Internship Report

on

Financial Statement

Analysis

of

Shakti Foundation for Disadvantaged Women

Supervised By

Professor Dr. Md. Abul Hossain

Coordinator, MBA Program

Department of Business Administration

Daffodil International University

Prepared By

Afroza Sultana

ID No.: 163-12-137

Major in Finance

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

<u>Date of Submission</u>

November 30, 2019

Internship Report

on

Financial Statement Analysis of Shakti Foundation for Disadvantaged Women

Submitted to the Department of Business Administration, Daffodil International University (DIU) in partial fulfilment of the requirements for the award of MBA degree, Major in Finance

Under the Supervision of

Professor Dr. Md. Abul Hossain

Coordinator, MBA Program, Uttara Campus

Faculty of Business and Entrepreneurship

Prepared By

Afroza Sultana

ID No.: 163-12-137

Major in Finance

Program: MBA

Date of Submission

November 30, 2019

Letter of Transmittal

November 30, 2019

Professor Dr. Md. Abul Hossain
Coordinator (MBA Program)
Faculty of Business and Economics
Daffodil International University.

Subject: <u>Submission of Internship Report on Financial Statement Analysis of Shakti Foundation for Disadvantaged Women.</u>

Dear Sir,
With humble submission and enormous pleasure my internship report on Financial Statement Analysis of Shakti Foundation for Disadvantaged Women is presented here before you which have been prepared under your generous supervision in partial fulfillment of the requirements for the award of MBA degree (major in Finance). With the best of my devotion, knowledge and effort it was the priority to prepare this report in such a way that it is in compliance with the optimal standard and prescribed format.

It has been a great honor and superior opportunity to work under your valuable direction that persuade me to try my heart and soul together to make this report a successful one.

My heartiest gratitude for your benevolent supervision.

Sincerely yours,

Afroza Sultana
....
(Afroza Sultana)
ID No.: 163-12-137
Major in Finance
Program: MBA
The Department of Business and Economics
Daffodil International University

Certificate of The Supervisor

This is to certify that, the work entitled "Financial Statement Analysis of "**Shakti Foundation for Disadvantaged Women"** is an original work by Afroza Sultana, **ID no.-163-12-137,** major in Finance, Department of Business and Economics, Daffodil International University, Uttara Campus and the internship report is completed under my supervision and submitted for the partial fulfillment of the requirement for award of Master of Business Administration (MBA) degree from Daffodil International University, (Uttara Campus).

A Hossain
02/12/19
....

(Professor Dr. Md. Abul Hossain)
Coordinator (MBA Program)
Department of Business Administration
Faculty of Business and Entrepreneurship

Student's Declaration

I do hereby solemnly declare that the work presented in this internship report has been carried out by me and has not been previously submitted to any other University/College/Organization for an academic certificate/degree.

I, Afroza Sultana, **ID no.163-12-137**, declare that the presented internship report on **"Financial Statement Analysis of Shakti Foundation for Disadvantaged Women"** submitted as a course requirement for the award of the degree of Master of Business Administration at Daffodil International University was prepared me.

The work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise.

I further undertake to indemnify the damage arising from breach of the foregoing obligations.

Afroza Sultana

…………………………..

(Afroza Sultana)
ID no.163-12-137
Major in Finance
Department of Business and Economics,
Daffodil International University

Acknowledgement

At the beginning I am very much grateful to almighty for giving me strength and opportunity and sound mind to complete the internship report. I am grateful to many individuals for completing my internship report successfully.

First of all, I would like to thank to my Internship Supervisor, **Dr. Md. Abul Hossain**, Professor for guiding me and encouraging me to work on this exciting topic for my internship report. I strongly believe that, these will assist me a lot to make me more professional and building my future professional career.

I would like to gratify my external supervisor K. M. Akhteruzaman, Deputy General Manager, Finance Department for supervising and helping me in the work at Shakti Foundation for Disadvantaged Women, Head Office. He had been very helpful through the internship program and provided all necessary information to make this report. This internship report might never have been completed without the necessary particle knowledge, assistance of many books, articles, websites and primary data. It enhanced my practical knowledge in corporate culture.

Finally, my heartiest thanks go to others who were involved and helped directly and indirectly to prepare this report. Without them all these would not have been made possible.

List of Figures

Abstract

Shakti Foundation for Disadvantaged Women hereafter named as Shakti Foundation is one of the top most micro finance institution in Bangladesh. It has 416 branches all over Bangladesh. It is registered with the NGO Affairs Bureau Bangladesh under The Foreign Donations Regulations rules 1978 and the Register of Joint Stock Company Ltd. under the Society Act 1860. Shakti Foundation has also received certifications through the Microcredit Regulatory Authority Act in 2007 to run their microcredit programs.

This report has been prepared based on the internship program that I have successfully completed in Shakti Foundation under Finance Department in partial fulfillment for the degree of Masters of Business Administration (MBA) in Daffodil International University. The main objective of this report is to perform analysis of financial statement of the aforesaid organization. This report has been designed in such way to give the reader a systemic view of Shakti Foundation's financial performance along with its opportunities and threats, strengths and weaknesses. The report has been designed in a chapter by chapter approach where chapter one is the introductory chapter and contains introduction, objectives, significance, scope, methodology and limitations of the study. Chapter two gives an overall view of the historical background, products and services, competitor analysis and analysis of Vision and Mission statement of Shakti Foundation. Chapter three illustrates the external factors which lead to opportunities and threats and their score in External Factors Evaluation (EFE) matrix and the internal factors in terms of existing functional areas of Shakti Foundation and associated strengths and weaknesses with their score in Internal Factors Evaluation (IFE) matrix. This chapter also includes SWOT analysis which matches the external and internal factors and formulate multiple strategies. Chapter four consists of theoretical aspects like financial performance analysis, statement of financial position, statement of financial performance and ratio analysis as well. Chapter five will be constructed through the financial statement analysis of Shakti Foundation. The final chapter finishes with the sequential presentation of findings of the analysis, recommendations and conclusions.

TABLE OF CONTENTS

Chapter One

Introduction

- ✓ Introduction of the Study
- ✓ Origin of the Study
- ✓ Significance of the Study
- ✓ Objectives of the Study
- ✓ Scope of the Study
- ✓ Methodology of the Study
- ✓ Source of Data
- ✓ Limitations of the Study

Chapter One

INTRODUCTION

1.1 Introduction of the Study

The systematic process of reviewing and analyzing a company's financial statements in terms of profitability, liquidity, solvency, operational efficiency and growth potentiality is called Financial Statement analysis. It is essential to make better economic decisions. Financial statements are the summary reports of a company's financial transactions and include the income statement, balance sheet, statement of cash flow and statement of changes in equity. Financial statements analysis is required for evaluating risks, performance, financial health and future prospects of an organization. In this study the financial statements of Shakti Foundations are analyzed.

1.2 Origin of the Study

The Masters of Business Administration (MBA) degree of the University requires a three months' internship in an organization followed by an internship report on a topic assigned by the Supervisor of the University. These requirements were fulfilled by accomplishing the internship in Shakti Foundation along with preparing this report on the financial statement analysis of Shakti Foundation as assigned by my Supervisor with regard to the partial fulfillment of MBA degree.

1.3 Significance of the Study

Shakti Foundation is one of the largest micro finance institution in Bangladesh covering a vast geographical area. It provides micro credit facilities to various classes of people of the society to bring economic solvency in their life. Along with providing credit Shakti Foundation facilitates various socio-economic and health development of its beneficiaries.

1.4 Objective of the Study

General Objective

i. Identifying overall financial performance of Shakti Foundation through its financial statements analysis.

Specific Objective

i. Identifying current financial position of Shakti Foundation
ii. Identifying financial performance of Shakti Foundation through calculation of various ratios.

iii. Identifying financial trend of Shakti Foundation on the basis of financial performance.
iv. Formulating recommendations for the improvement of performance of Shakti Foundation.

1.5 Scope of the Study

The report is prepared based on the observation and knowledge achieved during the internship period in Shakti Foundation. The report will focus on the financial statement analysis giving an overall view of the financial position and financial performance of Shakti Foundation. As such the information in this report will be limited to the perspective of Shakti Foundation. This report may generate ideas for those who exclusively wants to know the financial performance of Shakti Foundation.

1.6 Methodology of the Study

Several Types of research methods are used in studies depending on the field or research. As this research is on financial statement analysis, certain methods were followed to fulfill the objectives of the study, making the maximum utilization of the scopes and to avoid the limitations as much as possible to prepare the final outcome of the study. There are four types of research methods were used to complete this study. These methods are-

i. **Qualitative Method**
Qualitative method is concerned with the quality or kind and describing meaning. In this study I have used qualitative research method to provide a clear concept about my research topic and to maintain the standards of my research I have analyzed the financial statements from different viewpoint.

ii. **Quantitative Method**
Quantitative research is based on the quantitative measurements of some characters. It is applicable to phenomena that can be expressed in terms of quantities. I have used the quantitative approaches in this study for some statistical content analysis and to determine the significance of findings.

iii. Analytical Method
In analytical research, the researcher has to use facts or information those already available, and analyze these to make a critical evaluation of the material. In this study, I have used analytical method for ratio analysis and to evaluate the Financial Performance of Shakti Foundation for Disadvantaged Women.

iv. **Descriptive Method**

Descriptive Research includes surveys and fact finding enquiries of different kinds. The major purpose of descriptive research is description of state of affairs as it exists at present. In this report, I have used the descriptive approach to explain the financial statements, graphs, ratios, financial trend, financial performance and current financial condition of Shakti Foundation for Disadvantaged Women.

1.7 Sources of Data

Data have been collected from two sources such as primary sources of data and secondary sources of data. Primary sources of data are those sources from which the researcher collects the data directly from the field work and secondary sources of data are those sources which provide data that are already collected by another researcher. From this point of view, I also have collected data from both primary sources and secondary sources.

a) Primary Sources of Information

- Face to face conversation with the respective officers and Staff of Shakti Foundation.
- Oral interview of the responsible officers.
- Through the study at different departments of Shakti Foundation.

b) Secondary sources of information

- Annual reports of Shakti Foundation
- Annual Budget of Shakti Foundation
- PKSF report of Shakti Foundation
- MRA report of Shakti Foundation
- Bangladesh Bank report of Shakti Foundation
- Relevant document's studies as provided by the officers concerned
- Extensive literature searches on the basis of these documents of publication
- Different guidelines, policies and circulars from PKSF, MRA, NGOAB and Bangladesh Bank
- Searching site regarding financial statement analysis and ratio analysis
- Website of Shakti Foundation along with other relevant websites

1.8 Limitations of the Study

This report was prepared with my outmost effort and due care. Though there were some difficulties to obtain the required information. Micro Finance is not one of the advanced field in our country. There system of book keeping and record keeping has not been developed very much. Use of technology is scarce and as such it furthers hinders the acquisition of information. Moreover, hard copy maintenance of Data makes it even more hurdle to extract them for report preparation purpose. Along with these some others limitations those were faced during the preparation process of this report are given in the following-

1. **Unavailability of Data**

   Lack of availability of data such as branch data is maintained only in branches.

2. **Lack of co-ordination among departments**

   Improper combination among various departments made data collection complex and time consuming.

3. **Limited time access to Data**

   Time limitation that would mostly with stands a comprehensive study on the topic selected.

4. **Legal Bindings**

   Due to some legal obligation and strategic secrecy the MFI was reluctant to provide some sensitive data. Thus, this study limits only on the available published data and certain degree of formal and informal interview and limited survey.

5. **Extensive nature of the Study**

   Although the particular study is extensive in nature, hard effort was given to make the study worthwhile and meaningful even then there exists some limitation.

6. **Time limitation for internship period**

   The time limit for this report was three months so within this short span of time it is very difficult to be familiar with all the activities of the organization

7. **Lack of supervision and direct assistance from organization's officers**

   As the officers were busy with their daily working activities, they were not able to give me much time apart from their daily working activities.

8. **Corporate and strategic restrictions on disclosure of some information**

   There were various types of information that the organization's officers cannot disclose due to the security and other corporate obligations.

Chapter Two

Overview of

Shakti

Foundation

- Historical Background
- Products and Services
- Vision and Mission Statement
- Analysis of Mission Statement
- Proposed Vision and Mission Statement

Chapter Two

OVERVIEW OF SHAKTI FOUNDATION

2.1 Historical Background

Shakti Foundation is registered with the NGO Affairs Bureau Bangladesh under The Foreign Donations Regulations rules 1978 and the Register of Joint Stock Company Ltd. under the Society Act 1860. Shakti Foundation has also received certifications through the Microcredit Regulatory Authority Act in 2007 to run their microcredit programs.

Shakti Foundation was established in 1992 by Humaira Islam, PhD and a group of social innovators committed to the socio-economic empowerment of disadvantaged women through their social and financial inclusion. Its first head office was at Dhanmondi in Dhaka with very few branches. Shakti initially established a pilot microfinance program to provide small loans for income generation to women living in Dhaka slums. The program's success led to similar microfinance programs in other slums of other cities, the program subsequently expanded to the rural areas.

Shakti shifted to its newly constructed permanent premises at Mirpur 11 in the year of 2018. With more than four hundred branches Shakti has now become one of the dominant micro finance institution in Bangladesh. Currently Shakti covers both rural and urban areas through its programs in Microfinance, Agro, Health, and Shouro Alo, with branches all across Bangladesh in 53 districts providing services to 520,834 members.

2.2 Product and Services

Micro Finance

As Shakti Foundation's largest initiative, its Microfinance Program is aimed at ultra-poor urban women within Bangladesh. This program envisions a society where women learn to trust and apply their potential effectively without being constrained by societal limitations.

Since its inception in 1992, the Microfinance program now supporting almost 500,000 women. Its clients have received both monetary, management and moral support to become entrepreneurs and skilled workers.

Members are recognized as legal beneficiaries of our organization. They are trained and equipped with necessary and relevant skills, from learning how to sign their own name to opening a savings account. They are also comprehensively educated on all aspects of managing a loan.

The Microfinance program offers a number of services

Micro Loan

Micro Loan schemes are the primary financial support to our members. All members of Shakti Foundation are eligible for this loan, provided they meet the membership criteria and utilize their loans for income generating activities. A range is allocated for the scheme, with repayments made on a weekly basis.

