

CHAPTER I

INTRODUCTION

1.1. Background

In the context of the world, Nepal is a beautiful landlocked country located in between the latitude 26⁰22' North and longitude 80⁰4' east to 88⁰12' east and elevation ranges 60 to 8848 meters. The average length being 885 km. east to west and 193 km. width of North to south. The boarder line of Nepal is surrounded by two large countries i.e. China in North and India in the south, East and West. The country divided, administratively; into 5 development regions and 75 districts, village development committees and municipalities are the lower administrative units in each district. Each VDC is comprise of 9 wards in a municipality 9 to 35. Currently there are 3915 V.D.C.'s and 58 municipalities in the country. Ecological, Nepal divided into three regions called mountain region. Hill region and the Terai region¹.

The population of Nepal according to the population census 2001 is 2,31,51,423. The census of 2001 counted 7.3, 44.3 and 48.4 percent of the total population in the mountain, Hill and the Terai regions respectively. It shows that the geographical distribution of population is uneven. Population density for the year 2001 is estimated to be 157 person per square kilometer. Climate of the country has great variety of topography, Which is reflected in the diversity of weather and climate. The country experience tropical, exothermal, micro thermal, taiga and tundra types of climate.

¹ Statistical Rocket Book Nepal 2004, Central Bureau of Statistics.

As economic perspective of Nepal, ranks among the worlds poorest countries with a per capita income around 300. Based on national calorie/GNP criteria, and estimated 31 percent of the population is below the poverty line. An isolated agrarian society until the mid 90th century, Nepal entered the modern era in 1951 without school, hospital, roads, telecommunication, electric, industry or a civil service. The country has however, made progress towards sustainable economic growth, since 1950 and is committed to a programme of economic liberalization. The fifth ministerial conference of the world Trade organization held at approved the protocol of Accession of the kingdom of Nepal subsequently ratified the protocol of Accession on 23rd April 2004, and had become the 147th member of the organization².

Real GDP growth during 1996 to 2000 averaged less than 5 percent. Real growth experienced a one-time jump in 1999, rising to 6 percent before slipping back below 5 percent. In 2002, the GDP recorded a negative growth rate of 0.33 percent largely because of the Maoist insurgency. GDP growth 3.1 percent in 2003 and 3.26 percent in 2004 and again slipped to 2.04 percent in 2005 according to Nepal Rastra Bank and again GDP grew 4.7 percent in 2007/2008.

Agriculture remains Nepal's principal economic activity, employing over 76% of the population and providing 39% is forested; most of the rest is mountain. Rice, wheat is the main food crops. The low land Terai region produces an agricultural surplus, part of which surpluses the food deficient

² Nepal Rastra Bank, Economic Integration in South Asia Research Department International Finance Division.

hill areas. Because of Nepal's dependence on agriculture, the annual monsoon rain or lack of it strangely influence in economic growth³.

There are different obstacles, like natural , technical, social economic and administrative that result slow rate of financial development if Nepal . In the development of financial sector, cooperatives development is much more affects by these obstacles. We cannot say that we are not trying to avoid nations persisting obstacles. Because of many reasons, we may be avoiding these obstacles to some extent.

Government of Nepal is trying to various obstacles to improve the people's financial condition of Nepal .For this purpose, government gives to permit different co-operative institution and non-government organizations to increase people saving mobilization awareness in order to create a sound and healthy financial system. The financial sector primarily the means for transforming and transferring the saving is of an economy into productive sector and helps to fulfill the needs of people. It means those institutions that hold financial assets and that obtain the funds for these investments by issuing liabilities. These would include commercial banks, development banks, financial companies, co-operatives, insurance companies and soon.

1.2. Historical Background of Cooperatives

Cooperative means self help mutual help. Cooperative is modified version of self-help and saving groups. Hence these have envisaged major aim to improve socio economic condition of the rural areas. The group of

³ I bid.

people having limited resources and income gathered for their common social and economic interest. The helpful impulse among the group subsequently organized. All for each and each for all is root theme of the group members Add prosperity and eradicate poverty through co-operative activity was considered a co-operative slogan. Co-operative organizations have distinct character in comparison to other organization due to its own co-operative development as well as its success Co-operatives help to distribute wealth and profit equally all. It minimizes exploitation from money Lender, landlords and traders and discourages block marketing and artificial scarcity.

Since the ancient period, co-operation in the community come into existence up to date. Concept of co-operation was introduced in the 18th century. Robert Owen's contribution considered as important for the co-operative movement. He made an organization of labors with purpose of co-operative to each other. In 24 October 1844, an organization "Rochdale Society of Equitable Pioneers" was established in England, Which becomes first written history of co-operatives. Group of factory workers from this co-operatives (Rochdale) collected saving's of 28 pounds regularly for the purpose of in a floor co-operative has also been started till mid 19th century⁴.

Luigi and Luzzati were started first co-operative in 1860 in Italy and in 1850 Franz Schulze has an organization having principles of co-operative, "Each for all and all for each." He also published a book named co-operative banking in 1956.⁵ F.W. Raiffelson established an organization in 1850 named the "Grand union of rural co-operative

⁴ Co-operative training center, "Co-operative and its development" Dolakha, Chhapukhari-2058

⁵ Sudur Darpan Smarika 2060 Page No.-69

societies in Germany". Co-operative movement was started in 1866 in Denmark. In 1991, "Credit Union National Extension Bureau" was established in the United State of America. In Asia Co-operative was initiated in India 1904, Srilanka in 1906, Taiwan in 1910, Philippines in 1951, and Thailand in 1916 and in Nepal in 1953. Similarly 1772 in France, 1850 in Sweden 1865 in Italy and Russia, 1912 in China, 1920 in Israel, was established co-operative organization⁶. Gradually, the co-operative concept was development was well expanding all over the Europe, America, Africa and Asian Countries. Legal aspects also thought necessary for the co-operative; run them smoothly and systematically.

1.3. Cooperative in Nepalese perspective

A cooperative for the Nepalese society was not newly acquired. Helping peoples among the community was and is our tradition; in case of marriage death and planting the farms. In Nepal cooperation had been evaluated in the various senses from remote part. Makaguathi at Kathmandu, Parma at west Nepal and Dharmbhakari all over the country where most popular traditional cooperative firms⁷. But the cooperative society became organize in Nepal since 2010 B.S. due to lack of the cooperative act and lack of emerged sensation of the people and cooperative could not flourish. However, in 2013 BS first cooperative institution established in Chitwan named Bakhanpur Loan Cooperative Society. In 2016, BS Government of the Nepal formulated the cooperative organization Act. 2016; Cooperative Development fund in 2017 and cooperative organization rules in 2018 BS for the promotion of the cooperatives, Sajha Kendriya Sansthan was established in the

⁶ Poudel Naradmani, Cooperative Movement in Nepal History to At present

⁷ Shrestha Hari Prasad, "Business Principles and Office Practices". 2063

principles security of the king Mahendra. In 2019 BS, cooperative teaching center was also established on the ownership of the government and other business type of cooperative organization thereafter.

In 2020 BS cooperative Bank was not established but also absorbed under Agriculture Bank in 2024, Under the formulation of the cooperative act 2048 and rules 2049 merging and separating tendency situated similarly, Sajha Sanstha Act as cooperative Act. 2041 has been winding up after the act 2048 came in to existence⁸.

Democratic control of the member over organization open and voluntary membership, economic participation, and organizational freedom group cooperation responsible towards society are the established aimed at group cooperation among members not for the rural sector development. The examples of farmer cooperative organization are sajha swasthy sewa, and sajha pasal sajha bhandea and sajha yatayat.

The cooperative act 2048 and Rules 2049 evoked a new movement in the cooperative sector, The ministry for Agriculture and cooperative, International cooperative Alliance (ICA) Rastriya sahakari Board , Rastriya sahakari shangh ,sahakari Division office and Rastriya sahakari Bank few sector working in the promotion of cooperative origination . The cooperative Act 2048 as well as Rules 2049 fetches the future opportunities. Cooperative originations are given the approval for the banking transaction.

⁸ KC Batta Bahadur Business Organization and Office and Management 2063

Different cooperative laws and government policies designed for the cooperative development in the different economic plan. In the first five years plan 2013/014-2017/018, Bakhanpur cooperative was established in Chitwan in 2013 BS and cooperative sector. In 2017 BS cooperative development fund was established. In the second economic plan (2019/20-2021/22) cooperative Bank Act, 2019 formulated and established of cooperative .Saving Bank in 2020 BS this cooperatives saving Bank was change into agriculture development Bank in third plan (2022/023-2026/2027).The fourth plan(2027/028-2031/032) focused the qualitative development of cooperatives rather than quantitative development . fifth plan (2032/33-2036/037) expanded the cooperative as common programmed in the country . In the sixth economic plan (2037/038-2041/042) cooperative Act, 2016 was changed in to sajha Act 2041. Likewise, in the seventh plan cooperative has to develop in 72 districts where 830 agricultural cooperative and 54 non-agriculture cooperative were organized in the country⁹.

After democratic revolution, Cooperative Act. 2048 and cooperative Rules 2049 were formulated in country. In a very short span, many cooperative banking organizations are established, but none of them could function properly. Few cooperatives cheated the people dismissing their deposit. Therefore, the cooperative Act 2048 has made amendment such that cooperative organizations are provided limit-banking transaction with their shareholders only¹⁰.

The number of financial cooperatives licensed by NRB to conduct limited banking activities had reached to 35 by mid July 2000. After taking over

⁹ Shrestha, Kulnarasing, Business Organization and Office & Management, Navin Prakashan, 2063

¹⁰ Cooperative Act 2048 Sec. 26

11 small farmers cooperatives to small farmer development programme by NRB in April 2003 and license revocation for non-compliance of NRB directives, the total member of cooperatives has been reduced to 20 in mid-July 2005.¹¹ Nowadays it has been increased the number of members. Financial institutions are said to be the bridge between sources and users. A banker is one, who in ordinary course of business receiving money, which he repays by humoring Cheques of the persons from whom on whose account, he rives it.

1.4. Background of the Navajeevan Cooperatives:

With the cooperation of seventeen person and institution found in Kailali on 16 Shrawan 2049 BS named Samudayak year Publication 2058.

Later on with the help of the immediate office manager of the district cooperative office, Kailali the name was transformed to Navajeevan cooperative society Ltd. And registered under the central cooperative department Jalawakhel, Lalitpur with registered number 307/2049/050 in Baishakh 2050.

Getting the approval letter of NRB Banking Management Department Kathmandu of 20 Aswin 2050; It became the first cooperative Banking office of the Kingdom of Nepal. The opening ceremony celebrated of 30 Mangshir, 2050 by the immediate assistant minister for the construction and transport Mr. Shiv Raj Joshi. The article of the association was synthesized, then realized by the letter of the HMG cooperative

¹¹ Nepal Rastra Bank " Banking and Financial Statistics" (Mid July 2005)

department dated 13 Magh 2051 having function sector of the banking all over the country.¹²

Country wise share were published in the open market through the different branches of Nepal Bank Limited and Rastriya Banijya Bank Since 1st chaitra, 2050.¹³

However, sympathy goes to those 64 founder members that devoted their sweat, soil and tears on behalf of the organization. One share one vote is the popular concept of cooperatives. It has passed its one-decade of establishment sources fully and going on 11th year. Forty two employees are directly involved with this organization and operating services through three branches; situated at Dhangadhi Kailali, Tikapur Kailali and Guleriya Bardiya.

One the first year-end (2051) of the establishment, its paid up capital was Rs. 24,480,070, While authorized capital was one crore. At the 12th year and (2062) its authorized capital increased and fixed to Rs. 25 crore, where as paid up capital accessed to Rs. 1, 39, 85, 600 and number of shareholders reached to 1,39,856. Issued capital is equal to paid up capital. There was a board consisted eleven members. Moreover, seven member advisory boards. Account committee of three members; a district representative and a legal advisor are the executive body.

At present there were 58 cooperative societies registered in Kailali district. Among them 28 are multiple purpose cooperative societies. In the

¹² Article of the Association, Navjeevan Cooperative Limited 2050.

¹³ Financial Histroy Navjeevan Cooperative Society Limited.

course of operation 12 multipurpose cooperative societies are inactive position and 5 multipurpose cooperatives are located in Dhangadhi, all are running smoothly and during Banking transaction alone with Navajeevan cooperative society ltd. Saving and credit union societies amounted to 13 among them 3 societies are inactive. Five small farmers saving and credit cooperative societies are established and all are running smoothly.¹⁴

1.5. Focus of the Study

Cooperative in common parlance pronounces s working together. In the course of time. Cooperative ascended towards money transaction and cooperatives demolished. Financial position is one of the important components of financial administrations. It is a crucial aspect of financial management of the firm. No business organization can run smoothly without proper utilization of financial resources.

To consideration, this fact the study concerned with the financial position of the firm, which have been included, by deposit, investment position, profit position and liquidity position of Navajeevan cooperatives. The Study also focused to find out the expected result, which may be useful for different sector of cooperatives.

¹⁴ District 14 Agriculture Statistics, Data Book 2061 Kartik. Page No. 21

1.6. Statement of Problem

Cooperative movement is one such a measure to ease and lower the blow of poverty of underdeveloped country and its people. For the less developed and developing countries development should mean eradication of absolute poverty and reduction in inequalities. In this regard, the fair answer is that cooperation is one of the means to the remove of ills in the economy. The cooperative are establishing and manage to solve the problem of distribution of goods of daily necessity, agricultural products to facilitate improve farming system and exploitation of intermediaries to the mass people. Financial position and quality of services is mainstream of a successful organization. The problem, towards which this study is direction, is to identify financial position is in terms of liquidity, deposit, profitability and loan disbursement. To what extent the deposit, liquidity, deposit, profitability and loan disbursement. To what extent the deposit, liquidity and loan disbursement are relates to profit earned? What is the condition and collection and leading? These are some of the statement of problems which seek responses. This study has been undertaken to seek the answer of these research questions.

1.7 Objective of the Study

Financial institutions play a significant role in the economic development of country. In reality financial institution are the backbones of countries economy. Finance is one of the basic elements for an organization. The area of any study is limited around its objectives. So, the objective of this

study is to analyze the financial position of Navajeevan Cooperatives limited with specific following objectives.

1. To analyze the condition of deposit collection and loan disbursement
2. To evaluate the trend of earning in comparison of total credit of the cooperatives.
3. To analyze the liquidity position of the cooperatives.
4. To analyze the risk and return pattern of the bank.
5. To analyze the cash flow pattern of the bank.

1.8. Significance of the Study

This study will primary base on financial position of Navajeevan cooperatives limited. There is the need of growing linkage among different segments of the cooperative systems. Cooperative firms, shareholders, public etc. There all are the responsible factor of saving mobilization in any place. As lifeblood of any organization, no business can run smoothly, without proper management of finance. Therefore, aim of this study is to decision involvement in financial position. Focus of the financial position is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firms' Position and performance. It will be beneficial for the cooperative organization to minimize their revenue, Theoretical and

practical importance to its customer benefit to the relevant researcher and benefit for the general people who are willing to know about the cooperative organization.

1.9 Delimitation of the study

While collecting, analyzing and interpretation of data an effort has done for avoiding errors. Even if due to the lack of sufficient data, helpful colleague and time boundary, inadequate published materials in the field of related study sector, none of the study can go beyond the boundary. Every research has to conduct within certain size so, existing limitations of this research are:

- This research will conduct only for financial position of Navajeevan cooperatives limited, which have considered supporting the study.
- This study includes five years data.
- Cumulative data for each year-end used.
- The study contains both qualitative and quantitative analysis. However, the use of statistical tools may be limited for a certain extent, because of non-available of data in some cases.

1.10. Organization of the Study

The study has been organized in the following chapters.

Chapter I- Introduction

Chapter II- Review of Literature

Chapter III- Research Methodology

Chapter IV- Presentation Analysis and Interpretation of Data

Chapter V- Summary, Conclusion and Recommendation

Chapter I: Introduction

The First chapter will be introductory and it will include background of the study, statement of the problem, objectives of the study, history of cooperative, justification/ importance of the study, setting of hypothesis and limitations of the study.

Chapter II: Review of Literature

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

Chapter III: Research Methodology

The third chapter describes the research methodology employed in the study. Research design and its types, nature of data, source of data, data collection procedures and different types of financial and statistical tools are highlighted in this chapter.

Chapter IV: Presentation and Analysis

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

Chapter V: Summary, Conclusion and Recommendation

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

CHAPTER II

REVIEW OF LITERATURE

2.1. Conceptual, Framework

2.1.1. Origin and Development of Cooperatives:

Modern cooperative movement appears to have started in England in 1844. The cooperative movement has necessitated protecting the interest of weaker sections of society. Cooperative was set up not with profit as the guiding motive but with the fundamental object of serving the interest of its members. The philosophy behind cooperative movement is "All for each for all", and "self help through mutual help".

A cooperative organization is a voluntary association of persons with limited means to safeguard their interests. It had started with the aim of service to members. Its basic object is to help weaker section of society. Generally, cooperatives had established by such persons of ordinary means who have openers of interest in solving similar problems. The primary motive is united we stand divided we fall.

Henry Calvert defines cooperative organization as "A form of organization where in the persons voluntary associate together as human beings the basis of equality for the promotion of economic interest of interest of themselves. According to international labor organization, "A cooperative organization is a association of person usually with the limited means who voluntarily is in together to achieve a common

economic end through the formation of democratic controlled organization, making Equitable contribution to the capital required and accepting a fair share of risks and benefit of the undertaking." Pro. Talmaki defines, "It is an association of the weak who gather together for common economic need and try to left themselves from the weakness into strength through business organization." Cooperative organization may defined as a voluntary association of persons' usually of limited means joining on equal basis for the promotion of the certain economic or business interests. Such an association registered under Cooperative act is called cooperative society. Its basic object is to help weaker section of society.

No human beings can live independently rather he/she needs the cooperation of a community in common parlance pronounced as working together. In the course of the time, cooperative ascended towards money transaction and pure cooperatives demolished. England is the origin place of the cooperative concept; later on this concept expanded all over the Europe, Asia and leaded to Nepal on 2010 BS.¹⁵

For the social and economic development of the farmers, sculptors, having less capital and low capital and low economic group, labors, landless and unemployed person or social. Workers of the country as well as general consumers; the cooperative act was found necessary and formulated by the parliament.¹⁶

¹⁵ Poudel Naradmani, Cooperative Movement in Nepal History to At Present.

¹⁶ Cooperative Act. 2048

An auxiliary and helpful individual or friend who works together, work in a group is said to be cooperative.¹⁷

"Utilizing the liberalization policy of the government in the cooperative sector a large amount of cooperative organization was established by the different names after 2050 BS."¹⁸

Cooperative society is voluntary association in which person of limited means of the associate together for the promoting their common interest and economic ends in a democratic way. Cooperative is not new system to Nepalese life style. From the ancient time while doing some work have the tradition of helping each other with a view of cooperation. Especially in the field of agriculture while ploughing land, seeding and reaping the crop and in social custom like marriage there is tradition of helping each other. In Kathmandu Mankaguthi in Hills 'Parma' in western Nepal Thakalis 'Dhikur' and within the kingdom Dharma Bhakari are the traditional forms of cooperatives in Nepal. In modern form these traditions are not cooperatives; its features are similar to cooperatives.

