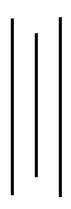
AN ANALYSIS OF LIQUIDITY POSITION OF NABIL BANK LIMITED

By BINDRA MAHARJAN Shanker Dev Campus T.U. Regd. No.: 15620-95 Campus Roll No.: 1347/059

A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University



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

> Kathmandu, Nepal March, 2009

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

BINDRA MAHARJAN

Entitled:

AN ANALYSIS OF LIQUIDITY POSITION OF NABIL BANK LIMITED

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

Achyut Raj Bhattarai	Dr. Kamal Deep Dhakal
(Thesis Supervisor)	(Campus Chief)
Arun Neupane	
(Thesis Supervisor)	

VIVA-VOCE SHEET

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

by

BINDRA MAHARJAN

Entitled:

AN ANALYSIS OF LIQUIDITY POSITION OF NABIL BANK LIMITED

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

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

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

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled "AN ANALYSIS OF LIQUIDITY POSITION OF NABIL BANK LIMITED" submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Study (M.B.S.) under the supervision of Achyut Raj Bhattarai and Arun Neupane of Shanker Dev Campus.

BINDRA MAHARJAN

Researcher

T.U. Regd. No.: 15620-95

Campus Roll No. : 1347/059

ACKNOWLEDGEMENT

Liquidity might become the major reason behind the diminishing status and performance of the financial sector in the current scenario. So, considering this prospect a brief account of the liquidity measurement on the trend of the cash flow operation of Nabil Bank has been tried to highlight during this research work.

I am highly grateful and pay subtle reverence to my thesis advisor, Achyut Raj Bhattarai and Arun Neupane, Faculty of Management Shanker Dev Campus, for providing me valuable guidance. They are the main source of my inspiration and without their constant help and guidance; I couldn't have completed my dissertation.

I would like to thank all the staff of Nabil Bank who had helped me during my inter program by providing me necessary fresh data information and valuable suggestions, helped and support to complete this dissertation.

I would like to express my appreciation and warm thanks to my family members and friends for their valuable support and Smriti Shakya who always encouraged and stimulated my interests and offered her kind support in completion of this dissertation.

Finally, I also wish to place on records my deep sense of gratitude to all those who made this dissertation come alive.

Bindra Maharjan Researcher

TABLE OF CONTENTS

Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER - I INTRODUCTION	
1.1 Background of the Study	1
1.2 Statement of the Problem	3
1.3 Objective of the Study	4
1.4 Significance of the Study	5
1.5 Limitation of the Study	5
1.6 Chapter Scheme	6
CHAPTER - II LITERATURE REV	IEW
2.1 Conceptual Review	7
2.1.1 Introduction of Liquidity	7
2.1.2 Theories of Liquidity	8
2.1.3 Importance of Liquidity	10
2.1.4 Techniques of Liquidity	11
2.1.5 Strategy of Liquidity	14
2.1.6 Demand and Supply of Bank Liquidity	14
2.1.6.1 Demand of Bank Liquidity	15
2.1.6.2 Supply of Bank Liquidity	15
2.1.7 Predicting Banks Liquidity Needs	17
2.2 Review of Related Studies	18
2.2.1 Review of Journals	18

2.2.2 Review of Articles	20
2.2.3 Review of Thesis	20
CHAPTER - III RESEARCH METHOLOGY	
3.1 Research design	28
3.2 Method of analysis	28
3.3 Population and sample	29
3.4 Sources of data	30
3.4.1 Primary data	30
3.4.2 Secondary data	31
3.5 Data processing procedure	31
3.6 Analysis of tools and techniques	31
3.6.1 Financial tools	31
3.6.1.1 Ratio analysis	31
3.6.1.2 Liquidity Ratio	32
3.6.1.3 Profitability Ratio	33
3.6.1.4 Activity turn over/Utility Ratio	34
3.6.1.5 Profitability related to Investment	35
3.6.2 Statistical tools	36
3.6.2.1 Trend analysis	36
3.6.2.2 Mean or average	36
3.6.2.3 Standard Deviation	37
3.6.2.4 Coefficient of variation	37
CHAPTER IV DATA PRESENTATION AND ANALYSIS	S
4.1 Liquidity Ratio	
4.1.1 Current Ratio (%)	39
4.1.2 Quick Ratio (%)	41
4.2 Activity Turnover/Utility Ratio	43

