

Chapter - I

Introduction

1.1 Background of the Study

Financial Institutions are one of the main sources of economy of every nation. They do several economic and financial activities. But most of them are not operating well. They are suffering from various problems directly and indirectly.

Organized banks are not the pioneers of financial transaction. There was lot of actors who contributed to this field. Even before the establishment of banking system in Nepal, financial transactions were in practice as under taken by some moneylenders like Sahu-mahajan & Jamindars. The financial transactions that help during those days were not in an organized manner. Such organized way of financial affairs could not lead the nation towards the economic development. Hence, to fulfill the growing need of Nepalese economy; Nepal Bank Limited came into existence in 1937 as the first commercial bank of Nepal even before the establishment of central bank i.e. Nepal Rastra Bank.

Nepal Bank Ltd. started an act of consolidating the scattered capital since its establishment in order to mobilize in productive sector. It developed a systematic tradition & culture of modern banking system in Nepal. Such system could able to establish a strong base for the upliftment of Nepalese National economy.

In 1995, Nepal Rastra Bank was established under Nepal Rastra Bank Act, 1995. It has been playing significant role "to insure proper management for the issue of Nepalese currency notes to make proper arrangements for the circulation of Nepalese currency throughout the kingdom and to stabilize the exchange rates of the Nepalese currency in order to ensure the convenience and economic interests of the general public." (Nepal Rastra Bank Act. 1995; p.'8)

Nepal Rastra Bank also plays most important role in different sectors. It helps to mobilize capital or fund for development and encourages trade and industrial sector for overall economic enhancement of the country. It provides financial security as well as valuable instructions to commercial banks and other related sectors. Therefore it is more

essential to the development of banking system and regulation of financial activities of the government of Nepal.

In 1974, commercial bank Act has been introduced in Nepal. This Act has helped to emerge numbers 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 available banking services to the country and the people". (Commercial Bank Act. 2031 B.S., p.12)

Now commercial banks are operating under the directives of NRB act 2058. There is also existence of Bank and Financial Institution Ordinance (BAFIO) to operate commercial bank on the new climate. After the economic 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 were established to provide monetary service to the country.

After the restoration of multiparty democracy, Nepal government has adopted to implement the economic liberalization. The country is based on mixed economy. Later, in 2042 (1985), Finance Companies Act was formulated "to incorporate finance companies for non-banking business having about dynamism in the economic development of the country in order to promote the economic benefit of the people in general through institutionalized investment consolidating the scattered capital in the country." (Finance Company Act. 2042 B.S., p.13) This statement clarifies that finance company Act was introduced in Nepal to enhance the speedy economic growth by the use of accumulated fund for the peoples' economic benefit.

1.2 Focus of the Study

Cash is the life blood of business organization. It is the fuel that keeps the business alive. Without cash no business transaction can even imagined to be done. So, analysis of liquidity positions is an important aspect of modern business organizations. As such the decision makers must pay close attention to the firm's cash position and events and transactions that affect the causes of cash position to change. The analysis of the events and transactions that effect the cash position of the company is termed as cash flow analysis.

Cash flow simply refers the flows of cash 'In' and 'Out' of a business over certain period of time. It tells about the flow of cash. Normally there are the two types of cash flows (i.e. positive and negative) Positive cash flow means inflow of cash and negative means outgoing of cash. Cash flow excludes movements between items that constitute cash or cash equivalents because these components are the part of cash management of a firm rather than parts of its operating, investing & financing activities.

Watching the cash inflows and out flows is one of the major cash management tasks. The outflow of cash is measured by those checks issued by every month to pay salaries, suppliers, creditors and others. The inflows are the cash received from customers, lenders & inventories or any type of sources. The terms of cash outflow and inflow systematically defined as uses and sources of cash.

Cash flow can be defined as a two ways positive cash flow and negative cash flow. If incoming of cash is more than out going of cash in a business, the company is said to have a positive cash flow. A positive cash flow is very good indication for business enterprises like a good health. 'Cash flow' is one of the most vital elements for the survival of a business. It can be negative or positive; the earlier is obviously a most undesirable situation.

1.3 General information about the Selected Commercial Banks

Machhapuchhere Bank Limited (MBL)

Machhapuchchhre Bank Limited was registered in 1998 as the first regional commercial bank to start banking business from the western region of Nepal with its head office in Pokhara. Today, with a paid up capital of above 820 million rupees, it is one of the full fledged commercial bank operating in Nepal; and it ranks in the topmost among the private commercial banks.

Machhapuchchhre Bank Limited is striving to facilitate its customer needs by delivering the best services in combination with the state of the art technologies and best international practices.

Machhapuchchhre Bank Limited is the pioneer in introducing the latest technology in the banking industry in the country. It is the first bank to introduce centralized banking software named GLOBUS BANKING SOFTWARE developed by Temenos NV, Switzerland. The bank provides modern banking facilities such as Any Branch Banking, Internet Banking and Mobile Banking to its valued customers.

The bank in the last few fiscal years has really opened up with branches spread around the country. At this stage, it has its Corporate Office in Kathmandu and branch offices in other places of Kathmandu, Damauli, Bhairahawa, Birgunj, Banepa, and different places of Pokhara in addition to the Head Office in Naya Bazar, Pokhara. A full-fledged banking branch is in operation in Jomsom located high up in the mountains too. The bank aims to serve the people of both the urban and rural areas. The bank intends to open many more branches in the coming fiscal years.

The share holding pattern is illustrated as follows:

| | |
|------------------------------------|--------------------|
| 1. Promoters Ownership | 70 % |
| Government of Nepal | - |
| “A” Class Licensed Institutions | - |
| Other Licensed Institutions | - |
| Other Institutions | 25.14% |
| Personal | 44.86% |
| Others | - |
| 2. General Public Ownership | <u>30 %</u> |
| Total | <u>100%</u> |

(Sources: Annual Report 2064/065)

Kumari Bank Limited (KBL)

Kumari Bank Limited, came into existence as the fifteenth commercial bank of Nepal by starting its banking operations from Chaitra 21, 2057 B.S (April 03, 2001) with an objective of providing competitive and modern banking services in the Nepalese financial market. The bank has paid up capital of Rs. 750 million, of which 70 % is contributed from promoters and remaining from public.

Kumari Bank Ltd has been providing wide - range of modern banking services through 15 points of representations located in various urban and semi urban areas of the country, 5 outside and 4 inside the valley. The bank is pioneer in providing some of the latest / lucrative banking services like E-Banking and SMS banking services in Nepal. The bank always focus is on building sound technology driven internal system to cater the changing needs of the customers that enhance high comfort and value. The adoption of modern Globus Software, developed by Temenos NV, Switzerland and arrangement of centralized data base system enables customer to make highly secured transactions in any branch regardless of having account with particular branch. Similarly the bank has been providing 365 days banking facilities, extended banking hours till 7 PM in the evening, utility bill payment services, inward and outward remittance services, and various other banking services.

Visa Electron Debit Card, which is accessible in entire VISA linked ATMs (including 18 own ATMs) and POS (Point of Sale) terminals both in Nepal and India, has also added convenience to the customers.

The bank has been able to get recognition as an innovative and fast growing institution striving to enhance customer value and satisfaction by backing transparent business practice, professional management, corporate governance and total quality management as the organizational mission.

The key focus of the bank is always centered on serving unfulfilled needs of all classes of customers located in various parts of the country by offering modern and competitive banking products and services in their door step. The bank always prioritizes the priorities of the valued customers.

The share holding pattern is illustrated as follows:

| | |
|------------------------------------|--------------------|
| 1. Promoters Ownership | 70 % |
| Government of Nepal | - |
| “A” Class Licensed Institutions | - |
| Other Licensed Institutions | 1.67 % |
| Other Institutions | 0.64 % |
| Personal | 67.69% |
| Others | - |
| 2. General Public Ownership | <u>30 %</u> |
| Total | <u>100%</u> |

(Sources: Annual Report 2064/065)

Nabil Bank Limited (NABIL)

NABIL Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. NABIL was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, NABIL provides a full range of commercial banking services through its 28 points of representation across the kingdom and over 170 reputed correspondent banks across the globe.

NABIL, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business.

Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Telebanking system.

The share holding pattern is illustrated as follows:

| | |
|---------------------------------|--------------------|
| 1. Local Ownership | 50 % |
| Government of Nepal | - |
| “A” Class Licensed Institutions | - |
| Other Licensed Institutions | 10 % |
| Other Entities | 10 % |
| General Public | 30 % |
| Others | - |
| 2. Foreign Ownership | 50 % |
| NB International Limited | <u>50 %</u> |
| Total | <u>100%</u> |

(Sources: Annual Report 2064/065)

Himalayan Bank Limited

Himalayan Bank Limited is the 6th commercial bank and 4th joint venture bank in Nepal. Himalayan bank, a joint venture with Habib bank of Pakistan was established on the 6th February 1992. It started its operation since 18th January 1993 (5th Magh 2049) with a paid of capital of Rs. 60 million. It has raised the equity fund to Rs. 240 million by capitalizing profit only of the total issued share capital.

Legacy of Himalayan feelings that's known throughout Nepal is its uniqueness for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Millionaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL. Himalayan bank's policy is to extend quality and personalized services to its customers as promptly as possible. All customers are treated with utmost courtesy as valued clients. The bank as far as possible, offers tailor made facilities to its clients, based on the unique needs and requirements. To extend more efficient services to its customer, Himalayan bank has been adopting innovative and latest banking technology. This has not only helped the bank to constantly improve its service level but has also kept it prepared for future adaptation of new technology. Therefore the bank gives a slogan to customers that" Banking with a Difference".

The share holding pattern is illustrated as follows:

| | |
|--|--------------------|
| Promoter shareholders | 51% |
| Habib Bank Ltd. Pakistan | 20% |
| Financial institution (Employees Provident Fund) | 14% |
| Nepalese Public Shareholder | <u>15%</u> |
| Total | <u>100%</u> |

(Sources: Annual Report: 2064/065)

1.4 Statement of the Problem

The investment opportunities of the commercial banks 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 political 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 the government of Nepal and NRB provide both opportunity and threat to the commercial banks operating in the country. The main problems of these commercial banks are mentioned below:

- ✓ What does their cash flow indicate? Has the bank has been able to manage the cash properly or not?
- ✓ Why these banks have not required amount of cash flow?
- ✓ How far they have been able to keep the sound status in terms of business success?
- ✓ What are the factors that affect's company's liquidity & solvency?
- ✓ Why the investment opportunities of these banks differ?
- ✓ What is the ratio of cash flow with the highest amount of annual operating profit?
- ✓ What is the role of spread to generate positive cash flow from operating activity?

The problem of the commercial banks of the country with special reference 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 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, reforms programmed are in ongoing process with the help of World Bank through foreign management contract with ICCMT under the initiation of Nepal Rastra Bank, the central bank of the country.

1.5 Objectives of the Study

The main objective of this study is to know about the cash flow analysis. This dissertation helps to evaluate and compare cash flow statement of the selected financial institutions. Cash flow statement provides information that enables users to evaluate the change in net assets of the institution, its financial structure its ability to manage the amount of timing of cash flow. This research has the following objectives:

- ✓ To examine, analyze and compare the cash flow.
- ✓ To evaluate the trend of cash flow from different activities of banks.
- ✓ To compare the cash flow performance of individual banks.
- ✓ To recommend the appropriate suggestions to the concerned financial institutions for future improvement.

1.6 Significance of the Study

Nepalese financial institutions and capital markets are suffered from various cash management problems. Whole Financial sectors are becoming a victim of the same. Shrinking investment opportunities due to recession has put the Nepalese entrepreneurs in a

great trouble. This may be the only reason that Nepalese investors are drawing back their hands from the investment sector.

Although the present economic situation is not satisfactory, evaluation of financial institutions, mostly finance companies, are increasing, however under such circumstances the objective of financial institutions in accordance with Finance Companies Act, 2042 (1985) may not be easily fulfilled. It is because these companies may not properly mobilize the domestic resources for a sustainable economic growth right this time since most of the Nepalese entrepreneurs are discouraged and they prefer idle stay rather than to operate the business by obtaining loans from financial institutions due to the lack of opportunities. Nepal became a member of WTO family. The world is becoming a single market due to globalization. It creates competitions everywhere. But still, Nepalese Financial sectors are not fully conscious. So activities, especially operating activities, which are the main source, which generates cash in those financial companies, are not enough for the regular flow of cash. Therefore, the study of financial institutions regarding cash flow becomes an indispensable subject in today's context.

Regarding the present situation of Nepal; has become challenging. Still most of the financial institutions are following in a traditional way. They are not maintaining the trend of cash flow in effective way. Due to the crisis of national economy, the investing opportunities are becoming placeless. Therefore I believe that, this study tries to understand how far these institutions are able to sustain in such a quite unfavorable situation. Obviously saying, this study is essential to check the viability of these institutions regarding cash management. The study tried to identify efficiencies of these institutions and helps to explore the appropriate and effective measures for the remedy of company's cash management troubles.

1.7 Limitations of the Study

The study is fundamentally based on the data published financial statements, reports through by financial institutions. The data, published by the institutions, public accountants certified are believed as true, accuracy and fairness.

The effect of inflation, which is one of the most important factors for the analysis of economic activities, has not been taken into consideration for the purpose of study. As

the entire data were obtained from the published financial statements, it is mainly based on historical financial information.

Since the methods, theories, standards and indicators etc. employed in the study have their own limitation & assumptions, this study, therefore, is within the limitation of all those employed methods.

In order to analyze & compare the financial position consistently, the B/S & P/L A/C of the selected companies has been taken into consideration since the F/Y 2060/61 to 2064/65.

Therefore, this study was not free from the following limitations:

- ✓ The study is mainly confined only on two joint venture banks and two Nepalese commercial banks
- ✓ The study is fundamentally based on the data of published financial statements of banks mention under study.
- ✓ Only five fiscal years data from the F/Y 2060/061 to 2064/065 were taken for analysis.
- ✓ Data were historical accounting based rather than on price-level changes.

1.8 Organization of Study

Considering the objectives of the study, the study report was designed into the following five chapters.

Chapter 1: Introduction

This chapter included background information on the subject matter, focus of the study, general information of the selected commercial banks, statement of the problems, objectives of the study, significance of the study, limitations of the study and organization of the study.

Chapter 2: Review of Literature

This chapter included the review of the relevant previous writing and studies to find the existing gap; review of textbook, dissertation.

Chapter 3: Research Methodology

This chapter contained research design, population and sample size, data collection procedure and tools used for analysis.

Chapter 4: Data Presentation and Analysis

This chapter dealt on the systematic presentation and analysis of financial statement employing financial and statistical tools. It also included major findings.

Chapter 5: Summary, Conclusion and Recommendations

This chapter included the summary, conclusion and recommendations of the study.

Chapter – II

Review of Literature

2.1 Introduction:

"Cash is the lifeblood of business enterprises. It is the fuel that keeps a business alive". "Cash flow simply refers to the flow of cash into and out of a business over a period of time." If the funds are in the form of working capital then funds flow statement should be prepared. But when cash are assumed as fund then cash flow statement should be made to inform the stakeholder about the cash flow of the enterprise. Cash flow statement is the key financial statement that should be prepared by every company to submit the report on by the AGM/BOD. It describes the sources and usages of cash from different activities. Cash flow statement is the receipts and payments 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 sources of funds."

2.2 Funds Flow Analysis

The efficiency of the firm is reflected in the inflow and outflow of funds in the business. To understand the operational efficiency of the business concern, it is necessary to have an analysis of the dynamic aspects of the flow of funds. And such an analysis made through funds flow analysis by preparing a statement is called a statement of change in financial position or funds flow statement. The funds flow statement is a statement which shows the movement of funds. In the words of Anthony "the funds flow statement describes the sources from which additional funds were described and the use to which these resources were put."(Shukla, Gupta & Grewal, 2006: 23.22) Therefore, the main purpose of funds flow analysis is to get clear information about the financial transactions that brings changes in the company's resources. It is a kind of financial tool which answers the following questions:

- a) From which source fund received?
- b) How many funds received?
- c) For what purpose the fund is used?
- d) Whether the business is solvent or not?
- e) How can a profitable business be running on low cash and working capital? (Shukla,

2.3 Cash Flow Analysis

Cash is the lifeblood of business organization. Without cash no any business transactions can be imagined. It is the fuel that keeps a business alive. Without cash no activity can take place. A business must have an adequate amount of cash to operate. So, analysis of liquidity position is an important aspect of modern business organization. As such the decision makers must pay close attention to the firm's cash position and events and transaction that affect the cash position of a company termed as cash flow analysis.(Munankarmi, 1999: 259)

2.4 Profits and Cash Flow

Profits are accounting measures of income that may not reflect the economic reality of the firm. Increasing profits will not always result in higher stock prices. Profits of the firm depend on many factors such as method of depreciation, non operating gains incomes expenses and losses. Cash flow analysis not only recognizes 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 flows are not the profits that determine the wealth.

2.5 Cash Flow Statement

Cash flow statement is a systematic and analytical presentation of cash flow from different sources within an accounting period. It also reconciles opening and closing cash. It shows the actual scenarios of cash in business. The FASB no 95 "statement of cash flow" issued reconciliation of opening and closing cash. 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 extraordinary notes."

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". Thus every enterprise should prepare a cash flow statement along with the balance sheet and income statement since 1992.

2.6 Importance of Cash Flow Analysis

Enterprises need cash to conduct their operations, to pay their obligations and to provide returns to their investors. Users of an enterprise are interested in how the enterprise generates and uses cash and cash equivalents. It helps the user of financial statement evaluate a company's ability to have sufficient cash both in short term and long term basis. For this reason, the statement of cash flow is useful to virtually everyone interested in the company's financial health. 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 in the following ways.

- a) It helps to evaluate financial polices & cash positions
- b) It helps to inform about the availability of cash. So that management can determine policies regarding financial management i.e. raising utilities of funds.
- c) Assess a company's ability to generate positive future cash flows.
- d) Assess a company's ability to meet its obligation, its ability to pay dividends and its need for external financing.
- e) Assess the reason for difference between income and associated cash receipts and payments.
- f) Assess both the cash and non-cash aspects of a company's investment and financial transactions. (Munankarmi, 2003: 13.02)

In other words cash flow statement may helps to answer the following questions:

- a) If a company operates at profit why is it continually short of cash?

- b) How can a company operate at a loss and still generate huge inflows of cash from operations?
 - c) How was the company's growth and expansion financed?
 - d) Did the company acquire any long term investment or other income producing assets?
 - e) Was financing obtained during the period through issuance of debt or equity securities? If so what were the amount of cash obtained?
 - f) Did the company use cash to retire any long term debt or equity securities during the period?
 - g) Are the company's incomes producing activities using more than they are generating?
 - h) Do operating activities consistently generate enough cash to assure prompt payment of operating expenses maturing liabilities interest obligation and dividends?
- (Munankarmi, 2003: 13.02)

2.7 Objectives of Cash Flow Statement

The objective of cash flow statement is to highlight the major activities of the business that have provided cash for the business and have used during a period. Similarly, it also shows the resulting effect on the overall cash balance. The objectives of cash flow statement should be assets users:

- a) To assess the company's ability to generate positive cash flow in the future.
- b) To assess its ability to meet its obligations to service loans, pay dividend etc
- c) To assess the reason for differences between reported and related cash flows.
- d) To assess the effects on its finances of major transactions in the fiscal year.
- e) To find out the causes of changes in the cash position on two dates.
- f) To evaluate of financial policies can be done with the help cash flow Statement.
- g) To help the management to know and predict its position, it can plan its policy and make decisions regarding the redemption of debentures purchase of fixed assets and so on.

