Working Capital Management In Grameen Bikas Laghubitta Bittiya Sanstha Limited

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Abstract

The capital of a business which is used in its day-to-day trading operations is called working capital. Working capital is considered a part of operating capital of a business. There are two concepts of working capital. Gross concept of working capital refers to the amount of funds equal to current assets whereas net concept of working capital refers to the amount of capital calculated by deducting current liabilities from current assets. If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit and negative working capital. Working capital management is concerned with determining the institution's level of investments in current assets and financing pattern of the current assets. The objective of working capital management is to determine the level of investment that maximize owner's wealth. In this paper the author attempts to evaluate and analyze the working capital need and its proper use in the Grameen Bikas Lagubitta Bittiya Sanstha Ltd. operating in Nepal. In this study it is found that the working capital in the beginning of three years of the study period are absolutely negative and the remaining two years are slightly positive. The investment in current assets is not sufficient and it has showed difficulty in meeting short term obligations. Net profit to total asset ratios are slightly satisfactory. However these ratios indicate that the institution required further efficient utilization of current assets and fixed assets. Likewise net profit to shareholder's equity ratio shows the proper utilization of owner's equity and the firm seems able to earn reasonable profit in the investment. This study has been carried out with analytical research design to analyze the working capital of this microfinance institution.

Key words:
Working capital, current assets, current liabilities, liquidity position, return on equity, return on assets
1.1 Introduction

The working capital denotes the amount of funds needed for meeting day to day operations of an institution. Working capital deals with both current assets and current liabilities. In other word, working capital means capital required for day to day operation. Working capital is sometimes called gross working capital. The gross concept of working capital refers to total current assets. Current assets are those assets which can be converted into cash within an accounting year. It includes, cash, short term securities, bill receivables and inventories (Manandhar et al., 2006) [1]. Sometimes working capital is also called net working capital. The net working capital refers to the current assets less current liabilities. The need for the net working capital arises due to the failure to consider the current liabilities. Current liabilities are those claims of outsiders which are expected to mature for payment within the accounting year. Current liabilities includes creditors, bills payable, bank overdraft and outstanding expenses.

The working capital is sometimes used in the sense of net operating working capital. The net operating working capital is defined as that part of operating current assets of the firm which is financed by long term sources of capital. Thus it is the difference between operating current assets and operating current liabilities of the firm. It includes cash, receivables and inventories whereas operating current liabilities include accounts payable and accruals (Paudel et al., 2010 )[2].

Working capital management covers all decisions of an organization involving cash flows in the short run with emphasis on the management of investment in current assets and their financing. It focuses on the coordinated control of the firm's, current assets and current liabilities (Paudel et al., 2010) [2].The main objective of any business firm is to maximize the value of firm. Firms value can be maximized in the long run when it survives in the short run. An effective working capital management is prerequisite to achieve the objective of value maximization. The main aim behind the firm's working capital management is to maintain the current assets and current liabilities at a point where that it represents satisfactory level of working capital. Both excessive and inadequate levels of working capitals are harmful for a firm. An adequate level of current assets should be maintained in order to achieve the objective of wealth maximization of the institution.. Therefore the major objective of working capital management is to manage current assets and liabilities at the optimal level. So it can be said that the survival of the firm depends in effective working capital management. Effective working capital management provides a cushion of protection to the short term lenders so that smaller firm can also survive and function well for the long run. Grameen Bikas Laghubitta Bittiya Sanstha Limited is a microfinance financial institution. This financial institution since its establishment has been helping to uplift the living standard of poor people specially the women living in the rural villages. This institution is the pioneer microfinance institution of Nepal and the only microfinance in which the government also has the equity share.
1.2 Statement of problem

Although the working capital management of the microfinance is not similar to the nonfinancial industry, the guiding principle of the working capital management may be related to it. The management of working capital is synonymous to the management of short term liquidity. It is difficult to point out as to how much capital needed to the particular business organization. The more of short term liquidity means more of current assets and less of current liabilities. The less current liabilities empties less short term financing that resulted to the lower return. Therefore it is necessary to analyze and find out problems and solutions to make efficient use of funds that leads to maximize firm's profit. Working capital has regarded as the life blood and nerve of a business concern. It is also essential to facilitate the smooth operation of a working capital. Optimum level of working capital leads to the trade-off between risk and return of a firm. However it is very difficult to point out how much working capital shall be needed to the particular business organization especially to a microfinance institution.

