CHAPTER – V

CONCLUSION AND SUGGSTIONS

5:1 Conclusions

5:2 Suggestions

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Conclusion and Suggestions.

In this chapter the researcher has tried to give conclusions of the present study and has made some of the important suggestions for better performance of the bank. These conclusions are based on the data made available for the purpose of study.

5.1 Conclusions :

1. Current Ratio :

During the period of the study current ratio varied from 2.28 times to 1.97 times. Current ratio of the bank is above standard every year. The standard current ratio is 2:1 this indicates the bank is able to pay its short term liabilities. The average current ratio of the bank is 2.05 which is equal to norm. Which shows good working capital and solvency position of the bank. The Bank should efficiently use of the funds which will result in increasing profitability. The bank should maintain its current ratio and not at unnecessarily higher level.

2. Liquid Ratio :

Liquid ratio of the Bank is also above standard level standard liquid ratio is 1:1. The average liquid ratio of the bank is 3.94. This implies that the bank is able to pay its quick liabilities immediately. From the quick ratio we can say that the short term liquid position of the bank is very good. From the creditors point of view the high quick ratio shows the favorable situation. But from the shareholders point of view it indicates inefficient utilization of liquid resources. The liquidity position of the bank can be called very satisfactory for the period covered by the study.

3. Cash Position Ratio :

During the period of the study cash position ratio varied from 0.19 times to 0.12 times. It is decreasing year to year. The standard cash position ratio is 0.5:1. Average cash position ratio of the Bank is 0.14. The cash position ratio of the bank shows that the cash position of the bank was not satisfactory.

In brief the ability of the Bank to meet its short term obligations seems to be satisfactory. But Bank should kept sufficient amount of cash and Bank Balance.

4. Proprietary Ratio :

The standard proprietary or equity ratio is 50% to 65%. The proprietary ratio is varied from 4% to 10%. The average of proprietary ratio is 7.8% for five years. It indicates that the assets are financed to the extent of 7.8% by the owners funds, and the balance is financed by the borrowed funds/ loans. Lesser is the percentage of proprietary ratio the weaker is the financial position of the bank, as it indicates more dependence on external finance. However a low proprietary ratio is a symptom of under capitalization . It indicates greater risk to the creditors, since in the event of losses a part of their money, may be lost.

5. Debt to equity Ratio :

Debt of equity ratio shows the relationship between internal and extern at funds. The standard debt to equity ratio is 1:1. In all year debt to equity ratio is below the standard. Debt equity ratio varies from 0.18 times to 0 times . This is unfavorable to shareholders. Debt equity ratio indicates that the borrowed funds are used in a very small scale for the development of bank in all the year under study. Debt equity ratio shows that the claim of the creditors are lesser than those of the owners. The use of debt capital is very less in the Bank.

6. Fixed Assets to Net worth Ratio :

The trend of this ratio shows the fluctuations during the period of study i.e 24.77% in 2000-2001 and 9.32% in 2004-2005. The standard fixed assets to net worth ratio is 65%. Every year it is below standard, which is unfavorable. This investment policy is not idle. Bank should due consideration to its investment policy and use the shareholders funds in a proper way.

7. Interest coverage Ratio :

The average interest coverage ratio of the bank is 43.97, for five years. Which is very more than the standard norm 6 or 7 times. However, all the five years the ratio are above standard norm, It means bank an easily meet its interest burden. from the point of interest coverage ratio. It can be concluded that the financial position of the Palus Sahakari Bank Ltd., Palus is very strong.

8. Total Assets to Turnover Ratio :

In the year 2000-2001 total assets to turnover ratio of the bank is 0.64 and 0.49 in the year 2004-2005. The overage ratio of the bank is 0.58 for five years. This is below the standard norm 2:1. It implies that efficiency of total assets employed is less than desirable. The efficiency of the total assets employed is less than they are not utilized fully and profitability.

9. Fixed Assets to turnover Ratio :

The overage of fixed assets to turnover ratio of the bank is 50.43 for the last five years. This is more than the standard norm 5:1. However for all the above five years the ratio are above the standard norm. It means, the efficiency of the total assets employed is less than they are not utilized fully and profitability.

The activity or efficiency of the bank is satisfactory.

10. Net Profit Ratio :

Net Profit ratio varied from 1.42% to 0.46%, during the period of study. Net profit ratio indicate that the overall profit earning capacity of the bank is good and bank has effective cost control programme. for the period under our study, except for the year 2004 - 2005 (0.46%). In the year 2004-2005 (0.46%) the net profit ratio of the bank is less because there was an increasing in administrative and other expenses.

11. Return on shareholders investment :

The overall rate of return on investment ratio is 0.09 for five years under study. The return on shareholders investment ratio shows the management has utilized the funds provided by share holders effectively. Which was provided by shareholders.

The overall profit earning capacity of the bank is satisfactory.

5.2 Suggestions :

On the basis of above conclusion the researcher would like to make the following suggestions for efficient working of the bank.

1. The average liquid ratio of the bank is 3.94. The liquidity ratio found to be very high indicating no proper investment in assets. This can be corrected to improve the profitability. Therefore the Bank must give attention towards the proper investment of quick assets.

2. Average cash position ratio of the Bank is 0.14. Cash position ratio was shows that the cash position of the bank was not satisfactory. Bank should kept sufficient amount of cash balance.

3. The average of proprietary ratio is 7.8%. Bank should increase investment and reserve up to the standard norm.

4. The debt to equity ratio of the bank is below the standard. Bank has to keep close watch to maintain standard position in future period. Hence, it is suggested that to increase outsides fund and short term funds.

5. Fixed assets to new worth ratio of the bank is below standard every year. Which is unfavorable. Bank will advice to invest either in fixed assets or change depreciation method. Because of fixed assets to net worth ratio is very poor than the standard norm.

6. The average interest coverage ratio of the bank is 43.97% . It is above the standard norm. It means bank easily meets its interest burden. It is suggested that bank should increase external funds.

7. The total assets to turnover ratio of the bank is below standard norm i.e. 2:1. The average ratio is 0.58. The bank should try to utilize the net assets at full capacity. So that it can improve the profit on net assets at satisfactory level.

8. Net profit ratio of the bank is decreasing year after year. So bank should adopt effective cost control programme. Suitable training facility should be provided to the staff.