

# CHAPTER - I

## INTRODUCTION

### 1.1 Background of the Study

The economic development of the country is not just happened, there should be establishment of various business and non-business organizations. For the purpose of contributing in economic development of the country both monetary and non-monetary sector should be established. Banks are the monetary unit of national economy. EBL, STANDARD CHARTERED and NABIL are the most reputed banks operated in Nepal to perform the monetary activities under the regulation of Nepal Rastra Bank, the central bank of the country. Organized banks are not the pioneers of financial transaction, there were lot of actors who contributed to this field. Even before the establishment of banking system in Nepal, financing transactions were in practice which was undertaken by some money lenders like Sahu-mahajans and Jamindars. The transactions that held during those days were not in organized manner. Such unorganized way of financial affair could not direct the nation towards the economic development. Hence, to fulfill the growing need of economy, Nepal bank Ltd. came into existence in 1994 B.S. as a pioneer commercial bank of Nepal. Even Nepal Rastra Bank the central bank of the country was established after the establishment of Nepal bank Ltd.

Nepal bank Ltd was established with Rs. 800000 paid up capital to consolidate scattered capital and to mobilize the capital towards productive sectors. It developed the systematic tradition and culture of modern banking system in Nepal. Such system could able to establish a strong base for the upliftment of the national economy.

In the year 2013 Baisakh 14, Nepal Rastra Bank has been established under Nepal Rastra Bank Act 2012. Nepal Rastra Bank is a central bank of Nepal and also the bank of the banks of the country. Keeping monetary stability, management of national currency, distribution and stabilize the exchange rate are the key functions of NRB. NIDC, Rastriya Banijya Bank and Agriculture Development Bank are the other actor on financial transactions. RBB is the second commercial bank of the country

established on the year 2024. Nepal Bank Ltd and Rastriya Banijya Bank have made a remarkable contribution by providing reliable banking service to the Nepalese people. Beside this, its contribution is well noted in terms of capital formation by converting the small dispersed saving into meaningful capital investment in order to flourish industry, trade, agriculture and commercial sector in the economy of the country.

In the year 2031 commercial bank act has been introduced in Nepal. This act has helped to emerge number of commercial banks with a view to maintain the economic interest and comfort of the public in general; facilitate to provide loan for agriculture, industry and trade and make banking service available to the country and the people.

Now commercial banks are operated under the directive of NRB and NRB act 2058. There is also existence of bank and financial institution ordinance (BAFIO) to operate commercial bank on the new climate. After the liberalization in the decade of 2050 various commercial banks started to provide the service in the field of monetary sector of the country. Number of finance companies and saving and credit co-operative institutions have been established to provide monetary service to the country. Now the bank and financial institution are classified into four categories. 'Ka' Commercial Bank, 'Kha' Development Bank, 'Ga' Finance company and 'Gha' Micro finance.

## **1.2 General Information about Selective Commercial Bank**

### **Everest Bank Limited**

Everest Bank Limited was established in 1983 A.D. Under the company act 2021 B.S. It is jointly ventured with Punjab national Bank, India. Total debenture and bond of the bank was Rs.300m in 2005/06 against the debenture and bond of Rs.300millions in 2004/05. Total liabilities of the bank were Rs.15, 959,284 millions in 2005/06 against the liabilities of the bank 11,732.516 millions in 2004/05. Total loan and advances of the bank was Rs7, 900.09millions in 2005/06 against the loan and advances of the bank Rs. 1013.625millions in 2004/05. Total employee expenses is Rs.709, 24,675 and operating expenses is Rs.14,35,62,167. The current ratio of the bank was 1.06 times in 2005/06 against the current ratio of the bank 1.03 times in

2004/05. Total cash and bank balance to total deposit ratio was 0.11 times in 2005/06 against the ratio of the bank 0.10 times in 2004/05. The total return on loan and advances ratio was 0.52 times in 2005/06 against the ratio of the bank was 0.44 times in 2004/05. The total loan loss provision to total loan and advances ratio was 0.719 times in 2005/06 against the ratio of the bank 1.169 times in 2004/05.

### **NABIL Bank Ltd**

In 1980, the government introduces financial sector reform scheme. Nepal allowed entry of foreign banks as joint venture bank. The first joint venture bank of Nepal is Nepal Arab Bank. It was established in 1984 (2041) under the commercial banking acts 2031 B.S. The bank starts its banking operation with 50% equity participation by united Emirates, 20% by Nepalese finance companies and rest 30% by Nepalese citizen, i.e., general public. The bank introduced advance computerized technique in its operation.

### **Standard Chartered Bank Ltd**

Standard Chartered Bank Ltd. was established in 2043 B.S. with the name of Nepal Grind lays Bank Ltd. (NGBL) under the company act 2021 B.S. It is managed by Australian and New Zealand banking group (ANZ). Nepal Bank Ltd., the first commercial bank in Nepal has 33.34% share, the public has 16.66% and ANZ has 50% equity composition. Now the Nepal bank Ltd sold out its share due to the restriction of BAFIO. The bank operates with the objective of providing full range of quality service to both the business community and general people at large.

The bank has many branches and exchange counters in various parts of country. The branches within the valley provide their services through additional counters and 24 hours service through ATM machine.

## **1.3 Statement of the Problems**

Being the reputed banking institution and having almost same organization structure and objectives, the banks are not earning the same amount of profit, cash flows and not able to meet the return on cash basis on equal term and also the share price of

these banks is also differ. May be the limited investment bounding and low banking attitude of customer are quite serious problem of these banks. Government rules and regulation with competitive attitude and behavior of commercial banks is the barrier to meet their on going operating cost. Misused of loan amount by the borrowers is the main problem of banking sector in these days in the country.

The investment opportunities are declining due to the economic recession faced by the country. This may be the major reason that commercial banks have been found to be unable in utilizing its fund efficiently. Because of unfavorable situation prevailed in the country these banks are compelled to reduce the interest rate offered to depositors and they are adopting new technique to discourage low scale depositors. Joint venture and other commercial banks are suffering from NPA and low spread rate, which are the major causes to minimize cash in flow

Rules and regulation as well as directives imposed by government and NRB provide both opportunity and threat to the commercial banks operating in the country. The main problems of these three joint venture banks are mentioned below:

- ❖ Why these three banks have not same amount of cash flow?
- ❖ Why the cash flow from operating activities of standard chartered bank is higher than other two sample banks?
- ❖ Why the investment opportunities of these three banks differ?
- ❖ What are the main sources of cash flow form financing activity and why they differ from each other?
- ❖ What are the causes that are affecting the interest income?
- ❖ What is the role of spread to generate positive cash flow from operating activity?
- ❖ What is the condition of cash flow with the highest amount of annual operating profit?

The problem of the commercial banks of the country with special reference to with to Nepal Bank Limited and Rastriya Banijya Banks as reported by KPMG Barents Group, an international auditing company, is their unsatisfactory fund position.

The report by the KPMG Barents Group says “By international standard both RBB and NBL suffer serious critical short falls in all key areas, both are technically insolvent”. According to the report of KPMG, RBB and NBL are associated with under mentioned difficult systematic problems.

- ❖ Poor bank governance
- ❖ Lack of rational banking strategies as well as international banking experience
- ❖ Lack of independent and capable supervision
- ❖ Weak financial and management information
- ❖ Weak legal and accounting practice

To solve the above mentioned problem, management of the banks has been taken by Nepal Rastra Bank the central bank of the country and reforms programmed are operating with the help of World Bank through foreign management contract with ICCMT.

But the problems of the sample joint venture banks are not same as RBB and NBL. RBB and NBL have excess liquidity but joint venture banks are still searching for quality and high class depositors. These two banks have more than 50% non-performing assets. But sample joint venture banks have single digit NPA which is the strength for the banks according to international standard. But over all banking non-performing assets is about 18% according to the latest report submitted by NRB. Loan of the JVs bank are being restructure, actually cash collection from previous lending is poor. Various indicator shows for requirement of extra deposit for NABIL and EBL banks. Standard Chartered bank does not prefer aggressive lending strategy. Percentage of interest income from loan and advance are different for each bank.

#### **1.4 Objectives of the Study**

The main objective of the study is to evaluate the performance of the banks considering the cash flow in the banking environment of Nepal. Comparison of cash flow with three banks individually and yearly is the other objective of the study.

Suitable and decisive advice will be recommended on the basis of finding from the study to the concerned authorities for their further enhancement. The specific goals of this study are mentioned below.

- ❖ To study analyze and compare the cash flow statement of SCBI, NABIL and EBL.
- ❖ To analyze trend of cash flow of joint venture banks in Nepal.
- ❖ To compare and evaluate the cash flow performance of sampled banks.
- ❖ To recommend the appropriate suggestions to the concerned organizations for future improvement on the basis of study results.

### **1.5 Importance of the Study**

This research study is supporting study about cash flow and comparative evaluation within the concerned joint venture banks. Banks have the top position in overall economic environment. So we cannot imagine the total development of economic sector in absence of banking development in this global networking. Banks also trying to manage the trade activities by financial manner and the challenges are going to increase day to day by the effect of global networking. Thus the study of the cash flow of the banks provides knowledge about the cash position, liquidity position and future income sources of the banks. This analysis is the beneficial for concern banks to make policies. Analysis also provided detail information about strength and weakness of the banks based on cash flow statement. This study may be the important material for library. This study analyzes cash position of the banks in this present unstable situation. The comparative analysis also supplies recommendation to make effective cash flow in future.

### **1.6 Limitations of the Study**

- ❖ The study is mainly confined only on EBL, SCBL and NABIL.
- ❖ The study is fundamentally based on the data of published financial statements of banks mention under study.
- ❖ Only five years data from F/Y 2061/62 to F/Y 2065/66 is taken for analysis.
- ❖ Data are base historical accounting rather than on price-level-changes.

## **1.7 Organization of the Study**

The whole study has been divided into five chapters. A brief outline of these chapters is as follows:

First chapter is the introduction chapter. This chapter consists of general background, focus of the study, statement of the problem, objectives of the study, significance of the study, research hypothesis, and limitations of the study and organization of the study.

Second chapter includes the review of available literatures in the field of the study being conducted. This chapter includes the conceptual framework on common stock, stock certificate, securities as well as security market, stock price etc. except that, this chapter reviews the published book, journals, and unpublished thesis reports separately.

Third chapter is the research methodology employed to conduct the study and tools and techniques used in analysis of the data as well. This chapter includes, research design, sources of data, population and samples, method of data analysis, various financial and statistical tools.

Fourth chapter is concerned with the presentation and analysis of data through definite course of research methodology. The main working of this chapter will to analyze different financial ratios related to the selected commercial banks. Major findings of the study will be included in this chapter.

Fifth chapter is the last chapter of the study, which provides summary and conclusion, suggestions and recommendations for improving the future performance of the sample banks.

Besides these, bibliography and annexes is also presented at the end of the thesis. Similarly, acknowledgements, table of contents, list of tables, list of figures, abbreviations will be included in the front part of the thesis report.

# **CHAPTER - II**

## **REVIEW OF LITERATURE**

Review of literature is basically a stock taking of available literature in the field of research. The textual matters would help the researcher to support the area of research in order to explore the relevant and true facts for the reporting purpose. While conducting the research study previous studies can not be ignored as those instructions would help to check up the change of duplication in the present study. Thus one can find what research studies have been conducted and what remains to go with.<sup>1</sup>

Cash flow statement is the latest finding of accountancy. Funds flow statement was replaced by cash flow statement. Nepal's company act 2053 made compulsion to submit cash flow statement with financial statement. Cash flow statement introduced in Nepalese curriculum only after the starting of BBS program. So previous studies in this chapter is negligible. The researcher studied a thesis report about "A comparative and Analytical study on cash flow of selected finance companies". By Niraj Adhikari, text book of management accounting written by Shiva Prasad Munankarmi and other Nepalese and foreign writer are taking into consideration while conducting review of literature. Like wise other books and thesis, journal and annual report of selected commercial banks are studied while preparing this thesis report.

### **2.1 Introduction to the Studied Subject Matter**

Cash is the lifeblood of business enterprises. It is the fuel that keeps a business alive<sup>2</sup>. Cash flow simply refers to the flow of cash into and out of a business over a period of time<sup>3</sup>. If the funds are in form of working capital then funds flow statement should be prepare. But when cash are assumed as fund then cash flow statement should be made to inform the stake-holder about the cash flow position of the enterprises/company.

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<sup>1</sup> Haward, K. Wolf and P.R. Pant (2005), *Social Science Research and Thesis Writing*, Bhudda Academic Publisher and Distributor Kathmandu, Nepal, p-34

<sup>2</sup> Wagle, K.N. and Dahal, R (2008), *Management Accounting*, Khanal Publication Kathmandu, p-11.1-4

<sup>3</sup> Munankarmi, S.(2002), *Management Accounting*, Buddha Academic Enterprises. Kathmandu, p-207



Cash flow statement is the key financial statement that should be prepared by company to submit the report on AGM and BOD. It describes the source and use of cash from different items and activities. Cash flow statement is the receipt and payment of cash within an accounting period. According to the institute of cost and work accountants of India cash flow statement is “a statement setting out the flow of cash under distinct head of source of funds and their utilization to determine the requirement of cash during the given period and to prepare for its adequate provision.”<sup>4</sup>

## **2.2 Funds Flow Analysis**

The funds flow statement describes the source from which additional funds were derived and the use which these resources were put. Movement of fund both inflow and outflow is called funds flow statement. It describes the condition of working capital within an accounting period. Funds are the total financial resource of the business which is not taken only about the sense of cash. It is a report which the place of organized working capital and its use. So funds flow analysis describes the source of fund, purpose of fund and quantity of fund within an accounting period.

## **2.3 Cash Flow Analysis**

Cash flow analysis is the measurement of company strength on cash basis. It is making of an accounting year to answer the following questions:

- ❖ How much cash is generated by business operation?
- ❖ How much cash is spent for assets?
- ❖ Did the company make investment through operating cash?
- ❖ What are the sources of financing cash flow items?

## **2.4 Profit and Cash Flow**

Profits are accounting measures that may not reflect the economic reality of the firm. Increasing profits will not always result in higher stock prices. Profits of the firm

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<sup>4</sup> Ibid, p.201

depend on many factors such as method of depreciation, non operating gains incomes expenses and losses.

Cash flow analysis not only recognize the profit but it goes a little further and measures the actual cash available for the firm. It is after all the available cash not the profit that determines the firm's future investment and growth. Cash flows have earning potential and capture the economic impact of managerial decisions. Cash flow not the profit that determines the wealth.

## **2.5 Cash Flow Statement**

Cash flow statement is the systematic and analytical presentation of cash flow from different sources with in an accounting period. It is the reconciliation of opening and closing cash. It shows the actual view of business on cash basis. The FASB no 95 “statement of cash flow” issued in 1987 has classified the cash flow into operating. Investing and financing activities. Similarly Nepal accounting standard (NAS - 03) issued by NASB (2003), “cash flow statement should report cash flow during the period classified by operating, investing and financing activities. The IAS has also replaced FFS and asked its entire member to present cash flow statement along with the balance sheet and income statement. As such enterprises should prepare a cash flow statement along with the balance-sheet and income statement since 1992. Nepal company act 2053 B.S. also made mandatory to present cash flow statement along with balance sheet and income statement. NAS says “The cash flow statement is the part of the complete set of financial statement including balance sheet, income statement and accounting policies and extra-ordinary notes.”<sup>5</sup>

Cash flows analysis is done through the statement termed as Statement of Cash Flows. A cash flows statement is a statement of company's ability to generate cash from various activities such as operating investing and financing and their need of cash. It is a statement which shows the inflows and outflows of cash and cash equivalents during the year. A cash flows statement is defined as “a statement of company's ability to generate cash from various activities and their need of cash.”

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<sup>5</sup> Nepal Accounting Standard (NAS - 03) (2003), Issued by Nepal Accounting Standard Board

Recognizing the importance and usefulness of cash flows analysis, the FASB issued. Statement of financial statement standard No. 95 “statement of cash flow” in November 1987. This standard requires business to include a statement of cash flows in all financial reports that contain balance sheet and income statement. This statement supersedes opinion No. 19 “statement of change in financial position.” The IAS has also replaced FFS and asked its entire member to present cash flows statement along with the balance sheet and income statement. As such an enterprise should prepare a cash flow statement along with the balance sheet and income statement since 1992. Nepal Company Act 2053 B.S. also made mandatory to present cash flow statement along with the balance sheet and income statement. As such an enterprise should prepare a cash flow statement and should present it as an integral part of its financial statement for each period for which financial statement are presented.

## **2.6 Importance of Cash Flow Analysis**

NAS, IAS and company act 2053 made mandatory to submit cash slow statement along with balance sheet and income statement. So cash flow analysis is very much important and useful in these days.

Enterprises need cash to conduct their operation, to pay their obligation and to provide returns to their investors. Users of an enterprise financial statement are interested in how the enterprise generates and uses cash and cash equivalents.

Cash flow statement is important to provide information about inflows and outflows of cash and cash equivalents. It provides useful information to the users of the statement to

- ❖ To assess a company’s ability to generate positive future cash flows.
- ❖ To asses a company’s ability to meet its obligation, its ability to pay dividend and its need for external financing.

- ❖ To assess the reason for differences between income and associated cash receipts and payments.
- ❖ To assess both the cash and non-cash aspects of a company's investments and financial transaction.
- ❖ To assess a company's quality of earning. The quality of earning refers to how closely income is correlated with cash flows higher the correlation the higher the earning quality.
- ❖ To assess a company's solvency, liquidity and financial flexibility. Solvency is the ability of a company to pay its debt as they mature. Liquidity is the ability to generate adequate amount of cash and also refers to assets and liabilities nearness to cash. Financial flexibility refers to adapt during a period of financial adversity, to obtain financing to liquidate non operating assets for cash.

In other words, the cash flow statement may help to answer the following:

- ❖ If a company operates at a profit why is it continually short of cash?
- ❖ How can a company operate at a loss and still generate huge inflows of cash from operations?
- ❖ How was the company's growth and expansion financed?
- ❖ Did the company acquire any long term investment or other income producing assets?
- ❖ Was financing obtained during the period through issuance of debt or equity securities? If so what were the amount of cash obtained?
- ❖ Did the company use cash to retire any long term debt of equity securities during the period?
- ❖ Is the company's income producing activities using more cash than they are generating?
- ❖ Do operating activities consistently generate enough cash to assure prompt payment of operating expenses maturing liabilities interest obligation and dividends?<sup>6</sup>

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<sup>6</sup> Dangol, R.M. (2010). *Management Accounting*. Taleju Prakashan. Kathmandu, p.568

## 2.7 Objective of Cash Flow Statement

The cash flow statement of an enterprise is useful in providing information to the users of financial statements about the ability of an enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows. Its aim and objective are mentioned below.

- ❖ Cash flows statement will help the financial manager to explain the situation of sufficient cash balance in hand despite the business incurred loss or short of cash balance even if the business is making huge amount of profit.
- ❖ Comparison between cash budget and cash flow statement may prove to be useful for the management for preparing cash budget for the periods to come.
- ❖ With the help of cash flow statement the management can find out the causes of changes in the cash position on two dates.
- ❖ Provide information about cash receipt and payment of a company during an accounting period.
- ❖ Understanding the liquidity position of the company.
- ❖ Reconciling the opening and closing cash balance.<sup>7</sup>

## 2.8 Difference between Funds Flow and Cash Flow

- ❖ **Concept:** funds flow is based on working capital and cash flow is based on cash.
- ❖ **Accounting:** fund flow statement is base on accrual basis of accounting and cash flow statement is based on cash basis of accounting.
- ❖ **Preparation:** fund flow statement reveals the sources and application of funds and any difference represents net increase of decrease of working capital cash flow statement reveals the inflow and outflows of cash and difference represents the closing cash balance.
- ❖ **Purpose:** fund flow statement shows the causes of changes in working capital position of a firm between tow balance sheets dates cash flow

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<sup>7</sup> Dangol, R.M. (2010). *Management Accounting*. Taleju Prakashan. Kathmandu, p.570

statement shows the causes of changes in cash position of a firm between two balance sheets dates.

- ❖ **Usefulness:** fund flow statement is useful in planning intermediate and long term financing cash flow statement is more useful for short term analysis and cash planning of the business.
- ❖ **Schedule of changes in working capital:** To get informed about current assets and liabilities it is necessary to prepare the schedule of changes in working capital before preparing funds flow statement whereas in cash flow statement it is not necessary to prepare the schedule of changes in working capital.<sup>8</sup>

## 2.9 Preparation of Cash Flow Statement

The cash flow statement is prepared on the basis of cash basis accounting. While calculating operating profits for cash flow statement, adjustment for prepaid and outstanding expenses and incomes are made to convert the data from accrual basis to cash basis. The statement is prepared by taking the opening balance of cash, adding to this all the inflows of cash and deducting all the outflows of cash from the total. The statement is more useful for short term analysis and cash planning of the business. Cash flows statement shows the sources and application of cash. Following are the major sources and use of cash.

### Sources of Cash:

- ❖ Cash from operation
- ❖ Sales of fixed assets
- ❖ Issues of shares
- ❖ Issues of debenture
- ❖ Raising long term loan
- ❖ Decrease in working capital

### Uses of Cash:

- ❖ Cash loss from operation

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<sup>8</sup> Dangol, R.M. (2010). *Management Accounting*. Taleju Prakashan. Kathmandu, p.574

- ❖ Purchase of fixed assets
- ❖ Redemption of redeemable preference shares
- ❖ Redemption of debentures
- ❖ Payment of dividend and income tax and Increase in working capital.

As per the FASB's statement No. 95 the cash flows statement should be presented under informative approach in activity format. Under informative approach the cash flow statement may be presented using.

