

**DEPOSIT COLLECTION AND MOBILIZATION OF
EVEREST SOCIETY COOPERATIVE LIMITED**

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RECOMMENDATION

This is to certify that the thesis

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**Deposit Collection and Mobilization of Everest Society Co- Operative Limited**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Krishana Prasad Acharya**, assistant campus chief and head research department. **Shyam Sunder Gautam**, Shanker Dev Campus, T.U.

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ABBREVIATIONS

ADB	=	Agriculture Development Bank
BS	=	Bikram Sambat
CRR	=	Cash Reserve Ratio
CU	=	Credit Union
CV	=	Coefficient of Variance
ESCL	=	Everest Societies Co-operative Limited
FI's	=	Financial Institutions
FY	=	Fiscal Year
ICA	=	International Cooperative Alliance
ILO	=	International Labour Organization
MFIS	=	Micro Finance Institutions
NCDB	=	Nepal Co-operative Development Board
NEFSCUN	=	Nepal Federation of Saving and Co-operative Union
NIM	=	Net Interest Margin
NRB	=	Nepal Rastra Bank
PE	=	Probable Error
PRCSL	=	Pokhara Royal Co-operative Society Limited
r	=	Correlation Coefficient
SD	=	Standard Deviation

CHAPTER - I

INTRODUCTION

1.1 General Background

Nepal is a landlocked country which lies between China and India. According to census 2068 B.S, the population of Nepal is 28,538,712 with an annual growth rate of 1.40%. And according to census 2058 B.S, 85.8 % of people live in rural areas and 14.2% live in urban area.

So, the overall development of the country is not possible without uplifting the economic status of rural area. Thus, government has made efforts to increase the living standard of the rural people. However, the rural people should make attempts to organize, supervise, and manage the cooperative in order to increase their economic condition by working with the common interest of the members of the society.

Cooperative is a form of business enterprises, or community organization of corporate service with its member and users, in order to meet their common economic, social, and cultural needs and aspiration (aim). Cooperative is jointly owned and democratically controlled by its members and user on the basis of one member one vote. It means cooperative is one for all and all for one.

Cooperative follows democratic, participatory and transparent decision making process and organizational structure so that their members and users may be directly responsible for benefiting themselves and the society in general.

A cooperative is an autonomous association of people united voluntary to meet their common economic, social and cultural needs and aspiration throughout a jointly owned and democratically controlled enterprise (*ICA, 1995:4*).

Cooperative organization was developed to remove defects of capitalism, lesser competence, prevent exploitation over people and help lower class people. Its

ideology is applied in different areas such as vegetable farming, poultry and animal husbandry, sales and distribution ,transportation, health, education, tourism ,wood and metal carving, furniture, cottage and carpet industry, as well as housing and other. Besides, cooperative provides access to microfinance service; saving and credit cooperative are the example of it. Due to its nature, cooperative with limited service, like saving and credit cooperative is also called credit union (CU) and recognized as microfinance institutions (MFIS).

The cooperative has been developed from the ancient time. The Rochdale Society of Equitable Pioneers, founded in 1844, was an early consumer cooperative, and the first to pay a patronage dividend, forming the basis for the modern cooperative movement. Although other cooperatives preceded them, the Rochdale Pioneers' cooperative became the prototype for societies in Great Britain. The Rochdale Pioneers are most famous for designing the Rochdale Principles, a set of principles of co-operation that provide the foundation for the principles on which co-ops around the world operate to this day. The model, Rochdale Pioneers used is a focus of study within cooperative economics. The Rochdale Society of Equitable Pioneers was a group of 28 weavers and other artisans in Rochdale, England, that was formed in 1844. As the mechanization of the Industrial Revolution was forcing more and more skilled workers into poverty, these tradesmen decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed now famous Rochdale Principles, and over a period of four months they struggled to pool together one pound sterling per person for a total of 28 pounds of capital. On 21 December 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. Ten years later, the British cooperative movement had grown to nearly 1,000 cooperatives. The archive for the cooperative movement in Rochdale is held by Local Studies, Rochdale Borough wide Cultural Trust. Rochdale Pioneers traded independently until 1991, with name changes inspired by mergers with neighboring cooperatives, as Pioneers

from 1976, and Norwest Pioneers from 1982, based in Wythenshawe, Manchester by 1991. In 1991, then Norwest Cooperative Society transferred its engagements to United Cooperatives that was run from Rochdale when it in turn transferred to the Manchester-based national hybrid society (*www.wikipedia.org, April, 2011*).

Cooperative society in Nepal is not a new concept. Traditionally cooperative is known as “Parma”, “Bheja”, “Dhikuti”, “Dharma”, “Bhakari”, “Guthi” has been continuing till now. In 1956 A.D, the government incorporated “Bakhan Saving and Credit Cooperated limited” at Rapti valley, Chitwan by issuing executing order for its legal validity (*Baral, 2005:24*). The third years Panchayat regime, also attempted to promote cooperate by enforcing the cooperative Act,, 2016 BS (1959AD) and cooperative regulation 2018 BS. After the restoration of democracy in 1990 A.D, the government find cooperative as a means of poverty alleviation. It also enforced new cooperative Act,, 2048 BS and cooperative regulation 2049 BS.

The cooperative society has taken momentum together with beginning of the planned development of Nepal. The first “five years plan” (1956-61) has considered cooperative moment as an important campaign to uplift the living standard of people in the country. With target of establishing 450 cooperative societies throughout the country, only 378 cooperative societies had been established at the end. The second “third years plan” (1962-65) has also given priority to establish along with cooperative societies in the country. 542 cooperative were established along with cooperative bank at 2019 BS. A cooperative bank was established in 2020 BS which provide loan to cooperative societies at low rate of interest. The 3rd “fifth years plan” is (1965-70 (the cooperative bank which was established during second plan converted to ADP in 2024 BS. 366 cooperative were established. During the fourth “five years plan” (1970-1975) cooperative society had provide services in 60 districts of the country. The plan had emphasized on improving the quality of cooperative rather than quantity. In this period 251 guided cooperative were established. The fifth five years plan (1975-80) had taken steps to modify the guided cooperative societies into “Sajha Societies”. The existing cooperative was converted into “Sajha Societies” with a view to conceive as

the institutional arrangement for rural development. The Sixth “Five-Years Plan” emphasized on the co-ordination of “Sajha” programmes. The seventh and eighth “five year-plans” laid emphasis on education and training for the institutional and physical development for the trainers. The ninth and tenth “five year-plans” targeted to improve the training methodologies on cooperative education and make it profession (*Dhungel, 2000:127*).

Cooperative today, has gained extensive importance in public on rural and urban area. There major function is being confined to accept of deposit and extending loans on productive sector. Cooperative collects deposit by offering various deposit schemes with attractive interest rate. Funds collected through acceptance of deposit are being mobilized through different ways.

Everest Society Cooperative Ltd (ESCL) was established in 2057B.S. It was established to raise the economic condition of its members. It is providing the economic support especially lower class people to raise their status. ESCL was established under the cooperative Act., 2048. It was established to fulfill the immediate need and public welfare. It was established with its corporate office in Talchock, Lekhnath Municipality, Kaski, Nepal. It has only one branch located at Chipledhunga, Pokhara, Kaski, Nepal. ESCL collects the deposits under various accounts and their collected deposits are mobilized in several areas. It also provides loan in different fields like business, hire purchase, industries, housing and real estate etc. The future plan of ESCL is to expand the banking transaction and try to decentralize the ESCL in different parts of country to reduce the regional disparity. At present the authorized capital of ESCL is Rs 5 cores and issued capital Rs 2cores and paid up capital is Rs 1 cores. There are 234 shareholders among them, 34 are promoter shareholders (*ESCL, 2009:11*).

1.2 Statement of the Problem

The cooperative literature identifies several problems affecting cooperative performance such as free rider, horizon, portfolio, control, and influence problems. In

addition to these general problems, cooperatives in developing countries face specific challenge including lack of institutional transparency and weak management and financial markets out of thousand saving and credit cooperatives, only 19 cooperatives are under the control of Nepal Rasta Bank (*NRB, 2007:64*). NRB regulates and supervises the cooperative under its control on the basis of same supervision parameters.

There are so many commercial banks, national and regional development banks, finance and insurance companies in Pokhara which are focusing their aim to the limited and economically advance ratio of the population. Agricultural and tourism industry plays a vital role in the development of Pokhara but industry and trade need large volume of capital. Therefore, Everest Cooperative Society Ltd. invests to industrial and small traders, tourism sector, farmers of especially rural area. However it has not fixed group to invest.

ESCL helps people having low and moderate income by collecting the small scattered amount of saving and providing loan for the small scale cottage industries. Under this fact, the proposed study will be reasonable and a researcher expect that a study on deposit collection and mobilization of ESCL.

The problem provides the context for the research study and typically generates questions which the research hopes to answer. In considering whether or not to move forward with a research project, we will generally spend some time considering the problem.

Thus, the study is carried out to find out the answers of following problems:

- What is the situation of deposit collection and lending practice of the ESCL?
- What are the interest rates given by the ESCL?
- What is the financial condition of the ESCL?

1.3 Objectives of the Study

The present study is directed towards analyzing about deposit collection and mobilization of ESCL. The purpose of study is to examine the deposit collection and mobilization of cooperatives. It also emphasize on the concept, historical background, current issues of cooperative in Nepal. The basic study is to know the financial condition of the Cooperative. The specific objective is listed below:

- To analyze deposit collection and lending practice of the ESCL.
- To analyze the interest rates given by the ESCL.
- To know the financial condition of the ESCL.

1.4 Significant of the Study

The cooperative collects cash from the people of any group with an attractive interest rate. But these mainly focused on the lower and moderate group people. Also these collections later lend to the people for their economic development. The organization protects lower section of the community such as poor and unprivileged member and increases their purchasing power for their welfare and amenities to raise their living standard.

The study is carried out in the Kaski district. The study will identify the issues and challengers of cooperative organization in Nepal. This study will update the researcher about the current scenario of the rural based cooperative organization through empirical analysis. This study is visualized the current situation of the cooperative in Nepal aspects of Pokhara valley. Thus, this study will play significant role for further improvement to the researcher, scholars as well as the Everest Society Cooperative itself. It will be also beneficial for the other financial institutions regarding proper deposit collection and its mobilizations.

1.5 Limitation of the Study

The study is conducted as an academic requirement for “Master Degree of Business Studies” Thus, the study mainly focused with a view to deposit collection and mobilization of ESCL. There are some following limitations.

- The study is mainly concentrate with the study of ESCL.
- The study is focused only on deposit collection and mobilization of ESCL.
- The study is based on secondary data from FY 2062/063 to FY 2066/67.

1.6 Organization of the Study

This study is organized into five chapters which are as follows:

Chapter I: Introduction

The chapter contains the background of the study, statement of the problem, objective of the study, significance of the study, limitation of the study etc.

Chapter II: Review of Literature

The second chapter contains review. This chapter incorporates the meaning and definition of cooperative, principles of cooperative, historical background, Nepalese prospective, organizational structure, current issues and challengers of cooperative, review of analysis tools, introduction of ESCL and related studies.

Chapter III: Research Methodology

The third chapter deals with research methodology. It includes research design, population and sample, sources and procedure of data collection, data processing procedure, tools and techniques of the methodology.

Chapter IV: Presentation and Analysis of Data

The fourth chapter consist the interpretation and presentation of relevant data and information. Presentation of analyzed data will be made in the form of table and graphs and interpretation of the result explored.

Chapter V: Summary, conclusion and Recommendations

At last or final chapter summarizes the whole study. It also contains the main conclusion that is taken from the study and offers some suggestion for the improvement of ESCL in future.

CHAPTER - II

REVIEW OF LITERATURE

This section provides current stage of the research work and guidelines for further study and helps to avoid unnecessary duplication of research work. It highlights upon the literatures that are available in the area of deposit collection and mobilization of cooperative society. This chapter consists of the existing literature and researches related to the present study for the purpose of finding out what had already been explained and how the present research adds to the dimension in this regard. The chapter also deals with conceptual aspect of cooperative, global and national scenario of cooperative and cooperative movement of Nepal. This chapter is divided into two parts conceptual review, theoretical review of the related studies.

2.1 Conceptual Review

2.1.1 Meaning and Definition of Cooperative

The word “cooperative” has been derived from the Latin word named as “co-operare” which means working together. Also, system of people voluntarily associated working together in terms of equality to their economic exploitation by others.

Cooperative is associated with human in all walks of life. It may be compared with the company of birds, beasts and insects. It teaches us disciplined life and coordination among each other. A cooperative organization is more guided by the service. It has rendered to the member that by the social benefit and profit motive. It is completely different from other business organizations. Tamper “Bhide” has defined cooperative as a happy means between the force of extreme individualism of one hand and socialism and communism on the other. It stands for individual rights corrupt by consideration of justice, equity and fair dealing between man and man, and its aims to prevent the exploitation of weakness by the stronger party.

The definition given by international labor organization covered most of the principal of cooperation. So it can be considered to be the most comprehensive. Cooperative

society is “an association of the economically weak who voluntarily associates on the basis of equal rights and responsibility, transfer to an undertaking one or several of their function, corresponding to one or other economic needs which are common to them all, but which each of them is unable to fully satisfy by his/her own individual efforts and manage and use such undertakings in mutual collaboration to their common materials and moral advantage (*Shrestha, 1974: 115*). Calvert defined cooperative as “A cooperative form organization where person voluntary associate together as human being on a basis of equality for the promotion of economic interest of themselves” (*Dahal, 1978: 66*). “A cooperative is an autonomous association of people united voluntary to meet their common economic, social and cultural needs and aspiration throughout a jointly–owned and democratically – controlled enterprise” (*NCF, 1995: 224*).

The progress of cooperative movement has been slow and in some countries it is very slow. In the constitution of Nepal, it has been resolved to secure all the citizen of Nepal justice, social, economic and political. As such, cooperative societies have been given an important place in the constitution. Economic development and social change are equally vital elements in the reconstruction of Nepal. Socio change is equally vital elements in the reconstruction of Nepal social economic structure. Cooperation is one of the principal’s for bringing changes on fundamental nature in the country. As such cooperative development has got priorities and various programs have been launched by the government through various economic plans to circulate the idea of cooperative in the country (*www.enfscun.org.np, April, 2011*).

Hence, the above discussion concludes that cooperative is a form of organization especially weak and powerless people to achieve certain goal and services. Voluntarily associate together as human beings, on the basis of equality for the promotion of their economic interest. Cooperation is the super philosophy of life, besides form of business organizations.

2.1.2 Principles of Cooperatives

All the cooperative activities are guided by its principles. Cooperative principles are set of rules and regulations to regulate and govern the activities of cooperative enterprise. They were first set out by “Rochdale Society of Equitable Pioneers” in Rochdale, England, in 1844 A.D, and have formed the basis for the principles on which cooperative around the world operate to this day and being the guide line principles for all kinds of cooperative activities for the attainment of pre-determine goals. The principles of cooperation have been given new dimensions in order to make the cooperative movement purposeful.

Due to the rapid changes in the economic development of the world, the need for review of this principle was increasingly felt. International Cooperative Alliance (ICA) has under taken their reviews and modernized the idea of cooperation , maintained its relevance and provide test of whether an organization qualified to call itself as a cooperative or not. In 1995 cooperative principles has been included in a number of policy documents including the United Nations Guidelines, the international labor organization recommendation promotion of cooperatives in 1963. The ICA had reviewed the existing principles and the committee enunciated the following principle which have commonly adopted all over the world.

- **Voluntary and Open Membership**

The first of the Rochdale principles states that cooperative societies must have open and voluntary membership. According to ICA’s statement, “cooperative are voluntary organization, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, and social, racial, political or religious discrimination”.

- **Democratic Member Control**

The second of the Rochdale principles states that cooperative societies must have democratic member control. According to the ICA’s statement, “Cooperative is democratic organization control by their member, who actively participated in setting their policies and making decision. Man and woman servings elected representatives

are accountable to the membership. The cooperatives member has equal voting rights and cooperatives at other levels are also organized in democratic member”.

- **Members’ Economic Participation**

Member economic participation is one of the defining features of cooperative societies, and constitutes the third Rochdale principle in the ICA’s statement on the cooperative identity. According to ICA “cooperative is enterprises in which members contribute equitably to, and democratically control, the capital of their cooperative”. At least part of that capital is usually the common property of the cooperative. Member usually receives limited compensation, if any on capital subscribes a condition of membership. Member allocate surplus for any or all of the following purposed developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible , benefiting members in proportion to their transactions with the cooperative and supporting other activities approved by the membership.

- **Autonomy and Independence**

The fourth of Rochdale principles states that cooperative societies must have autonomous and independent. According to the ICA’s statement on the cooperative identify, “cooperative are autonomous self help organization control by their member. If they enter the agreements with other organization, including governments or rise capital from external sources, they do so on terms that ensure democratic control by their member and maintain their cooperative autonomy”.

- **Education, Training and Information**

The fifth of the Rochdale principles states that cooperative societies must provide education and training to their members and the public. According to the ICA’s statements on the cooperative identify, “cooperative provides education and training for their members, elected representatives, manager, employees so they can contribute effectively to the development of their cooperative”. They inform the general public-particularly young people and opinion leaders about the nature and benefit of co-operation.

- **Cooperation among Cooperatives**

The sixth of the Rochdale principals states that cooperatives co-operate with each other. According to the ICA's statement on the cooperative identity, "cooperatives serves their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structure".

- **Concern for Community**

The seventh of the Rochdale principal status that cooperative societies must have concern for their communities. According to the ICA's statement of the cooperative identity, "Cooperative works for the sustainable development of their communities through policies was approved by their members" (*www.ncfnepal.com.np, May 2011*).

2.1.3 Historical Background

- **Global Prospective**

In India, during the British rule, Nicholson a British officer in India suggested to introduce Raiffersen model of German Agriculture Credit Cooperative in India. As a recommendation, the first cooperative society Act, of 1904 was enacted to enable formation of "Agriculture Credit Cooperatives" in villages in India under government sponsorship. With the enactment of 1904 Act, cooperatives must get a direct legal identity as every agricultural cooperative is to be registered under that Act, The 1904 cooperative societies Act, was replaced by 1912 cooperative societies other than credit. Under 1919 administrative reforms Act, cooperative was made a simple subject making each area responsible for cooperative development. In 1942, the British government enacted the multi unit cooperative society's Act, 1942 with on objectives to cover societies whose operations are extended to more than one state. The impulses of the India freedom movement gave birth to initiatives and institutions in the post independence era in India and armed with an experience of 42 yrs in working of multi unit cooperative societies and the multi unit cooperative societies Act, 1942, the central government enacted a comprehensive Act, known as multi state cooperative societies Act, 1984, repealing the Act, of 1942. Cooperative has extended across the entire country and there are currently and estimated 230 million member nationwide.

The cooperative credit system of India has the largest network in the world and cooperative has advanced more credit in the Indian agriculture sector than commercial banks (*Kumar, 2006:71*).

The cooperative movement started for the first time in Britain. At the beginning of the 19th century the idea of cooperative was given by Robert Owen, but it was practically developed by the group of Rochdale pioneers called the “consumers society”. This was a successful cooperative society which was started all over Great Britain, this society sold goods only for its members in the beginning but later it started to sell goods to non members also.

