## A THESIS ENTITLED CASH FLOW ANALYSIS OF

#### **Joint Venture Banks in Nepal** (A comparative Study of NABIL and EVEREST BANK Ltd.)



<u>Submitted by:</u> Poonam Shree Adhikari Kankai Adarsha Awasiya Campus Exam Roll No:-360 T.U. Regd.No:- 7-2-457-6-2003

#### Submitted to:

Office of the Dean Faculty of Management Tribhuvan University

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

Birtamode, Jhapa December, 2009

#### **LETTER OF RECOMMENDATION**

This thesis is to certify that the thesis:-Submitted by POONAM SHREE ADHIKARI Entitled

# "Cash Flow Analysis of Joint Venture Banks in Nepal"

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

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

Supervisor Mr. Shekhar Sharma •••••

Head Campus Chief Research Committee Kankai Adarsha Awasiya Campus Mr. Raju Kafle Mr. Suresh Kr. Chapagain

. . . . . . . . . . . . . . . . .

# **VIVA-VOCE SHEET**

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

#### POONAM SHREE ADHIKARI entitled

# "Cash Flow Analysis of Joint Venture Banks in Nepal"

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

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

#### **VIVA-VOCE COMMITTEE**

Chairperson, Research Committee	
Campus Chief Kankai Adarsha Awasiya Campus	
Member (Thesis Supervisor)	
Member (Thesis Supervisor)	
Member (External Expert)	

Date:- .....

### TRIBHUVAN UNIVERSITY FACULTY OF MANAGEMENT KANKAI ADARSHA AWASIYA CAMPUS Birtamode, Jhapa, Nepal

### **DECLARATION**

I hereby declare that the work reported in this thesis entitled "**Cash Flow Analysis of Joint Venture Banks in Nepal**" submitted to Kankai Adarsha Awasiya 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. Shekhar Sharma.

POONAM SHREE ADHIKARI Researcher Kankai Adarsha Awasiya Campus

Date :- .....

# Acknowledgement

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

It is my pleasure to acknowledge the immense debt of sincere gratitude to my all teachers of the Department of Management of Kankai Adarsha Awasiya Campus and Campus Chief Suresh Kumar Chapagain for their inspiring contribution

I would particularly like to acknowledge my heartfelt gratitude to my teacher Mr.. Raju Kafle for his insightful comments and enthusiastic encouragement.

I am grateful to Mahendra Mishra staff of Kankai Adarsha Awasiya Campus 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 Mrs. Pratiksha Adhikari and all the staffs of 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 Kankai Adarsha Awasiya Campus library and Central library of Mechi Multiple Campus for providing library facilities.

I am also happy to acknowledge my sister Mrs. Manisha Adhikari and brother Mr. Nishit Sharma who supported my study.

No words can carry the sense for the expression of my indebtedness to Mr. Mahesh Dahal 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.

Poonam Shree Adhikari

# TABLE OF CONTENTS

Page No.

CHAPTER-I				
INTRODUCTION				
1.1 Back ground of the study	1			
1.1.1 Historical Development of Banking	$\overline{2}$			
1.1.2 Historical Development of Banking in Nepal	4			
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	9			
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	21			
1.2 Banks and Economic Development	25			
1.3 Focus of the Study	25			
1.4 Statement of the Problem	26			
1.5 Significance of the study	27			
1.6 Objectives of the studies	27			
1.7 Limitation of the study	28			
1.8 Organization of the study	28			
CHAPTER-II				
<b>REVIEW OF LITERATURE</b>				
2.1 Theoretical Review of Cash Flow Analysis	30			
2.2 Cash Flow Statement	31			
2.3 Objectives and Importance of Cash Flow Statement	32			
2.4 Benefits from using Cash Flow Statement	33			
2.5 Cash Flow from Various Activities	34			
2.6 Preparation of Cash Flow Statement	45			
2.7 Cash Flow Statement under NRB Directives for Bank and	40			
Financial Institution	54			
2.8 Literature Review 5				
2.9 Review of Previous Thesis				
2.10 Research Gap 6				

#### CHAPTER-III RESEARCH METHODOLOGY

3.1 Research Design	63		
3.2 Sources of Data	64		
3.3 Population and Sample of Research Design	64		
3.4 Secondary Data Collection Techniques	65		
3.5 Method, Tools and Techniques Employed	65		
3.5.1 Financial Tools (Concepts)	65		
3.5.2 Statistical Tools	67		
3.6 Practice of Cash Flow Statement	68		
3.7 Cash Flow Statement as Per International Accounting Standard	69		
3.8 Financial Statement	69		
CHAPTER-IV			
PRESENTATION AND ANALYSIS OF DATA			
4.1 Cash Flow Analysis	71		
4.1.1 Cash flow Statement	72		
4.2 Time Series Analysis (Trend Analysis)	95		
4.2.1 Total cash receipt from operating activities	96		
4.2.2 Total cash payment from operating activities	<b>97</b>		
4.2.3 Total cash flow from Investing Activities	<b>98</b>		
4.2.4 Total cash flow from Financial Activities			
4.3 Major Findings of the Study	100		

