

Cash Flow Analysis of Banks

[With reference to Nepal Bank Limited, Nabil Bank Limited & Kumari Bank Limited]

A Thesis

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RECOMMENDATION

This is to certify that the thesis

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Entitled:

Cash Flow Analysis of Banks

[With reference to Nepal Bank Limited, Nabil Bank Limited & Kumari Bank Limited]

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

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VIVA-VOCE SHEET

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Cash Flow Analysis of Banks

[With reference to Nepal Bank Limited, Nabil Bank Limited & Kumari Bank Limited]

And found 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 in Business Studies (MBS)

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Declaration

I hereby declare that the work reported in this thesis entitled "**Cash Flow Analysis of Nepal Bank Limited, Nabil Bank Limited and Kumari Bank Limited**" submitted to Research department of the Kabhre Multiple Campus, Banepa, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervisor of Kishor Hakuduwal Lecturer of Kabhre Multiple Campus T.U.

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Date:.....

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ABBREVIATIONS

&	-	and
A/c	-	Account
NBL	-	Nepal Bank Limited
NABIL	-	Nepal Arab Bank Limited
KBL	-	Kumari Bank Limited
CA	-	Current Assets
F.Y.	-	Fiscal Year
FASB	-	Financial Accounting Standard Board
IAS	-	International Accounting Board
NRB	-	Nepal Rastra Bank
NAS	-	Nepal Accounting Standard
LBL	-	Laxmi Bank Limited
MBL	-	Machhapuchhre Bank Limited
HBL	-	Himalayan Bank Limited
CFFA	-	Cash Flow from Financing Activities
CFIA	-	Cash Flow from Investing Activities
CFOA	-	Cash Flow from Operating Activities
etc.	-	et cetera
i.e.	-	That is
Ltd	-	Limited
NASB	-	Nepal Accounting Standard Board
No.	-	Number
Rs.	-	Rupees
SWOT	-	Strength Weakness Opportunity Threats
BOK	-	Bank of Kathmandu
RBB	-	Rastrya Banijaya Bank
ATM	-	Automatic Teller Machine
T.U.	-	Tribhuvan University
BAFIA	-	Bank and Financial Institution Act
NPV	-	Net Present Value
FFS	-	Funds Flow Statement

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ABBREVIATIONS

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1.1 Statement of the Problem

On the subject of the present situation of Nepalese economy, major banking problems have been caused by lack of adequate cash and liquidity management. Banks should now have a keen awareness of the need to management of cash and liquidity problems might be raised in different stages and situations. Identify measure, monitor and control the cash and liquidity position as well as determine that they hold sufficient and enough liquidity to full fill the short term obligations. As we know that the economic environment is affected by different uneconomical and un-healthy activities in the business environment. Inflow of remittance is increasing rapidly day by day but the crisis of liquidity still exists in the financial market. Investment opportunities are gradually seems to be steamed but unluckily economy is facing cash crisis. In one side there is excess entrance of remittance in the economy; but other side there raising the crisis of liquidity in the financial market which, the financial institutions are not able to attract the amount from the people. There is enough cash within the people but banks are facing the liquidity crisis. Banks and financial institution are being failure in managing cash and liquidity. Moreover, banks are failing to attract deposit from people and are also failing to cover the most of the people in banking. that's why people are expanding their saving in purchase of goods in the market rather than deposit in their bank account, so what so ever the financial institution are in shortage of cash but inflation has been increasing. This is very critical situation for an economy. So it is very challenging job of commercial banks to manage the cash of banks themselves as well as to manage the liquidity of overall economy to maintain the economy healthier.

In this situation, there has been arisen a lots of problems in the economy causing cash and liquidity problem in commercial banks. The problems of cash flow management and liquidity crisis can be identified by the approach of financial evaluation and analysis based on the internal information of them and by conducting a short research. Financial institutions, which have been undertaken for study, are found to be associated with some specific financial liquidity weakness. Accordingly, on explanation of above financial shortcoming within the

selected financial institution, the researcher effort to find out the answer of the following questionnaires which are as follows.