Micro Enterprise Loan

The micro enterprise loan scheme was introduced after many previous borrowers showed promise as entrepreneurs. To be eligible for this loan, the member has to be at least a second cycle borrower, have a good standing in the group and the center, as well as have a good repayment history. The procedure is similar to that of the micro loan scheme, except the repayments can be made on a weekly or a monthly basis.

Savings Scheme

Savings is an integral part of the microfinance program, which offers its members a number of savings plans. Members make weekly or monthly deposits with Shakti to create a resource base for members to avail in the future.

My Savings is mandatory for all borrowers of Shakti, in order to educate them on the importance of responsibly saving income and ensuring security for the future. My Savings entitles members to save a fixed amount per week with no facilities for withdrawal.

Family Savings is a flexible, voluntary savings plan with weekly deposits. They can choose a fixed amount, adjust their loan installment and withdraw their family savings whenever they choose.

Member DPS is a voluntary scheme for Micro Loan members who can save fixed amounts on a monthly basis and withdraw the loan after maturity. For ME loans the scheme is mandatory. Both schemes allow withdrawal with interest if the member decides to leave the organization.

Loan Waiver

Shakti Foundation also grants loan waivers upon the death of a member for her outstanding loan amount and the registered nominee receives her deposited savings.

Shakti Agro Program

Shakti Agro Program is supporting agricultural growth for poverty reduction. Shakti Agro Program started in 2009 to help disadvantaged members working in the agricultural sector.
The program supports marginal and semi-marginal farmers in their farming and agricultural practices. It focuses on educating farmers on use of fertilizers, proper cultivation of crops, modern agricultural equipment and technology for productive output. It also provides agro loans with service charge that are affordable to farmers. The Agro loans take into account the farmer’s land and production cost to set the loan ceiling. Shakti also facilitates appropriate market connections to ensure members receive fair prices for their products and mitigates exploitation. The Agro program targets rural areas as well as semi-urban areas. In 2017 several innovative steps were taken that brought new life into the sector. The program has expanded and new branches have opened. Agro program now covers 11 areas with its 64 branches and has 35,070 members.

Shakti Health Program

Shakti Health Program is providing quality health services at minimal costs to those who live below the poverty line. Established to serve Shakti members, their families and the underprivileged communities as a whole, this program has been designed to provide medical services, health related loans and grants, whilst simultaneously raising awareness regarding health issues. Shakti Foundation launched the Health Program in 1997 and is available to everyone, irrespective of age, gender and involvement with Shakti. The program provides healthcare services within 37 districts.

Primary Health Care Service

Primary care is provided at health centers that are staffed with qualified doctors and paramedics. They provide primary treatment, doctor’s referrals, and discounts at certain hospitals. Shakti clients can purchase a health card to avail the services, including consultations with doctors or paramedics, monitoring of blood sugar and pressure, diabetes testing, pregnancy tests, and Hepatitis B screenings. These centers have their own pharmacies.

Health Awareness Program

This service was introduced to raise awareness of the management of blood pressure and diabetes, and is provide at health service centers. The centers are run by female, non-medical personnel who have at least passed the SSC or above. Clients can purchase a health card to avail the services of a health service centre.

The program strives to ensure basic quality health services through following activities- Primary health care

Doctor’s referral
Antenatal & postnatal care
Expanded immunization & family planning
Health awareness
Health loans & grants for members
Medical camp & Eye camp
Health related workshops
National & International Day Celebration with Government

Vaccination

Shakti is a direct participant of the government immunization program. This program is designed for children under the age of 5 and is registered under EPI (Expanded Program on Immunization).

Family Planning

Shakti members are educated on the importance of family planning and provided free medications such as birth control pills. Shakti is registered with the Family Planning Directorate and also contributes to the government family planning program.

Health Loan

This loan is designed to meet any expenses related to emergency treatment of our members and their families. It can be anything from a minor fracture to major surgery that needs to be attended to immediately. This is an interest-free loan.

Health Grant

Members and their children under the age of 12 are eligible for these grants. It is given for complicated health situations when members are unable to cover the medical expenses. These do not need to be repaid

2.3 Vision and Mission Statement

Vision Statement

At present Shakti Foundation has no formulated vision statement though it continues to strive for our women's socio-economic upliftment through poverty reduction and gender equality.

Mission Statement

Shakti Foundation's mission is to eradicate poverty and stabilize social security for underprivileged women across the country. Shakti Foundation strongly believes in women's potential to become decision makers, leaders, and agents of change in their communities.

2.4 Proposed Vision and Mission Statement

Proposed Vision Statement

To become the leading micro finance institution covering the maximum members in the under privileged women group all over Bangladesh through providing economical, health and practical training based support to them.

Proposed Mission Statement

Shakti Foundation strives to make the under privileged women (1) of the country (3) the economic leader and decision maker in the society through providing micro finance (2) and health finance (2) to them along with the opportunities of flexible savings schemes (2) to meet up their future economic necessity and making them financially strong. Along with Shakti also has its outmost effort to make it convenient for its member using modern technology (4) like online Micro Finance Information System (MFIS), payment through electronic wire transfer like Rocket (DBBL), Bank Asia Agent Banking etc. Shakti works with a view to spread all over Bangladesh (5) covering as much under privileged women as possible within shortest possible time. Shakti believes that women can be the pioneer (6) for a developed Bangladesh. The dynamic range of Micro Finance and a dedicated, well trained human resource (9) (7) make Shakti Foundation enable to implement its objective successfully becoming the assistant in the growth of economically backward women (8).

Chapter Three

External, Internal Factors and SWOT Analysis

- ✓ Introduction
- ✓ External Factors of Shakti Foundation
- ✓ Identifying Key Opportunities and Threats
- ✓ External Factors Evaluation Matrix (EFE Matrix)
- ✓ Identifying Key Strengths and Weaknesses of Shakti
- ✓ Internal Factors Evaluation Matrix (IFE Matrix)
- ✓ Introduction to SWOT Analysis
- ✓ Strategy Formulation
- ✓ SWOT Analysis

Chapter Three

EXTERNAL, INTERNAL FACTORS AND SWOT ANALYST

External Factors Analysis

3.1 Introduction

The Industrial Organization (IO) view prioritize the external factors of an organization than the internal factors. External factors cannot be controlled and can significantly influence an organization strategic activities. External factors can be identified through PESTEL (Political, Economic, Social, Technological, Environmental and Legal) analysis.

3.2 External Factors of Shakti Foundation

External factors of Shakti Foundation are identified through PESTEL analysis in the following-

Political Factors

Political factor is very important for Shakti Foundation as it works through all over Bangladesh. There are restrictions on areas where it cannot continue its operation. Also the government has fixed the interest rate ceiling at which micro finance has to be provided. Though the government is taking initiatives to encourage micro finance program.

Economic Factors

There has been a continuous inflation for which micro finance is not adequate as financing. As such people are becoming less interested in micro finance. Shakti Foundation provides finance on easy terms and conditions and without major security which make people interested to take micro finance.

Social Factors

In our society in many cases women are restricted to come outside for economic purpose. Along with they cannot join the Shamity to take the micro finance. Now a day the thinking and attitude is changing to a great extent.

Technological Factors

Technology has become very important for Micro Finance institution. There have been lots of new system introduced for receipt and payment of cash. Also keeping the track of member is crucial and as such efficient information technology system is important.

Legal Factors

Legal factors include the misappropriation of the finance provided. Also the finance may be used for money laundering or terrorist activities.

Environmental Factors

Environmental factors include the stability and protection of the environment. All the institutions are trying to reduce their paper use and power consumption to save the environment

3.3 Identifying Key Opportunities and Threats

A list of key opportunities and threats based on PESTEL analysis of Shakti Foundation is given in the following-

Key Opportunities

(a) Increased government initiatives like PKSF funding.
(b) People are becoming more concern for economic solvency.
(c) Women are becoming more concerned to become self-dependent.
(d) Technological advancement making it convenient for loan disbursement and repayment.

Key Threats

(a) People are becoming interested in large size loan.
(b) People have become more solvent than previous.
(c) Many financial institutions now providing micro finance.
(d) The regulatory reporting and binding have become stricter in selection of beneficiaries and operational areas.

3.4 External Factors Evaluation Matrix (EFE Matrix)

An EFE Matrix is constructed in the following bases on the identified key opportunities and threats of Shakti Foundation-

Key External Factors		Weight	Rating	Weighted Score
Opportunities				
(a)	Increased government initiatives like PKSF funding.	0.2	4	1.2
(b)	People are becoming more concern for economic solvency.	0.2	3	0.6
(c)	Women are becoming more concerned to become self-dependent.	0.1	2	0.4
(d)	Technological advancement making it convenient for loan disbursement and repayment.	0.1	2	0.2
Threats				
(a)	Ceiling of service charge on loan is fixed by regulatory authority.	0.2	2	0.1
(b)	People have become more solvent than previous.	0.05	1	0.1
(c)	Many financial institutions now providing micro finance.	0.05	1	0.05
(d)	The regulatory reporting and binding have become stricter in selection of beneficiaries and operational areas.	0.05	1	0.05
(e)	People are becoming interested in large size loan.	0.05	1	0.05
		1		**2.75**

3.5 Internal Factors Analysis

Introduction

Internal Factor Evaluation (IFE) Matrix is a strategy-formulation tool which summarizes and evaluates the major strengths and weaknesses in the functional areas of a business, and it also provides a basis for identifying and evaluating relationships among those areas. Intuitive judgments are required in developing an IFE Matrix, so the appearance of a scientific approach should not be interpreted to mean this is an all-powerful technique. A thorough understanding of the factors included is more important than the actual numbers. The Resource Based view prioritize the internal factors of an organization than the external factors. Internal factors can be controlled and can significantly influence an organization strategic activities and performance. Internal factors can be identified through different strategic departments of an organization such as Finance, Human Resource, Accounts, Procurement, Internal Control and Compliance, Programme, Marketing and so on.

3.6 Identifying Key Strengths and Weaknesses

A list of key strengths and weaknesses of Shakti Foundation based on its different functional areas is illustrated in the following-

Key Strengths

(a) Strong Finance Team
(b) Use of modern technology
(c) Large number of branches
(d) Own training centres
(e) Strong human resource department

Key Weaknesses

(a) Poor communication skill of field employees
(b) Centralized management
(c) Weak monitoring team
(d) Weak logistic structure

3.7 Internal Factors Evaluation Matrix (IFE Matrix)

An IFE Matrix is constructed in the following bases on the identified strengths and weaknesses of Shakti Foundation-

Key Internal Factors		Weight	Rank	Weighted Score
Strengths				
(a)	Strong Finance Team	0.3	4	1.2
(b)	Use of modern technology	0.2	3	0.6
(c)	Large number of branches	0.2	2	0.4
(d)	Own training centres	0.1	2	0.2
Weaknesses				
(a)	Poor communication skill of field employees	0.05	2	0.1
(b)	Centralized management	0.05	2	0.1
(c)	Weak monitoring team	0.05	1	0.05
(d)	Weak logistic structure	0.05	1	0.05
		1		**2.70**

3.8 Introduction to SWOT Analysis

The Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix is an important matching tool that helps managers develop four types of strategies: SO (strengths-opportunities) strategies, WO (weaknesses-opportunities) strategies, ST (strengths-threats) strategies, and WT (weaknesses-threats) strategies.3 Matching key external and internal factors is the most difficult part of developing a SWOT Matrix and requires good judgment.

3.9 SWOT Analysis

Among the four types of generated strategies, SO strategies use a firm's internal strengths to take advantage of external opportunities. All managers would like their organization to be in a position in which internal strengths can be used to take advantage of external trends and events. Organizations generally will pursue WO, ST, or WT strategies to get into a situation in which they can apply SO strategies. When a firm has major weaknesses, it will strive to overcome them and make them strengths. When an organization faces major threats, it will seek to avoid them to concentrate on opportunities.

WO strategies aim at improving internal weaknesses by taking advantage of external opportunities. Sometimes key external opportunities exist, but a firm has internal weaknesses that prevent it from exploiting those opportunities. For example, there may be a high demand for electronic devices to control the amount and timing of fuel injection in automobile engines (opportunity), but a certain auto parts manufacturer may lack the technology required for producing these devices (weakness). One possible WO strategy would be to acquire this technology by forming a joint venture with a firm having competency in this area. An alternative WO strategy would be to hire and train people with the required technical capabilities.

ST strategies use a firm's strengths to avoid or reduce the impact of external threats. This does not mean that a strong organization should always meet threats in the external environment head-on. An example ST strategy occurred when Texas Instruments used an excellent legal department (a strength) to collect nearly $700 million in damages and royalties from nine Japanese and Korean firms that infringed on patents for semiconductor memory chips (threat). Rival firms that copy ideas, innovations, and patented products are a major threat in many industries. This is still a major problem for U.S. firms selling products in China.

WT strategies are defensive tactics directed at reducing internal weakness and avoiding external threats. An organization faced with numerous external threats and internal weaknesses may indeed be in a precarious position. In fact, such a firm may have to fight for its survival, merge, retrench, declare bankruptcy, or choose liquidation.

A table of SWOT analysis is formulated in the following-

Micro Finance Institution	**Strengths(S)** Strong Finance Team Use of modern technology Large number of branches Own training centres	**Weaknesses(W)** Poor communication skill of field employees Centralized management Weak monitoring team Weak logistic structure
Opportunities (O) Increased government initiatives like PKSF funding. People are becoming more concern for economic solvency. Women are becoming more concerned to become self-dependent. Technological advancement making it convenient for loan disbursement and repayment.	**SO Strategies (Intensive)** 1. Increase more branches. 2. Providing finance to all group of people	**WO Strategies (Integration)** 1. Launch combined program with other micro finance institutions
Threats (T) People are becoming interested in large size loan. People have become more solvent than previous. Many financial institutions now providing micro finance. The regulatory reporting and binding have become stricter in selection of beneficiaries and operational areas.	**ST Strategies (Diversification)** 1. Providing large finance. 2. Providing finance for long term	**WT Strategies (Defensive)** 1. Reducing excess employees at field level. 2. Closing the ineffective branches.

