

**COMPARATIVE STUDY ON LIQUIDITY MANAGEMENT OF
EVEREST BANK LIMITED AND NABIL BANK LIMITED**

By

KUNDAN THAPALIYA

Shanker Dev Campus

Campus Roll No: 51/061

T.U. Reg. No: 7-1-271-601-98

Second year Exam Roll No: 5693

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

*In the Partial Fulfillment of the Requirement for the Degree of
Master of Business Studies (M.B.S.)*

Kathmandu, Nepal

April, 2012

Recommendation

This is to certify that the Thesis

Submitted by:

KUNDAN THAPALIYA

Entitled:

**COMPARATIVE STUDY ON LIQUIDITY MANAGEMENT OF
EVEREST BANK LIMITED AND NABIL BANK LIMITED**

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

.....

Associate Prof. Achyut Raj Bhattarai
(Thesis Supervisor)

.....

Prof. Bisheshwor Man Shrestha
(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

KUNDAN THAPALIYA

Entitled:

**COMPARATIVE STUDY ON LIQUIDITY MANAGEMENT OF
EVEREST BANK LIMITED AND NABIL BANK LIMITED**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the

Degree of Master’s in Business studies (M.B.S.)

Viva-Voce Committee

Head, Research Department
Member (Thesis Supervisor)
Member (External Expert)

DECLARATION

I, hereby, declare that the work reported in this thesis entitled “**COMPARATIVE STUDY ON LIQUIDITY MANAGEMENT OF EVEREST BANK LIMITED AND NABIL BANK LIMITED**” submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work done for the partial fulfillment of the requirement for the Masters of Business Studies (MBS) under the supervision of **Associate Prof. Achyut Raj Bhattarai** of Shanker Dev Campus, Putalisadak, Kathmandu.

.....

KUNDAN THAPALIYA

Researcher

Roll No: 51/061

Shanker Dev Campus

T.U. Regd. No. 7-1-271-601-98

Date: - April, 2012

ACKNOWLEDGEMENT

This is an attempt to present thesis entitled “*COMPARATIVE STUDY ON LIQUIDITY MANAGEMENT OF EVEREST BANK LIMITED AND NABIL BANK LIMITED*” prepared for partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) is an outcome of continuous and immeasurable cooperation and support of several hands. I would like to express my heartfelt gratitude to all for their support.

I express my sincere honor and special sense of gratitude to my academic supervision, **Associate Prof. Mr. Achyut Raj Bhattarai** for their generous guidance, thoughtful encouragement and brilliant insight throughout this research work.

I am extremely indebted to my parents and brothers who have contributed their valuable time and resources in making me what I am now.

I humbly acknowledge my friends Sanjiba Karki, Bikash Khadka, Roshan Shrestha, Madhav Nepal, Kamal Karki, Damodar Pokheral for their continuous help and support during the entire study period.

I owe great intellectual debt for support and immense contribution to Administrative of Nepal Tourism Board. I am thankful to library staffs of Shanker Dev Campus, Nepal Commerce Campus and T.U. library for their cooperation.

Kundan Thapaliya

Roll No: 51/061

Shankar Dev Campus

Kathmandu, Nepal

TABLE OF CONTENTS

	Page No.
Recommendation	i
Viva–Voce Sheet	ii
Declaration	iii
Acknowledgement	iv
Table of Contents	v
List of Tables	viii
List of Figures	ix
Abbreviations	x
CHAPTER-ONE: INTRODUCTION	1-10
1.1 General Background of the Study	1
1.2 Growth of Commercial Banks in Nepal	4
1.3 Introduction of Sample banks	4
1.4 Focus of the Study	5
1.5 Statement of the Problem	6
1.6 Objective of the study	7
1.7 Significance of the Study	8
1.8 Limitation of the Study	8
1.9 Chapter Plan	9
CHAPTER-TWO: REVIEW OF LITERATURE	11-45
2.1 conceptual framework	11
2.1.1 Liquidity Management	11
2.1.2 Types of Liquidity	14

2.1.3	Liquidity Risk	18
2.1.4	Early Warning Indicators of Liquidity Risk	19
2.1.5	Relationship of Liquidity Risks to Other Banking Risks	21
2.1.6	Profit and Profitability	24
2.1.7	Need for Profit	24
2.1.8	Concept of Bank	25
2.1.9	History of Banking In Nepal	26
2.1.10	Concept of Commercial Bank	27
2.1.11	Functions of Commercial Bank	28
2.1.12	Concept of Joint Venture Bank	29
2.1.13	Needs for liquidity Mobilization	30
2.1.14	Liquidity Maintenance (CRR) of Commercial Banks and NRB Provision	31
2.1.15	Mobilization of Liquidity	32
2.1.16	Factors Affecting the Needs of Bank Liquidity	33
2.1.17	Why Banks Face Liquidity Problem?	34
2.2	Review of Previous Studies	35
2.2.1	Review of Related Journals and Articles	35
2.2.2	Review of Thesis	41
2.3	Research Gap	45
CHAPTER-THREE: RESEARCH METHODOLOGY		46-58
3.1	Research Design	46
3.2	Sources of Data	47
3.3	Population & Sample	47

