

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nepal is a small land-locked country adjoining China in the north & surrounded on the three sides by India. It falls under the category of economically least developed countries in the world, where a significant population lives below absolute poverty line. Agriculture sector has remained the key sector for the contribution to economy. It is the main source of national income, employment, food, clothing, industrial raw materials, export trade and basis of trade and commerce as well as major investment sector. Keeping this in view, the government has been giving due emphasis in this sector in its every five years plan and yearly budget. Besides, foreign financial and technical assistance also has remained significant in this sector. But every effort from government side, aid of the foreign donor agency and any other program would be futile until and unless the people at grass root level is not being conscious and motivated for the national development through their own economic development. For which co-operative could be the best solution for Nepalese rural based economy.

Co-operative refers to work together economic standard through co-operatives. A co-operative organization is established by a group of economically poor and exploited people with a view of working together in organized way for their common benefit. Co-operative association is a voluntary association based on the principle of self help through mutual help. (Co-operative Development Board, 2056).It has to satisfy two objectives i.e. service as well as profit. Co-operative is one of the systems to move the life of people better by themselves achieving the economic and social progress. The co-operative level develops the democratic system and motivates to help each other. Rural farmers are exploited by the moneylender by taking higher rate of interest on loan. Co-operative can free the farmers from such expensive loan. Co-

operative provides fertilizer, seeds, tools and goods of daily needs at reasonable price. Co-operative encourages the people for compulsory saving and mobilizes the saving in agriculture sector as well as small business and increases the production and generates employment opportunity. They eliminate middleman render goods and services at cheaper price. Finally uplift the economic status of the poor people. Co-operative organization could be very effective to solve the most of the economic and social problems in the rural area. The co-operatives are established and managed to solve the problems of distribution of goods of daily needs, agricultural inputs to facilitate and improve farmer's condition to get fair prices of their farm products. Thus the co-operative encourages the rural people for saving their small income and they provide loan to the people at the time of need at nominal rate of interest. So we can say co-operatives are the true banks for the people of rural area to deposit the small saving and voluntarily mobilization of such saving for others benefit.

1.1.1 Introduction of Swarnalaxmi Saving & Credit Co-operative Ltd.

Nowadays in a struggling financial environment, the services provided by the financial institute have played a vital role in upgrading world's financial status. Gaining the opportunity to access easy and effective way of financial service by different people such as businessman, distributor etc. will lead to success in business fields. The aim of co-operative is to upgrade the standard of lower grade people along with people of every ethnic caste by helping them to save small amount of money on a regular basis and to improvise their income standard. It also helps members to fulfill their aims and desires by providing loans collected from different parts of the society in their trained and skilled works and even to those who are skilled but don't have the opportunity to expose it because of financial conditions. With all these aims Swarnalaxmi Saving & Credit co-operative Ltd. was established.

A lot of banks as well as financial institutions can be seen in the world but these banks and financial institutions do not think to provide financial services to people of lower financial standards because these sorts of people aren't given much respect. So, this

co-operative has started its way with all its efforts to provide service to people who have been discarded or people of middle class standards. Swarnalaxmi Saving & Credit Co-operative has been running with national income and national organizing committee and has been always ready to provide support and to fulfill the aims, desires of people with small, large saving amounts

Swarnalaxmi saving and credit co-operative limited has long history of providing financial services to poor and low income people. This financial institution was initially established with the motto of reducing poverty and high indebtedness among small -scale farmers and craft men in urban and rural areas .It continues to serve this mission today often providing affordable and equitable access to micro-finance services

Respecting to the true spirit of Co-operative revolution of government of Nepal, Swarnalaxmi Co-operative is established under the Co-operative Act 2048, with the slogan "your satisfaction is our destination" in 1st Magh, 2063 B.S. With due respect to the sprite of co-operative revolution of the government of Nepal, Swarnalaxmi Saving and Credit Co-operative has been operating with number of financial opportunities to its needy members & society as a whole ignoring cheap assurance of the market since 1st Magh, 2063 B.S.

Swarnalaxmi Saving and Credit Co-operative Ltd is situated at the busy commercial center in Katmandu, operation by the reputed local groups, following under well management.

Specific contributions intended for the economic and social welfare of general civic, alertness as regard to saving, assisting daily basis transaction of venture, time benefiting together with quick portable unproblematic topmost financial services are just a few of countless amenities to endow with.

The organization is systematically cope as run by proficient and well experienced bureaucrat. Likewise, transparency account method through standard computer software ultra modern services, operations by reputed local groups with direct supervision possess to execute its task most effectively and efficiently.

With the working area of this organization is Kathmandu and Lalitpur District. The authorized capital of the organization is 10,00,00,000 while establish but now the organization authorized Capital is 30,00,00,000. The organization has 32 staff among them CEO-1, General Manager-1, Officer-3, senior assistant-4, Assistant-5, Junior assistant-16, Office helper-1. Now in this fiscal year the organization is going to purchase its own land for office building.

1.2 Focus of the Study

Co-operative organization can be most effective device for uplifting the socio-economic condition of rural people. Nepalese economy is rural based. Most of the people live in villages where the people are compelled to bear the high price of the goods and services and have no opportunity of using institutional credit at low rate. So co-operative could be effective instrument to solve both the problems. This organization is regarded as the midway of capitalism and socialism. The farmers, craftsman and small businessman and traders in the rural areas are not facilitated with enough banking services. So, in this context only co- operative can meet their requirement. Co-operatives have been accepted all over the world as vehicles for mobilizing the scattered savings and putting them in productive use for the benefit of the poorer section of the society. It helps to distribute wealth and profit equally to all.

Finally viability of the co-operatives is essential requisite for their existence and long term survival. Without financial viability they cannot serve their members for long run and become a burden to the society. Financial viability of an organization can be measured by analyzing the financial statement and their saving and credit mobilization trends. Without analyzing these factors financial strength and weakness of the organization cannot be determined.

The focus of the study is on the financial position analysis of Swarnalaxmi Co-operative Ltd. By using the period from 2063/ 2064 to 2067/ 2068. This study will focus to study the role of co-operative for the up lift the poor economic condition of the people.

1.3 Statement of Problems

Nepalese political condition seems to be very unstable. The effect of politics has seen everywhere. Nepalese bureaucracy is highly affected by the politics. When the government changes then the bureaucracy leader is also changed every time. This system has brought many problems in policy implementation. Similarly the impunity system has increased rapidly in Nepal; this is also one of the statements of problem. The biasness of top level management always creates any unethical problem in regulating system.

In the modern age every business organization wants to improve its financial position and performance. The financial statements like income statement and balance sheet is not sufficient for explaining in details about the performance relating to finance of the organization.

Co-operative organizations of Nepal are working to uplift the economic condition of poor people by accepting their small saving and providing loan at reasonable rate of interest for investing in productive and skill oriented sectors. Now it becomes a matter of academic interest to discuss and analyze the various activities of the co-operatives. The main problems of the study are given as follows;

1. What is the financial performance of the co-operative?
2. Is the co-operative being in position to meet its current obligation?
3. How well is the SwranaLaxmi saving and credit Ltd. has utilized its capital and fund?
4. Are the funds of the co-operative moving properly within the members?
5. How efficiently does this co-operative use its assets?
6. Are earning capacities of this co-operative adequate?
7. Will the firm run properly in the long run?
8. Either the market position is healthy or not.

1.4 Objective of the Study

In each and every study it is necessary to set the objective so, the primary objective of this study is to make and in – depth financial evaluation of the co – operative. The specific objective are follows;

1. To analyze the liquidity position of Swarnalaxmi SACOS.
2. To examine the earning capacity of Swarnalaxmi SACOS.
3. To analyze the financial position of Swarnalaxmi SACOS.
4. To identify deposit and lending ratio.
5. To suggest for improving the financial position.

Only the trading and profit and loss account and Balance-sheet of the firm do not able to indicate its actual performance. So, to know financial soundness and weakness, financial position and performance of the firm is necessary to make an analysis of financial statements. The significant objective of the study is to indicate the right picture of financial performance of the co-operative. The purpose of the study is to judge the financial viability and to make the suggestion for improving the financial efficiency of the co-operative. With the help of this study forecasting and the budgeting of the co-operative is effective.

1.5 Assumption of the Study

The study is basically depend upon some assumptions so that the study should be some simple and meaningful. The assumptions are follows;

- a. The available financial statement and data have assumed to be correct.
- b. All amounts of the financial statement are rounded to nearest.
- c. The oral explanation obtained from the authority holders of that co-operative is correct and true.

- d. The average working day of the co-operative is 260 days.

1.6 Significance of the Study

This study will provide knowledge about financial position of locally established co-operative. Definitely the study will facilitate feed back to make policy to sampled co-operative as well as others. This study also analyzes the impact of credit mobilization in-group irrespective individually. This study will be helpful to the Co-operative Department, Co-operative Development Board and Federation of National Co-operative Association. It also will be helpful to the government, banks and research workers of the concerned field. The significance of the study can be highlighted as follows.

- i. This study is important to co-operative to make policies based on recommendation and suggestion mentioned in this thesis.
- ii. This study is encouraging the researchers to research further.
- iii. It is important for investors, customer, and personnel of co-operative to take various decisions regarding deposit.
- iv. This study is important to know how well the co-operative is utilizing.

1.7 Limitation of the Study

No one is perfect; it means everybody has some limitation. Normally researches are held on some rational and irrational assumptions which are seemed to be limitation of the research or study. Similarly this research study also has some limitations which are listed below:-

1. This study is conducted for the partial fulfillment of the requirements for the degree of Master in Business Study for a prescribed time, so it is not enough for itself in its subject matter

2. The study is focused on only one co-operative. The study is based only on 5 years data of Swarnalaxmi SACOS.
3. Inflation is not concentrated in study.
4. The accuracy of the research work will be dependent on the data provided by concerned co-operative.
5. Limited tools and techniques of financial analysis are utilized.
6. Time and resources constrains may limit the area covered by the study.

1.8 Organization of the Study

For the systematic presentation of the report the research is divided into five chapters as follows.

Chapter I: Introduction

It includes general background of the study, historical prospective, focus on the study, statement of the problem, objects of the study and limitation of the study.

Chapter II: Review of Literature

After selecting an appropriate topic for research its introduction is given as in first chapter. For the further process of finding it is very much important to review the literature regarding the topic. So the second chapter deals with the review of literature regarding financial performance of co-operative. Review of literature consists of review of related books, journals, previous study, and research paper, review of unpublished of various research students, updated magazines, daily newspapers and internet search.

Chapter III: Research Methodology

This chapter expresses the way and the technique of study applied in the research process. It includes research design, population and sample, data collection procedure and processing, tools and methods of analysis.

Chapter IV: Presentation and Analysis of Data

This chapter is the analytical presentation of the collected data regarding the topic. It consists of analysis, interpretation and major findings of the study. It is the most important body of the whole study.

Chapter V: Summary, Conclusion and Recommendation

The fifth chapter is the last chapter of the study which summarizes, conclude and recommend the analyzed major findings and sometime suggest the related group for their betterment.

CHAPTER II

REVIEW OF LITERATURE

This chapter consists of the existing literature and research related to the present study for the purpose of finding out what had already been explained and how the present research adds to this dimension. Every possible effort has been made to grasp knowledge and information that are available from the various sources. Different books journal and related dissertations are studied for this purpose.

2.1 Conceptual Review

In general sense cooperation refers to mutual togetherness for mutual benefit in other word cooperation is the act of helping each other's.

The term cooperation is derived from the Latin word “cooperari” ‘co’ means together and ‘operari ‘ means work, which means working together, But in broader sense, it means the system in which people voluntarily associated and working together for achieving mutual goal. The motto behind cooperation is “each for all and all for each” and its system for self-help through mutual help. (P.C. Dahal, 1989)

Cooperation exists by live and let to live. Cooperation is associated with human beings in every stages of life. Cooperation is a disciplined life. Style inspired by the elements of love, affection and sympathy. In its technical sense it denotes a special method of doing business in which midway between capitalism and socialism is adopted. This organization prefers more to service less to profit.

The co-operative organization has been defined in different ways by the thinkers and scholars.

Bhide has defined “co-operative represents itself as a happy means between the forces of extreme individualism on one hand and socialism and communism on the

other. It stands for individual rights tempered by consideration of justice, equity and fair dealing between man and man and its great aim is to prevent the exploitation by the stronger party” (V.S. Bhide,1930)

"Co-operative is only one aspect of a vast movement, which promotes voluntary associations of individuals having common on needs who combine towards the achievement of common economic end" **V.L Mehta.**(Fatta Bahadur K.C., 2056.)

