
CHAPTER VII

Conclusions and Suggestions

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The Promoters of Lotus Hospital had planned that the Hospital should have philanthropic objectives, but at the same time, it should function as a commercial enterprise and not as a charitable institution. Among other things, this objective needs emphasis on financial management of the Hospital. The Researcher has made an attempt in this regard and some of the notable conclusions revealed through study are as under:

7.1 Conclusions

1. The liquidity position of Lotus Hospital is sound during the years 2002-03, 2003-04 and 2004-05, the period under study as it satisfies the standard norms of liquidity ratio of 1.
2. Lotus Hospital took 5 years to streamline its activities financially. The period is much longer than desirable but in latter years its performance improved and it started earning profit.
3. The profitability of Lotus Hospital after the year 2003 showed declining trend. All in all, it is working on borderline, which is reflected in net profit to total income ratio.

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4. Lotus Hospital has made good use of infrastructure facilities, especially of fixed assets to achieve the turnovers, as reflected in fixed assets turnover ratio.
 5. During the period of study, it has not made substantial addition to its fixed assets but at the same time, met the needs of patients
 6. The employment of funds by Lotus Hospital in relation to profitability is not satisfactory as reflected in the investment related ratios, e.g. return on equity ratio.
 7. The Hospital is holding excess stock of medicines, and the stock is increasing over the years, though the Hospital income is declining. This has affected the working capital as reflected in the ratio of total income to net working capital.
 8. The Hospital has not declared dividend except in the year 2003-04. The dividend was paid to the shareholders but the majority of the shareholders paid back the amount to the Hospital to utilize it for welfare activities.
 9. In the initial years the Hospital suffered losses and despite the losses, the subscribed share capital increased from Rs.75.68 lakhs as on 31.3.99 to Rs.128.54 lakhs as on 31.3.05. This steady increase in share capital shows the public confidence in the Lotus

Hospital and its philanthropic objectives of the Hospital and is also reflected in the above point.

10. The working capital has been showing increasing trend, During 2002-03 its turnover was Rs.241 lakhs and its working capital was 25.71 lakhs. But during 2003-04 and 2004-05 its income declined to Rs.200 lakhs and Rs.176 lakhs but the working capital was Rs.31.86 lakhs and Rs 41.83 lakhs. The Hospital could have managed with lower working capital.

11. As observed from the statement of funds generated from operations, the depreciation in the initial years heavy – as depreciation is being charged on reducing balance method – the accounting profit is less during these years. As the depreciation is added back for calculating funds flow statement, the liquidity shows improved position.

12. There is no separate research and Development Cell for basic research in the Lotus Hospital. All the research made by Lotus Hospital is ‘Applied’ nature.

It can be concluded from the above observations that the Lotus has low profitability and is working on thin ice. It will be in acute financial crisis in the forth-coming years unless it improves its profitability.

7.2 Suggestions

Following are the suggestions offered to improve its turn over and profitability:

1. The Lotus Hospital should make proper employment of funds. It should reduce the closing stock of medicines. Some measures like strict control over wastages, pilferage and misuse of medicines are suggested in this regard.
2. The Lotus Hospital should upgrade equipment and provide new facilities and services to attract more patients, to improve its performance and profitability. Pleasant and professionally trained Public relations set up, efficient receptionist and Hospitality staff, etc will result in satisfied patients and improve mouth-to-mouth publicity of the Hospital.
3. As medical profession forbids direct advertisement, the Hospital should make more and more publicity by organizing seminars, educational programmes, workshops and other social functions to increase the turnover. Also publicity of notable performances should be made in news papers and other media.
4. It should offer innovative and attractive packages and scheme to various companies and establishments like banks, commercial enterprises, etc. on a regular basis.
5. Lotus Hospital should make more efficient use of its working capital.

6. It has kept the funds in the fixed deposit with Bank and at the same time borrowed funds for working capital. The difference in interest is a loss to the Hospital. It should minimize such losses..

7. Lotus Hospital should reduce its fixed expenses to a great extent, which can be done by keeping a panel of floating staff – available on call or at a short notice. Introduction of cost reduction measures should be adopted to control the expenses, such as electricity, telephone and miscellaneous expenses.

8. A separate Research and Development cell should be set up by the Hospital. It will give the Hospital monetary benefits in the long run, as there is more scope for research in medical science. It can generate funds out of application of such research, though in the short run it may seem costly.

9. Improvement should be made in infrastructure facilities by providing spacious location and parking facilities.

The suggestions offered may be of some use to the Hospital Authorities. It is hoped that the Hospital will be in a better position to provide delightment to patients in the coming years. Any Hospital built on the strong foundation of profitability, liquidity and solvency will earn name and fame in the medical profession.