

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

The Saving & Credit Co-operatives Society Limited (SACCO SL) collects saving from its own members in various accounts and invests in different projects or members' business where they expect a maximum possible return with minimum risk. The small saver's who don't have exposure or access to capital market get benefit from the services of such intermediaries in efficiently putting their savings into productive use (Pradhan, 1992).

The Saving & Credit Co-operatives Society Limited (SACCO SL) sector is largely responsible for collecting household saving in terms of different types of deposit and regulating the in own members by lending in different sector of economy. This sector has new reached to the most remote area of the country and has experienced a good deal in the growth of the economy. By lending their resources in small scale industries under intensive financing program has enable the saving and credit co-operative to share in the economic growth of the economy(Shrestha S, 1993). Savings and Credit Co-operatives play a vital role in financial market as well as the national economy.

Due to globalization of economy and market, present world economy has been more competitive and complicated. Every sort of change occurring in one sector of the world affects the other. A healthy economy is dependent on efficient transfers of fund from people who are not severs to firms and individuals who need capital. Without efficient transfer, the economy simply is impossible without good system for allocating capital within the economy.

As blood is necessary for human beings, finance is for business organizations and industries. Each and every business organization should base their decision making in financial management. Financial management is mainly concerned with the acquisition and utilization of funds. For this, financial market plays vital role in utilizing financial resources for expanding

productive sectors in the country. It mobilizes unproductive and unutilized financial resources towards productive sectors and helps in expanding economic growth of the country.

A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.(www.investopedia.com)

There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt. .(www.investopedia.com)

Financial performance plays a vital role in accelerating the economic growth of society and nation, which in turns is basically determined, among others by share, saving and investment. But the capacity of saving in the country is quite low with relatively higher marginal propensity of consumption. As a result developing countries are badly trapped into the vicious circle of poverty. The basic problem for the developing countries is raising the level of saving and investment. In order to collect enough saving and put them into productive channels, financial institutions like Saving & Credit Co-operative Society Limited (SACCOSL) have been dawned. It will either be diverted abroad or used for unproductive consumption or speculative activities.

After describing the short background, the study strictly concentrates on SACCOSLs regarding how they achieve financial performance and its impact on economic development. After combining the words 'finance' and 'performance' it gives integrate meaning that is 'Financial Performance'. The SACCOSLs' financial plan and policy prepared and implemented by management should be judged on the basis of its performance on finance. The financial performance is a quantitative analysis of firm's efficiency. The financial performance concerns with the measurement and analysis of financial operation of a firm through ratio analysis, correlation and regression analysis and trend analysis approach.

SACCOSLs are among the most important financial institutions in the economy of the country. SACCOSL is a business establishment that safeguards people's money and uses it to make loans and investments. A SACCOSL is an organization concerned with the accumulation of the idle money of the own members for the purpose of advancing to others for expenditure or investment. A SACCOSL is the institution, which accepts various types of deposits from the members and in turn advances loans by creating credit.

SACCOSLs are the institutions that provide the funding required starting the business to those with skills and desire to operate the business collecting from those with the money but no skill or time to operate the business. SACCOSL is a resource of mobilizing institution, which accepts deposit from various sources, and invests such accumulated resources in the fields of Agriculture, Housing, Education, Hire purchase and Micro Finance.

In other words, SACCOSLs are the institutions offering deposits subject to withdrawal on demand and making loans of a business nature. SACCOSLs offers wide range of financial services like credit, savings, and payments services etc.

1.2 Savings and Credit Co-operative Society Limited.

SACCOSL is a cooperative financial institution that is owned and controlled by its members and operated for the purpose of promoting thrift (saving), providing credit at reasonable rates, and providing other financial services to its members. Many SACCOSLs exist to further community development or sustainable international development on a local level.

In internationally Saving & Credit Co-operative Society Limited is called Credit Union. Worldwide, credit union systems vary significantly in terms of total system assets and average institution asset size, ranging from volunteer operations with a handful of members to institutions with several billion dollars in assets and hundreds of thousands of members. (www.accu.com)

SACCOSLs means a co-operative which operates currency exchanges transactions, accepts deposits, provides loan performs dealing relating to commerce except the banks which have been specified for the cooperative, agriculture, industry or other similar specific objectives. There are 177 SACCOSL in Chitwan District by end of the 2067 B.S.

1.3 Statement of the Problem

The economy of the Nepal is Characterized by low per capita income, lack of sufficient infrastructure for development , high population growth rate & low economic growth rate. Nepalese economy is facing great problem due to imbalance between resource mobilization and expenses, imbalance between saving and investments. Export and import & the lack of control over population growth and as well as the current terrorism problem inside and out side the nation. Development should mean remove of high poverty condition and reduction in inequalities for the developing countries like Nepal.

Many Saving & Credit Co-operatives Society Limited (SACCOSL) have been established to assist the process of economic development of the nation through the own members. The major problem in almost all under developed countries including Nepal is no exception is that of capital formation and effective utilization. In underdeveloped countries, the saving and credit Co-operatives have to shoulder more responsibilities and due to the lack of other specialized finance companies. To avoid above problems and thereby contribute to the national economy, various Saving and Credit Co-operatives have played vital role through accepting deposit and providing various types of credits. Loans affect overall development of the nation. The development the country is directly related to the size of the loan, which also obtained from SACCOSL. So that SACCOSL are one of the means to erase the illness of the economy and the necessary of SACCOSL is through the inevitable.

After re-establishment of the democracy at 1990, many finance companies have establishing based in urban areas especially in Kathmandu valley. The historical development shows that it did not inspire confidence in the rural areas and no program was made in providing credit and collecting deposit in rural areas. Source of credit in Nepal are private credit agencies and institutional credit agencies. In the private credit agencies, village money lenders, landlord, agricultural credit agencies; Co-operatives finance companies, agriculture development bank (ADB), rural development banks (RDB) and commercial banks are common in Nepal.

Apart from the government and private credit agencies, many Non-government organization(NGOs), International Non-Government Organization (INGOs) and Bilateral

agencies are involved in micro finance such as; Institute of Integrated Development Studies (IIDS), Development Project Service (DEPROSC) and United Nation development Program (UNDP) through its South Asia Poverty Alleviation Project(SAPAP). Although these group collect saving from their members and provide loan to them; borrowing from private agencies is not still decrease.

Working and financing process of institutional credit agencies is poor at grass level. Rural poor are bound to take loan from private credit agencies especially money lenders. After the introducing of co-operative acts 2048 B.S. cooperatives are increasing quantitatively but qualitative development is being essential for the exact development movement.

This study made an important attempt to analyze financial performance of selective SACCOSLS. The problems especially related to financial performance of concerned SACCOSLS of Chitwan District have been presented as;

1. What is the financial status of SACCOSLS in terms of liquidity, profitability, efficiency and leverage?
2. What is the relationship between investment and loan?
3. What is the relationship between advance with total deposits and net profit?
4. Is there any stability in various ratios policy of the selected SACCOSLS?
5. Which SACCOSL is more effective and efficient of its utilization for the better financial performance?

1.4 Objectives of the study

The major objective of the study is to examine the financial performance of the Saving & Credit Co-operatives Society Limited (SACCOSL) in Chitwan district. The specific objectives are mentioned below.

1. To compute the financial performance ratio of SACCOSLs
2. To examine the financial performance of the selected SACCOSL in term of liquidity, activity, profitability, Leverage, capital adequacy and growth ratios.
3. To find out the empirical relationship between various important variable i.e. deposit, loan & advances, investment, net profit etc. and compare between selected SACCOSL.
4. To analyze the deposit utilization trend and its projection for next three year of the concerned SACCOSL.

1.5 Significance of the Study

This study examines financial performance of Saving & Credit Co-operatives Society Limited (SACCOSL) which are community based and registered in Co-operative Training and Division office Chitwan. The study also outlines financial performance related to various aspects of SACCOSL. It may also be mentioned that this study related to SACCOSL only. Other sectors of financial performance fall outside the scope of the study. For it, may not be possible for an individual researcher to make study of all sectors.

The study of Chitwan District's selected community based SACCOSL provides the required information to the management of concern institution that helps to take correct decision while making plans and policies. Similarly, this type of study may be helpful for the investors and members in selecting the SACCOSL likewise this study helps to the government and policy maker to formulate rules and policies.

1.6 Limitation of the Study

There is no hypothesis to check and the study is done for the partial fulfillment of Master Degree of Business Studies (MBS) degree in management so it is not a comprehensive study and it focused to analyze the certain aspects of the community based SACCOSL only. Other limitation of the study will as follows.

1. The trend of selected SACCOSLs for five years since 2005/06 to 2009/10 analyze only.

2. The accuracy of the study depends on the reliability of the data provided by selected SACCOSLs, annual report.
3. The study is based on published data and being done in limited time and resources.

1.7 Organization of the Study

This study divided into five chapters.

Chapter-I: Introduction; This study containing the background, statement of problem, objectives of study, significance of study and structure of study.

Chapter-II: Literature Review; Various books, journals, research reports, articles, internet and website used and consulted for review of related literature with the aim of gaining knowledge into the study problem and support the study.

Chapter-III: Research Methodology; It is concerned with the research methodology consisting of research design, source of data, population and sample financial and statistical variable and others.

Chapter-IV: Presentation and Analysis of Data; This chapter presents the analysis and interpretation of result of financial performance of selected SACCOSLs. The findings of the study are included at the last of this chapter.

Chapter-V: Summary Recommendation and conclusion; The fifth chapter consists of summary and conclusions, findings, suggestions and recommendations. The bibliography and appendices are attached at the end of the study.

CHAPTER-I I

REVIEW OF LITERATURE

2.1 Introduction

This previous chapter highlighted the background, problems, objectives & importance of the study. The objectives of the chapter are to collect & review the related literatures so that those literatures provide the bases and input for this study.

Literature review is basically a ‘stock taking’ works of available literature. To make the research more realistic review of literature is required. It provides significant knowledge in the field of research. Thus the review of various books, research studies and articles have been used to make clear about the concept of capital structure as well as to recall the previous studies made by various researches.

2.2 Conceptual Review

2.2.1 Saving and Credit co-operative Society Limited

SACCOSL is a cooperative financial institution that is owned and controlled by its members and operated for the purpose of promoting thrift, providing credit at reasonable rates, and providing other financial services to its members. Many SACCOSLs exist to further community development or sustainable international development on a local level.

In internationally Saving & Credit Co-operative Society Limited is called Credit Union. Worldwide, credit union systems vary significantly in terms of total system assets and average institution asset size, ranging from volunteer operations with a handful of members to institutions with several billion dollars in assets and hundreds of thousands of members. (www.accu.com)

SACCOSLs means a co-operative which operates currency exchanges transactions, accepts deposits, provides loan performs dealing relating to commerce except the banks which have been specified for the cooperative, agriculture, industry or other similar specific objectives. There are 177 SACCOSL in Chitwan District.

“An institution that uses its fund chiefly to purchase financial assets (deposits, loans and bonds) as opposed to tangible property. Financial institution can be classified according to their nature of the principle claims they issue non deposits, intermediaries include among other life and property insurance company and pension funds, those claims are the policies they fail on the promise to provide income after retirement, depository intermediaries obtain funds mainly by accepting deposit from the public” Dictionary of Banking and insurance; Jerry M. Rosenberg.

Saving & Credit Co-operative Society Limited are the financial institutions, which plays a significant role in the development of the country. The Saving & Credit Co-operative Society Limited provide employment as well as consume funds and help to increase purchasing power, which develops living of standard. All the finance company has established as growth of mushroom since 1992 S. Saving & Credit Co-operative Society Limited are mainly operate in urban areas but now a day's some are operates in rural areas also. No country may fulfill the demand of people without establishing finance companies. Finance companies have an important role in accelerating the role of socio-economic development.

After the political change of 2047(1990) democratic government has come and adopted liberal economic policy or mixed economic policy to operate finance company continuously. The policy has adopted to attract private sector but private parties are not interested to invest on large scale or process of banking transactions rather than immediate return from their investment. So, interested investors have invested their capital on small scale operating finance companies, which are more profitable and provide return immediately. SACCOSL has emerged as in important sector in to the national economy. However, it is a resource for economic development, which maintains the self-confidence of various segment of society and extends credit to people.

Non –banking institutions have been helping the poor to get more production and productive employment opportunities. There is a regular trend in saving mobilization of people by institutional credit facilities.

2.3 Review of Books

There are some important books for studying, which is mentioned about establishment, growth development, function and financial performance of finance companies and its impact on economic development.

The growth of finance companies can be directly tied to changes in lifestyles; performance for private home ownership and related demand for consume durable. Finance companies are provided in the form of short and long term debentures or bonds. These bonds are subordinate to the claims of other creditors and are therefore riskier; they command a higher rate of return (Roberto Edmister, 1980).

Finance companies are second stage intermediaries. Large amounts of funds loaned by finance companies are fund that are borrowed by finance companies from commercial bank. Indirectly, then commercial banks lend to ultimate borrowers of marginal credit worth. These risks are assumed and profits are taken, however, by the finance companies layered between the banks and the borrowers. Finance companies also procure funds is very large amounts by issuing long-term bonds and short-term paper. Most of the buyers of these securities are bank, business and other organizations. Very little personal saving gets placed directly with finance companies (Robinson and Wrightsman, 1980).

Shrestha, (2008) has stated the fact that the finance companies in Nepal are generally outcome of government's liberalization policy. In a situation when commercial banks are unable to meet the credit need. He further added that, the financial performance of finance companies have varied from one company to another significantly in terms of their profitability, dividend payment and market price. Most of finance companies floating shares are in profit while few are facing loss or making profit, finance companies have to generate income from fee-based activities rather than always depending upon fund based activities. Finance companies should also be able to demark the differentiation of them being different commercial banks. For finance companies there are many merchant banking activities available such as project planning, corporate counseling, loan syndication through underwriting, bride financing issue management, individual investment portfolio management etc. which are though risky but are profitable. There

has been mixed viewpoints regarding of these finance companies. People favoring finance companies regard them as one with important existence in national company which provide easy access to credit thereby nation to build productively whereas on the other hand, people feel finance companies are helping other finance companies in importing excessively, thereby draining the score foreign exchange. Despite criticism finance companies had proved to be potential tools of collecting and mobilizing funds for investment in the country.

At the end, he has presented some suggestions for better performance and long-term survival of finance companies, they are as;

1. There should be clear-cut policies regarding what field of activities to be performed by finance companies.
2. There should be shift of credit from current activities to the productive industrial sector there by having meaningful relationship of finance companies with national development.

Finance companies must mobilize its deposit and other funds to profitable secured and marketable sector so that it can earn a handsome profit as well as it should be secured and can be converts into cash whenever needed. Obviously a firm that is being considered for financial loans must be analyzed to find out why the firm needs money, how much the firm needs and when and how it will be able to repay the loan. The policy provide the finance companies several inputs through which they can handle financial operation efficiently ensuring the maximum return with minimum exposure to risk, which ultimately leads the finance company to the path of success.

2.3.1 Savings and credit Co-operatives in Nepalese Context

Savings & Credit Co-operatives Society Limited is relatively a new concept in Nepalese Market. The objectives of Nepal Government are to make the national economy more liberal, dynamic, unique and competitive through increased participation of the private sector in economic development. The first legal provision related with the co-operatives act 2016 and society act 2041. As an attempt to elevate the economic status of the abrogated labors caused from the industrial revolution of England Rochadale Equitable Pioneers Society in Oct. 24, 1844. Only

after the establishment of this society, modern cooperative was established. After this only saving and credit cooperative was established. International history has it that from the mid of the 19th century, for the first time in Germany, under the leadership of F.W.Raiffeisen and Franz Schulze, saving and credit began in cooperative. The dawn of Nepalese savings and credit organizations was in the year of 2011B.S. where there was a devastating flood in Rapti in the same year. To resettle the victims of this natural catastrophe, there was Rapti –Dun project that formed a committee called, ‘Bakhan Krishi rin Samiti(Bakhan Agriculture credit committee).

