

# Chapter I

## Introduction

### 1. Introduction of the Study

#### 1.1 Background of the Study

Nepal is one of the least developing country located at South Asia. It has multi ethnic, multi lingual and unique tradition. Different communities and groups have their own social system and values. In this context there are various formal and informal institutions and organizations dealing with the social, cultural and development issues such as Government organization, Non-Government organization, Business organization, Social organization and so on. Among them Non-Government organizations (NGOs) also play vital role for social service and development works.

“A non-governmental organization (NGO) is any non-profit, voluntary citizens' group, which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions, bring citizen concerns to governments, advocate and monitor policies and encourage political participation through provision of information. Some are organized around specific issues, such as human rights, environment or health. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Their relationship with offices and agencies of the United Nations system differs depending on their goals, their venue and the mandate of a particular institution”.

[www.ngo.org/ngoinfo/define](http://www.ngo.org/ngoinfo/define)

The World Bank defines NGOs as "private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development" (Operational Directive 14.70). In wider usage, the term NGO can be applied to any non-profit organization which is independent from government. NGOs are typically value-based organizations, which depend, in whole or in part, on charitable donations and voluntary service. Although the NGO sector has become increasingly professional over the last two decades, principles of altruism and voluntarism remain key defining characteristics. ([www.poli-sci.utah.edu](http://www.poli-sci.utah.edu))

According to ADB the term "nongovernment organization" refers to organizations (i) not based in government; and (ii) not created to earn profit. While this broad definition of an NGO is correct semantically, it presents a problem in that it embraces a large number and wide range of organizations that structurally and functionally are unrelated. This broad definition of NGO refers more to what an organization is not, rather than to what it is, and can be applied to many organizations. ([www.adb.org/ngo](http://www.adb.org/ngo))

### NGO in the World

The origin and legitimacy of the term NGO are in different way. In 1947 the UN charter was used the term International Non-governmental Organization (INGO) in on of the clause: "Any organization which is not established by inter-governmental agreement shall be considered as an International Non-governmental Organization".

## **NGO in Nepal**

The concept of NGO is very new in Nepal. But in the past time different organization were in practice. It is so, now the term NOG is very popular and its coverage area also expands. NGOs are social welfare, non-profit making charitable organizations.

In Lichhavi period, 'Panchali Pratha' was very popular which keeps the law and order in the local level. Similarly in the time Malla and Shaha period different approaches such as Guthi, Dharma Vakari, Dhikur/Dhikuti etc were very popular. In the early 1950s Tulsi Meher Shrestha set up the Gandhi Charkha Pracharak Mahaguthi, which functions now as a Mahaguthi.

The first formal NGO of Nepal was Nepal Ghandhi Charkha Parcharak Trust established on 1926 by Tulshi Mehar Shrestha. The Khadi Movement lunched by Mahatma Gandhi in India for quit India movement was inspired to Mr. Shrestha. So, Tulsi Meher Shrestha is known as father of NGO movement in Nepal.

After the overthrown the Rana regime in 1951, Neplese socio-economic environment drastically changed. Nepal also practicing democratic process and lunched national development plan. On 1956 the first fifth year plan (1956-1961) lunched and it declare not only government sector able to handle all kinds of activities. So from this time frame private as well as public and civil sector also coming for emerging development and social activities which gives the legitimacy of NGO.

In Panchyat period Paropakar, Nepal Red Cross Society, Family Planning Association of Nepal, Nepal Children's Organization, Mothers' Club etc. were formed and they are successfully working in their area. Some of these organizations have strong networks in the most of the district of Nepal.

After the restoration of democracy, many NGOs were established in to different sectors. Most of the NGOs are registered in to District Administration Office and Social Welfare Council (SWC) plays the role of co-ordinator. It is very easy to establish NGO. When people are get together for social and development work, simply they can establish NGO. By the 2007/08 the number of NGOs registered in SWC has reached more than 40,000.

In our country few or minded people can form a NGO to work in different issues addressing social problem and development. After registration at District Administration Office, formally NGO can work and SWC looks and co-ordinates all the activities of NGOs. In gist NGOs are independent organizations by their own constitution.

We do believe that government should not interface in NGOs activities. They should be free to work according to their objectives, goals and mandate. NGOs are assuming to be work whole heartily with the Nobel concept of delivering social services. But it does not mean that they should not evaluated, control and supervision of their working areas to making efficient and effective management system.

## **1.1 Profile of the INF Nepal**

INF Nepal (International Nepal Fellowship Nepal) is a Christian missionary organization working on a range of health care and social development in the Western and Mid-Western development regions of Nepal. INF Nepal was established in 1952 (2009 B.S.) and it is the longest serving non-government organization in the country. It is an implementing organization, drawing funds for its health and community development projects from a range of international donor agencies.

INF Nepal focuses its work on seven key technical areas: disability, leprosy, TB, HIV/AIDS, drug awareness, community health and development (including micro finance), and health service support. It is also active in facilitating social change, which will result in the improved health and well being of individuals, families and communities. To provide these services INF Nepal has six services center in Nepal. They are:

INF Kaski Programme - based in Pokhara for whole western region of Nepal

INF Dang Programme - based in Dang for whole Rapti zone of Nepal

INF Banke Programme - based in Nepalgunj for Banke and Bardiya district

INF Surkhet Programme - based in Surkhet for Surkhet, Dailekh, Jajarkot, Kalikot district

INF Jumla Programme and INF Mugu Programme- for whole Karnali zone of Nepal

## **Goal of INF Nepal**

The goal of INF Nepal is sustainable improvement in the health and quality of life of the people living in western regions of Nepal, particularly the disadvantaged.

## **Objective of INF Nepal**

- a. The organization shall be non-profit making and for public welfare.
- b. To serve Nepali People, especially the poor and marginalised in remote areas, and address issues of poverty and social injustice.
- c. To continue the operation of INF Nepal and promote the same values and ethos-both inside and outside the organization – that have been present since its formation in 1952 (2009 B.S.)
- d. To implement preventive or curative health services development programmes, and relief or peace and advocacy activities as may be required in Nepal from time to time.
- e. To promote and maintain high standards of health care services, development and management practices through regular monitoring, evaluation, training and research activities.
- f. To work directly with Nepali people or through the Government of Nepal to contribute towards achieving sustainable health and development objectives in the country. This may be with or alongside local communities, community groups or organizations or key individuals in order to build their capacity and help facilitate their development activities; or it may be through participation or co-operation with local or central government authorities, organizations or institutions.
- g. To build and maintain smooth relationship and networking with the government, non-government organizations, community and other relevant groups at both national and international levels.
- h. To make a lasting contribution to the life of the people of Nepal through the presence and the service of staff and members of the organization.

# INF Nepal Organisational Chart of Programmes

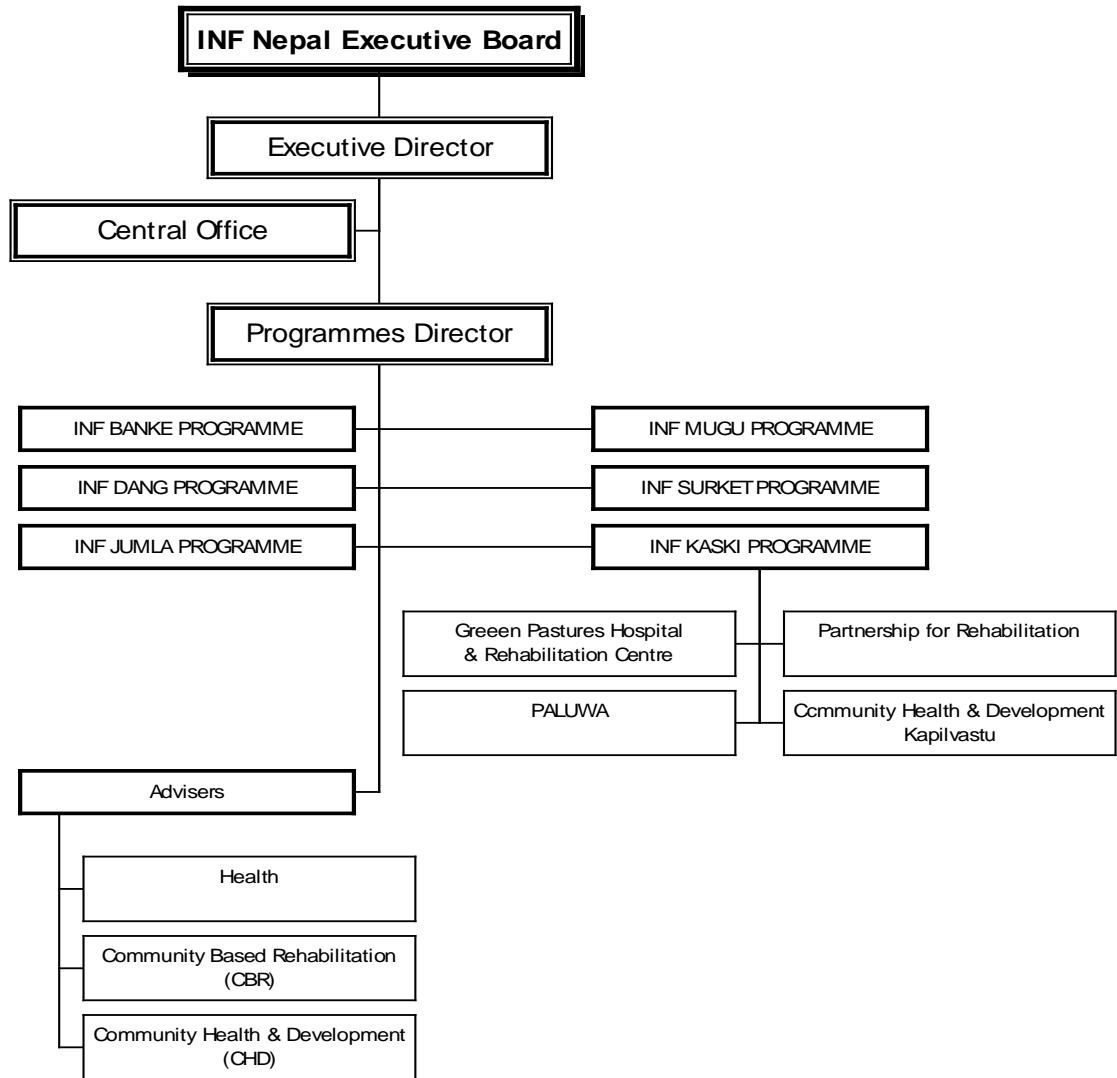


Figure 1.1

## **1.2 Focus of the Study**

NGOs are free to work according to their objective, goal and government rules and regulations. But with the financial prospective NGOs are highly dependent upon donation. In our context more than 40,000 NGOs are registered on SWC and among them very few are working properly. Financial crisis is one of the major factors for this. NGOs generates their resources from various sources such as local people, organization, businessman, government, international aid agencies etc. In the other hand, NGOs sources of income are internal sources and external sources. Very few NGOs are being able to generate local or internal sources through their activities and most of the NGOs are dependent upon external funding.

The term 'Budget' refers the financial plan of each organization. It plays the vital role for financial management. After 1950s due to rapid development in the field of industry, trade, commerce, technological innovation and competition the area of budgeting has been widened. Budgeting is concern with planning, controlling, raising funds and financial administration. In the context of non-profit making organization like NGO, budgeting includes raising funds (resource generation), effective utilization of funds, financial record keeping and reporting. According to availability of budget, NGO sets its plan and programs. If there is no available of budget then they should cut of projects, program or activity. So in NGO budget is very much important for long life of organization too.

Every donor/Contributor wants maximum utilization of his donation. Proper reporting, transparency and scientific system of financial management is only possible while there is proper formation of budget. Organizations can achieve its goal and objective, more efficient, credible and viable if there is

properly set up budgeting. Therefore, concern of this study, “**An Analysis of Budgeting Practice of INF Nepal**” is particularly focus on fund raising, utilization of fund, recording, reporting and as a whole financial sustainability of INF Nepal.

### **1.3 Statement of the Problem**

NGOs are people initiation and organization. In this sense they are not expert in management system. At initial stage, organizations are small in size and manage well but according to growth of the organizations the management system will not improve. The main controversy usually roots-outs from the financial matter. Most of the NGOs are depending upon external funding i.e. donation. Due to the global financial crisis, NGOs may face financial problem. Either they have to generate internal income resources or search for new donor agencies or cutoff the programs. In the other words, what may be the impact of financial crisis towards NGOs. It may be very interesting and new thing for the researcher. INF Nepal is a large organization. The researcher is trying to find out strength and weakness of financial management with in the organization. In a nutshell, this study is assumed to solve the following research questions.

1. What is the budgeted and actual income and expenditure of INF Nepal?
2. What is the position of fund in INF Nepal?
3. What is the income and expenditure trend of INF Nepal?
4. What are the internal resources in the study area?

### **1.4 Objectives of the Study**

NGOs are established under separate constitution. They are performing the work according to aim and objectives showing into their manifesto. This study regarding “An Analysis on Budgeting Practice of INF Nepal” is trying

to analyze budgeting practice of INF Nepal. Besides this, other specific objectives of the study are as follows.

