

# **CHAPTER - I**

## **INTRODUCTION**

### **1.1 Background of the Study**

Due to globalization of economy and market, present world economy has been more competitive and complicated. Every sort of change occurring in one sector of the world affects the other. A healthy economy is dependent on efficient transfer of fund from people who are savers to firms and individuals who need capital. Without efficient transfer, the economy is simply impossible for allocating capital within the economy.

Nepal like all underdeveloped countries has been facing problem of accelerating the economic development. Development of industrial sector, among other sectors, is equally essential for the rapid economic development of the country. But it is impossible without the development of different sector like banks, Agriculture and Industry etc. of the economy. Nepal is a land locked mountainous country and located between the gigantic countries India and china. It is a small country with an area covering 1,47,181 square kilometer and also ranked to least developing country with per capital income U.S. \$ 210. It is very rich in natural resources but the resources are unutilized. The geographical variation has been standing as a challenge for development of the country. About more than 68percentage of people are dependent on agriculture. Traditional agriculture system is used till now. The current situation of Nepalese economy is not satisfactory due to poor infra-structure, unutilized natural resources miserable agriculture, deficit trade, illiteracy, political instability and so on. It is one of the richest counties for hydropower with potentiality of 83,000 megawatts but due to its developing nature is not being able to utilize its full capacity and has been using only about 0.6% of full capacity.

Nepal like all underdeveloped countries has been facing problem of accelerating the economic development. Development of industrial sector, among other sectors, is equally essential for the rapid economic development of the country. But it is impossible without the development of different sector like banks, Agriculture and Industry etc. of the economy. Capital is one of the prime factors which is necessary for the development and Advancement of the country. Industry is very crucial factor

for economic progress and plays the role of the lubricant for economic prosperity of the country. The industrial development is not old as the process started with the establishments of Biratanagar jute mill and industrial council in 1936 A.D. There after industrial growth accelerated with establishment of the Morang Cotton Mill in 1941, the Morang Sugar mill in 1946, the Ragupati Jute Mill 1946 etc. The industrial growth took high speed before the Second World War. The year 1956 is said to be "Golden year."

Economic development is the backbone of the development of a nation. The economic development of Nepal is backward in comparison to other developed and developing countries. For the purpose of development of the country many business houses and companies are being established rapidly under different acts. Economic development is a challenging task in Nepal not just due to lack of resources but it is due to lack of proper utilization of the available resources in efficient manner. This problem needs to be researched and requires proper planning and strategy development. Every development program needs capital however capital could not be collected easily. Due to the scarcity of capital it becomes necessary to collect the fund scattered among different individuals and groups. Capital collection and its mobilization is essential condition for the upliftment of the nation.

Overall developments of the country depend upon the development of economic activities. Bank & Financial Institutions play significant role for development of the economy. 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.

Organized banks are not the pioneers of financial transaction. There was lot of actors who contributed to this field. Even before the establishment of banking system in Nepal, financial transactions were under taken by some moneylenders 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.

Nepal Rastra Bank which is the central bank of Nepal has been established under Nepal Rastra Bank Act, 1955. 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. 1955; 8).

Nepal Rastra Bank also plays most important role in different sectors. It helps to mobilize capital or fund for development 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 development of banking system and regulation of financial activities in the government of Nepal.

Through this study 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, Kumari Bank Limited and Machhapuchhre 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 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; 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.

## **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 pay close attention to the firm's cash position and events and transaction that affect the causes of cash position to change. The analysis of the events and transaction 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) Positive cash flow means inflow of cash and negative means outgoing of cash. Cash flow exclude 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 outflow and inflow systematically defined as sources & uses of cash.

Cash flow can be defined as a two ways positive cash flow and negative cash flow. If incoming of cash is more than outgoing of cash in a business, the company has a positive cash flow. A positive 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 later is obviously a most undesirable situation. (Gyawali, 2008: 515)

### **1.3 General information about Selected Commercial Banks**

#### **Machhapuchhere Bank Limited (MBL)**

Machhapuchchhre Bank Limited was registered in 1998 as the first regional commercial bank to start banking business from the western region of Nepal with its head office in Pokhara. Today, with a paid up capital of above 820 million rupees, it is one of the full fledged commercial bank operating in Nepal; and it ranks in the to most among the private commercial banks. Machhapuchchhre Bank Limited is striving to facilitate its customer needs by delivering the best of services in combination with the state of the art technologies and best international practices.

Machhapuchchhre Bank Limited is the pioneer in introducing the latest technology in the banking industry in the country. It is the first bank to introduce centralized banking software named GLOBUS BANKING SOFTWARE developed by Temenos NV, Switzerland. The bank provides modern banking facilities such as Any Branch Banking, Internet Banking and Mobile Banking to its valued customers.

#### **The share holding pattern is illustrated as follows:**

<b>1. Promoters Ownership</b>	<b>70 %</b>
Government of Nepal	-
“A” Class Licensed Institutions	-
Other Licensed Institutions	-
Other Institutions	25.14%
Personal	44.86%
Others	-
<b>2. General Public Ownership</b>	<b>30 %</b>
<b>Total</b>	<b>100%</b>

(Sources: Annual Report 2066/67)

#### **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 B.S (April 03, 2001) with an objective of providing competitive and modern banking services in the Nepalese financial market. The bank has paid up capital of Rs. 750 million, of which 70 % is contributed from promoters and remaining from public.

The bank has been able to get recognition as an innovative and fast growing institution striving to enhance customer value and satisfaction by backing 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 the priorities of the valued customers.

**The share holding pattern is illustrated as follows:**

<b>1. Promoters Ownership</b>	<b>70 %</b>
Government of Nepal	-
“A” Class Licensed Institutions	-
Other Licensed Institutions	1.67 %
Other Institutions	0.64 %
Personal	67.69%
Others	-
<b>2. General Public Ownership</b>	<b>30 %</b>
<b>Total</b>	<b>100%</b>

(Sources: Annual Report 2066/67)

**Laxmi Bank Limited (LXBL)**

Laxmi Bank was incorporated in April 2002 as a commercial bank. The current shareholding patters are of promoter’s share 55.42 percent, Citizen Investment Trust share 9.02 percent and the general public holding 35.56 percent. Promoters represent Nepal’s leading business families with diversified business interests.

Laxmi Bank has Corporated office is in with branches in Birgunj, Banepa, in Pokhara,two Biratnagar, Narayanghat, Pulchowk, Lalitpur, Teku, New Road, and more recently in Janakpur. Following the merger with Hisef 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 and our corporate office in October 2005.

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 earnings and value-added services. Transparency, good governance, and sound business growth are our driving forces.

**The share holding pattern is illustrated as follows:**

<b>1. Promoter’s Ownership</b>	<b>55 %</b>
Government of Nepal	-
“A” Class Licensed Institutions	-
Other Licensed Institutions	9 %
Other Entities	-
<b>2. General Public</b>	<b>36 %</b>
Others	—
<b>Total</b>	<b>100%</b>

(Sources: Annual Report 2066/67)

**Siddhartha Bank Limited**

Siddhartha Bank Limited (SBL) commenced operations in 2002. The Bank was promoted by a group of highly reputed Nepalese with high wide commercial experience. SBL provide a full range of commercial banking services through seven corporate office branches established in Kathmandu, Birgunj, Biratnagar, Pokhara and Damak.

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

Mission of the Siddhartha Bank Limited is to be a 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 and fully committed staff. Aim is to render efficient and diversified financial services.

In addition to SBL core banking products in deposits and corporate financing, SBL has offered the whole range of personal and retail products for Home, Auto, Siddhartha Bank Limited is fully equipped with technology and human resource to reach in destination.

### **The share holding pattern**

<b>1. Promoters Ownership</b>	<b>70 %</b>
Government of Nepal	-
“A” Class Licensed Institutions	-
Other Licensed Institutions	-
Other Institutions	11.75 %
Personal	58.25%
Others	-
<b>2. General Public Ownership</b>	<b>30 %</b>
<b>Other</b>	_____
<b>Total</b>	<b>100%</b>

(Sources: Annual Report 2066/67)

### **1.4 Statement of the Problem**

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 of customer are quite serious problem of these banks. Government rules and regulation with competitive attitude and behavior of commercial banks is the barrier to meet their ongoing operating cost. Misused of loan amount by the borrowers is the main problem of banking sector in these days in the country.

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.

The main problems of these commercial banks are mentioned below:

- ) Is the cash managed properly or not? Are there any irregularity regarding cash flow? What does their cash flow indicate?
- ) Why these banks have not same amount of cash flow?
- ) How far they have been able to keep the sound status in terms of business

success?

- ) What are the factors that affect's company's liquidity & solvency?
- ) Why the investment opportunities of these banks differ?

### **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. The other objective their research paper is:

This research has the following objectives:

- ) To examine, analyze and compare the cash flow statement of private sector commercial banks.
- ) To evaluate the trend of cash flow from different activities of banks.
- ) To compare the cash flow performance of individual banks.
- ) To recommend the appropriate suggestions to the concerned financial institutions for future improvement.

### **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 entrepreneurs in a great trouble. This may be the only reason that Nepalese investors are drawing back their hands from the investment sector.

Although the present economic situation is not satisfactory, evolution of financial institutions, mostly finance companies, are increasing, however under such circumstances the objective and operation of finance companies in accordance with finance companies act, 2042 (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 most of the Nepalese entrepreneurs are discouraged and they like to prefer idle stay 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 everywhere. 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 indispensable 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 statements, it is mainly based on historical financial information.

Since the methods, theories, 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 2062/63 to 2066/67.

Regarding the above, have mentioned the following points:

- ) The study is mainly confined SBL, LXBL & KBL.
- ) The study is fundamentally based on the data of published financial statements of banks mention under study.
- ) Only five years data from F.Y. 2062/063 to 2066/67 is taken for analysis.
- ) Data are base historical accounting rather than on inflation accounting.

## **1.8 Organization of Study**

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

### **Chapter 1: Introduction**

This chapter includes background information on the subject matter, focus of the study, profile of sample banks, statement 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, Conclusions and Recommendations**

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

## **CHAPTER–II**

### **CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE**

Literature Review is the foundation 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. 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 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 cannot 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. Likewise other books and thesis, journal and annual report are selected commercial banks are studied while preparing this thesis report.

## **2.1 Conceptual Frame Work:**

"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 prepare. But when cash are assumed as fund then cash flow statement should be made to inform the stake-holder about the cash flow position of the enterprise/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."

### **2.1.1 Funds Flow Analysis**

The efficiency of the firm is reflected in the inflow and outflow of funds in the business. To understand the operational 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 the use to which these resources were put (Shukla, Gupta & Grewal, and 2006: 23.22). 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:

- ) From which source fund received?
- ) How many funds received?
- ) For what purpose the fund is used?
- ) Whether the business is solvent or not?
- ) How can a profitable business be running on low cash and working capital?

### **2.1.2 Cash Flow Analysis**

Cash is the lifeblood of business organization. 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 firm's cash position and events and transaction that affect the cash position company is termed as cash flow analysis (Munankarmi, 1999: 259).

### **2.1.3 Profits and Cash Flow**

Profits are accounting measures that may not reflect the economic reality of 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 recognize 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.

### **2.1.4 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 standard (NAS-03) issued by NASB (2003) cash flow statement should report cash flow during the period classified by operating, investing and financing activities (Wagle & Dahal,2064:11.2).

The IAS has also replaced FFS and asked 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 2063 B.S 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.

### **2.1.5 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 user of financial statement evaluate 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.

- ) It helps to evaluate financial policies & cash positions
- ) It helps to inform about the availability of cash. So that management can determine policies regarding financial management i.e. raising utilities of funds.
- ) Assess a company's ability to generate positive future cash flows.
- ) Assess a company's ability to meet its obligation, its ability to pay dividends and its need for external financing.
- ) Assess the reason for difference between income and associated cash receipts and payments.
- ) Assess both the cash and non-cash aspects of a company's investment and financial transactions.

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

- ) If a company operates at profit why is it continually short of cash?
- ) How can a company operate at a loss and still generate huge inflows of cash from operations?
- ) How was the company's growth and expansion financed?
- ) Did the company acquire any long term investment or other income producing assets?
- ) Was financing obtained during the period through issuance of debt or equity securities? If so what were the amount of cash obtained?
- ) Did the company use cash to retire any long term debt or equity securities during the period?
- ) Are the company's income producing activities using more than they are generating?
- ) Do operating activities consistently generate enough cash to assure prompt payment of operating expenses maturing liabilities interest obligation and dividends? (Munankarmi, 2003: 13.02).

### **2.1.6 Objectives of Cash Flow Statement**

The objective 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:

- ) To assess the company's ability to generate positive cash flow in the future.
- ) To assess its ability to meet its obligations to service loans, pay dividend etc
- ) To assess the reason for differences between reported and related cash flows.
- ) To assess the effects on its finances of major transactions in the year.
- ) To find out the causes of changes in the cash position on two dates and financial policies can be done with the help of cash flow Statement.
- ) 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.

### **2.1.7 Distinction between Funds Flow and Cash Flow Statement**

- ) Concept: Funds flow is based on working capital and Cash flow is based on cash.
- ) Accounting: Funds flow statement is based on Accrual basis of accounting and Cash flow statement is based on cash basis of accounting.
- ) 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.
- ) Purpose: Funds flow statement shows the causes changes in working capital position of a firms between two balance sheets dates whereas cash flow statement shows the causes of changes in cash position of a firm between two balance dates.
- ) 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.
- ) 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 capital before preparing funds flow statement whereas in cash flow statement it is not necessary to prepare the schedule of changes in working capital.

### **2.1.8 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, adjustment 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 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:

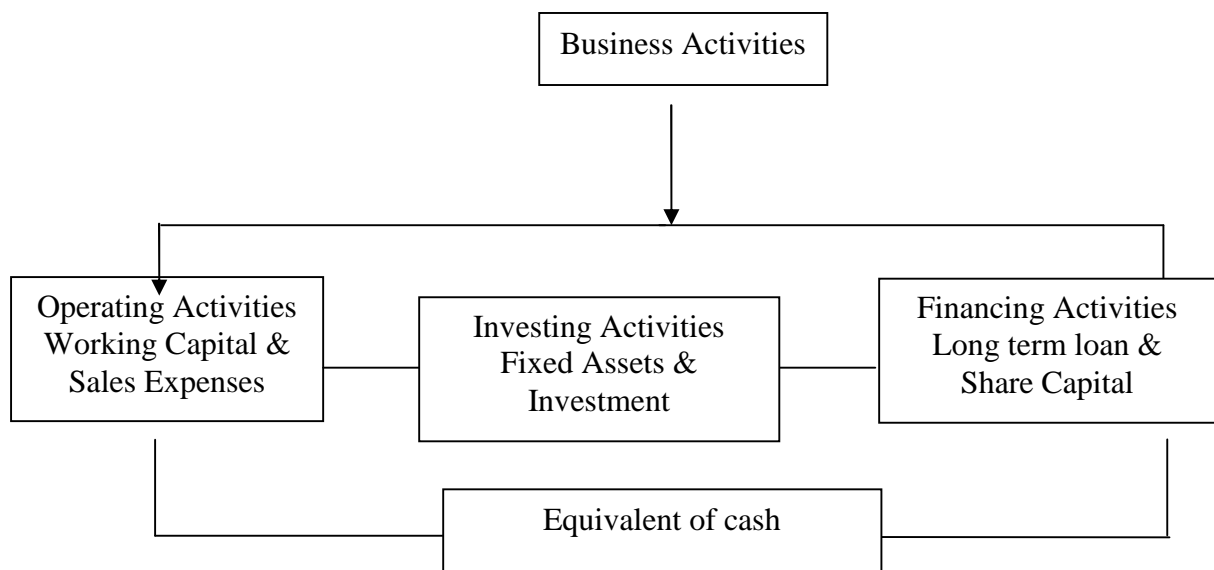
- ) Opening cash & cash equivalents
- ) Cash from operation
- ) Cash from issue of shares
- ) Cash from issue of debentures
- ) Cash from long term loan
- ) Cash from share premium
- ) Cash from sales of fixed assets
- ) Cash from sales of investment.

## 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 long-term loan
- ) Dividend paid
- ) Income tax paid
- ) Closing cash & cash equivalent (Munankarmi, 2003: 13.05).

**Figure: 2.1**  
**Component of Cash Flow (Wagle & Dahal, 2064: 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

## **1. 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 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:

- ) Changes during the period in inventories and operating receivables and payables.
- ) Non- cash items such as depreciation, provision, deferred taxes and unrealized gains or losses.
- ) All other items for which the cash effects are investing or financing cash flows.
- ) 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:

- ) Non-cash and non operating gains/losses/expenses.
- ) Depreciation/loss on sales of assets provision for taxes.
- ) Gain on sales of fixed assets.
- ) Operating profit before working capital changes.
- ) 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:

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

### **Financing Activities:**

Cash flows from financing 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 disclosure 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 proceeds from issuing shares or other equity instruments.
- b) Cash payments to owners to acquire or redeem the enterprise's 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)]

**Figure: 2.2**

**Format of Cash Flow Statement under Indirect Method**

<b><u>A. Cash from Operating Activities (CFOA)</u></b>	
Provision for dividend of this year (dividend payable)	
Interim dividend	
Profit transfer to Balance Sheet (This year-Last year)	
) Profit and loss a/c	
) General reserve	
) Retained Earnings	
) Funds etc.	
<b>Net Profit after tax / Profit for the year</b>	
<b><u>Add : Non Cash and non operating items</u></b>	
Depreciation of tangible assets	
Amortization of intangible fixed assets (i.e. goodwill, patent, copyright, trademark etc.)	
Amortization of fictitious assets (i.e. preliminary expenses, P&L Dr. Balance, discount on share/ debenture)	
Loss on revaluation or sales of fixed assets or investment	
Premium on redemption of preference shares or debentures	

Discount on issue of shares or debentures	
<b>Less: <u>Non Operating incomes of Gains</u></b>	
Gain on revaluation or sales of fixed assets or investment	
Discount on redemption of preference share and debenture	
Premium on issue of Preference share and debenture	
Tax refund	
Interest/ dividend received on other investment	
Extra income (If any)	
<b>Funds From Operation (FFO)</b>	
<b>Add: Decrease in Working Capital except cash (item wise)</b>	
(i.e. decrease in current assets and increase in current liabilities)	
<b>Less: Increase in Working Capital except cash (item wise)</b>	
(i.e. increase in current assets and decrease in current liabilities)	
<b>Cash from Operating Activities (CFOA)</b>	
<b><u>B. Cash from Investing Activities (CFIA)</u></b>	
Purchase of fixed assets (Individual as per ledger)	
Purchase of Investment ( as per ledger if any)	
Sales of fixed assets (individually)	
Dividend or interest received from other investment if any	
<b>Cash from Investing Activities (CFIA)</b>	
<b><u>C. Cash from Financing Activities (CFFA)</u></b>	
Issue of share/debenture with premium or discount	
Redemption of Preference Share/debenture at premium or discount	
Payment of dividend (Provision of dividend last year)	
Interim dividend (if any)	
<b>Cash from Financing Activities (CFFA)</b>	
<b>Net cash increase/decrease (A+B+C)</b>	
(+) Opening Cash/Bank Balance	
<b>Closing Cash/Bank Balance</b>	

## **2. 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 flow from operating activities is primarily derived from the principal revenue - producing activity of the enterprise. Examples of cash flow from operating activities are:

- ) Cash receipts from the sales of goods and services.
- ) Cash receipts from royalties fees, commission and other revenue.
- ) Cash payment to suppliers of goods and services.
- ) Cash payments to and on behalf of employees.
- ) Cash receipts and cash payments of an insurance company for premium and claims, and other policy benefits.
- ) 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.

