

CHAPTER-1

INTRODUCTION

1.1 Background of the Study

Bank & Financial Institutions play significant role for development of the economy Overall developments of the country depend upon the development of economic activities.. They are considered as one of the main sources of economy. They do the several economic and financial activities. But in our context most of them are not operating well. They are suffering from various problems directly and indirectly.

There was lot of actors who contributed to this field. Organized banks are not the pioneers of financial transactions. Even before the establishment of banking system in Nepal, financial transactions were in practice as under taken by some money lenders like goldsmith sahu-mahajan & Jamindars. The transactions that help during those days were not in an organized manner. Such unorganized way of financial affairs could not direct the nation towards the economic development. Hence, to fulfill the growing need of economy; Nepal Bank Limited came into existence in 1937 as the first commercial bank of Nepal even before the establishment of central bank i.e. Nepal Rastra Bank.

Nepal Bank Ltd. Started the act of consolidating the scattered capital since its establishment in order to mobilize in productive sector. It developed a systematic tradition & culture of modern banking system in Nepal. Such system could able to establish a strong base for the uplifted the National economy.

In 1995, Nepal Rastra Bank has been established under Nepal Rastra Bank Act, 1995. It has been playing the significant role in following aspects; “to insure proper management for the issue of Nepalese currency notes to make proper arrangements for the circulation of Nepalese currency throughout the kingdom and to stabilize the exchange rates of the Nepalese currency in order to ensure the convenience and economic interests of the general public.”(Nepal Rastra Bank Act. 1995, p.8)”

Nepal Rastra Bank also plays most important role in different sectors. It helps to mobilize capital or fund for developments and encourages trade and Industrial sector for

enhancement. It provides financial security as well as valuable instructions to commercial banks and other related sectors. Therefore it is more essential to the developments of banking systems and regulation of financial activities in the government of Nepal.

Through by this study I want to compare and analyze the trend of cash flow & its management in private sector commercial bank. The selected institutions are Siddhartha Bank Limited, Laxmi Bank Limited and Kumari Bank Limited which are operating its business under almost equal age into the Nepalese financial market.

In 1974, Commercial Bank Act has been enacted & enforce in Nepal. This Act has helped to emerge numbers of commercial banks with a view “to maintain the economic interest and comfort of the public in general, facilitate to provide loan for agriculture, industry and trade, and make available banking services to the country and the people”. (Commercial Bank Act. 2031 B.S. p.12)

Now commercial banks are operated under the directive of NRB and NRB act 2058. There is also existence of Bank and Financial Institution Act (BAFIA) to operate commercial bank on the new climate. After the liberalization in the decade of 2050 various commercial banks started to provide the service in the field of financial sector of the country. Number of finance companies and saving and credit co-operative institutions have been established to provide financial service to the country.

After the restoration of multiparty democracy system in Nepal, government has adopted to implement the policy of economic liberalization. The economy is based on mixed economy. In 2042 (1985), finance companies Act has been formulated “to incorporate finance companies for non-banking business having about dynamism in the economic development of the country in order to promote the economic benefit of the people in general through institutionalized investment consolidating the scattered capital in the country.”(Financial company Act. 2042 B.S., p.13) This statement clarifies that finance company Act has been introduced in Nepal to enhance the speed of economic growth by the use of accumulated fund for the peoples’ economic benefit.

1.2 Focus of the Study

Cash is the life blood of business organization. It is the fuel that keeps the business alive. Without cash no business transaction can even imagined to be done. So, analysis of liquidity positions is an important aspect of modern business organizations. As such the decision makers must play close attention to the firm's cash position and events and transactions that affects the causes of cash position to change. The analysis of the events and transactions that effect the cash position of the company is termed as cash flow analysis.

Cash flow simply refers the flows of cash 'In' and 'Out' of a business over certain period of time. It defines the flow of cash. Normally there are the two types of cash flows (i.e. positive and negative) Positives cash flow means inflow of cash negative means outgoing of cash. Cash flow excludes movements between items that constitute cash or cash equivalents because these components are the part of cash management of enterprises rather than parts of its operating, investing & financing activities. Cash flow simply refers to the flow of cash into or outflow of business over a period of time. Watching the cash inflow and out flows is one of the major management tasks. The outflow of cash is measured by those checks issued by every month to pay salaries, suppliers, creditors and others. The inflows are the cash received from customers, lenders &inventories or any type of sources .the terms of cash outflows and inflows systematically defined as sources &uses of cash.

Cash flow can be defied as a two ways positive cash flow and negative cash flow. If incoming of cash is more then out going of cash in a business, the company has a positive cash flow. A positives cash flow is very good position for business enterprises like a good health. 'Cash flow' is one of the important elements for the survival of a business. It can be positive or negative, but the latter is obviously a most undesirable situation.

1.3 Introduction of Selected Commercial Banks

Kumari Bank Limited (KBL)

Kumari Bank Limited came into existence as the fifteenth commercial bank of Nepal by starting its banking operations from chaitra 21-2057 with an objective of providing competitive and modern banking services in the Nepalese financial market. The bank has

at the end of f/y 2010/11 were Rs 1.77 billion and Rs 35.24 million, total capital to Rs 2.12 billion.

Kumari bank ltd has been providing wide range of modern banking services through 28 total branches. The bank is pioneer in providing some of the latest/lucrative banking services like e- Banking and sms banking services in Nepal. The bank always focus on building sound technology driven internal system to cater the changing needs of the customers that enhance high comfort and value. The adoption of modern Global software , developed by tremens NV, Switzerland and arrangement of centralized data base system enables customer to make highly secured transactions in any branch regardless of having account with particular branch. Similarly the bank has been providing 365 days banking facilities, extended banking hours till 7 pm in the evening utility bill payment services, inward and outward maintenances services, and various other banking services.

Visa Electron debit card, which is accessible in entire VISA liked ATMS ends of f/y 2010/11, the bank has total of 26. Pos (point of sale) terminals both in Nepal & India, has also added convenience to the customers. The banks has been able to get recognition as an innovative and fast growing institution striving to enhance customer value and satisfaction by banking transparent business practice , professional management , corporate governance and total quality management as the organizational mission.

The key focus of the bank is always center on serving unfulfilled needs of all classes of customers located in various parts of the country by offering modern and competitive banking products and services in their door step. The bank always prioritizes of the valued customers.

Laxmi Bank Limited (LBL)

Laxmi Bank was incorporated in April 2002 as a commercial bank. The current capital has Rs 1,901,136000 and supplementary capital RS 418195000. Laxmi bank has grown with branches in different place. Following the merger with his self finance ltd, a decade old first generation finance company, its office in Hattisar, Kathmandu was converted to that of Laxmi bank. This office was converted to a full branch.

With a view to providing safe, seamless, quick and advance banking services, the bank has been heavily investing in contemporary banking technologies. The bank uses Flex cube as its main banking platform. Flex cube incidentally has been ranked the number one selling core banking solution globally, and It has total branches 37 in f/y 2010/11.. The bank provides its services through a host of delivery channels including cell phone, internet, ATM, point of sales (pos) etc., in addition to a network of physical branches. Our internet banking facility comes with capabilities of online shopping in addition to regular internet banking features. Similarly through the banks alliances with smart choice Technologies (sct), the ATM/Debit cardholder of Laxmi Bank has access to a network of ATMS, and pos terminals located in all major urban centers of the country. The bank is the first in south Asia to have implemented swift net, the advanced version of the SWIFT technology, which is used for speedy and secure payment and messaging services.

Under a professional management team, the bank has established itself as an emerging key player. Today the bank is recognized as an innovative and progressive bank geared to providing shareholders and customers with quality earning and value added services. Transparency, good governances and sound business growth are our driving forces.

Siddhartha Bank Limited

Siddhartha bank limited commenced operations in 2002. The Bank was promoted by a group of highly reputed Nepalese having wide commercial experience. SBL provide a full range of commercial banking services through 38 branches. and it has paid up capital Rs 109530000 in f/y 2010/11.

Siddhartha Bank Limited has been operating its banking business with a vision is to be financially sound, operationally efficient and keep abreast with technological developments. The Bank firmly believes customers focus is a core value shareholders prosperity is a prime priority growth is a commitment and economic welfare is a sincere concern.

Mission of the Siddhartha Bank limited is to be leader among the banks of our age in Nepal and committed to achieving this vision by fulfilling the interest of all the stakeholders through a motivated staff. Our aim is to render efficient and diversified financial services.

In addition to SBL core banking products and corporate financing, Sbl has offered the whole range of personal and products for home, auto, education and Siddhartha remit for remittance and cash Management services for speedy collection of receivables are other services to the valued clients. A network of ATMS compliments services and Siddhartha I connect services which is online internet banking service being offered to access the accounts and information from your desk are your comfort. Siddhartha Bank Limited is fully equipped with technology and human resource to research in destination.

1.4 Statement of the Problems

Being the reputed banking institution and having almost similar organization structure and objectives, the banks are not earning the same amount of profit, cash flows and not able to meet the return on cash basis on equal term and the share prices of these banks are differ too. May be the limited investment bounding and low banking attitude with competitive attitude and behavior of commercial banks is the barrier to meet their on going operating cost. Misused of loan amount by the borrowers is the main problem of banking sectors in these days in the country.

The investment opportunities are declining due to the economic recession faced by the country. This may be major reason that commercial banks have been found to be unable in utilizing its fund efficiently. Because of unfavorable situation prevailed in the country these banks are compelled to reduce the interest rate offered to depositors insecurity in the country &this strategies of the commercial bank have bring the serious problem to the economy that liquidity crisis in the financial market due to capital flying &low return in deposit lure the depositors to invest into other sector in stead of keeping their money as deposit in the depositors to invest into other sectors in stead of keeping their money as deposit &to lure new deposit in the financial institution . Now such situation entrusted Bank &financial institution management to increases the interest rate to retain the excising deposit &to lure new deposit they have been introducing new deposit schemes. It shows poor vision of the bank &financial institution toward liquidity in past. Joint venture and other commercial banks are also suffering from NPA and low spread rate , which are the major causes to minimize cash in flow.

Rules and regulation as well as directives imposed by government and NRB provide both opportunity and threat to the commercial banks operating in the country.

1. What does their cash flow indicate? Is the cash managed properly or not? Are there any irregularity regarding cash flow?
2. Why these banks have not same amount of cash flow?
3. How far they have been able to keep the sound status in terms of business success?
4. What is the condition of cash flow with the highest amount of annual operating profit?
5. Why the investment opportunities of these banks differ?

The problems of the commercial banks of the country with special reference to with to Nepal bank limited and Rastriya banijya bank as reported by KPMG Barents group says “By international standard both RBB and NBL suffer serious critical short falls in all key areas , both are technically insolvent.” According to the report of KPMG, RBB and NBL are associated with under mentioned difficult systematic problems.

1. Poor bank governance
2. Lack of independent and capable supervision
3. Weak financial and management information
4. Weak legal and accounting practice

To solve the above mentioned problem, management of the banks has been taken by Nepal Rastra Bank the central bank of the country and reforms programmed are operating with the help of World Bank through foreign management contract with ICCMT, Ireland. There is no longer of contract period with ICCMT the management is now under control of Nepalese management.

1.5 Objectives of the Study

The main objective of this study is to know about the cash flow analysis and its management in commercial bank of Nepal. This dissertation helps to evaluate and compare cash flow statement of the selected financial institutions. Cash flow statement provides information that enables users to evaluate the change in net assets of an institution, its financial structure, its ability to affect the amount of timing of cash flow.

This research, analyze and compare the cash flow statement.

1. To examine analyze and compare the cash inflow and outflow of the banking sectors.
2. To analyze trend of cash flow of the Nepalese commercial banks
3. To evaluate performances of banking org. in terms of cash flow.
4. Provide necessary suggestion and recommendation to the consumer authority.

1.6 Significance of the Study

Nepalese financial institutions and capital markets are suffered from various cash management problems. Whole financial sectors are becoming a victim of the same. Shrinking investment opportunities due to recession has put the Nepalese investors are drawing back their hands from the investment sectors.

Although the present economic situation is not satisfactory, evolution of financial institutions mostly finance companies are increasing, however under such circumstances the objects and operation of financial companies in accordance with finance companies act, 1985 may not be easily fulfilled. It is because these companies may not properly mobilize the domestic resources for a sustainable economic growth right this time since rather than to operate the business by loans from financial institutions due to the lack of opportunities. at present Nepal became a member of WTO family. The world is becoming a single market due to globalization. It creates competitions every where. But still, Nepalese financial sectors are not fully conscious. so activities , especially operating activities , which are the main source , which generates cash in those financial companies ,are not enough for the regular flow of cash. Therefore the study of financial institutions regarding cash flow becomes an in dispensable subject in present context.

Regarding the present situation of Nepal there is not properly managing of cash. Still most of the financial institutions are following in a traditional way. They are not maintaining the trend of cash flow in effective way. Due to the crisis of national economy the investing opportunities are becoming placeless. Therefore I believe that this study tries to understand how far these institutions are able to sustain in such a quite unfavorable situation. Obviously saying this study is essential to check the viability of these institutions regarding cash flow management. The study detects in the companies and efficiencies of these institutions and helps to explore the appropriate and effective measures for the remedy of company's cash management troubles.

1.7 Limitations of the Study

The study is fundamentally based upon the published financial report provided by the selected institutions. Therefore there are various limitations to analyze in details. The data published by the institutions, certified public accountants are believed as true, accuracy and fairness.

The effect of inflation, which is one of the most important factors for the analysis of economic activities, has not been taken into consideration for the purpose of study. As the whole data have been extracted from the published financial statement it is mainly based on historical financial information. Since the methods, theorizes, standards and indicators etc. employed in the study have their own limitation & assumptions, this study, therefore is within the limitation of all those employed methods.

In order to analyze & compare the financial position consistently, the B/S & P/L A/C of all the selected companies has been taken into consideration since F/Y 2061/62 to 2066/67.

Regarding the above, I have mentioned the following points:

1. The study is mainly confined SBL, LBL & KBL.
2. The study is fundamentally based on the data of published financial statements of banks mention under study.
3. Only four years data from F.Y 2061/62 to 2066/67 is taken for analysis.
4. Data are base historical accounting rather than on inflation accounting.

1.8 Organization of the Study

Considering the objectives in mind, the study has been organized in to the following five chapters.

Chapter 1: Introduction

This chapter includes background information on the subject matter, focus of the study, profile of sample banks, statements of the problems, objectives of the study, significance of the study, limitation of the study and organization of the study.

Chapter 2: Review of Literature

This chapter includes the relevant previous writing and studies to find the existing gap; review of textbook, dissertation thesis has been included in this chapter.

Chapter 3: Research methodology

This chapter contains research design, population and sample size, data collection procedure and tools used for analysis.

Chapter 4: Data presentation and Analysis

This chapter consists of systematic presentation and analysis of financial statement employing financial and statistical tools. It also includes major findings.

Chapter 5: Summary, Conclusion and Recommendations

This chapter includes the summary, conclusion and recommendations of the study.

CHAPTER II

REVIEW OF LITERATURE

2.1 Theoretical Framework

Literature Review is the foundation study to any type of research. This is the things, which helps to the researcher for completion of the study. It provides guidelines, ideas and several important data for the research field. Therefore previous studies are most important for completing any type of study because these are the basic guidelines which provide way of doing of the research. Cash flow statement is the latest version in accountancy.

Cash flow statement has totally replaced in the modern, concept of Funds flow statement. Nepal's company act 2053 made compulsion to submit cash flow statement with financial statement. Cash flow statement was introduced in Nepalese curriculum only from the bachelor degree level. So, previous studies on this chapter are negligible. Now considering the need of the cash flow statement, curriculum board has revised the syllabus and includes the cash flow statement from the intermediate level to make the students of the management more competent in the modern era.

Review of literature is basically a stock taking of available literature in the field of research. The textual matters would help the researcher to support the area of research in order to explore the relevant and true facts for the reporting purpose. While conducting the research study previous studies can not be ignored as those instructions would help to check up the change of duplication in the present study.

Thus one can find what research studies have been conducted and what remains to go with. A researcher prepares a report or thesis by reviewing of related thesis, articles & books defined as a review of literature. Like wise other books and thesis, journal and annual report are selected commercial banks are studied while preparing this thesis report.

2.1.1 Cash

“Cash is the lifeblood of business enterprises. It is the fuel that keeps a business alive”. “Cash flow simply refers to the flow of cash into and out of a business over a definite period of time”. If the funds are in form of working capital then funds flow statement should be prepared. But when cash are assumed as fund then cash flow statement should be made to inform the stock holder about the cash flow position of the company. Cash flow statement is the key financial statement that should be prepared by company to submit the report on AGM and BOD. It describes the sources and usage of cash from different items and activities. Cash flow statement is the receipt and payment of cash within an accounting period. According to the Institute of cost and work accountants of India cash flow statement is “A statement setting in and out flow of cash under distinct head of sources of funds”.

