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Financial Ratio Analysis: A Case Study of Chaturbhujeshwar Janta Multiple Campus Nepal

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Abstract

This study conducted a financial ratio analysis to analyze the financial health condition and operational performance of CJMC, a QAA-certified community campus in Harion, Sarlahi, Nepal. The study was based on secondary data, and data were accumulated from the audit report of fiscal years 2075/076 to 2079/080. The primary financial ratios examined are the administrative expense ratio, government reliance ratio, personal expense ratio, current ratio, and net margin ratio. The results indicate a decline in the administrative expense ratios, indicating the effectiveness of cost control. However, the government reliance ratio fluctuates substantially, posing a threat to financial stability due to the campus's dependency on changeable government financing. The personal expense ratio is quite volatile, peaking at 90.89 percent in 2077/078 and indicating that labor expenditures have significantly exceeded the university budget. The current ratio has continuously fallen, dropping below 1.0 in recent years which indicates liquidity issues. The net margin ratio shows financial volatility, with significant deficits in 2076/077 and 2077/078, followed by a rebound in 2078/079 and 2079/080. The research concluded that the campus has worked to improve its financial

position. Otherwise, it may continue to face issues such as declining enrollment and unstable regular revenue and should be dependent on local government assistance. Diversifying revenue streams, enhancing cash flow management, and optimizing personnel costs are all strategic recommendations for long-term financial sustainability.

***Keywords*:** Financial health, operational effectiveness, community campus, QAA-certified,cost management

Introduction

Community campuses are higher educational institutions that are affiliated with a central university and primarily funded by the local community. The governance of these campuses is overseen by management committees, which are formed through consensus within their assembly. The committee holds supreme authority over the governance and decision-making processes of the campus (Mainali, 2023). Such types of educational institutions play a pivotal role in providing higher education to all in affordable fees particularly in rural and underserved areas in Nepal. The mission of the campuses is to offer quality education at low tuition fees, making higher education accessible to students from diverse socio-economic backgrounds (K.C. et al., 2024). In a country where many students face financial constraints when pursuing higher education, community campuses serve as a comfortable gateway to higher education (Mandal, 2016). According to the University Grants Commission (UGC) EMIS report 2021/22, a total of 1,455 higher education institutions (HEIs) across Nepal serve 579,488 students enrolled in various program (UGC, 2023). However, in recent years, these campuses have faced significant challenges, especially concerning student enrollment and financial sustainability. Of these students, 80.28 percent are enrolled in general programs, while 19.72 percent are in technical programs.

Community campuses in Nepal play an important role in offering higher education to students at affordable fees, particularly in rural and neglected areas, making higher education accessible to students from a variety of socioeconomic backgrounds (Mandal, 2016; Bista & Gaulee, 2018).

However, in the recent years, many community campuses have experienced considerable challenges, particularly in terms of student enrollment and financial sustainability. In terms of campus type, constituent campuses have the biggest enrolment, accounting for 37.47 percent of the total, followed by community campuses (29.95 percent) and private campuses (32.58%). In higher education, girls make up a noteworthy 55.11 percent of all students (UGC, 2023). At 66.33 percent, female students make up the bulk of students enrolled on community campuses. With a Gender Parity Index (GPI) of 1.156, higher education of Nepal institutions have a high proportion of female students (UGC, 2023). The increasing number of students pursuing education overseas is one of the main factors behind this, as it has negatively affected enrolment rates in higher education nationwide (Mahatara, 2024).

Enrolment declines are a national problem, particularly at community colleges and are not exclusive to a single area or a small number of campuses (K.C. et al., 2024). The number of Nepali students opting to pursue higher education abroad has sharply increased during the last seven years (South Asia Time, 2023). Some of the factors driving this trend include the perception of high-quality education, increased career opportunities overseas, and the chance of earning more money after graduation (Tyndorf & Glass, 2017). As a result, the number of students enrolled at Nepali community campuses has progressively decreased, which has had a direct impact on community campuses' sustainability (Phuyal, 2023).

Community campus enrolment ration has been steadily declining from some years (K.C. et al., 2024). Student tuition fees are prime revenue sources for the community campuses in the Nepalese context. However, the government funds to some extent through the UGC based on predefined parameters (Mainali & Verma, 2021). So, this trend is very concerning. These institutions' financial stability is immediately impacted when student enrolment declines, which restrict their capacity to make investments in faculty, infrastructure, and other resources, required upholding the standard of delivery (Gupta, 2022).

