

Financial Analysis of Beauty Parlour Business in Butwal, Nepal (A Case of Women Economic Empowerment)

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Abstract—*The investigation was conducted for performing financial analysis of Beauty Parlour Business in Butwal sub-metropolitan city of Rupandehi district of Nepal with the objectives to examine the annual turnover, profitability, net profit ratio, cost of production and rate of return. The survey was carried out to obtain information from a sample of 50 beauty Parlours in the study area. Financial tools and formula was applied for getting the result. With a total fixed capital investment NRs.1,21,670, and total capacity investment NRs. 1,79,375, (monthly working capital NRs.57,705) and annual cost of production NRs.7,26,155, annual average annual turnover of 50 parlours was found to be NRs.10,88,000 yielding annual profit NRs.3,61,845 with rate of return 200% on capacity investment, net profit ratio 33.25% and annual \$775 Per Capita Beauty Parlour Income. The facts explored in this research reveals that women are excellently involved in the beauty parlour business and earning good annual profit to reinforce the living standard of whole family members enabling to raise the sense of equal participation in performing economic activities with male counterparts as well as teaching a good lesson for economic empowerment of women.*

Keywords: *Beauty Parlour, Financial analysis, investment, turnover, cost, profit, economic empowerment.*

1. BACKGROUND

Financial analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It can also be defined as the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account. One of the primary objectives of financial analysis is to recognize changes in financial trends, to help measure the progress made by an enterprise and identify a relationship to draw a logical conclusion on the performance of the company. Financial analysis is a managerial and control tool that allow to assist the strategic plans and decisions whether managerial decisions or credit decisions. Financial ratios drawn from annual financial reports have been used extensively in prior research for various purposes such as corporate predictions, acquisitions, liquidations, rating decisions, etc. (Maggina 2008). Financial analysis is based on a thorough study of the financial statements and to show the relationship between

them and the interpretation of their implications, in order to explore strengths and weaknesses in the financial policies and other policies which are applying in the organization. The principal financial statements of a corporation are income statement (profit and loss) and balance sheet can be prepared directly from the adjusted accounts, (Gibson, 2013). The study of Laitinen (2006) presents a framework for the financial statement analysis of a network of small and medium-sized enterprises. The financial data included in the financial statements of the organization, which must be disclosed to the stakeholders are the cornerstone of the work of financial analysis. This is because the financial analysis requires classifying and tabulating such data to become more meaningful in a significant manner in order to show the relative importance of each item and the essential trends of the financial policy applied in the organization. The recorded value of the total assets invested in the business at any point in time must be matched precisely by recorded liabilities and owners' equity, (Helfert, 2003). Also, the importance of financial analysis stems from its uses in evaluating the performance of the organization. The quest for value that benefits the firm and society is the result of directing 'scarce resources to their most promising uses and most productive users' (Stewart, 1999). Maggina (2008) used the financial ratios so as to investigate the distributional properties of financial ratios.

Although it has gained increased attention amongst policy and development communities in recent years, there is no universally agreed definition of women's economic empowerment (WEE). Women's (Golla, 2011) individual and collective increased economic advancement, agency and power to access and control economic assets and make economic decisions is core to many understandings. Others highlight (Eyben, 2011) that any consideration of WEE should examine the terms of women's entry into the labour market, notably poor women, which requires recognizing women's contributions, respecting their dignity, and enabling them to negotiate a fair distribution of the returns to economic growth. Making progress requires change in individuals, communities, institutions, markets and value chains, and in the wider

political and legal environment. Yet this process (Cornwall, 2016) is not linear and straightforward, and no single intervention or approach can address all of these aspects and be effective for all women. Sustained effort which recognises that women are not a homogenous group is essential. WEE cannot be achieved unless the most marginalised women in society experience transformation in their lives. This means (Hunt, 2016) focusing on the intersecting inequalities experienced by women in addition to their gender, for example on the basis of their class, caste, race, ethnicity, age or disability status, and taking action to ensure that nobody is left behind. Economic empowerment (Eyben, R, 2008) is the capacity of women and men to participate in, contribute to and benefit from growth processes in ways which recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth. Economic empowerment increases women's access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information.

Beauty parlour is a service oriented establishment in which women receive treatment to increase their beauty. Skin care, facial make up, hair nourishment and model hair cutting are the most important nourishing activities of a beauty parlour. The use of machinery, ayurvedic formulations and approved synthetic chemicals and medicines vary from person to person as per need. In present project the provision of different beauty therapy are present with use of limited number of machinery.

