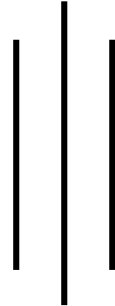


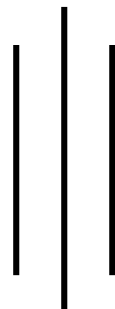
**A COMPARATIVE STUDY ON WORKING CAPITAL
MANAGEMENT
OF
NABIL, NIBL & EBL BANK LTD. IN NEPAL**



By:

GOVINDA RIJAL

T.U. Regd. No. : 7-2-2-1196-2002
Second Year Exam Roll No. : 40063



Submitted to:

Office of the Dean

Faculty of Management

TRIBHUVAN UNIVERSITY

In partial fulfillment of the requirements for the degree of
Master of Business Studies (MBS)

Post Graduate Campus

Biratnagar, Morang

August, 2013



TRIBHUWAN UNIVERSITY

POST GRADUATE CAMPUS

Biratnagar

Morang, Nepal

RECOMMENDEATION

This is to certify that the thesis:

Submitted By:

Govinda Rijal

Entitled:

A COMPARATIVE STUDY ON WORKING CAPITAL MANAGEMENT

OF

NIBL, NABIL AND EBL IN NEPAL

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

Supervisor

Name: Ram Prakash Upadhyay

Signature:

External Supervisor

Name:

Signature:

Campus Chief

Name:

Signature:

Date:



TRIBHUWAN UNIVERSITY

POST GRADUATE CAMPUS

Biratnagar

Morang, Nepal

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Entitled

A COMPARATIVE STUDY ON WORKING CAPITAL

MANAGEMENT

OF

NIBL, NABIL AND EBL IN NEPAL

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

Master's Degree in Business Studies (MBS)

VIVA-VOCE COMMITTEE

Head of Research Department Prof. Dr. Yadav Raj Koirala

Member (Thesis supervisor) Ram Prakash Upadhyay

Member (External Expert)

Date: Aug. 22, 2013

DECLARATION

I hereby declare that the work reported in this thesis entitled "**A COMPARATIVE STUDY ON WORKING CAPITAL MANAGEMENT OF NIBL, NABIL AND EBL IN NEPAL**" submitted to office of the Dean, Faculty of Management, **Tribhuvan University** is my original work done in the form of partial fulfillment of the requirement of Master's of Business Studies (MBS), under the guidance and supervision of Mr. Ram Prasad Upadhyay, Post Graduate Campus, Biratnagar.

Govinda Rijal

ACKNOWLEDGEMENT

First of all, I would like to thank the Management Department for providing an opportunity to write thesis, which could enhance the capabilities of students in the field of research work.

I would like to express my sincere gratitude to Mr. Ram Prakash Upadhyay, lecturer of Post Graduate Campus, Biratnagar for his keen supervision and guidance while preparing this dissertation. I am equally indebted to Prof. Dr. Yadav Raj Koirala, Head of the Department for his inspiration and encouragement in the course of writing.

At last I would like to extend my words of thanks to Mr. CM Khanal of Khanal Communication, Birtamode for the neat typesetting, printing and binding of the thesis work.

Govinda Rijal

TABLE OF CONTENTS

Recommendation
Viva-Voce sheet
Declaration
Acknowledgements
Table of Contents
List of Tables
List of figures
Abbreviations

Page No.

CHAPTER- I

INTRODUCTION

1.1 General Background	1
1.1.1 Brief Description of Sample Commercial Banks	3
1.2 Focus of the Study	8
1.3 Statement of the Problems	9
1.4 Objectives of the Study	10
1.5 Significance of the Study	11
1.6 Limitation of the Study	11
1.7 Organization of the Study	12

CHAPTER- II

REVIEW OF LITERATURE

2.1 Conceptual Framework	14
2.1.1 Needs and Objectives of Working Capital	18
2.1.2 Classification of Working Capital	19
2.1.3 Importance of Working Capital	22
2.1.4 Principle of Working Capital	23
2.1.5 Dimension Working Capital Management	23
2.1.6 Effects of Current Assets on Profitability Risk Trade off	28
2.1.7 Effects of Current Liabilities on Profitability Risk Trade off	29
2.1.8 Combined Effects of Change CA & CL on	

Profitability Risk Trade off	29
2.1.9 Operating Cycle	30
2.1.10 Financing of Working Capital	32
2.1.11 Transition Affecting Working Capital	35
2.1.12 Transaction not Affecting Working Capital	35
2.2 Cash Management	35
2.3 Management of Receivables	38
2.4 Inventory Management	39
2.5 Review of Related Literature	41
2.5.1 Review of Books	41
2.5.2 Review of Journals/Articles	43
2.5.3 Review of Related Research Work	47

CHAPTER- III

RESEARCH METHODOLOGY

3.1 Research Design	50
3.2 Population and Sample	51
3.3 Sources of Data	51
3.4 Data Collection Techniques	52
3.5 Data Analysis Tools	52
3.5.1 Ratio Analysis	53
3.5.2 Average	55
3.5.3 Trend Percentage Method (Index No)	55
3.5.4 Correlation Analysis	56
3.5.5 Variance Ratio Test and Analysis Test (F-Statistic)	63