The efficiency of the firm is reflected in the inflow and outflow of funds in the business. To understand the operation efficiency of the business concern, it is necessary to have an analysis of the dynamic aspects of the flow of funds. And such an analysis made through funds flow analysis by preparing a statement is called a statement of change in financial position or funds flow statement. The funds flow statement is a statement which shows the movement of funds. In the words of Anthony “the funds flow statement describes the sources from which additional funds were described and the use to which these resources were put”(Shukala & Gupta).Therefore , the main purpose of funds flow analysis is to get clear information about the financial transactions that brings changes in the company’s resources .It is a kind of financial tools which answers the following questions:

1. From which source funds received?
2. How many funds received?
3. For what purpose the funds are used?
4. Whether the business is solvent or not?

2.1.2 Cash Flow Analysis

Cash is the lifeblood of business organizations. Without cash no any business transactions can be imagined to be done .It is the fuel that keeps a business alive. Without cash no activities can take place. A business must have an adequate amount of cash to operate. so analysis of liquidity position is an important aspect of modern

business organization . As such the decision makers must pay close attention to the firms cash position company is termed is termed as cash flow analysis.

Profits are accounting measures that may not reflect the firm. Increasing profits will not always result in higher stock prices, profits of the firm depend on many factors such as method of depreciation, non operating gains incomes expenses and losses. Cash flow analysis not only recognizes the profit but it goes a little further and measures the actual cash available for the firm. It is after all the available cash not the profit that determines the firm's future investment and growth. Cash flows have earning potential and capture the economic impact of managerial decisions .cash flows are not the profits that determine the wealth.

2.1.3 Cash Flow Statement

Cash flow statement is the systematic and analytical presentation of inflow and outflow of cash flow from different sources within an accounting period. It is the reconciliation of opening and closing cash. It shows the actual view of business on cash basis. The FASB no 95 "statement of cash flow" issued reconciliation of opening and closing cash. It shows the actual view of business on cash basis. The FASB no 95 "statement of cash flow" issued in 1987 has classified the cash flow into operating, investing and financing activities. Similarly Nepal accounting standing issued by NASB, "Cash flow statement should report cash flow during the period classified by operating, investing and financing activities."

The IAS has also replaced FFS and its entire member to present cash flow statement along with the balance sheet and income statement. As such enterprises should prepare a cash flow statement along with the balance-sheet and income statement since 1992. Nepal company act 2063B.S.(currently replaced company act 2053) also made mandatory to present cash flow statement along with balance sheet and income statement. NAS says "the cash flow statement is the part of the complete set of financial statement including balance sheet, income statement and accounting policies and extraordinary notes."

Recognizing the importance and usefulness of cash flows analysis, the FASB issued statement of financial statement standard no.95 "statement of cash flow" in November

1987. This standard requires business to include a statement of cash flows in all financial reports that contain balance sheet and income statement. This statement supersedes opinion no. 19 “statement of change in financial position” .the IAS has also replaced FFS and asked its entire member to present cash flows statement along with the balance sheet and income statement. As such an enterprise should prepare a cash flow statement along with the balance sheet and income statement since 1992. Nepal company act 2053 B.S. also made mandatory to present cash flow statement along with the balance sheet and income statement. As such an enterprise should prepare a cash flow statement and should present it as an integral part of its financial statement for each period for which financial statement are presented.

2.1.4 Importance of Cash Flow Analysis

Enterprises need cash to conduct their operation, to pay their obligation and to provide returns to their investors. Users of an enterprise financial statement are interested in how the enterprise generates and uses cash and cash equivalents. It helps the users of financial statement evaluated a company’s ability to have sufficient cash both in short term and long term basis. For this reason, the statement of cash flow is useful to virtually everyone interested in the company’s financial health. Cash flow statement is important to provide information about inflows and outflows of cash and cash equivalents.

It provides useful information to the users of the statement in the following ways.

- a. It helps to evaluate financial polices &cash positions
- b. It helps to inform about the availability of cash. so that management can determine policies regarding financial management i.e. raising utility of funds.
- c. Asses a company’s ability to meet its obligation, its ability to pay dividends and its need for external financial.
- d. Assess the reason for difference between income and associated cash receipts and transition.
- e. Assess both the cash and aspects of a company’s investment and financial transactions.

In other words cash flow statement may help to answer the following:-

1. If a company operates at profit why is it continually short of cash?
2. How can a company operate at a loss and still generate huge inflows of cash from operations?

3. How was the company growth and expansion financed.
4. Did the company acquire any long term investment or other income producing assets?
5. Was financing obtained during the period through issuance of debts or equity securities? if so what were the amount of cash obtained?
6. Did the company use cash to retire any long term debt or equity securities? If so what were the amount of cash obtained?
7. Are the company's incomes producing activities using more that they are generating?
8. Do operating activities consistently generate enough cash to assure prompt payment of operating expenses maturing liabilities interest obligation and dividends.

2.1.5 Objectives of Cash Flow Statement

The objectives of cash flow statement is to highlight the major activities of the business that have provided cash for the business and have used during a period. Similarly, it also shows the resulting effect on the overall cash balance. The objectives of cash flow statement should be assessing users:

1. To assess the company's ability to generate positive cash flow in the future.
2. To assess the ability to meet its obligations to service loans , pay dividend
3. To assess the reasons for different between reported and related cash flows
4. To assess the effects on its finances of major transactions in the year
5. To find out the cause of change in the cash position on two dates and financial policies can be done with the help of cash flow statement.
6. To help the management to know and predict its position, it can plan its policy and make decisions regarding the redemption of debentures purchase of fixed assets and so on.

2.1.6 Distinction between Funds Flow and Cash Flow Statement

- a. Concept: Funds flow is based o working capital and cash flow is based on cash.
- b. Accounting: Funds flow statement is based on Accrual basis of accounting and Cash flow statement is based on cash basis of accounting.

- c. Preparation: Fund flow statement reveals the sources and application of funds and any difference represents net increase or decrease of working capital whereas cash flow statement reveals the inflow and outflows of cash and difference represents the closing cash balance.
- d. Purpose: Fund flow statement shows the causes changes in working capital position of a firm between two balance sheets dates whereas cash flow statement shows the causes of changes in cash position of a firm between two balance dates.
- e. Usefulness: Funds flow statement is useful in planning intermediate and long term financing, cash flow statement is more useful for short term analysis and cash planning of business.
- f. Schedule of changes in working capital: To get information about current assets and liabilities it is necessary to prepare the schedule of changes in working capitals before preparing funds flow statements whereas in cash flow statement it is not necessary to prepare the schedule of changes in working capital.

2.1.7 Preparation of Cash Flow Statement

The cash flow statement is prepared on the basis of cash basis of accounting. While calculating operating profits for cash flow statement, adjusting for prepaid and outstanding expenses and incomes are made to convert the data from accrual basis to cash basis. The statement is prepared by taking the opening balance cash, adding to this all the inflows of cash and deducting all outflows of cash from the total. The statement is more useful for short-term analysis and cash planning of the business. Cash flow statement shows the sources and application of cash. Sources are the inflows of the cash and uses are the outflows of the cash.

Cash Flows:

Cash flow is simply refers to the flow of a cash into or out of a business over a period of time. Watching the cash inflows and out flows is one of the major management tasks.

Sources of Cash:

If the cash is coming into the business through by different activities, this is called cash inflows. The following are the cash inflows:

- Opening cash & cash equivalents

- Cash from operation
- Cash from issue of shares
- Cash from issue of debentures
- Cash from long term loan
- Cash from share premium
- Cash from sales of fixed assets
- Cash from sales of investment.

Uses of Cash:

If the cash is going out from the business for different purpose, this is called cash outflows. The following are the cash outflows

- Cash depleted from operation
- Cash purchase of fixed assets
- Cash purchase of investment
- Redemption of debenture
- Repayment of debenture
- Repayment of long-term loan
- Dividend paid
- Income tax paid
- Closing cash & cash equivalent (Munakarmi; 2003: 13.05)

Component of Cash Flow ;(Wagle & Dahal, First Edition: 11.2)

As per the FASB's statement no.9 the cash flows statement, should be presented under informative approach in activity format. Under informative approach the cash flow statement may be presented using:

- ❖ Indirect Method
- ❖ Direct Method

Indirect Method to Cash Flow Statement

Under this method, the cash from operating activities could be derived by preparing funds from operation, as have been done in case of fund flow analysis. This from operation could be converted in to cash from operation by adjusting change in short term assets and liabilities excluding cash. Cash from investing activities are generated

internally from non operating activities like fixed assets and long term investment. Similarly cash from financing activities are the presentation of cash from or to lenders, investors and shareholders that affect cash.

Operating Activities

The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the enterprise have generated sufficient cash flows to repay loans, maintain the operating capability of the enterprise, paying dividends and make new investments without resources to external resources to external sources of financing. It relates to a company's primary revenue generating activities. It is the single major continuing sources of cash. Operating activities are always within the management control and they provide base for management estimation of fund needed to rise from available sources. Cash flow from operating activities is generally the cash effects of transactions and economic events included in the determination of income.

Under this method, the net cash flow from operating activities is determined by adjusting net profit or loss for the effect of:

- a. Changes during the period in inventories and operating receivables and payables.
- b. Non-cash items such as depreciation, provision, deferred taxes and unrealized gains or losses.
- c. All other items for which the cash effects are investing or financing cash flows
- d. Cash receipts and payments from contracts help for dealing or trading purpose.

Alternatively the net cash flows from operating activities under indirect method may be present showing operating revenues and expenses, excluding non-cash items disclosed in the statement of profit and loss and the changes in inventories and operating receivables and payables during the period. Example of operating activities:

- a. Non-cash and non operating gains/losses/expenses.
- b. Depreciation/loss on sales of assets provision for taxes.
- c. Gain on sales of fixed assets.
- d. Operating profit before working capital changes.
- e. Increase/ decrease in current assets and current liabilities.

Investing Activities:

All the cash flows (either outflows or inflows) from investing activities can be determined by the long term assets and investment of two accounting periods. Any increase in assets shall be considered as having purchased and cash paid for it unless any information contrary to the same is provided. At the same time, decrease in assets accounts represents the sale of those assets and cash inflows unless information opposing to that is provided. The gain or loss on sale need to be adjusted to calculate the exact amount cash received. Investing activities are:

- a) Cash payment to acquire the fixed assets.
- b) Cash receipts from disposal of fixed assets.
- c) Cash payments to acquire shares, warrants or debt instrument of other companies.
- d) Cash advances and loan made to other parties.
- e) Cash receipts from the repayment of advances and loans made to third parties.

Financing Activities:

Cash flows from activities are calculated by analyzing the liabilities side of the balance sheet. The amounts of secured loans, unsecured loans, the amount of share capital and retained earnings accounts are analyzed to calculate the inflows and outflows from financing activities. The increase in these amounts can be taken as inflows either with the name of more borrowing or issuance of shares. Similarly, the decrease in these amounts can be taken as outflows with the name of redemption of debts or preference shares. Besides the capital and loan amounts another financing activity is dividend paid or drawings by the owners. Dividend may be in the form of cash dividend or stock dividends do not use any cash. Hence, they should not be considered for cash flow statement.

The separate discloser of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the enterprise. Examples of cash flows arising from financing activities are:

- a) Cash precedes from issuing shares or others equity instruments.
- b) Cash payments to owners to acquired or redeemed the enterprises shares.
- c) Cash proceeds from issuing debentures, loans, notes, bonds and mortgages and other short or long term borrowings.
- d) Cash repayments of amounts borrowed.

- e) Cash payment by a lessee for the reduction of the outstanding liability relating to a finance lease. [International accounting standard 7 (Revised 1992)]

Direct Method

International accounting standard committee (IAS) has encouraged preparing cash flow statement only on direct method. Therefore as far as possible we need to follow direct method. When the direct method is used the cash flow statement does not begin with net income, rather, it shows cash collected from customer and deducted cash used for various expenses. That is, major of class of gross cash receipt and gross cash payments are disclosed. (Munankarmi, 2003:13.12)

Operating Activities

Operating activity only include transaction that return to the calculation of net income. It involves the purchase and the sales of goods and services to customers. Cash flow from operating activities includes all cash flows from transaction that are not defined as financing and investing activities. The cash flows from operating activities are primarily derived from the principal revenue-producing activity of the enterprise. Examples of cash flow from operating activities are:

- a) Cash receipts from the sales of goods and services.
- b) Cash receipts from royalties fees, commission and other revenue.
- c) Cash payment to suppliers of goods and services.
- d) Cash payment to and on behalf of employees.
- e) Cash receipts and cash payments of an insurance company for premium and claims, and other policy benefits
- f) Cash payments refund of income taxes.

The direct provides information which may be useful in estimating future cash flows and which is not available under the indirect method. Under the direct method information about the major classes of gross receipts and gross cash payments may be obtained either.

- a) From the accounting records of the firms or
- b) By adjusting sales, cost of sales and other items in the statement of profits and loss for.

- c) Changes during the period in inventories and operating receivables and payables
- d) Other non-cash items and
- e) Other items for which the cash effects are investing or financing cash flow.

Investing Activities

Determinations of cash flows from investing activities require analyzing the non operating incomes and expenses in income statement relating to:

Productive Assets.

- A. Investment in share and debentures.
- B. Intangible assets.
- C. Short term investment other than cash equivalents. (Munakarmi, 2003:13.16)

Financing Activities

A company’s transaction with its owners and long term creditors are typically called financing activities also it includes borrowing of cash on short term basis for determination of cash flow from financing activities items relating to:

- A. Share capital (Equity)
- B. Share premium
- C. Debenture
- D. Dividend proposed

Format Cash flow statement Under Direct Method

Figure-2.3

A. Cash from Operating Activities (CFOA)	
<u>a. Cash sales and collection from customers:</u>	
Total Net Sales (less sales return)	
(+) Decrease in debtors (sundry debtors, A\R and B\R)	<u>XXX</u>
(-) Increase in debtors (sundry debtors, A\R and B\R)	<u>XXX</u>
(+) Decrease in bad debt provision (Bad debt recover)	<u>XXX</u>
(-) Increase in bad debt provision	<u>XXX</u>
(-) Bad debt written off	

<u>b. Cash purchase and payment to creditors:</u>	
Total cost of goods sold (COGS)	<u>XXX</u>
(+) Increase in Inventory	<u>XXX</u>
(-) Decrease in Inventory	<u>XXX</u>
(+) Decrease in creditors (sundry creditors, A\P and B\P)	<u>XXX</u>
(-) Increase in creditors (sundry creditors, A\P and B\P)	<u>XXX</u>
<u>c. Cash operating expenses and other warranty services:</u>	
Total cash operating expenses (selling, distribution, Adm. etc)	<u>XXX</u>
(+) Decrease in outstanding expenses	<u>XXX</u>
(-) Increase in outstanding expenses	<u>XXX</u>
(+) Increase in prepaid expenses	<u>XXX</u>
(-) Decrease in prepaid expenses	<u>XXX</u>

<u>B. Cash from Investing Activities (CFIA)</u>	
Purchase of fixed assets (Individual as per ledger)	<u>XXX</u>
Purchase of Investment (as per ledger if any)	<u>XXX</u>
Sales of fixed assets (individually)	<u>XXX</u>
Dividend or interest received from other investment if any	<u>XXX</u>
Cash from Investing Activities (CFIA)	<u>XXX</u>

Issue of share\debenture with premium or discount	<u>xxx</u>
Redemption of preference Share\debenture at premium or discount	<u>xxx</u>
Payment of dividend (provision of dividend last year)	<u>xxx</u>
Interim dividend (if any)	<u>xxx</u>
Cash from Financing Activities (CFFA)	<u>xxx</u>

2.1.8 Group Cash Flow Statement:

Group cash flow statement deals both cash and accrual based figure, whereas group cash flow statement attempts to report only cash movement. Group cash flow statement is prepaid from the consolidated. After the completion of consolidated profit and loss account and consolidated balance sheet, the holding company can prepare this statement.