Rochdale principles of cooperative discussed in cooperative literature throughout the world are open membership, democratic control, distribution of surplus in proportion to purchase limited interest on capital, religious and political neutrality cash trading, promotion and education. Although there have been in excess of hundred of societies but the truth is that it was the Rochdale pioneers society that achieved tremendous success and put economic and social life to Britain on the road of continuous progress.

Likewise, the idea of cooperative was suggested by two German at the time Rochdale pioneers. They started their cooperative work in Germany after few years for improving the coordination of the poor peasants, Friedrich Raiffeisen successfully tried to help that poor peasant through agriculture credit cooperatives societies. The other Germany cooperative was Freiz Schulze, and Dalizch who opened the cooperative bank for the help of German people. There was little difference between these two Germany co-operators. Raiffeisen’s credit societies were suitable in village while other was suitable in town but both were started their first cooperative society’s in 1849 and both ran successfully.

In Switzerland, the cooperative movement was started by ‘Daisies’. Swiss agriculture is organized by the various cooperative. Cooperatives movement contributed a lot for

the development of Switzerland in 1847 and 1848. Establishment of cooperative stores and number of food societies were also formed in 1851. Another contribution of cooperative is 'holiday home' in Switzerland. This was given job opportunities to young people of Switzerland in 1934. By all people of Switzerland realized that cooperative provides many things to them.

After the second half of the 19th century cooperative movement was started. This movement seems to have been influenced by the European cooperative movement. The credit cooperative of Japan likes that of Germany and consumer cooperative in modeled in the British cooperative. The Japan agriculture multi cooperative organization takes an important position in cooperative movement, through in low level; we find a vital role of the government. In the movement the government invests funds and grants which directs the organizations.

Denmark is the homeland of agriculture co-operation in the world. A local Pasteur, Rev. Hans Christian, started the cooperative movement in 1861 at Jutland. After visit of England they established the cooperative stores in 1868. In 1882, the first cooperative dairy was established and in 1887 the first balloon factory was established in Denmark. Today the cooperative dairies occupy the front position in the cooperative of Denmark.

The successful cooperative was movements in Germany and Britain followed by the other country all over the world. All of the developing countries as well as developed countries felt that co-operation might be one of the best instruments for uplifting the rural poor and liberating them from the exploitation of landlords and moneylenders.

As the cooperative movement took place in different countries, ICA was established in London on August 1895 by the International Association of Cooperative Congress. ICA is an independent worldwide international association of cooperative organization of all types. ICA has the affiliation in 102 countries with 256 national and 4 international level organizations as member serving well over 800 million individual

member worldwide. ICA collaborates with several United Nation Agencies, including the international labor organization (ILO), food and agriculture organization and the council for trade and development. ICA enjoys category-1 consultative within the united nation and social council (*www.wikipedia.org May, 2011.*)

- **Nepalese Perspective**

The different types of cooperatives activities, Dharma, Bhakari, Dhikuti, Parma, Bheja, Guthi and Mankakahal are used in practice from the ancient time. Dharma, Bhakari means a religious store of a kind of grain after the end of the harvest season. At the time of scarcity, the quantities of grains are distributed in advance to the farmers. Loan is advanced from the grain bank only to their villagers, who have contributed to the bank and agree to pay the loan in kind with interest.

‘Parma’ is still another type of traditional cooperative in Nepal. It is a socioeconomic organization in which farmers, neighbors, friends and relatives work with cooperative operation, promote their economic and social interest. Another traditional form of rural cooperative ‘Dhikuti is the best example of voluntary cooperation of the ‘Thakali’. It is formed by the group of people with the specific work. ‘Dhikuti’ is one of the important and popular forms of co-operation in Nepal. This system of cooperative is utilized in all part of the country. The member prepares the rules and regulation. After preparing rules of such society, every member is required to contribute certain amount of capital towards the fund. The fund is to be contributing certain amount of capital towards the found. The fund is to be contributed on the basis of financial requirement of the member (*Koirala, 2062: 91*).

Thus, the concept of cooperative in Nepal is not a new one. It is familiar from those days when people had the knowledge to live together in a society or community. But we cannot ascertain the actual date when the cooperative movement was started in Nepal. Many types of informal cooperatives were running in different part of Nepal but those are not in position to take formal shape of cooperative. If we turn over the history of cooperative movement of Nepal, the organized history can be traced back to

about 56 yrs old. Formally, the history of Nepal has been started after establishment of cooperative department in the years 1953 under the ministry of agriculture for the promotion, supervision and evaluation of cooperative societies.

In the beginning, cooperatives movement in the real sense was geared up with establishment of Bakhan Saving and Credit Cooperative Ltd in Rapti valley, Chitwan in 1956 as part of the resettlement program for the flood stricken people under the active support of United States agency for international development on experimental basis. These cooperatives were previously registered under an executive order of His Majesty's Government of Nepal. Considering the importance of necessary rules and regulations for managing and guiding cooperatives effectively and efficiently, the first cooperative Act was promulgated in 1959, which provided legal entity among other things, to all cooperatives, registered under the executive order.

Consequently, cooperative society rules 1961 were promulgated and prompted the cooperative movement in the country. With the introduction of the first cooperative Act, numerical growth of the cooperative boomed up. In the mean time, the cooperative activities were tied up with the so called revolutionary many land-reforms program. In later dates, the guided cooperative program was introduced which followed a rapid merging process. In 1969, the management of cooperative was entrusted to the agriculture development bank of Nepal. The number of cooperative registered with the concerned department increased gradually and by the end of 1970 – 1971 reached to be about 1500.

During the period, a Cooperative Development Fund (CDF) was established to finance cooperative for leading to their members. In order to provide broader spectrum to supervision, guidance and leading to cooperatives a cooperative bank was established in 1963. Within a short period of establishment, the cooperative bank suffered heavy financial losses because of misuse and fraud in the operation of its member cooperatives. This led to establishment of CDF and dissolution of cooperative bank in 1970 with all the assets and liabilities under the formal control. In 1976, the

cooperatives were redesigned as 'Sajha.' The cooperative societies were also subjected to various agencies regarding management control. In the early seventies they were brought under the CDF for financial and administrative control. This did not last long. They were handed over back to the cooperative development.

Obviously, the reason for failure of cooperatives was the nature of organization government took initiatives to organize, manage, and control them. Cooperative was used as tools for the extension of the government, services designed to serve the interest the government, not of the members.

After the restoration of democracy in the country in 1990, it paved the way for the new changes in the cooperative movement, consequently new cooperative Act, was promulgated in 1992 recognizing cooperative as a popular organization with an autonomous body. On the basis of Act, a long waited National Cooperative Federation came into existence on June 20, 1993 (NCF). Soon after the reinstatement of democracy in 1990, the interim government formed a National-Level Cooperative Confederation Advisory Committee. The committee made an in-depth analysis of the problems faced by the cooperative movement and which emphasized on the need for promoting cooperatives in the line with cooperative principles and democratic values. The committee report was studied by the government and subsequently 11-member National Cooperative Development Board (NCDB) was formed by the cabinet in August 1991. The board was formed with initial task of formulating cooperative polices and new legislation to set up the structure of cooperative movement up to the central level, coordinate the activities of cooperative in different sectors and for creating the necessary foundation for facilitating the process of cooperative development.

There have been several commissions and task forces formed for studies in the field of cooperatives. Such commission and task forces include consultative committee for national cooperative federation 1990, study on improvement on organizational structure of cooperative sector, 1999, task force for suggestions for cooperative

development, 2000, and high level cooperative sector improvement committee, 2004, legal frame work and institutional development study of saving and credit cooperative society and national cooperative Bank by Ministry of finance, 2004 (*Mali, 2005: 49*).

Cooperative Bank was established in 9th July, 2003 with the aim to provide financial services to all cooperatives issuing share and making member to cooperative. Within the four-year period of establishment, it is not capable to include most of the cooperative of Nepal and facing problem in including all the cooperatives and extension of branch office in major parts of Nepal. For the supervision of cooperatives in regional level cooperative office cooperative training office combining with division cooperative office in Kailali, Surkhet, Kaski and Chitwan in 2005. In 2006, on the occasion of the 50th year of formal establishment of cooperative in Nepal, cooperative golden jubilee was celebrated all over the country.

Table 2.1

Major Events of Cooperative Movement in Nepal

Year	Events
2010 B.S.(1953AD)	<ul style="list-style-type: none"> ● Establishment of cooperative division under the Ministry of plan Development and Agriculture
2013B.S.(1956A.D)	<ul style="list-style-type: none"> ● Issue of executive order for the legal variety of cooperative societies by the government ● Government incorporated Bakhan Saving and credit cooperative Ltd in Rapti Valley, Chitwan by issuing executing order for its legal validity.
2016B.S(1958AD)	<ul style="list-style-type: none"> ● Cooperative department transferred under the Ministry of Food, Agriculture & forest. ● Issue of Cooperative Act,,2016
2018B.S.(1961AD)	<ul style="list-style-type: none"> ● Issue of Cooperative Regulation 2018 ● First amendment of Cooperative Act,, 2016 ● Establishment of cooperative Development Fund ● Establishment of Sajha Sanstha Ltd.
2019B.S.(1962AD)	<ul style="list-style-type: none"> ● Establishment of cooperative Training Center ● Establishment of cooperative exchange & loan Association ● Issue of Cooperative Bank Act,, 2019
2020B.S.(1963AD)	<ul style="list-style-type: none"> ● Establishment of Cooperative Bank. ● Cooperative section had kept under the District Panchayat.

2021B.S.(1964AD)	<ul style="list-style-type: none"> • Being of Agriculture Reorganization Program. • Cooperative Division staffs transferred to Land-reform Program.
2023B.S.(1966AD)	<ul style="list-style-type: none"> • Cooperative Division had been transferred under the Ministry of Land-reform, Agriculture and food.
2024B.S.(1967AD)	<ul style="list-style-type: none"> • Formation of central investigation committee. • Cooperative Bank had transferred into Agriculture Development Bank.
2026B.S.(1969AD)	<ul style="list-style-type: none"> • Cooperative Division transferred under the ministry of land reform. • Operation of cooperative Agriculture Development. • At first compulsory saving (Anibarya Bachat) has converted into share of cooperative societies, Bhaktapur. • Cooperative Exchange and Loan Association changed into District Cooperative Association.
2027B.S.(1970AD)	<ul style="list-style-type: none"> • Second Amendment in Cooperative Act,, 2016 • Arrangement of Central and District Cooperative Improvement Committee. • The management of cooperative societies has transferred to ADB/N.
2028B.S.(1971AD)	<ul style="list-style-type: none"> • First Amendment in Cooperative Regulation 2018.
2029B.S.(1972AD)	<ul style="list-style-type: none"> • Operational of regular cooperative education program.
2033B.S.(1976D)	<ul style="list-style-type: none"> • Beginning of population education through cooperative. • Occurrence of central Sajha Development Committee. • Second amendment on cooperative Regulation 2018. • Compulsory saving converted into the share of Sajha.
2034B.S.(1977AD)	<ul style="list-style-type: none"> • Fiscal Regulation 2034 issued for the Sajha society management.
2035B.S.(1978AD)	<ul style="list-style-type: none"> • Management of cooperatives transferred to operating committee from ADB/N. • Issue of fiscal and Administrative regulation for cooperatives
2041 B.S(1984AD)	<ul style="list-style-type: none"> • Sajha Society Act,, 2041 was issued.
2043 B.S(1986AD)	<ul style="list-style-type: none"> • National cooperative seminar conducted. • Issue of Sajha Society Regulation 2043.
2044 B.S(1987AD)	<ul style="list-style-type: none"> • Member's high-level central co-ordination committee formed for the effective development of sajha movement.
2045 B.S(1988AD)	<ul style="list-style-type: none"> • Announcement to return of compulsory saving to the

	savers.
2046 B.S(1990AD)	<ul style="list-style-type: none"> • Formation of ad-hoc committee for the formation of the central sajha society.
2047 B.S(1991AD)	<ul style="list-style-type: none"> • Formation of 7 member central cooperative general association consulting committee and the committee submitted its report.
2048 B.S(1991AD)	<ul style="list-style-type: none"> • Sajha central office dissolved. • 11 member National cooperative development boards established.
2049B.S(1992AD)	<ul style="list-style-type: none"> • Cooperative Act,, 2048 issued. • District co-ordination committee and cooperative ad-hoc committee formed. • Sajha Development Department transferred into cooperative department. • Sajha training center transferred into cooperative training center.
2050B.S(1993AD)	<ul style="list-style-type: none"> • Cooperative society Regulation 2049 issued. • Formation of national cooperative federation. • Establishment of central cooperative Federation. • Establishment of national saving and credit cooperative Federation. • Establishment of Nepal Federation of saving and cooperative Union ltd. • Consumer and saving and credit cooperative societies are established at the large scale all over the country.
2052B.S(1995AD)	<ul style="list-style-type: none"> • Formation of high level committee for cooperative improvement and proposal submitted.
2057B.S(2000AD)	<ul style="list-style-type: none"> • Conversion of ministry of agriculture into the ministry of agriculture and cooperatives. • Formation of the national cooperative development advisory working team and submission of report. • The first amendment in the section 26 of the Cooperative Act,, 1992.
2058 B.S(2001AD)	<ul style="list-style-type: none"> • Announcement of observance of international cooperative improvement and proposal submitted.
2060B.S(2003AD)	<ul style="list-style-type: none"> • Establishment of national cooperative bank ltd.
2061B.S(2004AD)	<ul style="list-style-type: none"> • Structure of cooperative division changed according to the administrative improvement program. • Nepal government constituted a high-level cooperative

	<p>sector improvement consultative committee under chairmanship of the Minister of Agriculture and Cooperative submitted its report to the government of Nepal.</p> <ul style="list-style-type: none"> • Ministry of Finance constituted to study the legal framework and institutional development of the saving and cooperatives & national cooperative bank. • Government of Nepal announced the policy of GAU GAUMA MA SAHAKARI GHAR GHAR GHAR MA ROJGARI through it's budget fiscal year 2061/062
2062B.S(2005 AD)	<ul style="list-style-type: none"> • Change of name of district cooperative office into division cooperative office. • Establishment of regional level cooperative training office combining with division cooperative office in Kailali, Surkhet, Kaski and Chitwan.
2063B.S(2006AD)	<ul style="list-style-type: none"> • Election of Nepal as standing committee member of CA/AP • Election of Nepal as vice-chairman of house cooperative foundation. • Beginning of cooperative Golden Jubilee 2006/07 throughout the country for full year.
2064B.S(2007AD)	<ul style="list-style-type: none"> • Completion of cooperative Golden Jubilee 2006/07 with four special cooperation publications. • Recognition of cooperative as basic pillar of socio-economic development as equal footing those of private and government sector.
2065B.S (2008AD)	<ul style="list-style-type: none"> • National conference on cooperative policy organized by Ncf.
2066B.S(2009AD)	<ul style="list-style-type: none"> • Government of Nepal announced the policy “Gaun Gaunma Sahakari Ghar Gharma Bhakari”.
2067B.S(2010AD)	<ul style="list-style-type: none"> • Establishment of central sugarcane cooperative union. • Formation of cooperative cooperation network. • UN proclaimed 2012 International year of cooperatives.
2068B.S(2011AD)	<ul style="list-style-type: none"> • Establishment of central Tea cooperative union. • Completed the Regional and National workshop on cooperative strategic planning.

Source: www.ncfnepal.com.np

2.1.4 Organizational Structure

Cooperative Act, 1992 has the provision of three-tier system of non agriculture cooperative or commodities based. The major function of the primary cooperative societies is to benefit the members by providing necessary services, help in development of the member's socio economic conditions and community by providing services in group and community basis disburse loans to member on their needs basis as well as provide other services for the betterment of the member. The organization structure of the cooperative organization is shown in the form of a chart.

Figure 2.1



Source: www.ncfnepal.com.np

2.1.5 Saving and Credit Cooperative in Nepal

Nepal has not made any separate saving and credit cooperative Act, till now. After democracy in Nepal 2047 B.S., according to section 26 cooperative Act, 2049 B.S. saving and credit cooperative movement has been exercising in Nepal. There are some saving and credit cooperative organization in Nepal. They are shown below:

- **Traditional Saving and Credit Cooperative**

These types of cooperatives encourage the members to collect deposit from them. It provides debt to members for production and consumption function. The purpose of cooperative at establishing time is to develop the socio-economic conditions of members.

- **Multipurpose Saving and Credit Cooperative**

These kinds of multipurpose saving and credit cooperative cooperatives provide saving and credit facility to their members.

- **Financial Cooperative**

Financial cooperative will collect from general amount and provide loan to agriculture, cooperative, industries or specific economic provision is called financial institution. These types of cooperatives have limited right to provide financial activities.

- **Banking Cooperative**

These types of cooperatives can conduct limited banking activities after obtaining approval from a Nepal Rasta Bank (NRB). NRB has given them only to saving and credit facilities. NRB has issued following provisions for this types of cooperatives.

- These cooperative can provide limited banking facilities.
- The cooperative can collect saving and provide debt to both member and other people.
- Cooperative can give current account facilities.
- Cooperative have manage 10% liquidity fund of total collection.
- Cooperative can't give current account facilities.
- The different between interest in saving and credit are not than 6%.
- Cooperative is able to accept saving and credit to 10 times of up capital and one person can issue debt only 10% of total paid off capital.

2.1.6 Current Issues and Challenges of Cooperatives

There have been several commissions and task force formed for studies in the field of cooperatives. Such commissions and task forces include consultative committee for national cooperative federation 1990.

All of the above committees have identified challenges of the cooperative sector and provided their recommendations to overcome them. The challenges identified are mostly too general and focused on what the government should do. The challenges identified in this report include but not limited to the following points:

1. Confusion in national vision of cooperative sector.
2. Lack of identify of cooperatives.
3. Lack of professionalism.
4. Lack of investment in this sector.
5. Too small membership to gain economy of scale.
6. Lack of credibility.
7. Lack of capacity of government to monitor.

There are different challenges within the different types of cooperatives. To quote an example, saving and credit cooperative societies are not registered by the department of cooperative since last few years. Other types of cooperatives are not facing this challenge. There is some issue and challenges facing the Nepalese cooperative at now. They are as follows:

- **Lack of Clear Vision of Promoter of Saving and Credit Programs**

In Nepal almost all government and non-government organization have included saving as a component of their various development programs such as literacy group, health group, forest user group, mothers group, irrigation users group, agriculture production group and so on and so forth. After the preliminary objective of the group formation is completed the saving and later credit component continues and as the groups grow, the technical assistance need for these group increases, which is most cases are not provided by the promoters.

- **Legal and Regulatory**

There is no separate cooperative Act, in Nepal. The current cooperative Act does not even have a separate chapter for cooperative. In addition from last 2 years, the registration of savings and credit cooperatives has been suspended by the department of cooperative.

- **Diversifying Financial Services**

Most of the savings and credit cooperatives have not been able to diversify their financial services. They remain in providing saving and credits services within limited number of saving and credit services within limited number of savings and loan product. Other competitors of cooperative providing micro insurance and even money transfer services. This may in long run, start membership drop outs in cooperatives.