2.8 Distinction between Funds Flow and Cash Flow Statement

- a) **Concept:** Funds flow is based on working capital and Cash flow is based on cash.
- b) **Accounting:** Funds flow statement is based on Accrual basis of accounting and Cash flow

statement is based on cash basis of accounting.

- c) **Preparation:** Fund flow statement reveals the sources and application of funds and any difference represents net increase or decrease of working capital whereas cash flow statement reveals the inflow and outflows of cash and difference represents the closing cash balance.
- d) **Purpose:** Funds flow statement shows the causes changes in working capital position of a firms between two balance sheets dates whereas cash flow statement shows the causes of changes in cash position of a firm between two balance dates.
- e) **Usefulness:** Funds 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 business.
- f) **Schedule of changes in working capital:** To get information 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.

2.9 Preparation of Cash Flow Statement

The cash flow statement is prepared on the basis of cash basis of 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 cash, adding to this all the inflows of cash and deducting all outflows of cash from the total. The statement is more useful for short-term analysis and cash planning of the business. Cash flow statement shows the sources and application of cash. Sources are the inflows of the cash and uses are the outflows of the cash.

Cash Flows:

Cash flow refers to the flow of cash into or out of a business over a period of time. Watching the cash inflows and out flows is one of the major management tasks.

Sources of Cash:

If the cash is coming into the business through different activities, this is called cash inflows. The following are the cash inflows:

-) Opening cash & cash equivalents
-) Cash from operation

-) Cash from issue of shares
-) Cash from issue of debentures
-) Cash from long term loan
-) Cash from share premium
-) Cash from sales of fixed assets
-) Cash from sales of investment.

Uses of Cash:

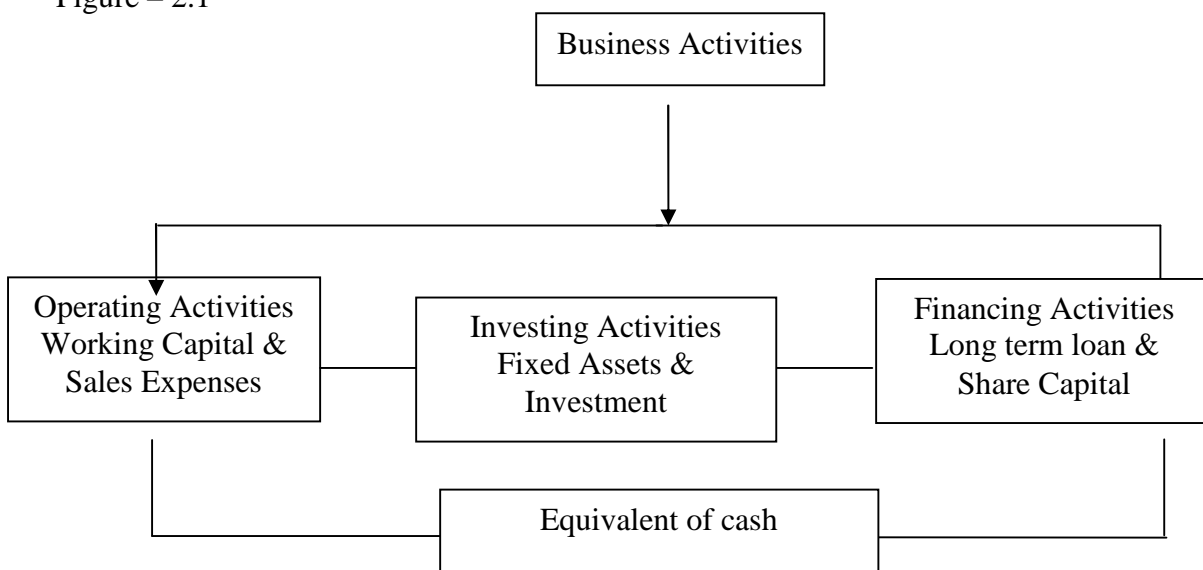
If the cash is going out from the business for different purpose, this is called cash outflows.

The following are the cash outflows:

-) Cash depleted from operation
-) Cash purchase of fixed assets
-) Cash purchase of investment
-) Redemption of debenture
-) Repayment of long-term loan
-) Dividend paid
-) Income tax paid
-) Closing cash & cash equivalent (Munankarmi, 2003: 13.05)

Component of Cash Flow: (Wagle & Dahal, First Edition: 11.2)

Figure – 2.1



As per the FASB's statement no. 9 the cash flows statement, should be presented under informative approach in activity format. Under informative approach the cash flow statement may be presented using:

1. Indirect Method

2. Direct Method

1. Indirect Method to Cash Flow Statement

Under this method, the cash from operating activities could be derived by preparing funds from operation, as have been done in case of fund flow analysis. Profit from operation could be converted in to cash from operation by adjusting change in short term assets and liabilities excluding cash. Cash from investing activities are generated from non operating activities like fixed assets and long term investment. Similarly cash from financing activities are the presentation of cash from or to lenders, investors and shareholders that affect cash.

Operating Activities:

The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the enterprise have generated sufficient cash flows to repay loans, maintain the operating capability of the enterprise, paying dividends and make new investments without resources to external sources of financing. It relates to a company's primary revenue generating activities. It is the single major continuing sources of cash. Operating activities are always within the management control and they provide base for management estimation of fund needed to raise from available sources. Cash flow from operating activities is generally the cash effects of transactions and economic events included in the determination of income.

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

- a) Changes during the period in inventories and operating receivables and payables.
- b) Non- cash items such as depreciation, provision, deferred taxes and unrealized gains or losses.
- c) All other items for which the cash effects are investing or financing cash flows.
- d) Cash receipts and payments from contracts help for dealing or trading purpose.

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 receivables and payables during the period. Example of operating activities:

- a) Non-cash and non operating gains/losses/expenses.
- b) Depreciation/loss on sales of assets provision for taxes.
- c) Gain on sales of fixed assets.
- d) Operating profit before working capital changes.
- e) Increase/ decrease in current assets and current liabilities.

Investing Activities:

All the cash flows (either outflows or inflows) from investing activities can be determined by the long term assets and investment of two accounting periods. Any increase in assets shall be considered as having purchased and cash paid for it unless any information contrary to the same is provided. At the same time, decrease in assets accounts represents the sale of those assets and cash inflows unless information opposing to that is provided. The gain or loss on sale need to be adjusted to calculate the exact amount cash received. Investing activities are:

- a) Cash payment to acquire the fixed assets.
- b) Cash receipts from disposal of fixed assets.
- c) Cash payments to acquire shares, warrants or debt instrument of other companies.
- d) Cash advances and loan made to other parties.
- e) Cash receipts from the repayment of advances and loans made to third parties.

Financing Activities:

Cash flows from financing activities are calculated by analyzing the liabilities side of the balance sheet. The amounts of secured loans, unsecured loans, the amount of share capital and retained earnings accounts are analyzed to calculate the inflows and outflows from financing activities. The increase in these amounts can be taken as inflows either with the name of more borrowing or issuance of shares. Similarly, the decrease in these amounts can be taken as outflows with the name of redemption of debts or preference shares. Besides the capital and loan amounts, another financing activity is dividend paid or drawings by the owners. Dividend may be in the form of cash dividend or stock dividends do not use any cash. Hence, they should not be considered for cash flow statement.

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the enterprise. Examples of cash flows arising from financing activities are:

- a) Cash proceeds from issuing shares or other equity instruments.
- b) Cash payments to owners to acquire or redeem the enterprise's shares.
- c) Cash proceeds from issuing debentures, loans, notes, bonds and mortgages and other short or long term borrowings.
- d) Cash repayments of amounts borrowed.
- e) Cash payment by a lessee for the reduction of the outstanding liability relating to a finance lease. [International accounting standard 7 (Revised 1992)]

Format of Cash Flow Statement under Indirect Method

Figure -2.2

| <u>A. Cash from Operating Activities (CFOA)</u> | |
|--|--|
|) | Profit or loss of the fiscal year |
|) | Profit transfer to Balance Sheet (This fiscal year-last fiscal year) |
|) | Provision for dividend of this fiscal year (Dividend payable) |
|) | Interim Dividend |
|) | General reserve |
|) | Retained Earnings |
|) | Funds etc. |
| | Net Profit after tax / Profit for the fiscal year |
| | <u>Add : Non Cash and non operating items</u> |
| | Depreciation of tangible assets |
| | Amortization of intangible fixed assets (i.e. goodwill, patent, copyright, trademark etc.) |
| | Amortization of fictitious assets (i.e. preliminary expenses, P&L Dr. Balance, discount on share/ debenture) |
| | Loss on revaluation or sales of fixed assets or investment |
| | Premium on redemption of preference shares or debentures |
| | Discount on issue of shares or debentures |

| | |
|---|--|
| <p><u>Less: Non Operating incomes of Gains</u></p> <p>Gain on revaluation or sales of fixed assets or investment</p> <p>Discount on redemption of preference share and debenture</p> <p>Premium on issue of Preference share and debenture</p> <p>Tax refund</p> <p>Interest/ dividend received on other investment</p> <p>Extra income (If any)</p> <p style="text-align: center;">Funds From Operation (FFO)</p> <p>Add: Decrease in Working Capital except cash (item wise) (i.e. decrease in current assets and increase in current liabilities)</p> <p>Less: Increase in Working Capital except cash (item wise) (i.e. increase in current assets and decrease in current liabilities)</p> <p style="text-align: center;">Cash from Operating Activities (CFOA)</p> | |
| <p><u>B. Cash from Investing Activities (CFIA)</u></p> | |
| <p>Purchase of fixed assets (Individual as per ledger)</p> <p>Purchase of Investment (as per ledger if any)</p> <p>Sales of fixed assets (individually)</p> <p>Dividend or interest received from other investment if any</p> <p style="text-align: center;">Cash from Investing Activities (CFIA)</p> | |
| <p><u>C. Cash from Financing Activities (CFFA)</u></p> | |
| <p>Issue of share/debenture with premium or discount</p> <p>Redemption of Preference Share/debenture at premium or discount</p> <p>Payment of dividend (Provision of dividend last fiscal year)</p> <p>Interim dividend (if any)</p> <p style="text-align: center;">Cash from Financing Activities (CFFA)</p> | |
| <p>Net cash increase/decrease (A+B+C)</p> <p>(+) Opening Cash/Bank Balance</p> | |
| <p>Closing Cash/Bank Balance</p> | |

2. Direct Method to Cash Flow Statement

International accounting standard committee (IAS) has encouraged preparing cash flow statement only on direct method. 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 of class of gross cash receipt and gross cash payments are disclosed. (Munankarmi, 2003: 13.12)

Operating Activities

Operating activity only include transaction that return to the calculation of net income. It involves the 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 financing and investing activities. The cash flow from operating activities is primarily derived from the principal revenue - producing activity of the enterprise. Examples of cash flow from operating activities are:

- a) Cash receipts from the sales of goods and services.
- b) Cash receipts from royalties fees, commission and other revenue.
- c) Cash payment to suppliers of goods and services.
- d) Cash payments to and on behalf of employees.
- e) Cash receipts and cash payments of an insurance company for premium and claims, and other policy benefits.
- f) Cash payments refund of income taxes.

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

- a) From the accounting records of the firms or
- b) By adjusting sales, cost of sales and other items in the statement of profits and loss for:
 - c) Changes during the period in inventories and operating receivables and payables
 - d) Other non- cash items and
 - e) Other items for which the cash effects are investing or financing cash flows.

Investing Activities

Determinations of cash flows from investing activities require analyzing the non operating incomes and expenses in income statement relating to:

- a) Productive assets.
- b) Investment in share and debentures.
- c) Intangible assets.
- d) Short term investment other than cash equivalents. (Munankarmi, 2003: 13.16)

Financing Activities

A company's transaction with its owners and long term creditors are typically called financing activities also it includes borrowing of cash on short term basis for determination of cash flow from financing activities items relating to:

- a) Share capital (Equity)
- b) Share premium
- c) Debenture
- d) Dividend proposed

Comparative balance sheets should be analyzed by preparing necessary accounts.

Format of Cash Flow Statement under Direct Method

Figure -2.3

| A. Cash from Operating Activities (CFOA) | |
|--|--|
| <u>a. Cash Sales and collection from customers:</u> | |
| Net Sales (less sales return) | |
| (+) Decrease in debtors (sundry debtors, A/R and B/R) | |
| (-) Increase in debtors (sundry debtors, A/R and B/R) | |
| (+) Decrease in bad debt provision (Bad debt recover) | |
| (-) Increase in bad debt provision | |
| (-) Bad debt written off | |
| <u>b. Cash Purchase and payment to creditors:</u> | |
| Total cost of goods sold (COGS) | |
| (+) Increase in Inventory | |
| (-) Decrease in Inventory | |
| (+) Decrease in creditors (sundry creditors, A/P and B/P) | |

| | |
|---|--|
| <p>(-) Increase in creditors (sundry creditors, A/P and B/P)</p> <p><u>c. Cash operating expenses and other warranty services:</u></p> <p>Total cash operating expenses (selling, distribution, Adm. etc)</p> <p>(+) Decrease in outstanding expenses</p> <p>(-) Increase in outstanding expenses</p> <p>(+) Increase in prepaid expenses</p> <p>(-) Decrease in prepaid expenses</p> <p><u>d. Interest expenses:</u></p> <p>Interest expenses</p> <p>(+) Decrease in interest payable</p> <p>(-) Increase in interest payable</p> <p>(+) Increase in prepaid interest</p> <p>(-) Decrease in prepaid interest</p> <p><u>e. Income tax payments:</u></p> <p>Tax paid (or, provision for taxation as per P&L a/c)</p> <p>(+) Decrease in provision for tax or tax payable</p> <p>(-) Increase in provision for tax or tax payable</p> <p>(+) Increase in prepaid tax</p> <p>(-) Decrease in prepaid tax</p> <p>Cash from Operating Activities before extra ordinary items (a-b-c-d-e)</p> <p><u>Extra ordinary items:</u></p> <p>(+) Increase in bank overdraft</p> <p>(-) Decrease in bank overdraft</p> <p>(+) Decrease in marketable securities</p> <p>(-) Increase in marketable securities</p> <p style="text-align: right;">Cash From Operating Activities (CFOA)</p> | |
| <p><u>B. Cash from Investing Activities (CFIA)</u></p> | |
| <p>Purchase of fixed assets (Individual as per ledger)</p> <p>Purchase of Investment (as per ledger if any)</p> <p>Sales of fixed assets (individually)</p> <p>Dividend or interest received from other investment if any</p> <p style="text-align: right;">Cash from Investing Activities (CFIA)</p> | |

| | |
|---|--|
| C. Cash from Financing Activities (CFFA) | |
| Issue of share/debenture with premium or discount | |
| Redemption of Preference Share/debenture at premium or discount | |
| Payment of dividend (Provision of dividend last fiscal year) | |
| Interim dividend (if any) | |
| Cash from Financing Activities (CFFA) | |
| Net cash increase/decrease (A+B+C) | |
| (+) Opening Cash/Bank Balance | |
| Closing Cash/Bank Balance | |

2.10 Group Cash Flow Statement:

Group cash flow statement deals both cash and accrual based figure, whereas group cash flow statement attempts to report only cash movement. Group cash flow statement is prepared from the consolidated accounts. After the completion of consolidated profit and loss account and consolidated balance sheet, the holding company can prepare this statement.

The format of group cash flow statement is similar to basic cash flow statement. It can be prepared by applying either direct or indirect method. For the preparation of group cash flow statement, the activity of business concern is divided in the following three categories:

- a) Operating Activities
- b) Investing Activities
- c) Financing Activities

These three activities are similar to basic cash flow statement. According to the IAS-7 para 40 states: " the aggregate cash flows arising from acquisition and from disposal of subsidiaries or other business unit should be presented separately and classified as investing activities." (Dangol, **Third Edition: 447**)

International Accounting Standard -7, para 40 states: "An enterprises should disclose, in aggregate, in respect of both acquisition and disposal of subsidiaries or other business units during the period each of the following:

- a) The total purchase or disposal consideration

- b) The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents.
- c) The amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of: and
- d) The amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarized by each major category."

Non cash transaction related to investing and financing activities should not be included in the cash flow statement. According to IAS-7, Para- 43 "Investing and financing transaction that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transaction should be disclosed elsewhere in the financial statement in a way that provides all the relevant information about the investing and financial transactions activities." Examples of non-cash transactions are as follows:

- a) The acquisitions of assets either by assuming directly related liabilities or by means of a finance lease;
- b) The acquisition of an enterprise by means of an equity issue
- c) The conversion of debt to equity (Dangol, Third Edition: 456)

While preparing a group cash flow statement, the net value of subsidiary purchase has to be determined for the calculation of cash flow from investing activities. It is determined as follows:

Calculation of Net Value of Assets

Figure -2.4

| Particulars | Details | Amount |
|--|---------|--------|
| Fixed assets of subsidiary company | | xxx |
| Current Assets of Subsidiary company other than cash | | xxx |
| Total Assets Acquired | | xxx |
| Less: Current Liabilities | | (xxx) |
| Net Worth or Net Assets | | xxx |
| Less: Receivable from Holding Company | | (xxx) |
| Add: Payable to Holding Company | | xxx |

| | | | |
|---|---|-------|-----|
| | Net assets acquired | | xxx |
| Less: Minority Interest | | xxx | |
| Capital Reserve | | (xxx) | |
| or Goodwill | | xxx | |
| Value of share in Holding Company (If share are issued on Acquisition) | | xxx | |
| Reserve of Holding Company | | xxx | xxx |
| | Net Value of Subsidiary Purchase | | xxx |

2.11 Cash flow Statement for Financial Institution:

Financial enterprises like banks, finance companies, co-operatives etc. represent the institution that deals on financial transaction. Such enterprise also needs to prepare financial statement including cash flows statement. The cash flows statement of financial enterprise is prepared by using following format:

Cash Flow Statement for Financial Institution:

Figure -2.5

| | |
|--|--|
| <p>A. Cash Flow from Operating Activities:</p> <p>Interest and commission receipts</p> <p>Interest payments</p> <p>Recoveries on loans previously</p> <p>Cash payment to employees and suppliers</p> <p>Short term fund-increase</p> <p>Deposits held for regulatory or monetary control purpose</p> <p>Funds advanced to customers</p> <p>Net increase in credit card receivable</p> <p>Increase other short term securities</p> <p>Deposits from customers</p> <p>Certificate of deposits</p> <p>Net cash from operating activities before income tax</p> <p>Income tax paid</p> <p>Net cash from Operating Activities</p> | |
|--|--|

| | |
|--|--|
| B. Cash flow from Investing Activities: | |
| Dividend received | |
| Interest received | |
| Purchase of permanent investment | |
| Purchase of fixed assets | |
| Net Cash from Investing Activities | |
| C. Cash flow from Financing Activities: | |
| Issue of shares | |
| Share premium | |
| Repayment of long term borrowing | |
| Net decreased in other borrowing | |
| Dividend paid | |
| Net Cash from Financing Activities | |
| 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 | |

2.12 Cash Flow Statement under N.R.B. Directives:

Following is the cash flow statement for the Financial Institution, the specimen provided by the N.R.B. directives in accordance with which the cash flow statement of the finance institutions have been prepared for the study of the cash flow analysis. (Report of the C.A, Of the Office of Auditor General)

Figure -2.6

.....company
Cash Flow Statement for the F/Y.....

| Particulars | Amount (in Rs.) | Current Fiscal year (in Rs.) |
|--|--------------------|---------------------------------|
| (A) Cash Flow From Operations | | |
| 1. Cash receipt | | |
| 1.1 Interest Incomes | | |
| 1.2 Commission and discount income | | |
| 1.3 Exchange gain | | |
| 1.4 Non-Operating income | | |
| 1.5 Other income | | |
| 2. Cash payment | | |
| 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) Cash Flow From Investing Activities | | |
| 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 | | |
| (C) Cash Flow From Financing Activities | | |
| 1 Change in borrowing | | |
| 2 Change in deposits | | |
| 3 Change in bills payable | | |
| 4 Change in other liabilities | | |
| (D) Net Cash Flow for the fiscal year | | |
| (E) Opening Cash Balance | | |
| (F) Closing Cash Balance | | |

2.13 NRB Directives

All the licensed financial institutions must maintain certain percentage of the minimum capital fund on the basis of their risk-weighted assets. As per NRB Directives Manual 2007 edition, effective from 19th June, 2007, the percentage of the minimum capital fund needed to be maintained on the basis of their risk-weighted assets are as follows:

| Institutions | Required Capital Fund on the basis of weighted risk assets (in percentage) | |
|------------------------|--|--------------|
| | Core Capital | Capital Fund |
| "A", "B" and "C" Class | 5.50% | 11.00% |
| "D" Class | 4.00% | 8.00% |

Capital fund means the aggregate of the Core capital and Supplementary capital. NRB has defined Core capital as Paid Up Capital, Share premium, Irredeemable Preference Shares, General Reserve Fund, Accumulated Profit and loss Account, Capital Redemption Reserve, Capital Equalization Reserve, Other Free Reserve. Items like Goodwill, Excess amount of investment in shares and debentures of the organized institutions prescribed by NRB, entire amount of investment made in shares and debentures of the organized institutions having a financial interest and Fictitious assets.