- ) From the accounting records of the firms or
- ) By adjusting sales, cost of sales and other items in the statement of profits and loss for:
  - ) Changes during the period in inventories and operating receivables and payables
  - ) Other non- cash items and

- ) Other items for which the cash effects are investing or financing cash flows.

### **Investing Activities**

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

- ) Productive assets.
- ) Investment in share and debentures.
- ) Intangible assets.
- ) Short term investment other than cash equivalents (Munankarmi, 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:

- ) Share capital (Equity)
- ) Share premium
- ) Debenture
- ) Dividend proposed

Comparative balance sheets should be analyzed by preparing necessary accounts.

**Figure: 2.3**

**Format of Cash Flow Statement under Direct Method**

<b>A. Cash from Operating Activities (CFOA)</b>	
<p><u>a. Cash Sales and collection from customers:</u></p> <p>Total Net Sales (less sales return)</p> <p>(+) Decrease in debtors (sundry debtors, A/R and B/R)</p> <p>    (-) Increase in debtors (sundry debtors, A/R and B/R)</p> <p>    (+) Decrease in bad debt provision (Bad debt recover)</p> <p>    (-) Increase in bad debt provision</p> <p>    (-) Bad debt written off</p> <p><u>b. Cash Purchase and payment to creditors:</u></p> <p>Total cost of goods sold (COGS)</p> <p>    (+) Increase in Inventory</p> <p>    (-) Decrease in Inventory</p> <p>    (+) Decrease in creditors (sundry creditors, A/P and B/P)</p> <p>    (-) Increase in creditors (sundry creditors, A/P and B/P)</p> <p><u>c. Cash operating expenses and other warranty services:</u></p> <p>Total cash operating expenses (selling, distribution, Adm. etc)</p> <p>    (+) Decrease in outstanding expenses</p> <p>    (-) Increase in outstanding expenses</p> <p>    (+) Increase in prepaid expenses</p> <p>    (-) Decrease in prepaid expenses</p> <p><u>d. Interest expenses:</u></p> <p>Interest expenses</p> <p>    (+) Decrease in interest payable</p> <p>    (-) Increase in interest payable</p> <p>    (+) Increase in prepaid interest</p> <p>    (-) Decrease in prepaid interest</p> <p><u>e. Income tax payments:</u></p> <p>Tax paid (or, provision for taxation as per P&amp;L a/c)</p> <p>    (+) Decrease in provision for tax or tax payable</p> <p>    (-) Increase in provision for tax or tax payable</p> <p>    (+) Increase in prepaid tax</p>	

(-) Decrease in prepaid tax	
<b>Cash from Operating Activities before extra ordinary items (a-b-c-d-e)</b>	
<b><u>Extra ordinary items:</u></b>	
(+) Increase in bank overdraft	
(-) Decrease in bank overdraft	
(+) Decrease in marketable securities	
(-) Increase in marketable securities	
<b>Cash From Operating Activities (CFOA)</b>	
<b><u>B. Cash from Investing Activities (CFIA)</u></b>	
Purchase of fixed assets (Individual as per ledger)	
Purchase of Investment ( as per ledger if any)	
Sales of fixed assets (individually)	
Dividend or interest received from other investment if any	
<b>Cash from Investing Activities (CFIA)</b>	
<b><u>C. Cash from Financing Activities (CFFA)</u></b>	
Issue of share/debenture with premium or discount	
Redemption of Preference Share/debenture at premium or discount	
Payment of dividend (Provision of dividend last year)	
Interim dividend (if any)	
<b>Cash from Financing Activities (CFFA)</b>	
<b>Net cash increase/decrease (A+B+C)</b>	
(+) Opening Cash/Bank Balance	
<b>Closing Cash/Bank Balance</b>	

### 2.1.9 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 prepared from the consolidated accounts. 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 (Dangol, 2007: 447).

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

- ) The total purchase or disposal consideration
- ) The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents.
- ) The amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of: and
- ) 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:

- ) The acquisitions of assets either by assuming directly related liabilities or by means of a finance lease;
- ) The acquisition of an enterprise by means of an equity issue

) The conversion of debt to equity (Dangol,2007: 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:

**Figure: 2.4**  
**Calculation of Net Value of Assets**

Particulars	Details	Amount
Fixed assets of subsidiary company		xxx
Current Assets of Subsidiary company other than cash		xxx
<b>Total Assets Acquired</b>		xxx
Less: Current Liabilities		(xxx)
Net Worth or Net Assets		xxx
Less: Receivable from Holding Company		(xxx)
Add: Payable to Holding Company		xxx
<b>Net assets acquired</b>		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
<b>Net Value of Subsidiary Purchase</b>		xxx

#### **2.1.10 Cash flow Statement for Financial Institution:**

Financial enterprises like banks, finance companies, co-operatives etc. represents the institution that deals 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:

**Figure: 2.5**

**Cash Flow Statement for Financial Institution**

<p><b>A. Cash Flow from Operating Activities:</b></p> <ul style="list-style-type: none"> <li>Interest and commission receipts</li> <li>Interest payments</li> <li>Recoveries on loans previously</li> <li>Cash payment to employees and suppliers</li> <li>Short term fund-increase</li> <li>Deposits held for regulatory or monetary control purpose</li> <li>Funds advanced to customers</li> <li>Net increase in credit card receivable</li> <li>Increase other short term securities</li> <li>Deposits from customers</li> <li>Certificate of deposits</li> <li>Net cash from operating activities before income tax</li> <li>Income tax paid</li> <li><b>Net cash from Operating Activities</b></li> </ul>	
<p><b>B. Cash flow from Investing Activities:</b></p> <ul style="list-style-type: none"> <li>Dividend received</li> <li>Interest received</li> <li>Purchase of permanent investment</li> <li>Purchase of fixed assets</li> <li><b>Net Cash from Investing Activities</b></li> </ul>	
<p><b>C. Cash flow from Financing Activities:</b></p> <ul style="list-style-type: none"> <li>Issue of shares</li> <li>Share premium</li> <li>Repayment of long term borrowing</li> <li>Net decreased in other borrowing</li> <li>Dividend paid</li> <li><b>Net Cash from Financing Activities</b></li> </ul>	
<ul style="list-style-type: none"> <li>Net increase/decrease in cash and cash equivalents</li> <li>Cash and cash equivalents at the beginning of the period</li> </ul>	
<ul style="list-style-type: none"> <li>Cash and cash equivalent at the end of the period</li> </ul>	

### 2.1.11 Cash Flow Statement under N.R.B. Directives:

Following is the cash flow 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**

.....Company  
**Cash Flow Statement for the F/Y.....**

Particulars	Amount (in Rs.)	Current Year (in Rs.)
<b>(A) Cash Flow From Operations</b>		.....
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>(B) Cash Flow From Investing Activities</b>		.....
1 Change in balance with bank	.....	
2 Change in money at call and short notice	.....	
3 Change in Investments	.....	
4 Change in loans advance and bill purchased	.....	
5 Change in fixed assets	.....	
6 Change in other assets	.....	
<b>(C) Cash Flow From Financing Activities</b>		.....
1 Change in borrowing	.....	
2 Change in deposits	.....	
3 Change in bills payable	.....	
4 Change in other liabilities	.....	
<b>(D) Net Cash Flow for the year</b>		.....
<b>(E) Opening Cash Balance</b>		.....
<b>(F) Closing Cash Balance</b>		.....

## **2.2 Review of Books and Articles:**

### **2.2.1 Review of Articles and Journals**

**Munankarmi (1999)** in his article defined 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 fuel 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 statements 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 statements 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:

- ) A company's ability to generate positive future cash flows
- ) A company's ability to meet it's obligations it's ability to pay dividends and it's need for external financing
- ) The reasons for differences between income and associated cash receipts

and payments

- ) Both the cash and non cash aspects of a company's investment and finance transaction
- ) 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
- ) 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 assets and liabilities. Financial flexibility refers to adaptation during the period of financial adversity to obtain financing to liquidate non operating assets for cash.
- ) 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 and 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 statements which includes balance sheets income statement

and cash flow statement, 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 prescribed 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.

**Shrestha, (2055)**, in his article "*A Study on Deposit and Credits of Commercial Bank in Nepal*" concluded that the credit deposit ratio would be 51.30% other things remaining the same in 2000 B.S 3 much was the lowest under the period of review. So he had strongly recommended that the commercial bank should try to give more credit entering new field as far as possible. Otherwise they might be able to absorb even its total expenses.

**Pokharel (2006)**, in the article entitled "*Financial Sector Reform and Challenges*", stresses that highest liquidity makes the financial institutions un-bankable by creating unnecessary burden of bearing the cost of capital. Dr. Pokharel expresses that most of the financial institutions are lying on uneconomic situation due to ineffectiveness of portfolio management on the one hand and deficiencies of efficient modern management on the other. As for the betterment of the financial possibility in portfolio projects, like health, residential buildings, communications, tea gardening etc. Pokharel further suggests that commercial banks need to make strong strategy urgently with shifting the money from fixed deposit to saving reducing the interest between deposits and interest spread in both sectors. He highlights that fixed deposit has been increasing in the ratio of 0.44 to 0.95 from 2001 to 2002.

### **2.3 Review of Previous Research Works:**

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

**Joshi (2008)** in his research work, *Comparative study on Investment Policy of Standard Chartered Bank Nepal Limited and Everest Bank Limited*.

**His Main Objectives:**

- ) To compare investment policy of concern banks and discusses the fund mobilization of the sample bank.
- ) To find out empirical relationship between total investment, deposit and loan & advance, and net profit and outside assets and compare them.
- ) To analyze the deposit utilization and its projection for next five years of SCBNL and EBL.
- ) To evaluate comparatively the profitability and risk position, liquidity asset management efficiency of SCBNL & EBL.
- ) To provide a package of possible guidelines to improve investment policy, it's problems and way to solve some problems and provide suggestions and recommendation on the basis of the study.

**His Major Findings:**

- ) It can be concluded that both have good deposit collection. EBL has the highest cash and bank balance to total deposit, cash and bank balance to current ratio; this may make the bank to be in good position to meet the daily cash requirement.
- ) SCBNL has successfully maintained and managed its assets towards different income generation activities. SCBNL has made high portion of total working fund in investment on government on share and debentures of other companies.
- ) The profitability procession of SCBNL is comparatively better than EBL. It indicate that SCBNL has maintain its high profit margin regarding profitability position and EBL does not have a better position in comparison. It must maintain high profit margin for the well being in future. The finding shows EBL even though paying high interest to the customers for different activities.
- ) There is comparatively lower risk in SCBNL than EBL regarding various aspects of banking function.
- ) The SCBNL has not been more successful to increase in source of funds i.e. deposit and mobilization of i.e. loan and advances and total investment. It seems SCBNL has not made any effective strategy to win the confidence of shareholders, depositors and its all customers.

**Bhandari (2009)** has conducted a research on *Cash Flow Statement in public enterprises of Nepal- A case study of Nepal Telecom Ltd.*

**His Main Objectives:**

- ) To examine and critically analyze the existing cash flow statement of NTC.
- ) To assess the revenue generation practice of NTC.
- ) To examine the financial performance of the organization.
- ) To review the cash mobilization practice of the organization.
- ) To make suggestion for the effectiveness of cash management in NTC.

**His Major Findings:**

- ) NTC has satisfactory liquidity position and it has maintained proper cash and bank balance. The cash and bank balance with respect to current liabilities has been increasing trend.
- ) NTC has low consistency in cash and bank balance.
- ) Sales relationship with cash balance is positive.
- ) Relationship between sales and net profit of NTC is in good condition it has been increased earned profit in each fiscal year and sales has been increasing trend.
- ) NTC does not follow the periodic performance report.

**Shrestha (2009)** in his study *Analytical and Comparative Study on Cash flow of Joint venture Banks in Nepal.* has mentioned the strength and weakness of the all joint venture banks in Nepal through Cash Flow Analysis. He suggested and noted potable information occurring in the field of Cash Flow Management and managing trend of Cash Flow for joint venture banks in Nepal.

**His Main Objectives:**

- ) company's ability to generate positive future cash flows
- ) A company's ability to meet its obligations its ability to pay dividends and it's need for external financing
- ) The reasons for differences between income and associated cash receipts and payments

- ) Both the cash and non cash aspects of a company's investment and finance transaction
- ) 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.

**His Major Findings:**

- ) Although most of the business entrepreneurs along with their business philosophy has suggested that cash management of the firm should be in adequate position, no one has had create concrete pillar that cash should be at the would at the level be sufficient for the business.
- ) From current review, it is seen that most of the business entity and bank and financial institution has suffered from the liquidity crisis for which most responsible factors is cash, clearly pointed out that the cash management is the common and major problem in Nepalese enterprises.
- ) The success and failure of an organization is greatly depends upon the efficient management of cash. Hence financial manager not only consider the in present need of cash but also pay attention the future requirement of cash

**Gajurel (2010)** conducted a research on *Cash Flow Analysis of Nepal Water Supply Corporation*.

**His Main Objectives:**

- ) To examine the internal control policy of cash transaction in NWSC.
- ) To analyze the cash follow structure and cash management techniques Practiced by the company.
- ) To examine the liquidity position of NWSC.
- ) To study the relationship of cash with other influencing variable of cash management.

**His Major Objectives:**

- ) NWSC have not any definite policy regarding how much cash balance to hold in each period. Cash and bank balance hold during the different period of study were observed to be highly fluctuated and thus the fact indicates no

definite policy regarding how much balance to be hold in each period. Average cash balance of NWSC during the study period is 265095200.

- ) There is fluctuations have been observed in cash turnover ratio analysis. The fluctuation of cash turnover ratio is the indication of no definite policy holding cash balance in relation to sales volume, is applied by NWSC. The average cash turnover ratio of NWSC is 2.067.
- ) Correlation between sales and cash and bank balance has been observed to be 0.607. Generally, it indicates the positive relationship between the sales and cash and bank balance.
- ) The average current ratio is 1.82, which is normally less than satisfactory level; however satisfactory level is 2:1. Overall, the average ratio signals a little bit unsatisfactory position of the NWSC, which should be little bit above near to 2:1.
- ) NWSC has been operating in loss in all fiscal year during the study period. In overall, NWSC has been operating under loss and the average net profitability margin has been calculated as -52.46%.
- ) NWSC has not utilizing its current assets effectively in earning profit. The overall ratios are dissatisfying, indicating loss in each fiscal year. Overall the return on working capital i.e. current asset is disappointing by indicating drastic downfall of the corporation. The average return on working capital has been calculated as 23.13%.
- ) Cash and bank balances and current liabilities ratio occurred from lower 21.02% to 88.55% which indicate the significant cash balance to meet current obligation. But on the other hand most of the ratios are less than 30% which shows the excess cash and deficit in making payment during the study. It has clearly indicated that NWSC has not been following a systematic cash management practices.

**Tapol (2011)** conducted a study on *Investment Practice of Commercial Banks in Nepal*.

**His Main Objectives:**

- ) To measure the financial performance.
- ) To find out comparative and competitive position of two JVBs banks of Nepal

- ) Measuring risk of NABIL & NIBL bank.
- ) To find out the relationship between different variables like investment, deposits loan and advances, net profit & compare them between NABIL & NIBL.
- ) To recommended measure for the improvement of the financial performance and efficiency on the basis of the conclusion drawn from the research.

**His Major Objectives:**

- ) The mean ratio of return on loan and advances of NIBL is lower than that of NABIL. On the other hand, NIBL's variability between ratios is lower than that of NABIL.
- ) The mean ratio of credit risk ratio of NIBL is higher than that of NABIL and NIBL's ratios are more homogenous than that of NABIL
- ) From the analysis of growth ratio, NABIL has lower growth rate on total deposits, loan & advances, total investment and net profit than NIBL. Therefore NIBL has successfully collected and utilized fund amount of its customer than NABIL.
- ) Banks are recommended to activate foreign technology and investment in Nepal by means of their wide international banking sector and make Nepalese personnel capable of operating these banks as efficiency as international banks.
- ) Complain boxes should be kept in each and every branch and bank personnel try to eliminate those deficits which are in the complaint box in order to maintain better relation with its customers.

**2.4 Research Gap**

The job of conducting research and preparing report is difficult in itself especially to the unprofessional person like a student. I have tried to make this thesis as a complete outcome of the research on mentioned topic from the best of my effort and knowledge.

I want to prove that this research is an original one should be the foundation for the future researchers to know about the comparative analysis of cash flow statement of commercial banks in Nepal. Our study is different than other's study due to the

following reasons.

- ) I have researched the comparative analysis of cash flow statement of commercial banks in Nepal.
- ) This study includes the very recent activities about the cash flow analysis.
- ) The study particularly shows how these companies are growing despite of critical market situation.

## **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**

In order to fulfill the objectives of the study as much as possible, an adequate attention has been paid in the process of research design. The research is carried out mostly on the basis of secondary data as well as on some primary data. All the required data and essential information is collected from the concerned commercial bank and chartered accountants firm. In the study, the researcher has followed the descriptive cum analytical research design to analyses the financial performance of the selected financial institution companies, various financial parameters and an effective research technique are employed to especially identify the weaknesses of these institutions. On the ground of observed in ferities and inefficiencies, an attempt will lie made to suggest the reasonable and useful recommendations to the concerned authorities.

##### **3.2.1 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 31 commercial banks operating their banking business in Nepal. In the study all the commercial banks are population of study. Among them MBL, KBL, LxBL and SBL have been selected as sample for the present study. Financial statements of last five years from 2062/63 to 2066/67 have been taken as sample data for the comparative study of cash flow.

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 (SBL) commenced operations 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

Among 30 (23 listed in NEPSE) commercial banks only four Private Banks have been taken into analysis. They are,

- ) Machhapuchhre Bank Limited (MBL)
- ) Kumari Bank Limited (KBL )
- ) Laxmi Bank Limited (LxBL)
- ) Siddhartha Bank Limited (SBL)

### **3.2.2 Period of Study**

The study is based on previous 5 years data covering the F/Y 2062/63 to F/Y 2066/67.

### **3.3 Sources of Data & 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. 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 overall picture of different years financial position of such banks. Thereafter, cash flow statement shall be prepared by comparing the 5 consecutive fiscal year balance sheets. After preparing the cash flow statements the data would be analyzed by observing all the financial statement.

### **3.4 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.

### **3.5 Financial Statement**

Financial statements are organized summaries of detailed financial information. The financial statements employed in this study are as follows;

- ) Balance sheet
- ) Income Statement P/L a/c
- ) Comparative balance sheet

### **3.6 Trend Analysis**

The trend analyses will perform to check whether the cash position of the concerned organizations are improving or deteriorating over the study period. In this study, an attempt would be made to observe the financial trends maintained by selected Banks on the basis of computed data derived from the annual report.

### **3.7 Assumptions of the Study**

The following assumptions will make in this these to draw valid and reliable conclusions;

Short term liability like bills payable are assume as financing source.

