

A Cash Management System of Standard Chartered Bank Nepal Limited and Everest Bank Limited

A Thesis

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VIVA-VOCE SHEET

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**A Cash Management System of Standard Chartered Bank Nepal Limited and Everest Bank Limited**” submitted to Shanker Dev Campus, Faculty of management, Tribhuvan University is my original work for the partial fulfillment for the requirements of Master's Degree in Business Studies (M.B.S.) under the supervision of **Dr. Kamal Das Manandhar, Professor** and **Mr. Kiran Thapa Lecturer** of T.U. Shanker Dev Campus, Kathmandu.

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ABBREVIATIONS

ATMs	Automatic Teller Machine
BS	Bikram Sambat
CAR	Capital Adequacy Ratio
CCR	Cash Reserve Ratio
CV	Coefficient of Variation
DPS	Dividends Per Share
EBL	Everest Bank Limited
EPS	Earnings Per Share
FY	Fiscal Year
JVB	Joint Venture Banks
LCY	Local Currency
LTD	Limited
MBS	Masters of Business Studies
MPS	Market Price per Share
NEPSE	Nepal Stock Exchange
NP	Net Profit
NRB	Nepal Rastra Bank
P/E RATIO	Price Earnings Ratio
PNB	Panjab National Bank
SCBNL	Standard Chartered Bank Nepal Limited
SD	Standard Deviation
SLR	Statutory Liquidity Ratio

CHAPTER – ONE

INTRODUCTION

1.1 General Background

Nepal is the least developed country of the world. Its average annual per capita income is \$470 and GDP growth rate at producer's price is 4.7% (as per 2009). Average population growth rate of Nepal is 1.28 (as per 2009) percent. Nepalese economy is characterized by slow growth mass poverty, large scale derivations of appropriate economic policy and lack of concerted and sustained efforts. Development efforts were noticed in 30's (AD) during the time of Rana Prime Minister Juddha Shamsher and initiation of planned development efforts in 1956 AD brought a new era in development. Nepal, despite being a primary sector dominated semi feudal society in fastly changing towards betterment.

The development of country is always measured by its economic indices. Therefore, every country has given emphasis on upliftment of its economy. Nowadays the financial institutions are viewed as catalyst in the process of the economic growth. The mobilization of domestic resources is one of the key factors in the economic development of a country. The financial institutions act as the intermediaries by transferring the resources from the point of surplus to the point of deficit.

Well organized financial institutions including finance companies commercial banks and other financial intermediaries play an important role for the development of the country.

They collect scattered financial resources from the mass and invest them among those who are associated with the social, commercial and economic activities of the country. The economic activities of a country can hardly be carried forward without the assistance of the financial institutions. They are the fact that an unorganized financial system leads the country nowhere.

Nowadays there is very much competition in banking market but less opportunity to make investment. In this situation joint venture banks can take initiation in search of new

opportunities, so that they can survive in the competitive market and each profit. But investment is a very risky job. For a purposeful, safe, profitable investment bank must follow sound investment policy. Good investment policy ensures maximum amount of investment to all sectors with proper utilization. There is high liquidity in the market but there is no profitable place to invest. The prosperous economic condition of country is represented by the development of the industry, trade and business, which is the main ground to the banks to conduct their activities and to fulfill its objective of profit making. The proper investment policy followed by the proper financial information help the joint venture banks to make profitable investment that helps to maintain the financial system of the country organized and help in the development of the country.

Business transactions without the investment of cash are ethical in the monetary world. Today the importance of cash management is recognized by all segments of organization activities. In Nepalese firms' context, the theory of cash management has not been much effectively applied in practices. Terms such as cash as cash flow analysis, cash budget, forecasting of cash requirement, credit discount policy, cash discount policy etc. has never been seriously considered. Traditional approaches are still dominant in Nepal and are reluctant to adopt modern techniques. However use of sophisticated forecasting techniques is not the basic requirement of cash budgeting. The inherent quality of cash budget prepared at the beginning quality of fiscal year, if left untouched thereafter can be of no use, even if it was prepared with very sophisticated forecasting tools. If the departments are handled independently without consideration of their implications for cash management the conflicting interest of those departments are bound to create serious problems. The study of cash management is therefore considered as an integrated approach to management science.

The idea behind cash management is therefore maintaining adequate liquid assets wherever and wherever required by the firm. Maintain of the corporate liquidity therefore consists of determining the volume and timing of cash required by the firm. Liquidity and technical solvency are two different terms always confused and misused in cash management. A company should be solvent and at may not have enough cash to meet these current obligations. This is because the solvency of the company is known only after the sale of its total assets. The technical solvency therefore doesn't means that its

current bills can be paid in cash on due date hence "liquidity" denotes the capability to meet its current obligation, where as solvency is the strength of the enterprises to meet all its obligation including long term loan. In conclusion every rupee reduced in the cash balance may contribute to the generation of additional profit of the organization as it has an indirect impact on their financial interests.

Banking is the business of collecting and safeguarding money as deposits and tending of the same. The history of such business transaction is as old as our civilization. There was existence of the money changers and money lenders of keepers in ancient times that used to by the currency of other countries & give local coins in return and also lend money to the people in need. People used to save & keep security & for use in their old age. Later on, these money-keepers & changers started paying some extra money to induce the deposits & started lending such deposits at higher rate to needy people. Practice of receiving & safeguarding deposits and lending the same led to the emergence of modern banking system. With the passage of time, BANCO DE RIALTO was established as the first bank of the world in Venice, Italy in 1587.

During the prime minister ship of Ranodeep Singh (1877-1885AD) 'Tejaratha Adda' was established as the first financial institution of the country. At the beginning, only government staffs were allowed to take loan at 5% interest rate. Later on, the general public's were also allowed to take the loan at the same rate of interest with gold & silver ornaments as security of collateral. The credit facilities of 'Tejaratha Adda' were also extended outside the valley during the Prime Ministership of Chandra Shamsher Rana. Although this institution did not accept any deposits, it had played an important role in the development process of banking system in Nepal.

Though the establishment of banking industry is relatively recent in Nepal, some crude bank operations were in practice even in the ancient times. According to historical record, the king of Kathmandu, Guna Kam Dev, and borrowed money to reconstructed his kingdom in 723 A.D. A merchant named 'Shankhadhar' paid all the debts of people and Nepal 'Sambat' was established for remembrance of that occasion in 880 A.D. Likewise Jayasthiti Malla classified the people in 4 classes & 64 castes by their occupations. One of

those cases that were engaged in money lending business at that time was called "Tankadhari". All these descriptions serve as the evidence of prevalence of money lending & borrowing practices in Nepal.

Banking in true sense of term started with the inception of Nepal Bank Limited on 30th Kartik 1994 B.S. Right from inception, it carried out functions of a commercial bank. The authorized capital was contributed by the government (51%), and the remaining by the public (49%). There was a political change in 2007 B.S. and solid and important event took place in 14th of Baisakh 2013 B.S. that a central bank, Nepal Rastra Bank, was established with Rs. 1 core authorized capital under the Nepal Rastra Bank Act, 2012 B.S. Besides the central banking functions, it has a heavy burden to develop the whole economy, such as giving timely direction to all the financial institutions, to help the industry by mobilizing its capital, to issue shares & debentures, to promote the banking habit and transactions and to fix the exchange rate with foreign currency.

The gradual development of commercial banks moved in parallel with the economic liberalization policy of the government that caused the operation of commercial banks in increasing number. The financial policy of the government welcomed the establishment of J.V.B.S. Such sort of commercial banks are established under the commercial Bank Act 2031 B.S. They are registered with recommendation of the NRB and the same bank is capable legally to issue the patent for the financial transactions of the banks. The NRB, Nepal Bank Ltd. and Rastriya Banijya Bank are the only commercial banks established before 2041 B.S.

Nepal Arab Bank was the first bank in Nepal to be established as a JVB. The number has significantly increased after the restoration of democracy in 2046 B.S. & due to the liberal economic policy of the government. Foreign banks have the dominant role in managing the JVBS in Nepal. The banks have been found interested to invest their capital in manufacturing hotel, textile and medicine. The banks have their objectives to serve in financial sector with the margin of profit in spite of its main objectives of making profit. It bears some positive aspects and if the positive dimensions of such banks are implied in Nepalese banking system, the related sides will be benefited.

According to the World Bank, commercial banks are the financial institutions which engage only in deposit taking & short-term loans & medium term lending." "Commercial bank is the corporation which accepts demand deposits subject to cheque and makes short term loans to business enterprises regardless of the scope of its other sources.

The two essential functions of commercial banks may best be summarized as the borrowing& lending of money. They borrow money by taking all kinds of deposits- deposits may be received on current account whereby the banker incurs the obligation of paying legal tender after the expiry of a fixed period or on deposit account whereby the banker undertakes to pay the customer an agreed rate of interest on it in return for the right to demand from him an agreed period of notice for withdrawals. The primary function of a commercial bank is that of broker and dealer in money. Commercial bank gathers the small savings of the people, thus reducing to the lowest limits idle money. Then the bank combines the smallholdings in amount large enough to be profitably employed in those enterprises where they are most called for & most needed. Commercial bankers bridge the time element between the sale and actual payment of money by converting future claims into present money. Commercial banks are the heart of the financial system. They hold the deposits of money persons, government establishment and business units. They make funds available through their lending and investing activities to borrowers, individuals and business firms. They also offer financial services to the government. They provide a large portion of the medium of exchange and they are the medium through which monetary policy is affected. These facts show that the commercial banking system of the nation is important to the functioning of the economy.

From the establishment of first commercial bank in Nepal in 1994 BS, the banking sector has grown significantly. Nepal has witnessed a phenomenal growth in the last two decades. There are 27 commercial banks, 63 development banks, 16 village development banks, 77 finance companies.

1.2 Focus of Study

Nepal's entry into privately & publicly owned commercial joint venture banks is relatively new compared to other countries. It can be said that the poor performance of

Nepalese commercial banks as well as the national banks owe to the lack of effective policies and measures taken by the government towards the collective improvement of the Nepalese banking sector. This study focuses on the cash management of two joint venture banks viz; Standard Chartered bank Nepal Ltd. and Everest Bank Ltd. Focus has been done in assessing the various signals and symptoms of weakness through cash management so that various revival measures may be conducted in these banks.

1.3 Highlights of Sample Banks

Everest Bank Limited

Everest bank limited was established in 1994 A.D. with the joint venture of Punjab National Bank Limited, India. It was listed in NEPSE in 1996 A.D. Paid up capital of Everest bank limited are Rs.8388 lakh.

EBL has steadily growing in its size and operations and establish itself as a leading private sector Bank. It has been providing customer friendly services through a network of 37 branches across the nation. Largest Network among private sector banks spread across Nepal and all connected with ABBS HDFC bank India whereby instant payment is done on presentation of the instrument. Direct account credit in PNB branches connect with Central Banking System and RTGS member bank via speed remittance. There are more than 170 remittance payout location in Nepal with strong Joint Venture Partner providing Technical Support and representative office in India to facilitate remittance from India for Direct Drawing arrangement with PNB.

Standard Chartered Bank Nepal Limited

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an ownership of 75% in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1750 branches (including subsidiaries, associates and joint ventures) in over 70 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. As one of the world's most international banks, Standard Chartered employs almost 75,000 people, representing over 115 nationalities, worldwide. This diversity lies at the heart of the Bank's values and supports the Bank's growth as the world increasingly becomes one market.

With 18 points of representation, 23 ATMs across the country and with more than 350 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal.

The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new products in delivering superior services. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the 'Know Your Customer' procedure on all the customer accounts.

1.4 Statement of the Problems

Banking institutions are inevitable for the resource mobilization and all round development of the country. It is the resource for economic development; it maintains economic confidence of various segments and extends credit to people. In Nepal, the profitability ratio, operating expenses, dividend distribution among the shareholders, etc. have been found to be inconsistent. The problem of the study will ultimately find out the reason behind the differences in their cash management.

The tendency to concentrate JVBs only in urban area has certainly raised questions. This state of affairs cannot contribute much to the socio-economic development of the country where 90% of the population lives in rural areas and 81% population depends upon agriculture. These JVBs are reluctant to extend their operation in rural areas. Despite the

circular of NRB, the central bank of the country, regarding compulsory investment of 10% of their total investment in the rural areas, these banks are inclined to pay fines rather than directing their resources to such less profitable sector. This problem remains to be solved as will be benefited from the services of such banks. Moreover even the existing branches of the commercial banks in the rural areas do not seem to have been able to mobilize the local resources effectively. The present study seeks to explore the efficiency of and weakness of SCBNL and EBL with the help of cash management. These banks are competing in the same economic environment and financial market and are operating fully under computerized system to meet the growing competition in banking system.

1.5 Objectives of the Study

The overriding objective of this dissertation is to study the cash management system of SCBNL and EBL for the years from 2060/61 to 2065/66. To be more specific, this proposal study keeps the following objectives:

- i. To examine the relative cash management practices of SCBNL and EBL.
- ii. To analyze the financial strengths and weakness of these banks
- iii. To examine the liquidity position of banks
- iv. To analyze the allocation of income and expenditure of cash of the banks
- v. To examine the cash flow statement of the banks

1.6 Significance of the Study

The significance of the study can be highlights through the following points:

- i. The study enlightens the share holders about the cash management of their respective banks. This allows having a comparative retrospect whether their fund was better utilized or not.
- ii. The study also compels the management of respective banks for self assessment of what they have done in the past and guides them in their future plans and programs.
- iii. The financial agencies, stock exchanges and stock traders are also interested in the performance of the banks as well as the customers,

depositors and debtors who can objectively identify the better bank to deal in terms of profitability, safety and liquidity.

- iv. Policy makers at the macro level, i.e. the government and NRB will also be benefited regarding the formulation of further policies in regard to the economic development through banking institutions.

1.7 Limitation of the Study

This study suffers from the following limitations:

- i. The time is the major limitation of the study
- ii. The scope of the study is limited within the framework of cash management only. The study doesn't cover other financial performance analysis technique.
- iii. The study is fully based on the secondary data collected from various sources their relevancy will depend upon the authenticity of the publishers.
- iv. The study has been done covering five years data only.

1.8 Organization of the study

This dissertation will be presented in the following order

Chapter 1: Introduction

This is the very first segment of the dissertation that starts with the general background of the emergence of JVBs in Nepal. A brief concept of commercial and JVBs is given followed by the role they play in Nepal. Focus of study, statement of problem, objectives of the study, limitation of the study is also presented in this chapter.

Chapter 2: Review of Literature

Various related books, journals, articles, periodicals, reports and other publications have been studied and reviewed in this part of the dissertation. This chapter broadly consists of two segments- review of conceptual framework and review of previous studies. Review of conceptual framework is done in order to make clear the concept of the study; cash management in this case. Likewise, several other related studies are reviewed in separate

segment to show what types of studies were made in this field and what conclusions the previous researchers drew.

Chapter 3: Research Methodology

This segment of the study attempts to explain the methodology of the research undertaken. The chapter contains research design, sources of data, population and sample, methods of data collection and analysis.

Chapter 4: Presentation and Analysis of Data

The calculated results of each of the ratios are presented in a tabulated form in this segment of the dissertation. Along with the tabulated data, a graphical presentation is also made with the findings and interpretation of the calculated figures.

Chapter 5: Summary, Conclusion & Recommendation

The whole study is summarized and concluded in the final chapter. A list of recommendation derived from the analysis is presented at the end of the chapter. A list of Bibliography is presented after that and the necessary supplements are presented in the final segment as the annexure.

CHAPTER – TWO

REVIEW OF LITERATURE

This chapter highlight as the existing literature and research related to the present study with a view to finding out what had already been explained and how the present research adds to the dimension. This has been grouped under two segments review of conceptual framework and review of previous studies. Various books, journals, articles, periodicals, reports and other publications have been studied and reviewed in this chapter.

2.1 Review of Conceptual Framework

Review of conceptual framework attempts to clarify the concept of the study; cash management in this case. Meaning of cash management, function of cash management, objectives of cash management and its efficiency, techniques are presented here under.

2.1.1 Meaning of Cash Management

Cash is the most important current assets for the operation of the business firm. It is an idle and non-earning asset. Cash is the money, which the firm can disburse immediately without any restriction. The term cash includes coins. Currency and cheque held by the firm and balance in its bank accounts. Sometimes near each items, such as marketable securities literature. Cash is defined in yet another fashion that is totally different from earlier definitions.

The term cash with reference to cash management is used in two senses, in a narrow sense; it is used broadly to cover cash (currency) and generally accepted equivalents of cash such as cheques, drafts and demand deposits in bank. The broader view of cash also includes near cash assets, such as marketable securities and time deposits in banks the main characteristic of these is that they can be readily sold and converted into cash. They serve as a reserve pool of liquidity that provides cash quickly when needed. They also provide a short term investment outlet for excess cash and are also useful for meeting

planned outflow of funds. We employ the term cash management in the broader sense. Irrespective of the form in which it is held a distinguished feature of cash as an assets, is that it has no earning power.

So, simply stating, management of near cash assets, i.e. marketable securities, time deposits in bank is called cash management. Broadly speaking, the management of cash includes management of cash, receivable and inventory. In broader sense, management of receivable and inventory is also termed as management of cash because receivables and inventory are also supposed to readily converting into cash.

2.1.2 Functions of Cash Management

There are various functions of cash management, they are as follows:

- i. To cash planning: - Cash flow (inflows and outflows) should be planned to project cash surplus or deficits for the period. Cash budget is prepared for this purpose.
- ii. To design managing cash flows: - The cash flows should be properly managed. The inflows of cash should be decelerated as possible.
- iii. To maintain cash and marketable securities in amount close to optimal level: - The firm should try to maintain the appropriate level of cash balance. The cost of excess cash and the danger of cash deficiency should be matched to maintain the optimal level of cash balances.
- iv. To place the cash and marketable securities in the proper institutions and in the proper forms:- The idle cash or precautionary cash balance should be properly invested to earn profits. The firm should take the appropriate decision about the division of such cash balances between bank deposits & marketable securities.

2.1.3 Objectives of Cash Management

The basic objectives of cash management are two fold

- a. Meeting payment schedule and
- b. minimizing funds committed to cash balances

These two folds are conflicting and mutually contradictory and the task of cash management is to reconcile them.

a. Meeting payment schedule:

In the normal course of business, firms have to make cash payment on a continuous & regular basis to supplier of goods, employees & soon. At the same time, there is a constant inflow of cash through collection from debtors. To meet the payment schedules, a firm should maintain adequate amount of cash balance. The advantage of maintaining adequate cash balances are:

- i. The relationships with the bank will not strong.
- ii. It presents insolvency or bankruptcy arising out of inability of a firm to meet its obligation
- iii. It helps in fostering good relations with trade creditors and suppliers of raw material as prompt payment by the help of own cash management
- iv. A cash discount can be availed of if payment is made within the due date.
- v. It leads to a strong credit rating which enables firm to purchase goods on favorable terms and to maintain its line of credit with bank and other sources of credit.
- vi. To take advantages of favorable business opportunities that comes periodically
- vii. The firm can meet unanticipated cash expenditure with minimum strain during emergencies such as, strikes, fires or new marketing companies.

b. Minimizing funds committed to cash balances;

The second objective of cash management is to minimize cash balances. In minimizing the cash balances two conflicting aspects have to be reconcile. A high level of cash balances will, as shown above, ensure prompt payment together with all the advantages. But it also implies that large funds will remain idle, as cash is a non-earning asset and the firm will have to forego profits. A low level of cash balances on the other

hand may mean failure to meet the payment schedule. The aim of cash management therefore should be to have an optimal amount of cash balances. The financial manager should do arrangement of holding of enough cash which ensures payment of obligation. Effective method of collection and disbursement of cash should be adopted.

2.1.4 Methods of Efficient Cash Management

1. Speedy cash collection:

A firm can conserve cash and reduce its requirement for cash balance if it can speed up its cash collection. A firm should reduce the lag for gap between the times a customer's pays his bill can accelerate cash collection and the time the cheque is collected & funds become available for use.

2. Concentration Banking:

Concentration banking is a system of operation through number of collection centers instead of single collection center centralized of the firm's head office. In this system, the firm will have a large number of bank accounts operated in the area the firm has its branches. All branches may not have the collection centers. The collection centers will transfer funds above some pre-determined minimum level to control generally at the firm head office each day. A connection bank is one where the firm has a major bank account usually the disbursement.

3. Slowly Disbursement:

Cash requirement can be reduced by slow disbursement of account payable. It may be recalled that a basic strategy of cash management is to delay payment as long as possible without imparting the credit rating of the firm. In fact slow disbursement represents a source of funds requiring to interest payments. There are some technique to delay payment avoidance of early payment, centralized disbursement, floats and accruals.

4. Using float:

Float is the difference between the balance shown in a firm (or individual) cheque book and the balance on the bank's record. Firm's net

float is the function of its ability to speed up and slow down collection and cheques written.

2.1.5 Different Techniques of Cash Management

1. Cash budget:

The cash budget shows the firms projected cash inflows over some specific period. It is the most significant device to plan for and control cash receipt and payment. It provides much more detailed information concerning a firm future cash flow. It is the most important tool for managing cash. It is a useful in determining when cash surplus or shortage will occur. Plan can then be made to borrow to cover shortages or to invest surpluses.

2. Cash Planning:

Cash planning can help anticipate future cash flows and needs of the firm and reduces the possibility of idle cash. Cash planning is a technique to plan for and control the use of cash. The forecasts may be based on the present operation or anticipated future of the overall operation plans of the firm. Cash planning may be done on daily, weekly or monthly basis. It depends upon the size of the firm and philosophy of management.

3. Long term cash forecasting:

The major uses of the long term cash forecast are company's future financial needs especially for its working capital requirements to evaluate proposed capital projects and it help to improve corporate planning. Long term cash forecasting not only reflects more accuracy the impact of any recent acquisition but also fore shadows financial problems, long term cash forecasting can be used to evaluate the impact of new product development on the firm's financial condition in future.

4. Short term cash forecasting:

There are two most commonly used methods of short term cash forecasting they are as follows:

- a. Receipt and Disbursement forecasting:
The prime aim of receipt and disbursement forecast is to summarize the flows during a pre-determined period.
- b. Adjusted net income method:
This method of cash forecasting involves the tracing of working capital flows. Sometimes, it is also called the sources and used approach. Two objectives of this method are to project the company's need for cash of some future date and to show whether the company can generate this money internally or not.

2.1.6 Determining the Optimum Cash Balance

Financial manager responsibilities are to maintain a sound liquidity position of the firm so that dues may be settled in time. The firms need cash not only to purchase raw materials and pay wages but also for payment of dividend interest taxes and countless other purpose. The test of liquidity is really the availability of cash to meet the firm obligations when they become due. Thus, the cash balance is maintained for transaction purpose and additional amount may be maintained as a safety stock. The financial manager should determine the appropriate amount of cash balance, a tradeoff between risk and return influences such a decision. If the firm maintains a small cash balance. Its liquidity position become weak and suffers from capacity of cash to make payment but investing released funds in some profitable opportunities can attain higher profit ability. If the firm maintains a high level of cash balance it will have a sound liquidity position but forego the opportunity to earn interests, thus the firm should maintain an optimum cash balance

2.1.7 Advantages of Holding Adequate Cash

In addition to four motives just discussed, sound working, capital management requires that and ample supply of cash be maintained for several specific reasons.

1. It is essential that the firm have sufficient cash to take advantage of cash discounts

2. Adequate holdings of cash can help the firm to maintain its credit ratings. A strong credit rating enables the firm both to purchase goods from suppliers on favorable terms and to maintain an ample line of credits with its bank
3. Cash is useful for taking advantage of favorable business opportunities, such as special offers from suppliers or chance to acquire another firm.
4. The firm should have sufficient cash to meet emergencies as strikes, fires, or competitor's marketing campaigns and to weather seasonal and cyclical downturns.

