

# Significance of Fixed Assets Management to Nepalese Public Corporations

---

Radhe Shyam Pradhan\* and Jay Ram Regmi\*\*

## Introduction

The fixed assets decisions made today determine the future success of any corporation. The long term survival of the corporation is affected by these decisions which is indicated by the requirement that important investment decisions must be approved from the top level executive. The decisions to invest in fixed assets influence importantly the overall growth of the corporation. The fixed assets decisions are perhaps the most important ones the financial manager makes.

Fixed assets decisions are important as they have implications over a longer period of time. Here, the financial manager has to deal with the future which is quite uncertain. If excessive fixed assets affect the profitability position, inadequate fixed assets make the corporation unable to compete with other rival firms. The greatest difficulty with fixed assets is that it involves the investment of large amount. Since, the larger investment has to be made for a longer period of time, fixed assets management is considerably important to any corporation.

This article mainly aims at assessing the significance of size of investment in fixed assets by manufacturing and non-manufacturing public corporations of Nepal. Specifically, it indicates the size of investment in fixed assets over a period of time followed by pointing out need to control investment therein.

This article deals with the pertinent questions like whether or not investment in fixed assets has really been increased in Nepalese corporations over time; whether

---

\* Mr. Pradhan is a Lecturer in Financial Management at the Faculty of Management, Tribhuvan University Kirtipur.

\*\* Mr. Regmi is a Lecturer in Public Youth campus, Tribhuvan University.

fixed assets management assumes greater significance to manufacturing corporations or non-manufacturing corporations; and whether need to control investment in fixed assets is more urgent to manufacturing or non-manufacturing corporation.

### Study Methodology

This article is based on desk study consisting of studying Profit and Loss Accounts and Balance Sheets of selected corporations. The article is, therefore, completed with the help of secondary data only.

At present, there are more than 60 public corporations in Nepal and it is not within the capacity of this article to include them all. For the purpose of this article, the corporations are divided into two groups as manufacturing and non-manufacturing corporations. A total of five corporations are selected from manufacturing corporations and seven from non-manufacturing corporations for the study, leading to the sample size of about 33 per cent.

In the course of study, the Profit and Loss Accounts and the Balance Sheets were found available for 31 corporations only. Hence, sample corporations were selected from among these corporations.

In both of the sectors, corporations were so selected that they become representative of large and small corporations. A corporation has been considered small if its total assets is Rs. 100 million or less. The number of small and large corporations selected for the study is shown in Table 1.

**Table 1**  
**Selection of Corporations for the Study**

Total assets ( in 2035 - 36 )	Number of Corporations		Total
	Manufacturing	Non - manufacturing	
More than Rs. 100 million (large)	1 (3)	2 (5)	3 (8)
Rs. 100 million or less (small)	4 (10)	5 (13)	9 (23)
Total	5 (13)	7 (18)	12 (31)

Source: HMG/N, *Annual Report of the Auditor General* (In Nepali version), Office of the Auditor General, Kathmandu, 2037.

Note : Figures in parentheses indicate the number of Public Corporations for which Profit and Loss Accounts and Balance Sheets were found available.

Thus, out of eight large corporations, three corporations were selected for the study; one from manufacturing corporations and two from non-manufacturing corporations. Similarly, out of twenty-three small corporations, nine corporations were selected for the study; four from manufacturing corporations and five from non-manufacturing corporations. Thus altogether five corporations from manufacturing corporations and seven from non-manufacturing corporations were selected for the study which are shown below:

*From Manufacturing Corporations*

1. Balaju Textiles (BT)	(Rs. 10.410 million)
2. Bansbari Leather and Shoe Factory (BLSF)	(Rs. 26.239 million)
3. Brick and Tile Factory (BTF)	(Rs. 15.313 million)
4. Dairy Development Corporation (DDC)	(Rs. 51.652 million)
5. Janakpur Cigarette Factory (JCF)	(Rs. 156.943 million)

*From Non-manufacturing Corporations*

1. Agri. Lime Industries (ALI)	(Rs. 5.468 million)
2. Cottage Industry and Handicrafts Emporium (CIHE)	(Rs. 10.195 million)
3. Nepal Industrial Development Corporation (NIDC)	(Rs. 368.353 million)
4. Royal Nepal Airlines Corporation (RNAC)	(Rs. 304.054 million)
5. Tobacco Development Company (TDC)	(Rs. 17.369 million)
6. Eastern Electricity Corporation (EEC)	(Rs. 42.897 million)
7. Fuel Corporation (FC)	(Rs. 10.976 million)

Note : Figures in parentheses indicate total assets for 2035 - 36.