Working capital management creates both opportunity and threat to the organization. Grameen Bikas Laghubitta Bittiya Sanstha Limited should pay good attention to the management of working capital. Proper management of working capital plays significant role to attain organization goal of profit maximization/wealth maximazation. Some specific problems regarding working capital management are as follows:

1. What are the major components of working capital of Grameen Bikas Laghubitta Bittiya Sanstha Limited?
2. Is there sufficient working capital in the organization?
3. Is working capital efficiently used in the organization?
4. How has the organization been utilizing their debt capital?

1.3 Objectives of the study

The main objective of this study is to evaluate and analyze the working capital need and it's proper use in the future based on the present situation of the working capital management in the microfinance institution. The specific objectives of this study are as follows:

To find out the use of current assets and liabilities in the micro finance institution.

To analyze the liquidity, profitability and solvency of this institution.

To suggest the management for proper use of current assets and current liabilities of the institution.

1.4 Limitations of the study

The followings are the major limitations of the study:

This study has been conducted using secondary data.

The study has been done using published financial documents like balance sheet and profit and loss account.

Financial ratios are used as a tool to analyze the information and data collected.

The study period covered five fiscal years from 2071/2072 to 2075/2076.
2. REVIEW OF LITERATURE

2.1 Gross concept of working capital

In a simple terminology gross concept of working capital refers to the investment in the current assets. In the other words, gross working capital is the total amount of funds available for financing of current assets. However it does not show the real financial position of a business firm. Gross concept of working capital may be classifying as capital invested in the various types of current assets such as cash inventories, receivables etc. This classification is important to financial manager to manage working capital in an organization. Current liabilities are obligations of outsiders repayable within an accounting year or the operation cycle of the firm.

Working capital cycle

![Working capital cycle diagram]

From the above explanation working capital management is concerned with the problems that arise in the normal courses of business. It attempts to manage current assets and current liabilities that leads to optimum utilization of short term resources in the organization.

2.2 Net concept of working capital

Gross concept of working capital is concerned with the study about total investment on current assets. whereas the net concept of working capital is a broad concept which focuses to long term view of working capital. Under the concept of net working capital, it studies current assets and current liabilities differently. This concept considers both current assets and current liabilities and it refers to the differences in the amount between current assets and current liabilities. Difference may be positive or negative. Current assets includes cash, bank balance, stock, debtors, bills receivables etc. and current liabilities include bills payable, creditors, outstanding expenses etc. Excess of current assets over current liabilities indicate the positive net working capital and the liquidity position of an organization.

According to I.M. Pandey the term net working capital refers to the difference between current assets and current liabilities. Current liabilities are those claims of outsiders which are expected to mature for payment within an accounting year.Net working capital can be positive or negative. A positive net working capital will arises when current asset exceed over the current liabilities (Pandey, 1995) [3].It also identifies the relatively liquidity position of
the firm which constitutes the margin of buffer for maturing obligation within the ordinary operating cycle of the business.

2.3 Zero working capital concept

The focus of working capital management is to reduce the investment in working capital as low as possible and these focus has brought the concept of zero working capital in practice. This concept has its own definition that working capital refers to the inventories plus receivables less payable. This concept enables a firm to generate timely cash flow and to increase the production and distribution efficiency of the firm. It should be remembered that investment in inventories and receivables are necessary for generating sales. It is true that inventory can be financed through suppliers by creating accounts payable (Paudel et al., 2010) [2].

2.4 Review of related articles and thesis

In this section different research papers, article published in various journals written by different experts on working capital management have been reviewed. Acharaya (1985) [4], wrote an article on and has described major problems of working capital in his article. According to him there are operational and organizational problems of the working capital in a firm. Author highlighted that most of the public enterprises has misunderstanding about the management of cash and its efficient utilization. The existing problems regarding working capital management have not been given importance. Finally monitoring a proper functioning of working capital management have never been considering a management job.

In the second part author has listed the organization problems of public enterprises. In most of the public enterprises, there is lack of regular internal and external audit system as well as evaluation of financial results. Similarly very few public enterprises have become able to present their capital requirement and some public enterprises have been facing the problems of underutilization of their capacity. The author has concluded that manufacturing concern must be acquainted knowledge, ideas and skills to operate the organization. Public enterprises should avoid the system of crisis decision which has prevailed frequently in their operation. Author has suggested that the optimum level of investment in working capital will be a weapon to achieve the desired level of profit and maintaining this level leads to the maximization of profit of the public enterprises.

