



Research Proposal- Green Limited (New)

Bachelors in Business Studies (Tribhuvan University)



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A Research Proposal on

FINANCIAL ANALYSIS OF

GREEN VENTURES LIMITED, NEPAL

In Partial Fulfillment of the Requirement for the Degree of

BACHELOR OF BUSINESS STUDIES (BBS)

Submitted To:

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Abstract

This study uses quantitative research methods to examine how financial performance affects the profitability of Green Ventures Ltd. in Nepal's hydropower business. The study tackles the difficulty the business faces in conducting a thorough assessment of its financial standing in respect to profitability. The research attempts to close this gap by utilizing a strong methodology that is centered on financial data analysis and important financial ratios. The study aims to significantly advance our understanding of how financial performance metrics affect profitability through methodical data collection, analysis, and interpretation. In the end, the study will offer insightful suggestions to improve Green Ventures' long-term financial viability within Nepal's hydroelectric sector. Throughout the research process, ethical considerations will be crucial in ensuring data confidentiality, integrity, and stakeholder rights.

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Chapter One

Introduction

Background of the study

Nepal, known for its beautiful landscapes and rich cultural heritage, is also focusing more on sustainable development, including renewable energy initiatives. In this context, Green Ventures Pvt. Ltd. represents a significant player in Nepal's renewable energy sector. The company's commitment to environmentally friendly practices, in combination with its financial performance, makes it a desirable topic for additional research.

Despite its small stature, Nepal has significant renewable energy potential, particularly in hydropower, solar, and wind energy. The country has been actively exploring sustainable energy initiatives to minimize dependency on fossil fuels and ameliorate environmental impacts. Green Ventures Pvt. Ltd. participates in this ever-changing ecosystem, helping Nepal achieve its renewable energy targets while managing legislative, technological, and commercial difficulties.

In the renewable energy industry, financial performance has been connected to measures of sustainability. Green Ventures Pvt. Ltd. aims to make income while simultaneously making a beneficial environmental and social effect. Balancing financial viability with sustainable practices is a significant problem for organizations in this industry, making financial performance measurement more difficult and multidimensional.

The financial performance of organizations such as Green Ventures Pvt. Ltd. is influenced by Nepal's distinct socioeconomic and regulatory environment. Government policies, market demand for clean energy, finance availability, infrastructure development, and community engagement activities all have an impact on the company's financial performance and long-term viability.

Profile of the organization

Green Ventures Pvt. Ltd. is a prominent player in Nepal's financial services industry. Assessing its economic performance is essential for many stakeholders, including investors, creditors, policymakers, and the company. This research proposal outlines a comprehensive plan to examine Green Ventures' financial health using an approach.

Since its establishment in 2004, Green Ventures Limited (GVL) has been a public company in Nepal committed to the generation of clean energy via hydropower. The 52.4 MW Likhu-IV Hydroelectric Project, a run-of-the-river scheme that harnesses the energy of the Likhu River, is their flagship project. GVL transformed from a private to a public limited company in 2019, making it possible for the general public to make investments in the organization via stock offerings. This transition signifies their dedication to accessibility and expansion. A team of experienced managers who are also the leaders of Triveni Group Nepal has led the company's management.

Statement of the problem

Despite being an established company in Nepal's hydropower sector, Green Ventures Ltd-Nepal faces the challenge of fully evaluating its financial performance in the context of profitability. While financial data is available, there is a lack of understanding on how this data translates into profitability and which measures are most effective for such an evaluation. This study aims to fill this gap by looking into the impact of financial performance on Green Ventures Ltd-Nepal's profitability. It examines at the key financial measures that may be used to evaluate an organization's profitability and obtain useful insights into the company's financial condition in general.

The research will explore on the following questions:

- What is the impact on profitability by financial performance?
- What are the major ratios to evaluate profitability?

Research Objectives

This study aims to address the essential need for Green Ventures Ltd-Nepal to acquire a better knowledge of the relationship between its financial performance and profitability. While the organization has financial data, this study tries to close the gap by assessing how this data translates into profitability and determining the most effective financial parameters for such an evaluation.

The specific research objectives are:

- To analyze the impact of Green Ventures financial performance on its profitability.
- To identify the major financial ratios which is most effective in evaluating the profitability of Green Ventures.

The rationale of the Study

Green Ventures Private Limited is one of Nepal's public hydropower sectors, with various experts and personnel working to complete hydropower projects in Nepal.

The key objective of a hydroelectric company as an organization for business is to maximize profits by making optimal use of its funds and resources. As a company, it has a responsibility to contribute to the country's socioeconomic development by providing specially designed facilities to underprivileged sectors.

As per the following points, this research might be an asset.

- The study facilitates shareholders' understanding of their company's financial performance. This enables them to determine whether their investments were utilized more effectively or not.
- The study helps the company's leadership to self-assess their performance in the past and prepare for upcoming initiatives.

