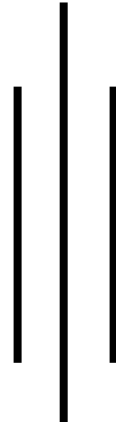


**WORKING CAPITAL MANAGEMENT  
OF  
SIDDHARTHA BANK LIMITED (SBL)**



**A Thesis**

**Submitted by:**

**GAGANDEEP SHRESTHA**

Roll No: 3093/063

T.U. Reg. No. : 6-1-40-503-2001

Shanker Dev Campus

**A Thesis Submitted to:**

Office of the Dean

Faculty of Management

Tribhuvan University

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

September 2010

**RECOMMENDATION**

This is to certify that the thesis

Submitted by:

**GAGAN DEEP SHRESTHA**

Entitled:

**“WORKING CAPITAL MANAGEMENT OF SIDDHARTHA BANK LIMITED.”**

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

**Mr. Prakash Singh Pradhan**

**(Thesis Supervisor)**

.....

**Prof. Bisheshwor Man Shrestha**

**(Head of Research department)**

.....

**Dr. Kamal Deep Dhakal**

**(Campus Chief)**

.....

**VIVA-VOCE SHEET**

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

**GAGAN DEEP SHRESTHA**

Entitled:

**“WORKING CAPITAL MANAGEMENT OF SIDDHARTHA BANK LIMITED.”**

*And found the 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 for the Degree of Master of Business Studies (M.B.S)*

**Viva-Voce Committee**

Head of Research Department

.....

Member (Thesis Supervisor)

.....

Member (External Expert)

.....

## DECLARATION

I hereby, declare that the work reported in this thesis entitled "*Working capital managenent of Siddhartha Bank Ltd.*" submitted to Research Department of Shanker Dev Campus, Putalisadak, Kathmandu T.U., is my original work done in the form of partial fulfillment of the requirement of the Degree of Masters of Business Studies (MBS) under the guidance and supervision of **Mr. Prakash Singh Pradhan**, Shanker Dev Campus, Putalisadak, Kathmandu.

.....

Gagan Deep Shrestha

Roll No.: 3093/063

T.U. Reg. No. : 6-1-40-503-2001

Shankar Dev Campus

## **ACKNOWLEDGEMENT**

This thesis entitled “Working capital management of Siddhartha Bank Limited.” is a Masters Degree thesis prepared as practical fulfilled of MBS course under Tribhuvan University of Nepal. It aims to analysis the working capita management of Siddhartha Bank Limited.

I have felt a great pleasure to express my heartiest and sincere thanks to my honorable thesis supervisor lecturers Mr. Prakash Singh Pradhan who have guided me through out this research and I shall ever remain indebted to them for scholarly conservative directions, useful suggestions and incentive challengeable comments during the course of preparing this thesis. Their patient guidance and constant encouragement has been a great source of inspiration to me. Without their kindly help and valuable guidance, this thesis wouldn't have come in this form.

I would like to express my heartfelt gratitude to my respected parents, who spent their valuable time effort to make a great sacrifice for my higher education. Despite of them I am owed to them who gave me a regular inspiration and continuous contribution for secret success. I am also indebted to my co-workers or friends Mr. Rabindra Maharjhan and Mr. Laxman Darai.

However, last but not least, I am alone responsible for my errors and deficiencies and apologize for any of them committed that have remained in this work.

Thank you.

**Gagan deep shrestha**

# TABLE OF CONTENTS

Page no.

**RECOMMENDATION LETTER**

**VIVA-VOCE SHEET**

**DECLARATION**

**ACKNOWLEDGEMENT**

**LIST OF CONTENT**

**LIST OF TABLE**

**LIST OF FIGURE**

**ABBREVIATION**

## **CHAPTER I: INTRODUCTION 1-14**

1.1 Background of the study	1
1.2 Development of Banking in Nepal	3
1.3 Role of Commercial banks in the National economy	9
1.4 Introduction of Siddhartha Bank Limited	10
1.5 Statement of the problem	11
1.6 Objectives of the Study	12
1.7 Significance of the study	12
1.8 Limitation of the Study	12
1.9 Organization of the Study	13

## **CHAPTER II: REVIEW OF LITERATURE 15-36**

2.1 Conceptual framework	15
2.2 Classification of working capital	18
2.3 Need for working capital	19
2.4 Working capital policy	20

2.5 Determination of Working capital requirement	26
2.6 Financing of Working capital	28
2.7 Review of Books and Journals	29
2.8 Review of previous Thesis	33
<b>CHAPTER III: RESEARCH METHODOLOGY</b>	<b>37-49</b>
3.1 Introduction	37
3.2 Research Design	37
3.3 Population and Sample	38
3.4 Natures and Source of Data	38
3.5 Data processing procedure	38
3.6 Tools and Techniques of Analysis	39
3.6.1 Financial Tools	39
i) Working capital	39
ii) Ratio Analysis	39
A) Liquidity Ratios	40
B) Activity or Turnover Ratios	43
C) Profitability Ratios	45
3.6.2 Statistical Tools	46
a) Trend analysis	47
b) Correlation Coefficient Analysis	47
<b>CHAPTER IV: PRESENTATION AND ANALYSIS OF DATA</b>	<b>50-93</b>
4.1 Analysis of composition of Working capital	50
4.1.1 Percentage of Current Assets on Total Assets.	50
4.1.2 Percentage of Cash & Bank balance to Current Assets.	52
4.1.3 Percentage of Net Working Capital to Current Assets.	54
4.1.4 Composition of Current Assets.	56