1. What is the trend of cash flow?
2. Why the cash flow from Operating activities, Investing activities and Financing activities are differ in each other?
3. What are the factors that affect company's liquidity & solvency?
4. What is the condition of cash flow with the highest amount of annual operating profit?

The problem of the commercial Bank of the country with special reference to with to Nepal Bank Limited and Rastriya Banijya Banks as reported by KPMG Barents Group, an International Auditing Company, is their unsatisfactory fund position. The report by the KPMG Barents Group says "By international standard both RBB and NBL suffer serious critical short falls in all key areas, both are technically insolvent". According to the report of KMPG, RBB and NBL are associated with under mentioned difficult systematic problems.

1. Poor banking governance.
2. Lack of rational banking strategies as well as international banking experience.
3. Lack of independent and capable supervision.
4. Weak financial and management information.
5. Weak legal and accounting practice.

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

1.2 Objectives of the Study

The main objective of the study is to evaluate the performance of selected bank through cash flow analysis. This dissertation helps to evaluate the cash position and cash flow ratio of selected banks.

This research has the following objectives.

-) To analyze the trend of cash flow of selected banks.
-) To evaluate the cash flow from different activities of banks.
-) To examine the performance of banks through cash flow ratios.
-) To provide appropriate suggestion for future improvement.

1.3 Significance of the Study

Nepalese financial institutions and capital markets are suffered from various cash management problems. Whole financial sectors are becoming a victim of the same. Shrinking investment opportunities due to recession has put the Nepalese investors are drawing back their hands from the investment sectors. Although the present economic situation is not satisfactory, evolution of financial institutions mostly finance companies are increasing, however under such circumstances the objects and operation of financial companies in accordance with finance companies act, 1985 may not be easily fulfilled. It is because these companies may not properly mobilize the domestic resources for a sustainable economic growth right this time since rather than to operate the business by loans from financial institutions due to the lack of opportunities. At present Nepal became a member of WTO family. The world is becoming a single market due to globalization. It creates competitions everywhere. But still, Nepalese financial sectors are not fully conscious. So activities, especially operating activities, which are the main source, which generates cash in those financial companies, are not enough for the regular flow of cash. Therefore the study of financial institutions regarding cash flow becomes an in dispensable subject in present context.

Regarding the present situation of Nepal there is not properly managing of cash. Still most of the financial institutions are following in a traditional way. They are not maintaining the trend of cash flow in effective way. Due to the crisis of national economy the investing opportunities are becoming placeless. Therefore the researcher believed that this study tries to understand how far these

institutions are able to sustain in such a quite unfavorable situation. Obviously saying this study is essential to check the viability of these institutions regarding cash flow management. The study detects in the companies and efficiencies of these institutions and helps to explore the appropriate and effective measures for the remedy of company's cash management troubles.

1.4 Limitations of the Study

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

The effect of inflation, which is one of the most important factors for the analysis of economic activities, has not been taken into consideration for the purpose of study. As the whole data have been extracted from the published financial statement it is mainly based on historical financial information.

The limitations of the study are as follows:

- 1. The study will mainly confined Nepal Bank Limited, Nabil Bank Limited and Kumari Bank Limited.**
- 2. The study is fundamentally based on the data of the published financial statements of the selected banks.**
- 3. Only five years data from F.Y 2006/07 to 2010/11 is taken for analysis.**
- 4. Data are base historical accounting rather than on inflation accounting.**

1.8 Organization of the Study

This study has been divided into five chapters:

Chapter-I: Introduction

This chapter introductory and deals with subject matter of the study including general background of the study, general information about selected banks, focus of the study, statement of the problem, objective of the study, significance of the study, limitation of the study and organization of the study.

Chapter-II: Review of Literature

This chapter contains the review of available literature related to this study. It is directed towards the review of conceptual framework and review of major related studies and these studies are reviewed from the various available previous literatures.

Chapter-III: Research Methodology

This chapter is for the research methodology which is used in the study that includes various tools and techniques for the analysis of data. It consist of research design, sources of data, period covered, data processing procedure and tools and techniques of analysis etc.

