

**COMPARATIVE STUDY ON LIQUIDITY  
MOBILIZATION OF BANK OF KATHMANDU  
LIMITED AND EVEREST BANK LIMITED**

By:

**DHURBA SUBEDI**

SHANKER DEV CAMPUS

Campus Roll No: - 31 / 064

T.U. Regd. No: - 5-1-37-315-2002

**A Thesis submitted to:**

Office of the Dean

Faculty of Management

Tribhuvan University

In Partial Fulfillment of the Requirements for the Degree of

Masters of Business Studies (M. B. S)

Kathmandu, Nepal

July, 2013

**RECOMMENDATION**

This is to certify that the thesis:

Submitted by

**DHURBA SUBEDI**

Entitled

**COMPARATIVE STUDY ON LIQUIDITY MOBILIZATION OF BANK OF  
KATHMANDU LIMITED AND EVEREST BANK LIMITED**

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

.....  
Shree Bhadra Neupane  
(Thesis Supervisor)

.....  
Prof. Dr. Kamal Deep Dhakal  
(Head of Research Department)

.....  
Asso. Prof. Prakash Singh Pradhan  
(Campus Chief)

**VIVA - VOCE SHEET**

We have conducted the viva-voce of the thesis presented by

Submitted by

**DHURBA SUBEDI**

Entitled

**COMPARATIVE STUDY ON LIQUIDITY MOBILIZATION OF BANK OF  
KATHMANDU LIMITED AND EVEREST BANK LIMITED**

*And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for Master's Degree in Business Studies (M.B.S.)*

**Viva-Voce Committee**

Head of Research Department: .....

Member (Thesis Supervisor): .....

Member (External Expert): .....

Date: .....

## DECLARATION

I hereby declare that the work reported in this thesis entitled “COMPARATIVE STUDY ON LIQUIDITY MOBILIZATION OF BANK OF KATHMANDU LIMITED AND EVEREST BANK LIMITED” submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of Master of Business Studies (MBS) under the guidance and supervision of Shree Bhadra Neupane lecturer of Shanker Dev Campus.

.....

Dhurba Subedi

Roll No. 31/064

Shanker Dev Campus

T.U. Regd. No: - 5-1-37-315-2002

Date:

## ACKNOWLEDGEMENT

This entitled thesis “COMPARATIVE STUDY ON LIQUIDITY MOBILIZATION OF BANK OF KATHMANDU LIMITED AND EVEREST BANK LIMITED” has been prepared for the partial fulfillment of the requirement of Master’s Degree of Business Studies (M.B.S) under the Faculty of Management, T. U., is based on research models involving the use of quantitative as well as qualitative aspect of liquidity management.

I extend my deep sense of gratitude to my respected supervisor Shree Bhadra Neupane lecturer of Shanker Dev Campus for their precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without his valuable insight and supervision, I would not think of accomplishment of this thesis paper. I also acknowledge my profound gratefulness to staff of Banks for the cooperation shown and providing necessary data.

I want to give thanks for the Library staff of Shanker Dev Campus and Central Library of T.U. who provided the reference and reading materials during the period of research work.

Finally, I would like to express my sincere gratitude to all my family members for their assistance, timely encouragement in every steps and financial support. In addition, the special thanks to Mr Ram Subba and other friends who provided me crucial support, is also part of my sincere thanks.