The format of group cash flow statement is similar to basic cash flow statement. It can be prepared by applying either direct or indirect method. For the preparation of group cash flow statement, the activity of business concern is divided in the following three categories:

- ❖ Operating Activities
- ❖ Investing Activities
- ❖ Financing Activities

These three activities are similar to basic cash flow statement. According to the IAS-7 Para 40 states: “ the aggregate cash flows arising from acquisition and from disposal of subsidiaries or other business unit should be presented separately and classified as investing activities.”- Para 39 (Dangol, Third Education: 447)

International accounting standard -7, para 40 states: An enterprise should be disclosed, in respect of both acquisition and disposal of subsidiaries or other business units during the period each of the following:

- a) The total purchase or disposal consideration
- b) The portion of the purchase or disposal consideration discharged by means of cash and equivalents.

- c) The amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of: and
- d) The amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarized by each major category.”

Non cash transaction related to investing and financing activities should not be included in the cash flow statement. According to IAS-7, para- 43 “Investing and financing transaction that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transaction should be disclosed elsewhere in the financial statement in a way that provides all the relevant information about the investing and financial transactions activities.” Examples of non-cash transactions are as follows:

- a) The acquisitions of assets either by assuming directly related liabilities or by means of a finance lease;
- b) The acquisitions of an enterprise by means of an equity issue
- c) The conversion of debt to equity (Dangol, third Edition:456)

While preparing a group cash flow statement, the net value of subsidiary purchase has to be determined for the calculation of cash flow from investing activities. It is determined as follows:

Calculation of Net Value of Assets

Particulars	Details	Amount
Fixed assets of subsidiary company		Xxx
Current Assets of subsidiary company other than cash		xxx
Total Assets Acquired		Xxx
Less: current Liabilities		Xxx
Net Worth or Net Assets		Xxx
Less: Receivable from Holding Company		xxx
Add: payable to Holding Company		xxx
Net assets acquired		xxx
Less: Minority Interest	Xxx	
Capital Reserve	(xxx)	
Or Goodwill	xxx	
Value of share in Holding Company (If share are issued on Acquisition)	Xxx	
Reserve of Holding Company	xxx	xxx
Net Value of Subsidiary Purchase		xxx

2.1.9 Cash flow Statement for Financial Institution:

Financial enterprises like banks, finance companies, co-operatives etc. Represents the institution that a deal on financial transaction. Such enterprise also needs to prepare financial statement including cash flows statement.

The cash flows statement of financial enterprise under method is prepaid in following format:

Cash Flow Statement for Financial Institution

A. Cash Flow from Operating	Xxx
Interest and commission receipts	Xxx
Interest payments	Xxxx
Recoveries on loans previously	Xxx
Cash payment to employees and suppliers	Xxx
Short term fund-increase	Xxx
Deposits held for regulatory or monetary control purpose	Xxx
Funds advanced to customers	Xxx
Net increase in credit card receivable	Xxx
Increase other short term securities	Xxx
Deposits from customers	Xxx
Certificate of deposits	Xxx
Net cash from operation activities before income tax	Xxx
Income tax paid	Xxx
Net cash from Operating Activities	Xxx
B. Cash flow from Investing Activities:	xxx
Dividend received	Xxx
Interest received	Xxx
Purchase of permanent investment	Xxx
Purchase of fixed assets	xxx
Net Cash from Investing Activities	

C. Cash flow from Financial Activities	Xxx
Issue of shares	Xxx
Share premium	Xxx
Repayment of long term borrowing	Xxxx
Net decreased in other borrowing	Xxxx
Dividend paid	Xxx
Net Cash from Financing Activities	Xxx
Net increase\decrease in cash and cash equivalents	Xxx
Cash and cash equivalents at the beginning of the period	Xxx
Cash and cash equivalents at the end of the period	Xxx

2.1.10 Cash Flow Statement under N.R.B Directives:

Following is the cash follow statement for the financial Institution, the specimen provided by the N.R.B. directives in accordance with which the cash flow statement of the finance institutions have been prepared for the study of the cash flow analysis. (Report of the C.A, Of the Office of Auditor general)

Figure-2.6

Formate of Cash Flow Statement

.....Company
Cash Flow Statement for the year.....

Particulars	Amount (in Rs.)	Current Year (in Rs.)
(A) Cash Flow From Operations	
1. Cash receipt	
1.1 Interest Incomes	
1.2 Commission and discount income	
1.3 Exchange gain	
1.4 Non-Operating income	
1.5 Other income	
	
2. Cash payment	
2.1 Interest expenses	
2.2 Staff expenses	
2.3 Office operating expenses	
2.4 Exchange loss	
2.5 Non-operating expenses	
2.6 Other expenses	
	
(B) Cash Flow From Investing Activities		
1 Change in balance with bank	
2 Change in money at call and short notice	
3 Change in Investment	
4 Change in loans advance and bill purchased	
5 Change in fixed assets	
6 Change in other assets	
(C) Cash Flow from Financing activities	

1 Change in borrowing	
2 Change in deposits	
3 Change in bills payable	
4 Change in other liabilities	
(D) Net Cash Flow for the year	
(E) Opening Cash Balance	
(F) Closing Cash Balance	

2.2 Reviews of Books and Articles:

2.2.1 Review of Books:

In this topic, reviews of books relating to cash management have been considered. Cash is the basic and common needs of every organization. It is the foundation and target point. It is the most important aspect of working capital cash is the basic input needed to keep the business running on continuous basic so the cash should be managed efficiently in order to keep the firm sufficient liquid and to use excess cash in some profitable way. The firm should held sufficient cash neither more nor less. Cash storage will disrupt the firms operation while excessive cash will simply remains idle, without contributing anything towards the firm's profitability. Thus, the major function of a financial manager is to maintain sound cash position.

Corporate must adopt such a policy that make optimum cash management possible for improving the efficiency of cash management effective collection and disbursement should be adopted however in a developing country corporation has given not so much attention in assessing the time value of money so certain method of efficient cash management practiced by corporation in developed countries may not be viable in the view of either the deficiency of knowledge or lack of consciousness among corporate managers of developing country for calculating the interest lose or fund loss. It is notifying that cash is maintained correctly.

In any type of firm, financial managers should not only attain towards the aspect of profitability but he should also turn towards ensuring the liquidity of the corporation. Since every business is constant debtors and enterprise borrow funds financial institutions and purchase merchandise on credit there by is less obligation to the government. Thus every enterprise owns liabilities unless the payment is made at the maturity of the particular debt the reputation of the firm is tarnished at worst the creditors may force the firm to terminate its business.

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

Budget is the planning before doing of the particular task. A cash budget shows the cash planning which planned cash in flows, out flows and ending position by interim period for a specific time span. Most companies should develop both long term plans about their cash flows. The short term cash budget is included in the annual profit plan. A cash budget basically includes two part cash receipts and cash disbursement, planning cash inflow and outflow will include need for financial probable cash deficit of the need for investment planning put excess cash to probable use.

As such whatever cash a corporation has must be utilize efficiently to meet obligation of interest payment if cash is obtained from borrowing and its is received through issues of shares the corporation has responsibility to owner in assuring them to pay favorable rate of return since cash is not easy to obtain, the available cash must be prudently spent without incurring loss, although it is impossible to formulate a set of assets management policy of universal applicability, one policy or rules that appears to formulate a set of assets management policy of universal applicability, one policy of rules that appears to be unanimously accepted is that cash must be conserved.

The cash management of corporation is significant enough to have the best use of idle cash balance and to take advantage from the opportunity interest in cash velocity determined by sales volume and turnover of assets. Corporate manager must be familiar with the cash cycle to undertake measure for improvement of collection and

disbursement. As per the Nepal accounting standard the cash flow statement is the part of the complete set of financial statement includes balance sheet, income statement and accounting policies and extra ordinary notes.

2.2.2 Review of Articles:

Associate Prof. S.P. Munakarmi in his article defines about cash flow analysis. It is an integral part of financial planning stated the importance of cash in organization by calling as the lifeblood of business enterprise. According to him it is the fule that keeps a business alive. So a business must have adequate amount of cash to operate and decision makers should pay attention to the firm's cash position and events and transaction that affects the cash position of the company is termed as cash flow analysis.

Due to the increasing importance of cash flow analysis FASB stated that financial statement should include information about how a business obtains and spends cash about its borrowing and repayment activities, about the sales and repurchase of its ownership securities, about dividend payments and other distribution to its owners and about others factors that affect a company's liquidity and solvency.

According to the articles profits are accounting measures that may be not reflect the economic conditions of the firms that means profit can be manipulated and increasing profit will not always result in higher stock prices. Cash flow analysis not only recognizes profit but also goes a little further and measures the actual cash available for the firm. It is after all the available cash not the profit that determines the firm's future investment growth.

As the article stated further that recognizing the importance of the cash flow analysis FASB issued financial statement standards no.95 and statement of cash flows in November 1987. This standard requires business to include a statement of cash flows in all financial reports that contains balance sheets and income statements. The IAS has also replaced FFS and asked its entire member to present cash flow statement along with the balance sheet and income statement since 1992.

As the article suggest following are importance of cash flow statement:

1. A company's ability to generate positive future cash flows
2. A company's ability to meet it's obligations it's ability to pay dividends and it's need for external financial
3. The reasons for differences between income and associated cash receipts and finance and payments
4. Both the cash and non cash aspects of a company's investment and finance transaction
5. A company's quality of earning refers to how closely income is correlated with cash flow the higher the correlation the higher the earning quality
6. A company's solvency liquidity and financial flexibility. Solvency is the ability of a company to pay its debt as they mature. The liquidity is the ability to generate adequate amount of cash and it also refer assts and liabilities. Financial flexibility refers to adaptation during the period of financial adversity to obtain financing to liquidate non operating assets for cash.
7. Net cash provided or used by operating activities.

Investment activities as the article stated include the lending money (investment) and collecting on loans buying and selling securities not classified as cash equivalent are defined as short term highly liquid investment that are readily convertible to known amounts of cash and must be sufficiently close to its maturity date. Determinations of cash flow from investing activities, the analysis of non-operating incomes and expenses, statement relating to assets, investment in shares and debenture short term investment other than cash equivalent.

Net cash from financing activities are determined by the flow of short term loans and over drafts. There may be some non cash investing financing payments and such payments are not reported in the statement of cash flows. The FASB concluded that non cash portions of investing and financing activities should not reported in the statement of cash flow. However the board recognizes that non cash investing and financing activities are important events and so they should be disclosed by preparing a separate schedule for such activities.

As per the format of cash flow statement the article stated further that section seven of Nepal company act 2053 B.S. mentions the company's books of accounts and accounting system to be adopted by the company. Article 83 of the act is related to annual financial reporting statement which includes balance sheets income statement and cash flow statements, and article 84 of the act mentioned that the balance sheet and profit and loss account should be prepared in the prescribed format, but the cash flow statement is not prepared as such it should in the author's opinion be presented in the format as prescribed by the FASB.

The article concluded that an accurate cash flow projection being an integral part of financing plan help to avoid cash flow problems and also helps to keep borrowing costs as low as possible.

2.2.3 Review of Thesis

Thesis related with cash management and working capital has been considered in this section

Manandhar, N. (2005) has conducted a research on "*Financial performance analysis of Nepal Bangladesh bank ltd*" In this study, various financial research and statistical tools have been used to achieve the objective of the study. The analysis of data will be done according to the pattern of data available. Likewise, some financial tools such as ratio analysis ad trend analysis have also been used for financial analysis.

The specific objectives of his research are:

1. To analysis the functions, objective procedure and activities of the NB bank.
2. To analysis the lending practices and resources utilizations of NB bank.
3. To determine the impact of growth in deposit on liquidity and lending practices.
4. To examine the lending efficiency and its contribution to profit.
5. To make suitable suggestions based on the findings of this study. The financial and statistical tools are used.

The researcher found that NB bank has sufficient liquidity. It shows that bank has not got investment sectors to utilize their liquid money. Now, in Nepal many banks and other financial institution are functioning to collect deposits and invest money

somewhere in the investable sectors. Therefore, miniaturization has been increased since liberalization policy taken by the government. Heavy remittance has also helps to increase the amount of deposits in the bank. On the other hand, due to political crisis, economic sectors have been fully damaged.

The research findings of the study are summarized as:

- NB bank has utilized most funds in the form of credits and advances. More than 75 of total deposits of the bank have been forwarded to customers as a credit and advances.
- The major part of utilizing deposits and income generating sectors. If the bank has high deposits, bank can provide money to its customers as a credit and advances.
- Therefore, there is highly positive correlation between total deposits and credits and advances of NB bank.
- Bank is providing different schemes to attract good customers. After attracting deposits from the customers, bank has issued the deposits to the needy area to make profit for the bank.

Gautam, D.K. (2006) has conducted research on “*A Comparative study on financial performance of Standard Chartered Bank Limited and Nepal Bangladesh bank Limited*” financial performance is analyzed with two important tools. The first most important tools are the financial tools, which is bankruptcy score.

The objectives of his research are:

1. To study the existing capital structure of financial position of selected joint venture commercial banks to analyze its impact on the profitability.
2. To access the debt servicing of the joint venture commercial banks.
3. To examine the correlation and the signification of their relationship between different ratios related to capital structure.
4. To provide suggestions and recommendations for the optimal capital structure of the joint commercial bank.
5. To obtained the objectives, some financial, statistical and accounting tools.

He has found his study were the commercial banks are operating in Nepal as commercial merchant banks. The growth is still going on as so many new banks are coming into existence after this study. Therefore, JVB's are operating with higher technology and new efficient methods in banking sector. However, this study has been undertaking only three JVB's viz. SCBNL and NBBL to examine and evaluation the financial data.

The research findings of the study are as follows:

- The research sample JVB's has used high percentage of total debt in raising the assets. The higher ratio constitutes that the outsider's claim in total assets of the bank is owners claim.
- The on an average, NBBL bank constitutes 16.27 times of P/E ratio, which should be reduce as quickly as possible.
- The financial risk of the banks NBBL average degree of finance leverage constitutes 3.73 times which indicates the higher degree of financial risks.
- The average ROE of JVB's i.e. SCBL and NBBL area 37.36 and 21.75 respectively.
- In Nepal many banks and other financial institution are functioning to collect deposits and invest money somewhere in the investable sectors. Therefore, efficiency has been increased since liberalization policy taken by the government. Heavy remittance has also helps to increase the amount of deposits in banks.

Amatya K.R. (2008), has conducted a research on "*An appraisal of financial position of NBL*". "The bank is in a better position in liquidity management. The bank has been successful in mobilizing deposits from the very beginning. Trade and commercial advances have been playing major role in the credit composition of the bank. Though, the reserve of the bank has been increasing gradually, the reserve play a nominal role in the credit expansion control. The volume of transaction is high in all aspects but the bank doesn't show higher ratio of profits. Actually, it shows a decreasing trend of profits.

Rai D.B. (2010), has conducted a research on "*A comparative study on financial performance between the commercial banks*." The main objective of the study is to examine the financial performance of SBI bank NBBL bank. The other objectives are:

- a. to study the liquidity position of the banks .
- b. to analyze the lending of both the banks.
- c. To examine marketability position and the efficiency ratio of SBI and NBBL.

His major findings are:

1. The analyze of liquidity position of these commercial banks shows different position. the current ratio measures only total rupees worth of current liabilities i.e. it includes the availability of current assets in rupees for every one rupees of current assets than current liabilities. The average current ratio of SBI (1.05) is greater than that of NBBL (0.98). Therefore, the liquidity position of SBI bank is in normal standard and NBBL is also trying to gain that position.
2. From the analysis of turnover of these two banks, NBBL has better turnover than SBI bank in terms of loans and advances to total deposit ratio. Thus, NBB has better utilization of resources in income generating activities, than SBI bank.
3. The analysis of profitability of these two commercial banks is also different. The overall calculation seems to be better for NBBL. Though certain ratio like dividend per share, dividend payout ratio etc better for SBI bank. The writer has also conducted that earning per share of NBBL is better than that of SBI bank.

Bishal Gupta (2011) has conducted a research on “*Comparative Analysis of cash flow statement of private sector in commercial Bank*”. The major objectives are:-

1. To examine analyze and compare the cash inflow and outflow of the banking sectors.
2. To analyze trend of cash flow of the Nepalese commercial banks
3. To evaluate performances of banking org. in terms of cash flow.

Findings:

- a. Cash flow from investing activities is negative during whole period and it higher in the year 2066/67. But cash flow from investing activities is in the fluctuation trend.
- b. CFFA of bank is found in the fluctuation trend.
- c. Cash flow from operating activities (CFOA) is positive during the whole years. It is found increasing each successive year. But CFOA is found lowest in the year 2066/67.
- d. Cash flow from investing activities is in increasing trend.
- e. Cash flow from operating activities (CFOA) is positive during the whole years. It is found in increasing trend. Cash flow from operating activities is negative in

year 2062/63 due to the highest cash payment than cash received because of initial period.

