

**A STUDY OF CASH MANAGEMENT IN NEPALESE PRIVATE
ENTERPRISE**

(A Case Study of Hulas Steel industries Pvt. Ltd.)

**A Thesis Submitted to
Office of the Dean
Faculty of Management
Tribhuvan University**

**In the Partial Fulfillment of the Requirement for the Degree of
Master in Business Studies (MBS)**

Submitted by

Yubraj Poudyel

Shanker Dev Campus

Regd No. : 7-2-424-49-2003

Campus Roll No. : 1083/063

Exam Roll No. : 2560

Shanker Dev Campus

Putali Sadak, Kathamndu

April, 2010

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Yubraj Poudyel

Entitled:

**A Study of Cash Management in Nepalese Private Enterprise
(A Case Study of Hulas Steel industries Pvt. Ltd.)**

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

Lecturer Joginder Goet
Supervisor

Prof. Dr. Kamal Deep Dhakal
Campus, Chief

Prof. Bisheshwor Man Shrestha
Head of the Department

Date:

VIVA – VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Yubraj Poudyel

Entitled:

**A Study of Cash Management in Nepalese Private Enterprise
(A Case Study of Hulas Steel industries Pvt. Ltd.)**

and found the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Chairperson (Research Committee) _____

Member (Thesis Supervisor) _____

Member (External Expert) _____

Date:

DECLARATION

I hereby declare that the work reported in this thesis entitled "**A Study of Cash Management in Nepalese Private Enterprise (A Case Study of Hulas Steel industries Pvt. Ltd.)**" submitted to the Research Department of Management, Shanker Dev Campus, Putali Sadak is my original work. It is done in the form of partial fulfillment of the requirements for the Master of Business Studies (MBS) under the supervision and guidance of Lecturer Joginder Goet Shanker Dev Campus, Putali Sadak.

April, 2010

Yubraj Poudyel

Acknowledgement

Cash Management is an important aspect of business operation. In order to operate daily activities, cash is needed. If managed properly, organization can easily perform business. Treating cash management as the crucial factor, this study has been conducted entitled "A Study of Cash Management of Nepalese Private Enterprise: A Case Study of Hulas Steel Industries Pvt. Ltd."

I would like to extend thanks to my thesis advisors Lecturer Joginder Goet for the invaluable suggestions, Co-operative, support, guidance and supervision to complete this thesis and making this research a product.

I would like to thank Mrs. Laxmi Pokhrel for her encouragement and uncountable contribution to complete this research work. This task would not have been completed on time without her regular support.

Similarly, I would like to thank my family member for continuous support in completion of his research work.

Similarly, I would like to thank all the staffs of Hulas Steel Industries Pvt. Ltd. and more specially Mr. U.P. Mishra, Project and Sales executive, Mr. Puspa Raj Bhattarai, Project Coordinator and Mr. Imadutta Adhikari, Sales Officer for their valuable suggestions, sincere cooperation and for providing information for the study.

Finally, thanks are also due to all those who were always in my side with best wishes for finalizing this research successfully. I would also like to welcome any comments and suggestions that will be the special guideline to me for research work in future.

Yubraj Poudyel

CONTENTS

| | Page |
|---|--------------|
| <i>Recommendation</i> | |
| <i>Viva-Voce Sheet</i> | |
| <i>Declaration</i> | |
| <i>Acknowledgements</i> | |
| <i>Contents</i> | |
| <i>List of Tables</i> | |
| <i>List of Figures</i> | |
| <i>Abbreviation</i> | |
| | |
| CHAPTER I: INTRODUCTION | 1-13 |
| 1.1 Background of the Study | 1 |
| 1.1.1 Private Sector Development Policy in Nepal | 3 |
| 1.1.2 A Brief Definition of Cash Management | 5 |
| 1.1.3 A Brief Introduction to Private Enterprises | 6 |
| 1.1.4 Introduction to Hulas Steel Industries Pvt. Ltd | 6 |
| 1.2 Statement of the Problems | 10 |
| 1.3 Objective of the Study | 11 |
| 1.4 Scope and Limitation of the Study | 11 |
| 1.5 Organization of the Study | 12 |
| | |
| CHAPTER II: REVIEW OF LITERATURE | 14-31 |
| 2.1 Conceptual Framework | 14 |
| 2.1.1 Meaning of Cash Management | 14 |
| 2.1.2 Functions of the Cash Management | 15 |
| 2.1.3 Objectives of Cash Management | 15 |
| 2.1.4 Efficiency of Cash Management | 17 |
| 2.1.6 Determining the Optimum cash Balance | 19 |
| 2.1.7 Motives of Holding Cash | 24 |
| 2.2 Introduction and Purpose | 25 |