- **Lack of Adequate Monitoring**

They are very limited capacity of cooperatives which self regulates. At the same time the capacity of department of cooperatives to monitor also is almost non-existent. NEFSCUN too has limited capacity to monitor and cannot monitor those cooperative that are not its member. Because of the above the quality of financial services are negatively affected. In few instances there have been cases where some officials of urban based credit cooperatives misused the funds of cooperatives and ran away. Though such cases were very few, that too within the non-community based cooperative of the credit cooperative societies.

- **No Linkages with Business Development Services**

Most of the credit cooperatives have been unable to link their members with business development services. This has resulted into stagnancy in the credit need of their members.

2.1.7 Concept of Deposit Collection

According to Banking and Financial Act, 2061, deposit means the collection of fund in current and fixed saving. Deposit collection is the main sources by which

organization run and gets profit. In the investment, they invest the collected deposit to the different section and charge interest. Increase in deposit provides a financial sector with additional cash, the increase in cash supplement its loan able resources and permits a more than proportionate increase in its loan. ESCL accept deposit from the people who can save but can't invest themselves. Deposit is the main sources of income for any cooperative society. Higher the deposit collection higher the investment in loans in other companies can be done. So the increase their sources of deposit and to provide different facilities such as establishing different heads for deposit for their member. ESCL mainly collected it in 2 types of deposit account.

- **Saving Deposit**

People who want to save certain amount of money for the shorten period of time and can take benefit by keeping money in the account. Saving account encourages small savers to save money because they are paid certain rate of interest, whatever they deposit. The savers are expected to curtail unnecessary consumption because cooperative fix numbers of withdraws and amount of money to be withdrawn (*Joshi, 2058:62*).

- **Fixed Deposit**

People who have considerable amount of saving but can't use for productive purpose, can take benefit from this account. In this account, cash is deposit for certain fixed period; no one can withdraw the money if saver needs an amount before the maturity period. ESCL provides him or her loan i.e. the 80% of his deposit, not more than 80% is withdraw. It is the rule of cooperative more the time period more will be the interest rate on deposit. The rate is different from time period (*Joshi, 2058-63*).

2.1.8 Concept of Deposit Mobilization

A financial intuitional mobilizing savings must respond to the depositors requests for safety, efficiently and stability. In addition, it also needs to deliver the service. The roles are reversed in the credit business. The institutions must convince depositors that it will handle their funds with care and provide with them benefits by returning

deposit amount with interest. Successful mobilization of institutional saving can only be the existence of demand driven savings facilities offer by appropriate institutional structure. A broader understanding of the savings decisions by poor households has shown that appropriate scheme can attract significant volumes of saving. Furthermore, a much larger number of clients can be reached though saving mobilization through credit granting (*Adams, 1985; www.google.com,dated: June, 2011*).

Deposit mobilization plays a vital role for the economic development of underdeveloped and developing countries. Underdeveloped countries like Nepal face major problem for economic development such as national income, low per capita income, and lack of technical knowledge, poverty, increase in population growth, geographical situation etc. For the economic development of nation these aspects are taken to the consideration and for this capital required. Capital formation is possible through collection of scattered unproductive and small amount of money from the people. Small deposits from individual customer are often the largest segment of this deposit and represent the most diversified and stable funding source. Mobilization of internal resources i.e. deposit has greater significance for external sources is not dependable to meet the required capital. So deposit mobilization is the dependable sources for formation of required capital. Deposit mobilization helps in circulation of idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Banks provide incentives to the depositors and thus encourage the depositor to create habit of savings. The scattered deposits collected are further invested in productive sector which increase national productivity. Further from the investment there will be generation of income to the investors. Thus there is circulation of idle money which ultimately leads to the economic development of the nation.

Cooperative is considered to be the best in deposit mobilization. They collect savings/deposit scattered in the form of saving deposit and fixed deposits through their branches. Effective deposit mobilization help in acquisition of surplus capital from capital hoarding sector which are further invested in different sectors. This helps to fulfill the gap between these two sectors and maintain proper coordination, as the

surplus sector will earn interest income in their deposits and different sector will meet their capital requirement through loan and advances (*Koirala, 2062-26*).

2.1.9 Introduction of ESCL

There are many commercial and development bank, financial and insurance companies in Pokhara which are focusing their goal to the limited and economically advance section of the population. There is vital role of agriculture industry in the development of Pokhara, but industry and trade need large volume of capital. Therefore, Everest Cooperative Society Limited invests to industrial and small traders, farmers of especially rural area. However it has not fixed group to invest.

Everest Cooperative Society Limited was established on 2055/10/5 at Pokhara according to the cooperative Act, 2048. It was established to raise the economy condition of the country, which was going very slowly on aspect of economy. It provided the economical help to the people to raise the style, especially for the middle and lower class people. The head office of ESCL is located in Taalchock, Lekhnath Municipality, Kaski. The main objectives of ESCL is to uplift the living standard of socially and economically disadvantaged poor people by providing them economical support on cooperative basis with suitable financial facilities, which is long run will support social and economical development of country as a whole. ESCL helps people having low and moderate income by gradually collecting the small scattered amount of saving and providing them with loans for the establishment of small scale cottage Industries and livestock raising.

Everest Society Cooperative Limited was established by highly efficient and experience personalities in management, commerce, banking, social and political sector. There are 234 shareholders. Seven persons are in the board of member of the ESCL, in which Rajendra Needi Koirala is the president. The authorized capital of Everest Society Cooperative Limited was Rs 5 cores and issued capital is Rs 2 cores in which Rs 1 crore is paid up capital. There is 5 staff and in which 3 are males and rest of them are females. All the works are performed by computerized system (*ESCL, 2009: 5*).

2.2. Review of Other Related Studies

Deposit is collected from the people who want to save their income after expenditures. People deposit there to get the certain of interest. Deposit is one of the key elements of financial sector. Without the deposit collection no any financial transaction would be possible. Deposit plays a dominant role to find the actual amount of deposit collection to invest. So the financial organization aims to collect the scattered amount and mobilization to productive sector. Therefore, deposit collection is main or key elements of financial sector. There has been no study particularly regarding in this topic, but there are some researches and article on deposit collection and mobilization of banking and financing sector and the analysis of cooperative organization.

2.2.1 Review of Articles

Bodhi Bairacharya (2005), through his article “Deposit Mobilization and Monetary Policy” published *Nepal Intellectual Council* on has concluded that the mobilization of domestic saving is one of the monetary polices in Nepal for this proposes cooperative stood as the vital and active financial intermediary for generating resources in the form of deposit of the private sector so for proving loan to the investor’s in different aspects of economy.

Ramala Bhattarai (2006), through her article on the topic “Study on Lending Policy of Commercial Bank” published on *Sahakari Nepal*, she found that important aspect of commercial bank is lending its funds effectively more than deposit collection. Unless proper lending of resources is done deposit collection will be useless. It leads to disparity in economic life of people. There will be low capital formation and so less rate of development. So only the increase in interest rate cannot develop the economy of a nation though it is obvious that higher interest rates motivate savers and so may generate higher volume of deposits.

Kailash Bhakta Pradhanang (2009), in his article on the topic “Country’s Cooperatives Moment in Nepal” published on *Sahakari Nepal* said that the

cooperatives movement in Nepal has been gathering due momentum, as it has been mobilizing more and more people and resources. Nepal's cooperative movement has seen a notable institutional development. Out of four laws introduced during the period, three were implemented. On Shrawan 11, 2011 B.S., Nepal Cooperative Act,, was published in the gazette. But it was not endorsed by the parliament. It had a unique provision of authorizing cooperative institutions to ensure law and order situation in the community through forging unity and cooperation among the members. We need to have a clear understanding of 'common bond', which is the core value of cooperatives. Under the common bond, there are only three types of cooperative: employee type credit union (only employees of a particular organization), associational credit union (associated with any organization) and communal credit union.

Ishwar Bahadur Raghubansi (2010), in his article on the topic "Rural saving mobilization in Nepal" published on *Kathmandu Post* said that it is cooperative institutions that alone can encourage the rural poor and other underprivileged people to get organized and utilize the unused resources and labor for productive sectors. We can improve the social and economic conditions of the people. When the people are financially empowered, they can get education. As they become educated, they are conscious about their health. Thus, cooperatives can help bring about a desired social change. Those running the cooperatives will also be satisfied with what they have done. Cooperatives are becoming more urban-oriented. Instead of serving the poor, they are becoming a tool for the rich to reap benefits. Similarly, cooperatives are becoming a medium for legalizing black money. So, the government must educate the people and initiate due measures to check such anomalies.

Basanta Acharya (2011), in his article on the topic "Financial Performance Analysis of cooperative Association" publish on *Nepal Intellectual Council*. Him aim was to analyze the strength and weaknesses of the association by analyzing the financial statement. In that study, he found in current assets unnecessarily. The assets utilization position of the association is not satisfactory. The association has not maintained its

appropriate leverage position. The share capital is not paying any significant role to meet requirement. The funds are not appropriately managed and well. The financial position of the association is found in very weak condition. He has concluded that the main cause of weakness of the association is the previous ruling system of the county. In fact there was no freedom to decide about the association itself, the plans were imposed by the center. The study suggests that cooperative should maintain political can be the back bone.

2.2.2 Review of Thesis

Yagya Raj Giri (1996) has conducted the study on the topic of “*A Case Study of Damak Cooperative Sanstha in Jhapa District*”, submitted to, PN Campus. The main objective of the study was to evaluate the contribution of Demak Cooperative Sanstha. The major findings of his study were that due to lack of capital in time, lack of effective management and lack of people participation. The cooperative Sanstha has failed to provide chemical fertilization. In comparison with medium and big farmer, small farmers have got more benefit. By the lack of adequate distribution of agriculture inputs, distribution of credit in time and lack of effective management of big farmers are not satisfied with the service of cooperatives.

Toya Nath Lamsal (2002), has conducted the “*Study on Financial Performance of Nepalese Cooperative Societies*”, submitted to PN Campus. His findings include that association had invested most of its fund in current assets unnecessarily position is not satisfactory having unnecessary fund accumulated in the current assets, which the association is not able to manage. He has also concluded that capital structure of the association is not sound; there is heavy debt capital as compared to ownership capital. The main source of external capital was bank loan and gratuity fund of the employees of the association. He further concluded that the association is unable to mobilize its fund in profitable sector. Therefore the association has been suffering from loss all over 5 years study period.

Bahawan Prasad Khatiwada (2004) researched on the topic of “*Impact of Training on Cooperative Sustainability*”, submitted to, PN Campus. The main objective of this study was to assess the impacts, of training on cooperative operation and its sustainability. In this study he has concluded that the sustainability of the operative is highly depend on the qualitative and quantitative aspect of the training to the cooperatives. The attitude knowledge and skill situation of the cooperative member was lower than the essential standard. The nature and specialist of the cooperative did not able to follow the generalized program of the trainings as well as adoptive information.

Sushil Dahal (2005) has studied on the topic of “*Financial Performance of Cooperative Societies Limited in the Inaruwa and Sunsari Districts*”, submitted to Central Department of Management TU. The main objective of the study was to find out the financial position of cooperative society. The main finding of this study was that the liquidity position is improving. The capital structure of cooperative society is not found. There is heavy debt capital as compared to equity for ownership capital. The society has not been issuing share for collection capital and rising for loans in those periods has collected most of the funds. Paying rate of interest is very high, providing insufficient amount of dividend, inefficient management, high operating cost etc. are the main variables which reflect the poor financial performance of cooperative society. He also suggests that the society must try to remove all these variables and improve its financial performance significantly.

Binod Bihari Pokhrel (2008), conducted a research work on the topic of “*A Study of Cooperative Movement in Nepal*”, submitted to Bihar University. The main objective of this study is to review the overall situation of cooperative movement in Nepal. In this study he found some problems faced by the cooperative movement which are lack of fund and spontaneity towards cooperation, lack of loyalty and efficient management, absence of lonely service and political interferences, lack of specific and stable policy and center level organization, absence of good publicity and good process of loan distribution and payment. This study stressed the role of Sajha

societies resources utilization of funds mandating activities reveals that there is a great need for reutilization in order to make the movement strong and stable.

Bishwa Prakash Subedi (2009), has been studied on the topic of “*Accounting Information System of Cooperative in Nepal*” submitted to, Central Department of Management, TU. His aim was to analyze the working of the accounting system of the cooperative their defects and difficulties. He has also aimed to suggest measuring against such problems of the economics development of the country. In his study he has concluded that huge amount of economic resources has been flown to over 881 cooperatives. The study has also suggested to removing the various problems facing the cooperative movement in the country and plying due attention to developmental activities and controlling the existing irregularities and weakness by establishing sound accounting information system. Many problems of the cooperative of Nepal re not properly identified yet by the concern and interested parties and people are in general not to mention that no productive and unity plans and programs to solve the problems are prepared so far for this systematic accounting information system is needed. This study focus on the information system of the cooperative societies lack of which is one of the reason of failure of cooperatives and been conducted specially with reference to Narayanpur cooperative limited, Chitwan.

2.2.3 Research Gap

A brief review of above mentioned thesis it is seen that most of the cooperative organization are not applying deposit and mobilization planning tools in systematic way. They have also not applied the full concept of best mobilization planning practices which is related on the major finding of their studies.

The study would be of different value as its focuses in special areas of overall mobilization, use of deposit, loan and advance, liquidity position, net income of ESCL. It would be a significant step on knowing about the mobilization of ESCL and its problem prospects in mobilization. The study attempts to analyze the deposit and mobilization practices of ESCL. This study is very new in the field of researchers related of deposit and mobilization in cooperative organization.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives and views. In order to find out a true result, an appropriate research methodology is necessary for an investigation. The main objective of this study is deposit collection and mobilization by Everest Society Cooperative Limited, from fiscal years 2062/063 to fiscal years 2066/067. This chapter specially analyzes the research design, population and sample, nature and sources of data, data collection procedure, data processing and financial tools and techniques of analysis.

3.2 Research Design

The research design refers to the conceptual structure with in which the research is conducted. “A research design is the arrangement of condition for collection and analysis data in a manner that goal’s to combine relevance to the research propose with economic in procedure” (*Kothari, 1991: 50*).

A research deign deals the procedure necessary for obtaining inputs and information. Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research questions and to control variance. Thus a research design is a set of instruments to the investigator to gather and analyze data in certain ways. It is a control mechanism to answer the research question. “Specially, type of investigation, the extent to which the researcher would interface with the normal flows of the events, the setting for the study, what would be the unit of analysis, the time horizon for the study, what should be the unit of analysis, the time horizon for the study, what sampling design should be used, how the variables are to be measured, how that data are to be collected and how they are to be analyzed” (*Sharma, 2007: 34*).

There are various types of research design such as historical research, descriptive research, developmental research, correlation research, causal, comparative research, experimental research, action research, survey research and other types of research.

The study is based on descriptive research design followed by analytical approach to achieve the objective of the study. Descriptive research seeks to find out the fact, with help of sufficient data and information. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to evaluate deposit collection and mobilization of Everest Society Cooperative Limited.

3.3 Population and Sample

In Nepal there are three key acts in the field of micro finance service delivery at client's level. They are: Microfinance development banks including Grameen Replicators Financial Intermediary NGOs and saving and credit cooperatives. There are more than 10000 cooperative organizations in Nepal. According to cooperative training center and division office Kaski, there are 193 cooperative organizations are registered in Kaski districts. Out of these cooperative 91 saving and credit cooperative societies are registered. Only 26 are rural based saving and credit cooperative. Out of which 12 are mixed saving and credit cooperative (male and female) and 14 are women saving and credit cooperative organization. Total accumulated saving of the cooperatives is estimated to Rs 18 billion, outstanding loan is 24 billion. More than 16 thousand people are employed in the cooperative. The contribution of the cooperative sector to gross domestic product is estimated around 1% while their contribution in financial sector is 7% (*www.ncfnepal.com.np, July, 2011*).

It is the fact that, saving and credit cooperatives are being the key micro finance institution in Nepal. The actual performance played there is of necessary to find out the gap with the application of deposit collection and mobilization. In addition to it, the data availability comes as a significant part. Among the saving and credit cooperative this study is an attempt to find out the critical deficiencies faced by the Everest Society Cooperative Limited and taking this institution as a study unit through

numerous indicators under ratio analysis. A case of study of single unit of ESCL is taken as sample which has completed five fiscal years its operation.

3.4 Sources of Data

Collecting data is the connecting link to the world of reality for the researcher. The data collection activity consists of taking ordered information from reality and transferring it into some recording system so that it can later be examined and analyzed for pattern. It is from this pattern that social behavior can understand and predicted. Research as a media can be interpreted as having a content of data and a process a methodology. Without the data methodology cannot be utilized to bring us to the conclusion which hypotheses suggest (*Pant, 2000: 57*).

This study is mainly based on secondary data. The sources of secondary information have been collected from annual reports, official reports and data extracted from the subsidiary books of ESCL, cooperative division office Kaski, article and report published in different publication and webpage, are also taken as a sources of secondary data. Supplementary information regarding the performance of the institution is collected by raising questions with the senior level of employees of the institutions.

3.5 Data Collection Procedure

Data required for this study are primarily collected from the annual reports and extracted from the ledger of ESCL, Kaski. However these are verified with the annual report of cooperative department and auditor in order to be assured regarding the reliability if the supplied data.

Additional information required for the study are collected from the cooperative development board, department of cooperative, NRB directives to the co- operative licensed for the limited banking services, journals, book and other related study by various writers and publication available in the western regional library.

3.6 Data Processing

All the collected data and information from various sources have been properly, synthesized arranged, tabulated and calculated to serve the objective of the study by using appropriate computer software like Microsoft word, Excel etc. Data are processed in such a manner that makes clear picture about the position and situation of ESCL, keeping in mind to achieve the objective of the study.

3.7 Data Analysis Tools

Presentation and analysis of the collected data is the core of the research work. The collected raw data are first presented in systematic manner in tabular forms and then are analyzed by applying different financial and statistical (descriptive) tools to achieve the research objective. Besides, some graphs, chart and tables are presented to analyze and interpret the finding of the study. The data analysis tools used are discussed below.

3.7.1 Financial Tools

Financial ratio analysis tools basically help to analyze the financial strength and weakness of a firm. Ratio analysis is one of the important financial tools that have been used in the study. Ratio is simply one number expressed in terms of another and it is expressed in terms of another and it expresses the quantitative relationship between any two numbers. There are different ratios to analyze and interpret the financial statement of a cooperative however financial ratios related to the subject matter of the research is used in the study which are as follows.

- **Liquidity Ratio Analysis**

- **Total Liquid Fund to Total Deposit Ratio**

Total liquid funds to total deposit ratio is the expression of numerical relationship between total liquid fund and total deposits of a cooperative. It measures the proportion of total liquid funds in total deposit. Furthermore, it shows the overall short-term liquidity position. The higher ratio implies the liquidity position and lower

ratio shows the inefficient liquidity position of the cooperative. It is calculated by using the following model.

$$\text{Total Liquid Fund to Total Deposit Ratio} = \frac{\text{Total Liquid Fund}}{\text{Total Deposit}}$$

Where,

Total Liquid Fund = Cash + Bank Balance

Total Deposit = Short Term and Long Term Deposit

➤ **Cash Reserve Ratio (CRR)**

It is the minimum amount of reserve a cooperative must hold in the form account balance cash held in vault. This ratio ensures minimum level of the cooperative first line of defiance in meeting depositors' obligations.

