

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Nepal is a sovereign independent Himalayan kingdom. It is land locked between two giant neighbors, the People' Republic of China in the north and there public of India in the south. It covers an area of about 147181 square kilometers. The country extends for 885 kilometers from east to west with a width of 130 to 240 kilometers from north to south and resembles an elongated rectangle. Geographically, Nepal is a transitional zone wedged between the Tibetan Highlands in the north and the Gangetic plains in the south. The altitude ranges from 69 meters above sea level in the Teari to more than 8000 meters above sea level in the Himalayas. The country exhibits a wide range of rugged topography. (www.google.com –Geography of Nepal)

It is known that Nepal lies in between the most populous countries of the world, India and China and maintains very good economic rapport with her neighbors which are also excellent trading partners with huge potentials for Nepalese exports. While Nepal has preferential trading arrangement with India, which has very close economic ties with China. Other close neighbors of Nepal are Bangladesh and Pakistan. Nepal and Bangladesh have already started bilateral trade through land route. Nepal along with Bangladesh, Bhutan, India, Maldives, Pakistan and Sri Lanka are the seven member countries of South Asian Association for Regional Cooperation (SAARC). The SAARC nations have a Preferential Trading Arrangement and are heading to free trade area under the SAARC framework

Although Nepal has lots of sources of many things but it is facing the critical challenges of alleviating poverty, correcting inequalities in the distribution of income and opportunities, delivering the basic services to people, advancing and sustaining growth and development., by which Nepal is unable to utilize sources & take out put from it also. To develop the country it has adopted its own style and economic tools. It has

adopted the mixed economic policy to increase efficiency of economy as well as to achieve development goal. The wide spread rural poverty and failure to reap the benefits of developments equally to all is one of the critical factor for Nepal's development. Therefore solving the rural areas problem can't be easy. In order to increase economic growth as well as quality of people's life, it has adopted the planned policy. The government of Nepal has been pursuing planned development since five decades but due to its poor implementation no good results were seen and the poverty line of people here is same and the situation of Nepal still became same then it will be more but no chance will be to decline. Every one knows the cause of poverty is because of minimum utilization of available resources and resource gap. To solve this it also has adopted open door policy that would help increase the resource mobilization. The major objective of the policy is to use external financial sources and technical support for meeting the resource gap. But the plan made to support the policy has been an obstacle rather than a catalyst due to various reasons.

To talk about economic situation of Nepal under analyzing survey report of Fiscal Year 2008/09, we can present following things. Almost all the economic indicators registered negative growth rate in the last fiscal year, according to Economic Survey 2008/09 release by the Ministry of Finance. The forecast for this fiscal year does not look any better. The plunge in manufacturing and agricultural sectors is very troubling for a struggling economy. Troubles in growth rate, balance of trade deficit, inflation rate, national debt

The economy grew at 3.8 percent against a forecast of around 7 percent (last year the growth rate was 5.3 percent). GDP growth rate is estimated to be 4.7 percent next fiscal year (2009/10). GDP per capita reached US\$473 (Thank God, Nepal remittances inflow continued to increase!). Agricultural sector grew at 2.1 percent (last year it was 4.7 percent) and non-agricultural sector grew at 4.8 percent (last year it was 5.7 percent). Inflation rate hit 13.1 percent in mid-March 2009 as against 7.2 percent in mid-March 2008. GDP deflator (a measure of the level of prices of all new, domestically produced,

final goods and services-expressed as (nominal GDP/real GDP)/100) rose from 6.3 percent to 12.2 percent.

As a percentage of GDP, domestic savings is down to 8 percent from 11.21 percent last fiscal year. Thanks to increasing remittances gross national savings has increased to 32.32 percent (% of GDP) from 31.53 percent last fiscal year. Exports have increased by around three percentage points to 15.70 percent from the first eight months of last fiscal year's 12.08 percent. However, imports have increased to 37.42 percent from last fiscal year's 32.66 percent, thus increasing the hole in balance of trade (BoT). Note that balance of payments (BoP) has been in positive territory. Revenue/GDP increased to 14.8% from 13.2% last fiscal year but total government expenditure/GDP increased to 22.2% from 19.7% last fiscal year. Budget deficit/GDP decreased to 3.8% from 4.1% last fiscal year. (Economic Survey 2008/09)

Same way, Gross fixed capital formation as a percentage of GDP barely increased to 21.25 percent from 21.11 percent from last year. On gross fixed capital investment front, government investment/GDP was 4.1 percent (up from 3.1% last fiscal year) and private investment/GDP was 17.1 percent (down from 18% last fiscal year). Gross investment/GDP stood at 29.7 percent (down from 32.8% last fiscal year). Similarly, the gap between gross domestic savings and gross investments/GDP increased to -21.7% from -21.6% last fiscal year. The resource gap-- saving-investment gap (gross domestic savings minus gross domestic fixed capital formation) - (% of GDP) was 2.60 percent from -0.26 percent last fiscal year (again, thanks to increasing remittances). (Economic Survey 2008/09)

The ratio of investment to GDP decreased to 29.7 percent to 31.8 percent from last fiscal year. Exports/GDP increased to 21.7 percent from 20.6 percent from last year. Due to impressive revenue collection, revenue mobilization/GDP increased to 14.8 percent against 13.2 percent last fiscal year. Outstanding debt/GDP increased to 41 percent from 39.6 percent (first eight month of fiscal year), showing that expenditure continue to outweighed national income. Foreign debt/GDP also increased to 28.5 percent from last

fiscal year's 26.4 percent. Meanwhile, domestic debt/GDP actually decreased to 12.5 percent from 13.2 percent in last fiscal year. (Economic Survey 2008/09)

A big question mark has emerged on our skill of overall economic management in a situation where the Nepalese economy entangled in the vortex of economic sluggishness amidst the double-digit price rise thereby adversely affecting the purchasing power and living standard of the Nepalese people. Hence, there is the necessity of wider reform initiatives on development efforts, investments, and regulatory areas for expanding the economy. The nation is also being made to bear adverse supply shock due to frequent Bandhs, chakka jams, strikes etc. For this, national imperative is making sufficient legal arrangements and ensuring effective enforcement of those provisions for completely banning Bandhs, strikes especially against transportation and movements of the people for allowing the country's economy move ahead in a smooth and natural way, and also providing relief to the people's livelihood

To talk about the management of the Nepal Government for expenditure on nation means that to meet the growing public expenditure, the government has to manage its funds. In Nepal, government uses internal and external sources. External sources of funds are foreign grants and loans. This kind of fund is received from foreign countries and international organizations. External sources of fund are more important for underdeveloped and undeveloped countries like Nepal. It is used for economic development, reconstruction, foreign exchange, to recover from crisis condition, etc. External resources are uncertain, inconvenient and not good for healthy development of nation because they have to be paid after a certain period of time. On the other hand, internal sources of fund includes both tax and non-tax revenues. Continuous uses of external sources of fund to raise necessary public fund is not good because it reduces the liquidity position of the government. So, internal sources of fund are more important not only for financing necessary funds but also for mobilization of internal sources. Like developed countries, developing countries try to mobilize their internal sources to finance necessary funds for regular and developmental activities. Nepal is not an exception. But Nepal's experience shows that she has mobilized internal resources fewer than expected.

Among the all sources, we know practically that the tax is the major source of government income. Tax is a compulsory contribution made by tax payer to the government according to law. Tax payer can't claim direct benefit because of tax payment the government mobilizes these taxes amount for public interest.

In fact we can say that Nepal's financial sector in critical situation but if Government tried to be concentrate only on its utilization of resources, managed peaceful environment, situation of secured investment then people will got employment, they can run their own business & improve their own economic situation by this in aggregation of people, Economic situation of Nepal will be in good condition. So Government must focus on the collection of revenue through Tax, it must analyzed the contribution of it, its progression etc. For collection of tax, there are many organization public & private, individual sectors in Nepal but merely different kinds of financial institutions, like commercial banks- (joint venture Banks), Development Banks, Finance Companies, Co-operatives, other are playing vital role in paying tax revenue to the Nepal government. Among Commercial banks, there are 7 Joint Venture Banks in Nepal, which are taking good place for contributing tax revenue to Government.

1.2 Introduction to Bank

A business establishment in which money is kept for saving or commercial purposes or is invested, supplied for loans, or exchanged is called in the name of Bank which is established accordance to the law of the government & deals with money & credit. Organization, usually a corporation, that accepts deposits, makes loans, pays cheques, and performs related services for the public also.

The Bank Holding Company Act of 1956 defines a bank as any depository financial institution that accepts checking accounts (checks) or makes commercial loans, and its deposits are insured by a federal deposit insurance agency. A bank acts as a middleman between suppliers of funds and users of funds, substituting its own credit judgment for that of the ultimate suppliers of funds, collecting those funds from three sources:

checking accounts, savings, and time deposits; short-term borrowings from other banks; and equity capital. A bank earns money by reinvesting these funds in long-term assets.

In addition to their role as credit intermediaries, banks act as agents for customers in a number of bank-related functions: initiating payment orders to third parties, either by check or electronic funds transfer; purchasing or selling securities, as for a trust account customer; and operating cash management for corporate customers. These Noncredit services are an important, and growing, source of fee income. Banks also offer safe deposit boxes; manage trust accounts for individuals and endowment funds; clear checks and drafts for other financial institutions; underwrite securities through Securities Affiliates and, in general, perform other bank related services as permitted by federal and state banking regulations. Advances in the financial services industry occurring since they are an important, and growing, source of fee income. Banks also offer safe deposit boxes; manage trust accounts for individuals and endowment funds; clear checks and drafts for other financial institutions; underwrite securities through Securities Affiliates and, in general, perform other bank related services as permitted by federal and state banking regulations.

1.2.1 Origin & History of Bank

The word derives from the Italian word banco "desk/bench", used during the Renaissance by Florentine bankers, who used to make their transactions above a desk covered by a green tablecloth. However, traces of banking activity can found even in ancient times.

In fact, the word traces its origins back to the Ancient Roman Empire, where moneylenders would set up their stalls in the middle of enclosed courtyards called macella on a long bench called a bancu, from which the words banco and bank are derived. As a moneychanger, the merchant at the bancu did not so much invest money as merely convert the foreign currency into the only legal tender in Rome- that of the Imperial Mint.

The Lombards, who were originally from the plains of Lombardy or Northern Italy, introduced banking practice to England. These Lombards brought this business to the

City of London & their home, the Lombard Street, is still the center of British Banking. The Lombards, after a century or so of business in London, were eventually bankrupted because they lent money to kings who didn't repay them. After Lombards, the goldsmiths practiced banking as a sideline to their normal activities in the bullion & jewellery fields. The early goldsmiths used to have large vaults, which were soundly built & heavily guarded. The person who deposited his surplus funds with the goldsmith became as 'Depositor' & naturally paid for the privilege of having his money defended this way. These payments were called 'Bank Charges'. The depositors who needed funds to pay wages or debts, could call at the bank & collect such sums as required.

In the east, it is believed that banking was practiced at the time of 'Manu' as it is referred in Manusimriti. There is an opinion that it was practiced during Canakya's too, as banking has been mentioned in "Kautily's Arthashastra", which is the first book on economics. In the west, the history of banking begins in ancient Greece, Rome & Mesopotamia. The history of modern banks begins from Bank of Venice established in 1157 AD, Bank of Barcelona established in 1401, Bank of Genoa established in 1407, Bank of Amsterdam established in 1609 & Bank of England, which was established in 1694. The ancestors of modern day banks have been attributed to the merchants, the goldsmiths & the money-lenders.

Though there is much controversy as to the origin of the word 'Bank' some believe that it originated from the Latin word "Bancus" meaning a bench. Similarly, some believe that it originated from the French word "Banque" & some to Italian word "Banca" all meaning a bench. Some have stronger belief that it originated from the German word "Bank" meaning collective fund. Ancient money dealers used to deal on a bench. Sometimes when the money dealers failed to meet the depositor's claim, the depositors used to break the dealer's bench from which the word "Bankruptcy" seems to be derived. (General Banking Course, 2009)

Now days it is very difficult to imagine world with out banks and its involvement. Some definitions, which make us clear about bank and its occupied area, are as follows:-

Prof. Kineey, bank is an establishment which makes individual such advance of money as may be required safety mode and to which individual and entrust money when not required for use.”

G.Crowther, a banker is a leader indebted in his own and other peoples. The bankers business is them to take the debt of other people to offer his own in exchange and thereby to credit money.”

By analyzing all the above definitions, came to that conclusion that a bank is an institution, which deals with money & credit. It is a body of persons incorporated or otherwise, which carry on the business of banking. A bank is established to collect deposits from the public & supply credit, thereby facilitating exchange. It is a corporation of custody loan, exchange or issue of money for facilitating the transmission of funds & for expanding credit.

Bank occupies an important positioning the modern business world. No country can make commercial & industrial progress without a well-organized banking system. Banks encouraged the habit of saving among the public. They mobilize savings & channel them into productive uses. Banks provide opportunities for safe custody & investments. They facilitate transfer of funds from one place to another place & help in the settlement of Debts.

1.2.2 History & Background of Banking in Nepal

In Nepal, the development of banking is relatively recent. The record of banking system in Nepal gives detail account of mixture of slow and steady evolution in the financial and global economy of Nepalese life. Involvement of landlords, rich merchants, shopkeepers & other individual money lender has acted a fence to institutional credit in presence of unorganized money market. It is assumed that the regular history of coinage in Nepal began from the 5th century A. D. the advent of 12th century marked a new period in economic history of Nepal. Silver coinage was introduced in this period, which widened the scope for trade. The second major logical order of development was found in the innovation of interest bearing private debt such as bonds, mortgages & loans.

In the year 879/80 A.D a low cast merchant named “Sankhadar Shankhwa” introduced a new era after paying all the debts that existed in the country. The term “Tanka Dhari” meaning ‘Money Dealer’ was used at the end of the 14th century. ‘ Tanka Dhari” was one of the 64 castes classified on the basis of occupation, indicating money changing was adopted as profession by section of people in Nepal at that time. For many years, the indigenous individuals, wealthy agriculturists, landlords, merchants & traders conducted some banking activities as a side business to their normal business activities.

In 1877 A. D Prime Minister Ranoddip sing introduced many financial & economic reforms. The ‘Tejarath Adda’ was established at that time. The basic purpose of establishing this “Tejaarath Adda “was to provide credit facilities to the general public at a very concessional interest rate. The Tejarath Adda disbursed credit to the people on the basis of collateral of gold & silver. All employees of government were also eligible for this type of loan, which was settled by deduction from their salary. Under the Prime Ministers hip of Chandra Shamsher, Tejrath Adda extended by private dealers. Hence, the establishment of Tejarath Adda is regarded as the foundation of modern banking in Nepal. However ‘Kaushi Tosh Khana’ established during the regime of King Prithvi Narayan Shah is also considered as the first step towards initiation banking development in Nepal. (History of Banking Sector in Nepal – www.google.com)

Prior to establishment of Nepal Bank Limited, people relied on borrowing from the corrupt moneylenders, who charged very high interest rates & added other dues. These moneylenders extended loans on the collateral of land, house & precious metals like gold & silver. With the cooperation of Imperial Bank of India, Nepal Bank Ltd. came into existence under the Nepal Bank Act 1937.

Nepal Rastra Bank Ltd. played a dual role of a commercial bank & the central bank. Until the establishment of Nepal Rastra Bank 26th April 1956, it carried all the functions of a central Bank. Nepal Bank Ltd. Was semi-government bank so it was unwilling to go to many sectors where the govt. felt the need of providing banking services. Hence, Rastriya Banijya Bank, a fully govt. owned bank was established on 23rd January 1966.

Commercial banking Act 1974 was amended in 1984 to increase competition among commercial banks. Hence, provision was made to allow private sectors including foreign investments to open commercial banks. As a result, Nepal Arab Bank Ltd. (Nabil Bank) was established on July 12, 1984, with the partnership of Dubai Bank Ltd., Dubai. The numbers of Commercial banks operating in the country are increasing everyday & many more are in pipeline to commence their business.

Before 1985, only public enterprises such as two Development Banks: NIDC & ADB, & in the form of Non- Bank financial institutions: Employers Fund & National Insurance Corporation were established. So, it increase the financial activities of the country, Finance Company Act 1985 was introduced which prompted people to established many Financial Institutions in the country. (General Banking Course, 2009)

Still three new commercial banks are entering into the banking system in the next three months of December 2009. Janata Bank, Megha Bank and Commerce and Trust Bank are in the last stage of their preparation. All of these banks had received the letter of intent (LoI) from Nepal Rasta Bank (NRB) in September 2009. Similarly, three other banks, Civil Bank, Century Bank and State Bank of Nepal are waiting letter of intent from the central bank. The central bank, in the first week of August 2009, had temporarily suspended the registration of new financial institutions including commercial banks, development banks and finance companies. However, it has not stopped giving licenses to those who have already applied for the license. All these six banks had applied for the license before the decision of the NRB. As of now, there are 26 commercial banks in the country. (Kathmandu Post, 2009)

In fact we can say easily that The Nepalese Financial Sector is composed of Banking sector and non-banking sector. Banking sector comprises Nepal Rastra Bank (NRB) and Commercial Banks. The non-banking sector includes Development Banks, Finance Companies, Micro-credit Development Banks, Co-operative Financial Institutions; Non-governmental Organizations (NGOs) performing limited banking activities and other financial institutions such as Insurance Companies, Employee's Provident Fund, Citizen Investment Trust, Postal Saving Offices and Nepal Stock Exchange.

1.2.3 Introduction of Commercial Banks in Nepal

Commercial banks are the major component in the financial system. They work as the intermediary between depositors & lenders and facilitate in overall development of the economy, with major thrust in industrial development.

Commercial bank came into existence mainly with the objectives of collecting the idle funds. Mobilizing them into productive sector & causing and overall economic development. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving. A sound banking system is important because of the key roles it plays in the economy, intermediation, maturity, transformation, facilitating payments flows, credit allocation and maintaining financial discipline among borrowers. Banks are the gatherers of saving, the allocates of resources providers of liquidity and payment services.

1.2.3.1 Growth of Commercial Banks in Nepal

The banking sector in Nepal started with the establishment of Nepal Bank Limited. Today all together we got 26 commercial banks in operation, including 7 Joint Venture Banks. The commercial banks of Nepal can be categorized into two types Public Sector and Private Sector. Public sector banks include the two old banks Nepal Bank Limited (NBL) & Rastriya Banijya Bank Limited (RBB). Private sector comprises the other 24 banks. The growth of Commercial banks can be presented in the following table, where the data are taken from the Mid July of 1980, 1985, 1990, 1995, 2000, 2005, 2006, 2007, 2008 & 2009. From the Below table it is noted that up to 2005 from 1980, there were only 17 Commercial banks operating in Nepal but from Year 2005 to 2009, means that within 4 years there are additional 9 commercial banks operating. Now also preparing other some commercial banks to operate in Nepal. Development of these 26 Commercial banks also presented in next following table.

