CHAPTER-1

INTRODUCTION

1.1back ground of the study:

Financial institutions are the mediators of the economy which provide financial mediation to different groups, individual and sectors. Financial institution constructs a kind of financial structure in the economy and become a pool in between suppliers and people who seek money. A bank is a financial institution, which can lay a significant role in the upliftment of the economic situation of the developing country like Nepal. Banks play a vital role to encourage thrift and discourage hoarding by mobilizing the resource and removing the habit of hoarding. An important part of any economy is its financial structure, the combination of its financial market and institution. These two parts of any economy is its financial structure, the combination of its financial market and institution. These two parts of any financial system allow a highly complex, specialized economy to function in a decentralized manner. The financial structure brings borrowers and lenders together and fosters economic efficiency and a better use of society's resource, which, in general result in a higher capital stock for the economy as a whole and a better standard of living of its inhabitants.

Without a developed financial system, institution, firms, and household would be forced to operate as self-contained economies. As a result, they could not save without deploying their resources somewhere, and they could not invest without saving their current outputs. A financial system allows trade between individual to accomplish both of these ends. It allows savers to defer consumption and obtain a return for waiting. Likewise, it permits investors to deploy resources in excess or those that they have available from their own wealth in order to gain the productivity that such investment yields. The complexities of a developed financial system often obscure its function. Observers frequently became lost in the details of the system's market and institutions and miss the purpose and function of those elements. Yet, it is important to understand the role the financial institutions play in any economy. It is equally important to understand the details of various financial institution and financial tool as well.

In the country, the development of banking is relatively recent. The record of banking system in Nepal gives detail account of mixture of slow and steady evolution in the financial and global economy of Nepalese life. Involvement of landlords, rich merchant, shopkeepers and other individual money lenders has acted as fence to institution credit in presence of unrecognized money market.

In this regard this research will concentrate into exploring the size, growth and structure of operating, financing and investing activities of a highly performing joint venture banks. It is said that the banking sector mirrors the large economy. It's linkage to all sector makes it a proxy for what is happening in the economy as a whole.

Thus, the objective of this study is to analyze and have comparative study of two best performing joint venture banks (Nabil and Everest), with regard to their operating, financing and investing activates of last five fiscal years. Again, this means that, this research specifically implies to study the cash position and the flow of cash of highly performing joint venture banks in different time, fiscal year and situation, so that the actual cash position of the economy could be identified.

1.1.1 Historical Development of Banking :

"Banking concept existed even in the ancient period when the Goldsmiths and the rich people used to issue the common people against the promises of safe keeping of their valuable items on the presentation of the receipt; the depositors would get bank their gold and valuable of the paying a small amount of safe-keeping and saving." (samuelson)

If we try to find out the father of modern banking system we must say something about

Goldsmith. In the 1640 A.D Goldsmith came in the picture, which no only lent money but also received deposit as well from their customers. And the charged some percentage of interest on deposit. The accepted as the do on their loan in sense that they protected the properties of people by accepting them as deposits. People were also anxious for safety purpose. Therefore they preferred to deposit their money and valuable goods in the safe of the Goldsmith. So this way Goldsmith became the first t perform a true banking business.

As these society grew and their financial needs became more expending these Goldsmith also could not fulfill such growing financial needs of the security, then the banking system developed. And banking system developed differently in different types of society, country and region.

The word “Bank” first came to be known in the middle of 17th century after the establishment of “Risk Bank” of Sweden in 1656. At that time although there were banking system in many countries but they were in unorganized way before the establishment of modern bank. Then term ‘Bank’ was derived from the Latin word ‘banc us’, which refers to the bunch on which the bankers keep their money and corresponding records. Before the evolution of commercial banks monetary transaction were monopolized by private dealers, such as the indigenous money lenders.

We can look safely towards England for tracing the origin of modern banking system. But since the establishment of first bank in England the banking system has changed its shape tremendously. It has charged its purpose, way of performing function and many other aspect of banking principal and practice. The modern banking system was organized from the England but at the present moment it varies vastly in different countries.

“The Bank of England was established in 1694 by number of merchant of the city of Lo. In those days the bank’s principal function was to help the king of military purpose. The modern banking institution gas been experienced as the most necessary financial instirution to accelerate the notion of the economic growth in all spheres of the economy and maintain the daily business of economic life in the country. London for the purpose of lending money to king William III, who required financing his military activities, on the continent of Europe.”(Reddy)

It is remarkable fact that any country cannot have good and increasing deal of economic activity in order to develop its economy in swift way in the absence of a modern banking system because any development work need a sufficient amount of capital, without capital no development process proceeds.

A bank provides a number of facilities and can provide an important contribution to develop the different sectors of the economy accumulating the money scattered in small amout in the nook and corner, to formulate capital for its circulation and distribute in needy sectors to establish and run small, medium and large scale industry.

1.1.2 Historical Development of Banking in Nepal:

In our history of banking development, we don't find any sort of organized institution at the earlier days. Although the correct and adequate chronological history is not available due to lack of authentic historical record in respect of banking, there are plenty of historical evidence to prove the presence of some kind of banking practices even as early in the 8th century

According to the Historical records, in 723 A.D Gun Kam Dev, the king of Kathmandu had borrowed money to rebuilt ant to rule Kathmandu. In Nepalese chorine, it is recorded that the new era known as "Nepal Samsat" was introduced by "Shankhadhar" a merchant from Kantipur in 880 A.D afrer having paid all the outstanding deby of the country. It clarifies basic of money lending in ancient Nepal.

In the 14th century, King Jayastiti Malla, Kantipur, had introduced many measures to codify the laws relating to commercial bank. In these times, a certain group of people called "Tankaduari" were authorized to deal with money business. They used to lend mone against personal securities or merchandise. They were mainly profit oriented and their number grew by years resulting in wide spread malpractices and other fraud in society.

Another history example as to the pre-modern banking is found when Rana Prime Minister Ranodeep was administrating Nepal. During his regime one financial instirution by name Tejarathe was established to give loan facilities to the government staff and a afford loan facilities to the public in general in the term of 5% interest against gold,silver and other valuable goods." (Shakya) The set up of this institution was the first remarkable step in the history to save the public from exorbitant rant of interest and other malpractices of indigenous bankers and moneylenders.

In 1935, a development agency was constituted under the name of "Udhyog Parisad" which was responsible for accelerating the development of industrial and commercial activities in the country.

Further in 1991 B.S for the future welfare of the government staff. It was “Sainik Dravya Kosh”. Before coming into face much more economic difficulties after retirement from his office.

Later on 1994 B.S, when king Tribhuwan inaugurated the first modern commercial bank namely “Nepal Bank Limited” marked the beginning of new era in the history of modern banking in Nepal.NBL was established in Kathmandu with a great purpose to increase and develop the agriculture, industry and business smoothly and to solve the problem appeared in commercial field. Though this bank had to pass through number of vicissitudes, stresses and strains, it has done pioneering work in popularizing modern banking habit and method among the Nepalese people mainly.

Till 1950, Nepal Bank Limited used to manage apart from commercial functions, all the banking transaction of the government including the entire business of note exchange due to absence of center bank. The NBL could not alone meet al credit needs and other demand of growing economy. At that time Nepalese economy was characterized by the existence of dual currency (Nepali & Indian) system which was affecting economic stability and development of the nation. Thus, the need of establishment of the central bank required great urgency. As a result, the year 1956 when the government established Nepal Rastra Bank, as a Central Bank in April 26, 1956 A.D corresponding Baisakh 14, 2013 B.S, under the Nepal Rastra Bank Act 1955 A.D (2012 B.S) with sole power of issue and other popular central banking function marked another milestone in the history of growth of banking in Nepal.

In Nepal Industrial Development Corporation (NIDC) was established in 1957 A.D to help private sector in the field of industry. Besides this for the first time co-operative bank was set up in 2020 (1964-65) to avail the credit facilities for agriculture development. But the function of this co-operation bank was very limited. So this bank was converted into Agriculture Development Bank in 2024. Another milestone in the history of banking system was achieved in

1965 A.D when the second commercial bank was established in public sector. That is the year 1965, Rastriya Banijya Bank , was established as a fully government owned commercial bank with the come up Rastriya Banija Bank, banking services spread to both urban as well as rural area but customers failed to have the least of quality/competitive service because of excessive political and bureaucratic interference and absence of modern managerial concept.

When the government adopted liberal and marked oriented economic policy in the mid 80's Nepal allowed the entry of foreign capital, technology and experience. In this regard, Nepal Arab Bank Limited is the first joint venture bank which was established in 2041 B.S under the commercial Bank Act 2031. With opening of NABIL the door of opening joint venture banks was opened to the private sector respectively.

1.1.3 Concept of Commercial bank

bank is the heart of financial system. Commercial bank is the purveyor of finance for trade and industry and plays a vital role in the economic and financial life of the country. Bank is the effective tool to collect saving and mobilize idle resources in productive area. It can play a vital role in giving direction to economic development over time by financing the requirement of trade and industry in the country.

" A Commercial Bank is one which exchange money, deposits money, accepts deposits, grants loan and perform commercial banking function and which is not a bank meant of cooperative, agriculture, industry or for specific purpose" (Act 2031).

"Commercial Banks are heart of financial system and they hold deposits of many people, government establishment and business unit. They make fund available through their lending and investing activities to borrowers, individual, business firms and services for the producers to customers and the financial activities of the government. They provide a large portion of the medium of exchange and they are media through which monetary policy is affected, this fact shows commercial banking systems of nation are important to the functioning of the economy "(Reed/Cotler/Will/Smith, 1976).

According to Joha Holland (1969)"Commercial Banks are financial intermediate that borrow money from savers in form of deposits and retain those to ultimate borrowers by making loans on buying securities".

Thus, Commercial Banks are that financial institutions which collect scattered saving of people and provide loan against proper security and even to agriculture sector. Moreover, they also provide technical and administrative assistance to their loan client. The operation of the letter of credit (L/C) in export and imports, exchange of foreign currency, transfer of payments, issuing of guarantee and undertaking,

providing information on banking and credit worthiness and maintaining relation and transacting with foreign banks are some of the major roles played b commercial bank in the development of trade and industry in economy. It is said that banks can provide any services and perform and function to meet the demands of its customers or clients.

1.1.3.1 **Development of Commercial Banks in Nepal:**

In the ear 1994 B.S, the establishment of Nepal Bank Limited, with the Imperial Bank of India came into existence under "Nepal Bank Act 1993 B.S'. a the first commercial bank of Nepal. At that time, this had authorized capital of Rs. 10 million and paid up capital of Rs. 842 thousand. Similarly Rastrya Banija Bank came into existence in 1966, fully government ownership. When the government of Nepal adopted liberal and market oriented economic policy in the mid 80's then Nepal allowed the entry of foreign banks capital, technology and experience. In this regard, following banks are established after the liberal market policy:-

1. Nepal Arab bank Ltd set up B.S under commercial bank act 2031 B.S as a first joint venture bank. Nabil Bank gave a new ray of hope to the sluggish financial sector. The very marketing concept of Nabil forced the bank in operation to be mote customers oriented and laid the influx of commercial banks. Because of the liberal economic policy adapted by Nabil Bank based on marketing concept following commercial banks came into existence on the various dates.
2. Nepal Investment Bank, earlier known as Nepal Indosuez Bank Ltd., is one of the oldest private joint venture banks in the country that started its business around 2042 B.S (1985 A.D).
3. Standard Chartered Bank-Nepal, earlier known as Nepal Grindlays Bank Ltd., came into existence in 2013 B.S (1987 A.D) as a joint venture between ANZ Grindlas and Nepal Bank Ltd. It started its business with Rs. 30 million paid up capital. After acquiring of the ANZ operation in the region by the standard chartered, it became a subsidiary of SC Grindlays which holds 50% of Standard Chartered Bank, Nepal Ltd after takeover by Standard Chartered.
4. Himalayan Bank Ltd. Is joint venture with Havbib bank of Pakistan, which started its operation in 2049 B.S (early 1993 A.D), with paid up capital of Rs. 60 million.
5. Nepal SBI Bank Ltd. is joint venture bank between employees' provident fund and state Bank of India, where India holds 50% of equity. The initial paid up capital was Rs 119.95 million in 2050 B.S.

6. Nepal Bangladesh Bank Ltd. Was established in 2051 B.S (1993 A.D) in technical collaboration with IFIC Bank of Bangladesh.
7. Everest bank Ltd. Started its operation in 2051 B.S (Oct 1994 A.D) . it entered into joint venture with Punjab National Bank of India (PNB) in January 1997 A.D. PNB holds 20% of equity.
8. Bank of Kathmandu was started as a joint venture bank with siau bank of thiland during the year 2051 B.S.
9. Nepal Credit and Commerce Bank Ltd., earlier known as Nepal Bank of Cylon Ltd. Was started in joint venture with a leading bank of Srilanka in 2053 B.S
10. Lumbini Bank was established in the year 2053 B.S in Narayanghar.
11. Nepal Industrial Commercial Bank Ltd. Was established in the year 2055 B.S with the mission of having the local route aims to achieve excellence in banking services by providing financial product with headquarter at Biratnagar. The initial paid up capital was Rs. 1000 million.
12. Machapuchre Bank Ltd. Started its operation as a regional bank during fiscal year 200/01 A.D.
13. Laxmi Bank Ltd. Has started its operation from April 2002 A.D as a regional bank with head office in Birgunj. The bank has its issued and paid up capital as Rs. 275 million respectively. Recently laxmi Bank has opened tow rural branches at Jitpur and Banepa.
14. Kumara Bank Ltd. Had started its operation with the issued capital of Rs. 500 maillion during 2001 A.D
15. Siddartha Bank Ltd. started its operation in December 2002 A.D with the issued capital of Rs. 500 million and has head office in Kathmandu.

1.1.3.2 **Need of commercial Bank in Nepal**

Commercial bank plays a dynamic role in the economic development of a nation. It may not be an exaggeration to assert that without the evaluation of commercial banks in 18^{th} and 19^{th} centuries industrial revolution would not have occurred in Europe. It is equally true that without the development of sound commercial bank under-developed countries can not hope to join the group of advanced country.

Nepal is the least developed country of the world and one of the poorest countries of the world and hence there is necessity of financial institution such as commercial banks. Certainly commercial banks have become the heart of financial system as they hold the deposit of millions of people, government and business unit, make fund available through their lending and investing activities to borrowers, individual, business firm and government. Thus, they are the most important institution of

capital formation that implies mainly saving, investment and production. It is generally known that more saving, more investment and more production.

Moreover, commercial bank also provide commercial help and good administrative suggestion, safe keeping of valuable collection of bills, cherubs, over drafts facilities and provide modern banking facilities to industries and commerce.

1.1.3.3 Function of Commercial Banks

According to Commercial Bank Act, 2031 B.S., "The commercial Banks provide short-term debts necessary for the trade and commerce. The accept deposits to provide short-term loans in different forms. They purchase and discount bills of exchange, promissory note and exchange foreign currency. They discharge various function on behalf of their customers and in exchange foreign currency. They discharge various function on behalf of their customers and in exchange they are paid for services." In modern world, bank performs variety of function which are presented as follows:-

1. Accepting Deposit

The first important function of a bank is to accept deposits from those who can save but can not profitably utilize this saving themselves to attract saving from all sort of individual. The bank maintains different type of account:-

I. Fixed Deposit Account

Money in these account is deposited for fixed period of time i.e. one, two, or fiscal years and can not be withdrawn before the expiry of that period. The rate of interest on this account is higher than other deposit. The longer the period, the higher will be the rate of interest.

II. current Deposit Account

These accounts are generally maintained by the traders and businessman, who have to make a number of payments every day. Money from this account can be withdrawn by the depositors at any time. The rate of interest is extremely low or zero.

III. saving Deposit Account

The aim of this account is to encourage and mobilize small saving of the public. Certain restrictions are imposed on the depositors regarding the number of withdraw and the amount to be withdrawn in a given period. Cheque facility is provided to depositors. The rate of interest in low.

IV. Recurring Deposit Account

The purpose of these accounts is to encourage regular saving by the public, particularly by the fixed income group. Generally money in these accounts is deposited in monthly installment for a fixed period and is repaid to the depositors along with interest on maturity. The rate of interest is high here.

V.Home Safe Account

Home safe account is another scheme aiming at promoting saving habits among te people. Under this scheme a safe is supplied to the depositor to keep it at home and to put his saving in it. Periodically, the safe is taken to the bank where the amount of safe is credited to hi account.

2. Advancing of Loans

The second function the bank is advancing loans to public. After keeping certain cash reserve, the bank lend their deposits to the needy borrowers, before advancing loans, banks stud about the credit worthiness of the borrowers. Various types of loan granted b the banks are as follows:-

I. Money at call

Such loans are very short period loan and can be called back by the banks at a very short notice of one day to fourteen days.

I. Cash Credit

It is that type of loan, which is given to the borrower against of current assets, such as shares, stocks, bonds such loans are not based on personal security. The bank opens the account on name of borrowers and allows him to withdraw borrowed money from time to time up to certain limit.

I. Overdraft

Sometimes the banks provide overdraft facilities to the customer through which they are allowed to withdraw mote then deposits. Interest is change from the customer on the overdrawn amount.

a. Discounting of Bills of Exchange

This is popular type of lending function of the modern banks. Through this method, a holder of a bill of exchange can get it discount by the bank in a bill of exchanger the debtor accept the bill drawn upon him by the creditor and agrees to pay the amount mentioned on maturity. After making some marginal deduction, the bank gets its payment from the party which had accepted the bill.

I. Agency Services

A modern commercial banks act as an agent of individual's customer, business, institution and different organization. The agency services of banks may involve collection of interest and dividends on debt and share capital. A bank undertakes to buy and sell securities on behalf of its customers. It undertakes the payment of subscription, insurance premium, rent etc. It collects cheque, bill, dividends, interest, pension etc on behalf of the customer. It takes commission for the services rendered.

III.Credit Creation

It is very important function of the commercial banks. Commercial banks accept deposits and advance loan. When the bank advances loan, it opens an account to draw the money by cheque according to their need. By granting loans, the bank creates credit or deposit.

IV.Issuance of Traveler's Chepue

The people traveling outside the country want to reduce the fear of getting money stolen during the travel. Bank sells the traveler's cheque for overcoming this threat.

V.Remittance Function

Receiving and sending fund to and from various places is the necessity of today's world. The remittance service of bank gas benefited both business and personal customers funds transfers are through various modes like demand drafts, telegraphic payment, order, swift and fax and mail payment orders.

VI.Other Function

Some other important function of commercial banks can be explained as below:-

a. Access in Foreign Trade

Commercial bank discount the bill of exchange drawn by Nepalese exporters on the foreign importers enables the exporters to receive money in the native currency. Similarly, the bank also accepts the bills drawn by foreign exporters.

B.Offers Security Brokerage Services

Bank have degum to market security brokerage services offering customers the opportunity to buy stocks, bonds and other securities without having to go to a security dealer of broker.

C.Financing Advising

Banks offer a wide range of financial advisory services from helping in financing planning and consulting business manager.

D.Opening Letter of Credit (L/C)

Today letter of credit has become very popular in foreign business. The letter of credit is opened/established by the bank on the request of the customer.

1.1.4 Concept of Joint Venture Banks

"A Joint Venture Bank is joining of forces between tow or more enterprises for the purpose of carrying out a specific operation i.e. industrial and commercial investment production or trade."(Gupta, 1984)

"A joint venture business involves in equity arrangement between two or more independent enterprises which result in the creation of new organization entiry."

"The existence of foreign joint venture banks has presented an environment for healthy competitive among the existing commercial banks. The increased competition has led to improve their quality and has caused an extension of services b simplifying procedures and training."(Chopra 1990)

The concept of joint venture banks is a new innovation in finance and it is at a growing stage, mostly in developing countries. The joint venture bank is mutual understanding among two or more firms then bringing new enterprises in existence.

Joint Venture may take place with in the country for one or more reasons:

a). Enable new technology.
b). Reduce high risk into joint venture.
C).Smaller firms joining hands may be able to compete with large organization.
d).commercialization of domestic technology etc.

Some positive aspects of Joint Venture Banks are:-

a). Increase in highly skilled personal with modern banking technology.

b). Efficient modern banking service.

C). Commercialization of domestic technologies.

d). Advance management skills.

e). Import of technology not available in the country

(The good competition between the banking sector helps to uplift the economic development of the nation in order to develop the nation. His Majesty Government of Nepal has adopted the policy of economic liberalization as in the other developed countries and followed the strategy to establish banking companies in joint venture with the foreign

banks, importing the high foreign technique in our nation. As a result following nine joint venture bank were established in Nepal up to 2058 B.S. these joint venture bank were providing modern banking facilities)

In Nepal the history of joint venture bank is not very old. About venture banks in Nepal, Nepal Arab bank Limited was the 1th joint venture bank established in 29th Ashad 2041. Joint Venture Bank Act 2031 B.S which is the backbones for the economic development of the country.

Besides this joint venture bank have been also crating competition for local banks b making then dart to perform their operation smoothly. Joint Venture Banks of Nepal own better position than commercial banks in term of profit making.

TABLE NO 1

Short portfolio of Joint Venture Banks in Nepal

Name of Joint Venture Bank	Established year	Participate country	Share contribution by	Head office	Initial paid-up capital
Nepal Arab Bank Limited (NABIL)	ashad 29,2041	U.A.E	NB (International)Ltd50% promoters-3.85% NSR & RBS-10% NIDC-6.15% General Public-30% NSEL& RBS-20%	Kathmandu	30000000
Nepal Indusuze Bank Limited (NIBL)	Margha 6,2041	France	Indusuz paris-50% General,,,,Public-35% RBB-15%	Kathmandu	90000000
Standard Chartered Bank Limited (SCBL)	Margha 16,2043	United Kingdom	Promoters Shareholders-50% ANZG.B.PLC London-35% General Public-15%	Kathmandu	30000000
Himalayan Bank Limited (HBL)	Magh 1,2049	Pakistan	Habib Bank of Pakistan-20% Promoters Shareholders-51% EP Fund-14% Nepal Public Shareholder-15%	Kathmandu	60000000
Nepal SBI Bank Limited (NSBL)	Ashad 24,2050	India	SBI Bank India -50% RBB-20% General Public-30%	Kathmandu	84000000
Nepal Bangladesh Bank Limited (NBBL)	Jestha 25,2050	Bangladesh	IFIC Bank Bangladesh-50% RBB-20% General Public-30%	Kathmandu	60000000

Everest Bank Limited (EBL)	Kartik 1,2051	India	Promoters-50% Joint Venture Partner-20% General Public-30%	Kathmandu	60000000
Bank of Kathmandu	Falgun 28,2051	Thailand	SBIT Thailand-50% Nepal Prpmoter-50%	Kathmandu	60000000
Nepal Bank of Cylone Limited	Ashwin 28,2053	Sri Lanka		siddharthanagar	

1.1.4.1 Development Joint Venture Bank in Nepal

"HMG's deliberate policy of allowing foreign JVB's to operate in Nepal is basically targeted to encourage local traditionally run commercial banks to enhance their balanceable capacity through competition efficiency, modernization via computerization and promote customer service."(Shrestha)

The foreign joint venture banks with full-fledged banking functions in Nepal are formed under the company Act 2021 B.S and operated the government introduced financial sector reform. Nepal allowed the entry of foreign banks as joint venture with up to a maximum of 50% equity participation.

The joint venture bank have been established for trading to achieve mutual exchange of goods and services, for sharing comparative advantages by performing joint investment schemes between Nepalese investor, financial and non-financial institution as well as private investors and their parent banks.