The international co-operative alliances meeting held at Manchester England in 1995 defined “A co-operative is an autonomous economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprises.”

As defined by ILO “A co-operative society is an association of persons who have voluntarily joined together to achieve a common end through the formation of democratically controlled business organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate”. ("ILO & Co-operative" 2054)

According to prof. Staudinger (1978) “A co-operative is an association, open to all and granting equal rights and responsibilities to member engaged in an economic enterprise on their common account and in which benefits are distributed on members in proportion to their use of the enterprise itself without regard to their share in the society’s Capital” equity and fair dealing between man and man and its great aim is to prevent the exploitation by the stronger party”

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capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate.

2.2 Principles of Co-operative

Principles of co-operatives refer to the guideline to give the concrete form to the norms and values of co-operative organization. In other words co-operative principles are the set of rules and sregulation to regulate and govern the activities of co-operative enterprise. There have been three types of co-operative systems, which are Rochdale system, Refines system and Schulze system.

The principles of co-operative have been given new dimensions from time to time to suit the changing environment and situations in order to make the co-operative movement more meaningful and purposeful. Due to rapid changes in the economy of the world, the need for review of the principle of co-operative was increasingly felt. In 1963 the International Co-operative Alliance had reviewed the existing principles. In 1995, Sep., the ICCA General meeting stated the followings as the principles of co-operative' (Co-operative Training Center, 2048)

Voluntary and Open Membership: - Co-operative organization is a voluntary organization. Its membership is open to all. It does not discriminate and show disparity to any person on the basis of caste, sex, religion, beliefs and any other such characteristics. Everybody is free to get in and out in this organization.

Democratic Management: - The control and management of co-operative organization is performed by its members through democratic system. Every member enjoys equal rights in policy making and decision making of the organization and there is system of one-man one vote. Amount of capital does not determine the voting power like in Joint Stock Company.

Autonomous and Freedom: - Co-operative organization is an autonomous, independent and an organization controlled by its members. There is necessary to

make the members acquainted with the basic principle of co-operative education training and information to the members based on co-operative values.

Education Training and Information: Co-operative launches training to its members, elected representatives and staff members. Co-operative education is necessary to make the members acquainted with the basic principles of co-operative. It should provide co-operative education, training and information to the members based on co-operative values.

Cooperation among Co-operatives: - Co-operative Organizations maintain a sound cooperation among themselves. Local, regional, national and international co-operative organizations work together for the development of co-operative campaign.

Concern to Society: - Co-operative organization directs their plans and policies toward the continuous and long-term development of the society.

2.3 Importance of Co-operatives

Co-operative societies are important to agricultural countries like Nepal where are majority of the farmers are small and have marginal land holdings. Co-operative societies play a vital role in economic upliftment of the vast majority of farming communities. The co-operative societies are important to developing countries like Nepal for the following reasons:

Economic Importance

1. In a country like Nepal where the government is not in a position to provide agricultural subsidies, co-operative societies play an important role for the economic well being of the farming communities.
2. Co-operative encourages low-income groups for saving.
3. The co-operative societies facilitate successful implementation of the plans in the country.

4. They can also establish cottage industries like spinning threads, goat rearing, animal husbandry and many other activities on a co-operative basis.
5. The co-operative societies have service motive rather than profit motive. However, when they operate commercially viable operations, they generate a certain amount of surplus. After providing 25% of the surplus for reserves, the balance of the surplus is distributed to the members on the basis of the volume of transactions. This helps in increasing the standard of living of the members.

Social Importance

- 1 Promote cooperation: Co-operative societies are established with the principle of each for all and all for each. This helps the members to build better understanding and cooperation among themselves. This builds up a closely knit society for all kinds of activities.
- 2 Diversifies economic power: Generally, the rich and the moneylenders hold the economic power in all over Nepal. Over a longer period of time, co-operative societies help in diversifying the economic power from the few rich people to lesser rich people.
- 3 Benefit the poor: The co-operative societies help the poor people to benefit by taking membership of the societies.

Moral Importance

1. Promote self help: The co-operative societies promote the idea of self-help through its each for all and all for each philosophy. Through the effective functioning of the co-operative societies, the feeling of self-sufficiency and hard work are promoted.
2. Eliminate social evils: The co-operative societies keep the members busy in their activities. In an effort to improve the economic condition of the family, the members work to derive maximum benefit. This brings a change in the behavior of the members. The entire member is busy in their work in this way social evils are eliminated.

2.4 Historical Background

2.4.1 Global Perspective

Robert Owen first propounded the concept of co-operative in 1792 in Great Britain. The idea of Co-operative was brought into light in the beginning of the 19th Century. The follower of Owen, Dr. William King, publicized the ideology of co-operative later on who initiated an education at movement for co-operative development. The reformist Robert Owen's ideas and principles have continued to inspire the co-operative movement. These principles are (i) Abolition of private profit. (ii) Voluntary association (iii) Common ownership of the means of the means of production (iv) Utilization of wealth of the community for increasing the happiness of mankind. (Source, T.N. Hajeta, 1994.)

But the following weaknesses were pointed out in the Owen's co-operative later on:

- i. Capital sunk because of credit sales.
- ii. Unfair competition took place because of selling the good at lower price in the market.
- iii. Co-operative store did not succeed enough, as members did not believe it.

After then, Rochdale pioneers' the real founder of the modern co-operative movement developed co-operative rules and philosophy. The co-operative society established by Rochdale pioneers has been known as 'The Consumer Society'. This was a successful co-operative society, which spread all over Great Britain. This society sold goods only for its members in the beginning but later is started to sell goods to non-members also. In 1860 Rochdale pioneers' formulated the following

rules of co-operative, which are still relevant and used in modern co-operatives to some or more extent. (T.N. Hajeta, 1994.)

- i. Religious and political neutrality
- ii. Sale of goods at market price
- iii. Cash sale
- iv. Limited interest on share capital
- v. Distribution of surplus in proportion to purchase
- vi. One man one vote
- vii. Open membership
- viii. Democratic control
- ix. Sale of quality products
- x. Certain percentage of expenses on profit
- xi. Regular meeting
- xii. Book-keeping and auditing

After that the co-operatives are developed in the country like in Denmark (1866), in Switzerland (1847), in Canada (1891), in Japan (1879). In these countries all co-operatives had the objectives of liberating the people from the exploitation of the capitalists and providing farmers with necessary fertilizers, seeds and other necessary helps in agriculture. In 30 years period, co-operatives opened from local or primary level to national level. But unfortunately they could not be untouched from the global crises in agriculture.

After the Second World War, these co-operatives organizations were able to regain their democratic value and flourished again. In 1947, Agricultural Co-operative Act was passed. After this, rural co-operatives ran as per their own principles. Integrated co-operatives came into existence in the field of agriculture, forestry and

fish farming. In this way Japan initiated co-operative campaign. In this way the tradition of providing all possible services and good to the members through multiple co-operatives is an important achievement of Japanese co-operative movement. (Co-operative Training Centre, 2048)

In China, it is assumed that co-operatives started in 1912. That time, China was an agricultural country. Though there were enough resources and possibilities but resources were not being used in industries. China was trapped in poverty. Flood and starvation was very common. The farmers were exploited by the loan of landlords. After Dr. Sun Yat Sen had taken the authority of the government he applied co-operative to improve its economy greatly.

Like in the other countries of the world, the co-operative movement of India began to find way out to many social problems like scarcity, grief and dissatisfaction. In India, the co-operative movement was introduced in the form of credit society in 1904. India has a wide network of agricultural co-operative in the field of credit and banking, marketing and processing and production of fertilizers. Agricultural co-operative marketing federation of India is a business organization and involved in domestic as well as international marketing of agricultural co-operative is yet to respond effectively to the emerging challenges and opportunities of market economy and new economic reforms. (Man Bahadur B.K.,2004)

2.4.2 History and Development of Co-operative in Nepal

The concept of working together for mutual benefit was in practice in Nepal from the very ancient times. In ancient times, the concept of co-operative emerged in the form of PARMA in hilly region, DHIKURI in western part and MANKAKHALA and GUTHI in Kathmandu valley and in some places DHARMA BHAKARI. Dharm Bhakari means a religious store a kind of grain bank in which each family in the village puts aside certain quantities of grain after the end of the harvest season. At the time of scarcity the quantity of grains is distributed on advance to the farmers. Loan is advance from the grain banks only to the villages who have contributed to the bank

only to the villagers who have contributed to the bank and agree to pay the loan in kind with interest.

'MANKA GUTHI ' is practiced as group farming in Kathmandu valley. Each group is called 'MANKA KHALA 'and the head of that group is called 'Thakuli ' which means the chairman of that group. Informal groups of farmers are formed for doing agricultural operations like cultivation, sowing and harvesting in this way the concept of co-operative in Nepal is not very new.

The history of organized co-operative in Nepal began after the establishment co-operative department in the year 1993, under the Ministry of Agriculture for the establishment, promotion, supervision and evaluation of co-operative societies.

In the beginning co-operative movement in the real sense was geared up with the establishment of 13 credit co-operative societies in 1956 as a part of the resettlement program for the flood affected people in Rapti Besi under the active support of United States Agency for International Development (USAID) on experimental basis. These co-operatives were previously registered under an executive order of His Majesty's Government of Nepal.

In 1956 the first five-year plan (1956-61) was formulated which identified that co- operative movement is developed in healthy and efficient manner, it would progressively abolish excessive indebtedness and contributes significantly in rising the living standard of the member of co-operative societies.

Considering the importance of necessary rules and regulations for managing and guiding co- operatives effectively and efficiently, the first co- operative Act was passed in 1959, which not only provided a sound legal basis for organizing co-operatives but also recognized all co- operative so far previously registered under an executive department of the government.

A co-operative bank was established in 1963 for providing credit to co-operative as well as agro business or industries. Co-operative Bank was converted into Agricultural Development Bank in 1967. Agricultural Development Bank was

considered as a specialized bank for providing credit to co-operatives, individual's agro- business and marketing etc. Later on co-operatives training center was established in order to provide training on co-operatives within the country. In 1976 the co-operatives were redesigned as Sajha. The co-operative Societies were also subjected to various agencies regarding management and control. Despite the long experience in the formation of multi-purpose societies, the position of the co-operative did not improve up to the desired level. Many co-operative societies remained multi-purpose only in name. Almost all the co-operative societies suffered from the lack of capital and poor volume of business.

After the restoration of democracy in the country, in 1990, it traced a new way for new changes in the co-operative movement. Consequently, new co-operative Act was promulgated in 1992 recognizing co-operatives as peoples' organization with an autonomous body. On the basis of this Act a long waited National Co-operative Federation came into existence.

Soon after the restoration of democracy in 1990, a high level National Co-operative Confederation Advisory Committee (NCCAC) was formed by the interim the government. The committee made on an in-depth analysis of the problems faced by co-operative movement and laid emphasis of the need for promoting co-operatives in line with co-operative principles and democratic values. The committees' report was studied by the government and subsequently, National Co-operative Development Board was formed for working out a new legislation as well as policy guidelines and for creating the necessary foundation for reorienting the co-operative movement .As a result, a new co-operative Act was promulgated in 1992. The new legislation recognized the democratic character of co-operative movement ensured the operational autonomy of co-operatives and defined the role of Department of Co-operative in a transparent way.

The Major Events of Co-operative Movements in Nepal.

- J Formation of high-level committee for co-operative improvement and proposal submitted. (1995)
- J Conversion of Ministry of Agriculture into the Ministry of Agriculture and Co-operatives (2001)
- J Establishment of National Co-operative Bank Ltd (2003)
- J Government of Nepal announced the policy of GAU - GAUMA MA SAHAKARI GHAR GHAR GHAR MA ROJGARI through its budget fiscal year 2061/062. (2004)
- J Celebration of Co-operative Golden Jubilee 2006/7 throughout the country.

The history of co-operative movement in Nepal is enough to say that co-operative development passed through many managerial ups and downs causing a high inconsistency. The co-operative movement remained affected by the political changes in the nation that brought the situations among the people not to believe readily the philosophy of co-operative in practice. Moral objectives, social objectives, service to the members, good quality, cheap pricing, reasonable profit, co-operative principle have been the major challenges for co-operative organization in the present context of competitive market.