Growth of commercial banks in Nepal

Types of Financial Institutions	Mid – July									
	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009
Commercial Banks	2	3	5	10	13	17	18	20	25	26

Source; - NRB Bulletin

Development of Commercial banks can be pointed out as following

S.N	Name	Operation Date(AD)	Head Office
1	Nepal Bank Ltd.	15 th November 1937	Kathmandu
2	Rastriya Banijya Bank	23 rd January 1966	Kathmandu
3	Nabil Bank Limited	12 th July 1984	Kathmandu
4	Nepal Investment Bank Ltd.	27 th February 1985	Kathmandu
5	Standard Chartered Bank Nepal Ltd	30 th January 1987	Kathmandu
6	Nepal State Bank of India Ltd.	18 th January 1993	Kathmandu
7	Nepal Bangladesh Bank Ltd.	5 th June 1993	Kathmandu
8	Himalayan Bank Ltd.	7 th July 1993	Kathmandu
9	Everest Bank Ltd.	18 th October 1994	Kathmandu
10	Bank Of Kathmandu Ltd.	12 th March 1995	Kathmandu
11	Nepal Credit & Commerce Bank Ltd.	14 th October 1986	Rupendehi
12	Lumbini Bank Ltd.	17 th July 1998	Chitwan
13	Nepal Industrial & Commercial Bank Ltd.	21 st July 1998	Morang
14	Machhapuchhre Bank Ltd.	3 rd October 2000	Kaski
15	Kumari Bank Ltd.	3 rd April 2001	Kathmandu
16	Sidartha Bank Ltd.	28 th September 2001	Kathmandu
17	Laxmi Bank Ltd.	13 th April 2002	Kathmandu
18	Agriculture Development Bank	16 th March 2006	Kathmandu
19	Global Bank Ltd.	2 nd January 2007	Parsa
20	Citizens Bank Ltd.	20 th April 2007	Kathmandu
21	Prime Bank Ltd.	8 th September 2007	Kathmandu
22	Bank of Asia Nepal Ltd.	12 th October 2007	Kathmandu
23	Sunrise Bank Ltd.	12 th October 2007	Kathmandu
24	Development Credit Bank Ltd.	25 th May 2008	Kathmandu
25	Nepal Merchant Bank Ltd	2 nd June 2008	Kathmandu
26	Kist Bank Ltd.	2009	Kathmandu

Source; - Licensed Commercial Banks from www.nrb.org.np

Note: - In the recent time there are other 2 Janata Bank Ltd & Megha Bank Ltd recently operating, but this above data is only up to FY 2065/066.

1.2.4 Function of Commercial Bank

Regarding the function of commercial banks, a commercial bank Act state that a Commercial bank is one that exchanges money, accept deposit, grants loan performs commercial banking functions. The functions and services of modern commercial banks are classified under the following heading.

1) Accepting Deposit

Commercial bank accepts deposit from customers in the form of current, saving and fixed deposits. These deposits are repayable on demand. The depositors other than current account are paid interest.

2) Granting Loan and Deposits

The second main function of the commercial bank is to grant loans and advances to businessman, the industrialist, the individuals, the different organizations etc, in the forms of term loans, cash credit overdraft trust receipts, hire purchase loans etc. Banks charge interest on such loan and advances, which is the largest source of total income.

3) Agency Service

A modern commercial banks acts as an agent of individual customer, business institutions and different organization. The agency services of banks may involve collection of interest and dividends on debt and share capital. A bank buys and sells securities on behalf of the customers. Bank also collects cheques, draft promissory notes etc and receives their payment. Sometimes it make payments of insurance premium, bills of electricity, telephone etc. it takes commission for the services rendered.

4) Guarantee on Behalf of Customers

The need of the bank guarantee arises in business generally business customers enjoy this service. Sometimes, personally customers may also need a bank guarantee. A guarantee is a definite and irrevocable under taking by a bank on behalf of its customers to make payment up to a specified sum of money to the beneficiary on demand incase of default by its customers.

5) Issuance of Traveler's Cheque

The people traveling outside the country want to reduce the fear of getting money stolen during the travel. Bank sells the traveler's cheque. The unique feature of the traveler cheque that unless the buyer of traveler cheque signs for encashment it cannot be cashed.

6) Opening Letter of Credit

Today letter of credit has become very popular in foreign business. The letter of credit is established \ opened by the bank on the request of the customers.

7) Remittance Function

Sending and receiving fund to \ from various places is the necessity of today the remittance service has benefited both business and personal customers. Funds transfers are made through various models like demand drafts, telegraphic payment order, swift, fax mail payment orders.

8) Other Services

Modern commercial banks are equally important in undertaking safe custody of important valuable and documents. Banks also offer some of the bank services at the door of highly valued customers few large banks conduct research and survey in the economic conditions and they supply trade statistics and information. In addition to these, banks also inform their customers about the credit standing of other particles. Banking is the necessity of every country as it plays crucial role in enriching economic and social life of country. Banks are the backbone of the country. It is the financial institution, which provides wide range of banking service such as the financial supermarket providing all kinds of monetary service, which is necessary for the industrialization and economic development of the country.

1.2.5 Introduction of Joint Venture Bank & its Role in Nepal

Similar to a partnership in that it must be created by agreement between the parties to share in the losses and profits of the venture. Joint venture is unlike a partnership in that the venture is for one specific project only, rather than for a continuing business

relationship. In this case, the joint venture concerns commercial real estate and the lender-borrower relationship. Borrowers do not always start out looking for partners, but sometimes recognize the value of sharing equity over "straight" debt-financing. Structured Joint-Venture Financing can be complicated and is not appropriate for all projects. To say in definition we can elaborate that Joint Venture Banks are commercial banks formed by the joining of two or more enterprises for the purpose of carrying out specific operation such as investment in trade, business and industry as well as in the form of negotiation between various groups of industries or trades to achieve mutual exchange of goods & services.

The concept of Joint Venture bank is an innovative in finance & it is on growing stage, mostly in developing countries. It can be cleared by the presenting views regarding Joint ventures of following authors / writers:-

Dr. Manohar Krishna Shrestha in his article, "Commercial banks comparative performance evaluation," concludes that JVBs are new, operationally more efficient having superior performance while comparing with local banks, better performance of JVBs in due to their sophisticated technology, modern banking methods and skills. Their better performance is also due to the government branching policy in rural sector, but having number of deficiencies. So local banks have to face growing constraints of socio-economic, political system on one hand spectrum and that of issues and challenges of JVBs commanding significant banking business on other spectrum (Shrestha; 1990:91).

D.P Gupta in "The Banking System its role in Export Development" "A Joint Venture is the joining forces between two or more enterprises for the purpose of carrying out specific operations (Industrial or Commercial investment, Production or Trade)"

B.N Ahuja in Dictionary of Management 2nd Edition academic (India) publishers describes Joint Venture "as a business contract of management of effort between two persons, companies or organizations, involving risk & benefits sharing."

In the same way as per Jauch & Glueck in Business Policy & Strategic Management 5th Edition, (New York M.C Graw Hill Book 1988, P.N 232

“When two or more independent firms mutually decide to participate in a business venture, contribute to the total equity more or less capital & establishment a new organization, it is known as a Joint Venture.”

In summary, a joint venture bank is one, which is established as an agreement between two or more than parties with a purpose of providing banking facilities to the public, they also agree to participate in the equity & on the returns / losses made by the entity in predetermined proportion.

Role of Joint Venture Banks in Nepal:

The establishment of Joint Venture Banks in Nepal have brought about following changes which are the importance also of them, although the main role of Joint Venture Banks in Nepal is to develop national economy as well as banking sectors but other importance can be present as following:-

- Good Banking Services & Introducing modern management
- Creation of the competitive environment
- Contribution to the National Economy
- Information to the foreign Investors

a. Good Banking Services & Introducing modern management

The Banks today are more professionally running with modern management techniques there by minimizing the hassles faced by the clients. The banks today employ more & more professional to carryout the job, which has increased the efficiency & effectiveness. The banks are also employing latest banking software to provide more efficient services to the customers.

b. Creation of the competitive environment

Joint Venture Banks are increasing day by day, clients be beneficial either by higher rate of interesting their deposition. It is possible only under competitive. Fair competitions among banks are providing benefits to the economy & them selves also. Different kinds of Facilities provided to Customer like Internet Banking, SMS Banking, and Vehicle banking (By Everest Bank Ltd. In eastern of Nepal.), ATM, Credit Cards etc all are out

put of Competitive Banking sectors, where Joint venture banks are important aspects to bring such.

c. Contribution to the National Economy

Joint Venture Banks, comparatively are adopting new banking system. They are already established in financial, garment, agriculture & housing needs & playing a significant role to contribute in national economy from own sectors.

d. Information to the foreign Investors

For the developed and developing countries, it is very important to import foreign investors. The JVBs might be better place to raise resources internationally for viable projects in undeveloped countries like Nepal, mainly to their credibility. In other words, it is much easier for Nepalese business to procure international markets. Since some years, political system in Nepal is unsuitable, so foreign investors were not interested in Nepal. Although restoration of democratic system, investors are still hesitating to invest in Nepal due to less political commitment. In this context, the publications of JVBs have been playing a vital role for introducing the Nepalese financial rules, policies and practices to the foreign investors

In conclusion we can say about the advantages & disadvantages from joint venture in country as following:-

Smart entrepreneurs and business owners know that Joint Ventures are the fastest and most effective way to radically increase sales and profits with virtually no money and no risk, as long as its done correctly.

The Advantages of Joint Ventures are speed, access, sharing of resources and the leveraging of underutilized resources, high profits, back end income, low or no risk opportunities and massive leverage. The Disadvantages of Joint Ventures are the possibility of being ripped off or disappointed by unscrupulous and unprofessional JV partners, and hurting the orgⁿ reputation and/or customers and associates by associating with the wrong people, even unknowingly.

From above analysis & to say fact leaving some disadvantages, In Nepalese context about Joint Venture Banks, they are occupying strong role among other commercial banks in aspect of profit, financial performances, large networks, facilities to share holders & customers etc. In Nepal there are 7 private joint venture banks operating among commercial banks. Which can be pointed out as in following table:-

**Joint Venture Commercial Banks in Nepal
July 2008**

S. N.	Bank	Date of Operation	Paid Up Share Capital (Rs. in Million)	Foreign Share (%)	Foreign Bank
01	NABIL Bank Ltd.	2041-3-29	689.2	50	National Bank Ltd.; Bangladesh
02	Standard Chartered Bank Nepal Ltd	2043-10-16	620.8	75	Standard Chartered Grind Lays Bank Ltd.; Australia & UK.
03	Himalayan Bank Ltd	2049-10-5	1013.5	20	Habib Bank Ltd.; Pakistan
04	Nepal SBI Bank Ltd	2050-3-23	877.4	50	State Bank of India; India
05	Nepal Bangladesh Bank Ltd.	2051-2-23	744.1	25	IFIC Bank; Bangladesh
06	Everest Bank Ltd.	2051-7-1	831.4	20	Punjab National Bank, India
07	NMB Bank Ltd.	2065-2-20	1000.00	15	Young Lien Reality SDN BHD; Malaysia

Joint Venture Finance Companies

July 2008

S. N.	Bank	Date of Operation	Paid Up Share Capital (Rs. in Million)	Foreign Share (%)	Foreign Bank
01	International Leasing & Finance Co. Ltd.	2052-7-14	144.0	20.83	KDB Capital Corporation Ltd., Korea & International Finance Corporation

Note: * Previous Nepal Merchant Banking and Finance Ltd are upgraded from Finance company to NMB Bank Ltd.

Source: Joint Venture Banks in Nepal from www.nrb.org.np

1. Nepal Arab Bank Ltd. (NABIL):-

Nabil bank is the first private commercial bank opened in country in 2041 with a paid up equity capital of Rs. 30 million, which is established joint venture with Arab Bank Ltd. In earlier of time. This bank has achieved the bank of the year Nepal 2004 award, which has up to time 38 branches in Nepal. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil is providing a full range of commercial banking services through its 19 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.

2. Standard Chartered Bank Nepal Limited (SCBNL):-

SCBNL came in to existence in 2043 B.S (1987) as a joint venture between ANZ Grindlays and Nepal Bank Ltd. It started its business with Rs. 30 million paid up capital. After acquiring of the ANZ operation in the region by the Standard Chartered in July 2001. It has become a subsidiary of Standard Chartered London, which holds 75 % of

shareholding in the bank, with remaining 25 % held by public shareholders. It was awarded Bank of the year 2002, Nepal, national excellence award 2002, “the best company, financial institutions” 2003 etc., has 17 points of representation in Nepal.

3. Himalayan Bank Limited (HBL):-

HBL was incorporated in 1992 (2049 B.S), by the distinguished business personalities of Nepal joint venture with & Habib Bank Limited, one of the largest commercial bank of Pakistan. Bank operation was commenced from January 1993 with paid up capital of Rs. 60 millions. It is the first commercial bank of Nepal with maximum share holding by Nepalese private sector. Besides commercial activities, the bank also offers industrial & merchant banking. The head office & main branch of HBL is in Thamel. This is first joint venture Bank managed by Nepalese chief executive which is awarded by the no. 1 bank of Nepal 2003, 2006 and national excellence award 2003. It has

4. Nepal SBI Bank Ltd.:-

Nepal SBI bank is a joint venture between Employees provident fund and State Bank of India, wherein Indian Bank hold 50 % of the equity in 1993 A.D. (2050 B.S), which had starting paid up capital was Rs. 119.95 million.

5. Nepal Bangladesh Bank Ltd. (NB bank).

NB bank was established in 1994 A.D (2051) in technical collaboration with I.F.I.C Bank Ltd. Of Bangladesh, was managing under the joint venture and technical services agreement signed between it and NBB till 2006. But now it is managing by the Nepal Rastra Bank.

6. Everest Bank Ltd. (EBL):-

EBL started its operation in 1994 A.D (2050 B.S). It entered in to joint venture with Punjab National Bank of India (PNB) in January 1997 only. PNB holds 20% equity stake in the bank. EBL is the second Nepal indo joint venture bank of country, which has 32 large network branches up to fiscal year 2065/66 (2008/09) in Nepal, which is one of the first bank to introduce Anywhere Branch Banking System (ABBS) in Nepal, & it has also

kept its image in different services that has introduced Mobile Vehicle Banking system to serve banking facilities through its Birtamod branch. The bank has been awarded by the banker, a publication of financial times; London as a "Bank of the year 2006, Nepal" as well as the bank was bestowed with the NICCI excellence awarded by Nepal India chamber of commerce for its spectacular performance under finance sector.

7. Nepal Merchant Bank Ltd. (NMB):-

NMB bank is the latest Joint venture bank in Nepal operated under NRB act , in 2065 with joint venture with Young Lien Reality SDN BHD; Malaysia with paid up capital of Rs. 1000 million, where 15% of Young Lien Reality SDN BHD; Malaysia.

1.3 Statement of the Problem

Nepal's revenue mobilization could not gain momentum for a long time. All the improvements required and known in customs excise duty, sales tax and income tax had already been put in place. The improvements identified by International Monetary Fund (IMF) and the World Bank (WB) had also been implemented. Still, the revenue mobilization cannot take any speed. Thereafter, new taxes were introduced instead to identifying problems with in the existing tax system and trying to rectify them. Where the revenue collection did not increase even after improvements in the prevailing taxes, it should have been understood that only an effective tax system is not adequate for Revenue mobilization but it also requires capable and motivated tax administration, honest taxpayers, as well as political commitment. But in our context, instead of finding solution to these, efforts were made to find a new tax system. To say undoubtedly, Commercial banks, including Joint Venture Banks in Nepal haven't succeeded much in mobilizing capital for productive purposes. A proper effective, efficient and economic tool for collecting resources hasn't been devised in Nepal. Therefore commercial banks, including Joint Venture Banks have to try their best to induce Nepalese people to save and deposit their savings in banks and to utilize such deposits to the maximum possible extent. In one part we can say that they are profit-oriented organization. They make profits from the financial transactions by rendering services to the public and business organizations and pay income tax to government from their taxable income.

Here the thesis is concentrated on the Contribution of Joint Venture Banks to Corporate Income Tax Revenue of the Nepal. There are also some problems in collection of income tax from Joint Venture Banks. Some Joint Venture Banks have appealed to revenue tribunal from time to time. It shows there are some weaknesses in tax assessment of such Joint Venture Banks. The main factors being vague law and regulation of income tax acts and financial acts. In the Nepalese economy some Joint Venture Banks are being operated successfully but few are in financial crisis. What is the problem with these Banks? The main concentration of this study is to understand the tax paying behavior of the Joint Venture Banks in context to prevailing laws relating to Income Taxes and also laws under which these banks are being operated with reference to 7 Joint Venture Banks. To better understand the problems noted above relating to mobilization of more resources through income tax from Joint Venture Banks.

The research is concentrated basically on the place of Joint Venture Banks in collection of the revenue in Nepal, trying to find out major factors influencing the Tax Revenue of the Joint Venture Banks, Problems or any other difficulties facing by Joint Venture Banks on there operations & other aspects which are related with Tax & its system.

1.4 Objective of the Study

The key objective of this research is to analyze Contribution of Joint Venture Banks to Corporate Income Tax Revenue of the Nepal for the last 5 years and other objectives are follows:

1. To analyze the income tax paid by Joint Venture banks in Nepal
2. To make comparative study on 7 joint venture banks in reference of contribution to Corporate Income Tax Nepal.
3. To point out the major problems on income tax faced by Joint Venture Banks
4. To analysis the Revenue structure of Nepal
5. To make comparative study of Trend of Revenue collection from Joint Venture Banks
6. To identify the strength and weakness of income tax system.
7. To provide suggestions and recommendations on the basis of above study.

1.5 Limitation of the Study

There will be some limitations while undergoing this study. The main limitation of the study will be

- 1) Although the researcher has tried to take Data from Primary sources but the most of the data in the study are used from the secondary sources.
- 2) The study is based basically on the data of 5 years (2004/05 to 2008/09)
- 3) Although there are many Commercial banks the study limits to only 7 Joint Venture Banks among 26 Commercial Banks of Nepal.
- 4) Only selected methodologies are used to analyze the data
- 5) The Empirical Questions/Answers are only from Kathmandu Valley.

1.6 Significance of the Study

As it has been stated earlier that development of a country cannot be imagined without economic activities and the development of the banking system is one of the grounds of economic development. In other words, there is no possibility of economic development of a country without the development of a banking system. The Effective implementation of the Taxation system in Nepal has crossed more than 8 years. Taxation system was expected to occupy an important part of Nepalese revenue. This study could be a great signification to identify and rectify the existing position of revenue collection through Tax and for the future implementation.

1.7 Organization of the Study

The research has been classified into five basic chapters as follows.

CHAPTER: I

The first chapter introduction provides the introduction of a banking, background of the study, an introduction of Joint venture Banks, statement of problem, objectives of the study, limitation of the study and significance\ importance of the study of the study.

CHAPTER: II

The second chapter includes the basic framework for the present study on “Contribution of Joint Venture Banks to Corporate Income Tax of Nepal” has drawn from the past

research study, books, articles, journals etc. In this chapter attempts have been made to review the literatures pertinent to study. It includes theoretical and research review of related study by different researcher. Conceptual framework part deals with meaning of tax, types of tax, objectives of tax, meaning of income tax law in Nepal, income tax administration in Nepal. Similarly, review on related literature part deals with the reviews of different literature, which are closely related to this study.

CHAPTER: III

The third chapter is based on secondary data, For the purpose of the study, financial statement, balance sheet, profit and loss a/c ,annual report of bank, brochure, document related to journal and publication are basic data sources. Thus collected and processed will be analyzed by using relevant tools and techniques i.e. necessary financial tools.

CHAPTER: IV

The fourth chapter, analysis and presentation of data covers structure of Nepal government revenue, contribution of tax revenue to the total revenue, income tax collection from Joint venture Banks, ratio of income tax collection from Joint Venture Banks in total tax revenue and total income tax, total corporate income tax . Second part of this chapter covers analysis of banker's opinion survey, analysis of tax expert opinion survey and comparative analysis of opinion survey. Third part covers major findings of the study.

CHAPTER: V

The last and fifth chapter concerned with summary, conclusion & recommendation for further improvement and conclusion of the study.

CHAPTER - II

CONCEPTUAL FRAME WORK AND REVIEW OF LITERATURE

2.1 Conceptual Framework

This Chapter deals with the reviewing part research studies or other relevant propositions in the related areas of the study. So that all the part studies, their conclusion and efficiencies may be know and further research can be conducted. There are many books magazines and dissertation related to the field of the taxation. This chapter focuses on the review of available literature in the field of taxation that have done by the researcher, tax administrator, learners.