Under Supplementary capital, General Loan Loss Provision, Assets Revaluation Reserve, Hybrid Capital Instruments, Unsecured Subordinated Term Debt not exceeding one hundred percentage of the Core capital shall be included.

The Capital Fund Ratio measures the total capital fund on the basis of total risk-weighted assets of licensed institutions. The Capital Fund Ratio is determined as follows:

$$\text{Capital Fund Ratio} = \frac{\text{Core Capital} + \text{Supplementary Capital}}{\text{Sum of risk-weighted assets}} \times 100\%$$

$$\text{Sum of risk-weighted assets} = \text{Total On-Balance Sheet risk-weighted Assets} + \text{Total Off-Balance Sheet risk-weighted Assets}$$

2.14 Review of Books and Articles:

2.14.1 Review of Books:

Cash is the basic and common needs of every organization. It is the foundation and target point. Cash is the basic input needed to keep the business running on continuous basis 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 hold sufficient cash neither more nor less. Cash shortage will disrupt the firm's operation while excessive cash will simply remain idle, without contributing anything towards the firm's profitability. Thus, the major function of a financial manager is 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 the view of either the deficiency of knowledge or lack of consciousness among corporate managers of developing country for calculating the interest lost or fund loss. It is notifying that cash is maintained correctly.

In any type of firm, 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 every 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.

The goal of working capital is to manage each of the firm's current assets efficiently in order to maintain liquidity. Cash is one of the most liquid assets, because the major liquid assets get eventually converted into cash.

Budget is the planning before doing of the particular task. A cash budget shows the cash planning projecting 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 cash receipts and cash disbursement. Planning cash inflow and outflow includes financing probable cash deficit and excess cash to be invested.

A corporation must utilize its cash efficiently to meet obligation of interest payment if cash is obtained from borrowing. If it 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 loss, although it is impossible to formulate a set of assets management policy of universal applicability. One policy or a rule 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. 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.

2.14.2 Review of Articles:

Associate Prof. S.P. Munankarmi in his article defines cash flow analysis. It is an integral part of financial planning and stated its importance of cash in organization by calling it as the lifeblood of business enterprise. According to him 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 transactions that affects the cash position of the company.

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 on 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.

According to the articles profits are accounting measures that may be not reflect the economic conditions of the firms that means profit can be manipulated and increasing profit will not always result in higher stock prices. Cash flow analysis not only recognizes profit but also 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 growth.

As the article stated further 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 following are importance of cash flow statement as stated in the article:

- ❖ 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 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 overdrafts. 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 be reported in the statement of cash flow. However the board recognizes that non cash investing and financing activities are 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 B.S. 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.

2.15 Review of the Previous Thesis

Mr. Udaya Bahadur Silwal (1980), has conducted a study on “Lending Policy of Commercial Bank in Nepal”, unpublished Master level Thesis submitted to Shanker Dev Campus, T.U. having following objectives:

- To analyze the role of commercial banks in its historical perspective.
- To show the relationship between deposits, loans and advances.
- To identify major weakness of lending policy of the commercial banks.

The research was conducted mainly on the basis of secondary data. Findings of the research are summarized below.

Effectiveness of lending policy is directly based upon a sound banking system. But due to geographical variation, transportation and other regional disparities, it is very difficult to expand branches in different rural areas. So, it can be said that commercial banks in Nepal are not playing an active role to utilize their sources collected from different sectors.

By paying higher interest rate, the banks are increasing deposits, which in turn increase saving habits of the general people. This type of business of commercial banks is really a necessary one in an agricultural country like Nepal, where public investment has limited capacity.

Mr. Mahendra Mandala (1998), in his thesis paper “A Comparative Financial Performance Appraisal of Joint Venture Banks”, unpublished master level thesis submitted to Shanker Dev Campus, T.U. has studied primarily these Joint venture banks i.e. Nabil Bank Ltd (NABIL), NIBL (Nepal Indosuez Bank Ltd). His main objective is to find out both the banks, NIBL and NABIL have mobilized the debt funds in proper way for generating more return but NIBL could not mobilize as NABIL. He has recommended that all these banks should provide their facilities in rural areas and encourage the small entrepreneurs development programmers, play merchant role, mobilize the deposit funds in productive sectors and grant priority to local manpower.

He has not attempted to show the investment policy and concentrated only on financial performance of Joint venture banks. Therefore, it cannot represent the performance appraisal of Joint venture banks.

M. N. Karmacharya (1998), in his thesis paper “A Study on the Deposit Mobilization by the Joint Venture Banks”, unpublished master level thesis submitted to Shanker Dev Campus, T.U. has mentioned that the banks has successfully maintained its liquid asset position but could not mobilize its resources efficiently. He has concluded that Nepal Bank’s utilization side is weak as compared to the collection resources. He suggested for extending its branches so that its deposit collection and long term as well as short term credit may be increased. He has recommended not to consider security factor only but to provide loan to genuine projects without securing.

Mr. Pramod Upreti (2007), in his thesis entitled “A Comparative Study of Financial Performance of NIBL, HBL, SCBNL and EBL”, unpublished master level thesis submitted to Shanker Dev Campus, T.U. has pointed out following objectives:

- To study the present of the four joint venture banks.
- To do the comparative study about the financial performance of these banks with regard to their profitability, liquidity, efficiency and capital structure.
- To provide recommendation and suggestion on the finding to improve financial performance of these banks.

Major findings of the thesis were as follows:

- Among all the sample banks, HBL has the lowest ration and EBL has not mobilized its assets into profit generating projects.
- SCBNL has been successful in earning more net profit by the proper use of its available assets.
- EBL with the highest ratio has been successful in generating more interest by the proper use of its available assets.
- EBL and HBL seem to have held more cash and bank balance than other commercial banks.

Mr. Surendra Karki (2008), conducted a study under topic “Cash Management in listed Manufacturing Companies-Unilever Nepal Ltd, Nepal Lube Oil Ltd, Bottlers Nepal Ltd, Nepal Banaspati Ghee Ltd and Raghupati Jute Mills Ltd”, unpublished master level thesis submitted to Shanker Dev Campus, T.U. The objectives of the study were as follows:

- To examine and critically analyze the cash management practices in listed manufacturing companies.
- To identify the liquidity position of the companies.
- To study the relationship of cash with other influencing aspects of cash management. Whether it is significant or not?
- To analyze cash conversion cycle of the companies.
- To provide necessary recommendations for improvement of cash management on the basis of analysis.

Major findings of the research were as follows:

- Listed manufacturing companies do not have any definite policy regarding how much cash balance to hold in each period.
- Listed manufacturing companies have failed to maintain adequate proportion of cash on its current assets.
- Companies were not precisely meeting their current liabilities payments.

- Companies were found to maintain adequate proportion of its quick assets.
- Liquidity positions of the listed manufacturing companies were not satisfactory.

2.16 Research Gap

Large numbers of research are available bearing the similar topics. But I will draw insights from them. However, the researcher will sustain gap by covering data and information from fiscal year 2060/61 to 2064/65. Moreover, the researcher has selected two Joint venture commercial banks of Nepal i.e. Nabil Bank Ltd, Himalayan bank Ltd and two Nepalese commercial banks i.e. Kumari Bank Ltd and Machhapuchhre Bank Ltd as the samples. That itself demonstrates the gap of this research from the previous one because the researcher has not found any research done in these banks in collective form.

Under this topic, many researchers have been done but none of the researchers has undertaken regarding the case study of these banks. These banks are the leading commercial banks as compared to other commercial banks by which we can find out the perfect comparison between highly growing commercial banks rather than rapidly growing new ones.

Chapter - III

Research Methodology

3.1 Research Design

In order to fulfill the objectives of the study, an adequate attention was given on the process of research design. The research was based on secondary data. All the required data and essential information were collected from the concerned commercial bank and chartered accountants firm. In the study, the researcher followed the descriptive cum analytical research design to analyze the financial performance of the selected financial companies. Various financial parameters and an effective research technique were employed to especially identify the weaknesses of these institutions. On the ground of observed in ferities and inefficiencies, reasonable suggestions and useful recommendations were made which would prove useful to the concerned authorities.

3.1.1 Population and Sample

Now a day a number of commercial banks have been emerging rapidly. Some have already been established and others are in the process of establishment. Currently there are 23 (17 listed in NEPSE) commercial banks in Nepal. All the commercial banks are population of the study. Among them NABIL and HBL from joint venture commercial banks and MBL and KBL from Nepalese commercial banks were selected as sample for the present study. Financial statements of the last five fiscal years from 2060/061 to 2064/65 were taken as sample data for the comparative study of cash flow.

Sample banks were taken on the basis of date of establishment, investors of the bank and financial transaction of the banks. Among the selected sample banks Nabil Bank Limited, is the first foreign joint venture bank of Nepal operating from 1984. Himalayan Bank Limited is the 4th joint venture commercial banks established in 1993 with the joint venture with Habib Bank Limited, Pakistan. The bank has good financial transactions among other joint venture banks so this bank was taken as sample banks for this study. Similarly Machhapuchchhre Bank Limited registered in 1998, is the first commercial bank in the western part of the Kingdom of Nepal having head office in Pokhara. This bank was promoted by the Nepalese investors. Kumari Bank Limited, came into existence as the fifteenth commercial bank of

Nepal by starting its banking operations from Chaitra 21, 2057 B.S (April 03, 2001). Kumari Bank was promoted by the Nepalese investors. Financial transaction of Kumari Bank is better than other Nepalese commercial banks so this bank was considered as sample bank for this study.

Among 23 (17 listed in NEPSE) commercial banks only four banks (Two from Joint Venture and Two from Nepalese Commercial Banks) were taken for analysis. They are,

- ✓ Nabil Bank Limited (NABIL)
- ✓ Himalayan Bank Limited (HBL)
- ✓ Kumari Bank Limited (KBL)
- ✓ Machhapuchchhre Bank Limited (MBL)

3.1.2 Period of Study

The study was based on the previous 5 fiscal years data covering the F/Y 2060/61 to F/Y 2064/65.

3.2 Sources of Data & Data Collection Procedures

The data employed in the study derived was 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.

Annual reports of the 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 staff's of the concerned organization also were incorporated. The researcher has incorporated 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.

First of all, the audited accounts of different fiscal 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 overall picture of different fiscal 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 were analyzed by observing all the financial statement.

3.3 Methods of Analysis

While conducting the analysis the researcher used trend analysis of cash flow through chart of cash flow and other important methods of analysis was ratio or percentage.

3.3.1 Cash Flow Analysis

Cash is the lifeblood of every business enterprise. It is the fuel that keeps a business alive. Without cash no activities can take place. So a business must have an adequate amount of cash to operate. Thus, the decision makers must pay close attention to the firm's cash position and events and transactions that affect the cash position are termed as cash flow analysis.

3.3.2 Importance of Cash Flow Analysis

Information about cash flow is useful in many ways. It can also influence the decision makers in many ways. Decision makers may be,

- ✓ Investors
- ✓ Creditors
- ✓ Management

Investors have to decide whether to invest or not in a given company. Investor will value higher to the company whose regular operating cash flow is more than uses.

Creditors have to decide whether to provide credit facility or not to the given company. Information about cash flow can help creditors decide whether a company will have enough cash to pay the debts as they mature.

Management has to evaluate whether the company has ability to meet unexpected obligations and ability to take advantage of new business opportunities that may arise, and for this the management has to make cash flow analysis. Cash flow analysis could be done by either using cash budget or cash flow statement.

3.3.3 Cash Budget

Cash budget is not a financial statement. A cash budget is always prepared for expected results for future period's cash transactions. The cash budget usually broken into monthly segments showing in detail the cash flows expected from each department. It emphasizes on the financial pattern to meet seasonal to temporary cash needs. (Munankarmi, 2003: 13.03).

3.3.4 Cash Flow Statement

An important activity-oriented financial statement is the statement of cash flows. This Statement provides information, which is not otherwise available in either an income statement of balance sheet; it presents the sources and the uses of the enterprise's funds by operating activities, investing activities, and financing activities. The statement identifies the cash generated or used by operations; the cash exchanged to buy and sell plant and equipment; the cash proceeds from stock issuances and long term borrowings; and the cash used to pay dividends, to purchase company's outstanding shares of its own stock, and to pay off debts. (www.cashflow.com)

Cash Flow Statement as per the International Accounting Standard 7

- ✓ The cash flow statement should report cash flows during a period classified by operating, investing and financing activities.
- ✓ An enterprise presents its cash flow from operating investing and financing activities in a manner which is most appropriate to its business. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the enterprise and the amount of its cash and cash equivalent. This information may also be used to evaluate the relationship among those activities.
- ✓ A single transaction may include cash flows that are classified differently. For example when the cash repayment of a loan includes both interest and capital the interest element may be classified as an operating activity and he capital elements is classified as a financing activity.

Operating Activity

- ✓ The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the enterprises have generated sufficient cash flows to repay loans. Maintain the operating capability of the enterprise, pay dividends and

make new investments without resource to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

- ✓ Cash flows from operating activities are primarily derived from the principal revenue producing activities of the enterprise. Therefore they generally result from the transactions and other events that enter into the determination of net profit or loss.

Examples of cash flows from operating activities are,

-) Cash receipts from the sale of goods and the rendering of services
-) Cash receipts from royalties, fees, commissions and other revenue;
-) Cash payments to suppliers for goods and services
-) Cash payments to and on behalf of employee
-) Cash receipts and cash payments of an insurance enterprise for premiums and claims, annuities and other policy benefits.
-) Cash payments of refunds of income taxes unless they can be specifically identified with financing and investing activities; and
-) Cash receipts and payments from contracts held for dealing or trading purposes.

Some transaction, such as the sale of an item of plant, may give rise to a gain or loss which is included in the determination of net profit or loss. However the cash flows relating to such transaction are cash flows from investing activities.

- ✓ An enterprise may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore cash flows arising from the purchase and sales of dealing or trading securities are classified as operating activities. Similarly cash advances and loans made by financial institutions are usually classified as operating activities since they relate to the main revenue producing activity of the enterprise.

Investing Activity

- ✓ The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditure has been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are.

-) Cash payments to acquire property plant and equipment intangible and others long term assets. These payments include those relating to capitalized development costs and self constructed property plant and equipment.
-) Cash receipts from sales of property plant and equipment intangible and other long term assets.
-) Cash payments to acquire equity or debt instrument of other enterprises and interest in joint venture.
-) Cash receipts from sales of equity of debt instrument of other enterprises and interest in joint venture.
-) Cash advances and loans made to other parties.
-) Cash receipts from the repayment of advances and loans made to other parties.
-) Cash payments for futures contracts forward contracts option contract and swap contracts except when the contracts are held for dealing of trading purposes of the payment are classified as financing activities. and
-) Cash receipts from future contracts, forward contracts option contract and swap contracts except when the contract are held for dealing of trading purposes of the receipts are Classified as financing activities.

Financing Activity

The separate disclosure of cash flows from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the enterprise. Examples of cash flows arising from financing activities are.

- ✓ Cash proceeds from issuing shares or other equity instruments
- ✓ Cash payments to owners to acquire or redeem the enterprise shares
- ✓ Cash proceeds from issuing debentures loans notes bonds mortgage and other short or long term borrowings.
- ✓ Cash repayments of amounts borrowed and,
- ✓ Cash repayments by a lessee for the reduction of the outstanding liability relating to a finance lease.

3.4 Financial Statement

Financial statements are organized summaries of detailed financial information. The financial statements employed in this study are as follows;

3.5 Balance Sheet

Balance sheet is a financial statement, which reveals information about the financial position of a company at a particular point of time. It contains information in respect of capital & liabilities, assets & equities.

3.6 Income Statement / P/L a/c

It is the financial statement or an accounting report that summaries the revenue and the expense items along with their difference during the accounting period of time.

3.7 Comparative Balance Sheet

The balance sheets of selected commercial banks over the study period are presented in five separate sheets each for an institution to see the comparative changes in items of liabilities & assets during that particular time.

3.8 Trend Analysis

The trend analyses are performed to check whether the cash position of the concerned organizations is improving or deteriorating over the study period. In this study, an attempt was made to observe the financial trends maintained by the selected banks on the basis of the computed data derived from the annual report.

3.9 Statistical Tool

Ratio and the tools bar were used to analyze the relevant figures of cash flow analysis.

3.10 Assumptions of the Study

The following assumptions were made to draw valid and reliable conclusions;

- ✓ Short term liability like bills payable were assumed as financing source.
- ✓ The numbers of working days were assumed as 360 in a fiscal year
- ✓ The fixed assets in balance sheet were kept by deducting depreciation.
- ✓ Annual reports of the banks were reliable.

Presentation and Analysis of Data

A. Cash Flow from Operating Activity

Operating activities relate to a company's primary revenue generating activities. Operating activity is the main activity of cash inflows of every company/enterprise. It is the single major continuing source of cash. Operating activities are always with in the management control and they provide basic for estimation of fund needed to rise from available sources. It is the principal revenue producing activity of every enterprise.