Chapter-IV: Data Presentation & Analysis

This chapter includes the presentation and analysis of collected data through tables, diagrams, graphs, formats, statistical techniques and tools. It also includes major findings.

Chapter-V: Summary, conclusion and Recommendations

This chapter includes the summary of the study, conclusion, suggestion and recommendation of the study.

Bibliography

Appendix

2.4 Research Gap

By the previous research students, the cash flow analysis was done in different joint venture banks, manufacturing industries, Nepalese commercial banks and service industries. But no study was done on cash flow analysis about government bank, joint venture bank and commercial banks simultaneously. This is research gap on the related study. So the researcher has selected the cash flow analysis on selected banks with special reference to Nepal Bank Limited, Nabil Bank Limited and Kumari Bank Limited to get the objectives of the study.

4.29 Major Findings

a) Nepal Bank Limited

Total cash flow from operating activities of the Nepal Bank Limited is negative in the F.Y. 2064/065. But in the F.Y. 2063/064, 2065/066, 2066/067 and 2067/068 the cash flow from operating activities are positive and in fluctuating trend. Operating cash flows are Rs.162,814,263, Rs (782,091,053), Rs.2,151,784,004, Rs.893,959,238 and Rs.2,243,204,434 respectively in the F.Y.2063/064 to 2067/068.

Cash receipt includes interest income, commission & discount income, income from foreign exchange transaction, recovery of loan written off and other income. Cash receipts are in fluctuating trend. They are Rs.2,613,817,989, Rs.2,638,671,013, Rs.3,581,702,047, Rs.3,954,166,112 and Rs.4,390,878,142 respectively in the F.Y.2063/064 to 2067/068.

The share of interest income in cash receipts is highest amount in comparison to commission and discount income, income from foreign exchange transaction, recovery of loan written off and other income. Interest income is in fluctuating

trend. Commission and discount income are in increasing trend. Income from foreign exchange transaction, recovery of loan written off and other income are in fluctuating trend. Cash payments include interest expenses, staff expenses, office overhead expenses, income tax paid and other expenses. Cash payments are Rs.(2,029,386,326), Rs.(2,451,159,595), Rs.(3,111,720,489), Rs.(4,190,207,571) and Rs.(3,586,184,692) respectively in the F.Y.2063/064 to 2067/068.

Cash payment made for interest expenses and staff expenses are higher payments in different fiscal year. Tax paid is not appeared. Interest expenses and staff expenses are in increasing trend. Office overhead expenses and other expenses are in fluctuating trend.

Current assets include money at call and short notice, other short term investment loan and bill purchases and other assets. Increases and decrease in current assets are Rs.(3,781,390,858), Rs. (3,469,250,321), Rs.(2,572,029,944), Rs.4,229,131,903 and Rs.(5,077,147,010) respectively in the F.Y. 2063/064 to 2067/068.

Current liabilities include deposits, certificate of deposits, short term borrowing and other liabilities. The current liabilities are Rs.3,359,773,458, Rs.2,499,647,850, Rs.4,253,832,390, Rs.(3,099,131,206) and Rs.6,515,657.994 respectively in the F.Y. 2063/064 to 2067/068. Deposits are fluctuating trend but certificate in deposit and short term borrowing has no value. Other liabilities have negative and positive value.

Positive cash flow from investing activities represents sale of investment and fixed assets. Similarly negative cash flow means the company (Bank) made investment for internal of external fixed assets or securities and loans and advance. Cash flow from investing activities are Rs.(38,662,470), Rs.(34,558,804), Rs.(75,113,371), Rs.(75,649,352) and Rs.(73,096,890) respectively in the F.Y.2063/04 to 2067/068.

The long term investment is not made. The fixed assets purchased are in fluctuating trend. Dividend income is also in fluctuating trend. The interest income from long term investment is also not made.

Financing activities means those activities which are related to generate funds from issuing share and debenture. It includes issue and redemption of share, debenture & bond, other liabilities, refinance/facilities received from NRB and dividend paid. Cash flow from financing activities are Rs.240,000,000, Rs.60,000,000, Rs.318,267,960, Rs.(449,495,465) respectively in F.Y.2064/065 to 2067/068. But there is no any amount of financing activities in the F.Y.2063/064.