Saying clearly, this chapter can be dividend in two main sections. The first section of the chapter deals the conceptual framework of the study and second sections deals the review of previous studies. This chapter helps to take adequate feedback to broader the information based on study. Therefore this chapter has its own importance on this study.

A nation requires sufficient funds to carry out development plans, handle day-to-day administration, maintain peace & security and launch other public welfare activities. The funds required by the government are normally collected from two sources or from external sources. The debt collected within the country is called external debt while the debt collected from outside the country is called external debt. The debt financing of the government is also known as deficit financing. The revenues of the government come basically from two sources: - Tax and non-tax. Non tax sources include different revenues like gifts, grants, fees, fines and penalties. Tax sources include customers, excise duty, VAT, income tax. In Nepal around eighty percent of the government revenues come from taxation. Hence, the tax is the major source of government revenue.

2.1.1 Meaning of Tax

Tax (from the Latin *taxo*;) is to impose a financial charge or other levy upon a **taxpayer** (an individual or legal entity) by a state or the functional equivalent of a state such that failure to pay is punishable by law.

Taxes are also imposed by many sub national entities. Taxes consist of direct tax or indirect tax, and may be paid in money or as its labor equivalent (often but not always unpaid). A tax may be defined as a "pecuniary burden laid upon individuals or property to support the government a payment exacted by legislative authority." A tax "is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is "any contribution imposed by government whether under the name of toll, tribute, tallage, gabel, impost, duty, custom, excise, subsidy, aid, supply, or other name."

In modern taxation systems, taxes are levied in money, but in-kind and corvée taxation is characteristic of traditional or pre-capitalist states and their functional equivalents. The method of taxation and the government expenditure of taxes raised are often highly debated in politics and economics. Tax collection is performed by a government agency such as Canada Revenue Agency, the Internal Revenue Service (IRS) in the United States, or Her Majesty's Revenue and Customs (HMRC) in the UK. When taxes are not fully paid, civil penalties (such as fines or forfeiture) or criminal penalties (such as incarceration) may be imposed on the non-paying entity or individual. (Meaning of Tax, from www.google.com)

Various economists have defined concept of tax in their own ways. Some of them have created confusion in conception. For the far from top to bottom study, a number of definitions are substantial narrow while some are vague & wordiness. Thus, some valued definitions given by some well-known scholars have acknowledged below:-

Among various distinguished scholars, tax definition of Bastable comes into view substantial clear.

The term is defined as, "A tax is a compulsory contribution of wealth of a person or body of persons for the service of public power" (Bastable, 1917).

From the above definition it makes clear on tax by defining that tax integrate focusing about public power, then their wealth & their contribution for nation by paying liability accordance their service means benefit amount.

Like this," A tax is a compulsory contribution imposed by public authority irrespective of the exact amount of service errand to the tax-payer in return and not imposed as a penalty for any legal offence." (Dalton)

From the above definitions it is cleared that the taxes are not a voluntary contributions by the tax-payer but it is compulsory in nature. Therefore, one can say that every payment by individuals to the state is not a tax. It is just like withdrawal from the people's income which reduces their purchasing power. It should be noted here that tax checks production where as public expenditure may support the productive process.

In the same way Findlay Shiras defined tax as: "a compulsory contribution to public authorities to meet the general expenses to the government which have been incurred for the public good and without reference to special benefits." (N, Kumar 2002)

Again we can get importance factor of Tax definition that it is compulsory from all above scholars view. Findlay also emphasized that we contribute in form of tax, which amount directly used on public goods like making infrastructure like Road, hospitals etc, not for private benefit, means that used in benefit of public.

Similarly, "The tax is the share of income of citizens, which the State appropriates in order to procure for itself the means necessary for the production of general public service" (De Marco).

"The essence of a tax is distinguished from other charges by government in the absence of a direct quid pro quo between the tax-payer and public authority" (Taussig).

"A tax is an involuntary fee paid by individuals or business to a state or to functional equivalents of a State, including tribes, secessionist movements or revolutionary movements"

(Meaning of Tax, www.wikipedia.com)

The above-mentioned definitions convey that taxes are not voluntary contributions but are compulsory. Therefore, tax is a compulsory charge by governments on income of an individual, corporation, or trust, as well as the value of gift. The government does not provide direct return in benefit of taxpayer but it is incurred for the common interest of people.

“Taxes are what we pay for civilized society” (Holmes as cited in Kenneth)

Thus, the foremost and essential characteristics of tax are that it is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority.

In reality also that it is cleared that government could expend such amount in the regular expenditure such as its administration, peace and security etc. to establish the social moral as well as in the development expenditure in different projects to increase the economic status of the poor people of the nation. The person to whom the tax is imposed but don't pay the tax is subject to the punishment under the legal provision.

From all above definitions of meaning of Tax, it can be concluded that:-

-) Tax is a compulsory levy imposed by the government.
-) It is levied on personals as per the prevailing laws.
-) Those who pay tax do not get corresponding benefits from the government.
-) It is spent for common interest of the people.
-) It is collected from haves and spent for the interest of have-nots in the society.

2.1.2 Objective of tax

The government mobilizes its revenues through budget in development programs, daily administration, peace and security and public interests. Thus, good tax policies are considered as tools of social and economic revolution. Therefore, the government collects tax to achieve the following objectives. (Dhakal: 2001)

In other sentences, Tax is a permanent instrument for collecting revenues. It is a major source of revenue in the developed world and has been appearing as an important source

of revenue in the developing world as well. It has been an instrument of social and economic policy for the government. The main objectives of tax are:-

(Bhattarai & Koirala, 2008)

-) **To raise more revenue:** The government needs revenues to perform development and welfare programs of the nation. The government imposes taxes to raise more revenues
-) **To reduce economic inequalities:** The government levies more tax upon high-income group and mobilizes it to improve the economic conditions of low-income group. As a result, the economic inequalities will be reduced.
-) **To maintain the welfare state:** The government must perform different welfare programmes, such as, education, health etc. and should maintain economic stability in the country. Thus, government collects taxes in order to perform such programs.
-) **To encourage production of essential goods:** tax policy provides incentives and facilities to the industry producing the essential goods so as to encourage their production.
-) **To check the consumption of harmful goods:** Higher tax rate will be levied to the industries producing luxurious and harmful goods so as to check their consumption.
-) **To remove regional economic groupings:** The government provides tax exemptions, rebates and concession to those industries which are operated in the backward and remote regions. As a result, the economic activities will be increased in these regions so as to remove the regional economic disparity.

Many economists have classified taxes in to several categories. Basically, tax can be classified in to two broad categories: Direct tax and indirect tax. A direct tax is a tax paid by a person on whom it is legally imposed. In direct tax, the person paying and bearing tax is the same it is the tax on income and property such as income tax, property tax, vehicle tax, interest tax, gift tax etc. are some example of direct tax. Direct tax is equitable as it is imposed on person as per the property or income. Time, procedure and

amount of tax to be paid are known with certainty. Direct tax is elastic. The government can tax rate with the change in the level of property or income.

Taxpayer can easily estimate his tax liability. The government can easily increase or decrease according to proper economic situation of the country. It has many demerits. Direct tax is expensive for the government to collect tax individually. Tendency to evade tax may increase to avoid tax burden. Direct tax gives mental pinch to the tax payers as they have to curtail their income to pay to the government.

Indirect tax is the tax is imposed on one person but partly or wholly paid by another. In indirect tax the person paying and bearing the tax is different. It is the tax on consumption or expenditures. Examples of indirect taxes are VAT: sales tax, Entertainment tax, Hotel tax, Excise duty, Import and export duty etc. Indirect tax is transferable people pay tax when they receive or consumed goods or services. Therefore they don't feel burden to pay lump sum. There is mass participation because every person who receipts goods and services, pay tax. The government encourages domestic products and discourages foreign goods through higher rates of indirect tax. Income tax is a direct tax. In case of Nepal; income tax is the major sources of direct tax revenue.

By table it can be presented as following:-

Tax	
Direct Tax	Indirect Tax
<ul style="list-style-type: none">) Income Tax) Property Tax) Vehicle Tax) Interest Tax) Expenditure Tax) Death Tax) Gift Tax) Casual gain tax, Etc. 	<ul style="list-style-type: none">) VAT) Sales Tax) Entertainment Tax) Hotel Tax) Excise duty) Import and export duty, etc.

Although we classified tax in two type accordance to the shifting of burden, there are other bases, by which we can classified tax in the following ways.

On the basis of the level of government:

-) Central taxes and
-) Local taxes

On the basis of tax base:

-) Specific tax and
-) Advalrem tax

On the basis of progressiveness:

-) Proportional tax
-) Progressive tax and
-) Regressive tax

2.1.3 Meaning of Taxation

Taxation is a system of levying taxes. The system is a set of principles. The principle is a scheme of ideas or body of rules by which a theory is organized. Thus, the system of levies was developed after the origin of tax. About the origin of tax, Ayto (2004) points out that:-

Tax originally denoted to assess an amount to be levied, the notion of imposing such a levy is a secondary development. The word comes passing through old French ‘taxer’ from Latin ‘taxare’ a derivative of ‘tangere’ of English. The taxare was derived from Medieval Latin noun ‘taxa’ which means an allotted piece of work or task, which passed into English through Anglo – Norman ‘tasque’ as task.

Many scholars have stated concept of taxation and all the scholars agree that taxation is the system whereby taxes are levied o some types of income, earnings, or gains or purchase. In this connection, the Columbia Encyclopedia (2006) cities one of the most absolute and extensive definition as:-

Taxation is a system used by governments to obtain money from people and organizations. The government uses collected revenue to support itself and to provide public services. In its nature, it is relatively permanent and compulsory and does not guarantee a direct relationship between the amount contributed by a citizen and the extent of governmental services provided to him (2006). Therefore, taxation is a device or process of imposing a tax.

Similarly, one of the famous economists delineates, “Taxation is the charge levied by the State of the property or labor of the citizens, in order to provide for the public expenses” (De Parieu). However, it is quite different from former definition of the Columbia Encyclopedia. It is alike a definition of tax though it shares some qualities, but not identical.

Tax and Taxation are not synonymous terms. Tax is a compulsory exaction of money by public authority for public purpose enforceable by law & is not a payment for service rendered while taxation is device for imposing a tax. Thus, tax is a charge by the government on income or property or expenses of an individual or group of individuals & taxation is a device or process of taxing or imposing tax. (K.C, 2007)

2.1.4 Canons of Taxation

There are different views regarding the requirement in a good tax system relating with the canons of Taxation. Some of them are explained below:

As per Smith’s view:

Canons of Equality

Canon of equality emphasizes on paying the tax on the basis of the ability to pay. Tax should be levied on equal ground to all the taxpayers having equal incomes.

Canon of certainty

Canon of certainty implies that time, method, manner and quantity of paying the tax should be certain.

Canon of convenience

Convenience is another quality of a good tax system. Most of the taxpayers are ordinary people who neither have sufficient tax related knowledge nor the capacity to hire tax experts. That is why the tax system should be of such type that can be followed by ordinary people in the society. The time of payment and the manner of payment should be convenient.

Canon of Economy

Canon of economy implies that the cost of collecting the tax should be minimum difference between the amount that people take out of their pocket to pay tax and the amount that actually goes to the state treasury.

As per Bastable:

Canon of productivity

Canon of productivity means that every tax system should be revenue productive. It means that there should be those taxes only, which provide adequate revenue. Taxes that do not provide adequate revenue should be withdrawn.

Canon of flexibility/Elasticity

Flexibility indicates two parts; first, a tax system should have the characteristic of revenue elasticity. There should be built-in tie-up between the economic activities, higher is the revenue. Second, the tax system should be of that type which provides the revenue as per the necessity of the situation. If there is need of higher revenue, the tax system should provide as per the needs.

Other Modern Economists:

Canon of Diversity

Tax system should not totally depend on one source of revenue. It is risky to the government to depend on only one source. That means that the sources of taxation should be diversified as far as possible. This principle says that tax should be levied on various stages and various sources. There should be multiple taxes in place of single tax. Similarly, a tax system should be of that type, the burden of which is diversified on people of different walks of life.

Canon of Simplicity

Simplicity means understandable. The tax system should be simple to understand and applicable in public life. A complex tax system creates unnecessary hassles. Simple tax system with higher tax rate induces the taxpayer to compliance.

Canon of Neutrality

Tax should not affect badly to the economic sector of the country. Tax policy should not only focus on collecting more revenue but also study the effect on the economic activities of the country. This means, production and distribution aspect of the country should not be affected badly by the tax system.

2.1.5 Income tax

Income tax is prime source of government revenue in developed countries. Income taxation is very useful tool to maximize domestic revenue mobilization as it is safest means of capital formation internally. Income tax is specially for collecting revenue to meet the expenses for people welfare activities and to established and maintain basic economic equity. After the great depression of the 1930's the function of government has been increased considerably. Government has got various sources to collect revenue. Among various sources of revenue tax is a major source. Generally tax is defined as compulsory payment to the government. Every body upon whom it is imposed should pay tax. Income tax is imposed on net income of individual and corporation must bear the burden of tax imposed on them. Generally, income means the inflow to person. Income tax is levied on the income derived from business, employment and investment. Income tax is levied on the net income i.e. total income less the allowable deduction. It is a best measure economic of a person as well as a nation. Higher income denotes the high living standard and lower income refers to the low living standard of people. Economists define the term income in a broad sense it is an economic gain receipt to a person during a particular period by way of wages, interest, profits and rent. The money income of the people is used for two purposes. Part of income is spent on consumption and part is saved. This definition can be expressed in the formula as below:

$$Y=C+S$$

Where,

Y = Income

C = Consumption

S = Saving

According to income tax Act 1974 (2031) “Income means the income earned or received in cash or kind from the sources as besides employment and investment.”

In Income Tax Act 1974 (2031) there were five heads of income tax. They were

- (i) Agriculture
- (ii) Industry, Business. Profession or Vocation
- (iii) Remuneration.
- (iv) House and Land Rent
- (v) Other sources

The new Income Tax Act 2002 (2058) was passed and implemented for 1st April 2002(Chaitra 19, 2058). This act defined the term as income of any person derived from employment business and investment and accumulated income calculated according to this act. This act, has classified the income into three different heads they are

- 1) Business
- 2) Employment
- 3) Investment.

Income tax refers to the tax levied on the income of a person and profits the corporation for the specified time period, particularly one year. In a broad sense, income tax is a levy based upon the production or receipts or gain of the tax payers within a definite period of time. Talking about major area followed by Income tax as:

- Nepalese income tax system generally follows the prevailing international practices
- Resident taxpayers (Individual or entities) are taxed on worldwide income while Non-resident taxpayers are taxed only on their income earned in Nepal.

2.1.6 Evolution of Income Tax

The Great Britain is the first country in the world to introduce the income tax in 1799. It imposed income tax in order finance war with France. Similarly in USA the first federal income tax was imposed with the same objective. (To finance civil war) However in the beginning these countries imposed income tax on a temporary basis until 1860. There after since 1913 it was accepted as permanent tax. Thus income tax was adopted by

different countries gradually. Italy started it in 1864 and New Zealand adopted in 1891. Austria and Canada had followed the income tax in 1915 and 1917 respectively. After 1st world war the income tax became an important source of revenue in many developed countries. By 1939 it had become the most important source of revenue in most developed countries and had made appearance in number of developing nations (Agrawal, 1980). In India the income taxation was started in 1860 by the British government to have relief from economic burden created due to 1st democratic revolution. It was then regularly collected after the publication of Income Tax Act 1886 (Dhakal, 2057). In this way income tax has become the regular source of national receipts for many developed and developing countries of the world. In the beginning income tax was generally levied at a flat rate. The principle of progressive rate had been adopted by the UK and New Zealand since 1909. Nowadays the progressive rate is commonly used rather than flat rate all over the world.

2.1.7 Income Tax in the International Context

Income Tax was first introduced in Great Britain in 1799 in order to finance wars with France. Only in 1800, it was accepted as a permanent tax. In United State of America, first federal income tax was imposed in 1862 to finance civil war expenditure. However it became a permanent feature only in 1913 after 16th amendment to U.S. constitution. In neighbor country India, at first income tax was introduced in 1860. After introducing Income Tax Act 1886 in 1886, it was imposed as a permanent tax. Italy adopted income tax in 1864, New Zealand in 1891, Australia in 1915 and Canada in 1917. After first world war, the income tax became an important source of tax revenue in many developed countries. By 1939, it has become the most important source of revenue in most developed countries and had made appearance in a number of developing nations. (Agrawal, 1978)

From the First World War decade, Income tax has shown as an important source of revenue in developed country. In the beginning of introducing time, it was generally levied at flat rate. Only after 1909, the principle of progression was introduced from the UK and New Zealand.

2.1.8 Income Tax in Modern Nepal:

After the independence of the country in 1951, the role of government has changed. Since the government was enforced to operate development activities besides governing the regular function of maintaining law and order and the collection of revenue (Bhatta and Shrestha, 1981).

A sound and efficient income tax system is necessary to maximize the revenue collection from income tax. Whole income tax system is made of three sub system i.e. income tax policy, income tax laws and income tax administration. Income tax policy is determined by the government itself through Ministry of Finance. Income tax policy should be such that the main objectives of the income tax can be attained. Parliament makes the laws to implement the various policies. The government levy and collect the income tax in accordance with law. The Constitution of the Kingdom of Nepal, 1990 has made the clear provision about it. “No taxes shall be levied and collected except in accordance with law” (Interim Constitution of Nepal, 2007) present legal provision of income tax is associated with Interim Constitution of Nepal, 2007; Income Tax Act, 2058; Income Tax Rules, 2058; Finance Act of concerned financial year etc.

Objectives of Income Tax Act 2058 :(Bhattarai & Koirala 2008)

1. To bring all income generating activities into tax net.
2. To harmonize tax rates and concessions on equity grounds.
3. To widen the tax base.
4. To confine all the income tax related matters within the Act.
5. To make income tax elastic and revenue productive.
6. To develop a tax payer-friendly-taxation system by making it clear and transparent
7. To reduce the scope of discretionary interpretation of the tax authorities.
8. To minimize tax avoidance and tax evasion.
9. To make taxpayers more responsible by enforcing the self-assessment systems.
10. To integrate Nepalese tax system with the tax system of foreign countries.

Features of Income Tax Act 2058

Tax system is sub- system of total economy. Tax policy is changed with the change in the economic policy of the country. Change in the world economic policy and advancement in information technology has a vast impact on Nepalese economy too. Small economies like Nepal have to adopt the economic policy followed by World Bank, International monetary fund, Asian development Bank and other international agencies. Especially, after 1990s there is re-emergence of liberalization, globalization and privation system that focus on the minimum intervention of the state on private economic matters. The 1950s concept of high incentive, high tax rate is changed to the concept of, low rate, wide net". This trend in tax system is followed by most of the countries of the world. Nepal also is not exception in this respect Nepalese administrator and policy makers too have tried to change the tax policy of the country. Income Tax Act 2058 is the result of the change in all these matters. The following are the features of the Income Tax Act 2058.

1. All tax related matters within the one act:

Before the introduction of Income Tax Act 2058, there were almost one and half dozen acts related to income taxation. They all used to give the tax related laws governing the income taxation, even tax expert were in confused while dealing with certain problems related to the tax laws. To avoid this confusing situation, income tax has abolished all tax-related provisions given in other acts and confined all income tax related matters with in one act. Section 142 of the new Income Tax Act has would be governed by this act. (Bhattarai & Koirala, 2008)

2. Specification of tax rates:

Earlier, the tax act was only the procedural laws that had not dealt with tax rates applicable to different sources of income. Finance act of each year used to deal with the tax rates. However, the new act has embraced the tax rate applicable to all the three sources of income.