2.1.8 Sources of Cash

1. Cash Sales
2. Collection of Cash from Credit sales
3. Issue of the security
4. Sales of fixed assets
5. Interest and individual receivable
6. Borrowing from bank

2.1.9 Disbursement of Payment of Cash

1. Cash purchase of material
2. Payment of cash to creditors
3. Manufacturing and operating expenses payment (cash only)
4. Redemption of security
5. Payment of Loan, interest and taxes
6. Any non-operating and operating expenses payment

2.1.10 Motives for Holding Cash

The firm holds cash for various motives, they are:

1. Transaction motives

The principle motive for holding cash is to conduct day to day operations. A cash balance associated with routine payments and collections, like routine payments and collections, like payments of

purchases, labor, taxes and dividends etc, like wise in the course of daily business transactions, cash are generated from sales lot goods or services return on outside investment etc.

2. Precautionary motives

Cash held on reserve for random, on foreseen fluctuation in cash inflow and outflow for example: flood, strike, inefficiency in collection of debtors, cancelation of order failure of important customers, sharp increase in cost of raw materials etc.

3. Speculative motives

A cash balance that is held by the firms purpose that might arise, for example; purchasing of raw material at a reduced price on payment of immediate cash falls in price of shares and securities, purchasing at favorable price

4. Compensating Balance/ Compensative Motives

A cash balance that a firm must maintain with a bank to compensate the bank for services rendered for granting a loan, firm after maintains bank in excess, of transactions needs as a means of compensating for the various services. Bank provides various service to the firm like; payment of cheque information of credit loan etc.

2.2 Cash flow Statement

A cash flow statement is the statement showing cash outflows and inflows during the current year. A cash flow statement indicates the sources from which the cash has been collected and the expenditure heads on which the cash has been spend. A cash flow statement in current year is prepared by comparing the balance sheet of current year with the balance sheet of previous year. Two years balance sheet & current year income statement are required to prepare the cash flow statement. The cash flow statement is prepared only in cash basis. The transactions which occur in cash are only recorded in cash flow statement. The non-cash transactions are not considered while preparing cash flow statement.

2.2.1 Preparation of Cash Flow Statement

The cash flow statement is prepared on the basis of cash basis accounting. There are two methods that are used in calculating and reporting the amount of net cash flow.

- i. Direct Method
 - a. Cash from Operating activity
 - b. Cash from Investing activity
 - c. Cash from Financing activity
- ii. Indirect Method

Although both methods produce identical results the indirect method is used more often because it reconciles the difference between net income and net cash flow provided by operations.

2.2.2 Cash flow Statement (Direct Method)

- A. Cash from Operating Activity
 - a. Cash collection from Debtors or Sales
 - b. Cash payment to creditors or purchase
 - c. Cash payment for operating expenses
 - d. Cash payment for Tax
 - e. Cash payment for interest

Cash from operating activity excluding extra ordinary items

Adjustment for extra ordinary items

Cash from operating activity (A)
- B. Cash from investing Activities:

Purchase of fixed assets

Purchase of fixed assets

Sales of fixed assets

Interest or dividend received from other investment

Cash from investing Activities (B):
- C. Cash from financing Activities:

Issue of share/ debenture with premium or discount
Redemption of potential share/ debenture at premium or discount
Payment of dividend (Provision for last year dividend)
Interim dividend paid
Cash from financing Activities (C)
Cash equivalent (A+B+C)
Add: Opening cash and Bank Balance
Closing cash and Bank Balance

2.2.3 Cash flow statement (Indirect method)

Closing balance of retained earnings or P/L or reserve and surplus or undistributed profit appearing in balance sheet

Less: Opening balance of undistributed profit appearing transfer from current year profit.

Add: Non- operating and non-cash expenses:

- i. Depreciation (Current year)
- ii. Loss on sales of fixed assets
- iii. Loss on sale of investment
- iv. Intangible assets written off
- v. Fictitious assets written off
- vi. Provision for tax (current year)
- vii. Provision for dividend (current year)
- viii. Revaluation loss
- ix. Any types of expenses either non operating or non-cash

Less: Non-operating and non-cash incomes:

- i. Gain on sale of fixed assets
- ii. Gain on sale of investment
- iii. Dividend received from another company
- iv. Revaluation gain
- v. Any types of incomes either non operating or non-cash

Funds from operation

Adjustment of current assets excluding cash & bank (item wise)

Adjustment of current liability (item wise)

Less: Tax paid

Cash from operating activity (A)

Cash from investing activities (B)

Cash from financing activities (C)

Cash equivalent (A+B+C)

Add: Opening cash and bank balance

Closing cash and bank balance

Note: The calculated closing cash and bank balance must be equal to closing cash and bank balance of the balance sheet. If not some calculation errors are there.

2.2.4 Cash Budget or Cash Collection & Disbursement Budget

The cash budget is the statement showing the sources of income from which the cash can be collected and the expenditure heads in which the cash will be spent. A cash budget is the statement of cash inflow and cash outflow. The non cash expenses are not recorded in cash budget. The cash budget is a forecast of expected cash receipts and payments for a future period, which gives planned beginning and ending cash positions for the budget period. The objective of cash budget is to ensure that sufficient cash is available at all times to meet the level of operations that are outlined in the various budgets. The cash budget is composed of four major sections:

- i. The receipt section
- ii. The disbursement section
- iii. The cash excess or deficiency section
- iv. The financing section

2.2.5 Format of Simple Cash Budget

Table No. 2.2.5

Particulars	Jan	Feb	March
Cash Collection			
Opening Cash Balance			
Cash Sales			

Cash collection from Debtors			
Issue of Security in Feb			
Sale of Fixed assets on March			
(A) Total Cash Collection			
Cash Payment or Disbursement			
Cash Purchase			
Cash payment to creditors			
Manufacturing expenses			
Operating expenses			
Purchase of fixed assets on Jan			
Redemption of loan on Feb			
(B) Total Cash payment			
Closing Cash balance (A-B)			

2.3 Reviews of Previous Studies

Different research, journals & books relevant to the area of interest are the primary sources of the literature review; various studies have been under taken to compare the cash management system of JVBs in Nepal. However, much study has not been carried out on the cash management system of JVBs. Therefore the researcher has made an attempt to review the previous studies that the closely related to the topic of the study.

2.3.1 Review of Nepalese Articles & Journals

Chandra Thapa (2008) in his articles entitled “**Managing banking Risks**” presented different types of risks generally faced by commercial banks and accomplished the subsequent issues. Banking and financial services are among the fastest growing industries in the developed world and are also emerging as corner stones for other developing and underdeveloped nations as well. According to Thapa, the primary function of a bank is to trade risk. Risk cannot be avoided by the bank but can only be managed. There exist different types of risks. Among them interest rate risk is one of the most common risk the banks face owing to the volatility of the interest rate in the market.

Another risk banks face commonly is the trading risk or market risk; Banks has to productively manage their excess liquidity by investing in various securities, in foreign currencies and in other assets for instance swaps option etc. Credit risk is one of the most significant risks, which the banks face particularly in underdeveloped country like Nepal because our financial system is mostly depended on banks. Hence, it is crucial that the bankers should manage such risks prudently since it not only hampers the particular banks in concern but also badly affects the growth prospects of the entire economy.

According to the Directives of NRB (2010), the following rules and regulation should be maintained by Nepalese Banking and Finance Institution:-

-) As per BASEL I, the minimum CAR is 11%
-) As per BASEL II, the minimum CAR is 10%
-) Minimum CCR is 5.5% and 6% in BASEL I and II respectively.
-) Banks should be maintained 8% SLR up to Ashad 31, 2067.
-) Minimum CCR is 5.5% of local currency.
-) General Reserve, 20% of NPAT should make reserve up to double of paid-up capital.
-) For exchange reserve 25% should be maintained for future exchange losses.
-) NBR has made categories to loan and their provision as follows:-

Table No. 2.5.2

Types of Loan	Time Period	Provision
Good Loan	Up to 3 months	1%
Substandard Loan	6 months	5% of good loan
Doubtful Loan	Up to 1 year	50% of good loan
Bad loan	After 1 year	100% of good loan

Source: -Nepal Rastra Bank

2.3.2 Review of Related Unpublished Thesis

One study was conducted by **Prakash Sharma** titled "**Nepal's best joint venture banks (1999-2001)**" with the objectives as:

- i. To analyze their financial, operational, productivity and profitability, conditions
- ii. To find out the comparative competitive position of the JVBs.
- iii. To rank the JVBs according to their financial, operational, productivity and profitability conditions.

Several conclusions were made by Mr. Sharma at the end of his study, which have been summarized and presented below;

- i. SCBNL had the strongest financial position as it enjoyed large profit compared to other JVBs. NABIL was strong in average working fund and reported net profit. NSBIBL and EBL's financial condition was not so good.
- ii. NBBL, SCBNL & EBL were stronger than other JVBs in an operational aspect. NBBL had highest interest as well as non- interest income.
- iii. In terms of profitability, SCBNL was undoubtedly the highest profit-earner among the JVBs. NBBL was another strong bank in profitability on the other hand; EBL, NSBIBL and NABIL were not doing well in generation profit.

Almost all selected JVBs had followed a moderate working capital approach. The selected JVBs had sufficient liquidity. There is improvement in the use of current assets in selected JVBs.

It was observed that the goal of working capital is to manage each of the firm current assets efficiently in order to maintain the firm's liquidity while not keeping any assets to high level. Cash the most liquid asset, if the common denominator all can be reduced because the major liquid assets get eventually converted into cash.

Every JVB should develop both long term and short term plans about their cash flows. Researchers have suggested the JVBs in the adoption of std. costing as well as marginal costing techniques, formulation of sound working capital policy and training to financial

employees to acquaint about latest development in the area of working capital management.

Pant (2006), has studied on "**A Study of Deposit and Its Utilization by Commercial Banks in Nepal**". The main objective of the study is to test whether lending process is significant and to find out the way to encourage lending by increasing bank deposit. The findings of the study are: commercial banks are not able to satisfy the financial need of the economy, commercial banks in Nepal are not playing an active role to utilize their resources collected from different sector, according to the need of the economy. He has recommended the new branches should be open.

Acharya (2007), has studied on "**Deposit Mobilization of Commercial Banks in Nepal**". The main objective is to impact of interest rate on deposit mobilization as well as credit ratio increase or decrease as the change in interest rate. Besides this, the objective is to know the efficient utilization of the accumulated deposits. She has found out that the commercial banks have not been successful in the mobilization of the deposits collected by the commercial banks. It is because of the fact, the commercial banks have not able to motivate and facilitate to their clients except at change in the rate of interest. The problems are to attracting the savings to the maximum possible extent to channeling these savings into those sectors of the economy where there are most needed and to extending banking facilities in the country to unbanked areas. The changes of interest rates in loan is also recommended, commercial banks should extend long term and medium term credit in addition to short term credit.

Adhakari (2008), in his thesis paper, "**A Study of Commercial Banks Deposit and Its Utilization**" got to notice that the percentage of the total credit supplied by commercial banks within five years period (2000-2007) is more or less same while in the collection of deposits. The percentage has increased too much. Thus, the increasing gap between collection and utilization shows economic requirement and to contribute the economic upliftment of the country, commercial bank should a fair sector wise and planned policy, he suggested.

2.4 Research Gap

The purpose of this research is to develop some expertise in one's area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation to risk management of EBL & SCBNL. Thus, the previous studies can't be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. Here, it is clear that the new research cannot be found on that exact topic, i.e. Cash Management: A study on EBL & SCBNL. Therefore, to fulfill this gap, this research is selected. To complete this research work: many books, journals, articles and various unpublished dissertations are followed as guideline to make the research easier and smooth. In this regard, here we are going to analyze the different procedure of Cash management, which is considered only on EBL & SCBNL. Our main research problem is to analyze whether EBL & SCBNL has right level of liquidity as well as is able to utilize its resources effectively or not. To achieve this main objective, various financial and statistical tools are used. Therefore, this study is expected to be useful to the concerned banks as well as different persons; such as shareholders, investors, policy makers, stockbrokers, state of government etc.

CHAPTER – THREE

RESEARCH METHODOLOGY

Research is an effort to search new fact, knowledge, and principle in scientific ways. To generate knowledge, investigation or inquiry in the phenomenon of explored or unexplored area necessitated the research work. The research requires different methodologies; tools, techniques etc. This chapter attempts to explain the methodology of the research undertaken. This chapter contains research design, sources of data, population & example, method of data collection.

3.1 Research Design

Research design is essential for the whole study & helps in finding out deficiency in expectation of the starting of work. Basically there are two purposes of research design.

-) To provide answers to research questions: &
-) To control variance

Research design is a plan for the collection and analysis of data. It presents a series of guide posts to enable the researcher to progress in the right direction in order to achieve the goal. Research design helps the investigator obtain answers to the questions of research and also helps him to control the experimental, extraneous and error variance of the particular research problem under study.

This research study attempts to examine & compare the cash management system of two joint venture banks operating in Nepal. Financial tools have been used to compare the relative performance of the two banks under study. Evaluation & Comparison has been done on the basis of second data i.e. the financial statement of these banks for the last 6 yrs.

3.2 Sources of Data

Secondary sources of data have been used exclusively for the purpose of this study, viz. the amount reports published by these banks at the end of each fiscal year. Similarly articles, journals related to the cash management, financial performance, previous research reports etc are also taken into account while collecting information. Bulletins and reports published periodically by various government bodies have also been helpful in undertaking this research study.

3.3 Population & Sample

All a joint venture banks currently operation in Nepal is the population. On the basis of the researcher's judgment, the study will cover only 2 samples out of all the JVBs, viz. SCBNL & EBL. The published financial statement of these banks for the year from 2061/62 to 2065/66 (6 yrs) have been taken as sample data.

3.4 Data Collection Procedure

Once the purpose of statistical investigation has been defined the next step is to collect the data. The research is based on the historical data of the banks available in annual reports of the banks. The annual reports were collected from the respective banks as well as the website (www.nepalstock.com). Books, periodicals, journals, articles on the related subject were extensively reviewed in the library. Quotations from various authors on the related topic have been placed throughout the chapters.

3.5 Method of Data Analysis

The study basically uses secondary data, which were firstly collected & tabulated into a separate form systematically. These are presented and analyzed in a descriptive way. Graphs, tables are presented where necessary. In order to make a clear presentation, calculating of the figures has been done separately and the resulting figures are then presented in tables. Simple statistical analysis such as percentage, ratio and arithmetical mean is used to represent the resultant figures.

3.5.1 Financial Tools

Several relevant financial tools are used to find out the best appropriate results as per the designated objectives of the study. The types of financial ratios used for this study are presented below.

3.5.1.1 Liquidity Ratios

The liquidity ratio measures the ability of a firm to meet its short term obligations and reflect the short term financial strength/solvency of a firm. Analysis of liquidity needs the preparation of cash budgets and cash and funds flow statements. Liquidity ratio establishes a relationship between cash and other current assets to current obligations to provide a quick measurement of liquidity position of firm. A firm should ensure that it does not suffer from lack of liquidity and excess liquidity. The failure of a company to meet its obligations due to lack of sufficient liquidity will result in a poor credit worthiness, 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 cash earn nothing. The firms fund will be unnecessarily tied up in current asset. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity.

The types of liquidity used in this study are as follows:

- i. Cash & Bank Balance to Current Assets Ratio

$$= \frac{\text{Cash and Bank Balance}}{\text{Current Assets}} \times 100$$

- ii. Loans & Advances to Current Assets Ratio

$$= \frac{\text{Loan and Advances}}{\text{Current Assets}} \times 100$$

- iii. Fixed Deposit to Total Deposit Ratio

$$= \frac{\text{Fixed Deposit}}{\text{Total Deposit}} \times 100$$

- iv. Saving Deposit to Total Deposit Ratio

$$= \frac{\text{Saving Deposit}}{\text{Total Deposit}} \times 100$$

- v. Investment on Government Securities to Current Assets Ratio

$$= \frac{\text{Investment on Government Securities}}{\text{Current Assets}} \times 100$$

- vi. Cash Reserve Ratio

$$= \frac{\text{NRB Balance (Lcy)}}{\text{Lcy Deposit} - \text{Margin Deposit}}$$

3.5.1.2 Activity Ratios / Turnover Ratios

It reflects the firm's efficiency in utilizing its assets. They are employed to evaluate the efficiency of assets with which the firm has utilized its resources. These ratios are called turnover ratios because they indicate the speed with which assets are being converted or turned over into sales. Activity ratio, thus involves a relationship between sales and assets.

The types of activity ratios used in this study are as follows:

- i. Loans and advances to total deposit ratio

$$= \frac{\text{Loan and Advances}}{\text{Total Deposit}}$$

- ii. Loans and Advances to fixed deposit ratio

$$= \frac{\text{Loan and Advances}}{\text{Fixed Deposit}}$$

- iii. Loans & Advances to saving deposit ratio

$$= \frac{\text{Loan and Advances}}{\text{Saving Deposit}}$$

- iv. Operating Profit to Net worth Ratio

$$= \frac{\text{Operating Profit}}{\text{Networth}}$$

3.5.1.3 Profitability Ratios

The future stream of cash flows is the result of a large number of policies and decisions. We start with historical data about cash flow and profitability but emphasize that these

represent only the starting point. Further strategic and operating analysis is required to make meaningful projections for the future. Profitability ratio measures the overall performance and effectiveness of the firm. Besides management of the company, creditors and owners are also interested in the profitability of the firm. Creditors want to get interest and pmt of principal regularly. Owners want to get the required rate of return on their investment. This is possible only when the company earns enough profits. Profit & Loss items determine the extent to which operating profits are sufficient to cover the fixed charges.

Some of the leverage ratios used is:

- i. Long term Debt to Net worth ratio

$$= \frac{\text{Longterm Debt}}{\text{Networth}} \times 100$$

- ii. Long term debt to Net fixed assets ratio

$$= \frac{\text{Longterm Debt}}{\text{Net Fixed Assets}} \times 100$$

- iii. Total debts (liabilities) to net worth ratio

$$= \frac{\text{Total Liabilities}}{\text{Networth}} \times 100$$

3.5.1.4 Other financial Indicators

Other financial indicators such as price earnings ratios, earning per share and dividend per share reveal the potentiality of an institution to earn in the future.

- i. Price Earning (P/E) Ratio

$$= \frac{\text{Market Value Per Share (Closing Value)}}{\text{Earning Per Share}}$$

ii. Earning Per Share

$$= \frac{\text{Market Value Per Share (Closing Value)}}{\text{P/E Ratio}}$$

iii. Dividend Per Share

$$= \frac{\text{Dividend Deleared}}{\text{No.of Share Outstanding}}$$

3.5.2 Statistical Tools

Several numbers of statistical tools can be employed to examine the financial data of SCBNL and EBL. Some of the statistical tools that are used for the purpose of this study are presented below;

3.5.2.1 Arithmetic Mean

Arithmetic mean or simply a 'mean' of a set of observations is the sum of all the observations divided by the number of observations. Arithmetic mean is also known as the arithmetic average.

$$\bar{x} = \frac{\sum \phi x}{n}$$

Where,

\bar{x} = mean

ϕx = sum of values of all observations

n = no. of elements in the sample

3.5.2.2 Standard Deviation (S.D.)

S.D. is defined as the positive square root of the mean of the square of the deviations taken from the arithmetic mean. It is denoted by 'σ'

$$\text{S.D.} = \sqrt{\frac{1}{n} \sum (x - \bar{x})^2}$$

x = value of each of the n observation

\bar{x} = Mean of the sample

$n-1$ = No. of observations in the sample minus -1

3.5.2.3 Coefficient of Variation (C.V.)

The C.V. is the relative measure of dispersion based on S.D. multiplied by 100. C.V. is the independent of unit. So two distributions can better be compared with the help of C.V. for their variability less the C.V., more will be the uniformity, consistency, etc and more the C.V. less will be the uniformity consistency etc.

$$\text{C.V.} = \frac{\text{S.D.}}{\bar{x}} \times 100 =$$

Where,

S.D. = Standard Deviation

\bar{x} = Mean

3.5.2.4 Student's t-test

The student's t-test is used to test the null hypothesis (H_0): "There is no significant difference between the mean value of each of the selected ratio of SCBNL and EBL. "Since this study is a comparative analysis of selected ratios of the two JVBs, each type of ratio is analyzed and tested individually.

The test of hypothesis is a process of testing of significance regarding the parameter of the population on the basis of the sample drawn from the population. In testing hypothesis, we examine, on the basis of a statistic computed from the sample drawn in this case the financial ratios of two JVBs, whether the sample drawn belongs to the parent. Population with certain specified characteristics. The computed value of the statistic may differ from the hypothetical value of the parameter due to sampling fluctuations if the difference is small, we consider that it has arisen due to sampling fluctuations. Hence the difference is considered to be insignificant and the hypothesis is

accepted. If the difference is large, we consider that it has not arisen due to sampling fluctuations but it is due to some other reasons. Hence the difference is considered to be significant and the hypothesis is rejected. Thus the test of hypothesis disclosed the fact whether the difference between the computed statistic and hypothetical parameter is significant.

The test of statistics under H_0 is given by;

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{S^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

Where,

\bar{x}_1 = mean ratio of SCBNL

\bar{x}_2 = mean ratio of EBL

n_1 = Number of observations in SCBNL

n_2 = Number of observations in EBL

The value of "S²" is calculated by using following formula;

$$S^2 = \frac{1}{n_1 + n_2 - 2} \left[\sum_{i=1}^{n_1} (x_i - \bar{x}_1)^2 + \sum_{j=1}^{n_2} (x_j - \bar{x}_2)^2 \right]$$

Where,

Degree of freedom (d.f) = $n_1 + n_2 - 2$

BY comparing the computed value of $|t|$ with the tabulated value of t for $(n_1 + n_2 - 2)$ degree of freedom (d.f.) and at desired level of significance, the null hypothesis (H_0) is accepted or rejected.

CHAPTER - FOUR

PRESENTATION AND ANALYSIS OF DATA

4. Data Presentation and Analysis

This chapter presents and analyzes the various data obtained from two joint venture banks in Nepal, namely Everest Bank Ltd and Standard Charter Bank Nepal Ltd. Those data are presented which are relevant to study i.e. analysis of Non-performing Assets, Loan loss provision and its impact on profitability position.

4.1 Analysis of Everest Bank Ltd.

Everest Bank Limited (EBL) started its operations in 1994 with a view and objective of extending professional 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.

PNB is the latest nationalized bank in India having 110 years of banking history with more than 4500 offices all over India. Of which 1400 branches are interconnected. PNB has over 1000 ATMs spread across India. As on 31/3/2008, PNB had a total business of INR 163000 crores and posted a net profit of INR. 1,410.00 Crores. Drawing its strength from its joint venture partner, EBL has been steadily growing in its size and operations and established itself as a leading Private Sector Bank. EBL is ranked as No. 2 bank by NRB as per CAMEL. Despite fragile Law and order situation especially during last 3-4 years, the Bank has recorded spectacular performance.

The bank is providing its services through a wide network of 35 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 having their accounts in other branch. EBL is playing a pivotal role in facilitating remittance to and from across globe. Being the first Nepalese bank to open a representative office in Delhi, India, the Nepalese in India can open account in Nepal from the designated branches of Punjab National bank and remit their savings economically through a banking channels to Nepal. The bank has a Drafts Drawing Arrangement with 175 branches of PNB all over India. With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries which enable quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and UK.

The Bank recognizes the value of offering a complete range of service. The bank have 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. EBL have always endeavored in delivering innovative products suiting the consumer's requirements and needs thus enriching, enabling and beautifying their lives.