Chapter Four

Theoretical Aspects

- ✓ Introduction
- ✓ Financial Statements and its components
- ✓ Financial Analytical Tools

Chapter Four

THEORETICAL ASPECTS

4.1 Introduction

Financial statement analysis is a central strategy-implementation technique because it allows an organization to examine the expected results of various actions and approaches. This type of analysis can be used to forecast the impact of various implementation decisions (for example, to increase promotion expenditures by 50 percent to support a market-development strategy, to increase salaries by 25 percent to support a market-penetration strategy, to increase research and development expenditures by 70 percent to support product development, or to sell Tk.1 million of common stock to raise capital for diversification). When compared to prior years and to industry averages, financial ratios provide valuable insights into the feasibility of various
strategy-implementation approaches.

4.2 Financial Statement Analysis

Financial statement analysis is the process of using financial information to assist in investment and financial decision making. Financial analysis helps managers with efficiency analysis and identification of problem areas within the fi rm. Also, it helps managers identify strengths on which the firm should build. Externally, financial analysis is useful for credit managers evaluating loan requests and investors considering security purchases. It unlocks the clues about a company's future from its recent past and, in so doing, makes possible intelligent forecasts of future performance. It helps investors to decide whether or not a company's shares are worth buying, or if the company is a creditworthy borrower. For the equity investor, the decision depends ultimately on perceptions of value. If the value of a company, based on forecasts of future performance, is perceived to be greater than its market price, we buy. Otherwise, we don't. In short, much of the usefulness of financial statement analysis comes down to the quality of the forecasts and company valuations it produces. To produce forecasts and valuations that help investors determine where their capital is likely to earn its highest risk-adjusted returns, a thorough financial statement analysis must follow four sequential steps:

a. Business and industry analysis

It identifies the main competitive forces in the company's
industry, its key business risks, and the sources and sustainability of competitive advantage.

b. Accounting analysis

It identifies the accounting policy choices made by management and evaluates the appropriateness of those choices.

c. Financial analysis

It evaluates the past performance of a firm using its financial statements and related information and seeks to determine the sustainability of that performance.

d. Valuation

It takes the inputs from the first three steps and translates them into a set of financial forecasts to produce estimates of company value.

4.3 The Financial Statements

Three financial statements are critical to financial statement analysis: the balance sheet, the income statement, and the statement of cash flows. We provide a brief overview of each statement and describe what information it contains.

4.3.1 The Balance Sheet

The balance sheet provides the details of the accounting identity.

Assets = Liabilities + Owners> equity

or

Investments = Investments paid for with debt + Investments paid for with equity The balance sheet is a financial snapshot of the firm, usually prepared at the end of the fiscal year. That is, it provides information about the condition of the firm at one particular point in time. By reviewing a series of balance sheets from different years, the analyst can identify changes in the firm over time.

It is important to note that assets are owned only for the income they can produce for the firm. Liabilities and owners' equity provide the funds for the purchase of these assets.

1. Assets generate income (the left-hand side)

The left-hand side of the balance sheet lists the firm's assets. The only reason for a firm to hold an asset is if it produces income. The assets of the firm produce the firm's income. There is no reason for a firm to hold an asset if it is not going to produce income.

2. Financing the assets (the right-hand side)

For every dollar in assets the firm has, there will either be a dollar of liability or a dollar of equity on the right-hand side of the balance sheet. The right-hand side of the balance sheet shows how the firm is financing its assets. By adjusting the mix of debt and equity, the lowest cost of financing can be achieved. In summary, the left-hand side of the balance sheet reports the assets that earn income and the right-hand side reports how these assets are financed.

4.3.2 The Income Statement

Unlike the balance sheet, which tells us the state of the firm at one point in time, the income statement tells us how the firm has performed over a period of time.

Income statements usually have two sections. The first section reports the results of operating activities or operating income. This includes sales minus operating expenses. Financing activities are reported in the second section, where interest expense, taxes, and preferred dividends are subtracted to arrive at net income.

4.3.3 Statement of Cash Flows

Many students are not as comfortable with the statement of cash flows as they are with the income statement and balance sheet. It does, however, provide insight not readily available from the other statements. In finance, we are particularly concerned with cash flows rather than accounting earnings.

4.4 Different Types of Financial Statement Analysis

Financial statement analysis is not an exhaustive list by any standard. There are many ratios that can be used. In fact, it is common for analysts to create specialized ratios to look at a factor peculiar to a firm or industry. For example, revenues and costs per kilometer flown are often computed for airlines. The formulas presented here for each ratio may differ from those reported elsewhere. An effort has been made within this section to locate the most common definition for each formula, but for some there is simply no consensus among reporting agencies. This means that, when comparison is made among ratios computed by different sources, it must be ensured that they are all computed in the same way.

4.4.1 Horizontal (Trend) Analysis

This analysis evaluates a series of financial statement data over a period of time. Changes are measured against a base year with the following formula.

$$\text{Change since base period} = \frac{\text{Current year amount} - \text{Base year amount}}{\text{Base year amount}}$$

4.4.2 Vertical Analysis

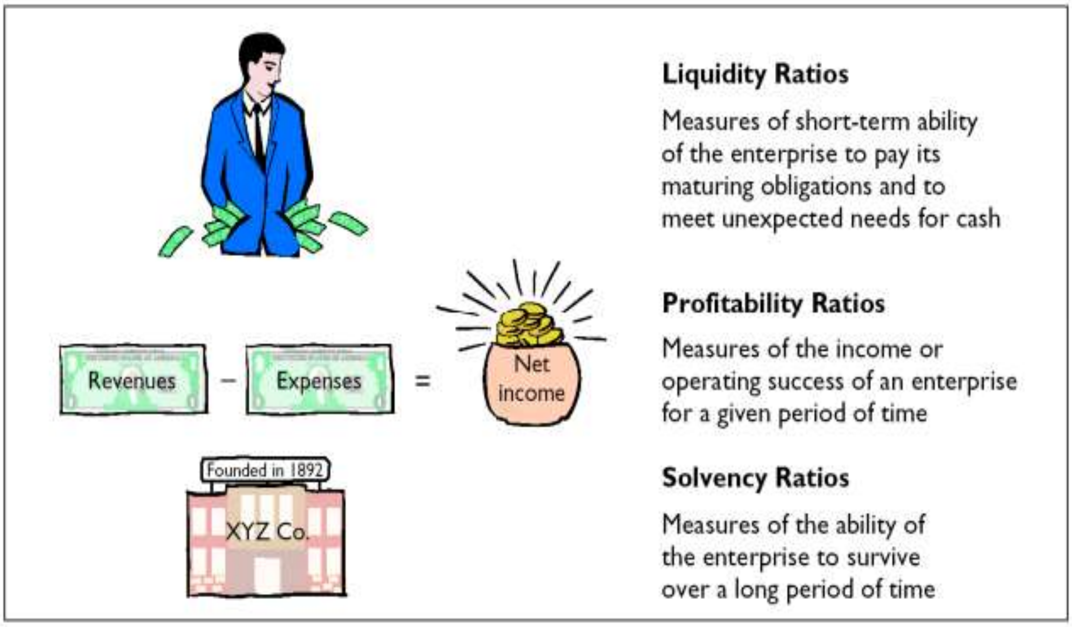
This analysis expresses each item in a financial statement as a percent of a base amount. Financial statement elements are measured as a percent of the total.

Balance Sheet	Income Statement
Elements are a percent of total assets	Elements are a percent of total sales (service charges received)

This analysis shows ratios in percentages (for example current assets / total assets, long-term assets / total assets). Vertical analysis compares each item with a base item. In an income statement analysis net operating income is the base item. In a common-size balance sheet analysis total assets are the base item. In a statement of cash flow analysis net cash flows from investing activities should be a base item as usually net cash outflows from investing activities are financed with positive net cash flows from operating activities and positive net cash flows from financing activities.

4.4.3 Ratio Analysis

This analysis expresses the relationship among selected items of financial statement data. There are various types of ratio analysis. A summarized picture is drawn in the following-



4.4.3.1 Cumulative Recovery Rate (CRR)

From this one can measure the cumulative recovery rate of a MFI. It indicates collection efficiency in respect to the cumulative amount due. The formula is the following-

$$\text{Cumulative Recovery Rate} = \frac{\text{Cum. Recovery – Advance Recovery (at the end of this year)}}{\text{(Cum. Recovery – Advance Recovery) + Overdue (Principal)}}$$

4.4.3.2 On Time Recovery Rate (OTR)

From this one can measure the current (generally last twelve months) recovery rate of a MFI. It indicates collection efficiency with respect to the current amount due. Sometimes due to high recovery rate in past the CRR indicates high recovery position, in this situation from OTR one can measure the current recovery position of the MFI. If a MFI's CRR and OTR both are above 95%, then generally one can say the loan recovery position of the MFI is very good. On the other hand, if both CRR and OTR come down below 90% then it indicated a bad loan recovery position. And provide cautionary signal to the management. The formula is the following-

$$\text{On Time Recovery Rate (OTR)} = \frac{\text{Summation of regular recovery in the last 12 months}}{\text{Summation of Regular recoverable in the last 12 months}}$$

4.4.3.3 Portfolio at Risk (PAR)

This is the most accepted measure of portfolio quality. Measurement answers the questions: How much could MFI lose if all late borrowers default. Portfolio at risk is the outstanding amount of all loans that have one or more installments of principal past due by a certain number of days. When referring to PAR, an MFI should always specify the number of days. Aging separates riskier loans from less risky. (The longer a loan goes unpaid, the higher the risk it will never be paid.) MFIs should also indicate whether restructured loans are included in their calculation. Some MFIs automatically include restructured loans in their portfolio at risk. This practice reflects the belief that restructured loans carry higher risk than do current loans. The formula is the following-

$$\text{Portfolio At Risk (PAR)} = \frac{\text{Loan outstanding of Overdue Loanee}}{\text{Total loan outstanding}}$$

4.4.3.4 Rate of Return on Capital

Calculates surplus generated from operations of a MFI to its average capital fund/net worth for the period. Net worth is equal to the assets less the POs obligation to creditors. Net worth or capital fund includes capital contribution made by the donors through donations and accumulated surplus.

Return on capital indicates MFIs ability to build equity through retained earnings, and increased equity enables the MFI to leverage more financing to grow its portfolio. By excluding donations and non-operating revenues, this ratio demonstrates an institution’s ability to generate income from its core financial service activity.

Return on capital can be temporarily depressed due to unplanned events (such as natural disasters) or planned undertakings (such as expansion). Monthly measurements of Return on capital can be misleading because many MFI costs may not be recorded until the end of the fiscal year. Managers should look for a positive trend over several years and a ratio similar or better than competitors. As the market becomes saturated and competition increases, return on capital may plateau. Return on capital is a financial and accounting KPI which is commonly used by senior operations mangers to gauge the rate of return a business is generating on the book value of the capital the company's owners or shareholders currently have invested in the business. The Return on Capital measure is also used by businesses as a threshold to select and execute capital expenditure projects that may present themselves from time to time, especially when adding new production capacity. The formula is the following-

$$\text{Rate of Return on Capital} = \frac{\text{Surplus for the year}}{\text{Average Capital Fund}}$$

4.4.3.5 Debt to Capital Ratio

Involves how much a company owes in obligations. If the ratio is high, the company holds more debt. Adversely, the company does not have that much debt if the ratio is low. It is the proportion of debt financing in an organization relative to its equity. It is also called gearing ratio. This measure the number of taka of debt used for every taka of equity and the relationship between borrowed funds and MFIs capital. It also shows the extent to which the equity can fulfill a MFIs obligation to creditors in the event of liquidation. The formula is the following-

$$\text{Debt to Capital Ratio} = \frac{\text{Debt (PKSF Fund (excluding DMF) + Savings + Other Loan*)}}{\text{Total Capital (Net Worth)}}$$

4.4.3.6 Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) is an important indicator of an MFI's ability to meet its obligations and absorb losses. It measures the amount of capital relative to risk-weighted assets that an MFI should have. MFIs should have a minimum capital buffer of 12%, but a higher CAR is prudent owing to the more volatile and riskier environments in which MFIs operate. Capital adequacy ratio is a measure of MFIs ability to absorb losses by calculating the ratio of capital to risk. MFIs are required to have a minimum amount of capital relative to the value of their assets (risk based assets). Capital Adequacy standards refer to the percentage of capital represented by assets exclusive of liquid assets. Liquid Assets are excluded, as it bears no risk. The formula is the following-

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital (Net Worth)}}{\text{Total Asset – (Cash + Bank + STD* + Govt. Securities)}}$$

4.4.3.7 Current Ratio

Current assets are the items which are expected to be converted into cash within one year. Current liabilities are debts which are payable within one year. The current ratio is a measure of the MFIs short-term solvency. It indicates the availability of current assets in taka for every one taka of current liability. A ratio of greater than one means that the firm has more current assets than the current claims against them.