All joint venture banks in Nepal are experienced to be the medium of economic development and upliftment the business or trade, industries and community. All the Nepalese joint venture banks established and operated under the rules, regulation and guidance of Nepal Rastra Bank.

1.1.4.2 Features of Joint venture Bank's in Nepal are:-

- To provide new services.
- To create competition investment.
- To introduce new method and technology in banking.
- To provide more resources for investment.

1.1.4.3 **Role and Function of Joint Venture Bank**

“At present most of joint venture bank are operating in financial sector especially in banking finance, insurance and leasing etc. but the same challenge can be taken by domestic banks as an opportunity to modernize themselves and sharp their competitive jealous”.

Joint Venture Bank has a serious challenge to the existence of the inefficient native banks. But the same challenge can be taken as opportunities by domestic banks to modernize themselves and sharpen their competitive jealous. It is true that joint venture banks are already playing an increasing dynamic and vital role in the economic development of the nation.

A. Banking Technique

The joint venture banks in Nepal bags the credit for the new banking technique, such as hypothecation and syndication under guidance of NRB. Other areas of the joint venture bank have created a competitive environment in banking business in Nepal . prior to the arrival of joint venture bank there were little competitive zeal between NBL as they had almost set the bunch of customer, working area and services. This competitive environment will benefit the common man, businessman and industry and the country as a whole. The increased competition forced to extend service by simplifying procedures and b training, motivating their own staff to the new challenges.

Exporters are forward cover for foreign exchange transaction by importer and exporter. Merchant banking, interbank market for money and securities arranging foreign currency loans etc. these and other techniques in the international banking system have been introduced to Nepal by these foreign joint venture banks.

B.Creating Competitive Environment

C.Foreign Investment

Joint Venture Banks have played an important role in attracting foreign investment by familiarizing the foreign investors i.e. (multinational companies and other business organization) with the relevant Nepalese financial rules regulations and practices through their publication.

d. providing New Services

even though the joint venture banks so far has not provided any remarkable new services that was not offered by the domestic bank they have drawn a large number of customer whom assume that they will eventually benefit from their association with these banks when they introduce new services.

At present, speeder services then that of the domestic banks in the half mark of the joint venture banks through their services are basically in traditional areas which could highly educate for the domestic banks.

e. offering better links with international market

The joint venture bank are usually better place to raise resources internationally for viable project to developing country like Nepal mainly due to their creditability in and easier access to international market

1.1.5 Introduction of Sample Organization under Study.

For this study tow highly performing Joint Venture Banks will be taken as sample organization. The study will be focused on the cash flow analysis of the joint venture banks and size, growth of financial operating and investing activities of the vary bank. For the purpose of introduction of the selected banks the researcher tends to introduce the sample banks as follows:-

1.1.5.1 Brief Introduction of Nabil Bank Limited.

Nabile bank Limited, the first foreign joint bank of Nepal, started operation in July 1984 under a technical service agreement with Dubai Bank Limited, which later merged with Emirates Bank International Limited, Dubai, Today, 50% of Nabile shares are owned by N.B (international) Limited, 9.67% by Rastriye Beema Sanstha, 0.33% by Nepal Stok Exchange Limited and the remaining 40% by Nepalese public.

Nabil was incorporated with the objective of extending international standard modern banking service to various sectors. Pursuing its objective today Nabil provides a full range of commercial banking service through its 18 points of representation across the kingdom and over 170 reputed correspondent banks across the glode. The bank has Branches outside Kathmandu i.e. Nepalgunj, Bitwal, Bhairahawa, Bhalwadi, Pokhara, Birgunj, Alau, Biratnagar, Itahari and Dharan. In the Kathmandu Valley, the bank has its Head Office in Kamaladi and branches at Kantipath, New Road, Jorpati and Lalitpur and a counter at Thamel. In addition to the above, Nabil is the first bank with a present at the international and domestic terminals of Tribhuvan Airport, Kathmandu.

Nabil has been a pioneer in introducing many innovative products and marketing concept in the domestic banking sector- computerized banking environment, issuance of credit cards and advanced financial products like consortium financing. Nabil represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. The success story of Nabil soon paved the way for the establishment of many other commercial banks and financial institutions.

Mission: their mission is to be the bank of 1st choice. Bank of the 1st choice is a clear reflection that of success is the strong mutually beneficial partnerships built with all their stakeholders. To achieve this mission they live b a set of core values, C.R.I.S.P.; customer Focused, Result, Oriented, Innovative, Synergistic and Professional.

Vision: Nabil is moving ahead with a vision to be the bank of the first choice. The bank of first choice of deposit and lending customers in meeting all their financial requirement of shareholders whenever the look for investment opportunities, of regulators as a shining example of a model bank and the Bank of 1st choice of banking professionals, as the preferred employer in the industry.

Objective: The objective of Nabil Bank is to be a bank of first choise.

Nabil bank has focused on customer satisfaction by providing highly acclaimed services. It is concerned to be " The Bank of the first choice" through its values of always being customer focused, result oriented, innovative, synergetic and professional.

Nabile bank is focusing on Communities with their three pillar approach to great corporate citizenship firmly in place. Health –Education- Sport is the three pillars in which they have forged partnerships to add values to our country.

Nabil has been constantly focusing to invest in the priority sector prescribed b the regulator and they plan to extend their reach to customers of all strata of society, in urban, semi-urban and rural areas through network expansion and 'creative' product delivery, both on the deposit and lending side.

At a time when competition in the industry is more intense than ever, and local as well as foreign market penetration, risk management and revenue generation, Nabil bank is focusing to Surge ahead to remain the " Bank of 1st choice"

Branches of Nabil are: Kantipath Branch, Tripureshwore Branch, New Road Branch, Jorpati , Branch, Birgunj Branch, Alau Branch, Biratnagar Branch, Lalitpur Branch, Ithari Branch, Butwal , Branch, Pokhara Branch, Bhairahawa Branch, Nepalgunj Branch, Lakeside Pokhara Branch, Exchange counter-(Tribhuvan Int"1 Airport, Ktm), Dharan Branch, Bhalwadi Branch, Mnharajgunj Branch, Birtamode Branch, Heteuda Branch, Narayangadh Branch, Baglung Branch, Tulsipur Branch, Ghorahi Branch, Dhangadi Branch and Mahendranagar Branch.

Board of Directors (BOD)

- Mr. Satyendra Pyara Shrestha — Chairman
- Mr. Mohiuddin Ahmud — Director
- Mr. Suriya Gupta — Director
- Mr. Shanbhu Prasad Poudya — Director
- Mr. Dayaram Gopal Agrawal — Director
- Mr. Milan Bikram Shah — Director

- Mr. Abdul Awal Mintoo — Director
- Mr. Suraj Lal Mehta — Director
- Mr. A.P Bazgain (Professional) — Director

Products and services under " loan service" of Nabil Bank are : Working capital, Fixed capital import, Bills discounting facility under supplier credit, Export loan, Hire purchase, Project finance, Consortium/Syndication loan, Mortgage loan, Loan against deposit and government securities, Housing finance, Auto finance, Nabil property and personal finance.

Service under " trade finance service' are : Import LC, Export LC, Forward contract, Bid bond, Performance bond, Counter G'tee, Advance Payment G'tee and shipping indemnity.

Deposit services of Nabil Bank are: Current, Call, Time, Normal saving, Provident fund, retirement fund, Cards and ATMs, Master card local, Master card int'l, VISA local, Diners card,for Traval (against passport facility). VISA electron/ATM card, Nabil prepaid card and Acquiring business.

Clean bills services of Nabil Bank are : Clearing , Bills purchase and Bills collection.

Remittance services of Nabil Bank are: SWIFT transfer, Western Union, E-Remittance (Qatar, Doha), Travlers' Cheque, Bank draft, Mail transfer, Managers' Check and Anywhere Branch Banking.

E-Banking services of Nabil Bank are: Nabil Net and Nabil Tele

Other services of Nabil Bank are: U.S Visa fee, Safe Deposit locker and Balance Certificate and Advance Payment certificate.

Award and Achievement: The Banker', the publication of the Financial Times, London has Honored the Nabil Bank as "Bank of the Year 2004" and it is a matter of prestige to be a leading bank of the country.

Share Holding Pattern (In percent)

Parties	**Percentage**
Promoters	3.85%
NSE & RBS	10%
NIDS	6.15%
General Public	30%
NB (International) Ltd.	50%
Total	100%

Figure 1.1 Share holding pattern of Nabil Bank

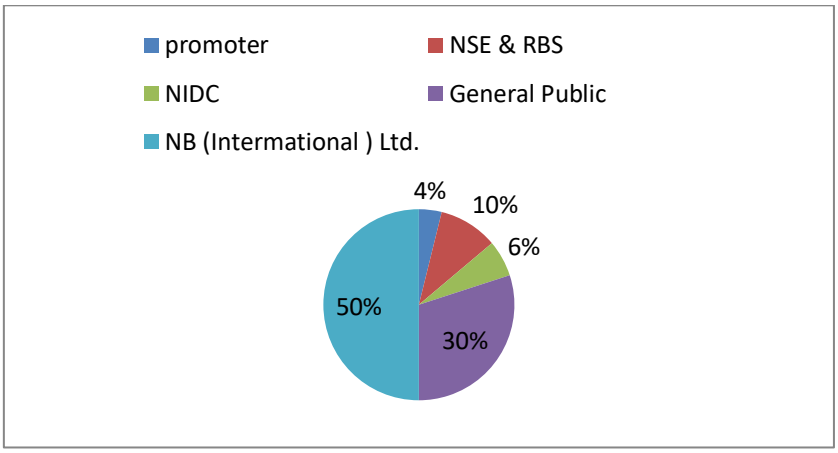


Table No.1.2

Present Capital Structure of Nabil Bank Ltd.

Particular	**Amount**
1.share capital	
1.1 Authorized capotal:1600000000	
a) 16000000 ordinary share of Rs. 100	160000000
b)-----Non-redeemable preference shares of Rs.--each	----------
c)-----Redeemable preference shares of – each	----------
1.2 Issued capital: 689216000	
a) 6892160 ordinary shares of Rs. 100 each	689216000
b) ---Non-redeemable preference shares of Rs.—each	----------
c) ---Redeemable preference shares of Rs.—each	----------
1.3 Paid Up Capital: 689216000	
a) 6892160 ordinary shares of Rs.100 each	689216000
b) --- Non-redeemable preference shares of Rs.—each	----------
c)--- Redeemable Preference shares of Rs.—each	----------

1.1.5.2 Brief Introduction of Everest bank Ltd (EBL)

Banking Sector has always been completive. To succeed, they must perform well and to perform well their management should be as smooth as silk. EBL highly concern on its smooth management. They know how to respond to a continuously changing consumer need. They have been practicing the art of market oriented strategic planning. They are heavily commented to marketing management and strongly consumer focused. They are dedicated to identify and satisfy consumer's need and expectation.

EBL is keeping on providing fabulous services and facilities to its consumer. They have settled all their branch offices in easily accessible locations. They have tried their clients. Their interior look is impressive. The frontline staff is responsive and co-operative. There exhibit very good operation between marketing operations and human resources areas.

The EBL management always seeks offering new services to fulfill the needs of the customers from different segments of the society. They are quite innovative and have recently introduced different types of loans life Home equity loan, Loan against Mortgage of Immovable property,

Loan against Life Insurance Policy etc. Event in past years they introduced different types of customer friendly schemes, which became very popular and effective. They have always been consumer oriented.

EBL has opened its representative in New Delhi, India to facilitate with easy banking transaction to all those Nepalese working or residing there and also for effective remittance and trade operations between Nepal and India. It has maintained the largest network among the private sector banks in Nepal.

Concerning the need and convenience of the customers, EBL is committed to stay up to date with the latest technologies. It has been providing ATM services and in addition has made an agreement with Smart Choice Technology (SCT) hence enabling its customers to withdraw money from more than 64 different ATM counters and also accessing its valued customer to many SCT points of sales. It is offering 365 days banking facilities. It believes that the success and failure of any organization depends upon the knowledge, skill competency and motivation of its human resources. Thus the bank has considered on providing necessary training to their staffs. Its gas tries its best to keep high level of human resource motivation and taken consideration on certain the feeling of own ness amongst its staffs. EBL organized management development program for its manager and officers to develop positive attitude. EBL have been announcing 'Best Branch awarding Program' which has shown positive signs on well performance among its branches.

Corporate Vision: Evolve and position the bank as a progressive, cost effective and customer friendly institution providing comprehensive financial and related services, Integrating frontiers of technology and servicing various segments of society, Committed to excellence in serving the public & also excelling in corporate values.

Corporate Mission: Provide excellent professional services & improve its position as a leader in the field of financial related services: Build & maintain a team motivation & committed workforce with high work ethos: Use latest technology aided at customer satisfaction & act as an effective catalyst for socio-economic development.

Branches of EBL are: Baneshwor Main Branch, New Road Branch, Teku Branch, Lazimpat Branch Head Office, Chabahil Branch, Satungal Branch, Birantnagar Branch, Duhabi Branch, Janakpur Branch, Birgunj Branch, ICD (Dry Port), Simara Branch , Pokhara Branch, Pulchowk Branch, Butwal Branch, Bhairawa Branch, Dhangadhi Branch, Ithari Branch, Nepalgunj Branch, Naya Bazaar KTM Branch, Birtamode Branch, Baglung branch and Damauli Branch.

Board of Director (BOD)

▪ Mr. Bishnu K. Shrestha,	chairman
▪ Mr. Indra Dev Singh	Director (PNB Bank, India)
▪ Mr.R.K Mahat	Director
▪ Mr. Bed Krishna Shrestha	Director
▪ Mr. Arun Man Sherchan	Director
▪ Mr. Dr. Bal Gopal Vaidhya	Director
▪ Mr. Ratna Sansar Shrestha	Director
▪ Mr. Nabin Bhakta Shrestha	Director
▪ Mr. Shivasharan K.C	Director

Products and services of Everest Bank Ltd are: EBL provides their customer to open different account for their deposit like saving account, saving premium account. Deposit Fixed account, Cumulative Deposit Scheme, Sunaulo Bhavishya Yojana, Saral Samriddhi Bachat, EBL NRN Deposit and Unified Deposit Scheme.

Similarly, EBL has provided the loan to their customer for their need. They provide different loan as; Direct Housing loan, Home Equity Loan, Vehicle Loan, EBL Property Plus, Professional Loan Sceme, Loan Against Mortgage and Loan Against Shares.

Services and facilities provided b the bank are: Debit Card/ATM, Safe Deposit Locker, Remittance, Letter of Credit, Bank Guarantee, Transfer of money through draft, TT and SWIFT. The bank has focused to collect small amount b which a large valuable capital can be formed. The bank focused to its Saral Sambridhi Bachat and Saunaulo Bhavishya Yojana and has launched Everest Remit. The bank has been providing different overdraft to its customer against their deposits.

Awards and Achievement: The EBL has been awarded the bankers award 2006 by The Financial Times, UK.

Share Holding Pattern (In percent)

Parties	Percentage
Promoters	50%
Joint Venture Partner	20%
General Public	30%
Total	100%

Figure 1.2- Share holding pattern of Everest Bank

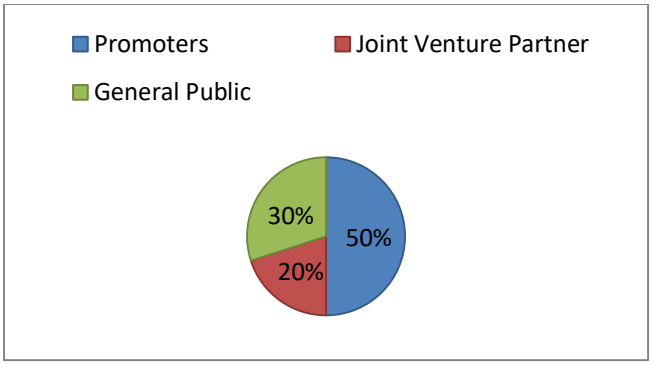


Table No.1.3

Present Capital Structure of Everest Bank Ltd

Particular		Amount
1	**Share Capital**	
1.1	**Authorized Capital: 1000000000**	
	a. 6500000 ordinary shares of Rs. 100 each	650000000
	b. 1500000, 9% Non- redeemable pref. shares of Rs. 100 each	150000000
	c. 2000000, 7% Redeemable pref. shares of Rs. 100 each	200000000
1.2	**Issued Capital: 843200000**	
	a. 4932000 ordinary shares of Rs. 100 each	493200000
	b. 1500000, 9% Non-redeemable pref. share of Rs. 100 each	150000000
	c. 2000000, 7% Redeemable pref. share of Rs. 100 each	200000000
1.3	**Paid Up Capital: 831400000**	
	a. 4914000 ordinary shares of Rs. 100 each	491400000
	b. 1400000, 9% Non-redeemable pref. shares of Rs. 100 each	140000000

c. 2000000, 7% Redeemable pref. shares of Rs. 100 each	200000000

1.2 Banks and Economic Development

The primary goal of any country, like Nepal, is rapid economic development to promote the welfare of the people and the nation as well. Nepal is trying to embark upon the path of economic development by economic growth rate and developing the sector of economy. So, the process of economic development depends upon capital formulation and its utilization pals a paramount role. The increase in capital has always been a sort of prime mover in the process of material growth and the rate, if capital formulation has been the principal variable insetting the overall pace of economy. In this regard, the network of well-organized financial system of the country has great bear. it collects scattered financial resources from the masses and invest them among those engaged in economic and commercial activity of the country. In this regard bank plays a vital role in accelerating the economic development of country. The commercial banking system in Nepal is still its infant stage as compared to other developed countries. However, the role of banks in economic as well as industrial development and promotion of agriculture industry trade and commerce is immense. Bank is also playing a social role by providing loans in priority sectors, cottage and small-scale industries, production, credit for rural women, deprived sector credit program, micro credit program, etc. beside this, it has been providing necessary financial and technical support to develop national economy.

1.3 Focus of the Study

After the introduction of banking Reformation Policy in 1980, government took step toward economic liberalization. Government allowed foreign bank to operate banking activities as a joint venture with domestic investors up to 50% equity participation.

JVBs have done much to open new frontier of economic development of our country. These banks have introduced new banking technologies, mechanism and methodology.

In the light of competitive modern banking environment, out major focus of study will be to measure the financial, operating and investing performance. And rest focus will be on the following specific research questions/problem.

a. What capacity do joint venture bank have in term of cash flow analysis?
b. What are the factor hindering the efficiency of joint venture banks?
c. What are the major problems of the banks to banks to maintain a better cash flow analysis?

1.4 Statement of the Problem

The opened and liberal economic policy towards the banking sector of the government of Nepal initiated many joint venture banks and finance companies, rural banks, financial co-operative institution in Nepal. The rapid growth of financial institution has led a sharp competition among each other. Although joint venture banks have been managing for better performance than other local commercial banks within short span of time, they have been-facing cut throat competition from other commercial banks. They have been facing neck to neck competition among each other and are taking advantages of weakness and inefficient of domestic commercial banks.

Nabil Bank Limited and Everest Bank Limited also face these types of problems, even though they have been able to make profit. In fact, efficient cash flow management is a mirror of weakness and strength of the banks. A strong joint venture bank can contribute to national economy and also attract to future foreign investors in this sector. Therefore, cash statement should fully be observed to find out whether the bank is economically and tactfully as well as financially strong or not.

Cash flow analysis is an important part of cash flow management to provide information about inflow and outflow of cash and cash equivalent. This study will provide useful information to the users of statement to:-

Cash Flow Analysis is an important part of cash flow management to provide information about inflow and outflow of cash and cash equivalent. This study will provide useful information to the users of statement to:-

a.Assess the ability to generate positive future cash flows of Nabile bank Ltd. and Everest Bank Ltd.

b.Assess ability to meet its obligations, its ability to pay dividends and its ned for external financial of Nabil Bank Ltd and Everest Bank Ltd.

c.Assess the reason for differences between income and associated cash receipts and payments.

d.Assess both the cash and non-cash aspect of a company's investment and financial transaction.

e.Assess solvency, liquidity and financial flexibility of Nabil Bank Ltd. and Everest Bank Ltd. solvency is the ability of a company to pay its debts as it matures. Liquidity is the ability to generate adequate amount of cash and also refers to assess a liability nearness to cash. Financial flexibility refers to adopt during a period of financial adversity to obtain financial to liquidate non-operating assets for cash.

1.5 Significance of the study

Joint Venture commercial bank can play an important role in the upliftment of developing country especially like Nepal. It also helps to improve the economic position of the country. The main objective of this research is to analyze the cash flow through the use of appropriate financial, accounting tools. This study helps to different parties since the significance to the banking business for a national development, broker, customer, owners, investors and government etc and other policy makers, who are concerned with banking sector.

1.6 Objectives of the studies

The purpose of the study is to reveal the comparative position of cash flow on the two balance sheets date and to investigate about receiving the source and its uses of cash of Nabil Bank Limited and Everest Bank Limited. The finding of this report will enable us to state in definite items, from where the cash obtained by Nabil Bank Limited and Everest Bank Limited can be evaluated. The basic objectives of this study will be to investigate the financial performance applying accounting tools and techniques and trace out concrete recommendation to improve financial position of Nabil Bank Limited and Everest Bank Limited. Whereas, it also helps to analyze the technical strategies of these joint venture banks.

The basic objective of Thesis are as follows:-

a. To analyze the size of operating, financing and investing cash activities.
b. To explore the growth of operating, financing and investing cash activities.
c. To study the structure of operating, financing and investing cash activities.
d. To find out the net change in cash and cash equivalent in each year.

1.7 Limitation of the study

This comparative study on the cash flow management is joint venture banks of Nabil Bank Limited and Everest Bank Limited is for the partial fulfillment of Master Degrees of Business Studies. It possesses come limitation of its own kind.

a. This study is done about the academic activities and also compiles a short time frame of the academic session, so the study is confined in the boundaries of limited time.
b. The study is based on the published date provided by the banks along with other related journal, newspaper, bulletins etc. so, the output of the study entirely depends on secondary data, which is not sufficient for completion of the study.

c. There are more than 18 commercial joint venture banks, out of them, the study is confined only to two bank i.e. Nabil Bank Limited and Everest Bank Limited due to lack of time and resources.
d. This study covers only five year data.
e. There are many financial and accounting tool but this study deals only with certain accounting tool such as cash flow management.
f. There are many statistical tools but this study includes some statistical tools which have been used in the analysis to achieve the set goals hence, the study has limited significance from the particle viewpoint.

1.8 Organization of the study

This thesis is organized in to five chapters. These titles of each these chapters are listed below:-

CHAPTETS	**TITLE OF THE CHAPTER**
CHAPTER I	Introduction of the study
CHAPTER II	Review of Literature
CHAPTER III	Research Methodology
CHAPTER IV	Presentation and analysis of Data
CHAPTER V	Summary, Findings, Conclusion and Recommendation

Chapter I: Introduction of the study

This chapter describes the basic concept and background of the study. It has served orientation for readers to know about the basic information of the research area, various problem of the study, objectives of the study and need or significance of the study. It is oriented to readers for reporting, giving them the perspective they need to understand the detailed information about coming chapter.

Chapter II: Review of Literature

This second chapter of the study assures readers that they are familiar with important research that is carried out in similar areas. It also establishes link with a chain of research that is developing and emerging knowledge about concerned field.

Chapter III: Research Methodology

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. It describes about the various sources of data related with study and various tools and techniques employed for presenting the data.

