

**ANALYSIS OF CASH FLOW STATEMENT OF BANKING
INDUSTRY IN NEPAL**

(With special reference to Standard Chartered Bank and Siddhartha Bank)

Submitted By:

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Office of the Dean

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Master Degree in Business Studies (M.B.S)**

Kathmandu, Nepal

JULY 2010

RECOMMENDATION

This is to certify that the thesis
Submitted by:

RITU SHAKYA

Entitled:

**ANALYSIS OF CASH FLOW STATEMENT OF BANKING
INDUSTRY IN NEPAL**

(With special reference to Standard Chartered Bank and Siddhartha Bank)

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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ANALYSIS OF CASH FLOW STATEMENT OF BANKING INDUSTRY IN NEPAL

(With special reference to Standard Chartered Bank and Siddhartha Bank)

And found thesis to be 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

Master Degree in Business Studies (MBS)

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DECLARATION

I hereby declare that the work reported in this thesis entitled " **Analysis of Cash Flow Statement of Banking Industry in Nepal** (With special reference to Standard Chartered Bank and Siddhartha Bank) " submitted to Shanker Dev Campus, faculty of management, Tribhuvan University is my original research work done in the form of partial fulfillment for the requirement of Master of Business Studies (MBS) under the supervision and guidance of Mr. Shashi Kant Mainali and Mr. Rama Kant Bhattarai of Shanker Dev Campus, Putalisadak, Kathmandu.

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Ritu Shakya
Roll no.335/063

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Chapter-I

INTRODUCTION

1.1 Background of Study

Cash is the lifeblood of business organization. It is the fuel that keeps the business alive. Without cash no business transaction can even imagined to be done. So, analysis of liquidity positions is an important aspect of modern business organizations. As such the decision makers must pay close attention to the firm's cash position and events and transaction that affect the causes of cash position to change. The analysis of the events and transaction that effect the cash position of the company is termed as cash flow analysis.

Cash flow simply refers the flows of cash 'In' and 'Out' of a business over certain period of time. It defines the flow of cash. Normally there are the two types of cash flows (i.e. positive and negative) Positive cash flow means inflow of cash and negative means outgoing of cash. Cash flow exclude movements between items that constitute cash or cash equivalents because these components are the part of cash management of enterprises rather than parts of its operating, investing & financing activities.

Cash flow simply refers to the flow of cash into or outflow of business over a period of time. Watching the cash inflow and out flows is one of the major management tasks. The outflow of cash is measured by those checks issued by every month to pay salaries, suppliers, creditors and others. The inflows are the cash received from customers, lenders & inventories or any type of sources. The terms of cash outflow and inflow systematically defined as sources & uses of cash.

Cash flow can be defined as a two ways positive cash flow and negative cash flow. If incoming of cash is more then out going of cash in a business, the company has a positive cash flow. A positive cash flow is very good position for business enterprises like a good health. 'Cash flow' is one of the must vital elements for the survival of a business. It can be negative or positive; the later is obviously a most undesirable situation.

The development of any country can't be imagined without economic activities. The development of the banking system is one of the grounds of economic development. In another word, there is no possibility of economic development of a country with out the development of banking system. So, we should take a bank as a strong means for the economic development. The development of a bank is interwoven with the development of a person, a society and a nation. It is impossible to fulfill the needs without the bank whether it is inside the nation or in foreign countries whether it is industrial development or business and whether it is for the people for the government. So, to solve problems relating to the economic development, development of banking system is need. Even in ancient time banking necessity was realized but today it is considered to be much more necessary.

Normally, an institution established by law, which deals with money and credit, is called bank. On the other side an institution involved in monetary transactions is also called bank. The business providing financial services to consumers and financial institution is also known as bank. It also provides loan, accept deposits, exchange money, transfer the money and checks account, which can be used like money to make payments and purchases and give services. Without the growth of financial field, there is no chance to develop business and without the growth of business, the country cannot develop at any costs. So that bank is very necessary all over the country. So banking sector plays vital role in the economic development of the country.

Bank came into existence mainly with the objective of collecting the idle funds, mobilizing them into productive sector causing an overall economic development. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving. The functions of modern banking system are multifarious in nature and owing to the shift in emphasis of the functions of bank a different stage of development; different economists have defined banking in different ways. According to the Thomson's Dictionary: Word 'Bank' is said to be derived from the Italian word 'Banco' a bench, the yearly bankers the Jews in Lombardy, transacted their business at benches in the market place. In a common sense an institution involved in monetary transaction is called bank. A bank simply carries on the work of exchanging money, providing loan, accepting deposit and transferring the money. Nepal Rastra Bank

Act 2058 section 2 (a) defines bank as follows: Bank means the Nepal Rastra Bank established under section of this act, likewise, according to section 2 (b) of the commercial Bank Act 2031 A commercial bank established under the Act. Though the Banks established by both of these acts are called bank. In addition of this, Section 2 (a) of the negotiable Instrument Act 2034 defines that a bank, which established under the existing law shall be called bank.

Following are some of the reasons for necessity of banks;

1. To relieve people from financial exploitation
2. To develop industry and commerce
3. For economic development
4. To provide security to valuable goods and property
5. To transfer fund
6. To create development and skilled
7. To develop habit of saving
8. For monetarism
9. To develop agriculture and backwards area
10. To balance economic development as a whole
11. To exchange and control foreign countries
12. To regulate and control money management credit and price stability
13. To build capital
14. To provide loan at lower rate
15. To provide long-term loan
16. To uplifting the poor people
17. To development country

Banking sector plays an important role in the economic development of the country. Commercial Banks are one of the vital aspects of this sector, which, deals in the process of canalizing the available resources in the needed sector. It is the intermediary between the deficit and surplus of financial resources. Financial system contains two components via; depository and non-depository financial institutions and Commercial Banks come under financial institutions. These institutions act as an intermediary between the individuals who lend and who borrow.

Commercial banks are the major component in the financial system. They work as the intermediary between depositors and lenders and facilitate in overall development of the economy, with major thrust in industrial development. Commercial banks came into existence mainly with the objectives of collecting the idle funds, mobilizing them into productive sector and causing and overall economic development. The banks have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving. A sound banking system is important because of the key roles it plays in the economy; intermediation, maturity transformation, facilitating payments flows, credit allocation and maintaining financial discipline among borrowers. Banks are the gathers of saving, allocates of resources providers of liquidity and payment services.

Table 1.1

List of Commercial Bank Established in Nepal

(in lacs)

S. NO	NAME OF COMMERCIAL BANKS	ESTABLISHED DATE (B.S)	PAID UP CAPITAL	CORPORATE OFFICE
1.	Nepal Bank Limited	1994/07/30	3,804	DharmaPath,Kathmandu
2.	Rastriya Banijya Bank	2022/10/10	11,723	SinghaDarbar,Kathmandu
3.	Agricultural Development Bank.	2024/10/07	107,775	RamshahPath,Kathmandu

4	NABIL Bank	2041/3/29	9,657	Kantipath,Kathmandu
5	Nepal Investment Bank	2042/11/26	24,071	DurbarMarg,Kathmandu
6	Standard Chartered Bank	2043/10/16	9,320	NewBaneshwor,Kathman du
7	Himalayan Bank	2049/10/5	12,162	Thamel, Kathmandu
8	Nepal SBI Bank	2050/3/23	8,745	Hattisar, Kathmandu
9	Nepal Bangladesh Bank	2051/2/23	18,227	NewBaneshwor, Kathmandu
10	Everest Bank	2051/07/01	8,388	Lazimpat, Kathmandu
11	Bank of Kathmandu	2051/11/28	8,444	Kamaladi, Kathmandu
12	Nepal Credit and Commercial Bank	2053/6/28	13,996	Siddharthnagar, Rupandehi
13	Lumbini Bank	2055/04/01	10,961	Narayangadh, Chitwan
14	Nepal Industrial and Commercial Bank	2055/04/05	11,405	Biratnagar,Morang
15	Kumari Bank	2056//12/21	11,860	Putalisadak, Kathmandu
16	Machhapuchhre Bank	2057/6/17	14,791	Prithbichowk, Pokhara
17	Laxmi Bank	2058//12/21	10,981	Adarshanagar, Birgunj
18	Siddartha Bank	2058/09/09	9,522	Kamaladi, Kathmandu
19	Citizen Bank	2063/01/07	10,000	Kamaladi, Kathmandu
20	Global Bank	2063/09/18	10,000	Birgunj, Parsa
21	Prime Bank Ltd	2064/06/07	7,000	Newroad, Kathmandu
22	Bank of Asia-Nepal Ltd	2065/06/25	10,000	Tripureshwor, Kathmandu

23	Sunrise Bank	2065/06/25	13,375	Gairedhara, Kathmandu
24	NMB Bank.	2066/09/11	14,246	Babarmahal, Kathmandu
25	KIST Bank	2066/11/09	20,000	Anamnagar, Kathmandu
26	Development Credit Bank Ltd	2066/10/10	16,553	Kamaladi, Kathmandu
27	Janata Bank Nepal Ltd.	2067/12/23	14000	Sankhamul Marg, New Baneshwor

(Source: www.nrb.org.np)

1.2 General Information of Selected Two Banks

STANDARD CHARTERED BANK

1.2.1 Introduction of Standard Chartered Bank

Standard Chartered Bank Nepal limited has been in operation in Nepal since 1987 when it was initially registered as a joint venture operation. It's third Joint venture bank for Nepal, it was firstly established as Grind lays bank, which was takeover by Standard Chartered bank. Today the bank is an integral part of standard chartered group having an ownership of 75% in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

Standard Chartered has a history of over 150 years in Banking and operates in many of the world fastest growing markets with an extensive global network of over 170 branches in over 70 countries in the Asia pacific region, South Asia, the middle East Africa, The United Kingdom and America. Standard Chartered employs almost 75000 people, representing over 115 nationalities worldwide with 17 points of representation, 18 ATMs across the country and with more than 350 local staff, Standard Chartered Bank Nepal ltd, is in position to serve its customers through an extensive domestic network.

Standard Chartered Bank Nepal Ltd offers a full range of banking products and service in consumer banking, wholesale and SME banking catering to a wide range of customers encompassing individuals, mid market local corporate, multinationals, large sector companies, government corporations, airlines, hotels as well as the segment comprising of emphasis, aid agencies, NGOs and INGOs.

The bank has been the pioneer in introducing, customer focused products and service in the country and aspires to continue to be a leader in introducing new products in delivering superior service; It is the first Bank in Nepal that has implemented the Anti Money Laundering policy and applied the “know your customer” procedure on all the customer accounts.

Products

Standard Chartered Bank has wide range of products available to the customer. These products can be classified as follows;

-Personal Banking - Priority Banking - Wholesome Banking

A. Personal Banking

Personal Banking includes all the products targeted to the customers. Standard Chartered Bank has a wide range of products available to the customers. They include;

DEPOSIT

Standard Chartered Bank has a numerous types of deposit facility available to the customers.

Saving account

Features

-Interest bearing account - Statement issued on quarterly basis

-Facility of cheque book, ATM cards, online banking services etc

Benefits

-Convenient and security - Interest earned on saving

-Free cheque book for account maintaining the stipulated balance of Rs 100,000.

Current Account

Features

Facility of cheque book, ATM cards, online banking services etc

Statement issued on required frequency

Can be opened in local currency as well as foreign currency. The opening and transactions of foreign currency account is subjected to Nepal Rastra Bank regulations.

Benefits

Convenient and security

Access to ATMs, online Banking, any branch banking services.

Free cheque book for accounts maintaining the stipulated minimum balance.

Fixed Deposit Account

Features

Offered only to account holders

Can be opened in local currency as well as foreign currency. The opening and transactions of foreign currency account is subjected to Nepal Rastra Bank regulations.

Benefits

More secure

Interest bearing account

An investment alternative, which is safe and allows funds to be placed for a fixed period with interest rate guaranteed for that period.

Kiddy Bank Account

Kiddy bank account is kind of saving account which can be opened in the name of children below 16 years of age, for future saving.

Features

Higher interest rate than that of normal saving.

Withdrawal not allowed, hence no cheque book or ATM card issued

No restrictions on deposit

Benefits

Secure

Lower minimum balance required

Can be linked to education protection plan (EPP) under secure living.

Access plus Account

Access plus account is a saving account, specially designed for young people example students, graduates, young professions etc.

Features

Withdrawal through branch counter restricted

No restriction on deposits

Facility on ATM cards, online banking services available

Benefits

Nominal minimum balance requirements

Easy and 24 hours access to funds through ATM networks

25% discount on drafts, traveler's cheque, swift transfer for educational purpose

Diva Account

Diva Account is one of saving account, specially designed for modern women who want value for her money.

Features

Interest bearing account

Statement issued on quarterly basis

Facility of cheque books, ATM cards, online banking etc

Benefits

Higher interest rate

Free credit card for 1st year (for accounts maintaining balance of NPR 25000 and above)

Free accidental death insurance (for accounts maintaining balance of NPR 25000 and above)

LOANS: Standard Chartered Bank provides various kind of loan to its customers mainly divided into;

Personal loan: Standard Chartered Bank provides various ranges of personal loans to its customer with existing plans, easy repayment, options and competitive interest rates. Standard Chartered Bank makes getting a personal loans hassle free experience.

Home loans: We all dream of our own house and Standard Chartered Bank is committed to help such dreams come true by providing various home loans.

Product under home loans:

House construction loans

Readymade home purchase

Plot purchase

Renovation/ Extension of house

Loan against your house

Auto loans: Standard Chartered Bank provides various kinds of auto loan facilities to the customers. It is always ready to provide any kind of auto loans to the qualified customers.

Product under Auto loans:

- New car jeep financing
- Used car jeep financing
- Commercial car jeep financing
- Cash against existing vehicles

Cash/ near cash backed loans: The loan against cash and near cash instruments is designed to offer us the liquidity without compromising on the returns on deposits, bonds.

B. Priority Banking

Priority banking product is one of the unique banking products of Standard Chartered Bank. Priority banking unit provides exclusive service with a new level of care and attention whilst fulfilling the entire gamut of financial needs of most valued customers.

C. Wholesale Banking:

Standard Chartered Bank has its unique wholesale banking products and is the leading wholesale bank in the country. Products available under wholesale banking

- Transaction banking
- Cooperate and institutional lending
- Financial markets

Other services: Besides above, Standard Chartered Bank provides various services to the customer. The services are;

Automatic Teller Machines (ATMs)

Online Banking

SMS banking

Safe Deposit Locker

Remittance

Head office & Branches Offices

S. No.	BRANCHES	LOCATIONS
1.	Bhairahawa Branch	Bhairahawa
2.	Biratnagar Branch	Biratnagar
3.	Birgunj Branch	Birgunj
4.	Butwal Branch	Butwal
5.	Dharan Branch	Dharan
6.	Hetauda Branch	Hetauda
7.	Lalitpur Branch	Jawlakhel
8.	Lazimpat Branch	Lazimpat
9.	Lakeside Branch	Pokhara
10.	Narayangarh Branch	Lions chowk
11.	Naya Baneswor Branch	New Baneswor
12.	Nepalgunj Branch	Nepalgunj
13.	New Road Branch	Pokhara

Extension Counters

UN building,	Lalitpur
BP Koirala institute of health science,	Dharan
British Gurkhas PPO,	Pokhara
Manipal Hospital,	Phulbari

ATMs

Maharajgunj, Kathmandu, Narayanghat, Itahari, Bhairahawa, Lakeside, Pokhara Boudha, Kathmandu, New Road- Pokhara, Lakeside-Pokhara, BPKIHS, Dharan, Kamaladi, Kathmandu, Mangal Bazar -Patan, Lalitpur -Pulchowk, Naya Baneshwor, Kathmandu Jawalakhel- Lalitpur, Lazimpat- Kathmandu New Road-Kathmandu, Thamel-Kathmandu, Kathmandu -World Trade Center, Kathmandu-Thamel, Kathmandu-Kathmandu

BOARD OF DIRECTOR

Chairman-	Mr. Meeraj Swaroop
Director-	Mr. Anurag Adlakha
Director-	Mr. Sushen Jhingan
Director-	Mr. Sujit Mundul CEO, SETSNL
Public Director-	Mr Arjun Bhattarai
Independent Director-	Mr Ram Bahadur Aryal

SHARE CAPITAL OWNERSHIP

1 General Public	25%	93660100.00
2. Foreign ownership	75%	280980300.00
Standard Chartered Grindlays Ltd.,		
Australia	50%	187320200.00
Standard Chartered Bank, UK.	25%	93660100.00
Total	100%	374,640,400.00

SHARE CAPITAL

Authorised Capital	1,000,000,000	
a) 10,000,000 Ordinary Shares of Rs. 100 each		1,000,000,000
Issued Capital	1,000,000,000	
a) 10,000,000 Ordinary Shares of Rs. 100 each		1,000,000,000
Paid Up Capital	620,784,000	
a) 6,207,840 Ordinary Shares of Rs. 100 each		620,784,000

ACHIEVEMENTS & AWARDS

Best commercial Bank 2004-05” awarded by the boss magazine- 2006

“Manager of the year Award” awarded by Management Association of Nepal (MAN)-2006

A citation for outstanding performance amongst all the commercial banks awarded by Nepal Rastra Bank-2005

“FNCII National Excellence Award 2003-04” awarded by the federation of Nepalese Chambers of commerce and Industry-2005

Commercially important person (CIP) awarded by His Majesty Government of Ministry and finance-2002

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Health

Under CSR SCB have committed and financed various NGO & INGOs to educate people on HIV/AIDS.

The bank have organize Blood donation camp

The bank joined the teams of Hellen Keller International and Nepal Technical Assistance Group to raise awareness and provide support to health volunteers during national vitamin A program's distribution days.

Environment

The bank has launched a greenery projects on Hariharbhawan Road. The Project was launched with a view to preserve greenery in the area.

SIDDHARTHA BANK

1.2.2 Introduction of Siddhartha Bank

Siddhartha Bank started its operation in the year 2002, led by a group of distinguished business personalities and respected Nepali citizens with the objective of providing excellence and professional banking services. The promoters and public are holding 70% and 30% stake of the Bank respectively. Within 8 years of its operations, the Bank has established its 31-point of sales in major business cities and more branches are expected to start their operation by end of this fiscal year. All branches provide full banking services on a real time basis. Directors of the Bank are eminent personalities from various fields.

And they bring a wide gamut of experience and skills. The directors have contributed their professional knowledge, experience and expertise in their respective areas of specialization for the development of the Bank. They are fully committed to the corporate governance model adopted by the Bank, which among others encompasses the principles of full disclosure and transparency, social responsibility and accountability.

The Bank has set its vision to be financially sound, operationally efficient and keeping abreast with technological developments. The Bank firmly believes in customer focus as its core value;

Shareholder prosperity is the prime priority; employee growth is a commitment and economic welfare is a sincere concern.

The mission of the bank is to fulfill the commitments they have made to each of

Their stakeholders:

-) Support customers to achieve their financial needs
-) Generate total returns for shareholders
-) Create working environment where all employees can excel
-) And feel proud about their work with the Bank, and
-) Make a difference in the communities

Objective is consistent sustainable performance over the long-term period. They aspire to be the primary bank for the customers, catering all of their banking requirements. Their Success depends on building strong relationship with the customers and the ability in supporting them to achieve their financial needs.

SBL's vision is to be financially sound, operationally efficient and keep abreast with technological developments. The Bank firmly believes customer focus is a core value, shareholder prosperity is a prime priority, employee growth is a commitment and economic welfare is a sincere concern.

The Bank wants to be a leader among the banks of its age in Nepal by fulfilling the interest of the stakeholders and also aims to provide total customer satisfaction by way of offering innovative product and by developing and retaining highly motivated and committed staff. It directs all its efforts to move ahead with increased profits. The following mission statement is a guide to meet the Vision of the Bank:

As a first step, SBL will strive to be in a leading position amongst the banks of its age in terms of profitability, productivity and innovation.

SBL aims at total customer satisfaction by rendering efficient and diversified financial services through improved technology.

SBL will build a highly motivated and committed team of staff by nurturing a good work culture to achieve superior individual performance aiming to enhance organizational effectiveness.

SBL will be the place of pride to all its stakeholders.

PRODUCTS

Siddhartha Bank has wide range of products available to the customer. These products can be classified as follows

-Corporate Banking - Wholesale and retail banking - Remittance

A. Corporate Banking

Corporate Banking includes all the products targeted to the customers. Siddhartha Bank has a wide range of products available to the customers. They include

DEPOSITS: Siddhartha Bank has a numerous types of deposit facility available to the customers.

Current Account: It is non-interest bearing account, which is opened purely for business purpose. Any individual, profit or non-profit organization can open current account in Nepalese Rupee or in other convertible foreign currencies.

Call Account: In call account you can park your excess fund for short period. Interest rate is based on volume, tenure, nature of transaction etc.

Savings Account: These accounts are designed to help individuals to inculcate saving habit to meet the future requirement. This is interest-bearing account, which remains liquid and safe. You can plan and save your hard earned money for your future financial needs. An easy to operate SBL savings account allows having instant access to your savings from any of our branches or through SCT terminals. Personalized cheques with name printed on each cheque leaf for enhanced security.

SBL provides different types of savings account that suits your requirement;

Siddhartha Bachat

- Minimum balance of Rs 1,000

- 5% interest on daily balance.
- Issuance of Cheque book upon maintaining Rs 2500/- balance.
- Free SCT Debit Card.
- Issuance of TC and Draft at competitive rates
- 50% reduction in Home Loan processing fee
- Preference for Locker facilities
- Other many more facilities

Siddhartha Bishesh Bachat

- Minimum balance of Rs. 50,000
- 4.25% interest on daily balance.
- Free accidental death insurance coverage upto Rs 500,000/-
- Free SCT Debit Card

Siddhartha Mega Savings

“Higher the deposit Higher the Interest”

- Interest rate ranges from 4.25% p.a. to 6% p.a. depending on the deposit volume.
- Account can be opened with minimum balance of Rs.50, 000.
- No minimum balance required once the account is opened.
- Interest earning starts from balance of Rs.50, 000 and above.
- Free Internet Banking
- Free Inward Remittance
- Free SCT Debit Card
- ABBS Facility
- Competitive rate on Draft and Travelers Cheques issuance.

Siddhartha Bal Bachat

- Account to be opened in the name of a minor, i.e. children up to 16 years old
- Parents/Guardians can operate the Account
- Interest Rate 6% per annum on daily balance.
- Minimum Balance of Rs 1,000
- Cheque book issuance at minimum balance of Rs 2,500

- No restrictions for withdrawals and deposits
- Any Branch Banking System (ABBS)
- Free Internet Banking
- Special preference for locker facility
- Special discount in Home Loan Processing fee for Parents/Guardian
- Free Account Statement
- Issuance of Traveler's Cheques/ Drafts at competitive rates for Parents/Guardian

Siddhartha Jestha Nagarik Bachat

This savings account provides a high yield savings option for Senior Citizens (50 years and above). The main features of this account are as follows:

Minimum balance of Rs 1,000

Chequebook issuance at minimum balance of Rs 2,500

7% per annum interest on daily balance

Free Debit Card

No restrictions for withdrawals and deposits

Free Internet Banking

Free Account Statement on request

Any Branch Banking Services (ABBS)

365 days banking

Evening counters

Preference for locker facility

Special discount in Home Loan processing fee

Issuance of Travelers' Cheques/ Drafts at competitive rates

Siddhartha Nari Bachat

This savings account is meant for female customers (over 16 years of age). The basic product features are as follows:

Minimum balance of Rs 1,000

Cheque book issuance at minimum balance of Rs 2,500

6% per annum interest on daily balance

Accidental death insurance coverage up to four times the account balance of the customer (minimum balance of the month of accidental death) or maximum amount of Rs. 500,000, whichever is lower

Free Debit Card

No restrictions for withdrawals and deposits

Free Internet Banking

Free Account Statement on request

Any Branch Banking Services (ABBS)

365 days banking

Evening counters

Preference for locker facility

Special discount in Home Loan processing fee

Issuance of Travelers' Cheques/ Drafts at competitive rates

Fixed deposit

This is a long-term investment in which you get higher return on your surplus fund in which they provide security, trust and competitive rate of interest.

- Any individual or firms can maintain fixed deposit at SBL.
- Interest rates based on the tenure of the deposit.
- Current tenure ranges from one week to 2 years.

Samridhi Nichyep Yogana (SM)

- This fixed deposit is eligible for all the individuals.
- Current tenure is 1 year and above.
- Interest Rate is 10.5% per annum and is posted on quaterly basis.
- Minimum Balance required to open this account is Rs. 100,000.
- Customers can open Savings Account (Siddhartha Bachat) in zero balance.
- Issuance of free Debit card whenever requested by the customers.

Foreign currency deposit

SBL provides attractive interest rate on foreign currency deposits. As per the convenience of the customers they have choice to open savings, current or fixed deposits or call account.

LOANS

Working capital loan: The purpose of this facility is to finance the working capital requirements of trading, manufacturing and service units/industries. Working capital loans are granted in the form of Overdraft or Demand Loan or Time Loan facility. The working capital loan will help you build up inventories and receivables at a level required to run your business smoothly.

Term loan: This facility is provided in the form of medium/ long-term loan for the purchase of capital goods and creation of fixed assets in the form of purchase of land and construction of buildings. The duration of loan is assessed by analysis of cash flow statement and balance sheet.

Import loan: This facility is made suitable in financing your international and local trade transactions carried out through Letters of Credit. For retirement of L/C bills, import loan is granted in the form of Trust Receipt Loan or Time Loan, which needs to be settled within a specified period. In case of Time L/C, the bills of exchange are to be accepted by the applicant/importer and thereafter the import documents are released for the clearance of goods. On the date

of maturity, reimbursement is made to the negotiating / collecting bank by debiting the account of the importer for equivalent local currency.