As a considerable rule, a current ratio of 2 to 1 or more is considered satisfactory. The rule is based on the logic that in a worse situation, even if the value of current assets becomes half, the firm will be able to meet its obligation. The current ratio represents a margin of safety for creditors. The higher the current ratio, the greater the margin of safety. However, an arbitrary standard of 2 to1 should not be blindly followed. This is because the current ratio is a test of quantity, not quality. It does not measure the quality of assets. Liabilities are not subject to any fall in value, they have to be paid. But current assets can decline in value. Thus too much reliance should not be placed in the current ratio, further investigations about the quality of the items of current assets is necessary. However, the current ratio is a crude-and-quick measure of the firm's liquidity. The formula is the following-

$$\text{Current Ratio} = \frac{\text{(Loan outstanding – More than one year passed overdue) + Cash + Bank + STD* + Advance+ loan to different projects.}}{\text{PKSF fund refundable in the next year (as per schedule) + Savings + Other short term loan}}$$

4.4.3.8 Liquidity to Savings Ratio

Measures what percentage of members' savings outstanding amount are kept in form of liquid money i.e. cash in hand & cash at bank and short term deposits-FDR. The formula is the following-

$$\text{Liquidity to Savings Ratio} = \frac{\text{FDR (against savings fund)}}{\text{Total Savings Fund}}$$

4.4.3.9 Yield on Portfolio

Yield stands for the earning performance of individual MFI, which is expressed by the yield of the gross loan portfolio. However, while it is called portfolio yield, it is more of a nature of a lending related revenue expressing the earning performance of a MFI. Yield on gross loan portfolio, or portfolio yield ratio, measures income from the loan portfolio as well as the average interest rate charged to borrowers by the MFI (including loan related fees). It's calculated by dividing cash financial revenue from loan portfolio by average gross loan portfolio. It indicates the gross loan portfolio's ability to generate cash financial revenue from interest, fees, and commissions. It does not include any revenues that have been accrued but not paid in cash or any non-cash revenues in the form of postdated checks, seized but unsold collateral. Yield on gross loan portfolio measures how well an MFI matches the maturities of its assets and liabilities. The formula is the following-

$$\text{Yield on Portfolio} = \frac{\text{Last 12 months service charge income}}{\text{Average loan outstanding}}$$

4.4.3.10 Return on Total Asset (ROTA)

Return on Total Assets (ROTA) indicates how well an MFI is managing its assets to optimize its profitability. The ratio includes not only the return on the portfolio, but also all other revenue generated from investments and other operating activities. If an institution's ROTA is fairly constant, this ratio can be used to forecast earnings in future periods. The formula is the following-

$$\text{Return on Total Asset (ROTA)} = \frac{\text{Surplus for the Year}}{\text{Average Asset}}$$

Chapter Five

Analysis of Financial Statements of Shakti Foundation

- ✓ Introduction
- ✓ Reconstruction of Financial Statements
- ✓ Horizontal Analysis
- ✓ Vertical Analysis
- ✓ Ratio and Trend Analysis

Chapter Five

ANALYSIS OF FINANCIAL STATEMENTS OF SHAKTI FOUNDATION

5.1 Introduction

Shakti Foundation has a sound financial management which ensures timely and accurate production of financial reports from punctual and accurate financial records. This begins with accounting: the process of recording financial transactions, grouping them together by category, and summarizing them for a certain period or at a certain point in time. The summarized information of all these transactions is placed in standardized financial statements.

Shakti Foundation produces financial statements based on a format required by lenders, donors, local regulators, or network organizations. The Financial statement analysis helps the management of Shakti Foundation to evaluate the achievement of projected result, to plan and to make decisions to strengthen its operations. Financial ratio analysis – as presented and discussed in this report will assist the reader to evaluate, explore and measure Shakti Foundations' overall performance. Ratios are relationships between numbers. They are comparative figures. Comparisons are made over a period of time which mark the "trends" or the path of progress of Shakti Foundation. None in itself is complete but when several are used together, they provide a concise, useful, and quantifiable description of the financial situation of Shakti Foundation. If correctly utilized, they can provide the basic information upon which one can measure the financial "health" of this Micro-Finance institution.

5.2 Reconstruction of Financial Statements of Shakti Foundation

In the process of preparation of this report several Financial Statements of Shakti Foundation are collected containing all the components. These components were Balance Sheet, Income and Expenditure Statement, Statement of Cash Flows and Notes to the Financial Statements. These statements were prepared with the objective to meet the user requirements as such some these statements were not in the format required for ratio analysis. To make them fulfil the objective of ratio analysis of this report some of the statements were reconstructed based on the required format for ratio analysis. Those were renovated with a view to supporting the necessity of over several periods analysis. In this process no arbitrary value was used, rather the real financial information was extracted from the notes to the Financial Statements.

5.3 Financial Statement Analysis

Various Financial Statement analysis based on the reports of Shakti Foundation is performed in the following-

5.3.1 Horizontal Analysis

Horizontal analysis, also called trend analysis, is a technique for evaluating a series of financial statement data over a period of time. Its purpose is to determine the increase or decrease that has taken place. It is commonly applied to the balance sheet, income statement, and statement of retained earnings. It’s a way for analysts to compare accounts or performance metrics over time to see if the company is improving or declining.

5.3.1.1 Horizontal Analysis of Income Statements

Income	**2017-2018**	**2016-2017**	**Variance**
A. Service Charge Income			
PKSF Funded:			
Jagoron	350,426,879	267,059,894	31%
Agrosor	45,433,505	39,814,717	14%
Buniad	1,248,833	3,539	35188%
Sufolon	44,733,201	28,926,452	55%
Non PKSF Funded	1,145,293,332	873,159,194	31%
Total Service Charge Income (A)	**1,587,135,750**	**1,208,963,796**	**31%**
B.Other Income			
Interest on FDR	30,366,004	23,921,025	27%
Bank Interest	3,431,778	2,739,656	25%
Sale of forms/Processing Fee	19,861,854	20,540,485	-3%
Membership fees	7,500	7,500	0%
Miscellaneous Income	1,026,502	1,659,058	-38%
Total Other Income (B)	**54,693,638**	**48,867,724**	**12%**
Total (A+B)	**1,641,829,388**	**1,257,831,520**	**31%**
Expenses	**2017-2018**	**2016-2017**	**Variance**
A. Service Charge Expenses			
Service Charge to PKSF-UP	168,752	137,592	23%
Service Charge to PKSF -RMC	160,000	1,520,000	-89%
Service Charge to PKSF -ME	1,121,778	4,000,000	-72%
Service Charge to PKSF -Jagoron	8,694,162	5,565,616	56%

Service Charge to PKSF -Agrosor	9,288,803	4,085,015	127%
Service Charge to PKSF -Sufolon	3,420,205	5,898,128	-42%
Non PKSF/ Institutional	309,122,414	236,519,056	31%
Total Service Charge expenses (A)	**331,976,114**	**257,725,407**	**29%**
B. Operating Expenses			
Salaries & Allowances	632,315,208	525,664,025	20%
Interest paid on Member Savings	107,143,750	79,043,422	36%
Office Rent Expense	42,473,230	39,270,004	8%
Printing, Stationery and Work Aid	11,044,346	9,948,160	11%
Field Trips, Conveyance & Supervision cost	61,578,089	44,342,704	39%
Telephone, Telegraph & Postage	12,694,305	11,218,516	13%
Repair & Maintenance	8,611,698	4,030,515	114%
Fuel Cost & Car Maintenance	4,831,358	3,915,966	23%
Electricity Gas & Water	8,876,679	6,646,800	34%
Advertisement Expense	1,401,362	717,725	95%
Bank Charge	4,504,597	2,699,950	67%
Training Expenses	3,348,861	2,451,815	37%
Audit fee & other Professional fee	1,070,472	590,333	81%
Legal fee	314,981	105,950	197%
Board Members Honorarium	161,600	114,000	42%
Tax expenses	10,009,530	6,386,982	57%
Depreciation Expense	7,847,995	6,683,486	17%
Research & Partnership Development	721,598	618,472	17%
Recreation and Vocational Development	3,504,049	3,581,919	-2%
Software Development	425,643	388,958	9%
Workshop Expense	374,732	1,936,936	-81%
Bad Debts Expenses/LLP	120,672,991	77,600,000	56%
Gratuity Fund Expense	30,000,000	30,000,000	0%
Entertainment	1,392,440	843,216	65%
Miscellaneous	4,182,700	2,705,304	55%
Total Operating Expenses (B)	**1,079,502,215**	**861,505,158**	**25%**
Total Expenses (A+B)	**1,411,478,329**	**1,119,230,564**	**26%**
Excess of Income Over Expenditure	230,351,059	138,600,955	66%
Total	**1,641,829,388**	**1,257,831,520**	**31%**

Interpretation

From the above analysis it is clear that Shakti Foundation's operating income has increased from previous year. This increase is more in comparison to the increase in operating expense. It indicates that Shakti Foundation is performing well with its overall efficient management.

5.3.1.2 Horizontal Analysis of Balance Sheet

Property & Assets	**2018**	**2017**	**Variance**
Loan Outstanding: (Note-4)			
Non PKSF	4,959,670,413	4,370,032,485	13%
PKSF:			
Jagoron	1,536,801,154	1,418,299,876	8%
Buniad	6,094,742	4,508,034	35%
Agrosor	178,687,556	157,407,772	14%
Sufolon	238,803,489	188,200,764	27%
Total Loan Outstanding	**6,920,057,354**	**6,138,448,931**	**13%**
Investment:			
FDR (Savings-PKSF)	50,000,000	25,637,424	95%
FDR (Savings-Non PKSF)	18,091,420	25,547,417	-29%
FDR (Others)	346,659,138	379,310,835	-9%
FDR (Reserve Fund)	98,320,026	77,960,498	26%
Investment in Leadership Award Fund	2,994,231	2,841,873	5%
Total Investment	**516,064,816**	**511,298,048**	**1%**
Fixed asset less accumulated depreciation:			
Land & Land Development	90,840,248	17,725,904	412%
Furniture and fixtures	7,005,643	5,613,221	25%
Office equipment	30,531,963	7,891,004	287%
Vehicle	9,188,936	4,920,936	87%
Office Building	96,081,320	-	100%
Construction work in progress (Shakti Bhaban)	6,292,500	60,862,771	-90%
Total Fixed Asset	**239,940,609**	**97,013,836**	**147%**
Other current asset:			
Advances and prepayments	25,051,789	13,280,380	89%
Loan for Motorcycle / Bi-cycle	21,929,376	13,052,218	68%
Other assets (Note-7)	123,860,643	68,362,871	81%
Total Other Current Asset	**170,841,808**	**94,695,468**	**80%**
Closing Bank Balance:			
Cash in Hand	24,867,663	15,585,050	60%
Cash at Bank	330,987,933	262,215,496	26%
Total Cash & Bank Balance	**355,855,596**	**277,800,546**	**28%**
Grand Total	**8,202,760,183**	**7,119,256,829**	**15%**
Fund & Liabilities	**2018**	**2017**	**Variance**
Fund Account: (Note-1)			
Capital fund	719,774,583	559,161,342	29%
Add: Prior Year Adjustment	-	-	

Add: Construction of corporate office Fund	-	51,991,112	-100%
Add: Transferred from other fund	50,251,163	81,269	61733%
Add: Current Year Net Profit	230,351,059	138,600,955	66%
Less: Transferred to Reserve Fund	25,600,000	16,200,000	58%
Less: Transferred to Different Funds	-	13,860,096	-100%
Capital Fund	974,776,805	719,774,583	35%
Reserve Fund	97,750,214	72,150,214	35%
Total Fund	**1,072,527,019**	**791,924,797**	**35%**
Clients' welfare fund (Note-08)	10,000,000	38,814,724	-74%
Disaster Management Fund	-	-	
Total DMF	**10,000,000**	**38,814,724**	**-74%**
Other Fund & Provision :			
Staff welfare fund	10,000,000	39,267,167	-75%
Loan Loss Provision (LLP)	312,949,154	385,164,365	-19%
Leadership Award Fund	2,994,231	2,841,874	5%
Fund for technology based skill development	-	214,041	-100%
Total Other Fund & Provision	**325,943,385**	**427,487,446**	**-24%**
PKSF Fund: (Note-2)			
Loan from PKSF -UP	13,333,333	15,000,000	-11%
Loan from PKSF -RMC	-	6,000,000	-100%
Loan from PKSF -IGA	5,000,000	-	100%
Loan from PKSF -ME	2,000,000	25,000,000	-92%
Loan from PKSF -Jagoron	133,500,000	99,000,000	35%
Loan from PKSF -Agrosor	148,000,000	107,000,000	38%
Loan from PKSF -Sufolon	-	100,000,000	-100%
Total PKSF Fund	**301,833,333**	**352,000,000**	**-14%**
Commercial Borrowings :			
Bank Borrowings (Note-5)	3,328,691,349	2,862,512,800	16%
Total Commercial Borrowings	**3,328,691,349**	**2,862,512,800**	**16%**
Savings Fund: (Note-3)			
My Savings (Compulsory Savings)	2,204,989,165	1,864,881,847	18%
Family Savings (Voluntary Savings)	19,363,832	13,717,315	41%
Sadasya DPS	95,116,112	67,297,806	41%
Total Savings Fund	**2,319,469,109**	**1,945,896,968**	**19%**
Other Liabilities:			
Loan from Provident Fund	69,622,859	89,852,976	-23%
Employee Savings Scheme	3,152,528	3,174,807	-1%
Shakti Deposit Pension Scheme	25,484,411	19,399,784	31%
Loan Security Fund	505,588,033	402,879,198	25%

Gratuity Fund	79,405,172	56,310,222	41%
Others (Note-9)	161,042,985	129,003,106	25%
Total Short-term Liabilities:	**844,295,988**	**700,620,093**	**21%**
Grand Total	**8,202,760,183**	**7,119,256,829**	**15%**

Interpretation

From above analysis it is shown that non-current asset of Shakti Foundation has increased significantly which may not be favorable for the organization. Steps should be taken by the management to make clear judgement whether organization's net working capital should be increased rather than investing in non-current asset to generate more value for the organization.

5.3.2 Vertical Analysis

Vertical analysis, also called common-size analysis, is a technique that expresses each financial statement item as a percent of a base amount. On an income statement, we might say that selling expenses are 16% of net sales. Vertical analysis is commonly applied to the balance sheet and the income statement.