Table No. 1**The report of total Co-operatives in Nepal according to nature.**

| Types of co-operatives | Quantity | Member | | percentage | Share Capital (in 000) | Deposit (in 000) | Loan Outstanding (in 000) |
|------------------------|----------|---------|---------|------------|------------------------|------------------|---------------------------|
| | | Male | Female | | | | |
| Saving & Credit | 10997 | 786088 | 703583 | 47.20 | 14167132 | 94035382 | 89308700 |
| Multi purpose | 4075 | 544374 | 504044 | 17.49 | 4306938 | 21266794 | 24079795 |
| Agricultural | 3612 | 164371 | 142298 | 15.50 | 748647 | 1236918 | 2524602 |
| Milk | 1747 | 71969 | 23273 | 7.50 | 122600 | 137824 | 168689 |
| Consumer | 1339 | 31827 | 18262 | 5.75 | 179893 | 81874 | 70033 |
| Electricity | 313 | 36712 | 8337 | 1.34 | 37400 | 15117 | 11569 |
| Fruits & Vegetable | 174 | 6170 | 6201 | 0.75 | 17742 | 63858 | 57461 |
| Tea | 103 | 2845 | 1230 | 0.44 | 60337 | 5208 | 4580 |
| Coffee | 75 | 2437 | 1320 | 0.32 | 13446 | 1103 | 2220 |
| Herbal | 89 | 1969 | 1267 | 0.38 | 16917 | 641 | 473 |
| Bee farming | 54 | 1068 | 860 | 0.23 | 1574 | 1480 | 343 |
| Communication | 68 | 4125 | 2175 | 0.29 | 56531 | 18182 | 13757 |
| Health | 70 | 3150 | 3531 | 0.30 | 215545 | 119328 | 110341 |
| Other | 585 | 35128 | 32967 | 2.51 | 280437 | 311519 | 483251 |
| Total | 22646 | 1223978 | 1745182 | | 20197564 | 122107451 | 105593588 |
| Change | 655 | 468255 | -295834 | | 27575 | -4812223 | 11242226 |

Source: Report of Sahakari Division Karalaya Ashad 2068.

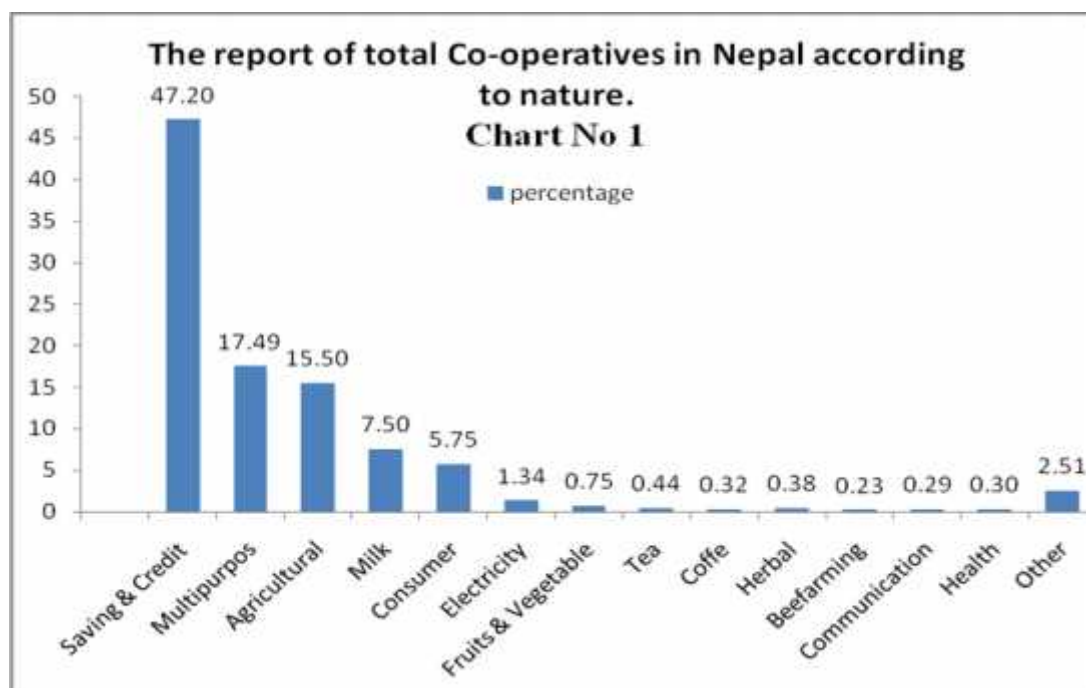
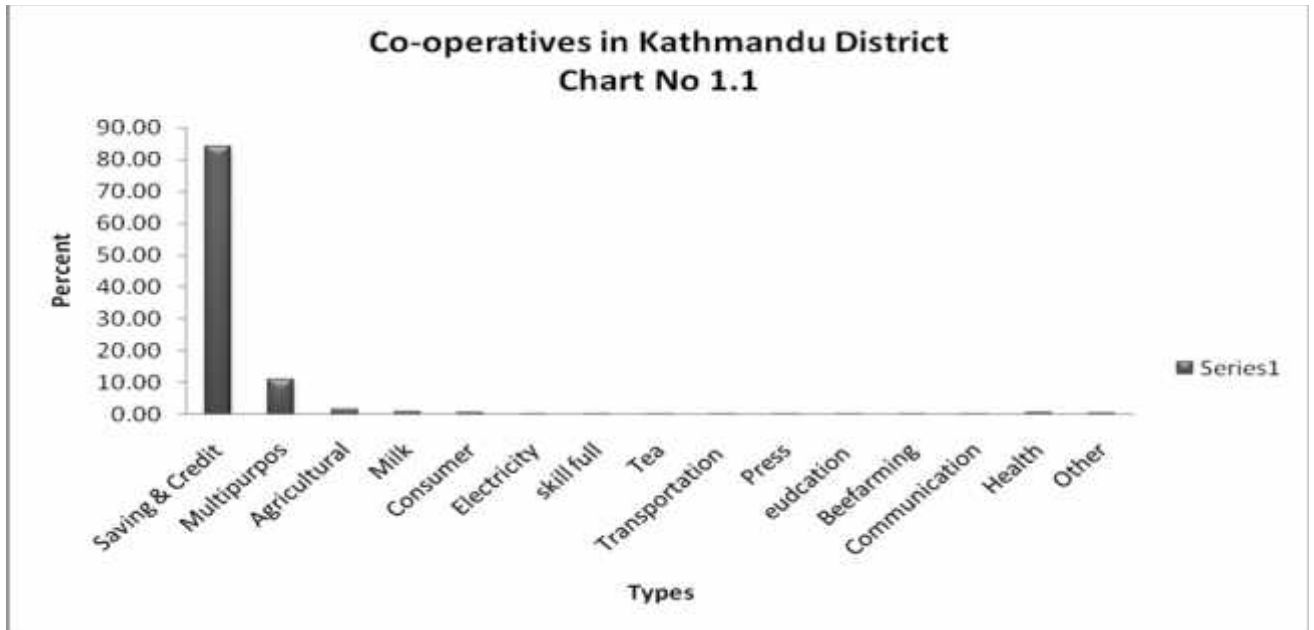


Table-1.1

Primary Co-operatives Societies of Kathamandu District

| Types | Quantity | percentage |
|-----------------|----------|------------|
| | | |
| Saving & Credit | 2853 | 84.28 |
| Multipurpose | 369 | 10.90 |
| Agricultural | 52 | 1.54 |
| Milk | 27 | 0.80 |
| Consumer | 24 | 0.71 |
| Electricity | 4 | 0.12 |
| skill full | 6 | 0.18 |
| Tea | 1 | 0.03 |
| Transportation | 1 | 0.03 |
| Press | 2 | 0.06 |
| Education | 5 | 0.15 |
| Bee farming | 1 | 0.03 |
| Communication | 4 | 0.12 |
| Health | 23 | 0.68 |
| Other | 13 | 0.38 |
| Total | 3385 | 100.00 |

Source: Report of Sahakari Division Karalaya Ashad 2068.



2.5 Financial performance Analysis

Financial performance analysis can be considered as heart as heart of the financial decision. The growth and development of any enterprise is directly influenced by the financial policies. Rational evaluation of the financial performance of the firm is essential to performance of the firm is essential to prepare sound financial policies. At present financial management in public enterprises is too much involve in recording, keeping, raising necessary funds and other financial institution. Financial aspect is one of the most neglected aspects of PEs in Nepal. The monitoring of financial result for correction action id exercised rarely and the periodic review of budgeting, development of internal check and control, analysis of generation of funds and its investment in cash also conducted. This often led to the situation where management is not aware of the real financial position of the firm.

Bharati (1990) implied that finance id interrelated to such field as accounting, social science, economics and other allied subjects. The accounts prepare the statements and gather the data which are useful for the financial decision. Financial decision plays a vital role in the enterprise become it has to play with these decision.

Rao(1972) described that financial performance is a part of the financial management. It is the main indicator of the success or failure of the enterprise. There are different persons/institutions that affect or are affected by the decision of the enterprise. Stakeholders such as owners, manager, creditors etc. are directly interested in the financial information and analysis of the enterprise position, similarly financial analysis, trade associations, trade union completion etc. are indirectly interested about the financial performance of the enterprise. Though the type of analysis varies according to the specific interest of the party involved, shareholder of the enterprises are concerned principally with the presented and expected future earning and the stability of the earning as well as their variations with the earning of other enterprises. This shows that they concentrate their analysis on the profitability of the enterprise. Management of the enterprise is interested in all aspects of financial analysis to adopt a good financial management system and for the internal control of the enterprise. Trade creditors to pay their short term claim. Similarly Long term creditors are interested in the cash flows ability of the firm. So, all the concerned groups are interested either directly or indirectly about the financial performance of the firm.

This financial analysis is the process of identifying the financial strength and weakness of the firm by proper establishing the relationship between the items of the Balance-sheet and p/L A/c. In short it is a process of evaluating the relationship between component part of financial statement to obtain a better understanding of a firm's position and performance.

2.6 Review of Related study

Before this study, many studies are found to have been carried out by different persons in different times regarding the co-operative societies and their activities some of the significant studies have been reviewed in this study also. This study mainly focuses on financial performance of Swarnalaxmi saving and credit co-operative. No study has been performed on this topic before. However, some earlier studies related

to some or more extent to this subject are mentioned here under with their findings or conclusions.

❖ A study has been carried on by Man Bahadur B.K. **“A study on the Financial Performance Analysis of Nepalese Co-operative Societies with Reference to District Co-operative Association Ltd. Banepa.”** The objectives of this study were following:

1. To analyze the strengths and weaknesses of the co-operative.
2. To examine the financial position.
3. Base on this finding of the analysis provide proactive suggestion.

The main finding was follows:

- The liquidity position of the Association was satisfactory but the association had invested its fund unnecessarily in current assets.
- The association had not efficient strategic planning policy and management in working capital.
- The association had not maintained its appropriate leverage position due to its improper loss of 0.92 percent per year.

Man Bahadur B.K has suggested there is study that co-operative should maintain political neutrality. If managed and utilized properly, co-operative can be the backbone of the economic development of the country. Co-operative is a best way to mobilize the scattered savings of the small farmers and laborers.

❖ A study conducted by Bhumi Ram sharma (2056), **"A Study on Financial Performance of Restriya Beema Santhan and National Life and General Insurance Company Limited"**, Master Diss., Tribhuvan University, Kathmandu.)

Entitled a study on financial performance of RBS and NLGI' has compared the various financial indicators of these companies from the analysis.

The main findings were as follows:

- Absolute value of premium collection has been increasing but it is in decreasing trend in respect of GDP.
- Net premium to claim ratio is gradually decreasing, claim outstanding and premium outstanding are increasing year by year since the overall liquidity position is weak.
- Most of the parts of investment portfolio are composed of bulk fixed deposit account and HMG securities.

The main recommendations were as follows:

- They should make an effective programme to take large share in insurance market.
 - They should increase their retention capacity.
 - They should accelerate the outstanding premium collection speed .
 - They should improve overall liquidity position.
 - They should make effective investment portfolio.
- ❖ Similarly another study was undertaken by Bihari Bonod Pokhrel (2004). "**A Study on the Accounting Information System of Co-operative in Nepal.**" The study aimed at reviewing the overall situation of co-operative movement Nepal. According to his study, all most all of village of 30 districts were, covered by Sajha societies up to 1983/84. Out of those societies on loss, 41 .20 percent were of Terai region and 58.8 percent were of hilly region. The same position seems to have been existed then that of Terai. The study concluded the following problems being faced by the co-operatives in Nepal.

