CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Cash flow is simply the flow of cash through the organization over a time. In the case of businesses that are run for profit, cash is paid out in the return for the labour and materials that are used to provide goods and services that can be sold. It is widely recognized and considered as one of the most important inputs and factors in analysis of financial health and growth of the company. Management performance evaluation is mostly dependent on cash flow relationships such as investment coverage ratio and total coverage ratio. Companies use financing, operations and investment for earning cash. Negative cash flow necessarily doesn’t mean that the company has bad performance and inevitably is not a sign of a bad company. The reasons behind that in those new and young companies spend lots of their cash into capital spending. These companies must have a reason behind their spending and they have to expect reasonable earnings from their investment. Companies with enough cash in hand are able to invest their cash into the business for getting more cash and profit. In personal financing, cash outflows from expenses or investments. Cash flow can be used as a sign to show the company’s financial strength. Components of cash flow are valuable data for predicting bankruptcy, classification of loan risk and bond ratings.

Cash flow statement is one of the most practical financial tools for evaluation and suitable allocation of financial resources. It shows the quality of management tradeoffs and creates a benchmark for judging the effectiveness of it and helps for making decisions about the changes in the company’s strategies. In 1980s, Western accounting theory believed that cash flow is a basic in measurement of performance of a company and represented the cash as the king. It has become the most widely used and robust index that the US SEC required all the companies to use cash flow as an important index in their annual reports. Different studies have shown that the cash flow components, as part of total cash flow, differ from company to company. The important factors are size and industry group of the companies. Cash flow can defined the free cash flow as operating income before depreciation, less interest expense on debt, les dividends (preferred and common) and income taxes.

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Cash flows are cash inflows and outflows of cash and cash equivalent. The statement of cash flow is a final statement which explains the change in cash position from one balance sheet to next balance sheet date. Thus, it provides information about the inflow and outflow of cash and cash equivalent of a firm in an accounting period (Bajracharya, et al, 2014 – 712).

A business that manages cash effectively benefits in numerous ways. For example they benefit through lower financing cost. By accurately forecasting the amount and timing of cash flows, managers minimize loan draws, thus lessening interest expenses. In addition, improving the amount of cash internally generated decrease the need for soliciting external financing, thus preserving proportionate shareholder values and unused debt capacity.

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an ownership of 70.21% in the company with 29.79% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

With 15 points of representation, 23 ATMs across the country and with more than 450 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its clients and customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal.

Standard Chartered Bank Nepal Limited offers a full range of banking products and services to a wide range of clients and customers encompassing individuals, mid-market local corporate, multinationals, large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGOs

Nepal SBI Bank Ltd. (NSBL) is a subsidiary of state bank of India (SBI) having 55% of ownership. The local partner viz. Employee Provident Fund holds 15%equity and general public 30%. In term of the Technical Services Agreement between SBI and NSBL, the former provides management support to the bank through its expatriate officers including Managing Director who is also the CEO of the bank

NSBL was established in July 1993 and has emerged as one of the leading bank of Nepal, with 869 skilled and dedicated Nepalese employees working in a total of 88 outlets, which includes 76 branches, 7 extension counters, 3 regional offices, 1 in touch Outlet and Corporate Office. With presence in 44 districts in Nepal, the bank is provided value added services to its customers through its wide network of 113 ATMs, internet banking, mobile banking, SMS banking etc.

Nepal SBI Bank is a subsidiary bank of State Bank of India (SBI), with a 211 year history, is largest commercial bank in India in terms of assets, deposits, profits, branches, customers and employees. It has an extensive network, with over 22000 branches in India and another 206 foreign offices in 35 countries across the world.

Everest Bank Ltd. is a joint venture partner of Punjab National Bank (PNB) having 30 percent of ownership. The promoters group holds 40% equity and General Public 30%.

EBL was established in July 1994 and has emerged as one of the leading banks of Nepal, with 1040 skilled and dedicated Nepalese employees working in a total of 80 outlets, which includes 86 branches, 6 extension counters, 2 Regional Offices and Corporate Office. With presence in 44 districts in Nepal, the Bank is providing value added services to its customers through its wide network of 115 ATMs (including 2 Mobile ATMs and 4 CRMs), internet banking, mobile wallet, SMS banking etc. EBL is one of the fastest growing Commercial Banks of Nepal with more than 6.22 lakhs satisfied deposit customers and over 4.80 lakhs ATM/Debit cardholders. The Bank enjoys leading position in the country in terms of penetration of technology products, Internet Banking and Card.

1.2 Statement of the Problem

Joint venture Banks with the help of their quality and prompt services are becoming indispensable part of the economy of Nepal. Influencing from the success of Standard Chartered Bank, Nepal SBI Bank and Everest Bank limited, Many new joint venture banks have been introduced in Nepal, which on one side shows the good sing of economy but on the other side due to such growth in number of banks and financial companies in a small developing country there might be an unhealthy competition between them.

Bank is a monetary institutional vehicle for domestic resources mobilization of the country. Government of Nepal allowed opening joint venture Banks to operate in the country for national development. The joint ventures banks have been operating well from their establishment. Their experience on international banking, prompt and computerized services, professional attitude are factors for their rapid progress. They have been growing from weakness and inefficiency of domestic commercial Banks. Each and every organization needs cash in order to handle daily business activities. It has to maintain liquidity position to run smoothly. Joint Venture banks in Nepal are running smoothly from their establishment and they are achieving tremendous success, voluminous profit and reputation in national and international markets. The cash flow analysis of any financial institution can be evaluated with the aid of balance sheet and profit and loss account or income statement. The bank must provide with statistically information in a prescribed form for the publication. The detail information for better analysis of cash generated by the operation is not accessible in both of the banks so the evaluation of cash flow analysis of the bank has been done.

Despite of reputed banking institutions and having almost similar objectives and organization structure, the banks are not earning the same amount of profit and not able to meet the return on cash basis on equal term and the share prices of these banks are differ too. Government rules and regulation, limited investment bounding and low belief towards banks of customers are major serious problems of these banks. Beside the problems it also allows the opportunities to the banks.

The study has tried to answer the following research questions:

1. Why the cash flows of selected banks are fluctuated?
2. What are the factors that affect the cash flows of the banks?
3. What are the comparative liquidity and profitability positions of the bank?

1.3Objectives of the Study

The purpose of the study is to find out the cash flow analysis and its management in SCB, SBI & EBL. The study helps to evaluate and compare of cash flow of selected banks. The following are the objective of studies:

1. To analyze the fluctuation of cash flows of selected banks.

2. To examine the factors those affect the cash flows of the banks.

3. To examine the liquidity &profitability position of the selected banks.

1.4Significance of the Study

The cash flow statement is an important tool as it explains the change in cash and gives the information related to the business operating, investing, and financing activities in a way to bring advantages to short term analysis and cash planning of the business. Cash inflows and outflows represent the most fundamental and prevalent economic events engaged by companies. Business that manages cash effectively benefit through lower financing cost. By accurately forecasting the amount and timing of cash flows, managers minimize loan draws, thus lessening interest expenses. In addition, improving the amount of cash internally generated decreases the need for soliciting external financing, thus preserving proportionate shareholder value and unused debt capacity.

Although, in the context of Nepal the cash is not properly manage by the financial institutions. They are still operating in traditional ways. They are not using as well as maintaining the cash effectively. So the study discovers the effective way of managing cash and also provides important insights regarding a company's continuing investment in productive assets and assessing the quality of earning.

1.5Limitations of the Study

The study is fundamentally based upon the published financial report provided by the selected institutions. The data are used as they are assumed as fair and accuracy. Numerous limitations have been faced while preparing this field work report. Some of which can be pointed as:

1. It focuses on only the study on cash flow analysis of the SCB, SBI & EBL.

2. Only last 5 year's data have been used in this report.

3. The study is mainly based on secondary data collected from the banks.Therefore accuracy of the study result depends on the reliability of ~~secondarydata~~secondary data.

4. Lack of prior research studies on the topics.

1.6 Organization of the Study

The present study is organized in such a way that the stated objectives can easily be fulfilled. The structure of the research will try to analyze the study in a systematic way. The study report has presented the systematic presentation and finding of the research. The study report is designed in five chapters which are as follows:

Chapter I: Introduction

This chapter deals with introduction. This includes background of the study, focus of the study, statement of the problems, objectives of the study, significance of the study and limitation of the study.

Chapter II: Review of Literature

This chapter deals with the review of literature which is available. This chapter of the study assures readers that they are familiar with important research that has been carried out in similar areas. It includes review of related books, journals, articles, previous unpublished master degree dissertations etc.