Chapter IV: Presentation and Analysis of Data

This chapter analyzes the data related with study and presents the finding of the study and also comment briefly on them.

Chapter V: Summary, Findings, Conclusions and Recommendation

On the basis of the result from data analysis, the research concludes about the performance of the concerned banks in terms of cash flow management. It gives important suggestion to the concerned banks and authorities for better improvement.

CHAPTER-II

REVIEW OF LITERATURE

This chapter deals with the literature, concerned and relevant to this study. This part of thesis is essential to know about the findings of other researchers which have conducted before, and appropriate to the study. Review of literature can be taken as means of the base to study. It provides guidelines, ideas and many-more impotent information for every researcher. Normally a researcher can identify to which end the similar has been conducted before and from which point should he conduct rest of it.

The tool which has been used to mange and analyze cash is cash flow statement. This accounting system is latest and result oriented tool in accountancy which shows the cash in and out flow as well as the position of cash, also plays vital role to take decision in managing cash in the following period. The first part consists of conceptual framework and he remaining parts consists the review of report, articles, journal and dissertation.

2.1 Theoretical Review of cash Flow Analysis

Cash Flow Analysis is the process of monitoring, analyzing and adjusting of any business' cash flow. It won't be able to stay in business if the bills can't be paid for any extended length of time!

Therefore, it is needed to perform a cash flow analysis on a regular basis, and use cash flow forecasting so we can take the necessary steps to head off cash flow problem. Many software accounting program have built-in reporting feature that makes cash flow analysis easy. This is the first step of cash flow analysis.

The second step of cash flow analysis is to develop and use strategies that will maintain an adequate cash flow for any business. One of the most useful strategies for banking business is to shorten the cash flow conversion period so that the business con bring in money faster.

Today, cash flow is still lifeblood of every business. Like it or not, cash is how business keeps score. If a business doesn't have enough cash on hand, it can't pay its suppliers or financers. Without sufficient cash, it will go out of business soon enough.

Cash flow is the flow of spend able money into a business and back out again. Managing the cash flow can be a tricky business, and business policies regarding, for examples, to extend credit to the customer, number of customer, and how quickly they pay, all can combine to make it too complex to track. When it gets this complicate, smart business manager turns to computerized tools to help them get a handle on the process, the risks, and the opportunity.

Important things to be considered in cash flow analysis:

- Optimize the cash flow analysis for both receipts receipts and payment.
- Accelerate the collection of remittances and improve control of disbursements.
- Successfully invest excess funds in short-term instruments.
- Understand the account analysis statement.
  (www.cash management.com)

2.2 Cash Flow Statement

In financial accounting, a cash flow statement or statement of cash flow is a financial statement that shows a company's incoming and outgoing money (sources and uses of cash) during a time period (often monthly or quarterly or yearly). The statement shows how changes in balance sheet and income accounts affects cash and cash equivalent, and breaks the analysis down according to operating, investing, and financing activates. As an analytical tool the statement of cash flows is useful in determining the short-term viability of a company, particularly its ability to pay bills. International Accounting Standard 7 (IAS 7) is the International Accounting Standard that deals with cash flow statement.

Accounting personnel are those who need to know whether the organization will be able to cover payroll and other immediate expenses. Potential lenders or creditors are those who want a clear picture of company's ability to repay. Potential investors are those who need to judge whether the company is financially sound. Potential employees are contractors those who need to know whether the company will be able to afford compensation.

The cash flow statement was previously known as the statement of changes in financial position or flow of funds statement. The cash flow statement reflects a firm's liquidity or solvency.

The balance sheet is a snapshot of a firm's financial resources and obligations at a single point in time, and the income statement summarizes a firm's financial transactions over an interval of time. These two financial statements reflect the accrual basis accounting used by

firms to match revenues with the expenses associated with generating those revenues. The cash flow statement includes only inflows and outflows of cash and cash equivalents; it excludes transaction that does not directly affect cash receipts and payments. These non cash transaction includes depreciation and write-off on bad debts. The cash flow statement is a cash basis report on three types of activities are reported in footnotes.

2.3 Objectives and Importance of Cash Flow Statement

The cash flow statement is intended to:

- To provide information on a firm's liquidity and solvency and is ability to change cash flows in future circumstances.
- To provide additional information for evaluating changes in assets, liabilities and equity.
- To improve the comparability of different firm's operating performances by eliminating the effects of different accounting methods.
- To indicate the amount, timing and probability of future cash flows.
- To evaluate the state or performances of a business or project.
- To determine problem with liquidity. Being profitable does not necessarily mean being liquid. A company can fail because of a shortage of cash, even while being profitable.

- To generate project rate of return. The time of cash flows into and out of project are used as inputs to financial models such as internal rate of return, and net present value.
- To examine income or growth of a business when it is believed that accrual accounting concepts do not represents economic realities. Alternatively, cash flow can be used to 'validate' the net income generated by accrual accounting.

The cash flow statement has been adopted as a standard financial statement because it eliminates allocations which might be derived from different accounting methods, such as various time frames for depreciating fixed assets.

2.4 Benefits from using Cash Flow Statement

The cash flow statement is one among the four main financial statement of a company. The cash flow statement can be examined to determine the short-term sustainability of a

company. If cash is increasing (and operational cash flow is positive), then a company will often be deemed to be healthy in the short-term. Increasing or stable cash balance suggests that a company is able to meet its cash needs, and remain solvent. This information cannot always be seen in the income statement or the balance sheet of a company. For instance, a company may be generating profit, but still have difficulty in remaining solvent.

The cash flow statement breaks the sources of cash generation into three sections: operational cash flows, investing cash flows and financing cash flows. This breakdown allows the user of financial statement to determine where the company is driving its cash for operations. For example, a company may be notionally profitable but generating little operational cash (as may be the case for a company that barters its products rather than selling for cash). In such a case, the company may be deriving additional operating cash by issuing shares, or raising additional debt finance.

Companies that have announced significant write downs of assets, particularly goodwill, may have substantially higher cash flow that the announced earning would indicate. In certain cases, cash flow statement may allow careful announced earning would indicate. In certain cases, cash flow statement may allow careful analysis to detect problem that would not be evident from the other financial statement alone. Use of one measure of cash flow would potentially have detected that there was no change in overall cash flow (including capital investment)

2.5 Cash Flow from Various Activities

The cash flow statement is categorized into cash flow resulting from operating activities, cash flow resulting from investing activates and cash flow resulting from financial activities.

1. Cash Flow Operating Activities (CFFOE)

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 flow to repay loans, maintain the operating capability of enterprises, pay dividends and make new investments without resource to external sources of financing. Information about the specific components of historical operating cash flow is useful, in conjunction with other information, in forecasting future operating cash flows. Cash flows from operating activities are primarily derived from the principal revenue producing activities of the enterprise. Therefore, they generally result from the transactions and other events that enter into the determination of net profit or loss. Examples of cash flow from operating activities are:

a. Cash receipts from the sale of goods and rendering the services;
b. Cash receipts from royalties, fees, commission and other revenues;

c. Cash payment to suppliers for goods and services;
d. Cash payment to behalf of employees;
e. Cash receipt and cash payments of an insurance enterprise for premium and claims, annuities and other policy benefits;
f. Cash payment or refund of income taxes unless they can be specifically identified with financing and investing activities; and
g. Cash receipts and payments from contracts held for dealing or trading purpose.

Some transaction, such as the sale of an item of plant, may give rise to a gain or loss, which is included in the determination of net profit, or loss. However, the cash flows relating to such transaction are cash flows from investing activities.

There are two kinds of flows of cash in every activities of a firm. They are inflows and outflows of cash. To receive cash from any source is called cash inflows and to pay or disburse cash to any use is known as cash outflows. Operating activities relate to a company's primary revenue generating activates. It is the single major continuing source 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 cash effects of transactions and economic events of included in the determination of income. There are two parts of operating activities.

A. Cash inflow or cash receipts

All the sources of cash which generate the cash to the company as a operating activities includes the following are major sources of cash of joint venture banks:-

I. Interest Income: - Interest is the compensation of the investment received to the investor interest income received on various investment of a bank is included in interest income. Interest cash in received on the following investment topics by a bank to the context of Nepal. Interest income is the greatest income source of joint venture banks in Nepal.

a. Interest on loan, advances and overdraft.
b. Interest on investment on:
    - Government securities such as treasury bills, development bonds, national saving certificates, special bonds.
    - Foreign securities
    - Nepal Rastra bank bonds

- Debentures and bonds of financial institutions and other institutions

c. Interest on agency balances
    - Local banks
    - Foreign banks
d. Interest on money at call and short-term notice
    - Local money
    - Foreign currency
e. Other

Certificate of deposit

- Inter –bank loan
- Others

II. Commission and Discount Income:- Commission and discount income is the second source of cash in joint venture banks. The following are the main sources to receive commission and discount of a joint venture bank in Nepal.

a. Bills purchased and discounted
    - Local
    - Foreign
b. Commission
    - Letter of credit
    - Guarantees
    - Collection fees
    - Remittance fees
    - Credit cards
    - Share underwriting/issues
    - Government transactions
    - Agency commission
    - Exchange fees
c. Others

III. Currency Exchange Gain:- Currency exchange is also the third source of cash collection of banking institutions. The following are the main sub-topic to receive the gain while getting exchange of foreign currencies.

a. Revaluation gain
b. Trading gain (except exchange fees)

IV. Non-operating Income:- Non-operating income is calculated is calculated in joint venture banks from the following sub-topic.

a. Profit on sale of investments

b.Profit on sale of assets

c. Dividend of equity share of

- Commercial banks
- Rural development banks
- Financial institution
- Other institution i.e. subsidiary companies

d. Subsidies received from Nepal Rastra Bank
   - Reimbursement of losses of specified branches
   - Interest subsidy
   - Exchange counters
e. Other
   - Special fees
   - Other

V. Other Income :- The sources of extra income for joint venture banks in Nepal are as follows:-

a. Rental on safe deposit lockers

b. Issue and renewals of credit cards

c. Issue and renewals of ATM cards

d. Telex/T.T

e. Service charge

f. Renewal fees

g. Loss provision written bank

h. Others

B. Cash outflows or cash payments

The major uses of cash joint venture banks during a fiscal year are:-

I. Interest Expenses

a. Interest payment on deposit liabilities

- Fixed deposit on local and foreign currency
- Saving deposit on local and foreign currency
- Call deposits on local and foreign currency
- Certificate of deposit

b.Interest expenses on borrowing

- Overdrafts
- Loan from Nepal Rastra Bank
- Inter-bank borrowing/short-term deposit
- Other loan and refineries

c. Interest expenses on other
    - Premium expenses on development bonds
    - Other as forwarded

II. Employees expenses

a. Salary
b. Allowances
c. Contribution to product fund
d. Training expenses
e. Uniform expenses
f. Medial expense
g. Insurance of employees
h. Provision for gratuity
i. Other personnel expenses
j. Employees incentives

III. Office Overhead Expenses

To operate a company, office management expenses are to be allocated. Payment is done in cash basic during a year. In a joint venture bank the following types of office operating expenses are paid:-

a. Electricity and water
b. Repair and maintenance of buildings, vehicles and business
c. Insurance of building, vehicles and business

d. Postage, telex, telephone, fax
e. Repair on office furniture and equipment
f. Traveling allowances and expenses
g. Stationary and printing
h. Periodicals and printing
i. Advertisement
j. egal and professional expenses
k. Donation
l. Expense relating to board of directors i.e. meting fees and other
m. Annual general meeting expenses
n. Expenses relating to audit
o. Commission remittances
p. depreciation on fixed assets
q. amortization of preliminary and other expenses
r. share issue expenses
s. Technical services fees
t. Entertainment
u. Written off expenses
v. Security expenses
w. Credit guarantee premium
x. Commission and discount paid
y. Changes on foreign currency notes
z. Office equipment and furniture (non capitalized items)
aa. Others (sundries)
bb. IT support cost (including license fee)

Iv. Currency Exchange Loss

a. Revaluation loss
b. Trading loss (except exchange fee)

V. Non-operating expenses

a. Loss on sale of assets

b. Special fee paid

c. Others

VI Other expenses

2. Cash Flow from Investing Activities (CFFIA)

The separate discourse of cash flows arising from investing activities is important because the cash flows represents the extent to which expenditure have been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are:-

1. The cash payments to acquire property, plant and equipment, intangibles and other long term assets. These payments include those relating to capitalized development costs and self-constructed property, plant and equipment.
2. Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets.
3. Cash payment to acquire equity or debt instrument of other enterprises and interest in joint venture (other than payment for those instruments considered to be cash equivalent or those held for dealing or trading purposes)
4. Cash receipts from sales of equity or debt instrument of other enterprises and interest in joint venture (other than receipt for those instruments considered to be cash equivalent or those held for dealing or trading purposes)
5. Cash advances and loans made to other parties (other than advances and loans made by financial institutions)
6. Cash payments for future contracts, forward contract, option contract and swap contract except when the contract are held for dealing
7. Cash receipts from future contracts, forward contracts, option contracts and swap contract except contract when the contracts are held for dealing or trading purpose, or the receipts are classified as financing activities.

To prepare the statement of cash flow for investing activities the following inflows and outflows are taken into consideration in joint venture banks:-

A. Cash Outflows

- Decrease in banks balance
- Decrease in money at call and short notice
- Decrease in investment
- Decrease in fixed assets
- Decrease in other assets
- Decrease in cash or cash equivalent is receive from related source

B. Cash Inflows

- Increase in bank balance
- Increase in money at call and short notice
- Increase in investment
- Increase in loans advances and bills received
- Increase in fixed assets
- Other assets
- Increase in cash or cash equivalent is payment made to related uses

Cash inflows and outflows from investment are shown by not presenting separately. These two show as changes in investment as positive sign and negative sign. These amounts are calculated by comparing balance sheets of current year with previous year. If there is seen increase, it indicates the outflow of cash and if there is seen decrease, it indicates cash received. The main sources/uses of cash flows and cash outflows are as given belows:-

a. Bank balance in local as well as foreign currency
    - Current account and other accounts in Nepal Rastra Bank and other local banks
    - Current and other account in foreign currency
b. Money at call and short-term notice in local and foreign currency
c. Trading and other investment
    - Government of Nepal securities on treasury bills, development bonds, national saving bond and special bonds
    - Foreign government securities
    - Nepal Rastra Bank's bonds
    - Share development and bonds
    - Other investment such as certificates and deposit, mutual funds, local banks, foreign banks and other

d. Loans, advances and bills purchased in domestic and foreign currencies.
    - Performing loans such as pass and restructured loan
    - Non-performing loan such as sub-standard, doubtful, and loss
e. Fixed assets
    - Freehold land and building
    - Vehicles
    - Machinery
    - Office equipment
    - Others (leasehold)

f. Other assets
    - Stationary stock
    - Income receivable on investment
    - Accrued interest on loan
    - Commission received
    - Sundry debtors and capital advances
    - Staff loan and advances
    - Pre-payment
    - Cash in transit
    - Other transit items including cheques
    - Drafts paid without notice
    - Expenses not written off
    - Non-banking assets
    - Branch adjustment account
    - Other deposit receivable

3. Cash Flows from Financing Activities (CFFFA)

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 enterprises. Examples of cash flows arising from financing activities are:-

a. Cash proceeds from issuing shares or other equity instruments;
b. Cash payment to owners to acquire or redeem the enterprise's shares;
c. Cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings;

d. Cash repayment of amounts borrowed;
e. Cash repayment by a lessee from the reduction of the outstanding liability relating a finance lease.

Following are the main items included in the statement of financing activities. Decrease in the following shows cash inflows and increase in the following shows cash outflows in a joint venture bank:-

a) Borrowings

From the following a joint venture bank borrow loan in Nepal:-

i. Local banks, financial and other institution

- Government of Nepal
- Nepal Rastra Bank as loan, refinance and deposit for short-term
- Inter-bank overdraft, loan, deposit for short-term
- Other financial institution

ii.Freign banks, financial and other institution

- Bank overdraft
- Nostrum and agency balance
- Deposit for short-term

b)Deposit accounts (local and foreign currency)

i.Non-interest bearing account

- Current deposits in government of Nepal, commercial banks, financial institution, other institution and individuals.
- Margin deposit on employee's guarantee, guarantee margin, letters of credit margin, other
- Other local and foreign currency

ii.Interest bearing accounts

- Saving deposit in institutions, individuals and others.
- Fixed deposit in institutions, individuals and others.
- Call deposit in commercial banks, financial institutions, other institutions, individuals and others.
- Certificate of deposit of institution, individuals and others.

c) Bills payable in local and foreign currency is abstracted from the schedule no-5 of joint venture bank's annual report.

d) Other liabilities

- Gratuity funds
- Employees' provident fund
- Employees' welfare fund
- Provident for statutory staff bonus
- Unpaid dividend
- Provision for income tax and special fees
- Interest payable on deposit

- Interest payable on borrowing
- Unearned discount and commission
- Proposed dividend
- Interest suspense
- Sundry creditors
- Branch adjustment account
- Other provision for expenses

e) Share capital

- Authorized capital
- Issued capital
- Paid up capital

Disclosure of Non-Cash Activities

Non-cash investing and financing activities are disclosed in footnotes to the financial statements. Non-cash activities may be disclosed in a footnote or within the cash flow statement itself. Non-cash financing activities may include.

1. Leasing to purchase an assets converting debt to equity.
2. Exchanging non-cash assets or liabilities for other non-cash assets or liabilities.
3. Issuing shares in exchange for assets.

2.6 Preparation of Cash Flow Statement

The Cash Flow Statement is prepared on the basic cash. While calculating operating profit of Cash Flow Statement, adjustment for prepaid and outstanding expenses and income are made to convert the data from accrual basis to cash basis. The statement is prepared by taking the opening cash balance, adding to this all the 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. Following are the major sources and uses of cash:-

Sources and Uses of Cash

Sources of cash	**Uses of Cash**
1.cah from operation	1.cash loss from operation
2.sales of fixed assets	2.purchase of fixed assets
3.lssue of shares	3.redemption of preferable shares

4.issue of debenture	4.redemption of debenture
5.raising long term loan	5.payment of dividend and income tax
6.decrease in working capital	6.increase in working capital

There are two approaches to prepare Cash Flow Statement

a. **Accounting approach**
b. **Informative approach**

a. Accounting Approach to Cash Flow Statement

Under this approach the preparation of Cash Flow Statement involves the following steps:-

I.Determaination of operating profit and loss:-

Net cash provided by operation or used to operation can be determined using 'T' Account as

Follows:-

Profit and Loss adjustment Account

Particulars	**Amount**	**Particulars**	**Amount**
To not profit for the year Or To closing P/L A/C To depreciation or written off	Xxxx Xxxx xxxx	By net loss for the year Or By opening P/C A/C By gain on sales of long term	Xxxx Xxxx xxxx

To loss no sales of long term Assets and investment To provision for taxation To proposed dividend To net cash used by operation	Xxxx Xxxx Xxxx Xxxx	Assets and investment By dividend received By tax refund By amount transfer for reserves By net cash provided by operation	 Xxxx Xxxx Xxxx xxxx

II. Determination of cash flow from operation

After determination of net cash provided provided or used by operation cash flow from operating activities is determined as follows:-

Net Cash provided (or used) by operating		Xxxx
Add:- <u>Decrease in Current Assets</u>		
	Xxxx	
Decrease in inventory	Xxxx	
Decrease in debtors/receivable	Xxxx	
Decrease in accrued expenses	Xxxx	
Decrease in prepaid expenses	Xxxx	
Decrease in marketable securities	Xxxx	+Xxxx
Decrease in other current assets		
Add:- <u>Increase in Current Liabilities</u>		
Increase in creditor/bills payable	Xxxx	
Increase in overdraft	Xxxx	
Increase in short-term loan	Xxxx	
Increase in advance income	Xxxx	
Increase in other current liabilities	Xxxx	+Xxxx
Less:- <u>Increase in Current Assets</u>		
Increase in stock/inventory	Xxxx	
Increase in receivable/debtors	Xxxx	
Increase in prepaid expenses	Xxxx	
Increase in accrued income	Xxxx	
Increase in other current assets	xxxx	-xxxx

Less :- <u>Decrease in Current Liabilities</u>		
Increase in creditors/bills payable	Xxxx	
Increase in outstanding expenses	Xxxx	
Increase in overdraft	Xxxx	
Increase in other current liabilities	xxxx	<u>-Xxxx</u>
Cash Flow From Operation		**<u>xxxx</u>**

III.Preparation of Account for Non-Current accounts:-

Accounts are prepared for each non-current items contained in the balance sheet determines the cash flow due to changes in such non-current account during the two balance sheet dates.

IV. Preparation of Cash Flow Statement

After the composition of above three steps, a cash flow statement is prepared as follows:-

Cash Flow Statement

Cash inflow	Amount	Cash outflow	Amount
Opening cash and cash	Xxxx	Cash depleted from operation	Xxxx
Equivalent	Xxxx	Cash purchase of fixed assets	Xxxx
Cash from operation	Xxxx	Cash purchase of investment	Xxxx
Cash from issue of share	Xxxx	Redemption of debenture	Xxxx
Cash from issue of debenture	Xxxx	Repayment of long-term loan	Xxxx
Cash issue of long-term loan	Xxxx	Dividend paid	Xxxx
Cash issue of premium	Xxxx	Income tax paid	Xxxx
Cash from sales of fixed assets	xxxx	Closing cash and cash equivalent	xxxx
Cash from sales of investment			

B.Informative Approach to Cash Flow Statement

As per FASB's statement No.95, the cash flow statement should be presented under informative approach in activity format. There are two method of preparing a cash flow statement: - direct method and indirect method. Among these two method direct method of preparing a cash flow statement results in a more easily understood report. The indirect method is almost universally used.

Cash Flow Statement: Direct Method

The direct method for creating a cash flow statement report major classes of gross cash receipts and payment, dividends received may be reported under operating activities, they are reported under operating activities; if the taxes are directly linked to investing activities or financing activities, they are reported under investing or financing activities.

