



UNITED FINANCE LIMITED

*aiming to serve better... everyday*

**Internship Report on**

**Financial Performance Analysis of**

**United Finance Limited**



## **Internship Report**

### **Submitted to:**

Dr Salehuddin Ahmed

Professor

BRAC Business School, MBA

BRAC University

### **Submitted by:**

Jason Anik Pandey

ID - 15164028

MBA Department

BRAC University

Date of Submission: October 15, 2017

# Letter of Transmittal

October 15, 2017

Dr Salehuddin Ahmed

Professor

BRAC Business School, MBA

BRAC University

**Subject: Submission of Internship Report**

Dear Sir,

With great pleasure I am submitting my Internship report on “**Financial Performance Analysis Of United Finance Limited**”. I have found this report as of informative, beneficial as well as insightful. I have tried my level best to prepare an effective & creditable report.

The report contains the overview of the organization, financial performance analysis and findings and recommendations based on the analysis. I have gathered information through different sources such as annual reports, websites and actual interviews from personnel of UFL.

Hence, I hope that you would be kind enough to receive this report for analysis.

Sincerely yours,

Jason Anik Pandey

ID – 15164028

MBA

BRAC University

## **Acknowledgement**

This internship report has been prepared through continuous study during my internship period for three months. This work would not be possible without the cooperation and guidance of some generous hands.

I would like to thank my honorable supervisor Md. Shakil Ahmad, Head of Advisory Services for his proper direction and supporting regarding my internship report. He has given a lot of guidelines in coordinating the whole report. Without his time and guidelines it would not be possible to prepare such analytical report. Also I would like to thank other department members of Advisory Services for their support during the preparation of internship report.

I would also like to give special thanks to the Managing director of United Finance Limited, Syed Ehsan Quadir, for allowing me to do internship in the organization. I also thank to all the personnel's of United Finance Limited for their special care, cooperation and support.

I am grateful to the Advisory Services team at the Head Office of UF for providing me with all the necessary and required information to prepare this report. I could not have done this work without the lots of help I received cheerfully from the whole United Finance Limited. The work culture and Environment in United Finance Limited really motivated me to work there as one of their own.

## **Executive Summary**

The non-bank financial institutions (NBFIs) constitute a rapidly growing segment of the financial system in Bangladesh. The NBFIs have been contributing toward increasing both the quality and quantity of financial services and thus mitigating the lapses of existing financial intermediation to meet the growing needs of different types of investment in the country.

Today all NBFIs are playing a vital role for the growth of the nation's economy with the best of their ability. During the world recession period NBFIs in Bangladesh act in a stringent manner so that their financial systems as well as the economy do not collapse. United Finance Limited as a leading and pioneer NBFIs started their operation in 1989 and still they are dominating the NBFIs sector as well as contributing to the prosper of economic development. Their success in this industry has inspired others to invest their capital in a profitable way.

The report represents the presents a brief overview of United Finance Limited and the financial performance of the company. I have used the available data and gathered the knowledge particularly from the Advisory Services Department where I worked as an intern.

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# Chapter 1

## Overview of United Finance Limited



## 1.1 United Finance Limited - Background

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United Finance Company Limited (UF), an associate company of Duncan Group, commenced business in 1989 as a first generation lease financing company in Bangladesh. The company incorporated as a public limited company under the Companies Act 1913. UF was also granted license under the Financial Institutions Act, 1993. The shares of the company are quoted on the Dhaka Stock Exchange since 1994.

United Finance Company Ltd, a leading financial institution of the country was established in 1989 as a public limited company, to cater the investment needs of our economy. Leasing Company Limited is a non-bank Financial Institution engaged mainly in lease finance business and bills discounting. It was incorporated on 27 April 1989 as a public limited company under the Companies Act 1994 with an authorized capital of BDT 1,000 million. From the beginning, UF managed to grow rapidly with an average operational growth of above 30%. In April, 1994 the company issued 10.71% of its shares for public subscription at 50% premium and was oversubscribed. Now it is listed on the Dhaka Stock Exchange (DSE) and from the date of listing, its shares are enjoying high price.

Since inception UF has maintained prudent investment policies and has successfully positioned itself among the frontrunners in an increasingly competitive financial service sector. Building a diversified pool of assets spread across almost all sectors of the economy and serving a wide spectrum of customers in the process. The Company's customers include most of the top corporate groups in the country including some of the multinationals. However, the Company's major and most profitable business segments are leases to the small and medium enterprises. Continuing its journey, UF will invest its resources to expand their customer base and better serve their existing customers by diversifying their asset and liability portfolios. UF has the financial strength, management capability and committed human resources to ensure sustainable growth.

## 1.2 Company Profile

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<b>Name of organization</b>	<b>United Finance Company Limited</b>
Form of Organization	Public limited company
<b>Nature of Business</b>	<b>Non – bank financial institution</b>
Commencement of Business	September 12, 1989
<b>Number of Branches</b>	<b>19</b>
Chairman	Mr. Imran Ahmed
<b>Managing Director</b>	<b>Mr. Syed EhsanQuadir</b>
Registered Office	Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka-1000
<b>Website and Email</b>	<b>Website: <a href="http://www.unitedfinance.com.bd">www.unitedfinance.com.bd</a></b> <b>Email: <a href="mailto:webmail@unitedfinance.com.bd">webmail@unitedfinance.com.bd</a></b>

**Table 1.1:** Company Profile

## 1.3 Guiding Principles

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### 1.4.1 Objectives of the Organization

The main objectives of the company are to assist the development of productive private sector industries particularly in their balancing and modernizing programs. The company mainly extends lease financing for machinery, equipment to the industries & vehicles for commercial purpose. In addition, it also provides project finance for expansion of business. The primary activity of the company is to provide leases to different commercial organizations. It provides lease for all sorts of manufacturing equipment and for vehicles.

### 1.4.2 Vision

To be the leading high quality service providers in the markets we serve.

### 1.4.3 Mission

- Devote continuous effort to improve products and services for sustaining competitive edge.
- Ensure service excellence by leveraging motivated human resource and technology.
- Manage risks and costs to ensure sound, financial performance and adequate return on all investments.