Chapter III: Research Methodology

The third chapter explains the research methodology used in this study. It includes research design, population and sampling, sources of data, method of data analysis, data processing and analyzing procedure.

Chapter IV: Data Presentation & Analysis

The forth chapter which is the important chapter of this study will consist of presentation & analysis of data and bring out the major findings and result of this study. Various analytical tools have been used to ~~analyze~~analyse and interpret.

Chapter V: Summary, Conclusion and Recommendation:

The last chapter of the study covers the summary of the study. The main conclusion that results from the study and offer some recommendation and suggestions for further study.

CHAPTER-II

LITERATURE REVIEW~~REVIEW OF LITERATURE~~

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2.1 Literature Review

This chapter shows the background of the work and a review of recent and reticent literature. In this regard, basic academic course books specially related to topic, some of the major research works, major articles published in journals and the related thesis are reviewed. Review of literature gives the framework of the research process. Review of the literature means reviewing the research studies or other relevant propositions in the related areas of the study, so that all the past studies, there conclusion and deficiencies may be known and further research can be conducted. It is an integral and monetary process in research works.

2.1.1 Cash Flow Statement

Cash Flow Statement reflects a firm’s liquidity. The statement of financial position 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 transactions that do not directly affect the cash receipts and payments. These non – cash transaction include depreciations, written of bad debts or credit losses to name a few. The cash flow statement is a cash basis report on three types of financial activities: operating activities, investing activities and financing activities. If enough cash flow can be generated to finance the investment, then companies may have good investment opportunities for growth. Cash flow is dependent to the expected return from new investment (Myers and Majluf, 1984:13.2).

The cash flow statement is instead to:

1. Provide information on a firm’s liquidity and its ability to change cash flow in future circumstances.

2. Provide additional information for evaluating changes in assets, liabilities & equity.
3. Improve the comparability of different firms' performance by eliminating the effects of different accounting methods.
4. Indicate the amount, timing and probability of future cash flows.

The cash flow statement has been adopted as a standard financial statement because it eliminates allocations, which might derived from different accounting methods, such a various timeframes for depreciating fixed assets. A cash flow statement is not only concerned with the amount of cash flows but also the timing of flows. Many cash flows are constructed with multiple time periods. For example, it may list monthly cash inflows or outflows over a year's time. It not only projects the cash balance remaining at the end of the year but also the cash balance for each month.

2.1.2 Importance of Cash Flow Analysis

The cash flow statement is an important tool as it explains the changes in cash and gives the information related to the business operating, investing and financing activities in a way to bring advantages to short term analysis and cash planning of business. From the prospective of investors, the projected cash flow would reflect both company's ability to pay its way in the future and its planned financial policy. Most advocates of cash flow information feel that the problems of assets valuation and income determination are so formidable that the inclusion of cash flow statement in company reports was warranted (Belkaoui, 1992:449)

Cash flow analysis provides the useful information to the users of the statement in the following ways:

1. Provide additional information for evaluating changes in assets, liabilities and equity.
2. Indicate the amount, timing and probability of future cash flows.
3. Improve the comparability of different organizations' operating performance by eliminating the effects of different accounting method.
4. Provide information on an organization's liquidity and solvency and its ability to change cash flow in future circumstances.

5. It enables the users to assess a company's ability to generate future positive cash flows from operations, to meets its maturing obligations and to pay dividends.
6. Provide important insight regarding a company's continuing investment in productive assets and assessing the liquidity of its earning.

2.1.3 Objectives of Cash Flow Analysis

Financial statement of the organization includes various documents like Trial Balance, income statements, Balance Sheet, Capital Structure and many more.

A cash flow statement is one of the most important financial statements and one of the reasons is because it includes all the transactions that are done in cash forms. It also determine whether the organization have enough liquidity need for the coming fiscal year or not. The statement can be as simple as a one page analysis or may involve several schedules that feed information into a central statement. It also determine whether the organization have enough liquidity need for the coming fiscal year or not.

The major objectives of cash flow statements are as follow.

1. To provides additional information for evaluating changes in assets, liabilities and equity.
2. To indicate the amount, timing and probability of future cash flows.
3. To provide information on an organization's liquidity and solvency and its ability to change cash flow in future circumstances.

2.1.4 Preparation of Cash Flow Statement

The basic objective of cash flow statement is to provide the information to the management about the cash receipts and the cash payments of an organization and it is used in efficient cash management as well. Information used to prepare a cash flow statement is taken from the income statement for the current year and balance sheet for the past two years. The cash flow statement follows an activity format and is divided into three sections: operating, investing and financing activities. Generally the operating activities are reported first, followed by the investing and finally, the financing activities.

Operating Activities

Operating activities are concerned with the day-to-day business operations. These activities involve the selling of goods and service to the customers and the one hand and engaging employees, buying and producing goods and services, and paying taxes to the government on the other. Therefore these are revenue generating activities of the business entity which includes cash effect of transactions by which net profit or loss is determined. For example, a few of the operating activities are mentioned below.

1. Cash receipts from the sale of goods and providing services
2. Cash receipts from commissions, fees or other revenues
3. Cash receipt from dividends or interest income from investment
4. Cash payment to suppliers for goods and services
5. Cash payment to employees
6. Cash paid for interest and taxation, etc (Bajraeharya, et al., 20 14:712).

Investing Activities

The primary component of investment cash flows is the capital expenditure for long term assets such as plant and machinery. This amount may be calculated as net or gross of proceeds on the sales of these assets. The cash flows from such sales are considered investment cash flows regardless of whether they are netted in capital expenditure. Cash flow relating to investing activities present the cash effects of transactions involving plant assets, intangible assets and investments.

According to Nepal Accounting Standard (NAS-03), the separate disclosure of cash flows arising from investment activities is important because the cash flows represents the extent to which expenditures have been made for resources intended to generate future income and cash flows. Below mentioned are the few of investing activities.

1. Cash receipts from the disposal of fixed assets.

2. Cash payment to acquire fixed assets

3. Acquiring and disposing shares of third parties

4. Making and collecting loans to third parties

Financing Activities

Financing activities are the activities related to procurement of funds required for running the business from various sources like shareholders, creditors, banks, financial institutions and other investors. The activities of paying the amounts due to the banks and paying returns to the borrowed capital and capital provided by the owners also fall under financing activity.

According to the Nepal Accounting Standards (NAS-03), the separate disclosure of cash flows arising from financing 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 financing activities are

1. Cash proceeds from issuing shares or other equity instruments;

2. Cash payment to owners to acquire or redeem the enterprises shares;

3. Cash repayments of amounts borrowed;

4. Cash proceeds from issuing debenture, loans, notes, bonds, mortgages and other short or long-term borrowings; and

5. Cash payment by a lessee for the reduction of the outstanding liability relating to a finance lease. (Bajracharya, et al., 2014:7 13).

2.2 Review of Related Studies

2.2.1 Review of Books

A cash flow statement reports the cash receipts and cash payments of an entity during a period. It explains the causes for the changes in cash by providing information about operating, investing and financing activities. It explicitly shows information that readers of financial reports could otherwise obtain only by make shift analysis and interpretation of published balance sheet and statements of income & retain income. The statement of cash flows must be presented as a basic financial statement incorporate annual reports. (Horngren&Sundem: 1991)

Cash is the most important aspect of working capital. Cash is the basis input needed to keep the business running on continuous basis. So the cash should be managed efficiently in order to keep the firm sufficient liquid and to use excess cash in some profitable way. The firm should held sufficient cash neither more nor less. Cash storage will interrupt the firms operation while excessive cash will simply remains idle, without contributing anything towards the firm's profitability .Thus the major function of the financial managers to maintain sound cash position. (Pandey: 1999)

Under the cash flow accounting system transactions would be entered in the account books of a company when cash was received or paid our, and the income would be basically the difference between all cash received and all cash paid irrespective of purpose. Further, the cash spent on acquisition of fixed assets would be charged in full to the year of acquisition would be automatically abandoned for the purpose of published accounts. Then, the cash spent on acquisitions of materials, fuel, inventories and all other factors would be charged in full at the point of outgoing. The present system would also record directly for all intangible expenditures. (Porwal and Mishara: 2011)

Cash comprises cash on hand and demand deposits with banks, cash equivalents are short-term highly liquid investments that are subject to insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. They must have short maturities of, say three months or less from the date of acquisition. Cash flows exclude movements between items that constitute cash or cash equivalents because these components are part of the cash management of an enterprise rather than part of in operating, investing and financing activities. Cash management includes the investment of excess cash in cash equivalents. Examples of cash equivalents are government securities. Treasury bills, preference shares etc. Which are measuring with in three month form the date of acquisition. As stated in the definition cash flows are to be classified as operating, financing, and investing. Such a classification provides information that allows users to assess the impact of those activities on the financial position of the enterprise and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among these activities. Therefore AS-3 requires that every enterprise should prepare a cash-flow statement for each accounting period and that the statement should report cash-flows during the period classified by operating, financing and investing activities (Gupta and Radhaswamy, 2014)