The compulsory saving, which the government has been running since 2020-2021 through land reform program, has been handed over from Bhaktapur district in the form of share. This shows that even from the government side saving and credit co-operative is encouraged. The initial passed bill 2011 of co-operative committee, co-operative organization act 2016 and common organization act 2041, though there was mention of the registration of co-operative in them, however there was no mention of the registration in accordance with the subject then. Yet the co-operative organizations had run saving and credit. The co-operative act of 2048 provided the facility of establishing subject- wise organization which led to the growth of saving and credit co-operative in Nepal. At present, there are more than 22000 co-operative society in Nepal. Out of these 22000 societies, more than half are saving and credit co-operative society as of the end of 2010. In Chitwan district, there are 176 SACCOSLs. SACCOSLs play a vital role in the economic growth of Chitwan district. In the initial phase when co-operative act came to appear, almost all co-operative were registered as multipurpose societies.

2.3.2 Impact of Saving & Credit Co-operatives Society Limited.

Financial activities have strong role in the development of nation. One of the key indications of economic development of any country is financial development. Financial activities are in integral point of national to acceleration the rate of economic development.

Finance companies are the outcomes of government’s economic liberalization policy and also conclude that the negative impact of finance companies was no significant contribution to national economy because of encouraging impact of foreign goods and scare of foreign

exchange. The installment and growth of finance companies have potential or overall national development come with a number of arrangements Shrestha M.K.,(1995).

2.3.2.1 Positive Impact

Savings & credit Co-operatives Society Limited systematically collect the scattered capital of own members and their family for economic development of the members through nation. Positive impacts caused by the saving & credit co-operatives society limited for the economic development are as below.

1. Easy access the fulfill members' credit needs then other financial companies.
2. Members' have better alternative to deposit their money in more interest giver institution.
3. SASSOLs are completing for funds in the market, which is a healthy thing since only those financial companies who can manage and utilize fund would tap than and inefficient ones will be automatically driven out from the market.
4. Saving & Credit Co-operatives society Limited tend to balance their funding portfolio by linking deposits with investment and lending function together so as to encourage growth of capital market on one hand and meeting member demand for credit and industrial growth on the other hand.
5. SACOSLs have come up with the idea to encourage members to strength their purchasing power through the channel of members credit as a hedge against inflation to build their consumer assets portfolio today by paying from future income. Even on hire purchase for instance, it is not fully exhausted as many consumer durable can be through under list of member assets building portfolio such as engineering equipment, medical appliance, kitchen tools etc.
6. SACCOSLs are in a better position to math repayment schedules by living the such inflows to credit outflows by minimizing credit defaults through strong internal management and strict credit monitoring in additions to timely credit supervision and

control by Members. SACCOSLs are trying to develop credit appraisal expertise with in the organization itself.

2.3.2.2 Negative Impacts

SACCOSLs have not only positive impacts its negative impact are as follow.

1. Within a short span of time the mushroom growth of SACCOSLs have raised reasonable doubts among the intelligence and professional.
2. There would be another kind of activities similar to Upahar and Dhukuti program.
3. The injection of too many SACCOSLs in the financial system of the country is dangerous for the simple reason that they are relaying on consumer goods that are mostly imported without any relationship between national consumption pattern and domestic industrial production. This kind of credit financial can remain sustainable to the extent that performance of SACCOSLs will not have favorable impact on the overall national economy.
4. SACCOSLs are investing much more portion of their investment in non-productive sector, which is more risky and danger for whole economy.
5. SACCOSLs are exposed to greater degree of risk since they are still weak and deficient in credit analysis and appraisal.
6. Many SACCOSLs have not been able to prove professional competency and also not making selective credit strategy to have proper linkage between credit and cash flow generation.
7. Absence of clear transparent, strict norms and standards to monitor and control them.
8. Failure to recycle the funds in income generation sector will have a serious rebreeding effect to the extent that the future of SACCOSLs in the Chitwan district depend upon high hopes with better success.

2.4 Review of Articles

Karki, (2006) presents in her article with the future of opening finance companies might not be always strong. When a company is not successful in mobilizing deposit, holders are at too much risk. Thus the justification of deposit insurance is a must. Finance companies are opening and running to flow loan following the same favorable. They should direct themselves in different identification to motivate the flow loan in new area instead of new commercial banking ideas and knowledge. They should not succeed to opportunities and expand the adequate service in existing economic activities of the country. So, before providing authorities, affiliate offices should be careful in thinking that the finance companies can manage long time or not.

Similarly, Paudel, (2006) presents in his article, 'present condition of finance companies' has presented with comparison to the commercial bank, the interest rate is relatively larger that is provided and accepted by the finance companies. The finance companies should not be confined only in the valley. They should extend their service to the rural sectors of hill and terai to reduce regional imbalance. The collection of deposit and loan investment are done by the commercial banks also. To sustain themselves in the environment competition, they should introduce novel technology and equipments to collect deposits and investment. They should learn from the drawback, failures, and success of commercial banks to effectively maintain as alternative status.

In the same way, Pradhan, (2007), in his article, 'Transaction analysis of finance companies in Nepal', has concluded that the finance companies are centered in the city as like commercial banks. If this trend remains, the central bank has to consider novel strategy. However, financial and banking transaction don't take place in zero, if favors of financial intermediaries. The emergence of closure of finance companies in market economy is common sense. But keeping in mind, the social and economic structure of our country, we should not turn a deaf ear to regional balance. The government and the central banks are expected to create a positive role in expanding finance companies throughout the country. The capital structure should be changed immediately. The opening up of finance companies like furniture shops is a novelty and wide possibilities, which is a not felt sufficient material as yet. Most of the loan transaction shares have occupied like hire purchase but not forget the other transaction like having: term loan, leasing etc. should be given important alternative.

Another outlined, Sapkota, (2008, in his magazine paper, “Development and present condition of finance companies in Nepal”, has concluded that the finance companies have contributed much to the use of financial equipment in the system of Nepalese finance. The habit of saving and depositing is on the rise among Nepali customers as the finance companies are servicing door to door. They are interested in promoting the capital. The debtors are also facilitated by the quick service in loan. As the finance companies are focusing on consumer commodities, they have not been able to contribute in the productive sectors like agriculture, industry etc.

Aryal, (2009) in his article Major issues of down turn economy, published in business age, stated that during the 12 years of democracy, the gap between the have nots has been widely increased in the name of democratic and economic development. A certain group of power grunt people have become billionaires in the name of democracy and at the expense of poor people. He added economic, social and ethic discrimination have given birth to the maoist problem in the country. As a result, economic activities have been affected by day to day deteriorating political situation.

Another article published in Rajdhani daily by Arjun Kumar Bhakta entitled ‘Role of liquidity management to bank and financial institutor for success’ that the liquidity management is very important for bank and financial institutions for their success. By the strong liquidity management banks and financial institutions operate their functions effectively and they can get more profit. If any organization neglects the liquidity management they can’t get success in their business. He further added that if all the banks and finance companies should operate liquidity position and expand their activities within the boundaries of legal provision and their management’s direction, there are no doubt the normal people, personals; shareholder as well as the nation can get gain by the effective liquidity management.

2.5 Review of Dissertation

There are not many dissertations that can be found written about the finance companies of Nepal. (Wagle, 2010), in his thesis entitled, ‘A study of finance companies in Nepal’, concluded that the major portion of their lending is in the area of consumer’ durables through hire purchase and housing loan but not forget the term loan that consists of business and industrial loan. The need to strengthen the institutionalization of finance companies is important to have meaningful

relationship with the national development through shift of credit to the productive industrial sectors. It is also find that finance companies tend to balance their funding portfolio by linking deposits with investment and leading functions.

He has further stated that the information regarding the different financial institution is not found to each other due to the lack of proper co ordination of their activities in credit business and investment pattern. This bad and unfortunate tendency hamper in the whole economic activities and financial business of the country. The co-ordination should be immediately followed due to cure this chronic tendency in cooperation of finance companies and it may be suggested that maintain, 'Black Board' system for black listed lenders.

Mr. Min Bahadur Ranabhat in his thesis, "An analysis of financial performance of finance companies in context of Nepal", tried to define finance company as being part of current financial institution of Nepal with facility of mobilizing public deposits. He further writes about the growth and development of finance company in Nepal and also in few Asian countries. Since the main regulatory body of these finance companies has been the central Bank; NRB, he writes about the role of NRB in the functioning of these finance companies. Other topics of this thesis deals with finance companies contribution to national economy, interest structure, type of deposit collected, loan, advances, and investment in government securities.

Mr. Ranabhat, at the end of his study, has some valuable suggestions, which are summarized as below:

1. Finance companies should change the priorities of providing loan from hire purchase to trading industrial loan with capital formulation capabilities.
2. Finance companies must conduct training, workshop and seminars to develop the efficiency of their personals
3. NRB should be strong in supervision and regulating policies in order to avoid them from future disaster.
4. There is urgent need to shift these finance companies from conservation style of banking to new innovative areas such as merchant banking consortium financing, venture capital etc.

5. There is need of togetherness among finance companies.
6. Besides these, finance companies have to prove that they really are contribution to the national economy.

Mr. Shreeram Ghimire, in his thesis, 'A study on financial performance of finance companies are owe vital financial institutions which stimulates saving by mobilizing idle resources in one hand and on the other, lend the resources so mobilizing to those who have investment opportunities. He further added that they have served as one institution of development enhancing and promoting industrial and agricultural activities in the country. Though, sufficient return cannot have been earned and strong, stable and appropriate investment policy has not been followed by the finance companies. He further added that they have not been able to utilize their funds most efficiently and productively. His another finding is that the deposit mobilization capability of finance companies are going favorable and the lending capability has also rise up to a considerable extent.

2.6 Research Gap

The research gap is concerned with the value added by current research in past outcomes and finding of the other studies. The present study fills the gap in research in terms of data, time period, methodology, variables, and sample selection. The present study is concerned with the financial performance of Savings and credit co-operative of Chitwan district only hence this is a new type of research study in itself in a different variables are used to analyze the financial performance and methodology employed. Data analysis is not only financial analysis but it also employer the statistical analysis including trend analysis for forecasting the financial performance of concerned savings and Credit Co-operative. Therefore this study explore the current situation of co-operatives in Chitwan district. This wills insight for policy making in the area of co-operative planning and development.

CHAPTER-III

RESEARCH METHODOLOGY

3.1. Research Design

Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance (kerlinger, 1994, 230). This definition suggests any research would not be done without a research design clearly conceived by the researcher. Research design involves definite procedures, rules and technique, which guide to sufficient method or ways for analyzing a evaluating the studies. This study is based on exploratory as well as analytical type and is less descriptive. This historical secondary data have been employed to analyze financial performance of the selected SACCOSLs to achieve to prescribed result.

The method and definite technique, which guides to study and give ways to perform research wok is known as research design. It is most necessary to complete the research and fulfill the objective of the research.

First of all information and data are collected. The important information and data are selected. Then data is arranged in useful manner. After that, data are analyzed by using appropriate financial and statistical tools. In analysis part, interpretation and comments are also made wherever necessary. Result and conclusion are given after analysis of data, recommendation and suggestion is also given, the thesis has been adopted from previous research works. Previous thesis styles and formats have been followed.

The main objective of research work is to evaluate the financial performance of Chitrawan SACCOSL and Dipjyoti SACCOSL. To complete this study, following design and format has been adopted.

3.2 The Population and Sample

The population of this study constitutes all the operated SACCOSLs in Chitwan District up to end of 2067 B.S., the total number of operating SACCOSL are 176. So, the population of the study is 177 SACCOSL. Among them only two SACCOSLs are selected for sample this study. The selected SACCOSLs are:

1. Chitrawan Savings & Credit Co-operative Society Limited (CSACCOSL)

In the year of 2053 BS, focusing Krishnapur (Bharatpur-7) as a central point which is 3.5 kilometers southwest of Narayangarh city, with the mutual help and suggestions from people related to operative common service fund and emergency service fund in that area, Chitrawan SACCOSL was established embracing the principles, norms, values of co-operatives with the objective of elevating the economic status of its members and thus making them self reliance by means of collecting and uniting the scattered capital in small scale of the society.

This institution got government registration in the name of Chitrawan Saving and Credit Co-operative Society Limited, Bharatpur-7 on 9 Mangshir 2053. This SACCOSL was inaugurated on 29 Mangshir 2053 by Mr. Rammani Poudel, the eldest share member of the SACCOSL.

In these 15 years, it has witnessed a tremendous development. Presently it is associated with NEFSCUN and Chitwan District saving and credit co-operative union limited. It joins hands with the co-operative bank where it has its share. The society is also involved in social activities. Occasionally it provides vocational training for its members to raise their economic status. The membership at the time of beginning was only 47. Now it has 1127 members. The initial capital was 0.075 million out of which 0.05 million was share and 0.025 was deposit. Now it has 55 million capital out of which 13.20 million is share, 30 millions is deposit, 0.51 millions.

2. Deep Jyoti Saving & Credit Co-operative Society Limited (DSACCOSL)

In the year of 2051 BS, focusing Bharatpur-10 & 11 as a central point which is 2 kilometers western of Narayangarh city, with the mutual help and suggestions from people, Dipjyoti SACCOSL was established embracing the principles, norms, values of co-operatives with the

objective of elevating the economic status of its members and thus making them self reliance by means of collecting and uniting the scattered capital in small scale of the society.

This institution got government registration in the name of Dipjyoti Saving and Credit Co-operative Society Limited, Bharatpur-11 on 3 Falgun 2051.

In these 17 years, it has witnessed a tremendous development. Presently it is associated with NEFSCUN and Chitwan District saving and credit co-operative union limited. It joins hands with the co-operative bank where it has its share. The society is also involved in social activities. Occasionally it provides vocational training for its members to raise their economic status. The membership at the time of beginning was only 28. Now it has 698 members. The initial capital was 0.063 million out of which 0.028 million was share and 0.036 was deposit. Now it has 58 million capital out of which 13.6 million is share, 34.4 millions is deposit.

Population of this study includes all community based SACCOSLs, registered in Co-operative Division and Training office Chitwan. At present, there are 176 community based SACCOSL have registered in Co-operative Division and Training office Chitwan. They have only been considered as population for the study, two leading community based Saving & Credit Co-operative society Limited are selected as sample. On the basis of establishment period and performances, samples are taken. The sampled community based SACCOSLs are Chitrawan Saving & Credit Co-operative Society Limited and Chitrawan Saving & Credit Co-operative Society Limited.

3.3 Nature and Sources of Data

Mainly, the study is conducted on the basis of secondary data. The required data are extracted from balance sheets, profit and loss accounts, different financial schedules and annual reports of concerned SACCOSLs. Other supplementary data are collected from a number of institutions and regulation authorities like NEFSCUN, Co-operative Division and Training office Chitwan, Chitwan District Saving & Credit Co-operative Union Ltd. and from different related websites. This study is bases in the historical data of 5 year period.

3.4 Data Collection procedure

Before preceding the data, Collection, permission was obtained from authority of Saptagandaki Multiple Campus, Bharatpur-10, Chitwan and Chitrawan Savings and Credit Co-operative society ltd. & Deep Jyoti Savings and Credit Co-operative society Ltd., Bharatpur, Chitwan. The Researcher collected data through self administered Questionnaire to related persons (Chairman and manager) before data collection from all respondents who were participated in this study. The respondents were assured for the confidentiality of the information obtained from them. The findings of the study might be used for the purpose of study only.