Shrestha (1992) [5] wrote an article on working capital management in public enterprises (PEs). He has studied on the liquidity and profitability and solvency of those selected ten public enterprises. It was found that four PEs had maintained adequate liquidity position two had excessive and remaining four had failed to maintain desirable liquidity position. In this analysis it was found that most of the public enterprises were not operating well. Some of them were suffering from losses and very few enterprises were in profit.

Mahat (2004) [6] published his article on spontaneous sources of working capital management. He had defined the three major sources of working capital i.e. equity financing, debt financing and spontaneous sources of financing regarding the working capital management. He has defined that the working capital management is one of the important pillar of corporate finance. However Nepalese industry are facing difficulty in their survival due to the recession. Author pointed out that managing the working capital resources for a profit making industries are routine affairs of just making payment and arranging collection of debtors. Spontaneous sources of working capital will be better sources for working capital in order to improve its performance.
Shrestha Rojina (2006) [7] has carried out her research on working capital management with respect to National Trading Limited and Salt Trading Limited. The main objectives of the study were to present overall picture of working capital of these firms, to examine the relationship between liquidity and profitability and to know whether the companies have maintained optimum level of working capital or not. She has used various profitability ratios to analyze operating efficiency of these two companies. It was found that the inefficient utilization of current assets, total assets and shareholders wealth. The outcome of cash conversion cycle of these companies were not satisfactory for long run because analysis showed that there is long payable deferral period, short inventory collection period and short receivable period.

Acharya (2006) [8] has carried out research on working capital management of manufacturing companies listed in NEPSE with the objectives of finding out the working capital financing policy adopted by listed Nepalese companies, analyzing the current assets and current liabilities, examining the effects of working capital on profitability. This Studies (research) found that the companies were accompanied with various hindrances like lower turnover, lower return, lower net working capital, poor liquidity position, lack of proper working capital policy, deteriorating financing situation, lack of appropriate credit and collection policy, improper inventory management, high operating cost of production etc. He has provided some recommendation to the companies. As per the recommendation the companies should formulate appropriate working capital policy as per their need, investing ideal fund in marketable securities, adopt definite credit and collection policies and adopt good store keeping, material handling and timely inspection system.

2.5 Justification of the study
This research work is concerned with working capital management of Grameen Bikas Laghubitta Bittiya Sanstha Limited. The tools used for the analysis have been limited to working capital policy with NRB directives. So this study tries to explore the working capital management and effective use of current assets of GBLSL. This study will also be different from the above study in terms of sample data presentation as well as financing ratios used for interpretation and analysis of data. Similarly this study is also different in the sense that the nature of business of GBLBS is different than that of manufacturing companies and commercial banks. So far the author understand there is no any or very limited research study on the working capital management of microfinance institution in Nepal. This study has been carried out based on the published financial statements of GBLBS covering the financial years 2070/2071 to 2075/2076.
3. RESEARCH METHODOLOGY

The research methodology is a process of arriving to the solution of problem through planned and systematic dealing with the facts and figures. Research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view (Kothari, 1994) [9]. Therefore we conclude that research methodology tries to make clear view of the method and process adopted in the entire aspect of the study. It is also considered as the path from which researcher can systematically solve research problem.

This study has been carried out with descriptive as well as analytical research design to analyze the working capital management of GBLBS. Various financial parameters and effective research techniques is applied to identify the strength and weakness of working capital management of this institution. The number of microfinance institution in Nepal have been emerged rapidly in the past ten years. In the study Grameen Bikas Laghubitta Bittiya Sanstha Limited has been taken as sample of study. Financial statement of last five years from 2070/2071 to 2075/2076 have been taken as a sample data for the study. The data implied in the study were from secondary sources. The published audited balance sheet, profit and loss account and related schedules of the financial statements of microfinance institutions were collected. Beside this, other essential data and information has been collected from some published documents.

4. DISCUSSIONS AND RESULTS

4.1 Introduction

This chapter entitles presentation, analysis and interpretation of data. The collected and organized data have been analyzed and presented by adapting different statistical tools and techniques and interpreted accordingly them. This data have been presented here in the tabular form, diagram and the graphical form in order make the findings easily understandable.