An analysis of cash flow is useful for short run planning. A firm needs sufficient cash to pay debts maturing in the near future, to pay interest and other expenses and to pay dividends to shareholders. The firm can make projections of cash inflows and outflows for the near future to determine the availability of cash. This cash balance can be matched with the firm's need for cash during the period, and accordingly, arrangements can be made to meet the deficit or invest the surplus cash temporarily. A historically analysis of cash flows provides insight to prepare reliable cash flow projections for the immediate future. (Pandey, 2015)

2.2.2 Review of Thesis

Few of the research in the topics of cash flows analysis in Nepalese context are made but many of the research have been made in the area of the financial performance and profitability situation of joint venture banks. As financial performance and profitability situation covers some of the aspects of cash flow statement, research made in these areas is taken into consideration for the sake of review to examine the financial performance of joint venture banks. Some of the research as given below taken as references in this thesis preparation:

Bhandari, (2014) had conducted a research in the topic "*A Study of Cash Flows Analysis in Nepalese Public Enterprises (A case study of Salt Trading CorporationLimited"*, after completion of the study he has pointed out some findings that are;the company has ability to pay short-term obligation which shows the financial strength of company. The long term solvency position of company is not satisfactory as it has used more debt as compare to equity.The company is not utilizing effectively its assets because its fixed assets turnover ratio is very low.Overall profitability ratio is not satisfactory although it has made profit every year of the study period except in the first year.The cash flow from operating activities was not adequate to meet the short-term and long-term obligation. The trend of cash flow from operating activities was fluctuated.The company has raised funds through loan and overdraft. It has not issued shares except in the first year of the study period which was also of very small portion. Due to such loan, the company paid more interest.No optimum cash & Bank balance were maintained. The cash and bank balances were fluctuated that indicated no definite policy was maintained regarding the amount of cash hold at the end of each year.

Sainju, (2011) had conducted a research in the topic "*Cash Management in Public Manufacturing Enterprises of Nepal." A case study of royaldrug*, after completion of the study he has pointed out some findings that are; overall cash management practices have been found disappointing, overall liquidity position of the firm has been found moderately dissatisfactory, overall yearly cash inflows and outflows in RDL is not properly managed. Surplus cash hasn't been properly employed to earn return by investing in short term investment opportunities. Profitable has been found in very weak position and overall cash budgeting practice of RDL is very poor.

Adhikari, **(2015)** had submitted as dissertation in the topic "*A comparative andAnalytical study on Cash Flow of selected Finance Companies*", after completion of the study he has pointed out some findings that are; the total cash flow operating activities, is in increasing trend in the first two year but in the final year it is decreasing of both company. Deposit mobilization / collection are in decreasing trend of National finance co. ant Lumbini finance and Leasing co's deposit mobilization / collection are in increasing trend, the amount of current liabilities and current assets are increasing trend of National finance but Lumbini finance and Leasing co's current assets is decreasing in first two years of the study period but it is increasing in the final year. The cash flow from investing activities is not regular and borrowing is in decreasing trend of those companies

Neupane, (2016) had conducted a research in the topic "*A study of Cash Flows Analysis of Commercial Banks in Nepal,(A Comparative Study of Himalayan Bank and NABIL Bank Ltd*.**)"** After completion of the study he has pointed out some findings are; both these banks had negative working capital figures. Working capital should be managed efficiently for safeguarding the bank against the danger of liquidity and insolvency. Therefore, promote and timely action should be taken by the management of HBL and NABIL to improve and correct the regarding amount of working capital. In order to increase the cash flows from operating activities for the future period NABIL should operate growth of its life cycle. These banks should accurately forecast the amount and timing of cash flows so that borrowings can be minimized and thus lessening interest expenses. Both these banks should follow the strict investment policy to avoid the nonperforming assets. One of the management basic responsibilities is to ensure that the business has enough cash to meet its obligation as they became due. Therefore, in order to improve cash flows, both these banks are recommended to collect several strategies like deferring income taxes, peak pricing and developing are effective product mix in both the short and long terms.

Khadka, (2007) hadconducted a research entitled on "*A Comparative Studyon Cash Flow of Bottlers Nepal Limited and Unilever Nepal Limited"* after completion of the study he has pointed out some findings that are; in the case of Unilever Nepal Ltd, the amount of the total cash from operating activities is in fluctuating trend. The amount of cash flow prior to change in working capital is in increasing trend. The current assets and current liabilities amount is in fluctuating trend. In the case of Unilever Nepal Ltd. the amount of investing activities is in fluctuating trend. But there is no any investment amount in FY 2059/060.The amount is decreased in FY 2060/061, but the amount is increased in FY is decreased in FY 2060/061, but the amount is increased in FY 2061/062 and FY 2062/063.The amount of financing activities is in increasing trend, but it is decreased only in second year. The amount is decreased in FY 2059/060; but it reveal increasing trend from FY 2060/061.

Bhandari, (2008) had conducted a research entitled in *"Cash flow analysisof Nepal Telecom (NTC),* after completion of the study he has pointed out some findings that are; operating profits before adjustment of working capital is in positive growth for every year and rate of operating cash flow of NTC is in increasing trend except in the F.Y. 2060/061. NTC is expanding it's investment per year at the rate of Rs40530 (in ten thousand) is major cause of cash outflow for each year and there is not any sales of investment on F.Y. 2060/061 and 2062/063. Regular financing activities of NTC are long term debt, receipt/payment, dividend payment and repayment of retained earnings to Nepal government, similarly there is not any receipt from long term debt on F.Y. 2062/063. Annual cash outflow rate from financing activities is Rs5959.2 (in then thousand). There is positive correlation between CFOA and NPBT and negative correlation between NPBT and CFFA, NPBT and CFIA. There is not scarcity of cash during the period to operate its general activities and activities are satisfactory.

2.2.3 Review of Legislative Provision

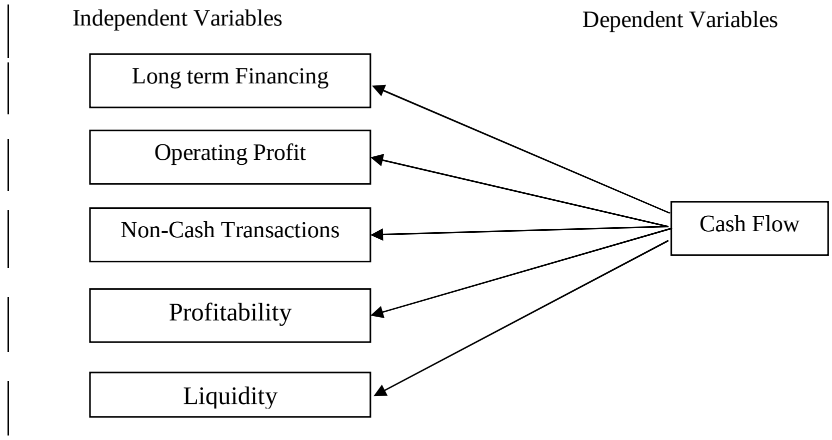
Legislative provision has significant impact on the investment practices of commercial banks establishment, their fund mobilization and utilization of the resources. In this section, it reviews the Policies, Procedures and Guidelines under which the commercial banks are operating has been discussed. All commercial banks have to conform to the legislative provision specified in the commercial bank act 2031 and the policies and regulations formulated to facilitate the smooth running of commercial banks. The preamble of Nepal Bank Act 1994 clearly states the need of the commercial banks in Nepal. In this absence of any bank in Nepal the economy of the country was being hampered and causing inconvenience to the people. The objective of the bank is to fulfilling the need by providing the service to the people. For the betterment of the country this law is hereby promulgated for the establishment of the bank and operation. Nepal Rastra Bank issues monetary policy every year some of the important provisions made in monetary policy for fiscal year 2074/2075 are as follows:

1. Considering improved liquidity situation and rapid growth of money supply, Cash Reserve Ratio (CRR) for commercial bank, development bank and finance company will be maintained at 4% which was 6%, 5% and 4% for Commercial Bank, development bank and finance company respectively in FY 2074/75. This will create Rs. 48 Billion worth extra liquidity in banking system.
2. As per the budget speech, Monetary Policy has targeted to limit inflation rate within 6.5%.Statutory Liquidity Ratio (SLR) for commercial bank, development bank and finance company should be maintained at 10%, 8% and 7% respectively which was 12%, 9% and 8% respectively earlier.
3. The limit for overdraft including personal loans of revolving nature will be reduced from 75 lakhs to 50 lakhs.For commercial banks, lending to priority sectors which was 25% earlier has been changed to minimum 10% for

agricultural sector and minimum 15% for tourism sector. And lending to priority sectors will be maintained at 15% and 10% for development banks and finance companies respectively.