Bills discounting under usance letters of credit

The usance bills under import letters of credit opened by us may be discounted in conformity with Nepal Rastra Bank regulations.

Export loans: ‘The Bank provides export finance by way of pre shipment and / or post shipment loan. Against export letters of credit, pre shipment loan is granted up to 80% of the relative export LC. This facility can be availed in foreign currency as well as local currency. The loan is required to be settled by negotiation of documentary bills under export LC or from the proceeds of documentary collections or post shipment loan.

CONSORTIUM FINANCING

When two or more financial institutions decide to extend credit facilities to a borrower jointly, the arrangement is known as consortium financing. By consensus, one of the consortium members (generally one who undertakes the largest portion of lending) acts as the lead bank and handles all administrative assignments including loan documentation, insurance management information, loan disbursement/settlement and regular monitoring of the advance. A formal consortium agreement is drawn up which is signed by the financial institutions and the borrower. If the funding requirement of your project is relatively larger, we arrange financing for such project through a consortium of the banks and / or financial institutions.

BILLS PURCHASED

This facility is extended by discounting of cheques/drafts.

OTHER SERVICES

In addition to the aforementioned broadly defined products, the Bank provides a number of ancillary services such as ATM cards, safe deposit locker facilities, Internet banking and travelers' cheques. These services have been introduced in quest of providing modern banking services to the Customers. The Bank is planning to further enhance its payment solutions by bringing in additional ATM outlets, mobile Banking, utility bill payment solutions, etc.

HEAD OFFICE AND BRANCHES

- Corporate Office -Birgunj Branch - Biratnagar Branch
- NewRoad Branch -Pokhara Branch - Tripureshwor Branch
- Damak Branch - Narayangarh Branch -Patan Branch
- Old Baneshowr Branch - Far Western Branch
- Tikapur Branch -Dhangadi Branch - Mahendranagar Branch
- Butwal Branch - Bhairahwa Branch
- Extention Counter at BnB Hospital, Gwarko, Lalitpur

ATMS (at branches)

- Newroad -Patan -Biratnagar
- Old Baneshwor -Pokhara -Hittisar

BOARD OF DIRECTORS

- Chairman - Chiranjilal Agrawal Director – Hemant Gyawali
- Director – Ratan Lal Kedia Director - Bishwonath Shah
- Director – Suresh Chandra Agrawal Director – Mahesh Prasad Pokhrel
- Director - Tara Chand Kedia

SHARE CAPITAL

Authorized Capital	1,000,000,000	
a) 10,000,000 Ordinary Shares of Rs. 100 each		1,000,000,000
Issued Capital	828,000,000	
a) 828,000,000 Ordinary Shares of Rs. 100 each		828,000,000
Paid Up Capital	620,784,000	
a) 828,000,000 Ordinary Shares of Rs. 100 each		828,000,000

CORPORATE SOCIAL RESPONSIBILITY

As one of Nepal's growing banks, SBL has a responsibility to a diverse group of stakeholders. They are committed to succeed as a business, thereby creating wealth for our shareholders, employees and society. At the same time, they believe that the quality of lives is improved and their business best served when economic performance is integrated with respect for our people and communities. SBL, being a strong community partner, committed to support those organizations that help to make communities better place to live and work. They provide supports to our community in several ways. They make direct corporate contributions to worthy causes, and during 2006 /07 they supported over 10 various organizations. Highlighting the year 2006/07, SBL has made contributions to support the flood victims of the Terai region, HIV / AIDs awareness program and also sponsored fund raising program to provide scholarship to needy children. SBL promoted sporting events and shown our presence in several aid events conducted by the corporate and social organizations.

Employees

To ensure they have the right people to execute our strategies, they have a performance-driven culture. All of employees are focused on the strategic priorities and put their best

performance to achieve business objectives. On an ongoing basis, they promote continuous learning to ensure that employees have the skills, knowledge and tools they need to provide exceptional customer service and fulfill their own career aspirations. At the same time, they provide respectful, equitable and inclusive workplace an environment that promotes diversity, well-being and excellence.

Developing Leaders

They have introduced a consistent, disciplined and department-wide program to assess promising individuals and integrated leadership development in their succession planning process. By investing the resources in recruiting, identifying and developing current and future leaders, they do much to ensure SBL's continued success.

A Culture of Learning

The HR department plays an essential role in the development of our future leaders and in the creation of a culture of learning by conducting several in-house trainings and encouraging the staffs to participate in domestic and foreign training and seminars.

1.3 Statement of the Problem

Being the reputed banking institution and having almost same organization structure and objectives, the banks are not earning the same amount of profit, cash flows and not able to meet the return on cash basis on equal term and also the share price of these banks is also differ. May be the limited investment bounding and low banking attitude of customer are quite serious problem of these banks. Government rules and regulation with competitive attitude and behavior of commercial banks is the barrier to meet there on going operating cost. Misused of loan amount by the borrowers is the main problem of banking sector in these days in the country.

The investment opportunities are declining due to the economic recession faced by the country. This may be the major reason that commercial banks have been found to be unable in utilizing its fund efficiently. Because of unfavorable situation prevailed in the country these banks are compelled to reduce the interest rate offered to depositors and they are adopting new technique to discourage low scale depositors. Joint venture and

other commercial banks are suffering from NPA and low spread rate, which are the major causes to minimize cash in flow. Rules and regulation as well as directives imposed by government and NRB provide both opportunity and threat to the commercial banks operating in the country. The main problems of these commercial banks are mentioned below:

-) What does their cash flow indicate? Is the cash managed properly or not? Is there any irregularity regarding cash flow?
-) Why these banks have not same pattern of cash flow?
-) How far they have been able to keep the sound status in terms of business success?
-) What are the factors that affect's company's liquidity & solvency?
-) Why the investment opportunities of these banks differ?
-) What is the condition of cash flow with the highest amount of annual operating profit?
-) What is the role of spread to generate positive cash flow from operating activity?

The problem of the commercial banks 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 KPMG, RBB and NBL are associated with under mentioned difficult systematic problems.

-) Poor bank governance
-) Lack of rational banking strategies as well as international banking experience
-) Lack of independent and capable supervision
-) Weak financial and management information
-) 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 reforms programmed are operating with the help of World Bank through foreign management contract with ICCMT.

1.4 Objectives of the Study

The main objective of the study is to evaluate the performance of a bank with that of the performance of a joint venture bank considering the cash flow in the banking environment of Nepal. Comparison of cash flow individually and yearly is another objective of the study. Suitable and important advice will be recommended on the basis of finding from the study to the concerned authorities for their further enhancement. The specific goals of this study are mentioned below.

-) To analyse of Life cycle stages of Siddhartha bank and standard chartered bank with the help of cash inflows and outflows.
-) To analyse of Cash position of SBL and SCB over the period of five years.
-) To evaluate trend of cash flow of the Nepalese and Joint Venture Commercial Banks.
-) To compare the cash flow performance into individual banks.

1.5 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 entrepreneurs in a great trouble. This may be the only reason that Nepalese investors are drawing back their hands from the investment sector.

Although the present economic situation is not satisfactory, evaluation of financial institutions, mostly finance companies, are increasing, however under such circumstances the objective finance companies in accordance with finance companies act, 2042 (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 most of the Nepalese entrepreneurs are discouraged and they like to prefer idle stay 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 so the world is becoming a single market due to globalization.

So summation of the significances' of the study is mentioned below;

-) Globalization created competitions everywhere still, Nepalese Financial sectors are not fully conscious.
-) The operating activities, which are the main source, which generates cash in financial companies, are not enough for the regular flow of cash. Therefore, the study of financial institutions regarding cash flow becomes an indispensable subject in today's contest.
-) Regarding the present situation of Nepal there is no proper management 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 I believe 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 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.

1.6 Limitations of the Study

The study is fundamentally based on the data published financial statements, reports through by financial institutions. Therefore there are various limitations to analyze in details. The data, published by the institutions, public accountants certified 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 statements, it is mainly based on historical financial information.

Since the methods, theories, standards and indicators etc. employed in the study have their own limitation & assumptions, this study, therefore, is within the limitation of all those employed methods.

In order to analyze & compare the financial position consistently, the B/S & P/L A/C of all the selected companies has been taken into consideration since F/Y 2061/62 to 2065/66.

Regarding the above, I have mentioned the following points:

-) The study is confined on a joint venture bank and a Nepalese commercial bank.
-) The study is fundamentally based on the data of published financial statements of banks mention under study.
-) Only five years data from F.Y. 2061/65 to 2065/66 is taken for analysis.
-) Data are base historical accounting rather than on price-level changes.

1.7 Organization of Study

Considering the objectives in mind, the study has been organized into the following five chapters.

Chapter I : Introduction

This chapter includes background information on the subject matter, focus of the study, profile of sample banks, statement of the problems, objectives of the study, significance of the study, limitation of the study and organization of the study.

Chapter II: Review of Literature

This chapter includes the relevant previous writing and studies to find the existing gap; review of textbook, dissertation thesis has been included in this chapter.

Chapter III: Research Methodology

This chapter contains research design, population and sample size, data collection procedure and tools used for analysis.

Chapter IV: Data Presentation and Analysis

This chapter consists of systematic presentation and analysis of financial statement employing financial and statistical tools. It also includes major findings.

Chapter V: Summary, Conclusion and Recommendations

This chapter includes the summary, conclusion and recommendations of the study.

Bibliography

Annex

Chapter – II

REVIEW OF LITERATURE

This Chapter has been classified into three parts consisting of conceptual framework, review of journals and articles and review of thesis.

2.1 Conceptual Framework

"Cash is the lifeblood of business enterprises. It is the fuel that keeps a business alive". "Cash flow simply refers to the flow of cash into and out of a business over a period of time." If the funds are in form of working capital then funds flow statement should be prepare. But when cash are assumed as fund then cash flow statement should be made to inform the stakeholder about the cash flow position of the enterprise/company. Cash flow statement is the key financial statement that should be prepared by company to submit the report on AGM and BOD. It describes the sources and usage of cash from different items and activities. Cash flow statement is the receipt and payment of cash within an accounting period. According to the Institute of cost and work accountants of India cash flow statement is "a statement setting out the flow of cash under distinct head of sources of funds." (*Munankarmi; 1999: 255*)

In this topic, reviews of books relating to cash management have been considered. Cash is the basic and common needs of every organization. It is the foundation and target point. It is the most important aspect of working capital cash is the basic input needed to keep the business running on continuous basic 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 disrupt the firms operation while excessive cash will simply remains idle, without contributing anything towards the firm's profitability. Thus, the major function of a financial manager is to maintain sound cash position.

“Corporate must adopt such a policy that make optimum cash management possible for improving the efficiency of cash management effective collection and disbursement should be adopted however in a developing country corporation has given not so much attention in assessing the time value of money so certain method of efficient cash management practiced by corporation in developed countries may not be viable in the view of either the deficiency of knowledge or lack of consciousness among corporate managers of developing country for calculating the interest lost or fund loss. It is notifying that cash is maintained correctly.”

(Wolf and Pant.,2005:153)

In any type of firm, financial managers should not only attain towards the aspect of profitability but he should also turn towards ensuring the liquidity of the corporation. Since every business is constant debtors and enterprise borrow funds from financial institutions and purchase merchandise on credit there by is less obligation to the government. Thus every enterprise owns liabilities unless the payment is made at the maturity of the particular debt the reputation of the firm is tarnished at worst the creditors may force the firm to terminate its business.

It was analyzed that the goal of working capital is to manage each of the firm current assets efficiently in order to maintain the forms liquidity while not keeping any assets as to high level. Cash is one of the most liquid assets, if the common denominator all can be reduced because the major liquid assets get eventually converted into cash.

Budget is the planning before doing of the particular task. A cash budget shows the cash planning, which planned cash in flows, out flows and ending position by interim period for a specific time span. Most companies should develop both long-term plans about their cash flows. The short-term cash budget is included in the annual profit plan. A cash budget basically includes two part cash receipts and cash disbursement, planning cash inflow and outflow will include need for financing probable cash deficit of the need for investment planning put excess cash to probable use.

As such whatever cash a corporation has must be utilize efficiently to meet obligation of interest payment if cash is obtained from borrowing and its is received through issues of shares the corporation has responsibility to owners in assuring them to pay favorable

rate of return since cash is not easy to obtain, the available cash must be prudently spent without incurring loss, although it is impossible to formulate a set of assets management policy of universal applicability, one policy or rules that appears to formulate a set of assets management policy of universal applicability, one policy of rules that appears to be unanimously accepted is that cash must be conserved.

“The cash management of corporation is significant enough to have the best use of idle cash balances and to take advantage from the opportunity interest in cash velocity determined by sales volume and turnover of assets. Corporate manager must be familiar with the cash cycle to undertake measure for improvement of collection and disbursement. As per the Nepal accounting standard the cash flow statement is the part of the complete set of financial statement includes balance sheet, income statement and accounting policies and extra ordinary notes” (*Munankarmi; 2003: 25*)

2.1.1 Cash Flow Analysis

“Cash is the lifeblood of business organization. Without cash no any business transactions can get imagine to be done. It is the fuel that keeps a business alive. Without cash no activities can take place. A business must have an adequate amount of cash to operate. So, analysis of liquidity position is an important aspect of modern business organization. As such the decision makers must pay close attention to the firm's cash position and events and transaction that affect the cash position company is termed as cash flow analysis”. (*Munankarmi; 1999: 259*)

2.1.2 Cash Flow Statement

Cash flow statement is the systematic and analytical presentation of cash flow from different sources within an accounting period. It is the reconciliation of opening and closing cash. It shows the actual view of business on cash basis. The Financial Accounting Standard Board (FASB) no 95 "statement of cash flow" issued reconciliation of opening and closing cash. It shows the actual view of business on cash basis. The FASB no 95 “statement of cash flow” issued in 1987 has classified the cash

flow into operating, Investing and financing activities. Similarly Nepal accounting standard (NAS-03) issued by NASB (2003), "cash flow statement should report cash flow during the period classified by operating, investing and financing activities." (*Wagle & Dahal; 2004; 11.2*) The IAS has also replaced FFS and asked its entire member to present cash flow statement along with the balance sheet and income statement. As such enterprises should prepare a cash flow statement along with the balance sheet and income statement since 1992. Nepal company act 2053 B.S. also made mandatory to present cash flow statement along with balance sheet and income statement. NAS says "The cash flow statement is the part of the complete set of financial statement including balance sheet, income statement and accounting policies and extraordinary notes."

Recognizing the importance and usefulness of cash flows analysis, the FASB issued statement of financial statement standard no.95 "statement of cash flow" in November 1987. This standard requires business to include a statement of cash flows in all financial reports that contain balance sheet and income statement. This statement supersedes opinion no. 19 "statement of change in financial position" The IAS has also replaced FFS and asked its entire member to present cash flows statement along with the balance sheet and income statement. As such an enterprise should prepare a cash flow statement along with the balance sheet and income statement since 1992. Nepal Company Act 2053 B.S. also made mandatory to present cash flow statement along with the balance sheet and income statement. As such an enterprise should prepare a cash flow statement and should present it as an integral part of its financial statement for each period for which financial statement are presented.

2.1.3 Importance of Cash Flow Analysis

Enterprises need cash to conduct their operation, to pay their obligation and to provide returns to their investors. Users of an enterprise financial statement are interested in how the enterprise generates and uses cash and cash equivalents. It helps the user of financial statement evaluate a company's ability to have sufficient cash both in short term and long term basis. For this reason, the statement of cash flow is useful to

virtually everyone interested in the company's financial health. Cash flow statement is important to provide information about inflows and outflows of cash and cash equivalents. It provides useful information to the users of the statement in the following ways.

- a) It helps to evaluate financial policies & cash positions.
- b) It helps to inform about the availability of cash. So that management can determine policies regarding financial management i.e. raising utilities of funds.
- c) Assess a company's ability to generate positive future cash flows.
- d) Assess a company's ability to meet its obligation, its ability to pay dividends and its need for external financing.
- e) Assess the reason for difference between income and associated cash receipts and payments.
- f) Assess both the cash and non-cash aspects of a company's investment and financial transactions.

In other words cash flow statement may help to answer the following:

-) If a company operates at profit why is it continually short of cash?
-) How can a company operate at a loss and still generate huge inflows of cash from operations?
-) How was the company's growth and expansion financed?
-) Did the company acquire any long-term investment or other income producing assets?
-) Was financing obtained during the period through issuance of debt or equity securities? If so what were the amount of cash obtained?
-) Did the company use cash to retire any long-term debt or equity securities during the period?
-) Are the company's income producing activities using more than they are

generating?

- J Do operating activities consistently generate enough cash to assure prompt payment of operating expenses maturing liabilities interest obligation and dividends?

(Munankarmi; 2003: 13)

2.1.4 The Use of Cash Flow Information

The statement of cash flows is a critical disclosure to company's investors and creditors. Many investors focus on cash flow from operations, rather than Net income, as their key statistic. Similarly, many bankers are as concerned with cash flow from operations as they are with net income because they care about a company's ability to pay its bills. There is the concern that accrual accounting can cover cash flow problems. The statement of cash flows provides investors, analysts, bankers, and other users with a valuable starting point as they attempt to evaluate a company's financial health. From this point, these groups must decide how to use the information presented on the statement. They pay particular attention to the relationships among various items on the statement as well as to other financial statements items. In fact, all the banks have to prepare cash flow statement according to the prescribed model by NRB rules, which typically involve a rearrangement of the items on the statement of cash flows to suit the needs of stakeholders. Now here are some examples of tools appropriate to use cash flow information, which obviously facilitates to analyze the performance of cash flow management and liquidity management capacity of selected commercial banks.

Table-2.1

Cash Flow Ratios

Tools/Ratios	Formula
Investment Deposit Ratio	$\frac{\text{Average Investment}}{\text{Average Deposit}}$
Investment in Government	$\frac{\text{Investment on Govt. Securities}}{\text{Total Investment}}$

Securities Ratio	Total Deposit
Credit Deposit Ratio (activity Ratio)	<u>Average Net Credit</u> Average Total Deposit
Debt Service Coverage Ratio	<u>CFOA Before Interest and Tax</u> Interest and Principal Payments
CFOA to Capital Expenditure Ratio	<u>CFOA –Total Dividends Paid</u> Cash Paid For Acquisitions
Cash Flow Adequacy Ratio	<u>CFOA-Capital Expenditure</u> Average Amount of Debt Maturing Over Next Five Years
CFOA Per Share Ratio	<u>CFOA per share</u> Earnings per Share
Cash Reserve Ratio	<u>NRB Balance (local currency Only)</u> Local Currency Deposit-Margin Deposit
Cash and Bank Balance Ratio	<u>Cash and Bank Balance</u> Total Deposit
Capital Adequacy Ratio	<u>Total Capital Fund</u> Total Risk Weighted Assets

(Source: Wagle & Dahal, 2004; 134)

Investment Deposit Ratio

This is the tool, which provides numerical relation between the level of investment of a bank and its total deposit. To know the level of cash flow management capacity of a bank, this tool provides the fact that, how much profit or cash inflow is going to be generated through investment in different areas in relation to the total deposit accepted. Normally after deducting for CRR provision, cash to be kept in bank itself and to investment in government securities, banks are use to investing certain amount to the highly profitable projects and companies.

Investment in Government Securities Ratio

Banks are also use to invest in Govt. Securities to be more liquid to fulfill the short-term obligations or. The banks instead of keeping their cash unused invest in various government securities, which are liquid in nature as they can be traded in any time. Banks also use to be getting certain interest in such investment. And this is risk free investment or bearing 0% risk. This is also a secure area of investing cash to maintain liquidity for commercial banks. NRB issues such securities for different time frame and provides different level of interest. Normally banks use to invest call deposit amount in Government Securities.

Credit Deposit Ratio (Activity Ratio)

Credit deposit ratio is a tool, which shows relation between deposit accepted, and credit granted to the lenders by a bank. It is the proportion of loan-assets created by banks from the deposits received. The higher the ratio, the higher the loan-assets created from deposits. A high credit-deposit ratio could lead to a rise in interest rates. It determines the amount of total lending from the total deposit form the customers. This

Ratio directly shows the credit performance of commercial banks. Credit is major source of generation of cash flow. Commercial banks used to grant credit charging high cost to risky areas to generate maximum cash flow. Management of cash from deposit and cash out flow to credit to generate more profit is strategic tactical job of commercial banks.

Most of the effort of commercial banks is use to be concentrated to the credit deposit activity. Banks are earning about 60% to 70% from credit.

Debt Service Coverage Ratio (DSCR)

The debt service coverage ratio or debt service ratio is the ratio of net operating income to debt payments on a piece of investment real estate. It is a popular benchmark used in the measurement of an income producing Property's ability to produce enough revenue to cover its monthly mortgage payments. The higher this ratio is, the easier it is to Borrow money for the property. The phrase is also used in corporate finance and may be expressed as a minimum ratio that is acceptable to a lender; it may be a loan condition, a loan covenant, or a condition of default. In personal finance, DSCR refers to a ratio used by bank loan officers in determining income property loans. This ratio should ideally be over 1. That would mean the property is generating enough income to pay its debt obligations. The debt service coverage ratio is a measure of the amount of cash that is generated from operation activities during the year and that is available to repay interest due and any maturing principal amounts (that is, the amount available to "service" the debt). This ratio shows the capacity of bank to cover or pay the interest and principal by cash from operating activities. This tool provides the information to the cash managers if the cash from operating activities is sufficient to fulfill the interest and principal obligations or not. It can also be used to analyze to know the times of cash flow from operation in relations to its interest and principal obligations. This tool is also helpful to analyze the cash flow management capacity of a bank.

CFOA to Capital Expenditure Ratio

The cash flow to capital expenditure ratio measures a bank's efforts to acquire long term purchases to better equip it self to do business. Capital Expenditures of some companies go in cycles-making a series of large purchases over a few periods followed by a time of relative small activity while the company attempts to recoup its investments. Resultantly, this ratio will also often fluctuate in cycles, depending on the bank's activities. A high, or

increasing cash flow to capital expenditures ratio is usually a positive sign, indicating the bank has financial flexibility to invest in itself and make upgrades to its buildings, equipments and processes. This ratio is one of a measure tool useful in assessing the solvency of a business. The cash flow from operations to capital expenditure ratio measures a bank's ability to use cash flow from operations to finance its acquisitions of productive assets. To the extent that a company is able to do this, it should rely less on external financing or additional contributions by the owners to replace and add to the existing capital base. The numerator of the ratio measures the cash flow after meeting all dividend payments. Dividend paid is reported on the statement of cash flows in the financing activities section. The amount paid should be used for this calculation rather than the amount declared, which appears on the statement of retained earnings. This is a measure of the ability of a bank to finance long-term assets acquisitions with cash from operations.

Cash Flow Adequacy Ratio

The cash flow adequacy measures how well the bank can cover the annual payments of all the long-term annual debt with the cash flow from its operating activities. This performance ratio can be calculated different ways, as the average value of the maturities might include the current year, plus several more years worth of long-term debt amounts. This performance ratio should usually have a value of 1.0 that would mean the bank is able to at least cover its long-term annual debt using its cash flow from operating activities. A bank may have more long-term annual debt, as they may make take on debt to handle emergencies or to fund expansions of its operations, but if the bank is continually borrowing more over time than it can reasonably handle with its inflow of cash, then this might point to rough times ahead for the company. This is a ratio, which shows a bank's ability to meet its principal and interest obligations. Cash flow adequacy is a measure intended to help corporate bond Investors assess the ability of these companies to meet their maturing borrowings and debt obligations. It estimates the cash available to meet future debt obligations after paying taxes and interest costs and making capital expenditures. Because capital expenditures on new assets and equipments are a

necessary for most banks, analysts are concerned with the cash available to repay debt after the company has replaced and updated its existing base of long-term assets. How could we use the information in an annual report to measure a bank's cash flow adequacy is, first, whether a bank uses the direct or indirect method to report cash? Flow from operating activities, this number represents cash flow after paying interest and taxes. The numerator of the ratio is determined by deducting capital expenditures, as they appear in the investing activities section of the statement, from cash flow from operating activities. A disclosure required by NRB rules provides the information needed to calculate the denominator of the ratio. It is important to report the annual amount of long-term debt maturing over each of the next five years.

CFOA Per Share Ratio

One measure of the relative worth of an investment in a company or in a bank is the ratio of the stock's market price per share to the bank's earnings per share (that is, the price/earning ratio). But many stockholders and even analysts are even more interested in the price of the stock in relation to the company's cash flow per share. Cash flow for purpose of this ratio is normally limited to cash flow from operating activities. These groups to evaluate investments even though the accounting profession has expressly forbidden the reposting of cash flow per share information in the financial statements have used this ratio. The accounting profession's belief is that this type of information is not an acceptable alternative to earnings per share's an indicator of bank's performance. So the researcher attempts to find out the numerical relationship between CFOA per share to earning per share. This assists the analysts to measure the cash from operations to the annual earnings of the bank. This ratio Should usually have a value of between 1.0 to 2.0, which would mean the bank's annual earning is at least, half of cash flow from operating activities or the bank has fewer expenses.