To address concerns about the quality of education in higher education institutions of Nepal, the UGC of Nepal established the Quality Assurance and Accreditation (QAA) program. This designation is given to campuses that meet strict criteria for academic standards, faculty qualifications, facilities and governance, among other things. The QAA certification is regarded as a mark of distinction, ensuring that accredited campuses meet the UGC's quality standards (Gupta, 2022). While QAA certification is a significant step towards raising educational standards, it is also creating financial hurdles for community campuses. One criterion for QAA certification is that at least 51percent of the faculty be full-time faculties. This rule dramatically increases the pay spending of QAA-certified campuses, as full-time faculty members must be paid greater salary than part-time. As a result, QAA-certified campuses suffer greater operational expenditures, which can put a burden on their budget, especially the declining enrollment ratio.

Non- accredited community colleges typically have lower operational costs than accredited campuses. It is because these campuses hire a sizable number of part-time teachers, which lowers their salary expenditure. Furthermore, it is believed that certified campuses enrollment and pass rate in general programs seem lower than non-accredited due to the unsystematic examination strategies, especially in Madhesh Pradesh of Nepal. Because of this, tuition costs are lower at non- certified colleges, which appeals to students who value price over academic quality (Chapagai, 2024). Nowadays, accredited campuses have been encountering various challenges, such as financial and others to sustaining their accreditation due to the insufficient enrollment ratio and other income sources. Certified campuses are required to charge high tuition fees due to the high administrative and salary expenses for meeting the severe requirements of the University regulation. Enrolment in accredited campuses is further decreased when students have the choice to enroll at non- certified campuses, which offer cheaper tuition and loose enrollment and further academic criteria. The perceived value of attending a certified institution is reduced because no university or institution now offers any unique indication or recognition of certification on students' transcripts, which increases this tendency. To remedy this issue, the UGC and other government agencies must implement regulations that expressly recognize campuses of QAA-certified students both in academic documents and job markets. One possible answer is for the UGC to fight for laws that provide QAA-certified graduates with advantages in both government and non-government job sectors. This would encourage students to enroll in QAA-certified colleges by knowing that their education would be recognized both academically and professionally. It is enhancing their employment prospects and helping to compensate the greater costs associated with attending these institutions. Such policy changes would contribute to a more balanced competitive landscape and the long-term viability of QAA-certified campuses of Nepal (Panthee, 2023).

Chaturbhujeshwar Janta Multiple Campus (CJMC), located in Harion, Sarlahi, is one of Nepal's few QAA-certified community campuses. Established with the purpose of offering quality education to students in the Tarai region, the campus has remained committed to academic achievement by achieving the UGC's strict requirements. However, it, like many other QAA-certified community campuses, is facing serious financial issues as enrolment declines. The decrease in student enrolment at CJMC can be ascribed to a number of issues, including the growing trend of studying abroad, the growth of non- accredited campuses, and the campus's need to charge higher tuition fees to fund its operational costs. According to data from the UGC, student enrollment in community campuses across Nepal has been on a steady decline (UGC, 2023), and CJMC is no exception. Even while these institutions work hard to offer excellent education at reasonable fees, the combination of decreasing enrolment, competition from institutions that are not accredited, and the growing popularity of studying overseas has put a heavy financial burden on them. In order to overcome these obstacles, community campuses must look at fresh approaches to student recruitment, like providing advanced educational programs, establishing relationships with nearby communities, and looking for other funding sources to lessen their dependency on tuition. The financial viability of community campuses in Nepal would remain vulnerable in the absence of important steps. In this background, CJMC is one of the accredited community campuses facing varieties hurdles situated in Madhesh Pradesh.

Research question

What financial challenges has CJMC faced following the implementation of QAA processing?

Research Design

This study follows the case study methodology and employs a descriptive research design with a convenience sampling technique, using a sample size of one. Secondary data is sourced from the CJMC audit report in Harion Municipality, Sarlahi, Nepal. The study examines the financial challenges faced by accredited community campuses, utilizing the CJMC case study as a focal point. The primary objective of this analysis is to investigate the financial sustainability and operational difficulties encountered by this campus, particularly in the context of increasing competition and evolving student preferences. During the study, ethical standard has been stickily maintained and official consent was taken to preceding the study.