Cash flow analysis of the selected Commercial banks was made. So under the NRB directive, the following are the items of operating cash flow.

- a) Interest income
- b) Commission and discount income
- c) Exchange gain
- d) Non-operating income
- e) Other income related with main business
- f) Interest expenses
- g) Exchange loss
- h) Non-operating expenses
- i) other expenses

According to NAS-03 (Sec. 14) cash flow from operating activities items are identified similar to International Accounting Standard.

B. Cash Flow from Investing Activity

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 all of those investments made or sold inside or outside of the company. Sale of these securities as well as investment on land and building is 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 inflow 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. Therefore if the cash inflow is higher than the cash outflow than the situation would be favorable because the company is able to invest more it is considered to be able to expand.

As far as the commercial banks investing activities include.

- a) Change in balance with bank.
- b) Change in money at call and short notice.
- c) Change in investment.
- d) Change in loans, advance and bills purchase.
- e) Change in fixed assets.
- f) Change in other assets.

C. Cash Flow from Financing Activity

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. For the commercial banks cash from this source should be excess especially non interest bearing deposit. Repayment of borrowed amount and payment of dividend as well as withdrawal of the deposits are the main cash outflow source under financing activities.

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

- a) Change in borrowing.
- b) Change in deposit.
- c) Change in bills payable.
- d) Change in other liability.

D. 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 commercial banks and their analyses. Analysis of the data is done on the following way.

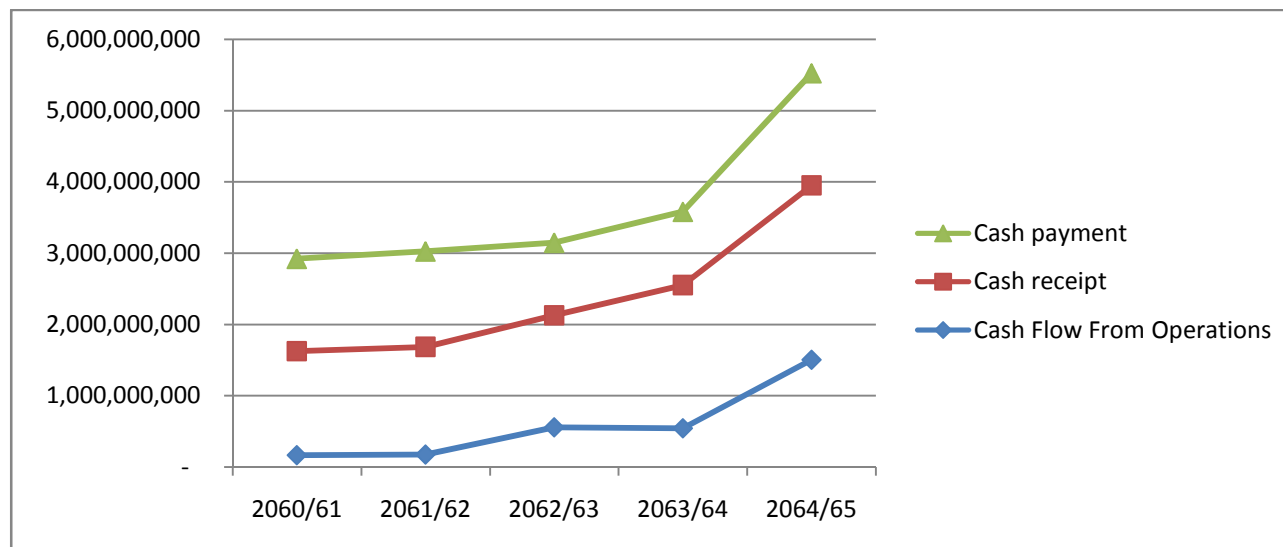
- Comparison with five fiscal year data individually.
- Comparison with every fiscal year data between selected sample commercial banks.
- Showing graphic and diagrammatic representation through trend analysis.

The Cash Flow Statement of all selected commercial banks from the F/Y 2058/059 to 2062/063 is as follows.

4.1 NABIL BANK LIMITED

A. Cash Flow from Operating Activities

Figure - 4.1 Cash Receipt, Cash payment and Cash Flow from Operations of Nabil Bank Ltd for the five fiscal years



CFOA of NABIL Bank Limited were Rs. 167,494,847.00, Rs. 175,956,005.00, Rs. 557,903,964.00, Rs. 544,233,717.00 and Rs. 1,503,617,217.00 respectively during the fiscal year 2060/61 to 2064/65. All Cash from Operating Activities are positive. It has increased higher rate in the fiscal year 2064/065. It is increased by 105.00%, 333.00%, 325.00% and 898% in the fiscal year 2061/62, 2062/63 2063/64 and 2064/65 respectively with compared to the fiscal year 2060/61. CFOA were higher than cash payment. Cash receipts from operation were Rs. 1,460,810,157.00, Rs. 1,512,162,566.00, Rs. 1,572,877,673.00, Rs. 2,009,665,057.00 and Rs. 2,444,909,153.00 respectively from the fiscal year 2060/61 to 2064/65.

Cash receipt included interest income and other income. Interest incomes were Rs. 1,001,616,901.00, Rs. 1,068,746,769.00, Rs. 1,092,644,431.00, Rs. 1,517,960,858.00 and Rs. 1,943,961,572.00 respectively from the fiscal

year 2060/61 to 2064/65. It is in increasing rate in each fiscal year 2061/62 and 2064/65 compared to fiscal year 2060/61. The interest income of bank is higher in the fiscal year 2064/65 than other fiscal years of the study period. The sources of interest income are 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 sources of cash receipt from operation were commission and discount income. Commission and discount comes from bills purchase and discount, letter of credit, guarantee, collection fees, remittance fees and credit card. Cash flow from commission and discount were Rs. 138,574,406.00, Rs. 128,883,480.00, Rs. 138,293,913.00, Rs. 150,608,550.00 and Rs. 156,234,754.00 from the fiscal year 2060/61 to 2064/65. This is the income of agency function. Cash flow from commission and discount were in increasing trend than the based fiscal year 2060/61. It is the positive sign for bank. Cash receipt from commission and discount were decreased by 6.99% and 0.20% in 2061/62 and 2062/63 respectively and increased by 8.68%, 21.20%, and 12.74% in the fiscal year 2063/64 to 2064/65 on the basis of based fiscal year 2060/61.

Cash receipts from currency exchange gain were Rs. 157,324,299.00, Rs. 184,878,868.00, Rs. 185,483,662.00, Rs. 209,926,167.00 and Rs. 196,487,415.00 during the fiscal year 2060/61 to 2064/65 respectively. Cash flow were in increasing trend in exchange gain till the fiscal year 2063/64 but has decreased in the fiscal year 2064/65. Exchange gain included revaluation gain and trading gain including exchange fees. Non-operating incomes are the factor of operating cash receipt. They were Rs. 92,780,639.00, Rs. 72,241,283.00, Rs. 73,557,805.00, Rs. 43,954,929.00 and Rs. 50,780,834.00 in the five fiscal year 2060/61 to 2064/65 respectively. It was increasing and decreasing trend in this respective five fiscal year compared to the based fiscal year 2060/61.

Cash receipt from other income were Rs. 70,513,912.00, Rs. 57,412,166.00, Rs. 82,897,862.00, Rs. 94,959,802.00 and Rs. 97,444,578.00 respectively from the fiscal year 2060/61 to 2064/65. Other income includes rental of safe deposit lockers, issue and renewal of credit cards and ATM cards, telex/TT etc. Cash from Other income are positive. It is good sign for banks.

Cash payments of bank for operating activities were Rs. 1,293,315,310.00, Rs. 1,336,206,561.00, Rs. 1,014,973,709.00, Rs. 1,025,960,808.00

and Rs.1,574,326,749.00 respectively in the fiscal year 2060/61 to 2064/65. Cash Payment in fiscal year 2062/63 and 2063/64 was lower than the base fiscal year 2060/61. But it was higher in the fiscal year 2061/62 and 2064/65 than previous two fiscal years. And it was in increasing trend in the fiscal year 2064/65 than previous fiscal years.

Out of the total cash payments Interest payment were Rs. 282,947,633.00, Rs. 243,544,611.00, Rs. 357,090,465.00, Rs. 555,211,049.00 and Rs. 747,397,941.00 respectively in the relevant five fiscal years. Interest expenses were in increasing trend. It reflected the increasing trend of deposit or decrease in non-interest bearing deposit. Interest expenses were decreased by 13.93%, in fiscal year 2061/62 and increased by 26.20%, 96.22% and 164.15% respectively from 2061/62 to 2064/65 as comparing to the fiscal year 2060/61. Interest expenses were 0.28, 0.22, 0.32, 0.37 and 0.38 times of interest income. It showed the well spread rate of interest.

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 were Rs. 180,840,420.00, Rs. 199,516,217.00, Rs. 219,780,853.00, Rs. 240,161,275.00 and Rs. 257,062,282.00 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Staff expenses were in increasing and decreasing trend. Staff expenses included salary, allowance, bonus and contribution to provident fund etc. Office overhead costs were in increasing and decreasing trend. The bank was operating new branch with new technology and new management. As a result office overhead costs were high for bank.

Non-operating expenses was nil in other fiscal years. Exchange loss was totally zero in relevant five fiscal years period. But other expenses were operating very high ratio. Other expenses were Rs. 676,152,259.00, Rs. 702,846,263.00, Rs. 318,115,851.00, Rs. 99,754,596.00 and Rs. 108,899,000.00 respectively in the five fiscal years which were taken into analysis. Other expenses plays vital role to increase total cash payment under operating activities. Other expenses were 52.28%, 52.60%, 31.34%, 9.72% and 6.92% of total cash payment from the fiscal year 2060/61 to the fiscal year 2064/65 respectively.

B. Cash Flow from Investing Activities

Bank or Financial institutions are the business entities which does the money business. It collects money as deposits and sells for customer which is called investment. CFIA of NABIL bank was Rs. (83752439), Rs. (581377845), Rs. (755522849), Rs (735,806,289) and Rs (472,302,012) respectively from the fiscal year 2060/61 to 2064/65. Cash flow was in volatile trend which showed that investment was in decreasing and increasing and decreasing trend. Due to the decreased in investment interest income also decreased. On all the fiscal year CFIA was decreasing in a high rate with comparing fiscal year 2060/61. In other words the bank was being able to invest sufficient amount of cash in investment sectors. Cash inflow from bank balance is Rs. 273,390,147, Rs. 270,572,262, Rs. 617,699,778, Rs 457,090,575 and Rs. 1,030,295,607 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. The bank had deposited its money in different bank like central bank, local bank and foreign bank. Cash flow from money at short call notice was Rs. (248,529,103), Rs. 50,305,093, Rs. (866,473,636), Rs.1,171,369,311 and Rs. 1,388,828,068 respectively from the fiscal year 2060/61 to the fiscal year 2064/65.

The Bank made investment for treasury bills, development bond, national saving bond, share/debenture and other securities. Cash flow from investment was in increasing trend. It was Rs. 195,227,049, Rs. 156,871,5620, Rs. 1,916,306,027, Rs. 2,601,884,591 and Rs. 1,061,044,939 respectively form the fiscal year 2060/61 to the fiscal year 2064/65. The bank was able to invest huge amount in the fiscal year 2060/61. But in the other fiscal year the bank sold its investment of Treasury bill and investment of foreign banks. Due to these reason cash flow was highly positive.

Cash flow from loans, advances and bill purchased were Rs. (434,040,866), Rs. (2,396,177,151), Rs. (2,379,529,909), Rs. (2,627,099,741) and Rs. (5,866,826,596) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Collecting and financing of loan was satisfactory. This situation showed the high percentage of volatility on cash flow from loans, advances and bill purchased. Change in fixed assets for cash flow purpose was positive in the last fiscal year and negative in other relevant fiscal years. Similarly other asset was positive in fiscal year 2063/64 and negative in other fiscal years.

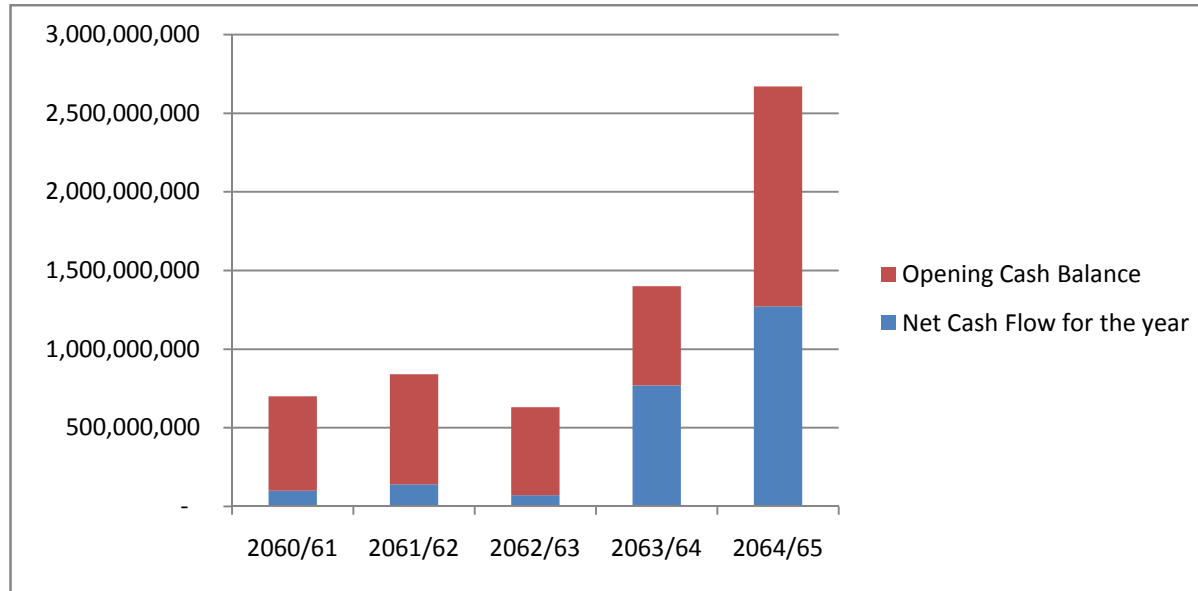
C. Cash Flow from Financing Activities

CFFA of NABIL Bank was Rs. 15,366,799, Rs. 264,888,173, Rs. 224,414,163, Rs. 225,353,544 and Rs. 240,000,000 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. It was found increasing trend. Cash flow had increased in the fiscal year 2061/62 to the fiscal year 2064/65 on the basis of based fiscal year 2060/61. The main cause of decreasing in CFFA was withdrawal of deposits. Cash flow borrowings were Rs. (731,801,153), Rs. (212,597,320), Rs. (156,139,030), Rs. (709,400,000) and Rs. 477,427,500) respectively from fiscal year 2060/61 to the fiscal year 2064/65. It was also in decreasing, increasing and decreasing trend. Cash flow from deposits in relevant five fiscal years was Rs. 671,371,051, Rs. 467,576,592, Rs. 476,079,733, Rs. 3,994,885,885 and Rs. 8,572,762,141 respectively from fiscal year 2060/61 to the fiscal year 2064/65. Collection of deposits is the goodwill of institutions. NABIL Bank is a reputed bank resulting increasing trend in deposit. Bills payable of the bank exist both in Nepalese and foreign currency. Cash flow from other liabilities under financing activities was Rs. 11,241,165, Rs. 63,655,150, Rs. (32,079,938), Rs. 295,531,126 and Rs. (286,162,807) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Other liability represented current liabilities. It showed that it was impossible to sketch trend of the cash flow from other liabilities. In other words it was in volatile trend.

D. Net Cash Flow for the fiscal year

Figure - 4.2

Opening Cash Balance and Net Cash Flow of Nabil Bank Ltd for the five fiscal years



Net cash flow of NABIL Bank was Rs. 99,109,207, Rs. (140,533,667), Rs. 26,795,278, Rs. 769,587,263 and Rs. 1,271,315,204 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Negative and positive cash flow represents the decrease and increase of overall cash flow. It was found volatile trend. High negative cash flow from financing activities was the main cause to create negative overall cash flow. There was highly negative cash flow in investing activities to generate negative cash flow.

4.2 HIMALAYAN BANK LIMITED

A. Cash Flow from Operating Activities

Figure - 4.3 Cash Receipt, Cash payment and Cash Flow from Operations

Of Himalayan Bank Ltd for the five fiscal years



CFOA of Himalayan Bank Limited was Rs. 725,692,002, Rs. 796,894,668, Rs. 596,488,926, Rs. 700,779,770 and RS. 273,069,708 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. All Cash from Operating Activities were positive. It had increased higher rate in the fiscal year 2061/062 and decreased in other fiscal years as compared with the fiscal year 2060/61. It was increased by 9.81% in 2061/62 and decreased by 17.80%, 3.43% and 62.37% in the fiscal year 2062/63, 2063/64 and 2064/65 respectively with compared to the fiscal year 2060/61. CFOA were higher than cash payment. Cash receipts from operation were Rs. 1,519,618,639, Rs. 17,606,802,111, Rs. 1,903,646,896, RS. 2,103,205,067 and Rs. 1,970,487,977 respectively from the fiscal year 2060/61 to the fiscal year 2064/65.

Cash receipt includes interest income and other income. Interest income was Rs. 1,245,895,020, Rs. 1,446,468,083, Rs. 1,419,900,506, Rs. 1,617,037,594 and Rs. 1,444,245,205 respectively from the fiscal year 2060/61 to

the fiscal year 2064/65. It was in increasing rate on the basis of based fiscal year 2060/61. But the interest income of bank was higher in fiscal year 2063/64 than other four fiscal years period. The sources of interest income are loan, overdraft and investment. If the investment, overdraft of loan decrease then interest income also decreases and vice-versa. The interest income showed the reducing investment trends.

Other important sources of cash receipt from operation is commission and discount income. Commission and discount comes from bills purchase and discount, letter of credit, guarantee, collection fees, remittance fees and credit card. Cash flow from commission and discount were Rs. 123,928,995, Rs. 132,815,882, Rs. 165,447,872, Rs. 193,224,228 and Rs. 202,888,358 from the fiscal year 2060/61 to the fiscal year 2064/65. This was the income of agency function. Cash flow from commission and discount were increasing than the based the fiscal year 2060/61. It was the positive sign for bank or was the positive situation for bank. Cash receipt from commission and discount were increased by 7.17%, 33.50%, 55.92% and 63.71% from the fiscal year 2061/62 to the fiscal year 2064/65 on the basis of based the fiscal year 2060/61.

Cash receipt from currency exchange gain was Rs. 112,419,406, Rs. 137,300,987, Rs. 198,130,134, Rs. 151,637,322 and Rs. 192,600,803 from the fiscal year 2060/61 to 2 the fiscal year 2064/65 respectively. Cash flow was in increasing trend in exchange gain. Exchange gain includes revaluation gain and trading gain including exchange fees. Non-operating incomes are the factor of operating cash receipt. They were Rs. 3,299,067, Rs. 2,794,642, Rs. 2,978,325, Rs. (315,890,702) and Rs. 42,380,758 in the five fiscal year 2060/61 to the fiscal year 2064/65 respectively. It was in increasing and decreasing trend in this respective five fiscal year on the based the fiscal year 2060/61.

