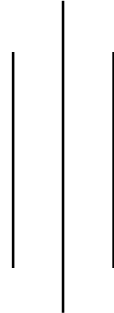


CASH FLOW ANALYSIS OF COMMERCIAL BANKS OF NEPAL



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Kathmandu

December, 2010

RECOMMENDATION
This is to certify that the thesis

Submitted by:
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Entitled:
**CASH FLOW ANALYSIS OF COMMERCIAL BANKS
OF NEPAL**

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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And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of
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DECLARATION

I here by declare that work reported in thesis entitled “**Cash Flow Analysis Of Commercial Banks Of Nepal**” submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University is my original work for the partial fulfillment of the requirement of the degree of Master of Business Studies (M.B.S.) under the supervision of **Yamesh Man Singh**, Associate Professor, Shanker Dev Campus, Faculty of Management, T.U.

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I have tried to cover all the possible matter that I felt, important to be incorporated in the “**Cash Flow Analysis of Commercial Banks of Nepal**”. I am hopeful that this task will be helpful to the students of business studies and to those who want to make further researchers on this topic.

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ABBREVIATION

A.D.	Anno Domini (in the year of lord, Christina era)
A.G.M.	Annual General Meeting
ATM	Automatic Teller Machine
CRR	Cash Reserve Ratio
CFS	Cash Flow Statement
HBL	Himalayan Bank Ltd.
FASB	Financial Accounting Standard Board
FC	Foreign Currency
FY	Fiscal Year
Govt.	Government
i.e.	That is
IAS	International Accounting Standards
L.C.	Letter of Credit
Ltd.	Limited
Misc.	Miscellaneous
NEPSE	Nepal Stock Exchange
NIBL	Nepal Investment Bank Ltd.
NRB	Nepal Rastra Bank
P.F.	Provident Fund
P/L A/c	Profit and Loss Account
SBI	State Bank of India
T.T.	Telegraphy Transfer

CHAPTER I

INTRODUCTION

1.1 Background of the study

Bank has always played a significant role in providing financial services to every business firm. Bank collects savings from the community and invests them into most desirable and highly profitable sectors which facilitate economic development of the country. It creates savings habits of people. "The importance of the banking as the nerve center of economic development can not be over emphasized and it is said that banks which are the need of and great wealth of country have get to be kept very scared. Just as water of irrigation, good banks are for the country's industry and trade." (Desai, 1967:120).

The main objectives of the bank are collection of amount from public and providing short-term loan (for the economic development of industry, trade, and business). Indeed the development of country's economy is impossible without expansion of banking function in both rural and urban area of the country. Development of trade and industry is dependent upon the development of banking facilities. So, it is said that the bank is backbone of economic development in modern society. Banking institutions are inevitable for mobilizing resources, for finance and social development of a country. The economic development of a country is always measured by its economic indices. At present, the financial institutions are viewed as catalyst in the process of the economic growth. The mobilization of domestic resources is one of the key factors in the economic development of a county.

Bank means "A financial establishment for the deposit, loans exchange or issue of money and for the transmission of funds." (Bhandari, 2003: 199).

The bank draws surplus money from the public who cannot use the money at the time and lends to those who give attention to use for productive purposes. Bank lends money to the customers; gain interest. The bank draws money from institution or individual or people and pays the interest at certain interest rate. Banking institutions collect scattered financial resources from the mass and invest them among those who are associated with the economic, commercial, and social activities of the country.

1.2 Development of Banks

1.2.1 In worldwide context

The concept of banking developed from the very beginning of the economic activities. First of all, the effort was made by the ancient gold and valuables. Under such arrangements, the depositors would have their gold for safekeeping and in turn were given a receipt. Whenever receipt was presented, the depositors would return back their gold and valuable after receiving a small payment as fee.

The word "Bank" is oriented in medieval age in 1171 AD from an Italian word "Banko". That means the place where people come together for different transaction. The "Bank of Vanice" was the first bank, which established in Italy in 1157 AD. Then after in 1401 AD "Bank of Barcelona" was established in Spain, bank of Geneva established in 1407 AD, Bank of Amsterdam Established in 1609 AD. But the credit of the development of modern banks goes to "The bank of England" which was established in 1694 AD in London. The Growth of banking accelerated only after the introduction of the Banking Act 1883 in United Kingdom as it allowed opening joint stock company banks.

1.2.2 In Nepalese context

The growth of banking in Nepal is not so old. In the 14th century, Jayasthiti Malla – a king of Kantipur classified people in 64 groups according to their occupations, "Tanka Dhari" was one among them who used to lend money at a fixed rate of interest. During the period of Ranodip Singh, then the Prime Minister, a government institution called "Tejarath Adda" was established in 1887 AD for providing easy and cheap credit at 5% interest to the public on the pledge of gold and silver.

"In the overall development of banking system in Nepal, the "Tejarath Adda" may be regarded as the father of modern banking institution and for quite a long time it tendered a good servants as well as to the general public." (Shrestha, 1995 :4).

The development of modern bank started with the establishment of "Nepal Bank Limited" in 1937 AD which put forth effort of government and public, as a commercial bank with 10 million authorized capitals. The Government of Nepal contributed 51% and remaining 49% by public. It started to provide deposit and borrowing facilities to trade as well as agricultural sectors. The government felt the requirement of a central bank and established "Nepal Rastra Bank" in 2013 BS. It played leading role in the development of banking in Nepal and also controlled the monetary circulation in the country. NRB was established with the objective of supervising, protecting and directing the functions of

commercial banks. Likewise, rising of banking function get popular and more complicated, thus NRB suggested for the establishment of another commercial bank and in 2022 BS (1966 AD) "Rastriya Banijya Bank" was established as a fully government owned commercial bank. Now its branches are operating all over the country. It made another milestone in the history of growth of banking.

Besides those banks NIDC was established in 1959 AD and Agriculture Development Bank established in 1976 AD and other development bank and financial institutions were established and continue to establish. In 1990 AD, after restoration of democracy, the government took the liberal policy in banking sector. As an open policy of the Government to get permission to invest in banking sector from private and foreign investor under Commercial Bank Act 2031 BS. Since then different private banks are getting permission to establish with the joint venture of other countries.

1.3 Introduction of Commercial Bank

Commercial bank is a financial institution which provides borrowing services to users. In the process of such intermediation, commercial bank deploys funds raised form different sources into different assets with a prime objective of profit generation and administrative assistance. According to Commercial Bank Act 2031, "Commercial banks are those banks which are established under this act to perform commercial function." The commercial banks pool together the savings of the community and arrange for their productive uses. They supply financial needs of modern business.

"The commercial bank has it own role and contribution in the economic development. It is a resource for the economic development; it maintains economic confidence of various segments and extends credit to people." (Grywinski, 1991:87).

These banks are established to improve people's economic welfare and facility, to provide loan to the agriculture, industry and commerce and to offer banking services to the people and the country. It provides internal resources for developing countries economy. It collects diversified capital from different parts of country through its own branches.

Commercial bank is a corporation which accepts demand deposits subject to check and makes short-term loans to business enterprises, regardless of the scope of its other services.

The main purpose of establishing RBB was to contribute the development of banking system, particularly in the remote and hilly regions, providing more banking facilities to the public.

1.3.1 Commercial Banking Scenario in Nepal

Nepal Arab Bank Ltd. (NABIL Bank Ltd.) was the 1st joint venture bank established in 1984 A.D, with joint co-operation with United Arab Emirates Bank. Then two other banks, Nepal Indosuez Bank Ltd. (Nepal Investment Bank Ltd.) with Indosuez Bank of finance and Nepal Grindlays Bank of London were established in 1986 A.D. Himalayan Bank Ltd. a Joint ventured with Habib Bank of Pakistan and SBI Bank Ltd. with State Bank of India were established in 1993 A.D. Everest Bank Ltd. Joint ventured with Punjab National Bank, India (Early it was joint ventured with United Bank of India, Calcutta) and Nepal Bangladesh Bank Ltd. with IFIC Bank of Bangladesh were established in 1991 A.D., Bank of Kathmandu joint ventured with SIAM commercial Bank Public Co., Thailand was established in 1995 A.D., And Nepal Bank of Cylon joint ventured with Cylon Bank of Sri Lanka was established in 1997 A.D., Besides this Lumbini Bank Ltd., and NIC Bank Ltd. are also operating from 1997 A.D. and Kumari Bank Ltd. and Siddharta Bank Ltd. are in operation as a new commercial bank.

NRB formulates financial and monetary policies under which commercial banks, financial institutions are operating.

Nowadays there are 28 commercial banks operating in Nepali financial market along with 9 joint ventured with foreign investors. Lists of licensed commercial banks are presented below:

Table No. 1.1

List of Licensed Commercial Banks

S.N	Commercial Banks	Established Date (B.S.)	Operation Date	Branch	Head Office
1.	Nepal bank Ltd.	1994/07/30	1994/07/30	110	Kathmandu
2.	Rastriya Banijya Bank	2022/10/10	2022/10/10	117	Kathmandu
3.	Agriculture Development Bank Ltd.	2024/10/7	2024/10/7	256	Kathmandu
4.	NABIL Bank Ltd.	2042/03/29	2042/03/29	23	Kathmandu
5.	Standard Chartered Bank Ltd.	2043/10/16	2043/10/16	16	Kathmandu
6.	Nepal Investment Bank Ltd.	2048/11/16	2048/11/16	18	Kathmandu
7.	Himalayan Bank Ltd	2049/10/05	2049/10/05	22	Kathmandu
8.	Nepal SBI Bank Ltd.	2050/03/23	2050/03/23	17	Kathmandu
9.	Nepal Bangladesh Bank Ltd.	2050/02/23	2050/02/23	16	Kathmandu
10.	Everest Bank Ltd.	2051/07/01	2051/07/01	23	Kathmandu
11.	Bank of Kathmadnu Ltd.	2051/11/28	2051/11/28	26	Kathmandu
12.	Nepal Credit and Commerce	2053/06/28	2053/06/28	16	Siddarthnagar
13.	Lumbini Bank Ltd.	2055/01/01	2055/04/01	11	Narayangadh
14.	Nepal Industrial and Commercial Bank Ltd.	2055/04/05	2055/04/05	15	Bitatnagar
15.	Kumari Bank Ltd	2056/08/24	2056/12/21	15	Kathmandu
16.	Machhapuchre Bank Ltd	2057/06/17	2057/06/11	18	Pokhara
17.	Laxmi Bank Ltd.	2058/06/11	2058/12/21	20	Birgung
18.	Siddhartha Bank Ltd.	2058/06/12	2058/09/09	24	Kathmandu
19.	Global Bank Ltd.	2063/06/12	2063/09/18	29	Kathmandu
20.	Prime Commercial Bank Ltd.	2064/03/02	2064/06/07	16	Kathmandu
21.	Bank of Asia Nepal Ltd.	2064/03/19	2064/06/25	28	Kathmandu
22.	Citizens International Bank Ltd.	2064/01/07	2064/01/07	16	Kathmandu
23.	Sunrise Bank Ltd.	2064/02/15	2064/06/25	22	Kathmandu
24.	DCBL Bank Ltd.	2065/01/09	2065/02/12	42	Kathmandu
25.	NMB Bank Nepal Ltd	2065/01/15	2065/02/20	16	Kathmandu
26.	Kist Bank Ltd.	2066/01/05	2066/01/24	15	Kathmandu
27.	Janata Bank Nepal Ltd	2066/10/12	2066/10/12	7	Kathmandu
28.	Mega Bank Ltd				Kathmandu

Source: (Banking and Financial Statistics, NRB, 2066:43)

1.4 Role of Joint Venture Bank in Nepal

In global prospective, joint venture bank is the mode of trading through partnership among the nations and also a form of negotiations between two or more enterprise for the purpose of carrying out a specific operation. So, the main purpose of joint venture is to join economic forces in order to achieve desired end. Under joint venture basis, to operate a business organization, there should be at least two partners from the different countries. They primary objective of joint venture bank is to earn profit by investing or granting the loan and advances to the people associate with trade, business, industry etc. that means they are required to mobilize their resources properly to acquire profit "A joint venture is forming of two forces between two or more enterprises for the purpose of carrying out a specific operation (industrial or commercial investment, production trade)". (Gupta, 1984: 25)

The HMG/N budget for the FY 1984/85 provided the following justification for allowing the setting up of joint venture banks in the following words:

At present, the financial institutions of the country have been effortful to mobilize resources. On one hand, the major part of the few individual where as the small traders and entrepreneurs are facing difficulties to receive loans on the other. The only solution to this problem is to encourage competition in the banking sector. Therefore, a policy of allowing new commercial banks under joint venture with foreign collaboration has been adopted; this will promote competition among banks whereby the clients will get improved facility. Addition, the share of these new banks will also be sold to the general public and while distributing the shares, it will be ensured that the ownership is spread out to the maximum extent possible.

In such manner, joint venture banks are successful to bring healthy competition among banks, increase in foreign investment, promoted and expand export-import trade, introduce new techniques and technologies. The various roles plays by the joint venture banks in Nepal can be classified into three categories:

A. Introducing advanced banking techniques

The joint venture banks in Nepal have been largely responsible for the introduction of new banking techniques such as computerization, hypothecation, consortium finance, fee-based activities and syndicating under the foreign exchange transactions by

importers and exporters, merchant banking, inter-bank market for the money and securities, arranging foreign currency loans, etc.

B. Introducing foreign investment in Nepal

When looking at the possibility of investing in Nepal, multinational companies are unfamiliar with the local rules, regulations and practices. Though there are many system actually operates during the implementation period. In this context, the joint venture banks help the multinational companies to build up their confidence for investment by providing necessary information and financial support.

C. Bringing in Healthy competition

The induction of joint venture banks also brings the benefit of healthy competition of which the main beneficiaries are the bank customers and the economy. The increase in competition also force the existing banks to improve their qualities of services by simplifying procedures providing training and motivation to their own staff to respond to the new challenge.

Hence, the entrepreneurial dynamic and pivotal role of the joint venture banks contributes the economic development of the country by providing various new financial services to modernize traditional Nepalese banking system.

1.5 Focus of the study

Bank is an institution, which helps in collection and mobilization of savings. The role of commercial banks in uplifting the economic growth of the country is very important. The uplifting of the development of nation largely depends upon the development of its economic growth. The development of the economy is greatly influenced due to the internal management of the bank.

Cash flow analysis is the measurement of company strength on cash basis. It analyzes the events and transaction that affects the cash position of company. Cash flow analysis is done through the statement of cash flow. Cash flow statement helps to know clearly the various items of inflow and outflow of cash.

This research focuses on the comparative and analytical study on cash flow of three joint venture banks; Himalayan bank Ltd, Nepal Investment Bank limited and Nepal State Bank of India Ltd. These three banks are analyzed individually in terms of cash

flow performance and compared as per their cash flow performance by taking 5 years data from the fiscal year 2005/06 to 2009/10.

1.6 General information about selective commercial bank.

As there has been number of commercial banks established, the research has been taken into consideration of NSBI, HBL and NIBL. Therefore, short glimpse of these commercial banks are given as:

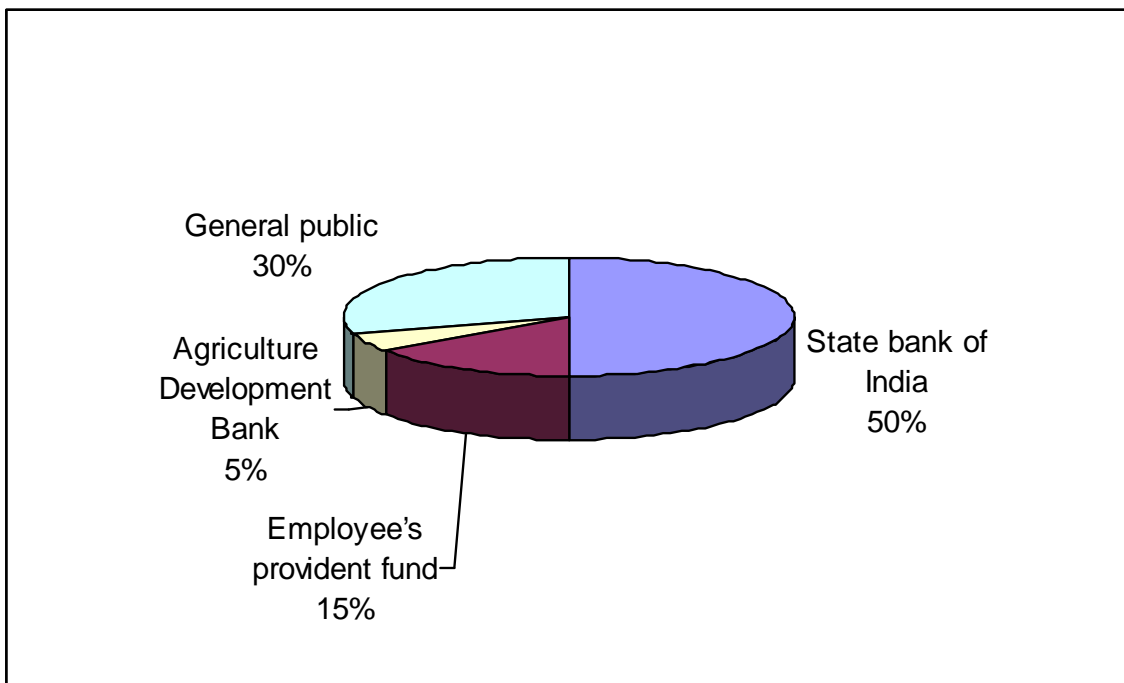
1.6.1 Nepal SBI Bank Ltd.

Nepal SBI bank Ltd was established in 2050 (1993) under the company act 1964. This is the joint venture bank with state bank of India and Nepalese promoters. The bank started its banking operation on July 8 1993. Recently bank has opened two branches at Narayanghat and Nepalgunj and planning to open branches at walling (Syangja district) Baglung (Baglung District). Out of the total equity shares of Nepal SBI, 50% equity participation by state Bank of India', 15% by employee's provident fund, 5% by Agriculture Development Bank and rest 30% by general public. It provides following facilities and services to their customers:

-) Visa debit cards
-) Automatic Teller Machine (ATM)
-) 24 hours banking
-) Remittance
-) 365 days banking
-) Swift
-) Tie up with exchange companies for transfer of funds from middle east
-) Any where banking

The ownership of Nepal SBI is composed of as:

Subscription	% Holding
State bank of India	50%
Employee's provident fund	15%
Agriculture Development Bank	5%
General public	30%



The present capital structure of Nepal SBI is presented below.

Share structure	Amount (Rs)
Authorized capital	1,000,000,000
Issued Capital	650,000,000
Paid-up capital	647,798,000

1.6.2 Himalayan Bank Limited

Himalayan bank limited is a joint venture bank with Habib Bank of Pakistan, was established in 1992 under the company act 1964 as a fourth joint venture bank of Nepal this is the first joint venture bank managed by Nepali Chief Executive. The operation of the bank started from 1993 February. HBL does not include government ownership. It has been established to maintain the economic welfare of the general people to facilitate loan for agriculture, industry and commerce to provide the banking services to the country and people.

It is the first commercial bank of Nepal with maximum share holding by the Nepalese private sector. Besides commercial activities, the bank also offers industrial and merchant banking. Its ownership is composed of founder shareholders 51%, Habib bank of Pakistan 20% Staff Provident Fund 14% and general public 15%. It is the first bank having domestic ownership more than 50%. HBL has been operating in high profit for the establishment's period till now. It accepts deposit through current deposit, saving deposit, fixed deposit and call deposit.

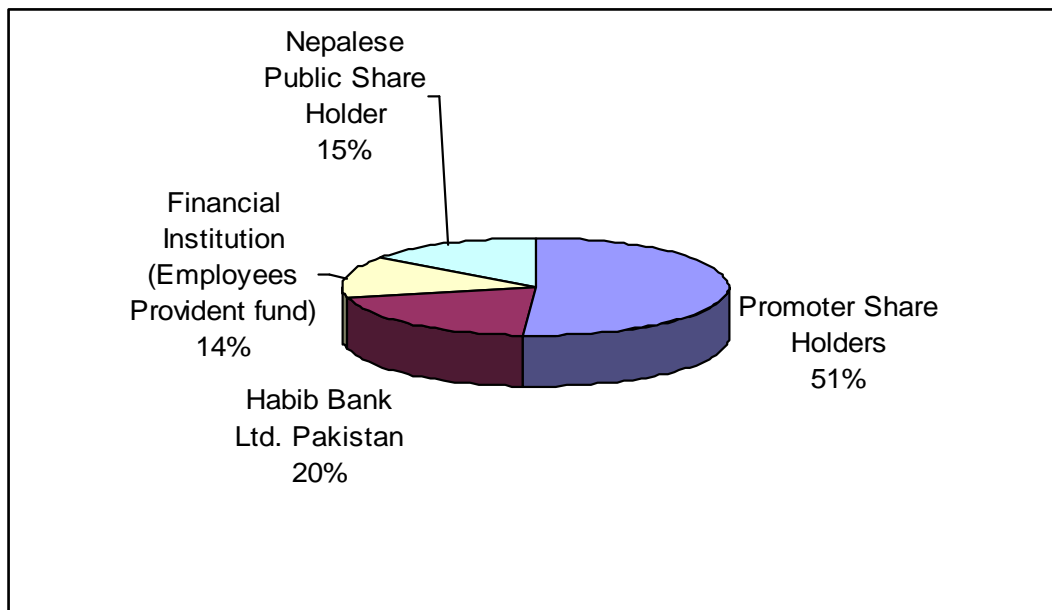
At present HBL have five branches in Kathmandu Valley namely Thamel, New road, Maharajgunj, Pulchowk (Patan) and Suryavinayak (Moved form Nagarkot). Besides, it has nine branches outside Kathmandu valley namely Banepa, Tandi, Bharatpur, Birgunj, Hetauda, Bhairahawa, Biratnagar, Pokhara and Dharan. The bank is also operating a counter in the premise of the Royal Palace. The Bank has a very aggressive plan of establishing more branches in different parts of the kingdom in near future. HBL was access to the worldwide correspondent network of Habib bank for fund transfer, letter of

credit or any other banking business any where in the world. Himalayan bank has adopting innovative and best banking technology. The bank provides various facilities such as:

- ❖ Tele-Banking
- ❖ 24 hours banking
- ❖ Credit card facilities
- ❖ Automatic teller machine (ATM)
- ❖ Visa card
- ❖ L.C. Service
- ❖ Safe deposit locker
- ❖ Himalayan SMS (Short message service)
- ❖ Foreign currency transaction etc.

The ownership of HBL is composed as:

Subscription	% Holding
Promoter Share Holders	51%
Habib Bank Ltd. Pakistan	20%
Financial Institution (Employees Provident fund)	14%
Nepalese Public Share Holder	15%
Total	100%



The Present capital Structure of HBL is shown below

Share Structure	Amount (Rs.)
Authorized Capital	1,000,000,000
Issued Capital	772,200,000
Paid-up Capital	772,200,000

1.6.3 Nepal Investment Bank Limited

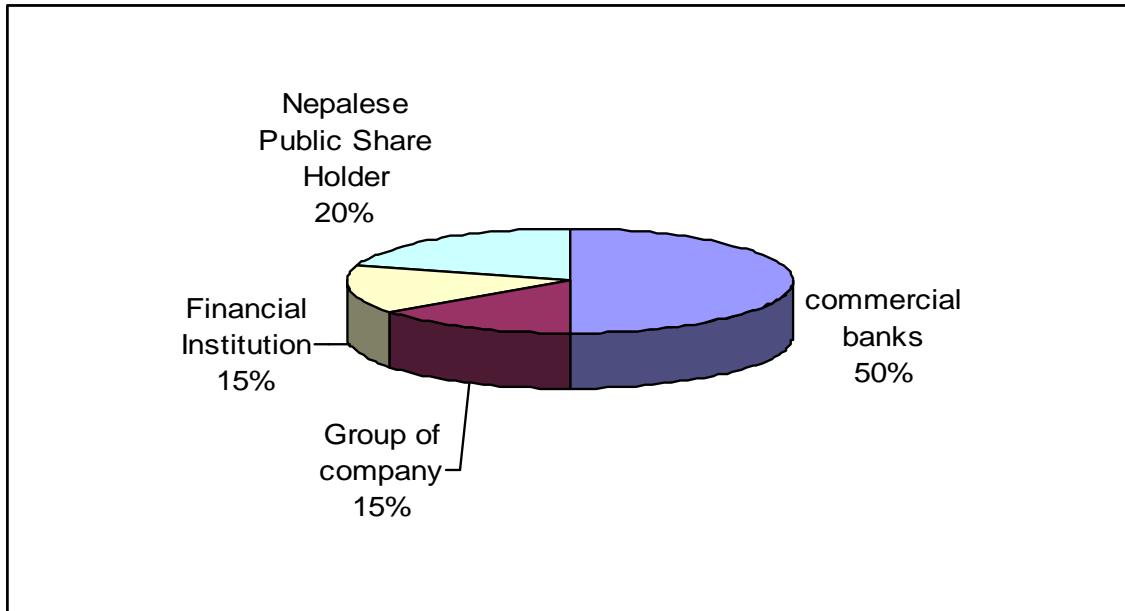
Nepal Investment Bank Ltd (NIBL), Previously Nepal Indosuez Bank Ltd. Was established as a third joint venture bank between Nepalese and French partners in 21st January 1986 under the Company Act 1964. The French partner (Hold capital of NIBL) was credit Agricole Indosuez, a subsidiary of one of the largest banking world, 50% of the shares of Nepal Indosuez Bank Ltd. Held by credit Agricole. Indosuez was sold to the Nepalese promoters on April 25, 2005 as per the transaction report of NEPSE. After the divestment of shares by Nepalese owners, the name of the company was changed to Nepal investment Bank limited its 15th annual General Meeting (A.G.M.) held on May 31, 2005.

