CHAPTER-I
INTRODUCTION

1.1 Background

Nepal is a land locked country situated between two giant neighbors, the People's Republic of China in the northern region and the Republic of India in the other region. Nepal is a transitional zone wedged between the Tibetan Highlands in the north and the plains in the south. Nepal is one of the poorest countries in the world having annual per capita income of USD 470 only (Source: ADB 2010). It has very limited market potentials considering the present facts such as poor government policies, ineffective programmes, and implementation of those programmes. Similarly various factors contributed to the economic underdevelopment of the country including terai, weak infrastructural facilities, and lack of resource endowment, landlocked position, lack of development institutions for modernization, and a lack of policies conducive to development. In such a scenario, the manufacturing industry in Nepal is still in primitive stage.

Despite the fact that industrialization is the back bone of economic development of the country, Nepal is still not well equipped, or say, not having proper infrastructural facilities. In this 21st century, the large portion of Gross domestic product is based on agriculture. It absorbed about 81.03% **(Statistical Year Book of Nepal, 1995:16)** of total active population.

Economic growth has not kept pace with the population growth. Real economic growth averaged 4 percent annually in the 1980s. Number of natural and other resources, constraints like complicated geography of the country, lack of efficient manpower, lack of technical know-how, poverty etc has the cumulative negative effect in the economic growth. Until 1951 AD, Nepal had very little contact with countries other than India, Tibet, and Britain. Movement of goods or people from one part of the country to another usually required passage through India, making Nepal dependent on trade with or via

India. The situation of great disparity in income and wealth distribution in the country was resulted then.

Manufacturing Industries in Nepal

Any industry that makes finished products from raw materials or semi-processed materials by the use of manual labor &/or machines, &/or other related resources systematically is a manufacturing industry. Being a more precise, manufacturing is the fabrication or assembly of components into finished products on a fairly large scale. Among the manufacturing industries that have huge market throughout are those that produce aircraft, automobiles, clothing etc. **(Britannica Encyclopedia)**

The role of manufacturing industries and trading companies is marginal for the economic growth of the nation. The developing countries will remain associated with various form of backwardness unless they tackle the problem of economic backwardness and economic development through industrialization. **(Alexander, 1976:62)**

It is an important factor for achieving the basic objectives of a country's economic and social progress. Industrialization not only provides goods and services but also creates employment opportunities. It facilitates an effective mobilization of capital, skills and other resources, which might otherwise remain unutilized. It also acts as a vehicle for fostering innovation and improvement. Industrial development thus has a multiple effect on economy. **(Pant, 2003:234)**

Industrialization plays a crucial role in process of economic development and as a means of achieving economic growth and prosperity. Hence Industrialization is universally accepted as a strategy of economic development as well as fundamental goals. **(Pradhan, 1994:22)**

In Nepalese context, business firms/houses established under Company Act

2063 (Previous Act was launched in 2053) have been recognized as company. Thus, company refers to all those establishments incorporated under Company Act, 2063. A company needs to be registered in office of company registrar. A company having maximum number of 50 shareholders is known as private Ltd. Companies and, the company having at least seven shareholders with no bar of maximum number of shareholders is a public limited company. Those public companies which have listed its share in the stock exchange, licensed under Securities Act, 2063 are known as listed public companies. Only public companies can enjoy the share transaction in the secondary market. **(Sharma, 2002:16)**

The history of industrial growth in Nepal can be divided in three distinct eras.

- Era of Crafts and cottage industries (till 1935)
- Era of Haphazard industrial growth (1936-1955)
- Era of Planned industrial growth (1956 to present)

The first manufacturing industry in Nepalese history "Biratnagar Jute Mill" was established in 1936 A.D and Nepal Bank was in 1937 AD. During Rana Regime, there were very few manufacturing industries other than small and cottage industries, and they were mostly public sector enterprises (Commonly termed as PSEs) which were under strict government supervision, mostly invested by government itself. On the period of Second World War, the shareholders of those corporate industries could earn a wind fall profit within a very short period because of extreme shortage of essential customers' goods in the global market. This made the attraction for establishment of new various industries. 63 manufacturing industries were opened during the period of 10 years. At this period, manufacturing industry such as Raghupati Jute Mill etc come into operation and other industries such as Morang Jute Mills (1941), The Morang Sugar Mills (1946), and Juddha Match Factory (1946) were set up in Biratnagar. At that time, government participation in the economy was very strong. Consequently, many industries were established before the first plan. However, the physical infrastructure was the major set back to the progress of industrialization. Prior to 1951 AD, there were few all-weather roads, and the transportation of goods was difficult. Goods were able to reach Katmandu by trucks and ropeways, but for other parts of the country such facilities remained almost non-existent. This weak infrastructural situation made it hard to expand markets and pursue economic growth of those companies. Since then Nepal has tried to expand its contacts with other countries and to improve its infrastructure. Industries were dependent on various inputs imported from other countries, mainly India. **(World Bank, *Trends in Developing Economies, 1990*)**

After the Second World War, the Biratnagar Jute Mills and Juddha Match factory in Biratnagar continnued successfully. Most of other modern industries either closed down or decline. **(Agrawal, 2003:120)**

In the beginning of 1956 AD, Nepal entered the era of planned development. Since then, the country has accumulated a rich experience of formulating and implementing nine developments plans extending over a period of 43 years. In 1950-51, economic planning as an approach to development was discussed. Finally, in 1956 AD the First Five-Year Plan (1956-61) was announced. It had allocated about Rs. 576 mio for development expenditures. The plan, which also focused on collecting statistics, was not well conceived, however, and resulted in actual expenditures of about Rs. 382.9 million i.e. two-third of the budgeted amount. In most cases, targets were missed by a wide margin. . This plan did not specify targets and project for the growth of industries. It emphasized only on building of industrial base through survey, data collection and research works, promotion of technical training, revival and expansion of selected cottage industries, foreign technical and mobilization. There were no managed techniques as well as absence of political and administrative facilities.

After the thrown of Rana Regime efforts are being made to accelerate the pace of economic development. Public companies also had varied success. Between 1936 and 1939, twenty public companies were formed, of which three failed. Between 1945 and 1951, thirty-five public firms were incorporated, six of which went out of business. The success of public companies continued to be erratic. **(The Library of Congress Country Studies; CIA World Fact book).** Relatively small by international standards, most of the industries established in the 1950s and 1960s were developed with government protection. Traditional cottage industries, including basket-weaving as well as cotton fabric and edible oil production, comprised approximately 60 percent of industrial output. **(World Bank, *Trends in Developing Economies, 1990*).**

On the other hand, two other specialized financial institutions, Nepal Industrial Development Corporation, a state-owned development finance organization having headquarter based in Katmandu, was established in 1959 with United States assistance to offer financial and technical assistance to private industry. During the 3 year of second plan (1963-1965) country laid emphasize on competition of ongoing industrial projects in the public sector, improvement in the conditions of industries operating in the private sector, setting up of import substituting and export promoting industries especially cigarette and sugar. Thus, it was a preparatory stage to open the door of industrial development. The Second Plan had expenditures of almost Rs 615 mio. Manufacturing, tourism, and social service related industries were the second priority. Although targets again were missed, there were improvements in industrial production, road construction etc. However, only the organizational improvement area of the target was met.

In the course of time, government has made a deliberate policy to encourage industrial development through open and liberal economic system. And in our third plan (1965-1970) government had emphasized development of industries in both public and private sectors. Tax and other incentives for the private sector were given continuity. Priority was given to the establishment of the various industries like import substituting export promoting basic industries and subsidiary industries increased the involvement of local Panchayat. It also focused on transport, communication, industrial and agricultural development. Total planned expenditures were more than Rs 1.6 bio.

Coming into the forth Plan (1970-1975), the establishment of industries mainly in the private sector were emphasized, especially those based on agriculture, forest and mineral resources import substituting such as textiles basic industries such as fertilizer, cement, agricultural tools, increased proposed expenditures to more than Rs. 3.3 bio. Transportation and communications again were the top priority, receiving 41.2 % of expenditures, followed by agriculture, which was allocated 26 % of the budget. Although the third and fourth plans increased the involvement of the Panchayat in the development process, some efforts contributed by the government as fifth plan for industrial progress. This plan lasted for five year 1975 to 1980 emphasized people oriented production and maximum utilization of manpower. It adopted a regional approach to the development of industries. The objectives of industrial development were increment in the industrial production and employment opportunity, mobilize local capital, skills and resources & achieve self-sufficiency in essential consumer goods and construction materials. It proposed an outlay of more than Rs 22 bio. The budget share allocated to transportation and communication was less than that allocated in the previous plan. It was felt that the transportation network had reached a point where it was more beneficial to increase spending on industry.

In the budget period of sixth-plan (1980-1985), priority was given to productive investment at the first time. It aimed at accelerating the vehicle of solid industrial progress by fixing priority for industrial development was fixed as cottage and small industries, export oriented, construction materials oriented industries, daily necessities goods oriented industries as well as it was focused to correct the disequilibria of the country. Industry accounted for less than 20 % of total GDP in the 1980s. Yet (in spite of government effort in sixth plan), the effects of being landlocked and of having to transit goods through India continued to be reflected in the early 1990s. As a result, in

March 1989 AD, of trade disputes with India, it adversely affected economic progress, and economic growth declined to only 1.5 % that year as the availability of imported raw materials for export industries was disrupted causing lower capacity utilization in some industries. During the same period, Nepal also lost India as its traditional market for certain goods. Because of the lack of industrial materials, such as coal, furnace oil, machinery, and spare parts, there was a considerable adverse impact on industrial production.

During seventh plan (1985- 1990), the objective of industrial development were to increase contribution of industrial sector to GDP, expand and develop industrial sector to meet people's basic needs, emphasizes cottage industries to increase productive employment, promote exports and substitute imports. It had proposed expenditures of Rs 29 bio. It encouraged private sector participation in the economy (less than Rs 22 bio) and local government participation (Rs 2 billion). The plan targeted increasing productivity of all sectors, expanding opportunity for productive employment, and fulfilling the minimum basic needs of the people. For the first time since the plans were devised, specific goals were set for meeting basic needs. The availability of food, clothing, fuel wood, drinking water, primary health care, sanitation, primary and skill based education, and minimum rural transport facilities were emphasized.

The aim of The Eighth Plan (1992-1997) was to generate extra income and employment by enhancing interrelations between production oriented industrial sector and other economic activities, promote medium and large industries to substitute imports and fulfill internal demand by improving cottage and small industries using locally available resources and to promote export. The government continued to carry most of the responsibilities in order to create enabling conditions for encouraging competitions in the market among the industries. For the industrial development the government encourages local industries by simplifications of procedures and has made the industrial policy more liberal and effective. The government has also encouraged foreign investment as joint ventures and collaboration by providing various facilities, which are clearly defined in the industrial policy 1992. At the same time, the objective of the Ninth plan (1997-2002), was to increase contribution of industrial production in domestic production and diversify markets with the co-operation of the private sector. During this five-year period, other major aim of the government was to bring a significant increment on export oriented, import substituting commodities and production of processed commodities increased as well as introduce non-agricultural rural employment through cottage and small industries.

In order to contribute to the industrial development, the Government of Nepal (previously HMG of Nepal) has taken the privatization policy. Developing countries like India, Bangladesh, Pakistan and other countries have also adopted this policy. Nepal is the first country to implement the Privatization Act among the SAARC countries. And the privatization committee is going to formulate under the presidency of the finance minister to make the privatization work properly. The last radical political changes has too emerged new hope for the rapid industrial development in the country after the internal conflict of the country that lasted more than one decade.

In recent year, the use of machinery and equipments has gone up because of the introduction of various types of electronic industries. Similarly the number of handicraft and ornament making industries is increasing enormously. The liberal and outward looking policies of the government, rising demand for luxurious and consumer goods, increasing number of urban people and show off trends, growing number of bank and financial institutions has made a better environment for those industries. But one thing is considerable that situation of these banks and financial institutions are far better than those industries in average.

The census of 1986-96 categorizes industrial units into five classes. They are classified as micro, small, medium, large and conglomerate. (Pant, 2002:L175-177).

- Till our study period, there were altogether 134 companies listed in Nepal Stock Exchange (i.e NEPSE). These companies have been categorized in following class:

- Commercial banks
- Manufacturing & Processing
- Hotels
- Trading
- Insurance
- Finance Companies
- Development Banks
- Other (Airline, Hydro power etc.)

1.2 Focus of the Study

Industrialization helps to create a country's economic infrastructure and gives a path for diversification into a new area of activity. One of the merits of the industrialization is that it makes it possible for countries to satisfy their own requirement to a greater degree. It is the major instrument of modernization and social changes in developing countries. Among other industries, manufacturing industry, with the maximum utilization of human capital and other natural resources of the country could benefit the society as a whole significantly. Increasing the job opportunities, it will increase the income of the people. It also facilities the agricultural development by reducing the pressure on land, and creating demand for agricultural raw materials. The reason for emphasizing industrialization is that industrial development would absorb rural under employed persons to these fields of production where higher productivity is possible without reducing total agricultural outputs.

Investors invest their money with the hope of getting good return from the invested funds but there is risk in corporate security market because of little knowledge in the industry. The public can have their shareholding in the companies that are listed in the stock exchange and earn the revenue in the form of dividend. However, the manufacturing companies that are listed in the NEPSE have various problems. In Nepal, even though the number of manufacturing industries is high but, the contribution of this sector to the GDP is quite lower than that contributed by agricultural sector. So, our study is focused in the following two aspects i.e. to identify what went go wrong? And what can be done?

- Identify problems of listed manufacturing industries
- Identify prospects of listed manufacturing

1.3 Statement of the Problem

In the context of Nepal, Agricultural domination in the economy is prevalence. Manufacturing companies being one of the better alternatives for the development of the economy and reducing educated unemployment, even then they were not getting better off.

Among various manufacturing industries, as stated in the section 3 of Industrial Enterprise Act, there are only few industries to get its name listed in the NEPSE, a licensed stock exchange from Securities Board of Nepal (SEBON). Even among the listed manufacturing companies, the securities transactions are very low, the reason being non-other than the unsuccessful trend of the industry as a whole. Due to which, the public does not have proper faith in the industry to invest.

While going through the scenario of the manufacturing companies as a whole (including listed manufacturing companies), the underlying problems of the companies can be enumerated as below:

- Low Capacity Utilization
- Labour Grievances and Settlement

- Technology Obsolesces
- International Competition
- Government policies
- Negative Financial Ratios
- Lower Securities transaction in the securities market
- Declaration of Sick Industries
- Discontinued Businesses or liquidations

The study basically focuses on the reasons and remedies of the above mentioned problems including identification of the other related problems, their ranks, and prospective market share. Even then the government has encouraged foreign investment and technology transfer with the promulgation of the Act called FITTA (Foreign Investment and Technology Transfer Act), the industry has not been well off.

1.4 Objectives of Study

Objectives of the study are to identify the problems and prospects of the manufacturing industries. To be very specific, the major objectives of this study may be enumerated as below:

- To study and analyze the problems and performance of Nepalese Manufacturing Companies (NMCs) in terms of financial stability.
- To study the prospects of NMCs.
- To study and analyze the problems regarding Competition, Government Law and Act , Distribution Channel, security & current Political Situation, Human Resources, Management of Nepalese Manufacturing Companies (NMCs).

1.5 Significance of the Study

Nepal is an under developed country with many established & closed and a few running manufacturing industries, needs to seek for long term earning profits for the economic development of the country. The company's strategy, policy and management should be transparent to the public. It will be helpful if we do research or make a sample study with the selection of different types of industries that has been running for the last 5 years.

The study of a five-year data of the manufacturing industries shows the development trend of Nepal in that sector in some cases and in the other cases, trend seems just reverse. There are 29 manufacturing industries listed in Nepal stock exchange limited up to fiscal year 2009/2010. This thesis goes through with selected five manufacturing industries dealing with different types of business on the basis of nature of the business of the organization. This study holds about 17.85% for manufacturing industries of Nepal. Thus, it will provide valuable inputs for the overall picture and status of listed manufacturing industries of Nepal

1.6 Limitation of the Study

As mentioned in the previous Para, the study is mainly focused in the problems and prospects of listed manufacturing companies. However, the study includes the following constraints prevailing in the Nepalese context.

- Availability and adequacy of the relevant information may not be exhaustive.
- Only major problems regarding Competition, Government Law and Act , Distribution Channel, security & current Political Situation, Human Resources, Management among various problems are dealt with.
- Study only confined to 5 listed manufacturing companies.
- The study covers only a period of 5 years from fiscal year 2005/06 A.D to 2009/10 AD.
- The opinion survey 2068 is done informally.
- Answers to questionnaire may not include the proper analysis of the respondent because respondent take it a mere obligation. This is one of the major problems of this study.

Information given in annual reports and website (www.nepalstock.com) of some of the industries for same date was different. Financial ratios of respective industries are collected even from the website up to a certain extent. And moreover some are computed extracting from annual reports of the respective industries.

1.7 Organization of the Study

The present study has been divided into 5 chapters enumerated in a chronological order as below:

- Introduction
- Review of literature
- Research Methodology
- Data presentation and analysis.
- Summary conclusions and recommendations
- The **first chapter** deals with various aspects of the present study. Basically it is the framework of the study as it includes background, focus of the study, statement of the problem, Research questions justifications of the study & selections of the industries, objectives of the study, limitation of the study and organization of the study.
- The **second chapter** deals with the review of relevant literature which is further divided into various segments.
- The **third chapter** deals with research methodology, which includes introductions period, covered research design nature ands sources of data processing procedures and tools used for analysis (financial tools and statistical tools)
- The **fourth chapter** deals with the data presentation and analysis on the basis of the document received from the related industries. The study analysis using statistical as well as financial tools is in order to fulfill the objective and problems of the study.
- The **fifth chapter** is the main aspect of the study which deals with analysis of primary data
- The **last or the Sixth chapter** presents the major summary on the findings, issue and conclusions followed by the recommendations.

CHAPTER –II
REVIEW OF LITERATURE

The first chapter provided the introduction, statement of problem, objectives & limitation of the study. This chapter provides the bases & inputs for the study.

2.1 Theoretical Framework

The theoretical framework is the foundation of which the entire thesis is based. It is a logically developed, described and elaborated network of associations among variables that have been identified through different processes as interviews, observation and literature survey etc. The variables seem to be relevant to other problem situation.

2.1.1 Conceptual Review

The rate of economic development of any nation is related to the expansion of industrial activities. Industry not only provides employment, but also increases productively and national income by utilizing of available resources. Additional markets for agricultural products are also created. The development of manufacturing industry and the expansion of agricultural industry are complement to one another.

Industrialization is an integral part of the national plan to accelerate the rate of economic development in Nepal. Therefore, it is imperative to create a situation in which industrial investment is encouraged and in which the private sector can be persuaded to play an important role. In this context, it is required for attractive and uncomplicated incentive features and tax/duty exemptions and concessions that may make the investment climate congenial. To this, a new industrial policy has been formulated and put into effect. **(Industrial Policy of GON, 1981)**

Industrialization is a process of economic development in which growing part of the national resources is mobilized to develop technically up-to-date and diversified domestic economic structure characterized by a dynamic manufacturing consumer goods, capable of assuring a high rate of economic growth as a whole and achieving economic and social progress.

Among others, manufacturing industry that accounts for about one-forth of the world's economic activity, is the application of tools and a processing medium to the transformation of raw materials into finished goods ready for sale. Manufacturing is a wealth-producing sector of an economy, whereas a service sector tends to be wealth consuming.

Precisely, manufacturing industry is nothing but one of the industrial sector that utilizes the man, machine, money and materials in a systematic way so as to develop into a final product(s) that may be final consumables or again usable as consumables for the production of other products. Such industry is of various categories and scales from small and cottage industries to the large scale industries depending upon the size of investment of the investor.

Study is an ongoing process. Certain factor can limit its perimeter for the time being. Otherwise, every moment it can spread endlessly. This study also embraces various efforts of student's journalist researcher scholar (national and expatriate) that has provided smooth clear directing for the future study.

Studies in this certain subject matter relating to the securities listing, financial health of the manufacturing industries and its effect in the securities market may have greater impact in identifying that the problems and giving a key to tackle it. Some of the factors or tools that indicate the performance of the organization may be depicted as below:

- **Market Capitalization and Paid up value**

  Market Capitalization indicates the total market value of all the shares subscribed by the shareholders of the company whereas paid up value is the amount of share value actually called up for payment. The market value per share is if above the paid up value of the share, then it indicates the well off position of the company.

  Total market capitalization = No. of shares subscribed x Market value per share

- **Annual Turnover**

  The amount of annual turnover is another tool to measure the performance of the company. The increase in annual turnover of the company is positive sign over the securities market.

- **NEPSE Index**

  It stands for Nepal Stock Exchange and the index shows the movement of the overall share price. The index is calculated on the basis of total paid of value of the shares listed in the NEPSE as divided by the average of face, paid up or market value per share (as the case may be). The change in the index shows the overall industry movement in the context of its performance.

- **Financial Market**

  The financial market basically comprises money market and the capital market. The transaction in short term debts, marketable securities take place in the money market and long term securities are traded in capital market. All securities, whether in the money or capital markets, are initially issued in the primary market. Once the securities begin to trade among individual, business, governmental, or corporate investors, they become the part of secondary market. The primary market is the one where new securities are offered and sold i.e. initial public offering (IPO) is made.

- **Earning per share (EPS)**

  It is the earning of the company divided into the unit of share. Better the growth, better the EPS. If the company has its better earning, it indicates the capacity of the company to provide better dividend, diversify or enlarge the company capacity.

- **Dividend Per Share (DPS)**

  Dividend per share is the amount or percentage of earning provided to the holder of the share of the company. The company paying stable amount of dividend is deemed to be better company than the company having fixed dividend payout ratio. Thus, if the company is supposed to distribute dividend on a stable basis, the market price of the share is also in increasing trend.

2.1.2 Review of related books/journals

While going through the study of **Ms. Kalpana Regmi (1994)** on the topics of "Profitability in Manufacturing Public Enterprises of Nepal", she found that the financial performance of manufacturing public enterprises in Nepal is quite dismal. The enterprises have not been to achieve their basic objective of augmenting internal resources required for speeding up the rate of economic, raises the question of their basic survival. These enterprises have already become a burden on the government. Thus, it is worthwhile to investigate the possible causes of poor profitability, which should help in devising suitable remedial action. Otherwise the relationship between public enterprises and economic development in the context of the objective of creating public enterprises will turn out to be of no help. The government may also hand-over these enterprises to the private sector under its privatization policy. In fact, a couple of them have already been disposed off to their private sector

One of the study of **Mr. Bhoj Raj Aryal (2004)** on the topics on "Entrepreneurship Development Programs in Nepal: An Overview", he found that small scale industries serve nations by utilizing indigenous resources, creating higher employment opportunities, using local technical known-how, mobilizing domestic capital. Such activities increase net national product. Nepal is facing the problem of unemployment. Her plan to siphon off surplus agricultural population or industrial activities has not materialized despite forty years of planned way of life. To reduce the dependency of population on land, there is a need to promote small-scale industries.

