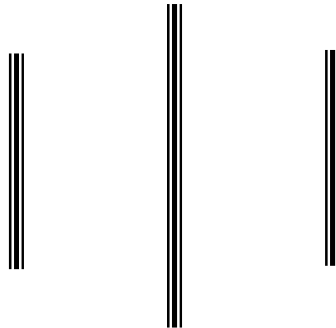


Cash Management Practices in Rastriya Banijya Bank

By
Manish Jonchhe
Shankar Dev Campus
T.U. Regd. No: 7-2-355-51-2001
Campus Roll No. : 915/061
Symbol No: 3737/063

A Thesis is submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University



*In Partial fulfillment of the requirement for the Degree of
Master of Business Studies (M.B.S)*

Kathmandu, Nepal
September, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by:

MANISH JONCHHE

Entitled:

**Cash Management Practices in
Rastriya Banijya Bank**

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

.....
Prof. Dr. Kamal Deep Dhakal
(Thesis Supervisor)

.....
Prof. Bisheshwor Man Shrestha
(Head of Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

.....
Mr. Shankar Raj Joshi
(Thesis Supervisor)

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Presented By

Mr. Manish Jonchhe

Entitled:

Cash Management Practices In Rastriya Banijya Bank

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Master Degree of Business Studies (MBS)

Viva –Voce Committee

Head of Research Department

Member (Thesis Supervisor)

Member (Thesis Supervisor)

Member (External Expert)

TRIBHUVAN UNIVERSITY

Faculty of Management

Shankar Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled “Cash Management practices in Rastriya Banijya Bank” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work, done for the partial fulfillment the requirement of the degree of Master of Business Studies (MBS) under the supervision of Mr. Shankar Raj Joshi of Shankar Dev Campus.

September, 2009

.....
Manish Jonchhe
Researcher
T.U. Regd. No: 7-2-355-51-2001
Campus Roll No. : 915/061

ACKNOWLEDGEMENT

This research study is conducted on the topic “Cash Management Practices in “Rastriya Banijya Bank” as a partical fulfillment of the requirement of the degree of Master of Business Studies (MBS) from Tribhuvan University. The main contribution of this study lies in explaining and exploring some sector of the cash management practices of Rastriya Banijya Bank. In addition, this study will enhance the managerial skills of the management for planning and controlling of cash. Furthermore, it helps investors to analyze the cash and liquidity position of the company

I am grateful to my supervisor Mr. Shankar Raj Joshi for their continual guidance throughout this study period. Without his profound suggestions and motivation this study could not be possible in time.

It is my most pleasant duty to express thanks to Mr. Nirajan Adhikari and other staffs of Rastriya Banijya Bank for providing the necessary date and information as well as for their kind co-operation. I am also very grateful to the staffs of Shankar Dev Camous and for their cooperation in providing required study materials and information.

Finally, debt of gratitude is to my family and colleagues for their outstanding encouragement to conduct this study.

September, 2009

Manish Jonchhe
Researcher

TABLE OF CONTENTS

Recommendation Letter

Approval Sheet

Acknowledgement

Table of Contents

List of Tables

List of Figures

Abbreviation

Bibliography

Page No.

CHAPTER I: INTRDUCTION 1-7

1.1 General Background 1

1.2 Introduction of the Organization 2

1.3 Statement of the Study 4

1.4 Objectives of the Study 5

1.5 Significance of the Study 5

1.6 Limitations of the Study 6

CHAPTER II: REVIEW OF LITERATURE 8-40

2.1 Conceptual Frame Work

2.1.1 Meaning of Cash Management 8

2.1.1.1 Cash Planning 9

2.1.1.2 Controlling Cash Inflows 10

2.1.1.3 Controlling Cash Outflow 13

2.1.1.4 Determining Optimum Liquid Balance	15
2.1.1.5 Investing Surplus Cash	16
2.1.2 Principle of Cash Management	17
2.1.3 Motives for holding Cash	18
2.1.3.1 Transaction Motives	19
2.1.3.2 Precautionary Motive	19
2.1.3.3 Speculative Motive	20
2.1.3.4 Compensation Motive	20
2.1.4 Objective of Cash Management	21
2.1.5 Factors Determining Cash Needs	23
2.1.5.1 Synchronization of Cash Flow	23
2.1.5.2 Short Cost	24
2.1.5.3 Excess Cash Balance Cost	25
2.1.5.4 Procurement and Management	25
2.1.5.5 Uncertainty and Cash Management	25
2.1.6 Techniques for effective Cash Management	26
2.1.6.1 Cash Planning	26
2.1.6.2 Cash forecasting and budgeting	26
2.1.6.3 Managing the Cash Flows	28
2.1.6.4 Optimum Cash Level	28
2.1.6.5 Investing Surplus Cash	29
2.2 Review of Books	29
2.3 Review of Related study	36

CHAPTER III: RESEARCH METHODOLOGY **41-47**

3.1 Research Design	41
3.2 Nature and Source of Data	42
3.3 Method of Data Analysis	42
3.3.1 Financial Tools	42
3.3.1.1 Ratio Analysis	43
3.3.1.2 Managerial Tools	47
3.4 Covered Period	47