3.5 Method of Analysis

A financial statement is a collection of data organized to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of business firm it may show a position at moment in time , as in the case of balance sheet, or may series of activities over a given period of time, as in case of income statement . Financial statements are the major means employed by firms to present their financial situation to stockholders, creditors and the general public. The majority of the firms include extensive financial statements in their annual reports, which receive wide distribution (John J. Hampoton, 1998,105).

Financial statements analysis is concerned with profitability an investment in the various assets of the company and in the efficiency of assets management. The type of finance analysis is part of a larger information processing system on which informed decisions can be based (Van Horne, 1991).

Financial statement analysis is process of evaluating the relationship between component/parts of a financial statement to obtain better understanding of a firm's position and performance (Metcalf & Titard, 1976). It helps to managers, investors and creditors to make a good decision about the recent and current financial situation. The purpose of evaluation of financial statements differs among various groups such as creditors, share holders, potential investors etc. interests in the result and relationship reported in the financial statements.

To begin the analysis or the financial manager must have at his proposal; certain analytical tools in order to make rational decisions keeping in mind the overall goals of the corporation or private enterprises where he is working for (Shrestha, 1980, 220). There are many tools for analyzing the financial statement broadly, can be divided into two parts they are financial tools and statistical tools. These both tools are described shortly.

3.5.1 Financial Tools

Under this analysis various financial ratios has been used for the study purpose.

A ratio is defined as the indicated quotient of two mathematical expressions and as the relationship between two or more things (Mass Springfield, 1975, 83).

In financial analysis, a ratio is used as a benchmark for evaluating the financial position and performance of a firm. The absolute accounting figures reported in the financial statements do not provide a meaningful understanding of the performance and financial position of a firm. The relationship between two accounting figures, expressed mathematically, is known as a financial ratio or simply as a ratio. Ratios helps to summarize large quantities of financial data and to make qualitative judgment about the firm's financial performance (Pandey, 1999, 512).

3.5.1.1 Liquidity Ratio

The ability of a firm to meet its obligating in the short term is known as liquidity (Dangol, 1997, 372). The liquidity ratio measures the ability of a firm to meet its short-term obligation. In order to ensure short-term solvency, the company must maintain adequate liquidity. Liquidity ratio should neither be inadequate nor high. If the liquidity ratio of the company is not enough, it will result in bad credit ratings, less creditors, confidence, eventually may lead to the bankruptcy. If the company has high degree of liquidity funds, it will unnecessary tied of in current assets. Thus the company should endeavor to maintain proper balance between inadequate liquidity and unnecessary liquidity for the survival and for avoiding the risk of insolvency. There are few ratios under liquidity ratio.

3.5.1.1.1 Current Ratio

Current ratio is for analyzing financial statement and it given crude measure of current liquidity. So to measure liquidity the ratio of current assets to current liabilities is checked first. The higher the current assets to current debt, the greater are the probability of prompt and full payment of the later. The current ratio is sometimes called the working capital ratio (Shrestha, 1980).

The current ratio indicates SACCOSLs's liquidity and short-term debt paying ability. It shows the relationship between current assets and current liabilities. Current assets include in SACCOSLs Cash Balance, Bank Balance, Advance, Shot term receivable. Similarly Current Liabilities included different types of funds (Rahat kos & Gajeda kos), short term payable. It shows the relationship between current assets by current liabilities: thus

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilites}}$$

The current ratio is the mostly commonly used measure of short-term solvency because it indicates the extent to which the claims of short-term creditors are covered by assets and are expected to be converted to cash in period roughly corresponding to the maturity of chains (Wston & Brigham, 1974, 139).

Generally, the current assets of the SACCOSLs should by twice than current obligation to be technically solvent. For many types of business 2:1 is considered to be an adequate ratio. If the current ratio of the firm less than 2:1, the solvency position of the firm is not good (Dangol, 1995, 373).

3.5.1.1.2 Cash and Bank Balance to Total Deposit Ratio (CABB/TD)

Cash and Bank Balance are the most liquid current assets. This ratio is computed by dividing cash and bank balance by total deposit as:

$$\text{CABB/TD} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

In total deposit includes current deposits, saving deposits, fixed deposits and other types of deposits. Cash and Bank balance includes cash on hand, foreign cash, cheques and other remaining cash items, balance in domestic bank and balance held in foreign banks. High ratio indicates the greater ability to meet their deposits and vice-versa. But too high ratio is unfit as capital will be tied up and opportunity cost will be higher.

3.5.1.1.3 Cash and Bank Balance to Total Assets Ratio: (CABB/TA)

In the ratio examines SACCOSLs liquidity capacity on the basis of its liquid assets, that is cash and bank balance. This ratio makes something know to somebody the ability of the SACCOSL to make the quick payment of their member's deposits. The high ratio indicates the better ability to meet their daily cash requirement of their customer deposits. Both higher and lower ratios are undesirable. This ratio is calculated by dividing cash and bank balance by current assets as:

$$\text{CABB/TA} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

If SACCOSL maintains higher ratio of cash it has to pay interest on deposits and earning may lost. In contrast, if a SACCOSL maintains low ratio of cash, it may fail to make the payment for presented cheques by its members. So, sufficient and appropriate cash reserve should be maintained properly.

3.5.1.1.4 Loan and Advances to Current Assets Ratio: (LAA/CA)

Loan and Advances are included in the current assets of SACCOSL because normally they provided short term loan, advance, overdraft and cash credit. This ratio is computed by dividing loan and advances by current assets, state as;

$$\text{LAA/CA} = \frac{\text{Loan and Advances}}{\text{Current Assets}}$$

This ratio shows the percentage of loan and advance in the total assets. The numerator consists of loan, advances, cash credit, overdraft, local and foreign bill purchases and discounted. SACCOSL must maintain its loan and advances in appropriate level and to find out portion of current assets, which is granted as loan and advances.

3.5.1.2 Activity Ratio

Activity ratio reflects how efficiently the company is managing its resources. This ratio measures the degree of effectiveness in use of resources of funds by a firm. These ratios are also indicate by turnover ratios (Dangol, 1995,375). The better management of assets turnover is the better indication of its financial performances and large amount of profit. Activity ratios are the indicators of a concern with regard to its efficiency in assets management; hence they are often referred to as efficiency ratios are computed to assess SACCOs efficiency in utilizing available resources.

3.5.1.2.1 Loan and Advances to Total Deposit Ratio (LAA/TD)

This ratio measures the extent to which the SACCOs are successful in mobilizing them for the purpose of profit generation. The ratio is calculated by dividing loan and advances by total deposits, stated as:

$$\text{LAA/TD} = \frac{\text{Loan and Advances}}{\text{Total Deposits}}$$

A high ratio of loan and advances is concerned to be the signal of efficient SACCO management and better mobilization of collected deposits and vice-versa.

3.5.1.2.2 Loan and Advances to Total Working Fund Ratio (LAA/TWF)

This ratio is calculated by dividing loan and advances by total working fund, stated as:

$$\text{LAA/TWF} = \frac{\text{Loan and Advances}}{\text{Total Working Fund}}$$

The denominator (Total Working Fund) includes current assets, net fixed assets, loans for development banks and others investment in share and other. Loan and advances is the major component in the total working fund, which indicates the ability of SACCOs are successful in mobilizing their loan and advances on working fund ratio for the purpose of income generation. A high ratio indicates a better mobilization of fund as loan and advances and so on.

3.5.1.2.3 Loan and Advance to Fixed Deposit Ratio:(LAA/FD)

This ratio indicate how much of loan and advance is granted against fixed deposit s. Fixed deposit is the main account of SACCOSLs but remaining are only name of account. The ratio is calculated by dividing loan and advances by fixed deposits, stated as:

$$LAA/FD = \frac{\text{Loan and Advances}}{\text{Fixed Deposits}}$$

Fixed deposit is the higher interest rate payable deposit so SACCOSL must utilized.

3.5.1.2.4 Total Investment to Total Deposit Ratio:(TI/TD)

This ratio measures the extent to which the SACCOSLs are successful in mobilizing total investment on total deposit. The amount of deposit should be soundly invested as the SACCOSL has to put only provide interest on its deposits but also has to declare a dividend to its owner they are shareholders. The ratio can be calculated by dividing total investment by total deposit, stated as:

$$TI/TD = \frac{\text{Total Investement}}{\text{Total Deposits}}$$

A high ratio indicates that the SCCOSLs efficiency is more investing on its deposits. And low ratio indicates inability to put its deposit for the leading activates. Here in total investment consists of investment of share in co-operatives bank and other investment.

3.5.1.3 Profitability Ratio

Profitability ratios measure management's effectiveness by returns generated on sales and investment (Weston & Copeland, 1992,193). Profitability ratios show the overall efficiency of business concerns. The relation of the return of the firm to either its sales or its assets is known as profitability ratio. Profit is necessary to survive in any business field for irs successful operation and further expansion. It measures managements overall effectiveness as shown by them return generated on sales and investment (Khan & Jain, 1990,83).

The different between total revenues and total expenses over period is known as profit. Efficient operation of a firm and its ability to pay and adequate return of different parties depend upon firm's profit. Sufficient profit must be earned to maintain the operation of the company be able

to acquire funds from investors for expansion and to contribute towards the goals of the nation. Higher the profitability ratio better is the financial performance of the SACCOL. Profitability position can be evaluated through different ways as;

3.5.1.3.1 Net Profit to Total Deposit Ratio (NP/TD)

This ratio examines whether management has been capable to mobilize and utilize the deposits, also helps to know the overall performance and generation of profit of SACCOLs. This is most important ratio to identify whether the organization is well efficient or not in mobilizing its total deposits, so the corrective action could be taken. The ratio can be calculated by dividing net profit by total deposits, expressed as:

$$NP/TD = \frac{\text{Net Profit}}{\text{Total Deposits}}$$

Net profit means profit after interest and taxes and total deposit means those total amount deposited in various accounts. Normally higher ratio indicates better utilization of total deposit.

3.5.1.3.2 Net Profit to Total Assets Ratio (NP/TA)

Net profit refers profit interest and taxes. Minimizing taxes with in the legal options available will also improve the return. It is also known as return on assets (ROA), it evaluates the efficiency of a company in utilization and mobilization of the assets and its survival. It is calculated by dividing net profit/loss by total assets, expressed as:

$$NP/TA = \frac{\text{Net Profit /Loss}}{\text{Total Assets}}$$

The high return on total assets ratio usually indicates the high profit margin and high turnover.

3.5.1.3.3 Net Profit to Net worth Ratio (NP/NW)

The excess amount of total assets over total liabilities is known as net worth. The net profit to net worth ratio is to measure to see the profitableness of the members' investment or SACCOL's earning power against owner's equity, net worth refers to the owner's claim of a SACCOL. Ratio is obtained by dividing net profit by net worth/total equity capital, mentioned as:

$$NP/NW = \frac{\text{Net Profit}}{\text{Net Worth}}$$

New worth focuses the paid up capital, general reserve, ordinary share, preference share, premium on share and other reserve which may distribute to shareholders as dividend.

3.5.1.3.4 Total Interest Earned to Total Working Fund Ratio (TIE/TWF)

This ratio reflects the extent on which the SACCOSLs are capable to mobilize their total assets to generate high income as interest. Ratio is calculated to find out the percentage of interest earned to total assets/working fund, mentioned as:

$$\text{TIE/TWF} = \frac{\text{Total Interest Earned}}{\text{Total Workng Fund}}$$

A high ratio indicates high earning power and better performance of the SACCOSLs on its total working fund. The numerator includes total interest income from loans, advances, cash credit and overdraft, government securities, Bank balance and other investment.

3.5.1.3.5 Total Interest Paid to Total Working Fund Ratio (TIP/TWF)

It measures the percentage of total interest paid on liabilities with respect to total working fund, calculated by dividing total interest paid by total working fund, started as:

$$\text{TIP/TWF} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

A high ratio indicates high an interest expense on total working fun low ratio indicates low interest expenses.

3.5.1.4 Leverage Ratio

The use of finance is refers by financial leverage. These ratios are also called solvency ratios of capital structure ratios. To judge the long term financial position of the firm, the leverage ratios are calculated (Dangol,1995,373).

A firm should have a strong short-term as well as long term financial position. To judge the long term financial position of the firm, these ratios help to measure the financial contribution of owners and creditors comparatively. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of share holders

(Ralph, 1986, 213). These ratios tell us the relative proportions of capital contribution by creditors and by owners.

3.5.1.4.1 Debt Assets Ratio (TD/TA)

This ratio is calculated by dividing total debt by total assets, presented as:

$$TD/TA = \frac{\text{Total Debt}}{\text{Total Assets}}$$

This ratio shows that what portions of the capital assets are financed by out side funds and measures the financial security to the outsiders. Total debt consists both short and long term debt creditors, bill payable; debentures are the example debt. This debt assets ratio implies a SACCOSL success in exploiter debt to be more profitable.

3.5.1.4.2 Debt Equity Ratio (TD/TE or NW)

The relationship between borrowed fund and owner's equity is known as debt equity ratio. It is calculated in following way:

$$TD/TE \text{ or } NW = \frac{\text{Total Debt}}{\text{Total Equity or Net Worth}}$$

A high ratio shows the large share of financing by the creditors, as compare to that of owners. This means creditor would suffer more in times of distress than the owner. This is why creditor prefers low debt equity ratio. This ratio helps to ascertain the measure stake in SACCOSL between lenders and owners. If debt portion is too high there is danger tempting irresponsibility in the part of the owners.

3.5.1.4.3 Capital Adequacy Ratio (SF/TA)

To measure the strength of the capital adequacy of the available capital the capital adequacy ratio used. Appropriate capital adequacy is needed; it is measured by analyzing these ratios:

$$SF/TA = \frac{\text{Shareholders' Fund}}{\text{Total Assets}}$$

Normally, this ratio measures the relative claims of owners of the SACCOSLs over the company's assets. High ratio indicates that out to total assets, shareholders have more controlled.

3.5.1.4.4 Shareholders' Fund Total Assets Ratio: (SF/TA)

The ratio is related to the sufficiency of shareholders against the total assets. It is calculated by dividing shareholders fund by total assets, computed as:

$$SF /TA = \frac{\text{Sharholders' Fund}}{\text{Total Assets}}$$

Normally, this ratio measures the relative claims of the SACCOLs over the company's assets. High ratio indicates that out of total assets, shareholders have more controlled.

3.5.1.4.5 Shareholders Fund to Total Deposit Ratio: (SF/TD)

This ratio shows how well s are maintaining sufficient amount as shareholders fund in comparison to the amount of total deposit. And ratio is computed by shareholders fund divided by total deposit as:

$$SF /TD = \frac{\text{Sharholders' Fund}}{\text{Total Deposits}}$$

Shareholder fund is equal to the total equity or net worth.

3.5.2 Stastical Tools

3.5.2.1 Growth Ratios

Growth ratios measure the firm's ability to maintain its economic position in the growth of economy and the industries or product markets in which it operators (western& Copeland, 1992, 1996).

It presents how well the SACCOSLs are maintaining their economy and financial position. The ratios can be evaluated dividing the last period figure by the first period figure then by referring to the compound interest tables. It is calculated by using the following equation as:

$$D_n = D_0(1+g)^n$$

Where,

D_0 = Dividend per share of initial year/base year

n = Number of period

g= Growth rate

Generally a ratio indicates better of profitability performance of SACCOSL and low ratio devotes bad performance. The following growth ratios are calculated to examine and analyze the expansive and growth of the SACCOSLs.

3.5.2.2 Standard Deviation

Standard deviation usually denoted by the Greek letter small sigma (σ), is the positive square root of the arithmetic mean of the square of the given values from their arithmetic mean (Gupta & Kappor, 1995, 36).