3. Abolition of various tax related concessions, rebates and exemptions:

one of the main reason of being the Nepalese tax system ineffective was the tax concessions, rebate and exemption provided by the different tax laws in the past. Most of the facilities provided by the government in the past to tax payers whether corporate body or an individual, were used for tax evasion. Right now, the Nepalese tax base is very small because the facilities provided by the government in the past introduced a psychology of not paying the tax. The new Income Tax Act has abolished most of the facilities given by the earlier acts and introduced a fair system of taxation. It has tried to level the playing field.

4. Specification of stock valuation methods:

Income Tax Act 2031 was silent the method of stock valuation used for taxation purpose. Under this act, there was only the provision that once one method of stock valuation is adopted, it should not be changed without the approval of the concerned authority. However, Income Tax Act 2058 has made a provision of valuing of goods for tax purpose.

5. Simplification of depreciation related provisions:

Income Tax Act 2058 has complicated provisions related to depreciation. The assets categorized for depreciation purpose were around 3 dozens. Different rates were allocated to different types of assets. The result was the confusion relating to the rate of depreciation. There was also the chance of manipulation of depreciation rates due to this confusing state. Accordingly, previous tax act had given alternatives to industries to select one depreciation method from among two- straight line and diminishing balance. However, the rate allowed for both the method was not equivalent. The rate allowed for diminishing balance method was more attractive than the rates allowed for straight line method. That means, diminishing balance method of depreciation was more attractive than the straight line method of depreciation. To avoid this chaotic situation, new tax act has tried to minimize the rooms to play. It has specified diminishing balance method based on pool system with 5 categories of assets as the system of depreciation to be used by business communities.

6. Taxing capital gains and dividends:

Income Tax Act 2031 had not the provision of taxing capital gains and dividends. In the past, certain efforts were made to tax these incomes but due to different problems they were not successful. Income Tax Act 2058 in contrast has made provision in the respect. It has only made legal provisions of taxing these items but also rates of taxes for dividend is laid as 10% for natural person whereas capital gain of the business is taxed as ordinary income. (ITA 2031 / ITA 2058)

7. Generous loss set-off and carry forward provision:

Income Tax Act 2031 had made the provision of setting off and carry forwarding of business losses only for three years from the same sources of income. That means, it had only the intra-head adjustment for one year and intra-head income for four years to ordinary forms of business. For financial sector and long term contract, the provision is more liberal providing the facility of recovering the loss from previous five years profit also.

8. Provision of international taxation:

Modern world is more advanced and complicated from that of 2031. At that time, the economy of most of the countries of the world was of closed type. But now the economy of most of the countries in the world is open one. Due to closed economy concept, international taxation was not felt necessary and hence there was not such tax provision in Income Tax Act 2031. But now this concept is introduced in the tax law. The provisions introduced in the tax law related to international taxation are transfer pricing, foreign tax credit, double taxation avoidance agreement etc.

9. Stringent fine and penalty provisions:

The fine and penalty for the defaulters in old tax act were not as severe as they are in new tax act. For example, the Income Tax Act 2031 had the provision of fine of Rs. 5000 to the tax payer who does not maintain the account and a fine of Rs. 500 only who does not deposit the amount of the tax deducted at source in stipulated time. Income Tax Act 2058

has made the provision of fine and penalty more stringent. It has made even the provision of prison up to 3years.

10. No submission of income statement by a person who does not have taxable income:

This act has made a provision of relaxing the submission of income statement by a person who does not have taxable income of who has the income from remuneration only. (Kandel, 2004)

2.2 Tax Rates for Individual & Family

Annual Basic Exemption amount

For Individual. Rs. 115,000
 For Family/Couple. Rs. 140,000

On taxable income

On income of up to Rs. 85,000 beyond the exemption amount 15%
 On all further incomes beyond taxable income of Rs. 75,000 25%

2.2.1 Corporate Income Tax: Registered private and public limited company and other organizations including private firms levied at a flat rate of:

Institutions	Tax Rates
(%)	
a. Banks, Financial Institutions, General Insurance Business, Petroleum Business and cigarette & Beverage business	30%
b. Others	25%
c. For Non-Resident Persons	25%
d. Enterprises accepted as industry by Industrial Enterprise Act (Except alcohol & tobacco based units)	20%
e. Enterprises, which construct and operate road, bridge, tunnel, ropeway, flying bridge, trolley bus, tram	20%
f. Entities engaged in building and operating public infrastructure to be transferred it to NG	20%

g Entities wholly engaged in power generation, transmission or distribution for an income year	20%
h. Export business	20%
i. Dividend Tax	5 %
j. Capital Gain Tax	15 %
- For Entities	
- For Natural person	
Income derived from shipping, air transport or telecommunication by non-resident persons	5%
The repatriated income of a foreign permanent establishment of a non-resident persons	10%

Source: - 1. From www.google.com ‘Trade, Industry & Tax Policy High lights’
2. Tax Rates [Based on FY 2065/66 (2008/09)] – www.ird.gov.np

2.3 Review of Related Studies

Many books, dissertations, articles and reports are published and different individual and institutions in concerning income tax conduct researches. Many individuals and institutions have studied on the various aspects relating to administrative problem legal aspects and trends of income tax system. While doing researches and preparing the thesis some books, thesis and some articles concerning with income taxation have been consulted. Some of them are presented below in brief.

2.3.1 Review of Books & Articles

Surendra Keshar Amatya, Dr. Bihari Binod Pokhrel and Rewanta Kumar Dahal (2003) have written a book entitled “**Taxation in Nepal**”. Amatya, Pokhrel, and Dahal have described about income tax and its development in Nepal. They have also discussed about tax accounting, quantification, allocation and characterization of amount, exemption, concessions, facilities, and tax rates, expenditure expressly disallowed for deduction, capital or revenue income, and expenditures, of tax payers, special provision for natural person and entity, income heads and sources, income from employment, income from business, set-off long back and carry forward of losses, income from

investment, net gain from disposal of assets, and liabilities, and capital gain taxation, form of documentation, PAN and maintenance of documents, income return and tax assessment payment, collection and refund of tax, tax administration , rights and duties of tax payers etc. this book has been written to fulfill the course requirement of Tribhuvan University. It is based on the syllabus of Bachelor level of management, law and CA and also for master level of management and law. This book is informative rather than analytical. They have also included numerical problems in regard to income tax assessment but failed to analyze the importance of income tax problem and defects in Nepalese income tax system.

Adhikari (2005) has written a book named “**Public Finance in Nepal: Revenue and tax Policy, Administration and Organization in Nepali**”. In his book, he has mainly focused on the administrative part of taxation in Nepal. He has described the structure of tax administration from about the administrative aspect regarding tax. Moreover, this book has given overall idea about tax administration in Nepal. However, the book is presented which is only descriptive manner, the new idea has generated after studying the book.

In 2003, Bhattarai & Koirala published a books named “**Taxation in Nepal**” designed according to the syllabus of BBS 3rd year of TU and “ Tax law and tax planning” designed according to the MBS 2nd year syllabus of TU in 2008. These books are based on the Income Tax Act 2058 and are very useful. Relevant theoretical and practical aspects have been discussed in the books. The writers have shows how taxable incomes are computed under employment, business and investment sources under the Income Tax Act 2058.

Dhakal, (2001) wrote a book entitled “Income tax and house and compounded tax law and practice”. This book is based on B.com. and MBS syllabus and related with Income Tax Act 3031 B.S. This book is very much useful to get historical knowledge of taxation and practice under the provision of the act.

“Tax Laws & Tax Planning”, book by K.C (2007) has focused on mainly theoretical aspects of Tax Laws, Planning, & other related terminology relating on tax. He has made clear theoretical concept related on tax by giving examples also. But comparatively this book is concentrated on more theoretical aspect than practical problems.

Shakya (2004) has studied about Income tax Act, 2002 in his dissertation **“A study on ITA, 2002”**. He has concluded that a commitment is must within tax payers and tax administration to make a fair and safe tax administration He has given emphasis to provide sufficient incentives and remuneration with its programme like promotion and motivation. His suggestions are for the improvement of tax administration after implementing ITA, 2002, are: The tax act must be simple and understandable to tax payers and tax administrators; The emphasis is given to establish information center where tax payers can get information regarding tax law; The focus point must be provided sufficient incentive and remuneration to tax administrators to expect the full effort of tax administrators towards their duties and to conduct training programmes.

2.3.2 Review of Thesis

Bastola, (2007), has presented her thesis entitled **“The Role of Income Tax in National Economy and Income Tax Management in Nepal”**, where she has tried to highlight how the national economy is benefited by the income tax & its management in Nepal.

Chudati, (2004) presented a master thesis entitled **“Effectiveness of Nepali’s Tax Policy on Various Business Sector”** in 2004. He tried to explain in brief about the tax system of various business sectors. He had found that 80% revenue comes from direct and indirect tax out of total revenue while only 20% revenue comes from nontaxable source like duties, fines, penalties, charges, royalties and so on, Nepalese tax policy was sound but poor implementation and some technical weak. He suggest that Nepalese tax policy should be immediately update and government should establish sufficient number of tax collection counter.

Dahal (2006) has submitted a dissertation with heading “**Income tax Management in Nepal**”. He has focused on many administrative aspects of income tax. He has concluded that the effectiveness of tax system depends that on the existing management and leadership. A vigilant and transparent tax administration and capability of timely reviews in policy back sliding the gains in the revenue front. He has suggested that, for the improvement of tax management is belonged to strong political commitment.

Lamsal, (2002) presented a master thesis report entitled “**A Study on Contribution of Income Tax on Government Revenue**”, where he has analyzed the contribution of income tax in total revenue of the government by making other analysis as the role of income tax in national economy, structure of government revenue etc.

Neupane (2008), presented a dissertation named “**Comparative study on contribution of direct and indirect tax to national revenue of Nepal**”, where he has focused the position of direct tax & indirect tax to national revenue of Nepal.

Rijal (2006), conducted a research entitled “**A Study on Contribution of Corporate Tax in Government Revenue**”. The main objective of this thesis was to analyze the role of income tax in Nepal, to examine the corporate tax structures in Nepal etc. The study analyzed the period only the 10 years. In his study he made 36 recommendations that private investment should be increased, revenue leakage should be controlled, corruption should be controlled etc. but he didn’t make any recommendations about exemptions and deduction

Shrestha (2006), has submitted thesis entitled “**Contribution of Income tax to the govt. of Nepal.**”, where he has tried to show in aggregate contribution of income tax to the govt. of Nepal, he also tried by his thesis the emphasis of income tax in total Revenue of the Nepal.

Shakya (1995), had presented his thesis entitled, “**Income Tax system in Tax Structure of Nepal**” and had tried to give origin and meaning of income tax with its historical

review, structure of government revenue in Nepal, importance of income tax, contribution of income tax to total tax revenue and total revenue.

In this way, various books, dissertations reports and articles have published in journals and newspapers these are reviewed while preparing this dissertation. Most of literatures are concentrated on administrative, legal and assessment procedure of income tax. Since, all of them have identified the main problem in this sector as poor performance of tax administration Although very few studies was concerned on focusing tax administration covering all sources of taxes in separate way. Setting the lack of study is mainly concentrated on covering all aspects of tax and focusing particularly income tax in more specific way.

2.4 Research gap

There are some research works conducted in Income Tax Contribution by commercial Banks, Finance Companies, Merchant Banks in Government to increase the portion of National revenue. In this type of Research still found not sufficient information, data, exact problems faced by the Joint venture banks in operations systems of them in different branches of the Nepal, previous research are not found in comparative study of joint venture banks contribution to corporate income tax revenue of Nepal. In this research researcher has tried to fulfill such research gap. With available data, in this research researcher has tried to make clearer about the related topic.

CHAPTER – III

RESEARCH METHODOLOGY

Introduction

This chapter is concerned to the detail discussion of the methodology used in this study by covering the procedure of getting research problems answers as per the objectives. There are 7 parts as research design, population and sampling, sources of data, periods covered, procedure of data collection, presentation & analytical tools.

3.1 Research Design

“Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research question and control variance” (Kerlinger; 1986: 275). “Research design is like a philosophy of life no one is without one, but some people are more aware of theirs and thus able to make more informed and consistent decisions”(Maxwell; 1996: 34). Considering the objective of the study descriptive and analytical research design has been used. Descriptive techniques have adopted to say the Contribution of Joint Venture Banks to Corporate Income Tax of Nepal, by using comparative analysis of other 7 Joint Venture banks also. For the analytical part, financial tools have been used with the help of annual report and financial statement published by each 7 Joint Venture Banks & available data by Nepal Rastra Bank, IRD, and MOF also.

3.2 Sources of data

After defining the research design, how the work comes to define the sources of relevant data for the research study. Generally, these are two types of sources of data.

I. Primary Sources

II. Secondary Sources

Primary data are these data that are collected by the researcher for the first time from related fields and possess originality and authenticity. The researcher can use various methods for collecting primary data such as:

- a) Direct personal investigation.
- b) Direct oral investigation (personal interview).
- c) Telephonic interview.
- d) Schedule questionnaire
- e) Mailed questionnaire etc.

To make investigated research, the researcher has tried to collect data by using above methods in primary data, by distributing several topics related 20 questions among following answer holder from 7 Joint Venture Banks, can be shown in following table :-

S.N	Group of Respondents	Questionnaire distributed	% Questionnaire Collected
01	Tax payer (Joint Venture Banks)	20	90%
Total		20	

On the other hand secondary data are those data that are collected by someone else or used already and made available to other in the form of published statistics such as annual reports, periodicals, newspapers, magazines etc. once a primary data is used, it loses its originality and becomes secondary. This study is mainly depends on the use of secondary data that consists of annual reports of the concerned banks, However besides the annual reports various other sources of data have also been used for the purpose of the study plan documents, newspaper, magazine, economic journals, NRB reports, searched related materials from various Web sites like www.google.com, www.wikipedia.com , www.ird.gov.np , www.mof.gov.np, www.fcgo.gov.np etc. similarly; a structured interview questionnaire also has been used as a primary data.

3.3 Population and Sample

Population or universe refers to the industries of the same nature of its service and product. It is the collection or the aggregate of objects or the set of results of an operation. On the other hand sample means the representative parts of population selected from it with the objectives of investigating its properties. Thus, a sample is just a portion of the population selected with a view to draw conclusions about the population under study.

In context of Nepal 26 commercial banks are in operation till data. These twenty six banks are regarded as population. But, it is not possible to study all data related with these twenty six banks. Hence only 7 Joint Venture banks have been taken as sample from the whole population i.e. twenty six banks. The sample banks are as follows:-

- NABIL Bank Ltd.
- Standard Chartered Bank Nepal Ltd
- Himalayan Bank Ltd
- Nepal SBI Bank Ltd
- Nepal Bangladesh Bank Ltd
- Everest Bank Ltd.
- NMB Bank Ltd.

3.4 Data Analysis Procedure

The collection data are classified tabulated and analyzed in descriptive and analytical way as per the subject matter likewise, the required accounting principle, mathematical approaches and legal provision of ITA, 2058 are taken into consideration in data analysis procedure.

3.5 Period covered

The present study covers the time period of Five years for the purpose of trend analysis i.e. F/Y 2061/62 to 2065/066 or 2004/05 to 2008/09. But in some data

Periods

FY in B.S	20 61-62	2062-63	2063-64	2064-65	2065-66
FY in A.D	2004/05	2005/06	2006/07	2007/08	2008/09

3.6 Presentation and Analytical Tools

Various tools are applied while conducting this study which include table, percentage, correlation time series analysis.

- a. Table: Various tables are formulated to tabulate the data. A matter table is also presented in the appendix.
- b. Charts and diagrams: These tools are used for visual description of the data, trend line, bar diagrams are used for the purpose.

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

Chapter Four deals with the analysis and interpretation of data according to the research methodology to attain the objective of this study. During analysis data gathered from various sources have been inserted in tabular form. Using financial and statistical tools the data have been analyzed. I have tried to present data of 5 years Revenue analysis, & of Joint Venture Banks, from fiscal year 2061/62 to 2065/66, means in A.D From 2004/05 to 2008/09. But only in analysis of Situation of Tax Payers, I have taken data of only five fiscal years from 2004/05 to 2008/09. In some analysis parts, it became very difficult to get data of fiscal year 2008/09 so in such situation only analyzed from 2003/04 to 2007/08.

On the basis of Primary data which related with field research, annual report of IRD, Economic Survey of current passed year, and annual report of selected joint venture Banks, & the budgeted speech of current year, the researcher has tried to explore deeply the Contribution of the Joint venture Banks in Corporate Income Tax of Nepal, among other 26 commercial banks. And the researcher has analyzed and diagnosed the collected data to come up the favor conclusion also.

4.1 Situation of Tax Payer in Nepal

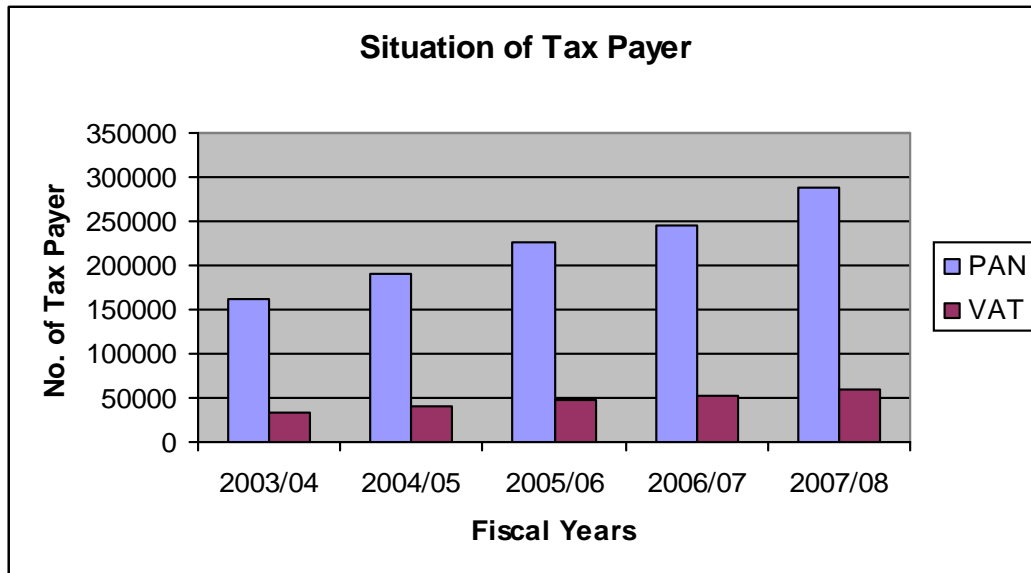
In symbolically it is known that Tax Payers are the major Factors for revenue collection of the country. In each Inland Revenue Department it is noted on their walls of entering door the saying of “Tax Payers are our God.” By this also we can say that IRD also trying to give heartily thanks to the all Tax payers due to reason of the Revenue collection. There are two types of Tax payers in the aspect of the registration in IRD, they are PAN holder Income Tax Payers & other is VAT holder. To see the trend of Tax payers, Tax payers in Income Tax (PAN Holder) is more than Tax payer in VAT. The situation of tax payer can be seen in Table No. 4.1 as following.