The numbers of working days are assumed as 360 in a year

The fixed assets which are in balance sheet are kept by deducting depreciation.

Annex presented by the banks on annual report are reliable.

**CHAPTER – IV**  
**PRESENTATION AND ANALYSIS OF DATA**

**4.1 Cash Flow Statement of Machhapuchhre Bank Limited**

**4.1.1 Cash Flow from Operating Activities**

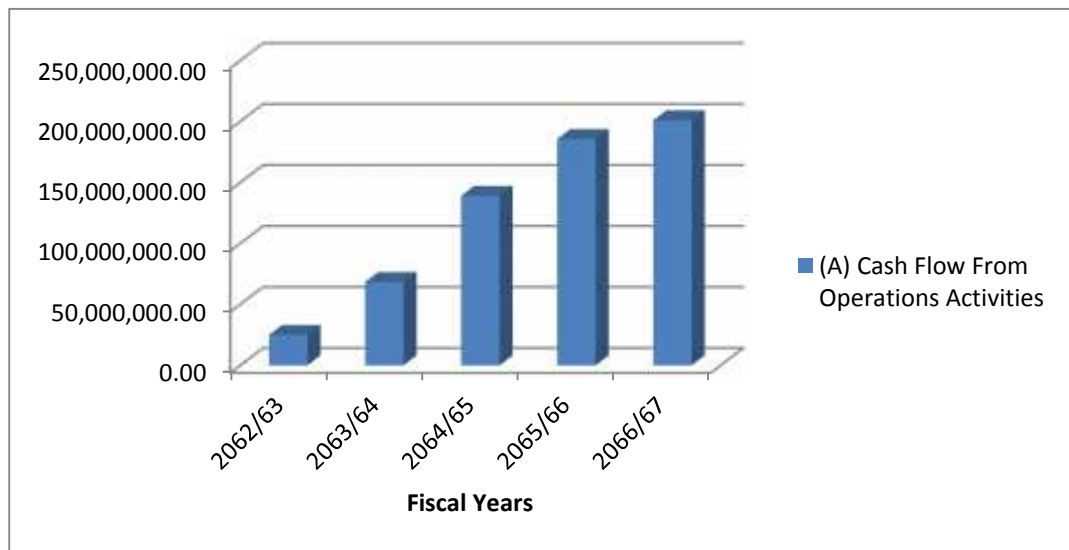
**Table: 4.1**

**Cash flow from operations activities of Machhapuchhre Bank Limited  
from 2062 to 2067**

<b>Particulars/Period</b>	<b>2062/63</b>	<b>2063/64</b>	<b>2064/65</b>	<b>2065/66</b>	<b>2066/67</b>
<b>(A) Cash Flow From Operations Activities</b>	<b>25,032,468.22</b>	<b>68,401,309.33</b>	<b>139,052,204.75</b>	<b>185,631,721.89</b>	<b>200,996,427.00</b>
<b>1. Cash receipt</b>	<b>144,267,747.85</b>	<b>236,590,472.52</b>	<b>411,726,101.16</b>	<b>645,607,351.65</b>	<b>806,862,683.00</b>
Interest Incomes	132,163,700.88	208,127,749.56	365,482,496.10	563,362,313.61	694,482,220.00
Commission and discount income	5,653,912.00	14,840,269.37	21,391,062.43	33,401,892.25	34,305,033.00
Exchange gain	5,945,606.12	12,621,092.27	11,359,386.97	35,152,376.97	29,036,308.00
Non-Operating income	-	-	286,968.96	-	-
Other income	504,528.85	1,001,361.32	13,206,186.70	13,690,768.82	49,039,122.00
<b>2. Cash payment</b>	<b>(119,235,279.63)</b>	<b>(168,189,163.19)</b>	<b>(272,673,896.41)</b>	<b>(459,975,629.76)</b>	<b>(605,866,256.00)</b>
Interest expenses	(76,155,897.89)	(113,579,092.57)	(187,027,981.93)	(288,661,548.62)	(397,721,715.00)
Staff expenses	(17,435,463.50)	(19,872,459.80)	(29,581,861.23)	(41,935,364.24)	(71,192,365.00)
Office operating expenses	(23,943,086.48)	(29,549,839.12)	(43,195,662.58)	(66,210,067.58)	(79,602,916.00)
Exchange loss	-	-	-	-	-
Non-operating expenses	-	-	-	-	-
Income Tax paid	-	-	-	(48,705,267.89)	(43,030,189.00)
Other expenses	(1,700,831.76)	(5,187,771.70)	(12,868,390.67)	(14,463,381.43)	(14,319,071.00)

**Source: Annual Reports of Related Banks**

**Figure: 4.1**  
**Cash Flow from Operations Activities of Machhapuchhre Bank Limited**  
**from 2062 to 2067**



Above the table and figure No. 4.1 CFOA of Machhapuchhre Bank Limited is Rs.25,032,468.22, Rs. 68,401,309.33, Rs.139,052,204.75, Rs.185,631,721.89 and Rs.200,996,427.00 respectively from the year 2062/63 to 2066/67. All Cash from Operating Activities are positive. It has increased higher rate in the year 2062/63. It is increased by 173.25%, 103.00%, 33.50% and 44.50% in the year 2062/63, 2063/64, 2064/65 and 2065/66 respectively with compared to Previous year of Cash flow from operation. Cash receipts and payment from operation are Rs. 144,367,747.85, Rs.236,590,472.52, Rs.411,726,101.16, Rs.645,607,351.65, Rs.806,862,683.00 and Rs.119,235,279.63, Rs.168,189,163.19, Rs.272,673,896.41, Rs.459975629.76, Rs.605866256.00 respectively from the year 2062/63 to 2066/67.

Cash receipt includes various incomes in which interest income is paramount. Interest income is Rs.132,163,700.88, Rs.208,127,749.56, Rs.365,482,496.10, Rs.563,362,313.61 and Rs.694,482,220.00 respectively from the year 2062/63 to 2066/67. It is seen that interest income is increasing each year but the rate of interest income is in declining 2066/67 and in increasing rate in year rest of the year on the basis of based year 2062/63. The sources of interest income are loan, overdraft and investment. If the investment, overdraft of loan decreases then interest income also decreases and vice-versa. The interest income shows investment increasing investment trends and but the rate of interest on investment is declining in the

subsequent year resulted lower rate of interest income.

Other important part of cash receipt from operation is commission and discount income. Commission and discount comes from bills purchase and discount, letter of credit, guarantee, collection fees, remittance fees and credit card. Cash flow from commission and discount are Rs. 5,653,912, Rs.14, 840,269.37, Rs.21, 391,062.43, Rs.33, 401,892.25 and 34,305,033.00 forms the year 2062/63 to year 2066/67.

This is the income of agency and remittance business of the bank. Cash flow from commission and discount are increasing than the based year 2062/63. It is the positive sign for bank or is the positive situation for bank. Cash receipt from commission and discount are increased by 162.48%, 44%, 56% and 3% from the year 2062/63 to 2065/66 on the basis of based subsequent year as base year.

Cash receipt from currency exchange gain is Rs.5,945,606.12, Rs.12,621,092.27, Rs.11,359,386.97, Rs.35,152,376.97 and Rs.29,036,308.00 from the year 2062/63 to 2063/6 respectively. Cash flow is in decreasing and increasing trend in exchange gain. Exchange gain includes revaluation gain and trading gain including exchange fees. Non-operating incomes are the factor of operating cash receipt. They are zero except in year 2064/65 in the five year 2062/63 to 2066/67 respectively..

Cash receipt from other income is Rs. 504,528.85 Rs.1, 001,361.32, Rs.11, 359,386.97, Rs.35, 152,376.97 and 29,036,308.00 respectively from the year 2062/63 to 2066/67. Other income includes rental of safe deposit lockers, issue and renewal of credit cards and ATM cards, charge for account closure, account maintenance charge etc. Cash from Other income are positive. It is good sign for banks.

Cash payments of bank for operating activities are Rs. 119,235,297.63, Rs.168, 189,163.19, Rs.272, 673,896.41, Rs.459, 975,629.76 and 605,866,256.00 respectively in the year 2062/63 to 2066/67. Cash Payment is increasing each year considering the base year 2062/63.

Out of the total cash payments Interest payment are Rs. 76,155,897.89, Rs.113,579,092.57, Rs.187,027,981.93, Rs.288,661,548.62 and Rs.397,721,715.00

respectively in the relevant five years. Interest expenses are increasing but in decreasing rate trend. It reflects the decreasing trend of withdrawal of deposit or increased in non-interest bearing deposit and rate of the interest decreases even if the deposit of each year is in increasing trend. Interest expenses rate are decreased by 36.94%, 18.11%, 7.23% and 12.62% respectively from 2063/64 to 2066/67 as comparing to the year 2062/63. Interest expenses are 0.57, 0.55, 0.51, 0.51 and 0.57 times of interest income. It shows the well spread rate of interest.

Staffs are the key factor to generate positive cash flow. In order to motivate them salary and extra benefit like fringe benefit should be given. Total cash payment under staff expenses are Rs.17,435,463.50, Rs.19,872,459.80, Rs.29,581,861.23, Rs.41,935,364.24 and 71,192,365.00 respectively from the year 2062/63 to 2066/67. Staff expenses are in increasing trend. Staff expenses include salary, allowance, bonus and contribution to provident fund etc. Office overhead costs are also in increasing trend. The bank is operating new branch with new technology and new staff member.. As a result office overhead costs are high for bank.

Non-operating expenses are Zero in five years period. Likewise exchange loss is totally zero in relevant five years period. But other expenses are operating very high ratio. Other expenses are Rs. 1,700,831.76, Rs.5,187,771.70, Rs.12,868,390.67, Rs.14,463,381.43 and 14,319,071.00 respectively in the five years which are taken into analysis. Other expenses plays second vital role to increase total cash payment under operating activities. Other expenses are 14.26%, 3%, 4.71%, 3.14% and 2.16% of total cash payment from the year 2062/63 to 2066/67 respectively.

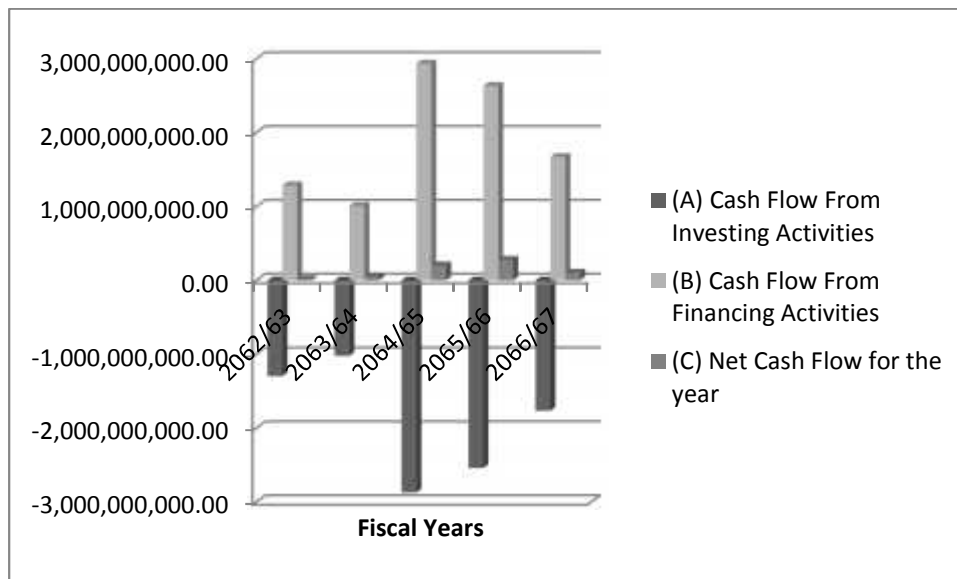
#### 4.1.2 Cash flow from Investing, Financing Activities and Cash Balance.

**Table: 4.2**

#### **Cash flow from Investing, Financing Activities and Cash Balance of Machhapuchhre Bank from F/Y 2062 to 2067**

<b>Particulars/Period</b>	<b>2062/63</b>	<b>2063/64</b>	<b>2064/65</b>	<b>2065/66</b>	<b>2066/67</b>
<b>(A) Cash Flow From Investing Activities</b>	<b>(1,297,976,851.44)</b>	<b>(1,022,806,582.25)</b>	<b>(2,873,727,753.00)</b>	<b>(2,541,595,326.63)</b>	<b>(1,765,804,196.00)</b>
Change in balance with bank	38,508,371.56	(189,406,265.00)	(264,094,504.00)	34,298,339.37	(364,637,188.00)
Change in money at call and short notice	(220,000,000.00)	70,000,000.00	135,000,000.00	(703,474,521.00)	24,474,521.00
Change in Investments	(280,871,870.00)	123,949,254.75	(194,205,229.00)	(722,754,228.00)	(87,102,156.00)
Change in loans advance and bill purchased	(815,570,030.00)	(1,044,922,912.00)	(2,589,781,007.00)	(1,016,349,594.00)	(1,173,366,308.00)
Change in fixed assets	(8,531,700.00)	10,306,886.00	(33,702,065.00)	(31,515,211.00)	(159,593,041.00)
Change in other assets	(11,511,623.00)	7,266,454.00	73,055,052.00	(101,800,112.00)	(5,580,024.00)
<b>(B) Cash Flow From Financing Activities</b>	<b>1,287,048,588.35</b>	<b>1,009,166,305.79</b>	<b>2,937,079,257.06</b>	<b>2,635,226,158.16</b>	<b>1,672,220,031.00</b>
Change in Share Capital	407,973,900.00	5,826,000.00	-	165,000,000.00	-
Change in borrowing	90,000,000.00	12,167,330.15	52,050,143.80	139,631,276.75	133,107,946.00
Change in deposits	783,969,556.93	975,845,800.38	2,832,170,554.44	2,306,495,028.25	1,582,153,837.00
Change in bills payable	1,490,275.26	1,178,988.06	4,191,809.56	-	-
Change in other liabilities	4,734,377.16	14,148,187.20	50,019,235.26	24,099,853.16	(43,041,752.00)
Change in Reserve Fund	(1,119,521.00)	-	(1,352,486.00)	-	-
<b>(C) Net Cash Flow for the year</b>	<b>14,104,205.13</b>	<b>54,761,032.87</b>	<b>202,403,708.81</b>	<b>279,262,553.42</b>	<b>105,519,060.00</b>
<b>(D) Opening Cash Balance</b>	<b>31,537,977.51</b>	<b>45,642,182.38</b>	<b>65,256,535.68</b>	<b>121,550,140.00</b>	<b>280,421,338.00</b>
<b>(E) Closing Cash Balance</b>	<b>45,642,182.64</b>	<b>100,403,215.25</b>	<b>267,660,244.49</b>	<b>400,812,693.42</b>	<b>385,940,398.00</b>

**Figure: 4.2**  
**Cash flow from Investing, Financing Activities and net cash flow of**  
**Machhapuchhre Bank from F/Y 2062 to 2067**



#### **A. Cash Flow from Investing Activities**

Bank or Financial institutions are the business entities which does the money business. It collects money as deposits and lend to person who stand in the need of money, called investment. CFIA of Machhapuchhre bank Limited is Rs. 1,297,976,851.44, Rs.1,022,806,582.25, Rs.2,873,727,753.00, Rs.2,541,595,326.63 and 1,765,804,196.00 respectively from the year 2062/63 to 2066/67. Cash flow from investing activities is in volatile trend which shows that investment is in decreasing and increasing trend. Due to the decreased in investment interest income is also decreased to the some extent. On the year 2063/64, 2065/66, 2066/67 CFIA is decreasing in a high rate with comparing previous years. In other words the bank is being unable to invest sufficient amount of cash in investment sectors. Cash inflow from bank balance is Rs.38,508,371.56, Rs.189,406,265.00, Rs.264,094,504.00, Rs.34,298,339.37 and 364,637,188.00 respectively from the year 2062/63 to 2066/67. The bank has deposited its money in different bank like central bank, local bank and foreign bank. Cash flow from money at short call notice is Rs.220,000,000.00 Rs.70,000,000.00, Rs.135,000,000.00, Rs.703,474,521.00 and 24,474,521.00 respectively from the year 2062/63 to 2063/64.

The Bank made investment for treasury bills, development bond, national saving bond, share/debenture and other securities. Cash flow from investment is in volatile nature. It is increasing and decreasing ways. It is Rs.280,871,870.00, Rs.-123,949,254.75, Rs.194,205,229.00, Rs.722,754,228.00, Rs.87,102,156.00 respectively from the year 2062/63 to 2066/67. The bank was able to invest huge amount in the year 2052/63. But in the other year the bank sold its investment of Treasury bill and investment of foreign banks. Due to these reason cash flow is highly positive.

Cash flow from loans, advances and bill purchased are Rs.815,570,030.00, Rs.1,044,922,912.00, Rs.2,589,781,007.00, Rs.1,016,349,594.00, Rs.1,173,366,308.00 respectively from the year 2062/63 to 2066/67. Collecting and financing of loan is satisfactory. This situation shows the high percentage of volatility on cash flow from loans, advances and bill purchased. Change in fixed assets for cash flow purpose is positive in second year and negative in other relevant years. Similarly other asset is positive in year 2063/64 and 2064/65 and negative in other three years.

#### **B. Cash Flow from Financing Activities**

CFFA of Machhapuchhre Bank Limited is Rs. 1,287,048,588.35, Rs.1,009,166,305.79, Rs.2,937,079,257.06, Rs.2,635,226,158.16 and 1,672,220,031.00 respectively from the year 2062/63 to 2066/67. It is found decreasing and increasing trend. Cash flow decreased by 21.59%, 23.45%, 74.82% in year 2063/64, 2065/66 and 2066/67 on the basis of based year 2060/61. But it is increased by 150% in the year on the basis of based year 2062/63.

The main cause of decreasing in CFFA is withdrawal of deposits. Cash flow borrowings are Rs. 90,000,000.00, Rs. 12,167,330.15, Rs. 52,050,143.80, Rs. 139,631,276.75 and Rs. 133,107,946.00 respectively from year 2062/63 to 2066/67. It is also increasing and decreasing trend. Cash flow from deposits in relevant five years is Rs. 783,969,566.93, Rs. 975,845,800.38, Rs. 2,832,170,554.44, Rs. 2,306,495,028.25 and Rs. 1,582,153,837.00 respectively from year 2062/63 to 2066/67. Collection of deposits depends of the reputation of institutions along with liquidity of the society and interest rate offered by the institution . Machhapuchhre Bank Limited is truly Nepal Bank and during the review period it was in infant stage

and at the same time it is also seen that interest offered by the bank is in decreasing rate. Bills payable of the bank exist both in Nepalese and foreign currency.

Cash flow from other liabilities under financing activities is Rs. 4,734,377.16, Rs. 14,148,187.20, Rs. 50,019,235.26, Rs.240, 099,853.16 and Rs. 43,041,752.00 respectively from the year 2062/63 to 2066/67. Other liability represents current liabilities. It shows that it is impossible to sketch trend of the cash flow from other liabilities. In other words it is more volatile nature.

### **C. Net Cash Flow for the year**

Net cash flow of Mahhapuchre Bank Limited is Rs. 14,104,205.13, Rs. 54,761,032.87, Rs.202,403,708.81, Rs. 279,262,553.42 and Rs. 105,519,060.00 respectively from the year 2062/63 to 2066/67. Positive and negative cash flow represents the increase and decrease of overall cash flow. It is found positive overall cash flow during the relevant five year. Meantime net cash flow highly decreases in F/Y 2066/67. It is mainly due to decreases in cash flow of the investing and financing activities of that particular year.