### 1.4.4 Goals

- *Customers:* Ensure that our service quality exceeds customer expectation in terms of timely delivery, fairness in treatment and value addition.
- *Risk Management:* Proactively manage risks and adhere to international best practices.
- *Shareholders:* Maximize growth in earning per share.
- *Employees:* Provide a stimulating and challenging yet congenial work environment, invest in training to harness full potential and compensate on performance basis.

## 1.5 Classification of Target Market

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United Finance Company Limited provides services and offers products to certain segments of markets. The markets are diversified and identifiable for the customers and clients as well. Thus the markets are classified into parts and the classification is as follows:

- Small and medium scale companies
- Low profile good and potential performers

Main target customers are:

- Companies who have potentiality, sincerity, and devotion
  - Companies who are badly in need of investment in equipment to grow
  - Companies who wants to finance equipment without straining the existing credit line
- Sister concerns of well reputed large companies.

## 1.6 Organizational Structure

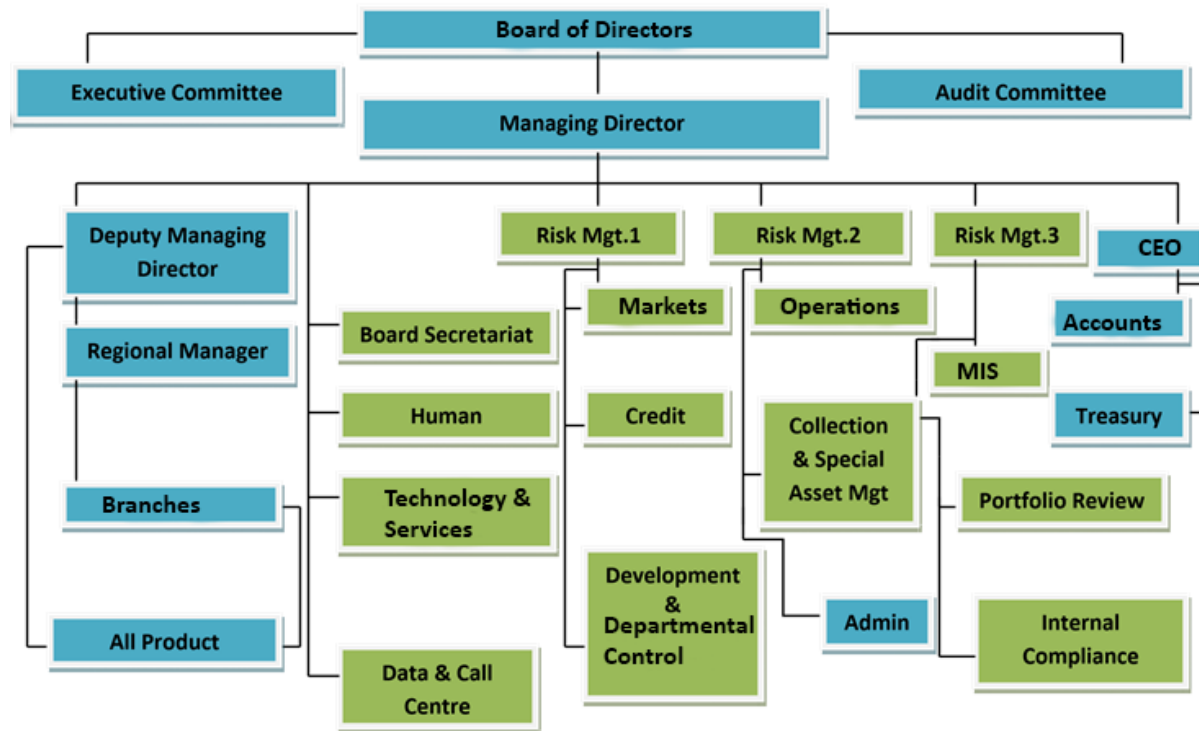


Figure.1.1: Organizational Hierarchy

## 1.7 Products/Services

United Finance Company, like any other companies, also offers different products and services which can be classified into two parts:

- Asset Products
- Liability Products

### 1.7.1 Asset Products:

Under asset financing products, they offer:

- Lease against vehicle or various equipment
- Affordable home loan to individuals to purchase, construct or renovate home or apartment

Under working capital solutions, they offer:

- Credit sale financing for creditworthy suppliers to free working capital tied up in receivables

- Distributor financing for distributor’s procurement of inventory.

### 1.7.2 Liability Products:

Liability products refer to the products which provide customers with deposit opportunities that are helpful for them in many ways. It includes products such as term deposit, earner schemes, insured schemes, etc.