Data Analysis and Interpretation

Table – 1

Student Enrollment Status since Five Years

F.Y	1st Year			2nd Year			3rd Year			4th Year		
Faculties	BA	B.Ed.	BBS	BA	B.Ed.	BBS	BA	B.Ed.	BBS	BA	B.Ed.	BBS
2075/076	22	40	88	13	35	71	8	46	81	0	9	36
2076/077	4	71	140	22	77	77	2	28	63	0	32	75
2077/078	14	95	193	4	64	127	20	54	87	0	29	83
2078/079	14	81	189	13	85	167	5	43	111	0	41	79
2079/080	25	26	145	11	62	144	14	56	105	5	37	102

Source: Campus Administration, 2081

The admission trends at CJMC from fiscal years 2075/076 to 2079/080 reveal distinct patterns across the three major streams—Humanities, Education, and Management—highlighting both strengths and areas for improvement. The Humanities stream shows fluctuating enrollment numbers, with first-year admissions declining significantly at times and retention rates remaining low. This trend reflects waning interest in the stream, possibly due to limited career opportunities.

In contrast, the Education stream experienced a spike in enrollment during 2077/078, peaking at 95 students in the first year, but this was followed by a sharp decline to 26 in 2079/080. While retention in Education is relatively stronger than in Humanities, the declining trend in recent years raises concerns about potential market saturation or reduced appeal of teaching careers. On the other hand, the Management stream consistently attracts the highest number of students, with first-year admissions peaking at 193 in 2077/078 and stabilizing at 145 in 2079/080. Retention in Management is robust, with a steady flow of students advancing to higher years, reflecting the stream's strong appeal and relevance in the job market.

Across all streams, a notable peak in admissions was observed in 2077/078, possibly driven by external factors like government policies or demographic trends, followed by a general decline in 2079/080. The decline in first-year enrollment across all streams in the most recent year points to challenge such as increasing competition, changing student preferences, or population shifts. Retention remains a significant challenge for Humanities, while Education shows signs of declining interest despite strong retention rates. Management stands out as the most stable and popular stream, although recent declines in enrollment suggest a need for diversification and enhanced offerings to sustain its appeal. To address these challenges, the campus must focus on curriculum modernization, improved marketing, and skill-based program diversification to align with market demands. Strategic measures, such as partnerships with industries, alumni engagement, and better promotion of career prospects, are critical for sustaining and enhancing enrollment across all streams.

Critical Analysis of Financial Ratios

Financial ratios are effective instruments for assessing the performance and financial health of charitable organizations. These ratios are critical for both internal management and external stakeholders such as donors, government agencies and watchdog groups like Charity Navigator. In the context of nonprofit organizations, these ratios provide vital insights into how successfully an organization allocates resources, manages expenses and maintains liquidity. All of which can contribute to donor confidence and long-term viability.

In this analysis, we will focus on five key financial indicators for a community campus in Harion, Sarlahi, Nepal. These ratios are: Administrative Expense Ratio, Government Reliance Ratio, Personal Expense Ratio, Current Ratio, and Net Margin Ratio. The Administrative expense ratio and the Government Reliance Ratio will be our primary emphasis, since they are critical to understanding the community campuses financial and operating status.

This analysis is based on financial data from fiscal years 2075/076 to 2079/080 (Nepal fiscal years), the most recent figures accessible for this institution.

Administrative Expense Ratio

The administrative expense ratio calculates the percentage of total expenses devoted to administrative charges. Administrative expenses often include non-teaching staff pay, office supplies, utilities and other overhead costs associated with the organization's operations. There is a common notion that charitable organizations should save administrative costs as much as feasible. However, a certain level of administrative spending is required to ensure the institution's seamless functioning, particularly for infrastructure and technology upgrades, staff management and regulatory compliance. In recent years, charity watchdog organizations such as Charity Navigator have recognized the importance of administrative spending and altered their grading systems appropriately.

Agencies such as Charity Navigator have recognized this mistake, and the administrative expense percentage will be removed from the Charity Navigator rating system in 2023. Other agencies and funders may still consider this ratio. As a general guide, this ratio should be less than 35 percent.