2.3 Research Gap

Based on review of literature, cash flow analysis is done in different commercial Banks, manufacturing industries and service industries. But study is done on cash flow analysis about commercial bank i.e. SBL, LBL and KBL. This is research gap on the related study. So, the researcher has selected the cash flow analysis on commercial bank with special reference to KBL, LBL and SBL to get the objectives of the study.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is mainly associated with Research Design, sample design, period of study, sources of data & data collection procedures. Data processing & terms methods, tools & techniques, theories employed in the analysis & interpretation.

3.2 Research design

This research design is basically the comparative cash flow analysis KBL, SBL, LBL. Analytical and descriptive approaches were used to evaluate the CFFOA, CFFIA, CFFFA and net cash position of these banks. The points were discussed basically on the basis of secondary data and financial statement of past five years taken from the banks.

This research is a historical research design because it concerns with the past phenomenon. It is a process of collecting, evaluating and verifying the past evidence systematically to reach in conclusion. So, this study is the analysis of graphic table of selected commercial banks on the basis of historical data and records of the banks.

According to Kerlinger, Research design is the plan, structure, and strategy of investigation conceived so as to obtain answers to research questions and to control variance (Kerlinger, F.N."Foundations of behavioral research, New York: Holt, Rinehart & Winston)

3.3 Population and Sample

Now a day a number of commercial banks have been emerging rapidly. Some have already been established and others are in the process of establishment. Currently there are 32 commercial banks including ADB. Operating their banking business in Nepal. In the study all the commercial banks are population of study. Among them KBL, LBL and SBL have been selected as sample for the present study.

Sample banks are taken on the basis of date of establishment, investors of the bank and financial transaction of the banks. Among the selected sample banks Machhapuchhre bank limited is the first regional bank established in 1997 and started its operation from Pokhara Valley. Kumari Bank Limited, came into existence as the fifteenth commercial bank of Nepal by starting its banking operations from Chaitra 21, 2057 B.S (April 03,2001). Similarly, Laxmi Bank was incorporated in April 2002 as a commercial bank with its head office at Birgunj. Siddhartha Bank Limited commenced operation in 2002 having its registered office at Kamaladi, Kathmandu. The bank has good financial transaction among private sector banks so this bank is taken as sample banks for this study.

The three commercial banks are taken to study:

- ❖ Kumari Bank Limited (KBL)
- ❖ Laxmi Bank Limited (LBL)
- ❖ Siddhartha Bank Limited (SBL)

3.4 Sources of Data and Data Collection Procedures

The data employed in the study will be from secondary sources & to the some extent primary source data will also be included. The audited Balance Sheet, profit & loss A/C and related schedules of the concerned commercial Banks will be collected. For Primary Source Questionnaire will be used. Besides these, other essential data and information would be collected from some published and unpublished documents.

So Far as the data collection procedure is concerned, annual reports of selected organization would be collected by making an access to the commercial Banks and the Chartered Accountants firm. In addition, for questionnaire some query will be made and distribute to concerned authority of the bank. The researcher will also consult the library to gather necessary data and information during the course of study.

In study report, the audited accounts of different years of all the concerned commercial banks will be presented in two different separate sheets each for balance sheet & profit/loss account in order to depict the over all picture of different years financial position of such banks. Thereafter, cash flow statement shall be prepared by comparing 5

consecutive fiscal years balance sheets. After preparing the cash flow statements the data would be analyzed by observing all the financial statement.

3.5 Terms, Tools, Methods & Techniques of Analysis

While conducting the analysis the researcher use trend of cash flow through chart of cash flow and other important method of analysis is ratio or percentage.

3.6.1 Cash Flow Analysis

Cash is the lifeblood of business enterprises. It is the fuel the fuel that keeps a business alive. Without cash no activities can take place. So a business must have an adequate amount of cash to operate. As such the decision makers must pay close attention to the firm's cash position and events and transaction that affect the cash position of the company is termed as cash flow analysis.

3.6.2 Importance of cash flow analysis

Information about cash flow is useful in many ways. It can also influence the decision makers in many ways. Decision makers may be,

- ❖ Investors
- ❖ Creditors
- ❖ Management

Investors have to decide whether to invest of not in a given company. Investor will value higher to company whose regular operating cash flow in more than uses. Creditors have to decide whether to provide credit facility or not to the given company. Information about cash flow can help creditors decide whether a company will have enough cash to pay the debts as they mature.

Management has to evaluate whether the company has ability to meet unexpected obligations and ability to take advantage of new business opportunities that may arise, and for this the management has to use cash flow analysis. Cash flow analysis could be done by either using cash budget of Cash Flow Statement.

3.4.3 Cash budget

Cash budget is not a financial statement and such only by decision makers within the organization. A cash budget is always prepared for expected results for future period's cash transaction. The cash budget usually broken into monthly segments showing in detail the flows expected from each department. It emphasizes on the financial pattern to meet seasonal to temporary cash needs. In thesis work cash flow statement is used to cash flow analysis which is based on historical cost basis.

3.6.4 Cash flow statement

An important activity –oriented financial statement is the statement is of cash flows. This statement provides information not otherwise available in either an income statement of balance sheet; it presents the sources and the uses of the enterprise's funds by operating activities, investing activities, and financing activities. The statement identifies the cash generated or used by operations; the cash exchanged to buy and sell plant and equipment.

CHAPTER - 4

PRESENTATION AND ANALYSIS OF DATA

4.1 Presentation and Analysis of Data

In this chapter, the researcher analyzes five year's data of selected Commercial Bank according to research methodology as mentioned in previous chapter. Cash flow statement is the reconciliation of opening and closing cash balance. Just the balance sheet, income statement and shareholder's equity do not answer the question raised by the users of financial statement. For such queries, cash flow statement answers those questions by analyzing and comparing through informative accounting system and considering the fact liquidity crisis prevail in the market would lead to competitive market among the financial institutions For this purpose Four Nepalese commercial banks are taken into analysis. Before starting the presentation and analysis of the data let's have a short look at the main items included in the cash flow statement.

A. Cash Flow from Operating Activity

Operating activities relate to a company's primary revenue generating activities Operating activity is the main part of cash flow statement as well as main activity for any company/enterprises. It is the single major continuing sources of cash. Operating activities are always with in the management control and they provide basic for estimation of fund needed to rise from available sources. It is the principle revenue producing activity of the enterprises. The following are the activities related with operating activities according to the IAS 7.

- a) Cash receipt from the sale of good and rendering service.
- b) Cash receipt from royalties, fees, commissions and other revenue.
- c) Cash payment to supplies for gods and services.
- d) Cash payment to staff and on behalf of employees.
- e) Cash receipt and cash payment to insurance.
- f) Cash receipt and payment for insurance premium and claims, and other policy benefits.
- g) Cash payment or refund of income tax.
- h) Cash receipt and payment from contract held for dealing or trading purpose.

This chapter deals with cash flow analysis with reference to selected commercial bank. So under the NRB directive following are the items of operating cash flow.

- a) Interest income
- b) Commission and discount income
- c) Exchange gain
- d) Non-operating income
- e) Other income related with main business
- f) Interest expenses
- g) Exchange loss
- h) Non-operating expenses
- i) Other expenses

According to NAS-03(sec.14) cash flow from operating activities items are identified same as international accounting standard.

B. Cash Flow from Investing Activity

This activity includes purchase and sale of fixed assets. Bank is the purchaser or seller of the cash. So loans, advance and bills purchase are the main source of investing activities. This is the main revenue generating sector by interest income. Investing activities include all of those investment made or sold inside or outside of the company. Sale of these securities as well as investment on land and building is the investing activities.

It is better to generate cash by selling fixed assets or investment than increasing investment to the fixed assets. Higher cash inflow shows the cash conversion ability of fixed assets. But investment on government securities and bonds is the requirement of the banks due to the liquid and short time investment. Loans and advance should have negative cash flow in order to maintain business alive. Therefore if the cash inflow is higher than the cash outflow than the situation would be favorable because the company is able to invest more it is considered to be able to expand.

According to the Nepal Accounting standard (NAS) investing activities includes,

- a) cash payment to acquire property, plant and equipment , intangible and other long term assets
- b) cash payment to acquire equity or debt instrument of other companies
- c) cash advance and loans made to other parties

- d) cash receipt and payment for future contracts, forward contracts , option contract and swap contract
- e) cash receipt from sale of property
- f) Cash from sale of equity or debt instrument of other company
- g) Cash receipt from the payment of advances and loans made to other parties.

C. Cash Flow from financing activity

This activity is the main source to raising long term fund. In order to increasing total capital of the organization the company can issue share and debenture and internal financing source like retained earnings. These activities include borrowing money from creditors and obtaining resource from owner's capital. Deposits receive from the customer and the excess pending amount on bills payable are the main sources of financing cash flow. For the commercial banks cash from this source should be excess especially non interest bearing deposit. Repayment of borrowed amount and payment of dividend as well as withdrawal of the deposits are the main cash outflow source under financing activities. According to IAS financing activities are:

- a) Cash receipt from issuing share or other equity instrument.
- b) Cash payment to owner to acquire or redeem enterprises share.
- c) Cash proceed from issuing dept loan, bond, mortgage and other short term borrowing.
- d) Cash payment of amount borrowed.
- e) Cash repayment by a lessee for the reduction of the outstanding liability to a finance lease.

Similarly under the directive of NRB these are the financing activities for commercial bank.

- a) Change in borrowing.
- b) Change in deposit.
- c) Change in bills payable.
- d) Change in other liability.

D. Cash Equivalent

It is the main part of cash flow statement which describes cash position of the organization from different activities. Cash equivalent define as short term, highly liquid investment that are readily convertible to amount of cash and must be sufficiently close to it maturity. Treasury bill and commercial paper are the example of cash equivalent.

Now, it is necessary to present cash flow statement of selected sample commercial banks and their analyses. Analysis of the data is done on the following way:

- Comparison with five years data individually.
- Comparison with every year data between selected sample commercial banks.
- Showing graphic and diagrammatic representation though trend analysis.

Comparative table in 2062/63 to 2066/67

4.2 Fiscal Year 2062/063

Particulars	KBL	SBL	LBL
(A) Cash Flow From Operations	157,286,342	77,127,110	67,709,480
Cash receipt	675,559,453	327,762,016	357,216,273
Interest Incomes	612,901,707	292,231,934	322,762,577
Commission and discount income	26,281,002	13,774,645	14,881,386
Exchange gain	26,373,738	12,050,770	9,383,756
Non-Operating income	-	-	400,000
Other income	10,003,006	9,704,67	9,788,554
Cash Payment	(518,273,111)	(250,634,906)	(289,506,793)
Interest expenses	(341,654,457)	(148,956,870)	(208,319,363)
Staff expenses	(74,531,631)	(26,087,462)	(36,168,482)
Office operating expenses	(58,593,852)	(55,427,849)	(28,169,136)
Exchange loss	-	-	-
Non-Operating expenses	-	-	-
Income Tax Paid	(43,454,214)	(20,132,725)	(16,849,812)
Other expenses	(38,957)	-	-
(B) Cash Flow From Investing Activities	(1,586,449,228)	(1,644,162,272)	(1,466,186,862)
Change in balance with bank	107,483,248	46,300,746	201,170,171
Change in money at call and short notice	(55,000,000)	(77,528,998)	(12,494,624)

Change in Investments	(204,676,742)	(364,100,225)	(88,351,642)
Change in loans advance and bill purchased	(1,331,564,163)	(1,234,339,384)	(1,553,962,244)
Change in fixed assets	(39,038,022)	(9,475,336)	12,285,177
Change in other assets	(63,653,549)	(5,019,075)	(24,833,700)
(C) Cash Flow From Financing Activities	1,482,904,510	1,598,553,049	1,355,185,470
Change in Share Capital	125,000,000	(8,850,000)	-
Change in borrowing	(150,361,328)	1,456,153,696	11,147,081
Change deposits	1,500,002,795	150,000,000	1,392,592,547
Change in bills payable	-	-	-
Change in other liabilities	8,263,043	1,249,353	(48,554,158)
Change in Reserve Fund	-	-	-
(D) Net Cash Flow for the year	53,741,624	31,517,887	(43,249,434)
(E) Opening Cash Balance	111,249,094	33,459,441	109,851,609
(F) Closing Cash Balance	164,990,718	64,977,328	66,602,175

Source: Annual Report of 2062/63

A. Cash Flow From Operating Activities

The amount of total cash flow from operation in the year 2062/063 was Rs 157286342, Rs 67709480 and Rs 77127110 respectively KBLs, LBL and SBL. SBL was in the highest position where LBL is in the lowest position from the view point of operating cash flow. Cash flow from operating activities involves various activities which are presented in the table. Cash receipt from operation was Rs 657559453, Rs 357216273 and Rs 327762016 respectively as the above banks. Similarly cash payment was Rs 518273111, Rs.289506793 and 250634906 respectively as the above banks in the year 2062/63.

CFOA with respect to cash receipt from operation are 23.33%, 18.95% and 23.53% respectively as the above banks. Surplus ration is highest for SBL and lowest for LBL. Cash receipts include interest income, commission and discount, exchange gain, non – operating income and other income. Similarly cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non- operating expenses, income tax paid and other expenses. The determination of cash receipt and cash payment is the summation of these included items which is detail in the comparative sheet. This

analysis reflects the very weak condition of LBL in its high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflects the good position of bank. According to the total amount deviation with cash receipt and payment SBL is in strong position.

The amount of COFA is higher in SBL, it is because of generating high amount of interest income and commission and discount. Although the interest income of KBL is also high rank but its expenditure is also high. Therefore CFOA is the net flow between cash receipts and cash payments which is determination of all related factors. So based on these financial ratio analyses SBL is in better position than other banks from the view point of cash flow from operating activities.

B. Cash Flow Investing Activities

The amount of cash flow from investing activities, in the year 2062/63 is Rs1586449228, Rs 1466186862 and Rs 1644162272 respectively of KBL, LBL and SBL. In this activities various other activities are included which are presented in the comparative cash flow statement. CFIA of the SBL is in the top position than other banks where other banks have invested heavy amount. The outflow is highest than inflow of cash in all bank. Positive cash flow investing activities is not a sign of good investment. Due to the instable political situation and determining economic condition of the country, the entire bank investment and loan is highly affected, even they are able to invest in productive sector is very good signing from the view point of cash flow.

C: Cash Flow From Financing Activities

The amounts of cash from financing activities are Rs 1482904510, Rs 1355185470 and Rs 1598553049 of KBL, LBL and SBL respectively. CFFA of SBL is the highest positive than others. It is calculated from the various activities which are described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing is found negative in KBL deposits are the keys point in the financial activities. Therefore collection of large amount of deposit is the goodwill of the bank and interest rate offered to public along with specialized product. The main reason for increasing cash in flow is deposit liability Siddhartha bank Limited collects the highest deposit liability so it pays high amount of interest rate with its specialized products than other banks. This analysis reflects the importance of deposit

to financial cash flow. Cash flow from bills payable is zero in all banks 2062/63. The negative flow means payment of bill amount. it doesn't appear in any banks but it is most important non- interest bearing liability for banks. Cash flow other liabilities positively highest changed of MBL and negative changed is found of LBL shareholders equity is also a major source of financing activities. But it is found in all banks except LBL in year 2062/63. Change in reserve fund is also main part of financing activities; it is not found in that year.

D: Net cash flow for the year

Net cash flow for the year 2062/063 is Rs 53741624, Rs 43249424 and Rs 31517887 of KBL, LBL and SBL respectively. Net cash flow of KBL is in the highest position than others where as LBL has negative cash flow. Net cash flow is the total of operating, investing and financing cash flow. Overall cash flow of the bank will be positive due to the positive operating and financing activities.