The modern history of cooperative development in Nepal is only about fifty years old. In its development department of cooperative established under food and Agriculture ministry in B.S. 2010. Under this department, the first multipurpose cooperative Rapti Valley Development project had started in B.S. 2011 (1954). The underlying Objective was to channel aid for agriculture as well as small scale and cottage industries.

¹⁷ Nepal Basan," A macro Nepali Dictionary" Page No. 1299

¹⁸ Navajeevan Bulletin, I Baisakh, 2059

This history of development planning of Nepal is about 50 years old. Every plan of Nepal has given attention to the development of cooperative movement.¹⁹

2.1.2. Characteristics of Cooperative organization

Cooperative organization or societies possess the following characteristics:

I. Voluntary Association and Open Membership

The cooperative organization is a voluntary association and its membership is open to all persons of common interest. It implies that every individual is free to join it and share its advantages. It seeks to improve their economic status through joint efforts. People come together to satisfy their common needs through common efforts. No one is forced to become a member or to continue as a member. The membership here is open and unrestricted. There is no bar based on caste, creed and religion. In Nepal to form a cooperative organization, there should be at least 25 members but no limit has been fixed regarding the maximum number.

II. Equal Voting Rights

A cooperative organization is based on democratic principles. There is equality of status between members of a cooperative. Irrespective of number of shares every member has one vote only. There creates equal

¹⁹ Shrestha, Kulmarsingh, Business organization and office and Management, Nabin Prakashan, Bhotahity, Kathmandu-2063.

voice in the organization. No one can dictate based on holding more shares. It assures democratic control and management. Majority takes all-important decisions.

III. Democratic Management

The management of cooperative organization is always on democratic lines. All the members of an organization elect its management committee. They are elected through one-man one vote. The management committee works according to the wishes of its members for the welfare of them.

IV. Service Motive

The primary objective of cooperative is to provide service to its members. It is based on service motive rather than a profit motive. Thus, distinguishing feature of a cooperative organization is that it is established with a view to impart maximum services to its members. Therefore, its aim is not to earn maximum profits as in all other forms of organization. Even though cooperatives earn profits by extending their services to non-members.

V. Legal existence

In Nepal, cooperatives are established according to the cooperative act. At least 25 members combine together to get a cooperative registered from the cooperative office. After the registration, the organization gets separate

legal existence. It has a common seal and its entity is separate from its members. They enjoy perpetual succession.

VI. Cash Transaction only

All the transaction of cooperative organizations should be carried on cash basis and no credit transactions. Cash transaction ensures economy for the cooperatives. It eliminates bad debts collection expenses. It helps to have a good working capital and maintaining short-term solvency.

VII. Disposal of Surplus

Cooperative organization had not conducted with profit motive. Even though, it can make some surplus/net profit. A portion of surplus is use to create patronage fund. The organization most allocates a portion of the surplus toward reserve and in various welfare programmes of the members. The remaining surplus only is distributed to the members in proportion to their purchases of shares and its employees. In Nepal, Cooperative Act has restricted to provide dividend maximum 15 percent of the share capital to its members.

VIII. Education

The success of cooperative depends upon the awareness of its members towards the principles of cooperative. Cooperation is a new philosophy of life and it should develop among the members hence, the members should be constantly educated. With regard to its philosophy and objectives of the organization. It helps to the success of the cooperative movement.

IX. Liability

The liability of the members of the cooperative organization is limited to the extent of subscribed shares. For this purpose, the organization must write the word "Limited" after its name.

X. Government, Control

The cooperative organizations are to follow certain rules and regulations framed by the government. In Nepal, all cooperatives are registered under Nepal cooperative Act, 2049. There is some control and supervision from the government on the working of cooperatives in Nepal.

2.1.3. Types of Cooperative organization

Cooperative organization can be applied to every conceivable form of economic activity. Hence, various types of cooperative have been started with different motives. Some of the important types of cooperative organization are as follows:

- 1) **Consumers' Cooperative Society:** Consumer's cooperative societies are organizations of consumers. It is established to ensure a steady supply of essential product of standard equality at fair prices to the public. They protect weaker section of the community and increase their purchasing power provide welfare and raise their standard of living. The member elects the office bearers and executive member to supervise day-to-day activities of the society. The society makes bulk purchase directly from the

producers and sells these goods to the member on retail basis. They try to eliminate intermediaries and supply goods at the chapter rate. The societies change small profit to cover up administrative cost. If there is any surplus, some portion kept in reserve, part is spent on welfare of the members and community and the rest is distributed among members.

- 2) **Producers' Cooperative Society:** Producers' cooperative societies are the voluntary association of small producers who join hands to face competition from large producers. These societies were established for the benefit of small produce who find it difficult to collect various factors of production and to face marketing problems. They purchase raw materials, tools and equipment, and other items of producing in large quantity and then distribute them among their producer members. The purpose is to improve economic conditions of small producers by giving them necessary facilities. They produce goods of their demand and sell them at a small profit. This helps member doubly, firstly, they get good at a lower rate and secondary, the profit does not go in the pockets of the capitalists. Such societies have established with a view to eliminate the capitalist or industrialist class, which mainly controls production to the disadvantages of the consumers and the workers.

- 3) **Saving and Credit Cooperative Societies:** Saving and credit cooperatives are formed in rural and urban areas to attract the small saving of the members. These societies are voluntary association of people with limited means formed with the purpose

of providing short term loans to their members and cultivating the habit of saving among members. The main objective is to provide loans to their member on easy term of interest security and repayment. The importune of such societies is very great particularly in the villages, where the farmers are usually exploited by the moneylenders because of there weak financial position. They eliminate moneylenders (Sahu and Mahajans), who have been exploiting the villagers. The funds of these societies consist of share capital and savings made by the members. The liability of the members is limited. Loans are generally, granted for productive purpose and the rate of interested is kept as low as possible. Such societies are quit popular and have assumed great importance.

- 4) **Cooperating Marketing Societies:** Cooperative marketing societies are voluntary association of small producers who want to sell their product through some centralized agency. They are formed to increase the bargaining power and enable their members to secure fair prices for their products these societies are established with a view to carry on distribution of the products economically. The Production of different member is pooled and the society undertakes to sell these products. They eliminate intermediary to reduce the cost of the marketing. These societies also provide services like grading; ware housing, transportation; Insurance and financing the goods are sold when he market is favorable. In this way, small producers are free from marketing of products.

- 5) **Cooperating Housing Societies:** Cooperating housing societies are formed by the small income -earners who individually are not in a position to solve their housing problems. Its main aim is provide finances to its members to construct own houses. They provide financial assistance to their member for the purchase of land and building. The members who take loans have to pay a low rate of interest than other financial institutions. Besides loan the members also get building materials at a lower price because society purchases building materials in bulk. They also purchase land for the members and the members also get building materials at a lower price because society purchases building materials in bulk. They also purchase land for the members and the members get plots at a cheaper rate the society.
- 6) **Cooperating farming Societies:-** Cooperative farming societies are voluntary association of farmed to reap the advantage of large-scale farming. Hence, small farmers handover their hand to cooperative farming society. Better farming increases production and improves the economic position of the members. Small farmers will not be able to use improve technology for want of resources and small holding this prevent fragmentation of land and there is less wastage of the land in shape of the boundary lines.

TYPES OF COOPERATIVE ORGANIZATION

1. Consumers' cooperative societies
2. Producers cooperative societies
3. Saving and credit cooperative
4. Cooperative marketing societies
5. Cooperative housing societies
6. Cooperative farming societies
7. Multipurpose cooperative societies
8. Other single purpose societies

7) **Multipurpose Cooperative Societies:** If one society performs several functions it is known as a multipurpose cooperative society. For example if the societies fulfill the needs of credit, production, sale, improved agriculture better standard of the living, cleanliness and health etc., It will be multipurpose society in the beginning of the cooperative movement., single purpose cooperative societies were established. It was thought that it would be easy to organize a societies were established. It was through that it would be easy to organize a society, if it has only one aim. Afterwards it was realized that it would be more beneficial to members, if more activities are performed by single society. Moreover, people do not wants to became member of various societies fulfill their different needs.

8) **Other single Purpose Societies:** Cooperative societies can be formed in every walk of life. It can be applied to every conceivable form of economic activity. There are several other forms of societies like service cooperative, dairy and poultry cooperative, transport cooperative, printing press cooperative etc.

These societies are voluntary association formed for providing, benefit to their member in their respective field of activity.

2.1.4. Importance of Cooperative Organizations in Nepal

There is a importance of cooperative societies of the community. It is the best means of brining economic and social upliftment of the weaker section of the country. Cooperatives have contributed immensely in the field of the economy of the developing countries like India, Bangladesh, Nepal, etc. The importance of Cooperatives for the economic development and Social progress has globally acknowledged. Hence, the importance of cooperatives in Nepal can explain in the following points.

- 1) **Economic Upliftment:** The cooperative movement is reading useful services for the economic progress and well-being of the developing countries. In Nepal, most of the populations live in the rural areas. Therefore, without the economic upliftment of the rural area, it is not possible to develop the country. Government has been mobilizing the limited available resource towards the rural development. But the government efforts only are not sufficient for increase the living standard of the rural people. Hence, the rural people themselves have to attempt for the rural people. Hence, the rural people themselves have to attempt for improving their economic condition. They must work in common and be organized through the cooperative movement for their upliftment. Hence; in Nepal cooperative are the importance means for their economic upliftment.

- 2) **Development of Agriculture Sector:** We know that Nepal is an agriculture-based upon country. In Nepal, more than 80 percent of the total population depends upon agriculture. About 50 percent of the gross domestic products are contributed by agriculture sector. The main source of income of the people employment and production are also based on the agriculture plays dominant role in the economy. So it is necessary to development of the agriculture sector for the development of the country. For the development of the agriculture sector cooperative provide better seeds, fertilizers, improve tools and insecticides etc. They also provide irrigation facilities as well as agriculture loan at low rate of interest leading to better farming, better business and better living.
- 3) **Elimination of Middlemen:** Cooperative societies try to eliminate middlemen and provide goods at the cheaper and fair prices to its member. They make concerted efforts to supply goods at the cheaper and fair prices to its member. They make concerted efforts to supply goods to the member not only the fair prices but also of the best possible quality this result in improvement of the standard of living. They charge fair prices to the small producers and provide them a better medium of distribution. Due to elimination of intermediaries and voluntary service of the member, the operation of the society becomes economical also.
- 4) **Employment Opportunity:** Developing countries seems to suffer from the problems of the employment. Cooperative organization can be started with very small capital investment. Since cooperative carry on economic activities, it creates employment

opportunities. They can run multipurpose businesses. Employment opportunity is a very important matter in a society where there is unemployment problem. By establishing cooperative in rural as well as urban areas, employment problem can be solved to some extent.

- 5) **Encouragement of Saving:** Cooperative are engaged in economic activities like selling of shares, banking activities, production and selling of product, etc. These economic activities encourage members to save. In the community where the cooperatives are active, the amounts of savings of the people have been found remarkably high. Savings become a habit of the people. Savings tend to increase the capability of the investment and investment brings income that leads to economic prosperity of the people.
- 6) **Institution Credit:-** In Nepal, The services of banks and financial institution rarely reach the rural areas. Loans are always needed in rural areas. The moneylenders who exploit the villages often fulfill this need. Cooperatives provide institutional credit to members and protect from money leaders' exploitation. They provide loans to their members in easy terms of interest, security and repayment.
- 7) **Social Development:** Cooperatives are important not only for the economic development of the country but also for social development. With the establishment of cooperative the feeling of the cooperation and democracy increases in the society. These societies remove social and economic evils and do not let them increase. Members get the habit of working with crevice motive. A

portion of the profit of the cooperative is used of the society. Hence Cooperative are very important for the economic and social development of the country.

2.1.5. Registration of Cooperative organizations in Nepal.

According to the cooperative principles, cooperative society can be established to provide service and facilities to their members for the economic and social development. According to the cooperative society can be established to provide services and facilities to their members for the economic and social development. According to cooperative Act. 2049, following types of society can be established:

1. Preliminary society, consisting at least 25 members.
2. Subjective society or Association consisting members at least 5 preliminary societies.
3. District cooperative federation, consisting member at least 5 preliminary society of subject wise association or with the combination of the both.
4. Central cooperative Federation consisting, member at least 25 preliminary society or 5 subject wise association.

5. National cooperative federation, consisting member at lest 25 including subjective association district cooperation federation and central cooperative federation.

Legal provision for registration (Formulation)

For formulation and registration of a cooperative society following procedure should be adopted.

1) **Preliminary Meeting:** For the registration of a cooperative society as least 25 qualified people under one chairman among them, preliminary meeting must be conducted in a order to decide on the following proposals:

- a) Concerning society opening.
- b) Concerning name, address and objective of the society.
- c) Concerning the value of share entry fee.
- d) Concerning election, formulation of Adhoc Committee (Board of Directors) of the society.
- e) Passing-laws of the proposed Society.
- f) Concerning the respoinsibility of the amount rose from share and entry fee.

- g) Concerning the opening the bank account and depositing such amount after registration and conduct of account.
- h) Concerning the delegation of authority of the registration of society.
- i) Concerning annual working scheme.
- j) Concerning working area.
- k) Miscellaneous.

After deciding on above subjects, all the present shareholders must sign at the bottom of the decision.

2) **Apply for Registration:** After preparing and passing proposed by-laws and working scheme from the preliminary meetings, application should be submitted to the register of Department of Cooperative in the prescribed form. In the application following particular must be provided:

- a. Proposed name of the society.
- b. Address.
- c. Objectives:
- d. Working area

e. Liability:

f. Total share capital.

g. Total number of shares to be sold and total amount.

With application, following documents must also be presented:

a. Two copies of by-laws of the proposed society.

b. One copy original working scheme of proposed society.

c. Attested photocopies of the above-mentioned decisions of the preliminary meetings.

d. Original description form with the particulars and specimen signature of at least 25 applicant members.

2.2. Review of Empirical Studies

2.2.1. Review from Books and Articles

Banks and Financial institution in urban areas do have normally access of deposits over the demand for loan on therefore have the problem of access liquidity. On the other hand, co-operatives can meet credit demand of rural areas borrowing from urban banks and accepting deposits of the rural people. Therefore commercial banks through co-operatives can avail

the opportunity of using their access liquidity in rural areas by wholesale lending. The co-operative organization could help reducing poverty by increasing production and employment in rural areas. Adequate financial resources are not available in rural areas most of the cooperative societies are working in rural areas. The model has already been provide successful in America and Europe. It has the satisfactory capital base and prior approval of central bank and therefore can command confidence of people. A large number of financial co-operatives are not within the regulatory framework of NRB. Therefore, either the financial co-operatives should be brought into framework of proposed co-operatives bank or other alternative measures should be talked by NRB.²⁰

Importance of cooperation in the development of the rural economy was realized after the political change. Cooperative movement gained some momentum only after the implementation of the five years such as the credit marketing multipurpose societies etc with a central cooperative. Bank at the apex another cooperative bank are come into existence.²¹

The cooperative movement in the India traces its origin to the agricultural and allied sector and was originally evolved as a mechanism for the pooling the peoples meager resources with a view to providing to them the advantage of the economy of the scale. The first attempt to the institutionalized cooperatives credit societies Act 1904 the scope of which subsequently enlarged by the more comprehensive cooperative society Act of 1912. Under the government of the India Act 1919 the subject of the cooperation was transferred to the then provinces, which were authorized to enact their own cooperative laws under the

²⁰ NRB Samachar, Year Publication (4Baisakh 2060)

²¹ Shrestha Badri Prasad, " An Introduction to Nepalese Economy"

government of India Act. 1935 cooperative remained a provincial subject. Presently the Item "Cooperative society is a state subject under entry 32 of state.²²

The cooperative movement was lunched in India by the act of 1904 and 1912 passed by the government of the India. There is the number of state cooperatives banks operating in India. Twenty-five of these which keep accounts with reserve bank of India had aggregate deposit of over Rs. 571 corers as on 30th June 1979. There also central cooperative Bank land Mortgage bank now called land Development banks host of credit societies. The resources of the cooperative credit institution consist mainly of deposits and borrowings.²³

The role of the cooperative has acquired new dimensions in the changing scenario of globalization and liberalization of the nation's economy. Internal and structural weakness of these institution combined with lake of proper policy support have naturalized their positive impact. There are wide regional imbalances in the development of the cooperative in the country. This has necessitated the need for a clear cut national policy in cooperative to enable sustained development and growth of the healthy and self reliant cooperative for meeting the sectors aspirations of the people on the consonance with the principal of cooperation.²⁴

"Major activities of cooperatives in India are investing loan on agricultures, cottage industries and marketing activities under the slate cooperative societies. Act. Total number of the cooperatives in India has

²² Ibid

²³ Theory and Practice of the Banking, 2004

²⁴ Cooperative Bisheshannh page No.19.24

been reached to 93000 primary Agricultural central cooperative Banks. Major shorting coming of cooperatives in India is prevailing as domination of the vested interest groups, poor management higher dependency on the government and lack of large business activities.²⁵

"The cooperatives model of micro finance in the oldest one already provided successful in Europe and North America at the end of 19th century. A microfinance model should be adopted under the potentials and constraints of each local environment. Departments of cooperatives have to think over jointly as the possibility of operating cooperating as financial intermediaries to promote their members interest. In order to ensure that the cooperatives providing financial services to their member are with in the instructions norms and regulation of NRB and DOC NRB regional office and district cooperative office should be strengthening equipped with Equitable manpower and decentralized delegation the appropriate authority and responsibility."²⁶

Since the procedures of the registering co-operative come in to operation and collected deposits all over the country. Department of the cooperative has no cooperation with the central Bank and therefore these cooperative except those approved by the NRB carrying on the saving and credit activities are not with in the supervisory and the regulatory framework of Nepal Rastra Bank. Many saving and credit cooperative failed with out being able to make refund of the pubic deposit due to very weak supervisory and regularly mechanism of the government. A policy has regulate and supervise financial cooperative through the separate entity

²⁵ Devkota Mr. Kirti, Sudur Darpan, SFCL Highly Successful Institution in the context of Proverty Reducation in Nepal-2060

²⁶ NRB Samachar, 14th Baisakh, 2058

called cooperative Bank to formed in the near future is also adopted with the indirect supervision and control mechanism of NRB. The financial cooperative Bank could became member of the proposed cooperative Bank Voluntarily unless membership are made compulsory those could still be the existence of some cooperatives beyond the ambit of regulatory and supervisory frameworks.²⁷

"Nepal is one of the least development nations of the world by all indicators of the development such as per capital income GDP literary life expectancy economic development and poverty. Almost of the population still beside in the rural areas and about 90% of the population is still engaged in agriculture as main occupation. Financial system was the best solution to up grade living standard of the country's people. Financial system was the best solution to upgrade the living standard of the country's people. Financial institution plays the role of the intermediaries between the 'Surplus' and the 'deficit' units. Social scientist through that the cooperative financing system was the best way to eradicate existing poverty in society."²⁸

"Srilanka is and Island in the India Ocean to the south east of the India. Financial institution are plays a vital role in the development of the economy. In Srilanka Ceylon Agriculture Society was established in 1904 the governor of Ceylon under his leadership. Similarly, Agriculture Bank was established in 1909. Cooperative movement in the Srilanka appears after established of the Agriculture Bank Under the Act of 07 of 1911 the first cooperative societies like cooperative thrift societies various

²⁷ NRB Samachar 14th Baisakh 2060

²⁸ Shrestha Ganesh Kumari' Nepal Rastra Bank in the promotion of the cooperative and rural financial Institutions.

economic groups established agriculture society and consumer society were established in 1991, 1936 and 1949 respectively for the proper management and takes the cooperative society, Act 1979 come into existence a large number of the multipurpose cooperative." ²⁹

"Saving and credit cooperative are formed in rural and urban areas to attract the small saving of the members. These societies are voluntary associations of people with limited means formed with propose of the providing short term loans to their members and cultivating the habit of the saving among members. The main object is to provide loans to their members on easy terms of interest, security and repayment. The importance of such society is very grate particularly in the villages, where the moneylenders because of their weak financial position usually exploit farmers. They eliminate money lenders (Sahu-mahajans), who have been exploiting the villagers. The funds of these societies consist of share capital and saving made be the member. The liability of the members is limited. Loans are generally granted for productive purpose and the rate of interest is kept as low as possible. Such societies are quit popular and have assumed great importance."³⁰

"A cooperative is an association of persons whereby people of ordinary means willingly to protect their economic and social interests. The main principle of a cooperative is that each one works for all and all work for all and all work for each one. This type of organization is very useful for poor people. In our village economy, this type of organization has special

²⁹ Wimalartne W.MGS Medagedra A.A.V Puspa Kumara and R.D. Sunil Jayratne", Program on Developing Consultancy Skill for Improving the Management of Agricultural Cooperative and Financial Institution", Oct. 2003.

