CHAPTER I

INTRODUCTION

1.1. Background

Nepal is a landlocked country with an area of 147181 Sq. kilometers surrounded by two big Asian Countries, China and India. It is located between 26'22" north to 30'27" north latitude and 80'4"east to 88'12" east longitude on globe. Its nearest sea is through India at a distance of about more than 1000 kilometers from the southern border.

Northern neighbour China has exhibited the highest one digit growth rate and through out past increment east decades and spires for a double digit in near future. Similarly the southern neighbour India with open border in three sides and bearing close cultural and social relationship since ages has gained an attractive growth rate nearly equivalent to northern neighbour. Nepal is one of the least developed countries in the South East Asia with two fifth populations below absolute poverty line and from human development perspective the country is listed on 144th position in the world. Various factors are responsible for downward economic, complex geographical situation. Improper utilization of resources, lack of entrepreneurship skills, flexible sort sighted policies and plans made by government etc. Topographic variations have generated problems on the settlement patterns of the people and socio-cultural settings.

Nepalese economy basically depends upon agriculture. It is a major source of employment, national income, food, fodder, industrial raw materials, exportable items; basis of trade and commerce and major investment sectors, Recently the Nepalese economy in contrast to the accelerating level of growth in neighboring countries China and India is bearing low level of economic growth. More than 80% of the population residing in rural area has become a main problem for equal distribution of social services such as education, health, drinking water, communication, electricity etc. Nepal has low growth rate of less than 4% per annum for last three decades. This growth rate has remained insufficient for substantial poverty alleviation and enhancing the competitiveness of the economy. While GDP average was about 2.5% per annum in 1960's, 1970's and 1980's. Agriculture sector contributes about 38% of total labour force. The average economic growth rate was negative due to the internal problem of conflict and insecurity that blocked down almost all economic activities.

Nepal's fiscal position is historically imbalance with spending much more than revenue. Government's budget deficit stands at 5% of GDP. Financial system was under government's control till 1980's. Liberalization started from mid-eighties and acerbated during eighties. It paved the way for increasing the contribution of non-agricultural sector in the economic growth with a common dabble development in financial sectors and some achievements in trade. After the adoption of open and liberal economic policy, the government started to implement privatization of public enterprises as an important instrument of economic reforms with a view to initiate micro finance in 1990's commercial banks came into existence along with many finance companies, development bank, cooperative societies and non government organizations (NGO's). At present there are 27 commercial banks, 78 development banks including two government owned bank, 18 Rural microfinance development banks, 79 finance companies. 25 insurance companies and 45 financial NGO's approved by NRB. Besides these, there are semi-format financial institutions comparing of 1138 serving and credit co-operative societies among them 34 are permitted limited banking transactions by NRB. 116 postal saving bank transactions the allocation of deposits.

Liberalization is also a catchy phrase and not issue of 21st century. As the country's economic development and prosperity heightens the awareness inclines towards the use of organic goods or equality services because of affordability. Major factors can be quoted as growing popularity and adoption of economic policy of open economy, rapid growth of technology and its cross proliferation, easy flow of labour and capital and most maintainable factors in the speed of ideas globally. With the concept of globalization Nepal's entry into the WTO, on 23rd April 2004 as 147th member.

Nepalese economy contracted 0.6%, a step decline in manufacturing sectors and trade. Restaurant and hotel resulted a negative growth of overall gross domestic product in the years. A number of factors consisting of bath internal and external factors have contributed to this dismissal performance of the Nepalese tourism industry and all economic activities. There is a need of policies and institution to be place to conductive to complementary growth and support of growing working age population. Political commitment, well defined policy decisions, timely change and development of various trade and investment friendly laws, tariff reforms public enterprise reforms and privatization with the maximum public participation are the key factor for upliftment of the Nepalese economy in a competitive environment. The reform measurer's aim at transferring the business and investment climate that is crucial to economic growth, employment generation, rural development, poverty alleviation and country's integration to the global economy.

1.2. History of Co-operative

With the development of human civilization the sense of co-operative grew into the world. The human being splinted into have and have not or in other words exploiter and exploited. The socialists thought that co-operative movement is one of the best way of eradicating such social evils and uplifting the rural as well as the urban poor. The word 'co-operation' is derived from the Italian word "Co-operari" which means to work together literal meaning of co-operating is mutual help among people. Its origin is the result of the socio-economic exploitation of users, landlords, and milliners etc. Co-operative organization has distinct characteristics in comparison to other organization due to its own co-operative development as well as its success. Co-operative helps to distribute wealth and profit equally to all members. It minimizes exploitation from money lenders, landlords and traders, removes middlemen and discourages black marketing and artificial scarcity. Association 1995 describes co-operative as "A co-operative is an autonomous association of persons united voluntarily for the fulfillment of their common economic and social needs and aspiration through a jointly owned and democratically controlled enterprise."

Co-operative is an organization which operates its activities in equally basis. The co-operative is established and managed to solve the problems of distribution of goods of daily necessity agricultural inputs to facilitate improved family system and an exploitation of intermediaries. A co-operative society is a business organization which has two entities. Its prime objective is to serve the members to its best ability and responsibility. It cannot go beyond the co-operative values and principles. At the sometime profit is also necessary for its existence, growth and expansion. Co-operative organizations have to classify twin objectives i.e. social as well as profit.

The co-operative moment was started in the 18th century in a factory of Germany where 25 workers worked. There, they used to spend their all the salary to factory canteens, before they commenced their co-operative. These canteens were conducted by factory owners. They were able to save nothing from their income, so they gathered and decided to run a canteen of their own. They collected funds and started the canteen for themselves. Their own canteen became helpful to save their income on the one side and on the other side they got pure and hygienic things in fair price from their ownership. This practice was later became developed popular as co-operative society and spread all over Europe and Asia.

Robert owen's contribution considered as important for the co-operative movement. He made an organization of labors with the purpose of co-operative to each other." Rochadal society of Equitable Pioneer" in England had popular name in co-operative history which was initiated in mid 19th century i.e. in functioned from October 24, 1844 A.D. After its establishment, such organizations were developed in Italy, France and Japan in 1850 A.D. Sulj established a co-operative organization to save the farmers providing the loan at the lower rate of interest having principles of "Each for all and all for each" He also published a book named co-operative banking in 1956.

F.W. Raiffeison established an organization named "Grand union of rural co-operative societies in Germany. Co-operative movement was started in 1866 in Denmark. In 1891 "Credit union national Extension Bureau" was established in the United States of America with the result of the developments of co-operatives, International co-operative Alliances where established in 1895 A.D. in England. In Asia, co-operative was initiated in India in 1904, Srilanka in 1906, Taiwan in 1910, Philippines in 1915, and Thailand in 1916 and in Nepal 1953.

1.3. Co-operatives in Nepalese Perspective

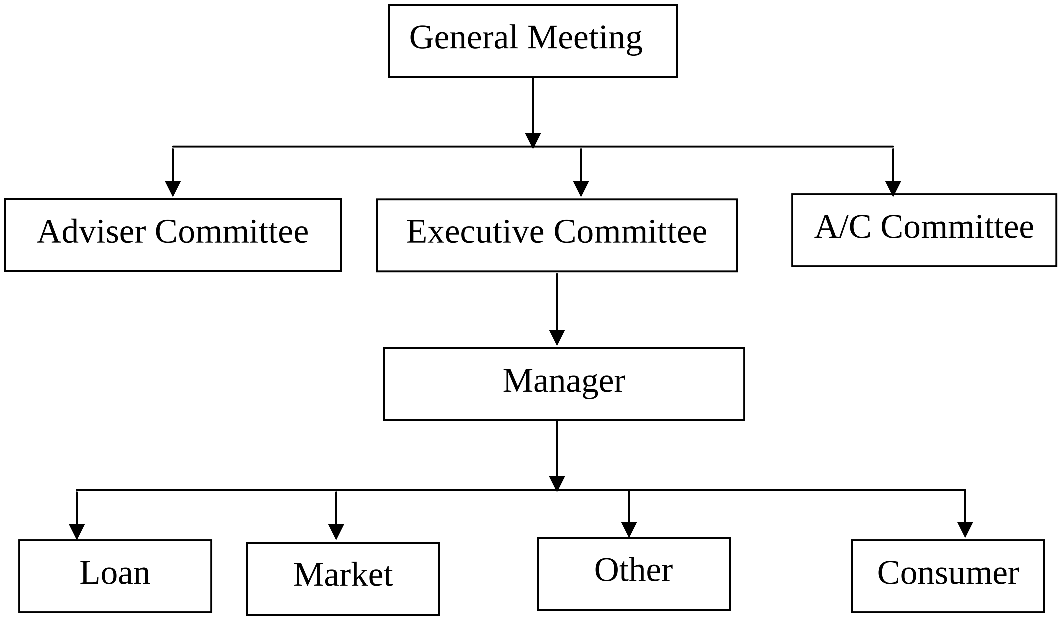
In Nepal, Co-operation is not a new concept. We are already familiar with the main theme of co-operative principle. Self-help, mutual help; co-operation among people is very old theme. It was developed with the development along with development of human civilization.

In Nepal, the co-operation had been evaluated in various seems from remote past. In rural area of hilly regions farmers take help from others in ploughing lands, seedlings and reaping crops etc. This form of Co-operation in known as "Parma" Monka Guthi, Dhikuri, Dharma Bhakari etc. are the most popular forms of co-operatives those days and still prevalent in some parts of the country. However these forms of organization are not co-operative in modern sense although they possess the same characteristics.

The modern co-operative movement was started only in 2010. In 2011 co-operative department was established under the ministry of planning development and agriculture. Due to the lack of co-operative act and lack of the emerged sensation on the people co-operative could not flourish. The first agricultural society was organized in Chitwan, Rapti valley in 2013. The underlying objective of this society was to channel aid for agriculture as well as small scale and cottage industries. With the aid of America, introducing 13 loan co-operative societies. The co-operative society Act 2016 was formulated by His majesty of government. Co-operative training center was also established in 2019 for the purpose to give knowledge and training about co-operative. In 2020 co-operative banks also established. To cope with the problems of co-operative, winding up co-operative Act 2041, co-operative Act 2048 and rules 2049 was formulated with introducing national co-operative development Board.

In fact a single person is nothing but very weak, helpless and incomplete to step a head in the world of complexity and in the force of his or her numerous and complicated requirement. However for the very existence of the prosperity comparative is one of the prime importances to mankind. After the enactment of new co-operative Act in 1992, there has been a phenomenal increase in the number of co-operative societies. However disbursement of agricultural credit both short term as well as long term has been one of the most important activities of rural co-operatives.

Organization Process of Co-operatives



At present, a period of 2048/049 to 2066/067 appears co-operatives in operation are 9205 from which 3862 were saving and loan co-operative. There are 9205 cooperatives functioning at present in Nepal of all, 3862 are shaving and loan co-operatives.

1.4. Profile of Nava-Jeevan Cooperative Bank.

After the formulation of co-operative Bank Act 2048 and rules 2049, cooperative organization is given the approval for banking transaction by NRB. Nava-Jeevan Co-operative bank limited was established as a first cooperative bank in Far Western Development Region of Nepal in Dhangadhi. Various co-operative banking organizations were introduced but due to the bad performance for the welfare of the societies, some of them have already been closed. Most of the co-operative organizations in urban areas are anxious to expand their business and earn more profits rather than to see whether a particular activity is consistent with the co-operative principles.

In order to mobilize the savings of the society financial institutions are considered as intermediaries and plays a vital role for upliftment of the economy of the society "Samudayik Bachat Kosh" was founded in Kailali on 16 Shrawan 2049 with the joint co-operative of seventeen persons. Navajeevan Co-operative Bank started banking transaction from the date of 30th Mangsir 2050 with the approval of NRB. It has passed its one and half decade of establishment smoothly and running 17th years. 75 employees are directly involved in this organization and operating services through five branches at Dhangadhi Kailali, Tikapur Kailali, Attariya Kailali, Sukhad Kailali and Bamgadhi Bardiya. Paid up capital of Nav-Jeevan for the first year end of 2051 establishment was amounted Rs. 2448070 while authorized capital was Rs. 1 crore.

Table 1.1

Equity Capital and Profit of NCB

Year	Authorized Capital	Paid Up capital	Profit	No.of Share
2061/062	250000000	13985600	760826.25	139856
2062/063	250000000	15035600	114423.41	150356
2063/064	250000000	16974600	6293945.79	169746
2064/065	250000000	19985600	7550405.17	199856
2065/066	250000000	28603700	9268739.91	286037

Source:- Annual Report

At present there are 310 co-operative societies registered in Kailali district. Among them 82 are multi purpose co-operative societies. In the course of operation 22 multipurpose co-operative societies are inactive position and 15 multipurpose cooperative organizations are located in Dhangadhi, of them 2 are inactive. The co-operatives are doing banking transaction alone with Nava-jeevan co-operative society Ltd. Saving and credit union societies are 34, among them 6 societies are inactive. One small farmer saving and credit co-operative society is established and it is running smoothly.

1.5. Focus of the Study

The grass root level institution like co-operative is quite essential for the uplifting of socio-economic conditions of rural people. Co-operative studies play a significant role in the structural transformation of the concerned area economy and state economy and its study assumes greater significance now a days. Co-operative development can be formed from lower level. Co-operative has been accepted all over the works as a putting them in productive use for the benefit of the poor sections of the society.

Financial management is a managerial activity which is concerned with the planning, policy making, decision making and controlling of the firms financial resources. Financial performance analysis is one of the components of financial administration. It is a crucial aspect of financial management of the firm. Financial performance analysis is an essential to accommodating the smooth operation of a business concern. No business organization can run smoothly without proper utilization of financial resources. Without financial viability they can not serve their members for long and will become a burden to a society. Financial viability of the co-operative is taken as a pre-requites for their existence and long term survival. To enhance better services for poor section of society and uplift them, co-operative must be economically and financially sound. For long term run existence of the co-operatives financial strength would be an essential factor. The present study is concerned with the financial performance of Nava-jeevan co-operatives. Resources utilization power of co-operative has been analyzed as well.

1.6. Statement of the Problem

Nepalese economy is characterized by very low per capital income, lack of adequate infrastructure for development high population growth, lack of proper utilization of natural resources, low economic growth, unfavorable balance of trade, technological backwardness etc. Co-operative movement is one such a measure to ease and lower the blow of poverty and underdevelopment to the country and its people. Nepalese industry is in a infant stage due to shortage of capital and raw material, lack of infrastructure, lack of technical know-how and entrepreneurship skills. For the less developed and developing countries development should step forward to eradication of absolute poverty and reduction in inequalities. In this regard the fair answer is that co-operatives is on of the means to remove the ills in the economy. The co-operatives are established and managed to solve the problem of distribution of goods of daily necessities, agricultural inputs to facilitate improved farming system and exploitation of intermediaries to the mass people. The problem of agricultural production, loan distribution to the people in need etc can be solved through the co-operatives. Therefore the financial performance of such co-operatives should be done.

Financial position and quality of service is main stream of a successful organization. It has been regarded as one of the conditioning factor in the decision making issue. To find out the financial strengths, weakness, opportunity and threats of organization rational evolution of the financial performance of the financial management in an organization involved in record keeping raising necessary funds and maintaining relationship with other institution. Financial performance as the part of financial management is the main indicator of the success or failure of the organization. The main problems are described below:

- What is the financial position of this co-operative in terms of liquidity, profitability and as sets management?
- To what extent the co-operative is efficient collecting loan, given to the customers?
- What is the income generating source except interest income?
- What percentage of the income diversified to create reserve funds?

- What is the co-operative's policy in terms of dividend?
- What is the co-operative's policy in terms of investment?

1.7. Objectives of the study

The financial institutions play a vital role in the economic development of the country. Financial management is a crucial factor of any organization. No organization can run smoothly without proper finance. The basis objective of this study is to analysis the financial performance of Nava-jeevan co-operative Bank. The specified objectives are as follows:

- To evaluate the financial performance of the co-operative in terms of liquidity, profitability and assets management.
- To identify the trends of investment and loan collection.
- To determine risk and return pattern.
- To access the dividend pattern and impact of income and reserve fund.
- To analyze the cash flow pattern of co-operative.

1.8 Rationale of the study

Finance is a life blood of any organization. Without proper management of finance no business organization can run smoothly. Financial management is major decision involvement in financing decision. Investment decision is broadly concerned with the assets mix or composition of the assets of the firm focus of financial performance analysis is a process of evaluating relationship between component parts of financial statements to obtain a better under standing of the firm position and performance.

1.9. Importance of the Study

- This research can make a great way to stockholders or stockholders to identify liquidity, profitability, capital structure of the co-operative.
- This study will help and feedback to the concerned organization to maximize their revenue and minimize their expenses.
- It may help such organization which has same working criteria.
- Research study may also be beneficial for the general readers.
- It may be useful as references of review for relevant researcher.

1.10 Hypothesis

Hypothesis is a conjectural statement of the relationship between two or more variables. The following hypothesis has been formulating for testing.

1. There is no significant difference between interest earned and interest paid.

2. There is no significant difference between the liquidity and profitability.

3. There is no significant difference between earning per share and dividend per share

1.11. Limitations of study

None of the study can go beyond the boundary while collecting, analyzing and interpretation of data due to the sufficient material in the filed of co-operative sectors. Limitations of the present study are as follows:

- The research work done is limited to the financial performance of Nava-jeevan co-operative Bank on the basis of secondary data provided by the co-operative.

- In the course of study only five years data are used.

- Basically financial tools are used to analyze and evaluate the financial performance of Navajeevan Co-operative Bank. Some statistical tools are also applied for analysis the data.

- Evaluation made over the bank may not be base for evaluation for other organization.

1.12 Chapter Scheme

The study has been organized in the following chapters:

Chapter I Introduction

The first chapters will the introductory and it will include background of the study, statement of the problem, objective of thestudy, history of co-operative, justification/ importance of the study, steeling of hypothesis and limitations of the study.

Chapters II Review of literature

The second chapter presents the review literature relating to the conceptual framework of co-operatives and financial performances of related previous studies, review from books and methods of evaluating performance also review in chapter second.

Chapter III Research Methodology

The third chapter describes the research methodology employed in the study. Research design and its types, nature of data, sources of data. Data Collection procedures and different types of financial and statistical tools are high lighted in this chapter.

Chapter IV Presentation, Analysis and Interpretation of data

This is the most important chapter of this study. This chapter deals with presentation and analysis of data with the help of different tools specified on methodology and the interpretation of data.

Chapter V Summary, Conclusion and Recommendation

The fifth chapter will provide summary, conclusion and recommendation. The researcher has reached some conclusion and recommended some guidelines to the sampled organization for its improving weakness factor and offers several suggestions for stockholders and future research.

CHAPTER II

REVIEW OF LITERATURE

Concept of review of literature is reviewing research studies or other relevant prepositions in the related area of the study so that all the past studies their conclusions and efficiencies may be known and further research can be conducted, furthermore, an extensive or even exhaustive process of such review may offer vital links with the various trends and phases in the research in one's area of specialization, familiarizing which the characteristics percepts, concepts and interpretation with the special terminology with the rational for understanding one's proposed investigation. This chapter highlights the literature available relating to a present study with conceptual review of related studies. The researcher had reviewed books, journals, articles, related regulation and acts and annual report of sampled co-operation. Review of literature provides a foundation of knowledge for under taking the result more clearly and standard.

2.1 Review of Theoretical Frame Work

2.1.1 Developments of co-operatives

Since the mankind takes place in the earth he/she learns something from the society. No human being can live independently; rather he/she needs the co-operation of society. In fact, a single person is nothing but very weak, helpless and incomplete to step ahead in the world of the complexity and the face of his/her numerous and complicated requirements with the development of human civilization, the concept of co-operation grew into the world. Human beings are divided into groups of have and have not in other words exploited and exploiter. Co-operative movement is the best way of eradicating such social inequality and upliftment of the economy and rise living standards of society's person.

The word co-operation is derived from Latin word "Co-operar" which means to work together. Generally speaking co-operation means living, thinking and working together for a common goal or objectives. The motto behind "co-operation is each for all and all for each". It is a system of people voluntarily associated working together in terms of equality to get rid off their economic exploitation by intermediaries. Co-operation means unity, strength and co-ordination. Community life and social life is fragmented in the lack of co-operation. Co-operative is a voluntarily and democratic of human being based on equality and mutuality for the promotion of their common interest, producers and consumers. Sahakahari Prabaha defines co-operative as "A co-operative is an autonomous, economic, social and cultural needs and aspiration through a jointly owned and democratically controlled enterprises".

The main purpose of behind the establishment of co-operative is to protect the interest of the people belonging to the low and medium level incomes by providing goods and services when required at fair prices. Co-operative is an organization which operates its activities in equality basis.

Concept of co-operatives organization was introduced in the 19th century by Robert Owen. He was the first person whose contribution considered as important for the development of co-operative movement. "Rochdale of Equitable Pioneer" of England had popular name in the co-operative history which was initiated in the mid 19th century. Co-operation brings unity among nations, creates goodwill and strengths understanding in the national and international sphere. The term co-operation thus denotes several meanings and is different to country. According to economist it is a form of business organization in which there in no scope of being exploited by middle man and lowers take it to be an organization in whose membership one enjoys.

Thus on the basis of foregoing explanation, the characteristic of co-operative can be listed below.

- It is an association of individuals for the achievement of common objectives.
- It embodies in itself certain ideologies such as self-help, mutual assistance and team sprit.
- It aims at common welfare.
- It clearly indicates that there are certain tasks which cannot be performed at individual level.
- It teaches us unity is strength.
- It involves a sprit of dedication and honest services.
- It is a business organization.