Cash receipt from other income was Rs. 34,076,151, Rs. 41,300,617, Rs. 117,190,059, Rs. 457,196,625 and Rs. 88,372,853 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Other income includes rental of safe deposit lockers, issue and renewal of credit cards and ATM cards, telex/TT etc. Cash from Other income were positive. It was good sign for banks.

Cash payments of bank for operating activities were Rs. 793,926,637, Rs. 963,785,543, Rs. 1,307,157,970, Rs. 1,401,704,975 and Rs. 1,671,148,657 respectively in the fiscal year 2060/61 to the fiscal year 2064/65. Cash Payment was in increasing trend as it had increased in all the respective fiscal years as compared with base fiscal year 2060/61.

Out of the total cash payments Interest payment were Rs. 491,543,353, Rs. 561,963,770, Rs. 648,841,818, Rs. 767,411,247 and RS. 823,744,838 respectively in the relevant five fiscal years. Interest expenses were in increasing trend. It reflected the increasing trend of deposit

or decrease in non-interest bearing deposit. Interest expenses had increased by 14.33%, 32.00%, 56.12% and 67.58% respectively from the fiscal year 2061/62 to the fiscal year 2064/65 as compared to the fiscal year 2060/61. Interest expenses were 0.39, 0.39, 0.46, 0.47 and 0.57 times of interest income. It showed the well spread rate of interest.

Total cash payment under staff expenses were Rs. 152,508,886, Rs. 178,589,357, Rs. 191,638,231, Rs. 268,208,968 and RS. 307,528,289 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Staff expenses were in increasing trend. Office overhead costs were increasing trend.

Non-operating expenses were nil for HBL in respective five fiscal years period. Exchange loss is totally zero in relevant five fiscal years period. Other expenses of Bank was Rs. 230798830 in the fiscal year 2062/63 out off relevant five fiscal years period.

B. Cash Flow from Investing Activities

CFIA of Himalayan Bank was Rs. 1,921,645,410, Rs. 3,450,675,636, Rs. 1,989,936,390, Rs. 2,206,954,195 and Rs. 2,504,685,024 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Cash flow was in volatile trend which showed that investment was in increasing and decreasing trend. Due to the decrease in investment interest income was also decreased. On the fiscal year 2064/65, CFIA had decreased in a high rate with compared to the previous fiscal years. In other words the bank was being able to invest sufficient amount of cash in investment sectors. Cash inflow from bank balance was Rs. 144,929,213, Rs. 992,130, Rs. 28,763,148, Rs. (128,185,918) and Rs. 100,941,263 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Cash flow from money at short call notice was Rs. Rs. 218,800,000, Rs. 72,180,900, Rs. 564,199,100, Rs. 704,743,859 and Rs. 1,191,494,537 respectively from the fiscal year 2060/61 to the fiscal year 2064/65.

The Bank made investment for treasury bills, development bond, national saving bond, share/debenture and other securities. Cash flow from investment was in increasing trend. It was Rs. (883,332,507), Rs. 2,400,239,049, Rs. (801,968,750), Rs. (933,953,109) and Rs. (943,484,537) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. The bank was able to invest huge amount in the fiscal year 2063/64 and the fiscal year 2064/65. But in the fiscal year 2061/62, the bank sold its investment of Treasury bill and investment of foreign banks. Due to these

reason cash flow was highly positive.

Cash flow from loans, advances and bill purchased were Rs. 2,136,276,935, Rs. 619,790,462, Rs. 2,318,893,556, Rs.2,354,101,063 and Rs. 2,504,143,790 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Collecting and financing of loan was satisfactory. This situation showed the high percentage of volatility on cash flow from loans, advances and bill purchased. Change in fixed assets and other assets also presented in cash flow statement.

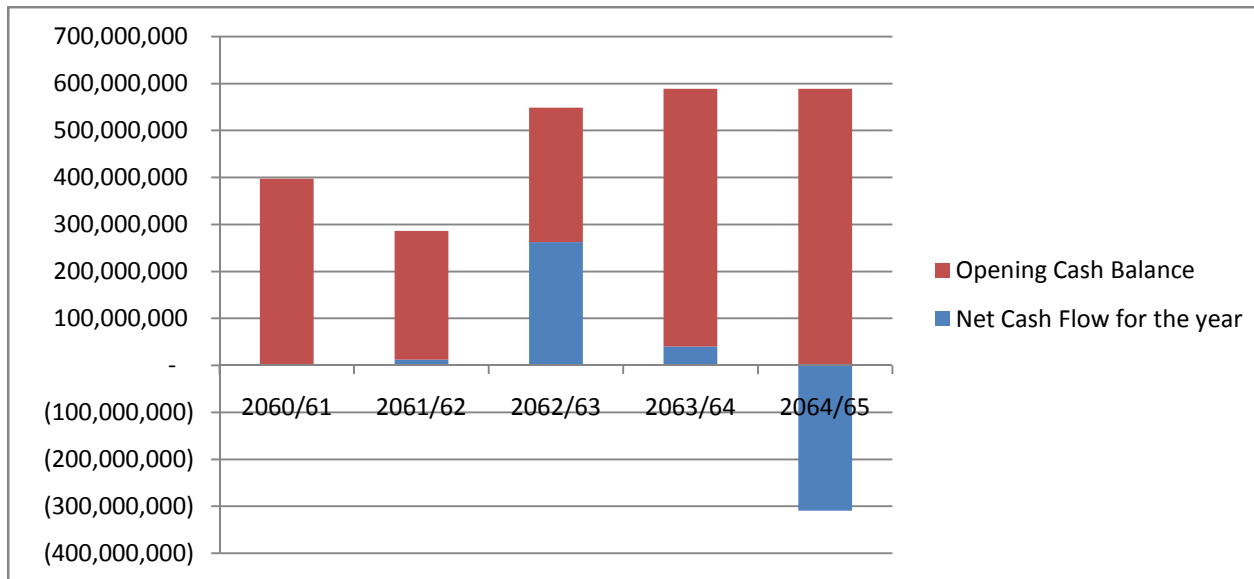
C. Cash Flow from Financing Activities

CFFA of Himalayan Bank was Rs. 1,072,999,419, Rs. 2,666,075,574, Rs. 1,655,951,578, Rs. 3,670,092,788 and Rs. 1,922,416,955 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. It was found to be volatile. Cash flow increased by 148.47%, 54.33%, 242.04% and 79.16% in fiscal year 2061/62, 2062/63, 2063/64, 2064/65 on the basis of the base fiscal year 2060/61. The main cause of decreasing in CFFA was withdrawal of deposits. Cash flow borrowings were Rs. 50,873,423, Rs. (152,957,595), Rs. 1,423,389, Rs. 91,342,914 and Rs. (152,789,838) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. It was also increasing and decreasing trend. Cash flow from deposits in relevant five fiscal years was Rs. 965,246,244, Rs. 2,803,679,000, Rs. 1,676,839,656, Rs. 3,557,566,116 and RS. 1,794,371,600 respectively from fiscal year 2060/61 to the fiscal year 2064/65. Collection of deposits was the goodwill of institutions. Himalayan Bank is a reputed bank even deposit is in fluctuating trends. Bills payable of the bank exist both in Nepalese and foreign currency. Cash flow from other liabilities under financing activities was Rs. 39,225,294, Rs. 11,336,643, Rs. (26,529,803), Rs. 21,183,758 and Rs. (219,164,807) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Other liability represented current liabilities. It showed that it was impossible to sketch trend of the cash flow from other liabilities.

D. Net Cash Flow for the fiscal year

Figure - 4.4

Opening Cash Balance and Net Cash Flow of Himalayan Bank Ltd for the five fiscal years

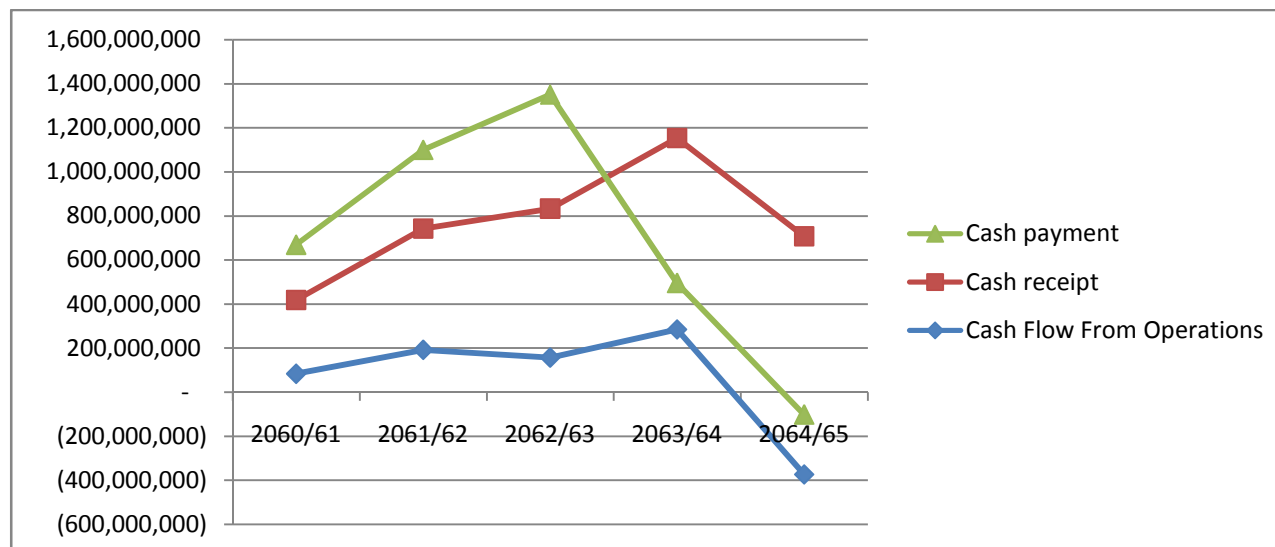


Net cash flow of Himalayan Bank was Rs. (122,953,989), Rs. 12,294,604, Rs. 262,504,114, Rs. 39,988,915 and RS. (309,198,361) respectively from the fiscal year the fiscal year 2060/61 to 2064/65. Positive and negative cash flow represents the increase and decrease of overall cash flow. It was found volatile trend. High negative cash flow from financing activities was the main cause to create negative overall cash flow.

4.3 KUMARI BANK LIMITED

A. Cash Flow from Operating Activities

Figure - 4.5 Cash Receipt, Cash payment and Cash Flow from Operations of Kumari Bank Ltd for the five fiscal years



CFOA of Kumari Bank Limited was Rs. 83,802,811, Rs. 192,400,130, Rs. 157,286,342, Rs. 284,754,814 and Rs. (373,116,233) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. All Cash from Operating Activities were positive in first four fiscal years but negative in the last fiscal year i.e. 2064/65. It had increased higher rate in the fiscal year 2061/062. It was increased by 125.59%, 87.69% and 239.79% in the fiscal year 2061/62, 2062/63 and 2063/64 respectively with compared to the fiscal year 2060/61 and has decreased by 445.23%. CFOA were higher than cash payment. Cash receipts from operation were Rs. 334,563,169, Rs. 549,834,993, Rs. 675,559,453, Rs. 868,293,617 and Rs. 1,080,550,334 respectively from the fiscal year 2060/61 to the fiscal year 2064/65.

Cash receipt includes interest income and other income. Interest income was Rs. 301,930,139, Rs. 509,149,319, Rs. 612,901,707, Rs.

791,284,209 and Rs. 956,854,479 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. It was in increasing trend as compared to the base fiscal year 2060/61. The sources of interest income were loan, overdraft and investment. The interest income showed the reducing investment trends.

Cash flow from commission and discount were Rs. 16,446,129, Rs. 23,083,001, Rs. 26,281,002, Rs. 40,764,126 and Rs. 48,494,633 from the fiscal year 2060/61 to the fiscal year 2064/65. Cash flow from commission and discount were increasing than the base fiscal year 2060/61. It was the positive sign for bank or was the positive situation for bank. Cash receipt from commission and discount were increased by 40.36%, 59.80%, 147.86% Na 194.87% from the fiscal year 2061/62 to 2064/65 as compared to the base fiscal year 2060/61.

Cash receipt from currency exchange gain was Rs. 14,413,973, Rs. 14,988,827, Rs. 26,373,738, Rs. 20,294,440 and Rs. 41,807,623 from the fiscal year 2060/61 to the fiscal year 2064/65 respectively. Cash flow was in increasing trend in exchange gain. Non-operating incomes are the factor of operating cash receipt. But they were negligible for the bank. It was Rs. 5,442 in the fiscal year 2061/62.

Cash receipt from other income was Rs. 1,772,928, Rs. 2,608,404, Rs. 10,003,006, Rs. 15,950,842 and Rs. 33,393,599 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Cash from Other income were positive.

Cash payments of bank for operating activities were Rs. (250,760,358), Rs. (357,434,863), Rs. (518,273,111), Rs. (657,509,246) and Rs. (809,005,678) respectively in the fiscal year 2060/61 to the fiscal year 2064/65. Cash Payment of bank was in increasing trend as compared to the base fiscal year 2060/61.

Out of the total cash payments Interest payment were Rs. (160,990,723), Rs. (226,522,306), Rs. (341,654,457), Rs. (404,509,533) and Rs. (493,513,029) respectively in the relevant five fiscal years. Interest expenses were in increasing trend. It reflected the increased in interest bearing deposit.

Total cash payment under staff expenses were Rs. (28,576,283), Rs. (42,395,007), Rs. (74,531,631), Rs. (99,099,527) and Rs. (115,314,064)

respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Staff expenses were in increasing trend. Office overhead costs were in increasing trend.

Non-operating expenses were nil for HBL in respective five fiscal years period. Exchange loss was totally zero in relevant five fiscal years period. The bank had paid income tax in the fiscal year 2061/62, 2062/63, 2063/64 and 2064/65; amount of income tax is shown in cash flow statement. But other expenses were operating very high ratio in relevant five fiscal years period. Other expense was lower in fiscal year 2062/63 than other fiscal years. Other expenses were Rs. (20,937,000), Rs. (40,641,265), Rs (38,957), Rs (816,882) and Rs (4,53,068) respectively in the five fiscal years which were taken into analysis. Other expenses plays vital role to increase total cash payment under operating activities.

B. Cash Flow from Investing Activities

CFIA of Kumari bank was Rs. (2,505,353,696), Rs. (1,975,206,191), Rs. (1,586,449,228), Rs. (126,683,039) and Rs. (85,155,041) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Cash flow was in volatile trend which showed that investment was in decreasing and increasing trend. The bank was being able to invest sufficient amount of cash in investment sectors.

Cash inflow from bank balance was Rs. (366,100,794), Rs. 284,883,729, Rs. 107,483,248, Rs. 227,529,987 and Rs. 113,164,182 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Cash flow from money at short call notice had changed by Rs. 0, Rs. (90,000,000), Rs. (55,000,000), Rs. (227,215,000) and Rs. (316,855,000) respectively from the fiscal year 2060/61 to the fiscal year 2064/65.

Cash flow from investment is in increasing and decreasing trend. It had changed by Rs. (560,349,523), Rs. (206,766,609), Rs. (204,676,742), Rs. (283,470,661) and Rs. (460,379,175) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. The bank sold its investment of Treasury bill and investment of foreign banks. Due to these reason cash flow was highly positive.

Cash flow from loans, advances and bill purchased were Rs. (1,560,397,481), Rs. (1,983,028,193), Rs. (1,331,564,163), Rs. (2,054,645,968)

and Rs. (2,459,947,172) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Collecting and financing of loan was satisfactory. This situation showed the high percentage of volatility on cash flow from loans, advances and bill purchased. Change in fixed assets for cash flow purpose is shown in cash flow statement. Other asset was positive in the fiscal year 2060/61, 2061/62 and 2063/64 and negative in the fiscal year 2062/63 and 2064/65.

C. Cash Flow from Financing Activities

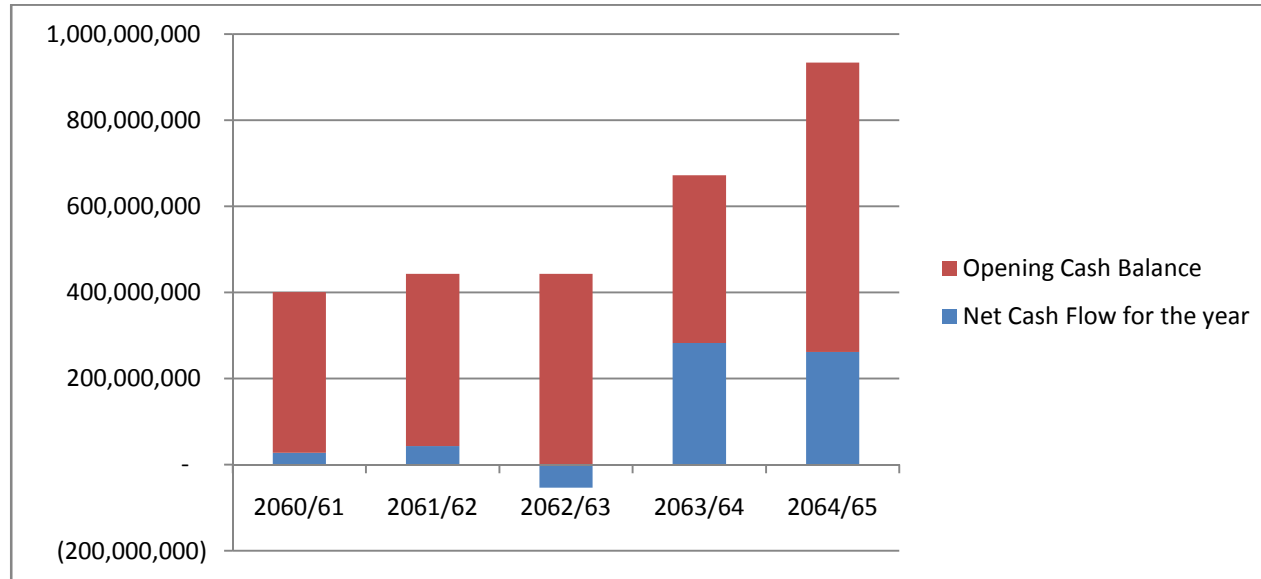
CFFA of Kumari Bank was Rs. 2,449,222,751, Rs. 1,825,583,248, Rs. 1,482,904,510, Rs. 124,411,430 and Rs. 720,000,000 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. It was found increasing trend. Cash flow had decreased in all the respective fiscal years as compared with the base fiscal year 2060/61. The main cause of decreasing in CFFA was withdrawal of deposits. Cash flow borrowings were Rs. 0, Rs. 401,761,328, Rs. (150,361,328), Rs. 0 and Rs. 400,000,000 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. It was also increasing and decreasing trend. Cash flow from deposits in relevant five fiscal years was Rs. 2,294,792,741, Rs. 1,461,017,517, Rs. 1,500,002,795, Rs. 2,788,459,185 and Rs. 2,217,189,816 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Collection of deposits was the goodwill of institutions.