4. Lending of margin nature provided by BFIs on mortgage of shares has been made limited to 25% from previously 40% on primary capital. If Commercial bank request NRB to do securities business, permission will be given to do so by establishing and operating through its separate subsidiary company.

2.3 Conceptual Framework



Long Term Financing

Long Term Financing is a type of borrowing that is expected to be fully paid over one year period. The fundamental principle of long term finances is to finance the strategic capital projects of the company or to expand the business operations of the company.These funds are normally used for investing in projects that are going to generate synergies for the company in the future years.Equity capital, Preference capital, Debentures, Term loans, Retained earnings are the main sources of long term financing.

Operating Profit

Operating profit is an accounting figure that measures the profit earned from a company's ongoing core business operations, thus excluding deductions of interest and taxes. This value also does not include any profit earned from the firm's investments, such as earnings from firms in which the company has partial interest.Operating profit, sometime called EBIT, is a financial measurement that calculates how much profit a company makes from its core business activities. This figure only includes income from core operations before taxes excluding all income from investments. In this way it is a measure of a firm’s efficiency to control its costs and run its operations effectively.

Operating profit can be calculated using the following formula:

Operating Profit = Operating Revenue - Cost of Goods Sold – Operating Expenses - Depreciation - Amortization

Non cash Transaction

A non-cash transaction is a contract, business affair or economic event in which a company doesn't dole out any sum of money. Accountants often call this type of transaction a "non-monetary transaction" or "non-cash item." Examples include depreciation, amortization goodwill, patient rights etc. Non-cash transactions are investing and financing-related transactions that do not involve the use of cash or a cash equivalent.

Liquidity

Liquidity refers to the position of the bank that shows its capacity to meet all of its obligations. In other words, liquidity refers to the cash or any assets that can be converted in to cash immediately. People deposit their money in the banks in different accounts with confidence that the bank will repay their money when they required. Once the confidence lost in depositor’s eye, they may withdraw all their deposits from their account in short period of time. To maintain confidence of the depositors, the banks manager must keep in mind while investing in different securities or at the time of lending. So the liquidity position of a bank is such an important factor that it must be able to meet its cash requirement either by its cash in vault or by the help of converting its assets in to cash in case of demand from their costumer.Cash and bank balance to current assets ratio and current ratio has been calculated to measure the liquidity position of these selected banks.

Profitability

The profit of commercial bank mainly depends on the interest rate, volume of loan, its time period and nature of investment in different securities. It is a fact that a commercial bank can maximize its volume of wealth through maximization of return on their investment and lending. Ambition of profit to commercial bank seems reasonable as the bank has to cover all the expenses and make payment in the forms dividend to the shareholders who contribute to building up of bank's capital and interest to the depositors.Interest income to total income ratio, EPS and ROA has been calculated to measure the profitability position of these selected banks.

2.4Research Gap

There are various factors that affect the performance of the selected banks. These factors can be internal and external. Internals factors can be the strategic planning, organizations regulation and other factors. External factor can be legal, social, environment etc. These factors can change the time frame of the situation of data under studied which can be differ from study previously conducted.

To complete this research study work many books, journals, articles, and various published and unpublished are reviewed as guideline to add knowledge for smooth analysis of cash flow of selected banks. Various methods have been used for the collection and interpretation of data for better results than previous time frame.

While reviewing the previous literature related to cash flow analysis; I found that all research is done in the field of commercial banking sector. So, it is obvious that there will be plenty of gaps can be seen while preparing this research work. These gaps will help other researchers to find new way of developing theories in coming future.

CHAPTER-III

~~RESEARCH~~ METHODOLOGY

This chapter aims to present and reflect the methods and techniques that are carried out during the study period. It covers quantitave~~Research~~ methodology using financial and statistical tools. The research methodologies are adopted for the present study is mentioned in this chapter deal with research design, population and sample, nature of data and analysis of data.~~depends on the various aspects of the research project. The size of the project, the objectives of the project, importance of the project, time frame of the project, impact of the project in the various aspects of the human life etc. are the variables that determines the research methodology of the particulars project. This chapter will contain research design, types and sources of data, population and sampling, methods for data collection, and statistical tools.~~

3.1Research Design

For the purpose of this study, a descriptive research design~~study~~ has been followed to analyze the fluctuation of cash flows, to examine the factors those affect the cash flow and to examine the liquidity and profitability position of the selected banks. Descriptive research design has been used to generalize the study to find out the cash flow statement analysis of selected banks.

3.2 Types and Sources of Data

To fulfil the objectives of this research secondary data have been collected and analyzed in the study period. Published annual report of the concerned banks is taken as a source of data. The data relating to financial performance are directly obtained from the concerned banks. The different kinds of secondary data such as related books, magazines, journals articles, reports, bulletins, ~~data~~and data from Nepal Stock Exchange and Nepal Rastra Bank, Central Bureau of statistics, related web site from internet etc. as well as other supplementary data have been used for the study.

3.3 Population and Sampling

There are 28 commercial banks listed in NEPSE up to the end of the fiscal year 2074/075. But, it is not possible to study all data related with these 28 commercial banks. Hence three banks have been taken as sample from the whole population of

Formatted: Font: (Default) Times New Roman, 12 pt, Bold, Complex Script Font: Times New Roman, 12 pt twenty eight banks. This study is based on convenience sampling method. The sample banks are Standard Chartered Bank Ltd., Nepal SBI Bank Ltd. and Everest Bank Ltd. The sample banks are chosen on the basis of financial analysis of top blue chip joint venture commercial banks in Nepal (Thakali, 2018).~~All the commercial banks in Nepal (28) has considered as the total population (N), out of them, three commercial banks of the total population has been taken as sample (n) for this research.~~

3.4 Methods for Data Collection

Quantitative method has been used. Different published and unpublished sources will be used for data collection. To meet the objectives of the study, various data of these banks have been collected from the different website of these banks. The data relating to financial performance are directly obtained from the concerned banks. Similarly, related books, magazines, journals, articles, reports have been used for the study.

3.5Data Processing and Analyzing Procedure

The data collected from different method and sources have been analyzed by using statistical and financial methods. The data collected from different sources and methods have been classified and described statistically, classifying and tabulating data systematically has been done to check the cash inflow and outflow.

3.6 Analysis of Data

Financial as well as statistical tools are used to make the analysis more convenient, reliable and authentic. For data analysis, different items from the cash flow and other statements are tabulated. Following are the brief introductions of the financial and statistical tools used in this study.

Financial Tools

The following mentioned financial tools have been used to interpret the data:-

1. Ratio analysis

Statistical Tools

The following mentioned statistical tools have been used to interpret the data:-

1. Arithmetic mean
2. Standard Deviations (S .D)
3. Coefficient of Variance (C.V)
4. Trend Analysis

CHAPTER-IV

~~DATA PRESENTATION AND ANALYSIS~~RESULTS

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This chapter focuses on the presentation and analysis of secondary data. The available data related to the study have been tabulated, presented, analyzed and interpreted to reach the some findings. The collected and tabulated data have been analyzed using different financial and statistical tools.

4.1 Analysis of Cash Flow

4.1.1 Analysis of Cash Flow from Operating Activities of SCB, SBI & EBL

Table 4.1

Analysis of Cash Flow from Operating Activities of SCB, SBI & EBL

Year	SCB	SBI	EBL
2070/0/71	(699,012,314)	1,207,953,976	(340,096,197)
2071/0/72	5,788,412,895	2,046,813,832	(5,002,214,673)
2072/0/73	2,865,532,070	1,174,441,602	9,259,57,451
2073/0/74	335,896,267	2,158,881,669	446,524,085

2074/0/75	6,231,713,766	9,069,778,508	(327,983,234)

(Source: Annual Report of SCB, SBI and EBL from FY 2070/071 to 2074/075)

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Table 4.1 shows that the operating cash flow of Standard Chartered Bank, Nepal SBI Bank and Everest Bank from fiscal year 2070/071 to 2074/075. The CFFOA SCB of FY 2070/071 was negativedue to increase in current assets and decrease in current liabilities and the next fiscal year 2071/072, it has grown up. The CFFOA of SBI for FY 2072/073 was lower and the next fiscal year 2071/072, it has grown up. The CFFOA is positive in all years. The CFFOA of EBL for FY 2070/071, 2071/072 and 2074/075 was negative due to cash receipt is lower than cash payments and decrease in current liabilities. The CFFOA of EBL arepositive in remaining years. In the trend of five years the banks overall performance looks good.