Source : As in Table 1.

The corporations from non-manufacturing sector were selected from different categories e.g., Agro-Lime Industries from agriculture, forestry, mining and quarrying, Eastern Electricity Corporation from electricity and water, Tobacco Development Company, Cottage Industry and Handicrafts Emporium and Fuel corporation from wholesale and retail trade, and Nepal Industrial Development Corporation from financial corporations. Three corporations were selected from wholesale and retail trade as this sector has more corporations.

The study period chosen is from 2029—30 to 2036—37. The necessary financial data were collected for eight years from 2029 - 30 for the above mentioned corporations. These data have been presented in Annexes.

There are several ways with the help of which one can assess the need to control investment in different types of assets. But in this article, the need to control investment in assets has been assessed on the basis of the relationship of assets to sales.

### Significance of Investment in Fixed Assets

The relationship between fixed assets and growth in sales is close and direct. Generally, every increase in sales should be followed by the increase in fixed assets. A corporation operating under full capacity cannot increase sales without making addition in its fixed assets. Hence, the study of fixed assets is also of great importance.

The average investment in fixed assets by Nepalese corporations is shown in Table 2. On an average, Nepalese public corporation invested Rs. 13.046 million in fixed assets in 2029-30 which increased to Rs. 29.801 million in 2036-37 ( 2.28 times ). On an average, a manufacturing corporation invested Rs. 6.225 million in fixed assets in 2029-30 which increased to Rs. 16.793 million in 2036-37 ( 2.70 times ). Similarly, a non-manufacturing corporation on an average invested Rs. 19.867 million in 2029-30 which increased to Rs. 42.809 million in 2036-37 ( 2.15 times). In terms of rupee amount of investment, non-manufacturing corporations have more investment in fixed assets than manufacturing corporations. However, the increase in fixed assets is more rapid for manufacturing corporations.

**Table 2**  
**Average Investment in Fixed Assets**

( Rs. in '000 )

Year	Manufacturing Corporation		Non-manufacturing Corporation		Public Corporation (National Average)	
	Amount	Index	Amount	Index	Amount	Index
2029-30	6225	100	19867	100	13046	100
2030-31	7946	128	15783	79	11865	91
2031-32	10152	163	14195	71	12174	93
2032-33	12275	197	14312	72	13294	102
2033-34	14248	229	15581	78	14915	114
2034-35	13613	219	28541	144	21077	162
2035-36	13566	218	25690	129	19628	151
2036-37	16793	270	42809	215	29801	228

Source : Annex 2.

In Nepalese corporations, much of the growth in fixed assets can be attributed to inflation. When inflation adjusted average investment in fixed assets by these corporations is considered, there has been no growth in investment in fixed assets over time as is indicated in Table 3.

**Table 3**  
**Inflation Adjusted Average Investment in Fixed Assets**  
( 2026-27 = 100 )

( Rs. in '000 )

Year	Manufacturing Corporations		Non manufacturing Corporations		Public Corporations (National Average)	
	Amount	Index	Amount	Index	Amount	Index
2029-30	5020	100	16022	100	10521	100
2030-31	5228	104	10384	65	7806	74
2031-32	5260	105	7355	46	6306	60
2032-33	6199	124	7228	45	6714	64
2033-34	6476	129	7082	44	6779	64
2034-35	5950	119	12518	78	9234	88
2035-36	5426	108	10276	64	7851	75
2036-37	5913	118	15073	94	10493	99.7

Source : Annexes 1 and 2.

There has been increased in the inflation adjusted average investment in fixed assets for manufacturing corporations but there has been no increase in the inflation adjusted average investment in fixed assets for non-manufacturing corporations over a period of time.

The next aspect of the study has been concentrated upon assessing the significance of investment in fixed assets. Table 4 shows the average investment in fixed assets in Nepalese corporations. On an average, Nepalese public corporations invested 34 per cent of total assets in fixed assets in 2029-30 which increased up to 37 per cent in 2036-37.

Nevertheless, investment in fixed assets is lesser than 31 per cent for manufacturing corporations and 14 per cent for non-manufacturing corporations. The proportion of fixed assets to total assets once reached a peak of 49 per cent

**Table 4**  
**Average Proportion of Fixed Assets to Total Assets**  
(In per cent)

Year	Manufacturing Corporations	Non - Manufacturing Corporations	Public Corporations (National Average)
2029 - 30	49	19	34
2030 - 31	45	14	30
2031 - 32	43	23	33
2032 - 33	48	25	37
2033 - 34	45	32	34
2034 - 35	32	39	36
2035 - 36	31	31	31
2036 - 37	38	36	37

Source: Annex 2.

for manufacturing corporations and 39 per cent for non - manufacturing corporations. All these indicate that investment made in the form of fixed assets is huge and hence proper attention is to be paid to its management.

