A STUDY ON WORKING CAPITAL MANAGEMENT OF EVEREST BANK LIMITED

Submitted by:

Krishna Kumar Karn Bhairahawa Multiple Campus T.U.Reg.No.7-2-52-256-2003

A Thesis

Submitted to:

Office of the Dean Faculty of management Tribhuvan University

In partial fulfillment of the requirement of the degree of Master of Business Studies (MBS)

Bhairahawa April, 2014

RECOMMENDATION

This is to certify that the thesis

Submitted by: Krishna Kumar Karn

Entitled A STUDY ON WORKING CAPITAL MANAGEMENT OF EVEREST BANK LIMITED

has been prepared as approved by this Department in the Prescribed format of Faculty of Management. This thesis is forwarded for examination.

Babu Ram Kafle	Lucky Prasad Joshi	Dr. Ghanshyam Neupane
Lecturer	Associate Professor	Campus Chief
Thesis Supervisor	Head of Research Department	

VIVA -VOCE SHEET

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

Submitted by:

Krishna Kumar Karn

Entitled

A STUDY ON WORKING CAPITAL MANAGEMENT OF EVEREST BANK LIMITED

and found the thesis to be original work of the student and written according to the prescribe format of Faculty of Management, Tribhuvan University. We recommend the thesis to be accepted as partial fulfillment of the requirement for the

Master's Degree of Business Studies (M.B.S)

Viva -Voce Committee

Head, Research Department	
Member (Thesis Supervisor)	
Member (External Expert)	
Date	

DECLARATION

I hereby, declare that the work reported in this thesis entitled "A Study On Working

Capital Management of Everest Bank Limited" submitted to the Research

Department of Bhairahawa Multiple Campus, Bhairahawa Faculty of Management,

Tribhuvan University is my original work done in the form of Partial fulfillment of

the requirement for Master of Business Studies (MBS) under the supervision of

Lecturer Babu Ram Kafle of Bhairahawa Multiple Campus.

Krishna Kumar Karn Bhairahawa Multiple Campus

Roll No. 57/064/066

T.U.Reg.No.7-2-52-256-2003

iv

ACKNOWEDGEMENTS

The study entitled "A Study On Working Capital Management of Everest Bank Limited". During the course of my study, I found myself fortunate enough to receive a good deal to help and inspiration from various persons and institutions. So, I would like to express my sincere thanks to all of them.

I am thankful to my thesis supervision Lecturer Babu Ram Kafle of Bhairahawa Multiple Campus for this valuable guidance and supervisor to my research work.

I am thankful to Dr. Ghanshyam Neupane, Campus Chief of Bhairahawa Multiple Campus and Mr. Narendra Raj Pandey, Coordinator of MBS program for providing necessary ideas and guidelines. I am also acknowledging to all my teachers of Faculty of Management who helped me in various way during the research period and during the study period in campus.

I am very thankful to the staff of Everest Bank Limited, Bhairahawa Branch, who provided me all necessary data and required information for the study. Similarly I am thankful to my all friends, who help me at the time of research work.

Krishna Kumar Karn Bhairahawa Multiple Campus

TABLE OF CONTENTS

Title Page	i
Recommendation	ii
Viva-Voce Sheet	iii
Declaration	iv
Acknowledgement Takle of Contents	V
Table of Contents List of Table	VI X
List of Figure	xi
Abbreviations	xii
CHAPTER-ONE: INTRODUCTION	1-8
1.1 Background of the Study	1
1.2 Highlight of Bank	2
1.3 Profile of Everest Bank Limited	4
1.4 Statement of the Problem	6
1.5 Objectives of the Study	7
1.6 Significance of the Study	7
1.7 Limitation of the Study	8
1.8 Organization of the Study	8
CHAPTER- TWO: REVIEW OF LITERATURE	9-29
2.1 Conceptual Framework	9
2.1.1 Concept of Working Capital	9
2.1.2 Working Capital Management	13
2.1.3 Types of Working Capital	15
2.1.4 Working Capital Policy	16
2.1.5 Need for Working Capital	19
2.1.6 Factors Affecting Working Capital	20
2.2.1 Review of Articles	21
2.2.3 Review of Previous Thesis	23
2.3 Research Gap	29
CHAPTER -THREE: RESEARCH METHODOLOGY	30-39
3.1 Introduction	30
3.2 Research Design	30

3.3 Population and Sample	31
3.4 Nature and Source of Data	31
3.5 Method of Data Collection	31
3.6 Method of Data Analysis	31
3.6.1 Financial Tools	32
3.6.1.1 Liquidity Ratios	32
3.6.1.2 Capital Structure Ratios	33
3.6.1.3 Activity Ratios	34
3.6.1.4 Profitability Ratios	36
3.6.2 Statistical Tools	37
3.6.2.1 Arithmetic Mean or Average	37
3.6.2.2. Standard Deviation	38
3.6.2.3 Coefficient of variation	38
3.6.2.4 Coefficient of correlation	39
3.6.2.5 Trend Analysis	39
CHAPTER - FOUR: PRESENTATION AND ANALYSIS OF DATA	40-76
4.1 Introduction	40
4.2 Analysis of Composition of Current Assets	40
4.2.1 Trend of Cash and Bank Balance	43
4.2.2 Trend of loans and advances	44
4.2.3 Trend of Investment	44
4.2.4 Trend of Money at Call and Short Notice	45
4.2.5 Trend of Other Current Assets	46
4.3 Net Working Capital	46
4.4 Financial Analysis	48
1. 11 manetar 1 mary 515	
4.4.1 Liquidity Ratio	49
·	49 49
4.4.1 Liquidity Ratio	
4.4.1 Liquidity Ratio 4.4.1.1 Current Ratio	49
4.4.1 Liquidity Ratio 4.4.1.1 Current Ratio 4.4.1.2 Cash Reserve Ratio	49 50