Similarly, one of the study of **Mr. Ramesh N. Dhungel (1969)** on the topics "Some Practical aspects of Industrial Establishment in Nepal", he found that unless all the factors responsible for the industrial set-up (i.e. infrastructural development) are fully available, industrial development couldn't be expected. Efforts are being made and urgency has been felt for more development. As any other developing countries of the world, Nepal is also trying to forge ahead with several development plans. Whatever activities done so far have been significant and at the same time many more are yet to be done. It is known fact that the present day investors do not have to bring anything more than their technical know-how and managerial efficiency for establishing an industry. Capital is sufficiently available through various sources, labor and raw materials are locally available and other basic facilities either are already in existence or will be filled in due course when needed. It is some times heard that the country is far away for investment. But this does not look reasonable when even moon is not considered to be too far. If investors can invest in India and Pakistan, there is no difficult to do the same in Nepal.

A Study of World Bank Report

Biggs, Nasir, Pandey and Zhao conducted a research study on "The business environment and manufacturing performance in Nepal". The following points were reported in their research study.

a) Low manufacturing productivity as compared to international standards.
b) Large variance in productivity between firms within the country.
c) Liberalization has had positive impact on employment growth in export-oriented sectors.

d) Firms located in Kathmandu are generally growing faster than firms from other regions of the country.
e) Younger firms were growing faster than older firms.
f) There is limited mobility of smaller size firms into the larger size firms.
g) Main factors driving the growth of firms are experts, worker training and foreign ownership.
h) Average efficiency is the highest in the pharmaceuticals followed by carpets and garments. Metals and textiles except garments have the lowest efficiently.
i) There is positive relationship with firm size and productivity. Larger firm with more than 500 employees have 25 percent greater efficiency than small firms with below 50 employees.
j) Important determinants of productivity are capacity utilization, economic of scale, infrastructure and "learning mechanism" (worker training, foreign investment and technology and transfer, technical assistance, exporting etc.)
k) Entrepreneur characteristics such as education, experience, owning multiple businesses are found not significant in determining productivity.

2.1.3 Review of Dissertations

Many students, while carrying out their education in master level in management faculty, made different study and research during preparation of thesis about problem and prospects or a specific factor that affects profitability/(loss) situation of Nepalese manufacturing industries. Their studies have been limited to a single manufacturing company or a few companies. This section hence has reviewed some of those theses.

- According to the thesis of **Mr. Shiv Hari Mainali (2004)** on Problems and Prospects of Manufacturing Industries of Nepal, Major causes for low trading of securities of Manufacturing Industry in comparison to other sector in NepSE are as extracted below:

a) Low financial performance of listed M.C.

b) Unclear government policy & regulation
c) Long gestation period
d) Low dividend
e) Low protection by government
f) Insufficient purchasing power of investor
g) Untrained security business person and lack of training to public so more attraction of general public to IT, banks and financial institutions.
h) More than 50% industries have labor related problem.
i) 76.67% industries are facing government related problem.
j) Such as income tax, custom and import duty widely prevails.
k) Lack of clarity and predictability of government policy has adversely affected planning & implementation of different program.
l) 71.11% finance related problems, high interest rate on loan and collateral requirement is found at the same time, high inflation rate, and initial stage of securities market.

On the other hand, his study has further revealed following Prospects of the Nepalese Manufacturing Industries:

a) Sugar factories have large scope of market demand for their products. Farmers are to be motivated to cultivate better quality of sugar cane providing enough fertilizers as per requirement.
b) Manufacturing companies can provide basic needs to people. They can offer sufficient employment to people and ultimately revenue to government in the form of tax &/or duties.
c) Shoe factory have large market demand but problems are on marketing side. Raw materials are not problems for the shoe factories because adequate amount of animal skin is available in Nepal. Better quality of leather products should be produces.
d) Bricks and tile industries have adequate scope to stand as the backbone of construction, housing and development of the country. They can provide fairly a large return to investors.

e) Match factories have large demand for their products but they are operating on losses due to overstaffing. Raw material is not their problem.

- According to the thesis of **Mr. Pradeep Wagle (2006)** on Cash Management System in Listed Manufacturing Companies, one of the major reasons of generating loss in manufacturing companies is poor cash management system where it is traditional and no any plan and policy has been made for efficiency of cash management. At the same time, there is another problem of over investment in inventory both of the reasons ultimately results in poor liquidity position

- **Mr. Shiv Ram Prasad Koirala (2003)** has studied in 1989 about "Managerial Problems in Corporate Planning in Public Sector Manufacturing Enterprises of Nepal". From his study he found out there is no adequate understanding and realization of objectives even among the managers & objectives of the enterprises (PMES) are found adequate but lack clarity. He has also found that the public Manufacturing Enterprises do plan without or little analysis of internal factors and with moderate analysis of some of the external factors. Under this study, he has recommended that the goals and objectives of PMES should be clearly and adequately spelled out & top management must identify and specify the aims and objectives for the entire enterprise. He has further recommended that the most suitable tools and technique selected to prepare forecast of future performance over the planning time horizon & the planning function should be entrusted only to the competent and skilled manpower. He has suggested that the duties and responsibilities of the employees should be clearly and adequately defined.

- According to dissertation of **Mr. Binaya Raj Pandey (1998)** on the topic of Problems of Jute Industry in Nepal. Below is the findings:

  Lack of sufficient working capital has a direct impact on their production efficiency making mills unable to pay cash for the raw jute and store it a greater quantity at the harvesting season ultimately mill is compelled to pay significant (higher) price for the raw material.

Unmanaged Price Subsidy provided to the workers. This practice is not followed in Indian jute mills.

At the same time, company is struggling to receive and retains skilled human resource. Being not so much technically perfect and sound, it has directly affected production process of jute mill. So, provision should be made for training the employees and also efforts should be made to get technical assistance from foreign countries in the field of management and organization.

Overseas export trade is channeled through Kolkata port in India. As a result of inadequate transportation facilities, goods are frequently pilled up at the factory go-down. Unless some adequate measures are taken, it would be very difficult to ensure the movements of the goods to adhere to the correct delivery dates and avoid accumulation of finished goods at the factory.

Fluctuation in the prices of raw jute and existence of the middle men are problems. The government should try to solve by regulating the prices of raw jute and abolish the middle man in a diplomatic way by creating a direct link between the jute grower and the producer and the speculation should also be checked and discouraged as far as possible.

2.1.4 Review of some relevant Acts, Regulations and Directives

- **Industrial Enterprise Act, 2049**

  The section 3 of the Act defines the manufacturing industries. The Act has established various facilities and concession to the manufacturing industry depending upon to nature of its business. Some of the facilities and concessions are as below:

a) Manufacturing industry (except cigarette, bidi, beer, banaspathi ghee, plastic, and electronics) will get income tax, holidays for five years of its date of manufacturing started.

b) Skill development expenditure can be capitalized.
c) Donation given to school, universities, hospital and social workers can be deducted by five percent of net income for the commutation of net income.
d) Industries based on forest will be availed forest on lease as per requirement.
e) Sick industries are availing duty free facilities (only 1% will be levied with effect from the imposition of Finance Act, 2063) for import of machinery for extension and diversification work.

There are other facilities and concessions are also mentioned. However, they are not applicable since the promulgation of Income Tax Act, 2058.

- **Income Tax Act, 2058**

Under section 11 of the Act, various concessions and exemptions are provided to the manufacturing industry. Some are as depicted below:

a) Special Industry are availing tax rate only at 70%, 80% and 90% of the prevailing tax rate, if established in certain prescribed zone.
b) Donation up to Rs. 100,000 can be claimed as allowable expenses.

- **Securities Act, 2063 and Directives issued by SEBON**

Under the provisions of securities act, the share of the company registered as public company can be listed in the stock exchange, the secondary market of the security transaction. The transaction is done through the securities business person. The market value for share capitalization can only be done after its share listed in the stock exchange. In Nepal, there is only one stock exchange called Nepal Stock Exchange Ltd. (NEPSE). NEPSE has its own bye laws for operation of the securities transaction without contradicting with Securities Act, 2063. Similarly, the directives issued by the Securities Exchange Board of Nepal (SEBON) also should not contradict the Securities Act, 2063.

- **Company Act, 2063**

With the promulgation of Company Act, 2063, the company can be registered as public company with at least 7 shareholders in hand. The manufacturing company registered with public company can have its share floated in the market in the form of IPO. Since then, it can float its share in the secondary market. The Act has established some of the responsibility towards the shareholders as to its transparency, statutory audits, compulsory reporting, general meeting etc.

CHAPTER-III
RESEARCH METHODOLOGY

3.1 Introduction

This Chapter deals with a continuous step of research design, population and sample, sampling procedure, sources of data, data collection technique, research variables, and data processing procedure and analysis tools.

3.2 Research Design

This research attempts to analyze the primary information (i.e. opinions of the respondents) and the secondary data. Hence, descriptive and analytical both research designs have been used. This study is designed to examine the ranks of major problems of listed manufacturing companies and to suggest their prospects.

3.3 Population & Sample

All the listed manufacturing companies, limited corporate houses and related party including employees of such organization etc are considered as total Population. Since it is study of listed manufacturing companies, following four listed manufacturing companies have been selected as a sample for this study, out of the total population.

a) Arun Vanaspati Udyog Ltd.
b) Bottlers Nepal Ltd.
c) Nepal Lube Oil Ltd.
d) Nepal Banaspati Ghee Udyog Ltd.

Brief introduction about the selected manufacturing industries are as follows:

a) Arun Vanaspati Ghee Udyog limited (AVU)

AVU was established under the Company Act 1964 (i.e. the company act then prevailed, now replaced by the Company Act, 2063) in 1988 AD with an objective of productions ghee, oil and other by-products and market them all over the country. The company has established in Kathmandu. The authorized capital of the company is Rs. 310 million and issued capital is of Rs.110 million.

b) Bottlers Nepal limited (BNL)

BNL was established in 1973 as a private limited company under the Company Act 1964. It was converted into a public limited company in 1984 AD. The main objectives of the company are to produce and bottle soft drinks under the brand name of coca cola, fanta, sprite etc. The company has established a subsidiary company bottlers Nepal (Terai) Ltd. in Chitwan district. F and N Coca Cola Pvt. Ltd., Singapore, the major shareholder of the company, has been managing the company since September 1993 AD.

c) Nepal lube oil limited (NLOL)

NLOL was established in 1984 AD under the Company Act 1964. The company has established at Tripureshwor, Kathmandu. The authorized capital of the company is Rs. 50 million and issued is Rs.30 million.

d) Nepal Banaspati Ghee Udyog (NBGU)

Nepal Banaspati Ghee Udyog was established under the Company Act, 1964 in 1976 A.D. with an objective of producing ghee, oil and other by products to satisfy the need of whole country. The company has established in Kathmandu. The main promoter of the company is Salt Trading Corporation Limited, which has largest trading network and well trading throughout the country. The study includes the NBG because it is already closed down i.e. its operation suspended for transacting. In Nepal, except excluding some of the companies, the trend of various manufacturing companies are like NBG, i.e. being discontinued. So, we append our objective of study, as it will be for the identification of the reason behind unsuccessful companies.

3.4 Data Period Covered

Data of five years have been taken for this study starting from 2006 AD through 2010 AD. Till our study period, there were altogether 164 companies listed in NEPSE. Out of which, listed manufacturing companies were counted 29.

3.5 Nature & Sources of Data

In this study, following two types of data has been used:

3.5.1 Primary Data

For this purpose, questionnaire prepared that has tried to reveal maximum information of the Nepalese manufacturing companies. Thus important information collected through unstructured interviews & discussion with the related employees, consultants of those companies, SEBO/N, NEPSE etc., and they were grouped under two set of questionnaires as below:

a) Analysis of Response from Individuals:

Out of 30 Questionnaire dispatched to the individual person only 25 were collected in fully answered form. The individuals were Figureered accountants, engineers, professors, business men.

b) Analysis of Response from Representative of Manufacturing Industry:

Out of 20 questionnaires dispatched to manufacturing organization only 18 were collected with full response from the representative of the concerned organizations such as BSML etc.

3.5.2 Secondary data

Components of financial statements such as Balance Sheet, Income Statement, and Cash Flow Statement, Changes in Equity Statement and Accounting policies & notes to account of the sampled listed manufacturing companies are collected from Securities Exchange Board of Nepal and from the related websites (www.nepalstock.com).

3.6 Data Collection Technique

In order to collect primary information, schedule of questionnaire has been developed. The schedule of questionnaire was then distributed to Director, G.M, Manager, Finance Controller, company secretaries and some other relevant persons.

For secondary data, audited balance sheet and profit and loss accounts were collected. These data are regrouped or re-arranged wherever necessary and similarly edited, coded, tabulated to achieve the objective of the study.

3.7 Financial and Statistical Tools Used

Different types of financial tools are used to analyze the effectiveness of data. The major method of data analysis is Ratio Analysis. The balance sheet and Income Statement of the five companies is measured from different point of view using the major tool ratio analysis. Besides this, the statistical tools have also been used.

- Financial Tools
- Statistical Tools

3.7.1 Financial Tools

Ratio is one value divided by another. The result is representative of the value of one quantity in terms of the other.

a. Current Ratio (CR)

Recommended current ratio is 2: 1. Any ratio below than 2:1 indicates that the entity may face liquidity problem but also Ratio over 2: 1 as above indicates over trading, that is the entity is under utilizing its current assets.

$$CR \text{ X} \frac{CurrentAssets}{CurrentLiabilities}$$

Current Assets = all assets due or recoverable within 1 year

Current Liabilities = all debt due within one year of statement data

b. Quick Ratio (QR)

Quick assets are non-other than the current assets which can be convertible into cash or cash equivalent within the period of 3 months. This compares those quick or liquid assets with current liabilities that will be due for payment in the same period and is intended to indicate whether there are sufficient short-term assets to meet the short- term liabilities

$$QR \text{ X } \frac{QuickAssets}{CurrentLiabilities}$$

c. Total Assets Turnover

It is calculated by dividing sales by the total assets:

$$TotalAssetsTurnover \text{ X } \frac{Sales}{TotalAssets}$$

d. Net Working Capital Turnover Ratio (NWCT)

This ratio helps you ascertain whether business is top-heavy in fixed or slow assets, and complements Net Sales to Tangible Net Worth. A high ratio could signal overtrading. A high ratio may also indicate that your business requires additional funds to support its financial structure, top-heavy with fixed investments.

$$NCWT \text{ X } \frac{Sales}{NetWorkingCapital}$$

e. Operating Profit to Total Assets Ratio (OPTA)

It is computed by dividing operating profit by total assets

$$OPTA \text{ X } \frac{Operating\ \mathrm{Pr}\,ofit}{TotalAssets}$$

Profitability ratio shows the combined effects of liquidity, asset management, and debt management on operating results. It measures the earnings of the company for a certain period

f. Gross Profit Margin (GPM)

It measures the percentage of sales income remaining (after obtaining or manufacturing the goods sold) available to pay the overhead expenses of the company.

$$GPM \ \mathrm{X} \frac{Gross\ \mathrm{Pr}\,ofit}{Sales}$$

g. Net Profit Margin Ratio (NPM)

It provides a good opportunity to compare company's "return on sales" with the performance of other companies in industry

$$NPM \ \mathrm{X} \frac{Net\ \mathrm{Pr}\,ofit}{Sales}$$

h. Operating Ratio (OR)

A company's operating expenses divided by its operating revenues is called operating ratio. A ratio that shows the efficiency of management by comparing operating expense to net sales: Investopedia Says: The smaller the ratio, the greater the organization's ability to generate profit if revenues decrease.

$$OR \ \mathrm{X} \frac{CostofGoodsSold \ \Gamma \ OperatingExpneses}{Sales}$$

i. Return on Total Assets (ROA)

This measures how efficiently profits are being generated from the assets employed in the business when compared with the ratios of firms in a similar business. A low ratio in comparison with industry averages indicates an inefficient use of business assets. The Return on Total Assets Ratio is calculated as follows:

$$ROA \text{ X} \frac{Net\,\mathrm{Pr}\,ofitAfterTax}{TotalAssets}$$

j. Return on Net Worth (RNW)

Net worth is total assets minus total liabilities. Net worth is an important determinant of the value of a company, considering it is composed primarily of all the money that has been invested since its inception, as well as the retained earnings for the duration of its operation. Net worth can be used to determine creditworthiness because it gives a snapshot of the company's investment history. Also called Return on owner's equity, shareholders' equity, or net assets.

$$RNW \text{ X} \frac{Net\,\mathrm{Pr}\,ofitAfterTax}{NetWorth}$$

k. Return on Capital Employed (ROCE)

It is impossible to assess profits or profit growth properly without relating them to the amount of funds (capital) that were employed in making profits. ROCE is one of the most important profitability ratios, which assess how much the capital invested has earned during the period. ROCE is an opportunity cost to the potential investor and when making decisions investor will always compare the return, which the entity will generate as opposed with the return, they can earn on other investments i.e. Bank's investment rates. It is necessary to compare ROCE with previous year, ROCE earned by other companies, current market borrowing rates; cost of extra borrowing to the company it is needed to more loans etc. Thus it suggests that whether it could make profits to make such borrowing worthwhile or not.

$$ROCE \text{ X} \frac{Net \Pr ofitAfterTax}{CapitalEmployed}$$

Where,

Capital employed= Equity & preference share capital + Reserves and Surplus (Cr.) + share premium + other undistributed profit + debenture + bond + long term loan - (non business assets i.e. investment in Govt. securities, fictitious assets, i.e. preliminary expenses and P/L a/c (Dr. balance)

l. Return on Working Capital (RWC)

Net working capital is the net current asset, which is obtained by subtracting all other current liabilities from total current asset. RWC is calculated by diving net profit by net working capital. A low ratio is unfavorable to the company and a very high ratio may signify a potentially dangerous situation of the shortage of working capital.

$$RWC \text{ X} \frac{Net \Pr ofitAfterTax}{CurrentAssets}$$

m. Total Debt to Total Assets Ratio

The debt/asset ratio shows the proportion of a company's assets, which are financed through debt. If the ratio is less than one, most of the company's assets are financed through equity. If the ratio is greater than one, most of the company's assets are financed through debt. Companies with high debt/asset ratios are said to be "highly leveraged," and could be in danger if creditors start to demand repayment of dept.

$$TDTA \text{ X} \frac{TotalDebt}{TotalAssets}$$

n. Long term Debt to Net Worth Ratio

This is one of the debt management ratios and it measures the extent to which the company is using debt financing or financial leverage, and the degree of safety afforded to the creditors. High ratio indicates the financing of large proportion debt bearing fixed cost. Creditors always prefer low total debt to net worth position.

$$LTDNW \text{ X} \frac{LongTermDebt}{NetWorth}$$

o. Debt to Equity Ratio (D/E)

The Debt to Equity Ratio measures how much money a company should safely be able to borrow over long periods of time. It does this by comparing the company's total debt (including short term and long term obligations) and dividing it by the amount of owner's equity. The result that we get after dividing debt by equity is the percentage of the company that is indebted (or "leveraged"). The normal level of debt to equity has changed over time, and depends on both economic factors and society's general feeling towards credit.

Generally, any company that has a debt to equity ratio of over 40 to 50% should be looked at more carefully to make sure there are no liquidity problems.

$$D/E \text{ X} \frac{LongTermDebt}{Equity}$$

p. Dividend Payout

The DPR measures what a company's pays out to investors in the form of dividends. Growing companies will atypically retain more profits to fund growth and pay lower or no dividends.

Companies that pay higher dividends may be in mature industries where there is little room for growth and paying higher dividends is the best use of profits (utilities used to fall into this group, although in recent years many of them have been diversifying).

$$DividendP/O \text{ X } \frac{DividendPerShare}{EarningPerShare}$$

q. Dividend Yield %

This measurement tells you what percentage return a company pays out to shareholders in the form of dividends. Older, well-established companies tend to payout a higher percentage then do younger companies and their dividend history can be more consistent

$$DividendYield \text{ X } \frac{DPS}{MPS} x100$$

r. Earning Per Share (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.

$$EPS \text{ X } \frac{Earnings}{No.OfOrdinaryShares}$$

3.7.2 Statistical Tools

1 Mean

Arithmetic mean or simply a mean of a set of observation is the sum of all the observation divided by the number of observations. Mean is also known as the average value. It is calculated as:

$$\overline{X} \text{ X } \frac{XN}{N}$$

Where,

$\sum X$ = *Sum of Total Value*

N = *No. of observations*

$\overline{X}$ = *Mean*

2 Standard Deviation (S.D.)

A statistic used as a measure of the dispersion or variation in a distribution, equal to the square root of the arithmetic mean of the squares of the deviations from the arithmetic mean is called standard deviation.

$$SD\ \mathrm{X} \frac{(X\ \mathrm{Z}\overline{X})^2}{XN}$$

Where, X= Value of observation

$\overline{X}$ =Mean of Observation

N= No. Of observation

3 Coefficient of Variation (CV)

A statistical measure of the dispersion of data points in a data series around the mean. It is calculated as follows

$$CV\ \mathrm{X} \frac{S \tan dardDeviation}{Mean}$$

The coefficient of variation represents the ratio of the standard deviation to the mean, and it is a useful statistic for comparing the degree of variation from one data series to another, even if the means are drastically different from each other.

Investopedia Says: In the investing world, the coefficient of variation allows you to determine how much volatility (risk) you are assuming in comparison to the amount of return you can expect from your investment. In simple language, lower the ratio of standard deviation to mean return, the better your risk-return tradeoff.

CHAPTER –IV
PRESENTATION AND ANALYSIS OF DATA

The Presentation and analysis of the DATA is the fourth chapter of this study. It has been done in order to gain in sight in to predetermined objectives of the study. This chapter covers the section that concerns with the presentation & analysis of listed manufacturing industries based on secondary data.

Analysis of Secondary Data

4.1 Financial and Statistical Tools

We are hereby analyzing the obtained data of the five selected listed companies under financial and statistical methods. The tabulated data include mean (Average), standard deviation and the coefficient of variance also whereas data on the Figure do not include the same.

Furthermore, the data on the Figure for the first 2 companies (i.e. BNL & NLOL) are pointed from southwest corner to upward direction whereas data for the rest 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.1 Current Ratio (CR)

$$CR \text{ X} \frac{CurrentAssets}{CurrentLiabilities}$$

The Current Ratio is one of the best-known measures of financial strength. This ratio addresses "Does your business have enough current assets to meet the payment schedule of its current debts with a margin of safety for possible losses in current assets, such as inventory shrinkage or collectable accounts?" In most organization current ratio of 2:1 is regarded adequate ratio but whether or not a specific ratio is satisfactory depends on the nature of the business and the characteristics of its current assets and liabilities. The minimum acceptable current ratio is obviously 1:1, but that relationship is usually playing it too close for comfort. It is necessary to pay some debts, increase current assets from loan or borrowing, convert non-current asset into current asset at the same time if this ratio is more than 2:1 we understood that there is excessive investment in current assets that do not produce a return.

