

**A STUDY ON FINANCIAL ANALYSIS OF BUTWAL  
FINANCE LIMITED**

**A THESIS**

**Submitted by**

**Netra Lal Gahire**

**Campus Roll No: 1160/063**

**T.U. Reg. No: 7-2-271-314-2002**

**Second Year Exam Roll No. 392211/066**

**Shanker Dev Campus**

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

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

**Putalisadak, Kathmandu, Nepal**

**February, 2013**

**RECOMMENDATION**

This is to certify that the Thesis

Submitted by

**NETRA LAL GAHIRE**

**Entitled**

**A STUDY ON FINANCIAL ANALYSIS OF BUTWAL FINANCE LIMITED**

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

.....	.....	.....
(Asso. Prof. Dr. Shilu Manandhar Bajracharya)	(Prof. Dr. Kamal Deep Dhakal) Head of Research Department	(Asso. Prof. Prakash Singh Pradhan) Campus Chief

Date:

## **VIVA-VOCE SHEET**

We have conducted the viva-voce examination of the thesis

Submitted by

**NETRA LAL GAHIRE**

Entitled

**A STUDY ON FINANCIAL ANALYSIS OF BUTWAL FINANCE LIMITED**

and found the Report to be the original work of the student and written according to the prescribed format of Tribhuvan University. We recommend the Report to be accepted as partial fulfilment of the requirement for the Degree of Master's of Business Studies (MBS).

### **Viva-Voce Committee**

Head (Research Department) .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

Date:

## **DECLARATION**

I hereby declare that this thesis entitled **A STUDY ON FINANCIAL ANALYSIS OF BUTWAL FINANCE LIMITED** submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work as partial fulfilment of the requirements for the Degree of Master of Business Studies (MBS) under the supervision of Asso. Prof. Dr. Shilu Manandhar Bajracharya Shanker Dev Campus, Kathmandu.

.....

Researcher

**NETRA LAL GAHIRE**

Campus Roll. No. 1160/063

Shanker Dev Campus

## **ACKNOWLEDGEMENTS**

I am thank full to everybody, who in one way or the other, encouraged me and helped me in the process of preparing this thesis. My heartfelt thanks and gratitude go to those without whom the work would ever have reached its final stage.

Thesis supervisor **Associate professor Dr. Shilu Manandhar Bajracharya** for this necessary guidance, support and cooperation to complete this thesis. With great regard, I would like to thank **Professor Dr. Kamal Deep Dhakal** Head of Research Department, Shanker Dev Campus for the necessary suggestion to undertake this work.

My deep appreciation also goes to staffs of Shanker Dev Campus Library, and all the employees of BFL.

I would like to share my success with the family members as well for providing a good environment for the study and their valuable support without which no work can be concluded in success. I also like to loud the help and support from my friends. Their evaluation, critical analysis and their suggestions are incredible.

Finally, once again I would like to thank all the people who helped me in some way or other in presenting this thesis as a final product.

**NETRA LAL GAHIRE**

Researcher

Shanker Dev Campus

# TABLE OF CONTENTS

	<b>Page No.</b>	
Recommendation	I	
Viva-voce Sheet	II	
Declaration	III	
Acknowledgement	IV	
Table of Contents	V	
List of Table	VII	
List of Figure	VIII	
Abbreviation	IX	
<b>Chapter-I: INTRODUCTION</b>	<b>1-14</b>	
1.1 General Background of the Study	1	
1.1.1 General Background of Finance Company	3	
1.1.2 Brief Introduction of Butwal Finance Limited (BFL)	9	
1.1.3 Financial Services and products	10	
1.2 Statement of Problems	11	
1.3 Objectives of the study	12	1.4
Significance of the Study	11	1.5
Limitation of the study	13	
1.6 Organization of the Study	13	

**CHAPTER-II: REVIEW OF LITERATURE****15-35**

2.1	Conceptual Review	15
2.1.1	Historical Development of Financial System and Evaluation of Finance Companies in Nepal	15
2.1.2	Concept of Finance Companies	16
2.1.3	Financial Products and Services	18
2.1.4	Bank and Financial Institutions Acts 2063	19
2.1.5	Approaches to Supervision	22
2.1.6	Financial Performance Approaches	23
2.2	Review of Related Study	25
2.3	Review of Previous Theses	30
2.4	Research Gap	35