4.2.1 Cash and Bank Balance to Total Deposit Ratio (%)	43
4.2.2 Loan and Advance to Total Deposit Ratio (%)	45
4.3 Profitability Ratio	47
4.3.1 Net Profit to Total Deposit Ratio (%)	47
4.3.2 Investment to Total Deposit Ratio (%)	49
4.3.3 Return on Net worth (%)	52
4.4 Profitability related to investment:	54
4.4.1 Return on Assets (%)	54
4.4.2 Return on Capital Employed (%)	56
4.4.3 Return on Shareholder's equity (%)	58
4.5 Major Findings	60
CHAPTER – V SUMMARY, CONCLUSION AND RECOMM	ENDATIONS
5.1 Summary	64
5.2 Conclusion	65
5.3 Recommendations	66
Bibliography	

Appendix

LIST OF TABLES

Table	No. Title	Page No.
4.1	Current Ratio (%)	40
4.2	Quick Ratio (%)	42
4.3	Cash and Bank Balance to Total Deposit Ratio (%)	43
4.4	Loan and Advance to Total Deposit Ratio (%)	45
4.5	Net Profit to Total Deposit Ratio (%)	48
4.6	Investment to Total Deposit Ratio (%)	50
4.7	Return on Net worth (%)	52
4.8	Return on Assets (%)	54
4.9	Return on Capital Employed (%)	56
4.10	Return on Shareholder's equity (%)	58

LIST OF FIGURES

Figur	re No. Title	Page No.
4.1	Current Ratio(%)	40
4.2	Trend of Current Ratio(%)	41
4.3	Quick Ratio(%)	42
4.4	Trend of Quick Ratio(%)	43
4.5	Cash and Bank balance to Total Deposit Ratio (%)	44
4.6	Trend of Cash and Bank Balance to Total Deposit Ratio (%)	45
4.7	Loan and Advance to Total Deposit Ratio (%)	46
4.8	Trend of Loan and Advance to Total Deposit Ratio (%)	47
4.9	Net Profit to Total Deposit Ratio (%)	48
4.10	Trend of Net Profit to Total Deposit Ratio (%)	49
4.11	Investment to Total Deposit Ratio (%)	51
4.12	Trend of Investment to Total Deposit Ratio (%)	51
4.13	Return on Net worth (%)	53
4.14	Trend of Return on Net worth (%)	53
4.15	Return on Assets (%)	55
4.16	Trend of Return on Assets (%)	55
4.17	Return on Capital Employed (%)	57
4.18	Trend of Return on Capital Employed (%)	57
4.19	Return on Shareholder's Equity (%)	59
4.20	Trend of Return on Shareholder's Equity (%)	59

ABBREVIATIONS

A/c : Account

B.S. : Bikram Sambat

C.V. : Co-efficient of Variation

CRR : Cash Reserve Ratio

D/E : Debt Equity Ratio

e.g. : For Example

Etc : Etcetera

GFIL : Goodwill Finance & Investment Company Ltd.

Govt : Government

i.e. : That is

JVBs : Joint Venture Banks

L/C : Letter of Credit

Ltd. : Limited

NH&FM : Nepal Housing & Merchant Finance

No. : Number

NRB : Nepal Rastra Bank

ROA : Return on Assets

ROA : Return on Assets

ROCE : Return on Capital Employed

ROI : Return on Investment

ROSE : Return on Shareholder's Equity

Rs. : Rupees

SLR : Statutory Liquidity Ratio

T.U. : Tribhuvan University

U.S.A : United States of America

UFCM: Universal Finance & Capital Market Ltd.