5.3.2.1 Vertical Analysis of Income Statement

Income	**2017-2018**	**Percentage**
A. Service Charge Income		
PKSF Funded:		
Jagoron	350,426,879	100%
Agrosor	45,433,505	100%
Buniad	1,248,833	100%
Sufolon	44,733,201	100%
Non PKSF Funded	1,145,293,332	100%
Total Service Charge Income (A)	**1,587,135,750**	**100%**
B.Other Income		
Interest on FDR	30,366,004	1.91%
Bank Interest	3,431,778	0.22%
Sale of forms/Processing Fee	19,861,854	1.25%
Membership fees	7,500	0.00%
Miscellaneous Income	1,026,502	0.06%
Total Other Income (B)	**54,693,638**	**3.45%**
Total (A+B)	**1,641,829,388**	**103.4%**
Expenses	**2017-2018**	**Percentage**
A. Service Charge Expenses		
Service Charge to PKSF-UP	168,752	0.0%
Service Charge to PKSF -RMC	160,000	0.0%

Service Charge to PKSF -ME	1,121,778	0.1%
Service Charge to PKSF -Jagoron	8,694,162	0.5%
Service Charge to PKSF -Agrosor	9,288,803	0.6%
Service Charge to PKSF -Sufolon	3,420,205	0.2%
Non PKSF/ Institutional	309,122,414	19.5%
Total Service Charge expenses (A)	**331,976,114**	**20.9%**
B. Operating Expenses		
Salaries & Allowances	632,315,208	39.8%
Interest paid on Member Savings	107,143,750	6.8%
Office Rent Expense	42,473,230	2.7%
Printing, Stationery and Work Aid	11,044,346	0.7%
Field Trips, Conveyance & Supervision cost	61,578,089	3.9%
Telephone, Telegraph & Postage	12,694,305	0.8%
Repair & Maintenance	8,611,698	0.5%
Fuel Cost & Car Maintenance	4,831,358	0.3%
Electricity Gas & Water	8,876,679	0.6%
Advertisement Expense	1,401,362	0.1%
Bank Charge	4,504,597	0.3%
Training Expenses	3,348,861	0.2%
Audit fee & other Professional fee	1,070,472	0.1%
Legal fee	314,981	0.0%
Board Members Honorarium	161,600	0.0%
Tax expenses	10,009,530	0.6%
Depreciation Expense	7,847,995	0.5%
Research & Partnership Development	721,598	0.0%
Recreation and Vocational Development	3,504,049	0.2%
Software Development	425,643	0.0%
Workshop Expense	374,732	0.0%
Bad Debts Expenses/LLP	120,672,991	7.6%
Gratuity Fund Expense	30,000,000	1.9%
Entertainment	1,392,440	0.1%
Miscellaneous	4,182,700	0.3%
Total Operating Expenses (B)	**1,079,502,215**	**68.0%**
Total Expenses (A+B)	**1,411,478,329**	**88.9%**
Excess of Income Over Expenditure	230,351,059	14.5%
Total	**1,641,829,388**	**103.4%**

Interpretation

From the above analysis it is observed that salary and allowances are almost 40% of total service charge income which is very high. The management of Shakti Foundation should consider this carefully and build up efficient human resource to lower the administrative cost.

5.3.2.2 Vertical Analysis of Balance Sheet

Property & Assets	**2018**	**Percentage**
Loan Outstanding: (Note-4)		
Non PKSF	4,959,670,413	60.46%
PKSF:		
Jagoron	1,536,801,154	18.74%
Buniad	6,094,742	0.07%
Agrosor	178,687,556	2.18%
Sufolon	238,803,489	2.91%
Total Loan Outstanding	**6,920,057,354**	**84.36%**
Investment:		
FDR (Savings-PKSF)	50,000,000	0.61%
FDR (Savings-Non PKSF)	18,091,420	0.22%
FDR (Others)	346,659,138	4.23%
FDR (Reserve Fund)	98,320,026	1.20%
Investment in Leadership Award Fund	2,994,231	0.04%
Total Investment	**516,064,816**	**6.29%**
Fixed asset less accumu depreciation:		
Land & Land Development	90,840,248	1.11%
Furniture and fixtures	7,005,643	0.09%
Office equipment	30,531,963	0.37%
Vehicle	9,188,936	0.11%
Office Building	96,081,320	1.17%
Construction work in progress (Shakti Bhaban)	6,292,500	0.08%
Total Fixed Asset	**239,940,609**	**2.93%**
Other current asset:		
Advances and prepayments	25,051,789	0.31%
Loan for Motorcycle / Bi-cycle	21,929,376	0.27%
Other assets (Note-7)	123,860,643	1.51%
Total Other Current Asset	**170,841,808**	**2.08%**
Closing Bank Balance:		
Cash in Hand	24,867,663	0.30%
Cash at Bank	330,987,933	4.04%
Total Cash & Bank Balance	**355,855,596**	**4.34%**
Grand Total	**8,202,760,183**	**100.00%**
Fund & Liabilities	**2018**	**Percentage**
Fund Account: (Note-1)		
Capital fund	719,774,583	8.77%
Add: Transferred from other fund	50,251,163	0.61%

Add: Current Year Net Profit	230,351,059	2.81%
Less: Transferred to Reserve Fund	25,600,000	0.31%
Less: Transferred to Different Funds	-	0.00%
Capital Fund	974,776,805	11.88%
Reserve Fund	97,750,214	1.19%
Total Fund	**1,072,527,019**	**13.08%**
Clients' welfare fund (Note-08)	10,000,000	0.12%
Disaster Management Fund	-	0.00%
Total DMF	**10,000,000**	**0.12%**
Other Fund & Provision :		0.00%
Staff welfare fund	10,000,000	0.12%
Loan Loss Provision (LLP)	312,949,154	3.82%
Leadership Award Fund	2,994,231	0.04%
Fund for technology based skill development	-	0.00%
Total Other Fund & Provision	**325,943,385**	**3.97%**
PKSF Fund: (Note-2)		0.00%
Loan from PKSF -UP	13,333,333	0.16%
Loan from PKSF -RMC	-	0.00%
Loan from PKSF -IGA	5,000,000	0.06%
Loan from PKSF -ME	2,000,000	0.02%
Loan from PKSF -Jagoron	133,500,000	1.63%
Loan from PKSF -Agrosor	148,000,000	1.80%
Loan from PKSF -Sufolon	-	0.00%
Total PKSF Fund	**301,833,333**	**3.68%**
Commercial Borrowings :		0.00%
Bank Borrowings (Note-5)	3,328,691,349	40.58%
Total Commercial Borrowings	**3,328,691,349**	**40.58%**
Savings Fund: (Note-3)		0.00%
My Savings (Compulsory Savings)	2,204,989,165	26.88%
Family Savings (Voluntary Savings)	19,363,832	0.24%
Sadasya DPS	95,116,112	1.16%
Total Savings Fund	**2,319,469,109**	**28.28%**
Other Liabilities:		0.00%
Loan from Provident Fund	69,622,859	0.85%
Employee Savings Scheme	3,152,528	0.04%
Shakti Deposit Pension Scheme	25,484,411	0.31%
Loan Security Fund	505,588,033	6.16%
Gratuity Fund	79,405,172	0.97%
Others (Note-9)	161,042,985	1.96%
Total Short-term Liabilities:	**844,295,988**	**10.29%**
Grand Total	**8,202,760,183**	**100.00%**

Interpretation

From the above analysis it is understood that Shakti Foundation has high debt to asset ratio which may be a threat to its solvency. Also the net working capital ratio is not decent and it is only 13% of the total asset. This needs to be improved to maintain the performance of the organization.

5.4 Ratio Analysis

5.4.1 Cumulative Recovery Rate (CRR)

CRR indicates collection efficiency in respect to the cumulative amount due. The formula is the following-

$$\text{Cumulative Recovery Rate} = \frac{\text{Cum. Recovery} - \text{Advance Recovery (at the end of this year)}}{(\text{Cum. Recovery} - \text{Advance Recovery}) + \text{Overdue (Principal)}}$$

Year	2018	2017	2016	2015	2014
Cumulative Recovery Rate (CRR)	99.56%	99.39%	99.31%	99.29%	99.28%

Graphical Representation

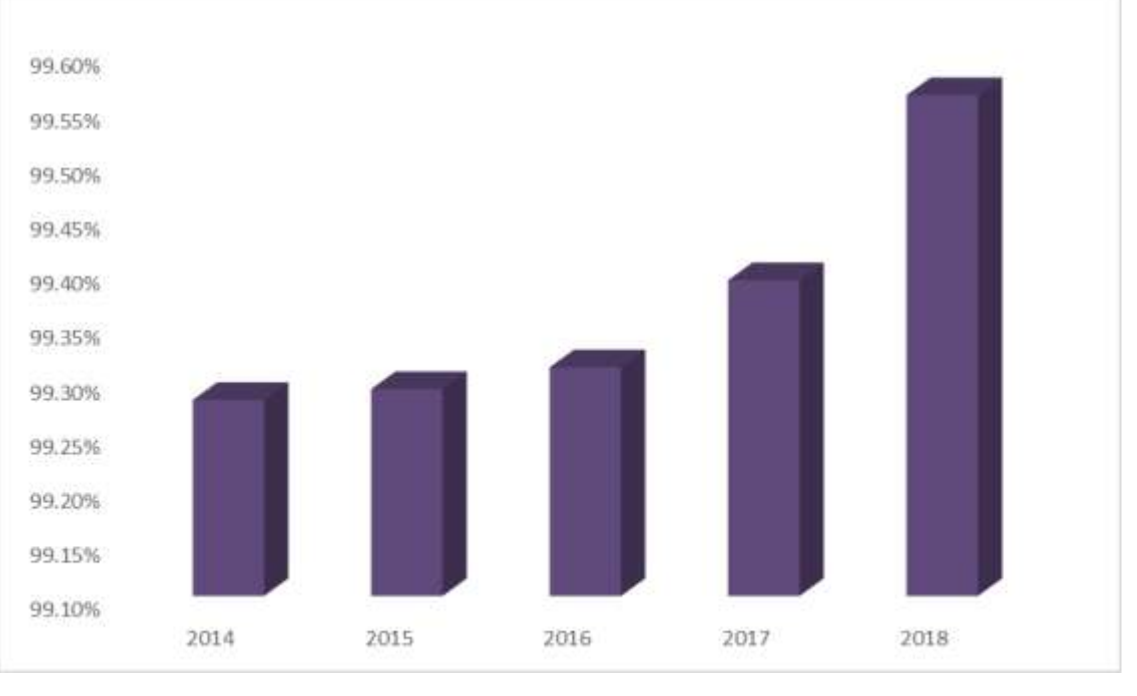


Figure 5.1 Cumulative Recovery Rate

Interpretation

The graph shows us that cumulative recovery rate of Shakti Foundation has been over 99% for the last five years which indicates very good performance. Cumulative recovery rate is calculated by adding up every year data so it can be said that performance of Shakti Foundation in loan recovery from the loanee member has been consistent.

5.4.2 On Time Recovery Rate (OTR)

It indicates collection efficiency with respect to the current amount due. Sometimes due to high recovery rate in past the CRR indicates high recovery position, in this situation from OTR one can measure the current recovery position of the MFI. The formula is the following-

$$\text{On Time Recovery Rate (OTR)} = \frac{\text{Summation of regular recovery in the last 12 months}}{\text{Summation of Regular recoverable in the last 12 months}}$$

Year	2018	2017	2016	2015	2014
On Time Recovery Rate (OTR)	97.03%	98.62%	97.59%	98.75%	98.40%

Graphical Representation

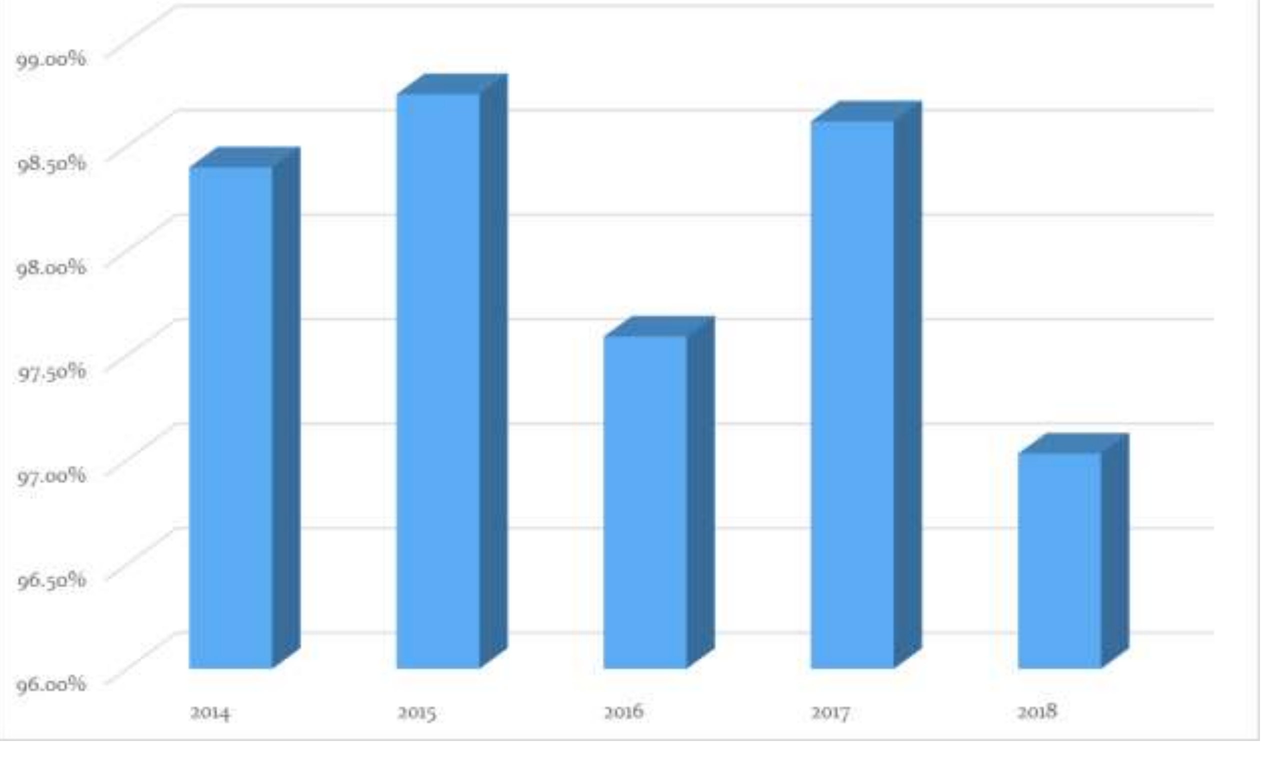


Figure 5.2 One Time Recovery Rate

Interpretation

The graphical representation shows that recovery of loan has been on time for the last five years and the rate is more than 95% which is pretty better than the industry standard. From here we can see every individual year performance of Shakti Foundation was good to recover loan on time. But the ratio has fallen on the recent year which needs attention to find out the specific cause.

