CASH FLOW ANALYSIS OF JOINT VENTURE BANKS IN NEPAL (A COMPARATIVE STUDY OF NABIL AND EVEREST BANK LTD.)

Ву

Hari Prasad Adhikari

Mahendra Multiple Campus, Nepalgunj T.U. Regd. No.: 34835-94 Exam Roll No.:550018

Α

Thesis
Submitted to
Office of the Dean
Faculty of Management
Tribhuvan University
Kirtipur

In partial fulfillment of the requirements for the degree of
Master of Business Studies (MBS)
Nepalgunj
September, 2011



TRIBHUVAN UNIVERSITY MAHENDRA MULTIPLE CAMPUS

Nepalgunj, Nepal

Date:-

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Hari Prasad Adhikari

Entitled

Cash Flow Analysis Of Joint Venture Banks in Nepal

(A comparative study of NABIL and EVEREST Bank Ltd.)

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

Name :- Mr. Laxman Pokherel (Thesis Supervisor)	Name:- Mr. Chakra Br. Bor (Head of Department)					
Signature:	Signature:					
1,11,24.1	ma Pokherel Campus Chief)					
Date:	-					



TRIBHUVAN UNIVERSITY MAHENDRA MULTIPLE CAMPUS

Nepalgunj, Nepal

Date:-

VIVA-VOCE SHEET

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

Hari Prasad Adhikari

Entitled

Cash Flow Analysis Of Joint Venture Banks in Nepal

(A comparative study of NABIL and EVEREST Bank Ltd.)

And found the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Master's Degree in Business Studies (M.B.S)

Viva-Voce Committee

Chairperson of Research Committee	Mr.Chakra Bahadur Bom
Member(Thesis Supervisor)	Mr Laxman Pokherel
Member (External Expert)	Mr Lal Mani Pokherel
Date:	

DECLARATION

I hereby declare that the work reported in this thesis entitled "Cash Flow Analysis of Joint Venture Banks in Nepal" submitted to Mahendra Multiple Campus, Tribhuvan University, is my original work. It is done in the form of partial fulfillment of the requirements for the Master of Business Studies (M.B.S.) under the supervision and guidance of Mr. Laxman Pokherel, Lecturer in Management of Mahendra Multiple Campus. Hence, the sole responsibility would be remained on me regarding this thesis for any positive or negative implication if emerged in future.

Hari Prasad Adhikari
Tu.Regd. No.- 34835-94
Exam Roll No. 550018
Mahendra Multiple Campus

T .																	
I lata	•																
Date		_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	

Acknowledgement

First and foremost I am extremely happy to express my heartfelt indebtedness to my respect teacher Mr.Laxman Pokherel for their scholarly guidance and invaluable inspiration.

I would particularly like to acknowledge my heartfelt gratitude to Mr Chakra Bahadur Bam, Chair person of Thesis committee for his insightful comments and enthusiastic encouragement.

It is my pleasure to acknowledge the immense debt of sincere gratitude to my all teachers of the Department of Management of Mahendra Multiple Campus and Campus Chief Mr Rajit Ram Pathak for their inspiring contribution

I am grateful to Mr Lal Mani Pokherel (External Expert) for making important support and helping me in various ways.

I am deeply indebted to my classmate as well as staff of Nabil Bank Limited and Everest Bank Limited for generously supporting my work with not only lending me the valuable data and making significant contribution.

I am obliged to all the staffs of Mahendra Multiple Campus library for providing library facilities.

No words can carry the sense for the expression of my indebtedness to Mr. Nawa Raj Sharma who supported writing and computing this work.

Last, but not least, grateful thanks are due to those whose names are not mentioned here, their kind supports and contribution, I will never forget.