Table 4.1

Current Ratio

Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	1.49	1.38	2.42	2.57	1.63	**1.90**	0.50	26.09
NLOL	1.17	2.16	1.26	1.27	1.25	**1.42**	0.60	42.48
AVU	0.81	0.83	0.97	0.88	0. 79	**0.86**	1.04	121.96
NBG	0.16	0.18	0.24	0.25	0.43	**0.25**	1.65	657.58
Average	**0.91**	**1.13**	**1.22**	**1.24**	**1.00**	**1.38**	**3.79**	**212.03**

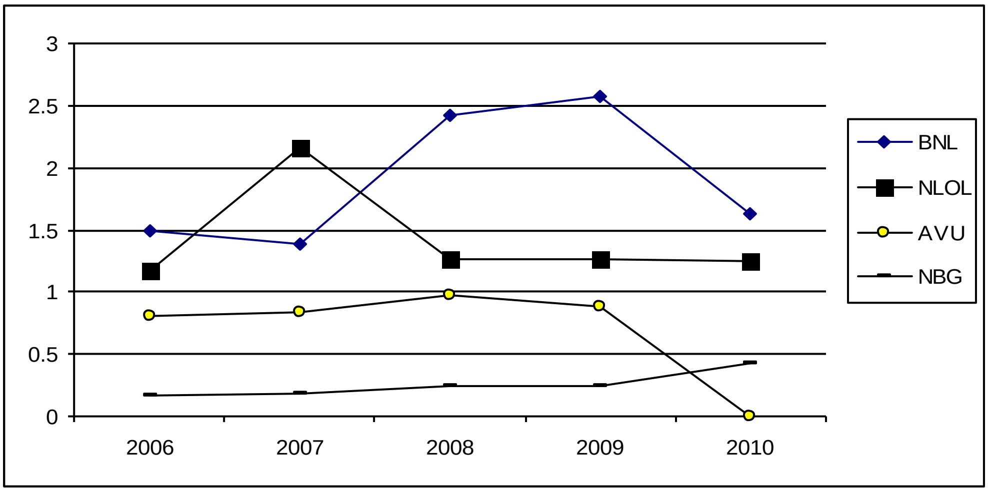
Source: Annual Reports of companies & nepalstock.com

The above table shows the current ratio of five sampled companies during the study period for a period from 2006 to 2010. Here current ratio of bottlers Nepal Limited is better than other industries. In year 2007 and 2008 ratio is above the standard ratio. Other companies like AVU and NBG all are facing the problem of poor liquidity position. Overall Industries average ratio is also very poor. However, during the year 2006 to 2009, the average current ratio of the industry as a whole is equals to or above the minimum acceptable level (i.e. 1:1)

In the above table, the standard deviation of the NBG is quite high. Since, SD denotes the total risk of dispersion i.e. the variance from the average, the liquidity position of the NBG is very critical

Figure 4.1

Current Ratio



Source: Table 4.1

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.2 Quick Ratio

$$QR\ X \frac{QuickAssets}{CurrentLiabilities}$$

Since all current assets are not the means of liquid assets, it is necessary to pick some of those to reveal to true liquidity situation of industries. Quick ratio, which is also called acid test ratio one of the best measures of liquidity. An acid test of 1:1 is considered satisfactory unless the majority of your "quick assets" are in accounts receivable, and the pattern of accounts receivable collection lags behind the schedule for paying current liabilities.

Table 4.2

Quick Ratio

Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	0.43	0.30	0.70	0.79	0.28	0.50	1.42	283.61
NLOL	0.45	1.39	0.73	0.73	0.33	0.73	1.23	169.39
AVU	0.08	0.18	0.25	0.12	0.12	0.15	1.75	1,181.37
NBG	0.08	0.08	0.09	0.10	0.11	0.09	1.81	1,976.83
Average	**0.26**	**0.48**	**0.44**	**0.43**	**0.21**	**0.36**	**6.21**	**3611.21**

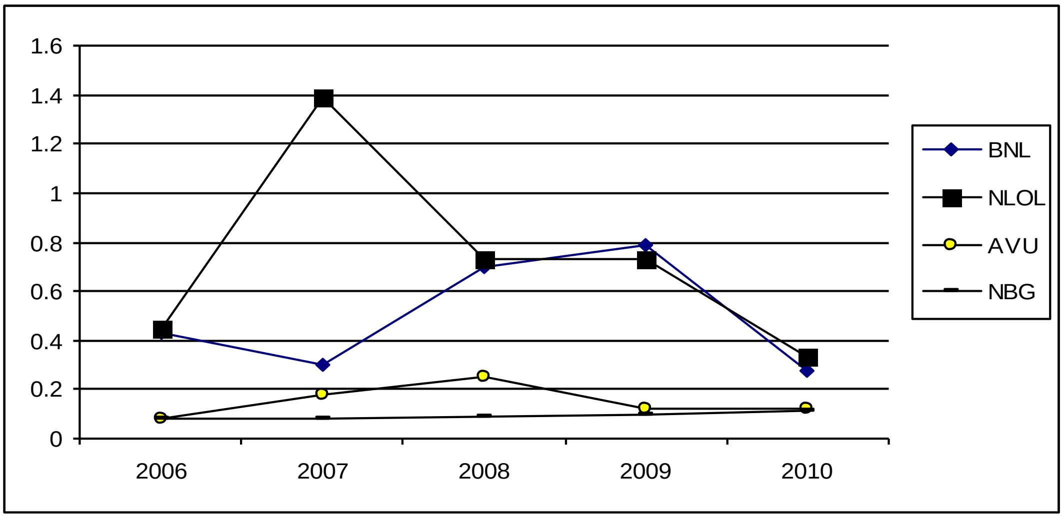
Source: Annual Reports of companies & Nepalstock.com

Here, above table shows quick ratio status of five sampled manufacturing companies. From there, it has revealed that industries average ratio is various ups and down but below the better position. In the year 2006 the liquidity position was poorest. While comparing the companies one with another, it has discovered that Nepal lube oil has comparatively better than other because its ratio is near standard ratio. The reason for poor result of NBG was due to almost close down position of the company in 2009 and 2010. Coefficient of Variance shows the percentage of variance from average liquidity position that the company has. All the companies seem suffered from the liquidity position during the last 5 years of study.

Among them BNL and the NLOL was the best two in terms of liquidity. During the year 2009, NLOL has excess liquid assets. In overall, the NLOL had nearly sufficient liquid assets whereas; the NBG must have been facing the huge financial crunch.

Figure 4.2

Quick Ratio



Source: Table 4.2

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.3 Total Assets Turnover Ratio

$$TotalAssetsTurnover \text{ X} \frac{Sales}{TotalAssets}$$

The above formula itself indicates that the total assets turnover ratio means the amount of assets used for the generation of sales income. Higher the ratio, the better would be the result. In other form of analysis, if the sales is increased, in compared to total assets, the operating profit would bae proportionately increased because of the less depreciation charged in the operating profit.

Inversely low asset turnover ratio indicates that company is not generating an adequate volume of business for the size of its asset invested.

Table 4.3

Total Assets Turnover Ratio

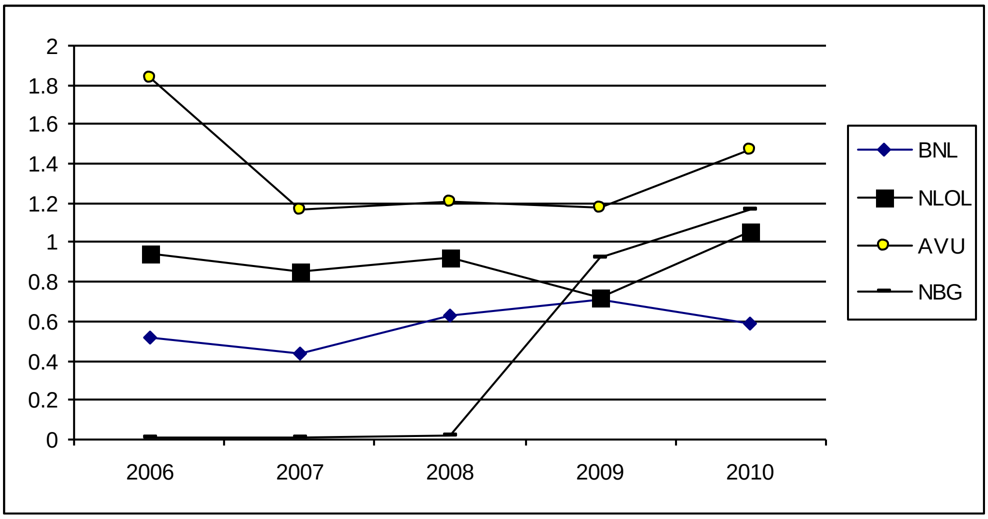
Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	0.52	0.44	0.63	0.71	0.59	0.58	1.33	229.94
NLOL	0.94	0.85	0.92	0.72	1.06	0.90	1.01	111.92
AVU	1.84	1.17	1.21	1.18	1.47	1.38	0.58	42.46
NBG	0.01	0.01	0.02	0.92	1.17	0.43	1.56	365.49
Average	0.82	0.61	0.69	0.89	1.07	**0.82**	**4.47**	**749.8**

Source: Annual Reports of companies & Nepalstock.com

From the above table, the asset was best utilized by AVU throughout the last 5 years in compared to others. The position of the NBG was worst since it started to discontinue transacting its business, in terms of its total assets. Considering the deviation, BNL was also not in a position to maintain its business comparing to its assets. I.e. it under utilized its assets in terms of sales. The overall industry average was also not sound good; it may be because of the presence of the company like NBG.

Figure 4.3

Total Assets Turnover Ratio



Source: Table 4.3

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.4 Net Working Capital Turnover Ratio

$$NWCT \ \text{X} \frac{Sales}{NetWorkingCapital}$$

The stated formula represents the amount of sales in terms of net working capital. Net working capital means the current assets less current liabilities. In the general phenomena, most of the purchases are made on credit with certain credit lag and similarly most of the sales are on credit with certain credit lag. Thus, the net of the current assets, that includes debtors i.e. amount of credit sales and current liabilities, that includes creditors i.e. amount of credit purchase, if low, the ratio would be very high. The high ratio could signal overtrading. A high ratio may also indicate that your business requires additional funds to support its financial structure, top-heavy with fixed investments.

According to the table given below, average NWCT of BNL and NLOL have positive rate of return of 1.01 and 2.24 respectively. But the AVU and NBG have negative rate of return which resulted the overall negative average return in the industry. AVU has high standard deviation with negative working capital, which means that there is high risk to manage sales, stock, debtors, fund balance and payment to creditors.

Table 4.4

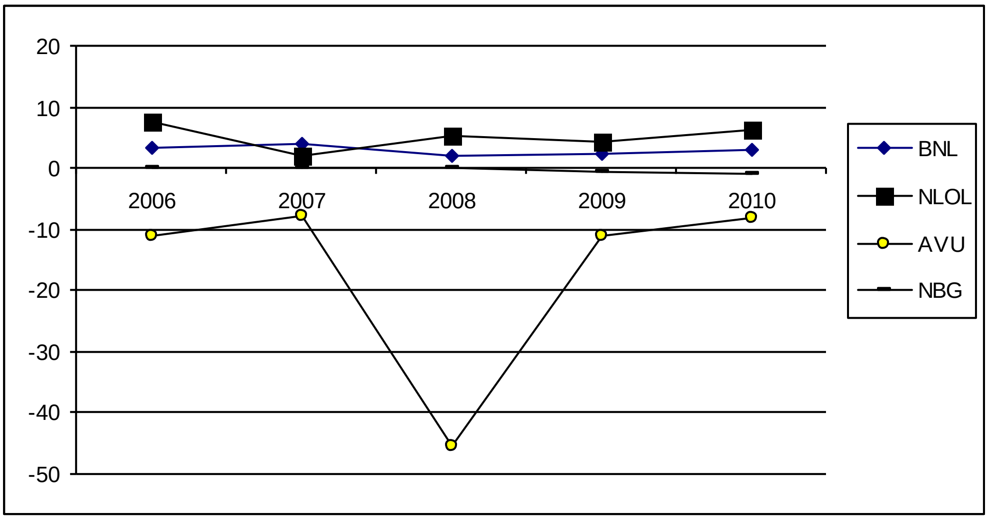
Net Working Capital Turnover Ratio

Company	2010	2009	2008	2007	2006	Average	S.D.	CV
BNL	3.22	3.81	1.90	2.31	2.88	1.01	1.14	112.92
NLOL	7.69	1.90	5.19	4.15	6.37	2.24	3.73	166.07
AVU	(11.02)	(7.83)	(45.43)	(11.02)	(8.07)	(9.22)	23.53	(255.28)
NBG	(0.00)	(0.00)	(0.01)	(0.45)	(1.09)	(0.22)	2.25	(1,017.84)
Average	**(.0275)**	**(0.53)**	**(9.58)**	**(1.25)**	**(5.68)**	**(1.54)**	**30.65**	**(994.13)**

Source: Annual Reports of companies & Nepalstock.com

Figure 4.4

Net Working Capital Turnover Ratio



Source: Table 4.4

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

The above table and Figure shows the net working capital turnover ratio of industries.

4.1.5 Gross Profit Margin Ratio

$$GPM\ \text{X}\frac{Gross\,\Pr ofit}{Sales}$$

This ratio is the percentage of sales income left after subtracting the cost of goods sold from net sales. It measures the percentage of sales income remaining (after obtaining or manufacturing the goods sold) available to pay the overhead expenses of the company. It is presented in percentage and higher the percentage it reveals the sound condition of the business, viz. cost of production of company is comparatively low that ensures adequate coverage of companies operating expenses and vice versa.

Table 4.5

Gross Profit Margin (%)

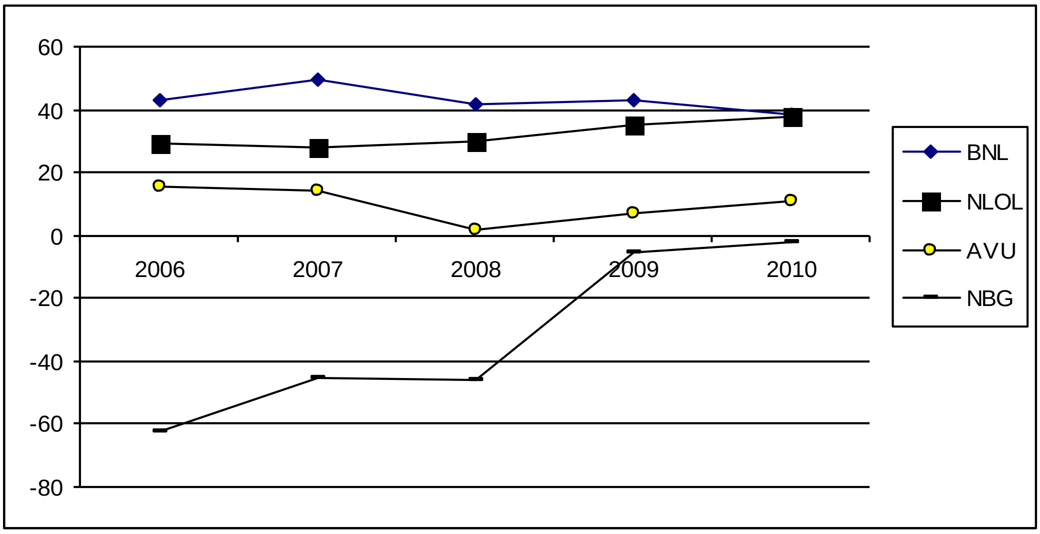
Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	42.77	49.70	41.87	43.31	38.28	43.18	41.45	95.99
NLOL	29.04	28.26	29.74	34.92	37.86	31.96	30.30	94.79
AVU	15.65	14.05	2.07	6.84	11.10	9.94	9.44	94.98
NBG	(62.31)	(45.00)	(46.27)	(5.16)	(1.84)	(32.12)	41.73	(129.92)
Average	(3.51)	(11.75)	6.85	19.97	21.35	13.24	122.93	184.84

Source: Annual Reports of companies & Nepalstock.com

Comparison of business ratios to those of similar businesses will reveal the relative strengths or weaknesses in business. Here is the five-year Gross profit margin of sampled companies. The total of company average ratio for 5 years is 76.74 %, SD is 145.30% and CV is 249.97 %. The GPM of BNL is comparatively better since it is not fluctuating much higher than other industries. But NBG is facing poorer situation. Its margin is in negative and at the same time the balance is moving high each year that has certainly affected overall industry's CV. The situation of gross loss is nothing but, the problem in either fixing the sales price, huge depreciation (like direct fixed cost), or huge losses in closing stock.

Figure 4.5

Gross Profit Margin (%)



Source: Table 4.5

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

Above Figure shows the gross profit margin is lowest and poorest in NBG in comparison to other companies. And the ratio of BNL, NLOL and AVU are not much fluctuating.

4.1.6 Net Profit Margin Ratio

$$NPM \ \mathrm{X} \frac{Net\,\Pr ofit}{Sales}$$

The percentage of sales income left after subtracting the Cost of Goods sold and all other expenses, except income taxes. It provides a good opportunity to compare company's "return on sales" with the performance of other companies in industry. It is calculated before income tax because tax rates and tax liabilities vary from company to company for a wide variety of reasons, making comparisons after taxes much more difficult.

Table 4.6

Net Profit Margin (%)

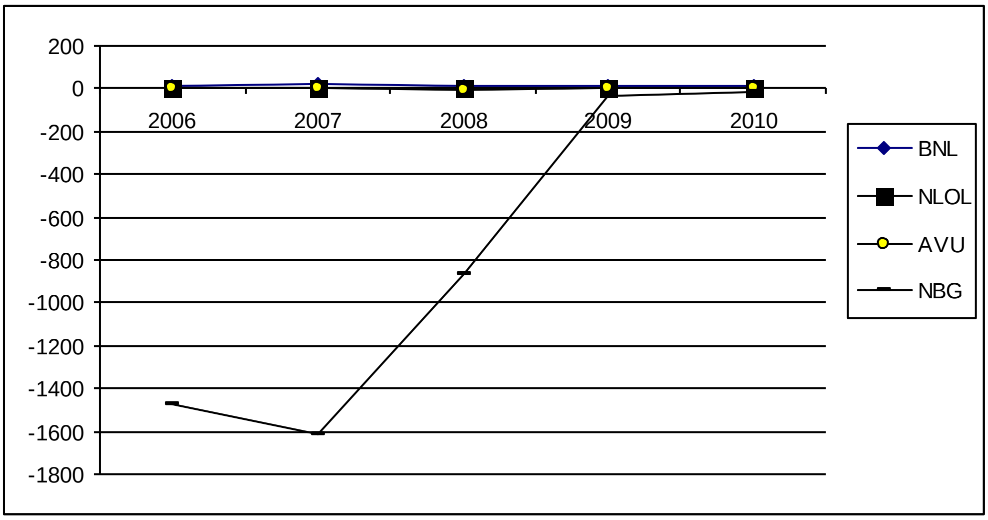
Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	15.63	19.25	13.93	14.32	12.06	15.04	13.36	88.81
NLOL	4.57	4.40	2.59	0.36	3.56	3.10	1.95	62.96
AVU	2.17	0.37	(9.28)	0.18	0.06	(1.30)	5.17	(397.47)
NBG	(1,473.03)	(1,611.80)	(861.63)	(37.08)	(18.67)	(800.44)	1,051.39	(131.35)
Average	(362.66)	(396.94)	(213.59)	(5.55)	(0.74)	(159.9)	1071.86	215.55

Source: Annual Reports of companies & Nepalstock.com

Since Nepalese manufacturing industries have been operating in loss, it is clearly shown that industries average margin is in negative too. The net profit margin of BNL is higher in comparison to the other companies, the rest of four companies are not even close to BNL. Here, margin ratio of NBG is poorest which is negative in every year when it has earned comparatively satisfactory profit. Having negative ratio of 1,611.80 in year 2009, its profit situation is worst. Because of its ratio it has affected overall industries average margin.

Figure 4.6

Net Profit Margin (%)



Source: Table 4.6

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

Above Figure shows that the annual ratio of NBG is fluctuating the most

4.1.7 Operating Ratio

$$OR = \frac{CostofGoodsSold + OperatingExpneses}{Sales}$$

The operating ratio indicates the company's operating efficiency and effectiveness. Higher the operating ratio, better the financial position for meeting interest expenses, tax payment and dividend distribution. Thus, operating ratio should be below 1 and the least is the better on the point of view of profit maximization. The ratio above 1 indicates the position of operating loss. This ratio is one of the most revealing when compared with those of prior periods and with industry averages. Following may be taken as instances:

Table 4.7

Operating Ratio

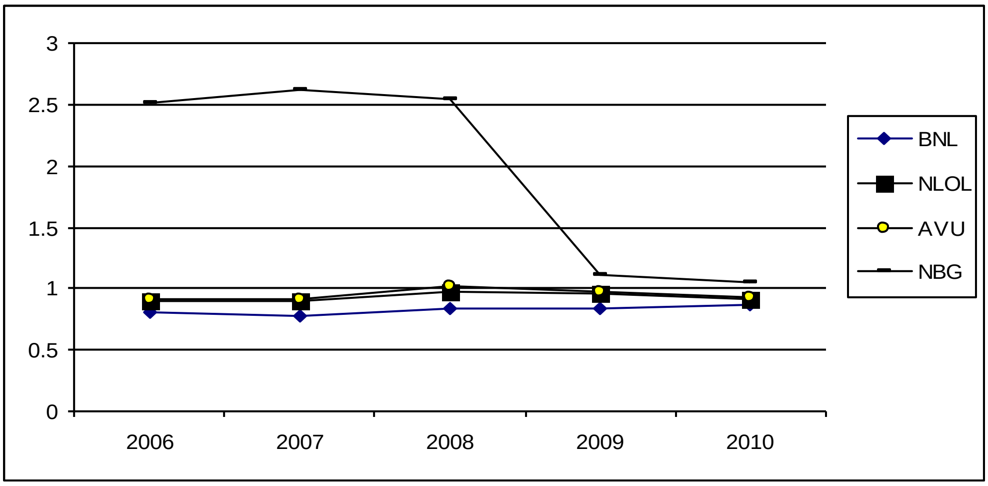
Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	0.81	0.77	0.84	0.83	0.87	0.82	1.08	130.49
NLOL	0.90	0.90	0.97	0.96	0.92	0.93	0.97	104.37
AVU	0.92	0.92	1.02	0.97	0.93	0.95	0.95	100.21
NBG	2.51	2.62	2.54	1.11	1.05	1.97	0.73	36.95
Average	**1.28**	**1.30**	**1.33**	**0.97**	**0.94**	**1.15**	**3.72**	**372.01**

Source: Annual Reports of companies & Nepalstock.com

Operating ratio of all five selected companies are more of less similar with one anther. As shown in the Figure it is easily identified that operating ratio of NBG in 2008 is highest. As stated in the Para 4.7 above, NBG has the worst net profit position and similarly, it has operating loss position, since it has above 1 operating ratio through out the period of study.

Figure 4.7

Operating Ratio



Source: Table 4.7

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.8 Return on Total Asset

$$ROA \text{ X} \frac{Net\ \mathrm{Pr}\ ofitAfterTax}{TotalAssets}$$

Return on total asset is computed in terms of relationship between net profit and the total assets for measuring the productivity of the asset.