The administrative expense ratio is calculated as follows:

Administrative expense ratio = Administrative Expenses / Total expenses

Table – 2

Administrative Expense Ratio of the Institution

F.Y.	Adm. Exp.	Total Exp.	Adm.Exp./ Total Exp.	Result (%)
2075/076	2,856,165	19,311,802	2,856,165/19,311,802	14.79
2076/077	1,367,931	17,499,764.70	1,367,931/17,499,764.70	7.82
2077/078	875,638	17,965,775.86	875,638/17,965,775.86	4.87
2078/079	1,487,815.50	19,333,140.50	1,487,815.50/19,333,140.50	7.69
2079/080	1,408,440.25	20,112,645	1,408,440.25/20,112,645	7

Source: Campus Administration

Over the last five fiscal years, the administrative expense ratio has fallen from 14.79% in 2075/076 to 7% in 2079/080. This suggests that the community campus has become more efficient in managing its administrative expenses in comparison to its total expenses. A high administrative expense ratio indicates inefficiency or misallocation of resources. However, a decrease in the ratio implies effective cost control and operational efficiency.

While some administrative cost is unavoidable, a low administrative expense ratio can be troublesome. If an organization cuts administrative expenditures too aggressively, it struggle to maintain key administrative functions that affecting the quality of services provided. This community campus looks to have taken a balanced approach, keeping the ratio in a healthy range while emphasizing the necessity of administrative duties.

Nonprofit watchdog organizations frequently recommend that NGOs keep their administrative spending ratios around 35%. Administrative spending ratio of the campus is significantly lower than these criterions which demonstrate smart financial management. This is a good sign for outside shareholders and government entities.

Even if Charity Navigator deleted the administrative expense percentage from its grade system, donors and other stakeholders may continue to analyze it. The community campus's ability to maintain its administrative expense ratio consistently below 15% should increase its credibility and appeal to funders, since it demonstrates that a large amount of money is spent on the essential purpose (education in this case) rather than overhead.

Overall, the administrative expense ratio for the community campus in Harion, Sarlahi, is appropriate and healthy, indicating good management practices and resource allocation efficiency. The declining trend in the ratio over time reflects ongoing progress and operational efficiency, which is critical for gaining additional investment and sustaining long-term viability.

Government Reliance Ratio

The Government Reliance Ratio measures a nonprofit organization's dependence on governmental funding. This ratio is crucial because a high reliance on government grants can make an organization vulnerable if government funding is reduced or withdrawn. Diversifying revenue sources is a key strategy for nonprofit sustainability, especially when government funding is uncertain or variable.

This nonprofit ratio is important, particularly when overall levels of government funding are declining. The higher this ratio is, the less likely a nonprofit organization will be able to continue to support its programs in the event that funding goes away. Organizations with high ratios in this category should consider how they can diversify their revenue sources.

The government reliance ratio is calculated as:

Government Reliance Ratio = Government Grants and Contributions/Total Revenue

Table – 3

The Government Reliance Ratio of the Institution

F.Y.	Government Grant & Contribution	Total Revenue	Grant/Total Revenue	Result(%)
2075/076	6,202,012	20,402,675	6,202,012/20,402,675	30.40
2076/077	8,965,420	15,288,904	8,965,420/15,288,904	58.64
2077/078	6,830,190.61	13,311,905.77	6,830,190.61/13,311,905.77	51.31
2078/079	9,203,909.80	23,844,845.8	9,203,909.80/23,844,845.8	38.60

2079/080	8,705,807	23,701,546.20	8,705,807/23,701,546.20	36.73

Source: Campus Administration, 2081

The government dependency ratio varies dramatically across the five fiscal years, reaching a high of 58.64% in 2076/077 and a low of 30.40% in 2075/076. By the most recent fiscal year 2079/080, the ratio had settled at 36.73%. These variations indicate that the college's reliance on government funding has fluctuated either reflecting changes in government grant availability or adjustments in the campus' ability to recruit other funding sources.

A high reliance on government funding, as observed in fiscal years 2076/077 and 2077/078, poses a significant financial risk. Should government grants decrease or disappear, the campus may face financial difficulties in sustaining its operations. A reliance ratio over 50% is generally considered risky for a nonprofit because it indicates an over-dependence on one source of revenue. In such cases, if government support is reduced, the organization may have to cut programs or reduce staff.

The fluctuation in the government reliance ratio underscores the importance of diversifying revenue sources. In fiscal year 2076/077, for example, nearly 60% of the revenue of campus came from government sources which indicate vulnerability to policy changes or funding cuts. By fiscal year 2079/080, the percentage had dropped to 36.73% which indicate that the campus might have taken action to diversify its sources of income. Nevertheless, additional work is required to bring this ratio down to a level that is more sustainable.