³⁰ Shrestha, KulNarsing, "Business Organization and office and Management" 2063.

importance. It can help in the progress of agriculture and the marketing of the agriculture products.³¹

"Credit cooperative is established in rural and urban areas to attract the saving of members and extended loan and facilities to other group members from time to time. They give short-term loans at cheap rates. The primary aim of these societies is to save their member from the clutches of the moneylenders. The capital of such societies was collected by the sale of the share. The shares are kept in denominations so that even poor people can afford to buy the share and get the membership of these societies."³²

M.Y.Khan and P.K. Jain describe as financial analysis is the process of selection, relation and evaluation. The first task of the financial analysis is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second step involved in financial analysis is to arrange the information in a way high light significant relationship. The final step is interpretation and drawing of inference and conclusions. Financial performance analysis is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance.³³

"A quantitative judgment about the firm's financial position and performance should be made from the point of view of firm's investment. Thus financial analysis is the main quantitative judgment process of

³¹ K.C.Fatta Bahadur, "Business Organization and office and Management" 2063.

³² Ibid.

³³ Khan M.Y.and Jain P.K., "Financial Management" 2nd Edition, TaTa McGraw Hill Publishing company Ltd. New Delhi, Page no. 79

identifying the financial strengths and weakness of the firms by property establishing the relationship between the items of the balance sheet and profit and loss account." ³⁴

2.2.2 Review of related studies

Taka Datta Summarized on his case study report for Top Management Body of Navajeevan Cooperatives Ltd. Dhangadhi Kailali is cooperative is not a new phenomenon in the Nepalese society. The people of the society come together to help in the especial occasions i.e. birth, marriage plantation and death. On a national scale Dharmbhakari, Mankaguthi, Parma and Dhikuti are the traditional cooperative forms.³⁵

Mr. Birendra Dahal done a study entitled "A Comparative study on a financial performance of Everest Insurance Company and united Insurance Company." He explores that on that on of the yardstick for the judging the word of a company is by studying its financial performance. It is the financial result of every organization which is affected by the financial decision; the decision must be based upon a financial data and the analysis of data. To get the optimum result every organization has to take the best decision from among he various alternatives. It is a measurable factor, which can present the company's strength and weakness in the financial sector.

³⁴ Webster's new Collegiate dictionary, 8th edition Springfield, Mass: G and C, Merrian Page 958.

³⁵ Bhatta, Taka Datta, "Case Study of Overall Financial Position of the Navajeevan Cooperative Limited, Dhangadhi, Kailali" An Unpublished case study Report 15, Shrawan, 2061

It is not only single fact of figure but also that analysis of all financial data available with the various tools ratios used for analyzing different aspects. of finance.³⁶

A study conducted by Gokul Raj Sharma on the topic, "The financial performance of cooperative with reference to Samihana Multiple cooperative society ltd and Naba-Kshitij cooperative society ltd in 1999." He concluded that cooperative is a most significant vehicle for mobilizing the scattered savings and patting them in product use for the society. Cooperatives have to compete with other financial institutions for attracting deposits for more deposits. For more deposits utilization, granted the loan to the member. Priority given rural areas target market in consideration saying in drop of water makes a sea. The liquidity position may have been affected by external and internal factor such as interest rates, Supply and demand of loans, investment situation, growth or slackening of the finance, market lending policies and the efficiency of internal management.³⁷

Miss Rajyeshwory Shrestha concluded in her study that, "Management of a firm is interested in all aspects of financial analysis to adopt a good financial management system and for the internal control of the organization. Similarly trade creditors and primarily interested in the liquidity position of the firm. Long term creditors are more interested in the cash flow ability of enterprises to service department over long turn interested in the case flow ability of enterprises to service department over long turn likewise all the concerned groups are directly interested in

³⁶ Dahal Birendra, "A comparative study on financial performance of Everest Insurance Co. Ltd. and United Insurance co. Nepal," An Unpublished Master Degree Thesis. August 2004

³⁷ Sharma Gokul Raj, "The financial performance of Cooperative with Reference to Samihana Multiple Cooperative Society ltd and Naba-Kshitij Cooperative Society Ltd, 1999

all about the financial performance of a company or a firm. The financial analysis a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. Analysis and interpretation of various ratios should give an experiences and skilled analyst better understanding of the financial condition and performance of a firm that he/she would obtain from analysis of the financial data alone."³⁸

Mr. Man Bahadur B.K. (1994) had written on his study, "Financial statement analysis and ratio analysis are financial tools widely used to measure the strengths and weakness of the financial tools widely used to measure the strengths and weakness of the financial position of the organization. The study concluded that the organizations liquidity position was satisfactory but it had interested its fund in current assets unnecessarily. The assets utilization position of the organization is not satisfactory due to its loose and inefficient maintained it appropriate leverage position due to its improper management of funds and sundry creditors. The association is suffering the operating loss throughout its study period. The main problem is weather it becomes the political plate firm Therefore, the study suggested that the cooperative should maintain the political neutrality. It managed and utilized properly creative can be the backbone of the economic development of our country. It is best way to mobilize the scattered saving of the small farmers and laborers. Our country can go towards a golden tomorrow walking in the way of cooperatives pavement. The cooperative education and cooperative

³⁸ Shrestha Rajyashwory", A comparative Study on Financial performance of Ace Finance company limited and Lalitpur Finance Company limited, Unpublished Master Degree Thesis 20061.

training is must for the development of the cooperative societies in the country."³⁹

Miss Puspa Khanal conducted the study about "A study of financial performance of Navajeevan cooperative Bank Dhangadhi". She concluded that "Cooperative movement is the result of the exploitative policies of the capitalists, who in their derive to minimize the profits are least bothered about socio economic interest of the economically weaker section. The movement is defined as a form of organization in which persons voluntarily associate for the promotion of their economic interest. She also added that main purpose of the cooperative movement is to work out for the overall development of the rural farmers. We have to created new avenues for giving financial assistance with lower rate for promoting their agriculture product through various agencies. The cooperative facing no of challenges, which were, influences their working performance in future".⁴⁰

Above studies were conducted through different researches which had submitted in different year. After the liberalization policy of Nepal Rastra Bank, Limited banking Transactions had been allowed for cooperatives and Navajeevan cooperatives doing such limited transactions as per rules and regulations of cooperatives.

³⁹ Joshi, Keshar Raj, "A Study of Financial performance of commercial Banks", An Unpublished Master's Degree Thesis, T.U. 1989, Kirtipur.

⁴⁰ Khanal Puspa, "A Study of Financial performance of Navajeevan Cooperative Limited Dhangadhi, Kailali, Unpublished Master Degree Thesis 2062

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

Research is the investigation by planning structuring with strategy to find out the problems and to control the variable. Research refers to a search of knowledge, which may be scientific research or systematic research refers to a search of knowledge, which may be scientific research or systematic research for pertinent information on a specific topic. Research has significance on a specific topic. Research has significance to solve various operational and planning problems of business and industry. "The purpose of research is to discover answers to questions through the application of scientific procedures the main aim of research is to find out the truth which is hidden which has not been discovered yet." (Kothari 1990)

According to Karlinger, "Research methodology means how the research objective will be reached and how the problem encountered in the research will be tackled."

The history of research methodology gives the student the necessary training in gathering materials and arranging or card indexing them participation in field work when required and also training in techniques for the collection of data appropriate to particular problems in the use of statistics, questionnaires and controlled experimentation and recording evidence, sorting it out interpreting it.

The study basically concerned with examining the financial position of Navajeevan cooperatives Ltd. To attain this goal, the under mentioned methodology has been followed in this study.

3.2. Research Design

Research design is a controlling media for the collection of data and helps to elect the right quantum of accurate information as necessary. In this study both description and analytical research design has been followed. In other words, the existing situation has been presented and data collected for the purpose of the study have been systematically analyzed.

Kerlinger (1986) describe a research design as follows:

"Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance. The plan is the overall scheme or program of the research. It includes all outline of what the investigator wil do from writing the hypotheses and their operational implications to the final analysis of data. The structure of the research is more specific. It is the outline the scheme, the paradigm of the operation of the variables. When we draw diagrams that outline the variables and their relation and just position, we build structural schemes for accomplish operational research purposes. Strategy, as used here, is also more specific than plan. In other words, strategy implies how the research will be reached and how the problems encountered in the research will be tackled".

The research design is an organized and integrated system that guides the researcher in formulating, implementing and controlling the study. Useful research design produces the answers to the proposed research questions. The selection of this type of research has become necessary keeping in view the quantity and quality of information that is available.

3.3. Data Gathering Method

There are two types of data, secondary data and primary data. The primary data are those, which are, collected a fresh and for the first time and thus happen to be original in character. The secondary data on the other hand are those, which have already been passed through the statistical process.

This study is based on both primary and secondary data. The primary data have been collection through questionnaires and personal interview where as the secondary data are the published articles, journals, reports etc. The collected data are arranged systematically in the particular tabular form according to the need of the study.

The purpose of such interviewing of questionnaire was to derive such information to their attitudes towards financial position analysis such as deposit collection and utilization for funds and plans for the futures.

3.4. Source of Data

This study is primary based on the primary sources of data. Therefore, the necessary data for the study were collected mainly from the concerned

institution like Navajeevan cooperatives Ltd. The study is concerned with the financial position of Navajeevan Cooperatives ltd. Dhangadhi for the purpose the main publications of the institution, Which have been used for our study, were annual publication, previous related studies and published articles of different eminent authors.

3.5. Sample Size

Far west is the backward region of Nepal. More over, Kailali is deprived sector in the overall field of banking. Navajeevan Cooperatives ltd. Is found to be alternative banking of the HMG ownership bank for 2057 B.S. But few joint venture banks are introduced in the economic environment since 2057 B.S. Navajeevan has grounded its root in Kailali and earned public confidence, a lot.

By sample, we mean position of the population chosen for the study. A sample is the representatives of the total population in as many factor as possible a part is selected from the population and examination is called a sample. A sample requires relativity better resources for designing and executing it adequately act of choosing sample can be formed as sampling. The sample size for this study comprised the financial position related of Navajeevan Cooperatives.

3.6. Data collection procedure

Data are the major parts of each type of study. All related data are gathered as per the objectives determined in this report. The most part of essential data has been collected by the secondary sources as well few

data are collected through primary sources. The questionnaire schedule related to organization and employees designed and administered through personal efforts as primary sources of data collection. The data there of deposit and borrowings, liquidity condition, loan disbursement, profit earned and share capital is collected adopting secondary sources. The data availed sources are internal records, financial statements, balance sheets, annual reports and booklets of the organization.

3.7. Use of statistical method

Necessary statistical tools have been used in this study for presentation analysis and interpretation of data. Data are tabulated with percentage change and indexes. Relationship between variables is tested the help of Karl persons coefficient of correlation with help of following formula.

Karl Pearson's coefficient of correlation (r) =

$$\frac{N \sum xy - \sum x. \sum y}{\sqrt{[N \sum x^2 - (\sum x)^2][N \sum y^2 - (\sum y)^2]}}$$

Being specific upon the objectives determined from various required sources; data are presented in the form of Table graph and figures. While analyzing data the processing device calculator and computer as well as analytical tools, ratio, percentage, frequency distribution and correlation coefficient are used.

3.8. Ratio Analysis

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

Researcher has to use some financial ratios, which are classified in the following categories.

1. Liquidity ratio
2. Assets management or efficiency ratio
3. Debt management or leverage ratio
4. Profitability ratio.
5. Market value ratio

1. Liquidity Ratio

It measures the firm's ability to meet current obligations. Liquidity ratios are used to understand firm's ability to meet short term financial strengths/ solvency of a firm. The consequences to inadequate liquidity are very serious and therefore measures of such liquidity have been attached greater importance population. In this category following ratios are calculated.

a) Current Ratio (CR)

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

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Where, CA = those assets which can be convert into cash within one year.

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

b) Quick Ratio (QR)

A modified version of current ratio that is called second measure of firm's liquidity is the acid test ratio. Deduction inventories and prepaid expenses from CA and dividing the remainder by CL to calculate this ratio.

$$QR = \frac{CA - \text{inventories} - \text{prepaid expenses}}{CL}$$

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

2. Assets management ratio

Assets management ratio's measure the effectiveness with which a form is utilizing its assets to generate sales. It measure how effectively the firm is utilizing managing its assets. A very efficient firm then is one that utilizes its investment assets to generate the largest possible level of sales revenue. The prominent ratios in the group are as followings.

Fixed assets turnover ratio:

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

$$FATR = \frac{\text{Interest Earned}}{\text{Interest Earned Assets}} = \dots\dots\dots \text{times}$$

Where, sales = total interest earned

Higher fixed assets turnover ratio indicates better business performance and lower ratio, inefficient utilization of available fixed assets since there is no standard for this ratio.

Total Assets turnover ratio

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

Total amount of asset side of B/S = xx

Less: Total amount of factious assets = xx

Total Assets xx

Where,

Factious assets = these assets refers to differed expenditures and debit balance of profit and loss account.

It is calculated as under

$$\text{TATR} = \frac{\text{Interest Earned}}{\text{Total net Assets}}$$

Where, sales = Total interest earned.

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

Days Sales Outstanding (DSO)

It is also called the average collection period, which is used to appraise accounts receivables. It indicates the number of days sales that are tied up in receivable.

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

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

3. Debt Management or Leverage Ratio

The long-term solvency of a firm can be examined by using debt management ratio.

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

- b) Creditors look to the equity or owners supplied funds to provide a margin of safety.
- c) Return on owner's capital is magnified.

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

Where, *total debt* = Long term debt + current liabilities + deposit

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

4. Profitability Ratio

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

Gross Profit Margin

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

between gross profit and sales and it is calculated by dividing gross profit by sales (Interest earned)

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

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

Net profit Margin Ratio

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

$$\text{N.P. Margin} = \frac{\text{NPAT}}{\text{Sales}} \times 100 \dots\dots\dots\%$$

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

Return on Assets

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

$$\text{ROA} = \frac{\text{NPAT}}{\text{Total Assets}} \times 100 \dots\dots\dots\%$$

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

Return on Equity

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

$$\text{ROE} = \frac{\text{NPAT} - \text{PD}}{\text{Share}} \times 100 = \dots\dots\dots\%$$

Return on Capital Employed

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

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

Where

Capital employed = Equity+ Preference Share Capital + Reserve+ PL Account (Cr.) + Share Premium+ Other Undistributed Profit + Debenture + Bond + LTD of business i.e. investment on government securities, factious assets i.e. preliminary expenses and P/L a/c.

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

5. Market Value Ratio

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

Earning Per Share

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

$$\text{EPS} = \frac{\text{NPAT} - \text{Pd}}{\text{No. of Shares outstanding}} = \dots\dots\dots\text{Rs.}$$

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

Dividend Per share

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

$$\text{DPS} = \frac{\text{Earning paid to shareholders}}{\text{No. of Equity Shares outstanding}} = \text{Rs.}$$

In general, higher the figures the better and if, is not vice versa.

3.9 Trend Analysis

Trend analysis is a significant tool of horizontal financial analysis. It is a dynamic method to indicate the changes and deviations in terms of financial statements. Trend analysis helps to identify the controllable items of given period and future forecast can be made for ongoing

concern. It is one of the useful tools in making a comparative study of the financial statements of the number of years. It makes easy to identify the changes in an item or in a group of items over a period and to draw the conclusion regarding the changes there on.

Trend relationship is the ratio analysis and interpretation of the items of the comparative financial statements of different periods. In this way, the favorable and unfavorable situation of a business is being revealed.