| | | |
|--------|---|--------------|
| 2.2.1 | Review of Books | 26 |
| 2.2.2 | Review of Thesis | 28 |
| | CHAPTER III: RESEARCH METHODOLOGY | 32-43 |
| 3.1 | Research Design | 32 |
| 3.2 | Collection Procedures | 32 |
| 3.3 | Financial and Statistical Tools for Analysis of Data | 33 |
| 3.3.1 | Financial Tools for Analysis of Data | 33 |
| 3.3.2 | Statistical Tools for Analysis of Data | 38 |
| | CHAPTER IV: DATA PRESENTATION AND ANALYSIS | 44-82 |
| 4.1 | Analysis of Secondary Data by “Financial Tools” | 44 |
| 4.1.1 | Analysis of Cash and Bank Balance | 44 |
| 4.1.2 | Analysis of Cash Turnover Ratio | 46 |
| 4.1.3 | Analysis of Current Ratio | 47 |
| 4.1.4 | Analysis of Quick Ratio | 48 |
| 4.1.5 | Analysis of Receivable Turnover Ratio | 49 |
| 4.1.6 | Analysis of Inventory Turnover Ratio | 51 |
| 4.1.7 | Analysis of Cash and Bank Balance to Account Receivable | 52 |
| 4.1.8 | Analysis of cash and Bank Balance to current Assets | 53 |
| 4.1.9 | Analysis of Cash and Bank Balance to Current Liabilities | 55 |
| 4.1.10 | Analysis of Net profit Margin Ratio | 56 |
| 4.1.11 | Analysis of Return an Working Capital | 57 |
| 4.1.12 | Analysis of Net Profit after Tax to Quick Assets | 58 |
| 4.2 | Analysis of Secondary Data by "Statistical Tools" | 59 |
| 4.2.1 | Analysis of Dispersion in Cash and Bank Balance | 59 |
| 4.2.2 | Fitting the Straight Line Trend by Least Square Method for Radiations in Cash and Bank Balance | 59 |
| 4.2.3 | Analysis of Karl Pearson's Coefficient of Correlation or Between Sales and Cash Balance | 60 |
| 4.2.3 | Regression Analysis | 62 |

| | | |
|-------|---|----|
| 4.2.4 | Analysis of Karl Pearson's Coefficient of Correlation Between Account Receivable and Cash Sales | 63 |
| 4.2.5 | Analysis of Karl Pearson's Coefficient of Correlation (r) between Current Assets and Cash Balance | 66 |
| 4.2.6 | Analysis Karl Pearson's Coefficient of Correlation (r) between Current Liabilities and Cash Balance | 67 |
| 4.2.7 | Analysis of Karl Pearson's Coefficient of Correlation (r) between Net Profit after Tax and Cash Balance | 68 |
| 4.3 | Analysis of Cash Flow Statement | 69 |
| 4.3.1 | Analysis of Operating Activities | 70 |
| 4.3.2 | Analysis of Investing Activities | 70 |
| 4.3.3 | Analysis of Financing Activities | 70 |
| 4.4 | Analysis of Budgeting Allocation Practice of Hulas Steel Industries | 74 |
| 4.5 | Analysis of Primary Information Collected Through Questionnaire | 74 |
| 4.6 | Major Findings | 77 |
| 4.6.1 | Overall Cash Management | 77 |
| 4.6.2 | Liquidity Position | 79 |
| 4.6.3 | Cash Flow Statement | 80 |
| 4.6.4 | Cash Budgeting Practice | 81 |
| 4.6.5 | Issues and Constraints | 81 |