➤ **Cash in Vault to Total Deposit Ratio**

Cash in vault to total deposits ratio indicates the relationship between cash in vault to total deposits. It shows the percentage of total deposit maintained as vault. It is worked out by using the following model.

$$\text{Cash in Vault to Deposit Ratio} = \frac{\text{Cash in Vault}}{\text{Total Deposit}}$$

Where,

Cash in Vault = Cash in hand

• **Solvency Ratio Analysis**

➤ **Loans and Advance to Total Deposit Ratio**

Loan and advance to total deposit ratio measures the proportion of total deposits mobilized by granting loan and Advances. It shows the extent to which cooperative is capable of mobilizing its total deposits in loan and advances for the purpose of income generation. Higher ratio indicates better mobilization of total deposit collected and so

vice versa. However, from liquidity view higher ratio is not preferable. It is calculated as below.

$$\text{Loan and Advance to Total Deposit Ratio} = \frac{\text{Loan and Advance}}{\text{Total Deposit}}$$

Where,

Loan and Advance = All long-term and short term loan

Total Deposit = Short term and long term deposit.

- **Profitability Ratio Analysis**

- **Profitability Ratios**

Profitability is the net result of a number of policies and decisions. The ratio examined thus for providing some information about the way the firm is operating, but the profitability ratio shows the combined effects of liquidity, assets management and debt. Management is an operating result. Maximization of profit is the main objectives of each and every business concern and for this kind of cooperative society as well. The profitability ratio is related to profit. Following ratios are shown under profitability ratio.

- Return on Total Deposit = $\frac{\text{Net Income}}{\text{Total Deposit}}$

- Return on loan and advance = $\frac{\text{Net Income}}{\text{Total Loan \& Advance}}$

- Return on Assets Ratio = $\frac{\text{Net Income}}{\text{Total Assets}}$

- Interest Earned to Total Assets = $\frac{\text{Interest Income}}{\text{Total Assets}}$

3.7.2 Statistical Tools

- **Average /Mean**

A simple arithmetic mean is used to summarize the data as a representative mass data. The mean is the average value or the sum of all observations divided by the number of observations. Mean is expressed as:

$$\begin{aligned}\text{Mean } (\bar{X}) &= \frac{\text{Sum of the Values}}{\text{No.of Values}} \\ &= \frac{X_1 + X_2 + X_3 + \dots + X_n}{n}\end{aligned}$$

Where,

X = Individual value

n = no. of observations

- **Standard Deviation (SD)** Standard deviation is the absolute measure of dispersion of the values and shows the deviation or dispersion in absolute term (*Kothari, 1989*). Here, the standard deviation is used to find out the deviation in absolute term, standard is determined in the following way:

$$\text{S.D.} = \sqrt{\frac{\sum(X - \bar{X})^2}{n}}$$

Where,

n = no. of observations

X = Individual Value

\bar{X} = Arithmetic Mean

- **Coefficient of Variation (CV)**

Coefficient of variation is the relative measure of dispersion based on the standard deviation. It is most commonly used to measure the variation of data and is more useful for the comparative study of variability in two or more series or graphs or distribution. Symbolically, the coefficient of variation is defined as:

$$CV = \frac{\sigma}{\bar{X}} \times 100$$

Where,

σ = Standard Deviation

\bar{X} = Mean

- **Coefficient of Correlation (r)**

The study measures relationship between the two variables. The correlation between the different variables of cooperative is compared to measure the relationship between the individual variables. Correlation refers to the degree of relationship between two variables. If between two variables increase or decrease in one causes increase or decrease in another, then such variables are correlated variables. The reliability of the value of coefficient between two variables describes the degree of relationship between those two variables. It interprets whether two or more variables are correlated positively or negatively. This tool analyzes the relationship between those variables of the cooperative which are helpful to make appropriate investment policy regarding deposit collection, fund mobilization and profit maximization. The Karl Person coefficient of correlation (r) is given as below:

$$r = \frac{\sum XY}{\sigma_1 \sigma_2} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

$$x = (X - \bar{X})$$

$$y = (Y - \bar{Y})$$

σ_1 = Standard deviation of series x

σ_2 = Standard deviation of series y

N = No. of pairs of observation.

3.7.3 Trend Analysis

Trend analysis has been used to find out the trend are the total deposit, loan and advances. The general equation used for trend is given by

$$Y_c = a + bX$$

Where,

Y = Dependent variables

X = coded timed (Independent variables)

a = Y - intercept

b= slope of the trend line

3.7.4 T-test for Significance of an Observed Sample Correlation Coefficient

We use t-test for significance of an observed sample correlation, sample correlation coefficient r is significant of any correlation between the two variables or it is just due to fluctuation of sampling. If calculation t value is greater than tabulated value of t, we accept alternative hypothesis otherwise reject alternative hypothesis in favour of null hypothesis.

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2}$$

Where,

r = Correlation Coefficient

n = No of Pairs

$\alpha = 5\% = 0.05 =$ Level of Significance

CHAPTER - IV
PRESENTATION AND ANALYSIS OF DATA

The present chapter deals with the presentation and analysis of collected data from the different sources. It includes the financial data of five years period 2062/063 to 2066/067 of ESCL and analysis of data using the indicators of financial ratio analysis tools. The collected data from different annual reports and office reports of ESCL have been analyzed with the financial indicators of ratio analysis. The study is conducted with reference to deposit collection and mobilization of Everest Society Cooperative Limited.

4.1 Analysis of Deposit Position and Its Composition

Deposit collection is one of the major functions of financial sectors as deposit is the primary source of fund. Cooperative collects deposit of public in different form of deposit like normal saving, special saving, fixed deposit, monthly saving, daily saving etc. Deposits collected are to be well managed since it is the liability of the cooperative and there is involvement of cost in form of interest earned which will be paid to the depositors. The total deposits of the cooperative are sum of interest bearing deposits, which are given below.

Table 4.1
Deposit Composition of ESCL (Rs.000)

Types of Deposit	Fiscal Years					Mean	SD	CV
	2062/063	2063/064	2064/065	2065/066	2066/067			
Normal Saving	337	252	348	234	196			
Special Saving	4993	10413	11378	11226	13479			
Fixed Saving	12600	12923	17334	29177	36429			
Total Deposit	17930	23388	29060	40657	50104	32.27	11.66	36.13

Source: Annual Report of ESCL

As shown in table 4.1, the total deposit collection has been increasing all over the period. The deposit volume is minimum Rs.17930 thousand in the year 2062/063 and maximum with Rs.50104 thousand in the year 2066/67. The deposits volume were almost increases from 2062 to 2067 as there were immerse of so many other financial institutions that diverted the customer deposit. But in the year 2066/067 and then after, it rose up as cooperative had launched new deposit scheme with comparatively higher rate of interest and other facilities. The deposits increased in the year 2062 to 2066 and later increased in 2067.As a result, the average mean of the deposit composition is 32.27, variance is 135.91 standard deviation is 11.66 and also variance is 36.13. This indicates that Everest Society Cooperative Limited has been successful in capturing the deposits from the market during the study period of five years.

Figure 4.1
Deposit Composition of ESCL (in Rs.000)

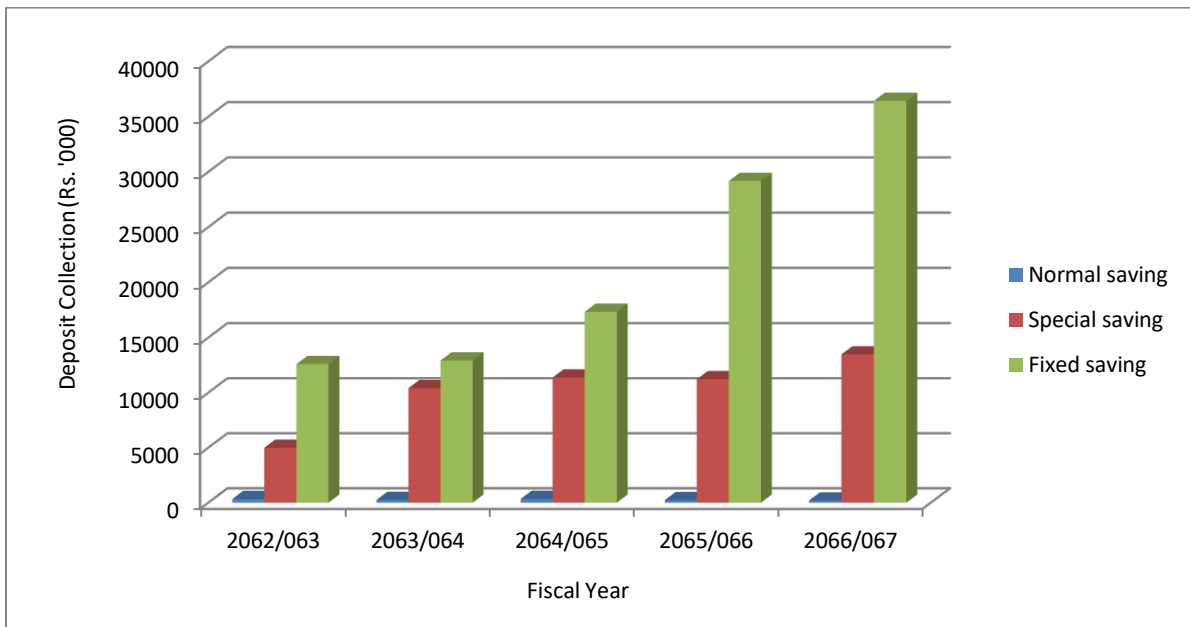


Figure 4.1 shows the observed total deposit of the ESCL within the period of last five years. In the chart, there are three types of deposit collection composition whereas the deposit is quite fluctuating over the study period. Overall it indicates deposit collection of ESCL capacity to collect maximum the deposit volume from the public.

- **Trend Analysis of Total Deposit**

ESCL collects deposit of public in different form of deposit like normal saving, special saving, fixed deposit, monthly saving etc. All these saving are total deposit and analyze the trend of total deposit. This analysis indicates that five year value of previous year and other five years value is forecasting value.

Table 4.2
Value of the Trend Analysis

Year	Trend Equations $Y_c=32.27+0.027*x$	Trend Value
2062/063	$32.27+0.27*-2$	31.73
2036/064	$32.27+0.27*-1$	32
2064/065	$32.27+0.27*0$	32.27
2065/066	$32.27+0.27*1$	32.54
2066/067	$32.27+0.27*2$	32.81
2067/068	$32.27+0.27*3$	33.08
2068/069	$32.27+0.27*4$	33.35
2069/070	$32.27+0.27*5$	33.62
2070/071	$32.27+0.27*6$	33.89
2071/072	$32.27+0.27*7$	34.16

Source: Appendix-1.3-8

Table 4.2 shown in trend value it has been increasing all over the period. The trend value is minimum 31.72 in the year 2062/063 and trend value was almost increase in 2063/064 trend value is 32 like that trend value is 32.81 in the year 2066/67. First forecasting year 2067/068 has trend value of 33.08 and 33.62 in the year of 2069/070 and the maximum trend value is 34.16 in the forecasting year 2071/072. It is best performances of deposit collection.

Figure 4.2
Trend of Total Deposit

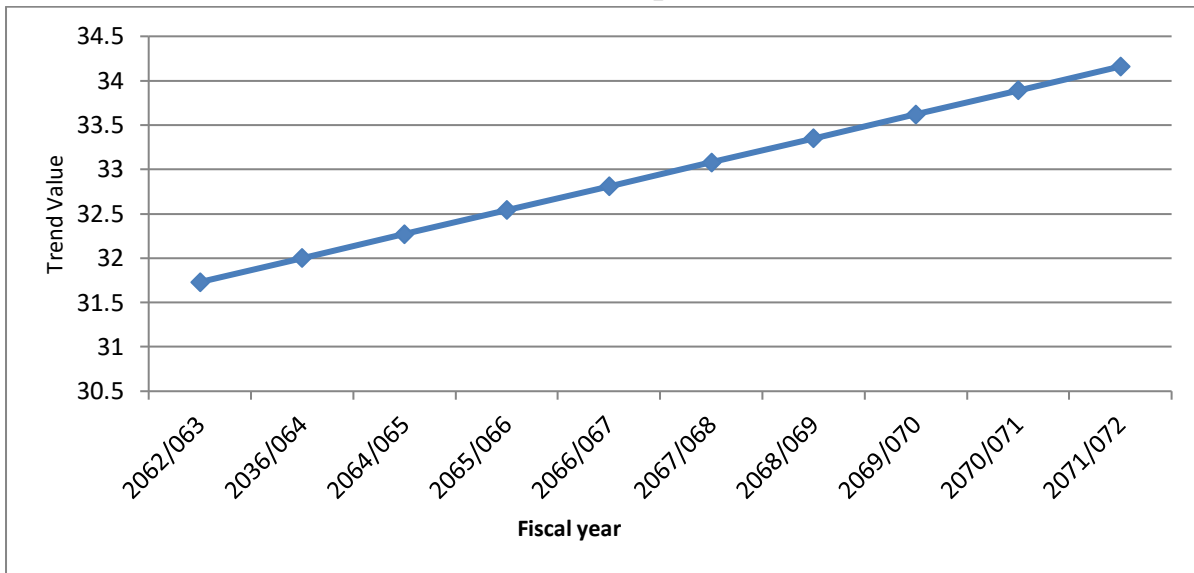


Figure 4.2, analysis trend shows those five years from FY 2062/063 to FY 2066/067 and trend value of 31.73 to 32.81, forecasting fiscal year 2068/069 to 2071/072's trend value is 33.08 to 34.16.

4.1.1 Analysis of Cost of Deposit

The cost of deposits refers to the interest to be paid to depositors. Analysis of cost of deposit of ESCL has been done below.

- **Trend Analysis of Interest Expenses on Deposit to Total Operating Revenue**

The ratio of total interest expenses on total operating revenue measures the total cost involved for collection of deposits. This ratio is calculated by dividing the total interest expenses on deposits only by total revenues. A high level of interest expenses ultimately results from maximum deposits volume collected by the cooperative. Besides interest rate offered on deposits also affect the volume of interest expenses. A high or increasing ratio of expenses to total revenues may give indication of increase in cost and so is likely to affect profitability. Other interest expenses on financial institution also have to be born by the cooperative. Interest expenses on total deposit comprise to be paid to the depositors saving and fixed accounts.

Financial institution's earnings originate from interest on loans and advances, investments, commissions and discounts, service charge, entrance fee, application fee and other income. Conversely, it expends on depositors' interest, staff salary, provident fund, allowances and other operating expenses like rent, water, fuel, audit fee, management expenses, depreciation, miscellaneous expenses and all other expenses directly related to the operation of cooperative.

Table 4.3

Interest Expenses on Total Deposit to Total Operating Revenue (Rs.000)

	Fiscal Years					Mean	SD	CV
	2062/063	2063/064	2064/065	2065/066	2066/067			
Interest Expenses on Deposit	2180	2409	2960	3727	4874	3230	40973.9	12.69
Total Operating Revenue	5147	4896	5384	7075	8147	1629.8	24489.8	15.03
Total Interest Expenses on Deposit to Total Operating Revenue (%)	42.35	49.20	54.98	52.68	59.83	51.81		

Source: Annual Report of ESCL

As shown in table 4.3 the total expenses on total deposit volume to total operating revenue is fluctuating over the study period. The ratio in 2062/063 stood at 42.34%, which is later increasing over three years i.e. to 54.97% in 2064/065 and decreasing by 52.68% in year 2065/066. The ratio of 59.83% in year 2066/067 is the maximum during the observed period and minimum ratio in year 2062/063 which was 42.35%

• **Trend Analysis of Interest Expenses**

This analysis indicates that the interest expenses of five fiscal years 2062/063 to 2066/067's value of previous and other five fiscal years 2067/068 to 2071/072 is forecasting value.

Table 4.4

Trend Value of Interest Expenses

Year	Trend Equation $Y_c=3230+0.000294*x$	Trend Value
2062/063	$3230+0.000294*-2$	3229.9994
2063/064	$3230+0.000294*-1$	3229.9997
2064/065	$3230+0.000294*0$	3230
2065/066	$3230+0.000294*1$	3230.0003
2066/067	$3230+0.000294*2$	3230.0006
2067/068	$3230+0.000294*3$	3230.0009
2068/069	$3230+0.000294*4$	3230.0012
2069/070	$3230+0.000294*5$	3230.0015
2070/071	$3230+0.000294*6$	3230.0018
2071/072	$3230+0.000294*7$	3230.0021

Source: Appendix-1.4-8

Above result exhibits the interest expenses trend value. In this calculation of ten years trend value will be increases trend. In the year 2062/063 it stood at 3229.9999 trend value. Then little increases in the year 2063/064 to 2068/069 and its trend value is 3229.9997 to 3230.0011. Forecasting year 2071/072 has 3230.0021 the trend value.

**Figure 4.3
Trend of Interest Expenses**

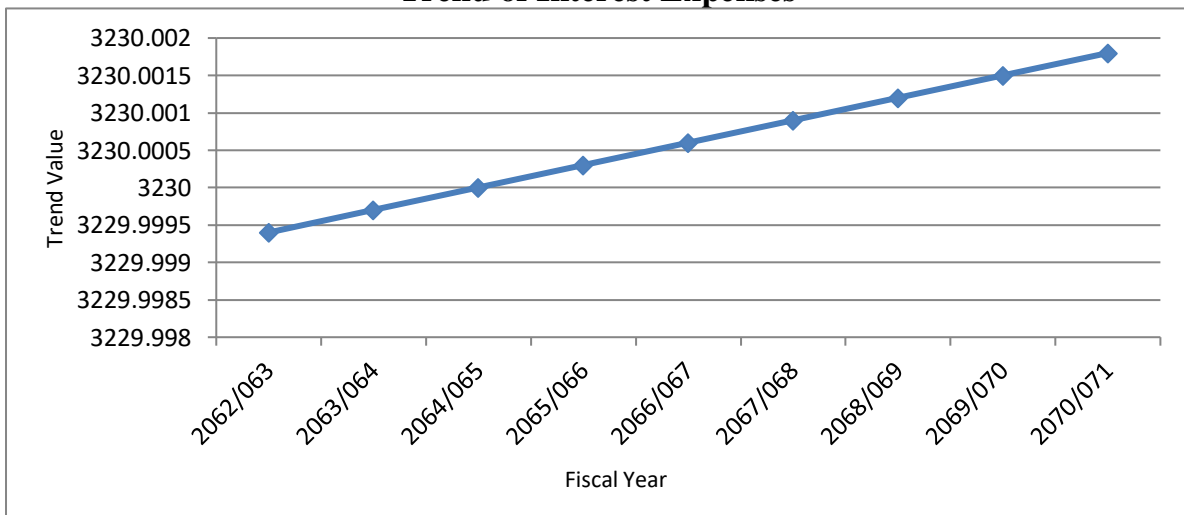


Figure 4.3 as shown in the chart, the observed ratio increased all year. The positive slope thus indicates increasing interest expenses with respect to income, which is due to increase in deposit volume as well as increase in interest rate offered by the cooperative.

- **Trend Value of Total Operating Revenue**

Total operating revenue involved the total cost for collection of deposit. This analysis shows that five fiscal years trend value from 2062/063 to 2066/067 and other five fiscal years are forecasting trend value.