Investment in fixed assets by manufacturing corporations declined from 49 per cent in 2029—30 to 38 per cent in 2036—37 while it increased from 19 percent in 2029—30 to 36 present in 2036—37 for non—manufacturing corporations. It thus shows that manufacturing corporations have started depending more upon the current assets while the situation is opposite for nonmanufacturing corporations.

The variability in the average proportion of fixed assets to total assets is more for non-manufacturing corporations compared to manufacturing corporations. It shows lack of consistency in the policy relating to fixed assets on the part of of non-manufacturing corporations.

Previously, fixed assets management assumes greater significance to manufacturing corporations as their investment in fixed assets exceeded investment in fixed assets by non-manufacturing corporations. For example, manufacturing corporation invested on an average 49 per cent of total assets in the form of fixed assets while non-manufacturing corporation invested on an average 19 per cent of total assets in the form of fixed assets in 2029-30. Similar is the case for the fiscal years 2030-31, 2031-32, 2032-33 and 2033-34. But in recent years, manufacturing

and non-manufacturing corporations do not differ much in terms of investment in fixed assets. Hence, fixed assets management assumes greater significance to both manufacturing and nonmanufacturing corporations in recent years.

In order to find out which of the individual corporations has the highest investment in fixed assets, the proportions of fixed assets to total assets is shown in Table 5 for sample corporations.

**Table 5**

**Proportion of Fixed Assets to Total Assets for Selected Corporations**

( In per cent )

Corporations	2029	2030	2031	2032	2033	2034	2035	2036	Range
	- 30	- 31	- 32	- 33	- 34	- 35	- 36	- 37	
<b>Manufacturing</b>									
1. BT	54	55	56	79	69	60	57	56	25
2. BLSF	44	35	20	24	20	15	17	20	29
3. BTF	67	63	59	56	51	12	12	41	55
4. DDC	67	55	60	66	64	53	49	59	8
5. JCF	11	18	19	16	21	20	19	14	10
<b>Non - manufacturing</b>									
6. ALI	-	3	3	23	75	72	68	80	77
7. CIHE	9	8	9	7	6	5	4	4	5
8. NIDC	1	1	1	1	1	1	1	1	0
9. RNAC	68	57	47	45	43	86	44	49	43
10. TDC	4	5	6	13	8	11	11	6	7
11. EEC	-	-	75	75	81	84	79	76	9
12. FC	15	10	19	11	8	16	14	-	11

Source: Annex 2.

Among the manufacturing corporations, Balaju Textiles and Dairy Development Corporations have highest investment in fixed assets. Over a period of eight years, investment in fixed assets increased for Balaju Textiles and Janakpur Cigarette Factory among the manufacturing corporations. Similarly, the investment in fixed assets is highest for Eastern Electricity Corporation in almost all the years. Over a period of eight years, investment in fixed assets increased for Agri Lime Industries, Tobacco Development Company and Eastern Electricity Corporation among the non - manufacturing corporations.

The variability in the size of investment in fixed assets is highest for Brick and Tile Factory in manufacturing sector and Agri Lime Industries in non-manufacturing sector. It all shows inconsistency in the policy relating to fixed assets. The variability in the size of investment in fixed assets is lowest for Dairy Development Corporation in manufacturing sector and Nepal Industrial Development Corporation in non-manufacturing sector leading to consistency in the policy relating to fixed assets.

### Control of Investment in Fixed Assets

An effort has also been made to assess whether there is a need to control investment in fixed assets by Nepalese corporations. The average proportion of fixed assets to sales has been presented in Table 6 for the purpose.

**Table 6**  
**Average Proportion of Fixed Assets to Sales**

Year	Manufacturing Corporations		Non-manufacturing Corporations		Public Corporations ( National Average )	
	Percent	Index	Percent	Index	Percent	Index
	2029-30	147	100	49	100	98
2030-31	139	95	34	69	87	89
2031-32	114	78	98	200	106	108
2032-33	162	110	80	163	121	124
2033-34	84	57	139	284	112	114
2034-35	90	61	115	235	103	105
2035-36	92	63	96	196	94	96
2036-37	85	58	237	484	161	164

Source: Annexes 2 and 3.

