank is also managing the SCT ATM at TribhuvanInternationalAirport for the convenience of the customers and the travelers, the first and the only bank in Nepal to place ATM outlet at the Airport (Annual Reports of EBL, 2009:2).

EBL is playing a pivotal role in facilitating remittance to and from across the 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. The bank has a Drafts Drawing Arrangement with 175 branches of PNB all over India (Annual Reports of EBL, 2009:2).

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 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 completion in the Nepalese banking sector, Himalayan bank has been able to maintain a lead in the primary banking activities – Loans and Deposits (Annual Reports of HBL, 2009:2).

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 believes 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.

Himalayan Bank Limited holds of a vision to become a "Leading Bank of the country" by providing premium products and services to the customer, thus ensuring attractive and substantial returns to the stakeholders of the bank. The banks mission is to become preferred provider of quality financial services in the country. There are two components in the mission of the bank: Preferred Provider and Quality Financial Services; therefore, HBL believe that the mission will be accomplished only by satisfying these two important components with the customer at focus. The Bank always strives positioning itself in the hearts and minds of the customers.

Himalayan Bank has access to the worldwide corresponding 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 (Annual Reports of HBL, 2009:5).

1.1.4A 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 19 points of representation across the kingdom and over 170 reputed correspondent banks across the globe (Annual Reports of NABIL, 2009:1).

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, Bangalore, 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 challenging, 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 any 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 1^{st} choice (Annual Reports of NABIL, 2009:6).

1.2 Focus of the Study

This study will focus on the tradeoff 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 2064/065 to 2068/069. 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. by identifying the strengths and weakness of the three respective banks. 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 problem remains to be solved.

This study, basically focus its attention to reveal the struggle and success achieved by the JVBs. Commercial bank's 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 reason behind such differences in performance. The problem of the study refers to the liquidity and profitability analysis of JVBs.

In this study, attempts have been 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 current efficiency?
4. Does the overall liquidity and profitability position indicate any special strength or weakness of these JVBs?
5. Why the focus of JVBs is mainly in Kathmandu and Urban areas only?
6. How are the liquidity and profitability performance of JVBs in comparison with commercial banks within the country?

1.4Objectives of the Study

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 to achieve the following objectives:

1. To study and examine the relationship between liquidity and profitability of EBL, HBL and NABIL.
2. To determine the operational efficiency of the management of the banks under study.

1.5Significance of the Study

The study of the analysis of liquidity and profitability position of JVBs in Nepal plays a vital role in the managerial decision. Every organization has to analyze its financial performance in every step of its operation, promotion and expansion. There should be an appropriate equilibrium between 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 concerned 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 tradeoff 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. This study is mainly conducted on the basis of secondary data. Therefore, the study has inherent limitation of the secondary data.
2. All the information gathered through primary sources have been assumed to be true and correct.
3. This study covers the analysis of only six years data from FY 2064/65 to FY 2068/69; hence, the conclusion drawn confirms to the above period only.

1.7 Organization of the Study

The study on trade-off between liquidity and profitability of JVBs has been divided into following five chapters:

Chapter-I Introduction

The introduction chapter deals with the general background and the subject matter of the study. It consist 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 related to the study and major findings of the study.

Chapter – V Summary, Conclusion and Recommendations

The fifth chapter is the final chapter of the study, which consists of 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 part of the research. This chapter highlights upon the existing literature. For this, several books, dissertation, reports, handouts and articles published in journals are reviewed.

2.1 Theoretical Review

2.1.1 Concept of Liquidity

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

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

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 demand, it lends to the loss of public faith upon banks. Then account holders rush into bank to withdraw their deposited money.
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 in more liquid assets. In this situation, other banks become 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 close if it cannot raise enough liquidity 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 suggest 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 come 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 cannot be run without liquidity. The NRB from time to time changes the legal provision about the liquidity. The compulsion about the commercial bank 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 their 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 asset in the ratio of their deposit liability, as fixed by the NRB.

The commercial banks and financial institution should keep a fund correctly which the percent fixed from time to time for the liquidity 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 financial institutions does not keep the stock of liquid property as our 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 saving into bank to safeguard them, earn interest, and get back whenever they need. Therefore, bank must maintain liquidity to the deposit, when accountholders withdraw deposits. Hence, liquidity is the life-blood of bank, without which the bank cannot survive for long. Banking transactions 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 importance of bank liquidity can be highlighted as follows:

a) Liquidity is essential for the payment of all sorts of deposits such as current, 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 it their shareholders.
f) Liquidity is essential to gain trust from the public including other sectors.
g) Liquidity is essential to face the economic rise and fall or economic crisis.
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. Bath 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, saving and fixed accounts. The bank receives the most liquidity as deposit. The bank invites 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 invites, the bank also has other cash. Thus,the criteria of liquidity can found from it.

b) Investment in assets

The criteria of measuring liquidity in bank, depends on the types which the bank has made investment. The bank doesn't waste cash stock received from different source of capital. The bank san 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 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

Such reserve ratio too can be taken as criteria of measurement bank liquidity. The commercial bank should maintain the cash reserve ratio as fixed by the central and 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 to profit. The bank can invest in various ways. A great deal is deposited in a bank from different accounts as deposer. The bank invests as loan, the cash fund and the cash collected from various other sources. In addition to it, the bank spreads its investment in various profit 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 long term and midterm 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 midterm, 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 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 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 ant the search for it provides incentives 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 divisions and segment of the firm? (iv) What is the earning per share? (v) What amount was paid in dividends? (vi) What is the rate of the 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 performances 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." (Pandey, 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 stake. 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 measures higher return. Furthermore, 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 return. 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 wants to invest on those assets which ensures 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.

2.1.5Principle 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 ensures 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 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 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 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 return with proportionately low risk.

2.1.6 Trade-off between Liquidity and Profitability

For a bank, the words liquidity and profitability comes 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 of 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 economicdisaster. 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 ac 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 Previous Studies

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

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

- The liquidity position of NIB is better than HBL,

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

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

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

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

Dhungana, Reema (2006) conducted this master's 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 sa 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 so on.

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

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

With the analysis and evaluation of various financial and statistical tools, he recommended that all the banks under study should collect more amounts of deposits through variety of deposit schemes and facilities. Moreover, he also suggested EBL to keep wide vision in investment. Further, he strongly recommended the banks to invest its more funds in shares and debentures.

Tamang, MakarBahadur (2008) conducted this master's 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 finding 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 are better than that of NIB,
- 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 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.

Sharma (2009), has made a study on, "*Financial Performance of Commercial Banks: A Comparative Case Study of Nepal Bangladesh Bank Ltd., Himalayan Bank Ltd.*and*Everest Bank Ltd*." The main objective of the study is to reveal the comparative financial performance of NBBL, HBL and EBL. The other specific objectives are;

a. To analyze and compare the liquidity, portability, stability and market value positions among three commercial banks.
b. To analyze and compare solvency ratio such as total capital fund.
c. To analyze the financial strength and weakness of these banks.

The major findings of the study are;

a. The saving deposit to total deposit ratio of NBBL has been recorded the lowest of all. It indicates the better liquidity position of the bank to meet short-term obligation.
b. Analysis of activities ratio reveals that all the banks have been able to utilize the resources satisfactorily.
c. Total debt to equity ratio of all banks reveals that the claims of the outsiders exceed far more than those of the owners over the banks assets.
d. Comparatively Himalayan Bank has more levered capital structure. Profitability ratio indicates the degree of success in achieving desired profit level.
e. All the banks need lot of exercise in more credit creation and reducing the interest rate for loan and advances. This helps them to remain more competitive.

Adhikari (2010), has conducted a study on, "*Comparative Analysis of Financial Performance Nepal Bank Limited and NABIL Bank Limited.*" The study has main objective to compare the financial performance between government owned bank and private sector bank. The other specific objectives are;

a. To ascertain the strengths and weaknesses of the observed banks.

b. To suggest the necessary reforms for the effective and efficient performance.
c. To evaluate the relevant financial position and investment position of sample banks.

The major findings of the study are;

a. Liquidity position of NBL is comparatively better than NABIL. It has the highest cash and bank balance to total deposit, cash and bank balance to current assets and loan and advances to current assets ratio. NBL is in a better position to meet its daily cash requirement. NABIL has a higher current ratio, which justifies that it is also capable enough to meet its current obligations. NBL's mean investment in government securities is better than NABIL. The higher degree of variability in investment in government securities of NBL during the study period shows lack of concrete policy of the bank in this regard.
b. NABIL has been more successful in mobilization of its total deposit as loan and advances, whereas NBL seems more successful to invest its deposit. On the other hand, the non performing loan ratio of NBL is higher than NABIL, which reveals higher amount of loan in passive in terms of profit generating aspect. The loan loss ratio of NBL is much higher than NBL, which means the chances to recovery of loan is very less than NABIL which has less loan loss ratio.
c. Though the banks are using more debt than equity, the capital structure position of NBL is worse than NABIL. NABIL has been more successful in maintaining its higher return on loan and advances and total assets and also successful to meet its shareholders expectation than NBL. In terms of profitability concern NBL seems very weak in every aspect with compare to NABIL.

2.3 Research Gap

The relationship between liquidity and profitability of joint ventures banks in Nepal has been conducted by few researchers. However the comparative study between EBL, HBL and NABIL has not been carried out till date. The researcher has taken into consideration the comparative study between SCBL and NABIL on the basis of research conducted by PrakashPandit from the central library. In global context various related research between banks of different nations has been taken into consideration.

The previous research is only limited to financial and statistical analysis of SCBL and NABIL. The previous researchers have 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 specific problem faced by the banks due to conflicting impact of profitability over profitability. Therefore, this research is more Conesus and is aimed to analyze the impact of profitability and liquidity by analyzing their trends and using hypothesis to draw the effective conclusion.

CHAPTER-III

RESEARCH METHODOLOGY

3.1Introduction

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. Therefore the present chapter outlines the entire research methodology used and followed in this study.

3.2Research Design

Research design refers to the conceptual structure within 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.

“Thus, a research design is a plan for the collection and analysis of data. It represents 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, and 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 basis elements viz. (i) selection of problem (ii) methodology (iii) data gathering (iv) data analysis and (v) report writing” (Joshi, 2007: 12).

"Research design is needed because it facilities 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).

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 tradeoff between liquidity and profitability positions of the JVBs is analyzed. Mostly, the secondary data 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. 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.

3.3Population and Sample

The term "population" used in statistics 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 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 six JVBs, three JVBs have been selected randomly in terms of their date of establishment 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 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 become secondary. The difference between primary and secondary data is a matter of relatively. 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.

3.5Data 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 statements 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.

3.6Data Analysis Tools

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

Financial tools

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

(A) Liquidity ratio

(B) Profitability Ratio

(A) 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 order banks as well as in central banks 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:

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

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 controversial 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 current ratio may be doing well, which 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. It 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." (Pandey; 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 assets equals' current minus pre-paid and inventories. The quick ratio is found out by dividing quick assets by current liabilities.

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

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:

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

(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:

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

(B) 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 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:

$$Net\ Profit\ Ratio = \frac{Net\ Profit}{Operating\ Income}$$

Where,

Operating Income= Interest income + Commission and + 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 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:

$$ROE = \frac{Net\ Profit\ after\ Tax}{Shareholder's\ Equity}$$

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." (Munakarmi, 2000:3.37). ROA is calculated as under:

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

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 is capable of earning interest" (Sharma, 1998:260).

(d) Return on Capital Employed (ROCE)

Return on capital employed is an overall 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:

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

Where,

Capital Employed = Shareholder's Equity + debenture & Bonds + loan & borrowings

(e) Earnings Per share (EPS)

Earnings 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.