- ❖ Indirect method
- ❖ Direct Method

### **1. Indirect Approach to Cash Flow Statement**

Under indirect approach net profit or loss is adjusted for the effects of transaction of a non-cash nature, any deferrals or accruals of past or future operating cash receipts of payments and items of income of expense associated with investing or financing cash flows. Operating activities relate to a company's primary revenue generating activities. It is the single major continuing source of cash. Operating activities are always within the management control and they provide base for management estimation of funds needed to rise from available sources. Cash flows from operating activities are generally the cash effects of transaction and economic events included in the determination of income.

#### **Operating activity**

Under indirect method the net cash flow from operating activities is determined by adjusting net profit or loss for the effect of

- ❖ Changes during the period in inventories and operating receivables and payables.
- ❖ Non-cash items such as depreciation, provisions, deferred taxes and unrealized gains of losses and
- ❖ All other items for which the cash effects are investing or financing cash flows.

Alternatively the net cash flows from operating activities under indirect method may be present showing operating revenues and expenses, excluding non-cash items disclosed in the statement of Profit and loss and the changes in inventories and operating receivable and payables during the period. Operating activities are

- ❖ Non-cash and non-operating gain/loss/expenses
- ❖ Depreciation/loss on sales of assets provision for taxes
- ❖ Gain on sales of assets
- ❖ Operating profit before working capital changes
- ❖ Increase/decrease in current assets and current liabilities

### **Investing activity**

It include lending money (investment) and collecting on those loan, buying and selling productive assets that are expected to generate revenue in future periods and buying and selling securities not classified as cash equivalents. Investment activities are

Cash payments to acquire the fixed assets

- ❖ Cash receipts from disposal of fixed assts
- ❖ Cash payments to acquire shares, warrants or debt instrument of other companies
- ❖ Cash advances and loan made to other parties
- ❖ Cash receipts from the repayment of advances and loans made to third parties

### **Financing activity**

It include borrowing money from creditors and repaying the amounts to borrower and obtaining resources from owners repayment of borrowed funds/amount and payment of dividend to owners.

The separate disclosures of cash flows arising from financing activities is important, because it is useful in predicting claims on future cash flow by providers of funds.

Financing activities are

- ❖ Cash proceeds from issuing shares or other similar instrument
- ❖ Cash proceeds from issuing debenture, loan notes, bonks and other short or long term borrowings and
- ❖ Cash repayments of amount borrowed.



### Cash Flow Format under Indirect Approach<sup>9</sup>

<b>A. Operating activity</b>	
Net income/profit	
add/less non-cash and non-operating gain, loss and expenses	
+ depreciation and write off	
-/+ gain on sales of fixed assets/loss on sales of fixed assets	
+ premium on redemption on debenture	
Add/less cash provided/uses by current assets and liabilities	
+/- decrease in current assets/increase in current assets	
+/- increase in current liabilities/decrease in current liabilities	
+/- decrease in account receivables/debtors/increase in account receivable/debtors	
+/- decrease in inventory/increase in inventory	
+/- decrease in prepaid expenses/increase in prepaid expenses	
+/- increase in accounts payable/creditors/decrease in accounts payable/creditors	.....
+/- increase in accrued liabilities/decrease in accrued liabilities	
+/- increase in deferred tax liability/decrease in deferred tax liability	
+/- increase deferred/unearned revenue/decrease deferred/unearned revenue	.....
<b>Net cash flow from operating activities</b>	
<b>B. Investing activity</b>	
+/- purchase of fixed assets/investment/sales of fixed assets/investment	
- short term investment/making loan	
+ collection of loan	
<b>Cash flow from investing activities</b>	.....
<b>C. Financing activity</b>	.....
+ issue of shares/debenture	.....
+ raising loan (short & long term loan)	.....
+ share premium	.....
- redemption of debenture/preference shares	
- payment of dividend	
<b>Cash flow from financing activities</b>	
<b>Net increase/decrease in cash and cash equivalent (A+B+C)</b>	
<b>Add beginning cash and cash equivalent</b>	
<b>Ending cash and cash equivalent</b>	

<sup>9</sup> Wagle, K.N. and Dahal, R (2008), *Management Accounting*, Khanal Publication Kathmandu, p-11.6

## 2. Direct Approach to Cash Flow Statement

When the direct method is used the cash flow statement does not begin with net income, rather, it shows cash collected from customer and deducted cash used for various expenses. That is, major class of gross cash receipt and gross cash payments are disclosed<sup>10</sup>.

### Under Direct Approach

Operating activity only include transaction that return to the calculation of net income. It involves the production or purchase and the sales of goods and services to customers. Cash flow from operating activities includes all cash flows from transaction that are not defined as investing or financing activities.

The cash flows from operating activities are primarily derived from the principal revenue-producing activity of the enterprise. Examples of cash flows from operating activities are:

- ❖ Cash receipts from the sales of goods and the rendering of services
- ❖ Cash receipts from royalties, fees, commission and other revenue
- ❖ Cash payments to suppliers of goods and services
- ❖ Cash payments to and on behalf of employees
- ❖ Cash receipts and cash payments of an insurance company for premium and claim and other policy benefits
- ❖ Cash payments or refunds of income taxes

The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method under direct method information about major classes of gross receipts and gross cash payments may be obtained either.

- ❖ From the accounting records of the firms or
- ❖ By adjusting sales, cost of sales and other items in the statement of profit and loss for:

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<sup>10</sup> Munakarmi, S.(2002), *Management Accounting*, Buddha Academic Enterprises, Kathmandu. p-214

- ❖ Changes during the period in inventories and operating receivables and payables
- ❖ Other non-cash items and
- ❖ Other items for which the cash effects are investing or financing cash flows

### **Determination of Cash Flow from Investing Activity**

Determination of cash flows from investing activities require to analyze the non-operating incomes and expenses in income statement

- ❖ Productive assets
- ❖ investment in share and debentures
- ❖ Intangible assets
- ❖ Short term investments other than cash equivalents

### **Determination of cash flow from financing activity**

A company's transactions with its owners and long term creditors are typically called financing activities also financing activities include borrowing cash on short term basis for determination of cash flows from financing activities items relating to

- ❖ Equity Share capital
- ❖ Share premium
- ❖ Debenture
- ❖ Dividend proposed
- ❖ And comparative balance sheets should be analyzed by preparing necessary accounts.



## 2.10 Cash Flow Statement for Financial Institutions Including Bank

Financial enterprises like banks, finance companies, co-operatives etc. represents the institutions that deals on financial transaction. Such enterprises also need to prepare financial statement including cash flows statement. The cash flows statement of Commercial Bank is prepared in following format.<sup>12</sup>

<b>A. Operating activity</b>		
Interest and commission receipts	.....	
Interest payments	.....	
Recoveries on loans previously written off	.....	
Cash payment to employees and suppliers	.....	
Short term fund-increase	.....	
Deposits held for regulatory or monetary control purposes	.....	
Funds advanced to customers	.....	
Net increase in credit card receivable	.....	
Increase other short term securities	.....	
Deposits from customers	.....	
Certificate of deposit	.....	
Net cash from operating activities before income tax	.....	
Income tax paid	.....	
<b>Net cash from operating activities</b>	.....	.....
<b>B. Cash flow from investing activity</b>		
Dividend received	.....	.....
Interest received		
Purchase of permanent investment	.....	
Purchase of fixed assets	.....	
<b>Net cash from investing activities</b>	.....	
<b>C. Cash flow from financing activity</b>		
Issues of shares	.....	
Share premium	.....	
Repayment of long term borrowing	.....	
Net decrease in other borrowing	.....	
dividend paid	.....	
<b>Net cash from financing activities</b>		.....
Net increase/decrease in cash and cash equivalents		.....
Cash and cash equivalents at the beginning of the period		.....
Cash and cash equivalent at the end of the period		.....

<sup>12</sup> Wagle, K.N. and Dahal, R (2008), *Management Accounting*, Khanal Publication Kathmandu, p-11.9

## 2.11 Cash Flow Statement under N.R.B. Directives

Nepal Rastra bank issues different directive to the commercial bank in order to regulate their function. It also provide different format to the commercial bank to make transparent accounting data. From the year 2058 B.S. N.R.B. issued the following type of cash flow format to present at the end of the fiscal year<sup>13</sup>.

Particulars	Amount	Amount	Amount
<b>(A) Cash flow from operations</b>			
<b>1. Cash receipt</b>			
1.1 Interest incomes			
1.2 Commission and discount income			
1.3 Exchange gain			
1.4 Non-Operating income			
1.5 Other income			
<b>2. Cash payment</b>			
2.1 Interest expenses			
2.2 Staff expenses			
2.3 Office operating expenses			
2.4 Exchange loss			
2.5 Non –operating expenses			
2.6 Other expenses			
<b>(B) Cash follow from investing activity</b>			
1 Change in balance with bank			
2 Change in money at call and short notice			
3 Change in Investments			
4 Change in loans advance and bill purchased			
5 Change in fixed assets			
6 Change in other assets			
<b>(C) Cash flow from financing activity</b>			
1 Change in borrowing			
2 Change in deposits			
3 Change in bills payable			
4 Change in other liabilities			
<b>(D) Net cash flow for the year</b>			
<b>(E) Opening cash balance</b>			
<b>(F) Closing cash balance</b>			

<sup>13</sup> NRB Directives (2058), Nepal Rastra Bank Kathmandu, Nepal

## **2.12 Review of Article and Books**

Cash is the most important aspect of working capital cash is the basic input needed to keep the business running on continuous basic so the cash should be managed efficiently in order to keep the firm sufficient liquid and to use excess cash in some profitable way. The firm should held sufficient cash neither more nor less. Cash storage will disrupt the firms operation while excessive cash will simply remains idle, without contributing anything towards the firm's profitability. Thus the major function of the financial managers to maintain sound cash position.

Corporate must adopt such a policy that make optimum cash management possible for improving the efficiency of cash management effective collection and disbursement should be adopted however in a developing country corporation has given not so much attention in assessing the time value of money so certain method of efficient cash management practiced by corporation in developed countries may not be viable in view of either the deficiency of knowledge or lack of consciousness among corporate managers of developing country to calculate the interest lost or fund loss. If cash is not collected promptly.

In any type of firm the financial managers should not only attain towards the aspect of profitability but he should also turn towards ensuring the liquidity of the corporation. Since every business is constant debtors and enterprise borrow funds from financial institutions and purchase merchandise on credit there by is less obligation to the government. Thus ever enterprise owns liabilities unless the payment is made at the maturity of the particular debt the reputation of the firm is tarnished at worst the creditors may force the firm to terminate its business.

It was observed that the goal of working capital is to manage each of the firm current assets efficiently in order to maintain the forms liquidity while not keeping any assets as to high level. Cash the most liquid assets, if the common denominator all can be reduced because the major liquid assets get eventually converted into converted into cash.

A cash budget shows the planned cash in flows, out flows and ending position by interim period for a specific time span. Most companies should develop both long term plans about their cash flows. The short term cash budget is included in the annual profit plan. A cash budget basically includes two part cash receipts and cash disbursement, planning cash inflow and outflow will include need for financing probable cash deficit of the need for investment planning put excess cash to probable use.

As such whatever cash a corporation has must be utilize efficiently to meet obligation of interest payment if cash is obtained from borrowing and its is received through issues of shares the corporation has responsibility to owners in assuring them to pay favorable rate of return since cash is not easy to obtain, the available cash must be prudently spent without incurring loss, although it is impossible to formulate a set of assets management policy of universal applicability, one policy or rules that appears to formulate a set of assets management policy of universal applicability, one policy of rules that appears to be unanimously accepted is that cash must be conserved.

The cash management of corporation is significant enough to have the best use of idle cash balances and to take advantage from the opportunity interest in cash velocity determined by sales volume and turnover of assets. Corporate manager must be familiar with the cash cycle to undertake measure for improvement of collection and disbursement.

One objective of preparing cash flow statement is to understand the relationship between accrual accounting events and their cash impact. Cash flow is the cash basis accounting recognized only cash basis transaction involving actual cash receipt and disbursement.

As per the Nepal accounting standard the cash flow statement is the part of the complete set of financial statement includes balance sheet income statement and accounting policies and extra ordinary notes.

**Cash Flow Analysis** mentioned that it is an integral part of financial planning and stated the importance of cash in organization by calling it the lifeblood of business



enterprise. It is the fuel that keeps a business alive. So a business must have adequate amount of cash to operate and decision makers should pay attention to the firm's cash position and events and transaction that affects the cash position of the company is termed cash flow analysis<sup>14</sup>.

Due to the increasing importance of cash flow analysis FASB stated that financial statements should include information about how a business obtains and spends cash about its borrowing and repayment activities about the sales and repurchase of its ownership securities about dividend payments and other distribution to its owners and about others factors that affect a company's liquidity and solvency.

As the article further stated that recognizing the importance of the cash flow analysis FASB issued financial statement standards No.95 and statements of cash flows in November 1987. This standard requires business to include a statement of cash flows in all financial reports that contains balance sheets and income statements. The IAS has also replaced FFS and asked its entire member to present cash flow statement along with the balance sheet and income statement since 1992.

### **The article mentioned the importance of cash flow statement as under**

Cash flow is important to have information about

- ❖ A company's ability to generate positive future cash flows
- ❖ A company's ability to meet it's obligations it's ability to pay dividends and it's need for external financing
- ❖ The reasons for differences between income and associated cash receipts and payments
- ❖ Both the cash and non cash aspects of a company's investment and finance transaction
- ❖ A company's quality of earning refers to how closely income is correlated with cash flow the higher the correlation the higher the earning quality
- ❖ A company's solvency liquidity and financial flexibility. Solvency is the ability of a company to pay its debt as they mature. The liquidity is the

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<sup>14</sup> Munankarmi, S. (2004), *A Journal of Management and Development Review*. Society for Development and Welfare Nepal, Volume -1, No. 1

ability to generate adequate amount of cash and it also refer assets and liabilities. Financial flexibility refers to adaptation during the period of financial adversity to obtain financing to liquidate non operating assets for cash.

- ❖ Net cash provided or used by operating activities.

Investment activities as the article stated include the lending money (investment) and collecting on loans buying and selling securities not classified as cash equivalent are defined as short term highly liquid investment that are readily convertible to known amounts of cash and must be sufficiently close to its maturity date. Determinations of cash flow from investing activities the analysis of non-operating incomes and expenses. Statement relating to assets, investment in shares and debenture short term investment other than cash equivalent.

Net cash from financing activities are determined by the flow of short term loans and over drafts. There may be some non cash investing and financing payments and such payments are not reported in the statement of cash flows. The FASB concluded that non cash portions of investing and financing activities should not reported in the statement of cash flow. However the board recognizes that non cash investing and financing activities re important events and so they should be disclosed by preparing a separate schedule for such activities.

As per the format of cash flow statement the article stated further that section seven of Nepal company act 2053 BS mentions the company's books of accounts and accounting system to be adopted by the company. Article 83 of the act is related to annual financial reporting statements which includes balance sheets income statement and cash flow statement, and article 84 of the act mentioned that the balance sheet and profit and loss account should be prepared in the prescribed format, but the cash flow statement is not prescribed as such it should in the author's opinion be presented in the format as prescribed by the FASB.

The article concluded that an accurate cash flow projection being an integral part of financing plan help to avoid cash flow problems and also helps to keep borrowing costs as low as possible.

### 2.13 Review of Previous Theses

**Mr. Bohora (2007)** has conducted a research on “*Comparative Study of the Financial Performance of NABIL & NIBL*”. The basic objectives of his study were to highlight the financial performance and role of JVBs in the liberalized Nepalese economy. His attempts of analyzing financial performance were concentrated in ‘Ratio Analysis’ and he derived the strength and weakness of two major JVBs by calculating important ratios. He had come out with some valuable suggestions to the JVBs which are outlined below:

- JVBs need to make balance between disbursing of cash dividend and issuing of bonus shares.
- They need to increase their equity base to maintain the capital adequacy.

**Adhikari (2008)** has written "*A comparative study on cash flow analysis with respect to three finance companies NFC, LUFIL, and HISEF*" has been reviewed. Thesis related with cash management and working capital has been considered in this section. The researcher of that analysis describes the factors to affect cash flow of the finance companies. Volatile security and decreasing trend of belief to the finance companies by public and lack of good investment opportunities are the key factors that are mainly dominating for the business as well as cash flow.

**Mr. Baburam (2009)** has conducted a research on "*A Cash Flow Analysis of Commercial Banks SBI, NABIL and Standard Chartered Bank Nepal*" has been reviewed. His main objectives of the study are as follows:

- ❖ To examine, analyze and compare the cash flow statement of these banks.
- ❖ To analyze trend of cash flow.
- ❖ To evaluate the cash from different activities of banks.

**Mr. Baburam’s recommendations** to the commercial banks are as follows:

- ❖ Operating cash flow is positive but this source should be enhancing by launching new product.
- ❖ New source of investment should be found out to earn significant amount of interest.

**Mr. Dhakal** has conducted a research entitled “Cash flow budget analysis of service industry as component of profit planning and control” (A Case Study of Sagarmatha Insurance Company Pvt. Ltd) in 2010 has found as follows:

- ❖ The company follows the traditional method for planning the cash.
- ❖ The company possesses a large amount of fund but it is not profitably invested. The company could not invest its available fund for national interest. The company is having narrow look for its investment. Even its return on investing is decreasing (10.4%) toward the end of study period.
- ❖ The company does not follow the optimum cash balance process. There is high idle cash (15-20%) of total cash available with it which invested prudently would have handsome returns.
- ❖ Though the total premium is increasing, its net profit is continuously decreasing.
- ❖ The company is under capitalized. It does not possess borrowed capital. Its return on assets is 7.95% and if it could get cheaper fund, it can do for borrowed capital.
- ❖ The company does not seem applying the effective managerial tool “Profit planning and Control” for controlling its activities.

**Mr. Chalise** has submitted a thesis entitled *A Comparative Study of Cash Flow of Rastriya Banijya Bank Ltd., Everest Bank Ltd. And Nepal Investment Bank Ltd.* in 2010, where he found and recommends as follows:

- ❖ There is a lowest amount of the cash from operation activities of Everest Bank Limited. So the company is suggested to remove such types of activities in the operational activities.
- ❖ Cash from operation activity of both bank NIBL and RBBL also to be recommended to increase the operational activity for better improvement.
- ❖ Cash outflow of the banks are greater variability. The banks are suggested to remove the fluctuation. So, all banks are suggested to concrete to make homogeneity in the cash flow from investing activity.

## 2.14 Research Gap

Research Gap is the difference between previous works done and the present research work. Earlier works conducted by the superiors in the matching topic “*A Analytical and Comparative Study in Cash Flow*” are very useful and appreciated by personnel in various related fields, including academicians, bankers, shareholders and the general public. Those dissertations, in a great extent have been successful in highlighting the *strengths* and *weaknesses* of the concerned JVBs. The suggestions and recommendations given by the preceding researchers to improve and strengthen the financial decisions have been really benefiting to the relevant banks.

However, all the previous works were basically focused in highlighting the cash flow analysis of the related banks in the competitive environment. They have somehow, overlooked the bank’s prominent role in the economy and failed to give the specific financial decisions which directly or indirectly influence the pace of economic development of the nation. Further, this *SWOT* analysis would not just reveal the comparative *strengths* and *weaknesses* but in addition would provide insights on *opportunities* for the relevant JVBs and *threats* facing those JVBs. Besides, there has been a long gap in the continuation of the same topic which would help us to know the very recent situation.

# **CHAPTER –III**

## **RESEARCH METHODOLOGY**

### **Research Methodology**

This chapter is mainly associated with Research Design, sample design, period of study, sources of data & data collection procedures, data processing & terms methods, tools techniques, theories employed in the analysis & interpretation.

### **3.1 Research Design**

In order to fulfill the objectives of the study as much as possible, an adequate attention has been paid in the process of research Design. The research is carried out on the basis of secondary data. All the required data and essential information is collected from the concerned commercial bank and chartered accountants firm. In the study, the researcher has followed the descriptive cum analytical research design to analyses the financial performance of the selected finance companies various financial parameters and an effective research technique are employed to especially identify the weaknesses of these institutions. On the ground of observed in ferities and inefficiencies, an attempt will be made to suggest the reasonable and useful recommendations to the concerned authorities.

### **3.2 Population and Sample of the Study**

The term “population” or universe for research means the universe of research study in which the research is based. Since the research topic is about an analytical and comparative study in cash flow of Commercial Joint Venture Banks in Nepal. The population for the study basically six comprises commercial Joint Venture banks. Out of these, three JVBS, namely NABIL, SCBNL and EBL are selected as sample for the purpose. These three Jvbs are selected because of easily availability of the data and high class financial performance among other commercial banks.

#### **3.2.1 Period of Study**

The study is based on previous 5 years data covering the F/Y 2061/62 to 2065/66.

### **3.2.2 Sources of Data & Data Collection Procedures**

The data employed in the study derived is from secondary sources. The audited Balance Sheet, profit & loss A/C and related schedules of the concerned commercial Banks were collected. Besides these, other essential data and information were collected from some published and unpublished documents.

So far as the data collection procedure is concerned, annual reports of selected organization were collected by making an access to the commercial Banks and the Chartered Accountants firm. In addition, answers on certain queries made to the staffs of concerned organization also assists in data collection procedure. The researcher has also consulted the library to gather necessary data and information during the course of study.

Annual report of the bank and internet are the most important source of the data they are taken into consideration while collecting the data.

### **3.2.3 Data Processing**

First of all, the audited accounts of different years of all the concerned commercial banks presented in two different separate sheets each for balance sheet & profit/loss account in order to depict the over all picture of different years of such banks.

Thereafter, cash flow statement has been prepared by comparing the 5 consecutive fiscal year balance sheets. After preparing the cash flow statements the data are analyzed by observing all the financial statement.

## **3.3 Tools used in the Study**

While conducting the analysis the researcher use trend of cash flow through chart of cash flow and other important method of analysis is ratio or percentage.