Cash Reserve Ratio

Liquidity is bank's ability to generate cash quickly to meet its short obligations at a reasonable cost. It reflects the short-term financial strength of a bank. Liquidity of the bank shows the ability to solve one's payment. It shows the overall financial capacity of bank. The bank is considered to be liquid if it has access to immediate spend-able fund at reasonable cost at precisely the time those funds are needed. The liquidity in term of securities, money at call and CRR provision etc. The certain amount of the deposit received by depositors should get maintained so as it can be easily converted into cash. Liquidity helps to reduce the cash risk, which directly leads to bankruptcy. Banks are required to maintain a certain percent of the total deposit as CRR provision as per the NRB rules. Therefore, Nepal Rastra Bank has set a fixed CRR provision for all the Commercial Banks which bank has to comply. According to the directives of NRB all Commercial bank should maintain 5% of amount of total deposit as CRR in their NRB account. This provision helps commercial banks to preserve the liquidity capacity to meet their short-term obligations by themselves.

Cash and Bank Balance Ratio

As we know from above that liquidity is the capacity to meet the short-term cash obligation by the banks. In this regard banks are used to be maintaining some additional amount in their bank account or with themselves. This amount is used to be fulfilling day-to-day payments to their customers. This ratio is the relation between the deposit and cash with the bank. So it can be analyzed that how much amount is getting used in day-to-day payments in relation to the deposit. It is better to maintain 5% of cash and bank balance to fulfill the daily cash requirements. This tool also supports managers to boost the cash management capacity of commercial banks.

Capital Adequacy Ratio

According to the directive issued by NRB, the bank capital has been categorized into two parts, core capital and supplementary capital. The total of these two capitals is considered

for calculating capital adequacy ratio. The capital adequacy ratio is based on total risk-weighted assets. The sum of core and supplementary capital is measured to be total capital Fund. For the purpose of calculation of capital fund, the risk-weighted assets have been classified in two parts – On – Balance Sheet Risk-Weighted Assets and Off - Balance Sheet Risk Weighted Items. The capital adequacy ratio would measure the total capital fund on the basis of total risk-weighted assets. As per the rules of NRB commercial banks should maintain 11% capital adequacy.

2.1.5 Objectives of Cash Flow Statement

The objective of cash flow statement is to highlight the major activities of the business that have provided cash for the business and have used during a period. Similarly, it also shows the resulting effect on the overall cash balance. The objectives of cash flow statement should be assets users:

To assess the company's ability to generate positive cash flow in the future.

To assess its ability to meet its obligations to service loans, pay dividend etc

To assess the reason for differences between reported and related cash flows.

To assess the effects on its finances of major transactions in the year.

To find out the causes of changes in the cash position on two dates.

To evaluate of financial policies can be done with the help cash flow Statement.

To help the management to know and predict its position, it can plan its policy and make decisions regarding the redemption of debentures purchase of fixed assets and so on.

2.1.6 Benefits from Using Cash Flow

The cash flow statement is one of the four main financial statements of a company. The cash flow statement can be examined to determine the short-term sustainability of a company. If cash is increasing (and operational cash flow is positive), then a company

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

“The cash flow statement breaks the sources of cash generation into three sections: operational cash flows, investing, and financing. This breakdown allows the user of financial statements to determine where the company is deriving its cash for operations. For example, a company may be notionally profitable but generating little operational cash (as may be the case for a company that barter its products rather than selling for cash). In such a case, the company may be deriving additional operating Cash by issuing shares, or raising additional debt finance. Companies that have announced significant write-downs of assets, particularly goodwill, may have substantially higher cash flows than the announced earnings would indicate. In certain cases, cash flow statements may allow careful analysts to detect problems that would not be evident from the other financial statements alone. Use of one measure of cash flow would potentially have detected that there was no change in overall cash flow (including capital investments).”(*Wagle & Dahal;2004;125*)

2.1.7 Funds Flow Analysis

“The efficiency of the firm is reflected in the inflow and outflow of funds in the business. To understand the operational efficiency of the business concern, it is necessary to have an analysis of the dynamic aspects of the flow of funds. And such an analysis made through funds flow analysis by preparing a statement is called a statement of change in financial position or funds flow statement. The funds flow statement is a statement, which shows the movement of funds. The funds flow statement describes the sources from which additional funds were described and the use to which these resources were put. Therefore, the main purpose of funds flow analysis is to get clear information about the financial transactions that brings changes in the company's resources.” (*Shukla, Gupta & Grewal; 2006: 23.33*)

It is a kind of financial tools which answers the following questions:

1. From which source fund received?
2. How many funds received?
3. For what purpose the fund is used?
4. Whether the business is solvent or not?
5. How can a profitable business be running on low cash and working capital?

2.1.8 Profits and Cash Flow

Profits are accounting measures that may not reflect the economic reality of the firm. Increasing profits will not always result in higher stock prices, Profits of the firm depend on many factors such as method of depreciation, and non-operating gains incomes expenses and losses. Cash flow analysis not only recognize the profit but it goes a little further and measures the actual cash available for the firm. It is after all the available cash not the profit that determines the firm's future investment and growth. Cash flows have earning potential and capture the economic impact of managerial decisions. Cash flows are not the profits that determine the wealth.

2.1.9 Distinction between Funds Flow and Cash Flow Statement

Concept: Funds flow is based on working capital and Cash flow is based on cash.

Accounting: Funds flow statement is based on Accrual basis of accounting and Cash flow statement is based on cash basis of accounting.

Preparation: Fund flow statement reveals the sources and application of funds and any difference represents net increase or decrease of working capital whereas cash flow statement reveals the inflow and outflows of cash and difference represents the closing cash balance.

Purpose: Funds flow statement shows the causes changes in working capital position of

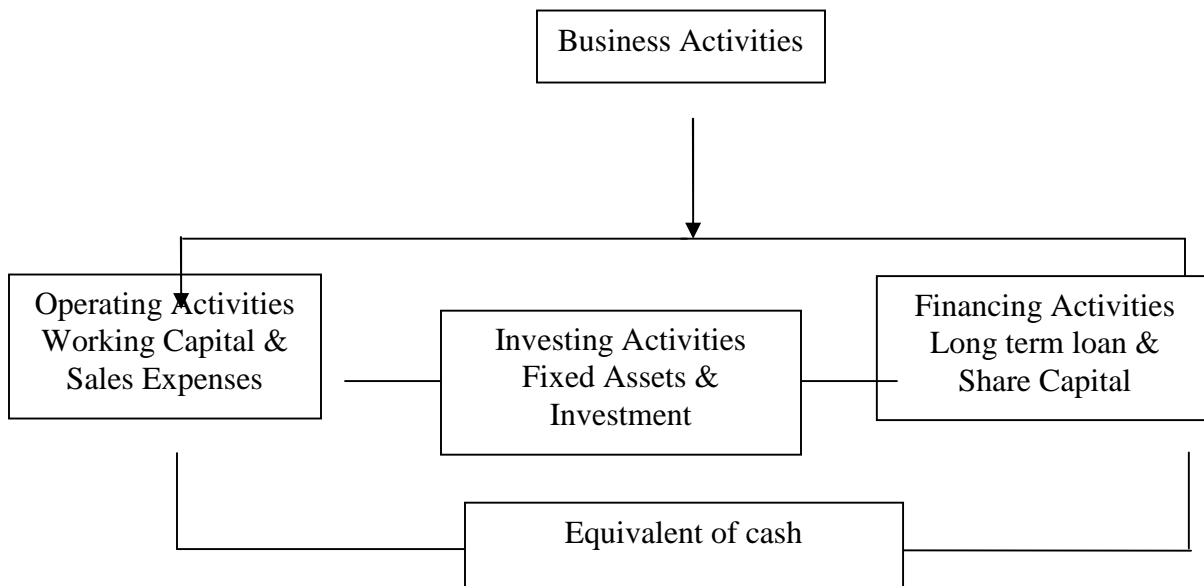
a firms between two balance sheets dates whereas cash flow statement shows the causes of changes in cash position of a firm between two balance dates.

Usefulness: Funds flow statement is useful in planning intermediate and long term financing, cash flow statement is more useful for short-term analysis and cash planning of business.

Schedule of changes in working capital: To get information about current assets and liabilities it is necessary to prepare the schedule of changes in working capital before preparing funds flow statement whereas in cash flow statement it is not necessary to prepare the schedule of changes in working capital.

Figure-2.1

Cash Flow Model



2.1.10 Review of International Accounting Standard 7

Under informative approach the cash flow statement may be presented using:

1. Indirect Method
2. Direct Method

2.1.10.1 Indirect Method to Cash Flow Statement

Under this method, the cash from operating activities could be derived by preparing funds from operation, as have been done in case of fund flow analysis. This from operation could be converted in to cash from operation by adjusting change in short term assets and liabilities excluding cash. Cash from investing activities are generated internally from non-operating activities like fixed assets and long term investment. Similarly cash from financing activities are the presentation of cash from or to lenders, investors and shareholders that affect cash.

Operating Activities:The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the enterprise have generated sufficient cash flows to repay loans, maintain the operating capability of the enterprise, paying dividends and make new investments without resources to external sources of financing. It relates to a company's primary revenue generating activities. It is the single major continuing sources of cash. Operating activities are always within the management control and they provide base for management estimation of fund needed to rise from available sources. Cash flow from operating activities is generally the cash effects of transactions and economic events included in the determination of income.

Under this method, the net cash flow from operating activities is determined by adjusting net profit or loss for the effect of:

-) Changes during the period in inventories and operating receivables and payables.
-) Non- cash items such as depreciation, provision, deferred taxes and unrealized gains or losses.
-) All other items for which the cash effects are investing or financing cash flows.
-) Cash receipts and payments from contracts help for dealing or trading purpose.

Alternatively the net cash flows from operating activities under indirect method may be present showing operating revenues and expenses, excluding non-cash items disclosed in the statement of profit and loss and the changes in inventories and operating receivables and payables during the period. Example of operating activities:

Non-cash and non-operating gains/losses/expenses.

Depreciation/loss on sales of assets provision for taxes.

Gain on sales of fixed assets.

Operating profit before working capital changes.

Increase/ decrease in current assets and current liabilities.

Investing Activities:All the cash flows (either outflows or inflows) from investing activities can be determined by the long-term assets and investment of two accounting periods. Any increase in assets shall be considered as having purchased and cash paid for it unless any information contrary to the same is provided. At the same time, decrease in assets accounts represents the sale of those assets and cash inflows unless information opposing to that is provided. The gain or loss on sale need to be adjusted to calculate the exact amount cash received. Investing activities are:

-) Cash payment to acquire the fixed assets.
-) Cash receipts from disposal of fixed assets.
-) Cash payments to acquire shares, warrants or debt instrument of other companies.
-) Cash advances and loan made to other parties.
-) Cash receipts from the repayment of advances and loans made to third parties.

Financing Activities:Cash flows from financing activities are calculated by analyzing the liabilities side of the balance sheet. The amounts of secured loans, unsecured loans, the amount of share capital and retained earnings accounts are analyzed to calculate the inflows and outflows from financing activities. The increase in these amounts can be taken as inflows either with the name of more borrowing or issuance of shares. Similarly, the decrease in these amounts can be taken as outflows with the name of redemption of debts or preference shares. Besides the capital and loan amounts, another financing activity is dividend paid or drawings by the owners. Dividend may be in the form of cash dividend or stock dividends do not use any cash. Hence, they should not be considered for cash flow statement.

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

-) Cash proceeds from issuing shares or others equity instruments.
-) Cash payments to owners to acquired or redeemed the enterprises shares.
-) Cash proceeds from issuing debentures, loans, notes, bonds and mortgages and other short or long-term borrowings.
-) Cash repayments of amounts borrowed.
-) Cash payment by a lessee for the reduction of the outstanding liability relating to a finance lease.

Table-2.2

Cash Flow Statement Indirect Method

A. Cash from Operating Activities (CFOA)	
Provision for dividend of this year (dividend payable)	
Interim dividend	
Profit transfer to Balance Sheet (This year-Last year)	
Profit and loss a/c	
General reserve	
Retained Earnings	
Funds etc.	
Net Profit after tax / Profit for the year	
Add: Non Cash and non operating items	
Depreciation of tangible assets	
Amortization of intangible fixed assets	

<p>(i.e. goodwill, patent, copyright, trademark etc.)</p> <p>Amortization of fictitious assets</p> <p>(i.e. preliminary expenses, P&L Dr. Balance, discount on share/ debenture)</p> <p>Loss on revaluation or sales of fixed assets or investment</p> <p>Premium on redemption of preference shares or debentures</p> <p>Discount on issue of shares or debentures</p> <p>Less: Non Operating incomes of Gains</p> <p>Gain on revaluation or sales of fixed assets or investment</p> <p>Discount on redemption of preference share and debenture</p> <p>Premium on issue of Preference share and debenture</p> <p>Tax refund</p> <p>Interest/ dividend received on other investment</p> <p>Extra income (If any)</p> <p style="text-align: right;">Funds From Operation (FFO)</p> <p>Add: Decrease in Working Capital except cash (item wise)</p> <p style="padding-left: 40px;">(i.e. decrease in current assets and increase in current liabilities)</p> <p>Less: Increase in Working Capital except cash (item wise)</p> <p style="padding-left: 40px;">(i.e. increase in current assets and decrease in current liabilities)</p> <p style="text-align: right;">Cash from Operating Activities (CFOA)</p>	
B. Cash from Investing Activities (CFIA)	
Purchase of fixed assets (Individual as per ledger)	

Purchase of Investment (as per ledger if any)	
Sales of fixed assets (individually)	
Dividend or interest received from other investment if any	
Cash from Investing Activities (CFIA)	
C. Cash from Financing Activities (CFFA)	
Issue of share/debenture with premium or discount	
Redemption of Preference Share/debenture at premium or discount	
Payment of dividend (Provision of dividend last year)	
Interim dividend (if any)	
Cash from Financing Activities (CFFA)	
Net cash increase/decrease (A+B+C)	
(+) Opening Cash/Bank Balance	
Closing Cash/Bank Balance	

(IAS7; pr10, 11)

2.1.10.2 Direct Method

International accounting standard committee (IAS) has encouraged preparing cash flow statement only on direct method. Therefore as far as possible we need to follow direct method. When the direct method is used the cash flow statement does not begin with net income, rather, it shows cash collected from customer and deducted cash used for various expenses. That is, major of class of gross cash receipt and gross cash payments are disclosed

Operating Activities: Operating activity only include transaction that return to the calculation of net income. It involves the purchase and the sales of goods and services to customers. Cash flow from operating activities includes all cash flows from transaction that are not defined as financing and investing activities. The cash flow from

operating activities is primarily derived from the principal revenue - producing activity of the enterprise. Examples of cash flow from operating activities are:

-) Cash receipts from the sales of goods and services.
-) Cash receipts from royalties fees, commission and other revenue.
-) Cash payment to suppliers of goods and services.
-) Cash payments to and on behalf of employees.
-) Cash receipts and cash payments of an insurance company for premium and claims, and other policy benefits.
-) Cash payments refund of income taxes.
-) The direct provides information, which may be useful in estimating future cash Flows and which are not available under the indirect method. Under the direct method information about the major classes of gross receipts and gross cash payments may be obtained either.
-) From the accounting records of the firms or by adjusting sales, cost of sales and other items in the statement of profits and loss for: Changes during the period in inventories and operating receivables and payables other non- cash items and other items for which the cash effects are investing or financing cash flows.

Investing Activities: Determinations of cash flows from investing activities require analyzing the non-operating incomes and expenses in income statement relating to:

Productive assets.

Investment in share and debentures.

Intangible assets.

Short-term investment other than cash equivalents.

(*Munankarmi; 2003: 13.16*)

Financing Activities: A company's transaction with its owners and long term creditors are typically called financing activities also it includes borrowing of cash on short term basis for determination of cash flow from financing activities items relating to:

-) Share capital (Equity)
-) Share premium
-) Debenture
-) Dividend proposed

Comparative balance sheets should be analyzed by preparing necessary accounts.

Table-2.3

Cash Flow Statement Direct Method

A. Cash from Operating Activities (CFOA)	
a. Cash Sales and collection from customers:	
Total Net Sales (less sales return)	
(+) Decrease in debtors (sundry debtors, A/R and B/R)	
(-) Increase in debtors (sundry debtors, A/R and B/R)	
(+) Decrease in bad debt provision (Bad debt recover)	
(-) Increase in bad debt provision	
(-) Bad debt written off	
b. Cash Purchase and payment to creditors:	
Total cost of goods sold (COGS)	
(+) Increase in Inventory	
(-) Decrease in Inventory	
(+) Decrease in creditors (sundry creditors, A/P and B/P)	
(-) Increase in creditors (sundry creditors, A/P and B/P)	

c. Cash operating expenses and other warranty services:

Total cash operating expenses (selling, distribution, Adm. etc)

(+) Decrease in outstanding expenses

(-) Increase in outstanding expenses

(+) Increase in prepaid expenses

(-) Decrease in prepaid expenses

d. Interest expenses:

Interest expenses

(+) Decrease in interest payable

(-) Increase in interest payable

(+) Increase in prepaid interest

(-) Decrease in prepaid interest

e. Income tax payments:

Tax paid (or, provision for taxation as per P&L a/c)

(+) Decrease in provision for tax or tax payable

(-) Increase in provision for tax or tax payable

(+) Increase in prepaid tax

(-) Decrease in prepaid tax

Cash from Operating Activities before extra ordinary items (a-b-c-d-e)

Extra ordinary items:

(+) Increase in bank overdraft

(-) Decrease in bank overdraft

(+) Decrease in marketable securities

(-) Increase in marketable securities	
Cash From Operating Activities (CFOA)	
B. Cash from Investing Activities (CFIA)	
Purchase of fixed assets (Individual as per ledger)	
Purchase of Investment (as per ledger if any)	
Sales of fixed assets (individually)	
Dividend or interest received from other investment if any	
Cash from Investing Activities (CFIA)	
C. Cash from Financing Activities (CFFA)	
Issue of share/debenture with premium or discount	
Redemption of Preference Share/debenture at premium or discount	
Payment of dividend (Provision of dividend last year)	
Interim dividend (if any)	
Cash from Financing Activities (CFFA)	
Net cash increase/decrease (A+B+C)	
(+) Opening Cash/Bank Balance	
Closing Cash/Bank Balance	

(Source: Munankarmi; 2003: 18.20)

2.1.11 Group Cash Flow Statement

Group cash flow statement deals both cash and accrual based figure, whereas group cash flow statement attempts to report only cash movement. Group cash flow statement is prepared from the consolidated accounts. After the completion of consolidated profit and loss account and consolidated balance sheet, the holding company can prepare this statement.

The format of group cash flow statement is similar to basic cash flow statement. It can be prepared by applying either direct or indirect method. For the preparation of group cash flow statement, the activity of business concern is divided in the following three categories:

-) Operating Activities
-) Investing Activities
-) Financing Activities

These three activities are similar to basic cash flow statement. According to the IAS-7 para 40 states: " the aggregate cash flows arising from acquisition and from disposal of subsidiaries or other business unit should be presented separately and classified as investing activities." – para 39 (Dangol, Third Edition: 447)

International accounting standard -7, para 40 states: "An enterprises should be disclose, in aggregate, in respect of both acquisition and disposal of subsidiaries or other business units during the period each of the following:

-) The total purchase or disposal consideration
-) The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents.
-) The amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of: and
-) The amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarized by each major category."
-) Non-cash transaction related to investing and financing activities should not be included in the cash flow statement. According to IAS-7, Para- 43 "Investing and financing transaction that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transaction should be disclosed elsewhere in the financial statement in a way that provides all the relevant

information about the investing and financial transactions activities." Examples of non-cash transactions are as follows:

-) The acquisitions of assets either by assuming directly related liabilities or by means of a finance lease;
-) The acquisition of an enterprise by means of an equity issue
-) The conversion of debt to equity (*Dangol; 2007: 456*)

While preparing a group cash flow statement, the net value of subsidiary purchase has to be determined for the calculation of cash flow from investing activities. It is determined as follows:

Table-2.4

Net Value of Assets

Particulars	Details	Amount
Fixed assets of subsidiary company		xxx
Current Assets of Subsidiary company other than cash		xxx
Total Assets Acquired		xxx
Less: Current Liabilities		(xxx)
Net Worth or Net Assets		xxx
Less: Receivable from Holding Company		(xxx)
Add: Payable to Holding Company		xxx

	Net assets acquired		xxx
Less: Minority Interest		xxx	
Capital Reserve		(xxx)	
or Goodwill		xxx	
Value of share in Holding Company			
(If share are issued on Acquisition)		xxx	
Reserve of Holding Company		xxx	xxx
	Net Value of Subsidiary Purchase		Xxx

(Source: Munankarmi; 2003:21.23)

2.1.12 Review of Cash flow Statement for Financial Institution

Financial enterprises like banks, finance companies, co-operatives etc. represents the institution that deals on financial transaction. Such enterprise also needs to prepare financial statement including cash flows statement. The cash flows statement of financial enterprise under method is prepaid in following format:

Table-2.5

Cash Flow Statement for Financial Institution

A. Cash Flow from Operating Activities:	
Interest and commission receipts	
Interest payments	
Recoveries on loans previously	
Cash payment to employees and suppliers	
Short term fund-increase	

<p>Deposits held for regulatory or monetary control purpose</p> <p>Funds advanced to customers</p> <p>Net increase in credit card receivable</p> <p>Increase other short term securities</p> <p>Deposits from customers</p> <p>Certificate of deposits</p> <p>Net cash from operating activities before income tax</p> <p>Income tax paid</p> <p>Net cash from Operating Activities</p>	
<p>B. Cash flow from Investing Activities:</p> <p>Dividend received</p> <p>Interest received</p> <p>Purchase of permanent investment</p> <p>Purchase of fixed assets</p> <p>Net Cash from Investing Activities</p>	
<p>C. Cash flow from Financing Activities:</p> <p>Issue of shares</p> <p>Share premium</p> <p>Repayment of long term borrowing</p> <p>Net decreased in other borrowing</p> <p>Dividend paid</p> <p>Net Cash from Financing Activities</p>	
<p>Net increase/decrease in cash and cash equivalents</p> <p>Cash and cash equivalents at the beginning of the period</p>	

Cash and cash equivalent at the end of the period	
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(Source: Munankarmi; 2003:24.25)

2.1.13 Review of Cash Flow Statement under N.R.B. Directives

Following is the cash flow statement for the Financial Institution, the specimen provided by the N.R.B. directives in accordance with which the cash flow statement of the finance institutions have been prepared for the study of the cash flow analysis. (Report of the C.A, Of the Office of Auditor General)

Table 2.6

Cash Flow Statement as per N.R.B.

.....Company

Cash Flow Statement for the F/Y.....

Particulars	Amount (in Rs.)	Current Year (in Rs.)
(A) Cash Flow From Operations	
1. Cash receipt	
1.1 Interest Incomes	
1.2 Commission and discount income	
1.3 Exchange gain	
1.4 Non-Operating income	
1.5 Other income	
2. Cash payment	
2.1 Interest expenses	

2.2 Staff expenses	.....
2.3 Office operating expenses	.....
2.4 Exchange loss	.....
2.5 Non-operating expenses	.....
2.6 Other expenses	.....
(B) Cash Flow From Investing Activities		.....
1 Change in balance with bank	.....
2 Change in money at call and short notice	.....
3 Change in Investments	.....
4 Change in loans advance and bill purchased	.....
5 Change in fixed assets	.....
6 Change in other assets		.....
(C) Cash Flow From Financing Activities	.....
1 Change in borrowing	.....
2 Change in deposits	.....
3 Change in bills payable	.....
4 Change in other liabilities		.....
(D) Net Cash Flow for the year		.....
(E) Opening Cash Balance		.....
(F) Closing Cash Balance		

(Source: NRB directives for F.I. 2067)

2.1.14 Cash Flow Statement as per the International Accounting Standard 7

-) The cash flow statement should report cash flows during the period classified by operating, investing and financing activities.
-) An enterprise presents its cash flow from operating investing and financing activities in a manner, which is most appropriate to its business. Classification by activity 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 equivalent. This information may also be used to evaluate the relationship among those activities.
-) A single transaction may include cash flows that are classified differently. For example when the cash repayment of a loan includes both interest and capital the interest element may be classified as an operating activity and the capital elements is classified as a financing activity.

Operating Activity

-) The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the enterprises have generated sufficient cash flows to repay loans. Maintain the operating capability of the enterprise, pay dividends and make new investments without resource to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.
-) Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the enterprise. Therefore they generally result from the transactions and other events that enter into the determination of net profit or loss.

Examples of cash flows from operating activities are,

Cash receipts from the sale of goods and the rendering of services

-) Cash receipts from royalties, fees, commissions and other revenue
-) Cash payments to suppliers for goods and services

-) Cash payments to and on behalf of employee
-) Cash receipts and cash payments of an insurance enterprise for premiums and claims, annuities and other policy benefits.
-) Cash payments of refunds of income taxes unless they can be specifically identified with financing and investing activities; and

Cash receipts and payments from contracts held for dealing or trading purposes. Some transaction, such as the sale of an item of plant, may give rise to a gain or loss, which is included in the determination of net profit, or loss. However the cash flows relating to such transaction are cash flows from investing activities.

An enterprise may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore cash flows arising from the purchase and sales of dealing or trading securities are classified as operating activities. Similarly cash advances and loans made by financial institutions are usually classified as operating activities since they relate to the main revenue producing activity of the enterprise.

Investing Activity

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditure has been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are.

-) Cash payments to acquire property plant and equipment intangible and others long term assets. These payments include those relating to capitalized development costs and self constructed property plant and equipment.
-) Cash receipts from sales of property plant and equipment intangible and other long-term assets.
-) Cash payments to acquire equity or debt instrument of other enterprises and interest in joint venture.