For manufacturing corporations, the average proportion of fixed assets to sales declined from 147 per cent in 2029-30 to 85 per cent in 2036-37. It shows that manufacturing corporations are conscious of controlling investment in fixed assets. However, the average proportion of fixed assets to sales for non-manufacturing corporations increased from 49 per cent in 2029-30 to 237 per cent in 2036-37 (4.84 times). It clearly indicates that there is a need to control investment in fixed assets by non-manufacturing corporations. The proportion of fixed assets to sales for Nepalese public corporations as a whole increased from 98 per cent



in 2029-30 to 161 percent in 2036-37. Therefore, public corporations need to control investment in fixed assets.

Table 7 clearly indicates need to control investment in fixed assets by individual sample corporations. Among the manufacturing corporations, the proportion of fixed

**Table 7**

**Proportion of Fixed Assets to Sales for Selected Corporations**

( In per cent )

Corporations	2029 -30	2030 -31	2031 -32	2032 -33	2033 -34	2034 -35	2035 -36	2036 -37
Manufacturing								
1. BT	182	153	128	446	117	90	118	120
2. BLSF	133	127	87	58	59	157	217	46
3. BTF	306	306	221	192	145	38	45	129
4. DDC	105	90	118	99	82	74	65	113
5. JCF	11	18	16	16	19	—	15	15
Non - manufacturing								
6. ALI	—	—	—	179	553	206	243	739
7. CIHE	7	8	9	12	8	4	3	2
8. NIDC	35	29	21	17	14	18	16	16
9. RNAC	191	121	83	69	56	83	51	63
10. TDC	1	1	1	4	2	4	6	9
11. EEC	—	—	463	272	332	479	336	358
12. FC	10	9	12	9	7	11	15	—

Source : Annexes 2 and 3.

assets to sales increased over a period of eight years for Dairy Development corporation and Janakpur Cigarette Factory. These corporations should pay attention to control investment in fixed assets. In this connection, Balaju Textiles, Bansbari Leather and Shoe Factory and Brick and Tile Factory seems to have become conscious of controlling investment in fixed assets in 2036 - 37. Among the non manufacturing corporations, the proportion of fixed assets to sales increased for Agri Lime Industries, Tobacco Development Company and Fuel Corporation. These corporations should therefore pay attention to control investment in fixed assets. The proportion of fixed assets declined for other non - manufacturing corporations which indicates that these corporations have been trying to control investment in fixed assets.

### Concluding Remarks

Over a period of time, investment in fixed assets by Nepalese public corporations has increased significantly but much of the growth in investment has been attributed to inflation. When viewed in this way, growth in real outlays is much lower.

Previously, fixed assets management assumed greater significance to manufacturing corporations as their investment in fixed assets exceeded the investment in fixed assets by non-manufacturing corporations. But in recent years, these corporations do not differ much with respect to size of investment in fixed assets. Hence, fixed assets management is of great significance to manufacturing as well as non-manufacturing corporations despite of the fact that the investment in fixed assets by these corporations is very large.

The investment in fixed assets more varied for non-manufacturing corporations. Thus, there is no uniformity in the policy relating to investment in fixed assets by these corporations.

Among the manufacturing corporations, Balaju Textiles and Dairy Development Corporations have highest investment in fixed assets. Over a period of eight years, investment in fixed assets increased for Balaju Textiles and Janakpur Cigarette Factory among the manufacturing corporation, and for Agri Lime Industries, Tobacco Development Company and Eastern Electricity Corporation among the non-manufacturing corporations. Hence, these corporations should pay sufficient attention to management of fixed assets.

With respect to the need to control investment in fixed assets, the need is urgent for non-manufacturing corporations. Among these corporations, Agri Lime Industries, Tobacco Development Company and Fuel Corporation need to control investment in fixed assets. Similarly, the need is urgent to Dairy Development Corporation and Jankpur Cigarette Factory among the manufacturing corporations.

#### Annex 1

#### General Price Index (2026-27) = 100

Year	Index	Year	Index
2026 - 27	100	2032 - 33	198
2027 - 28	108	2033 - 34	220
2028 - 29	114	2034 - 35	228
2029 - 30	124	2035 - 36	250
2030 - 31	152	2036 - 37	284
2031 - 32	193		

Source: General price index up to 2032 - 33 were taken from UN, *Statistical Year Book for Asia and the Pacific* (Related Issues). These figures are based on total average of Kathmandu, Terai and Hills. Price index figures from 2033 - 34 onwards were taken from Nepal Rastra Bank, *Quarterly Economic Bulletin*, Vol. XIV, Mid - October 1979 to Mid - January 1980, p. 38.