Kumari Bank Limited is a reputed non joint venture commercial bank of Nepal even deposit was in fluctuating trends. Bills payable of the bank existed both in Nepalese and foreign currency. Cash flow from other liabilities under financing activities was Rs. (6,078,244), Rs.(29,897,441), Rs. 8,263,043, Rs. (129,800,436) and Rs. 102,851,187 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Other liability represented current liabilities. It showed that it was impossible to sketch trend of the cash flow from other liabilities. In other words it was in volatile trend. Change in share capital of bank was also considered for cash flow purpose. Change in share capital was Rs. 150,000,000 in the fiscal year 2060/61, Rs. 125,000,000 in the fiscal year 2062/63 and 2063/64 and Rs. 320,000,000 in the fiscal year 2064/65 among relevant five fiscal year period.

D. Net Cash Flow for the fiscal year

Figure - 4.6

Opening Cash Balance and Net Cash Flow of Kumari Bank Ltd for the five fiscal years

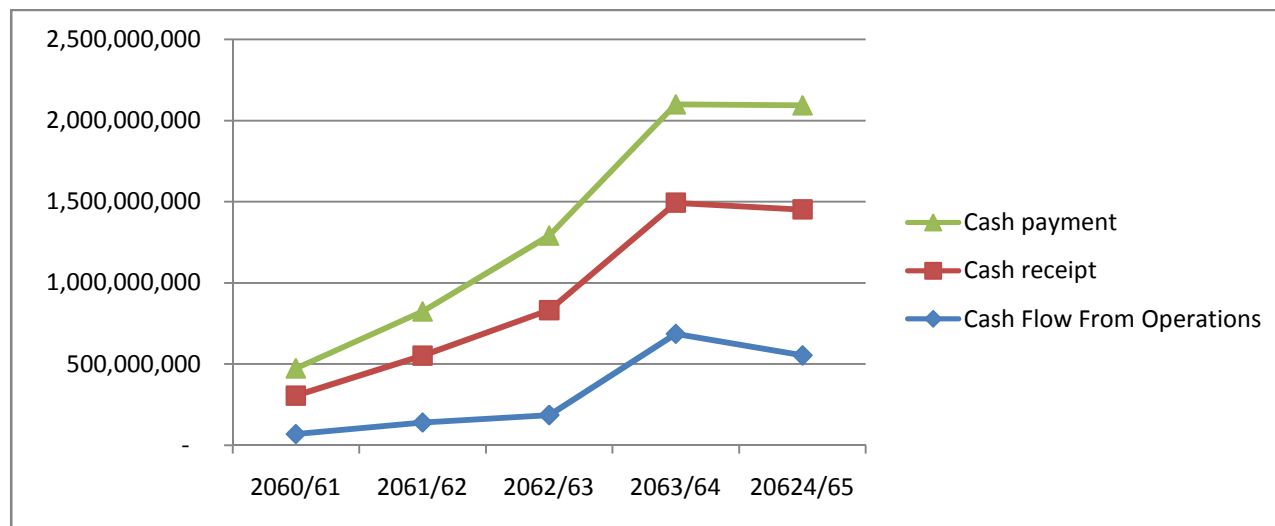


Net cash flow of Kumari Bank was Rs. 27,671,867, Rs. 42,777,187, Rs. (53,741,624), Rs. 282,800,436 and Rs. 102,851,187 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Positive cash flow represented the increase of overall cash flow. High negative cash flow from financing activities was the main cause to create negative overall cash flow. There was highly negative cash flow in investing activities to generate negative cash flow.

4.4 MACHHAPUCHHERE BANK LIMITED

A. Cash Flow from Operating Activities

Figure - 4.7 Cash Receipt, Cash payment and Cash Flow from Operations of Machhapuchhere Bank Ltd for the five fiscal years



CFOA of Machhapuchhere Bank Limited was Rs. 68,401,309, Rs. 139,052,205, Rs. 185,631,722, Rs. 685,629,299 and Rs. 553,040,413 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Cash flow from Operating Activities was positive in the fiscal years. It had increased by highest rate in the fiscal year 2063/064. It was increased by 103.29%, 171.39%, 902.36% and 708.52% in the fiscal year 2061/62, 2062/63, 2063/64 and 2064/65 respectively as compared to the base fiscal year 2060/61. Cash receipts from operation were Rs. 23,590,473, Rs. 411,726,101, Rs. 645,607,352, Rs. 806,863,683 and Rs. 898,040,413 respectively from the fiscal year 2060/61 to the fiscal year 2064/65.

Interest income was Rs. 208,127,750, Rs. 365,482,496, Rs. 563,362,314, Rs. 694,482,220 and Rs. 796,645,682 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. It was in increasing trend as compared to the base fiscal year 2060/61. But the interest income of bank was higher in fiscal year 2064/65 than respective five fiscal years period. The sources of interest income are loan, overdraft and investment. If the investment, overdraft of loan decreases then interest income also decreases and vice-versa. The interest income showed the reducing

investment trends.

Cash flow from commission and discount were Rs. 14,840,269, Rs. 21,391,062, Rs. 33,401,892, Rs. 34,305,033 and Rs. 35,616,247 from the fiscal year 2060/61 to fiscal year 2064/65. Cash flow from commission and discount were in increasing than the based fiscal year 2060/61. It was the positive sign for bank or was the positive situation for bank. Cash receipt from commission and discount were increased by 44.14%, 125.08%, 131.16% and 140.00 from the fiscal year 2061/62 to the fiscal year 2064/65 as compared the base fiscal year 2060/61.

Cash receipt from currency exchange gain was Rs. 12,621,092, Rs. 11,359,387, Rs. 35,152,377, Rs. 29,036,308 and Rs. 35,809,967 from the fiscal year 2060/61 to the fiscal year 2064/65 respectively. Cash flow was in increasing trend in exchange gain. Exchange gain included revaluation gain and trading gain including exchange fees. Non-operating incomes were the factor of operating cash receipt. But they were negligible for the bank. It was Rs. 286969 in the fiscal year 2061/62.

Cash receipt from other income was Rs. 1,001,361, Rs. 13,206,187, Rs. 13,690,769, Rs. 49,039,122 and Rs. 30,110,127 respectively from the fiscal year 2060/61 to the fiscal year 2064/65

Cash payments of bank for operating activities were Rs. 168,189,163, Rs. 272,673,896, Rs. 459,975,630, Rs. 605,866,256 and Rs. 641,087,036 respectively in the fiscal year 2060/61 to the fiscal year 2064/65. Cash Payment of bank was in increasing trend as compared to the base fiscal year 2060/61.

Out of the total cash payments Interest payment were Rs. 113,579,093, Rs. 187,027,982, Rs. 288,661,549, Rs. 397,721,715 and Rs. 407,919,238 respectively in the relevant five fiscal years. Interest expenses were in increasing trend. It reflected the increased in interest bearing deposit.

Total cash payment under staff expenses were Rs.. 19,872,460, Rs. 29,581,861, Rs. 41,935,364, Rs. 51,793,697 and Rs. 67,000,189 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Staff expenses were in increasing trend. Office overhead costs were in increasing trend.

Non-operating expenses were nil for MBL in respective five fiscal years period. Exchange loss was totally zero in relevant five fiscal years period. The bank had paid income tax in the fiscal year 2062/63, 2063/64 and 2064/65; amount of income tax was Rs. 48,705,268, Rs. 43,030,189 and Rs. 70,680,985. But other expenses were operating very high ratio in relevant five fiscal years period. Other expenses were Rs 5,187,722, Rs. 12,868,391, Rs 14,463,381, Rs. 33,717,739 and Rs. 572,946 respectively from the fiscal year 2060/61 to the fiscal year 2064/65 which was taken into analysis. Other expenses played vital role to increase total cash payment under operating activities.

B. Cash Flow from Investing Activities

CFIA of Machhapuchhere Bank was Rs. (1,057,953,262), Rs. (3,019,837,857), Rs. (2,541,595,327), Rs. (1,230,109,596) and Rs. (1,332,230,378) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Cash flow was in volatile trend which showed that investment was in decreasing and increasing trend. The bank was being able to invest sufficient amount of cash in investment sectors.

Cash inflow from bank balance was Rs. (189,406,265), Rs. (264,094,504), Rs. 34,298,339, Rs. 1,893,202 and Rs. 9,889,354 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Cash flow from money at short call notice had changed by Rs. 70,000,000, Rs. 135,000,000, Rs. (703,474,521), Rs. 24,474,521 and Rs. 624,000,000 respectively from the fiscal year 2060/61 to the fiscal year 2064/65.

The Bank had made investment for treasury bills, development bond, national saving bond, share/debenture and other securities. Cash flow from investment was in increasing and decreasing trend. It is Rs. 123,949,255, Rs. (194,205,229), Rs. (722,754,228), Rs. (87,102,156) and Rs. (165,082,002) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. The bank sold its investment of Treasury bill and investment of foreign banks. Due to these reason cash flow was highly positive.

Cash flow from loans, advances and bill purchased were Rs. (1,044,922,912), Rs. (2,589,781,007), Rs. (1,016,349,594), Rs. (1,173,366,308) and

Rs. (1,644,131,028) respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Collecting and financing of loan was satisfactory. This situation showed the high percentage of volatility on cash flow from loans, advances and bill purchased. Change in fixed assets for cash flow purpose is shown in cash flow statement. Other assets were Rs. (7,266,454), Rs. (73,055,052), Rs. (101,800,112), Rs. 10,906,369 and Rs. (147,017,347) respectively from the fiscal year 2060/61 to the fiscal year 2064/65.

C. Cash Flow from Financing Activities

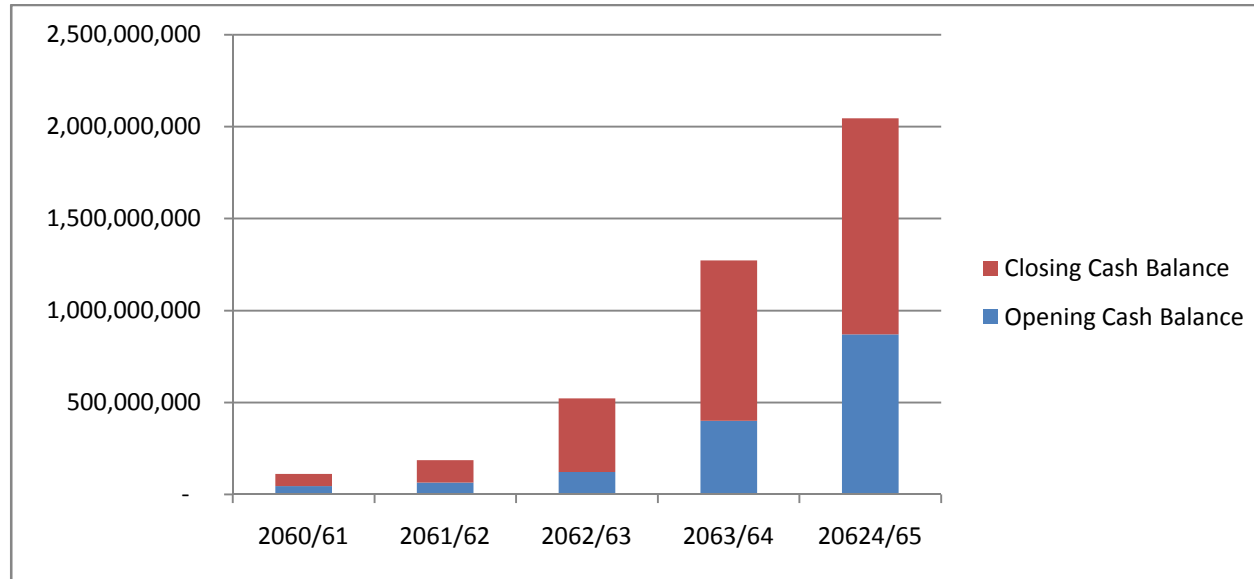
CFFA of Machhapuchhere Bank Ltd was Rs. 1,009,166,306, Rs. 2,937,079,257, Rs. 2,635,226,158, Rs. 1,014,636,545.00 and Rs. 809,673,412.00 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. It was found increasing and decreasing trend. The main cause of decrease in CFFA was withdrawal of deposits. Cash flow borrowings were Rs. 12,167,330, Rs. 52,050,144, Rs. 139,631,277, Rs. 133,107,946 and Rs. (95,736,393) respectively from fiscal year 2060/61 to the fiscal year 2064/65. It was also increasing and decreasing trend. Cash flow borrowings were nil in fiscal years 2060/61 and the fiscal year 2063/64. Cash flow from deposits in relevant five fiscal years was Rs. 975,845,800, Rs. 2,832,170,554, Rs. 2,306,495,028, Rs. 1,582,153,537 and Rs. 1,626,790,753 respectively from fiscal year 2060/61 to the fiscal year 2064/65. Collection of deposits was the goodwill of institutions.

Machhapuchhere Bank Limited is a reputed non joint venture commercial bank of Nepal with head quarter in western part of Nepal; even deposit is in fluctuating trends. Bills payable of the bank exist both in Nepalese and foreign currency. Cash flow from other liabilities under financing activities was Rs. 14,148,187, Rs. 50,019,235, Rs. 24,099,853, Rs. (519,315) and Rs. 97,121,444 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Other liability represents current liabilities. It showed that it was impossible to sketch trend of the cash flow from other liabilities. In other words it was in volatile trend. Change in share capital of bank was also considered for cash flow purpose. Change in share capital was Rs. 5,826,000, Rs. 0, Rs. 165,000,000, Rs. 0 and Rs. 79,688,000 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. The bank had managed reserve fund in the fiscal year 2061/62, 2062/63 and 2063/64 amount of reserve fund were Rs. 1,352,486, Rs. 42,522,437 and Rs. 44,259,616 respectively.

D. Net Cash Flow for the fiscal year

Figure - 4.8

Opening Cash Balance and Net Cash Flow of Machhapuchhere Bank Ltd
for the five fiscal years



Net cash flow of Machhapuchhere Bank Ltd was Rs. 19,614,353, Rs. 56,293,605, Rs. 279,262,553, Rs. 470,156,248 and Rs. 304,483,447 respectively from the fiscal year 2060/61 to the fiscal year 2064/65. Positive cash flow represented the increase of overall cash flow. High negative cash flow from financing activities was the main cause to create negative overall cash flow.

4.5 Fiscal year 2060/061

A. Cash Flow from Operating Activities

The amount of total cash flow from operation in the fiscal year 2060/061 was Rs. 167,494,847, Rs. 725,692,002, Rs. 83,802,811 and Rs. 68,401,309 respectively of NABIL, HBL, KBL and MBL. HBL was in the highest position where MBL was in the lowest position from the view point of operating cash flow. Cash flow from operating activities involved various activities which are presented in the table. Cash receipt from operation was Rs. 1,460,810,157, Rs. 1,519,618,639, Rs. 334,563,169 and Rs. 236,590,473 respectively as the above banks. Similarly cash payment was Rs. 1,293,315,310, Rs. 793,926,637, Rs. (250,760,358) and Rs. 168,189,163 respectively as the above banks in the fiscal year 2060/061.

CFOA with respect to cash receipt from operation were 11.47%, 47.75%, 25.05% and 28.91% respectively as the above banks. Surplus ration was the highest for HBL and the lowest for NABIL Bank. Cash receipts included interest income, commission and discount, exchange gain, non-operating income and other income. Similarly cash payment included interest expenses, staff expenses, office overhead expenses, exchange loss, non-operating expenses, income tax paid and other expenses. The determination of cash receipt and cash payment was the summation of these included items which is detail in the comparative sheet. This analysis reflected the very weak condition of NABIL in its high expenditure for operating activities. The highest positive deviation with cash receipt and payment from activities reflected the good position of bank. According to the total amount deviation with cash receipt and payment HBL was in strong position.

The amount of CFOA was higher in HBL; it was because of generating high amount of interest income. Although the interest income of NABIL was also high rank but its expenditure was also high. Therefore CFOA was the net flow between cash receipts and cash payments which was determination of all related factors. So based on these financial ratio analysis, HBL was in better position than other banks from the view point of cash flow from operating activities.

B. Cash Flow from Investing Activities

The amount of Cash Flow from Investing Activities, in the fiscal year 2060/061 was

Rs. (83,752,439), Rs. 1,921,645,410, Rs. (2,505,353,696) and Rs. (1,057,953,262) respectively of NABIL, HBL, KBL and MBL. In this activities various other activities were included which were presented in the comparative cash flow statement. CFIA of the HBL was in the top position than other banks where NABIL, KBL and MBL were found in negative which represented that KBL and MBL had invested heavy amount. The outflow was the highest than inflow of cash in NABIL, KBL and MBL. Positive cash flow from investing activities was not a sign of good investment. Due to the various political and economic situations the entire bank decreased their investment and loan, but it was very good signing from the view point of cash flow.

C. Cash Flow from Financing Activities

The amounts of cash flow from financing activities were Rs. 15,366,799, Rs. 1,072,999,419, Rs. 2,449,222,751 and Rs. 1,009,166,306 of NABIL, HBL, KBL and MBL respectively. CFFA of KBL was the highest positive than others. It was calculated from the various activities which were described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing was found negative in NABIL. Deposits were the key point in the financial activities. Therefore collection of large amount of deposit was the goodwill of the bank. The main reason for increasing cash in flow was deposit liability. Kumari Bank collected the highest deposit liability but Himalayan Bank pays high amount of interest than other banks. This analysis reflected the importance of deposit to financial cash flow.

Cash flow from bills payable was positive in the fiscal year 2060/061. The negative flow means payment of bill amount. It did not appear in big volume but it was most important non-interest bearing liability for banks.

Cash flow from other liabilities positively highest changed of HBL and negative changed was found of KBL. Shareholders equity was also a major source of financing activities. It was found of KBL and MBL in the fiscal year 2060/061.

D. Net Cash Flow for the fiscal year

Net cash flow for the fiscal year 2060/061 is Rs. 99,109,207, Rs. (122,953,989), Rs. 27,671,867 and Rs. 19,614,353 of NABIL, HBL, KBL and MBL respectively. Net cash flow of NABIL was in the highest position than others. Net cash flow was the total of operating, investing and

financing cash flow. Overall cash flow of the bank was positive due to the positive operating and financing activities.

4.6 Fiscal year 2061/062

A. Cash Flow from Operating Activities

The amount of total cash flow from operation in the fiscal year 2061/062 was Rs. 175,956,005, Rs. 796,894,668, Rs. 192,400,130 and Rs. 139,052,205 respectively of NABIL, HBL, KBL and MBL. HBL was in the highest position where MBL was in the lowest position from the view point of operating cash flow. Cash flow from operating activities involved various activities which were presented in the table. Cash receipt from operation was Rs. 1,512,162,566, Rs. 1,760,680,211, Rs. 549,834,993 and Rs. 411,726,101 respectively as the above banks. Similarly cash payment was Rs. 1,336,206,561, Rs. 963,785,543, Rs. (357,434,863) and Rs. 272,673,896 respectively as the above banks in the fiscal year 2061/062.

CFOA with respect to cash receipt from operation were 11.64%, 45.26%, 34.99% and 33.77% respectively as the above banks. Surplus ration was the highest for HBL and the lowest for NABIL Bank. This analysis reflected very weak condition of NABIL in its high expenditure for operating activities. The highest positive deviation with cash receipt and payment from activities reflected the good position of bank. According to the total amount deviation with cash receipt and payment HBL was in strong position.