Income and loss is incurred from change in exchange rate in cash and bank balances are negative and positive value. The loss from change in exchange rate in cash and bank balance are Rs.(68,342,313) and Rs. (12,593,011) in F.Y.2063/064 and F.Y.2067/068 respectively. But income from change in exchange rate in cash and bank balance are Rs.101,128,689, Rs.67,804,647, Rs. 3,285,366 from, F.Y.2064/065 to F.Y.2066/067 respectively.

The cash flow from all activities is also in positive and negative value. They are in F.Y. 2063/064 Rs.(56,764,484) and 2064/065 Rs.(500,300,497) as negative value, which indicates that the inflow is less than outflow in first two years. Remaining three years there are positive values which mean that the cash inflow is more than cash outflows. They are Rs.2,554,797,353, Rs.969,490,077 and Rs.1,872,585,2971 from F.Y.2065/066 to 2067/068 respectively.

The opening and closing cash balance of the study periods are in up and down trend. The opening cash balance are Rs.7,174,057,568, Rs.7,117,293,084, Rs.6,616,992,587, Rs.9,171,789,940 and Rs.10,141,280,017 from F.Y.2063/064 to F.Y.2067/068 respectively. The closing cash balance are Rs.7,117,293,084, Rs.6,616,992,587, Rs.9,171,789,940, Rs.10,141,280,017 and Rs.12,013,865,314 from F.Y.2063/064 to F.Y.2067/068 respectively.

Cash- debt coverage ratio of 40% or more is considered normal/common for healthy firm. The ratio measures the short term liquidity position of the firm. In the above table there are negative ratio in F.Y.2064/065 and 2066/067. The standard ratio meets on only in F.Y.2065/066.

The cash flow from operating activity to cash flow from investing activity is more sufficient to support the expansion and the growth program of the company at present.

The cash flow from investing activity to cash flow from financing activity ratios indicates that there are no problems for financing for expansion and growth in the company.

The cash in current assets ratio is poor value than standard in F.Y.2063/064 shows that there is poor cash management. The standard ratio should be in the range of 6% to 8%. Similarly, higher cash position in current assets is looked as inefficiency in using the cash by the banks.

The cash holding ratio is negative in F.Y.2066/067. But in remaining fiscal year there are positive cash holding ratio.

b) Nabil Bank Limited

The cash flow from operating activities of Nabil Bank Limited is negative in F.Y. 2066/067. But in F.Y. 2063/064, 2064/065, 2065/066 and 2067/068 are positive and increasing trend. Operating cash flow are Rs.544,233,717, Rs.1,503,617,217, Rs.1,725,546,699, Rs.(1,405,888,486) and Rs.1,776,056,933 respectively from the F.Y.2063/04 to 2067/068.

Cash receipt includes interest income, commission & discount income, income from foreign exchange transaction, recovery of loan written off and other income. Cash receipt are Rs.2,009,665,057, Rs.2,444,909,153, Rs.3,200,082,634, Rs 4,619,700,273 and Rs.5,844,157,038 respectively from the F.Y.2063/04 to 2067/068.

The share of interest income in cash receipt is highest amount in comparison to commission and discount income, income from foreign transaction, recovery of loan written off and other income. Interest income, commission and discount income and other income are in increasing trend. Income from foreign exchange transaction and recovery of loan written off are in fluctuating trend.

Cash payments include interest expenses, staff expenses, office operating expenses, income tax paid and other expenses. Cash payments are Rs.(1,381,651,926), Rs.(1,574,326,749), Rs.(2,123,536,843), Rs.(3,109,719,501) and Rs.(4,234,238,955) respectively in the F.Y.2063/04 to 2067/068.

Cash payment for interest expenses and staff expenses are higher payment in different year. Similarly interest expenses, staff expenses and office operating expenses are in increasing trend. Income tax paid and other expenses are in fluctuating trend but there is no any operating expense in the F.Y.2065/066.