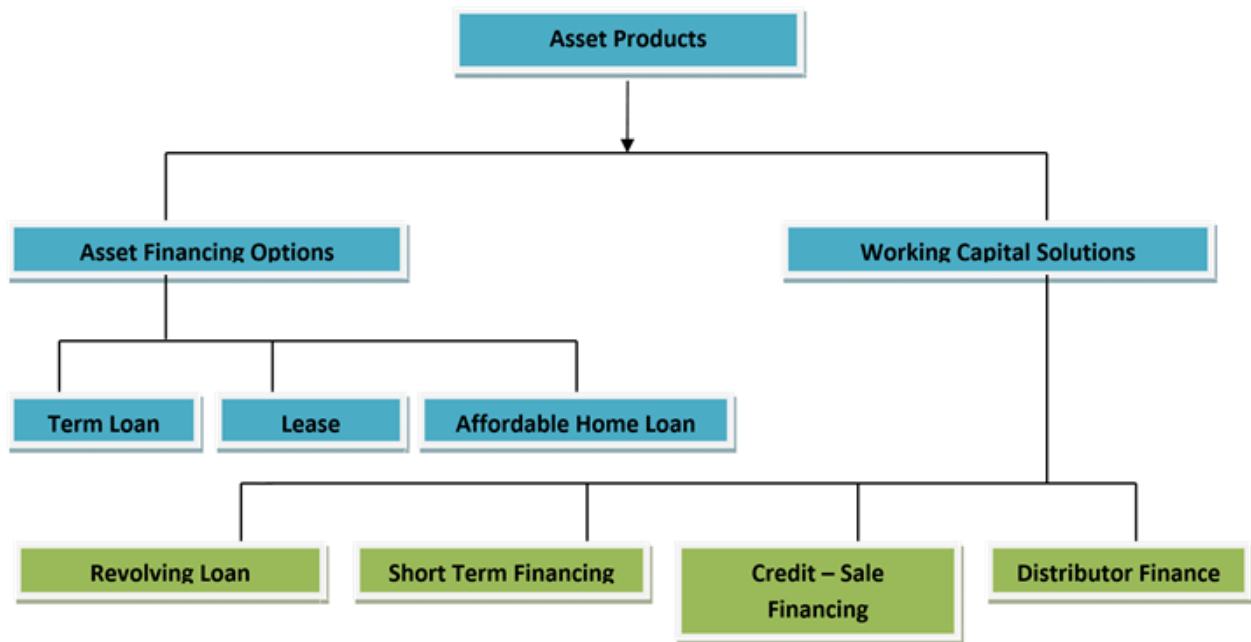
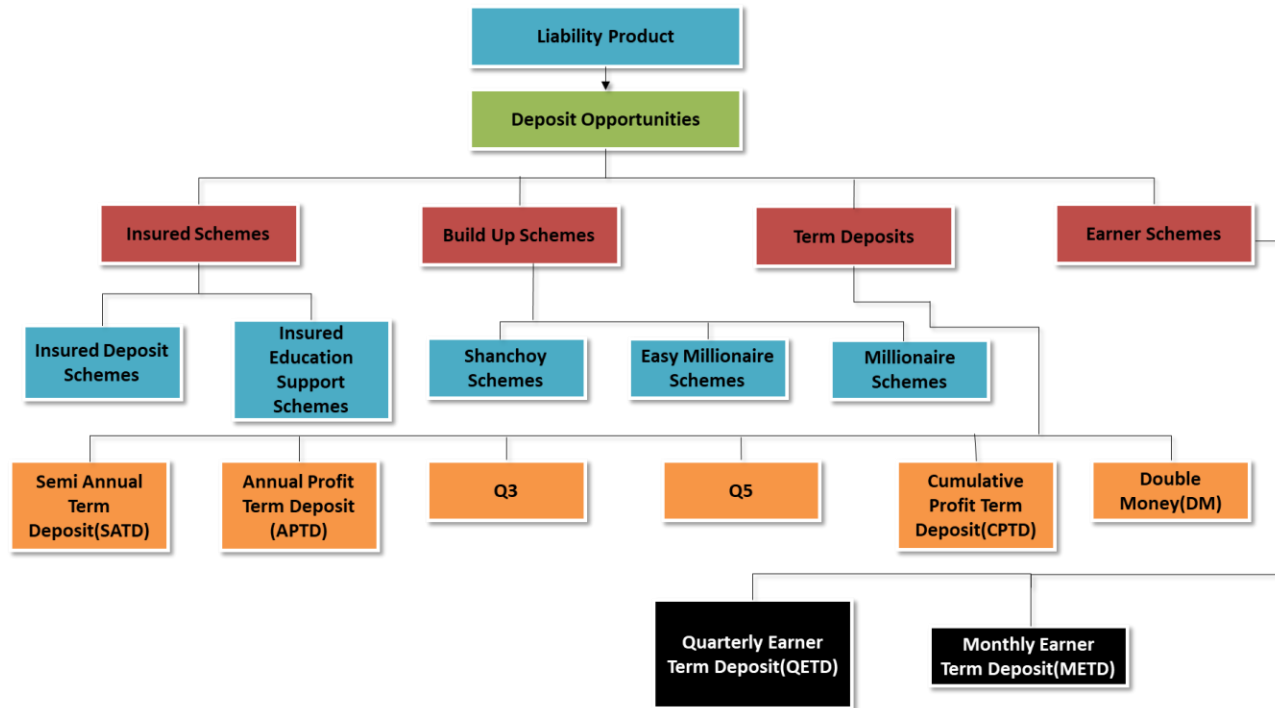


Figure 1.2: Asset Products



**Figure 1.3: Liability Products**

# Chapter 2

## Project Part

## **2.1 Origin of the Report**

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Practical orientation is an integral part of the MBA degree requirement, I was deputed by, BRAC University to United Finance Company Limited to take real life exposure of the activities of the organization as a financial institution. During my internship at United Finance Limited, I have come across with different functions of the company. I was assigned to the Advisory Services Department. This report has been originated as the course requirement of the MBA program.

## **2.2 Statement of the Problems**

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This study intends is to find out the significant factor of financial performance of United Finance Limited. This paper also gives an overview of United Finance Limited. This paper features the above mentioned elements depicted by different graphs, tables, and charts in order to provide the reader with ease of understanding.

## **2.3 Scope of the Study**

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This study is focused on the financial performance of United Finance Limited. This includes their financial condition, how they maintain it, and how they operate their different major business activities. This study evaluates the Financial performance through ratio analysis of United Finance limited by comparing past year balance sheet, Income statement and cash flow. Both primary and secondary data is used.

## **2.3 Objectives of the Study**

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These are the purpose or intent of the study which are expected to be achieved or attained at the end of the study. The objective of the study as follows:

- To present an overview of United Finance Limited.
- To present the principal activities of United Finance Limited.
- To evaluate the financial performance of United Finance Limited.
- To Discussed the Financial ratio measurement and analysis.
- To identify the problems of United Finance Limited based on the study.
- To suggest remedial measures for development of United Finance Limited.



## **2.4 Research Questions**

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The basic research questions that should be answered by this study were as follows:

- What is the profitability of the United Finance under the study period?
- How is the company utilizing its assets?
- What is the company's financial position to meet its current obligation?
- How is the operating efficiency of the United Finance under the study period?

## **2.5 Methodology of the Study**

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This research paper uses a descriptive financial ratio analysis to measure, describe and analyze the performance of United Finance Limited. Both primary data and secondary data is used in this report. Primary data was collected through individual interviews and direct observations. Secondary data was collected from official website of United Finance Limited, annual report of United Finance Limited different brochures, related articles, books and other related websites.

# Chapter 3

## Financial Performance Analysis

### 3.1 Introduction

---

Financial Performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis.

The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. In this report, the financial highlights of United Finance Limited is reviewed and descriptive financial ratio analysis is used to obtain an understanding of the measurement and review of the entity's financial performance.