Table 4.5

Trend Value of Total Operating Revenue		
Year	Trend Equation $Y_c=1629.8+0.00102*x$	Trend Value
2062/063	$1629.8+0.00102*-2$	1629.798
2063/064	$1629.8+0.00102*-1$	1629.799
2064/065	$1629.8+0.00102*0$	1629.8
2065/066	$1629.8+0.00102*1$	1629.801
2066/067	$1629.8+0.00102*2$	1629.802
2067/068	$1629.8+0.00102*3$	1629.803
2068/069	$1629.8+0.00102*4$	1629.804
2069/070	$1629.8+0.00102*5$	1629.805
2070/071	$1629.8+0.00102*6$	1629.806
2071/072	$1629.8+0.00102*7$	1629.807

Source: Appendix-1.4-9

This result shows the trend value of the total operating revenue on five years and forecasting five years value. In year 2062/063 the trend value is 1629.798 and it is increasing trend in the year of 2063/064 to 2067/068. The trend value of this year is 1629.799 to 1629.803. Forecasting year 2069/070's trend value is 1629.805. There is not big difference between previous years, the next forecasting year 2070/071's trend value is 1629.806 and last forecasting year 2071/072's trend value is 1629.807. So there is not high increasing in beginning and ending year during the study period.

Figure 4.4
Trend of Total Operating Revenue

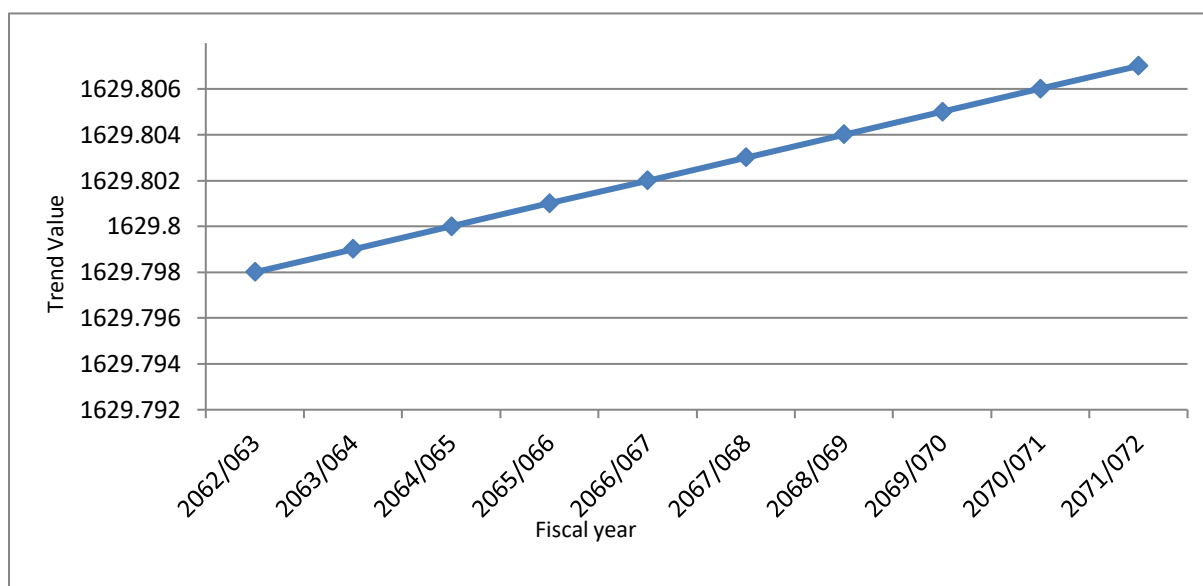


Figure 4.4 shows the observed total operating revenue trend value of ESCL. Within a study period of five fiscal years it is actual value and after that it is forecasting. The trend values are increasing trend.

- **Relationship Between Interest Expenses and Total Operating Revenue**

The correlation between interest expenses and total operating revenue measures the degree of relationship between these two. Total interest expenses on total operating revenue measures the total cost involved for collection of deposits.

	Correlation	t-test Value	Result
Interest Expenses	0.32	0.5850	Low Significant
Total Operating Revenue	0.32	0.5850	Low Significant

Source: Appendix-1.4

Total interest expenses and total operating revenue correlation is the 0.32 and its t- test value is the 0.5850 and tabulated value is 3.182 it means interest expenses is low correlated between them and also we concluded that there is low significant relation between interest expenses and total operating revenue.

- **Trend Analysis of Net Interest Income of ESCL**

The net interest income margin measures the net return on the cooperatives earning assets (investment securities and loan and leases). It is calculated by deducting the total interest expenses from the total interest income. Interest income is generated from loan, investments, and balances in other banks, service charge, entrance fee, application fee and other income. Interest expenses incur due to cooperatives deposit liability borrowings from NRB or other financial institutions and overhead expenses of cooperative. Generally, the net interest margin ratio should be 3% to 4% with respect to earning assets and higher is better in banking industry. However, it highlights the fact, that looking at returns without looking at risk can be misleading and potentially dangerous in terms of financial institutions solvency and long run profitability.

Table 4.6
Net Interest Income

(In Rs.000)

	Fiscal Years					Mean	SD	CV
	2062/063	2063/064	2064/065	2065/066	2066/067			
Total Interest Income	4425	4763	5295	6939	7512			
Total Interest Expenses	2180	2409	2960	3727	4874			
Net Interest Income	2245	2354	2335	3212	2638	2556.8	353.12	31.81

Source: Annual Reports of ESCL

In the past five years, the net interest income of ESCL was distributed over Rs.2245 thousand of 2062/063. The minimum volume was observed in year 2062/063 with Rs.2245 thousand and maximum volume Rs.3212 thousand in year 2065/066. Average mean is 2556.8 and SD and also risk of the interest income is 353.12 and its coefficient of variance is 31.81. Net interest income is fluctuating all over the study period because interest rate different from loan amount. In the above table total interest income and total interest expenses is increased in all over the period.

- **Trend Value of Net Interest Income**

Net interest income is deducting the total interest expenses from the total interest income. This trend value of five years and other trend value is forecasting value.

Table 4.7
Trend Value of Interest Income

Year	Trend Equation $Y_c=2556.8+0.00264*x$	Trend Value
2062/063	$2556.8+0.00264*-2$	2556.795
2063/064	$2556.8+0.00264*-1$	2556.797
2064/065	$2556.8+0.00264*0$	2556.8
2065/066	$2556.8+0.00264*1$	2556.803
2066/067	$2556.8+0.00264*2$	2556.805
2067/068	$2556.8+0.00264*3$	2556.808
2068/069	$2556.8+0.00264*4$	2556.810
2069/070	$2556.8+0.00264*5$	2556.813
2070/071	$2556.8+0.00264*6$	2556.816
2071/072	$2556.8+0.00264*7$	2556.818

Sources: Appendix-1.5-5

Trend analysis showed the trend value of 2062/063 to 2066/067 and forecasting year 2067/068 to 2071/072. Find the above result, trend value 2556.803 in year 2062/063 and 2556.797 in year 2063/064 it is not high increasing in the ten year but little grow up in years.2069/070 is 2556.813 trend value and last forecasting trend value 2556.818 in the year 2071/072.

Figure 4.5
Trend of Net Interest

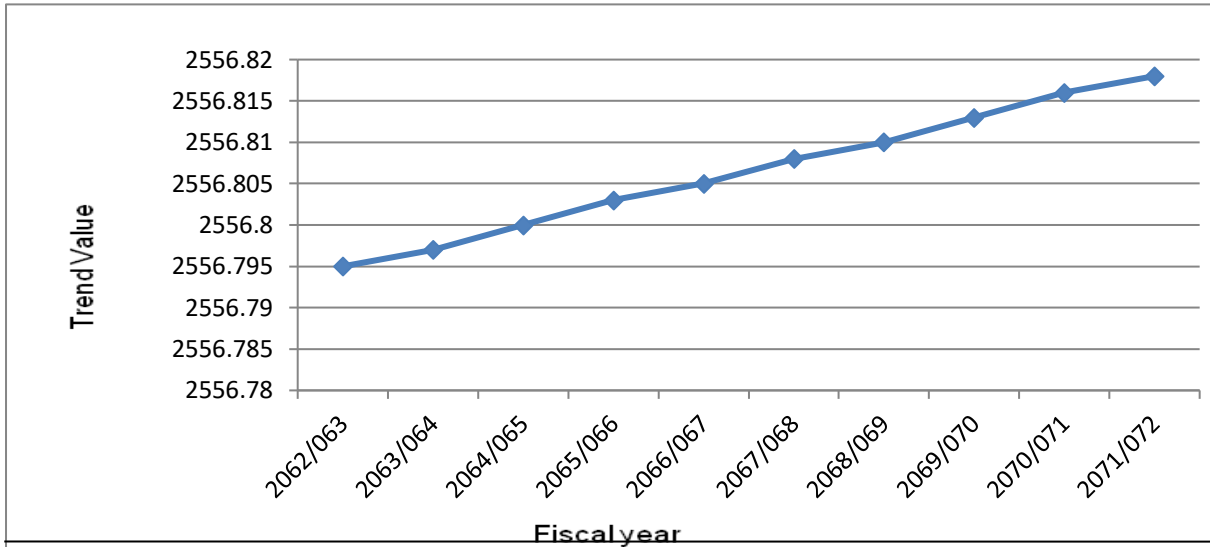


Figure 4.5 shows the trend of net interest income of five fiscal years and other forecasting period. The trend line obtained positive which shows increasing trend of net interest income during the study period. It was found continuously increasing total interest income.

4.1.2 Analysis of Uses of Deposits and Loan and Advance

The main functions of this cooperative society are to collect deposits from the members and provide loan to them. Such kinds of savings and credit cooperative organizations have to pay interest to their members on their deposits. Out of sources of cooperatives collects deposits of public in different sources like savings and fixed. Deposit is the primary sources of fund for the financial institutions. Deposit collected is to be well managed since it is the liability of the cooperative and there is involvement of cost in form of interest earned to be paid to the depositors. Deposits collected are mobilized in different sectors. Thus, deposits collected are used for different purpose that makes up composition of assets. The cooperative assets composition represents the varied nature and consequence of the cooperatives function and investment policies. Usually cooperatives seem to arrange their assets appearing in balance sheet in descending order of liquidity.

The capital and liabilities of cooperatives are invested in various assets in the form of cash and bank balance, placements, investments, loans and advances, fixed assets and other assets of these, loans usually make the largest portion of all the assets, as they are the least liquid form of assets and it falls under high-risk category of assets. Loans and advances contain the high proportion of potential risk to the cooperative capital. Management spends significant time, energy and resources on their assets portfolio, particularly portfolio can detract,, from their ability to successfully and profitably manage other areas of institution. Risks to the solvency of financial institutions most often derive from an important of assets, which in turn can arise from deterioration in the financial health and profitability of the institutions, borrowers, especially the non-financial corporation's sector. Assets not only determine the soundness of a cooperative but also its capacity to earn profits.

Table 4.8
Uses of Deposit (In Percentage)

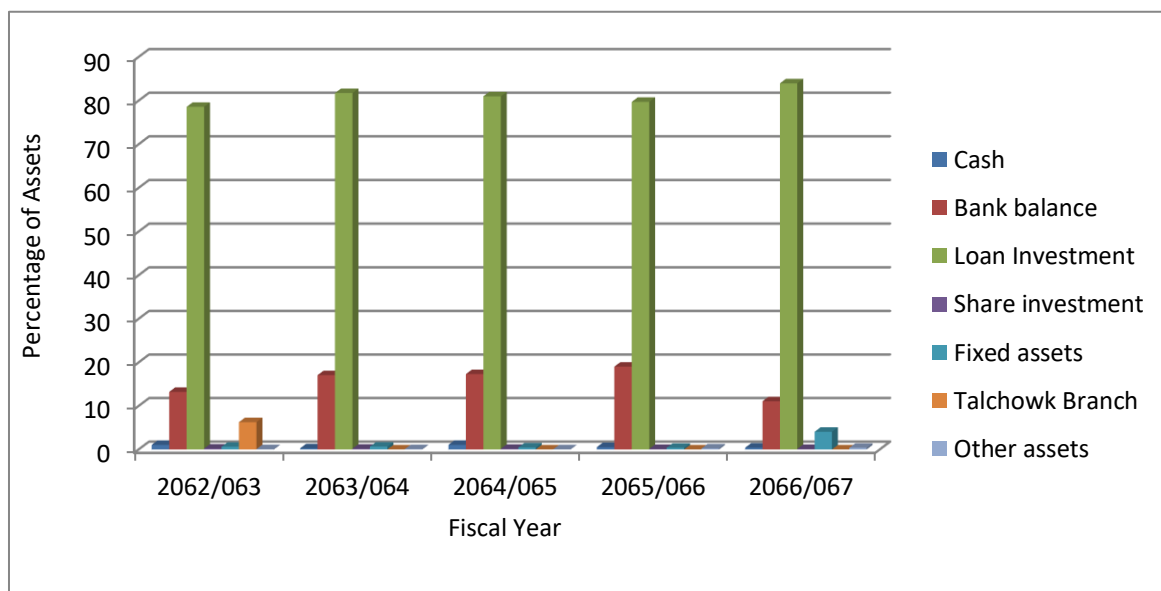
	Fiscal Year					Mean (\bar{X})
	2062/063	2063/064	2064/065	2065/066	2066/067	
Cash	1.04	0.27	1.05	0.53	0.42	0.662
Bank balance	13.22	17.07	17.32	19.02	11.07	15.54
Loan Investment	78.57	81.74	80.98	79.72	83.96	80.994
Share investment	0.21	0.19	0.16	0.12	0.11	0.158
Fixed assets	0.63	0.65	0.45	0.38	4.06	1.234
Talchowk Branch	6.27	-	-	-	-	1.252
Other assets	0.06	0.08	0.04	0.23	0.38	0.138
Total assets	100	100	100	100	100	100

Source: Annual Report of ESCL

Table 4.8 shows assets composition of ESCL over the period 2062/063 to 2066/067. As shown in the table, percentage of cash and bank balance (which form the most liquid of all assets) almost remained at the consistent level though it was in fluctuating in the last years. Cash and bank balance are increasing in years 2062/063 to 2064/065 and later decreasing in year 2066/067. The average cash and bank balance of 5 years was 16.202%. Loan investment composition is fluctuating all over the period. Higher the loan investment of total assets in years 2066/067 is 83.96%. Lower the loan investment in year 2062/063 is 78.57% with an average of loan investment is 80.994%. The share investment is constant all over the period but share investment

under asset composition is different, because there is a different total asset. Fixed assets under assets composition is fluctuating over the study period. The highest fixed assets in year 2066/067 are 4.06% and lowest fixed assets in year 2065/066 are 0.38%. The average of fixed assets in five years is 1.234. At last other assets is increased in year 2062/063 to 2063/064 and slowly decreased in year 2064/065 and later increased. The highest others assets in year 2066/067 is 0.38% and lowest other assets in year 2064/065 which had 0.04%. The average mean of other asset in study period 0.138%. Asset composition of the cooperative in last five financial years, as it can be seen from the table given above, major part of total assets was held in the form of loan investment and share investment, which falls under high risk category assets.

Figure 4.6
Uses of Deposits of ESCL



The figure 4.6 shows the areas where deposits collected by the cooperative have been mobilized during the study period. It can be also said as assets composition of the cooperative like in every cooperative organization or financial institutions remained largely in loans and Advance during the last five fiscal years.

Table 4.9
Composition of Loan and Advances (In Rs.000)

Fiscal Year	2062/063	%	2063/064	%	2064/065	%	2065/066	%	2066/067	%
Personal loan	-		-		-		9858	21.7	16603	28.62
Business loan	8142	31.83	6711	22.16	8870	25.39	9384	20.66	10626	21.77
Hire purchase	6999	27.36	5562	18.36	4027	11.53	5163	11.36	5688	9.8
Housing loan	3832	14.98	1050	34.68	1403	40.17	11708	25.77	10443	18.00
Agriculture loan	2058	8.00	4425	14.6	5141	14.72	6558	14.44	5029	8.67
Industrial loan	701	2.7	1000	3.3	1274	3.6	1292	2.8	1208	2.08
Short term loan	1076	4.2	824	2.4	788	2.2	870	1.9	1120	1.9
Third animals plan loan	2768	10.93	1262	4.5	799	2.39	593	1.37	5291	9.16
Total	25576	100	30289	100	34932	100	45426	100	58008	100

Mean	SD	CV
38.77	11.57	29.84

Sources: Annual Report of ESCL and Appendix 1.3

Table 4.9 exhibits the loan and advances its major composition are business loan and consumer (Personal) loan. Business loan further includes clearing purchase, export loans, imports loans, short term loans, long term loans etc. Similarly, retail loan which has been turned as personal lending in the past few years includes hire purchase loan, housing loan and other loan. At now cooperative organizations ESCL focusing to provide agriculture and third animals plan loan. Because, Nepal has a low per capita income and people are highly dependent upon agriculture. In case from 2062/063 to 2064/065 of the ESCL did not have high volume of personal loan and so it was not segregated as well. The major proportion of loan and advances is contributed by business loan and agriculture loan. In fiscal years 2062/063 to 2064/065 there is no

personal loan and then after increased in this loan. In business loan stood Rs.8142 thousand and was observed decreased to Rs.6711 thousand in year 2063/064.

Again it increased and reached to Rs.10626 thousand in the final year of the study. Hire purchase loan decreased in fist three years and later increased. The maximum hire purchase loan in year 2062/063 Rs.6999 thousand and minimum hire purchase loan in year 2064/065 Rs. 4027 thousand. The housing loan is increased in year 2064/065 and later decreased. Agriculture loan is he most of important part of our country because maximum people involved in this areas. Now this loan increased in year 2065/066 and later decreased. Industrial loan and short term loan are also fluctuating all over the period. Third animals plan loan to provide ESCL after involved in year 2058 B.S. This loan stood at Rs.2768 thousand and was observed decreased to Rs.593 thousand in year 2065/066. Again it increased and reached to Rs.5291 in year 2066/067.

- **Trend Value of Loan and Advance**

Loan and advances major composition are business loan and consumer loan. Business loan further includes clearing purchase, export loans, imports loans, short term loans, long term loans etc. Loan and advance shows trend value of five fiscal years and other trend value is forecasting value.

Table 4.10

Trend Value of Loan and Advance

Year	Trend Equation $Y_c = 38.77 + 0.29 * x$	Trend Value
2062/063	$38.77 + 0.29 * -2$	38.19
2063/064	$38.77 + 0.29 * -1$	38.48
2064/065	$38.77 + 0.29 * 0$	38.77
2065/066	$38.77 + 0.29 * 1$	39.06
2066/067	$38.77 + 0.29 * 2$	39.35
2067/068	$38.77 + 0.29 * 3$	39.73
2068/069	$38.77 + 0.29 * 4$	39.93

2069/070	$38.77+0.29*5$	40.22
2070/071	$38.77+0.29*6$	40.51
2071/072	$38.77+0.29*7$	40.80

Sources: Appendix-1.3-9

The trend value of loan and advance 38.19 in the year 2062/063 and 38.48 in the year 2063/064. Trend value is increasing all over the period. In the year 2064/065 to 2066/067 trend value is 38.77 to 39.35. First forecasting year trend value is 39.73 and in the last forecasting year trend value is 40.8.