The amount of CFOA was higher in HBL; it was because of generating high amount of interest income. Although the interest income of NABIL was also high rank but its expenditure was also high. Therefore CFOA was the net flow between cash receipts and cash payments which was determination of all related factors. So based on these financial ratio analysis, HBL was in better position than other banks from the view point of cash flow from operating activities.

B. Cash Flow from Investing Activities

The amount of Cash Flow from Investing Activities, in the fiscal year 2061/062 was Rs. (581,377,845), Rs. 3,450,675,636, Rs. (1,975,206,191) and Rs. (3,019,837,857) respectively of NABIL, HBL, KBL and MBL. In this activities various other activities were included which were presented in the comparative cash flow statement. CFIA of the HBL is in the top

position than other banks where NABIL, KBL and MBL were found in negative which represents that NABIL, KBL and MBL had invested heavy amount. The outflow was the highest than inflow of cash in NABIL, KBL and MBL. Positive cash flow from investing activities was 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.

C. Cash Flow from Financing Activities

The amounts of cash flow from financing activities were Rs. 264,888,173, Rs. 2,666,075,574, Rs. 1,825,583,248 and Rs. 2,937,079,257 of NABIL, HBL, KBL and MBL respectively. CFFA of MBL was the highest positive than others. It was calculated from the various activities which were described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing was found negative in NABIL and HBL. Deposits were the key point in the financial activities. Therefore collection of large amount of deposit was the goodwill of the bank. The main reason for increasing cash in flow was deposit liability. Himalayan Bank collected the highest deposit liability so it paid high amount of interest than other banks. This analysis reflected the importance of deposit to financial cash flow.

Cash flow from bills payable is negative and positive in the fiscal year 2061/062. The negative flow means payment of bill amount. It did not appear in big volume but it was most important non-interest bearing liability for banks.

Cash flow from other liabilities positively he highest changed of NABIL and negative changed was found of KBL. Shareholders equity was also a major source of financing activities. But it was not found in the fiscal year 2061/062. Change in reserve fund was also main part of financing activities; it was found of MBL in that fiscal year.

D. Net Cash Flow for the fiscal year

Net cash flow for the fiscal year 2061/062 was Rs. (140,533,667), Rs. 12,294,606, Rs. 42,777,187 and Rs. 56,293,605 of NABIL, HBL, KBL

and MBL respectively. Net cash flow of MBL was in the highest position than others. Net cash flow was the total of operating, investing and financing cash flow. Overall cash flow of the bank was positive due to the positive operating and financing activities.

4.7 Fiscal year 2062/063

A. Cash Flow from Operating Activities

The amount of total cash flow from operation in the fiscal year 2062/063 was Rs. 557,903,964, Rs. 596,488,926, Rs. 157,286,342 and Rs. 185,631,722 respectively of NABIL, HBL, KBL and MBL. HBL was in the highest position where KBL was in the lowest position from the view point of operating cash flow. Cash flow from operating activities involved various activities which were presented in the table. Cash receipt from operation was Rs. 1,572,877,673, Rs. 1,903,646,896, Rs. 675,559,453 and Rs. 645,603,352 respectively as the above banks. Similarly cash payment was Rs. 1,014,973,709, Rs. 1,307,157,970, Rs. (518,273,111) and Rs. 459,975,630 respectively as the above banks in the fiscal year 2062/063.

CFOA with respect to cash receipt from operation were 35.47%, 31.33%, 23.28% and 28.75% respectively as the above banks. Surplus ration was the highest for NABIL and the lowest for Kumari Bank. Ratio showed that NABIL was able to minimize its operating cost than other banks. This analysis reflects the very weak condition of KBL in its high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflected the good position of bank. According to the total amount deviation with cash receipt and payment NABIL was in strong position.

The amount of CFOA was higher in NABIL; it was because of generating high amount of interest income. Although the interest income of HBL was also high rank but its expenditure was also high. Therefore CFOA was the net flow between cash receipts and cash payments which was determination of all related factors. So based on these financial ratio analysis, NABIL was in better position than other banks from the view point of cash flow from operating activities.

B. Cash Flow from Investing Activities

The amount of Cash Flow from Investing Activities, in the fiscal year 2062/063 was Rs. (755,522,849), Rs. 1,989,936,390, Rs. (1,586,449,228) and Rs. (2,541,595,327) respectively of NABIL, HBL, KBL and MBL. In this activities various other activities were included

which were presented in the comparative cash flow statement. CFIA of the HBL was in the top position than other banks where NABIL, KBL and MBL were found in negative which represents that NABIL, KBL and MBL has invested heavy amount. The outflow was highest than inflow of cash in NABIL, KBL and MBL. Positive cash flow from investing activities was not a sign of good investment.

C. Cash Flow from Financing Activities

The amounts of cash flow from financing activities were Rs. 224,414,163, Rs. 1,655,951,578, Rs. 1,482,904,510 and Rs. 2,635,226,158 of NABIL, HBL, KBL and MBL respectively. CFFA of MBL was the highest positive than others. It was calculated from the various activities which were described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing was found negative in NABIL and HBL. Deposits were the key point in the financial activities. Therefore collection of large amount of deposit was the goodwill of the bank. The main reason for increasing cash in flow was deposit liability. Himalayan Bank collected the highest deposit liability so it paid high amount of interest than other banks. This analysis reflected the importance of deposit to financial cash flow.

Cash flow from bills payable was negative and positive in the fiscal year 2062/063. The negative flow means payment of bill amount. It did not appear in big volume but it was the most important non-interest bearing liability for banks.

Cash flow from other liabilities positively highest changed of MBL and negative changed was found of NABIL. Shareholders equity was also a major source of financing activities. It was not found of KBL and MBL in the fiscal year 2062/063.

D. Net Cash Flow for the fiscal year

Net cash flow for the fiscal year 2062/063 was Rs. 26,795,278, Rs. 262,504,114, Rs. 53,741,624 and Rs. 279,262,553 of NABIL, HBL, KBL and MBL respectively. Net cash flow of MBL was in the highest position than others. Net cash flow was the total of operating, investing and

financing cash flow. Overall cash flow of the bank was positive due to the positive operating and financing activities.

4.8 Fiscal year 2063/064

A. Cash Flow from Operating Activities

The amount of total cash flow from operation in the fiscal year 2063/064 was Rs. 544,233,717, Rs. 700,779,770, Rs. 284,754,814 and Rs. 685,629,299 respectively of NABIL, HBL, KBL and MBL. HBL was in the highest position where KBL was in the lowest position from the view point of operating cash flow. Cash flow from operating activities involved various activities which were presented in the table. Cash receipt from operation was Rs. 2,009,665,067, Rs. 2,103,205,067, Rs. 868,293,617 and Rs. 806,862,683 respectively as the above banks. Similarly cash payment was Rs. 1,025,960,808, Rs. 1,401,704,975, Rs. (657,509,246) and Rs. 605,866,256 respectively as the above banks in the fiscal year 2063/064.

CFOA with respect to cash receipt from operation were 27.08%, 33.32%, 32.79% and 84.97% respectively as the above banks. Surplus ratio was the highest for NABIL and the lowest for Kumari Bank Ltd. The ratio showed that NABIL was able to minimize its operating cost than other banks. This analysis reflected very weak condition of KBL in its high expenditure for operating activities. The highest positive deviation with cash receipt and payment from activities reflected the good position of bank. According to the total amount deviation with cash receipt and payment NABIL was in strong position.

The amount of CFOA was higher in NABIL; it was because of generating high amount of interest income. Although the interest income of HBL was also high rank but its expenditure was also high. Therefore CFOA was the net flow between cash receipts and cash payments which was determination of all related factors. So based on these financial ratio analysis, NABIL was in better position than other banks from the view point of cash flow from operating activities.

B. Cash Flow from Investing Activities

The amount of Cash Flow from Investing Activities, in the fiscal year 2063/064 was Rs. (735,806,289), Rs. 2,206,954,195, Rs. (126,683,039) and Rs. (1,230,109,596) respectively of NABIL, HBL, KBL and MBL. In this activities various other activities were included

which were presented in the comparative cash flow statement. CFIA of the HBL was in the top position than other banks where NABIL, KBL and MBL were found in negative which represents that NABIL, KBL and MBL has invested heavy amount. The outflow was highest than inflow of cash in NABIL, KBL and MBL. Positive cash flow from investing activities was not a sign of good investment.

C. Cash Flow from Financing Activities

The amounts of cash flow from financing activities were Rs. 961,159,835, Rs. 1,546,163,340, Rs. 124,411,430 and Rs. 167,219,731 of NABIL, HBL, KBL and MBL respectively. CFFA of MBL was the highest positive than others. It was calculated from the various activities which were described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing was found negative in NABIL and HBL. Deposits were the key point in the financial activities. Therefore collection of large amount of deposit was the goodwill of the bank. The main reason for increasing cash in flow was deposit liability. Himalayan Bank collected the highest deposit liability so it paid high amount of interest than other banks. This analysis reflected the importance of deposit to financial cash flow.

Cash flow from bills payable was negative and positive in the fiscal year 2063/064. The negative flow means payment of bill amount. It did not appear in big volume but it was most important non-interest bearing liability for banks.

Cash flow from other liabilities positively highest changed of MBL and negative changed was found of NABIL. Shareholders equity was also a major source of financing activities. It was not found of KBL and MBL in the fiscal year 2063/064.

D. Net Cash Flow for the fiscal year

Net cash flow for the fiscal year 2063/064 was Rs. 769,587,263, Rs. 39,988,915, Rs. 282,483,206 and Rs. 470,156,248 of NABIL, HBL, KBL and MBL respectively. Net cash flow of MBL was in the highest position than others. Net cash flow was the total of operating, investing and

financing cash flow. Overall cash flow of the bank was positive due to the positive operating and financing activities.

4.9 Fiscal year 2064/065

A. Cash Flow from Operating Activities

The amount of total cash flow from operation in the fiscal year 2064/065 was Rs. 1,503,617,217, Rs. 299,339,320, Rs. (373,116,233) and Rs. 553,040,413 respectively of NABIL, HBL, KBL and MBL. HBL was in the highest position where KBL is in the lowest position from the view point of operating cash flow. Cash flow from operating activities involved various activities which were presented in the table. Cash receipt from operation was Rs. 2,444,909,153, Rs. 1,970,487,977, Rs. 1,080,550,334 and Rs. 898,182,023 respectively as the above banks. Similarly cash payment was Rs. 1,574,326,749, Rs. 1,671,148,657, Rs. 809,005,678 and Rs. 641,087,036 respectively as the above banks in the fiscal year 2064/065.

CFOA with respect to cash receipt from operation were 61.50%, 15.19%, (34.53%) and 61.57% respectively as the above banks. Surplus ration was the highest for NABIL and lowest for Kumari Bank Ltd. The ratio showed that NABIL was able to minimize its operating cost than other banks. This analysis reflected the very weak condition of KBL in its high expenditure for operating activities. The highest positive deviation with cash receipt and payment from activities reflected the good position of bank. According to the total amount deviation with cash receipt and payment NABIL was in strong position.

The amount of CFOA was higher in NABIL; it was because of generating high amount of interest income. Although the interest income of HBL was also at high rank but its expenditure was also high. Therefore CFOA was the net flow between cash receipts and cash payments which was determination of all related factors. So based on these financial ratio analyses, NABIL was in better position than other banks from the view point of cash flow from operating activities.

B. Cash Flow from Investing Activities

The amount of Cash Flow from Investing Activities, in the fiscal year 2064/065 was Rs. (472,302,012), Rs. 279,413,303, Rs. (85,155,041) and Rs. (1,332,230,378) respectively of NABIL, HBL, KBL and MBL. In this activities

various other activities were included which were presented in the comparative cash flow statement. CFIA of the HBL was in the top position than other banks where NABIL, KBL and MBL were found in negative which represents that NABIL, KBL and MBL had invested heavy amount. The outflow was highest than inflow of cash in NABIL, KBL and MBL. Positive cash flow from investing activities was not a sign of good investment.

C. Cash Flow from Financing Activities

The amounts of cash flow from financing activities were Rs. 240,000,000, Rs. 1,922,416,955, Rs. 720,000,000 and Rs. 366,756,392 of NABIL, HBL, KBL and MBL respectively. CFFA of MBL was the highest positive than others. It was calculated from the various activities which were described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing was found negative in NABIL and HBL. Deposits were the key point in the financial activities. Therefore collection of large amount of deposit was the goodwill of the bank. The main reason for increasing cash in flow was deposit liability. Himalayan Bank collected the highest deposit liability so it paid high amount of interest than other banks. This analysis reflected the importance of deposit to financial cash flow.

Cash flow from bills payable was negative and positive in the fiscal year 2064/065. The negative flow means payment of bill amount. It did not appear in big volume but it is most important non-interest bearing liability for banks.

Cash flow from other liabilities positively the highest changed of MBL and negative changed was found of NABIL. Shareholders equity was also a major source of financing activities. It was not found of KBL and MBL in the fiscal year 2064/065.

D. Net Cash Flow for the fiscal year

Net cash flow for the fiscal year 2064/065 was Rs. 1,271,315,204, Rs. (309,198,361), Rs. 261,728,726 and Rs. 304,483,447 of NABIL, HBL, KBL and MBL respectively. Net cash flow of MBL was in the highest position than others. Net cash flow was the total of

operating, investing and financing cash flow. Overall cash flow of the bank wa positive due to the positive operating and financing activities.

4.10 Major Findings

4.10.1 NABIL Bank Limited.

Cash Flow from Operating Activities (CFOA)

1. Cash Flow from Operating Activities (CFOA) were positive during the whole fiscal years with increase and decrease trends.
2. CFOA was highest in the fiscal year 2063/064.
3. Cash receipts from other income were the highest in the fiscal year 2062/063.
4. Total cash receipt from operation was the highest in the fiscal year 2061/062.
5. Total cash payment was the highest in the fiscal year 2064/065 which made Cash Flow from Operating Activities low in that fiscal year.
6. In the fiscal year 2064/065 interest expenses were highest because the bank has granted highest amount of loan.
7. Commission and discount incomes were found increasing trend. It was the highest in fiscal year 2064/065.
8. Cash receipts from exchange gain were significant in total operating cash flow during the five fiscal year.
9. Staff and operating expanses were found highest in the fiscal year 2064/065 and 2061/062 respectively.
10. Other expense were highest in the fiscal year 2062/63.

Cash Flow from Investing Activities (CFIA)

1. Cash flow from Investing Activities is in the fluctuation trend.
2. The bank has no significant investment scheme.
3. The Bank has excess liquidity in the form of depository fund.
4. Change in loans advance and bill purchased were negative during the study period year except in the fiscal year 2060/61. This is the satisfactory condition for bank.

5. Fixed assets sold out in the fiscal year 2060/61 but purchased in other four fiscal years.
6. Cash flow from current and non banking assets were in fluctuating trend.

Cash Flow from Financing Activities (CFFA)

1. CFFA of NABIL Bank during the study period was in the fluctuation trend.
2. Highest amount of borrowing decreased in the fiscal year 2060/061 as a result cash flow from financing activities also decreased.
3. Cash flow from bills payable and other liabilities were in increasing and decreasing trend.
4. Cash flow from other liabilities was negative in starting and ending fiscal year of the five fiscal year period and it was positive in other fiscal years.

Net cash flow for the fiscal year

- Overall cash flow was positive in the fiscal year 2060/61, 2062/63, 2063/64 and 2064/65 which were contributed by cash flow from investing activities. Similarly overall cash flows were negative in the fiscal year 2061/62 due to the highest cash outflow into investing activities.

4.10.2 Himalayan Bank Limited.

Cash Flow from Operating Activities (CFOA)

1. Cash Flow from Operating Activities (CFOA) was positive during the whole fiscal years. It was found increasing up to fiscal year 2061/062 and found decreasing in fiscal year 2062/63 than previous fiscal year.
2. CFOA was lowest in the fiscal year 2064/065.
3. Cash receipts from other income were highest in the fiscal year 2063/64.
4. Total cash receipt from operation was highest in the fiscal year 2063/064.
5. Total cash payment was highest in the fiscal year 2064/065 which made net Cash Flow form Operating Activities lowest in that fiscal

year.

6. In the fiscal year 2064/65 interest expenses were highest because the bank has granted highest amount of loan.
7. Commission and discount income were found increasing trend. It was highest in the fiscal year 2064/065.
8. Cash receipts from exchange gain were significant in total operating cash flow during the five fiscal years.
9. Staff and operating expenses were highest in the fiscal year 2064/065.
10. Other expenses were found highest in the fiscal year 2064/065.

Cash Flow from Investing Activities (CFIA)

1. Cash Flow from Investing Activities was positive during whole period and it higher in the fiscal year 2061/062 and lowest in the fiscal year 2058/059. But Cash flow from Investing Activities is in the fluctuation trend.
2. The Bank had excess liquidity in the form of depository fund.
3. Change in loans advance and bill purchased was found positive during the whole fiscal year. This is the satisfactory condition for bank.
4. Fixed assets sold out in the fiscal year 2060/61 and 2064/065 but purchased in other remaining fiscal years.
5. Cash Flow from other assets was found positive during the period.

Cash Flow from Financing Activities (CFFA)

1. CFFA of Himalayan Bank during the study period were in the fluctuation trend.
2. Highest amount of borrowing decreased in the 2061/062.
3. Cash flow from bills payable and other liabilities were in increasing and decreasing trend.
4. Cash flow from other liabilities were negative in the fiscal year 2062/063 and 2064/65, found positive in the fiscal year 2060/061, 2061/062 and 2063/64.

Net cash flow for the fiscal year

- Overall cash flow was positive in the fiscal year 2061/62, 2062/063 and 2063/64 which were contributed by cash flow from investing

activities. Similarly overall cash flows negative in the fiscal year 2060/61 and 2064/65 due to the highest cash outflow into investing activities.

4.10.3 Kumari Bank Limited.

Cash Flow from Operating Activities (CFOA)

1. Cash Flow from Operating Activities (CFOA) was positive during the whole fiscal years except 2064/65. It is found to be very fluctuating.
2. Cash received from other income was highest in the fiscal year 2064/065.
3. Total cash receipts from operation were the highest in the fiscal year 2064/065.
4. Total cash payment was highest in the fiscal year 2064/065 which made net Cash Flow from Operating Activities negative in that fiscal year.
5. In the fiscal year 2064/065 interest expenses was the highest because the bank has granted highest amount of loan.
6. Commission and discount income was found in increasing trend. It was found the highest in the fiscal year 2064/065.
7. Cash receipts from exchange gain were significant in total operating cash flow during the five fiscal years.
8. Staff and operating expanses were the highest in the fiscal year 2064/065.
9. Other expenses were found highest in the fiscal year 2061/062.

Cash Flow from Investing Activities (CFIA)

1. Cash flow from Investing Activities is found in increasing and decreasing trend.
2. The bank has no significant investment scheme.
3. The Bank has excess liquidity in the form of depository fund.
4. Change in loans advance and bill purchased were negative during the study period. This was the satisfactory condition for bank.

5. Fixed assets were purchased during the whole period of study.
6. Cash flow from current and non banking assets were in increasing and decreasing trend.