## 4.2 Cash Flow Statement of Kumari Bank Limited

### 4.2.1 Cash Flow from Operating Activities

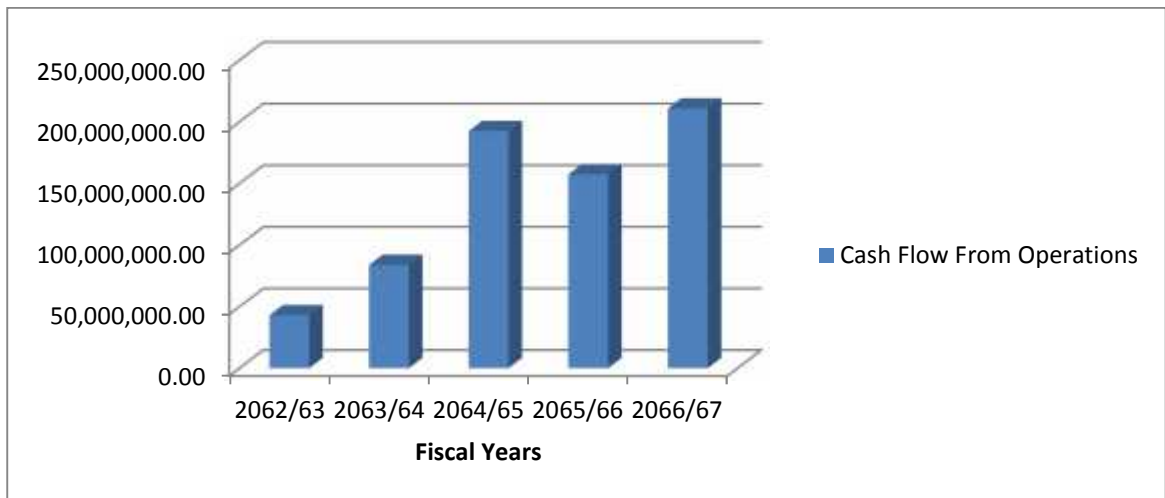
Table: 4.3

#### Cash flow from operations activities of Kumari bank Limited from 2062 to 2067

Particulars	2062/63	2063/64	2064/65	2065/66	2066/67
<b>Cash Flow From Operations</b>	<b>42,974,173.00</b>	<b>83,802,811.00</b>	<b>192,400,130.00</b>	<b>157,286,342.00</b>	<b>210,784,372.00</b>
<b>Cash receipt</b>	<b>190,308,588.00</b>	<b>334,563,169.00</b>	<b>549,834,993.00</b>	<b>675,559,453.00</b>	<b>868,293,617.00</b>
Interest Incomes	173,165,485.00	301,930,139.00	509,149,319.00	612,901,707.00	791,284,209.00
Commission and discount income	9,413,117.00	16,446,129.00	23,083,001.00	26,281,002.00	40,764,126.00
Exchange gain	7,143,616.00	14,413,973.00	14,988,827.00	26,373,738.00	20,294,440.00
Non-Operating income	3,650.00	-	5,442.00	-	-
Other income	582,720.00	1,772,928.00	2,608,404.00	10,003,006.00	15,950,842.00
<b>2. Cash payment</b>	<b>(147,334,415.00)</b>	<b>(250,760,358.00)</b>	<b>(357,434,863.00)</b>	<b>(518,273,111.00)</b>	<b>(657,509,245.00)</b>
Interest expenses	(92,211,808.00)	(160,990,723.00)	(226,522,306.00)	(341,654,457.00)	(404,509,533.00)
Staff expenses	(23,254,109.00)	(28,576,283.00)	(42,395,007.00)	(74,531,631.00)	(99,099,527.00)
Office operating expenses	(21,330,223.00)	(40,256,352.00)	(47,876,285.00)	(58,593,852.00)	(74,787,221.00)
Exchange loss	-	-	-	-	-
Non-operating expenses	-	-	-	-	-
Income Tax Paid	-	-	-	(43,454,214.00)	(78,296,082.00)
Other expenses	(10,538,275.00)	(20,937,000.00)	(40,641,265.00)	(38,957.00)	(816,882.00)

**Figure: 4.3**

**Cash flow operating activities of Kumari Bank Limited from 2062 to 2067**



CFOA of Kumari Bank Limited is Rs. 42,974,173.00, Rs. 83,802,811.00, Rs. 192,400,130.00, Rs. 157,286,342.00 and Rs. 210,784,372.00 respectively from the year 2062/63 to 2066/67. All Cash from Operating Activities are positive. It has increased higher rate in the year 2064/65. The rate of change of the cash flow from operating activities are 95.01%, 252.70%, (81.71) % and 124.24% in the year 2063/64, 2064/65, 2065/66 and 2066/67 respectively with compared to the year 2062/63. CFOA are higher than cash payment. Cash receipts from operation are Rs. 190,308,588.00, Rs. 334,563,169.00, Rs. 549,834,993, Rs. 675,559,453.00 and Rs. 868,293,617.00 respectively from the year 2062/63 to 2066/67.

Cash receipt includes interest income and other income. Interest income is Rs.173, 165,485.00, Rs.301, 930,139.00, Rs.509, 149,319.00, Rs.612, 901,707.00 and Rs. 791,284,209.00 respectively from the year 2062/63 to 2066/67. It is in increasing rate on the basis of based year 2060/61. But the interest income of bank is higher in year 2066/67 than respective five years period. The sources of interest income are loan, overdraft and investment. If the investment, overdraft of loan decreases then interest income also decreases and vice-versa. The interest income shows the increasing trend of the loan and advance and investment trends.

Other important part of cash receipt from operation is commission and discount income. Commission and discount comes from bills purchase and discount, letter of credit, guarantee, collection fees, remittance fees and credit card. Cash flow from

commission and discount are Rs. 9,413,117.00, Rs. 16,446,129.00, Rs. 23,083,001.00, Rs. 26,281,002.00 and Rs. 40,764,126.00 from the year 2062/63 to year 2066/67. This is the income of agency function and remittance business of the institution. Cash flow from commission and discount are increasing than the based year 2060/61. It is the positive sign for bank or is the positive situation for bank. Cash receipt from commission and discount are increased by 74.72%, 70.51%, 33.97% and 153.86% from the year 2063/64 to 2066/67 on the basis of based year 2062/63.

Cash receipt from currency exchange gain is Rs. 7,143,616.00, Rs. 14,413,973.00, Rs. 14,988,827.00, Rs. 26,373,738.00 and Rs. 20,294,440.00 from the year 2062/63 to 2066/67 respectively. Cash flow is in increasing trend in exchange gain. Exchange gain includes revaluation gain and trading gain including exchange fees. Non-operating incomes negligible in operating cash receipt. Cash receipt from other income is Rs.583, 720.00, Rs.1, 772,928.00, Rs.2, 608,404.00 Rs.10, 003,006.00 and Rs.15, 950,842.00 respectively from the year 2062/63 to 2066/67. Other income includes rental of safe deposit lockers, issue and renewal of credit cards and ATM cards, charge for account closure, account maintenance etc. Cash from Other income are positive. It is good sign and benefited for banks.

Cash payments of bank for operating activities are Rs.147,334,415.00, Rs.250,760,358.00, Rs.357,434,863.00, Rs.518,273,111.00 and Rs.657,509,245.00 respectively in the year 2062/63 to 2066/67. Cash Payment is in increasing trend.

Out of the total cash payments Interest payment are Rs.92, 211,808.00, Rs. 160,990,723.00, Rs.226, 522,306.00, Rs.341, 654,457.00 and Rs.404, 509,533.00 respectively in the relevant five years. Interest expenses are increasing is in trend during the review period. Comparative rate of the interest is in declining. However it is increase in the F/Y 2065/66 and F/Y 2066/67. Interest expenses rate are decreased by 8.74%, and 7.22% in F/Y 2063/64 and 2064/65 respectively and increase by in F/Y 21.37% and 15.43 2065/66 to 2066/67 as comparing to the year 2060/61 and Interest expenses are 0.53, 0.53, 0.44, 0.55 and 0.41 times of interest income. It shows the well spread rate of interest.

Staffs are the key factor to generate positive cash flow. In order to motivate them salary and extra benefit like fringe benefit should be given. Total cash payment under staff expenses are Rs.2,354,109.00, Rs.28,576,283.00, Rs.42,395,007.00,

Rs.74,531,631.00 and Rs.99,099,527.00 respectively from the year 2062/63 to 2066/67. Staff expenses are in increasing trend. Staff expenses include salary, allowance, bonus and contribution to provident fund etc. Office overhead costs are increasing trend. The bank is operating new branch with new technology and new management. As a result office overhead costs are high for bank.

Non-operating expenses are nil for KBL in respective five years period. Exchange loss is totally zero in relevant five years period. Other expenses of Bank is Rs.10,538,275.00, Rs.20,937,000.00, Rs.40,641,265.00, Rs.38,957.00 and Rs.816,882.00 respectively from the year 2062/63 to 2066/67. It is increasing in the initial three years but in subsequent years it is decreased.

#### 4.2.2 Cash flow from Investing, Financing Activities and Cash Balance

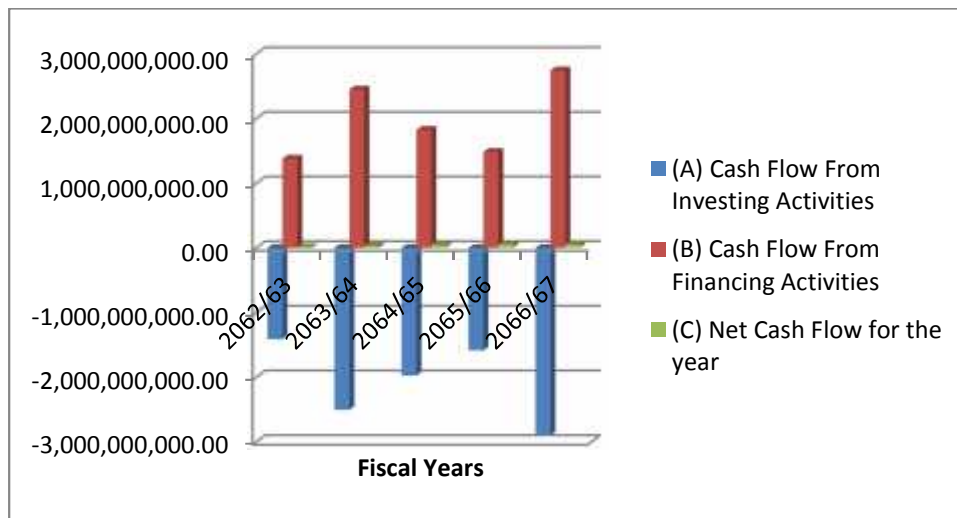
**Table: 4.4**

**Cash flow from Investing, Financing Activities and Cash Balance of Kumari  
Bank Limited from F/Y 2062 to 2067**

<b>Particulars</b>	<b>2062/63</b>	<b>2063/64</b>	<b>2064/65</b>	<b>2065/66</b>	<b>2066/67</b>
<b>(A) Cash Flow From Investing Activities</b>	<b>(1,411,944,167.00)</b>	<b>(2,505,353,696.00)</b>	<b>(1,975,206,191.00)</b>	<b>(1,586,449,228.00)</b>	<b>(2,901,059,902.00)</b>
Change in balance with bank	(152,026,980.00)	(366,100,794.00)	284,883,729.00	107,483,248.00	(227,529,987.00)
Change in money at call and short notice	-	-	(90,000,000.00)	(55,000,000.00)	(227,215,000.00)
Change in Investments	(168,154,974.00)	(560,349,523.00)	(206,766,609.00)	(204,676,742.00)	(283,470,661.00)
Change in loans advance and bill purchased	(1,010,982,225.00)	(1,560,397,481.00)	(1,983,028,193.00)	(1,331,564,163.00)	(2,054,645,968.00)
Change in fixed assets	(1,036,960.00)	(32,912,415.00)	(49,767,645.00)	(39,038,022.00)	(126,683,039.00)
Change in other assets	(79,743,028.00)	14,406,517.00	69,472,527.00	(63,653,549.00)	18,484,753.00
<b>(B) Cash Flow From Financing Activities</b>	<b>1379494465</b>	<b>2449222752</b>	<b>1825583248</b>	<b>1482904510</b>	<b>2745228749</b>
Change in Share Capital	-	150,000,000.00	-	125,000,000.00	125,000,000.00
Change in borrowing	(31,990,944.00)	-	401,761,328.00	(150,361,328.00)	(38,430,000.00)
Change in deposits	1,333,250,834.00	2,294,792,741.00	1,461,017,517.00	1,500,002,795.00	2,788,459,185.00
Change in bills payable	(4,708,787.00)	10,508,255.00	(7,298,156.00)	-	-
Change in other liabilities	82,943,362.00	(6,078,244.00)	(29,897,441.00)	8,263,043.00	(129,800,436.00)
<b>(C) Net Cash Flow for the year</b>	<b>10,524,471.00</b>	<b>27,671,867.00</b>	<b>42,777,187.00</b>	<b>53,741,624.00</b>	<b>54,953,219.00</b>
<b>(D) Opening Cash Balance</b>	<b>30,275,569.00</b>	<b>40,800,040.00</b>	<b>68,471,907.00</b>	<b>111,249,094.00</b>	<b>135794991</b>
<b>(E) Closing Cash Balance</b>	<b>40,800,040.00</b>	<b>68,471,907.00</b>	<b>111,249,094.00</b>	<b>164,990,718.00</b>	<b>190,748,210.00</b>

*Source: Annual Reports of related Banks*

**Figure: 4.4**  
**Cash flow from Investing, Financing Activities and Net Cash Flow of Kumari Bank Limited from F/Y 2062 to 2067**



#### **A. Cash Flow from Investing Activities**

Bank or Financial institutions are the business entities which does the money business. It collects money as deposits and lend to person who stand in the need of money, called investment. CFIA of Kumari Bank Limited is Rs. 1,411,944,167.00, Rs.2, 505,353,696.00, Rs.1, 975,206,191.00, Rs.158, 499,228.00 and Rs. 2,901, 059, 902.00 respectively from the year 2062/63 to 2066/67. Cash flow is in volatile trend which shows that investment is in decreasing and increasing trend. Due to the decreased in investment interest income is also decreased.

On the year 2064/65 and 2065/66 CFIA is decreasing in a high rate with comparing previous years. In other words the bank is being unable to invest sufficient amount of cash in investment sectors. Cash inflow from bank balance is Rs.(152,026,980), Rs.(366,100,794), Rs.284,883,729.00, Rs.107,483,248.00 and Rs.(227,529,987) respectively from the year 2062/63 to 2066/67. The bank has deposited its money in different bank like central bank, local bank and foreign bank. Cash flow from money at short call notice is Nil for F/Y 2062/63 and 2063/64. Later in order to maintain the liquidity with adequate level, bank has invested idle fund in the money at call keeping maintain the liquidity. Consequently, money at call and short notice is Rs. (90,000,000.00), Rs. (55000000.00) and Rs (227,215,000.00) respectively from the year 2064/65 to 2066/67.

The Bank made investment for treasury bills, development bond, national saving

bond, share/debenture and other securities. Cash flow from investment is in volatile trend. It is increasing and decreasing trend. Cash flow from investment is Rs. (168,154,974.00), Rs. (560,349,523.00), Rs.(206,766,609.00), Rs.(204,676,742.00) and Rs.(283,470,661.00) respectively from the year 2062/63 to 2066/67. The bank was able to invest huge amount in the year 2063/64. But in the other year the bank investment is in moderate level. Cash flow from loans, advances and bill purchased are Rs. (1,010,982,225.00), (1,560,397,481.00), Rs (1,983,028,193.00), Rs (1,331,564,163.00), and Rs (2054645968.00) respectively from the year 2062/63 to 2066/67. Collecting and financing of loan is satisfactory. This situation shows the high percentage of volatility on cash flow from loans, advances and bill purchased. Change in fixed assets and other assets also presented in cash flow statement.

### **B. Cash Flow from Financing Activities**

CFFA of Kumari Bank Limited is Rs. 1,379,494,465, Rs 2,449,222,752, Rs 1,825,523,248, Rs 1,482,904,510.00 and 2,745,228,749.00 respectively from the year 2062/63 to 2066/67. It is found decreasing and increasing trend. The main cause of decreasing in CFFA is withdrawal of deposits. Cash flow borrowings are Rs. (31,990,944.00), Rs. 0, Rs.401, 761,328.00, Rs. (150,361,328.00) and Rs. (38,430,000.00) respectively from year 2062/63 to 2066/67. It is also increasing and decreasing trend. Cash flow from deposits in relevant five years is Rs. 1,333,250,834.00, Rs.2,294,792,741.00, Rs.1,461,017,517.00, Rs. 1,500,002,795.00 and Rs. 2,788,459,185.0 respectively from year 2060/61 to 2065/66. Collection of deposits is the goodwill of institutions. Kumari Bank Limited one of the reputed bank in Nepal even deposit is in fluctuating trends. Bills payable of the bank exist both in Nepalese and foreign currency.

### **C. Net Cash Flow for the year**

Net cash flow of Kumari Bank Limited is Rs. 10,524,471.00, Rs.27, 671,867.00, Rs.42, 777,187.00, Rs.53, 741,624.00 and 54,953,219.00 respectively from the year 2062/63 to 2066/67. Positive cash flow represents the increase of overall cash flow. High negative cash flow from financing activities is the main cause to create negative overall cash flow. Since the bank cash flow during the review period is positive, it indicates bank is in good position from view point of cash flow analysis.