Figure 4.7
Trend of Loan and Advance

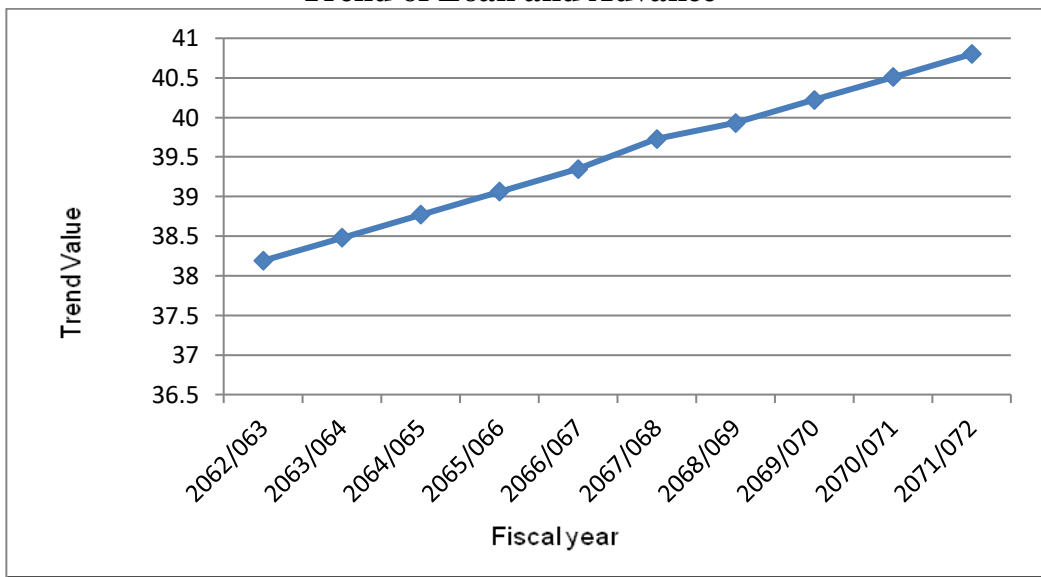


Figure 4.6 Shows that the trend line of loan and advance grow up all over the period. This value is also increasing trend of forecasting period.

4.1.3 Analysis of Liquidity Position of the Cooperative

The level of liquidity influences the ability of a cooperative system to with stand stocks. Liquidity risk arises when an FI's liability holders like depositors demand immediate cash for the financial claims they hold with a financial institutions. The most liquid assets are cash, which FI's can use directly to meet liability holders' demands to withdraw funds. Day to day withdrawals by liability holders are generally

Predictable and large FI's can expect to borrow additional funds on the money and financial markets to meet any sudden shortfalls of cash. At times FI's face of liability crisis due to either a lack of confidence on the FI's problem or some unexpected need for cash, the liability holders may demand larger with draws than usual. This turns the FI's liability problem into a solvency problem and cases it to fail financial institutions must maintain satisfactory liquidity position to satisfy the credit needs of the community, to meet demands for deposits withdrawal, pay maturity obligation in time and convert non cash assets into cash to satisfy immediate needs without loss to the cooperative and without consequent impact, on long run profitability of the cooperative. To measure the liquidity position of the cooperative, the following measures of liquidity ratio has been calculated and its analysis has been done below.

- **Liquid Assets to Total Deposit Ratio**

The ratio of liquid assets to deposit measures the level of liquid assets variable with the cooperative to meet short term obligations. It measures overall liquidity position. Cash in hand and cash at bank balance are included in total liquid fund. This ratio is computed by dividing liquid assets by total deposits. The higher ratio implies the better liquidity position and lower ratio indicates the inefficient liquidity position of the cooperative.

Table 4.11

Liquid Funds to Total Deposit Ratio (In Rs.000)

	Fiscal Year				
	2062/063	2063/06s4	2064/065	2065/066	2066/067
Liquid funds	4643	6423	7925	11040	7940
Total deposit	17930	23590	29060	40658	50103
Liquid fund to total deposit ratio	25.89%	27.23%	27.27%	27.15%	15.85%

Source: Annual Report of ESCL

Table 4.11 shows that liquid funds to total deposit of ESCL during the period of fiscal years 2062/063 to 2066/067. The ratio is in increasing trend for the first three years, there after it continuously decreased for the next two years. The liquid assets to deposit ratio was maximum in year 2064/065 was 27.27% when the deposit was

maximum in year 2066/067 with Rs50103. Likewise ratio was minimum in year 2066/067 with 15.85%, when the deposit was minimum in year 2062/063 with Rs17930. Its ratio indicates overall liquidity position of this organization. Higher ratio indicates higher level of liquidity position of the cooperative lower the ratio lower level of liquidity position of cooperative.

Figure 4.8
Liquid Funds to Total Deposit Ratio

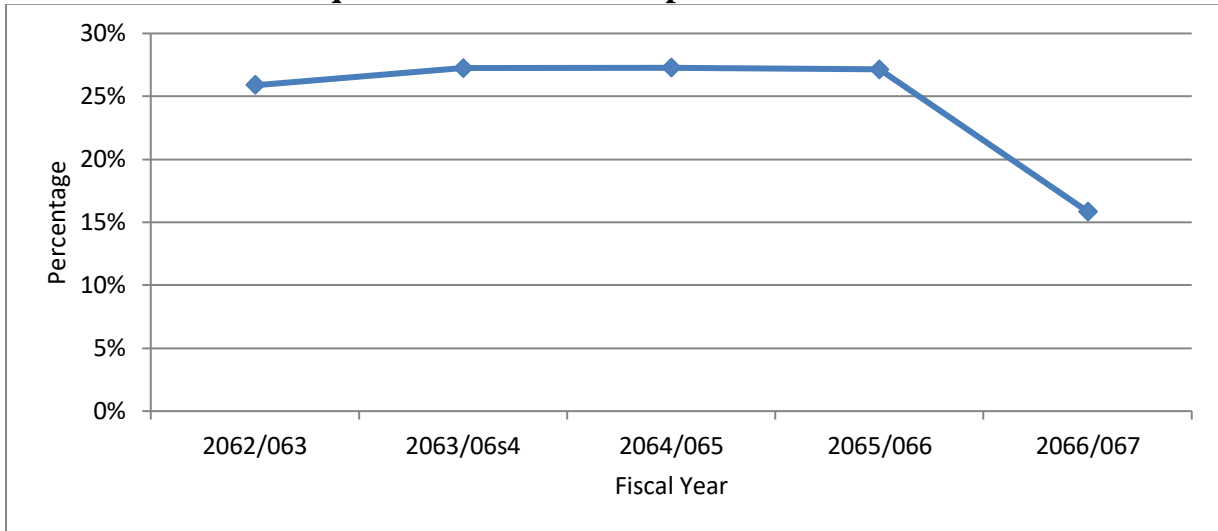


Figure 4.8 exhibits the liquid fund to total deposits ratios of the ESCL. In this figure the ratio is increasing in first three years, thereafter the ratio was decreased. It shows highest the liquidity position in year 2064/065 and lowest the liquidity position in year 2066/067. However the liquidity is in decreasing trend as the cooperative has switched to investing on more profitable assets.

- **Cash at Vault to Total Deposit Ratio**

This ratio shows the percentage of total deposits held as cash in hand at vault. This ratio measures the percentage of most liquid with the cooperative to make immediate payment to the depositors. This ratio is computed by dividing cash in vault by total deposits. Cash in hand is included as cash in vault. So, sufficient and appropriate case reserve in the vault should be maintained. Total deposit means saving and fixed deposit.

Table 4.12

Cash at Vault to Total Deposit Ratio (In Rs.000)

	Fiscal Year				
	2062/063	2063/064	2064/065	2065/066	2066/067
Cash in vault	340	98	452	295	293
Total Deposit	17930	23590	29060	40658	50103
Cash at vault total deposit ratio (%)	1.9	0.42	1.56	0.73	0.58

Source: Annual Report of ESCL

Table 4.12 shows the cash at vault of total deposit ratio during the five fiscal years. This ratio is fluctuating all over the study period. The ratio is the maximum in year 2062/063 with 1.9% and lowest ratio in year 2063/064 with 0.42%. The ratios showed the rise and fall simultaneously for the first two years and later decreased over the last year 2066/067.

Figure 4.9

Cash at Vault to Total Deposit Ratio

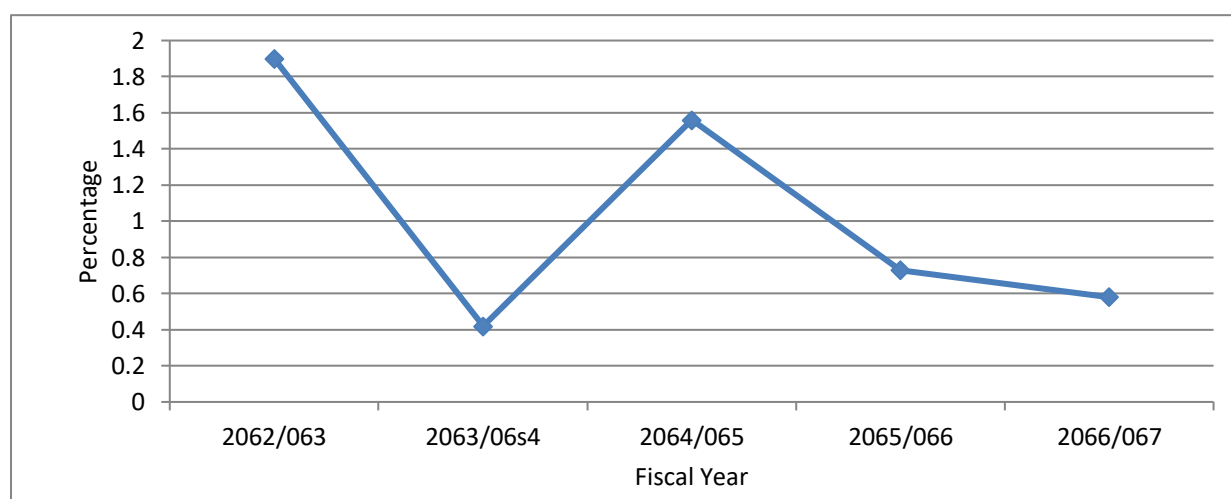


Figure 4.9 exhibits the observed cash in vault ratio of the ESCL. In this figure, the ratio curve indicates fluctuation of ratio in alternate years. The ratio in 2062/063 stood at 1.9% which later decreasing in the year of 2063/064. Then after the ratio is increasing in year 2064/065 and later the ratio is decreasing trend last two years.

4.1.4 Analysis of Assets Management Position of the Cooperative

The inherent uncertainty of their cash flows, cost of funds and return on investments has prompted cooperative to seek out greater efficient in the management of their assets and liabilities. This need has led to studies concerned with how to structure a cooperatives assets and liabilities to make optimal tradeoffs among risk, return and liquidity.

Every financial institution must be able to manage its assets properly to earn high profit maintaining appropriate level of liquidity. Proper assets management of cooperative refers to the efficiency of the cooperative to manage it's assets in profitable way by mobilizing its funds in the best possible way. To measure the assets management position of the cooperative, the following measure of assets management ratios has been calculated and its analysis has been done below.

- **Loan and Advances to Total Deposit Ratio**

Cooperative or financial institutions collect deposits from the member, individual and institutional depositors in from of different accounts offered. These funds collected are further extended inform of loan and advances to different borrowers inform of working capital loan, fixed capital loan, import loan, export loan, hire purchase loan, mortgage loan, housing loan etc. Cooperative in return makes earning from interest on loans and advances granted. However, it should also be noted that before lending cooperative should consider various aspects like risk analysis, diversification, cooperatives credit policy, NRB rules and regulation, customer's behavior etc.

The ratio of total loan and advances to total deposit it used as a proxy measure of the assets management quality. This ratio is calculated by dividing the total loans and advances by total deposits. This ratio measures the extent to which the cooperative is successful to mobilize its total deposit on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of deposits collected and so vice versa. However it should also be well noted that excessive high ratio might not be better from the liquidity view point and it may reflect inefficient assets management.

This can be, but necessarily due to asset management deficiencies and is likely to negatively affect profitability.

Table 4.13

Loan and Advances to Total Deposit Ratio

	Fiscal Year				
	2062/063	2063/064	2064/065	2065/066	2066/067
Total Loan	25576212	30287047	34932172	45025196	58008347
Total Deposit	17929582	23590564	29060163	40657953	50103421
Total Loans and Advance to Total Deposit Ratio	1.42	1.28	1.2	1.11	1.16

Source: Annual Report of ESCL

As shown in table 4.13 the total loan and advances to total deposits ratio. In the above table total loan investment and total deposit is increasing trend but total loans and advances to total deposit ratio slightly decreasing trend. The ratio in the above table from 2062/063 to 2064/065 slightly decreasing and later the ratio increased in 2065/066 to 2066/067. The maximum ratio in year 2062/063 which has 1.42 and minimum ratio in year 2064/065 is 1.11. It can be concluded that as the ratios are satisfactorily consistent during the study period. ESCL is mobilizing is better mobilizing the collected deposits because ESCL is more provide loan than deposits collection.

Figure 4.10

Total Loans and Advances to Total Deposit Ratios

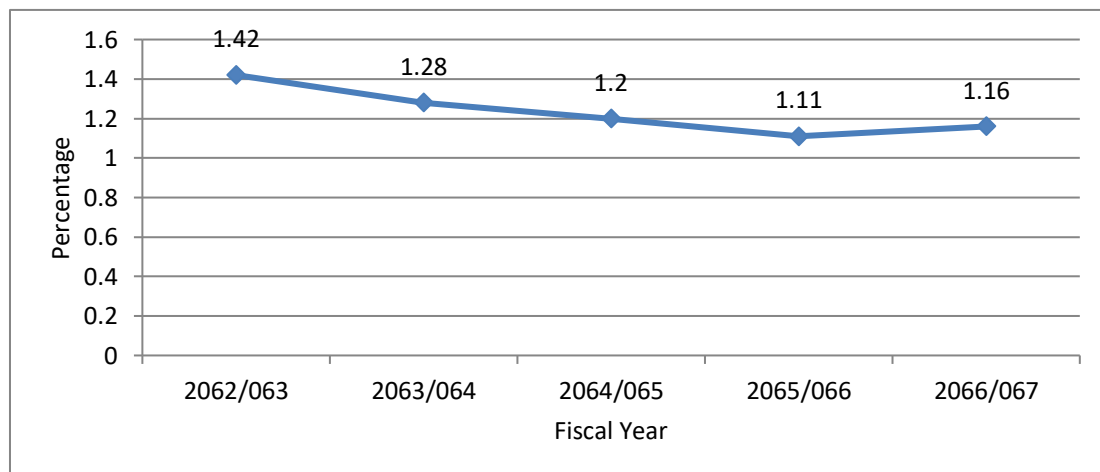


Figure 4.10 exhibits the observed total loan and advances to total deposit ratio of ESCL the study period of last five years. As shown in the chart, the observed ratio decreased down words from 2062/063 to 2064/065 with continuous decreasing trend and later increase in last year's reached the 1.16. Overall it indicates cooperative capacity to maintain decreasing loan and advance to total deposit ratio but total loan and total deposit is increased, which is satisfactory assets management quality.

4.1.5 Profitability Ratio

Profitability is the result of a number of policies and decisions. Profit is a circulating blood of any financial organization. The ratio examine thus for provide some information about the way of firm is operating but the profitability ratio shows the combined of the liquidity, assets management and debt management on operating result. Cooperative has no future if they fail to make sufficient profit. Saving and credit cooperative have to generate surplus to pay dividend to bear all other obligations. Although cooperative are not profit oriented organizations, they cannot survive without surplus. But cooperative organizations have high social responsibility. Therefore, they have to generate necessary amount of profit. The profitability ratio related on profit of an organizations following ratio are given below.

- **Return on Total Deposits Ratio**

This ratio indicates the condition of mobilization and utilization of deposits. It shows the overall performance of organization. The higher ratio indicates better mobilizations and utilization of deposits and lower level of ratio indicates lower level utilization of deposits. The ratio is shown below table and figure.

Table 4.14
Return on Total Deposit Ratio
(In Rs.000)

	Fiscal Year					Mean (\bar{X})
	2062/063	2063/064	2064/065	2065/066	2066/067	
Net Income	681	728	906	551	812	
Total Deposit	17930	23590	29060	40656	50103	
Return on Total Deposit ratio	3.8	3.09	3.12	1.35	1.62	2.59

Source: Annual Report of ESCL

In the above, table 4.14 shows the return on total deposit. The maximum ratio in year 2062/063 was 3.8% and lowest ratio in year 2065/066 with 1.35%. The ratio was fluctuating all over the study period. The ratio decreased in year 2062/063 to 2064/065 and later slightly increased in year 2066/067. The average mean of return on total deposit is 2.59.

Figure 4.11
Return on Total Deposit Ratio

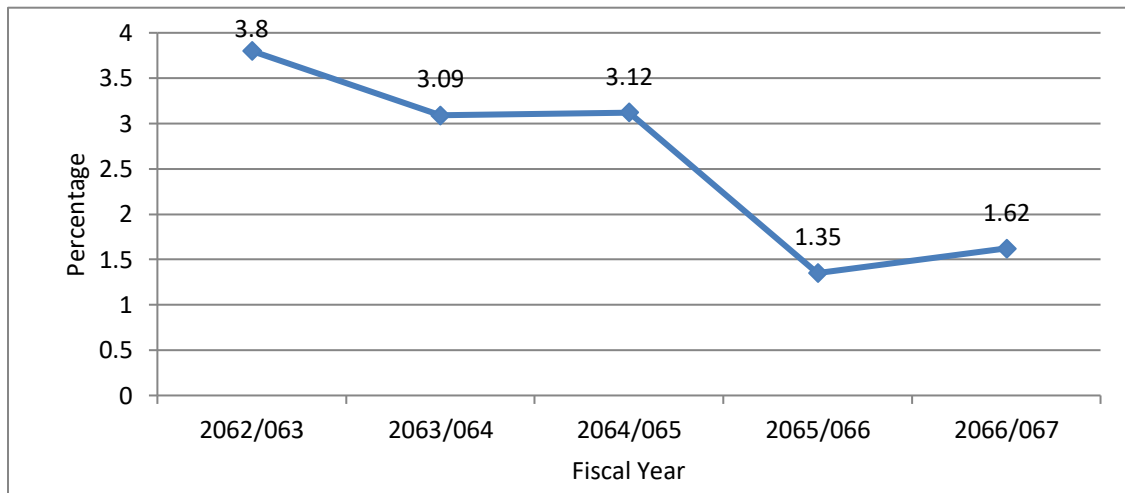


Figure 4.11 shows the return of total deposit of ESCL. The ratio in 2062/063 stood at 3.8%, which later decreased over the four years i.e. 1.35% in 2065/066 and later increased 1.62% in year 2066/067. In the above table the ratio was not satisfied after the study period because return on total deposit decreasing trend.

- **Return on Loan and Advance Ratio**

This ratio indicates the overall effectiveness of management in generating profit and operation with its available sources of organization. The higher ratio indicates better level of mobilization or utilization of loan and advances. The lowest ratio indicates lower level of mobilization loan and advance. The ratio is shown below by the help of table and figure.