2.1.2 Principles of Co-operative

Generally, principle reforms to the code of conduct that governs lift and activity of human being. Similarly, co-operative principles are the set of rules and regulation to regulate and govern the activities of co-operatives. Every economic system is based on certain fundamental principles. Co-operative as an economic system is not an exception to these principles.

Internal co-operative Alliance prescribed the following principles of co-operatives:

Voluntary and open membership:-

It is a voluntary organization.

Equality

There is a provision of free entry and free exist of the members which is set by co-operative act. A co-operative society doesn't discriminate any one on the basis of caste, creed, colour or political and religious belief. All members are treated equal.

Active participation

All the members are eligible to participate in the policy making and decision making of the co-operative organization. In these respect differences of wealth, caste, colour or creed do not affect this status or position of individual members so far as organization and management of the society are concerned. Member of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decision making.

Economic participation

All the members in the co-operative have equal right to participate in the economic development activities. A co-operative organization makes a provision for different kinds of reserve funds to participate in economic activities of the co-operative organization.

Autonomous and self control

Co-operative organization is a self reliant self-help, mutually helped and democratically controlled organization. To ensure this principle, the people united and work together with their existing resource to achieve the common benefit.

Education, Training and Information

"Create co-operation before creating co-operatives" is the watchword of co-operative movement. To enhance qualitative development of co-operatives, it provides co-operative education, training and information to the member based on co-operative value, principles and techniques.

Concern to Society

Co-operative organization is concerned with the secure and sustainable development of society; co-operative organization formulates the policy which helps the long term and continuous development of the society.

Co-operation among co-operatives

The source of co-operative largely depends upon their co-ordination integration, mutual understanding and interdependence among co-operatives. Co-operative is organized to each other to make the co-operative strong at the local, regional, national and international sphere.

2.1.3 Development of co-operatives in Nepal

For economic growth and development a country has to adopt development under models best suited to its soil. So under developed agricultural countries like Nepal, the co-operative system of economic development is the right model. The co-operative movement in Nepal has been force for over 50 years and the co-operative had been of "Dharma Bhakari", "Dhikuri" especially in Thakalis, in the farmers in the village "guthi" and so on.

After the establishment of co-operative department under planning development and agriculture movement in 2010, the organized co-operative movement has been started. The Rapti Valley Multipurpose Development project cause in 2011 B.S. To rehabilitate the flood affected people under the united states of America, the co-operatives were initiated by the beneficiary parties voluntarily and spontaneously to avoid the cruel hands of different kinds of exploits, they were initiated by the government by mobilizing the member for their benefits. The legal validity of the organization of the co-operative society in 2013 B.S.

The first co-operative society called "Bakhan Singh Saving and credit co-operative" was established in Chitwan in 2013. The co-operative was registered under the co-operative Act. 2016 and regulation 2018. In 2019 center for providing knowledge and training the co-operative to the manpower was also established. There are two types of co-operatives in Nepal, one provided by Nepal Rastra Bank and other by the political change of 2017 although co-operatives were looked upon as a conscious tack of coherent approach as to promoting the co-operative movement. In general, the emphasis was on government control rather than on initiative and participation.

For providing necessary funds required for the promotion conduct of co-operative a co-operative Bank was established in 2020 for providing the credit to co-operative as well as agro-business or industries. Co-operative bank was converted into Agriculture Development Bank in 2024. In 2033, all the co-operative societies converted into Sajha Sansthan for providing basic facilities like agriculture credit, agriculture inputs and consumer goods to individual person. The objectives of the institution were set to supply of daily necessary consumer goods, supply of improved seeds, implements pesticides and fertilizers, purchase of agriculture tools, for strung mobilization of saving by establishing banking facilities in rural areas and providing raw materials, credit to the rural peasants. As a result, all the co-operatives and village committees were converted into Sajha industries in Nepal

Despite the long experience in the formation of multipurpose societies, the position of the co-operatives did not improve up to desired level. Many co-operative societies remained multipurpose only in name. After the reinstatement of democracy in 2046, a high level national co-operative confederation advisory committee was formed by the interim government. The committee made on an in depth analysis and prepared report which was studied by the government and subsequently, National co-operative Development Board (NCDB) was formed for working out a new legislation as well as policy guidelines and for creating the necessary foundation for reorienting the co-operative moment. In 2048 a new co-operative Act was made so that co-operative organization can fulfill their work continuously. The new legislation recognized the democratic character of co-operative movement, ensured operational autonomy of co-operative and defined the role of development of co-operatives in a transparent way.

Thus, after the enactment of new co-operative act in 2049 has been a phenomenal increase in the number of cooperative societies. However, disbursement of agriculture credit both short term as well as long term has been one of the most important activities of rural co-operatives margin on such business, whether it is credit refinanced from commercial banks or the sale of essential commodities under the public distribution system is so nominal or in some cases even negative that primary societies have to incur losses resulting in their non-viability. This has also led to total dependence on higher tier and government subsidies. But the main issue here is that how the majority of people who have low income savings. investment and low level of living standard can be stopped up in such a circumstances. The fair answer is that co-operation is only a way to remove all the ills in the economy .Co-operation is a crucial factor for economic, social and political betterment of the majority of people in Nepal.

Co-operative Movement in Nepal

The major events of co-operative movement in Nepal have been summarized in chronological order as follows:

2010 – Cooperative department under the ministry of plan development and Agriculture.

2013 – Issue of executive order for the legal recognition of co-operative societies by the government. Firstly, formation of credit co-operative society in Chitwan with the name 'Bakhan Singh saving and credit co-operative".

2016 – Co-operative department transferred to the ministry of food, Agriculture and forest, co-operative act 2016 enacted.

2018 – Co-operative regulation 2018 enacted. First amendment of co-operative development fund. Establishment of Sajha Santha limited.

2019 – Establishment of co-operative Training centre (CTC) Establishment of Co-operative exchange and loan Association. Issue of co-operative Department transferred under the ministry of Panchayat.

2020 – Agriculture reorganization programme implemented.

2021 – Co-operative department has been transfused under the ministry of land reform, agriculture and food.

2024 – Formation of central Investigation committee for co-operatives. Co-operative bank merged into Agricultural development Bank.

2026 – Co-operative Department transferred under the ministry of land reform. Operation of co-operative agriculture development. At first, compulsory saving (Anibarya Bachat) converted into save of co-operative societies Bhaktapur. Co-operative exchange and Loan Association changed into District Association.

2027 – Second amendment in co-operative Act 2016. Arrangement of central and district co-operative improvement committee. Co-operative society management transferred to the Agricultural Development Bank.

2028 – First amendment in co-operative regulation 2018.

2029 – Regular Sajha Programme enacted.

2033 – Beginning of population education through Sajha. Occurrence of central Sajha Development Committee. Second amendment on co-operative regulation 2018. Share of Sajha come into exist instead of compulsory saving.

2034 – Fiscal Regulation 2034 issued for the Sajha society management.

2035 – Management of co-operatives again transferred to operating committee from ADF/N. Issue of fiscal and administrative regulation co-operatives. Emphasis on Sajha society's qualitative improvement rather than quantitative improvement.

2041 – Issue of Sajha society Act. 2041.

2043 – National Sajha seminar held. Issue of Sajha society regulation 2043. Co-operative development changed into Sajha development. Sajha development Training centre changed into co-operative Training center. Regional co-operative office changed into regional Sajha Development office. Co-operative branch changed into Sajha Development Branch.

2044 – For the effective development of Sajha movement a high level central co-ordination committee was formed with 17 members. Sajha Development Department transfered under the ministry of Agriculture.

2045 – Announcement to return of compulsory saving to the depositers.

2046 – Formulation of Adhoc committee for the formulation of center Sajha society.

2047 – Formulation of seven members Central Co-operative General Association committee and the committee submitted it's report. Seminar conducted on National Co-operative Development.

2048 – Winding up Sajha central office. 11 members National Co-operative Development Board established.

2049 – Issued co-operative Act 2048. District Co-ordination Committee and co-operative Adhoc Committee were formed. Sajha Development transferred into co-operative department. Sajha Training Center transferred into co-operative Training center. Regional Sajha Development Branch Changed into regional co-operative office. Sajha Development Branch changed into District Co-operative Office.

2050 – Co-operative Society Regulation 2049 was issued. Elections have been conducted in nation wide of co-operative organization. Formulation of national co-operative federation.

Central co-operative federation was established. National Saving and Credit Co-operation Federation was established.

Establishment of Nepal Federation of Saving and Credit Co-operative Union Ltd. (NFSCUN). Central Diary Co-operative Federation was established.

Consumer and saving and credit co-operative societies are established at the large scale all over the country.

In the above list of the events of co-operative movement in Nepal, it shows that there is a great instability in management of co-operatives. The management of co-operatives changed according to the changed political system of the country. The main cause of slow development in co-operative history is high levels of ups and downs of the co-operative management. Sometimes it's management goes under the control of ministry of food, sometimes the ministry of land reform, sometimes to the Agriculture development Bank and now it comes under the control of Agriculture. Though priority was given towards the comparative development but it has not been able to progress as expected.

The restoration of democracy in 2046 brought changes in the sphere of co-operative movement in Nepal. Though the history of its movement is long, but the achievement could not be in hand. In Nepal, co-operative concept or philosophy must be come with new orientation. Nepalese concept must be changed from the old concept of co-operative like guthi, Parma, Dharma Bhakari, Mankanjya etc. Newest philosophy of co-operative management has changed the co-operative organization as a business organization. In order to stand in the competitive business environment as well as satisfy its social objective co-operative organization must earn reasonable profit as well as moral objectives, social objectives, service to the members, good quality, cheap pricing, reasonable profit, co-operative principles itself are the major challenges for co-operative business organization to maintain its philosophy and for the long run existence in the competitive market. Nepalese movement seems to march forward together with the international co-operative movement.

The management of co-operative has been changed time to time according to the changed political system of the country. It can be clearly said that the above movement of co-operative development no remarkable progress has been taken the development of co-operatives in Nepal. From the analysis of the historical development of co-operative under different economic plan period, we can state that provision of co-operative laws, political interferences, lack of co-ordination and co-operation among co-operatives, over dependence upon government are the main reasons for the failure of the co-operative movement in Nepal. The prime reasons for the decreasing trend of membership could be attributed to the low belief of people towards co-operatives enactment of new co-operative act and regulation and formation of co-operative with the minimum requirement prescribed by co-operative act 2048. Major weakness of the co-operative is that the internal control system is unable to make the exact direction of co-operative business and corruption motive of concerned parties. Only few co-operatives have succeeded to mobilize their little savings in productive sector and adoption of new technology majority of co-operative organizations are conducted with traditional thought and concept lack of co-operative training and education, lack of loyalty, lack of spontaneity towards co-operation, lack of fund, lack of efficient management and lack of central level organization, absence of good process of loan disbursement and payment and the complex competition with other financial institutions are the reasonable factors of failure of co-operative institutions in Nepal. Further more in satisfactory functions of the co-operative institutions at the same places.

2.1.4 Need for Financial Analysis

Shiva Prasad Munakavmi incorporated that the analysis of financial statement is a process of evaluating the relationship between the component parts of the financial statement to obtain better understandings of a firm's position and performance. Analysis of financial statement is done to obtain better insight into a firm's position and performance. Different stakeholders are interested in financial performance analysis. Creditors are interested in analyzing the financial statement in order to know to short term liquidity position and performance of the firm. They are interested in receiving their payment as and when due. Similarly investors and lenders are interested to know the solvency position of the organization. They analysis financial statements for the safety of their investment and the ability of the firm to pay interest and repayment of principle amount on due date whereas management is interested in the analysis of financial statements for measuring the effectiveness of its own policies and decision. Further more shareholders or owners are interested analysis of financial statements to known the profitability and the safety of their investment and also to know the safety of their investment and also to know the operating profitability and the growth potentiality.

Financial performance analysis is done by using various tools and the techniques, in the present study mainly two major techniques are used which are as follows:

- Ratio analysis
- Cash flow Statement

Ratio Analysis

Ratio is an expression of one figure in terms of another. It is the expression of the relationship between the mutually independent figures. Absolute figures alone convey no meaning varies they are compared to each other. It is an expression of the quantitative relationship between two numbers. It can be defined as "A ratio is the relationship of one amount to another expression as the ratio of or as a simple fraction, integer, decimal fraction or percentage". There are four types of ratios namely-liquidity, profitability, activity and leverage ratio.

Cash Flow Analysis

Cash flow analysis is done through statement of cash flow. A cash flow statement is a statement of company's ability to generate cash from various activities such as operating, investing and financing and their need of cash. It shows the inflow and outflow of cash and cash equivalent during the years. Cash is the life blood of a business enterprise. So, business must have an adequate amount of cash to operate. Enterprises need, Cash to conduct their operation to pay their obligation and to provide return to their investor.

M.Y. Khan and P.K. Jain describe as financial analysis is the process of selection, relation and evaluation. The first task of the financial analysis is to select the information relevant to the decision under consideration from the total information contained in the financial statement. The second step involved in financial analysis is to arrange the information in a way to high light significant relationship. The final step is interpretation and drawing of inferences and conclusion. Financial performance analysis is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance.

John J. Hampton in his book named "Financial decision making" express as financial performance analysis is the process of determines the significant operating and financial characteristics of a firm from accounting data and financial statements. The goal of such analysis is to determine the efficiency and performance of the firm's management as reflected in the financial records and reports. The analysis is attempting to measure the firm's liquidity, profitability and other indicators that business is conducted in rational and orderly way. If a firm doesn't achieve financial norms and values for its industry or relationship among data that seem reasonable to the analyst note explaining the apparent problems may then be placed upon management.

Author Radhe Shyam Pradhan, writes as financial analysis is undertaken to assess the financial strength and weakness of the firm. The analysis is usually based on financial statements prepared by the firm. Financial analysis can serve as the basis for decision making. The analysis whether to use debt or equity funds to finance planned plant expansion. The financial statement is used as the balanced sheet, income statement supplemented by the statement of the cash flows.

2.2 Resume Preview Studies

Prior to the study, a new research study was conducted. These covered financial aspects of the co-operative societies and its analysis. They lay general emphasis on financial performance of the societies virtually lacking micro level analysis.

Co-operation is a form of voluntary organization for a joint co-operation of some work on equal terms with common objectives. This form of organization has been growing popular in the sphere of economic activities, particularly among the economically weak members of a community who by definition, can not project their interests on an individual basis. A book named 'An introduction to Nepalese economy' by Dr. B.P.Shrestha defines the importance of co-operation in the development of rural economy was realized after the political change. Co-operative movement gained some momentum only after the implementation of which 5 years plan. Co-operative societies of different types such as credit marketing, multipurpose societies etc. With a central co-operative bank at the apex and the other district co-operative banks came into existence.

A co-operative society act 2016 was formulated. Under this act any association having not less than 10 members is eligible for registration as a co-operative society if organized for economic battlement of its members. The members of co-operative society will have an unlimited liability and can participate only one vote irrespective of any numbers. A co-operative Bank was also established during the second plan period with an initial equity capital of Rs. 500000.00 to be subscribed by co-operative societies were in existence by 1978. The Sajha progamme, which was formulated by his majesty's government in 1976, was initially started with altogether 487 Sajha institutions in 30 districts. The Sajha is to be established as the grass root level institution in the real senses of the term, and then its main function must be the supply of credit and inputs distribution to the farmers.

Co-operative movement in Nepal is in the form of an experiment, experiment is not to examine whether co-operation is suitable organization for bringing about certain changes in the rural economy but to find out how co-operation can develop a strong roof into the rural life of the country. 70% of the established societies were multipurpose co-operative societies. It may be noted that if rural poverty is the justification for co-operation, co-operation alone can do but little to lift rural masses from their abysmal level of poverty, unless it is combined with a simultaneous action on other forms, probably the more important fronts of rural economy, novel the regulation of rent, land tenure condition and fiscal measures that can affect to a considerable extent, the existing areas of investment in agricultural sectors.

The co-operative movement in India traces its origin to the agricultural allied sector and was originally evolved as a mechanism for pooling the people's major resources with a view to providing those advantages of the economic scales. The first attempt to institutionalize co-operatives credit societies Act 1904 the scope of which was subsequently enlarged by the more comprehensive co-operative society Act of 1912, under the government of India Act 1919, the subject of co-operation was transferred to the provinces, which were authorized to enact their own co-operative laws under the government of India Act 1935, co-operative remained a provincial subject. Presently the item "co-operative societies" is a state subject under entry 32 of the state.

In the pre-independence era the policy of government by and large was one of the lassies fair towards the co-operative and government and did not play an active role for their promotion and development. After the independence the advent of planned economic development ushered in a new era for the co-operatives. Co-operative come into be regarded as a preferred entrustment of planned economic growth and development and emerged as a distinct sector of the National Economy.

Backbones of co-operation in India were Jawaher Lal Neharu, Indira Gandhi and Dindayal. Main objectives of co-operatives weak was to prepare vote for the achievement of co-operative principles and aim for the purpose to provide information about success and fulfillment co-operation values to the members of co-operative for the past year. Contribution of co-operative in Agriculture credit is 46% where as it contributes about 55% of its effort in producing sugar. In up establishment of co-operative was hold under the "Rural Development Bank".

Existing Problem

In spite of quantitative growth the co-operative sector is to be set with several constraints related to legislative and policy support resource availability, infrastructure development, institutional inadequacies, lack of awareness among the members, erosion of the democratic content in management, excessive bureaucratic and government control and needless political interference in the control of the societies.

Need for National policy on Co-operation

The role of co-operatives has acquired new dimensions in the changing scenario of globalization and liberalization of nation's economy. Internal and structural weakness of these institution combined with lack of proper policy support has neutralized their positive impacts. There are wide regional imbalances in the development of the co-operative in the country. This has necessitated the need for a clear cut national policy in co-operative to enable sustained development and growth of healthy and self-reliant co-operatives for meeting the sectoral aspiration of the people on consonance with the principles of co-operation.

The rational policy on co-operatives to this end would seek to achieve:

- Ensuring functioning of the co-operatives based on basic co-operative values and principles as enshrined in the declaration of the international co-operative alliance congress 1965.

- Revitalization of the co-operatives structure particularly in the sector of agricultural credit.

- Reduction of regional imbalances through provision of support measures by the central government/state government particularly in the under developed and co-operatively under developed state/regions.

- Strengthening of the co-operative education and the Training and human resource development for professionalization of the management of the co-operatives.

- Greater participation of members in the management of co-operative and promoting the concept of user members.

- Amendment of provision in co-operative laws providing for the restrictive regulatory regime.

- Evolving a system of integrated co-operative structure by entrusting the federations predominantly the role of promotion, guidance, information system etc. towards their affiliate members and potential members.

- Evolving a system of inbuilt mechanism in cooperative legislation to ensure timely conduct of general body meeting electrons and audit of co-operative societies of the societies

- Ensuring that the benefit of the co-operative endeavor reach the poorer sections of the society and encouraging the participation of such sections and women management of co-operative.

Nepal is badly affected by object poverty. About (Now it is 65.7% census 2058) of the population is totally dependent on agriculture sector. About 86% (census 2058) of the population lives on rural areas. Meanwhile, poverty is originated from lack of a access to resources opportunities, illiteracy, poor health, lack of sanitation, deprivation of basic rights, security and powerlessness. To cope with the poverty challenges financial institution were opened extensively after the liberalization economy in mid 1980's. Socialists approved the best way to eradicate such type of poverty are co-operative movement.

Co-operative is modified version of self-help and saving groups. Hence these have envisaged major aim to improve socio-economic condition of the rural population. Basically, co-operatives are operated and guided under the legal framework of co-operative act. Co-operative assess felt needs planning of the activities, provision of the credit, implementation of activities, supervision and monitoring of the groups activities etc. Further, these organize poor people, backward societies, lower ethnicity and resource less and vulnerable people of the societies in the solidarity form.

Major philosophy of the co-operative has been envisaged as to important the services in that locality where formal credit institutions (banks) have not been accessed. Therefore co-operatives are basically emerged for ameliorating socio-economic condition of rural populace.

Institutional sustainability fully depends on pragmatic vision, effective human resources development, need based programme efficient organizational structure, proper co-ordination, appropriate strategies and effective implementation of plan. Financial viability determines the status of collection rate, annual credit investment, non-performing assets and operating cost including cost of fund, depreciation and annual inflation rate.

Main objectives of rural financing institutions and co-operatives in Bangladesh have envisaged ameliorating socio-economic condition of the poor populace. Credit and the banking facility have been provided from this institution. Major aim of co-operatives is saving deposit, lending schemes, develop skill of rural people and improve economic condition of the poor populace.

Major activities of co-operatives in India are investing loan agriculture, cottage industries and marketing activities under the state co-operatives in India has been reached to 93000. Major short comings of co-operative banks in India is prevailing as domination of vested interest groups, poor management, higher dependency on government and lack of large business activities.

Most of the co-operatives operating in rural areas are anxious to expand their business and earn more profits rather than see whether a particular activity is consistent with the co-operative principles. They have collected a huge amount of public deposits recklessly and advanced loans haphazardly creating temporary numbers with a minimum share amount refundable at the time of loan repayment. Most of poor people do not have access to saving and credit services of commercial banks, economic transformation of landless, squatter, rural agriculturists and other villager living below of the poverty line is possible only by joining hands among themselves based on co-operatives principles. We need financial intermediaries which can serve a peasant, a small retailer, low paid employed, pinwale (Bette sellers), Laborers, student and so on. Co-operatives can in fact some of them have been working in this direction.

The Co-operative model of micro finance in the oldest one already provided successful in Europe and North America at the end of the 19th century. A micro finance model should be adopted under the potentials and constraints of each local environment. Departments of co-operatives have to thinks concept over jointly as to the possibility of operating co-operating as financial intermediaries to promote their members interest. In order to ensure that co-operatives providing financial services to their members are with in the instructions, norms and regulations of Nepal Rastra Bank and Doc an inbuilt supervision system is to be developed. Nepal Rastra Bank regional offices and the district co-operating office should be strengthened equipped with suitable manpower and decentralized delegation the appropriate authority and responsibility.