1. Lack of co-operative education and training
2. Lack of fund
3. Lack of spontaneity towards cooperation
4. Lack of lonely service
5. Lack of efficient management
6. Political interference
7. Public apathy
8. Lack of specific and stable policy
9. Lack of central level organization
10. Absence of good process of loan disbursement and payment.

This study was an in -depth study performed covering all aspects of co-operative movement in Nepal. This study emphasized on the role of Sajha Societies for rural development in Nepal. The financial resources, utilization of funds and marking activities reveal that there is a great need for revitalization in order to make the movement strong and stable.

❖ Gokul Raj Sharma (1999) has undertaken a study on **“A Comparative Study on the Financial Performance of Co-operatives with Reference to Samjhana Multipurpose Co-operative and Naba Kshitij Co-operative Societies Ltd, Kathmandu.”** The objective of this study was following:

-) To examine comparative financial position SMCSL and NBCSL by analyzing the financial statements.

The main findings were as follows:

-) Both the co-operatives’ deposit utilization rate is satisfactory.
-) SMCSL is more active in creating investment opportunities and enhancing business activities than NBCSL.

) The weak aspects of both the co-operatives are higher leverage ratios, lower profitability ratios and high liquidity ratios.

Based on findings and conclusions, some suggestions and recommendations have been put by Mr. Sharma as follows:

1. Presently credit and saving co-operatives have to compete with commercial banks, finance companies, development banks etc. for attracting deposits. For this the following things must be considered
 - a) Simplify present complicated and lengthy depositing process through computerization.
 - b) Provide incentives for attracting new fixed deposits.
 - c) Collect more institutional deposits.
 - d) Collect more deposit from door to door.
2. Saving and credit co-operatives should utilize the deposit effectively.
3. Co-operatives should operate their new branches in rural area as rather than urban areas.
4. The co-operatives should consider more seriously about strengthening their liquidity position.
5. The co-operatives should make their strategies to compete with banks in the new context of economic liberalization policy adopted by the government.
6. There should be good management information system in the co-operatives.
7. The management in co-operatives should try to maintain a good relationship between the managerial staff-workers, members of the board and general public and among co-operatives.

Finally he has come to a very conclusion that co-operative is only viable means to uplift the socio-economic conditions of majority people in Nepal. After the restoration of democracy, national co-operative federation consultative committee has been formed and the committee has conducted different studies to have information about an exact situation of the co-operatives in Nepal.

❖ A study has been carried on by Dependra Lamichhane(2004). "**A Study on Financial Performance Ananalysis of Friendship and Economic Community Saving and Loan Co-operative Society LTD,**" The objectives of this study were following:

) To evaluate the liquidity position.

) To assess the financial stability.

) To suggest for improving the financial position

The main findings were as follows:

) Liquidity position of FEC is improving and it satisfactory to the point of view from quick ratio.

) Society pays heavy interest on loan. So, owners of society have not been receiving the sufficient amount of dividend.

) The society has adopted the traditional management technique.

) The capital structure of the society is not sound. They are not able to maintain a proper limit of debt compare to equity.

2.7 Review of Journal and Articles

Saving refers to the total income, which is more than the expenditure of the individual. In other words saving =total income – total expenditure. Basically, saving

can be divided into two parts voluntary saving and compulsory saving. Among deposited in different account of co-operative organization and commercial bank is the example of voluntary saving. (Nepal Rastra Bank, 1984)

Capital formation is possible through collecting scattered unproductive and small savings from the people. This collected fund can be utilized in productive sector to increase employment and national productive. Deposit (credit) mobilization is the most dependable and important source of capital formation. (Nepal Rastra Bank,"Upahar" 2055)

Co-operatives not only generate income to its member but also taken overall responsibility of them. In Nepal multipurpose co-operative are in practice, they inspire the villagers for modern agriculture system, to grow off seasonal vegetable and professional animal husbandry. They promote the product in market and arrange the sales it reasonable rate. (Som Nath Bastola. (June 7.2008)

Besides this, co-operative is working for social welfare also. It is acting for the development of leadership skills of the women informal education providing health service through health campaign and other skill-oriented training is also given to rural women. Thus co-operative organizations are bringing revolutionary change to the life of rural woman.

Co-operatives are crucial to the economically poor and exploited people. In our country more than 80% people live in rural area, which do not have proper and reliable source of income. In such country co-operative is the means to motivate the people to work together for their common benefit. It encourages the people for compulsory saving and takes the responsibility of mobilizing that small saving in productive field. It develops feeling of coordination mutual help for self-help and aids to increase national GDP, per capita income and ultimately support for national development. (Bishow Mohan Achyara, 2064)

CHAPTER III

Research Methodology

Introduction

Research Methodology is the research method of technique used through the entire study. The present study is basically related with the financial aspect of the Co-operative, a private financial institution. This study on the financial performance of Swarnalaxmi Saving and Credit Co-operative Ltd. in the past years and the result will be carried with the help of financial statement analysis.

The main objective of the study is to find out the reliable and true financial performance of the co-operative during the financial year of 2063/64 to 2066/67. It practices to analyze the financial data of the above F/Y using various tools and technique of financial analysis. To focus the light on what is the theme of the study has been conducted.

In the previous chapters the role of co-operatives and its contribution for the economic development of people as well as nation has been discussed and review of literature with possible review of relevant books, articles and thesis and research findings has been done along with function of co-operative. This has equipped the researcher to make choice of research methodology to support the study in realistic terms with sound empirical analysis. This topics deal with the research design, nature of data collection, processing of data and statistical tools used in the study.

3.1 Research Design

To achieve the objectives of the study, descriptive as well as analytical research design have been used. This study is based on secondary data. Some tools such as

statistical tools like mean, C.V., trend, correlation analysis has been applied to examine facts of data.

3.2 Sources and Nature of Data

This study is conducted on the basis of secondary data. The data relating to the deposit, loan, advances, investment, assets and profit are directly obtained from the balance sheet and profit and loss account of concerned co-operative annual report. Supplementary data and information's are collected from number of institutions and authoritative sources like Sahakari Bikas Board. Sahakari Division Karyalaya, Nepal Rastra Bank, Websites etc.

3.3 Population and Sample

After the restoration of democracy (2046) the most developed concept for social empowerment is ' co-operative' so here are innumerable co-operatives in our country. In this study all the co-operatives of Nepal are taken as population and SwarnalaxmiSACOS taken as samples for the study. SwarnalaxmiSACOS working in Kathamandu District and providing service to economically exploited people. Therefore, this co-operative has been selected as a sample for the study by using convenient sample method to know the actual performance of cooperating working in own area.

3.4 Method of Data Analysis

To achieve the objectives of the study various financial and statistical tool have been used. The analysis of the study is based on the pattern of data available and to make the analysis more effective, convenience, reliable and authentic.

The different calculated results obtained through financial, accounting, and statistical tools are tabulated under different headings. Then they are compared with each other to interpret the result.

3.4.1 Financial Tools

The financial tools of analysis are ratio analysis. An arithmetical relationship between two figures is known as ratio. It is computed by dividing one item of relationship with the other. Ratio simply means one number expressed in terms of another. In order to make a rational decision of financial variability of the company, the ratio analysis is adopted. Various groups involved in a firm are concerned to different purposes. Ratio analysis is a technique of analysis and interpretation of financial statements from a different angle. So as to fulfill the interest of various groups involved in a firm such as creditors, investors, government etc. By the systematic use of ratios, the financial strengths and weaknesses of a firm as well as its historical and current financial position can be determined. Following financial tools are applied to analyze the data.

Liquidity Ratio: - The ability of the co-operatives to meet its short-term obligations is known as liquidity. It reflects the short-term financial strength of the co-operatives. These ratios are used to know the capacity of the concern to repay its short-term liabilities. Under this, the following ratios are computed.

- i) Current Ratio
- ii) Total liquid fund to total deposit ratio.

Activity Ratio: - Activity Ratio reflects the firm's efficiency in utilizing its assets. Activity Ratios measure the effectiveness of the employment of the resource in a business concern. Under this ratio, the following ratios are computed.

- i) Credit to total deposit
- ii) Time deposit to total deposit

Capital Adequacy Ratio: - This ratio has been one of the most controversial issues. Excess capital than required capital reduces the profitability where as less capital is a symbol of a weak capital structure. So co-operatives have to maintain the adequate capital as per the direction given by co-operative board.

- i) Capital to total deposit
- ii) Capital to total credit
- iii) Capital to total assets

Risk Ratio: - Risk Ratio is an important ratio. It measure the risk associated with the banking variable. A co-operative raise capital accepts deposit and finally grant loan. A co-operative must consider the risk associated with it. Higher the ratio higher will be the profit and vice versa. Following ratios are considered under these ratios:-

- i) Credit risk ratio
- ii) Interest risk ratio

Profitability Ratio: - Maximization of profit is the main objective of each and every co-operative. It is very necessary to earn maximum profit for the successful running of a co-operative concern. According to Lord Keynes, “profit is the engine that drives the business enterprises.” The profit is also important to preserve the existence of co-operatives as well as strengthen and expand it. Following ratios are calculated under this ratio:-

- i) Net Profit to Total Working Fund ratio

- ii) Net Profit to Total Loan and Advances
- iii) Earning per Share
- iv) Return on Equity

3.4.2 Statistical Tools

Statistical methods are the mathematical techniques used to facilitate the analysis and interpretation of numerical data secured from group of individual or groups of observation from a single individual. The figures provide detail descriptions and tabulate as well as analyze data without subjectivity but only objectivity (Joshi; 2002: 159)

a) Arithmetic Mean

Arithmetic mean is the ratio of the sum of all the observations to the number of the observations.

It is denoted by \bar{x} .

We have,

$$\text{Mean } (\bar{x}) = \frac{x}{n}$$

Where, $x =$ Sum of all values of the observations

$n =$ Number of observation

$X =$ Values of variables

The arithmetic mean is a single value of selected series which represents them in average. Out of the various central tendencies, a mean is a one of the useful tools to find out the average value of the given data (Gupta. S.C.;2004: 414)

b) Standard Deviation (S.D.)

The measurement of the slatterns of the mass of figure in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount of dispersion, greater will be the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series. In this study, standard deviation of different ratio is calculated. It is denoted by 's' or 'σ'

$$\text{Standard deviation (s)} = \sqrt{\frac{\sum (x - \bar{x})^2}{n}}$$

Where, \bar{x} = Expected return of the historical data.

n = Number of observations.

c) Coefficient of Variation (C.V.)

The coefficient of variance measures the ratio of the standard deviation to the mean expressed in percent. It is calculated as under:-

$$\text{C.V.} = \frac{s}{\bar{x}} \times 100$$

Where, s = Standard deviation

\bar{x} = Mean Value of variances

Coefficient of variance is also useful in comparing the amount of variation in data groups with different mean. It is the relative measure of dispersion. A distribution with smaller coefficient is said to be more homogenous than the other. On other hand, a series with greater coefficient of variance is said to be more variable or heterogeneous than the other.

d) Coefficient of Correlation

Coefficient of correlation measures the degree of relationship between two sets of sigma. There is various method of finding out coefficient of correlation but Karl Person’s method is applied in the study. The result of correlation coefficient is always between -1 and +1. It is indicated by r. When r =0, it means there is no relationship between two variables. The compute formula is mentioned below:-

$$R = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \sqrt{n \sum y^2 - (\sum y)^2}}$$

Where, n = Number of observation

∑ x = Sum of observation in series X

∑ y =Sum of observation in series Y

e) Probable Error

Probable error of the correlation coefficient is denoted by P.E. It is used for the testing of reliability of the calculated value of r. P.E. is defined by:-

$$P.E. (r) = 0.6745 \frac{\sum r^2}{\sqrt{n}}$$

Where, P.E. (r) = Probable error of correlation coefficient

r = Correlation coefficient

n = Number of observation.

f) Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantitative terms. On the basis of tendencies in the dependent variable in the past periods, the future trend is predicted. This method of forecasting the future trend is basined on the assumptions that the past tendencies of the variables are repeated in the future or the past event affects the future event significantly. The future trend is forecasted by using the following formula:-

$$Y = a + bx$$

Where, Y = the dependent variable

a = the region i.e. arithmetic mean

b = the slope coefficient i.e. ratio of change

X = the independent variable

The uses of Trend Analysis can be shown as follows;

1. It enables us to study the past behavior of the phenomenon under consideration i.e., to determine the type and nature of the variations of the data.
2. The segregation and study of the various components is of paramount importance of a businessman in the planning of future operations and in the formulation of executive and policy decisions.
3. It helps to compare the actual current performance of accomplishments with the expected ones (on the basis of the past performances) and analyses the causes of such variations, it any.
4. It enables of us to predict of estimate or forecast the behavior of the phenomenon in future, which is very essential for business planning.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the presentation, analysis and interpretation of statistics, evidence and facts to clarify the research works. Hence the study presents the collected data for various purposes of analysis. The data are analyzed using financial and statistical tools to get values of different variables. The analyzed data and results are presented clearly and simultaneously using tables and graphs. Lastly, each of the results is interpreted in each topics and subtopics.