Table 4.8

Return on total asset (%)

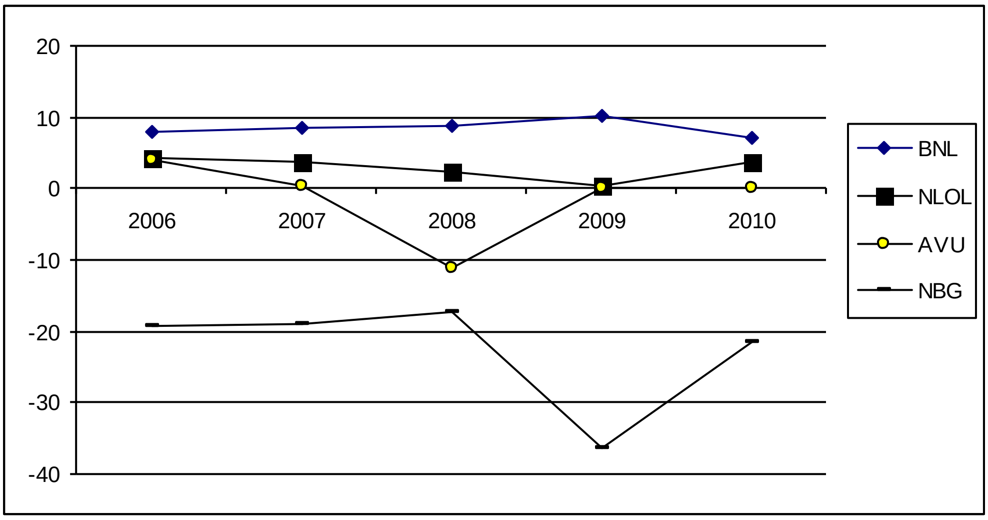
Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	8.08	8.38	8.78	10.21	7.08	8.51	6.69	78.60
NLOL	4.28	3.74	2.39	0.26	3.77	2.89	1.76	60.97
AVU	4.00	0.43	(11.20)	0.21	0.09	(1.29)	6.07	(468.97)
NBG	(19.35)	(18.96)	(17.17)	(36.45)	(21.45)	(22.68)	25.56	(112.71)
Average	(.74)	(1.60)	(4.3)	(6.44)	(2.24)	(3.14)	40.08	(442.12)

Source: Annual Reports of companies & Nepalstock.com

Above table shows average return on total assets of listed manufacturing companies for previous five years was negative 12.10 % reflecting no productivity of their assets. However, if we exclude NBG from the group the average return on total assets will be 10.58%. Thus, the position of a single company i.e. NBG made the overall industry result at a deteriorate position.

Figure 4.8

Return on total asset (%)



Source: Table 4.8

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.9 Return on Capital Employed

$$ROCE\ \mathrm{X} \frac{Net\Pr ofitAfterTax}{CapitalEmployed}$$

The return on capital employed measures the relationship between capital employed and the net profit after tax. This ratio indicates how the management has used the fund supplied by creditors and owners. Higher ratio indicates the efficient use of fund entrusted to the company.

Similarly, AVU has good average return during the last five years. However, the standard deviation of the AVU is so high that the risk of having negative return on capital employed is equally high.

Table 4.9

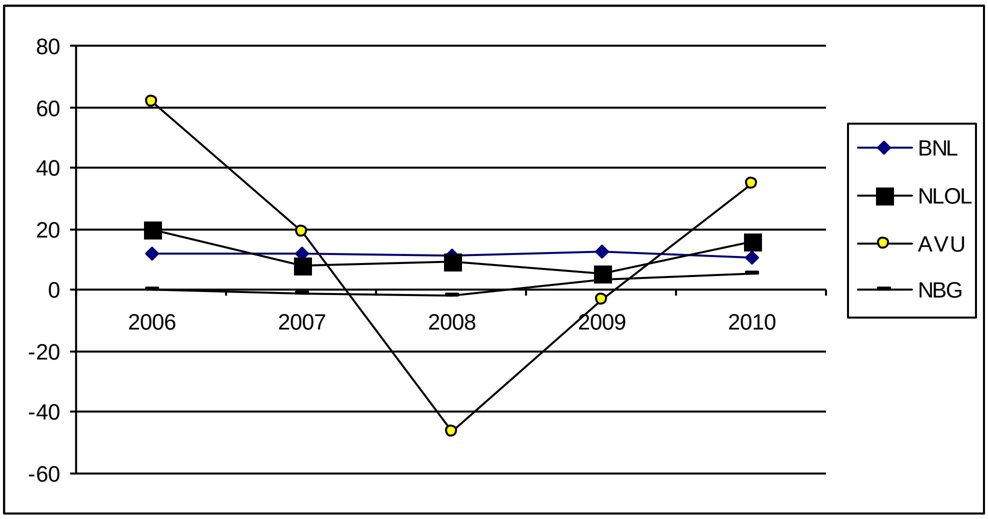
Return on capital employed (in %)

Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	12.03	11.97	11.39	12.70	10.42	11.70	9.83	84.03
NLOL	19.52	8.01	9.63	5.41	16.09	11.73	11.15	95.02
AVU	61.38	18.91	(46.14)	(3.36)	34.60	13.08	38.03	290.75
NBG	(0.11)	(0.80)	(2.05)	3.28	5.53	1.17	2.90	248.24
Average	19.16	12.97	(2.47)	6.96	16.76	10.67	77.65	818.37

Source: Annual Reports of companies & Nepalstock.com

Figure 4.9

Return on capital employed (in %)



Source: Figure 4.9

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.10 Return on Shareholders Equity

$$ROSE \text{ X } \frac{Net\,\Pr ofitAfterTax}{Equity}$$

It measures return on investment made by the shareholders including the accumulated profit available to them. This ratio is specifically for shareholders and is aimed at measuring the return they should expect from their shares in the business. Higher the ratio, better the profit position to the shareholders for distribution.

Table 4.10

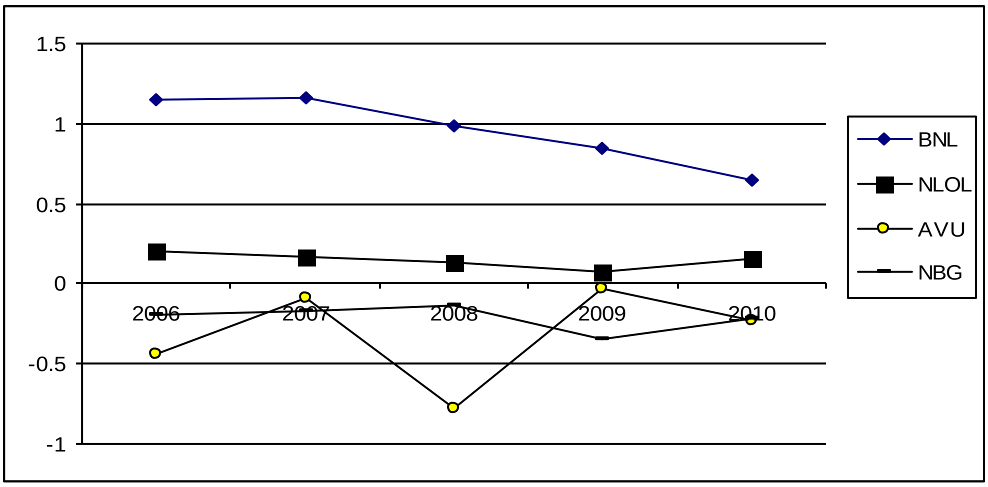
Return on Shareholders Equity

Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	1.15	1.16	0.99	0.84	0.65	0.96	0.96	100.17
NLOL	0.20	0.17	0.13	0.07	0.16	0.14	1.76	1,214.90
AVU	(0.44)	(0.09)	(0.78)	(0.03)	(0.23)	(0.32)	2.23	(707.18)
NBG	(0.19)	(0.17)	(0.13)	(0.34)	(0.22)	(0.21)	2.11	(1,001.58)
Average	0.18	0.26	0.05	0.13	0.09	0.14	7.06	(188.53)

Source: Annual Reports of companies & Nepalstock.com

In the given table and Figure as below, AVU has negative return even after it has net profit after tax because of its negative shareholders' equity. Even here, the fluctuation in the return was quite high as shown by the coefficient of variance in the above table during the last five years of study.

Figure 4.10
Return on Shareholders Equity



Source: Table 4.10

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.11 Long-term debt to net worth

This is one of the debt management ratios and it measures the extent to which the company is using debt financing or financial leverage, and the degree of safety afforded to the creditors. High ratio indicates the financing of large proportion debt bearing fixed cost. Creditors always prefer low total debt to net worth position.

Table 4.11

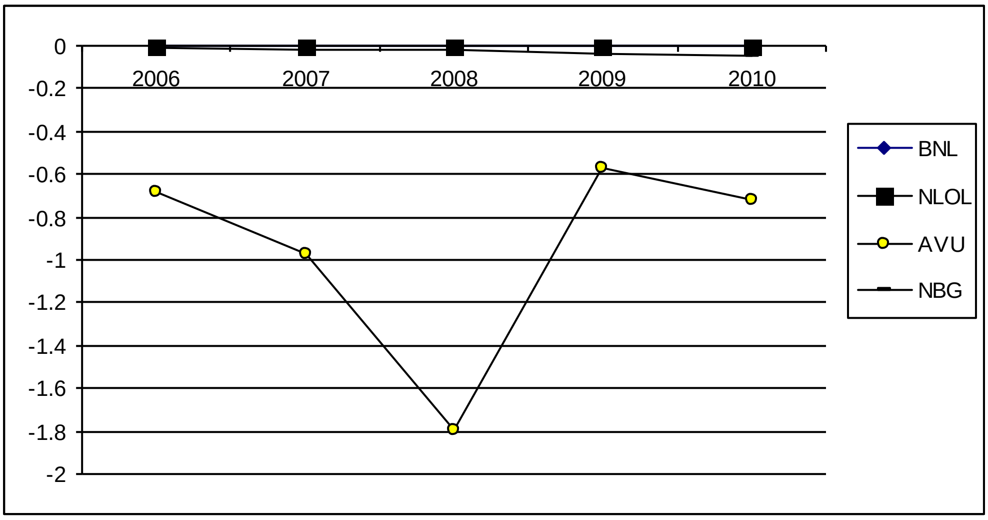
Long term debt to net worth

Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	-	-	-	-	-	-	1.90	Infinity
NLOL	-	-	-	-	-	-	1.90	Infinity
AVU	(0.68)	(0.97)	(1.79)	(0.57)	(0.72)	(0.95)	2.88	(304.48)
NBG	(0.01)	(0.02)	(0.02)	(0.04)	(0.05)	(0.03)	1.93	(6787.31)
Average	(.17)	(.24)	(.45)	(.15)	(.19)	(.24)	8.6	Infinity

Source: Annual Reports of companies & Nepalstock.com

Figure 4.11

Long term debt to net worth



Source: Table 4.11

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

In the above table and the Figure, there is no debt position in the company like BNL and NLOL but they have the positive net worth. Whereas, the debt bearing company has the negative net worth which resulted the overall long term debt to net worth position negative. The fluctuation is so high that the there can not be any analysis predictable. There can be no proper judgment as the deviation of result from year to year and the company to company is very high.

4.1.12 Return on Current Assets

$$RCA \text{ X} \frac{Net\,\Pr ofitAfterTax}{CurrentAssets}$$

The return on current assets measures the position of the profit by the use of current assets. The utilization of the company's current assets for generation of the net profit after tax is properly shown by the ratio. Higher the ratio, better the financial position of the company.

Table 4.12

Return on Current Assets

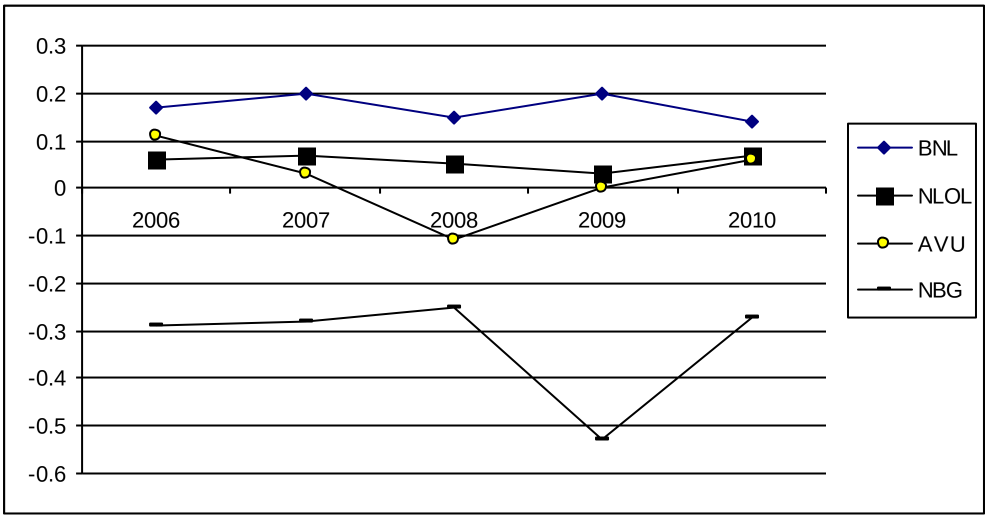
Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	0.17	0.20	0.15	0.20	0.14	0.07	1.73	2,463.03
NLOL	0.06	0.07	0.05	0.03	0.07	0.02	1.84	9,092.64
AVU	0.11	0.03	(0.11)	(0.00)	0.06	(0.01)	1.88	(23,058.04)
NBG	(0.29)	(0.28)	(0.25)	(0.53)	(0.27)	(0.15)	2.22	(1,493.18)
Average	0.01	0.005	(.04)	(0.075)	0.0	(.07)	7.67	(8503.84)

Source: Annual Reports of companies & Nepalstock.com

In the above table and the Figure given below, the average position of the BNL is better in comparison to the other company and it is quite above the industry average and the worst position was during the year 2007 for the company NBG, which has finally affected overall average of the industry.

Figure 4.12

Return on Current Assets



Source: Table 4.12

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.1.13 Interest Coverage Ratio

$$ICOR \text{ X } \frac{EBIT}{Interest}$$

It is used to determine how easily a company can pay interest on outstanding debt.

If a business is highly geared it will be paying more interest. Low interest cover is associated with high gearing. The interest cover ratio shows whether a company is earning enough profits before interest and tax to pay its interest cost comfortably, or whether its interest cost are high in relation to the size of its profit, so that a fall in EBIT would then have a significant effect on profits available for ordinary shareholders. For being in the profit position, the ratio must be above 1.

In the table and Figure given below, the interest coverage ratio in case of BNL is so high. Here, the debt portion includes only short term one and the amount of short term debt and interest expenses is so low. Thus, the coverage ratio seems so high. This had increased the overall industry average for the last five years also.

Table 4.13

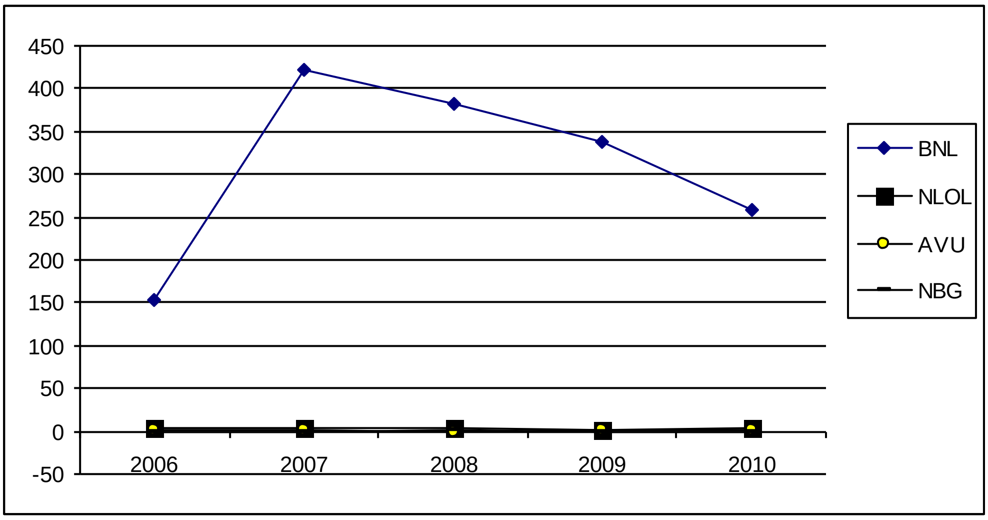
Interest Coverage Ratio (Times)

Company	2010	2009	2008	2007	2006	Average	SD	CV
BNL	154.30	421.54	382.46	337.80	257.46	310.71	323.20	104.02
NLOL	3.86	3.54	3.80	1.82	3.79	3.36	1.66	49.27
AVU	1.64	1.20	0.04	0.95	1.34	1.03	1.02	98.76
NBG	0.02	0.13	0.27	(0.22)	(0.31)	(0.02)	1.93	(8,981.04)
Average	39.95	106.60	96.64	85.05	65.57	78.72	327.81	(8670.12)

Source: Annual Reports of companies & Nepalstock.com

Figure 4.13

Interest Coverage Ratio (Times)



Source: Table 4.13

Note: The last 2 companies (i.e. AVG & NBG) are pointed from northeast corner to downward direction.

4.2 Capacity Utilization

Capacity is the ability that any manufacturing company can produce total number of finished product(s) in a year. As information collected for opinion survey, most of the listed manufacturing industries utilized there capacity below the optimal.

Capacity refers to potential output. Capacity utilization is the ratio of actual output to potential output; it gives a measure of the amount of total capacity that is being used by the establishment. It greatly affects the production level and the costs of the firm. Generally, high capacity utilization leads to higher output and lower cost where as low capacity utilization leads to lower output and higher costs. This is because the high capital cost had already been installed in the form of plant and machinery or otherwise. So, the high fixed cost is regularly incurred in the form of depreciation and its maintenance cost. For the utilization of the capacity, only marginal i.e. variable cost is to be incurred. Thus, more the production or capacity utilization, the lower per unit cost because of apportion of huge fixed cost over total production.

Capacity utilization by manufacturing establishment in Nepal has remained low. This is different from industry to industry and very much varied. On the ground there are various factors which are reasons behind the cause of low capacity utilization like poor management, shortage of raw materials, production inefficiency & political disturbances, labour problems etc.

Table 4.14

Capacity Utilization (In %)

S.N.	Company Name	2005/'06	2009/'10
1	Bottlers Nepal Limited (BNL)	75	80
2	Nepal Lube Oil Ltd. (NLOL)	22	25
4	Arun Banaspati Ghee Udyog Ltd. (AVGUL)	50	28
5	Nepal Banaspati Ghee Udyog Ltd. (NBGUL)	34	Plant Closed

Source: Annual Reports of SEBON: 2006/'07

The capacity utilization of the company is the major things that need to be properly managed for the profitability and sustainability of the company. The above data shows that Bottlers Nepal Ltd has increased its capacity utilization from 2005/'06 to 2009/'10 whereas the company like AVGUL has decreased its capacity utilization. Furthermore, the capacity utilization of the NBGUL came down to zero. The reason of the decrease in capacity utilization may be the following based on the situation of the above companies:

i) Poor Management
ii) Technical Obsolesce
iii) Government policy to adhere with Indian market competition
iv) Lack of technical know-how and skills
v) Fund Crisis
vi) Political situation
vii) Promoters competing from the private organization in parallel with the company.
viii) Development of unaccountability urge to the personnel.

4.3 Performance of listed manufacturing companies in NEPSE

The performance of listed manufacturing companies in NEPSE is very low in comparison to all the listed companies in NEPSE which are mentioned as below:

4.3.1 Number of Listed Manufacturing Companies

The table given below shows that the percent of listed manufacturing companies were below 30 % out of total listed companies since previous five years. The total no. of listed companies has been decreased continuously from F.Y. 2005/06 and has reached to lowest in 2008/2009. However, the number has increased during the fiscal year 2009/10 and reached to 29 which are still below the previous listing before the fiscal year of our study. In F.Y. 2004/05 a total of 25 companies were de listed from NEPSE due to non disclosure of their annual reports and financial statements for the last two years and non payment of annual charges. Among all out of 25 de-listed companies, the number of manufacturing companies was 10 which are 40% of the total number of de listed companies.

The Figure given below also shows the trend of the manufacturing companies that are listed in the NEPSE.

Table 4.15

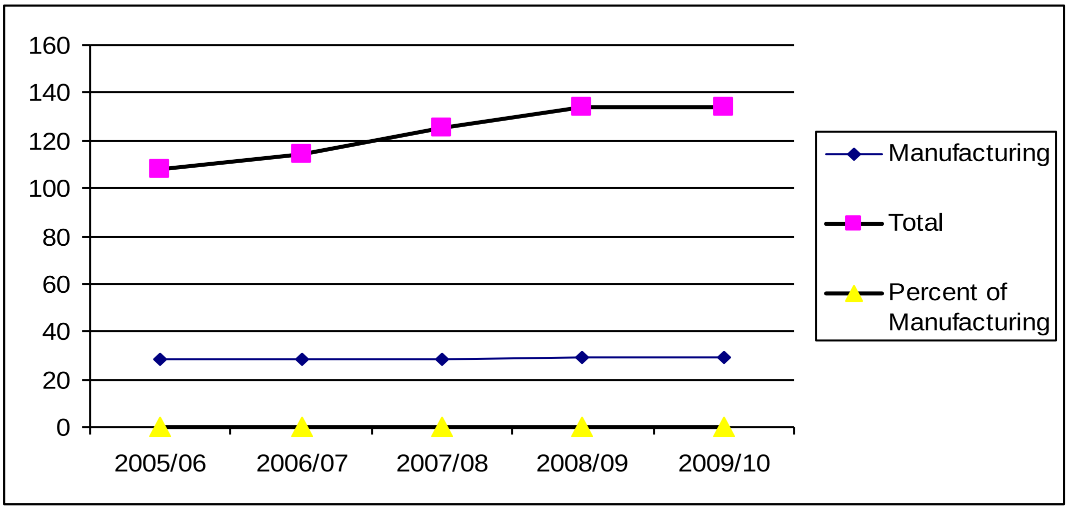
Number of listed companies

Year	Manufacturing	Total	Percent of Manufacturing
2005/06	28	108	27%
2006/07	28	114	25%
2007/08	28	125	23%
2008/09	29	134	22%
2009/10	29	134	29%

Source: Annual Reports of SEBON: 2009/'10

Figure 4.14

Number of listed companies



Source: Table 4.15

Note: Columns or Bars are plotted in primary axis and percentage of manufacturing line is plotted in secondary axis.

4.3.2 Annual Turnover of listed companies

The table and Figure given below shows annual turnover of transaction of shares in the secondary market have been fluctuating. Annual turnovers of listed companies were increasing in some fiscal years and decreasing in another F.Y. The highest transaction was observed during the F.Y. 2006/07 which was 48.11% of the total transaction during that year. Since, there was no increase in the number of the listed manufacturing companies; the transaction was increased due to the change in promoter group. But again there is dramatic change in 2008/09 and has gone to the lowest point at 0.50% during the fiscal year 2009/10.