Sample of Cash Flow Statement under Direct Method

C1: Cash Flow from Operating activities		
Cash Inflow:		
A: Sales		Xxxx
Add: Decrease in sundry debtors	Xxxx	
Decrease in bills receivable	Xxxx	
Increase in provision for discount	Xxxx	
Increase in provision for bad debts	Xxxx	
Bad debts recovered	Xxxx	
		Xxxx
		Xxxx
Less: Increase in Sundry debtors	Xxxx	
Increase in bills receivable	Xxxx	
Bad debts	Xxxx	
Discount allowed	Xxxx	
Decrease in provision for bad debts	Xxxx	
Decrease in provision for discount	xxxx	
(A) Collection from Customer		Xxxx
B: Interest Income		**Xxxx**
Add: Decrease in accrued interest		Xxxx
		Xxxx
		Xxxx
Less: Increase in accrued interest		xxxx

(B) Collection from Interest Income		**Xxxx**
C: Divided Income		Xxxx
Add: Decrease in Dividend receivable		Xxxx
		Xxxx
Less : Increase in dividend receivable		Xxxx
(C) Collection from Dividend Income		**Xxxx**
Cash Outflows:-		Xxxx
D: Cost of Goods Sold		
Add: Increase in inventory	Xxxx	
Decrease in sundry creditors	Xxxx	
Decrease in bills payable	xxxx	
		Xxxx
		Xxxx
Less: Decrease in inventory	xxxx	
Increase in bills payable	xxxx	
Increase in sundry creditors	xxxx	
Discount received	xxxx	
		Xxxx
		Xxxx
(D)Payment to Expenses		
E: Salary and Wages Expenses		Xxxx
Add: Decrease in salary or wage payable	Xxxx	
Increase in prepaid salary or wage	Xxxx	
		Xxxx
		Xxxx
Less: Increase in salary or wage payable	Xxxx	
Decrease in prepaid salary or wage	xxxx	
		Xxxx
(E)Payment to employees		**xxxx**

F: Income Tax Expenses		Xxxx
Add: Decrease in taxes payable	Xxxx	
Increase in advance taxes	Xxxx	
		Xxxx
		Xxxx
Less : Increase in taxes payable	Xxxx	
Decrease in advance taxes	Xxxx	
(F) Payment of Taxes to Government		Xxxx
G: Interest Expenses		**Xxxx**
Add: Decrease in interest payable		Xxxx
		Xxxx
		Xxxx
Less: Increase in interest payable		Xxxx
(G) Payment to Creditors For interest		**Xxxx**
H: Insurance Expenses		Xxxx
Add: Decrease in insurance payable	Xxxx	
Increase in advance insurance	Xxxx	
		Xxxx
		Xxxx
Less: Increase in insurance payable	Xxxx	
Decrease in advance insurance	Xxxx	
		Xxxx
(H) Payment for Warranty Service		**Xxxx**
I: Other Expenses		Xxxx
Add: Decrease in expenses payable	Xxxx	
Increase in advance expenses	Xxxx	
		Xxxx
		xxxx
Less: Increase in expenses payable	Xxxx	
Decrease in advance expenses	xxxx	

		Xxxx
(I) Payment for expenses		**Xxxx**
Cash from Operating Activities Before Extra Ordinary Items: (A+B+C-D-E-F-G-H-I)		**Xxxx**
Add : Increase in bank overdraft	Xxxx	
Increase in short term loan	Xxxx	
		Xxxx
		Xxxx
Less: Decrease in bank overdraft	Xxxx	
Decrease in short term loan	Xxxx	
		Xxxx
		Xxxx
(C1): Cash from Investing Activities		
C2: Cash from Investing Activities:		
Cash Inflows:		
Sale of fixed assets	Xxxx	
Cash from sale of equity or debt of other enterprises	Xxxx	
Cash from the repayment of advance and loans made to other parties	Xxxx	
		Xxxx
Less: Cash payment to acquire property	Xxxx	
Cash payment to acquire or debt of other companies	Xxxx	
Cash payment for advance and loans made to other parties	Xxxx	
		Xxxx
		Xxxx
(C2): Net Cash Flows from Investing Activities		
C3: Cash Flows from Financing Activities:		
Cash Inflows:		
Issue of shares	Xxxx	
Issue of debenture and bonds	Xxxx	
Cash collection from loan and mortgages	xxxx	
		xxxx

Less : Redemption of shares	Xxxx	
Redemption of debentures and bonds	Xxxx	
Repayment of loan and mortgage	Xxxx	
Dividend payment	xxxx	
		Xxxx
(C3): Net Cash Flows From Financing Activities		**Xxxx**
Total Cash Flows [Cl+C2+C3]		**Xxxx**
Cash or Cash equivalent at the beginning (opening balance)		**Xxxx**
Cash or Cash equivalent at the end of the period (closing Balance)		**xxxx**

Cash Flow Statement: Indirect Method

The indirect method uses net income as a starting point, makes adjustments for all transactions for non-cash items, then adjusts for all cash-based transactions. An increase in an asset account is subtracted from net income, and an increase in a liability account is added back to net income. This method converts accrual-basis net income (loss) into cash flow by using a series of additional and deductions.

Sample of Cash Flow Statement under Indirect Method

C1: Cash from Operating Activities		
Net profit for the Period		Xxxx
Add: Non cash and no operating expenses and losses (item wise)		Xxxx
		Xxxx
		Xxxx
Less: Non cash and no operating income and gain (item wise)		**Xxxx**
Funds from Operation		
Add: Decrease in current assets, other than cash (item wise)	Xxxx	
Increase in current liabilities (item wise)	Xxxx	
		Xxxx
		xxxx
Less: Increase in current assets, other than cash (item wise)	Xxxx	
Decrease in current liabilities (item wise)	xxxx	

		Xxxx
(C1): Net Cash Flow from Operation Activities		**Xxxx**
C2: Cash from Investing Activities:		
Cash Inflows:		
Sale of fixed assets	Xxxx	
Cash from sale of equity or debt of other enterprises	Xxxx	
Cash from the repayment of advance and loans made to other parties	Xxxx	Xxxx
	Xxxx	
Less:- Cash payment to acquire property	Xxxx	
Cash payment to acquire equity or debt of other companies	Xxxx	
Cash payment for advance and loans made to other parties		Xxxx
		Xxxx
(C2): Net Cash Flows from Investing Activities		
C3: Cash Flows from Financing Activities:		
Cash Inflows:	Xxxx	
Issue of chares	Xxxx	
Issue of debenture and bonds cash collection from loan and mortgages	Xxxx	Xxxx
Less: Redemption of shares	Xxxx	
Redemption of debentures and bonds	Xxxx	
Repayment of loan and mortgage	Xxxx	
Dividend payment	xxxx	
		Xxxx
		Xxxx
(**C3): Net Cash Flows From Financing Activities**		**Xxxx**
Total Cash Flows [C1+C2+C3]		**Xxxx**
Cash or Cash equivalent at the beginning (opening balance)		**xxxx**
Cash or Cash equivalent at the end of the period (closing Balance)		

2.7 Cash Flow Statement under NRB Directives for Bank and Financial Institution

There is no any right way to prepare cash flow statement beside direct and indirect method but business organization attempt to show the actual out and inflow of cash or the position of cash in the specified time period according to the rules and regulation. Banks and financial institutions have to prepare their financial report including cash flow statement, according to the directives, rules and regulation by NRB (Nepal Rastra Bank) in the format prescribed by accounting standard board. The format of cash flow of cash flow which is required to prepare by banks and financial institution according to the directives of NRB is as follows:

Cash Flow Statement

For the period Shrawan 1, 2065 to Ashad 32, 2066 (July 16, 2008 to July 16, 2009)

Previous Year Amount	Particulars	This Year Amount
	(a). Cash Flow from Operating Activities	
	1. Cash Received	
	1.1Interest Income	
	1.2Commission and Discount Income	
	1.3Income from Foreign Exchange transaction	
	1.4Recovery of loan written off	
	1.5Other Incomes	
	2.Cash Payment	
	2.1Interest Expense	
	2.2Staff Expenses	
	2.3 Office Overhead Expenses	
	2.4 Income Tex Paid	
	2.5 Other Expenses	
	Cash Flow before changes in Working Capital	
	Increase/(Decrease) of Current Assets	
	1.(Increase)/Decrease in Money at Call and	

	Short Notice	
	2.(Increase)/Decrease in short term investment	
	3.(Increase)/Decrease in loans, Advance and Bills Purchase	
	4.(Increase)/Decrease in other Assets	
	Increase/ (Decrease) of Current Liabilities	
	1.Increase/ (Decrease) in Deposits	
	2.Increase/(Decrease) in Certificates of Deposit	
	3.Increase/(Decrease) in Short Term Borrowing	
	4.Increase/(Decrease) in Other Liabilities	
	(b)Cash Flow from Investment Activities	
	1.(Increase)/Decrease in Long-term Investment	
	2.(Increase)/Decrease in Fixed Assets	
	3.Interest income from Long term Investment	
	4.Dividend Income	
	(C)Cash Flow from Financing Activities	
	1.Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	
	2.Increase/(Decrease) in Share Capital	
	3. Increase/(Decrease) in Other Liabilities	
	4.Increase/(Decrease) in Refinance/facilities received from NRB	
	(d) Income/Loss from change in exchange rate in Cash & bank balances	
	(e)Current Year's Cash Flow from All Activities	
	(f) Opening Balance of Cash and Bank Balances	
	(g) Closing Balance of Cash and Bank Balances	

2.8 Literature Review:

This section deals about concept or finding of earlier scholars on the concerned field of the study. It helps to develop the study as link in a chain of research that is developing and emerging the knowledge about the related field.

Review of Books

Cash is the life blood of any business organization. Without cash no business activities can be taken place. In recent years, the statement of cash flow has come to be viewed as a part of full set of financial statement. Cash flow statement provides relevant information about the cash receipts and cash payments of an enterprise during a period. Information about enterprises cash flow is useful in assessing its liability, financial flexibility, profitability and risk. Cash flow information is widely used by investors, analysts, creditors, managers and others.

The balance sheet provides information about the assets of an enterprise and how these assets have been financed by owned and borrowed funds at a certain time but it does not explain the changes during a period in assets, liabilities and owner's equity resulting from an enterprise's activities. The profit and loss statement provides information about an enterprise's financial performance during a specific period but earnings are measured by accrual accounting, it does not show cash generated through its operation.

(Gyawali A., Fago G.& Subedi D.)

The statement of cash flows is an important complement to the other major financial statement. It summarizes the operating, investing and financing activities of a business over a period of time. The balance sheet summarizes the cash on hand and the balances in other assets, liabilities and owners' equity accounts, providing a snapshot at a specific point in time. The statement explains these changes.

The income statement summarizes performance on a accrual basis. Income on this basis is considered a better indicator of future cash inflows and outflows than is a statement limited to current cash flow. The statement of cash flows complements the accrual-based income statement by allowing users to assess a company's performance on a cash basis.

(Porter & Norton, 3rd Edition, 585)

Cash is the life blood of a business enterprise. It is the fuel that keeps a business alive. Without cash not activities can take place. So a business must have an adequate amount of cash to operate. As such the decision makers must pay close attention to the firm's cash position and event and transaction that affect/cause 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.

Information about cash flow is useful in many ways. It cash also influence the decision maker in many ways. Decision makers may be: investors, creditors and management.

Investors have to decide whether to provide credit facility or no, to the given company. Information about cash flow can flow can help creditors decide whether a company will have enough cash to pay the debts as they mature.

Management has to evaluate whether the company has ability to meet unexpected obligations and ability to take advantages of new business opportunities that may arise. And for this, the management has to use cash flow analysis.

Due to increase importance of cash flow analysis to the decision makers, the financial accounting standard board (FASB) stated that the financial statement of the company should include information about:

- How a business obtains and spends cash?
- Its borrowing and repayment activities.
- The sales and repurchase of its ownership securities.
- Dividend payment and other distributions to its owners, and
- Other factor those affect a company's liquidity and solvency.

(Munankarmi, 2003, 13.1)

Cash Flow Statement is somewhat similar to funds flow statement. The funds statement includes both cash and accrual based figure, whereas cash flow statement attempts to report only cash movement. It is called Cash Flow Statement because it describes the sources and uses of cash. It also provides information about the inflow and outflow of cash of a company in as accounting period.

It can thus be defined as a statement which explains the change in cash position from one balance sheet date to the next balance sheet date.

The Institution of Cost and Work Accountants of India defines cash flow statement as "a statement setting out the flow of cash under distinct heads of source of funds and their utilization to determine the requirement of cash during the given period and to prepare for its adequate provision."

The statement which report cash flow during the period classified by operating, investing and financing activities is known as Cash Flow Statement. For this purpose of cash flow statement cash means cash and cash equivalent. FASB has also defined "Cash" as including both cash and cash equivalent. Cash equivalent are short term highly liquid investments, such as money market funds, commercial papers and treasury bills. Cash equivalent should not be confused with marketable securities. So they are not included in cash. They are treated as cash inflow and cash outflow. Purchase of marketable securities is treated as outflow and sales are treated as inflow on the cash flow statement.

(Ratna Man Dangol, 1st Edition 2059)

How much cash is generated by business operation? How much cash is spent for current and non current assets? Where did the company get cash for expenditure? How did the company become able to pay dividend? These entire questions are some examples raised by the financial statement users. The balance sheet, income statement and statement of shareholder's equity do not answer all these question raised by the users of financial statement. For such, cash flow statement answers these questions. Cash flow statement describes the source and uses of cash of an organization. It provides information about the inflow and outflow of cash of a firm in an accounting period. It can thus be defined as a statement which explains the change in cash position from one balance sheet date to the next balance sheet data.

The statement which report cash flow during the period classified by operating, investing and financing is known as cash flow statement. Cash flow are inflow and outflow of cash

And cash equivalent. Cash equivalent are short term highly investment, such as money market funds, commercial papers and treasury bills.

(Dangol and Dangol 2064,654)

Review of Article

The effort has been made in this this present section to examine and review some related articles published in different economic journal, Bulletins, magazines and newspaper.

Mr. S.P Munakarmi in his article called cash flow analysis: it is an integrated part of "Financial planning", stated the importance of cash in the organization by calling it lifeblood of business enterprises. According to him it is the fuel that keeps the business alive. So a business must have an adequate amount of cash to operate. Decision makers should pay attention to the firm's cash position and events and transaction that affects the position of cash. Analysis of events and transaction that effects the position of company is termed as cash flow analysis.

Due to the increasing importance of cash flow analysis accounting standard board stated that financial statement should include information about how a business obtains and spends cash about its borrowing and repayment activities about the sales and repurchase of its ownership securities about dividend payment and other distribution to its owner and about other factors that affects a company's liquidity and solvency.

According to the article profit are accounting measures that may not reflect the economic realities of the firm 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 it also goes a little further and measures the actual cash available for the time. After al it is the available cash not the profit that determines the firm's future investment and growth.

As the article stated further that recognizing the importance of cash flow analysis, Financial Accounting Standard Board issued financial statement standard no.95 and statement of cash flows in November 1987. This standard requires the business to include a statement of cash flows in all financial report that contains balance sheet and income statement. The IAS

has also replaced FASB and asked its entire member to present cash flow statement along with the balance sheet and income statement since 1992. As the article suggested following are the importance of cash flow statement.

Investment activities as the article stated include the lending money (investment) and collecting on loans buying and selling of productive assets that are expected to generate revenue in the future and buying and selling securities not classified as cash equivalent are defined as short term, highly liquid investment that are readily convertible to know amount of cash and must be sufficient close to its maturity date. Determinations of cash flow from investing activities requires the analysis of non-current items of comparative balance sheets, additional information and non cash expenses 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 overdrafts. There may be some non cash investing and financing payment and such payments are not reported in the statement of cash flow. The FASB concluded that non cash portions of investing and financing activities should not be reported on the statement of cash flow. However, the board recognized 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 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 a financial reporting statement 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 by the FASB.

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

(S.P Mununkarmi, 2004)

2.9 Review of Previous Thesis

Mr. Saroj Acharya, M.B.S, 2008, Nepal Commerce Campus. Thesis, "Cash Flow Management of Commercial Banks". According to his research curtailing should be reduced and healthy competition in the financial market should be promoted, interest rate should be sufficient, amount from remittance should be legalized, branches of the banks should be extended, cash flow related information should b published in financial report or in annual report and research and development entity should be established to facilitate the banks.

Mr. Sarada Shrestha , M.B.S, 2006, Nepal Commerce Campus. Thesis, "Performance Measurement of Joint Venture Banks in Nepal". According to his research the banks should increase and attract deposit. He also recommends that the banks should invest more in Government Securities. Furthermore, he adds the bank should extend their branches to generate more cash flow.

Mr. Amit Shrestha, M.B.S, 2006, Nepal Commerce Campus. Thesis," Analytical and Comparative Study on Cash Flow of Joint Venture Banks in Nepal." According to his research commercial banks should increase their CFFOA. He also suggests that the banks should not cartel in deposit or should not collect excess deposit then they can invest or use it to increase the surplus in cash flow. He also recommends that the banks should extend their market and branches.

Miss. Sunity Shrestha, M.B.S, 2052, Thribhuvan University. Thesis, "Lending Operating of Commercial Banks in Nepal and its impact no GDP". According to her thesis she as showed that there had been positive impact on GDP by lending of commercial banks in various sector of economy except thorough service sector investment.

2.10 Research Gap

Former researcher tends to be more informal to find out the actual cash management and cash flow position and performances of joint venture banks. As we see in their research we can see that they have only mentioned the increasing and decreasing trend of heading in cash flow statement. The flow of financial information was not analyzed properly. Analysis

of cash flow is not sufficient by only analyzing the information in the cash flow statement, it would be better to be more wide visional to find out the actual performance of banks in terms of cash flow. Finding, conclusion and recommendation were not based on specific study they had conducted. We can easily know that the studies were conducted with our using any financial or analytical tools which obviously help the researcher to reach the significant conclusion and recommendation. Another vital thing I that the previous researcher had not collected primary data to analyze the cash position in the banks and financial institutions.

But in this research, the researcher tends to use several financial tools to specific analyze the cash flow performance of the listed high performing joint venture bank. In this research we can get credit, investment, deposit, liquidity, expenditure, income and capital related cash position of the banks, and most of the tools cover the cash flow statement and all the financial cash information of the banks each year. The researcher also tends to conduct primary data collection activities to find out liquidity position or problem in banks and financial institutions in Nepalese financial market. The findings, conclusion and recommendation are based on the actual result found out from the study.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. Is may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only about the research method but also the methodology. When we talk about the research methodology we not only talk of research method but also consider the logic behind the method we use in the context of our research stud and explain why we are using a particular method or technique and why we are not using others so that research result are capable of being evaluated either by the researcher himself or by other. The study of research methodology gives the student the necessary training in gathering material and arranging them, participating in the field work which required, and also training in techniques for collection of data approach to particular problem, in the use of statistic, questionnaires and controlled experimentation and in recording evidence, sorting it out and interpreting it.

(C.R. Kothari, 1984, 10-13)

This chapter describes the methodology employed in this study. Research methodology is a way to systematically solve the research problem. In other words research methodology describes the method processes applied in the entire aspect of the study. This chapter describes research design, population, sampling procedure and sources of data and analysis of data.

3.1 Research Design

Research design is the plan structure and strategy of investigation. Present study follows the descriptive as well as analytical statistics of the analysis to meet the stated objectives of the study. This study analyzes cash flow management of Nabil Bank Ltd. and Everest Bank Ltd. on the basis of descriptive and analytical research design. Descriptive studies were primarily concerned to find out ‘what is’. The secondary data are analyzed from the data collected from the annual financial report of the related banks. Few financial statement of selected joint venture banks were tabulated using a spread sheet.

3.2 Sources of Data

To conduct any research, data collection is the major tack and to conduct any study of primary as well as secondary data have been used but this thesis is mainly based on secondary data. The secondary data collected that supports this thesis are listed below:-

- Annual Report of Nabil Bank Ltd. and Everest Bank Ltd.
- Bulletin and Report of NRB
- Economic ordinances of issued by the government of Nepal.
- Non-published Thesis's written by university students.
- Other reports, journal, books.
- Websites and Bulletin of commercial banks.
- www.nabilbank.com and www.everest bank.com

3.3 Population and Sample of Research Design

A small portion chosen from the population for studying its properties is called a sample and the number of units in the sample is known as sample size. The method of selecting for study, a small portion of population to draw conclusion about characteristics of the population is know as sampling may be defined as the selection of part of the population on the basis of which a judgment or inference about the universe is made.

(Sharma and Chaudhary, 2058 171-173)

Here only two sample joint venture banks are taken out of total joint venture banks. For selecting the samples, non-random sampling method is used here among different method. The samples are taken only from joint venture banks. Organization under study is as follows, whose general introduction and major objectives are presented in chapter one. The sample organizations are as follows:-

Nabil Bank Limited

Everest Bank Limited

Likewise, financial statement of five years (beginning 2005/6 to 2008/9) is selected as samples for the purpose of it.

3.4 Secondary Data Collection Techniques

Most of the secondary data and information has been collected from the financial report published by the banks in their annual report each year. Cash Flow Statement, balance sheet, income statements, credit statements, investment statements, deposit statements and capital statements are the statements which have been used broadly in this study. Some of the statements published in the financial report as annual report of the banks are attached back side of this thesis in the appendix column.

3.5 Method, Tools and Techniques Employed

To analyze and interpret the financial data of Nabil Bank Ltd. and Everest Bank Ltd, various financial and statistical tools and techniques are used in the study. The cash flow statement can be evaluated by using tools like financial and statistical; a brief discussion of these tools is as follows:-

3.5.1 Financial Tools (Concepts)

The cash flow analysis is the most powerful part of cash flow management. To analyze cash flow statement is an important tool. All the out flows and inflows of cash wit a financial institution or an organization during period presented in a statement. Which statement is different in format relation to operating activities? The cash flow statement helps to ascertain cash flow condition of a firm. It is a process of identifying the cash flow strengths and weakness of a firm.

Cash flow statement of an enterprise is useful in providing information to the users of financial statement about the ability of the enterprise to generate cash and cash equivalent and the need of the enterprise to utilize those cash flows. Its aims and objective are mentioned below:-

a. Cash flow statement will help the financial manager to explain the situation of sufficient cash balance is hand despite the business incurred loss or short or cash even if the business is making huge amount of profit.
b. Comparison between cash flow statements may prove to be useful for the management for preparing cash budget for the period to come.
c. With the help of cash flow statement, the management can find out the cause of changes in the cash position on two or more date.

d. Evaluation of financial policies can be done with the help of cash flows statement.

e. As the cash flow statement helps the management to know and predict its cash position it can plan its policy and make decision regarding the redemption of debentures. Purchase of fixed assets and so on.

Funds Flow Statement and Cash Flow Statement:-

Following points of distinction can be made between Funds Flow Statement and Cash Flow Statement:-

a. Funds Flow Statement is based on accrual basis of accounting where as Cash Flow Statement is based on cash basis of accounting
b. Funds Flow Statement reveals the sources and applications of funds. And any difference represents net increase or decrease of working capital. Cash Flow Statement reveals the inflow and outflows of cash and difference represents the closing cash balance.
c. Funds Flow Statement shows the cause of changes in working capital position of a firm between two balance sheets. Cash Flow Statement shows the cause of changes in cash position of a firm between two balance sheet dates.
d. Funds Flow Statement is useful in planning intermediate and long-term financing, where as Cash Flow Statement is more useful for short-terms' analysis and cash planning of the business.

Cash Budget and Cash Flow Statement

The following difference exists between Cash Budget and Cash Flow Statement:-

a. A Cash Flow (CFS) is formal financial statement distributed to decision makers to decision makers outside of the organizations. But a Cash Budget (CB) is not a financial statement and as such used only by decision makers within the organization.
b. A Cash Flow Statement is usually a report of cash activities of post periods. That is, it reflects the actual result of past cash transaction. However, it is possible contract projected cash flow statement. A Cash Budget is always prepared for expected result for future period's cash transactions.

c. Often, a Cash Flow Statement covers a period of a year. It summarizes the overall cash flows of the entire entity for a period of one year. The Cash Budget is usually broken into monthly segments showing in detail the cash flows expected from each department.
d. The Cash Budget emphasis on the financial pattern to meet seasonal to temporary cash needs. A Cash Flow Statement does not emphasis on particular source and uses. A Cash Flow Statement is less detailed than a Cash Budget.

In conclusion, an accurate cash flow projection being integral part of financing plan, help to avoid cash flows problems and also help to keep borrowing cost as low possible.

3.5.2 Statistical Tools

The following statistical tools are selected for the cash flow study no Nabil Bank Ltd. and Everest Bank Ltd:-

I. Arithmetic Mean

Arithmetic mean is the typical values around which other items of distribution congregate (Gupta, 2002:236).

II.Time series Analysis (Trend Analysis)

Trend analysis is one of the most useful statistical tools to analyze the presented data. It is used for studying forecasting. Trend analysis of ratio indicates the change over a period of time. Trend analysis informs about the expected future return, future achievement of the bank and future credit worthiness of the bank. Financial capability about bank would be helpful to concerned bank. Trend analysis in very effective information for various personnel directly or indirectly related with bank. In this study the method of least square is selected as a statistical tool for the analysis of bank.