A co-operative society can be registered under the co-operative act 1992 concerned district co-operative office, Department of co-operative under the ministry of agriculture and co-operatives. It has five tiers such as a primary society, a single person union (with at least five societies), a district co-operative union, a central co-operative union and a national co-operative federation.

A co-operative society can save poor people and low income groups of different area such as financing agricultural, marching etc. on the basis of mutual co-operative and co-operative principles. A recent amendment of the co-operative act has made a compulsory to take prior approval of Nepal Rastra Bank to carry on limited banking transaction such as to accept deposits from sanction loan to member. A co-operative society involves in saving and credit activity is called financial activities.

A financial co-operative could act as financial intermediates to transfer urban surplus into deficit rural areas, which obviously could help reducing poverty employment in rural areas. Therefore co-operative model of rural financing could become instrument for balanced growth of the economy. The co-operating acts before amendment restricted to provide loans only to member but allowed to accept deposits from new member too. This situation invited large where not only the member but also other saves such as retailers, street vendor beetle, tea shops, worker, student and other low income people could open up accounts make regular saving. Financial co-operatives collect savings and make loans available to members for purposes, such as trade, agriculture livestock, poultry farming, cottage industry and other productive activities. According to the study conducted by Nepal Rastra Bank, financial co-operatives have disbursed an estimated amount of more than Rs. 16 billions loan to their members. Assuming an average loans size Rs. 15 thousands per borrower. It could be estimated that more than one million people get benefit from the services of financial co-operatives.

Supervisory and Regulatory Problems with Co-operatives

Since the procedures of registering co-operatives came into operation and collected deposits all over the country, department of co-operatives has no coordination with the central Bank and therefore these cooperatives except those approved by Nepal Rastra Bank carrying on saving and credit activities are not with in the supervisory and regulatory framework of Nepal Rastra Bank. Many savings and credit co-operatives failed without being able to make refund of the public deposits due to very weak supervisor and regulatory mechanism of the government. A policy has regulated and supervised financial co-operatives through a separate entity called co-operative Bank to be formed in the near future is also adopted with indirect supervision and control mechanism of NRB. The financial co-operatives could become members of the proposed co-operative bank voluntarily unless memberships are made compulsory there could still be the existence of some co-operatives beyond. The ambit of regulatory and supervisory framework.

Mr. Ganesh Kumar Shrestha writes an article named "Nepal Rastra Bank in the promotion of co-operatives and rural financing institutions". He writes that Nepal is one of the least developed nations of the world by all indicators of development such as per capita income GDP, literacy rate, life expectancy, economic development and poverty. All most of the population still resides in rural areas and about 90% of the population is still engaged in agriculture as main occupation. Financial system was the best solution to upgrade the living standards of country's people financial institution play the role of intermediaries between the surplus and deficit units. Socialists thought the co-operatives financing system was the best way to eradicate existing poverty in society. Co-operative Bank was established in 1959 by HMGIN providing over the fund of eight hundred thousand rupees by incorporating the assets and liabilities of the co-operative Bank. The agricultural development bank was set up in 1968 under the agricultural development bank Act 1967.

Farming is main occupation of the Nepalese people and most of the farmers live in rural areas and agricultural financing is synonymous to rural financing. It has greatly benefited rural poor and helped them for their socio-economic upliftment. Co-operatives still get financing form agricultural development Bank nearly at about 4.6%.

Financial institution was established for the purpose of fulfilling the needs of finance in through saving and credit co-operatives and financial intermediaries NGO. The fund provides a small loan of the NRS 30 thousand. The fund has covered 39 districts and provided loan to 46 NGO's and 71 saving and credit co-operatives.

A paper presented by N.M. Muthuraj, manager Apex Bank named developing consultancy skills for improving the management of agricultural co-operatives and rural financing institution describes the role of co-operative in economic development and its different aspects. The institutional rural credit delivery system is a very effective channel for the economic development of the country. The credit co-operative credit structure consists of over 104000 outlets and providing more than 62% of the total agriculture credit. The other 38% is being met by the commercial banks the short terms co-operative bank with 843 branches 369 district central co-operative bank with 13006 branches and over 95619 primary agricultural co-operative societies. Indicating that the structure has a formidable rural presence in terms of geographical coverage. The main functions are assessment of credit needs, disbursement of credit recovery of credit, promotion of economic interest of the members.

Co-operative movement is the result of the exploitative policies of capitalists, who in their desire to maximize the profits are least bothered about socio-economic interest of the economically weaker section. The movement is defined as a form of organization in which person voluntarily associate for the promotion of their economic interest. All for each and each for all is the main principle of the co-operative movement. The Karnataka state co-operative bank provide short term and medium term agriculture lending is the prime object and activity of the bank provides short term agricultural loans in the state through 21 districts central co-operative banks and 4341 primary agricultural co-operative societies operating in 27 districts covering 29193 villagers.

Main purpose of the co-operative movement is to work out for the over all development of the rural farmers. We have to create new avenues for giving financial assistance with lower rate of interest and we must also improve our skills for promoting their agriculture produce through various agencies. The co-operative facing no. of challenges which were influences their working performances in future. Some challenges are:-

- Challenge of market competitive and globalization.
- Challenge of organization structure.
- Challenge from membership
- Challenge of capital
- Challenge of Technology
- Challenge of professional management.
- Regional imbalances.

To meet the above challenges the following suggestions:-

- The government commitment to pursue and protect co-operative identity is essential.
- The co-operatives must be treated special for taxation.
- Timely finance support and less inference in their management.

The co-operatives are managed and controlled by the members. Therefore co-operatives should have more focus on the human resources development and training not only to success but to have quality discussion in the management. The co-operative sector has to face new challenges of productivity, product, quality, service aspect and competition from private sector, domestic as well as global.

The co-operative movement in India is the largest in the world with 50.04 lakh co-operative societies having membership of more than 21 crores according to the task force on training and human resources development in co-operative. It is estimated that there are 13.90 lakh employees in credit and non-credit sector and there are 28 lakh members on the board or management committees.

A country report of Srilanka written by W. Wimalartne, MGS Medagedara, A.A.I. Puspa Kumara and R.D. Sunil Jayaratne on topic programme management of Agricultural co-operative and financing Institution.

Srilanka is an island in the Indian Ocean to the south east of India. Financial Institution play a vital role in the Development of economy Ceylon agricultural society was established in 1904 the governor of Ceylon under his chairmanship. Similarly agricultural bank was established in 1909.

Co-operative movement in Srilanka appears after establishment of agricultural bank. Under the act of 07 of 1911 the fist co-operative societies were established under the recommendation of agricultural bank. Various co-operative societies like co-operative Thrift societies, various economic groups established agricultural societies and consumer societies were established in 1921, 1936 and 1949 respectively. For the proper management and takes the co-operative society, act 1972 came into existence, a large number of multipurpose co-operative.

Major problems of rural agricultural operative in Srilanka are as follows:

- Lack of Knowledge of new methods of cultivation.
- Crop failure due to draughts and floods.
- Over due of loans.
- Finding market for the products.
- Number of products of the products.

Steps taken by co-operative societies and government to solve those problems.

- Introduction of new methods in cultivation.
- Purchasing the products under fair prices.
- Provided instruction to produce by products (e.g. curd, milk to coffees from milks)
- Aid in establishing agricultural wells, tube wells and small tanks.

The multiple co-operative societies have a section of rural bank. 1525 rural banks are established in Srilanka only 291 are ineffective are customers of co-operatives rural banks and deposit growth rate is 11.52 in last 5 years. About 75.69% deposits are of non-members, only 24.31% are of members.

2.3 Review of Cases related to the study

2.3.1 Concept of Co-operative

Those reviews have also been taken as an internal part for this study. Manly some available previous thesis related to the topic of the study. One is a study made by Mr. Man Bahadur B.K. based on co-operative societies.

Mr. B.K. has explained financial statement analysis and ratio analysis are financial tools widely used to measure the strengths and weakness of the financial position of the organization. The study concluded that the organizations liquidity position was satisfactory but it had invested its fund in current assets unnecessarily. The assets utilization position of the organization is not satisfactory due to its loose and inefficient maintained its appropriate leverage position due to its improper management of funds and sundry creditor's .The association is suffering the operating loss through out its study period. The financial performance of the association is fund in very weak position. The main problem is whether any past event it becomes the political plate form. So the study co-operative should maintain the political neutrality. If managed and utilized properly, it can be the back bone of the economic development of our country. It is best way to mobilize the scattered saving of the small farmers and laborers. Our country can go towards a golden tomorrow walking in the way of co-operatives pavement. The co-operative education and co-operative training is a must for the development of the co-operative societies the country.

Mr. Sushil Dahal conducted a study in the year 2053 on the title financial performance of co-operative society Ltd. Inaruwa Sunsari. The basic findings of this study was that high cost of goods sold, heaving interest expenses, heavy debt capital, low owners capitals, inability to employ funds in profitable sector, low sales revenue, traditional pricing policy etc are the main variables which reflect the poor financial performance of the co-operative society Ltd. Inaruwa

Sunsari, therefore Shushil Dahal suggested that the society must concern to remove all these variables and improve its financial performance significantly.

A study on "Development of Nepal through co-operative" by Mr. Thakur Prasad Koirala has explained that Nepal will be self sufficient and the need not depend on foreign aid for all around development some problem faced by the co-operative organization are pointed through this study such as:-

- Inefficiency of management.
- Unavailability of records.
- Lack of trained personnel.
- Failure to interact with co-operatives.
- Mismanagement in inventory handling.
- Lack of technical guidance.
- Delay in transferring the savings etc.

Due attention should be given by all concerning authorities both from government and public sides. Close supervision and constant guidance should be done by the concerned authorities. He suggested that by diversifying the pattern of cooperative development as well as strengthening the base of its structure it may be hoped that there will be all round development of Nepal through co-operative in near future.

A study conducted by Gokul Raj Sharma on the topic "The financial performance of co-operative with references to Samjhana multiple co-operative society Ltd and Naba-Kshitij co-operative society Ltd in 1999. He conducted that co-operative is a most significant vehicle for mobilizing the scattered savings and patting than in productive use for the society. Outlined some major findings issues and suggestions which are as follows:

Current Issues:-

- Structural reforms.
- Membership and leadership
- Managerial reforms.
- Resource mobilization.
- Revalidation of the weak co-operatives.
- Trade and technology
- Government support.
- Sector strategies.

Major Findings

- Deposit utilization rate is satisfactory of Samjhana multiple co-operative society Ltd. (SMCSL)
- Loans and deposit are highly correlated SMCSL.
- Deposit utilizations rate is satisfactory Naba-Kshitij Co-operative society Ltd. (NBCSL)
- There exists highly positive correlation between total deposit and loan and advances in case of NBCSL i.e. r = 0.9978.
- The analysis of the profitability position of both the co-operatives shows that SMCSL is comparatively better than that of NBCSL.
- Liquidity position of both the co-operatives should be appropriate.
- Assets utilization activity is comparatively better position of SMCSL than that of MBCSL.
- The capital structure is highly leveraged of NBCSL than SMCSL.
- Positive correlation between depth and profit.

Suggestions

- Co-operatives have to compete with other financial institutions for attracting deposits.
- For more deposits utilization, granted the loan to the members.
- Priority given rural areas target market in considering saying in drop of makes a sea.
- The liquidity position may have been affected by external and internal factors such as interest rates supply and demand of loans investment situation growth or slackening of the finance market lending policies and the efficiency of internal management.
- Both co-operatives should keep up their efforts in utilizing there assets in the form of performing assets.
- Co-operatives should strive to earn operational profit by increasing their efficiency mobilizing encourages. Efficiency or by minimizing operating expenses as for as possible.
- A higher pay out ratio attracts both the existing and potential investors leading to increase in market price and the share which consequently leads to the strength financial capability.
- Good management of information should be established.
- Co-operatives are required to extend their banking branch office.
- Co-operatives organization should developed co-ordination among the co-operatives.
- Central Bank in the national level should be established for saving and credit co-operating for financial assistance of the co-operation in order to remove tier control such as control from NRB and co-operative department.

It may be said that a bank must strike a balance between liquidity, profitability and safety. "The secret of successful banking is to distribute resources between the various forms of assets in such a way as to get a sound balance between liquidity and profitability so that there is cash to meet every claim and at the same time, enough income for the bank to pay its way and earn profits for its shareholders." (M.Radhaswami/S.V.Vasudevan: 1979)

According to Reed, Cotter, Gill and Smith, "Commercial banks still remain the heart of our financial system holding the deposits of millions of persons, governments and business units. They make funds available through their lending investing activities to borrowers, individuals, business firms and governments. Commercial banks are the most important type of financial institutions in the nation in terms of aggregate assets". (Edward W. Reed, Edward K. Gill, Richard V. Cotter, Richard K. Smith: 1980: P. 1-5) The primary function of commercial banks is the extension of credit to worthy borrowers. In making credit available, commercial banks are rendering a great social service. Though their action, production is increased, capital investments are expanded, and a higher standard of living is realized. Although the investment activities of commercial banks are usually considered separately from lending, the economic effects and social results are the same.

The rate of return on assets is a valuable measure when comparing the profitability of one bank with another or with the commercial banking system. A low rate might be the result of conservative lending and investment policies or excessive operating expenses. Banks could, of course, attempt to offset this by adopting more aggressive lending and investment policies to generate more income.

Emphasizing the importance of policy, H.D. Crosse puts his view in this way, "Lending is the essence of commercial banking and consequently the formulation and implementation of sound policies are among the most important responsibilities of bank directors and management. Well conceived lending policies and careful lending practices are essential if a bank is to perform its crediting function effectively and minimize the risk inherent in any extension of credit." (H.K. course: 2nd Edition: 1963)

An article published on the Kathmandu post daily of 9th March 2003 entitled "Managing a banking risk" by Chandra Thapa, in his article he has accomplished the subsequent issues.

Banking and financial service are among the fastest growing industrial in developed world and are also emerging as cornerstones for other developing and undeveloped nations as well. Bank primary function is to trade risk. Risk cannot be avoided by the bank but can only be managed. There exist to type of risk. The first is the diversifiable risk or the firm specific risk which can be mitigated by maintaining an optimum and diversified portfolio. This due to the fact that when one sector does not do well the growth in another might offset the risk. Thus, depositor must have the knowledge of the sector in which there banks have make the leading. The second is un-diversifiable risk and it is correlated across borrower, countries, and industries. Such risk is not under control of the firm and bank.

According to Mr. Thapa risk management of the banks is not only crucial for optimum trade off between risk and profitability but is also one of the deciding factors for overall business investment leading to growth of economy. Managing environments also need to develop. Some of the major environmental problems of Nepalese banking sector are under government intervention, relatively weak regularly fame, if we consider the international standard, meager corporate governance and the biggest of all is lack of professionalism. The only solution to mitigate the banking risk is to develop the badly needed commitment eradication of corrupt environment especially in the disbursement of lending, and formulate prudent and conducive regularly frame work.

Prabhakar Ghimire (1999) has published an article in which he has mentioned that most of the banks of Nepal are ready to pay the penalty in spite of investing on rural, priority sector, poverty stricken and deprived areas. In the directives of Nepal Rastra Bank it is clearly mentioned and directed that all the commercial banks (under NRB) should invest 12%, of its total investments to the priority sectors. Out of this 12% they should invest 3% to the lower class of countrymen. However these commercial banks are unable to meet the requirements of NRB. In the light of above, foreign joint venture banks use to justify that they don't have any network among these priority areas. So, if investment is made to these areas, operation cost will be very high, that exceeds the penalty if investment won't be made. That is why are interested in paying penalty rather than investing in priority sectors.

Another article published on the Kathmandu Post daily of 28th April 2005 entitled "Efficient Banking" by L.D. Mahat, in his article he has accomplished, the efficiency of banks can be measured using different parameters. The concept of productivity and profitability can be applied while evaluating efficiency of banks. The term productivity refers to the relationship between the quantity of inputs employed and the quantity of outputs produced. An increase in productivity means that more output can be produced from the same inputs or the same outputs can be produced from fewer inputs. Interest expense to interest income ratio shows the efficiency of banks in mobilization resource at lower cost and investing in high yielding asset. In other words, it reflects the efficiency in use of funds.

According to Mr. Mahat, the analysis of operational efficiency of banks will help one in understanding the extant of vulnerability of banks under the changed scenario and deciding whom to bank upon. This may also help the inefficient banks to upgrade their efficiency and be winner in the situations developing due to slowdown in the economy. The regulators should be concerned on the fact that the banks with unfavorable ratio may bring catastrophe in the banking industry.

Murari R. Sharma (1996), in his article "A study of joint venture banks in Nepal; co-existing and crowding out" pointed out that it is very much beneficial for Nepalese to let joint venture banks to enhance the development of local commercial banks. But the government should charge more cost to joint venture banks than the local commercial banks. He suggested HMG to treat equally to joint venture banks and local banks, both types of banks will co-exist complementing each other and contributing the nations accelerated development.

Chopra, Sunil (1989) in his article, "Role of foreign banks in Nepal" had conducted that the joint venture banks playing an increasingly dynamic and vital role in the economic development of the country that will undoubtedly increase with time.

K.Pradhan (1991), has pointed out some major issue in local commercial banks in comparison of recently established joint venture banks through his article "Nepal ma Banijya Bank: Uplabdhi tatha Chunautui". The study deals with the whole commercial banking system of Nepal in respect of their performance and profitability. Some of his finding relevant to this study is summarized as:

To deposit collection rate of local banks is very poor in comparison to joint venture banks.

The patterns of deposit are also different between these banks. The ratio of current deposit in local banks is 9.34% only where the same as the joint venture banks is 52.5%. But the fixed deposit ratio is very high in local banks.

Shekhar Bahadur Pradhan (1996), has presented a short glimpses on investment in different sectors its problem and prospects through his articles, "Deposit mobilization, its problem and prospects".

He quoted that deposits is the life-blood of any financial institutions, be it commercial bank, financial company, co-operative or non-government organization. According to him, "In consideration of twenty-two commercial banks. Nearly three dozen finance companies, the latest figure does produce a strong feeling that a serious review must be made of probes and prospects of deposit sectors. Leaving few joint venture banks, other organizations rely heavily on the business deposit receiving and credit disbursement. Mr. Pradhan has pointed out following problems of deposit mobilization in Nepalese context.

- Due to the lack of education most of the Nepalese people do not go for saving in institutional manner. However, they are very much used of saving be it in the form of the cash or ornaments. Their reluctance to deal with institutional system is governed by the lower level of understanding about financial organization process, withdrawal system, and availability of depositing facilities and so on.
- Due to lesser office hours of banking system people prefer holding cash in the personal possession.
- Unavailability of the institutional services in rural areas.
- No more mobilization and improvement of the employment of deposits in the loan sectors.

Mr. Pradhan has also suggested for the prosperity of deposit mobilization. They are as follows:-

- By cultivating the habit of using rural banking unit.
- By adding service hour system to bank.
- By providing sufficient institutional services in the rural areas.
- Nepal Rastra bank could also organize training program to develop skilled manpower.
- By spreading co-operatives to the rural areas to develop mini banking services.

Several researches have been performed on investment policy of commercial banks. Previous research studies on the various aspects of commercial banks such as investment policy, lending policy capital structure are reviewed some of them are supposed to be relevant for this study. So finding of such research are presented below.

Prabhakar Dhungana (2006), in his thesis, "A Study on Investment Policy of Nepal Bangladesh Bank" he has set the following objectives in his study:

- To study the fund mobilization and investment policy with respect to fee based off balance sheet transaction and fund based on balance sheet transaction.
- To evaluate the liquidity, efficiency of assets management and profitability position, the trends of deposit utilization towards total investment and loan and advance, growth ratios of loan and advances and total investment with respective a growth rate of total deposit and net profit.
- To study the various risks in investment finding and conclusions of the study were as follows:
  - NBBL has not good deposit collections it doesn't have made enough cash and bank balance and it has made negligible amount of investments in government securities.
  - The assets management ratios were highly variable which reveals NBBL has not followed stable policy.
  - NBBL's ratios of OBS operation to loan and advances are low.
  - The credit risk ratios and interest risk ratios of NBBL is high banks profitability solely depends on invest charged by a bank but the high interest rate risk of NBBL shows that bank is failure to maintain this.
  - Trends of deposit collection lending, investment and Net profit were not good.

Ram Khadka (2007), has conducted thesis research on "A Study on the Investment Policy of NABITL Bank" The objectives of the were as follows:

- To evaluate the liquidity, as management efficiency and profitability position in related fund mobilization of NABIL bank.

- To find out the relationship between deposit and total investment, deposit and loan and advances, and Net profit and outside assets of NABIL.
- To evaluate growth ratios of loan and advances and total investment with respective growth rate of total deposits and net profit of NABIL.
- To discuss fund mobilization and investment policy of NABIL in respect to its fee based off balance sheet transaction and fund based on balance sheet transactions.
- To evaluate the trend of deposit utilization and its projection for next five years of NABIL bank.
- To suggest and recommendation some measure on fund mobilization and investment policy of NABIL for the improvement of financial performance of NABIL in future.

The findings of the research were as follows:

- The liquidity position of NABIL is not so good. NABIL has utilized more portions of current assets as loan and advance and less portion as investment on govt. securities.
- The profitability position of NABIL is better.
- NABIL seems to be more successful to increase sources of fund and its mobilization i.e. deposit loan and advances an total investment but it seems to be failure to maintain its high growth rate of profit.
- There is significant relationship between deposit and loan and advance as well as out side assts and net profit where as there is no significant relationship between deposit and total investment of NABIL.
- NABIL is less successful in on balance sheet utilization as well as off balance sheet operation which predicted that NABIL could not mobilize as efficiency.