The standard deviation is the most important and widely used measure of studying dispersion. The standard deviation measures the absolute dispersion or variability of distribution. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series; a large deviation means just the opposite.

Symbolically,

$$\sigma = \sqrt{\frac{\sum d^2}{n}}$$

Where,

$\sum d^2$ = Sum of square of the deviations measured from the arithmetic mean

σ = Standard Deviation

n = Number of Items

3.5.2.3 Co-efficient of Variation (CV)

100 Times the co-efficient of dispersion based upon standard deviation is called co-efficient of variation (Gupta & Kappoe, 1995, 45).

$$CV = \frac{\sigma}{\bar{X}}$$

Where,

σ	=	Standard Deviation
CV	=	Co-efficient of variation
\bar{x}	=	Mean/average

According to Professor Karl Person, who suggested this measure, CV is the percentage variation in the mean, standard deviation being considered as total variation in the mean.

For comparing the variability of two series, we calculate the co-efficient of variation for each series. The series having greater CV is said to be more variable than the other and the series having lesser CV is said to be more consistent (Homogeneous) than the other (Gupta and Kappor, 1995).

3.5.2.4 Co-efficient of Correlation

One of the most widely used and missed statistics is the co-efficient of correlation (r). Roughly speaking, r measures the degree of association between two related sets of data. It does not necessarily imply and true casual relationship between the two variable. It may simply be a reflection of one or more variables affecting both of the variables. The correlation co-efficient takes on values from +1 to -1. If two sets of data have r=+1, they are said to be perfectly correlated positive; if r= -1 they are said to be perfectly correlated negatively, and if r=0, they are uncorrelated, r takes one values from +1 to -1 (Byrkit, 1975, 88).

Karl Person co-efficient of correlation is calculated to study the extent or degree of correlation between two variables. The formula for computation of co-efficient is as;

$$r = \frac{N\Sigma xy - \Sigma x \Sigma y}{\sqrt{N\Sigma x^2 - (\Sigma x)^2} \sqrt{N\Sigma y^2 - (\Sigma y)^2}}$$

Where,

r	=	Coefficient of correlation
Σxy	=	The total of the product of items in the two series
Σx & Σy	=	Total sum of x and y series
Σx^2 & Σy^2	=	The total of square of items in x and y series
N	=	The number of Item period

Karl Person co-efficient of correlation have been used to find out the relationship between the following variables;

- Co-efficient of correlation between total deposit and total investment.
- Co-efficient of correlation between debt and return.

3.5.2.5 Probable Error (Per of correlation co-efficient

Probable error (PEr) of correlation coefficient is applicable for the measurement of reliability of the computed value of correlation coefficient. The probable error (PEr) is defined by;

$$PEr = 0.6745 \frac{1 - r^2}{\sqrt{n}}$$

Where,

- PEr = Probable error of co-efficient of correlation
- r = Correlation of co-efficient
- n = Number of pair of observations

If correlation co-efficient (r) is less than (PE r < PEr) the value of r is not significant no matter how high r value is i.e. there is no evidence of correlation between the variables. If r > 6PEr the value of r is significant i.e. correlation is significant. The upper and lower limits within which the correlation coefficient in the population is expected to lie are (r = Pe) respectively. (Shrestha & silwal 2000, 322).

It should be remembered that the coefficient of correlation express the relationship between two series, No between individual items of series.

3.5.2.6 Co-efficient of Determination

The square of the correlation (r) and is called co-efficient of determination (Wannacott, 1997). The co-efficient of determination is measure of the degree of linear association or correlation between two variables, one of the which happen to be independent and other being dependent variable. In other words, co-efficient of determination measures the percentage of total variation in dependent variable explained by independent variables. The co-efficient of determination can have value ranging from zero to one; it is the square of the co-efficient of correlation.

Symbolically;

$$R^2 = (r)^2$$

Where,

R^2 = Co-efficient of determination

r = Co-efficient of correlation

3.5.2.7 Trend Analysis

Trend analysis describes the average relationship between two series where the one series related to time and other to the value of a variable. It generally shows that the line of the best-fit straight line is obtained or not.

The calculation of the line of the best fit, the following equation is used.,

$$Y_c = a + bx$$

Where,

a = y intercept/mean of y value

b = slope of line/rate of change

x = variable in time series analysis represent time

y_c = Estimated value at y for given value of x obtained from the line of regression of y on x

Best fit is interpreted with the principle of least squares, which consists in minimizing the sum of the square of the residual or the errors of estimates that the deviation between the given value of the variable and their corresponding estimates values as given by the line of best fit.

The equation is used to compare the whole performance of selected SACCOSLs during the study period and projection for next some year. Some trends are;

* Trend analysis of loan and advances

* Trend analysis of total investment

* Trend analysis of Net profit

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

In this chapter, the data are presented and analyzed to achieve the objectives set in chapter 1st. It relates to quantity analysis of various ratios and quality analysis has been done to prove a picture on financial performance towards saving & credit co-operative society limited in the country. This chapter can be called the central nervous system, which helps to provide conclusion after analyzed and proper recommendations can be given. In this chapter, the gist of research work is presented in the form of major findings, vital issues and recommendations.

This chapter presents the various tests that affect performance like as: liquidity test, activity ratios, profitability tests, leverage ratio, capital adequacy ratio and growth ratios. These ratios have the sub-indicators of financial position of company compared with the help of statistical tools viz. average standard deviation (s.d.) and co-efficient of variation (c.v.). In terms of these factors, if a company has good performance, it will be able to provide returns in the form of advantages to the stakeholders or every party.

To find out the strength and weakness of the saving & credit co-operatives society limited in terms of their financial performance, various test/ratios and variable have been calculated they were mentioned in Chapter-IV in research methodology are as below:

4.1 Financial Analysis

4.1.1 Liquidity Ratio

In this liquidity ratio we are calculating the current ratio, cash and bank balance to whole deposit ratio, cash and bank balance to current assets ratio, loan advance to current assets ratios and investment on government securities to current ratio. Through these ratios, the ability of short term obligation has been measured and to compare between selected SACCOSLs.

4.1.1.1 Current Ratio

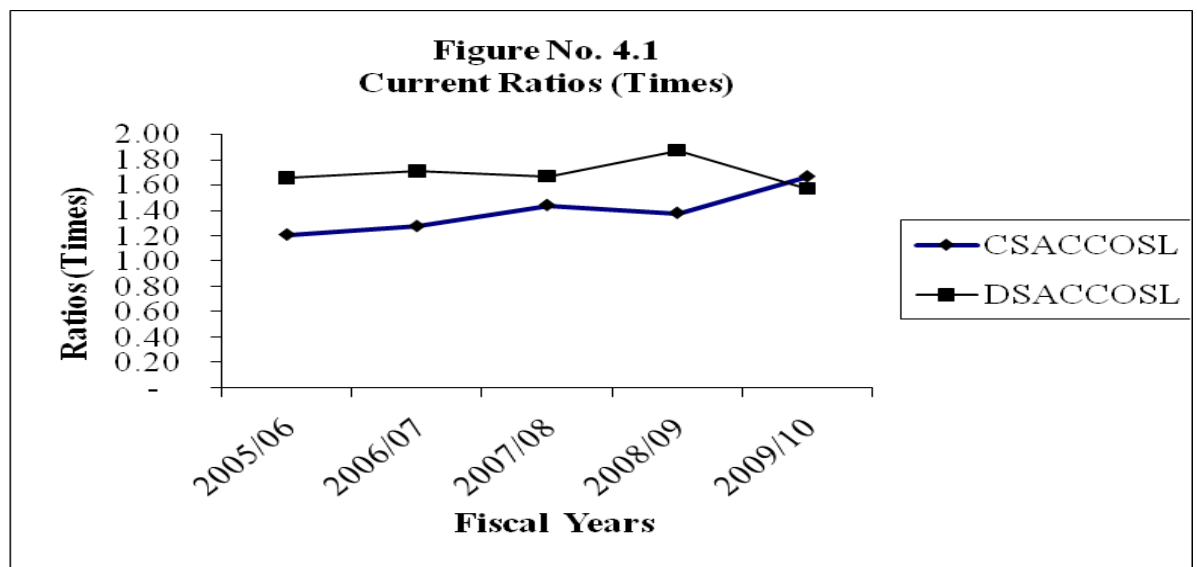
The following table shows the current assets to current liabilities of the selected SACCOSLs.

Table 4.1
Current Ratios (Times)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	1.21	1.28	1.44	1.38	1.67	1.39	0.17	0.12
DSACCOSL	1.66	1.71	1.67	1.87	1.57	1.69	0.10	0.06

Source: Appendix I(A) & I(B)

Here, the table No. 4.1 shows that the current (CR) of CSACCOSL i.e.1.39 has lower than the mean CR of DSACCOSL. DSACCOSL has the higher the mean CR i.e. 1.69 which indicates that the ability to discharge the short term obligation of the company is better than of other companies The S.D. Measure the absolute dispersion of distribution, which represent that the CR of CSACCOSL i.e. 0.17 is less stable than DSACCOSL. As like that, the CV measure the variability of the variable, which indicates that the CV of DSACCOSL is more .06 is more uniform than CSACCOSL. The above calculate items of CR of SACCOSLs during the study period are graphically presented as follows:



Source: Table 4.1

4.1.1.2 Cash and Bank Balance to Total Deposit Ratio

The Following table shows the cash and bank balance to total deposit ratio of selected SACCOSLs

Table 4.2
Cash and Bank Balance to Total Deposit Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	17.96	8.36	19.62	14.51	3.20	12.73	6.86	53.89
DSACCOSL	6.06	7.10	9.43	18.85	5.18	9.32	5.56	59.63

Source: Appendix I(C) & I(D)

Table No. 4.2 observed that the mean cash and bank balance to total deposit ratio of CSACCOSL i.e. 12.73 % is greater than that of other SACCOSLs. The SD of lowest ratio i.e. 9.32%. Same as above, the CV ratio of CSACCOSL i.e.53.89% is less than DSACCOSL, which indicates that the variability of ratio of that SACCOSL is more uniform and consistent. From the analysis, CSACCOSL holding great idle balance of cash, this is one of the main factors for less profit. This indicates that the SACCOSLs is managed to keep less balance of cash against its various deposits. It implies the better liquidity position of CSACCOSL. In constant, a high ratio of non earning cash and bank balance may be unfit which indicates the SACCOSLs inability to invest its funds in income generating areas. However, there is no standard ratio in this aspect.

4.1.1.3 Cash and Bank Balance to Current Assets Ratio

The ratios are presented in table below. The below comparative shows that the mean ratio of i.e. CSACCOSL 96.7% is greater than DSACCOSL. This supports the conclusion is that , CSACCOSL has been successful to maintain its higher cash and bank balance to current assets ratio, but it doesn't mean that it has mobilized its more funds in profitable sectors. It really means that CSACCOSL can meet its daily requirement to make the payment on members' deposits. In constant, the DSACCOSL i.e.61.96% may have invested their funds in more productive sectors. The standard deviation between the ratios of DSACCOSL is 34.30% is lower. Moreover, the CV between the ratios of DSACCOSL is lower than the that of CSACCOSL i.e. 57.04%. this indicates that the variability of the ratios of that company is more standards.

Table 4.3**Cash and Bank Balance to Current Assets Ratio (%)**

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	148.83	63.83	145.08	106.15	19.62	96.7	55.16	57.04
DSACCOSL	41.45	51.11	63.67	119.94	33.62	61.96	34.3	55.36

Source: Appendix I(A) & I(C)

4.1.1.4 Loan Advance to Current Assets Ratio

The following table shows this ratio of selected SACCOSLs

Table 4.4**Loan and Advance to Current Assets Ratio (%)**

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	839.91	932.43	851.70	858.53	937.90	884.09	47.14	5.332
DSACCOSL	995.02	942.65	929.59	874.65	962.19	940.82	44.45	4.725

Source: Appendix I(A) & I(E)

This table shows that the mean ratio of DSACCOSL has maintained higher ratio i.e. 93.21% than that the CSACCOSL. While examine the S.D. , CSACCOSL high higher i.e. 4.71% . In the case of CV, CSACCOSL is the highest percentage i.e. 5.3% . It indicates inconsistency ratio in comparison to the other SACCOSLs . It is concluded that the DSACCOSL's liquidity position with regard to this ratio is more satisfactory and is not poor to mobilize its fund as loan and advances.

4.1.2 Activity Ratio

Activity ratio reflects how efficiently the company is managing resources. This ratio of SACCOSLs can be measured by following ratios.

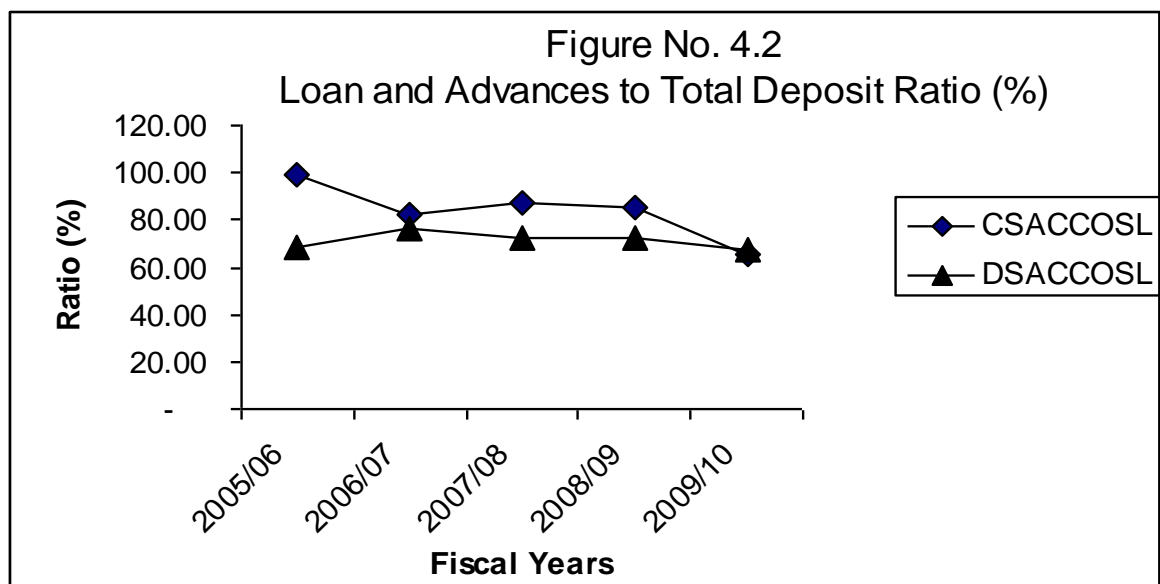
4.1.2.1 Loan and Advances to Total Deposit Ratio

Table 4.5
Loan and Advance to Total Deposit Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	98.68	81.93	86.81	85.19	65.44	83.61	11.97	14.32
DSACCOSL	68.74	76.38	72.62	72.74	67.46	71.59	3.55	4.96

Source: Appendix I(A) & I(E)

The above Table exhibits the ratio of loan and advances to total deposits of SACCOSLs during the study period. The table shows that the mean loan and advances to total deposits ratio of CSACCOSL i.e. 83.61% is considerably greater than that DSACCOSL, where as the lowest DSACCOSL i.e. 71.59%. Similarly, the CV of DSACCOSL i.e. 4.96% is to some extent lower than CSACCOSL. It reasons that S.D. is lower i.e. 3.55%, this indicates that the more uniform between the variables. The computed ratio of loan and advances to total deposit if SACCOSLs during the study period are graphically presented as follows.



Source: Table 4.4

Above description helps to concluded that the CSACCOSL is more successful to mobilize the loan and advances to total deposit in comparison to other SACCOSLs. It should be noted that in the process of loan management of SACCOSLs assets, so many factors are to be considered such as risk analysis, diversification, social responsibility, SACCOSL credit policy compensation policy, limits of lending power, etc.