Current assets include money at call and short notice, other short term investment, loan and bills purchase and other assets. Increases in current assets are Rs.(4,374,196,425), Rs.(8,130,992,021), Rs.(4,818,810,255), Rs.(10,272,053,452) and Rs.(4,706,707,238) respectively in the F.Y.2063/064 to 2067/068.

Current liabilities include deposits, certificate of deposits, short term borrowing and other liabilities. Decrease in current liabilities are Rs.4,290,417,011, Rs.8,764,026,833, Rs.5,467,811,163, Rs.7,356,184,194 and Rs.4,872,846,088 respectively from the F.Y. 2063/064 to 2067/068. Decreases in deposits are in fluctuating trend. Short term borrowing and other liabilities has negative and positive value.

Positive cash flow from investing activities represents sale of investment and fixed assets. Similarly negative cash flow means the company (Bank) made investment for internal of external fixed assets or securities and loan and advance. Cash flow from investing activities are Rs.225,353,544, Rs.(472,302,012), Rs.(1,084,175,283), Rs.(248,258,222) and Rs.(290,109,689) respectively in the F.Y.2063/064 to 2067/068.

In F.Y. 2036/064 long term investment is sold of Rs.173,765,973. But in long term investment is made of Rs.(172,505,593), Rs.(1,040,972,089), Rs.(200,109,339) and Rs.(201,366,989) respectively from F.Y.2064/065 to 2067/068. Fixed assets and

interest income from long term investment are in fluctuating trend. Dividend income is increasing trend but other income is appeared only first two years.

Financing activities means those activities which are related to generate funds from issuing share and debenture. It includes issue and redemption of share, debenture & bond, other liabilities, refinance/facilities received from NRB and dividend paid. Cash flow from financing activities are Rs.240,000,000, Rs.60,000,000, Rs.318,267,960, Rs.(449,495,465) respectively in F.Y.2064/065 to 2067/068. But there is no any amount of financing activities in the F.Y.2063/064.

There is no any income and loss from change in exchange rate in cash and bank balance. Similarly the cash from all activities are in positive and negative value. In F.Y.2066/067 Rs.(1,972,414,668) as negative value, which indicates that the cash inflow is less than cash outflow. But remaining is in positive values, which mean that the cash inflow is more than cash outflow. They are in F.Y.2063/064 Rs.769,587,261 in F.Y.2064/065 Rs.1,271,315,204, In F.Y.2065/066 Rs.701,371,416 and In F.Y.2067/068 Rs.1,036,451,780.

The opening and closing cash balance of the study period are in up-and-down trend. The opening cash balances are Rs.630,238,588, Rs.1,399,825,851, Rs.2,671,141,055, Rs.3,372,512,471 and Rs.1,400,097,804 from F.Y.2063/064 to F.Y. 2067/068 respectively. The closing cash balances are Rs.1,399,825,851, Rs.2,671,141,055, Rs.3,372,512,471, Rs.1,400,097,803 and Rs.2,436,549,584 from F.Y. 2063/064 to 2067/068 respectively.

Cash- debt coverage ratio of 40% or more is considered normal/common for healthy firm. The ratio measures the short term liquidity position of the firm. In the above table there is negative ratio in F.Y.2066/067. The standard ratio does not meet on any year.

The cash flow from operating activity to cash flow from investing activity is more sufficient to support the expansion and the growth program of the company at present.

The cash flow from investing activity to cash flow from financing activity ratios indicates that there are no problems for financing for expansion and growth in the company.

The cash in current assets standard ratio should be in the range of 6% to 8%. Similarly, higher cash position in current assets is looked as inefficiency in using the cash by the banks.

The standard of cash holding ratio should be in the range of 8% to 10%. But above table shows that the higher ratio than standard ratio.

c) Kumari Bank Limited

Total cash flow from operating activities of the Kumari Bank Limited is negative in F.Y.2064/065 and in F.Y. 2067/068. But in F.Y.2063/064, 2065/066, and 2066/067 the cash flow from operating activities are positive and fluctuating trend. Operating cash flow are Rs.284,754,814, Rs.(373,116,233), Rs.914,637,801, Rs.567,118,376 and Rs.(1,612,873,550) respectively in the F.Y.2063/064 to 2067/068.