4.3 Fiscal Year 2063/064

Comparative Cash Flow Statement of Selected Commercial Banks

(Fiscal Year 2063/064)

Particulars	KBL	LBL	SBL
A) Cash Flow From Operation	210,784,372.00	168,347,154.00	150,556,376.00
1. Cash receipt	868,293,617.00	523,099,585.00	534,387,080.00
1.1 Interest Incomes	791,284,209.00	470,494,833.00	481,268,995.00
1.2 Commission and discount income	40,764,126.00	15,989,954.00	20,177,802.00
1.3 Exchange gain	20,294,440.00	20,904,775.00	14,245,653.00
1.4 Non-Operating income	-	-	-
1.5 Other income	15,950,842.00	15,710,023.00	18,694,630.00
2:Cash payment	(657,509,245.00)	(354,752,431.00)	(383,830,704.00)
2.1. Interest expenses	(404,509,533.00)	(241,584,151.00)	(2761,710,950.00)
2.2 Staff expenses	(74,531,631.00)	(44,372,065.00)	(33,620,506.00)
2.3 Office operating expenses	(99,099,527.00)	(38,574,914.00)	(38,466,054.00)
2.4 Exchange loss	-	-	-
2.5 Non-operating expenses	-	-	-
2.6 Income Tax Paid	(78,296,082.00)	(30,221,301.00)	(40,033,194.00)
2.7 Other expenses	(816,882.00)	-	-
B) Cash Flow From Investing Activities	(2,901,059,902.00)	(3,339,566,441.00)	(3,177,337,281.00)
1:Change in balance with bank	(227,529,987.00)	(191,763,003.00)	(335,814,796.00)
2: Change in money at call and short notice	(227,215,000.00)	56,972,000.00	(129,446,305.00)
3: Change in Investments	(2,054,645,968.00)	(937,548,534.00)	(213,954,579.00)
4: Change in loans advance and bill purchased	(283,470,661.00)	(2,253,442,513.00)	(2,450,457,205.00)
5: Change in fixed assets	(126,470,661.00)	439,982.00	(21,353,563.00)
6: Change in other assets	18,484,753.00	(14,224,373.00)	(26,310,833.00)
C) Cash Flow From Financing Activities	2,,745,228,749.00	3,224,054,437.00	3,092,246,157.00
1. Change in Share Capital	125,000,000.00	119,779,700.00	248,850,000.00
2. Change in borrowing	(38,430,000.00)	(29,760,000.00)	2,707,002,289.00
3. Change in deposits	2,788,459,185.00	3,167,301,854.00	100,000,000.00
4. Change in bills payable	-	-	-
5. Change in Reserve Fund	-	-	-

D)Inc/loss from change in exchange in rate in cash &	-	-	-
E) Net Cash Flow for the year	54,953,219.00	52,835,150.00	65,465,252.00
F) Opening Cash Balance	135794991	66,602,175.00	64,977,328.00
G) Closing Cash Balance	190,748,210.00	119,437,325.00	130,442,580.00

Source: Annual Report of 2063/64

A. Cash Flow from Operating Activities

The amount of total cash flow operation in the year 2063/064 was Rs. 596488926, Rs. 157286342 and Rs. 185631722 respectively of LBL, SBL and KBL. SBL was in the highest position where KBL is in the lowest position from the view point of operating cash flow. Cash flow from operating activities involves various activities which are presented in the table. Cash receipt from operation was Rs. 1903646896, Rs. 675559453 and Rs. 645603352 respectively as the above banks. Similarly cash payment was Rs. 1307157970, Rs. 518273111 and Rs. 459975630 respectively as the above banks in the year 2062/063.

CFFOA with respect to cash receipt from operation are 24.28%, 32.18% and 28.14% respectively as the above banks. Surplus ration is the highest for LBL and lowest for KBL. Ratio shows that LBL is able to minimize its operating cost than other banks. Cash receipts include interest income, commission and discount, exchange gain, non-operating income and other income. Similarly cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non-operating expenses, income tax-paid and other expenses. The determination of cash receipt and cash payment ia the summation of these included items which is detail in the comparative sheet. This analysis reflects the very weak condition of KBL in its high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflects the good position of bank. According to the total amount deviation with cash receipt and payment LBL is in strong position.

The amount of CFOA is higher in KBL; it is because of generating high amount of interest income. Although the interest income of KBL is also high rank but its expenditure is also high. Therefore CFOA is the net flow between cash receipts and cash payments which is determination of all related factors. So based on these financial ratio

analyses LBL is in better position than other banks from the view point of cash flow from operating activities.

B. Cash Flow Investing Activities

The amount of Cash Flow from Investing Activities, in the year 2063/064 is Rs. 2,901,059,902.00 Rs. 3,339,566,441.00 Rs. 3,177,337,281.00 respectively of KBL, LBL and SBL. In this activities various other activities are included which are presented in the comparative cash flow statement. CFIA of the SBL is in the top position than other banks Even if all banks in sample has negative Cash flow from investing activities where KBL, LBL and SBL more negative which represents that KBL, LBL, SBL in compare SBL. Position cash flow from investing activities is not a sign of good investment. Due to the changing political situation and moist comes under compressive peace process has bring the investment environment & under such situations the entire bank increased their investment and loan, but it is not considered very good signing from the view point of cash flow.

C. Cash Flow Financing Activities

The amounts of cash flow financing activities are Rs. 2,745,228,749.00, Rs. 3,224,054,437.00, Rs. 3,092,246,157.00 of KBL, LBL and SBL respectively. CFFA of LBL is the highest positive than others. It is calculated from the various activities which are described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing is found negative in KBL and LBL. Deposits are the key point in the financial activities.

Therefore collection of large amount of deposit is the goodwill of the bank and interest rate offered to public along with specialized product. The main reason for increasing cash in flow is deposit liability. Laxmi Bank collects the highest deposit liability but KBL pays high amount of interest than other banks. This analysis reflects the importance of deposit to financial cash flow.

Cash flow from bills payable is zero for all banks in the year 2063/064. Cash flow from other liabilities positively highest changed of KBL and highest negative changed is found of LBL. Shareholders equity is also a major source of financing activities. It is not found of SBL in the year 2063/064.

D. Net Cash Flow for the year

Net cash flow for the year 2063/064 is Rs. 54,953,219.00, Rs. 52,835,150.00, Rs. 64,465,252.00 of KBL, LBL and SBL respectively. Net cash flow of SBL is in the highest position than others. Net cash flow is the total of operating, investing and financing cash flow. Overall cash flow of the bank will be positive due to the position operating and financing activities

4.4 Fiscal year 2064/65

Particular	KBL	L*BL	SBL
(A) cash flow operation	(37,31,16,233)	66,84,60,835	786,445,3300
1. cash receipt	1,08,05,50,334	79, 51,49,653	
1.1 Interest incomes	95,68,54,479	70,21,73,302	729,872,484
1.2 Commission and discount income	4,84,94,633	2,02,72,187	214,544,24
1.3 Exchange gain	4,18,07,623	4,66,37,081	274,873,89
1.4 Non-operating income	-	5,85,000	-
1.5 Others income	3,3393,599	2,54,82,082	318,00381
2. cash payment	(80,90,05,678)	57,69,24,221	
2.1 interest expenses	(49,35,13,029)	39,13,02,173	408,188,955
2.2 staff expenses	(11,53,14,064)	7,35,57,955	482,478,63
2.3 office operating expenses	(11,53,14.064)	5,65,69,074	714,086,3
2.4 exchange loss		-----	
2.5 non-operating expenses		-----	
2.6 income tax paid	(11,31,41,483)	5,65,69,074	657,693,19
2.7 others expenses	(8,25,06,034)	-----	-
Working Capital	27,15,44,656	21,82,25,432	214,840,499
(B) Cash flow from investing activities	(11,29,70,000)	(8,35,21,416	(266,10942)
1. change in balance with bank		-----	
2. change in money at call and short notice		-----	257,309,42
3. change in investment and dividend	(1,78,67,500)	-----	88,0000
4. interest in investment	(6,76,78,786)	-----	
5. change in fixed assets	(1,78,67,500)	(8,35,21,416)	
6. dividend	3,91,245	-----	-
(C) cash flow from financing activities	720000000	18,34,99,300	133,263,158
1. change in share capital	320000000	18,34,99,300	138,000,000

Change in borrowing	400000000	-----	
3.change in deposits		-----	
4.change in bills payable		----	
5.change in deposit		----	
6.change in others liabilities		-----	(473,684,2)
7.change in reserve fund			
(D)net cash flow for the year	26,17,28,726	76,84,38,720	798,010,85
(E)opening cash balance	67,21,12,951	46,97,22,133	517,226,354
(F)closing cash balance	93,38,41,677	1,23,81,60,853	437,425,269

Source: Annual Report of 2064/65

Cash flow from operating Activities

The amount of total cash flow from operating in the year 2065/66 was Rs. 363116233, Rs. 170436375, Rs. 668460835 respectively KBL, SBL, LBL. LBL was in the highest position where SBL is in the lowest position from the view point of operating cash flow. Cash flow from operating activities involves various activities which are presented in the table. Cash received from operation Rs. 10805503334, Rs.2156473000, Rs. 795149653 respectively as the above the books similarly cash payment was Rs. 809005678, Rs206753050, Rs. 576924221 respectively as the above banks in the year (2064/65).CFFOA with respect to cash received from operation are 267.98%, 53.48% and 19.77% respectively as the above banks. Surplus ration is highest for KBL and lowest for LBL. Cash received include interest income, commission and discount, exchange gain, non-operating income and other income. Similarly cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non-operating expenses, income tax paid and other expenses. The determination of cash receipt and cash payment is the summation of these included items which is detail in the comparative sheet. This analysis reflects the very weak condition of LBL in its high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflects the goods position of the bank. According to the total amount deviation with cash receipt and payment SBL is in strong position.

The amount of CFOA is higher in LBL. it is because of generating high amount of interest income and commission and discount. Although the interest income of KBL is

also high Bank but its expenditure is also high. Therefore CFOA in the net flow between cash receipts and cash payment which is determination of all related factors. So based on these financial ratio analyses SBL is in better position than other banks from the view point of cash flow from operating activities.

Cash flow from investing Activities

The amount of cash flow from investing activities, in the year 2064/65 is Rs (62515000) ,Rs(26,610,942) and (83,521,416) respectively of KBL, SBL and LBL. In this activities various activities are included which are presented in the comparative cash flow statement. CFFIA of the KBL in the top position than other banks where other banks have invested heavy amount. The outflow is highest than in flow of cash in all banks. Positive cash flow from investing activities is not a sign of good investment. Due to the instable political situation and detracting economic condition of the country , the entry bank investment and loan is highly effected , even they are able to invest in productive sector is every good signing from the view point of cash flow.

Cash Flow from financing activities

The amounts of cash flow from financing activities are Rs 720000000, Rs530043001 of KBL, SBL and LBL respectively. CFFFA of KBL is the highest positive than other banks it is calculated from the various activities which re described in the cash flow statement. Amount of change in borrowing is found negative in SBL. Deposit are the key point in financial activities therefore collection of large amount of deposit in the goodwill of the bank and interest rate offered to public along with specialized product. The main reason for increasing cash inflow in deposit liabilities. SBL collected the highest deposit liabilities so it pay highest amount of interest rate with its specialized product than other banks. This analysis reflected the important of deposited to financial cash flow. Cash flow from Bills payable is Zero in all banks 2064/65. The negative flow means payment of bill amount it doesn't appears in any banks but it is most important non interest bearing liabilities for Banks. Cash flow from other liabilities positively highest change of KBL and negative change is found of LBL shareholder equity is also major sources of financing activities. But is found in all banks except LBL in year 2064/65 change in Reserve funding also main parts of financing activities. It is not found in that year.

Net cash flow for the year

Net cash flow for the year 2064/65 is Rs.261728726, Rs.1047279203 Rs.768438720 of KBL, SBL and LBL respectively. Net cash flow of LBL is the highest position than other where as no any has negative cash flow. Net cash is the total of operating investing and financing cash flow. Overall cash flow of the bank will be positive due to the positive operating and financing activities.

4.5 Fiscal Year 2065/2066

Particulars	KBL	SBL	LBL
A) Cash Flow form operating Activities	914,637,801	1,13,52,35,762	314080096
Cash Received	1533633,183	1,38,84,21,387	1239822347
Interest Income	1370968716	1265582131	1084864744
Commission Dis. Income	79243,277	32547830	30610926
Income from foreign Exchange	59001781	38682163	51004554
Transaction	-	-	2424831
Recovery of loan weft	-	-	70917233
Other Income	24419409	46354212	962163547
Cash payment:-	(1201224767)	1115329574	705388280
Interest expenses	803428742	813619042	104054810
Staff expenses	152688240	79384785	1776944497
Office overhead expenses	136686240	114816885	-
Income Tax paid	108421317	98651396	75775651
Other expenses	-	8857466	-
Cash flow before change in the W.C	582229385	273081813	277658800
In. /De. Of current Assets	(2640286971)	4827910249	5097197063
(In)/ De. In Money at call	25360000	99895684	153962226
(In)/ De.in short term Investment	634769108	(819881997)	1242109429

(In)/ De.in loans, Advances	3273756619	4024008758	3672277812
(In)/ De. In other Assets	26659460	-	28847597
In/ (De) of current liabilities	322251356	-	-
In/(DE) in Deposits	2930242400	5663357433	5133618359
In/(De) in certificates of Dep.	-	-	-
In./ (De) in short term Borrowings	193420000	122467123	-
In./ De in other liabilities	98853957	37763248	452371
B) Cash flow from Investment Activities	80452678	306210088	71353026
(In)/ De. In long term investment	6800000	(206450000)	-
(In)/ De. In fixed Assets	74969016	99760088	71361468
Interest income from long Term Investment	1316338	-	8442
Dividend Income	-	-	-
Others	-	-	-
C) Cash flow from financing activities	8272000	221233158	351889800
In/(De) in long Term Borrowings	-	227770000	350000000
In/(De) in share Capital	1080000	-	1889800
In/(De) in other liabilities	-	-	-
In/(De) in Refinance	420100000	(6536842)	-
D) Net Cash (A+B+C)	948234498	1110258832	594616870
E) Opening cash	1776298800	437425269	1238160853
F) Closing Cash	27245332987	1547684101	1832777723

Source: Annual Report of 2065/66

Cash Flow from Operation Activities

The amount of total cash flow from operation in the year 2065/2066 was Rs. 91,46,37,801, Rs. 1,19,52,35,762, Rs.31,40,80,096 respectively KBL, SBL,LBL.SBL was in the highest position where LBL was in the lowest position from the view point of operation cash flow from operation activities involves various activities which are unranked in the table. Cash received from operation Rs. 1,53,3633183, Rs. 1388421387, Rs. 1239822347 respectively as the above banks similarly cash flow payment was Rs. 1201224767, Rs. 115329574, and Rs.962163547 respectively as the above banks in the year 2065/66.

CFFOA with respect to cash received from operations Rs 1533633183, 314080096 and Rs.1388421387 respectively as the above banks surplus donation is highest for SBL & lowest for LBL. Cash received include interest income, commission & discount, Exchange gain, non-operating income, and other income. Similarly, cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non-operating expenses, Income tax paid and other expenses. The determination of cash receipt and cash payment in the summation of these included items which detail in the comparative sheet this analysis reflects the very weak condition LBL in its high expenditure for operating activities. Highest position deviation with cash receipt and payment from activities reflects the good position of bank.

According to the total amount devotion with cash receipt and payment SBL in strong position. The amount of CFOA is higher in SBL: it is because of generation high amount of interest income and commission and discount. Although the interest income of KBL is also high Bank but its expenditure is also high. Therefore CFOA is the net flow between cash receipts and cash payment which is determination of all related factors. So based on these financial Ratio analyses SBL is in better position than other banks from the view point of cash flow from operating activities.

Cash Flow from Inverting Activities:

The amount of cash flow from investing activities. In the year 2065/66 is Rs 804, 52,678, Rs306, 210,088, Rs 713, 53026 respectively of KBL, SBL, and LBL. In this activities various other activities are included which are presented in the comparative cash flow

statement. CFFIA of the SBL is in the top position than other banks when other banks have invested heavy amount. The outflow is highest than in flow of cash in all bank positive cash flow investing activities is not a sign of good investment. Due to the instable political situation and deceiving economic condition of the country the entire bank investment and loans highly affected, even they are able to invest in productive sector is very good signing from the view point of cash flow.

Cash Flow from Financing Activities:

The amounts of cash from financing activities are Rs.82, 72,000, Rs.12.33, 58, Rs.35, 18, 89800 of KBL, SBL and LBL respectively. CFFFA of LBL is the highest positive than others. It is calculated from the various activities which are described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing is found negative in KBL deposits are the keys point in the financial activities. Therefore collection of large amount of deposit is the good will of the bank and interest rate offered to publics along with specially product. The main reason for investing cash in flow is deposits liability. SBL bank limited collects the highest deposit liability so it pays high amount of interest rate with its specialized products than other banks .This analyses reflects the importance of disparities to financial cash flow.

Cash flow from bills payable is zero in all banks 2065/66. The negative flow means payment of bill amount it doesn't appear in any banks but it is most important non-interest bearing liability for banks. Cash flow other liabilities positively highest changed of SBL and negative changed is found of LBL shareholder equity is also a major sources of financing activities. But it is found in all banks except LBL in year 2065/66.Change in reserve found is also main part o financing activities it is not found in that years.