-) Cash receipts from sales of equity of debt instrument of other enterprises and interest in joint venture.
-) Cash advances and loans made to other parties.
-) Cash receipts from the repayment of advances and loans made to other parties.
-) Cash payments for futures contracts forward contracts option contract and swap contracts except when the contracts are held for dealing of trading purposes of the payment are classified as financing activities. And
-) Cash receipts from future contracts, forward contracts option contract and swap contracts except when the contract are held for dealing of trading purposes of the receipts are Classified as financing activities.

Financing Activity

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

-) Cash proceeds from issuing shares or other equity instruments
-) Cash payments to owners to acquire or redeem the enterprise shares
-) Cash proceeds from issuing debentures loans notes bonds mortgage and other short or long-term borrowings.
-) Cash repayments of amounts borrowed and,

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

2.2 Review of Journals and Articles

Kaplan and Ruback (1995) in " *The Valuation of Cash Flow Forecasts: An Empirical Analysis*" provide evidence that discounted cash flow valuation methods provide reliable estimates of market value. Our median estimates of discounted cash flows for 51 HLTs are within 10 percent of the market values of the completed transactions and perform at least as well

as valuation ap- 1092 The Journal of Finance approaches using companies in similar industries and companies involved in similar transactions. We stress that our estimates rely on a number of ad hoc assumptions that readers (both academics and practitioners) should be able to improve on. We would expect such improvements to bring the DCF valuations even closer to the transaction values. We use three CAPM-based approaches to estimate discount rates corresponding to firm-level, industry-level, and market-level measures of risk. All three methods perform well compared to those using comparable transactions and companies. Under what we consider the most realistic assumptions, the industry- and market-based approaches perform best. Although the DCF approaches perform at least as well as the comparable-based approaches, we find that the comparable-based estimates add explanatory power to the DCF-based estimates. Accordingly, we would recommend using information from both types of approaches in practical valuation settings where comparable values are available. In the second part of this article, we use the forecast cash flows and transaction values to calculate implied discount rates and risk premia. The median implied market equity risk premium, the amount by which the return on the equity market exceeds the long-term Treasury bond yield, equals 7.78 percent. This accords well with the historical risk premium by which returns on the S&P 500 have exceeded Treasury bond returns. The relations between the implied risk premia and both firm and industry betas are positive and marginally significant. In contrast, there are no apparent relations between the implied risk premia and either transaction value, i.e., firm size, or book-to-market ratios. For this sample, therefore, the results favor CAPM-based approaches to discount rates over those based on size or book-to-market ratios. This article compares the market value of highly leveraged transactions (HLTs) to the discounted value of their corresponding cash flow forecasts. For our sample of 51 HLTs completed between 1983 and 1989, the valuations of discounted cash flow forecasts are within 10 percent, on average, of the market values of the completed transactions. Our valuations perform at least as well as valuation methods using comparable companies and transactions. We also invert our analysis by estimating the risk premia implied by transaction values and forecast cash flows, and relating those risk premia to firm and industry betas, firm size, and firm book-to-market ratios.

Munankarmi(2004) in”*Cash Management*” explains that a business must have adequate amount of cash to operate and decision makers should pay attention to the firm's cash position and events and transaction that affects the cash position of the company is termed as cash flow analysis.

Due to the increasing importance of cash flow analysis FASB stated that financial statements should include information about how a business obtains and spends cash about its borrowing and repayment activities, about the sales and repurchase of its ownership securities, about dividend payments and other distribution to its owners and about others factors that affect a company's liquidity and solvency. According to the articles profits are accounting measures that may be not reflect the economic conditions of the firms that means profit can be manipulated and increasing profit will not always result in higher stock prices. Cash flow analysis not only recognizes profit but also goes a little further and measures the actual cash available for the firm. It is after all the available cash not the profit that determines the firm's future investment growth.

As the article stated further that recognizing the importance of the cash flow analysis FASB issued financial statement standards no.95 and statements of cash flows in November 1987. This standard requires business to include a statement of cash flows in all financial reports that contains balance sheets and income statements. The IAS has also replaced FFS and asked its entire member to present cash flow statement along with the balance sheet and income statement since 1992.

2.3 Review of Thesis

Thesis related with cash management and working capital has been considered in this section.

Dangi(2054 B.S.) had conducted a research in the topic “*Comparative Study of Financial Performance of Standard Chartered Bank, Nabil and Himalayan Bank Ltd.*” The objectives of that research were:

-) To analyze the financial strengths, weakness and to evaluate financial positions of the sample financial institutions.
-) To analyze the Banks deposit mobilization and investment procedure.
-) To make relevant suggestions and recommendation for their effective and efficient future performance.

His major findings of the study are;

The analysis of financial statement of SCBNL, Nabil and HBL reveals that liquidity positions in terms of current ratio of these banks were below the normal standards. Current ratio of these three banks showed unsatisfactory liquidity positions. Comparatively SCBNL had better liquidity positions than Nabil and HBL.

-) Interest coverage ratio of SCBNL was higher than that of Nabil and HBL.
-) Profitability ratios of all these banks revealed positive return doing the study period Net profit to the deposit ratio of SCBNL was higher than that of Nabil and HBL while interest earned to total assets ratio and net profit to net worth ratio of HBL were slightly higher than that of SCBNL and Nabil.
-) Regarding to operating income HBL was earning higher percentage of operation income from interest than SCBNL and Nabil

Bista(2054 B.S.), had conducted a research in the topic “*A Comparative Financial Analysis of Joint Venture Banks Nabil, Himalayan Bank Ltd and Nepal Bangladesh Bank Ltd.*” In the research, he centered with the study of financial position of these three banks, evaluation of trend of total deposit & loan and investment pattern, in the analysis, Bista has set the following objectives:

-) To study financial position of three Banks.
-) Evaluation of assets management, capital structure & liquidity position of the Banks.
-) Evaluation of the trend of total deposit, loan & investment pattern.
-) Providing conclusions, findings and recommendation to the related Banks to overcome and improve problems and performance.

His major findings of the study are;

-) The volume of operations in terms of amount Nabil stood in the first positions. HBL had successfully increased the operation in very short span of time and NBBL was unable to take steps in this regard for the analysis period.
-) The revenues, expenses and income of NBL were the highest followed by HBL and NBBL. It was concluded that NBBL was in maturity rise stage while HBL and NBBL were growth and introduction stages respectively.

Neupane (2006), had conducted a research on “*A Study of Cash Flows Analysis of Commercial Banks in Nepal, Comparative Study of Himalayan Bank and Nabil Bank Ltd.*” He has set the following objectives during the study. To analyze the cash flow statement i.e. operating, investing and financing activities of those two joint venture commercial Bank.

-) To examine the liquidity position of HBL and Nabil Bank Ltd.
-) To analyze the profitability results of those two commercial Bank.
-) To find out the stage of lifecycle of HBL and Nabil Bank Ltd.with the help of cash flow statement.
-) To examine the cash flow statement of Nabil and HBL at par of Nepal Accounting Standard (NAS).

-) To provide the package of constructive suggestion and recommendation for improving cash.

His major findings of the study are;

-) The need for working capital to run date-to-date business activities cannot be overemphasized. Working capital requirements are basically influenced by the nature of business. Obviously, the requirements of working capital manufacturing sectors business. From the study both these banks had negative working capital figures. Working capital should be managed efficiently for safeguarding the banks 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.
-) Business organization is the product of their environment. To adopt in changing environmental forces these banks are recommended to study and predict the business environment continuously as well as should take SWOT analysis so that the activities can be adjusted according to the changing environment
-) In order to increase the cash flows from operating activities for the future period Nabil should operate growth stage 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.
-) No business can run without cash and making default on its obligations. Even being a few days late in meeting payrolls or paying suppliers or creditors should be cut business relationships. In addition to cash flows statement, cash budget should also be included in the directives issued by NRB for financial institution. Cash flows report the cash activities of the past period. In reflects the actual results of past cash transaction. To know the expected cash amount for future period, cash budget should be prepared

-) 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.

Basnet (2008), had conducted a research in the topic “*A Comparative Study of Cash Flow of Joint Venture Bank on SCBNL, NABIL and SBI*”. The objectives of that research were:

-) To examine, analyze and compare the cash flow statement of these banks.
-) To analyze trend of cash flow.
-) To evaluate the cash from different activities of banks.
-) To compare the cash flow performance into individual banks.
-) To recommend the appropriate suggestions to the concerned authorize for future improvement.

His major findings of the study are;

-) Cash flow from operating activities of SCBNL has too much large than other two banks.
-) SCBNL is a pioneer bank than other two banks. It shows that more invest more profit principle is not true. SCBNL has great investment and activities but least income.
-) One of the main problems of the NABIL is increasing staff and operating cost
-) Operating expenses of SBI bank are increasing which should be reduced.

Shakya (2009), had conducted a research in the topic “*Cash Flow Analysis of Listed Companies (With special reference to NABIL, HBL, NSBI and Kumari Bank)*”. The objectives of that research were:

-) To analyze and evaluate cash flow statement of concerned commercial banks.
-) To evaluate trend of cash flow of the Nepalese and Joint Venture Commercial Banks.
-) To evaluate the trend of cash flow from different activities of banks.
-) To compare the cash flow performance of concern companies.
-) To suggest and recommend on the basis of major findings

Her major findings of the study are;

-) Himalayan Bank Limited has positive cash flow from investing activities in whole year due to the lowest amount of investment, loan and advance.
-) HBL has highest amount of investment on fixed assets than other banks.
-) All the banks are paying tax revenue to the government and facilitating people by providing new and latest banking services.
-) In the year 2063/064 interest expenses is highest because the KBL has granted highest amount of loan.
-) Cash received from exchange gain plays significant role in total operating cash flow of Nepal SBI bank.

Research Gap

The review, clearly pointed out that the cash management is the common and major problem in Nepalese enterprises. But the success and failure of an organization is greatly depends upon the efficient management of cash

There is a gap between the present research and previous research. Most of the researches conducted preciously were in financial performance and profitability positions were based on secondary data. Though some of the researches in the area of cash flow statement were found depth analysis like cash flow per share, cash flow

margin, liquidity ratio were not used and also the data as other necessary information's were taken from secondary sources.

As the accounting is the language of business, it is required to be uniform through the business world. The accounting language used by all enterprises to another must be similar in order to have an effective communication. Accounting practices should be uniform both corporation and other organizations. Financial reports of enterprises should be readily comparable with those of another.

No doubt accounting standards are not the bad evil, they are granting of a loan to an enterprises. Recently, Nepal has shown interest in accounting standards. So far eleven accounting standards have been issued. Six of them have been implemented from neither government side nor private sectors regarding whether the financial institution conform to Nepal Accounting Standards while preparing the different books of accounts. Similarly, there is no any research done on comparative study of cash flow analysis of a bank with a joint venture bank in Nepal. Probably this might be the first research study. This study has made an effort to raise general awareness exploring the cash flow of a selective bank and a joint venture bank.

Chapter 3

RESEARCH METHODOLOGY

3.1 Introduction

Research Methodology is mainly associated with Research Design, sample design, period of study, sources of data & data collection procedures. Data processing & terms methods, tools techniques, theories employed in the analysis & interpretation.

3.2 Research Design

In order to fulfill the objectives of the study as much as possible, an adequate attention has been paid in the process of research design. The research is carried out on the basis of secondary data. All the required data and essential information is collected from the concerned commercial bank. In the study, descriptive cum analytical research design has been followed to analyze the financial performance of the selected finance companies, various financial parameters and an effective research technique are employed to especially identify the weaknesses of these institutions. On the ground of observed infertilities and inefficiencies, an attempt will be made to suggest the reasonable and useful recommendations to the concerned authorities.

3.3 Populations and Sample

Now a day a number of commercial banks have been emerging rapidly. Some have already been established and others are in the process of establishment. Currently there are 26 commercial banks in Nepal. In the study all the commercial banks are population of study. Among them SCB is from joint venture commercial banks and SBL from Nepalese commercial banks has been selected as sample for the present study. Financial

statements of last five years from 2061/062 to 2065/066 have been taken as sample data for the comparative study of cash flow.

Sample banks are taken on the criteria of a Nepalese bank and a joint venture bank so as to reach to a conclusion with proper suggestion either to a Nepalese bank to live up with that of joint venture bank or to a joint venture bank to have a firm establishment in Nepalese ground.

3.4 Period of Study

The study is based on previous 5 years data covering the F/Y 2061/062 to 2065/066.

3.5 Sources of Data & Data Collection Procedures

The data employed in the study derived is from secondary sources. The audited Balance Sheet, profit & loss A/C and related schedules of the concerned commercial Banks were collected. Besides these, other essential data and information were collected from some published and unpublished documents.

So Far as the data collection procedure is concerned, making an access to the commercial Banks and the Chartered Accountants firm collected annual reports of selected organization. In addition, answers on certain queries made to the staff's of concerned organization also assists in data collection procedure. The researcher has also consulted the library to gather necessary data and information during the course of study.

Annual report of the bank and Internet are the most important source of the data they are taken into consideration while collecting the data.

First of all, the audited accounts of different years of all the concerned commercial banks presented in two different separate sheets each for balance sheet & profit/loss account in order to depict the over all picture of different years of such banks. Thereafter, cash flow statement has been prepared by comparing the 5 consecutive fiscal year balance sheets. After preparing the cash flow statements the data are analyzed by observing all the financial statement.

3.5.1 Terms, Tools, Methods & Techniques of Analysis

While conducting the analysis, for study purpose trend of cash flow through chart of cash flow and other important method of analysis i.e. ratio or percentage has been used.

3.5.2 Cash Flow Analysis

Cash is the lifeblood of business enterprises. It is the fuel that keeps a business alive. Without cash no activities can take place. So a business must have an adequate amount of cash to operate. As such the decision makers must pay close attention to the firm's cash position and events and transaction that affect the cash position of the company is termed as cash flow analysis.

Information about cash flow is useful in many ways. It can also influence the decision makers in many ways. Decision makers may be,

-) Investors
-) Creditors
-) Management

Investor have to decide whether to invest or not in a given company.

Investor will value higher to the company whose regular operating cash flow in more than uses.

Creditors have to decide whether to provide credit facility or not to the given company. Information about cash flow can help creditors decide whether a company will have enough cash to pay the debts as they mature.

Management has to evaluate whether the company has ability to meet unexpected obligations and ability to take advantage of new business opportunities that may arise, and for this the management has to use cash flow analysis. Cash flow analysis could be done by either using cash budget of Cash flow Statement.

3.5.3 Cash Flow Statement

An important activity-oriented financial statement is the statement of cash flows. This Statement provides information not otherwise available in either an income statement or balance sheet; it presents the Sources and the uses of the enterprise's funds by operating activities, investing activities, and financing activities. The statement identifies the cash generated or used by operations; the cash exchanged to buy and sell plant and equipment; the cash proceeds from stock issuances and long term borrowings; and the cash used to pay dividends, to Purchase tile company's outstanding shares of its own stock, and to pay off debts. (Source: www.cashflow.com)

Cash is the lifeblood of a business enterprise. It is the fuel that keeps a business alive. Without cash no activities can take place, so a business must have an adequate amount of cash to operate. As such the decision makers must pay close attention to the firm's cash position and events and transaction that affect the cash position of the company is termed as cash flow analysis.

3.5.4 Financial Statement

Financial statements are organized summaries of detailed financial information. The financial statements employed in this study are as follows;

3.5.5 Income Statement / P/L a/c

It is the financial statement or an accounting report that summaries the revenue and the expense items along with their difference during the accounting period of time.

3.5.6 Comparative Balance Sheet

The balance sheets of selected commercial banks over the study period are presented in five separate sheets each for an institution to see the comparative changes in items of liabilities & assets during that particular time.

3.5.7 Trend Analysis

The trend analyses, as statistical tool, are performed to check whether the cash position of the concerned organizations are improving or deteriorating over the study period. In this study, an attempt has been made to observe the financial trends maintained by selected Banks on the basis of computed data derived from the annual report.

3.5.8 Assumptions of the Study

The following assumptions are made in this study to draw valid and reliable conclusions;

-) Short-term liability like bills payable are assumed as financing source.
-) The numbers of working days are assumed as 360 in a year
-) The fixed assets, which are in balance sheet, are kept by deducting depreciation.
-) Annex presented by the banks on annual report are reliable

Chapter – 4

DATA PRESENTATION AND ANALYSIS

In this chapter, the researcher analyzes five year's data of selected Commercial Bank according to research methodology as mentioned in previous chapter. Cash flow statement is the reconciliation of opening and closing cash balance. Just the balance sheet, income statement and shareholder's equity do not answer the question raised by the users of financial statement. For such queries, cash flow Statement answers those questions by analyzing and comparing through informative accounting system. For this purpose a joint venture commercial bank and a Nepalese commercial bank are taken into analysis. Before starting the presentation and analysis of the data let's have a short look at the main items included in the cash flow statement.

A. Cash Flow from Operating Activity

Operating activities relate to a company's primary revenue generating activities. Operating activity is the main part of cash flow statement as well as main activity for any company/enterprises. It is the single major continuing source of cash. Operating activities are always with in the management control and they provide basic for estimation of fund needed to rise from available sources. It is the principle revenue producing activity of the enterprises. The following are the activities related with operating activities according to the IAS 7.

-) Cash receipt from the sale of good and rendering service.
-) Cash receipt from royalties, fees, commissions and other revenue.
-) Cash payment to supplies for goods and services.
-) Cash payment to staff and on behalf of employees.

-) Cash receipt and cash payment to insurance.
-) Cash receipt and payment for insurance premium and claims, and other policy benefit.
-) Cash payment or refund of income tax.
-) Cash receipt and payment from contract held for dealing or trading purpose.

This chapter deals with cash flow analysis with reference to selected Commercial bank.

So under the NRB directive following are the items of operating cash flow.

Interest income

Commission and discount income

Exchange gain

Non-operating income

Other income related with main business

Interest expenses

Exchange loss

Non-operating expenses

Other expenses

According to NAS-03 (Sec. 14) cash flow from operating activities items are identified same as international accounting standard.

B. Cash Flow from Investing Activity

This activity includes purchase and sale of fixed assets. Banks are the purchaser or seller of the cash. So loans, advance and bills purchase are the main source of investing activities. This is the main revenue-generating sector by interest income. Investing activities include all of those investments made or sold inside or outside of the company. Sale of these securities as well as investment on land and building is the investing activities.

It is better to generate cash by selling fixed assets or investment than increasing investment to the fixed assets. Higher cash inflow shows the cash conversion ability of fixed assets. But investment on government securities and bonds is the requirement of the banks due to the liquid and short time investment. Loans and advance should have negative cash flow in order to maintain business alive. Therefore if the cash inflow were higher than the cash outflow than the situation would be favorable because the company is able to invest more it is considered to be able to expand. According to IAS the following items should be included under investing activities.

Cash payment to acquire fixed assets, tangible or intangible as well as long term assets. These payments include those relating to capitalized development cost and self constructed property plant and equipment.

Cash receipt from sale of fixed assets.

Cash payment to acquire debt, share or warrant of other companies.

Cash advance and loans made to other parties

Cash receipt from the repayment of advance and loan made to third parties.

As far as the commercial banks investing activities include.

Change in balance with bank.

Change in money at call and short notice.

Change in investment.

Change in loans, advance and bills purchase.

Change in fixed assets.

Change in other assets.

According to the Nepal Accounting Standard (NAS) investing activities includes,

) Cash payment to acquire property, plant and equipment, intangible and other long

- term assets
-) Cash payment to acquire equity or debt instrument of other companies
 -) Cash advance and loans made to other parties
 -) Cash receipt and payment for future contracts, forward contracts, option contract and swap contract
 -) Cash receipt from sale of property
 -) Cash from sale of equity or debt instrument of other company
 -) Cash receipt from the repayment of advances and loans made to other parties.

C. Cash Flow from Financing Activity

This activity is the main source to raising long term fund. In order to increase total capital of the organization the company can issue share and debenture and internal financing source like retained earning. These activities include borrowing money from creditors and obtaining resource from owner's capital. Deposits receive from the customer and the excess pending amount on bills payable are the main sources of financing cash flow. For the commercial banks cash from this source should be excess especially non-interest bearing deposit. Repayment of borrowed amount and payment of dividend as well as withdrawal of the deposits are the main cash outflow source under financing activities. According to IAS financing activities are:

-) Cash receipt from issuing share or other equity instrument.
-) Cash payment to owner to acquire or redeem enterprises share.
-) Cash proceed from issuing debt loan, bond, mortgage and other short term borrowing.
-) Cash payment of amount borrowed.
-) Cash repayment by a lessee for the reduction of the outstanding liability to a finance lease.

Similarly under the directive of NRB these are the financing activities for commercial bank.

-) Change in borrowing.
-) Change in deposit.
-) Change in bills payable.
-) Change in other liability.

D. Cash Equivalent

It is the main part of cash flow statement, which describes cash position of the organization from different activities. Cash equivalent define as short term, highly liquid investment that are readily convertible to amount of cash and must be sufficiently close to it maturity. Treasury bill and commercial paper are the example of cash equivalent.

Now, it is necessary to present cash flow statement of selected sample commercial banks and their analyses. Analysis of the data is done on the following way.

-) Comparison with five year data individually.
-) Comparison with every year data between selected sample commercial banks.

Showing graphic and diagrammatic representation through trend analysis.

Following are the cash flow statement of Siddhartha bank and Standard Chartered of the F/Y 2061/62to 065/066

4.1 CASH FLOW STATEMENTS OF SIDDHARTHA BANK

Table 4.1

	PARTICULARS	2061/62	2062/63	2063/64	2064/65	2065/66
A	Cash flow from operation	60,968,771.28	(155,134,124.00)	337,377,799	(186,453,300)	1,195,235,761
	1. Cash receipt	233,680,001.12	327,762,016	534,387,080	810,614,678	1,388,421,388
	Interest Income	191,605,102	292,231,934	481,268,995	729,872,484	1,265,582,131
	Commission and discount income	7,552,790.13	13,774,645	20,177,802	21,454,424	32,547,830
	Exchange gain	7,170,572.67	12,050,770	14,245,653	27,487,389	38,682,163
	Non operating income	-	-	-	-	-
	Other income	27,351,536.32	9,704,667	18,694,630	31,800,381	46,354,212
	Tax income	-	-	-	-	5,255,052
	2. Cash Payment	(154,141,383.84)	(250,634,906)	(383,830,704)	(595,774,179)	(1,115,329,574)
	Interest expenses	(91,592,377.52)	(148,956,870)	(271,710,950)	(408,188,955)	(813,619,042)
	Staff expenses	(20,310,189.92)	(26,087,462)	(33,620,506)	(48,247,208)	(79,384,785)
	Office operating expenses	(42,238,816.40)	(55,427,849)	(38,466,054)	(71,480,863)	(114,816,885)
	Exchange loss	-	-	-	-	-
	Income tax paid	-	(20,162,725)	(40,033,194)	(65,769,319)	(98,651,396)
	Differed tax expenses	-	-	-	(2,087,834)	-
	Other expenses	-	-	-	-	(8,857,466)
	Cash Flow before changes in working capital (1-2)	79,538,617.28	77,127,110	150,556,376	214,840,499	273,091,814
Decrease/ (Increase) of Current Assets	(1,179,752,760)	(1,681,243,194)	(2,805,424,734)	(3,810,899,190)	(4,827,910,250)	
1.	152,358,998	(77,528,998)	(129,446,305)	(355,289,579)	99,895,884	

	Decrease/(Increase) in money at call and short notice					
	2. Decrease/(Increase) in short term investment	(244,572,873)	(364,355,737)	(199,210,391)	(284,027,237)	(819,881,997)
	3. Decrease/(Increase) in loan and bills purchase	(1,085,511,621)	(1,234,339,384)	(2,450,457,205)	(3,161,059,745)	(4,024,008,758)
	4. Decrease/(Increase) in other assets	(2,027,264)	(5,019,075)	(26,310,833)	(24,727,224)	(83,915,379)
	5 Decrease/(Increase) in non banking assets	-	-	-	14,204,595	-
	Decrease/(Increase) of Current Liabilities	1,161,182,914	1,448,981,960	2,992,246,157	3,409,605,391	5,750,054,197
	1. (Decrease)/Increase in deposits	1,170,608,641	1,456,153,396	2,707,002,289	3,566,362,464	5,663,357,433
	2. (Decrease)/Increase in short term borrowing	(30,000,000)	(8,850,000)	248,850,000	(224,867,123)	122,467,123
	3. (Decrease)/Increase in other liabilities	20,574,273	1,678,564	36,393,868	66,465,613	(37,763,248)
	4. (Decrease)/Increase in bills payable	-	-	-	1,644,437	1,992,889
B	Cash flow from investing activities	(1,553,039)	(9,219,825)	(36,097,751)	(26,610,942)	(306,210,088)

	Changes in long term investments	-	-	(14,999,000)	(880,000)	(206,450,000)
	Interest income on long term investments	254,813	255,511	254,812	-	-
	Changes in fixed assets	(1,807,852)	(9,475,336)	(21,353,563)	(25,730,942)	(99,760,088)
C	Cash flow from financing activities	(532,782)	149,570,789	100,000,000	133,263,158	221,233,158
	Changes in loan (bond, debenture)	-	-	-	-	227,770,000
	Changes in bills payable	-	(429,211)	-	-	-
	Changes in proposed dividends and dividend payables	-	-	-	(4,736,842)	(6,536,842)
	Changes in share capital fund	-	150,000,000	100,000,000	138,000,000	-
	Changes in other liabilities	(532,782)	-	-	-	-
D	Net cash flow of the year A+B+C	58,882,949	14,782,859	401,280,048	(79,801,085)	1,110,258,831
E	Opening cash balance	71,846,215	130,729,165	115,946,306	517,226,354	437,425,269
F	Closing cash balance	130,729,165	115,946,306	517,226,354	437,425,269	1,547,684,100

4.1.1 Cash Flow from Operating Activity

Total Cash flow from operating activities of the Siddhartha Bank in early years were in descending order and it has been in ascending order in later years. This reality is presented in the following table as;

Comparative study of cash flow from operation of different years

Table –4.2

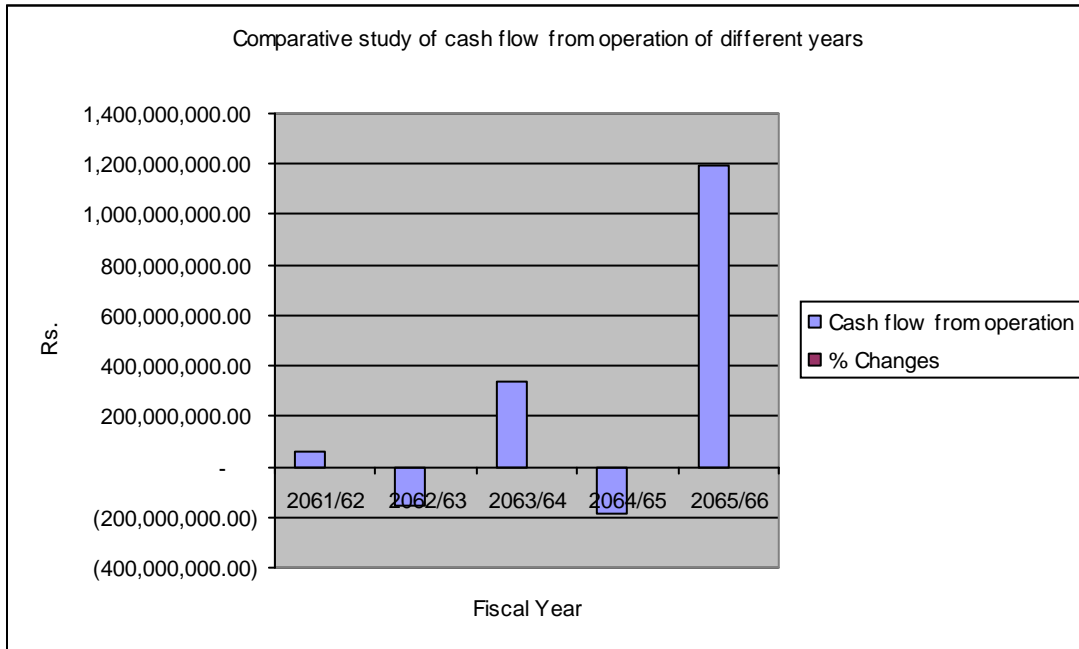
Cash Flow from Operating Activity

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Cash flow from operation	60,968,771.28	(155,134,124)	337,377,799	(186,453,300)	1,195,235,761
% Changes	Z	-154.45%	117.47%	-44.73%	541.04%

From the table presented above, the total cash flow of the bank is in decreasing trend in second fiscal year in comparison to base year and increasing trend in third year under the study and so as negative cash flow in fourth year and again positive in fifth year under the study. The percentage declined in total cash flow in the two fiscal years are; -154.45% in 2062/63 and -44.73% in 2064/65 and where as the increase percentage in the other two fiscal years are; 117.47% and 541.04% in 2063/64 and 2065/66 respectively.