### 3.2 Fundamental Ratio Analysis of United Finance Limited

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#### 3.2.1 Liquidity Ratios or Short Term Solvency

##### 3.2.1.1 Current Ratio

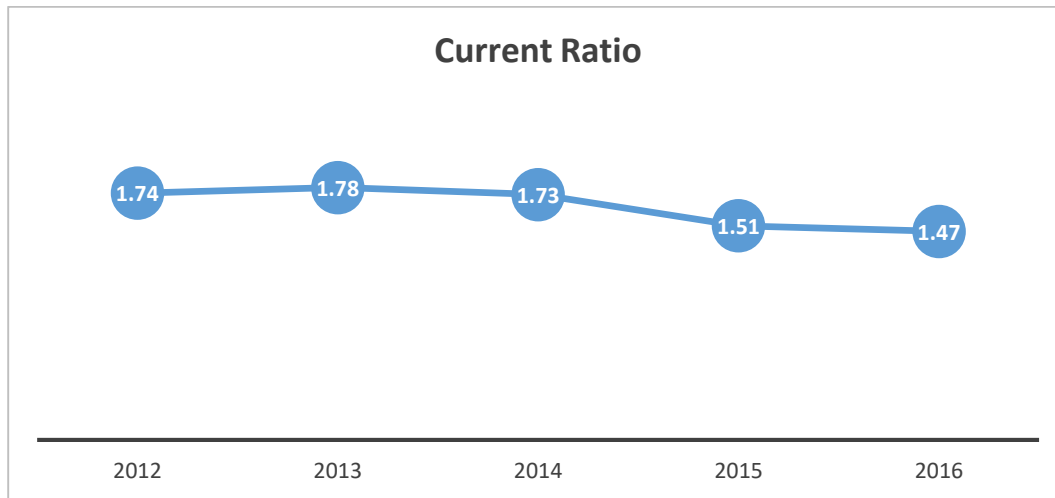
The current ratio compares a company's liquid assets with short-term liabilities. That means the ability of the company to pay the short term liabilities with the current assets such as accounts receivables, cash etc. The higher the current ratio, the more liquid the company is. The ideal current ratio is 2:1. (Roman Weil, 2014)

**Current Ratio= Current Assets/Current Liabilities**

Year	2012	2013	2014	2015	2016
Current Ratio	1.74	1.78	1.73	1.51	1.47

**Table 3.1: Current Ratio of United Finance Limited**

## Graphical Representation



**Figure 3.1 Current Ratio of United Finance Limited**

## Interpretation

The higher the current ratio; the more liquid the firm is considered to be. Current ratio of United Finance limited in 2016 was 1.47. This graph shows that, the current ratio has been decreasing since year 2013.

### 3.2.1.2Cash Ratio

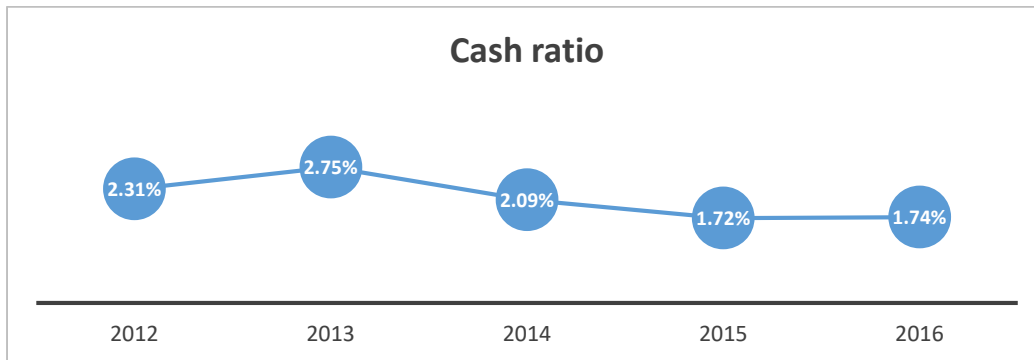
It is the ratio of a company's total cash and cash equivalents to its current liabilities. The cash ratio is most commonly used as a measure of company liquidity. It can therefore determine if, and how quickly, the company can repay its short-term debt. A strong cash ratio is useful to creditors when deciding how much debt, if any, they would be willing to extend to the asking party.

**Cash Ratio= Cash in hand and banks/ Total Deposits**

Year	2012	2013	2014	2015	2016
Cash Ratio	2.31%	2.75%	2.09%	1.72%	1.74%

**Table 3.2: Cash Ratio of United Finance Limited**

## Graphical Representation



**Figure 3.2 Cash Ratio of United Finance Limited**

### Interpretation:

The cash ratio of United Finance shows a decreasing trend since the year 2013. The fall in cash ratio can be attributed to the increase in deposits over the year. Though the cash in hand increased but the deposits had greater increase which eventually decreased the cash ratio.

## 3.2.2 Activity Ratio

### 3.2.2.1 Operating Expenses to Revenue (OER):

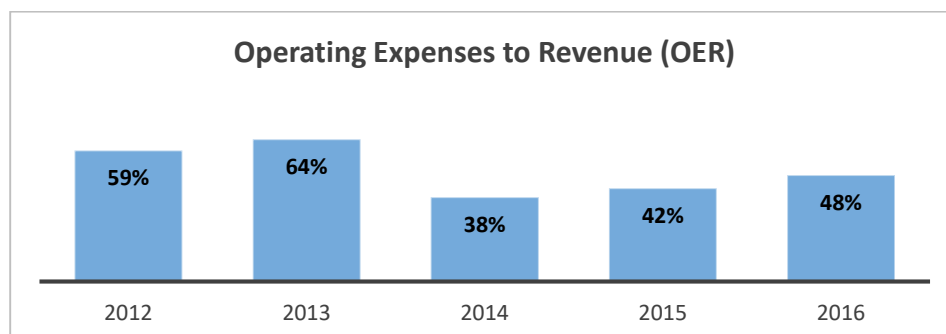
A ratio that shows the efficiency of a company's management by comparing operating expense to net sales. Calculated as:

$$\text{Operating Expenses to Revenue} = \frac{\text{Total Operating Expenses}}{\text{Operating Income (revenue)}}$$

Year	2012	2013	2014	2015	2016
Operating Expenses to Revenue	59%	64%	38%	42%	48%

**Table 3.3: Operating Expenses to Revenue (OER) of United Finance Limited**

## Graphical Representation



**Figure 3.3 Operating Expenses to Revenue (OER) of United Finance Limited**

### Interpretation:

We know that this ratio measures the operating efficiency of the bank by measuring the portion of the total operating costs relative to the total operating income of that bank and the higher the ratio, the lower the operating efficiency. Operating expense of United Finance under the study period was highest during 2013, it decreased in 2014 and then increased since 2015. Operating expense to revenue is increasing in the past two years. So it can be said that the operating efficiency of the United Finance has decreased compared to the past years.