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

(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

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

(g) Dividend pay-out Ratio

Dividend Pay-out ratio measure the profit distributed between dividends per share and earnings 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:

$$Dividend\ Pay - out\ Ratio = \frac{DPS}{EPS}$$

(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:

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

(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:

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

Statistical Tools

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

(a) Average ($\overline{X}$)

The term 'average' is referred as a measure of central tendency. The average 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 averages 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 of their sum divided by the number of observations. In general, if X_1, X_2,……….X_n are the given N observations, then their arithmetic mean, denoted by $\overline{X}$ is given by,

$$\bar{X} = \frac{X_1 + X_2 + \cdots \dots . +Xn}{N} = \frac{\sum X}{N}$$

Where,

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

N = Number of Years

(b) 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 B.M. Agarwal, 2000: 9.25). The standard deviation is conventionally represented by the Greek letter sigma (σ). If X_1, X_2, ………X_n is a set of n observations then, standard deviation is given by,

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

Where,

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

N = Number of Observations

(c) 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,

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

(d) 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 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 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 a evolutionary manner and to 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 Y = a + bX, where a and b are constants.

(e) Coefficient of Correlation (r)

“The correlation is a statistical tools 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” (Ibid:510).

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 calculated as under:

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

(f) 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 techniques 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 know value which is used for prediction (or estimation), is called independent (or redresser or predictor or explanator) variable and the unknown value which is to be estimated (or predicted) by 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 values of the other variable.

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 tradeoff 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 through the help of financial statements of the year from FY 2064/65 to FY 2068/69.

This chapter provides a mechanism for meeting the basic objectives as stated 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,

Bank basically deals with two conflicting goals namely, liquidity are profitability. Managers of bank can obtain the tradeoff between liquidityand 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 & profitability both are important aspect for the bank, thus, bank can’t ignore any of them. In fact, the bank should go side by side with both the concept. A balance should always be maintained between liquidity& profitability hence, the bank should always follow certain principles of liquidity & profitability.

4.2 Liquidity Ratio

(a) Current Ratio

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

Table 4.1 Current Ratio of JVB											
Everest Bank Ltd. (EBL)				**Himalayan Bank Ltd. (HBL)**				**Nabil Bank Ltd. (NABIL)**			
Year	**C.A**	**C.L**	**Ratio**	**Year**	**C.A**	**C.L**	**Ratio**	**Year**	**C.A**	**C.L**	**Ratio**
2064/65	3,390,187,298	769,873,292	4.40%	2064/65	2,542,525,000	876,573,000	2.90%	2064/65	5,229,895,405	704,362,820	7.43%
2065/66	6,656,537,314	539,674,728	12.33%	2065/66	4,864,280,000	1,019,096,000	4.77%	2065/66	4,790,096,476	989,352,123	4.84%
2066/67	8,355,002,699	711,596,474	11.74%	2066/67	5,229,715,000	1,166,717,000	4.48%	2066/67	5,430,907,688	1,070,240,585	5.07%
2067/68	45775955352	4221886835	10.80%	2067/68	4554871083	4190388361	10.87%	2067/68	5735593691	525431862	10.9%
2068/69	5526520337	5159588221	10.71%	2068/69	5305906352	4891031134	11.3%	2068/69	6236287718	5660349763	11.0%
dAverage Mean			10.00%	Average Mean			6.9%	Average Mean			7.8%
Standard Deviation			2.9%	Standard Deviation			1.2%	Standard Deviation			2.8%
Co-efficient of Variation			28.60%	Co-efficient of Variation			17.4%	Co-efficient of Variation			35.9%

Sources: Annual Reports of EBL, HBL and NABIL Bank

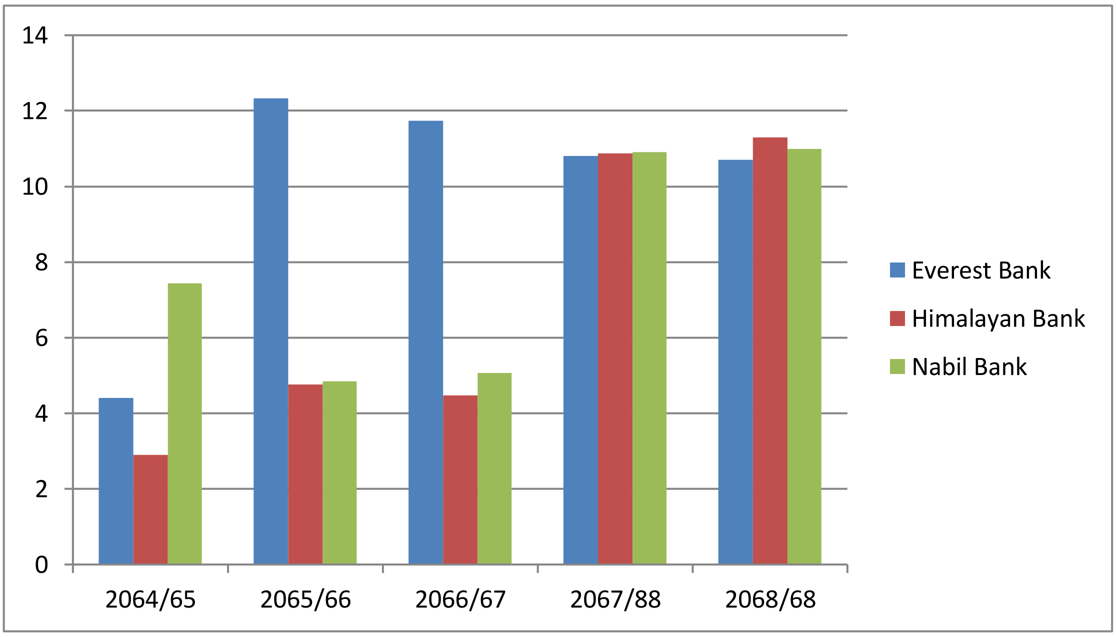
The table shows that the current ratio of EBL in the FY 2064/65, 2065/66, 2066/67, 2067/68 and 2068/69 are 4.40%, 12.33% ,11.74% ,10.80 and 10.71% respectively. Its average current ratio is 10.00%, Standard Deviation is 2.9% and Co-efficient of Variation is 28.60%.
The table shows that the current ratio of HBL in the FY, 2064/65, 2065/66 ,2066/67 ,2067/68 and 2068/69 are 2.90%, 4.77% , 4.48%, 10.87% and 11.3% respectively. Its average current ratio is 6.9%, Standard Deviation is 1.2% and Co-efficient of Variation is 17.4%.

The table shows that the current ratio of NABIL in the FY 2064/65, 2065/66, 2066/67 ,2067/68 and 2068/69 are 7.43%, 4.84% , 5.07% , 10.9%, 11.0% respectively. Its average current ratio is 7.8% Standard Deviation is 2.8% and Co-efficient of Variation is 35.9%.

The figure shows that the average current ratio of NABIL is higher so it has good liquidity within the bank in terms of current ratio as compared to EBL and HBL. Likewise, 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 of JVBs



(b) Quick Ratio

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

Table 4.2

Quick Ratios of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**Q.A.**	**C.L**	**Ratio**	**Year**	**Q.A.**	**C.L**	**Ratio**	**Year**	**Q.A.**	**C.L**	**Ratio**
2064/65	3,387,514,876	711,596,474	4.40%	2064/65	2,522,807,872	1,166,717,000	2.88%	2064/65	5,211,955,826	704,362,820	7.40%
2065/66	6,650,488,792	4221886835	12.32%	2065/66	4,836,128,386	4190388361	4.75%	2065/66	4,763,867,675	989,352,123	4.82%
2066/67	8,346,704,978	5159588221	11.73%	2066/67	5,187,034,000	4891031134	4.45%	2066/67	5,385,179,840	1,070,240,585	5.03%
2067/68	45775955352	4221886835	10.80%	2067/68	4554871083	4190388361	10.87%	2067/68	5735593691	525431862	10.9%
2068/69	5526520337	5159588221	10.71%	2068/69	5305906352	4891031134	11.3%	2068/69	6236287718	5660349763	11.0%
Average Mean			10%	Average Mean			6.9%	Average Mean			7.8%
Standard Deviation			2.9	Standard Deviation			3.5%	Standard Deviation			2.7%
Co-efficient of Variation			29%	Co-efficient of Variation			50.7%	Co-efficient of Variation			34.7%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the quick ratio of EBL in the FY 2064/65, 2065/66, 2066/67, 2067/68 and 2068/69are 4.40%,12.32%,11.73%,10.80% and 10.71% respectively. Its average quick ratio is 6.47%, Standard Deviation is 2.9 and Co-efficient of Variation is 29%.

he quick ratio of HBL in the 2064/65, 2065/66 , 2066/67 ,2067/68 and 2068/69 are 2.88%, 4.75% , 4.45% , 10.87% and 11.3% respectively. Its average quick ratio is 6.9%, Standard Deviation is 3.5 and Co-efficient of Variation is 50.7%.

The quick ratio of NABIL in the FY 2064/65, 2065/66 , 2066/67 ,2067/68 and 2068/69 are 7.40%, 4.82% , 5.03% ,10.9% and 11% respectively. Its average quick ratio is 7.8%, Standard Deviation is 2.7 and Co-efficient of Variation is 34.7%.

The figure shows that the average quick ratio of EBL is higher so it has good liquidity within the bank in terms of quick ratio as compared to HBL 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 of JVBs

5(c) Cash and Bank Balance to Current Deposit Ratio

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

Table 4.3

Cash and Bank Balance to Current deposit Ratios of JVBs (inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**C.B.B.**	**C.D.**	**Ratio**	**Year**	**C.B.B.**	**C.D.**	**Ratio**	**Year**	**C.B.B.**	**C.D.**	**Ratio**
2064/65	2,667,971,830	2,492,346,111	107.05%	2064/65	1,448,143,000	4,784,216,160	30.27%	2064/65	2,671,141,055	2,444,909,153	109.25%
2065/66	6,164,371,163	4,859,946,758	126.84%	2065/66	3,048,527,000	2,453,294,891	124.26%	2065/66	3,372,512,471	5,480,533,468	61.54%
2066/67	7,818,815,003	4,173,319,653	187.35%	2066/67	3,866,491,000	2,885,401,105	134.00%	2066/67	1,400,097,804	7,904,619,852	17.71%
2067/68	6122862952	4791202774	127.8%	2067/68	2964651321	3,694,249,426	80.3%	2067/68	2458549590	5256894633	46.8%
2068/69	103633063	6098254263	166.9%	2068/69	6362296158	4,584,233,497	138.8%	2068/69	5171251656	6572215166	78.7%
Average Mean			143.2%				101.5%	Average Mean			62.8%
Standard Deviation			29.70	Standard Deviation			41.2	Standard Deviation			30.7
Co-efficient of Variation			20.7%	Co-efficient of Variation			40.6%	Co-efficient of Variation			48.8%

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, 2064/65, 2065/66 , 2066/67 2067/68 and 2068/69 are 107.05%, 126.84% ,187.35% , 127.8% and 166.9% respectively. Its average cash and bank balance to current deposit ratio is 143.2%, Standard Deviation is 29.70 and Co-efficient of Variation is 20.7%

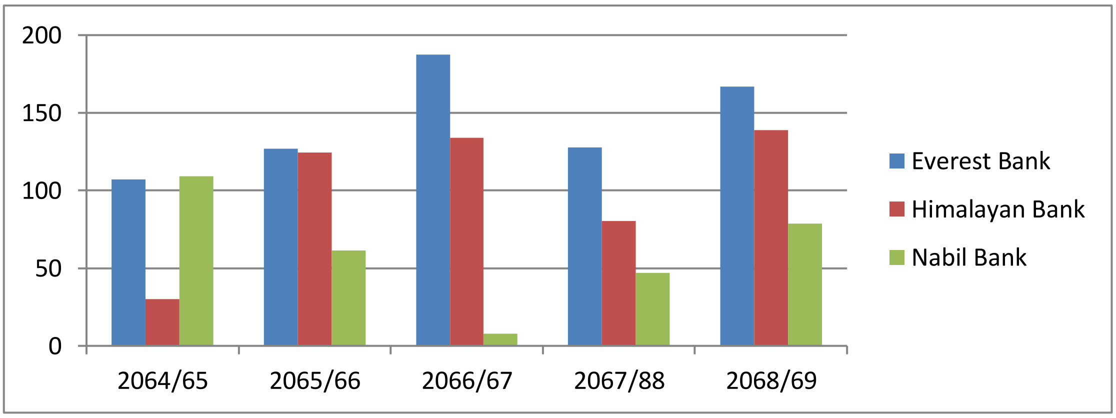
The cash and bank balance to current deposit ratio of HBL in the FY 2064/65, 2065/66 , 2066/67 2067/68 and 2068,69 are 30.27%, 124.26% 134.00% ,80.3% and 138.8% respectively. Its average cash and bank balance to current deposit ratio is 101.5%, Standard Deviation is 41.2 and Co-efficient of Variation is 40.6%.