Nonprofits should strive for a government reliance ratio of less than 20% since this shows a more balanced mix of income sources. The campus's reliance on government funding is still high, although it has decreased in recent years. A government reliance ratio consistently above 30% indicates that the organization may need to focus on building relationships with private donors, increasing income from tuition or other services or pursuing alternative sources of funding such as grants from private foundations.

The campus should give top priority to measures that lessen its reliance on government funding in order to increase its financial stability. This could entail stepping up fundraising activities, looking for private funding, boosting program revenue and perhaps putting endowment-building plans into action. To broaden its source of revenue, the campus can also think about forming alliances with nearby companies or charitable institutions.

The community campus may be vulnerable, as indicated by the government reliance ratio. Even if the ratio has dropped recently, it is still quite high, suggesting that the campus still depends significantly on government funding to run. The campus should concentrate on diversifying its revenue streams and lowering its reliance on government financing in order to guarantee long-term survival.

Personnel Expense Ratio

The Personal Expense Ratio measures the portion of an organization's revenue that is allocated to personal expenses, which typically include salaries and benefits for staff involved in operational, administrative, or revenue-generating activities. For nonprofits like the community campus in Harion, Sarlahi, Nepal, this ratio is crucial because it reflects how much of the organization's resources are spent on personnel, often the largest cost category in such institutions.

The ratio is calculated using the formula:

Personnel Expense Ratio = Total Salaries, Wages and Benefits/Total Revenue

Table – 4

Personal Expenses Ratio of the Institution

F.Y.	Personal Exp.	Total Revenue	Personal exp/ Total revenue	Result(%)
2075/076	13,180,328	20,402,675	13,180,328/20,402,675	64.60
2076/077	10,787,571	15,288,904	10,787,571/15,288,904	70.56
2077/078	12,098,976	13,311,905.77	12,098,976/13,311,905.77	90.89
2078/079	13,370,809	23,844,845.8	13,370,809/23,844,845.8	56.07
2079/080	14,389,456	23,701,546.20	14,389,456/23,701,546.20	60.71S

Source: Campus Administration, 2081

The personal expense ratio has varied greatly over the course of the five fiscal years. It was peaked at 90.89% in 2077/078 and falling to 56.07% in 2078/079. These numbers show that the campus has continuously allocated a sizeable amount of its overall income to personal costs, namely employee pay and perks. Every fiscal year, the ratios are higher than 50% which is common for a campus where administrative and instructional personnel are vital to daily operations.

The sharp increase to 90.89% in 2077/078 suggests that personal expenses nearly equaled total revenue which can be concerning for financial sustainability. In this instance, it shows that a little percentage of money was available for other necessary expenses like program development, infrastructure and teaching materials. The campus may face difficult to maintain operational flexibility or make strategic investments in long-term growth if personal expenses account for the majority of revenue.

An organization's capacity to make investments in other areas, such facilities, technology or program enhancements may be restricted by a high personal expense ratio. The ratio reached 90.89% in 2077/078; this indicates that the campus would have had little money for anything but paying for staff. The campus's capacity to handle unforeseen expenses or financing changes may be jeopardized by a persistently high personal expense ratio particularly if revenue varies. Personal expenses accounted for an even greater portion of total income in fiscal years with declining total revenue such as 2076/077.

Outside donors and granting organizations may scrutinize organizations with high personal expense ratios because they believe these organizations are less successful at allocating funds to activities that are critical to their missions. Future funding or grant opportunities may be impacted if stakeholders think staffing expenditures are exorbitant when compared to other expenses

A healthy personal expense ratio for nonprofit educational institutions often ranges between 50% and 60%, depending on the size of the institution and the services provided. The campus's ratios have been higher than this standard for a number of years. However, as labor costs are always high in educational institutions and personal expenses inevitably make up a significant amount of overall spending.

A greater balance between personal expenses and other operating costs should be the goal of the campus. Measures like improving staff-to-student ratios that making technological investments to improve operations or looking into alternate revenue streams like grants, contributions or fee-based services could all help achieve.

Reducing the proportion of personal expenses could be achieved by diversifying sources of income. Increasing enrolment, obtaining more grants, or creating fundraising campaigns, for instance, could help the campus make more money and improve the personal expense ratio.

The campus could benefit from developing a financial plan that aligns personal expenses with its strategic goals. The campus can preserve operational flexibility and make investments in other crucial areas for growth and development by making sure that human costs don't surpass sustainable levels.