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

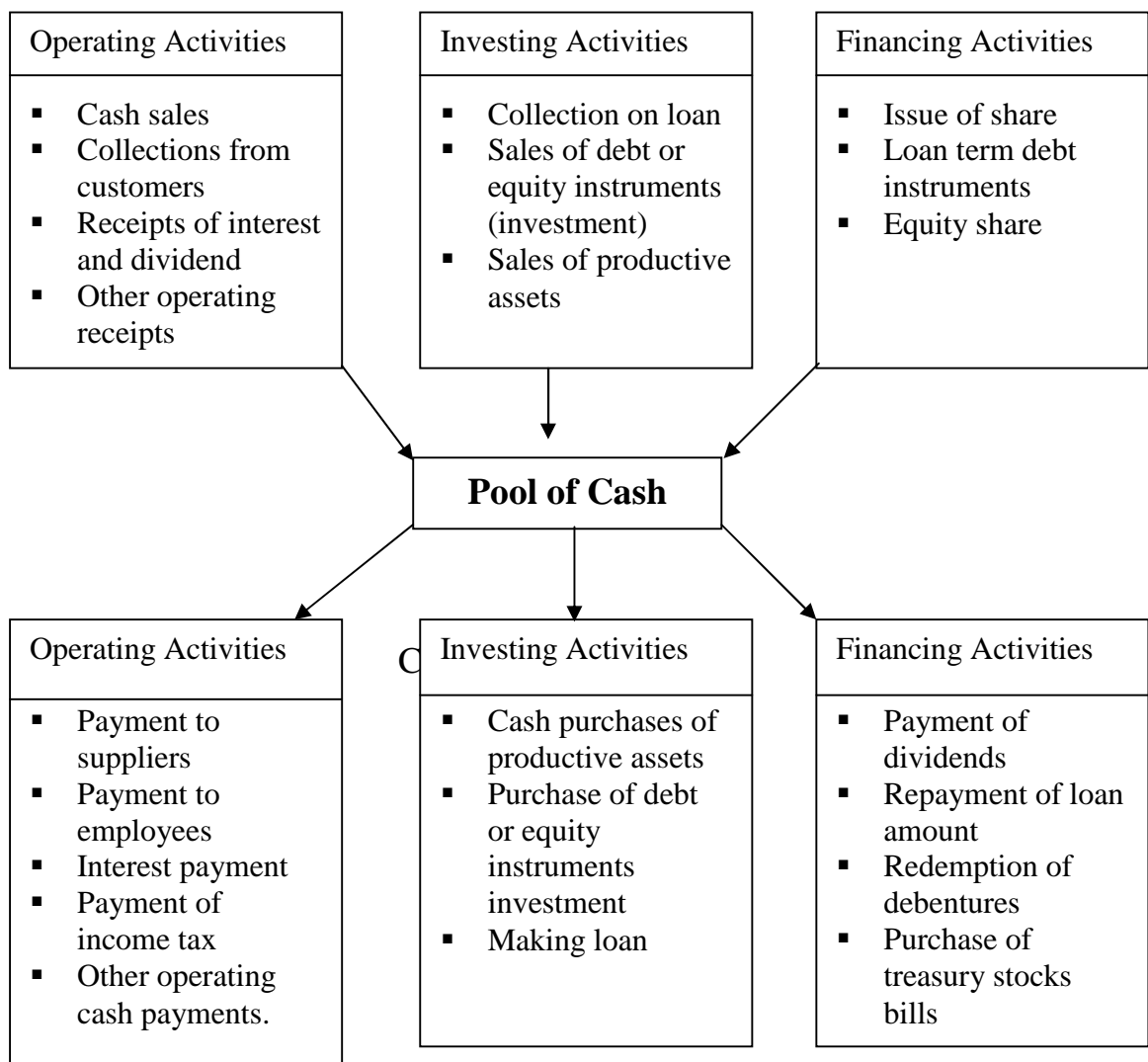
3.10 Cash Flow Analysis

Cash is the fuel that keeps a business alive. Without cash, no activities can be taken place. Therefore, a business must have an adequate amount of cash to cooperative. The analysis of the events and transaction that affect the cash position of the company is termed as cash flow analysis such, the decision makes must pay attention to the position events and transactions that cause cash position to change. Cash flow analysis measures the changes that have been taken place in the financial position of a firm. It communicates those types of information that are not covered by income statements and balance sheet. Cash flow analysis is done through statements of cash flows. A cash flow statement is a statement of firm's ability to generate cash from various activities such as, operating, investing, and financing and their need of cash. It is a statement, which shows the inflows and outflows of cash and cash equivalent during the year. Nepal Company Act 2053 B.S. also made mandatory to present cash

flows statements along with balance sheet and income statements. As such enterprise should prepare a cash flow statement and present it as and integral parts of its financial statements are presented.

The cash flow statements are prepared based on cash of accounting. While calculating operating profits for cash flow statements, adjustments for prepaid and outstanding expenses and income are made to convert the data from accrual basis to cash basis. The statements is prepared by taking the opening balance of cash adding to this all the inflows of cash and deducting all the out follows of cash form the total.

Cash flows from different activities can be presented as follows:



Arithmetic Mean (\bar{x})

Arithmetic mean of a given set of observations. In general x_1, x_2, \dots, x_n are the given observations, then their arithmetic mean usually denoted by \bar{X} is given

$$\bar{X} = \frac{(x_1 + x_2 + \dots + X_n)}{n}$$

Where,

X = Variables

N = No. of series

Standard Deviation:

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

$$S.D (\sigma) = \sqrt{\frac{\sum x^2}{N} - \left(\frac{\sum x}{N}\right)^2} \text{ Or } \sqrt{\frac{\sum fx(x - \bar{x})^2}{N}}$$

Where,

S.D/† = Standard deviation

X = x variables

\bar{x} = mean value of x series

The co Efficient of Variance

The Coefficient of Variation is the relative measures of dispersion comparable across distribution, which is defined as the ratio of the standard deviation to the mean expressed in percent to calculate coefficient of variance, we used the following formula.

$$C.V. = \frac{sd}{x} \times 100 = \dots\dots\dots\%$$

Where,

C.V. = coefficient of variance

S.D. = Standard deviation

\bar{x} = mean of given variables

3.11 Graphic Presentation

Graphic presentation proves very effective way analyzing various variables. It shows at a glance the whole situation of variables. Graphics are attractive to look so that eye catches them for the first time. The diagram include simple bar diagram, multiple bar diagram, pie chart ct. even the illiterate people and people who don't have numerical knowledge understand it.

Chapter IV

Presentation and analysis of data

4.1 Navajeevan cooperative and facilities arrangement along with 21st century Nepal is become a member of WTO. Financial sector is also affected by the globalization, however expansion and development of cooperative is necessary to provide service is the different weaker society in the country. To consider this fact Navajeevan cooperatives is to provide service with accumulated scattered solving and grants loan at lower interest rate.

All transaction of cooperative organization should be carried on cash basis and no credit transactions. Cash transaction ensures economy for the cooperatives. It eliminates bad debts and collection expenses. It help to have a good working capital and maintaining short term solvency. For this purpose Navajeevan cooperatives ltd. Accumulated the savings of people as institutional policy cooperative development is not possible any by establishing institution in the feasibility area and providing more facilities in that respect. The volume of the collection of scattered saving and proper utilization is two main wheels of cooperative development. The main function of investment. Thus deposit incensement and credit expansion are in the feasibility area. The paddle of main wheels (deposit and credit) is the interest rate fix run them. Therefore it is in different year under review, which are present and analyze in table. This chapter present and analyze the cooperatives financial performance by presentation and analyze of table and figures.

4.1 Interest rate on deposit

Percentage %

Economic year Deposit types.	2060/061	2061/062	2062/063	2063/064	2064/065
1. simple saving	5.25	4.75	4.75	4.75	5
2. hence saving	5.50	5.00	5.00	5.00	5.25
3. Special saving	1.00	1.00	1.00	1.00	1.00
4. continuous saving	15.00	15.00	15.00	15.00	15.00
5. Fixed saving	6.35	5.00	6.0	6.00	6.50
6. Principle saving	15.00	15.00	15.00	15.00	15.00
7. Regular & smoothly saving	15.00	15.00	15.00	15.00	15.00
8. Lakhapati saving scheme	15.00	15.00	15.00	15.00	15.00

Source: Annual report of NC

Table no 4.1 shows the interest rate on deposit in different fiscal year from 2060/061 to 2064/065. In the simple saving, account interest rate on fiscal year 060/061 was 5.25 percent and 5 percent in 2064/065, which changed by 0.25 percent, in fiscal year 2061/062 it decreased by 0.50 percent and same decreased rate going on fiscal year 2063/064. there is 0.25 percent interest rate decreased in year 2064/065.

There is no change in interest rate in continuous saving, principle doubling scheme, regular and monthly saving, and Lakhapati saving scheme for the study period science 2060/061 to 2064/065. there is same interest rate in special saving. Account interest rate on fiscal year 2060/061 to 064/065 was same. For the home saving, account deposit rate was 5.50 percent in fiscal year 2060/061 and 5 percent in year 061/062 where interest rate charged by 0.50 percent. Interest 2063/064, which was 5.00 percent interest rate decreased by 0.50 percent then previous year. In the fiscal year 2064/065 interest rate on deposit in home saving was increased by 0.25 percent which reached to 5.25 percent.

There are five types of fixed deposit 3 months, 6 months, 1 year, 2 year and 3 year to the secured of customers money deposit in these period. Customers may draw the amount of fixed deposit only after the time of finished. If they want to draw the amount before finished the time they can draw only as loan of FDR to pay certain interest. For the different type of fixed deposit different interest rates were determined, however researcher had taken average interest rate was 6.35 percent and it decreased in year 2062/063 by 1.35 percent. However increased in fiscal 2064/065 by 0.15 percent and reached to 6.50 percent in the fiscal year 061/062 interest rate was decreased by 1 percent than previous year and 0.35 percent decreased in both fiscal year 062/063 and 063/064 than fiscal year 2060/061 . highest FDR was year 2064/065 it reached to 6.50 percent which was greater than all fiscal year.

As mentioned earlier, the interest rate has great impact on deposit and credit position of the cooperatives. If the interest rate is high than the rising prices, the ratio of increase in deposit will be high. Conversely if the interest rate is low than the rising prices, the ratio of increase in deposit will be low. Similarly, the interest rate also affects the credit

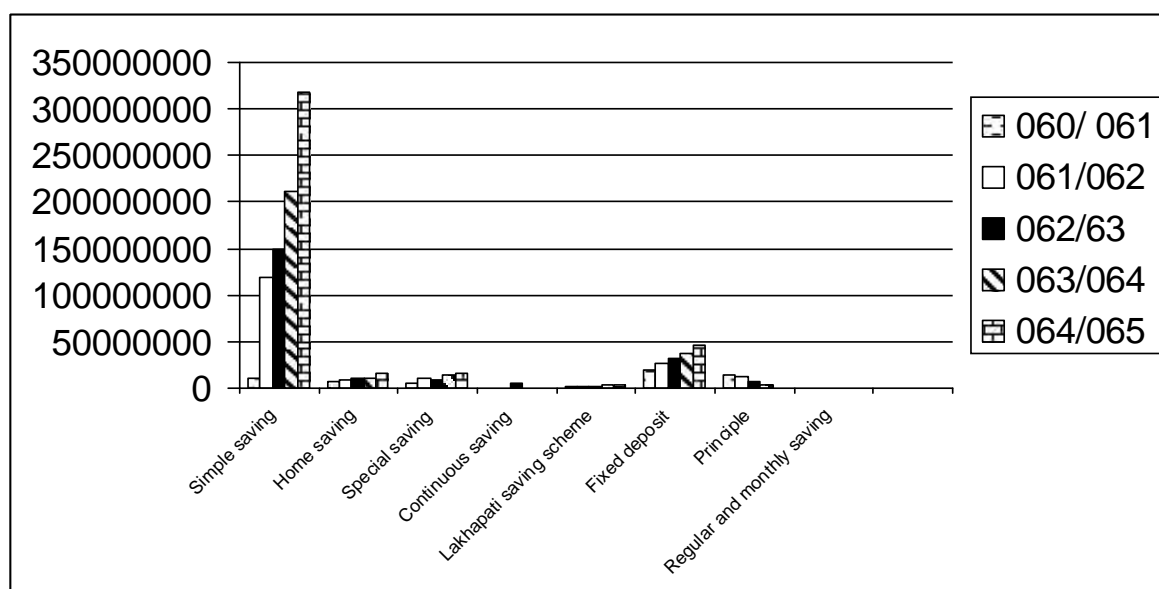
position of the cooperatives. The success of bank depends upon its volume of deposit and credit. Trend of deposit of Navajeevan cooperative since 2060/061 to 2064/065 as below:

2. Amount Deposit in different types of account (in Rs.)

S.N.	Fiscal year	060/ 061	061/062	062/63	063/064	064/065
	Account types					
1	Simple saving	9899013.14	119395596.91	149240000	211643131.60	318498150.33
2	Home saving	7861184.43	8721663.98	11203000	11348379.50	15550054.58
3	Special saving	4872208.21	10073530.56	8908000	14296323.15	16541338.15
4	Continuous saving	440455.00	493820.00	5200000	239500.00	113000.00
5	Lakhapati saving scheme	1096828.75	1472688.07	1980000	2795900.12	3503697.63
6	Fixed deposit	18891400.00	26891051.58	32136000	37630536.49	45419481.97
7	Principle	14600900.00	11888000.00	7317000	3404000.00	389000.00
8	Regular and monthly saving	40000	0.00	-	-	-

(Source” Annual Report of NC)

Figure no. 1



Above table and figure shows the amount of deposit different types of account. In simple saving account, the amount of deposit is Rs. 98996018.14 in fiscal year 2060/61 and in fiscal year 2061/062 amount deposited Rs. 119395596.91 it is increased by Rs. 20399578.76 than previous fiscal year. In the fiscal year 2062/063 amount deposited Rs. 149240000. Which is increased by Rs. 29844403 (25%). In the fiscal year 2063/064 it shows the increasing trend and rises Rs. 62403131.6 (42%) than the previous year. In the last fiscal year of study Period Rs. 106855018.70 or (50%) than the previous fiscal year increased amount of simple saving.

In the home saving account amount in fiscal year 2060/061 was Rs. 7361184.43 and the amount increased by Rs. 1360479.55 (18.5%) in fiscal year 2061/062. in the study of all year the deposited amount is increasing trend such as fiscal year 2063/064 amount Rs. 145379.35 and

last year 064/065 amount Rs. 064/065 amount increased Rs. 4201675(37%) more than the previous fiscal year. In these special saving, account the amount of deposit in year 060/061 was Rs. 48872208.21 it was decreased by Rs. 5201322.35 than fiscal year 2061/062 and fiscal year 2062/063 deposited amount was decreased by Rs. 1165530.56 than previous year. Again 2063/064 by Rs. 5388323.15 in the last fiscal year there shows decrease deposited amount Rs. 3754985(26%) than previous fiscal year.

In the continuous saving account, the amount of deposit is fiscal year 060/061 s Rs. 440455.00 the table sows the 063/064 and 064/065 continuous saving account has decreasing trend. In the fiscal year 061/062 and 062/063 increasing among is rs. 53375 and 26180 respectively. In fiscal year 063/064 and 064/065 amount decreases Rs. 280500 and 126500 respectively.

Amount of Lakhapati saving scheme is increasing in each year by different ratios. In fiscal year 2060/061 deposited amount of Lakhapati saving scheme is Rs. 1096828.75 and Rs. 375859.32 increased it in year 2061/062 which reached to Rs. 1472688.07. in fiscal year 2062/063, 2063/064 and 2064/065 deposited amount of Lakhapati saving scheme was increasing by Rs. 507311.93(34.5%), Rs.815900.12(41.2%) and account the amount of deposit is increasing in each year.

In the account of ordinary fixed deposit, the deposited amount is increasing in each year. In this account amount in fiscal year, 2061/062 is grater than fiscal year 2060/061 previous year, similarly, the amount of ordinary fixed deposit is increasing in year 2062/063, 063/064 and

064/065 which is changed by Rs. 5244*948.42(19.5%)Rs. 5494536.49(17.1%) and Rs. 7788945.48(20.7%) respectively.

In the principle doubling scheme is a types of account in which deposit amount in year 2060/061 was Rs. 14600900. In the fiscal year 2061/062 amount. Of principal scheme is decreasing than the previous year by Rs. 276290(19%). In the study period the principal doubling scheme is going the decreasing trend. In the fiscal year 2062/063, 2063/064 and 2064/065 deceased value of principal doubling scheme is Rs.4521000, Rs. 3913000 and Rs.3015000 respectively.

In the above table was seeing that accumulated deposit is greater in simple saving account than other deposit. In year 2060/061 principal doubling scheme, ordinary fixed deposit, continuous saving, home saving, special saving, regular and monthly saving scheme account have accumulated the scattered deposit amount as ranking higher amount to lower amount respectively. Similarly, accumulated deposit amount is different in all fiscal year. The yearly deposit and growth rate of different economic year is showing in following table.

Yearly deposit and growth rate

Economic year	Yearly deposit (Rs.)	Cumulative yearly (Rs.)	Growth rate %
2060/061	19830662.00	19830662.00	0
2061/062	32587356.50	52418018.5	64.33
2062/063	32417828.31	84835846.81	-0.52
2063/064	70053591.55	154889438.4	116.1
2064/065	11656951.80	273546390.2	69.4

Source: Annual report of NC

As indicated in above table deposit growth seemed to highest in year 2063/064 i.e. 116.1% where as lowest growth rate in year 2062/063 shows the negative growth of deposit i.e. Rs. 32417828.31 and negative growth rate -0.52 which might affect the loan disbursement budget rate column visualize the increasing trend of deposit at some rate in the fiscal year 063/064 and 064/065. the highest deposit amount with in five year period is Rs. 37635763.24 and growth rate 116.1% which shows the deposit increased by double amount in the study there was lowest deposit graph in year 2063/064 in the study there was lowest deposit amount in fiscal year 2062/063 which shows the negative growth rate i.e. 0.52 percent.

Yearly cumulative deposit indicates the liquidity condition of cooperatives, which is shown in following.

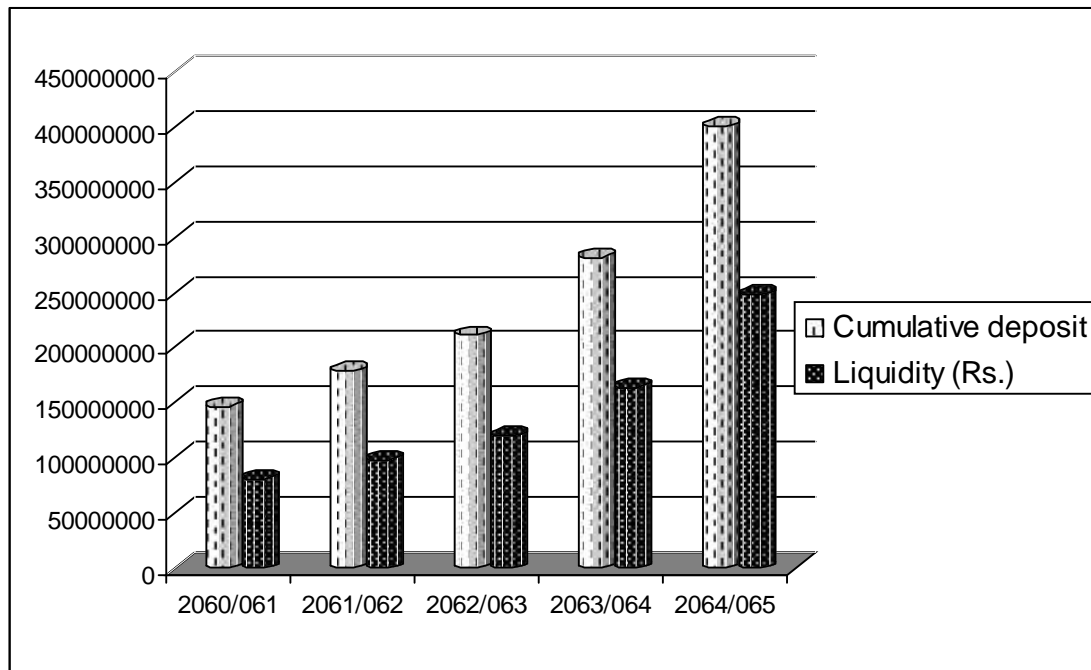
Yearly cumulative deposit in the liquidity condition of cooperatives, which is shown in following

Economic year	Cumulative deposit	Liquidity (Rs.)	Ratio=liq/cum.dep.
2060/061	146298994.54	80559862.75	55.07
2061/062	178886351.00	98071884.78	54.82
2062/063	211304179.31	119915121.8	56.75
2063/064	281357770.86	163890901.5	58.25
2064/065	400014722.66	248009128.00	62.00

Source: Annual report of NC

Figure 2

Yearly cumulative deposit in different fiscal year.