4.2 Working capital

Working capital maybe positive or negative. Positive working capital refers to the excess amount over the current liabilities and negative working capital occurs when current liabilities exceeds current assets. Based on our calculation, positive working capital is seen in two fiscal years i.e. 2074/2075 and 2075/2076.
Table 1

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Current Assets</th>
<th>Total Current liabilities</th>
<th>WC = CA-CL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2071/2072</td>
<td>5219773336.65</td>
<td>5702296578.67</td>
<td>-482523242.02</td>
</tr>
<tr>
<td>2072/2073</td>
<td>6382814957.24</td>
<td>6837248418.13</td>
<td>-454433460.89</td>
</tr>
<tr>
<td>2073/2074</td>
<td>7173628927.46</td>
<td>7733675977.63</td>
<td>-560047051.01</td>
</tr>
<tr>
<td>2074/2075</td>
<td>8608926784.21</td>
<td>8491684778.34</td>
<td>117242005.87</td>
</tr>
<tr>
<td>2075/2076</td>
<td>9580626652.92</td>
<td>9168466978.19</td>
<td>412159674.72</td>
</tr>
</tbody>
</table>

Sources: Annual report of Grameen Bikash Laghubitta Bittiya Sanstha Limited, 2071/2072 to 2075/76 [10].

In the above table, it shows that in the beginning of three years of the study period, working capital were negative whereas in fiscal year 2074/2075 and 2075/2076, working capital is positive. Negative working capital indicates that the institution is unable to meet the short term obligation of the institution.

4.3 Calculation of current ratio

Current ratio reflects the both strength and weakness of the organization. This ratio also indicates the short term solvency position of the organization. In other words, the current ratio represents a margin of safety.

Table 2

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Current assets</th>
<th>Total Current liabilities</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2071/2072</td>
<td>5219773336.65</td>
<td>5702296578.67</td>
<td>0.92</td>
</tr>
<tr>
<td>2072/2073</td>
<td>6382814957.24</td>
<td>6837248418.13</td>
<td>0.93</td>
</tr>
<tr>
<td>2073/2074</td>
<td>7173628927.46</td>
<td>7733675977.63</td>
<td>0.93</td>
</tr>
<tr>
<td>2074/2075</td>
<td>8608926784.21</td>
<td>8491684778.34</td>
<td>1.01</td>
</tr>
<tr>
<td>2075/2076</td>
<td>9580626652.92</td>
<td>9168466978.19</td>
<td>1.05</td>
</tr>
</tbody>
</table>

Sources: Annual report of Grameen Bikash Laghubitta Bittiya Sanstha Limited, 2071/2072 to 2075/2076[10].

The current ratio measures the extent to which the claims of short term obligations are covered by short term assets. The ratio is calculated by dividing current assets by current liabilities. In the above table the ratios of fiscal years 2071/2072 to 2075/2076 are 0.92, 0.93, 0.93, 1.01 and 1.05 respectively. As a conventional rule the current ratio 2:1 is employed as a standard of comparison. Current ratios less than 2:1 are considered low and indicates financial
difficulties. In all years of the study period, current ratios are below the standard, however in 2074/2075 and 2075/2076, it is equal to one or more.

4.4 Cash and bank balance to current liabilities

Cash and bank balance over current liabilities indicates how far the cash balance meets the current liabilities of the organization. Every year, current liabilities exceeds the cash and bank balance and it shows the lower cash and bank balance than current liabilities.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cash and bankBalance</th>
<th>Total Current liabilities</th>
<th>Cash and bank balance - current liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2071/2072</td>
<td>551098512.32</td>
<td>5702296578.67</td>
<td>-5151198066.35</td>
</tr>
<tr>
<td>2072/2073</td>
<td>768573946.02</td>
<td>6837248418.13</td>
<td>-6068674472.1</td>
</tr>
<tr>
<td>2073/2074</td>
<td>554950524.69</td>
<td>7733675977.63</td>
<td>-7178725452.94</td>
</tr>
<tr>
<td>2074/2075</td>
<td>708886359.35</td>
<td>8491684778.34</td>
<td>-7782798418.99</td>
</tr>
<tr>
<td>2075/2076</td>
<td>756114002.69</td>
<td>9168466978.19</td>
<td>-8412352975.50</td>
</tr>
</tbody>
</table>

Sources: Annual report of Grameen Bikas Laghubitta Bittiya Sanstha Limited, 2071/2072 to 2075/76 [10].