## 4.3 Cash Flow Statement of Laxmi Bank Limited

### 4.3.1 Cash Flow from Operating Activities

Table: 4.5

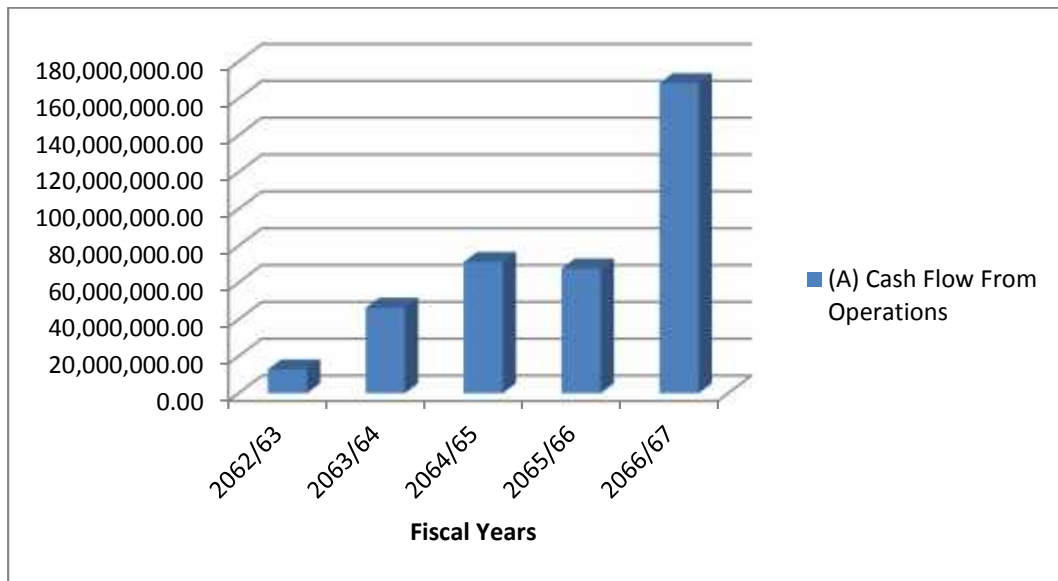
#### Cash flow from operating activities of Laxmi Bank Limited from 2062 to 2067

Particulars/Period	2062/63	2063/64	2064/65	2065/66	2066/67
<b>(A) Cash Flow From Operations</b>	12,923,582.00	46,373,639.00	71,258,198.00	67,709,480.00	168,347,154.00
1. Cash receipt	<b>54,957,747.00</b>	<b>133,103,988.00</b>	<b>229,366,803.00</b>	<b>357,216,273.00</b>	<b>523,099,585.00</b>
Interest Incomes	45,266,307.00	114,623,715.00	205,045,431.00	322,762,577.00	470,494,833.00
Commission and discount income	4,261,960.00	11,299,424.00	14,934,431.00	14,881,386.00	15,989,954.00
Exchange gain	4,533,830.00	6,076,125.00	5,770,043.00	9,383,756.00	20,904,775.00
Non-Operating income	404,700.00	78,479.00	2,003,850.00	400,000.00	
Other income	490,950.00	1,026,245.00	1,613,048.00	9,788,554.00	15,710,023.00
2. Cash payment	<b>(42,034,165.00)</b>	<b>(86,730,349.00)</b>	<b>(158,108,605.00)</b>	<b>(289,506,793.00)</b>	<b>(354,752,431.00)</b>
Interest expenses	(17,886,559.00)	(45,798,333.00)	(88,307,959.00)	(208,319,363.00)	(241,584,151.00)
Staff expenses	(13,892,641.00)	(18,298,794.00)	(31,387,741.00)	(36,168,482.00)	(44,372,065.00)
Office operating expenses	(10,254,965.00)	(22,518,376.00)	(27,750,716.00)	(28,169,136.00)	(38,574,914.00)
Exchange loss	-	-	-	-	-
Non-operating expenses	-	-	-	-	-
Income Tax paid	-	-	(10,662,189.00)	(16,849,812.00)	(30,221,301.00)
Other expenses	-	(114,846.00)	-	-	-

Source: Annual Reports of related Banks

**Figure: 4.5**

**Cash flow from operating activities of laxmi Bank Limited from 2062 to 2067**



CFOA of Laxmi Bank Limited is Rs. 12,923,582.00, Rs.46, 373,639.00, Rs.71, 258,198.00, Rs.67, 709,480.00 and 168,347,154.00 respectively from the year 2062/63 to 2066/67. All Cash from Operating Activities are positive. It has increased higher rate in the year 2064/65. It is increased by 259%, 193%, (27) % and 149% in the year 2063/64, 2064/65, 2065/66 and 2066/67 respectively with compared to the year 2060/61. CFOA are higher than cash payment. Cash receipts from operation are Rs. 54,957,747.00, Rs.133, 103,988.00, Rs.229, 366,803.00, Rs.357, 216,273.00 and 523,099,585.00 respectively from the year 2062/63 to 2066/67.

Cash receipt includes interest income and other income. Interest income is Rs. 45,266,307.00, Rs.114, 623,715.00, Rs.205, 045,431.00, Rs.322, 762,577.00 and Rs.470, 494,833.00 respectively from the year 2062/63 to 2066/67. It is in increasing trend on the basis of based year 2062/63. But the interest income of bank is higher in year 2066/67 than respective five years period. The sources of interest income are loan, overdraft and investment. If the investment, overdraft of loan decreases then interest income also decreases and vice- versa. The interest income shows the increasing loan advance and investment trends.

Other important part of cash receipt from operation is commission and discount income. Commission and discount comes from bills purchase and discount, letter of

credit, guarantee, collection fees, remittance fees and credit card. Cash flow from commission and discount are Rs. 4,261,960.00, Rs.11,299,424.00, Rs.14,934,431.00, Rs.14,881,386.00 and 15,989,954.00 respectively from the year 2062/63 to year 2066/67. This is the income of agency function. Cash flow from commission and discount are increasing than the based year 2062/63. It is the positive sign for bank or is the positive situation for bank. Cash receipt from commission and discount are increased by 165%, 85%, (1)% and 26% form the year 2063/64 to 2066/67 on the basis of based year 2062/63.

Cash receipt from currency exchange gain is Rs. 4,533,830.00, Rs.6, 076,125.00, Rs. 5,770,043.00, Rs.9, 383,756.00 and Rs.20, 904,775.00from the year 2062/63 to 2066/67 respectively. Cash flow is in decreasing and increasing trend in exchange gain. Exchange gain includes revaluation gain and trading gain including exchange fees. Non-operating incomes are the factor of operating cash receipt. But they are negligible for the bank.

Cash receipt from other income is Rs. 490,950.00, Rs.1026245.00, Rs.1613048.00, Rs.9788554.00 and Rs.15, 710,023.00 respectively from the year 2062/63 to 2066/67. Other income includes rental of safe deposit lockers, issue and renewal of credit cards and ATM cards, telex/TT etc. Cash from Other income are positive. It is good sign for banks.

Cash payments of bank for operating activities are Rs. 42,034,165.00, Rs.86, 730,349.00, Rs.158, 108,605, Rs.289, 506,793.00 and Rs. 354,752,431.00 respectively in the year 2062/63 to 2066/67. Cash Payment of bank is in increasing trend on the basis of based year 2062/63. Out of the total cash payments Interest payment are Rs. 17,886,559.00, Rs.45, 798,333.00, Rs.88, 307,959.00, Rs.208, 319,363.00 and 241,584,151.00 respectively in the relevant five years. Interest expenses are in increasing trend. It reflects the increased in interest bearing deposit.

Staffs are the key factor to generate positive cash flow. In order to motivate them salary and extra benefit like fringe benefit should be given. Total cash payment under staff expenses are Rs. 13,892,641.00, Rs.18,298,794.00, Rs.31,387,741.00, Rs.36,168,482.00 and 44,372,065.00 respectively from the year 2062/63 to 2066/67.

Staff expenses are in increasing trend. Staff expenses include salary, allowance, bonus and contribution to provident fund etc. Office overhead costs are increasing trend. The bank is operating new branch with new technology and new management. As a result office overhead costs are high for bank.

Non-operating expenses are negligible for LxBL in respective five years period. Similarly exchange loss is totally zero in relevant five years period. The bank has paid income tax in year 2064/65, 2065/66 and 2066/67; amount of income tax is shown in cash flow statement are 10662189.00, Rs.16849812.00 and 30221301.00 in respect to the above outlined year. But other expenses are also negligible but in year Rs 114,846.00 is shown in year 2063/64.however other expenses plays vital role to increase total cash payment under operating activities.

#### 4.3.2 Cash flow from Investing, Financing Activities and Cash Balance

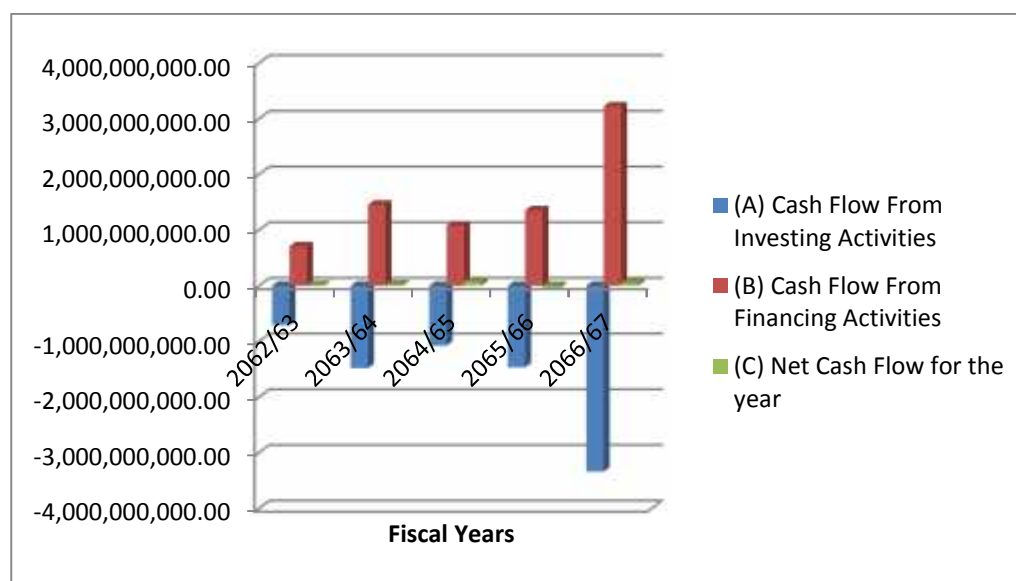
**Table: 4.6**  
**Cash flow from Investing, Financing Activities and Cash Balance of Laxmi**  
**Bank Limited from F/Y 2062 to 2067**

Particulars/Period	2062/63	2063/64	2064/65	2065/66	2066/67
<b>(A) Cash Flow From Investing Activities</b>	<b>(707,971,015.00)</b>	<b>(1,480,409,052.00)</b>	<b>(1,076,646,763.00)</b>	<b>(1,466,186,862.00)</b>	<b>(3,339,566,441.00)</b>
Change in balance with bank	28,133,560.00	(204,934,580.00)	(17,201,182.00)	201,170,171.00	(191,763,003.00)
Change in money at call and short notice	-	(100,000,000.00)	42,494,624.00	(12,494,624.00)	56,972,000.00
Change in Investments	(56,887,040.00)	(184,192,258.00)	(115,833,025.00)	(88,351,642.00)	(937,548,534.00)
Change in loans advance and bill purchased	(651,821,649.00)	(974,985,964.00)	(976,213,756.00)	(1,553,962,244.00)	(2,253,442,513.00)
Change in fixed assets	(11,468,705.00)	(10,041,306.00)	(34,056,175.00)	12,285,177.00	439,982.00
Change in other assets	(15,927,181.00)	(6,254,944.00)	24,162,751.00	(24,833,700.00)	(14,224,373.00)
<b>(B) Cash Flow From Financing Activities</b>	<b>708,133,956.00</b>	<b>1,454,957,972.00</b>	<b>1,078,263,251.00</b>	<b>1,355,185,470.00</b>	<b>3,224,054,437.00</b>
Change in Share Capital	-	219,789,000.00	179,200.00	78,300.00	119,779,700.00
Change in borrowing	70,000,000.00	247,005,000.00	(298,313,781.00)	11,068,781.00	(29,760,000.00)
Change in deposits	579,212,504.00	992,348,952.00	1,367,600,253.00	1,392,592,547.00	3,167,301,854.00
Change in bills payable	1,988,103.00	(1,866,973.00)	-	-	-
Change in other liabilities	55,000,000.00	(2,318,007.00)	8,797,579.00	(48,554,158.00)	(33,267,117.00)
Change in Reserve Fund	-	-	-	-	-
<b>(C) Net Cash Flow for the year</b>	<b>13,086,523.00</b>	<b>20,922,559.00</b>	<b>72,874,686.00</b>	<b>(43,249,434.00)</b>	<b>52,835,150.00</b>
<b>(D) Opening Cash Balance</b>	<b>2,967,840.00</b>	<b>16,054,364.00</b>	<b>36,976,923.00</b>	<b>109,851,609.00</b>	<b>66,602,175.00</b>
<b>(E) Closing Cash Balance</b>	<b>16,054,363.00</b>	<b>36,976,923.00</b>	<b>109,851,609.00</b>	<b>66,602,175.00</b>	<b>119,437,325.00</b>

*Source: Annual Reports of related Banks*

**Figure: 4.6**

**Cash flow from Investing, Financing Activities and Net Cash Flow of Laxmi Bank Limited from F/Y 2062 to 2067**



**A. Cash Flow from Investing Activities**

Bank or Financial institutions are the business entities which does the money business. It collects money as deposits and lend to person who stand in the need of money, called investment. CFIA of Laxmi bank is Rs.707,971,015.00, Rs.1,480,409,052.00, Rs.1,076,646,763.00, Rs.1,466,186,862.00 and 3,339, 566, 441. Respectively from the year 2062/63 to 2066/67. Cash flow is in volatile trend which shows that investment is in decreasing and increasing trend. The bank is being able to invest sufficient amount of cash in investment sectors.

Cash inflow from bank balance is Rs.28133560.00, Rs.(204934580.00), Rs.(17201182.00), Rs.(201170171.00 and 191763003.00 respectively from the year 2062/63 to 2066/67. The bank has deposited its money in different bank like central bank, local bank and foreign bank. Cash flow from money at short call notice is Rs.0, Rs.(100000000.00), Rs.42494624.00, Rs.(12949624.00) and 56972000.00 respectively from the year 2062/63 to 2066/67. The Bank made investment for treasury bills, development bond, national saving bond, share/debenture and other securities. Cash flow from investment is in increasing and decreasing trend. It is Rs. (56,887,040.00), Rs.(184,192,258.00), Rs.(115,833,025.00), Rs.(88,351,642.00) and (937,548,534.00) respectively form the year 2062/63 to 2066/67. The bank sold its

investment of Treasury bill and investment of foreign banks. Due to these reason cash flow is highly positive.

Cash flow from loans, advances and bill purchased are Rs. (651,821,649.00), Rs. (974,985,964.00), Rs.(976,213,756.00), Rs.(1,553,962,244.00) and (2,253,442,513.00) respectively from the year 2062/63 to 2066/67. Collecting and financing of loan is satisfactory. This situation shows the high percentage of volatility on cash flow from loans, advances and bill purchased. Change in fixed assets for cash flow purpose is shown in cash flow statement. Other asset is positive in year 2060/61, 2063/64 and 2061/2/62 and negative in 2062/63 and 2066/67.

### **B. Cash Flow from Financing Activities**

CFFA of Laxmi Bank is Rs.708, 133,956.00, Rs.1454, 957,972.00, Rs.1, 078, 263, 251.00, Rs.1, 355,185,470.00 and Rs.3, 224,054,437.00 respectively from the year 2062/63 to 2066/67. It is found increasing and decreasing trend. Cash flow is increased by 105.46%, 39.11%, and 263.91% respectively in the year 2056/61, 2065/66 and 2066/67 but decreased in year 2064/65 by 52.30% on the basis of based year 2060/61. The main cause of decreasing in CFFA is borrowing. Cash flow from share capita are Rs.0, Rs.219,789.00, Rs.179,200.00, Rs.78,300.00, Rs.119,779,700.00 respectively from year 2062/63 to 2066/67. Whereas cash flow from borrowings are Rs. 70,000,000.00, Rs.247,005,000.00, Rs.(298,313,781.00), Rs.11,068,781.00 and Rs. (29,760,000.00) respectively from year 2062/63 to 2066/67. Both were increasing and decreasing trend.

Laxmi Bank Limited is a purely Nepali bank promoted by dominant personality and business man of the country even deposit is in fluctuating trends. Bills payable of the bank exist both in Nepalese and foreign currency. Cash flow from other liabilities under financing activities is Rs.550000000.00, Rs.(Rs.2318007.00), Rs.8797579.00, Rs.(48554158.00), Rs.(33267117.00) respectively from the year 2062/63 to 2066/67. Other liability represents current liabilities. It shows that it is impossible to sketch trend of the cash flow from other liabilities. In other words it is in volatile trend.

### C. Net Cash Flow for the year

Net cash flow of Laxmi Bank Limited is Rs.13, 086,523.00, Rs.20, 922,559.00, Rs.72, 874,686.00, Rs. (43,249,434.00), and Rs.52, 935,150.00 respectively from the year 2062/63 to 2066/67. Positive cash flow represents the increase of overall cash flow. High negative cash flow from financing activities is the main cause to create negative overall cash flow. There was highly negative cash flow in investing activities to generate negative cash flow.

## 4.4 Cash Flow Statement of Siddhartha Bank Limited

### 4.4.1 Cash Flow from Operating Activities

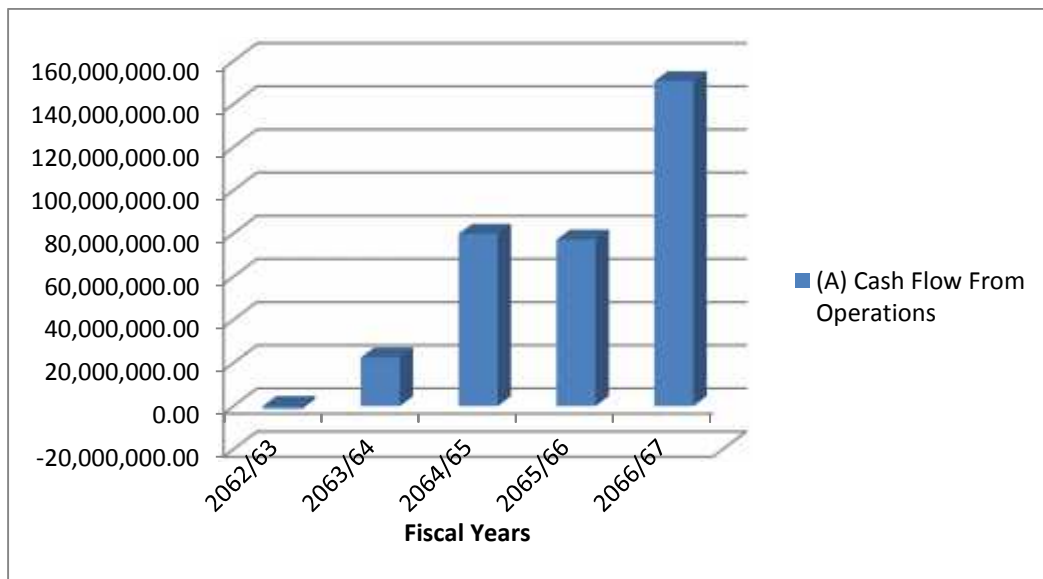
Table: 4.7

#### Cash flow from operations activities of Siddhartha Bank Limited from 2062 to 2067

Particulars	2062/63	2063/64	2064/65	2065/66	2066/67
<b>(A) Cash Flow From Operations</b>	<b>(1,284,254.80)</b>	<b>22,482,584.62</b>	<b>79,793,430.64</b>	<b>77,127,110.00</b>	<b>150,556,376.00</b>
1. Cash receipt	28,844,397.70	129,758,524.30	233,934,814.48	327,762,016.00	534,387,080.00
Interest Incomes	23,906,028.11	113,629,913.85	191,859,915.36	292,231,934.00	481,268,995.00
Commission and discount income	4,850,493.24	7,034,057.00	7,552,790.13	13,774,645.00	20,177,802.00
Exchange gain	87,876.35	2,228,516.37	7,170,572.67	12,050,770.00	14,245,653.00
Non-Operating income	-	-	-	-	-
Other income	-	6,866,037.08	27,351,536.32	9,704,667.00	18,694,630.00
2. Cash payment	(30,128,652.50)	(107,275,939.68)	(154,141,383.84)	(250,634,906.00)	(383,830,704.00)
Interest expenses	(5,635,644.47)	(45,505,567.33)	(91,592,377.52)	(148,956,870.00)	(271,710,950.00)
Staff expenses	(8,017,132.84)	(16,457,853.50)	(20,310,189.92)	(26,087,462.00)	(33,620,506.00)
Office operating expenses	(10,185,625.52)	(21,667,879.07)	(42,238,816.40)	(55,427,849.00)	(38,466,054.00)
Exchange loss	-	-	-	-	-
Non-operating expenses	(6,290,249.67)	-	-	-	-
Income Tax Paid	-	-	-	(20,162,725.00)	(40,033,194.00)
Other expenses	-	(23,644,639.78)	-	-	-

Source: Annual Report of Related Banks

**Figure: 4.7**  
**Cash flow from operations activities of Siddhartha Bank Limited**  
**from 2062 to 2067**



CFOA of Siddhartha Bank Limited is Rs.(1284254.80), Rs.22482584.62, Rs.79793430.64, Rs.77127110.00, Rs.150556376.00 respectively from the year 2062/63 to 2066/67. Cash flow from Operating Activities in year 2062/63 is negative and it is positive in other relevant year. It has increased higher rate in the year 2065/66. It is increased by 1850.63%, 4462.58%, 207.62% and 5717.66% in the year 2063/64, 2064/65, 2065/66 and 2066/67 respectively with compared to the year 2060/61. Cash receipts from operation are Rs. 28,844,397.70, Rs.129, 758,524.30, Rs.233, 934,814.48, Rs.327, 762,016.00, Rs.534, 387,080.00 respectively from the year 2062/63 to 2066/67.