### 3.2.2.2 Total Asset Turnover Ratios:

The total asset turnover indicates the efficiency with which the firm is able to use all its assets to generate sales. Calculated as:

$$\text{Total Asset Turnover} = \frac{\text{Operating Income}}{\text{Total Asset}}$$

Year	2012	2013	2014	2015	2016
Total Asset Turnover	5.47%	6.00%	5.96%	4.92%	4.72%

Table 3.4: Total Asset Turnover of United Finance Limited

### Graphical Representation

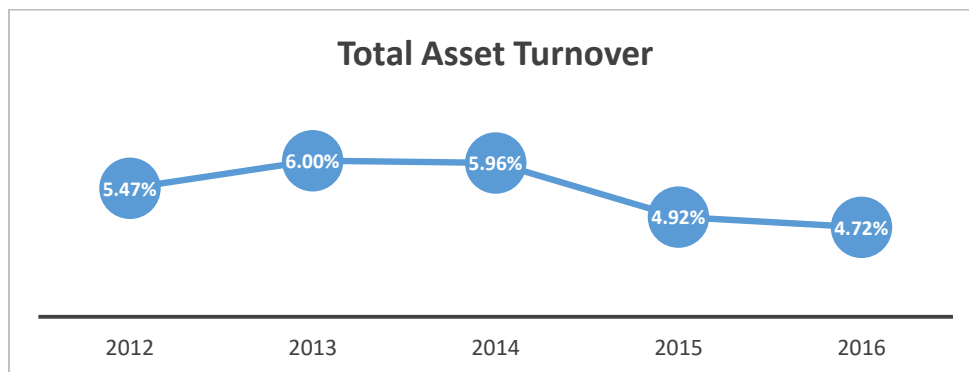


Figure 3.4 Total Asset Turnover of United Finance Limited

### Interpretation:

The banks total asset turnover ratio of year 2012 - 2016 ranges from 4.72 to 6. We know the greater the total asset turnover, it is more efficient. Current Total Asset turnover ratio of UFL is 4.72 which is satisfactory but it is lower than that of the previous year.

### 3.2.2.3 Operating Expenses to Assets Ratio:

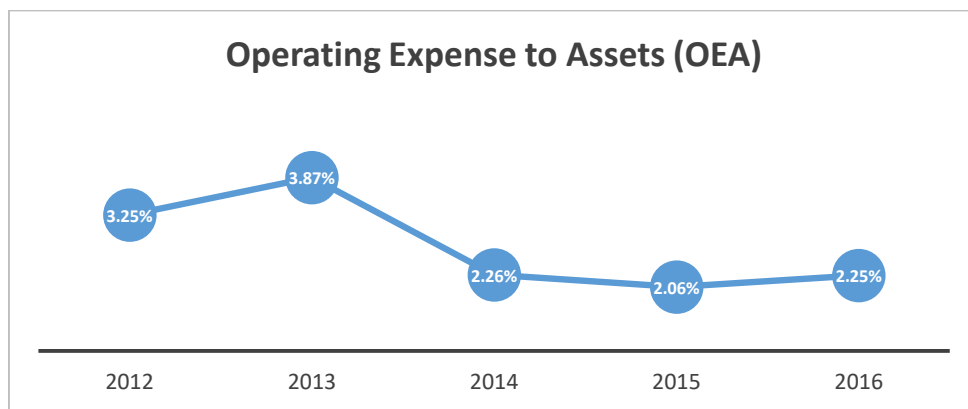
The expense ratio of an asset fund is the total percentage of fund assets used for administrative, management, advertising and all other expenses. An expense ratio of 1% per annum means that each year 1% of the fund's total assets will be used to cover expenses. Calculated as:

**Operating Expense to Assets (OEA) = Total operating Expenses/ Total Assets**

Year	2012	2013	2014	2015	2016
Operating Expense to Assets (OEA)	3.25%	3.87%	2.26%	2.06%	2.25%

**Table 3.5: Operating Expenses to Assets Ratio of United Finance Limited**

#### Graphical Representation



**Figure 3.5 Operating Expense to Assets (OEA) of United Finance Limited**

#### Interpretation:

From the figure above it can be seen that OEA was the higher during 2012 and 2013 and it decreased in 2014 and 2015. During 2016 the operating expense to asset is found to be 2.25%.

### 3.2.3 Debt Ratio

#### 3.2.3.1 Debt Ratio:

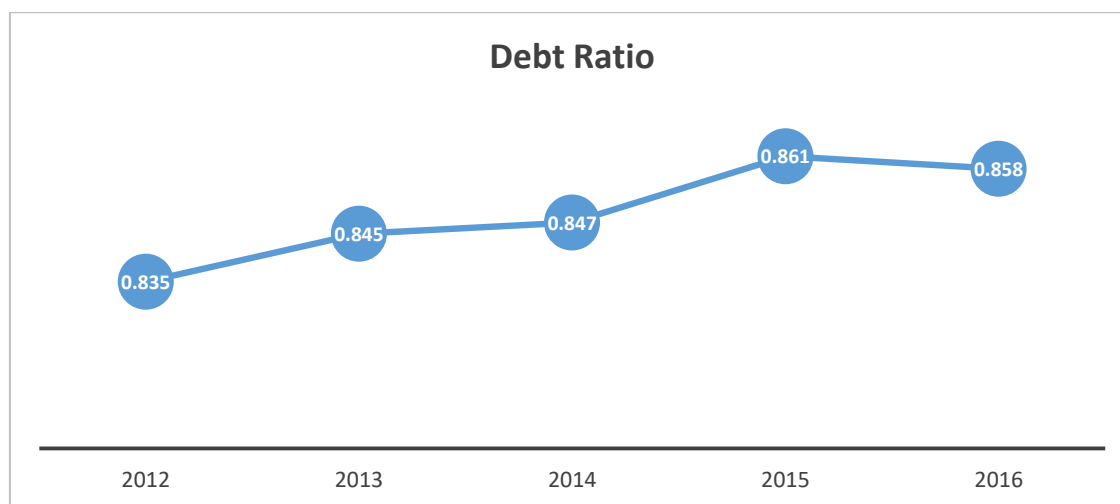
The debt ratio measures the preparation of total assets provided by the firm's creditors.

