

**A COMPARATIVE STUDY OF WORKING CAPITAL
MANAGEMENT OF STANDARD CHARTERED BANK NEPAL
AND HIMALAYAN BANK LIMITED**

By

Roshan Kumar Shrestha

Shanker Dev Campus

T.U Registration: 31325-95

Campus Roll No: 1581/059



A Thesis

**Submitted to
Office of the Dean
Faculty of Management
Tribhuvan University**

**In partial fulfillment of the requirements for the degree of
Masters of Business Studies (M.B.S)**

Kathmandu, Nepal

March, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by

ROSHAN KUMAR SHRESTHA

Entitled

**A COMPARATIVE STUDY OF WORKING CAPITAL
MANAGEMENT OF STANDARD CHARTERED BANK
NEPAL AND HIMALAYAN BANK LIMITED**

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

.....
Mrs. Ruchila Pandey
(Supervisor)

.....
Dr. Kamal Deep Dhakal
(Campus Chief)

.....
Mr. Pitri Raj Adhikari
(Supervisor)

VIVA – VOCE SHEET

We have conducted the viva-voce examination of the thesis submitted by

ROSHAN KUMAR SHRESTHA

entitled

**A COMPARATIVE STUDY OF WORKING CAPITAL
MANAGEMENT OF STANDARD CHARTERED BANK
NEPAL AND HIMALAYAN BANK LIMITED**

and found that the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of **Master of Business Studies (M.B.S.)**

Viva-voce Committee

Member (Research, Department Head): -

Member (Thesis Supervisor): -

Member (Thesis Supervisor): -

Member (External Expert): -

DECLARATION

I hereby declare that the research work entitled “**A Comparative Study of Working Capital Management of Standard Chartered Bank Nepal and Himalayan Bank Limited**” submitted to Research department of Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of the partial fulfillment of the requirement of Master of Business Studies (MBS) under the supervision of Mrs. Ruchila Pandey and Mr. Pitri Raj Adhakari, lecturer of **Shanker Dev Campus**.

Date:

(Roshan Kumar Shrestha)
Shanker Dev Campus
Roll No: - 1581/059
T.U Registration No: 31325-95

ACKNOWLEDGEMENT

This research “A Comparative Study of Working Capital Management of Standard Chartered Bank Nepal and Himalayan Bank Limited” has been conducted with the view to examine performance of top two commercial banks. This effort is partial fulfillment for the degree of Master of business studies (MBS) under the course designed by the Faculty of Management, T.U. This study is based on the prescribed research format involving the use of Working Capital in the banking sector. Hence, financial performance of the selected banks listed in NEPSE has been studied and as possible as of it is presented.

At the time of preparing this study, I had consulted various personalities. So I would like to extend my sincere thanks to all whose works and ideas helped me in conducting the study. Sincerely, I would like to pay my sincere thanks to Mrs. Ruchila Pandey and Mr. Pitri Raj Adhakari, respected Supervisor of Shanker Dev campus.

Finally, I would like to offer my profound gratitude to my family, especially to my friend Mr. Rohit Shrestha for his encouragement and support during the entire period of my study.

Roshan Kumar Shrestha

TABLE OF CONTENTS

	_PAGE NO:
Recommendation	I
Viva voce Sheet	II
Declaration	III
Acknowledgement	IV
Table of Content	V
List of Tables	VIII
List of Graphs	X
Abbreviations	XI

CHAPTER – I

INTRODUCTION

1.1 Background of the Study	1
1.2 Introduction of Standard Chartered Bank Nepal Limited	5
1.3 Introduction of Himalayan Bank Limited	6
1.4 Statement of the Problem	7
1.5 Objective of the Study	9
1.6 Significance of the Study	9
1.7 Limitations of the Study	10
1.8 Organization of the Study	11

CHAPTER-II

REVIEW OF LITERATURE

2.1 Introduction	12
2.2 Concept of Working Capital Management	12

2.3 Types of Working Capital	13
2.4 Working Capital Cycle	14
2.5 Key Working Capital Ratios	15
2.6 Working Capital Policies	17
2.7 Determinants of Working Capital	20
2.8 Need for Working Capital	22
2.9 Financing of Working Capital	23
2.10 Significance of Working Capital Management	25
2.11 Review of Books	27
2.12 Review of Journals and Articles	32
2.13 Review of Previous Thesis	34
2.14 Research Gap	41

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction	43
3.2 Research Design	43
3.3 Population and Sample	43
3.4 Period Covered	44
3.5 Nature and Sources of Data	44
3.6 Data Gathering Procedure	44
3.7 Tools of Data Analysis	44
3.7.1 Financial Tools	45
3.7.2 Statistical Tools	50

CHAPTER –IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction	55
4.2 Composition of Working Capital and its Trend Analysis	55
4.2.1 Cash and Bank Balance Percentage	59