5.4.3 Portfolio at Risk (PAR)

Portfolio at risk is the outstanding amount of all loans that have one or more installments of principal past due by a certain number of days. The formula is the following-

$$\text{Portfolio At Risk (PAR)} = \frac{\text{Loan outstanding of Overdue Loanee}}{\text{Total loan outstanding}}$$

Year	2018	2017	2016	2015	2014
Portfolio At Risk (PAR)	6.07%	6.62%	8.16%	9.54%	9.82%

Graphical Representation

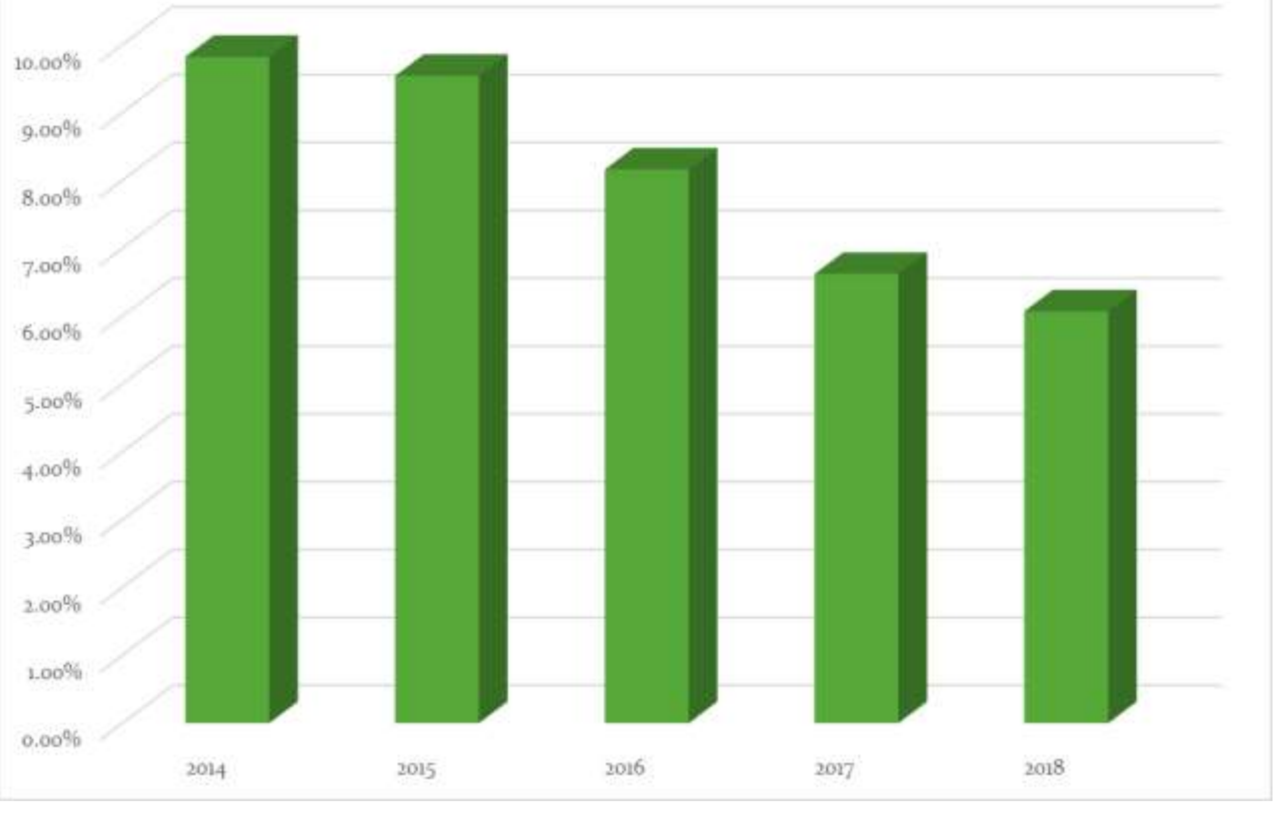


Figure 5.3 Portfolio at Risk (PAR)

Interpretation

The graph represents that Shakti Foundation's Portfolio at Risk (PAR) is decreasing but it is at high level every year which is not a positive indication. Though it can be justified that total portfolio has also increase, but every year the risk is also a great percentage of default borrower. It may possess a great threat of loss to the organization. Necessary steps needed to be taken to keep PAR as low as possible.

5.4.4 Rate of Return on Capital

Return on capital indicates MFIs ability to build equity through retained earnings, and increased equity enables the MFI to leverage more financing to grow its portfolio. The Return on Capital measure is also used by businesses as a threshold to select and execute capital expenditure projects that may present themselves from time to time, especially when adding new production capacity. The formula is the following-

$$\text{Rate of Return on Capital} = \frac{\text{Surplus for the year}}{\text{Average Capital Fund}}$$

Year	2018	2017	2016	2015	2014
Rate of Return on Capital	23.40%	17.70%	7.42%	9.38%	6.50%

Graphical Representation

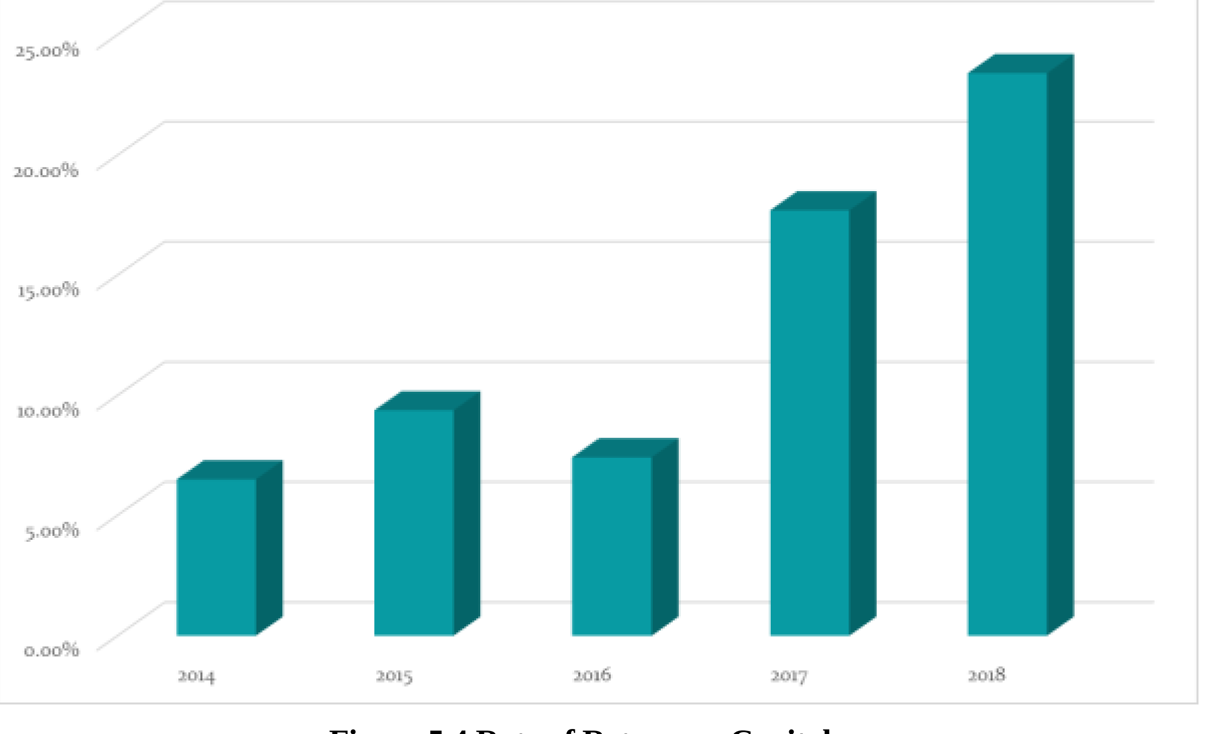


Figure 5.4 Rate of Return on Capital

Interpretation

The graph shows that Shakti Foundation rate of return on capital has been increased significantly over the past few years. It also implies that the ability of the organization to build equity from retained earnings is increasing.

5.4.5 Debt to Capital Ratio

It shows the extent to which the equity can fulfill a MFIs obligation to creditors in the event of liquidation. The formula is the following-

$$\text{Debt to Capital Ratio} = \frac{\text{Debt (PKSF Fund (excluding DMF) + Savings + Other Loan*)}}{\text{Total Capital (Net Worth)}}$$

Year	2018	2017	2016	2015	2014
Debt to Capital Ratio	5.52:1	6.14:1	3.67:1	3.99:1	4.12:1

Graphical Representation

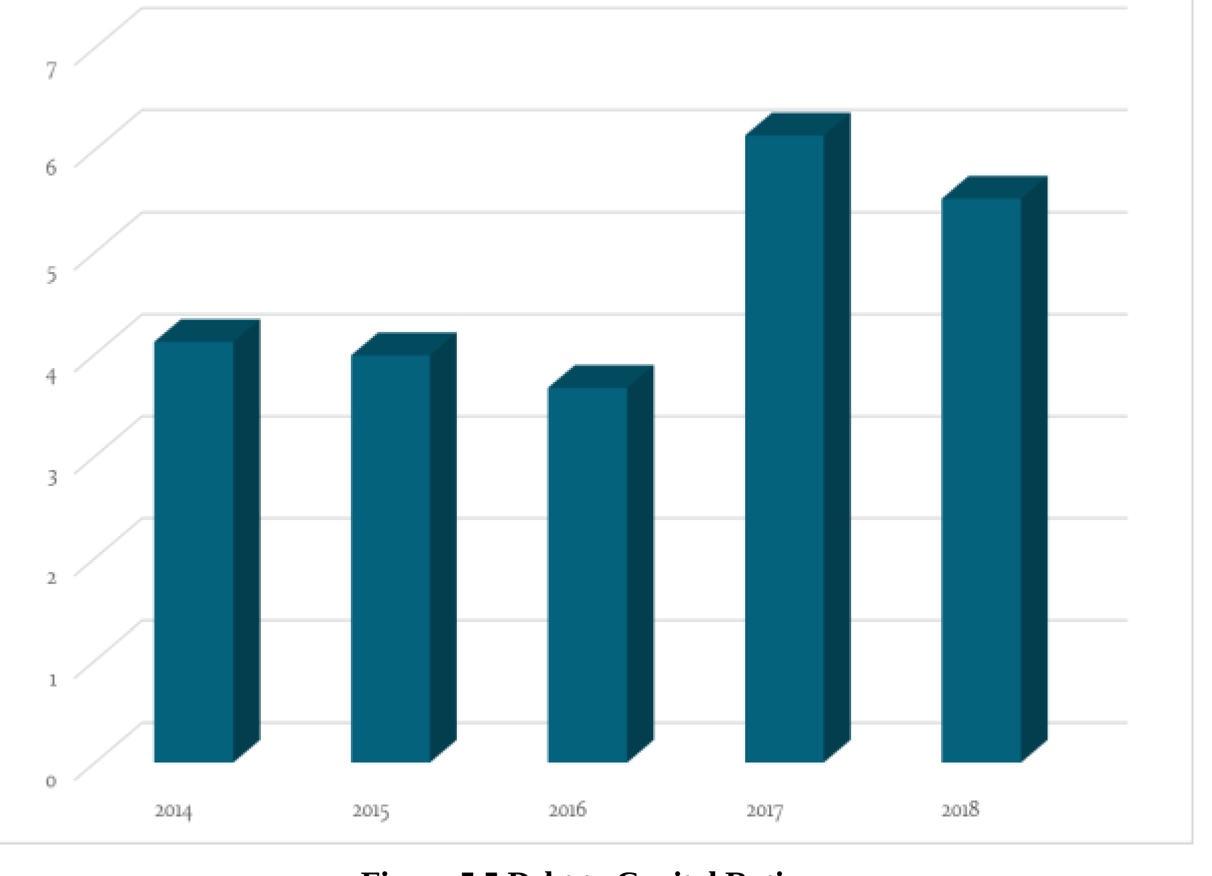


Figure 5.5 Debt to Capital Ratio

Interpretation

The graph shows that Shakti Foundation debt has been increased except last year where it reduces than previous year. It seems that Shakti is not performing that well to finance its own net working capital requirements. Shakti Foundation should try to build up its own capital to reduce finance cost and debt to equity ratio.

5.4.6 Capital Adequacy Ratio

Capital adequacy ratio is a measure of MFIs ability to absorb losses by calculating the ratio of capital to risk. MFIs are required to have a minimum amount of capital relative to the value of their assets (risk based assets). The formula is the following-

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital (Net Worth)}}{\text{Total Asset} - (\text{Cash} + \text{Bank} + \text{STD}^* + \text{Govt. Securities})}$$

Year	2018	2017	2016	2015	2014
Capital Adequacy Ratio	14.94%	17.07%	16.78%	18.96%	18.32%

Graphical Representation

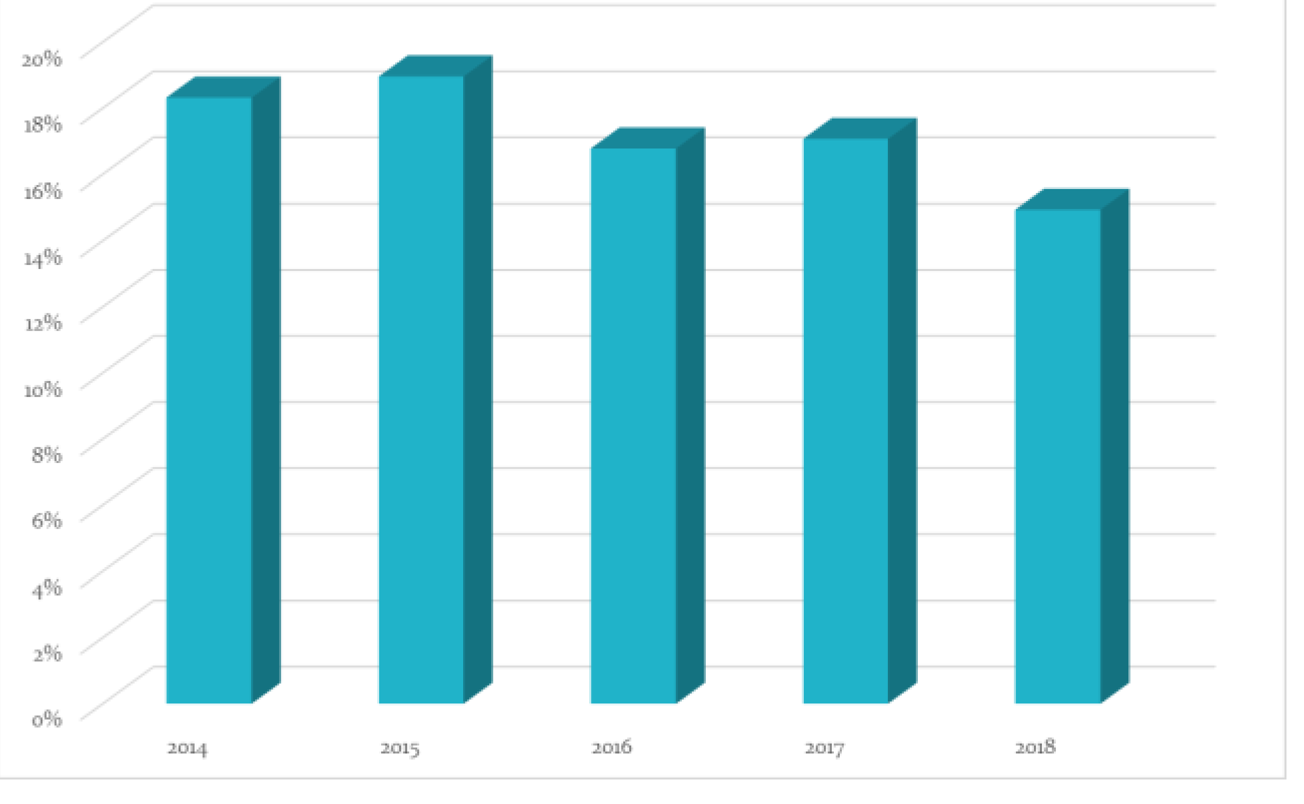


Figure 5.6 Capital Adequacy Ratio

Interpretation

The Capital Adequacy Ratio (CAR) of Shakti Foundation has continually decreased which indicates that capital of Shakti Foundation has decreased in proportion to risk weighted asset. Also now a days MFIs are operating in a more volatile and riskier environment so Shakti Foundation should have a higher Capital Adequacy Ratio (CAR) to absorb losses as the Portfolio at risk is also at risk.