Cash receipt includes interest income and other income. Interest income is Rs. 23,906,028.11, Rs.113, 629,913.85, Rs.191, 859,915.36, Rs.292, 234,934.00, Rs.481, 268,995.00 respectively from the year 2062/63 to 2066/67. It is in increasing trend on the basis of based year 2062/63. But the interest income of bank is higher in year 2066/67 than respective five years period. The sources of interest income are loan, overdraft and investment. If the investment, overdraft of loan decreases then interest income also decreases and vice-versa. The interest income shows the reducing investment trends. At the same time loan and advance is in increasing trend resulting increasing interest income of the bank.

Other important part of cash receipt from operation is commission and discount income. Commission and discount comes from bills purchase and discount, letter of credit, guarantee, collection fees, remittance fees and credit card and so on. Cash flow from commission and discount are Rs. 4,850,493.24, Rs.7, 034,057.00, Rs.7, 552,790.13, Rs.13, 774,645.00, Rs.20, 177,802.00 forms the year 2062/63 to year 2066/67.

This is the income of agency function. Cash flow from commission and discount are increasing than the based year 2060/61. It is the positive sign for bank or is the positive situation for bank. Cash receipt from commission and discount are increased by 42.02%, 10.69%, 128.37% and 132.01% from the year 2063/64 to 2066/67 on the basis of based year 2062/63.

Cash receipt from currency exchange gain is Rs.87, 876.35, Rs.2, 228,516.37, Rs.7, 170,572.67, Rs.12, 050,770.00, Rs.14, 245,653.00 from the year 2062/63 to 2066/67 respectively. Cash flow is in increasing trend in exchange gain. Exchange gain includes revaluation gain and trading gain including exchange fees. Non-operating incomes are the factor of operating cash receipt. But they are zero for the bank.

Cash receipt from other income is Rs. 0, Rs.6866037.08, Rs.27351536.32, Rs.9704667.00, and Rs.18694630.00 respectively from the year 2062/63 to 2066/67. Other income includes rental of safe deposit lockers, issue and renewal of credit cards and ATM cards, telex/TT etc. Cash from Other income are positive. It is good sign for banks.

Cash payments of bank for operating activities are Rs. 30,128,652.50, Rs.107, 275,939.68, Rs.154, 141,383.84, Rs.250, 634,906.00, Rs.383, 830,704.00 respectively in the year 2062/63 to 2066/67. Cash Payment of bank is in increasing trend on the basis of based year 2060/61.

Out of the total cash payments Interest payment are Rs. 5,635,644.47, Rs.45,505,567.33, Rs.91,592,377.52, Rs.148,956,870.00, and Rs.271,710,950.00 respectively in the relevant five years. Interest expenses are in increasing trend. It reflects the increased in interest bearing deposit as well increased rate.

Staffs are the key factor to generate positive cash flow. In order to motivate them salary and extra benefit like fringe benefit should be given. Total cash payment under staff expenses are Rs. 8,017,132.84, Rs.16,457,853.50, Rs.20,310,189.92, Rs.26,087,462.00, Rs.33,620,506.00 respectively from the year 2062/63 to 2066/67. Staff expenses are in increasing trend. Staff expenses include salary, allowance, bonus and contribution to provident fund etc. similarly Office operating expenses are Rs. 10,185,625.52, Rs.21,667,879.07, Rs.42,238,816.40, Rs.55,427,849.00 and Rs.38,466,054.00 respectively from year 2062/63 to 2066/67. The bank's operating expenses are high due to opening of new branch with new technology

Non-operating expenses are only Rs.6290249.67 in 2062/63 during relevant five year. Income tax paid Rs.20162725.00 and Rs. 40033194.00 in year 2065/66 and 2066/67. Exchange loss is totally zero in relevant five years period. There is other income of Rs.23644639.78 in F/Y 2063/64.

#### 4.4.2 Cash flow from Investing, Financing Activities and Cash Balance

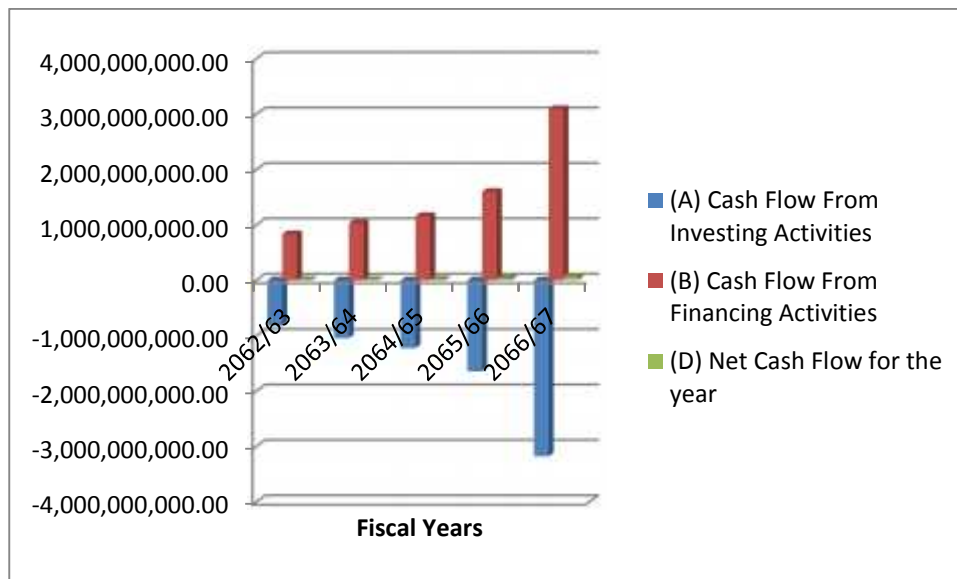
Table: 4.8

#### Cash flow from Investing, Financing Activities and Cash Balance of Siddhartha bank Limited from F/Y 2062 to 2067

Particulars	2062/63	2063/64	2064/65	2065/66	2066/67
<b>(A) Cash Flow From Investing Activities</b>	<b>(821,403,184.50)</b>	<b>(1,044,528,417.29)</b>	<b>(1,225,198,540.34)</b>	<b>(1,644,162,272.00)</b>	<b>(3,177,337,281.00)</b>
Change in balance with bank	(42,250,658.49)	2,016,057.72	(43,637,927.34)	46,300,746.00	(335,814,796.00)
Change in money at call and short notice	(102,072,938.24)	(72,757,061.76)	152,358,997.76	(77,528,998.00)	(129,446,305.00)
Change in Investments	(3,775,000.00)	(38,275,560.00)	(244,572,873.40)	(364,100,225.00)	(213,954,579.00)
Change in loans advance and bill purchased	(622,734,718.80)	(921,032,379.36)	(1,085,511,621.19)	(1,234,339,384.00)	(2,450,457,205.00)
Change in fixed assets	(19,264,134.26)	(6,590,031.83)	(1,807,851.97)	(9,475,336.00)	(21,353,563.00)
Change in other assets	(31,305,734.71)	(7,889,442.06)	(2,027,264.20)	(5,019,075.00)	(26,310,833.00)
<b>(B) Cash Flow From Financing Activities</b>	<b>832,113,945.65</b>	<b>1,030,821,804.42</b>	<b>1,160,650,131.70</b>	<b>1,598,553,049.00</b>	<b>3,092,246,157.00</b>
Change in borrowing	110,000,000.00	110,000,000.00	(30,000,000.00)	(8,850,000.00)	248,850,000.00
Change in deposits	391,677,604.78	899,636,725.40	1,170,608,641.48	1,456,153,696.00	2,707,002,289.00
Change in Share Capital Funds	317,221,550.00	-	-	150,000,000.00	100,000,000.00
Change in bills payable	-	961,993.45	(532,782.36)	-	-
Change in other liabilities	13,214,790.87	20,223,085.57	20,574,272.58	1,249,353.00	36,393,868.00
Change in reserve funds	-	-	-	-	-
<b>(C) Inc/loss from change in exchange in rate in cash &amp; bank balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(D) Net Cash Flow for the year</b>	<b>9,426,506.35</b>	<b>8,775,971.75</b>	<b>15,245,022.00</b>	<b>31,517,887.00</b>	<b>65,465,252.00</b>
<b>(E) Opening Cash Balance</b>	<b>12,389.65</b>	<b>9,438,897.00</b>	<b>18,214,418.75</b>	<b>33,459,441.00</b>	<b>64,977,328.00</b>
<b>(F) Closing Cash Balance</b>	<b>9,438,896.00</b>	<b>18,214,868.75</b>	<b>33,459,440.75</b>	<b>64,977,328.00</b>	<b>130,442,580.00</b>

**Figure: 4.8**

**Cash flow from Investing, Financing Activities and Net Cash Flow of Siddhartha Bank Limited from F/Y 2062 to 2067**



**A. Cash Flow from Investing Activities**

Bank or Financial institutions are the business entities which does the money business. It collects money as deposits and lend to person who stand in the need of money, called investment. CFIA of Siddhartha bank limited is Rs. (821,403,184.50), Rs.(1,044,528,417.29), Rs.(1,225,198,540.34), Rs.(1,644,162,272.00), Rs.(3,177,337,281.00) respectively from the year 2062/63 to 2066/67. Cash flow from investing activities is in increasing trend. The bank is being able to invest sufficient amount of cash in investment sectors.

Cash flow from bank balance is Rs. (42,250,658.49), Rs.2,016,057.72, Rs.(43,637,927.34), Rs.46300746.00, and Rs.(335,814,796.00) respectively from the year 2062/63 to 2066/67. The bank has deposited its money in different bank like central bank, local bank and foreign bank. Cash flow from money at short call notice is Rs.(102,072,938.24), Rs.(72,757,061.76), Rs.152,358,997.76, Rs.(77,528,998.00), Rs.(129,446,305.00) respectively from the year 2062/63 to 2066/67.

The Bank made investment for treasury bills, development bond, national saving bond, share/debenture and other securities. Cash flow from investment is in increasing

and decreasing trend. It is Rs. (3,775,000.00, Rs.(38,275,560.00, Rs.(244,572,873.40), Rs.(364,100,225.00), Rs.(213,954,579.00) respectively from the year 2062/63 to 2066/67. The bank sold its investment of Treasury bill and investment of foreign banks. Due to these reason cash flow is decreased.

Cash flow from loans, advances and bill purchased are Rs. (62,273,718.80), Rs.(921,032,379.36), Rs.(1,085,511,621.19), Rs.(1,234,339,384.00), Rs.(2,450,457,205.00) respectively from the year 2062/63 to 2066/67. Collecting and financing of loan is satisfactory. This situation shows the high percentage of increasing trend on cash flow from loans, advances and bill purchased. Change in fixed assets for cash flow purpose is shown in cash flow statement. Similarly change in other assets is shown in the cash flow statement for respective five year.

#### **B. Cash Flow from Financing Activities**

CFFA of Siddhartha Bank Limited is Rs. 832,133,945.65, Rs.1,030,821,804.42, Rs. 1,160,650,131.70, Rs.1,598,553,049.00, and Rs.3,092,246,157.00 respectively from the year 2062/63 to 2066/67. It is found in increasing trend. Cash flow is increased by 23.88%, 15.60%, 52.63% and 179.51% respectively in the year 2063/64 to 2066/67 on the basis of based year 2062/63. CFFA of the bank is steady in increasing trend. Cash flow borrowings are Rs. 110,000,000.00, Rs.110,000,000.00, Rs.(30,000,000.00), Rs.(8,850,000.00) and Rs.248,850,000.00 respectively from year 2062/63 to 2066/67. It is increasing and decreasing trend. Cash flow from deposits in relevant five years is Rs.391,677,604.78, Rs.899,636,725.40, Rs.1,170,608,641.48, Rs.1,456,153,696.00, and Rs.2,707,002,289.00 respectively from year 2062/63 to 2066/67. Collection of deposits is the goodwill of institutions.

Siddhartha Bank Limited is a reputed bank in the commercial bank of Nepal The Bank was promoted by a group of highly reputed Nepalese dignitaries having wide commercial experience with its head office at Kamaladi, Kathmandu. The bank's deposit is in increasing trends. Bills payable of the bank exist both in Nepalese and foreign currency. Cash flow from other liabilities under financing activities is Rs. 13,214,790.87, Rs. 20,223,085.57, Rs.1,170,608,641.48, Rs.1,456,153,696.00, and Rs.2,707,002,289.00, respectively from the year 2062/63 to 2066/67. Other liability represents current liabilities. It shows that it is impossible to sketch trend of the cash

flow from other liabilities. In other words it is in volatile trend. Change in share capital of bank is also considered for cash flow purpose. Change in share capital is Rs.317,221,550.00, Rs.0, Rs.0, Rs.150,000,000.00, Rs.100,000,000.00 respectively from the year 2062/63 to 2066/67.

**C. Net Cash Flow for the year**

Net cash flow of Siddharha Bank Limited is Rs. 9,426,506.35, Rs.8,775,971.75, Rs.15,245,022.00, Rs.31,517,887.00, and Rs.65,465,252.00 respectively from the year 2062/63 to 2066/67. Positive cash flow represents the increase of overall cash flow. The bank is able to generate positive cash flow during the review period indicate it is in more strength situation in the industries.

## 4.5 Comparative cash Flow Statement of selected commercials banks.

### 4.5.1 Fiscal Year 2062/63

Table: 4.9

### Comparative cash Flow Statement of selected commercials banks Fiscal Years 2062/2063

Particulars	MBL	KBL	LxBL	SBL
<b>(A) Cash Flow From Operations</b>	<b>25,032,468.22</b>	<b>42,974,173.00</b>	<b>12,923,582.00</b>	<b>(1,284,254.80)</b>
1. Cash receipt	144,267,747.85	190,308,588.00	54,957,747.00	28,844,397.70
Interest Incomes	132,163,700.88	173,165,485.00	45,266,307.00	23,906,028.11
Commission and discount income	5,653,912.00	9,413,117.00	4,261,960.00	4,850,493.24
Exchange gain	5,945,606.12	7,143,616.00	4,533,830.00	87,876.35
Non-Operating income	-	3,650.00	404,700.00	-
Other income	504,528.85	582,720.00	490,950.00	-
2. Cash payment	(119,235,279.63)	(147,334,415.00)	(42,034,165.00)	(30,128,652.50)
Interest expenses	(76,155,897.89)	(92,211,808.00)	(17,886,559.00)	(5,635,644.47)
Staff expenses	(17,435,463.50)	(23,254,109.00)	(13,892,641.00)	(8,017,132.84)
Office operating expenses	(23,943,086.48)	(21,330,223.00)	(10,254,965.00)	(10,185,625.52)
Exchange loss	-	-	-	-
Non-operating expenses	-	-	-	(6,290,249.67)
Income Tax Paid	-	-	-	-
Other expenses	(1,700,831.76)	(10,538,275.00)	-	-
<b>(B) Cash Flow From Investing Activities</b>	<b>(1,297,976,851.44)</b>	<b>(1,411,944,167.00)</b>	<b>(707,971,015.00)</b>	<b>(821,403,184.50)</b>
Change in balance with bank	38,508,371.56	(152,026,980.00)	28,133,560.00	(42,250,658.49)
Change in money at call and short notice	(220,000,000.00)	-	-	(102,072,938.24)
Change in Investments	(280,871,870.00)	(168,154,974.00)	(56,887,040.00)	(3,775,000.00)
Change in loans advance and bill purchased	(815,570,030.00)	(1,010,982,225.00)	(651,821,649.00)	(622,734,718.80)
Change in fixed assets	(8,531,700.00)	(1,036,960.00)	(11,468,705.00)	(19,264,134.26)
Change in other assets	(11,511,623.00)	(79,743,028.00)	(15,927,181.00)	(31,305,734.71)
<b>(C) Cash Flow From Financing Activities</b>	<b>1,287,048,588.35</b>	<b>1,379,494,465.00</b>	<b>708,133,956.00</b>	<b>832,113,945.65</b>
Change in Share Capital	407,973,900.00	-	-	110,000,000.00
Change in borrowing	90,000,000.00	(31,990,944.00)	70,000,000.00	391,677,604.78
Change in deposits	783,969,556.93	1,333,250,834.00	579,212,504.00	317,221,550.00
Change in bills payable	1,490,275.26	(4,708,787.00)	1,988,103.00	-
Change in other liabilities	4,734,377.16	82,943,362.00	55,000,000.00	13,214,790.87
Change in Reserve Fund	(1,119,521.00)	-	-	-
<b>(D) Inc/loss from change in exchange in rate in cash &amp; bank balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(E) Net Cash Flow for the year</b>	<b>14,104,205.13</b>	<b>10,524,471.00</b>	<b>13,086,523.00</b>	<b>9,426,506.35</b>
<b>(F) Opening Cash Balance</b>	<b>31,537,977.51</b>	<b>30,275,569.00</b>	<b>2,967,840.00</b>	<b>12,389.65</b>
<b>(G) Closing Cash Balance</b>	<b>45,642,182.64</b>	<b>40,800,040.00</b>	<b>16,054,363.00</b>	<b>9,438,896.00</b>

### **A. Cash Flow from Operating Activities**

The amount of total cash flow from operation in the year 2062/63 is Rs.25,032,468.22, Rs.42,974,173.00, Rs.12,923,582.00, Rs. (1,284,254.80) respectively of MBL, KBL, LXBL and SBL. KBL is 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 receipt from operation was Rs. 144,267,747.85, Rs.190,308,588.00, Rs.54,957,747.00 and 28,844,397.70 respectively of the above banks. Similarly cash payment is Rs.199235279.63, Rs.147334415.00, Rs.42034165.00 and 30128652.50 respectively as the above banks in the year 2062/63.