Limitations of the study

As the research is based on quantitative methods, the depth of understanding or generalizability of the results may be limited.

- **Data Reliance:** The accuracy and completeness of financial data from Green Ventures Ltd-Nepal directly impact the study's reliability and the depth of analysis.
- **Industry Specificity:** Findings may not be applicable to other sectors or regions as the study focuses on a single company within Nepal's hydropower sector. Profitability factors can vary considerably across industries and locations.
- **Time Constraints:** The research timeframe might limit the comprehensiveness of the analysis. A longer timeframe might be necessary for a more in-depth examination of financial performance and profitability.
- **External Economic Influences:** External factors like market fluctuations, regulatory changes, and economic conditions affecting profitability may not be fully considered.
- **Financial Metric Interpretation:** Choosing the most relevant and effective financial metrics might be challenging due to subjectivity in selecting and interpreting financial ratios used for profitability evaluation.
- **Limited Stakeholder Viewpoint:** The study prioritizes the perspectives of shareholders and company leadership, potentially neglecting the viewpoints of other stakeholders like employees, customers, or government entities who also impact the company's financial health.
- **Risk Factor Coverage:** The research might not comprehensively address all risk factors influencing profitability, such as operational risks, market risks, and strategic risks. These

factors are important for understanding the company's overall financial health but might not be fully explored within this study's scope.

Despite these limitations, this research offers a valuable opportunity to explore financial profile and impact to their shareholders on their financial performance. The findings can provide a strong foundation for further investigation and practical improvements within the organization.

Chapter II

Literature Review

Literature Review

The literature review will focus on theoretical frameworks related to profitability, efficiency, and shareholder value, financial decision-making and ultimately influence firm performance.

- Jensen and Meckling's seminal paper "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure" explores the dynamics of the principal-agent relationship within firms and its implications for financial performance. The paper highlights how managerial behavior, driven by incentive structures and the separation of ownership and control, can lead to agency costs that affect financial outcomes. By addressing issues such as information asymmetry, risk aversion, and conflicting goals between shareholders and managers, the paper underscores the importance of aligning incentives and governance mechanisms to improve financial performance metrics such as profitability, efficiency, and shareholder value. It lays a theoretical foundation for understanding how organizational structures and incentives impact financial decision-making and ultimately influence firm performance in the context of agency theory. (Jensen, Michael C., and William H., 1976)
- "Management Control Systems" by Anthony and Govindarajan provides a comprehensive overview of how management control systems influence organizational performance. The book delves into the design and implementation of control systems that align with strategic objectives, emphasizing the role of financial performance measures in evaluating and guiding managerial actions. It covers key concepts such as budgeting,

variance analysis, performance measurement, and strategic control, highlighting their significance in driving organizational success. By integrating financial and non-financial metrics within control frameworks, the book offers insights into optimizing decision-making processes, resource allocation, and goal attainment, ultimately contributing to improved financial performance and sustained competitive advantage for businesses. (Anthony, Robert.N, Vijay G., 2015)

- "Principles of Corporate Finance" by Brealey, Myers, and Allen is a comprehensive guide that connects corporate finance principles with financial performance analysis. The textbook explores key topics such as financial analysis, investment evaluation, capital structure decisions, and risk management strategies, all of which directly influence a company's financial performance. It emphasizes the importance of financial metrics, ratios, and valuation techniques in assessing profitability, liquidity, efficiency, and solvency. By integrating concepts like net present value (NPV), internal rate of return (IRR), cost of capital, and capital budgeting principles, the book provides a framework for understanding how financial decisions impact a firm's ability to generate returns for shareholders, maintain sustainable growth, and optimize overall financial health. This linkage between corporate finance principles and financial performance metrics forms a foundational basis for evaluating and improving organizational performance in both academic and practical settings. (Brealey, Richard A., 2020)

The literature study focuses on key works in corporate finance and management control systems that contribute substantially to understanding the dynamics of organizational performance and financial results. Jensen and Meckling's foundational study on firm theory explains the complexity of the principal-agent relationship and how it affects financial performance indicators, highlighting the importance of aligning incentives and governance structures. Similarly, Anthony and Govindarajan's "Management Control Systems" emphasizes the importance of control frameworks in optimizing decision-making processes and improving financial performance by combining financial and non-financial measures.

Additionally, Brealey, Myers, and Allen's "Principles of Corporate Finance" provides an extensive overview that connects corporate finance concepts to financial performance analysis. This guide gives readers an understanding of how financial decisions affect a company's capacity to produce returns, sustain growth, and maximize its overall financial health. As a whole, these studies advance our knowledge of the interactions between managerial conduct, organizational structures, control mechanisms, and financial results. As a result, a strong basis for assessing and enhancing organizational performance in various settings is established.