As shown in the table and figure, liquidity maintained to be sufficient as all over the year. During the year 2060/061 liquidity amount is Rs. 80559862.75 which is 55.07 percent of cumulative deposit. There both cumulative deposit and liquidity shown in the figure of fiscal year 2060/061. in the fiscal year 2061/062 ratio of liquidity is 54.82 percent i.e. lower than previous fiscal year.. the highest liquidity amount is Rs. 248009128 in the fiscal year 2064/065 i.e. 62 percent since the fiscal year 2062/063 liquidity ratio shows growth rate until 2064/065.

Above analysis of deposit condition of Navjeevan cooperatives is satisfactory in all aspect. On the other hand interest rate structure is influence factor for deposit accumulation. Besides this, there are other factors too, which are:

- a. As the people of cooperative established area, lack of entrepreneurship they hesitate to invest and they do not know properly how to invest the saving. Then only one alternative left to the general public is to deposit the saving in the bank where they can stable return of security.
- b. Increase in money supply helped to increase bank deposits.
- c. The expansion of Navjeevan cooperatives branches in the different urban place as well as rural area also helped to accumulated were deposits.
- d. Political instability and domestic area in the country was much more affected to the banking activities.
- e. Lastly. The increased banking habit among the people has also played on important role in increasing overall activities.

4.2 Utilization position of Navjeevan cooperatives.

Another important wheel of development is the credit position of Navjeevan cooperatives. Only the incensement of total deposit is not good sign of banking development. In other words accumulate the deposit is not the only aim and function of the cooperatives. They have to invest such accumulated saving in a productive way. If a cooperative only receive they deposits and not invest in the form of loan how it can pay interest on deposits. How it can pay salary to the staffs and raise surplus in order to declare dividends to the shareholders. If the cooperatives do not invest the deposits, economic development in the country will be

difficult. Therefore. The collections of deposits and extension of credit or investment of deposits of Navjeevan cooperatives is necessary to analyze.

To extension of saving of Navjeevan cooperatives as a loan, they had charged interest rate is the debtors. Following table shos the lending rate of navajeevan cooperatives for different fiscal year.

Structure of lending rate
Percentage (%)

Economic year	2060/061	2061/062	2062/063	2063/064	2064/065
Loan type					
1. Business	14.5	14	13	13	13
2. service	14	14	13	13	13
3. agriculture/ domestic equipment	14	13	12	12	13
4. industry	14.5	14	13	13	13
5. micro project/deprived sector	13	12.5	12	12	11.5
6. construction/ housing	15	14	12	12	12
7. higher degree education	14.5	14	14	14	14
8. against FDR loan	+2	+2	+2	+2	+2
9. govt. security pledged	+2	+2	7	7	7
Hire purchase	15	14	13	13	13

Source: Annual Report of NC

As above table shows the interest rate on lending of the Navjeevan cooperatives from fiscal year 2060/061 to fiscal year 2064/065, on business loan, interest rate of Navjeevan cooperatives is 13 to 14.5 percent. In fiscal year 2060/61 interest rate for business, seemed 14.5 percent and it decreased in next fiscal year 2061/062 by 0.5 percent that reached to 14 percent. In fiscal year 2062/063, 2063/064 and 064/065 there is same rate of interest on business loan i.e. 13 percent in this fiscal year interest rate on business loan decreased by 1.5 percent than fiscal year 2060/061 and 1 percent decreased than the fiscal year 2061/062 and reached to 13 percent.

In the service sector loan, lending rate is 14 percent in fiscal year 2060/061 and same rate in the fiscal year 2061/062 i.e. 14 percent. There is no change on interest rate lending on service in the economic year 2062/063 , lending rate is 13 percent on service loan which is decreased by 1 percent than the previous year. Similarly, in the economic year 2064/065, lending interest rate on service is 13 percent which is also remain same interest rate on service is 13 percent which is also remain same interest rate of previous fiscal year and 1 percent reduced than pervious year 2061/062 . similarly agriculture and domestic equipment purchase sector lending rate was 14% in the fiscal year 2060/061. in fiscal year 2061/062 interest rate was decreased by 1 percent and reached to 13 percent. In the economic year 2062/063 and 2063/064 interest rate lending on agriculture and domestic equipments is same, i.e. 12 percent which is lowest rate of all five years study. In the last fiscal year 2064/065 interest rate is 13% which is increased by 1 percent and decreased by 1 percent than the previous year.

In the industry sector loan lending rate of interest was 14.5 percent in the fiscal year 2060/61 and decreased by 0.5 percent in fiscal year 2061/062 and reached to 14 percent. There after the fiscal year 2062/063, 2063/064 and 2064/065 the lending rate on industry decreased by 1 percent than previous fiscal year 2061/062. and it reaches to 13 percent. For the deprive sector and micro project lending rate was 13 percent in the fiscal year 2060/061 and it is the highest lending interest arte on micro project all over the years. Thereafter interest rate goes decreased by 0.5 percent, 1 percent and 1.5 percent. Which is reached to 12.5 percent in fiscal year 2061/062, 12 percent in the fiscal year 2062/063 and 2063/064 and 11.5 percent in the fiscal year 2064/065 , it shows the lowest interest rate lending on micro deprived project on fiscal year 2064/065.

For the construction/ housing lending rate was 15 percent in the fiscal year 2060/061 and decreased by 1 percent in the fiscal year 2061/062 and reaches to 14 percent. Thereafter the lending rate of interest on construction and housing sector loan was going to decreased trend i.e. 2 percent and reached to 12 percent. Interest of 12 percent going to same in the next coming year. There was same rate 12 percent in the year 2062/063, 2063/064 and 2064/065. Navajeevan cooperatives provides loan facility for these students who ants to achieve higher degree of education as honorable students. For this purpose Navajeevan cooperatives loan facility for those students who wants to achieve higher degree of education as honorable students for this purpose Navajeevan cooperatives had started grant o\loan since fiscal year 2059/60. In this fiscal year lending rate on higher degree education was 14.5 percent and remaining the same in next fiscal year 2060/061 but decreased by 0.5 percent and reached to 14 percent in fiscal year 2061/.62. 14 percent interest rate lending on higher degree education was same until fiscal year 2064/065.

Similarly, against FDR loan , lending rate was +2 percent higher than the fixed deposit rate. This rate is same in all studied period from fiscal year 2060/061 to 2064/065. in the government security pledged it was also 2 percent higher than the investment on govt. security in fiscal year 2060/061 and 2061/062. Thereafter this rate going to increased and reached 7 percent until fiscal year 2064/065 . in the hire purchase sector, lending rate on interest was 15 percent in fiscal year 2060/061 and decreased by 1 percent in economic year 2061/062 and reached to 14 percent in the fiscal year 2062/063, 2064/065 this rate is same i.e. 13 percent which is decreased than previous fiscal year.

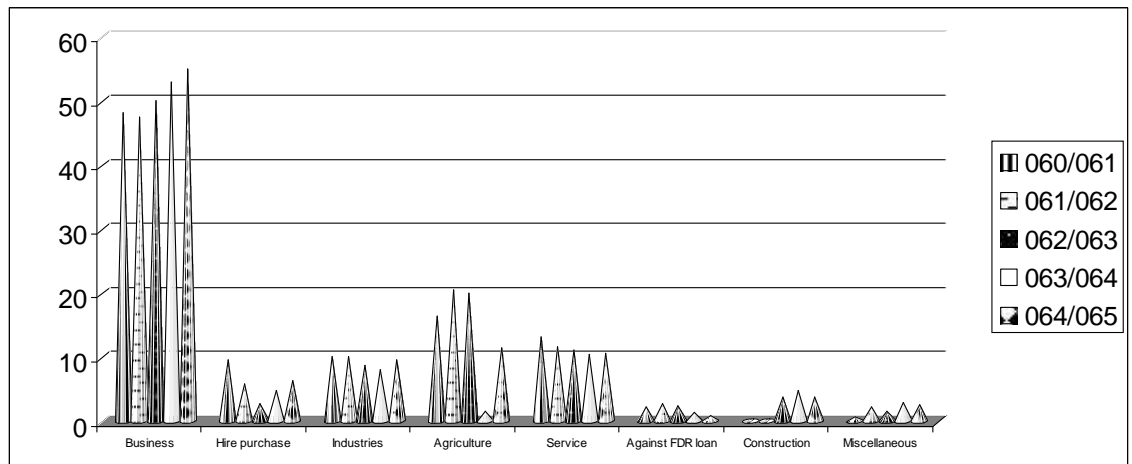
With the help of above table we can says that highest rate of lending seemed in construction and housing sector than other sector lending rate of interest has affects in the investment sector. Therefore it is necessary to analyze the utilization fund of Navajeevan cooperatives.

To analyze the financial position of Navjeevan cooperatives. Loan and investment position consider in different fiscal year following are the different types of loan and investment sector utilization of fund.

Loan and investment sector of Navajeevan cooperatives

Year particular	060/061		061/062		062/063		063/064		064/065	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Business	43367061.34	48.02	47959562.00	47.4	62514674.83	50	109134147.16	52.8	169173234.43	55.00
2. Hire purchase	8642821.46	9.57	57477701.57	5.68	3298905.10	2.64	663561.48	4.8	19331064.06	6.3
3. Industries	9125552.74	10.1	10200419.52	10.08	10906296.07	8.73	16525609.54	8.00	29295977.23	9.5
4. Agriculture	14841501.89	16.43	20603242.00	20.36	24908438.25	19.94	31187920.88	1.50	35106624.43	11.4
5. Service	11773997.14	13.04	11768874.10	11.63	13790613.36	11.04	21411292.28	10.35	32263784.62	10.5
6. Against FDR loan	2027434.32	2.24	2756011.32	2.72	3011446.00	2.4	294638.36	1.4	2730738.36	0.8
7. Construction	37784.38	0.04	19232098	0.03	4668289.60	3.7	9929602.62	4.8	11442548.98	3.7
8. Miscellaneous	500000.00	0.56	2120987.00	2.10	1807632.98	1.45	6031153.39	2.9	7507627.39	2.45

Figure No.3



With the help of table, we can analyze fund utilization sector of Navajeevan cooperatives ltd. Amount of loan and investment for the purpose of business shows the highest amount than other purpose in the fiscal year 2060/061 loan of business sector is 48.02 percent of total loan 90816153.72 for the hire purchase sector the amount of loan is 8642821.46 or. 9.57 percent in the fiscal year 2060/061, similarly, industries, agriculture and service sector loan is Rs. 9125552.74, Rs. 14841501.89 and Rs. 11773997.14 i.e. 10.1, 16.43 and 13.04 percent of total loan amount Navjeevan cooperatives had provided loan against the deposit of fixed deposit ratio (FDR) for those customers who deposit their amount in fixed deposit for this purpose, amount of loan on against for loan is Rs. 2027434.327 i.e. 2.24 percent out of total loan. In the construction sector, investment of Navajeevan cooperatives is shown Rs. 37784.38 i.e. 0.04 percent of total loan amount. In miscellaneous investment the loan amount is Rs. 500000 i.e. 0.56 percent on total loan amount.

In the fiscal year 2061/062, loan for business purpose increased than that of previous year. Hire purpose loan amount is decreased than that of previous fiscal year which is shown on above table. In industries, agriculture and service sector

loan amount is increased than that by previous year. However, loan against for had increased by 36%. Again loan of construction had decreased trend and miscellaneous loan increased than that previous fiscal year.

To analyze the loan of fiscal year 2062/063, business sector loan increased in amount Rs.14555112. hire purchase loan and industrial loan are decreased and increased respectively agricultures loan, service loan, against FDR loan and construction loan had increased in utilization present by 6.92 percent, 20.9 percent, 17.18 percent 9.27 percent and 38 percent respectively. However loan amount had increased in agriculture sector in that fiscal year. There is highly growth of constructional loan amount than that the previous fiscal year. Again loan amount and percent both decreased in miscellaneous sector of fiscal year 2062/063.

In the fiscal year 2063/064, amount of loan in business sector had increased than previous year by Rs.46619473.27 which is 74.5 percent more than previous year. Hire purchase loan, industry loan agriculture loan and service loan are increases than the previous fiscal year i.e. Rs.6364656.38, Rs.5619313.47, Rs.6279482.63 and Rs.7620678.93 respectively. Loan amount of above different sector has increased double amount of loan. Again, against FDR loan and loan for construction sector loan going to decreased and increased respectively. FDR loan amount is lower than the previous year and construction loan amount is going to increase by double more amount than that previous year. The miscellaneous loan amount is going to increased by double more amount than that previous year. The miscellaneous loan in year 2063/064 had increased by double than more amount by Rs.4223520.

In the last fiscal year 2064/065 of study period the loan and investment, table shows that amount of loan had increased by Rs.6003986.3 which is 55 percent more than previous fiscal year. In hire purchase, loan amount increased than

previous fiscal year i.e. 100 percent increased. In the industry, agriculture and service sector loan amount is greater than that fiscal year of previous year i.e. by Rs.12770367.69, Rs.3918703.55 and Rs. 10852492.34 respectively. Again FDR loan amount in fiscal year 2064/065 was decreased by Rs. 217900.06 and construction loan is increased by Rs.1512946.36 which is increased by 15.23%, than that previous year. Again miscellaneous sector has also increased loan amount than that previous fiscal year 2063/064.

As indicated in the above table total loan and investment trend in each year fluctuated, either decrease or increase. To analyze above table there is continuous growth loan and investment amount in business sector. Other sector has fluctuation in loan amount whereas decrease and increase trend. Main factor is interest rate loan amount be affected. Mostly invested sector is business there were 55% loan amount of total loan amount. After that service sector, agriculture and industry sector has maximum loan amount i.e. 10.5 percent 11.4 percent and 9.5 percent. In hire purchase, FDR loan construction and miscellaneous has lowest percent of total loan amount. In the table we can seem that highest investment sector is business sector in each year and other sector fluctuated in order to demanded loan. The lowest amount seemed FDR loan sector since fiscal year 2064/065 but amount seemed lowest on construction and miscellaneous sector of previous fiscal year.

The loan and investment sector also influence by following factors:

- i. Interest rate structure on investment
- ii. People's entrepreneurship habit in the institutional established area.
- iii. Social as well as government encouragement activities.

iv. Priority and derived sector investment policy.

v. Easy accessibility of the people who wants to do banking transaction either deposit or loan demand.

4.3 Deposit and credit ratio of Navajeevan cooperatives:

We have already discussed the deposit and credit position of Navajeevan cooperatives Ltd. Separately now it is necessary to see weather told collected deposits by the Navajeevan cooperatives have been utilized the accumulated deposits. Following table shows the deposit position and credit ratio of Navajeevan cooperatives in different years.

Deposit and credit ratio of Navajeevan cooperatives.

Year	Total deposit	Total credit	Credit as percent of total deposits	Growth rate %
2060/061	146298994.54	90316153.27	61.73	-
2061/062	178886351.00	101176030.49	56.56	91.62
2062/063	211304179.31	124906296.18	59.11	104.51
2063/064	281357770.86	206831926.71	73.51	124.36
2064/065	400014722.66	306851599.74	76.71	104.35

Calculation of Growth rate:

$$\text{Growth rate} = 1 + \frac{\text{Credit percent of current year} - \text{credit percent of previous year}}{\text{Credit percent of precious year}} \times 100$$

$$\begin{aligned} \text{For year 2061/062 growth rate} &= 1 + \frac{56.56-61.73}{61.73} \times 100 \\ &= 91.62\% \end{aligned}$$

For year 2062/063

$$\begin{aligned} \text{growth rate} &= 1 + \frac{59.11-56.56}{56.56} \times 100 \\ &= 104.51\% \end{aligned}$$

$$\begin{aligned} \text{For year 2063/064} &= 1 + \frac{73.51-59.11}{59.11} \times 100 \\ &= 124.36\% \end{aligned}$$

$$\begin{aligned} \text{For year 2064/065} &= 1 + \frac{76.71-73.51}{73.51} \times 100 \\ &= 104.35\% \end{aligned}$$

From the above table it is clear that depreciation and credit ratio of Navajeevan cooperative is always loan that the 100 percent in all fiscal year. In the fiscal year 2060/061 deposit and credit ratio of Navajeevan cooperative was 61.73 percent this ratio was increased by 5.17 percent than next fiscal year 2061/062. only in the fiscal year 2061/062 deposit and credit ratio decreased by 5.17% than that the previous year. In this year growth rate was 91.62%. after then fiscal year 2062/063, 2063/064 and 2064/065 deposit and credit ratio increased by 3.45%, 14.4% and 3.20% than the previous fiscal year. As the study period credit volume is highest in fiscal year 2064/065 it reveals that the total credit as percentage of total deposit of Navajeevan cooperatives and lowest credit volume in fiscal year 2061/062. In the

fiscal year 2063/064 it shows the highest growth rate i.e. 124.36% and lowest growth rate in fiscal year 2061/062 i.e. 91.62%.

It is now necessary to examine whether there is close relationship between deposit collection and credit expansion of Navajeevan cooperatives. This has completed by using.

Karl person's coefficient of correlation. The formula for correlation given below.

$$r = \frac{N \sum XY - \sum X \cdot \sum y}{\sqrt{[N(\sum X^2) - (\sum X)^2][N(\sum Y^2) - (\sum Y)^2 - (\sum Y)^2]}}$$

or

$$r = \frac{N \sum XY - \sum X \cdot \sum y}{\sqrt{[N(\sum X)^2 - (\sum X)^2][N(\sum Y^2) - (\sum Y)^2 - (\sum Y)^2]}}$$

Where,

N= Number of year of X any Y

X= Value of total deposit

Y= Value of total credit

r= Karl Pearson's coefficient of correlation.

The result of correlation coefficient may vary from '0' to '1' if there is zero '0' correlation, it means that there is relation between deposit and credits. However, if it is "1" there is perfect correlation between them. If the result is plus (+) correlation between them. If the result is plus (+) sign, it indicates positive correlation and minus (-) sign indicates negative correlation.

Calculation of Correlation between total deposit and total credit.