- There is no significant different between mean ration of loan and advances to total deposit, total investment to total deposit government securities to current assets, loan and advances to current assets return on loan and advances, total investment earned to total outside assets of NABIL bank.
- Trend values of loan and advance to total deposit of NABIL are in increasing trend where as the total investment to total deposit of NABIL is also increasing trend.

Prem Bahadur Sahi (2008), has conducted research on "Investment Policy of Nepal Bank Limited" The major objectives of this research are as follows:

- To evaluate the liquidity position of Nepal bank Ltd.
- To find out the on balance sheet as well as off balance sheet operations of NBL.
- To evaluate profitability position of NBL.
- To find out growth ratios of NBL.

The major findings of his study were as follows:

- The liquidity position of NBL is better.
- NBL is less successful on balance sheet as well as off balance sheet operation. It has followed any definite policy with regard to the management of its assets.
- The profitability position of NBL is not so good.
- A growth ration of NBL is low.

Mr. Shahi recommended that to get success itself and to encourage financial and economic development of the country through industrialization and commercialization commercial banks must mobilize its funds in different sectors such as purchasing of shares and debentures of other financial and non financial companies. He has recommended that banks should make continuous efforts to explore new competitive out loan default in commercial boans it a result of various factors i.e. political influence, lack of the necessary skills of project appraisal, improper collateral evaluation, regulation supervision and lack of entrepreneurship attitude. He also suggested enacting loan recovery act to enhance the recovery of loan.

2.3.2 Review of Concept of Financial Performance

Financial performance analysis can be regarded as the most important part of the financial decision. The growth development of any organization is highly influenced by the financial performance of the financial management in the public enterprises is too much involved in record keeping recessing necessary funds and maintaining relationship with bank and other financial institution. But the financial aspect is one of the most reflected aspects of public enterprises in Nepal. Financial performance as the part of financial management is the main indicator of the success or failure of the firm financial condition business firm should from the point of view of shareholders, debenture holders, financial institutions and ration as a whole.

Miss Rajeswari Shrestha writes in her project work that financial analysis assists in identifying the major strengths and weakness of a firm. It indicates whether a company has enough each to meet its obligations and ability to utilize property their available resource. Financial analysis can also be used to asset the company's viability as an outgoing enterprise and determined whether a satisfactory return is being earned for the risks taken.

Management of a firm is interested in all aspects of financial analysis to adopt a good financial management system and for the internal control of the organization. Similarly trade creditors are primarily interested in the liquidity position of the firm. Long term creditors are more interested in the cash flow ability of enterprises to service debt over a long run likewise all the concerned groups are directly interested in all about the financial performance of the company or a firm.

The financial analysis a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. Analysis and interpretation of various ratios should give an experience and skilled analyst better understanding of the financial condition and performance of a firm that he/she would obtain from analysis of the financial data alone.

Another student of MBS Mr. Birendra Dahal done a study entitled "A comparative study on financial performance on financial performance of Everest insurance company and United Insurance Company". He explains that one of the Yardstick for the judging the worth of a company is by studying its financial performance. It is the financial results of every organization, which is affected by financial decision; the decision must be based upon a financial data and the analysis of data. To get the optimum result every organization has to take the best decision from among the various alternatives. It is a measurable factor, which can present the company's strength and weakness in the financial sectors. It is not any single fact of figure but the analysis of all financial data available with the various tools, ratios used for analyzing the different aspect of finance.

In order to improve the financial performance of sampled companies, he provides some sectors are recommended which are as follows:-

- To improve liquidity position, the company should manage current assets and current liabilities at the desirable level.
- Turnover of CA should be accelerated.
- Company should reduce their existing outstanding premium.
- They should be improving their Risk-bearing capacity.
- To boost up income from investment, first of all review of the present conditions and provision should be made.
- Investment made in hydro-power projects.
- Funds should be invested in equity Shares of international graded commercial Bank.

CHAPTER III

RESEARCH METHDOLOGY

The prime objects of the present study is to evaluate and examine the financial strengths and weakness of Nava-jeevan co-operative bank providing suggestive framework for its improvement; methodology in research method used to test the hypothesis and analysis as well as interprets the data processed.

According to Karlinger "Research methodology means how the research objective will be reached and how the problems encountered in the research will be tackled". This chapter has discussed about the conceptual background of the study and builds a concrete methodology for research study a practical one. Appropriate research methodology has to be followed to achieve desired objective. The research methodology adopted for the present study has been outline in this chapter which deals with research design, sources of data, tools and technique of analysis of data and variables of the data.

3.1 Research Design

The research design is the strategy of conducting research. The main function of research design is to explain how one will find answers to one's research problems. A plan of study or blue print for study is called a research design.

Research design is an arrangement of condition for collections and analysis of data in manner that aims to combine relevance to the research purpose with economy in procedure. It is a plan for the collection and analysis of data. It presents the series of guide posts to enable the researcher to progress in the right directions in order to achieve the goal. Research design is the most important aspect of any research work. Basically there are two purpose of research design which are 1) To provide answers to research question 2) To control variance. It signifies the structure and strategy used in an investigation. The research design followed in this study is descriptive as well as analytical. As the very aim of the present study on the present financial performance of Nava-jeevan co-operative Bank, Dhangadhi. This study will simply describe the financial situation of co-operative bank for the period of five years from 2061/062 to 2065/2066.

The present study follows the combination of historical, descriptive and case study research design. The study tries to explore the true financial performance of sampled company i.e. Nava-jeevan co-operative Bank.

Research Variables

Research variables of this study are as follows:-

- Capital employed.
- Capacity utilization of profit and loss.
- Total assets.
- Size of current assets and current liabilities.
- Total debt
- Volume of deposit and loan disbursement of the consumers.
- Operating expenses
- Interest expenses.
- Cash flow of short term and long term analysis.
- Working and economic environment of the bank.

3.2 Population and Sample

The word population or study population refers not only to people but also to all items or things that have been chosen for the study. The term population or universe for research means all the major of any well defined class of people events or objects. This study related to financial performance of Nava-jeevan co-operative bank, Dhangadhi. At present there appeared co-operatives in operation are 9205 from which 3862 were saving and loan co-operatives and among then 34 Co-operatives take the approved of Nepal Ratra Bank.

By sample, we mean position of the population chosen for the study. A sample is the representatives of the total population in as many factors as possible. A part is selected from the population and examination is called a sample.

A sample requires relatively better resources for designing and executing it adequately act of choosing sample can be referred as sampling. There are two methods of selecting samples from population.

a) Non-Probability Sampling (Non Random Sampling)

In this sample design, the subjects included in the sample are collected from the sampling frame without their probability of occurrences. This sampling technique is applied when the no. of elements in the population is either unknown or cannot be usually identified.

b) Random Sampling

In this sampling design, the subject included in the sample is selected from the sampling frame with their known probability of occurrences. The entire items in sampling frame have equal chance of being chosen. However the probability of selecting an item is known.

Population and Sample Size

Co-operatives	No.
Total co-operatives	9205
Centre co-operatives	3
National co-operative federation	1
Saving and loan co-operatives	3862
District Co-operatives (Kailali) Total	310
Multipurpose finance company	79
Saving and Credit	15
Small farmer co-operative limited	10
Cottage industry	1
Other co-operative Societies	19

The sample company for this study Nava-jeevan co-operative Bank, Dhangadhi a multipurpose finance company. This researcher had used convince of sampling method for the study.

3.3 Sources of Data

There are two types of data i.e. i) Primary data and ii) Secondary data. The data which are collected for the first time originality by researcher is known as primary data and data collection from published or unpublished source which collected by other parties known as secondary data.

In the courses of study basically secondary data have been used i.e. financial statements and annual report and other official records of Navajeevan co-operatives besides, the study also incorporates the views, opinions and clarification received.

3.4 Data Processing Procedures

Data processing procedures means converting the collected data into required homogeneous nature to fulfill the research objectives. By doing so, the data are managed more meaningful and understandable to readers. The data which are processed and refined highlighted, liabilities, assets, profit and loss during the study period in analyzable form. The information obtained from the secondary data will be presented in an appropriate tabulated form and will be analyzed.

3.5 Data Analysis Tools

The analysis of data is done according to pattern of data available. To obtain answer to research questions to exhibits the true financial performance analysis of co-operative Bank Dhangadhi, the data obtained from the financial accounts, the records and the interview .Balance sheet profit and loss account and income statement of the companies have been used for the purpose of analysis. Tools of analysis utilized in the present study include.

Ratio Analysis

Ratio analysis is one of the techniques of financial analysis. Ratio shows the relationship between two interrelated accounting figures of financial statements. It reflects the process of determining the significant operating and financial characteristics of a firm accounting data and financial statement. The aim of such analysis to determine the efficiency progress and performance of the management of a firm. It establishes the numerical or arithmetic relationship between the two figures. Ratio analysis is defined as the systemic use of ratio to interpret the financial statements so that the strengths and weakness of firm as well as historical performance and current financial condition can be determined. We should use financial statements like balance sheet, profit and loss account and income statement to calculate ratio analysis. The judgment can also be assumed the risk of the firm with the help of ratio analysis so that it can be used to rank industries according to the degree of risk.

Different authors have grouped financial ratio under various categories. Here the financial ratio can be classified into the following categories:-

1. Liquidity ratio

2. Assets management or efficiency ratio.

3. Debt management or leverage ratio

4. Profitability ratio.

1. Liquidity ratio

It measures the firm's ability to meet current obligations liquidity ratios are used to understand firm's ability to meet short term financial strengths/ solvency of a firm. The consequences of inadequate liquidity are very serious and therefore measures of such liquidity have been attached greater importance popular liquidity ratios are:-

- Current Ratio
- Quick Ratio

Current Ratio

One of the most frequently used of this ratio is the current ratio. It indicates the extents to which current assets are sufficient to pay current liabilities. It is calculated by dividing current assets by current liabilities.

CR=CA/CL

Current ratio standard regarded as 2:1. Higher current ratio indicates that the firm is in liquid and has ability to pay its current obligation in time as and when they become due. On the other hand lower current ratio represents that the liquidity position of the firm is not good and the firm will face difficulty in payment of current obligation in time.

Quick Ratio

A modified version of current ratio which is called second measure of firm's liquidity is the acid test ratio. This ratio is calculated by deducting inventories from CA and dividing the remainder by CL. QR/acid test ratio = CA - inventories.

The quick ratio is very useful in measuring the liquidity position of the firm quick ratio equal to 1:1 is considered as satisfactory one.

2. Assets management or efficiency ratio

Assets management ratio's measures the effectiveness with which a firm is utilizing its assets to generate sales. It measures how effectively the firm is utilizing /managing its assets. A very efficient firm then is one that utilizes its investments asset to generate the largest possible level of sales revenue. The prominent ratios in the group are as follows:-

Fixed Assets Turn over Ratio

This ratio indicates the number of times the average fixed assets are turned over during the year. It measures how effectively the firm uses its plant and equipment.

$$FATR = \frac{Sales}{Fixed\ Assets} = \ldots\ldots\ldots \text{times}$$

Where, sales = Total interest income higher fixed assets turnover ratio indicates better business performance and lower ratio inefficient utilization of available fixed assets since there is no standard for this ratio.

Total Assets Turnover Ratio

This ratio measures the turnover or utilization of all of the firm's assets. Total assets include current assets, long-term or fixed assets and intangible assets. The amount of total assets can also be determined as follows:-

Total amount of asset side of B/S	= xx
Less: total amount of fictitious assets	= xx
Total Assets	= xx

Where,

Fictitious assets = (These assets refers to differed expenditures and debit balance of profit and loss account).

It is calculated as under

$$TATR = \frac{Sales}{Total\ net\ assets}$$

Where, sales = total interest earned

In general higher TATR ratio indicates the proper utilization of assets of the firm and rice versa.

Inventory Turnover Ratio

The efficiency with which a firm managing its inventories is indicated by its inventory turnover ratio. This ratio indicates the number of times the inventory is turned over during the year.

$$ITR = \frac{Sales}{Inventores} = \ldots\ldots\ldots\ldots..\ \text{times}$$

Inventory turnover ratio measures the velocity of conversion of stock into sales. A high stock turnover indicates efficient management of inventory because more frequently the stocks are sold; the less amount of capital is required to finance the inventory.

Receivable Turnover Ratio

General measure of the productivity of the receivable investment is done by RTR. It shows the no. of times the firm collect its account receivable per year and is calculated as follows:-

$$\text{RTR} = \frac{\textit{Annual Credit Sales}}{\textit{Receivable}}$$

Receivable turnover ratio indicates the no. of times the debtors are turned over during the year. The higher the value of its turn over the more efficient the management of debtors or more liquid the debtors.

Days sales outstanding

It is also called the average collection period which is used to appraisal accounts receivable. It indicates the number of day's sales that are tied up in receivable.

$$\text{DSO} = \frac{\textit{Receivable}}{\frac{\textit{Annual Sales}}{360}} = \frac{\textit{Receivable} \times 360}{\textit{Annual Sales}}$$

3. Debt Management Ratio or Leverage Ratio

The long term solvency of a firm can be examined by using ratio/ debt management ratio. Debt management ratio has three implications.

- By raising funds through debt, the owner's can maintain control of the firm with a limited investment.

- Creditors look to the equity or owners supplied funds to provide a margin of safety.

- Return on owner's capital is magnified.

Debt to total assets ratio = $\frac{Total\ debt}{Total\ Assets}$

Debt to equity ratio = $\frac{Debt\ to\ assets\ Ratio}{1 - debt\ to\ assets\ ratio}$

4. Profitability Ratio

Profitability ratios are used as over all measures of the efficiency and effectiveness of the firm's investment management. Profitability is the net result of a large number of policies and decisions. Some important profitability ratios' are as follows.

Gross Profit Margin

One of the most common ratios in operational analysis is the calculation of gross profit as a percentage of sales i.e. interest earned in this study. A firm should have a reasonable gross profit margin to ensure adequate coverage for operating expenses of the firm and sufficient return to the owners of the business. Gross profit ratio expresses the relationship between gross profit and sales and it is calculated by dividing gross profit by sales (interest earned)

G.P. Margin = $\frac{G.P.}{Sales} \times 100 = \ldots\ldots\ldots\ldots \%$

A high G.P. ratio to sales is a sign of good management as it implies that the cost of production of the firm is relatively low.

Net profit Margin Ratio

It measures the overall profitability of the firm by establishing relationship between net profit and sales. The relation between net profit and sales indicates management's ability to operate the business with sufficient success not only to recover the cost of production, operating expenses of business and cost of borrowed funds but also to leave a margin of reasonable compensation to the owners for providing their capital at risk. It is calculated by dividing net profit after tax and interest by sales.

$$\text{N.P. Margin} = \frac{NPAT}{Sales} = \ldots\ldots\ldots..\%$$

NP margin indicates margin of compensation left to the owners for providing their capital, after all expenses have been met. It helps in determining the efficiency with which the affair of the business is being managed.

Return on Assets

It measures the productivity of the assets. It measures in terms of relationship between net profit and assets. It is calculated as:-

$$\text{ROA} = \frac{NPAT}{Total\ Assets} = \ldots\ldots\ldots\ldots\%$$

This ratio judge the effectiveness in using the total fund supplied by the owners and creditors higher ratio the higher return on the assets used in the business and effective use of the resources available and vice versa.

Return on Equity

One of the most important tools of the ratio analysis is return on shareholders equity. It measures whether a concerned firm has earned a satisfactory return for its owner or not. It is calculated as:-

$$\text{ROE} = \frac{NPAT - PD}{Share} = \ldots\ldots\ldots..\%$$

Return on capital Employed

This ratio measures the relationship between capital employed and net profit after tax. This ratio indicates how well the management has used the fund supplied by creditors and owners.

$$\text{ROCE} = \frac{\text{NPAT}}{\text{Capital Employed}}$$

Where,

Capital employed = equity + preference share capital + Reserve + PL Account (Cr.) + share premium + other undistributed + debenture + Bond + Ltd non business …….i.e. in vestment on government securities, fictitious assets i.e. preliminary expenses and P/L AC.

This ratio shows how efficiently the management has used the available resources supplied by owners and creditors. Higher ratio shows efficient utilization of fund and vice versa.

5. Market Value Ratio

These ratios relate to firm's stock price to its earnings and book value per share. These ratios give management and indication of what investor think of the company past performances and future protects.

Earning per share

It measures the profit available to the equity shareholders on per share basis i.e. the amount that they can get on each share. This ratio is computed by dividing the net profit after preference dividend by the no. of equity shares outstanding.

$$\text{EPS} = \frac{NPAT - PS}{No.\ of\ \ Shares\ outs\tan ding} = \text{Rs. } \ldots$$

In general higher the figure is considered as best. While calculating the EPS. Retained earning shared not be considered i.e. only the earnings of the year should be considered.

Dividend per share

The net profit after interest, tax and preference dividend belongs to ordinary share holders. But it is not necessary to that dividend per share must be equal with the earning per share. The amount of earning distributed and paid as cash dividend is considered for calculating the dividend per share. It is computed by dividing the amount of dividend distributed to shareholders by the numbers of common shares outstanding.

$$\text{DPS} = \frac{Earning\ \ Paid\ to\ Shareholders}{No.\ of\ \ equity\ Shares\ \ outs\tan ding} = \text{Rs} \ldots\ldots\ldots$$

In general higher the figure is considered the better and vice versa.

6. DU PONT IDENTITY

The two measures of profitability ROA and ROE, which we have computed just before is a reflection of the use of the debt financing or financial leverage. DuPont Corporation developed a famous way of decomposing ROE into its component parts. The DuPont identity tells us that ROE is affected by three things:-

*Operating efficiency as measured by profit margin.

*Asset use efficiency as measured by TATR.

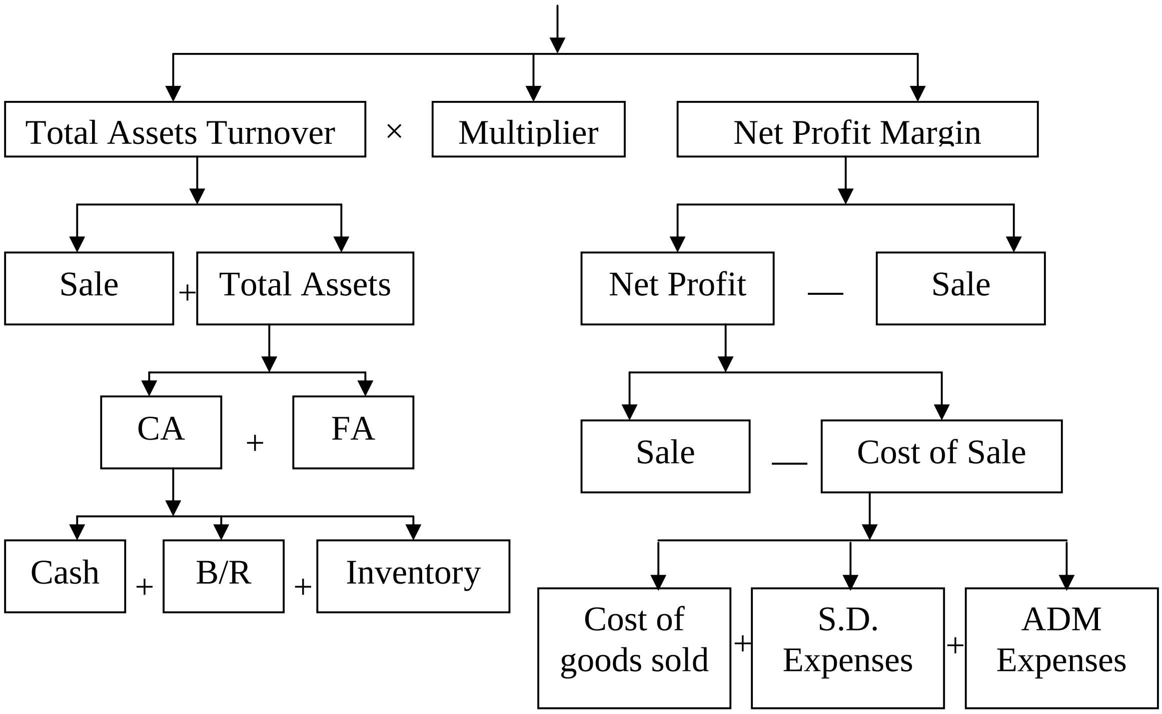
*Financial leverage as measured by equity multiplier.

ROA = profit margin X TATR

ROE = ROA x equity multiplier.

$$\frac{NI}{TA} \times \frac{TA}{Equity}$$

NI/ Equity DU PONT CHART



User of ratio analysis

Ratio analysis is performed from the point of the firms' concerned parties' i.e.

- Owners
- Investor
- Management committee
- Employees
- Consumers
- Government

Trend Analysis

Trend analysis is a significant tool of horizontal financial analysis. It is a dynamic method to indicate the changes and derivations in terms of financial statements. Trend analysis helps to identify the controllable items of given period and future forecast can be made for ongoing concern. It is one of the useful tools in making a comparative study of the financial statements to identify the changes in an item or in a group of items over a period of time and to draw the conclusion regarding the changes there on.

Trend relationship is the ratio analysis and interpretation of the item of the comparative financial statements of different periods. Trend analysis reveals the direction of changes or is a guide to the movements of different periods. This way the favorable or unfavorable situation of a business is being revealed.