4.1 Financial Ratio Analysis

Ratio analysis is the process of knowing the financial strengths and weakness of the co-operatives (any firm) by establishing relationship between various variables. It is a technique for interpretation of financial statement through mathematical expression. It may be defined as the mathematical expression of the relationship between accounting figures. To evaluate the different performance of figure of different accounts is termed as ratio analysis. In short ratio analysis can be defined analysis of financial data to make judgment easier. Ratio analysis is used as an index or yardstick for evaluating financial position and performance of the firm.

4.1.1 Liquidity Ratio Analysis

Liquidity ratio measures the ability to meet short term and maturity obligation. This is also called solvency ratio or working capital ratio. It is the relative proportion of current assets to current liabilities. Under liquidity ratio's following terms are examined.

4.1.1.1 Current Ratio

Current ratio is a test of liquidity. It measures the short run debt paying ability of the firm. In another words, it measures the availability of current assets for meeting current liabilities. Current ratio is concerned with current assets and current liabilities and it defines how much rupees of current assets are available to pay one rupee of current liability. It is also called working capital ratio. It is computed using the following formula.

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

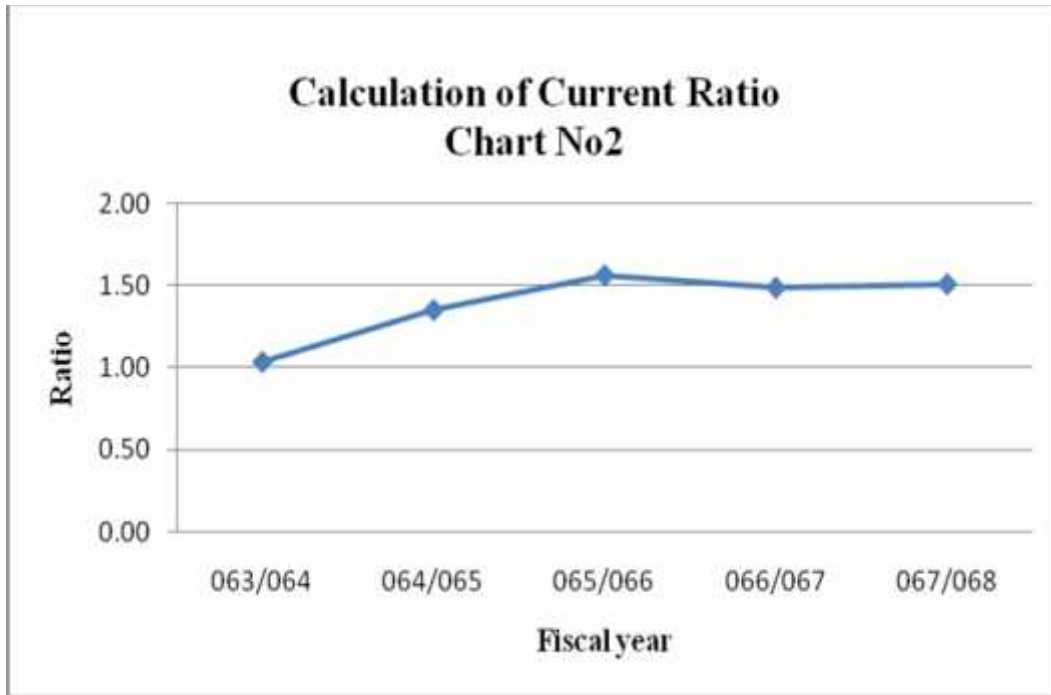
In this study, current assets comprise of assets convertible into cash within a year bank balance, short-term loan to members, account receivable etc. similarly current liabilities include obligation maturing within a year i.e. general deposits and account payable. A high current ratio indicates excessive investment in current assets leading to underutilization of firm's resources and causes to lower profitability position .In the same way a low ratio indicates inability to meet its short obligation that may lead to loss of good will and lower margin of safety. So the satisfactory level of current ratio can lead the firm into higher profitability position and makes the firm able to maintain short- term solvency. 2:1 is assumed to be an appropriate current ratio though this standard is only for Manufacture Company but for financial institute 1.5:1is assumed to be appropriate because of no stock. It means current assets twice of current liabilities. The current ratio of Swarnalaxmi SACOS for the year 2063/64to 2067/68 is given in table No.1

Table No. 2**Calculation of current Ratio**

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|---------------------|--------|
| | Current Assets | Current Liabilities | Ratio |
| 063/064 | 31979708 | 30785275 | 1.04:1 |
| 064/065 | 92872376 | 68762699 | 1.35:1 |
| 065/066 | 213294076 | 136673839 | 1.56:1 |
| 066/067 | 290335490 | 195321944 | 1.49:1 |
| 067/068 | 285725532 | 189479990 | 1.51:1 |
| Mean (\bar{X}) | | | 1.39 |
| S.D (†) | | | 0.21 |
| C.V | | | 15.13% |

Source: Annual Report and appendix no.1

Table.2 shows the current ratio of Swarnalaxmi SACOS. The co-operative is able to meet the standard current ratio i.e. 1.5:1. The current ratio is in fluctuating order. Higher current ratio indicates that the co-operative is in liquid and has ability to pay its current obligation. The highest current ratio is 1.56:1 in the fiscal year 065/066 and lowest current ratio of 1.04:1 in the fiscal year 063/064. The average ratio is 1.39. It has Rs.1.39 to pay 1 rupee of liability. The CV of current ratio is 15.13%. The study indicates that the liquidity position of the co-operative is in normal position. The current ratio over the year is fluctuated at an average rate of 15%. This is moderate satisfactory.



4.1.1.2 Total Liquid Fund to Total Deposit Ratio

Total liquid fund to total deposit ratio indicates the short-term obligation capacity of the demand of the depositor money. Higher ratio shows the higher capacity of payment on demand of the money and vice-versa.

$$\text{Liquid fund to total deposit ratio} = \frac{\text{Total liquid fund}}{\text{Total deposit}}$$

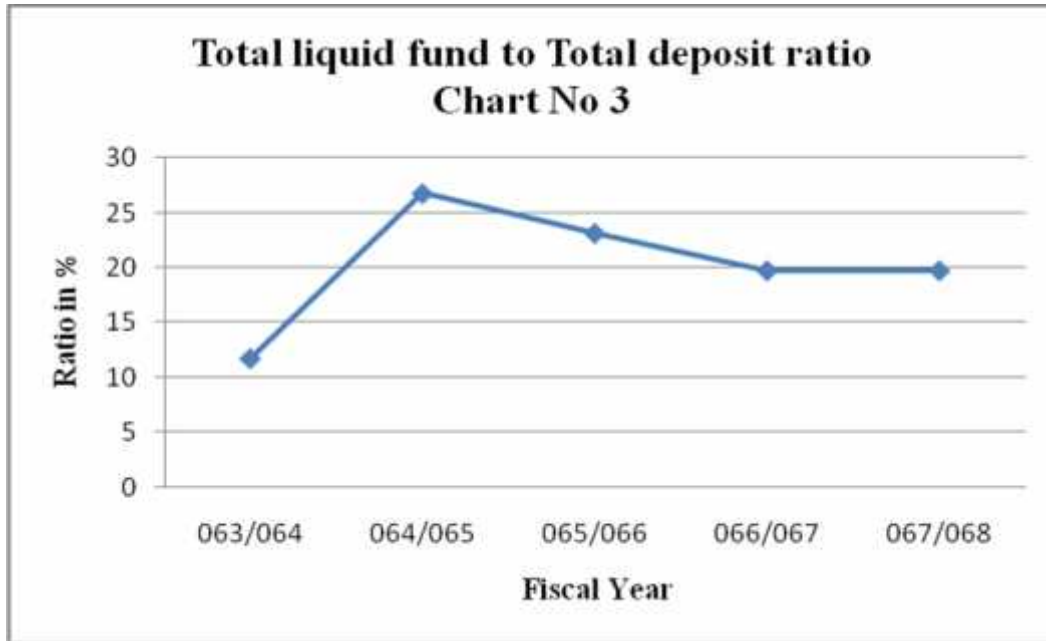
Total liquid fund = Cash in hand + cash at bank (co-operative) + balance with co-operative board etc.

Table No.3**Calculation of Liquid Fund to Total Deposit Ratio**

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|---|----------------------|--------------|
| | Total liquid fund | Total deposit | Ratio |
| 063/064 | 6368170 | 31571255 | 11.75% |
| 064/065 | 10789255 | 91823384 | 26.78% |
| 065/066 | 53982928 | 201546516 | 23.16% |
| 066/067 | 61768775 | 266740460 | 19.76% |
| 067/068 | 48894400 | 247501805 | 19.76% |
| Mean (\bar{X}) | | | 20.24% |
| S.D (\dagger) | | | 5.56% |
| C.V | | | 27.49% |

Source: Annual Report and appendix no.2

Table no.3 shows the ratio between liquid assets and total deposit of SwarnaLxmi SACOS. Average ratio of liquid fund to total deposit ratio is 20.24%. The maximum liquid fund to total deposit ratio is 26.78% (064/065) and minimum ratio is 11.75% (063/064). The co-operative has fluctuating trend of liquid fund to total deposit ratio. The co-operative is better in fulfilling the demand of the money in later than earlier years. The standard deviation is 5.56. Which means the liquid fund to total deposit dispersion is small amount. The CV of co-operative is 27.49%, which is substantial fluctuated which is not good.



4.1.2 Activity Ratio

Activity ratio is also called assets management ratio. It measures the efficiency of the co-operatives to manage its assets in profitable and satisfactory manner. A co-operative must manage its asset in proper way to get reasonable return. Under this heading following ratio has been studied.

4.1.2.1 Credit Mobilization to Total Deposit Ratio

This ratio reflects extend to which the co-operative are success in mobilizing their assets as loan and advances for the purpose of income generation. A high ratio indicates better mobilization of deposit on loan and advances and vice-versa.

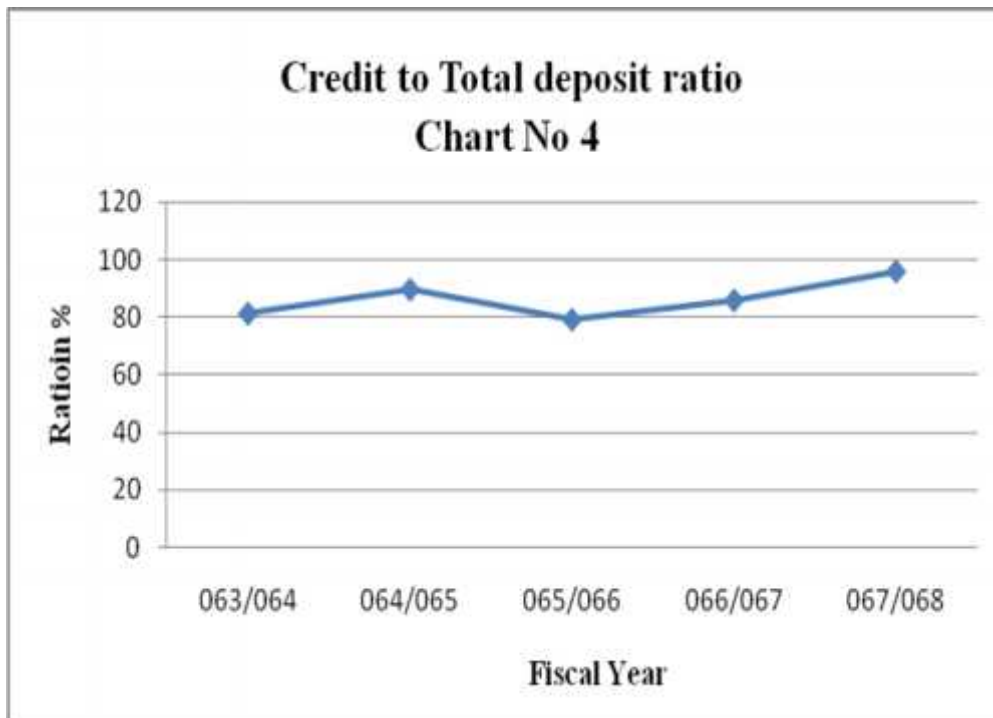
$$\text{Credit to total deposit ratio} = \frac{\text{Total loan and advances}}{\text{Total Deposit}}$$

Table No. 4
Calculation of Credit to Total Deposit Ratio

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|---------------|--------|
| | Total Loan & Advance | Total deposit | Ratio |
| 063/064 | 25611538 | 31571255 | 81.12% |
| 064/065 | 82083121 | 91823384 | 89.39% |
| 065/066 | 159311148 | 201546516 | 79.04% |
| 066/067 | 228566715 | 266740460 | 85.69% |
| 067/068 | 236830132 | 247501805 | 96.69% |
| Mean (\bar{X}) | | | 86.19% |
| S.D (†) | | | 6.66% |
| C.V | | | 7.73% |

Source: Annual Report and appendix no.3

Table No.4 shows the fluctuation in the ratio of credit to total deposit. The average ratio of credit to total deposit ratio of co-operative is 86.05%. Which means the co-operative has mobilized its money 86.19% on average. It has highest credit ratio of 96.69% in the year 067/068. This year ratio indicates better mobilization of deposit on loan and advances and lowest credit ratio i.e. 79.04% in the year 065/066. The C.V of the co-operative is 7.73. It can be concluded that the credit to deposit ratio of co-operative is satisfactorily consistent during the study period.