In the above table, cash and bank balance to current liabilities has been shown and in all years of study period, portion of cash and bank balance is heavily lower than current liabilities. Theoretically it shows the inefficient management of cash and bank balance to current liabilities. However, given the nature of business of microfinance institution it may be interpreted differently.
4.5 Cash and bank balance to deposit ratio

The ratio shows the ability of an organization's immediate funds to cover its deposit. It has calculated dividing cash and bank balance by deposits. The ratios are shown below.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cash and bank balance</th>
<th>Deposit</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2071/2072</td>
<td>551098512.32</td>
<td>141074397.19</td>
<td>0.40</td>
</tr>
<tr>
<td>2072/2073</td>
<td>768573946.02</td>
<td>1819407063.52</td>
<td>0.42</td>
</tr>
<tr>
<td>2073/2074</td>
<td>554950524.69</td>
<td>2255837073.12</td>
<td>0.24</td>
</tr>
<tr>
<td>2074/2075</td>
<td>70886359.35</td>
<td>2744660177.72</td>
<td>0.25</td>
</tr>
<tr>
<td>2075/2076</td>
<td>756114002.69</td>
<td>3237913445.38</td>
<td>0.23</td>
</tr>
</tbody>
</table>

Sources: Annual report of Grameen Bikas Laghubitta Bittiya Sanstha Limited, 2071/2072 to 2075/76[10].

The above table shows the position and ratio of cash and bank balance to deposit of GBLBSL, from the fiscal year 2071/2072 to 2075/2076. The trend of ratios are highly fluctuating. The ratios are 0.40, 0.42, 0.24, 0.25 and 0.23 in respective fiscal years.

4.6 Loan and advance to total deposit ratio

This ratio shows what extent the firms are able to utilize the depositor's funds to earn profit by providing loan and advances. It has computed dividing the total amount of loan and advances by total deposits.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Loan and Advance</th>
<th>Deposit</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2071/2072</td>
<td>4328645299.41</td>
<td>141074397.19</td>
<td>3.07</td>
</tr>
<tr>
<td>2072/2073</td>
<td>5231653325.50</td>
<td>1819407063.52</td>
<td>2.88</td>
</tr>
<tr>
<td>2073/2074</td>
<td>6185228758.33</td>
<td>2255837073.12</td>
<td>2.74</td>
</tr>
<tr>
<td>2074/2075</td>
<td>6768336852.62</td>
<td>2744660177.72</td>
<td>2.47</td>
</tr>
<tr>
<td>2075/2076</td>
<td>7561691382.57</td>
<td>3237913445.38</td>
<td>2.34</td>
</tr>
</tbody>
</table>

Sources: Annual report of Grameen Bikas Laghubitta Bittiya Sanstha Limited, 2071/2072 to 2075/2076[10].

The above table shows the position and ratio of loan and advances to total deposit from the fiscal year 2071/2072 to 2075/2076. The loan and advances to total deposit ratios are normally satisfactory. The ratios in this study period are 3.07, 2.88, 2.74, 2.47 and 2.34 respectively.
4.7 Net profit to total asset ratio

This ratio is very much important for measuring the profitability of the funds invested in the GBLBSL assets. It measures the return on assets. This ratio measures the overall effectiveness of management in generating profit with its available assets. The higher the firm's return on asset the better it is operating. This ratio is calculated dividing net profit by total assets. Total asset includes current assets and fixed assets.

**Table 6**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net profit</th>
<th>Total assets</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2071/2072</td>
<td>181738573.85</td>
<td>6242611975.62</td>
<td>0.029</td>
</tr>
<tr>
<td>2072/2073</td>
<td>245805315.55</td>
<td>7662093225.49</td>
<td>0.032</td>
</tr>
<tr>
<td>2073/2074</td>
<td>128301859.13</td>
<td>8828117874.49</td>
<td>0.014</td>
</tr>
<tr>
<td>2074/2075</td>
<td>160310510.43</td>
<td>9981333385.44</td>
<td>0.016</td>
</tr>
<tr>
<td>2075/2076</td>
<td>198340781.84</td>
<td>11259180830.77</td>
<td>0.017</td>
</tr>
</tbody>
</table>

Sources: Annual report of Grameen Bikas Laghubitta Bittiya Sanstha Limited, 2071/2072 to 2075/2076[10].

As shown in above table, the net profit to total assets ratios are 0.029, 0.032, 0.014, 0.016 and 0.017 respectively. The ratios are normally satisfactory. It is also concluded that the firm's total assets seem able to earn some profit and efficiently used its total assets in practice.