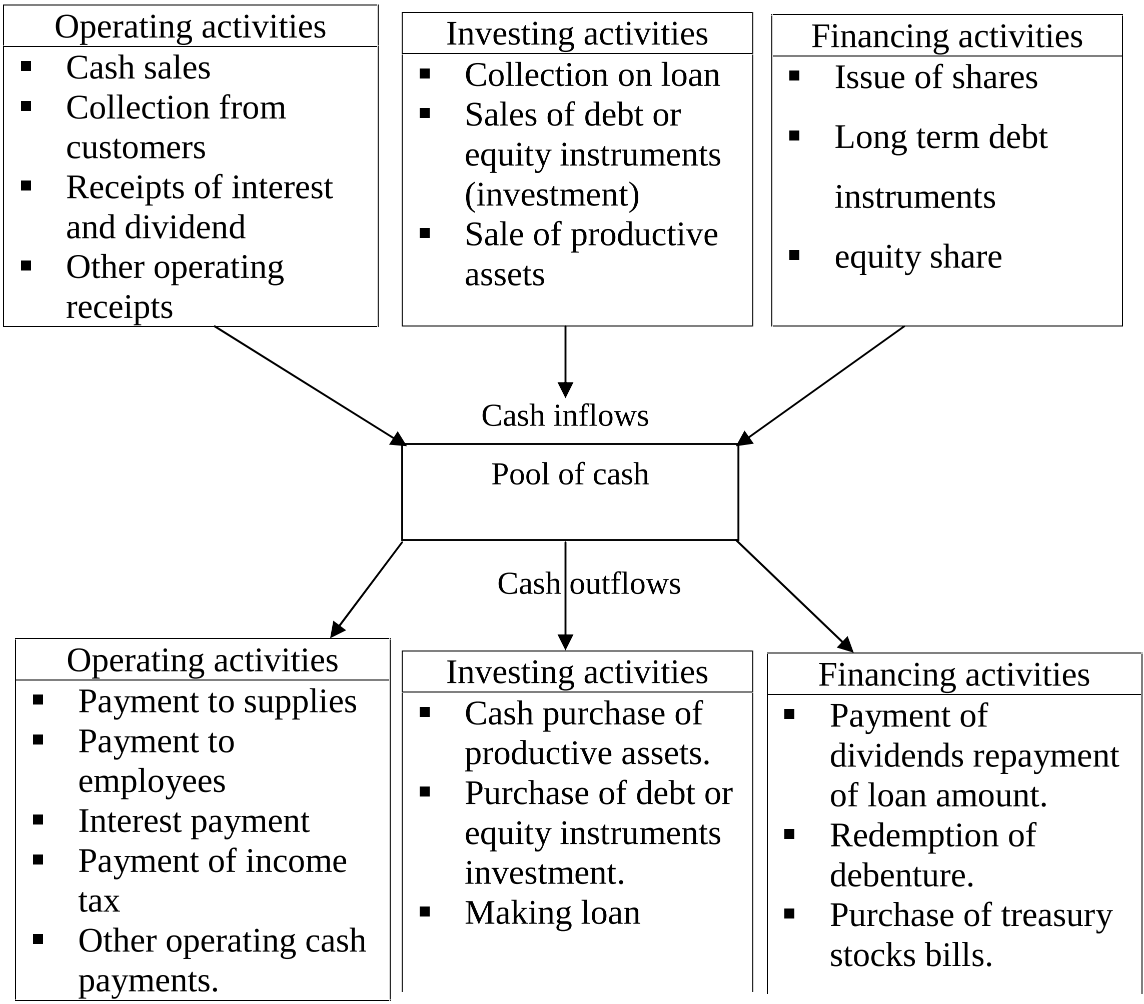
Trend analysis helps to analysis the facts of a firm which is very important from the point of view of forecasting of budgeting in future.

Cash Flow Analysis

Cash is the fuel that keeps a business alive. Without cash no activities can be taken place. So, a business must have an adequate amount of cash to operative. The analysis of the events and transactions that affect the cash position of the company is termed as cash flow analysis. As such the decision makes must pay attention to the position and events and transactions that cause cash position to change. Cash flow analysis measures the changes that have been taken place in the financial position of a firm.

It communicates those types of information which are not covered by income statement and balance sheet. Cash flow analysis is done through statements of cash flows. A cash flow statement is a statement of firm's ability to generate cash from various activities such as operating, investing and financing and their need of cash. It is a statement which shows the inflows and outflows of cash and cash equivalents during the year. Nepal Company Act. 2053 B.S. also made mandatory to present cash flows statements along with balance sheet and income statements. As such enterprise should prepare a cash flow statement and present it as an integral part of its financial statements for each period of time when financial statements are presented.

The cash flow statement is prepared on the basis of cash basis of accounting. While calculating operating profits for cash flow statements, adjustments for prepaid and outstanding expenses and income are made to convert the data from accrual basis to cash basis. The statement is prepared by taking the opening balance of cash adding to this all the inflows of cash and deducting all the out flows of cash from the total. Cash flows from different activities can be presented as follows:-



Arithmetic mean ($\overline{X}$)

Arithmetic mean of a given set of observations. In general x_1, $x_{2...}$ x_4 are the given n observation, and then their arithmetic mean usually denoted by x is given by

$$\overline{X} = \frac{(X_1 + X_2 + \ldots\ldots\ldots\ldots\ldots X_n)}{n}$$

Where,

X = variables

n = No. of series.

Standard Deviations (±)

It can be used to measure the risk of two variables of a company. It is denoted by Greek letter (±) which is the positive square root of the arithmetic mean of the square of the deviations of the given values from their arithmetic mean. It measures the absolute dispersion or validity of the distribution standard deviation is externally useful in judging the representativeness of the mean. To calculate standard deviation, we used the following formula.

$$\text{S.D. } (\pm) = \sqrt{\frac{\sum x^2}{N} - \left(\frac{\sum x}{N}\right)^2} \quad \text{or} \quad \sqrt{\frac{\sum fx(x - \overline{x})^2}{N}}$$

Where,

S.D./ ± = Standard déviation

x = Variables

$\overline{x}$ = mean value of X series.

The co-efficient of variance

The co-efficient of variation is the relative measures of dispersion comparable across distribution, which is defined as the ration of the standard deviation to the mean expressed in percent to calculate co-efficient of variance, we use the following formula.

$$\text{C.V.} = \frac{S.D.}{X} \times 100 = \ldots\ldots\ldots\ldots\ldots\ldots\ldots\%$$

Where,

C.V. = Coefficient of Variance

S.D. Standard deviation

$\overline{X}$ = Mean of given variables

Student's Test

The hypothesis is tested in the form, whether the difference mean values of each selected ratio of Navajeevan are statistically significant or not. These hypotheses are tested by applying students test.

$$S = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{S^2\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Where,

$\overline{X}_1$ & $\overline{X}_2$ = mean value of NCB

n_1+n_2-2 = degree of freedom

S^2 is an unbiased estimate of common population variance S^2 of both samples.

$$S^2 = \left[\frac{(x_1 - \overline{x_1})^2 + (x_2 - \overline{x_2})^2}{\sqrt{n_1 + n_2 - 2}}\right]$$

By comparing the computed value of't' with the tabulated value of't' for n_1+n_2-2 degree of freedom and at a desired level of significance, that the null hypothesis (t_0) is accepted or rejected.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

In previous chapters, the researcher has highlighted overall development and situation of Navajeevan co-operative Bank, Dhangadhi. In addition, the relevant literature related to this study has been reviewed and the research methodology has been discussed. To constitute the significant part of the study this chapter is related with analysis of the financial performance of Navjeevan co-operative Bank, Dhangadhi with the help of different financial and statistical tools.

4.1 Analysis of Liquidity position

Liquidity reflects the solvency power of the company in terms of meeting short term liabilities. Liquidity ratios represent the company's ability of meeting its short term obligations. A high quality ratio shows the financial strength of the company. Calculations of different types of liquidity ratios are as follows:

4.1.1 Current ratio:

Current ratio measures short term solvency power of the company. It is most widely used and accepted of analyzing the solvency position. This ratio is mostly used to calculate or carry out short term solvency because of its merits of showing whether the claims made by short term creditors can be covered with short term assets that are expected to be converted into cash within a year. As a measure of short term current financial liquidity, the standard current ratio is 2:1 which indicates two rupees of current assets should be available for each rupee of current liabilities. In short, the current ratio measures the short term solvency of the company as well as it shows the relationship between current assets and current liabilities. It is known that single ratio in itself doesn't favorable or unfavorable condition of the company. As a conventional rule, a CR of 2 is to 1 or more is considered satisfactory which may vary as per the nature of business however this rule may not be applicable for this study since this study is related to co-operative banking institutions. The current ratio of Navajeevan co-operative Bank is presented in table No. 4.1

Table 4.1

Current ratio (times)

Financial Year	Currents assets (Rs.)	Current liabilities (Rs.)	Ratio=CA/CL (times)
2061/062	228193810.45	153628506.56	1.49
2062/063	256108995.83	186105732.50	1.38
2063/064	346600643.45	271736250.34	1.28
2064/065	452090520.63	373798596.78	1.21
2065/066	582750062.62	488781551.99	1.19

Source:- Annual Reports of NCB

The table no. 4.1 shows the capacity of the co-operative bank to meet its current liabilities. Generally, a current ratio 2:1 is considered ideal for a concern. The current rations for co-operative bank for the financial year 2061/062 to 2065/066 are 1.49, 1.38, 1.28, 1.21 and 1.19 respectively and the average current ratio for the co-operative is 1.31 these are lower than the theoretical norms. Current ratios of the co-operative bank for the study period are in decreasing trend. The range of current ratio in Navajeevan co-operative bank Dhangadhi spans from 1.19 to 1.49 times with an average of 1.31 which is almost equal with the average. To some extent Navajeevan cooperative is capable of meeting its current liabilities by current assets.

This study is based on financial performance of Navajeevan co-operative Bank. So the inventories are less important in bank, which is a service oriented business/ institution. Therefore, only current ratio has been used for data analysis.

4.1.2 Cash and bank balance to deposit ratio (Excluding fixed deposits)

Cash and Bank balance to deposit ratio indicates the ability of co-operative, immediate funds to meet their current margin calls and saving deposits Generally, a high ratio reveals the greater capability to cover their deposits (excluding fixed deposits) and vice versa. A higher ratio would be advantageous. However too high ratio is disadvantageous as capital is tied up in the unproductive sectors i.e. cash and bank balance. This ratio can be computed by using the following formula.

$$\text{Cash and bank balance to deposit ratio} = \frac{\textit{Cash and bank balance}}{\textit{Deposits (excluding fixed deposits)}}$$

In the present case, cash and bank balance includes cash in hand and bank balance. Likewise deposits include the saving deposit and daily deposits only. The position of cash and bank balance to deposit ratio has been present in table no. 4.2.

Table 4.2

Cash and Bank balance to deposit Ratio

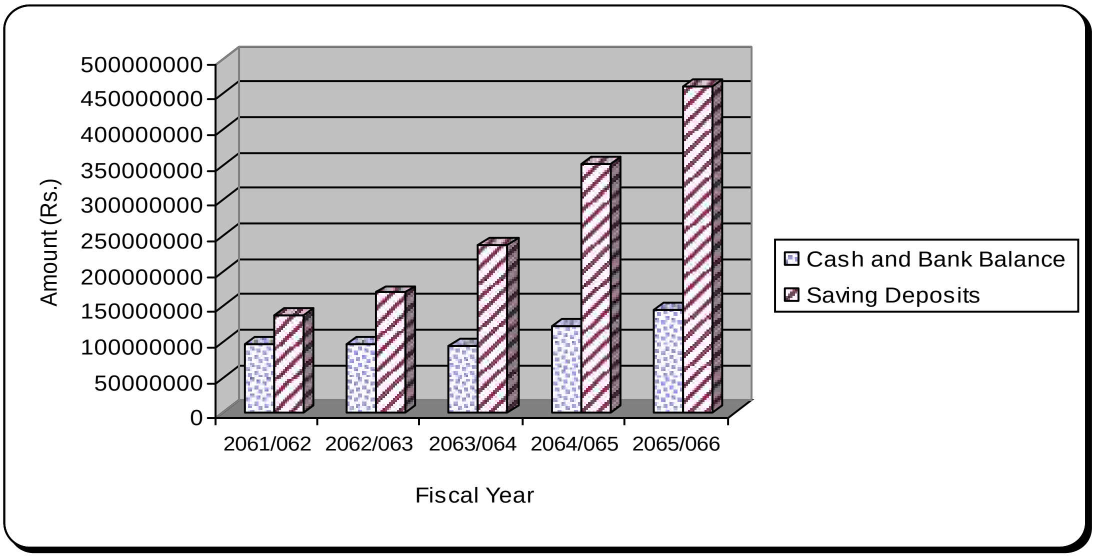
Financial Year	Cash and Bank Balance (Rs.)	Saving Deposits (Rs.)	Ratio=2/3 (%)
2061/062	98071884.78	138684611.35	70.72
2062/063	98433118.81	169870349.28	57.95
2063/064	95941408.37	237527334.25	40.39
2064/065	123063003.96	350702543.06	35.09
2065/066	144872557.4	461494153.07	31.39

Source:- Annual Reports of NCB

Table 4.2 indicates that the cash and bank balance to deposit ratio of NCB is in decreasing trend. The ratio was highest in the year 2061/062 70.72 percentage and the ratio was lowest in 2065/066 which was only 31.39 percentage of saving deposits. This trend has been presented in the figure 4.1.

Figure 4.1

Cash and Bank Balance to deposit



On the basis of above analysis, it can be said that there would be a problem of refund of deposits but overall liquidity position is better of NCB. However, it has to be considered the high investment in more productive sectors, like government securities, bond and treasury bills to further advancement in its profitability positions.

4.2 Profitability Ratio

Co-operative organization may be introduced as a business organization. The sole objective of any company is to achieve more and more profit from the business services. The investors invest their money for the return. The surplus is most essential for firm's survival and future growth. It is also an indication of the firm's efficiency and overall measuring rod of the business. Besides management of the institutions, depositors and owners are also interested in the profit of the business organization or institution. Even against the background of social motive, co-operative must earn sufficient surplus as a business organization for its expansion, growth and long term sustainability in the competitive business environment.

The profitability is another measure for evaluation of the financial performance of the organization. This ratio measures the organizations effectiveness in terms of managing funds to generate profit and search for it provides an incentive to achieve efficiency. Hence, the management of the co-operative is interested in the firm's profitability. It is regarded as the most crucial element for the survival, competition and growth of the organization. Some of the commonly used profitability ratios are analyzed here.

4.2.1 Operating profit margin to interest earned Ratio

Operating profit margin measures the efficiency and operation of the organization. Operating profit is the profit which comes after deducting the amount of operating expenses from total income. The operating expenses are the sum of interest expenses, management expenses, depreciation and other expenses relating to the operation of the bank. Similarly, the total income comprises interest earned on loan and advances dividend from investment (on share) and miscellaneous receipts. Hence, operating profit margin is not the actual realized profit of the bank. It is calculated dividing operating profit by interest earned which is considered as revenue. A high operating profit margin is a sign of better management as it implies that the relatively lower operating expenditure incurred during the period and vice versa.

Table 4.3

Operating profit Margin to Interest Earned Ratio

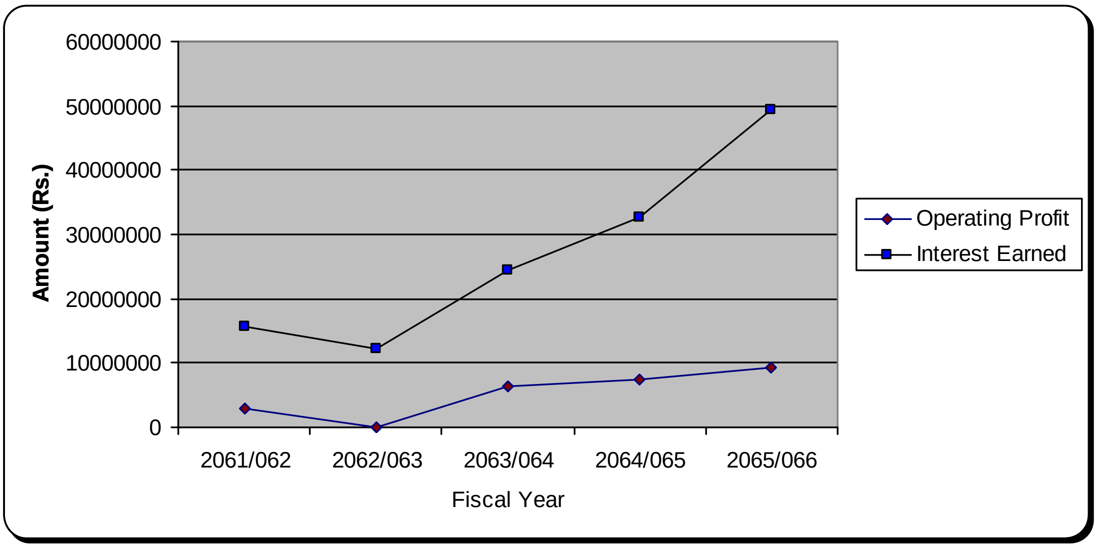
Financial Year	Operating Profit (Rs.)	Interest Earned (Rs.)	Ratio=2/3 (%)
2061/062	2822560.52	15689474.70	17.99
2062/063	114423.41	12339485.39	0.93
2063/064	6293945.79	24393228.09	25.80
2064/065	7550405.17	32742134.12	23.06
2065/066	9268739.91	49506708.40	18.72

Source:- Annual Reports of NCB

According to table 4.3, operating profit to interest earned ratio decreased 17.99% to 0.93% in the fiscal year 2061/062 to 2062/063 which is much lower ratio and it is seemed in decreasing trend upto the fiscal year 2065/066 and reached to 8.72% from 25.80%. Management must concentrate towards increasing the profitability. It is also lower due to high operating expanses. In the financial year 2063/064 the ratio increased to 25.80% but in the year 2065/066 it in decreased by 18.72%. The average operating profit margin ratio is 17.3% and actual yearly ratios are much more fluctuated from the average operating ratio. This trend has been presented in figure 4.2 also.

Figure 4.2

Operating profit margin to Interest Earned



4.2.2 Return on Assets (ROA)

Return on assets (ROA) is one of the significant tools for measuring the profitability of all financial resources utilized by the organization/institution. This ratio is calculated to reveal the overall operating efficiency of an organization. It is measured in terms relationship between net profit and total assets. While calculating return on assets, the researcher has used total assets. Higher ratio of return on total assets indicates satisfactory utilization of fund invested and vice-versa. The return on assets of NCB has been presented in table 4.4

$$\text{Return on assets (ROA)} = \frac{NPAT}{TA}$$

NPAT = Net profit after tax

TA = Total Assets

Table 4.4

Return on Assets (ROA)

Financial Year	NPAT (Rs.)	TA (Rs.)	Ratio=2/3 (%)
2061/062	1757685.42	231383019.04	0.76
2062/063	78380.04	266413343.15	0.03
2063/064	4940747.44	357648719.67	1.38
2064/065	5927068.06	465562337.34	1.27
2065/066	7414991.93	597080717.80	1.24

Source:- Annual Reports of NCB

The table 4.4 clearly indicates the return on assets ratio of the co-operative bank which was fluctuating over the study period. Total assets of the bank seem in increasing trend. Similarly Net profit after tax (NPAT) has been increasing except in the financial year 2062/063 from the base year by Rs. 1757685.42 to Rs. 741499.93. In the terms of percentage, the ROA is 0.76% in the financial year 2061/062 and decreased by 0.03% in 2062/063. How ever, it increased in the next year and reached to 1.38% then it again started to decrease and reached to 1.24% in financial year 2065/066.

Lower return on Assets indicates the lower efficiency in utilizing its resources. The return on assets has been decreasing over the study period. The management of the co-operative bank is to be cautioned in this regard.

4.2.3 Return on Net Worth

Return on net worth is an important ratio to judge whether the firm has earned a satisfactory return on its equity or not. How well a firm has used the resources of the owners to earn profit is indicated by this ratio, Thus, the higher the ratio, the more advantageous for the shareholders, which represents the sound management and efficient mobilization of the owners equity, sound mix of capital structure and operating efficiency and vice versa. Net worth indicates paid-up capital, reserve funds, premium on shares and other reserves that may distribute to the shareholders. The return on net worth ratio is computed by dividing NPAT by net worth. The rate of return on net worth, in the context of NCB, has been presented in table 4.5.

Table 4.5

Return on net worth

Financial Year	NPAT (Rs.)	Net Worth (Rs.)	Ratio=2/3 (%)
2061/062	1757685.42	19035997.95	9.23
2062/063	78380.04	19598969.71	0.40
2063/064	4940747.44	239444336.12	2.06
2064/065	5927068.06	30143447.59	19.66
2065/066	7414991.93	42966594.97	17.26

Source:- Annual Reports of NCB

Table 4.5 shows that the return on net worth of co-operative bank was 9.23 percentages in 2061/062 and decreased to 0.40 percentage in the next year thereafter started to increase which reached to 19.66 percentages in the financial year 2064/065, however, it further declined to 17.26 percentages in financial year 2065/066. In the base level there could be seen that the management has not been efficient in mobilization of the owners' equity but after that the management has being able to generate more profits to equity shareholders.

This ratio has great importance to present and prospective shareholders and also a great deal for the management as it ultimately makes sure to maximize shareholders wealth and affects the market value of the share. With the help of this ratio, we can conclude that the financial management of the co-operative bank is ineffective and inefficient in the year 2062/063 and 2063/064 respectively.

4.2.4 Return on Capital Employed

Return on capital employed is one of the significant tools of measuring the profitability of an organization. It provides a test of profitability related to the source of long term funds which reflects how well management has used the funds supplied by creditors and owners. Higher the ratio, higher the efficiency of the capital employed. The capital employed is determined by adding share capital, reserve funds, long term debt. It can also be calculated by fixed assets plus current assets minus current liabilities. Return on capital employed is calculated with the help of the following formula.