Cash receipts include interest income, commissions & discount income, income from foreign exchange transaction, recovery of loan written off and other income. Cash receipts are in increasing trend. They are Rs.868,293,617, Rs.1,080,550,334, Rs.1,533,633,183, Rs.2,049,698,755 and Rs.2,364,030,115 respectively in the F.Y.2063/064 to 2067/068.

The share of interest income in cash receipt is highest amount in comparison to commissions and discount income, income from foreign exchange transaction, recovery of loan written off and other income. Interest income and commission & discount income are in increasing trend. Income from foreign exchange transaction and other income are in fluctuating trend. But there is no value of recovery of loan written off.

Cash payments include interest expenses, staff expenses, office overhead expenses, income tax paid and other expenses. Cash payments are

Rs.(657,509,246), Rs.(809,005,678), Rs.(1,191,574,514), Rs.(1,864,969,767) and Rs.(1,999,601,261) respectively in the F.Y.2063/064 to 2067/068.

Cash payment made for interest expenses and staff expenses are higher payments in different fiscal year. Interest expenses and staff expenses are in increasing trend. Office overhead expenses and income tax paid are in fluctuating trend. Other expense is only appeared in first two year.

Current assets include money at call and short notice, short term investment, loan, advance and bills purchase and other assets. Increase in current assets are Rs.(2,546,846,876), Rs.(2,851,731,892), Rs.(2,649,937,224), Rs.(853,429,780) and Rs.(1,543,309,624) respectively in the F.Y. 2063/064 to 2067/068.

Current liabilities include deposits, certificate of deposits, short term borrowing and other liabilities. Current liabilities are Rs.2,620,817,318, Rs.2,207,071,003, Rs.3,222,516,356, Rs.1,235,819,168 and Rs.(433,992,780) respectively in the F.Y.2063/064 to 2067/68.

Positive cash flow from investing activities represents sale of investment and fixed assets. Similarly negative cash flow means the company (Bank) made investment for internal of external fixed assets or securities and loan and advance. Cash flow from investing activities are Rs.(126,683,039), Rs.(85,155,041), Rs.(80,452,678), Rs.(40,063,877) and Rs.(89,753,783)

Long term investment and fixed assets are in fluctuating trend. Interest income from long term investment is increasing trend. But there is no any dividend income and other income.

Financing activities means those activities which are related to generate funds from issuing share and debenture. It includes issue and redemption of share, debenture and bank loan.

Cash flow from financing activities are Rs.124,411,430, Rs.720,000,000, Rs.8,272,000, Rs.421,180,000 and Rs.147,322,369 respectively in the F.Y.2063/064 to 2067/068. The main sources of financing activities are issue of share capital and long term borrowing (bond, debenture etc). Other liability is only appeared

in F.Y.2063/064. Increase and decrease in refinance/facilities received from NRB appeared only in F.Y. 2066/067 and 2067/068.

There are no any value in income/(loss) from change in exchange rate in cash & bank balance. The cash flow from all activities are in positive and negative value. In F.Y. 2067/068 Rs.(1,555,304,964) as negative value, which indicates that the cash inflow is less than cash outflow. But in F.Y.2063/064 to 2066/067 there are positive values, which mean that the cash inflow is more than cash outflows. They are Rs.282,483,206, Rs.261,728,726, Rs.842,457,123 and Rs.948,234,498 respectively.

The opening cash balances of the study period are in increasing trend. But closing cash balances are in decreased in last year. The opening cash balances are Rs389,629,745, Rs.672,112,951, Rs.933,841,677, Rs.1,776,298,800 and Rs.2,723,829,298 from F.Y. 2063/064 to 2067/068 respectively. The closing cash balances are Rs.672,112,951, Rs.933,841,677, Rs.1,776,298,800, Rs. 2,724,533,298 and Rs.1,168,524,334 from F.Y. 2063/064 to 2067/068 respectively.