**Table No. 4.1
Situation of Tax Payer in Nepal**

S.N	Fiscal Year	PAN (Income Tax Payers)	Growth Rate %	VAT	Growth Rate %
01	2003/04	162172	16	34174	14
02	2004/05	191156	18	39776	16
03	2005/06	225304	18	46831	18
04	2006/07	245550	9	52965	13
05	2007/08	287233	17	59707	13
Average			16		13

Source: - Annual Report of IRD of the Fiscal Year 2007/08

**Figure 4.1
Situation of Tax Payer through PAN and VAT holder**



From the above analysis it is seemed that No. of Tax payers is also in increasing situation of the both in PAN & VAT, but growth rate in fluctuation comparison of the fiscal years. It is notable things that Total revenue of government also depends upon the number of tax payer means that due to fluctuation of taxpayers Revenue also fluctuate. It also that

the average growth rate (16%) of Tax Payer in Income Tax is higher than Tax Payers in VAT (13%) From the Fiscal Year 2003/04 to 2007/08.

4.2 Total Revenue of the Government

Total Revenue of the Government includes the sum of Tax Revenue & Non Tax Revenue, VAT, and Customs, Excise Duties Etc. In this topic it is tried to analysis the trend of Total Revenue collected by Government from different Revenue Heads. By the help of Table No. 4.2, & Chart analysis it is presented as followings: Table 4.2 shows the total Revenue from the fiscal year 2004/05 to 2008/09.

Table No. 4.2

Total Revenue of the Government.

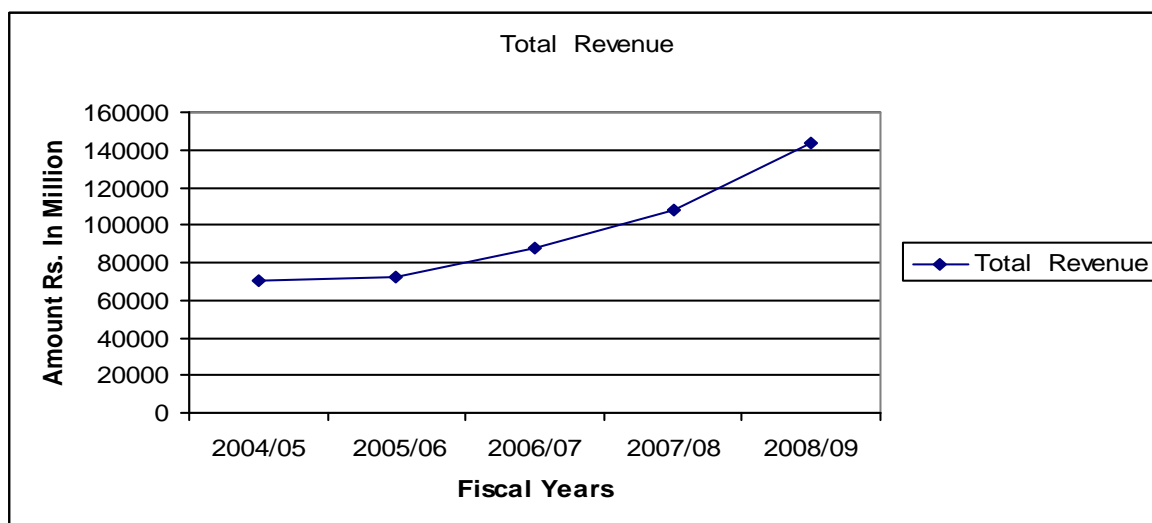
(Rs. In million)

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09
Total Revenue	70122.7	72282.1	87712.1	107622.5	143308.6

Source: - Annapurna Post National Daily News paper of 23rd November 2009-in ARTHA& NRB Bulletin of 2066 Bhadra

Figure No. 4.2

Total Revenue of the Government



In above Table & Chart it is easily cleared that Trend of Revenue is in increasing situation. It means that government is strongly working in collection of revenue from the different sectors. In comparison of the before fiscal years government is able to collect more revenue also in following year.

4.2.1 Structure of Revenue Mobilization in the fiscal year 2008/09.

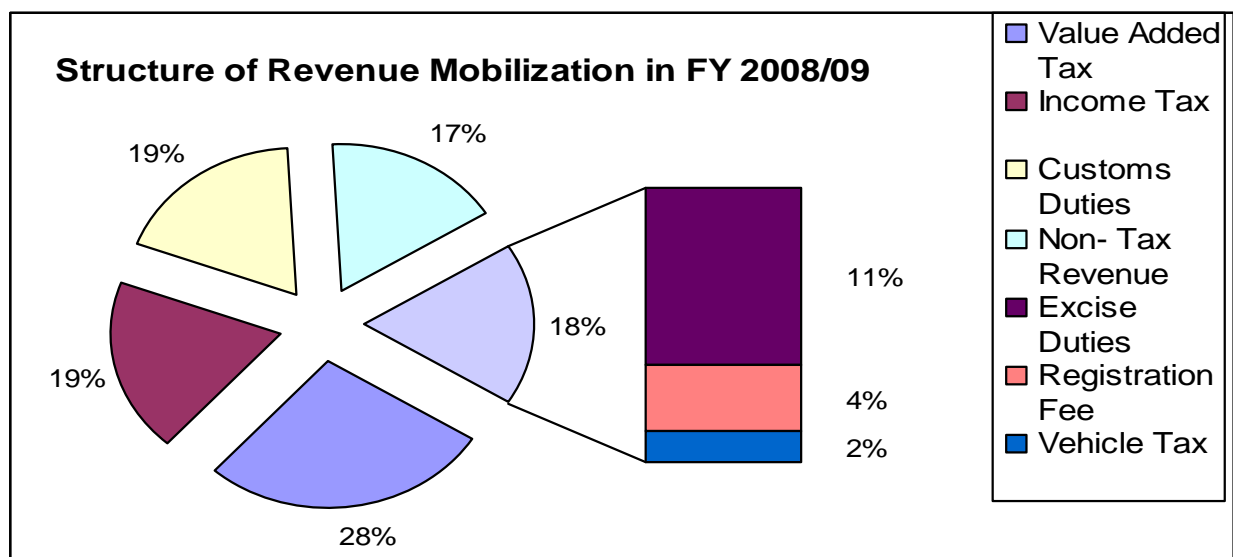
The researcher has tried to make more analysis in the part of revenue collection by adding another analysis of such revenue collected by government mobilization. In other words that is tried to analysis of Gross Revenue of The Fiscal year is the combination of Income Tax, Value Added, Customs Duties, Non Tax Revenue, Excise Duties, Registration Fee & Vehicle Tax. In the following table No. 4.3, it is shown the Structure of Revenue Mobilization in the fiscal year 2008/09.

Table No. 4.3
Structure of Revenue Mobilization (2008/09)

Revenue Heads	Value Added Tax	Income Tax	Customs Duties	Non- Tax Revenue	Excise Duties	Registration Fee	Vehicle Tax
In %	27.8	19.0	18.6	17.0	11.4	4.3	2.0

Source: - NRB Bulletin of 2066 Bhadra

Figure No. 4.3
Structure of Revenue Mobilization (2008/09)



From the above Table No. 4.2 the gross revenue of the Government in fiscal year is 2008/09 is Rs. 142211.3 millions, this gross revenue is collected from the Different Revenue heads mentioned in Table No. 4.3. By the help of Tb Pie Chart, it is an analysis of Total revenue of the government in. This total Revenue is collected from different Revenue heads like VAT, Income Tax, Customs Duties, Non- Tax Revenue, Excise Duties, Registration Fee, & Vehicle Tax. Among all we can see that Revenue from VAT is highest, & Revenue Mobilization from Income Tax, Customs Duties, Non-Tax Revenue seem higher level than of from Excise Duties, Registration Fee & Vehicle Tax.

4.2.2 Composition of Government Revenue in Nepal under Various Heads

Revenue mobilization is the main source of government expenditure and development of the country. The rate of revenue collection is not satisfactory in Nepal. Due to various reasons Nepal Government still unable to collect the tax from different sources as expectation. The total revenue of government of Nepal is collected from tax and non-tax sectors. The tax revenue, which is compulsory sacrifice of the peoples, can divide into two components i.e. direct tax and indirect tax. Those revenues collected as income tax, land tax, property tax, etc are direct tax and those revenues collected as sales tax, value added tax (VAT), customs and contract tax etc are an indirect tax. Another sides, the government has received other kinds of revenues, e.g. postal service charge, fees fines and forfeiture etc are non-tax revenues. Non-tax revenue are not imposed specially views of revenue collection. In Nepalese economy amount of tax revenue is generally higher than that of non-tax revenue. In Nepal, the contribution of tax revenue used to be almost 80% and non-tax revenue almost 20%. The structure is presented in following Table No. 4.4.

In the table 4.4, it is cleared that although Total revenue is in increasing situation but as like Income tax situation in every fiscal years, but the except income tax other revenue collected heads are in fluctuation situation as VAT, Non-Tax Revenue, Customs, vehicle tax, excise , registration fee. The table data are presented in Chart also as following:

Table No. 4.4

Composition of Government Revenue Collection under Various Revenue Heads

(Rs. In million)

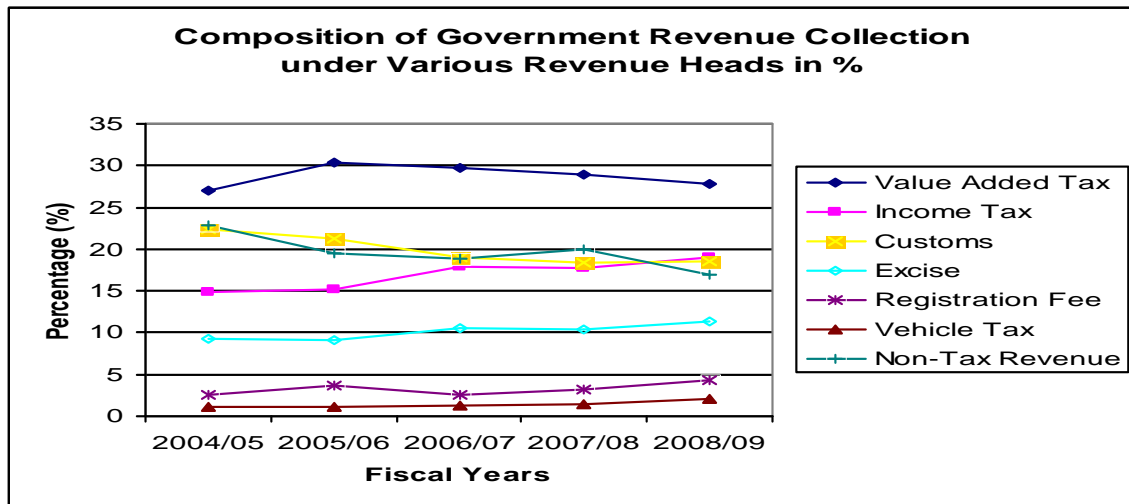
Fiscal Year	2004/05		2005/06		2006/07		2007/08		2008/09	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Value Added Tax	18897.9	26.95	21933.5	30.34	26145.4	29.8	31154.6	28.9	39885.6	27.8
Income Tax	10456.0	14.91	11026.2	15.25	15730.0	17.9	19094.2	17.7	27214.6	19.0
Customs	15701.5	22.39	15326.5	21.20	16699.3	19.0	19811.0	18.4	26641.9	18.6
Excise	6446.3	9.20	6534.9	9.05	9343.6	10.6	11216.6	10.4	16292.9	11.4
Registration Fee	1797	2.56	2597.7	3.60	2238.7	2.6	3406.3	3.2	6147.7	4.3
Vehicle Tax	806.1	1.15	751.4	1.04	1011.0	1.2	1513.9	1.4	2831.1	2.0
Non-Tax Revenue	16017.9	22.84	14111.9	19.52	16544.1	18.9	21425.8	19.9	24294.9	17.0
Total Revenue	70122.7	100	72282.1	100	87712.1	100	107622.5	100.0	143308.6	100

Sources: - Annapurna Post- Artha of 23rd November 2009 & NRB Bulletins & MOF.

Note: - in the above table, the Tax revenue = Total Revenue-Non Tax Revenue

Figure No. 4.4

Composition of Government Revenue Collection under Various Revenue Heads



4.3 Contribution of Tax Revenue to the Total Revenue

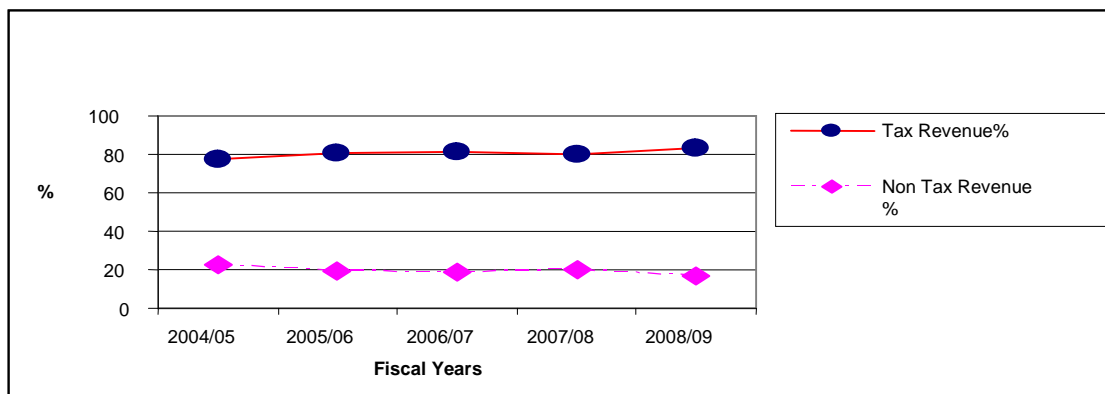
National Exchequer is the composition of tax and non- tax revenue. Tax revenue has also direct and indirect taxes. Customs, excise duty, sales tax, VAT and other miscellaneous are the main revenue items of the indirect tax revenue. Direct tax however is the composition of income tax, land tax, property tax and other direct taxes. Non- tax revenue of the government is an also important revenue source that includes different types of fees, charges, dividends, royalty and principle with interests from companies and corporations. Sale of fixed assets and minerals are also components of non-tax revenue. Table 4.5 shows the comparison between tax revenue and non tax revenue collection.

Table 4.5
Contribution of Tax Revenue/ Non Tax Revenue to the Total Revenue
(Rs. in Million)

Fiscal Year	Total Revenue	Tax Revenue	%	Non Tax Revenue	%
2004/05	70122.7	54104.7	77.16	16017.9	22.84
2005/06	72282.1	58,170.2	80.48	14111.9	19.52
2006/07	87712.1	71134.51	81.10	16544.1	18.9
2007/08	107622.5	86196.7	80.10	21425.8	19.9
2008/09	143308.6	119013.7	83.00	24294.9	17.0
Average Collection in %			80.37		19.63

Sources: - Economic Bulletin of NRB, MOF Economy Survey & Annual Reports of IRD

Figure No. 4.5
Contribution of Tax Revenue/ Non Tax Revenue to the Total Revenue



As shown in the table 4.5, tax revenue contributed more than 80% in the total revenue realization. In FY. 2008/09, tax revenue contributed 83.00%, which showed the highest realization of tax revenue. It also shows regular increase of Tax Revenue till FY. 2008/09, from the FY 2004/05. But in analysis of % occupied by Tax revenue is increased till 2006/07 & slightly decreased in 2007/08 but stood highest position in Fiscal year 2008/09.

In the analysis part of Non-tax revenue it is shown in the table that in the FY. 2004/05, non tax revenue contributed highest revenue 22.84% and FY.2008/09 showed the lowest realization of tax revenue i.e. 17.00%, although in the case of Non tax Revenue collected in amount was highest in 2008/09. Non tax revenue contribution showed slight up and down each year. The above analytical group thus shows that the tax revenue was contributing more than non tax revenues

This analysis also showed the average revenue collection through tax revenue and non tax revenue (average of last 5 years). As shown by table, the average contribution of tax revenue was 80.37% where as the contribution made by non tax revenue was 19.63%. This interpretation is also understood through the given figure no. 4.5 which visualizes the same.

4.4 Importance of Total Revenue, Total Tax Revenue in GDP

Gross domestic product can be defined as the production or income produced by agriculture and non-agriculture sectors like industry, trade, electricity, gas and water, transportation, construction community and social service, mines, finance and real estates etc. The per capita income computed on the basis of gross national product is the good indicator of national's economic condition. In Nepal, the tax structure is characterized by significant change in the level and composition of tax revenue over the year. Income tax covers only a small portion of GDP in the Nepalese economy.

Importance of Total Revenue, Total Tax Revenue in Gross Domestic Product (GDP) can be presented by the help of following Table No. 4.6

Table No. 4.6
Contribution of Total Revenue and Total Tax Revenue in GDP

(Rs. In Million)

Fiscal Years	2003/04	2004/05	2005/06	2006/07	2007/08
Particulars					
Gross Domestic Production	472424.0	504101	582950	670488.7	820814.0
Total Revenue	62331.0	70122.7	72282.1	87712.1	107622.5
Total Tax Revenue	48173.0	54104.7	58170.2	71134.51	86196.7

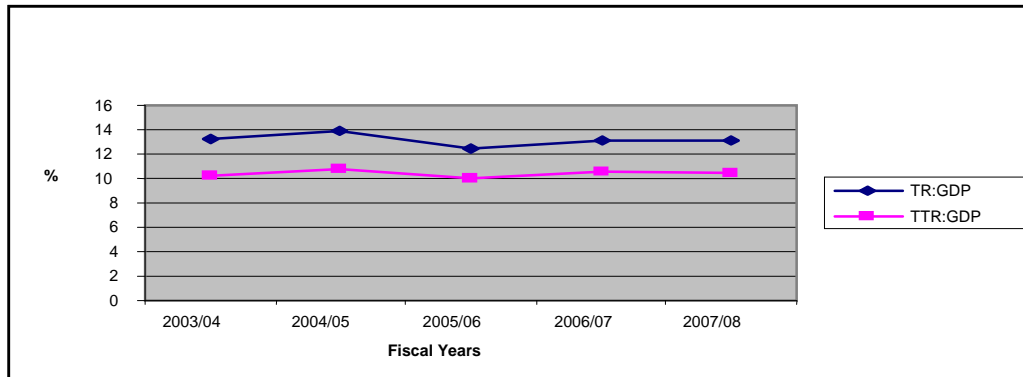
Contribution of Total Revenue and Total Tax Revenue in GDP in %

Fiscal Years	2003/04	2004/05	2005/06	2006/07	2007/08
Particulars					
TR:GDP	13.19	13.91	12.39	13.08	13.11
TTR:GDP	10.20	10.73	9.98	10.61	10.50

Sources: - NRB Bulletin 2066 Bhadra & IRD Annual Report 2064/65

Figure No. 4.6

Contribution of Total Revenue and Total Tax Revenue in GDP



Note: -

GDP – Gross Domestic Product
TR – Total Revenue

TTR- Total Tax Revenue

From above 4.6 tables it is shown that Comparative study of Importance of Total Revenue, Total Tax Revenue in GDP, by the help of the Diagram it is also cleared the fluctuation of each fiscal year. Although in table it is shown that the GDP, TTR, TR is increasing in every fiscal year but the concentrating on contribution of %, in diagram we

can see that Contribution of Total Revenue to GDP is slightly in increasing situation whether the Contribution of Total Tax Revenue is in fluctuation situation in every fiscal year.

4.5 Role of Income Tax in Total Revenue

In the modern world, income tax plays significant role in the overall tax structure. In most of the advanced countries, the share of income tax is very high, but in developing countries the share of income tax is very low yet occupies a very important place in overall tax structure. The role of income tax to total revenue has been presented in table no. 4.7

In the below table it is shown that the Total Income Tax is increasing in amounts as increased of Total Revenue , but in the aspect of % if Income tax it is fluctuation in every year & took maximum in the fiscal year 2008/09 (19%). The below Chart also shows the increasement in both Total Revenue & Income Tax Revenue. Whether the total tax revenue is in highest situation of 5 years comparison in fiscal year 2008/09, as the Income tax is also in highest position in the same fiscal year.