Thank You

Dhurba Subedi  
Roll No. 31/064  
Shanker Dev Campus  
Kathmandu, Nepal

## TABLE OF CONTENTS

Page No

Recommendation

Viva-Voce sheet

Declaration

Acknowledgement

Table of Content

List of table

List of figure

Abbreviation

### CHAPTER - I

#### INTRODUCTION

1

1.1 Background of the Study

1

1.1.1 Profile of the Sample Banks

3

1.2 Focus of the Study

4

1.3 Statement of the Problem

5

1.4 Objectives of the Study

5

1.5 Significance of the Study

6

1.6 Limitations of the Study

6

1.7 Organization of the Study

7

### CHAPTER – II REVIEW OF LITERATURE

8

2.1 Conceptual Review

8

2.1.1 Meaning of Liquidity

9

2.1.2 Importance of Liquidity

10

2.1.3 Principles or Theories of Liquidity Management

12

2.1.4 The Demand for and Supply of Bank Liquidity

16

2.1.5 Liquidity Problem in Bank

20

2.1.6 Factors Affecting Needs of Bank Liquidity

21

2.1.7 Criterion for Measuring Bank Liquidity	22
2.1.8 Strategies for Liquidity Management in Existing Practice	24
2.1.9 Review of NRB Directives about Liquidity Management	27
2.2.1.20. Managing Liquidity Risk	28
2.2 Review of Related Studies	39
2.2.1 Review of Journals /Articles	39
2.2.2 Review of Thesis	43

## CHAPTER - III

RESEARCH METHODOLOGY	55
3.1 Introduction	55
3.2 Research Design	55
3.3 Population and Sample	55
3.4 Nature and Sources of Data	56
3.5 Data Collecting Procedures	56
3.6 Tools and Techniques used	56
3.6.1 Financial Tools	56
3.6.2 Analysis of Financial Ratios	57
3.6.3 Ratio Analysis	57
3.7 Statistical Tools	61
3.7.1 Average Mean	61
3.7.2 Standard deviation	62
3.7.3 Coefficient of Variation	62
3.7.4 Coefficient of correlation (r)	62
3.7.5 Trend Analysis	63

## CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA	64
4.1 Financial Analysis	64
4.1.1 Ratio Analysis	64
4.1.1.1 Liquidity Ratio	64

4.1.1.2 Assets Management Ratio	70
4.1.1.3 Profitability Ratio	76
4.1.1.4 Risk Ratio	87
4.1.1.5 Other Ratios	92
4.2 Statistical Analysis	98
4.2.1 Coefficient of Correlation Analysis	98
4.2.2 Time Series Analysis (Trend Analysis)	104
4.3 Findings of the Study	111

## CHAPTER – V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	117
5.1 Summary	117
5.2 Conclusions	119
5.3 Recommendations	121

Bibliography

Appendix



## LIST OF TABLE

	Page No
Table No. 2.1 Source of Demand and Supply for Liquidity within the Banks	16
Table No. 2.2 Net Liquidity Position Calculation Table	17
Table No. 4.1 Current Assets to Current Liability	65
Table No. 4.2 Cash and Bank Balance to Total Deposit Ratio	66
Table No. 4.3 Cash and Bank Balance to Current Asset Ratio	68
Table No. 4.4 Investment on Government Securities to Current Assets Ratio	69
Table No. 4.5 Loan and Advance to Total Deposit Ratio	71
Table No. 4.6 Total Investment to Total Deposit Ratio	72
Table No. 4.7 Loan and Advances to Total Assets Ratio	74
Table No. 4.8 Investment on Government Securities to Total Assets ratio	75
Table No. 4.9 Return on Loan and advances	77
Table No. 4.10 Return on Total Assets Ratio	78
Table No. 4.11 Return on Equity Ratio	80
Table No. 4.12 Interest Earned to Total Assets Ratio	81
Table No. 4.13 Total Interest Earned To Total outside Assets Ratio	83
Table No. 4.14 Interest Earned to Operating Income Ratio	84
Table No. 4.15 Interest Paid to Total Assets Ratio	86
Table No. 4.16 Credit Risk Ratio	88
Table No. 4.17 Liquidity Risk Ratio	89
Table No. 4.18 Asset Risk Ratio	91
Table No. 4.19 Earning Per Share	92
Table No. 4.20 Dividend per Share	94
Table No. 4.21 Market Price per Share	95
Table No. 4.22 Price Earning Ratio	97
Table No. 4.23 Correlation between Deposit and Loan and Advances	99
Table No. 4.24 Correlation between Deposit and Total Investment	100
Table No. 4.25 Correlation between Loan and advance and Net profit	101