4.1.5 Composition of Current Liabilities.	57
4.1.6 Net Working Capital of SBL.	59
4.2 Ratio and Trend Analysis	60
4.2.1 Liquidity Ratios	61
4.2.1.1 Current Ratio	63
4.2.1.2 Quick/ Acid test Ratio	63
4.2.1.3 Cash and Bank Balance to total deposit Ratio	65
4.2.1.4 Saving Deposit to Total Deposit Ratio	67
4.2.1.5 Absolute liquid Ratio	69
4.2.2 Activity or Turnover Ratios	70
4.2.2.1 Investment to Total Deposit Ratio	71
4.2.2.2 Loans and Advances to Total Deposit Ratio	72
4.2.2.3 Loans and Advances to Fixed Deposits Ratio	73
4.2.2.4 Loan and Advances to Saving Deposit Ratio	75
4.2.3 Profitability Ratios	76
4.2.3.1 Interest Earned to Total Assets Ratio	77
4.2.3.2 Net profit to Total Assets Ratio	78
4.2.3.3 Net Profit to Total Deposit Ratio	80
4.2.3.4 Total Interest Expenses to Total Interest Income	81
4.3 Correlation Analysis	83
4.3.1 Correlation between Net Profit and Net Working Capital	84
4.3.2 Correlation between Loan & Advances and Total Deposit	85
4.3.3 Correlation between Cash and Bank balance and Current Liabilities.	86
4.3.4 Correlation analysis between Loan & Advances and Net Profit	86
4.3.5 Correlation Analysis between Total Deposit & Net Profit.	87
4.4 Major Findings of the study.	88



**CHAPTER V: SUMMARY, CONCLUSIONS AND**

**RECOMMENDATIONS**

**94-99**

5.1 Summary

94

5.2 Conclusions

97

5.3 Recommendations

98

**BIBLIOGRAPHY**

**APPENDICES**

## LIST OF TABLES

<b>Table no.</b>	<b>Page no.</b>
1. Percentage of Current Assets on Total Assets	51
2 Proportion of Cash and Bank balance to Current assets.	53
3. Percentage of Net working capital on Current Assets.	55
4. Composition of Current Assets of SBL.	56
5. Composition of Current liabilities of SBL.	58
6. Net Working capital of SBL.	59
7. Current ratio of SBL.	62
8. Quick ratio of SBL.	64
9. Cash and Bank Balance to Total Deposit Ratio	66
10. Saving Deposit to Total Deposit Ratio.	67
11. Absolute liquid Ratio.	69
12. Investments to Total Deposits Ratio	71
13. Loan and Advances to Total Deposit Ratio	72
14. Loan and Advances to Fixed Deposits Ratio	74
15. Loan and Advances to Saving Deposits Ratio	75
16. Interest earned to total Assets Ratio.	77
17. Net Profit to total Assets Ratio of SBL.	79
18. Net Profit to Total Deposit Ratio of SBL.	80
19 Total Interest Expenses to Total Interest Income ratio.	82
20. Correlation between Net Profit and Net Working capital.	84
21. Coefficient of Correlation between Loan & Advances and Total Deposit.	85
22. Correlation between Cash & Bank balance and Current liabilities.	86
23. Correlation between Loan and advance and Net Profit.	87
24. Correlation between Total Deposit and Net Profit.	88

## **LIST OF FIGURE**

<b>Figure no.</b>	<b>Page no.</b>
1. Classification of Working Capital	19
2. Alternative Current Assets investment policy.	21
3. Aggressive financing policy.	23
4. Conservative Financing policy.	24
5. Mutually matching financing policy.	25
6. Percentage of Current Assets on Total Assets	52
7. Proportion of Cash and Bank balance to Current assets.	54
8. Percentage of Net working capital on Current Assets.	56
9. Composition of Current Assets of SBL.	57
10. Composition of Current liabilities of SBL.	58
11. Net Working capital of SBL.	60
12. Current ratio of SBL.	63
13. Quick ratio of SBL.	65
14. Cash and Bank Balance to Total Deposit Ratio	66
15. Saving Deposit to Total Deposit Ratio.	68
16. Absolute liquid Ratio.	70
17. Investments to Total Deposits Ratio	71
18. Loan and Advances to Total Deposit Ratio	73
19. Loan and Advances to Fixed Deposits Ratio	74
20. Loan and Advances to Saving Deposits Ratio	76
21. Interest earned to total Assets Ratio.	78
22. Net Profit to total Assets Ratio of SBL.	79
23. Net Profit to Total Deposit Ratio of SBL.	81
24. Total Interest Expenses to Total Interest Income ratio	83

## ABBREVIATION

NRB	:	Nepal Rastra Bank
SBL	:	Siddhartha Bank Limited
WC	:	Working Capital
NWC	:	Net Working Capital
NBL	:	Nepal Bank Limited
NIDC	:	Nepal Industrial Development Corporation
ATM	:	Automated Teller Machine
B.S.	:	Bikram Sambat
BOK	:	Bank of Kathmandu
CRR	:	Cash Reserve Ratio
JVBs	:	Joint Venture banks
F.Y.	:	Fiscal Year
i.e.	:	That is
Ltd.	:	Limited
NGOs	:	Non-Government Organizations
S.N.	:	Serial Number
EPS	:	Earning Per Share
MPS	:	Market Value Per Share
NPAT	:	Net Profit After Tax
NP	:	Net Profit
ROA	:	Return on Assets
ROE	:	Return on Net worth / Shareholder's Equity
R	:	Correlation Coefficient
S.D.	:	Standard Deviation
C.V.	:	Co-efficient of Variation
P.E.	:	Probable Error

EBIT : Earning Before Interest and Tax  
PEs : Public Enterprises  
NTC : National Trading Limited  
STCL : Salt trading Corporation Limited  
CA : Current Assets  
QA : Quick Assets  
CL : Current Liabilities