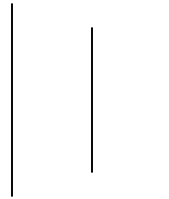


*A COMPARATIVE STUDY ON  
WORKING CAPITAL MANAGEMENT  
OF  
NABIL BANK LIMITED  
And  
STANDARD CHARTERED BANK NEPAL LIMITED*



A

Thesis

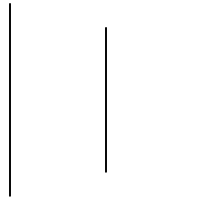
**Submitted By**

Nooma Dhakal

Mahendra Multiple Campus, Nepalgunj

(TU Registration No: - 27605-91)

MBS Exam Roll No: 1341



**Submitted to**

Office of the Dean

Faculty of Management

Tribhuvan University

Kritipur, Kathmandu

In the partial fulfillment of the requirement of the degree of  
Master in Business Studies (M.B.S)

Nepalgunj  
November, 2009

# TRIBHUVAN UNIVERSITY

( Faculty of Management)

**Mahendra Multiple Campus, Nepalgunj**

Ref. No:-

Date:-

## VIVA – VOCE SHEET

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

**Nooma Dhakal**

Entitled

**“A Comparative study on Working Capital Management Of Nabil Bank Limited & Standard Chartered Bank Nepal Limited ”**

And found this 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 Master of Business Studies ( M.B.S).

### VIVA – VOCE EXAMINATION COMMITTEE

Chairman of Research Department ;.....

Member ( Thesis Supervisor) ;.....

Member ( External Expert ) ;.....

Member ( External Expert) ;.....

Date;.....

**TRIBHUVAN UNIVERSITY**  
( Faculty of Management)

**Mahendra Multiple Campus, Nepalgunj**

Ref. No:-

Date:-

**RECOMMENDATION LETTER**

This is to certify that the thesis

Submitted by

**Nooma Dhakal**

Entitled

**“A Comparative study on Working Capital Management Of Nabil Bank Limited & Standard Chartered Bank Nepal Limited ”**

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

.....  
( Naba Raj Adhikari)  
Thesis supervisor

.....  
( )  
Chairman, Research committee

Date;.....

# ACKNOWLEDGEMENTS

The present study“ **A Comparative study on Working Capital Management Of Nabil Bank Limited & Standard Chartered Bank Nepal Limited** ” has been made with a view to examine the over all situation of Working Capital Management Of Nabil Bank Limited & Standard Chartered Bank Nepal Limited.

First of all, I would like to express my hearty thanks and sincere gratitude to my supervisor Naba Raj Adhikari, Lecturer of Mahendra Multiple Campus, ( T.U.) Nepalgunj , for his intellectual direction, supervision and inspiration during the preparation of thesis. It would not have been possible for me to complete this research work without his guidance.

I also appreciate Bhairab Bahadur Bista & Mukesh Gupta lecturer of Mahendra Multiple Campus, Nepalgunj, who shared their valuable experience with me in completing this thesis.

I would like to express many thanks to Nabil Bank Ltd Ltd and Standard Chartered Bank Nepal Ltd for providing me the data and other valuable information. Thanks to all staffs of library and administration of Nepalgunj Campus who helped me to providing books and report for this dissertation work.

I specially thanks to my colleague Prem Khatri , Niraj Pokharel, Devanshu Sharma , Nisha Chaudhary & Sister Laxmi Dhakal for their insightful comments and suggestion.

I would like to express my sincere to Subash Priting Press for typing and printing my thesis.

Nooma Dhakal  
Nepalgunj

November 2009

# DECLARATION

I hereby declare that the work reported in this thesis entitled “**A Comparative study on Working Capital Management Of Nabil Bank Limited & Standard Chartered Bank Nepal Limited**” submitted to Mahendra Multiple Campus Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Business Studies under the supervision of Mr. Naba Raj Adhikari, Lecturer of Mahendra Multiple Campus Tribhuvan University, Nepalgunj.