Year	Total deposit (x)	Total credit (Y)	XY	X ²	Y ²
2060/061	14629.90	90316.25	1321317706	214033974	8157025014
2061/062	17888.64	10117.60	180990104.1	320003441	10236582.9
2062/063	21130.42	12490.63	263932258	1023446494649	156015838
2063/064	28135.80	20683.20	51938378.6	791623242	427794762
064/065	40001.50	30685.16	1227452428	1600120002	941579044
N=5	$\sum x =$ 121786.26	$\sum y =$ 164292.84	$\sum xy =$ 3575630875	$\sum x^2 =$ 3372275308	$\sum y^2 =$ 9784780487

Now,

Karl Pearson's Equation

$$r = \frac{N\sum XY - \sum X \cdot \sum y}{\sqrt{[N(\sum X)^2 - (\sum X)^2][N(\sum Y^2) - (\sum Y)^2 - (\sum Y)^2]}}$$

$$\begin{aligned}
& \frac{(5 \times 3575630875) - 121786.26 \cdot 164292.84}{\sqrt{5.3372275308 - 14831893120} \sqrt{5.9784780487 - 26015380240 - 14831893120}} \\
&= \frac{17878154380 - 19789395260}{\sqrt{2029483420} \sqrt{2290852220}} \\
&= -0.88
\end{aligned}$$

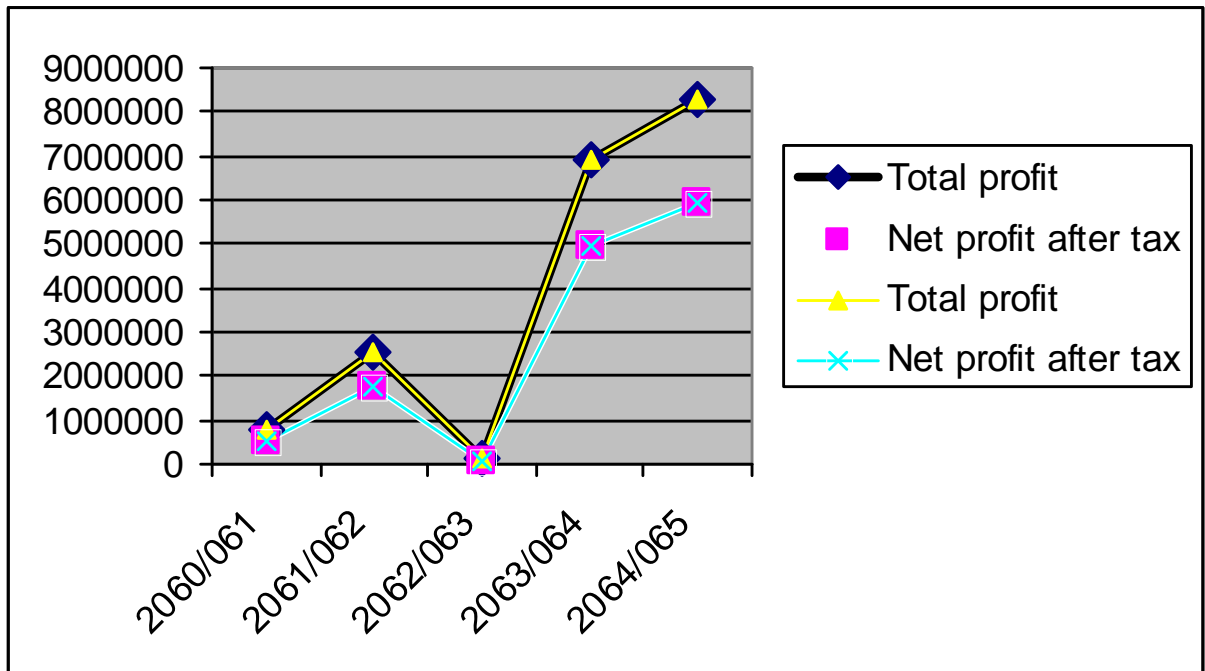
Now, Karl Pearson's coefficient of correlation between the loan disbursed and deposited amount has been calculated and found to be -0.88 it means there is a negative correlation between these two variables therefore it can be said that the deposited amount has a negative correlation with credited amount.

4.4 Profit position of Navajeevan cooperatives:

Fiscal Year	Total profit	Net profit after tax
2060/061	760826.25	521165.98
2061/062	2565964.24	1757685.42
2062/063	114423.41	78380.04
2063/064	6923340.36	4940747.44
2064/065	8305445.69	5927068.06

Source: Annual report of N.C.

Figure 4



The table and figure show the profit position of Navajeevan cooperatives in different fiscal year. In the fiscal year 2060/061 total profit was Rs.760826.25 after deduction the tax an distributing staff bonus not profit remained Rs.521165.98. in the fiscal year 2060/061. for the fiscal year 2061/062 total profit is Rs. 2565964.24 which is going to growth than that the fiscal year 2060/061. After providing tax it becomes Rs.1757685.42 in fiscal year 2061/062. In fiscal year 2062/063 profit position of Navajeevan cooperatives shown lowest profit over all five years studied period. Net profit for the year was Rs.114423.41 after providing tax it reached to Rs.78380.04 divided and special fees deducted of institution. Total operating profit of fiscal year 2063/064 was Rs.6923340.36 after deducting total operating expenditure and providing risk bearing found total profit remained Rs. 4940747.44 similarly, total profit in fiscal year 2064/065 was Rs.8305445.69 and net profit after tax is Rs.5927068.06 after deducting dividend. Providing tax and special fee.

In this way Navajeevan cooperative is opened in profit condition. In the study period cooperative earned highest profit in fiscal year 2064/065 and lowest condition of profit in fiscal year 2062/063. in the study period Navajeevan was affected by nation's unfavorable domestic arena, however we can say that profit position of Navajeevan cooperatives is satisfactory. The profit position of Navajeevan cooperatives is satisfactory. The profit position of Navajeevan again examined with Karl Pearson's correlation coefficient as following with loan disbursement.

Calculation of Karl Pearson's coefficient of correlation:

Year	X	Y	Xy	X ²	Y ²
2060/061	90817	760	68640920	8157160489	577600
2061/062	101177	2565	259519005	10236785329	6579225
2062/063	124906	114	14239284	1560150884	12996
2063/064	206831	6923	1431891013	4277906256	47927929
2064/065	306851	8305	2548397555	941575362	68973025
N=5	$\sum x = 830082$	$\sum y = 18667$	$\sum xy = 432268777$	$\sum x^2 = 2517357828$	$\sum y^2 = 124070775$

Applying Karl Pearson's equation, we have

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{[N(\sum X^2) - (\sum X)^2][N(\sum Y^2) - (\sum Y)^2 - (\sum Y)^2]}}$$

where,

r=correlation coefficient

N= number of years

X= outstanding loan disbursed amount at the year

Y= total profit of the year

$$\begin{aligned} &= \frac{(5 \times 4322687777) - 83002 \times 18667}{\sqrt{5.2517357828 - 6890361267} \sqrt{5.124070775 - 348456889}} \\ &= \frac{6118298191}{124452463600} \\ &= 0.0492 \end{aligned}$$

Now, Karl Pearson's coefficient of correlation between loan disbursed and profit earned has been calculation and found to be 0.0492. it means there are less positive correlation between there two variables. Therefore it can be say that the loan disbursed has positive correlation with the total profit.

4.5 Liquid Assets position of Navajeevan cooperatives:

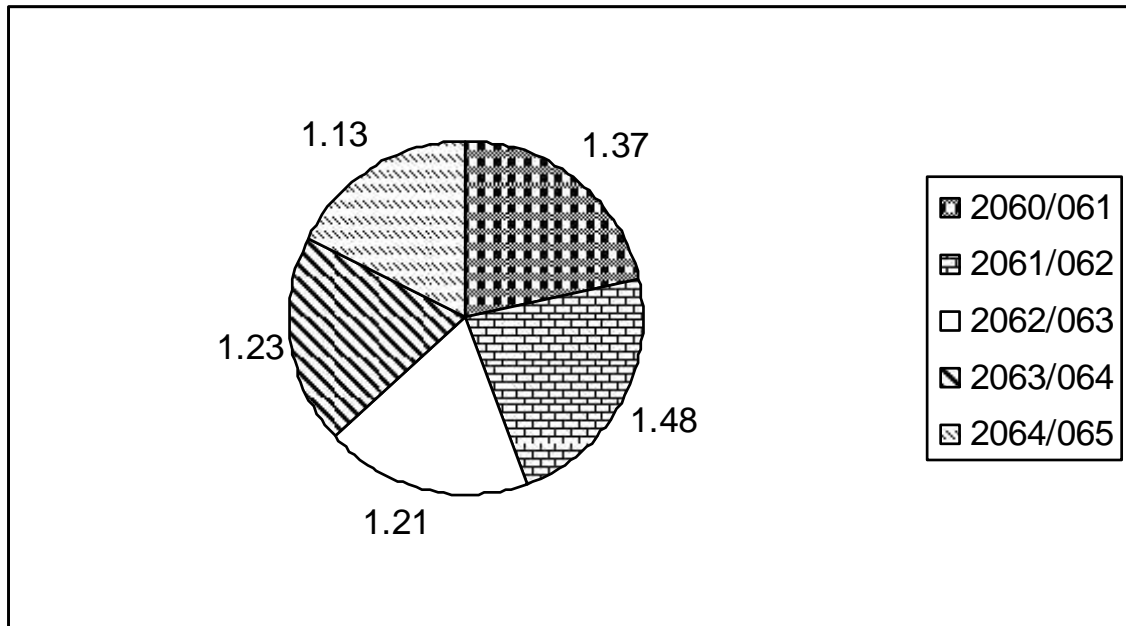
Liquid assets are those assets which may be change into cash within a ear. To analyze the liquid assets position of institution the ratio should be calculated as current assets to current liabilities ratio, which is seemed to be 2:1 standard ratio with a good financial position of a institution. This ratio indicates two rupees of current liabilities. Following table shows the liquid assets position of Navajeevan cooperative.

Current ratio in times:

Fiscal year	Current assets	Current liability	Ratio=CA/CL
2060/061	213645645.90	158159047.00	1.37
2061/062	25466053.40	152856267.00	1.48
2062/063	256108995.8	211304179.31	1.21
2063/064	346600643.4	281357770.86	1.23
2064/065	45209052.6	400014722.66	1.13

Above table shows, that the capability of the Navajeevan cooperatives to meet its current liability. Generally, current ratio for cooperative bank for the financial year 2060/061 is 1.37 times and 1.48 times in fiscal year 2061/062. Similarly 1.21 times in financial year 2062/063 and 1.23 current ratio for the financial year 2063/064. In the fiscal year 2064/065 current ratio is 1.13 which is decreased by 0.10 times than that previous fiscal year the highest increment in current ratio seemed in fiscal year 2061/062 by 0.11 times increased than previous year the trend of current ratio ranged from 1.48 to 1.13 times to some extent, the ratio does not meet the requirement as standard level. However average current ratio within the study period is 1.28 times, which almost equal and satisfactory for the Navajeevan cooperatives to be capable of meeting its current liabilities by current assets.

Figure 5



4.6 Assets management position of Navajeevan cooperatives:

Assets management ratio measure the effectiveness with which a firm is utilizing its assets to generate revenue. Collected funds were invested in providing various kinds of assets to generate sales i.e. interest earned and profit the better management of assets turnover is the better indication of its financial performance. A very efficient firm then is one that revenue. Some of the efficiency ratios are computed to assess cooperatives efficiency in utilizing available resources.

A. Fixed Assets Turnover Ratio (FATR):

Fixed assets turnover ratio help to researcher to evaluate financial performance of the cooperative bank this ratio measures how effectively the fixed assets are utilized to generate the total interest earned. The relationship between fixed assets

and the interest earned. Higher ratio show that the assets are utilized more effective and low ratio is an indication of an inefficient assets management.

Fixed assets turnover ratio of Navajeevan cooperatives bank has been calculate below and presented in following table.

Fixed Assets Turnover Ratio

Fiscal year	Fixed assets	Interest earned	Ratio times
2060/061	14956690.82	15379848.72	1.03
2061/062	21655862.65	15689474.70	0.72
2062/063	10304347.3	12339485.39	1.20
2063/064	11048076.22	24393228.09	2.21
2064/065	13471816.71	32742134.12	2.43

Source: Annual report of NC

$$\text{FDR} = \frac{\text{Interest earned}}{\text{Fixed Assets}} = \dots\dots\dots \text{times}$$

Above table clearly shows the fixed assets turnover ratio of Navajeevan cooperatives. As per table the ratio was 1.03 times in base year 2060/061 and in 2061/062 this ratio decreased and reached to 0.72 times. Again this ratio fluctuate due to increase in net profit and increased fiscal year 2062/063. however it is going on increasing trend. In fiscal year 2063/064 FATR is 2.21 times it show the increase in profit position and decreased in fixed assets. Similarly in fiscal year 2064/065 fixed assets is Rs.13471816.71 and interest earned is Rs.32742134.12 and turnover ratio increased and reached to 2.43 times. It show the financial condition of cooperative is very satisfactory.

In conclusion, it can say that the ratio of fixed assets turnover only lowest condition in fiscal year 2061/062. After than this ratio going to increasing trend. Which mostly depends upon the interest earned.

B. Total assets turnover ratio:

Assets are used to generate revenue. In order to maximize available assets effectively. Total assets turnover ratio measures the turnover or utilization of all for the firms assets. In other words, total assets turnover ratio is the relationship between total assets and interest earned. The total assets turnover ratio of Navajeevan cooperatives have been presented in following table.

Total assets turnover ratio

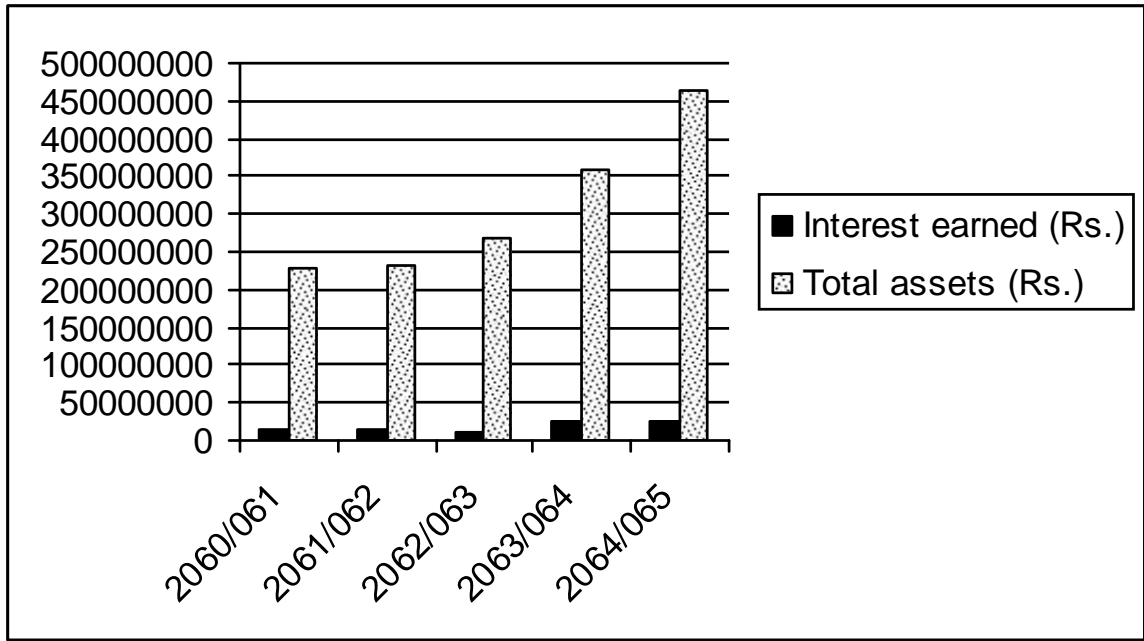
Fiscal year	Interest earned (Rs.)	Total assets (Rs.)	Ratio times
2060/061	15379748.72	228602336.76	0.07
2061/062	15689474.70	231383019.04	0.07
2062/063	12339485.39	266413343.15	0.05
2063/064	24393228.09	357648719.67	0.07
2064/065	24742134.12	465562337.34	0.07

Source: Annual report of NC

$$\text{Total assets turnover ratio} = \frac{\text{Interest earned}}{\text{Total assets}} = \dots\dots\dots \text{times}$$

Figure 6

Total assets turnover ratio



Total assets turnover ratio of the cooperative bank for different financial year is shown in above table and figure. In the beginning study period 2060/061 and the 2061/062 total assets turnover ratio was 0.07 times it is equal to previous year. It means that assets turnover ratio of 0.07 times is that every 1 rupee is required to generate interest. However interest earned decreased in fiscal year 2062/063 i.e. 0.05 times due to which assets turnover ratio decreased by 0.02 times than that previous fiscal year. Again this ratio slightly increased or 0.02 times greater. In fiscal year 2063/064 than the previous year and reached to 0.07 times in fiscal year 2063/064 and remained same in fiscal year 2064/065.

C. Return on Assets:

Return on assets (ROA) is one of the significant tools for measuring the profitability of all financial reserves utilized by the institution. This ratio is calculated to reveal the overall operating efficiency of organization. It is measured in terms of relationship between net profit and total assets. Higher ratio of return on total assets indicates satisfactory utilization of funds invested and vice versa. The value of assets of Navajeevan cooperatives has been presented in the following table.

Table

Return on Assets

Fiscal year	Net profit after tax (NPAT)	Total assets (TA)	Ratio NPAT/TA(%)
2060/061	521165.98	228602336.76	0.23
2061/062	1757685.42	231383019.04	0.76
2062/063	612107.03	266413343.15	0.0023
2063/064	4940747.44	357648719.67	0.014
2064/065	5927068.06	465562337.34	0.013

Source: Annual report of NC

As per the above table, the ratio column indicates the profit return on total wealth of Navajeevan cooperatives. In the fiscal year 2060/061 the ratio of profit on total assets was 0.23 percent and it increased by 0.53 percent. The amount of net profit after tax has decreased in fiscal year 2062/063 and the ratio is 0.0023 percent. Amount of net profit and total assets are increasing in fiscal year 2063/064 by Rs. 4328640.41

and Rs. 91235376.5 respectively. In this year return ratio on assets had also increased by 0.0117 percent and reached to 0.014 percent. In the last year of study period 2064/065 return on assets ratio decreased by 0.001 percent and reached to 0.013 percent.

In term of percentage highest ratio is 0.76 percent in fiscal year 2061/062 and lowest ratio is 0.0023 in fiscal year period is 0.204 percent from fiscal year 2060/061 to 2064/065. However net profit ratio on total assets is not satisfactory due to the decreasing trend of return ratio. Therefore Navajeevan cooperatives have to increase its profit amount by increase its transaction with expansion branches with new financial technique and providing more facilities to the people.