Although it has fluctuated, the personal spending ratio for the community campus in Harion, Sarlahi has remained consistently high and suggest that staff-related expenses account for a sizable amount of its earnings. The high ratios—particularly the 90.89% in 2077/078—indicate that the campus might be overly dependent on personal spending which could restrict its ability to invest in other important areas. Maintaining stakeholder confidence and ensuring long-term sustainability will depend on how well this ratio is managed through revenue diversification and expense reductions.

Current Ratio

The current ratio is used to measure the overall liquidity of a nonprofit organization.In its simplest form, it shows how many dollars of current assets an organization has to cover its current obligations. The higher the ratio, the more liquid in the organization. As a rule of thumb, organizations should strive for a current ratio of 1.0 or higher. An organization with a ratio of 1.0 would have one dollar of assets to pay for every dollar of current liabilities.

The current ratio for nonprofits is calculated as follows:

Current Ratio = Current Assets/Current Liabilities

Table – 5

Non-profit Current Ratio of the Institution

F.Y.	Current Assets	Current liabilities	C.R.=C.A./C.L.	Result
2075/076	6,068,528.76	3,497,280.68	6,068,528.76/3,497,280.68	1.74 Times
2076/077	1,701,434.35	9,650,397.87	1,701,434.35/9,650,397.87	0.176Times
2077/078	2,284,766.37	15,616,255.80	2,284,766.37/15,616,255.80	0.146Times
2078/079	3,913,726.32	12,104,936.82	3,913,726.32/12,104,936.82	0.323Times
2079/080	2,744,158.06	8,210,754.36	2,744,158.06/8,210,754.36	0.334Times

Source: Campus Administration, 2081

From 1.74 times in 2075/076 to as low as 0.146 times in 2077/078 the present ratio has drastically decreased. Over the years, the community campus's current obligations have been greatly exceeding its current assets, which is a concerning trend. The ratio, which was 0.334 times in the most recent fiscal year (2079/080), was still well below the suggested minimum of 1.0, indicating that the campus does not currently have adequate assets to meet its short-term obligations.

The campus may be in financial hardship if its current ratio is less than 1, which indicates that its liabilities exceed its assets. In particular, without obtaining more finance or selling off any of its long-term assets, the campus would find it difficult to pay its short-term obligations. For four consecutive fiscal years (2076/077 to 2079/080), the ratio falls below 1, indicating ongoing cash issues that may have a detrimental effect on operations and employee morale.

The campus had a healthy liquidity position throughout that fiscal year, as evidenced by the 2075/076 ratio of 1.74 times, which indicates that it had enough current assets to meet its liabilities. But the precipitous decline to 0.176 in 2076/077 indicates a severe decline in liquidity, most likely brought on by rising obligations or dwindling current assets.

The rising liabilities could be attributed to unpaid costs, loans, or short-term obligations. For example, in 2077/078, liabilities exceeded NPR 15 million, dwarfing current assets and yielding a 0.146 times ratio. Current assets did not grow at the same rate as liabilities. For example, from 2077/078 and 2079/080, current assets improved little while liabilities remained high. This discrepancy indicates that the campus is either not creating enough liquid assets or is consuming them as quickly as they arrive.

With a low current ratio, the school may need to rely on outside funding, such as government grants, contributions, or loans, to satisfy its day-to-day financial needs. Persistent liquidity issues can damage the trust of stakeholders, including donors, government agencies, and employees. If donors believe the university is financially insecure, they may be hesitant to give, worsening the situation.

The current ratio for the community campus in Harion, Sarlahi, offers a troubling picture of recent liquidity issues. A consistent reduction from 1.74 times in 2075/076 to 0.334 times in 2079/080 indicates that the campus has been dealing with rising obligations and insufficient current assets. To attain long-term financial stability, the campus must take immediate action to boost liquidity and reduce obligations and diversify revenue streams. Failure to address these concerns may lead to additional operational challenges and erode stakeholder confidence in the financial viability of campus.

Net Margin Ratio

The net margin ratio measures an organization's ability to operate at a surplus. In simple terms, it's what is left at the end of the day to reinvest into an organization's mission.

Nonprofits should not be expected to not make a profit. They should, however, be expected to be good stewards of the profit that is generated. In addition, continued negative trends in the net margin ratio can be an indicator of poor financial management.