.....  
Nooma Dhakal  
Mahendra Multiple Campus  
T.U. Regd. No;

Date.....

## Table of Content

	Page No
Viva- Voce Sheet	
Recommendation Letter	
Acknowledgement letter	
Declaration	
Lists of Tables	
List of Figures	
List of Graphs	
Abbreviations	
<b>Chapter –One: Introduction</b>	<b>1-9</b>
1.1 General Background	1
1.2 Evolution of Banking Sectors in Nepal	2
1.3 Joint Venture Banks	4
1.4 Objectives Of Joint Venture Banks	4
1.5 Focus Of The Study	5
1.6 Statement of The Problem	6
1.7 Objective of the study	7
1.8 Research Hypothesis	7
1.9 Significance of the Study	8
1.10 Limitation of the study	8
1.11 Organization of the study	9
<b>Chapter – Two: Review Of Literature</b>	<b>10-24</b>
2.1 Conceptual framework	10
2.1.1 Concept of working	10
2.1.2 Types of working Capital Management	12
2.1.3 Working Capital Policy	12
2.1.4 Needs for working capital	15
2.1.5 Financing of working capital	15
2.1.6 Working capital cash flow cycle	16
2.1.7 Working capital management	18
2.2 Review of Literature	19
2.3 2.2.1 Review of Books	19
2.4 2.2.2 Review of Thesis	22
2.5 2.2.3 Review of Different Studies	23
<b>Chapter – Three: Research Methodology</b>	<b>25-30</b>
3.1 Research Design	25
3.2 Population and Sample	25
3.3 Sources of Data	25
3.4 Data processing procedure	25
3.5 Tools and Technique of Analysis	25
3.6 Financial tools	26
3.7 Statistical tools	29
3.8 Period cover	30
<b>Chapter – Four Presentation and Analysis Of Data</b>	<b>31-59</b>
4.1 Introduction	31
4.2 Trend Of Working Capital	31
4.3 Composition of working Capital	32
4.3.1 Cash and Bank Balance Percentage Of Nabil bank And Standard Chartered Bank	35
4.3.2 Loan And Advance Nabil bank And Standard Chartered Bank	36

4.3.3	Government Securities Nabil bank And Standard Chartered Bank	37
4.3.4	Miscellaneous Current Assets Percentage	38
4.4	Ratio and Trend Anaysis	39
4.5	Current Ration	39
4.5.1	Current Ratio	41
4.5.2	Quick Ratio	42
4.5.3	Cash and Bank Balance to deposit Ratio ( Excluding fixed Deposite)	43
4.5.4	Saving Deposit to Total Deposit Ratio	44
4.6	Activity to Turnover Ratio	45
4.6.1	Loan and Advance to Total Deposit Ratio	46
4.6.2	Loan and Advance to Fixed Deposit Ratio	46
4.6.3	Loan and Advance to Saving Deposit Ratio	47
4.7	Capital Structure or Leverage Ratio	47
4.7.1	Long Term Debt to Net Worth Ratio	47
4.7.2	Net Fixed Assets to Long Term Debt Ratio	49
4.8	Profitability Ratio	49
4.8.1	Interest Earned to Total Assets Ratio	50
4.8.2	Profit to Total Assets Ratio	50
4.8.3	Net Profit to Total Debt Ratio	51
4.9	Cost of servicing to Total Assets Ratio	51
4.10	Correlation Analysis	52
4.10.1.	Coefficient of Correlation between investment on Government Securities and Total Deposit	52
4.10.2.	Coefficient of Correlation between investment on Government Securities and Total Deposit	53
4.10.3.	Coefficient of Correlation between Cash and Bank Balance and current liabilities	
4.10.4.	Coefficient of Correlation between loan and Advances and Net Profit	54
4.11	Test Hypothesis	55
4.12	Composition Of Working Capital	55
4.12.1	Liquidity Position	56
4.12.2	Profitability Position	57
4.13	Major Findings	58
	<b>Chapter – Five Summary Conclusion and Recommendation</b>	60-61
5.1	Summary	60
5.2	Conclusion and Recommendation	61
	Appendix	62-80