1. To compare budgeted and actual income and expenditure of INF Nepal.
2. To assess the position of fund in INF Nepal.
3. To analyze the income and expenditure trend of INF Nepal.
4. To examine the internal resources in the INF Nepal.

### **1.5 Significance of the Study**

NGOs have been accepted all over the world as integral machinery. INF Nepal has been serving to Nepali people through health and development work specially the backward and marginalized people. This study is trying to analyze fund raising, expenditure and in overall budgeting mechanism of INF Nepal. Every study has its own importance and values. So, this study might be helpful to the researcher to fulfill the academic requirement of masters degree. Similarly the study also will help to up coming researcher to study more on this topic, concern bodies and INF Nepal itself too.

### **1.6 Limitation of the Study**

Every study has its own limitation. Similarly, the Study on An Analysis on Budgeting practice of INF Nepal has some limitations, which are presented below.

1. The study will be only budgeting analysis of INF Nepal.
2. The study will cover five budgeted year i.e. fiscal year 2060/061 to 2064/065.
3. The accuracy of the study is based on secondary data given from the management of INF Nepal.

4. The study is assumed that all data and information provided by INF Nepal are authentic. Study result will be based on the availability of the data.
5. This study is only a case study. Thus the result may not be applicable to other organizations.
6. This study basically for partial fulfillment of MBS course of T.U. So, it may not be useful for others.
7. Time and resources constrains are another limitation of the study.

### **1.7 Organization of the Study**

The study has been divided into five chapters.

The first chapter is introduction, which deals the general meaning of budget, organizational structure of INF Nepal and budgeting practice adopting by INF Nepal. It includes Background, Statement of Problems, Objectives of the Study, Statement of Hypothesis, Importance of the Study and Delimitation of the Study.

The second chapter is Review of the Literature. In this chapter various theoretical aspects of budget and a brief review of previous research specially made is the case of budgeting practices are analyzed.

The third chapter is Research Methodology, which deals with research design, population and sample, source of data, data collection technique, research variables and analytical tools.

The fourth chapter is Data Presentation and Analysis, which analyzed various functional budgets specially income and expenditure, position of fund and internal resources of INF Nepal.

The fifth and last chapter is mainly concerned the summary of this study. Which includes summary of the study, conclusion and recommendation has been made on the basis of the study.

## **Chapter II**

### **Review of the Literature**

#### **2. Conceptual/ Theoretical Review**

The word 'Budget' was derived from French word 'Budgette' which means small leather bag or wallet. In 1733 AD British ex-finance minister Walpole presented the financial plan of government in to house of commons. He presented the documents of financial plan in to parliament explaining country's needs and resources. Gradually the meaning of the word 'Budget' shifted from the bag itself to the documents with the bag contained, i.e. to the financial estimate and supporting statement of accounts. (Lennon and Kathryan)

In Nepal, after the overthrow of Rana regime "Budget was presented on 2008 Magh 21 B.S. in to government level in which total government revenue was forecasted Rs. 35 million and total estimated expenditure was Rs. 42 million". (Shrestha and Bajimaya)

Now a days, budget is very popular all over the world. It is equally important to government, business, NGO, INGO, International agencies etc. There is different view regarding the budget. Some of them are presented below.

"Budget is a comprehensive plan of action prepared for achieving objectives. Budget is a plan quantified in monetary term prepared and approved to defined period of time usually showing planned income to generated and

expenditure to be incurred during that period and of capital to be employed to action a given objectives (CIMA official terminology). It expresses an organization commitment to planned activities and resources acquisition and use. It is a vital part of good planning. It is a formal statement of future plans usually expressed in monetary term. Therefore budget is essential a plan to attain a given objectives”. (Munakarmi)

The term Budget “it is commonly understood that it is a document presented by a government containing an estimate of proposed expenditure for a given period and proposed means of financing them for the approval of the legislature”. (Gupta)

Institute of cost and work accountant England has defined the budget as “A financial and quantities statement prepared and approved prior to definite period of time of policy to be pured during the period and propose of attaining a given objective. It may include income, expenditure and employment of capital”.

“A budget is a financial map or plan, written in terms of money or numbers. It is used to prepare an organisation for the future. It provides answers to questions like”:

- \* What financial situation do we want to be in at the end of the year?
- \* How much do we expect to spend to get there?
- \* How are we tracking at the moment?
- \* How many of our goods/services do we need to sell to get there?

There are two key elements to a budget:

- \* Income
- \* Expenditure

[www.marcbowles.com/courses/adv](http://www.marcbowles.com/courses/adv)

One aim of a budget is to assist us in ensuring that our expenditure does not exceed our income or not. This can be best demonstrated if we look at the household budget. The income side is fairly straightforward: your average weekly, fortnightly or monthly earnings. However, we know too well that the expenditure side is more complicated.

A budget is a comprehensive and co-ordinate plan expressed in financial terms for the operation of resources of an enterprise for a specific period in the future. A budget covers the planning, organizing and controlling all the financial and operating activities of the firm in the forthcoming period.

### **2.1.1 Elements of Budget**

A budget is defined as a comprehensive and co-ordinate plan expressed in financial terms for the operation and resources of enterprises in a specified time period. The following are the elements of budget.

#### a) Plan

A budget is itself a plan. It gives the guideline for income and expenditure and within the boundary of the budget each and every organization/department should do the work.

#### b) Specified future period

A budget is related to a specified period of time usually one year. So within the time frame budget is estimated and implemented.

#### c) Co-ordination

Budget is prepared for the different components, segments, divisions, facts, and activities of the organization to take care of the situation and problems of each component. So it coordinates for different departments, units of the organization for the execution of the work.

#### d) Comprehensive

All the activities of the organizations are included in budget. It covers the whole activities of the organization. So budget is comprehensive tools.

e) Financial term

Budget is prepared in to financial term i.e. monetary value. Various activities such as material measures in terms of weight, labor in terms of number, sales in terms of units and budget is estimate as a monetary values for each and every division of work.

### **2.1.2 Features of Budget**

The features of budget are listed below.

a) Constitutional

Budget is valid document for financial guideline. Each and every work should be directed through budget.

b) Flexibility

According to time, situation and nature of work budget can be change so that organization can run smoothly and objective can be fulfilled.

c) Future program

Budget is prepared for future work by looking the past activities. In the budget availability of resources, conditions and problems are find out and accordingly future plan and program are setup.

d) Yearly Plan

Mostly budget is prepared for one year. Within the year what kinds of activities are to be done that clear picture is present into budget. Budget is short-term financial plan and it is a part of long term plan.

e) Reality

Budget is estimate of work and activities with financial plan. But most of the work setup in to budget are realistic.

### **2.1.3 Objectives of Budget**

Budget is financial manifesto of the organization. To achieve organizational goal it plays the vital role. So major objectives of the budget are point out below.

- ❖ Financial control of the organization.
- ❖ Systematic execution of the plan.
- ❖ Scientific mobilization of limited resources.
- ❖ Providing the knowledge of economic position to stakeholders.
- ❖ Determination of the fiscal policy and economic plan for the executive.

### **2.1.4 Types of Budget**

According to objective and nature of the work, budget can be classified in to three types. They are:

#### a) Government Budget

In general sense, budget refers the financial plan and policy of the government, in which government declares the sources of revenue and areas of the expenditure. It is made for one-year period. It takes the broad areas for general administration, development administration, to maintain peace and security, for health and services and so on.

#### b) Business Budget

Business firms are profit oriented. To earn more profit they are performing different activities at plan way. So they are making the budget according to activities, which helps to achieve the goal and can sustain in to the competitive market in long run. The major budget prepare by business organization are as follows.

- ❖ Production Budget
- ❖ Sales Budget
- ❖ Labor Budget

- ❖ Cash Budget
- ❖ Capital Budget
- c) Family Budget

It is the house holds budget and a family they calculate the income and estimate the expenditure.

### **2.1.5 Advantages of Budget**

Budgeting is important for effective use of resources and achieving overall organizational goals. It has the following advantages:

- a) Budgeting compels and motiveless management to make an early and timely study of its problems. It generates a sense of caution and care, and adequate study among managers before they make decisions.
- b) Budgeting provides a valuable means of controlling income and expenditure of an office, as it is a “plan for spending”.
- c) Budgeting provides a tool through which managerial policies and goals are periodically evaluated, tested and established as guidelines for the entire organization.
- d) Budgeting coordinates and correlates all business activities. It enables management to decentralize responsibility without losing control of the business. It reveals weaknesses, inefficiencies, and deviations in the organization very promptly which can be checked immediately to achieve a desired goal.
- e) It provides a norm, basis or yardstick for measuring performance of departments and individuals working in organizations.

- f) Budgeting encourages productive competition, provides incentive to perform efficiently and gives a sense of purpose to each individual in the organization.
- g) Budgeting provides a systematic and disciplined approach to the solution of problems in the organization.

### 2.1.6 Process of Budget

For effectiveness of budget, budget process takes important role. It is ongoing work for financial administration. The process of the budget are as follows.

- a) Budget estimate
- b) Approval of budget
- c) Budget execution
- d) Auditing and reporting
- e) Evaluation

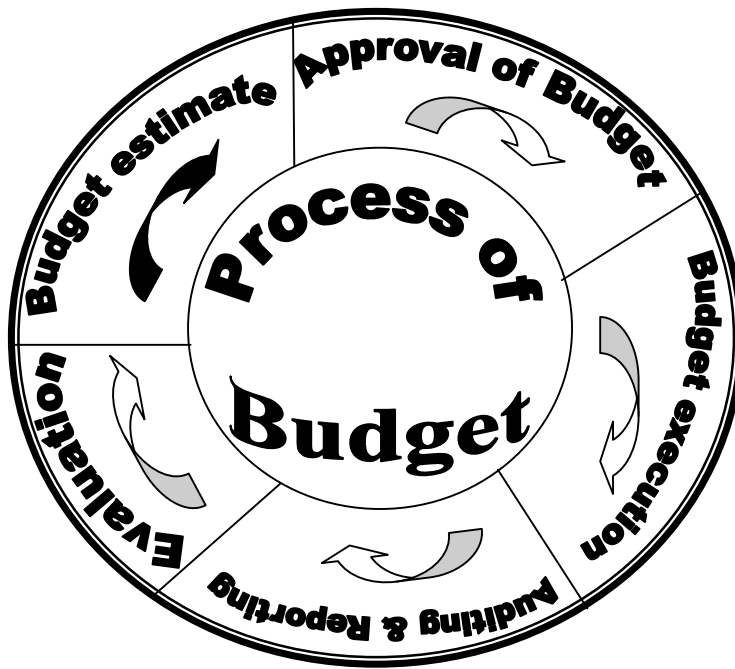


Figure 2.1

**Budget Estimate:** Budget is prepared for one financial year. After the completion of first six-month of running fiscal year, the process of budget is begins for forthcoming year. It is the initial stage of budget where budget is estimate looking the past experiences, availability of resources and objective of the organization. In case of government level, ministry of finance plays the co-ordination role for the budget.

**Approval of Budget:** After the estimation of the budget, the concern authority will approve it. In this stage all the provision and objectives of the budget are detail discussed. If there is unnecessary allocation, then the authority will be deleted the particular head.

**Budget Execution:** After the approval, budget will be release to different department, section and unit. According to plan and policy, budget will be used.

**Auditing and reporting:** Auditing is the act of checking financial statements. It deals whether books of accounts are maintained as per current provision or not? Mainly there are two types of auditing one is internal audit and next is external audit. When financial year is over audit will be made and audited reports will be presented in to authorized body which is the valid financial document of the organization.

**Evaluation:** It is the final step of budgeting. According to aim and objective, whether budget is implemented or not and what can be done for upcoming year. The detail work will be evaluated in this stage.

### **2.1.7 Limitations of Budget**

Budget has many advantages that are very important towards financial administration of an organization but it has some limitations too, which are given below.

- a) Planning, budgeting & forecasting is not an exact science; it uses approximations and judgment, which may not to be cent percent accurate. At best, a budget is an estimate; no one knows precisely what will happen in the future.
- b) The success and utility of budgeting depends on the cooperation and participation of all members of management. Many a time budgeting has failed because executive management has paid only lip service to its execution.
- c) A budget is only a tool and does not eliminate nor take over the place of management. Executives generally feel “circled in” by a budget and its related figures. They fail to understand that budget is meant to provide detailed information, goals and targets which may help them in achieving the organization objectives.
- d) The establishment of a budgeting process takes time. Also, sometimes too much is expected from a budget and in case expectations are not fulfilled, the blame is put on the budget.
- e) Excessive emphasis on budgeting may result in attempts by lower level management and employees to buck the system by providing inaccurate estimates of further costs and revenues. At the end of budget period approaches and employees realize that actual expenses have not been as great as allowed by the budget, there may be temptations to spend

excessive amounts in order to “use up” the budget allowance. Such activates result in sub-optimal profits for the company.

## **2.2 Review of Related Studies**

The main purpose of literature review is to find out what works have been done in the field of research study. An attempt has been made for budgeting practice but there is scarcity of dissertation on budgeting practice particularly the NGO. A few dissertation have been submitted to Tribhuvan University which are some how related to this study. Some reviews are as follows.