Figure 4.1

Analysis of Cash Flow from Operating Activities of SCB, SBI & EBL

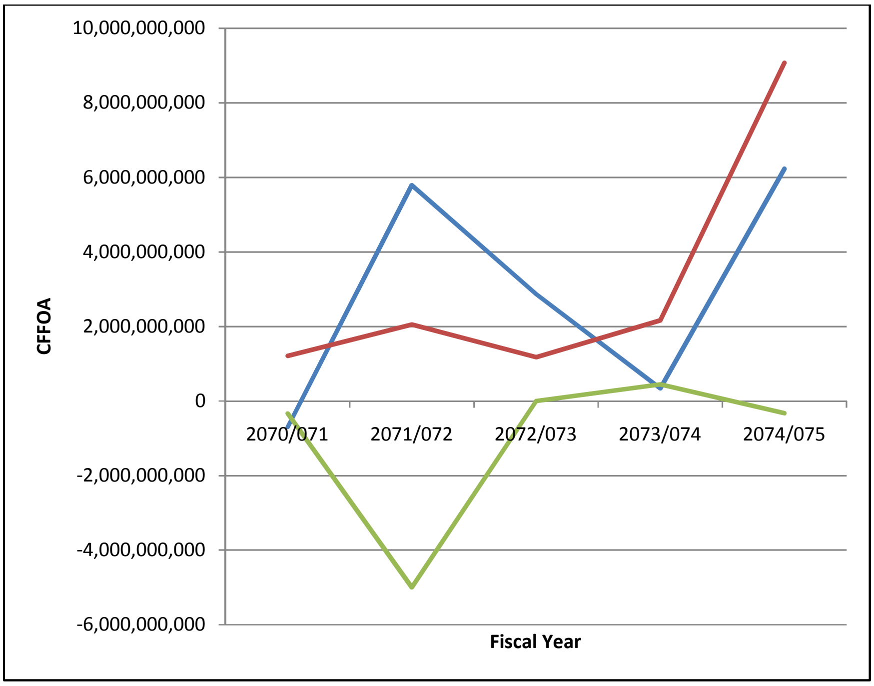

Figure 4.1 shows that the operating cash flows of Standard Chartered Bank, Nepal SBI Bank and Everest Bank from fiscal year 2070/071 to 2074/075. From the above figure it can found that the CFFOA is in fluctuating trend. The CFFOA of SCB is negative in 2070/071 so that the trend line is downward sloping in this year and positive in remaining years. The CFFOA of SBI for FY 2072/073 was lower and the next fiscal year 2071/072, it has grown up. The CFFOA is positive in all years. The CFFOA of EBL for FY 2070/071, 2071/072 and 2074/075 was negative and positive in remaining years.So, that the trend line downward sloping in the year 2070/071, 2071/072 and 2074/075 and upward sloping in the remaining years.In the trend of five years the banks overall performance looks good.

4.1.2 Analysis of Cash Flow from Investing Activities of SCB, SBI & EBL

Table 4.2

Analysis of Cash Flow from Investing Activities of SCB, SBI & EBL

Year	SCB	SBI	EBL
2070/0/71	3,479,935,740	(55,192,460)	(2,576,947,125)
2071/0/72	(3,406,597,174)	(134,262,019)	3,189,219,354
2072/0/73	(9,651,986,366)	(2,24,466,102)	5,629,093,898
2073/0/74	100,279,953	(101,972,374)	(7,530,129,749)
2074/0/75	7,370,940,369	1,734,877,135	(491,855,658)

(Source: Annual Report of SCB, SBI and EBL from FY 2070/071 to 2074/075)

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Table 4.2 shows that the investing cash flow of Standard Chartered Bank, Nepal SBI Bank and Everest Bank from fiscal year 2070/071 to 2074/075. The CFFIA of SCB of

FY 2071/072 and 2072/03 was negative due to invest high volume of cash in long term investment and fixed assets, and the next fiscal year 2073/074, it has grown up. The CFFIA is negative in FY 2071/072 and 2072/03 and positive in remaining years. The investing cash inflow is lower than the cash outflow in the year 2070/071 to 2074/075, so that the CFFIA of SBI for FY 2070/071 to FY 2073/074 was negative and positive only in FY 2074/0/75. The CFFIA of EBL of FY 2070/071, 2073/074 and 2074/075 was negative which means the bank invest cash into long term investment, investing cash inflow is lower than the cash outflow. The CFFIA of EBL arepositive in remaining years. In the trend of five years the banks overall performance looks good.

Figure 4.2

Analysis of Cash Flow from Investing Activities of SCB, SBI & EBL

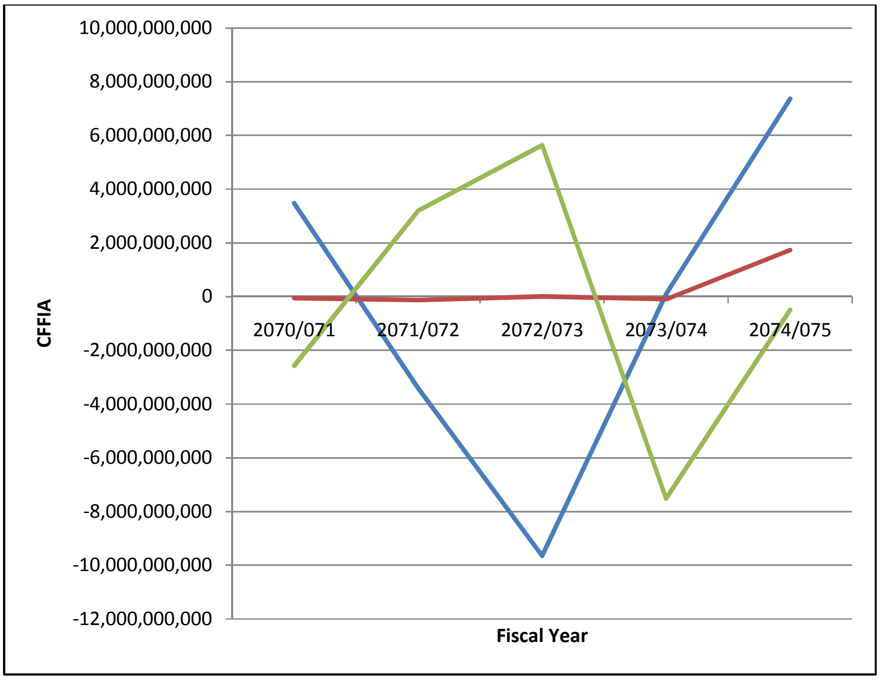

Figure 4.2 shows that the investing activities of Standard Chartered Bank, Nepal SBI Bank and Everest Bank from fiscal year 2070/071 to 2074/075. From the above table it can found that the CFFIA is in fluctuating trend. The CFFIA of SCB of FY 2071/072 and 2072/03 was negative so that the trend line is downward sloping and the next fiscal year 2073/074, it has grown up. The CFFIA is negative in FY 2071/072 and 2072/03 and positive in remaining years. The CFFIA of SBI for FY 2070/071 to FY 2031/074 was negative and positive only in FY 2074/0/75. The CFFIA of EBL of FY 2070/071, 2073/074 and 2074/075 was negative so that the trend line downward sloping and positive in remaining years so that the trend line upward sloping in the remaining years. In the trend of five years the banks overall performance looks good.

4.1.3 Analysis of Cash Flow from Financing Activities of SCB, SBI & EBL

Table 4.3

Analysis of Cash Flow from Financing Activities of SCB, SBI & EBL

Year	SCB	SBI	EBL
2070/0/71	238,200	200,000,000	(340,096,197)
2071/0/72	232,208	(134,320,729)	(5,002,214,673)
2072/0/73	226,124,006	(110,512,132)	(828,367,324)
2073/0/74	(357,401,449)	(327,983,234)	925,957,451
2074/0/75	3,166,421,134	(1,892,065,000)	446,524,085

(Source: Annual Report of SCB, SBI and EBL from FY 2070/071 to 2074/075)

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Table 4.3 shows that the financing activities of Standard Chartered Bank, Nepal SBI Bank and Everest Bank from fiscal year 2070/071 to 2074/075. The CFFFA of SCB for FY 2073/074 was negative due to decrease in long term borrowing (bond and debenture) and the next fiscal year 2074/075, it has grown up. The CFFFA is negative in FY 2073/074 and positive in remaining years. The CFFFA of SBI for FY 2070/071 is positive and negative in remaining years due to increase in share capital. The financing cash inflow is lower than the cash outflow so that the CFFFA of EBL for FY 2070/071, 2071/072 and 2072/073 was negative. Similarly the financing cash outflow is lower than the cash inflow in the remaining years, so that the CFFFA of EBL ispositive in remaining years. In the trend of five years the banks overall performance looks good.