Return on capital employed = $\frac{NPAT}{Capital\ employed} \times 100$

Table 4.6

Return on capital employed

Financial Year	NPAT (Rs.)	Capital Employed (Rs.)	Ratio=2/3 (%)
2061/062	1757685.42	18964770.96	9.27
2062/063	78380.04	19598649.13	0.40
2063/064	4940747.44	23926932.30	20.65
2064/065	5927068.06	29963186.28	19.78
2065/066	7414991.93	42553538.69	17.43

Source:- Annual Reports of NCB

The return on capital employed of NCB has been calculated in the above table. Over the study period it has been clearly shown that return on capital employed is 9.27% in the initial year 2061/062 and decreased to 0.40% in the next year.

From financial year 2063/064 to 2065/066 it is in decreasing ratio i.e. 2065%, 19.78% and 17.43% respectively.

4.2.5 Net Profit Margin Ratio

Net profit margin ratio measures the overall profitability of the organization by establishing relationship between net profit and sales where sales indicate interest earned. The relation between net profit and interest earned indicates management's ability to operative the business with sufficient success, not only to recover the cost of operating firm and cost of borrowed funds but also to leave a margin of reasonable compensation to the owners for providing their capital at risk. It is calculated by dividing net profit after tax by sales or interest earned.

$$\text{Net profit Margin} = \frac{NPAT}{Interest\ \ Earned} \times 100$$

This ratio reveals margin of compensation left to the owners for providing their capital after all expenses have been net. A high net profit Margin ratio indicates the effective and efficient operation of the organization such as increase in interest earned decrease in operating cost and met the demand of investors i.e. reasonable profit.

Neat profit margin ratio of co-operative bank is calculated by dividing net profit after tax by interest earned which is shown below.

Table 4.7

Net profit margin ratio

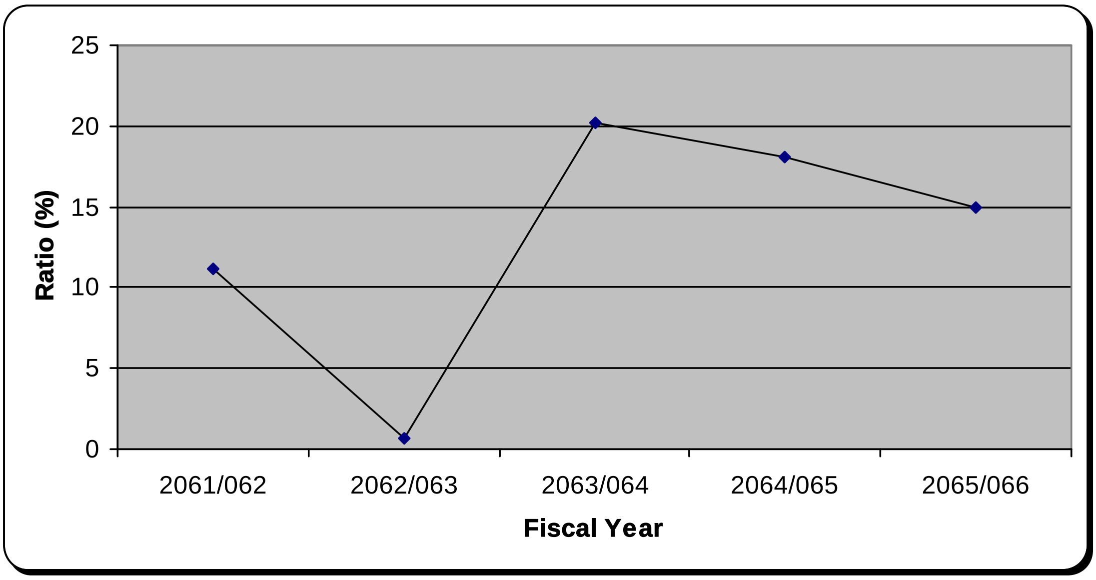
Financial Year	NPAT (Rs.)	Interest Earned (Rs.)	Ratio=2/3 (%)
2061/062	1757685.42	15689474.70	11.20
2062/063	78380.04	12339485.39	0.64
2063/064	4940747.44	24393228.09	20.25
2064/065	5927068.06	32742134.12	18.10
2065/066	7414991.93	49506708.40	14.98

Source:- Annual Reports of NCB

From above calculations in the table 4.7, net profit margin ratio is identified net profit ratios to be 11.20, 0.64, 20.25, 18.10 and 14.98 percentage respectively in different financial years. The ratio started from 0.64 percent and reached up to 20.25 percent which is highest ratio and favorable also. The ratio was 11.20 percent in the fiscal year 2061/062 and decreased to 0.64 percent in 2062/063 but increased in 2063/064. Similarly, in the financial year 2064/065 and 2065/066 the net profit margin again started to decrease and reached to 18.10 and 14.98 respectively. The pattern of net profit margin has been presented in figure 4.3.

Figure 4.3

Net Profit Margin Ratio



4.3 Asset Management Ratio

Asset management ratios measure the effectiveness with which a firm is utilizing its assets to generate revenue. Collected funds are invested in procuring various kinds of assets to generate sales i.e. interest earned and profit. The better management of asset turnover is the better indication of its financial performance. A very efficient firm then is one that utilizes its investment assets to generate the largest level of revenues. Some of the efficiency ratios are computed to assess co-operatives efficiency in utilizing available resources.

4.3.1 Fixed Assets Turn over Ratio

Fixed assets turn over ratio helps to evaluate financial performance of the co-operative bank. This ratio measures how effectively the fixed assets are utilized to generate the total interest earned. The relationship between fixed assets and the interest earned- higher ratios show that the assets are utilized more effectively and lower ratios is an indication of inefficient assets management. Fixed assets turnover ratio of Navajeevan co-operative bank has been calculated below and presented in table 4.8

Fixed assets turnover ratio = $\frac{Interest\ Earned}{Fixed\ Assets} = ...Times$

Table 4.8

Fixed Assets turnover ratio

Financial Year	Interest Earned (Rs.)	Fixed Assets (Rs.)	Ratio (times)
2061/062	15689474.70	3189208.59	4.92
2062/063	12339485.39	10304347.32	1.20
2063/064	24393228.09	11048076.22	2.21
2064/065	32742134.12	13471816.71	2.43
2065/066	49506708.40	14330655.18	3.45

Source:- Annual Reports of NCB

Table 4.8 clearly expresses the fixed assets turnover ratio (FATR) of NCB. As per the above table, the ratio was 4.92 times in the base year 2061/062 and this ratio has been increasing for succeeding years but the management is not able to utilize its fixed assets to generate sufficient revenue for the organization. Therefore the management should concentrate to utilize its assets to create sufficient revenue.

4.3.2 Total Assets Turnover Ratio

Assets are used to generate revenue. In order to maximize firm's revenue the management must have to manage its available assets effectively. Total Assets Turnover Ratio measures the turnover or utilization of all the firm's assets. In other words total assets turnover ratio is the relationship between total assets and interest earned. The total assets turnover ratio is calculated by applying formula.

$$\text{Total assets turnover ratio} = \frac{Interest\ \ Earned}{Total\ \ Assets} = ...times.$$

Where total assets = Total amount of balance sheet-fictitious assets.

Table 4.9

Total assets turnover ratio

Financial Year	Interest Earned (Rs.)	Total Assets (Rs.)	Ratio (times)
2061/062	15689474.70	231383019.04	0.07
2062/063	12339485.39	266413343.15	0.05
2063/064	24393228.09	357648719.67	0.07
2064/065	32742134.12	465562337.34	0.07
2065/066	49506708.40	597080717.80	0.08

Source:- Annual Reports of NCB

Total assets turnover ratio of the co-operative bank for different financial years is shown in the table 4.9. In the base year (2061/062), the total assets turnover ratio was 0.07 which means assets turnover ratio of 0.07 times is that every 1 Rupee is required to generate interest. The ratio decreased to 0.05 in the next year (2062/063). Then the ratio seems in increasing trend till 2065/066 and reached upto 0.08 times that means the ratio is increased by 14.29% from the base level. In 2062/063 this ratio decreased by 28.57% from base level but in comparison with fiscal year 2065/066 it decreased by 37.5%. Similarly, the ratio for 2065/066 increased in comparison with 2064/065.

4.3.3 Loan and Advances to total deposit ratio.

Loans and advances to total deposit ratio measures the percentages mobilization of deposits to loans and advances. It shows the capacity of utilizing deposits i.e. outsiders fund in the form of extending loans and advances. Total deposits imply the amount collected from its deposits and loan and advances implies total loan and advances whether it is to employee or outsiders. In general, high ratio indicates the greater efficiency to utilize the funds provided by the depositors and vice versa.It is calculated by dividing total loans and advances by total deposits. Loan and advances to total deposit ratio has been tabulated as below.

Table 4.10

Loan and advance to total deposit ratio

Financial Year	Loan and advances (Rs.)	Total deposit (Rs.)	Ratio (%)
2061/062	103903787.49	178886351.00	58.08
2062/063	128422138.18	211304179.31	60.78
2063/064	211237456.37	281357770.86	75.08
2064/065	311340753.58	400014722.66	77.83
2065/066	419567500.97	511438489.39	82.04

Source:- Annual Reports of NCB

Table 4.10 clearly shows the ratio of co-operative bank in terms of mobilizing its deposits into loans and advances. Loans and advances to total deposit ratio has been in increasing trend over the study period and reached upto 82.04% it means in that year the management was trying to maximize utilization or mobilize its deposits. Ratio for the different financial year from 2061/062 to 2065/066 are 58.08%, 60.78%, 75.08%, 77.83% and 82.04% respectively. From the analysis of above table in the preceding years the ratios remain lower due to internal conflict, strike and Band all over the country from which business and service organization were badly affected. In an average the management of the bank is able to utilize its deposits near about 70.76%.

4.4 Trend Analysis

Trend analysis helps to understand the change in an item or group of item of the financial statements over a given time period. Under this study a base year is selected and trend percentage is calculated for loan and advances and loan collection of NCB taking the figure of base year as 100. Year 2061/062 is taken as the base year for the purpose of the study. The trend percentages show the relationship of each item in statements with its preceding year's percentages. Therefore these percentages are shown in the table in the form of index numbers. The table n. 4.11 indicates the trend percentages from the year 2061/062 to 2065/066.

Table 4.11

Trend percentage of loan and advances loan collection ('000)

Financial Year	Loan and Advances	Trend (%)	Loan Collection	Trend (%)
2061/062	103903	100	41960	100
2062/063	128422	124	35590	84.82
2063/064	211237	203	47272	112.66
2064/065	311340	300	70646	168.37
2065/066	419567	404	98800	235.46

Source:- Annual Reports of NCB

The trend percentages of loan and advances has been presented in figure 4.4.

Figure 4.4

Loan and Advances

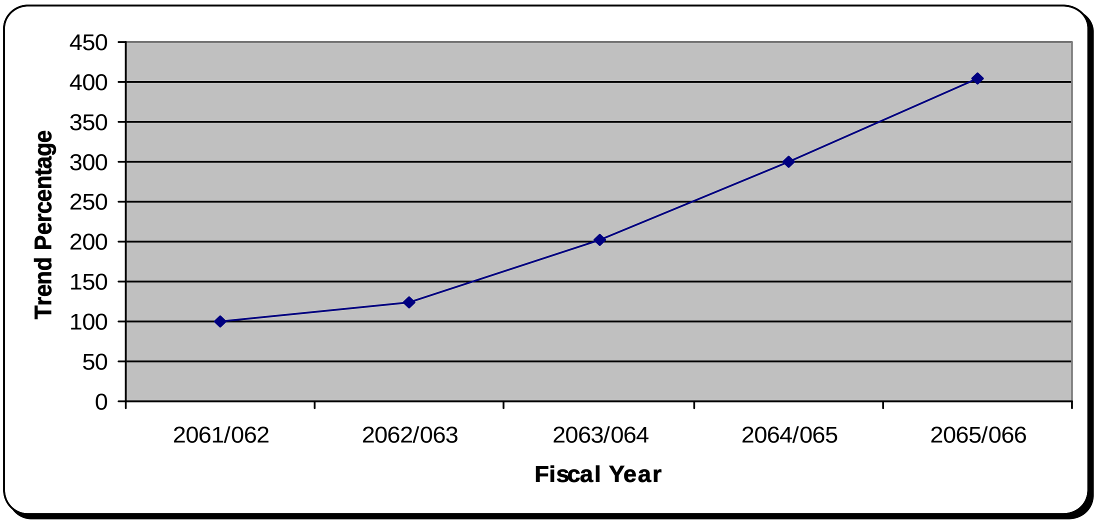


Figure 4.4 shows the trend of loan and advances of Navajeevan co-operative bank Dhangadhi, during the study period from 2061/062 to 2065/066, the percentages of loan and advances show the increasing trend.The year 2061/062 was taken as initial year. The trend for the different financial year from 2061/062 to 2065/066 are 100%, 124%, 203%, 300% and 404% respectively.

The trend percentages of loan collection have been presented in figure 4.5.

Figures 4.5

Collection

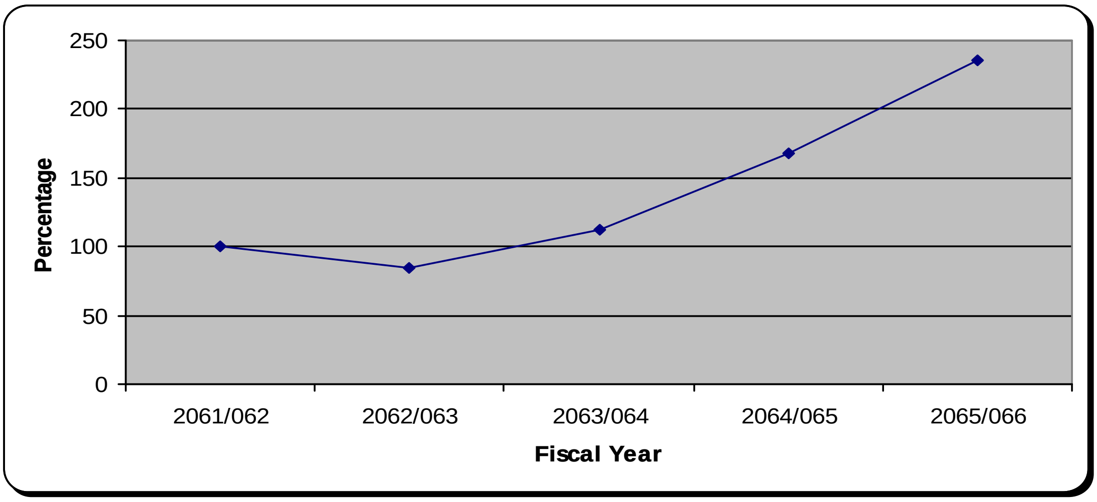


Figure 4.5 represents the trend of collection of loan in different financial year. Loan collection is an important financial indicator of the organization. The efficiency in financial performance of Navjeevan can be reflected by analyzing

how effectively the bank collects its disbursed loan over the study period. Table No. 4.11 and graph No. 2 clearly reveal that trend value in percentage increasing in trend from base year except the financial year 2062/063. The bank is trying to collect loan successfully. The trend percentages of collection of loan in different financial year from 2061/062 to 2065/066 are 100%, 84.82%, 112.66%, 168.37% and 235.46% respectively.

4.5 Risk and return Analysis

Risk and return are two important aspects which influence the individuals' decision regarding investment on particular stock and assets. Risk and return analysis even being an important aspect of financial management, it is very complex to what extent a stock or assets is risky depends upon the individuals' attitude towards risk. As per the predetermined objectives, the risk and return pattern of co-operative has been studied and taken into consideration return on equity (ROE/R) is calculated by dividing net profit after tax (NPAT) by paid up capital fund. The return, what the investor expects over this initial investment is called the return on asset and stock. Risk refers to change that some unfavorable event will occur. Every investment involves uncertainties that make future investment risky. Risk and return pattern of co-operative has been calculated in the given table which is as shown below.

Table 4.12

Risk and Return Pattern

Financial Year	Capital fund	NPAT	ROE (R)	$\left(R-\overline{R}\right)$	$\left(R-\overline{R}\right)^2$
2061/062	13985600	1757685.42	0.1257	-0.06986	0.0048804196
2062/063	15035600	78380.04	0.0052	-0.19036	0.0362369296
2063/064	16974600	4940747.44	0.2911	0.09554	0.0091278916
2064/065	19985600	5927068.06	0.2966	0.10104	0.010209816
2065/066	28603700	7414991.93	0.2592	0.06364	0.0040500496
Total			0.9778		0.064504372

Source:- Annual Reports of NCB

$\overline{R}$ (Return) $= \dfrac{\sum ROE(R)}{N}$

$= \dfrac{0.9778}{5}$

= 0.19556 or 19.556%

Risk (±) $= \sqrt{\dfrac{\sum\left(R-\overline{R}\right)^2}{N}}$

$= \sqrt{\dfrac{0.064504372}{5}}$

$= \sqrt{0.0129008744}$

= 0.113582016 or 11.36%

C.V. $= \dfrac{\pm}{\overline{R}} \times 100$

$= \dfrac{0.1136}{0.19556} \times 100$

= 58.09%

Where,

ROE	= Return on equity
NPAT	= Net profit after tax
N	= No. of years
C.V.	= Co-efficient of Variation
±	= Sigma

Return on equity (ROE/R) of the organization is more fluctuating from the average return ($\overline{R}$) over the study period. Return on equity is treated as expected return of co-operative. Highest return on equity was earned in the financial year 2064/065. It can be said that more efficient utilization of capital fund generates revenue where as, in the financial year 2062/063 the return on equity is 00.52% which is lowest return on equity during the study period. It seems that the management has not been successful to utilize capital fund on generating more return on equity. Co-operatives return ($\overline{R}$) is 19.556%.

Risk is the factor which can be forecasted from past years experiences. Situation for creating unexpected result is known as risk. To measure the risk the standard deviation, symbol for which (±) and co-efficient of variation (C.V.) are calculated. The co-efficient of variation shows the risk per unit of return and provides a more meaningful base. Risk is being computed for two or more alternatives of the organization. In the present study the average return on each share ($\overline{R}$) is calculated 19.556%, where as risk is 11.36%. The table reveals that each shareholder has to bear 58.09%, risk in order to earn 100% return which is given by co-efficient of variation.

4.6 Dividend Pattern

Dividend per share is calculated to examine the percentages of the dividend that the shareholders received in relation to the paid up value of the shares. A high percentage of dividends are expected by shareholders. Dividend per share also expresses the intention of the organization about dividend decision and it indicates the financial performance of the organization through the shareholders perspectives. Dividend per share is computed dividing given amount of dividend by no. of equity shares.

Table 4.13

Dividend pattern of Navajeevan Co-operative limited.

Financial Year	No. of share	Proposed dividend	Dividend per share	Growth Rate
2061/062	131686	1185174	9	80.00%
2062/063	139856	559424	4	(55.56%)
2063/064	150356	2255340	15	275.00%
2064/065	169746	2546190	15	00.00%
2065/066	199856	2997840	15	00.00%

Source:- Annual Reports of NCB

Above table no. 4.13 clearly shows that the dividend per share (DPS) in financial year 2061/062 was Rs. 9. But in the next year (2062/063) it decreased to Rs. 4 After the financial year it increased constantly upto Rs. 15 from 2062/063 to 2065/066.

Dividend per share is directly influenced by the rules and regulations guidance of co-operative Development board and by the decision of board of directors. As per the regulatory and supervisory directions of Nepal Rastra Bank, the co-operative firm must maintain certain percentages of reserve funds and dividend paid to the shareholders. A co-operative society can distribute only 15 percent dividend to the shareholders even it enjoyed a sufficient profit from operating services.

4.7 Cash flow pattern of Navajeevan Co-operative

Table 4.14

Cash flow Pattern of Navajeevan Co-operative Limited

S.N.	Particular	2063/064	%	2064/065	%	2065/066	%
A.	Cash flow from operating Activities	(3464812.38)		27434553.98		15275568.99	
1.	Cash receipt	28333215.86	100	37229264.28	100	55742998.29	
1.1	Interest income	24393228.09	86.09	32742134.12	87.95	49506708.40	88.81
1.2	Commission and other incomes	3905641.69	13.79	4420775.51	11.87	5856842.26	10.51
1.3 .	Miscellaneous incomes	34346.08	0.12	66354.65	0.18	379447.63	0.68
2.	Cash Payment	(18658482.03)	100	(28508350.15)	100	(39178225.36)	100
2.1	Interest expenses	(11705481.22)	62.74	(14257814.72)	50.01	(19008763.52)	48.52
2.2	Employee expenses	(4484824.99)	24.04	(6268145.62)	21.99	(8751504.26)	22.34
2.3	Office expenses	(1872708.45)	10.04	(6008733.94)	21.08	(8456799.69)	21.59
2.4	Tax paid	(36043.37)	0.19	(1300102.87)	4.56	(2054434.89)	5.24
2.5	Dividend paid	(559424.00)	2.99	(673553.00)	2.36	(906723.00)	2.31
	Cashflow before working capital.	9674733.83		872014.13		16564772.93	
3.	Increase/ Decrease in operating current Assets	(92983358.06)		(99994696.64)		(106943553.66)	
3.1	Increase/Decrease in employee borrowing	(889637.66)		(83624.18)		(3717267.65)	
3.2	Increase/decrease in loan and advance	(81925630.53)		(100019673.03)		(104509479.74)	

3.3	Increase/decrease in other assets	1168039..87		108600.57		1283193.73	
4	Increase/Decrease in operating current liabilities	7943811.85		118708336.49		105654349.72	
4.1	Increase/ decrease in deposit liabilities	70053591.55		118656951.80		111423766.73	
4.2	Increase/Decrease in other lliabilities	9890220.30		51384.69		(5769417.01)	
B.	Cashflow from investment	(965898.06)		(3323958.39)		(2084115.55)	
1.	Cashflow from investment					100000.00	
2.	Increase/decrease in fixed assets.	(965898.06)		(3323958.39)		(2184115.55)	
C.	Cashflow from financial Activities	1939000.00		3011000.00		8618100.00	
1.	Financial						
2.	Increase/Decrease in share capital	1939000.00		3011000.00		8618100.00	
3.	Increase/Decrease in other liabilities						
4.	Increase/Decrease in preferential reloan from NCB.						
D.	Income/Expenditure						
E.	Cashfollow from all activities of current year (A+B+C+D)	2491710.44		27121595.59		21809553.44	
F.	Opening cash & bank balance	98433118.81		95941408.37		123063003.96	
G.	Closing cash and bank balance	95941408.37		123063003.96		144872557.40	

Under the table 4.14 cash flows of NCB for 3 financial years have been demonstrated. The idle money Rs. 9.59 crore cash and bank balance of financial year 2063/064 is maximum as liquidity. The cash flow statement reveals the proper use of fund. Increase in deposit seems the main sources of cash inflow. Similarly loan and advances are the uses of fund which is Rs.8.19 crore in the same year. Generally, working capital is the excess amount of current assets over current liabilities. Decrease in working capital in service organization is considered good because current assets provide less return than long term fixed assets. From the income generating point of view long those assets are more worthy.