4.4.3 Activity Ratios	55
4.4.3.1 Total Assets Turnover Ratio	55
4.4.3.2 Net Working Capital to Total Assets Ratio	57
4.4.3.3 Capital Employed Turnover Ratio	58
4.4.3.4 Cash and Bank Balance Turnover Ratio	60
4.4.3.5 Loans and Advances to Total Deposit Ratio	61
4.4.4 Profitability Ratios	63
4.4.4.1 Return on Loans and Advances Ratio	63
4.4.4.2 Return on Total Deposit Ratio	65
4.4.4.3 Return on Total Assets Ratio	66
4.4.4.4 Return on Capital Employed Ratio	68
4.5 Co-efficient of correlation	69
4.5.i Probable Error (P.E) of correlation coefficient	70
4.5.1 Coefficient of Correlation between current Assets	
and Current Liabilities	70
4.5.2 Coefficient of Correlation between Total Deposit	
and Net Profit	71
4.5.3 Coefficient of Correlation between Total Deposit	
and Loans and Advances	72
4.6 Major Findings of the Study	73
CHAPTER-FIVE: SUMMARY, CONCLUSION AND	
RECOMMENDATION	77-82
5.1 Summary	77
5.2 Major Findings	79
5.3 Conclusions	80
5.4 Recommendations	81
Bibliography Appendix (Annex)	83 86

LIST OF TABLES

Titles	Pages No.
Table 4.1: Components of Current Assets of EBL (Rs in million)	41
Table 4.2: Components of Current Assets of EBL (in percentages) 42
Table 4.3: Net Working Capital of EBL (Rs in million)	47
Table 4.4: Current Ratio	49
Table 4.5: Cash Reserve Ratio	51
Table 4.6: Debt to Total Capital Ratio	52
Table 4.7: Loans and Advances to Current Assets Ratio	54
Table 4.8: Total Assets Turnover Ratio	56
Table 4.9: Net Working Capital to Total Assets Ratio	57
Table 4.10: Capital Employed Turnover Ratio	59
Table 4.11: Cash and Bank Balance Turnover Ratio	60
Table 4.12: Loans and Advances to Total Deposit Ratio	62
Table 4.13: Return on Loans and Advances Ratio	64
Table 4.14: Return on Total Deposit Ratio	65
Table 4.15: Return on Total Assets Ratio	67
Table 4.16: Return on Capital Employed Ratio	68
Table 4.17: Correlation Coefficient between Current Assets and	
Current Liabilities	71
Table 4.18: Correlation Coefficient between Total Deposit and No	et Profit 71
Table 4.19: Correlation Coefficient between Total Deposit and Lo	oans
and Advances	72

LIST OF FIGURES

Figures	Titles	Pages No.
2.1: Working C	Capital Management as a Finance Function	14
2.2: Types of V	Vorking Capital	16
4.1: Componen	ts of Current Assets	42
4.2: Trend Line	es of Cash and Bank Balance	43
4.3: Trend Line	es of Loans and Advances	44
4.4: Trend Line	es of Investment (Short term)	45
4.5: Trend Line	es of Money at Call and Short Notice	45
4.6: Trend Line	es of Other Current Assets	46
4.7: Trend Line	es of Net Working Capital	48
4.8: Current Ra	ntio	50
4.9: Cash Rese	rve Ratio	51
4.10: Debt to T	otal Capital Ratio	53
4.11: Loans and	d Advances to Current Assets Ratio	54
4.12: Total Ass	ets Turnover Ratio	56
4.13: Net Work	ring Capital to Total Assets Ratio	58
4.14: Capital E	mployed Turnover Ratio	59
4.15: Cash and	Bank Balance Turnover Ratio	61
4.16: Loans and	d Advances to Total Deposit Ratio	62
4.17: Return or	Loans and Advances Ratio	64
4.18: Return or	Total Deposit Ratio	66
4.19: Return or	Total Assets Ratio	67
4.20: Return or	n Capital Employed Ratio	69

ABBREVIATIONS

ABBS : Any Branch Banking System

& : and

C.V. : Co-efficient of Variation

EBL : Everest Bank Limited

NBL : Nepal Bank Limited

NEPSE : Nepal Stock Exchange

NRB : Nepal Rastra Bank

NWC : Net Working Capital

r : Correlation Co-efficient

Rs. : Rupees

RRB : Rastriya Banijya Bank

ULNL : Unilever Nepal Limited

WC : Working Capital

WCM : Working Capital Management