Table No. 4.1.1

Capital Structure of Everest Bank Ltd.

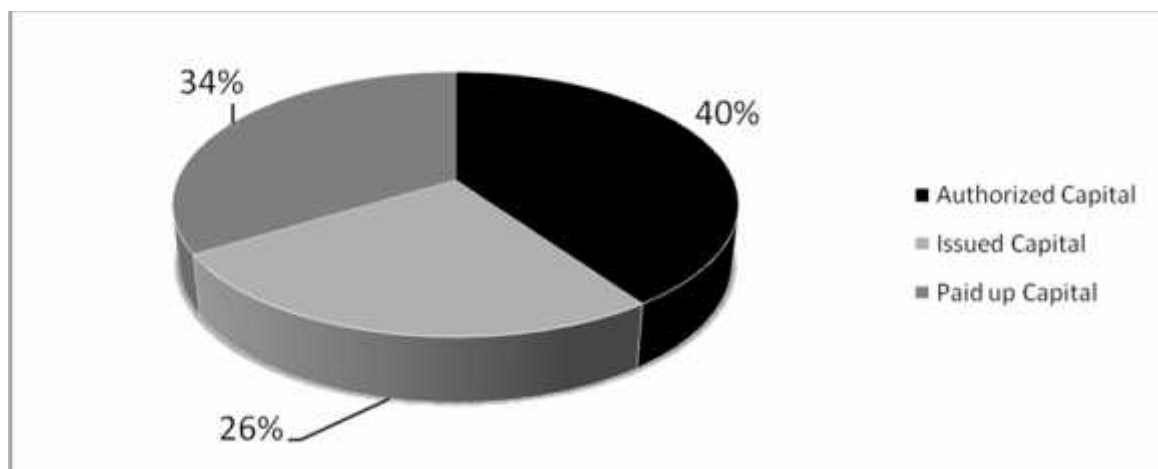
As at the end of the 2065/66

Particulars	Rs. In Millions
Authorized Capital	1000.00
Issued Capital	640.62
Paid up Capital	838.21

Sources: Bank Annual Report

Figure No. 4.1.1

Capital Structure of Everest Bank Ltd.



Source: - Table No. 4.1.1

Table No. 4.1.2

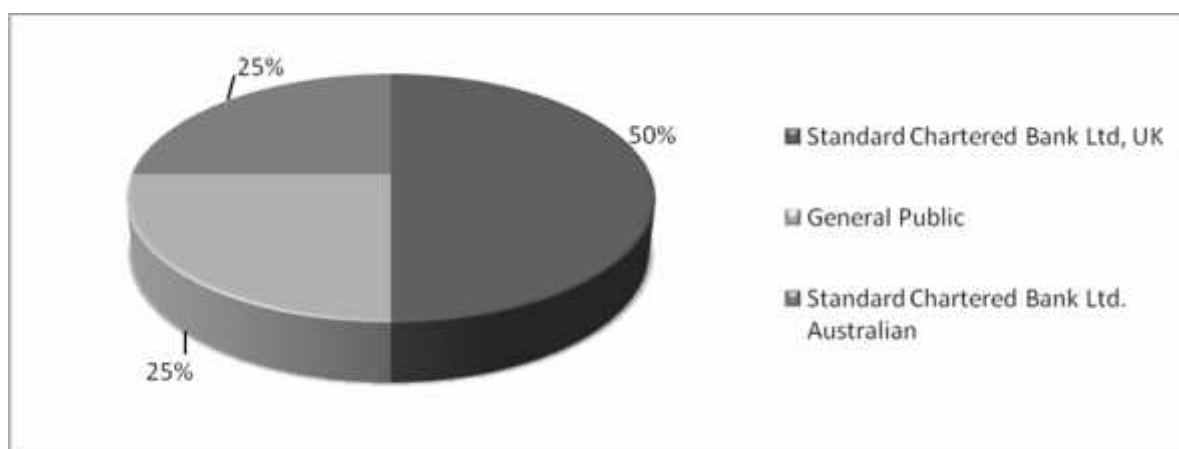
Share Subscription of Everest Bank Ltd.

Promoters Share	50%
General Public	30%
Panjab National Bank, India	20%

Sources: Bank Annual Report

Figure No. 4.1.2

Share Subscription of Everest Bank Ltd.



Source: - Table No. 4.1.2

Table No. 4.1.3

Trend Analysis of Performing, Nonperforming and Total Loan Loss Provision.

Rs. In Million

Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
1.Performing loan		2881.37	4001.84	4938.39	5991.09
2.Non performing loan		118.02	42.39	111.2	104.75
2.1 Substandard		92.65	15.73	41.95	11.08
2.2 Doubtful		22.18	13.33	38.06	40.49
2.3 Bad loan		3.19	13.33	31.18	53.18
Total Loan (1+2)	2270.18	2999.39	4044.23	5049.58	6095.84
3. Total Loan Loss Provision		28.32	68.66	80.42	135.52
3.1 Pass		21.22	3.93	10.49	2.77
3.2 Substandard		11.01	6.66	19.03	20.25
3.3 Doubtful		2.24	16.50	31.18	53.18

Sources: Annual Report of Everest Bank Ltd.

From the above table we can see that total loan of Everest Bank is in increasing trend. The total loan aggregated to Rs 6095.84 at the end FY 2065/66. This refers to an increase of 168.2% in FY2065/66 from the FY2061/62. Similarly; the proportion of performing loan is also increasing. On the other hand, proportion of non-performing loan is showing a fluctuating trend.

Loan loss provision (LLP) is the accumulated fund that is kept aside as a safeguard to cover possible losses arising from default in payment by the borrower. The amount of LLP is directly correlated to the total credit of bank.

Here, in case of Everest Bank ltd, the total loan loss provision that has been kept aside by the bank is also gradually increasing. LLP amounted to Rs211.72 m in the FY2065/66. This refers to 577.50% increase in LLP in the FY2065/66 as compared to the FY2061/62. In the LLP also, the provision for pass loan and loss loan is gradually increasing whereas the provision for substandard and doubtful loan is fluctuating.

Table No. 4.1.4

Key Profitability Indicators of EBL

Particulars	Indicator	2061/62	2062/63	2063/64	2064/65	2065/66
1. Net profit /Total income	%	12.6	15	15.8	14.8	18.3
2. Earnings per share	Rs	34.84	31.56	32.91	29.90	45.58
3. Market value per share	Rs	995	650	405	445	680
4. Interest Income/ loan & Advance	%	10.7	11.5	9.8	10.5	9.2
5. Interest Expenses on Deposit & Loans	%	5.8	5.1	4.6	4.6	3.9
6. Net profit/ Loan & Advance	%	1.8	2.3	2.1	1.9	2.4
7. Net profit / Total assets	Ratio	1.2	1.3	1.3	1.2	1.5
8. Total Loan/	%	74.3	65.7	74	75.4	75.6

Deposit						
9. Liquidity (CRR)	Ratio	1.9	1.9	2.9	4.5	14.26
10. Nonperforming Loan/ Total Loan	%	2.99	6.79	1.04	2.2	1.7

Sources: Annual Report of Everest Bank ltd.

The net profit of EBL was Rs 413 Lakh in the FY2061/62, which has amplified to Rs. 1436 lakh in the FY2065/66. This represents a growth of 247.7% in net profit. Similarly, the operating profit of EBL is also increasing. In the FY2061/62 the total operating profit of EBL was Rs.954 lakh. But in the FY 2065/66 it has reached Rs.3, 164 lakh. So, such increment in the profit may be due to the various reasons like efficient cost control, increase in incomes etc. similarly, the NP/ Total Income ratio of EBL is also increasing.

4.2 Analysis of Standard Chartered Bank Nepal Limited

Standard chartered Bank Nepal Limited has been in operation in Nepal since 1987. It is a joint venture operation, registered in Nepal with 50% of the share held by Standard Chartered Bank of U.K. 25% by Australian Bank and 25% by the general public Standard Chartered is the world's leading emerging markets bank with more than 500 offices across over countries primarily in Asia, the sub-continent the Middle east, Africa and Latin America Standard Chartered bank has a firm commitment to the emerging markets, where potential for future growth has been visualized.

Standard Chartered Bank completes 153 years of operation in 2065/66. This was considered as a unique opportunity to refresh the brand. The refreshed brand is not only a change in the logo and colors etc, but it has a brand essence" The Right Partner" and the bran campaign" I believe " attached to it. The aim is to be the right partner of choice, as a provider of world class products and services and be an active member in the communities where the bank operates and as an

employer to its people. With the refreshed brand five values have been launched for the bank. Courageous, responsive, international, Crestview and trustworthy, these values are the heart and soul of the brand.

Table No. 4.2.1

Capital Structure of Standard Chartered Bank Nepal Ltd.

As at the end of 2065/66

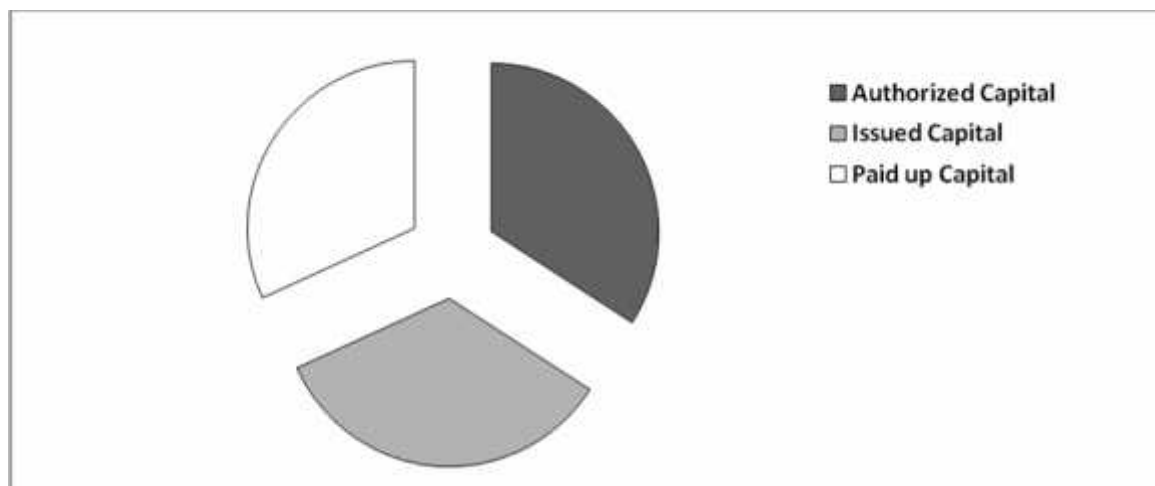
Rs. in million

Authorized Capital	1000.00
Issued Capital	1000.00
Paid up Capital	931.97

Sources: Bank Annual Report

Figure No. 4.2.1

Capital Structure of Standard Chartered Bank Nepal Ltd.



Source: - Table No. 4.2.1

Table No. 4.2.2

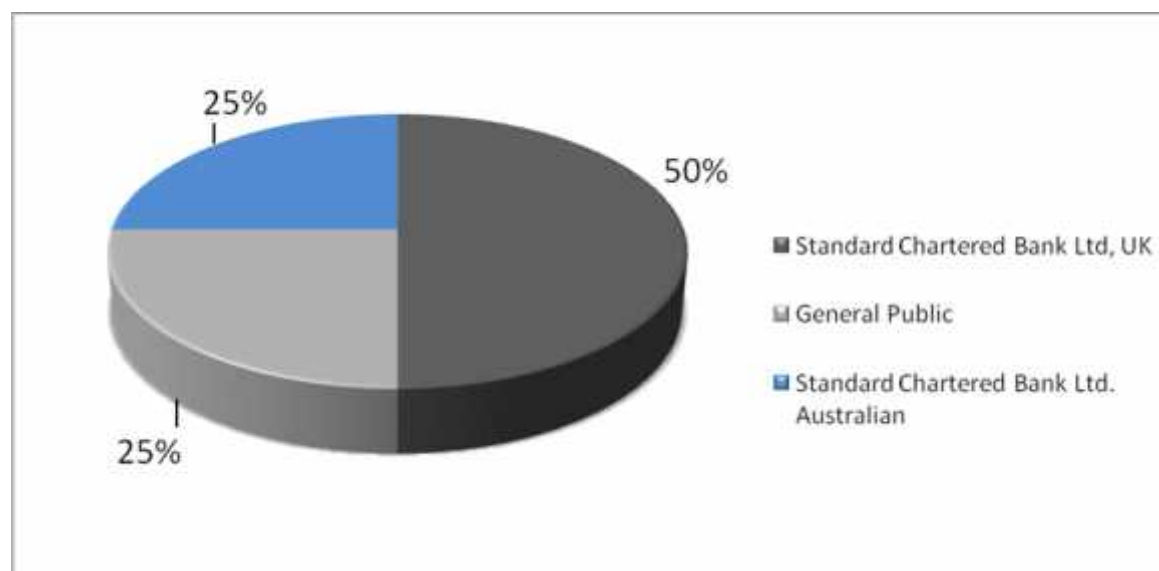
Share subscription of standard chartered bank Nepal Ltd.

Standard Chartered Bank Ltd, UK	50%
General Public	25%
Standard Chartered Bank Ltd. Australian	25%

Sources: Bank Annual Report

Figure No.4.2.2

Share subscription of standard chartered bank Nepal Ltd.



Source: - Table No. 4.2.2

Table No. 4.2.3

Trend Analysis of Performing, Nonperforming and Total Loan Loss

Provision.

Rs in million

Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
1.Performing loan		5384.30	5420.25	5752.21	6441.66

2.Non-performing Loan		297.05	275.93	247.95	252.2
2.1 Substandard		9.31	3.33	7.05	-
2.2 Doubtful		148.26	140.29	130	130.9
2.3 Loss		139.48	132.31	110.90	121.21
Total Loan(1+2)	4857.17	5681.35	5696.18	6000.16	6693.86
3.Loan Loss Provision					
3.1 Pass		58.32	93.88	94.18	64.42
3.2 Substandard		2.33	0.84	1.76	-
3.3 Doubtful		74.13	105.15	97.5	97.99
3.4 Loss		139.48	132.31	110.90	121.21
Total Provision	180.41	274.26	332.18	304.34	283.62

Source: Annual report of Standard Chartered Bank Nepal Ltd.

From the above table we can observe that the trend of total the loan of SCBN is rising. Total loan figure of SCBN have reached RS.6693.86 m in the FY2065/66 from Rs. 4857.17 m in the FY2061/62, which represents a growth of 37.81%. In the total loan category, the proportion of performing loan is in rising trend whereas the proportion of non-performing loan is showing a mixed trend during the review period of five years. In the total non-performing loan, the portion of doubtful loan is decreasing but the portion of loss/bad loan is fluctuating. In the FY2065/66, NPL have decreased to R.252.2 m from Rs.297.05 m in the FY2060/61, even though it is an increment in comparison to the FY2062/63.

Similarly the total loan loss provision (LLP) that has been kept aside by the bank is also showing the mixed trend. Up to FY2062/63, the total LLP is increasing but after 2062/63 the total LLP is slightly decreasing. In total LLP the provision for

all types of loans i.e. pass & restructured, substandard, doubtful and bad loan are showing a mixed trend, As a result, the LLP is also fluctuation. During the FY2065/66 the total LLP have increased to Rs283.62 m from Rs. 180.41 m in the FY2061/62. The LLP have reached the highest in the FY2061/62 aggregation Rs332.018m, during the review period of five years.

Table No. 4.2.4

Key Profitability Indicators of SCBNL

Particulars	Indicators	2061 /62	2062/63	2063/64	2064/65	2065/66
1. Net profit /Total income	%	28.62	25.92	33.12	33.71	33.95
2. Earnings per share	Rs	115.62	126.88	141.13	149.30	143.55
3. Market value per share	Rs	1985	2144	1575	1640	1745
4. Interest Income/ loan & Advance	%	12	10.22	10.31	10.11	8.83
5. Price Earnings Ratio	Ratio	17.17	16.90	11.16	10.98	12.16
6. Net profit/ Loan & Advance	%	8.93	8.12	9.13	9.09	8.51
7. Net profit / Total assets	%	2.36	2.26	2.60	2.42	2.27
8. Total Credit Deposit	%	37.99	36.82	35.97	31.99	31.63
9. Liquidity (CRR)	%	8.77	6.86	4.46	5.84	8.18
10. Nonperforming Loan/ Total Loan	Ratio	6.32	2.62	2.39	1.97	1.83

Sources: Annual report of Standard Chartered Bank Nepal Ltd.

A continuous rising trend has been observed in the net profit of the Standard Chartered Bank in past five years. The Net Profit amounted to Rs. 393 m in the FY2061/62, which has increased to Rs. 538 m in the FY2065/66, registering a growth of 37% but the percentage of interest income/loan advances is gradually decreasing. The reason behind such reduction may be reduced interest income or the increase loans and advances.

Table No. 4.2.5

Key Profitability Indicators of Joint Venture Bank for the FY2065/66

Particulars	Indicators	EBL	SCBNL
1. Net profit /Total income	%	18.3	33.95
2. Earnings per share	Rs	45.58	143.55
3. Market value per share	Rs	680	1745
4. Interest Income/ loan & Advance	%	9.2	8.83
5. Price Earnings Ratio	Ratio	3.9	12.16
6. Net profit/ Loan & Advance	%	2.4	8.51
7. Net profit / Total assets	%	1.5	2.27
8. Total Credit Deposit	%	75.6	31.63
9. Liquidity (CRR)	%	1.6	9.46
10. Nonperforming Loan/ Total Loan	Ratio	1.7	1.83

Between the two joint venture banks SCBNL proved itself as a market leader in Nepal's Banking Industry. This is reflected in its earnings per share (EPS) of RS143.55 EPS of SCBNL is far away from EBL, whose EPS is only Rs. 45.58 in the FY2065/66.

The market strength of a bank can also be reflected by the market value per share (MVPS) recorded in the Nepal Stock Exchange. In this regard, SCBNL again leads the whole industry with its share being quoted at Rs1745 per share in the FY2065/66.

Similarly, NP/ Total income ratio of SCBNL is highest than EBL. The NP/ Total income ratio of EBL bank is 18.3% one major yardstick to measure the performance of the bank is its profitability. In this regard also, SCBNL stands ahead in comparison with other banks. In the FY2065/66, it has earned the Net profit of Rs 537.80m, which is highest then EBL banks of the study. Whereas, Everest bank have earned Rs, 143.6 million.

Each bank has its responsibility to provide maximum return to its shareholders and on the other hand the safety aspect of the public money, which they are mobilizing. Hence, they have to consider liquidity of the deposits they have. To ensure the liquidity, NRB, the regulatory authority has fixed a certain percent of total deposit as cash reserve ratio, in terms of which liquidity is measured. Every commercial bank manages liquidity in the form of cash & bank balances, money at call and short notice, short-term investment in Treasury bill. In this regard, every bank seems to have maintained enough CRR. So, in the FY2065/66, EBL, SCBNL have maintained CRR of 1.6%, 9.46% respectively. From this we can observe that Everest bank ltd have maintained lowest liquidity of 1.6% and SCBNL have maintained the highest liquidity of 9.46%, this data suggest that all these banks have been managing their funds quite efficiently ensuring both liquidity as well as profitability. Since, the major function of a commercial bank is deposit collection and lending.

It is very important to have a look at the CD ratio i.e. Total Credit to Total Deposit. In this count, NSBI bank has the highest CD ratio of 76.85% whereas SCBNL has the lowest CD ratio of 31.63% similarly; Everest bank has maintained 75.6% CD ratio.

4.3 Adequacy of Loan Loss Provision

Nepal Rastra Bank has issued some directives for maintaining loan loss provision for different categories of loan of commercial banks. In this way, this analysis comprises the adequacy of loan loss provision as per NRB directives of sampled banks for the study period. Adequacy is measured by calculation the ratio of loan loss provision to loan & advances of different classified loan.

This ratio describes the quality of assets in the form of loans & advances that a bank is holding. Since, there is risk inherent in loan and advances, NRB has directed commercial banks to classify its loans and advances into different categories and accordingly make provision for probable loss. Loan loss provision signifies the cushion against future contingencies created by default of the borrower in the payment of loans and ensures the continued solvency of the banks. Since, high provisioning has to be made for non-performing loan volume of total loans & advances. The low ratio signifies the good quality of volume of total loans & advances. It indicated how efficiently it manages loan and advances and makes efforts to cope with probable loan loss. Higher ratio implies, higher portion in the total loan portfolio.

4.3.1 Adequacy of Loan Loss Provision (LLP) for pass Loan

Table below presents the adequacy ratio of loan loss provision for pass loan for the sample period of the selected banks for the study. A bank is required to maintained 1% loan loss provision for its pass loan as per NRB directives. This ratio is calculated by dividing LLP of pass loan by total pass loan.

This ratio determines the proportion of provision held on pass loan to pass loan of the banks. This ratio measure into what extent of risk inherent in pass loan is covered by the provision maintained for pass loan. Higher ratio signifies that the banks are the provision maintained for pass loan. Higher ratio signifies that he banks are safeguard against future contingency for loan loss. This ratio also

determines that banks have maintained or not the loan loss provision for pass loan as per the NRB directives.

Table No. 4.3.1

Adequacy of Loan Loss Provision (LLP) for pass Loan

Fiscal Year	EBL	SCBNL
2060/61	0.98	1.08
2061/62	1.72	1.73
2062/63	1.63	1.64
2065/66	2.26	1.00
Average	1.65	1.36

Sources: Bank Annual Report

From the above table, we can see that loan loss provision maintained by EBL, SCBN, for the FY2060/61 were 0.98%, 1.08% respectively. In this year, EBL all other banks have been successful to maintain the LLP of 1% for pass loan as per the NRB directives. Here, EBL has slightly failed to maintain provision for pass loan as per the NRB directives.

Similarly, in the FY 2061/62 the adequacy of loan loss provision for pas loan of EBL, SCBN, bank were 1.72%, 1.73%, respectively. The above figures indicate that two banks have maintained the LLP for their pass loan as per the NRB directives in the FY2060/61.

In the FY2062/63, the adequacy ratio of loan loss provision for pass loan of EBL, SCBN bank was 1.63%, 1.64% & respectively. In this year also all the selected banks have maintained the LLP for pass loan as per the NRB directives. Likewise, in the FY2065/66, the adequacy ratio of LLP for pass loan of EBL, and SCBN bank was 2.26%, 1% & respectively. In this year, standard charter bank had maintained only 1% but EBL bank have maintained more provision than the

requirement. Only Standard Chartered bank has maintained exactly 1% provision in the FY 2065/66. Hence, above analysis clearly shows that except Everest bank Ltd. In FY 2061/62, all other banks have maintained adequate provision for pass loan as per the NRB directives.

4.3.2 Adequacy of Loan Loss Provision (LLP) for Substandard Loan.

Table shown below present the adequacy ratio of loan loss provision for substandard loan for the sampled period of the selected banks of the study. A bank is required to maintain 25 percent loan loss provision for its substandard loan as per NRB directives. This ratio is calculated by dividing LLP of substandard loan by Total substandard loan. This ratio determines the proportion of provision held on substandard loan of the banks. This ratio measure into what extent of risk inherent in substandard loan is covered by the provision maintained for substandard loan. Higher ratio signifies that the banks are safeguard against future contingency for loss loan. This ratio also determines whether the banks have maintained or not the loan loss provision for substandard loan as per the NRB directives.

Table No. 4.3.2

Adequacy of Loan Loss Provision (LLP) for Substandard Loan

Fiscal Year	EBL	SCBNL
2060/61	22.91	25.03
2061/62	25.00	25.23
2062/63	27.56	24.96
2065/66	25.00	NA
Average	25.12	25.07

Sources: Bank Annual Report

Form the above table; we can see that the LLP for substandard loan maintained by EBL, SCBN bank were 22.91%, 25.03% respectively. This figure indicates that in this year Everest bank has failed to maintain the provision of 25% as per the NRB directives. SCBN has maintained the highest provision. Similarly, in the

FY 2061/62 the adequacy of LLP for substandard loan of EBL, SCBN bank was 25%, 25.23% respectively.