Out of total equity shares of NIBL, 15% shares hold by a group of company, 50% shares by commercial banks, another 15% by financial institutions and remaining 20% hold by general public. It provides following facilities and services to their customers:

- Trade finance
- Remittance
- Export credit
- Tele Banking
- ATM with any Branch Banking
- Vehicle Loan
- E-Banking Service
- Locker Facilities
- Any Branch Banking
- Ezee Saving Scheme
- 365 Days banking

The ownership of NIBL is composed as:

Subscription	% Holding
commercial banks	50%
Group of company	15%
Financial Institution	15%
Nepalese Public Share Holder	20%
Total	100%



1.7 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 behaviour of commercial banks are the barrier to meet their on going operating cost. Misuse 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 three joint venture banks are mentioned below:

- ❖ What are the main sources of cash flow from financing activity?
- ❖ What are the causes that are affecting the interest income?
- ❖ What is the role of spread to generate positive cash flow from operating activity?
- ❖ What is the condition of cash flow with the highest amount of annual operating profit?

The problem of the commercial banks of the country with special reference to with 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 series 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 problem.

- ❖ Poor bank governance
- ❖ Lack of rational banking strategies as well as international banking experience.
- ❖ Lack of independent and capable supervisions
- ❖ 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 program are operating with the help of World Bank through foreign management contract with ICCMT.

But the problems of the sample joint venture banks are not same as RBB and NBL. RBB and NBL have excess liquidity but joint venture banks are still searching for quality and high class depositors. These two banks have more than 50% non-performing assets. But sample joint venture banks have single digit NPA which is the strength for the banks according to international standard. But over all banking non-performing assets is about 18% according to the latest report submitted by NRB. Loan of the JVs bank are being restructure actually cash collection from previous lending is poor.

1.8 Objectives of the Study

For any kind of research work or study first of all the objectives should be determined. It shows the way to achieve desired goal. Likewise, the main objective of the study is to evaluate the performance of the banks considering the cash flow in the banking environment of Nepal. Comparison of cash flow with three banks individually and yearly is the other objective of the study. Suitable and decisive advice will be recommended on the basis of finding from the study to the concerned authorities for the further enhancement. The specific goals of this study are mentioned below.

- ❖ To analyze trend of cash flows.
- ❖ To examine, analyze and compare the cash flows of these banks.
- ❖ To evaluate the cash from different activities of banks.
- ❖ To recommend the appropriate suggestions to the concerned authority for future improvement.

1.9 Significance of the Study

This research study is supporting study about cash flow and comparative evaluation with the concerned joint venture banks. Banks have the top position in overall economic environment. We cannot imagine the total development of economic sector in absence of banking development in this global networking. Banks are also trying to manage the trade activities by financial manner and the challenges are increasing day by day by the effect of global networking. Significance of the cash flow can be written in the following manner:

-) This study is beneficial for the government while formulating policies and rules regarding joint venture banks.
-) It is helpful for the general public to provide knowledge about the cash position liquidity position and future income sources of the concerned banks.
-) This study also helps to analyze the cash position of the banks in this present unstable situation.

- J This study will serve to be a guide to the management of banks, financial institution, related parties, stakeholders and general public.
- J This study will also provide detail information about the strength and weakness of the banks based on cash flow statement.
- J Comparative analysis would be helpful to the management of the bank to provide recommendation to make corrective cash flow in future.

1.10 Limitations of the Study

For the completion of the study some facts are to be considered as limitation of this research work:

- This study is based on secondary data and accuracy depends upon the data collected and provided by the organization.
- The whole study is based on the data of 5 years period (i.e. from the FY 2005/06 to FY 2009/10)
- This study has been only of three joint venture banks as sample i.e. SBI, HBL and NIBL.
- Only cash flow analysis aspect is analyzed. Other performance of the organization is fully neglected while providing suggestions.

1.11 Organization of the study

The study was organized in the following chapters in order to make the study easy to understand.

The first chapter is an introductory chapter. It contained background of the study, introduction of commercial banks, focus of the study, statement of the problems, objective of the study, significance of the study, limitation of the study and organization of the study.

The second chapter is concerned with review of literature. This contained review of previous articles and books review of research paper and published and review of the previous thesis.

This third chapter is the most important part of the study. It deals with the research methodology, data collection method and ways to analyze them in this study. It contained research design, sampling sources of data, data processing and tools and techniques of analysis.

The fourth chapter is data presentation and analysis. It deals with presentation and analysis of relevant data through definite courses of research methodology with financial and statistical analysis related to cash flow of HBL, NIBL and NSBI. Major findings of the study were presented at the end of this chapter.

The fifth charter is last part of the study. It provided summary, conclusion and recommendations for improving the future performance of the sample banks.

Finally, an extensive bibliography and appendices were also presented at the end of the thesis work.

CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction to the studied subject matter

"Cash is the lifeblood of business enterprises. It is the fuel that keeps a business alive". (Munakarmi, 2002:13). "Cash flow simply refers to the flow of cash in and out of a business over a period of time." (Wagle, 2004:15). If the funds are in form of working capital then funds flow statement should be prepared. But when cash are assumed as fund then cash flow statement should be made to inform the stake-holder about the cash flow position of the enterprises/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 use 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 source of funds".

2.2 Funds Flow Analysis

The funds flow statement describes the source from which additional funds were derived and the use which these resources were put. Movement of fund both inflow and outflow is called funds flow statement. It describes the condition of working capital with in an accounting period. Funds are the total financial resources of the business which is taken only about the sense of cash. It is a report which the place of organized working capital and its used. So funds flow analysis describes the source of fund, purpose of fund and quantity of fund with in an accounting period.

2.3 Cash Flow Analysis

Cash flow analysis is the measurement of company strength on cash basis. It is making of an accounting year to answer the following questions:

- ❖ How much cash is generated by business operation?
- ❖ How much cash is spent for assets?

- ❖ Did the company made investment through operating cash?
- ❖ What are the sources of financing cash flow items?

2.4 Profit 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. None operating gains income 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 flow not the profit that determines the wealth.

2.5 Cash Flow statement

Cash flow statement is the systematic and analytical presentation of cash flow from different sources with in an accounting period. It is the 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 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 (2006), "cash flow statement should report cash flow during the period classified by operating, investing and financing activities. 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."

Cash flows analysis is done through the statement termed as statement of cash flows. A cash flows statement is a statement of company's ability to generate cash from various

activities such as operating investing and financing and their need of cash. It is a statement which shows the inflows and outflows of cash and cash equivalents during the year. A cash flows statement is defined as "a statement of company's ability to generate cash from various activities and their need of cash.

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.

2.6 Importance of cash flow analysis

NAS, IAS and company act 2053 made mandatory to submit cash flow statement along with balance sheet and income statement. So cash flow analysis is very much important and useful in these days.

Enterprises need cash to conduct their operation, to meet 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.

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 to:

- a. To assess a company's ability to generate positive future cash flows.
- b. To assess a company's ability to meet its obligation, its ability to pay dividend and its need for external financing.
- c. To assess the reasons for differences between income and associated cash receipts and payments.

- d. To assess both the cash and non-cash aspects of a company's investments and financial transaction.
- e. To assess a company's quality of earning. The quality of earning refers to how closely income is correlated with cash flows higher the correlation the higher the earning quality.
- f. To assess a company's solvency, liquidity and financial flexibility. Solvency is the ability of a company to pay its debt as they mature. Liquidity is the ability to generate adequate amount of cash and also refers to assets and liabilities nearness to cash. Financial flexibility refers to adapt during a period of financial adversity, to obtain financial flexibility refers to adapt during a period of financial adversity, to obtain financing to liquidate non operating assets for cash.

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

- i. If company operates at a profit why is it continually short of cash?
- ii. How can a company operate at a loss and still generate huge inflows of cash from operations?
- iii. How was the company's growth and expansion financed?
- iv. Did the company acquire any long term investment or other income producing assets?
- v. Was financing obtained during the period through assurance of debt or equity securities? If so what were the amount of cash obtained?
- vi. Did the company use cash to retire any long term debt or equity securities during the period?
- vii. Is the company's income producing activities using more cash than they are generating?
- viii. Do operating activities consistently generate enough cash to assure prompt payment of operating expenses maturing liabilities interest obligation and dividends?

2.7 Objectives of Cash Flow Statement

The cash flow statement of an enterprise is useful in providing information to the users of financial statements about the ability of an enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows. Its aim and objective are mentioned below. ‘

- a. Cash flows statement will help the financial manager to explain the situation of sufficient cash balance in hand despite the business incurred loss or short of cash balance even if the business is making huge amount of profit.
- b. Comparison between cash budgeted and cash flow statement may prove to be useful for the management for preparing cash budget for the periods to come.
- c. With the help of cash flow statement the management can find out the causes of changes in the cash position on two dates.
- d. Provide information about cash receipt and payment of a company during an accounting period.
- e. Understanding the liquidity position of the company.
- f. Reconciling the opening and closing cash balance.

2.8 Difference between funds flow and cash flow

1. Concept: funds flow is based on working capital and cash flow is based on cash.
2. Accounting: fund flow statement is base on accrual basis of accounting and cash flow statement is based on cash basis of accounting.
3. Preparation: Fund flow statement reveals the sources and application of funds and any difference represents net increase of decrease of working capital where as cash flow statement reveals the inflows and outflows of cash and difference represents the closing cash balance.

4. Purpose: Fund flow statement shows the causes of changes in working capital position of a firm between two balance sheets dates cash flow statement shows the causes of changes n cash position of a firm between two balance sheets dates.

5. Usefulness: Fund 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 the business.

6. Schedule of changes in working capital: To get informed 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.

2.9 Preparation of cash flow statement

The cash flow statement is prepared on the basis of cash basis accounting. While calculating operating profits for cash flow statement, adjustment for prepaid and outstanding expenses and incomes are made to convert the data from accrual basis to cash basis. The statement is prepared by taking the opening balance of cash, adding to this all the inflows of cash and deducting all the outflows of cash from the total. The statement is more useful for short term analysis and cash planning of the business. Cash flows statement shows the sources and application of cash. Following are the major sources and use of cash.

Sources of Cash:

1. Cash from operation
2. Sales of fixed assets
3. Issues of shares
4. Issues of debenture
5. Raising long term loan
6. Decrease in working capital

Uses of Cash:

1. Cash loss from operation
2. Purchase of fixed assets
3. Redemption of redeemable preference shares
4. Redemption of debentures

As per the FASB's statement No. 95 the cash flows statement should be presented under informative approach in activity format. Under informative approach the cash flow statement may be presented using.

1. Indirect method
2. Direct method

2.9.1 Indirect approach to cash flow statement

Under indirect approach net profit or loss is adjusted for the effects of transaction of a non-cash nature, any deferrals or accruals of past or future operating cash receipts of payments and items of income or expense associated with investing or financing cash flows. Operating activities relate to a company's primary revenue generating activities. It is the single major continuing source of cash. Operating activities are always within the management control and they provide base for management estimation of funds needed to rise from available sources. Cash flows from operating activities are generally the cash effects of transaction and economic events included in the determination of income.

2.9.1.1 Operating activity

Under indirect 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, provisions, deferred taxes and unrealized gains or losses and

-) All other items for which the cash effects are investing or financing cash flows.

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 receivable and payables during the period. Operating activities are:

-) Non-cash and non-operating gain/loss/expenses
-) Depreciation/loss on sales of assets provision for taxes
-) Gain on sales of assets
-) Operating profit before working capital changes
-) Increase/decrease in current assets and current liabilities.

2.9.1.2 Investing activity

It include lending money (investment) and collecting on those loan, buying and selling productive assets that are expected to generate revenue in future periods and buying and selling securities not classified as cash equivalents. Investment activities are:

-) Cash payments to acquire the fixed assets
-) Cash receipts from disposal of fixed assts
-) 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.

2.9.1.3 Financing activity

It include borrowing money from creditors and repaying the amount to borrower and obtaining resources from owners repayment of borrowed funds/amount and payment of dividend to owners.

The separate disclosures of cash flows arising from financing activities is important, because it is useful in predicting claims on future cash flow by providing funds.

Financing activities are:

-) Cash proceeds from issuing shares or other similar instrument
-) Cash proceeds from issuing debenture, bonds and long term loan
-) Cash repayments of amount borrowed.

Cash flow format under indirect approach

A. Cash Flow from operating activities

Net income/profit

Add/less non-cash and non-operating gain, loss and expenses

+ Depreciation and write off

-/+ gain on sales of fixed assets/loss on sales of fixed assets

+ Premium on redemption of debenture

Add/less cash provided/uses by current assets and liabilities

+/- Decrease in current assets/increase in current assets

+/- Increase in current liabilities/decrease in current liabilities

+/- Decrease in account receivables/debtors/increase in account receivable/debtors.

+/- Decrease in inventory/increase in inventory

+/-Decrease in prepaid expenses/increase in prepaid expenses

+/- Increase in accounts payable/creditors/decrease in accounts payable/creditors

+/- Increase in accrued liabilities/decrease in accrued liabilities

+/- Increase in deferred tax liability/decrease in deferred tax liability

+/- Increase deferred/unearned revenue/decrease deferred/unearned revenue.

B. Cash Flow from investing activities

-/+ Purchase of fixed assets/investment/sales of fixed assets/investment

- Short term investment/making loan

+collection of loan

C. Cash Flow from financing activities

+ Issue of shares/debenture

+Raising loan (Short and long term loan)

+Share premium

-Redemption of debenture/preference shares

-Payment of dividend

D. Net changes in cash and cash equivalent (A+B+C)

Add beginning cash and cash equivalent

Ending cash and cash equivalent

2.9.2 Direct approach to cash flow statement

When the direct method is used the cash flow statement does not begin with net income. It shows cash collection from customer and deducted cash used for various expenses. That is major class of gross cash receipt and gross cash payments are disclosed.

Under direct approach

Operating activity only include transaction that return to the calculation of net income. It involves the production or 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 investing or financing activities.

The cash flows from operating activities are primarily derived from the principal revenue producing activity of the enterprise. Examples of cash flows from operating activities are:

-) Cash receipts from the sales of goods and the rendering of services
-) Cash receipts from royalties, fees, commission and other revenue
-) Cash payments to suppliers of goods and services
-) Cash payments to employees and operating expenses
-) Cash receipts and cash payments of an insurance company for premium and claim and other policy benefits
-) Cash payments or refunds of income taxes

The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method under direct method information about major classes of gross receipts and gross cash payments may be obtained either.

- a. From the accounting records of the firms
- b. By adjusting sales, cost of sales and other items in the statement of profit and loss for:
 - i. Changes during the period in inventories and operating receivables and payables.
 - ii. Other non-cash items and
 - iii. Other items for which the cash effects are investing or financing cash flows.

Determination of cash flow from investing activity

Determination of cash flows from investing activities requires analyzing the non-operating incomes and expenses in income statement.

- i. Productive assets

- ii. Investment in share and debentures
- iii. Intangible assets
- iv. Short term investments other than cash equivalents

Determination of cash flow from financing activity

A company's transactions with its owners and long term creditors are typically called financing activities also financing activities include borrowing cash on short term basis for determination of cash flows from financing activities items relating to:

- Equity share capital
- Share premium
- Debenture
- Proposed dividend
- And comparative balance sheets should be analyzed by preparing necessary accounts.

Cash flow format under direct approach

Particular	Amount(Rs)	Amount(Rs)
A. Cash Flow operating activities		
Cash sales and collection from customer:		
Net sales (sales less return)		
± Decrease/Increase in account receivable and debtors		
+ bad debt recovered		
+/- current year's doubtful debts/last year doubtful debts		
- Current year bad debts		
Cash purchase and payment to suppliers:		
Net purchase		
(merchandise/material/suppliers/supplies/cost of goods sold)		
+ closing inventories/ - opening inventories		
+ opening creditors/bills payable/ - closing creditors/bills payable		
+ purchase related expenses		
Payment to employees and other operating expenses:		
Direct labor		
+ manufacturing overhead		
+ general expenses		
+ selling expenses		
+ opening outstanding expenses/ - closing outstanding expenses		
+ closing prepayment/-opening prepayment		
Payment for interest:		
Interest paid		
+ opening tax payable/ - closing tax payable		
Interest and dividend received:		
Interest/dividend received		
+ opening interest receivable/-closing interest receivable		
Operating cash flow before ordinary items		
Extra ordinary items short term borrowing:		
Closing bank overdraft		

+ closing bank loan/-opening bank loan and overdraft Net cash flow from operating activity B. Cash Flow from Investing activities -Purchase of plant and other productive assets -Purchase of investment -Short term investment purchased -Making loan +Sales of assets and investment +Sales of short term investment +Collection of principal amount of loan Net cash from investing activities C. Cash Flow from Financing activities +Cash from issue of share and debenture (less discount) +Cash from short and long term loan +Increase in share premium -Redemption of debentures -Payment of dividend -Repayment of short term loan/long term loan Net cash from financing activities D. Net changes in cash and cash equivalent (A+B+C) Add opening cash and cash equivalent Closing cash and cash equivalent		
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2.10 Cash Flow Statement for Financial Institutions Including Bank

Financial enterprises like bank, finance companies, co-operatives etc. represents the institutions that deals on financial transaction. Such enterprises also need to prepare financial statement including cash flows statement.

The cash flows statement of commercial bank is prepared in following format.

Particular	Amount(Rs.)	Amount(Rs)
A. Cash Flow from operating Activities Interest and commission receipts Interest payments Recoveries on loans previously written off Cash payment to employees and suppliers Short term fund increase Deposits held for regulatory or monetary control purposes Funds advanced to customers Net increase in credit card receivable Increase other short term securities Deposits form customers Certificate of deposit Net Cash from operating activities before income tax Income tax paid Net cash from operating activities		
B. Cash flow form investing activities Dividend received Interest received Purchase of permanent investment Purchase of fixed assets Net cash form investing activities		
C. Cash flow from financing activities Issues of shares Share premium Repayment of long term borrowing Net decrease in other borrowing dividend paid Net cash from financing activities		
Net increase/decrease in cash and cash equivalents Cash and cash equivalentents at the beginning of the period Cash and cash equivalent at the end of the period		

2.11 Cash flow statement under N.R.B. directives

Nepal Rastra bank issues different directive to the commercial bank in order to regulate their function. It also approved different format to the commercial bank to make transparent accounting data. From the year 2058 B.S. N.R.B. issued the following type of cash flow format to present at the end of the fiscal year.

Particulars	Amount (Rs.)	Amount (Rs.)
A. Cash flow From Operating activities		
1. Cash receipt		
1.1 Interest income		
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 sort 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 form 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 (A+B+C)		
E. Opening cash balance		
F. Closing cash balance		

2.12 Review of the previous Article and Books

Cash is the most important aspect of working capital cash is the basic input needed to keep the business running on continuous basis so the cash should be managed efficiently in order to keep the firm sufficient liquid and to use excess cash in some profitable way. The firm should have sufficient cash neither more nor less. Cash storage will disturb the firm's operation while excessive cash will simply remain idle, without contributing anything towards the firm's profitability. Thus, the major functions of the financial managers 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 to calculate the interest lost or fund loss, if cash is not collected promptly.

In any type of firm the 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 from to the termination of its business.

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

As cash budget shows the planned cash inflows, outflows 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 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 it 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, all these it is impossible 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.

One objective of preparing cash flow statement is to understand the relationship between accrual accounting events and their cash impact. Cash flow is the cash basis accounting recognized only cash basis transaction involving actual cash receipt and disbursement.

As per the Nepal accounting standard the cash flow statement is the part of the complete set of financial statement includes balances sheet income statement and accounting policies and extra ordinary notes.

Mr. S.P. Munankarmi in his article known cash analysis mentioned that it is an integral part of financial planning and stated the importance of cash in organization by calling it the lifeblood of business enterprise. It is the fuel that keeps a business alive. So 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 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.

As the article further stated 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.

The article mentioned the important of cash flow statement as under

Cash flow is important to have information about;

-) A company's ability to generate positive future cash flows
-) A company's ability to meet its obligations its ability to pay dividends and its need for external financing.
-) The reasons for differences between income and associated cash receipts and payments.
-) Both the cash and non cash aspects of a company's investment and finance transaction
-) A company's quality of earning refers to how closely income is correlated with cash flow the higher the correlation the higher the earning quality.
-) A company's solvency liquidity and financial flexibility. Solvency is the ability of a company to any its debt as they mature. The liquidity is the ability to generate adequate amount of cash and it also refer assets and liabilities. Financial flexibility refers to adaptation during the period of financial adversity to obtain financing to liquidate non operating assets for cash.
-) Net cash provided used by operating activities.

Investment activities as the article stated include the lending money (investment) and collecting on loans buying and selling securities not classified as cash equivalent are defined as short term highly liquid investment that are readily convertible to known amounts of cash and must be sufficiently close to its maturity date. Determinations of cash flow from investing activities the analysis of non-operating incomes and expenses.

Net cash form financing activities are determined by the flow of short term loans and over drafts. There may be some non cash investing and financing payments and such payments are not reported in the statement of cash flows. The FASB concluded that non cash portions of investing and financing activities should not reported in the statement of cash flow. However the board recognizes that non cash investing and financing activities

important events and they should be disclosed by preparing a separate schedule for such activities.

As per the format of cash flow statement the article stated further that section seven of Nepal company act 2053 B.S. mentions the company's books of accounts and accounting system to be adopted by the company. Article 83 of the act is related to annual financial reporting statements which includes balance sheets income statement and cash flow statement is not prescribed as such it should in the author's opinion be presented in the format as prescribes by the FASB.

The article concluded that an accurate cash flow projection being an integral part of financial plan help to avoid cash flow problems and also helps to keep borrowing costs as low as possible.

2.13 Review of the previous thesis

Silwal, Udaya Bahadur (1980);

Mr. Udhaya Bahadur Silwal, has conducted a study on “**Lending policy of commercial Bank in Nepal**”, an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management T.U. The study has the following objectives:

-) To analyze the role of commercial banks in its historical perspective.
-) To show the relationship between deposits, loans and advances.
-) To identify major weakness of lending policy of the commercial banks.
-) The research was conducted mainly on the basis of secondary data. Findings of the research are summarized below.

Effectiveness of lending policy is directly based upon a sound banking system. But due to geographical variation, transportation and other regional disparities, it is very difficult to expand branches in different rural areas. So, it can be said that commercial banks in Nepal are not playing an active role to utilize their sources collected from different sectors.

By paying higher interest rate, the banks are increasing deposits, which in turn increase saving habits of the general people. This type of business of commercial banks is really a necessary one in an agricultural country like Nepal, where public investment has limited capacity.

Upreti, Pramod (2007);

Mr. Pramod Upreti, in his thesis entitled “**A comparative study of financial performance of NIBL, HBL, SCBNL and EBL**”, an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management T.U. The study has the following objectives:

-) To study the present of the four venture banks.
-) To do the comparative study about the financial performance of these banks with regard to their profitability, liquidity, efficiency and capital structure.
-) To provide recommendation and suggestion on the finding to improve financial performance of these banks.