1.1 Scope of Beauty Parlour

Beauty culture training is now-a-days, imparted by number private organizations and trained ladies try to set up their beauty parlour in medium and small towns throughout Nepal. The easily availability of different herbal preparation, cosmetic items helps to maintain quality of service of these beauty par lour. The demand of attending beauty parlour centre is mostly found in age group 18-48 years. In population growth, the growth of this age group is now found to be highest in Nepal. In good beauty par lour even the customers have to wait for days together with an advance booking This type of service centres are also getting good orders to serve the bride, in marriage functions and in different similar occasions. Depending on work load, they appoint fresh trainees and also open branches in different towns. Punctuality in opening and closing the parlour every day, customer dealing, serving and satisfaction of customers as a whole plays a vital role in improving the market demand of such service centre.

2. STATEMENT OF PROBLEM

Women's participation in development has been initiated since two decades but the outcomes have been profoundly low. However, attaining its inclusion goal will require fundamental shifts not only in the structure of government and access to economic opportunity but also in the underlying hierarchical

norms, values, and behaviours that govern social interaction. Most of the community people especially women are unaware about the development process in rural areas of Nepal. The level of participation of the women in community development is very low. The poor and disadvantaged groups hold the major parts of the population. Due to lack of economic opportunities the rate of income per capita is very low and weak consideration to major gender related issues (availability, accessibility, affordability, security, and sustainability) fuelled the exclusion. Realizing this lacuna and reality, it is clear that the practical and social constraints to incorporate women in mainstream development endeavour are (a) lack of ownership over resources; (b) restrictions on participating in activities outside the house; (c) lack of income; (d) lack of education and access to knowledge and information sources; and (e) lack of opportunity to get involved in economic enterprises. Pyakuryal and Suvedi, 2000 as cited in Basnet and Adhikari, c.a. 2006 mentions until 1980s, it was wrongly assumed that men and women were equally benefited by development activities.

Through the financial analysis of Beauty Parlour Business in Butwal, the present study is focused as an attempt to identify whether BPB can be a vital tool for economic empowerment of women or not.. The more specific query becomes: Do BPB Programmes run by NGOs help increase in income and decision making power of the women? Have such Programmes brought awareness among the women?

The Research problems require addressing the following question:

- i. What is the annual turnover in BPB?
- ii. What are financial aspects of BPB?
- iii. What is cost of production per annum?
- iv. What is the situation of annual profit, rate of return, Net Profit Return?
- v. What is per capita income of BPB?
- vi. In what ways BPB economically empower women?

3. OBJECTIVES

- i. The present paper aims to fulfil following objectives:
- ii. To identify the financial aspects of Beauty Parlour Business (BPB.)
- iii. To assess the annual turnover in BPB.
- iv. To assess cost of production per annum.
- v. To assess the situation of annual profit, rate of return, Net Profit Ratio, Per Capita Income.

4. SIGNIFICANCE OF THE STUDY

The significance of the research may be stated as follows:

1. Assessing annual turnover, cost of production, profitability, rate of return, Net Profit Ratio and breakeven point of BPB can have the advantages, such as finding the financial strength of BPB, its ability to empower the women etc. For researchers, findings may help them to revisit Income Generating strategy to cater to the needs of deprived women.
2. Making financial statements on daily financial analysis, to understand their own strengths, its shortcomings found, which can change in time enterprise business strategy.

5. LIMITATIONS

The study will evaluate women's empowerment issues only through Beauty Parlour Business in Butwal. There is application of limited formula of financial tools for calculations. All the measurements and calculations are expressed in terms of average of 50 beauty parlours (sample size). The information was not collected from Parlour Training Institutes.

6. METHODOLOGY

6.1 Study Area

Butwal is selected the study area of the present study which is situated in Rupandehi district of Nepal in Terai region.

6.2 Sampling Techniques

The first stage involved random selection of five wards of Butwal sub-metropolitan. In the second stage, 50 beauty parlour entrepreneurs were selected by applying convenient sampling technique.

6.3 Data Collection, Data entry and Data Processing

Primary data was collected from parlour entrepreneurs by administering semi-structured questionnaire sent through trained enumerators. The collected data was entered in raw and column in Excel.