CFOA with respect to cash receipt from operation are 17.35%, 22.58%, 23.5% and -4.45% respectively as the above banks. Surplus ration is highest for KBL and lowest for SBL Bank. 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 SBL 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 KBL 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 KBL is in better position than other banks from the view point of cash flow from operating activities.

### **B. Cash Flow from Investing Activities**

The amount of Cash Flow from Investing Activities, in the year 2062/63 is Rs. (1,279,976,851.44), Rs. (1,411,944,167.00), Rs. (707,971,015.00), and Rs.

(821,403, 184.50) respectively of MBL, KBL, LxBL and SBL. In this activities various other activities are included which are presented in the comparative cash flow statement. CFIA of the KBL is in the top position than other banks MBL, LxBL and SBL have also negative cash flow but at lower level than KBL. It represents that every bank had put their best endeavor to the investment and loan and advance. The outflow is highest than inflow of cash in all bank. Positive cash flow from investing activities is not a sign of good investment and loan and advances. Due to the various political and economic situations the entire bank decreased their investment and loan, it should be considered good from the view point of cash flow.

### **C. Cash Flow from Financing Activities**

The amounts of cash flow from financing activities are Rs.1,287,048,588.35, Rs.1,379,494,465.00, Rs.708,133,956.00, and Rs.832,113,945.65 of MBL, KBL, LxBL and SBL respectively. CFFA of KBL 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 deposit is found higher in KBL which is the main causes to be increased cash flow in the financing activities. 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 the public along with their specialized product. The main reason for increasing cash inflow is deposit liability. Kumari Bank Limited collects the highest deposit liability so it pays high amount of interest than other banks. This analysis reflects the importance of deposit to financial cash flow. Cash flow from bills payable of the KBL is negative in the year 2062/63. The negative flow means payment of bill amount. It doesn't appear in big volume but it is most important non-interest bearing liability for banks.

### **D. Net Cash Flow for the year**

Net cash flow for the year 2062/63 is Rs. 14,104,205.13, Rs.10,524,471.00, Rs.13,086,523.00, and Rs.9,426,506.35 of MBL, KBL, LxBL and SBL respectively. Net cash flow of MBL is in the highest position than others. Net cash flow is the effect of 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.

## 4.5.2 Fiscal Year 2063/64

**Table: 4.10**

**Comparative cash Flow Statement of selected commercials banks  
(Fiscal Years 2063/2064)**

<b>Particulars</b>	<b>MBL</b>	<b>KBL</b>	<b>LxBL</b>	<b>SBL</b>
<b>(A) Cash Flow From Operations</b>	<b>68,401,309.33</b>	<b>83,802,811.00</b>	<b>46,373,639.00</b>	<b>22,482,584.62</b>
1. Cash receipt	236,590,472.52	334,563,169.00	133,103,988.00	129,758,524.30
interest Incomes	208,127,749.56	301,930,139.00	114,623,715.00	113,629,913.85
Commission and discount income	14,840,269.37	16,446,129.00	11,299,424.00	7,034,057.00
exchange gain	12,621,092.27	14,413,973.00	6,076,125.00	2,228,516.37
Non-Operating income	-	-	78,479.00	-
Other income	1,001,361.32	1,772,928.00	1,026,245.00	6,866,037.08
2. Cash payment	(168,189,163.19)	(250,760,358.00)	(86,730,349.00)	(107,275,939.68)
Interest expenses	(113,579,092.57)	(160,990,723.00)	(45,798,333.00)	(45,505,567.33)
Staff expenses	(19,872,459.80)	(28,576,283.00)	(18,298,794.00)	(16,457,853.50)
Office operating expenses	(29,549,839.12)	(40,256,352.00)	(22,518,376.00)	(21,667,879.07)
Exchange loss	-	-	-	-
Non-operating expenses	-	-	-	-
Income Tax Paid	-	-	-	-
Other expenses	(5,187,771.70)	(20,937,000.00)	(114,846.00)	(23,644,639.78)
<b>(B) Cash Flow From Investing Activities</b>	<b>(1,022,806,582.25)</b>	<b>(1,975,206,191.00)</b>	<b>(1,480,409,052.00)</b>	<b>(1,044,528,417.29)</b>
Change in balance with bank	(189,406,265.00)	284,883,729.00	(204,934,580.00)	2,016,057.72
Change in money at call and short notice	70,000,000.00	(90,000,000.00)	(100,000,000.00)	(72,757,061.76)
Change in Investments	123,949,254.75	(206,766,609.00)	(184,192,258.00)	(38,275,560.00)
Change in loans advance and bill purchased	(1,044,922,912.00)	(1,983,028,193.00)	(974,985,964.00)	(921,032,379.36)
Change in fixed assets	10,306,886.00	(49,767,645.00)	(10,041,306.00)	(6,590,031.83)
Change in other assets	7,266,454.00	69,472,527.00	(6,254,944.00)	(7,889,442.06)
<b>(C) Cash Flow From Financing Activities</b>	<b>1,009,166,305.79</b>	<b>2,449,222,752.00</b>	<b>1,454,957,972.00</b>	<b>1,030,821,804.42</b>
Change in Share Capital	5,826,000.00	150,000,000.00	219,789,000.00	110,000,000.00
Change in borrowing	12,167,330.15	-	247,005,000.00	899,636,725.40
Change in deposits	975,845,800.38	2,294,792,741.00	992,348,952.00	-
Change in bills payable	1,178,988.06	10,508,255.00	(1,866,973.00)	961,993.45
Change in other liabilities	14,148,187.20	(6,078,244.00)	(2,318,007.00)	20,223,085.57
Change in Reserve Fund	-	-	-	-
<b>(D) Inc/loss from change in exchange in rate in cash &amp; bank balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(E) Net Cash Flow for the year</b>	<b>54,761,032.87</b>	<b>557,819,372.00</b>	<b>20,922,559.00</b>	<b>8,775,971.75</b>
<b>(F) Opening Cash Balance</b>	<b>45,642,182.38</b>	<b>40,800,040.00</b>	<b>16,054,364.00</b>	<b>9,438,897.00</b>
<b>(G) Closing Cash Balance</b>	<b>100,403,215.25</b>	<b>598,619,412.00</b>	<b>36,976,923.00</b>	<b>18,214,868.75</b>

### **A. Cash Flow from Operating Activities**

The amount of total Cash Flow from Operation in the year 2063/64 was Rs. 68,401,309.33, Rs.83,802,811.00, Rs.46,373,639.00 and 22,482,584.62 respectively of MBL, KBL, LxBL and SBL. KBL 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 receipt from operation was Rs. 236,590,472.52, Rs.334,563,169.00, Rs.133,103,988.00 and Rs.129758524.30 respectively as the above banks. Similarly cash payment was Rs.168189163.19, Rs.250760358.00, Rs.86730349.00 and 107275939.68 respectively as the above banks in the year 2063/64.

CFOA with respect to cash receipt from operation are 28.91%, 25.04%, 34.84% and 17.32% respectively as the above banks. Surplus ration is highest for LxBL and lowest for SBL. 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 KBL has 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 KBL is in strong position in 2063/64.

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

### **B. Cash Flow from Investing Activities**

The amount of Cash Flow from Investing Activities, in the year 2063/64 is Rs. (1,022,806,582.25), Rs. (1,975,206,191.00), Rs.(1,480,409,052.00) and Rs.(1,044,528,417.29) respectively of HBL, KBL, LxBL and SBL. In this activities

various other activities are included which are presented in the comparative cash flow statement. CFIA of the KBL is in the top position than other banks where all other bank are found in negative which represents that all bank have been investing heavily but found KBL is more aggressive in order to generate more cash flow. The outflow is highest than inflow of cash in KBL. Positive cash flow from investing activities is not a sign of good investment. Due to the instable political situation and deteriorating 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 flow from financing activities are Rs. 1,009,166,305.79, Rs.2, 449,222,752.00, Rs.1, 454,957,972.00, and Rs.1,030,821,804.42 of MBL, KBL, LxBL and SBL respectively. CFFA of BL 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 zero in KBL. Amount of change in deposit is found highly positive, which is the main cause to be increased cash flow in the financing activities. 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 offer to the public along with specialized product. The main reason for increasing cash in flow is the increases deposit liability.

Kumari Bank Limited collects the highest deposit liability so it 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 negative and positive in the year 2063/64. The negative flow means payment of bill amount. It doesn't appear in big volume but it is most important non-interest bearing liability for banks. Cash flow from bill pable is positive to the Laxmi Bank Limited. Cash flow from other liabilities is negative to the KBL and highest positive to the SBL. Shareholders equity is also a major source of financing activities. It is found of KBL in year 2062/63 highest in position.

#### D. Net Cash Flow for the year

Net cash flow for the year 2063/64 is Rs. 54,761,032.87, Rs.557,819,372.00, Rs.20,922,559.00, and Rs. 8,775,971.75 of MBL, KBL, LxBL and SBL respectively. Net cash flow of KBL 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 positive operating and financing activities.

#### 4.5.3 Fiscal Year 2064/65

**Table 4.11**  
**Comparative cash Flow Statement of selected commercial banks**  
**(Fiscal Years 2064/2065)**

Particulars	MBL	KBL	LxBL	SBL
<b>(A) Cash Flow From Operations</b>	<b>139,052,204.75</b>	<b>192,400,130.00</b>	<b>71,258,198.00</b>	<b>79,793,430.64</b>
1. Cash receipt	411,726,101.16	49,834,993.00	229,366,803.00	233,934,814.48
interest Incomes	365,482,496.10	509,149,319.00	205,045,431.00	191,859,915.36
Commission and discount income	21,391,062.43	23,083,001.00	14,934,431.00	7,552,790.13
Exchange gain	11,359,386.97	14,988,827.00	5,770,043.00	7,170,572.67
Non-Operating income	286,968.96	5,442.00	2,003,850.00	-
Other income	13,206,186.70	2,608,404.00	1,613,048.00	27,351,536.32
2. Cash payment	(272,673,896.41)	(357,434,863.00)	(158,108,605.00)	(154,141,383.84)
Interest expenses	(187,027,981.93)	(226,522,306.00)	(88,307,959.00)	(91,592,377.52)
Staff expenses	(29,581,861.23)	(42,395,007.00)	(31,387,741.00)	(20,310,189.92)
Office operating expenses	(43,195,662.58)	(47,876,285.00)	(27,750,716.00)	(42,238,816.40)
Exchange loss	-	-	-	-
Non-operating expenses	-	-	-	-
Income Tax Paid	-	-	(10,662,189.00)	-
Other expenses	(12,868,390.67)	(40,641,265.00)	-	-
<b>(B) Cash Flow From Investing Activities</b>	<b>(2,873,727,753.00)</b>	<b>(1,975,206,191.00)</b>	<b>(1,076,646,763.00)</b>	<b>(1,225,198,540.34)</b>
Change in balance with bank	(264,094,504.00)	284,883,729.00	(17,201,182.00)	(43,637,927.34)
Change in money at call and short notice	135,000,000.00	(90,000,000.00)	42,494,624.00	152,358,997.76
Change in Investments	(194,205,229.00)	(206,766,609.00)	(115,833,025.00)	(244,572,873.40)
Change in loans advance and bill purchased	(2,589,781,007.00)	(1,983,028,193.00)	(976,213,756.00)	(1,085,511,621.19)
Change in fixed assets	(33,702,065.00)	(49,767,645.00)	(34,056,175.00)	(1,807,851.97)
Change in other assets	73,055,052.00	69,472,527.00	24,162,751.00	(2,027,264.20)
<b>(C) Cash Flow From Financing Activities</b>	<b>2,937,079,257.06</b>	<b>1,825,583,248.00</b>	<b>1,078,263,251.00</b>	<b>1,160,650,131.70</b>
Change in Share Capital	-	-	179,200.00	(30,000,000.00)
Change in borrowing	52,050,143.80	401,761,328.00	(298,313,781.00)	1,170,608,641.48
Change in deposits	2,832,170,554.44	1,461,017,517.00	1,367,600,253.00	-
Change in bills payable	4,191,809.56	(7,298,156.00)	-	(532,782.36)
Change in other liabilities	50,019,235.26	(29,897,441.00)	8,797,579.00	20,574,272.58
Change in Reserve Fund	(1,352,486.00)	-	-	-
<b>(D) Inc/loss from change in exchange in rate in cash &amp; bank balances</b>	-	-	-	-
<b>(E) Net Cash Flow for the year</b>	<b>202,403,708.81</b>	<b>42,777,187.00</b>	<b>72,874,686.00</b>	<b>15,245,022.00</b>
<b>(F) Opening Cash Balance</b>	65,256,535.68	68,471,907.00	36,976,923.00	18,214,418.75
<b>(G) Closing Cash Balance</b>	267,660,244.49	111,249,094.00	109,851,609.00	33,459,440.75

### **A. Cash Flow from Operating Activities**

The amount of total cash flow from operation in the year 2064/65 is Rs. 139,052,204.75, Rs.192,400,130.00, Rs.71,258,198.00 and Rs.79,793,430.64 respectively of MBL, KBL, LxBL and SBL. KBL is in the highest position where LxBL 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 is Rs. 411,726,101.16, Rs.549,834,993.00, Rs. 229,366,803.00 and Rs.233,934,814.48 respectively as the above banks. Similarly cash payment was Rs.272673896.41, Rs.357434863.0, Rs.158108605.00 and Rs.154141383.84 respectively as the above banks in the year 2064/65.

CFOA with respect to cash receipt from operation are 33.77%, 34.99%, 31.07% and 34.11% respectively as the above banks. Surplus ration is highest for KBL and lowest for Laxmi Bank. 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 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 KBL is in strong position.

The amount of CFOA is higher in KBL; it is because of generating high amount of interest income. Even the interest income of KBL is high rank along with its higher expenditure. 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 KBL is in better position than other banks from the view point of cash flow from operating activities.

### **B. Cash Flow from Investing Activities**

The amount of Cash Flow from Investing Activities, in the year 2064/65 is Rs. (2,873,727,753.00), Rs.(1,975,206,191.00), Rs.(1,076,646,763.00), Rs.(1,225,198,540.34) respectively of MBL, KBL, LxBL and SBL. In this activities various other activities are included which are presented in the comparative cash flow

statement. CFIA of the MBL 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 from investing activities is not a sign of good investment. Due to the instable political situation and deteriorating 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 flow from financing activities are Rs. 2,937,079,257.06, Rs.1,825,583,248.00, Rs.1,078,263,251.00, Rs.1,160,650,131.70 of MBL, KBL, LxBL and SBL respectively. CFFA of MBL 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 LxBL. 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 offer to the public along with specialized product. The main reason for increasing cash in flow is deposit liability. Machhapuchhre Bank Limited collects the highest deposit liability but Kumari Bank Limited 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 positive to MBL but negative to KBL in the year 2063/64. The negative flow means payment of bill amount. It doesn't appear in big volume but it is most important non-interest bearing liability for banks.

Cash flow from other liabilities positively highest changed of MBL and negative changed is found of KBL. Shareholders equity is also a major source of financing activities. It is found of LxBL and SBL in year 2064/65.

### **D. Net Cash Flow for the year**

Net cash flow for the year 2063/64 is Rs. 202,403,708.81, Rs.42,777,187.00, Rs.72,874,686.00 and Rs.15,245,022.00 of MBL, KBL, LxBL and SBL respectively. Net cash flow of LxBL 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 positive operating and financing activities.

## 4.5.4 Fiscal Year 2065/66

**Table: 4.12**

### **Comparative cash Flow Statement of selected commercials banks**

**(Fiscal Years 2065/2066)**

<b>Particulars</b>	<b>MBL</b>	<b>KBL</b>	<b>LxBL</b>	<b>SBL</b>
<b>(A) Cash Flow From Operations</b>	<b>185,631,721.89</b>	<b>157,286,342.00</b>	<b>67,709,480.00</b>	<b>77,127,110.00</b>
1. Cash receipt	645,607,351.65	675,559,453.00	357,216,273.00	327,762,016.00
interest Incomes	563,362,313.61	612,901,707.00	322,762,577.00	292,231,934.00
Commission and discount income	33,401,892.25	26,281,002.00	14,881,386.00	13,774,645.00
Exchange gain	35,152,376.97	26,373,738.00	9,383,756.00	12,050,770.00
Non-Operating income	-	-	400,000.00	-
Other income	13,690,768.82	10,003,006.00	9,788,554.00	9,704,667.00
2. Cash payment	(459,975,629.76)	(518,273,111.00)	(289,506,793.00)	(250,634,906.00)
Interest expenses	(288,661,548.62)	(341,654,457.00)	(208,319,363.00)	(148,956,870.00)
Staff expenses	(41,935,364.24)	(74,531,631.00)	(36,168,482.00)	(26,087,462.00)
Office operating expenses	(66,210,067.58)	(58,593,852.00)	(28,169,136.00)	(55,427,849.00)
Exchange loss	-	-	-	-
Non-operating expenses	-	-	-	-
Income Tax Paid	(48,705,267.89)	(43,454,214.00)	(16,849,812.00)	(20,162,725.00)
Other expenses	(14,463,381.43)	(38,957.00)	-	-
<b>(B) Cash Flow From Investing Activities</b>	<b>(2,541,595,326.63)</b>	<b>(1,586,449,228.00)</b>	<b>(1,466,186,862.00)</b>	<b>(1,644,162,272.00)</b>
Change in balance with bank	34,298,339.37	107,483,248.00	201,170,171.00	46,300,746.00
Change in money at call and short notice	(703,474,521.00)	(55,000,000.00)	(12,494,624.00)	(77,528,998.00)
Change in Investments	(722,754,228.00)	(204,676,742.00)	(88,351,642.00)	(364,100,225.00)
Change in loans advance and bill purchased	(1,016,349,594.00)	(1,331,564,163.00)	(1,553,962,244.00)	,234,339,384.00)
Change in fixed assets	(31,515,211.00)	(39,038,022.00)	12,285,177.00	(9,475,336.00)
Change in other assets	(101,800,112.00)	(63,653,549.00)	(24,833,700.00)	(5,019,075.00)
<b>(C) Cash Flow From Financing Activities</b>	<b>2,635,226,158.16</b>	<b>1,482,904,510.00</b>	<b>1,355,185,470.00</b>	<b>1,598,553,049.00</b>
Change in Share Capital	165,000,000.00	125,000,000.00	-	(8,850,000.00)
Change in borrowing	139,631,276.75	(150,361,328.00)	11,147,081.00	1,456,153,696.00
Change in deposits	2,306,495,028.25	1,500,002,795.00	1,392,592,547.00	50,000,000.00
Change in bills payable	-	-	-	-
Change in other liabilities	24,099,853.16	8,263,043.00	(48,554,158.00)	1,249,353.00
Change in Reserve Fund	-	-	-	-
<b>(D) Inc/loss from change in exchange in rate in cash &amp; bank balances</b>	-	-	42,478.00	-
<b>(E) Net Cash Flow for the year</b>	<b>279,262,553.42</b>	<b>53,741,624.00</b>	<b>(43,249,434.00)</b>	<b>31,517,887.00</b>
<b>(F) Opening Cash Balance</b>	121,550,140.00	111,249,094.00	109,851,609.00	33,459,441.00
<b>(G) Closing Cash Balance</b>	400,812,693.42	164,990,718.00	66,602,175.00	64,977,328.00

### **A. Cash Flow from Operating Activities**

The amount of total cash flow from operation in the year 2065/66 is Rs. 185,631,721.89, Rs.157,286,342.00, Rs.67,709,480.00 and Rs.77,127,110.00 respectively of MBL, KBL, LxBL and SBL. MBL is in the highest position where LxBL 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 is Rs. 645,607,351.65, Rs.675,559,453.00, Rs.357,216,273.00 and Rs.327,762,016.00 respectively as the above banks. Similarly cash payment is Rs. 459,975,629.76, Rs.518,273,111.00, Rs.289,506,793.00 and 250,634,906.00 respectively as the above banks in the year 2065/66.