CHAPTER V: SUMMARY, CONCLUSION AND RECOMMENDATIONS **83-88**

| | | |
|-----|----------------|----|
| 5.1 | Summary | 83 |
| 5.2 | Conclusion | 85 |
| 5.3 | Recommendation | 86 |

BIBLIOGRAPHY **89-90**

APPENDIX

LIST OF FIGURE

| | Page |
|--|-------------|
| Table 1: Analysis of Cash and Bank Balance | 44 |
| Table 2: Analysis of Cash Turnover Ratio | 46 |
| Table 3: Analysis of Current Ratio | 48 |
| Table 4: Analysis of Quick Ratio | 49 |
| Table 5: Analysis of Receivable Turnover Ratio | 50 |
| Table 6: Analysis of Inventory Turnover Ratio | 51 |
| Table 7: Analysis of cash and Bank Balance to Account Receivable | 52 |
| Table 8: Analysis of Cash and Bank Balance to Current Assets | 54 |
| Table 9: Analysis of Cash and Bank Balance to Current Liabilities | 55 |
| Table 10: Analysis of Net Profit Margin Ratio | 57 |
| Table 11: Analysis of Return on Working Capital | 57 |
| Table 12: Analysis of Net Profit after Tax to Quick Assets | 58 |
| Table 13: Analysis of Dispersion in Cash and Bank Balance | 59 |
| Table 14: Analysis of Karl Pearson's Coefficient of Correlation between Sales and Cash Balance | 61 |
| Table 15: Analysis of Karl Pearson's Coefficient of Correlation Between Account Receivable and Cash Balance | 63 |
| Table 16: Analysis of Karl Pearson's Coefficient of Correlation (r) between Current Assets and Cash Balance | 66 |
| Table 17: Analysis of Karl Pearson's Coefficient of Correlation (r) between Current Liabilities and Cash Balance | 67 |
| Table 18: Analysis of Karl Pearson's of Coefficient of Correlation (r) between Net Profit of after Tax and Cash Balance | 68 |
| Table 19: Cash Flow Statement FY 2061/62 and 2062/63 | 71 |
| Table 20: Cash Flow Statement FY 2063/64 and 2064/65 | 72 |
| Table 21: Cash Flow Statement FY 2065/66 | 73 |
| Table 22: Analysis of Respondent Answer | 75 |

LIST OF FIGURES

| | Page |
|---|-------------|
| Figure 1: Determination of Optimum Cash Balance Page | 21 |
| Figure 2: Baumol's Model for Cash Balance | 22 |
| Figure 3: Relationship between Average Cash Balance and Cash Maintain | 23 |
| Figure 4: Cash and Bank Balance (FY 2061-62, 2065-66) | 45 |
| Figure 5: Cash Turnover Ratio (FY 2061/62-2065/66) | 47 |
| Figure 6: Cash and Bank Balance to Account Receivables | 53 |
| Figure 7: Cash and Bank Balance to Current Assets | 55 |
| Figure 8: Cash and Bank Balance to Current Liabilities | 56 |
| Figure 9: Trend Line for Variation in Cash Balance | 60 |

ACRONYMS AND ABBREVIATION

| | | |
|-------|---|--|
| ' | : | Second |
| % | : | Percentage |
| ° | : | Degree |
| A/C | : | Account |
| BS | : | British Standard |
| C.V | : | Coefficient of variation |
| E | : | East |
| EDTC | : | Electronic Depository Transfer Cheque |
| FY | : | Fiscal Year |
| G.I. | : | Galvanized Iron |
| GON | : | Government of Nepal |
| HIAC | : | Nepal Industrial Development Corporation |
| HIPCO | : | Himali Pipe Pvt. Ltd. |
| HSIPL | : | Hulas Steel Industries Pvt. Ltd. |
| I.S. | : | Indian Standard |
| ISO | : | International Standard Organization |
| JIS | : | Japanese Standard |
| MS | : | Mild Steel |
| MT | : | Metric Ton |
| NRs. | : | Nepalese Rupee |
| PE | : | Probable Error |
| r | : | Correlation |
| S.D | : | Standard Deviation |
| Sq. | : | Square |
| US | : | United State |