Hari Prasad Adhikari

TABLE OF CONTENTS

Formatted: Font: 18 pt, Underline, Complex Script Font: 18 pt

Formatted: Underline, Font color: Black, Complex Script Font: 18 pt

	Page No.
CHAPTER-I	
INTRODUCTION	
1.1 Back ground of the study	1
1.1.1 Historical Development of Banking	2
1.1.2 Historical Development of Banking in Nepal	3
1.1.3 Concept of Commercial Bank	6
1.1.3.1 Development of Commercial Banks in Nepal	7
1.1.3.2 Need of commercial Bank in Nepal	8
1.1.3.3 Function of Commercial Banks	9
1.1.4 Concept of Joint Venture Banks	12
1.1.4.1 Development of Joint Venture Bank in Nepal	15
1.1.4.2 Features of Joint Venture Bank's in Nepal are	15
1.1.4.3 Role and Function of Joint Venture Bank	15
1.1.5 Introduction of Sample Organization under Study	17
1.1.5.1 Brief Introduction of Nabil Bank Limited	17
1.1.5.2 Brief Introduction of Everest Bank Limited	20
1.2 Banks and Economic Development	24
1.3 Focus of the Study	25
1.4 Statement of the Problem	25
1.5 Significance of the study	26
1.6 Objectives of the studies	26
1.7 Limitation of the study	27
1.8 Organization of the study	27
CHAPTER-II	
REVIEW OF LITERATURE	
2.1 Theoretical Review of Cash Flow Analysis	29
2.2 Cash Flow Statement	30
2.3 Objectives and Importance of Cash Flow Statement	31
2.4 Benefits from using Cash Flow Statement	32
2.5 Cash Flow from Various Activities	32
2.6 Preparation of Cash Flow Statement	43
2.7 Cash Flow Statement under NRB Directives for Bank and	
Financial Institution	53
2.8 Literature Review	55
2.9 Review of Previous Thesis	60
2.10 Research Gap	60

CHAPTER-III	
RESEARCH METHODOLOGY	
3.1 Research Design	62
3.2 Sources of Data	62
3.3 Population and Sample of Research Design	63
3.4 Secondary Data Collection Techniques	63
3.5 Method, Tools and Techniques Employed	64
3.5.1 Financial Tools (Concepts)	64
3.5.2 Statistical Tools	64
	65
3.6 Practice of Cash Flow Statement	
3.7 Cash Flow Statement as Per International Accounting Standard	66
3.8 Financial Statement	67
CHAPTER-IV	
PRESENTATION AND ANALYSIS OF DATA	
	60
4.1 Cash Flow Analysis	68
4.1.1 Cash flow Statement	69
4.2 Time Series Analysis (Trend Analysis)	92
4.2.1 Total cash receipt from operating activities	93
4.2.2 Total cash payment from operating activities	94
4.2.3 Total cash flow from Investing Activities	95
4.2.4 Total cash flow from Financial Activities	96
4.3 Major Findings of the Study	97
CHAPTER-V	
SUMMARY, CONCLUSION AND RECOMMENDATION	J
5.1 Summary	101
5.2 Conclusion	101
5.3 Recommendation	101
BIBLIOGRAPHY	
APPENDIX	