The net margin ratio is calculated as follows:

Net Margin Ratio =Total Revenues less Total Expenses/Total Revenues

Table-6

Net Margin Ration of the Institution

F.Y	Net Margin	Total Revenue	Net margin/Total Revenue	Result
2075/076	3.672.18	20,402,675	3.672.18/20,402,675	0.0179
2076/077	(4,164,315.97)	15,288,904	(4,164,315.97)/15,288,904	-27.24
2077/078	(6,096,116.01)	13,311,905.77	(6,096,116.01)/ 13,311,905.77	-45.79
2078/079	2,810,141.47	23,844,845.8	2,810,141.47/23,844,845.8	11.78
2079/080	1,967,770.57	23,701,546.20	1,967,770.57/23,701,546.20	8.30

Source: Campus Administration, 2081

The Net Margin Ratio assesses an ability of organization to generate surplus or profit from total revenue. It is an important indication of financial performance and sustainability for any institution especially nonprofit organizations like CJMC. A positive net margin indicates that the organization is making a profit whilst a negative net margin suggests that it is losing money.

The net margin of campus ratio fluctuated throughout five fiscal years from 2075/076 to 2079/080. In 2075/076, CJMC net margin was slightly positive at 0.0179% which indicates limited surplus generating. However, financial performance deteriorated significantly over the next two fiscal years. In 2076/077, the campus had a huge negative net margin of -27.24%, followed by an even worse loss of -45.79% in 2077/078. These large losses suggest severe financial issues, most likely caused by causes such as declining student enrolment, rising operational costs, or an overreliance on government assistance that may not have been sufficient to cover expenses. Despite these challenges, the campus reversed its negative trend in 2078/079, posting a respectable positive net margin of 11.78%. This recovery could be attributed to increased revenue generation, improved cost control, or more government or donor support. By 2079/080, the net margin had fallen to 8.30%, but the campus maintained a substantial surplus, indicating financial stability, albeit at a lower level than the previous year.

The negative net margins in 2076/077 and 2077/078 indicate a period of financial insecurity, which is likely compounded by issues such as decreased student enrolment, rising faculty expenses due to QAA certification requirements, and higher operating costs. The following improvement in 2078/079 and 2079/080 indicates that the campus used effective tactics to achieve financial stability, albeit the volatility in net margins highlights the importance of long-term financial planning and income diversification.

Discussion and Analysis

Financial ratio analysis is a critical tool in evaluating the financial health and operational effectiveness of nonprofit organizations like CJMC, a community campus in Harion, Sarlahi, Nepal. This section provides a detailed discussion of key financial ratios — Administrative Expense Ratio, Government Reliance Ratio, Personal Expense Ratio and Current Ratio — based on data from fiscal years 2075/076 to 2079/080 (Nepali fiscal years). These ratios shed light on the campus's resource allocation, revenue generation, and financial sustainability, which are essential for understanding the institution's operational challenges and strategic needs.

The Administrative Expense ratio measures the proportion of total expenses allocated to administrative activities such as salaries for non-teaching staff, utilities, office supplies, and general overhead. This ratio is particularly important in nonprofit organizations where efficient resource allocation is a key indicator of good management. Over the five fiscal years under review, the administrative expense ratio for CJMC shows a declining trend — from 14.79% in 2075/076 to 7% in 2079/080.

This decline indicates that the campus has been managing its administrative expenses effectively. By reducing its administrative cost burden, the campus has likely freed up resources for core educational functions. Nonprofit watchdog organizations, such as Charity Navigator, recommend that administrative expenses should ideally constitute less than 35% of total expenses (Navigator, 2019). With the ratio well below this threshold, the campus demonstrates financial prudence and operational efficiency (Longman, 1940).

However, reducing administrative costs too aggressively may have negative consequences.

While reducing administrative expenses might provide financial flexibility, excessive cuts may jeopardize critical activities like as infrastructure upkeep, workforce management or legal compliance. It is essential for the campus to strike a balance that ensuring the administrative operations are sufficiently funded while minimizing inefficiencies.

The Government Reliance Ratio assesses how much of a nonprofit's revenue comes from government support. This ratio is critical, particularly in areas where government financing is variable. The government dependency ratio of CJMC varies dramatically, ranging from 30.40% in 2075/076 to a peak of 58.64% in 2076/077 before stabilizing at 36.73% in 2079/080.

A significant reliance on government funds jeopardizes the campus's financial viability. If government support is cut or withdrawn, the campus may struggle to continue operations. In fiscal year 2076/077, for example, approximately 60% of the campus's revenue came from government sources, showing a high susceptibility to policy changes or reductions in grant money. Nonprofits are generally advised to keep their government reliance ratio below 20% to mitigate such risks (UNESCO, 2019).