Table 4.16 (*In Mio Rs.*)

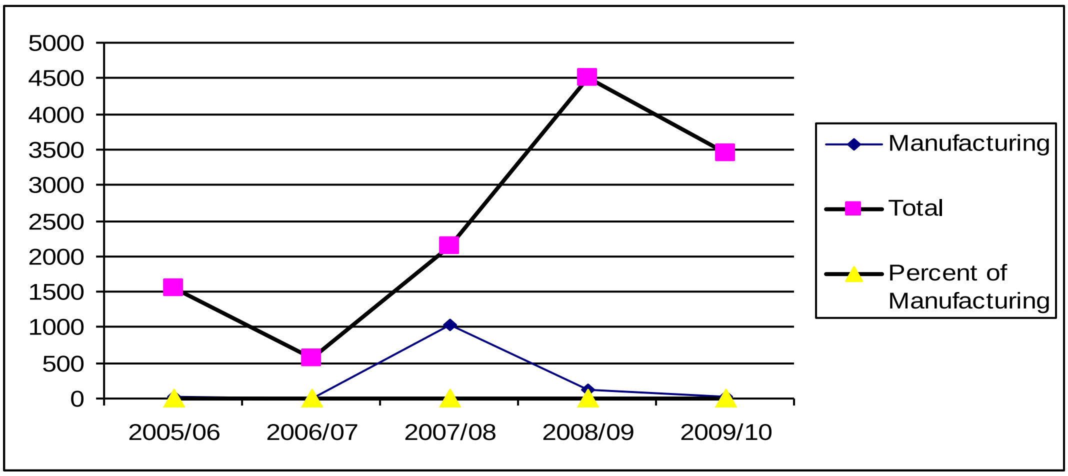
Annual Turnover of listed companies

Year	Manufacturing	Total	Percent of Manufacturing
2005/06	21.44	1540.63	1.39%
2006/07	3.82	575.8	0.66%
2007/08	1031.62	2144.27	48.11%
2008/09	114.9	4507.68	2.55%
2009/10	17.19	3451.43	0.50%

Source: Annual Reports of SEBO: 2009/'10

Figure 4.15

Annual Turnover of listed companies



Source: Table 4.16

Note: percentage of manufacturing line is plotted on secondary axis.

4.3.3 Market capitalization of listed companies

Market capitalization is nothing but the total value of its share in the market and it denotes the total market share of its value among value of all the listed companies. Going through the table and Figure given below, we came to notice that the total market capitalization has been decreased continuously up to F.Y. 2007/08 then the trend gets fluctuating during the following two fiscal year. Since, the manufacturing companies are getting worse, the value of the companies is also getting decreasing. Thus, its market share in the total capital market is only 4.78% during the fiscal year 2009/10.

Table 4.17 (*In Mio Rs)*

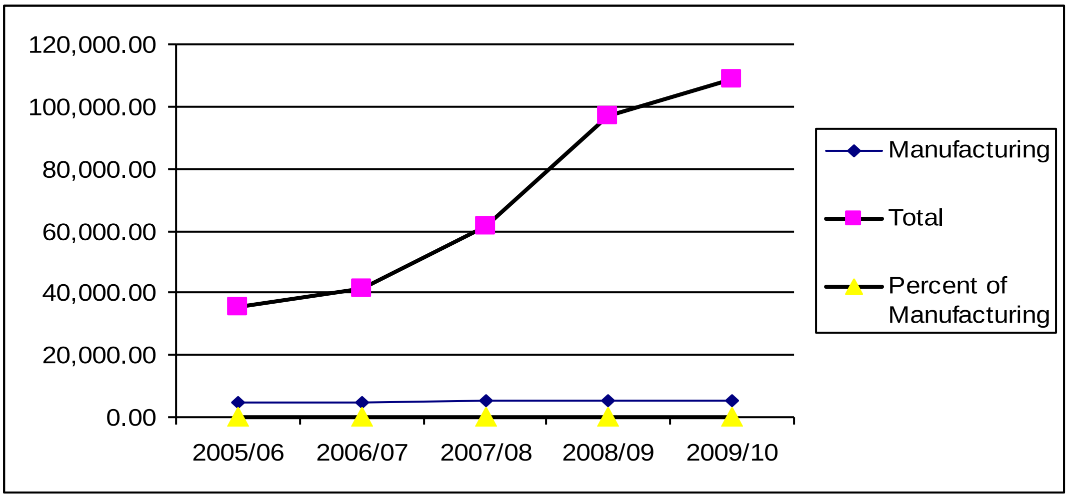
Market capitalization of listed companies

Year	Manufacturing	Total	Percent of Manufacturing
2005/06	4,731.30	35,240.38	13.43%
2006/07	4,644.59	41,424.77	11.21%
2007/08	5,024.83	61,365.89	8.19%
2008/09	5,472.11	96,813.74	5.65%
2009/10	5,212.45	108,974.44	4.78%

Source: Annual Reports of SEBON (2009/10)

Figure 4.16 (*In Mio Rs).*

Market capitalization of listed companies



Source: Table 4.17

4.3.4 Number of companies holding AGM

As prescribed by previous legislation and the company act, 2063, corporate bodies should conduct their AGM within 6 months after the expiry of Fiscal Year, which commences from 1st of Shrawan through end of Ashad in the following year.

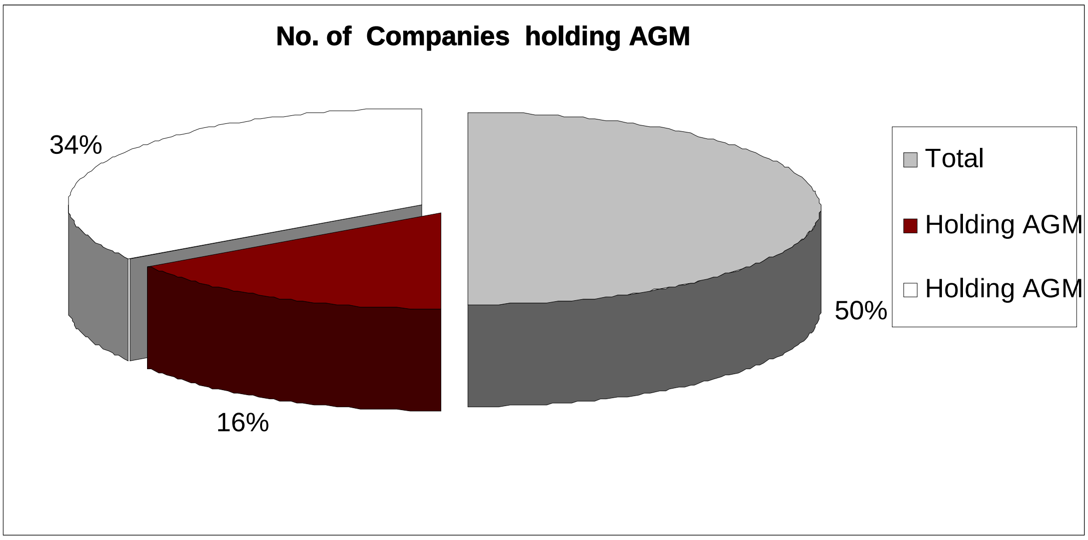
Table 4.18

Number of companies holding AGM

Year	Listed Manufacturing Companies			Listed Companies		
	Total	Holding AGM	Percent	Total	Holding AGM	Percent
2005/06	28	12	41.38%	108	54	50.00%
2006/07	28	11	37.93%	114	74	64.91%
2007/08	28	8	27.59%	125	83	66.40%
2008/09	29	10	34.48%	134	91	67.91%
2009/10	29	9	31.03%	134	92	68.66%

Source: Annual Reports of SEBON (2009/10)

Figure 4.17



Source: Table 4.18

From the above table, it is obvious that the trend is fluctuating slightly and there is not much difference as well. The trend of holding AGM is still in lower side in comparison to the total AGM held by the listed companies.

Similarly from the above Figure, the percentage of the companies holding

AGM during the fiscal year 2009/10 was only 31.03%.

4.3.5 Dividend/ Bonus Share declaration

The table shows the trend of the listed manufacturing companies declaring dividend, compared with the aggregate of listed companies. Taking the perspective, dividend / bonus declaration and share capitalization, result is quite low as compared to the industry average.

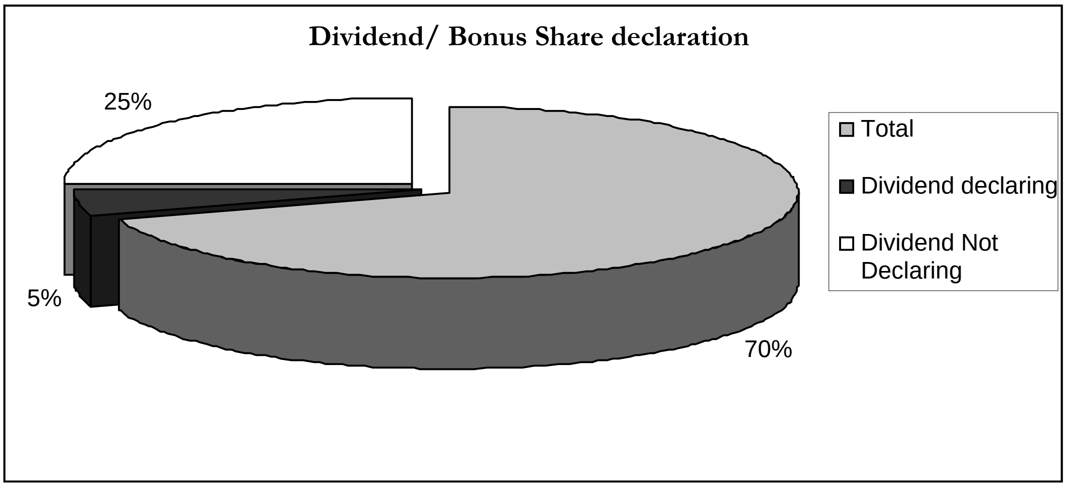
Table 4.19

Dividend/ Bonus Share declaration

	Manufacturing Companies			Total Listed Companies		
Year	Total	Dividend Declaring	Percent	Total	Dividend Not Declaring	Percent
2005/06	28	4	14.29%	108	33	30.56%
2006/07	28	4	14.29%	114	44	38.60%
2007/08	28	2	7.14%	125	34	27.20%
2008/09	29	2	6.90%	134	52	38.81%
2009/10	29	2	6.90%	134	48	35.82%

Source: Annual Reports of SEBON (2009/10)

Figure 4.18



Source: Table 4.19

The given table includes only the total no. and percentage of the companies declaring dividend but not the percentage of the dividend that they declared.

The industry average was basically increased mostly because of the inclusion of the bank and financial sector in the list of listed companies. Otherwise, the result would have been very poor. In F.Y. 2005/06 & 2006/07, there is slight decrease from that of the previous year but still has maintained consistency. But this trend has decreased by half and reached to 6.9% in 2007/08. Same has been maintained till last fiscal year i.e. 2009/10.

ANALYSIS OF PRIMARY DATA

To find out the "Problems & Prospects of Listed Manufacturing Industries in Nepal" from the experience of the real world, an empirical enquiry and observation has been conducted. The major tools used for this purpose is an opinion questionnaire, which was prepared in Two Sets, one for individual persons, professionals, employees of the manufacturing organization and other common persons and another for the representative of the manufacturing organization.

The questionnaire included the matter related to the problems and prospects of listed manufacturing industries in Nepal. The questionnaire either asked for a Yes/No response or asked for ranking of choice according to number of alternatives where a first choice is the most important and last choice is the least important. Out of 30 Questionnaire dispatched to the individual person only 25 were collected in fully answered and 20 questionnaires dispatched to the representatives of various manufacturing organization only 18 were collected with full response. Information received from respondents is tabulated into the separate format and they are expressed in percentage of total points or number then analyzed into descriptive way.

4.4 Analysis of Response from Individuals:

Out of 30 Questionnaire dispatched to the individual person only 25 were collected in fully answered they are kept into analysis which are as under:

4.4.1 Interest in industrial sector:

To know about the individuals interest on the industrial sector they want to commence the business, first question was asked "If you were an entrepreneur which industry you would like to commence?" the response provided by the respondent are presented below:

Table 4.20

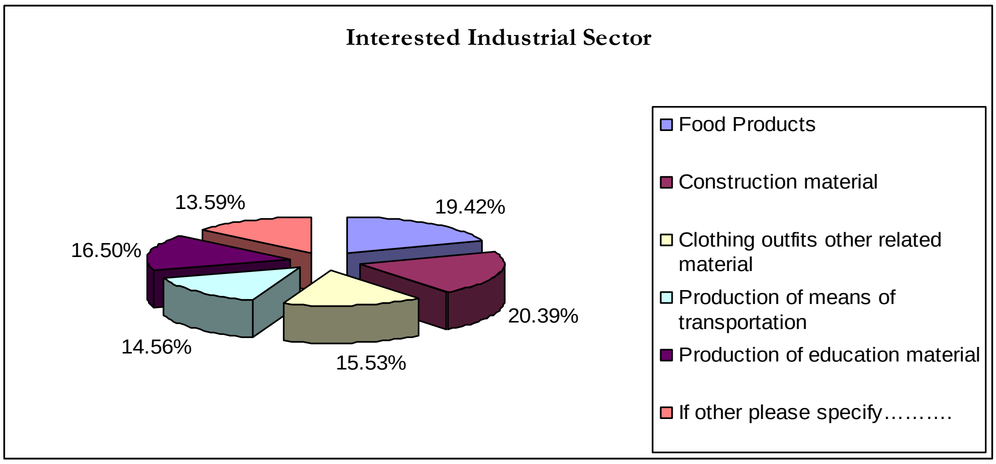
Interested Industrial sector

Industry	Points	%	Rank
Food Products	100	19.42	2nd
Construction material	105	20.39	1st
Clothing outfits other related material	85	15.53	4th
Production of means of transportation	75	14.56	5th
Production of education material	90	16.50	3rd
If other please specify……….	70	13.59	6th
Total	**525**	**100**	

Source: Opinion survey 2067

From the above analysis it is seen that first priority is seen in the industry of construction materials. However, there is close and higher prioritized interest in between Food products and construction material. Respondents specified other industry which is only 13.59% of total interest, on which the respondent quoted Software development industry, dairy product and agricultural product industry. Results are shown in following figure also:

Figure 4.19



Source: Table 4.20

4.4.2 Interest on investment sector:

To find out the individuals interest on which sector they prefer to invest their money, another question is asked "If you have enough money to invest which sector you prefer to invest?" the response provide by respondents are presented below:

Table 4.21

Interest on Investment Sector

Investment Sector	Points	%	Rank
Banking and Finance	70	28	1st
Industries (manufacturing)	65	26	2nd
Gold	50	20	3rd
Hotel and tourism	65	26	2nd
Total	**250**	**100**	

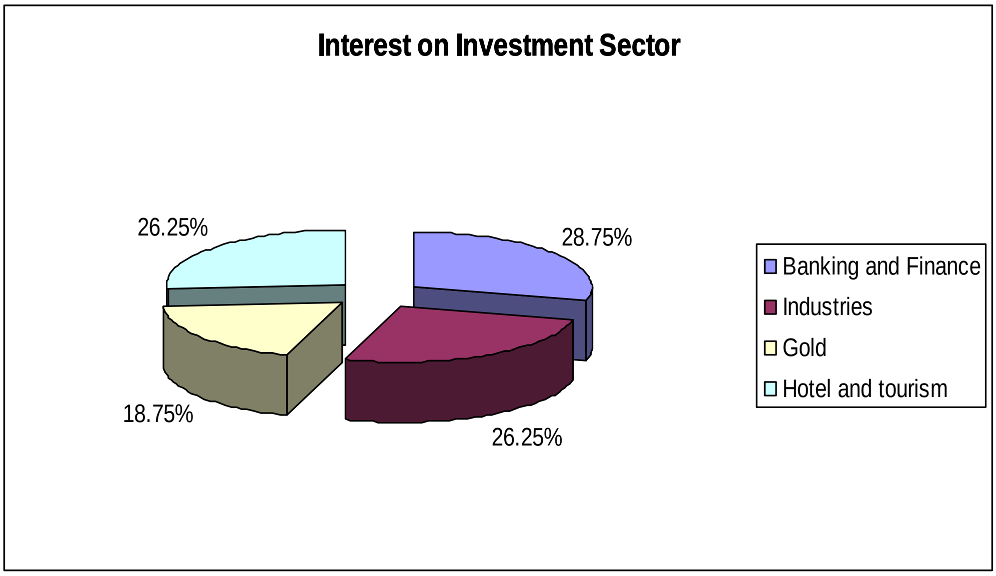
Source: Opinion survey 2067

In the above table, Banking and Finance sector scored the highest point 70 which is 28% of total points, Hotel and tourism and industry (manufacturing) scored 65 (26%) points which are in second position and gold achieved 50 (20%) points which is in third position. One of the respondent specified about his interest in computer related trading sector. From this analysis it is seen that most of the individual prefers to invest in Banking and Finance sector, if they have enough money.

The trend is still depicted by the current market scenario of IPOs for banks and financial institutions. Besides, secondary market is also almost captured by the banking and financial sector industry.

The results of the preferences based on the respondents' interest are shown in following figure:

Figure 4.20



Source: Table 4.21Preference to do from Return:

4.4.3 Preference to do from Return

Another question "Suppose you gained a lot from our present investment what would you prefer to do with your return?" was asked. The response provided by respondents is presented below:

Table 4.22

Preference to do from Return

Preference On	Points	%	Rank
Purchase more Securities of same Kind	70	28.00	1st
Purchase Same other Types of Securities	65	26.00	2nd
Spend on Durable	60	24.00	3rd
Save it safely	55	22.00	4th
Total	**250**	**100**	

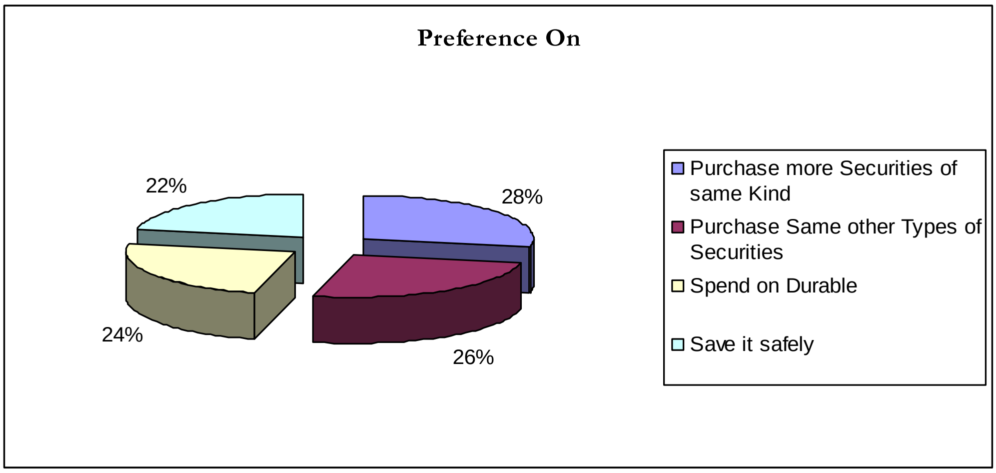
Source: Opinion survey 2067

From the above analysis it is seen that the option "Purchase more securities of same kind" got the highest points 70 which is 28% and obtained 1st position, Purchase same other types of securities got 65 points which is 26% and got

2nd position, spend on durable got 60 points which is 24% and obtained 3rd position and save safely obtained 55 points which is 22% and obtained 4th position. Thus, it is clear that if the respondents gained a lot from their current investment most of them prefer to purchase more securities of same kind.

This also shows that the risk taking attitude is quite low in the Nepalese Individuals. Thus, they prefer to re-invest in the same securities rather than diversification. The result is shown in following figure:

Figure 4.21



Source: Table 4.22

4.4.4 Reason of Buying Corporate Securities:

To find out the reason of Buying corporate securities by respondent, another question "What made you buy corporate securities like share, debenture etc) was asked. The response provided by respondent are presented below:

Table 4.23

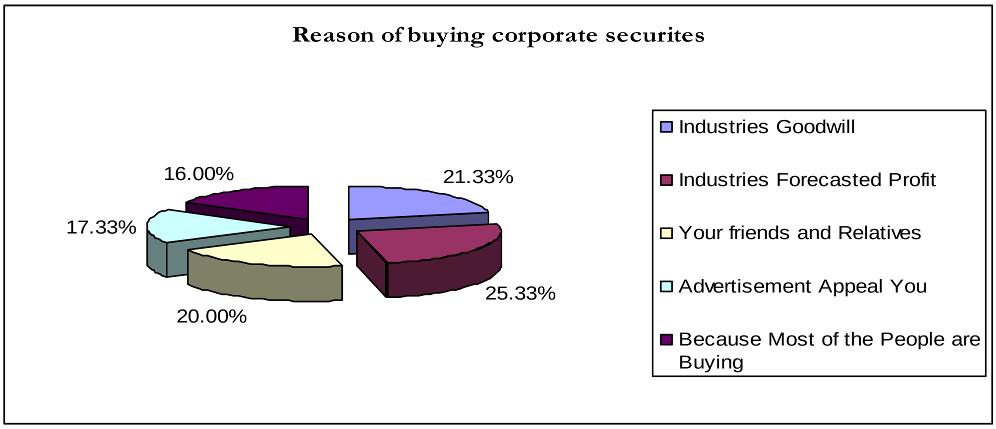
Reason of Buying Corporate Securities

Reason	Points	%	Rank
Industries Goodwill	80	21.33	2nd
Industries Forecasted Profit	95	25.33	1st
Your friends and Relatives	75	20.00	3rd
Advertisement Appeal You	65	17.33	4th
Because Most of the People are Buying	60	16.00	5th
Total	**375**	**100**	

Source: Opinion survey 2067

In the above table it is seen that the industries forecasted profit is the main reason of buying corporate securities of the individual. Because the option "Industries forecasted profit got highest point 95 out of total point 375 which is 25.33%, and became 1st in position. "Industries goodwill got 2nd position by getting 21.33%, the option "Your friend and relatives" got 3rd position by getting 20%, "Advertisement Appeal You" became 4th by getting 17.33% and finally the option "Because Most of the people are buying" got 5th position. So we can conclude that the "Industries Forecasted Profit." Is the main reason of buying corporate securities? The results are presented in following figure:

Figure 4.22



Source: Table 4.23

4.4.5 Attraction towards Buying Products:

To know the factor that attracts the individual to buy a product a question was asked "While Buying Products What things Attracts you?" The answers provided by respondents are presented below:

Table 4.24

Attraction towards Buying Products

Attraction	Points	%	Rank
International Brand, Foreign Trademark	45	18	4th
Good Packing	55	22	3rd
Reasonable Price	80	32	1st
Advertisement	70	28	2nd
Total	**250**	**100**	

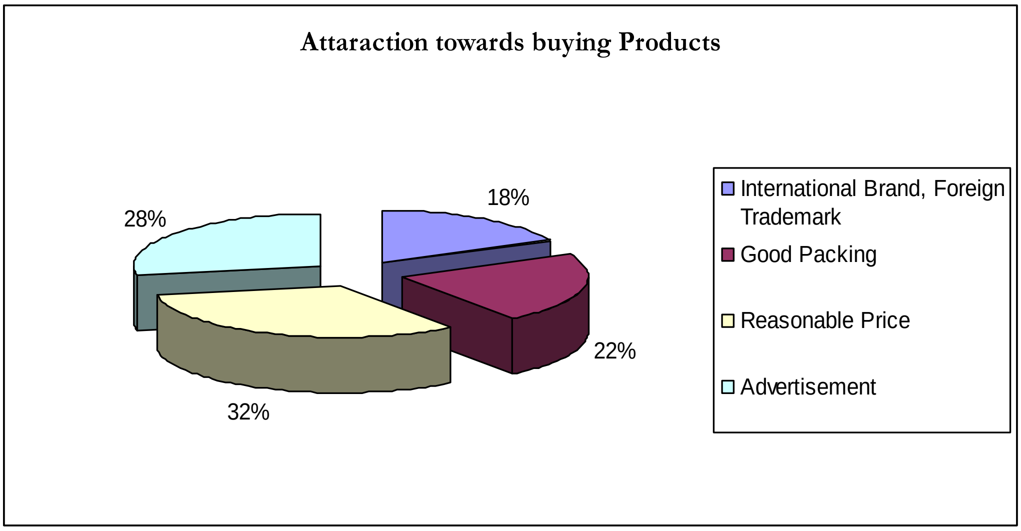
Source: Opinion survey 2067.