The graphic presentation of the above reality could be done in the following manner through simple bar diagram;

Figure –4.1



The total cash flow of the bank is the combination of cash from operating activities, cash from investing activities and cash from financing activities. The cash flow of the bank from investing section in different fiscal years is as follows;

4.1.1.1 Cash from operating (i.e. receipt) section

Table- 4.3

Cash from operating (i.e. receipt) section

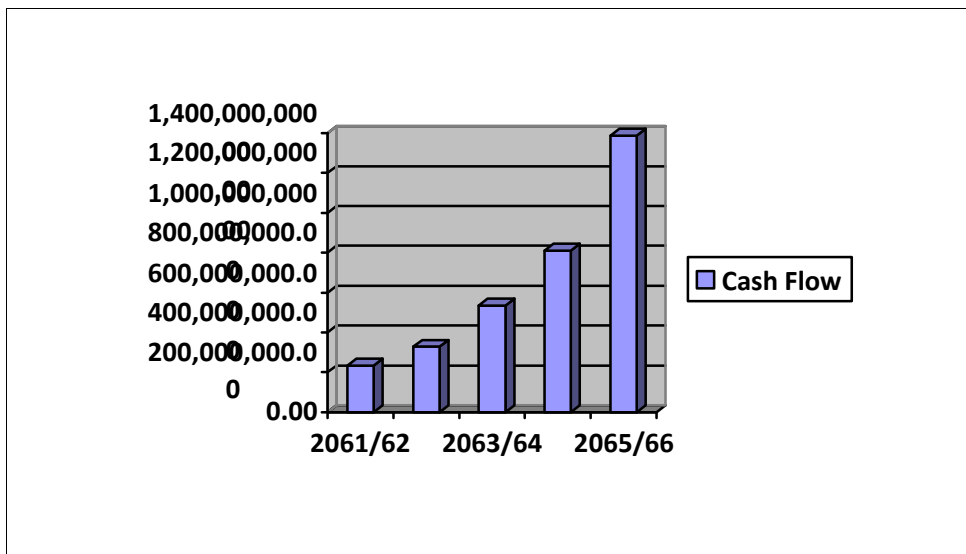
Fiscal Year	2061/62	2062/63	2063/64	2064/65	2065/66
Cash Flow	233,680,001.12	327,762,016	534,387,080	810,614,678	1,388,421,388
% Change	-	40.26%	63.04%	51.69%	71.28%

The cash flow from operating section is in ascending order, which is a positive aspect to the bank. The increase in cash in flow are 71.28% and 51.69% respectively in the year 2065/66 and 2064/65 in compare to the fiscal year 2063/64 2062/63 and 63.04%, 40.26% in the following fiscal years.

The graphic view of the cash from operating section for different fiscal years is given as;

Figure –4.2

Cash from operating (i.e. receipt) section



The operating cash flow included various headings to the various banks. But the cash flow from operating section of the bank under study comprise of the following sections;

Interest income

Commission and discount

Exchange gain

Non-operating income

Other source income

The table given below states the cash inflow from various sources in the total inflow from the given section;

Table-4.4

Composition of operating cash flow

Fiscal years	Interest Income	Exchange Gain	Other source Income	Commission and Discount
2061/62	191,605,102	7,170,572.67	27,351,536.32	7,552,790.13
2062/63	292,231,934	12,050,770	9,704,667	13,774,645
2063/64	481,268,995	14,245,653	18,694,630	20,177,802
2064/65	729,872,484	27,487,389	31,800,381	21,454,424
2065/66	1,265,582,131	38,682,163	46,354,212	32,547,830

From the above given table, we can conclude that the main source of cash from operating section is cash from interest income. Cash from commission and discount, exchange gain are the rest of the cash source of the bank.

This reality is made more clear through the given below simple bar diagram as follows;

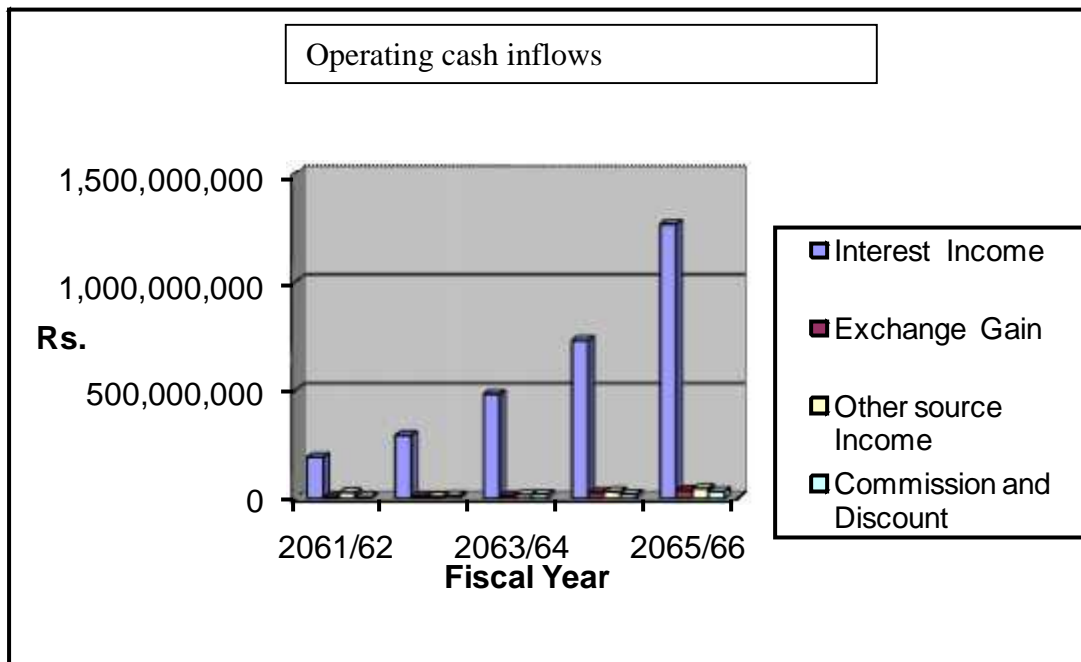


Figure-4.3

From the above table we can be conform that the main source of cash inflow of the bank is cash from interest income then only Commission and discount, exchange gain are the other contributors in cash from operating activities.

On the other hand, total cash payment from the operating activities also in increasing trend. The total cash out flow of the bank is shown in the following section;

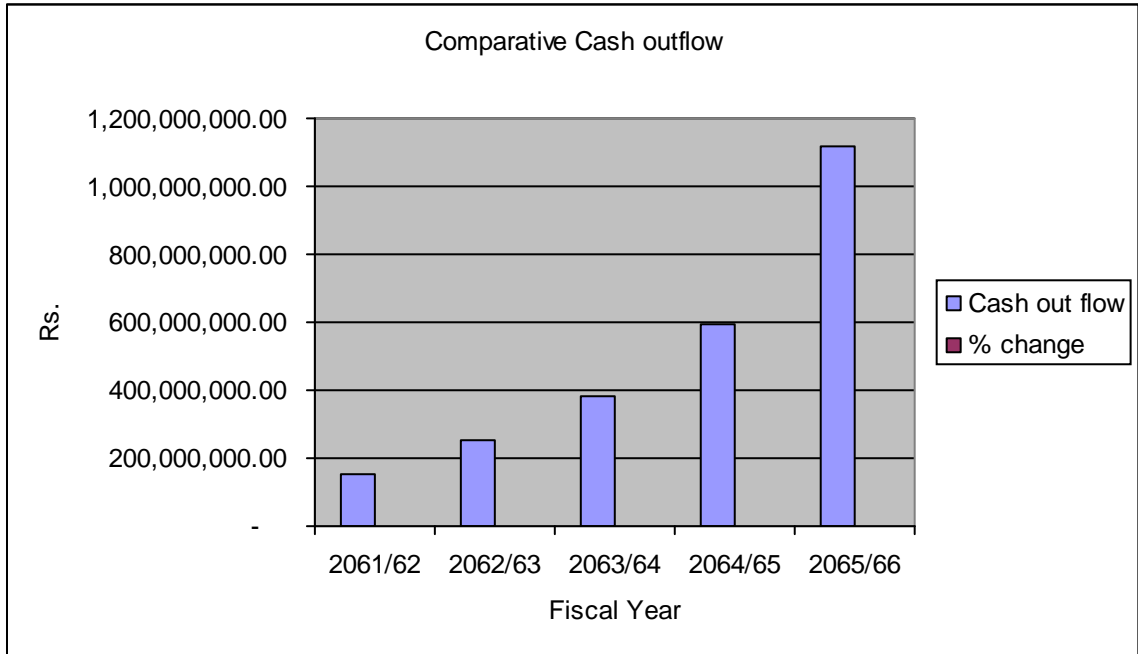
4.1.1.2 Cash to operating section

Table-4.5

Cash to operating section

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Cash out flow	154,141,383.84	250,634,906	383,830,704	595,774,179	1,115,329,574
% Change		43.69%	62.60%	53.14%	55.22%

Figure –4.4



The operating cash payment of the bank has risen. In the fiscal year 2061/62 and 2062/63 the cash payment has raised by 43.69% and 62.60% where as the cash payment has raised by 53.14% in year 2063/64 and 55.22% in year 2064/65 and its 87.21 % increment in year 2065/66. The base year of the comparison is fiscal year 2061/062.

Similarly, the total cash payment could be studied by dividing it into various sub headings. The various sub-sectors where the cash payment is required for the bank is as follows;

Interest expenses

Staff expenses

Exchange loss

Office operating expenses

Other expenses

Income tax paid

Differed tax expenses

In the following section, the composition of cash payment of the bank is shown as;

Table-4.6

Composition of operating cash outflow

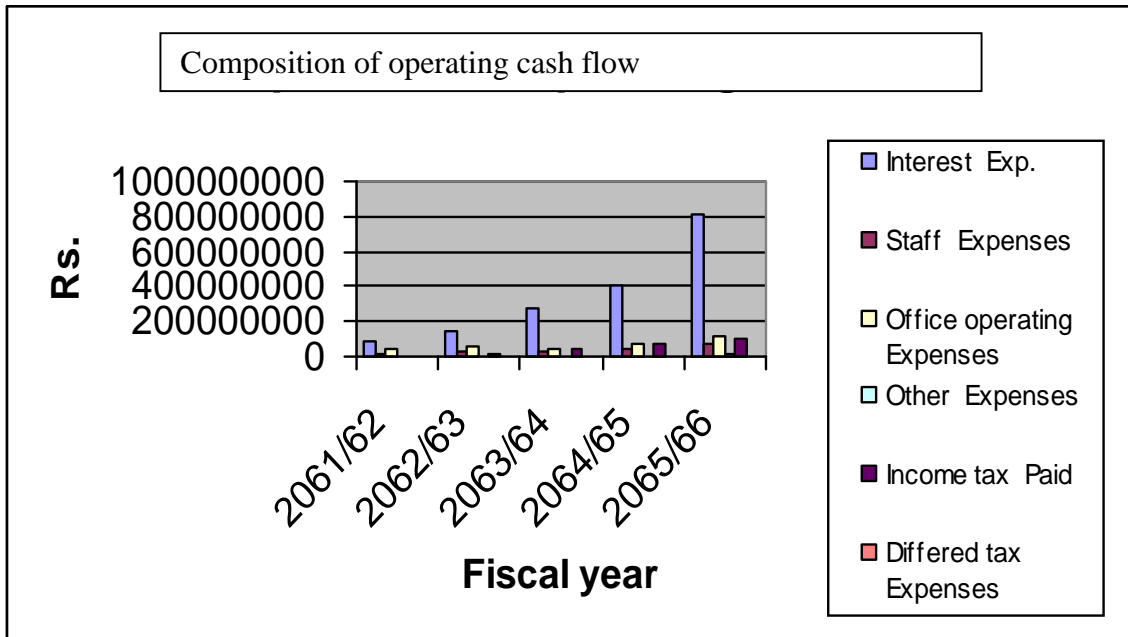
Fiscal Years	Interest Exp.	Staff Expenses	Office operating Expenses	Other Expenses	Income tax Paid	Differed tax Expenses
2061/62	(91,592,377.52)	(20,310,189.92)	(42,238,816.40)	-	-	-
2062/63	(148,956,870)	(26,087,462)	(55,427,849)	-	(20,162,725)	-
2063/64	(271,710,950)	(33,620,506)	(38,466,054)	-	(40,033,194)	-
2064/65	(408,188,955)	(48,247,208)	(71,480,863)	-	(65,769,319)	(2,087,834)
2065/66	(813,619,042)	(79,384,785)	(114,816,885)	(8,857,466)	(98,651,396)	-

Interest payments are in highly increasing trends. It shows that payments of interest as compare to receipt are increasing. Staff expenses are also in increasing trend, which shows that the bank is giving priority in human resource acquisition. Office operating expenses are also in increasing trends in first two years. It decreases in third year and it also raises last two fiscal years. There is large payment for operating expenses in recent year with respect to previous year. Exchange losses are not bearing by the bank. There is not any payment for other expenses except in fifth year. Income tax paid throughout these

fiscal years is also in increasing trend, which indicates the increased profits of bank in each succeeding year. Differed tax expenses occurred in fiscal year 2064/65 only.

The composition of cash payment of the bank in various sections could be presented in simple bar diagram as follows;

Figure-4.5



The way the Operating receipts are in increasing trends operating payments are also in increasing trend. The increment in interest expenses indicates the increasing trend of deposit in each successive year and so as increment in staff expenses shows the recruitment of new and capable human resources as per bank 's need and for their trainings and development. Now a day's interest income has increasing trend because the bank is increasing its investment. The bank is earning higher which is showed by the increasing income tax every year.

4.1.2 Cash flow from Investing Activity

Positive cash flow from investing activities represents sale of investment and fixed assets. Similarly negative cash flow means the Bank made investment for internal or external fixed assets, securities and loans and advance. Banks are the trader of cash so investing activities of the bank differs from the other trading and manufacturing company.

The total cash from investing activities could be figured out through tabulation method as

Table-4.7

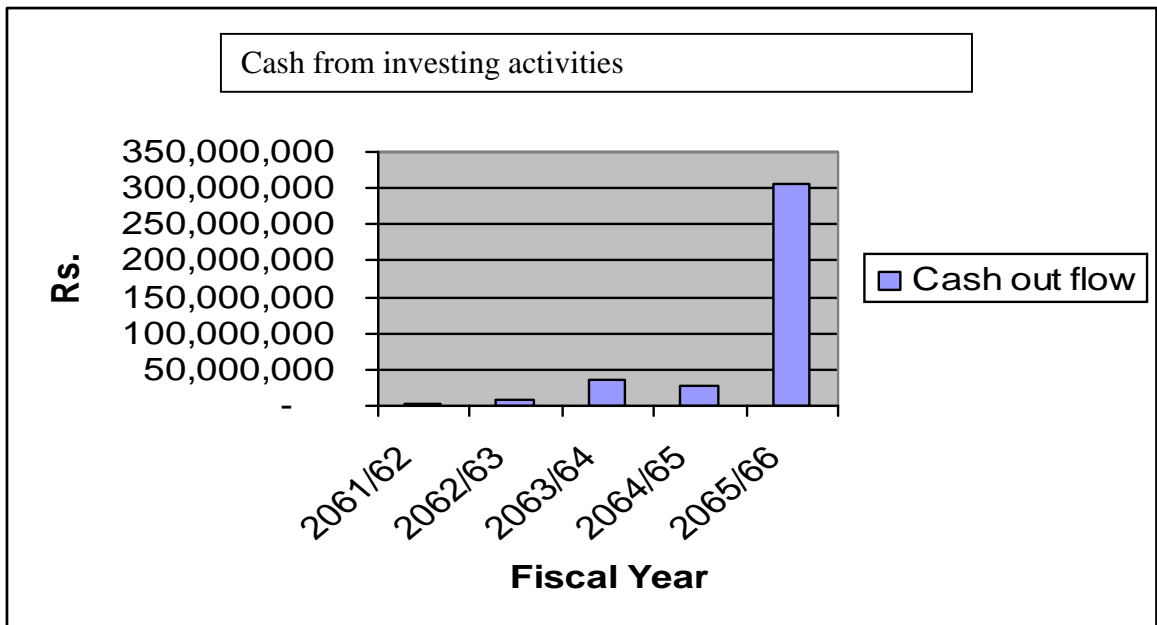
Cash flow from Investing Activity

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Cash out flow	1,553,039	9,219,825	36,097,751	26,610,942	306,210,088
% Change	-	493.66%	291.52%	-26.28%	1050.69%

The table says that the bank has negative cash flow form investing activities in its fiscal years under studies that may be because of the extension of infrastructures in the contest of economic globalization, technological change and market competition except in the fiscal year 2064/65 where cash out flow decreased by 26.28%.

The trend of cash from investing activities for different five fiscal years are figured out in the following bar diagram;

Figure-4.6



The evaluation of investment activities includes changes in balance with bank, long term investments, money at call and short notice, interest income on long term investments, loans advance and bill purchased and changes in fixed assets and other assets. There is a fluctuation in investment made by bank under long term investment but the changes in fixed assets is highly negative which shows the bank has increased its area of fixed assets in each fiscal year.

4.1.3 Cash flow from financing Activity

Financing means rising of capital from different sources in order to operate the company effectively. Generally financing sources refers debenture, share and retained earning plugging back. But the bank has other sources of financing rather than mentioned above. They are collection of deposit through different account like current, saving and fixed deposit as well as margin deposit and others.

Cash flow from financing activities of different fiscal years under studies has been tabulated as follows;

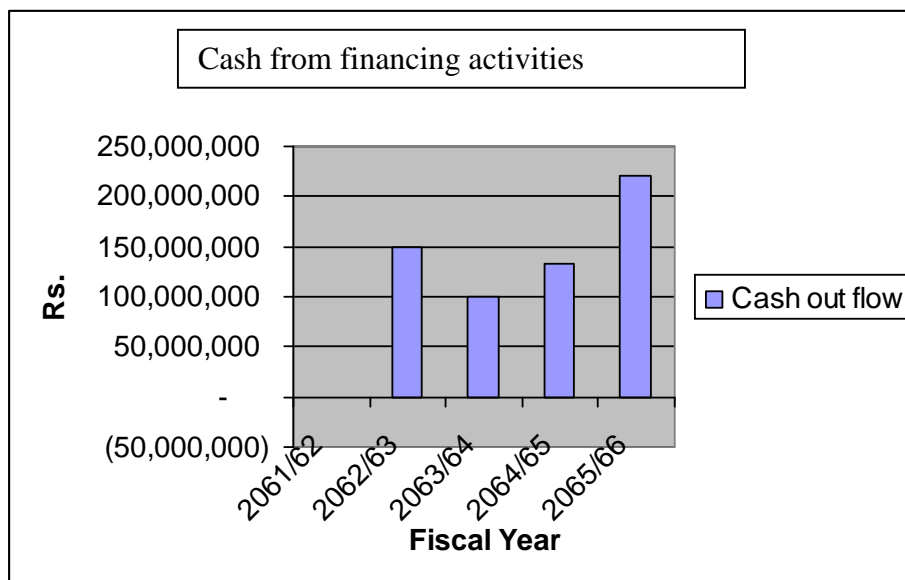
Table –4.8

Cash from financing activities

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Cash out flow	(532,782)	149,570,789	100,000,000	133,263,158	221,233,158
% Change	-	27973.54%	-33.14%	33.26%	66.01%

Cash flow from financing activities for SBL bank has been fluctuating in the different fiscal years under study. In the fiscal year 2061/62 the cash out flow was negative due to the amount of other liabilities but in fiscal year 2062/63 it showed positive cash flow due to the increment in share capital. It increases by 27973.54% in comparison to former fiscal year. Fiscal year 2063/64 is followed by negative figures which indicates the deployment of lessen share capital. And in last fiscal year under study, it again reaches to affirmative increment due to the issuance of debenture and bonds and its 66.01% than former fiscal year. To visualize this reality simple bar diagram has been presented as follows;

Figure-4.7



From the bar diagram presented above, we can see that the cash flow from financing activities has been increased in higher amount in the fiscal year 2062/63 where as in other fiscal years 2063/64 and 2064/65 the cash flow has been decreased in compare with the fiscal year 2062/63 but have been increased in compare with the base fiscal year i.e. fiscal year 2061/62 and again there is high increment of positive cash flow in fiscal year 2065/66. So, from the above graph we can conclude that the Siddhartha bank has a very fluctuating cash flow from financing.

Net cash flow of the bank in different fiscal year is the combination of net cash from operating activities, net cash from financing activities and net cash from investing activities. The net cash flows of the bank under different fiscal year are presented in the following table;

4.1.4 Net cash flow of the bank

Table-4.9

Net cash flow of the bank

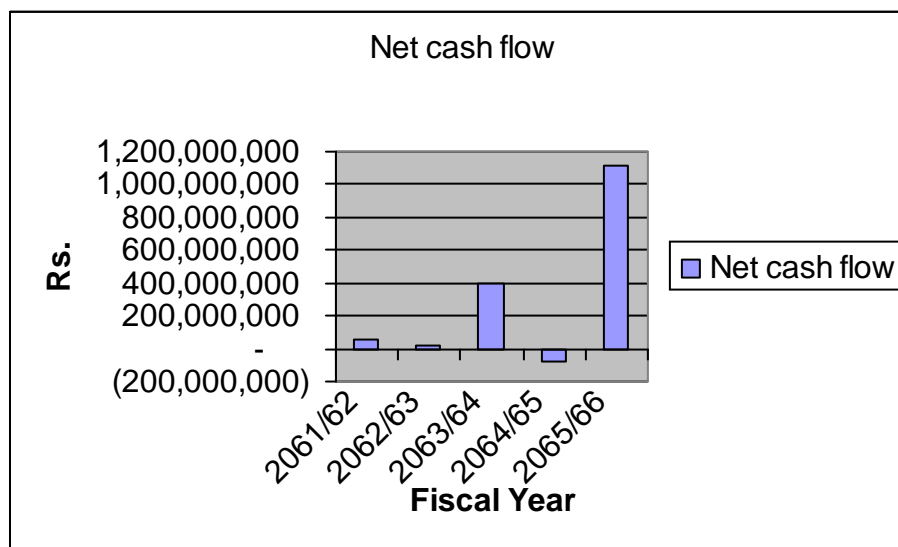
FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Net cash flow	58,882,949	14,782,859	401,280,048	(79,801,085)	1,110,258,831
% change		-74.89%	2614.50%	-119.89%	1491.28%

The net cash flow of the bank in the preceding fiscal year 2062/63 under study is in descending percentage by 74.89% than 2061/62. where as net cash flow for last fiscal year under studies i.e. 2063/64, 2065/66 is in positive percentage. In the fiscal year 2063/64 the net cash flow is being pushed up by share capital. In that fiscal year the bank has issued share of 100 million. In fiscal year 2064/65 also the bank has issued share capital of 138 million. In that year the deposit has also remarkably increased under current liabilities. So, despite the issuance of share capital the net cash flow is in negative figure

in comparison to fiscal year 2063/64 and it's -119.89%.In fiscal year 2064/65 the increment in long term investment, long term debentures, other assets and cash from operating activities leaded the net cash flow in towards positive values and its 1491.28 higher than previous year that is 2064/65.