5.4.7 Current Ratio

It indicates the availability of current assets in taka for every one taka of current liability. A ratio of greater than one means that the firm has more current assets than the current claims against them. The formula is the following-

$$\text{Current Ratio} = \frac{\text{(Loan outstanding – More than one year passed overdue) + Cash + Bank + STD* + Advance+ loan to different projects.}}{\text{PKSF fund refundable in the next year (as per schedule) + Savings + Other short term loan}}$$

Year	2018	2017	2016	2015	2014
Current Ratio	1.69:1	1.71:1	1.78:1	1.87:1	1.89:1

Graphical Representation

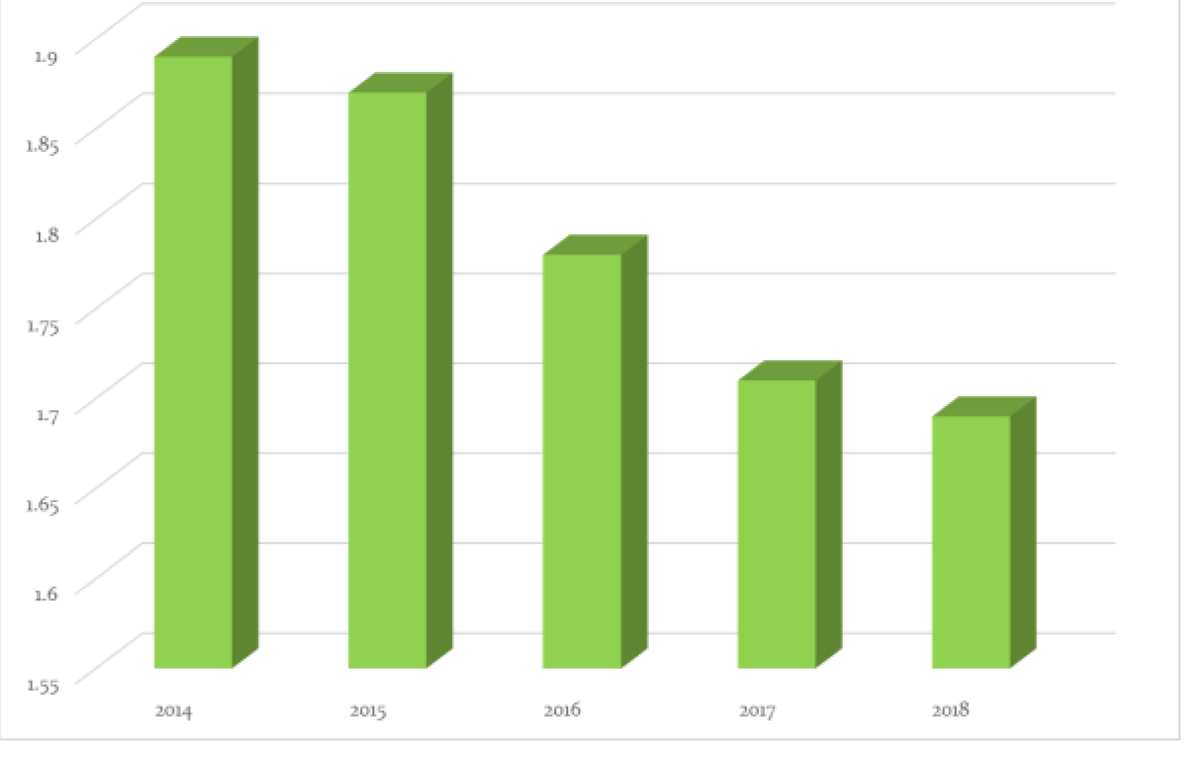


Figure 5.7 Current Ratio

Interpretation

The graphical representation indicates a trend to be concern as current ratio for Shakti Foundation is continuously decreasing. Which means that the organization may face short term solvency problem to meet its current obligation. Shakti Foundation has less than 2 Taka asset for every 1 Taka of debt which very lower than the standard.

5.4.8 Liquidity to Savings Ratio

Measures what percentage of members' savings outstanding amount are kept in form of liquid money i.e. cash in hand & cash at bank and short term deposits-FDR. The formula is the following-

$$\text{Liquidity to Savings Ratio} = \frac{\text{FDR (against savings fund)}}{\text{Total Savings Fund}}$$

Year	2018	2017	2016	2015	2014
Liquidity to Savings Ratio	2.94%	2.63%	9.73%	10.34%	10.43%

Graphical Representation

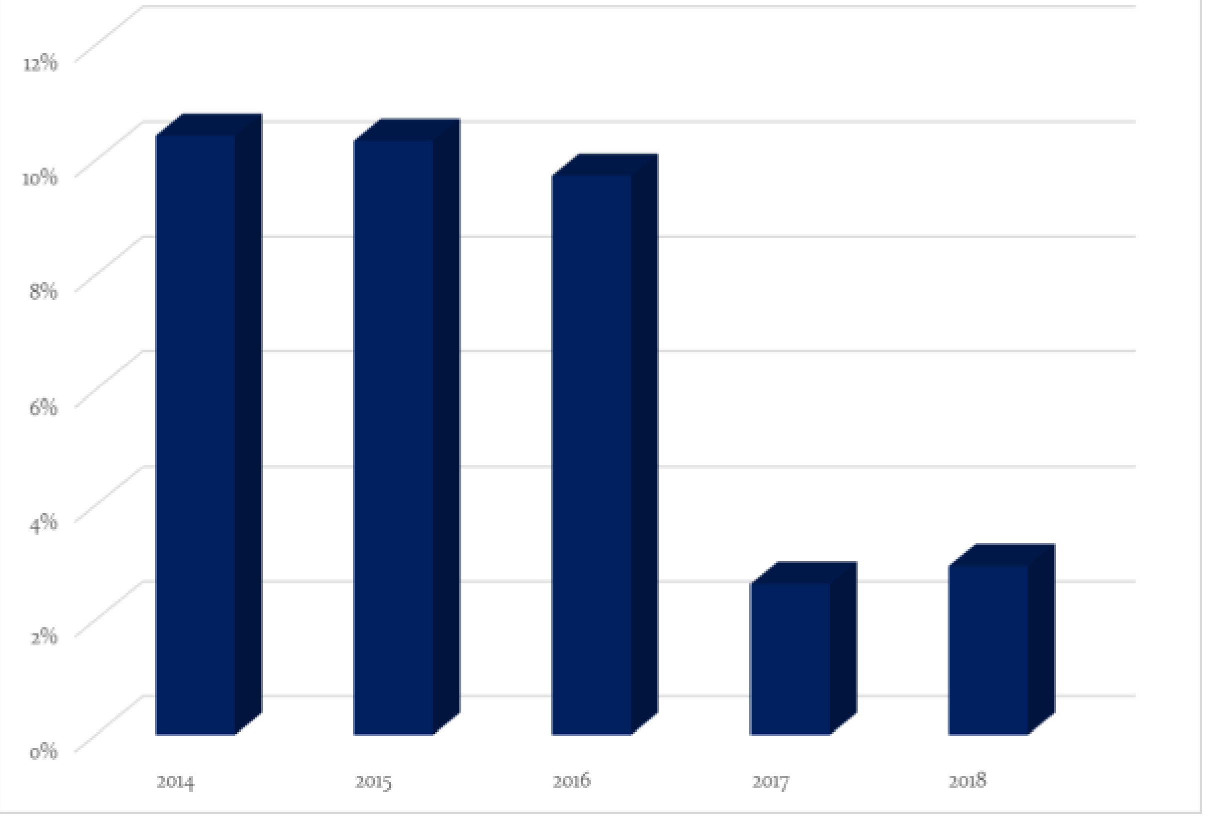


Figure 5.8 Liquidity to Savings Ratio

Interpretation

Liquidity to savings ratio for Shakti Foundation has been constantly decreased which further shows the finance crisis of the organization. Moreover, the organization may face non-compliance as per requirements of regulatory authority to keep minimum liquidity to savings ratio.

5.4.9 Yield on Portfolio

It indicates the gross loan portfolio's ability to generate cash financial revenue from interest, fees, and commissions. It does not include any revenues that have been accrued but not paid in cash or any non-cash revenues in the form of postdated checks, seized but unsold collateral. Yield on gross loan portfolio measures how well an MFI matches the maturities of its assets and liabilities. The formula is the following-

$$\text{Yield on Portfolio} = \frac{\text{Last 12 months service charge income}}{\text{Average loan outstanding}}$$

Year	2018	2017	2016	2015	2014
Yield on Portfolio	24.31%	22.97%	26.24%	14.02%	11.71%

Graphical Representation

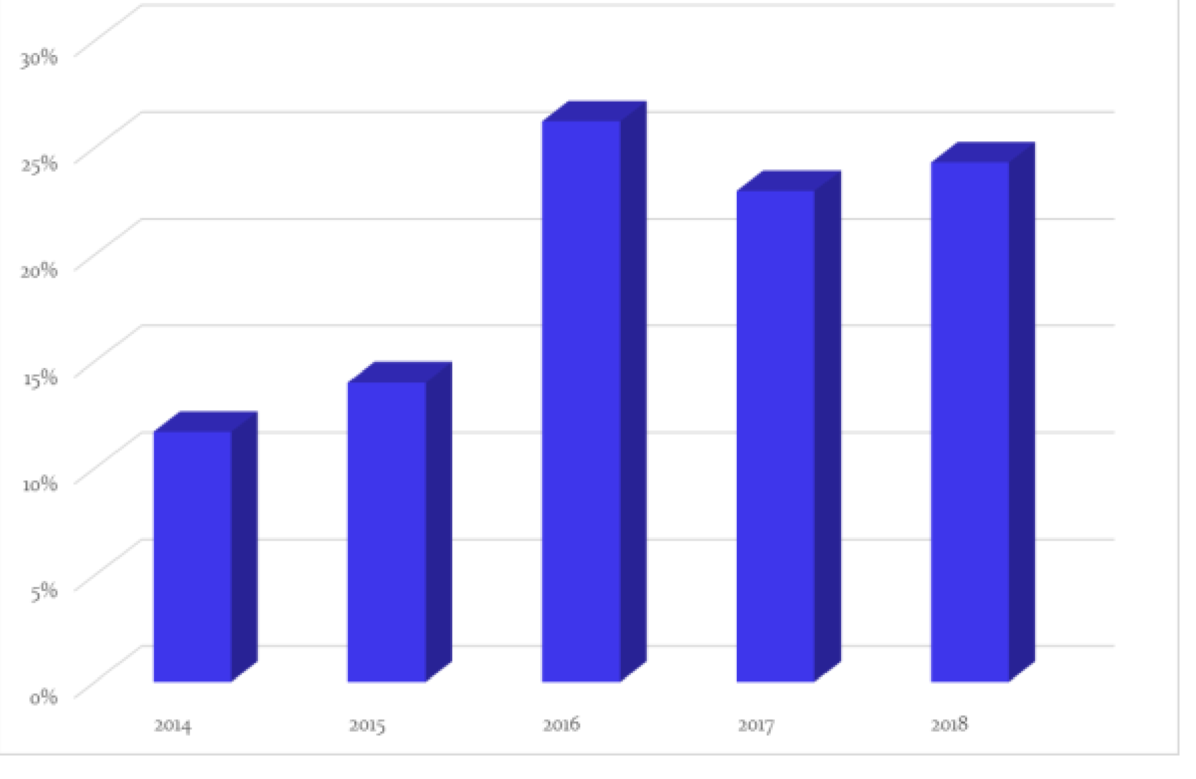


Figure 5.9 Yield on Portfolio

Interpretation

Yield on Portfolio is increased significantly in recent years which indicates earning performance of Shakti Foundations has been improved. Though this indictor relies on the rate of interest charge on the borrower so may not be actually comparable if interest rate has been changed.