**Panta, (2006)** has made research on the topic of “**Budgeting Practice in the Timber Corporation of Nepal**”. In his study both primary and secondary data were used covering seven fiscal years i.e. from F/Y 2054/055 to 2060/061. Main objectives of the study are as follows.

- To examine comprehensive budgeting system applied by TCN.
- To analyze the variation between budgeted and actual achievement of TCN.
- To sketch the trend of profit/loss in TCN.
- To draw picture of capacity utilization of TCN.

Mr. Panta has pointed some major findings based on analysis of data and available information, which are as follows.

- Specific goals and strategy for the organization is setup by top level executives and management is totally governed by government of Nepal.
- TCN has a practice of short-range sales budget but long range sales budget was not prepared in detail.

- The actual production, achievement of the company in unit is less than the budgeted production.
- The sales achievement is very low than budgeted.
- Variation analysis is totally ignored by organization.
- TCN is suffering the loss in the study period.
- The corporation has no proper practice of segregation of cost in to fixed cost, variable cost & semi – variable cost.
- There is no separate costing department and also lacks dynamic and effective cost control program.
- Top level executives are only involved in planning and decision making but lower level participation is totally ignored.

**Bagale, (2005)** has written the thesis on the topic of “**An Analysis of Budgeting Practice of HMG Nepal**”. His study was covered eight fiscal years i.e. form 1996/97 to 2003/04. He used secondary data mostly published by the ministry of finance. The main objectives of the study were:

- To know the theoretical assumption and process of government budget.
- Quantitative target and outcomes of government budget.
- Policy adopted by annual budget of government.
- Share of internal and external borrowing of the government.

By the above objectives, Mr. Bagale got the following conclusion. Every finance minister tried to increase the size of the budget but implementation sector is very poor. In his study period, Mr. Bagale point out the domestic conflict specially the maoust problem. So there was a problem to get budgeted result. Similarly he points out the short time government and according to changing the government, plan and policies also changed which influence negative impact in to long run. Concerning the government

revenue, tax revenue is very high (near 75%) and the trend of the budget is dependent up on international aid and donation. Further more Mr. Bagale express the trade deficit and due to above cusses government was not able to grap its objectives.

**Subedi, (2005)** had conducted a research entitled: **Local Government Financial Management: A case study of Kaski DDC**. He has conducted the research to acquire following objectives:

- To make a conceptual review of the financial resources that can be mobilized by the DDCs
- To analysis the work execution regarding internal resources mobilization.
- To analysis various internal and external sources of revenue of Kaski DDC.
- To analyses of the current state of internal and external resource mobilization process of the DDC.

His major findings are as follows:

- Kaski DDC's budgeted revenue and actual revenue is not varied.
- The share of internal revenue has remained at 18% in average that is negligible. This is due to lack of appropriate mechanism for internal revenue mobilization.
- The average contribution of tax revenue to the total local revenue is 45%. Its share to the total revenue of the DDC remains at 7% that is negligible. It concludes that the DDC doesn't have satisfactory tax autonomy.

**Dhakar, (1997)** was conducted the thesis on **“Financial Management System of Nepalese NGOs”**. In his study, he has taken the data of fifteen NGOs working into different sector. Mr. Dhakar tried to find out the following objectives of Neplease NGOs.

- Financial management system of Nepalese NGOs.
- General accounting practices adopted by Nepalese NGOs.
- Financial reporting of Nepalese NGOs.

His major findings regarding the financial management system of Nepalese NGOs are as follows.

- Fund raising has been seen as an important task of NGOs and they put their effort in to external funding.
- The objectives and works of NGOs are shifting towards the priority fixed by the donor.
- Different supporting documents are kept but not processed as well.
- For small NGOs, leaders are the finance controller, petty cash holder and recorder.
- Internal reporting and auditing system is very poor. It is made only for renewal and fulfills the demand of the donor.

**Panta, (2006)** has a significant contribution on the topic of “**Budgetary practices in Nepal Telecom and Nepal Electricity Authority**”. The data were collected both primary and secondary sources. Mainly the secondary data have been used covering six financial year i.e. F/Y 2054/055 to F/Y 2059/060. The basic objectives of the study are as follows.

- To review the situation of NTC and NEA regarding their budgetary practices.
- Similarly, the functional budgets that are prepared in NTC and NEA.
- Profit planning of both organizations.
- To point out major shortcomings of the NTC and NEA.

Mr. Panta has point out some major findings based on analysis of data and available information, which are as follows.

- NTC and NEA fail to maintain its periodic performance report systematically.
- There is unnecessary centralized decision making system.
- There is not the proper planning to implement the effective, efficient and economic budgeting practices in both enterprises.
- Overhead expenses are not classified systematically so that it creates problem to analyze its expenses properly.
- Both of organizations are suffering from high fixed cost.
- There is a lack of enterprenenurship and commercial concept in overall operation of enterprises.

**Parajuli, (2003)** was done the thesis work on the topic of “**A Study on Personnel Administration in non-government organization, A Case Study of the International Nepal Fellowship, Pokhara**”. The main objectives of the study are:

- To find out recruitment and selection trend of INF.
- Promotion and transfer system of the employee in the INF.
- Staff benefits (salary, wages etc) system in to INF.

Mr. Parajuli listed following findings from his research work.

- There are five types of employees in INF. They are permanent, temporary, fixed term, special contract and casual or daily worker.
- Project management committee does the recruitment and selection of the employee. Personnel department only involves in the selection of officer level staff only.
- Recruitment and selection process doesn't take much time and priority has been given to marginalized group.

- Intra project promotion and transfer policy is not transparent.
- In INF, employees are provided different facilities such as boarding fee, subsidy, accommodation, allowances, medical allowances, holiday travel allowances, hospitality expenses, insurance scheme.
- Salary paying is better than government organizations and less than other I/NGO.
- There is provision of punishment but not rewarding system.

**Adhikari, (2008)** has conducted the thesis work on the topic of “**Financial sustainability of NGO working in health and development sectors in the western region of Nepal**”. He has taken the three sample of NGO working in health and development sector in western Nepal. They are International Nepal Fellowship (INF), Asal Chhimekee Nepal (ACN) and Sagoal Nepal. The objectives of his study were:

- To analyze income and expenditure pattern of NGOs.
- Funding diversification of NGOs.
- Financial reserves of NGOs.
- Relationship of NGOs with stakeholders.

Mr. Adhikari has find out the following result from his research work. They are listed below.

- Hardly less than 10% of NGOs income is the local income.
- The percentage of unrestricted fund was found at good level (at 50%) in the NGOs.
- The strong relationship of NGOs was not found with all the stakeholders from the analysis.
- It was found that the Government policy related to NGOs was not supportive for financial sustainability.

- The higher donor dependency ratio showed that NGOs were heavily dependent to donors and had no financial sustainability.
- It was found that the survival ratio of NGOs is very less.

### **2.3 Research Gap**

After studying or reviewing related literature, there is no study on the topic of the budgeting practice of INF Nepal. So, the main objective of the study is to study on this lacking area. Some researcher had done thesis work related to NGOs. Mostly thesis were conducted on Financial Management System. Those researches were trying to access the financial sustainability of NGOs, dependency with donor and financial performance. Similarly some thesis are found on the budgeting practice of enterprises and corporations. They are tried to find out profit ratio, cash flow analysis, BEP analysis and profit but the researcher is conducting the thesis on the topic of Budgeting Practice of INF Nepal. Before this no one thesis were conducted on this topic particularly the budgeting practice of INF Nepal in which researcher going to analyze budgeted income and expenditure its implementation and output. So, even though there were some thesis related with NGOs but this thesis particularly “An Analysis on Budgeting Practice of INF Nepal” is quite different and a gap among the existing work.

## **Chapter III**

### **Research Methodology**

Research methodology is the way to solve the research problem systematically. This study is an examination and evaluation of Budgeting practice of INF Nepal with the help of various financial and statistical tools. In accordance with the basic objectives of the study the research methodology followed as follows.

#### **3.1 Research Design**

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research questions. The study is mainly based on case study however descriptive as well as analytic research design also used. This study is an examination and evaluation of budgeting practice and procedure of INF Nepal. Further more the study is closely related with various functional budget and other accounting statements.

#### **3.2 Population and Sample**

The study is concern only with INF Nepal's Budgeting analysis. So the study is mainly based on case study and sample is taken on the basis of simple judgement.

#### **3.3 Sources of Data**

Data are necessary for successful analysis and to draw meaningful conclusion. So we can say that data are the lifeblood of research. In the study, primary and secondary data have been used. Especially secondary

data have been used to fulfill the objectives of the study. The main sources of data are as follows.

a) Primary Source

Primary data are based on direct interview with executives and finance staff of INF Nepal.

b) Secondary Source

Secondary data are collected from annual reports, annual budget, audit reports and web site of INF Nepal. Similarly secondary data are collected from official records, publications, Journal, booklets etc.

### **3.4 Data Collection Technique**

Primary data are collected from direct interview and personal observation and secondary data are collected from annual reports, annual budgets, audit reports etc.

### **3.5 Data Analysis Tools**

Collected data are managed, analyzed and presented in proper table and format. These table and formats are interpreted and explained what ever they are necessary. Tabulation, percentage and diagrams as well as statistical tools such as correlation, regression, coefficient of variation are used for data analysis. The tools used in the study area are described below.

#### **3.5.1 Arithmetic mean**

Arithmetic mean or simply a “mean” of set of observation is the sum of all the observations divided by the number of observations. Arithmetic mean is also known as arithmetic average. It is easy to calculate, understand and based on all the observations.

Arithmetic mean of a given set of observation is their sum divided by the number of observation. In general, if  $X_1+X_2+X_3+\dots\dots\dots X_n$  are the given observations and N is the number of observation, then arithmetic mean ( $\bar{X}$ ) is as follow.

$$\bar{X} = \frac{X_1+X_2+X_3+\dots\dots\dots X_n}{N}$$

Or,  $\bar{X} = \frac{\Sigma X}{N}$

Where,

$\bar{X}$  = Arithmetic mean

$\Sigma X$  = Sum of no. of observation

N = No. of observation

### 3.5.2 Standard Deviation

Standard deviation (s.d.) is defined as the positive square root of the mean of the square of the deviations taken from the arithmetic mean. It is denoted by  $\sigma$ . We can express  $\sigma$  as

$$\sigma = \sqrt{\frac{1}{N} \sum (X - \bar{X})^2}$$

Where,

X = value of observation

$\bar{X}$  = Mean

N = No. of observation ( Total frequency)

### 3.5.3 Coefficient of Variation

It is a relative measure of dispersion based on standard deviation. In order to compare the variability between two sets of data, coefficient of variation can

be useful method. Coefficient of variation is often abbreviated as C.V. and defined as

$$C.V. = \frac{\sigma}{X} \times 100$$

### 3.5.4 Coefficient of correlation

It is the statistical tool for measuring the intensity of the magnitude of linear relationship between two series. The Karl Pearson's method is very popular and widely used in practice, which is known as "Karl Pearson's Correlation Coefficient". It is denoted by  $r$  and can be obtained as:

$$r = \frac{\sum XY}{\sqrt{\sum x^2 \times \sum y^2}}$$

The value obtained from the above formula always lies between +1 to -1. The variable  $r = +1$  implies that there is a perfect correlation between the variables and  $-1$  implies that there is a perfect negative correlation between the variables. And, if  $r = 0$ , that means variables are uncorrelated.

### 3.5.5 Probable Error

Probable error of the coefficient of correlation is denoted by P.E. It measures the reliability of the calculated value of  $r$ . If  $r$  is the calculated value of  $r$

from a sample of  $n$  pair of observations, then P.E is defined by

$$P.E = 0.6745 \frac{1 - r^2}{\sqrt{n}}$$

It is used in interpreting whether calculated value of  $r$  is significant or not.

- i. If  $r < P.E.$  it is insignificant. So, perhaps there is no evidence of correlation.
- ii. If  $r > 6 P.E.$ , it is significant.

### **3.5.6 Trend Analysis**

The term "trend analysis" refers to the concept of collecting information and attempting to spot a pattern, or trend, in the information. In some fields of study, the term "trend analysis" has more formally defined meanings.

In project management trend analysis is a mathematical technique that uses historical results to predict future outcome. This is achieved by tracking variances in cost and schedule performance. In this context, it is a project management quality control tool.

### **3.5.7 Diagrams and Graphs**

Diagrams and graphs are visual aids that give a bird's view of a given set of numerical data. They present the data in simple and readily comprehensive form.

## **3.6 Limitation of Methodology**

Limitations of the methodology followed for this study are mentioned below.

- a) All the quantitative data are collected from secondary data of INF Nepal.
- b) The quantitative data do not represent the period before F/Y 2060/061 and after F/Y 2064/065.
- c) Statistical indicators that mentioned in this chapter only make analysis of the data.
- d) The findings based on analysis and presentation of the data represents INF Nepal not of the other NGOs.

## **Chapter IV**

### **Data Presentation and Analysis**

Previous chapter deals with the methodology adopted in this study. This chapter deals with the presentation and analysis of the data. With the help of various tools income and expenditure, position of fund and financial sustainability of INF Nepal is analyzed. Finally, it presents the performance of INF Nepal and findings of the study.

