

**WORKING CAPITAL MANAGEMENT
OF
PUBLIC ENTREPRISE:
With Special Reference to Nepal Electricity Authority**

A THESIS

**Submitted By
Rem Prasad Kandel
Central Department of Management
TU Reg. No.: : 7-1-241-265-1999
Exam Roll No. : 280629
Campus Roll No. : 360/063**

**Submitted To:
Office of the Dean
Faculty of Management
Tribhuvan University**

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

**Kritipur, Kathmandu
2013**

RECOMMENDATION

This is to certify that the thesis

Submitted By

Rem Prasad Kandel

Entitled
**WORKING CAPITAL MANAGEMENT OF PUBLIC
ENTREPRISE (With Special Reference to Nepal Electricity
Authority)**

has been prepared and approved by this Department in the prescribed format of the
faculty of management. This thesis is forwarded for examination.

.....

Mr. Achyut Gyawali
Thesis Supervisor

.....

Prof. Dr. Bal Krishna Shrestha
(Head of Department and Chairman, Research
Committee)

VIVA - VOCE SHEET

We have conducted the Viva-Voce examination of the thesis presented by

Rem Prasad Kandel

Entitled

**“WORKING CAPITAL MANAGEMENT OF PUBLIC ENTREPRISE
(With Special Reference to Nepal Electricity Authority)”**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for Master’s Degree in Business Studies.

Viva -Voce Committee

Chairperson, Research Committee	
Member (Thesis Supervisor)	
Member (External Expert)	
Member (Central Department of Management)	

Date:-

DECLARATION

I hereby declare that the research work entitled **“WORKING CAPITAL MANAGEMENT OF PUBLIC ENTREPRISE (With Special Reference to Nepal Electricity Authority)”** submitted to research Department of Central Department of Management, Tribhuvan University is my original work done in the form of the partial fulfillment of the requirement of master of Business Studies (MBS) under the supervision of Lecturer Mr. Achyut Gyawali, Central Department of management.

.....
Rem Prasad Kandel
Researcher
Central Depart of Management

ACKNOWLEDGMENTS

This study is mainly concerned with working capital management of Nepal Electricity Authority. This effort is partial fulfillment for the degree of Master of Business Studies (MBS) under the course designed by the faculty of Management T.U. The management of working capital plays vital role in maximizing the value of an enterprises. Hence **“WORKING CAPITAL MANAGEMENT OF PUBLIC ENTREPRISE (With Special Reference to Nepal Electricity Authority)”** has been studied as possible as of it is presented.

Firstly I would like to express my heartiest gratitude and sincere thanks to my thesis Supervisor Mr. Achyut Gyawali who encouraged me from the initiation to completion of this task with his scholar guidance and profound comment and suggestion.

I am very much grateful to all the member of Central Department of Management especially research department, MBS department libraries staffs and central library of T.U.

Lastly my hearties thanks goes to my family member along with classmate who have scarified their time and effort to develop my career. I am very indebted to by friends Mr. Kiran Paudel, Kamal Prasad Acharya, Ram Prasad Sapkota, Buddhi Chaudhary, Puspa Kandel, Kamala Kandel.

Rem Prasad Kandel

TABLE OF CONTENTS

Page	
RECOMMENDATION	I
VIVA-VOCE SHEET	II
DECLARATION	III
ACKNOWLEDGEMENT	IV
TABLE OF CONTENTS	V
LIST OF TABLES	VIII
LIST OF FIGURES	IX
ABBREVIATIONS	X

CHAPTER-I

1. INTRODUCTION	1-9
1.1 General Background	1
1.2 Introduction of NEA	4
1.3 Statement of the Problem	6
1.4 Objectives of the Study	7
1.5 Importance of the Study	7
1.6 Limitation of the Study	7
1.7 Organization of the Study	8

CHAPTER-II

2. REVIEW OF LITERATURE	10-34
2.1 Conceptual Framework	10
2.1.1 Meaning of Working Capital Management	10
2.1.2 Meaning and Concept of Working Capital	13
2.1.3 Importance of Adequate Working Capital	15
2.1.4 Factors Determining Working Capital Requirement	16
2.1.5 Working Capital Finance	19
2.1.6 Sources of Working Capital Finance	22
2.1.7 Managing Working Capital Investment	23
2.1.7.1 Cash Management	24

2.1.7.2 Inventory Management	25
2.1.7.3 Receivable Management	26
2.2 Review of Related Studies	27
2.2.1 Review of Articles	27
2.2.2 Review of Thesis	30
2.2.3 Research Gap	34

CHAPTER-III

3. RESEARCH METHODOLOGY	35-40
3.1 Introduction	35
3.2 Research Design	35
3.3 Population and Sample	36
3.4 Nature and Sources of Data	36
3.5 Data Analysis Tool	36
3.5.1 Financial Tools for Analysis	36
3.5.2 Statistical Tools For Analysis	40

CHAPTER-IV

4. DATA PRESENTATION AND ANALYSIS	41-63
4.1 Analysis of Current Assets	41
4.2 Analysis of Current Liabilities	43
4.3 Working Capital Position of NEA	44
4.4 Quick Ratio Position of NEA	47
4.5 Proportion of Current Assets to Total Assets	48
4.6 Proportion of Cash and Bank Balance to Total Assets	49
4.7 Proportion of Inventory to Current Assets and Total Assets	50
4.8 Proportion of Receivable to Current Assets and Total Assets	51
4.9 Proportion of Current Liabilities to Long term Loan	52
4.10 Turnover Position of NEA	54
4.10.1 Current Assets Turnover Position	54
4.10.2 Cash Turnover Position	55

4.10.3 Inventory Turnover Position of NEA	56
4.10.4 Debtors Turnover Position	56
4.11 Profitability Position	57
4.11.1 Gross Profit Margin	57
4.11.2 Net Profit Position	58
4.12 Major findings	62

CHAPTER-V

5. SUMMARY, CONCLUSION AND RECOMMENDATION	64-68
5.1 Summary	64
5.2 Conclusion	66
5.3 Recommendations	67

BIBLIOGRAPHY

APPENDIX

LIST OF TABLES

Table No.		Page No.
4.1	Components of Current Assets of NEA	41
4.2	Components of Current Liabilities of NEA	43
4.3	Net Working Capital of NEA	45
4.4	Quick Ratio Position of NEA	47
4.5	Proportion of Current Assets to Total Assets	49
4.6	Proportion of Cash & Bank Balance to Total Assets	50
4.7	Inventory to Current Assets and Total Assets	51
4.8	Proportion of Receivable to Current Assets and Total Assets	52
4.9	Current Liabilities to Long Term Loan	53
4.10	Current Assets Turnover Position	54
4.11	Cash Turnover Position	55
4.12	Inventory Turnover Position	56
4.13	Debtors Turnover Position	57
4.14	Gross Profit Margin Position	58
4.15	Net Profit Position of NEA	59

LIST OF FIGURES

Figure No.		Page No.
2.1	Permanent and Temporary Working Capital	13
2.2	Working Capital Finance	19
2.3	Conservative Policy	20
2.4	Aggressive Policy	21
2.5	Matching Policy	22
4.1	Components of Current Assets	42
4.2	Components of Current Liabilities	44
4.3	Net Working Capital of NEA	46
4.4	Quick Ratio Position of NEA	48
4.5	Net Profit Position of NEA	59

ABBREVIATIONS

WC	Working Capital
WCM	Working Capital Management
NEA	Nepal Electricity Authority
CA	Current Assets
CL	Current Liabilities
NWC	Net Working Capital
GWC	Gross Working Capital
PE	Public Enterprises
TA	Total Assets