From the above table it is found that the "Reasonable price" is the main thing that's attracts the individuals towards buying products, since it got 80 point which is 32% and highest among other option. Advertisement is second factor which got 70 points (28%), Good Packing is third factor which got 55 points (22%) and International brand, and foreign trademark got 45 points (18%) which is in 4th position.

Thus, we can conclude that the Reasonable price of the product is the main factor that attracts the individual to purchase the product. The term reasonable price denotes lower price as compared to the quality of a products or services.

Results are shown in following figure:

Figure 4.23



Source: Table 4.24

4.5 Analysis of Response from Manufacturing Industry:

Out of 20 questionnaires dispatched to Manufacturing organization only 18 were collected with full response, and they are kept into analysis, which is as under:

4.5.1 Problem Regarding Competition

To know the problems regarding competition of the industry a question was asked "Is your industry facing any problems regarding competition?" Answer provided by respondent are presented below:

Problem Regarding Competition

Response	No of Respondent	%
YES	18	100
NO	0	0
Total	**18**	**100**

Source: Opinion survey 2067.

Above analysis shows that 100% of respondent Manufacturing industry are facing problem regarding competition. To know the factor of problem respondents are requested to rank the option in same question, their response is tabulated below:

Table 4.25

Factors of Problem regarding Competition

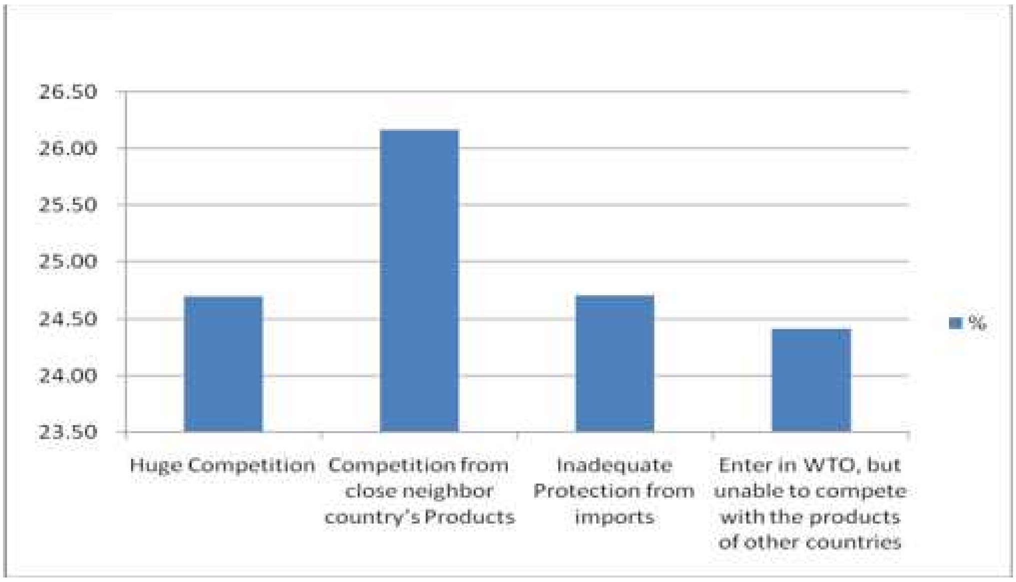
Factors	Points	%	Rank
Huge Competition	44.0	24.44	2nd
Competition from close neighbor country's Products	47.0	26.11	1st
Inadequate Protection from imports	45.0	25.00	3rd
Enter in WTO, but unable to compete with the products of other countries	44.0	24.44	4th
Total	**180**	**100**	

Source: Opinion survey 2067

In the above analysis the option "Competition from close ne ighbor country's products" got 89 points which is 26.17% of total points and scored 1st position. The option " Huge competition" and "Inadequate Protection from imports" got 84 points which is 24.71% and scored 2nd position and the option "Enter in WTO, but unable to compete with the products of other countries" got 83 points which is 24.42% and scored 3rd position. One of the respondents has mentioned about the protection from illegal interruption and another have mentioned about the problem as modification. Thus, we can conclude that all the problems are equally emphasized in the opinion survey result as mentioned above based on the percentage rating. Further, the main factor of problem regarding competition is due in "competition from close neighbor countries product. The Result is also shown in following figure:

Figure 4.24

Factors of Problem regarding Competition



4.5.2 Problem Related to Government Law and Act:

To find out the problem related to government law and Act a question was asked "Does your company have any problems related to government law and Act?" Answers provided by respondents are presented below:

Problem Related to Government Law and Act

Response	No of Respondent	%
YES	14	77
NO	4	23
Total	**18**	**100**

Source: Opinion survey 2067

In the above analysis out of 18 respondent 14 respondent ticked in the option "Yes" and 4 respondent ticked in the option "No". So 77% of the respondent said yes and 23% said no. So the conclusion can be drawn that the companies have problem related to Government Law and Act. The respondent saying "Yes" are requested to rank the problems and their response are presented below:

Table 4.26

Problem Related to Government Law and Act

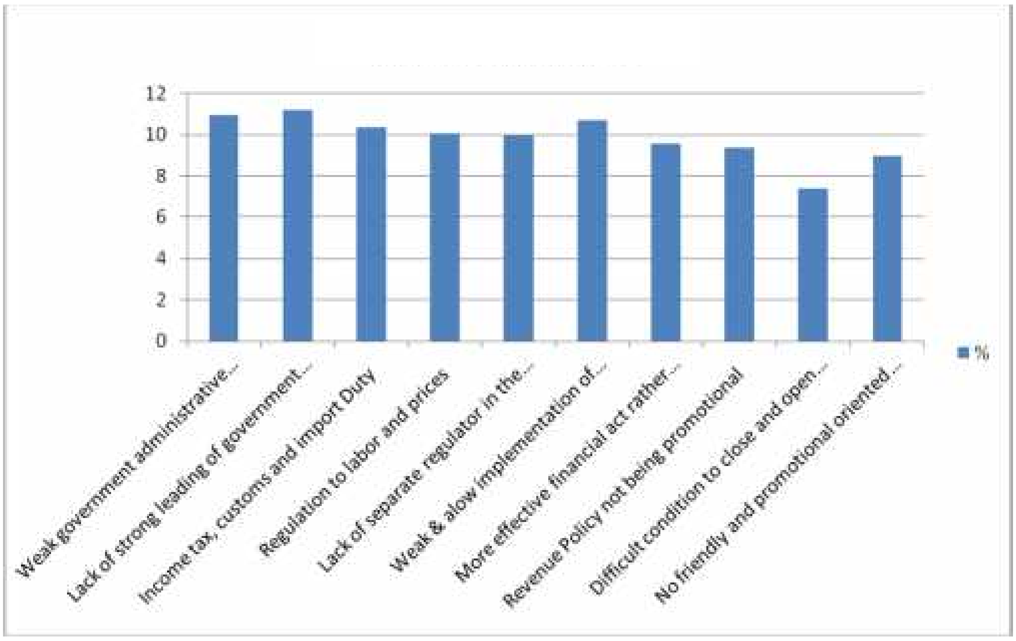
Problem Factors	Points	%	Rank
Weak government administrative system and unnecessary interference	85	11.04	2nd
Lack of strong leading of government in international arena to promote Nepalese industries	87	11.30	1st
Income tax, customs and import Duty	81	10.52	4th
Regulation to labor and prices	78	10.13	5th
Lack of separate regulator in the regulation of manufacturing industries	78	10.13	5th
Weak & low implementation of existing rules, regulation	83	10.78	3rd
More effective financial act rather than industrial act.	75	9.74	6th
Revenue Policy not being promotional	73	9.48	7th
Difficult condition to close and open the industries	60	7.79	9th
No friendly and promotional oriented industrial act	70	9.09	8th
Total	**770**	**100.00**	

Source: Opinion survey 2067

In the above analysis the option "lack of strong leading of government in international arena to promote Nepalese industries" scored highest point 87. This is 11.22% of total points. Thus it is the main factor of problem related to Government Law & Act. Even then we can see that the problems are more or less proportionately divided. Result is shown in following figure:

Figure 4.25

Problem Related to Government Law and Act



4.5.3 Problem Regarding Distribution Channel

To find out the problem regarding distribution Channel a question was asked " Does your company have any problem regarding **Distribution Channel?**" answers provided by respondent are presented below:

Problem Regarding Distribution Channel

Response	No of respondent	%
YES	11	60%
NO	7	40%
Total	**18**	**100**

Source: Opinion survey 2067

Above table shows that 60% of respondents are in favor of the option "Yes" and 40% of Respondents are in favor of option "No". so we can say that the companies are facing the problem regarding Distribution Channel. The respondent saying "Yes" is further requested to rank the factor provided in questionnaire. Their response is tabulated below:

Table 4.27

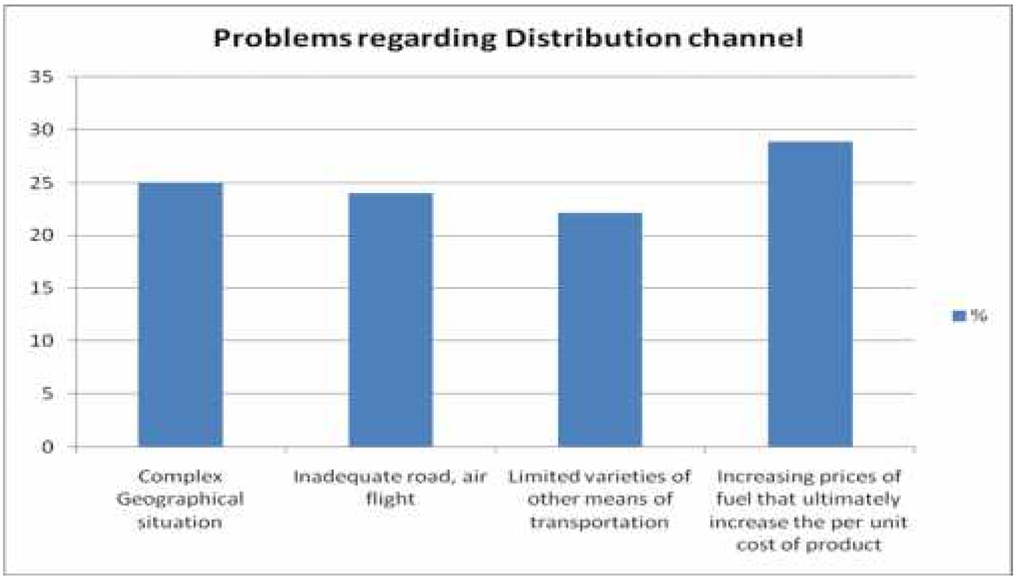
Problem Regarding Distribution Channel

Factors	Points	%	Rank
Complex Geographical situation	28	25	2nd
Inadequate road, air flight	26	24	3rd
Limited varieties of other means of transportation	24	22	4th
Increasing prices of fuel that ultimately increase the per unit cost of product	32	29	1st
Total	**110**	**100**	

Source: Opinion survey 2067

In the above analysis the option "Increasing prices of fuel that ultimately increase per unit cost of product" got highest 32 point which is 29% of total points and it is in 1st position. "Complex Geographical situation" is in 2nd position by getting 25%. "Inadequate road, air flight" is in 3rd position by getting 24%, like wise other options are ranked. So we can conclude that the "Increasing prices of fuel that ultimately increase per unit cost of product" is the main problem regarding distribution of product. Result is presented in following figure:

Figure 4.26



4.5.4 Problems due to security & current Political Situation:

To know whether the company is facing the problem due to the Security & current political situation of country a question was asked "Is your company facing problems due to the Security & current political situation of country?" the response of the respondent is presented below:

Problems due to Security & Current Political Situation

Response	No of Respondent	%
YES	18	100
NO	0	0
Total	18	100

Source: Opinion survey 2067

In the above table 100% of the respondent ticked the option "YES" and none of the respondent ticked the option "NO". So we can conclude that companies are facing problems due to security and current political situation. Further the respondent sayings Yes are requested to rank the problems provided in questionnaire their response are presented below:

Table 4.28

Problems due to security & current Political Situation

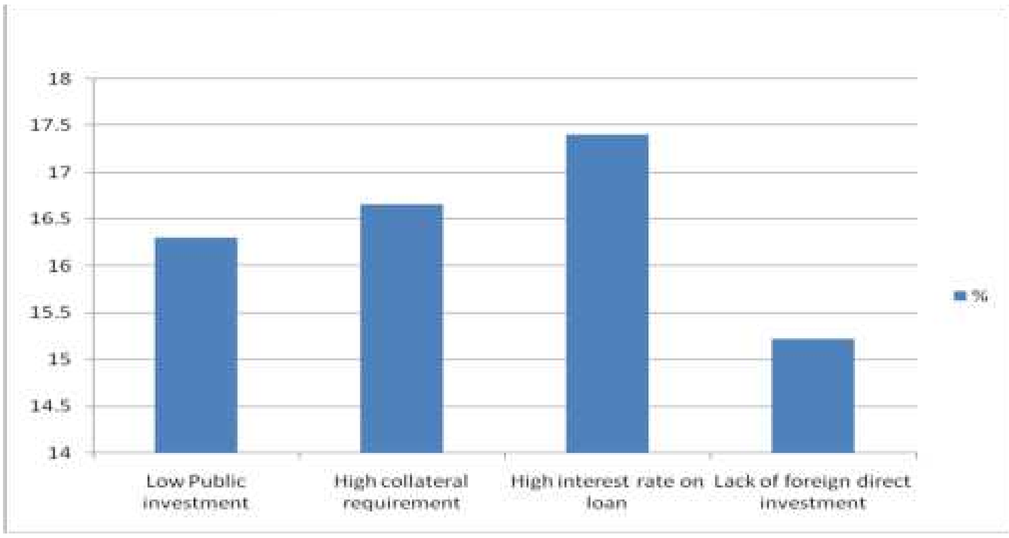
Problems	Points	%	Rank
Unstable unpredictable political situation	48	26.79	2nd
Political disturbance, Band, strikes	52	28.58	1st
Lack of protection steps for industries	43	24.10	3rd
Lack of distribution channel to distribute the product in rural area	37	20.53	4th
Total	**180**	**100**	

Source: Opinion survey 2067.

In the above table the option "political disturbance, band, strike" got 52 points which is 28.58% of total points and became 1st in position. Like wise the option "Unstable Unpredictable political situation" became 2nd,"lack of protection steps for industries" became 3rd by getting 24.10% and the option "Lack of distribution channel to distribute the product in rural area" became 4th by getting 20.53%. Thus we can conclude that the main problem due to security & current political situation is political disturbance, band & strikes. The result is presented in following figure:

Figure 4.27

Problems due to security & current Political Situation



4.5.5 Problem Related to Demand:

To know about the problem related to demand of the companies another question was asked "Does your company have any problems related to demand?" The answer provided by respondent are presented below:

Problem Related to Demand

Response	**No of respondents**	**%**
YES	16	89
NO	2	11
Total	**18**	**100**

Source: Opinion survey 2067.

In the above table 16 respondents out of 18 are in favor of the option "Yes" and 2 respondent is in favor of the option "No". So we can say that there exist some problems related to demand in the companies. Further the respondents saying yes are requested to rank the problems provided in questionnaire, their response s are presented below:

Table 4.29

Problem Related to Demand

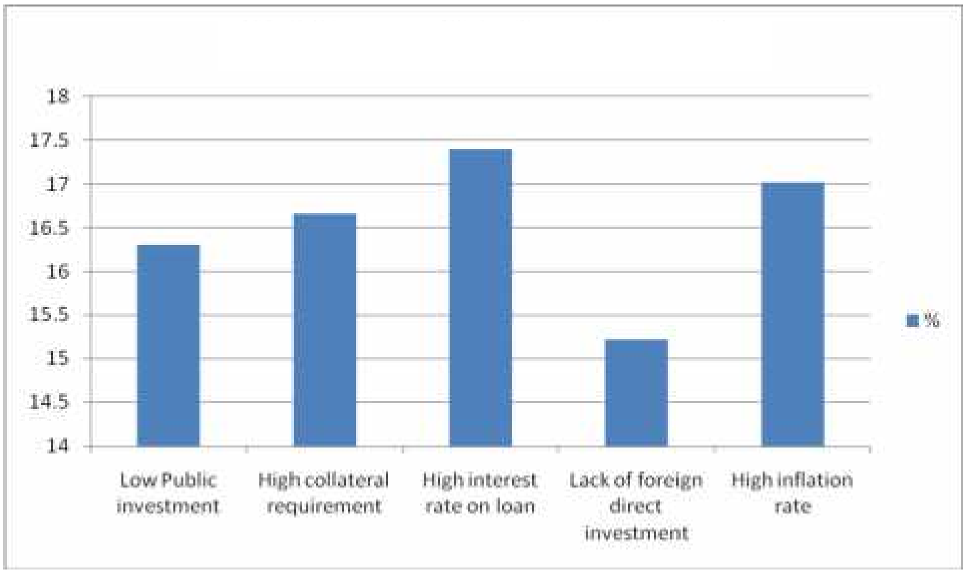
Problems	Points	%	Rank
Insufficient Demand	49	20.37	2nd
Fluctuation in demand	53	22.18	1st
Lack of good advertising and promotion of product	48	19.91	3rd
Demand of high quality products in urban area	47	19.45	4th
Limited quota & time period from India to export	43	18.09	5th
Total	**240**		

Source: Opinion survey 2067.

In the above table the option "Fluctuation in demand" got highest points 53 (22.18%) and became 1st in position, the option "Insufficient Demand" secured 2nd position, "Lack of good advertising and promotion of product" got 3rd position, "Demand of high quality products in urban area" got 4th position and "Limited quota & time period from India to export" got 5th position by getting 48, 47 & 43 points respectively. Thus we can conclude that the number one problem of the companies related to demand is "Fluctuation in demand". Result is presented in following figure:

Figure 4.28

Problem Related to Demand



4.5.6 Problems related to Finance:

To find out the problems related to finance of the companies a question was asked "Does your company have any problems related to Finance" the answer provided by respondent are presented below:

Problems related to Finance

Response	No of respondent	%
YES	13	72
NO	5	28
Total	**18**	**100**

Source: Opinion survey 2067.

Above table shows that 72 % of the respondent are in favor of the option "Yes" and 28 % of the respondent are in favor of the option "No". So we can say that the companies are facing the problems of finance. Further the respondents saying 'Yes' is requested to rank the option of problems provided in questionnaire which is presented below:

Table 4.30

Problems related to Finance

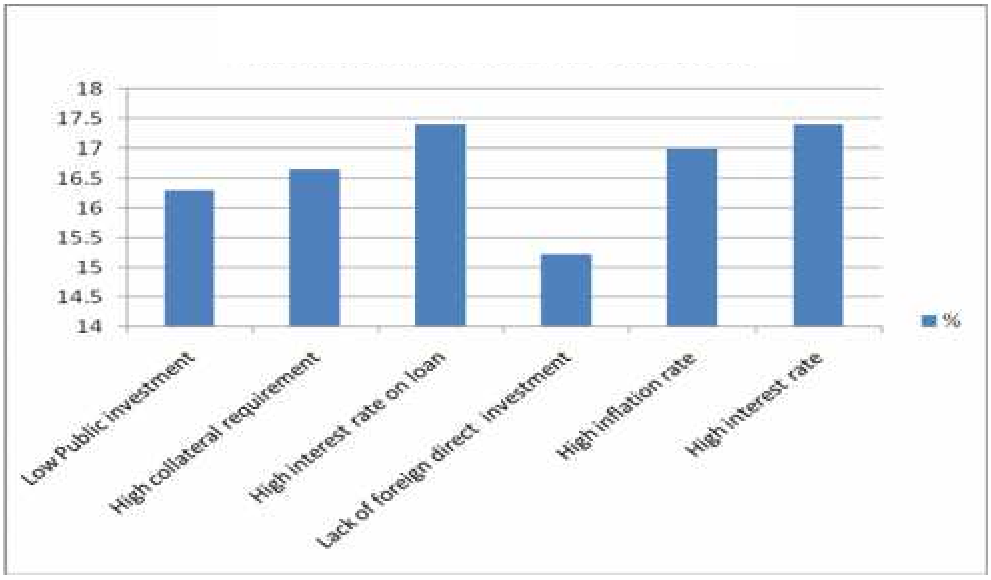
Problems	Points	%	Rank
Low Public investment	44	16.30	4th
High collateral requirement	46	16.66	3rd
High interest rate on loan	47	17.40	1st
Lack of foreign direct investment	42	15.22	5th
High inflation rate	47	17.02	2nd
High interest rate	47	17.40	1st
Total	**273**	**100**	

Source: Opinion survey 2067.

In the above table the option "High interest rate on loan" and "High interest rate" both got equal points 47 which is 17.40% and became 1st in position and other option as presented in above table. Some respondents have specified as "Frequent increase in raw materials price and credit collection as the problem of finance. Result is presented in following figure:

Figure 4.29

Problems related to Finance



4.5.7 Problem of Technology & infrastructure:

To know the problem related to Technology & infrastructure a question was asked "Are your company facing the problem of technology & infrastructure?" the response provided by respondent is presented below:

Problem of Technology & infrastructure

Response	No of Respondent	%
YES	11	60
NO	7	40
Total	**18**	**100**

Source: Opinion survey 2067.

In the above table 60% of respondent are In favor of the option "Yes" and 40% of the respondent are in favor of option "No". Further the respondents saying yes are requested to rank the problems, their response are presented below:

Table 4.31

Problem of Technology & infrastructure

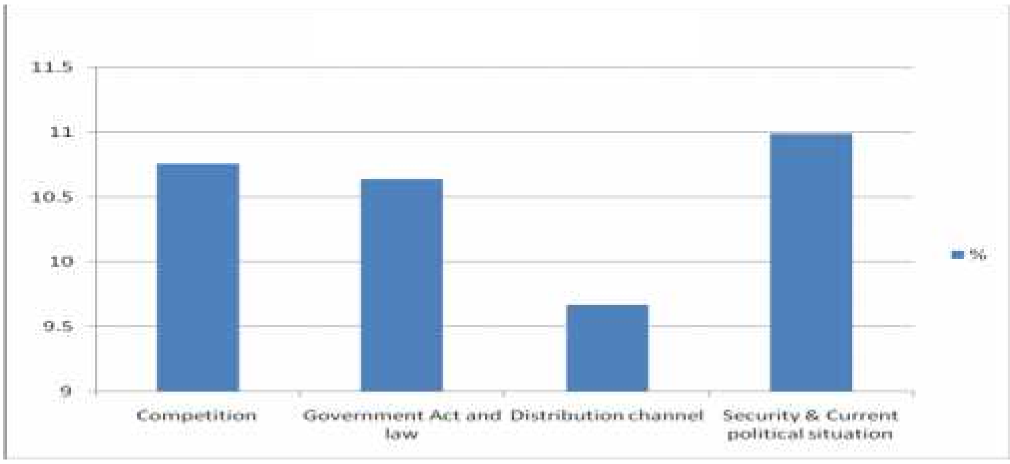
Problems	Points	%	Rank
Inadequate communication service	27	24.50	3rd
Supply of electricity and water	29	26.48	1st
Cost of infrastructure	26	23.52	4th
Less investment in research and innovative, creative technology	28	25.50	2nd
Total	**110**	**100**	

Source: Opinion survey 2067.