5.4.10 Return on Total Asset (ROTA)

Return on Total Assets (ROTA) indicates how well an MFI is managing its assets to optimize its profitability. The formula is the following-

$$\text{Return on Total Asset (ROTA)} = \frac{\text{Surplus for the Year}}{\text{Average Asset}}$$

Year	2018	2017	2016	2015	2014
Return on Total Asset (ROTA)	3.01%	2.26%	1.66%	2.15%	1.07%

Graphical Representation

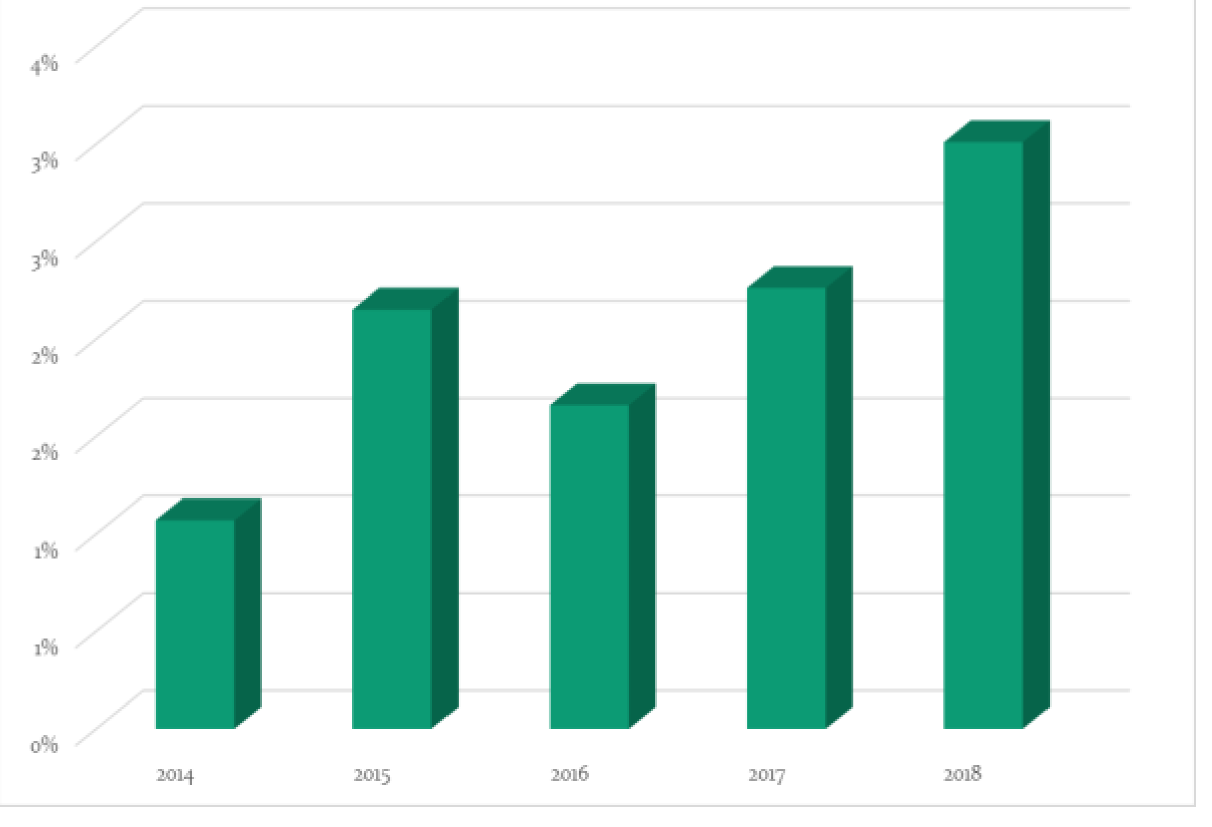


Figure 5.10 Return on Total Asset (ROTA)

Interpretation

The graph indicates that Shakti Foundation is managing its asset efficiently to optimize its profitability. This has been improved over the periods but the improvement rate is very slow. Shakti Foundation is required to develop its overall performance to increase its return on total asset.

Chapter Six

Findings,

Recommendations

and Conclusion

- ✓ Findings
- ✓ Recommendations
- ✓ Conclusion

Chapter Six
FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 Findings

Ratio analysis expresses the relationship among selected items of financial statement data. A single ratio by itself is not very meaningful. Ratios also allow for better comparison through time or between companies. Ratio analysis is a financial management tool that enables managers of microfinance institutions to assess their progress in achieving sustainability. They can help answer two primary questions that every institution involved in microfinance needs to ask:

a. Whether this institution is either achieving or progressing towards
profitability and

b. Its efficiency in achieving its given objectives.

Only one ratio cannot satisfy all analysis requirements. There are no values for any specific ratio that are necessarily correct. It is the trend in these ratios that is critically important. Ratios must be analyzed together, and ratios tell you more when consistently tracked over a period of time. Frequent measurement can help identify problems that need to be solved before they fundamentally threaten the MFI, thus enabling correction. Trend analysis also helps moderate the influence of seasonality or exceptional factors. The findings of this study is described sequentially in the following-

6.1.1 Horizontal Analysis

Horizontal analysis shows that Shakti Foundation's operating income has increased more in comparison to the increase in operating expense. It indicates that Shakti Foundation is performing well with its overall efficient management. Noncurrent asset of Shakti Foundation has increased significantly which may not be favorable for the organization if the increase is not new investment regarding expansion.

6.1.2 Vertical Analysis

Vertical analysis put light on the fact that salary and allowances are almost 40% of total service charge income which is a substantial portion of total expense. From the analysis it is understood that Shakti Foundation has high debt to asset ratio which may be a threat to its solvency. Also the net working capital ratio is not decent and it is only 13% of the total asset. This needs to be improved to maintain the performance of the organization.

6.1.3 Cumulative Recovery Rate (CRR)

The analysis shows us that cumulative recovery rate of Shakti Foundation has been 99.56%, 99.39%, 99.31%, 99.29%, and 99.28% for the last five years which indicates very good performance. Though it does not show the actual year to year scenario.

6.1.4 On Time Recovery Rate (OTR)

The graphical representation shows that recovery of loan has been on time for the last five years 97.03%, 98.62%, 97.59%, 98.75% and98.40% and the rate is more than 95% which is pretty better than the industry standard. From here we can see every individual year performance of Shakti Foundation was good to recover loan on time. But the sudden fall in the percentage in recent year is a matter of great concern and needs special attention to give.

6.1.5 Portfolio at Risk (PAR)

Shakti Foundation's Portfolio At Risk (PAR) is above 5% every year which is not a positive indication. For the last five years it was 6.07%, 6.62%, 8.16%, 9.54% and 9.82% respectively. Though it can be justified that total portfolio has also increase, but every year the risk of default borrower is a great amount. It may possess a great threat of loss to the organization. Necessary steps needed to be taken to keep PAR as low as possible.

6.1.6 Rate of Return on Capital

Shakti Foundation rate of return on capital has been increased significantly over the past few years. For the last five years it was 23.40%, 17.70%, 7.42%, 9.38% and 6.50%. It also implies that the ability of the organization to build equity from retained earnings is increasing.

6.1.7 Debt to Capital Ratio

Shakti Foundation debt has been increased except last year where it reduces than previous year. It seems that Shakti is not performing that well to finance its own net working capital requirements. The scenario of last five years is 5.52:1,6.14:1, 3.67:1, 3.99:1 and 4.12:1.

6.1.8 Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) of Shakti Foundation has continually decreased which indicates that capital of Shakti Foundation has decreased in proportion to risk weighted asset. Last five years it was 14.94%, 17.07%,16.78%, 18.96% and 18.32%.

6.1.9 Current Ratio

The current ratio for Shakti Foundation is continuously decreasing. Which means that the organization may face short term solvency problem to meet its current obligation. The figure for last five years was 1.69:1,1.71:1, 1.78:1, 1.87:1 and 1.89:1. Shakti Foundation has less than 2 Taka asset for every 1 Taka of debt which very lower than the standard.

6.1.10 Liquidity to Savings Ratio

The organization has continuously less amount of investment against the member deposits which possess a threat to the security of the member deposit. For the last five years the scenario is 2.94%, 2.63%, 9.73%, 10.34% and 10.43%. Shakti Foundation has been constantly in finance crisis. Moreover, the organization may face non-compliance as per requirements of regulatory authority to keep minimum liquidity to savings ratio.

6.1.11 Yield on Portfolio

Yield on Portfolio is 24.31%,22.97%,26.24%,14.02% and 11.71% for the last five years. It has increased significantly in recent years which indicates earning performance of Shakti Foundations has been improved. Though this indictor relies on the rate of interest charge on the borrower so may not be actually comparable if interest rate has been changed.

6.1.12 Return on Total Asset (ROTA)

Shakti Foundation is managing its asset efficiently to optimize its profitability. This has been improved over the periods but the improvement rate is very slow. For the last five years the ratio is 3.01%, 2.26%, 1.66%, 2.15% and 1.07%. Shakti Foundation is required to develop its overall performance to increase its return on total asset.

6.2 Recommendations

1. Noncurrent assets have increased significantly. Steps should be taken by the management to make clear judgement whether organization's net working capital should be increased rather than investing in non-current asset to generate more value for the organization.

2.. The management of Shakti Foundation should build up efficient human resource to lower the administrative cost which is substantial amount of total cost.

3. Though cumulative recovery rate shows good percentage it must be verified with actual collection at the field.

4. The PAR of the organization is high every year. Necessary steps needed to be taken to keep PAR as low as possible.

5. Shakti Foundation should try to build up its own capital to reduce finance cost and debt to equity ratio. It will increase profitability.

6. Now a days MFIs are operating in a more volatile and riskier environment so Shakti Foundation should have a higher Capital Adequacy Ratio (CAR) to absorb losses as the Portfolio at risk is also at risk.

7. Shakti Foundation has less than 2 Taka asset for every 1 Taka of debt which very lower than the standard. This can create serious problem to meet up current obligations. Shakti Foundation has to increase its liquidity with respect to its current liability.

8. To avoid regulatory non-compliance and to ensure the security of member deposit Shakti Foundation has to increase its investment against member savings up to the required ratio as per the regulatory guideline.

9. Shakti Foundation is required to develop its overall performance to increase its return on total asset.

10. Sudden drop in on time recovery percentage is a matter of great concern. Monitoring has to be made strong along with the improvement of efficiency of field management to address this issue and take necessary measurements.

6.3 Conclusion

Shakti Foundation is a non-government organization committed to the economic and social empowerment of disadvantaged women across Bangladesh. It believes in realizing the potential of women to become strong, independent members of their communities. As Shakti Foundation’s largest initiative, its Microfinance Program is aimed at ultra-poor urban women within Bangladesh. This program envisions a society where women learn to trust and apply their potential effectively without being constrained by societal limitations. Since its inception in 1992, the Microfinance program now covers 408 branches across 54 districts, supporting almost 500,000 women. Its clients have received monetary, management and moral support to become entrepreneurs and skilled workers.

Bibliography

(a) Books:

- Horne, V. J. C., & Wachowicz, J. M. (2005). Financial statement analysis, 11th edition.
- Pandey, I. M. (2004). "Financial statement analysis," 9th edition. New Delhi, India.
- Peter M. Bergevin, Financial Statement Analysis: An Integrated Approach
- S. David Young, Jacob Cohen and Daniel A Bens, Corporate Financial Reporting and Analysis

(b) Journals and Reports:

- Basics of Financial Statement Analysis, Travis W. Harms, CFA, CPA/ABV
- Addressing Capital Adequacy for MFIs: A Risk Management Approach, Estelle Berger, Director of Knowledge Management
- The Relationship Between Profitability Growth And The Yield On Gross Portfolio Of Micro-Finance, Langat Kipkemoi Eric
- Financial Analysis For Microfinance Institutions, ©2009 Consultative Group to Assist the Poor/The World Bank. All rights reserved
- Measuring Performance Of Microfinance Institutions: A Framework For Reporting, Analysis, And Monitoring, The Seep Network Financial Services Working Group And Alternative Credit Technologies, LLC
- Basic Financial Management and Ratio Analysis for MFIs, Mennonite Economic Development Associates
- Annual reports of Shakti Foundation
- Half yearly reports of Shakti Foundation

(c) Websites:

- https://www.shakti.org.bd
- https://learnmicrofinance.com/

163-12-137

ORIGINALITY REPORT

39%	39%	5%	%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	www.shakti.org.bd Internet Source	8%
2	www.pearsoncanada.ca Internet Source	4%
3	learnmicrofinance.com Internet Source	4%
4	www.slideshare.net Internet Source	3%
5	chris264.wordpress.com Internet Source	3%
6	dspace.bracu.ac.bd:8080 Internet Source	2%
7	www.sfdw.org Internet Source	1%
8	www.safaribooksonline.com Internet Source	1%
9	www.cgap.org Internet Source	1%

10	dspace.daffodilvarsity.edu.bd:8080 Internet Source	1%
11	documents.mx Internet Source	1%
12	www.leanmanufacture.net Internet Source	1%
13	www.authorstream.com Internet Source	1%
14	shodhganga.inflibnet.ac.in:8080 Internet Source	1%
15	docplayer.net Internet Source	1%
16	www.mbaknol.com Internet Source	1%
17	www.seepnetwork.org Internet Source	<1%
18	opportunity.org Internet Source	<1%
19	www.ijirmf.com Internet Source	<1%
20	epdf.pub Internet Source	<1%
21	seepstage.forumone.com Internet Source	<1%

22	www.khushhalibank.com.pk Internet Source	<1%
23	mpra.ub.uni-muenchen.de Internet Source	<1%
24	www.microsave.net Internet Source	<1%
25	eduprojecttopics.com Internet Source	<1%
26	pt.slideshare.net Internet Source	<1%
27	www.businessdictionary.com Internet Source	<1%
28	onlinelibrary.wiley.com Internet Source	<1%
29	www.amfiu.org.ug Internet Source	<1%
30	www.coursehero.com Internet Source	<1%
31	onlineaccountreading.blogspot.com Internet Source	<1%
32	fr.scribd.com Internet Source	<1%
33	www.termpaperwarehouse.com	

	Internet Source	<1%
34	www.calbrokersghana.com Internet Source	<1%
35	vic.canoe.org.au Internet Source	<1%
36	higheredbcs.wiley.com Internet Source	<1%
37	de.slideshare.net Internet Source	<1%
38	www.antiessays.com Internet Source	<1%
39	docslide.us Internet Source	<1%
40	issuu.com Internet Source	<1%
41	AICPA. "Investment Companies, 2019", Wiley, 2019 Publication	<1%
42	www.unn.edu.ng Internet Source	<1%
43	repository.up.ac.za Internet Source	<1%
	hdl.handle.net	

44	Internet Source	<1%
45	tealeaf.ca Internet Source	<1%

Exclude quotes	On	Exclude matches	< 10 words
Exclude bibliography	On		