The cash and bank balance to current deposit ratio of NABIL in the FY 2064/65, 2065/66 , 2066/67 ,2067/68 and 2068/69 are 109.25%, 61.54% , 17.71% ,46.8% and 78.7% respectively. Its average cash and bank balance to current deposit ratio is 62.8%, Standard Deviation is 30.7 and Co-efficient of Variation is 48.8%.

The figure shows that the average cash and bank balance to current deposit ratio of EBL is higher so it is comparatively in better position to pay the customers current deposits as compared to HBL and NABIL. Likewise, the lower C.V. of EBL shows 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 of JVBs



(d) Cash and Bank Balance to Total Deposit Ratio

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

Table 4.4

Cash and Bank Balance to Total Deposit Ratios of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**C.B.B.**	**T.D.**	**Ratio**	**Year**	**C.B.B.**	**T.D.**	**Ratio**	**Year**	**C.B.B.**	**T.D.**	**Ratio**
2064/65	2,667,971,830	23,976,298,535	11.13%	2064/65	1,448,143,000	31,842,789,000	4.55%	2064/65	2,671,141,055	31,915,047,467	8.37%
2065/66	6,164,371,163	33,322,946,246	18.50%	2065/66	3,048,527,000	34,681,345,000	8.79%	2065/66	3,372,512,471	37,348,255,840	9.03%
2066/67	7,818,815,003	36,932,310,008	21.17%	2066/67	3,866,491,000	37,611,202,000	10.28%	2066/67	1,400,097,804	46,410,700,628	3.02%
2067/68	6122862952	41127914339	14.90%	2067/68	2964651321	4 0,920,627,030	7.2%	2067/68	2458549590	59608376346	4.10%
2068/69	103633063	50006100272	20.0%	2068/69	6362296158	4 7,730,993,909	13.3%	2068/69	5171251656	5490567208	9.40%
Average Mean			13.6%	Average Mean			8.8%	Average Mean			6.8%
Standard Deviation			3.7	Standard Deviation			2.9	Standard Deviation			2.7
Co-efficient of Variation			27.1%	Co-efficient of Variation			33.5%	Co-efficient of Variation			39.4%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the cash and bank balance to total deposit ratio of EBL in the FY 2064/65, 2065/66 , 2066/67, 2067/68 and 2068/69 are 11.13%, 18.50% ,21.17% ,14.9% and 20% respectively. Its average cash and bank balance to total deposit ratio is 17.1%, Standard Deviation is 3.7 and Co-efficient of Variation is 27.1

The cash and bank balance to total deposit ratio of HBL in the FY, 2064/65, 2065/66 , 2066/672067/68 and 2068/69 are 4.55%, 8.79% , 10.28% 7.2% and 13.3% respectively. Its average cash and bank balance to total deposit ratio is 8.8%, Standard Deviation is 2.9 and Co-efficient of Variation is 33.5%.

The cash and bank balance to total deposit ratio of NABIL in the FY, 2064/65, 2065/66 , 2066/67, 2067/68 and 2068/69 are 8.37%, 9.03% ,3.02% , 4.10% and 9.40% respectively. Its average cash and bank balance to total deposit ratio is 6.8%, Standard Deviation is 2.7 and Co-efficient of Variation is 39.4%

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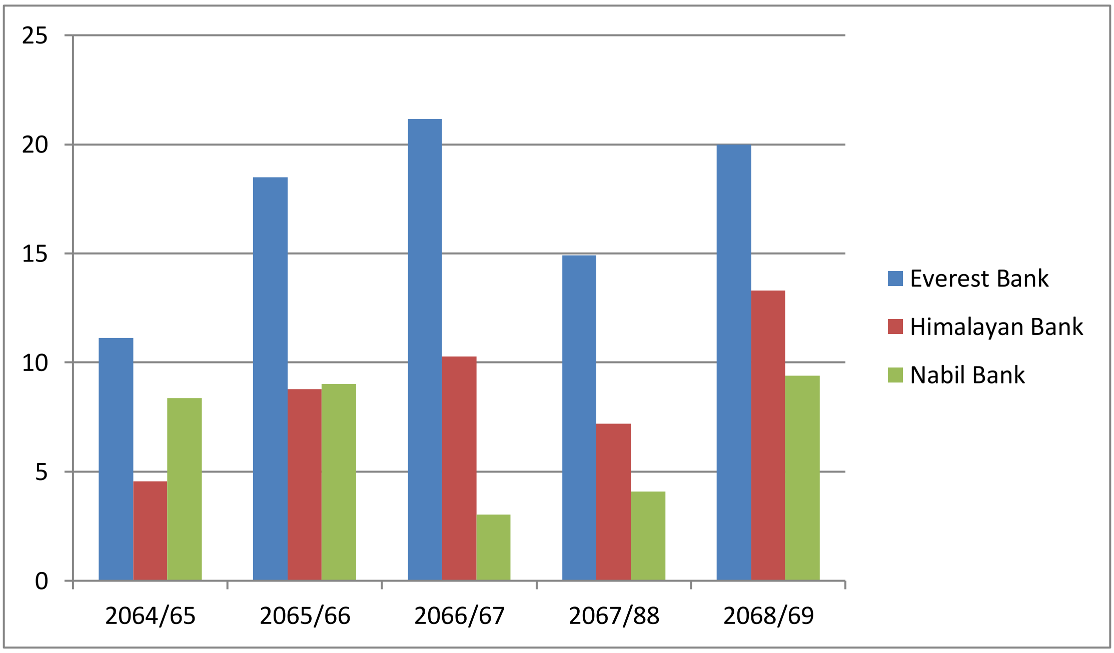
The Figure shows that the average cash & bank balance to total deposit ratio of EBL is higher so it has been maintaining comparatively high cash & bank balance from total deposit as compared to HBL and NABIL. Likewise, the lower C.V. of EBL also reveals that it is more consistent in maintaining the cash & bank balance from total deposit.

Figure 4.4

Cash and Bank Balance to Total Deposit Ratio of JVBs



4.3 Profitability Ratio

(a) 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 Ratios of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**Net Profit**	**O. Income**	**Ratio**	**Year**	**Net Profit**	**O. Income**	**Ratio**	**Year**	**Net Profit**	**O. Income**	**Ratio**
2064/65	451,218,613	1,763,373,584	25.59%	2064/65	635,869,000	2,359,136,000	26.95%	2064/65	746,468,394	2,331,418,896	32.02%
2065/66	638,732,757	2,451,436,257	26.06%	2065/66	752,835,000	2,876,483,000	26.17%	2065/66	1,031,053,098	3,157,872,250	32.65%
2066/67	831,765,632	3,358,454,932	24.77%	2066/67	508,798,000	3,599,143,000	14.14%	2066/67	1,139,099,399	4,554,647,955	25.01%
2067/68	931303628	2192940003	42.5%	2067/68	893115143	2586743976	34.5%	2067/68	1344179420	3061980958	43.9%
2068/69	1090564222	2609735240	41.8%	2068/69	958638260	2911212795	32.9%	2068/69	1700375650	4014853041	42.4%
Average Mean			32.1%	Average Mean			33.8%	Average Mean			35.2%
Standard Deviation			8.2%	Standard Deviation			9.9	Standard Deviation			12.3%
Co-efficient of Variation			25.5%	Co-efficient of Variation			29.3%	Co-efficient of Variation			35%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the net profit ratio of EBL in the FY 2064/65, 2065/66 , 2066/67, 2067/68, 2068/69, are 25.59%, 26.06% , 24.77% 42.5% and 41.8% ,respectively. Its average net profit ratio is 32.1%, Standard Deviation is 8.2 and Co-efficient of Variation is 25.5%.

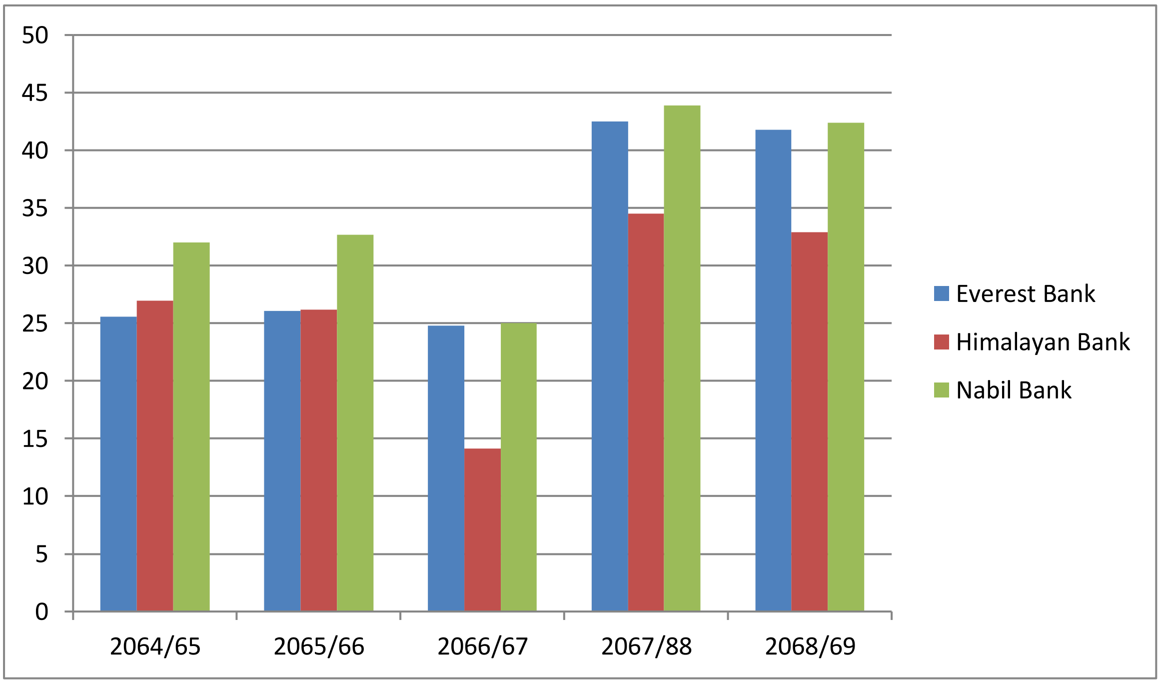
The net profit ratio of HBL in the FY 2064/65, 2065/66 , 2066/67 ,2067/68, and 2068/69 are 26.95%, 26.17%, 14.14% ,34.5% and 32.8% respectively. Its average net profit ratio is 33.8%, Standard Deviation is 9.9 and Co-efficient of Variation is 29.3%.

The net profit ratio of NABIL in the FY 2064/65, 2065/66 ,2066/67,,2067/68, and2068/69are 32.02%, 32.65% ,5.01% ,43.9% and 42.4% respectively. Its average net profit ratio is 35.2%, Standard Deviation is 12.3 and Co-efficient of Variation is 35%.

The figure shows that the average net profit ratio of NABIL is higher so 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 HBL reveals that it is more consistent in earning the profit than EBL and NABIL.