**Debt ratio= Total Liabilities/Total Assets**

Year	2012	2013	2014	2015	2016
Debt Ratio	83.46%	84.46%	84.69%	86.07%	85.81%

**Table 3.6: Debt Ratio of United Finance Limited**

## Graphical Representation



**Figure 3.6 Debt Ratio of United Finance Limited**

### Interpretation:

The higher the ratio, the greater risk will be associated with the firm's operations. In addition, high debt to asset ratio indicates low borrowing capacity of a firm, which in turn will lower the firm's financial flexibility. This graph shows that, the debt ratio is increasing year by year. The Debt ratio measures the proportion of total assets provided by the firm's creditors. UFL's debt ratio is showing increasing trend that indicates a negative sign.

### 3.2.3.2 Times Interest Earned Ratio:

The times interest earned ratio, sometimes called the interest coverage ratio, measures the firm's ability to make contractual interest payments.

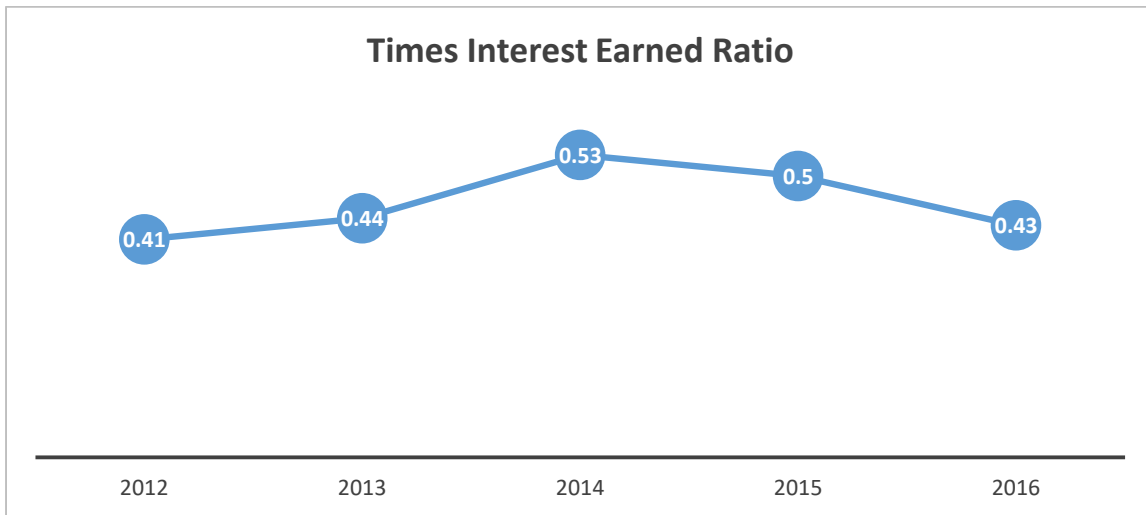
**Times Interest Earned Ratio = Earnings before Interest and Taxes / Interest Expense**

Year	2012	2013	2014	2015	2016
<b>Times Interest Earned Ratio</b>	0.41	0.44	0.53	0.50	0.43

**Table 3.7: Times Interest Earned Ratio of United Finance Limited**



## Graphical Representation



**Figure 3.7** Times Interest Earned Ratio of United Finance Limited

### Interpretation:

Time Interest earned ratio of UFL in last two years is showing a decreasing trend. It was highest during 2014. UFL should maintain high ratio by minimizing its operating costs in order to get adequate earnings to satisfying interest obligations.

## 3.2.4 Profitability Ratio

### 3.2.4.1 Net Profit Margin:

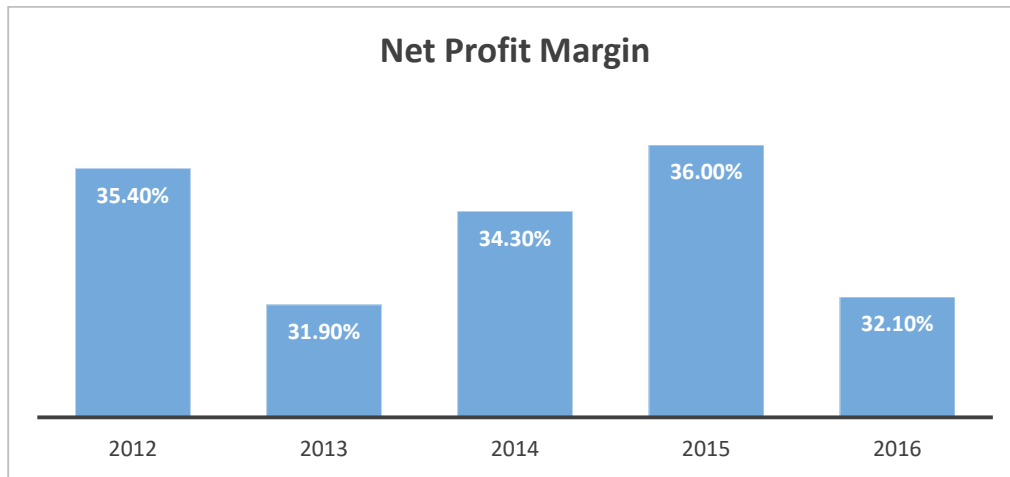
The net profit margin measures the percentage of each sales dollar remaining after all expenses, including taxes, have deducted. The higher the firm's net profit margin is better. The net profit margin is a commonly cited measure of the company's success with respect to earnings on sales.