4.2.2 Loan and Advances Percentage	60
4.2.3 Government Securities	62
4.2.4 Miscellaneous Current Assets Percentage	63
4.3 Net Working Capital	64
4.4 Ratio Analysis	65
4.4.1 Liquidity Ratio	66
4.4.1.1 Current Ratio	66
4.4.1.2 Quick Ratio	68
4.4.1.3 Cash and Bank Balance to Deposit Ratio	70
4.4.1.4 Fixed Deposit to Total Deposit Ratio	72
4.4.1.5 Saving Deposit to Total Deposit Ratio	73
4.4.2.1 Loan and Advances to Total Deposit Ratio	75
4.4.2.2 Loan and Advances to Fixed Deposit Ratio	76
4.4.2.3 Loan and Advances to Saving Deposit Ratio	78
4.4.3 Profitability Ratio	79
4.4.3.1 Interest Earned to Total Assets Ratio	79
4.4.3.2 Net Profit to Total Assets Ratio	81
4.4.3.3 Net Profit to Total Deposit Ratio	83
4.4.3.4 Cost of Services to Total Assets Ratio	85
4.5 Correlation Analysis	86
4.5.1 Coefficient of Correlation between Loan and Advances and Total Deposit	87
4.5.2 Coefficient of Correlation between Investments on Government Securities and Total Deposit	88
4.5.3 Coefficient of Correlation between Cash and Bank Balance and Current Liabilities	89
4.5.4 Coefficient of Correlation between Loan and Advances and Net Profit	90
4.6 Test of Hypothesis	91
4.6.1 Composition of Working Capital	92
4.6.2 Liquidity Position	93
4.6.3 Profitability Position	94

4.7 Major Findings	95
--------------------	----

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary	100
5.2 Conclusion	101
5.3 Recommendations	102

Bibliography

Appendix

LIST OF TABLES

TABLE	PAGE NO:
4.1 Current Asset Components of SCBNL (Rs. in Million)	56
4.2 Current Asset Components of HBL (Rs. in Million)	56
4.3 Percentage Components of Current Assets of SCBNL	57
4.4 Percentage Components of Current Assets of HBL	58
4.5 Net Working Capital of SCBNL (Rs. in Million)	64
4.6 Net Working Capital of HBL (Rs. in Million)	65
4.7 Current Ratio (Rs. in Million)	67
4.8 Quick Ratio (Rs. in Million)	69
4.9 Cash and Bank Balance to Deposit Ratio (Rs. in Million)	71
4.10 Fixed Deposits to Total Deposit Ratio (Rs. in Million)	72
4.11 Saving Deposits to Total Deposit Ratio (Rs. in Million)	74
4.12 Loan and Advances to Total Deposits Ratio (Rs. in Million)	75
4.13 Loan and Advances to Fixed Deposit Ratio (Rs. in Million)	77
4.14 Loan and Advances to Saving Deposit Ratio (Rs. in Million)	78
4.15 Interest Income to Total Deposit Ratio (Rs. in Million)	80
4.16 Net Profit to Total Assets Ratio (Rs. in Million)	82
4.17 Net Profit to Total Deposit Ratio (Rs. in Million)	84

4.18 Cost of Services to Total Assets Ratio (Rs. in Million)	85
4.19 Correlation Coefficients and Calculated and Tabulated t values	87
4.20 Correlation Coefficients and Calculated and Tabulated t values	88
4.21 Correlation Coefficients and Calculated and Tabulated t values	89
4.22 Correlation Coefficients and Calculated and Tabulated t values	90
4.23 Mean t-value of composition of Working Capital	93
4.24 t-value of Liquidiy Position	94
4.25 t-value of Profitability Position	95

LIST OF FIGURES

Figures	PAGE NO:
4.1 Percentage Composition of SCBNL's Current Assets	57
4.2 Percentage Composition of HBL's Current Assets	58
4.3 Actual and Trend Lines of Cash and Bank Balance Percentage	60
4.4 Actual and Trend Lines of Loan and Advances Percentage	61
4.5 Actual and Trend Lines of Government Securities Percentage	63
4.6 Current Ratio	68

4.7 Quick Ratio	70
4.8 Actual and Trend Lines of Interest Earned to Total Assets Ratio	81
4.9 Actual and Trend Lines of Net Profit to Total Assets Ratio	83

ABBREVIATIONS

Amt.	=	Amount
&	=	and
Avg.	=	Average
B.S.	=	Bikram Sambath
C.V.	=	Coefficient of Variation
EAT	=	Earning After Tax
EPS	=	Earning per share
etc.	=	etcetra
F.Y.	=	Fiscal Year

HBL	=	Himalayan Bank Limited
JVBs	=	Joint Venture Banks
NBL	=	Nepal Bank Limited
No.	=	Numbers
NRB	=	Nepal Rastra Bank
Rs.	=	Rupees
r	=	Correlation Coefficient
SCBNL	=	Standard Chartered Bank Nepal Limited
SEBO	=	Securities Board
T.U.	=	Tribhuvan University
viz.	=	namely
Vs.	=	Versus