Table 4.7
Role of Income Tax in Total Revenue

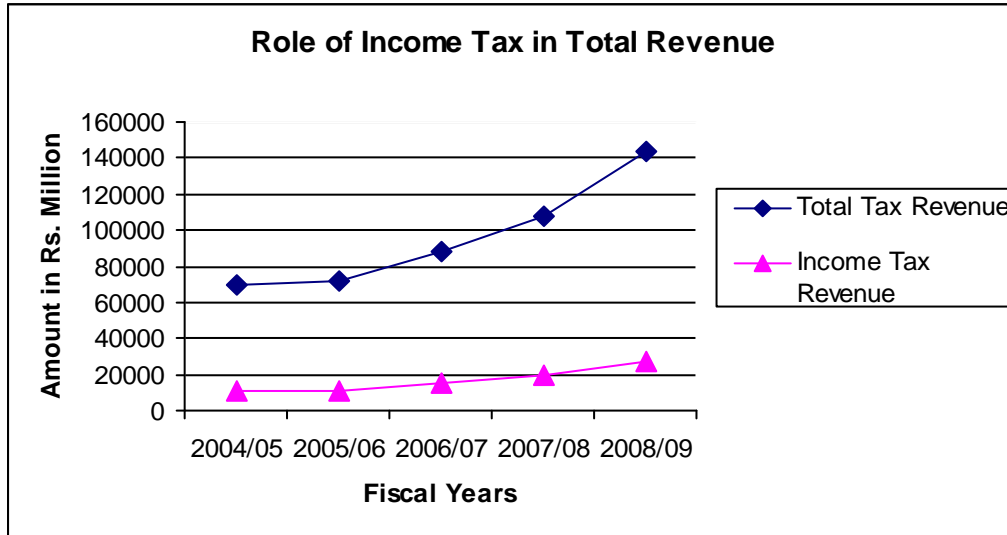
(Rs. In Million)

Fiscal Years	Total Revenue	Income Tax Revenue	% of ITR on TR
2004/05	70122.7	10456.0	14.91
2005/06	72282.1	11026.2	15.25
2006/07	87712.1	15730.0	17.93
2007/08	107622.5	19094.2	17.74
2008/09	143308.6	27214.6	19

Sources: - Annual Report of IRD 2004/05, 2007/08 & 2008/09

Note: - ITR – Income Tax Revenue & TTR- Total Tax Revenue

Figure No. 4.7
Role of Income Tax in Total Revenue



4.6 Comparative Study of Composition of Income Tax

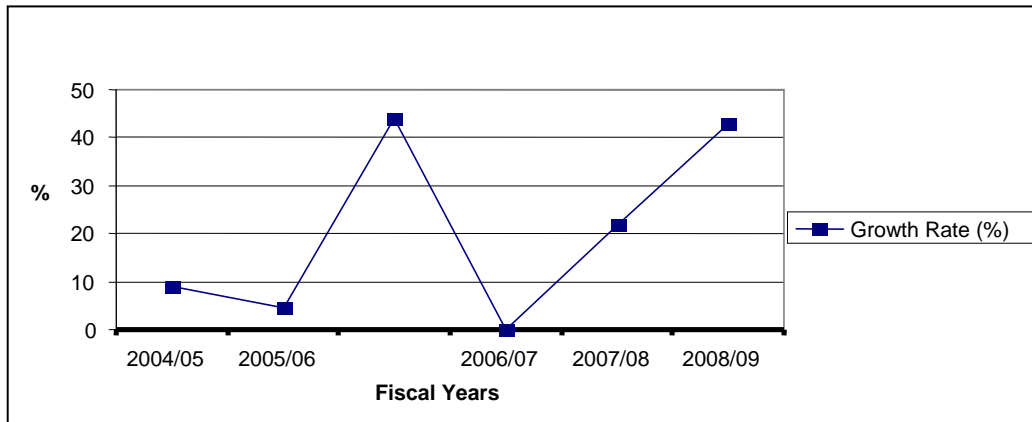
The total Income Tax is the composition of the various Tax Collected from different income generated sectors like Income Tax from Corporation Bodies, Government Institutions, Public Enterprises, Private Sectors, Individual Income Tax, Remuneration, Industries, Business, professions & other, Land Tax, House Rent Tax, Tax on Interest, Vehicle & other. The component of income tax in fiscal year 2058 was divided into three income heads such as employment income, investment income and business income. The composition of income tax from fiscal year 2004/05 to 2008/09 is given below Table No.4.8

Table No. 4.8
Comparative Study of Composition of Income Tax

Fiscal Years	2004/05	2005/06	2006/07	2007/08	2008/09
	Rs.	Rs.	Rs.	Rs.	Rs.
Sources Income Tax					
Corporate Income Tax	7345.00	7576.53	11605.60	13268.76	19624.48
Government Corporation	1332.43	195.77	1019.68	204.59	959.05
Public Ltd. Company	2468.00	3405.58	5717.06	7186.50	9425.13
Private Ltd. Company	1531.31	1703.03	2306.98	3140.37	4197.54
Individual & Sole Trading Firm	1885.65	1958.79	2306.65	2452.35	4472.10
Other Entity	127.82	313.36	255.25	285.00	570.96
Remuneration Tax	1675.89	1771.13	2007.93	2451.04	3195.62
Income Tax on Investment	1424.77	1546.56	2080.02	3271.50	4162.00
Rent	495.55	528.45	594.48	721.10	960.20
Interest	757.03	774.82	1054.94	1087.93	1685.10
Capital Gain Tax	7.03	0.657	1.127	803.50	761.61
Dividend	165.15	242.59	429.50	657.70	736.55
Tax on other investment income	0.009	0.036	0.272	1.26	18.51
Wind Fall Gain Tax & Other Income Tax	20.60	39.31	38.25	86.55	264.08
Total	10466.23	10933.52	15731.80	19077.81	27246.43
Growth Rate (%)	9.09	4.47	44.00	22.00	42.82

Source: - Annual Report of IRD 2063/64(2006/07) & 2065/66(2008/09)

Figure No. 4.8
Growth analysis on Income Tax



From the above table 4.8 can be present the composition of Income tax. It highlights the major comparison among the components under the Income tax of the government. Corporate Income tax seemed in every year in highest position where it includes tax from public, government institution, private ltd. Company, such way the individual income tax which includes income tax from remunerations, professions, business, industry & other is in second position of every years, then after income tax from Land & House rent tax & tax on interest is in third & fourth position in every year respectively. By this analysis we can found that if the government tried to make hard but measurable rule in collection of tax from corporate institutions it would be in strong position of the total revenue.

From the above table & Figure 4.8, talking about growth rate of Income tax year wise, we can see that Income tax is in Fluctuation situation in every year. It became in highest point in the fiscal year 2006/07, where its growth rate is 44.00 % of the fiscal year 2005/06, which is the maximum among the all 5 comparison years. Although the income tax is in increasing situation in every year but its growth rate is in fluctuation condition.

4.6.1 Composition of Income Tax in the Fiscal Year 2065/2066 (2008/09)

Table No. 4.9

Composition of Income Tax in the Fiscal Year 2065/2066 (2008/09)

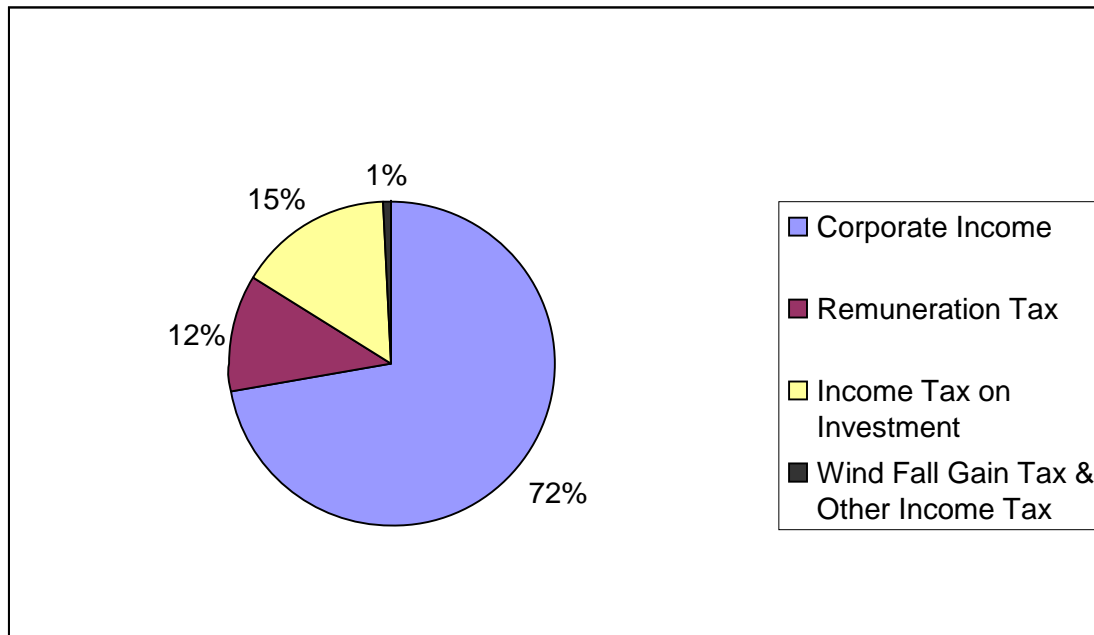
(Rs. In Million)

Income Tax From	Corporate Income	Remuneration Tax	Income Tax on Investment	Wind Fall Gain Tax & Other Income Tax	Total Income Tax
In Rs.	19624.48	3195.62	4162.00	264.08	27246.43
In %	72.02	11.73	15.28	0.97	100

Sources: - Annual Report of IRD 2065/066 (2008/09)

Figure No. 4.9

Composition of Income Tax in the Fiscal Year 2064/2065 (2007/08)



In above Table 4.9 it is clearly shown that Income tax from corporate bodies is highest from all collecting 72 % of the whole income tax. It is so that the corporate tax includes summation of Income tax from Government Corporation, Public Ltd., Private Ltd, individual & Sole Trading Firm & other Entity income tax.

In the same way, it is shown in above chart that income tax from Investment is in 2nd highest rank for collecting income tax, which is also summation of the income tax from Interest, Capital Gain Tax, dividend, rent is 15 %, in third position is of Income Tax from Remuneration got 12 % of the whole income tax. Remaining wind fall gain tax & other is 1 % which is least from all of Income Tax of the Fiscal Year 2008/09.

4.6.2 Contribution of Corporate Income Tax to Total Income Tax

From all analyzing of above mentioned table it is clearly shown that Income tax role is significant in Total Tax Revenue. Like this Corporate Income tax is a considerable source of Public Revenue & making highest position in collection of Income tax. In every year analyzing it is evidently seemed that corporate tax is most than from Individual Income tax, Land & house Tax, & Tax on Interest. So government has to give full attention for the growth of corporate sector & its problems.

Contribution of Corporate Income Tax to Total Income tax can be shown with the help of the following 4.10 Table & Chart :-

Table 4.10
Contribution of Corporate Income Tax to Total Income Tax
(Rs. In Million)

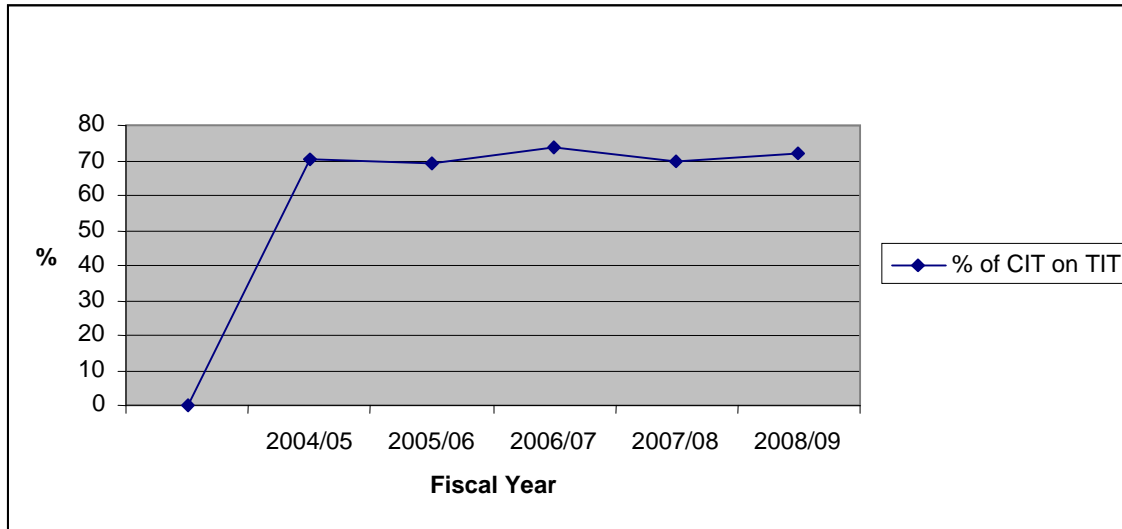
Fiscal Years	Total Income Tax	Corporate Income Tax	% of CIT on TIT
2004/05	10466.23	7345.00	70.18
2005/06	10933.52	7576.53	69.30
2006/07	15731.80	11605.60	73.78
2007/08	19077.81	13268.76	69.55
2008/09	27246.43	19624.48	72.02

Sources: - IRD Annual Reports/ Economy Surveys

Notes: CIT – Corporate Income Tax, TIT - Total Income Tax

Figure No. 4.10

Contribution of Corporate Income Tax to Total Income Tax



From the above table 4.10 it is shown that the ratio of the percentage of Corporate Income Tax on Total Income Tax from fiscal year 2004/05 to 2008/09. Doing analysis of them it is got that corporate tax is taking place around 69 % & more of Total Income tax, by this also we can say that contribution of corporate tax is most important in Total income Tax collection. The ratio of Corporate Tax on Total Income tax is in fluctuation situation in every year. The highest corporate income tax is in fiscal year 2006/07, is 73.78 % in rounding figure & least among 5 years is in 2005/06, and is 69.30%.

4.7 Contribution of Joint Venture Banks in Income Tax Revenue of Nepal

This part of analysis also shows the contribution of corporate tax collected from Joint Venture banks to total corporate tax, total income tax revenue, total Tax Revenue of the Nepal. First of all for this analysis it is presented that the total corporate tax collected from 7 joint venture banks of 5 fiscal years from FY 2004/05 to 2008/09. In the table 4.11 the total income tax of each banks has been presented, where it is clear that the total income tax collection from joint venture banks are in increasing situation which reflects that is good point to the government also.

Table 4.11
Income Tax paid by the Joint venture Banks of Nepal

(Rs. In Million)

Fiscal Years Joint Venture Banks	2004/05	2005/06	2006/07	2007/08	2008/09	Total
NABIL Bank Ltd.	237.67	262.74	321.09	342.52	447.61	1611.63
Standard Chartered Bank Nepal Ltd	261.90	280.62	324.43	374.45	442.09	1683.49
Himalayan Bank Ltd	214.27	214.94	225.58	312.97	313.77	1281.53
Nepal SBI Bank Ltd.	67.81	66.12	86.70	105.75	133.12	459.50
Nepal Bangladesh Bank Ltd.	89.5	80.34	184.19	165.49	227.45	746.97
Everest Bank Ltd	81.91	108.30	158.30	207.40	252.70	808.61
NMB Bank Ltd.	-	-	35.05	33.67	28.74	97.46
Total	953.10	1013.60	1335.34	1542.25	1845.48	6689.77
Growth Rate (%)	14.82	6.36	31.74	15.50	19.66	

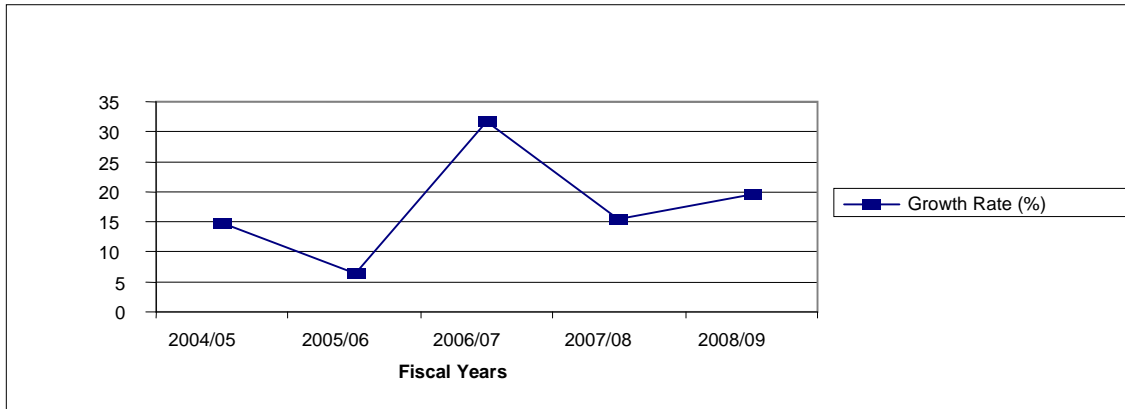
Sources: - Annual Reports of the each Joint venture Banks of the different years.

We can analyze the comparative study of total income tax collection in every year from joint venture banks concentrating of each year's growth percentage with the help of the following 4.11 chart. The below chart analysis shows that although the total income tax from 7 joint venture is in increasing situation but the growth rate in increased income tax is in fluctuation condition.

From the above table & below chart 4.11, it is seemed that though the total income tax from joint venture banks is highest in the fiscal year 2008/09 but growth rate is in fiscal year 2006/07. Making comparative analysis for collection income tax among 7 joint venture Banks, Standard Chartered Bank Nepal Ltd is in first position where Nabil Bank & Himalayan Bank is in second & third rank respectively.

Figure 4.11

Growth rate analysis of total income tax of the Joint Venture Banks



In the above figure Chart analysis it is clearly seemed that the growth rate in income tax on fiscal year 2005/06 is declined from fiscal year 2004/05 then came in peak, in fiscal year 2006/07 then started decline & again increased in fiscal year 2008/09. So we can say that in the growth rate of total income tax paid by 7 Joint venture banks is in Fluctuation condition.

4.7.1 Contribution of Joint Venture Banks to Total Revenue of Nepal

This part of analysis also shows the contribution of corporate tax collected from Joint Venture Banks to Total Revenue, we know that total revenue includes Total Tax Revenue & Non Tax Revenue, where in Total Tax revenue there is included the income tax paid by joint venture banks. This is being cleared with the help of following table & figure 4.12.

Table 4.12

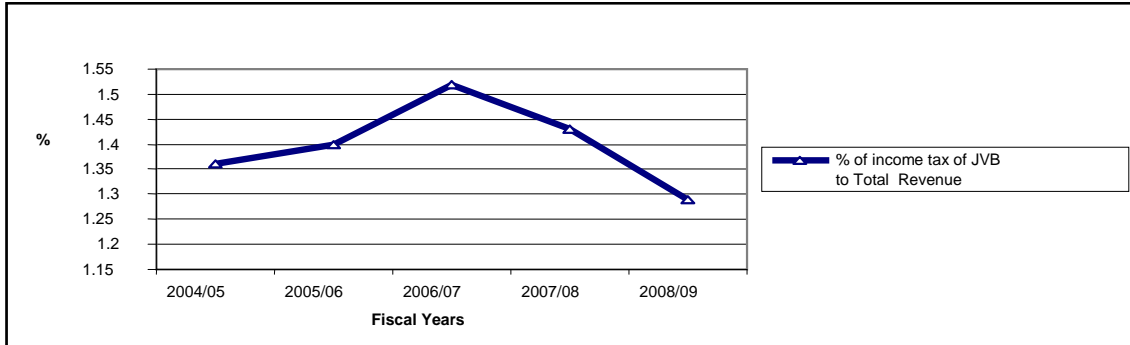
Contribution of Joint Venture Banks to Total Revenue of Nepal

(Rs. In million)

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09
Total Revenue	70122.7	72282.1	87712.1	107622.5	143308.6
Income Tax by JVBS	953.10	1013.60	1335.34	1542.25	1845.48
% of income tax of JVBS to Total Revenue	1.36	1.40	1.52	1.43	1.29

Figure 4.12

Contribution of Joint Venture Banks to Total Revenue of Nepal



From the above Table & Figure 4.12 shows the participation of the Joint venture banks' in total revenue of the Nepal. Through this analysis the researcher has tried to present the importance / status of Income tax paid by Joint venture banks in Total revenue of the Nepal. From the above table & figure it is seemed that in 2006/07 the participation or contribution of the joint venture banks in total revenue is highest with 1.52 %. But we can also see that there is slightly changeability on the contribution of JVBs in Total revenue in each year.