**Net Profit Margin=Net Profit After Tax/Operating Income**

Year	2012	2013	2014	2015	2016
Net Profit Margin	35.4%	31.9%	34.3%	36.0%	32.1%

**Table 3.8: Net Profit Margin of United Finance Limited**

## Graphical Representation



**Figure 3.8 Net Profit Margin of United Finance Limited**

### Interpretation:

United Finance Limited's net profit margin fluctuating over the years. Net profit margin has decreased in 2016 to 32.10% from 36% the previous year. UFL's net profit margin is decreasing which indicates that the profit is decreasing. The standard of profit margin ratio is 0.075, from the above graph we see that the UFL's profit margin ratio is higher than the standard but has decreased during 2016.

### 3.2.4.2 Return on Asset (ROA):

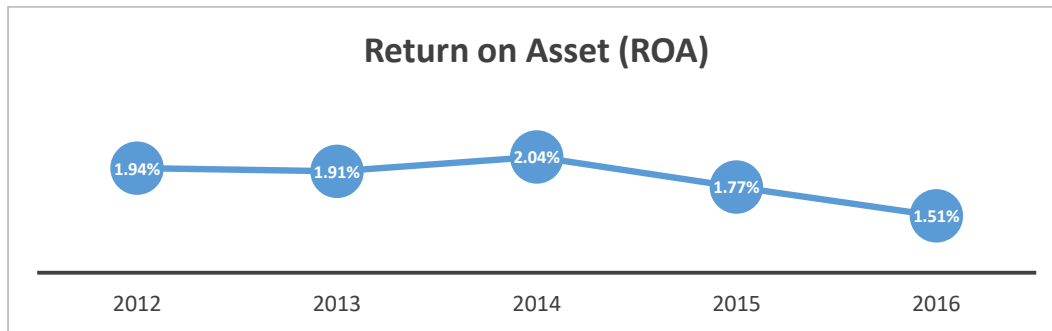
The return on asset (ROA), which is often called the firm's return on total assets, measures the overall effectiveness of management in generating profits with its available assets. The higher the ratio is better

**Return on Asset (ROA) = Net Profit after Tax / Total Asset**

Year	2012	2013	2014	2015	2016
Return on Asset ROA	1.94%	1.91%	2.04%	1.77%	1.51%

**Table 3.9: Return on Asset (ROA) of United Finance Limited**

### Graphical Representation



**Figure 3.9 Return on Asset (ROA) of United Finance Limited**

#### Interpretation:

Return on Asset (ROA) as an indicator of managerial efficiency, indicates the capability of management in converting the institution’s assets into net earnings. The banks return on asset has decreased from 2.04% to 1.51% since 2014. UFL is earning less profit from its asset. To improve the ratio, the UFL has to increase the net income and control average total asset.

#### 3.2.4.3 Return on Equity (ROE):

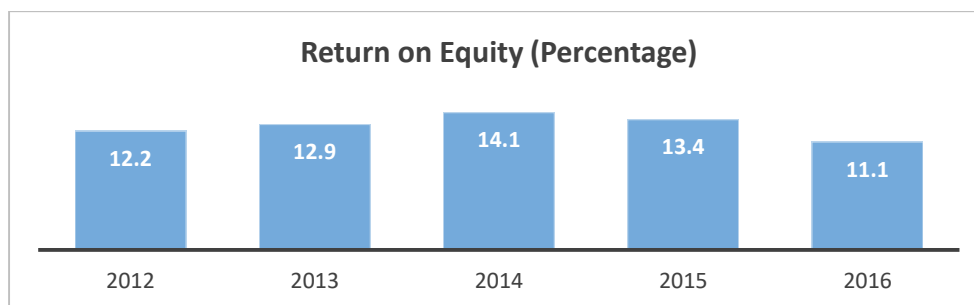
The return on equity measures the return earned on the owner’s (both preferred and common stockholders’) investment. Generally higher the return indicates the better condition of the owner’s.

#### Return on Equity=Net Profit after Tax/ Shareholders Equity

Year	2012	2013	2014	2015	2016
Return on Equity (Percentage)	12.2	12.9	14.1	13.4	11.1

**Table 3.10: Return on Equity (ROE) of United Finance Limited**

### Graphical Representation



**Figure 3.10 Return on Equity (ROE) of United Finance Limited**

### Interpretation:

ROE is the measurement of rate of return flowing to the bank's shareholders. It measures the net benefit that the stockholders have received from investing their capital in the bank. Higher ROE indicates the favorable position that the company is efficient in generating income on new investment. UFL's return on equity deviates from 11% to 22.27% with the lowest in 2016 and highest in 2014. The ROE is showing a decreasing trend from the year 2014.

### 3.2.4.4 Earnings per Share:

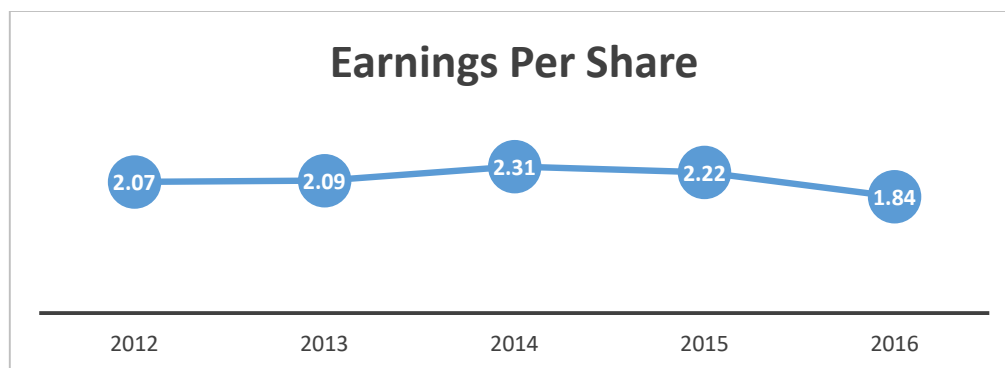
The firm's Earning per share (EPS) are generally of interest to present or prospective stockholders and management. The Earning per share represent the number of dollars earned on behalf of each outstanding share of common stock. The earnings per share is calculated as follows

**Earnings per Share = Earnings Available for Common stock Holder / No of shares of Common Stock Outstanding**

Year	2012	2013	2014	2015	2016
Earnings Per Share	2.07	2.09	2.31	2.22	1.84

**Table 3.11: Earnings per Share of United Finance Limited**

### Graphical Representation



**Figure 3.11 Earnings per Share of United Finance Limited**

### Interpretation:

EPS represents that it is earned on behalf of each outstanding shares of common stock equity. EPS is closely watched by investors because it is an important indicator of corporate

success. The graph shows that the earnings per share is highest in 2014 and lowest in 2016. EPS is decreasing over the years which is not a good sign for the company.