Chapter III

Research Methodology

Research Design

This study will employ a quantitative research design to systematically analyze the financial performance of Green Ventures Ltd-Nepal and its impact on profitability. Quantitative methods will enable the researchers to gather numerical data and statistical insights related to financial metrics and ratios.

Sample and Sampling Technique

The target population will contain balance sheets, income statements, and cash flow statements, as well as additional financial data and reports from Green Ventures Ltd. in Nepal. The easy-to-get financial data for analysis will be obtained through convenience sampling. To track trends and evaluate financial performance over time, historical financial data for a given period will also be included.

Data Collection

Data will be collected through financial statements, reports, and other relevant financial documents obtained from Green Ventures Ltd-Nepal. The researchers will compile quantitative data related to key financial measures such as profitability ratios (e.g., return on equity, net profit margin), liquidity ratios (e.g., current ratio, quick ratio), leverage ratios (e.g., debt-to-equity ratio), and efficiency ratios (e.g., asset turnover ratio).

Data Analysis

Quantitative data analysis techniques will be employed to analyze the financial performance of Green Ventures Ltd-Nepal. To determine profitability and financial health, this will entail computing and interpreting a variety of financial ratios. Regression analysis is one statistical tool that can be used to find correlations between various financial variables and how they affect profitability.

Expected Outcomes

It is anticipated that this quantitative study will provide insightful information on how the profitability and financial performance of Green Ventures Ltd. in Nepal relate to one another.

Through the use of statistical techniques and financial data analysis, the study will:

- Determine which financial performance metrics are most important for determining profitability.
- Determine which profitability ratios would be best for Green Ventures Ltd. (Nepal) to employ in further financial analyses.
- Develop a data-driven framework to help you meet your long-term profitability objectives and enhance the performance of your company.

Organization of the Study

This research will be presented in five chapters:

Chapter 1: Introduction

This chapter will provide an introduction to the significance of financial performance analysis in organizations, specifically focusing on its impact on profitability. It will outline the context of Nepal's hydropower sector, with Green Ventures Pvt. Ltd. as the central subject of study. The chapter will highlight the problem statement and research objectives related to evaluating Green Ventures' financial performance and identifying key financial ratios for profitability assessment.

Chapter 2: Literature Review

The literature review in this chapter will explore existing academic literature and research related to financial performance analysis, profitability assessment, and financial ratios. It will review theories, frameworks, and empirical studies relevant to the study's objectives, aiming to establish a theoretical foundation for analyzing financial performance in the context of Green Ventures Ltd-Nepal.

Chapter 3: Research Methodology

This chapter will detail the quantitative research methodology employed in the study to analyze Green Ventures' financial performance. It will justify the choice of a quantitative approach and explain the data collection methods, such as gathering financial statements, reports, and other financial data from Green Ventures Pvt. Ltd. The chapter will also describe the sampling technique used to select financial data for analysis and outline the data analysis techniques, including financial ratio analysis and statistical tools.

Chapter 4: Data Presentation and Analysis

The collected financial data will be presented in this chapter in an organized manner with the use of tables, charts, and figures as required. The data will be analyzed to determine how Green Ventures' financial performance affects profitability. To assess the company's financial health and profitability, important financial ratios like return on equity (ROE), net profit margin (NPM), and debt-to-equity ratio will be computed and interpreted.

Chapter 5: Summary, Conclusion, and Recommendations

The concluding chapter will summarize the key findings from the data analysis regarding Green Ventures' financial performance and its impact on profitability. It will address the research objectives by discussing the identified major financial ratios effective in evaluating profitability. Based on the findings, specific recommendations will be made for improving Green Ventures' financial performance and enhancing profitability. The chapter may also discuss broader implications for Nepal's hydropower sector based on the study's outcomes.

Ethical Considerations

This research will uphold ethical standards throughout the study to ensure the rights and well-being of all stakeholders involved. Measures will be taken to ensure informed consent, confidentiality, and anonymity in handling sensitive financial data and information.

Chapter IV

Conclusion

In conclusion, the objective of the quantitative research is to offer insightful information about Green Ventures Ltd.'s financial performance in Nepal and how it affects profitability. The study aims to address the difficulty the company has in thoroughly assessing its financial performance by using a strong research methodology centered on financial data analysis and important financial ratios. This study aims to make a substantial contribution to the understanding of the relationship between financial performance metrics and profitability through systematic data collection, analysis, and interpretation. As a result, it will provide useful recommendations for improving Green Ventures' long-term sustainability and financial health within Nepal's hydropower industry. Throughout the research process, ethical concerns will be of utmost importance, protecting the confidentiality and integrity of the data while upholding the rights of all parties involved.

BIBLIOGRAPHY

Green Venture Private Limited (Company Profile Information) Link:
<https://greenventuresnepal.com/>

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