#### CHAPTER-V SUMMARY, CONCLUSION AND RECOMMENDATION 5.1 Summary 104 5.2 Conclusion 104 5.3 Recommendation 104

**BIBLIOGRAPHY APPENDIX** 

# LIST OF TABLES

Table No	Table Head	PageNo.
1.1	Short Portfolio of Joint Venture Banks in Nepal	14
1.2	Present Capital Structure of NBL	21
1.3	Present Capital Structure of EBL	24
4.1	Cash Flow from Operating Activities of NBL and EBL	73
4.2	Total Cash Receipt from Operating Activities of NBL and EBL	74
4.3	Total Cash Receipt from Operating Activities of NBL	76
4.4	Total Cash Receipt from Operating Activities of EBL	78
4.5	Total Cash Payment for Operating Activities of NBL and EBL	79
4.6	Total Cash Payment for Operating Activities of NBL	81
4.7	Total Cash Payment for Operating Activities of EBL	84
4.8	Cash Flow from Investing Activities of NBL and EBL	87
4.9	Cash Flow from Investing Activities (CFFIA) of NBL	88
4.10	Cash Flow from Investing Activities (CFFIA) of EBL	89
4.11	Cash Flow from Financing Activities of NBL and EBL	90
4.12	Cash Flow from Financing Activities (CFFFA) of NBL	91
4.13	Cash Flow from Financing Activities (CFFFA) of EBL	92
4.14	Income/(loss)from change in Exchange Rate In Cash And Bank Balance	e 93
4.15	Net Cash flow of NBL and EBL	93
4.16	Closing Cash Balance of NBL and EBL	94
4.17	Actual and Trend Value of Total Cash Receipt from Operating Activit	ies
	of NBL and EBL	96
4.18	Actual and Trend Value of Total Cash Payment from Operating Activity	ities
	of NBL and EBL	97
4.19	Actual and Trend Value of Total Cash Flow From Investing Activities	
	of NBL and EBL	98
4.20	Actual and Trend Value of Total Cash Flow From Financing Activities	5
	of NBL and EBL	99

# LIST OF FIGURES

Fig. No	Figure Head I	Page No	
1.1	Share Holding Pattern of NBL	20	
1.2	Share Holding Pattern of EBL	24	
4.1	Cash Flow from Operating Activities of NBL and EBL	73	
4.2	Total Cash Receipt from Operating Activities of NBL and EBL	75	
4.3	Total Mean Cash Receipt from Operating Activities of NBL	77	
4.4	Total Mean Cash Receipt from Operating Activities of EBL	78	
4.5	Total Cash Payment for Operating Activities of NBL and EBL	79	
4.6	Total Mean Cash Payment for Operating Activities of NBL	82	
4.7	Total Mean Cash Payment for Operating Activities of EBL	84	
4.8	Closing Cash Balance of NBL and EBL	94	
4.9	Actual and Trend Value of Total Cash Receipt from Operating Activitie	es	
	of NBL and EBL	96	
4.10	Actual and Trend Value of Total Cash Payment from Operating Activity	ties	
	of NBL and EBL	98	
4.11	Actual and Trend Value of Total Cash Flow From Financing Activities		
	of NBL and EBL	99	
4.20	Actual and Trend Value of Total Cash From Investing Activities		
	of NBL and EBL	10	

## **LIST OF ABBREVIATION**

		LIGT OF ADDILL VIA HON
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
CFS	:	Cash Flow Statement
CL	:	Current Liabilities
CO	:	Cash Outflow
DPS	:	Divided Per Share
E-banking	:	Electronic banking
EBL	:	Everest Bank Limited
E-business	:	Electronic business
E-commerce	e:	Electronic commerce
EPS	:	Earning per
F/Y	:	Financial Year
FASB	:	Financial Accounting Standard Board
FFS	:	Funds Flow Statement
FNCCI	:	Federation of Nepalese Chamber of Commerce and Industry
Gov.	:	Government
ISA	:	International Accounting Standard
IT	:	Information Technology
JVB	:	Joint Venture Bank
M.B.S	:	Master in Business Studies
M.PS	:	Market Per Share
NBL	:	Nabil Bank Limited
NSE	:	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