4.1.2.2 Time Deposit to Total Deposit Ratio

The ratio shows the relationship between time deposit and total deposit. Time deposit is also called fixed deposit or time deposit is for fixed term, co-operative can invest these funds without any anxiety of liquidity. The higher the ratio higher will be the chance of mobilizing the fund with certainty.

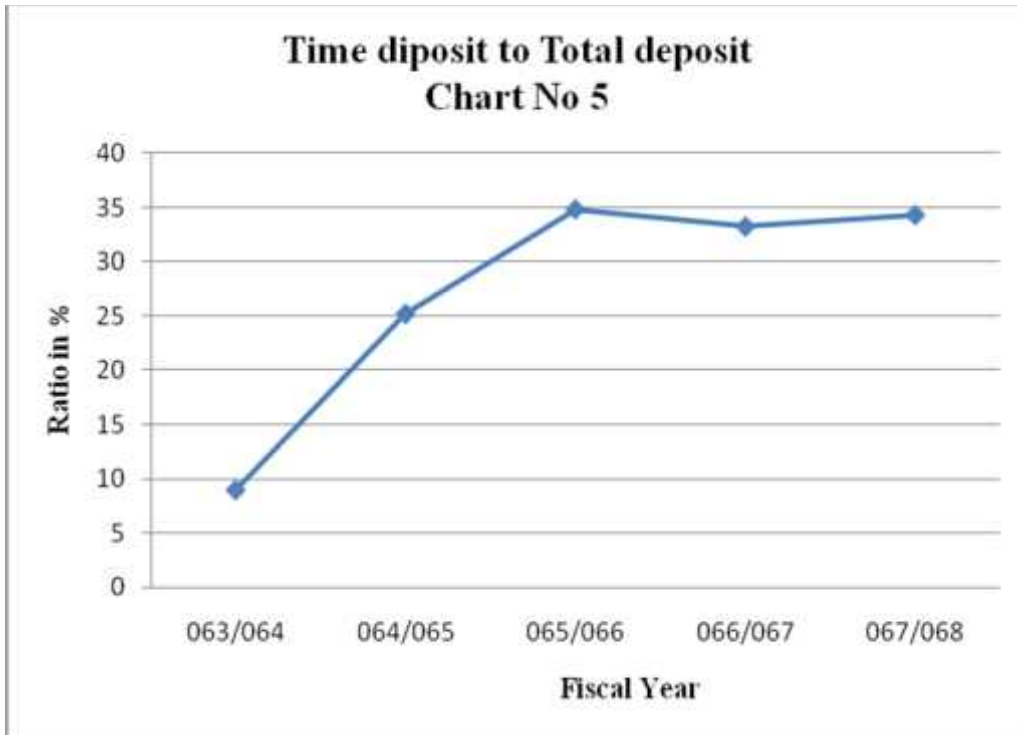
$$\text{Time deposit to total deposit} = \frac{\text{Fixed Deposit}}{\text{Total Deposit}}$$

Table No. 5
Calculation of Time Deposit to Total Deposit

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|---------------|--------|
| | Fixed deposit | Total deposit | Ratio |
| 063/064 | 2844000 | 31571255 | 9.01% |
| 064/065 | 23138726 | 91823384 | 25.20% |
| 065/066 | 70158500 | 201546516 | 34.81% |
| 066/067 | 88629367 | 266740460 | 33.23% |
| 067/068 | 84872910 | 247501805 | 34.29% |
| Mean (\bar{X}) | | | 27.31% |
| S.D (\dagger) | | | 10.95% |
| C.V | | | 39.85% |

Source: Annual Report and appendix no.4

Table No. 5 shows the ratio of time deposit to total deposit, which indicates the capacity of mobilizing the funds collected as deposit in the co-operative. The funds collected as deposit in the co-operative. The average ratio is 27.31% .The maximum time deposit ratio is 34.81% in 065/066 year of study period. Similarly the minimum time deposit ratio is 9.01% in (063/064) year. In this first year the co-operative cannot collect the high amount of fixed deposit. The CV is 39.85%. It shows that co-operative can invest the money in long-term project also. It can easily manage the repayment due to the availability of high amount of time deposit.



4.1.3 Capital Structure Ratio

It is used to protect depositors and promote the stability and efficiency of financial systems. Excess capital decreases the profitability where as less capital is the symbol of a weak capital structure. So co-operatives have to maintain the capital as per the directives given by co-operative board. Following ratios are calculated in this heading.

4.1.3.1 Total Deposit to Total Capital Ratio

Total deposit to capital ratio shows the relationship between deposit and total capital. This ratio measures the proportion of deposit in the total capital.

$$\text{Total deposit to total capital ratio} = \frac{\text{Total Deposit}}{\text{Total Capital}}$$

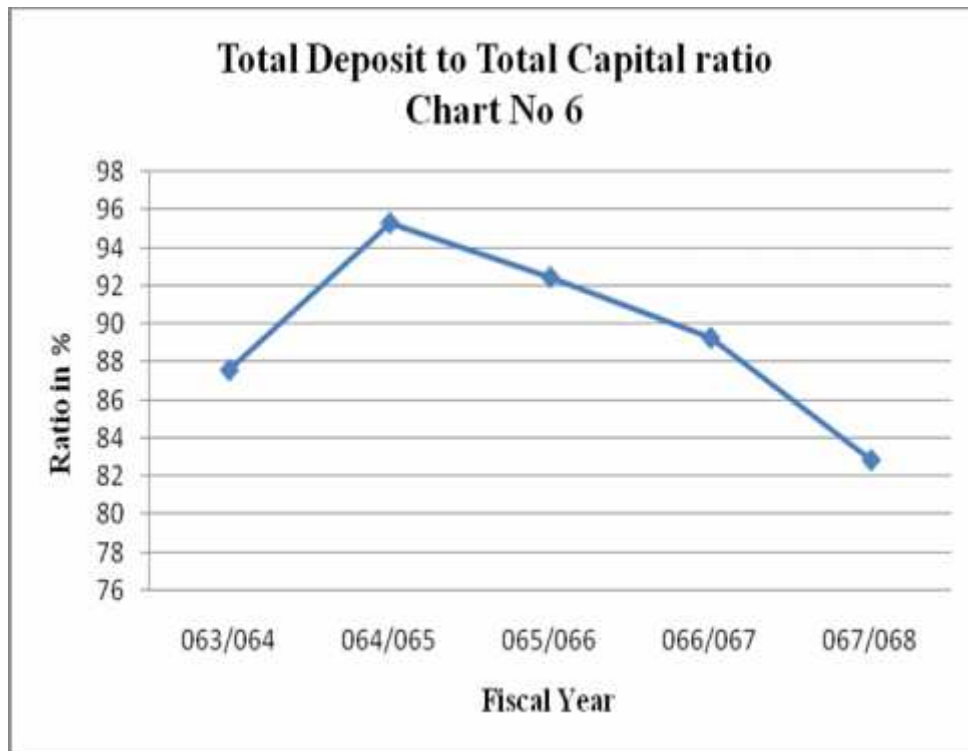
Total Capital = Share capital + Reserve + Surplus + Deposit

Table No. 6
Calculation of Total Deposit to Total Capital Ratio

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|---------------|--------|
| | Total deposit | Total Capital | Ratio |
| 063/064 | 31571255 | 36051083 | 87.57% |
| 064/065 | 91823384 | 96342157 | 95.31% |
| 065/066 | 201546516 | 217973422 | 92.46% |
| 066/067 | 266740460 | 298815405 | 89.27% |
| 067/068 | 247501805 | 298766453 | 82.84% |
| Mean (\bar{X}) | | | 89.49% |
| S.D (†) | | | 4.76% |
| C.V | | | 532% |

Source: Annual Report and appendix no.5

Table No.6 shows the ratio of total deposit to total capital of Swarnalaxmi Saving & Credit co-operative Ltd. During the study period the average ratio of total deposit to total capital is 89.84%. The co-operative has high proportion of deposit out of their total capital. The highest deposit to total capital ratio is 95.31% in the fiscal year 064/065 and lowest 82.84% in the fiscal year 067/068. This study shows that total deposit to total capital ratio is increasing pattern first two year after that it decline. Standard deviation of the ratio is 4.76. The CV of the total deposit to total capital ratio is 532% which is substantial fluctuated which is not good.



4.1.3.2 Total Debts to Equity Ratios

The relationship between total debts and shareholder's equity is expressed through this ratio. It is also called debt to net worth ratio. This ratio indicates the contribution of debt capital and equity capital fund to the total investment. This ratio's calculated by using the following formula:

$$\text{Total debts to Equity ratio} \times \frac{\text{Total debts}}{\text{Share holder's equity}}$$

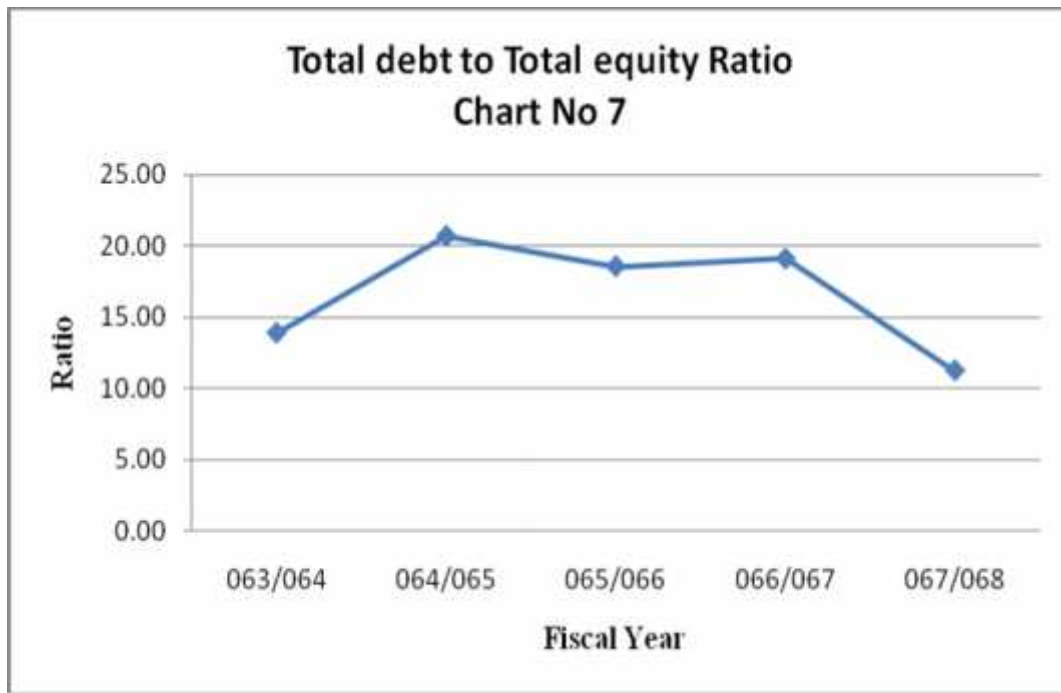
Total debt includes current liability and long-term debts. Similarly shareholders' equity included paid up capital and reserve and surplus. Theoretically 1:1 ratio is satisfactory. High ratio indicates increase in external fund, increase interest expenses and also increase risk and vice-versa.