### **Accounting and Financial Tools**

**Cash flow statement:** The cash flow statement is prepared on the basis of cash basis accounting. While calculating operating profits for cash flow statement, adjustment for prepaid and outstanding expenses and incomes are made to convert the data from accrual basis to cash basis. The statement is prepared by taking the opening balance of

cash, adding to this all the inflows of cash and deducting all the outflows of cash from the total. The statement is more useful for short term analysis and cash planning of the business. The Cash Flow Statement basically includes the followings:

- Operating activity
- Investing activity
- Financial activity

**Balance sheet and Income and P/L a/c:** Balance sheet and profit and loss account are the most widely aspects of financial statements of the bank. The bank's balance sheet includes financial claims as liabilities in the form of deposit and as assets in the form of loans. Fixed assets appear in small portion out of the total assets. Financial innovations, which are generally contingent in nature, are considered as off balance sheet items. Interest received on loans, advances and investment and paid in deposit liabilities are major components of profit and loss account. The other sources of income are fee, commission and discounts, foreign exchange income, dividend on investment, other service charge etc. Comparative Balance Sheet and Income Statement provide the qualitative information about the firm's performance

### **Statistical Tools**

**Ratio Analysis:** The relationship between two accounting figures expressed mathematically is known as a financial ratio "Ratio analysis is used to compare a firm's financial performance and status to that of other firms or to itself over time. " From the help of ratio analysis, the qualitative judgment can be done regarding financial performance of a firm. In this study, following ratios are calculated and analyzed.

**Trend Analysis:** Trend analysis describes the average relationship between series where the one series related to time and other series to the value of the variable. It is generally shows that the line of the best-fit or straight line is obtained or not. The line of the best fit describes the changes in a given accompanying a unit change in time. Another word, it gives the best possible mean values of dependent variable for a given value of independent variable.

**Tool Bar:** It is the graphical representation of quantative data.



# **CHAPTER – IV**

## **PRESENTATION AND ANALYSIS OF DATA**

Cash flow statement is the reconciliation of opening and closing cash balance. In this chapter, the researcher analysis five year's data of selected joint venture Bank according to research methodology as mentioned in previous chapter. Just the balance sheet, income statement and shareholder's equity do not answer the question raised by the users of financial statement. For such cash flow statement answer those questions by analyzing and comparing through informative accounting. For this purpose three joint venture banks are taken into analysis. Before starting the presentation and analysis of the data let's have a short look at the main items included in the cash flow statement.

### **A. Cash Flow from Operating Activities**

Operating activities relate to a company's primary revenue generating activities. It is the single major continuing source of cash. Operating activities are always with in the management control and they provide base for estimation of fund needed to rise from available source. It is the principle revenue producing activity of the enterprises. The following are the activities related with operating according to the IAS 7.

- Cash receipt from the sale of good and rendering service.
- Cash receipt from royalties, fees, commissions other revenue.
- Cash payment to supplies for goods and services.
- Cash payment to and on behalf of employees.
- Cash receipt and cash payment to insurance.
- Cash receipt and payment for insurance premium and claims, and other policy benefit
- Cash payment or refund of income tax.
- Cash receipt and payment from contract held for dealing or trading purpose.

This chapter dealt with cash flow analysis with reference to selected joint venture bank. So under the NRB directive following are the items of operating cash flow.

- Interest income
- Commission and discount income
- Exchange gain
- Non-operating income
- Other income related with main business.
- Interest expenses
- Exchange loss
- Non-operating expenses
- Other expenses

According to NAS-03(Sec. 14) cash flow from operating activities items are identified same as international accounting standard.

### **B. Cash from Investing Activities**

This activity includes purchase and sale of fixed assets. Banks are the purchaser or seller of the cash. So loans, advance and bills purchase are the main source of investing activities. This is the main revenue generating sector by interest income. Investing activities include of all those investment made or sold inside or outside of the company or sale of these securities as well as investment on land building are the investing activities.

It is better to generate cash by selling fixed assets or investment than increasing investment to the fixed assets. Higher cash in flow shows the cash conversion ability of fixed assets. But investment on government securities and bonds is the requirement of the banks due to the liquid and short time investment. Loans and advance should have negative cash flow in order to maintain business alive. According to IAS the following items should be included under investing activities.

- Cash payment to acquire fixed assets.
- Cash receipt from sale of fixed assets.
- Cash payment to acquire debt, share or warrant of other companies.  
Cash advance and loans made to other parties
- Cash receipt from the repayment of advance and loan made to third party.

As far as the commercial banks investing activities include.

- Change in balance with bank.
- Change in money at call and short notice.
- Change in investment.
- Change in loans, advance and bills purchase.
- Change in fixed assets.
- Change in other assets.

According to the Nepal Accounting Standard (NAS) investing activities includes,

- Cash payment to acquire property, plant and equipment, intangible and other long term assets
- Cash payment to acquire equity or debt instrument of other companies
- Cash advance and loans made to other parties
- Cash receipt and payment for future contracts, forward contracts, option contract and swap contract
- Cash receipt from sale of property
- Cash from sale of equity or debt instrument of other company
- Cash receipt from the repayment of advances and loans made to other parties

### **C. Cash from Financing Activities**

This activity is the main source to raising long term fund. In order to increase total capital of the organization the company can issue share and debenture and internal financing source like retained earning.

These activities include borrowing money from creditors and obtaining resource from owner's capital. Deposits receive from the customer and the excess pending amount on bills payable are the main sources of financing cash flow. If the cash is not sufficient from operating activities in order to make investment then financing cash should be requires. For the commercial banks cash from this source should be excess especially non interest bearing deposit. Repayment of borrowed amount and payment

of divided as well as withdrawal of the deposits are the main cash outflow source under financing activities. According to IAS financing activities are,

- Cash receipt from issuing share or other equity instrument.
- Cash payment to owner to acquire or redeem enterprises share.
- Cash proceed from issuing debt loan, bond, mortgage and other short term borrowing.
- Cash payment of amount borrowed.
- Cash repayment to finance lease.

Similarly under the directive of NRB these are the financing activities for commercial bank.

- Change in borrowing.
- Change in deposit.
- Change in bills payable.
- Change in other liability.

### **Cash Equivalent**

It is the main part of cash flow statement which describes cash position of the organization from different activities. Cash equivalent define as short term, highly liquid investment that are readily convertible to amount of cash and must be sufficiently close to it maturity. Treasury bill and commercial paper are the example of cash equivalent.

Now, it is necessary to present cash flow statement of selected sample JVB and their analyses. Analysis of the data is done on the following way.

- Comparison with five year data individually.
- Comparison with every year data between three JVBS.
- Showing intra and inter relation ship especially through trend analysis.

Following are the cash flow statement of *EBL*, *NABIL* and *SCBL* of the F/Y 2061/62 to 2065/66.

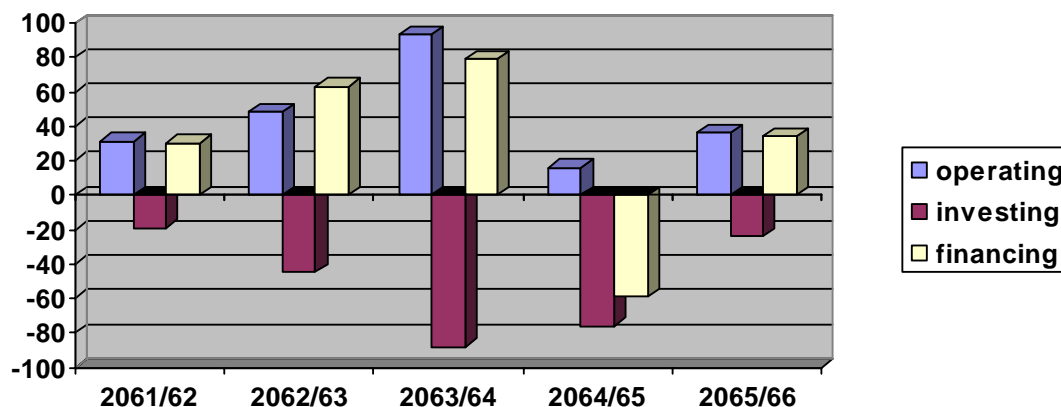
## 4.1 Everest Bank Limited

**Table 4.1**

**Cash flow statement for the F.Y. 2061/62 to 2065/66**

<b>Particulars</b>	<b>2061/62</b>	<b>2062/63</b>	<b>2063/64</b>	<b>2064/65</b>	<b>2065/66</b>
<b>(A) Cash flow from operations</b>	<b>311508176</b>	<b>485749371</b>	<b>935776872</b>	<b>1618856980</b>	<b>3695545034</b>
<b>1. Cash receipt</b>	<b>864481382</b>	<b>1135463692</b>	<b>1372775899</b>	<b>1764958355</b>	<b>2440224660</b>
1.1 Interest Income	725011927	973180328	1157394126	1480965056	2071386385
1.2 Commission and discount income	78130046	96839264	117718162	150264074	202094446
1.3 Exchange gain	27077784	14397970	27129990	50815249	55861850
1.4 Non-Operating income	-	-	-	-	-
1.5 Other income	34261625	51046310	70533621	82913977	110881979
<b>2. Cash payment</b>	<b>(594602963)</b>	<b>(720434603)</b>	<b>(892082135)</b>	<b>(115493021)</b>	<b>(174432254)</b>
2.1 Interest expenses	(312880500)	(392252532)	(492278489)	(612862000)	(100237682)
2.2 Staff expenses	(84054864)	(99004928)	(78118226)	(127972593)	(163027617)
2.3 Office operating expenses	(105223110)	(115090880)	(146568951)	(177576476)	(215578440)
2.4 Exchange loss	-	-	-	-	4)
2.5 Income tax payment	(92444489)	(114086263)	(140556436)	(191048302)	(297471016)
2.6 Other expenses	-	-	(34560033)	(45470846)	(65868680)
<b>(B) Cash follow from investing activities</b>	<b>(193323899)</b>	<b>(45771085)</b>	<b>(888791146)</b>	<b>(761829890)</b>	<b>(240569259)</b>
z 1 Purchase of share and Debenture	(1545280000)	(93802)	-	(94679000)	(882500)
2 Amount received from share	-	-	-	13414000	-
3 Purchase of F/A	(38820899)	(45838783)	(49934128)	(248462452)	(144259524)
4 Sales of F/A	-	-	949783	1845299	2016538
5 Change in govt.debenture	-	-	(863917497)	(493535705)	(190990168)
Sales of NBA	-	-	11580378	397500	2025555
6 Interest received from longterm Investment	-	-	12276398	58439435	91372640
7 Bonus Income	25000	161500	253920	751032	148200
<b>(C) Cash flow from financing activities</b>	<b>300000000</b>	<b>63000000</b>	<b>790192820</b>	<b>(594112982)</b>	<b>34758588</b>
1 Change in Long term loan	300000000	-	-	-	312000000
2 Change in share capital	-	63000000	-	-	(140000000)
3 Amount received from share application	-	-	911512000	(511512000)	-
4 Bonus payment	-	-	(104222751)	(58852252)	(126611886)
5 Interest payment on loan	-	-	(17096429)	(23748730)	(10629526)
Income/loss from change in exchange rate	-	-	1274554	13637129	6664969
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>418184277</b>	<b>502978286</b>	<b>838453100</b>	<b>276551237</b>	<b>3496399332</b>
<b>(E) Opening cash balance</b>	<b>631804931</b>	<b>1049989208</b>	<b>1552967494</b>	<b>2391420594</b>	<b>2667971831</b>
<b>(F) Closing cash balance</b>	<b>1049989208</b>	<b>1552967494</b>	<b>2391420594</b>	<b>2667971831</b>	<b>6164371163</b>

**Figure 4.1: Cash flow statement for the F.Y. 2061/62 to 2065/66**



#### **A. Cash Flow from Operating Activities**

Total Cash flow from operating activities of the EBL Bank is increasing each year up to 2065/66. Operating cash flow are Rs. 311508176, Rs. 485749371 and Rs. 935776872, Rs 1618856980 and Rs 3695545034 respectively in the year 2061/62 to 2065/66. This amount is increasing by 55.93% in the year 2062/63 and 100.40% in 2063/64 as compared to the year 2061/62 and increased by 319.68% in the year 2064/65 and 986.34% in 2061-62.

Cash receipts from operating activities are increasing. Cash receipts from operating activities are Rs. 864481382, Rs. 1135463692, Rs 1372775899, Rs 1764958355 and Rs 2440224660 in the fiscal year 2061/62 to 2065/66 respectively.

Cash receipt increased by 31.35% and 58.8% respectively in the year 2062/63 and 2063/64 as compared to the fiscal year 2061/62 and it is increased by 104.16% for 2064/65 and 182.28% for 2065/66.

The main source of cash inflow in operating activities is interest income. Interest income is increasing each year up to 2065/66. Interest income in the year 2057/58 to 2061-62 is Rs725011927, Rs 973180328, Rs. 1157394126, Rs 1480965056 and Rs 2071386385 respectively. Other main cash producing sources is commission and discount income. Discount income for the year 2065/66 is Rs 202094446 which is higher than other fiscal year under study.. Exchange gain is high in the year 2065/66

i.e. 55861850. Non operating income is negligible in five years. Other income is excess in the year 2065/66 than other.

Cash payments to operating activities are Rs. 594602963, Rs. 720434603, Rs. 892082135 Rs 1154930217 and Rs 1744322546 in the five year 2061/62 to 2065/66 respectively. Cash payments are in increasing trend as compared to the year 2061/62. Cash payment increased by 21.16% in the year 2062/63, 94.24% in 2063/64, 94.24% and 193.36% in the year 2065 to 2066.

Interest payments to deposits are the main payment sector of operating activities. Interest payment in the year 2061/62 to 2065/66 is Rs. 312880500, Rs. 392252532, Rs. 492278489 Rs 612862000 and Rs 1002376829 for five years respectively. Interest payments are in increasing trends. It shows that payments of interest as compared to receipt are increasing. Staff expenses are also in increasing trend. They are Rs. 84054864, Rs. 99004928, Rs 78118226, Rs 127972593 and Rs 163027617 in the year 2061/62 to 2065/66 respectively. Office operating expenses are also in increasing trends. There is huge payment for operating expenses in recent year with respect to previous year. Exchange losses are not bearing by the bank. Non operating expenses are incurring from the year 2061/62 and it is in increasing trend. This expense is Rs 0, Rs. 0, Rs. 34560033, Rs. (45470846) and Rs. 65868680 respectively in the five year.

Operating payments are in increasing trends. But receipts are not in increasing trend. As a result cash flow from operating activities for EBL bank is decreasing. Due to the recession of economy the bank is not getting investment opportunity. So interest receipts are decline. But people have not alternative to invest so they are depositing their money in bank. For idle fund interest payment is higher than interest income. Now a day's interest income is in increasing trend because the bank is increasing its investment.

## **B. Investing Activities**

Positive cash flow from investing activities represents sale of investment and fixed assets. Similarly negative cash flow means the company (Bank) made investment for internal of external fixed assets or securities and loans and advance. Banks are the

trader of cash so investing activities of the bank differs from the other trading and manufacturing company. Cash flow from investing activities of the EBL bank are Rs. (193323899), (45771085), Rs. (888791146),Rs (761829890) and Rs (240569259)for the year 2061/62 to 2065/66 respectively Cash flow from investing activities is increased from 2062/63 to 2065/66 by -76.32%, 359.74%, 294.07% and 24.44% respectively based on the year 2061/62.

This bank has current A/C and other A/C with the central bank as well as other local bank and foreign bank also. So balance with bank is the main part of investing activity. In the year 2061/62 balance with bank is increased In other words cash flow from bank balance is negative. The bank deposited its liquid assets into bank due to the excess liquidity. But in the year 2061/62 to 2065/66 cash withdraw from bank for other purpose.

Cash flow from money at call and short notice are Rs. 382555000, Rs 503040000,66960000, nil and nil respectively in the relevant year which are taken into the consideration. It shows that the bank invested its cash for short period to the other commercial bank and financial institution in the year 2061/62. But it withdraws cash in the year 2062/63. In the year 2063/64 and 2064/65 the bank didn't operate this heading of investment to receive cash or to lend but in latest year it invests money for short period.

The bank has different sector to invest its deposit. Investment to the government securities like treasury bills, development bond and national saving bond. Other sectors of investment as prescribed by the NRB are share, debenture, bonds, mutual fund, certificate of deposit foreign government securities etc. Cash flow from investment for EBL bank is negative in relevant five years. They are Rs. (193323899), (45771085), Rs. (888791146), Rs (761829890) and Rs (240569259) for the year 2061/62 to 2065/66 respectively. There is huge amount of investment in the year 2060-61 as compared to the other four year. This may be the reason of security. There is small investment in the year 2062/63 as compared to the other years.

The main items under investing activities are loan, advanced and bills purchase. These are the main sources of revenue. If the bank collects only deposit and doesn't make



any investment as loan then it is impossible to make profit. Profit is the key factor of business and providing loan is the main objective of commercial bank. Nepalese commercial banks are suffering from non-performing loan which is harmful for generation of cash from investing activities. The trend of loan is increasing i.e. investing as loans are Rs. 1828256187, Rs. 2236164177 and Rs. 3947226863, Rs. 477274402, Rs. 5638672934 in the year 2061/62 to 2065/66 respectively. But in the latest two year investment amount on loans and advance are in increasing trends. Cash flow is negative but it is not in good track. Due to the hazard political situation the bank tight its credit policy as a result investment is decreasing. It is increased by 22.31% and 115.90% in the year 2062/63 and 2063/64 as compared to the year 2061/62. But lending as loans increased by 73.89% and 208.42% in the year 2064/65 and 2065/66 as compared to the year 2061/62.

Fixed assets are the tools to operate main business function. They may be land, building, furniture, calculator etc. They are depreciable assets. If the value of assets decreased there may be depreciation or sales of assets. Depreciation is non-cash expenditure. It produces internal cash in flow. If the bank purchase fixed assets then cash flow from fixed assets goes for negative otherwise it is positive at the time of selling. For EBL bank cash flow from fixed assets are negative i.e. Rs. 38820899, Rs. 45838783, Rs. 49934128, Rs 248462452 and Rs 144259524 in the relevant year respectively. Investment in the fixed assets in the year 2061/62 is smaller then the other year. High amount of cash spent for fixed assets in the year 2065/66 as compared to the other years. It is not good for cash flow purpose because liquid assets invested to fixed assets. Investment in the fixed assets increased by 18.08% and increased by 28.63% in the year 2062/63 and 2063/64 as compared to the year 2061/62. But it is increased by 540.02% in the year 2064/65 as compared to the previous year. Similarly cash flow from fixed assets is in decreasing trend in the latest year.

Changes in other assets are positive in the year 2064/65. But other four year have negative contribution to the investing cash flow from this source. Basically cash flow from current assets is included in this heading. There is high amount of cash invested for current assets in the year 2062/63. This amount is 5.56 times greater than the previous year and 4.73 times of next year. Cash flows from other assets are in poorest

condition. Excess investment in the current assets including non-banking assets shows the inefficiency of management. They are unable to collect debtors, outstanding interest etc.

At last cash flow from investing activities in the year 2062/63 is positive because of the low investment. Little investment for fixed assets and amount received from money at call and short notice and the bank maintain high amount of other assets in this year.

This analysis shows that the bank has not sufficient cash generated from operating activities so help of financing cash flow is necessary to make huge and reliable investment on securities as well as loans and advance.

### **C. Financing Activities**

Financing means rising of capital from different sources in order to operate the company effectively. Generally financing sources refers debenture, share and retained earning plugging back. But the bank has other sources of financing rather than mentioned above. They are collection of deposit through different account like current, saving and fixed deposit as well as margin deposit and others.

Cash flow from financing activities for EBL bank is Rs. 300000000, Rs. 63000000, Rs. 790192820, Rs (594112982) and Rs 34758588 respectively in the year 2061/62 to 2065/66. There is negative cash flow in the year 2064/65. But other four years have positive cash flow. Cash flow decreased by 79% and 163.40% in the year 2062/63 and 2063/64 as compared to the year 2061/62. But it is decreased by 98.04% in the year 2063/64 with respect to the year 2062/63. Similarly it is decreased by 98.04% and 88.41% in the year 2054/65 and 2065/66. This shows the high percentage of volatility (deviation) in this five year.

Collection of deposit is the main function of any commercial bank. Deposits are collected in different heading. Current, saving, margin, fixed and call deposit are the different source of deposit. Deposit may be in the form of local and foreign currency. Deposits are classified into interest bearing and non-interest bearing. Change in

deposit is negative in the year 2062/63. Which shows that customer withdraw their deposit. But other four year have positive change in deposit.

Change in deposits made for the year is Rs. 2033788903, Rs. 3704753999, Rs. 4383808553, Rs. 5790044994, Rs. 9346647711 respectively from 2061/62 to 2065/66.

Other liabilities related to staff payment under different heading, unearned commission, creditors etc are negative in the year 2061/62 to 2065/66. But it is positive in the year 2062/63. Change in the other liability plays significant role under cash flow from financing activities. There are 14 heads of liability as prescribed by the NRB under other current liability. All most items are related with provision, outstanding and short term liability.