The variation in this ratio emphasizes the necessity for the institution to diversify its funding sources. While government grants are an important source of revenue, over reliance can lead to financial instability. To lessen this reliance, the institution can consider alternate revenue streams including as tuition, fundraisers, contributions, and private foundation grants. By diversifying its funding base, the school may lessen its reliance on changes in government policy and assure more sustainable financial operations.

The Personal Expense Ratio is the percentage of total revenue that goes into salaries, wages and benefits for teaching and administrative staff. The campus's personal expense ratio changes during the evaluation period, peaking at 90.89% in 2077/078 and down to 56.07% in 2078/079.

Personnel costs are intrinsically high in nonprofit educational institutions, therefore they often account for a considerable share of total spending. However, a personal expense ratio of 90% or more signals possible financial strain because it leaves little opportunity for other necessary expenses such as infrastructure, teaching materials, or program development. In the years such as 2077/078, when the ratio peaked, the campus most likely had limited money for non-personnel-related activities. It could hamper future growth and development.

High personal spending may also hinder the campus's ability to respond to financial emergencies or budget changes. A persistently high personal expense ratio shows that the campus should consider measures to better balance human expenses with other operational requirements. This could include optimizing staff-to-student ratios, investing in technology that decrease administrative expenses, or raising revenue through fundraising initiatives (Longman, 1940).

The Current Ratio assesses an organization's liquidity by comparing its current assets to its current liabilities. A ratio of 1.0 or greater is regarded healthy, suggesting that the organization's assets are sufficient to meet its liabilities. However, the present ratio at CJMC shows a concerning tendency, falling from 1.74 times in 2075/076 to 0.334 times in 2079/080.

A current ratio less than 1.0 suggests that the campus may struggle to satisfy its short-term financial responsibilities, such as paying creditors or staff salaries. The continual drop in the current ratio indicates that the campus' liabilities have overtaken its assets, putting it at danger of financial problems. In fiscal years 2076/077 and 2077/078, the current ratio decreased to 0.176 times and 0.146 times, respectively, indicating severe financial difficulty.

To strengthen its liquidity, the campus should prioritize better cash flow management. This could involve improving receivables collection, cutting needless spending, and prioritizing payments to key creditors. Furthermore, increasing current assets, such as through fundraising or short-term investments, may help to enhance the current ratio. The school should also examine long-term alternatives, such as raising student enrolment or investigating new revenue-generating activities (Longman, 1940).

Throughout the five fiscal years from 2075–2076 to 2079–2080, net margin ratio of CJMC shows a great deal of fluctuation. The campus had a meager surplus of 0.0179% in 2075/076, meaning it was just about breaking even. Significant deficits of -27.24% and -45.79% were observed in the following years (2076/077 and 2077/078), most likely as a result of dwindling enrolment, high operating expenses and irregular government support. Notably, the school got a one-time award of NPR 1,000,000 from the UGC in 2077/078 for graduation pass rates following QAA certification. This was not enough to avoid a deficit, but it did assist balance the losses.

The financial status of campus significantly improved in 2078–2079, as seen by its positive net margin of 11.78%. Better revenue and expense control as well as a sizeable NPR 2,345,000 award from the UGC—again connected to QAA certification—are responsible for this recovery. It greatly enhanced the financial situation of campus. Even though the net margin marginally dropped to 8.30% in 2079–2080, this pattern persisted and the campus's financial health remained reasonable. Although the campus has recovered well in recent years, the previous volatility shows that more reliable revenue streams and financial planning are necessary to reduce risks like diminishing enrolment and sustainability's reliance on erratic funding sources (Longman, 1940).

Conclusion

The CJMC's financial ratio analysis identifies the main financial and operational issues for the five fiscal years 2075–2076–2079–2080. The campus's shifting Government Reliance Ratio and high Personal Expense Ratio point to underlying vulnerabilities, even though it displayed good management in lowering its Administrative expense ratio and improving its Net Margin in subsequent years. The campus's reliance on government grants, coupled with declining enrollment, poses significant risks to financial stability.

The recovery in 2078/079, largely due to a substantial UGC grant, underscores the importance of securing diverse and stable revenue streams. To ensure long-term financial sustainability, the campus must continue to focus on cost control, explore alternative funding sources, and actively manage liquidity risks through better cash flow and asset management. These measures will help mitigate the challenges posed by the unpredictable funding environment and declining student enrollment.

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Conflict of Interest

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