4.7.2 Contribution of Joint Venture Banks to Total Tax Revenue of Nepal

Table 4.13

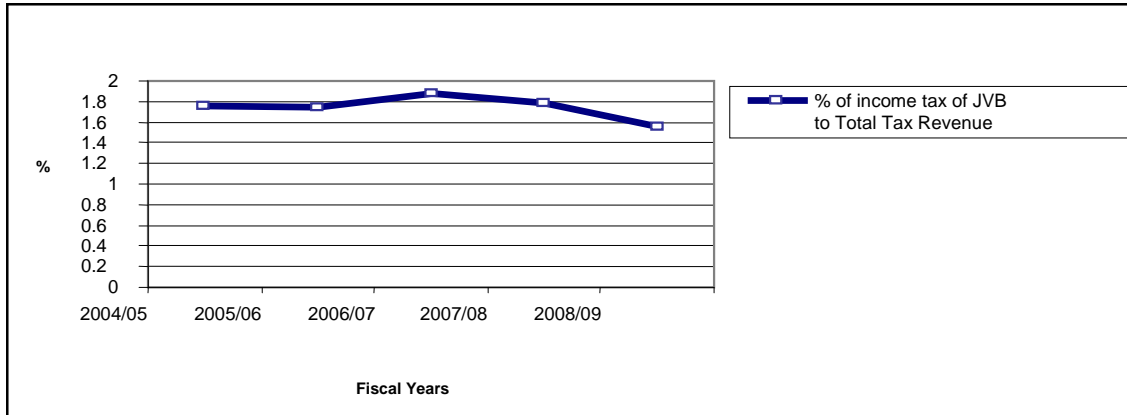
Contribution of Joint Venture Banks to Total Tax Revenue of Nepal

(Rs. In Million)

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09
Total Tax Revenue	54104.7	58170.2	71134.51	86196.7	119013.7
Income Tax by JVBs	953.10	1013.60	1335.34	1542.25	1845.48
% of income tax of JVBs to Total Tax Revenue	1.76	1.74	1.88	1.79	1.55

Figure 4.13

Contribution of Joint Venture Banks to Total Tax Revenue of Nepal



From the above Table & Figure 4.13 shows the contribution of the Joint venture banks' in total tax revenue of the Nepal. Through this analysis the researcher has tried to present the contribution to Income tax paid by joint venture banks in Total Tax revenue of the Nepal. From the above table & figure it is seemed that in 2006/07 the participation or contribution of the joint venture banks in total tax revenue is highest with 1.88 %. But we can also see that there is slightly fluctuation on the contribution of JVBs in Total Tax revenue in each year.

4.7.3 Contribution of Joint Venture Banks to Total Income Tax Revenue of Nepal

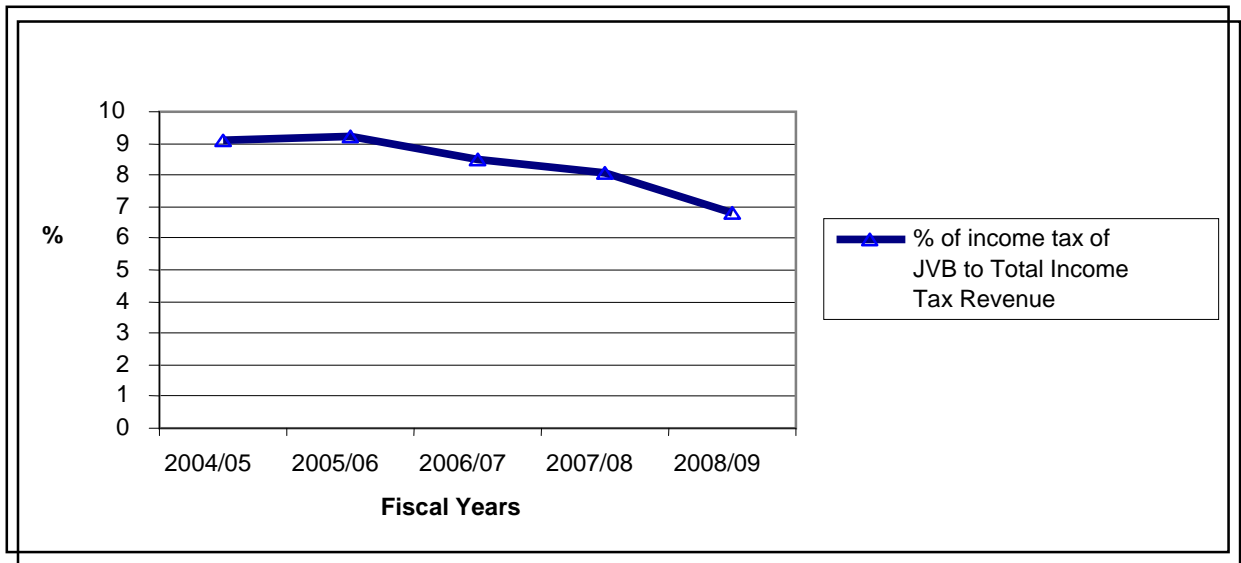
Table 4.14
Contribution of Joint Venture Banks to Total Income Tax Revenue of Nepal

(Rs. In Million)

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09
Total Income Tax Revenue	10456.0	11026.2	15730.0	19094.2	27214.6
Income Tax by JVBs	953.10	1013.60	1335.34	1542.25	1845.48
% of income tax of JVBs to Total Income Tax Revenue	9.12	9.19	8.49	8.08	6.78

Table 4.14

Contribution of Joint Venture Banks to Total Income Tax Revenue of Nepal



It is already in above analysis also mentioned & knowing thing that In the composition of Income Tax revenue of Nepal, various sectors involve in it, among them joint Venture Banks are one element, which are contributing according to their profit in income tax revenue. In other words that contribution of Joint venture banks in income tax revenue of Nepal is measurable & important also which is being presented in above 4.14 table & shown by help of diagram also.

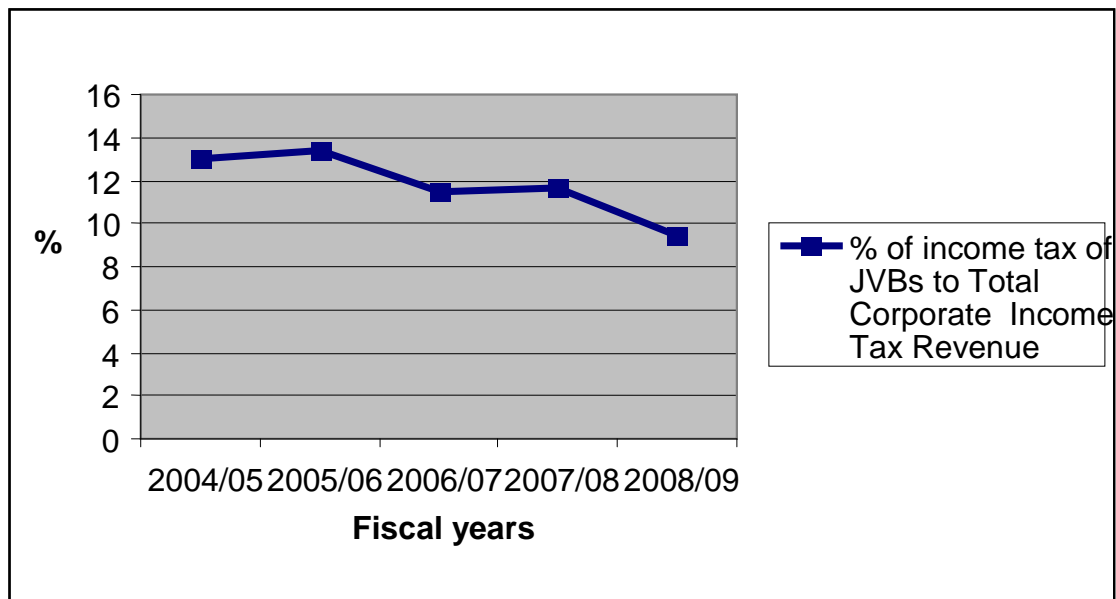
In the above table contribution of JVBs in income tax is highest in fiscal year 2005/06 which is 9.19% and lowest in fiscal year 2008/09 which is 6.78%. Contribution of Joint venture banks in income tax revenue is in fluctuation trend, which has been made clear by the help of the above 4.14 figure.

4.7.4 Contribution of Joint Venture Banks to Corporate Income Tax of Nepal

In this section the researcher has tried to find out the place of Joint Venture Banks in Collection of Total Corporate Income Tax of Nepal. For this it is presented the following Table & Figure 4.15 as:-

Table 4.15
Contribution of Joint Venture Banks to Total Corporate Income Tax of Nepal

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09
Total Corporate Income Tax Revenue	7345.00	7576.53	11605.60	13268.76	19624.48
Income Tax by JVBs	953.10	1013.60	1335.34	1542.25	1845.48
% of income tax of JVBs to Total Corporate Income Tax Revenue	12.98	13.38	11.51	11.63	9.41



By the help of above Table & figure 4.15, it is cleared that the percentages income tax of joint venture banks in Total Corporate income tax of each year, it is in fluctuation situation in each year. Although there is increasing situation of both corporate income tax & Income tax paid by JVBs but the % of it is in fluctuation position.

4.8 Empirical Investigation

An empirical investigation was conducted to find out the various aspects of income tax from the experience of the real world. The major tools used for this study is an opinion survey. The 20 Questions were distributed to each Joint Venture Banks. Each complete Questionnaire represents to every Joint Venture Banks, when total JVBs are 7. 10 % of total questionnaires are not answered. So 90% questionnaires are detailed in below. Some of the joint venture banks became far to give the questionnaire but the requests from researcher made them to fill up the questionnaire form. Between this researcher got so many difficulties also, but when it is analyzed then researcher forget the complexity of it also. The study & survey is objected to investigate the view of people involved in joint venture banks about the Income tax awareness, its efficiency, its impact on joint venture banks, the problem faced by them etc. The views of the respondents were collected from Kathmandu Valley only. Information collected from the respondents were tabulated into the separate format and expressed in terms of percentage of total number. It has been analyzed into descriptive ways.

4.8.1 Income Tax as Suitable Means of Raising Domestic Resources

In order to know whether income tax is suitable means of raising domestic resources, a question was asked, “Is the income tax suitable means of raising domestic resources, do you agree?” The response received from respondents is tabulated as follows.

Table 4.16

Options	% of Answered of the respondents
Yes	100%
No	-
I don't know	-

The question was responded by all respondents. 100% respondents accept the income tax as a suitable means of domestic. Thus the conclusion can be drawn that the income tax is a suitable means of raising government revenue.

4. 8.2 Present Revenue collection of the government is satisfactory or not

To know about the level of revenue collection of the government it was asked that 'Do you believe that present revenue collection of the government is satisfactory?' The response received from respondents is tabulated as follows

Table 4.17

Options	% of Answered of the respondents
Yes	20%
No	60%
I don't know	20%

The question was responded by all respondents. 20% respondents accept the revenue collection of the govt. is satisfactory, but 60% of them weren't, & 20 % were unknown about it. Thus the conclusion can be drawn that present revenue collection of the government is not satisfactory.

4.8.3 Suitable Tax Rate in Nepal

In order to find out the suitable income tax rate system in Nepal, respondents are requested to select any one among the three alternatives. The question is "In your opinion, which income tax rate is suitable for Nepal?" The responses are tabulated as

Table 4.18

S. N	Measures	% of Answered of the respondents	% of Not Answered of the respondents
01	Progressive	60%	40 %
02	Proportional	-	
03	Regressive	-	

The question was responded by 60 % respondents, who is in favor of Progressive income tax rate in Nepal, remaining 40% couldn't answered of the same question. So it can be concluded most of them are in favor of the Progressive Income tax rate in Nepal.

4.8.4 Status Tax Collection system of Nepal

To know about the situation of collected system of tax in Nepal it was asked that “what is the status of tax collection of Nepal?” there were 3 options which & the answered is tabulated as following:

Table 4.19

S. N	Measures	% of Answered of the respondents
01	Positive	20%
02	Average	20%
03	Poor	60%

The question was responded 100%, 60% were answered in poor tax collection system of Nepal, & 20%/20% were in average, positive respectively. By this it is sure that still our tax collection system is in poor condition.

4.8.5 Habit of Nepalese taxpayers for tax paying

To know still Nepalese tax payers tax paying habit is poor or not, 100% respondents accept it saying yes, which directly shows that still there is lack of awareness about liability of tax paying system in Nepal. This can be shown in following table also.

Table 4.20

Options	% of Answered of the respondents
Yes	100%
No	-
I don't know	-

4.8.6 Reasons for people or organizations for dislike of paying tax to govt.

To find out reasons that why the people dislike paying tax, it was asked “What are the reasons for people or organization for dislike of paying tax to govt.?” for this some of the reasons were given where the respondents had given rank as shown in following table. 100% respondent found in this question also, but their ranks were in different situation.

Table 4.21

S. N	Reasons	Rank
01	No provision of incentives for regular taxpayer	1 st
02	Complexity of tax laws ad policy	2 nd
03	Poor public relations by tax officers	3 rd
04	Defective tax administrative system	4 th
05	Little knowledge of Tax & its importance	5 th
06	Povertyness of tax payers	6 th

In the rank question analysis it was found that 1st rank for no provision of incentives for regular tax payers & 6th for povertyness of tax payers. By this it is concluded that main reason for dislike of people to pay tax is no provision of incentives for regular tax payers.

4.8.7 Suggestions for increasing tax paying habit of Nepalese people

To get suggestions for increasing habit of tax paying of Nepalese there were asked question “to increase tax paying habit of Nepalese people , what are your suggestions ?” rank your answer. For this 100% respondents found and ranks for them shown in following 4.22 table:-

Table 4.22

S. N	Reasons	Rank
01	Incentives for regular tax payer.	1 st
02	Heavy Penalties and fines to the irregular taxpayer.	2 nd
03	Simplifying tax laws and policies.	3 rd
04	Better communication system between taxpayer and tax offices.	4 th
05	Timely assessment of tax.	5 th
06	Proper tax education.	6 th

By analysis, it was found for 1st rank of the suggestion is incentives for regular tax payer & 6th for proper tax education.

4.8.8 Attitude towards Tax Evasion in Nepal

In orders to find out the views towards income tax, evasion in Nepal, a question is asked "Do you agree that there is a major problem of tax evasion in Nepal?" The Reponses are tabulated as below:

Table 4.23

Options	% of Answered of the respondents
Yes	80%
No	-
May be	20%

From the above table, it is clear that 80% respondents agree that tax evasion is one of the major problems of income tax administration of Nepal. So, there exist this problem and it is quite necessary to resolve this problem.

4.8.9 Income tax system of Nepal is efficient or not

In orders to find out the views towards efficiency of income tax in Nepal, a question was asked "Is the Income tax system of Nepal efficient?" The Reponses are tabulated as below:

Table 4.24

Options	% of Answered of the respondents
Yes	-
No	100%
I don't know	-

From the above table, it is clear that 100% respondents agree that the Income tax system of Nepal is not efficient. & the in the same question it is also asked that if income tax system is not efficient then rank the reasons which were given in question, this can be Shawn in following 4.25 table as:

Table 4.25

S. N	Reasons	Rank
01	In efficient income tax management	1 st
02	Inadequate government policy	2 nd
03	Defective income tax act	3 rd

Not becoming income tax system efficient the all respondents ranked the 1st reason is in efficient income tax management.

4.8.10 Major problems of income tax management in Nepal.

To find out the major problems of income tax management it was given some reasons for ranking, most of respondents ranked 1st for the lack of tax experts in tax management.

4.8.11 Income tax administration effectiveness to impose fines & penalties

To know about the view for income tax administration, it was asked that “do you think that the tax administration of Nepal is effective to impose fines & penalties as when require?” the 100 % respondent said that No.

4.8.12 Idea for making income tax management more efficient

To get idea for making income tax management more efficient 100% respondent had given their own view for this, combining all it could be concluded that their must be higher level tax experts/ system of reward & check & balance updated etc.

4.8.13 Effectiveness tax in reducing the gap between rich & poor

To know the tax effectiveness for reducing gap between rich & poor, the question was asked to get answer as shown in following table4.26:

Table 4.26

Options	% of Answered of the respondents
Highly effective	-
Fairly effective	60%
Less effective	40%

4.8.14 Most important factors effectiveness in tax system of Nepal

For getting analysis result of question regarding factors (most important) effectiveness in tax system of Nepal, most of respondent are in the saying of if there is effective income tax administration, then automatically there is possibility of improvement in tax system of Nepal.

4.8.15 Corruption in tax administration in Nepal

To know about the corruption in tax administration , 75 % are agree fro this & 25 % are unknown about that.

4.8.16 Problems faced by JVBs.

To know the about that JVBs are facing problems or not in their operation, question was asked, 80% respondents were found, where 20 % respondent gave their view for indifferent in this question, this can be shown in following 4.27 table.

Table 4.27

Options	% of Answered of the respondents	% of Not Answered of the respondents
Yes	20 %	20 %
No	60 %	

60% respondents found that JVBs are not facing problems in their operation , where 20% found in saying of yes, but 20% respondent in their own view for this question they didn't concerned in the two options Yes / No.

4.8.17 Foreign investment of JVBs in Nepal

To know view for the foreign investment in Nepal, the question was asked “In your opinion, is it good to increase the foreign investment in share capital of JVBs?” among 100% respondent only 80% respondent found for answering it, 20% found in indifferent for the question options, only found their view. From 80%, 60% found in answer of yes & 20 % for no.

4.8.18 Consideration factors to increase Income tax from JVBs

To find out the factors to increase income tax from JVBs, a question was asked in last “What Factor should be initiated to increase the contribution of income tax from Joint Venture Bank?”, 100% respondents were found for the answering with ranks, which can be detailed from the following table No. 4.28 :-

From the below table it was found that main factors for increase in income tax from JVBs should be consider for Effective tax administration system.

Table 4.28

S. N	Reasons	Rank
01	Effective tax administration system	1 st
02	Reform the income tax policy, rules and regulations	2 nd
03	Effective imposition of fine and penalty system	3 rd

4.9 Major Findings

4.9.1 Major findings of the study are summarized below from the empirical analysis:-

- Income tax is a suitable source of mobilizing internal resources. The major objectives of income tax are to meet the revenue requirement of the government, promote distributive justice and promote private sector investment.
- Most of the respondents were found aware about income tax of Nepal.