Figure 4.5

Net Profit Ratio of JVBs



(b) Return on Equity (ROE)

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

Table 4.6

Return on Equity (ROE) of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**NPAT**	**S. Equity**	**Ratio**	**Year**	**NPAT**	**S. Equity**	**Ratio**	**Year**	**NPAT**	**S. Equity**	**Ratio**
2064/65	451,218,613	1,921,237,580	23.49%	2064/65	635,869,000	2,512,992,000	25.30%	2064/65	746,468,394	2,437,198,989	30.63%
2065/66	638,732,757	2,203,625,055	28.99%	2065/66	752,835,000	3,119,881,000	24.13%	2065/66	1,031,053,098	3,130,240,637	32.94%
2066/67	831,765,632	2,759,137,632	30.15%	2066/67	508,798,000	3,439,205,000	14.79%	2066/67	1,139,099,399	3,834,754,525	29.70%
2067/68	931303628	3113546056	29.9%	2067/68	893115143	3995478273	22.4%	2067/68	1344179420	4572056219	29.4%
2068/69	1090564222	4177302887	26.1%	2068/69	958638260	4632010133	20.7%	2068/69	1700375650	5460524108	31.1%
Average Mean			27.9%	Average Mean			21.5%	Average Mean			30.8%
Standard Deviation			2.6	Standard Deviation			8.2	Standard Deviation			2.8
Co-efficient of Variation			9.2%	Co-efficient of Variation			8.2%	Co-efficient of Variation			9.1%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the ROE of EBL in the FY2064/65, 2065/66 , 2066/67, 2067/68 and 2068/69 are 23.49%, 28.99% , 30.15% ,29.9% and 26.1% respectively. Its average ROE is 27.9%, Standard Deviation is 2.9 and Co-efficient of Variation is 9.2%.

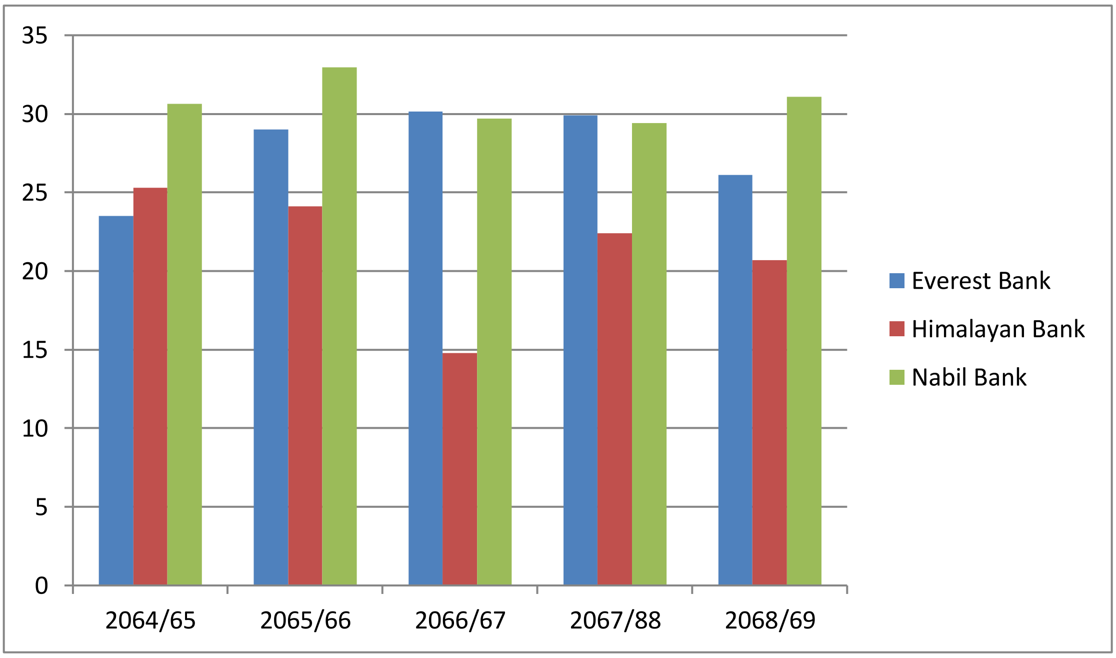
The Return on Equity of HBL in the FY 2064/65, 2065/66 , 2066/67 ,2067/68 and 2068/69 are 25.30%, 24.13% , 14.79% ,22.4% and 20.7% respectively. Its average Return on Equity is 21.5%, Standard Deviation is 8.2 and Co-efficient of Variation is 38.4%.

The Return on Equity of NABIL in the FY 2064/65, 2065/66 , 2066/67 ,2067/68 and 2068/69 are 30.63%, 32.94% , 29.70%, , 29.4% and 31.1%respectively. Its average Return on Equity is 30.8%, Standard Deviation is 2.8 and Co-efficient of Variation is 9.1%.

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

Figure 4.6

Return on Equity (ROE) Ratio of JVBs



(c) Return on Assets (ROA)

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

Return on Assets of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**NPAI**	**TA**	**Ratio**	**Year**	**NPAI**	**TA**	**Ratio**	**Year**	**NPAI**	**TA**	**Ratio**
2064/65	916,047,868	27,149,342,884	3.37%	2064/65	1,139,903,000	36,857,624,000	3.09%	2064/65	1,220,260,515	37,132,759,149	3.29%
2065/66	1,173,940,639	36,916,848,654	3.18%	2065/66	1,407,420,000	40,046,686,000	3.51%	2065/66	1,031,053,098	43,867,397,504	2.35%
2066/67	1,529,661,178	41,382,760,711	3.70%	2066/67	1,595,075,000	43,860,257,000	3.64%	2066/67	1,139,099,399	5,115,027,343	22.27%
2067/68	931303628	46236212262	2.0%	2067/68	893115143	46736203884	1.9%	2067/68	1344179420	58097194736	2.3%
2068/69	1090564222	55813129057	2.1%	2068/69	958638260	54364427882	1.8%	2068/69	1700375650	63257372483	2.7%
Average Mean			2.9%	54364427882			3.0%	Average Mean			6.6%
Standard Deviation			0.7	Standard Deviation			0.8	Standard Deviation			8.1
Co-efficient of Variation			23.9%	Co-efficient of Variation			26.7%	Co-efficient of Variation			122.5%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the ROA of EBL in the FY 2064/65, 2065/66 ,2066/67 ,2067/68 and 2068/69 are 3.37%, 3.18% ,3.70% , 2.0% and 2.1% respectively. Its average ROA is 2.9%, Standard Deviation is 0.7 and Co-efficient of Variation is 23.9%.

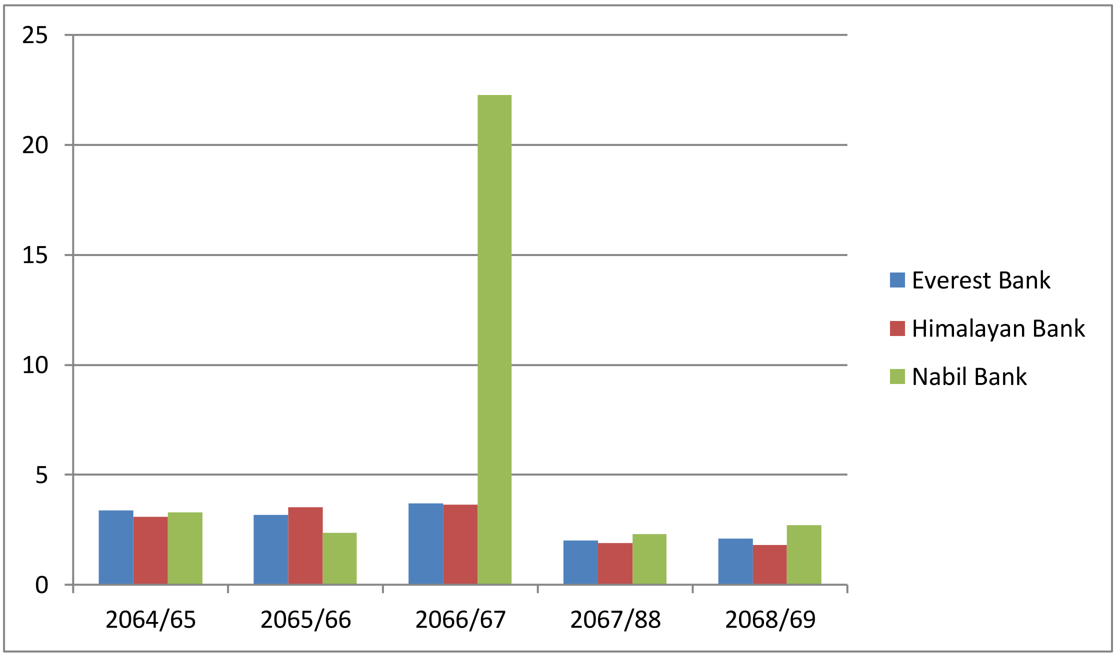
The Return on Assets of HBL in the FY 2064/65, 2065/66 ,2066/67, 2067/68 and 2068/69 are 3.09%, 3.51% ,3.64% ,1.9% and 1.8% respectively. Its average Return on Assets is 3.0%, Standard Deviation is 0.8 and Co-efficient of Variation is 26.7%.

The Return on Assets of NABIL in the FY 2064/65, 2065/66 , 2066/67 ,2067/68 and2068/69are 3.29%, 2.35% ,22.27% 2.3% and 2.7% respectively. Its average Return on Assets is 6.6% ,Standard Deviation is 8.1 and Co-efficient of Variation is 122.5%.

The figure shows that the average ROA of NABIL is higher which reveals that it has been efficiently utilizing its overall resources in efficient way in comparatively better than EBL and HBL. However, the lower C.V. of EBL also suggests that it is more consistent in utilizing the overall resources efficiently.

Figure 4.7

Return on Assets of JVBs



(d) Return on Capital Employed (ROCE)

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

Table 4.8

ROCE of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**NPAI**	**C. E.**	**Ratio**	**Year**	**NPAI**	**C. E.**	**Ratio**	**Year**	**NPAI**	**C. E.**	**Ratio**
2064/65	916,047,868	2,221,237,580	41.24%	2064/65	1,139,903,000	3,456,170,000	32.98%	2064/65	1,220,260,515	4,037,198,989	30.23%
2065/66	1,173,940,639	2,815,625,055	41.69%	2065/66	1,407,420,000	3,619,881,000	38.88%	2065/66	1,031,053,098	4,111,545,637	25.08%
2066/67	1,529,661,178	3,463,737,855	44.16%	2066/67	1,595,075,000	3,939,205,000	40.49%	2066/67	1,139,099,399	4,209,654,525	27.06%
2067/68	931303628	3895546056	23.9%	2067/68	893115143	4495478273	19.4%	2067/68	1344179420	4900973633	27.4%
2068/69	1090564222	4177302887	26.1%	2068/69	958638260	5132010133	18.7%	2068/69	1700375650	5790860594	29.4%
Average Mean			35.4%	Average Mean			30.1%	Average Mean			27.8%
Standard Deviation			8.6	Standard Deviation			9.4	Standard Deviation			1.8
Co-efficient of Variation			24.3%	Co-efficient of Variation			31.1%	Co-efficient of Variation			6.5%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the ROCE of EBL in the FY, 2064/65, 2065/66 , 2066/67 ,2067/68, and 2068/69 are 41.24%, 41.69% , 44.16% ,23.8% and 26.1% respectively. Its average ROCE is 35.4%, Standard Deviation is 8.6 and Co-efficient of Variation is 24.3%.