Net cash flow for the years:-

Net cash flow for the years 2065/66 is Rs 842457123, Rs1110258832, Rs594616870 of KBL ,SBL and LBL is in the highest position than others where as LBL has negative cash flow. Net cash flow is the total of operating investing and financing cash flow. Overall cash flow of the bank will be positive due to the positive operating and financing activities.

4.6 Fiscal Years 2066/67

Particular	KBL	SBL	LBL
A. cash flow from operating	567118976	963699358	374970993
Cash received	2049698755	2123912220	1888043224
Interest income			1728815089
Commission and discount income	1869128840	2028291813	48310617
Income from foreign exchange transaction	100336992	42758263	47563308
Recovery of loan written off other income	37924853	12167702	3258695
Other income			60095515
Cash payment :-	(1864969767)	1769003531	1456112191
interest expenses	(1178550104)	1386818348	1059788935
Staff expenses	(143277770)	134180467	149001140
Office overhead expenses	(402198987)	142769756	103681098
Income tax paid	(140942907)	103688012	143641018
Other expenses			-
Tax paid	-	1546947	-
Cash flow before changes in working capital	382389388	354908689	2498882455
case decrease of current assets	(853429780)	(3836519916)	498677086
Increase decrease money at call and short notice	(90000000)	(214202011)	703754733
Increase decrease in short term investment	(782469431)	(1704010133)	1280754083
Increase decrease in loans advance bills purchases	(172567650)	(3390552628)	15696553
Increase decrease in other assets	191605302	(57755144)	-
Increase decrease of current liabilities	1235819168	4445310585	2031654892
Increase decrease in deposits	1721857189	4342230999	350000000
Increase decrease in certificates of deposits	-	-	
Increase decrease in short tram borrowings	(283780464)	17400000	
Increase decrease in other liabilities	(202257556)	67852775	10325538
B. Cash flow from investment activities	(40063877)	17826811	68742446
Increase decrease in loan term investment		(31262330)	-
Increase decrease in fixed assets	(37805215)	(221233175)	68974244

Interest income from long term investment	1316338		-
Dividend income		750000	231799
Others		10108577	-
C. cash flow from financing activities		207898077	451639954
Increase decrease in loan other borrowing			-
Increase decrease in short capital	1080000		451639954
Increase decrease in other liabilities			-
Increase decrease in refinance	420100000	214506445	-
Income less from change in exchange			-
Tri.net cash equivalent	948234498	858926104	79,26,516
Opening cash balance	1776298800	1547684101	1,83,27,77,3
Closing cash balance	2724533298	2406610205	1,84,07,04,9

Source: Annual Report 2066/67

Cash flow from Operating Activities

The amount of total cash flow from operating in the year 2066/67 was Rs567118376, Rs963699358 and Rs 374970993 respectively KBL, SBL and LBL. SBL was in the highest position where LBL was in the lowest position from the view point of operating cash flow. Cash flow from operating activities involves various activities involves various activities which are oriented in the table. Cash received from operation Rs2049698755, Rs2123912220 and Rs 1888043224 respectively as the above banks. Similarly cash payment was Rs 1864969767, Rs 1769003531 and Rs 1456112191 respectively as the above banks in the year 2066/67.

CFFOA with respect to cash received from operation are Rs 2049698755 , Rs 2123912220 and Rs 1888043224 respectively as the above banks surplus donation is highest for SBL & lowest for LBL .Cash received include interest income, commission and discount, exchange gain, non-operating income and other income. Similarly cash payment includes interest expenses staff expenses, office overhead.

Cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non operating expenses, income tax paid and other expenses. The etermination of cash receipt and cash payment in the summation of there included terms which detail in the comparative sheet. This analysis reflects the very weak condition

LBL in its high expenditure for operating activities. Highest positives deviation with cash receipt and payment from activities reflects the good position of bank

According to the total amount deviation with cash receipt and payment SBL in strong position. The amount of CFFOA is higher in SBL .it is generating high amount of interest income and commission .though the interest income of KBL is also high bank but it's expenditure is also high. Therefore CFFOA is the net flow between cash receipt and cash payment which is determination of all related factors so based on these financial ratio analyses SBL is in better position than other banks from the view point of cash flow operating activities.

Cash flow from Investing Activities

The amount of cash flow from investing activities in the year 2066/067 is Rs.40,063,877 Rs.31,26,62,330 and Rs.687,42,446 respectively by KBL,SBL and LBL in this activities various activities are included which are presented in the comparative cash flow statement. CFFIA of the KBL is the top position than other banks where other banks have invested heavy amount the out flow highest than inflow of cash in all banks positive cash flow from investing activities is not a sign of good investment. Due to the instable political situation and detaining economic condition of the country. The SBL bank investment and loan is highly effected, even they are able to invest in productive sector in very good signing from the view point of cash flow.

Cash flow from Financing Activities:-

The amount of cash flow from financing activities are Rs.42,1180,000, Rs.2078,89,077 and Rs.45,16,39,954 of KBL,SBL and LBL respectively CFFFA of KBL is the highest position than other banks is calculated from the various activities which are described in the cash flow statement. Amount of changes in borrowing is fount negative in SBL. Deposit are the key point in financial activities therefore collection of large amount of deposit in the goodwill of the bank of large amount of deposit in the goodwill of the bank and interest rate offered to public along with specialized product. The main reason for increasing cash in flow is deposit liability. LBL collects the highest deposit liability. So it pays high amount of interest rate other banks. This analysis reflects the importance of deposit to financial cash flow.

Cash flow from bills payable is zero in all banks 2062/063. The negative flow means payment of bill amount. It doesn't appear in any banks but it is most important non-interest bearing liability for banks.

Cash flow from other liabilities positively highest changed of SBL and negative changed is found of LBL shareholders equity is also a major source of financing activities. But it is found in all banks except LBL in year 2063/064. Change in reserve found is also main part of financing activities. It is not found in that year.

Net Cash Flow for the year:

Net cash flow for the year 2066/067 is Rs.948, 234,498, Rs. 85,9,26,104 and 79, 26,516 KBL, SBL and LBL, respectively. Net cash flow one KBL is in the highest position than others where as LBL has lowest cash. Net Cash flow is the total of operation investing and financing cash flow. Over all cash flow of the bank will be positive due to the positive operating and financing activities.

4.7 Comparative table 2062/063 to 2066/067 of LBL

Particular	2062/063	2063/064	2064/065	2065/066	2066/067
Cash flow from operating activities	67,709,480	168,347,154	66,84,60,835	31,40,80,096	37,49,70,993
Cash flow from investing activities	(1,46,186,862)	(3,339,566,441)	(8,35,21,416)	(7,13,53,026)	(6,87,42,446)
Cash flow from financing activities	1,355,185,470	3,224,054,437	18,34,99,300	35,18,,89,800	45,16,39,954
Closing cash	6,602,175	119,437,325	1,23,81,60,853	183,27,77,723	1,84,07,04,239

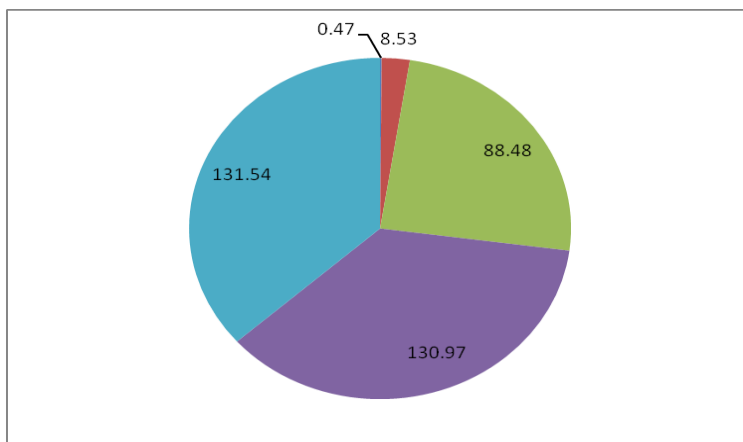
Source: Annual Report

In this above figure the highest CFOA is 2064/065 and less than CFOA is 2062, 2063, 2065 and 2066. The all cash flow from activities is positive and negative. They are closing cash in fiscal year 2062 (Rs. 6,602,175), 2063 (Rs. 119,437,325), 2064 (Rs. 12,381,650,853), 2065 (Rs. 1,832,777,723) and 2066 (Rs. 1,840,704,239) respectively.

Pie- chart of LBL

Closing Balance of cash at bank balance

Years	Amount (closing)	Degree of closing balance
2062/063	6,602,175	0.47°
2063/064	119,437,325	8.53°
2064/065	1,238,160,853	88.48°
2065/066	1,832,777,723	130.97°
2066/067	1,840,704,239	131.54°
Total	5,037,682,315	360°



Symbol



4.8 Comparative table for 2062/036 to 2066/067 of KBL

Particular	2062/063	2063/064	2064/065	2065/066	2066/067
Cash flow from operating activities	157,286,342	210,784,372	(373,116,233)	914,637,801	567,118,376
Cash flow from investing activities	2,541,595,326.63	2,901,059,902	(85,155,041)	(80,452,678)	40,063,877
Cash flow from financing activities	2,635,226,158.16	2,745,228,749	720,000,000	8,272,000	421,180,000
Closing cash	164,990,718	190,748,210	933,841,677	1,776,298,800	2,724,533,298

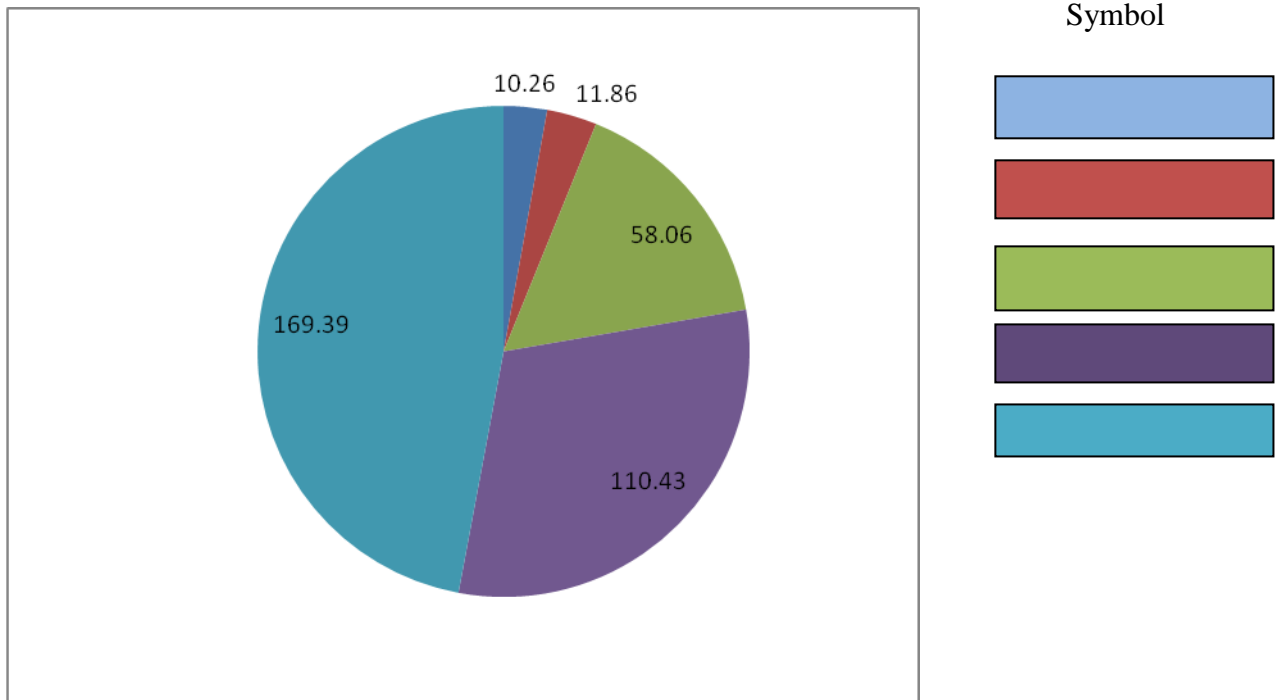
Source: Annual Report

In this above figure CFFOA is 2064 negative and other CFFOA are positives. The CFFIA more than 2065 and 2066. But closing cash balance are highest in 2066/67 other closing cash balance.

Pie- chart of KBL

Closing Balance of cash at bank balance

Years	Amount (closing)	Degree of closing balance
2062/063	164,990,718	10.26 ^o
2063/064	190,748,210	11.86 ^o
2064/065	933,841,677	58.06 ^o
2065/066	1,776,298,800	110.43 ^o
2066/067	2,724,533,298	169.39 ^c
Total	5,790,412,703	360 ^c



4.9 Comparative Table 2062/063 to 2066/067 of SBL

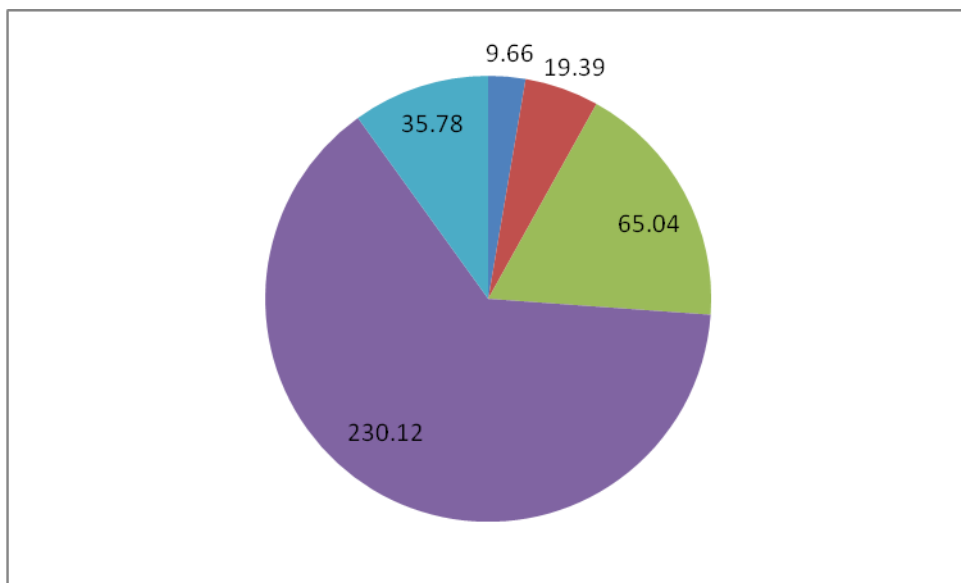
Particular	2062/063	2063/064	2064/065	2065/066	2066/067
Cash flow from operating activities	77,127,110	150,556,376	7,864,453,300	1,19,52,35,762	96,36,99,358
Cash flow from investing activities	(1,644,162,272)	(3,177,337,281)	26,610,942	(30,62,10,088)	31,26,62,330
Cash flow from financing activities	1,598,533,049	3,092,246,157	133,263,158	22,12,33,158	20,78,89,077
Closing cash	64,977,328	130,442,580	437,425,269	1,54,76,84,101	2,40,6,10,205

Source: Annual Report

Pie- chart of SBL

Closing Balance of cash at bank balance

Years	Amount (closing)	Degree of closing balance
2062/063	64,977,328	9.66 ⁰
2063/064	130,442,580	19.39 ⁰
2064/065	437,425,269	65.04 ⁰
2065/066	1,547,684,101	230.12 ⁰
2066/067	240,610,205	35.78 ⁰
Total	2,421,139,483	360⁰



4.10 Major Finding of the Study

4.10.1 Laxmi Bank Limited

Cash flow from operating Activities (CFFOA)

- Cash flow from operating activities is positive during the whole year. It is fund increasing and decreasing trend during the review period. Rate of CFFOA is increasing in review period except 2063/64. And CFFOA fund lowest in the years 2065/66.
- ❖ Cash received from interest income is highest in the year 2064/65.
- ❖ Total cash received from operation is highest in the year 2064/65.
- ❖ Total cash payment is highest in the year 2064/65. In the year 2064/65 expenses inclusive other expenses is highest because the bank has received highest of deposit as well provide highest interest rate.
- ❖ Commission and discount income is found in increasing trend. It is found highest in year 2065/66. It is increased due increasing function of the bank in agency function.
- ❖ Cash received from exchange gain plays significant role in total operating cash flow but it is lowest that major income i.e. interest income and commission and discount income.
- ❖ Staff and operating expenses is found highest in the year 2063/64.
- ❖ Other expenses is found almost negligible during the review period.