4.1.2.2 Loan and Advances to Total Working Fund Ratio

The following Table exhibits the ratio of loan and advances to total working fund of SACCOSLs during the study period.

Table 4.6
Loan and Advance to Total Working Fund (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	77.60	86.63	80.33	75.82	79.26	79.93	4.12	5.15
DSACCOSL	95.30	85.62	82.93	81.12	86.71	86.33	5.47	6.34

Source: Appendix I(E) & II(C)

The above Table 4.6 has been found the mean of DSACCOSLs has maintained slightly higher ratio i.e. 86.33% and lowest ratio i.e. 79.93% of CSACCOSL listed SACCOSLs. From which we can draw conclusion that CSACCOSL has seemed weak condition to mobilize its loan and advances to working fund ratio. Moreover, the S.D. of DSACCOSL is higher i.e. 5.47% than other. In case of CV, CSACCOSL ratio are more consistent that other SACCOSLs due to the lowest CV ratio i.e. 5.15%. From the analysis, it can be concluded that, CSACCOSL found that mobilization in the terms of loan and advances with respect to total working fund is more satisfactory and plays active role in profit generation that other SACCOSLs.

4.1.2.4 Total Investment to Total Deposit Ratio

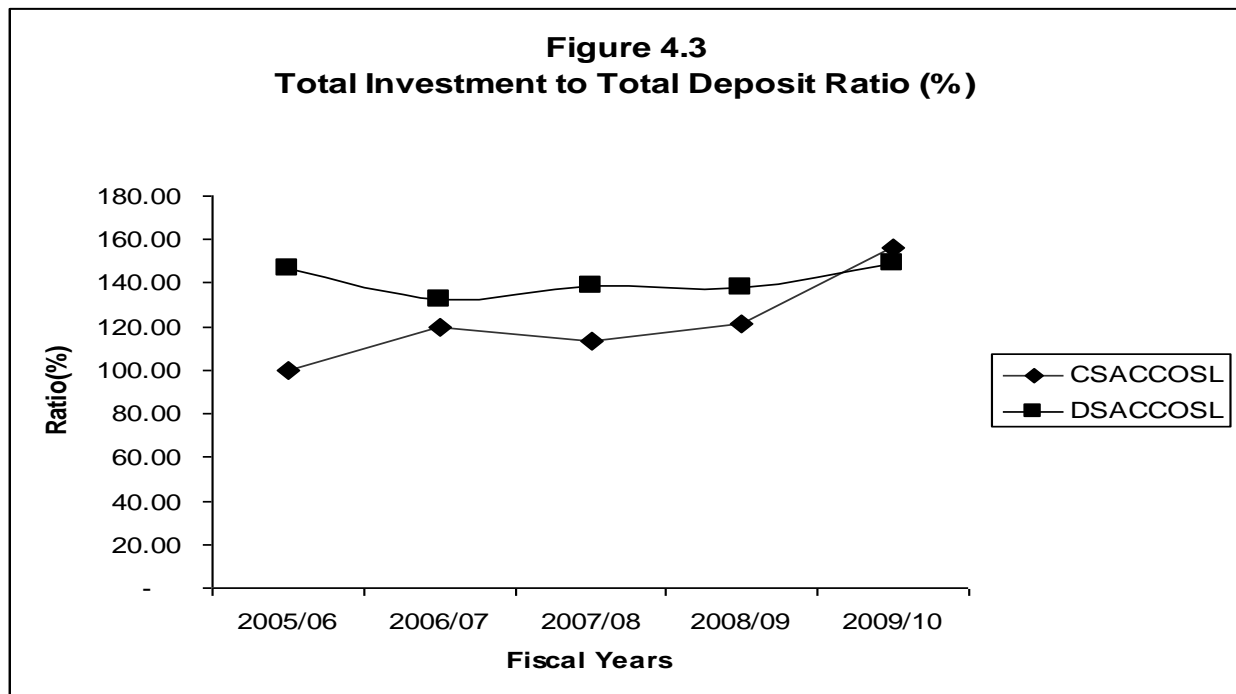
The following table explains the ratio of selected SACCOSLs. During the study period 2005/06 to 2009/010.

Table 4.7
Total Investment to Total Deposit Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	99.79	119.34	113.25	121.25	156.17	121.96	20.88	17.12
DSACCOSL	146.70	132.07	138.70	138.34	148.97	140.96	6.86	4.87

Source: Appendix II(A) & I(D)

Above table reveals that the mean ratios, DSACCOSL have highest ratio i.e. 140.96% and lowest ratio i.e. 121.96% of CSACCOSL. It can be said that DSACCOSL's capacity to mobilize its total investment on total deposits is not to so good as compared with CSACCOSL. The SD of DSACCOSL is lowest i.e. 6.86%. Likewise, observing the CV of ratio, we can further concluded that CSACCOSL's ratio have been quite more in consistent that DSACCOSL during the study period because of its higher CV i.e. 4.87%. It is clear from the above analysis, a high ratio is the indication of high success to mobilize the SACCOSLs fund as investment and vice-versa. The above calculated ratios are graphically presented as follows.



Source: Table No. 4.7

4.1.3 Profitability Ratio

The following Ratios are computed to analyze the profitability of selected SACCOSLs which are desired on the chapter-III in methodology.

4.1.3.1 Net profit to Total Deposit Ratio

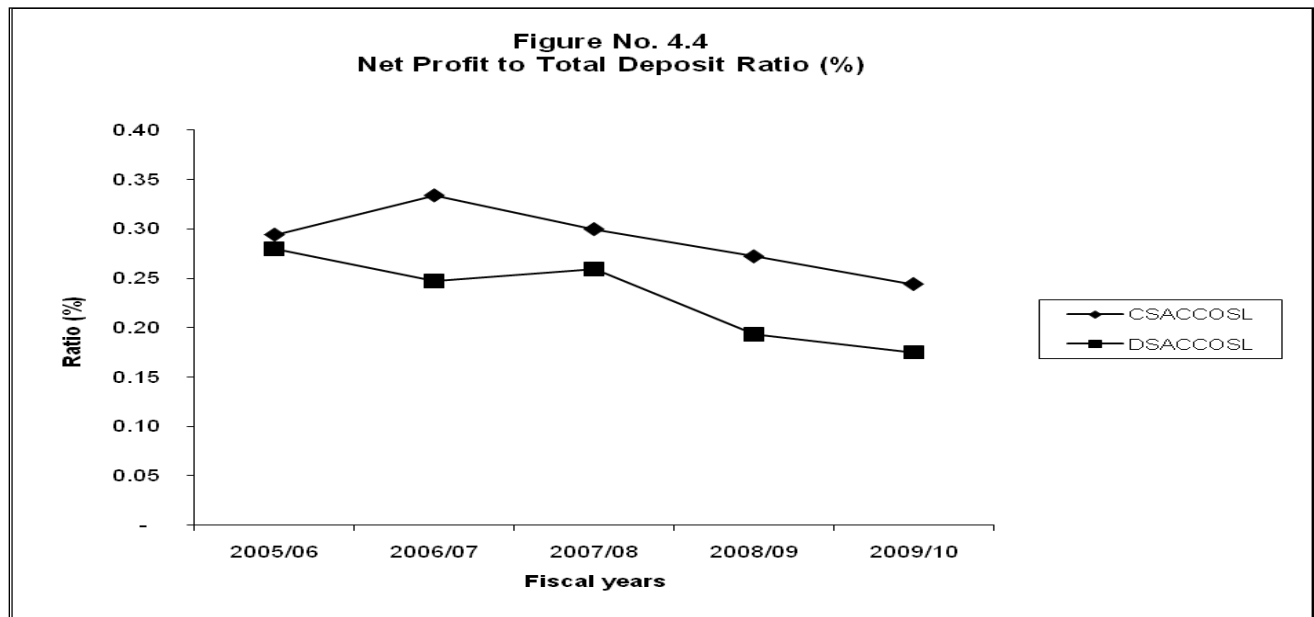
The following table exhibits the percentage of net profit to total deposit of SACCOSLs. The following table shows that the percentage of net profit to total deposit ratio of CSACCOSL i.e. 0.29% has considerable highest and lowest ratio of DSACCOSL i.e. 0.23%.

Table 4.8
Net Profit to Total Deposit Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	0.29	0.33	0.30	0.27	0.24	0.29	0.33	114.25
DSACCOSL	0.28	0.25	0.26	0.19	0.17	0.23	0.04	17.32

Source: Appendix II(D) & D)

Thus, it is concluded from the analysis that the ratio of DSACCOSL has not better performance in utilizing of total deposits that than other SACCOSLs. The S.D. of DSACCOSL is lower i.e. 0.04%. Moreover, the CV of CSACCOSL has the highest ratio i.e. 114.25% which indicates the company's net profit to total deposit ratio is more variability. The above-calculated ratios are graphically presented as follows:



Source: Table No.4.8

4.1.3.2 Net profit to Total Assets Ratio

The following table shows the profitability position of SACCOSLs with respect to total assets. The comparative table shows that the mean ratio of CSACCOSL has highest than DSACCOSL. i.e. 0.23%. The SD of DSACCOSL is lower i.e. 0.03%. similarly, the CV between the ratios CSACCOSL is higher than other SACCOSLs i.e. 120.29%. this indicates that the variability of the ratio of that company is less consistent.

Table 4.9
Net Profit to Total Assets Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	0.73	0.16	0.08	0.12	0.07	0.23	0.28	120.29
DSACCOSL	0.18	0.16	0.16	0.11	0.10	0.14	0.03	20.90

Source: Appendix II(D) & II(E)

Final, it is concluded that net profit to total assets ratio in the case of CSACCOSL has better performance by utilizing its over all resources than other SACCOSL.

4.1.3.3 Net Profit to Net Worth Ratio

The NP to net worth ratio of selected SACCOSLs are presented in the table, as below:

Table 4.10
Net Profit to Net Worth Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	0.76	0.26	0.16	0.13	0.07	0.28	0.28	101.72
DSACCOSL	0.32	0.42	0.26	0.19	0.15	0.27	0.03	11.24

Source Appendix II(D) & II(B)

The above table reveals that the mean ratio of CSACCOSL has the highest ratio i.e. 0.28% than other SACCOSLs, which appeared that achievement by mobilizing on resource of shareholders equity and vice-versa. The SD of DSACCOSL i.e. 0.03%, Which is the lower than others, similarly. The CV of CSACCOSL has the highest ratio i.e. 101.72%, Which is indicates that the ratios are more fluctuating in the study period.

4.1.4 Leverage Ratios

To judge the long-term financial position of the companies, these ratios are calculated. The significant leverage utilized in the study period of presented as below.

4.1.4. Debt – Assets Ratio

The following table exhibits the debt – assets ratio of SACCOSLs.

Table 4.11
Debt-Assets Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	-	-	-	-	8.67	1.73	3.88	224.28
DSACCOSL	-	-	-	-	2.17	0.43	0.97	225.58

Source: Appendix III(A) & II(E)

The comparative above table shows that the mean debt-assets ratio of CSACCOSL is to more extent slightly higher i.e. 1.73% and lower ratio i.e. 0.43% of DSACCOSL in comparisons. Likewise, the SD of DSACCOSL i.e. 0.97% is lower and the higher i.e. 3.88% of CSACCOSL. The CV between the ratios of CSACCOSL is lower than that other SACCOSLs is 224.28% which indicate that the variability of the ratios of CSACCOSL is more consistent and other hand DSACCOSL i.e. 225.58% indicate the less uniform. From the above description it can be concluded that the capital structure of DSACCOSL highly leveraged in comparison to the other SACCOSLs. So, DSACCOSL is more risky project.

4.1.4.2 Debt-Equity Ratio

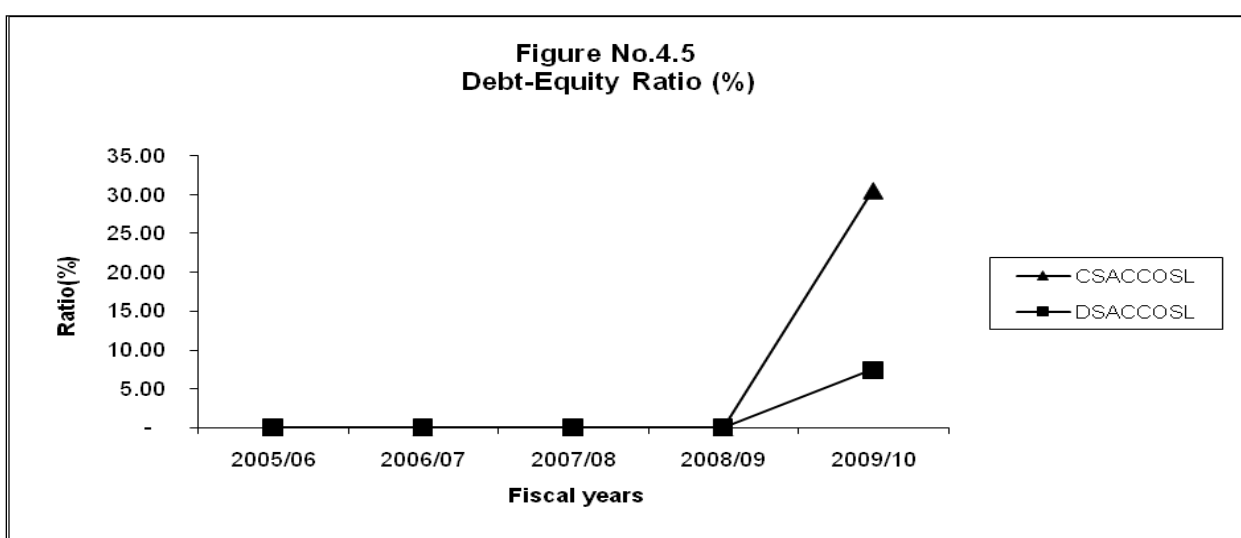
The following table exhibits the debt-equity ratio of selected SACCOSLs. The following table shows that the mean debt-equity ratio of DSACCOSL is lower than other SACCOSLs i.e.1.50% the SD of DSACCOSL is lower i.e. 3.34%. Likewise the CV between in ratio of DSACCOSL is lower i.e. 223.34% which indicates that the variability of ratio is to some extent more uniform than other SACCOSLs and vice-versa.

Table 4.12
Debt-Equity Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	-	-	-	-	30.60	6.12	13.67	223.38
DSACCOSL	-	-	-	-	7.48	1.50	3.34	223.34

Source: Appendix III(A) & II(F)

And from the above analysis , it can be concluded that DSACCOSL’s Capital structure is less leveraged in comparison to other SACCOSLs. The above calculated ratio of debt-equity of concerned SACCOSLs during the study period are graphically presented on as following;



Source: Table No. 4.12

4.1.5 Capital Adequacy Ratio

The capital adequacy if SACCOSLs can be measured by analyzing following ratios.

4.1.5.1 The Shareholder’s fund to total Assets Ratio

The shareholder Fund to total assets ratio of SACCOSLs during the Fiscal Year 2005/2006 to 2009/2010 is presented below.

Table 4.13
Shareholder Fund to Total Assets Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	20.97	13.07	12.18	27.23	28.33	20.35	7.60	37.34
DSACCOSL	39.74	36.37	31.59	33.12	28.98	33.96	4.19	12.34

Source: Appendix III(B) & II(E)

According to the table, it is quite obvious that mean ratio of share holders fund to total assets of DSACCOSL has shown better results i.e. 33.96% with comparison to CSACCOSL. Moreover, the SD of DSACCOSL is lower i.e.4.19% and the higher of CSACCOSL i.e. 7.60%, similarly, lower CV regarding to ratios with respect to 12.34% indicates that the SACCOSL has performed stable ratios and vice-versa. Finally, a conclusion can be drawn that CSACCOSL has defined grab the future opportunity due to its existing earning performing by employing debt fund, and capital adequacy is better than others SACCOSLS.