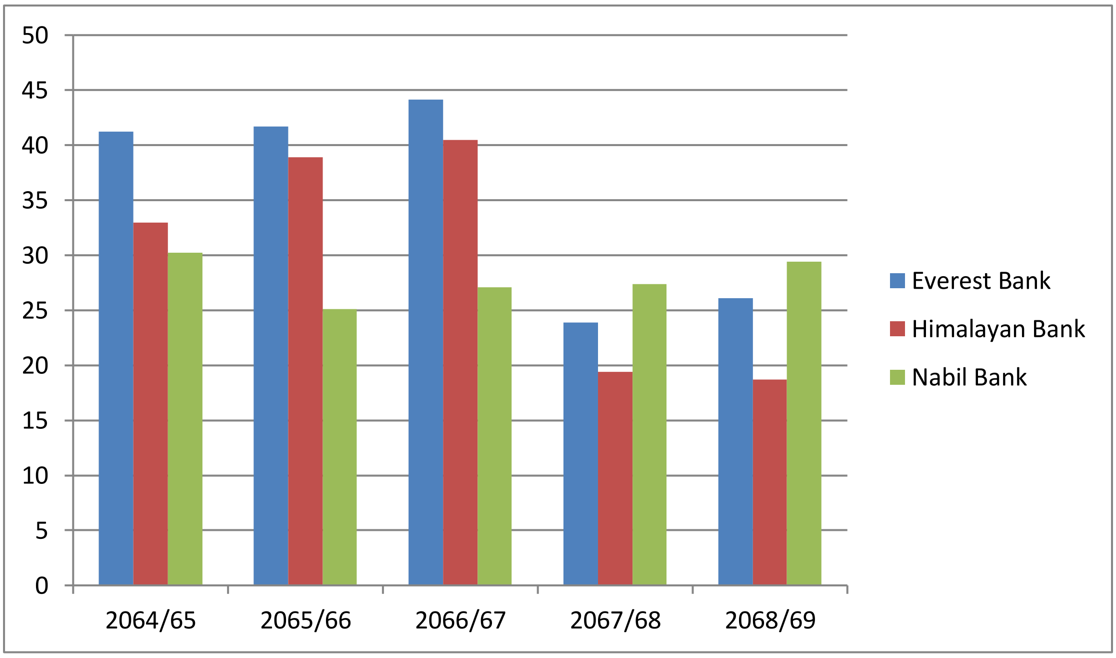
The Return on Common Equity of HBL in the FY 2064/65, 2065/66 ,2066/67 ,2067/68, and 2068/69 are 32.78%, 38.88% , 40.49% , 19.4% and 18.7% respectively. Its average Return on Common equity is 30.1%, Standard Deviation is 9.4 and Co-efficient of Variation is 31.1%.

The Return on Common Equity of NABIL in the FY 2064/65, 2065/66 , 2066/67 , 2067/68, and 2068/69 are 30.23%, 25.08% ,27.06% , 27.4% and 29.4% respectively. Its average Return on Common Equity is 27.8%, Standard Deviation is 1.8 and Co-efficient of Variation is 6.5%.

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

Figure 4.8

Return on Capital Employed of JVBs



(e) Earningsper Share (EPS)

Earnings 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 JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**NPAT**	**Eq.Sh(No.)**	**Ratio**	**Year**	**NPAT**	**Eq.Sh(No.)**	**Ratio**	**Year**	**NPAT**	**Eq.Sh(No.)**	**Ratio**
2064/65	451,218,613	4,914,000	91.82	2064/65	635,869,000	10,135,125	62.74	2064/65	746,468,394	6,892,160	108.31
2065/66	638,732,757	6,388,210	99.99	2065/66	752,835,000	12,163,150	61.89	2065/66	1,031,053,098	9,657,470	106.76
2066/67	831,765,632	8,304,673	100.16	2066/67	508,798,000	16,000,000	31.80	2066/67	1,139,099,399	14,491,240	78.61
2067/68	931303628	11196095	83.2	2067/68	893115143	20000000	44.7	2067/68	1344179420	20297694	66.2
2068/69	1090564222	12316357	88.5	2068/69	958638260	24000000	39.9	2068/69	1700375650	20297694	83.8
Average Mean			92.7	Average Mean			48.2%	Average Mean			88.7
Standard Deviation			6.6	Standard Deviation			12.2	Standard Deviation			16.4
Co-efficient of Variation			0.17	Co-efficient of Variation			0.3	Co-efficient of Variation			0.2

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the EPS of EBL in the FY, 2064/65, 2065/66 ,2066/67, 2067/68 and 2068/69areRs. 91.82, Rs. 99.99 ,Rs. 100.16 ,Rs. 83.2, Rs. 88.5 respectively. Its average EPS is Rs 92.7, Standard Deviation is 6.6 and Co-efficient of Variation is 0.17%.

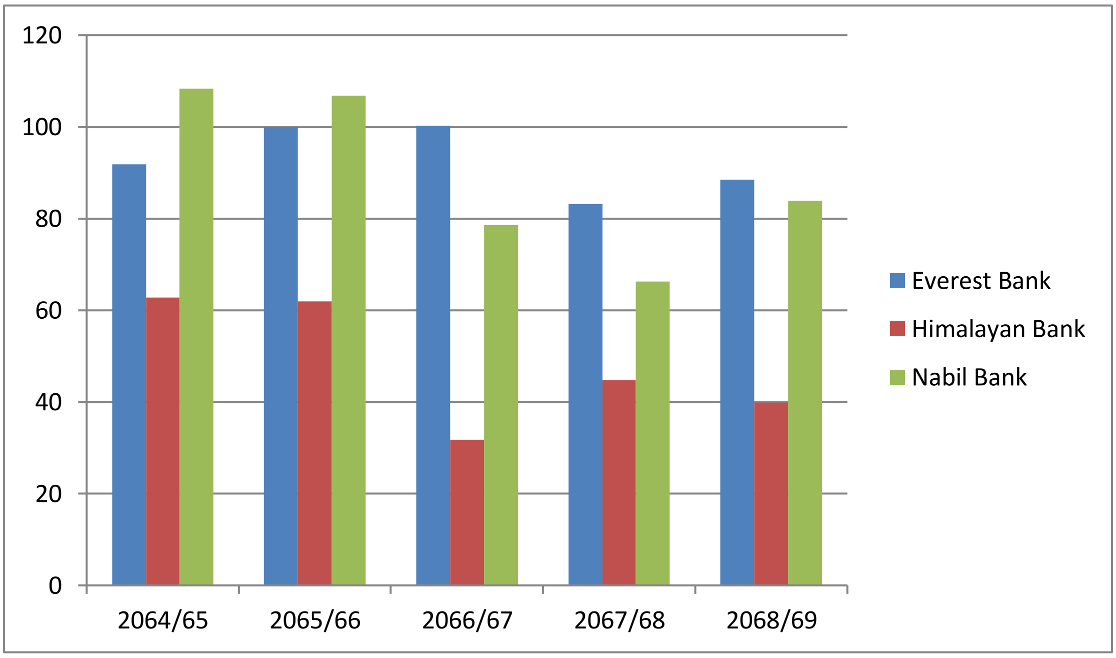
The Earningsper Share of HBL in the FY 2064/65, 2065/66 , 2066/67, 2067/68 and 2068/69 are Rs.62.74, Rs.61.89 , Rs.31.80 , Rs.44.7, Rs.39.9 respectively. Its average earningper Share is Rs.48.2, Standard Deviation is 12.2 and Co-efficient of Variation is 0.3.

The Earning Per Share of NABIL in the FY, 2064/65, 2065/66 , 2066/67,2067/68 and2068/69are Rs.108.31, Rs.106.76 , Rs.78.61,Rs.66.2 and 83.8, respectively. Its average earning per Share is Rs.88.7, Standard Deviation is 16.4 and Co-efficient of Variation is 0.20.

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

Figure4.9

EarningsPer Share of JVBs



(f) Dividend per Share (DPS)

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

Table 4.10

DPS of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**Div.**	**Eq.Sh(No.)**	**Ratio**	**Year**	**Div.**	**Eq.Sh(No.)**	**Ratio**	**Year**	**Div.**	**Eq.Sh(No.)**	**Ratio**
2064/65	140,790,370	4,914,000	28.65	2064/65	253,378,000	10,135,125	25.00	2064/65	437,373,004	6,892,160	63.46
2065/66	218,080,345	6,388,210	34.14	2065/66	145,946,000	12,163,150	12.00	2065/66	338,011,450	9,657,470	35.00
2066/67	276,252,832	8,304,673	33.26	2066/67	189,474,000	16,000,000	11.84	2066/67	434,737,200	14,491,240	30.00
2067/68	269724842	11196095	24.1	2067/68	336800000	20000000	16.84	2067/68	403253826	20297694	19.90
2068/69	560089641	12316357	45.5	2068/69	322080000	24000000	13.42	2068/69	681502600	20297694	33.6
Average Mean			33.1	Average Mean			15.8	Average Mean			36.4
Standard Deviation			7.2	Standard Deviation			4.9	Standard Deviation			14.5
Co-efficient of Variation			0.2	Co-efficient of Variation			0.3	Co-efficient of Variation			0.4

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the DPS of EBL in the FY 2064/65, 2065/66 , 2066/67,2067/68 and 2068/69, are Rs. 28.65, Rs. 34.14 ,,Rs. 30.34, Rs. 24.1Rs. 45.5respectively. Its average DPS is Rs.33.1, Standard Deviation is 7.2 and Co-efficient of Variation is 0.2%.

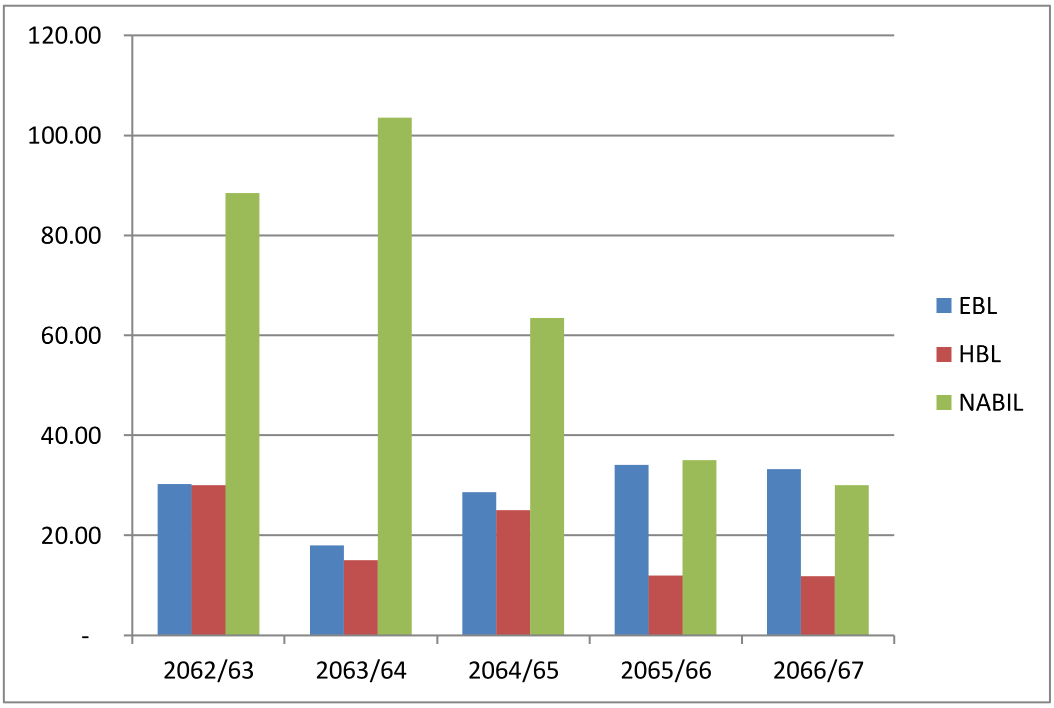
The Dividend Per Share of HBL in the FY 2064/65, 2065/66 , 2066/67,2067/68 and 2068/69 are Rs.25.00, Rs.12.00 , Rs.11.84 , Rs.16.84, and Rs.13.42, respectively. Its average Dividend Per Share is Rs.15.8, Standard Deviation is 4.9 and Co-efficient of Variation is 0.3.

The Dividend Per Share of NABIL in the FY 2064/65, 2065/66 , 2066/67,2067/68 and 2068/69 are Rs.63.46, Rs.35.00 ,Rs.30.00, Rs19.90 and Rs 33.6 respectively. Its average Dividend Per Share is Rs.15.8, Standard Deviation is 4.9 and Co-efficient of Variation is 0.40.