3.4	Data Collection Techniques	48
3.5	Data Analysis Tools	48
3.5.1	Financial Tools	49
3.5.2	Statistical Tools	55
CHAPTER-FOUR: PRESENTATION & ANALYSIS OF DATA		59-92
4.1	Financial Analysis	59
4.2	Ratio Analysis	61
4.2.1	Liquidity Ratio	61
4.2.2	Assets Management Ratio	66
4.2.3	Profitability Ratio	70
4.2.4	Activity Risk Ratio	74
4.2.5	Other Ratios	75
4.3	Statistical Analysis	79
4.3.1	Coefficient of Correlation Analysis	80
4.3.2	Time Series Analysis (Trend Analysis)	82
4.4	Major Findings of the Study	89
CHAPTER-FIVE: SUMMARY, CONCLUSION & RECOMMENDATION		93-97
5.1	Summary	93
5.2	Conclusions	94
5.3	Recommendations	95
BIBLIOGRAPHY		98-101
APPENDICES		102-116

LIST OF TABLES

	Page No.
Table: 4.1: Total Deposit and Cash & Bank Balance of Sample Banks	59
Table: 4.2: Current assets to current liability	62
Table: 4.3: Cash and Bank Balance to Total Deposit Ratio	63
Table: 4.4: Cash and Bank Balance to Total Current Asset Ratio	64
Table: 4.5: Investment on Government Securities to Current Assets Ratio	65
Table: 4.6: Loan and Advance to Total Deposit Ratio	66
Table: 4.7: Total Investment to Total Deposit Ratio	67
Table: 4.8: Loan and Advances to Total Assets Ratio	68
Table: 4.9: Investment on Government Securities to Total Assets ratio	69
Table: 4.10: Return on Loan and advances	70
Table: 4.11: Return on Total Assets Ratio	71
Table: 4.12: Total interest Earned to Total Operating Income Ratio	72
Table: 4.13: Total Interest Paid to Total Assets Ratio	73
Table: 4.14: Liquidity Risk Ratio	75
Table: 4.15: Earning Per Share	76
Table: 4.16: Dividend per Share	77
Table: 4.17: Price Earning Ratio	78
Table: 4.18: Market Price per Share	79
Table: 4.19: Coefficient of Correlation Analysis	81
Table: 4.20: Trend Analysis of Total Deposit of EBL and NABIL	83

LIST OF FIGURES

	Page No.
Figure: 4.1: Total Deposit of EBL & NABIL Bank	60
Figure: 4.2: Cash & Bank Balance of EBL & NABIL Bank	61
Figure: 4.3: Trend Analysis of Total Deposit of EBL and NABIL	84
Figure: 4.4: Trend line of Total Loan and Advance of EBL and NABIL	85
Figure: 4.5: Trend Analysis of Total Investment of EBL and NABIL	86
Figure: 4.6: Trend Analysis of Net Profit of EBL and NABIL	88

ABBREVIATIONS

%	Percentage
&	And
A.D	Anno Domini
ADB	Agricultural Development Bank
AGM	Annual General Meeting
BOK	Bank of Kathmandu Limited
BPS	Book-value Per Share
B. S.	Bikram Sambat
CBS	Central Bureau of Statistics
CEO	Chief Executives Officer
Co.	Company
CV	Coefficient of Variation
DPS	Dividend per Share
EBL	Everest Bank Limited
Ed.	Edition
EPS	Earning Per Share
FY	Fiscal Year
GDP	Gross Domestic Product
G/N	Government of Nepal
i .e	That is
IMF	International Monetary Fund
Ktm.	Kathmandu

LTD	Limited
MBA	Masters' of Business Administration
MBL	Machhapuchre Bank Limited
MBS	Masters' of Business Studies
MPS	Market Price of Share
NABIL	Nabil Bank Limited
NEPSE	Nepal Stock Exchange
NI	National Income
NIBL	Nepal Investment Bank Limited
NRB	Nepal Rastra Bank
PE Price	Earnings
SDC	Shankar Dev Campus
T. U.	Tribhuvan University