4.1.5.2 Shareholder’s Fund to Total Deposit Ratio

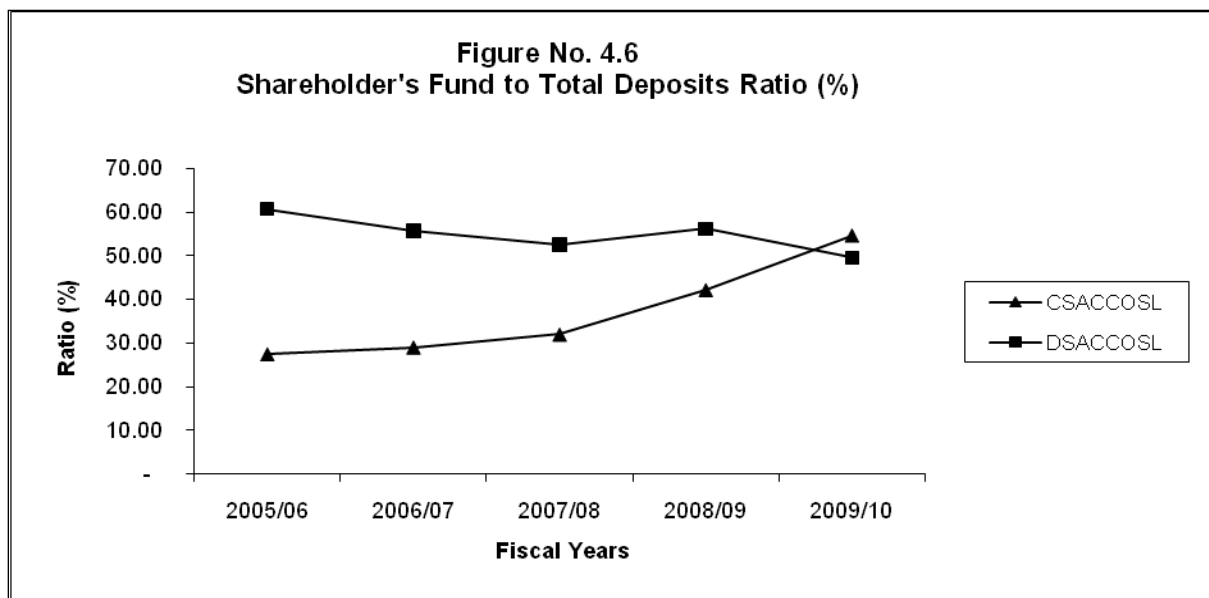
The shareholder’s fund to total deposit ratio of SACCOSLs for Fiscal Year 2005/2006 to 2009/2010 has been presented below;

Table 4.14
Shareholder's Fund to Total Deposit Ratio (%)

SACCOSLs	Fiscal Years					Mean	S.D.	CV
	2005/06	2006/07	2007/08	2008/09	2009/10			
CSACCOSL	27.45	29.01	31.95	42.16	54.61	37.04	11.37	30.70
DSACCOSL	60.66	55.62	52.46	56.13	49.54	54.88	4.18	7.62

Source: Appendix III(B) & I(D)

According to the table the men ratio of selected SACCOSLs during the study periods DSACCOSL has maintained highest ratio i.e. 54.48% and lowest ratio i.e. 37.04% of CSACCOSL. The S.D. of CSACCOSL is highest i.e. 11.37% and the lowest 4.18% of DSACCOSL. Similarly the C.V. in the ratio of NMBFL is Highest i.e. 30.70% means that it is more variability. In conclusion , it can be said that through DSACCOSL has to success to maintain higher ratio of shareholders fund to total deposit but it has not capable to achieve the stability in ratios rather it decreasing. The above calculation is graphically presented as below;



Source: Table No. 4.14

4.2 Statistical Analysis

4.2.1 Growth Ratios

Under this title, growth ratios are described on the basis of following indicators.

4.2.2 Net Profit

The following table shows the NP of selected SACCOSLs during the study period FY 2005/2006 to 2009/2010. According to the following table shown in below, both SACCOSLs have positive growth rates of NP which are the mean growth rate of study period. The lowest growth rate is 9.95% i.e. for DSACCOSL and highest growth rate is 10.67% of CSACCOSL.

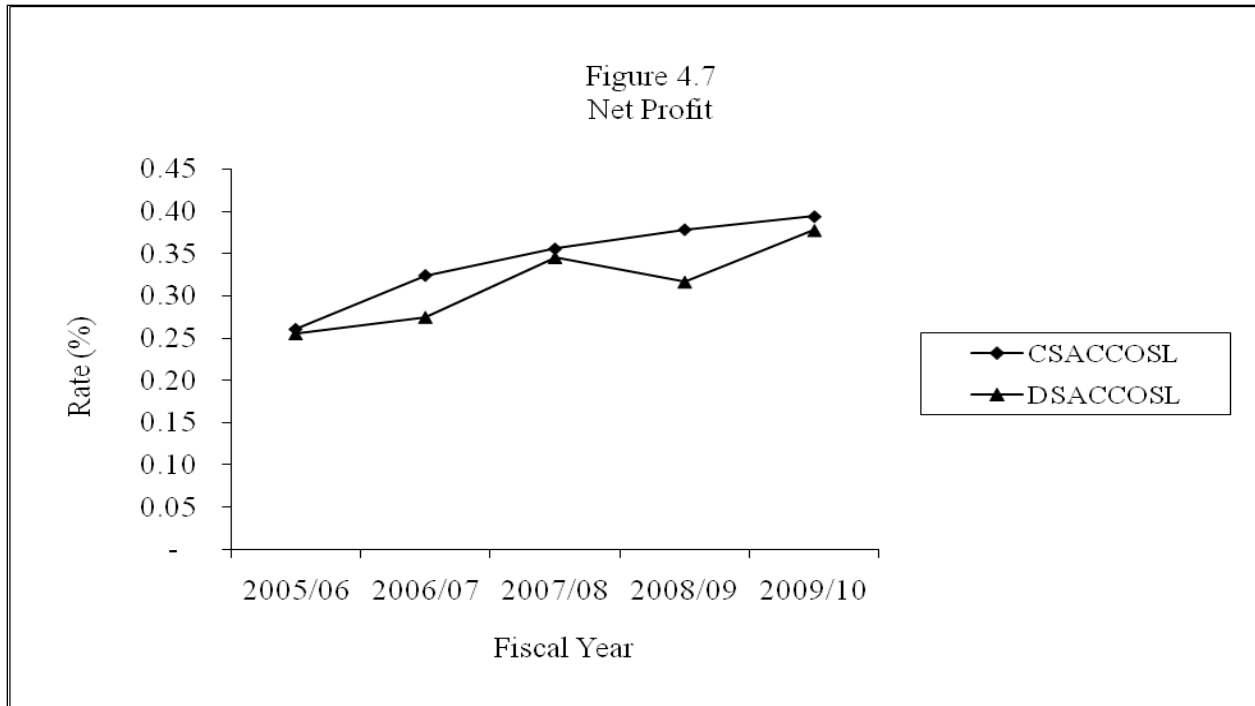
Table 4.15
Net Profit

Rs. in hundred thousands

SACCOSLs	Fiscal Years					Growth Rate (GR)	Average Growth Rate (AGR)
	2005/06	2006/07	2007/08	2008/09	2009/10		
CSACCOSL	0.26	0.32	0.36	0.38	0.39	10.67	10.31
DSACCOSL	0.26	0.28	0.35	0.32	0.38	9.95	10.31

Source: Appendix II(D)

The above calculation is graphically presented as below;



Source: Table 4.15

4.2.3 Earning Per Share (EPS)

The EPS of SACCOSLs are presented in the following table.

Table 4.16
Earnings Per Share (Rs.)

SACCOSLs	Fiscal Years					Growth Rate (GR)	Average Growth Rate (AGR)
	2005/06	2006/07	2007/08	2008/09	2009/10		
CSACCOSL	11.00	11.80	12.50	14.00	14.50	4.70	4.38
DSACCOSL	10.00	12.50	11.50	11.00	15.00	4.06	4.38

Source: Appendix II(G)

According to the listed above all have positive growth rate of EPS. Positive growth rate is in normal rates but in case of DSACCOSL has lower growth rate then CSACCOSL. Thus , we can draw and conclusion that DSACCOSL could not successfully mobilize their resources in proper way with correct decision for generating more income as availed EPs. Even the average growth rate is 4.38% which is not meet by the DSACCOSL.

4.2.4 Correlation Analysis

In this topic, Karl Person's Co-efficient of correlation has been used to find out the relationship between total deposit and total investment and total debt and total return.

4.2.5 Co-efficient of Correlation between Total Deposit and Total Investment

Co-efficient of co-relation between total deposit and total investment is to measure the degree of relationship between the variables. In correlation analysis, total deposit is independent variable (X) and Total investment is dependent variable (Y). The main purpose of computing the correlation of co-efficient is to justify whether there is any relationship between these two variables or not.

This following table shows the co-efficient of correlation (r) probable error and co-efficient of determination (r²) between total deposit and total investment of SACCOSLs during the study period of FY 2005/2006 to 2009/2010.

Table 4.17
Correlation between Total Deposit and Total Investments

SACCOSLs	Evaluation Criteria			
	R	R ²	PE(r)	6PE(r)
CSACCOSL	0.97	0.94	0.0018	0.0109
DSACCOSL	0.72	0.52	0.014	0.084

Source: Appendix I(D)&II(A)

From the table, it is shows that the co-efficient of correlation between total deposit (independent variable) and total investment (dependent variable) value of 'r' is 0.97 & 0.72 of SACCOSLs. It shows positive relationship between these two variables. However, in case of co-efficient of determination r², the value 'r²' is 0.94 & 0.52 which is indicate that 94% & 52% of the variable in the dependent variable has been explained by the independent with respect to CSACCOSL & DSACCOSL. Moreover, by considering the probable error, the value of 'r' is less than six times of PE_r. We can say that there is definitely significant positive relationship between total deposit and total investment.

On the other side, when we observe co-efficient of the correlation between total deposit and total investment incase of above SACCOSLs, it has been found that the value of 'r' shows positive

relationship between two variable and further concluded that the relationship is insignificant because 'r' is less than six times of Per.

4.2.6 Trend Analysis

Trend analysis describes the average relationship between two series where the one series related to time and other to the value of a variable. Under this topic, trend of loan and advance, total investment and net profit has been present below during the study period and moreover forehead for next coming five years.

4.2.7 Trend Analysis of Loan and Advance

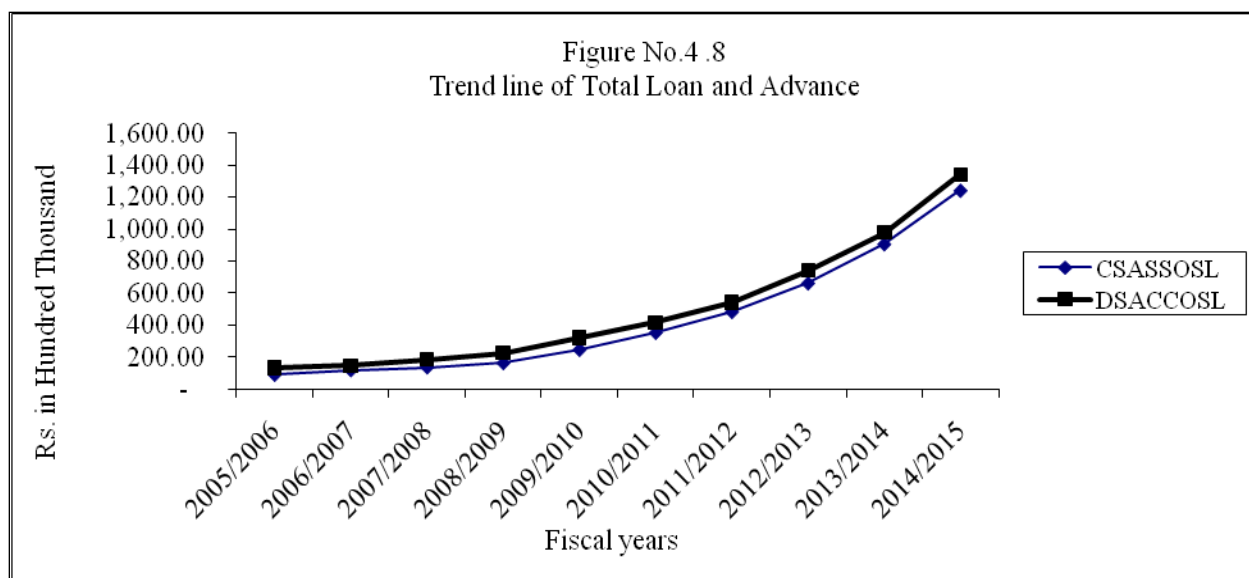
Under this topic, the trend value of Loan & advance of related SACCOSLs have been calculated for five years from Fy 2005/2006 to 2009/2010. And forecast for next 5years till 2014/2015 has also been done. The following Table 4.18 Shows the trend values of 10 years from 2005/2006 to 2014/2015 of SACCOLs.

Table 4.18
Trend Value of Loan and Advances (2005-2015)
Rs. In Hundred Thousands

Fiscal Year	CSASSOSL	DSACCOSL
2005/2006	89.68	132.79
2006/2007	118.46	145.61
2007/2008	136.77	183.60
2008/2009	163.34	225.60
2009/2010	246.90	320.17
2010/2011	353.07	416.22
2011/2012	483.70	541.09
2012/2013	662.68	741.29
2013/2014	907.87	978.50
2014/2015	1,243.78	1,340.55

Source: Appendix I(E)

The above Comparative table makes clear that the loan and advance of selected SACCOSLs are increasing regularly. Other things remaining the same, the loan and advances of CSACCOSL in 2014/2015 will be 1243.78 hundred thousand. And DSACCOSL will be 1340.55 hundred thousand. By the above analysis it is clear that DSACCOSL utilization of deposit in terms of loan & advance is comparatively than CSACCOSL. These analyzed trend value are fitted in the trend lines below.



Source: Table 4.18

4.2.8 Trend Analysis of Total Investment

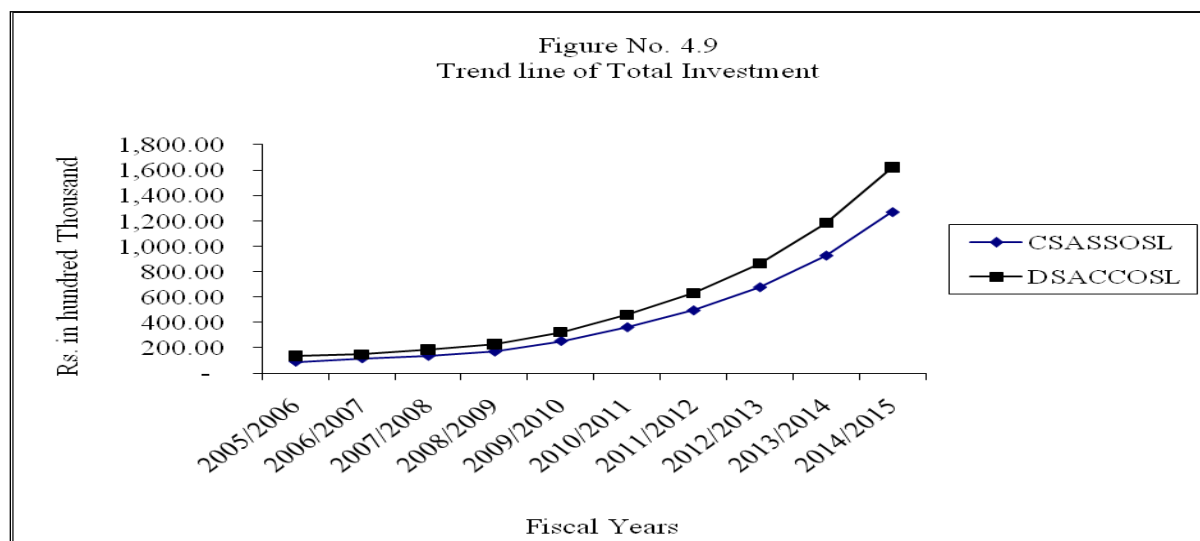
Under this topic we analyze total investment of selected SACCOSL for 5 years from 2005 to 2010 and forecasted of the same for next five years till 2014/015. The following table exhibits the trend values of total investment of SACCOSL for ten years i.e. 2005/2006 to 2014/2015. By studying the below comparative table of SACCOSL trend value of total investment, it has been found that the expected amount is in increasing trend, other thing remaining the same. The total investment of DSACCOSL in 2014/2015 will be 1271.09 hundred thousands. Which is the highest amount under the review period it means there will be no investment at all in 2015.