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Descriptive Analysis	59
4.1.1 Nepal Investment Bank Ltd.	60
4.1.2 Everest Bank Ltd	70
4.1.3 Nepal Investment Bank Ltd.	79
4.2 Trend Analysis	87
4.3 Inferential Analysis	95

4.3.1 Bank Wise Correlation Analysis	96
4.4 Findings of the Study	98

CHAPTER- V

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Summary	101
5.2 Conclusions	102
5.3 Recommendations	104

Bibliography

Appendix

LIST OF TABLES

Table 1.1 Current Equity Participation (2067/068)	4
Table 1.2 Equity Participation	5
Table 2.1 Effective of Alternative Working Capital Policies	26
Table 2.2 Effect of Current Assets on Profitability Risk trade off	28
Table 2.3 Effect of Condition	29
Table 2.4 Comparison of Three approaches	34
Table 4.1 Current Assets to Total Assets and FA	60
Table 4.2 Cash Balance to CA and TA	61
Table 4.3 Net Profit after Tax to CA and TA	62
Table 4.4 Net Working Capital to Current Assets	63
Table 4.5 Receivable to CA and TA	64
Table 4.6 CA to CL	65
Table 4.7 Cash to Current Liabilities	66
Table 4.8 Debt to Equity Ratio	67
Table 4.9 return of Owner's Equity	68
Table 4.10 Earnings Per Share	69
Table 4.11 Current Assets to Total Assets and FA	70
Table 4.12 Cash Balance to CA and TA	71
Table 4.13 Receivable to Current Assets and Total Assets	72
Table 4.14 Return on Current Assets and Total Assets	73
Table 4.15 Net Working capital to Current Assets	74
Table 4.16 Current Assets to Current Liabilities	75
Table 4.17 Cash to Current Liabilities	76
Table 4.18 Debt to Working Capital	77
Table 4.19 Return on Owner Equity	77
Table 4.20 Earnings Per Share	78
Table 4.21 Current Assets to Total Assets and FA	79
Table 4.22 Cash Balance to CA and TA	80
Table 4.23 Net Profit after Tax to CA and TA	81
Table 4.24 Net Working capital to Current Assets	82
Table 4.25 Receivable to CA and TA	83

Table 4.26 Current Assets to Current Liabilities	84
Table 4.27 Cash to Current Liabilities	85
Table 4.28 Debt to Equity Ratio	85
Table 4.29 Return on Owner's Equity	86
Table 4.30 Earnings Per Share	87

LIST OF FIGURES

Fig. 1.1 Equity Participation of NIBL	4
Fig. 1.2 Equity Participation of EBL	5
Fig. 1.3 Equity Participation of NABIL	7
Fig. 2.1 Operating Cycle	16
Fig. 2.2 Temporary and Permanent W/C	21
Fig. 2.3 Current Assets	25
Fig. 2.4 Levels of Current Assets	27
Fig. 4.1 Current Assets & Current Liabilities of NABIL	89
Fig. 4.2 Cash Balance & Receivable of NABIL	90
Fig. 4.3 Current Assets & Net Profit after Tax of NABIL	91
Fig. 4.4 Current Assets & Current Liabilities of EBL	92
Fig. 4.5 Current Assets & Cash Balance of EBL	93
Fig. 4.6 Cash Balance & Receivable of EBL	94
Fig. 4.7 Current Assets & NAPT of EBL	95
Fig. 4.8 Correlation Coefficient and Probable Error between CA and CL	96
Fig. 4.9 Correlation Coefficient and Probable Error of Cash and Current Assets	97
Fig. 4.10 Correlation Coefficient and Probable Error between Net Profit and CA	98

ABBREVIATION

&	And
A/C	Account
AGM	Annual General Meeting
Avg	Average
B.C.	Before Christ
B/S	Balance Sheet
Brt.	Biratnagar
C.F.	Correction Factor
C.V.	Coefficient of Variation
CA	Current Assets
CB	Cash Balance
CL	Current Liabilities
D.F.	Degree of Freedom
Dr.	Doctor
e.g	Example
EAT	Earning After Tax
EBL	Everest Bank Ltd.
EOQ	Economic Order Quantity
EPS	Earning Per Share
Etc	Etcetera
F/Y	Fiscal Year
FA	Fixed Assets
H ₁	Alternatives Hypothesis
H ₀	Null Hypothesis
i.e.	That is
ibid	Ibidem
JVB	Joint Venture Banks
KTM	Kathmandu
MBS	Master of Business Studies
Mgmt	Management
NEPSE	Nepal Stock Exchange

NPAT	Net Profit after Tax
NWC	Net Working Capital
NIBL	Nepal Investment Bank
P	Page
P.E.	Probable Error
P.G.	Post Graduate
P/L	Profit & Loss
Prod ⁿ	Production
Prof.	Professor
Pvt.	Private
R	Receivable
Rs.	Rupees
SD	Standard Deviation
SN	Serial Number
TA	Total Assets
TCA	Total Current Assets
T _{cal}	Calculated Value of Students T- Distribution
TCL	Total Current Liabilities
T _{tab}	Tabulated Value of Students T- Distribution
TU	Tribhuvan University
Viz.	Namely
W/C	Working Capital