Similarly from the study of the above table cash flow from all the activities in the financial year 2064/065 seems Rs. 2.71 crore. Regular inflow of cash is considered most important source of cash from deposit liability was increased in the same year which shows healthy condition of the organization providing banking service and the investment increased. Dividend paid and tax paid increased than the previous year. Share capital increased amounted to Rs. 3011 Lakhs.

In the financial year 2065/066, the important source of cash inflow deposit liability decreased to Rs. 11.14 crore which was not good sign for the organization, the investment also decrease. Cash and bank balance was maximum as liquidity i.e. 14.49 crore. Share capital fund also increased to Rs. 86.18 Lakhs. From the study of the above table it is clear that the organization was not able to use its resource properly and the idle money was kept in hand & bank balance. If the co-operative used its available resources properly in different sectors then it could/might enjoy a sufficient profit from services provided.

4.8 Some other important Financial Indicators

4.8.1 Capital adequacy ratio

To measure the strength of the capital structure adequacy of the capital, the capital adequacy ratio is used. This ratio is important to determine the capital adequacy because the co-operative under the study is banking sector or service organization. A high or low capital adequacy ratio is undesirable in terms of lower return and lowered solvency respectively. By using following formula the capital adequacy ratio is computed. The capital adequacy ratio of different financial year has been presented in figure 4.6 also.

$$\text{Capital adequacy} = \frac{Capital\ \ fund}{Total\ \ Deposit}$$

Where,

Capital fund = General reserve, paid capital, undistributed profit etc.

Total deposit = Fixed deposit and saving deposit

Table 4.15

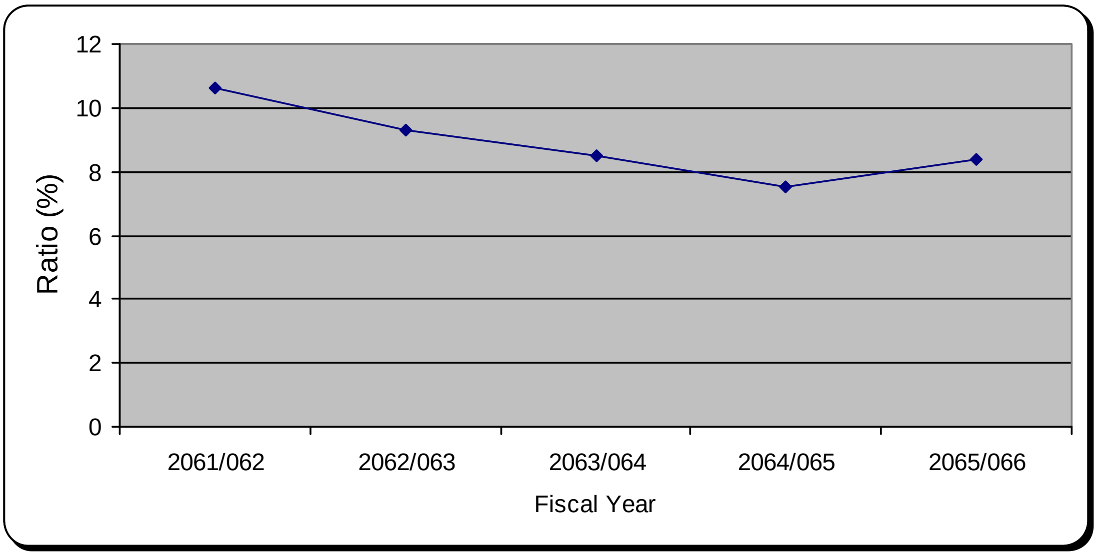
Capital adequacy ratio

Financial Year	Capital Fund (Rs.)	Total deposit (Rs.)	Ratio (%)
2061/062	19035997.95	178886351.00	10.64
2062/063	19598969.71	211304179.31	9.28
2063/064	23944336.12	281357770.86	8.51
2064/065	30143447.59	400014722.66	7.54
2065/066	42966594.97	511438489.39	8.40

Source:- Annual Reports of NCB

Figure 4.6

Capital Adequacy Ratio



The ratio of the co-operative have been fluctuating and decreasing trend over the study period except slight increase in 2065/066 is clearly indicated in the table no. 4.15. In the initial year 2061/062 and2062/2063 the ratios are 10.64% and 9.28% respectively. However there has been slight increase in capital adequacy ratio in 2065/066. The capital adequacy ratios are 8.51% and 7.54% in the financial year 2063/064 and 2065/065 respectively. The higher and lower capital adequacy is unfavorable in terms of lower returns and lower solvency. However, an appropriate capital adequacy is controversial matter. In general, it can be concluded that capital adequacy of NCB is appropriate.

4.8.2 Non-banking assets to total loan disbursement

Non-banking assets or non-performing assets (NPA) is such portion of loan, which is treated as uncollectible. If the amount of loan becomes doubtful, the certain percentages of income are kept aside as a provision for bad and doubtful loan. NPA arises as a result of default loanees, corruption motive of loan approval staff and by the pressure of board of directors etc. If NPA is 4% out of loan disbursed then considered the sound position of the banking organization.

Table 54.16

Non-banking assets to total loan disbursement ratio (0.00)

Financial Year	Non-banking assets (Rs.)	Total loan disbursement (Rs.)	Ratio (%) (2/3)×100
2061/062	17843	101176	17.64
2062/063	16577	124906	13.27
2063/064	14331	206831	6.93
2064/065	10701	306851	3.49
2065/066	8351	411361	2.03

Source:- Annual Reports of NCB

As per table 4.16 in the base year 2061/062 the NPA is 17.64% the percentage 17.64% indicates that the large amount Rs. 10 crore 11 lakhs and 76 thousand is non-receivable that causes liquidity decrease fund hold up, interest paid are increases and return decreases. The situation pushes an organization towards losses.

Hence, management body always might take attention while disbursing loan. As a result the ratios are in decreasing trend over the study period. This is the positive sign of the organization.

4.8.3 Interest income to total income ratio

Income analysis can be taken as one of the important indicator of the financial position of an organization. It is analyzed mainly to examine the proportionate contribution of interest income in generating total income. Prime source of income for co-operative is interest earned from loan advances because it is a banking organization which accepts deposit and sanctions loan and advances. It also earned income from government securities, commission and other miscellaneous receipts. In the present study, the contribution of interest income to generate total income is shown in the table No. 4.17

Table No. 4.17

Interest income to total income ratio

Financial Year	Interest Income (Rs.)	Total Income (Rs.)	Ratio (%) (2/3)×100
2061/062	15689474.70	23364278.28	67.15
2062/063	12339485.39	20642691.69	59.78
2063/064	24393228.09	28333215.86	86.09
2064/065	32742134.12	39108502.31	83.72
2065/066	49506708.40	55742998.29	88.81

Source:- Annual Reports of NCB

The table 4.17 clearly reveals that in the financial year 2063/064 to 2065/066 contribution of interest income is almost more than 80% i.e. 86.09%, 83.72% and 88.81% respectively. But in the financial year 2061/062 and2062/2063 its percentage was 67.15% and 59.78% respectively.

4.8.4 Interest expenses to total income

An interest expense occupies more portions of the total expenses. Interest expenses include the interest paid on deposit collected. It accepts deposit from depositors and pays a certain percentages interest in different types of account. From the accepted deposits, it invests in different sectors on the topic loan and advance and earn sufficient income to meet the occurred expenses for operation and long run existence of the co-operative. Ratio of interest expenses to total income has been shown in the table no. 4.18

Table 4.18

Interest expenses to total income ratio

Financial Year	Interest expenses (Rs.)	Total Income (Rs.)	Ratio (%) (2/3)×100
2061/062	9687552.88	23364278.28	41.46
2062/063	10291570.64	20642691.69	49.86
2063/064	11705481.22	28333215.86	41.31
2064/065	14257814.72	39108502.31	36.46
2065/066	19008763.52	55742998.29	34.10

Source:- Annual Reports of NCB

Table 4.18 shows that the interest expenses are the major expenses of the co-operative bank. It is in increasing trend in figure. It started from 96 lakhs and reached to Rs. 1 crore and 90 lakh during the study period. Ratio of interest expenses to total income was increasing trend till the financial year 2061/062 to 2062/063. Further it was in decreasing trend till the end of the study period. It can be concluded that the co-operative bank pays 40.64% interest expenses on an average.

4.8.5 Employee expenses to total income

Without human resources the existence of any organization can not be imagined. Success or failure of an organization depends upon its available human resources. Committed, honest and energetic employees can take the organization in healthy position. In the existing competitive environment an organization can be able to earn a maximum profit from providing services to its stakeholders. Employee's expenses include salary and allowances, provident fund and bonus etc. Employee's expenses to total income ratio have been calculated and presented in table 4.19.

Table 4.19

Employee's expenses to total income ratio

Financial Year	Employee expenses (Rs.)	Total Income (Rs.)	Ratio (%) (2/3)×100
2061/062	3888502.52	23364278.28	16.64
2062/063	3821343.67	20642691.69	18.51
2063/064	4484824.99	28333215.86	15.83
2064/065	6008733.94	39108502.31	15.36
2065/066	8751504.26	55742998.29	15.70

Source:- Annual Reports of NCB

Table 4.19 shows that to generate total income, organization expenses towards employees expenses are ever increasing during the study period except 2062/063. In terms of percentage, the proportion of employee was highest in 2062/063 (18.51%) followed by 15.83 percentage in 2063/064. In the financial year 2064/065 and 2065/066 the ratios are 15.36% and 15.70% respectively. All the functions in the organization are computer network system based, even though the employee expenses are not decreasing comparatively.

4.8.6 Office expenses to total income

For the smooth operation of the co-operative, office expenses are also required. Office/operating expenses are indirectly in generating total income. It includes all types of expenses such as house rent, water and electricity, repairs and maintenance, insurance, postage and telephone, stationary, books and periodicals, advertisement, ceremony, transportation expenses, closing expenses, allowances, and supervision expenses, auditing and legal expenses etc. Office expenses to total income ratio have been calculated and presented in given table no. 4.20

Table 4.20

Office expenses to total income ratio

Financial Year	Employee expenses (Rs.)	Total Income (Rs.)	Ratio (%) (2/3)×100
2061/062	1636125.79	23364278.28	7.00
2062/063	1738772.96	20642691.69	8.42
2063/064	3212082.77	28333215.86	11.33
2064/065	6008733.94	39108502.31	15.36
2065/066	8456799.69	55742998.29	15.17

Source:- Annual Reports of NCB

In the above table 4.20 the ratios of office expenses to total income have been shown. It is clearly reveals from the above table that office expenses are in increasing trend till the end of study period. The percentages are also in increasing trend till the study period except slight decrease in the financial year 2065/066. Office expenses starts from 1636 thousands and reached upto maximum of 8456 thousands. Ratio of office expenses from year 2061/062 to 2065/066 is 7.00%, 8.42%, 11.33%, 15.36 and 15.17% respectively.

4.9 Testing of hypothesis

A hypothesis helps the ones in preceding further and finding solution of the problem. In organizing the collected data in a systematic way, hypothesis works as a milestone. A well established hypothesis provides the guidelines of investigation. Hypothesis is a conjectural statement of the relationship between two or more variable. It is a tentative generalization the validity of which remains to be tested. A hypothesis is a provisional formulation or possible solution of tentative expiation or suggested answer to the problems facing the scientists.

Hypothesis leads to economy of time and money as well as significant conclusion for the advancement of knowledge. The refined hypothesis is more significant in research and the degree of significance depends on the level of abstraction of underling the hypothesis. There are two hypotheses which were tested in the course of study.

A. Hypothesis I. between interest earned and interest paid

H_0 : There is no significant relation between interest earned and interest paid.

H_1 : There is significant relation between interest earned and interest paid.

Table 4.21

Calculation Table of interest earned and interest paid

Financial Year	x_1 (000)	x_2 (000)	$(x_1 - \overline{x_1})$	$(x_1 - \overline{x_1})^2$	$(x_2 - \overline{x_2})$	$(x_2 - \overline{x_2})^2$
2061/062	15689	9687	-11244.8	126445527.04	-3302.6	10907166.76
2062/063	12339	10291	-14594.8	213008187.04	-2698.6	7282441.96
2063/064	24393	11705	-2540.8	6455664.64	1284.6	1650197.16
2064/065	32742	14257	5808.2	33735187.24	1267.4	1606302.76
2065/066	49506	19008	22572.22	509504664.28	6018.4	36221138.72
Total	134669	64948		889149230.24		57667247.2

Source:- Annual Reports of NCB

Where,

x_1 = Interest earned and

x_2 = interest paid

$$\overline{x_1} = \frac{\sum x_1}{n} = \frac{134669}{5} = 26933.8$$

$$\overline{x_2} = \frac{\sum x_2}{n} = \frac{64948}{5} = 12989.6$$

$$S = \sqrt{\frac{\left(x_1 - \overline{x_1}\right)^2 + \left(x_2 - \overline{x_2}\right)^2}{\left(n_1 + n_2 - 2\right)}}$$

$$= \sqrt{\frac{889149230.24 + 57667247.2}{5 + 5 - 2}}$$

$$= \sqrt{\frac{946816477.44}{8}}$$

$$= \sqrt{118352059.68}$$

= 10878.97328

Standard Error (S.E.) = $S \times \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}$

$$= 10878.97 \times \sqrt{\frac{1}{5} + \frac{1}{5}}$$

$$= 10878.97 \times \sqrt{0.4}$$

= Rs. 6880.46

Under null hypothesis the test static is as below.

$$t = \frac{\overline{x_1} - \overline{x_2}}{S.E.}$$

$$= \frac{26933.8 - 12989.6}{6880.46}$$

= 2.03

The table value of't' at 5% level of significance and (5+5-2) = 8 degree of freedom

t(tab) = 2.306

t (cal) = 2.03

Decision:- Since the calculated value of 't' is 2.03 which is less than tabulated value at 5% level of significant for 8 degree if freedom = 2.306. The null hypothesis is accepted that there is no significant relation between interest earned and interest paid.

B. Hypothesis II. Between earning per share and dividend per share.

H_0: There is no significant difference between earning per share and dividend per share.

H_1 : There is significant difference between earning per share and dividend per share.

Table 4.22

Calculation Table of Earning per share and dividend per share

Financial Year	x_1 (000)	x_2 (000)	$(x_1-\overline{x_1})$	$(x_1-\overline{x_1})^2$	$(x_2-\overline{x_2})$	$(x_2-\overline{x_2})^2$
2061/062	13.35	9	-10.41	108.3681	-2.6	6.76
2062/063	0.56	4	-23.2	538.24	-7.6	57.76
2063/064	32.86	15	9.1	82.81	3.4	11.56
2064/065	34.92	15	11.16	124.5456	3.4	11.56
2065/066	37.10	15	13.34	177.9556	3.4	11.56
Total	118.79	58		1031.9193		99.2

Source:- Annual Reports of NCB

Where,

x_1 = Earning per share

x_2 = Dividend per share

$\overline{x_1} = \frac{118.79}{5} = 23.76$

$\overline{x_2} = \frac{58}{5} = 11.6$

Now,

$$S = \sqrt{\frac{\left(x_1 - \overline{x_1}\right)^2 + \left(x_2 - \overline{x_2}\right)^2}{\left(n_1 + n_2 - 2\right)}}$$

$$= \frac{1031.9193 + 99.2}{8}$$

$$= \sqrt{\frac{1131.1193}{8}}$$

$$\sqrt{141.3899125}$$

= 11.89

Again,

$$\text{Standard Error} = S \times \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}$$

$$= 11.89 \times \sqrt{\frac{1}{5} + \frac{1}{5}}$$

$$= 11.89 \times \sqrt{0.4}$$

$$= 11.89 \times 0.63345$$

= 7.52

Under null hypothesis, the test static is as below

$$t = \frac{\overline{x_1} - \overline{x_2}}{S.E.} = \frac{23.76 - 11.6}{7.52} = 1.617$$

The table value of 't' at 5% level of significance and (5+5-2) = 8 degree of freedom.

t(tab) = 2.306

t (cal) = 1.617

Decision : Since the calculated value of 't' is 1.617 which is less than tabulated value at 5% level of significant for 8 degree of freedom = 2.306. The null hypothesis is accepted that there is no significant difference between earning per share and dividend per share.

C. Hypothesis III. Between liquidity and profitability

H_0: There is no significant difference between liquidity and profitability.

H_1 : There is significant difference between liquidity and profitability.

Table 4.23

Liquidity and profitability

Financial Year	x_1 (000)	x_2 (000)	$(x_1 - \overline{x_1})$	$(x_1 - \overline{x_1})^2$	$(x_2 - \overline{x_2})$	$(x_2 - \overline{x_2})^2$
2061/062	1.49	0.76	0.18	0.0324	-0.176	0.030976
2062/063	1.38	0.03	0.07	0.0049	-0.906	0.320836
2063/064	1.28	1.38	-0.03	0.0009	0.444	0.197136
2064/065	1.21	1.27	-0.10	0.01	0.334	0.111556
2065/066	1.19	1.24	-0.12	0.0144	0.304	0.092416
Total	6.55	4.68		0.0626		1.25292

Source:- Annual Reports of NCB

$\overline{x_1} = \frac{6.55}{5} = 1.31$

$\overline{x_2} = \frac{4.68}{5} = 0.936$

Now,

$$S = \sqrt{\frac{(x_1 - \overline{x_1})^2 + (x_2 - \overline{x_2})^2}{(n_1 + n_2 - 2)}}$$

$$= \sqrt{\frac{0.0626 + 1.25292}{5+5-2}}$$

$$= \sqrt{\frac{1.31552}{8}}$$

$$= \sqrt{0.16444}$$

= 0.405512022

$$\text{S.e.} = 0.4055 \times \sqrt{\frac{1}{5} + \frac{1}{5}}$$

$= 0.4055 \times \sqrt{0.4}$

= 0.4055×0.6325

= 0.2565

$$\text{t (cal)} = \frac{\overline{x_1} - \overline{x_2}}{S.E.}$$

$$= \frac{1.31 - 0.936}{0.2565}$$

= 1.4581

t tab at 8 d.f., 5% significance level 2.306

Decision:- Since the calculated value of 't' is 1.4581 which is less than tabulated value at 5% level of significance for 8 degree of freedom = 2.306. The null hypothesis (Ho) is accepted that there is no significant difference between liquidity and profitability.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The study is concentrated on the various aspects of the financial performance with special references to the selected organization Navajeevan co-operative Bank, Dhangadhi. It covers the period of five years from 2061/062 to 2065/066 On the basis of previous analysis of this study; the chapter under heading of "Summary, conclusion and recommendations" expresses the main finding and recommendation to make it possible for improving the financial performance of the sampled co-operative, Navajeevan co-operative Bank. This chapter is divided into the following three sub-chapters.

5.1 Summary

Nepal is a land locked developing country with agricultural based economy and about 80%of the population resides in rural areas are very poor .Now the question ,how majority of the people who have very low income and low living standard can be stepped in such a circumstances is arise. To remove all the ills and sickness in the economy, the co-operation is the fair and reliable answer. Co-operative origin is the result of socio-economic exploitation of users, landlords and mill owners etc. It is an organization which operates its activities in equality basis. To eliminate poverty obtain socio-economic development of rural masses, develop co-operatives and co-ordination among co-operatives, provide sufficient opportunity of employment and to establish social and economic justice within the country are the objectives of co-operative organization which are mentioned on co-operative act 2048. For the socio-economic upliftment of the country co-operative movement considered as best way.

Likewise, co-operative is a most significant vehicle for mobilizing the scattered saving and putting them in productive use for the benefit of the poorer sections of the society. It can also be taken as a means of getting rid off from the exploitation of landlords, money lenders and speculations. The role of co-operative organization can be regarded as a most significant for socio-economic betterment of the majority of people and their social and economic justice. In terms of socio-economic development of the country co-operative is a key variable.

For the purpose of the study the necessary data for analyzing financial performance of sampled organization and other related variable have been collected from secondary source and presented in. The available literatures on financial performance analysis are reviewed and appropriate research methodology is also described. Then all the data are tabulated and analyzed by applying various important financial as well as statistical tools and techniques. To conduct the study by pinpointing the major findings, this chapter attempt has been made and gives some suggestions for the future course of action.