Table 4.16
Trend Value of Total Investment (2005-2015)

Rs. In Hundered Thousands		
Fiscal Year	CSASSOSL	DSACCOSL
2005/2006	88.32	133.91
2006/2007	115.83	146.87
2007/2008	134.46	184.94
2008/2009	168.72	227.01
2009/2010	252.32	321.76
2010/2011	360.82	460.11
2011/2012	494.33	630.35
2012/2013	677.23	863.58
2013/2014	927.81	1,183.11
2014/2015	1,271.09	1,620.86

Source: Appendix II(A)

Likewise total investment incase of DSACCOSL & CSACCSL are RS. 1620.86 hundred thousand & 1271.09 hundred thousand respectively. However, CSACCOSL has lowest than DSACCOSL. At the end, we can say that the all the selected SACCOSLs have followed the maximizing the investment policy to take the more return. The calculated trend value of above table has been fitted in the trend lines, as follows:



Source: Table No. 4.19

4.2.10 Trend Analysis of Net Profit

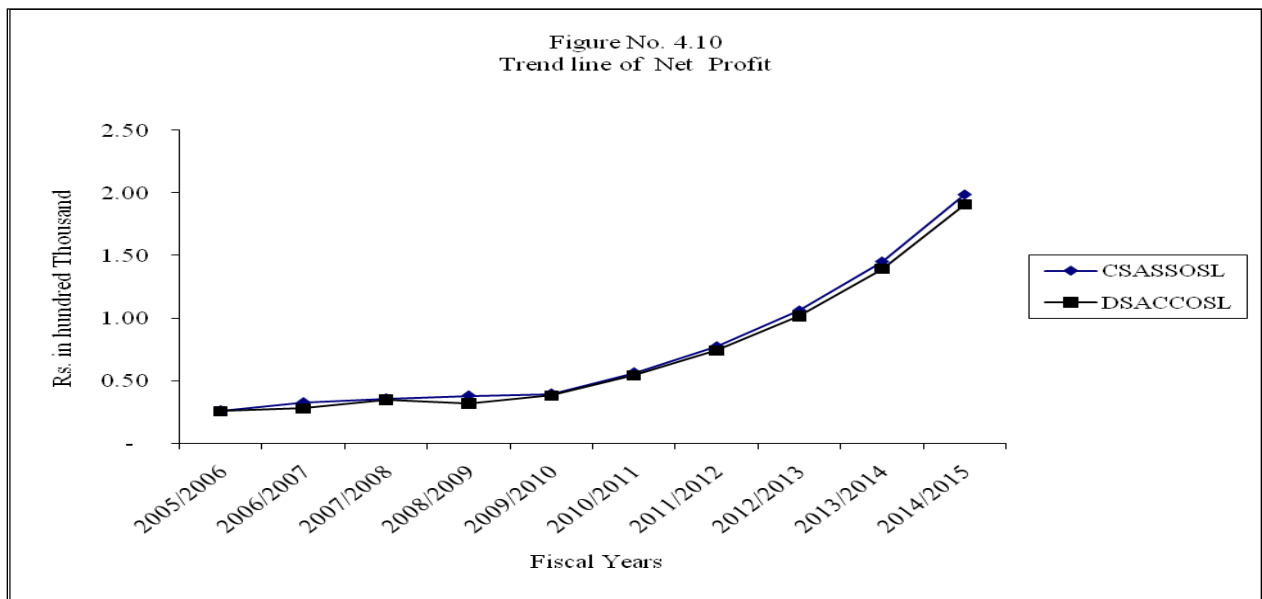
On the basis, effort has been made to analysis the NP of selected SACCOSLs for five years and forecast of the same next five years till 2015. The following table shown that the trend of NP of SACCOSLs for on decade i.e. 2009/2010 to 2014/2015.

Table 4.20
Trend Value of Net Profit (2005-2015)
Rs. In Hundred Thousands

Fiscal Year	CSASSOSL	DSACCOSL
2005/2006	0.26	0.26
2006/2007	0.32	0.28
2007/2008	0.36	0.35
2008/2009	0.38	0.32
2009/2010	0.39	0.38
2010/2011	0.56	0.54
2011/2012	0.77	0.74
2012/2013	1.06	1.01
2013/2014	1.45	1.39
2014/2015	1.99	1.90

Source: Table No. 4.17

From the comparative table of NP, it is shown that both SACCOSLs have displayed increasing trend of their NP. The NP of DSACCOSL in 2015 will be lowest i.e. 1.90 hundred thousands only. In case CSACCOSL has greater than DSACCOSL i.e. 1.99 hundred thousands. In conclusion the NP of both SACCOSLs is increasing trend. CSACCOSL is the top list profitable SACCOSL of the study period. The trend values have been filled in the trend lines given on the figure as below;



Source: Table No. 4.17

4.3 Major Findings of Study

The main Findings of the study are as below:

1. The mean current ratio of DSACCOSL is higher than CSACCOSL. But the variability of ratios of DSACCOSL is higher.
2. The mean ratios of cash and bank balance to total deposit of CSACCOSL is higher than that of DSACCOSL. Moreover, DSACCOSL ratios are more uniform and consistent.
3. The mean ratios of cash and bank balance to current assets of CSACCOSL is greater than DSACCOSL. Similarly DSACCOSL ratios are more consistent than CSACCOSL during the period of study.

4. There is not much difference between the mean ratio of loan and advance to current assets of related SACCOSLs , however the men ratio of DSACCOSL is higher than that of CSACCOSL. Likewise , DSACCOSL ratios are inconsistency but CSACCOSL is consistency comparison to others.
5. The mean ratio of loan and advances to total deposit of DSACCOSL is lower than other SACCOSLs. Likewise, DSACCOSL ratio seems to be more variables.
6. There is not much difference between the mean ratios of loan and advances to total working fund of the concerned SACCOSLs. However, the mean ratio of loan and advances to total working fund of DSACCOSL is greater than that of CSACCOSL. Where as, DSACCOSL ratios are more consistent in comparison to other SACCOSLs.
7. Observing the total investment to total deposit ratio the mean of DSACCOSL is highest than other SACCOSLs on the other hand the variability of ratios of CSACCOSL is higher and quite more inconsistent than other SACCOSLs during study.
8. The mean ratios of NP to total deposit of DSACCOSL value is lowest. This ratio of CSACCOSL has been found more variability than other SACCOSL.
9. The mean ratio of NP to total assets of DSACCOSL is considerably lower than other SACCOSLs. Likewise NP to total assets has found less consistent than other SACCOSL.
10. The mean ratio of NP to net worth of DSACCOSL is significantly lower than that of the lower SACCOSLs. Likewise the ratio of DSACCOSL are more fluctuating than other SACCOSL.

According to the above summary, it is concluded that profitability position of DSACCOSL is comparatively not better than other selected SACCOSLs. It denoted that CSACCOSL must maintain its high position margin in future.

11. The mean ratio of Debt-Assets of DSACCOSL is considerably lower than CSACCOSL. Moreover, their ratio has been found less consistent than that other SACCOSLs.

12. The mean ratio of Debt-Equity of DSACCOSL is lower than other SACCOSLs. Likewise, the ratio of CSACCOSL has more variable than other SACCOSLs.
13. The average ratio of shareholders fund to total assets of DSACCOSL is higher than CSACCOSL. Likewise CSACCOSL ratio are found more variability than other SACCOSL.
14. When we absorb that share holder's fund total deposit ratio, the mean ratio of CSACCOSLs lower than other SACCOSLs. Similarly, its ratio are found second more homogenous then other SACCOSLs.
15. Growth ratio of NP of CSACCOSL is highest among selected SACCOSLs and other company's ratio is under the average growth rate but not negative.
16. Growth ratio of EPS of DSACCOSL has lower among selected SACCOSLs and other SACCOSLs growth rate is under the average growth rate but not negative .
17. Co-efficient of co-relation analysis between different variables of concerned SACCOSLs reveals that:
18. Co-efficient co-relation between deposit & investment of CSACCOSL & DSACCOSL has been found positive significant relationship.
19. Trend value of loan and advances of SACCOSLs have been found increasing. The highest trend value in FY 2014/015 is Rs. 1340.55 hundred thousand of DSACCOSL.
20. Trend value of total investment of selected SACCOSLs have been found increasing the highest value of DSACCOSL in 2014/015 is Rs. 1620.86 hundred thousand, Where lowest value of CSACCOSL in same yrs is RS. 1271.09 hundred thousand.
21. Trend value of NP of both SACCOSLs are found increasing. In the FY 2014/015 NP of CSACCOSL is highest i.e. Rs. 1.99 hundred thousand, where lowest value in the same yrs of the DSACCOSL i.e. Rs. 1.90 hundred thousand.

The above result shows that the liquidity position of DSACCOSL is comparatively better than CSACCOSL. Out of two DSACCOSL has better liquidity position than other highly fluctuating liquidity position shows that the company has not formulated any stable policy. It help to conclude that CSACCOSL is less successful in on balance sheet as well as of balance showed opening than other SACCOSLs. They have not followed and definite policy with regard to the management of its assets. If predicts than in the coming days CSACCOSL must be more tackle as a new technique in the competition market to achieve maximum return. It is conducted that debt portion of CSACCOSL is not adequate than other SACCOSLs. It indicates that this company is not more risky vice-versa in case of DSACCOSL. It can be concluded that CSACCOSL are seem to have unable to keep adequate capital fund. It maintained growth ratios , it be concluded that DSACCOSL has not been more successful to increase its NP & EPS. In Comparison of other SACCOSLs . It can be concluded that DSACCOSL has weaker in total investment by mobilizing to total deposit and both have unsuccessful to achieve proper amount of return by mobilizing the debt funds. Thus, it can be concluded that DSACCOSL has highest trend value of loan and investment . Similarly CSACCOSL has highest trend value of NP.

CHAPTER-V

SUMMARY, RECOMMENDATION AND CONCLUSION

Having completed the fundamental analysis required for the study, the final and most important task of the researcher is to enlist the summary of the study and give suggestions for further improvement. This would be meaningful to top management of the SACCOSL to initiate action and achieve the desired results.

5.1 Summary

In Nepalese context, the history of modern financial institution begins with the establishment of NBL in 1937. Since then several financial institutions have come in existence, which provide the financial need of the country.

Deposit mobilization and investment on productive sector make the economic growth possible. Not only is this but efficiency in financial services are growing due to keen competition in financial market. As a result qualitative investment is growing at a low transaction cost. People's SACCOSL habit is growing, formal financial is increasing.

Under the Financial company Act 1985; Financial Company comes into existence for the 1st time formal forces of licensing in 1992. Within a short time, number of finance companies is growing rapidly. Finance companies are of the recent origin in Nepal which virtually are subsidiaries of commercial banks and other financial institutions. As such, they are assigned a limited commercial banking function in terms of deposit mobilizes. Though, sufficient return cannot have been earned, strong, stable and appropriate investment policy has not been followed by the SACCOSLs. They have not been able to utilize their funds most efficiently and productively, whether may be the outcomes, the deposit mobilization capability of SACCOSLs is going favorable and lending capability has also gone up to a considerable extent.

SACCOSLs can undertake their own plans, policies and strategies to deliver the package of finance services that are more innovative and attractive to the potential members. Saving &

Credit Co-operatives society Limited are allowed to determine their own interest rate on deposits and loans but as per under the Nepal's Co-operative Board.

In order to carry out the study; data have been basically obtained from secondary sources such as annual reports and financial statements, official records, periodicals, journals bulletins of SACCOSLs, various published materials and also website. The procedure of data presentation and analysis has been comparative analytical and their interpretation under his analysis, various financial ratios related to the performance functions of selected SACCOSLs i.e. liquidity ratios, activity ratios, profitability ratio leverage ratios, capital adequacy ratio and growth ratios and growth ratios have been analyzed and interpreted deviation, co-efficient of correlation, regression trend analysis and test of hypothesis have used. The main findings of this research are as below.

1. The mean current ratio of DSACCOSL is higher than CSACCOSL. But the variability of ratios of DSACCOSL is higher.
2. The mean ratios of cash and bank balance to total deposit of CSACCOSL is higher than that of DSACCOSL. Moreover, DSACCOSL ratios are more uniform and consistent.
3. The mean ratios of cash and bank balance to current assets of CSACCOSL is greater than DSACCOSL. Similarly DSACCOSL ratios are more consistent than CSACCOSL during the period of study.
4. There is not much difference between the mean ratio of loan and advance to current assets of related SACCOSLs, however the mean ratio of DSACCOSL is higher than that of CSACCOSL. Likewise, DSACCOSL ratios are inconsistency but CSACCOSL is consistency comparison to others.
5. The mean ratio of loan and advances to total deposit of DSACCOSL is lower than other SACCOSLs. Likewise, DSACCOSL ratio seems to be more variables.
6. There is not much difference between the mean ratios of loan and advances to total working fund of the concerned SACCOSLs. However, the mean ratio of loan and advances to total working fund of DSACCOSL is greater than that of CSACCOSL. Where as, DSACCOSL ratios are more consistent in comparison to other SACCOSLs.
7. Observing the total investment to total deposit ratio the mean of

DSACCOSL is highest than other SACCOSLs on the other hand the variability of ratios of CSACCOSL is higher and quite more inconsistent than other SACCOSLs during study.

8. The mean ratios of NP to total deposit of DSACCOSL value is lowest. This ratio of CSACCOSL has been found more variability than other SACCOSL.
9. The mean ratio of NP to total assets of DSACCOSL is considerably lower than other SACCOSLs. Likewise NP to total assets has found less consistent than other SACCOSL.
10. The mean ratio of NP to net worth of DSACCOSL is significantly lower than that of the lower SACCOSLs. Likewise the ratio of DSACCOSL are more fluctuating than other SACCOSL.
11. The mean ratio of Debt-Assets of DSACCOSL is considerably lower than CSACCOSL. Moreover, their ratio has been found less consistent than that other SACCOSLs.
12. The mean ratio of Debt-Equity of DSACCOSL is lower than other SACCOSLs. Likewise, the ratio of CSACCOSL has more variable than other SACCOSLs.
13. The average ratio of shareholders fund to total assets of DSACCOSL is higher than CSACCOSL. Likewise CSACCOSL ratio are found more variability than other SACCOSL.
14. When we absorb that share holder's fund total deposit ratio, the mean ratio of CSACCOSLs lower than other SACCOSLs. Similarly, its ratio are found second more homogenous than other SACCOSLs.
15. Growth ratio of NP of CSACCOSL is highest among selected SACCOSLs and other company's ratio is under the average growth rate but not negative.
16. Growth ratio of EPS of DSACCOSL has lower among selected SACCOSLs and other SACCOSLs growth rate is under the average growth rate but not negative .
17. Co-efficient co-relation between deposit & investment of CSACCOSL & DSACCOSL has been found positive significant relationship.
18. Trend value of loan and advances of SACCOSLs have been found increasing. The highest trend value in FY 2014/015 is Rs. 1340.55 hundred thousand of DSACCOSL.