Major findings of the thesis were as follows:

Among all the sample banks, HBL has the lowest ration and EBL has not mobilized its assets into profit generating projects.

SCBNL has been successful in earning more net profit by the proper use of its available assets.

EBL with the highest ratio has been successful in generating more interest by the proper use of its available assets.

EBL and HBL seem to have held more cash and bank balance than other commercial banks.

Karki, Surendra (2008);

Mr. Surendra Karki has conducted a study under topic “**Cash Management in listed Manufacturing Companies-Unilever Nepal Ltd, Nepal Lube Oil Ltd, Bottlers Nepal Ltd, Nepal Banaspati Ghee Ltd and Raghupati Jute Mills Ltd.**” an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management T.U. The objectives of the study are as follows:

-) To examine and critically analyze the cash management practices in listed manufacturing companies.
-) To identify the liquidity position of the companies.
-) To study the relationship of cash with other influencing aspects of cash management. Whether it is significant or not?
-) To analyze cash conversion cycle of the companies.
-) To provide necessary recommendations for improvement of cash management of the basis of analysis.

Major findings of the research were as follows:

-) Listed manufacturing companies do not have and definite policy regarding how much cash balance to hold in each period.
-) Listed manufacturing companies have failed to maintain adequate proportion of cash on its current assets.
-) Companies were not precisely meeting their current liabilities payments.
-) Liquidity positions of the listed manufacturing companies were not satisfactory.

Khatri, Mahesh (2010);

Mr. Mahesh Khatri has conducted a study under topic “**Cash Flow Management of Commercial Banks**”, an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management T.U. The objectives of the study are as follows:

-) To analyze the cash flow position of commercial banks of Nepal.

-) To conduct comparative study of the annual cash flow statements of the banks.
-) To examine the cash flow periodically due to change in net assets, financial structure and different activities like operation, financing and investing.
-) To analyze liquidity crisis in financial market.
-) To recommend the findings of the study to concern bodies and authorities, after analyzing cash flow position and liquidity problem of the banks.

2.14 Research Gap

There are no proper studies in this specific topic. However, some studies related to the topic had been conducted as a thesis for the partial fulfillment of master's level. Some relevant research has been found to be conducted in favors of good position of cash flow analysis. The purpose of this study is quite different from the previous studies in terms of time period it covers i.e. from fiscal year 2005/06 to 2009/10. This is the time where the nation faced major political and social challenges, deteriorating security situations which play vital role to make the economic situation of the country worse to some extent moreover, the study has been conducted taking five years data from three different commercial banks. This is the successful and fast growing commercial bank of the country. At present commercial banks of Nepal showing their good position in the market. That's why public are very interested to deposit their money in different commercial bank. SBI Bank has huge market share and numerous investment activities in the current financial market and played significant role in economic development of the country.

This study, would contribute to fulfill the prevailing communication gap about the major factors influencing the cash flow analysis of commercial banks for the shareholders and stakeholders. Hence the research shows the strength and weakness position of the different banks in different situation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

In order to fulfill the objective of the study an adequate attention has been given on the research design. The research is carried out on the basis of secondary data. All the required data and essential information were collected from the concerned commercial banks. Descriptive cum analytical research design was used to analyze the financial performance of the selected banks. Various financial parameters and an effective research technique were employed to analyze cash flows of these institutions. An attempt was made to suggest useful recommendation to the concerned authorities.

3.2 Population and Sample

Now a day a number of commercial banks have been emerging in a couple of decades. Some have already been established and others are in process of establishment. Currently there are 28 commercial banks in Nepal out of which 17 banks were listed in NEPSE. In the study all the commercial banks are population of study. Among them Nepal SBI, HBL & NIBL banks were selected as sample for the present study. Financial statements of last five fiscal years from 2005/06 to 2009/10 were taken as sample data for comparative study of cash flow.

Among 17 Listed commercial banks in NEPSE only three banks were taken into analysis. They are:

- State bank of India (SBI)
- Himalayan Bank Limited (HBL)
- Nepal Investment Bank Limited (NIBL)

3.2.1 Period of Study

The study was based on the five years covering the F/Y 2005/06 to 2009/10.

3.2.2 Sources of Data and Data Collection Procedures

The data employed in the study derived is from secondary sources. The audited Balance Sheet, profit and 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. Annual reports of selected organization were collected by making an access to the commercial banks and the Chartered Accountants firm. In addition, answers on certain queries made to the staffs 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.

3.2.3 Data Processing

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 and profit/loss accounting in order to depict the over all picture of different years of such banks. Thereafter, cash flow statement sheets. After preparing the cash flow statements the data are analyzed by observing all the financial statement.

3.3 Terms, Tools, Methods and Techniques of Analysis

While conducting the analysis the researcher use trend of cash flow through chart of cash flow and other important method of analysis is ratio or percentage.

Cash flow is the lifeblood of 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.

Importance of 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

- i. Investors
- ii. Creditors
- iii. 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 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 ahs to sue cash flow analysis.

Cash flow analysis could be done by either using cash budget of cash flow statement.

3.3.1 Cash budget

Cash budget is not a financial statement and such used only by decision makers within the organization. A cash budget is always prepared for expected results of future period's cash transaction. The cash budget usually broken into monthly segments showing in detail the cash flows expected form each department. It emphasizes on the financial pattern to meet seasonal to temporary cash needs. In thesis work cash flow statement is used to cash flow analysis which is based on historical cost basis.

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 of 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 operation; the cash exchanged to buy and sell point and

equipment; the cash proceeds from stock issuances and long term borrowing; and the cash used to payoff debts.

Introduction

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 termed as cash flow analysis.

Cash flow statement as per the international accounting standard

1. The cash flow statement should report cash flows during the period classified by operating, investing and financing activities.
2. 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 these activities.
3. A single transaction may include cash flows that are classified differently. For example when the cash repayment of a long 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

1. 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 are useful, in conjunction with their information, in forecasting future operating cash flows.
2. Cash flows from operating activities are primarily derived from the principal revenue producing activities of the enterprise. Therefore, they generally result

form the transactions and other events that enter into the determination of net profit or loss. Examples of cash flows from operating activities are.

- a. Cash receipts from the sale of goods and the rendering of services
 - b. Cash receipts from royalties, fees, commissions and other revenue
 - c. Cash payments to suppliers for goods and services
 - d. Cash payments made to employees and other operating expenses
 - e. Cash receipts and cash payments of an insurance enterprise for premiums and claims annuities and other policy benefits.
 - f. Cash payments of refunds of income taxes unless they can be specifically identified with financing and investing activities; and
 - g. Cash receipts and payments from contracts held for dealing or trading purposes.
3. 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 related to the main revenue producing activity of the enterprise.

Investing activity

1. 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.

- a. 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.
- b. Cash receipts from sales of property plant and equipment intangible and other long term assets.

- c. Cash payments to acquire equity or debt instrument of other enterprises and interest in joint venture.
- d. Cash receipts from sales of equity or debt instrument of other enterprises and interest in joint venture.
- e. Cash advances and loans made to other parties.
- f. Cash receipts from the repayment of advances and loans made to other parties.
- g. 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 investing activities and
- h. 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 investing activities.

Financing Activity

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

- a. Cash proceeds from issuing shares or other equity instruments
- b. Cash payments to owners to acquire or redeem the enterprise shares
- c. Cash proceeds from issuing debentures loans, notes, bonds, mortgage and other short or long term borrowings.
- d. Cash repayments of amounts borrowed and,
- e. Cash repayments by a lessee for the reduction of the outstanding liability relating to a finance lease.

Financial statement

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

Balance sheet

Balance sheet is a financial statement, which reveals information about the financial position of a company at a particular period of time. It contains information in respect of capital, liabilities and assets.

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.

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 and assets during that particular time.

Trend analysis

The trend analyses 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.

Statistical Tool

Ratio is the tools to analyze cash flow statement. Also the tools bar is used for cash flow analysis.

Assumptions of the study

The following assumptions are made in this these to draw valid and reliable conclusions:

-) Short tem liability like bills payable are assume 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 IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

A. Cash flow from operating activity

Operating activities relate to a company's primary revenue generation activities. It is the single major continuing source of cash. Operating activities are always within the management control and they provide a base for estimation of funds needed to rise from available sources. It is the principle revenue producing activity of the enterprises. The following are the activities related with operating according to the IAS 7.

- Cash receipt from the sale of goods and rendering services.
- Cash receipt from royalties, fees, commissions and other revenues.
- Cash payment to suppliers for goods and services.
- Cash payment to and on behalf of employees.
- Cash receipt and cash payment to insurance.
- Cash receipt and payment for insurance premium and claims, and other policy benefits.
- Cash payment or refund of income tax.
- Cash receipt and payment from contracts held for dealing or trading purposes.

This chapter deals with cash flow analysis with reference to selected joint venture banks. 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-003 (SEC.14) cash flow from operating activities items are identified same as international according 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 of all those investment made or sold inside or outside of the company or sale of these securities as well as investment on land building are 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. According to IAS the following items should be included under investing activities.

- Cash payment to acquire fixed assets.
- Cash receipt from sale of fixed assets.
- Cash payment to acquire debt, share or warrant of other companies
- Cash advanced 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 included.

- 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 loan 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 received from the customer and the excess pending amount on bills payable are the main sources of financing cash flow. If the cash is not sufficient from operating activities in order to make investment then financing cash should be required. 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 proceeds from issuing debt loan, bond, mortgage and other short term borrowing
- Cash payment of amount borrowed
- Cash repayments to 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

Cash equivalent

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

Now, it is necessary to present cash flow statement of selected sample JVB their analysis. Analysis of the data is done on the following way:

- Comparison with five year data individually
- Comparison with every year data between three JVBS
- Showing intra and inter relationship especially through trend analysis

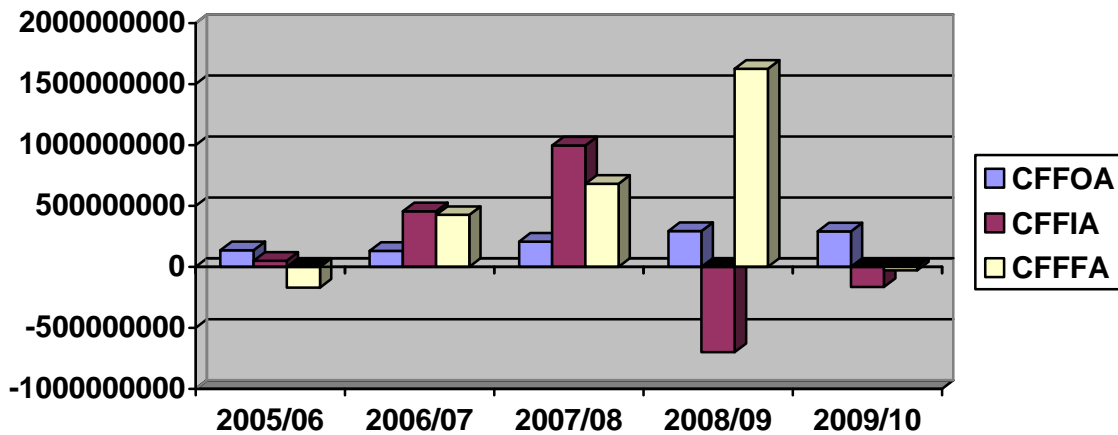
Following is the cash flow statement of SBI, HBL and NIBL of the FY 2005/06 to 2009/10

4.2 State Bank of India

Table No. 1.2
Cash Flow Statement
Of State Bank of India
For the FY 2005/06 to 2009/10

S.N	Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
A.	Cash Flow From operating activities	13,76,64,141	13,22,15,359	20,69,51,805	29,47,77,737	29,25,96,741
1	Cash Received	50,83,72,717	52,37,06,170	5,63,11,00,971	66,60,15,521	76,23,85,291
	Interest income	39,96,31,302	46,97,40,135	49,35,98,313	57,83,72,070	67,89,35,738
	Commission and discount	3,65,79,409	2,99,61,809	3,06,66,943	4,25,68,260	4,07,53,985
	Exchange gain	4,25,35,450	1,85,09,922	3,06,15,953	3,23,57,149	3,84,85,265
	Non-operating income	-	-	-	14,42,831	29,26,272
	Other income	2,96,26,556	54,94,304	82,19,762	1,12,75,210	71,36,575
2	Cash payment	37,07,08,576	39,14,90,812	35,61,49,166	37,12,37,783	46,97,88,550
	Interest exp.	28,85,79,513	29,18,19,520	25,59,19,216	25,84,30,003	33,47,70,096
	Staff expenses	2,63,37,988	3,37,31,121	3,25,10,008	3,75,82,219	5,05,39,528
	Office operating expenses	55,41,38,614	6,38,46,888	6,71,49,314	7,52,25,561	8,14,53,950
	Exchange loss	-	-	-	-	-
	Non- operating expenses	16,52,461	20,93,283	5,70,628	-	-
	Other expense	-	-	-	-	30,24,977
B	Cash Flow From Investing Activities	4,94,41,136	(45,56,65,904)	(99,75,46,021)	(70,01,59,212)	(16,44,25,530)
	Change in balance with bank	32,08,89,272	38,94,65,781	36,06,70,900	12,32,08,924	(2,93,97,535)
	Change in money at call and short notice	39,00,00,000	-	-	12,31,12,500	24,00,87,500
	Change in investment	(7,61,24,294)	(60,82,19,356)	(7,00,45,490)	(70,01,59,212)	(1,003,095,482)
	Change in loan advance and bills purchased	(35,36,83,752)	(16,94,70,473)	(67,49,82,330)	(107,0216,699)	1,41,28,57,361
	Change in fixed assets	(24,58,658)	(1,89,63,572)	(63,46,941)	(1,95,04,786)	(1,80,20,005)
	Changes in other assets	(22,91,81,432)	(4,84,78,284)	2,33,17,840	(14,80,58,92)	(2,21,04,549)
C	Cash Flow From Financing Activities	(16,90,01,887)	42,64,88,070	68,21,58,062	1,62,55,92,877	(2,77,33,458)
	Change in borrowing	43,18,86,141	(49,29,66,301)	5,13,51,742	35,24,50,948	14,27,99,788
	Change in deposits	(103,9819,980)	95,03,46,613	67,55,10,797	1,456,446,786	2,34,72,66,419
	Change in bills payable	-	(87,936)	-	3,11,23,670	(1,51,15,073)
	Change in other liabilities	43,89,31,952	3,08,04,306	(4,47,04,477)	(21,44,28,527)	(2,502,684,592)
	Dividend paid	-	-	-	-	-
D	Net Cash Flow for the year	1,81,03,390	10,30,37,524	(10,84,36,154)	(1,74,72,578)	10,04,37,753
E	Opening Cash Balance	14,85,17,735	16,66,21,125	26,96,58,649	16,12,22,496	14,37,49,918
F	Closing cash balance	16,66,21,125	26,96,58,649	16,12,22,496	14,37,49,918	24,41,87,671

Bar Diagram
State Bank of India



A. Cash flow from operating activity

Total cash flow from operating activities of the SBI bank is declining up to the fiscal year 2006/07 and increasing from the fiscal year 2007/08 to 2009/10. Operating cash flow are Rs.13,76,64,141, Rs.1,32,21,559, Rs.20,69,51,805, Rs.39,47,77,737 and Rs.29,25,96,741 in the fiscal year 2005/06 to 2009/10. This amount is declining by 3.96% in the fiscal year 2006/07 as compared to the fiscal year 2005/06 and increased by 50.33% in the fiscal year 2007/08, 114.13% in the fiscal year 2008/09 and 112.54% in the fiscal year 2009/10.

Cash receipts from operating activities are increasing. Cash receipts from operating activities are Rs.50,83,72,717 for the fiscal year 2005/06, Rs.52,37,06,170 for the fiscal year 2006/07, Rs.56,31,00,971 for the fiscal year 2007/08, Rs.66,60,15,521 for the fiscal year 2008/09 and Rs.76,23,85,291 for the fiscal year 2009/10. Cash receipt increased by 30.16% for the fiscal year 2006/07, 10.71% for the fiscal year 2007/08, 31% for the fiscal year 2008/09, 49.97% for the fiscal year 2009/10.

The main source of cash inflow in operating activities is interest income. Interest income is in increasing trend. Interest income is Rs.39,96,31,302 for the fiscal year 2005/06, Rs.46,97,40,135 for the fiscal year 2006/07, Rs.49,35,98,313 for the fiscal year 2007/08, Rs.57,83,72,070 for the fiscal year 2008/09 and Rs.67,89,35,738 for the fiscal year 2009/10. Other main cash producing income is commission and discount income. Discount income for the fiscal year 2006/07 is Rs.94,69,40,135 which is higher than

previous year. Discount and commission income are in increasing trend from the fiscal year 2007/08 to 2009/10. Exchange gain is Rs.1,85,09,922 which is less than previous year. Discount and commission income are in increasing trend from the fiscal year 2007/08 to 2009/10. Exchange gain is in increasing trend from the fiscal year 2007/08 to 2009/10. Non-operating income is higher in the fiscal year 2009/10 than 2008/09. Other income is excess in the fiscal year 2008/09 i.e. Rs.1,12,75,210. Cash payments to operating activities are Rs.37,07,08,576 in the fiscal year 2005/06, Rs.39,14,90,812 in the fiscal year 2006/07, Rs.35,61,49,166 in the fiscal year 2007/08, Rs.37,12,37,783 in the fiscal year 2008/09 and Rs.46,97,88,550 in the fiscal year 2009/10. Cash Payments has increased in the fiscal year 2006/07 as compared to the fiscal year 2005/06 but decreased in the fiscal year 2007/08 and again increased in the fiscal year 2008/09 and 2009/10 as compared to the fiscal year 2005/06. Cash payments increased by 5.61% decreased by 3.93%, again increased by 0.14% and 26.73% in the fiscal year 2008/09 to 2009/10.

Interest payments to deposits are the main payment sector of operating activities. Interest payment in the fiscal year 2005/06 is Rs.28,85,79,513, Rs.29,18,19,520 in the fiscal year 2006/07, Rs.25,59,19,216 in the fiscal year 2007/08, Rs.25,84,30,003 in the fiscal year 2008/09 and Rs.33,47,70,096 in the fiscal year 2009/10. Interest payment is fluctuating it has increased in the fiscal year 2006/07 in comparison to the fiscal year 2005/06, decreased in the fiscal year 2007/08 and 2008/09 and again increased in the fiscal year 2009/10. Interest payment is increased by 1.12% in the fiscal year 2006/07 decreased by 11.32% in the fiscal year 2007/08 10.45% in the fiscal year 2008/09 and again increased by 16% in the fiscal year 2009/10. Staff expenses are also in increasing trend. They are Rs.2,63,37,988, Rs.3,37,31,121, Rs.3,25,10,008 Rs.3,75,82,219 and Rs.50,39,528 in the fiscal year 2005/06 to 2009/10. Office operating expenses are also in increasing trend. There is a huge payment for operating expenses in recent year with respect to previous year. Exchange losses are not beard by the bank. Non-operating expenses are in increasing trend and there are no non-operating expenses in the fiscal year 2008/09 and 2009/10. Non-operating expenses are Rs.1,62,461, Rs.20,93,283, Rs.5,70,628 and nil respectively in the 7th and 8th year. There is payment for other expenses in the last fiscal year 2009/10.

Operating receipt is in increasing trends. But operating payment is fluctuating. As a result cash flow from operating activities for SBI bank has decreased and increased in last year. Due to recession of economy the bank is not getting investment opportunity. So interest receipt is declining. People have no alternative to invest so they are

depositing their money in bank. For idle fund interest payment is higher than interest income. Now a day's interest income is in increasing trend because the bank is increasing its investment.

B. 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 or securities and loan and advances. Banks are the trader of cash so investing activities of the bank differs from other trading and manufacturing company. Cash flow from investing activities of the SBI Bank are Rs.4,94,41,136, (Rs.45,56,65,904), (Rs.99,75,46,021), (Rs.1,93,78,43,193) and (Rs.16,44,25,523) for the fiscal year 2005/06 to 2009/10 respectively which shows there is negative investment in the fiscal year 2006/07, 2007/08, 2008/09 and 2009/10. Cash flow increased to 102.16%, 2117.64%, 4019.50%, 432.57% respectively based on the fiscal year 2005/06.

This bank has current A/C and other current A/C with the control bank as well as other local bank and foreign bank also. So balance with bank is main part of investing activities. The bank deposited its liquid assets into bank due to excess liquidity. Change in balance with bank is Rs.32,08,89,272, Rs.38,94,65,781, Rs.36,06,70,900 Rs.12,32,08,924 and Rs.29,39,75,355 respectively in the relevant fiscal year 2005/06 to 2009/10. Cash flow from bank deposit is in increasing trends.

Cash flow from money at call and short notice are Rs.39,00,00,000 zero, nil, (Rs.12,31,12,500) and (Rs.24,00,87,500) respectively in the relevant fiscal year from 2005/06 to 2009/10 which are taken into consideration. It shows trend the bank withdraws its cash in the fiscal year 2005/06. In the fiscal year 2006/07 and 2007/08 the bank didn't operate this heading of investment to receive cash or to lend. In the fiscal year 2008/09 and 2009/10 it invests money for short period.

The bank has different sector to invest its deposit. Investment to the government securities like treasury bills, development bond and national saving bond. Other sectors of investment as prescribed by the NRB are share debenture, bonds, mutual fund, certificate of deposit; foreign government securities etc. cash flow from investment for SBI bank is negative in relevant five years. They are Rs.7,61,24,294, Rs.60,82,19,356, Rs.7,00,75,490, Rs.70,01,59,212 and Rs.1,00,30,95,482 respectively in the fiscal year 2005/06 to 2009/10. There is huge amount of investment in the fiscal year 2009/10 as

compared to the other four years. This may be the reason of security. There is small investment in the fiscal year 2007/08 as compared to other years.

The main items under investing activities are loan advances and bills purchase. These are the main sources of revenue. If the bank collects only deposit and doesn't make any investment as loan than it is impossible to make profit. Profit is the key factor of business and providing loan is the main objective of commercial bank. Nepalese commercial banks are suffering from non-performing loan which is harmful for generation of cash from investing activities. The trend of loan is increasing i.e. investing as loans are (Rs.35,36,83,752), (Rs.16,94,70,473), (Rs.67,49,42,330), (Rs.1,07,02,16,699) and (Rs.1,41,28,57,361) in the fiscal year 2005/06 to 2009/10 respectively. Cash flow is negative in all the five year. It is increased by 52.08%, 90.83%, 202.59% and 299.47% as compared to the fiscal year 2005/06.

Fixed assets are the tools to operate main business function. They may be land, building, furniture calculator etc. They are depreciable assets. If the value of assets decreased there may be depreciation or sales of assets. Depreciation is non cash expenses. It produces internal cash inflow. If the bank purchase fixed assets than cash flow from fixed assets goes for negative otherwise it is positive at the time of selling. For SBI bank, cash flow from fixed assets is negative i.e. (Rs.24,58,658), (Rs.1,89,63,572), (Rs.63,46,941), (Rs.1,95,04,786) and (Rs.1,80,20,005) in the fiscal year 2005/06 to 2009/10 respectively. Investment in the fixed assets is smaller in the fiscal year 2005/06 than other years. High amount of cash is spent in the fiscal year 2009/10 as compared to the other years. It is not good for cash flow purpose because liquid assets are invested to fixed assets. Investment in the fixed assets increased by 671.30% and decreased by 74.18%, increased by 693.31%, 632.92% as compared to the fiscal year 2005/06. Similarly, cash flow from fixed assets is in increasing trend in the latest year.

Changes in other assets are positive in the fiscal year 2007/08. But other four year have negative contribution to the investing cash flow from this source. Basically cash flow from current assets included in this heading. There is high amount of cash invested for current assets in the fiscal year 2005/06. Cash flow from other assets is in poorest condition. Excess investment in the current assets in the fiscal year 2005/06. Cash flow from other assets is in poorest condition. Excess investment in the current assets including non-banking assets shows the inefficiency of management. They are unable to collect debtors, outstanding interest etc. Dividend income is negligible in the fiscal years 2005/06 to 2009/10.

At last cash flow from investing activities in the fiscal year 2005/06 is positive because of low investment. Little investment for fixed assets and amount received from money at call and short notice and the bank maintain high amount of other assets in this year.

This analysis shows that the bank has not generated sufficient cash from investing activities so help of financing cash flow is necessary to make huge and reliable investment on securities as well as loan and advances.