#### **4.1 Budgeted Income and Expenditure of INF Nepal**

Budgeting helps the management to take decision effectively and efficiently. Budgeting in fact a managerial technique in which all aspects of financial activities are covered.

The main purpose of this research study is to analyze the Budgeting practice of INF Nepal. To fulfill the objectives, the research paper is analyzing the various aspects of budgeting, their achievement and related variance. Budgeting is broadly applicable to achieve organizational goals and objectives. An effective mechanism of financial management and control can be built up on a sound comprehensive budgeting system.

Budgeting is managerial tool which, is applied by each and every organization, either it is profit making or non-profit making. Budgeting is an advance decision of expected achievement based on most efficient operating standard. Budgeting is directed toward fulfilling the objectives of the organization and generally it includes all of its important elements. Budgeting should exploit the

opportunity by using the limited resources, as a nucleus of management responsibilities the best of optimum use of limited resources.

Thus, the main purpose of this study is to analyze the budgeting system of INF Nepal. To accomplish the objectives, this chapter gives the detail analysis of the various aspects of budgeting as prevailed in the organization covering five financial years i.e. F/Y 2060/061 to F/Y 2064/065.

#### 4.1.1 Budgeted Income and Actual Income

Budget is the financial guideline of the organization. For the proper budget organization should know the sources of incomes and areas of expenditures. If there is less variance between budgeted income and actual income we can consider it as good budget. To know the budgeting situation of INF Nepal, the following procedure is followed.

Table 4.1

Budgeted Income Vs Actual Income

<b>Fiscal Year</b>	<b>Budgeted Income</b>	<b>Actual Income</b>	<b>Achievement %</b>
2060/061	145,991,712	157,368,881	107.79%
2061/062	112,667,498	182,531,819	162.01%
2062/063	137,025,342	150,329,982	109.71%
2063/064	126,504,390	176,393,674	139.44%
2064/065	138,709,493	157,931,342	113.86%

*Source: INF Nepal Consolidated Accounts F/Y 2060/061 to F/Y 2064/065*

Mean ( $\bar{X}$ ) = 132.179	Mean ( $\bar{Y}$ ) = 164.911
S.D. ( $\sigma_x$ ) = 11.574	S.D. ( $\sigma_y$ ) = 12.333
C.V <sub>x</sub> = 8.75%	C.V <sub>y</sub> = 7.47%
Coefficient of correlation (r) = - 0.881	
P.E. = 0.067	

*Details of calculations are on Appendix – 1*

Table 4.1 shows that INF Nepal has achieved its target of the budget. Actual income is high than the budgeted income in every year. The forecast of budget is good in F/Y 2060/061 and 2062/063 because of the variance is limited up to 10%. But in F/Y 2064/065 it is increase up to 13.86% and in F/Y 2061/062 and 2063/064 budgeted income is very underestimated in which budget is varied by 62.01% and 39.44%.

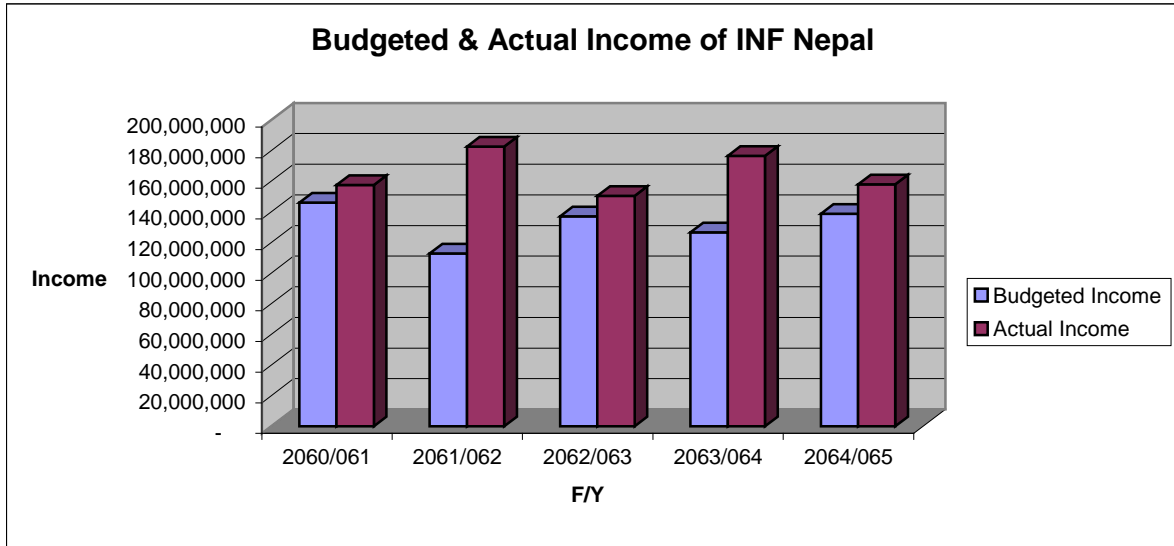
Similarly, the average budgeted income of INF Nepal, mean ( $\bar{X}$ ) is Rs. 132.179 million and actual average income, mean ( $\bar{Y}$ ) is Rs. 164.911 million which is very high than that of budget.

The coefficient of variation (C.V.) of budgeted income is 8.75% and actual income is 7.47%. So we can conclude that actual income of INF Nepal is more consistent than that of budgeted income because C.V. of actual income is less than budgeted income.

The relationship between budgeted income and actual income of INF Nepal is  $-0.881$  which explain that there is negative correlation between the budgeted income and the actual income. Finally the Probable Error (P.E.) of the mention data is 0.067 which is greater than  $r$ . In other word,  $r < P.E.$ , so it is insignificant and there is no evidence of correlation.

The above information can be represented in to bar diagram as follow.

Figure: 4.1



#### 4.1.2 Budgeted Expenses and Actual Expenses

After setup the budgeted income another process is to determine the budget expenditure. Actually, budgeted expenses are only the frame of expenses that is forecast by considers the past activities. Generally actual expenditure must with in the limitations of the budgeted expenditure. The following is the analysis of the budgeted expenses and actual expenses of INF Nepal.

Table 4.2

#### Budgeted Expenses Vs Actual Expenses

Fiscal Year	Budgeted Expenses	Actual Expenses	Variance	%
2060/061	134,859,039	167,631,337	(32,772,298)	-24.30%
2061/062	139,678,389	177,762,002	(38,083,613)	-27.27%
2062/063	167,228,698	155,313,158	11,915,540	7.13%
2063/064	180,155,101	151,831,110	28,323,991	15.72%
2064/065	182,776,685	156,791,432	25,985,253	14.22%

Source: INF Nepal Consolidated Budget & Consolidated Accounts F/Y 2060/061 to 2064/065

Mean ( $\bar{X}$ ) = 160.939	Mean ( $\bar{Y}$ ) = 161.865
S.D. ( $\sigma_x$ ) = 20.089	S.D. ( $\sigma_y$ ) = 9.542
C.V <sub>x</sub> = 12.48%	C.V <sub>y</sub> = 5.89%
Coefficient of correlation (r) = - 0.869	
P.E. = 0.073	

*Details of calculations are on Appendix – 2*

To analyze the expenditure of INF Nepal, it is high than the budget. In the F/Y 2060/061 actual expenditure is more than 24.30% than the budget. Again the trend of expenditure is increasing in F/Y 2061/062, which meet the 27.27% more than the provision of budget. In F/Y 2062/063 the forecasted and actual can be consider which is 7.13% less than the provision. But in the F/Y 2063/064 and 2064/065 the actual expenditure is decreasing by 15.72% and 14.22% than the budget.

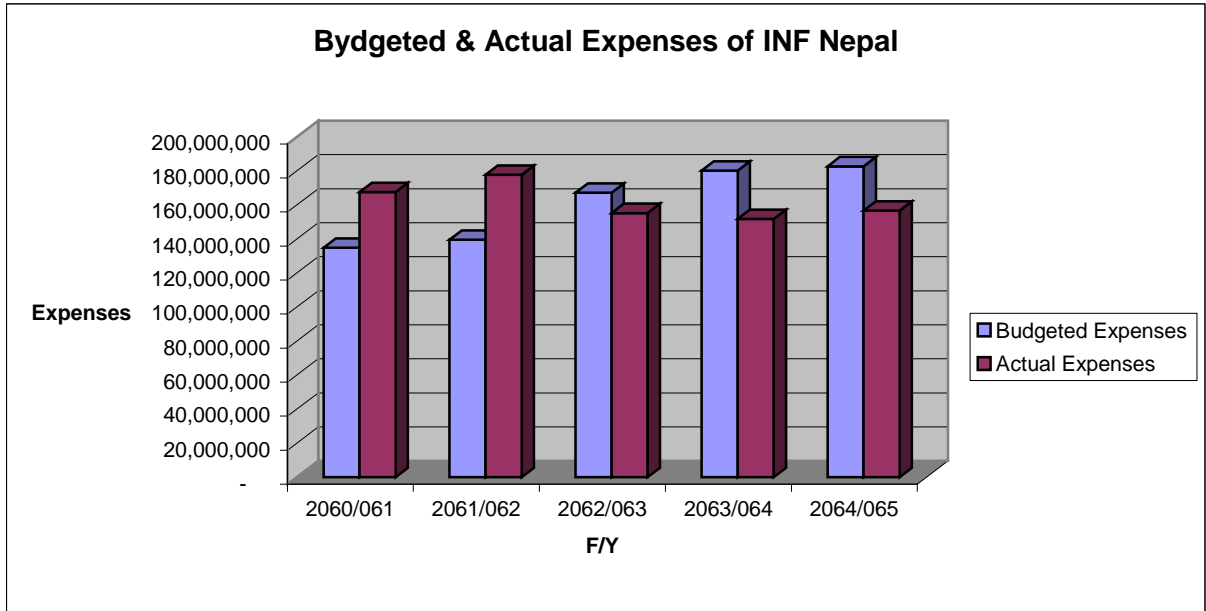
The average budgeted expenses represent by mean ( $\bar{X}$ ) which is Rs. 160.939 million and the actual average expenses, mean ( $\bar{Y}$ ) is Rs. 161.865 million. In this way, actual expenditure is more than that of budgeted.

Coefficient of variation in budgeted expenses (C.V<sub>x</sub>) is 12.48% and actual expenses (C.V<sub>y</sub>) is 5.89%. Since the C.V of actual expenses is less than budgeted expenses, so actual expenses is more consistent.

The coefficient of correlation (r) is -0.869, which means there is negative correlation between budgeted expenses and actual expenses. And the P.E. is 0.073, which is greater than r. so it is insignificant and perhaps there is no evidence of correlation between budgeted expenses and actual expenses.

The budgeted expenses and actual expenses of INF Nepal is presented in to following figure.

Figure: 4.2



### 4.1.3 Budgeted Income and Budgeted Expenses

Income accomplishes all the resources available within the organization. So all the resource incomes estimation in organization is known as budgeted income. Similarly, considering the budgeted income, areas of expenditure are estimated which is known as budgeted expenditure. Budgeted income and expenditure are estimated before the starting of the fiscal year. In case of INF Nepal budget is prepares by management committee and approved by INB. The details of budgeted income and expenses of INF Nepal are described below.

Table 4.3

#### Budgeted Income Vs Budgeted Expenses

Fiscal Year	Budgeted Income	Budgeted Expenses	Variance	%
2060/061	145,991,712	134,859,039	11,132,673	7.63%
2061/062	112,667,498	139,678,389	(27,010,891)	-23.97%
2062/063	137,025,342	167,228,698	(30,203,356)	-22.04%
2063/064	126,504,390	180,155,101	(53,650,711)	-42.41%
2064/065	138,709,493	182,776,685	(44,067,192)	-31.77%

Source: INF Nepal Consolidated Budget F/Y 2060/061 to 2064/065

Mean ( $\bar{X}$ ) = 132.179	Mean ( $\bar{Y}$ ) = 160.939
S.D. ( $\sigma_x$ ) = 11.574	S.D. ( $\sigma_y$ ) = 20.088
C.V <sub>x</sub> = 8.75%	C.V <sub>y</sub> = 12.48%
Coefficient of correlation (r) = 0.102	
P.E. = 0.298	

*Details of calculations are on Appendix – 3*

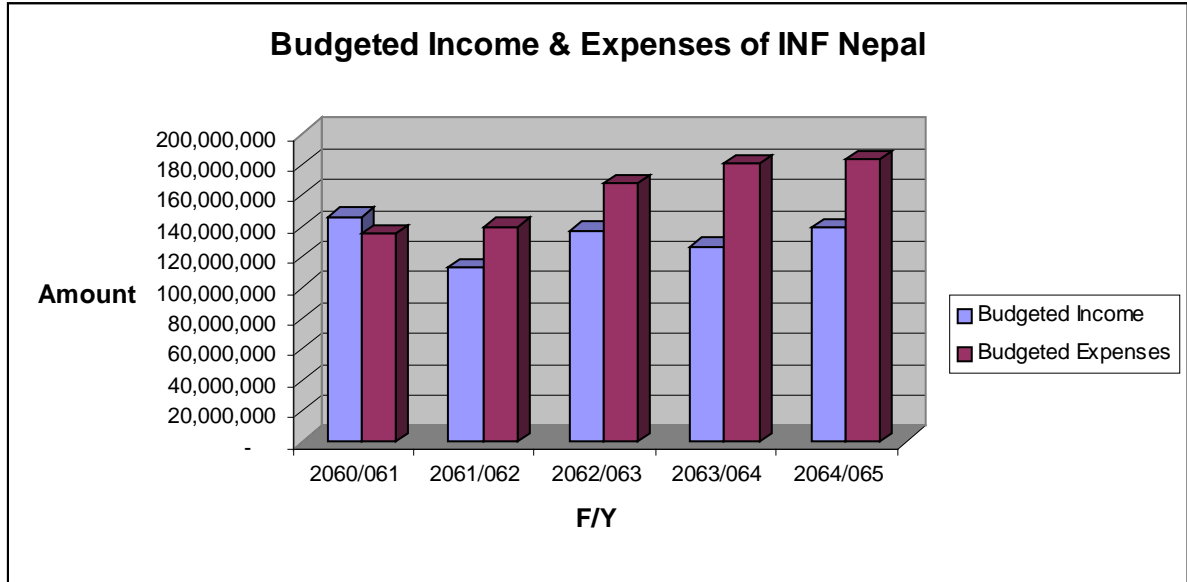
At the 4.3 table, it is shows that INF Nepal is adopting the deficit budget system. In F/Y 2060/061, there is positive variance by 7.63% in to budgeted income and budgeted expenses but in F/Y 2061/062, 2062/063, 2063/064 and 2064/065 the budget is negative variance by 23.97%, 22.04%, 42.41% and 31.77% respectively. In this way the sources of income in to organization are limited and area of expenditure are very high.