4.7 Interest expenses to total income:

An interest expenses occupies more portions of the total expenses. Interest expense include the interest paid on deposit collected. It accepts deposit form depositors and pays a certain percentage of interest in different type of account. From the accepted deposits it invest in different sectors on the topic of loan and advances and earns sufficient income to meet the occurred expenses for operating bank and earn profit for the smooth operation and long run existence of the cooperative ratio of interest expenses on total income shown in the table below.

Table 4.7

Interest expenses to total income ration

Fiscal year	Interest expense (Rs.)	Total income	Ratio (%)
2060/061	8991899.30	21513269.3	41.80
2061/062	9687552.88	23364278.28	41.46
2062/063	10291570.64	20642691.69	49.85
2063/064	11705481.22	28333215.86	41.31
2064/065	14257814.72	39108502.31	36.45

Source: Annual report of NC

$$\text{Interest expenses to total income ratio} = \frac{\text{Interest expenses}}{\text{Total income}} \times 100$$

Above table shows that interest expenses are the major expense of the cooperatives bank. It was in fluctuate trend in figure. It started from Rs. 89 lakhs and reached to Rs. 142 lakhs during the study period. Total income also increasing trend that only decreased in fiscal year 2062/063 than next fiscal year 2063/064. it seemed that total income started from Rs. 2.15 crore to 3.93 crore at the study period. Ratio of interest expenses to total income was 41.80 percent in fiscal year 2060/061 and decreased by 0.34 percent in fiscal year 2061/062 and reached to 41.46 percent. In the fiscal year 2062/063 interest expenses to total income ratio increased mostly than other fiscal year. It was 49.85 percent. Thereafter ratio goes into decreased trend i.e. 41.31 and 36.45 of fiscal year 2063/064 and 2064/065 respectively. By study we can say that the highest ratio of fiscal year 2062/063 and lowest ratio was fiscal year 2064/065. It can be concluded that the Navajeevan cooperatives pay

42.17 percent interest expenses on an average. Furthermore, accepted deposit of the Navjeevan cooperatives was increasing until the study period.

4.8 Employee expenses to total income:

Without human resource, the existence of any organization can not be imagined. Success or failure of an organization depend upon its available human resources. Committed, honest and energetic employee can take an organization in health position. In the existing competitive environment, an organization can be able to earn a maximum profit from providing service to its stakeholders. Employee expenses include salary and allowance provided fund and bonus. Employee expenses to total income ratio have been presented in following table.]

Table no 7

Employee expenses to total income ratio

Fiscal year	Employee expenses(Rs.)	Total income (Rs.)	Ratio %
2060/061	3227677.96	21513269.3	15.003
2061/062	3888502.52	23364278.28	16.64
2062/063	3821343.67	20642691.69	18.51
2063/064	4484824.99	28333215.86	15.83
2064/065	6268145.62	39108502.31	16.03

Source: Annual report of NC

$$\text{Employee expense to total income ratio} = \frac{\text{Employee expenses}}{\text{Total income}} \times 100$$

Above table shows that to generate total income Navajeevan employee expense was increasing during the study period that was amounting 62 lakhs from base year of Rs.32 lakhs in term of percentage the portion of employee expenses was highest in 2062/063(18.51%) followed by 16.64 percent in fiscal year 2061/062. Fiscal year 2060/061 has lowest expense ratio i.e. 15.03 percent. All the transaction of organization are manual based thus employee expenses are nearly 16.4 percent of total income in average. If the Navajeevan cooperative adopt modern technical equipment then employee expenses can be reduced.

4.9 Office expense to total income:

For the smooth operation of the cooperative, office expense are also required. Office expenses are indirectly affects in generating total includes all types of expense as house rent, water and electricity, repair and maintenance, insurance, postage and telephone, stationary and periodicals, advertisement ceremony, transportation expenses, closing expenses, allowances and supervision expenses auditing and legal expenses etc. office expenses to total income ratio have been calculated and presented in given table below.

Table 8

Office expenses to total income ratio

Fiscal year	Office expenses (Rs.)	Total income (Rs.)	Ratio (%)
2060/061	1394270.70	21513269.30	6.48
2061/062	1636125.79	23364278.28	7.00
2062/063	1738772.96	20642691.69	8.42
2063/064	3212082.77	28333215.86	11.34
2064/065	6008733.94	39108502.31	15.36

Source: Annual report of NC

$$\text{Ratio} = \frac{\text{Office Expenses}}{\text{Total income}} \times 100 = \dots\dots\dots\%$$

Table show the operating expenses going to increasing trend in different fiscal year. In fiscal year 2060/061 ratio was 6.48 percent and increased by 0.52 percent. Thereafter ratio year 2061/062 and reached to 7.00 percent. Thereafter ratio increased by 1.42 percent than previous fiscal year in fiscal year 2062/063 and reached to 8.42 percent. It seemed that the highest ratio i.e. 15.36 in fiscal year 2064/065 and lowest ratio of expenses, office expense also be lowest. In the fiscal year 2063/064 and 2064/065, office expenses to total income ratio is 11.34 and 15.36 percent respectively.

4.10 Total expenses to total income ratio:

In order to know about the aggregate expenses ratio to total income, this ratio should be calculated. Total expenses includes interest expense, employee expenses, office operating risk bearing fund, depreciation fund and loss provision on investment etc. following presentation shows the total expenses to total income ratio.

Table 9
Total expenses to total income ratio

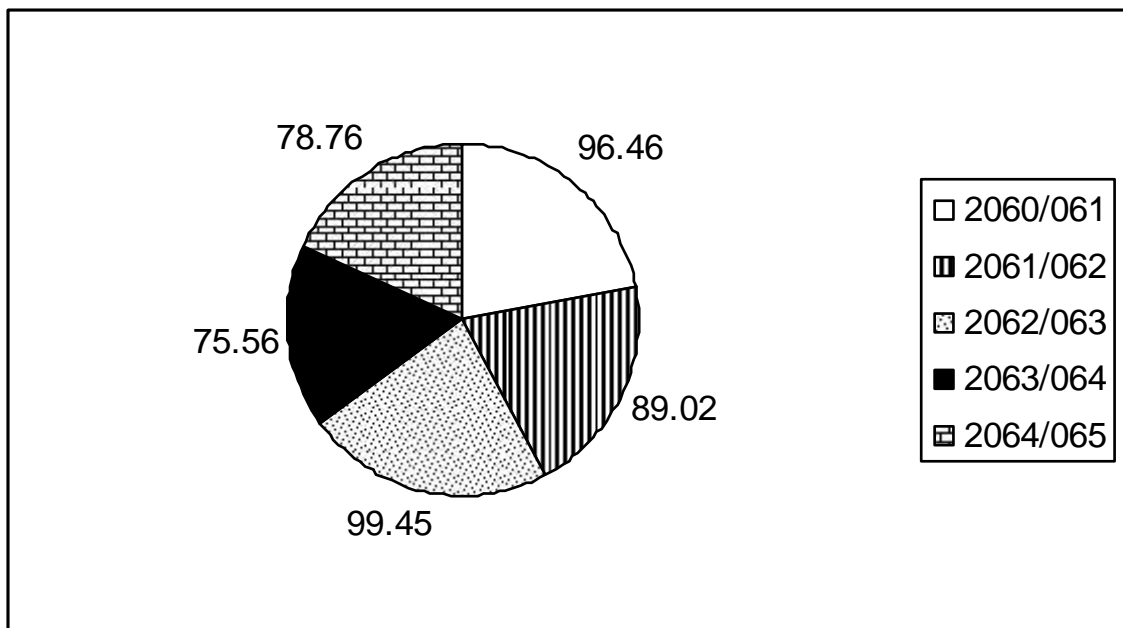
Fiscal year	Total expenses(Rs)	Total income(Rs.)	Ratio (%)
2060/061	20752443.05	21513269.3	96.46
2061/062	20798314.17	23364278.28	89.02
2062/063	20528268.28	20642691.69	99.45
2063/064	21409875.50	28333215.86	75.56
2064/065	0803056.62	39108502.31	78.76

Source: Annual report of NC

$$\text{Ratio} = \frac{\text{Office Expenses}}{\text{Total income}} = \dots\dots\dots\%$$

Figure 10

Total expenses to total income ratio



As the table and figure total expenses was amounting 2.07 crore form base year and it reached to 3.08 crore in fiscal year 2064/065. the heist expenses amount seemed in fiscal year 2062/063. In the fiscal year 2060/061 total expenses ratio on total income was 96.46 percent that decreased and reached to 89.02 percent in fiscal year 2061/062. again it increased in fiscal year 2062/063 are reached to 99.45 percent which is similar to total income it seems that the year 2063/064 expenses to total income ratio decreased and reached to 75.56 percent and increased in fiscal year 2064/065 and reached to 78.76 percent.

In conclusion, last period of study year has lowest expenses and it seemed expenses controlled as previous fiscal year and management had considered reducing in expenses.

4.11 Return in capital employed:

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

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

Table no. 10

Return on capital employed

Fiscal year	NPAT(Rs.)	Capital employed(Rs.)	Ratio (%)
2060/061	521165.98	70443295.00	0.74
2061/062	1757685.42	9162.342.48	1.92
2062/063	602107.03	103043530.00	0.59
2063/064	4940747.44	114800570.00	4.30
2064/065	5927068.06	131518765.00	4.51

Source: Annual report of NC

The return on capital employed of Navajeevan cooperatives has calculated in the above table. Over the study period return on capital employed highest in the last year 2064/065 i.e. 4.51 percent. In the fiscal year 2060/061 its was 0.74 percent and next fiscal year 2061/062 it was increased and reached to 1.92 percent. Thereafter in fiscal year 2062/063 return on capital employed ratio highly decreased and reached to 0.59 percent which was the lowest capital employed ratio of over all study period. Again there is seemed proper used of resource. Which result increased the return on capital employed and reached to 4.30 percent in the fiscal year 2063/064. in the last study period of fiscal year 2064/065 it shows the highest return on capital employed ratio it is 4.51 percent. From analysis it can be said that there is proper use of resource by management.

4.12 Debt ratio:

With the help of debt ratio. It can be find that how much contribution of credit on total assets and it also helps to keep relationship between total debt and total assets. Higher debt ratio is also be increases of firm. Debt ratio of Navajeevan cooperatives has been presented in following table.

Debt ratio on total assets

Fiscal year	Total liabilities	Total Assets	Ratio (%)

	(Rs.)	(Rs.)	
2060/061	210938154.40	228602336.76	92.27
2061/062	212347021.10	231383019.04	91.77
2062/063	246814373.40	266413343.15	92.64
2063/064	333721786.50	357648719.67	93.51
2064/065	435599151.06	4665562337.37	93.56

$$\frac{\text{Total liability}}{\text{Total assets}}$$

$$\text{Debt ratio} = \quad \quad \quad \times 100 = \dots\dots\dots\%$$

Where, total liability = long term debt+ current liability + deposit

Above table show that total liabilities amount was going to increased trend till the year 2064/065. the amount of total liabilities started from Rs.21.09 crore and it reached to Rs. 43.55 crore in the study period. It terms of ratio in fiscal year 2061/062 it was decreased by previous fiscal year the ratio seemed increased trend

till year 2064/065. the highly ratio is 93.56 it shows cooperative has not good finance position.

In the conclusion cooperatives has decreased its debt amount. More liabilities were not good for an organization so cooperate should sensitive towards it and it should decreased its liability.

4.13 Cash flow pattern of Navajeevan cooperatives limited:

Cash is the lifeblood of any business organization. Without cash no business activities can be taken place. Cash flow statement provides relevant information about the cash receipt and cash payment of an enterprise during a period. Cash flow information is widely used by investor analysis, creditors, managers and others. The cash flow pattern of Navajeevan cooperative is as follows:

Cash flow pattern of Navjeevan cooperatives limited

Year	2060/061	2061/062	2062/063	2063/064	2065/065
Particular: cash in flow	Amount	Amount	Amount	Amount	Amount

Opening cash balance	1712512.20	1815662.92	1796967.32	4767876.42	6477576.27
	55437392.29	78744199.83	97138351.81	91173532.95	116585427.69
Opening bank bal.	600000.00	817000.00	1050000.00	1939000.00	3011000.00
Increase in share cap.		5000.00			
Decrease in investment	19380661.96	32587356.46	32417828.3	70053591.5	118656951.8
	7899421.34	47097.10	4791004.42	4940747.44	5927068.06
Refund of loan & adv.	1302619.37				
Increase in deposit					
Operating profit					
Decrease in W/C					

Sales of assets					
Total A	96782607.76	122116316.31	137194151.9	172874747.3	250658023.7
Cash outflow B		151935.00	462500		290850
Dividend paid	2703179.00	239660.27		1300102.87	36042.37
Tax paid	1221760.00				
Decreasing share capt.	501000.00	1153196.22			
Increasing in investmt.	993819.57	11490210.04			
Loan and advance					
Decreasing in deposit					

Increasing In w/c Operating loss					
Total B	6222745.61	24044431.52	462500	1300102.87	326893.37
A-B	80559862.55	98071884.78	136732651.9	171574644.4	250331136.3
Closing cash balance	1815662.92	1796967.32	4767875.42	6477576.27	8156742.04
Bank balance	7874419.83	96274917.46	97138351.81	116585427.27	123063003.96
Total	80559861.55	98071884.78	102906227.23	123063003.54	131219746.00

Source: Annual report of NC

The table shows cash inflow and cash outflow of Navjeevan cooperative for the five fiscal year. Cash inflow in the year was 2060/061 seemed Rs. 96782607.76 where as cash outflow in the same year was 622745.61 and cash inflow exceeds over outflow kept as cash and bank balance. In this year working capital is higher

neither increase nor decrease. The position of current assets is constant as previous fiscal year.

If decrease in working capital in service organization is covered real goal because current assets provided less return than long term fixed assets from the income generating point of view long term assets are more worthy. The idle money, cash and bank balance is maximum as liquidity. The cash flow statement reveals the proper uses fund. Increase in deposit seems the math score of cash inflow. Increase in deposit and loan and advances are the used of fund.

Similarly from the study of above table cash inflow in increased than that previous year regular inflow of cash considered most important source of cash from deposit liabilities, which decrease in investment by Rs. 5000 in this fiscal year 2061/062. it was not healthy condition of such institution. Which provides banking service and the investment decreased. Similarly working capital remain constant in fiscal year 2061/062 furthermore, in fiscal year 2062/063 cash inflow amount Rs. 137194151.9 and cash outflow Rs. 4625000. it was the condition of cooperatives is good. This increased more than previous fiscal year. Dividend paid also increased in fiscal year 2062/063 and tax paid is not seen in year 2062/063.

Cash inflow and cash outflow was 17.28 crore and 0.13 crore respectively in the fiscal year 2063/064. important similarly of total cash inflow and it is good sigh for the organization operating profit of organization also increased and reached to Rs 4940747.4 lakhs but the investment not changed in this fiscal year working capital not changed and divided is not given to their share holders cooperatives pays tax amount Rs. 13 lakhs nearly. Without investment of cash it cannot generate extra income for the organization. Uses of cash such as purchase of fixed assets, dividend paid and tax paid these are main expenses of an organization. In this fiscal year there is no sale of fixed assets and no loan and advance paid.

Further more at the end of the study period cash inflow in the financial year was Rs. 250658023.7 and outflow was Rs. 326893.37 in this year portion of tax paid and dividend paid both are decreased than that previous fiscal year. But cash inflow was increased by deposit accumulation or this period. In this period deposit increases highly and reached to amount Rs. 11815695.31. Which in highest growth amount of all over five years study period. The opening bank balance seemed Rs. 116585427.69 of total cash inflow which is not healthy position of Navajeevan cooperatives due to high liability and decrease in investment position. Even though the table seemed increase in share capital Rs. 10.72 000 than previous fiscal year and reached to Rs. 3011000 In this year increase in deposit also high rather than previous year it shows the cooperatives has healthy position I think this is satisfactory factor of organization. There is no decreased amount in investment, deposit and working capital. Closing bank balance seemed more than the all financial year and exceeds over outflow amount was Rs. 131219746.00 by cash in this year.

From the above table it can be clearly shows that the organization was not able to use its resource properly and the idal money kept in hand and bank balance. If the cooperative can use its available resources properly in different sectors of investment that it can use its available resources properly in different sector of investment that it can enjoy a sufficient profit. In the study period Navajeevan cooperative has always going on increasing trend of deposit due to its good financial performance and goodwill. Cooperative reduced its extra expenses which shows better position of cooperatives.

In conclusion cash is the lifeblood of any organization without cash nay organization can not run properly and life is not secured. Cash flow shows the financial of nay organization it is one of the most important tools of organization .

4.14 Risk and Return analysis:

Risk and return are two important aspects. Which influences decision regarding investment on particular stock and assets. Risk and return analysis even being an important aspect of financial management to what extent a stock or assets is risky which depend upon the individuals attitudes toward risk as per the predetermined objectives the risk and return pattern of cooperative has been studied and taken into consideration. Risk on equity ROE is calculated by dividing net profit after tax NPAT by paid up capital fund. The return what the investor expects over this initial investment is called the return on assets and stock. Risk refers to change that some unfavorable event will occur. Every investment involves uncertainties that make future investment risky. Risk and return pattern of Navajeevan cooperative is calculated in the given table which was shown below.

Risk and return pattern of NC

Fiscal year	Capital fund	NPAT	ROE (R)	(R-R)	(R-R) ²
2060/061	13168600.00	521165.98	0.0396	0.11914	1.0142

2061/062	13985600.00	1757685.42	0.1257	0.03304	0.0011
2062/063	15035600.00	612107.03	0.0407	0.11804	0.0139
2063/064	15974600.00	4940747.44	0.2911	0.13236	0.01752
2064/065	19985600.00	5927068.06	0.2966	0.13786	0.0190
N=5			$\Sigma R = 0.7939$		$\Sigma(R-R)^2=0.0657$

ROE= NPAT

Capital fund

$$\text{Return (R)} = \frac{\Sigma R}{N} = \frac{0.7937}{5}$$

We have,

$$\text{Risk } (\dagger) = \sqrt{\frac{\sum (R - R)^2}{N}}$$

$$= \sqrt{\frac{0.06572}{5}}$$

$$= 0.1146$$

Or 11.46%

$$\text{C.V.} = \frac{\dagger}{R} \times 100$$

$$= \frac{0.1146}{0.15874} \times 100$$

$$= 73.33\%$$

Where,

ROE = Return on equity

NPAT = Net profit after tax

N= No of year

CV= Coefficient of variation

σ = Sigma

Return on equity (ROE) of the organization is more fluctuating from the average return (R) over the study period. Return on equity is treated as expected return of cooperative. Due to fluctuating and increasing net profit after tax the ROE is also in decreasing trend. Highest return on equity was earned in the fiscal year 2064/065, it can be said that more efficient utilization of capital fund generates revenue whereas, in the financial year 2060/061 return on equity is 3.96 percent which seems that the management is not success to utilize capital fund on generating more return on equity. Cooperatives return (R) is equal to 15.874 percent.