In the above table supply of electricity and water" got 29 points which is 26.48% and became 1st position, "Less investment in research and innovative, creative technology" became 2nd by getting 25.50%, "Inadequate communication service" became 3rd by getting 24.50% and "Cost of infrastructure' became 4th by getting 23.52%. So, Supply of electricity and water can be said as main problem of technology and infrastructure of the companies. The result is presented below:

Figure 4.30

Problem of Technology & infrastructure



4.5.8 Problems related to Human Resources:

Another question was asked to know whether the companies are facing the problems related to human resource. The question was "Does your manufacturing company have any problem related to human resource?" Their response is presented below:

Problems related to Human Resources

Response	No of respondents	%
YES	9	50
NO	9	50
Total	**18**	**100**

Source: Opinion survey 2067.

In the above table 50% of respondent are in favor of the option "Yes" and 50% are in favor of the option "No". The respondents saying yes are requested to rank the problems their response is presented below:

Table 4.32

Problems related to Human Resources

Problems	Points	%	Rank
Lack of skilled manpower	31	23	1st
Labor turnover & low productivity	28	21	3rd
Migration of efficient manpower in foreign market	29	21	2nd
Labor are being more secured	25	18	4th
No provision to labor in contract	22	17	5th

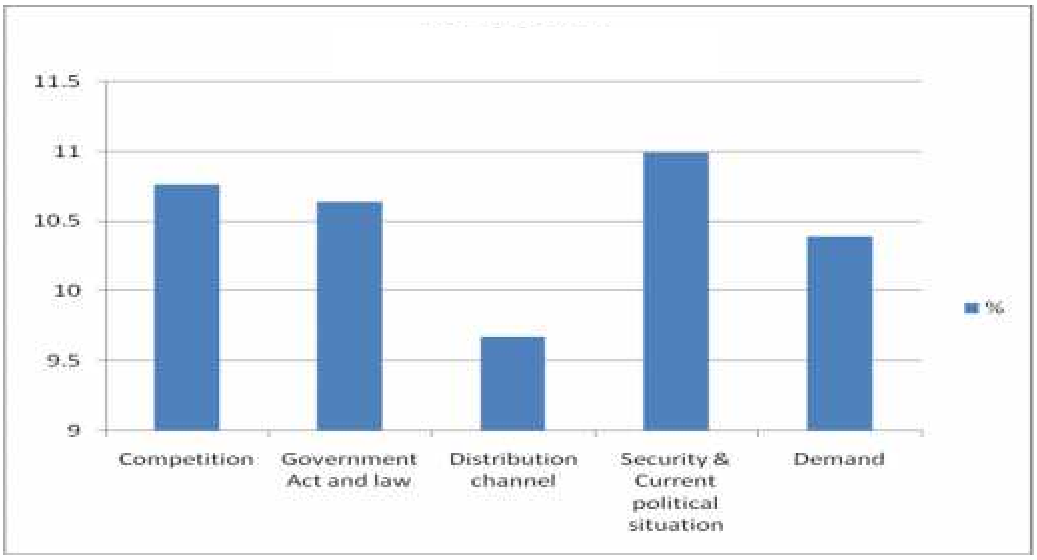
Total	135	100	

Source: Opinion survey 2067.

In the above table "Lack of skilled manpower" is seen as the 1st problem related to human resource of the companies, as it got 23%. "Migration of efficient manpower in foreign market" is in second position, "Labor turnover & low productivity" is in 3rd position, "Labor is being more secured" is in 4th position and lastly "No provision to labor in contract". Result is presented in following figure:

Figure 4.31

Problems related to Human Resources



4.5.9 Problem Related to Management

To know the problem related to management a question was asked "Does your company have any problem related to inputs" the answers provided by respondents are presented below:

Problem Related to Management

Response	No of respondents	%
YES	5	28
NO	13	72
Total	**18**	**100**

Source: Opinion survey 2067

In the above table 72% of the respondents said there is no problem related to management in their company and 28% of respondents said there is the problem related to management in their company. Further the respondent saying yes is requested to rank the problem provided in questionnaire, their response is presented below:

Table 4.33

Problem Related to Management

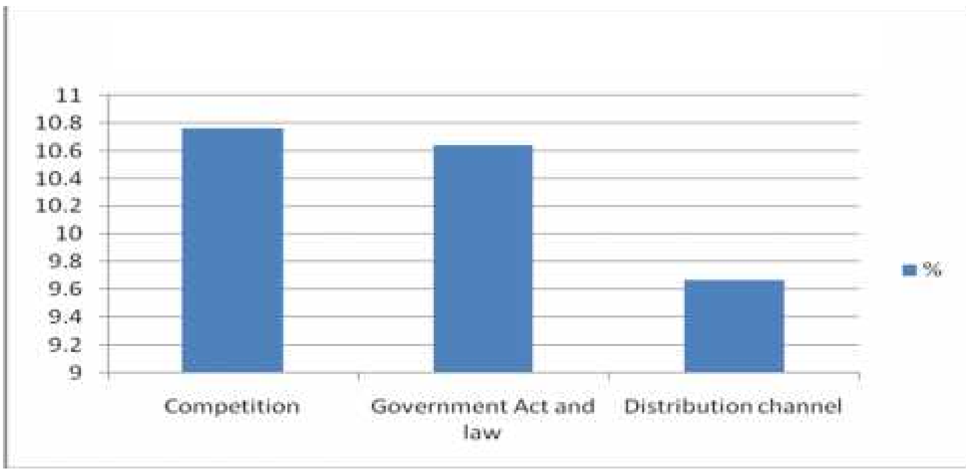
Problems	Points	%	Rank
Political appointment of unskilled employee	11	38	1st
Corruption	9	29	3rd
Bad industrial relation	10	33	2nd
Total	**30**	**100**	

Source: Opinion survey 2067.

In the above table "Political appointment of Unskilled employee" got 38% and became 1st in position, "Bad industrial relation" became 2nd by getting 33% and "Corruption" became 3rd by getting 29 %. Thus we can conclude that "Political appointment of unskilled employee" is the main problem related to management of the companies. Results are presented in following figure:

Figure 4.32

Problem Related to Management



4.5.10 Problems which influence the performance of the company

Respondents are requested to scale the problems, which influence in the performance of their company, their ranking is presented below:

Table 4.34

Problems which influence the performance of the company

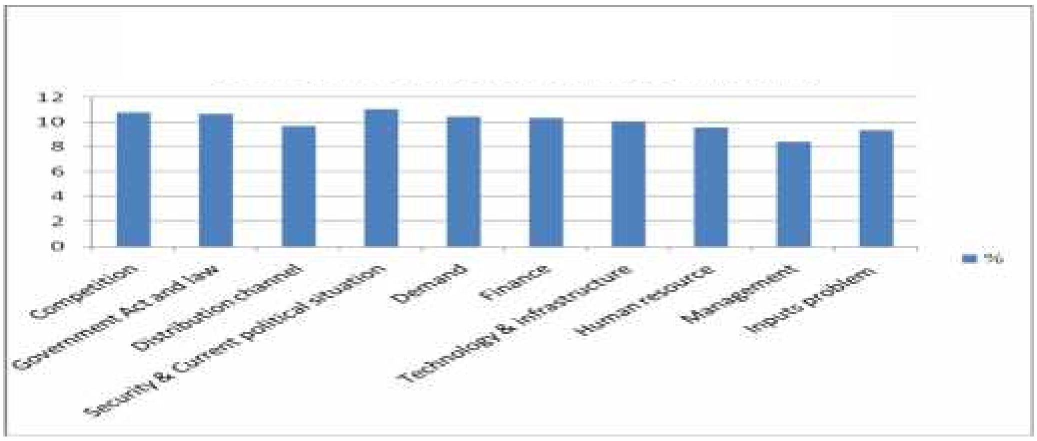
Problems	Points	%	Rank
Competition	89	11	2nd
Government Act and law	88	11	3rd
Distribution channel	80	10	7th
Security & Current political situation	90	11	1st
Demand	86	10	4th
Finance	85	10	5th
Technology & infrastructure	83	10	6th
Human resource	79	10	8th
Management	69	8	10th
Inputs problem	76	9	9th
Total	**825**	**100**	

Source: Opinion survey 2067.

In the above table the problems influencing the performance of the company are ranked on which "Security & Current political situation" got highest points 92 which are 11% and became in 1st position. According to above analysis "Competition" is second problem, "Government Act and law" is the third problem and other are as presented in above table. Result is also presented in following figure:

Figure 4.33

Problems which influence the performance of the company



4.6 Major Findings of Empirical Analysis

We have analyzed the data obtained from the secondary (i.e. Annual Reports, SEBON Reports etc) market and primary places market (i.e. through questionnaires). During our opinion survey, 2068, we have divided the questionnaire into two different target groups. They are Individuals like Teachers, Professors, Professionals & others etc. and representatives of the listed manufacturing companies. The specific problems to the listed manufacturing companies and general problems as stated by them and our analysis from the secondary information are as depicted below:

4.6.1 Major Findings from the analysis of Secondary Data

a) Liquidity Problems

Overall Industries average **Current Ratio** is very poor. This denotes the companies are facing the liquidity problems, may be due to poor cash management, debtors' management. However, during the year 2006 to 2009, the average current ratio of the industry as a whole is equals to or above the minimum acceptable level (i.e. 1:1).

In our analysis of the secondary data, we noted that the **Standard Deviation** (SD) of the NBG is quite high. Since, SD denotes the total risk of dispersion i.e. the variance from the average, the liquidity position of the NBG is very critical

It has revealed that industries average **Quick Ratio** going through various ups and down but below the better position. In the year 2003 the liquidity position was poorest. While comparing the companies one with another, it has discovered that Nepal lube oil has comparatively better than other because its ratio is near standard ratio. The reason for poor result of NBG was due to almost close down position of the company in 2009 and 2010.

Coefficient of Variance shows the percentage of variance from average liquidity position that the company has. All the companies seem suffered from the liquidity position during the last 5 years of study.

Among them BNL and the NLOL was the best two in terms of liquidity. During the year 2009, NLOL has excess liquid assets. In overall, the NLOL had nearly sufficient liquid assets whereas; the NBG must have been facing the huge financial crunch.

b) Turnover Problems

From the analysis as above, the asset was best utilized by AVU throughout the last 5 years in compared to others. The position of the NBG was worst since it started to discontinue transacting its business, in terms of its total assets. Considering the deviation, BNL was also not in a position to maintain its business comparing to its assets i.e. it under utilized its assets in terms of sales. The overall industry average was also not sound good; it may be because of the presence of the company like NBG.

Similarly, average **Net Working Capital Turnover Ratio** (NWCT) of BNL and NLOL have positive rate of return of 1.01 and 2.24 respectively. But the AVU and NBG have negative rate of return which resulted the overall negative average return in the industry. AVU has high standard deviation with negative working capital, which means that there is high risk to manage sales, stock, debtors, fund balance and payment to creditors.

c) Profitability Problems

Comparison of business ratios to those of similar businesses will reveal the relative strengths or weaknesses in business. The total of company average ratio for 5 years is 76.74 %, SD is 145.30% and CV is 249.97 %. The GPM of BNL is comparatively better since it is not fluctuating much higher than other industries. But NBG is facing poorer situation. Its margin is in negative and at the same time the balance is moving high each year that has certainly affected overall industry's CV. The situation of gross loss is nothing but, the problem in either fixing the sales price, huge depreciation (like direct fixed cost), or huge losses in closing stock.

Operating Ratio of all five selected companies are more of less similar with one anther. As shown in the Figure it is easily identified that operating ratio of NBG in 2008 is highest.

Average **Return on Total Assets** of listed manufacturing companies for previous five years was negative 12.10 % reflecting no productivity of their assets. However, if we exclude NBG from the group the average return on total assets will be 10.58%. Thus, the position of a single company i.e. NBG made the overall industry result at a deteriorate position.

Similarly, average **Return on Capital Employed** of AVU has good average return during the last five years. However, the standard deviation of the AVU is so high that the risk of having negative return on capital employed is equally high.

d) Problems of Structured Capital

As per the information collected, there is no debt position in the company like BNL and NLOL but they have the positive net worth. Whereas, the debt bearing company has the negative net worth which resulted the overall long term debt to net worth position negative. The fluctuation is so high that the there can not be any analysis of trend is predictable. There can be no proper judgment as the deviation of result from year to year and the company to company is very high.

Similarly, the interest coverage ratio in case of BNL is so high. Here, the debt portion includes only short term one and the amount of short term debt and interest expenses is so low. Thus, the coverage ratio seems so high. This had increased the overall industry average for the last five years also.

e) Problems in Securities Transactions

From our analysis, the annual turnover of transaction of securities in the secondary market has been fluctuating so high. Annual turnovers of listed companies were increasing in some fiscal years and decreasing in another F.Y.

The highest transaction of the listed manufacturing industries was observed during the F.Y. 2006/07 which was 48.11% of the total transaction during that year. Since, there was no increase in the number of the listed manufacturing companies; the transaction was increased due to the change in promoter group. But again there is dramatic change in 2008/09 and has gone to the lowest point at 0.50% during the fiscal year 2009/10.

Similarly, the industry average of the dividend declaring companies was increased, mostly because of the inclusion of the bank and financial sector in the list of listed companies. Otherwise, the result would have been very poor.

f) Problems in Utilizing Capacity

The capacity utilization of the company is the major things that need to be properly managed for the profitability and sustainability of the company. The above data shows that Bottlers Nepal Ltd has increased its capacity utilization from 2005/'06 to 2009/'10 whereas the company like AVGUL has decreased its capacity utilization. Furthermore, the capacity utilization of the NBG came down to zero.

The decrease in capacity utilization is the core problem of the manufacturing industries. The other problems are secondary. However, the problem of lower capacity utilization is basically supplemented by the following reasons:

i) Poor Management
ii) Technical Obsolesce
iii) Government policy to adhere with Indian market competition
iv) Lack of technical know-how and skills
v) Fund Crisis or improper fund management
vi) Political situation
vii) Promoters competing from the private organization in parallel with the company.
viii) Development of unaccountability urge to the personnel.

4.6.2 Major Findings of Primary Data and Secondary Data

We have analyzed the data obtained from the secondary (i.e. Annual Reports, SEBON Reports etc) market and primary places market (i.e. through questionnaires). Based on the study of secondary data and analysis of opinion of the respondents, we have categorized our findings into two categories of problems. Besides, the suggestions as provided by the respondents are also depicted below:

a) Controllable Problems

The followings are the problems which are under the control of the organization and can be also termed as diversifiable problems because they can be mitigated and controlled from the organization's own initiations, policies and better management of resources. Still they are being a curse to the organization. They are listed as below:

- **Distribution Channel and Related Costs**

  Due to the country's political scenario, nothing seems so organized, reasonably rated and properly concluded. This has directly affected the manufacturing industry as well. The compulsory inclusion mediator i.e. without any necessity, syndication in the transportation cost, etc has sky-rocketed the price of a product or services. The main problem regarding this is "Increasing prices of fuel that ultimately increases per unit cost of the product" Even after the increase in price, the timely distribution of product has not yet been achieved. Regular bandhs, strikes etc has equally affected the product supply and its' also being an extra reason to the mediator for justification of delayed supply.

  The group of industrialists should demand for proper guidelines to the government for practical oriented and market suited provisions. Similarly, the representative of NLOL said that there should be strict restriction of illegal imports and peace should also be restored in the country.

- **Creation of Demand**

  Most of the products launched in Nepal are below the international standard. On the other hand, the easy import of the consumable and other products has bottlenecked the internal i.e. domestic market. The competition with the international product combining with the high price of the product has decreased the demand of the domestic product. 4 P's of marketing i.e. product, price, place and promotion can support the demand creation.

- **Inefficient Management**

  The management of the manufacturing companies is another problem in Nepal. Less known and experienced having no professional back ground are running the organization in a very haphazard way. The traditional approach of running business, not having transparent, timely and analytical reporting statements have, further decreased the capacity of management. Political appointment of unskilled employee is the main problem regarding management. The only remedy is to identify skilled, semi skilled or unskilled employee and their recruitment can achieve the managerial goal efficiently.

- **Human Resource**

  The absence of the efficient human resource is another problem in the manufacturing organizations. There is huge turnover of the skilled labour due to lack of job security, incentive and opportunity to grow further. Lack of corporate culture among the staffs and promoter groups are other reasons to create problems to the manufacturing organizations. There is lack of skilled manpower in the manufacturing industries so this is the main problem related to human resource. Manufacturing industries are struggling for qualified and trained human resource, first there is not enough such kind of manpower another Nepal is unable to retain them. Thus, the labour turnover is very high.

- **Financial Problems**
    - **Financing**

      Lack of future projections, collateral shortages and credibility problems has created the problem of getting the source of financing. The investors are more inclined to the banking, financial institutions and hydro sector companies. Public Issues are not charming to the manufacturing companies. During the few previous years, only a few no. of manufacturing companies have been a part of listed manufacturing companies. Most of the manufacturing companies registered yet are of private nature.

      Besides, debt financing is also another problem to the manufacturing companies due to the credibility and the collateral shortages. As shown in the previous chapters, the negative net worth, net current assets, accumulated losses etc have created the problems of financing.

    - **Liquidity**

      Current ratio of overall manufacturing industry for last five years was below 2:1. Since a company current ratio offer an indication of the companies' liquidity position, it may be true that this standard is only a guide and different business operates in very different way. In our analysis for the manufacturing industries this ratio for AVU & NBG shows a very poor situation (i.e. below 1 throughout the period of last five years) which may create solvency problem later.

    - **Turnover**

      The industry average of selected 5 manufacturing organizations during last five years has 0.84 total asset turnover ratios. BNL and NBG have lower ratio than other companies and AVU has made optimum use of its assets. Problem of creating demands is the main cause of low turnover ratio.

- **Profitability**

  As seen in the analysis chapter of our study, the industry average of net profit ratio was very poor i.e. negative 156.34. This was only due to the presence of the closed down industry but bearing fixed cost on a regular basis. Besides organization having debt fund in its capital structure, also have profitability problems. This directs the need of balance of equity fund and debt fund in its capital structure.

The collateral is the main crunch for financing the organization. In such a case only good credibility can provide the fund in the form of equity. In Nepal, for overdraft debt fund too, requirement of Collaterals has been fixed by the banks and financial institutions. Besides, better turnover ratios, profitability positions and operating capacity should be improved.

- **Lack of Proper Internal Policies**

  The companies do not have proper internal policies. Most of the policies are vague, uncontrolled, and not transparent & benefit oriented to the certain limited groups. Thus, certain groups are benefiting themselves at the cost of the manufacturing companies. To avoid such a scenario, proper internal policies should be developed internally or consultant can be contacted for.

- **Technology Obsolesces**

  In Nepal, among the various listed manufacturing companies, mostly was registered and running since long back years. However, the need of modification in the technology is highly rated. Still the use of the obsolete technology has decreased the demand of the product of such companies.

- **Machinery breakdown**

  The untimely machinery break-down also interrupts the smooth operation of the organization. The required man power and the parts of the machinery may needs to be imported. Thus, some times machinery break-down also causes major problem to the organization.

b) Uncontrollable Problems

The followings are the problems which cannot be controlled by the management, board and its policies. Thus, solving this type of problems is the cost to the organization because these problems cannot be diversified by any means that are under the control of the organization. Yes, of course, some of them may be decreased to some extent by means of strategic and diplomatic initiations. Still there is problem to avoid it completely as it is controlled by third party, not the organization itself. These types of problems are listed below:

- **Unfair Competition**

  There are so many out going and incoming organization in the field of manufacturing companies, mostly in private sector. Thus, there is cut-throat competition that may be fair or unfair. The unfair competition in the market can only be mitigated by government interferences. The main problem regarding competition is "Competition from close neighbor countries product". The suggestion given was for creating demand by improving quality of a product. For this, they suggested that the revision of capital structure may be done, if need be.

- **Political Instability, Government Policies, Acts and Regulations**

  Frequent changes in the government, its policies, new acts and amendments etc have created a huge problem in the business sectors. The change in tax, duty rates, inclusion or exclusion of provisions has created the problem in business forecasting, contract amendments etc. Besides, many of the provisions are still not for the sake of the companies. Still, there are some cases of cascading of taxation. Provisions were not interpreted properly in the

Acts and Regulations. Government leadership in the international arena to promote Nepalese industries is also not proper and practical oriented.

The group of industrialists should demand for proper guidelines to the government for practical oriented and market suited provisions.

- **Inflation and High Rate of Interest:**

  Since, the international market affects the inflationary position, convertible currency fluctuation and High rate for debt financing has made problems to the manufacturing organization to be in the market being competitive. Price of a product should be fixed in such a way to meet the reasonable cost of debt fund and inflationary situation.

- **Energy Distribution**

  During the past few years of trend and future projection of Nepal Electricity Authority (NEA), the energy distribution in the form of electricity will not be in smooth position. The regular load shedding has marred manufacturing industry in a big trouble. To meet the energy supply, the alternative resources used by the industry has again made the problems due to cost increment.

  As identified by the representative of manufacturing industries, supply of electricity and water is the main problem related to technology & infrastructure of manufacturing industries. The alternative sources of power supply should be managed for uninterruptible production processes.

- **Availability of Raw Materials**

  Nepal is particularly based on agro industry. Besides, agricultural products, most of the raw materials used by the manufacturing industries are brought from the foreign countries. Due to regular bandhs in border area, Changes in policies by the Indian government, Nepal governments etc the smooth flow of raw materials is a big problem.

There is problem related to inputs in timely availability of raw materials such as base oil and additives. Proper judgement of stocks should be made and various stocks levels should be defined and maintained accordingly. Besides, Just in time approach may also be followed according to the availability of the raw materials

4.6.3 Prospects Identified by Representatives of Manufacturing Companies

Again the respondents are requested to mention the prospects of their company. There responses are as under regarding the prospects of the manufacturing companies

- Involvement of strategic partner for technology & financial contribution.
- Going to improve the existing capacity and also going to increase existing capacity very soon.
- Potential of producing grease and other varieties of lubricants.
- Due to cheap labour, and huge Indian and Chinese market adjoining the country, foreign investment and technology transfer may be done.
- Unemployment may be the history.
- Huge sum of revenue in the form of taxes and duties may be collected.
- Resources will be utilized in its optimum level.
- Different market may be explored in the history of manufacturing industry.
- Market capitalization will have a good benefit to investors.
- If the establishment is running smoothly, the cost of financing is even becomes low because the bank and financial institutions prefers the secured and regular repayment of debt fund.

CHAPTER –V
SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter includes the summary of all the major findings under the study, suggestions and recommendations for solving those problems, prospects identified and recommendation for initiation towards fulfillment of those identified prospects. Besides, it includes the recommendation for further studies on the similar topic, which are among others, still not covered hereunder.