Annex 2  
Investment in Fixed Assets  
(Rs. in '000)

	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37
1. Balaju Textiles	2244	2246	2415	7279	6796	6301	5960	5675
	( 4154)	(4092)	(4340)	(9183)	(9924)	(10591)	(10410)	(10161)
2. Bansbari Leather & Shoe Factory	3810	3633	1867	2411	2992	3385	4559	5181
	(8719)	(10278)	(9340)	(10087)	(14982)	(22238)	(26239)	(26258)
3. Brick and Tile Factory	9773	9278	8743	8398	7919	1833	1830	6532
	( 14608)	(14689)	(14812)	(15091)	(15423)	(14988)	(15313)	(16072)
4. Dairy Development Corporation	6151	6677	15014	19252	21160	23045	25186	39099
	(9175)	(12141)	(42991)	(29052)	(33149)	(43116)	(51652)	(65846)
5. Janakpur Cigarette Factory	9147	17896	22719	24032	32371	33502	30297	27476
	(84623)	(98662)	(118442)	(146274)	(156870)	(165835)	(156943)	(193411)
6. Agri Lime Industries	—	21	50	910	3571	3795	3745	3377
	—	(750)	(1660)	(3982)	(4783)	(5282)	(5468)	(4242)
7. Cottage Industry and Handicrafts Emporium	336	316	338	363	397	425	435	546
	(3829)	(3312)	(3703)	(4881)	(6166)	(8035)	(10195)	(12391)
8. National Industrial Development Corporation	7189	1912	1950	1923	2055	9800	3794	4414
	(147074)	(173043)	(195541)	(228628)	(235038)	(342021)	(368353)	(380014)

Cont. ....

9. Royal Nepal Airlines	96832	92104	82002	79740	76840	150884	134469	212764
	(142865)	(162934)	(174315)	(176401)	(180490)	(175443)	(304054)	(434963)
10. Tobacco Development Corporation	75	78	110	1800	961	1650	1828	1932
	(2144)	(1463)	(2405)	(7730)	(12423)	(15368)	(17369)	(30338)
11. Eastern Electricity Corporation	—	—	14351	15574	24493	37985	34057	33820
	—	—	(19227)	(20752)	(30264)	(45446)	(42897)	(44361)
12. Fuel Corporation	305	262	562	667	751	1245	1499	—
	(2089)	(2611)	(3016)	(5883)	(9407)	(7654)	(10976)	—

Source: As in Annex 1.

- Note: 1. Figures in parentheses indicate total assets.
2. Figures for fixed assets include only those figures which are shown under the heading of fixed assets in the Balance Sheets of respective corporations.
3. The sum of current and fixed assets may not tally with total assets because of the exclusion of items like expenditures capitalised, deferred expenditures (due to dual exchange rate), and so on.
4. Total figures sometime may not tally due to rounding also.
5. Total assets figures are total of asset side of Balance Sheet.

## Annex 3

## Sales

	(Rs in '000)										
	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37			
1. Balaju Textiles	1286	1469	1891	1634	5786	6996	5069	4726			
2. Bansbari Leather and Shoe Factory	2865	2855	2114	4112	5071	2153	2098	11279			
3. Brick and Tile Factory	3196	3030	3954	4381	5474	4831	4066	5072			
4. Dairy Development Corporation	5880	7403	12781	19942	25771	30965	38568	34526			
5. Janakpur Cigarette Factory	84312	97403	146250	152857	166761	177402	207100	188213			
6. Agri Lime Industries	—	—	—	509	646	1845	1544	456			
7. Cottage Industries and Handicrafts Emporium	5023	3777	3669	8051	5325	11794	15759	26861			
8. Royal Nepal Airlines	50712	76226	98501	115791	137464	181729	263261	335193			
9. Tobacco Development Corporation	13396	11167	22398	28120	52958	43028	32878	22021			
10. National Industries Development Corporation	5111	6501	9072	11090	14433	21652	24056	27993			
11. Eastern Electricity Corporation	—	—	3100	5734	7388	7926	10127	9454			
12. Fuel Corporation	3196	3030	4731	7456	11151	11253	9982	—			

Source : As in Annex 1

- Note : 1. Sales figures do not include revenue from other sources such as sale of fixed assets.  
 2. Sales for financial institution like NIDC means interest on loan, dividend received, guarantee fee, etc  
 3. Agri-lime Industries started (sales) generating income since 2032-33.  
 4. Sales for Bansbari Leather and Shoe Factory for 2034-35 and 2035-36 included all kinds of income except sale of fixed assets.