Table 4.15
Return on Loan and Advance Ratio

(In Rs.000)

	Fiscal Year					Mean
	2062/063	2063/064	2064/065	2065/066	2066/067	
Net Income	681	728	906	551	812	
Total Loan and Advance	25576	30287	34932	45025	58008	
Return on Loan and Advance ratio (%)	2.66	2.4	2.59	1.22	1.4	2.054

Source: Annual Return of ESCL

Table 4.15 shows the return on loan and advance. The ratio is fluctuating all over the period. The maximum ratio is in year 2062/063 and minimum ratio in year 2066/067. The mean ratio is 2.054 of the study period. The ratio slightly decreased in first four year and later increased in the last year.

Figure 4.12

Return on Loan and Advance Ratio

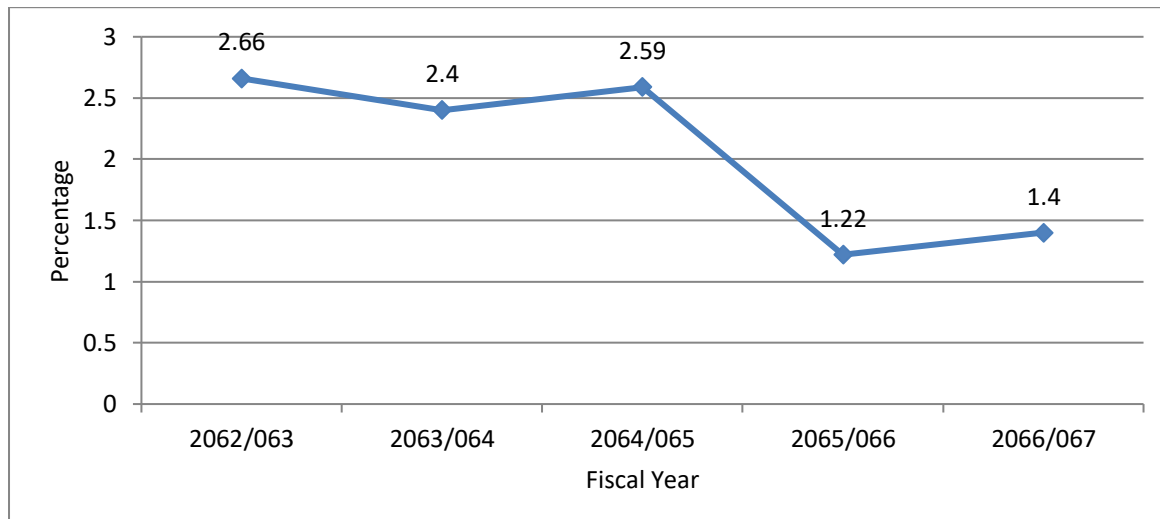


Figure 4.12 exhibits the return on loan and advance of ESCL in the study period from 2062/063 to 2066/067. The ratio stood at 2.66% in year 2062/063 and reached 1.4% in year 2066/0657. The higher ratio indicates higher level of return on loan and advance which has 2.66% in first year. The lower ratio indicates lower level of return on loan and advances lower level of return in year 2065/066 at 1.22%.

- **Relationship Between Total Deposit and Loan and Advance**

The correlation between and loan and advances measures the degree of relationship between these two. In financial institution, deposits are and the main sources of fund for lending. Similarly, loan and advance are very important for mobilization of collected deposits. So how increase in deposits of cooperative impact, in the volume of loans and advance as measured by correlation. Here deposit is considered as independent variable and loan and advances dependent variable.

	Correlation	t-test Value	Result
Total Deposit	0.9942	148.45	Significant
Loan and Advance	0.9942	148.45	Significant

Source: Appendix-

Total deposit and loan and advance correlation is the 0.9942 and its t- test value is the 148.45 and tabulated value is 3.182 its means there is high degree of positive correlation between them and also have a relation each other and we concluded that there is highly significant relation between them.

- **Return on Total Assets Ratio**

This ratio is relationship between net income and total assets of the organization. It indicates the power of cooperative and shows how the assets are utilized. The higher ratio indicates better utilization of assets and lower ratios indicates poor utilization of assets. This ratio calculated by dividing the total net income only by total assets. The ratio is shown below table or graph.

Table 4.16
Return on Total Assets Ratio

(In Rs.000)

	Fiscal Year					Mean
	2062/063	2063/064	2064/065	2065/066	2066/067	
Net Income	681	728	906	551	812	
Total Assets	32551	37050	43137	56478	69092	
Return on Total Assets ratio	2.09	1.96	2.1	0.96	1.17	1.656

Source: Annual Report of ESCL

Table 4.16 shows that return on total assets. Net income and total assets is increasing trend but return on total assets is fluctuating all over the study period. The maximum ratio is in the first year and minimum ratio in year 2065/066. The average mean ratio is 1.656.

Figure 4.13
Return on Total Assets Ratio

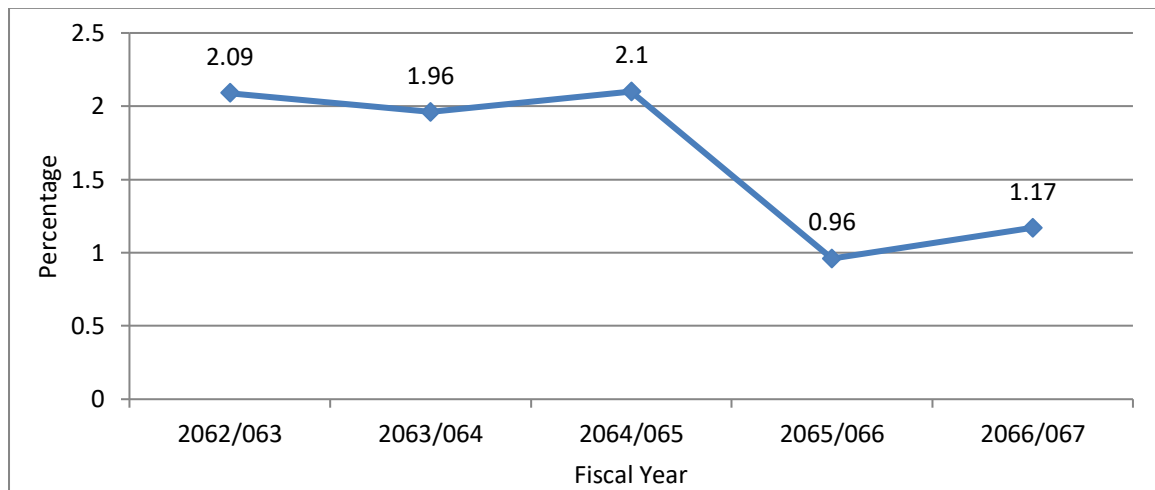


Figure 4.13 exhibits the return on total assets of ESCL. In the study period 2062/063 to 2066/067, the ratio ranged from 0.96 to 2.09%. Higher ratio indicates higher level of return on total assets and lower ratio indicates lower level of return on total assets.

- **Interest Earned to Total Assets Ratio**

This ratio is dependent upon interest income and total assets. This ratio helps to find out how total assets are mobilized to generate interest of the organization. Interest is the main sources of the income for such of micro financial institution. Higher ratio indicates better mobilization of the assets and lowest ratio indicates poor/ no linkage mobilization of assets.

Table 4.17
Interest Earned to Total Assets Ratio

(In Rs.000)

	Fiscal Year					Mean
	2062/063	2063/064	2064/065	2065/066	2066/067	
Interest Income	4425	4763	5295	6939	7512	
Total Assets	32551	37050	43137	56478	69092	
Interest Earned to Total Assets ratio	13.59	12.86	12.27	12.29	10.87	12.38

Source: Annual Report of ESCL

Table 4.17 shows the interest earned to total assets of ESCL. In the above table interest income and total assets increased in all over the study period, but interest earned to total assets is decreasing trend. The ratio stood at 13.59% in year 2062/063 and reached 10.87 in year 2066/067. The ratio indicates interest earned to total assets of this cooperative is decreasing trend. The average mean ratio is 12.38%.

Figure 4.14
Interest Earned to Total Assets Ratio

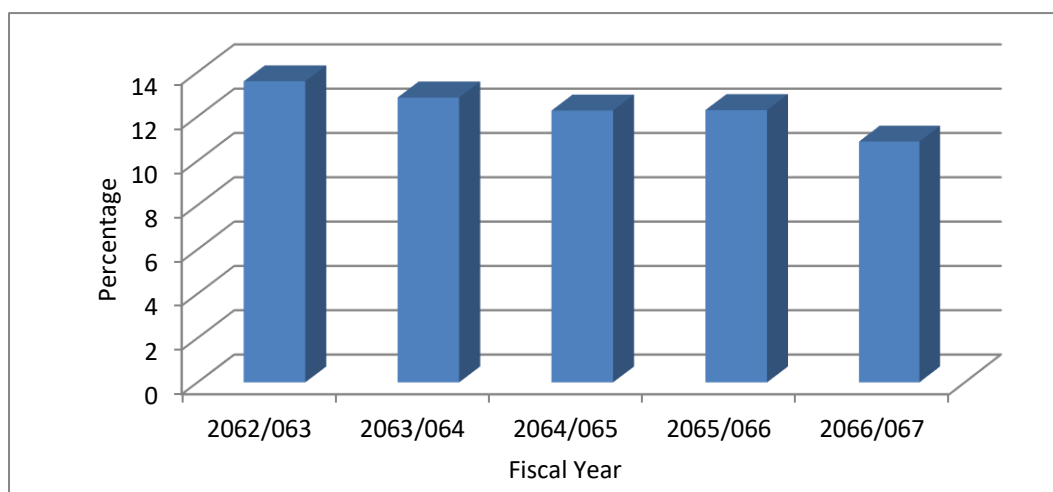


Figure 4.14 exhibits the interest earned to total assets of ESCL. In the study period from 2062/063 to 2066/067, ratio ranged from 10.87 to 13.59. The maximum ratio in year 2062/063 was 13.59. The minimum ratio in year 2066/067 was 10.87%. The ratio seems slightly decreasing all over the study period.

4.2 Interest Rate

The small funds are collected in the cooperative and in return the cooperative should provide some charge for collection of such amount which is known as interest.

4.2.1 Interest Rate of Fixed Account

Interest rate provided by the ESCL on fixed account is given below in the table.

Table 4.18

Interest Rate of Fixed Account

Time period	1 yrs	2 yrs	3 yrs	4 yrs	5 yrs
Monthly	12%	12.5%	13%	13.5%	14%
Quarterly	12.5%	13%	13.5%	14%	14.5%
Half-yearly	13%	13.5%	14%	14.5%	15%
Yearly	13%	14%	14.5%	15%	Double

Source: Brochure of ESCL

Interest rate provided in fixed account is different by time period. If anybody who wants take interest rate monthly the rate is low. From the above table interest rate is taken monthly to yearly rate.

4.2.2 Interest Rate of Saving Account

In saving account we can easily deposit and take the amount deposited. The interest rate of ESCL in saving account is 10.5%. The calculation of interest in amount deposited is done in every three months. The principal amount and interest taken out in every three month is again added with another interest in the total amount in next three month and the annually total amount along with principle and total interest is calculation.

4.3 Major Findings

The major findings of the study on deposit collection and mobilization of ESCL are as follows.

- Total deposits volume of ESCL remained largely in fixed deposit volume last five financial years. The fixed deposit volume is increasing trend because it has higher interest rate. But normal saving is fluctuating all over the study period. It has lowest interest rate than special saving and fixed deposit. Special saving is also increasing trend last five years.
- The cost of deposits i.e. the total interest expenses on total deposit to total operating revenue is in increasing trend. Total operating revenue (Net income) is increasing trend more than interest expenses on deposit. Therefore total interest expenses on deposit to total operating revenue are increasing trend.
- In the past five years, the net income at ESCL continuously increased in 2062/063 to 2065/066 than after decreased in last year. The slope of the trend line obtained from least square trend line is positive which shows increasing trend of net income margin during the study period. Throughout the review period, cooperative maintained higher interest margin.
- Mobilization of deposits of ESCL like in every financial sector remained largely in the loan and advances in the last five financial years. In the study period of five years, the average composition of cash, bank balance, loan investment, share investment, fixed assets and other assets were 0.662, 15.54%, and 80.994%, 0.158%, 1.252% and 0.158% respectively. The net investment loan and advances is fluctuating all over the study period.
- Mobilization of loan and advances of ESCL is similar like in every financial sector. In the study period of five years, the composition of loan and advances are being distributed on personal loan, business loan, hire purchase loan, housing loan, agriculture loan, industrial loan, short term loan or third livestock plan loan. The main purpose of ESCL is now focusing on providing agriculture and third livestock plan development loan.
- The liquid assets to total deposit ratio of ESCL during the period FY 2062/063 to FY 2066/067 are in fluctuating all over the study period. The liquid ratio was

minimum in year 2066/067 when the deposit was maximum. Likewise the ratio was maximum in year 2064/065 and minimum in year 2062/063.

- The volume of cash at vault is fluctuating alternately over the study years. The ratio measures the percentage of most liquid with cooperative to make immediate payment to the depositors. In the study period was maximum ratio in year 2062/063. Likewise the ratio was minimum in year 2063/064 when the cash at vault also minimum in this year. The slope of the trend line is negative which shows decreasing trend of cash vault to total deposit ratio during the study period.
- The loan and advances to total deposit ratio is fluctuating over the study period. The ratio is fluctuating in downward trend. The slope of the trend line determined by the least square method is negative indicating the down ward trend in ratio during the period of five years. The decreasing trend of ratio implies that decreasing loan and advance with respect to increasing deposits. This shows that cooperative has switch deposit mobilizations from to other areas.
- The return on total deposit ratio of fiscal year 2062/063 is 3.8% which is highest during the period and lowest ratio 1.35% in year 2065/066. This ratio is fluctuating all over the study period. The average mean ration is in this period 2.59%.
- The return on loan and advance is fluctuating over the study period. In the study period maximum ratio in year 2062/063 which has lowest loan and advances. The minimum ratio is in year 2065/066 which has lowest net income. The mean ratio is 2.054%.
- The return on total assets of ESCL has fluctuating trend ranged from 0.96% to 2.10%. The lowest ratio is in year 2065/066 and highest ratio in year 2064/065. The average mean ratio is 1.656% over the study period.
- The interest earned to total assets is slightly decreasing trend over the study period. The highest ratio is in year 206/063 and lowest ratio in year 2066/067, which is ranged from 10.87% to 13.59%. The average mean ratio is 12.38%.
- The correlation analysis shows that the correlation coefficient (r) between deposits and loan and advances of ESCL is 0.9942 and so it is found that there

exists perfectly positive correlation between deposit and loan and advances during the study period. Correlation coefficient (r) between interest expenses and total operating revenue of ESCL is 0.32 that means there is no correlation. As r is positive and near to 1 and so it can be concluded that there is high degree of association between deposits and loan and advances and both of them are directly related. The measure of risk between them deposit and loan and advances. There is more risky of risk of deposit than loan and advance (i.e. 11.66 > 11.57). The covariance between deposit and loan and advance is 134.13. The coefficient of variance of deposit is 36.13 greater than coefficient of variance of loan and advances are 29.84. Lower the coefficient of variation represents better efficiency in management as well as the ratio is more consistent during the study period.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter includes three aspects of the study i.e. summary, conclusion and recommendations. The first aspect of the study summarizes the whole study, the second draws the conclusion, and the last one forwards the recommendations for the improvement of ESCL.

5.1 Summary

The study was carried out as academic requirements for master's degree of business studies on the topic of "Deposit Collection and Mobilization of ESCL". The study was started with the objective to find out the fact about deposit collection pattern and its mobilization of Everest Society Cooperative Limited. The analysis of deposit collection is done to obtain a better insight into a cooperative's deposits total aspects. Cooperative effectiveness in deposit collection and mobilization is judged on the basis of its liquidity position, assets management position, cost on deposit position and profitability position of the cooperative etc. There has been continuous increase in numbers of cooperative and provide them social responsibility and earning profit, but it has not become a challenge for these cooperative to attract customers for deposit and retain them for long periods. Thus, the interest was expressed to analyze the deposit collection and its mobilization of Everest Society Cooperative Limited.

The study was conducted with the general objective to analyze and evaluate effectiveness of ESCL in deposit collection and its mobilization. In addition with this specific objectives of the study were to analyze the trend in deposits, loan and advances, assets composition, assets management ratio, liquidity ratio, cost involved in deposit collection and correlation, t-test and trend analysis, profitability ratio of the cooperative in period from FY 2062/063 to FY 2066/067.B.S.

Various materials were reviewed in order to build up the conceptual foundation and to find out the clear destination of research work. Meaning and definition of cooperative,

principle of cooperative, historical background, organization structure, saving an credit cooperative of Nepal, current issue and challenges of cooperative, concept of deposit collection and mobilization were reviewed as conceptual review. On the other hand, review of articles and review of dissertation were included in theoretical review section of the report.

The research covers only five years period from FY 2062/063 to FY 2066/067 B.S. It is concerned with the deposit collection and mobilization analysis of cooperatives. The study was designed within the framework of descriptive and analytical research design and the analysis has been made in the same way. The required data and information were collected from secondary sources. In addition with this, primary data also are used in this research work, which was collected, by using unstructured interview with concern staffs of the cooperative. Financial ratios, simple mathematical and statistical tools have been implied to get the meaningful result of the collected data in this research work.

The analysis has considered the cooperative's ratio using the statistical tools including correlation, coefficient of variation, trend analysis, average mean, standard deviation, ratio analysis and t-test. The position of deposits is in increasing trend in all the year despite the low interest rate offered and increasing numbers of cooperative or financial institutions. These shows that cooperative have been successful in studying the market need and tapping the potential deposit with best possible means. Similarly cooperative has been able to maintain continuous increase in net interest margin. The compositions of assets where deposits are mobilized are well managed and deposit is mobilized in every manners. However assets mainly composed of loan and advance and investments. The cash in vault to total deposits ratio, the liquid funds to total deposits ratio are above during the study period. This shows that the liquidity position, profitability position loan and advances position are slightly decreasing position of the cooperative. The relationship between deposits and loan and advances in found significant and also the correlation is directly and positively associated.

The fixed deposit volume and special saving also increasing trend last five years. The cost of deposit is increasing trend more than interest expenses on deposit. The slope of the trend line obtained from least square trend line is positive which shows increasing trend of net income margin during the study period. average composition of cash, bank balance, loan investment, share investment, fixed assets and other assets are mobilization of deposit in financial sectors remained largely in the loan and advance in the last five financial year. Composition of loan and advances are being distributed on personal loan, business loan, hire purchase loan, housing loan, agriculture loan, industrial loan, short term loan or third livestock plan loan. The liquid assets to total deposit ratio and volume of cash at vault is fluctuating alternately over the study year. The correlation analysis shows that the correlation coefficient (r) between deposits and loan and advances of ESCL is 0.9942 and so it is found that there exists perfectly positive correlation between deposit and loan and advances during the study period. Correlation coefficient (r) between interest expenses and total operating revenue of ESCL is 0.32 that means there is low correlation.