C. 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 back. But the bank has other sources of financing plugging 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 for SBI bank is (Rs.16,90,01,887), Rs.42,64,88,070, Rs.68,21,58,062, Rs.1,62,55,92,877 and Rs.2,77,33,458 respectively in the fiscal year 2005/06 to 2009/10. There is negative cash flow in the fiscal year 2005/06. But there is positive cash flow in the other four years. Cash flow increased by 352.36%, 503.64% 1061.88%, 116.41% with respect to the fiscal year 2005/06. This shows that cash flow from financing activities is in increasing trend.

Change is borrowing in the fiscal year 2005/06 Rs.43,18,86,141, (Rs.49,29,66,301), Rs.51,35,14,742, Rs.35,24,50,948 and Rs.14,27,99,788 respectively from the fiscal year 2005/06 to 2009/10. Cash flow from borrowing is negative in the fiscal year 2006/07. Cash flow from borrowing is positive in the fiscal year 2005/06, 2007/08, 2008/09 and 2009/10. This may be in form of loan, overdraft, and re-finance from NRB or foreign banks. In the fiscal year 2006/07 payment of Rs.49,29,66,301 is shown in the figure which amount entirely effects for total cash from financing activities the different source of deposit. Deposit may be in the form of local and foreign currency. Deposits are classified into interest bearing and non-interest bearing. Change in deposit is negative in the fiscal year 2005/06 which shows that customer withdraw their deposit. But in other four year, there is positive change in deposit.

Change in bills payable is negative in the fiscal year 2006/07. Payment made to the bills for the fiscal year 2006/07 is Rs.87,936. The bank was able to generate positive cash flow from bills payable in the fiscal year 2008/09.

Other liabilities related to staff payment under different heading, unearned commission creditors etc are negative in the fiscal year 2007/08, 2008/09 and 2009/10 but is positive in the fiscal year 2005/06 and 2006/07. Change in other liability plays significant role under cash flow from financing activities. There are 14 heads of liability as prescribed by the NRB under the other current liability. All most items are related with provision outstanding and short term liability.

D) Net cash flow of the year

Total cash flow for SBI bank from different activities is in rising falling trends. They are Rs.1,81,03,390, Rs.10,30,37,524, (Rs.10,84,36,154), (Rs.17,47,72,570) and Rs.1,04,37,753 respectively from the fiscal year 2005/06 to 2009/10. Total cash flow for SBI bank increased by 469.16% in the fiscal year 2006/07 based on the fiscal year 2005/06.

Total cash flow decreased by 698.98% and 196.51% in the fiscal year 2007/08 and 2008/09. Again overall cash flow increased by 454.80% in the fiscal year 2009/10. Cash flow from financing activities is negative in the fiscal year 2005/06. But operating and investing cash flow are positive. So, total cash flow for the fiscal year 2005/06 is Rs.1,81,03,390. The fiscal year 2006/07 is the significant year for positive cash flow in total. Cash from investing activities in this year is negative. But to the higher positive cash flow from operating and financing activities total cash flow come to Rs.1,00,44,37,753. Similarly, overall cash flow is negative in the fiscal year 2007/08 and 2008/09 due to the highest amount of negative cash flow received from investing activities. Overall cash flow is positive in the fiscal year 2009/10 and it increased to Rs.10,04,37,753. In this year cash flow from investing activities is negative but cash flow from operating and financing activities are positive. So the overall cash flow is positive and it increased to Rs.10,04,37,753.

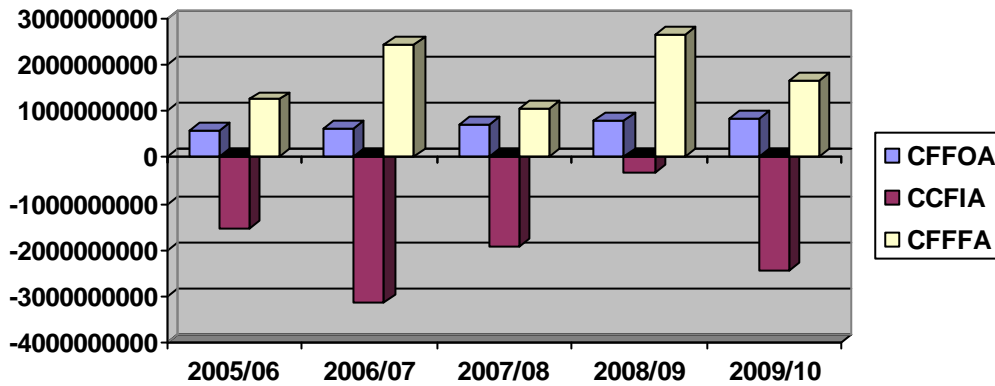
4.3 Himalayan Bank Ltd.

Table No. 1.3

**Cash Flow Statement
Of Himalayan Bank Ltd.
For the FY 2005/06 to 2009/10**

S.N	Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
B.	Cash Flow From operating activities	58,97,42,318	63,65,61,358	72,56,92,002	79,68,94,668	82,61,96,501
1	Cash Received	1,38,97,92,048	14,544,306,833	1,519,618,693	1,760,680,211	1,90,25,55,641
	Interest income	1,14,89,98,491	1,20,12,33,722	1,245,895,020	1,446,468,083	1,41,99,00,506
	Commission and discount	13,17,04,124	10,25,60,741	12,39,28,995	13,28,15,882	16,54,47,872
	Exchange gain	10,46,01,011	10,95,99,294	11,24,19,406	13,73,00,987	19,71,30,134
	Non-operating income	24,50,921	1,07,59,557	32,99,067	27,94,642	18,87,070
	Other income	3,20,37,501	3,01,53,519	3,40,76,151	4,13,00,617	11,71,90,059
2	Cash payment	80,00,49,730	81,77,45,475	79,39,26,637	96,37,85,543	1,07,63,59,140
	Interest exp.	57,81,33,464	55,41,28,248	49,15,43,353	56,19,63,770	64,88,41,818
	Staff expenses	10,15,37,710	12,04,66,464	15,25,08,886	17,85,89,357	19,16,38,231
	Office operating expenses	12,03,78,556	14,34,70,763	14,98,74,398	22,32,32,416	23,58,79,091
	Exchange loss	-	-	-	-	-
	Non- operating expenses	-	-	-	-	-
	Other expense	-	-	-	-	-
B	Cash Flow From Investing Activities	(1,52,42,19,516)	(3,134,273,263)	(1921,645,410)	(345,067,636)	(2461,363,296)
	Change in balance with bank	48,32,21,115	(78,01,24,606)	(14,49,29,213)	(9,92,130)	31,60,16,831
	Change in money at call and short notice	3,70,53,04,500	20,22,50,333	(21,88,00,000)	(7,21,80,900)	(56,41,99,100)
	Change in investment	(5,07,39,46,670)	(1,018,328,361)	88,33,32,507	(2400,239,049)	80,19,68,750
	Change in loan advance and bills purchased	(37,60,57,481)	(1,088,124,619)	(2136,246,935)	(6197,090,462)	(2318,893,556)
	Change in fixed assets	(14,09,03,170)	6,56,94,032	(102,295,169)	(3,16,45,636)	(28,80,25,916)
	Changes in other assets	(1,21,21,93,810)	(51,56,39,709)	(2,03,70,600)	(32,58,27,459)	(40,82,30,305)
C	Cash Flow From Financing Activities	1,24,72,95,312	2,43,21,24,497	1,07,29,99,419	2,66,60,75,574	1,65,40,65,005
	Change in borrowing	45,44,85,573	11,18,26,692	5,08,73,423	(15,29,57,595)	(14,23,389)
	Change in deposits	98,25,28,261	2,38,80,04,411	96,52,45,244	2,80,36,79,000	1,67,68,39,656
	Change in bills payable	2,96,57,398	(88,48,922)	1,76,54,458	40,17,526	51,78,451
	Change in other liabilities	(29,13,75,920)	(5,88,57,684)	3,92,25,294	1,13,36,643	(2,65,29,803)
	Dividend paid	-	-	-	-	-
D	Net Cash Flow for the year	31,28,18,114	(6,55,87,408)	(12,29,53,989)	1,22,94,606	1,88,98,210
E	Opening Cash Balance	14,99,58,611	46,27,76,725	39,71,89,317	27,42,35,328	28,65,29,934
F	Closing cash balance	46,27,76,725	39,71,89,317	27,42,35,328	28,65,29,934	30,54,28,144

Bar Diagram
Himalayan Bank Ltd.



A. Cash flow from operating activity

Total cash flow from operating activities is Rs.58,97,42,318 Rs.63,65,61,385, Rs.7,25,62,002, Rs.79,68,94,668 and Rs.82,61,96,501 respectively in the fiscal years 2005/06 to 2009/10. The amount increased by 7.49% in the fiscal year 2006/07, and by 23.05% in the fiscal year 2007/08, by 35.13% in the fiscal year 2008/09 and by 40.09% in the fiscal year 2009/10 as compared to the fiscal year 2005/06. Cash receipt from operating activities is in increasing trend. Total cash receipts from operating activities are Rs.1,38,97,92,048, Rs.1,45,43,06,833, Rs.1,51,96,18,639, Rs.1,76,06,80,211 and Rs.1,90,25,55,641 respectively in the five fiscal years 2005/06 to 2009/10. The amount of total cash receipt from operating activities increased by 4.64% in the fiscal year 2006/07, by 9.34% in the fiscal year 2007/08, by 26.69% in the fiscal year 2008/09 and by 36.89% in the fiscal year 2009/10 based on the fiscal year 2005/06.

The main source of cash receipt in operating activity is interest income. Interest income for the fiscal year 2005/06 to 2009/10 respectively is Rs.1,14,89,98,494, Rs.1,20,12,33,722, Rs.1,24,58,95,020, Rs.1,44,64,68,083 and Rs.1,41,99,00,506. Interest income is in increasing trend in the fiscal year 2006/07 to 2008/09 as compared to the fiscal year 2005/06. It is increased by 4.54% in the fiscal year 2006/07, by 8.43% in the fiscal year 2007/08, by 25.89% in the fiscal year 2008/09 and by 23.58% in the fiscal year 2009/10. Interest income is slightly lower in the latest year as compared to the fiscal year 2008/09. HBL is reputed bank to provide banking services. So their second large receipt source under operating activities is commission and discount

income. It is Rs.10,17,04,124, Rs.10,25,60,741, Rs.12,39,28,995, Rs.13,28,15,882 and Rs.16,54,47,872 respectively in the five years which is taken into analysis. Commission and discount income is in increasing trend. Third main operating cash receipt is exchange income i.e. Rs.10,46,01,011, Rs.10,95,99,294, Rs.11,24,19,406, Rs.13,73,00,987 and Rs.19,81,30,134. The exchange income is in increasing trend. Non operating income like gain on sale of fixed assets and investment, dividend received from different sector and investment, dividend received from different factor and subsidies from NRB is Rs.24,50,921, Rs.1,07,59,557, Rs.32,99,067 Rs.27,94,642 and Rs.18,87,070 respectively from the fiscal year 2005/06 to 2009/10. Non operating income is higher in the fiscal year 2006/07 and is lower in the fiscal year 2008/09. Other income is Rs.3,20,37,501, Rs.3,01,53,519, Rs.3,40,76,151, Rs.4,13,00,617 and Rs.11,71,90,059 respectively from the fiscal year 2005/06 to 2009/10. This heading includes rent on safe deposit lockers, issue and renewal of credit and ATM cards, loss provision written back etc. This amount is in increasing trend but is lower in the fiscal year 2006/07 in comparison to the fiscal year 2005/06.

There is six heading for cash out flow under operating activity. Total cash out flow under operating activities in the fiscal year 2005/06 to 2009/10 respectively are Rs.80,00,49,730, Rs.81,77,45,475, Rs.79,39,26,637, Rs.96,37,85,543 and Rs.1,07,63,59,140. Total cash payment increased by 2.21% in the fiscal year 2006/07 decreased by 0.77% in the fiscal year 2007/08 increased by 20.47% in the fiscal year 2008/09 and by 34.54% in the fiscal year 2009/10 as compared to the fiscal year 2005/06. Cash payment is decreased in the fiscal year 2006/07 i.e.79,39,26,367 as compared to the fiscal year 2005/06 and 2006/07.

The main payment heading is interest expenses. It is in volatile trend i.e. Rs.57,81,33,464, Rs.55,41,28,248, Rs.49,15,43,353, Rs.56,19,63,770 and Rs.64,88,41,818 in the fiscal year 2005/06 to 2009/10 respectively. This shows that deposits are in decreasing trend or non-interest bearing deposit are increasing. Staff expense is high in the fiscal year 2009/10 as compare to the other four relevant years. Operating expenses is in increasing trend till fiscal year 2007/08 but it is in decreasing trend in the fiscal year 2008/09 and 2009/10 but again is increased in the fiscal year 2009/10 as compared to the previous year. Operating expenses are Rs.12,03,78,556, Rs.14,34,70,763, Rs.14,98,74,398, Rs.22,32,32,416 and Rs.2,35,87,991 respectively from the fiscal year 2005/06 to 2009/10. There is no any exchange loss during the relevant years. Similarly there are no non-operating expenses and other expenses during the five relevant years.

(B) Cash flow from investing activity.

If the cash inflow is negative in this activity than it is considered that the company is able to make investment and using its sources to expand the business. If cash from operating activity is sufficient company can make investment by its own source and it doesn't have to borrow form outside. In the case of Himalayan bank limited cash flow from investment activity is Rs.1,52,42,19,516, Rs.31,34,22,73,263, Rs.1,92,16,45,410, Rs.3,45,06,75,636 and Rs.24,61,13,63,296 respectively in the fiscal year 2005/06 to 2009/10. Cash flow from investing activity decreased by 105.63% in the fiscal year 2006/07, 26.07% in the fiscal year 2007/08, 126.69% in the fiscal year 2008/09 and 61.48% in the fiscal year 2009/10 based on the fiscal year 2005/06. Cash flow from investing activity increased by 26.07% in the year 2007/08 based on the fiscal year 2005/06 but it decreased by 38.69% based on the fiscal year 2006/07.

Cash flow from bank balance under investing activities is Rs.48,32,21,115, Rs.78,01,24,606, Rs.14,49,29,213, Rs.9,92,130 and Rs.3,16,16,831 respectively in the fiscal year 2005/06 to 2009/10. The bank deposited and withdraws cash mostly from current A/C which is maintained with NRB, local and foreign commercial bank. In the fiscal year 2005/06 it withdraws cash but the bank deposited cash in second relevant year. The bank deposited cash in the fiscal year 2007/08 and 2008/09 but in the fiscal year 2009/10 bank withdraw cash to fulfill the requirement.

Cash flow from money at call and short notice are Rs.3,70,53,04,500, Rs.20,22,50,000, Rs.21,88,00,000, Rs.72,11,80,900 and Rs.56,41,99,100 in the five relevant years. There is high amount of cash flow in first year as compared to other four years. Cash flow from money at call and short notice under foreign currency is nil. All the cash flow comes from national currency under this heading. This heading investing source is the key to collect cash when required.

The bank invests its deposit liability in share and debenture of rural development bank, micro finance, treasury bills, national saving certificates and other securities. Cash generated from this heading is Rs.5,07,39,46,670, Rs.1,01,83,28,361, Rs.8,83,32,507, Rs.2,40,02,39,049 and Rs.80,19,68,750 respectively in the fiscal year 2005/06 to 2009/10. In the third year and last year the bank sold its investment and generated positive cash flow. But due to the excess liquidity and lack of proper investment sector the bank increased its investment on treasury bills, national saving bond and certificate of deposit in the fiscal year 2005/06, 2006/07 and 2008/09. Change in cash flow from

investment is 117.41% positive and 52.69% negative in the fiscal year 2006/07 and 2007/08 as compared to the fiscal year 2005/06.

Cash flow from change in loan advance and bills purchased are almost negative. It is the good sign for the bank. Deposit liability should be utilized effectively to earn profit. Non-performing loan are in good position for Himalayan bank. Provision for substandard doubtful and losses are not in high position. But cash flow from this heading is Rs.37,60,57,841, Rs.1,08,81,24,619, Rs.2,13,62,46,935, Rs.61,97,90,462 and Rs.2,31,88,93,556 in the fiscal year 2005/06 to 2009/10. Investment as a loan is better in the fifth year. There is negative relation between cash flow and investment. Here investment is increased but cash flow is in decreasing trend. Due to significant amount invested in this source the bank is being able to invest as loans.

Sales and purchase of fixed assets directly hits for cash flow. Freehold land and building vehicles, machinery, office equipment and lease hold property are the example of fixed assets. The Himalayan Bank has negative cash flow from fixed assets. Change in fixed assets in the fiscal year 2005/06 to 2009/10 is Rs.1,40,93,03,170, Rs.6,56,94,032, Rs.10,22,95,169, Rs.31,64,563, and Rs.28,80,25,916 respectively. Cash is not generated from fixed assets but purchases of assets are increasing. Investments in fixed assets are 3.23 times and 9.10 times greater in the fiscal year 2007/08 and 2009/10 based on the year fiscal 2008/09. Negative cash flow shows the purchase of fixed assets. There is high amount of purchase in the last year. Cash is used to purchase fixed assets. Only in the fiscal year 2006/07 there is positive cash flow from this source.

Change in debtors, staff expenses, accrual interest income, branch transaction, prepaid expenses etc are the factors which play major role in cash flow. These assets are classified into other assets. Cash flow from other assets is Rs.12,19,37,810, Rs.51,56,39,709, Rs.20,27,06,600, Rs.32,58,27,459, and Rs.40,82,30,305 in the relevant five year respectively.

C. Cash flow from financing activity

Financing means way of capitalization in general case. It may be in the form of share and debenture issue, retained earning and preference capital. Financial institution is the trader of money. They purchase money as a deposit liability with paying interest and invest them into public as a loan. Bank financing includes borrowing deposit, bills payable and other liabilities. Cash flow from financing activities for Himalayan Bank is Rs.1,24,72,95,312, Rs.2,43,21,24,497, Rs.1,07,29,99,119, Rs.2,66,60,75,574 and

Rs.1,65,40,65,005 in the fiscal year 2005/06 to 2009/10. Cash flow from financing activities increased by 94.99% and decreased by 13.97% in the fiscal year 2006/07 and 2007/08 with respect to the fiscal year 2005/06. Similarly, it increased by 113.75% in the fiscal year 2008/09 and by 32.61% in the fiscal year 2009/10 but it decreased by 37.96% based on the previous year.

The bank used inter-bank financial institution loan and foreign bank loan as a source of borrowing. Cash flow from borrowing is Rs.45,44,85,573, Rs.11,18,26,692, Rs.5,08,73,423, (Rs.15,29,57,595), and (Rs.14,23,389) in five relevant years which are taken into consideration. Cash flow from borrowing is positive in first three years and is negative in last two years which shows payment of loan.

Over and under deposit collection both are not in favor of bank. Deposit is the money of customer that is taken as liability by bank. Cash flow from deposit is positive for Himalayan bank. It is result of good faith created by bank and adopted by customer. Cash flow from deposit in the consecutive fiscal years 2005/06 to 2009/10 is Rs.98,25,28,261, Rs.2,38,80,04,411, Rs.96,52,46,244, Rs.2,80,36,79,000 and Rs.1,67,68,39,656. It is 2.43 times and 0.98 times of the first year cash flow on second and third year cash flow respectively. Similarly, it is 2.85 times and 1.71 times greater in the fiscal year 2007/08 and 2009/10 based in fiscal year 2005/06 but it is 0.60 times less than previous fiscal year i.e. 2008/09.

Bills payable are in both Nepalese and foreign currency. Cash flow from bills payable is Rs.2,96,57,389, (Rs.88,48,922), Rs.1,76,54,458, Rs.40,17,526 and Rs.51,78,541 respectively in five relevant years. cash flow from bills payable is positive in the fiscal years 2005/06, 2007/08, 2008/09 and 2009/10 but it is negative in the fiscal year 2006/07 which shows that the bank paid out the bills amount. Cash flow in the fiscal year 2008/09 and 2009/10 decreased by 77.24% and 70.66% based in the fiscal year 2007/08.

Cash flow from other liabilities in the first two years and in the last year its negative. But it is positive in the other two fiscal years i.e. 2007/08 and 2008/09. Other liabilities include provision for staff Bonus, unearned discount and commission, other current liabilities. Cash flow from other liabilities is (Rs.21,93,75,920), (Rs.5,88,57,684), Rs.3,92,25,294, Rs.1,13,36,643 and (Rs.2,65,29,803) in the five relevant years. The total cash flow from financing activities is 0.02 times is received from other liabilities in

the third year. and 0.0043 times of total financing cash flow received from other liabilities in the fiscal year 2008/09.

D. Net Cash flow for the year

Overall cash flow for Himalayan Bank is Rs.31,28,18,114, (Rs.6,55,87,408), (Rs.12,30,26,271) and Rs.1,22,94,606 and Rs.1,88,98,210 respectively in the fiscal year 2005/06 to 2009/10. There is shortage of cash flow in the second and third year but there is positive cash flow in the first, fourth and fifth year. Due to the high negative cash flow from investing activities total cash flow became negative in the second and third year. But financing activities created positive cash inflow in the first year. Likewise financing and operating activities created positive cash flow. So the overall cash flow is positive in the fiscal year 2008/09 and 2009/10.

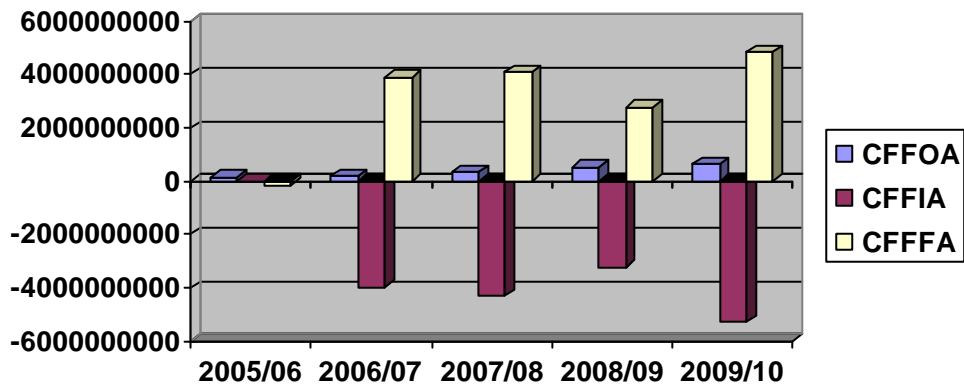
4.4 Nepal Investment Bank Ltd.

Table No. 1.4
Cash Flow Statement
Of Nepal Investment Bank Ltd.
For the FY 2005/06 to 2009/10

S.N	Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
C.	Cash Flow From Operating activities	14,14,59,879	20,27,76,001	34,80,59,391	51,33,52,933	65,45,14,895
1	Cash Received	39,26,88,359	5,63,00,5301	90,55,83,122	1,14,74,08,089	1,46,14,28,862
	Interest income	32,62,23,712	45,95,09,886	70,14,02,930	88,67,99,959	11,72,42,193
	Commission and discount	1,61,97,893	4,08,11,776	5,57,47,480	9,35,50,933	11,59,42,016
	Exchange gain	4,28,56,394	5,08,34,056	8,79,80,292	10,25,17,923	12,57,47,407
	Non-operating income	31,04,451	11,05,423	1,38,10,494	3,89,64,311	1,10,94,906
	Other income	43,05,909	1,07,44,166	1,68,41,926	2,55,74,963	3,59,02,340
2	Cash payment	35,12,28,480	36,02,29,300	55,77,23,731	63,40,55,156	80,69,13,967
	Interest exp.	13,04,36,221	18,92,14,343	32,62,02,325	35,45,49,207	49,09,46,961
	Staff expenses	3,60,57,364	5,84,27,361	8,50,89,616	9,70,04,160	11,10,53,701
	Office operating expenses	7,60,55,412	9,36,82,026	12,07,12,589	14,54,26,696	15,44,21,898
	Exchange loss	-	-	-	-	-
	Non- operating expenses	-	-	-	-	-
	Other expense	86,79,482	1,89,05,570	2,57,19,201	3,70,75,093	5,04,91,407
B	Cash Flow From Investing Activities	49,24,772	(3,96,70,52,729)	(4333,178,075)	(3247,344,273)	(5313,039,949)
	Change in balance with bank	9,77,94,122	(44,81,63,299)	(18,59,75,148)	(5,46,75,098)	(80,77,45,594)
	Change in money at call and short notice	-	(4,00,00,000)	(27,00,00,000)	(1,70,000,000)	(7,00,00,000)
	Change in investment	1,48,11,58,136	11,69,21,418	(2175,242,632)	(7,17,05,377)	(1,66,86,79,941)
	Change in loan advance and bills purchased	(29,46,83,536)	(3,22,25,07,632)	(1416,778,385)	(3114,597,510)	(2,72,49,87,827)
	Change in fixed assets	(1,05,00,804)	(17,07,93,023)	(9,92,10,425)	(10,76,73,778)	(8,05,60,007)
	Changes in other assets	6,41,99,177	(20,25,10,193)	(23,09,71,485)	(6,86,92,510)	(3,89,33,420)
C	Cash Flow From Financing Activities	(15,63,57,971)	3,90,37,24,244	4,09,95,30,750	2,79,28,74,178	4,84,68,20,011
	Change in borrowing	(2,15,00,000)	(9,16,71,000)	35,46,71,000	(1,15,00,000)	2,00,000,000
	Change in deposits	(8,14,48,126)	3,74,80,03,981	3,60,19,13,225	27,29,84,018	4,67,27,32,311
	Change in bills payable	16,04,760	2,48,11,163	2,62,02,650	(4,28,28,198)	38,11,922
	Change in other liabilities	(5,50,50,605)	22,25,80,100	17,58,02,475	16,16,02,308	4,07,43,091
	Dividend paid	-	-	5,90,58,600	(4,42,93,950)	(7,34,67,313)
D	Net Cash Flow for the year	(99,73,321)	13,94,47,516	11,44,12,066	5,88,82,838	18,82,94,957
E	Opening Cash Balance	14,96,564	6,15,23,243	20,09,70,759	31,53,82,825	37,42,65,663
F	Closing cash balance	6,15,23,243	20,09,70,759	31,53,82,825	37,42,65,663	56,25,60,620

Bar Diagram

Nepal Investment Bank Ltd.