The study has highlighted on the liquidity position, profitability position, assets management, dividend pattern, risk and return pattern and cash flow pattern of the co-operative and some formulated hypothesis as well as some other financial indicators. To accomplish these objectives of the study, different financial variables and statistical tools like mean, standard deviation, coefficient of variation and student's 't' test has been used for the meaningful interpretation of the data to find out the true financial picture of the co-operative.

Following are the Major findings of the study

1. Liqudity Position

a) To asses the financial performance of co-operative bank liquidity ratios during the study period has been calculated. Current ratios of the bank during the study period 2061/062 to 2065/066 are low as compared to the theoretical norm of 2:1 current ratios for the period in the financial year are 1.49:1, 1.38:1, 1.28:1, 1.21:1 and 1.19:1 respectively. In the financial year 2061/062 current ratio is higher than other fiscal year during the study period.

b) During the study period cash and bank balance to deposit ratio excluding fixed deposits are 70.72, 57.95, 40.39, 35.09 and 31.39 percentages respectively. It was in decreasing trend. The ratio was highest in the financial year 2061/062 (70.72%) and the ratio was lowest in 2065/066 which was only 31.39 percentage of saving deposit.

2. Profitability Ratios

In order to find out profitability condition of the co-operative bank, the researcher has found the following:-

a) Operating profit margin to interest earned ratio:

Operating profit margin has been calculated to measure the efficiency and operation of the organization. The ratios are highly fluctuating during the study period. The ratios are 17.99, 0.93, 25.80, 23.06 and 18.72 percentages respectively. In the year 2062/063 the ratio was 0.93 percentages which lower than in the year 2063/064. It was 25.80% is considered more satisfactory than other years.

b) Return on assets (ROA)

Ratios of return on total assets range from 0.03 to 1.38% which was fluctuating over the study period. The ratios are 0.76, 0.03, 1.38, 1.27 and 1.24 percentages respectively. In the base year it was 0.76% and in the next year it is decreased to 0.03%. Further till the year 2065/066 it was in decreasing trend. There is variability in the ratios. Return on assets depends upon the organization's business nature and fixed assets which are major parts of total assets.

C. Return on net worth

Return on net worth indicates how well the co-operative has used the resources of owners. As per the available data, return on net worth is highly fluctuated. In the base year this ratio was 9.23% and in the year 2062/063 it deceased to 0.40%. Further more in the financial year 2063/064 and 2064/065 it seemed in increasing trend i.e. 2.06% and 19.66% respectively but it decreased in the year 2065/066.i.e. 17.26%. Increasing return on net worth means increasing shareholders wealth and vice versa.

d. Return on capital employed

Return on capital employed of the study for the study period 2061/062 to 2065/066 are 9.27%, 0.40%, 20.65%, 19.78% and 17.43% respectively. It is in decreasing trend. It indicates that the management cannot use its resource properly.

e. Net profit margin

Net profit margin ratio measure the overall profitability of the organization. This ratio is 11.25% in the base year but it is very low in financial year 2062/063% i.e. 0.64% in financial year 2063/064 it increased upto 20.25%. In successive years seems deceasing trend till the end of financial year 2065/063.

3. Assets management ratio

The status of the assets management of the co-operative shows that-

a) Fixed assets turnover ratio

Fixed assets turnover ratios of the co-operative during the study period are 4.92%, 1.20, 2.21, 2.43 and 3.45 times respectively. Except financial year 2061/062 and 2065/066 i.e. 4.92 and 3.45 times the fixed assets turnover ratio is not satisfactory. Although the co-operative is service sector banking organization, fixed assets are not major part of its business.

b. Total assets turnover ratio

The relationship between total assets and interest earned i.e. sales is called total assets turnover ratio. Total assets turnover ratios over study period are 0.07, 0.05, 0.07, 0.07 and 0.08 times respectively.

c. Loans and advances to total deposit ratio

Loans and advances to total deposit ratio has been increasing over the study period and reached upto 82.04%, it means the management is trying to maximum utilization or mobilize its deposits as loans disbursement. The ratios over the study period are 58.08, 60.78, 75.08, 77.83 and 82.04 percentages respectively.

4. Trend analysis

Trend analysis helps to understand the change in an item or group of item of the financial statements over a given time period. Trend percentages of loan and advance are 100%, 124%, 203%, 300% and 404% respectively but the trend percentages of loan collection has been in increasing trend except in financial year 2062/063. Trend percentages of loan is very high in 2065/066 i.e. 235.46% and very low in 2062/063 i.e. 84.82%

5. Risk and return

Risk and return are the two important aspects of financial performance of the organization. The return on each share ($\overline{R}$) is 19.56% whereas risk is 11.36%. From the analysis it indicates that each shareholder has to bear 58.09% risk in order to earn 100 percentage returns from coefficient of variation point of view.

6. Dividend pattern

Dividend pattern shows how much proportion of earning has been paid as dividend. From the analysis of the dividend of the co-operative in financial year 2061/062 and 2062/063 the co-operative pays Rs. 9 and Rs. 4 respectively but in financial year 2063/064 to 2065/066 the dividend of the co-operative there has been consistency. Growth rate of dividend in the financial 2062/063 is negative.

7. Cash flow Analysis

Cash flow analysis of Navajeevan co-operative bank, Dhangadhi has also been shown in this study. Most of inflow of cash from opening bank balance and vault. Regular inflow of cash is considered as most important source of cash from deposit liability decreased in the year 2065/066. The co-operative is not efficient in disbursing loan and advances from the cash flow and the maximum amount should be kept in closing balance and vault from which extra income cannot be earned closing liquidity kept are Rs. 9.59, 12.30 and 14.48 crore respectively for the financial year 2063/064 to 2065/066.

8. Other financial indicator

For evaluating financial performance of Navajeevan co-operative bank Dhangadhi, some other financial indicators has been also calculated-

a) Capital adequacy ratio

Capital adequacy ratio is used to measure the strength of the capital structure adequacy of the capital of the organization. Capital adequacy ratio for the study period 2061/062 to 2065/066 are 10.64%, 9.28%, 8.51%, 7.54% and 8.40% respectively. From the analysis it can clearly reveals that ratio is in decreasing trend during the study period except slight increase in the year 2065/066.

b. Non-Banking to total loan disbursement ratio

From the analysis of available data, ratio of non-banking assets is in decreasing trend over study period and reached to 2.03%. The ratios of the study period are 17.64%, 13.27%, 6.93%, 3.49 and 2.03% respectively.

c) Interest income to total income ratio

Prime source of income of banking sector organization is interest earned. The ratio of interest income to total income is analyzed mainly to examine the proportionate contribution of interest income in generating total income. The ratios in the study period are 67.15%, 59.78%, 86.09%, 83.72% and 88.81% respectively.

d. Interest expenses to total income

Interest expenses to total income have been also calculated for the purpose of the study. Interest expenses are paid on collected deposits. After accepting deposits the co-operative must pay a certain percentages of interest on different types of account. Ratios during the study period are 41.46%, 49.86%, 41.31%, 36.46% and 34.10% respectively. From the analysis it indicates that it is in decreasing trend except the base year.

e. Employees expenses to total income ratio

Employee's expenses to total income ratio over the study period have analyzed for the study. From the analysis it is found that the organization was not able to reduce its employee expenses even though all the functions in the organization are computer network system based.

f. Office expenses to total income ratio

Office expenses are required for the successful and smooth operation of the business of service. Office expenses to total income ratio is in increasing trend except slight decrease in 2065/066. The ratios for the study period are 7.00%, 8.42%, 11.33%, 15.36% and 15.17% respectively.

9. Hypothesis

Hypothesis has been tested for the purpose of the study. Calculated value of /t/ for interest earned and interest paid is less than tabulated value, so null hypothesis is accepted. Similarly, calculated value of /t/ for earning per share and dividend per share and liquidity and profitability are lower than /t/ tabulated. It has clearly indicates that null hypothesis is accepted.

5.2 Conclusion

In conclusion it can be said that the financial performance is the most important part of any business of service oriented organization. Proper use of the available finance is the key for success. Success of the organization depends upon the rational and proper utilization of available funds. Current ratios of the co-operative bank for the study period 2061/062 to 2065/066 are very low as compared to the industry average of 2:1. Liquidity position is decreasing during the study period. Similarly, cash and bank balance ratios also shows weak position over the study period.

Profitability measures the organizations effectiveness in terms of achieves efficiency and generates profit. Profitability ratios over the study period are in decreasing trend. From the analysis of the profitability it is clearly reveals that the management of the bank is ineffective and inefficient to generate sufficient profit.

Asset management ratios are used to measure the effectiveness of a firm in utilizes the available asset to generate revenue. Fixed assets turnover ratio is decreasing trend in first two years and then it is increasing. Total assets have nearly same nature like fixed assets turnover ratios. Similarly, loan and advances to total deposit ratio measures the mobilizing capacity of the firm which is colleting from deposits. Utilization of colleted deposits is in increasing trend during the study period. It is maximum in the financial year 2065/066. In conclusion work performances of overall asset management is going in right direction in the study period.

Trend percentages of loan and advances are in increasing trend during the study period. From this it can be clearly said that the management has been able to disburse the loan successfully. Similarly trend percentages of the loan collection are increasing in trend except slight decrease in the financial year 2062/063. From the analysis of the loan collection trend it is clearly shown that the management is able to collect its disbursed loan.

Risk and return of the co-operative is also satisfactory. Its return ($\overline{R}$) is greater than its risk (±) i.e. standard deviation. From the analysis it can be concluded that in order to earn 100% return of the co-operative every investor has to bear 58.09% risk and its dividend pattern is also not satisfactory because its growth rate is negative in 2062/063 and very low in 2061/062. From the analysis of the cash flow statement we can see that there is not use and proper utilization of available funds. The maximum amount of cash kept in vault and bank balance from which it can not generate extra income.

Other important financial indicators have also been studied for the purpose of the study. Capital adequacy ratio is decreasing and non-banking assets to total loan disbursement ratio is decreasing from base level.

It can be concluded that the capital adequacy of Navajeevan co-operative bank is appropriate and the decreasing ratio of non-banking assets to total loan disbursement shows the positive sign of the organization. Ratio of total interest earned and total income ranges 60% to 90% nearly. Contribution of interest earned in generating total income is high and satisfactory. The management is able to minimize its employee expenses and office expenses. Maximum portion of total expenses is interest expenses. It is paid on colleted deposits. Further more hypotheses are also accepted.

Thus it can be concluded that co-operative is still lack the new techniques of business principles and development.

5.3 Recommendations

A clear financial picture of Navajeevan co-operative bank can be viewed from the above presentation. Based on the findings and the conclusion, some suggestions and recommendations have been put forward from improving the weakness and efficiency and better performance of co-operatives.

1. Co-operative has to compete with commercial banks, finance companies and other institution. It should simplify depositing process for providing incentives for attracting new fixed deposits and set a more convenient minimum balance requirement to open an account.

2. To improve liquidity position of NCB, It should mange current assets and current liabilities at the desired level. The co-operative should consider more seriously about strengthening its liquidity position.

3. The prime objective of the bank is to utilize of its collected deposit. The bank should operate its new branches in rural areas rather than urban areas for more deposit collection and utilization of the same as well as to increase its transactions and to provide financial services and facilities to more customers and members.

4. The co-operative has high cash and bank balance to deposits ratio that means high refunding capacity of collected deposits. But cash and bank balance cannot produce more profits for the organization. So the co-operative has to consider more seriously about the high investment in more productive sectors like government securities bond, treasury bills etc.

5. The profitability ratio of the NCB is not in a satisfactory level. Profitability of the bank is in fluctuating and in decreasing trend. In order to improve its profitability it should must reduce its operating expenses, proper utilization of its available resources, effective mobilization of owner's equity in productive sectors so that it can earn more for the existence and growth.

6. The co-operative should concentrate more in utilizing its available assets and generate more revenues from it. Similarly it needs to pay efforts in utilizing its collected deposits in extending loans and advances from which it can earn extra income for the bank. The return on investment can be maximized through optimal investment portfolio management, which enables the management of NCB to enhance its financial position.

7. In terms of extending loans and advances to its customers, the bank is not properly disbursed its fund in more productive sectors. For the effective utilization, the bank should utilize different schemes to extend loan as well as apply new techniques and schemes in collection of extending loans.

8. The management of the bank was not success to utilize capital fund on generating more return on equity by bearing less risk. Therefore the management should concentrate towards proper utilization of owner's fund in generating favorable return by bearing less risk on it.

9. Dividend pattern of the firm indicates the financial performance of the organization through shareholders perspectives. Dividend pattern of the co-operative is directly influenced by the hard and fast role of Nepal Rastra Bank that it an distribute only 15% as dividend out of its earning whether it enjoys sufficient profit or not. A higher dividend pay attracts both the existing and potential investors which consequently leads to the strengthened financial capacity keeping in mind this fact, the NRB and concerned department must remove such type of barrier for the upliftment of the financial position and the growth rate of dividend of the co-operative

is also negative the management of the bank should concentrate to earn more profits to the share holders.

10. The co-operative should properly invest its idle balance of cash in different sectors which is kept on vault and bank balance.

11. There should be established good management information system for achieving the objectives set by the organization and to provide all financial information for the effective managerial decision which will be beneficial for the co-operative.

12. The management should try to maintain a good relationship between the managerial staff, workers, members of the board of directors so that more services can be taken by the less cost as well as co-operative organization should develop co-operation and co-ordination among the co-operatives, concerned departments and general public also.

13. Manpower is the main resources of developing any organization, lack of proper co-operative education and skill in manpower leads to failure of co-operative organization even though the history of co-operative is being very old. Therefore the co-operative education and co-operative training must be provided by the co-operative training centre for the advancement of co-operative organization for the social economic upliftment of the country.

14. Co-operative should maintain proper balance between current assets and current liabilities which helps to meet its obligations.

15. Co-operative principles are the important factors for the co-operative development which have not properly adopted in most of the co-operatives which leads the co-operative in the way of failure. Therefore co-operatives should maintain the co-operative principles in practical manner for their healthy development.

16. Co-operative Department must play a vital role in monitoring and supervision of co-operative with clear, timely and effective implementation mechanism and it should be recommended that Nepal co-operative Development Board must be come with the real commitment of co-operative development rather than intervention.

17. The co-operative must apply cost reduction techniques and operating and employee expenses should reduced by applying new advanced technology and information system as well as new schemes and bonus system for employee.

18. Government must provide fair political environment to co-operative rather the unnecessary interference.

19. This study is concentrated only in the financial aspect of Navajeevan co-operative bank. The research is unable to carry on details study about another aspect like working capital, personnel management and public relation. Therefore it is recommended for future research to carry the research study about another aspect of the bank.

Co-operative can be backbone of the economic development of the country, if it is managed and utilized properly. For uplifting the socio-economic condition of the majority people of Nepal, Co-operative banking organization is essential.

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APPENDIX I

Risk and Return Pattern

Financial Year	Capital fund	NPAT	ROE (R)	$\left(R-\overline{R}\right)$	$\left(R-\overline{R}\right)^2$
2061/062	13985600	1757685.42	0.1257	-0.06986	0.0048804196
2062/063	15035600	78380.04	0.0052	-0.19036	0.0362369296
2063/064	16974600	4940747.44	0.2911	0.09554	0.0091278916
2064/065	19985600	5927068.06	0.2966	0.10104	0.010209816
2065/066	28603700	7414991.93	0.2592	0.06364	0.0040500496
Total			0.9778		0.064504372

Source:- Annual Reports of NCB

$\overline{R}$ (Return) $= \dfrac{\sum ROE(R)}{N}$

$= \dfrac{0.9778}{5}$ $= 0.19556$ or 19.556%

Risk (±) $= \sqrt{\dfrac{\sum\left(R-\overline{R}\right)^2}{N}}$

$= \sqrt{\dfrac{0.064504372}{5}}$

$= \sqrt{0.0129008744}$

= 0.113582016 or 11.36%

C.V. $= \dfrac{\pm}{\overline{R}} \times 100$ $= \dfrac{0.1136}{0.19556} \times 100$ = 58.09%

Where,

ROE = Return on equity

NPAT = Net profit after tax

N = No. of years

C.V. = Co-efficient of Variation

± = Sigma

APPENDIX II

Calculation Table of interest earned and interest paid

Financial Year	x_1 (000)	x_2 (000)	$(x_1-\overline{x_1})$	$(x_1-\overline{x_1})^2$	$(x_2-\overline{x_2})$	$(x_2-\overline{x_2})^2$
2061/062	15689	9687	-11244.8	126445527.04	-3302.6	10907166.76
2062/063	12339	10291	-14594.8	213008187.04	-2698.6	7282441.96
2063/064	24393	11705	-2540.8	6455664.64	1284.6	1650197.16
2064/065	32742	14257	5808.2	33735187.24	1267.4	1606302.76
2065/066	49506	19008	22572.22	509504664.28	6018.4	36221138.72
Total	134669	64948		889149230.24		57667247.2

Source:- Annual Reports of NCB

Where,

x_1 = Interest earned and

x_2 = interest paid

$$\overline{x_1} = \frac{\sum x_1}{n} = \frac{134669}{5} = 26933.8$$

$$\overline{x_2} = \frac{\sum x_2}{n} = \frac{64948}{5} = 12989.6$$

$$S = \sqrt{\frac{(x_1-\overline{x_1})^2 + (x_2-\overline{x_2})^2}{(n_1+n_2-2)}}$$

$$= \sqrt{\frac{889149230.24+57667247.2}{5+5-2}}$$

$$= \sqrt{\frac{946816477.44}{8}}$$

$$= \sqrt{118352059.68}$$

$$= 10878.97328$$

$$\text{Standard Error (S.E.)} = S \times \sqrt{\frac{1}{n_1}+\frac{1}{n_2}}$$

$= 10878.97 \times \sqrt{\frac{1}{5} + \frac{1}{5}}$

$= 10878.97 \times \sqrt{0.4}$

= Rs. 6880.46

Under null hypothesis the test static is as below.

$$t = \frac{\overline{x_1} - \overline{x_2}}{S.E.}$$

$$= \frac{26933.8 - 12989.6}{6880.46}$$

= 2.03

The table value of't' at 5% level of significance and (5+5-2) = 8 degree of freedom

t(tab) = 2.306

t (cal) = 2.03

APPENDIX III

Calculation Table of Earning per share and dividend per share

Financial Year	x_1 (000)	x_2 (000)	$(x_1-\overline{x_1})$	$(x_1-\overline{x_1})^2$	$(x_2-\overline{x_2})$	$(x_2-\overline{x_2})^2$
2061/062	13.35	9	-10.41	108.3681	-2.6	6.76
2062/063	0.56	4	-23.2	538.24	-7.6	57.76
2063/064	32.86	15	9.1	82.81	3.4	11.56
2064/065	34.92	15	11.16	124.5456	3.4	11.56
2065/066	37.10	15	13.34	177.9556	3.4	11.56
Total	118.79	58		1031.9193		99.2

Source:- Annual Reports of NCB

Where,

x_1 = Earning per share

x_2 = Dividend per share

$\overline{x_1} = \frac{118.79}{5} = 23.76$

$\overline{x_2} = \frac{58}{5} = 11.6$

Now,

$$S = \sqrt{\frac{(x_1-\overline{x_1})^2+(x_2-\overline{x_2})^2}{(n_1+n_2-2)}}$$

$$= \frac{1031.9193+99.2}{8}$$

$$= \sqrt{\frac{1131.1193}{8}}$$

$$\sqrt{141.3899125}$$

= 11.89

Again,

Standard Error = S × $\sqrt{\frac{1}{n_1}+\frac{1}{n_2}}$

= 11.89 × $\sqrt{\frac{1}{5}+\frac{1}{5}}$

= 11.89 × $\sqrt{0.4}$

= 11.89×0.63345

= 7.52

Under null hypothesis, the test static is as below

t = $\frac{\overline{x_1}-\overline{x_2}}{S.E.}$ = $\frac{23.76-11.6}{7.52}$ = 1.617

The table value of 't' at 5% level of significance and (5+5-2) = 8 degree of freedom.

t(tab) = 2.306

t (cal) = 1.617

APPENDIX IV

Liquidity and profitability

Financial Year	x_1 (000)	x_2 (000)	$(x_1-\overline{x_1})$	$(x_1-\overline{x_1})^2$	$(x_2-\overline{x_2})$	$(x_2-\overline{x_2})^2$
2061/062	1.49	0.76	0.18	0.0324	-0.176	0.030976
2062/063	1.38	0.03	0.07	0.0049	-0.906	0.320836
2063/064	1.28	1.38	-0.03	0.0009	0.444	0.197136
2064/065	1.21	1.27	-0.10	0.01	0.334	0.111556
2065/066	1.19	1.24	-0.12	0.0144	0.304	0.092416
Total	6.55	4.68		0.0626		1.25292

Source:- Annual Reports of NCB

$\overline{x_1} = \frac{6.55}{5} = 1.31$

$\overline{x_2} = \frac{4.68}{5} = 0.936$

Now,

$$S = \sqrt{\frac{\left(x_1-\overline{x_1}\right)^2+\left(x_2-\overline{x_2}\right)^2}{\left(n_1+n_2-2\right)}} \quad = \sqrt{\frac{0.0626+1.25292}{5+5-2}} \quad = \sqrt{\frac{1.31552}{8}}$$

$= \sqrt{0.16444} \quad = 0.405512022$

$$S.e. = 0.4055 \times \sqrt{\frac{1}{5}+\frac{1}{5}}$$

$= 0.4055 \times \sqrt{0.4} \quad = 0.4055 \times 0.6325 \quad = 0.2565$

$$t\ (cal) = \frac{\overline{x_1}-\overline{x_2}}{S.E.}$$

$$= \frac{1.31-0.936}{0.2565}$$

$= 1.4581$

t tab at 8 d.f., 5% significance level 2.306