In the FY2062/63, the LLP for substandard loan maintained by EBL, SCBNL, and bank were 27.56%, 24.96% respectively. In this year, Standard Chartered Bank has failed to maintain the provision as per the NRB directives. Likewise, in the FY2065/66 the LLP for Substandard loan maintained EBL bank have 25% respectively.

4.3.3 Adequacy of Loan Loss Provision (LLP) for Doubtful Loan

Table shown below presents the adequacy ratio of loan loss provision for doubtful loan for the sampled period banks of the study. A bank is required to maintain 50 percent loan loss provision for its doubtful loan as per NRB directives. This ratio is calculated by dividing LLP of doubtful loan by Total doubtful loan.

This ratio determines the proportion of provision held on doubtful loan of the banks. This ratio measure what extent of risk inherent in doubtful loan is covered by the provision maintained for doubtful loan. Higher ratio signifies that the banks are safeguard against future contingency for loss loan. This ratio also determines whether the banks have maintained or not the loan loss provision for doubtful loan as per the NRB directives.

Table No. 4.3.3

Adequacy of Loan Loss Provision (LLP) for Doubtful Loan

Fiscal Year	EBL	SCBNL
2060/61	49.65	50.00
2061/62	50.00	74.95
2062/63	50.00	75.00

2065/66	50.00	74.81
Average	49.91	68.69

Sources: Bank Annual Report

From the above table, we can see that LLP for doubtful loan maintained by EBL, SCBNL, for the FY 2060/61 were 49.65%, 50% respectively. This figure indicated that EBL bank have failed to maintain the provision according to NRB directives for doubtful loan in FY 2060/61. Whereas, standard chartered have exactly 50% provision.

Similarly, in the FY 2061/62 the adequacy of LLP for Doubtful loan of EBL, SCBNL bank were 50.00%, 74.95% respectively. In the FY 2061/62 SCBN bank has maintained the highest provision of 74.95%. Likewise, in the FY 2065/66, the LLP for Doubtful loan maintained by EBL & SCBNL bank were 50%, 74.81% respectively. The analysis of secondary data along with their results and interpretations. This chapter starts with the presentation of secondary data in a tabular form. A graphical representation is also made followed by analysis and interpretation of the calculated data. Several relevant tools such as mean, standard deviation and coefficient of variation have been used for analysis. Finally, the (t) student's test is performed to accept or reject the null hypothesis (Ho): "There is no significant difference between the mean value of each of the selected ratio of SCBNL and EBL."

Financial statements serve as a means to various stakeholders of the bank to analyze the organization's financial strengths weaknesses, and performance. There are various ways to conduct the financial performance study. One of them is the financial ratio analysis. A financial ratio is a relationship between two financial variables. It helps to ascertain the financial condition of a firm. Ratio analysis is a process of identifying the financial strengths and weaknesses of the firm. This may be accomplished either through a trend analysis of the firm's ratios over a period of time or through a comparison of the firm's ratios with its nearest competitors and with the industry average.

Therefore, this chapter particularly analyzes and interprets the following aspects of financial position of SCBNL and EBL;

- ❖ Liquidity position
- ❖ Activity/Turnover Position
- ❖ Profitability position
- ❖ Capital structure/ Leverage position
- ❖ Other financial positions such as; price earnings ratio, earnings per share, and dividends per share,

4.4. Liquidity Ratio

A satisfactory liquidity positions is one of the distinguishing characteristics of a sound bank. As a critical factor of evaluation, liquidity is the ability of a bank to satisfy the credit needs of the community, to meet demands for deposit, withdrawals, pay maturing obligations on time, and to convert non-cash assets into 'cash' to satisfy immediate needs without loss to bank and consequent impact in the long-term profitability.

Liquidity ratios such as cash and bank balance to current assets ratio, loans and advances to current assets ratio, fixed deposit to total deposit ratio, saving deposit to total deposit ratio, and investment in government securities to current assets ratio attempts to figure out the liquidity position of the two banks under study.

4.4.1 Cash & Bank Balance to Current Assets Ratio

The Cash & Bank Balance to Current Assets Ratio measures the portion of cash & bank balances maintained against its current assets. In order to analyze and interpret the cash and bank balance to current assets position of the sampled banks, researcher obtained the required data from these banks. And the results of the analysis have been presented in the table no. 4.4.1

Table No.4.4.1

Cash & Bank Balance to Current Assets Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	6.42	22.18
2061/62	6.13	8.35
2062/63	5.00	16.53
2063/64	4.50	9.32
2064/65	7.27	14.54
2065/66	8.60	6.657
Mean	6.32	12.92
S.D.	1.49	5.90
C.V.	24.00	45.67

Source: - Appendix - 2

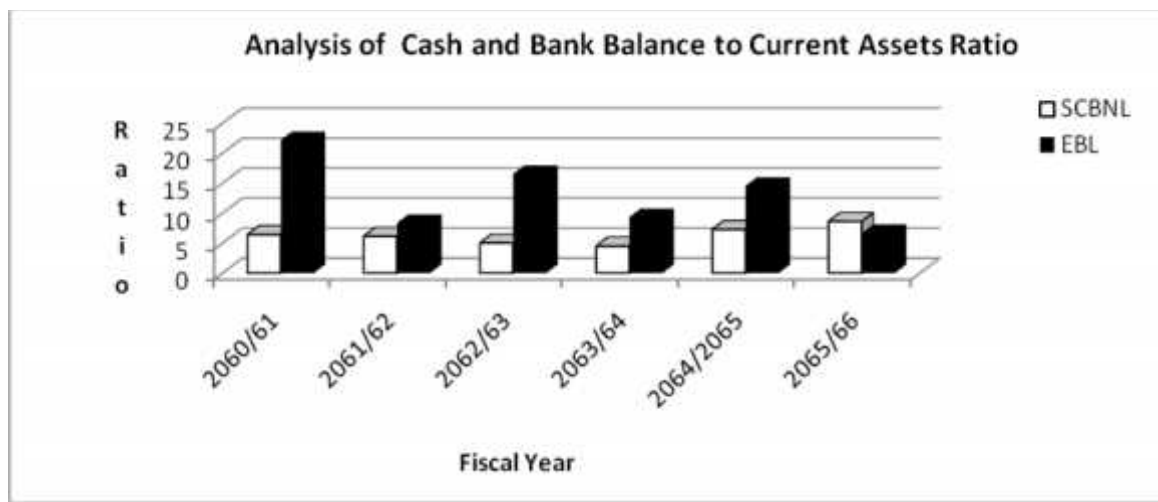
Cash and bank balances are assets that constitute the bank's first line of defence and consist of cash in hand, foreign cash on hand, cheques and other near cash items, balance with domestic/foreign banks etc. These are bank's highly liquid and immediately available funds to meet its anticipated and unanticipated calls on deposit. Current Assets, on the other hand, also have high liquidity. These are investment assets that can be converted into cash in a short span of time. However, cash and balances have a high liquidity ratio than current assets and it is necessary for banks to maintain a certain level of highly liquid assets at any time to meet contingent demands. It is also necessary to ensure that a certain level of ratio of highly liquid assets to less liquid assets is maintained. While highly liquid assets are important for an organization, high ratio of the same can result in potential assets lying idle.

In the table presented appendix - 1, we can observe that the cash and bank balance of SCBNL was Rs. 826.15 million in 2060/61 and Rs 2023.16 million in

2065/66. Similarly, the cash and bank balance of EBL was Rs. 460.71 million in 2060/61 and Rs 631.80 million in 2065/66. Current assets of SCBNL increased from Rs. 12862.22 million in 2060/61 to Rs23505.82 million in 2065/66. Similarly, current assets of EBL gradually increased from Rs. 2077.32 million in 2060/61 to Rs 9490.19 in 2065/66. The average/ mean Cash & Bank Balances to Current Assets ratio of SCBNL and EBL is 6.32 and 12.92 respectively. A graphical presentation of the cash and bank balance to current assets ratio of SCBNL and EBL for the year from 2060/61 to 2065/66 is given below.

Figure No. 4.4.1

Cash and Bank Balance to Current Assets Ratio



Source: Table 4.4.1

The mean cash and bank balance to current assets ratio indicates that while EBL maintained 12.92% of its current assets as cash and bank balances; SCBNL maintained only 6.32% on average for the five fiscal years from 2060/61 to 2065/66. This is because while SCBNL has largely invested in other forms of deposits such as money at call and government securities, EBL's concentration is more on its cash and bank balances. The coefficient of variation (C.V) between ratios of EBL (45.67%) is considerably greater than the C.V. of SCBNL (24%). It indicates that the variability of the ratios of SCBNL is more uniform than that of EBL. It can be suggested that EBL should increase its investment on government securities as these securities offer stable and regular return. EBL should also increase the amount of investment on money at call and short notice so that a proper balance is maintained. The calculated value of |t| for the cash and bank

balance to current assets ratio is 2.17, which is more than the table value of $|t|$ for 10 degrees of freedom. Hence, the null hypothesis is rejected, i.e. there is a significant difference between the mean ratios of cash and bank balance to current assets ratio of SCBNL and EBL.

4.4.2 Loans & Advances to Current Assets Ratio

This ratio measures the portion of current assets that have been given as loans and advances to other organization. The current assets and loans & advances of SCBNL and EBL for the year's form 2060/61 to 2065/66 have been collected and calculated ratio presented in the table 4.4.2 below.

Table No. 4.4.2

Loan & Advances to Current Assets Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	31.66	65.7
2061/62	29.17	68.08
2062/63	29.98	59.52
2063/64	29.26	62.09
2064/65	27.39	62.63
2065/66	27.27	63.33
Mean	29.12	63.56
S.D.	1.650	2.98
C.V.	5.67	4.68

Source: - Appendix – 3

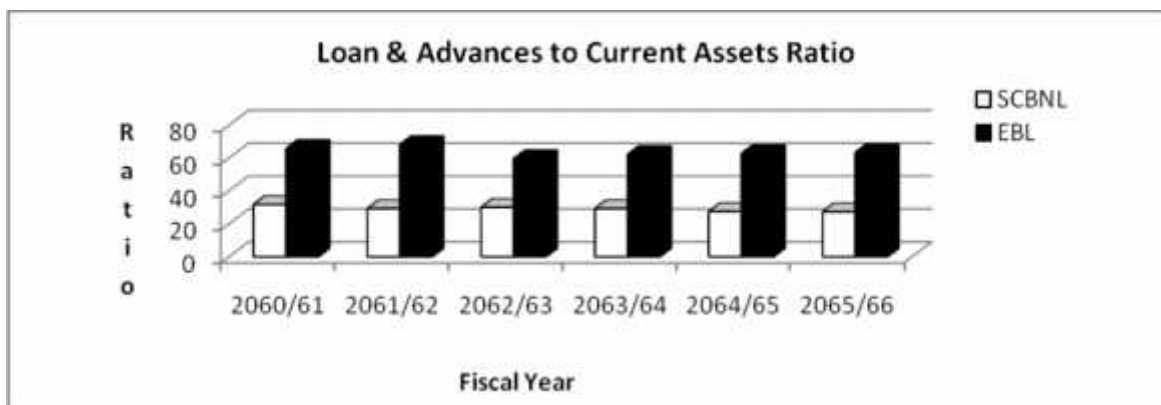
Loans and advances include loans, cash credit, overdrafts; bill discounted, and bill purchases. These are profit-earning assets of a commercial bank. Generally speaking, an increase in bank's investment on loans and advances would lead to an increase in its profit earning capacity, but it is necessary to ensure that the

quality of investment is maintained so that it may not turn into Non- Performing loan (NPLs). Assets turn into NPAs when the borrower becomes incapable to repay the debt.

In the appendix-2, we can see that the amount of loans and advance of SCBNL has increased form Rs. 4071.63 million in 2060/61 to Rs9410.24 million in 2065/66. Similarly, its currents assets has also increased form Rs. 12862.22 million in 2060/61 to Rs. 23505.82 million 2065/66. EBL's loans and advances have also increased from Rs1364.89 million in 2060/61 to Rs5884.12 million in 2065/66. The amount of current assets increased from Rs 2077.32 million in 2060/61 to Rs9490.19 million in 2065/66. We can see that the loans and advances to current assets ratio of both the bank have decreased. The ratio was 31.66% for SCBNL and 65.70% for EBL in 2060/61. In 2065/66, the ratio decreased to 27.27% for SCBNL and 63.33% for EBL. The mean loans and advances to current assets ratio was 29.12% and 63.35% for SCBNL and EBL respectively. The standard deviation between the ratios of SCBNL was 5.67% and it was 4.68% for SCBNL. The loans and advances to current assets ratio of the two banks for the years from 2060/61 to 2065/66 has been graphically presented below.

Figure No. 4.4.2

Loans and Advances to Current Assets Ratio



Source:-Table No. 4.4.2

SCBNL and EBL have witnessed a declining trend in the amount of loans and advances made against its current assets. This could be due to the fact that the Nepalese economy has experienced a setback in the recent years due to the

political instability in the country. The mean ratios of both the banks reveal that SCBNL maintained only 29.12% of its current assets as loans an advance while EBL maintained 3.56%. It indicates that SCBNL has been conservative or directing the resources to other alternatives in its approach of advancing loans and advances. The coefficient of variation (C.V.) for the two banks are 5.67% for SCBNL and 4.68% for EBL which means that the mean ratios arrived at for each of the years under study are relatively similar for the respective banks.

As loans and advances are interest earning assets for bank, they should concentrate at not only increasing the business bookings but at the same time maintaining the quality of credit. The loans and advances to current assets ratio of EBL shows that they are aggressively extending loans and advances. While this is good for the bank, its long-term consequences need to be carefully analyzed. The calculated value of $|t|$ for the loans and advances to current assets ratio is 20.21, which is more than the table value of $|t|$ for 10 degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean ratios of loans and advances to current assets ratio of SCBNL and EBL.

4.4.3 Fixed Deposit to Total Deposit Ratio

This Ratio measures the proportion of fixed deposits against the total deposit maintained by banks. Fixed deposit and total deposit of SCBNL and EBL for the years from 2060/61 to 2065/66 have been collected and calculated ratios have presented in the table below.

Table No. 4.4.3

Fixed Deposit to Total Deposit Ratio Rs. In Million

Year	Ratio	
	SCBNL	EBL
2060/61	25.70	58.09
2061/62	21.10	48.37
2062/63	20.97	49.94

2063/64	14.30	49.60
2064/65	10.39	41.74
2065/66	6.75	35.93
Mean	16.53	47.27
S.D.	7.25	7.62
C.V.	43.87	16.12

Source: - Appendix – 4

Fixed deposits are term deposits and these are these are the funds that banks can fully utilize until it matures. As funds from fixed deposits will be uncalled for unit it is matured, the provision made for unanticipated calls will be very low. As a result, bank will have the capacity to invest more. Profitability, however, depends on how productively and efficiently the funds have been utilized for the purpose of income generation.

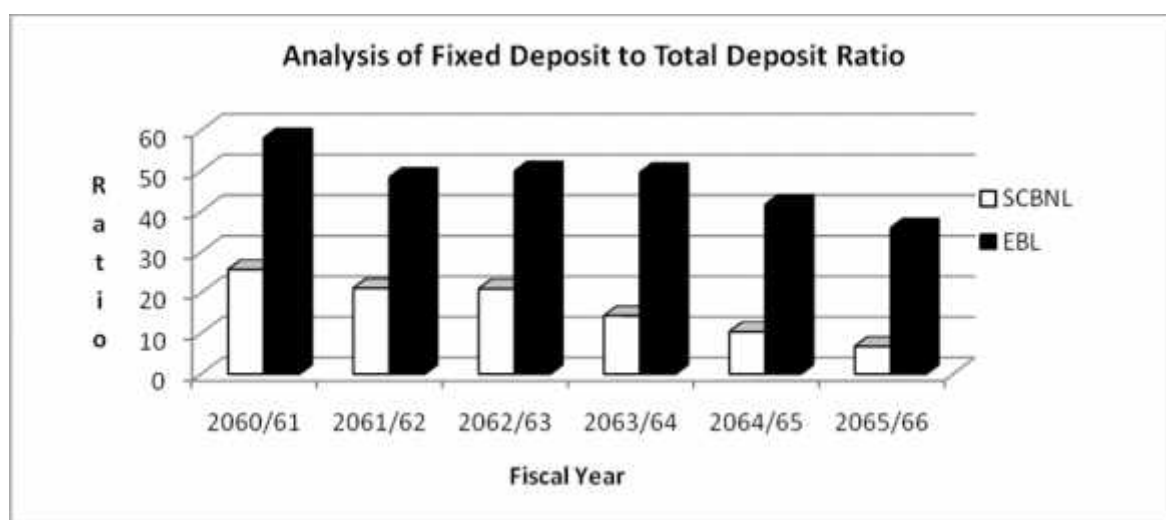
Total deposits are constituted from fixed deposits, savings deposits, and current deposits call & short deposits etc. While fixed and savings deposits are interest bearing deposits, other kinds of deposits may or may not be interest bearing Fixed and savings deposits are likely to have less transactions than the other kinds of deposits, example, current deposits.

In the table and graph presented below, we can observe that the fixed deposit to total deposit ratio of both the banks have decreased trough the period of the study. While the volume of fixed and total deposit increased, the ratios revealed otherwise. The fixed deposit to total deposit ratio has declined for both the banks. When the volume of total deposit of SCBNL was Rs 11165.16million in 2060/61, the ratio was 25% and in 063-64, when total deposit increased to Rs.21161.44 million, the ratio decreased to 6.75%. the fixed deposits have reduced considerably at SCBNL, more significantly during the year 2065/66. the fixed deposits at SCBNL for the year 2065/66 was NPR 1,428.50 millions whereas the amount was NPR 2,88.91 for the year 2060/61, the ratio was 58.09%

and in 2065/66, the total deposit increased to Rs 8063.90million in 2065/66, the fixed deposit to total deposit ratio declined to 35.93%. the standard deviation of SCBNL and EBL was 7.25 and 7.62 respectively. The mean fixed deposit to total deposit ratios of SCBNL and EBL are 16.53% and 47.27% respectively.

Figure No. 4.4.3

Fixed Deposit to Total Deposit Ratio



Source: Table No. 4.4.3

While SCBNL, fixed deposit against total against its total deposits was 16.53%, the portion of fixed deposits on total deposits for EBL was 47.27%, almost half of the total deposits. It was observed that although the volume of total deposit increased every year, the fixed deposit to total deposit ratio declined every year. It can be understood that other types of deposits (savings and current) increased and fixed deposit was less favorable. The coefficient of variation between the ratios of SCBNL and EBL are 43.87% and 16.12% respectively which indicate that the ratios of EBL have remained more uniform than the ratios of SCBNL.

Although a high percentage of fixed deposits will increase a bank's lending investment capacity, it will also increase its operation cost, as these are high interest bearing deposits. A proper balance of the various types of deposits is necessary to ensure that the costs of funds are kept at a minimum level. The calculated value of 't' for the fixed deposit to total deposit ratio is 8.1, which is more than the table value of 't' for 10 degrees of freedom. Hence, the null.

Hypothesis is rejected, i.e. there is a significant difference between the mean ratios of fixed deposit to total deposit ratios of SCBNL and EBL.

4.4.4 Saving Deposit to Total Deposit Ratio

The saving deposit to total deposit ratio represents the proportion of savings deposits in the total deposits. In order to assess the saving deposit to total deposit ratio, the volume of saving and total deposit of SCBNL and EBL for the years from 2060/61 to 2065/66 have been collected and calculated ratios presented in the table below.

Table No. 4.4.4

Saving Deposit to Total Deposit Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	49.01	2.99
2061/62	52.77	29.17
2062/63	54.47	30.26
2063/64	59.62	31.74
2064/65	56.69	41.19
2065/66	60.35	46.26
Mean	55.48	33.60
S.D.	49.01	8.53
C.V.	52.77	25.38

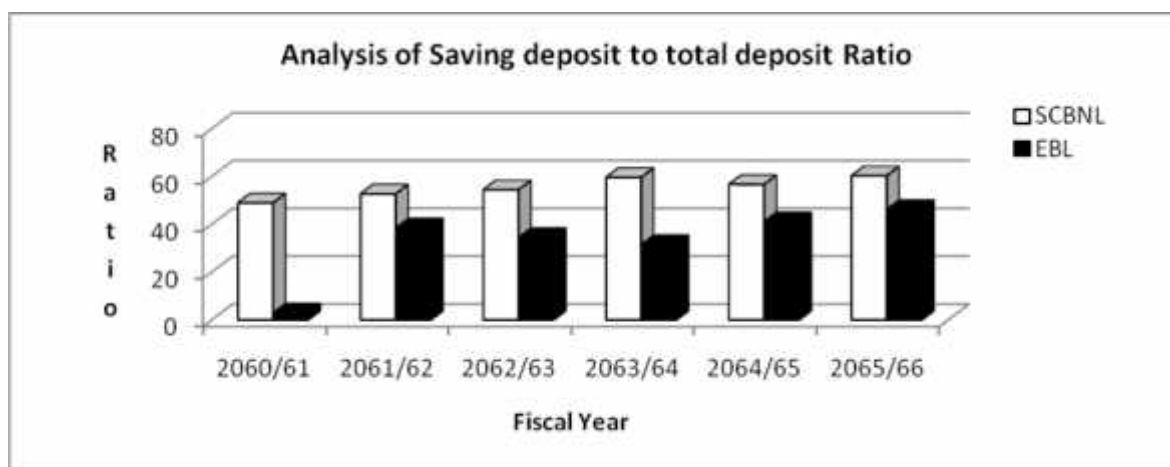
Source: -Appendix - 5

Savings deposits are interest-bearing deposits. However, the interest paid on this type of deposits is comparatively cheaper than interest paid on fixed deposits. Transactions on savings deposits are higher compared to fixed deposits.

In the table appendix - 4, we can observe that the saving deposit to total deposits of SCBNL has witnessed an increasing trend. The amount of saving deposit of SCBNL, in the year 2060/61 was Rs. 5,471.68,million and it increased deposit to total deposit ratio of both the banks have increased as well. The saying deposit to total deposit ratio of SCBNL was 49.01% in 2058-059 and 60.35% in 2065/66. EBLs saving deposit to total deposit ratio was 22.99% in 2060/61 and 46.26% in 2065/66. The mean saving deposit to total deposit ratio of SCBNL and EBL was 55.48% and 33.60% respectively. Standard deviation of SCBNL and EBL was 4.27 and 8.53 respectively. A graphical representation of the ratios of the two banks during the study period is presented below.

Figure No. 4.4.4

Saving deposit to total deposit Ratio



Source: Table No. 4.4.4

The ratio for SCBNL for the year 2060/61 was 49.01% for the year 2065/66. on average, the ratio was 54.51%. On the other hand, the mean ratio of EBL was 22.60% for the years from 2060/61 to 2065/66. The mean ratio of SCBNL is higher than the mean ratio of EBL indicating that SCBNL's proportion of savings deposits on its total deposits is comparatively higher than that of EBL. On the whole, both the banks have been able to increase its saving deposits, EBL has witnessed a substantial growth in its saving deposits to total deposits ratio from 22.99% in the year 2060/61 to 46.26% in the year 2065/66. The coefficient of

variation for SCBNL (7.69%) and EBL (25.38%) indicate that the ratio of SCBNL is more uniform in nature than that of EBL.