A. Cash flow from operating activity

Total cash flows from operating activities are Rs.14,14,59,879 Rs.2,02,77,76,001, Rs.34,80,59,391 Rs.51,33,52,933 and Rs.65,45,14,985 respectively in the fiscal year 2005/06 to 2009/10. Cash flow from operation is positive in all the five years. Cash flow from operation is in increasing trend. It increased by 43.35% in the fiscal year 2006/07, 146.05% in the fiscal year 2007/08, 262.90% in the fiscal year 2008/09 and 362.69% in the fiscal year 2009/10 as compared to the fiscal year 2005/06. Cash receipt from operating activities is higher than cash payment. Cash receipts from operation are Rs.39,26,88,359, Rs.56,30,05,301, Rs.90,57,83,122, Rs.1,14,74,08,089 and Rs.1,46,14,28,862 respectively in the fiscal year 2005/06 to 2009/10. They are 2.76, 2.78, 2.61, 2.24 and 2.23 times higher than the total cash flow from operating activities.

Cash receipt includes interest Income, commission and discount income, exchange gain, non- operating income and other income. Interest Income is in increasing trend. It is Rs.32,62,23,712, Rs.45,95,09,886, Rs.73,14,02,930, Rs.88,67,99,959 and Rs.1,17,27,42,193 respectively from the fiscal year 2005/06 to 2009/10. It increased by 4086% in the fiscal year 2006/07, 124.20% in the fiscal year 2007/08, 171.84% in the fiscal year 2008/09, 259.49% in the fiscal year 2009/10 as compared to the year 2005/10. Interest income are 83.07% , 81.62% , 80.75% , 77.29%, 80.25% of total cash receipt from operation in five sequential years. Interest income is received from loan overdraft and investment. If the investment, overdraft or loan decreased than

interest income also decreases and vice-versa. The interest income shows the reducing investment trend.

Other important part of cash receipt from operation is commission and discount income. Commission and discount income comes from bills purchase and discount, letter of credit, guarantee, collection fees, remittance fees and credit card. Cash flow from commission and discount is Rs.16,19,893, Rs.4,08,11,770, Rs.5,57,47,480, Rs.9,35,50,933 and Rs.11,59,42,016 respectively in the fiscal year 2005/06 to 2009/10. This is the income of agency function. Cash flow from commission and discount is increasing. It is good symptom. Cash receipt from commission and discount is increased by 151.96%, 244.17%, 477.558% and 615.78% in the fiscal year 2006/07 to 2009/10 as compared to the fiscal year 2005/06.

Cash receipt from currency exchange gain is Rs.4,28,56,394 Rs.5,08,34,056, Rs.7,89,80,292, Rs.10,25,17,923 and Rs.12,57,47,407 respectively from the fiscal year 2005/06 to 2009/10. Cash flow from exchange gain is in increasing trend. It is increased by 18.61% in the fiscal year 2006/07, 105.29% in the fiscal year 2007/08, 139.21% in the fiscal year 2008/09, and by 193.42% in the fiscal year 2009/10 as compared to the fiscal year 2005/06. Exchange gain includes revaluation gain and trading gain including exchange fees. Non-operating income is the factor of operating cash receipt. It is Rs.31,04,451, Rs.11,05,423, Rs.1,38,16,494, Rs.3,89,64,311 and Rs.1,10,94,906 in the five fiscal years 2005/06 to 2009/10 respectively. Non-operating income decreased by 64.39% and increased by 344.786% in the next and next following year as compared to the fiscal year 2005/06. Non-operating income is dividend from financial institution; gain on sale of fixed assets and investment, bad debt recovered etc.

Cash receipt from other income in the five fiscal years from 2005/06 to 2009/10 is Rs.43,05,909, Rs.1,07,44,166, Rs.1,68,41,926, Rs.25,74,963 and Rs.3,59,02,340. Cash receipt from other income is in increasing trend. It is higher in the last year as compared to the other years. Other income includes rental of safe deposit locker, issue and renewal of credit cards and ATM cards and other. Cash flow from other income is positive that is good sign for bank.

Cash payment of the bank for operating activities are (Rs.25,12,28,480), (Rs.36,02,29,300), (Rs.55,77,23,731), (Rs.6,34,05,516) and (Rs.80,69,13,967) respectively in the fiscal year 2005/06 to 2009/10. Cash payment increased by Rs.10,90,00,820 and by Rs.3,06,49,52,151 in the second and third year as compared to

the fiscal year 2005/06. In the fourth year it decreased by Rs.18,78,22,964 but in the latest year it increased by Rs.7,33,35,08,451 as compared to the previous year.

Out of the total cash payment interest payment are Rs.13,04,36,221, Rs.18,92,14,343, Rs.3,26,22,02,325, Rs.3,35,45,49,207 and Rs.49,69,46,961 respectively in the fiscal year 2005/06 to 2009/10. Cash payment is in increasing trend. It increased by Rs.87,78,122 in the 2nd year, by Rs.13,69,87,982 in 3rd year by Rs.2,83,46,882 in 4th year and Rs.1,36,39,754 in 5th year. Interest expense is 0.40, 0.41, 0.45, 0.40 and 0.42 times of interest income.

Staffs are the key factor to generate positive cash flow. In order to motivate them salary and extra fringe benefit should be given. Total cash payment under staff expenses are Rs.3,60,57,364, Rs.5,84,27,361, Rs.8,50,89,616, Rs.9,70,04,161 and Rs.11,10,53,701 respectively in the fiscal year 2005/06 to 2009/10. Expenses are in increasing trend. Staff expenses increased by 62.04% in the fiscal year 2006/07, by 135.98% in the fiscal year 2007/08, 169.03% in the fiscal year 2008/09 and 207.99% in the fiscal year 2009/10 based in the fiscal year 2005/06. Staff expenses include salary, allowance and contribution to provident fund, training expenses, uniform, medical expenses, insurance and creativity.

Office overhead costs are increasing. Office overhead costs are Rs.7,60,55,412, Rs.9,36,82,026, Rs.12,07,12,589, Rs.14,54,26,696 and Rs.15,44,21,898 in the fiscal year 2005/06 to 2009/10. Office overhead expenses are in increasing trend.

Exchange loss and Non- operating expenses is totally zero. But other expenses appeared heavily in five years. other expenses are Rs.86,79,482, Rs.1,89,05,570, Rs.2,57,19,201, Rs.3,70,75,093 and Rs.5,04,91,407 respectively in the five relevant years which are taken into analysis. Other expenses are in increasing trend. It is increased by 117.82% in the fiscal year 2006/07, by 196.32% in the fiscal year 2007/08, 327.16% in the fiscal year 2008/09, and 481.73% in the fiscal year 2009/10 with respect to the fiscal year 2005/06. Others expenses plays vital role to increase total cash payment under operating activities. Other expenses are 3.45%, 5.25%, 4.612%, 58.47% and 6.26% of total cash payment in the fiscal year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively.

B. Cash flow from investing activity

Bank is a business entity. It collects money as deposit and sells to the customer which is called investment. Investment May be in terms of bank balance money at call and short notice, loan and fixed assets or other assets. Total cash flow from this activity for NIBL Bank is Rs.49,24,772, Rs.3,96,70,52,729, Rs.4,33,31,78,075, Rs.32,47,36,44,273, Rs.5,31,30,39,949 respectively in the fiscal year 2005/06 to 2009/10. Cash flow is in volatile trend which shows that investment is in decreasing and also increasing trend. These figure shows that there is investment in the fiscal year 2006/07, 2007/08, 2008/09 and 2009/10. But sale of fixed assets and investment occurred during the fiscal year 2005/06. Bank is being able to invest significant amount of cash as loan and advances. Cash flow from investing activities decreased by 80453.02% in the fiscal year 2006/07 based in the fiscal year 2005/06 but by 9.23% in the fiscal year 2007/08 based in the fiscal year 2006/07.

Cash flow from bank balance under investing activities is Rs.9,77,94,122, (Rs.44,81,63,299), Rs.18,59,75,148, Rs.5,46,75,098, and Rs.80,77,45,594 in the relevant fiscal year 2005/06 to 2009/10 respectively. The banks deposited and withdraw cash mostly from current A/C which is maintained with NRB local and foreign commercial bank cash flow from bank balance is positive in the fiscal year 2005/06 but negative in the fiscal year 2006/07, 2007/08, 2008/09 and 2009/10. NIBL withdraw cash in the fiscal year 2005/06 but deposited it cash in the 2nd, 3rd, 4th and 5th year. Cash flow from money at call and short notice is nil in the 1st year and Rs.40,00,000, Rs.2,70,00,000, Rs.1,70,00,00,000 and Rs.70,00,000 respectively in the 2nd 3rd, 4th and 5th year. Cash flow from money at call and short notice is increasing in the 2nd, 3rd and 4th year but it is decreasing in the 5th year as compared to the 4th year.

The bank made investment for treasury bills, development bond, national saving bond, share debenture and other securities. Cash flow from investment is in increasing decreasing trend. It is Rs.14,81,15,813, Rs.11,69,21,418, Rs.2,15,72,42,632, Rs.7,17,05,377 and Rs.1,66,86,79,941 in the fiscal year 2005/06 to 2009/10. Bank sold its investment of Treasury bill and investment of foreign bank in the fiscal year 2005/06 and 2006/07. But in the other year's bank was able to invest heavy amount in the fiscal year 2007/08 to 2009/10.

Cash flow from loans advances and bills purchased are Rs.29,46,83,536, Rs.3,22,25,07,632, Rs.1,41,67,78,385, Rs.3,11,45,97,510, and Rs.2,72,49,87,827 in the

fiscal year 2005/06 to 2009/10. Loan provided by the bank in second year and fourth year is impressive. Cash flow from loans advance and bills purchased is negative in all the five years which means investment as a loan.

Change in fixed assets for cash flow purpose is negative in all the five years i.e. Rs.1,05,00,804, Rs.17,07,93,023, Rs.9,92,10,425, Rs.10,76,73,778 and Rs.8,05,60,007. Cash flow from fixed assets is in increasing decreasing trend. It is increased by 1526.48% in the fiscal year 2006/07, 844.79% in the fiscal year 2007/08 as compared to the fiscal year 2005/06 but has decreased by 41.91% in 2007/08 as compared to the fiscal year 2006/07. It is increased in the fiscal year 2008/09 as compared to the fiscal year 2007/08 but decreased in the fiscal year 2009/10.

Change in other assets for cash flow purpose is positive in the first year but negative in the second third, fourth and fifth year. Cash flow from other assets is Rs.6,41,99,177, (Rs.20,25,10,193), Rs.20,39,71,485, RS.6,86,92,510, and Rs.3,89,33,420 respectively in the fiscal year 2005/06 to 2009/10.

C. Cash flow from financing activity

Total cash flow from financing activities for NIBL Bank is Rs.15,63,57,971, Rs.39,03,72,424, Rs.40,99,50,750, Rs.2,79,28,74,178 and Rs.4,84,68,20,011 in the fiscal year 2005/06 to 2009/10 respectively. There is negative cash flow in first year but in the other four years there is positive cash flow. Cash flow from financing activities is in increasing trend as compared to the fiscal year 2005/06 but is decreased in the fiscal year 2008/09 as compared to the fiscal year 2007/08. Similarly it is increased in the fiscal year 2009/10 as compared to the fiscal year 2008/09. Cash flow from financing activities is maximum in the fiscal year 2009/10.

Cash flow from borrowing is Rs.2,15,00,000, Rs.9,16,71,000, Rs.3,54,67,100, Rs.1,15,00,000 and Rs.20,00,00,000 respectively in the fiscal year 2005/06 to 2009/10. Cash receipt from borrowing decreased by 326.38% in the fiscal year 2006/07 than previous fiscal year 2005/06. Cash flow from borrowing is negative in the fiscal year 2005/06, 2006/07 and 2008/09.

Collection of deposit is the main function of any commercial bank. Change in deposit is Rs.8,14,48,126, Rs.3,74,80,03,981, Rs.3,60,19,13,225, Rs.2,72,98,94,018 and Rs.4,67,27,32,311 respectively in the fiscal year 2005/06 to 2009/10. Changes in

deposit is negative in the first year which shows that customers withdraw their deposit but in the other four years there is positive cash flow. There is highest cash flow from deposit in the fiscal year 2009/10. Change in bills payable is negative in the fiscal year 2008/09. Payment made to the bills for the fiscal year 2008/09 is Rs.28,28,198. The bank generated positive cash flow from bills payable in the fiscal year 2005/06, 2006/07, 2007/08 and 2009/10. Bills payable of the bank exist both in Nepalese and foreign currency.

Cash flow from other liabilities is Rs.5,50,50,605, Rs.22,25,80,100, Rs.17,58,02,475, Rs.16,16,02,308 and Rs.4,37,43,091 respectively in the fiscal year 2005/06 to 2009/10. Cash flow from other liabilities is negative in the fiscal year 2005/06 but in the other four years there is positive cash flow. There is heavy shortage of cash flow from other liabilities in the first year as a result cash flow from financing activities is negative. Cash flow from other liabilities is 0.35 times of the total cash flow from financing activities in the 1st year similarly it is 0.06 times in 2nd year, 0.04 times in 3rd year, 0.06 times in the 4th year and 0.009 times in the 5th year.

No dividend is paid in the fiscal year 2005/06 and 2006/07 but dividend is paid in the other three years and it is in increasing trend. Dividend paid is Rs.59,00,58,600, Rs.4,42,93,950 and Rs.7,34,67,313 respectively in the fiscal year 2007/08 to 2009/10. Dividend payment is increasing means the financial position of bank is good.

D) Net cash flow of the year

There was negative cash flow in total in the first year i.e.(Rs.99,73,321). Heavy negative cash flow from financing activities is the main cause to create negative cash flow in total. But NIBL bank was able to create positive cash flow in total in the other four years i.e. Rs.13,94,47,516, Rs.11,44,12,066, Rs.5,88,82,838 and Rs.18,82,94,957 respectively in the fiscal year 2005/06 to 2007/08. Overall cash flow decrease by 17.95% in the fiscal year 2007/08, by 95.78% in the fiscal year 2008/09 based on the fiscal year 2006/07, similarly it increased by 35.03% in the latest year in the comparison to the fiscal year 2006/07.

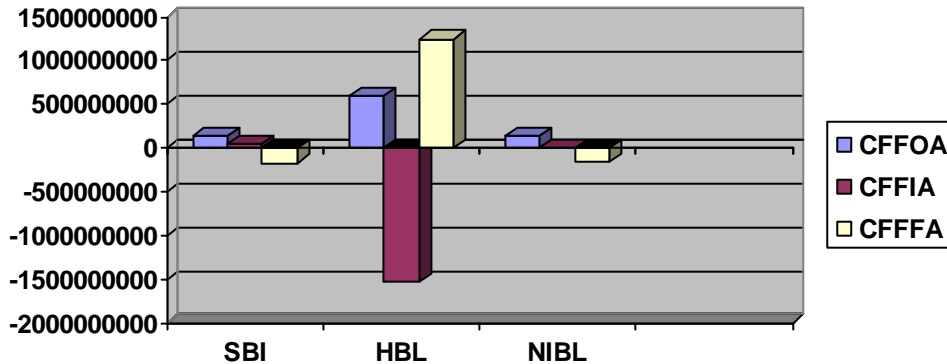
4.5 The Fiscal Year 2005/06

Table No. 1.5
Cash Flow Statement
Of SBI, HBL & NIBL
For the fiscal year 2005/06

S.N.	Particulars	SBI	HBL	NIBL
A	Cash Flow From operating activities	13,76,64,141	58,97,42,318	14,14,59,879
1	Cash Received	50,83,72,717	1,38,97,92,048	39,26,88,359
	Interest income	39,96,31,302	1,14,89,98,491	32,62,23,712
	Commission and discount	3,65,79,409	13,17,04,124	1,61,97,893
	Exchange gain	4,25,35,450	10,46,01,011	4,28,56,394
	Non-operating income	-	24,50,921	31,04,451
	Other income	2,96,26,556	3,20,37,501	43,05,909
2	Cash payment	37,07,08,576	80,00,49,730	35,12,28,480
	Interest exp.	28,85,79,513	57,81,33,464	13,04,36,221
	Staff expenses	2,63,37,988	10,15,37,710	3,60,57,364
	Office operating expenses	55,41,38,614	12,03,78,556	7,60,55,412
	Exchange loss	-	-	-
	Non- operating expenses	16,52,461	-	-
	Other expense	-	-	86,79,482
B	Cash Flow From Investing Activities	4,94,41,136	(1,52,42,19,516)	49,24,772
	Change in balance with bank	32,08,89,272	48,32,21,115	9,77,94,122
	Change in money at call and short notice	39,00,00,000	3,70,53,04,500	-
	Change in investment	(7,61,24,294)	(5,07,39,46,670)	1,48,11,58,136
	Change in loan advance and bills purchased	(35,36,83,752)	(37,60,57,481)	(29,46,83,536)
	Change in fixed assets	(24,58,658)	(14,09,03,170)	(1,05,00,804)
	Changes in other assets	(22,91,81,432)	(1,21,21,93,810)	6,41,99,177
C	Cash Flow From Financing Activities	(16,90,01,887)	1,24,72,95,312	(15,63,57,971)
	Change in borrowing	43,18,86,141	45,44,85,573	(2,15,00,000)
	Change in deposits	(1,03,98,19,980)	98,25,28,261	(8,14,48,126)
	Change in bills payable	-	2,96,57,398	16,04,760
	Change in other liabilities	43,89,31,952	(29,13,75,920)	(5,50,50,605)
	Dividend paid	-	-	-
D	Net Cash Flow for the year	1,81,03,390	31,28,18,114	(99,73,321)
E	Opening Cash Balance	14,85,17,735	14,99,58,611	14,96,564
F	Closing cash balance	16,66,21,125	46,27,76,725	6,15,23,243

Bar Diagram

The Fiscal year 2005/06



A. Cash flow from operating activity

The amount of total cash flow from operating activities for SBI, HBL and NIBL for the fiscal year 2005/06 is Rs.1, 37,66,414, Rs.58,97,42,318 and Rs.14,14,59,879 respectively. It describes that there is superb condition for operating cash flow in HBL than other two banks. Above cash inflow is the difference amount of cash receipt and payment from operating activities. Cash receipt from operating activities for these three banks SBI, HBL and NIBL are Rs.50,83,72,717, Rs.1,38,97,92,048 and Rs.39,26,88,359 respectively. Similarly cash payment for operating activities is Rs.37,07,08,576, Rs.80,00,49,730 and Rs.25,12,28,480 respectively for these banks in the fiscal year 2004/05. Cash flow from operating activities with respect to cash receipt is 27.08% for SBI, 42.43% for HBL and 36.02% for NIBL Ratio shows that HBL bank is able to minimize its operating cost than other two banks.

Similarly percentage of total cash flow from operating activities with respect to operating cash payment for the fiscal year 2005/06 is 37.14% for SBI, 73.71% HBL and 56.31% for NIBL. This analysis reflects weak condition of SBI in its expenditure for operating activities. Too much positive deviation with cash receipt and payment from activities reflects the good position of bank. According to the total amount deviation with cash receipt and payment HBL is in strong position.

Interest income for the fiscal year 2005/06 for SBI, HBL and NIBL is Rs.3,99,63,132, Rs.1,14,89,98,491 and Rs.32,62,23,712 respectively HBL has highest amount of cash receipt from interest but SBI has lowest total amount of interest receipt. NIBL lies between other two banks. Interest payment for deposit liability for these three banks for the fiscal year 2005/06 is Rs.28,85,79,513 for SBI Rs.57,81,33,464 for HBL and Rs.13,64,36,221 for NIBL. Deviation between cash receipt and payment of interest is Rs.24,86,16,381 for SBI, Rs.57,08,65,027 for HBL and Rs.19,57,87,491 for NIBL. Spread is excess for HBL. So, this bank was able to generate highest positive cash flow from operating activities. NIBL has also high interest receipt but payment is also high. SBI has high payment than interest receipt.

Commission and discount income is the product of agency function. It is Rs.3,65,79,409 for SBI, Rs.10,17,04,124 for HBL and Rs.1,61,97,893 for NIBL for the fiscal year 2005/06. Percentage of commission and discount income over its operating cash flow is 26.57%, 17.25%, 11.45% for SBI, HBL and NIBL for the fiscal year 2005/06. It shows that percentage of commission and discount income over its operating cash flow is high for SBI but NIBL is not being able to earn significant amount of commission and discount comparing among these three banks.

Exchange gain in the fiscal year 2005/06 for SBI, HBL and NIBL is Rs.4,25,35,450, Rs.10,46,01,011 and Rs.4,28,56,394 respectively. Similarly exchange loss for the fiscal year 2005/06 is zero for all banks. Earning from exchange gain is very good for HBL. Based on the transaction volume of SBI and NIBL it is not bad, but good receipt for bank. Comparatively HBL is the highest receiver of exchange gain.

Non-operating income of SBI for the fiscal year 2005/06 is nil other expenses is also nil for SBI for the fiscal year 2005/06 but non operating expenses is 16,52,461 and other income is Rs.2,96,26,556 for SBI, but HBL received Rs.24,50,921 as non operating income in the fiscal year 2005/06 cash receipt from other income of HBL is Rs.3,20,37,501 but it is lower by Rs.2,77,31,592 for NIBL and comes to Rs.43,05,909 in the fiscal year 2005/06. Staff expenses and office overhead expenses are Rs.8,04,76,602 for SBI, Rs.22,19,16,266 for HBL and Rs.1,21,12,776 for NIBL for the fiscal year 2005/06. It represents 21.71% for SBI, 36.72% for HBL and 44.63% for NIBL of total operating cash payment. Percentage shows that there is high amount of staff expenses with respect to its total cash payment for NIBL. Other expenses for SBI and HBL are nil but there is other expenses Rs.86,79,482 for NIBL.

B. Cash flow from investing activity

The amount of cash flow from investing activities is positive for SBI and NIBL but it is negative for HBL. It is Rs.4,94,41,136 for SBI, Rs.1,52,42,19,516 for HBL and Rs.49,24,772 for NIBL. HBL was able to make investment as a result its interest income is also high among the three banks. But the other two banks have positive cash flow from investing activities. Positive cash flow from investing activities is not good sign of investment but it is very good sign from the view point of cash flow.

SBI, HBL and NIBL all the three banks withdraw cash from its bank balance which are operated in NRB foreign bank and local bank also. cash inflow from bank balance for SBI is 32,08,89,272 for HBL is 48,32,21,115 and for NIBL is 9,77,94,122 contributed to make investment for share and debenture of other bank.