#### **A. Net cash flow of the year**

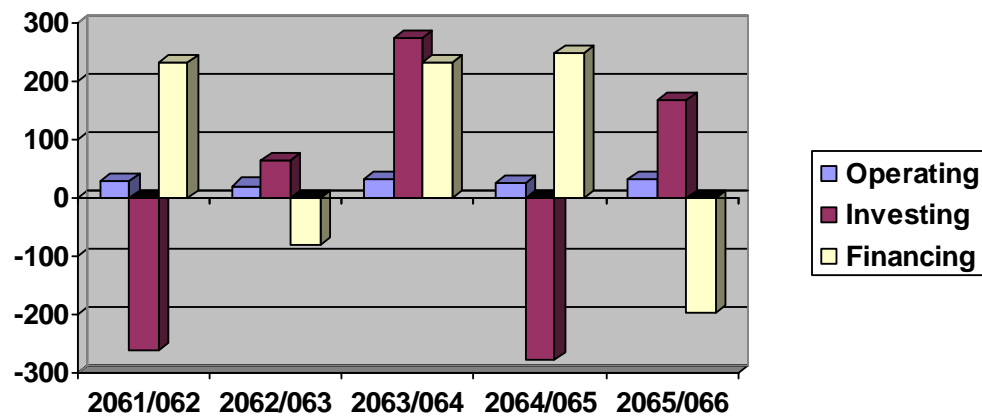
Total cash flow for the EBL bank from different activities is in rising-falling trends. They are Rs. 418184277, 502978286, Rs838453100, Rs 276551237 and Rs 3496399332 respectively in the year 2061/62 to 2065/66. Total cash flow for EBL bank increased by 20.28% and 100.50% in the year 2062/63 and 2063/64 based on the year 2061/62. But overall cash flow decreased by 33.87% and 73.60% in the year 2064/65 and 2065/66. The bank invested too much amount in the investing activities as a result total cash flow for the year 2061/62 is less than one crore. Cash flow from financing activities is negative in the second year. But operating and investing cash flow are positive. So total cash flow for the year 2061/62 increase to Rs. 418184277. The year 2061/62 is the significant year for positive cash flow in total. Cash from investing activities in this year is negative. But due to the higher positive cash flow from operating and financing activities. Similarly overall cash flow is negative in the year 2064/65 and 2065/66 due to the highest amount of negative cash flow received from investing activities.

## 4.2 Standard Chartered Bank Ltd.

**Table 4.2: Cash flow statement for the F.Y. 2061/62 to 2065/66**

Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
<b>(A) Cash flow from operations</b>	<b>600036268</b>	<b>(658562486)</b>	<b>1092749033</b>	<b>(45233838)</b>	<b>6948938465</b>
<b>1. Cash receipt</b>	<b>638867841</b>	<b>714577199</b>	<b>1572010974</b>	<b>1862221002</b>	<b>2128177260</b>
1.1 Interest Income	156369912	182302455	1071701495	1295672504	1480241128
1.2 Commission and discount income	183432692	220450214	224164421	272068274	238616592
1.3 Exchange gain	266864869	283471852	237103978	255436198	352358259
1.4 Other income	31899978	26766160	38020746	33176780	33191251
1.5 Bad debt recovery	300390	1576518	1020334	5867246	23770030
<b>2. Cash payment</b>	<b>(1238904109)</b>	<b>(1373139685)</b>	<b>(1631699607)</b>	<b>(1621292559)</b>	<b>(1963910721)</b>
2.1 Interest expenses	(255528777)	(300222265)	(397832097)	(474628760)	(521840234)
2.2 Staff expenses	(148037439)	(168497496)	(200045248)	(223667612)	(254218116)
2.3 Office operating expenses	(167433658)	(188079960)	(207528139)	(206769247)	(250890193)
2.4 Exchange loss	-	-	-	-	-
2.5 Income tax payment	(262503579)	(265502934)	(330025738)	(385040406)	(440908086)
2.6 Other expenses	(405400656)	(450837030)	(496268385)	(331186534)	(496054092)
<b>(B) Cash follow from investing activities</b>	<b>(2572640079)</b>	<b>(2240509850)</b>	<b>(421102274)</b>	<b>(16662637)</b>	<b>(5990481198)</b>
1 Change in long term investment	1657775152	(3144982442)	(714678023)	(323460547)	(6333302071)
2 Amount received from share	-	-	-	-	-
3 Purchase of F/A	1518068	(47539177)	(33230334)	(14116435)	(24719699)
4 Sales of F/A	-	-	-	-	-
5 Change in govt.debenture	-	-	-	-	-
Sales of NBA	-	-	-	-	-
6 Interest received from long term Investment	913297506	951913064	326549868	319814530	365061547
7 Bonus Income	49353	98705	256215	1099815	2479025
<b>(C) Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>1150360</b>	<b>901799</b>	<b>790400</b>
1 Change in Long term loan	-	-	-	-	-
2 Change in share capital	-	-	1150360	901799	790400
3 Amount received from share application	-	-	-	-	-
4 Bonus payment	-	-	-	-	-
5 Interest payment on loan	-	-	-	-	-
Income/loss from change in exchange rate	-	-	71982526	90216822	127672654
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>(912046755)</b>	<b>165124529</b>	<b>744779645</b>	<b>29222146</b>	<b>1086920321</b>
<b>(E) Opening cash balance</b>	<b>2023163649</b>	<b>1111116894</b>	<b>1276241423</b>	<b>2021021068</b>	<b>2050243214</b>
<b>(F) Closing cash balance</b>	<b>1111116894</b>	<b>1276241423</b>	<b>2021021068</b>	<b>2050243214</b>	<b>3137163535</b>

**Figure 4.2: Cash flow statement for the F.Y. 2061/62 to 2065/66**



#### **A. Cash Flow from Operating Activity**

Total cash flows from operating activities are Rs. 600036268, Rs. (658562486), Rs1092749033, Rs (45233838) and Rs 6948938465 respectively in the years 2061/62 to 2065/66. The amount decrease by 209.75% and increase by 82.11% respectively in the year 2062/63 and 2063/64 as compared to the year 2061/62. Similarly operating cash flow decreased by -107.54% and increased by 1058.08% in 2064/65 and 2065/66. In the year 2063/64 the amounts increase by 82.11% as compared to the year 2061/62. Total cash receipts from operating activities are Rs. 638867841, Rs. 714577199, Rs. 1572010974, Rs 1862221002, and Rs 2128177260 respectively in the five year 2061/62 to 2065/66. The amount of total cash receipt from operating activities increase by 101.85% and 146.06% in the year 2062/63 and 2063/64 as compared to 2061/62. In the year 2064/65 and 2065/66 it is increased by 191.49% and 233.12% based on the year 2061/62. There is greater increased in fiscal year 2065/66 ie.233.12%.

The main source of cash receipt in operating activity is interest income. Interest income for the year 2061/62 to 2065/66 respectively is Rs. 156369912, Rs. 182302455, Rs. 1071701495, Rs 1295672504 and Rs 1480241128. Interest income is decreasing in the year 2063/64 and 2064/65 as compared to others. But it is increased by 16.58% in year 2062/63 and by 846.63% in fiscal year 2065/66. Similarly this income is slightly lower in 2063/64 and 2064/65 as compared to the base year

2062/63. SCB is the most reputed bank to provide banking services. So their second large receipt source under operating activities is commission and discount income. It is Rs. 183432692, Rs. 220450214, Rs. 224164421, Rs. 272068274 and Rs. 238616592 respectively in the five year which is taken into analysis. This income is lower in the year 2061/62 as compare to 2064/65 and 2065/66. Like wise this income is in fluctuating trend in recent year. This shows that transaction of L.C., remittance, credit card, share underwriting etc and local and foreign bills purchase and discount activity slow down in the year 2061/62. Third main operating cash receipt is exchange gain i.e. Rs. 266864869, Rs. 283471852, Rs. 237103978, Rs. 255436198 and Rs. 352358259 respectively in the year 2061/62 to 2065/66. They were in fluctuating trend but there is slightly decreasing trend in this source as compare to the previous year. Non operating income like gain on sale of fixed assets and investment, dividend received from different sector and subsidies from NRB is Rs. 203342 in the year 2061/62. But this income is zero in the year 2062/63 and 2063/64. Other income is Rs. 31899978, Rs. 26766160 and Rs. 38020746, Rs. 33176780, Rs. 33191251 respectively in the year 2061/62 to 2065/66. This heading includes rent on safe deposit lockers, Issue and renewal of credit and ATM cards, loss provision written back etc. This amount is in increasing pattern and cash flow is positive in all five year.

There are six heading for cash outflow under operating activity. Total cash outflow under operating activities in the year 2057-58 to 2061-62 respectively are Rs. (1238904109), Rs. (1373139685), Rs. (1631699607), Rs. (1621292559) and Rs. (1963910721). Total cash payment is in increasing trend. It is increased by 10.84%, 31.71%, 30.87% and 58.52% from 2061/62 to 2065/66 respectively. This in increasing trend each year taken into study. The main payment heading is interest expenses. It is in volatile trend i.e. Rs. (255528777), Rs. (300222265), Rs. (397832097), Rs. (474628760) and Rs. (521840234) in the year 2061/62 to 2065/66 respectively. This shows that deposits are in increasing trend or non interest bearing deposit are increasing. But due to the positive cash flow from borrowing in the year 2065/66 there is high amount of interest payment. Staff expense is high on the year 2065/66 as compare to the other four relevant years. But office operating expenses are in increasing trend. They are Rs. (167433658), Rs. (188079960), Rs. (207528139), Rs. (206769247) and Rs. (250890193) respectively in the year 2061/62 to 2065/66. There is no any exchange loss during the relevant years.. This expense increased due to the,

especially, Government policy. Finally other expenses are higher on the year 2065/66 than other five years.

### **B. Cash Flow from Investing Activity**

If the cash in flow is negative in this activity then it is considered the company is able to make investment and using its sources to expand the business. If cash from operating activity is sufficient company can make investment by its own source and it doesn't have to borrow from out- side. In the case of Standard Chartered bank cash flow from investment activity are Rs. (2572640079), Rs. (2240509850), Rs. (421102274), Rs (16662637) and Rs (5990481198) respectively in the year 2061/62 to 2065/66. These figure shows that there is high investment in the year 2065/66. But sale of fixed assets and investment occurred high effect during the year 2063/64 which is (33230334). Cash flow from investing activity decreased by -12.91% in the year 2062/63 and decreased by -83.63% in 2063/64. Cash inflow decreased by -99.35% in the year 2064/65 as compared to the previous year. In the year 2065/66 cash flow from investing activity increased by 132.85% based on the year 2061/62.

The banks deposited and withdraw cash mostly from current A/C which is maintained with NRB, local and foreign commercial bank. In the year 2061/62 it deposited cash into bank but the bank withdraw cash in second relevant year. In the year 2063/64 to 2064/65 the bank deposited its liquid cash into bank heavily .But in the year 2065/66 the bank withdraw cash to fulfill the requirement of current assets.

Cash flow from money at call and short notice are Rs. (41091500), Rs. 282420000, Rs. 216119500, Rs (436386100) and Rs 141988600 in the five relevant years. There is high amount of cash flow in fourth year as compare to other year which are taken into analysis. Cash flow from money at call and short notice under foreign currency are nil. All the cash flows are come from national currency under this heading. This source is the key to collect cash when required.

The bank invested its deposit liability in share and debenture of rural development bank, micro finance, treasury bills, national saving certificates and others securities. Cash generated from this heading are Rs. (1826347002), Rs. 3697562231, Rs. 1585988674, Rs 5096978038 and Rs 6127722333 respectively in the year 2061/62 to

2065/66. In first two years and last year the bank sold its investment and generated positive cash flow. But due to the excess liquidity and lack of proper investment sector the bank increased its investment on treasury bills, Deposit liability is in increasing trend each year. It is increased by 302.46%,186.84%,379.08 and 435.52 respectively from 2061/62 to 2065/66.

Cash flow from change in loan advance and bills purchase are almost negative. It is the good sign for the bank. Deposit liability should be utilized effectively to earn profit. Non-performing loan are in good position for Standard Chartered Bank. Provision for substandard, doubtful and losses are not in high position. But cash flow from this heading is Rs. (1729395745), Rs. (790837272), Rs. (158980459), Rs 3255242077, Rs 44154587 in the 2061/62 to 2065/66. Investment as a loan is better in the fifth year. There is negative relation between cash flow and investment. Here investment is increased but cash in flow is in decreasing trend. Due to the significant amount invested in this source the bank is being able to investment as loans.

Sales and purchase of fixed assets directly hits for cash flow. Freehold land and building, vehicles, machinery, office equipment and lease hold property are the example of fixed assets. The Standard Chartered Bank has negative cash flow from fixed assets. Change in fixed assets in the year 2061/62 to 2065/66 is Rs. 1518068, Rs. (47539177), Rs. (33230334),Rs (14116435) and Rs (24719699) respectively. Cash is not generating from fixed assets but purchases of assets are increasing. Investments in fixed assets are 9.15 times and 24.89 times. Negative cash flow shows the purchase of fixed assets. Cash is used to purchase fixed assets. Only in the year 2061-62 there is positive cash flow from this source.

### **C. Cash Flow from Financing Activity**

Financing means way of capitalization in general case. It may be on the form of share and debenture issue, retained earning and preference capital. But financial institution is the trader of money. They purchase money as a deposit liability with paying interest and invested them into public as a loan. Bank financing includes borrowing deposit, bills payable and other liabilities. Cash flow from financing activities for Standard Chartered Banks is Rs. nil, Rs. nil, Rs. 1150360, Rs 901799 and Rs 790400 in the year 2061/62 to 2065/66 respectively. Cash flow from financing activity is in



negligible effect in first 3 years. But cash flow is in decreasing trend thereafter .It is decreased by -21.61% and -31.29% in fiscal year 2064/65 and 2065/66 respectively comparing to the fiscal year 2063/64.

Over and under deposit collection both are not in favor of the bank. Deposit is the money of customer that is taken as liabilities by bank. Cash flow from deposit is positive for standard chartered bank. It is result of good faith created by bank and adopted by customer. Cash flow from deposit in three consecutive years 2061/62 to 2065/66 is Rs. (1826347002), Rs. 3697562231, Rs. 1585988674, Rs 5096978038 and Rs 3127722333 respectively. It is 0.43 times and 1.3785 times of second year cash flow on third and fourth year cash flow respectively. But cash flow is 1.657 times greater in fifth year 2062/63 with comparison to the previous year. Only in the year 2065/66 the bank paid deposit collection amount heavily.

Cash flow from other liabilities in the year 2061/62 to 2065/66 is Rs.(127209533), Rs.(28098121), Rs.380417495, Rs.(348771311) and Rs.285544727 respectively. But it is positive in fiscal year 2063/64 and 2065/66. Other liabilities are the Summation of employee welfare and other current liabilities. It is negative in 2061/62 and 2062/63 Other liability is increased by 399.05% and reduced by 8.32% in fiscal year 2064/65 and 2065/66 respectively. It is increased by the amount of Rs. 634316038 in 2065/66 with comparison to 2064/65. There is heavy shortage of cash flow from other liabilities in the second years as a result total cash flow from financing activities is negative in second year.

#### **D. Net Cash Flow for the Year**

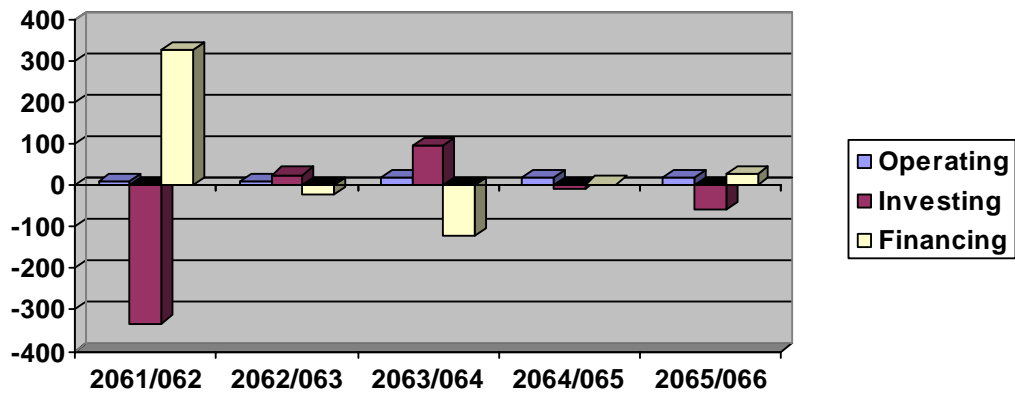
Over all cash flow are Rs. (912046755), Rs. 165124529, Rs. 744779645, Rs 29222146 and Rs 1086920321 respectively in the year 2061/62 to 2065/66. First, third and fourth year are suffering from shortage of cash flow excluding cash and bank balance. But second year and fifth year have positive cash flow. Due to the high negative cash flow from investing activities total cash flow became negative in the year 2061/62. But investing activities created positive cash flow in the year 2061/62 and operating cash flow is also positive as a result total cash flow is little bit positive in this year. Due to the heavy negative cash flow from investing activities there is negative cash flow in total in the year 2061-62.

### 4.3 Nabil Bank Limited

**Table 4.3: Cash Flow Statement for the F.Y. 2061/62 to 2065/66**

Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
<b>(A) Cash Flow from Operations</b>	<b>138778166</b>	<b>(1030740778)</b>	<b>544233717</b>	<b>1503617217</b>	<b>1725546699</b>
<b>1. Cash Receipt</b>	<b>1398842403</b>	<b>1572877673</b>	<b>2009665057</b>	<b>2444909153</b>	<b>3200082634</b>
1.1 Interest Income	957381795	1092644431	1517960858	1943961572	2577946273
1.2 Commission and discount income	128376550	138293913	150608550	156234754	179693027
1.3 Exchange gain	184878868	185483662	209926167	196487415	251919712
1.4 Other income	55915818	82897862	87574553	97444578	144164143
1.5 Bad debt recovery	72289372	73557805	43594929	50780834	46359479
<b>2. Cash payment</b>	<b>(899136040)</b>	<b>(1014973709)</b>	<b>(1381651926)</b>	<b>(1574326749)</b>	<b>(2123536843)</b>
2.1 Interest expenses	(243544611)	(357090465)	(555211049)	(747397941)	(1162333767)
2.2 Staff expenses	(199516217)	(219780853)	(240161275)	(257062282)	(333774593)
2.3 Office operating expenses	(128520003)	(119986540)	(130833888)	(157222785)	(197263402)
2.4 Exchange loss	-	-	-	-	-
2.5 Income tax payment	(237671128)	(228136589)	(355691118)	(303744741)	(430165081)
2.6 Other expenses	(89884081)	(89979262)	(99754596)	(108899000)	-
<b>(B) Cash follow from investing activities</b>	<b>(549884095)</b>	<b>1101598752</b>	<b>225353544</b>	<b>(472302012)</b>	<b>(1084175283)</b>
1 Change in long term investment	(576837325)	1013601127	173765973	(172505593)	(1040972089)
2 Amount received from share	-	-	-	-	-
3 Purchase of F/A	(84888597)	(21060114)	27263127	(374084629)	(131063717)
4 Sales of F/A	-	-	-	-	-
5 Change in govt.debenture	-	-	-	-	-
6 Interest received from longterm Investment	111364974	107822929	71465449	50791403	85451323
7 Bonus Income	476853	1234810	720323	1850862	2409200
7 Other	-	-	6664926	21645945	-
<b>(C) Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240000000</b>	<b>60000000</b>
1 Change in Long term loan	-	-	-	-	-
2 Change in share capital	-	-	-	-	-
3 Amount received from share application	-	-	-	-	-
4 Bonus payment	-	-	-	-	-
5 Interest payment on loan	-	-	-	-	-
Income/loss from change in exchange rate	-	-	-	-	-
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>(411105929)</b>	<b>70857974</b>	<b>769587261</b>	<b>1271315204</b>	<b>701371416</b>
<b>(E) Opening cash balance</b>	<b>970486543</b>	<b>559380614</b>	<b>630238588</b>	<b>1399825851</b>	<b>2671141055</b>
<b>(F) Closing cash balance</b>	<b>559380614</b>	<b>630238588</b>	<b>1399825851</b>	<b>2671141055</b>	<b>3372512471</b>

**Figure 4.3: Cash Flow Statement for the F.Y. 2061/62 to 2065/66**



#### **A. Cash Flow from Operating Activity**

Total cash flows from operating activities are Rs. 138778166, Rs. (1030740778) , Rs. 544233717, Rs 1503617217 and Rs 1725546699 in the year 2061/62 to 2065/66. Cash from operation are positive except in fiscal year 2061/63. It is increased too much in the year 2065/66. Cash flow decreased by -842.73% in the year 2062/63 and increased by 292.16% in the year 2063/64 with compared to the 2061/62. Cash flow increased by 983.47% in latest year than the previous. Similarly cash flow from operating activities increased by 983.47% and 1143.38% respectively in the year 2064/65 and 2065/66. Cash receipts from operating activities are higher than cash payment. Cash receipts from operation are Rs. 1398842403, Rs. 1572877673, Rs. 2009665057, Rs 2444909153 and Rs 3200082634 respectively in the year 2061/62 to 2065/66.

Cash receipt includes interest income and other income. Interest income in the year 2061/62 is Rs. 957381795. It increased to the Rs. 1092644431 and Rs. 1517960858 in the year 2062/63 and 2063/64 as compared to the year 2061/62. Interest income in the year 2064/65 and 2065/66 are Rs 1943961572 and Rs 2577946273 respectively. Interest incomes are increased by 14.13%, 58.55%, 103.05% and 169.27% respectively five sequential years which are taken for analysis. Interest income received from loan, overdraft and investment. If the investment, overdraft or loan decreases then interest income also decreases and vice-versa. The interest income shows the reducing investment trends.

Other important part of cash receipt from operation is commission and discount income. Commission and discount income comes from bills purchase and discount, letter of credit, guarantee, collection fees, remittance fees and credit card. Cash flow from commission and discount are Rs. 128376550, Rs. 138293913, Rs. 150608550, Rs 156234754 and Rs 179693027 in the year 2061/62 to 2065/66. This is the income of agency function. Cash flow from commission and discount are increasing. It is the good symptom. Cash receipt from commission and discount are increased by 7.73%, 17.32% in the year 2062/63 and 2063/64 as compared to the year 2061/62. It is increased by 21.70% in the year 2064/65 with respect to the previous year. Similarly it is in increasing trend in the year 2064/65 and 2065/66.