While it is admirable that the banks have been able to increase its volume of saving deposit every year, the saving deposit constitute more than half of SCBNL,s total deposit and the saving deposit of EBL constitute about 31% of its total deposit. It can be recommended that EBL should attempt to increase its saving deposit. The calculated value of 't' for the saving deposit to total deposit ratio is 8.87 which is more than the table value of 't' for 10 degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean ratios of saving deposit to total deposit ratio of SCBNL and EBL.

4.4.5 Investment in Govt. Securities to Current Assets Ratio.

This ratio measures the percentage of investment made by banks in government securities relative to its total current assets. In order to calculate the investment on government securities to current assets ratio, the amount invested on government securities and amount of current and assets have been collected and calculated ratios presented in the table below.

Table No. 4.4.5

Investments on Govt. Securities to Current Assets Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	20.76	8.9
2061/62	20.05	7.73
2062/63	25.03	16.3
2063/64	31.56	24.2
2064/65	32.33	20.41

2065/66	33.81	25.98
Mean	27.25	17.25
S.D.	6.1	7.86
C.V.	22.39	45.56

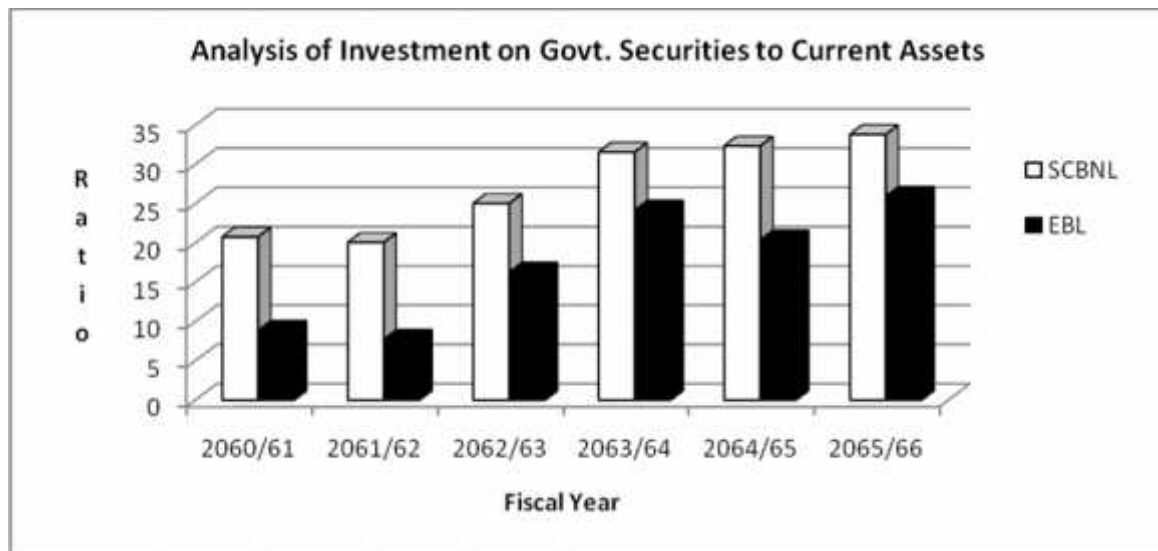
Source: -Appendix - 6

From the appendix - 5, we can observe that the investment on government securities to current assets ratio of both the bank have increased during the period of the study. The amount of investment on government securities for SCBNL was Rs. 2,669 million in 2060/61 and the ratio was 20.76%. The volume of investment on government securities increased to Rs, 7,948.21 Million in 2065/66 and the ratio was 33.81%. Similarly, EBL's investment on government securities increased from Rs. 184.91 million in 2060/61 to Rs. 2,466.42 million in 2065/66. The ratio also increased from 8.90% in 2060/61 to 25.98% in 2065/66. The mean investment on government securities to current assets ratio for SCBNL and EBL was 27.25% respectively. The standard deviation was 6.10 for SCBNL and 7.86 for EBL.

The mean investment on government securities to current assets ratio reveal that SCBNL has investment about 27.25% of its current assets in government securities whereas EBL's investment is only 17.25%. The coefficient of variation is 22.39% for SCBNL and 45.56% for EBL higher than that of SCBNL. In the graph below, we can observe that there was a decline in the ratio for both the banks in 2061/62 only. The ratio has increased for the rest of the years under study.

Figure No. 4.4.5

Investment on Govt. Securities to Current Assets



Source: Table No. 4.4.5

Government securities offer stable returns and default risk free assets. While it is common for all banks to invest to a certain portion of its current assets in these securities, the volume of investment depends upon the individual policies of the banks. The interest rates on these types of securities have recently declined to very minimum and banks have started to lose preference on them. The responsibility is on the banks to assess to what degree the investment is to be made since the risk-free securities have a bearing on cost of funds.

The calculated value of 't' for the investment on government securities to current assets ratio is 2.26, which is less than the table value of 't' for 10 degrees of freedom. Hence, the hypothesis is accepted, i.e. there is no significant difference between the mean ratios of investment on government securities to current assets ratio of SCBNL and EBL.

4.4.6 Cash Reserve Ratio

Bank has to maintain 5.5% of their total deposit in local currency in the form of balance at NRB, failing which they will be penalized by the central bank, it is a NRB directives. It should be maintained or to ready to pay to depositors when they come to withdraw deposit amount. Cash reserve ratio of SCBNL and EBL

are collected from their annual report from year 2061/062 to 2065/066 and presented in table no. 4.4.6

Table No 4.4.6

Cash Reserve Ratio

YEAR	SCBNL	EBL
2061/62	8.77	1.9
2062/63	6.86	1.9
2063/64	5.46	2.9
2064/65	5.84	4.56
2065/66	8.18	14.26
Average	7.022	5.104
S.D	1.29	060.
C.V.	12.63	5.46

Source: Table no.4.1.4&4.2.4

In the table presented above, we can observe that the cash reserve ratio of SCBNL is 8.77, 6.86, 5.46, 5.84 and 8.18 in year 2061/62, 2062/63, 2063/64, 2064/65, 2065/66 respectively. Similarly EBL has 1.9, 1.9, 2.9, 4.56 and 14.26 in year 2061/62, 2062/63, 2063/64, 2064/65, 2065/66 respectively. Cash reserve ratio of SCBNL has fluctuating trend but EBL has increasing trend. SCBNL is able to maintain to NRB directives which is 5.5% but EBL can't maintain this ratio. The liquidity position cash management of EBL is not better than SCBNL. So EBL has to improve in his performance.

4.5 Activity Turnover Ratios

Activity ratios reflect the firm's efficiency in utilizing its assets. They are employed to evaluate the efficiency with which the firm manages and utilizes its assets. These ratios are called turnover ratios because they indicate the speed with

which assets are being converted or turned over into sales. Activity ratios, thus, involve a relationship between sales and assets.

4.5.1 Loans & Advances to Total Deposit Ratio.

The loans and advances to total deposit ratio reflect the extent to which the banks are successful in mobilizing their total deposits on loans and advances. It is calculated by dividing loans and advances by total deposits. The required data in order to calculate the loans and advances to total deposit ratio of SCBNL and EBL for the fiscal years from 2060/61 to 2065/66 is presented in the table below;

Table No. 4.5.1

Loans & Advances to Total Deposit Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	0.36	0.70
2061/62	0.39	0.74
2062/63	0.37	0.66
2063/64	0.34	0.72
2064/65	0.30	0.73
2065/66	0.30	0.73
Mean	0.34	.71
S.D.	0.37	.029
C.V.	10.88	4.08

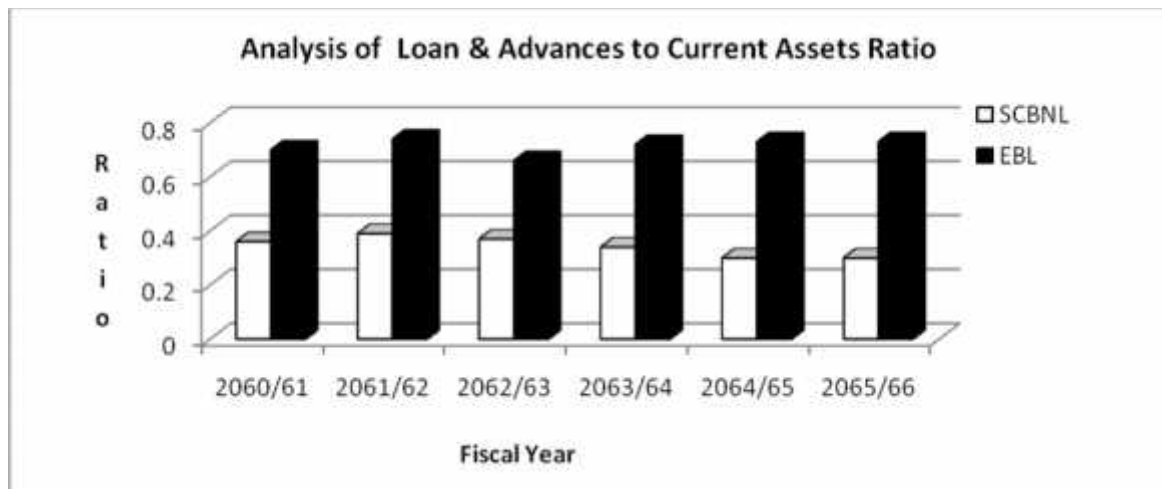
Source: - Appendix – 7

Loans & Advances are investments made by banks in order to earn interest income. In comparative table presented above, it can be observed that both the banks have witnessed mixed trend in the loans and advances to total deposit ratio during the period of the study. The ratio of SCBNL was 0.36 in 2060/61 and it increased to 0.39 in 2061/62. Then it's started to decrease and the ratio was 0.30 in 2065/66. the case of EBL, the loans and advances to total deposit ratio was 0.70. It decreased to 0.66 in 2062/63 and again increased to 9.73 at the end of 2065/66. the mean loans and advances to total deposit ratio of SCBNL and EBL was 0.34 and 0.71 respectively.

While both the banks have increased the amount of loans and advances every year, the percentage of loans and advances against its fixed deposits has slightly decreased for SCBNL. The mean ratio of loans and advances to total deposits ratio of SCBNL and EBL indicates that EBL has been able to invest 71% of its total deposit on loans and advances to total deposit ratio. SCBNL has been experiencing a declining whereas EBL experienced a slight increase during 2064/65 and 2065/66. The coefficient of variation for SCBNL and EBL is 10.88% and 4.08% respectively denoting that the variability in the loans and advances to total deposit ratio of EBL is lower than that of SEBNL. The coefficient of variation was 10.88 for SEBNL and 4.08 for EBL. The varying trend of loans and advances to total deposit ratio of SCBNL and EBL has also been presented in the graph below.

Figure No. 4.5.1

Loans & Advances to Total Deposit Ratio



Source:-Table No. 4.5.1

The amount of total deposit determines the extent to which, loans and advances can be forward because a bank can give loan only from what deposit it has. EBL seems to have aggressively extended loans and advances. In 2063-064, the loans and advances to total deposit ratio of EBL was 0.73, which means that bank had given credit equaling 73% of its total deposit. While it is good for the bank as more loans mean more income, but too much aggressiveness is not recommended. The calculate value of 't' for the loans and advances to total deposit ratio is 662.07, which is more than the table of 't' for 10 degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean ratios of loans and advances to total deposit ratio of SCBNL and EBL.

4.5.2 Loans & Advances to Fixed Deposit Ratio

The loans and advances to fixed deposit ratio measure the extent to which the fixed deposits have been utilized as loans and advances. The ratio of SCBNL and EBL for the years from 2060/61 to 2065/66 have been presented in the table below.

Table No. 4.5.2

Loans & Advance to Fixed Deposit Ratio.

Year	Ratio	
	SCBNL	EBL
2060/61	1.42	1.21
2061/62	1.83	1.54
2062/63	1.78	1.32
2063/64	2.37	1.46
2064/65	2.92	1.76
2065/66	4.48	2.03
Mean	2.46	1.55
S.D.	1.113	0.30
C.V.	45.26	19.35

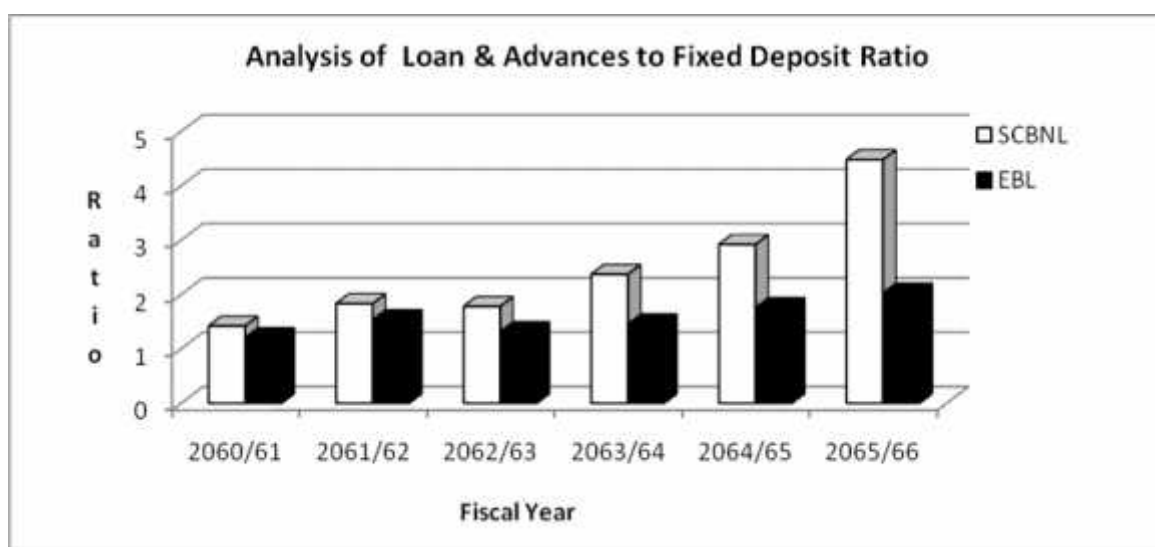
Source: - Appendix - 8

In the appendix - 7, we can see that amount of loans and advances of SCBNL have increased from Rs. 4,071.63 million in 2060/61 to Rs. 6,410.24 million in 2065/66. On the other hand, its fixed deposit also decreased from 2,865.91 million in 2060/61 to Rs. 1,428,50 million in 2065/66. The loans and advance to fixed deposit ratio of SCBNL was 1.42 in 2060/61 and 4.48 in 2065/66. The amount of loans and advances of EBL increased from Rs. 1,364.89 million in 2060/61 to Rs. 5,884.12 million in 2065/66. Similarly, its total deposits increased from Rs. 1,132.08 million in 2060/61 to Rs. 2897.96 million in 2065/66. The mean loans and advances to total deposit ratio of SCBNL and EBL is 2.46 and 1.55 respectively. The standard deviation of the ratio of SCBNL is 1.113 and coefficient of variation is 45.26. Similarly standard deviation of the ratio of EBL is 0.30 and coefficient of variation is 19.35.

The mean loans and advances to fixed deposit of SCBNL and EBL indicate that the loans and advances made by SCBNL are 2.06 times of its fixed deposits. Similarly EBL has been able to invest up to 1.42 times of its fixed deposits as loans and advances. However, although we see that SCBNL's loans and advances to fixed deposit ratio have increased in 2065/66, it is because the amount of fixed deposit has decreased. EBL's growth in the amount of loans and advances made is more regular than that of SCBNL. These are substantiated by the coefficient of variation of SCBNL (45.26) and EBL (19.35).

Figure No. 4.5.2

Loans & Advances to Fixed Deposit Ratio



Source:-Table No. 4.5.2

The loans and advances to fixed deposit ratio of both the banks are satisfactory in terms of the ratio. However, total dependency on the ratios alone is not suggested as we see that although SCBNL, ratio increased from 2.37 in 2063/64 to 4.48 in 2065/66, it was used to a decrease in its total fixed deposit.

The calculated value of 't' for the loans and advances to fixed deposit ratio is 1.96, which is less than the table value of 't' for 10 degrees of freedom. Hence, the hypothesis is accepted, i.e. there is no significant difference between the mean ratios of loans and advances of fixed deposit ratio of SCBNL and EBL.

4.5.3. Loans & Advances to Saving Deposit Ratio:

In order to calculate the loans and advances to saving deposit ratio for SCBNL and EBL from 2060/61 to 2065/66, the researcher collected the required data and presented it in the appendix . The amount of loans and advances, saving deposit, and the calculated values of loans and advances to saving deposit ratio. Its standard deviation, coefficient of variation has also been presented in the table.

Table No. 4.5.3

Loans & Advances to Saving Deposit Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	0.74	3.05
2061/62	0.73	2.55
2062/63	0.69	2.17
2063/64	0.57	2.28
2064/65	0.54	1.78
2065/66	0.50	1.57
Mean	0.628	2.23
S.D.	0.102	0.52
C.V.	16.45	23.31

Source: -Appendix - 9

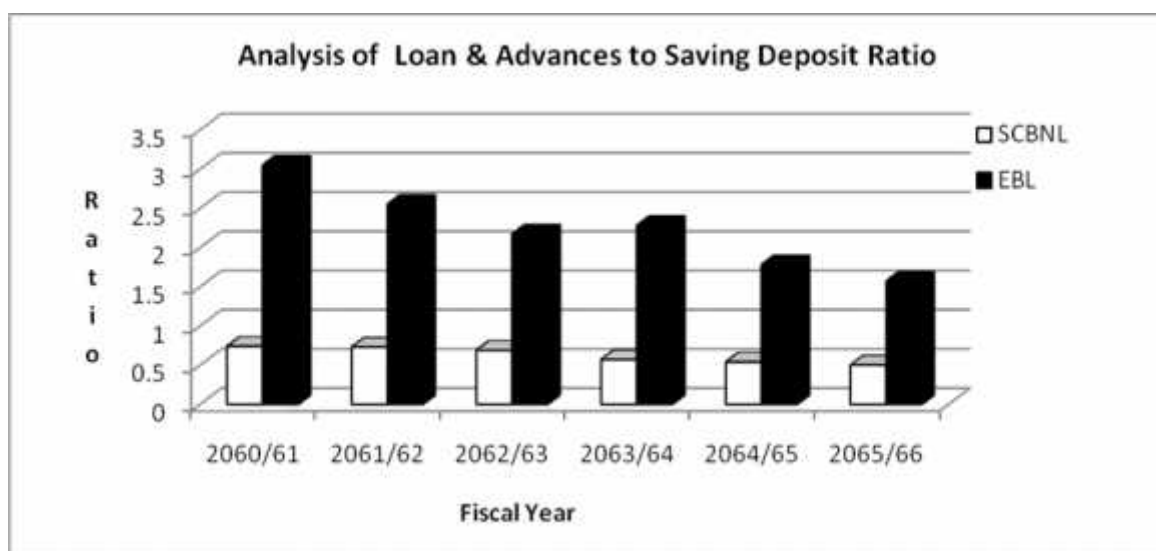
Saving deposit is interest-bearing deposit and the transaction in this type of deposit is relatively higher compared to fixed deposits. Appendix shows that the amounts of loans and advances and saving deposit of both the bank have increased through the years. The loans and advances of SCBNL increased from Rs. 4,071.63 million in 2060/61 to Rs. 6,419.24 million in 2065/66. Its saving deposit also increased from Rs. 5,471.68million in 2060/61 to Rs. 12,771.82 million in 2065/66. EBLs loans and advances increased from rs 1364.89million in

2060/61 to Rs 5,884.12 million in 2065/66. A substantial growth in EBL's loans and advances was in the year 2065/66. The mean loans and advances to saving deposit of SCBNL and EBL is 0.26 and 2.23 respectively. The standard deviation of the ratios for two banks is 0.102 (SCBNL) and 0.52 (EBL).

The mean loans and advances to saving deposit ratio for SCBNL and EBL is 9.628 and 2.23 respectively indicating that whole SCBNL has been able to utilize only 0.65 times of its saving deposit as loans and advances, EBL's utilization is 2.36 times on average. In conclusion, the loans and advances to saving deposit ratio have decreased for both the banks. The reason can be attributed to the disproportionate increase in loans and advances compared to the increase in its saving deposit. There has been a significant decrease in the ratio for EBL, which is also depicted by the coefficient of variation of 23.31% compared to the coefficient of variation of the loans and advances to saving deposit ratios or SCBNL for the years from 2060/61 to 2065/66 (16.45%).

Figure No. 4.5.3

Loans & Advances to Saving Deposit Ratio



Source:-Table No. 4.5.3

Considering the mean loans and advances to saving deposit of SCBNL (9.62) and EBL (2.23), it is noticed that the difference in ratios between the two banks is significant. This again represents EBL's aggressiveness in extending loans and advances compared to SCBNL. While more loans and advances is good, effective monitoring of the quality of credit is suggested. The calculated value of 't' for the loans and advances to saving deposit ratio is 7.11, which is more than the table value of 't' for 10 degrees of freedom hence, the hypothesis is rejected , i.e. there is a significant difference between the mean ratio of loans and advances to saving deposit ratio of SCBNL and EBL.

4.5.4. Operating Profit to Net Worth Ratio.

Operating profit to Net worth ratio for both the banks for the years from 2060/61 to 2065/66 is presented below. In order to calculate the ratio, the amount of operating profit and net worth have been collected and tabulated in appendix.

Table No. 4.5.4

Operating Profit to Net worth Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	0.74	3.05
2061/62	0.73	2.55
2062/63	0.69	2.17
2063/64	0.57	2.28
2064/65	0.54	1.78
2065/66	0.50	1.57
Mean	0.628	2.23

S.D.	0.102	0.52
C.V.	16.45	23.31

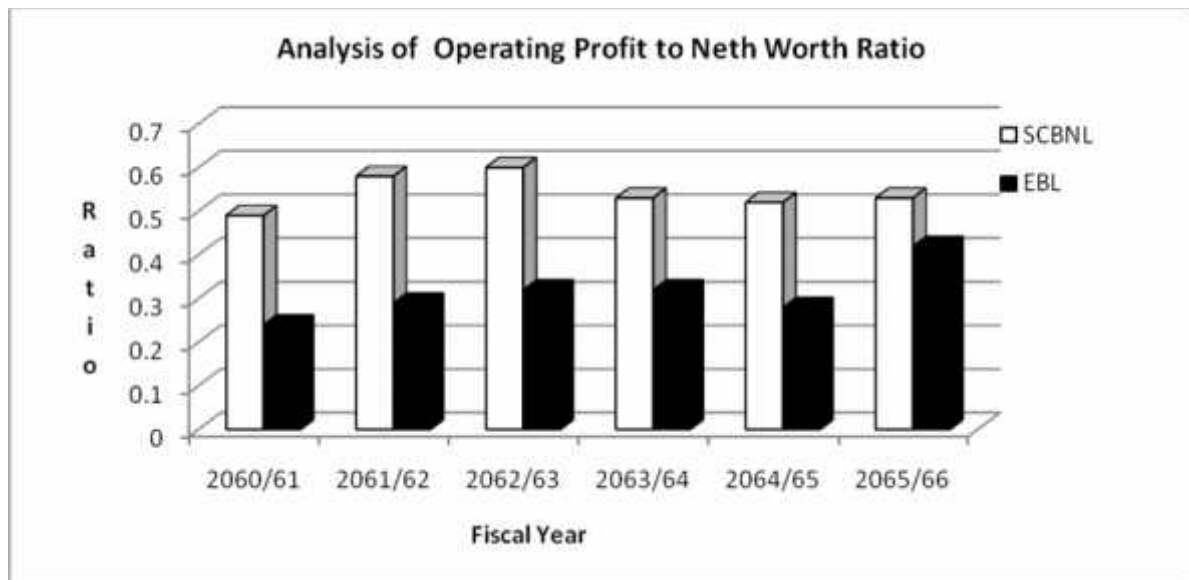
Source:-Appendix - 10

In the appendix - 9, we see that the operation profit of SCBNL in 2065/66 has increased to Rs. 797.11m from Rs. 532.15million in 2060/61. Similarly, its net worth in 2065/66 has also increased to Rs. 1,495.74m from Rs. 1,080.41million in 2060/61. The growth of EBL in terms of operating profit is also noticeable. Its operating profit in 2065/66 has also increased to Rs. 316.4m from Rs. 34.74million in 2060/61. Its net worth in 2065/66 has also increased to Rs. 762m from Rs. 145.16million in 2060/61. However, the operating profit to net worth ratio of both the banks says otherwise. The ratio has witnessed increasing and decreasing trend during the period of the study. The ratio of SCBNL was 0.49 in 2060/61 and went up to 0.60 in 2062/63. it then declined to 0.53 in 2065/66. In the case of EBL's ratio as well, it was 0.24 in 2060/61 which increased to 0.42 in 2065/66.