Cash flow from money at call and short notice are Rs.39,00,00,000 and Rs.3,70,53,04,500 for SBI and HBL respectively. Cash flow from money at call and short notice for NIBL is nil. SBI and HBL received call money to fulfill its requirement from money at call and short notice. Investment represent for Treasury bill, development bond etc. Cash from investment for SBI is Rs.7,61,24,294, Rs.5,07,39,46,670 for HBL and Rs.14,81,15,813 for NIBL in the fiscal year 2005/06. SBI and HBL increased its investment but NIBL sold its investment and received cash to use for other purpose. 332.89% of total investing cash flow comes from investment for HBL in the fiscal year 2005/06.

Cash flow from loan and advances and bills purchased is Rs.35,36,83,752, Rs.37,60,57,481 and Rs.14,81,15,813 respectively for SBI, HBL and NIBL in the fiscal year 2005/06. All the three banks issued loans in this year but HBL is in first position to grant loan. NIBL is in the lowest position to provide loan but SBI is not able to invest as a loan. Investment as loan is 2.39 times and 2.54 times more of NIBL for SBI and HBL.

In the fiscal year 2005/06 these three banks purchased fixed assets because cash flow from fixed assets is negative. It is Rs.24,58,658, Rs.14,09,03,170 and Rs.1,05,00,804 respectively for SBI, HBL and NIBL. Purchase is 7.97, 9.24% and 213.22% of total cash out flow from investing activities. NIBL contributed high percentage of purchase for fixed assets. Cash flow from other assets is Rs.22,91,81,432, Rs.12,19,37,810 and Rs.6,41,99,177 respectively for SBI, HBL and NIBL for the fiscal year 2005/06. NIBL is able to create positive cash flow from other assets but SBI and HBL are losing its cash to other assets.

C. Cash flow from financing activity

Cash flow from financing activities in the fiscal year 2005/06 is Rs.16,90,01,887 for SBI, Rs.1,24,72,95,312 for HBL and (Rs.15,63,57,971) for NIBL. Cash flow from financing activities is negative for SBI and NIBL but it is positive for HBL. SBI and NIBL paid liability. HBL received cash from financing activities.

The source of financing cash flow is borrowing; cash received from borrowing is Rs.43,18,86,141 for SBI Rs.45,44,85,573 for HBL and Rs.2,15,00,000 for NIBL SBI and HBL has positive cash flow from borrowing but NIBL paid the borrowing amount. The bank collects deposit under different amount. Collection of deposit is the sign of believe. It is very much important source of financing cash flow. Cash received from deposit for the fiscal year 2005/06 is Rs.1,03,98,19,980 for SBI, Rs.98,25,28,261 for HBL and Rs.(8,14,48,126) for NIBL.

Cash flow from bills payable is Rs.0 for SBI, Rs.2,96,57,398 for HBL and Rs.16,40,760 for NIBL in the fiscal year 2005/06. HBL and NIBL have pending their bills to make payment, so cash flow increased. It doesn't appear in big volume but it is most important non- interest bearing liability. Increase amount of bills payable represents cash inflow and vice-versa. HBL is in strong position to generate cash inflow from bills payable.

Cash flow from other liabilities is Rs.43,89,31,952, Rs.21,93,75,920, and Rs.5,50,50,605 for SBI, HBL and NIBL respectively for the fiscal year 2005/06. Change in other liability for SBI bank is positive but both the HBL and NIBL are suffering from negative cash flow from other liability. HBL has highest amount of negative cash flow from other liabilities.

D. Net cash flow for the year

Overall cash in flow for the fiscal year 2005/06 is Rs.1,81,03,390, Rs.31,28,18,114 and Rs.99,73,321 for SBI, HBL and NIBL respectively in the fiscal year 2005/06. Due to the highest cash outflow from financing activities total cash flow of NIBL is negative. HBL is the good bank to create highest positive overall cash flow.

4.6 The Fiscal Year 2006/07

Table No. 1.6

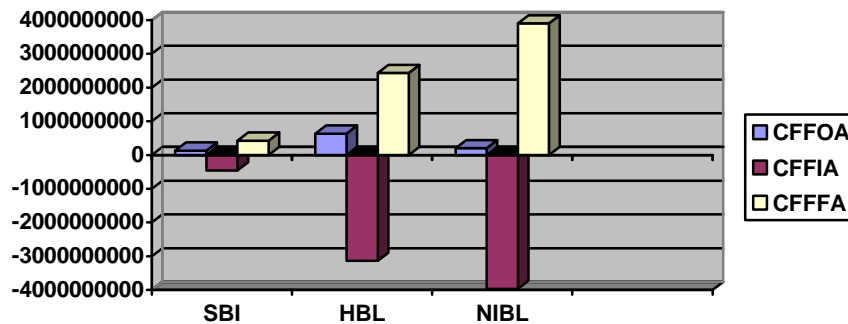
Cash Flow Statement Of SBI, HBL & NIBL

For the fiscal year 2006/07

S.N.	Particulars	SBI	HBL	NIBL
A	Cash Flow From operating activities	13,22,15,359	63,65,61,358	20,27,76,001
1	Cash Received	52,37,06,170	14,54,43,06,833	56,30,05,301
	Interest income	46,97,40,135	1,20,12,33,722	45,95,09,886
	Commission and discount	2,99,61,809	10,25,60,741	4,08,11,776
	Exchange gain	1,85,09,922	10,95,99,294	5,08,34,056
	Non-operating income	-	1,07,59,557	11,05,423
	Other income	54,94,304	3,01,53,519	1,07,44,166
2	Cash payment	39,14,90,812	81,77,45,475	36,02,29,300
	Interest exp.	29,18,19,520	55,41,28,248	18,92,14,343
	Staff expenses	3,37,31,121	12,04,66,464	5,84,27,361
	Office operating expenses	6,38,46,888	14,34,70,763	9,36,82,026
	Exchange loss	-	-	-
	Non- operating expenses	20,93,283	-	-
	Other expense	-	-	1,89,05,570
B	Cash Flow From Investing Activities	(45,56,65,904)	(3,13,42,73,263)	(3,96,70,52,729)
	Change in balance with bank	38,94,65,781	(78,01,24,606)	(44,81,63,299)
	Change in money at call and short notice	-	20,22,50,333	(4,00,00,000)
	Change in investment	(60,82,19,356)	(1,01,83,28,361)	11,69,21,418
	Change in loan advance and bills purchased	(16,94,70,473)	(1,08,81,24,619)	(3,22,25,07,632)
	Change in fixed assets	(1,89,63,572)	6,56,94,032	(17,07,93,023)
	Changes in other assets	(4,84,78,284)	(51,56,39,709)	(20,25,10,193)
C	Cash Flow From Financing Activities	42,64,88,070	2,43,21,24,497	3,90,37,24,244
	Change in borrowing	(49,29,66,301)	11,18,26,692	(9,16,71,000)
	Change in deposits	95,03,46,613	2,38,80,04,411	3,74,80,03,981
	Change in bills payable	(87,936)	(88,48,922)	2,48,11,163
	Change in other liabilities	3,08,04,306	(5,88,57,684)	22,25,80,100
	Dividend paid	-	-	-
D	Net Cash Flow for the year	10,30,37,524	(6,55,87,408)	13,94,47,516
E	Opening Cash Balance	16,66,21,125	46,27,76,725	6,15,23,243
F	Closing cash balance	26,96,58,649	39,71,89,317	20,09,70,759

Bar Diagram

The Fiscal Year 2006/07



A. Cash flow from operating activity

The amount of total cash flow from operation in the fiscal year 2006/07 is Rs.13,22,15,359, Rs.63,65,61,358 and Rs.2,00,27,76,001 respectively for SBI, HBL and NIBL. HBL is in the highest position, HBL and SBI from the view point of operating cash flow. Above mention cash flow is the different amount of cash receipt from operation is Rs.52,37,06,170, Rs.1,45,43,06,833 and Rs.56,30,05,301. Similarly, cash payment is Rs.39,14,90,812, Rs.81,77,45,475 and Rs.36,02,29,300 respectively for SBI, HBL and NIBL in the fiscal year 2006/07. Cash flow from operating activities with respect to cash receipt from operating is 25.25%, 43.77% and 36.02% for SBI, HBL and NIBL bank respectively. Surplus ratio is highest for HBL and lowest for SBI, HBL and NIBL bank respectively in the fiscal year 2006/07.

In this year SBI has highest amount of expenditure than other two banks. HBL is able to minimize its cash payment for operating activities. So based on the financial ratio analysis HBL bank is in better position than other bank from the view point of cash flow from operating activities. According to too much deviation between cash receipt and payment, HBL is in the better position and SBI is in the lowest but NIBL lies in between them.

Interest income for the fiscal year 2006/07 is Rs.46,97,40,135 for SBI Rs.1,20,12,33,722 for HBL and Rs.45,95,09,886 for NIBL. It is the result of highest investment as a loan. Then NIBL shows the lowest position. SBI lies between HBL and NIBL from the view

point of interest income. Similarly interest payment is Rs.29,18,19,520 for SBI Rs.55,41,28,248 for HBL and Rs.18,92,14,343 for NIBL for the fiscal year 2006/07. Highest amount interest payment goes for HBL bank. It shows that HBL has highest amount of interest bearing deposit liability. Comparatively interest payment is lowest for NIBL but SBI is able to reduce its interest bearing deposit. Deviation between cash flow from receipt and payment of interest is Rs.17,79,20,615 for SBI, Rs.64,71,05,474 for HBL and Rs.27,02,95,543 for NIBL for the fiscal year 2006/07. HBL has highest difference amount of interest. SBI has lowest difference amount of interest and NIBL lies between HBL and SBI. Interest surplus represents 134.5% 101.66% and 133.30% of cash flow from operating activities for SBI, HBL and NIBL bank respectively in the fiscal year 2006/07.

Other main source of cash receipt from operating activities commission and discount income. It is Rs.2,99,61,809 for SBI, Rs.10,25,60,741 for HBL and 4,08,11,770 for NIBL bank. HBL holds highest income from commission and discount than SBI and NIBL. Percentage of commission and discount with respect to operating cash flow is 22.66% for SBI, 16.11% for HBL and 20.13% for NIBL.

Cash flow from currency exchange gain is the one of the main part of operating cash flow. Cash from exchange gain is Rs.1,85,09,922 for SBI, Rs.10,95,99,294 for HBL and Rs.5,08,34,056 for NIBL. HBL is in highest position in cash receipt from exchange gain. SBI has lowest exchange gain but nit least important for its total operating cash flow.

Cash flow from non operating income is Rs.0 for SBI Rs.1,07,59,557 for HBL and Rs.11,05,423 for NIBL in the fiscal year 2006/07. SBI was unable to create cash flow from non- operating income. The most exclusive component of operating cash flow is other income. Cash flow from other income is Rs.54,94,304 for SBI Rs.3,01,53,519 for HBL and Rs.1,07,44,166 for NIBL in the fiscal year 2006/07. HBL has highest cash flow from and SBI. This kind of income should be higher to make portfolio income or to reduce risk factor. Staff and overhead cost payment for the fiscal year 2006/07 are Rs.9,75,78,009, Rs.26,36,17,227 and Rs.15,21,09,387 for SBI, HBL and NIBL bank respectively. They are 24.92%, 32.24% and 42.23% of total cash payment of the fiscal year 2006/07 for SBI, HBL and NIBL bank sequentially total staff and overhead payment is highest in HBL but percentage with respect to its total cash payment lies between SBI and NIBL. Total staff and overhead cost payment is lowest in SBI and also percentage of staff and overhead expenses with respect to cash payment. NIBL has middle level of these expenses which lies between SBI and HBL but percentage of staff and overhead

expenses with respect to total cash payment is 42.23%. Non-operating expenses is Rs.20,93,283 for SBI but for HBL and NIBL it is nil for the fiscal year 2006/07. Cash flow from other expenses is also nil for SBL and HBL but it is Rs.1,89,05,570 for NIBL in the fiscal year 2006/07.

B. Cash flow from investing activity

Total cash flow from investing activities is negative in the fiscal year 2006/07 for SBI and NIBL which is Rs.45,56,65,904 and Rs.3,96,70,52,729 respectively but it is positive for HBL i.e. Rs.3,13,42,73,263. SBI and NIBL were able to make investment but HBL bank has positive cash flow from investing activities. Positive cash flow from investing activity is not a good sign of investment but it is very good sign from the view point of cash flow. The SBI bank withdraws money from bank balance i.e. Rs.38,94,65,781 in the fiscal year 2005/06. Similarly HBL and NIBL bank increased its bank deposit by Rs.78,01,24,606 and Rs.44,81,63,299 in the fiscal year 2006/07.

Cash received from money at call and short notice is positive for HBL i.e. Rs.20,22,50,000 but it is negative for NIBL i.e. (Rs.4,00,00,000) and for SBI it is nil. HBL received its own money which was provided to other bank. NIBL has negative cash flow which shows the investment on money at call and short notice but NIBL has lowest cash flow from money at call and short notice. SBI bank invested its cash into Treasury bill and bonds by Rs.60,82,19,356 in the fiscal year 2006/07. Similarly HBL has increased its investment by Rs.1,01,83,28,361 in the fiscal year 2006/07. It is 1.67 times more than SIB bank investment but NIBL withdraw its investment amount and cash received from investment for the fiscal year 2006/07 is Rs.11,69,21,418. Main source of income for bank is interest received from loan. In the fiscal year 2006/07 and SBI bank provide loan Rs.16,94,70,473. Similarly HBL provide loan Rs.1,08,81,24,619 and NIBL provide loan Rs.3,22,25,07,632. NIBL bank provided highest loan than other two banks. SBI bank provided lowest loan and HBL bank lies between NIBL and SBI bank to provide loan.

Cash received from fixed assets is Rs.1,89,63,572 for SBI, Rs.6,56,94,032 for HBL and Rs.17,07,93,023 for NIBL in the fiscal year 2006/07. HBL has positive cash flow which means sold its fixed assets but SBI and NIBL increased their investment on fixed assets or purchased of fixed assets. Change in other assets is one of the most important factors of investing activities. Cash flow from other assets for the fiscal year 2006/07 is Rs.4,84,78,284 for SBI, Rs.51,56,39,709 for HBL and Rs.20,25,10,193 for NIBL. Other

assets are the total of current assets including non-banking assets and branch adjustment A/C. HBL invested heavily in the other assets.

C. Cash flow from financing activity

Total cash flow from financially activities for the fiscal year 2005/06 for SBI is Rs.42,64,88,070, Rs.2,43,21,24,497 for HBL and Rs.3,90,37,24,244 for NIBL. Cash flow from financing activities for the fiscal year 2006/07 is positive for whole three banks. NIBL is the highest receiver of cash from financing activities. NIBL financing cash inflow is 5.37 times more than SBI and 2.73 times more than HBL the main reason for increasing cash inflow is deposit liability.

The source of financing cash flow is borrowing but cash received from borrowing is Rs.4,92,66,301 for SBI Rs.11,18,26,692 for HBL and Rs.91,67,11,000 for NIBL for the fiscal year 2006/07. SBI and NIBL have negative cash flow from borrowing amount but HBL has positive cash flow from borrowing deposit is the key source of financing activities. Cash flow from deposit for the fiscal year 2006/07 is Rs.95,03,46,613 for SBI, Rs.2,38,80,04,411 for HBL and Rs.3,74,80,03,981 for NIBL. NIBL is the highest receiver of deposit liability so it pays high amount of interest than other bank. Cash received from deposit with respect to total financing cash flow is 2.23 times for SBI 0.98 times for HBL and 0.96 times for NIBL. This analysis reflects the importance of deposit to financial cash flow. NIBL generated Rs.2,48,11,163 from bills payable amount but SBI and HBL paid its bills payable amounts by Rs.87936 and Rs.88,48,922 respectively in the fiscal year 2006/07. SBI and HBL have excess payment of bills payable amount over its pending amount in cash inflow. Change in other liabilities for SBI bank is positive. Cash flow support from other liability is Rs.3,08,04,306 but cash flow from other liability is negative for HBL. Cash flow from other liability for HBL is Rs.5,88,57,684 and Rs.22,25,80,100 for NIBL in the fiscal year 2006/07. SBI created 7.22% of total financing cash inflow from other liabilities whereas NIBL created 5.70% of total financing cash inflow from other liabilities.

D. Net Cash Flow for the Year

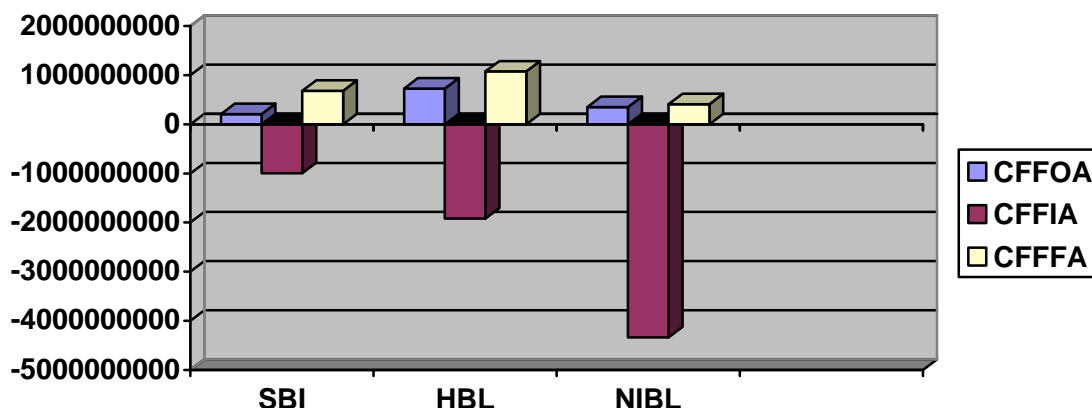
Net cash flow for the fiscal year 2006/07 is Rs.10,30,37,524 for SB Rs.6,55,87,408 for HBL and Rs.13,94,47,516 for NIBL. Net cash flow is the total of operating, investing and financing activities. Net cash flow is positive for SBI and NIBL but it is negative for HBL. NIBL is good bank to create. Due to highest cash out flow from investing activities total cash flow of HBL is negative too much contribution from financing cash flow appeared for SBI and NIBL as a result overall cash flow is positive.

4.7 The Fiscal Year 2007/08

Table No. 1.7
Cash Flow Statement
Of SBI, HBL & NIBL
For the fiscal year 2007/08

S.N.	Particulars	SBI	HBL	NIBL
A	Cash Flow From operating activities	20,69,51,805	72,56,92,002	34,80,59,391
1	Cash Received	5,63,11,00,971	1,51,96,18,693	90,55,83,122
	Interest income	49,35,98,313	1,24,58,95,020	70,14,02,930
	Commission and discount	3,06,66,943	12,39,28,995	5,57,47,480
	Exchange gain	3,06,15,953	11,24,19,406	8,79,80,292
	Non-operating income	-	32,99,067	1,38,10,494
	Other income	82,19,762	3,40,76,151	1,68,41,926
2	Cash payment	35,61,49,166	79,39,26,637	55,77,23,731
	Interest exp.	25,59,19,216	49,15,43,353	32,62,02,325
	Staff expenses	3,25,10,008	15,25,08,886	8,50,89,616
	Office operating expenses	6,71,49,314	14,98,74,398	12,07,12,589
	Exchange loss	-	-	-
	Non- operating expenses	5,70,628	-	-
	Other expense	-	-	2,57,19,201
B	Cash Flow From Investing Activities	(997546021)	(1,92,16,45,410)	(4,33,31,78,075)
	Change in balance with bank	36,06,70,900	(14,49,29,213)	(18,59,75,148)
	Change in money at call and short notice	-	(21,88,00,000)	(27,00,00,000)
	Change in investment	(7,00,45,490)	88,33,32,507	(2,17,52,42,632)
	Change in loan advance and bills purchased	(67,49,82,330)	(2,13,62,46,935)	(1,41,67,78,385)
	Change in fixed assets	(63,46,941)	(10,22,95,169)	(9,92,10,425)
	Changes in other assets	2,33,17,840	(2,03,70,600)	(23,09,71,485)
C	Cash Flow From Financing Activities	68,21,58,062	1,07,29,99,419	40,99,50,750
	Change in borrowing	5,13,51,742	5,08,73,423	35,46,71,000
	Change in deposits	67,55,10,797	96,52,45,244	3,60,19,13,225
	Change in bills payable	-	1,76,54,458	2,62,02,650
	Change in other liabilities	(4,47,04,477)	3,92,25,294	17,58,02,475
	Dividend paid	-	-	5,90,58,600
D	Net Cash Flow for the year	(10,84,36,154)	(12,29,53,989)	11,44,12,066
E	Opening Cash Balance	26,96,58,649	39,71,89,317	20,09,70,759
F	Closing cash balance	16,12,22,496	27,42,35,328	31,53,82,825

Bar Diagram
The Fiscal Year 2007/08



A. Cash flow from operating activity

Total cash flow from operating activities for the fiscal year 2007/08 is Rs.20,69,51,805, Rs.72,56,92,002 and Rs.34,80,59,391 respectively for SBI, HBL and NIBL. Like in previous year HBL has highest amount of operating a cash flow. NIBL lies between SBI and HBL. SBI holds lowest cash flow in the fiscal year 2007/08. Cash flow for operating activities increased for all the three banks as compared to the previous year.

Total cash receipt from operation is Rs.5,63,100,971 for SBI, Rs.1,51,96,18,639 for HBL and Rs.90,57,83,123 for NIBL for the fiscal year 2007/08. Cash flow from operating activities with respect to total cash receipt is 36.75%, 47.75% and 38.43% respectively. Total cash payment for operating activities for the fiscal year 2007/08 is Rs.35,61,49,166 for SBI Rs.79,39,26,637 for HBL and Rs.55,77,23,731 for NIBL bank. HBL has highest amount of operating cash payment are cash received is also highest. SBI has lowest amount of operating cash payment.

Interest income is Rs.49,35,98,313, Rs.1,24,58,95,020, Rs.73,14,02,930 and interest payment is 25,59,19,216, Rs.19,15,43,353 and Rs.3,26,22,02,325 respectively. Deviation between interest receipt and payment for cash flow purpose is Rs.23,76,79,097 for SBI, Rs.75,43,51,667 for HBL and Rs.40,52,00,605 for NIBL is the fiscal year 2007/08. HBL bank is in the highest generator of cash deviation from interest receipt and payment HBL has lowest amount of interest payment bit highest amount of interest income, so this bank is good to maintain highest spread of interest. Total cash

flow from operation with respect to interest surplus is 87.07% for SBI 96.20% for HBL and 85.90% for NIBL in the fiscal year 2007/08. Cash received from commission and discount plays significant role in total operating cash flow. It is Rs.3,06,66,943 for SBI Rs.12,39,28,995 for HBL and 5,57,47,480 for NIBL. In this income HBL has leading amount. SBI has lowest income but NIBL lies between them. Percentage of commission and discount income with respect to cash flow from operating activities is 14.82% for SBI, 17.08% for HBL and 16.02% for NIBL. Cash flow from exchange gain is also one of the vital sources of operating activities. For the fiscal year 2007/08, SBI bank received Rs.3,06,15,953 as exchange gain income. HBL had 3.67 times higher income from exchange gain with compared to SBI bank in this year but NIBL has 2.87 times higher cash received from exchange gain with respect to SBI bank, So HBL has leading amount from exchange gain also.

Cash received from non-operating income is nil for SBI but HBL and NIBL had Rs.32,99,067 and Rs.1,38,10,494 respectively for the fiscal year 2007/08. Cash received from non operating income with respect to cash flow from operating activities is 0.45% for HBL and 3.97% for NIBL. Cash received from other income for the fiscal year 2007/08 is Rs.2,19,762 for SBI, Rs.3,40,76,151 for HBL and Rs.1,68,41,926 for NIBL. HBL has highest amount but SBI has lowest cash received from other income. NIBL lies between SBI and HBL. Cash received from other income is 3.97% for SBI, 4.70% for HBL and 4.84% for NIBL with competed to their total operating cash flow

Staff and operating expenses are Rs.3,25,10,008, Rs.15,25,08,886 and Rs.8,50,89,616 for SBI, HBL and NIBL respectively in the fiscal year 2007/08. Percentage of staff and operating expenses with respect to total operating cash payment are 27.98% for SBI 38.09% for HBL and 36.90% for NIBL. Cash payment to non–operating expenses is Rs.5,70,628 for SBI in the fiscal year 2007/08 but HBL and NIBL has not any cash payment for non-operating expenses. SBI has 0.16% of its total operating cash payment. Cash payment to other expenses is nil for SBI and HBL but NIBL has Rs.2,57,19,201 for cash payment to other expenses in the fiscal year 2007/08. It is 4.61% of total operating cash payment.