The average Budgeted income mean ( $\bar{X}$ ) is Rs. 132.179 million where as average budgeted expenses mean ( $\bar{Y}$ ) is Rs. 160.939 million. It is shows that budgeted expenses is very high that the income. Similarly, coefficient of variance in budgeted income (CV<sub>x</sub>) is 8.75% and budgeted expenses (CV<sub>y</sub>) is 12.48%. Since the CV of budgeted income is less than budgeted expenses, a budgeted expense is more consistent.

The correlation of coefficient (r) is 0.102, which indicates there is positive correlation between budgeted income and expenditure. Probable Error (P.E.) of budgeted income and expenses is 0.298 which is greater than r. So it is insignificant and perhaps there is no evidence of correlation between budgeted income and expenses.

The budgeted income and budgeted expenses of INF Nepal is represent by following figure.

Figure: 4.3



#### 4.1.4 Actual Income and Actual Expenses

After the recognition of income and expenditure (budget) organization does its financial activities. At the end of financial year, all the resource income and expenditure are summarized. Simply, the actual income and actual expenditure are guided by budget. Without justifiable reason no one can cross the limit of budget. Independent auditor audits such income and expenditure after the completion of the fiscal year. INF Nepal actual income and actual expenses are summarized below.

Table 4.4

#### Actual Income Vs Actual Expenses

Fiscal Year	Actual Income	Actual Expenses	Variance	%
2060/061	157,368,881	167,631,337	(10,262,456)	-6.52%
2061/062	182,531,819	177,762,002	4,769,817	2.61%
2062/063	150,329,982	155,313,158	(4,983,176)	-3.31%
2063/064	176,393,674	151,831,110	24,562,564	13.92%
2064/065	157,931,342	156,791,432	1,139,910	0.72%

Source: INF Nepal Consolidated Accounts F/Y 2060/061 to F/Y 2064/065

Mean ( $\bar{X}$ ) = 164.911	Mean ( $\bar{Y}$ ) = 161.865
S.D. ( $\sigma_x$ ) = 12.333	S.D. ( $\sigma_y$ ) = 9.542
C.V. <sub>x</sub> = 7.47%	C.V. <sub>y</sub> = 5.89%
Coefficient of correlation (r) = 0.428	
P.E. = 0.246	

*Details of calculations are on Appendix – 4*

Table 4.4 represents the actual income and expenses of INF Nepal. In F/Y 2060/061 actual expenses is more than actual income by 6.52%. It indicates that there was more expenditure than the income in that year. In F/y 2061/062 income is more than expenditure by 2.61% which is significant. In F/Y 2062/063 expenses is more than income by 3.31% which is not so much different. In F/Y 2063/064 income is more than expenditure by 13.92% and in F/Y 2064/065 income is more than expenditure by 0.72%. So in overall actual income and expenditure has not much gap and it can be acceptable.

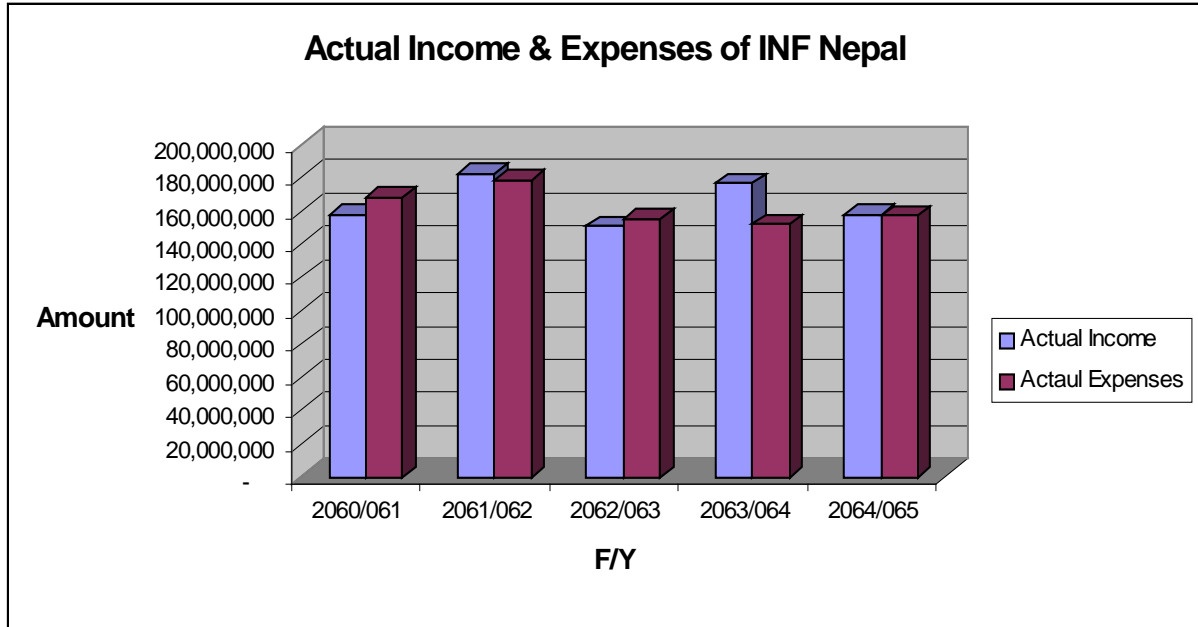
The mean of actual income ( $\bar{X}$ ) or average actual income of INF Nepal is Rs. 164.911 million where as mean actual expenditure ( $\bar{Y}$ ) or average actual expenditure is Rs. 161.865 million. So it is clear that average actual income is more than average expenditure.

Coefficient of Variance (CV) of actual income is 7.47% and CV of actual expenses is 5.89%. Since the CV of actual expenses is less than that of actual income, so actual expense is more consistent.

Coefficient of correlation (r) of actual income and actual expenses is 0.428 that is positively correlated and P.E. is 0.246. Here  $r > P.E.$  but r can't meet the product of 6 PE. So it can not be significant.

The above data can be presented in to diagram.

Figure: 4.4



#### 4.2 Position of Fund in INF Nepal

To operate organization successfully, fund plays the vital role. So, in INF Nepal funds are categories in to different heading and according to nature of work funds are used. The listed funds using in to INF Nepal are as follows.

a) **Unrestricted Fund:** The unrestricted funds have had incoming resources for the year from grants received from the INF worldwide, interest earned on fixed term deposits and service charges (levies from the programmes). General funds do not have any restriction in use. Such type of fund can be used any activities by INF Nepal. Currently INF has only one fund of this type, which is Central Office's general administration fund.

b) **Designated Funds:** These are the funds, which are set aside by the INF Nepal management for specific purposes. These funds can only be used for the specific activities such as fixed assets management fund, scholarship, redundancy, death and hospitalization funds.

c) **Restricted Operating Funds:** These funds are given for running of specific programme activities. These funds should be used for the specific programmes/ sections activities but not for other programmes. Most of the INF programmes funds are restricted operating funds.

d) **Restricted Purpose Funds:** The restricted purpose funds represent grants from donors that are restricted to particular aspects of a programme's activities. There is a restriction that grants received from such donors can not be used other than for the activities agreed by donors. For example poor funds.

e) **Capital Endowment Fund (Akshya Kosh):** These funds are set aside as a capital fund for specific activities. This fund is used to generate income to carry out the poor fund activities in the Western Regional Hospital.

The following represent the position of fund in INF Nepal.

Table 4.5  
Position of Fund in INF Nepal

Fiscal Year	Position of Fund										Total
	Unrestricted Funds	%	Designated Funds	%	Restricted operation Funds	%	Restricted purpose Funds	%	Capital endowment Fund	%	
2060/061	6,294,755	4.00%	7,868,444	5.00%	114,879,283	73.00%	25,179,021	16.00%	3,147,378	2.00%	157,368,811
2061/062	6,311,338	3.46%	2,774,163	1.52%	144,148,726	78.97%	26,731,592	14.64%	2,566,000	1.41%	182,531,819
2062/063	12,347,167	8.21%	3,910,596	2.60%	87,020,306	57.89%	46,499,604	30.93%	552,309	0.37%	150,329,982
2063/064	5,441,953	3.09%	18,424,210	10.44%	140,580,750	79.70%	11,946,761	6.77%	-	0.00%	176,393,674
2064/065	7,509,453	4.75%	17,456,606	11.05%	124,645,917	78.92%	8,319,366	5.27%	-	0.00%	157,931,342

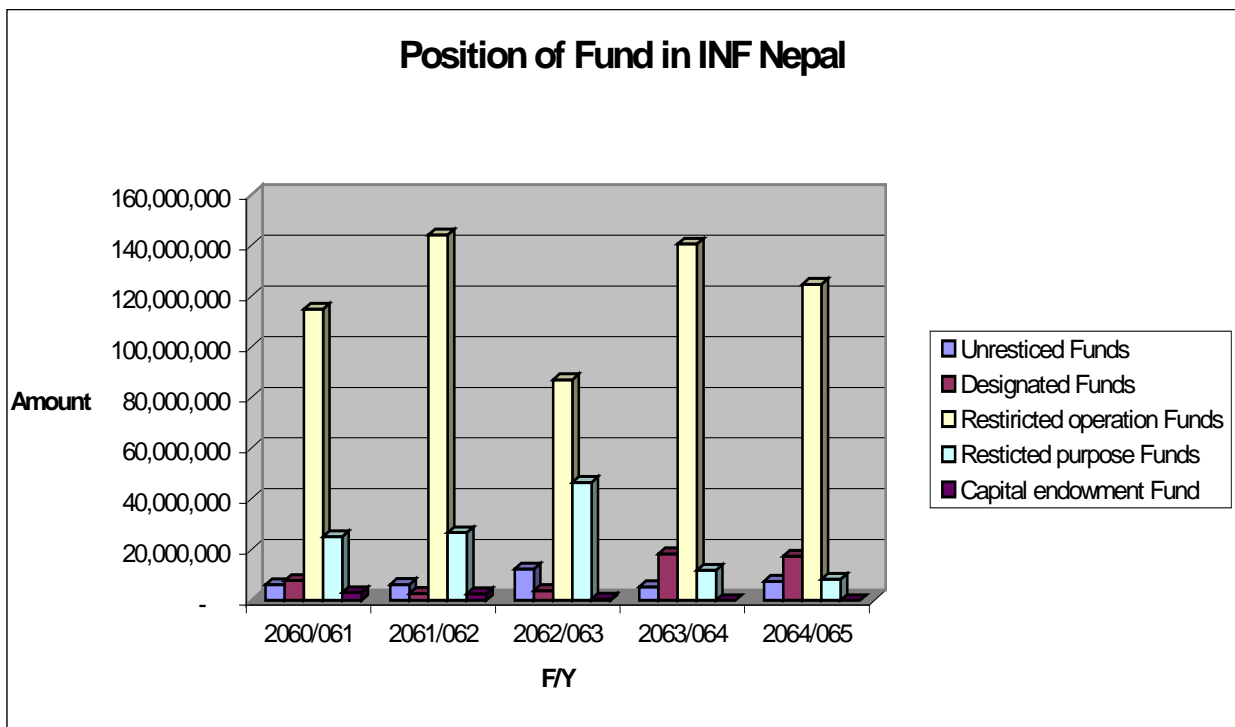
Source: INF Nepal Consolidated Accounts F/Y 2060/061 to F/Y 2064/065

Table 4.5 shows the position of fund in INF Nepal. INF Nepal maintains its fund in to five categories. They are unrestricted fund, designated fund, restricted operation fund, restricted purpose fund and capital endowment fund. In F/Y 2060/061 unrestricted fund covered 4% of total fund where as designated fund is 5%, restricted operation fund is 73%, restricted purpose fund is 16% and capital endowment fund is 2%. Similarly, in F/Y 2061/062 the

proportion of unrestricted fund is 3.46%, designated fund is 1.52%, restricted operation fund is 78.97%, restricted purpose fund is 14.64% and capital endowment fund is 1.41% respectively. In F/Y 2062/063 unrestricted fund is 8.21%, designated fund is 2.6%, restricted operation fund is 57.89%, restricted purpose fund is 30.93% and capital endowment fund is only 0.37%. In F/Y 2063/064 the unrestricted fund is 3.09%, designated fund is 10.44%, restricted operation fund is 79.7%, restricted purpose fund is 6.77% and capital endowment fund is nil. At the F/Y 2064/065 the position of fund in INF Nepal is unrestricted fund is 4.75%, designated fund is 11.05%, restricted operation fund is 78.92%, restricted purpose fund is 5.27% and capital endowment fund is nil. In this way, in INF Nepal restricted operation fund covers the major parts of funding.