- Income tax is a means of rising domestic resources. 100% of the respondents have positive attitudes towards income tax as a suitable means of raising domestic resources. Most of the respondents are in favor of it.
- Income tax system in Nepal is not efficient due to inefficient tax management, inadequate government policy and defective income tax act.
- There is poor tax paying habit of taxpayers. The main reasons of poor taxpaying habit are little knowledge of tax and its importance, poverty of taxpayers and widespread practices of illegal business.
- Income tax management in Nepal is not efficient enough due to the lack of appropriate management system and serious managerial problems. Major problems which income tax management have been facing are misuse of power by tax administration, lack of motivated and trained employee, lengthy process of income tax assessment.
- Due the consideration in effective tax administration system, reform the income tax policy, rules & regulation & effective imposition of fine & penalty system, government will be able to increase income tax from JVBs in Nepal.

4.9.2 Major findings of the study are summarized below from the secondary data analysis:-

1. The study shows the growth in no. of tax payers of every fiscal year, in FY 2007/08 Tax payers from PAN holder is 287233 & from VAT is 59707.
2. By the analysis of total revenue, it is found that total revenue is in increasing situation which becomes in FY 2008/09 Rs. 143308.6 Million.
3. The study shows that the contribution of tax revenue was 83% and non tax was 17% in FY 2008/09. It shows that contribution of tax revenue to national revenue was increasing trend.
4. Income tax is composed of corporate income tax, individual income tax, house and land rent tax and vehicle tax. All those taxes contribution were in increasing trend except house and land tax.
5. Income tax can be taken as a better source of government revenue. To develop the economic condition of Nepal and promote distributive justice and to come resource gap problem.

6 In the composition of income tax, Corporate Income Tax was the giant one which contribution in Total Income tax 100%, by 72.02% in the fiscal year 2008/09 & also seems to be increasing every year.

7. Although income tax covering small portion in GDP, but in the analysis of total revenue & GDP, it was seemed that contribution of total revenue in GDP is 13.11% in the fiscal year 2007/08.

8. Among analysis of total income tax paid by 7 joint venture banks, it was seemed that Standard chartered bank ltd. Is in the 1st position, where Nabil Bank is in 2nd & HBL in 3rd positions.

9. Total Income tax paid by JVBS is in increasing situation; in the FY 2008/09 is Rs. 1845.48 Million, when total income tax in same fiscal year is Rs. In million 27214.60 & Corporate Income tax is Rs. In million 19624.48

Now it could be said that by the help of above data analysis that Contribution of JVBS is in important aspect in income tax revenue of Nepal, it is taking good place in generation of corporate income tax Nepal, which is 9.41 % in the fiscal year 2008/09, of the total corporate income tax.

CHAPTER – V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

We are known about the economic situation of Nepal, is facing lots of problems relating with the economy. In Nepal there are lots of resources but due to the lack of enough finance, still it is unable to mobilize them like other countries. Unplanned, uncertain expenses of the government are increasing annually, but there is a little bit covering sectors of income resources is external & internal revenue. The external revenue includes the donation/ grants, loans from foreign countries when internal revenue is Total revenue through tax & Non tax revenue. In Nepal Total revenue through Tax is main source of the government to mobilize resources in different essential basic sectors. So for this tax collected from different sectors playing vital role for the government. We can say that Taxes are essential. Without them there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive.

Talking about the Banks, Commercial banks in Nepal have come across a long way to reach at the present status they hold in the national economy. Since from the beginning of the establishment of Nepal bank limited (NBL) in 1937 A.D. to the present scenario with the emergence of new and growing banks have brought tremendous changes in terms of services, capacity development and the way they serve customers. Modern banking practices have been introduced by almost all the commercial banks in Nepal. Commercial banks that were initially involved merely in lending and deposit sector have now modified their traditional business concepts and introduced new services to Nepalese customer like, credit card, debit card, SMS banking, E-banking etc. banking sectors has made significant improvement after the Government of Nepal adopted liberal economic policy. One of the fast growing industries of Nepal is banking industry, after Nepal adopted liberal economic policy. But intense competition and lack of sufficient investment opportunities have created threat to banks. Therefore future in the banking sector will be more competitive with quality and speedy service. Banks have to provide

quality and speedy service and attain objectives along with maintaining social responsibility to sustain in market.

Banking sectors are taking good place not only in national economy but also in income tax revenue to govt. For collecting tax different sectors like- public, corporation, private companies, organization are playing important role from their side, among them financial institutions are playing major role.

In financial sectors among the commercial banks, Joint venture banks are also paying huge income tax to government, which is a main topic of the analyzed in this thesis. In Nepal there are 7 Joint venture Banks operating. They are running their branches in different places of Nepal also. In Nepal they are playing vital role not only in financial sector but also in Income tax collection. In corporate income tax, we have also analyzed its position/involvement also.

5.2 Conclusion

The study has primarily focused on the tax collection and practice adopted by the Joint Venture Banks with a view to provide valuable suggestions which may be helpful to the formulation of optimal income tax collection, contribution of Joint Venture Banks to the government revenue for development of the nation. The main objective of the study is to gain an insight into the income tax collection from Joint Venture Banks and give appropriate suggestions to improve the tax system so that the government can collect more revenues and use them in the process of nation development. The study will not only help the government to collect more revenue but also make the concerned people aware of the exemption of income and deduction of expenses. Income tax has been becoming most important source of the nation revenue for the economical and social development of the country, which requires huge amount. So the researcher has concentrated on the main comparative analysis of Total revenue, Income tax revenue, Tax Revenue, Non Tax revenue, Corporate Income tax & what kinds of contribution of the joint venture banks in such revenue especially in Corporate Income tax of the nation (Nepal).

From above 4th chapters analysis there are found positively increasement No. of Tax payers (PAN) are in increasing situation of each fiscal year & it is also found that Total revenue of the government of Nepal, same like Total income tax, Tax revenue, Non tax revenue also in increasing situation. Among all, Tax revenue is taking highest place in revenue collection of Nepal.

In the composition of Income tax revenue, corporate tax is taking highest place among other of its compositon. By this type of trend we can also conclude that if Nepalese govt. tried to make fixed state rule in collection of tax, there will be more sufficient sources of income for government.

In revenue collection there are many sectors are playing vital role, among them financial institution is major. There are many financial sectors, among them there are 26 (up to 2009 July) Commercial banks where 7 Joint Venture Banks are included in operation. The contribution of the 7 joint venture banks found in competitive position in each year in payment of income tax to the government. Among 7 joint venture Banks Standard Chartered is taking 1st position in collection of income tax, Nabil Bank ltd & HBL are in 2nd & 3rd position then other 4 are in fluctuation position. If the government made environment of more business sector by reducing Chakka jam/ Banda / hardtal etc & improving political situation in Nepal, then there will be chances of good environment of running such financial sector in efficient ways. So first of all there should be good environment of financing, business sector in Nepal, then only possibility of different kinds of business sectors operation, which will assist to the government in collection of revenue. So it can be concluded that from both primary & secondary data with the intention of only some of the business sector are aware about tax but to invite all in tax paying boundary, Nepalese govt. should consider effectively in collection system of tax through various institutions by arranging strike rules & regulation up on them.

5.3 Recommendations

On the basis of the findings mentioned above, the major areas of recommendations are as follows:

1. Suggestions under situation of income tax payers, awareness about Tax & Income Tax Act/ policy in Nepal

Regarding in the number of people, organization involve in tax boundary is still in poor situation so to increase them there should be such act by which they automatically ready to pay tax.

In Nepal still found that who pays tax to the govt. from their income not satisfied with the govt, this is so because govt. is not utilizing the income in proper manner, so it is suggested by tax payers that the govt. must be serious on the utilization of the income.

Under the income tax act, it still seemed lazy in collection of tax from different sectors who are earning high income but hiding them & paying less tax to the govt. so govt. should make clear and practical; law & act.

For making income tax management effective in Nepal first of all there should be applied scientific method for the purpose of accounting assessment and collection of income tax. This means that in ever departs of the income tax must be improved the work environment by computerized system train tax personnel & mandatory rule of some degree-education for certain level of tax officer.

2. Composition & situation of the Total Revenue in Nepal:

It is analyzed from above chapters that although the trend of total revenue, income tax revenue, tax revenue, non tax revenue, corporate income tax revenue are in increasing but their growth rate are in fluctuation situation, so making their growth rate in increasing position the govt. should analyze seriously up on the behaviors, views, problems of tax payers by arranging seminar, participating them in at least thrice of year in awareness training in concerned with the updated taxation policy, its systems etc & providing Incentive by gifts / prizes/ appreciated letters to higher tax payers.

3. Contribution of Joint Venture Banks to Corporate Income Tax of Nepal

In the aspect of Corporate income tax rate, it was found the tax payers are satisfied but for its future betterment, it is suggested to the govt. that there should be more recognition to regular tax payers, necessary to develop fair check & balance system by supervision authority.

It is already known by the help of different analysis regarding Income tax that Income tax is the heart of the Total tax revenue. Where it includes income tax from corporate, individual, investment, profession, interest etc. Among corporate sectors this thesis concerned on the participation of the JVBs in income tax revenue of Nepal. From the above analysis it was found that income tax collected through JVBs is in increasing situation, & it is taking a good position in total Corporate income tax also, so further making them strong government should treat Banks as separate entity & must give them more facilities & incentives to operate their business without any difficulties in any where of Nepal, this is so because it is eye exposed thing that Banks are also the best, regular, tax payers in the country with out any doubts, so the govt must be touched in the problems of them in the operation time or other related with the environmental problems.

APPENDIX – A

Cover Letter

Dear Sir/ Madam,

First of all, I would like to introduce myself as a student of Shanker Dev College, Master in Business Studies (MBS) Final year. I am going to prepare a dissertation entitled **“Contribution of Joint Venture Banks to Corporate Income Tax of Nepal”** to fulfill portal requirement of Master’s Degree of Business Studies of Tribhuvan University of Nepal.

I have sent this questionnaire to spare some of your valuable time to provide your suggestions and opinions concerning with income tax system in Nepal, & other related with Thesis Topic, which will be very useful and guide me for completing my research work. I would be very much appreciated if you could provide your important time for filling this questionnaire.

I assure to keep every detail provided to me confidential.

I am looking forward to your co-operation and support with many thanks as soon as possible.

Yours Sincerely

Usha Pokharel

APPENDIX – B

Questionnaire

“Contribution of Joint Venture Banks to Corporate Income Tax of Nepal”

Name.....

Designation.....

Office /organization.....

Department

Please Tick () the answer of your choice or where ever appropriate put in order of preference from one to last number of alternative.

1. Income tax is a suitable means of raising domestic resources, do you agree?

Yes []

No []

I don't know []

2. Do you believe that present revenue collection of the government is satisfactory?

Yes []

No []

I don't know []

3. In your opinion, which income tax rate is suitable for Nepal?

Progressive []

Proportional []

Regressive []

4. What is the status of Tax Collection system of Nepal?

Positive []

Average []

Poor []

5. Is there poor tax paying habit of Nepalese taxpayers?

Yes []

No []

I don't know []

6. What are the reasons for people or organization for dislike of paying tax to Government?

(Rank your answer)

i. Little knowledge of tax and its importance. []

ii. Complexity of tax laws ad policy. []

iii. Poor public relations by tax officers []

iv. Poverty of tax payers []

v. Defective tax administrative system []

vi. No provision of incentives for regular taxpayer []

7. To increase tax paying habit of Nepalese people, what are your suggestions? (Rank your answer)

i. Proper tax education. []

ii. Incentives for regular tax payer. []

iii. Heavy Penalties and fines to the irregular taxpayer. []

iv. Better communication system between taxpayer and tax offices. []

v. Simplifying tax laws and policies. []

vi. Timely assessment of tax. []

8. Do you agree that there is a major problem of tax evasion in Nepal?

Yes []

No []

May be []

9. Is the income tax system of Nepal efficient?

Yes []

No []

I don't know []

If no, what are the reasons? (Rank your answer)

- i. Defective income tax act. []
- ii. Inadequate government policy. []
- iii. In efficient income tax management. []

10. What are the major problems of income tax management in Nepal? (Rank your answer)

- i. Misuse of power by the tax administrator.
[]
- ii. Lack of good economic policy
[]
- iii. Lack of training facility to the employee.
[]
- iv. Lack of sufficient incentive to the employee.
[]
- v. Lack of sufficient power to the tax administrator.
[]
- vi. Less consciousness of taxpayer.
[]
- vii. Lack of Tax Experts in Tax management
[]
- viii. Complicated income tax, act, rate and exemption limit
[]

11. Do you think that the tax administration of Nepal is effective to impose Fines and Penalties as when required?

- Yes []
- No []

12. How the income tax management in Nepal should be made more efficient? (Please write your opinion)

.....

13. Do you think income tax has been effective in reducing the gap between rich and poor?

- i. Highly effective []
- ii. Fairly effective []

iii. Less effective []

14. What is the most important factor for effectiveness of tax system in Nepal? (Please rank).

- | | |
|-------------------------------------|-----|
| Tax officers | [] |
| Honest tax payers | [] |
| Clear act, rules and regular | [] |
| Effective income tax administration | [] |

15. There is a widespread public opinion that “high degree of corruption is being existed in the tax administration in Nepal”. Do you agree with this statement?

- | | |
|--------------|-----|
| Yes | [] |
| No | [] |
| I don't know | [] |

I If yes, the how can minimize corruption?

- | | |
|---|-----|
| i. Development of check and balance system. | [] |
| ii. Moral education to tax personnel. | [] |
| iii. Reduction of tax officers' discretionary powers. | [] |
| iv. Regular supervision to tax personnel. | [] |
| v. Additional incentives to tax personnel. | [] |
| vi. Development of consciousness to hate corrupters. | [] |
| vii. Sever action to corrupters. | [] |

16. Are the joint venture banks facing problems in their operation?

- | | |
|-----|-----|
| Yes | [] |
| No | [] |

17. In your opinion, is it good to increase the foreign investment in share capital of Joint Venture Bank?

- | | |
|-----|-----|
| Yes | [] |
| No | [] |

18. What Factor should be initiated to increase the contribution of income tax from Joint Venture Bank?

- Effective imposition of fine and penalty system []
- Reform the income tax policy, rules and regulations []
- Effective tax administration system []

BIBLIOGRAPHY

A. Books and Journal

- Adhikari, C. M (2005). *Modern Taxation in Nepal: Theory and Practice*. Kathmandu:
Pairavi Prakashan
- Adhikari, C. M (2005). *Public Finance in Nepal: Revenue and tax Policy, Administration and Organization in Nepali*. Kathmandu :Pairavi Prakashan
- Agrawal, Govinda Ram (1978). *Resource Mobilization for Development: The Reform of*
Amatya, Surendra Keshar, Pokharel, Dr.Bihari Binod and Dahal, Rewanta Kumar (2003).
Taxation in Nepal. Kathmandu : M.K. Publishers & distributors.
- American Institution of Banking (1972). *Principal of Banking operation*. New Delhi:
Prentice Hall.
- Bhattarai & Koirala (2003). *Taxation in Nepal*. Kathmandu: Asmita Publication
- Bhattarai & Koirala (2008). *Taxation in Nepal*. Kathmandu: Asmita Publication
- Dhakal, K.D (2001). *Income Tax and House and Compound Tax Law and Practice*.
Kathmandu: Kamal Prakashan
- HMG/Nepal. *Finance Ordinance, 2061. Minsitry of law, justice and Parliamentary Affairs*.
- HMG/Nepal. *Income Tax Act, 2031 . Minsitry of law, justice and Parliamentary Affairs*.
- HMG/Nepal. *Income Tax Act, 2058. Minsitry of law, justice and Parliamentary Affairs*.
- HMG/Nepal. *Income Tax Rules, 2059. Minsitry of law, justice and Parliamentary Affairs*.
- Inland Revenue Departement. *Brochure and Bolkllets 2061/062 to 2065/066*.
Kathmandu
- Joshi, P. R, (2007). *Research Methodology*. Kathmandu: Buddha Academic Publishers
and Distributors .
- Kandel Puspa Raj (2003). *Tax Laws and Planning*. Kathmandu : Buddha Academic
Enterprises Pvt. Ltd.
- K.C , Jit Bahadur (2007). *Tax Laws & Tax Planning* . Kathmandu : Khanal Books
Prakashan

- Khadka Rup (2001). *Income Taxation in Nepal Retrospect & Prospect*. Kathmandu: Ratna Pustak Bhandar.
- KFA (2009). *General Banking Course*. Kathmandu: KFA Institute
- Khadka Rup (2002). *Municipal Finance in Nepal Retrospect & Prospect*. Kathmandu : CEGG Nepal.
- Mallik Vidyadhar(2003). *Nepalko Adhunik Ayakar Pranali. (1st Edition)*. Kathmandu.
- Ministry of Finance (2003/04). *Economic Survey*. Kathmandu:Ministry of Finance, Government of Nepal.
- Ministry of Finance (2006/07). *Economic Survey*. Kathmandu: Ministry of Finance, Government of Nepal.
- Ministry of Finance (2008/09). *Economic Survey*. Kathmandu: Ministry of Finance,. Government of Nepal.
- Narayan, B.N, (2002). *Public Finance*. New Delhi: Anamol Publication P. Ltd
- N, Kumar and R, Mittal, (2002). *Public Finance Theory and Practice*. New Delhi: Anamol Publication P. Ltd
- Nepal Rastra Bank. *Brochure and Bolkets 2061/062 to 2065/066*. Kathmandu:
- Pokharel Badri (1994). *Property Tax in Nepal: Theory & Practice*. Kathmandu: Revenue Training Center.
- Wolff, H.K. and Pant, P.R. (2002). *A Handbook for Social Science Research and Thesis Writing*. Kathmandu: Buddha Academic Enterprises Pvt. Ltd.

B. Thesis

- Bastola, Pabitra, (2007). *The Role of Income Tax in National Economy and Income Tax Management in Nepal*. An unpublished Master Degree Thesis, TU.
- Chudati, Baburam, (2004). *Effectiveness of Nepali's Tax Policy on Various Business Sector*. An unpublished Master Degree Thesis, TU.
- Dahal Tanka Nidhi (2006). *Income tax Management in Nepal*. An unpublished Master Degree Thesis, TU
- Gautam, Nabin (2008). *Contribution of the Joint Venture Banks in income tax revenue of Nepal*. An unpublished Master Degree Thesis, TU
- Lamsal, Bharat Kumar (2002). *A Study on Contribution of Income Tax on Government*

Revenue. An unpublished Master Degree Thesis, TU

Nepal, Parshuram (2008). **Revenue Generation from Vat in Nepal.** An unpublished Master Degree Thesis, TU

Neupane, Diepndra (2008). **Comparative study on contribution of direct and indirect tax to national revenue of Nepal.** An unpublished Master Degree Thesis, TU

Rijal, Binod (2006). **A Study on Contribution of Corporate Tax in Government Revenue.** An unpublished Master Degree Thesis, TU.

Shakya (2004). **A study on ITA, 2002 Dissertation.** An unpublished Master Degree Thesis, TU

Shakya, Krishna Kumar (1995). **Income Tax in Tax Structure of Nepal.** An Unpublished MPA Thesis, T.U.

Shrestha N (2006). **Contribution of Income tax to the govt. of Nepal.** An unpublished Master Degree Thesis, TU

Shrestha, B (2001). **Revenue Collection from Income Tax in Nepal, problems & prospects.** An unpublished Master Degree Thesis, TU

Thapa, Krishna J. (2009), **Effectiveness of Value Added Tax in Revenue Collection of Nepal.** An unpublished Master Degree Thesis, TU

C. Annual Reports, News Papers, Magazines & Websites

Annual Reports of each Joint Venture Banks

Annual Reports of IRD

Annual Reports of NRB

Artha of Daily news paper like Kantipur, The Himalayan Times, Republica, The Rising Nepal and Annapurna Post.

Business Age, Monthly magazine

Corporate Post of The Kathmandu post daily news paper- every Friday

Economic Post of Annapurna daily newspaper

D. Websites

www.google.com

www.ird.gov.np

www.mof.gov.np

www.nrb.org.np

www.wikipedia.com