Cash receipts from currency exchange gain are Rs. 184878868, Rs. 185483662, Rs 209926167, Rs 196487415 and Rs 251919712 in the year 2061/62 to 2065/66 respectively. Cash flow is in fluctuating trend from exchange gain. It is increased by 0.3271% and 13.55% in the year 2062/63 and 2063/64 based on the year 2061/62. It is also increased by 6.28% in the fiscal year 2064/65 and by 36.26% in fiscal year compared to the year 2061/62. Exchange gain includes revaluation gain and trading gain including exchange fees. Bad debt recovery is the factor of operating cash receipt. They are Rs. 72289372, Rs. 73557805, Rs. 43594929, Rs 50780834 and Rs 43594929 in the five year 2061/62 to 2065/66 respectively. Bad debt recovery increased by 1.75% and decreased by -39.69% , -29.75% and -35.87% as compared to the year i.e. 2061/62. Bad debt recovery are collection of bad loan, Gain on sale of fixed assets and investment, bad debt recover etc.

Cash receipt from other income in the five years 2057/58 to 2061/62 are Rs. 55915818, Rs. 82897862, Rs. 87574553, Rs 97444578 and Rs 144164143 respectively. It is to much higher in the last year as compared to the other years. It is in increasing trend ie. Increased by 48.25%, 56.62%, 74.27% and 157.82% in 2062/63 to 2065/66 respectively as compared to 2061/62. Other income includes rental of safe deposit locker, issue and renewal of credit cards and ATM cards, telex/TT, service charge, loss provision written back and others. Cash from other income are positive. It is good sign for bank.

Cash payments of the bank for operating activities are Rs. (899136040), Rs. (1014973709), Rs. (1381651926), Rs (1574326749) and Rs (2123536843)

respectively in the year 2061/62 to 2065/66. Cash payment increased by Rs. 115837669 and decreased by Rs. 482515886 second and third year as compared to the year 2061/62. In the latest year i.e. for the year 2065/66 cash payment is in increasing trend as compared to the previous year.

Out of the total cash payment interest payment are Rs. (243544611), Rs. (357090465), Rs (555211049), Rs (747397941) and Rs (1162333767) respectively in the relevant five year. Interest expenses are in decreasing trend. It reflects the decreasing trend or withdrawal of deposit or increased in non-interest bearing deposit. Interest expenses are in increasing trend latest four year as compared to the year 2061/62. Interest expenses are increased by 46.62%, 127.97%, 206.88% and 377.26% in fiscal year 2062/63 to 2065/66 respectively.

Staffs are the key factor to generate positive cash flow. In order to motivate them salary and extra benefit like fringe benefit should be given. Total cash payment under staff expenses are Rs. (199516217), Rs. (219780853), Rs. (240161275), Rs (747397941) and Rs (333774593) respectively in the year 2061/62 to 2065/66. Expenses are changing like curve line. Staff expenses increased by 10.16% in the year 2062/63 and increased by 20.37% in the year 2063/64 based on the year 2061/62. Staff expenses include salary, allowance, and contribution to provident fund, training expenses, uniform, medical expenses, insurance and creativity. Due to these expenses cash payment to the staff is increased by large amount in fiscal year 2065/66 than the previous year.

Office overhead costs are increasing. The bank is operating new branch with new technology and management. As a result offices overhead are in increasing trend. It is the result of inflation in goods and services, also.

Non-operating expenses are negligible in all the fiscal years under the study. Non-operating expenses are nil in other year. Exchange loss is totally zero. But other expenses appeared heavily in these three years. Other expenses are Rs. (89884081), Rs. (89979262), Rs. (99754596), Rs (108899000) and Rs nil respectively in the five years which are taken into analysis. It is in increasing trend up to 2064/65 and become negligible in fiscal year 2065/66. It increased by 0.1059% in the year 2063/64 and

10.98% in 2064/65 with respect to the year 2061/62. Other expenses heavily decreased in the year 2061/62. Other expenses plays vital role to increase total cash payment under operating activities. Other expense is largely increased by 21.15% in fiscal year 2065/66.

### **B. Cash Flow from Investing Activity**

Bank is a business entity. It collects money as deposit and sells for the customer which is called investment. Investment may be in terms of bank balance, money at call and short notice, loan, fixed assets or other assets. Total cash flow from this activity for NABIL bank is Rs. (549884095), Rs. 1101598752, Rs. 225353544, Rs (472302012) and Rs (1084175283) respectively in the year 2061/62 to 2065/66. Cash flow is in volatile trend which shows that investment is in decreasing and also increasing trends. Due to the decreased investment interest income is in decreasing way also. Cash flow from investing activity increased by 100.33% and 59.02% in the year 2062/63 and 2063/64 based on the year 2061/62. In the year 2064/65 cash flow from investing activity increased by 14.11% and by 97.16% in 2065/66 as comparison made with the year 2061/62. But based on the year 2059/60 cash flow from investing activities are in decreasing trend in the year 2064/65 and 2065/66. In other words the bank is being able to invest significant amount of cash in as loans and advance.

The bank increased its bank balance. In other words cash in flow from bank balance was decreasing but the bank is withdrawing its money from bank to make investment on other sector in the year 2064/65 and 2065/66.. NABIL bank started to deposit its money in current A/C of different bank like central bank, local bank and foreign bank. It is not good sign because current A/C is non-interest bearing A/C. Cash flow from money at call and short notice are Rs. (866473636), Rs. (283136626), Rs. (4374196425), Rs (8130992021) and Rs (4818810255) respectively in the year in which analysis are based. Cash flow from short call money is in increase-decrease-increase trend.

Cash flow from loans advances and bills purchased are Rs. (2379529909) Rs. (2427310105), Rs. (2627099741), Rs (5866826596) and Rs (6250689515) respectively in the year 2061/62 to 2065/66. Loan provided by the bank in first year and fifth year is impressive. In second year the bank collected its loan significantly.

But the cash flow from loan in the third year is negative which the meaning of investment as a loan. This situation shows the high percentage of volatility on cash flow from loans, advance and bills purchased. Change in fixed assets for cash flow purpose is negative in the first, third, fourth and fifth year. But there is positive cash flow from fixed assets in the second year in other year the bank purchase fixed assets. But it was able to create positive cash flow from fixed assets after selling in second year change in cash flow in second year from fixed assets is increased by 169.14% and decreased by 229.49% in third year based on the year second. Cash flow from other assets in second year increased by 138.50% from Rs. 32942308 of first year cash flow. But with compared to the year first and third it is decreased by 214.12% in third year based on the year first. In the fourth and fifth year cash flow from other assets are in increase- decrease trend.

### **C. Cash Flow from Financing Activity**

Total cash flow from financing activities for NABIL bank are Rs. nil, Rs nil, Rs. nil, Rs. 240000000 and Rs 60000000 respectively in the year respectively in the year 2061/62 to 2065/66. But it is in increasing trend due to the highest deposit collection. Cash flow from financing activities is in decreasing trends. Cash flow from financing activities is in negligible amount for first three years and it is Rs. 240000000 in fiscal year 2064/65 and 60000000 in 2065/66.. The main cause to decrease cash flow from financing activities is withdrawal of deposit.

After looking decreasing trend of interest payment everyone can estimate about decreasing trends of deposit liability. Yes, Cash flow from deposit was in decreasing way but cash is collecting from deposit in the latest year due to the new programmed lunch by the management. Customer started to withdraw their deposit. Cash flow from deposit in three years 2061/62, 2062/63 and 2063/64 are Rs. 467576592, Rs. 4760790733 and Rs. 3994885885 respectively. Similarly public deposited their amount into the bank in the year 2064/65 and 2065/66 significantly. Over collection of deposit is the sign of believe to the bank through public. NABIL bank is a reputed bank even deposit is in declining trends. Cash flow from bills payable in the year 2061/62 is Rs. (2379529909). But it is comes down to Rs. (2427310125). It is Rs.

(2627099741), Rs. (5866826596) and Rs. (6256689515) in fiscal year 2063/64 to 2065/66 respectively.

Cash flow from other liabilities under financing activities is Rs. (332770843), Rs. (320799938), Rs. (413869664), Rs (286162807) and Rs (286702210) respectively in the year 2061/62 to 2065/66. Other liability includes current liabilities. It shows that it is impossible to say trend of the cash flow from other liabilities. In other words it is in volatile trend.

#### **D. Net Cash Flow for the Respective Year**

NABIL bank was able to create positive cash flow in total for the year 2061 and 62 i.e. Rs. (411105929) and 7085797. But in the year 2063/64 cash flow increase to Rs. 769587261 in total. Similarly there is positive cash flow in total for the year 2064/65 and 2065/66 due to the highest positive amount of investing cash flow i.e. Rs 1271315204 and Rs. 701371416 respectively. Heavy negative cash flow from financing activities is the main cause to create negative cash flow in total. There was too much cash created from investing activities in the year 2061/62. So over all cash flow is positive. But cash from financing activities played important role to generate highest positive cash flow in total in the year 2064/65



**Table 4.4**  
**Cash Flow Statement for the F.Y. 2061/62**

Particulars	NABIL	SCBL	EBL
<b>(A) Cash flow from operations</b>	<b>138778166</b>	<b>600036268</b>	<b>311508176</b>
<b>1. Cash receipt</b>	<b>1398842403</b>	<b>638867841</b>	<b>864481382</b>
1.1 Interest Income	957381795	156369912	725011927
1.2 Commission and discount income	128376550	183432692	78130046
1.3 Exchange gain	184878868	266864869	27077784
1.4 Other income	55915818	31899978	-
1.5 Bad debt recovery	72289372	300390	34261625
<b>2. Cash payment</b>	<b>(899136040)</b>	<b>(1238904109)</b>	<b>(594602963)</b>
2.1 Interest expenses	(243544611)	(25528777)	(3128805000)
2.2 Staff expenses	(199516217)	(1480374390)	(984054864)
2.3 Office operating expenses	(128520003)	91674336580	(105223110)
2.4 Exchange loss	-	-	-
2.5 Income tax payment	(237671128)	(2625035790)	(92444489)
2.6 Other expenses	(89884081)	(4054006560)	-
<b>(B) Cash flow from investing activities</b>	<b>(549884095)</b>	<b>(257264079)</b>	<b>(193323899)</b>
1 Change in long term investment	(576837325)	1657775152	(1545280000)
2 Amount received from share	-	-	-
3 Purchase of F/A	(84888597)	1518068	(38830899)
4 Sales of F/A	-	-	-
5 Change in govt.debenture	-	-	-
6 Interest received from lantern Investment	111364974	913297506	-
7 Bonus Income	476853	49353	25000
7 Other	-	-	-
<b>(C) Cash flow from financing activities</b>	-	-	<b>300000000</b>
1 Change in Long term loan	-	-	300000000
2 Change in share capital	-	-	-
3 Amount received from share application	-	-	-
4 Bonus payment	-	-	-
5 Interest payment on loan	-	-	-
Income/loss from change in exchange rate	-	-	-
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>(411105929)</b>	<b>(912046755)</b>	<b>418184277</b>
<b>(E) Opening cash balance</b>	<b>970486543</b>	<b>2023163649</b>	<b>631804931</b>
<b>(F) Closing cash balance</b>	<b>559380614</b>	<b>1111116894</b>	<b>1049989208</b>

#### **A. Cash Flow from Operating Activity**

The amount of total cash in flow from operating activities for NABIL, Standard chartered bank and EBL for the year 2061/62 are Rs. 138778166, Rs. 600036268 and Rs. 311508176 respectively. It describe that there is superb condition for operating cash in flow in standard chartered bank than other two banks. Above cash in flow is the difference amount of cash receipt and payment from operating activities. Cash receipt from operating activities for these three banks NABIL, Standard chartered bank and EBL are Rs. 1398842403, Rs. 638867841 and Rs. 864481382 respectively. Similarly cash payment for operating activities is Rs. (899136040), Rs. (1238904109) and Rs. (594602963) respectively for these banks in the year 2061/62. Cash flow from

operating activities with respect to cash receipt is 31.19% for EBL, 16.96% for SCB and 6.10% for NABIL. Ratio shows that EBL bank is able to minimize its operating cost than other two banks.

This analysis reflects the very weak condition of NABIL in its high expenditure for operating activities. Too-much positive deviation with cash receipt and payment from activities reflects the good position of bank. According to the total amount deviation with cash receipt and payment SCB is in the strong position, but on the basis of ratio analysis this credit goes for EBL bank.

Interest income for the year 2061/62 for NABIL, Standard chartered bank and EBL are Rs. 957381795, Rs. 1563699122 and Rs. 725011927 respectively. SCB has highest amount of cash receipt from interest but EBL has lowest total amount of interest receipt. EBL lies between other two banks. Interest payments for deposit liability for these three banks for the year 2061/62 are Rs. (243544611) for NABIL, Rs. (255528777) for SCB and Rs. (3128805000) for EBL. Deviation between cash receipt and payment of interest are Rs. 182760633 for EBL, Rs. 768518258 for SCB and Rs. 688339712 for NABIL. Spread is excess for SCB. So this bank was able to generate highest positive cash flow from operating activities. NABIL has highest interest receipt but payment is also high. EBL transaction is in lowest condition so interest payment and receipt both are in low order. As a result spread is lowest for EBL bank.

Commission and discount income is the product of agency function. They are Rs. 128376550 NABIL, Rs. 183432692 for SCB and Rs. 78130046 for EBL for the year 2061/62. It shows that more than total operating cash flow comes from commission and discount for NABIL. It is very much dependable factor for SCB also, but EBL is not being able to earn significant amount of commission and discount comparing among these three banks.

Exchange gain in the year 2061/62 for NABIL, SCB and EBL are Rs. 184878868, Rs. 266864869 and Rs. 27077784 respectively. Similarly exchange loss for all the year is zero for all banks. Based on the exchange gain of EBL bank, it is 602.59% highest for SCB and 421.6% highest for NABIL. Earning from exchange gain is very good for

SCB. NABIL exchange gain is more than its operating cash flow. Based on the transaction volume of EBL it is not bad, but good receipt for the bank. Comparatively SCB is the highest receiver of exchange gain.

Non-operating income of EBL bank is nil. Other income and expenses as well as non-operating expenses are also nil. Cash receipt from other income of SCB was Rs. 31899978, but it is Rs. 55915818 for NABIL. Staff expenses and operating expenses are Rs. (199516217) for NABIL, Rs. (1480374390) for SCB and Rs. (984054864) for EBL for the year 2061/62. It is clear that there is high amount of staff expenses with respect to its total cash payment for EBL bank.

### **B. Cash Flow from Investing Activity**

The amount of cash flow from investing activities is negative for each bank. It represents Rs. (549884095), Rs. (2572640079) and Rs. (193323899) for NABIL, SCB and EBL respectively. It shows that political situation at that time was still in control. So the bank was able to make investment. EBL bank's cash out flow from investing activities looks lowest but it is highest amount if we compared with its other transaction. NABIL is in the highest position to make investment as a result interest income is also high among three banks. SCB lies between other two banks. SCB is choosing moderate way to invest.

Bank balance of EBL bank increased by Rs.1045167285 which represent reducing cash in flow. SCB also increased its bank balance by Rs. 12900104 but NABIL bank with draw cash from its bank balance which are operated in N.R.B. foreign bank and local bank also. NABIL cash in flow from bank balance Rs. 110838069 contributed to make investment for share and debenture of other bank.

Cash flow from money at call and short notice are Rs. (382555000), Rs. (41091500) and Rs. (866473636) for EBL, SCB and NABIL respectively. EBL and SCB provided call money to the other commercial bank, but NABIL received to fulfill its requirement from money at call and short notice. It represents the excess liquidity of EBL and SCB. SCB is in front of other two banks to make investment for short period.

Investment represent for Treasury bill, development bond etc. Cash from investment for EBL bank is Rs. (171837800), Rs. 234291712 for SCB and for NABIL Rs. (6453365497) in the year 2061/62. EBL and NABIL increased their investment, but SCB sold its investment and received cash to use for other purpose. 8.29% of total investing cash flow comes from investment for EBL in the year 2061/62. NABIL has 193.84% investment with compared to its total cash out flow from investing activities.

Cash flow from loan advance and bills purchased are Rs. (1828256187), Rs. (1729395745) and Rs. (2379529909) respectively for EBL, SCB and NABIL for the year 2061/62. All the banks issued loan in this year, but NABIL is in first position to grant loan. EBL is in the lowest position to provide loan, but SCB is not able to invest as a loan significantly based on its network and transaction. It proved that the SCB is interested to do agency work rather than excess loan granting.

In the year 2061/62 these three banks purchased fixed assets, because cash flow from fixed assets is negative. They are Rs. (38820899), Rs. 1518068 and Rs. (84888597) respectively for EBL, SCB and NABIL.

### **C. Cash Flow from Financing Activity**

Cash flow from financing activities for the year 2061/62 is positive for whole three banks. It is Rs.nil for NABIL Rs. nil for SCB and Rs. 300000000 for EBL. EBL is the highest receiver of cash from financing activities. The main reason for increasing cash in flow is deposit liability.

The source of financing cash flow is borrowing, but cash received from borrowing is Rs. 0 for EBL, Rs. (763494453) for SCB and Rs. (285200000) for NABIL for the year 2061/62. It is the sign of borrowing amount payment. Payment of borrowing for SCB is higher than the NABIL bank. The bank collects deposit under different amount. Collection of deposit is the sign of believe. It the very much important source of financing cash flow. Cash received from deposit for the year 2061/62 are positive. They are Rs.2033788903, Rs. (1826347002) and Rs.467576592 for EBL, SCB and NABIL respectively. NABIL is the highest receiver of deposit liability so it pays high amount of interest than other bank. Cash received from deposit with respect to total

financing cash flow are 1.08 times, 0.81 times and 1.06 times. This analysis reflects the importance of deposit to financial cash flow.

Cash flow from bills payable is Rs. (1828256187), Rs. (1729395745) and Rs.(2379529909) respectively for EBL, SCB and NABIL in the year 2061/62. EBL bank paid its bill amount, but SCB and NABIL have pending their bills to make payment, so cash in flow increased. It doesn't appear in big volume but it is most important non-interest bearing liability. Increase amount of bills payable represents cash in flow and vice-versa. The NABIL is in strong position to generate cash in flow from bills payable.

Cash flow from other liabilities rather than mention above is Rs.(307164172), Rs.(127209533) and Rs.(332770843) for EBL, SCB and NABIL respectively for the year 2061/62. SBI bank paid to many other liabilities in this year. Only deposit liability is positive for financing cash flow for the SBI bank Similarly NABIL percentage of other liabilities cash in flow with respect to total financing cash flow is 13.63%. NABIL bank generated more than 50% cash flow from other liabilities as compared to the SCB.

From the view point of financing cash flow NABIL is in the superb condition than other two banks in the year 2061/62.

#### **D. Net Cash Flow for the Year**

Overall cash in flow for the year 2061/62 are Rs. (411105929), Rs (912046755) and Rs. 418184277 for NABIL, SCB and EBL respectively. Due to the highest cash out flow from investing activities total cash flow of SCB and NABIL is negative. To-much contribution from financing cash flow appeared for EBL as a result overall cash flow is positive.EBL is the good bank to create highest positive overall cash flow.

**Table 4.5**  
**Cash Flow for the F.Y.2062/63**

<b>Particulars</b>	<b>NABIL</b>	<b>SCBL</b>	<b>EBL</b>
<b>(A) Cash flow from operations</b>	<b>(1030740778)</b>	<b>(658562486)</b>	<b>485749371</b>
<b>1. Cash receipt</b>	<b>1572877673</b>	<b>714577199</b>	<b>1135463692</b>
1.1 Interest Income	1092644431	182302455	973180328
1.2 Commission and discount income	138293913	220450214	96839264
1.3 Exchange gain	185483662	283471852	14397970
1.4 Other income	82897862	26766160	-
1.5 Bad debt recovery	73557805	1576518	51046310
<b>2. Cash payment</b>	<b>(1014973709)</b>	<b>(1373139685)</b>	<b>(720434603)</b>
2.1 Interest expenses	(357090465)	(300222265)	(392252532)
2.2 Staff expenses	(219780853)	(168497496)	(99004928)
2.3 Office operating expenses	(119986540)	(188079960)	(115090880)
2.4 Exchange loss	-	-	-
2.5 Income tax payment	(228136589)	(265502934)	(114086263)
2.6 Other expenses	(89979262)	(450837030)	-
<b>(B) Cash follow from investing activities</b>	<b>1101598752</b>	<b>(2240509850)</b>	<b>(45771085)</b>
1 Change in long term investment	1013601127	(3144982442)	(93802)
2 Amount received from share	-	-	-
3 Purchase of F/A	(21060114)	(47539177)	(45838783)
4 Sales of F/A	-	-	-
5 Change in govt.debenture	-	-	-
6 Interest received from lantern Investment	107822929	951913064	-
7 Bonus Income	1234810	98705	161500
7 Other	-	-	-
<b>(C) Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>63000000</b>
1 Change in Long term loan	-	-	-
2 Change in share capital	-	-	63000000
3 Amount received from share application	-	-	-
4 Bonus payment	-	-	-
5 Interest payment on loan	-	-	-
Income/loss from change in exchange rate	-	-	-
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>70857974</b>	<b>165124529</b>	<b>502978286</b>
<b>(E) Opening cash balance</b>	<b>559380614</b>	<b>1111116894</b>	<b>1049989208</b>
<b>(F) Closing cash balance</b>	<b>630238588</b>	<b>1276241423</b>	<b>1552967494</b>

**A. Cash Flow from Operating Activity**

The amount of total cash flow from operation in the year 2062/63 is Rs. (1030740778), Rs. (658562486) and Rs. 485749371 respectively for NABIL, SCB and EBL bank. EBL is in the highest position, NABIL and SCB in negative position

from the view point of operating cash flow. Above mention cash flow is the different amount of cash receipt from operation are Rs. 1572877673, Rs. 714577199 and Rs. 1135463692 similarly cash payment are Rs. (1014973709), Rs. (1373139685) and Rs. (720434603) respectively for NABIL, SCB and EBL bank in the year 2062/63.. Surplus ratio is highest for EBL and lowest for NABIL bank. Likewise cash flow from operating activities is only -37.13%, 18.02% and -5.27% of operating cash payment for SCB, EBL and NABIL bank respectively in the year 2062/63.