B. Cash flow from investing activity

Total cash flow from investing activities is Rs.99,75,46,021, Rs.1,92,16,45,410 and Rs.4,33,31,78,075 respectively for SBI, HBL and NIBL in the fiscal year 2007/08. NIBL has highest amount of cash flow from investing activities but HBL invest heavy amount

SBI has significant amount of investment. SBI HBL and NIBL have not positive cash flow from investing activities. Change in balance with bank is positive for SBI i.e. Rs.36,06,70,900 SBI bank withdraw cash from it bank balance in this year. NIBL withdraw its cash amount i.e. Rs.18,59,75,148. But HBL deposited its cash amount is Rs.14,49,29,213.

Cash flow from change in money at call and short notice is zero for SBI Rs.21,88,00,000 for HBL and Rs.27,00,00,000 for NIBL. There is no change in money at call and short notice for SBI bank. Cash flow from change in money at call and short notice is negative for HBL which shows that there is investment on money at call and short notice. NIBL has also negative cash flow from change in money at call and short notice which shows that there is investment in money at call and short notice. Investment on Treasury bill and government bond increased by Rs.7,00,45,490 for SBI bank in the fiscal year 2007/08. This amount is more than its total investing cash outflow on investment because HBL has positive cash flow of Rs.8,83,33,250 from investment. NIBL increased its investment by 2,15,72,42,632. It is 30.79 times more than SBI bank investment but HBL withdraw its investment Cash flow from loan advance and bill payable is negative for all the three banks SBI, HBL and NIBL. It is Rs.6,74,94,330, Rs.2,13,62,46,935 and Rs.1,41,67,78,385 respectively for SBI, HBL and NIBL. HBL provided highest loan than other two banks. SBI bank provided lowest loan and NIBL bank lies between SBI and HBL bank to provide loan.

Cash received from fixed assets is Rs.63,46,941, Rs.10,22,95,169 and 9,92,10,425 respectively for SBI, HBL and NIBL for the fiscal year 2007/08. SBI and HBL and NIBL increased their investment on fixed assets or purchased fixed assets change in other assets is one of the most important factors of investing activities. Cash flow from other assets for the fiscal year 2007/08 is Rs.2,33,17,840, Rs.20,27,06,600, and Rs.20,39,71,485 for SBI, HBL and NIBL. Other assets is the total of current assets including non-banking assets and branch adjustment A/C. NIBL invested heavily in the other assets.

C. Cash flow from financing activity

Total cash flow from financing activities is positive for SBI, HBL and NIBL in the fiscal year 2007/08. It is Rs.68,21,58,062 for SBI, Rs.1,07,29,99,419 for HBL and Rs.4,09,95,30,750 for NIBL in the fiscal year 2007/08. NIBL is the highest receiver of cash from financing activities. NIBL financing cash inflow is 6 times more than SBI and

1.82 times more than HBL. The main reason for increasing cash inflow is deposit liability.

The source of financing cash flow is borrowing but cash received from borrowing Rs.5,13,51,742, Rs.5,08,73,423, and Rs.35,46,71,000 for SBI, HBL and NIBL for the fiscal year 2007/08. NIBL has highest cash flow from borrowing in the fiscal year 2007/08 with compared to the HBL and SBI. All the three banks have positive cash flow from borrowing.

Deposit is the most valuable source of financing for bank and financial institution. Deposit collection increased by Rs.67,55,10,797 for SBI, Rs.96,52,46,244 for HBL and Rs.3,60,19,13,225 for NIBL in the fiscal year 2007/08. All the three banks have positive cash flow from financing activities. It is entirely contribution made by deposit collection in the fiscal year 2007/08 NIBL is the highest receive for deposit liability so it pays high amount of interest than other bank

Change in bills payable from the view point of cash basic is zero for SBI, Rs.1,76,54,458 for HBL and Rs.2,66,02,650 for NIBL. NIBL has highest amount of cash flow from bills payable amount NIBL collect more bill in the fiscal year 2007/08 but paid a little bit to the customer. Similarly HBL has also excess bills payable amount than it paid actually. Cash flow from other liabilities increased by Rs.3,92,25,294 for HBL and Rs.17,58,02,475 for NIBL in the fiscal year 2007/08. This amount contributes positively to the financing cash inflow cash flow from other liabilities is negative for SBI bank i.e. Rs.4,47,04,477 NIBL paid dividend Rs.59,05,86,600.

D. Net cash flow for the year

Net cash flow for the fiscal year 2007/08 is Rs.10,84,36,154, Rs.12,29,53,989 and Rs.11,44,12,066 respectively for SBI, HBL and NIBL. Only NIBL has positive overall cash flow which represents highest overall cash flow in the fiscal year 2007/08. Due to the positive operating and financing activities overall cash flow of the bank is positive. HBL has positive cash flow from operating activities and financing activities but highest cash outflow on investing activities drive total cash flow into negative for HBL.

4.8 The Fiscal Year 2008/09

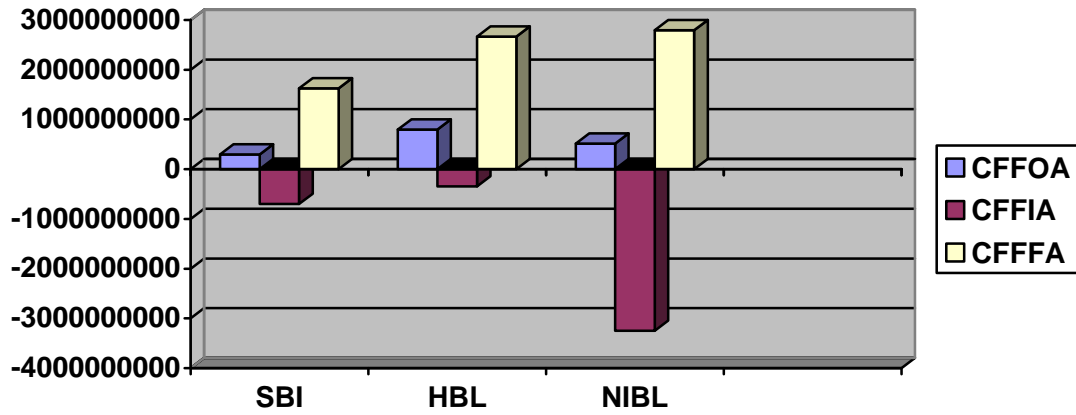
Table No. 1.8
Cash Flow Statement
Of SBI, HBL & NIBL

For the fiscal year 2008/09

S.N.	Particulars	SBI	HBL	NIBL
A	Cash Flow From operating activities	29,47,77,737	79,68,94,668	51,33,52,933
1	Cash Received	66,60,15,521	1,76,06,80,211	1,14,74,08,089
	Interest income	57,83,72,070	1,44,64,68,083	88,67,99,959
	Commission and discount	4,25,68,260	13,28,15,882	9,35,50,933
	Exchange gain	3,23,57,149	13,73,00,987	10,25,17,923
	Non-operating income	14,42,831	27,94,642	3,89,64,311
	Other income	1,12,75,210	4,13,00,617	2,55,74,963
2	Cash payment	37,12,37,783	96,37,85,543	63,40,55,156
	Interest exp.	25,84,30,003	56,19,63,770	35,45,49,207
	Staff expenses	3,75,82,219	17,85,89,357	9,70,04,160
	Office operating expenses	7,52,25,561	22,32,32,416	14,54,26,696
	Exchange loss	-	-	-
	Non- operating expenses	-	-	-
	Other expense	-	-	3,70,75,093
B	Cash Flow From Investing Activities	(70,01,59,212)	(34,50,67,636)	(3,24,73,44,273)
	Change in balance with bank	12,32,08,924	(9,92,130)	(5,46,75,098)
	Change in money at call and short notice	12,31,12,500	(7,21,80,900)	(17,00,00,000)
	Change in investment	(70,01,59,212)	(2,40,02,39,049)	(7,17,05,377)
	Change in loan advance and bills purchased	(1,07,02,16,699)	(6,19,70,90,462)	(3,11,45,97,510)
	Change in fixed assets	(1,95,04,786)	(3,16,45,636)	(10,76,73,778)
	Changes in other assets	(14,80,58,920)	(32,58,27,459)	(6,86,92,510)
C	Cash Flow From Financing Activities	1,62,55,92,877	2,66,60,75,574	2,79,28,74,178
	Change in borrowing	35,24,50,948	(15,29,57,595)	(1,15,00,000)
	Change in deposits	1,45,64,46,786	2,80,36,79,000	27,29,84,018
	Change in bills payable	3,11,23,670	40,17,526	(4,28,28,198)
	Change in other liabilities	(21,44,28,527)	1,13,36,643	16,16,02,308
	Dividend paid	-	-	(4,42,93,950)
D	Net Cash Flow for the year	(1,74,72,578)	1,22,94,606	5,88,82,838
E	Opening Cash Balance	16,12,22,496	27,42,35,328	31,53,82,825
F	Closing cash balance	14,37,49,918	28,65,29,934	37,42,65,663

Bar Diagram

The Fiscal Year 2008/09



A. Cash flow from operating activity

The amount of total cash inflow from operating activities for SBI, HBL and NIBL for the fiscal year 2008/09 is Rs.29,47,77,737, Rs.79,68,94,668 and Rs.51,33,52,933 respectively. It describe that there is superior condition for operating cash inflow in Himalayan Bank limited than other two banks Above cash inflow is the difference amount of cash receipt and payment from operating activities. Cash receipt from operating activities for these three banks SBI HBL and NIBL is Rs.66,60,15,521, Rs.17,60,68,80,211 and Rs.1,14,74,08,089 respectively. Similarly cash payment for operating activities is Rs.37,12,37,783, Rs.96,37,85,543 and Rs.6,34,05,516 respectively for activities with respect to cash receipt is 44.26% for SBI, 45.26% for HBL and 44.74% for NIBL. Ratio shows that SBI bank is able to minimize its operating cost than other two banks.

Interest income for the fiscal year 2008/09 for SBI, HBL and NIBL is Rs.57,83,72,070, Rs.1,44,64,68,083, and Rs.88,67,99,959 respectively. HBL has highest amount of cash receipt from interest but SBI has lowest total amount of interest receipt. NIBL lies between other two banks. Interest payment for deposit liability for these three banks for the fiscal year 2008/09 is Rs.25,84,30,003 for SBI, Rs.56,19,63,770 and Rs.35,45,49,207 for NIBL. Deviation between cash receipt and payment of interest is Rs.31,99,42,067 for SBI, Rs.8,84,50,41,310 HBL Rs.53,22,50,752 for NIBL. Spread is excess for HBL. So this bank was able to generate highest interest receipt but payment

is also high. SBI transaction is in lowest condition so interest payment and receipt both are in low order. As a result spread is lowest for SBI bank.

Commission and discount income is the product of agency function. It is Rs.4,25,68,260 for SBI, Rs.13,28,15,882 for HBL and Rs.9,35,50,933 for NIBL for the fiscal year 2008/09. HBL holds highest income from commission and discount. SBI has lowest income but NIBL lies between them. Percentage of commission and discount income with respect to cash flow from operating activities are 14.44% for SBI, 16.67% for HBL and 18.22% for NIBL cash flow from exchange gain is also one of the vital sources of operating activities. For the fiscal year 2008/09, SBI bank received Rs.3,23,57,149 as an exchange gain income. HBL has 4.24 times higher income from exchange gain with compared to SBI bank in this year, but NIBL has only 3.17 times with respect to SBI bank, So HBL has leading amount from exchange gain also.

Cash received from non-operating income for SBI, HBL and NIBL is Rs.14,42,831 and Rs.27,94,642 and Rs.3,89,64,311 in the fiscal year 2008/09 respectively. The most exclusive component of operating cash flow is other income. Cash flow from other income is Rs.1,12,75,210 for SBI, Rs.4,13,00,617 for HBL and Rs.2,55,74,963 for NIBL in the fiscal year 2008/09. HBL has highest cash flow from other income but SBI has lowest. NIBL lies between HBL and SBI. This kind of income should be higher to make portfolio income or to reduce risk factor.

Staff and operating expenses is Rs.11,28,07,780 for SBI Rs.40,18,21,773 for HBL and Rs.24,24,30,856 for NIBL in the fiscal year 2008/09. Percentage of staff and operating expenses with respect to total operating cash payment is 30.39% for SBI, 41.69% for HBL and 38.23% for NIBL. There is no cash payment for non-operating expenses for all the three banks in the fiscal year 2008/09. There is no cash payment for other expenses for SBI and HBL but NIBL has Rs.3,70,75,093 for NIBL. It is 5.58% of total operating cash payment.

The conclusion of this analysis shows better position of operating cash flow for all three banks. HBL realize highest amount of cash inflow due to the positive spread rate of interest.

B. Cash flow from investing activity

The amount of cash flow from investing activities is negative for each bank. It represents Rs.1,93,78,43,193, Rs.3,45,06,75,636 and Rs.3,24,73,44,273 for SBI, HBL and NIBL respectively. It shows that political situation at that time was still in control. So the bank was able to make investment. SBI banks cash outflow from investing activities looks lowest, it is in low order if we compare with its other transaction. HBL is in the highest position to make investment as a result interest income is also high among three banks. NIBL lies between other two banks.

Bank balance of SBI bank decreased by Rs.12,32,08,924 which represents increasing cash inflow. HBL also decreased its bank balance by Rs.9,92,130 similarly NIBL bank also invests its cash to bank which are operating in NRB foreign bank and local bank also.

Cash flow from money at call and short notice is Rs.12,31,12,500, Rs.7,21,80,900 and Rs.17,00,00,000 for SBI, HBL and NIBL respectively. SBI, HBL and NIBL provided call money to the other commercial bank. It represents the excess liquidity of SBI, HBL and NIBL. NIBL is in front of other two banks to make investment for short period.

Investment represent for Treasury bill, development bond etc. Cash from investment for SBI is Rs.70,01,59,212, Rs.2,40,02,39,049 for HBL and Rs.7,17,05,377 for NIBL in the fiscal year 2008/09. All the three banks SBI, HBL and NIBL increased their investment.

Cash flow from loan advance and hills purchased is Rs.1,07,02,16,699, Rs.61,97,90,462 and Rs.3,11,45,97,510 respectively for SBI, HBL and NIBL for the fiscal year 2008/09. All the three banks issued loan in this year but NIBL is in first position to grant loan. HBL is in the lowest position to provide loan, but WIBL is not able to invest as a loan significantly based on its network and transaction. It proved that the NIBL is interested to do agency work rather than granting excess loan.

In the fiscal year 2008/09 these three banks purchased fixed assets because cash flow from fixed assets is negative. Cash flow from other assets is also negative in this year. HBL is able to create highest cash flow from other assets but NIBL has lowest amount.

C. Cash flow from financing activity

Cash flow from financing activities for the fiscal year 2008/09 is positive for whole three banks. It is Rs.1,62,55,92,877 for SBI Rs.2,66,60,75,574 for HBL and Rs.2,79,28,74,178 for NIBL. NIBL is the highest receiver of cash from financing activities. NIBL financing cash inflow is 1.72 times more than SBI and 1.05 times more than HBL. The main reason for increasing cash in flow is deposit liability.

The main source of financing cash flow is borrowing but cash received from borrowing is negative for HBL and NIBL for the fiscal year 2008/09. The bank collects deposit under different amount collection of deposit is the sing of believes. It is very much important source of financing cash flow. Cash received from deposit for the fiscal year 2008/09 is deposit. HBL is the highest receiver of deposit liability so it has significant amount of interest payment.

Cash flow from bills payable is Rs.3,11,23,670 for SBI, Rs.40,17,526 for HBL and Rs.4,28,28,198 for NIBL in the fiscal year 2008/09. SBI and HBL have pending their bills to make payment so cash inflow increased. It does not appear in big volume but it is most important non-interest bearing liability. Increase amount of bills payable represents cash inflow and vice versa. SBI is in strong position to generate cash inflow from bills payable.

Cash flow from other liabilities rather than mention above is Rs.21,44,28,527 for SBI Rs.11,33,66,43 for HBL and Rs.16,16,02,308 for NIBL for the fiscal year 2008/09. SBI Bank paid to many other liabilities this year. But HBL and NIBL has significant amount of cash inflow from other liabilities. SBI and HBL didn't pay any dividend but dividend paid for NIBL is Rs.4,42,93,950 in the fiscal year 2008/09. From the point of view financing cash flow NIBL is in the superior condition than other two banks in the fiscal year 2008/09.

D. Net cash flow for the year

Overall cash inflow for the year Rs.17,47,72,578, Rs.12,29,606 and Rs.5,88,82,838 for SBI, HBL and NIBL respectively. Due to highest cash out flow from investing activities total cash flow of SBI is negative. HBL and NIBL have positive cash flow in total.

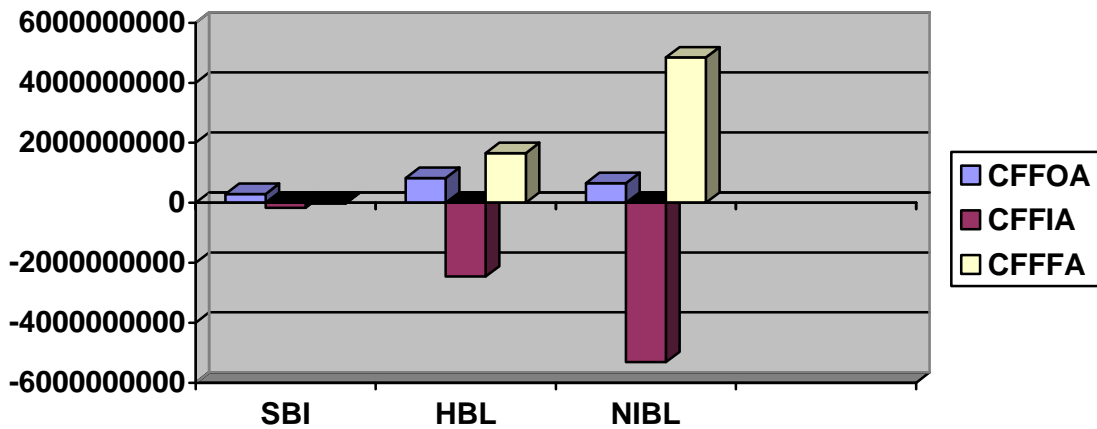
4.8 The Fiscal Year 2009/10

Table No. 1.9
Cash Flow Statement
Of SBI, HBL & NIBL
For the fiscal year 2009/10

S.N.	Particulars	SBI	HBL	NIBL
A	Cash Flow From operating activities	29,25,96,741	82,61,96,501	65,45,14,895
1	Cash Received	76,23,85,291	1,90,25,55,641	1,46,14,28,862
	Interest income	67,89,35,738	1,41,99,00,506	11,72,42,193
	Commission and discount	4,07,53,985	16,54,47,872	11,59,42,016
	Exchange gain	3,84,85,265	19,71,30,134	12,57,47,407
	Non-operating income	29,26,272	18,87,070	1,10,94,906
	Other income	71,36,575	11,71,90,059	3,59,02,340
2	Cash payment	46,97,88,550	1,07,63,59,140	80,69,13,967
	Interest exp.	33,47,70,096	64,88,41,818	49,09,46,961
	Staff expenses	5,05,39,528	19,16,38,231	11,10,53,701
	Office operating expenses	8,14,53,950	23,58,79,091	15,44,21,898
	Exchange loss	-	-	-
	Non- operating expenses	-	-	-
	Other expense	30,24,977	-	5,04,91,407
B	Cash Flow From Investing Activities	(16,44,25,530)	(2,46,13,63,296)	(5,31,30,39,949)
	Change in balance with bank	(2,93,97,535)	31,60,16,831	(80,77,45,594)
	Change in money at call and short notice	24,00,87,500	(56,41,99,100)	(7,00,00,000)
	Change in investment	(1,00,30,95,482)	80,19,68,750	(1,66,86,79,941)
	Change in loan advance and bills purchased	1,41,28,57,361	(2,31,88,93,556)	(2,72,49,87,827)
	Change in fixed assets	(1,80,20,005)	(28,80,25,916)	(8,05,60,007)
	Changes in other assets	(2,21,04,549)	(40,82,30,305)	(3,89,33,420)
C	Cash Flow From Financing Activities	(2,77,33,458)	1,65,40,65,005	4,84,68,20,011
	Change in borrowing	14,27,99,788	(14,23,389)	20,00,00,000
	Change in deposits	2,34,72,66,419	1,67,68,39,656	4,67,27,32,311
	Change in bills payable	(1,51,15,073)	51,78,451	38,11,922
	Change in other liabilities	(2,50,26,84,592)	(2,65,29,803)	4,07,43,091
	Dividend paid	-	-	(7,34,67,313)
D	Net Cash Flow for the year	10,04,37,753	1,88,98,210	18,82,94,957
E	Opening Cash Balance	14,37,49,918	28,65,29,934	37,42,65,663
F	Closing cash balance	24,41,87,671	30,54,28,144	56,25,60,620

Bar Diagram

The Fiscal Year 2009/10



A. Cash flow from operating activity

Total cash flow from operating activities for the fiscal year 2009/10 is Rs.29,25,96,741, Rs.82,61,96,501 and Rs.65,45,14,895 respectively for SBI, HBL and NIBL. Like in previous year HBL has highest amount of operating cash flow. NIBL lies between HBL and SBI. SBI holds lowest cash flow in the fiscal year 2009/10. Cash flow from operating activities increase for SBI, HBL and NIBL as compared to the previous year.

Total cash receipt from operation is Rs.76,53,11,563 for SBI, Rs.19,02,55,641 for HBL and Rs.1,46,14,28,862 for NIBL in the fiscal year 2009/10. Cash flow from operating activities with respect to total cash receipt is 38.23%, 43.43% and 44.79% respectively for SBI, HBL and NIBL. Total cash payment for operating activities is Rs.47,27,14,823 for SBI Rs.1,07,63,59,140 for HBL and Rs.80,69,13,967 for NIBL for the fiscal year 2009/10. HBL has highest amount of cash payment and SBI has lowest amount of cash payment for operating purpose NIBL lies between HBL and SBI bank.

Interest income is Rs.67,89,35,738, Rs.41,99,00,506 and Rs.1,17,27,42,193 respectively for SBI, HBL and NIBL for the fiscal year 2009/10 respectively. Deviation between interest receipt and payment for cash flow purpose is important factor to determine the total cash flow that is Rs.3,44,11,65,642 for SBI, Rs.7,71,40,58,688 for HBL and Rs.68,17,95,232 for NIBL. HBL bank is the highest generator of cash deviation from interest receipt and payment. SBI is the lowest generator of cash deviation from

interest receipt and payment. HBL has lowest amount of interest payment but highest amount of interest income, so this bank is to maintain highest spread of interest.

Cash received from commission and discount plays significant role in total operating cash flow. It is Rs.4,07,53,985 for SBI, Rs.16,54,47,872 for HBL and 11,59,42,016 for NIBL. In this income HBL has leading amount. SBI has lowest income but NIBL lies between them. It shows that HBL is the main bank to operate agency work. Cash flow from exchange gain is also one of the vital sources of operating activities. For the fiscal year 2009/10, SBI bank received 3,84,85,265 as an exchange gain income HBL has 5.15 times higher income from exchange gain with compared to SBI bank in this year, but income from exchange gain for NIBL has only 3.27 times greater with respect to SBI bank. So, HBL has leading amount from exchange gain also.

Cash received from non-operating income for NIBL has in highest position. Cash received from non-operating income for the fiscal year 2009/10 is Rs.71,36,575, Rs.11,71,90,059 and Rs.3,59,02,340 respectively for SBI, HBL and NIBL. HBL has highest amount but SBI has lowest cash received from non operating income. NIBL lies between HBL and SBI.

In this year HBL bank spends heavy amount for office operating cost. The bank has various branches in the country as a result total operating cost is increasing. Other main reason to increase the operating cost is software cost of the bank.

B. Cash flow from investing activity

Total amount cash flow from investing activities is Rs.16,44,25,530, Rs.2,46,13,63,296 and Rs.5,31,30,39,949 respectively for SBI, HBL and NIBL in the fiscal year 2009/10. NIBL has highest amount of cash flow from investing activities, but SBI invest less amount. HBL has significant amount of investment. All the three banks have negative cash flow that means all the three banks have made investment in the fiscal year 2009/10. Change in balance with bank is negative for SBI and NIBL but it is positive for HBL. HBL bank withdraws cash from its bank balance in this year but SBI and NIBL deposited cash.