Table No.7
Calculation of Total Debts to Equity Ratio

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|---|---------------------|--------------|
| | Total debt | Total equity | Ratio |
| 063/064 | 33629275 | 2421807 | 13.89 |
| 064/065 | 91901424 | 4440735 | 20.70 |
| 065/066 | 206832339 | 11141084 | 18.56 |
| 066/067 | 283951310 | 14864094 | 19.10 |
| 067/068 | 274352900 | 24413553 | 11.24 |
| Mean (\bar{X}) | | | 16.17 |
| S.D (†) | | | 3.97 |
| C.V | | | 23.77% |

Source: Annual Report and appendix no.6

Table No.7 shows total debt to equity ratio of Swarnalaxmi Saving & Credit co-operative Ltd. of 5 years study period from fiscal year 063/064 to 067/068. The average total debt to equity ratio is 1:16.17. The highest total debt to equity ratio is 1:20.70 in the fiscal year 064/065 so, in this year external fund and interest expenses is high rather than other years. The lowest total debt to equity ratio is 1:11.24 in the fiscal year 067/068. The co-operative ratio is slightly fluctuating. The co-operative has higher ratio than theoretical norm. It means it has more debt capital so it has more risk. The co-operative should pay maximum amount of interest to the debt holder. The CV is 23.77% this is moderate satisfactory.



4.1.3.3 Total Debt to Total Assets Ratio

This ratio is used to analyze long-term solvency of a firm. The firm may be interested in knowing the proportion of the interest bearing debt in the capital structure with respect to total assets. The debt to total assets ratio can be calculated by using following formula.

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

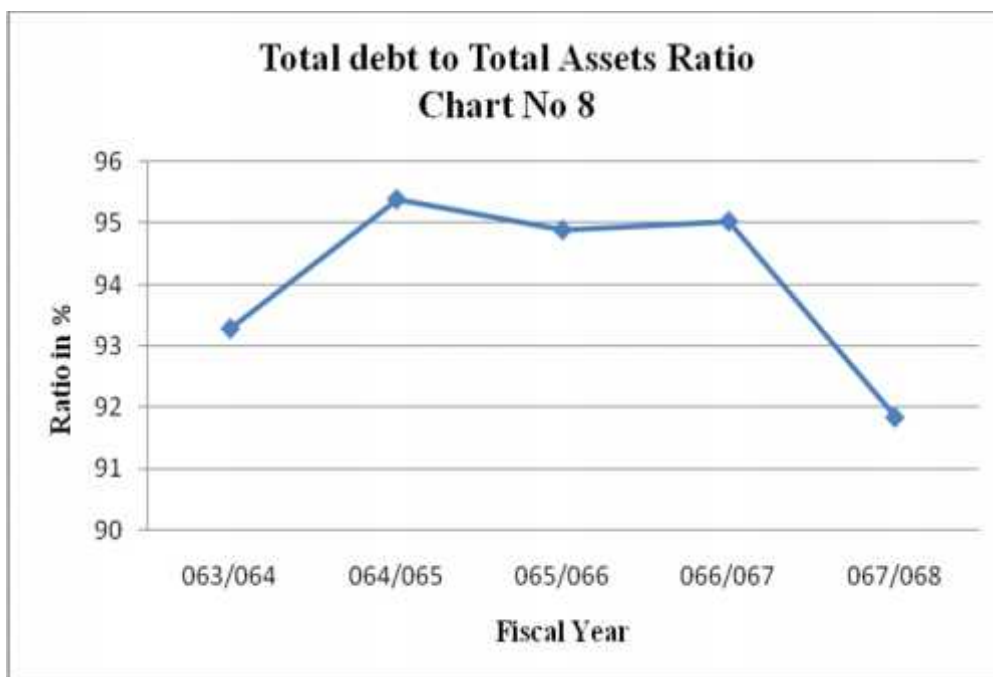
Total debts indicate current liabilities and long-term debt. Similarly total assets include all the assets of right hand side of the balance sheet. The debt to assets ratio of Swarnalaxmi Saving & Credit co-operative Ltd is calculated below:

Table No. 8
Calculation of Debt to Total Assets Ratio

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|--------------|------------|
| | Total debt | Total Assets | Ratio in % |
| 063/064 | 33629275 | 36051083 | 93.28 |
| 064/065 | 91901424 | 96342157 | 95.39 |
| 065/066 | 206832339 | 217973422 | 94.89 |
| 066/067 | 283951310 | 298815405 | 95.03 |
| 067/068 | 274352900 | 298766453 | 91.83 |
| Mean (\bar{X}) | | | 94.08 |
| S.D (†) | | | 1.50 |
| C.V | | | 1.59 |

Source: Annual Report and appendix no.7

Table No.8 shows the total debt to assets ratio Swarnalaxmi Saving & Credit co-operative Ltd. of 5 years study period from fiscal year 063/064 to 067/068. The co-operative has little fluctuating debt to total asset ratio. The average total debt to asset ratio is 94.08%. Likewise the highest total debt to total ratio is 95.30% in the fiscal year 064/065 and lowest ratio is 91.83% in the fiscal year 067/068. It has greater average debt to total ratio so it is more risky and there is chance of earning more profit. The CV is 1.5% which indicate the consistency of the ratio. Standard deviation is also lower 1.59% which mean the ratio of all year are not be more fluctuated.



4.1.4 Risk Ratio

Risk Ratio is very essential elements. Risk ratio measures the risk associated with the banking variables. A co-operative raises capital by accepting deposit and finally grants loan. These entire things come along with the risk. A co-operative must consider the risk associated with it. Under this heading following ratios are analyzed.

4.1.4.1 Credit Risk Ratio

Credit risk ratio is related to total loan and advances and total assets. It is very essential for a co-operative to inspect the project i.e. the risk involved in it to avoid default of non-payment of loan before making investment on them. The main factor while the co-operative makes the decision on investment to utilize its collected fund is the risk.

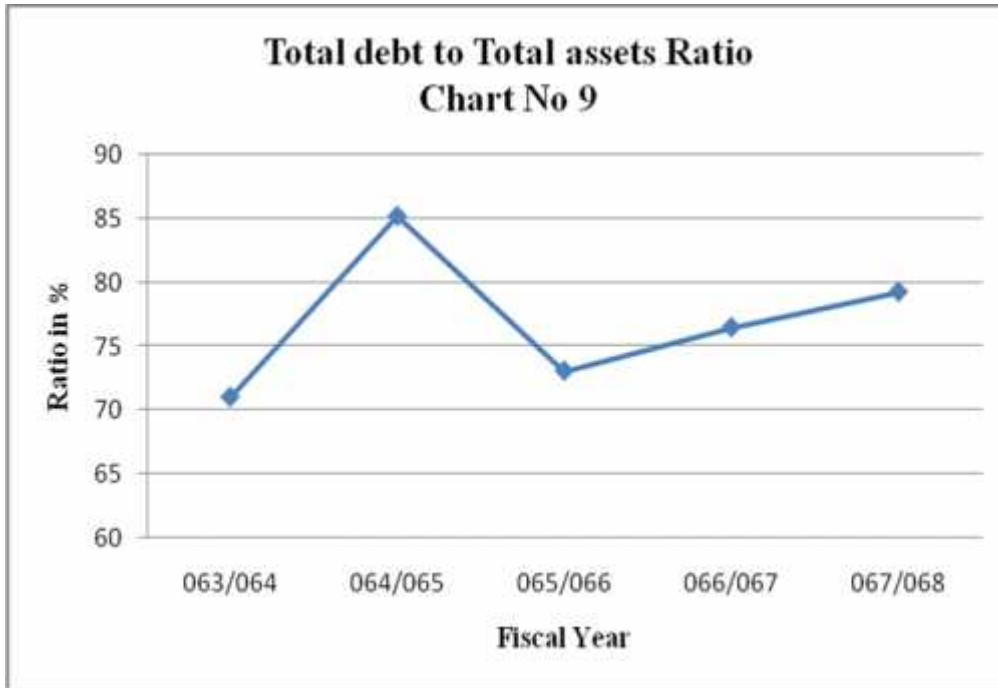
$$\text{Credit Risk Ratio} = \frac{\text{Loan and Advances}}{\text{Total Assets}}$$

Table No. 9
Calculation on credit risk ratio

| Swarnalaxmi Saving & Credit co-operative Ltd | | | |
|---|---------------------------------|---------------------|-------------------|
| Year | Total Loan & Advance | Total Assets | Ratio in % |
| 063/064 | 25611538 | 36051083 | 71.04 |
| 064/065 | 82083121 | 96342157 | 85.20 |
| 065/066 | 159311148 | 217973422 | 73.09 |
| 066/067 | 228566715 | 298815405 | 76.49 |
| 067/068 | 236830132 | 298766453 | 79.27 |
| Mean (\bar{X}) | | | 77.02 |
| S.D (†) | | | 5.56 |
| C.V | | | 7.22 |

Source: Annual Report and appendix no.8

Table No.9 shows the ratios of credit risk of ratio Swarnalaxmi Saving & Credit co-operative Ltd. of 5 years study period from fiscal year 063/064 to 067/068. The average credit risk ratio is 77.02%. It shows the risk of the co-operative in respect to Loan and advance. It has highest credit risk ratio of 85.20% in the fiscal year 2064/065 and lowest credit risk ratio of 71.04% in the fiscal year 2063/064. Standard deviation and coefficient of Variance of the co-operative is 5.56% and 7.22% respectively. This shows consistency of the ratio.



4.1.4.2 Interest Risk Ratio

Interest risk ratio is related to interest paid and total assets. It is very essential for a co-operative to inspect the project. Interest paid means the interest that paid for all type of deposit. The main factor while the co-operative makes the decision on investment to utilize its collected fund is the risk.

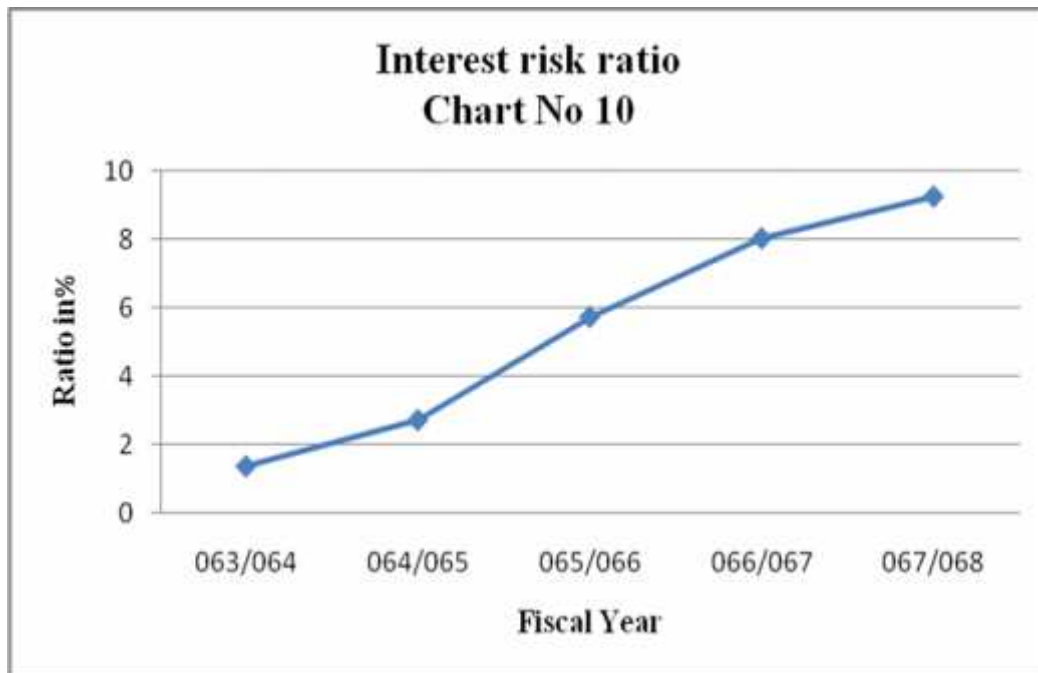
$$\text{Interest Risk Ratio} = \frac{\text{Interest paid}}{\text{Total Assets}}$$

Table No. 10
Calculation of Interest risk ratio

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|--------------|--------|
| | Interest Paid | Total Assets | Ratio |
| 063/064 | 497888 | 36051083 | 1.38% |
| 064/065 | 2628355 | 96342157 | 2.73% |
| 065/066 | 12506813 | 217973422 | 5.74% |
| 066/067 | 24002050 | 298815405 | 8.03% |
| 067/068 | 27631382 | 298766453 | 9.25% |
| Mean (\bar{X}) | | | 5.43% |
| S.D (†) | | | 3.36% |
| C.V | | | 61.88% |

Source: Annual Report and appendix no.9

Table No.10 shows the ratios of interest risk of ratio Swarnalaxmi Saving & Credit co-operative Ltd. of 5 years study period from fiscal year 063/064 to 067/068. The study shows that the interest risk ratio is increase from first year to fifth year like that 1.38%, 2.73%, 5.74%, 8.03%, and 9.25% respectively. Highest interest risk ratio is 9.25% in year 067/068 and lower ratio is 1.38% in year 063/064. The average ratio is 5.43%. The study shows that the interest paid in increase with total assets. The CV of interest risk ratio is 61.88%, which is substantial fluctuated which is not good.