19. Trend value of total investment of selected SACCOSLs have been found increasing the highest value of DSACCOSL in 2014/015 is Rs. 1620.86 hundred thousand, Where lowest value of CSACCOSL in same yrs is RS. 1271.09 hundred thousand.
20. Trend value of NP of both SACCOSLs are found increasing. In the FY 2014/015 NP of CSACCOSL is highest i.e. Rs. 1.99 hundred thousand, where lowest value in the same years of the DSACCOSL i.e. Rs. 1.90 hundred thousand.

5.2 Conclusion

The main objectives of this study are to analyze the financial performance of selected SACCOSLs. Financial intuitions play the vital role of the economy of the country. For this study purpose, various inputs & sources have been taken & following conclusion can be presented out of two SACCOSL has better liquidity position, the activity ratio of two SACCOSLs shows that they did not success to maintain the balance sheet, out of two SACCOSLs DSACCOSL & CSACCOSL maintain the high profit margin in future, it can be concluded that CSACCOSL structure less leverage in comparison to other.

At last, the SACCSLs have to prove it to the country that they can really contribute to the national economy are efficient and viable agencies for mobilization of deposits and its canalization into productive sector, are professional managed and competent enough to ensure adequate rate of return on investment to maintain market price per share, are strategically well planned to be competitive with SACCOSLs, other agencies and are trust worthy.

5.3 Recommendation

We must conclude with a reasonable realistic solution form above study, analysis, observation with facts for the achievement of target, goals and objectives of SACCOSLs. Some of the important and variable suggestion for strength of SACCOSLs establishment, growth and development SACCOSLs has to channelize fund by gradually shifting priorities from hire-purchase to trading for industry to help in the capital formation with in the country. SACCOSLs are suggested for improvement in present situation by applying these recommendations.

1. Entry in to financial market: Foremost improvement required that the SACCOSLs should

be allowed unrestricted entry into the financial market. Also NEFSCUN should as a facilitator to SACCOSLs, take the first step in clearing obstructions in the way of free movement of financial resources in to the market.

2. Develop short-term market: SACCOSLs, should be allowed entry into short term development markets. The need for insurance of the deposits with SACCOSLs need not be over emphases. Reportedly, the government is working towards this direction but fast suitable action is yet expected.
3. Access to refinance the fund: SACCOSLs should be allowed access to the refinance funds of NEFSCUN subject to the establishment criteria. And rules for manager and acquisition to be formulated with specified process so that the closure of anyone SACCOSL will not affect the whole financial system.
4. Formulate their investment policy: NRB along with HMG should set up a committee in participation with members of the SACCOSLs for the purpose of formulating and recommending necessary rules and regulation for co-operative department.
5. Develop resource mobilization strategy: It is widely feel that SACCOSLs have been resorting to interest rate driven strategy in resource mobilization, without taking care of the cost involved. Keeping the cost of capital firmly under control and checking it from upward swings is one of the major ingredients in a resource mobilization strategy.
6. Maintain optimum capital structure: SACCOSL should maintain a balanced capital structure while plays an important role in the profitability as well as the long-term solvency of a firm. It is by ensuring a proper balance between the various components of own and debt capital that a SACCOSL can stay healthy beside ensuring adequate return to its stakeholders.
7. Inter finance borrowing: SACCOSLs should encourage inter SACCOSL borrowings, instead of offering very high rates of interest to depositors to solve the problems can borrow for short term from another SACCOSL with surplus liquidity.
8. Quality of services: SACCOSLs should issue of post dated interest cheques or warrants to depositors. And should continuous improvement in the quality of services. As in the case with any SACCOSLs should also explore ways and means for continuous improvement in the quality of services provided to its customers both suppliers of fund as well as borrowers

of funds.

9. Expend the services: Most of the SACCOSLs have concentrated in urban area, mainly in Kathmandu for resources mobilization. This types of concentration in few pocked are of urban area requires a new shift to focus and strategy to expand regionally to rural areas. Where scattered public savings can be collected and channelized to formal productive sectors. So the SACCOSL should expand their service to rural area.
10. Conduct Seminar & Training: SACCCOSLs should conduct the seminar and trainings. This is very important have regular sharing of experience by conducting a seminar at least one or twice per annum. And NRB should also encouraged training to new entrants provided orientations on the conceptual and practical aspects.
11. Strong supervision of Members: SACCOSLs are playing with public money, So Member should strong supervise and control of SACCOSLs. Members has to keep a strict watch over SACCOSL's activities to protect the interest of public. For those regular follow up information must be compulsory to Members to have correct evaluation and monitoring of SACCOSL's performance and minimize any other reregulation directed in the course of investigation. And soundness of management should always and strictly supervise in the SACCOSLs.
12. Effective Credit management: Credit ratios are increasing conduction but investment pattern of the SACCOSLs is in hire-purchase, term loan etc. the credit should be diverted the productive i.e. industrial as well as agricultural sector if we expect long survive of SACCOSL and supporting to the national economy.
13. Current ratio should be maintained increase current assets or decrease the current liabilities

BIBLIOGRAPHY

- Adhikari, S.(2000). Analysis of Financial Performance of National Finance Company. A Dissertation submitted to the faculty of Management T.U.
- Agrawal, N.P.(1981). *Analysis of Financial statement*. National Publishing House. New Delhi.
- Aryal, C. (2001). Major Issues of Down Turn Economy. Business Age.
- Byrkit, D.R.(1975). *Elements of Statistics*. New York: Dran Nostrand Company.
- Chaulagain, R. P. (2001). A Comparative Study on National Finance Company and Nepal Share Market Company. A Dissertation Submitted to the Faculty of Management, T.U.
- Colli, P.H. and Joliffie A. (1993). *Dictionary of Accounting*. UBSPD, Publisher, Distributers Ltd., New Delhi.
- Dangol, R.M.(1974). *Management Accounting*. Taleju Prakshan, Kathmandu, Nepal.
- Earl A. and Spiller Jr. (1976). *Financial Accounting*. Richard D. Irwin Inc. Homewood.
- Edmister, R. O. (1980). *Financial Institutions Markets and Management*. Mc-Grow Hill Book Company, New Delhi.
- Ghimire, S.(2000). A study on Financial Performance of Finance Companies in the context of Nepal. A Dissertation Submitted to the faculty of Management T.U.

- Gupta, R.L. and Radhaswamy M.(1980). *Financial Statement Analysis*. Sultan Chand & Sons, New Delhi.
- Gupta, S.C. & Kapoor, V.K.(1995). *Fundamentals of Mathematical Statistics*. Sultan Chand and Sons Educational Publishers, New delhi.
- Gyoyal, S.N. and M.M.(1972). *Management Accounting*. Sahitya Bhawan, Agra-3, India.
- Hampton J. J. (1998). *Financial Decision Making*. Concepts Problems and Cases 4th Edition, Prentice Hall of Ina, Pvt . Ltd, New Delhi, 1998.
- James Van Horne (1991). *Financial Management and Policy*. Prentice Hall of Pvt Ltd. New Delhi.
- Karki U.(2066). *Financial Company in Nepal*. Samachar Barsik Prakashan, NRB.
- Kennedy R.D. and Mc Mullen S.Y.(1973). *Financial Statements* Richard D. Irwin.
- Kenneth Andrews R.(1972). *The Concept s of corporate Strategy*. Taraporevala Publishing Industries Pvt. Ltd., Bombay.
- Kerlinger, F.N. (1994). *Foundation of Behavioral Research*. Surject Publication , New Delhi.
- Khan M.Y.and P.K. Jain (1990). *Financial Management Text and Problem*. Tata Mc Graw Hill publishing Company Ltd., New Delhi.
- Kothari, C.R.(1999). *Research Methodology and Techniques*. Wiley Estern Pvt. Ltd. New Delhi.

- Kuchal, S.C.(1982). *Financial Management: An Analytical of Conceptual Approach*. Chaitny Publishing house, Allahabad.
- Kuchal, S.C., (1974), *Financial Management*, Chaitnya Publishing House, Allhabad.
- Metcalf, R.W. and Titard P.L.(1976). *Principles of Accounting*. W.D. Sounders, Philadelphia.
- Myer, John N. (1974). *Financial Statement Analysis*. Prentic Hall of India Pvt. Ltd., New Delhi.
- Neupane, G.P.(2050). *Development of Finnce Companies in Nepal: Prospects and Challenges* Samachar Barsik Prakashan, NRB.
- Palikhe, G.(1995). *Condition of Finance Companies in Nepal*. Arthik Lekh Biseshanka (Mimire) NRB.
- Pandey, I.M. (1999). *Financial Management*. Vikas Publishing House, Pvt. Ltd. Kathmandu.
- Surya B.B.(2010). *Financial Performance of Nepalese Finance Companies*. A Dissertation submitted to the faculty of Management T.U.
- Nepal's Co-operative Department's Website: www.deoc.gov.np
- Asian Credit Union's Website: www.accu.com
- NEFSCUN's Website: www.nefscun.org.np

Appendix-I(A)**Current Assets**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	10.68	12.70	16.06	19.03	26.32
DSACCOSL	13.35	15.45	19.75	25.79	33.28

*Source: Annual Reports of CSACCOSL
and DSACCOSL from 2005 to 2010*

Appendix-I(B)**Current Liabilities**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	8.84	9.96	11.14	13.79	15.78
DSACCOSL	8.06	9.04	11.85	13.79	21.17

*Source: Annual Reports of CSACCOSL
and DSACCOSL from 2005 to 2010*

Appendix-I(C)**Cash & Bank Balance**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	15.89	8.11	23.30	20.20	5.16
DSACCOSL	5.53	7.90	12.58	30.94	11.19

*Source: Annual Reports of CSACCOSL
and DSACCOSL from 2005 to 2010*

Appendix-I(D)**Total Deposit**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	88.50	97.05	118.72	139.15	161.58
DSACCOSL	91.28	111.21	133.33	164.09	215.99

*Source: Annual Reports of CSACCOSL**and DSACCOSL from 2005 to 2010***Appendix-I(E)****Loan & Advance**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	89.68	118.46	136.77	163.34	246.90
DSACCOSL	132.79	145.61	183.60	225.60	320.17

*Source: Annual Reports of CSACCOSL**and DSACCOSL from 2005 to 2010***Appendix-II(A)****Total Investment**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	88.32	115.83	134.46	168.72	252.32
DSACCOSL	133.91	146.87	184.94	227.01	321.76

*Source: Annual Reports of CSACCOSL**and DSACCOSL from 2005 to 2010*

Appendix-II(B)**Net Worth**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	110.74	131.78	164.11	211.66	305.72
DSACCOSL	80.42	65.77	135.16	164.89	251.15

*Source: Annual Reports of CSACCOSL
and DSACCOSL from 2005 to 2010*

Appendix-II(C)**Working Fund**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	115.58	136.75	170.25	215.44	311.50
DSACCOSL	139.34	170.07	221.40	278.11	369.25

*Source: Annual Reports of CSACCOSL
and DSACCOSL from 2005 to 2010*

Appendix-II(D)**Net Profit**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	0.26	0.32	0.36	0.38	0.39
DSACCOSL	0.26	0.28	0.35	0.32	0.38

*Source: Annual Reports of CSACCOSL
and DSACCOSL from 2005 to 2010*

Appendix-II(E)**Total Assets**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	115.88	215.44	311.50	215.44	311.50
DSACCOSL	139.34	170.07	221.40	278.11	369.25

*Source: Annual Reports of CSACCOSL**and DSACCOSL from 2005 to 2010***Appendix-II(F)****Total Share Amount**

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	24.30	28.16	37.93	58.66	88.24
DSACCOSL	55.37	61.86	69.95	92.10	106.99

*Source: Annual Reports of CSACCOSL**and DSACCOSL from 2005 to 2010***Appendix-II(G)****Earning Per Share (Rs.)**

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	11.00	11.80	12.50	14.00	14.50
DSACCOSL	10.00	12.50	11.50	11.00	15.00

*Source: Annual Reports of CSACCOSL**and DSACCOSL from 2005 to 2010*

Appendix-III(A)

Debt

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	-	-	-	-	27.00
DSACCOSL	-	-	-	-	8.00

*Source: Annual Reports of CSACCOSL
and DSACCOSL from 2005 to 2010*

Appendix-III(B)

Shareholders' Fund

Rs. In Hundred Thousands

SACCOSLs	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
CSACCOSL	24.30	28.16	37.93	58.66	88.24
DSACCOSL	55.37	61.86	69.95	92.10	106.99

*Source: Annual Reports of CSACCOSL
and DSACCOSL from 2005 to 2010*

Appendix-IV

Correlation between total deposit and total investment

Years	Deposit (x)	Investment(Y)	xy	X ²	Y ²
2005/06	91.28	133.91	12224.0642	8332.87455	17932.31661
2006/07	111.21	146.87	16333.9751	12367.8287	21571.99538
2007/08	133.33	184.94	24657.9585	17777.7102	34200.96902
2008/09	164.09	227.01	37250.5173	26926.7522	51532.4323
2009/10	215.99	321.76	69495.3592	46650.639	103527.0908
Total	715.91	1,014.48	59,961.87	112,055.80	228,764.80

Here, number of items (n) = 5

We have,

$$r = \frac{N\Sigma xy - \Sigma x\Sigma y}{\sqrt{N\Sigma x^2 - (\Sigma x)^2} \sqrt{N\Sigma y^2 - (\Sigma y)^2}}$$

$$r = \frac{5 \times 159961.87 - 715.91 \times 1014.48}{\sqrt{5 \times 112055.80 - 512527.13} \times \sqrt{5 \times 228764.80 - 1029169.67}} = 0.72$$

$$r^2 = (0.72)^2 = 0.52$$

$$PEr = .06745 \frac{1-r^2}{\sqrt{n}}$$

$$PEr = .06745 \frac{1-0.52}{\sqrt{5}} = 0.014 \quad \text{or, } 6PEr = 6 \times Per \quad \text{or, } 6 \times (0.014) \quad \text{or, Therefore } PE(r) = 0.084$$

Chitrawan Saving and Credit Co-operative Ltd. Society					
Years	Deposit (x)	Investment(Y)	Xy	x*x	y*y
2005/06	88.50	88.32	7815.78478	7832.05707	7799.54629
2006/07	97.05	115.83	11241.2954	9419.39157	13415.59278
2007/08	118.72	134.46	15963.1726	14095.2362	18078.65258
2008/09	139.15	168.72	23477.4427	19363.2374	28465.81414
2009/10	161.58	252.32	40769.4387	26106.6163	63667.65835
Total	605.00	759.64	99,267.13	76,816.54	131,427.26

Here, number of items (n) = 5

We have,

$$r = \frac{N\Sigma xy - \Sigma x\Sigma y}{\sqrt{N\Sigma x^2 - (\Sigma x)^2} \sqrt{N\Sigma y^2 - (\Sigma y)^2}}$$

$$r = \frac{5 \times 99267.13 - 605 \times 759.64}{\sqrt{5 \times 76816.54 - 366025} \times \sqrt{5 \times 131427.26 - 577052.93}} = 0.97$$

$$r^2 = (0.97)^2 = 0.94$$

$$PEr = .06745 \frac{1-r^2}{\sqrt{n}}$$

$$PEr = .06745 \frac{1-0.94}{\sqrt{5}} = .0018$$

Or, 6PEr = 6 x 0.0018

Or, 6PE(r)=0.0109