A widely and most commonly used method to describe the trend is the method of least square. The straight-line trend is given by following formula:

$Y = a+bx$

Where,

Y= values of dependent variables

a = y intercept

b = slope of the trend line

x = values of independent variable (time)

"The straight-line trend implies that irrespective of the seasonal and cyclical swing and irregular fluctuation, the trend value increases or decreases by a constant absolute amount 'b' per unit of time. Hence, the liner trend values from a series in arithmetic progression, the common difference being 'b' the slop of the line". (Gupta 2002: 769)

3.6 Practice of Cash Flow Statement

Cash Flow Statement: Financial document detailing the exchange of cash between a business and the outside world. The flow is categorized as:

- Flow "in" from Operation
  (Cash which the company made by selling good and services)
- Flow "in" from Financing
  (Cash which the company raised by selling stocks and bonds)
- Flow "out" to Investment
  (Cash which the company spent investing in its future growth)

Each of these flows can actually flow both ways. Investors like to see that the company can cover its spending with cash from operations, without having to turn to financing. The cash flow statement also has to reconcile the net effect of these flows with the difference in its cash holding at the beginning and end dates of the reporting period.

3.7 Cash Flow Statement as Per International Accounting Standard

Cash basis financial statements were common before accrued basis financial statement. The "flow of funds" statements of the past were cash flow statements.

In the United States in 1971, the Financial Accounting Standard Board (FASB) defined rules that made it mandatory under Generally Accepted Accounting Principal (US GAPP) to report sources and uses of funds, but the definition of "funds" was not clear."Net working capital" might be cash or might be the difference between current liabilities and current assets. From the late 1970 to the mid-1980s, the FASB discussed the usefulness of predicting future

cash flows. In 1987, FASB Statement No.95 (FAS 95) mandated that firms provide cash flow statement. In 1992, the international Accounting Standard Board issued International Accounting Standard 7 (IAS 7), Cash Flow Statements, which became effective in 1994, mandating that firms provide cash flow statements. (www.wikipedia.com)

US GAAP and IAS 7 rules for cash flow statements are similar. Differences include:

a. IAS 7 requires that the cash flow statement include changes in both cash and cash equivalent. US GAAP permits using cash alone or cash and cash equivalent.
b. IAS 7 permits bank borrowings (overdraft) in certain countries to be included in cash equivalent rather than being considered a part of financing activities.
c. IAS 7 allows interest paid to be included in operating activities or financing activities. US GAAP requires that interest paid be included in operating activities.
d. US GAAP (FAS 95) requires that when the direct method is used is used to present the operating activities of the cash flow statement, a supplemental schedule must also present a cash flow statement using the indirect method. The IASC strongly recommends the direct method but allows either method. The IASC considers the indirect method less clear to users of financial statements. Cash Flow statements are most commonly prepared using the indirect method, which is not especially useful in projecting future cash flows.

(www.wikipedia.com)

3.8 Financial Statement

Financial Statement are organized summaries of certain time period detailed financial transaction, position and performance of an organization. Beside cash flow statement, financial statements analyzed in this study are:

Balance Sheet

It is an accounting report which shows the actual figure of quality of assets and share holders fund/capital, and total liabilities within certain accounting time of period of an organization. Comparative Balance Sheet of the selected commercial banks within the study period are presented differently to observe the comparative changes in the figure of their balance sheet.

Income Statement

It is an accounting report which shows the total revenue and expenditure with total profit or loss of certain accounting time of period of an organization.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

This chapter of study presents the data and facts, which is related to different aspects of Nabil Bank Limited and Everest Bank Limited. The included data is collected from various sources. Specially, from annual report of the related banks and Websites. These available data tabulated analyzed and interpreted so that cash inflows and our flows of banks can be done easily. The main objectives of analyzing the cash flow analysis to the management presenting to cash flow statement and interpretation is to highlight the strength and weakness of the business. The collected data are interpreted and analyzed by using the financial and statistical tools.

4.1 Cash Flow Analysis:

Cash flow is the blood of business enterprise. Without cash no activities and take place, even though, as a commercial bank must have an adequate amount of cash to operate. As such the decision-makers must pay close attention to the firm's cash position and events and transactions that effects cash position to change. The analysis of the events and transactions that effects the cash position to the company is termed as cash flow analysis. Information about cash flow is useful in many ways. It can also influence the decision-makers in many ways. Decision-makers may be investors, creditors and management.

Cash flow analysis not only recognizes the profit but it goes a little further and measures the actual cash available for the firm. It is after all, the available cash not the profit that determines the firm's further investment and growth. Cash flow has earning potential and has captured the economic impact of the managerial decision. Cash flow, not the profit that determines the wealth.

4.1.1 Cash flow Statement:

Cash flow analysis is done through statements of cash flows. A cash flow statement of a company's ability to generate cash from various activities such as operating, investing and financing and their need of such cash. it is a statement whish shows the inflows and our flows of cash equivalent during the year. A cash flow statement is defined as a statement of company's ability to generate cash from various activities and their need of cash. this study is totally related to cash flow statement to analyze the cash flow management of selected joint venture banks. A1 the data are presented and analyzed in cash flow statement, which is presented and analyzed through many parts. To make the study easier the cash flow statement can be derived into three parts. In this study, the method of cash flow statement taken in direct method, which is used b the selected joint venture banks Nabil Bank Limited and Everest Bank Limited. Joint venture banks of Nepal prepare their cash flow statement as schedule 26 in their annual financial report.

A. Cash Flow from Operating Activities (CFFOA)

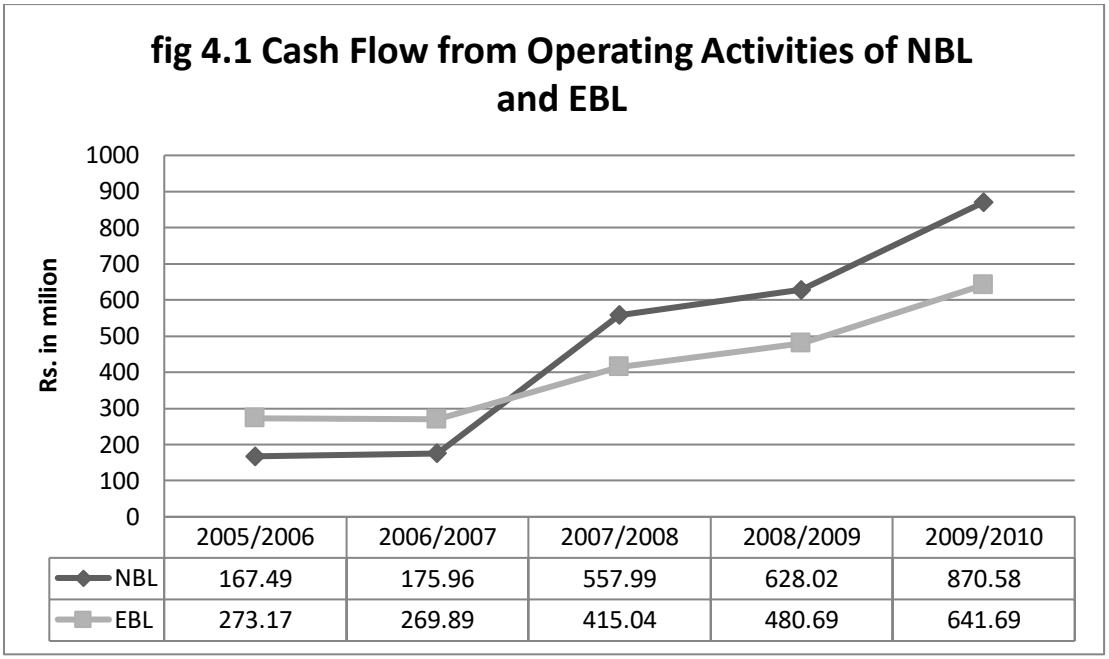
Operating activities relate to a company's primary revenue generating activities. It has two major parts cash inflows and outflows. All the cash receipts from operating the business during the period is taken as cash inflows and all the cash payments done for operating of the business is known as cash outflows. Total amount of cash flow from operating activities is taken as the difference between total cash inflows and total cash outflows the amount of cash flow from operating activities or the fast five years of selected banks. Nabil Bank Limited and Everest Bank Limited are as follows:

Table No.4.1

Cash Flow from Operating Activities of NBL and EBL

Bank	Year and Amount (Rs. In Million)					
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Mean
NBL	167.49	175.96	557.99	628.02	870.58	480.00
EBL	273.17	269.89	415.04	480.69	641.69	409.75

Source: Annual Financial Report of NBL and EBL



From the above table no.4.1, the cash flow from operating activities of NBL and EBL can be observed. The cash flow from operating activities is the difference between total cash receipt and total cash payment of five fiscal year. It means the cash flow from operating activities is the deviation of total cash inflows and total cash outflows from the business operation. The above table shows that NBL has higher cash flow from operation than another Joint-venture bank EBL. In last three year the above table as well as the presented figure shows that NBL has greater size of cash flow from operation than the EBL in last three fiscal year the NBL has Rs. (in million) 167.49, 175.96, 557.99,628.02 and 870.58 for the year 2005/06, 2006/07, 2007/08, 2008/09, 2009/10 respectively. Whereas, the another bank EBL has Rs. (in Million) 273.17, 269.89, 415.04, 480.64 and 610.03 for the corresponding years respectively. The mean cash flow of corresponding five years can be abstracted as Rs. 480.00 millions and Rs. 409.78 million of NBL and EBL respectively.

The high derivation between total cash receipts and total cash disbursement of business on operation is the main cause of the higher cash flow from operation. If the total cash received from various sources exceeds to the total cash payment of various uses, then the cash flow from operation become positive and if the total cash receipt from various sources is exceeded by the total cash disbursement or payment then the cash flow from operation become negative. The above table shows the positive cash flow from operation fro both of the banks, which indicates the total cash received is higher than the total cash payment for five years to the business operation. We can not predict that what are the sums of total cash inflow and total cash outflow from operation from the above data. Therefore, we need further presentation and description to know the other information relating to cash flow from operation. At first, total cash inflows and total cash outflows for the operation is observed below.

Total Cash Receipt (Total Cash Inflows)

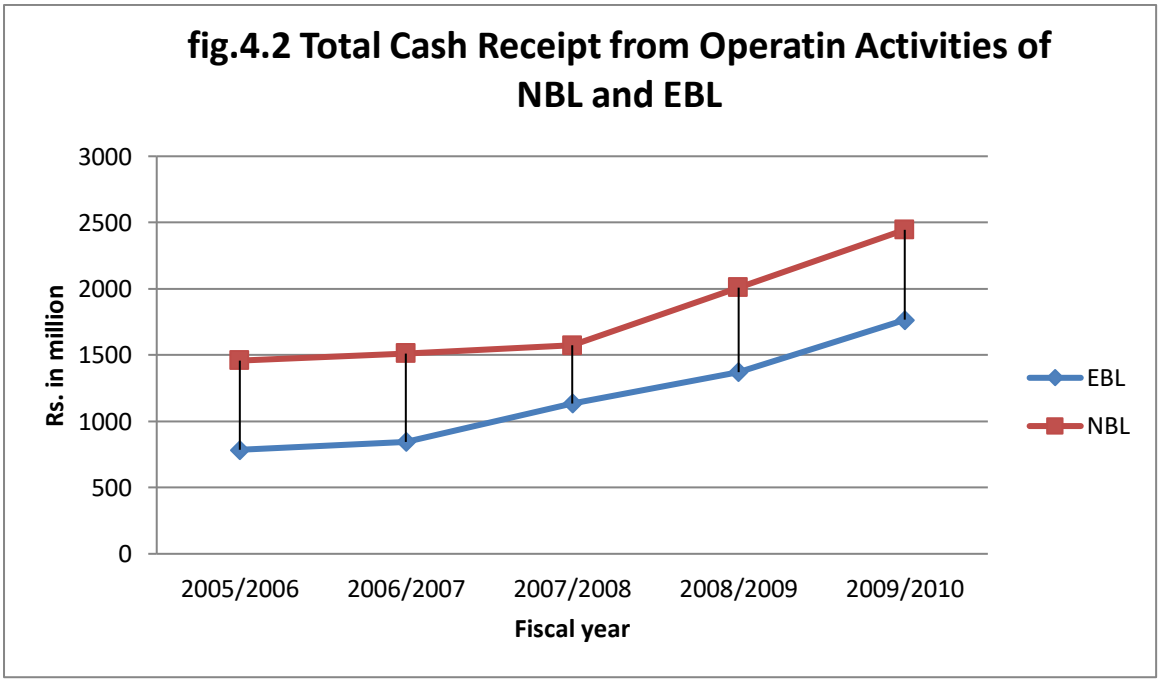
Total cash receipts from operating activities include many different sub-topics of income sources. Specially, joint venture bank includes interest, income, commission and discount, currency exchange gain, non-operating income and other income. All the incomes from operating activities as a sum is cash received on operation is total cash inflows. The total cash receipts from operating activities of NBL and EBL for five fiscal year is given below in the table.

Table No. 4.2

Total Cash Receipt from Operating Activities of NBL and EBL

Bank	Year and Amount (Rs. In Million)					
	2005/2006	**2006/2007**	**2007/2008**	**2008/2009**	**2009/2010**	**Mean**
NBL	1458.19	1512.16	1572.88	2009.66	2444.9	1800.00
EBL	785.06	846.48	1135.47	1372.77	1764.96.	1184.44
Deviation	673.13	647.68	437.5	636.84	679.94	615.45

Source: Annual Financial Report of NBL and EBL



A business institution can collect cash from operating the business through many sources . the further and detail description is done later on in this chapter. The above table no 4.2 as well as the figure no 4.2 shows only the sum of total cash collection from various sources of business operations of NBL and EBL for five years. NBL for five years. NBL received Rs. 1458.19, 1512.16, 1572.97, 2009.66 and 2444.9 (in million) for the year 2005/06, 2006/07, 2007/08, 2008/09, and 2009/10respectively. Whereas, the EBL collected Rs. 785.06, 864.48, 1135.47, 1372.77 and 1764.96 (in million) respectively for corresponding year. The average cash collection of NBL and EBL from various sources of operation is Rs. 1800.00 and Rs. 1184.55 million respectively. Observing the cash collection from operation, the NBL has strong capacity than EBL. The actual data is presented and discussed in further discussion thoroughly. The above table no.4.2 is presented and explained in detail for individual institution below. The total cash receipts from operating activities are presented as the following statement in summary of cash flow statement.

	Particulars	Current Year (Amt.)	Previous Year (Amt.)
1.	Total Cash Receipt	xxx	Xxx
1.1	Investment Income	Xxx	Xxx
1.2	Commission and discount income	Xxx	Xxx
1.3	Currency exchange gain	Xxx	Xxx
1.4	Non-operating income	Xxx	Xxx
1.5	Other income	xxx	xxx

Total cash receipt of Nabil Bank Limited (NBL)

Total cash collection from various sources in operation is presented in table no. 4.3, the main sources of cash collection in a joint venture bank of Nepal are interest income, commission and discount, currency exchange gain, non-operating income and other income. The NBL had collected following amount from these sources of business operation.

Table No. 4.3

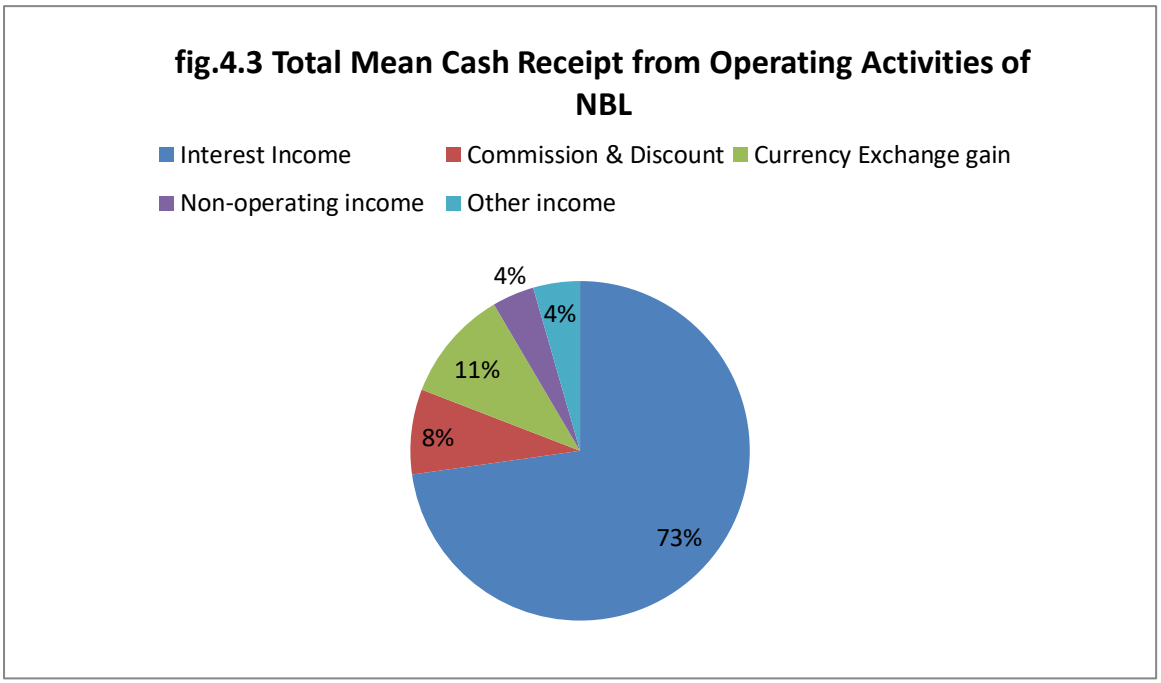
Total Cash Receipt from Operating Activities of NBL

Amount (Rs. In Million)

Years	Amount	Sources					
		Interest Income	**Commission & Discount**	**Currency Exchange gain**	**Non-Operating income**	**Other Income**	**Total**
2005/2006	Rs	1001.62	135.96	157.32	92.78	70.51	1458.19

	%	68.69	9.32	10.79	6.36	4.84	100.00
2006/2006	Rs	1068.75	128.38	184.88	72.24	57.41	1511.66
	%	70.68	8.49	12.23	4.78	3.82	100.00
2007/2008	Rs	1092.64	138.29	185.48	73.56	82.90	1572.87
	%	69.46	8.80	11.79	4.68	5.27	100.00
2008/2009	Rs	1517.96	150.61	209.93	43.59	87.57	2009.66
	%	75.53	7.49	10.45	2.17	4.36	100.00
2009/2010	Rs	1943.96	156.23	196.49	50.78	97.44	2444.90
	%	79.51	6.39	8.04	2.08	3.98	100.00
Mean	**%**	**72.77**	**8.10**	**10.66**	**4.01**	**4.46**	**100.00**

Source: Annual Financial Report of NBL and EBL



The above table shows more than 72% of total cash was received from interest to NBL. The lowest portion of cash collection is from interest income is 68.69% in the fiscal year 2005/06 whereas the highest percentage of cash received is in the fiscal year 2009/10 which represent 79% of total cash inflow. Interest is received from many kinds of loans, advances, overdrafts, investment, local and foreign agency balances, money at call and short call notice and others. The above table presents the interest income of NBL in average for five years in 72.77% whereas NBL collects its cash from operating currency exchange gain as second large source of cash. the above table no 4.3 shows the average percentage of cash

collection from operation is 10.66%. the currency exchange gain can be received from discount on bills purchase in local and foreign currency, letter of credit, Guarantees, collection fees, Remittance fees, Credit cards, Share underwriting issues, Government transactions, Agency commissions, Exchange fees and others. Non-operating income is the least source of cash collection in joint venture banks in Nepal. Profit on sale of investment, profit on sale of assets, dividend of equity, share of commercial banks, rural development banks and financial institutions and other institutions i.e. subsidiary companies and subsidies received from Nepal Rastra Bank are sources non-operating income in NBL. The rest around 8% of every year is received from Rental or safe deposit locker, issue and renewals of credit cards, issue and renewals of ATM cards, Telex/T.T., service charges, renewal fees. Loss provision written back as other income. The mean cash collection is shown in pie-chart no.4.1 as presented.

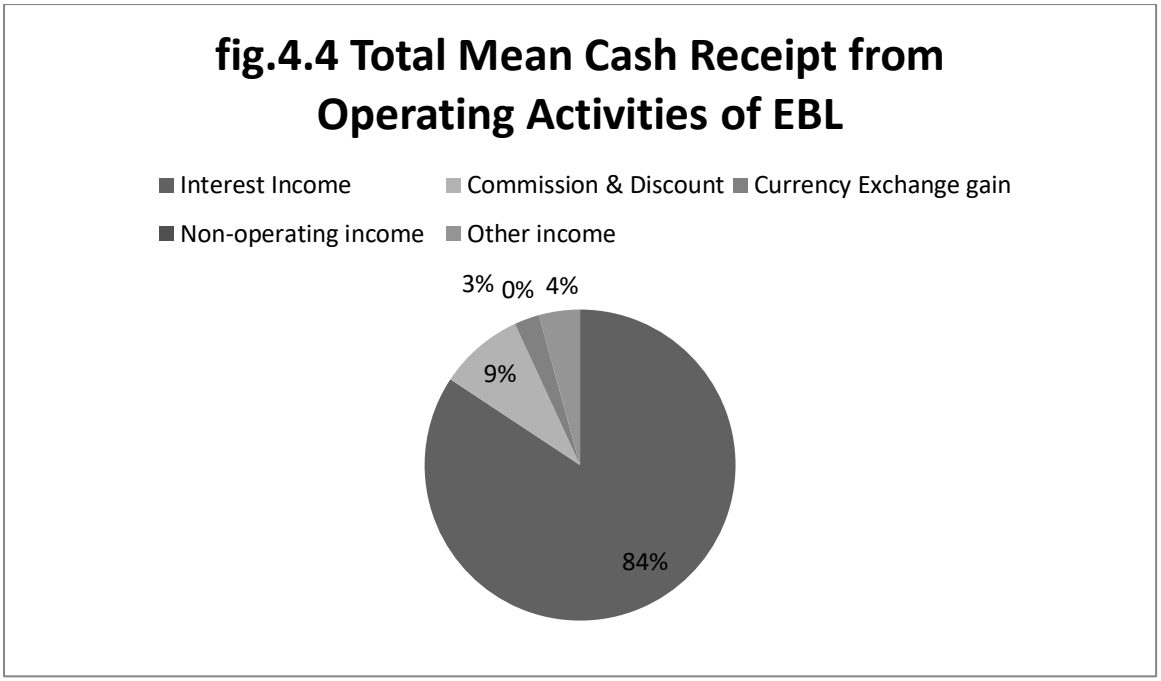
Table No.4.4

Total Cash Receipt from Operating Activities of EBL

Amount (Rs. In Million)

Years	Amount	Sources					
		Interest Income	Commission & Discount	Currency Exchange gain	Non-Operating Income	Other Income	Total
2005/2006	Rs	657.25	74.33	27.79	1.87	23.82	785.06
	%	83.72	9.47	3.54	0.24	3.03	100.00
2006/2007	Rs	725.01	78.13	27.08		34.26	864.48
	%	83.87	9.04	3.13		3.96	100.00
2007/2008	Rs	973.18	96.84	14.40		51.05	1135.47
	%	85.71	8.53	1.26		4.50	100.00
2008/2009	Rs	1157.39	117.72	27.13		70.53	1372.77
	%	84.31	8.56	1.98		5.15	100.00
2009/2010	Rs	1480.97	150.26	50.82		82.91	1764.96
	%	83.91	8.51	2.88		4.70	100.00
Mean	**%**	**84.30**	**8.82**	**2.56**	**0.05**	**4.27**	**100.00**

Source: Annual Financial Report of NBL and EBL



The table no. 4.4 shows the cash collection of five years from five main sources of operation. These are the same as NBL, i.e. interest, commission and discount, currency exchange gain, non-operating and other income. From the above table, we can say that EBL is considering the largest and the most important source of cash to interest. This company's report shows that at least83% of cash collection is received from it. The mean interest income of EBL is 84%. All the sources of income as interest is collected as same sub-topic of NBL. This bank is considering commission and discount is collected as same sub-topic of NBL. This bank is considering commission and discount sources as second bigger source of cash whereas NBL is considering third. The mean cash collection from it while operating the business is 8.82%. The EBL is getting it's cash from other income as third source whereas NBL considers it source. The main collection from give five years from other income is 4.27%. The fourth source of income for EBL is currency exchange gain which represents only 2.56% of cash receipt whereas it was the second largest source of income for NBL. EBL is also using non-operating source of income as nominal source. The pie-chart 4.2 indicate only main source of cash inflow from interest, commission and discount, currency exchange gain, non-operating and other income.