The mean of the operating profit to net worth ratio for SCBNL and EBL are 0.54 and 0.29 respectively indicating that while SCBNL was able to generate operating profit equaling more than half of its total net worth. On the other hand, EBL was only able to generate operating profit equaling 29% of its total net worth. Although both the banks have been able to increase their operating profit through the years, the operating profit to net worth ratio reflects otherwise. The ratio has been decreasing every year due to the disproportionate increase in operating profit and net worth of the banks. The coefficient of variation of SCBNL is 8.27% while EBL's coefficient of variation is 11.44% indicating that the operating profit to net worth ratio of SCBNL stood more uniform than that of EBL. The increasing and decreasing trend of operating profit to net worth ratio of both the banks have also been depicted in the graph below.

Figure No. 4.5.4

Operating Profit to Net worth Ratio



Source:-Table No. 4.5.4

The operating profit to net worth ratio of SCBNL (9.54) and EBL (9.29) vary significantly from each other. It is to be noted that SCBNL is a large organization and its operations are wide spread. Its network in the national as well as international area is certainly greater than EBL. Hence, it is quite obvious that the ratio of SCBNL will be greater than EBL.

The calculated value of 't' for the operating profit to net worth ratio is 8.94, which is more than the table value of 't' for 8 degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean ratios of operating profit to net worth ratio of SCBNL and EBL.

4.6 Profitability Ratios

Profitability ratios measure overall performance and effectiveness of the firm. Besides management of the company, creditors and owners are also infested in the profitability of the firm. Creditors want to get interest and payment 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.

4.6.1. Interest Earned to Working fund ratio:

The interest earned to working fund ratio measures the amount of interest earned against the working fund employed. In order to calculate the interest earned to working fund ratio, the researcher collected the required data and the calculated results have been presented in the table below. Table 4.6.1 contains the interest earned to working fund ratio, standard deviation, and coefficient of variation of SCBNL and EBL for the years from 2060/61 to 2065/66.

Table No. 4.6.1

Interest Earned to Working Fund ratio

Year	Ratio	
	SCBNL	EBL
2060/61	6.93	7.73
2061/62	6.25	7.84
2062/63	6.42	7.40
2063/64	5.50	6.72
2064/65	4.77	6.46
2065/66	4.40	6.84
Mean	5.71	7.165
S.D.	.990	.568
C.V.	17.34	7.94

Source:-Appendix - 11

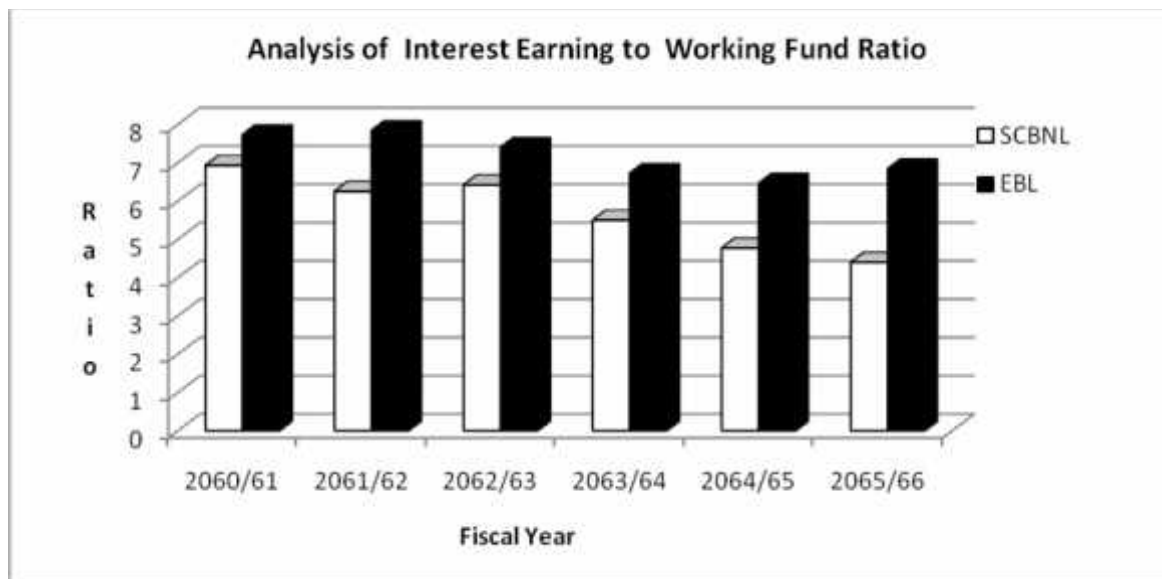
Interest earned is the income generated through loans and advances. This income constitutes a major portion of the banks' earnings. In the graph presented above, we can see that while SCBNL witnessed increasing and decreasing trend through the years under study, EBL witnessed a decreasing trend. The amount of interest earned by SCBNL was Rs 902.45 million in 2060/61, which increased to Rs. 1,242.92 million in 2062/63 and again decreased to Rs 1,042.17 million. On the

other hand, the amount of interest earned by EBL was Rs. 175.94 million in 2060/61, which increased to Rs. 657.24 million in 2065/66. The mean interest earned to working fund ratio of SCBNL and EBL is 5.71% and 7.16% respectively. The coefficient of variation of SCBNL and EBL is 17.34 and 7.94 respectively.

We can observe that the amount of interest earned by SCBNL was highest in the year 2062/63 and has witnessed a decline since then EBL has witnessed an increase in its interest earned through the years. The decrease in the interest earned to working fund ratio is due the disproportionate increase the amount of interest earned and working fund. The coefficient of variation of SCBNL and EBL is 17.34% and 7.94% indicating that the ratio of EBL has varied less in comparison to the ratio of SCBNL.

Figure No. 4.6.1

Interest Earned to working fund ratio



Source:-Table No. 4.6.1

Although the interest earned to working fund ratio has declined for both the banks, there is an increase in the volume of interest earned for EBL. EBL's amount of interest earned has increased considerable from Rs. 443.82 million in 2061/62 to Rs. 657.24 million in 2065/66. on the other hand , SCBNL's decrease

in the amount of interest earned from Rs. 1,013.64million in 2061/62 to Rs. 1,001.36 million in 2064/65 in minimal.

4.6.2. Interest Paid to Working Fund Ratio

The interest paid to working fund ratio for SCBNL and EBL for the years from 2060/61 to 2065/66 is presented in the table below. In order to calculate the ratio, the amount of interest paid and working fund was collected from the banks' financial statements. The calculated interest paid to working fund ratio, their mean, standard deviation, coefficient of variation has also been presented in the table.

Table No. 4.6.2

Interest Paid to Working Fund Ratio

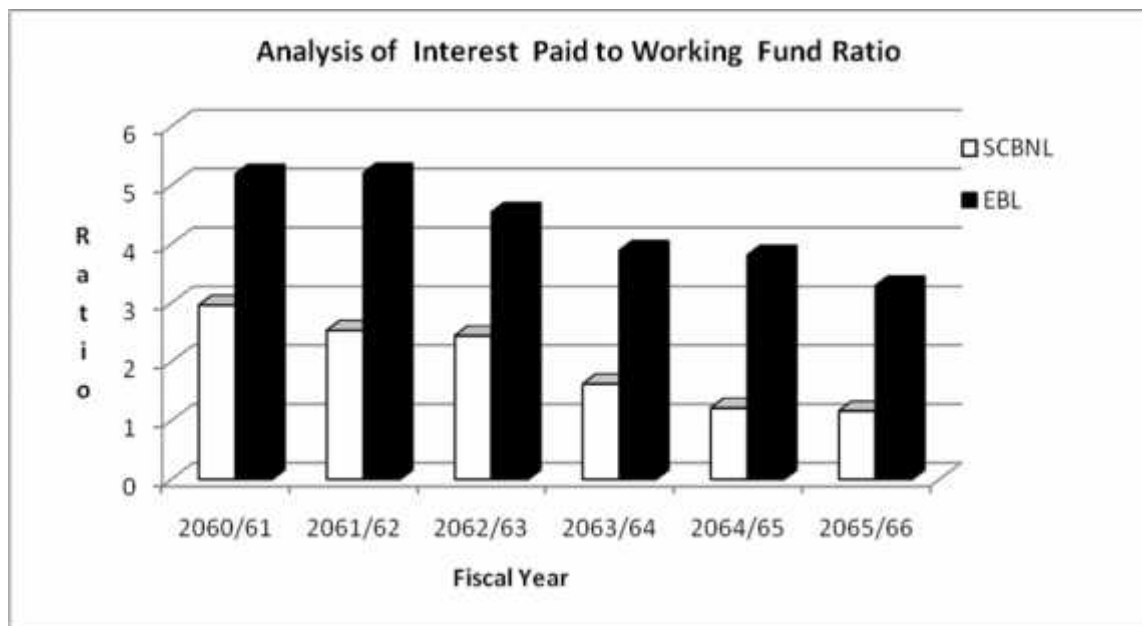
Year	Ratio	
	SCBNL	EBL
2060/61	2.96	5.19
2061/62	2.53	5.21
2062/63	2.44	4.54
2063/64	1.62	3.89
2064/65	1.21	3.81
2065/66	1.16	3.29
Mean	1.98	4.32
S.D.	0.754	0.781
C.V.	38.08	18.07

Source:-Appendix - 12

The amount of interest paid for SCBNL has decreased through the years under study. The amount of interest paid by SCBNL was Rs. 384.85 million in 2060/61, which decreased to Rs. 278.80 million in 2065/66. Contrary to this, EBL's amount of interest paid increased from Rs. 117.22 million in 2060/61 to Rs 313.36 million in 2065/66. However, the interest paid to working fund ratio for both the banks have decrease. The ratio of SCBNL decreased from 2.96% in 2060/61 to 1.16% in 2065/66. The mean interest paid to working fund ratio of SCBNL and EBL is 1.98% and 4.32% respectively. The standard deviation of SCBNL and EBL is 0.754 and 0.781 respectively. And the coefficient of variation of SCBNL and EBL is 38.08 and 18.07 respectively. Although EBL's amount of interest paid has decrease through the years under study, its interest paid to working fund ratio has declined as the amount working fund has increased disproportionately compared to the amount of interest paid. Compared to the interest paid to working fund ratio of SCBNL in the fiscal year 2064/65 (1.21). The coefficient of variation of SCBNL and EBL are 38.08% and 18.7% respectively suggesting that the ratios of SCBNL varied more compared to the ratios of EBL.

Figure No. 4.6.2

Interest Paid to Working Fund Ratio



Source:-Table No. 4.6.2

In the above graph, we can see the decreasing pattern of interest paid to working fund ratio. The decrease in the amount of interest paid is certainly good for the banks, as it will ultimately affect their profits.

The calculated value of 't' for the interest paid to working fund ratio is 4.84, which is more than the table value of 't' for 10 degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean ratio of interest paid to working fund ratio of SCBNL and EBL.

4.6.3. Net Profit to Working Fund Ratio:

This ratio measures the percentage of net profit against the company's total working fund. This ratio is calculated by dividing working fund by net profit. In order to calculate the net profit to working fund ratio the required data; the amount of net profit and working fund have been collected and presented in the appendix.

Table No. 4.6.3

Net profit to Working Fund Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	2.76	1.11
2061/62	2.33	1.21
2062/63	2.23	1.34
2063/64	2.60	1.29
2064/65	2.41	1.17
2065/66	2.27	1.49

Mean	2.47	1.22
S.D.	0.2131	0.0922
C.V.	8.64	7.53

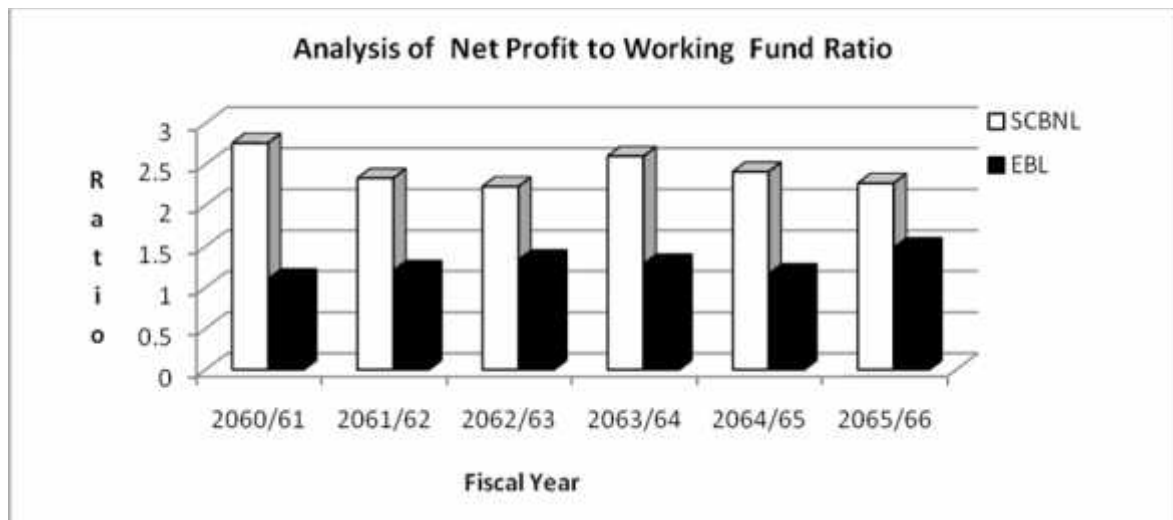
Source:-Appendix - 13

In the appendix - 12, we see that the net profit has increased for both the banks. The amount of net profit of SCBNL was Rs. 359.46 million in 2060/61 and it increased to Rs. 537.80 million in 2065/66. Similarly, EBL's net profit increased from Rs. 25.24 million in 2060/61 to Rs. 143.56. The net profit to working fund ratio of both the banks has witnessed an increasing and decreasing trend. SCBNL's net profit to working fund ratio has declined from 2.76% in 2060/61 to 2.27% in 2065/66. On the other hand, EBL's net profit to working fund ratio increased from 1.11% in 2060/61 to 1.49% in 2065/66 and declined to 1.17% in 2064/65. The mean net profit to working fund ratio of SCBNL and EBL is 2.43% and 1.26% respectively. The standard deviation of SCBNL and EBL is 0.205 and 0.1356 respectively.

The mean net profit to working fund ratio of SCBNL and EBL are 2.43% and 1.26% respectively implying that while SCBNL was able to generate net profit equaling 2.43% of its working fund, EBL was able to generate net profit equaling only 1.26% of its working fund. The ratios also reveal that SCBNL is more capable of generating income compared to EBL. The increment in net profit to both the banks reveals their competency in generating profits. The degree of variability of the ratios is measured by coefficient of variation, which is 8.64% for SCBNL and 7.53% for EBL. The coefficient of variation indicates that the net profit to working fund ratio of EBL varied less compared to SCBNL. A graphical representation of the net profit to working fund ratio is given below.

Figure No. 4.6.3

Net Profit to Working Fund Ratio



Source:-Table No. 4.6.3

The fluctuating trend of net profit to working fund ratio can be accounted for the political instability faced by the Nepalese economy in the recent years. But the amount of net profit earned is satisfactory compared to its working funds. The calculated value of 't' for the net profit to working fund ratio is 10.77, which is more than the table value of 't' for 10 degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean ratios of net profit to working fund ratio of SCBNL and EBL.

4.6.4. Net Profit to Total Deposit Ratio

The net profit to total deposit ratio measures the percentage of net profit earned against its total deposit. In order to calculate the net profit to total deposit ratio of SCBNL and EBL for the years from 2060/61 to 2065/66, the required data have been collected and presented in appendix. The table contains the amount of net profit and total deposit of both the banks for the study period. Net profits to total deposit ratio, its standard deviation, and coefficient of variation have also been presented in the table below.

Table No. 4.6.4

Net Profit to Total Deposit Ratio

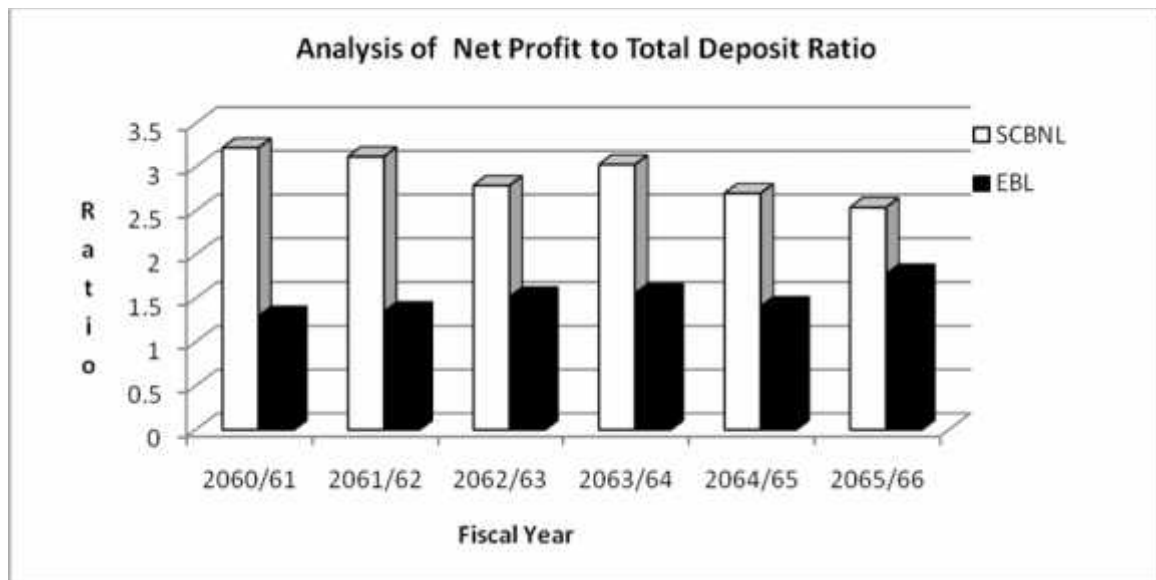
Year	Ratio	
	SCBNL	EBL
2060/61	3.22	1.30
2061/62	3.12	1.35
2062/63	2.79	1.52
2063/64	3.03	1.56
2064/65	2.70	1.41
2065/66	2.54	1.78
Mean	2.9	1.48
S.D.	.262	.1732
C.V.	9.05	11.70

Source:-Appendix - 14

While net profit is the amount earned by an organization after deducting all its expenses, total deposit is the total of all types of deposit collected by a bank. The types of deposit are; saving deposit, fixed deposit, current deposit etc. the amount of net profit as well as total deposit for both the banks has witnessed an increase through the period of the study. The amount of total deposit of SCBNL increased from Rs. 11,16516 million in 2060/61 to Rs. 21,161.44 million in 2065/66. Similarly, EBL's total deposit increased from Rs. 1948.94 million in 2060/61 to Rs. 8,063.90 million in 2065/66. The net profit to total deposit ratio of both the banks have a different story to tell as they witnessed a fluctuating trend. While SCBNL's ratio has decreased from 3.22% in 2060/61 to 2.54% in 2065/66, EBL's ratio jumped from 1.30% in 2065/66 to 1.56% in 2063/64 and again declined to 1.41% in 2064/65. the mean net profit to total deposit ratio of SCBNL and EBL is 2.9% and 1.48% respectively. The standard deviation of SCBNL and EBL is 0.262 and 0.1732 respectively. A graphical representation of the net profit to total deposit ratio is given below.

Figure No. 4.6.4

Net profit to total deposit Ratio



Source:-Table No. 4.5.4

The mean ratio indicates that SCBNL's profitability is quite higher than EBL's profitability. SCBNL has the capacity to earn more than EBL. While EBL was able to earn net profit equaling only 1.48% of its total deposit, SCBNL was able to earn net profit equaling 2.90% of its total deposit. The pattern of increase and decrease has been similar for both the banks, which has been substantiated by the coefficient of variation. The coefficient of variation for SCBNL and EBL is 9.05% and 11.70% respectively which shows that the degree of variability between the ratios of both banks is quite similar.

Although the amount of both net profit and total deposit increased during the period of the study the net profit to total deposit ratio declined. This is because there was a disproportionate increase in the net profit and total deposit. The calculated value of 't' for the net profit to total deposit ratio is 12.51, which is more than the table value of 't' for 10 degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean ratios of net profit to total deposit ratio of SCBNL and EBL.

4.7 Capital structure Leverage Ratios

Leverage ratios show the proportions of debt and equity in financing the firm's assets. As a general rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. Leverage ratios may be calculated from the balance sheet items to determine the proportion of debt in total financing. Many variations of these ratios exist' but all these ratios indicate the same thing the extent to which the firm has relied on debt in financing assets. Leverage ratios are also computed from the profit and loss items by determining the extent to which operating profits are sufficient to cover the fixed charges.

4.7.1 Long Term Debt to Net worth ratio:

Long-term debts are term loans taken by an institution for the operation of its business. While it is common for most institutions to finance its assets through term loans, banks perform otherwise. Almost all of the banks in Nepal are operated without debt to maximize its profits and since there are no debts, leverage ratios and long-term debt to net worth ratio could not be calculated for this study.

4.7.2 Net fixed Assets to Long Term Debt Ratio

Similarly, the net fixed assets to long-term debt ratio could not be calculated, as both the banks do not have any long-term liability.

4.7.3. Total Debt to Net Worth Ratio

As SCBNL and EBL do not have any long-term obligation such as term loans to finance its asses, the total debt to net worth ratio could not be calculated for this study.

4.8. Other Financial Indicators

Other financial indicators such as price earnings ratio, earnings per share, and dividend per share reveal the potentiality of an institution to earn in the future. Investors contemplating to invest in the common stocks would be keen to know the investment potentiality of a company, which is revealed by these indicators.

4.8.1. Price earnings (P/E) ratio

The price earnings ratio is used as a going concern method of valuing stock. As long as the company is a viable business entity, its real value is reflected in its profits. A low P/E ratio of the stock is the indicator of under valuation of the stock and vice-versa the ratio is the most important measure of value used by investors in the market place. The market price of a quit share is influenced by many factors like the dividend and earnings rate record, stability and rate of growth of earnings and services, credit rating and financial strength, management competitiveness and efficiency, competitive position of the bank etc. P/E ratio expresses the relationship between market price of a share of a share of the stock and the Stock's earnings per share. Thus, it is calculated by dividing market price of share (MPS) by earnings per share (EPS). In order to calculate the price-earnings ratio of SCBNL and EBL, the required data has been collected and presented in the appendix – 14.