In this year NABIL has highest amount of expenditure than other two banks. EBL is able to minimize its cash payment for operating activities. So based on the financial ratio analyses EBL bank is in better position than other bank from the view point of cash flow from operating activities. According to the to-much deviation between cash receipt and payment, SCB is in the better position and NABIL is in the lowest but EBL lies in between them.

Interest income for the year 2062/63 is Rs. 1092644431 for NABIL, Rs. 182302455 for SCB and Rs. 973180328 for EBL. It is the result of highest investment as a loan. Then EBL shows the lowest position, EBL lies between SCB and NABIL from the view point of interest income. Similarly interest payment is Rs. (357090465) for NABIL, Rs. (300222265) for SCB and Rs. (392252532) for EBL for the year 2058-59. Highest amount of interest payment goes for EBL bank. It shows that EBL has highest amount of interest bearing deposit liability. Comparatively interest payment is lowest for SCB bank, but SCB is able to reduce its interest bearing deposit liability. Deviation between cash flow receipt and payment of interest are Rs.111051789 for EBL, Rs.640338120 for SCB and Rs.658105533 for NABIL for the year 2062/63. NABIL has highest difference amount of interest. SCB has slightly lowest interest surplus, but EBL holds for lowest surplus of interest income. Interest surplus represents 80.68%, 301.63% and 787.38% of cash flow from operating activities for EBL, SCB and NABIL bank respectively in the year 2062/63.

\Other main source of cash receipt from operating activities is commission and discount income. They are Rs. 138293913 for NABIL, Rs. 220450214 for SCB and Rs. 96839264 for EBL bank. SCB holds highest income from commission and discount than EBL and NABIL percentage of commission and discount with respect

to 76.76% for SCB and 136.80% for NABIL. NABIL receipt more than operating cash flow amount from commission and discount. There are significant percentage appeared for EBL and SCB as commission and discount income as compared to the cash flow from operating activities.

Cash flow from currency exchange gain is the one of the main part of operating cash flow. Cash from exchange gain are Rs. 185483662, Rs. 283471852 and Rs. 14397970 for NABIL, SCB and EBL respectively. SCB is in highest position in cash receipt from exchange gain. This amount is higher than commission and discount income for every bank. EBL has lowest exchange gain but nit least important for its total operating cash flow. SCB holds more than total cash flow from operating activities from exchange gain. NABIL has approx 2 times higher exchange gain receipt than its total operating cash flow. So exchange gain is the important part of cash flow for every bank. Other similarity among these three banks for the year 2062/63 is zero non-operating income. They are unable to create cash flow from non-operating income.

The most exclusive component of operating cash flow is other income. Cash flow from other income is Rs. 82897862 for NABIL, Rs. 26766160 for SCB and Rs. nil for EBL bank for the year 2062/63. NABIL has highest cash flow from other income but SCB has lowest. EBL lies position from the view point of other income but there is lowest contribution of other income for SCB in total operating cash flow for the year 2062/63. These kinds of income should be higher to make portfolio income or to reduce risk factor. Staff and overhead cost payment for the year 2062/63 are Rs. (219780853), Rs. (168497496) and Rs. (99004928) for NABIL, SCB and EBL bank respectively. Total staff and overhead payment is highest in SCB bank and also percentage of staff and overhead expenses with respect to cash payment. Total staff and overhead cost payment is lowest in EBL bank but percentage with respect to its total cash payment lies between NABIL and SCB. NABIL has middle level of these expenses which lies between EBL and SCB but percentage of staff and overhead expenses with respect to total cash payment is only 18.11%.

SCB has significant non-operating expenses. SBI has visible amount but NABIL has negligible amount of non-operating expenses based on their transaction volume. Cash



flow from other expenses is Rs. (89979262) for NABIL, Rs. (450837030) for SCB and Rs.nil for EBL bank for the year EBL. NABIL has highest amount other expenses, but SCB holds lowest than NABIL. In total, these expenses hold significant percentage on total operating cash payment.

### **B. Cash Flow from Investing Activity**

Total cash flow from investing activities is positive in the year 2062/63 for every bank which is taken into consideration. Total amount are Rs. 1101598752 for NABIL, Rs. (2240509850) for SCB and Rs. (45771085) for EBL bank for the year 2062/63. This is the inverse situation then previous year. Investing cash flow for SCB is in highest point but it is lowest in EBL. NABIL has moderate cash flow from investing activities. Positive cash flow from investing activities in not a sign of good investment. Due to the various political and economic situations the entire bank decreased their investment and loan, but it is very good signing from the view point of cash flow. The EBL bank withdraw money from bank balance i.e. Rs.320889272 in the year 2062/63. Similarly SCB also received cash Rs.205971453 from its bank balance, but NABIL bank increased its bank deposit by Rs.12937286 in the year 2062/63.

Cash received from money at call and short notices are positive for three banks. They received their own money which was provided to other commercial bank. Cash flow from money at call and short notice are Rs. (283136626) for NABIL, Rs.282420000 for SCB and Rs.503040000 for EBL bank in the year 2062/63. SCB received highest amount of cash from short call money but EBL received lowest amount from short call money. It is not least amount of cash flow but comparatively it is lowest than other bank. NABIL lies between SCB and EBL. EBL bank invested its cash into Treasury bill and bonds by Rs.76124294 in the year 2062/63. Similarly NABIL bank increased its investment by Rs.495205883 in the year 2062/63. It is 6.5 times more than EBL bank investment, but SCB withdraw its investment amount and cash received from investment for the year 2062/63 is Rs.283291126. Main source of income for bank is Interest receives from loan .In the year 2062/63 EBL bank provide loan Rs.353683752. Similarly SCB loan increased by Rs.15494119 than previous year. In this year EBL bank provide highest loan than other two banks because it is

22.83 times higher than loan increased amount of SCB, but NABIL is able to generate positive cash flow of Rs.294741826 from loan, advance and bills purchased.

Cash received from fixed assets are Rs.2458658 for EBL, Rs.6322504 for SCB and Rs.11026901 for NABIL bank in the year 2062/63. Highest cash flow from fixed assets has NABIL bank and lowest with SCB. EBL lies between NABIL and SCB. In other words EBL and SCB increased their investment on fixed assets or purchased fixed assets but NABIL sold its fixed assets and generated positive cash flow from fixed assets.

Change in other assets is one of the most important factors of investing activities. Cash flow from other assets for the year 2062/63 is Rs.229181432, Rs.355318398 and Rs.78567558 respectively for EBL, SCB and NABIL. Other assets are the total of current assets including non-banking assets and branch adjustment A/C. SCB invested heavily in the other assets, but NABIL is able to generate cash from other assets. SBI bank has also negative cash flow from other assets in the year 2062/63.

### **C. Cash Flow from Financing Activity**

Total cash flow from financing activities is negative for the year 2062/63. It was positive in previous year. Cash flow from financing activities is Rs.nil for NABIL Rs.nil for SCB and Rs. 63000000 for EBL in the year 2062/63. SCB paid high amount of liability but EBL paid lowest. NABIL lies between EBL and SCB. Cash flow from borrowing is positive for EBL bank i.e. Rs.431886141. Similarly NABIL has also positive cash flow i.e. Rs.417298160, but SCB paid its borrowing amount and cash flow decreased by Rs.981989344 in the year 2062/63. Deposit is the key source of financing activities. Cash flow from deposit for the year 2062/63 is Rs.3704753999, Rs.3697562231 and Rs.4760790733 respectively for EBL, SCB and NABIL bank. Only SCB able to received deposit in the year 2062/63, but EBL and NABIL reduce their deposit. Increase deposit is the sign of public trust. Decrease deposit of EBL bank is 3.13 times more than NABIL. It is not a good sign for EBL bank.

Cash flow from bills payable is nil for EBL bank. SCB generate Rs.16092094 from bills payable amount, but NABIL paid its bills payable amount by Rs.1943929 in the year 2062/63. NABIL has excess payment of bills payable amount over its pending amount on bills payable, but SCB has support of bills payable amount in cash in flow.

Change in other liability for EBL bank is positive. Cash flow support from other liability is Rs.438991952, but both the EBL and NABIL are suffering from negative cash flow from other liability. Cash flow from other liability is Rs.5266193 for SCB and Rs. (320799938) for NABIL in the year 2062/63. NABIL has highest amount of negative cash flow from other liabilities. It is more than its total financing cash out flow. SCB has 30.36% of change in other liabilities amount out of its total financing cash flow.

#### **D. Net Cash Flow for the Year**

Net cash flow for the year 2062/63 is Rs. 70857974, Rs. 165124529 and Rs. 502978286 for NABIL, SCB and EBL respectively. Net cash flow is the total of operating investing and financing cash flow. Operating and investing cash flow are positive for these three banks. Due to the highest negative cash flow from financing activities overall cash flow is very much smaller than their operating and investing cash flow. Lowest overall cash flow is highest for NABIL due to the highest positive investing cash flow. EBL has lowest overall cash flow due to the lowest investing cash flow. SCB has lowest investing and financing cash flow but due to the highest operating cash flow Overall cash flow lies between EBL and NABIL bank.

**Table 4.6**  
**Cash Flow Statement for the F.Y. 2063/64**

Particulars	NABIL	SCBL	EBL
<b>(A) Cash flow from operations</b>	<b>544233717</b>	<b>1092749033</b>	<b>935776872</b>
<b>1. Cash receipt</b>	<b>2009665057</b>	<b>1572010974</b>	<b>1372775899</b>
1.1 Interest Income	1517960858	1071701495	1157394126
1.2 Commission and discount income	150608550	224164421	117718162
1.3 Exchange gain	209926167	237103978	27129990
1.4 Other income	87574553	38020746	-
1.5 Bad debt recovery	43594929	1020334	70533621
<b>2. Cash payment</b>	<b>(1381651926)</b>	<b>(1631699607)</b>	<b>(892082135)</b>
2.1 Interest expenses	(555211049)	(3978320970)	(4922784890)
2.2 Staff expenses	(2401612750)	(2000452480)	(78118226)
2.3 Office operating expenses	(1308338880)	(207528139)	(146568951)
2.4 Exchange loss	-	-	-
2.5 Income tax payment	(355691118)	(330025738)	(140556436)
2.6 Other expenses	(997545960)	(496268385)	(34560033)
<b>(B) Cash follow from investing activities</b>	<b>(225353544)</b>	<b>(94211022740)</b>	<b>(888791146)</b>
1 Change in long term investment	(173735973)	(7146780230)	-
2 Amount received from share	-	-	-
3 Purchase of F/A	(27263127)	(933230334)	(499341280)
4 Sales of F/A	-	-	949783
5 Change in govt.debenture	-	-	(863917497)
6 Interest received from lantern Investment	71465449	326549868	11580378
7 Bonus Income	720323	256215	12276398
7 Other	6664926	-	253920
<b>(C) Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>790192820</b>
1 Change in Long term loan	-	-	-
2 Change in share capital	-	-	-
3 Amount received from share application	-	-	911512000
4 Bonus payment	-	-	(104222751)
5 Interest payment on loan	-	-	(17096429)
Income/loss from change in exchange rate	-	-	1274554
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>769587261</b>	<b>744779645</b>	<b>838453100</b>
<b>(E) Opening cash balance</b>	<b>630238588</b>	<b>1276241423</b>	<b>1552967494</b>
<b>(F) Closing cash balance</b>	<b>1399825851</b>	<b>2021021068</b>	<b>2391420594</b>

#### **A. Cash Flow from Operating Activity**

Total cash flow from operating activities for the year 2063/64 is Rs. 544233717, Rs. 1092749033 and Rs. 935776872 respectively for NABIL, SCB and EBL. Like in previous year SCB has highest amount of operating cash flow. NABIL lies between

EBL and SCB. EBL holds lowest cash flow in the year 2063/64. Cash flow from operating activities increased for SCB and NABIL compare to the previous year, but EBL reduce it cash flow in some extend.

Total cash receipt from operation is Rs. 2009665057 for NABIL, Rs. 1572010974 for SCB and Rs. 1372775899 for EBL in the year 2063/64. Total cash payments for operating activities for the year 2063/64 are Rs. (1381651926) for NABIL, Rs. (1631699607) for SCB and Rs. (892082135) for EBL bank. NABIL has highest amount of operating cash payment, but cash received is lowest than SCB. Cash payment of NABIL is 1.05 times higher than SCB and 3.22 times higher than EBL.

Interest income is Rs. 1517960858, Rs. 1071701495, Rs. 1157394126 and interest payment are Rs. (555211049), Rs. (3978320970) and Rs. (4922784890) respectively for NABIL, SCB and EBL for the year 2063/64 respectively. EBL bank is in the highest generator of cash deviation from interest receipt and payment. EBL has lowest amount of interest receipt but interest payment is higher than SCB. SCB has lowest amount of interest payment but highest amount of interest income, so this bank is handsome to maintain highest spread of interest.

Cash received from commission and discount plays significant role in total operating cash flow. They are Rs. 150608550 for NABIL, Rs. 224164421 for SCB and Rs. 117718162 for EBL. In this income SCB has leading amount. EBL has lowest income but NABIL lies between them. Cash flow from exchange gain is also one of the vital sources of operating activities. For the year 2063/64 EBL bank received Rs. 27129990 as an exchange gain income. SCB has 12.56 times higher income from exchange gain with compared to EBL bank in this year, but NABIL has only 7.78 times higher cash received from exchange gain with respect to EBL bank, so SCB has leading amount from exchange gain also.

Cash received from non-operating income for EBL, SCB and NABIL are nil Cash received from other income for the year 2063/64 are Rs. 87574553, Rs. 38020746 and nil respectively for NABIL, SCB and EBL. NABIL has highest amount but EBL has lowest cash received from other income. EBL lies between SCB and NABIL. Cash

received from bad debt recovery are Rs. 43594929, 1020334 and Rs. 70533621 for NABIL, SCB and EBL.

Staff expenses are Rs. (2401612750), Rs. (2000452480) and Rs. (78118226) for NABIL, SCB and EBL respectively in the year 2063/64. Cash payment to operating expenses are Rs. (1308338880) for NABIL and Rs. (207528139) for SCB and Rs.(146568951) for EBL . So SCB has highest amount of cash payment for operating expenses. Cash payment to other expenses is nil for NABIL, SCB and EBL Rs. (997545960), Rs. (496268385) and Rs. (34560033) respectively in the year 2063/64 for cash payment to other expenses. NABIL has highest amount of cash payment to other expenses. It shows for the importance of other income and expenses in operating cash flow.

#### **B. Cash Flow from Investing Activity**

Total amount cash flow from investing activities is Rs. (225353544), Rs. (94211022740) and Rs. (888791146) respectively for NABIL, SCB and EBL in the year 2063/64. SCB has highest amount of cash flow from investing activities, but SCB invest heavy amount. EBL has significant amount of investment. EBL and SCB have not positive cash flow from investing activities. Change in balance with bank for EBL bank is positive i.e. Rs.389465781. EBL bank withdraw cash from it's bank balance in this year, but SCB and NABIL deposited their cash amount cash received from bank balance fro SCB is Rs.146125569 and Rs.223329439 for NABIL.

Cash flow from change in money at call and short notice are 66960000 for EBL, Rs.216119500 for SCB and Rs.1171369311 for NABIL. There is no change in money at call and short notice for EBL bank, but cash flow increased by Rs.404054250 for SCB. SCB is the highest receiver of cash from this source. On the other hand NABIL bank has lowest cash flow or negative cash flow which shows the investment on money at call and short notice. Investment on Treasury bill and government bond increased by Rs.608219356 for EBL bank in the year 2063/64. This amount is more than its total investing cash outflow on investment because NABIL has positive cash flow of Rs.2168339266 from investment. Due to the positive cash flow from investment total cash flow from investing activities is positive for NABIL bank in the year 2063/64.

Cash flow from loan advance and bills payable are negative for each bank in the year 2063/64. They are Rs. (3947226863), Rs. (1589803459), and Rs. (2627099741) respectively for EBL, SCB and NABIL. NABIL has highest amount of cash out flow and EBL has lowest on loan and advance. SCB loan investment lies between NABIL and EBL which is slightly lower than NABIL. So loans advance and bills purchases are contributing negatively for cash in flow in the year 2063/64.

Change in fixed assets for the year 2063/64 is Rs. (49934128) for EBL Rs. (33230334) for SCB and Rs.27263127 for NABIL. SCB has highest amount of investment for fixed assets, but NABIL has lowest amount of assets purchased. EBL lies between NABIL and SCB which amount of investment on fixed assets is slightly higher than SCB. Other assets are contributing negatively to the cash flow for the year 2063/64. SCB has highest amount of cash out flow but EBL has lowest out flow from other assets. Highest cash out flow from other assets shows the inefficiency of management.

### **C. Cash Flow from Financing Activity**

Total cash flow amount from financing activities are positive for EBL and nil for SCB and NABIL in the year 2063/64. They are Rs. nil for NABIL, Rs. nil for SCB and Rs. 790192820 for EBL. EBL has positive cash flow from investing activities but generate negative cash flow from financing activities EBL has highest cash flow from financing activities, NABIL has negligible cash flow.

Change in the borrowing is the key source for financing cash flow. Borrowing is decreased by Rs.492966301 for EBL bank it contributes negatively for financing cash flow. Borrowing decrease by Rs. 605560049 for SCB. It is the highest cash out flow from borrowing in the year 2059-60 with compared to the NABIL and EBL, because NABIL has positive cash flow from borrowing i.e. Rs.546163093.

Deposit is the most valuable source of financing for bank and financial institution. Deposit collection increased by Rs.950346613 for EBL and Rs.2919887358 for SCB in the year 2059-60, but NABIL reduce it's deposit by Rs.2058766151 which amount contribute negatively to the cash flow. EBL and SCB have positive cash flow from

financing activities. It is the entirely contribution made by deposit collection in the year 2063/64, but it is lowest to the NABIL. EBL has significant amount of deposit collection increase in the year 2063/64.

Change in bills payable from the view point of cash basic are Rs.87936 for EBL, Rs.3441677 for SCB and Rs.41190692 for NABIL. EBL reduce bills payable amount by Rs.87936. NABIL has highest amount of cash flow from bills payable amount. NABIL collect more bills in the year 2063/64 but paid little bit to the customer. Similarly SCB has also excess bills payable amount than it paid actually. Cash flow from other current liabilities increased by Rs.14405275 for SCB and Rs.239026804 for NABIL in the year 2063/64. This amount contributes positively to the financing cash in flow other liability as a result cash flow decreased by Rs.30804306.

#### **A. Net Cash Flow for the Year**

Net cash flows for the 2063/64 are 769587261, Rs. 744779645 and Rs. 838453100 respectively for NABIL, SCB and EBL. Only EBL bank has positive overall cash flow which represents highest overall cash flow in the year 2063/64. Due to the positive operating and financing cash flow overall cash flow of the bank is positive. NABIL has positive cash flow from operating and investing activities but highest cash out flow on financing activities derive total cash flow into negative for NABIL bank.



**Table 4.7**  
**Cash Flow Statement for the F.Y. 2064/65**

Particulars	NABIL	SCBI	EBL
<b>(A) Cash flow from operations</b>	<b>1503617217</b>	<b>45233838</b>	<b>1618856980</b>
<b>1. Cash receipt</b>	<b>2444909153</b>	<b>1862221002</b>	<b>1764958355</b>
1.1 Interest Income	1943961572	1295672504	1480965056
1.2 Commission and discount income	156234754	272068274	150264074
1.3 Exchange gain	196487415	255436198	50815249
1.4 Other income	97444578	33176780	-
1.5 Bad debt recovery	50780834	5867246	82913977
<b>2. Cash payment</b>	<b>(1574326749)</b>	<b>(1621292559)</b>	<b>(1154930217)</b>
2.1 Interest expenses	(747397941)	(474628760)	(612862000)
2.2 Staff expenses	(257062282)	(223667612)	(1279725930)
2.3 Office operating expenses	(157222785)	(206769247)	(177576476)
2.4 Exchange loss	-	-	-
2.5 Income tax payment	9303744741)	(385040406)	(191048302)
2.6 Other expenses	(108899000)	(331186534)	(454708460)
<b>(B) Cash follow from investing activities</b>	<b>(472302012)</b>	<b>(16662637)</b>	<b>(761829890)</b>
1 Change in long term investment	9172505593)	(323460547)	(94679000)
2 Amount received from share	-	-	13414000
3 Purchase of F/A	(374084629)	(14116435)	(248462452)
4 Sales of F/A	-	-	1845299
5 Change in govt.debenture	-	-	(493535705)
6 Interest received from lantern Investment	50791403	319814530	397500
7 Bonus Income	1850862	1099815	58439435
7 Other	21645945	-	751032
<b>(C) Cash flow from financing activities</b>	<b>240000000</b>	<b>901799</b>	<b>(594112982)</b>
1 Change in Long term loan	-	-	-
2 Change in share capital	-	901799	-
3 Amount received from share application	-	-	(511512000)
4 Bonus payment	-	-	(58852252)
5 Interest payment on loan	-	-	(23748730)
Income/loss from change in exchange rate	-	90216822	13637129
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>1271315204</b>	<b>29222146</b>	<b>276551237</b>
<b>(E) Opening cash balance</b>	<b>1399825851</b>	<b>2021021068</b>	<b>2391420594</b>
<b>(F) Closing cash balance</b>	<b>2671141055</b>	<b>2050243214</b>	<b>2667971831</b>

#### **A. Cash Flow from Operating Activity**

The amount of total cash in flow from operating activities for NABIL, Standard chartered bank and EBL for the year 2064/65 are Rs. 1503617217, Rs. 45233838 and Rs. 1618856980 respectively. It describe that there is superb condition for operating cash in flow in standard chartered bank than other two banks. Above cash in flow is

the difference amount of cash receipt and payment from operating activities. Cash receipt from operating activities for these three banks NABIL, Standard chartered bank and EBL are Rs. 2444909153, Rs. 1862221002 and Rs. 1764958355 respectively. Similarly cash payment for operating activities is Rs. (1574326749), Rs. (16662637) and Rs. (761829890) respectively for these banks in the year 2064/65. Ratio shows that EBL bank is able to minimize its operating cost than other two banks.