## List of Tables

	Page No
Table No1.1	Operational Results of the listed companies for the fiscal year 06 06
Table No 4.1 A	Current Assets/ Current liabilities Of Nabil Bank 31
Table No 4.1. B	Current Assets/ Current liabilities Of SCB 32
Table No 4.2 A	Current Assets Composition of Nabil Bank 33
Table No 4.2 B	Current Assets Composition of SCB 33
Table No 4.3 A	Percentage Composition Current Assets of Nabil Bank 33
Table No 4.3 B	Percentage Composition Current Assets of SCB 34
Table No 4.4	Current Ratio 39
Table No 4.5	Quick Ratio 41
Table No 4.6	Cash and Bank Balance to Total Deposit Ratio 42
Table No 4.7	Saving Deposit to Total Deposit Ratio 43
Table No 4.8	Loan and Advance to Total Deposit Ratio 44
Table No 4.9	Loan and Advance to Fixed Deposit Ratio 45
Table No 4.10	Loan and Advance to Saving Deposit Ratio 46
Table No 4.11	Long Term Debt to Net Worth Ratio 47
Table No 4.12	Net Fixed Assets to Long Term Debt Ratio 58
Table No 4.13	Interest Earned to Total Assets Ratio 49
Table No 4.14	Net Profit to Total Assets Ratio 50
Table No 4.15	Net Profit to Total Debt Ratio 51
Table No 4.16	Cost of servicing to Total Assets Ratio (%) 51
Table No 4.17	Coefficient of Correlation between investment on Government Securities and Total Deposit 52
Table No 4.17	Coefficient of Correlation between loan advances to Total Deposit
Table No 4.18	Coefficient of Correlation between loan advances to Total Deposit
Table No 4.19	Coefficient of Correlation between loan advances to Total Deposit
Table No 4.20	Coefficient of Correlation between loan and Advances and Net Profit 54
Table No 4.21	Composition of Working Capital 56
Table No 4.22	Liquidity Position 57
Table No 4.22	Profitability Position 57



## **List of Figures**

	<b>Page No</b>
Figure No 1 Temporary Working Capital	12
Figure No 2 Current Assets Investment Policy	12
Figure No 3 Maturity Matching Policies	13
Figure No 4 Temporary Policy	14
Figure No 5 Conservative Policy	14

## **List of Graphs**

	<b>Page No</b>	
Graph No 1		Current Assets/ Current liabilities Of Nabil Bank 31
Graph No 2		Current Assets/ Current liabilities Of SCB 32
Graph No 3		Bar Diagram of Percentage Composition of Nabil Bank 34
Graph No 4		Bar Diagram of Percentage Composition of SCB 35
Graph No 5		Actual and Trend Line of Cash and Bank Balance Percentage 36
Graph No 6		Actual and Trend Line of Cash and Bank Balance Percentage 37
Graph No 7		Actual and Trend Line of Government Securities Percentage 38
Graph No 8		Actual and Trend Line of Current Ratio 40
Graph No 9		Actual and Trend Line of Quick Ratio 42

# ABBREVIATION

A.D.	After Death of Christ
BTIL	Balaju Textile Industry Limited
B. S.	Bikram Sambat
CA	Current Assets
CL	Current Liabilities
ICP	Inventory Conversion Period
CO.	Company
Eg.	Example
Etc.	Etcetera
Ltd.	Limited
MBS	Master in Business Studies
NBL	Nepal Bank Limited
NLL	Nepal Lever Limited
NEPSE	Nepal Stock Exchange
No.	Number
PDP	Payable Deferral Period
Pvt.	Private
RCP	Receivable Conversion Period
Rs	Rupee
SCBNL	Standard Chartered Bank Nepal Ltd
T.U	Tribhuvan University
WC	Working Capital
&	And