4.8 Net profit to shareholders equity ratio

The return on equity ratio measures the return on the owner's investment in the firm. Higher ratio of return on equity is better for owner. This ratio also indicates the managerial efficiency of the organization. The ratio is calculated dividing net profit after tax by shareholders equity.

**Table 7**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net profit</th>
<th>Equity</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2071/2072</td>
<td>181738573.85</td>
<td>499613287.56</td>
<td>0.30</td>
</tr>
<tr>
<td>2072/2073</td>
<td>245805315.55</td>
<td>816293731.12</td>
<td>0.30</td>
</tr>
<tr>
<td>2073/2074</td>
<td>128301859.13</td>
<td>826053112.67</td>
<td>0.15</td>
</tr>
<tr>
<td>2074/2075</td>
<td>160310510.43</td>
<td>1116032181.48</td>
<td>0.14</td>
</tr>
<tr>
<td>2075/2076</td>
<td>198340781.84</td>
<td>1622265958.40</td>
<td>0.12</td>
</tr>
</tbody>
</table>

Sources: Annual report of Grameen Bikas Laghubitta Bittiya Sanstha Limited, 2071/2072 to 2075/2076[10].

In the above table, return on equity has been shown. In fiscal year 2071/2072 and 2072/2073 the GBLBSL has earned 30% profit on its investment. It shows the firm is able to earn maximum profit on the investment. In remaining years, the returns are decreasing .i.e. 15%, 14% and 12% respectively. The ROE in later years affected due to increasing in
paid up capital as well. Increasing ratio is favorable for the firm that shows the increasing profit. It is concluded that firm is able to manage its investment, working capital and fixed assets efficiently.

**Findings**

In the study it is found that working capital in the beginning of three years of the study period are absolutely negative. Remaining two years i.e. 2074/2075 and 2075/2076 are slightly positive. The working capital margin is very low. Theoretically the working capital management and liquidity position in this institution seems weak. The investment in current assets is not sufficient and it has showed difficulty in meeting short term obligations. As per rule, current ratio should be 2:1 or more. Cash and bank balance to current liabilities ratio is also not satisfactory. In case of cash and bank balance to deposit ratio is satisfactory. The firm seems able to meet its deposit liabilities easily.

Loan and advances to total deposit ratio also shows what extent the firm is able to utilize the depositor's fund to earn benefit. This ratio seems satisfactory. Net profit to total asset ratios from the fiscal year 2071/2072 to 2075/2076 were 2.9%, 3.2%, 1.4%, 1.6% and 1.7% respectively. These ratios indicate that the institution required further efficient utilization of current assets and fixed assets. Likewise net profit to shareholder's equity ratio shows the proper utilization of owner's equity and the firm seems able to earn reasonable profit in the investment.

5. **CONCLUSION, AND SUGGESTIONS**

5.1 **Conclusion**

Working capital management is concerned with determining the firm's level of investment in current assets and financing pattern of current liabilities. It has currently become an important challenging job to the financial manager now days. The financial manager should spend a significant amount of time in the day to day operation of the firm. It affects both profitability and risk of the firm. Working capital refers to the difference between to the total amount of current assets minus total current liabilities. It has represented by the firm total investment in current assets after analyzing five years data of GBLBSL. It is found that overall working capital management of this institution is satisfactory. The current assets have been increasing slightly from the beginning years of the study periods. In the same way the current liabilities are also increasing. The overall standard rate of current ratio is 2:1 but the firm is unable to maintain current ratio in that level. From the study, it can be concluded that the institution should pay good attention in the management of current assets, current liabilities and fixed assets of the microfinance institutions. It also seems that there is weak cash handling and utilizing policy of the firm. Profitability ratio shows the degree of achieving desired profit from utilizing total assets of the firm. Here, return on assets and return on equity ratio have been calculated. Both ratios are somewhat satisfactory.
5.2 Suggestions

Based on the results of the study, the author provides following suggestions:

1. The GBLBSL needs to analyze the liquidity, solvency, profitability position of the organization for its future development.
2. The GBLBSL should increase / maintain the current ratio to its optimum level that the firm shall meet its current obligations easily.
3. The GBLBSL should utilize its current as well as fixed assets optimally that the organization will be able to manage the total assets effectively.
4. Return on equity (ROE) and Return on assets (ROA) should maintain present position and try to increase the ratio for further development.

REFERENCES