CFOA with respect to cash receipt from operation are 28.75%, 23.28%, 18.95% and 23.53% respectively as the above banks. Surplus ration is highest for MBL and lowest for LxBL. 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 LxBL 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 MBL is in strong position.

The amount of CFOA is higher in MBL; 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 MBL is in better position than other banks from the view point of cash flow from operating activities.

### **B. Cash Flow from Investing Activities**

The amount of Cash Flow from Investing Activities, in the year 2065/66 is Rs.(2,541,595,326.63), Rs.(1,586,449,228.00), Rs.(1,466,186,862.00) and

Rs.(1,644,162,272.00) respectively of MBL, KBL, LxBL 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 from investing activities is not a sign of good investment. Due to the instable political situation and deteriorating 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 flow from financing activities are Rs. 2,635,226,158.16, Rs 1,482,904,510.00, Rs 1,355,185,470.00 and Rs 1,598,553,049 of MBL, KBL, LxBL and SBL respectively. CFFA of MBL 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 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 inflow is deposit liability. Machhapuchhre 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 other liabilities positively highest changed of MBL and negative changed is found of LxBL. Shareholders equity is also a major source of financing activities. But it is found in all banks except LxBL in year 2065/66. 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 2065/66 is Rs. 279,262,553.42, Rs.53,741,624.00, Rs.(43,249,434.00) and Rs.31,517,887.00 of MBL, KBL, LxBL and SBL respectively. Net cash flow of KBL is in the highest position than others where as LxBL 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.

## 4.5.6 Fiscal Year 2066/67

**Table: 4.13**

### **Comparative cash Flow Statement of selected commercials banks**

**(Fiscal Years 2066/2067)**

<b>Particulars</b>	<b>MBL</b>	<b>KBL</b>	<b>LxBL</b>	<b>SBL</b>
<b>(A) Cash Flow From Operations</b>	<b>200,996,427.00</b>	<b>210,784,372.00</b>	<b>168,347,154.00</b>	<b>150,556,376.00</b>
1. Cash receipt	806,862,683.00	868,293,617.00	523,099,585.00	534,387,080.00
interest Incomes	94,482,220.00	791,284,209.00	470,494,833.00	481,268,995.00
Commission and discount income	34,305,033.00	40,764,126.00	15,989,954.00	20,177,802.00
Exchange gain	29,036,308.00	20,294,440.00	20,904,775.00	14,245,653.00
Non-Operating income	-	-		-
Other income	49,039,122.00	15,950,842.00	15,710,023.00	18,694,630.00
2. Cash payment	(605,866,256.00)	(657,509,245.00)	(354,752,431.00)	383,830,704.00)
Interest expenses	(397,721,715.00)	(404,509,533.00)	(241,584,151.00)	(271,710,950.00)
Staff expenses	(71,192,365.00)	(99,099,527.00)	(44,372,065.00)	33,620,506.00)
Office operating expenses	(79,602,916.00)	(74,787,221.00)	(38,574,914.00)	(38,466,054.00)
Exchange loss	-	-	-	-
Non-operating expenses	-	-	-	-
Income Tax Paid	(43,030,189.00)	(78,296,082.00)	(30,221,301.00)	(40,033,194.00)
Other expenses	14,319,071.00)	16,882.00)		-
<b>(B) Cash Flow From Investing Activities</b>	<b>(1,765,804,196.00)</b>	<b>(2,901,059,902.00)</b>	<b>(3,339,566,441.00)</b>	<b>(3,177,337,281.00)</b>
Change in balance with bank	(364,637,188.00)	(227,529,987.00)	(191,763,003.00)	(335,814,796.00)
Change in money at call and short notice	24,474,521.00	(227,215,000.00)	56,972,000.00	(129,446,305.00)
Change in Investments	(87,102,156.00)	(283,470,661.00)	(937,548,534.00)	(213,954,579.00)
Change in loans advance and bill purchased	(1,173,366,308.00)	(2,054,645,968.00)	(2,253,442,513.00)	(2,450,457,205.00)
Change in fixed assets	(159,593,041.00)	(126,683,039.00)	439,982.00	(21,353,563.00)
Change in other assets	(5,580,024.00)	18,484,753.00	(14,224,373.00)	(26,310,833.00)
<b>(C) Cash Flow From Financing Activities</b>	<b>1,672,220,031.00</b>	<b>2,745,228,749.00</b>	<b>3,224,054,437.00</b>	<b>3,092,246,157.00</b>
Change in Share Capital	-	125,000,000.00	119,779,700.00	48,850,000.00
Change in borrowing	133,107,946.00	(38,430,000.00)	9,760,000.00)	2,707,002,289.00
Change in deposits	1,582,153,837.00	788,459,185.00	,167,301,854.00	100,000,000.00
Change in bills payable	-	-	-	-
Change in other liabilities	(43,041,752.00)	(129,800,436.00)	(33,267,117.00)	36,393,868.00
Change in Reserve Fund	-	-	-	-
<b>(D) Inc/loss from change in exchange in rate in cash &amp; bank balances</b>	<b>(1,893,202.00)</b>	-	-	-
<b>(E) Net Cash Flow for the year</b>	<b>105,519,060.00</b>	<b>54,953,219.00</b>	<b>52,835,150.00</b>	<b>65,465,252.00</b>
<b>(F) Opening Cash Balance</b>	280,421,338.00	135794991	66,602,175.00	64,977,328.00
<b>(G) Closing Cash Balance</b>	385,940,398.00	190,748,210.00	119,437,325.00	30,442,580.00

### **A. Cash Flow from Operating Activities**

The amount of total cash flow from operation in the year 2066/67 was Rs. 557903964, Rs. 596488926, Rs. 157286342 and Rs. 185631722 respectively of NABIL, HBL, KBL and MBL. HBL 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. 1572877673, Rs. 1903646896, Rs. 675559453 and Rs. 645603352 respectively as the above banks. Similarly cash payment was Rs. 1014973709, Rs. 1307157970, Rs. (518273111) and Rs. 459975630 respectively as the above banks in the year 2065/66.

CFOA with respect to cash receipt from operation are 24.91%, 24.28%, 32.18% and 28.14% respectively as the above banks. Surplus ration is highest for LxBL and lowest for KBL. Ratio shows that LxBL 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 is 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 LxBL 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 LxBL is in better position than other banks from the view point of cash flow from operating activities.

### **B. Cash Flow from Investing Activities**

The amount of Cash Flow from Investing Activities, in the year 2066/67 is Rs. (1,765,804,196.00), Rs. (2,901,059,902.00), Rs.(3,339,566,441.00), Rs.(3,177,337,281.00) respectively of MBL, KBL, LxBL and SBL. In this activities

various other activities are included which are presented in the comparative cash flow statement. CFIA of the MBL is in the top position than other banks Even if all banks in sample has negative Cash flow from investing activities where KBL, LxBL and SBL more negative which represents that KBL, LxBL and SBL has invested heavy amount. The outflow is highest than inflow of cash in KBL, LxBL, SBL in compare MBL. Positive 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 from Financing Activities**

The amounts of cash flow from financing activities are Rs. 1,672,220,031.00, Rs.2,745,228,749.00, Rs.3,224,054,437.00, Rs.3,092,246,157.00 of MBL, KBL, LxBL and SBL respectively. CFFA of LxBL 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 LxBL. 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 inflow 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 2066/67. Cash flow from other liabilities positively highest changed of KBL and highest negative changed is found of LxBL. Shareholders equity is also a major source of financing activities. It is not found of MBL in year 2066/67.

### **D. Net Cash Flow for the year**

Net cash flow for the year 2066/67 is Rs. 105,519,060.00, Rs.54,953,219.00,

Rs.52,835,150.00, Rs.64,465,252.00 of MBL, KBL, LxBL and SBL respectively. Net cash flow of MBL 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 positive operating and financing activities.

## **4.6 Major Findings**

### **4.6.1 Machhapuchhre Bank Limited.**

#### **Cash Flow from Operating Activities (CFOA)**

- ) Cash Flow from Operating Activities (CFOA) is positive during the whole years. It is found increasing trend
- ) CFOA is found lowest in the year 2062/63.
- ) Cash received from other income is highest in the year 2065/66.
- ) Total cash receipt from operation is highest in the year 2066/67.
- ) Total cash payment is highest in the year 2066/67. As a result Cash Flow from Operating ration gap is lowest.
- ) In the year 2066/67 interest expenses is highest because the bank has higher amount of deposit liability.
- ) Commission and discount income is found increasing trend. It is found highest in year 2066/67.
- ) Cash received from exchange gain plays significant role in total operating cash flow.
- ) Staff and operating expenses is found highest and lowest in the year 2066/67 and 2062/63 respectively.
- ) Other expense is found highest in the year 2060/61.

#### **Cash Flow from Investing Activities (CFIA)**

- ) Cash flow from Investing Activities is in the fluctuation trend.
- ) The bank has no strong investment scheme.
- ) The Bank has the excess liquidity that can be found as depository fund.
- ) Change in loans advance and bill purchased is found negative during the review year and is in fluctuating conditions.
- ) Fixed assets sold out in the year 2063/64 but purchased in other four years.
- ) Cash flow from current and non banking assets are in increasing and decreasing trend.

### **Cash Flow from Financing Activities (CFFA)**

- ) CFFA of Bank is found in the fluctuation trend.
- ) Highest amount of borrowing decreased in the 2063/64 as a result cash flow from financing activities is also decreased.
- ) Cash flow from bills payable and other liabilities are in increasing and decreasing trend.
- ) Cash flow from other liabilities is found negative in ending year of relevant five year period and is positive in other years.

### **Net cash flow for the year**

Overall cash flow is found positive in the year 2062/63 to 2066/67 which are contributed by cash flow Operating & financing activities. However overall cash flow in year 2066/67 lower since highest amount of cash invested for procurement of fixed assets.

### **4.6.2 Kumari Bank Limited.**

#### **Cash Flow from Operating Activities (CFOA)**

- ) 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 2062/63.
- ) Cash received from other income is highest in the year 2066/67.
- ) Total cash receipt from operation is highest in the year 2066/67.
- ) Total cash payment is highest in the year 2066/67. As a result Cash Flow form Operating Activities rate is also lower than previous year.
- ) In the year 2066/67 interest expenses is highest because the bank has collected highest amount of deposit liability.
- ) Commission and discount income is found increasing trend. It is found highest in year 2066/67.
- ) Cash received from exchange gain plays significant role in total operating cash flow which is found fluctuating during the review period.
- ) Staff and operating expenses is found highest in the year 2066/67.
- ) Other expense is found highest in the year 2065/66.

### **Cash Flow from Investing Activities (CFIA)**

- ) Cash Flow from Investing Activities is negative during whole period and it higher in the year 2062/63 and highest in the year 2066/67. But Cash flow from investing activities is in the fluctuation trend.
- ) Change in loans advance and bill purchased is found increasing during the review year. 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 positive and negative during the review period.

### **Cash Flow from Financing Activities (CFFA)**

- ) CFFA of Bank is found in the fluctuation trend.
- ) Highest amount of borrowing decreased and reached to nil in the 206/060.
- ) Cash flow from bills payable and other liabilities are in increasing and decreasing trend.
- ) Cash flow from other liabilities is found negative in year 2063/64, 2064/65 and 2066/67, found positive in year 2062/63 and 2065/66.

### **Net cash flow for the year**

Overall cash flow is found positive during the review periods which are result of the positive 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.

### **4.6.3 Laxmi Bank Limited.**

#### **Cash Flow from Operating Activities (CFOA)**

- ) Cash Flow from Operating Activities (CFOA) is positive during the whole years. It is found increasing and decreasing trend during the review period. Rate of CFOA is increasing in review period except 2065/66.
- ) CFOA is found lowest in the year 2062/63.
- ) Cash received from interest income is highest in the year 2066/67.
- ) 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 2066/67 interest

expenses inclusive other expense is highest because the bank has received highest amount of deposit as well provide higher interest rate.

- ) Commission and discount income is found in increasing trend. It is found highest in year 2066/67. 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 lower than major income i.e. interest income and commission and discount income

#### **Cash Flow from Investing Activities (CFIA)**

- ) Cash flow from Investing Activities is found in increasing and 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 year than that of the purchase results positive cash flow in year 2065/66 and 2066/67
- ) Cash flow from current and non banking assets are in increasing and decreasing trend.

#### **Cash Flow from Financing Activities (CFFA)**

- ) CFFA of Laxmi Bank is found in the fluctuation trend.
- ) Highest amount of borrowing decreased in the 2064/65 as a result cash flow from financing activities is 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 2063/64, 2065/66 and 2066/67 and 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 2065/66 which is contributed by cash flow from investing activities. It is found highest in the year 2066/67 and found lowest in the year 2065/66.

### **4.6.4 Siddhartha Bank Limited**

#### **Cash Flow from Operating Activities (CFOA)**

- ) Cash Flow from Operating Activities (CFOA) is positive during the whole years except in year 2062/63. 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 2062/63.
- ) Cash received from other income is highest in the year 2066/67.
- ) 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 2066/67 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 2066/67.
- ) Cash received from exchange gain plays significant role in total operating cash flow. It is found lowest in year 2062/63.
- ) Staff and operating expenses is found highest in the year 2066/67.
- ) Other expense is found zero except F/Y 2063/64.

#### **Cash Flow from Investing Activities (CFIA)**

- ) Cash flow from Investing Activities is in increasing trend.
- ) 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 trend.

### **Cash Flow from Financing Activities (CFFA)**

- ) CFFA of SBL is found in increasing trend.
- ) Highest amount of borrowing increased in the 2066/67.
- ) 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 found highest in the year 2066/67 and found lowest in the year 2063/64.

## **CHAPTER – V**

### **SUMMARY, CONCLUSIONS 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:

- ) Machhapuchhere Bank Limited.
- ) Kumari Bank 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 Rastra Bank, Nepal Accounting Standard, Company Act and N.R.B. Act are studied throughout 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 websites ([www.cashflow.com](http://www.cashflow.com)) related with cash flow are visited. The researcher analyzes and compares about five fiscal years cash flow position of all sampled commercial banks 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 and trend analysis, summary of the study are as follows:

#### **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 Conclusions

- ) The banks selected for the study, fully Nepalese promoted banks and of their age (MBL, KBL, LxBL 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 analyzing the five year cash flow statements following points are mentioned as conclusion and recommendations which are as follows:

### **Machhapuchhare 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 and interest income play significant role in total cash receipt in operation.
- ) In the year 2066/67 interest income is highest because the bank was granted highest amount of loan.
- ) CFIA of the bank is in the fluctuation trend but its overall performance is not so bad. But it is to be constantly increased
- ) Bank is able to invest from its internal sources.

### **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 earning 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 trend up to 2064/65 and decreased in the year 2065/66 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.

### **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 2066/67 interest income is highest because the bank was granted highest amount of loan.
- ) The bank has not any strong investment scheme.
- ) Borrowing is in increasing and decreasing trend.
- ) Bank is able to invest from its internal sources.

### **Siddhatha Bank Limited.**

Siddartha 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 outflow.

- ) In the year 2066/67 interest expenses is highest 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. Where as interest income is occuppies paramount

### **5.3 Recommendations**

#### **Machhapuchhre Bank Ltd.**

- ) Cash flow from operation is positive but not in satisfactory 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 implementing new techniques of the managerial activities..
- ) 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 from operating activities.
- ) The bank should increase its cash receipt ratio. It is in lower condition for MBL.
- ) Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
- ) their previous year. Hence the new management plan and technique should be enhance and develop. New saving policy should be lunch like other bank.
- ) The bank is the pioneer bank of Nepal but after implementation of the BASELII to bank and financial institution, capital adequacy problem lower the lending of the bank and financial institution, to overcome the problem and being more competitive it might merge with other bank to make its capital sufficient for competitions and further development of 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.

- ) 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 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.

#### **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 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 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.

#### **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 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 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 as possible, for this agency work should be done properly.

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.

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. Consequent of this 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.

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APPENDIX -1  
MACHHAPUCHHERE BANK LIMITED

**Profit and loss Account**

From the year 2062/63 to 2066/67

Particulars	2062/63	2063/64	2064/65
<b>Expenditure</b>			
Interest expenses	76,155,897.89	113,579,092.57	187,027,981.93
Employee expenses	17,435,463.50	19,872,459.80	29,581,861.23
Office operating expenses	34,078,608.63	42,357,601.73	59,973,169.84
Currency exchange loss	-	-	-
Non-operating expenses	-	2,259.51	-
Bad loan & advance written off	-	-	-
Provision for loan loss	6,465,802.10	15,980,436.11	21,455,883.28
Provision for non-banking assets	-	-	1,451,250.00
Provision for staff bonus	1,700,831.76	5,187,771.70	12,868,390.67
Provision for income tax	-	-	30,945,488.72
Net profit (Carried Down)	15,307,485.80	46,689,945.30	84,870,027.30
<b>Income</b>			
Interest income	139,040,042.71	215,206,843.76	381,930,447.91
Commission & discount income	5,653,912.00	14,840,269.37	21,391,062.43
Currency exchange gain	5,945,606.12	12,621,092.27	11,359,386.97
Non-operating income	-	-	286,968.96
Other income	504,528.85	1,001,361.32	13,206,186.70
Net loss (Carried down)	-	-	-

**Balance Sheet**

As at 32 Ashad 2062/63 to  
2066/67

Particulars	2062/63	2063/64	2064/65
<b>Capital &amp; Liabilities</b>			
Share Capital	544,174,000.00	550,000,000.00	550,000,000.00
Reserve and Funds	(42,468,102.16)	4,221,843.14	87,739,384.31
Loans and Borrowing	90,000,000.00	102,167,330.15	154,217,473.95
Deposit Account	1,778,786,289.27	2,754,632,089.65	5,586,802,644.09
Bills Payable	3,956,740.33	5,135,728.39	9,327,537.95
Provision for dividend	-	-	-
Provision for income tax	-	-	-
Other Liabilities	25,408,166.67	32,477,259.67	68,373,780.29
<b>Total</b>	<b>2,904,234,912.00</b>	<b>3,448,634,251.00</b>	<b>6,456,460,820.59</b>
<b>Assets</b>			

Cash Balance	550,000,000.00	65,256,535.68	121,550,140.40
Balance with Banks	156,082,366.68	345,488,631.64	609,583,135.59
Money at call and short notice	220,000,000.00	150,000,000.00	15,000,000.00
Investment	398,356,200.01	274,406,945.26	468,612,174.63
Loans Advances & Bills Purchase	1,464,165,455.59	2,493,107,931.72	5,061,433,055.67
Fixed Assets	59,244,644.87	62,412,573.50	86,212,339.78
Other Assets	56,386,244.58	57,961,633.20	94,069,974.52
<b>Total</b>	<b>2,904,234,911.73</b>	<b>3,448,634,251.00</b>	<b>6,456,460,820.59</b>