The figure shows that the average DPS of NABIL is higher signifies that NABIL is more successful to win the confidence of the investors. This mean 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

Dividend per Share (DPS) of JVBs



(g) Dividend Pay-out Ratio

Dividend pay-out ratio establishes the relationship between dividend per share (DPS) and earnings per share (EPS). It is computed as under:

Table 4.11

DPR of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**DPS**	**EPS**	**Ratio**	**Year**	**DPS**	**EPS**	**Ratio**	**Year**	**DPS**	**EPS**	**Ratio**
2064/65	28.65	91.82	31.20%	2064/65	25.00	62.74	39.85%	2064/65	63.46	108.31	58.59%
2065/66	34.14	99.99	34.14%	2065/66	12.00	61.89	19.39%	2065/66	35.00	106.76	32.78%
2066/67	33.26	100.16	33.21%	2066/67	11.84	31.80	37.23%	2066/67	30.00	78.61	38.16%
2067/68	24.1	83.18	29.0	2067/68	16.84	44.66	37.7	2067/68	19.90	70.67	28.2
2068/69	45.5	88.55	51.4	2068/69	13.42	39.94	33.6	2068/69	33.6	83.57	40.2
Average Mean			35.8%	Average Mean			33.6%	Average Mean			39.6%
Standard Deviation			8.0	Standard Deviation			7.4	Standard Deviation			10.4
Co-efficient of Variation			22.3%	Co-efficient of Variation			21.9%	Co-efficient of Variation			26.2%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the dividend pay-out ratio of EBL in the FY 2064/65, 2065/66 , 2066/67 ,2067/68, and 2068/69, are 31.20%, 34.14% ,33.21% , 29% and 51.4% respectively. Its average dividend pay-out ratio is 35.8%, Standard Deviation is 8.0 and Co-efficient of Variation is 22.3%.

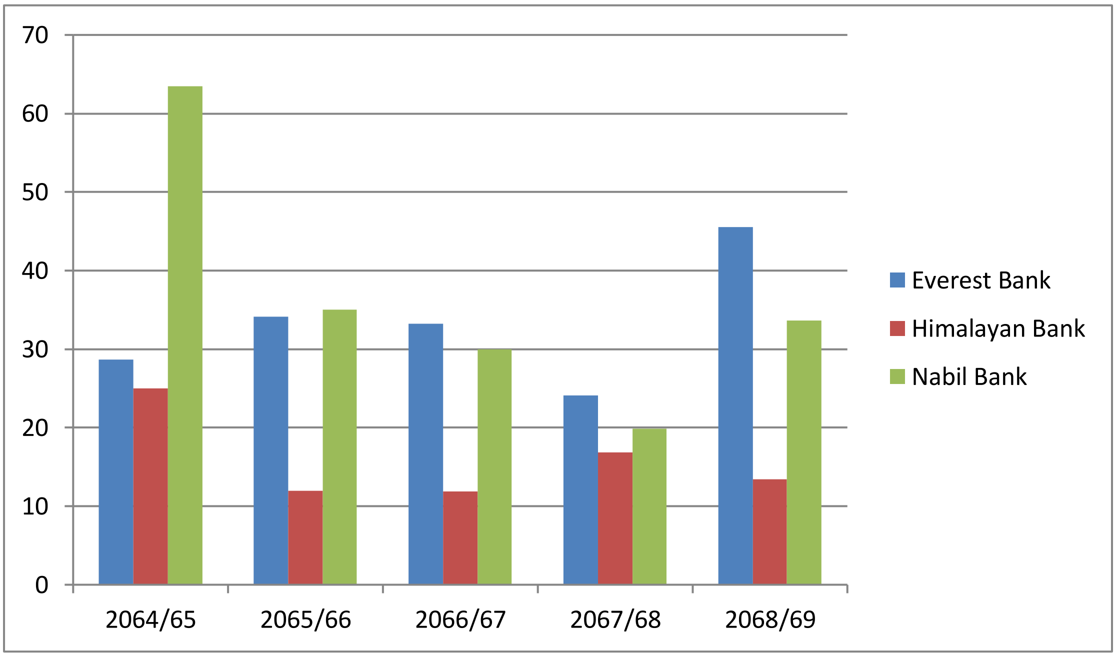
The Dividend Pay-out ratio of HBL in the FY 2064/65, 2065/66 , 2066/67,,2067/68, and 2068/69, are 39.85%, 19.39% , 37.23% , 37.7% and 33.6% respectively. Its average dividend pay-out ratio is 33.6%, Standard Deviation is 7.4 and Co-efficient of Variation is 21.9%.

The Dividend Pay-out ratio of NABIL in the FY 2064/65, 2065/66 , 2066/67, 067/68, and 2068/69 are 58.59%, 32.78% , 38.16% , 28.2% and 40.2% respectively. Its average dividend pay-out ratio is 39.6%, Standard Deviation is 10.4 and Co-efficient of Variation is 26.2%.

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

Figure 4.11

Dividend Payout Ratio (DPR) of JVBs



(h) 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 of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**EPS**	**MPS**	**Ratio**	**Year**	**EPS**	**MPS**	**Ratio**	**Year**	**EPS**	**MPS**	**Ratio**
2064/65	91.82	3,132.00	2.93%	2064/65	62.74	1,980.00	3.17%	2064/65	108.31	5,275.00	2.05%
2065/66	99.99	2,455.00	4.07%	2065/66	61.89	1,760.00	3.52%	2065/66	106.76	4,899.00	2.18%
2066/67	100.16	1,630.00	6.14%	2066/67	31.80	816.00	3.90%	2066/67	78.61	2,384.00	3.30%
2067/68	83.18	1094.00	7.6%	2067/68	44.66	575.00	7.8%	2067/68	70.67	1252.00	5.6%
2068/69	88.55	1033.00	8.6%	2068/69	39.94	653.00	6.1%	2068/69	83.57	1355.00	6.2%
Average Mean			5.9%	Average Mean			4.9%	Average Mean			3.9%
Standard Deviation			2.1	Standard Deviation			1.8	Standard Deviation			1.7
Co-efficient of Variation			35.7%	Co-efficient of Variation			36.2%	Co-efficient of Variation			44.3%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the earning yield ratio of EBL in the FY 2064/65, 2065/66 , 2066/67,2067/68, 2068/69 are 2.93%, 4.07% , 6.14%, 7.6% and 8.6% respectively. Its average earning yield ratio is 5.9%, Standard Deviation is 2.1 and Co-efficient of Variation is 35.7%.

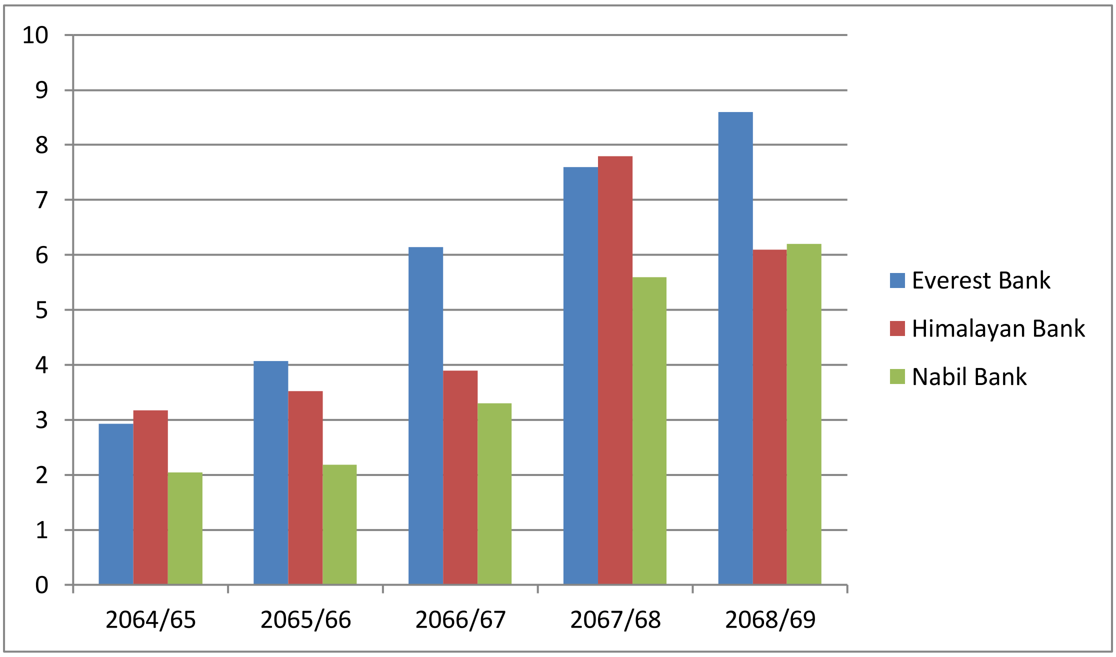
The Earning Yield ratio of HBL in the FY, 2064/65, 2065/66 ,2066/67,2067/68, and 2068/69 are 3.17%, 3.52% , 3.90% , 7.8% and 6.1% respectively. Its average earning yield ratio is 4.9%, Standard Deviation is 1.8 and Co-efficient of Variation is 36.2%.

The Earning Yield ratio of NABIL in the FY2064/65, 2065/66 ,2066/67 , 2067/68, 2068/69are 2.05%, 2.18%, 3.30%, 5.6% and 6.2% respectively. Its average earning yield ratio is 3.9%, Standard Deviation is 1.7 and Co-efficient of Variation is 44.3%.

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

Figure 4.12

Earning Yield Ratio of JVBs



(i) 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 of JVBs(inRs.)

Everest Bank Ltd. (EBL)				Himalayan Bank Ltd. (HBL)				Nabil Bank Ltd. (NABIL)			
Year	**DPS**	**MPS**	**Ratio**	**Year**	**DPS**	**MPS**	**Ratio**	**Year**	**DPS**	**MPS**	**Ratio**
2064/65	28.65	3,132	0.91%	2064/65	25.00	1,980.00	1.26%	2064/65	63.46	5,275.00	1.20%
2065/66	34.14	2,455	1.39%	2065/66	12.00	1,760.00	0.68%	2065/66	35.00	4,899.00	0.71%
2066/67	33.26	1,630	2.04%	2066/67	11.84	816.00	1.45%	2066/67	30.00	2,384.00	1.26%
2067/68	24.1	1094	2.2%	2067/68	16.84	575.00	2.9%	2067/68	19.90	1252	1.6%
2068/69	45.5	1033	4.4%	2068/69	13.42	653.00	2.1%	2068/69	33.60	1355	2.5%
Average Mean			2.2%	Average Mean			1.7%	Average Mean			1.2%
Standard Deviation			1.2	Standard Deviation			0.8	Standard Deviation			0.6
Co-efficient of Variation			54.3%	Co-efficient of Variation			44.8%	Co-efficient of Variation			53.9%

Sources: Annual Reports of EBL, HBL and NABIL Bank

The table shows that the dividend yield ratio of EBL in the FY, 2064/65, 2065/66 , 2066/67 ,2067/68 and 2068/69 are 0.91%, 1.39% ,2.04% 2.2% and 4.4% respectively. Its average dividend yield ratio is 2.2%, Standard Deviation is 1.2 and Co-efficient of Variation is 54.3%.

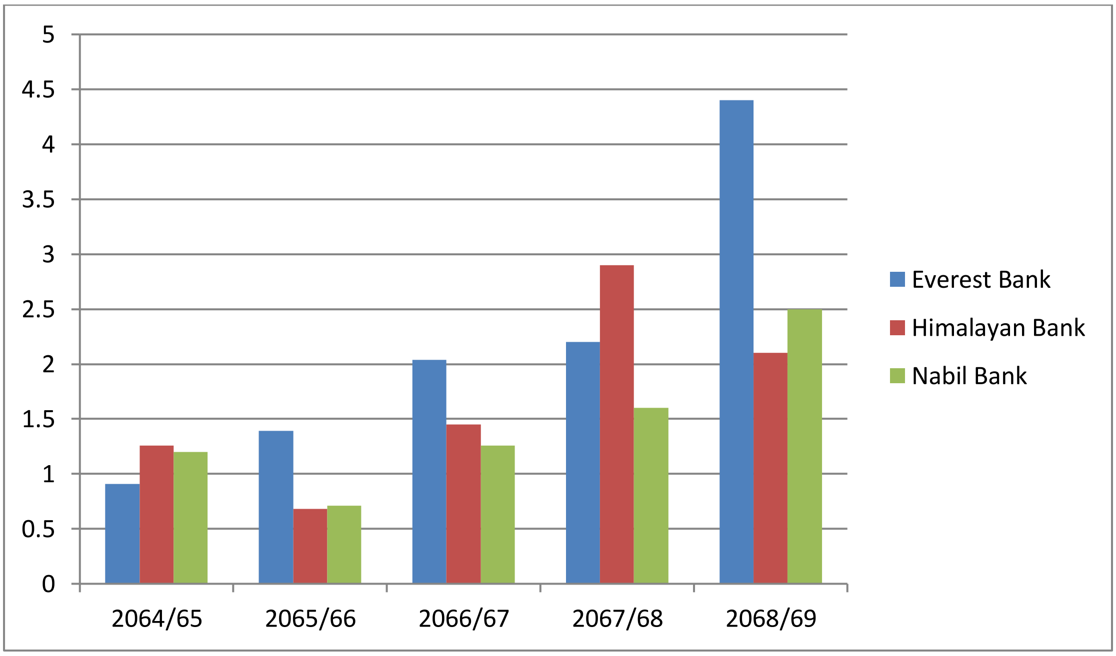
The Dividend Yield ratio of HBL in the FY 2064/65, 2065/66 ,2066/67 , 2067/68 and 2068/69 are 1.26%, 0.68% , 1.45% , 2.9% and 2.1% respectively. Its average dividend yield ratio is 1.70%, Standard Deviation is 0.80 and Co-efficient of Variation is 44.8%.