Cash Flow from Financing Activities (CFFA)

1. CFFA of Kumari Bank Ltd was during the study period were in the fluctuation trend.
2. Highest amount of borrowing decreased in the fiscal year 2062/063 as a result cash flow from financing activities also decreased.
3. Cash flow from bills payable and other liabilities were in increasing and decreasing trend.
4. Cash flow from other liabilities were negative in the fiscal years except that in 2062/63.

Net cash flow for the fiscal year

- Overall cash flow was positive in the whole study period which was contributed by cash flow from investing activities. It was found the highest in the fiscal year 2064/065 and found the lowest in the fiscal year 2062/063.

4.10.4 Machhapuchhere Bank Limited.

Cash Flow from Operating Activities (CFOA)

1. Cash Flow from Operating Activities (CFOA) was positive during the whole with increase and decrease trends.
2. CFOA was the lowest in the fiscal year 2060/061.
3. Cash receipts from other income were the highest in the fiscal year 2063/064.
4. Total cash receipt from operation was the highest in the fiscal year 2064/065.
5. Total cash payment was the highest in the fiscal year 2064/065.
6. In the fiscal year 2064/065 interest expenses were the highest because the bank has granted the highest amount of loan.
7. Commission and discount income were in increasing trend. It was the highest in the fiscal year 2064/065.
8. Cash receipts from exchange gain were significant in total operating cash flow. It was found the lowest in the fiscal year 2064/065.

9. Staff and operating expenses were the highest in the fiscal year 2064/065.
10. Other expenses were the highest in the fiscal year 2062/063.

Cash Flow from Investing Activities (CFIA)

1. Cash flow from Investing Activities is in increasing and decreasing trend.
2. The bank has no significant investment scheme.
3. The Bank has excess liquidity in the form of depository fund.
4. Change in loans advance and bill purchased were negative during the study period. This was the satisfactory condition for bank.
5. Fixed assets were purchased during the whole fiscal year.
6. Cash flow from current and non banking assets were in fluctuating trend.

Cash Flow from Financing Activities (CFFA)

1. CFFA of MBL during the study period was in the fluctuation trend.
2. The highest amount of borrowing increased in the fiscal year 2062/063.
3. Cash flow from bills payable and other liabilities were in increasing and decreasing trend.
4. Cash flow from other liabilities was positive in the fiscal years 2060/61, 2061/62 and 2062/63.

Net cash flow for the fiscal year

- Overall cash flow was positive in the whole period of study which was contributed by cash flow from investing activities. It was the highest in the fiscal year 2063/064 and the lowest in the fiscal year 2060/061.

Chapter – V

Summary, Conclusion and Recommendations

5.1 Summary

The researcher used trend of cash flow to study with analytical and comparative of the cash flow position of the selected Joint Venture and Non-Joint Venture Nepalese Commercial Banks. For this purpose I have taken into analysis of the following Commercial Banks. They are:

- NABIL Bank Limited,
- Himalayan Bank Limited,
- Kumari Bank Limited and
- Machhapuchhere Bank Limited.

For studying and preparing this thesis I have used cash flow statement, annual report of the all sampled commercial banks and their annex are studied. Basically profit and loss A/C, Balance sheet and cash flow statement presented by the banks 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.

Articles and Reports related with cash flow written and produced by Nepalese as well as foreign writers are also the major sources to prepare this thesis. Several websites (www.cashflow.com) related with cash flow are visited. The researcher analyzes and compares about five fiscal years cash flow position of all sampled commercial banks with showing the details view of different activities. Five fiscal years means started from 2058/059 to 2062/063. Previous thesis and articles 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 (CFOA)

1. Total cash flow from operating activities of HBL and KBL are in volatile nature but in case of NABIL and MBL are in increasing trend. Cash flow from operating activities is positive for all these banks except negative of KBL in fiscal year 2064/65. Cash Flow from Operating Activities of HBL and KBL are also in increasing trend up to fiscal year 2063/064 but it is in decreasing rate in fiscal year 2062/063.
2. These banks's surplus fund to invest as loans and advance, fixed assets as well as investment on government securities from operating cash flow.
3. Himalayan Bank Ltd. has excess positive cash flow from operating activities than other banks due to the highest commission and discount income.
4. Himalayan Bank Limited have strong international network to do agency work to earn commission and discount income.
5. NABIL have highest interest income but lowest total operating cash flow due to high expenditure rate.
6. Total cash payment for KBL and MBL under operating activities is in increasing trend. Similarly NABIL and HBL have volatile nature.
7. Operating expenses and staff expenses are in increasing trend for HBL, KBL and MBL. Similarly it is in increasing and decreasing nature for NABIL.
8. Significant amount of cash receipt from exchange gain for all of these banks. But NABIL have the 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 for financial institutions. But due to the various factors like peace and security are being determinant to reduce interest income so heavy amount of cash receiving from agency work like commission and discount income.

Cash Flow from Investing Activities (CFIA)

1. Cash flows from investing activities are in increasing and decreasing trend.
2. Himalayan Bank Limited has positive cash flow from investing activities in whole fiscal year due to the lowest amount of investment, loan and advance.
3. Kumari and Machhapuchhere Bank have negative cash flow from investing activities in whole fiscal year whereas NABIL has both positive and negative cash flow.
4. Only fixed assets are not major parts of the investing activities because they are very small with compare to the total investing cash flow.
5. Due to the safety of deposits and lack of improper credit product, NABIL, KBL, and MBL have invested in heavily during the period of study on government treasury bills and development bond. But HBL and NABIL bank sold out its investment on the period of study.
6. HBL has highest amount of investment on fixed assets than other hanks.
7. Cash flow from other assets is positive for HBL. Similarly it is negative for MBL and other bank have volatile in nature.
8. Only operating cash flow are not sufficient to make investment so cash should be taken from financing activities.

Cash Flow from Financing Activities (CFFA)

1. Total cash flows from financing activities are in fluctuation trend for all commercial banks.
2. NABIL is in decreasing and increasing trend for cash flow from financing activities.
3. Borrowings are the key points of financial activities. It generates favorable situation for the institutions.
4. Bills are the sources of cash that is receipt from remittance money.

5. Cash flow from other liabilities is decreasing at the beginning fiscal year but it is found positive in the recent fiscal years for these commercial banks.
6. 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 form.

Net Cash Flow of the Fiscal year

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

5.2 Conclusion

All joint venture and non- joint venture banks (NABIL, HBL, KBL and MBL) are the main institutions of financial 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. They are playing very important role in the society as well the nation. 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. Cash flow is being the key of 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 directives 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 five fiscal year cash flow statements following points are mentioned as conclusion and recommendations which are as follows:

On the basis of Cash Flow Statements, the researcher has drawn the following conclusions. They are listed as follows:

NABIL Bank Ltd.

The overall performance of the bank is very good. It has been operating at the satisfactory level. The following conclusions are mentioned as follows:

1. CFOA of the bank is positive during the whole period. Positive cash flow indicates high cash inflow with compare to the cash outflow.
2. Interest expenses are in increasing trend which shows that the bank are granting highest amount of loan.
3. Cash received from exchange gain plays significant role In total operating cash flow.
4. CFIA of the bank is in the fluctuation trend but its overall performance is not so bad.
5. The bank has not any strong investment scheme.
6. Borrowing is in increasing and decreasing trend.
7. Bank is able to invest from its internal sources.

Himalayan Bank Ltd.

The performance of Himalayan Bank is highly satisfactory. The bank is in the top ranking position among of the sampled commercial banks. Its earning ratio is very high than other banks. Some of the points are mentioned as the conclusion, which are as follows:

1. CFOA of the bank is found positive during the whole period which is used in analysis. It is in the increasing trend up to 2063/064 and decreased in the fiscal year 2064/065 than previous fiscal year.
2. Cash receipt ratio is higher than cash payment ratio.
3. Cash received from exchange gain plays significant role in the total operating cash flow.
4. CFIA of the bank is in a volatile nature but it is satisfactory.
5. The bank has excess liquidity that can be found as depository fund.
6. Change in loans advance and bill purchased is found positive during the period. This is the satisfactory conditions.
7. Borrowing is in the decreasing trend.
8. The bank invests from its internal sources.

9. The bank has gained more public trust and support.

Kumari Bank Ltd.

Even though the bank is operated by Nepalese investors; the overall performance of the bank is very good. It has been operating at the satisfactory level. The following conclusions are mentioned as follows:

1. CFOA of the bank is positive during the whole period. Positive cash flow indicates high cash inflow with compare to the cash outflow.
2. In the fiscal year 2064/065 interest expenses is highest because the bank was granted highest amount of loan.
3. Cash received from exchange gain plays significant role in total operating cash flow.
4. CFIA of the bank is in the fluctuation trend but its overall performance is not so bad.
5. The bank has not any strong investment scheme.
6. Borrowing is in increasing and decreasing trend.
7. Bank is able to invest from its internal sources.

Machhapuchhere Bank Ltd.

Machhapuchhere Bank Limited is operated by Nepalese investors with the head quarter in western part of Nepal. It is operating in its eight fiscal years of establishment; even though the overall performance of the bank is not bad but comparison with other sampled banks it is in the lowest position. It has been operating at the satisfactory level than other Nepalese commercial banks. The following conclusions are mentioned as follows:

1. CFOA of the bank is increasing till the fiscal year 2063/064 and has decreased in 2064/065. Positive cash flow indicates high cash inflow with compare to the cash outflow.
2. In the fiscal year 2064/065 interest expenses is highest because the bank was granted highest amount of loan.
3. Cash receipt ratio of MBL is better than joint venture commercial bank NABIL in some fiscal years but it is lower than HBL and KBL.
4. Cash received from exchange gain plays significant role in total operating cash flow.

5. CFIA of the bank is in the fluctuation trend but its overall performance is not so bad.
6. The bank has not any strong investment scheme.
7. Borrowing is in increasing and decreasing trend.
8. Bank is able to invest from its internal sources.

5.3 Recommendations

NABIL Bank Ltd.

1. Cash flow from operation is positive but not in satisfactory level based on banks reputation and network so, the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
2. The bank should concentrate on increasing the deposit collection/ mobilization activity because this is the main item which contributions mainly to the total cash inflow from operating activities.
3. The bank should increase its cash receipt ratio. It is in poor condition for reputed commercial bank like NABIL.
4. Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
5. The bank is suffering from over staffing problem therefore it should be minimized as possible.
6. Commission and discount income are in good position but lower than HBL so agency work should be done properly.
7. Investing cash out flow is decreasing which is the serious problem. So consumer and retail banking should be enhancing.
8. 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.
9. The bank is the pioneer joint venture bank of Nepal so; it should able to merge other banks to make its capital sufficient for competitions and further development of bank.

Himalayan Bank Ltd.

1. Cash flow from operation is positive but not in satisfactory level based on banks reputation and network so, the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
2. The bank is excessively collecting the deposit to contribute to increase the total cash flow from operating activities. It is not considered good. So, the bank should collect deposit as it can utilize it.
3. The Bank should be less dependent to the creditors to flow cash inside the Company.
4. The bank should provide loan and advances to the clients should be in the appropriate ration to the deposit collection otherwise there will not be sufficient cash flow from operating activities.
5. The bank should invest as per the availability of the cash from operating activities otherwise it has to borrow from outsider to make investment.
6. The bank should reduce the staff expenses as well as operating expenses.
7. Operating cash flow is positive, financial cash flow is also positive to some extent. In this vital situation the bank has to make investment and should be enhance branch and find out new potential market.

Kumari Bank Limited

1. Cash flow from operation is positive but not in satisfactory level based on banks reputation and network so, the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
2. The bank should concentrate on increasing the deposit collection/ mobilization activity because this is the main item which contributions mainly to the total cash inflow from operating activities.
3. The bank should increase its cash receipt ratio. But it is in satisfactory condition.
4. Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
5. Staff expenses of the bank are increasing rapidly. So it can be say, the bank is suffering from over staffing problem therefore it should be

minimized as possible.

6. Commission and discount income should be increased as far as possible, for this agency work should be done properly.
7. Investing cash out flow is decreasing which is the serious problem. So consumer and retail banking should be enhancing.
8. Deposits were in increasing and 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.
9. The bank is the pioneer non - joint venture bank of Nepal so; it should able to merge other banks to make its capital sufficient for competitions and further development of bank.

Machhapuchhere Bank Limited

1. Cash flow from operation is positive in all fiscal years without starting fiscal year of the study. But not in satisfactory level based on other banks. The bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
2. The bank should concentrate on increasing the deposit collection/ mobilization activity because this is the main item which contributions mainly to the total cash inflow from operating activities.
3. The bank should increase its cash receipt ratio. But it is in satisfactory condition.
4. Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
5. Staff expenses of the bank are increasing rapidly. So the management of the bank should control staffing problem therefore it should be minimized as possible.
6. Commission and discount income should be increased as far as possible, for this agency work should be done properly.
7. Investing cash out flow is decreasing which is the serious problem. So consumer and retail banking should be enhancing.
8. Deposits were in increasing trend up to fiscal year 2061/062 but it is in decreasing rate in fiscal year 2062/063 than previous fiscal year. But it is in satisfactory condition for the bank. Now days they are good due to the new technology and branch networks. New saving

policy should be lunch for collecting deposit as far as possible.

9. The bank is the eight fiscal years of operation so; it can lunch share capital to make its capital sufficient for competitions and further development of bank.

Table 4.5

Comparative Cash Flow Statement of Selected Commercial Banks

(Fiscal Year 2060/61)

| Particulars | | NABIL | HBL | KBL | MBL |
|--|--|----------------------|----------------------|------------------------|------------------------|
| (A) Cash Flow From Operations | | 167,494,847 | 725,692,002 | 83,802,811 | 68,401,309 |
| 1. Cash receipt | | 1,460,810,157 | 1,519,618,639 | 334,563,169 | 236,590,473 |
| 1.1 | Interest Incomes | 1,001,616,901 | 1,245,895,020 | 301,930,139 | 208,127,750 |
| 1.2 | Commission and discount income | 138,574,406 | 123,928,995 | 16,446,129 | 14,840,269 |
| 1.3 | Exchange gain | 157,324,299 | 112,419,406 | 14,413,973 | 12,621,092 |
| 1.4 | Non-Operating income | 92,780,639 | 3,299,067 | - | - |
| 1.5 | Other income | 70,513,912 | 34,076,151 | 1,772,928 | 1,001,361 |
| 2. Cash payment | | 1,293,315,310 | 793,926,637 | (250,760,358) | 168,189,163 |
| 2.1 | Interest expenses | 282,947,633 | 491,543,353 | (160,990,723) | 113,579,093 |
| 2.2 | Staff expenses | 180,840,420 | 152,508,886 | (28,576,283) | 19,872,460 |
| 2.3 | Office operating expenses | 153,374,998 | 149,874,398 | (40,256,352) | 29,549,839 |
| 2.4 | Exchange loss | - | - | - | - |
| 2.5 | Non-operating expenses | - | - | - | - |
| 2.6 | Income Tax Paid | - | - | - | - |
| 2.7 | Other expenses | 676,152,259 | - | (20,937,000) | 5,187,772 |
| (B) Cash Flow From Investing Activities | | (83,752,439) | 1,921,645,410 | (2,505,353,696) | (1,057,953,262) |
| 1.0 | Change in balance with bank | (273,390,147) | 144,929,213 | (366,100,794) | (189,406,265) |
| 2.0 | Change in money at call and short notice | (248,529,103) | 218,800,000 | - | 70,000,000 |
| 3.0 | Change in Investments | 195,227,049 | (883,332,507) | (560,349,523) | 123,949,255 |
| 4.0 | Change in loans advance and bill purchased | (434,040,866) | 2,136,246,935 | (1,560,397,481) | (1,044,922,912) |
| 5.0 | Change in fixed assets | (86,211,101) | 102,295,169 | (32,912,415) | (10,306,886) |
| 6.0 | Change in other assets | 216,411,435 | 202,706,600 | 14,406,517 | (7,266,454) |
| (C) Cash Flow From Financing Activities | | 15,366,799 | 1,072,999,419 | 2,449,222,751 | 1,009,166,306 |
| 1.0 | Change in Share Capital | (731,801,153) | - | 150,000,000 | 5,826,000 |
| 2.0 | Change in borrowing | 671,371,051 | 50,873,423 | - | 12,167,330 |
| 3.0 | Change in deposits | 64,555,736 | 965,246,244 | 2,294,792,741 | 975,845,800 |
| 4.0 | Change in bills payable | 11,241,165 | 17,654,458 | 10,508,255 | 1,178,988 |
| 5.0 | Change in other liabilities | 99,109,207 | 39,225,294 | (6,078,244) | 14,148,187 |
| 6.0 | Change in Reserve Fund | (99,109,207) | - | - | - |
| (D) Net Cash Flow for the year | | - | (122,953,989) | 27,671,867 | 19,614,353 |
| (E) Opening Cash Balance | | 187,777,015 | 397,189,317 | 40,800,040 | 45,642,182 |
| (F) Closing Cash Balance | | 286,886,222 | 274,235,328 | 68,471,907 | 65,256,536 |

Profit & Loss Account and Balance Sheet of Selected Commercial Banks

NABIL BANK LIMITED

Profit and loss Account

From the year 2060/61 to 2064/65

| Particulars | 2060/61 | 2061/62 | 2062/63 | 2063/64 | 2064/65 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Expenditure | | | | | |
| Interest expenses | 282,947,633 | 243,544,611 | 357,161,304 | 555,710,109 | 758,436,212 |
| Employee expenses | 180,840,420 | 189,516,217 | 219,780,853 | 240,161,275 | 262,907,576 |
| Office operating expenses | 153,374,998 | 190,299,470 | 182,696,413 | 188,183,330 | 220,750,570 |
| Currency exchange loss | - | - | - | - | - |
| Non-operating expenses | - | - | - | - | - |
| Bad loan & advance written off | 81,821,486 | 31,132,974 | 7,729,444 | 10,926,317 | 11,100,529 |
| Provision for loan loss | 1,051,951 | 4,207,383 | 3,769,541 | 14,206,365 | 64,055,186 |
| Provision for non-banking assets | - | - | - | - | - |
| Provision for staff bonus | 71,940,693 | 84,108,357 | 89,800,379 | 99,504,596 | 108,899,000 |
| Provision for income tax | 201,762,769 | 239,149,464 | 262,741,444 | 321,086,263 | 342,521,610 |
| Net profit (Carried Down) | 455,311,222 | 518,635,749 | 635,262,349 | 673,959,698 | 746,468,394 |
| Income | | | | | |
| Interest income | 1,001,616,901 | 1,068,746,769 | 1,309,998,500 | 1,587,758,714 | 1,978,696,727 |
| Commission & discount income | 138,574,406 | 128,883,480 | 138,293,913 | 150,608,550 | 156,234,754 |
| Currency exchange gain | 157,324,299 | 184,876,868 | 185,483,662 | 209,926,167 | 196,487,415 |
| Non-operating income | 92,780,639 | 72,241,283 | 83,633,186 | 92,855,194 | 121,528,315 |
| Other income | 38,754,927 | 55,933,830 | 82,897,862 | 40,736,694 | 39,990,808 |
| Net loss (Carried down) | - | - | - | - | - |

Balance Sheet

As at 32 Ashad 2060/61 to 2064/65