Hence, the net cash flow of the bank is in volatile position in each year under study. It is not either growing up or going negative in a particular trend. This reality could be made more clearly form the following simple bar diagram;

Figure-4.8



The bank invested much amount in the investing activities in comparison to former fiscal year 2061/62. So, as its current liabilities and cash payment also exceeded as a result total cash flow for the year 2062/63 is lesser. Cash flow from financing activities is negative in the second year. But operating and investing cash flow are positive. The year 2059/60 is the significant year for positive cash flow in total. Cash from investing activities in this year is negative. But due to the higher positive cash flow from operating and financing activities total cash flow come to Rs 103037524. Similarly overall cash flow is

Negative in the year 2060/61 and 2061/62 due to the highest amount of negative cash flow received from investing activities.

4.1.5 Cash position

The cash position refers to the total cash available in the bank itself, balance maintained in Nepal Rastra Bank and also the balance maintained in other financial institutions. Cash includes all kinds of currencies i.e. Nepalese currency, Rupees, Foreign currencies i.e. INR, USD, EURO.GBP, AUD etc.

The Cash maintained by Siddhartha Bank through out the fiscal year under study is tabulated as below;

Table-4.10

Cash position

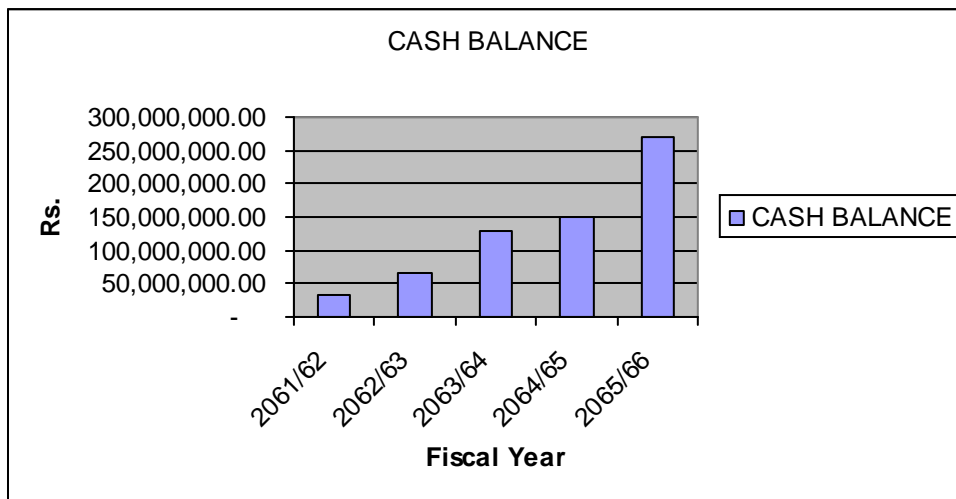
CASH BALANCE	2061/62	2062/63	2063/64	2064/65	2065/66
Local Currency (including coins)	32,826,852	62,326,443	126,445,868	145,657,267	265,733,771
Foregin Currency	632,588.75	2,650,885	3,996,712	3,349,683	5,212,016
TOTAL	33,459,440.75	64,977,328	130,442,580	149,006,950	270,945,787
% Change		94.19%	100.75%	14.23%	81.83%

From above table we can see the clear figure of the balance of cash being maintained by the Bank in its vaults of all branches. The balance is being in increasing trend from each former year under the study, which shows the positive behavior of the transactions in the bank and so as the increased no of transaction by the enlarged customer also helped the cash balance of the bank each year. Mostly the customers of savings accounts, currents accounts and call accounts leads the volume the cash balance and daily transactions of bank.

In fiscal year, 2062/63 the cash balance increased by 94.19% followed by 100.75% and 14.23% in 2063/64 and 2064/65 .Its been huge increment in fiscal year 2065/65 by 81.83%

The trend of cash balance in different five fiscal years are figured out in the following bar diagram;

Figure-4.9



The above bar diagram also clearly represented the improved cash balance of Siddhartha Bank. It has greatly increased its Nepalese cash balance as well as foreign cash balance each year.

4.1.5.1. Cash at Rastra Bank and other financial institution and foreign Banks

Liquidity is bank's ability to generate cash quickly to meet its short obligations at a reasonable cost. It reflects the short-term financial strength of a bank. Liquidity of the bank shows the ability to solve one's payment. It shows the overall financial capacity of bank. The bank is considered to be liquid if it has access to immediate spend-able fund at reasonable cost at precisely the time those funds are needed. The liquidity in term can be used as an ability to invest in a sensitive sector like government securities, money at call and CRR provision etc. The certain amount of the deposit received by depositors should

get maintain so that it can be easily converted into cash. Liquidity helps to reduce the cash risk, which directly leads to bankruptcy. Banks are required to maintain a certain percent of the total deposit as CRR provision as per the NRB rules. Therefore, Nepal Rastra Bank has set a fixed CRR provision for all the Commercial Banks which bank has to comply. According to the directives of NRB all Commercial bank should maintain 5% of amount of total deposit as CRR in their NRB account. This provision helps commercial banks to preserve the liquidity capacity to meet their short-term obligations by themselves. The bank also maintain balances in other different financial institutions like other commercial banks, development banks, finance companies, cooperatives, and in foreign banks as well to meet its various objectives and to make new relationships and also for maintaining existing relationships.

We can see the cash balance maintain by SBL in fiscal year under the study as follows:

Table-4.11

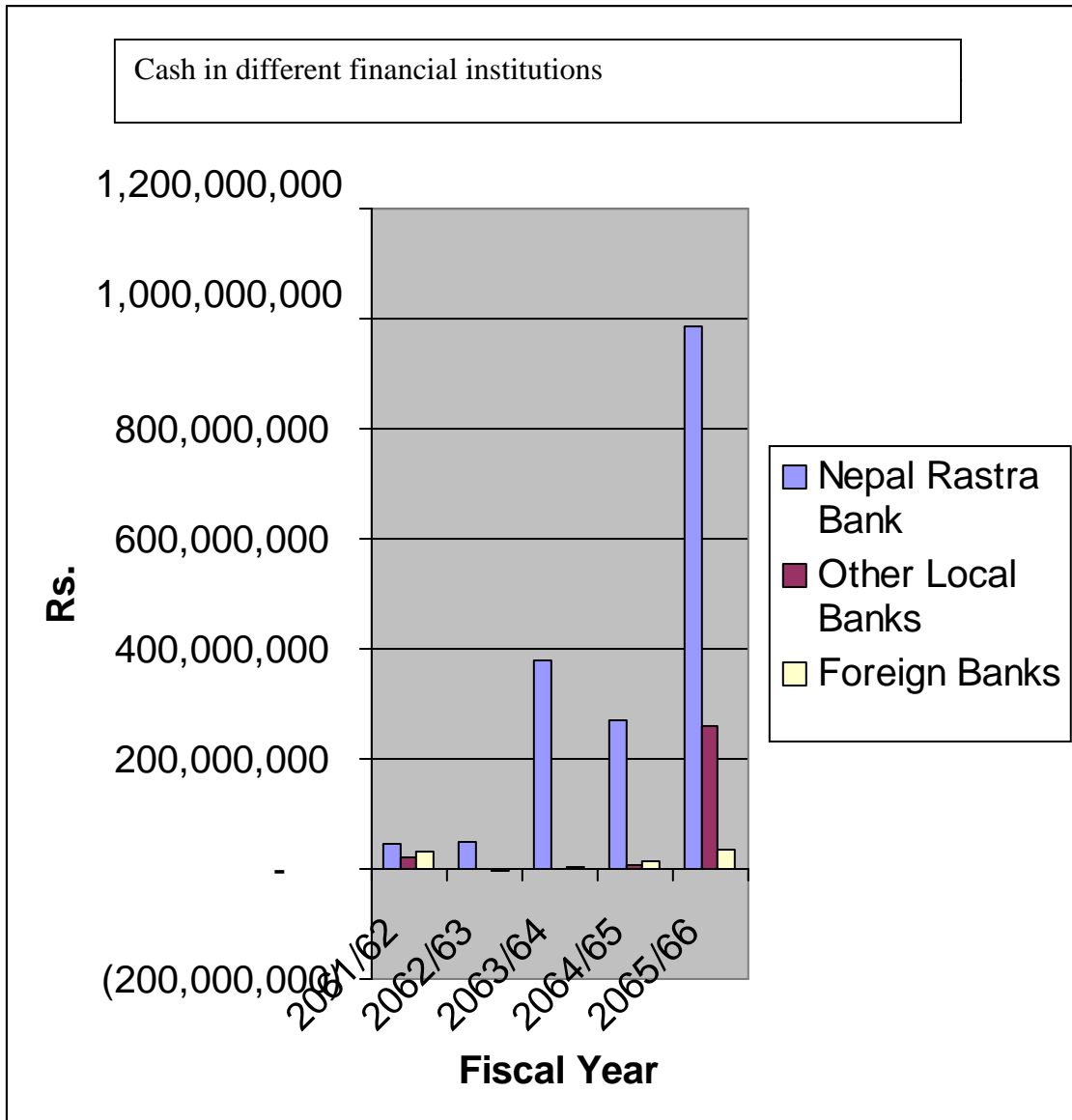
Cash at Rastra Bank and other financial institution and foreign Banks

Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
Nepal Rastra Bank	45,636,582	48,831,305	380,563,747	270,219,328	984,981,288
		7%	679.34%	-28.99%	264.51%
Other Local Banks	21,182,433			5,310,506	257,924,695
Foreign Banks	30,450,709	(3,090,077)	3,242,437	12,888,485	33,832,331
Total	97,269,724	45,741,228	383,806,184	288,418,319	1,276,738,314

The above figures can also be more presented in bar diagram as;

The chart also showed the volatile cash balance of SBL in different financial institutions. The CRR maintained in NRB increased by 7% in fiscal year 2062/63 whereas by 679.34% in 2063/64. So, in the year 2065/66 the balance in NRB reached to high summit. But was decreased by 28.99% in 2064/65 followed by increment of 264.41% in 2065/66. It shows during the fiscal year under study the in some year the bank has met the NRB rules and in some year it didn't.

Figure-4.10



4.1.6 Ratios

Ratios show the relationship between two variables. Similarly the investment deposit ratios show the relationship between the amount of average deposit and amount of average investment. It defines the ratio of how much amount of deposit is being invested

by the bank. Investment includes both the long term as well as short-term investments made by the bank. And the average value states the total value of fiscal years under study divide the number of years. The investment in government securities comes under long-term investment. The investment in government securities ratio shows how volume of amount is being invested on govt. securities by the banks. The higher the ratio will be higher will the good result for banks. Cash and bank balance ratio leads to the information that how much a bank is having liquidity. It's the relationship between amount of total deposit and cash balance of bank. In regards of SBL, Investment Deposit Ratio is -0.15 , which showed that the investment is very low in comparison to its deposit. So, as the investment in govt. securities are also very low and its -0.21 , -0.25 , -0.07 , -0.08 , -0.14 respectively from fiscal year 2061/62 to 2065/66. Its taking decreasing trend. Bank's liquidity position is very volatile in nature. The ratio is 0.11 , 0.08 , 0.19 , 0.12 , and 0.27 respectively. Similiarly, the CFOA per share ratio analyses the cash from operations to the annual earnings of the bank. This ratio should have a value between 1 to 2 which would mean the banks earning is at least half of cash flow from operating activities or the bank has fewer expenses. But, in case of SBL its 0.9 , -2.4 , 3.5 , -1.3 , and 5.5 , and 6.8 respectively in fiscal years under study. So, it's clear that the volume of operating activities is not much contributing in earning to the bank. Because, the ratios made showed there is high difference between cash flow from operating activities per share and earning per share.

4.2 CASH FLOW STATEMENTS OF STANDARD CHARTERD BANK

Table-4.12

	Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
A	Cash flow from operation	(600,036,268)	2,942,214,511	1,092,749,033	(45,233,838)	6,948,938,465
	1. Cash receipt	638,867,841	1,251,157,331	1,572,010,974	1,862,221,002	2,128,177,260
	Interest Income	156,369,912				

		778924776	1,071,701,495	1,295,672,504	1,480,241,128
Commission and discount income	183,432,692	220,450,214	224,164,421	272,068,274	238,616,592
Recovery of loan written off	300,390	1,576,518	1,020,334	5,867,246	352,358,259
Exchange gain	266,864,869	223429663	237,103,978	255,436,198	23,770,030
Non operating income	2,957,005				
Other income	31,899,978	26,776,160	38,020,746	33,176,780	33,191,251
2. Cash Payment	(1,238,904,109)	(1,373,139,685)	(1,631,699,607)	(1,621,292,559)	(1,963,910,721)
Interest expenses	(255,528,777)	(300,222,265)	(397,832,097)	(474,628,760)	(521,840,234)
Staff expenses	(148,037,439)	(168,497,496)	(200,045,248)	(223,667,612)	(254,218,116)
Office operating expenses	(167,433,658)	(188,079,960)	(207,528,139)	(206,769,247)	(250,890,193)
Exchange loss					
Income tax paid	(262,503,579)	(265,502,934)	(330,025,738)	(385,040,406)	(440,908,086)
Differed tax expenses					
Non operating expense					
Other expenses	(405,400,656)	(450,837,030)	(496,268,385)	(331,186,534)	(496,054,092)
Cash Flow before changes in working capital	(600,036,268)	(121,982,354)	(59,688,633)	240,928,443	164,266,539
Decrease/ (Increase) of	(908,737,567)	(610,533,438)	(1,351,802,697)	(4,364,232,028)	233,676,234

	Current Assets					
	1. Decrease/(Increase) in money at call and short notice	(41,091,500)	282,420,000	216,119,500	(436,386,100)	141,988,600
	2. Decrease/(Increase) in short term investment					
	3. Decrease/(Increase) in loan and bills purchase	(1,729,395,745)	(790,837,272)	(1,589,803,459)	(3,255,242,077)	44,154,587
	4. Decrease/(Increase) in other assets	861,749,678	(102,116,166)	21,881,262	(672,603,851)	47,533,047
	Decrease/(Increase) of Current Liabilities	(1,975,912,999)	3,674,730,303	2,504,240,363	4,078,069,747	6,550,995,692
	1. (Decrease)/Increase in deposits	(1,826,347,002)	3,697,562,231	1,585,988,674	5,096,978,038	6,127,722,333
	2. (Decrease)/Increase in certificate of deposits					
	3. (Decrease)/Increase in short term borrowing	(22,356,464)	(28,098,121)	380,417,495	(348,771,311)	285,544,727
	4. (Decrease)/Increase in other liabilities	(127,209,533)	5,266,193	537,834,194	(670,136,980)	137,728,632
B	Cash flow from investing activities	257,264,079	(2,837,132,171)	(421,102,274)	(16,662,637)	(5,990,481,198)

	Changes in balance with bank					
	Changes in long term investments	1,657,775,152	(3,144,982,442)	(714,678,023)	(323,460,547)	(6,333,302,071)
	Changes in money at call and short notice					
	Changes in Investments					
	Interest income on long term investments	913,297,506	355,290,743	326,549,868	319,814,530	365,061,547
	Changes in loans advance and bill purchased					
	Changes in fixed assets	1,518,068	(47,539,177)	(33,230,334)	(14,116,435)	(24,719,699)
	Changes in other assets					
	Dividend income	49,353	98,705	256,215	1,099,815	2,479,025
C	Cash flow from financing activities			1,150,360	901,799	790,400
	Changes in borrowing					
	Changes in deposits					
	Changes in bills payable					
	Changes in proposed dividends and dividend payables					

	Changes in share capital fund			1,150,360	901,799	790400
	Changes in other liabilities					
D	Income/Expense form change in exchange rate in cash and bank balance		60,042,189	71,982,526	90,216,822	127672654
E	Net cash flow of the year A+B+C	(912,046,755)	165,124,529	744,779,645	29,222,146	1,086,920,321
F	Opening cash balance	2,023,163,649	1,111,116,894	1,276,241,423	2,021,021,068	2050243214
G	Closing cash balance	1,111,116,894	1,276,241,423	2,021,021,068	2,050,243,214	3,137,163,535

4.2.1 Cash Flow from Operating Activity

Total cash flow from operating activities of the bank under the different fiscal years is in fluctuating order. To make this reality more apparent, the cash flow is tabulated as follows;

Table –4.13

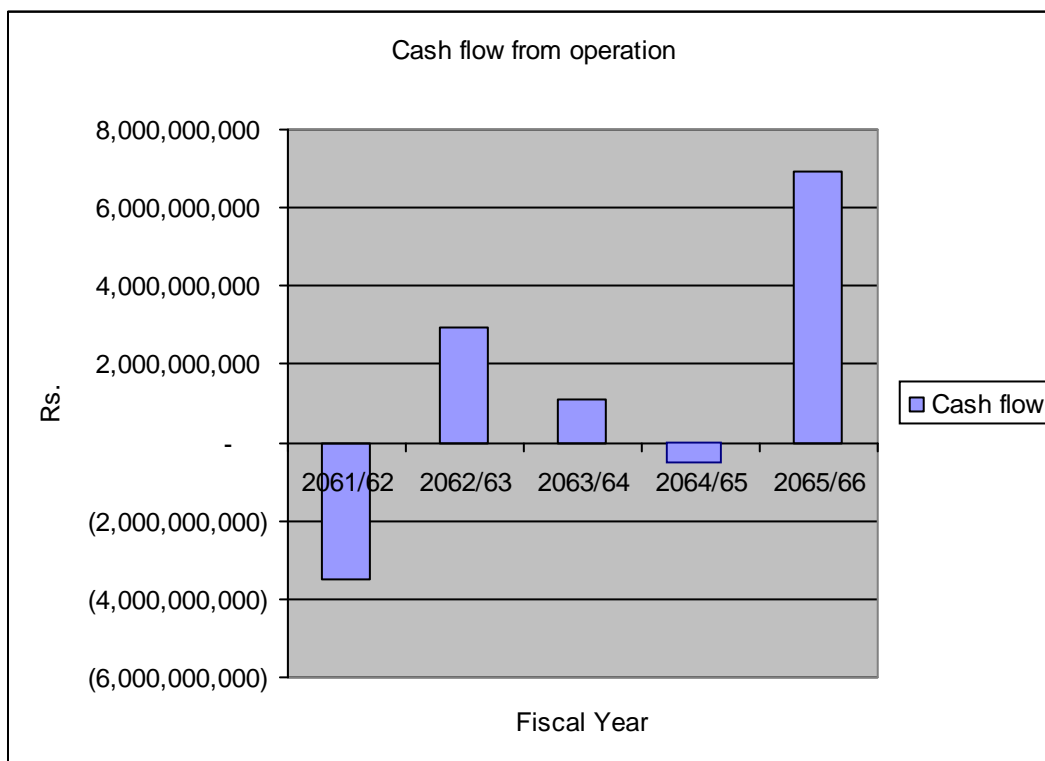
Comparative study of cash from operating activities

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Cash flow	(3,484,686,834)	2,942,214,511	1,092,749,033	(45,233,838)	6,948,938,465
% Change		184.43%	-62.86%	-104.14%	15262.26%

As the table showed the operating cash flow was in volatile trend. It wasn't in ascending order or in descending order. In fiscal year 2062/63 it went up by 184.43% where as in 2063/64 and 2064/65 it went down by 62.86%, 104.14% respectively. Again it took up high remarks in fiscal year 2065/66 by 15262.26% due to the highly increment in current assets and hugely decrement in current liabilities. From the table we can conclude that the cash flow from operating activities is volatile in nature

To beautify this reality, the following simple bar diagram is presented for;

Figure-4.11



Hence the cash flow from operation of the bank is in wave; one-year decrease and the following year is in increasing order again it decreases from fiscal year 2063/64 to 2064/65 and in final year under study it pick up high summit.

As per the component of cash in flow of the SBL bank, Standard chartered bank's cash flow also includes the very headings. The following section of this study deals the same matter for the bank;

4.2.1.1 Cash to operating section (inflow)

Table-4.14

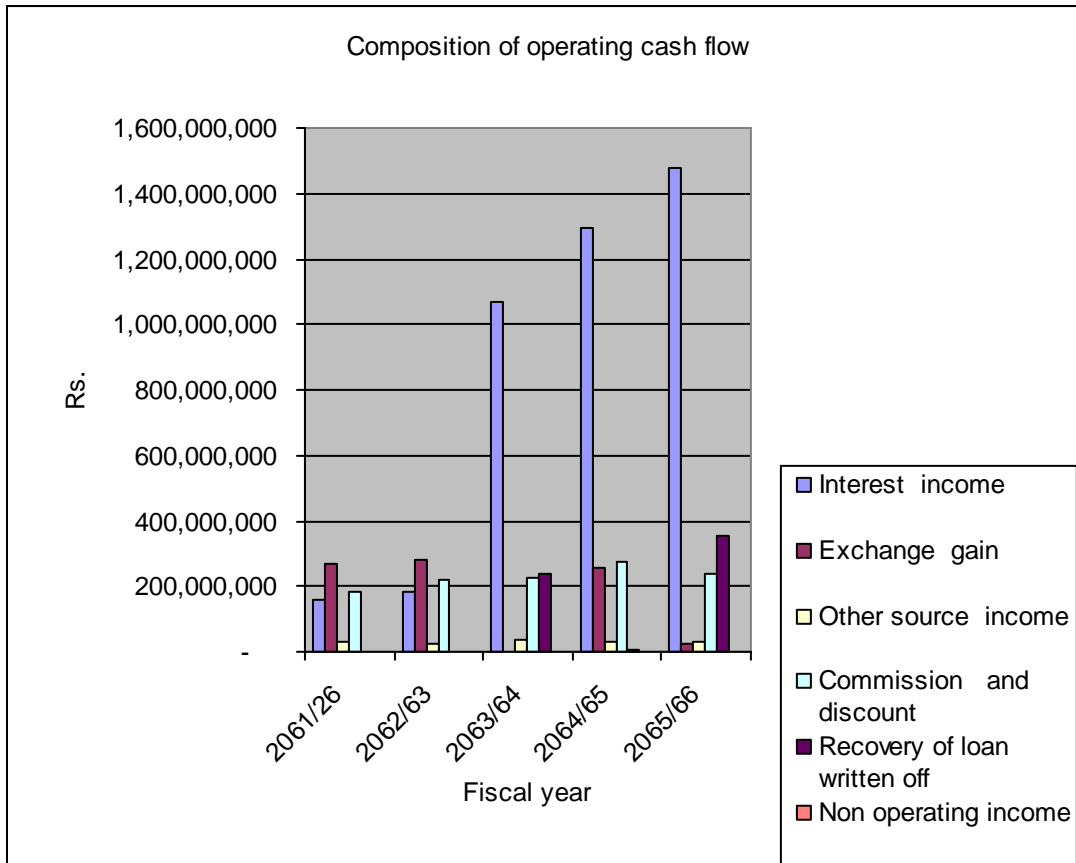
Composition of cash from (i.e. cash receipt) operating section

Fiscal Years	Interest Income	Exchange Gain	Other source Income	Commission And discount	Recovery of Loan Written off	Non operating Income
2061/26	156,369,912	266,864,869	31,899,978	183,432,692	300,390	2,957,005
2062/63	182,302,455	283,471,852	26,776,160	220,450,214	1,576,518	
2063/64	1,071,701,495	1,020,334	38,020,746	224,164,421	237,103,978	
2064/65	1,295,672,504	255,436,198	33,176,780	272,068,274	5,867,246	
2065/66	1,480,241,128	23,770,030	33,191,251	238,616,592	352,358,259	

The main source of cash receipt in operating activity is interest income. Interest income is in increasing trend in each succeeding years. So their second large receipt source under operating activities is exchange gain then its commission and discount income.

The figure in the above table could be beautifying in the following simple bar diagram as;

Figure-4.12



Similarly, cash to operating section deals with the cash payment to the various business activities of the bank. It includes cash payment for employees, the payment to the various stakeholders that are directly related with the operating section of the bank.