Interest income for the year 2064/65 for NABIL, Standard chartered bank and EBL are Rs. 1943961572, Rs. 1295672504 and Rs. 1480965056 respectively. SCB has highest amount of cash receipt from interest but EBL has lowest total amount of interest receipt. NABIL lies between other two banks. Interest payment for deposit liability for these three banks for the year 2064/65 is Rs. (747397941) for NABIL, Rs. (474628760) for SCB and Rs. (612862000) for EBL. Spread is excess for SCB. So this bank was able to generate highest positive cash flow from operating activities. SCB has highest interest receipt but payment is also high. EBL transaction is in lowest condition so interest payment and receipt both are in low order. As a result spread is lowest for EBL bank.

Commission and discount income is the product of agency function. They are Rs. 156234754 for NABIL, Rs. 272068274 for SCB and Rs. 150264074 for EBL for the year 2064/65. It shows that more than total operating cash flow comes from commission and discount for NABIL. It is very much dependable factor for SCB also, but EBL is not being able to earn significant amount of commission and discount comparing among these three banks.

Exchange gain in the year 2064/65 for NABIL, SCB and EBL are Rs. 196487415, Rs. 255436198 and Rs. 50815249 respectively. Similarly exchange loss for the year 2064/65 is zero for all banks. Earning from exchange gain is very good for SCB. NABIL exchange gain is nearly its operating cash flow. Based on the transaction volume of EBL it is not bad, but good receipt for the bank. Comparatively SCB is the highest receiver of exchange gain.

The conclusion of this analysis shows better position of operating cash flow for all three banks. SCB realize highest amount of cash inflow due to the positive spread rate of interest. The bank can invest its operating cash into investing activities nearly 10% of the requirement. It is nearly 20% of the requirement for EBL.

### **B. Cash Flow from Investing Activity**

The amount of cash flow from investing activities is negative for each bank. It represents Rs. (472302012), Rs. (16662637) and Rs. (761829890) for NABIL, SCB and EBL respectively. It shows that political situation at that time was still in control. So the bank was able to make investment. NABIL bank's cash out flow from investing activities looks lowest, it is in low order if we compared with its other transaction. SCB is in the highest position to make investment as a result interest income is also high among three banks. EBL lies between other two banks. EBL is choosing moderate way to invest.

Cash flow from money at call and short notice are Rs. (346000000) and Rs. (436386100) and Rs. (8130992021) for EBL, SCB and NABIL respectively. SCB and NABIL provided call money to the other commercial bank. It represents the excess liquidity of NABIL and SCB. SCB is in front of other two banks to make investment for short period.

Investment represent for Treasury bill, development bond etc. EBL and SCB increased their investment, but NABIL sold its investment and received cash to use for other purpose.

Cash flow from loan advance and bills purchased are Rs. (5866826596), Rs. 3255242077 and Rs. (4772744402) respectively for NABIL, SCB and EBL for the year 2064/65. All the banks issued loan in this year, but SCB is in first position to grant loan. NABIL is in the lowest position to provide loan, but SCB is not able to invest as a loan significantly based on its network and transaction. It proved that the SCB is interested to do agency work rather than excess loan granting.

In the year 2064/65 these three banks purchased fixed assets, because cash flow from fixed assets is negative.

Cash flow from other assets is positive in this year. NABIL is able to create highest positive cash flow from other assets but EBL has lowest amount.

### **C. Cash Flow from Financing Activity**

Cash flow from financing activities for the year 2064/65 is positive for whole three banks. It is Rs. 240000000 for NABIL Rs. 901799 for SCB and Rs. (594112982) for EBL. SCB is the highest receiver of cash from financing activities. The main reason for increasing cash in flow is deposit liability.

The main source of financing cash flow is borrowing, but cash received from borrowing is negatives for SCB and NABIL for the year 2064/65. It is the sign of borrowing amount payment. Payment of borrowing for NABIL is higher than the SCB bank. It is 830 times more than SCB. The bank collects deposit under different amount. Collection of deposit is the sign of believe. It the very much important source of financing cash flow. Cash received from deposit for the year 2064/65 are positive. SCB is the highest receiver of deposit liability so it has significant amount of interest payment.

Cash flow from bills payable is Rs. (5866826596), Rs. 3255242077 and Rs. (4772744402) respectively for NABIL, SCB and EBL for the year 2064/65. SCB and NABIL have pending their bills to make payment, so cash in flow increased. It doesn't appear in big volume but it is most important non-interest bearing liability. Increase amount of bills payable represents cash in flow and vice-versa. The NABIL is in strong position to generate cash in flow from bills payable.

Cash flow from other liabilities rather than mention above is Rs.(44704477), Rs.78761702 and Rs.11241165 for EBL, SCB and NABIL respectively for the year 2060-61. EBL bank paid to many other liabilities in this year. But SCB and NABIL has significant amount of cash inflow from other liabilities.

From the view point of financing cash flow SCB is in the superb condition than other two banks in the year 2064/65.

#### D. Net Cash Flow for the Year

Overall cash in flow for the year 2064/65 are Rs (26376627), Rs (670136980) and Rs. (286162807) for EBL, SCB and NABIL respectively. Due to the highest cash out flow from investing activities total cash flow of SCB and EBL is negative. Only the NABIL bank has positive cash flow in total.

**Table 4.8**  
**Cash Flow Statement for the F.Y. 2065/66**

<b>Particulars</b>	<b>NABIL</b>	<b>SCBI</b>	<b>EBL</b>
<b>(A) Cash flow from operations</b>	<b>1725546699</b>	<b>6948938465</b>	<b>3695545034</b>
<b>1. Cash receipt</b>	<b>3200082634</b>	<b>2128177260</b>	<b>2440224660</b>
1.1 Interest Income	2577946273	1480241128	2071386385
1.2 Commission and discount income	179693027	238616592	202094446
1.3 Exchange gain	251919712	352358259	55861850
1.4 Other income	144164143	33191251	-
1.5 Bad debt recovery	46359479	23770030	110881979
<b>2. Cash payment</b>	<b>(2123536843)</b>	<b>(1963910721)</b>	<b>(1744322546)</b>
2.1 Interest expenses	(1162333767)	(521840234)	(1002376829)
2.2 Staff expenses	(333774593)	(254218116)	(163027617)
2.3 Office operating expenses	(197263402)	(250890193)	(2155784404)
2.4 Exchange loss	-	-	-
2.5 Income tax payment	(430165081)	(440908086)	(297471016)
2.6 Other expenses	-	(496054092)	(65868680)
<b>(B) Cash follow from investing activities</b>	<b>(1084175283)</b>	<b>(59904811980)</b>	<b>(240569259)</b>
1 Change in long term investment	(1040972089)	(6333302071)	(882500)
2 Amount received from share	-	-	-
3 Purchase of F/A	(131063717)	(24719699)	(144259524)
4 Sales of F/A	-	-	2016538
5 Change in govt.debenture	-	-	(190990168)
6 Interest received from lantern Investment	85451323	-	2025555
7 Bonus Income	2409200	365061547	91372640
7 Other	-	2479025	148200
<b>(C) Cash flow from financing activities</b>	<b>60000000</b>	<b>790400</b>	<b>34758588</b>
1 Change in Long term loan	-	-	312000000
2 Change in share capital	-	790400	(140000000)
3 Amount received from share application	-	-	-
4 Bonus payment	-	-	(126611886)
5 Interest payment on loan	-	-	(10629526)
Income/loss from change in exchange rate	-	127672654	6664969
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>701371416</b>	<b>1086920321</b>	<b>3496399332</b>
<b>(E) Opening cash balance</b>	<b>2671141055</b>	<b>2050243214</b>	<b>2667971831</b>
<b>(F) Closing cash balance</b>	<b>3372512471</b>	<b>3137163535</b>	<b>6164371163</b>

### **A. Cash Flow from Operating Activity**

Total cash flow from operating activities for the year 2065/66 is Rs. 1725546699, Rs. 6948938465 and Rs. 3695545034 respectively for NABIL, SCB and EBL. Like in previous year SCB has highest amount of operating cash flow. EBL lies between NABIL and SCB. NABIL holds lowest cash flow in the year 2065/66. Cash flow from operating activities increased for SCB and EBL as compare to the previous year.

Total cash receipt from operation is Rs. 2440224660 for EBL, Rs. 2128177260 for SCB and Rs. 3200082634 for NABIL in the year 2065/66. Total cash payment for operating activities for the year 2065/66 for NABIL bank is highest EBL has lowest amount of cash payment for operating purpose.

Interest income is Rs. 2577946273, Rs. 1480241128, and Rs. 2071386385 respectively for NABIL, SCB and EBL for the year 2062/63 respectively. Deviation between interest receipt and payment for cash flow purpose are important factor to determine the total cash flow. SCB bank is the highest generator of cash deviation from interest receipt and payment. EBL has lowest amount of interest receipt but interest payment is higher than SCB. SCB has lowest amount of interest payment but highest amount of interest income, so this bank is handsome to maintain highest spread of interest.

Cash received from commission and discount plays significant role in total operating cash flow. They are Rs. 179693027 for NABIL, Rs. 238616592 for SCB and Rs. 202094446 for EBL. In this income SCB has leading amount. EBL has lowest income but NABIL lies between them. It shows that SCB is the main bank to operate agency work. Cash flow from exchange gain is also one of the vital sources of operating activities. SCB has 8.25 times higher income from exchange gain with compared to EBL bank in this year, but NABIL has only 5.71 times higher cash received from exchange gain with respect to EBL bank, So SCB has leading amount from exchange gain also.

Cash received from non-operating income for NABIL has in highest position. Cash received from other income for the year 2065/66 are Rs. 144164143, Rs. 33191251 and Rs.nil respectively for NABIL, SCB and EBL. NABIL has highest amount but

EBL has lowest cash received from other income. SCB lies between EBL and NABIL.

In this year NABIL bank spends heavy amount for office operating cost. The banks have various branches in the country as a result total operating cost are increasing .Other main reason to increase the operating cost is software cost of the bank.

Cash receipt from operating activities contributed heavily to the investing purpose. In this year SCB does not invest any significant amount so the bank has excess liquidity as a result the bank provide short call money to other banks.

### **B. Cash Flow from Investing Activity**

Total amount cash flow from investing activities is Rs (1084175283), Rs. (59904811980) and Rs. (240569259) respectively for NABIL, SCB and EBL in the year 2065/66. SCB has highest amount of cash flow from investing activities, but EBL invest heavy amount. NABIL has significant amount of investment. EBL and NABIL have not positive cash flow from investing activities. Change in balance with bank for all three banks is positive .All the bank withdraw cash from its bank balance in this year

Cash flow from change in money at call and short notice are negative for EBL and SCB. There is positive cash flow from this source for NABIL. It is the result of excess liquidity but NABIL receives cash from this source in this year. Investment on Treasury bill and government bond increased only for EBL bank in this year. Other two banks sold out their investment amount in this year.

Cash flow from loan advance and bills payable are negative for each bank in the year 2065/66. NABIL has highest amount of cash out flow and EBL has lowest on loan and advance. SCB loan investment lies between NABIL and EBL which is slightly lower then NABIL. So loans advance and bills purchases are contributing negatively for cash in flow in the year 2065/66.

Change in fixed assets for the year 2065/66 is positive and cash received from other assets is also positive in this year.

### **C. Cash Flow from Financing Activity**

Total cash flow amount from financing activities is positive for EBL, NABIL and SCB in fiscal year 2065/66. They are Rs. 60000000 for SBI, Rs. 790400 for SCB and Rs. 34758588 for NABIL. NABIL and EBL has positive cash flow from financing activities but SCB generate negative cash flow from financing activities EBL has highest cash flow from financing activities borrowing and deposit cash collection.

Deposit is the most valuable source of financing for bank and financial institution. Deposit collection of the EBL bank is highest in this year but SCB paid heavy amount to the depositor in this year. But NABIL is still searching for good and reliable deposit. Cash flow from deposit is positive for the bank. In this year EBL return back the believe of the customer

Change in bills payable from the view point of cash basis are Rs.9346647711 for EBL, Rs.6127722333 for SCB and Rs.5433208373 for NABIL. EBL has pending bills payable amount. NABIL has highest amount of cash out flow from bills payable amount. NABIL bank is the only one bank it is generating positive cash flow from other liabilities in the year 2065/66.

### **D. Net Cash Flow for the Year.**

Net cash flows for the year 2065/66 are Rs.701371416 Rs.1086920321and Rs.3496399332 respectively for NABIL, SCB and EBL. Only SCB bank has positive overall cash flow which represents highest overall cash flow in the year 2065/66. Due to the positive operating and investing cash flow overall cash flow of the bank is positive. SCB has positive operating and financing cash flow but due to the heavy investment overall cash flow is negative.

## **4.4 Major Findings of the Study**

### **A. Everest Bank Limited**

#### **Cash Flow from Operating Activity**

- ◆ The bank lunch the deposit collection strategy in the year 2065/66.
- ◆ Total cash receipt is in increasing trend from operating activities.
- ◆ Interest incomes are volatile in nature but payments are increasing.



- ◆ Commission and discount income is the major source of cash receipt which contributes superbly in the operating cash flow.
- ◆ Exchange gains reduce heavily in the year 2063/64.
- ◆ Staff and operating expenses are one of the major parts of the cash payment and they are in increasing trend.
- ◆ Overall performance of the bank is satisfactory from the view point of operating activities.
- ◆ The bank is increasing its efficiency now days.

#### **Cash Flow from Investing Activity**

- ◆ Total cash flow from investing activities is volatile in nature.
- ◆ There is highest amount of investment in the year 2061/62.
- ◆ Short period investment like money at call and short notice is positive only in the year 2062/63.
- ◆ Investment on Treasury bill and government bonds is highest in the year 2064/65 due to lack of good investment sector.
- ◆ Investment on loan advance and bills purchase amount were in decreasing trends till the year 2063/64 but they are in increasing trend now days. Cash is not generating from this source.
- ◆ Purchase of fixed assets is highest in the year 2063/64.

#### **Cash Flow from Financing Activity**

- ◆ It is playing superb role to generate overall cash flow positive except in middle year.
- ◆ Public withdraw heavy amount from their deposit in middle year 2062/63. Bank re-backs public trust in the year 2063/64 to 2065-66
- ◆ Other current liabilities decreased in middle year & cash generated from it.

#### **Net Cash Flow for the Year**

- ◆ Overall cash flow was in increasing trends till the year 2063/64 but it is negative in the year 2064/65 and 2065/66 due to the investment amount.

## **B. Standard Chartered Bank Ltd.**

### **Cash Flow from Operating Activity**

- ◆ Total cash receipt from operation is in also rising, falling-rising trends.
- ◆ Interest income in the year 2062/63 is lowest than other year due to the lowest investment on loan and advance.
- ◆ Trend of exchange gain are in increasing but it is slightly decrease in the year 2065/66.
- ◆ Cash flow from other income is the main source of operating cash flow. Similarly other expenses plays significant role in total cash payment.
- ◆ In total fiscal year 2062/63 is the bad year from every point of view for operating cash flow.

### **Cash Flow from Investing Activities**

- ◆ Money at call and short notice balance increased in the year 2061-62, 2064-65 & 2065-66 but this source contributed positive cash flow in other two years.
- ◆ Investment on government treasure bill increased in the year 2063/64 to 2065/66 due to the highest liquidity and lack of other investment sector.
- ◆ Cash received from loan advance and bills payable are negative. It shows the lowest investment as a loan in the year 2062/63.
- ◆ Investments on other assets are in decreasing trend.

### **Cash Flow from Financing Activities**

- ◆ Highest amount of borrowing decreased in the year 2062/63 as a result cash flow from financing activities decreased.
- ◆ Collection of deposit in the year 2065/66 negative but there is positive cash flow in other four years.
- ◆ Cash received from bills payable are positive except in the year 2065/66.
- ◆ Cash received from other liability is negative only in all years which are taken into study.

### **Net Cash Flow for the Year**

- ◆ Overall cash flow is negative in the year 2063/64 and 2064/65 the highest cash out flow from investing activities.
- ◆ FY 2065/66 has positive cash flow due to the highest amount of investing cash flow.

## **C. NABIL Bank**

### **Cash Flow from Operating Activity**

- ◆ Cash flow from operating activities is positive for five years and lowest in the year 2062/63.
- ◆ Total cash payment is highest in the year 2063/64. As a result cash flow from operating activities is lowest.
- ◆ In the year 2061/62 interest received is highest because the company granted highest amount of loan in two years.
- ◆ Commission and discount income were in increasing trend till the year 2063/64 but they are in decreasing trend from the year 2064/65.
- ◆ Interest payment in the year 2065/66 is highest due to the highest collection of deposit.
- ◆ Staff, other expenses and operating expenses are highest in the year 2064/65 and 2065/66, because staffs are increasing highest in this year.

### **Cash Flow from Investing Activity**

- ◆ The Bank have not strong investment scheme.
- ◆ The Bank is depositing its money into N.R.B. and other commercial Bank due to the excess liquidity.
- ◆ The Bank sold out its Treasury bill and bonds in the year 2063/64 to 2065/66.
- ◆ Loans advance and bills purchase is in satisfactory manner because significant amount invested in the latest year.

### **Financing Activity**

- ◆ Cash flow from financing activities is in increasing trend.
- ◆ Deposit collection is not in satisfactory manner, public are withdrawing their deposits but in the year 2064/65 and 2065/66 the bank collect heavy amount from depositors because they are providing target of deposit to collect by their employee.
- ◆ Cash flow from bills payable and other liabilities are in falling-rising-falling trend.

### **Net Cash Flow for the Year**

- ◆ Overall cash flow in the year 2063/64 and 2065/66 is negative.

# **CHAPTER - V**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary**

The researcher used trend of cash flow to analysis the cash flow position of the selected joint venture bank. For this purpose the researcher selected three joint venture banks. They are

- ❖ Standard Chartered Bank
- ❖ NABIL Bank Ltd
- ❖ Everest Bank Limited

To prepare the cash flow statement, annual report of the bank and their annex are studied. Basically profit and loss A/C, Balance sheet and cash flow statement presented by the bank are viewed for the analysis purpose. Directives of Nepal Rastra Bank, Nepal Accounting Standard, company act and N.R.B. act are studied through out the period of research. Books related with cash flow and accounting written by Nepalese writers is studied. Then the researcher analyzes five year cash flow position of the banks from different activities with respect to the year and banks are present for the fiscal year 2061/62,2062/63,2063/64,2064/65 and 2065/66. Previous theses and article related to the subject matter are also studied for the research purpose. Based on the chart and trend analysis summary of the study are as follows.

#### **Cash Flow from Operating Activities**

- ❖ Total operating cash flow of EBL Bank is in decreasing trend.
- ❖ But total cash flow from operating activities for NABIL and standard chartered are in volatile nature. They are in decrease-increase trend.
- ❖ Cash flow from operating activities is positive for all these three banks.
- ❖ These banks have surplus fund to invest as loans and advance, fixed assets as well as investment on government securities from operating cash flow.

- ❖ Standard Chartered bank has excess positive cash flow from operating activities than other two banks due to the highest commission and discount income.
- ❖ Standard Chartered have strong international network to do agency work and to earn commission and discount income.
- ❖ NABIL have highest interest income but lowest total operating cash flow.
- ❖ Total cash payment for EBL bank under operating activities is in decrease-increase trend. Similarly NABIL and Standard Chartered have volatile nature in total cash payment also.
- ❖ Total interest expenses of EBL bank is in increasing trend but NABIL and Standard Chartered interest expenses are in decreasing trend EBL is in poorest condition.
- ❖ Operating expenses and staff expenses are in increasing trend for all the banks.
- ❖ Significant amount of cash receipt from exchange gain for all these three banks. But standard Chartered have highest amount of exchange gain due to the highest amount of foreign currency transaction.

In an aggregate analysis cash flow from operating activities is the main source to operate banks. Open market policy of the bank to charge interest rate is being reason to reduce spread rate. Interest income is the main sources of revenue. But due to the various factors like peace and security are being determinant to reduce interest income so heavy amount of cash is receiving from agency work like commission and discount income.

### **Investing Activities**

- ❖ Cash flows from investing activities are not in increasing or decreasing trend, these are volatile in nature.
- ❖ In the middle year 2062/63 all these banks have positive cash flow from investing activities due to the lowest amount of investment, loan and advance.
- ❖ Only fixed assets are not major parts of the investing activities because they are very small with compare to the total investing cash flow.

- ❖ EBL bank has not any cash flow from money at call and short notice. Standard Chartered received short call money to fulfill cash reserve ratio (CCR). But NABIL bank provides these facilities to the other banks in the year 2063/64.
- ❖ Due to the safety of deposits and lack of improper credit product, EBL bank invested significant amount on government treasury bills and development bond SCB invested on these sector in the year 2063/64 heavily. But NABIL bank sold out its investment on the same year.
- ❖ Only NABIL has positive cash flow from loan advance and bills purchase in the year 2062/63. But there are investments on loan and advance in other year for every bank.
- ❖ NABIL has highest amount of investment on fixed assets than other two banks.
- ❖ Except NABIL, EBL and SCB has negative cash flow from other assets. But in recent year NABIL has also cash out flow under other assets.
- ❖ Only operating cash flow are not sufficient to make investment so cash should be taken from financing activities.
- ❖ SCB has positive amount of cash from fixed assets because the bank has policy of charging expenses if the value of assets are less than four lakhs.