CHAPTER IV: PRESENTATION AND ANALYSIS OF DATA	48-81
4.1 Analysis Cash Balance	48
4.2 Shortage or Excess Position of Cash	49
4.2.1 Without considering previous year remaining cash balance	49
4.2.2 Considering previous year remaining cash balance	50
4.2.3 Analysis of Source of Cash	52
4.2.3.1 Internal Source of Cash	52
4.2.3.2 External Source of Cash	55
4.3 Analysis of uses of Cash	55
4.3.1 Analysis of loan sector	55
4.4 Analysis of Interest Receipt and Interest Payment	57
4.5 Analysis of Operating profit and loss	59
4.6 Analysis of Closing cash balance	61
4.7 Ratio Analysis:	62
4.7.1 Cash Position Analysis	63
4.7.1.1 Absolute Cash Ratio	63
4.7.1.2 Cash to total assets ratio	65
4.7.1.3 Cash and Bank balance to total deposit ratio	66
4.7.1.4 Cash and Bank balance to current assets ratio	68
4.7.2 Liquidity Analysis	69
4.7.3 Loan and Advance to total deposit ratio	72
4.8 Cash Flow Analysis	75
4.9 Policy Analysis	77
4.10 Major Findings	79
CHAPTER V: SUMMARY, CONCLUSION & RECOMMENDATIONS	82-89
5.1 Summary	82
5.2 Summary of Major Findings	82
5.3 Conclusions	85
5.4 Recommendations	87
Abbreviation	
Appendix	

List of Table

<u>Table No.</u>	<u>Details</u>	<u>Page No.</u>
4.1	Cash position	49
4.2	Surplus/Deficit of cash	50
4.3	Deposit	53
4.4	Loan	56
4.5	Interest receipt and payment	58
4.6	Operating profit/ loss	59
4.7	Closing Cash Balance	61
4.8	Absolute cash ratio	64
4.9	Cash to total asset ratio	65
4.10	Cash to total deposit	67
4.11	Cash to current assets	68
4.12	Liquidity ratio	71
4.13	Loan and advance to total deposit	72
4.14	Loan loss ratio	74
4.15	Cash flow analysis	75

List of Figure

<u>Figure No.</u>	<u>Details</u>	<u>Page No.</u>
4.1	Cash position	49
4.2/4.3	Surplus/Deficit of cash	51
4.4	Deposit	54
4.5	Loan	56
4.6	Interest receipt and payment	58
4.7	Operating profit/ loss	60
4.8	Closing Cash Balance	62
4.9	Absolute cash ratio	64
4.10	Cash to total asset ratio	66
4.11	Cash to total deposit	67
4.12	Cash to current assets	69
4.13	Liquidity ratio	71
4.14	Loan and advance to total deposit	73
4.15	Loan loss ratio	74
4.16/4.17	Cash flow analysis	76

BIBLIOGRAPHY

- Agrawal, Govinda Ram (2003), *Dynamics of Business Environment in Nepal*, M.K Publisher and Distributer, Kathmandu.
- Bajracharya, Subarna Lal (1990), *A Study of Cash Management in Nepal Public Enterprises*, Unpublished Ph.D Thesis, University of Delhi.
- Betty, J (1972), *Management Accountancy*, English Language Book Society and Macdonald and Evans Ltd., Plymouth
- Brigham, Eugene F., Gapenski, Louis C. and Ehrhardt, Michal C. (2001), *Financial Management*, Prentice Hall of India, Private Ltd., New Delhi.
- Hampton, John J. (1989), *Financial Decision Making*, Prentice Hall of India, Private Limited, New Delhi.
- Jain, S.P and Narang, K.L (1993), *Financial Management Accountancy*, Kalyani Publisher, Ludhiana, India.
- Khan, M.Y and Jain, P.K. (2003), *Financial Management*, Tata McGraw Hill Publishing Company Ltd., New Delhi.
- Dr. Maheshwari, S.N and Dr.Mittal S.N (2003), *Cost Accounting and Financial Management*, Shree Mahavir Book Depot, New Delhi.
- Pandey, I.M. (1997), *Financial Management*, Vikash Publishing House Pvt. Ltd., New Delhi.

Pradhan, Bijaya (1997), *A Case Study of Cash Management in STCL*, Unpublished MBA thesis submitted to T.U.

Pradhan, Radheshyam (2004), *Financial Management*, Buddha Academic Publishers and Distributer Pvt. Ltd., Kathmandu, Nepal

Pradhan, Surendra (1992), *Basic Financial Management*, Educational Enterprises Pvt. Ltd., Kathmandu

Sainju, Sabin Prakash (2003), *Cash Management in Public Manufacturing Enterprises: A cash study of Royal Drugs Limited*, Unpublished MBA Thesis submitted to Office of the Dean, Faculty of Management, T.U.

Shrestha, Manohar Krishna (1980), *Financial Management*, Curriculum development center, T.U.

Simon Harry and Kerrenbrock, Wilbert E. (1964), *Intermediate Accountancy*, South Western Publishing Company, India.

ABBREVIATION

RBB : Rastriya Banijya Bank
FY : Fiscal Year
i.e. : that is