Table No. 4.8.1

Price Earnings Ratio

Year	Ratio	
	SCBNL	EBL
2060/61	10.98	19.10
2061/62	17.17	28.12
2062/63	16.90	23.76

2063/64	10.98	13.07
2064/65	10.98	14.88
2065/66	12.15	14.91
Mean	13.19	18.97
S.D.	2.65	5.910
C.V.	20.15	31.15

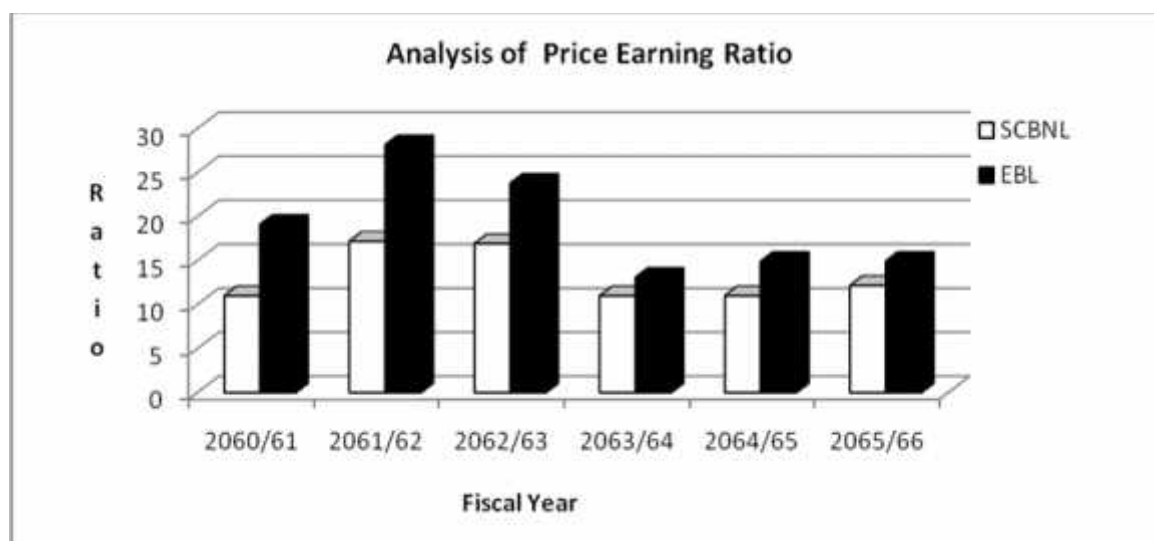
Source: - Appendix - 15

In the appendix -14, we can see that the closing value or market price of the shares of SCBNL and EBL has fluctuated through the period of the study. The market price of each of the shares of SCBNL was Rs. 1, 1162/ in 2060/61 and increased to Rs. 2144/- in 2060/61. It then decreased to Rs. 1550/- in 2061/62. AT the end of 2065/66, the market price of SCBNL's shares was Rs.1745/-. Similarly, EBL's market price of shares increased from Rs.407/- in 2060/61 to Rs. 980/- in 2061/62. Then it decreased to Rs. 750/- in 2060/61 and yet again decreased to Rs. 430/- in 2061/62. There was a slight increase in the market price of EBL's shares (Rs.445/-). The price earnings ratios of both the banks have also trend. From P/E ratio of 19.10 times in 2060/61, EBL witnessed and increase in the year 2061/62 (28.12) times. It decreased to 13.07 times in 2061/62 However, there was a slight increased in 2062/63 (14.88). The mean P/E ratio of SCBNL and EBL was 13.19 times and 18.97 times. The standard deviation was 2.65 for SCBNL and 5.91 for EBL.

The mean price earnings ratio of SCBNL and EBL respectively indicate that on an average, EBL has had higher price earnings ratio compared to SCBNL. SCBNL witnessed the highest market price of its share in 2060/61 at Rs. 2144/-. Similarly, EBL had the highest market price of its shares in 2061/62 at Rs. 980/-. The coefficient of variation between the ratios of SCBNL is less (20.15%) than that of EBL (31.15%) indicating that the variability of the ratios of SCBNL is more uniform than the variability of the ratios of EBL.

Figure No. 4.8.1

Price Earnings Ratio



Source:-Table No. 4.8.1

In the graph presented above, a fluctuating trend of price earning a ratio is observed for both banks. The level of price earnings ratio indicates the degree of confidence or certainty that investors have in the bank’s future performance. The higher the price earnings ratio, the greater will be the investors’ confidence in the bank’s future. Hence, increasing market prices of the shares imply that the organization has a prospective future and investors are willing to invest on it

The calculated value of $|t|$ for the price-earnings ratio is 2.86, which is more than the table value of $|t|$ for 10 degree of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean price- earnings ratio of SCBNL and EBL.

4.8.2 Earnings per Share (EPS)

Shareholders pay special heed to the EPS of their companies because it expresses the ratio of return on their share. It is calculated by dividing the closing value of share by its P/E. ratio. In order to calculate the EPS of SCBNL and EBL, the researcher collected the required data for the years form 2060/61 to 2065/66, the closing value of shares, P/E ratio, calculated EPS have been presented in the

closings value of shares, EPS have been presented in the table below; The mean earnings per share, their standard deviation and coefficient of variation have also been calculated and their results presented in the table below.

Table No. 4.8.2

Earnings per Share

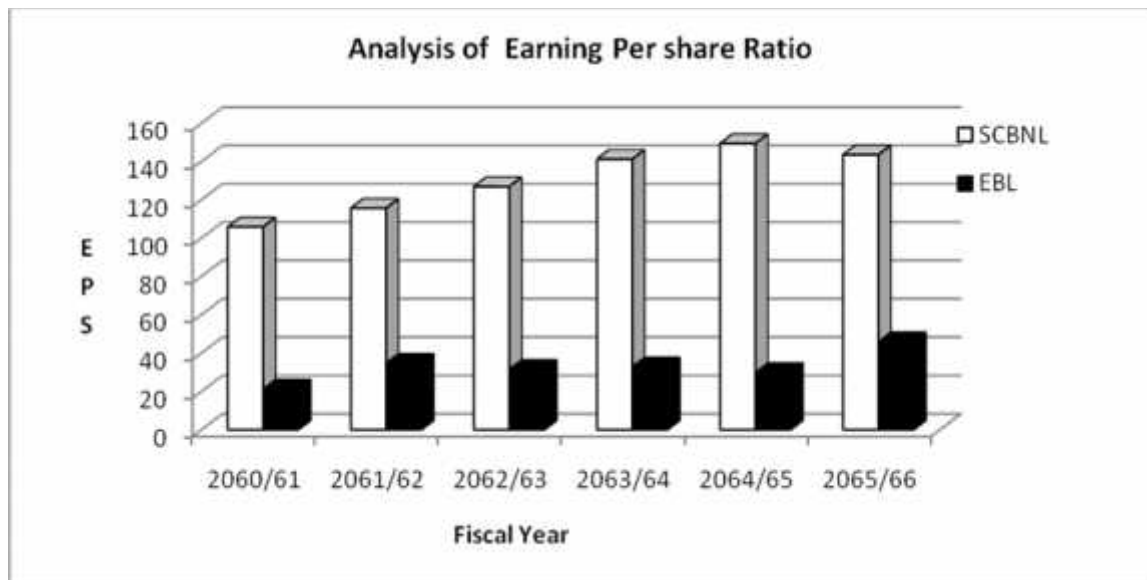
Year	Ratio	
	SCBNL	EBL
2060/61	2.76	1.11
2061/62	2.33	1.21
2062/63	2.23	1.34
2063/64	2.60	1.29
2064/65	2.41	1.17
2065/66	2.27	1.49
Mean	2.47	1.22
S.D.	0.2131	0.0922
C.V.	8.64	7.53

Source: -Appendix - 16

In the above, in the above table, we see that while EPS of SCBNL has increased over the years, the same has been fluctuating in the case of EBL. SCBNL's increased from Rs105.83 in 2060/61 to Rs143.50 in 2065/66 .On other hand; the EPS of EBL had increased from Rs21.31 in 2060/61 to Rs34.85% in 2061/62. When the EPS dropped to Rs 31.57. In 2062/63 EBL' EPS increased to Rs32.90 and again increased to Rs. 45.98 in 2065/66. The mean EPS of SCBNL and EPS can be clearly seen in the graph below.

Figure No. 4.8.2

Earnings per Share



Source:-Table No. 4.8.2

On a share- to share – basis, SCBNL has been able to earn more than EBL. While each of SCBNL’s shares earned Rs.130.38 each share of EBL was able to earn only Rs. 32.75. This indicates SCBNL’s high capacity to earn profits compared to EBL. The coefficient of Variation of SCBNL is less (13.20%) than that of EBL (24.42%) indication that the EPS of SCBNL was more uniform than that of EBL during the period under study. Every company would prefer the income on very share to be high. As EPS tend to reveal an organization’s profit making capacity, the highest it is the better for the company’s image. However, companies normally do not distribute all of its earning to shareholders. A Part is retained to make future expansion. How much of it is retained depend on the policy of the individual companies.

The calculated value of $|t|$ for the earnings per share is 10.49, which is more than the table value of $|t|$ for degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean earnings per share of SCBNL and EBL.

4.8.3 Dividends per Share (DPS)

DPS is also one of the inputs of valuing stock. It is the amount that is paid out to shareholders. Usually, the amount of dividend that is paid out to its shareholders is from the organization's earnings after deducting all its expenses including taxes and retaining a portion of it for future investments. The amount of dividends also depends on the various dividend policy adopted by organizations. In order to calculate the DPS of SCBNL and EBL required data was collected for the years 2060/61 to 2065/66. The amount of dividend paid by the banks each year have been collected and tabulated. The dividends per share, its mean, standard deviation, and coefficient of variation have also been presented in the table below.

Table No. 4.8.3

Dividend per Share

Year	Ratio	
	SCBNL	EBL
2060/61	80.00	15.00
2061/62	100.00	0.00
2062/63	100.00	0.00
2063/64	100.00	0.00
2064/65	110.00	20.00
2065/66	110.00	0.00
Mean	100	5.83
S.D.	10.95	7.547
C.V.	10.95	1.29

Source: -Appendix - 17

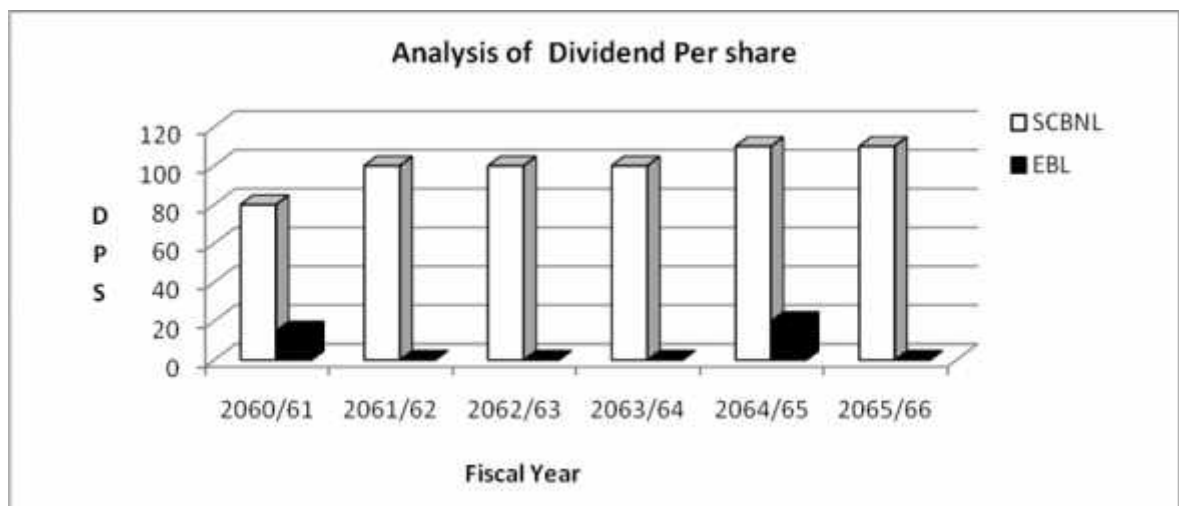
We see in the above table that SCBNL has constantly paid out dividends every year and EBL declared dividends only during 2060/61 and 2062/63. Except 2060/61, SCBNL declared dividends equaling 100% of the face value of the

shares during 2061/62, 2060/61 and 2061/62. In the year 2062/63, SCBNL declared 110% dividend on the face value of the shares. EBL on the other hand declare 15% dividend for the year 2060/61 and didn't declare any dividend for the next three years. A 20% dividend was declared in the 2064/65. The Mean DPS of SCBNL is RS. 100/- whereas the mean DPS of EBL is Rs. 5.83/-. Since the face value of the share s of both the banks is Rs. 100/-, we can see that while SCBNL a paid dividends equaling almost the face value of its shares, EBL was able to pay only 5.83% of the face value of its shares as dividend. The standard deviation of SCBNL and EBL are 10.954 and 7.547 respectively.

While it is a normal practice for all organization to declare a portion of its year end profits as dividends, some retain all the profits for future investment.. The coefficient of variation of SCBNL and EBL is 10.95% and 1.29% indicating that the DPS of EBL has highly varied during the period under study. The DPS of SCBNL and EBL has highly varied during the period under study. The DPS of SCBNL and EBL for the years from 2060/61 to 2065/66 has been depicted in the graph below.

Figure No. 4.8.3

Dividend per Share



Source:-Table No. 4.8.3

The graph portraying the DPS of SCBNL and EBL shows that DPS of SCBNL was somewhat stable than that of EBL. A high level of DPS indicates the degree of investors' confidence in the bank's future and vice-versa. Since the DPS of SCBNL is higher than that of EBL, we can conclude that the common stock of SCBNL is less risky compared to the common stock of EBL.

The calculated value of $|t|$ for the price- earnings ratio is 1.41, which is more than the table value of $|t|$ for 10 degrees of freedom. Hence, the hypothesis is rejected, i.e. there is a significant difference between the mean price-earnings ratio of SCBNL and EBL.

4.10 Findings

The findings of the study have been summarized and presents below;

1. Liquidity Ratios

-) The cash & bank balance to current assets ratio of both banks reveal a fluctuation trend. The degree of fluctuation for EBL is higher than SCBNL. For example. This ratio for EBL in 2060/61 was 22.18% and it declined to 8.35% in 2061/62. It again jumped up to 16.53% in 2060/61. This fluctuation can also be interpreted through the coefficient of variation, which is 45.67%. The ratios of SCBNL were more uniform than that of EBL.
-) The loans & advances to current assets ratio were somewhat stable for both the banks. The mean ratios of the banks reveal that EBL's ratio of loans and advances to its current assets is higher than that of SCBNL. However, the variability is similar for both the banks.
-) The mean of fixed deposit to total deposit reveal that a major portion of EBL's fixed deposit constitute its total deposit. The mean of fixed deposit to total deposit ratio of SCBNL and EBL is 16.53% and 47.27% respectively. However, the degree of variability between the ratios SCBNL throughout the study period is less than that of EBL.

) While the saving deposit to total deposit ratio of SCBNL has witnessed a fluctuating trend, EBL has witnessed an increasing trend. The mean ratio of SCBNL (55.48%) and EBL (33.60%) reveal that saving deposit constitutes a more than half of SCBNL's total deposit. The coefficient of variation suggests that the ratio of SCBNL is more uniform than that of EBL.

) Cash Reserve Ratio of SCBNL is fluctuating trend but EBL is increasing trend. In average CRR of SCBNL and EBL are 7.022 and 5.14 respectively. Thus, cash management of SCBNL is better than EBL. SCBNL able to maintain NRB directives which is 5.5% but not by EBL.

2. Activity/ Turnover Ratios

) The mean investment on government securities to current assets ratio for SCBNL and EBL are 27.25% and 17.25% respectively. The coefficient of variation of both banks reveals that the ratio of EBL (45.56%) is more uniform than that of SCBNL (22.39%)

) The loans & advances to total deposit ratio of SCBNL and EBL are .34 and 0.71 respectively. While EBL has been able to float 71% of total deposit as loans and advances, SCBNL has only been able to float up to 34% of its total deposit as loans & advances. EBL has on the other hand, EBL's ratios varied less compared to SCBNL's ratios.

) SCBNL's mean loans & advances to fixed deposit ratio is 2.46 while EBL's mean loans & advances to fixed deposit ratio is 1.55 revealing that SCBNL had been able to book loans & advances almost the double of its fixed deposit. The coefficient of variation of SCBNL (45.26%) and EBL (19.35%) suggest that the ratios of EBL varied less.

) The table presenting the loans & advances to saving deposit ratio shows that SCBNL has huge amounts of fixed deposit compared to EBL. Hence, the mean ratio interprets that while EBL had loans & advances made equaling more than double of its saving deposit; SCBNL was able to book only 62.8% of its saving deposit as loans &

advance. The ratios of SCBNL are more uniform as suggested by the coefficient of variation.

-) The mean operating profit to net worth ratio of SCBNL and EBL are 0.54 and 0.29 respectively. SCBNL was able to generate operating profit equaling more than 50% of its net worth. The coefficient of variation for the ratios of both the banks reveals that SCBNL's ratios were more uniform than EBL's

3. Profitability Ratios

-) The amount of interest earned by SCBNL was highest in the year 2060/61 and has witnessed a decline. Since, then EBL has witnessed an increase in its interest earned through the years. The mean of interest earned to working fund ratio for SCBNL and EBL is 5.71% and 7.16% respectively. The coefficient of variation of SCBNL and EBL is 17.34% and 7.94% indicating that the ratio of EBL has varied less in comparison to the ratio of SCBNL.
-) While SCBNL has witnessed an increasing and decreasing trend in the amount of interest paid, EBL on the other hand has witnessed an increase in the amount of interest paid every year. The mean interest paid to working fund ratio for SCBNL and EBL is 1.98% and the coefficient of variation of SCBNL and EBL are 38.08% and 18.07% respectively suggesting that the ratios of SCBNL varied more compared to the ratios of EBL. 4.32 Respectively.
-) The mean net profit to working fund ratio of SCBNL and EBL are 2.47% and 1.22% respectively implying that while SCBNL was able to generate net profit.0. The ratios also reveal that SCBNL is more capable of generate income compared to EBL. The degree of validity of the ratios is measured by coefficient of variation, which is 8.64% for SCBNL and 7.53% for EBL. The coefficient of variation indicates that the net profit to working fund ratio of EBL varied less compared to SCBNL.
-) The mean net profit to total deposit ratio of SCBNL and EBL are 2.9% and 1.48% respectively. SCBNL has the capacity to earn more than

EBL .while EBL was able to earn net profit equaling only 1.48% of its total deposit, SCBNL was able to earn net profit equaling 2.9% of its total deposit. The coefficient of variation for SCBNL and EBL is 9.05% and 11.70% respectively which shows that the degree of variability between the ratios of both banks is quite similar.

4. Capital Structure Leverage Ratios

-) Long-term debts are term loans taken by an institution for the operation of its business. While it is common for most institutions to finance its assets through term loans, banks perform otherwise. Almost all of banks in Nepal are operated without debt to maximize its profits and since there are no debts, leverage ratios and long-term debt to net worth ratios could not be calculated for this study.
-) Similarly, the net fixed assets to long-term debt ratio could not be calculated, as both the banks do not have any long-term liability.
-) As SCBNL and EBL do not have any long-term obligation such as term loans to finance its assets, the total debt to net worth ratio could not be calculated for this study.

5. Other Financial Indicators

-) The mean price earnings ratio of SCBNL and EBL are 13.19 and 18.97 respectively indicating that on an average, EBL has had higher price earnings ratio compared to SCBNL. The coefficient of variation between the ratios of SCBNL is less (20.15%) than that of EBL (31.15%) indicating that the variability of the ratios of SCBNL is more uniform than the variability of the ratios of EBL. Uniformity in this ratio also interprets investor's confidence in the company's performance and its future.
-) We see an increasing trend in the Earnings per Share (EPS) of SCBNL while the there is a fluctuating trend for EBL. The mean EPS of SCBNL and EBL are Rs. 130.38 and Rs.32.75 respectively. This implies that SCBNL's profitability of shareholder's investment is better than that of EBL. The coefficient of variation of SCBNL is less

(13.20%) than that of EBL (24.42%) indicating that the EPS of SCBNL has was more uniform than that of EBL during th4 period under study.

J) The Mean Dividends Per Share (DPS) of SCBNL is Rs. 100/- whereas the mean DPS of EBL s Rs5.83/- Since the face value of each shares of both the banks is Rs.100/- we can see that while SCBNL paid dividends equaling almost the face value of its shares, EBL was able to pay only 5.83% of the face value of its shares as dividend. The coefficient of variation of SCBNL and EBL is 10.39% and 129.45% indication that the DPS of EBL has highly varied during the period under study.

The calculated value of 't' revealed that while some of ratios are similar between the two banks, most of the ratios are significantly different. Lists of ratios, which are similar, are;

- i. Interest on Government Securities to Total Deposit Ratio
- ii. Loans & Advances to Fixed Deposit Ratio

And the ratios, which were significantly different between the banks, are;

- i. Cash & bank Balance to Current Assets Ratio.
- ii. Loans & Advances to Current Assets Ratio
- iii. Fixed Deposit to Total Deposit Ratio
- iv. Saving Deposit to Total Deposit ratio
- v. Loan & Advances to total Deposit Ratio
- vi. Loan & Advances to saving Deposit Ratio
- vii. Interest Earned to Working fund ratio
- viii. Interest Paid to Working Fund Ratio
- ix. Net Profit to Working Fund Ratio
- x. Net Profit to Total Deposit Ratio
- xi. Price Earnings Ratio
- xii. Earnings Per Share
- xiii. Dividend Per Share

CHAPTER - FIVE

SUMMARY CONCLUSION AND RECOMMENDATION

A summary of the study is presented in this chapter outlining the study's introduction, purpose, objectives, and methodology. The findings of the study are also presented in a summarized form and recommendations are made where possible.

5.1 Summary

Financial information required for financial planning, analysis and decision-making. The financial statement, Balance Sheet and profit & Loss a/c are the basic instrument of an accounting system to communicate financial information to users. Balance Sheet shows the financial condition of the state of affairs of the firm at a particular point of time while the profit & Loss a/c shows the profitability of the firm by giving details about revenues and expenses for accounting period.

The financial statements serve as a means to the various stakeholders of the firm to analyze the organization's financial strengths, weakness, and performance. There are various ways to conduct a financial performance study. One of them is the financial ratio analysis. A financial ratio is a relationship between two financial variables. It helps to ascertain the financial condition of a firm. Ratio analysis is a process of identifying the financial strengths and weaknesses of the firm. This may be accomplished either through a trend analysis of the firm's ratios over a period of time or through a comparison of the firm's ratios with its nearest competitors and with the industry average.

Banks play a vital role in the economy of most of the countries in the world. They are the backbone of a country's financial system. Although banking is relatively new concept in Nepal compared to its centuries old traditional cultural existence, this sector has witnessed a phenomenal growth in the last two decades. With the entry of joint-venture banks, customers have been receiving specialized and efficient services. Competitive

interest rates, customer-focused services, extra benefits are what customers look in order to choose the institution they want to bank with. This has certainly led to cutthroat competition among the various national and joint-venture –banks operating in Nepal. While nature of service and rate of interest attract customers to a great extent, the nature and state of the bank's financial performance also play a vital role. In order to fulfill the partial requirement for the Degree of Masters in Business studies, a study titled "Cash management of Joint Venture Banks in Nepal (Standard Chartered Bank Ltd. and Everest Bank. Ltd.)" was undertaken. The study seeks to assess the financial performance of the two banks with the help of ratio analysis as well as other relevant analysis (i.e. study of loan loss provision) for the period starting from 2060/61 to 2065/66 (6 years). As the study is analytical-cum-descriptive in nature, research is based on the historical data of the banks available in the annual reports of the banks. The annual reports were collected from the respective banks as well as the internet (www.nepalstock.com) books, periodicals, journals; articles on the related subject were extensively reviewed in the library quotations from various authors on the related topic have been placed throughout the chapters. Reviews of the previously undertaken research studies have also been made in order to highlight the difference and significance of this study.