Figure 4.3

Analysis of Cash Flow from Financing Activities of SCB, SBI & EBL

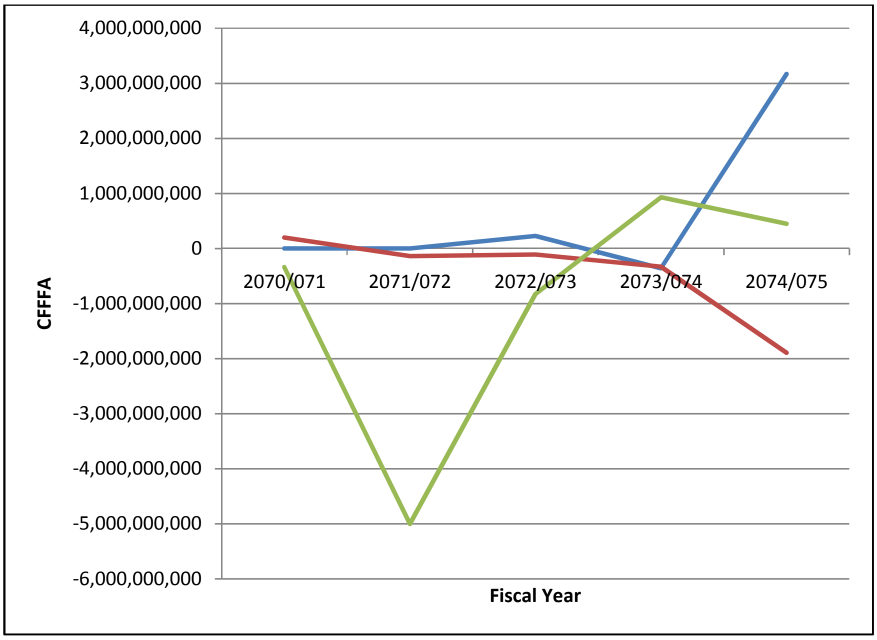

Figure 4.3 shows that the financing activities of Standard Chartered Bank, Nepal SBI Bank and Everest Bank from fiscal year 2070/071 to 2074/075. From the above table it can found that the CFFFA is in fluctuating trend. The CFFFA of SCB for FY 2073/074 was negative and the next fiscal year 2074/075, it has grown up. The CFFFA is negative in FY 2073/074 and positive in remaining years. The Trend line is downward sloping in FY 2073/074 and upward sloping in the remaining years. The CFFFA of SBI for FY 2070/071 is positive and negative in remaining years. The trend line upward sloping in the year 2070/071 and downward sloping in the remaining years.The CFFFA of EBL for FY 2070/071, 2071/072 and 2072/073 was negative and positive in remaining years. The trend line is downward sloping from year 2070/071 to 2072/073 and upward sloping in the remaining years. In the trend of five years the banks overall performance looks good.

4.1.4 Analysis ofChanges in Cash Position of SCB, SBI & EBL

Table 4.4

Analysis of Changes in Cash Position of SCB, SBI & EBL

Year	SCB	SBI	EBL
2070/0/71	2,781,161,626	1,352,761,516	(3,257,139,519)
2071/0/72	2,382,047,929	1,778,231,084	(6,815,209,992)
2072/0/73	(6,560,330,290)	839,463,368	660,499,516
2073/0/74	78,774,771	1,728,926,061	(6,157,648,213)
2074/0/75	16,769,075,269	8,912,590,643	(373,314,807)

(Source: Annual Report of SCB, SBI and EBL from FY 2070/071 to 2074/075)

Table 4.4 shows that the net change in cash and cash equivalent of Standard Chartered Bank, Nepal SBI Bank and Everest Bank from fiscal year 2070/071 to 2074/075. The Cash flow of SCB for FY 2072/073 was negative due to negative investing cash flow in this year and the next fiscal year 2074/075, it has grown up. The cash flow of SBIis positive in all year of study period. The cash flow of EBL is positive only in FY 2072/073 and negative in remaining years due to cash outflow is higher than cash inflow. In the trend of five years the banks overall performance looks good.

Figure 4.4

Analysis of Changes in Cash Position of SCB, SBI & EBL

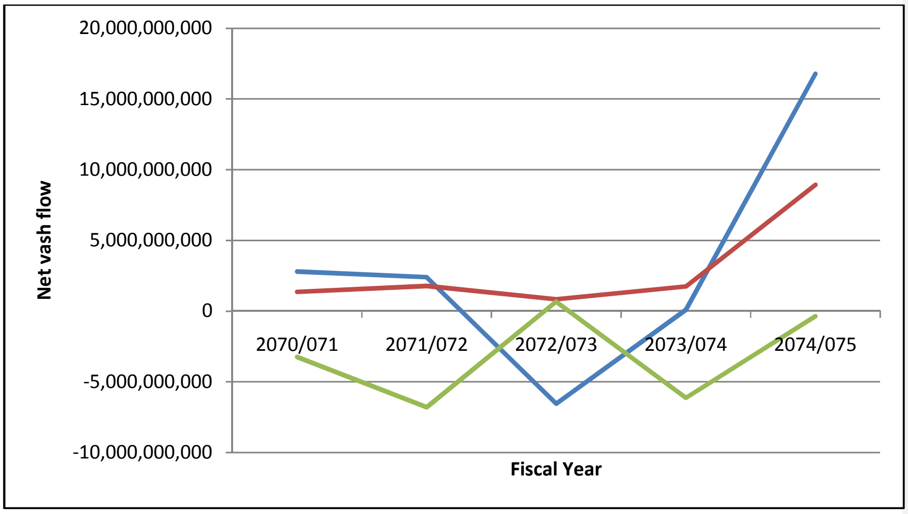

Figure 4.4 shows that the net change in cash and cash equivalent of Standard Chartered Bank, Nepal SBI Bank and Everest Bank from fiscal year 2070/071 to 2074/075. The Cash flow of SCB for FY 2072/073 was negative due to negative investing cash flow in this year, so that the trend line downward slopingand the next fiscal year 2074/075, it has grown up. The cash flow of SBIis positive in all year of study period, so that the trend line is upward sloping in all years. The cash flow of EBL is positive only in FY 2072/073 and negative in remaining years due to cash outflow is higher than cash inflow. In the trend of five years the banks overall performance looks good.

4.2 Analysis of Cash Related Ratio

Ratio refers to the numerical relation of component part of financial statements to each other. Financial position and performance of a company can be measured using ratios between different variables of the statements of cash flows.

4.2.1Cash and Bank Balance to Current Assets Ratio

This ratio shows the banks' liquidity capacity on the basis of cash and bank balance that is the most liquid asset. Higher ratio indicates the bank ability to meet the daily cash requirement of their customer deposit and vice versa. Higher ratio is not preferred; bank has to pay more interest on deposit and well increased the cost of fund. Lower ratio is also very dangerous, as the bank may not be able to make the payment against the cheque presented by the customers. Therefore, bank has to balance the cash and bank balance to current assets ratio in such manner that it should have the cash and bank balance to current ratio in such a manner that it should have the adequate cash for the customer demand against deposit when required and less interest is required to paid against the cash deposit.

Table 4.5

Cash and Bank Balance to Current Assets Ratio

Banks	Fiscal Year					Mean	S.D	C.V
	2070/71	**2071/72**	**2072/73**	**2073/74**	**2074/75**			
SCB	68.04	53.58	49.15	39.56	41.43	50.35	11.41	22.66
SBI	98.23	100.00	100.00	100.00	100.00	99.65	0.79	0.79
EBL	78.26	93.12	98.02	96.34	100.00	93.15	8.70	9.34

Source: Annual report of SCB, SBI and EBL bank from 2070/071 to 2074/075

The table 4.5 shows the total mean, standard deviation and C.V of cash and bank balance to current assets ratio of SCB, SBI and EBL bank. This ratio of these three banks is better as they show the ability to manage the deposit withdrawals by the customer. The mean of cash and bank balance to current ratio of SBI is higher than SCB and EBL. Similarly the S.D and C.V of SBI is lower than SCB and EBL. It shows the liquidity position of SBI is better than SCB and EBL. The average ratio of SCB is 50.35%, SBI 99.65 and EBL 93.15%. The S.D and C.V of SCB are 11.41%, 22.66% respectively SBI 0.79% and 0.79% respectively and EBL 8.70%, 9.34% respectively. From the above analysis we can conclude that the liquidity position of SCB is lesser than EBL and SBI bank which reveals that SCB has utilized its fund more efficiently.