Table No. 4.26 Coefficient of Correlation Between total deposit and Net profit	102
Table No. 4.27 Correlation between Total Deposit of BOK and EBL	102
Table No. 4.28 Correlation between Total Investment of BOK and EBL	103
Table No. 4.29 Correlation between Loan and Advances of BOK and EBL	103
Table No. 4.30 Correlation between Net Profit of BOK and EBL	104
Table No. 4.31 Trend analysis of Total Deposit of BOK and EBL	105
Table No. 4.32 Trend analysis of Total Loan and Advance of BOK and EBL	107
Table No. 4.33 Trend analysis of Total Investment Between BOK and EBL	108
Table No. 4.34 Trend Analysis of Net Profit Between BOK and EBL	110

## LIST OF FIGURE

	Page No
Figure No 4.1 Current Assets to Current Liability	65
Figure No 4.2 Cash and Bank Balance to Total Deposit Ratio	67
Figure No 4.3 Cash and Bank Balance to Current Asset Ratio	68
Figure No 4.4 Investment on Government Securities to Current Assets Ratio	70
Figure No 4.5 Loan and Advance to Total Deposit Ratio	71
Figure No 4.6 Total Investment to Total Deposit Ratio	73
Figure No 4.7 Loan and Advances to Total Assets Ratio	74
Figure No 4.8 Investment on Government Securities to Total Assets ratio	76
Figure No 4.9 Return on Loan and advances	77
Figure No 4.10 Return on Total Assets Ratio	79
Figure No 4.11 Return on Equity Ratio	80
Figure No 4.12 Interest Earned to Total Assets Ratio	82
Figure No 4.13 Total Interest Earned To Total outside Assets Ratio	83
Figure No 4.14 Interest Earned to Operating Income Ratio	85
Figure No 4.15 Interest Paid to Total Assets Ratio	86
Figure No 4.16 Credit Risk Ratio	88
Figure No 4.17 Liquidity Risk Ratio	90
Figure No 4.18 Asset Risk Ratio	91
Figure No 4.19 Earning Per Share	93
Figure No 4.20 Dividend per Share	94
Figure No 4.21 Market price per share	96
Figure No 4.22 Price Earning Ratio	97
Figure No 4.23 Trend Line of Total Deposit of BOK and EBL	106
Figure No 4.24 Trend line of Total Loan and Advance of BOK and EBL	107
Figure No 4.25Trend Line of Total Investment between BOK and EBL	109
Figure No 4.26 Trend Line of Net Profit between BOK and EBL	110

## **ABBREVIATION**

ADB	Agricultural Development Bank
AGM	Annual General Meeting
BOK	Bank of Kathmandu Limited
BPS	Book-value Per Share
BS	Bikram Sambat (Abbreviation of Bikram Era)
CEO	Chief Executives Officer
CV	Coefficient of Variation
DPS	Dividend per Share
EBL	Everest Bank Limited
EPS	Earning Per Share
GDP	Gross Domestic Product
HBL	Himalayan Bank Limited
G/N	Government of Nepal
IMF	International Monetary Fund
MBL	Machhapuchre Bank Limited
MPS	Market Price of Share
NABIL	Nabil Bank Limited
NBL	Nepal Bank Limited
NEPSE	Nepal Stock Exchange
NIB	Nepal Investment Bank Limited
NICB	Nepal Industrial & Commercial Bank Limited
NPV	Net Present Value
NRB	Nepal Rastra Bank
PE	Price Earnings
RBB	Rastra Banijya Bank
SBI	Nepal State Bank of India Limited
SCBNL	Standard Chartered Bank Nepal Limited
SEBO/N	Security Board of Nepal