Cash flow from change in money at call and short notice is negative for all the three banks. It is the result of excess liquidity, Investment on Treasury bill and government bond increased for SBI and NIBL bank in this year but HBL sold out its investment amount in this year.

Cash flow from loan advance and bills payable is negative for HBL and NIBL. In the fiscal year 2009/10, NIBL bank provide highest loan than other two banks because it is 1.18 times higher than loan increased amount of NIBL but SBI is able to generate positive cash flow of Rs.1,41,28,57,361 from loan, advance and bills purchased.

Change in fixed assets for the fiscal year 2009/10 is negative for the entire three banks. In the fiscal year 2009/10 all the three banks has invested in fixed assets. Similarly cash received from other assets is negative in this year for all the three banks.

C. Cash flow from financing activity

Total cash flow from financing activities is positive for HBL and NIBL but it is negative for SBI in the fiscal year 2009/10. It is Rs.2,77,33,458 for SBI, Rs.1,65,40,65,005 for HBL and Rs.4,84,68,20,011 for NIBL. HBL and NIBL have positive cash from financing activities but SBI generate negative cash flow from financing activities. NIBL has highest cash flow from financing activities.

Change in borrowing is the key source for financing cash flow. Borrowing is increased by Rs.14,27,99,788 for SBI bank it contributed positively for financing cash flow. Borrowing in increased by 20,00,00,000 for NIBL but it is decreased by Rs.14,23,389 for HBL.

Deposit is the most valuable source of financing for bank and financial institution deposit collection of NIBL banks is highest in this year but HBL bank's deposit collection is lowest. Cash flow from deposit is positive for all the three banks. In this year SBI returned back believe of the customers.

Change in bills payable from the view point of cash basis is Rs.1,51,15,073 for SBI, Rs.51,78,541 for HBL and Rs.38,11,922 for NIBL. All the three banks have pending their bill to make payment so cash flow increased. It doesn't appear in big volume but it is most important non-interest bearing liability SBI bank has highest amount of cash inflow from bills payable amount. NIBL is the only bank that is generating positive cash flow from other liabilities in the fiscal year 2009/10. SBI and HBL paid to many other liabilities in this year. Dividend paid in the fiscal year 2009/10 for NIBL is Rs.7,34,67,313 but SBI and HBL has no dividend paid in this year.

D. Net cash flow for the year

Net cash flow for the fiscal year 2009/10 is Rs.10,04,37,753, Rs.1,88,98,210 and Rs.18,82,94,957 respectively for SBI, HBL and NIBL. All the three banks have positive overall cash flow in the fiscal year 2009/10. NIBL has highest overall cash flow in the fiscal year 2009/10. Due to positive operating cash flow overall cash flow of the banks is positive. HBL has lowest overall cash flow and SBI lies between NIBL and HBL.

4.10 Major Findings

SBI Bank

Cash flow from operating activity

-) Total operating cash flow was decreased by 3.96% in the fiscal year 2006/07 as compared to the previous year 2005/06 and increased by 50.33% in the fiscal year 2007/08, 114.13% in the fiscal year 2008/09 and 112.54% in the fiscal year 2009/10.
-) Total cash receipt is in increasing trend i.e. 30.16%, 10.71%, 31% and 49.97% in the fiscal year 2006/07, 2007/08, 2008/09 and 2009/10 respectively.
-) Cash payments are decreasing and increase trend as compared in the fiscal year 2005/06 i.e. 5.61%, 3.93%, 0.14% and 26.73% in the fiscal year 2006/07, 2007/08, 2008/09 and 2009/10 respectively.
-) Interest payment was increased by 1.12% in the fiscal year 2006/07 as compared to the previous year 2005/06 decreased by 11.32% in the fiscal year 2007/08, 10.45% in the fiscal year 2008/09 and again increased by 16% in the fiscal year 2009/10.
-) Commission and discount income is the major source of cash receipt which contributes superbly in operating cash flow.
-) Staff and operating expenses are the major parts of the cash payment.
-) Overall performance of the bank is satisfactory from the view point of operating activities.

Cash flow from investing activity

- J Total cash flow from investing activities are Rs.4,94,41,136, (Rs.45,56,65,904), (Rs.99,75,46,021), (Rs.1,93,78,43,193) and (Rs.1,64,42,25,523) in the fiscal year 2005/06 to 2009/10 respectively. This shows the negative investment in the fourth year and positive in the first year.
- J Loan is in increasing trend i.e. 52.08%, 90.83%, 202.59% and 299.74% in the fiscal year 2006/07, 2007/08, 2008/09 and 2009/10 respectively as compared to the fiscal year 2005/06.
- J Investment in the fixed assets increased by 671.30% and decreasing by 74.18%, increased by 693.31%, 632.92% as compared to the fiscal year 2005/06.
- J Excess investment in the current assets including non banking assets shows the efficiency of management.
- J Investment on treasury bill and government bond is highest in the fiscal year 2009/10 due to lack of investment sector i.e. Rs.1,00,30,95,482.
- J Purchase of fixed assets is highest in the fiscal 2006/07 i.e. Rs.1,89,63,572.

Cash flow from financing activity

- J Financing source refer to the debentures, shares and retained earning.
- J Cash flow increased by 352.37%, 503.64%, 106.88% and 116.41% as compared to the fiscal year 2005/06.
- J Changes in bills payable is negative in the fiscal year 2006/07 i.e. Rs.87,936.
- J Net changes in cash balance are Rs.1,81,03,390, 10,30,37,524, (Rs.10,84,36,154), (Rs.17,47,72,570) and Rs.1,04,37,753 respectively. This shows negative balance in the fiscal year 2007/08 and 2008/09 & other remaining are positive.

Himalayan Bank Ltd.

Cash flow from operating activity

- J Total cash flow from operating activities increased by 7.49%, 23.05%, 35.13%, 40.09% in the fiscal year 2006/07, 2007/08, 2008/09 and 2009/10 respectively as compared to the fiscal year 2005/06.
- J The amount of total cash receipt increased by 4.64%, 9.34%, 26.69%, 36.89% in the fiscal year 2nd, 3rd, 4th and 5th year as compared to the 1st year.
- J Interest income is increased by 4.54% in the fiscal year 2006/07, by 8.43% in the fiscal year 2007/08, by 25.89% in the fiscal year 2008/09 and by 23.58% in the fiscal year 2009/10 as compared to the fiscal year 2005/06.
- J Total cash payment is in increasing, decreasing and increasing trend i.e. 2.21%, 0.77%, 20.47% and 34.54% as compared to the fiscal year 2005/06.
- J There is no any exchange loss during the relevant years.
- J Cash flow from other income is the main source of operating cash flow. Similarly other expenses plays significant role in total cash payment.
- J In total fiscal year 2005/06 is the bad year from every point of view for operating cash flow.

Cash flow from investing activities

- J Cash flow from investing activities is in increasing, decreasing and increasing trend i.e. 105.63%, 26.07%, 126.69% and 61.48% in the fiscal year 2nd, 3rd, 4th and 5th respectively as compared to the previous year.
- J The bank invests its deposit liabilities in shares and debentures, certificates and other securities.

Cash flow from financing activity

- J Cash flow from financing activities is in increasing, decreasing and increasing trend i.e. 49.99%, 13.97%, 113.75% and 32.61% in the respective year as compared to the fiscal year 2005/06.
- J Financing means way of capitalization in general case.
- J Cash flow from borrowing is positive in the first three years and is negative in the last two years i.e. Rs.45,44,85,573, Rs.11,18,26,692, Rs.5,08,73,423, (Rs.15,29,57,595) and (Rs.14,23,389) in financing activities.
- J Overall cash flow for Himalayan bank is Rs.31,28,18,114, (Rs.6,55,87,408), (Rs.12,30,26,271), Rs.1,22,94,606 and Rs.1,88,98,210 respectively in the fiscal year 2005/06 to 2009/10. This shows the negative cash flow in year two and remaining are in the positive.

Nepal Investment Bank Ltd.

Cash flow from operating activity

- J Cash flow from operating activities of Investment Bank Ltd. is in increasing trend i.e. 43.35%, 146.05%, 262.90% and 362.69% in the fiscal year 2006/07 to 2009/10 as compared to the fiscal year 2005/06.
- J Interest income is 83.07%, 81.62%, 80.75%, 77.29% and 80.25% of total cash receipt from operation in five relevant years.
- J Cash flow from exchange gain is an increasing trend i.e. 18.61%, 105.29%, 139.21% and 193.42% in the respective year as compared to the fiscal year 2005/06.
- J Staff expense is in increasing trend i.e. 62.40%, 135.98%, 169.03% and 207.99% in the respective year as compared to the fiscal year 2005/06.
- J Other expenses are 3.45%, 5.25%, 4.612%, 58.47% and 6.26% of total cash payment in the five relevant years.

Cash flow from investing activity

-) Cash flow from investing activities is in increasing, decreasing and increasing trend i.e. Rs.14,81,15,813, Rs.11,69,21,418, Rs.2,15,72,42,632, Rs.7,17,05,377 and Rs.1,66,86,79,941 in the relevant years.
-) Cash flow from loans and advances and bills purchased are Rs.29,46,83,536, Rs.3,22,25,07,632, Rs.1,41,67,78,385, Rs.3,14,45,97,510 and Rs.2,72,49,87,827 in the relevant years.
-) Change in fixed assets for cash flow purpose is negative in all five years i.e. Rs.1,05,00,804, Rs.17,07,93,023, Rs.9,92,10,425, Rs.10,76,73,778 and Rs.8,05,60,007 respectively.

Cash flow from financing activity

-) Cash flow from financing activities is in increasing decreasing again in increasing trend i.e. Rs.15,63,57,971, Rs.39,03,72,424, Rs.40,99,50,750, Rs.2,79,28,74,178 and Rs.4,84,68,20,011 in the fiscal year 2005/06 to 2009/10 respectively.
-) Deposit collection is not satisfactory in the year 2005/06 but in the other four years bank collect deposit.
-) Cash flow from borrowing is Rs.2,15,00,000, Rs.9,16,71,000, Rs.3,54,67,100, Rs.1,15,00,000 and Rs.20,00,00,000 in the fiscal year 2005/06 to 2009/10 respectively.
-) Overall cash flow in the fiscal year 2005/06 is negative due to high amount of negative cash flow from financing activities but in other four years overall cash flow is positive.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

Basically the entire research work focuses on the comparative and analytical study on cash flow of three joint venture banks; state banks of India; Himalayan Bank Ltd. and Nepal investment bank Ltd. These three banks are analyzed in terms of cash flow by taking five years data from the fiscal year 2005/06 to 2009/10.

The study is mainly based on secondary sources. All data are taken from concerned banks annual report; different website; related books and booklets journals and articles. After collecting data from different sources, it is analyzed by using statistical tool. Statistical tool: trend analysis has been used to analyze the cash flow position of the selected joint venture bank.

In an attempt to fulfill the objective of the research work all secondary data are compiled, processed and tabulated as per necessity.

This study suffers from different limitations; it considers three banks may not be generalized in all cases and accuracy depends upon the data collected and provided by the organization.

5.2 CONCLUSION

SBI, HBL and NIBL are the main actor of money. They are operating in high amount of operating in high amount of operating profit. They are 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. If profit is negative but cash flow is positive the stakeholder believe us now a day's. So cash flow analysis is

necessary. By analyzing the five years cash flow statement different conclusions were found.

SBI bank is suffering from bad public faith with compared to the other banks. There is lack of proper deposit mix because cash payment is not right manner. New sources of investment are not available. Commission and discount income are lower than other selected banks. Operating expenses are in increasing trend. HBL bank spread rate is highest then other selected banks. Agency function is strong due to the good network. Investments are decreasing trend, which is not good sign for future perspective. The bank has good public faith so deposits are increasing. Operating cash flow and financing cash flow both are positive. Liquidity position of the bank is strong.

Operating cash flow is positive but not significant level based on the bank reputation and network. The main problems of the bank is increasing staff and operating cost. Interest, commission and discount income of NIBL bank are in good position but lower than HBL. Investments are in decreasing trend, which is not good sign for future perspective. Bank is planning to increase deposit by launching new deposit collection policy.

5.3 RECOMMENDATIONS

On the basis of above analysis the following recommendations have been made to the concerned banks.

SBI Bank

-) Operating cash flow is positive but launching new services should enhance this source.
-) Interest bearing deposit may be reducing and non-interest bearing deposit should be increase to reduce the interest expenses.
-) New source of investment should be found out of earn significant amount of interest.
-) Spread rate is tight so it should be wide by making proper deposit mix.
-) Managing remittance money should increase commission and discount income and providing trade facilities to the business houses.

HBL Bank

-) Spread rate is highest and it should be enhanced to be a competent bank.
-) Agency work is strong in comparison to other bank so it should be keep it up.
-) Office and staff expenses should be reduced to earn highest operating profit.
-) Investments are in decreasing trend, which is not 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.

NIBL Bank

-) Operating cash flow is positive but not in significant lever based on bank reputation and network so operating cash payment should be reduced.
-) Interest income is in significant level but not sufficient so it should be increased by lending loan and advance.
-) One of the main problems of the bank is increasing staff and operating cost. It should be minimized.
-) Commission and discount income are in good position but lower than Himalayan bank so agency work should be done properly.
-) Investing cash outflow is decreasing which is the serious problem. So consumer and retail banking should be enhanced.
-) Deposits are in decreasing trend. Now days they are good due to the new management plan so this plan should be enhanced and developed. New saving policy should be launched.

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Appendix I
Balance Sheet
Of SBI Bank Ltd.

For the FY 2005/06 to 2009/10

Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
Capital and Liabilities					
Share capital	42,48,93,300	42,51,57,300	42,68,75,900	4,31,96,500	64,02,36,100
Reserve and Fund	13,54,53,264	14,46,94,881	19,97,60,826	25,71,47,460	34,21,37,628
Loans and Borrowing	55,87,92,473	6,58,26,172	11,71,77,914	46,96,28,863	81,24,28,650
Deposit account	5,57,24,70,018	6,52,28,16,631	7,19,83,27,428	8,65,47,74,214	11,00,20,40,633
Bills payable	37,936	-	-	3,11,23,670	4,62,38,743
Other Liabilities	32,94,44,155	40,78,31,677	49,82,63,740	50,08,33,563	1,92,75,77,370
Total	7,02,11,21,146	7,56,63,26,661	8,44,04,05,808	10,34,53,73,370	73,03,58,39,124
Assets					
Cash Balance	16,66,21,125	26,96,58,649	16,12,22,496	14,37,49,918	24,41,87,671
Bank Balance	1,45,33,40,987	1,06,38,75,206	70,32,04,306	57,99,95,382	87,39,70,737
Money at call short notice	-	-	-	12,31,12,500	36,32,00,000
Investments	59,90,55,944	1,20,72,75,300	1,90,75,20,790	2,60,76,80,003	3,61,07,75,484
Loans, advance and bills purchase	4,29,92,49,275	4,46,87,19,748	5,14,36,62,078	62,13,87,877	67,62,67,36,737
Fixed assets	6,55,88,312	7,10,33,971	6,23,50,191	6,64,51,924	6,67,11,798
Other assets	43,72,85,503	48,57,63,787	46,24,45,947	61,05,04,867	25,02,57,297
Total	7,02,11,21,146	7,56,63,26,661	8,44,04,05,808	10,34,53,73,370	73,03,58,39,124

Profit & Loss A/C
Of SBI Bank Ltd.

For the FY 2005/06 to 2009/10

Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
Interest expenses	28,85,79,514	29,18,19,520	2,59,19,216	25,84,30,003	33,47,70,096
Employees expenses	26,74,688	3,37,31,121	3,25,10,008	3,75,82,219	5,05,39,528
Office operating expense	6,07,50,345	7,73,64,801	8,21,80,035	9,06,28,615	99,21,40,802
Currency exchange loss	-	-	-	-	-
Non-operating expenses	16,52,461	20,93,283	5,70,628	-	29,26,272
Bad loan and advance written off	-	-	-	-	-
Provision for loan loss	6,75,50,885	8,41,73,260	11,87,24,771	19,32,43,637	14,66,56,796
Provision for staff bonus	63,19,183	76,72,563	1,21,70,187	1,39,10,368	1,99,76,407
Provision for income tax	1,60,28,873	2,03,04,846	4,86,79,997	6,78,06,676	8,27,62,098
Net profit (Carried down)	4,08,43,769	4,87,48,221	60,85,41,673	5,73,86,634	11,70,01,973
Interest income	39,96,31,303	46,97,40,135	49,35,98,313	57,83,72,070	70,87,18,614
Commission and discount income	3,65,79,409	9,29,61,809	3,06,66,943	4,25,68,260	4,07,53,985
Currency exchange gain	4,25,35,450	1,85,09,922	3,06,15,953	3,23,57,149	4,30,63,315
Non-operating income	-	-	-	14,42,831	-
Other income	2,96,26,556	4,76,95,749	5,67,25,305	6,42,47,842	6,13,14,338
Net loss carried down	-	-	-	-	-

Appendix II
Balance Sheet
Of Himalayan Bank Ltd.
For the FY 2005/06 to 2009/10

Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
Capital and Liabilities					
Share capital	39,00,00,000	42,90,00,000	53,62,50,000	64,35,00,000	77,22,00,000
Reserve and Fund	46,81,14,868	63,41,32,203	78,79,16,357	89,82,46,461	99,39,75,616
Loans and Borrowing	53,40,13,018	64,58,39,709	65,90,05,881	50,60,48,286	50,46,24,897
Deposit account	18,61,93,75,076	21,00,73,79,489	22,01,03,32,984	24,81,40,11,984	26,49,08,51,640
Bills payable	5,55,76,127	4,67,27,205	6,43,81,663	6,83,99,189	7,35,77,730
Other Liabilities	60,53,54,765	59,21,44,522	70,41,38,106	91,44,88,735	62,51,59,789
Total	20,67,24,33,854	23,35,52,23,128	24,76,20,24,991	27,84,46,94,655	29,46,03,89,672
Assets					
Cash Balance	46,27,76,725	39,71,89,317	27,42,35,328	28,65,29,934	30,54,28,144
Bank Balance	80,18,95,073	1,58,20,19,679	1,72,69,48,893	1,72,79,41,023	1,41,19,24,192
Money at call short notice	35,23,50,000	15,01,00,000	36,89,00,000	44,10,81,900	1,00,52,80,000
Investments	9,15,71,06,656	10,17,54,35,017	9,29,21,02,510	11,69,23,41,559	10,88,90,31,449
Loans, advance and bills purchase	8,91,37,23,565	10,00,18,48,185	11,95,18,69,350	12,42,45,20,646	14,64,25,59,555
Fixed assets	31,88,43,964	22,98,71,112	29,96,42,817	29,58,22,023	56,25,56,544
Other assets	66,57,37,871	81,87,59,818	84,83,26,093	97,64,58,570	64,36,09,788
Total	20,67,24,33,854	23,35,52,23,128	24,76,20,24,991	17,84,46,94,655	29,46,03,89,672

Profit & Loss A/C
Of Himalayan Bank Ltd.
For the FY 2005/06 to 2009/10

Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
Interest expenses	57,81,33,464	55,41,28,247	49,15,43,353	56,19,63,770	64,88,41,818
Employees expenses	10,15,37,710	12,01,46,464	15,25,08,886	17,85,89,357	23,45,88,969
Office operating expenses	15,57,86,298	17,71,32,463	21,10,46,959	27,73,75,035	32,96,99,087
Currency exchange loss	-	-	-	-	-
Non-operating expenses	-	-	-	-	-
Bad loan and advance written off	-	-	-	8,82,53,189	5,94,64,218
Provision for loan loss	16,65,05,530	-	19,72,13,687	7,38,98,230	14,51,54,520
Provision for staff bonus	3,87,82,905	20,28,72,613	4,67,30,575	5,80,60,063	6,72,39,895
Provision for income tax	11,40,22,632	4,00,02,705	15,75,21,684	2,14,22,65,396	21,49,41,243
Net profit (Carried down)	23,50,23,510	21,21,28,485	26,30,53,495	30,82,75,171	45,74,57,696
Interest income	1,14,89,98,491	12,01,23,36,722	1,24,58,95,020	1,44,64,68,083	1,62,64,73,819
Commission and discount income	10,17,04,124	10,25,60,741	1,23,92,89,95	13,28,15,882	16,54,47,872
Currency exchange gain	10,46,01,011	10,95,99,294	11,24,19,406	13,73,00,987	19,81,30,134
Non-operating income	24,50,921	1,07,59,557	32,99,067	27,94,642	18,87,070
Other income	3,20,37,501	3,01,53,519	3,40,76,151	4,13,00,617	5,23,24,749
Net loss carried down	-	-	-	-	-

Appendix III
Balance Sheet
Of Nepal Investment Bank Ltd.
For the FY 2005/06 to 2009/10

Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
Capital and Liabilities					
Share capital	16,99,84,500	29,52,93,000	29,52,93,000	58,77,38,500	59,05,86,000
Reserve and Fund	35,34,84,448	34,32,49,707	43,37,54,717	59,24,34,502	82,48,53,715
Loans and Borrowing	9,85,00,000	68,29,000	36,15,00,000	35,00,00,000	55,00,00,000
Deposit account	4,17,47,62,439	7,92,27,66,420	11,52,46,79,645	14,25,45,73,663	18,92,73,05,974
Bills payable	68,22,583	3,16,33,746	5,78,36,396	1,50,08,198	1,88,20,120
Other Liabilities	17,03,36,199	41,44,77,711	58,24,32,258	47,43,08,843	41,85,71,733
Total	4,97,38,90,169	9,01,42,49,584	13,25,54,96,016	16,27,40,63,706	21,33,01,37,542
Assets					
Cash Balance	6,15,23,243	20,09,70,759	31,53,82,825	37,42,65,663	56,25,60,620
Bank Balance	27,74,01,638	72,55,64,936	91,15,40,085	96,62,15,182	1,77,39,60,776
Money at call short notice	-	4,00,00,000	31,00,00,000	14,00,00,000	7,00,00,000
Investments	1,82,21,62,116	1,70,52,40,698	3,86,24,83,330	3,93,41,88,708	5,60,28,68,649
Loans, advance and bills purchase	2,56,44,23,482	5,77,21,40,251	7,13,01,25,502	10,12,60,55,523	12,77,62,08,037
Fixed assets	3,58,82,948	19,11,16,281	24,97,87,656	32,05,92,169	34,34,49,635
Other assets	21,24,96,742	37,92,16,659	47,61,76,618	41,27,46,361	20,10,89,825
Total	4,97,38,90,169	9,01,42,49,584	13,25,54,96,016	16,27,40,63,706	21,33,01,37,542

Profit & Loss A/C
Of Nepal Investment Bank Ltd.
For the FY 2005/06 to 2009/10

Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
Interest expenses	13,04,36,221	18,92,14,343	32,62,02,325	35,45,49,207	49,09,46,961
Employees expenses	4,17,19,741	6,12,87,912	8,97,48,594	9,70,04,160	11,10,53,701
Office operating expenses	8,46,47,511	10,80,38,671	14,94,79,238	18,29,15,061	20,02,15,141
Currency exchange loss	-	-	-	-	-
Non-operating expenses	-	-	-	-	-
Bad loan and advance written off	-	-	-	-	-
Provision for loan loss	7,51,87,829	3,03,35,047	9,10,91,692	14,04,09,094	10,38,07,589
Provision for staff bonus	86,79,482	1,89,05,570	2,57,19,201	3,70,75,093	5,04,91,407
Provision for income tax	2,10,10,056	5,33,32,476	7,88,01,833	10,15,28,740	15,43,77,650
Net profit (Carried down)	5,71,05,284	11,68,17,659	15,26,70,976	23,21,47,098	35,05,36,413
Interest income	32,62,23,712	45,95,09,886	73,14,02,930	88,67,99,959	1,17,27,42,193
Commission and discount income	1,61,97,893	4,08,11,770	55,74,480	9,35,50,933	11,59,42,016
Currency exchange gain	4,28,56,394	5,08,34,056	8,79,80,293	10,25,17,923	12,57,47,407
Non-operating income	31,04,451	4,87,617	17,67,632	61,92,496	3,90,742
Other income	3,04,03,674	2,62,88,349	3,68,15,524	5,65,67,142	3,59,02,340
Net loss carried down	-	-	-	-	-