Cash flow from Investing Activities (CFFIA)

- ❖ CFFIA is found in increasing a decreasing trend.
- ❖ The bank has no strong investment scheme and overall country situation. As result, bank investment is found increasing and decreasing during the review period.
- ❖ Change in loans advance and bill purchased is found negative during the whole year. This is the satisfactory condition for bank and some hope to improve the situation of the country.
- ❖ Fixed assets purchased during the whole period of study and more FA are sold in the year than that of the purchase results positive cash flow in year 2064/65 and 2066/67.
- ❖ Cash flow from current and non banking assets are in increasing and decreasing trend.

Cash flow from Financial Activities (CFFFA)

- ❖ CFFFA of Laxmi bank is found the fluctuation trend.
- ❖ Highest amount of borrowing decreased in the 2063/64 as a result cash flow from also decreased
- ❖ Cash flow from bills payable and other liabilities are in increasing and decreasing trend. In some years it is found zero.
- ❖ Cash flow from other liabilities is found negative in year 2064, 2065 and 2066 is positive in other years.

Net cash flow for the year

Overall cash flow is found positive in the whole period of study except year 2062/63 which is contributed by cash flow from investing activities. It is found highest in the year 2063/064 and found lowest the year 2062/63.

4.10.2 Kumari Bank Limited

- ❖ Cash flow operating activities (CFFOA) is positives during the whole years. It is found increasing each successive year. But CFFOA is found is found lowest in the years 2066/67.
- ❖ Cash received from income is highest in the years 2064/65
- ❖ Total cash receipt from other operation is highest in the year 2066/67
- ❖ Total cash payment is highest in the years 2066/67as a result cash flow from operating activities rate is also lower than previous year
- ❖ In the year 2064/65 interest expenses is highest because the bank has collected highest amount of deposit liabilities.
- ❖ Commission and discount income is found increasing trend. It is found highest in years 2066/67.
- ❖ Cash received from exchange gain plays signification role in total operating cash flow which is fond fluctuating during the review period.
- ❖ Staff and operating expenses is found highest in the years 2064/65.

Cash Flow From Investment Activities (CFFIA)

- ❖ Cash flow from investment activities is negatives during whole period and it higher in the year 2064/65. But cash flow from investment activities is in the fluctuation trend.
- ❖ Change in loans advance and bill purchased is found increasing during the review years .this is the satisfactory condition for bank.

- ❖ Bank has invested in fixed assets in increasing trend in every year.
- ❖ Cash flow from other assets is found positives and negatives during the review period.

Cash Flow From Financing Activities (CFFFA)

- ❖ CFFFA of bank is found in the fluctuation trend.
- ❖ Highest amount of borrowing decreased and reached to nil in the 2064/65.
- ❖ Cash flow from bills payable and other liabilities are in increasing and decreasing trend.
- ❖ Cash flow from other liabilities is found negatives in year 2062/63, 2063/64, found nil in year 2064/65 to 2066/67.

Net Cash Flow for the Year

Overall cash flow is found positives during the review periods which are result of the positives cash flow from operation and financing activities. However overall cash flow is in year 2062/63 lower due to highest amount of cash invested for procurement of fixed assets and other assets.

4.10.3 Siddhartha Bank limited

Cash flow from Operating Activities (CFOA)

- Cash Flow from Operating Activities (CFOA) is positive during the whole years. It is found in increasing trend. Cash Flow from Operating Activities is negative in year 2062/63 due to the highest Cash payment than Cash received because of initial period.
- CFOA is found lowest in the year 2064/65.
- Cash received from other income is highest in the year 2064/65.
- ❖ Total cash receipt from operation is highest in the year 2066/67.
- ❖ Total cash payment is highest in the year 2066/67
- ❖ In the year 2065/66 interest expenses is highest because the bank has accept highest amount deposits bearing higher interest rate.
- ❖ Commission and discount income is found in increasing trend. It is found highest in year 2065/66.

- ❖ Cash received from exchange gain plays significant role in total operating cash flow. It is found lowest in year 2063/64.
- ❖ Staff and operating expenses is found highest in the year 2066/67.
- ❖ Other expense is found zero in 2062/63, 2063/64 and 2066/67.

Cash flow from Investing Activities (CFFIA)

- ❖ Cash flow Investing Activities is in increasing trend.
- ❖ 2. The bank has no strong investment scheme. As a result it is fluctuating.
- ❖ Change in loans advance and bill purchased is found negative during the whole year. This is the satisfactory condition for bank and hope to improve the situation of the country.
- ❖ Fixed assets purchased during the whole year.
- ❖ Cash flow from current and non banking assets are in increasing and decreasing tread.

Cash Flow from Financing Activities (CFFFA)

- ❖ CFFFA of SBL is found in increasing trend.
- ❖ Highest amount of borrowing increased in the 2063/064.
- ❖ Cash flow from bills payable and other liabilities are in increasing and decreasing trend. In some F/Y it is found zero.
- ❖ Cash flow from other liabilities is found positive during the whole year.

Net cash flow for the year

Overall cash flow is found positive in the whole period of study which is contributed by cash flow from investing activities. It is fount highest in the year 2065/66 and found lowest in the year 2062/63.

CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The researcher used trend and descriptive techniques to analyze and comparison and to study the cash flow of the selected commercial banks in order to know the cash position of these banks, for this purpose I have taken into analysis of the following commercial banks, they are:

- ❖ Kumari banks limited
- ❖ Laxmi bank limited
- ❖ Siddhartha bank limited

For studying and preparing this thesis I have used cash flow statement, annual report of the all sampled commercial banks and their annex are studied along with some primary data, basically profit and loss A/C, balance sheet and cash flow statement presented by the banks are viewed for the analysis purpose. Directives of Nepal Rasta bank, Nepal accounting standard, company act and N.R.B. act are studied through out the period of research. Articles and reports related with cash flow written and produced by Nepalese as well as foreign writers are also the major sources to prepare this thesis. Several website related with cash flow are visited. The researcher analyzes and compares about five fiscal years cash flow position of all sampled commercial bank with showing the details view of different activities Five years means started from 2062/63 to 2066/67. Previous thesis and articles related to the subject matter are also studied for the research purpose. Based on the chart trend analysis, summary of the study are as follows.

Cash flow from operating activities (CFOA)

- ❖ Total cash from operating activities of KBL and LBL are in volatile nature but in case of SBL are in increasing trend. Cash flow from operating activities is positive for all these banks except negative of SBL in year 2062/3. Cash flow from operating activities of KBL and LBL are also in increasing line up to year 2064/65 to 2066/67 but it is in decreasing rate in year 2062/063.
- ❖ These bank's surplus fund to invest as loans and advance, fixed assets as well as investment on government securities from operating cash flow .

- ❖ Kumari Bank Ltd. Has excess positive cash from operating activities than other banks due to the highest interest income and commission and discount income.
- ❖ Kumari Bank limited and LBL Bank limited have strong international network to do agency work to earn commission and discount income.
- ❖ KBL have highest interest income as well as greater total operating cash flow even higher high expenditure rate.
- ❖ Total cash payment all bank under operating activities is in increasing trend but the rate of increasing is highest for SBL in first two year but overall KBL has increasing trends.
- ❖ Staff expenses are in increasing is highest for KBL LBL and SBL. But it is lowest for SBL.
- ❖ Significant amount of cash receipt from exchange gain for a lot of these banks. But KBL have the highest amount of exchange gain due to the highest amount of foreign currency transaction and trade finance.

In an aggregate analysis cash flow from operating activities is the main source to operate banks. Opens market policy of the bank to charge interest rate is being reason to reduce spread rate. Interest income is the main sources of revenue for financial institutions. But due to the various factors like peace and security are being determinant to reduce interest income so heavy amount of cash receiving from agency work like commission and discount income.

- ❖ **Cash flow from investing Activities (CFFIA)**
- ❖ Cash flows from investing activities are in increasing and decreasing trend for all banks under study.
- ❖ Change in investing activities for all banks under study is volatile. It is found increasing and decreasing trends. It is highest for KBL.
- ❖ Only fixed assets are not major parts of the investing activities because they are very small with compare to the total investing cash flow.
- ❖ Due to the safety of deposits and lack of improper credit product, KBL, LBL and SBL have invested in heavily during the period of study on government treasury bills and development bond. But sold out its investment on the F/Y
- ❖ KBL and has hugs amount of investment on fixed assets then other banks.
- ❖ Cash flow from other assets is positive for KBL. Similarly it is negative for LBL and SBL Bank have volatile in nature.

- ❖ Only operating cash flow are not sufficient to make investment so cash should be taken from financing activities.

Cash flow from financing activities (CFFFA)

- ❖ Total cash flows from financing activities are in fluctuation for all commercial banks.
- ❖ CFFFA of SBL has increasing trend for the whole periods. But other banks have been found decreasing in two different financial years
- ❖ Borrowings are the key points of financial activities. it generates favorable situation for the institutions.
- ❖ Bills are the sources of cash that is receipt from remittance money.
- ❖ Cash flow from other liabilities is decreasing at the beginning years but it is found positives in the recent years for these commercial banks.
- ❖ Receiving deposit is the main function of commercial bank and main source of cash inflow. If the source of investment are available then cash should be should be taken from deposit, collection of deposit are volatile in nature. They are decreasing and increasing from.

Net Cash Flow of the year

Trend of the accumulate cash flow received from different activities are in rising and falling trend. In other words they are volatile in nature for all banks under the study. From this point of view, Kumari Bank Limited has in favorable position.

5.2 Conclusion

The banks selected for the study, fully Nepalese promoted banks and of their age (KBL, LBL and SBL) are the main institutions of financial market. They are operating in high amount of operating profit. They are paying tax revenue to the government and facilitating people by providing new and latest banking services. They are playing very important role in the society as well the nation. Profit and Loss A/C and Balance Sheet of these banks are strong.

But now a day's cash flow statement is being mandatory to submit for annual report. Cash flow is being the key of financial indicator to analyze the strength and weakness of the institutions. Only profit making on accrual basis does not provide the real figure of the firm so income should be treated on cash basis according to the NRB directives for

financial institution. If profit is negative but cash flow is positive then stakeholder believe well that firms are in good position now a day's. So cash flow analysis is necessary. By analysis the five year cash flow statements following points are mentioned as conclusion and recommendations which are as follows:

Kumari Bank Ltd.

The performance of Kumari Bank is highly satisfactory. The bank is in the top ranking position among of the sampled commercial banks. Its earnings ratio is very high than other banks. Some of the points are mentioned as the conclusion, which are as follows:

- ❖ CFOA of the bank is found positive during the whole period which is used in analysis. It is in the increasing line up to 2063/64 to 2066/67 and decreased in the year 2062/63 than previous year.
- ❖ Cash receipt ratio is higher than cash payment ratio.
- ❖ Cash received from interest plays significant role in the total operating cash flow.
- ❖ CFIA of the bank is in a volatile nature but it is satisfactory as current investment is considered justifiable subject to the present country situation.
- ❖ The bank has excess liquidity that can be found as depository fund but able to utilize on government bond and security.
- ❖ Change in loans advance and bill purchased is found increasing and decreasing during the period. This is the satisfactory conditions as it decreases when situation of the country was not good.
- ❖ Borrowing is in the volatile in nature.
- ❖ The bank invests from its internal sources.
- ❖ The bank has gained more public trust and support through their service and product.

Laxmi Bank Ltd.

The overall performance of the bank is very good. It has been operating at the satisfactory level. The following conclusions are mentioned as follows:

- ❖ CFOA of the bank is positive during the whole period. Positive cash flow indicates high cash inflow with compare to the cash outflow.
- ❖ In the year 2063/064 interest income is highest because the bank was granted highest amount of loan.
- ❖ Cash received from interest income plays significant role n total operating cash flow.

- ❖ CFIA of the bank is in the fluctuation trend but its overall performance is not so bad. But it is aggressively increased as situation of the country is expected to improve.
- ❖ The bank has not any strong investment scheme.
- ❖ Borrowing is in increasing and decreasing trend.
- ❖ Bank is able to invest from its internal sources.

Siddhartha Bank Limited

Siddhartha Bank Limited is operated by Nepalese investors. Within very short period of the time the bank has been able generate positive cash flow and has been able to win the trust of the public. Though bank run for very short time, it has able to present more attractive cash flow to their stakeholders. Hence it can be considered good financial situation of the bank. The following conclusions are mentioned as follows:

- ❖ CFOA of the bank is positive during the whole period expect 2062/63. Positive cash flow indicates high cash inflow with compare to the cash out flow.
- ❖ In the year 2065/66 interest expenses is higher because the bank was accepted highest amount of deposit offering higher interest rate. Hence it play vital role to operating activities.
- ❖ Cash receipt ratio of SBL is better than other banks in study in some years even it is lower in figure than other banks.
- ❖ Cash received from interest income and exchange gain plays significant role in total operating cash flow. Whereas interest income is occupies paramount position as per also AM of the Banks.
- ❖ CFIA of the bank is in the fluctuation trend but its overall performance is not so bad. But is assumed to be increased constantly.
- ❖ The bank has not any strong investment scheme.
- ❖ Borrowing is in increasing and decreasing trend.
- ❖ Bank is able to invest from its internal sources.
- ❖ Deposits of the bank are increased every year. This indicates the good sign for the bank.

Kumari Bank Ltd.

- ❖ Cash flow from operation is positive. This can be considered in satisfactory level but not sufficient level based on banks reputation and network so, the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
- ❖ They should concentrate on increasing the deposit collection/ mobilization activity because this is the main item which contributions mainly to the total cash inflow from operating activities.\
- ❖ The bank should increase its cash receipt ratio. But it is in satisfactory condition.
- ❖ Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
- ❖ Staff expenses of the bank are increasing rapidly. So it can be say the bank is suffering from over staffing problem therefore it should be minimized as possible. For this management of the bank can apply the cost reduction and cost control policy.
- ❖ Commission and discount income should be increased as far as possible, for this agency work should be done properly.
- ❖ Change in investment cash out flow ration is decreasing which seems serious problem for the bank. So consumer and retail banking should be enhancing.
- ❖ Deposits were in increasing and decreasing trend. Now days they are good due to the new management plan so this plan should be lunched.
- ❖ The bank is also facing capital adequacy problem, hence to be competitive in the market, it might be merged with other banks.

Laxmi Bank Limited

- ❖ Cash flow from operation is positive and is in increasing trend that can be considered satisfactory level considering the short time of bank operation. But the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
- ❖ The bank should concentrate on increasing the deposit collection/ mobilization activity because this the main item which contributions mainly to the total cash inflow from operating activities.
- ❖ They should increase its cash receipt ratio. But it is in satisfactory condition.

- ❖ Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
- ❖ Staff expenses of the bank are increasing rapidly. So that it should be reduced as far as possible in order to get more positive cash flow from operation. for it management can use the cost reduction and cost control policy.
- ❖ Commission and discount income should be increased as far as possible, for this agency work should be done properly.
- ❖ Bank investing cash out flow is volatilities. Increasing and deceasing trend which is might serous problem and in the review period it is considered as unstable political situation of the country. Hence for the coming day, consumer and retail banking should be enhancing to reach to satisfactory cash flow.
- ❖ Deposits were in increasing trend. Which seems very good condition for the bank; it is not increased last year two as increased in the preceding years. Management of the banks should pay attention on the innovation and introduction of the new deposit schemes for increasing the deposit of the bank.
- ❖ For capital adequacy, the bank has issued right and bonus share to the shareholder but it can not be considered permanent solution. It should be merge to other banks to make its capital sufficient for competitions and further development of bank.

Siddhartha Bank Limited

- ❖ Cash flow from operation is in increasing trend even from negative cash flow that can be considered satisfactory level considering the short time of bank operation. But the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
- ❖ The bank should concentrate on increasing the deposit collection/mobilization activity because this is the main item which contributions mainly to the total cash inflow form operating activities.
- ❖ The bank should increase its cash receipt ratio. But it is in satisfactory condition.
- ❖ Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
- ❖ staff expenses of the bank are increased due to increased no. of branch
- ❖ Commission and discount income should be increased as far as possible, for this agency work should be done properly.

- ❖ Bank investing cash out flow in increasing trend which is good condition of the bank. For maintain the same level, consumer and retail banking should be enhancing to reach to satisfactory cash flow.
- ❖ Deposits were in increasing trend which seems very good condition for the bank. Due to introduction new commercial bank in the market, management of the banks should pay attention on the innovation and introduction of the new deposit schemes for increasing the deposit of the bank.
- ❖ For capital adequacy, the bank has issued right and bonus share to the shareholder but it can not be considered permanent solution. It should be merge to other banks to make its capital sufficient for competitions and further development of bank.

Overall analysis cash flows statement along with questionnaire of the sampled commercial bank, it can be conclude that all banks are generating positive cash flows. Some banks (KBL and SBL) are in good position and rests are lower than that of other banks in term of their operation.