Cash- debt coverage ratio of 40% or more is considered normal/common for healthy firm. The ratio measures the short term liquidity position of the firm. In the above table there is negative ratio in F.Y.2064/065. The standard ratio maintained only in F.Y.2066/067 and F.Y.2067/068.

The cash flow from operating activity to cash flow from investing activity is more sufficient to support the expansion and the growth program of the company at present.

The cash flow from investing activity to cash flow from financing activity ratios indicates that there are no problems for financing for expansion and growth in the company.

The cash in current assets standard ratio should be in the range of 6% to 8%. Similarly, higher cash position in current assets is looked as inefficiency in using the cash by the banks.

The standard of cash holding ratio should be in the range of 8% to 10%. But above table shows that the higher ratio than standard ratio.

CHAPTER - V

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 Summary

In the modern competitive and globalized universe commercial banks have significant role to play in the economic development of the country.

At present there are 32 commercial banks operating in Nepal aiming to develop economy of the country. Commercial banks themselves have facing many problems in its operation. Cash flow analysis is the most important management tool used to evaluating their operations. The effective operation of commercial banks resulting into the excess income over expenditure by promoting an economic and business sector fully depends upon proper planning, effective co-ordination, control expenses and proper utilization of capital, commercial banks cannot achieve its goals and objectives effectively. so, cash flow analysis has become one of the most important management tools used to evaluate strengths & weakness of a firm.

The researcher used trend of cash flow to study with analytical and comparative of the cash flow position of the selected banks.

For this purpose it had taken into analysis of the following commercial banks.

-) Nepal Bank Limited**
-) Nabil Bank Limited**
-) Kumari Bank Limited**

For studying and preparing this thesis have used cash flow statement annual report of all the sample banks and their annex are studied for this purpose various tools like cash debt coverage ratio, cash flow from operating activities to cash flow from investing activity ratio, cash flow from investing activities to cash flow from financing activity ratio, cash in current assets ratio, cash holding ratio and different activities were used.

The study is based on three commercial banks over a period of five fiscal years covering period from 2063/064 to 2067/068 the study is based on secondary data.

5.2 Conclusion

Banking industry plays an important role in the economic development of the country. Commercial banks are one of the vital aspects of this sector, which deals on the process of channelizing the available resources on the need area. Such of them the selected banks of study are Nepal Bank Limited, Nabil Bank Limited and Kumari bank Limited are playing important role in the nation.

But now a day's cash flow statement is being mandatory to submit for annual report to analyze the strength and weakness' of the from only profit making on accrual basis does not prove the real figure if the firm so income should be treated on the cash basis according to the NRB directives for financial institution. If profit is negative but cash flow positive than stake holder believe for bank now a days so cash flow analysis is necessary. By analyzing the five fiscal year cash flow statement following points are mentioned as conclusion and recommendation are as follows. On the basis of cash flow statement the researcher has drawn the following conclusions.

Nepal Bank Limited

The overall performance of the bank is satisfactory. It has been operating at the growing level.

The following conclusions are mentioned as follows:

-) CFOA of the bank found positive during the fiscal year 2063/064, 2065/066, 2066/067 and 2067/068 and negative in the fiscal year 2064/065**
-) Interest income are in increasing trend, which shows that the bank granting highest amount of loan**

-) Income from foreign exchange is in increasing trend and recovery of loan written off and other income are in fluctuating trend.
-) CFIA of bank is negative and fluctuating trend but its overall performance is not so bad.
-) The bank has not any strong investment scheme.
-) Long term investment and refinance/facilities by the bank is nil.
-) Short term liquidity position is satisfactory compare to selected banks for the study period.
-) Cash flow from operating activity to cash flow from investing activity ratio is positive in fiscal year 2064/065 and negative in remaining fiscal year.
-) Cash flow from investing activity to cash flow from financing activity ratio is positive in fiscal year 2063/064 and negative in remaining fiscal year.
-) Cash in current assets ratio does not maintained at standard, which shows poor cash management.
-) Cash holding ratio of NBL maintained above standard which means excess cash was holding by the bank.

Nabil Bank Limited

The overall performance of the bank is satisfactory. It has been operating at the growing level.