The position of fund in INF Nepal is presented bar diagram as follows.

Figure: 4.5



### 4.3 Income and Expenditure Trend of INF Nepal.

Social motivation and commitment for change will encourage forming NGO. Without generation resources such as human resource, kind and cash NGO can not attain activities. INF Nepal also generates its income from various sources and makes the expenditure. The main sources of incomes are grants and donation from international agencies, INGOs, foreign churches, organizations and individual etc. Similarly, in local level its sources of income are investment (bank interest), membership fee, patient and services fee, vehicle income etc. In the part of the income and expenditure; whether income can cover the expenditure or not it is very much important. So the detail analysis of income and expenditure of INF Nepal is described below.

Table 4.6

Actual Income and Expenditure of INF Nepal

Fiscal Year	Income	Increase(Decrease)	Expenditure	Increase(Decrease)
2060/061	157,368,881	0.00%	167,631,337	0.00%
2061/062	182,531,819	13.79%	177,762,002	5.70%
2062/063	150,329,982	-21.42%	155,313,158	-14.45%
2063/064	176,393,674	14.78%	151,831,110	-2.29%
2064/065	157,931,342	-11.69%	156,791,432	3.16%

*Source: INF Nepal Consolidated Accounts F/Y 2060/061 to F/Y 2064/065*

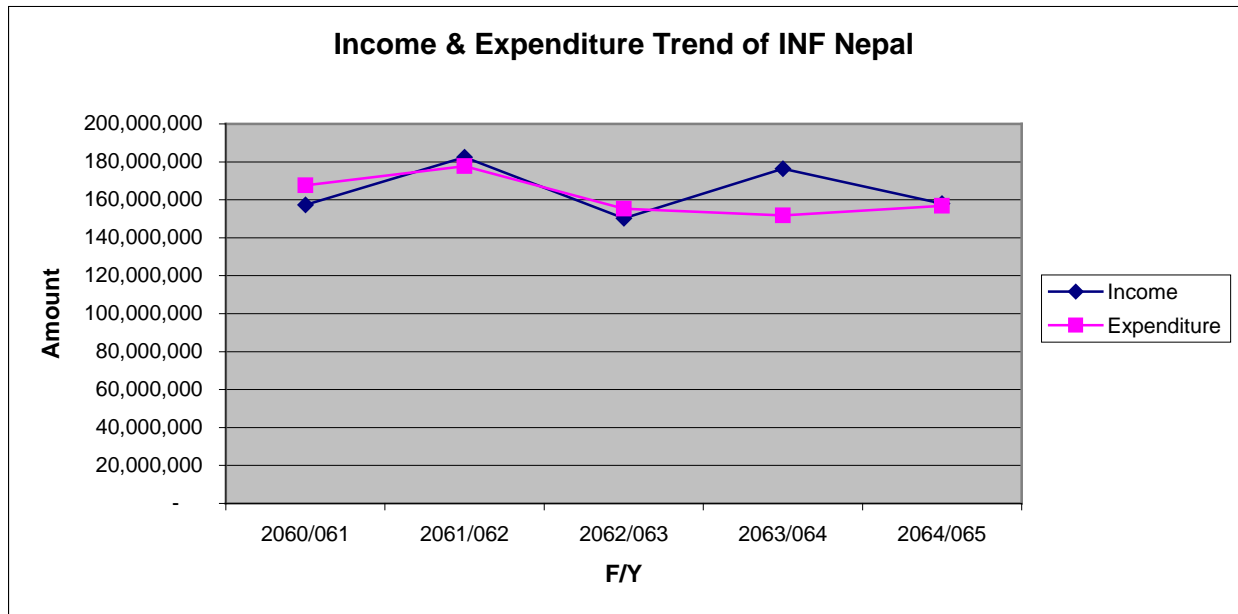
By the trend the income of INF Nepal is increasing in F/Y 2061/062 and 2063/064 by 13.79% and 14.78% respectively. But in F/Y 2062/063 and 2064/065 the income is decreasing by 21.42% and 11.69%. The income is much decreasing in to F/Y 2063/064 by 21.42% and it is most increasing in to F/Y 2063/064 by 14.78%.

Similarly, the expenditure is increasing in to the F/Y 2061/062 by 5.70% but it is too much decreasing in to F/Y 262/063 by the 14.45%. It is shows that when income is increase in top level i.e. 14.78% but expenditure is decreasing by

2.29% in the same year. It might be for fulfilling the deficit of the budget of the previous years.

The income and expenditure trend of INF Nepal is shown in figure as follows.

Figure: 4.6



#### 4.4 Internal Resources in the INF Nepal

The income, which is generated organization itself, is known as internal income. By selling of goods and services organization generate the income. Mostly, NGOs are depends up on the donation and grants. For long life of the organization, internal resources take the vital role.

##### 4.4.1 Internal Resources in the INF Nepal

INF Nepal makes the income in local level from the various sources. The major sources of local incomes are bank interest, patient fees, vehicle income, services fees and other miscellaneous income, which are shown below.

Table 4.7

## Internal Resources in the INF Nepal

Fiscal Year	Bank Interest	%	Vehicle Income	%	Patient Fee	%	Services fee	%	Other mis. Income	%
2060/061	-	0.00%	136,425	1.36%	-	0.00%	2,587,037	25.80%	7,304,421	72.84%
2061/062	2,614,748	19.03%	346,477	2.52%	-	0.00%	1,888,687	13.74%	8,893,140	64.71%
2062/063	4,635,508	32.80%	581,015	4.11%	3,889,437	27.52%	333,153	2.36%	4,694,207	33.21%
2063/064	5,443,277	33.85%	1,115,868	6.94%	5,224,967	32.49%	99,965	0.62%	4,198,302	26.10%
2064/065	6,517,800	45.55%	618,787	4.32%	3,466,433	24.23%	143,638	1.00%	3,562,469	24.90%

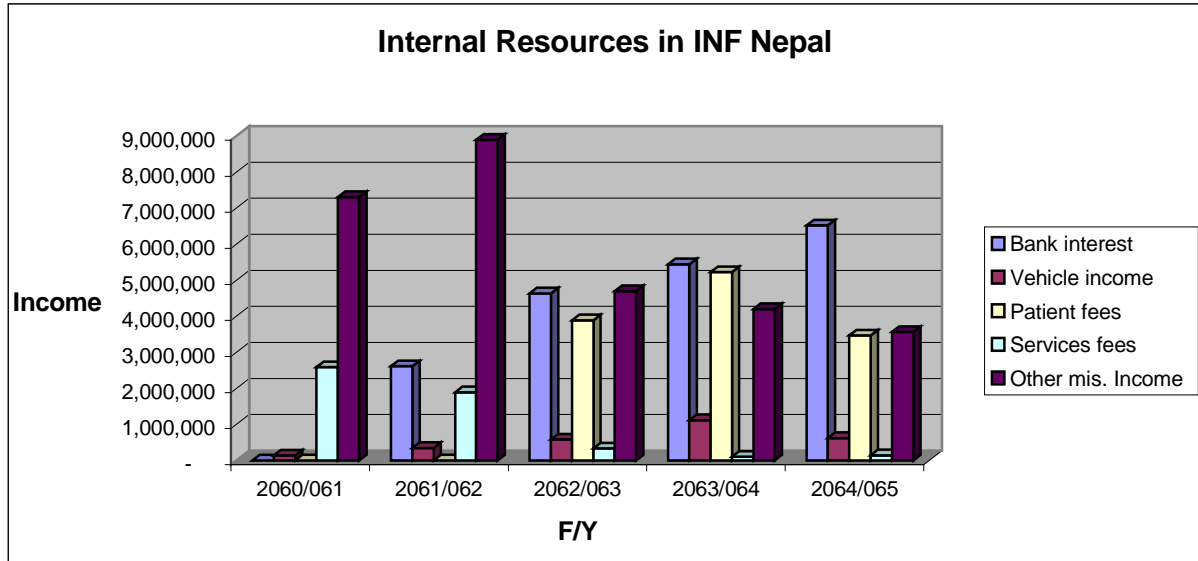
Source: INF Nepal Consolidated Accounts F/Y 2060/061 to 2064/065

The table 4.7 shows that in fiscal year 2060/061, other miscellaneous income is 72.84%, which is very high. In this financial year INF has recorded the bank interest and patient fee in to other miscellaneous income. Similarly in the Fiscal year 2061/062, other miscellaneous income is 64.71%, which is lower than last year. It is so, because of the bank interest is covered by 19.03% of total income. In fiscal year 2062/063, other miscellaneous income is 33.21%, and Bank Interest is 32.80%, which is near to other miscellaneous income. In this year patient fee is covered by 27.52%, Vehicle income is 4.11% and Services fee is 2.36%. In the Fiscal year 2063/064, Bank interest is more than others, which covers the 33.85% of total local income. In this year patient fee is 32.49%, other income is 26.10%, vehicle income is 6.94% and services fee is 0.62% which is very less. Lastly, in fiscal year 2064/064, Bank interest covers the 45.55%, miscellaneous income is 24.90%, Patient fee is 24.23%, vehicle income is 4.32% and services fee is 1.00%.

By the above calculations we can conclude that Bank interest is one of the major income as internal resources. Afterwards patient fee also major sources of local income in INF Nepal.

We can preset this figure in to bar diagram too.

Figure: 4.7



#### 4.4.2 Total Income and Local Income

In this part, the total income of INF Nepal is analyzed. To know the donor dependency and local dependency, all the incomes are considered which might be give the result of financial sustainability. In donor income, total of donor grants, donation and gift, grant form INFW and donated services and equipment are entailed and in local income investment incomes (bank interest), vehicle income, patient fees, services fees and other miscellaneous incomes are entailed. The donor income and local income of INF Nepal is as follows.

Table 4.8

Total Income Vs Local Income

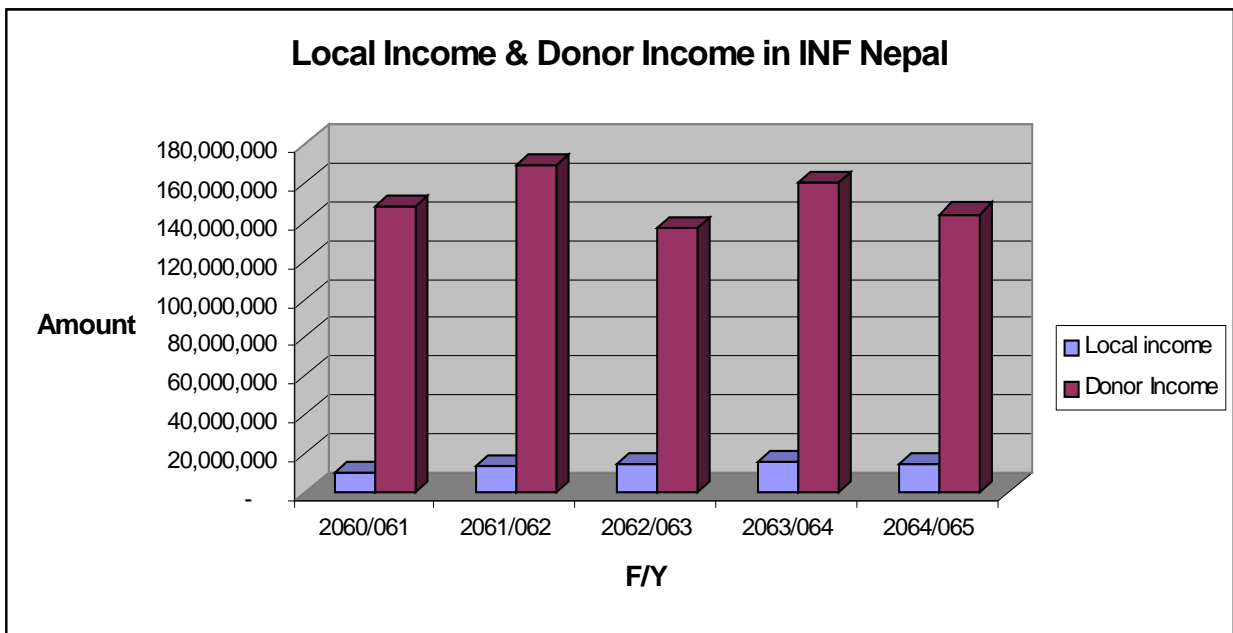
Fiscal Year	Local income	Donor Income	Total Income	Local Income %	Donor Income %
2060/061	10,027,883	147,340,998	157,368,881	6.37%	93.63%
2061/062	13,743,052	168,788,767	182,531,819	7.53%	92.47%
2062/063	14,133,320	136,196,662	150,329,982	9.40%	90.60%
2063/064	16,082,379	160,311,295	176,393,674	9.12%	90.88%
2064/065	14,309,127	143,622,215	157,931,342	9.06%	90.94%

Source: INF Nepal Consolidated Accounts F/Y 2060/061 to 2064/065

The financial resource mobilization in to INF Nepal is almost depends up on donor income. In F/Y 2060/061 the donor dependency is 93.63% and local resources is covered only 6.37%. After wards local income is slidly increase. In F/Y 2061/062 local income covers 7.53% and donor incomes covers 92.47% respectively. Similarly in F/Y 2062/063 local income is 9.40% of total income and donor income is 90.60%. In F/Y 2063/064 the ratio of local and donor income is 9.12% and 90.88% respectively. In the F/Y 2064/065, donor income is 90.94% and local income is 9.06% only. However local income is increasing, but it is not sufficient as financial sustainability. So INF Nepal should find out new income areas for the local income so that we can think its long life.

