

**EFFECTS OF CASH FLOW ON FINANCIAL
PERFORMANCE OF COMMERCIAL BANKS IN NEPAL
(With Reference to, Civil Bank, NCC Bank & Nabil Bank)**

**A Dissertation submitted to the office of the Dean, Faculty of management in
partial fulfillment of the requirements for the Master's Degree**

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled. "**Effects of cash flow on financial performance of commercial Banks in Nepal**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Mr. Ram Bahadur Khatri has defended research proposal entitled “**Effects of cash flow on financial performance of commercial Bank in Nepal** ”successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Prof. Dr. Achyut Gyawali and submit the thesis for evaluation and viva voce examination.

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We have examined the dissertation **Effects of cash flow on financial performance of commercial Banks in Nepal** presented by Ram Bahadur Khatri for the degree of **Master of Business Studies (MBS)**. We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS

ATM	:	Automatic Tailer Machine
BAFIA	:	Bank and Financial Institution Act
CFFOA	:	Cash Flow from Operating Activities
CFFIA	:	Cash Flow from Investing Activities
CFFFA	:	Cash Flow from Financing Activities
EM	:	Equity Multiplier
HDFC	:	Housing Development Finance Corporation Limit
ICICI	:	Industrial Credit and Investment Corporation
NASB	:	Nepal Accounting Standard Board
NCC	:	Nepal Credit & Commerce Bank
NI	:	Net Income
NFRS	:	Nepal Financial Reporting Standard
NPR	:	Nepal Price in Rupees
NRB	:	Nepal Rastra Bank
ROA	:	Return on Assets
ROE	:	Return on Equity
SBI	:	State Bank of India
TA	:	Total Assets

ABSTRACTS

This study aims at examining the determinants of the effect of cash flow on financial performance of commercial banks in Nepal, Like examine the present practices of cash flow in selected banks, examine any relationship between cash flow and financial performance and examine the effect of cash flows on financial performance. Cash is the most Liquid asset and necessary aid for any organization. Barring cash no commercial enterprise things to do can be taken place. In recent years, the declaration of Cash flows has been a phase of economic announcement of an organization. Cash Flow statement provides necessary statistics about the sources and makes use of money of the enterprise for an accounting period. The data about money waft is beneficial for the corporation in assessing its liquidity, financial flexibility, profitability and risk. Cash go with the flow record is accordingly widely used by using investors, analysts, creditor, managers and others sample has been convenience method of sampling used. The study uses secondary data for three banks, which are in the industry for more than seven years. These banks are chosen from twenty-seven commercial banks, which are currently functional in Nepal, banking industry. The data for this study is obtained from annual reports of the banks, and the annual bank report. The descriptive design, casual with quantitative approach was used to accomplish of the study Correlation and Regressions of panel data for the eight banks for the years 2071/72 to 2077/78 is analyzed using random effect model. SPSS software was used for analyzing the data. Return on Asset and Return on Equity are the selected dependent variables while CFFOA, CFFIA, CFFFA, Bank size, leverage Ratio, Equity Multiplier were the independent variables. Results show that model first EM and CFFIA is positive and insignificant with ROA. The Leverage ratio, CFFOA, CFFFA is negative and insignificant with ROA. Again, Model second Leverage ratio, firm size, and CFFIA positive and insignificant with ROE but EM is the positive and significant with ROE.

Key words: *Cash flow from operating activities, cash flow from investing activities, Cash flow from financing activities, return on assets, Return on Equity, Firm size, Leverage Ratio, and Equity Multiplier.*