4.2.2 Current Ratio

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Current ratio measure the short term solvency of the firm in gross term. The conventionally accepted current ratio 2:1 is the ideal ratio, a company should maintain. In this study, this ratio also has been used to measure liquidity position of

SCB, SBI and EBL. It is calculated by dividing current assets by current liabilities. Here a current asset includes cash and bank balance, loan and advance, investment, money at call and short notice and other current assets. Likewise current liabilities include deposits, short term loan, dividend payable and other liabilities.

Table 4.6

Current Ratio

Banks	**Fiscal Year**					**Mean**	**S.D**	**C.V**
	2070/71	**2071/72**	**2072/73**	**2073/74**	**2074/75**			
SCB	1.06	1.18	1.22	1.08	1.23	1.15	0.07	66.67
SBI	1.27	1.24	1.09	1.44	1.34	1.27	0.11	86.61
EBL	1.02	1.17	1.47	1.32	1.12	1.22	0.09	12.29

Source: Annual report of SCB, SBI and EBL bank from 2070/071 to 2074/075

The table 4.6~~showsthat~~shows that the total mean, standard deviation and C.V ~~ofcurrent~~of current ratios of SCB, SBI and EBL bank for the year 2070/071 to 2074/075. The mean of current ratio of SBI is higher than SCB and EBL. Similarly the S.D of SBI is also higher than SCB and EBL.It shows that SBI has maintained better liquidity position than SCB and EBL. This ratio also has been used to measure liquidity position of SCB, SBI and EBL. The Current ratios of SCB for the year 2070/071 to 2074/075 are 1.06, 1.18, 1.22, 1.08 and 1.23 respectively. That means the bank has not better liquidity position. Similarly, the current ratios of SBI for the year 2070/71 to 2074/075 are 1.27, 1.24, 1.09, 1.44 and 1.34 respectively. That means the bank has not better liquidity position. Similarly, the current ratios of EBL for the year 2070/71 to 2074/075 are 1.02, 1.17, 1.47, 1.32 and 1.12 respectively. From the study of above table it can find that the SBI has maintained its better liquidity position as compared with SCB and EBL.

4.2.3 Free C~~c~~ash Flow

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Free cash flow represents the cash a company generates after cash outflows to support operations and maintain it capital assets. Free cash flow is the cash flow available to all the investors in a company, including common stockholders, preferred shareholders, and lenders. Some investors prefer FCF or FCF per share over earnings and earning per shares as a measure of profitability.

Table 4.7

Free Cash Flow

Banks	Fiscal Year				
	2070/71	**2071/72**	**2072/73**	**2073/74**	**2074/75**
SCB	(4,178,948,054)	9,195,010,069	12,517,518,436	235,616,314	-1,139,226,603
SBI	1,263,146,436	2,181,075,851	1,398,907,704	2,260,854,043	7,334,901,373
EBL	2,236,850,928	-8,191,434,027	363,048,062	7,976,653,834	163,872,424

Source: Annual report of SCB, SBI and EBL bank from 2070/071 to 2074/075

The table 4.7 shows the free cash flow of SCB, SBI and EBL bank for the year 2070/071 to 2074/075. It shows the ability to manage their cash flow available to all the investors in a company, including common stockholders, preferred shareholders, and lenders.SCB has the higher FCF in the year 2072/073. Similarly SBI has the higher FCF in the year 2074/075 and EBL has the higher FCF in the year 2071/072. It shows these bank has become success to provide cash to all the investors in a company, including common stockholders, preferred stock holders and lenders.

4.2.4 Interest Income to Total Income Ratio

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Total interest earned to total outside assets ratio is calculated to know the extent to which the bank is successful to earn interest income on total outside assets. Higher ratio is favourable as higher ratio indicates Higher earning power of total outside assets of the banks.

Table 4.8

Interest Income to Total Income Ratio

Banks	Fiscal Year					Mean	S.D	C.V
	2070/71	**2071/72**	**2072/73**	**2073/74**	**2074/75**			

SCB	74.83	81.12	81.81	81.43	83.37	80.51	3.29	4.09
SBI	87.76	85.30	83.27	81.23	83.40	84.19	2.46	2.92
EBL	69.88	81.12	81.81	80.70	82.55	79.21	5.26	6.64

Source: Annual report of SCB, SBI and EBL bank from 2070/071 to 2074/75

The table 4.8 shows the interest income to total income ratio of SCB, SBI and EBL banks. By the data almost all banks has constant return. The average return of SCB is 80.51%, SBI 84.19% and EBL 79.21%. By the average ratio we can say that SBI has higher return than compare to SCB and EBL banks ~~where as~~whereas EBL has low performance of interest income ratio than other two banks. The S.D and C.V of SCB is 3.29%, 4.09% SBI 2.46%, 2.92% and EBL 5.26, 6.24%. Here C.V of SBI is lower than SCB and EBL bank which mean SBI is low risky than SCB and EBL.

4.2.5 Earnings p~~P~~er Share

Earnings per share measure the efficiency of a firm in relative terms. It is widely used ratio, which measures the profit available to the ordinary shareholders on per share basis. Earnings per share calculation made over years indicates whether the bank's earning power on per share basis has changed over that period or not but it doesn't reflect how much is paid as dividend and how much is retained in the business. Following table show the EPS of related banks during the study period.

Table 4.9

Earnings per Share (in Rupees)

Banks	**Fiscal Year**					**Mean**	**S.D**	**C.V**
	2070/71	**2071/72**	**2072/73**	**2073/74**	**2074/75**			
SCB	65.7	65.47	57.38	45.96	35.49	54.00	13.11	24
SBI	32.75	34.83	34.84	34.29	30.61	33.46	1.81	5

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EBL	91.05	83.68	57.24	59.27	58.41	69.93	16.14	23

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Source: Annual report of SCB, SBI and EBL bank from 2070/071 to 2074/75

The table 4.9 shows that the earning per share of SCB, SBI and EBL banks. All sample banks EPS has in decreasing trend up to the fiscal year 2070/071 to 2074/075. EBL has the highest EPS as compare to SCB and SBI ~~where as~~whereas SBI has lower EPS than SCB and EBL. In average the EPS of EBL is 69.93 SCB 54, SBI 33.46 i.e. 69.93 > 54 and 33.46. Earnings per share are the same as any profitability or market prospect ratio. The higher earnings per share of EBL is always better than a lower ratio of other compares banks because this means the EBL is more profitable and distributed high dividend to its shareholders.

4.2.6 Return on Assets

Return on assets is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. ROA is displayed as a percentage. ROA is calculated by dividing a company's net income by total assets.

Table 4.10

Return on Assets

Banks	**Fiscal Year**					**Mean**	**S.D**	**C.V**
	2070/71	**2071/72**	**2072/73**	**2073/74**	**2074/75**			
SCB	1.23	1.46	1.48	1.67	2.46	1.46	0.15	10.27
SBI	1.19	1.50	1.70	2.00	1.68	1.61	0.26	16.14
EBL	1.52	1.66	1.87	2.48	1.42	1.79	0.37	20.67

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Source: Annual report of SCB, SBI and EBL bank from 2070/071 to 2074/75

The table 4.10shows that the mean S.D and C.V of Return on assets of SCB, SBI and EBL banks for the year 2070/071 to 2074/075.The mean of ROA of EBL is higher than SCB and SBI. It shows the EBL has maintained higher profitability position than SCB and SBI. Similarly, the S.D and C.V of EBL also higher than SCB and SBI.Return on assets is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. SCB has higher ROA in the year 2074/075. Similarly SBI has higher ROA in the year 2073/074 and EBL has the higher ROA in the year 2073/074. It shows that the SCB, SBI and EBL have the more assets efficiency in the year 2074/075 and 2073/074 respectively.

4.3 Major Finding of the Study

Basically in this research work, all the data has been obtained from secondary sources. The data has been analysed by using financial as well as statistical tools. This part of the study presents major finding of the study, which are derived from the analysis of cash flow statement and annual report of SCB, SBI and EBL which comparatively applying five years of data from 2070/071 to 2074/075. The major finding of the study derived from the analysis of financial tools of SCB, SBI and EBL bank are given below.