The following section deals with the cash to operating section (outflow);

4.2.1.2 Cash to operating section (outflow)

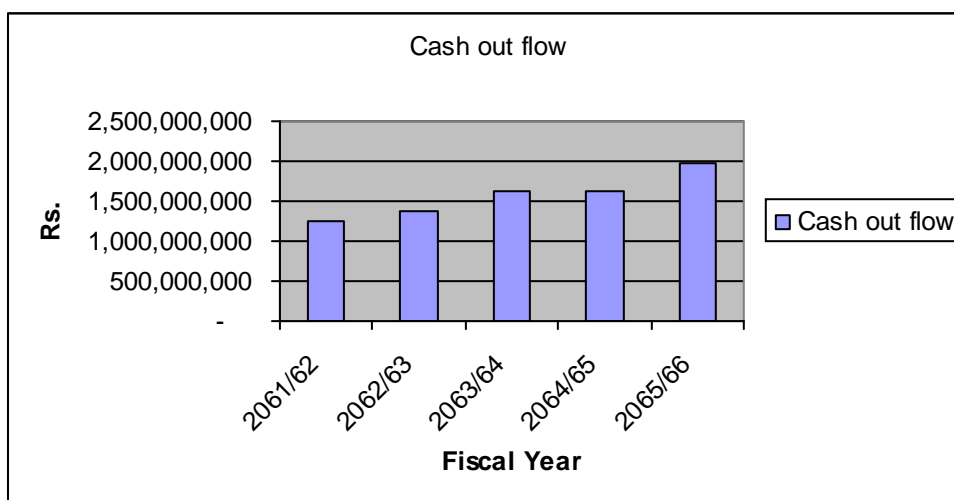
Table-4.15

Cash to operating section (outflow)

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Cash out flow	1,238,904,109	1,373,139,685	1,631,699,607	1,621,292,559	1,963,910,721
% Change	—	10.84%	18.83%	-0.64%	21.12%

From the above data and the bar diagram, we can easily figure out the increasing trend of operating cash outflow in each fiscal year under the study except in 2064/65 where the expenses decreases by -0.64%.

Figure-4.13



Similarly, the total cash payment could be studied by dividing it into various sub headings. The various sub-sectors where the cash payment is required for the bank is as follows;

Interest expenses

Staff expenses

Exchange loss

Office operating expenses

Other expenses

Income tax paid

Differed tax expenses

In the following section, the composition of cash payment of the bank is shown as;

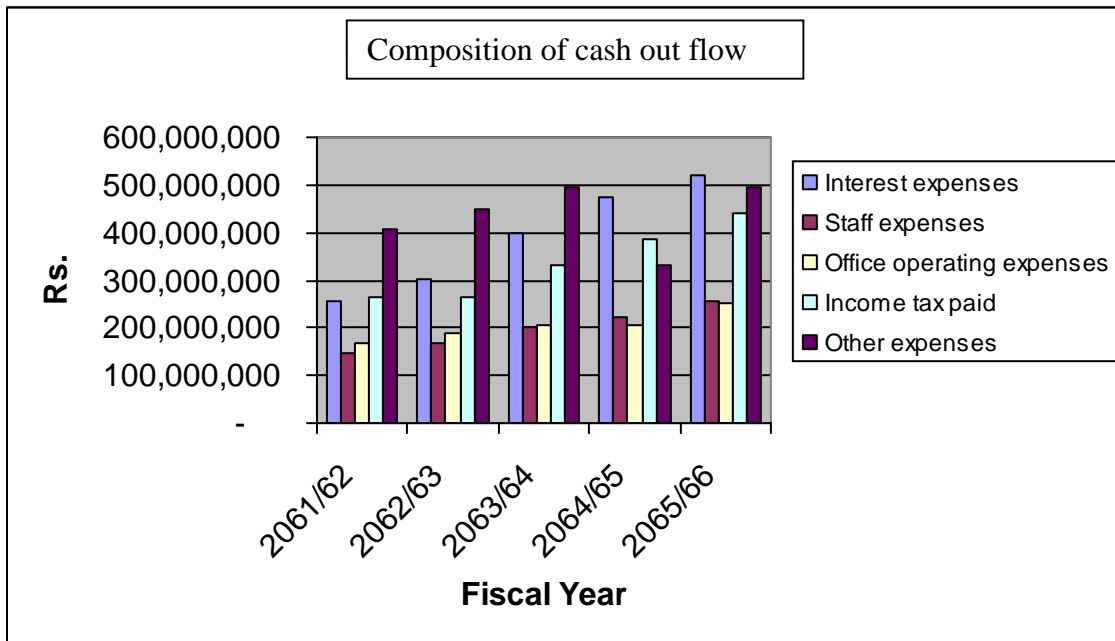
Table-4.16

Composition of cash payment

Fiscal Year	Interest expenses	Staff expenses	Office operating expenses	Income tax paid	Other expenses
2061/62	255,528,777	148,037,439	167,433,658	262,503,579	405,400,656
2062/63	300,222,265	168,497,496	188,079,960	265,502,934	450,837,030
2063/64	397,832,097	200,045,248	207,528,139	330,025,738	496,268,385
2064/65	474,628,760	223,667,612	206,769,247	385,040,406	331,186,534
2065/66	521,840,234	254,218,116	250,890,193	440,908,086	496,054,092

To visualize the reality, the following simple bar diagram is used;

Figure-4.14



Interest expenses, Income tax paid staff expenses, office-operating expenses are in rising trend. Only other expenses decrease in fiscal year 2064/65. From the diagram, it is clear that the leading expense is other expenses. The second highest expense is interest that is supposed to be paid to various concerned party. There is less volatility in other expense where as there is more volatility in the interest expenses. The staff expense is seen as under management control efficiently.

4.2.2 Cash from investing activities

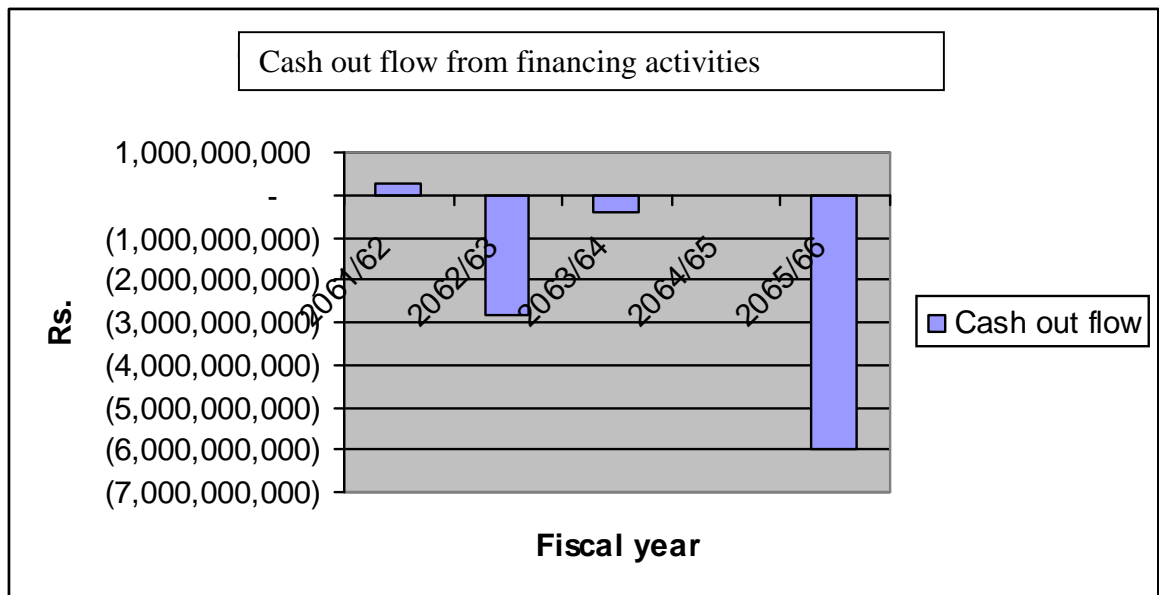
Table-4.17

Cash from investing activities

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Cash out flow	257,264,079	(2,837,132,171)	(421,102,274)	(16,662,637)	(5,990,481,198)
% Change	-	-1202.81%	-85.16%	-96.04%	-35851.58%

To make this reality more clear we need to plot it into simple bar diagram in the following diagram as;

Figure-4.15



From the diagram, it is clear itself that the bank has made considerably no amount of investment in the fiscal year 2061/62 and it has only interest income and there is huge decrement in long term investment.. But in the fiscal year 2062/63 the investment is

high and again it lowered in 2063/64 and in 2064/65. In final year under it again picked up summit due to increment in investment. So, as a result we can conclude the cash flow from investing is guided by the volume of long-term investment and it's in fluctuating situation.

4.2.3 Cash flow From Financing Activity

Financing means way of capitalization in general case. It may be on the form of share and debenture issue, retained earning and preference capital. But financial institution is the trader of money. They purchase money as a deposit liability with paying interest and invested them into public as a loan.

Cash flow from financing activities for Standard Chartered Bank has been tabulate for different fiscal year as follows;

Table-4.18

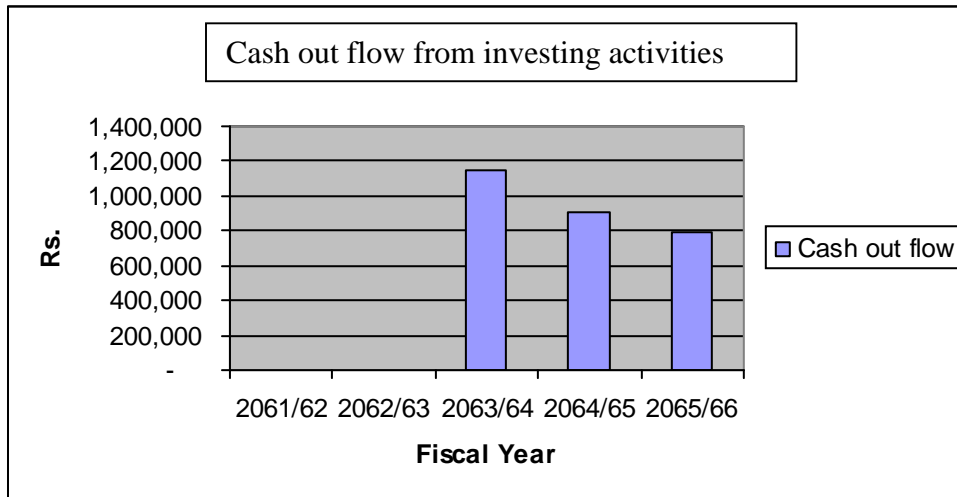
Cash flow From Financing Activity

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Cash out flow			1,150,360	901,799	790,400
% change				-21.61%	-12.35%

The table shows there is no cash flow form financing in fiscal year 2061/62 to 2063/64 And it's declining in each year from 2063/64 to 2065/66. The positive yet lessening cash flow each year is the cash from the issuance of shares in the form of right shares and bonus shares. There is no remarkable business deal on refinances and facilities received from Nepal Rastra Bank so as related with the other liabilities.

This reality could be made clearer from the following activities as;

Figure-4.16



The lowering bar chart also makes it clear about the positive but declining cash inflow from financing activities.

4.2.4 Net Cash Flow for the Year

Net cash flow of the bank in different fiscal year is the combination of net cash from operating activities, net cash from financing activities and net cash from investing activities. The net cash flows of the bank under different fiscal year are presented in the following table;

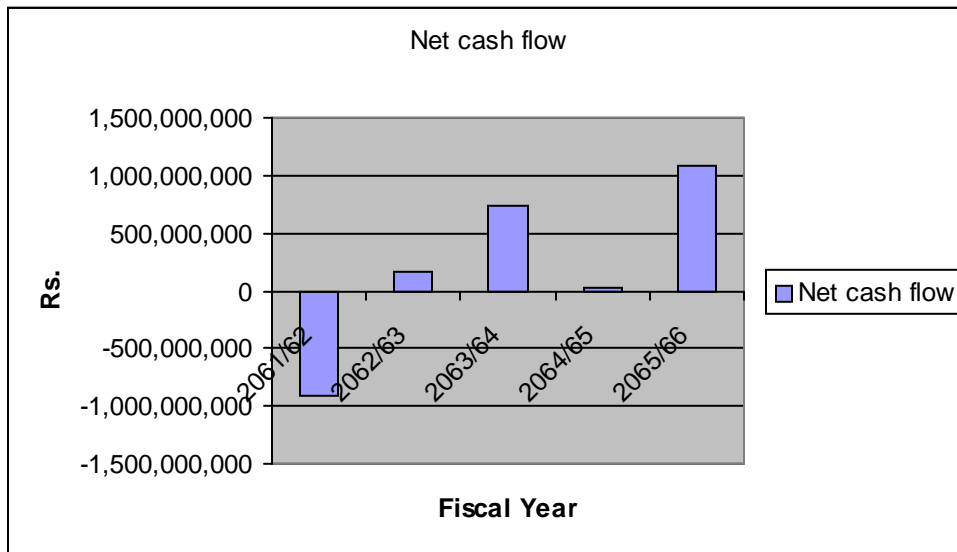
Table-4.19

Net cash flow of the bank

FISCAL YEARS	2061/62	2062/63	2063/64	2064/65	2065/66
Net cash flow	(912,046,755)	165,124,529	744,779,645	29,222,146	1,086,920,321

% change		118.10%	351.04%	-96.08%	3619.51%
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Figure-4.17



The bank seems to have negative cash flow in the fiscal year 2061/62. But in all other fiscal years the bank has positive cash flow. The cash flow is optimistic but the ratio of positivity isn't in increasing trend in all fiscal year under study. It increases by 118.10% in fiscal year 2062/63 whereas in it goes up by 351.04% in 2063/64. In comparison to fiscal year 2063/64 the cash flow went down by 96.08%. In fiscal year due to high positive cash flow from operation the total cash flow went higher than in other fiscal year. And it went up by high percentage due to the increment in cash flow from operating activities and due to high investments.

4.2.5 Cash position

The cash position refers to the total cash available in the bank itself, balance maintained in Nepal Rastra Bank and also the balance maintained in other financial institutions. Cash

includes all kinds of currencies i.e. Nepalese currency, Rupees, Foreign currencies i.e. INR, USD, EURO.GBP, AUD etc.

The Cash maintained by Standard Chartered Bank through out the fiscal year under study is tabulated as below;

Table-4.20

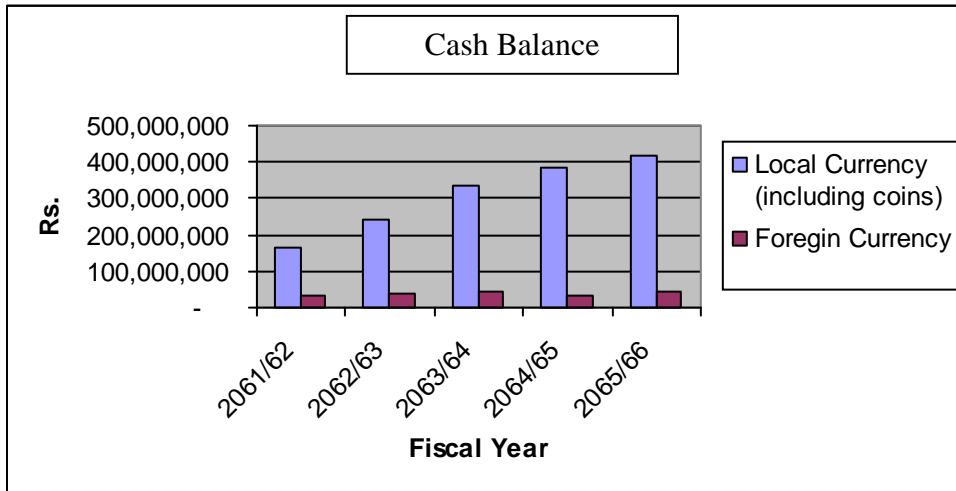
Cash position

CASH BALANCE	2061/62	2062/63	2063/64	2064/65	2065/66	TOTAL
Local Currency (including coins)	162,141,367	243,442,057	336,374,091	382,753,590	416,767,782	1,541,478,887
Foreign Currency	33,317,344	36,069,228	42,048,451	32,121,877	46,578,214	190,135,114
TOTAL	195,458,711	279,511,285	378,422,542	414,875,467	463,345,996	1,731,614,001
% Change		43%	35.39%	9.63%	11.68%	

The above figures clearly show that the cash balance being maintained by is in increasing trend in both local currency and foreign currency each year. But, the percentage of increment is in decreasing trend. Here, we can clearly see that the cash balance is going up by 43%, 35.39 %, 9.63%, and 11.68% in each succeeding year.

The above can also be made clear through bar diagram as shown below;

Figure-4.18



The up warding bar diagram also made us clear about the balance of the cash being maintained by the bank. It shows the transaction of the bank is increasing in every fiscal year than preceding year.

4.2.5.1 Cash at Rastra Bank and other financial institution and foreign Banks

All the banks exist through the laws of Central Bank of Nepal i.e. Nepal Rastra Bank. All bank should obey the rules and regulations circulated by the central bank.. Among which the head bank has also issued the circulation relating to the cash balance to be maintained by all financial institutions in it. All financial institutions maintain account at central bank. For, commercial banks, the central bank have made a rule of maintaining the cash balance of 5% of its total deposit so as to meet its liquidity needs in the market.

The cash balance being maintained by Standard Chartered Bank is shown in table and chart below;

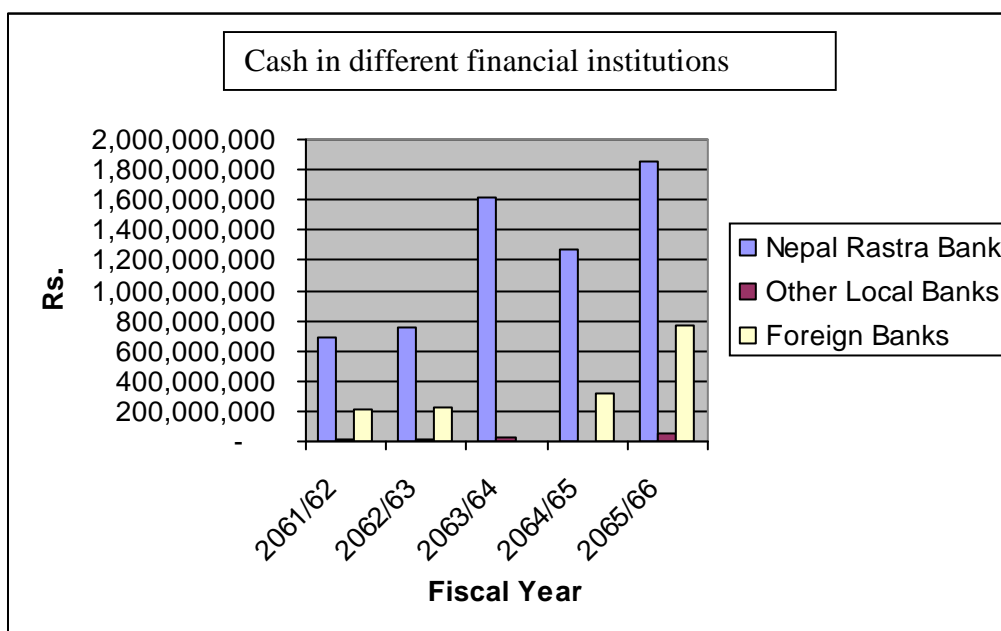
Table-4.21

Cash at Rastra Bank and other financial institution and foreign Banks

Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
Nepal Rastra Bank	692,191,592	749,740,866	1,613,757,788	1,266,273,524	1,851,132,637
Other Local Banks	15,488,102	18,578,714	28,840,738		51,292,893
Foreign Banks	207,978,489	228,410,558		319,478,615	771,392,009

The cash balance maintained by the bank in NRB seems to be up going in each year except in the fiscal year 2064/65 in comparison to 2063/65. In other local banks also it is going up each year. The data shows it didn't have any balance in fiscal year 2064/65 in local banks and in 2063/64 in foreign banks. The bank has maintained good volume of foreign currencies in different foreign banks.

Figure-4.19



4.2.6 Ratios

Ratios show the relationship between two variables. The cash flow ratios and other ratios are key to understanding financial statements. Similarly the investment deposit ratios show the relationship between the amount of average deposit and amount of average investment. It defines the ratio of how much amount of deposit is being invested by the bank. Investment includes both the long term as well as short-term investments made by the bank. And the average value states the total value of fiscal years under study divide the number of years. The investment in government securities comes under long-term investment. The investment in government securities ratio shows how volume of amount is being invested on govt. securities by the banks. The higher the ratio will be higher will the good result for banks. Cash and bank balance ratio leads to the information that how much a bank is having liquidity. It's the relationship between amount of total deposit and cash balance of bank. In regards of SBL, Investment Deposit Ratio is -0.60 , which showed that the investment is very good in comparison to its deposit. So, as the investment in govt. securities are also very low and its -0.91 , -0.85 , -0.06 , -0.06 , -1.034 respectively from fiscal year 2061/62 to 2065/66. Its taking decreasing trend. Bank's liquidity position is very volatile in nature. The ratio is -0.61 , 0.35 , 1.27 , 0.4 , and 0.51 respectively. Even it's quite better to meet its immediate requirement of cash. The CFOA per share ratio of SCB throughout the fiscal year under studies are -6.5 , 4.5 , 1.6 , -0.1 , 6.8 respectively which is not good indicator in contribution to earning per share. The volume of cash operating has only minimal effect on earning per share.

4.3 Comparative study of cash flow statement between the banks under study

Table-4.22

Particulars	2061/62		2062/63		2063/64	
	SBL	SCB	SBL	SCB	SBL	SCB
Cash from operating	60,968,771.28	(600,036,268)	(155,134,124)	2,942,214,511	337,377,799	1,092,749,033

activities						
Cash from investing activities	(1,553,039)	257,264,079	(9,219,825)	(2,837,132,171)	(36,097,751)	(421,102,274)
Cash from financing activities	(532,782)	-	149,570,789	-	100,000,000	1,150,360
Net cash flow	58,882,949	(912,046,755)	14,782,859	165,124,529	401,280,048	744,779,645
Cash position (local and foreign currency)	33,459,440.75	195,458,711	64,977,328	279,511,285	130,442,580	378,422,542
Cash at NRB and others	97,269,724.07	915,658,183	45,741,228	996,730,138	383,806,184	1,642,598,526

Particulars	2064/65		2065/66	
	SBL	SCB	SBL	SCB
Cash from operating activities	(186,453,300)	(45,233,838)	1,195,235,761	6,948,938,465
Cash from investing activities	(26,610,942)	(16,662,637)	(306,210,088)	(5,990,481,198)
Cash from financing activities	133,263,158	901,799	221,233,158	790,400
Net cash flow	(79,801,085)	29,222,146	1,110,258,831	1,086,920,321
Cash position (local and foreign currency)	149,006,950	414,875,467	270,945,787	463,345,996
Cash at NRB and others	288,418,319	1,585,752,139	1,276,738,314	2,673,817,539

Above is the yearly comparative analysis of cash flow of Siddhartha Bank and Standard Chartered Bank from different activities and the balance of cash, both local currencies and foreign currencies, being maintained by the banks in different financial institutions in each fiscal year under study are presented.

And below is the comparison of cash flow on the basis of different activities of two banks.

4.3.1 Cash from Operating Activities

As computed cash flow from operating activities we have tried our best to have successful comparison between the banks under study through operating section. Following section show the Comparative picture of cash flow from operation under different fiscal years under study.

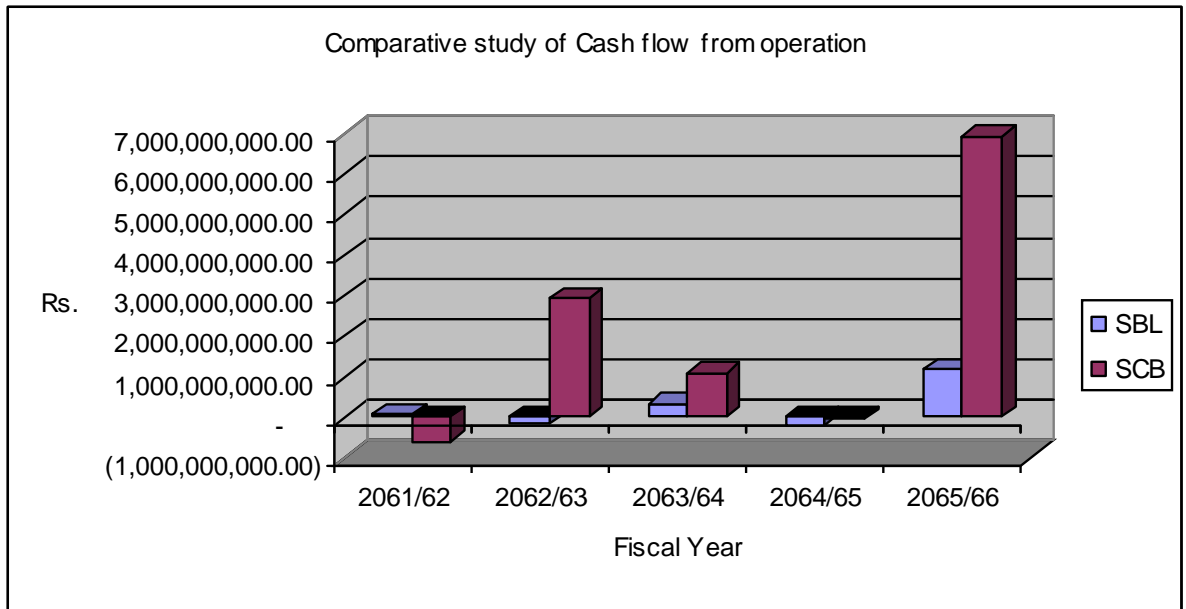
Table 4.23

Cash from Operating Activities

Fiscal Years/Banks	2061/62	2062/63	2063/64	2064/65	2065/66
SBL	60,968,771.28	(155,134,124)	337,377,799	(186,453,300)	1,195,235,761
SCB	-600,036,268	2,942,214,511	1,092,749,033	(45,233,838)	6,948,938,465

To visualize the summarization, it is better to show this fact in the simple bar diagram. Following is the graphic diagram;

Figure-4.20



From the diagram shown in the above section, SCB show the strength position in cash from operating section. It may due to the sound operation management in compare with the banks under study. One can find the same reality in the market share of the bank.. By this the Nabil bank seen to have close look upon this operating activities.