LIST OF TABLES

Formatted: Font: 18 pt, Underline, Complex Script Font: 18 pt

Formatted: Underline

Table		
No	Table Head	PageNo.
1.1	Short Portfolio of Joint Venture Banks in Nepal	14
1.2	Present Capital Structure of NBL	20
1.3	Present Capital Structure of EBL	24
4.1	Cash Flow from Operating Activities of NBL and EBL	70
4.2	Total Cash Receipt from Operating Activities of NBL and EBL	71
4.3	Total Cash Receipt from Operating Activities of NBL	73
4.4	Total Cash Receipt from Operating Activities of EBL	75
4.5	Total Cash Payment for Operating Activities of NBL and EBL	76
4.6	Total Cash Payment for Operating Activities of NBL	78
4.7	Total Cash Payment for Operating Activities of EBL	81
4.8	Cash Flow from Investing Activities of NBL and EBL	84
4.9	Cash Flow from Investing Activities (CFFIA) of NBL	85
4.10	Cash Flow from Investing Activities (CFFIA) of EBL	86
4.11	Cash Flow from Financing Activities of NBL and EBL	87
4.12	Cash Flow from Financing Activities (CFFFA) of NBL	88
4.13	Cash Flow from Financing Activities (CFFFA) of EBL	89
4.14	Income/(loss)from change in Exchange Rate In Cash And Bank Baland	e 90
4.15	Net Cash flow of NBL and EBL	90
4.16	Closing Cash Balance of NBL and EBL	91
4.17	Actual and Trend Value of Total Cash Receipt from Operating Activit	ies
	of NBL and EBL	93
4.18	Actual and Trend Value of Total Cash Payment from Operating Activ	ities
	of NBL and EBL	94
4.19	Actual and Trend Value of Total Cash Flow From Investing Activities	
	of NBL and EBL	95
4.20	Actual and Trend Value of Total Cash Flow From Financing Activities	S
	of NBL and EBL	96

Formatted: Left

Formatted: Left, Indent: Left: 1.5"

LIST OF FIGURES

Fig.	Figure Head	Page No	
1.1	Share Holding Pattern of NBL	20	
1.2	Share Holding Pattern of EBL	23	
4.1	Cash Flow from Operating Activities of NBL and EBL	70	
4.2	Total Cash Receipt from Operating Activities of NBL and EBL	72	
4.3	Total Mean Cash Receipt from Operating Activities of NBL	74	
4.4	Total Mean Cash Receipt from Operating Activities of EBL	75	
4.5	Total Cash Payment for Operating Activities of NBL and EBL	77	
4.6	Total Mean Cash Payment for Operating Activities of NBL	79	
4.7	Total Mean Cash Payment for Operating Activities of EBL	81	
4.8	Closing Cash Balance of NBL and EBL	91	
4.9	Actual and Trend Value of Total Cash Receipt from Operating Activit	ies	
	of NBL and EBL	93	
4.10	Actual and Trend Value of Total Cash Payment from Operating Activi	ities	
	of NBL and EBL	95	
4.11	Actual and Trend Value of Total Cash Flow From Investing Activities		
	of NBL and EBL	96	
4.20	Actual and Trend Value of Total Cash From Financing Activities		
	of NBL and EBL	97	

LIST OF ABBREVIATION

a/c : Account Amt. : Amount & : And

ATM : Automatic Teller Machine

B/S : Balance Sheet C.B. Act : Commercial Bank Act

CA : Current Assets CB : Cash Budget

CFFFA : Cash Flow From Financial Activities
CFFIA : Cash Flow From Investing Activities
CFFOA : Cash Flow From Operating Activities
CFM : Cash Flow Management

CFM Cash Flow Statement CFS Current Liabilities CL CO Cash Outflow DPS Divided Per Share E-banking Electronic banking **Everest Bank Limited** EBL E-business: Electronic business E-commerce: Electronic commerce

EPS : Earning per

FASB : Financial Accounting Standard Board

FFS : Funds Flow Statement

GAAP : Generally Accepted Accounting Principle

FNCCI : Federation of Nepalese Chamber of Commerce and Industry

Gov. : Government

IAS : International Accounting Standard

IT : Information Technology JVB : Joint Venture Bank

M.B.S : Master in Business Studies

M.PS : Market Per ShareNBL : Nabil Bank LimitedNSE : Nepal Stock Exchange

NIDC : Nepal Industrial Development Committee

No. : Number

NRB : Nepal Rastra Bank
P/L : Profit and Loss
ROI : Return on Investment

Rs. : Rupees

RBB : Rastriya Banijya Bank RBS : Rasrtriya Beema Sansthan

S.D. : Standard Deviation T.T. : Telephone and Telex www : world wide web