1. The average CFFOA of SCB, SBI and Everest are2420.418 m, 2609.643 m and (716.3 m) respectively.

2. The average CFFIA of SCB, SBI and Everest are (351.239 m), 322.74 m and 322.74 m respectively.

~~3.~~ The average CFFFA of SCB, SBI and Everest are 505.93 m, (377.481 m) and (1108.35 m) respectively.

3.

4. The cash flow from operating, investing and financing activities are in fluctuating trend as well as negative in many years, which indicates problem of cash management which is not good for the company.

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~~5.~~ SBI is more Consistency and uniformity in liquidity purposes than that of SCB and EBL (i.e. C.V of SBI 13.22% is less than SCB 34.48% and EBL 22.72%). In addition, SBI has highest cash and bank balance to current assets than SCB and EBL (i.e. SBI 99.65% is greater than SCB 50.35% and EBL 93.15%). Overall, all sample banks has maintained good liquidity position and is capable to meet quick cash requirement of customers.

5.

The Return on assets and EPS shows that EBL was successful in utilizing it's over all assets on profit generating activities than compare to SCB and SBI (i.e. average EPS of EBL 69.93 is greater than SCB RS. 54.00 and SBI Rs. 33.46). Whereas SBI is less risky and able to provide constant dividend to its shareholders than compare to SCB and Everest.

~~6. The interest income to total income and EPS show that EBL was successful in utilizing it's over all assets on profit generating activities than compare to SCB and SBI.~~

6.

~~7.~~ The Interest income to total income ratio shows that SBI was successful to earn high income then SCB and EBL (i.e. average return of SBI84.19% is greater than SCB 80.51% and EBL 79.21%). ~~statistical analysis of overall cash flows shows that EBL is quite better in overall cash flow analysis of SCB and SBI.~~

7.

~~8.~~ SCB, SBI and EBL have the more assets efficiency in the year 2074/075 and 2073/074 respectively due to higher ROA.

8.

9. The net change in cash and cash equivalentof SBI is positive in every yearsso, it conclude that ~~hows~~ SBI~~that the EBL~~ is quite better in over all cash flow analysis of SCB and EBL~~SBI~~.

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CHAPTER-V

~~SUMMARY,~~ CONCLUSION ~~AND RECOMMENDATION~~

This chapter presents the summary of the study, conclusions derived from the analysis of data and their interdependent and recommendation offered for the improvement of the cash management practices and policies of the banks under study. Thus, the chapter is divided on to three sections. The first section of this chapter focuses on summarizing the whole study, second section draws conclusions from the analysis of data and interpretation of the results there of; and the third section offers recommendations for the improvement of the cash management policy of the concerned banks.

5.1 Summary

Cash flow statement is one of the most practical financial tools for evaluating and suitable allocation of financial resources. It shows the quality of management tradeoffs and credits a benchmark of judging the effectiveness of it and helps for making decisions about the changes in the company's strategies. It gives the information related to the business operating, investing and financing activities so that the management can grab the opportunity and eliminates the threats related to the business.

The main objectives of this study are to find out the cash flow and compare the cash flow between SCB, SBI and EBL. Basically the cash flow statement, balance sheet and profit and loss A/C have taken for the analysis purpose. The study is totally based on secondary data has been collected by using different published and unpublished sources. The five years (i.e. 2070/071 to 2074/075) data has been used. There are 28 commercial banks which are considered as population of the study and among them 3 commercial banks i.e. SCB, SBI and EBL have been taken as sample of the study. Comparative analysis of cash flow has been done to compare the cash flow of the selected banks. To approach the result, some of financial and statistical tools have been used. As financial tools, ratio analysis has been used to examine the Interest income to total income ratio, EPS and so on. In same way, some statistical tools such as mean, standard deviation and co – efficient of variation have been used to accomplish the study.

5.2 Conclusion

The main objectives of the study are to analyze the cash flow management practices of SCB, SBI and EBL and the problems faced by these banks in the management of cash. For the purpose of the study the data and the necessary information were collected from the records and annual reports provided by the banks. Various analysis of cash flow has been performed for the study period of five years to find out the level of cash management of SCB, SBI and EBL. The following conclusions have been ascertained.

~~1.~~ Average ratio of each and bank balance to current assets reveals that SBI has the highest average ratio. It means the liquidity position of current assets of SBI is better in comparison of other banks. However SCB has taken more risk to meet the daily requirement of its customer deposit in the comparison of other banks. On the other hand, SBI has the lowest C.V.; it means SBI is more consistent in the concern of maintaining cash and bank balance.

1.

~~2.~~ The earnings per share of sample banks are in decreasing trend on the study period of the last five years. EBL has higher earning than SCB and SBI bank

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Formatted: Space Before: 6 pt, After: 6 pt, Line spacing: Multiple 1.4 li whereas SBI has lower earning than SCB and EBL but SBI has the constant return with compare to SCB and EBL.

2.

~~3.~~ The net change in cash of the bank decreased in some year because of its negative cash flow activities.

3.

~~4.~~ These banks have not any strong investment scheme to increase its cash.

4.

~~5.~~ In some FY net change cash flow of these banks is negative. It can be converted into the positive to reducing unnecessary expenses.

5.

6. Long term financing, operating profit and non cash transactions are the factors that affect cash flow of the company.

5.3 Implications~~Recommendations~~

In order to minimize the risk and maximize the profitability of Nepalese commercial banks, banks should manage the cash and invest its funds in most profitable investment sectors. After the comparative study of the cash flow of selected banks, we can suggest the following issues:

~~1.~~ The banks should maintain the certain level of liquidity to maintain cash management and grab the opportunity from money market. Overall liquidity ratio of SCB is lower as compare to SBI and EBL.

1.

~~2.~~ The overall profitability ratio of SBI is lower among sampled banks, so SBI needs to revise its cash management and investment portfolio to improve its earning capacity.

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2.

~~3.~~ Financial activities of the selected banks need to be improving in order to generate constant position of cash flow.

3.

~~4.~~ Long term investment of banks seems not good enough, so it is essential to invest in long term assets to generate future cash flows.

4.

5. Company has not maintained optimum cash balance. Holding of optimum cash as per its sales, profit and other influencing variables are recommended.

To make cash flow statement more informative and useful for users, the banks should disclosed additional voluntary information such as cash flow per share in their cash flow statements. Items consisting of cash flow from operating, investing and financing activities should also be clarified in the notes of the financial statements. Due to the limited scope of the present study, a large number of researches have not been attempted but are identified in the course of the study. Disclosure practices of additional items other than operating, investing and financing activities disclosure practices differences between listed and unlisted banks, disclosure practices differences between financial and other institutions are some such potential issues for the future research.

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APPENDIX--I

Fiscal Year	Banks					
	SCB '000'		SBI 'Cr.'		EBL 'Million'	
	Cash and Bank Balance	Total Current Assets	Cash and Bank Balance	Total Current Assets	Cash and Bank Balance	Total Current Assets
2070/71	6,404,999	9,414,063	771.34	785.23	5,882	7516
2071/72	9,188,304	17,148,609	665.5	665.5	9993	10731
2072/73	11,572,442	23,545,988	843.57	843.57	16,004	16328
2073/74	3,972,332	10,041,992	1038.98	1038.98	10,263	10653
2074/75	8,928,302	21,551,866	1322.97	1322.97	13,091	13,091

Source: Annual report of SCB, SBI and EBL of fiscal year 2070/71 to 2074/75.

APPENDIX-II

Fiscal Year	Items	Banks		
		SCB 'rupees'	SBI 'rupees'	EBL 'rupees'
2070/71	Interest Income	2,535,359,454	4,110,514,126	5,721,105,506
	Total Income	3,388,103,760	4,683,881,493	8,186,484,678
2071/72	Interest Income	5,652,370,171	3,976,647,583	5,652,370,171
	Total Income	6,967'583,469	4,662,147,113	6,967,583,469
2072/73	Interest Income	5,778,165,636	3,821,326,338	5,778,165,636
	Total Income	7,062,811,325	4,588,840,832	7,062,811,305
2073/74	Interest Income	6,155,660,129	3,981,262,340	6,170,462,161
	Total Income	7,559,328,400	4,901,513,740	7,646,521,916
2074/75	Interest Income	8,065,591,460	5,911,160,526	8,116,152,416
	Total income	9,674,767,669	7,087,693,245	9,831,718,617

Source: Annual report of SCB, SBI and EBL of fiscal year 2070/71 to 2074/75.

APPENDIX-III

Source: Annual report of SCB, SBI and EBL of fiscal year 2070/71 to 2074/75.

APPENDIX-IV

Source: Annual report of SCB, SBI and EBL of fiscal year 2070/71 to 2074/75

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