5.1 Summary

In the previous chapters, we have had an overview of the problems related to the manufacturing companies that are listed in the stock exchange. The present study was divided into 5 chapters enumerated in a chronological order as below:

- Introduction
- Review of literature
- Research Methodology
- Data presentation and analysis.
- Summary conclusions and recommendations

The study was introduced with its focus, objectives, justification, limitation, statement of problems etc. Similarly, the literature related to the various caption has been reviewed such as Conceptual Review, Review of Related studies etc. On the other hand certain research methodology has been used. Sampling of data population, its research design and period of the study, Data Collection technique etc has been done. Various financial and statistical tools had also been used for the data analysis.

The analysis of the data obtained from the primary and secondary sector has been done to identify the core of the problems and suggestions to solve them. Thus, our analysis of the data obtained from the secondary (i.e. Annual Reports, SEBON Reports etc) market and primary places market (i.e. through questionnaires) have given certain results about the findings of the problems, prospects of the manufacturing industries and recommendations to be implemented for future reference. In addition to that, future prospects of the listed manufacturing companies are still discussed and presented.

The analysis of the data obtained from opinion survey resulted with the list of problems, suggestions and future prospects, such as unfair competition, inefficient management, improper and inappropriate government rules and regulations, financial problems, problems of human resources, raw materials, energy, interest of the population in other service sectors rather than the manufacturing sectors, government instability, future market capitalization etc.

The analysis of a number of listed manufacturing companies, number of transactions, annual turnover, and market capitalization etc of those companies indicated that the listed manufacturing companies have poor performance in NEPSE.

Furthermore, majority of listed manufacturing companies reported that low trading of share of these companies are due to low financial performance. Majority of the companies expressed their prospects as large market potential for their products, fairly large employment opportunities for unemployed people and heavy amount of tax revenue to the government.

5.2 Conclusion

With the known facts related with the problems of manufacturing companies, problems needs to be sorted into the similar groups or interrelated groups. Problems should be rated and ranked on a priority basis. Manufacturing

Industry, of course, being an important sector in the economy should be given an utmost importance. Even banking and financial sector that seemed good now a days, also needs industrial back up for smoothly running its business. Economy is a cycle. So, the absence of it definitely breaks up the economy as a whole.

The problems of the manufacturing sector are of various type viz. resources problems, management problems both internal and external to the organization.

The problem of resources may be financial, human resources and raw materials etc. Timely availability of such resources at reasonable rate would be the most advantageous to the organization. The problem of machinery break-down, scarcity of resources etc may hamper the capacity utilization of the organization. As we have seen in the previous chapter, the selected five companies are utilizing its capacity during last five years was below 30% on an average.

Since, the capacity was under utilized; the sales potentiality and capacity became automatically low and it had the prospective effect on the low current assets i.e. on account of debtors or cash. Similarly, its fixed costs including its cost related to debt financing was to be paid on regular basis, its profitability is prospectively negative due to low sales. Thus, the problems becomes the list of cycle one affecting another.

Furthermore, the regular financial losses would affect its capacity to pay back debt fund and it directly affects its reputation in the credit market. This in turns affects the prices of securities in the secondary market (i.e. NepSE in case of Nepal). The regular losses, negative net worth, compromise in quality, no return to investors etc makes the share price very low, may be below face value.

Besides, the above problems, the respondents and our analysis have identified the various prospects in the manufacturing companies in Nepal. They may be listed as below:

- Due to cheap labour, and huge Indian and Chinese market adjoining the country, foreign investment and technology transfer may be done.
- Unemployment may be the history.
- Huge sum of revenue in the form of taxes and duties may be collected.
- Resources will be utilized in its optimum level.
- Different market may be explored in the history of manufacturing industry.
- Market capitalization will have a good benefit to investors.
- If the establishment is running smoothly, the cost of financing is even becomes low because the bank and financial institutions prefers the secured and regular repayment of debt fund.

Thus, it can be concluded that the listed manufacturing companies have both the problems and prospects. Traditional mentality of bureaucrats and government officials are the main factors causing these problems in listed manufacturing companies. Having so much of prospects will have no meaning unless resources are properly planned, managed and utilized.

5.3 Recommendation

Since Nepal has entered in WTO, and in today's fast growing global environment, Nepalese manufacturing industries should be able to adjust with this environment. Well designed managerial strategies should be developed and implemented. Manufacturing companies should produce best quality products at a comparatively low cost to compete in international market. Manager should be able to think in global perspective. The following points are recommended on the basis of findings of the research study:

Financial efficiency is one of the key elements to achieve the goal of any business enterprises. Going through financial analysis and other environmental analysis of some major manufacturing companies, it has been clear that they have not followed any specific and appropriate financial principles. Followings financial indicators are recommended on the basis of findings of research study:

a) Maintain Liquidity Position:

The average current ratio of the selected five manufacturing industries for last five years was 1.11, which is below the standard of 2:1 ratio. So, the each company should target meeting the ratio. Similarly, the company should target its quick ratio of 1:1. For maintaining liquidity positions, the funds should not be blocked in the excess assets not generally required for the smooth operation of the organization and similarly, huge sum of fund also should not be occupied by the unnecessary inventory. Just in time approach may also be followed.

b) Maintain Turnover Ratios

The average total assets turnover ratio and the net working turnover ratio of the selected five manufacturing companies for the last five years was 0.84 and -1.37 respectively. The negative ratio was obtained due to the negative net working capital position of the organization as a whole. The position deemed to be improved if the turnover ratio is positive and is high. Even though the high ratio would indicate the organization is overtrading and indicates the requirement of additional fund for the smooth operation. This should be managed by the proper mix of debt equity ratio in its capital structure.

c) Maintain Profitability

The term profitability indicates the better position of the organization in the context of its financial health. The performance of listed manufacturing company is very poor. Only few of these are in profit and distributing dividend to their shareholders which adversely impact on the investors to invest on its stock. Because of this reason most investor invests on banking and other sector but hesitate to invest on manufacturing sector. So it goes without saying that manufacturing company should perform well to attract good investors whether in the form of equity investment or the investment in the form of debt. Otherwise they can not expand their company or business.

Most investor has not applied for listing shares and other securities of manufacturing company in market. What is dominating player in primary or secondary market is banking and financial institution. This is either because of lack of education/ interest about it of because of risk factor, associated with manufacturing sector.

Besides increase in profit or return to investor, the company should plan for social responsibility for (eg managing wastes, social infrastructures, donations for social sectors etc). These are the emerging concept in the corporate environment that social corporate reporting statement is deemed to be the important statement for having good reputation and having good market capitalization.

d) Maintain Debt/ Equity Ratio

The debt/equity ratio should be maintained in such that its capacity to pay back its debt including covering fixed cost in the form of interest or preference dividend. The company should have sufficient operating profit to cover the interest and other fixed capital related costs.

i) Improve Promotional Activities

Product demand should be created by means of promotional activities, quality assurances and reasonable prices

ii) Discourage Unnecessary Mediator

For reasonable prices, the avoidable mediator should be omitted and environment of fair competition should be created.

iii) Manage Resources Properly

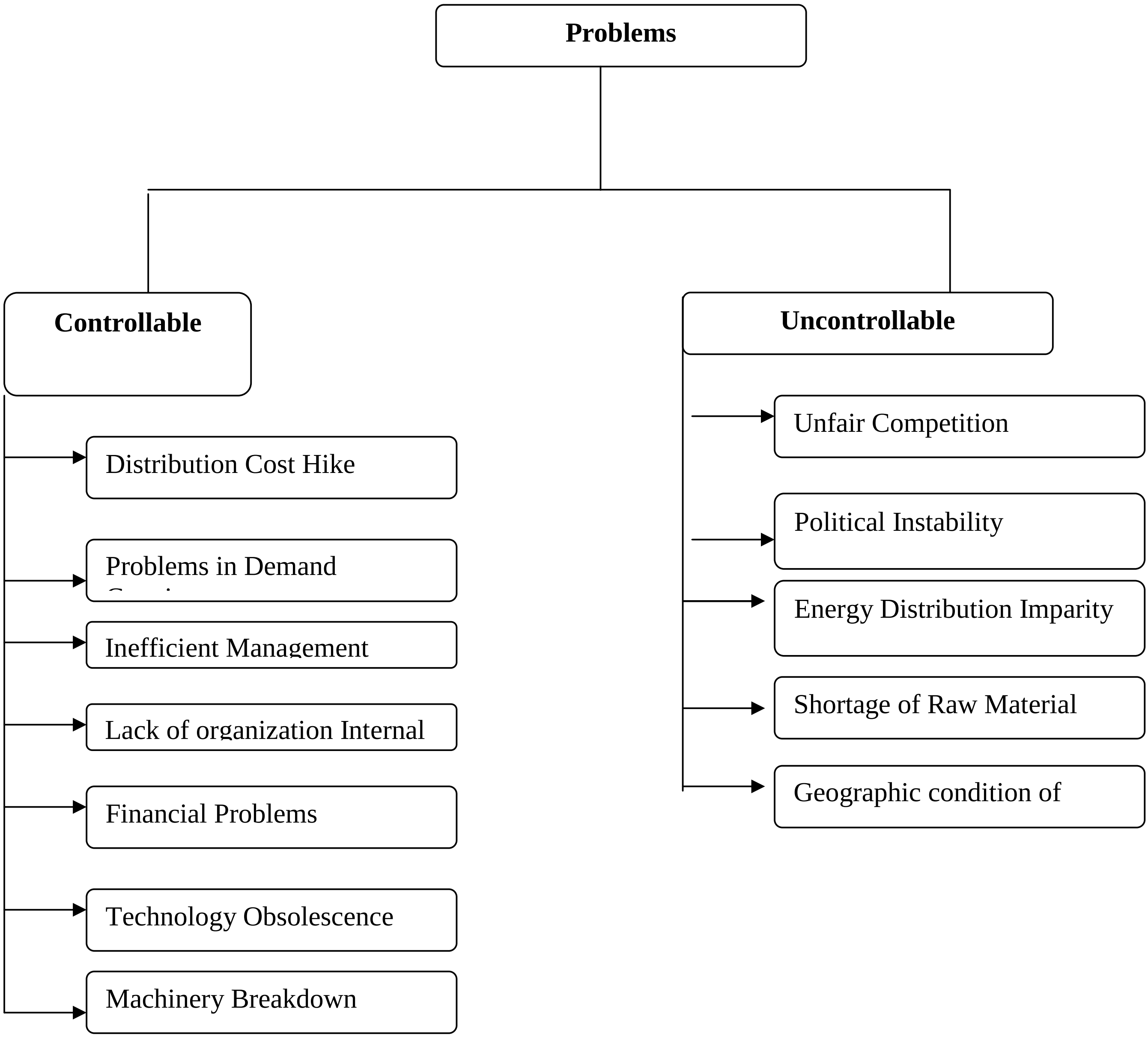
The resources (Man, Machine, Money and Materials) should be properly managed so that the capacity utilization of the organization is at its optimum level which ultimately results in better environment to employees or workers in the form of incentives, to investors in the form of return, to government in the form of revenues, to consumers in the form of satisfaction. In overall, the value added statement would look very good in financial point of view.

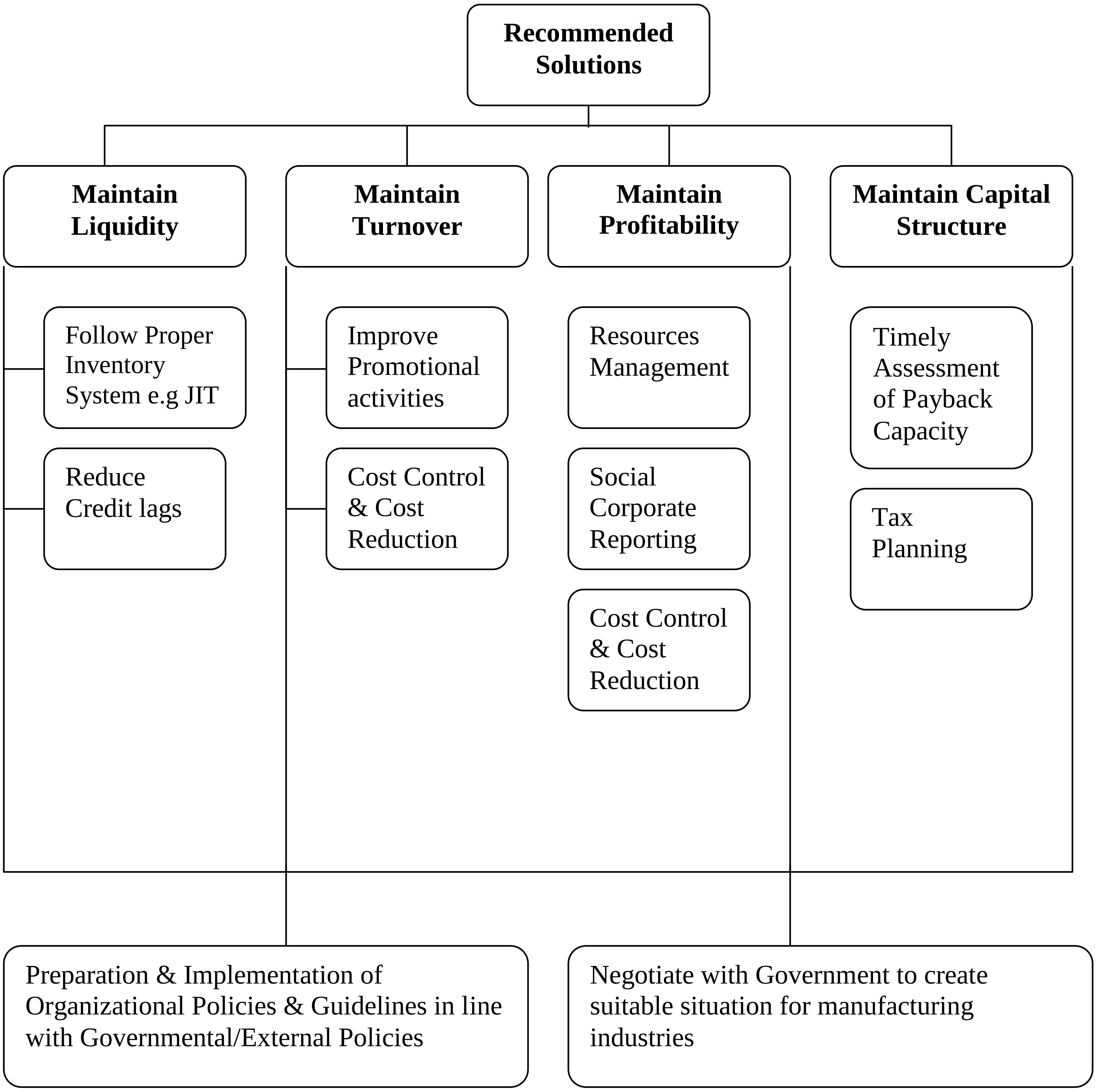
iv) Revise and Update Organizational Policies

- Proper internal policies should be developed, amended with the need of the situations and regular bargain with the government should also be done for the reasonable cases i.e. where the government policies seemed outdated or required revision(s).

Flow Figure of Problem Solution Model

The overall scenario of the problems of manufacturing industries in Nepalese context and recommended solutions as recommended above has been shown as below by means of flow Figure:





Recommended Solutions
Maintain Liquidity
Maintain Turnover
Maintain Profitability
Maintain Capital Structure
Follow Proper Inventory System e.g JIT
Reduce Credit lags
Improve Promotional activities
Cost Control & Cost Reduction
Resources Management
Social Corporate Reporting
Cost Control & Cost Reduction
Timely Assessment of Payback Capacity
Tax Planning
Preparation & Implementation of Organizational Policies & Guidelines in line with Governmental/External Policies
Negotiate with Government to create suitable situation for manufacturing industries

Recommendation for Further Studies

This research study has covered only the major problems and prospects of listed manufacturing companies. There are many problems which are not included in this research. Hence, further researchers are advised to cover up management related problem of listed as well as non listed manufacturing companies.

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APPENDIX I (A)

A research study on: "Problems & Prospects of listed Manufacturing Industries in Nepal"

The purpose of this research study is to better understand the problems of listed manufacturing industries that hinder the development of listed manufacturing industries. This study also helps to identify the prospects that the listed manufacturing industries have.

Please note that information obtained here will be treated strictly confidentially, neither your name nor the name of your company/institution will be used in any document based on this research study.

Questionnaire:
Name (Optional).................................
Profession:………………………
Age:……………………………..

1 If you were an entrepreneur which industry you would like to commence?

(Rank 6 to best, 5 to just lower & respectively)

1. Food products
   [ ]
2. Construction material
   [ ]
3. Clothing outfits other related material
   [ ]
4. Production of means of transportation
   [ ]
5. Production of education material
   [ ]
6. If others please specify
   [ ]

2 If you have enough money to invest which sector u prefer to invest?

(Rank 4 to best, 3 to just lower & respectively)

1. Bank and finance companies
   [ ]
2. Industries
   [ ]
3. Gold
   [ ]
4. Hotel and tourism
   [ ]
5. If others please specify
   [ ]

3 Supposed you gained a lot from your present investment then what would u prefer to do with your return?

(Rank 4 to best, 3 to just lower & respectively)

1. Purchase more securities of same kind
   [ ]
2. Purchase same other types of securities
   [ ]
3. Spend on durable
   [ ]
4. Save it safely
   [ ]
5. If others please specify
   [ ]

4 What made you buy corporate securities (like share, debenture etc)

(Rank 5 to best, 4 to just lower & respectively)

1. Industries goodwill
   [ ]
2. Industries forecasted profit
   [ ]
3. Your friends and relatives
   [ ]
4. Advertisements appeal you
   [ ]

5. Because most of the people are buying

   [ ]
6. If others please specify

   [ ]

5 While buying products what things attract you?

(Rank 4 to best, 3 to just lower & respectively)

1. International brand, foreign trademark

   [ ]
2. Good packaging

   [ ]
3. Reasonable price

   [ ]
4. Advertisement

   [ ]
5. If others please specify

   [ ]

APPENDIX I (B)

A research study on: "Problems & Prospects of listed Manufacturing Industries in Nepal"

The purpose of this research study is to better understand the problems of listed manufacturing industries that hinder the development of listed manufacturing industries. This study also helps to identify the prospects that the listed manufacturing industries have.

Please note that information obtained here will be treated strictly confidentially, neither your name nor the name of your company/institution will be used in any document based on this research study.

Questionnaire:

Name (Optional).................................
Designation...
Name of company/institution………………………
Business of the company.................................
Capacity utilization (2008/09) in percentage...............................

1. Are your industries facing any problems regarding competition?

Yes [ ] No [ ]

If yes, please scale the following factors. (Mark 5 to highest problem, and rank the problem on descending order)

1. Huge competition
   [ ]
2. Competition from close neighbour country's products
   [ ]
3. Inadequate Protection from imports
   [ ]
4. Enter in WTO, but unable to compete with the products of other countries
   [ ]
5. If others, please specify
   [ ]

2. Does your company have any problems related to Government, Law & Act?

Yes [ ] No [ ]

If yes, please scale the following factors. (Mark 11 to highest problem, and rank the problem on descending order)

1. Weak government administrative system and unnecessary interference
   [ ]
2. Lack of strong leading of government in international arena to promote Nepalese industries
   [ ]
3. Income Tax, Customs and Import Duty
   [ ]
4. Regulation to labor and Prices.
   [ ]
5. Lack of a separate regulator in the regulation of manufacturing industries
   [ ]
6. Weak & slow implementation of existing rules, regulation
   [ ]
7. More effective financial act rather than industrial act
   [ ]
8. Revenue policy not being promotional
   [ ]
9. Difficult condition to close and open the industries
   [ ]
10. No friendly and promotional oriented industrial act
    [ ]
11. If others, please specify
    [ ]

3. Does your company have any problems regarding Distribution Channel?

Yes [ ] No [ ]

If yes, please scale the following factors. (Mark 5 to highest problem, and rank the problem on descending order)

1. Complex geographical
   [ ]
2. Inadequate road, air flight
   [ ]
3. Limited varieties of other means of transportation
   [ ]
4. Increasing prices of fuel that ultimately increase the per unit cost of product
   [ ]
5. If others please specify
   [ ]

4. Are Nepalese industries facing any problems due to the security & current political situation of country?

Yes [ ] No [ ]

If yes, please scale the following factors. (Mark 5 to highest problem, and rank the problem on descending order)

1. Unstable unpredictable political situation
   [ ]
2. Political disturbance, band, strikes
   [ ]
3. Lack of protection steps for industries
   [ ]
4. Lack of distribution channel to distribute the product in rural
   [ ]
5. If others please specify
   [ ]

5. Does your company have any problems related to Demand?

Yes [ ] No [ ]

If yes, please scale the following factors. (Mark 6 to highest problem, and rank the problem on descending order)

1. Insufficient Demand
   [ ]
2. Fluctuation in Demand
   [ ]
3. Lack of good advertising and promotion of product
   [ ]
4. Demand of high quality products in urban area
   [ ]
5. Limited quota & time period from India to export
   [ ]
6. If other, please specify
   [ ]

6. Does your company have any problems related to Finance?

Yes [ ] No [ ]

If yes, please scale the following factors. (Mark 7 to highest problem, and rank the problem on descending order)

1. Low public
   [ ]
2. High collateral requirement
   [ ]
3. High interest rate on loan
   [ ]
4. Lack of foreign direct investment
   [ ]
5. High inflation rate
   [ ]
6. High interest rate
   [ ]
7. If others please specify
   [ ]

7. Is your company facing the problem of technology & infrastructure?

Yes [ ] No [ ]

If yes, please scale the following factors. (Mark 1 to highest problem, 2 to just lower & respectively)

1. Inadequate communication service
   [ ]
2. Supply of Electricity and Water
   [ ]
3. Cost of infrastructure
   [ ]
4. Less investment in research and innovative, creative technology
   [ ]
5. If others, please specify
   [ ]

8. Does your manufacturing company have any problem related to human resource?

Yes [ ] No [ ]

If yes, please scale the following factors. (Mark 7 to highest problem, 6 to just lower & respectively)

1. Lack of skilled manpower
   [ ]
2. Labor Turnover & Low productivity
   [ ]
3. Migration of efficient manpower in foreign market

[ ]

4. Labour are being more secured
   [ ]
5. No Provision to labor in contract
   [ ]
6. If others, please specify
   [ ]

9. **Does your manufacturing company have any problem related to management?**

   Yes [ ] No [ ]

   If yes, please scale the following factors. (Mark 4 to highest problem, 3 to just lower & respectively)

1. Political appointment of unskilled employee
   [ ]
2. Corruption (loyal to third party rather than own company for personal benefit)[ ]
   [ ]
3. Bad industrial relation
   [ ]
4. If others, please specify
   [ ]

10. **Would you kindly scale the following problems, which influence in the performance of your manufacturing company? Please scale the following factors.**

    (Mark 10 to highest problem, 9 to just lower & respectively)

1. Competition
   [ ]
2. Government, Law & Act
   [ ]
3. Distribution Channel
   [ ]
4. Security & Current political situation
   [ ]
5. Demand
   [ ]
6. Finance
   [ ]
7. Technology & Infrastructure
   [ ]

8. Human Resource
   [ ]
9. Management
   [ ]
10. Inputs Problem
   [ ]

11. What are your suggestions to overcome above-mentioned problems? Please specify

1...

....

2...

....

3...

....

12. What are the prospects that your company has? Please specify

1...

....

2...

....

3...

....