6.4 Methods of Data Analysis

Financial tools have been adopted for the financial analysis of BPB. Following financial tools have been applied:

- i. Total Fixed Capital Investment
- ii. Machinery, tools, furniture and equipment
- iii. Working capital Investment
- iv. Cosmetics, Raw materials, water, rent, electricity
- v. Turnover (Per annum): number of customers per day @ no of working days a year @ average charge per customers

- vi. Cost of production
- vii. Profit = total turnover – cost of production
- viii. Rate of Return = $\frac{\text{Profit}}{\text{Investment}}$
- ix. Net profit ratio: $\frac{\text{Profit}}{\text{Turnover}}$

7. RESULTS AND DISCUSSION

7.1 Financial Aspects

7.1.1 Total Fixed Capital Investment

Table 7.1: Total Fixed Capital Investment

So. No.	Machinery, tools and equipment	No.	Rate	Amount Rs
1	Scissors	2	200	400
2	Hair Clips	8	20	160
3	Curling Iron	2	1000	2000
4	Hair straighter/iron	2	1600	3200
5	Bowls	3	300	900
6	Aprons	3	350	1050
7	Water sprayers	2	240	480
8	Mirrors	3	12000	36000
9	Geyser /water boiler	1	1500	1500
10	Steamers	3	2000	6000
11	Dryers	2	800	1600
12	Simple chair	3	2700	8100
13	Parlour chair	2	20000	40000
14	Decoration 10% of Fixed investment (Rs.101390)			10140
15	Installation Charge 10% of Fixed investment			10140
Total Fixed Capital Investment				1,21,670

Source: Author's Calculation

7.1.2 Total Working Capital Investment per Month

Table 7.2: Total Working Capital Investment

So. No.	Items and Materials	No.	Rate	Amount (Rs.)
1	Comb	10	50	500
2	Brush	8	30	240
3	Paper Towels	6	40	240
4	Gloves	4	2.5	10
5	Shampoo	6	250	1500
6	Gels	4	50	200
7	Hair colour	10	100	1000
8	Wigs	4	2500	10000
9	Facial kit	8	1600	12800
10	Cream	10	200	2000
11	Thread	6	35	210
12	Mehendi	6	25	150
13	Nail make up item	14	50	700
14	Eye make up items	12	80	960
15	Face make up item	12	500	6000
16	Lip make up item	14	150	2100
				38,610

other expenses

1	Rent	8500
2	water	210
3	electricity	785
4	staff payment	2000
5	Miscellaneous 20% of total working capital	7600
Total working capital		57,705

7.1.3 Total Capacity Investment

Fixed capital	1,21,670
Working capital for one month	<u>57,705</u>
	1,79,375

7.1.4 Cost of production (Per annum):

Depreciation on machinery, tools furniture and equipment @ 10%	12,170
Working capital (per annum)	6,92,460
Interest on invt. (@ 12% of Rs.1,79,375)	<u>21,525</u>
Cost of production (Per annum):	7, 26,155

7.1.4 Turnover

In the sample study of 50 parlours, average number of customer coming for parlour service is 17. In the average, for providing various services to various customers, service charge has been calculated and found to be Rs. 200. Average number of working days has been found to be 320 days per annum. So total turnover is found to be equal to $17 \times 320 \times 200 = \text{Rs.}10,88,000$

i. Profit:
= Rs. 10,88,000 - Rs.7,26,155= Rs. 3,61,845

Thus annual profit of beauty parlour in the survey sample is Rs. 3,61,845.

ii. Rate of Return = $\frac{\text{Profit} \times 100}{\text{Investment}} = \frac{3,61,845 \times 100}{1,79,375} = 200\%$

The rate of return on investment is found to be 200%.

iii. Net profit ratio: $\frac{\text{Profit} \times 100}{\text{Turnover}} = \frac{3,61,845 \times 100}{10,88,000} = 33.25\%$

Net Profit ratio is equal to 33.25%.

iv. Per Capita Income

Total annual income (profit) of a parlour is computed to be Rs.3,61,845. Thus, total annual income of all 50 BPs becomes Rs. 1,80,92,250. There are total, 205 members in 50 BPEs families. Hence, per capita annual income of BPE family is Rs. 88,254.88 which is equivalent to US\$ 775 (approx, @NRs.113.98 on the date of computation: 18, Jan, 2019). Thus Beauty Parlour income is approximately equal to national per capita income of Nepal.

8. CONCLUSION

There is sufficient place to suspect that women's participation and activeness is low in income earning opportunities due to their low representation in decision making level of the household and in various structures of the society playing decisive roles in governance. The equality between men and women on issues such as representation in various state structures, access to property and resources, participation in policy making has yet to be achieved. While talking about the campaigns on gender equality, basically, only after the people's revolution-II of 2006, the issue of women's participation, empowerment and inclusion has become a subject of extensive discussion in Nepal. The findings of study shows that women are excellently involved in the Beauty Parlour Business and earning good annual profit to reinforce the living standard of whole family members enabling to raise the sense of equal participation in performing economic activities with male counterparts. In this way, the present study has revealed that Beauty Parlour Business plays significant role in describing to what degree status of women can be empowered through BPB to go in harmony with the national policy of women's empowerment.

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