At last Nepal is landlocked, least developed and poor country in the world because it has low per capita income and high population growth rate. So many people lived in rural area. Therefore cooperatives are the most significant tools for mobilizing scattered saving and use in productive investment for the benefit of the entire investment for the benefit of the entire members and the society. The role of cooperative organization can be regarded as most important for socio-economic development of majority of people and their socio economic justice. In Nepal, out of thousand saving and credit cooperative only few of them are only under the jurisdiction of monitoring authority, Nepal Rastra Bank, other huge numbers of cooperative are under the supervision of Depart of Cooperative (DOC). The methodology applied by (DOC) for the analysis of financial position of saving and credit cooperative is quite old and unable to reflect the overall health of the institution. Since saving and credit cooperative provides access to microfinance services, application on appropriate financial tools is essential.

5.2 Conclusion

The deposit volume of ESCL has during the study period of five years from FY 2062/063 to FY 2066/067 shows that it has been increasing trend. The cost involved in deposit collection on the total interest expenses to total operating revenue is in increasing trend, deposits collection and volume of deposit is heading towards same direction and increasing trend of net interest margin for first four year and later decreased last year. The net interest income relationship between interest income and interest expenses has been achieved by close control over the cooperative earning assets, assets composition of the cooperative during the study period reveals that movement of investment was observed over into loan and advances during the study period, which falls under high risk category of assets. The liquid funds to total deposit ratio shows that there is very high proportion of liquid funds, that the proportion of investment in income generating assets and shows lack of specific policy of invest of additional idle funds to high income generating assets in the firm of investment. The cash in vault shows that ignoring the percentage of most liquid fund with the cooperative to make immediate payment to the depositors, It also indicates that the cooperative is running with the inadequate liquidity to meet its short term obligation. The increasing trend of assets management ratio i.e. loan and advances to deposit shows that the capability of the management to deposits to loan and advances is increasing with the increase in deposit volume the loan and advances extended is also increasing, at now loan and advances is slightly decreasing in first four year and later increased in the last year of the study period.

Profit is circulation of blood of any organization. Profit is result of number of policy and decision making. In this cooperative profitability position is slightly decreasing trend that means the profitability position is weak. The correlation analysis shows that there is positive correlation between deposit and loan and advances. So it found to be that correlation between deposit and loan and advances is significant.

5.3 Recommendations

The following recommendations are made based on the conclusions as regard to deposits aspects of ESCL.

- The total deposit volume is in increasing trend. This means the cooperative has been able to accrete customers of competitive market for deposits. The cooperatives needs to update customers demand and average for special schemes, facilities and services in order to enhance the volume of deposit collection.
- The cooperative has been mobilizing major portion of deposits in loan and advances compared to investment as it yield higher return contributing to increase in operating revenues being involved of high risk in loan and advances. The cooperative is diverting major deposits in loan and advances during the study period; there is high probability of profit in future. So, cooperative is advised to maintain up to increase in quality of assets. Besides cooperative management also has to form loan recovery committee for credit appraisals and follow up measures.
- During the study period interest expenses on deposit to total operating revenue is increasing trend. Likewise, net interest income of the cooperative is increasing trend though by lower amount. The cooperative needs to focus more on interest income and other incomes leading to increase in total operating revenue and future control the operating expenses, which would in competitive environment.
- As the liquidity position of the cooperative is found to be high especially in liquid funds, the cooperative is recommended to look upon new area of lending and investment that helps in minimizing the idle funds. Otherwise, this may impact the profitability negatively and cash of vault to measure the percentage of most liquid with the cooperative to make immediate payment to the depositors. So the cooperative to maintain to provide paid to cash for depositors.
- The assets management ratio i.e. loan and advances to deposits is slightly decreasing in first four years and later increased in last year. So the cooperative

more exercise to provide loan different sector. Better mobilization of deposit collection to operating revenue is increases. So, the profitability position is automatically high. Loan and advances is main part of the assets side and this is the risky assets. Financial intuitions are mostly depends upon the loan and Investment. Better utilizations of deposit collection of the cooperative higher earning power capacity. So, the cooperative is main focusing to provide loan and investment in different productive sectors.

- Profit is the result of a number of polices and decision making, without which the organization cannot operate efficiently. So, profit is the first and foremost requirement for the sustainability of the organization. Accounting to the analysis of this cooperative, have found out the profit position is slightly in decreasing trend as the cooperative is not fully successfully in utilization of deposit collection. Therefore the cooperative should mobilize its deposit in business loan, personal loan and hire purchase loan to increase its profit.

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APPENDICES

Appendix 1.1

Everest Society Co-operative Limited

Balance Sheet

Assets	Fiscal Years				
	2062/063	2063/064	2064/065	2065/066	2066/067
Cash	340223	98642	451589	294789	293412
Bank	4302628	6324828	7473789	10745075	7646795
Loan & Advance	25576212	30287047	34932172	45025196	58008347
Share Investment	70000	70000	70000	70000	75000
Fixed Assets	204025	241985	195265	214843	2805443
Talchowk Brach	2040188				
Other Assets	18154	28000	14021	128343	262855
Total Assets	32551430	37050502	43136836	56478246	69091853
Capital & Liabilities					
Share Capital	4725760	5456980	6111520	7918320	7646600
Loan from NRB	3338600	2506000	1250000		
Deposit Collection	17929582	23590564	29060163	40657953	50103421
Short Term Liab.	3002623	4208091	4566283	6982612	9912360
Profit/Loss Fund					
Reserve		357652	584165	152346	
Share Divided		122981	258899	73807	
Staff Bonus		117756	139660	109882	
Member Education		70995	138949	41403	
Co-operative Ed.		70995	138949	41403	
Loan Loss Provision		192496	260450	292904	
P & L Fund	1514677	1288867	2148870	919361	1429472
Total Capit. & Liab.	32551430	37050502	43136836	56478246	69091853

Source: Annual Report of ESCL

Appendix 1.2
Everest Society Co-operative Limited
Profit & Loss A/c

Income	Fiscal Year				
	2062/063	2063/064	2064/065	2065/066	2066/067
Interest Income					
Loan Interest	3986132	4272398	4468934	6108651	6928474
Bank Interest					
Penalty Interest	439200	490847	825615	829922	583256
Commission	16690	3900	2400		
Other Income					
Service Charge	602135	81255	50040	7700	
Entrance Fee	9400	8900	4800		8500
Application Fee	8000			3900	
Others	85872	39470	32671	133367	
Total Income	5147429	4896770	5384480	7075840	8147495
Expenses					
Saving Deposit					
Fixed & Recurring Deposit	2179701	2409152	2959772	3727104	4874446
Total Interest Expenses					
Staff Overhead Expenses	482826	530835	673436	716752	
Salary Allowance	561225		85275	142350	
Providence Fund					
Total Staff Overhead					
Office Operating Expenses	357964	454929	386062	422977	2461126
Provision for Risky Loan	885054	773327	373882	151518	
Total Expenses	4466775	4168244	4478427	6524601	7335572
Gross Profit					811923
Income/Loss from Py					
Net Profit & Loss					
Net Profit/Loss Before	680654	728526	906053	551239	811923
Tax Adjusted					
Tax Provision					156573
Net Income/Loss	680654	728526	906053	551239	
Adjusted of Net Income					655350
Institutional Reserve					
Bonus & Dividend Fund					

Source: Annual Report of ESCL

Appendix 1.3
Everest Society Co-operative Limited
Correlation between Total Deposit and Loan and Advances (In Rs. 000000)

Fiscal Year	Deposit (X)	Loans & Advance (Y)	(X - \bar{X})	(X - \bar{X}) ²	(Y - \bar{Y})	(Y - \bar{Y}) ²	(X - \bar{X}) (Y - \bar{Y})
2062/063	17.93	25.58	-14.34	205.63	-13.19	173.98	189.14
2063/064	23.59	30.29	-8.68	75.34	-8.48	71.91	73.61
2064/065	29.06	34.93	-3.21	10.30	-3.84	14.75	12.33
2065/066	40.66	45.03	8.39	70.39	6.26	39.19	52.52
2066/067	50.10	58.01	17.83	317.91	19.24	370.18	343.05
	$\Sigma X=161.34$	$\Sigma Y=193.84$		679.57		670.01	670.65

$$1. \text{ Mean } (\bar{X}) = \frac{\Sigma X}{n} = \frac{161.34}{5} = 32.27, \quad (\bar{Y}) = \frac{\Sigma Y}{n} = \frac{193.84}{5} = 38.77$$

$$2. \text{ Variance } (\sigma^2 X) = \frac{1}{n} \Sigma (X - \bar{X})^2 = \frac{1}{5} \times 679.57, \quad \sigma^2 Y = \frac{1}{n} \Sigma (Y - \bar{Y})^2 = \frac{1}{5} \times 670.01$$

$$= 135.91 \quad = 134.002$$

$$3. \text{ S.D. } \sigma_x = \sqrt{\sigma^2 X} = \sqrt{135.91} = 11.66 \quad \sigma_y = \sqrt{\sigma^2 Y} = \sqrt{134.002} = 11.57$$

$$4. \text{ Cov}(XY) = \frac{1}{n} \Sigma (X - \bar{X}) (Y - \bar{Y})$$

$$= \frac{1}{5} \times 670.65 = 134.13$$

$$5. \text{ Corrélation } (r) = \frac{\text{cov. xy}}{\sigma_x \cdot \sigma_y} = \frac{134.13}{11.66 \times 11.57} = 0.9942$$

$$6. \text{ Coefficient of Variance(CV)} = \frac{\sigma}{\bar{X}} \times 100$$

$$\text{CV}(x) = \frac{11.66}{32.27} \times 100 = 36.13$$

$$\text{CV}(y) = \frac{11.57}{38.77} \times 100 = 29.84$$

7. t-test

Null Hypotheses (Ho) : $\rho=0$, i.e, there is no correlation between total deposit and loan and advance.

Alternative Hypothesis (H1): $\rho \neq 0$, i.e., there is correlation between total deposit and loan and advance.

Test Statistic,

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2}$$

Where,

Correlation (r) = 0.9942

No of Pairs (n) = 5

Level of Significant = 5% = 0.05

Degree of freedom (df) = 5-2 = 3

Now,

$$t = \frac{0.9942}{\sqrt{1-(0.9942)^2}} * \sqrt{5-2} = 148.45$$

$$\therefore t = 148.45$$

Critical Value: The tabulated value of t at 5% level of significance for two tailed test and for 3 d.f is 3.182.

Decision: From the above result, the correlation between total deposit and loan and advance is high degree of the correlation and the calculated value of 't' is greater than it's tabulated value, we accept alternative hypothesis (H1). In other word there is significant relation between total deposit and loan and advance.

8. Trend Analysis of Total Deposit

$$Y_c = a + bx$$

We have,

$$b_{xy} = \frac{n\sum XY - \sum X \sum Y}{n\sum Y^2 - (\sum Y)^2} = \frac{5*181.61 - 0*161.34}{5*5885.69 - (161.34)^2} = \frac{908.05}{3397.86} = 0.27$$

T(Time)	Y(Deposit)	X=T-2064/065	X ²	XY	Y ²
2062/063	17.93	-2	4	-35.86	321.48
2063/064	23.59	-1	1	-23.59	556.49
2064/065	29.06	0	0	0	844.48
2065/066	40.66	1	1	40.66	1653.23
2066/067	50.10	2	4	200.4	2510.01
	$\sum Y = 161.34$		86	$\sum XY = 181.61$	$\sum Y^2 = 5885.69$

$$a = \frac{\sum Y}{n} = \frac{161.34}{5} = 32.2 \quad \therefore a = 32.27$$

$$b_{xy} = 0.27$$

$$Y_c = 32.27 + 0.27X$$

9. Trend Analysis of Loan and Advance

$$Y_c = a + bX$$

We have,

$$b_{xy} = \frac{n\sum XY - \sum X \sum Y}{nY^2 - (\sum Y)^2} = \frac{5 \cdot 195.62 - 0 \cdot 193.84}{5 \cdot 8184.78 - (193.84)^2} = \frac{978.1}{3349.95} = 0.29$$

T(Time)	Y(Loan & Advance)	X=T-2064/065	X ²	XY	Y ²
2062/063	25.58	-2	4	-51.16	654.34
2063/064	30.29	-1	1	-30.29	917.48
2064/065	34.93	0	0	0	1220.10
2065/066	45.03	1	1	45.03	2027.70
2066/067	58.01	2	4	232.04	3365.16
	$\sum Y = 193.84$			$\sum XY = 195.62$	$\sum Y^2 = 8184.78$

$$a = \frac{\sum Y}{n} = \frac{193.84}{5} = 38.768 \quad \therefore a = 38.768$$

$$b_{xy} = 0.29$$

$$Y_c = 38.768 + 0.29X$$

Appendix 1.4

Correlation between Interest Expenses and Total Operating Revenue

Fiscal Year	Interest Exp (X)	T.Operating Revenue (Y)	(X - \bar{X})	(X - \bar{X}) ²	(Y - \bar{Y})	(Y - \bar{Y}) ²	(X - \bar{X}) (Y - \bar{Y})
2062/063	2180	5147	-13970	195160900	-25502	635140804	35626940
2063/064	2409	4896	-13741	188815081	-25753	663217009	353871973
2064/065	2960	5384	-13190	173976100	-25265	638320225	333245350
2065/066	3727	7075	-12423	184330929	-23574	555733476	292859802
2066/067	4874	8147	-11276	217148176	-22502	506340004	253732552
	$\Sigma X=16150$	$\Sigma Y=30649$		839431186		2998751518	1589972617

$$1. \text{ Mean } (\bar{X}) = \frac{\Sigma X}{n} = \frac{16150}{5} = 3230 \quad (\bar{Y}) = \frac{\Sigma Y}{n} = \frac{30649}{5} = 1629.8$$

$$2. \text{ S.D. } \sigma_x = \sqrt{\sigma^2 x} = \sqrt{1678862372} = 40973.9 \quad \sigma_y = \sqrt{\sigma^2 y} = \sqrt{599750304} = 24489.8$$

$$3. \text{ Cov}(XY) = \frac{1}{n} \Sigma (X - \bar{X}) (Y - \bar{Y}) = \frac{1}{5} \times 1589972617 = 317994523.4$$

$$5. \text{ Corrélation } (r) = \frac{\text{cov. xy}}{\sigma_x \cdot \sigma_y} = \frac{317994523.4}{40973.9 \cdot 24489.8} = 0.32$$

$$6. \text{ C.V. } = \frac{\sigma}{\bar{X}} \times 100 \quad \text{C.V. } (x) = \frac{40973.9}{3230} \times 100 = 12.69 \quad \text{C.V. } (y) = \frac{24489.8}{1629.8} \times 100 = 15.03$$

7. t-test

Null Hypothesis (Ho) : $\rho=0$, i.e. there is no correlation between interest expenses and total operating revenue.

Alternative Hypothesis (H1): $\rho \neq 0$, i.e., there is correlation between interest expenses and total operating revenue.

Test Statistic,

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2}$$

Where,

Correlation (r) = 0.32

No of Pairs (n) = 5

Level of Significant = 5% = 0.05

Degree of freedom (df) = 5-2 = 3

Now,

$$t = \frac{0.32}{\sqrt{1-(0.32)^2}} * \sqrt{5-2} = 0.5850$$

$$\therefore t = 0.5850$$

Critical Value: The tabulated value of t at 5% level of significance for two tailed test and for 3 d.f is 3.182.

Decision: From the above result, the correlation coefficient between interest expenses and total operating revenue is low degree of the correlation and the calculated value of 't' is lowest than it's tabulated value, we accept null hypothesis (H0). In other word there is no significant relation between interest expenses and total operating revenue.

8. Trend Analysis of the Interest Expenses

$$Y_c = a + bX$$

We have,

$$b_{xy} = \frac{n\sum XY - \sum X \sum Y}{nY^2 - (\sum Y)^2} = \frac{5*6706 - 0*16150}{5*74963686 - (16150)^2} = \frac{33530}{113995930} = 0.000294$$

T(Time)	Y(Interest Expenses)	X=T-2064/065	X ²	XY	Y ²
2062/063	2180	-2	4	-4360	4752400
2063/064	2409	-1	1	-2409	5803281
2064/065	2960	0	0	0	8761600
2065/066	3727	1	1	3727	31890529
2066/067	4874	2	4	9748	23755876
	$\sum Y = 16150$			$\sum XY = 6706$	$\sum Y^2 = 74963686$

$$a = \frac{\sum Y}{n} = \frac{16150}{5} = 3230 \quad \therefore a = 3230$$

$$b_{xy} = 0.000294$$

$$Y_c = 3230 + 0.000294X$$

9. Trend Analysis of the Interest Expenses

$$Y_c = a + bX$$

T(Time)	Y(Total Operating Revenue)	X=T-2064/065	X ²	XY	Y ²
2062/063	5147	-2	4	-10294	26491609
2063/064	4896	-1	1	-4896	23970816
2064/065	5384	0	0	0	28987456
2065/066	7075	1	1	7075	50055625
2066/067	8147	2	4	16294	66373609
	$\Sigma Y = 30649$			$\Sigma XY = 8179$	$\Sigma Y^2 = 195879115$

We have,

$$b_{xy} = \frac{n \Sigma XY - \Sigma X \Sigma Y}{n Y^2 - (\Sigma Y)^2} = \frac{5 * 8179 - 0 * 30649}{5 * 195879115 - (30649)^2}$$

$$= \frac{40895}{40034374}$$

$$= 0.00102$$

$$a = \frac{\Sigma Y}{n} = \frac{30649}{5}$$

$$= 6129$$

$$\therefore a = 6129.8$$

$$b_{xy} = 0.00102$$

$$Y_c = 6129.8 + 0.00102X$$

Appendix 1.5
Trend Analysis of Net Interest Income

Fiscal Year	Net Netrerst INcome (X)	(X - \bar{X})	(X - \bar{X}) ²
2062/063	17.93	-311.8	97219.24
2063/064	23.59	-202.8	41127.84
2064/065	29.06	-221.8	49195.24
2065/066	40.66	655.2	429287.04
2066/067	50.10	81.2	6593.44
	$\Sigma X=12784$		623422.8

1. Mean (\bar{X}) = $\frac{\Sigma X}{n} = \frac{12784}{5} = 2556.8$

2. S.D. $\sigma_x = \sqrt{\sigma^2 x} = \sqrt{12468456} = 353.12$

3. Coefficient of Variance(CV) = $\frac{\sigma}{\bar{X}} \times 100 = \frac{353.12}{2556.8} \times 100 = 13.81$

4. Trend Analysais of Loan and Advance

	Y(Net Interest Income)	X=T-2064/065	X ²	XY	Y ²

$Y_c = a + bX$

2062/063	2244	-2	4	-4490	5040025
2063/064	2354	-1	1	-2354	5541316
2064/065	2335	0	0	0	5452225
2065/066	3212	1	1	3212	10316944
2066/067	2638	2	4	5276	6959044
	$\sum Y = 12784$			$\sum XY = 1644$	$\sum Y^2 = 33309554$

We have,

$$b_{xy} = \frac{n\sum XY - \sum X \sum Y}{nY^2 - (\sum Y)^2} = \frac{5*1644 - 0*12784}{5*33309554 - (12784)^2} = \frac{8220}{3117114} = 0.00264$$

$$a = \frac{\sum Y}{n} = \frac{12784}{5} = 2556.8$$

$Y_c = 2556.8 + 0.00264X$