**3.2.4.5 Price Earnings Ratio:**

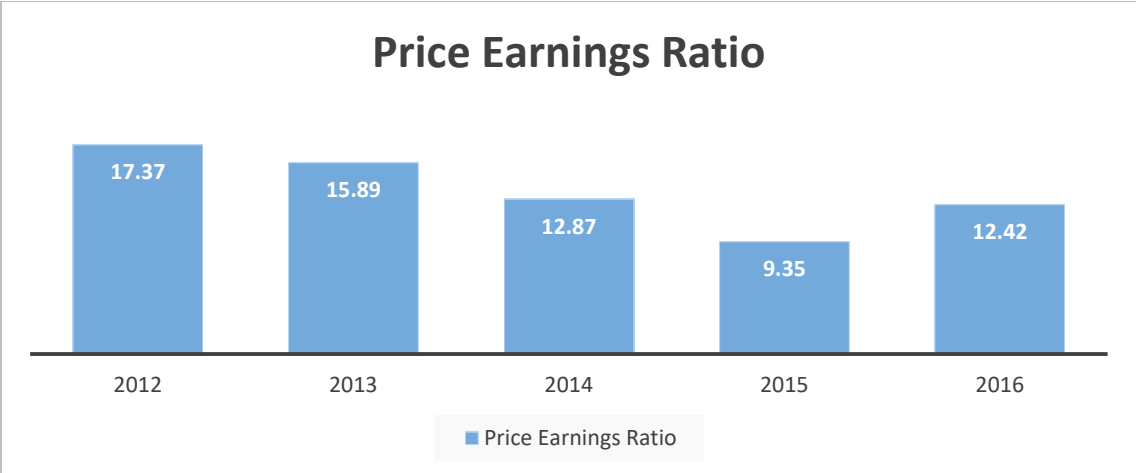
The price or earning (P/E) ratio is commonly used to assess the owners’ appraisal of share value. The P/E represents the amount investors are willing to pay for each dollar of the firm’s earnings. The higher the P/E ratio, the greater the investor’s confidence in the firm’s future. The price Earning (P/E) ratio is calculated as follows:

**Price Earnings Ratio=Market Price per Share/Earnings per Share**

Year	2012	2013	2014	2015	2016
Price Earnings Ratio	17.37	15.89	12.87	9.35	12.42

**Table 3.12: Price Earnings Ratio of United Finance Limited**

**Graphical Representation**



**Figure 3.11 Price Earnings Ratio of United Finance Limited**

**Interpretation:**

The graph shows that, the price earnings ratio of UFL was highest in 2012 which was 17.37%. During 2015 the price earnings ratio decreased to only 9.35% but during 2016 it increased to 12.42%.

# **Chapter 4**

## **Findings, Recommendation and Conclusion**

## 4.1 Findings

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Every study belongs some specific findings, my report is not exception to this. Throughout my internship period I had an opportunity to observe some unnoticed things of United Finance Limited (UFL). Those are given below:

- The current ratio and cash ratio of United Finance Limited shows a decreasing trend. The current liabilities have increased significantly over the years.
- UFL's return on asset has decreased from 2.04% in 2014 to 1.51% in 2016. UFL is earning less profit from its asset. Since 2014 ROA is showing a decreasing trend.
- UFL's return on equity is in decreasing trend. Net profit of the organization has decreased which has led to the decreased of equity. ROE has decreased from 13.4 in 2015 to 11.1 in 2016.
- Its operating expenses have increased to 464 million from 399 million in 2016 due to increase of branches and employees. And for this its net interest margin, net operating margin are also decreasing.
- Their debt ratio was 0.859 in 2016 which was 0.861 in the previous year. Debt ratio has decreased than that of the previous year.
- EPS is closely watched by investors because it is an important indicator of corporate success. The graph shows that the earnings per share is highest in 2014 and lowest in 2016. EPS is decreasing over the year which is not a good sign for the company.

## 4.2 Recommendation

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This report is prepared on the basis of financial performance analysis. The report has attempted to give details of financial performance of United Finance Limited. In preparing the report it is understood that financial performance is not a simple matter, rather it is the parents of all analysis of an institution. Nevertheless this study intends to put up some recommends for some issues which is hoped to be useful for the organization.

- To concentrate more to increase return on asset and return on equity ratios by ensuring maximum utilization of its assets.
- To ensure the continuous upward movement of net interest income by raising efficiency and proper utilization of deposit.
- In the branch, most of the employees are working for extra hours, so management should provide some extra incentives to motivate the employee.
- Number of branches can be increased to create employment opportunity.
- The institution should regularly make use of ratio analysis and measure should be taken to improve undesirable ratios.
- Liquidity position should be improved by reducing current liabilities.
- A reasonable credit policy should be implemented, so that the main portion of profit does not spend in payment of fixed charges.
- Accountability and motivation for achievement of performance should be fixed up.
- More efficient communication between the departments should be established to have proper utilization of time and manpower.



### 4.3 Conclusion

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Financial institutions play an important role in the economic development of the country. Being a financial institution UFL also plays an important role in the financial arena of the country. United Finance Limited has a dynamic work environment and learning scope. The company provides quality service to the customers. From the study it can be seen that the company has a satisfactory financial performance over the years but the company needs to focus on reducing the liabilities and proper utilization of the assets. The company should focus on improving the liquidity position and improving the return on asset and return on equity.

The financial market in Bangladesh has opportunities leasing and financing business. Throughout my internship I gathered a vast knowledge from the organization and learned practical implications of the theoretical knowledge. In this report I have tried my best to portray the financial performance of the company and the findings and recommendations are hoped to be helpful to the organization in decision making.

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