Financial as well as statistical tools have been used to determine the financial performance of the two banks. While ratio analysis is used to assess the liquidity, profitability position of the banks for which statistical tools such as; mean, standard deviation, coefficient of variation, student's t-test have been used to determine the extent of variability and similarity between the ratios of the banks. The findings of the study have been presented in tables and graphs. Analysis and interpretation of the findings are also presented for each of the ratios. Finally, the student's t-test is done for each ratio to determine whether the similar ratios of the two banks significantly differ or not.

5.2 Conclusion

The conclusion of the study have been summarized and presented below.

-) The liquidity position of EBL is not better than SCBNL. It has the lower current ratio, cash & bank balance to deposit and investment on government securities to current assets ratio. The liquidity ratios of SCBNL are more stable than EBL. It

can be concluded that EBL is less solvent than SCBNL & it does not seem to have enough liquidity assets in comparison to SCBNL

-) Through the trend analysis it is found that the utilization of deposits collected has been poorly utilized to generate net profit of EBL. EBL is not better than SCBNL.
-) Through the analysis of activity ratio it can be concluded that the SCBNL is more efficient in utilizing collected fund as compared to EBL. Although EBL has a higher loan advance to total deposit ratio, the efficiency of the use of shareholder's fund as revealed in operating profit to net worth is higher for SCBNL.
-) SCBNL has maintained high growth rate in comparison to EBL. We must say that the bank should be successful to use its resources. We must say that bank is successful in increasing its sources of funds & its mobilization. Further the bank is maintaining better financial position.
-) The profitability position of EBL is better than SCBNL. The interest earned to total working fund ratio for EBL is higher than SCBNL. While SCBNL has mixed trend in the interest paid, and EBL is the higher interest paid to working fund ratio with reveals that the bank is collecting. Fund from expensive source. Similarly, EBL has lower Net profit to working fund ratios than the ratios for SCBNL during the study period so EBL should try to augment its profitability like SCBNL
-) For the valuation of stock the price-earnings ratio can also be used. A high profit-earnings ratio indicates over valuation of stock of an organization either vice-versa. The price earnings ratio of SCBNL 13.19 times and EBL 18.97 times respectively indicating that on an average EBL has higher price earnings ratio compared to SCBNL. This indicates that EBL stock is overvalued.
-) Both the banks have not used Long-term loans in their financing sources. This means both the banks have relied on public deposits, borrowing and finally the shareholder's equity. Partially their capital structures consist of other liabilities like bill payables.

5.3 Recommendation

Based on the analysis and findings of the study, following recommendation can be advanced:

Portfolio Diversification:

As we see the two ratios cash and bank to current assets and loan and advances to current assets, for these two financial institutions are not using its liquidity in investment in securities other than government securities. I think because of the current political situation they are not interest in investment. But if this financial institution invests in investment, it will help the country to boost the economic growth. Financial institution plays an important role in economic growth of the country so I will recommend these banks to have little eye on investment.

Credit Supervision and Monitoring Mechanism

Liquidity is the ability to turn investment into cash quickly at a value close to the face value of investment. The degree liquidity maintained varies from institution to institution. While it is necessary for all organizations, including banks, to have a comfortable liquidity position, absence of liquidity can prove to be hazardous as it can lead to tying up of assets. Current ratio of 1:2 is the standard norm. However, this can vary from industry to industry.

Although, EBL seem to have floated tremendous amount of loan and advances, this can lead to tying up of liquidity go income generating assets. We can see that more than half of its total assets constituted its loans and advances. In the long term, this can create a liquidity crisis if these assets were to stop performing properly. Negligence in controlling the performance of these assets can bring about failure in the bank's performance as a whole. Credit supervision and monitoring mechanism must be put in operation to maintain the quality of credit.

Investment Policy

Loans and advances are profit-earning assets of a commercial bank, which include loans cash credit, overdrafts; bill discounted and bill purchase. A bank is able to earn more if it is able to increase its investment in loan and advances. However, it is necessary to strictly maintain the quality of credit. EBL has been able to invest amounts equaling 63.60% its current assets as loan and advances. While the looks impressive, it would be appropriate to

suggest that a proper balance be maintained between loan and advance and current asset. So as to help increase returns as much as possible and still maintain the required liquidity.

Reduce the cost of deposits:

As we see the statistic I will recommend EBL to provide some benefit to the depositors, which will lure them to have their income to be deposited in fixed deposits. Similarly SCBNL should discourage its depositor to deposit in saving deposit. For financial Institution if they have placed to invest them in long-term assets, fixed deposit is better than saving deposits.

Focused on other income generation activities

When we see the ratio, SCBNL has used its deposit on loan advance to the extent only 34%, and this shows it has focused on other income generating activities. Similarly EBL should book fewer loans to be safe at the time of crisis. It has disposed twice its saving deposit, which seems risky.

Ensure the effective utilization of total deposits:

When we compare price-earnings ratio of these two banks it shows that SCBNL has lower P/E ratio than EBL. Then lower P/E ratio implies that the stock price of SCBNL is undervalued in comparison to EBL. SCBNL is advised to take measures to increase the P/E ratio which reflect the welfare maximization of the shareholders of the bank; Similarly, EBL should maintain its higher P/E ratio in the days to come.

Maintain the shareholder's welfare:

When we compare price-earnings ratio of these two banks it shows that SCBNL has lower P/E ratio than EBL. The lower P/E ratio implies that the stock's price of SCBNL is undervalued in comparison EBL. SCBNL is advised to take measures to increase the P/E ratio which reflect the welfare maximization of the shareholder of the bank; Similarly EBL should maintain its maintain its higher P/E ratio in the days to come.

Adaptation of stable dividend policy:

When we see DPS of these two commercial banks, it shows that DPS of EBL is not good so it will reduce the shareholders confidences. So to get confidences of shareholders it should provide dividend regularly to its shareholder by generating more profit. And it should also maintain a stable dividend policy as SCBNL has maintained.

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www.standerdchartered.com.np

www.everestbank.com.np

www.indexmondy.com

Appendix -1

List of Licensed Commercial Banks

S/N	Commercial banks	Estb.date (B.S)	Head office	listed
1	Nepal Bank Ltd.	1994/07/30	Kathmandu	No
2	Rastriya Banijya Bank	2022/10/10	Kathmandu	No
3	Agriculture Bank ltd.	2024/10/7	Kathmandu	Process
4	Nabil Bank Ltd.	2041/03/29	Kathmandu	yes
5	Nepal Investment Bank ltd.	2042/11/16	Kathmandu	yes
6	Standard Chartered Bank Nepal Ltd.*	2043/10/16	Kathmadu	yes
7	Himalayan Bank Ltd.	2049/10/05	Kathmandu	yes
8	Nepal Bangladesh Bank Ltd.	2050/02/23	Kathmandu	yes
9	Nepal SBI Bank Ltd.	2050/03/23	Kathmandu	yes
10	Everest Bank Ltd*	2051/07/01	Kathmandu	yes
11	Bank of Kathmandu	2051/11/28	Kathmandu	yes
12	Nepal Credit and Commerce Bank	2053/06/28	Siddhartha Nagar	yes
13	Lumbini Bank ltd	2055/04/01	Narayanghat	yes
14	N I C bank ltd.	2055/04/05	Biratnagar	yes
15	Kumari Bank ltd	2056/08/24	Kathmandu	yes
16	Machhapucchre Bank ltd.	2057/06/01	Pokhara	yes
17	Laxmi Bank ltd	2958/06/11	Birgunj	yes
18	Siddhartha Bank ltd.	2058/06/12	Kathmandu	yes
19	Global Bank Ltd	2063/09/18	Birgunj	yes
20	Citizen Bank ltd	2064/01/7	Kathmandu	yes
21	Prime Bank Ltd	2064/06/7	Kathmandu	yes
22	Sunrise Bank ltd.	2064/06/25	Kathmandu	yes
23	Bank of Asia	2064/06/25	Kathmandu	yes
24	NMB Bank ltd	2053/09/11	Kathmandu	yes
25	DCBL Bank	2057/10/10	Kathmandu	yes
26	KIST Bank	2059/11/09	Kathmandu	Yes

27	Janata Bank	2067/01/11	Kathmandu	No
	Population = 27			23

Sources: NEPSE and NRB

* Sample commercial bank.

Appendix -2

Cash & Bank Balance to Current Assets Ratio Rs. In Millions

YEAR	SCBNL			EBL		
	Cash & bank Balance	Current Assets	Ratio %	Cash & bank balance	Current Assets	Ratio%
2060/61	826.15	12862.22	6.42	460.71	2077.32	22.18
2061/62	1020.46	16650.32	6.13	278.60	3334.59	8.35
2062/63	961.05	19224.18	5.00	834.99	5049.85	16.53
2063/64	825.26	18330.82	4.50	592.76	6359.66	9.32
2064/65	1512.3	20797.6	7.27	1139.57	7836.89	14.54
2065/66	2023.16	23505.82	8.60	631.8	9490.19	6.657
		Mean	6.32		Mean	12.92
		S.D.	1.49		S.D.	5.90
		C.V.	24.00		C.V.	45.67

Sources: Bank Annual Report

Appendix -3

Loan & Advances to Current Assets Ratio Rs. In Millions

YEAR	SCBNL			EBL		
	Loan &	Current	Ratio	Loan &	Current	Ratio

	Advances	Assets	%	Advances	Assets	%
2060/61	4071.63	12862.22	31.66	1364.89	2077.32	65.7
2061/62	4857.17	16650.32	29.17	2270.18	3334.59	68.08
2062/63	5763.13	19224.18	29.98	3005.76	5049.85	59.52
2063/64	5364.00	18330.82	29.26	3948.48	6359.66	62.09
2064/65	5695.82	20797.60	27.39	4908.46	7863.89	62.63
2065/66	9410.24	23505.82	27.27	5884.12	9490.19	63.33
		Mean	29.12		Mean	63.56
		S.D.	1.650		S.D.	2.98
		C.V.	5.67		C.V.	4.68

Sources: Bank Annual Report

Appendix -4

Saving Deposit to Total Deposit Ratio Rs. In Millions

YEAR	SCBNL			EBL		
	Saving Deposit	Total Deposit	Ratio %	Saving Deposit	Total Deposit	Ratio %
2060/61	5471.68	11165.06	49.01	448.00	1948.94	2.99
2061/62	6632.70	12568.49	52.77	891.75	3057.43	29.17
2062/63	8404.61	15430.05	54.47	1384.06	4574.51	30.26
2063/64	9441.91	15835.75	59.62	1735.37	5466.61	31.74
2064/65	10633.16	18755.64	56.69	2757.95	6694.95	41.19
2065/66	12771.82	21161.44	60.35	3730.61	8063.90	46.26
		Mean	55.48		Mean	33.60

	S.D	4.27		S.D	8.53
	C.V	7.69		C.V	25.38

Sources: Bank Annual Report

Appendix -5

Saving Deposit to Total Deposit Ratio Rs. In Millions

YEAR	SCBNL			EBL		
	SAVING DEPOSIT	TOTAL DEPOSIT	RATIO%	SAVING DEPOSIT	TOTAL DEPOSIT	RATIO%
2060/61	5471.68	11165.06	49.01	448.00	1948.94	2.99
2061/62	6632.70	12568.49	52.77	891.75	3057.43	29.17
2062/63	8404.61	15430.05	54.47	1384.06	4574.51	30.26
2063/64	9441.91	15835.75	59.62	1735.37	5466.61	31.74
2064/65	10633.16	18755.64	56.69	2757.95	6694.95	41.19
2065/66	12771.82	21161.44	60.35	3730.61	8063.90	46.26
		Mean	55.48		Mean	33.60
		S.D	4.27		S.D	8.53
		C.V	7.69		C.V	25.38

Sources: Bank Annual Report

Appendix -6

Investments on Govt. Securities to Current Assets Ratio

Rs. In Million

YEAR	SCBNL			EBL		
	Investments on Govt.	Current Assets	Ratio %	Investments on Govt. Securities	Current Assets	Ratio %

	Securities						
2060/61	2,669.88	12,862.22	20.76	184.91	2,077.32	8.9	
2061/62	3,338.67	16,650.32	20.05	257.61	3,334.59	7.73	
2062/63	4,811.01	19,224.18	25.03	823	5,049.85	16.3	
2063/64	5,784.72	18,330.82	31.56	1,538.90	6,359.66	24.2	
2064/65	6,722.83	20,797.60	32.33	1,599.35	7,836.89	20.41	
2065/66	7948.21	13505.82	33.81	2466.42	9490.13	25.98	
		Mean	27.25			Mean	17.25
		S.D.	6.1			S.D.	7.86
		C.V	22.39			C.V	45.56

Sources: Bank Annual Report

Appendix -7

Loans & Advances to Total Deposit Ratio

Rs. In Million

YEAR	SCBNL			EBL			
	Loans & Advances	Total Deposit	Ratio %	Loans & Advances	Total Deposit	Ratio	
2060/61	4,071.63	11,165.16	0.36	1,364.48	1,948.94	0.70	
2061/62	4,857.17	12,568.49	0.39	2,270.18	3,057.43	0.74	
2062/63	5,763.13	15,430.05	0.37	3,005.76	4,574.51	0.66	
2063/64	5,364.00	15,835.75	0.34	3,948.48	5,466.61	0.72	
2064/65	5,695.82	18,755.54	0.30	4,908.46	6,694.95	0.73	
2065/66	6410.24	2116.44	0.30	5884.12	8063.90	0.73	
		Mean	.34			Mean	.71

	S.D.	.037		S.D.	.029
	C.V	10.88		C.V	4.08

Sources: Bank Annual Report

Appendix -8

Loans & Advance to Fixed Deposit Ratio.

Rs. In million

YEAR	SCBNL			EBL		
	Loans & Advance	Fixed Deposit	Ratio	Loans & Advance	Fixed Deposit	Ratio
2060/61	4,071.63	2,865.91	1.42	1,364.89	1,132.08	1.21
2061/62	4,857.17	2,651.65	1.83	2,270.18	1,1478.89	1.54
2062/63	5,763.13	3,236.03	1.78	3,005.76	2,284.64	1.32
2063/64	5,364.00	2,264.77	2.37	3,948.48	2,711.58	1.46
2064/65	5,695.82	1,948.60	2.92	4,908.46	2,794.74	1.76
2065/66	6410.24	1428.50	4.48	5884.12	2897.96	2.03
		Mean	2.46		Mean	1.55
		S.D.	1.113		S.D.	0.30
		C.V	45.26		C.V	19.35

Sources: Bank Annual Report

Appendix -9

Loans & Advances to Saving Deposit Ratio

Rs. In million

YEAR	SCBNL			EBL		
	Loans & Advances	Saving Deposit	Ratio	Loans & Advances	Saving Deposit	Ratio
2060/61	4071.63	5471.68	0.74	1364.89	448.00	3.05
2061/62	4857.17	6632.70	0.73	2270.18	891.75	2.55
2062/63	5763.13	8404.61	0.69	3005.76	1384.06	2.17
2063/64	5364.00	9441.91	0.57	3948.48	1735.37	2.28
2064/65	5695.82	10633.16	0.54	4908.46	2757.95	1.78
2065/66	6410.24	12771.82	0.50	5884.12	3730.61	1.57
		Mean	0.628		Mean	2.23
		S.D.	0.102		S.D.	0.52
		C.V	16.45		C.V	23.31

Sources: Bank Annual Report

Appendix -10

Operating Profit to Net worth Ratio

Rs. In million

YEAR	SCBNL			EBL		
	Operating Profit	Net worth	Ratio	Operating Profit	Net worth	Ratio
2060/61	532.15	1080.41	0.49	34.74	145.16	0.24

2061/62	587.83	1014.85	0.58	59.31	202.85	0.29	
2062/63	663.28	1112.02	0.60	100.66	319.40	0.32	
2063/64	658.34	1235.49	0.53	126.23	390.91	0.32	
2064/65	710.78	1368.91	0.52	134.63	472.83	0.28	
2065/66	797.11	1495.74	0.53	316.4	762	0.42	
		Mean	0.54			Mean	0.29
		S.D.	0.0450			S.D.	0.0332
		C.V	8.27			C.V	11.44

Sources: Bank Annual Report

Appendix -11

Interest Earned to Working Fund Ratio

Rs. In million

YEAR	SCBNL			EBL			
	Interest Earned	Working Fund	Ratio	Interest Earned	Working Fund	Ratio	
2060/61	902.45	13016.98	6.93	175.94	2275.01	7.73	
2061/62	1052.36	16832.23	6.25	267.44	3411.70	7.84	
2062/63	1242.92	19357.18	6.42	385.02	5202.58	7.40	
2063/64	1013.64	18443.07	5.50	443.82	6607.18	6.72	
2064/65	1001.36	21000.50	4.77	520.17	8052.20	6.46	
2065/66	1042.17	23642.05	4.40	657.24	9608.57	6.84	
		Mean	5.71			Mean	7.165

	S.D.	.990		S.D.	.568
	C.V	17.34		C.V	7.94

Sources: Bank Annual Report

Appendix -12

Interest Paid to Working Fund Ratio

Rs. In million

YEAR	SCBNL			EBL		
	Interest Paid	Working Fund	Ratio	Interest Paid	Working Fund	Ratio
2060/61	384.85	13016.98	2.96	118.12	2275.01	5.19
2061/62	425.93	16832.23	2.53	177.89	3411.70	5.21
2062/63	472.37	19357.18	2.44	236.14	5202.58	4.54
2063/64	298.36	18443.07	1.62	257.05	6607.18	3.89
2064/65	255.13	21000.50	1.21	306.41	8052.20	3.81
2065/66	278.80	23642.05	1.16	313.36	9608.57	3.29
		Mean	1.98		Mean	4.32
		S.D.	.754		S.D.	.781
		C.V	38.08		C.V	18.07

Sources: Bank Annual Report

Appendix -13

Net profit to Working Fund Ratio

Rs. In million

YEAR	SCBNL			EBL		
	Net profit	Working	Ratio	Net profit	Working	Ratio

		Fund			Fund		
2060/61	359.46	13016.98	2.76	25.24	2275.01	1.11	
2061/62	392.59	16832.23	2.33	41.27	3411.70	1.21	
2062/63	430.83	19357.18	2.23	69.70	5202.58	1.34	
2063/64	472.21	18443.07	2.60	85.33	6607.18	1.29	
2064/65	506.95	21000.50	2.41	94.17	8052.20	1.17	
2065/66	537.80	23642.09	2.27	143.56	9608.57	1.49	
		Mean	2.47			Mean	1.22
		S.D.	0.2131			S.D.	0.0922
		C.V	8.64			C.V	7.53

Sources: Bank Annual Report

Appendix -14

Net Profit to Total Deposit Ratio

Rs. In million

YEAR	SCBNL			EBL		
	Net Profit	Total Deposit	Ratio	Net Profit	Total Deposit	Ratio
2060/61	359.46	11165.16	3.22	25.24	1948.94	1.30
2061/62	392.59	12568.49	3.12	41.27	3057.43	1.35
2062/63	430.83	15430.05	2.79	69.70	4574.51	1.52
2063/64	472.21	15835.75	3.03	85.33	5466.61	1.56

2064/65	506.95	18755.64	2.70	94.17	6694.95	1.41	
2065/66	537.80	21161.44	2.54	143.56	8063.90	1.78	
		Mean	2.9			Mean	1.48
		S.D.	.262			S.D.	.1732
		C.V	9.05			C.V	11.70

Sources: Bank Annual Report

Appendix -15

Price Earnings Ratio

Rs. In million

YEAR	SCBNL			EBL			
	CLOSING VALUE OF SHARE	EARNING PER SHARE	RATIO (TIMES)	CLOSING VALUE OF SHARE	EARNING PER SHARE	RATIO (TIMES)	
2060/61	1162.00	105.85	10.98	407.00	21.31	19.10	
2061/62	1985.00	115.62	17.17	980.00	34.85	28.12	
2062/63	2144.00	126.88	16.90	750.00	31.56	23.76	
2063/64	1550.00	141.13	10.98	430.00	32.91	13.07	
2064/65	1640.00	149.30	10.98	445.00	29.90	14.88	
2065/66	1745.00	143.55	12.15	680.00	45.58	14.91	
		Mean	13.19			Mean	18.97
		S.D.	2.65			S.D.	5.910
		C.V	20.15			C.V	31.15

Sources: Bank Annual Report

Appendix -16

Earnings per Share

Rs. In million

YEAR	SCBNL			EBL		
	CLOSING VALUE OF SHARE	P/E RATIO (TIMES)	EPS	CLOSING VALUE OF SHARE	P/E RATIO (TIMES)	EPS
2060/61	1162.00	10.93	105.83	407.00	19.10	21.31
2061/62	1985.00	17.17	115.61	980.00	28.12	34.85
2062/63	2144.00	16.90	126.86	750.00	23.76	31.57
2063/64	1550.00	10.93	141.17	430.00	13.07	32.90
2064/65	1640.00	10.93	149.36	445.00	14.89	29.89
2065/66	1745.00	12.16	143.50	680.00	14.98	45.98
		Mean	130.38		Mean	32.75
		S.D.	17.21		S.D.	8.00
		C.V	13.20		C.V	24.42

Sources: Bank Annual Report

Appendix -17

Dividend per Share

Rs. In million

YEAR	SCBNL			EBL		
	FACE VALUE OF SHARE(F.V)	DIVIDEND %ON F.V OF SHARE	(RS)	FACE VALUE OF SHARE(F.V)	DIVIDEND %ON F.V OF SHARE	(RS)

2060/61	100.00	80.00	80.00	100.00	15.00	15.00	
2061/62	100.00	100.00	100.00	100.00	-	0.00	
2062/63	100.00	100.00	100.00	100.00	-	0.00	
2063/64	100.00	100.00	100.00	100.00	-	0.00	
2064/65	100.00	110.00	110.00	100.00	20.00	20.00	
2065/66	100.00	110.00	110.00	100.00	-	0.00	
		Mean	100			Mean	5.83
		S.D.	10.95			S.D.	7.547

Sources: Bank Annual Report

Appendix -18

Test of Hypothesis

	Ratios	Calculate d Value of t	Table Value of t for 10 d.f.	Inferenc e
liquidity				
1	Cash & Bank Balance to Current Assets Ratio	2.17	2.306	S.D.
2	Loans & Advances to Current Assets	2.228	do	S.D.
3	Fixed deposit to total deposit	8.1	do	S.D.

4	Saving Deposit to total Deposit	8.87	do	S.D.
5	Investment on Govt. Securities to Total Deposit.	2.26	do	N.S.D.
Activity/Turnover				
6	Loans & Advances to Total Deposit	662.07	do	S.D.
7	Loans & Advances to Fixed Deposit	1.96	do	N.S.D.
8	Loans & Advances to saving Deposit	7.11	do	S.D.
9	Operation Profit to New Worth	8.94	do	S.D.
Profitability				
10	Interest Earned to Working Fund.	2.41	do	S.D.
11	Interest Paid to working Fund	4.84	do	S.D.
12	Net profit to Working Fund	10.77	do	S.D.
13	Net Profit to Total deposit	12.51	do	S.D.
Capital Structure/ Leverage.				
14	Long Term Debt to Net Worth	-	do	N/A.
15	Net Fixed Assets to Long Term Debt.	-	do	N/A
16	Total Debt to Net Worth	-	do	N/A
Other Financial Indicators				

17	Price Earnings Ratio	2.86	do	S.D.
18	Earnings Per Share	10.49	do	S.D.
19	Dividend Per Share	1.41	do	S.D.

Note

S.D. = Significant Difference

N.S.D. = No Significant Difference

N/A = Not Applicable