Further it can be drawn that in Nepalese market liquidity crisis was exist for the short term period due to the declining rate of interest of the banks and the lack of better alternative investment opportunities within the countries. In addition, the government had framed liberal policy towards licensing banks. Consequents of thi2s no of new commercial banks emerged in the given scenario with increase in paid up capital tightening the cash flow position of the banks.

However, under the given scenario, in order to sustain and increase the deposit position of the banks the management of the banks are very cautioned and they effective tackle the problem by introduction of the policy of retaining the existing depositors and further brings different deposit product in ordered to lure and compete the market, which make them (banks) able to maintain the adequate level of cash flow in such un-favorable situation.

5.3 Recommendations

Kumari Bank Ltd.

- ❖ Cash flow operation is positive. This can be considered in satisfactory level but not sufficient level based on banks reputation and network so, the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
- ❖ The bank should concentrate on increasing the deposit collection/mobilization activity because this is the main item which contributes mainly to the total cash inflow operating activities.
- ❖ The bank should increase its cash receipt ratio .But it is in satisfactory condition.
- ❖ Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
- ❖ Staff expenses of the bank are increasing rapidly. So it can be say, the bank is suffering form over staffing problem therefore it should be minimized as possible. For this, management of bank can apply the cost reduction and cost control policy.
- ❖ Commission and discount income should be increased as far as possible, for this agency work should be done properly.
- ❖ Change in Investment cash out flow ration is decreasing which seems serious problem for the bank. So consumer and retail banking should be enhancing.
- ❖ Deposits were in increasing and decreasing trend. Now days they are good due to the new management plan so this should be continued. But to be competitive in the market, New saving policy should be lunched.
- ❖ The bank is also facing capital adequacy problem, hence to be competitive in the market, it might be merged with other banks.

Laxmi Bank Limited

- ❖ Cash flow from operation is positive and is in increasing trend that can be considered satisfactory level considering the short time of bank operation. But the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
- ❖ The bank should concentrate on increasing the deposit collection/mobilization activity because this is the main item which contributes mainly to the total cash inflow from operating activities.
- ❖ The bank should increase its cash receipt ratio. But it is in satisfactory condition.

- ❖ Interest income is in significant level but not sufficient so it should be increase by lending loan advance.
- ❖ Staff expenses of the bank are increasing rapidly. So that it should be reduced as far possible in order to get more positive cash flow operation. For it management can use the cost reduction and cost control policy.
- ❖ Commission and discount income should be increased as far as possible, for this agency work should be done properly.
- ❖ Bank Investing cash out flow is violate i.e. increasing and decreasing trend which is might serious problem and in the review period it is considered as unstable political situation of the country .hence for the coming day, consumer and retail banking should be enhancing to reach to satisfactory cash flow.
- ❖ Deposits were in increasing trend. Which seems very good condition for the bank; it is not increased last year two as increased in the preceding years. Management of the banks should pay attention on the innovation and introduction of the new deposit schemes for increasing the deposit of the bank.
- ❖ For capital adequacy, the bank has issued right and bonus share to the share holder but it can not be considered permanent solution. It should be merge to other banks to make its capital sufficient for competitions and further development of bank.

Siddhartha Bank Limited

- ❖ Cash flow from operation is in increasing trend even from negative cash flow that can be consideration satisfactory level considering the short time of bank operation. but the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
- ❖ The bank should concentrate on increasing the deposit collection/mobilization activity because this is the main item which contributes mainly to the total cash inflow from operating activities.
- ❖ The bank should increase its cash receipts ratio but it is in satisfactory condition.
- ❖ Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
- ❖ Staff expenses of the bank are increasing .It is increased due to increased no. of branch.
- ❖ Commission and discount income should be increased as far a possible, for this

agency work should be done properly

- ❖ Bank Investing cash out flow is increasing trend which is good condition of the bank. For maintain the same level, consumer & retail banking should be enhancing to reach to satisfactory cash flow.
- ❖ Deposits were in increasing trend which seems very good condition for the bank .due to introduction new commercial bank in the market, management of the banks should pay attention on the innovation &introduction of the new deposit schemes for increasing the deposit of the bank.
- ❖ For capital adequacy, the bank has issued right and bonus share to the shareholder but it can not be considered permanent solution. It should be merge to other banks to make its capital sufficient for competitions and further development of bank.

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www.laxmibank.com.np

www.kumaribank.com

www.siddharthabank.com

www.mof.gov.np

APPENDIX

Fiscal Year 2062/063

Particulars	KBL	SBL	LBL
(A) Cash Flow From Operations	157,286,342	77,127,110	67,709,480
Cash receipt	675,559,453	327,762,016	357,216,273
Interest Incomes	612,901,707	292,231,934	322,762,577
Commission and discount income	26,281,002	13,774,645	14,881,386
Exchange gain	26,373,738	12,050,770	9,383,756
Non-Operating income	-	-	400,000
Other income	10,003,006	9,704,67	9,788,554
Cash Payment	(518,273,111)	(250,634,906)	(289,506,793)
Interest expenses	(341,654,457)	(148,956,870)	(208,319,363)
Staff expenses	(74,531,631)	(26,087,462)	(36,168,482)
Office operating expenses	(58,593,852)	(55,427,849)	(28,169,136)
Exchange loss	-	-	-
Non-Operating expenses	-	-	-
Income Tax Paid	(43,454,214)	(20,132,725)	(16,849,812)
Other expenses	(38,957)	-	-
(B) Cash Flow From Investing Activities	(1,586,449,228)	(1,644,162,272)	(1,466,186,862)
Change in balance with bank	107,483,248	46,300,746	201,170,171
Change in money at call and short notice	(55,000,000)	(77,528,998)	(12,494,624)
Change in Investments	(204,676,742)	(364,100,225)	(88,351,642)
Change in loans advance and bill purchased	(1,331,564,163)	(1,234,339,384)	(1,553,962,244)
Change in fixed assets	(39,038,022)	(9,475,336)	12,285,177
Change in other assets	(63,653,549)	(5,019,075)	(24,833,700)
(C) Cash Flow From Financing Activities	1,482,904,510	1,598,553,049	1,355,185,470
Change in Share Capital	125,000,000	(8,850,000)	-

Change in borrowing	(150,361,328)	1,456,153,696	11,147,081
Change deposits	1,500,002,795	150,000,000	1,392,592,547
Change in bills payable	-	-	-
Change in other liabilities	8,263,043	1,249,353	(48,554,158)
Change in Reserve Fund	-	-	-
(D) Net Cash Flow for the year	53,741,624	31,517,887	(43,249,434)
(E) Opening Cash Balance	111,249,094	33,459,441	109,851,609
(F) Closing Cash Balance	164,990,718	64,977,328	66,602,175

Fiscal Year 2063/064

Particulars	KBL	LBL	SBL
A) Cash Flow From Operation	210,784,372.00	168,347,154.00	150,556,376.00
1. Cash receipt	868,293,617.00	523,099,585.00	534,387,080.00
1.1 Interest Incomes	791,284,209.00	470,494,833.00	481,268,995.00
1.2 Commission and discount income	40,764,126.00	15,989,954.00	20,177,802.00
1.3 Exchange gain	20,294,440.00	20,904,775.00	14,245,653.00
1.4 Non-Operating income	-	-	-
1.5 Other income	15,950,842.00	15,710,023.00	18,694,630.00
2:Cash payment	(657,509,245.00)	(354,752,431.00)	(383,830,704.00)
2.1. Interest expenses	(404,509,533.00)	(241,584,151.00)	(2761,710,950.00)
2.2 Staff expenses	(74,531,631.00)	(44,372,065.00)	(33,620,506.00)
2.3 Office operating expenses	(99,099,527.00)	(38,574,914.00)	(38,466,054.00)
2.4 Exchange loss	-	-	-
2.5 Non-operating expenses	-	-	-
2.6 Income Tax Paid	(78,296,082.00)	(30,221,301.00)	(40,033,194.00)
2.7 Other expenses	(816,882.00)	-	-
B) Cash Flow From Investing Activities	(2,901,059,902.00)	(3,339,566,441.00)	(3,177,337,281.00)
1:Change in balance with	(227,529,987.00)	(191,763,003.00)	(335,814,796.00)

bank			
2: Change in money at call and short notice	(227,215,000.00)	56,972,000.00	(129,446,305.00)
3: Change in Investments	(2,054,645,968.00)	(937,548,534.00)	(213,954,579.00)
4: Change in loans advance and bill purchased	(283,470,661.00)	(2,253,442,513.00)	(2,450,457,205.00)
5: Change in fixed assets	(126,470,661.00)	439,982.00	(21,353,563.00)
6: Change in other assets	18,484,753.00	(14,224,373.00)	(26,310,833.00)
C) Cash Flow From Financing Activities	2,,745,228,749.00	3,224,054,437.00	3,092,246,157.00
1. Change in Share Capital	125,000,000.00	119,779,700.00	248,850,000.00
2. Change in borrowing	(38,430,000.00)	(29,760,000.00)	2,707,002,289.00
3. Change in deposits	2,788,459,185.00	3,167,301,854.00	100,000,000.00
4. Change in bills payable	-	-	-
5. Change in Reserve Fund	-	-	-
D)Inc/loss from change in exchange in rate in cash &	-	-	-
E) Net Cash Flow for the year	54,953,219.00	52,835,150.00	65,465,252.00
F) Opening Cash Balance	135794991	66,602,175.00	64,977,328.00
G) Closing Cash Balance	190,748,210.00	119,437,325.00	130,442,580.00

Fiscal year 2064/65

Particular	KBL	L*BL	SBL
(A)cash flow operation	(37,31,16,233)	66,84,60,835	786,445,3300
1.cash receipt	1,08,05,50,334	79, 51,49,653	
1.1Interest incomes	95,68,54,479	70,21,73,302	729,872,484
1,2 Commission and discount income	4,84,94,633	2,02,72,187	214,544,24
1.3Exchange gain	4,18,07,623	4,66,37,081	274,873,89
1.4 Non-operating income	-	5,85,000	-
1.5 Others income	3,3393,599	2,54,82,082	318,00381

2.cash payment	(80,90,05,678)	57,69,24,221	
2.1 interest expenses	(49,35,13,029)	39,13,02,173	408,188,955
2.2 staff expenses	(11,53,14,064	7,35,57,955	482,478,63
2.3 office operating expenses	(11,53,14.064)	5,65,69,074	714,086,3
2.4 exchange loss		-----	
2.5non-operating expenses		-----	
2.6 income tax paid	(11,31,41,483)	5,65,69,074	657,693,19
2.7 others expenses	(8,25,06,034)	-----	-
Working Capital	27,15,44,656	21,82,25,432	214,840,499
(B)Cash flow from investing activities	(11,29,70,000)	(8,35,21,416	(266,10942)
1.change in balance with bank		-----	
2.change in money at call and short notice		-----	257,309,42
3.change in investment and dividend	(1,78,67,500)	-----	88,0000
4.intrest in investment	(6,76,78,786)	-----	
5.change in fixed assets	(1,78,67,500)	(8,35,21,416)	
6.dividend	3,91,245	-----	-
(C) cash flow from financing activities	720000000	18,34,99,300	133,263,158
1.change in share capital	320000000	18,34,99,300	138,000,000
Change in borrowing	400000000	-----	
3.change in deposits		-----	
4.change in bills payable		-----	
5.change in deposit		-----	
6.change in others liabilities		-----	(473,684,2)
7.change in reserve fund			
(D)net cash flow for the year	26,17,28,726	76,84,38,720	798,010,85
(E)opening cash balance	67,21,12,951	46,97,22,133	517,226,354
(F)closing cash balance	93,38,41,677	1,23,81,60,853	437,425,269

Fiscal Year 2065/66

Particulars	KBL	SBL	LBL
A) Cash Flow form operating Activities	914,637,801	1,13,52,35,762	314080096
Cash Received	1533633,183	1,38,84,21,387	1239822347
Interest Income	1370968716	1265582131	1084864744
Commission Dis. Income	79243,277	32547830	30610926
Income from foreign Exchange	59001781	38682163	51004554
Transaction	-	-	2424831
Recovery of loan weft	-	-	70917233
Other Income	24419409	46354212	962163547
Cash payment:-	(1201224767)	1115329574	705388280
Interest expenses	803428742	813619042	104054810
Staff expenses	152688240	79384785	1776944497
Office overhead expenses	136686240	114816885	-
Income Tax paid	108421317	98651396	75775651
Other expenses	-	8857466	-
Cash flow before change in the W.C	582229385	273081813	277658800
In. /De. Of current Assets	(2640286971)	4827910249	5097197063
(In)/ De. In Money at call	25360000	99895684	153962226
(In)/ De.in short term Investment	634769108	(819881997)	1242109429
(In)/ De.in loans, Advances	3273756619	4024008758	3672277812
(In)/ De. In other Assets	26659460	-	28847597
In/ (De) of current liabilities	322251356	-	-

In/(DE) in Deposits	2930242400	5663357433	5133618359
In/(De) in certificates of Dep.	-	-	-
In./ (De) in short term Borrowings	193420000	122467123	-
In./ De in other liabilities	98853957	37763248	452371
B) Cash flow from Investment Activities	80452678	306210088	71353026
(In)/ De. In long term investment	6800000	(206450000)	-
(In)/ De. In fixed Assets	74969016	99760088	71361468
Interest income from long Term Investment	1316338	-	8442
Dividend Income	-	-	-
Others	-	-	-
C) Cash flow from financing activities	8272000	221233158	351889800
In/(De) in long Term Borrowings	-	227770000	350000000
In/(De) in share Capital	1080000	-	1889800
In/(De) in other liabilities	-	-	-
In/(De) in Refinance	420100000	(6536842)	-
D) Net Cash (A+B+C)	948234498	1110258832	594616870
E) Opening cash	1776298800	437425269	1238160853
F) Closing Cash	27245332987	1547684101	1832777723

Fiscal years 2066/67

Particular	KBL	SBL	LBL
A. cash flow from operating	567118976	963699358	374970993
Cash received	2049698755	2123912220	1888043224
Interest income			1728815089
Commission and discount income	1869128840	2028291813	48310617
Income from foreign exchange transaction	100336992	42758263	47563308

Recovery of loan written off other income	37924853	12167702	3258695
Other income			60095515
Cash payment :-	(1864969767)	1769003531	1456112191
interest expenses	(1178550104)	1386818348	1059788935
Staff expenses	(143277770)	134180467	149001140
Office overhead expenses	(402198987)	142769756	103681098
Income tax paid	(140942907)	103688012	143641018
Other expenses			-
Tax paid	-	1546947	-
Cash flow before changes in working capital	382389388	354908689	2498882455
case decrease of current assets	(853429780)	(3836519916)	498677086
Increase decrease money at call and short notice	(90000000)	(214202011)	703754733
Increase decrease in short term investment	(782469431)	(1704010133)	1280754083
Increase decrease in loans advance bills purchases	(172567650)	(3390552628)	15696553
Increase decrease in other assets	191605302	(57755144)	-
Increase decrease of current liabilities	1235819168	4445310585	2031654892
Increase decrease in deposits	1721857189	4342230999	350000000
Increase decrease in certificates of deposits	-	-	
Increase decrease in short term borrowings	(283780464)	17400000	
Increase decrease in other liabilities	(202257556)	67852775	10325538
B. Cash flow from investment activities	(40063877)	17826811	68742446
Increase decrease in loan term investment		(31262330)	-
Increase decrease in fixed assets	(37805215)	(221233175)	68974244
Interest income from long term investment	1316338		-
Dividend income		750000	231799
Others		10108577	-
C. cash flow from financing activities		207898077	451639954
Increase decrease in loan other borrowing			-
Increase decrease in short capital	1080000		451639954
Increase decrease in other liabilities			-

Increase decrease in refinance	420100000	214506445	-
Income less from change in exchange			-
Tri.net cash equivalent	948234498	858926104	79,26,516
Opening cash balance	1776298800	1547684101	1,83,27,77,3
Closing cash balance	2724533298	2406610205	1,84,07,04,9

Comparative Table 2062/063 to 2066/067

Particular	2062/063	2063/064	2064/065	2065/066	2066/067
Cash flow from operating activities	67,709,480	168,347,154	66,84,60,835	31,40,80,096	37,49,70,993
Cash flow from investing activities	(1,46,186,862)	(3,339,566,441)	(8,35,21,416)	(7,13,53,026)	(6,87,42,446)
Cash flow from financing activities	1,355,185,470	3,224,054,437	18,34,99,300	35,18,,89,800	45,16,39,954
Closing cash	6,602,175	119,437,325	1,23,81,60,853	183,27,77,723	1,84,07,04,239