Local income and donor income of INF Nepal is represent by following figure.

Figure: 4.8



#### **4.5 Major Findings of the Study**

On the basis of different analysis, observation, information and discussion the following major findings have been drawn.

1. The actual income of the INF Nepal is higher than budgeted income in all the financial year. Mean budgeted income of INF Nepal is Rs. 132.179 million whereas as mean actual income is Rs. 164.911 million.
2. The coefficient of variation (CV) of budgeted income is 8.75% and coefficient of variation of actual income is 7.47%. So, actual income of INF Nepal is more consistent than budgeted income.
3. In F/Y 2060/061 budgeted and actual income is more realistic which is varied by 7.79% but in F/Y 2061/062 it is very unrealistic which is varied by 62.01%
4. The budgeted expenses and actual expenses are more realistic in F/Y 2062/063 which is positive variance by 7.13% but it is unrealistic on F/Y 2061/062 which is negative variance by 27.27%. In overall, the budgeted and actual expenses are not good.
5. The coefficient of correlation (r ) is  $-0.869$  and probable error (PE) is 0.073. So, there is no evidence of correlation between budgeted expenses and actual expenses.
6. The average budgeted income of INF Nepal is Rs. 132.179 million and an average budgeted expense is Rs. 160.939 million. So, the INF Nepal is forecasting its budget on deficit budgetary system.
7. The gap between budgeted income and budgeted expenses is least on F/Y 2060/061 which is positive variance by 7.63% but the gap is highest on F/Y 2063/064 which is negative variance by 42.41%. So, budgeted income and expenses are good estimated on F/Y 2060/061 and bad estimated on F/Y 2063/064.

8. Coefficient of variation (CV) of budgeted income is 8.75% whereas budgeted expenses is 12.48%. So, budgeted income is more consistent.
9. The actual income and actual expenditure in F/Y 2064/065 is Rs. 157,931,342.00 and 156,791,492.00 respectively. So it is very less variance on F/Y 2064/065 but in F/Y 2063/064 actual income is 176,393,674.00 and actual expenses is 151,831,110.00 respectively. In that fiscal year, there was more variance (13.92%).
10. Average (mean) of actual income is more than actual expenditure. In which actual average income is 164.911 million and actual average expenditure is Rs. 161.865 million.
11. INF Nepal has maintaining its account on fund accounting system. It's almost funds are restricted operation fund.
12. Unrestricted fund of INF Nepal is covered on average of 5% in total fund.
13. In F/Y 2063/064 actual income was increased by 14.78% but in F/Y 2062/063 it was decreased by 21.42%. Actual expenditure was increased by 5.70% in F/Y 2061/062 and decrease by 14.45% on F/Y 2062/063. So, there is no perfect relationship between income and expenditure trend of INF Nepal.
14. Bank interest is the very major source of local income in INF Nepal which covers 19.03%, 32.80%, 33.85%, 45.55% in F/Y 2061/062, to F/Y 2064/065 respectively. After that patient fee also important source which is 27.52% 32.49% and 24.32% form F/Y 2062/063 to F/Y 2064/065. Similarly, vehicle income and other miscellaneous income also takes important place for local source of income.
15. More than 90% of total income in INF Nepal is covered by donor income and less than 10% income is generated form local source. So, on the point of view of financial sustainability INF Nepal is very weak.

## **Chapter V**

### **Summary, Conclusion and Recommendation**

#### **5.1 Summary**

Budget is a guideline of annual programmes and policies of an organization. Budgeting and its proper practice are one of the most important management tools for planning and controlling the financial activities. It is the estimation of income and expenditure of an organization. Without approval of budget by the authorized body no organizations can make the expenditure. Budget is the clear picture of sources of income and areas of expenditure.

Nepal is one of the least developing countries. For the proper development of the country Government of Nepal, Non-Government Organizations (NGOs), International Non-Government Organizations (INGOs), International agencies and foreign country have been a single forum. NGO in Nepal have been working as supporting organizations of Nepal Government. They have been supporting in several fields including health and development. The rapid increased number of NGOs shows the significance of it. The NGOs even have been supporting Government by providing employment to thousand of people in the country. However, the sustainability parts of NGOs in terms of financial matter has been always challenge as several NGOs have been carrying a office in bag with one minutes writing file. The close down and malfunctioning of several NGOs, the saddest part of the field, have aroused the questions of the financial sustainability. They are trying to boost up the country by economical

development, social development and political development with the financial and technical assistance. Among them INF is an I/NGO working to the Nepali people through health and social development probably the marginalised people in the western and mid-western region of Nepal.

INF Nepal was established in 1952 A.D probably the second longest serving NGO in Nepal. Its head office is located at Simpani, Pokhara and six programmes as a service centre. They are INF Kaski programme, INF Banke programme, INF Surkhet programme, INF Dang programme, INF Jumla programme and INF mugu programme. To support its work INF worldwide Limited is registered at Australia and its support office is in Kathmandu which assist INF Nepal as financial and technical assistant.

INF Nepal budget is prepared by the management team (MT) and approved by INF Nepal board (INB) meeting. Its budgeted year is starts from 1<sup>st</sup> of shrawan and ends at 31<sup>st</sup> ashad. After the execution of six months (poush) INF Nepal review its budget with the most likely outcomes (MLO). So the MLO can be revised the budget and such authority is given only by MT meeting according to programme co-ordination forum (PCF) meeting. By looking the past activities and position of the fund the MLO is forecasted. As a whole INF Nepal forecast the budget as availability of the fund and programmes requirement. Many international donor agencies, organizations and individuals are the partner of INF (GLRA, FHI, Baptist World, Tear Fund UK, Tear Fund Australia, DFID, USAID, Global Fund), which support the INF Nepal by financial help.

The objective of the study is an analysis of budgeting practice applied by INF Nepal. So, the study is concentrates in financial and accounting aspects.

The study is a case study. Data are collected from both surceases i.e. primary sources and secondary sources. However secondary data are mostly used for analyzed. Some accounting and statistical tools like arithmetic mean, standard deviation, probable error, coefficient of variation, coefficient of correlation, trend analysis are used for analyzed data. The study has been organized in five main chapters consisting of introduction, review of literature, research methodology, data presentation and analysis and finally summary, conclusion and recommendation.

The study has covered five financial year i.e. F/Y 2060/061 to F/Y 2064/065. On the analysis of the financial data, major findings of the study are as follows.

- Actual income of INF Nepal is higher than budget income.
- INF Nepal is adopting deficit budgetary system.
- Most of the income in INF Nepal is covered by donor income, which is more than 90% of total income.
- The major sources of local income are bank interest (investment), patient fee, vehicle income and other miscellaneous income.
- Financial sustainability of INF Nepal is seems poor due to the local operational income is lesser than donor income i.e. less than 10% of total income.

## 5.2 Conclusion

After analyzing the budgeting practice of INF Nepal, this study concludes the following points.

1. The budgeted income and actual income of the INF Nepal is very much different. More over budgeted income does not correspond with actual income. This concludes that budgeted income and actual income is not realistic.
2. The projection of budget expenses and actual expenses is not good. There are huge gaps between budgeted expenses and actual expenses.
3. INF Nepal adopting deficit budgeting system. So budgeted expense is higher than budget income. It may create funding crisis in longrun.
4. The actual income and actual expenditure of INF Nepal is quite good. There is positive correlation between actual income and actual expenditure.
5. Most of the fund in INF Nepal is restricted operation fund (in average of 70% of total fund) which might help to run specific programmes work and proportion of unrestricted fund is very low (in average of 5% of total fund).
6. Due to the proportion of the unrestricted fund is very nominal it may create central management to face new challenges to fulfill the funding gap.
7. There is no perfect relationship between income and expenditure trend of INF Nepal.
8. Major part of the local income in INF Nepal is covered by bank interest that is not core activities of organization. The bank interest is earned on reserve fund and the fund may use in deficit areas so it is not permanent source of income. Other areas of income are very nominal.

9. The total income of INF Nepal is composed of grants, donation, gift and local income. The share of internal income has remained less than 10% of total income. Due to this financial sustainability of INF Nepal is very weak.
10. According to organizational structure the practice of accounting system also changed in INF Nepal. In 2005 INF has change its accounting practice. It is so consistency in accountancy can not be obtained in INF Nepal.

### **5.3 Recommendations**

After the detailed analysis of budgeting practice of INF Nepal, some suggestions have been recommended on the basis of major findings. In order to improve the performance of INF Nepal it should adopt the comprehensive budgeting system from the very beginning to end. The following points will prove to be useful to the management of INF Nepal, other concern institutions, donor agencies and individuals.

1. Actual income of the INF Nepal is higher than budgeted income so, INF Nepal is not properly estimated its sources of income. To minimize the gap between actual income and budgeted income INF Nepal should know the sources of income in very deeply and to be consider while preparing budget.
2. The projection of budgeted expenses and the actual expenses are not good. To implement the work, INF Nepal should strictly follow the budget so that over expenses can be minimized.
3. INF Nepal is followed the deficit budgeting system. Due to INF Nepal is charitable organization, it should not be very aggressive in financial management.
4. INF Nepal actual income and actual expenses are more realistic, so it should continue by correcting the minimum loopholes.
5. The proportion of unrestricted fund of INF Nepal is not so good. Management should try to increase its proportion so that INF can fulfill the gap of funding in lacking area because this is the only one fund, which has no restriction to use anywhere.
6. According to income trend, INF should make the expenditure because there is no perfect relationship between income and expenditure trend.

7. Major source of local income of INF Nepal is bank interest, which is earned from reserve fund. If the reserve fund is used to fulfill the funding gap, interest will minimize. So, other sources of local income should be identifying for its sound financial situation.
8. INF Nepal should minimize the gap between donor income and local income so that financial sustainability of the organization can be built. To minimize the gap, it should identify the new sources of income in to local level.

## **Bibliography**

Adhikari, Mukunda Prasad (2008). Financial Sustainability of NGO working in health and development sector in the western region of Nepal, Diss. submitted to Apex College, Pokhara University

Agrawal, Govinda Ram (2001). Organizational Behaviour in Nepal. Kathmandu: M.K. Publishers and Distributors.

Bagale, Ganga Prasad (2005). An Analysis of Budgetary Practices of HMG/Nepal, Diss. submitted to Nepal Commerce Campus, T.U.

Bajracharya, B.C.(2053). Business Statistic and Mathematics. Kathmandu: M.K. Publishers and Distributors.

Banerjee, Bhabatosh (2005). Financial Policy and Management Accounting. New Delhi: Prentice Hall of India Pvt. Ltd.

Chhetri, Dipak Thapa (2007). Local Government Finance in Nepal, A case Study of Syangja DDC, Diss. Submitted to Prithivi Narayan Campus, T.U.

Dangol, Ratna Man (2056). Management Accounting. Kathmandu: Taleju Prakashan.

Dhakal, Thakur Nath (1997). Financial Management System of Neplease NGOs, Diss. Submitted to Nepal Commerce Campus, T.U.

Goet, Joginder, Bhattarai, Ishwor and Gautam, Akshay (2062). Budgeting: Profit Planning and Control. Kathmandu: Asmita Books Publishers and Distributors.

Goyal, S.N.Man Mohan, (1999). Principles of Management Accounting. Agra: Sahitya Bhawan.

Gupta, B.N. (1967). Government Budgeting with Special reference to India. Bombay: Asia Publishing House.

Hilton, Ronald W. (1999). Managerial Accounting. USA: The Mcgrew, Hill Companies.

INF Nepal Consolidated Accounts, F/Y 2060/061 to F/Y 2064/065

INF Nepal Consolidated Budgets, F/Y 2060/061 to F/Y 2064/065

Lennon M., Kathryan K. G. (1963). Operating Budget Manual. USA: Municipal Finance.