4.3.2 Cash from Investing Activities

How far the banks have utilized funds in their fixed income yielding securities. Following section is all about the cash from investing activities in comparative form;

Table 4.24

Cash from Investing Activities

Fiscal Years/Banks	2061/62	2062/63	2063/64	2064/65	2065/66
SBL	(1,553,039)	(9,219,825)	(36,097,751)	(26,610,942)	(306,210,088)

SCB	257,264,079	(2,837,132,171)	(421,102,274)	(16,662,637)	(5,990,481,198)
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Both the banks under study have made negative cash flow in the all the fiscal year under study except in base year by Standard Chartered Bank. However the there is no proper trend in cash flow. It seems volatile in nature by the data presented. This reality could be made clearer from the following figure;

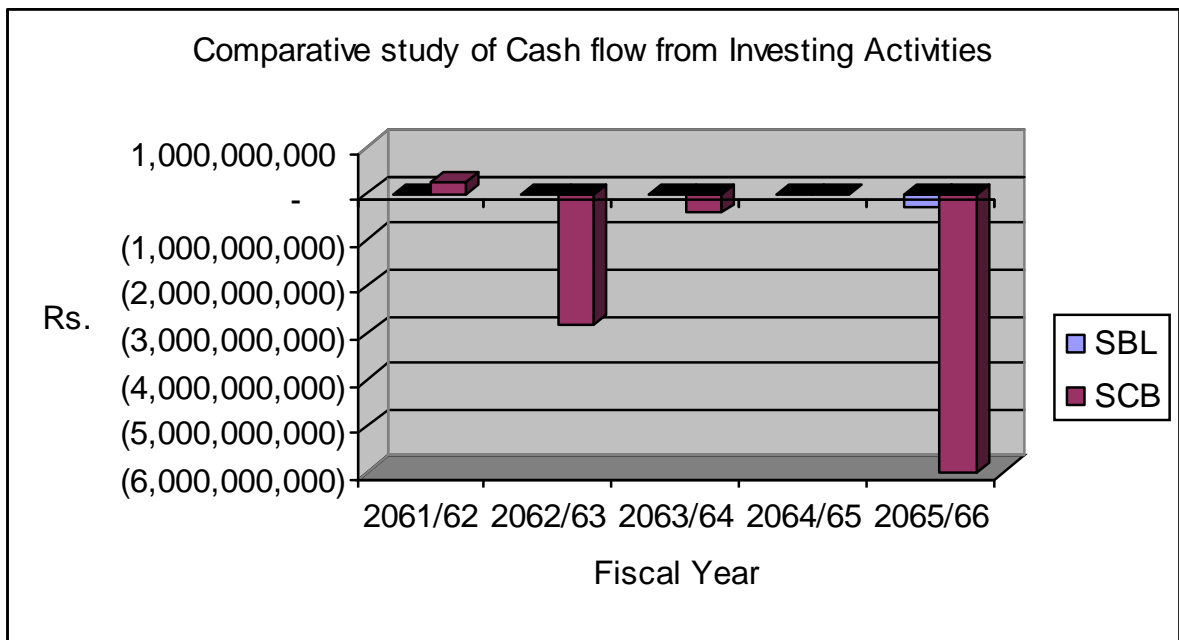


Figure-4.21

In the fiscal year 2065/66 there is highest negative cash flow for Standard Chartered Bank. The negative cash flow show more investment and less recovered investment where as positive cash flow show less amount of investment and more repaid amount of investments and fixed assets. So, the figure clearly showed that the Standard Chartered Bank has the huge amount of long term investment in comparison to Siddhartha Bank.

4.3.3 Cash from Financing Activities

Cash from financing activities of the bank includes raising and repayment of funds of banks under study. Then how sufficiently the banks under study have performed this function has presented in the following table;

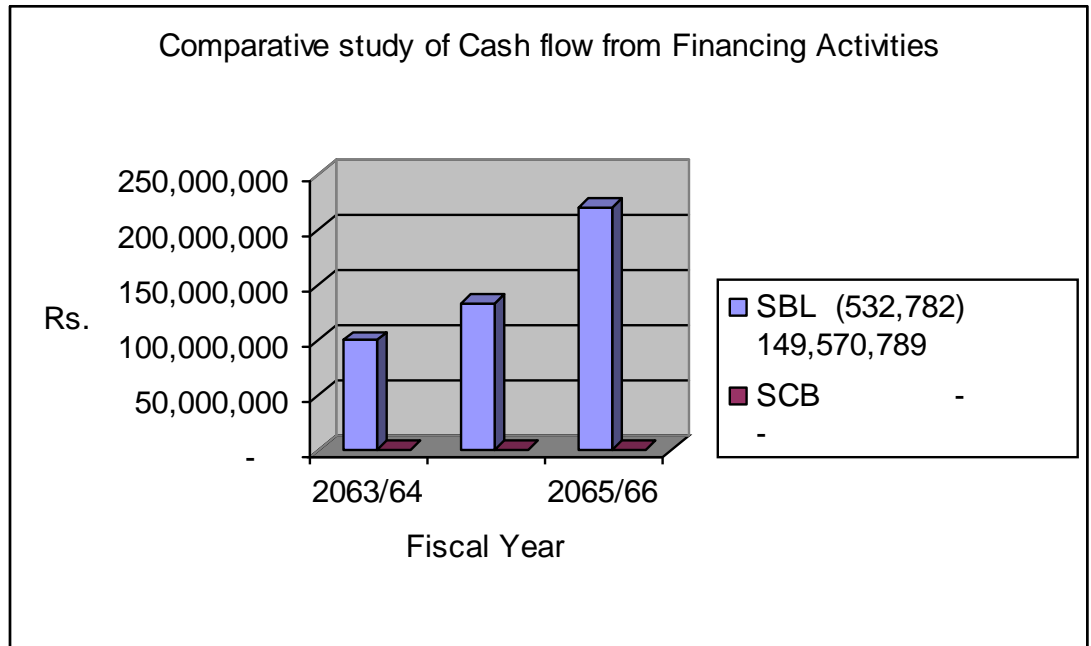
Table 4.25

Cash from Financing Activities

Fiscal Years/Banks	2061/62	2062/63	2063/64	2064/65	2065/66
SBL	(532,782)	149,570,789	100,000,000	133,263,158	221,233,158
SCB	-	-	1,150,360	901,799	790,400

To illustrate this reality, we simply present the figure in the diagram followed by this section

Figure-4.22



The Siddhartha bank has the highest web or fluctuation in the cash from financing activities where as SCB has minimum amount of fluctuation in compare to the Siddhartha Bank. There is no negative cash flow from these activities of the SBL except in base year. But in the case of SCB it has cash flow from financing in decreasing range. These all result may be the same and single reason i.e. rising and repayment of funds.

4.3.4 Comparative study of Net cash flow of the banks under study

Net cash flow is the summation of cash form operating; cash from investing and cash form financing section. It shows the cash surplus or cash deficit of the banks under study in different fiscal years.

The following table shows more detail about the net cash flow of the banks under study

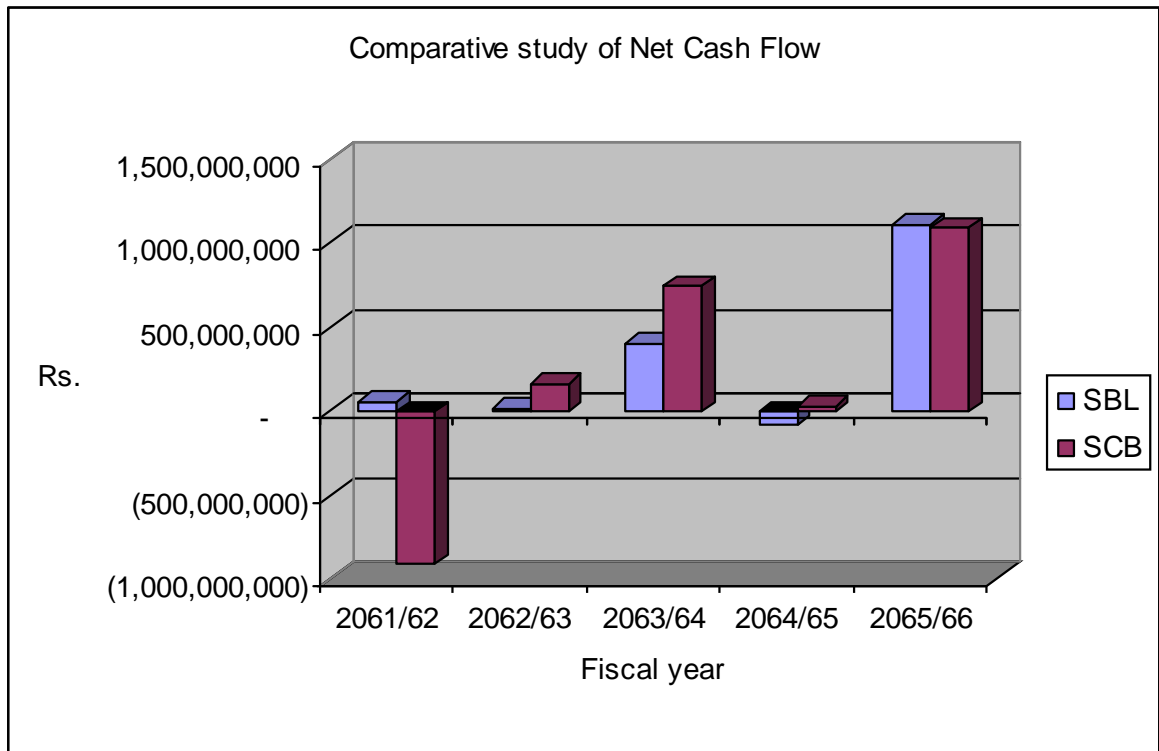
Table 4.26

Comparative study of Net cash flow of the banks under study

Fiscal Years/Banks	2061/62	2062/63	2063/64	2064/65	2065/66
SBL	58,882,949	14,782,859	401,280,048	(79,801,085)	1,110,258,831
SCB	(912,046,755)	165,124,529	744,779,645	29,222,146	1,086,920,321

To make this reality more clear, it is better to plot it into simple bar diagram as follows;

Figure-4.23



The net cash flow of the banks seems to be more volatile. In comparison, SBL has positive net cash flow in fiscal year 2061/62 where as SCB has totally negative net cash flow due to the high current liabilities in the form of high deposits and high investment in long term. Both banks has good positive values in fiscal year 2063/64. But, it took

negative figure in fiscal year 2064/65. High jumps has been made by both the bank in last fiscal year under study i.e. 2065/66. So, we can conclude that both the banks have gone through unstable cash flow i.e. up warding and down warding in different fiscal year under study and it may be due to operating, investing and financing efficiency and inefficiency.

4.4 Major Findings

4.4.1 Siddhartha Bank

4.4.1.1 Cash flow from operating activities

-) Total cash flow from operating activities is in fluctuating trend.
-) Total cash receipt is in increasing trend from operating activities.
-) Interest incomes are the greatest source of operating income which is upgrading in nature but payments are in volatile trend.
-) Commission and discount income and exchange gain income both are the next source of cash receipt which contributes superbly in the operating cash flow.
-) The bank has no non/operating income as well as expenses.
-) The bank has other income but other expenses prevailed only in last fiscal year under study.
-) Staff, interest expenses and operating expenses are the major parts of the cash payment and they are in increasing trend.
-) Tax income occurred only in last fiscal year 2065/66 under study.
-) Differed tax expenses are only in fiscal year 2064/65.
-) There is high increment in loans and bills purchased by the bank each year.
-) Deposit seems to be in increasing trend.
-) Short term investments are irregular

) The bank's non banking asset is in only in fiscal year 2064/65

4.4.1.2 Cash flow from investing activities

) Cash flow from financing activities is negative.

) It seems the Bank have no strong investment scheme.

) Fixed assets have been purchased each year.

) Long-term investment has been in fluctuating nature.

) Interest income is only in fiscal year 2061/62, 2062/63, and 2063/64.

4.4.1.3 Cash flow from financing activities

) Cash flow from financing activities is also changeable.

) The bank has only issued bond and debenture in fiscal year 2065/66.

) Dividend payable and proposed dividend existed in fiscal year 2064/65 and 2065/66.

) Bank has issued share capital in form of right share and bonus share in all fiscal year except in last fiscal year under study i.e. 2065/66.

) Other liabilities existed only in fiscal year 2061/62.

4.4.1.4 Net cash flow for the year

) Net cash flow in the year 2064/65 is negative.

) In fiscal year 2065/66, there is extreme change in net cash flow in comparison to fiscal year 2064/65. It leded net cash flow by 1491.28%.

4.2.2 Standard Chartered Bank

4.2.2.1 Cash flow from operating activities

-) Total cash flow from operating activities is both in increasing and decreasing trend.
-) Total cash receipt is in increasing trend from operating activities.
-) Exchange gains are volatile in nature.
-) Interest incomes, Commission and discount income are the major source of cash receipt, which contributes, superbly in the operating cash flow.
-) Exchange gains reduce heavily in the year 2063/64.
-) The bank has non/operating income only in fiscal year 2061/62 but it has no non-operating expenses.
-) The bank's other income and other expenses are in volatile nature.
-) Staff, operating expenses, interest expenses and tax paid seems the major parts of the cash payment and they are in increasing trend.
-) Bank has no exchange loss and so as differed tax expenses.
-) Bank has no short term investments
-) Bank's deposits are also unstable.
-) Overall performance of the bank is satisfactory from the viewpoint of operating activities.

4.2.2.2 Cash flow from investing activities

-) Total cash flow from investing activities in the year 2061/62 and 2062/63 are positive and in succeeding years, it's negative.
-) Purchase of fixed assets is highest in the year 2062/63.
-) Bank has on other assets

) Dividend income is in increasing trend.

) Long-term investment is impulsive.

4.2.2.3 Cash flow from financing activities

) It is playing vital role to generate overall cash flow.

) Only changes in share capital is playing role under cash flow from financing activities.

4.2.2.4 Net cash flow for the year

) Overall cash flow is in positive but fluctuating trend except in base year. It's negative.

Chapter-5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The trend of cash flow has been used to study with analytical and comparative of the cash flow position of the selected Commercial Banks. For this purpose I have taken into analysis of the following Commercial Banks. They are:

Siddhartha Bank Limited,

Standard Chartered Bank Limited,

For studying and preparing this thesis I have used cash flow statement, annual report of the all sampled commercial banks and their annex are studied. Basically profit and loss A/C, Balance sheet and cash flow statement presented by the banks are viewed for the analysis purpose. Directives of Nepal Rastra Bank, Nepal Accounting Standard, Company Act and N.R.B. Act are studied through out the period of research. Articles and Reports related with cash flow written and produced by Nepalese as well as foreign writers are also the major sources to prepare this thesis. Several websites (www.cashflow.com) related with cash flow are visited. Five fiscal years cash flow position of all sampled commercial banks are analyzed and compared 2061/62 to 2065/066. Previous thesis and articles related to the subject matter are also studied for the research purpose. Based on the chart and trend analysis, summary of the study are as follows:

5.1.1 Cash flow from operating activities:

-) Total cash flow from operating activities of both the banks is in volatile nature. They are in decrease/increase trend.
-) These banks don't have much surplus fund to invest as loans and advance, fixed assets as well as investment on government securities from operating cash flow.
-) Standard Chartered have strong international network to do agency work and to earn commission and discount income.
-) Siddhartha bank has highest interest income but more volatile total operating cash flow.
-) Total cash payment for SBL and SCB under operating activities is in increasing trend.
-) Total interest expenses, staff expenses and operating expenses of both the banks are in increasing trend.
-) Significant amount of cash receipt from exchange gain for all two banks. But standard Chartered have highest amount of exchange gain due to the highest amount of foreign currency transaction.

In a comprehensive analysis cash flow from operating activities is the main source to operate banks. Open market policy of the bank to charge interest rate is being reason to reduce spread rate. Interest income is the main sources of revenue. But due to the various factors like peace and security, unstable government and armed conflict is being determinant factor to reduce interest income so heavy amount of cash is receiving from agency work like commission and discount income.

5.1.2 Investing activities:

-) Cash flow from investing activities is not in increasing or decreasing trend, these are volatile in nature in case of Standard Chartered Bank but in case of Siddhartha Bank it's totally negative.

-) In the year 2061/62 SCB has positive cash flow from investing activities due to the lowest amount of investment.
-) Only fixed assets are not major parts of the investing activities because they are very small with compare to the total investing cash flow.
-) Major part is being played by the changes in long-term investment and interest income on long-term investment.
-) Dividend income has lesser effect on cash flow from investing activities at SCB and it has no effect in case of SBL.
-) Both the banks have no any cash flow from money at call and short notice.
-) Due to the safety of deposits and lack of improper credit product, SBL invested significant amount on government Treasury bill and development bond. SCB also invested on this sector heavily. But it sold out its investment on the year 2061/62.
-) There is no effect of money at call and short notice, loan advance and bills purchased on cash flow from investing.
-) SCBNL has highest amount of investment on long-term investment whereas SBL has comparatively highest amount of fixed assets than SCB in the fiscal years under study.
-) Both the banks have no other assets.
-) Only operating cash flow is not sufficient to make investment so cash should be taken from financing activities.

5.1.3 Financing activities:

-) Total cash flows from financing activities are in decreasing trend for SCB whereas it's in volatile nature in case of SBL.
-) Siddhartha Bank is in improving trend for cash flow from financing activities.

- J Bill is the sources of cash that is receipt from remittance money. SBL has negative income in the year 2062/63.SCB has no such incomes during the fiscal years under study.

5.1.4 Net cash flow of the year

- J Overall cash flow for SBL is positive except than year 2064/65 and except in fiscal year 2061/62 in case of SCB.
- J Overall cash flow of SCB is in unstable nature i.e. its negative in fiscal Year 2061/62, and then it had positive figures. It went up in fiscal year 2063/64 then again went down. In fiscal year 2065/66 the bank has the highest net cash flow comparing preceding years.
- J Similarly, SBL has the highest net cash flow in fiscal year 2065/66.It has negative figure in fiscal year 2064/65.

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 needed areas. It is the intermediary between the deficit and surplus of financial resources. Financial system contains two components; depository financial institutions and non-depository financial institutions. Commercial banks are the example of depository financial institutions. All the economic activities are directly or indirectly channeled through these banks. People keep their surplus money as deposits in the banks and hence banks can provide such funds to finance the industrial activities in the form of loans and advances. The highly performing commercial private/joint venture banks in Nepal Standard Chartered Bank and Siddhartha bank's Cash flow management are appreciable and satisfactory but it could found some manipulations in the financial reports. Any way in-flow and out-flow of cash and the management of total cash is according to the rules and international trends.

The trends of in-flows of cash of the banks are from deposits by the customer, earnings, capital and interest. Like this out-flow of cash of the banks are loan or credit, capital expenditure, interest and investments. The banks have performed differently in their way and have obtained acceptable result in the study period. Most vital matter of the banks is they have maintained liquidity adequately in the fiscal years of the study period. The economy is suffering from capital flight and less mobilization of capital, banks are trying to extend their branches, the huge amount from remittance is not going through banking way at all, investment opportunities are decreasing, security concerns are still as it is, economic activities including export and import are getting decreased and inflation is rising every day. Even in these circumstances banks are still getting used to the cash flow management well and seem success to operate and generate excess cash flow properly.

Selective banks have good performance in the competitive market. Standard Chartered Bank has great network and customer that's why activities are also large than the other bank. An analysis showed that cash flow from operating activities of SCB has been too much larger than other bank. Both the banks have progressive position. SCB is a pioneer bank than SBL. It shows that more investment more profit principle is not true. SCB has great investment and activities but least income.

SCB seems to be the major actor of money market. It is operating in high amount of operating profit in comparison to SBL. It is paying tax revenue to the government and facilitating people by providing new and latest banking services. Profit and loss a/c and balance sheet of these banks are strong.

But now a day's cash flow statement is being mandatory to submit for annual report and cash flow is being a key financial indicator to analyze the strength and weakness of the firm. Only profit making on accrual basis does not provide the real figure of the firm so income should be treated on cash basis according to the NRB directive for financial institution.

Siddhartha Bank

-) Operating cash flow is positive, financial cash flow is also positive to some extent. In this vital situation the bank has to make investment and should be enhance branch and find out new potential market.
-) Operating cash flow is volatile so lunching new sector should enhance this source.
-) Source of investment should be found out to earned significant amount of interest.
-) Interest bearing deposit may be reduced and non/interest-bearing deposit should be increased to reduce the interest expenses. It is in increasing trend.
-) Commission and discount income should be increase by managing more remittance money and providing trade facilities to the business houses. The bank has good income and it's increasing every year under study due to the lunching of bank's own remittance facility through different countries.
-) Operating expenses are increasing so it should be reduced.
-) Main source of interest income is loan and advance and they are in increasing trend even new area of investment should be found out to have more income.
-) This bank has positive cash flow except in fiscal year 2064/65 and it's also not in proper order. And it is not good for both bank and investors.
-) Bank's cash position has been increasing every year, which indicates the bank's increasing transactions as well as its branches, which hold certain level of amount. Institution. So cash flow analysis is necessary. By analyzing the five-year cash flow statement following conclusion were found and recommend for improvement.

Standard Chartered Bank

-) Agency work is strong with compare to the other bank so should be keep it up.
-) Office and staff expenses cash is increasing which directly affected to earn highest operating profit.
-) Investments are fluctuating, which is not a good sign for future perspective so loan and advance should be increased.
-) The bank has good public faith so deposits are increasing but the bank has to manage it deposit mix by reducing interest-bearing deposit.
-) Due to the strong worldwide networking fund transfer is accessible so it should be manage properly.
-) Bank has no exchange loss yet and so as no non-operating expenses which is beneficial for bank.
-) The data shows bank has no non-banking assets. So, its all loans have been recovered every year.
-) Bank's cash position has been increasing every year, which indicates the bank's increasing transactions as well as its branches, which hold certain level of amount. The volume of amount in comparison to SBL is high due to more branches. The volume of cash at bank also indicates the liquidity position and so as holding of cash.
-) Bank has successfully maintained its balance with NRB.

5.3 Recommendation

On the basis of overall analysis and findings of the study we have made the following recommendation for the further improvement and/or development of banking business and overall industry in terms of cash flow management and liquidity management.

A. Regarding Banking Industry

Banks, which have greater and richer cash flow statements, have lower per share income in the relation with cash from operations. This indicates that those banks are not getting better used with the cash they receive and are generating lower income in the relation with the cash they used to get from operations. What we analyze by this trend is, banks are curtailing the deposit and some of them have excess savings from the depositors but some of them are not getting enough savings. The researcher, according to this study tends to conclude that; present liquidity problem is also the cause of this curtailing trend on savings. In this regard the researcher would like to recommends as follows:

-) Curtailing in deposit could be seen among the banks, so such kinds of curtailing should be reduced and healthy competition in the financial market should be promoted. Branches and deposit should be proportionate or balanced.
-) Interest rates should be sufficient to maintain liquidity and meet inflation rate as well as to reduce inflation and capital flight.
-) Amount from remittance should be legalized to be gone through by bank accounts and informal ways shouldn't be encouraged. Every bank should get opportunity to provide remittance services all over the country equally.
-) Branches of the Banks should be extended all over the country so that most of the people could be covered in banking network. This of course increases income and cash flow of the bank and reduces liquidity problem.
-) Cash flow related information like cash flow adequacy, cash flow from operation per share, cash flow from operation to capital expenditure and debt service

coverage information should also be published in financial report or in annual report.

-) There are many fluctuations of financial and cash flow figures among the banks, to maintain equality in terms of cash flow management and to enhance the capacity of the banks for superior management it should be better to establish research and development entity to facilitate the banks.

B. Regarding Banking Institutions

Standard Chartered Bank Ltd.

-) SCBNL has lower level of flow of credit so it should increase flow of credit in each year, which of course generates surplus cash flow, and reduce excess liquidity pressure.
-) The bank has the trend of maintaining more capital adequacy, more cash and bank balance and more investment in Government securities, the bank should not keep the cash inactive and should be invested which obviously generates more income.
-) The bank should extend its branches, so that it will be success to grant loan and credit and will be able to utilize excess liquidity and will generate more income.
-) The bank has lower credit flow and more liquidity but has a level of debt in every year, so the bank should stop to accept or collect debt, which of course reduces interest to pay.
-) The bank has different figures of same fiscal year in different annual report. Cash flow statement of 2061/62 is different in 2062/63 annual reports and 2062/63 is different in 2063/64 annual reports. Such manipulated financial statements should not be published.
-) The bank has greater interest paying capacity and better annual earnings so it should increase its interest rates to control the liquidity crisis. The bankers of

SCBNL have given the view that lower interest rates are contributing present liquidity problem and the influences cash flow management of commercial banks.

Siddhartha Bank

-) SBL should increase its annual income in the relation with its cash from Operations.
-) The banks seems to be more effective in flowing the credit so the bank should increase its paid up capital and deploy the cash to generate more cash in-flow.
-) The bank should extend its branches so that it could increase its annual Income and could also increase total deposit by the depositors.
-) The bank seems to be less effective to attract the savings of the depositors so the bank should attract savings of the depositors. So that the bank can deploy the cash to generate more cash in-flow.
-) The bank has different figures of same fiscal year in different annual report. Cash flow statement of 2060/61 is different in 2061/62 annual report, 2061/62 is different in 2062/63 annual report and 2062/63 is different in 2063/64 annual report. Such manipulated financial statements should not be published.
-) SBL has better interest payment capacity and better annual earnings in the relation with cash from operation so the bank should increase interest rates to cope with liquidity problem. The bank is unable to attract the savings of the people and increase in interest rates so it cannot reduce liquidity problem or increases cash; this problem has been influencing the cash flow management of the bank.

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