II.Total Cash Payment (Total Cash Outflows)

Total cash payment from operating activities includes many different sub-topics of payment sector. Specially, joint venture banks includes interest expenses, staff expenses, office overhead, non-operating expenses, other expenses, currency exchange, loss and income

tax. All the expenses from operating activities as sum is called total cash payment from operating activities. Total cash payment on operation is total cash outflows. The total cash payment from operating activities of NBL and EBL for five fiscal years is given below in table.

Table No. 4.5

Total Cash Payment for Operating Activities of NBL and EBL

Bank	Year and Amount (Rs. In Million)					
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Mean
NBL	1290.7	1336.21	1014.98	1381.64	1574.32	1319.57
EBL	551.88	594.59	720.43	892.13	1154.93	774.79
Deviation	778.82	741.62	294.55	489.51	419.39	544.78

Source: Annual Financial Report of NBL and EBL

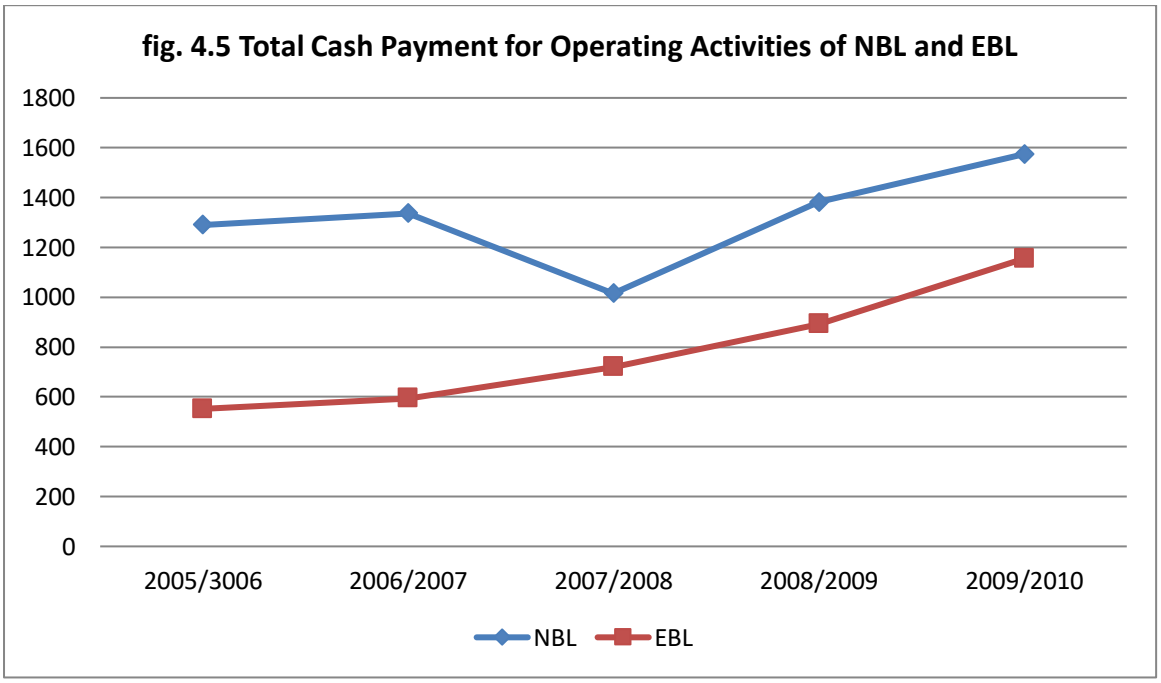


Table no. 4.5 presents total yearly cash payment for operation of Nabil Bank Limited and Everest Bank Limited. It does not specify any particular uses of cash for the time period. The further description for the specific uses of cash for outflow can be explained in further analysis. The above figure no. 4.3 is prepared according to the table no. 4.5. According to these table and figure, the cash payment of NBL is higher in every year than of the EBL. It

shows that the NBL is more by Rs (in million) 778.82, 741.63, 294.55, 489.51 and 419.39 than of EBL for the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively. The observations above shows NBL has higher cash utilization in each year than the EBL. As explained above in cash collection until, the NBL has strong cash collection by operation of NBL and EBL is Rs. 673.13, 647.68, 437.5, 636.84 and 679.94 respectively for the years. The NBL paid for operating activities Rs. (in million) 1319057 as average cash outflow whereas the EBL paid only Rs (in million) 774.79. The cash payments made by the banking institution is presented in the following format in cash flow statement of the year.

	Particulars	Current Year (Amt.)	Previous Year (Amt.)
2	Total Cash Payments	XXX	XXX
2.1	Investment Expenses	XXX	XXX
2.2	Staff Expenses	XXX	XXX
2.3	Office Overhead Expenses	XXX	XXX
2.4	Non-Operating Expenses	XXX	XXX
2.5	Other Expenses	XXX	XXX
2.6	Currency Exchange Loss	XXX	XXX
2.7	Income Tax Paid	XXX	XXX

Mainly seven sources of cash outflow are shown in joint venture bank.

Total cash payment for operating activities of Nabil Bank Limited (NBL):

Total cash payment to various sectors in operation is presented in table 4.6. The main sector of cash payment in a joint venture bank of Nepal are interest expenses, staff expenses, office overhead expenses, non-operating expenses, other expenses, currency exchange loss and income tax paid. The NBL had paid cash in following different sector which are presented blow.

Table No. 4.6

Total Cash Payment for Operating Activities of NBL

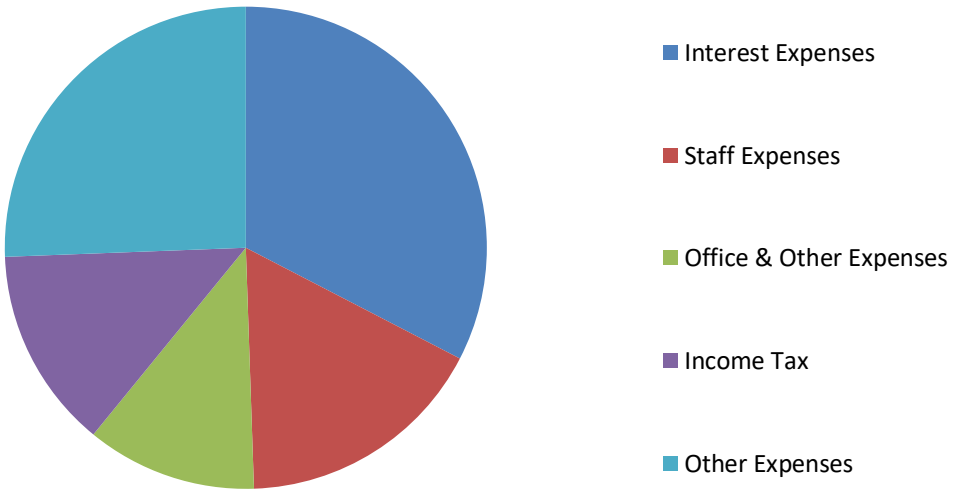
Amount (Rs. In Million)

Years	Amount	Sources

		Interest Expenses	Staff Expenses	Office & Other Expenses	Income Tax	Other Expenses	Total
2005/2006	Rs	282.95	180.84	150.76		676.15	1290.70
	%	21.92	14.01	11.68		52.39	100.00
2006/2007	Rs	243.54	199.52	190.30		702.85	1336.21
	%	18.23	14.93	14.24		52.60	100.00
2007/2008	Rs	357.09	219.78	119.99	228.14	89.98	1014.98
	%	35.18	21.65	11.82	22.48	8.87	100.00
2008/2009	Rs	555.21	240.16	130.83	355.69	99.75	1381.64
	%	40.18	17.38	9.47	25.75	7.22	100.00
2009/2010	Rs	747.40	257.06	157.22	303.74	108.90	1574.32
	%	47.47	16.33	9.99	19.29	6.92	100.00
Mean	%	32.60	16.86	11.44	13.50	25.60	100.00

Source: Annual Financial Report of NBL and EBL

fig.4.6 Total Mean Cash Payment for Operating Activities of NBL



Non-operating expenses and currency exchange loss in not mentioned in above list of expenses because NBL does not utilizes its cash on these respective headings. According to

above table interest expenses represents the highest heading under which cash outflow is undertaken. The mean expense under this heading is 32.60 percentages.

The cash contribution to expenses is more is more than thirty percent. The average expense on interest payment for five years is 32.60%. Interest is made on the following.

a. Interest payment on deposit liabilities: Fixed deposit on local and foreign currency, saving deposits, call deposit on local and foreign currency and certificate of deposit.

b. Interest expenses on borrowings: Overdrafts, loan from Nepal Rastra Bank, Inter-bank borrowings, short term deposits, other loan and refineries.

c. Interest expenses on other, premium on development bonds, other as forwarded.

Fourth highest payment is made to income tax. The mean cash outflow in this sector is 13.50 percent. Third largest payment of cash is made to salary of personnel in the company. The NBL pays cash under this headings as allowances, contribution to product fund, training expenses, uniform expenses and medical expenses, insurance of employees, provision for gratuity, other personnel expenses and employees incentives. NBL has payment of 16.86 percentages as average of five year staff expenses. Other expense which is not specified in sub unit is the second highest sector of cash outflow. The mean cash outflow in this sector is 25.6%.

As same that office overhead includes electricity and water, repair and maintenance of buildings, vehicles and other, insurance of building, vehicles and business, postage, telex, telephone, fax, repair office furniture and equipment, traveling allowances and expenses, stationery and printing, periodicals and books, advertisement, legal and professional expenses, donations, expenses relating to board of directors, i.e. meeting fees and others, annual general meeting expenses, expenses relating to audit, commission remittances, depreciation on fixed assets, amortizations of preliminary and other expenses, share issue expenses, technical services fees, entertainment, written off expenses, security expenses, credit guarantee premium, commission and discount paid, changes on foreign currency notes, office equipment and furniture (non capitalized items), other (sundries). The average percentage of expenses on office overhead expenses is 11.44 which represent the lowest percentage of total payment.

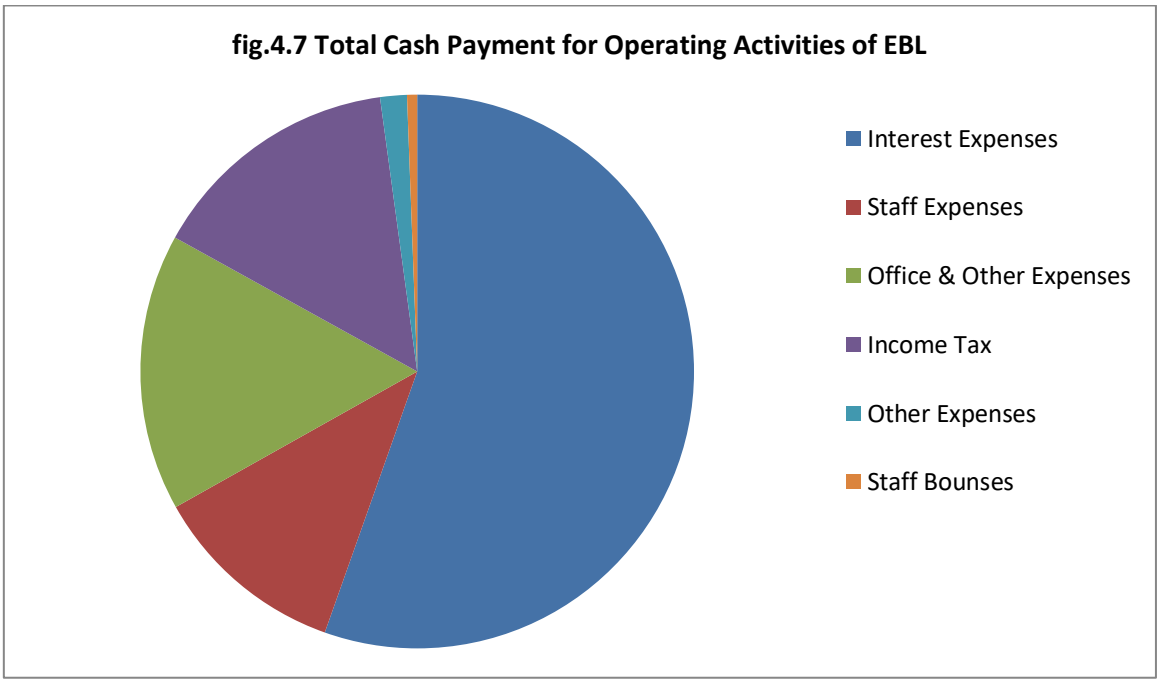
Table No. 4.7

Total Cash Payment for Operating Activities of EBL

Amount (Rs. In Million)

Years	Amount	Sources						
		Interest Expenses	Staff Expenses	Office & Other Expenses	Income Tax	Other Expenses	Staff Bonuses	Total
2005/2006	Rs	316.37	48.53	78.96	52.93		15.10	511.89
	%	61.81	9.48	15.43	10.34		2.95	100.00
2006/2007	Rs	312.88	84.05	105.22	92.44			594.59
	%	52.62	14.13	17.70	15.55			100.00
2007/2008	Rs	392.25	99.00	115.09	114.09			720.43
	%	54.44	13.74	15.98	15.84			100.00
2008/2009	Rs	492.28	78.12	146.59	140.56	34.56		892.11
	%	55.18	8.76	16.43	15.76	3.87		100.00
2009/2010	Rs	612.86	127.97	177.58	191.05	45.47		1154.93
	%	53.06	11.08	15.38	16.54	3.94		100.00
Mean	%	55.42	11.44	16.18	14.81	1.56	0.59	100.00

Source: Annual Financial Report of NBL and EBL



The table no. 4.7 and pie-chart no. 4.4 present the cash payment to operation on various sectors of EBL. There are not any expenses on non-operating loss of EBL. EBL had made any expenses on other expenses heading during three years i.e. 2007/08, 2008/09, 2009/010. An interest expense is made on the following:

a. Interest payment on deposit liabilities: Fixed deposit on local and foreign currency, saving deposit, call deposit on local and foreign currency and certificate of deposits.
b. Interest expenses on borrowing: Overdrafts, loan from Nepal Rastra Bank, Inter-bank borrowings, short-term deposits, other loan and refineries.
c. Interest expenses on others, premium on development bonds, other as forwarded.EBL paid 55.42 percentage of total cash outflow for the operation.

Next payment is made to office overhead in the company. It includes electricity and water, repair and maintenance of building, vehicles and others, insurance of building, vehicles and business, postage, telex, telephone, fax, repair on office furniture and equipment, traveling allowances and expenses, stationery and printing, periodicals and books, advertisement, legal and professional expenses, donations, expenses relating to board of directors i.e. meeting fees and others, annual general meeting expense, expenses relating to audit, commission remittances, depreciation on fixed assets, amortization of preliminary and other expenses, share issue expenses, technical service fees, entertainment, written off expenses, security expenses, credit guarantee premium, commission and discount paid, charges on foreign currency notes, office equipment and furniture (non-capitalized items), others (sundries). The average percentage of expenses on office overhead expenses is 16.18 of EBL.

The largest percentage of expenses is in income tax which represents 14.81% of total cash payment. As same staff expenses includes allowances, contribution to product fund, training expenses, uniform expenses and medical expenses, insurance of employees, provision for gratuity, other personnel expenses and employee's incentives. EBL had paid 11.44% of total cash payment in this sector. EBL also paid bonus to its staff on fiscal year 2009/10 which represents 0.59% of total cash expenses.

B.Cash Flow from Investing Activities (CFFIA)

Determination of cash from investing activities requires analysis of the non-current items of comparative balance sheet, additional information and non-cash expenses, 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. The joint venture banks in Nepal present their cash flow from investing activities as follows.

	Particulars	Current Year (Amt)	Previous Year (Amt)
B.	**Cash flow from investment activities**		
1.	Decrease/(Increase) in bank balance	XXX	XXX
2.	Decrease/(Increase) in money at call & short notice	XXX	XXX
3.	Decrease/(Increase) in investment	XXX	XXX
4.	Decrease/(Increase) in loans, advances and bills purchased	XXX	XXX
5.	Decrease/(Increase) in fixed assets	XXX	XXX
6.	Decrease/(Increase) in other assets	XXX	XXX
7.	Decrease/(Increase) in non-banking assets (NBA)	XXX	XXX
8.	Decrease/(Increase) in interest income from long term invest (LII)	XXX	XXX
9.	Decrease/(Increase) in dividend interest	XXX	XXX
10.	Decrease/(Increase) in government securities	XXX	XXX
11.	Decrease/(Increase) in share & debenture	XXX	XXX

Joint venture banks of Nepal treat investing cash flows under the following uses. It presents only the increased or decreased amount of current year than the previous year's. Decreased in amount shows that cash has been drawn by bank or taken by the bank, but increase in amount shoes outflow of cash from the business. Bank balance in local and foreign currency may be in different account in different banks. Money call and short term notice is local and foreign currency is also treated as cash source/use for investing activities. Trading and other investments covers government of Nepal securities on treasury bills, development bonds, rational saving bonds and special bonds, foreign government securities, Nepal Rastra Bank's bonds, share development and bonds and other investment such certificate and deposit, mutual funds, local banks foreign banks and others.

On the other hand loans, advances and bills purchased in domestic and foreign currencies includes performing loan such as pass and restructure loan and non-performing loan such as substandard, doubtful and loss. Fixed assets are most essential in any business. It requires freehold loan and buildings, vehicles, machinery, office equipment and other (leasehold). Except fixed assets such stationary stock, income receivables or investment, accrued interest on loan, commission receivables, sundry debtors and capital advances, staff loan and advances, re-payments, cash in transit, other transit items including cheques, drafts paid without notice, expenses not written off, non-banking asset, branch adjustment amount and other deposits receivables are also required in business to run daily expenses. Similarly, other include rental on safe deposit lockers, issue and renewal of credit cards and debit cads, telex/T.T., service charges, renewal fees, provision rite back, loan management fees.

Table No. 4.8

Cash Flow from Investing Activities of NBL and EBL

Bank	**Year and Amount (Rs. In Million)**					
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Mean
NBL	83.75	581.38	5083.17	5083.17	4148.85	3700.09
EBL	1670.90	1878.32	3889.22	4761.32	5516.68	3543.29

Source: Annual Financial Report of NBL and EBL

From the above table it can be observed that both the banks have negative cash flow in every fiscal year. That is cash outflow exceeds cash inflows in every fiscal year. From the above table it can be made clear that EBL has higher cash outflow the NBL except in fiscal year 2007/08 and 2008/09. Mean cash outflow of NBL and EBL is (Rs. In million) 3700.09 and 3543.29 respectively.

Cash inflows and outflows from various sources under investing activities of NBL & EBL are presented below in table no. 4.9 and 4.10 respectively in detail.

Table No. 4.9

Cash Flow from Investing Activities (CFFIA) of NBL

Amount (Rs. In Million)

Years	(Increase) or Decrease (Rs. In million)									
	Balance With Bank	**Money at Call and Short list Notice**	**Investment**	**Loans, Advance & bills Purchase**	**Fixed Asset**	**Other Asset**	**Other**	**Interest Form Long Term Intestme Nt(LTI)**	**Dividend Income**	**Total (CFFIA)**
2005/2006	273.39	(248.53)	195.23	(434.04)	(86.21)	216.41	-	-	-	(83.75)
2006/2007	270.57	50.31	1568.72	(2396.18)	(23.1)	(51.68)	-	-	-	(581.38)
2007/2008	-	(866.47)	(1902.7)	(2379.53)	(21.06)	(22.46)	-	107.82	1.23	(5083.17)
2008/2009	-	1171.37	(2775.65)	(2627.1)	(27.26)	30.95	6.66	71.47	0.72	(4148.85)
2009/2010	-	(1388.83)	(1010.26)	(5866.83)	(374.08)	(37.59)	21.65	50.79	1.85	(8603.29)

Source: Annual Financial Report of NBL and EBL

From the above table, we can conclude that NBL has mostly a transaction of cash for investment as outflows, i.e. increase in fiscals year 2005/06, there is increase in money at cal and short list notice, loans, advance and bill purchase and fixed assets by Rs (in million) 248.53, 434.04 and 86.21 respectively. Loans, advances and fixed assets and other assets can be observed as cash users in NBL. In every year the cash outflow on these are increased except in other assets in fiscal year 2005/06. Observing the total cash flow position of NBL for all 5 fiscal year, the cash outflow exceeds the cash inflows from the above table it can be made clear that there has been no increase or decrease in balance with bank in fiscal year 2007/08, 2008/09 and 2009/010.

Table No. 4.10

Cash flow from Investing Activities (CFFIA) of EBL

Years	(Increase or Decrease (Rs. In million)											
	Balance With Bank	Money at Call And Short list Notice	Invest-Ment	Loans, Advance & bills Purchase	Fixed Asset	Other Asset	Non-Banking Assets	Interest From Long Term Invest-tment (LTI)	Dividend Income	Govern-ment Securities	Share& Debenture	Total (CFFIA)
2005/2006	499.86	(187.45)	(881.68)	(1051.07)	(20.32)	(40.64)	10.40	-	-	-	-	(1670.90)
2006/2007	-	(382.56)	406.73	(1828.26)	(38.82)	(35.44)	-	-	0.03			(1878.32)
2007/2008	-	503.04	(2072.39)	(2236.16)	(45.84)	(38.03)	-	-	0.17	-	-	(3889.22)
2008/2009	-	166.96	80.12	(3947.23)	(48.98)	(72.38)	11.58	12.28	0.25	(863.92)	-	(4761.32)
2009/2010	-	(346.00)	498.76	(4772.74)	(246.62)	(134.86)	0.40	58.44	0.75	(493.54)	(81.27)	(5516.68)

Source: Annual Financial Report of NBL and EBL

Everest Bank Limited's cash from operating activities is presented in above table no. 4.10. From the above table we can conclude that EBL has higher cash outflow than the cash inflows in investing activities. To increase in amount of investing activities means to pay for investing activities. Negative change in cash is cash outflow. It can be observed from the table that, like NBL, loans, advance and bills purchase, fixed assets and other assets are cash users in EBL also. There has been no change in government securities and shares and debentures unit 2007/08, 2008/09 respectively. Observing the total cash flows position, cash outflows exceeds cash inflows in all fiscal year.