Munakarmi, S.P. (2002). Management Accounting. Kathmandu: Buddha Academy Publishers and Distributors.

Pandey I.M. (1990). Financial Management. New Delhi: Vikash Publishing House Pvt. Ltd.

Panta, Ganesh Datta (2006). Budgeting Practices in The Timber Corporation of Nepal, Diss. Submitted to Nepal Commerce Campus, T.U.

Panta, Hari Prasad (2006). Budgetary Practices in Nepal Telecom and Nepal Electricity Authority, Diss. Submitted to Nepal Commerce Campus, T.U.

Parajuli, Basanta Raj (2004). A Study on Personnel Administration in non-government organization, A Case Study of the International Nepal Fellowship, Pokhara, Diss. Submitted to Prithivi Narayan Campus, T.U.

Shrestha, Manamohan and Bajimaya, Machhindra (2044). Government Accounting System of Nepal and Budgeting. Kathmandu: Suman Enterprises.

Wagle, Keshav Nath and Dahal Rewn Kumar (2004). Management Accounting. Kathmandu: Khanal Books and Stationery.

Wolff, Howard K. and Panta, Prem Raj (2005). Social Science Research and Thesis Writing. Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.

[www.adb.org/ngo](http://www.adb.org/ngo) (June 2009)

[www.inf.org](http://www.inf.org) (June 2009)

[www.marcbowles.com/courses/adv](http://www.marcbowles.com/courses/adv) (July 2009)

[www.ngo.org/ngoinfo/define](http://www.ngo.org/ngoinfo/define) (May 2009)

[www.poli-sci.utah.edu](http://www.poli-sci.utah.edu) (August 2009)

[www.un.org](http://www.un.org) (July 2009)

## Appendix – 1

### Budgeted Income Vs Actual Income

Fiscal Year	Budgeted Income	Actual Income	Budget (X)	Actual (Y)	x = (X-X)	y = (Y-Y)	x <sup>2</sup>	y <sup>2</sup>	xy
2060/061	145,991,712	157,368,881	145.992	157.369	13.812	-7.542	190.772	56.886	-104.174
2061/062	112,667,498	182,531,819	112.667	182.532	-19.512	17.621	380.726	310.488	-343.818
2062/063	137,025,342	150,329,982	137.025	150.330	4.846	-14.581	23.480	212.610	-70.655
2063/064	126,504,390	176,393,674	126.504	176.394	-5.675	11.483	32.209	131.849	-65.167
2064/065	138,709,493	157,931,342	138.709	157.931	6.530	-6.980	42.638	48.718	-45.577
<b>Total</b>			<b>ΣX=660.898</b>	<b>ΣY=824.556</b>	<b>0.000</b>	<b>0.000</b>	<b>669.825</b>	<b>760.550</b>	<b>-629.391</b>

$$\text{Mean } (\bar{X}) = \frac{\Sigma X}{N} = \frac{660.898}{5} = 132.179$$

$$\text{Mean } (\bar{Y}) = \frac{\Sigma Y}{N} = \frac{824.556}{5} = 164.911$$

Standard Deviation (S.D.) of X

$$\begin{aligned} \sigma_x &= \sqrt{\frac{1}{N} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 669.825} \\ &= 11.574 \end{aligned}$$

Standard Deviation (S.D.) of Y

$$\begin{aligned} \sigma_y &= \sqrt{\frac{1}{N} \sum (Y - \bar{Y})^2} = \sqrt{\frac{1}{5} \times 760.550} \\ &= 12.333 \end{aligned}$$

Coefficient of Variance (CV) of X

$$C.V._x = \frac{\sigma}{\bar{X}} \times 100 \% = \frac{11.574}{132.179} \times 100 \% = 8.75\%$$

Coefficient of Variance (CV) of Y

$$C.V._y = \frac{\sigma}{\bar{Y}} \times 100 \% = \frac{12.333}{164.911} \times 100 \% = 7.47\%$$

Coefficient of correlation (r)

$$r = \frac{\Sigma XY}{\sqrt{\Sigma x^2 \times \Sigma y^2}} = \frac{-629.391}{\sqrt{669.825 \times 760.550}} = -0.881$$

Probable Error (P.E.)

$$P.E = 0.6745 \frac{1-r^2}{\sqrt{n}} = 0.6745 \frac{1-(-0.881)^2}{\sqrt{5}} = 0.067$$

## Appendix - 2

### Budgeted Expenses Vs Actual Expenses

Fiscal Year	Budgeted Exp.	Actual Exp.	Budget (X)	Actual (Y)	x=(X-X)	y=(Y-Y)	x <sup>2</sup>	y <sup>2</sup>	xy
2060/061	134,859,039	167,631,337	134.859	167.631	-26.081	5.766	680.195	33.241	-150.368
2061/062	139,678,389	177,762,002	139.678	177.762	-21.261	15.896	452.038	252.689	-337.972
2062/063	167,228,698	155,313,158	167.229	155.313	6.289	-6.553	39.553	42.937	-41.210
2063/064	180,155,101	151,831,110	180.155	151.831	19.216	-10.035	369.236	100.695	-192.822
2064/065	182,776,685	156,791,432	182.777	156.791	21.837	-5.074	476.859	25.749	-110.810
<b>Total</b>			<b>804.698</b>	<b>809.329</b>	<b>0.000</b>	<b>0.000</b>	<b>2017.881</b>	<b>455.312</b>	<b>-833.182</b>

$$\text{Mean } (\bar{X}) = \frac{\Sigma X}{N} = \frac{804.698}{5} = 160.939$$

$$\text{Mean } (\bar{Y}) = \frac{\Sigma Y}{N} = \frac{809.329}{5} = 161.865$$

Standard Deviation (S.D.) of X

$$\begin{aligned} \sigma_x &= \sqrt{\frac{1}{N} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 2017.881} \\ &= 20.089 \end{aligned}$$

Standard Deviation (S.D) of Y

$$\begin{aligned} \sigma_y &= \sqrt{\frac{1}{N} \sum (Y - \bar{Y})^2} = \sqrt{\frac{1}{5} \times 455.312} \\ &= 9.542 \end{aligned}$$

Coefficient of Variance (CV) of X

$$C.V._x = \frac{\sigma}{\bar{X}} \times 100 \% = \frac{20.089}{160.939} \times 100 \% = 12.48\%$$

Coefficient of Variance (CV) of Y

$$C.V._y = \frac{\sigma}{\bar{Y}} \times 100 \% = \frac{9.542}{161.865} \times 100 \% = 5.89\%$$

Coefficient of correlation (r)

$$r = \frac{\sum XY}{\sqrt{\Sigma x^2 \times \Sigma y^2}} = \frac{-833.182}{\sqrt{2017.881 \times 455.312}} = -0.869$$

Probable Error (P.E.)

$$P.E = 0.6745 \frac{1-r^2}{\sqrt{n}} = 0.6745 \frac{1-(-0.869)^2}{\sqrt{5}} = 0.073$$

## Appendices – 3

### Budgeted Income Vs Budgeted Expenses

Fiscal Year	Budgeted Inc.	Budgeted Exp.	Income (X)	Expenses (Y)	x=(X-X)	y=(Y-Y)	x <sup>2</sup>	y <sup>2</sup>	xy
2060/061	145,991,712	134,859,039	145.992	134.859	13.812	(26.081)	190.772	680.195	-360.225
2061/062	112,667,498	139,678,389	112.667	139.678	(19.512)	(21.261)	380.726	452.038	414.852
2062/063	137,025,342	167,228,698	137.025	167.229	4.846	6.289	23.480	39.553	30.475
2063/064	126,504,390	180,155,101	126.504	180.155	(5.675)	19.216	32.209	369.236	-109.054
2064/065	138,709,493	182,776,685	138.709	182.777	6.530	21.837	42.638	476.859	142.592
<b>Total</b>			<b>660.898</b>	<b>804.698</b>	<b>-</b>	<b>(0.000)</b>	<b>669.825</b>	<b>2017.881</b>	<b>118.640</b>

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = \frac{660.898}{5} = 132.179$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = \frac{804.698}{5} = 160.939$$

Standard Deviation (S.D.) of X

$$\sigma_x = \sqrt{\frac{1}{N} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} 669.825} = 11.574$$

Standard Deviation (S.D) of Y

$$\sigma_y = \sqrt{\frac{1}{N} \sum (Y - \bar{Y})^2} = \sqrt{\frac{1}{5} \times 2017.811} = 20.088$$

Coefficient of Variance (CV) of X

$$C.V._x = \frac{\sigma}{\bar{X}} \times 100 \% = \frac{11.574}{132.179} \times 100 \% = 8.756\%$$

Coefficient of Variance (CV) of Y

$$C.V._y = \frac{\sigma}{\bar{Y}} \times 100 \% = \frac{20.088}{160.939} \times 100 \% = 12.481\%$$

Coefficient of correlation (r)

$$r = \frac{\sum XY}{\sqrt{\sum x^2 \times \sum y^2}} = \frac{118.640}{\sqrt{669.825 \times 2017.881}} = 0.102$$

Probable Error (P.E.)

$$P.E = 0.6745 \frac{1-r^2}{\sqrt{n}} = 0.6745 \frac{1-(0.102)^2}{\sqrt{5}} = 0.298$$

## Appendix – 4

### Actual Income Vs Actual Expenses

Fiscal Year	Actual Inc.	Actual Exp.	Income (X)	Expenses (Y)	x=(X-X)	y=(Y-Y)	x <sup>2</sup>	y <sup>2</sup>	xy
2060/061	157,368,881	167,631,337	157.369	167.631	(7.542)	5.766	56.886	33.241	-43.485
2061/062	182,531,819	177,762,002	182.532	177.762	17.621	15.896	310.488	252.689	280.102
2062/063	150,329,982	155,313,158	150.330	155.313	(14.581)	(6.553)	212.610	42.937	95.545
2063/064	176,393,674	151,831,110	176.394	151.831	11.483	(10.035)	131.849	100.695	-115.224
2064/065	157,931,342	156,791,432	157.931	156.791	(6.980)	(5.074)	48.718	25.749	35.418
<b>Total</b>			<b>824.556</b>	<b>809.329</b>	<b>(0.000)</b>	<b>(0.000)</b>	<b>760.550</b>	<b>455.312</b>	<b>252.356</b>

$$\text{Mean } (\bar{X}) = \frac{\Sigma X}{N} = \frac{824.556}{5} = 164.911$$

$$\text{Mean } (\bar{Y}) = \frac{\Sigma Y}{N} = \frac{809.329}{5} = 161.865$$

Standard Deviation (S.D.) of X

$$\sigma_x = \sqrt{\frac{1}{N} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 760.550}$$

$$= 12.333$$

Standard Deviation (S.D) of Y

$$\sigma_y = \sqrt{\frac{1}{N} \sum (Y - \bar{Y})^2} = \sqrt{\frac{1}{5} \times 455.312}$$

$$= 9.542$$

Coefficient of Variance (CV) of X

$$C.V._x = \frac{\sigma}{\bar{X}} \times 100 \% = \frac{12.333}{164.911} \times 100 \% = 7.748\%$$

Coefficient of Variance (CV) of Y

$$C.V._y = \frac{\sigma}{\bar{Y}} \times 100 \% = \frac{9.542}{161.865} \times 100 \% = 5.895\%$$

Coefficient of Correlation (r)

$$r = \frac{\sum XY}{\sqrt{\Sigma X^2 \times \Sigma Y^2}} = \frac{252.356}{\sqrt{760.550 \times 455.312}} = 0.428$$

Probable Error (P.E.)

$$P. = 0.6745 \frac{1-r^2}{\sqrt{n}} = 0.6745 \frac{1-(0.428)^2}{\sqrt{5}} = 0.246$$

## Appendix: 5

### Questionnaire using personal interview

1. When INF established?  
☞ In 1952 A.D.
2. How many Service centre (branches) are in INF Nepal?  
☞ Six service centre (INF Kaski Programme, INF Banke Programme, INF Surkhet programme, INF Dang Programme, INF Jumla Programme, INF Mugu Programme), INF Central office at Pokhara and INF Worldwide at Australia.
3. How many employees are currently working in INF Nepal?  
☞ Nepalese 332 employees and 27 ex-part volunteers.
4. What is the accounting year of INF Nepal?  
☞ As Nepali fiscal year (starts at 1<sup>st</sup> Sharwan and ends at 31<sup>st</sup> Ashad)
5. Who are involved to prepare budget in INF Nepal?  
☞ Department heads, section heads, managers and directors
6. Who approve the budget?  
☞ INF Nepal board.
7. What is the monthly average expenditure of INF Nepal?  
☞ Rs. 10.5 million.
8. Which accounting system is adopting by INF?  
☞ Fund accounting system base on zero base budgeting.
9. How often you prepare financial statement?  
☞ Monthly, quarterly, half-yearly, yearly.
10. Who Participate to prepare the budget?  
☞ Higher level staff (mainly directors, managers & section heads).
11. What type of relationship with stakeholders (Central & local government, business & corporate sector and community)  
☞ With government sector good, business & corporate sector weak, and community medium.
12. Who has authority to approve MLO?  
☞ MT meeting on the prescipation of PCF.
13. What are the bases of budget?  
☞ Donor agreement and availability of reserve fund.