### **Financing Activities**

Total cash flows from financing activities are in decrease - increase trend for EBL and SCB.

NABIL is in decreasing trend for cash flow from financing activities up to the year 2063/64 but it is in increasing trend.

- ❖ Borrowings are the key financial source. But they are not in cash in flow for EBL and SCB and NABIL. Except the fiscal year 2063/64 to 2065/66 for EBL and 2061/62 for NABIL.
- ❖ Bills are the sources of cash that is receipt from remittance money. EBL paid bills payable amount. But SCB has positive cash flow from bills payable. In the year 2063/64 and 2065/66 NABIL has also negative cash flow from bills payable.
- ❖ Receiving deposit is the main function of commercial bank and main source of cash in flow. If the source of investment are available then cash

should be taken from deposit collection of deposit are also volatile in nature. They are decreasing and increasing. Only SCB has positive cash flow due to the public faith but the bank paid out heavy amount to its depositors in the year 2065/66.

### **Net cash flow of the year**

Trend of the accumulate cash flow received from different activities are in rising-falling. In other words they are volatile in nature.

## **5.2 Conclusion**

EBL, SCB and NABIL are the main actor of money market. They are operating in high amount of operating profit. They are paying tax revenue to the government and facilitating people by providing new and latest banking services. Profit and loss A/C and balance sheet of these banks are strong.

But now a day's cash flow statement is being mandatory to submit for annual report and cash flow is being a key financial indicator to analyze the strength and weakness of the firm. Only profit making on accrual basis does not provide the real figure of the firm so income should be treated on cash basis according to the NRB directive for financial institution. If profit is negative but cash flow is positive then stakeholder believe for us now a day's. So cash flow analysis is necessary .By analyzing the three year cash flow statement following conclusion were found.

### **Everest Bank Limited**

- ❖ Operating cash flow is positive.
- ❖ The bank is suffering from bad public faith with compare to the other banks.
- ❖ There lack of proper deposit mix because cash payment for payment is not in right manner.
- ❖ New source of investment are not available.
- ❖ Interest bearing deposit is higher than non-interest bearing deposit.
- ❖ Spread rate is tight.
- ❖ Commission and discount income are lower than other selected banks.

- ❖ Operating expenses are in increasing trend.
- ❖ Main source of interest income is loan and advance.

### **Standard Chartered Bank**

- ❖ Spread rate is highest than other selected banks.
- ❖ Agency work is strong due to the worldwide network.
- ❖ Office and staff expenses are not in irrelevant position comparing with operating profit.
- ❖ Investments are in decreasing trend which is not a good sign for future perspective.
- ❖ The bank has good public faith so deposits are increasing.
- ❖ Due to the strong worldwide networking fund transfer is accessible.
- ❖ Operating cash flow is positive, financial cash flow is also positive to some extent.
- ❖ Liquidity position of the bank is strong.
- ❖ Cash management policy of the bank is in proper way.

### **Nabil Bank Ltd.**

- ❖ Operating cash flow is positive but not in significant level based on bank reputation and network.
- ❖ Interest income is in significant level but not sufficient.
- ❖ One of the main problems of the bank is increasing staff and operating cost.
- ❖ Commission and discount income are in good position but lower than standard Chartered Bank.
- ❖ Investing cash out flow is decreasing which is the serious problem.
- ❖ Deposits were in decreasing trend. Now days they are good due to the new management plan.
- ❖ The bank is planning to increase the deposit by launching new deposit collection policy and cash flow from non interest bearing deposit should be increase.
- ❖ The bank is doing retail banking to create good positive cash flow.



### **5.3 Recommendations**

On the basis of above analysis the following recommendations have been made to the concerned banks.

#### **Everest Bank Limited**

- ❖ Operating cash flow is positive but this source should be enhancing by lunching new product.
- ❖ Interest bearing deposit may be reducing and non-interest bearing deposit should be increase to reduce the interest expenses.
- ❖ Spread rate is tight so it should be wide by making proper deposit mix.
- ❖ Commission and discount income should be increase by managing remittance money and providing trade facilities to the business houses.
- ❖ Operating expenses are increasing so it should be reduced.
- ❖ The bank may be merged to the other bank to make Rs. 1000 million paid up capital up to the year 2068.
- ❖ Main source of interest income is loan and advance but they are in decreasing trend so new area of investment should be found out.

#### **Standard Chartered Bank**

- ❖ Agency work is strong with compare to the other bank so should be keep it up.
- ❖ Office and staff expenses have to be reduces to earned highest operating profit.
- ❖ Investments are in decreasing trend which is not a good sign for future perspective so loan and advance should be increased.
- ❖ The bank has good public faith so deposits are increasing but the bank has to manage it deposit mix by reducing interest bearing deposit.
- ❖ Due to the strong worldwide networking fund transfer should be manage properly.

#### **NABIL Bank**

- ❖ Operating cash flow is positive but not in significant level based on bank reputation and network so operating cash payment should be reduces.

- ❖ Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
- ❖ Trend of increasing staff and operating cost should be minimizing.
- ❖ Agency work should be done properly to increase commission and discount income.
- ❖ Investing cash out flow is decreasing so consumer and retail banking should be enhancing.
- ❖ Deposits were in decreasing trend. Now days they are good due to the new management plan so this plan should be enhance and develop. New saving policy should be lunch.

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[www.nabilbank.com](http://www.nabilbank.com)

[www.nrb.org.np](http://www.nrb.org.np)

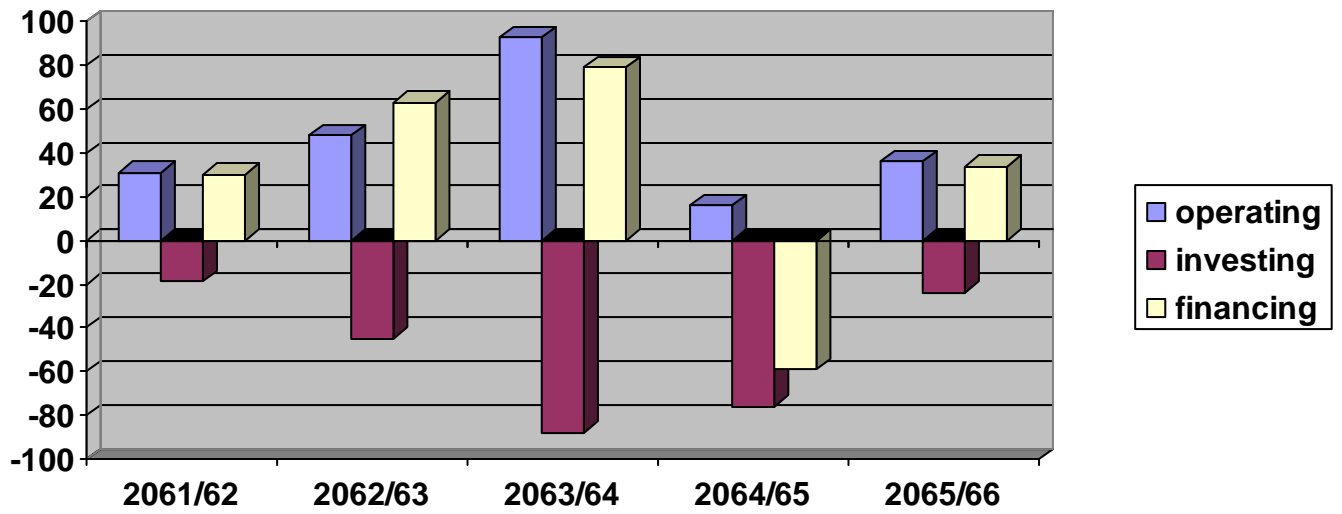
[www.standardbank.com](http://www.standardbank.com)

# ANNEXURE -A

## HIGHLIGHTS OF THE CASH FLOW FROM DIFFERENT ACTIVITIES

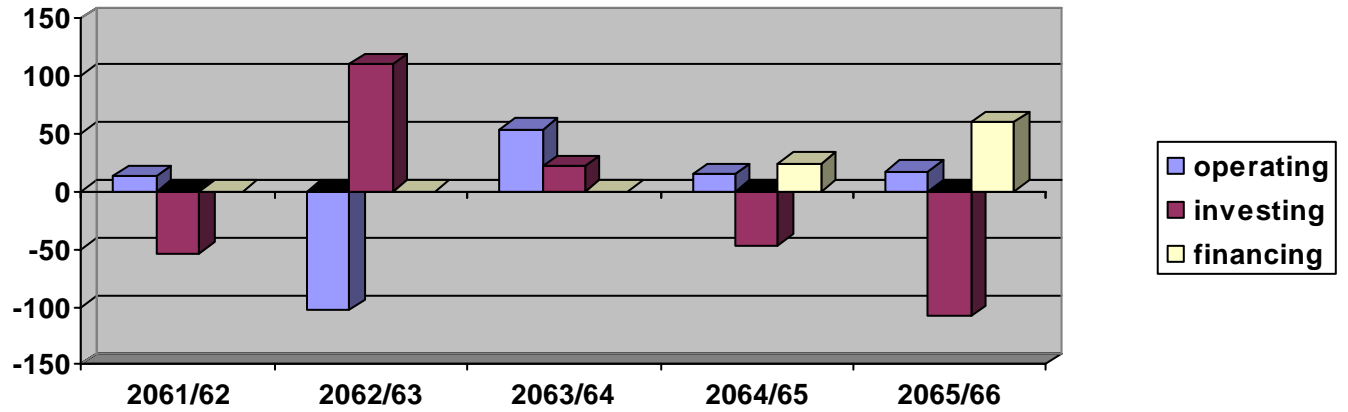
'In 00000000'

### Everest Bank Limited



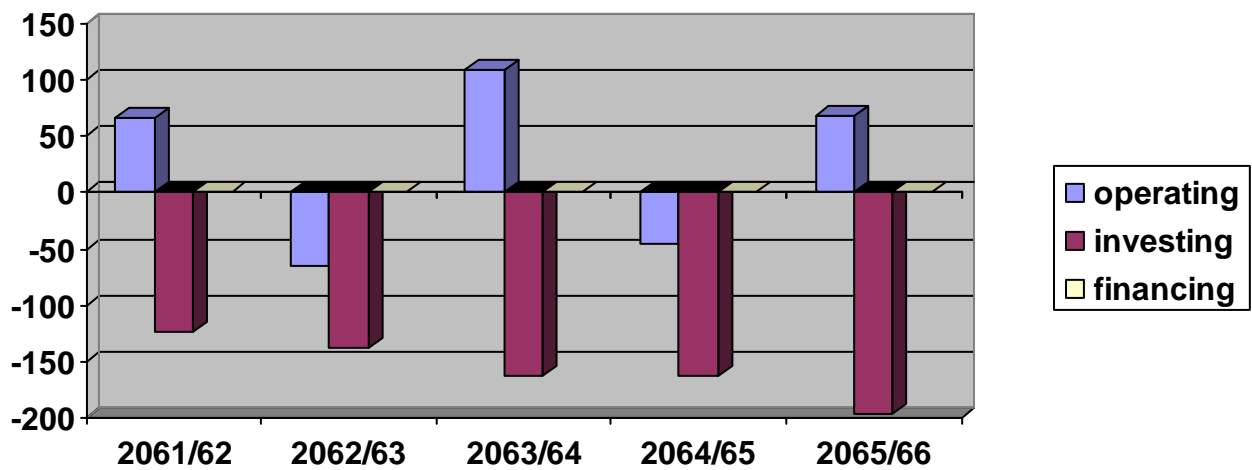
'In 00000000

## NABIL Bank Limited



# Standard Chartered Bank Limited

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## **ANNEXURE B**

### **Everest Bank Limited**

#### **Cash Flow Statement for the F.Y. 2061/62 to 2065/66**

<b>Particulars</b>	<b>2061/62</b>	<b>2062/63</b>	<b>2063/64</b>	<b>2064/65</b>	<b>2065/66</b>
<b>(A) Cash flow from operations</b>	<b>311508176</b>	<b>485749371</b>	<b>935776872</b>	<b>1618856980</b>	<b>3695545034</b>
<b>1. Cash receipt</b>	<b>864481382</b>	<b>1135463692</b>	<b>1372775899</b>	<b>1764958355</b>	<b>2440224660</b>
1.1 Interest Income	725011927	973180328	1157394126	1480965056	2071386385
1.2 Commission and discount income	78130046	96839264	117718162	150264074	202094446
1.3 Exchange gain	27077784	14397970	27129990	50815249	55861850
1.4 Non-Operating income	-	-	-	-	-
1.5 Other income	34261625	51046310	70533621	82913977	110881979
<b>2. Cash payment</b>	<b>(594602963)</b>	<b>(720434603)</b>	<b>(892082135)</b>	<b>(1154930217)</b>	<b>(1744322546)</b>
2.1 Interest expenses	(312880500)	(392252532)	(492278489)	(612862000)	(1002376829)
2.2 Staff expenses	(84054864)	(99004928)	(78118226)	(127972593)	(163027617)
2.3 Office operating expenses	(105223110)	(115090880)	(146568951)	(177576476)	(2155784404)
2.4 Exchange loss	-	-	-	-	-
2.5 Income tax payment	(92444489)	(114086263)	(140556436)	(191048302)	(297471016)
2.6 Other expenses	-	-	(34560033)	(45470846)	(65868680)
<b>(B) Cash follow from investing activities</b>	<b>(193323899)</b>	<b>(45771085)</b>	<b>(888791146)</b>	<b>(761829890)</b>	<b>(240569259)</b>
z 1 Purchase of share and Debenture	(1545280000)	(93802)	-	(94679000)	(882500)
2 Amount received from share	-	-	-	13414000	-
3 Purchase of F/A	(38820899)	(45838783)	(49934128)	(248462452)	(144259524)
4 Sales of F/A	-	-	949783	1845299	2016538
5 Change in govt.debenture	-	-	(863917497)	(493535705)	(190990168)
Sales of NBA	-	-	11580378	397500	2025555
6 Interest received from longterm Investment	-	-	12276398	58439435	91372640

	7 Bonus Income	25000	161500	253920	751032	148200
<b>(C)</b>	<b>Cash flow from financing activities</b>	<b>300000000</b>	<b>63000000</b>	<b>790192820</b>	<b>(594112982)</b>	<b>34758588</b>
	1 Change in Long term loan	300000000	-	-	-	312000000
	2 Change in share capital	-	63000000	-	-	(140000000)
	3 Amount received from share application	-	-	911512000	(511512000)	-
	4 Bonus payment			(104222751)	(58852252)	(126611886)
	5 Interest payment on loan			(17096429)	(23748730)	(10629526)
	Income/loss from change in exchange rate	-	-	1274554	13637129	6664969
<b>(D)</b>	<b>Net cash flow of the year (A-B-C)</b>	<b>418184277</b>	<b>502978286</b>	<b>838453100</b>	<b>276551237</b>	<b>3496399332</b>
<b>(E)</b>	<b>Opening cash balance</b>	<b>631804931</b>	<b>1049989208</b>	<b>1552967494</b>	<b>2391420594</b>	<b>2667971831</b>
<b>(F)</b>	<b>Closing cash balance</b>	<b>1049989208</b>	<b>1552967494</b>	<b>2391420594</b>	<b>2667971831</b>	<b>6164371163</b>

**NABIL Bank Limited**  
**Cash Flow Statement for the F.Y. 2061/62 to 2065/66**

Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
<b>(A) Cash Flow from Operations</b>	<b>138778166</b>	<b>(1030740778)</b>	<b>544233717</b>	<b>1503617217</b>	<b>1725546699</b>
<b>1. Cash Receipt</b>	<b>1398842403</b>	<b>1572877673</b>	<b>2009665057</b>	<b>2444909153</b>	<b>3200082634</b>
1.1 Interest Income	957381795	1092644431	1517960858	1943961572	2577946273
1.2 Commission and discount income	128376550	138293913	150608550	156234754	179693027
1.3 Exchange gain	184878868	185483662	209926167	196487415	251919712
1.4 Other income	55915818	82897862	87574553	97444578	144164143
1.5 Bad debt recovery	72289372	73557805	43594929	50780834	46359479
<b>2. Cash payment</b>	<b>(899136040)</b>	<b>(1014973709)</b>	<b>(1381651926)</b>	<b>(1574326749)</b>	<b>(2123536843)</b>
2.1 Interest expenses	(243544611)	(357090465)	(555211049)	(747397941)	(1162333767)
2.2 Staff expenses	(199516217)	(219780853)	(240161275)	(257062282)	(333774593)
2.3 Office operating expenses	(128520003)	(119986540)	(130833888)	(157222785)	(197263402)
2.4 Exchange loss	-	-	-	-	-
2.5 Income tax payment	(237671128)	(228136589)	(355691118)	(303744741)	(430165081)
2.6 Other expenses	(89884081)	(89979262)	(99754596)	(108899000)	-
<b>(B) Cash follow from investing activities</b>	<b>(549884095)</b>	<b>1101598752</b>	<b>225353544</b>	<b>(472302012)</b>	<b>(1084175283)</b>

1	Change in long term investment	(576837325)	1013601127	173765973	(172505593)	(1040972089)
2	Amount received from share	-	-	-	-	-
3	Purchase of F/A	(84888597)	(21060114)	27263127	(374084629)	(131063717)
4	Sales of F/A	-	-	-	-	-
5	Change in govt.debenture	-	-	-	-	-
6	Interest received from longterm Investment	111364974	107822929	71465449	50791403	85451323
7	Bonus Income	476853	1234810	720323	1850862	2409200
7	Other	-	-	6664926	21645945	-
<b>(C)</b>	<b>Cash flow from financing activities</b>	-	-	-	<b>240000000</b>	<b>60000000</b>
1	Change in Long term loan	-	-	-	-	-
2	Change in share capital	-	-	-	-	-
3	Amount received from share application	-	-	-	-	-
4	Bonus payment	-	-	-	-	-
5	Interest payment on loan	-	-	-	-	-
	Income/loss from change in exchange rate	-	-	-	-	-
<b>(D)</b>	<b>Net cash flow of the year (A-B-C)</b>	<b>(411105929)</b>	<b>70857974</b>	<b>769587261</b>	<b>1271315204</b>	<b>701371416</b>
<b>(E)</b>	<b>Opening cash balance</b>	<b>970486543</b>	<b>559380614</b>	<b>630238588</b>	<b>1399825851</b>	<b>2671141055</b>
<b>(F)</b>	<b>Closing cash balance</b>	<b>559380614</b>	<b>630238588</b>	<b>1399825851</b>	<b>2671141055</b>	<b>3372512471</b>

**Standard Chartered Bank Nepal Limited**  
**Cash Flow Statement for the F.Y. 2061/62 to 2065/66**

Particulars	2061/62	2062/63	2063/64	2064/65	2065/66
<b>(A) Cash flow from operations</b>	<b>600036268</b>	<b>(658562486)</b>	<b>1092749033</b>	<b>(45233838)</b>	<b>6948938465</b>
<b>1. Cash receipt</b>	<b>638867841</b>	<b>714577199</b>	<b>1572010974</b>	<b>1862221002</b>	<b>2128177260</b>
1.1 Interest Income	156369912	182302455	1071701495	1295672504	1480241128
1.2 Commission and discount income	183432692	220450214	224164421	272068274	238616592
1.3 Exchange gain	266864869	283471852	237103978	255436198	352358259
1.4 Other income	31899978	26766160	38020746	33176780	33191251
1.5 Bad debt recovery	300390	1576518	1020334	5867246	23770030
<b>2. Cash payment</b>	<b>(1238904109)</b>	<b>(1373139685)</b>	<b>(1631699607)</b>	<b>(1621292559)</b>	<b>(1963910721)</b>
2.1 Interest expenses	(255528777)	(300222265)	(397832097)	(474628760)	(521840234)
2.2 Staff expenses	(148037439)	(168497496)	(200045248)	(223667612)	(254218116)
2.3 Office operating expenses	(167433658)	(188079960)	(207528139)	(206769247)	(250890193)
2.4 Exchange loss	-	-	-	-	-
2.5 Income tax payment	(262503579)	(265502934)	(330025738)	(385040406)	(440908086)
2.6 Other expenses	(405400656)	(450837030)	(496268385)	(331186534)	(496054092)
<b>(B) Cash follow from investing activities</b>	<b>(2572640079)</b>	<b>(2240509850)</b>	<b>(421102274)</b>	<b>(16662637)</b>	<b>(5990481198)</b>
1 Change in long term investment	1657775152	(3144982442)	(714678023)	(323460547)	(6333302071)
2 Amount received from share	-	-	-	-	-
3 Purchase of F/A	1518068	(47539177)	(33230334)	(14116435)	(24719699)
4 Sales of F/A	-	-	-	-	-
5 Change in govt.debenture	-	-	-	-	-
Sales of NBA	-	-	-	-	-
6 Interest received from long term Investment	913297506	951913064	326549868	319814530	365061547
7 Bonus Income	49353	98705	256215	1099815	2479025

<b>(C) Cash flow from financing activities</b>	-	-	<b>1150360</b>	<b>901799</b>	<b>790400</b>
1 Change in Long term loan	-	-	-	-	-
2 Change in share capital	-	-	1150360	901799	790400
3 Amount received from share application	-	-	-	-	-
4 Bonus payment	-	-	-	-	-
5 Interest payment on loan	-	-	-	-	-
Income/loss from change in exchange rate	-	-	71982526	90216822	127672654
<b>(D) Net cash flow of the year (A-B-C)</b>	<b>(912046755)</b>	<b>165124529</b>	<b>744779645</b>	<b>29222146</b>	<b>1086920321</b>
<b>(E) Opening cash balance</b>	<b>2023163649</b>	<b>1111116894</b>	<b>1276241423</b>	<b>2021021068</b>	<b>2050243214</b>
<b>(F) Closing cash balance</b>	<b>1111116894</b>	<b>1276241423</b>	<b>2021021068</b>	<b>2050243214</b>	<b>3137163535</b>