C.Cash Flow from Financial Activities (CFFFA)

The separate disclosure of cash flows arising from financial activities is important because it is useful in predicting claims in future cash flows by providers of capital to the enterprises. Examples of cash flows arising from financial activities are:

a. Cash proceeds from issuing share 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, mortgage, and other short or long-term borrowings.
d. Cash repayments of amounts borrowed,

e. Cash repayments by a lessee from reduction of the outstanding liability relating to a finance lease.

f. Cash other liabilities includes gratuity fund, employee provident fund, employee's welfare fund, provision for staff bonus, dividend payable, provision for income tax (less advance tax paid), interest payable on deposit and borrowings, unearned discount commission, proposed dividend, interest suspense, sundry creditors, branch adjustment amounts and others.

	C.Cash Flow from Financial Activities	**Current Year (Amt.)**	**Previous Year (Amt.)**
1.	(Decrease)/Increase in borrowing	XXX	XXX
2.	(Decrease)/Increase in deposits	XXX	XXX
3.	(Decrease)/Increase in bills payable	XXX	XXX
4.	(Decrease)/Increase in other liabilities	XXX	XXX
5.	(Decrease)/Increase in share capital	XXX	XXX
6.	(Decrease)/Increase in dividends	XXX	XXX
7.	(Decrease)/Increase in share approving	XXX	XXX
8.	(Decrease)/Increase in interest borrowings		

Table No. 4.11

Cash Flow from Financing Activities of NBL and EBL

Bank	**Year and Amount (Rs. In Million)**					
	2005/2006	**2006/2007**	**2007/2008**	**2008/2009**	**2009/2010**	**Mean**
NBL	15.37	264.89	4596.60	5290.42	9004.03	3634.17
EBL	1389.82	2026.62	3977.16	5177.79	5169.56	3536.19

Source: Annual Financial Report of NBL and EBL

Table no. 4.11 represents the total cash flow from financial activities of both banks, i.e. NBL and EBL. It can be clear that both the banks as positive cash flow in every fiscal year. There is cash inflows, exceeds cash outflows. Here, increase represents positive cash flow that is when cash flow is positive it is inflow. It is clear that EBL has higher cash inflow than NBL except in fiscal year 2007/08 and 2009/10. However, the mean cash flow of NBL is greater than EBL.

The total cash flow of NBL and EBL from various sources is presented in detail in table no. 4.12 and 4.13 respectively.

Table No. 4.12

Cash flow from financing Activities (CFFFA) of NBL

Years	(Increase)/Decrease (Rs. In million)								
	Borrowings	**Deposits**	**Bills Payable**	**Other Liabilities**	**Share Capital**	**Dividend**	**Shares Application Money**	**Interest in Borrowing**	**Total (CFFIA)**
2005/2006	(731.80)	671.37	64.56	11.24	-	-	-	-	15.37
2006/2007	(212.60)	467.58	(53.75)	63.66	-	-	-	-	264.89
2007/2008	156.14	4760.79	-	(320.80)	-	-	-	-	4596.13
2008/2009	709.37	3994.89	-	(413.84)	-	-	-	-	4290.42
2009/2010	717.43	8572.76	-	(286.16)	-	-	-	-	9004.03

Source: Annual Financial Report of NBL and EBL

The above table no. 4.12 clearly presents the cash flow from financial activities in the transactions of bank. Increase in financial activities refers to cash inflow in business and decrease in activities presents cash outflow from the responding activities. During 5 year the share capital, dividend, share application money and interest in borrowings has neither increased nor decreased. It can also be noticed that there has neither been increase been increase nor decrease in bills payable in last three fiscal years i.e. 2007/08, 2008/09 and 2009/10. Deposits can be treated as the sources of cash inflow in NBL.

Table No. 4.13

Cash Flow from Financing Activities (CFFFA) of EBL

years	(Increase)/Decrease (Rs. In million)								
	Borrowings	Deposits	Bills Payable	Other Liabilities	Share Capital	Dividend	Share Application Money	Interest in Borrowing	Total (CFFIA)
2005/2006	-	1368.94	(0.07)	90.48	-	(69.53)	-	-	1389.82
2006/2007	300.00	2033.79	-	(307.16)	-	-	-	-	2026.62
2007/2008	-	3704.72	-	209.41	63.00	-	-	-	3977.16
2008/2009	-	4383.80	-	(56.20)	-	(104.22)	911.51	(17.10)	5117.79
2009/2010	-	5790.04	-	(26.38)	-	(58.85)	(51.51)	(23.75)	5169.56

Source: Annual Financial Report of NBL and EBL

Observing the total cash from the above table, we can conclude that EBL paid it's liabilities more than it's added liabilities during the five year. EBL has increase i.e. issued it's share capital only in fiscal year 2005/06 by 63 million otherwise there had been no change in share capital in an year before and after that. It can also be observed that there has been no change in share application money in fiscal year 2005/06, 2006/07 and 2007/08. Similarly, bills payable has remained unchanged in all fiscal year except fiscal year 2005/06. Similar to NBL, deposits can be treated as main source of cash inflow in EBL also.

D. Income or from change in exchange rate in cash and bank balance:

Sometimes change in exchange rate may occur due to different external reasons. This may lead to loss or gain to any business. When there is increase in exchange rate the business is in gain and when there is a decrease in exchange rate the bank is in loss. Income or loss from exchange rate of NBL and EBL in five different fiscal years is presented in table below.

Table No.4.14

Income/ (loss) from change in exchange rate of NBL & EBL

Bank	**Year and Amount (Rs. In Million)**				
	2005/2006	**2006/2007**	**2007/2008**	**2008/2009**	**2009/2010**
NBL	-	-	-	-	-
EBL	-	-	-	1.27	13.64

Source: Annual Financial Report of NBL and EBL

Table no. 4.14 represents the income and loss from exchange rate of NBL and EBL. But, it can be clear that there has been income due to change in exchange rate only in the fiscal year i.e. 2008/09 and of EBL y 1.27 million and 13.64 million respectively.

E. Net Cash Flow:

After presenting all cash collection and uses from various activities i.e. operating, investing and financing and exchange rate change, the sum of these four sub-topics amount is to be made. It can be explained as the following mathematical equation.

Net Cash Flow (NCF) = CFFOA+CFFIA+CFFFA+ Exchange gain or loss

The net cash flow of NBL and EBL for each year is presented as follows:

Table No. 4.15

Net Cash flow of NBL and EBL

Bank	Year and Amount (Rs. In Million)					
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Mean
NBL	99.11	-140.53	70.85	769.59	1271.32	414.07
EBL	-7.91	418.19	502.98	838.45	276.55	405.65

Source: Annual Financial Report of NBL and EBL

From the above table, we can notice that, the cash flow is stable in both the banks. Negative cash flow indicates cash payment exceeded the cash collection as whole. The net cash flow of NBL has increased very higher in fiscal year 2009/10. Both in fiscal year 2006/07,

2007/08and 2008/09 the cash flow of EBL is greater than that of NBL> However, the mean cash flow of NBL is greater than EBL.

F. Balance of Closing Cash and Cash Equivalent.

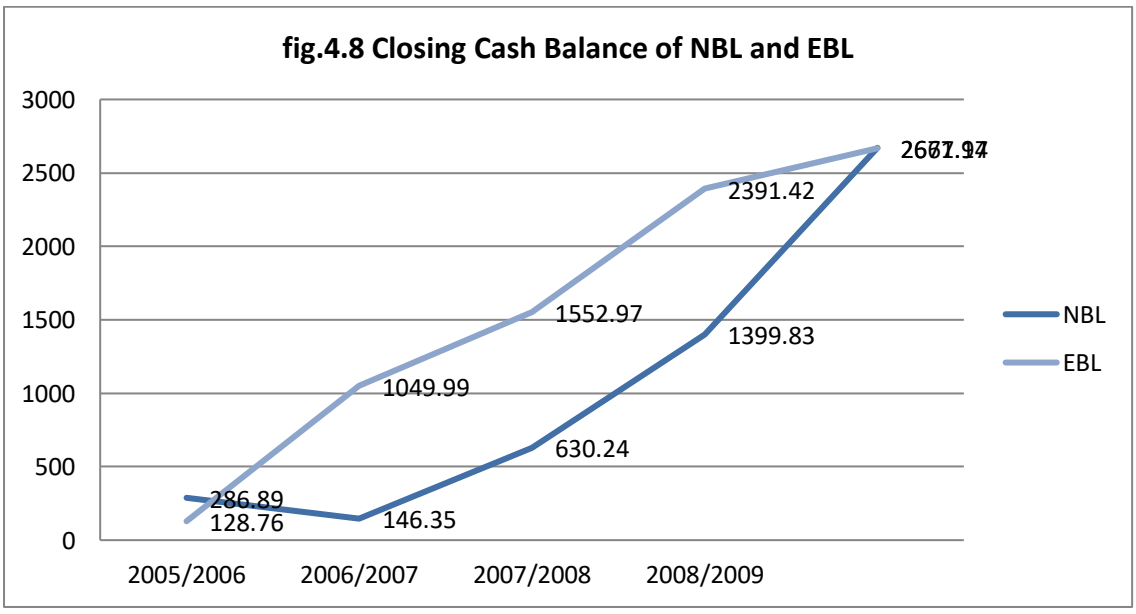
At the last stage of the preparation of cash flow statement, closing cash balance is calculated by adding the opening cash balance to the net cash flow. The closing cash balance states the cash stock of the institution at the end of the financial year. The closing cash and cash equivalent is the opening cash balance of preceding year. Therefore, the closing cash balance of the financial year 2005/06 becomes the opening cash balance of financial year 2007/07.

Table No. 4.16

Closing Cash Balance of NBL and EBL

Bank	**Year and Amount (Rs. In Million)**				
	2005/2006	**2006/2007**	**2007/2008**	**2008/2009**	**2009/2010**
NBL	286.89	146.35	630.24	1399.83	2671.14
EBL	128.76	1049.99	1552.97	2391.42	2667.97

Source: Annual Financial Report of NBL and EBL



The closing cash of NBL and EBL is neither so high nor so low. The NBL could reserve the cash balance at the end of each year is Rs. (in million) 286.96, 146.35, 630.24, 1399.83, 2671.14 million in the financial year 2005/06, 2006/07, 2007/08, 2008/09, 2009/10respectively. The closing cash balance of EBL has increased every fiscal year. But in the final y ear 2006/07 closing cash balance of NBL and EBL is almost equal. Except in 2006/07the closing cash balance is observed increasing simultaneously. NBL has granted cash flow fluctuation than the EBL which is not good symptom of sound economy.

4.2 Time Series Analysis (Trend Analysis):

Trend analysis occupies an important place in the analysis and interpretation of cash flow statement. Trend in general terms, signifies a tendency. Trend analysis helps in forecasting and planning future operation. It is statistical tool, which shows that previous trend of the financial performance and forecasts the future result of the firms. Trend analysis informs to various persons who are directly related to joint venture banks. To share holder, customers, management and government of the banks, it informs about the expected future cash outflow and inform to decide the future management policy.

Various methods are used for trend analysis, out of which least square method is one of the popular method which is used in this study. In the present study, the tendency of cash receipt and cash payments from the operating activities, cash flow from investing activities, cash flow from financial activities and total closing balance of NBL and EBL is examined during the observation period. And expected future result for year have been calculated and analyzed in the following section.

4.2.1 Total cash receipt from operating activities:

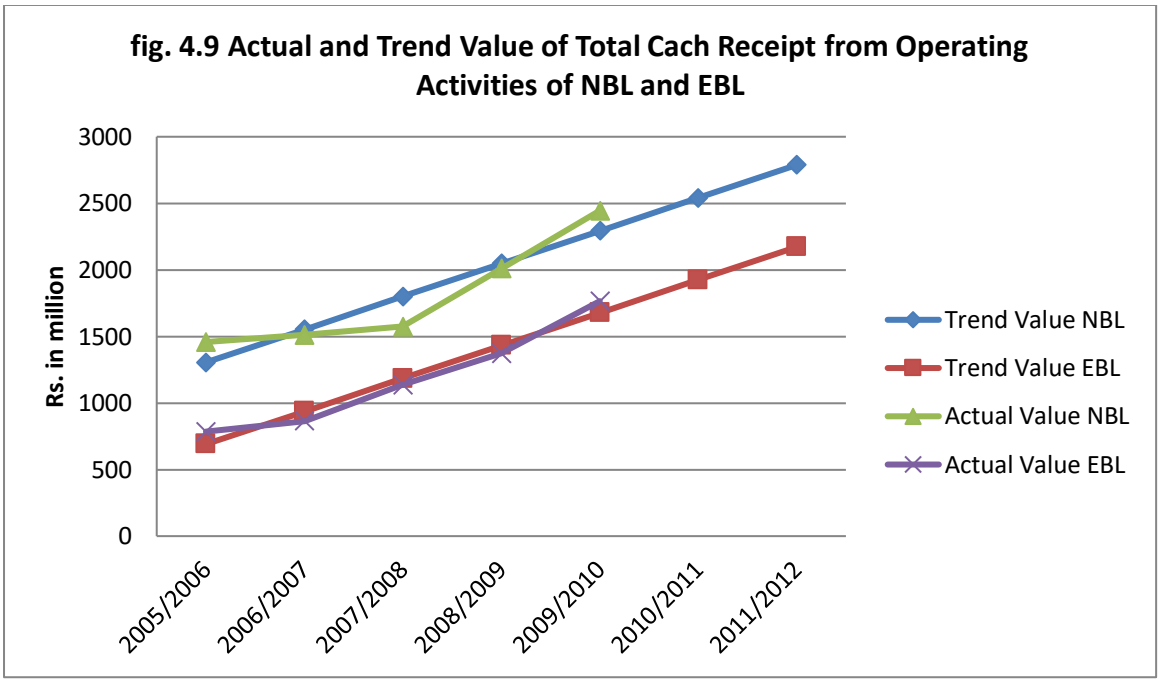
Table No. 4.17

Actual and Trend Value of Total Cash Receipt from Operating Activities of NBL and EBL

Year	Time	Actual Value		Trend Value	
		NBL	EBL	NBL	EBL
2005/2006	1	1458.19	785.06	1305.38	690.95
2006/2007	2	1512.16	864.48	1552.47	937.75
2007/2008	3	1572.88	1135.47	1799.56	1184.55
2008/2009	4	2009.66	1372.77	2046.65	1431.35
2009/2010	5	2444.90	1764.96	2293.74	1678.15

2010/2011	6			2540.83	1924.95
2011/2012	7			2787.92	2171.75

Source: Appendix-1, A&B



From the above table expected cash receipt cash from operating activities of NBL for the coming year 2010/11, 2011/125 are Rs (in million) 2540.35 and 2787.92 respectively which is increasing as ascending year's trend. As same that way, the expected total cash receipts from operating activities of EBL for the coming those years are (Rs. In million) 1924.95 and 2171.75 respectively. This is also in increasing trend.

In the figure, vertical line shows actual and trend value of the variable whereas the horizontal line shows the time in year. The changing rate of total cash such receipts from operating activities in NBL and EBL is in increasing trend. The expected trend is suggested to both to be aware generate new source of cash inflow because increase in source of cash is good symbol of cash income management.

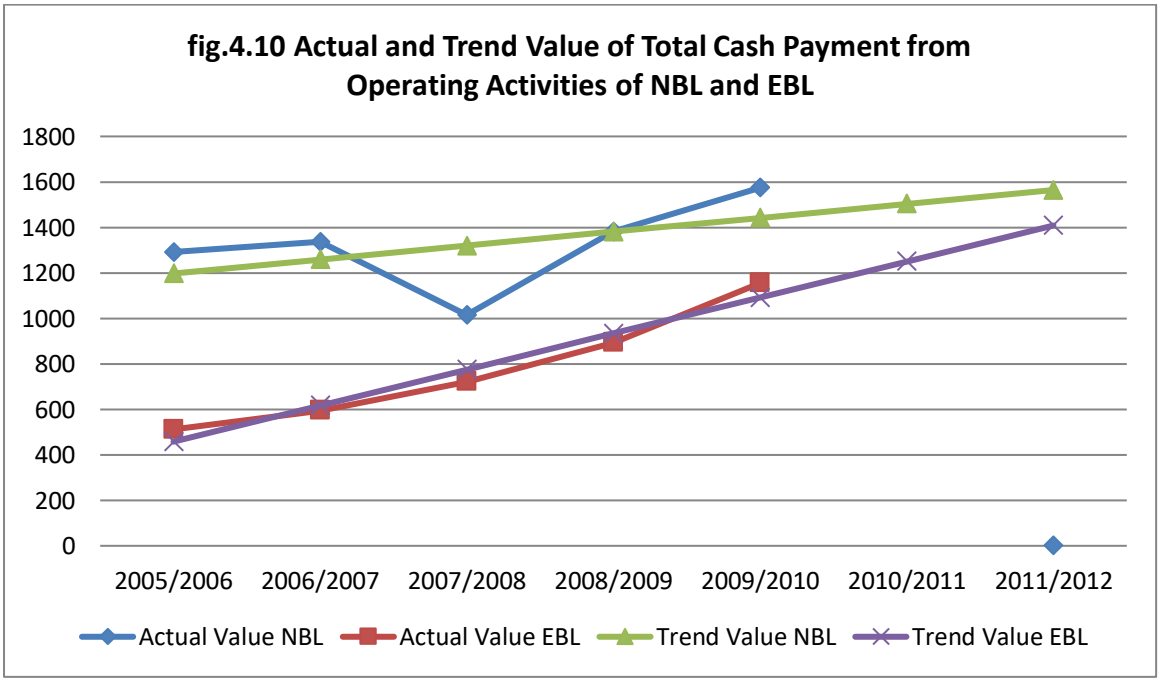
4.2.2 Total cash payment from operating activities:

Table No. 4.18

Actual and Trend Value of Total Cash Payment from Operating Activities of NBL and EBL

Year	Time	Actual Value		Trend Value	
		NBL	EBL	NBL	EBL
2005/2006	1	1290.70	511.88	1197.17	458.07
2006/2007	2	1336.21	594.59	1258.37	616.43
2007/2008	3	1014.98	720.43	1319.57	774.79
2008/2009	4	1381.64	892.13	1380.77	933.15
2009/2010	5	1574.32	1154.93	1441.97	1091.51
2010/2011	6			1503.17	1249.84
20011/2012	7			1565.37	1408.23

Source: Appendix-, A&B



After observing the data, it can be concluded that the total cash payment or cash outflow from the operating activities of both the bank are in increasing trend. To decrease in

payment for the operating for the operation is positive for the business growth. The trend line shows that both banks are not able to control its operating expenses.

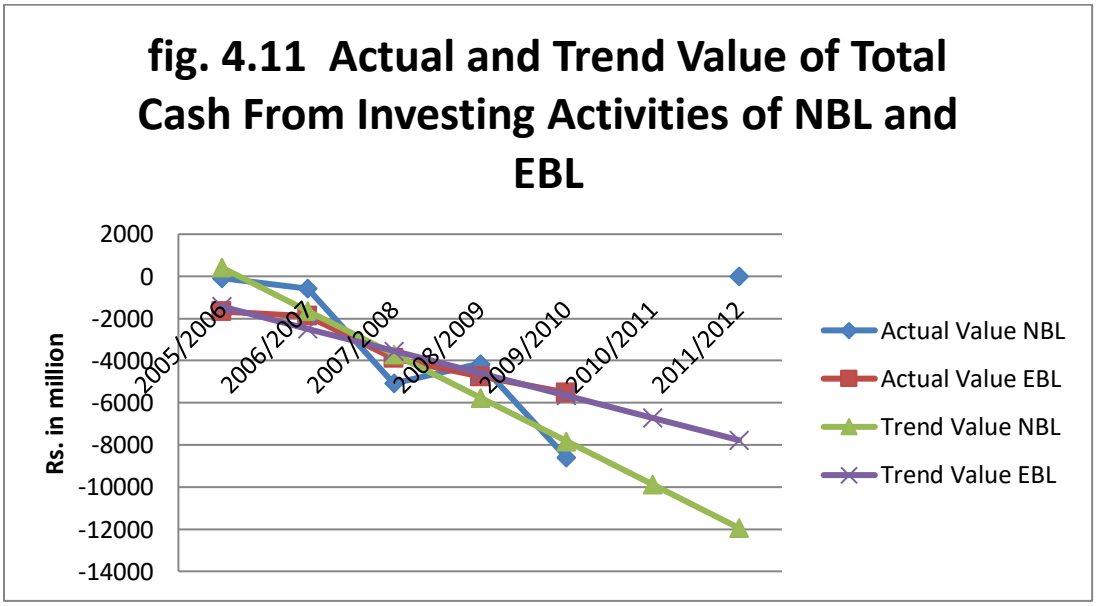
4.2.3 Total cash flow from Investing Activities:

Table No. 4.19

Actual and Trend Value of Total Cash from Investing Activities of NBL and EBL

Year	Time	Actual Value		Trend Value	
		NBL	EBL	NBL	EBL
2005/2006	1	(83.75)	(1670.90)	421.14	(1428.37)
2006/2007	2	(581.38)	(1878.32)	(1639.43)	(2485.83)
2007/2008	3	(5083.17)	(3889.22)	(3700.09)	(3543.29)
2008/2009	4	(4148.85)	(4761.36)	(5760.57)	(4600.75)
2009/2010	5	(8603.29)	(5516.68)	(7821.14)	(5658.21)
2010/2011	6			(9881.71)	(6715.67)
2011/2012	7			(11942.28)	(7773.13)

Source: Appendix-3, A&B



From the above table and figure, we can conclude that the total cash flow of NBL is positive which is upward from left to right in the figure but negative in EBL, the trend line is

downward from left to right. The trend nature shows that NBL will collect cash from investing whereas EBL; the cash should be investing lot in such activities.