Risk is the factor that can be forecasted from past years experiences. Situation for creating unexpected result symbol for which sigma (σ) and coefficient of variation (C.V.) are calculated. The coefficient of variation shows the risk per unit of return and provides a more meaningful base. Risk is being computed for two or more alternatives of the organization. In the present study the average return on each share ₹ is calculated 15.874 percent whereas risk is 11.46% the table reveals that each shareholder has to bear 73.33% risk in order to earn 100 percent return which is given by coefficient of variation.

4.15 Capital Adequacy Ratio:

To measure the strength of the capital structure adequacy of the cooperative , the capital adequacy is used. Capital is required by a bank as a cushion to absorb losses, which should be borne by shareholders rather than depositors and to finance the infrastructure of business, the based committee on banking supervision 1988 has developed an internationally accepted standard for capital adequacy, based on what is known as the risk assets approach, this shows how important capital adequacy is to a bank.

This approach defines the elements of capital for supervisory purpose allocates weights to different broad categories of assets (e.g. govt. securities, loan to bank and total risk weighted assets. This ratio is important to determine the capital adequacy because the cooperative under the study is banking sector or service organization. A high or low capital adequacy ratio is undesirable in terms of lower return and lowest solvency respectively.

The capital adequacy ratio of different fiscal year has been presented in following table.

Capital Adequacy Ratio

Fiscal year	Capital funds (Rs.)	Total deposit(Rs)	Ratio %

2060/061	1766418.32	146298994.54	12.07
2061/062	1035997.95	178886351.00	10.64
2062/063	19598869.71	211304179.31	9.27
2063/064	23926932.30	281357770.86	8.50
2064/065	29963186.28	400014722.66	7.50

Source: Annual Report of NC

$$\text{Capital adequacy ratio} = \frac{\text{Capital fund}}{\text{Total deposit}}$$

Where,

Capital fund = general reserve, paid up capital undistributed profit etc.

Total deposit= Fixed deposit and saving deposit.

The ratio of the cooperative has been fluctuating and decreasing trend over the study period. In the above table the initial year 2060/061 at had highest capital adequacy ratio of all study period of financial year. It is 12.07percent after then in financial year 2061/062 capital adequacy ratio decreased and reached to 10.64 percent. In fiscal year 2062/063 capital adequacy ratio decreased and reached to 9.27 percent. The study should that capital adequacy ratio goes downwards in every fiscal year. Furthermore, the capital adequacy ratios are 8.50 percent and 7.50 in fiscal year 2063/064 and 2064/065 respectively in term of lower returns and lower solvency. However an appropriate capital adequacy ratio is controversial matter. In generative it can be concluded that adequacy of Navajeevan cooperative is appropriate.

4.16 Share capital trend:

Any banking institution or cooperatives have to accumulate the capital through different way. By issuing shares is the main ways of collection of capital which may help the operate organization smoothly. The shares capital trend of Navajeevan cooperatives has been presented below:

Share capital trend of Navajeevan cooperatives.

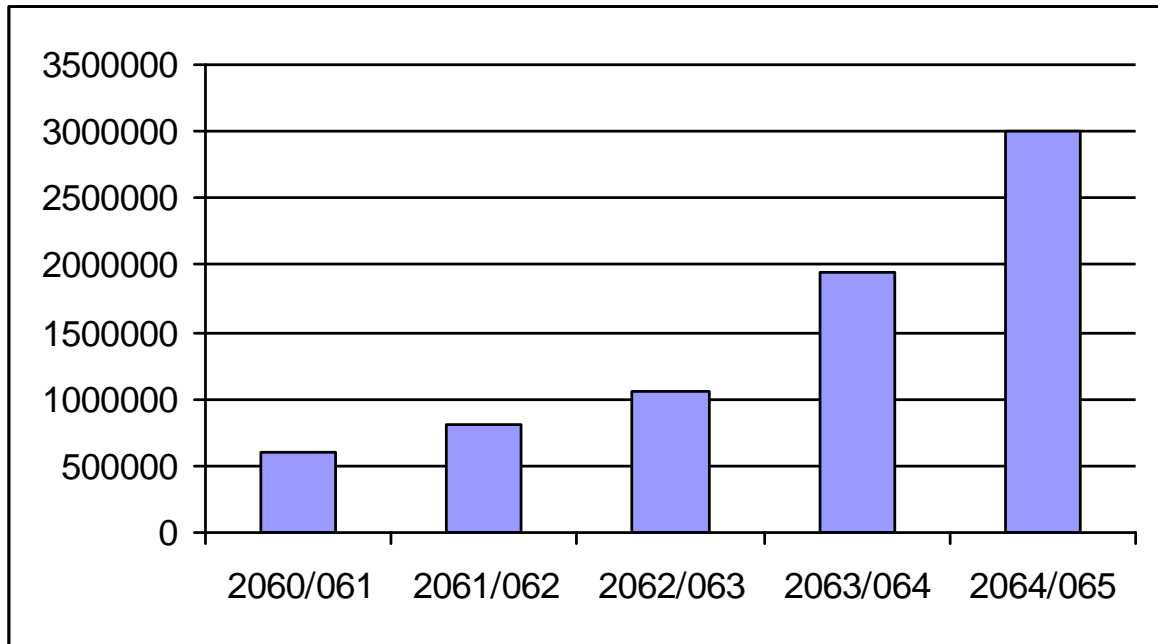
Fiscal year	Share capital (Rs.)	Percentage	Div. paid Rs.

2060/061	600000.00	8.09	300000
2061/062	817000.00	11.01	001
2062/063	1050000.00	14.15	462500
2063/064	1939000.00	26.14	00
2064/065	3011000.00	100	290850

Source: Annual Report of NC

Figure

Share Capital Trend



Paid up share capital trend is showing in table and figure above out of the total share capital collection in the studied period highest amount seemed in final year 2064/065 i.e. 40.61 percent in total increase in share capital. In the initial year 2060/061 lowest increases share capital and Rs. 300000 dividend paid at that time. In fiscal year 2061/062 it is going to raised smoothly and Rs. 817000 share capital and 11.01 percent of total share capital. However dividend paid to share holders in this year is not seen. Again NC had issued share in fiscal year 2062/063 share capital in this year dividend paid to share holders Rs. 462500 which is collection of amount Rs. 1939000 in fiscal year 2063/064 which is increased by 11.99 percent than that previous fiscal year and reached to 26.14 percent. This year dividend amount is not seen. Until the recovery of retained loss dividend is not allow to pay so dividend was not paid due to make loss recover in fiscal year 2063/064 . However share was issue of Rs. 3011000 i.e. 40.61 percent of total share capital and out of total profit Rs. 290850 dividend paid to their shareholders.

In conclusion, share capital trend of NC shows positively due to good faith and positive attitude of consumer.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary:

Nepal is an under developed land locked country situation in south Asia with lower per capita income of the people. The country has however, made program towards sustainable economic growth since 1950 s and is committed to a program of economic liberalization. There are obstacles like natural, technical, socio economic and administrative that results slow rater of financial development in Nepal. In the development of financial sector, cooperatives development has much more affected by these obstacles. Cooperative organization has distinct character in comparisons to other as well as it success. A cooperative helps to distribute wealth and profit equally to all. It minimizes exploitation from money lenders, landlords and traders and discourages block marketing and artificial scarcity.

Cooperation among the community people is a past tradition in the world history. Because of the human being a social creature, co-operation found to be necessary

since humankind born to grave. The people having less capital and low income found more cooperative. Rochdale society of Equitable Pioneers is a first cooperative institution, which systematically established in England. Cooperation sector enlarged worldwide thereafter. Cooperative is not a new phenomenon in the Nepalese society. The people of the society come together to help in the special occasions i.e. birth, marriage, plantation and death. On a national scale Dharmabhakari, Makauthi, Parma and Dhikuti are the traditional cooperative forms. Formally then systematically cooperatives introduced in Nepal since B.S. 2010. The first cooperative organization established in Chitwan were loan cooperative society. A series of pitfall observed within the period of 2010 to 2030 B.S.

Cooperative sector flourished in Nepal after formulation of the Cooperative Act 2048 and Rules 2049. Out of the different cooperative organization established under Nepalese Government, few are in the existence. Sajha Transport, Sajha Swasthya Sewa, Saajha pasal and Sajha Bhandar are few examples. International Cooperative Alliance (ICA), Ministry for Agriculture and cooperative, Cooperative Board, Sahakari Shangh, Cooperative Department and Rastriya sahakari Bank are a few cooperative promotion sectors.

The number of financial cooperatives licensed by NRB to conduct limited banking activities had reached to 35 in mid July 2000. after taking over 11 small farmer;s cooperaties to SFDB by NRB in April 2003 and license revocation for noncompliance of NRB directives, the total number of cooperatives has reduced to 20 in mid July 2005. the cooperative sector has taken a small part of the national economy.

Samudayik Bachat Kosh was founded with the joint effort of 17 members and later on introduced all over the country as Navajeevan having registered as well as

approved. It has applied for registration to the register of the cooperative department by its 64 founder member. Now, it is running with three branches. Navajeevan was introduced as a first cooperative Banking office getting approval of the NRB in the year 2050. paid up share capital is Rs. 1,39,85,600.00 at the end of the economic year 2061/062, as well as authorized share capital raised to Rs. 25 crore, which is only 1crore at the beginning.

Financial position is aone of the important components of financial administrations. It is a crucial aspect of financial management of the firm. The study concerned with the financial position of the firm, which have included by deposit position, investment position, profit position and liquidity position of Navajeevan cooperatives.

There are eight types of account to accumulate the scattered savings. In the study period from fiscal year 2060/061 ti 2064/065 highest deposit amount ws Rs. 318498150.33 and lowest amount of deposit in fiscal year 2060/061 i.e. Rs 40,000. which is shown in data analysis chapter. In simple saving account amount was going to increasing trend all over the five years study period. In home saving account there was also increasing trend of amount deposit. In special saving there was fluctuation in deposit amount of study period and in lakhapati saving scheme it was going to increasing trend all over the study period. In fixed deposit it was going to increasing trend of deposit amount. Principle of doubling scheme it is highest in fiscal year 2060/061 after there is was going to decreasing trend. In regular and monthly saving account there is only in financial year 2060/061 deposited amount rs. 40000. thereafter it was not shown in figure or table.

The investment sectors of Navajeevan categorized eight type of loan. Out of these business sector loan and investment greater than all other sector. Conversely, construction sector's investment is lower than all other purposed loan. As the total loan and investment, highest lending amount seemed in fiscal year 2064/065 i.e. Rs. 169173234.43 which was 55.03 percent of total loan and investment sector. Which had shown in the table 42. similarly, lowest amount of investment seemed in fiscal year 2060/061 i.e. Rs. 37784.38. To analyze the total trend of incremental ration is high in fiscal year 2064/065 by 55.03 percent increased and ration is low in the fiscal year 2060/061 which is 0.04 percent. It can be said that different sector had different lending rate in investment.

As studied comparatively about total credit to total deposit ratio have found that the highest credit ratio in year 2064/065 I.e. 76.71 percent which have 104.35 percent growth index. Conversely, lowest growth rate is 91.62 percent in fiscal year 2061/062 which have 56.56 percent of credit to total deposit. By analysis the relationship between loan disbursed and total deposit it can be said that the deposited amount has negative correlation with credited amount i.e. coefficient of correlation seemed-0.88.

Similarly, profit position of Navajeevan Cooperatives seemed satisfactory, even though unfavorable domestic arena of the country. The total profit was highest in the fiscal year 2064/065 i.e. s. 8305445.69 and lowest in year 2062/063 i.e. Rs 1,14,423.41 due to unfavorable condition of country. By using Karl Pearson's coefficient of correlation profit earned position of Navajeevan cooperative seemed less positively correlated with risk, it reveals that each shareholder has to bear

73.33% risk in order to earn 100 percent return that is given by coefficient of variation.

The study may be useful for the organization itself, relevant and for those who are willing for the further research in this sector. Time lag, insufficient fund, inadequate published materials are few limitation areas of the study. Depending in the field study research, the research has conducted and a few variable were used by which objectives are affected. Data were censored as per the objective determined in the report through the raw data, recorded by the organization balance sheets and related materials are the secondary data but personal questionnaire survey is primary source.

5.2. Conclusion

Now the study concludes that cooperative institution plays crucial role in accelerating the pace of economic growth in a developing country through mobilization of people saving and utilizing them into productive channels. Navajeevan as a first cooperative institution in the kingdom as established under cooperative act 2048 has to developed saving habits among the people and extend monetized area. So that, the Navajeevan cooperatives policy can effectively used and saving could mobilized in an efficient way. For saving mobilization and its proper utilization in productive channels, banking facilities needed to extending necessary credit with high rate of interest. To avoid this implication cooperatives can plays a vital role to develop the rural areas by grant loan at low rate o interest. To consider this fact Navajeevan Cooperatives Limited Is working in the field of

social empowerment as well as economic development but, it focused its activities only in urban area and there was no economic as well as banking development in backward society and rural area in the Navajeevan established region. The structure of interest rates also proved effective tool for the collection of deposits. Navajeevan cooperatives fixation the interest rate structure and revised at time to time as economic liberalization and for scattered saving of peoples. This study shows the banking facilities and rate of interest on deposit played an important role in the accumulation of deposits. Besides this, saving and banking habit of people, political instability, lack of entrepreneurship and money supply also affects the deposits. Navajeevan Cooperatives fixation the interest rate liquidity position of Navajeevan cooperatives is not satisfactory. Since 2060/061 to 2064/065. because of there was no standard liquidity amount as financial aspect i.e. 1:2. The deposit and credit ratio seemed positive correlation between total deposit and total credit in the studied period. Similarly, profitability fiscal year 2064/065 seemed positive. The highest amount of profit is Rs. 8305445.69 in fiscal year 2064/065. however nations political conflict and domestic arena the Navajeevan Cooperatives Operating as good condition nowadays in established area. Structure and revised it time to time as economic liberalization and for scattered saving of peoples. This study the banking facilities and rate of interest on deposit played an important role in the accumulation of deposits. Besides this saving and banking habit of people, political instability, lack of entrepreneurship and money supply also affects the deposits. A cooperative has to necessary extension of credits or investment of deposits in productive channels. This study concludes that during the five years review period business sectors credit is higher than other sectors investment. The investment position mostly depends upon the economic condition of the people and political situation of the country. These both are not favorable since ten year in the country. Due to this, credit position and cooperatives development are not satisfactory.

5.3. Recommendations.

For rapid economic development of the poor people cooperatives should played a crucial role as momentary stability and mobilization of resources, following recommendations are made based on the study.

- i) Because of the profit motive, banking office whether Navajeevan has to provide different facilities to the depositors and it has to expand its branches in urvan areas to attract depositors. Such as; safe deposit locker facility, telex, ATM, anywhere branch banking, tele banking, debit credit card facility, traveler cheque, bank guarantee or it has move backward and work in rural community only. There are no other alternatives rather above two.
- ii) To generate more income, they shall invested in the portfolio sectors; i.e. purchase of government securities, treasury bills and other short tem investments in order to invest only in prescribed headings. Risk factor should also take into consideration while utilizing funds.
- iii) The interest rate on deposit and lending showed deposit amount are decreasing while interest rate on deposit decreasing. On the other hand, loan disbursements are increasing while interest rate on loan is decreasing. Therefore, higher interest rate deposit and loan shall be comparatively determined by observing the competitive market.

- iv) Competitor is rising due to the vast development on It sectors. Therefore, by the SWOT analysis the organization has to grasp unseen opportunities.
- v) Profit analysis shows the great fluctuation within the study periods. Moreover, there is positive correlation between loan disbursement and profit earned. Profit depends on the well-disbursed loans and loan on the deposits; hence deposits and extent. The excess income over the expenditure is called profit thus; expenditure shall be reduced as far as possible. Profit is the sustainable index for every business organization and progress is then only possible if profit can be maximized.
- vi) The excess loans over the deposits in the different economic years are supplied through the paid up share capital and capital is used as a major source of lending. Therefore, an attempt for increasing share capital is necessary.
- vii) Liquidity amount excess 38% laying idle according to NRB. However, excess liquidity seemed in year 2063/064 to 2064/065 incurs the idle cost on deposit, so an optimal liquidity should be maintained considering cash reserve ratio (CRR). A least liquidity fades away the public confidence as well as it bank is unable to pay the drawer run on the bank situation occurs. Therefore, optimal liquidity is possible through the accurate measurement of deposits and loan disbursed relation.

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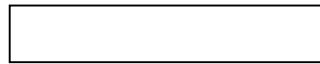
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ANNEXES

Annex-1

Organizational structure of Navajeevan Cooperatives Limited.



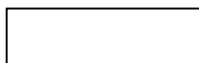
Executive Board

Saroj Kumar Pokhrel.

(Chair Person)

Karunakar Pant

(Vice Chair Person)



Member

Khem Raj Pandey

Chakra Bahadur Singh

Ratan Bahadur Kathayat

Kailash Dahal

Gobinda Raj Joshi

Dabal Bahadur Rawal

Janak Raj Joshi

Padam Raj Bhatta

Deepak Pd. Devkota

Account Committee

Ishwor Pd. Joshi

(Coordinator)

Member

Madan Kumar Nepali

Ganesh Raj Joshi

District Representative

Shiv Kumar Joshi (Fulara)

Advisor Committee

Damodar Bhatta

(Coordinator)

Member

Indira Jaisi

Bharthari Chaudhary

Saligram Adhikari

Thark Bahadur Shah.

Bir Bahadur K.C

Jeev Nath Jaisi

Dinesh Kumar Koirala

Nar Bahadur Gurung

Maheshwor Pathak

Head office

Mahesh Datta Pant

(Branch Manager)

Head Office Dhangadhi, Kailali

Chet Raj Paneru

(Acting General Manager)

Banking Office Dhangadhi, Kailali.

Bihari Laal Chaudhary

(Branch Manager)

Banking Office Tikapur, Kailali

Legal Advisor

Prayag Datta Bhatta



Branch Office

Sher Bahadur bista.

Branch Manager

Bansh Gadhi Bardiya

Shiv Pd. Poudel

(Branch Manager)

Attariya Kailali.

Prem Raj Joshi

(Branch Manager Sukhad, Kailali)

Annex -8

Calculation of growth Rate on deposit

$$\text{Growth Rate} = \frac{\text{Yearly Deposit}}{\text{Cumulative Deposit of Previous year}}$$

$$r = \frac{N \cdot 3xy - 3x \cdot 3y}{\frac{N \cdot 3x^2 - (3x)^2}{2} \cdot \frac{N \cdot 3y^2 - (3y)^2}{2}}$$

$$= \frac{3(R - \bar{R})^2}{N}$$

$$\text{ROE} = \frac{\text{NPAT}}{\text{Capital Fund}}$$

$$\text{Return}(\bar{R}) = \frac{3R}{N}$$

$$\text{C.V.} = \frac{R}{\text{---}}$$