The Dividend yield ratio of NABIL in the FY 2064/65, 2065/66, 2066/67 ,2067/68 and 2068/69 are 1.20%, 0.71% , 1.26% , 1.6% and 2.5% respectively. Its average dividend yield ratio is 1.2%, Standard Deviation is 0.6 and Co-efficient of Variation is 53.90%.

The figure shows that the average dividend yield ratio of HBL is higher which states that HBL yields more dividends than EBL and NABIL. However, the lower C.V. of EBL suggests that it is more consistent in dividend yield ratio than HBL and NABIL.

Figure 4.13

Dividend Yield Ratio of JVBs



4.4 Trend Analysis

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

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

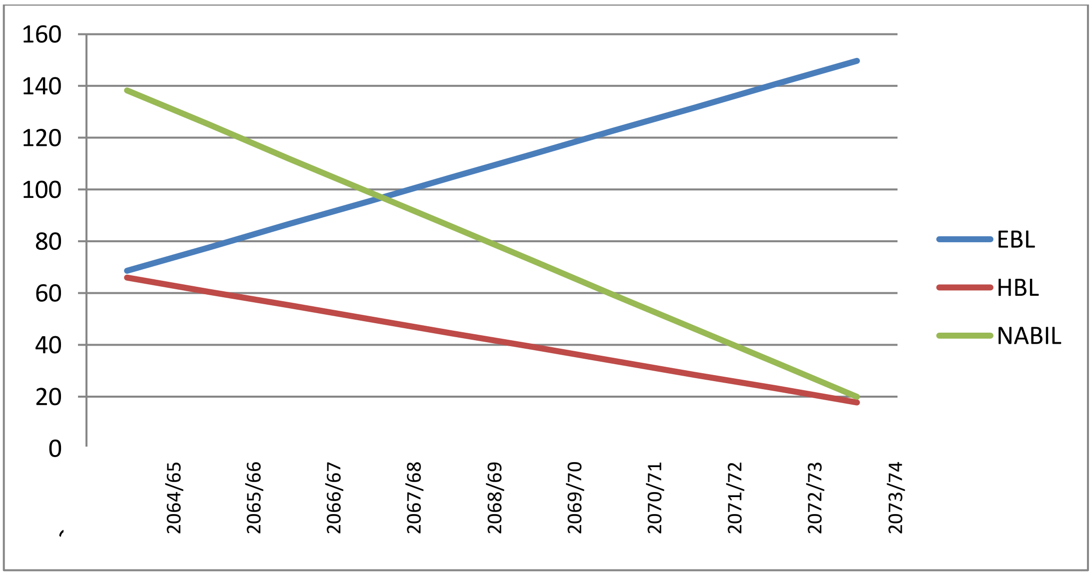
Table 4.14

Trend Values of EPS

Year	JVBs		
	EBL	**HBL**	**NABIL**
2064/65	68.63	65.99	138.29
2065/66	77.64	60.63	125.14
2066/67	86.65	55.27	111.99
2067/68	95.56	49.91	98.84
2068/69	104.67	44.55	85.69
2069/70	113.68	39.19	72.54
2070/71	122.69	33.83	59.39
2071/72	131.70	28.47	46.24
2072/73	140.71	23.11	33.09
2073/74	149.72	17.75	19.94

The table clearly shows that the EPS of EBL is in the increasing trend in the successive fiscal years. It has increased from Rs. 68.63 in FY 2064/65 to Rs. 149.72 in the FY 2073/74. Whereas, the table showed that the EPS of HBL is in the declining trend in the successive fiscal years. It has declined from Rs. 65.99 in FY 2064/65 to Rs. 17.75 in the FY 2073/74. On the other hand, NABIL also has declining trend of EPS in the successive fiscal years. It has declined from Rs. 138.29 in FY 2064/65 to Rs. 19.94 in the FY 2073/74.

Figure 4.14
Trend Values of EPS



(a) Trend Values (Y_c) of Net Profit by Least Square Method

Table 4.15

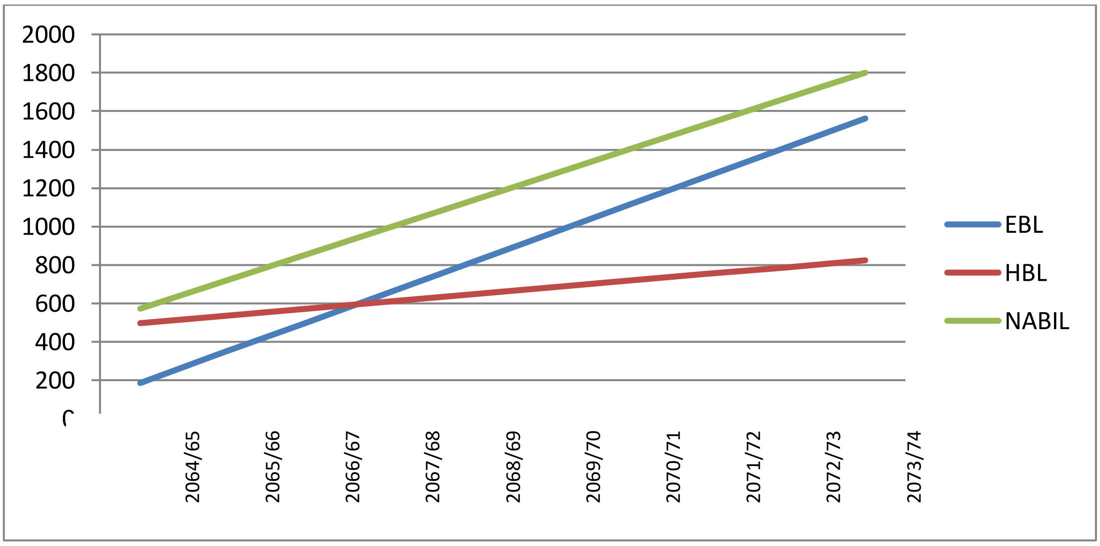
Trend Value of Net Profit

Year	JVBs		
	EBL	**HBL**	**NABIL**
2064/65	185.14	496.63	572.22
2065/66	338.16	532.99	708.69
2066/67	491.18	569.35	845.16
2067/68	644.18	605.71	981.63
2068/69	797.22	642.07	1118.10
2069/70	950.24	678.43	1254.57
2070/71	1103.26	714.79	1391.04
2071/72	1256.28	751.15	1527.51
2072/73	1409.30	787.51	1663.98
2073/74	1562.32	823.87	1800.45

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. 185.14 in FY 2064/65 to Rs. 1562.32 in the FY 2073/74. Whereas, the table showed that the net profit of HBL is also in the increasing trend in the successive fiscal years. It has declined from Rs. 496.63 in FY 2064/65 to Rs. 823.87 in the FY 2073/74. On the other hand, NABIL also has increasing trend of net profit in the successive fiscal years. It has increased from Rs. 572.22 in FY 2064/65 to Rs. 1800.45 in the FY 2073/74.

Figure 4.15

Trend Value of Net Profit



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.

(a) Correlation Co-efficient between Total Deposit and Cash and Bank Balance

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

Table 4.16

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

Banks	**r**	**r^2**
EBL	0.96	0.92
HBL	0.85	0.72
NABIL	0.43	0.18

The table shows that EBL has high degree of positive correlation; HBL has also high degree of positive correlation and NABIL has low degree of positive correlation between total deposits and cash and bank balance. Moreover, the coefficient of determination (r^2) of EBL, HBL and NABIL are 92%, 72% and 18% respectively.

(b) Correlation Co-efficient between Total Deposit and Net Profit

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

Table 4.17

Correlation Co-efficient between Total Deposit and Net Profit

Banks	**r**	**r^2**
EBL	0.98	0.96
HBL	0.43	0.18
NABIL	0.95	0.90

The table shows that EBL and NABIL have high degree of positive correlation and HBL has also low degree of positive correlation between total deposits and net profit. Moreover, the coefficient of determination (r^2) of EBL, HBL and NABIL are 96%, 18% and 90% respectively.

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(c) Correlation Co-efficient between Total Deposit and Cash and Bank Balance

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

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(d) Correlation Co-efficient between Total Deposit and Net Profit

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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 only. 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.

(a)Regression equation of Cash and Bank 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 Bank Balance on total Deposit

Banks	Regression Equation
EBL	Y = 2646.29 + 0.268X
HBL	Y = 4316.49 + 0.208X
NABIL	Y = 482.15 + 0.0445X

The table shows that the regression equation of cash and bank balance (Y) on total deposits (X) of EBL is Y = 2646.29 + 0.268X, HBL is Y = 4316.49 + 0.208X and NABIL is Y = 482.15 + 0.0445X.

(a) 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 cash and bank balance 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 = 132.34 + 0.0247X
HBL	Y = 170.87 + 0.124X
NABIL	Y = 11728.91 + 0.397X

The table shows that the regression equation of net profit (Y) on total deposits (X) of EBL is Y = 132.34 + 0.0247X, HBL is Y = 170.87 + 0.124X and NABIL is Y = 11728.91 + 0.397X.

4.9SWOT Analysis

It is an analysis of organization's Strengths, Weaknesses, Opportunities and Threats in order to identify a strategic niche that the organization can exploit. The SWOT analysis serves as the starting point of strategic plan formulation. Thus, an attempt has been made regarding SWOT analysis of 3 JVBs under study.

(a)Strengths

They come from internal environment. It is inherent capacity which can be used to gain strategic advantage over competitors. The main strength of all the 3 JVBs under study is that their employees are highly motivated, trained and equipped with modern and latest technologies. The general working environment and the services and facilities provided by these banks are highly appreciable. In fact, these banks under study are the icons of the nation in the field of financial institutions. EBL, HBL and NABIL all these 3 JVBs have maintained a proper balance between liquidity and profitability, which also adds in their advantage. These banks' goodwill and prestige are so high that anyone can trust blindly simply in their names only. Moreover, all the financial and statistical ratios and tool used, applied and tested also suggest the same. Thus, all these subjects may be regarded as one of the major strengths of EBL, HBL and NABIL.

(b)Weaknesses

They come from internal environment. It is inherent limitation which creates a strategic disadvantage over competitors. In the present context, these banks are found depending and relying upon their reward and gift schemes to attract the customer's deposit. Such programs may affect negatively. Apart from it, these JVBs under study highly focuses their banking transactions in urban and central areas only. Moreover, inconsistent dividend pay-out ratio is also one of their main disadvantages. Furthermore, maintaining high liquidity than standard rate, focusing more only and only on profit, under utilizing the owner's, shareholder's and creditor's fund, lack of efficient management on some aspect also adds in their disadvantages. Thus, all these subjects may be regarded as the weaknesses of EBL, HBL and NABIL.