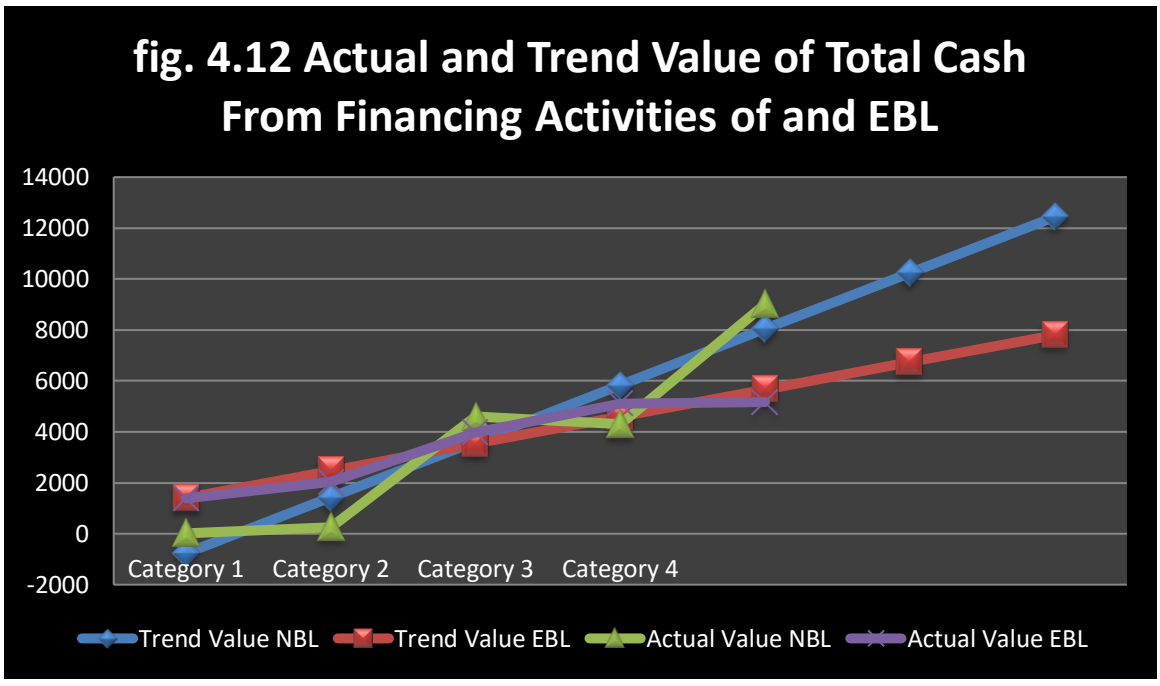
4.2.4 Total cash flow from Financial Activities:

Table No. 4.20

Actual and Trend Value of Total Cash from Financing Activities of NBL& EBL

Year	Time	Actual Value		Trend Value	
		NBL	EBL	NBL	EBL
2005/2006	1	15.37	1389.82	(766.42)	1406.05
2006/2007	2	264.89	2026.62	1433.88	2471.12
2007/2008	3	4596.13	3977.16	3634.18	3536.19
2008/2009	4	4290.42	5117.79	5834.48	4601.26
2009/2010	5	9004.09	5169.56	8034.78	5666.33
2010/2011	6			10235.08	6731.40
2011/2012	7			12435.38	7796.47

Source: Appendix-4, A&B



The trend value and line shows that NBL has to pay higher amount of cash to its financial activities at previous year. Increase in cash outflow presents the payment of cash to borrowings, deposits, bills payable and other liabilities from the above trend, in EBL also will increase in financial activities, which means the banks has to pay cash more than the existing amount of respecting transactions. The trend shows the cash in outgoing day by day from the financial activities of both banks more than the previous years.

4.3 Major Findings of the Study:

The presentation and analysis of data provides the clear picture in terms of cash flow management of the two joint-venture banks in Nepal. The major findings of the analysis are as follows:

A. Cash Flow from Operating Activities:

There are two parts of operating activities of cash incoming and outgoing. The incoming of cash from the operating activities is known as cash payment or cash outflow from operating activities. Operating activities are daily economic activities done in a business.

- **Cash Receipts from the operating activities:**

In both joint venture banks, the major sources of cash collections interest income, commission and discount and currency exchange gain. Then, the other sources are non-operating income and unspecified and miscellaneous incomes. There is greater cash collection in NBL than the EBL. The average cash receipts of these two joint venture far observed years are Rs. 1800 million and Rs. 1184.55 million.

In NBL, 72.77 percentage as average proportion of cash receipts from operating activities whereas 84.30 percentage in EBL from same source. Observing this, we can conclude that the main source of cash in operating activities is interest income. Interest is received from loan, advances, overdraft, investment, agency balances, money at call and short call notice.

- Cash Payments to the operating activities:

The cash payment for operating activities in NBL is also higher than EBL. The average payment of cash in NBL is Rs. 1319.57 million. Whereas Rs. 774.79 million in EBL. These both joint venture banks paid more amounts of cash as interest expenses. About 40 percent as average observing five years the NBL paid in interest as the major uses of cash on operation. About 55 percent is paid by EBL in this topic. It shows, EBL has greater amount of land and borrowings. The NBL utilizes its 7.22 percentage of cash on

unspecified topic of operation. But EBL has utilized on 1.56 percentages in this topic. The other uses of cash payment in operating expenses, currency exchange, loss and others. The currency exchange loss is not found in the analysis. The gain of exchange is included in cash receipt from operating activities.

B. Cash Flow from Investing Activities:

NBL has invested higher amount in fixed assets than the EBL in total. Cash outflow is increased in investment is seen very high in NBL than of EBL during the observed five years. But, the interest received is not so satisfactory. EBL has invested a very high cash in purchasing other assents but NBL has sold its other assets which are not so productive in amount of cash. NBL is investing higher amount of cash in money at call and short cal notice than EBL. It is a good symptom of sound cash flow. The balance with bank of both the bank is maintained.

To increase in bank balance is to increase in cash liquidity power of a bank. As in total NBL has invested cash in investing activities unbalancely. But EBL is investing balancely comparatively.

C. Cash Flow from Financial Activities:

Cash outflow from financing activities in EBL is seen higher than NBL. Share capital of EBL is increased in 2007/08 because of issue of share capital. There is no change in share capital of NBL during the observed five years. A borrowing of cash is in high level in NBL. It is increasing each year in both bank, which means both banks has not received their liabilities relating to mentioned topic. Other liabilities in NBL is noticed increasing in previous two years and decreasing in last three years. Whereas in EBL it is increasing and decreasing simultaneously. It means cash outflow or inflow is recurring in EBL but in NBL, there is only decrease in other liabilities in last three years, which means cash inflow or cash receipt through the other liabilities of financial activities. At glance both banks has received cash from financial activities in all five years.

D. Net Cash Flow:

Net cash flow is the deviation between cash inflow and cash outflow during the period. It is always calculated as the sum of operation, investing and financing activities is a organization's cash flow statement. Before calculating the net cash flow for the period, the individual cash flow from operating. Investing and financial activities are done.later on it is summed from these three. From this study we can conclude that EBL has not so higher deviation between cash flow and cash inflow. It is a good sign of an efficient cash flow management. The mean net cash flow of EBL is Rs. 505.65 million whereas NBL, it is not so good for effective economic activities. However, both banks has not satisfactory net cash flow.

E. Balance of Opening or Closing Cash and Cash Equivalent:

Cash balance at the end is the last transaction shown in cash flow statement. After calculating the net cash flow, the opening cash flow of each year is added at corresponding amount of net cash flow. The closing cash of the year is affected by the opening cash balance of the last year.

The size of closing cash balance in EBL is higher than the NBL. There are two causes for this; the higher net cash inflow and higher opening cash balance is positive sign.

F. Time Series Analysis:

The analysis analyzed the major part of the cash flow statement. The analysis has predicted the forthcoming two years cash flow status. According to this analysis cash receipts and cash payment from operating activities, cash flow as whole of investing activities and financing activities is projected in the study. The study showed the growth rate in EBL is relatively than in the NBL.

CHAPTER –V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary:

The analysis of data has been done according to the available data and the objective of this study. The five years cash flow statement of the banks has been examined for the purpose of the study. The analysis and interpretation of data has been done by applying the wide varieties of methodology as stated in chapter three.

In this study, the objective, function, policy and strategies of the joint venture basis has been analyzed and emphasized the cash flow performance from various sources and uses of banks, to identify their contribution towards the national economy. The objective of the study also identified as to come up with conclusion of the cash flow management of joint venture banks with regard to their key managerial variables based on the findings of the study. This will provide possible suggestions that will be beneficial for selected joint venture banks.

5.2 Conclusion

From the above study, it is concluded that :-

1) Mean of the cash flow from operating activities of NBL is greater then EBL , So NBL is strong condition in the side of Cash Flow from operating activities.
2) Cash Receipt of NBL from 2005/06 to 2009/10 is greater then EBL.So NBL is favorable in position then EBL .
3) Mean Cash Flow from investing activities of NBL is greater . So it has good position in investing activities .
4) Mean Cash Flow from financing activities of NBL is slightly strong then EBL so we Conclude that the Financial position of NBL is better then EBL
5) In trend analysis of actual cash Receipt of both Bank is agument but Comparatively slightly greater of EBL then NBL.
6) Non-performing assets are increasing in EBL higher then NBL.
7) According to this study cash receipts and payment from operating activities, cash flow from whole investing activities and financing activities is projected in the study. The study showed that the growth rate in EBL is relatively greater than in NBL.

5.3 Recommendation:

After the analysis of cash flow management of the selected joint venture banks, the following recommendations are given to EBL and NBL to overcome their weakness and inefficiency to improve their cash flow management in better way.

1) **Diagnosis the cause of increasing cash outflow of non-performing assets:**

Non-performing assets are increasing in EBL higher than the NBL. Therefore, it is recommended to mobilize its staff for quick collection from debtors. The recovery of loan is most challenging job to a bank. Both banks should be aware and diagnosis the root cause of increasing non-performing assets.

If there is situation of not covering of loan in time, bank should demand additional collateral. If there is no such optional case then bank should take further steps towards the legal action. Bank must try to analyze the financial strength of their borrowers before granting loan and advances.

2) **Assets in Profitable Sector:**

EBL should be more serious to improve its efficiency of utilizing the deposits in loan and advance for generating profit. Turnover of cash flow should be short to meet projected goal. Further, both banks should keep up their effort in utilizing their assets in performing assets as their best level.

3) **Maintain Profitability Position:**

Profit plays an essential role for the survival and growth of banks. But over the study period both banks are not able to earn satisfactory level of profit comparatively. NBL is in profitability position, which is better than EBL is recommended to utilize its risky assets and shareholders in order to fund to gain highest profit and also to utilize its resources more efficiently.

4) **Better Liquidity Position:**

The bank must identify the quality of current assets and current liabilities to develop their own ratio. The liquidity position effects external and internal factors such as prevalent interest rate, supplies and demand position of loans, saving for investment situation, central bank requirement. For the growth strategic planning and cash flow situation, should be maintained enough to pay short term obligation by bank.

5) **Sale of Non-banking Assets:**

The unproductive assets should be sold and be invested in productive sector as much as possible. EBL is the first target in this case.

6) Investment of Trainee Staffs:

Nepal Rastra Bank awarded many times to both the banks for its thrived staff and managerial efficiency. Due to its inefficient collection of individual and group loan, there is seen economic corruption.

7) Minimization of Operating Expenses:

The level of operating expenses of both banks have seen to be very high. So, it is preferable to minimize such expenses. The NBL has no mentioned a big portion of its operating expenses in specific topics, which is included in other expenses is to be clearly noted.

8) Increase in Operational and Managerial Efficiency:

Operating income level does not seen to be satisfactory specially for EBL, thus the bank should increase its operational managerial efficiency maximum by mobilizing its resources in profit generating sectors. However, it is appreciable work that EBL was awarded by various institutions as a best commercial bank in Nepal. i.e. 'Bank of the year-2006'. The bank should carry up such kind of performance forever.

9) Funds in Rural Sector for Economic Development:

To meet social responsibilities, it is recommended that both banks should promote and mobilize the funds in the rural sector by bringing new and easy schemes, which will help in the up-gradation of overall economic development of the country. The development of competition reduces the non-fund based income along with share in credit market for traditional area of lending. So, the areas of lending must be increase to rural sector in search of raw lending areas.

10) Betterment of Earning Per Share:

The earning per share is the indicator for the share prices of the company. Higher earning per shares attracts the investor and makes the investors more confident on the investment in that company.

11) Increase of Non-Interest Bearing Deposit:

Both banks should try to increase non-interest beating deposit for increasing profit margin by investing the same as loan advance.

12) Formulate sound and Effective Financial and Non-Financial Strategies:

Both banks are recommended to formulate and important of some sound and effective financial and no-financial strategies to meet required level of profitability as well as the social responsibility.

13) Light All Level of Customers:

Both banks should encourage each and every service. However, both banks are suggested to invite higher foreign investment for its sustainable financial status as well commercial development.

Both bonks should avoid weakness by applying appropriate financial policy which will be helpful to maintain its status in term of financial performance in future.

14) E-Banking Facilities:

This is the age of globalization and the maximum utilization of internet and other and other electronic media. The users of computer, E-mail, internet is increasing rapidly. The developed countries are enjoying performing E-commerce, E-banking to save time and money. Being a leading banking of a in categorization on Nepal Rastra Bank, EBL and NBL also should use the new technology in service to cope the information facilities and technologies in national economy.

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APPENDIX-1(A)

Calculation of the Total Cash Receipt Trend Value of NBL (Rs. In million)

Year (X)	**Total Cash Receipt (Y)**	**X=(X-2005/06)**	**X^2**	**XY**	**Y=a+bx**
2005/06	1458.19	(2)	4	(2916.38)	1305.38
2006/07	1512.16	(1)	1	(1512.16)	1552.47
2007/08	1572.88	0	0	0	1799.56
2008/09	2009.66	1	1	2009.66	2046.65
2009/10	2444.90	2	4	4889.8	2293.74
Total	**Σy= 8997.79**	**Σx= 0**	**Σx^2=10**	**Σxy= 2470.92**	

Calculation of value of 'a' and 'b'

We know,

The straight live trend is given by the following formula:

Y=a+bx……(i)

Where,

Y= Value of total cash receipt

A= Total cash receipt

B= Rate of change of total deposit

X= year and

N= no. of year

According to formula,

$A=\frac{\Sigma y}{n}$ $b=\frac{\Sigma xy}{\Sigma x2}$

Or, $a=\frac{8997.79}{5}$ or, $b=\frac{2470.90}{10}$

∴ a= 1799.56 ∴ b= 1799.56

Putting the value of 'a' and 'b' in equation (i)

If, X = 2010/11 i.e. x = 3

Then, y = 1799.56+(247.09*3) = 2540.83

Similarly, if X= 2011/2012 i.e. x=4 then, y = 1799.56+ (247.09*4)= 2787.92

APPENDIX-1 (B)

Calculation of the Total Cash Receipt Trend Value of EBL (Rs. In million)

Year (X)	**Total Cash Receipt (Y)**	**X= (X-2005/06)**	**X^2**	**XY**	**Y= a+bx**
2005/06	785.06	(2)	4	(1570.12)	690.95
2006/07	864.48	(1)	1	(864.48)	937.75
2007/08	1135.47	0	0	0	1184.55
2008/09	1372.77	1	1	1372.77	1431.35
2009/10	1764.96	2	4	3529.92	1678.15
Total	**Σy= 5922.74**	**Σx =0**	**Σx^2 =10**	**Σxy= 2468.09**	

Calculation of value of 'a' and 'b'

We know,

The straight live trend is given by the following formula:

Y=a+bx…….. (i)

Where,

Y= Value of total cash receipt

A= Total cash receipt

B= Rate of change of total deposit

X= year and

N= no. of year

According to formula,

$A=\frac{\Sigma y}{n}$ $b=\frac{\Sigma xy}{\Sigma x2}$

Or, $a=\frac{5922.74}{5}$ or, $b=\frac{2468.09}{10}$

∴ a= 1184.55 ∴ b= 246.8

Putting the value of 'a' and 'b' in equation (i)

If, X = 2010/11 i.e. x= 3

Then, y= 1184.55+246.8(3) = 1924.95

Similarly, if X = 2011/2012 i.e. x = 4

Then, y = 1184.55+246.8 (3) = 1924.95

APPENDIX – 2 (A)

Calculation of the Total Cash Payment Trend Value of NBL (Rs. In million)

Year (X)	**Total Cash Receipt (Y)**	**X= (X-2005/06)**	**X^2**	**XY**	**Y= a+bx**
2005/06	1290.70	(2)	4	(2581.4)	1197.17
2006/07	1336.21	(1)	1	(1336.21)	1258.37
2007/08	1014.98	0	0	0	1319.57
2008/09	1381.64	1	1	1381.64	1380.77
2009/10	1574.32	2	4	3148.64	1441.97
Total	**Σy= 6597.85**	**Σx =0**	**Σx^2 =10**	**Σxy= 612.67**	

Calculation of value of 'a' and 'b'

We know,

The straight live trend is given by the following formula:

Y=a+bx…….. (i)

Where,

Y= Value of total cash receipt

A= Total cash receipt

B= Rate of change of total deposit

X= year and

N= no. of year

According to formula,

$A=\frac{\Sigma y}{n}$ $b=\frac{\Sigma xy}{\Sigma x2}$

Or, $a=\frac{6597.85}{5}$ or, $b=\frac{612.67}{10}$

∴ a= 1319.57 ∴ b= 61.2

Putting the value of 'a' and 'b' in equation (i)

If, X = 2010/11 i.e. x=3

Then, y = 1319.57+61.2(3) = 1503.17

Similarly, if X = 2011/2012 i.e. x=4

Then, y= 1319.57+61.2(4) = 1564.37

APPENDIX – 2 (B)

Calculation of the Total Cash Payment Trend Value of NBL (Rs. In million)

Year (X)	**Total Cash Receipt (Y)**	**X= (X-2005/06)**	**X^2**	**XY**	**Y= a+bx**
2005/06	511.88	(2)	4	(1023.76)	458.07
2006/07	594.59	(1)	1	(594.59)	616.43
2007/08	720.43	0	0	0	774.79
2008/09	892.13	1	1	892.13	933.15
2009/10	1154.93	2	4	2309.86	1091.51
Total	**Σy= 3873.96**	**Σx =0**	**Σx^2 =10**	**Σxy= 1583.64**	

Calculation of value of 'a' and 'b'

We know,

The straight live trend is given by the following formula:

Y=a+bx…….. (i)

Where,

Y= Value of total cash receipt

A= Total cash receipt

B= Rate of change of total deposit

X= year and

N= no. of year

According to formula,

$A=\frac{\Sigma y}{n}$ $b=\frac{\Sigma xy}{\Sigma x2}$

Or, $a=\frac{3873.96}{5}$ or, $b=\frac{1583.64}{10}$

∴ a= 774.79 ∴ b= 158.36

Putting the value of 'a' and 'b' in equation (i)

If, X = 2010/11 i.e. x=3

Then, y= 774.79+158.36(3) = 1249.87

Similarly, if X = 2011/2012 i.e. x=4

Then, y= 774.79+158.36(4) = 1408.23

APPENDIX – 3 (A)

Calculation of the Total Cash Payment Trend Value of NBL (Rs. In million)

Year (X)	**Total Cash Receipt (Y)**	**X= (X-2005/06)**	**X^2**	**XY**	**Y= a+bx**
2005/06	(83.75)	(2)	4	167.5	(421.14)
2006/07	(581.38)	(1)	1	581.38	(1639.43)
2007/08	(5083.17)	0	0	0	(3700.09)
2008/09	(4148.89)	1	1	(4148.85)	(5760.57)
2009/10	(86.3.29)	2	4	(17206.58)	(7821.14)
Total	**Σy= (18500.44)**	**Σx =0**	**Σx^2 =10**	**Σxy= (20605.7)**	

Calculation of value of 'a' and 'b'

We know,

The straight live trend is given by the following formula:

Y=a+bx…….. (i)

Where,

Y= Value of total cash receipt

A= Total cash receipt

B= Rate of change of total deposit

X= year and

N= no. of year

According to formula,

$A=\frac{\Sigma y}{n}$ $b=\frac{\Sigma xy}{\Sigma x2}$

Or, $a=\frac{-18500.44}{5}$ or, $b=\frac{-20605.7}{10}$

∴ a= -3700.09 ∴ b= -2060.57

Putting the value of 'a' and 'b' in equation (i)

If, X = 2010/11 i.e. x=3

Then, y= -3700+(-2060.57*3) = -9881.71

Similarly, if X = 2011/2012 i.e. x=4

Then, y= 3700+(-2060.57*4) = -11942.28

APPENDIX – 3 (B)

Calculation of the Total Cash Payment Trend Value of NBL (Rs. In million)

Year (X)	**Total Cash Receipt (Y)**	**X= (X-2005/06)**	**X^2**	**XY**	**Y= a+bx**
2005/06	(1670.90)	(2)	4	3341.8	(1428.37)
2006/07	(1878.32)	(1)	1	1878.32	(2485.83)
2007/08	(3889.22)	0	0	0	(3543.29)
2008/09	(5761.36)	1	1	(4761.36)	(4600.75)
2009/10	(5516.68)	2	4	(11033.36)	(5658.21)
Total	**Σy= (17716.48)**	**Σx =0**	**Σx^2 =10**	**Σxy= (10574.6)**	

Calculation of value of 'a' and 'b'

We know,

The straight live trend is given by the following formula:

Y=a+bx…….. (i)

Where,

Y= Value of total cash receipt

A= Total cash receipt

B= Rate of change of total deposit

X= year and

N= no. of year

According to formula,

$A=\frac{\Sigma y}{n}$ $b=\frac{\Sigma xy}{\Sigma x2}$

Or, $a=\frac{-17716.48}{5}$ or, $b=\frac{-10574.6}{10}$

∴ a= -3543.29 ∴ b= -1057.46

Putting the value of 'a' and 'b' in equation (i)

If, X = 2010/11 i.e. x=3

Then, y=-3543.29+(-1057.46*3) = -6715.67

Similarly, if X = 2011/2012 i.e. x=4

Then, y= -3543.25+(-1057.46*4)= -7773.13

APPENDIX – 4 (A)

Calculation of the Total Cash Payment Trend Value of NBL (Rs. In million)

Year (X)	**Total Cash Receipt (Y)**	**X= (X-2005/06)**	**X^2**	**XY**	**Y= a+bx**
2005/06	15.37	(2)	4	(30.74)	(766.42)
2006/07	264.89	(1)	1	(264.89)	1433.88
2007/08	4596.13	0	0	0	3634.18
2008/09	4290.42	1	1	4290.42	5834.18
2009/10	9004.09	2	4	18008.18	8034.78
Total	**Σy= 18170.9**	**Σx =0**	**Σx^2 =10**	**Σxy= 22002.97**	

Calculation of value of 'a' and 'b'

We know,

The straight live trend is given by the following formula:

Y=a+bx…….. (i)

Where,

Y= Value of total cash receipt

A= Total cash receipt

B= Rate of change of total deposit

X= year and

N= no. of year

According to formula,

$A=\frac{\Sigma y}{n}$ $b=\frac{\Sigma xy}{\Sigma x2}$

Or, $a=\frac{18170.9}{5}$ or, $b=\frac{22002.97}{10}$

∴ a= 3634.18 ∴ b= 22003

Putting the value of 'a' and 'b' in equation (i)

If, X = 2010/11i.e. x=3

Then, y= 3634.18+(2200.3*3) = 10235.08

Similarly, if X = 2011/2012i.e. x=4

Then, y= 3634.18+(2200.3*4) = 12435.38

APPENDIX – 4 (B)

Calculation of the Total Cash Payment Trend Value of NBL (Rs. In million)

Year (X)	**Total Cash Receipt (Y)**	**X= (X-2005/06)**	**X^2**	**XY**	**Y= a+bx**
2005/06	1389.82	(2)	4	(2779.64)	1406.05
2006/07	2026.62	(1)	1	(2026.62)	2471.12
2007/08	3977.16	0	0	0	3536.19
2008/09	5117.79	1	1	5117.79	4601.26
2009/10	5169.56	2	4	10339.12	5666.33
Total	**Σy= 17680.95**	**Σx =0**	**Σx^2 =10**	**Σxy= 10650.65**	

Calculation of value of 'a' and 'b'

We know,

The straight live trend is given by the following formula:

Y=a+bx…….. (i)

Where,

Y= Value of total cash receipt

A= Total cash receipt

B= Rate of change of total deposit

X= year and

N= no. of year

According to formula,

$A=\frac{\Sigma y}{n}$ $b=\frac{\Sigma xy}{\Sigma x2}$

Or, $a=\frac{17680.95}{5}$ or, $b=\frac{10650.65}{10}$

∴ a= 3536.19 ∴ b= 1065.07

Putting the value of 'a' and 'b' in equation (i)

If, X = 2010/11i.e. x=3

Then, y= 3536.19+(1065.07*3) = 6731.4

Similarly, if X = 2011/2012 i.e. x=4

Then, y= 3536.19+(1065.07*4) = 7796.47