**CHAPTER-III: RESEARCH METHODOLOGY****36-43**

3.1	Research Design	36
3.2	Population and Sample	36
3.3	Nature and Source of Data	36
3.4	Data Collection Procedure	37
3.5	Data Processing	37
3.6	Data Analysis Tools	37
3.6.1	Financial Tools	37
3.6.1.1	Liquidity Ratios	37

3.6.1.2	Capital Structure Ratios	39
3.6.1.3	Activity Ratios	40
3.6.1.4	Profitability Ratios	41
3.6.2	Statistical Tools	42
3.6.2.1	Arithmetic Mean	43
3.6.2.2	Standard Deviation	43
3.6.2.3	Coefficient of Variance	43
<b>CHAPTER-IV: DATA PRESENTATION AND ANALYSIS</b>		<b>44-65</b>
4.1	Ratio Analysis	44
4.1.1	Liquidity Ratio	44
4.1.2	Activity Ratios	49
4.1.3	Capital Adequacy Ratio	52
4.1.4	Profitability Ratios	55
4.2	Income and Expenditure Analysis	59
4.2.1	Income Analysis	59
4.2.2	Expenditure Analysis	61
4.3	Major Findings of the Study	63
<b>CHAPTER-V: SUMMARY, CONCLUSION AND RECOMMENDATIONS</b>		<b>66-69</b>
5.1	Summary	66
5.2	Conclusion	67
5.3	Recommendations	68

**LIST OF TABLES**

	<b>Page No.</b>
Table: 4.1: Current Ratio of Butwal Finance Limited	45
Table: 4.2: Cash and Bank Balance to Total Deposit Ratio	46
Table: 4.3: NRB Balance to Current and Saving Deposit Ratio	46
Table: 4.4: Cash and Bank Balance to Current and Saving Deposits Ratio	47
Table: 4.5: Fixed Deposit to Total Deposit Ratio	48
Table: 4.6: Investment to Total Deposit Ratio	49
Table: 4.7: Loans and Advances to Total Deposits Ratios	50
Table: 4.8: Loan & Advances Total Assets Ratio	51
Table: 4.9: Total Income Generating Assets to Total Assets Ratio	51
Table: 4.10: Net Worth to Total Assets Ratio	53
Table: 4.11: Net Worth to Total Deposit Ratio	54
Table: 4.12: Return on Total Assets Ratio	55
Table: 4.13: Interest Earned to Total Assets Ratio	56
Table: 4.14: Total Interest Expenses to Total Interest Income Ratio	57
Table: 4.15: Return on Total Deposits Ratio	58
Table: 4.16: Income Analysis of Butwal Finance Ltd	59
Table: 4.17: Expenditure Analysis of Butwal Finance Ltd	62

## LIST OF FIGURES

		<b>Page No.</b>
Figure: 4.1	Liquidity Ratio of Butwal Finance Ltd	49
Figure: 4.2	Activity Ratio of BFL	52
Figure 4.3	Capital Adequacy Ratio	54
Figure 4.4	Profitability Ratio of Butwal Finance	58
Figure 4.5	Average Income Analysis of BFL	61
Figure 4.6	Average Expenditure Analysis of Butwal Finance	62



## ABBREVIATION

A/C	:	Account
AD	:	Anon Dominic
ADB	:	Agriculture Development Bank
Amt	:	Amount
ATM	:	Automated Teller Machine
BS	:	Bikram Sambat
C.V.	:	Coefficient of Variance
Deb.	:	Debenture
F/Y	:	Fiscal Year
HBL	:	Himalayan Bank Limited
i.e.	:	That is
Ltd	:	Limited
MBA	:	Masters in Business Administration
NABIL	:	Nepal Aurab Bank Limited
NBBL	:	Nepal Bangladesh Bank limited
NRB	:	Nepal Rasta Bank
SCBL	:	Standard charter Bank Limited
NIBL	:	Nepal Investment Bank Limited
NIDC	:	Nepal Industrial Development Corporation
NSBI	:	Nepal State Bank of India

Pvt	:	Private
r	:	Correlation
Rs	:	Rupees
SD	:	Standard Deviation
S.No	:	Serial number
UAE	:	United Arab Emirates
USA	:	United States of America
VDC	:	Village Development Commute
VOL	:	Volume
%	:	Percent
&	:	And