The following conclusions are mentioned as follows:

-) CFOA of the bank found negative in fiscal year 2066/067 and positive in remaining fiscal year during the study period. Positive CFOA indicates high cash inflow compare to the cash outflow and vice-versa.
-) Interest income is in increasing trend which shows that the bank has granting highest amount of loan.
-) Commission & discount income and other income are in increasing trend.
-) Income from foreign exchange transaction and recovery of loan written off are in increasing trend.
-) Interest expenses, staff expenses and office overhead expenses are in increasing trend.

-) CFIA of the bank is in increasing trend.
-) The short term liquidity position of the bank is below standard.
-) Cash flow from operating activity to cash flow from investing activity ratio is positive in fiscal year 2063/064 and negative in remaining fiscal year.
-) Cash flow from investing activity to cash flow from financing activity ratio is zero, positive and negative.
-) Cash in current assets ratio greater than standard ratio which shows that inefficiency in using the cash by the bank.
-) Cash holding ratio maintained above standard which means excess cash was holding by the bank.

Kumari Bank Limited

The following conclusions are mentioned as follows:

-) CFOA of the bank found positive during the fiscal year 2063/064, 2065/66 and 2066/067 and negative in fiscal year 2064/065 and 2067/068. Positive CFOA indicates high cash inflow compare to the cash outflow and vice-versa.
-) Interest income, commission and discount income and other income are in increasing trend. But income from foreign exchange transactions is in fluctuating trend.
-) Interest expenses are in increasing trend which shows that the bank is collect deposit increasingly.
-) CFIA of the bank is negative and in fluctuating trend but its overall performance is not so bad.
-) The bank has not any strong investment policy.
-) The short term liquidity position of the bank only maintained in fiscal year 2066/067 and 2067/068.
-) Cash flow from operating activity to cash flow from investing activity ratio is positive in fiscal year 2064/065 and 2067/068 and remaining period of the study ratio is found negative.
-) Cash flow from investing activity to cash flow from financing activity ratio is negative in all fiscal year.

-) Cash in current assets ratio greater than standard ratio which shows that inefficiency in using the cash by the bank.
-) Cash holding ratio maintained above standard which means excess cash was holding by the bank.

5.3 Recommendations

On the basis of the study, the following suggestion made to recommend for improvement of the existing situation:

a) Nepal Bank Limited

- i. The cash flow from operating activities is positive during the whole period except 2064/065. Based on bank reputation and network bank should be try to make it higher positive by reducing cash payment as well as other operating expenses.
- ii. Agency work is strong with compare to the other banks so bank should be kept it up.
- iii. Office and staff expenses should be reduced to earned highest operating profit.
- iv. The standard cash debt coverage ratio is not met properly. So, it is suggested that the bank must make the plans and policy to maintain the standard ratio which helps to meet short term liquidity position of the bank.

b) Nabil Bank Limited

- i. The cash flow from operating activities is positive during the whole period except 2066/067. Based on bank reputation and network, bank should be tried to make it higher positive by reducing cash payment as well as other operating expenses.
- ii. Interest income is in significant level but not sufficient. So it should be increase by lending loan and advance.
- iii. One of the main problems of the bank is increasing staff and operating cost. It should be minimizing.

- iv. The standard cash debt coverage ratio is not met properly. So, it is suggested that the bank must make the plans and policy to maintain the standard ratio which helps to meet short term liquidity position of the bank.
- v. The cash in current assets ratio should be improved because the standard cash in current assets ratio is not maintained properly.

c) Kumari Bank Limited

- i. The cash flow from operating activities of Kumara Bank Limited is negative in F.Y.2064/065 and F.Y.2067/068. This situation is not good so bank is suggested to improve the operating activities.
- ii. Bank should concentrate on increasing the deposit collection/mobilization activities because this is the main item which contributes mainly to the total cash inflow from operating activities.
- iii. Cash flow from investing activities is in up and down trend. So, bank is suggested to improve the sales and purchase activities of fixed assets.
- iv. Deposits are in decreasing trend. This is not a good sign so new saving policy should be lunch.
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