(c) Opportunities

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

(d) Threats

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

4.10 Major Findings of the Study

- The average current ratio of EBL, HBL and NABIL are 10%, 6.9% and 7.8% respectively. Moreover, the C.V. of such banks is 28.60%,17.4% and 35.9% 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 10%, 6.9% and 7.8% respectively. It shows that EBL is in a better position of liquidity in terms of quick ratio as compared to HBL and NABIL.
- The average cash and bank balance to current deposit ratio of EBL, HBL and NABIL are 143.2%, 101.5% and 62.8% respectively. The high mean ratio of cash and bank balance to current deposit of EBL indicates the sound liquidity position of the bank than that of HBL and NABIL.
- The average mean ratio of cash and bank balance to total deposit of EBL, HBL and NABIL are 13.6%, 8.8% and 6.8% respectively. It reveals that EBL has maintained adequate cash and bank balance to meet the unexpected as well as heavy withdrawal of deposits than that of HBL and NABIL.
- The average net profit of EBL, HBL and NABIL are 24.56%, 22.69% and 32.67% 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 32.1%, 33.8% and 35.2% respectively. It shows that NABIL has been efficiently utilizing the owners' investment comparatively better than EBL and HBL.
- The average ROA of EBL, HBL and NABIL are27.96%,21.5% and 30.8% 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 35.4%,30.1% and 27.8% respectively. The higher mean ratio of EBL reveals efficient utilization of available resources supplied by the owners and creditors than that of HBL and NABIL.
- The average mean of EPS of EBL, HBL and NABIL are Rs. 92.7, Rs. 48.2 and Rs. 88.7 respectively. The higher EPS of EBL means EBL shareholders can get higher amount on every share held.
- The average DPS of EBL, HBL and NABIL are Rs33.1, Rs. 15.8 and Rs. 36.4 respectively. The higher mean DPS of NABIL signifies that NABIL is more successful to win the confidence of the investors. This mean 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 35.8%, 33.6% and 39.6% respectively. The high dividend pay-out ratio of NABIL means high percentage of net profit is paid out as dividend to the equity holders than that of EBL and HBL.
- The average earning yield ratio of EBL, HBL and NABIL are 5.9%, 4.9% and 3.9% respectively. Moreover, the C.V. of such banks is 35.70%, 36.2% and 44.3% respectively. EBL with lower C.V. is more consistent in earning yield ratio whereas NABIL with high C.V. seems less consistent.
- The average mean dividend yield ratio of EBL, HBL and NABIL are 2.2%, 1.7% and 1.2% respectively. Moreover, the C.V. of such banks is 54.3%, 44.8% and 53.9% respectively. On the basis of C.V., HBL with lower C.V. seems to be more consistent whereas HBL and NABIL with higher C.V. are less consistent.
- The trend analysis of EPS of EBL, HBL and NABIL shows that EBL has an increasing trend whereas, HBL and NABIL have decreasing trend of EPS.
- The trend analysis of net profit of EBL, HBL and NABIL shows that all these 3 JVBs have an increasing trend. However, NABIL's increasing trend is better than EBL and HBL.
- The correlation co-efficient between total deposit and cash and bank balance of EBL, HBL and NABIL are 0.96, 0.85 and 0.43 respectively. It shows that all 3 JVBs have positive relationship. However, EBL has high degree and NABIL has low degree of positive relationship between total deposit and cash and bank balance.
- The correlation co-efficient between total deposit and net profit of EBL, HBL and NABIL are 0.98, 0.43 and 0.95 respectively. It shows that there exists high degree of positive relationship between total deposit and net profit in EBL and NABIL, whereas, moderate degree of relationship exists in HBL.
- The regression equation of cash and bank balance (Y) on total deposits (X) of EBL is $Y = 2646.29 + 0.268X$, HBL is $Y = 4316.49 + 0.208X$ and NABIL is $Y = 482.15 + 0.0445X$.
- The regression equation of net profit (Y) on total deposits (X) of EBL is $Y = 132.34 + 0.0247X$, HBL is $Y = 170.87 + 0.124X$ and NABIL is $Y = 11728.91 + 0.397X$.

- 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 trade off 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. The data that have been analyzed by such financial and statistical tool includes from FY 2064/65 to FY 2068/69. 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 chapter, summary, conclusion and recommendation 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 in 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 sizable number of commercial banks, development banks, finance companies and co-operatives 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 be secure and the staffs were looking for survival. Few years since the restoration of peace in the country, the banking services expansion still is confined to urban areas. Private Banks seems 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 promoters, 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, DPS, Dividend Payout 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 and NABIL have an increasing trend of EPS in the past, present future. Whereas, HBL has a decline trend of EPS from the FY 2064/65 to2068/69FY.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, both the trend i.e. EPS and net profit, shows that NABIL has a better increasing trend.

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

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.
IN the present context, in order to attract the customers towards the bank for higher deposit collection, various kinds of reward programs have been practiced by the banks. Such kinds of programs may have brought negative impacts in the different field of society. Thus, in order to avoid it, and maintain favorable economic environment, the central bank has imposed restriction on lucky draw, gifts and reward programs being carried out by banks and financial institutions to attract deposit. NRB, issuing a circulation, has made arrangement not to carry out any gift and reward programs in order to make deposit collection attractive. NRB had provided up to the month of Ashar 2065 B.S. to end such programs that have been carried out by the banks and financial institutions.

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

The JVBs are found more superior and far ahead than other local commercial banks operating within the country. The JVBs are fully equipped with all kinds of modern and latest technologies. They are always spending their greater time in upgrading the technologies so that their 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 regards to modern and latest technologies. But it does not mean that these local commercial banks are out of reach of upgraded technologies. They are also 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.

5.3Recommendations

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 study are running on profit for the period of 2064/65 to 2068/69. 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 co-efficient of variation (C.V.) of EBL in terms of cash and bank balance to current deposit and total deposit are high. It implies EBL is less consistent in maintaining the cash and bank balance from the deposits. Thus, EBL 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 EBL with having high C.V. is recommended to maintain consistent dividend policy.

- The trend analysis of EPS of HBL clearly shows that HBL has a decline trend of EPS. Thus, HBL is strongly suggested to pay due consideration in this regard, so that it can take the necessary steps to overcome the declining trend of EPS.
- The banks are found that the saving from the rural communities is neglected, without which they can't contribute much to the economic development of the country. Thus, these JVBs under study are suggested to open their branches in rural areas too and provide their services which will consequently be helpful for the upliftment of the nation.
- Since, Nepal has fixed exchange rate regime with India, 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.
- The bank should give continuity in providing both conceptual and practical training to the staff to enhance their knowledge, skill and competency level. The bank should remain consistently vigilant in enhancing their moral and motivation. Similarly, the bank should enhance effectiveness, efficiency and proper co-ordination of its departmental tasks by continuously reviewing its structural design in accordance with the need of the changing time and situation.
- Since, NRB already stated that it will impose restrictions on lucky draws and gifts, all these JVBs under study are recommended to close down all its reward programs immediately as soon as possible. Moreover, these banks are suggested to come up with other kinds of modern and latest facilities and services to attract the customers' deposit rather than conducting reward programs.
- All 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 return of shareholders should also be taken into account by the banks so that it is not only beneficial for the bank but it will also play a vital criteria or tool regarding a reward as one of the best bank of the nation.

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APPENDIX 1

Everest Bank Limited

Particulars	2064/65	2065/66	2066/67	2067/68	2068/69
Current Assets	3,390,187,298	6,656,537,314	8,355,002,699	45775955352	5526520337
Current Liabilities	769,873,292	539,674,728	711,596,474	4221886835	5159588221
Quick Assets	3,387,514,876	6,650,488,792	8,346,704,978	45775955352	5526520337
Cash and Bank Balance	2,667,971,830	6,164,371,163	7,818,815,003	6122862952	103633063
Current Deposit	2,492,346,111	4,859,946,758	4,173,319,653	4791202774	6098254263
Net Profit	451,218,613	638,732,757	831,765,632	931303628	1090564222
Operating Income	1,763,373,584	2,451,436,257	3,358,454,932	2192940003	2609735240
Net Profit after Tax	451,218,613	638,732,757	831,765,632	931303628	1090564222
Shareholder's Equity	1,921,237,580	2,203,625,055	2,759,137,855	3113546056	4177302887
Net profit after Interest	916,047,868	1,173,940,639	1,529,661,178	931303628	1090564222
Total Assets	27,149,342,884	36,916,848,654	41,382,760,711	46236212262	55813129057
Capital Employed	2,221,237,580	2,815,625,055	3,463,737,855	3895546056	4177302887
NP after Pref. Dividend	451,218,613	638,732,757	831,765,632	931303628	1090564222
No of EPS	4,914,000	6,388,210	8,304,673	11196095	12316357
Dividend Paid	140,790,370	218,080,345	276,252,832	269724842	560089641
Total Deposit	23,976,298,535	33,322,946,246	36,932,310,008	41127914339	50006100272

APPENDIX 2

Himalayan Bank Limited

Particulars	2064/65	2065/66	2066/67	2067/68	2068/69
Current Assets	2,542,525,000	4,864,280,000	5,229,715,000	4554871083	5305906352
Current Liabilities	876,573,000	1,019,096,000	1,166,717,000	4190388361	4891031134
Quick Assets	2,522,807,872	4,836,128,386	5,187,034,000	4554871083	5305906352
Cash and Bank Balance	1,448,143,000	3,048,527,000	3,866,491,000	2964651321	6362296158
Current Deposit	4,784,216,160	2,453,294,891	2,885,401,105	3694249426	4584233497
Net Profit	635,869,000	752,835,000	508,798,000	893115143	958638260
Operating Income	2,359,136,000	2,876,483,000	3,599,143,000	2586743979	2911212795
Net Profit after Tax	635,869,000	752,835,000	508,798,000	893115143	958638260
Shareholder's Equity	2,512,992,000	3,119,881,000	3,439,205,000	3995478273	4632010133
Net profit after Interest	1,139,903,000	1,407,420,000	1,595,075,000	893115143	958638260
Total Assets	36,857,624,000	40,046,686,000	43,860,251,000	46736203884	54364427882
Capital Employed	3,456,170,000	3,619,881,000	3,939,205,000	4495478273	5132010133
NP after Pref. Dividend	635,869,000	752,835,000	508,798,000	893115143	958638260
No of EPS	10,135,125	12,162,150	16,000,000	20000000	24000000
Dividend Paid	253,378,000	145,946,000	189,474,000	336800000	322080000
Total Deposit	31,842,789,000	34,681,345,000	37,611,202,000	40920627030	47730993909

APPENDIX 3

NABIL Bank Limited

Particulars	2064/65	2065/66	2066/67	2067/68	2068/69
Current Assets	5,229,895,405	4,790,096,476	5,430,907,688	5735593691	6236287718
Current Liabilities	704,362,820	989,352,123	1,070,240,585	525431862	5660349763
Quick Assets	5,211,955,826	4,763,867,675	5,385,179,840	5735593691	6236287718
Cash and Bank Balance	2,671,141,055	3,372,512,471	1,400,097,804	2458549590	5171251656
Current Deposit	2,444,909,153	5,480,533,468	7,904,619,852	3694249426	4584233497
Net Profit	746,468,394	1,031,053,098	1,139,099,399	1344179420	1700375650
Operating Income	2,331,418,896	3,157,872,250	4,554,647,955	3061980958	4014853041
Net Profit after Tax	746,468,394	1,031,053,098	1,139,099,399	1344179420	1700375650
Shareholder's Equity	2,437,198,989	3,130,240,637	3,834,754,525	4572056219	5460524108
Net profit after Interest	1,220,260,515	1,031,053,098	1,139,099,399	1344179420	1700375650
Total Assets	37,132,759,149	43,867,397,504	52,150,237,343	58097194736	63257372483
Capital Employed	4,037,198,989	4,111,545,637	4,209,654,525	4900973633	5790860594
NP after Pref. Dividend	746,468,394	1,031,053,098	1,139,099,399	1344179420	1700375650
No of EPS	6,892,160	9,657,470	14,491,240	20297694	20297694
Dividend Paid	437,373,004	338,011,450	434,737,200	4032553826	681502600
Total Deposit	31,915,047,467	37,348,255,840	46,410,700,628	59608376326	5490567208