4.1.5 Profitability Ratio

Profitability ratio is related to profit. It measures the overall banking operations of the co-operatives in regard to the profit. Profitability ratio is determined by the financial institution to find out their profit, which indicates the efficiency of the co-operatives. A co-operative can make the profit through sound lending policy and the quality of services it provides. If the profit ratio is high the efficiency of co-operative will be high. Following profitability ratios are calculated under this heading.

4.1.5.1 Return on Total Working Fund Ratio

Return on total working fund measures the relationship between the working fund and profit of the co-operative. Hence working fund includes those entire funds, which are used for mobilizing to earn profit.

$$\text{Return on Total Working Capital} = \frac{\text{Net Profit}}{\text{Total Working Fund}}$$

Table No. 11

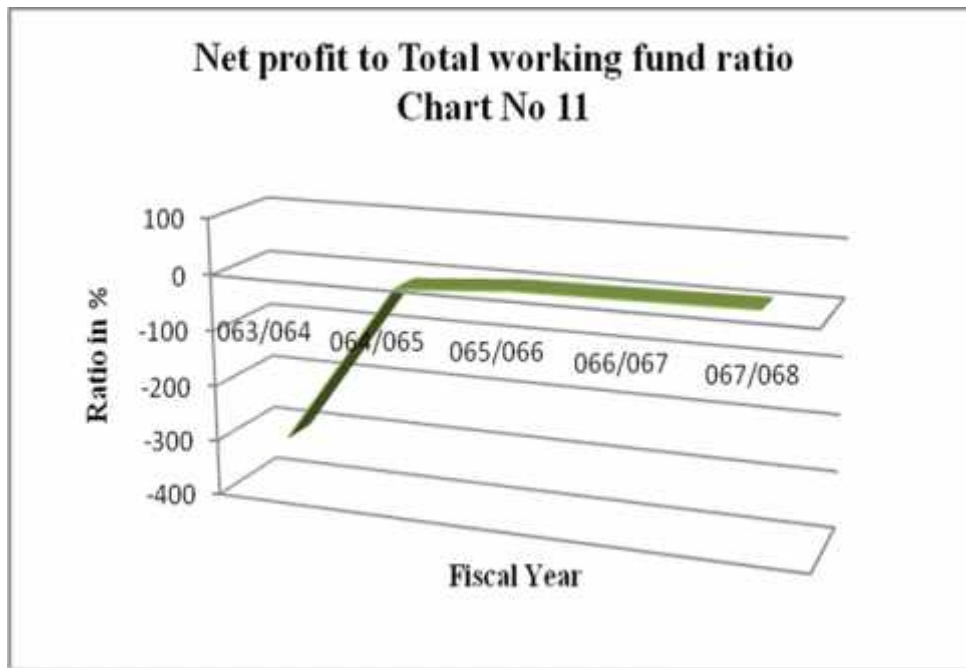
Calculation of Return to Total Working Fund

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|--------------|------------|
| | Net profit | Working fund | Ratio in % |
| 063/064 | (3610493) | 1194433 | (302.28) |
| 064/065 | (3269435) | 24109677 | (13.56) |
| 065/066 | 818884 | 76620237 | 1.07 |
| 066/067 | 2867210 | 95013546 | 3.02 |
| 067/068 | 5472998 | 96245542 | 5.69 |
| Mean (\bar{X}) | | | (61.21) |
| S.D (\dagger) | | | 135 |
| C.V | | | (220.55) |

Source: Annual Report and appendix no.10

Negative sign is ignored of C.V.

Table No.11 shows the ratios of return to working fund ratio Swarnalaxmi Saving & Credit co-operative Ltd. of 5 years study period from fiscal year 063/064 to 067/068. The average ratio of return of working fund ratio is 61.21% because net loss of first two year is too high. After that the net profit is positive and ratio in also positive. The maximum return is 5.69 % in the year 2057/068 and minimum return is 302.28%in the year 063/064. The C.V of the ratio is 220.55, which is substantial fluctuated which is not good.



4.1.5.2 Net Profit to Loan and Advance Ratio

Net profit to loan and advance ratio measures the earning capacity of co-operatives as its deposit mobilized on loan and advances. Higher the ratio greater will be the return and vice -versa.

$$\text{Return on loan and advances} = \frac{\text{Net Profit}}{\text{Loan and Advances}}$$

Table No. 12

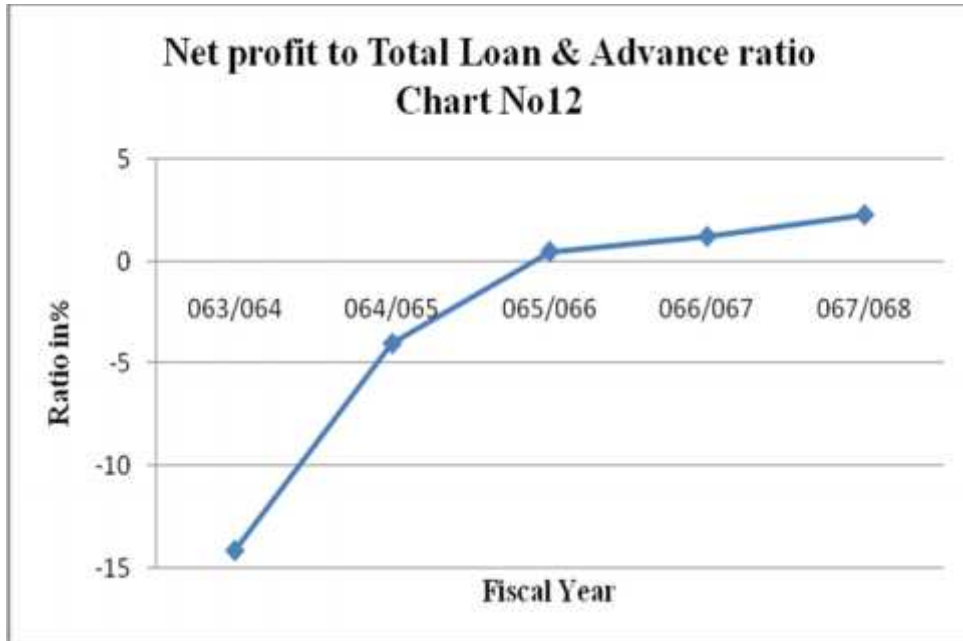
Calculation of Net profit to Total loan & Advance

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|----------------------|------------|
| | Net profit | Total Loan & Advance | Ratio in % |
| 063/064 | (3610493) | 25611538 | -14.1 |
| 064/065 | (3269435) | 82083121 | -3.98 |
| 065/066 | 818884 | 159311148 | 0.51 |
| 066/067 | 2867210 | 228566715 | 1.25 |
| 067/068 | 5472998 | 236830132 | 2.31 |
| Mean (\bar{X}) | | | -2.8 |
| S.D (\dagger) | | | 6.76 |
| C.V | | | -241.43 |

Source: Annual Report and appendix no.11

Negative sign is ignored in C.V.

Table No. 12 shows the ratio of return on loan and advances of Swarnalaxmi Saving & Credit co-operative Ltd. of 5 years study period from fiscal year 063/064 to 067/068. The average ratio of return on loan and advances is 2.8%. The highest ratio is 2.31% in the year 067/068 and lowest ratio of 14.1% in the year 2063/064. The C.V. of co-operative is 241.43 which is substantial fluctuated which is not good.



4.1.5.3 Earning Per Share

Earnings per share measures the profit available to the shareholder's as per share basis. Generally higher ratio indicates better condition and vice-versa. It can be calculated through the following formula.

$$\text{Earning per share} = \frac{\text{Net Profit}}{\text{No. of share out standing}}$$

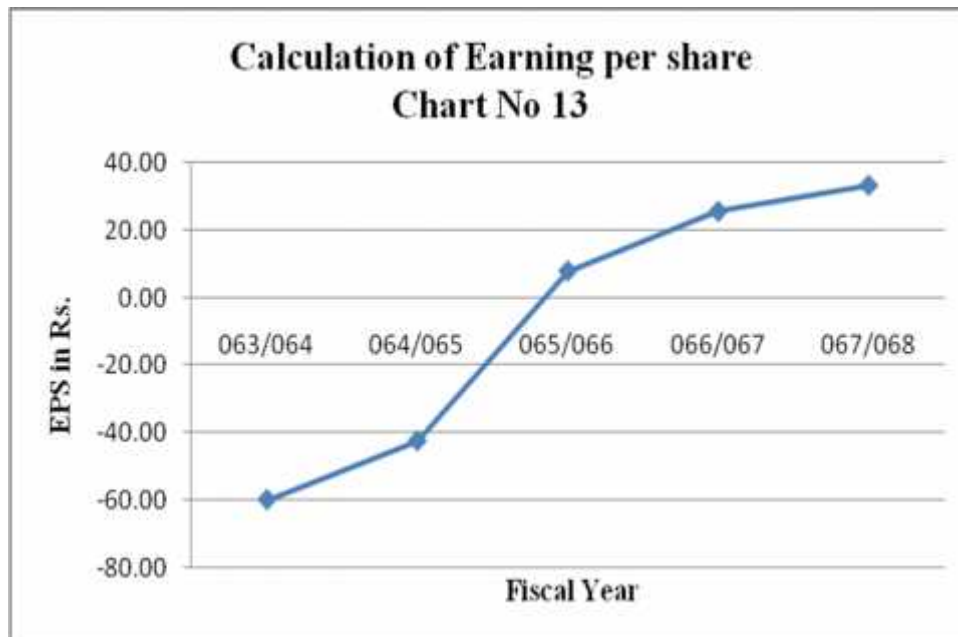
Table No. 13
Calculation of Earning per share

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|--------------|---------|
| | Net profit | No. of share | EPS |
| 063/064 | (3610493) | 60323 | (56.85) |
| 064/065 | (3269435) | 77103 | (42.40) |
| 065/066 | 818884 | 103222 | 7.93 |
| 066/067 | 2867210 | 111780 | 25.65 |
| 067/068 | 5472998 | 164023 | 33.37 |
| Mean (\bar{X}) | | | (7.06) |
| S.D (†) | | | 41.73 |
| C.V | | | (591%) |

Source: Annual Report and appendix no.12

Negative sign is ignored in C.V

Table No.13 revealed that the earning per share Swarnalaxmi Saving & Credit co-operative Ltd. is in increasing order. Earning per share in the year of study period i.e. in the fiscal year 063/64, 064/065, 065/066, 066/067, 067/068 is Rs. (56.85), (42.40), 7.93, 25.65, 33.37 respectively. The average earning per share is Rs. (7.06). The study shows that it is in lose in the first two years of study period i.e. in the fiscal year 2063/064 and 064/065. Earning per share is gradually increasing in the last 3years of study period means in the fiscal year 2065/066, 2066/067 and 2067/068. The earning per share is higher in year 067/068 is Rs. 33.37.



4.1.5.4 Return on Equity

Return on equity ratio expresses the relationship between net profit and share holder equity. It is used to evaluate whether the firm making satisfactory return on its equity or not. This ratio indicates the profitability of the owner's investment. So, higher the ratio higher will be efficiency on mobilization of the owner's equity. The return on equity ratio can be computed using the following formula.

$$\text{Return on equity} = \frac{\text{Net profit}}{\text{Share holders' equity}}$$

Table No. 14

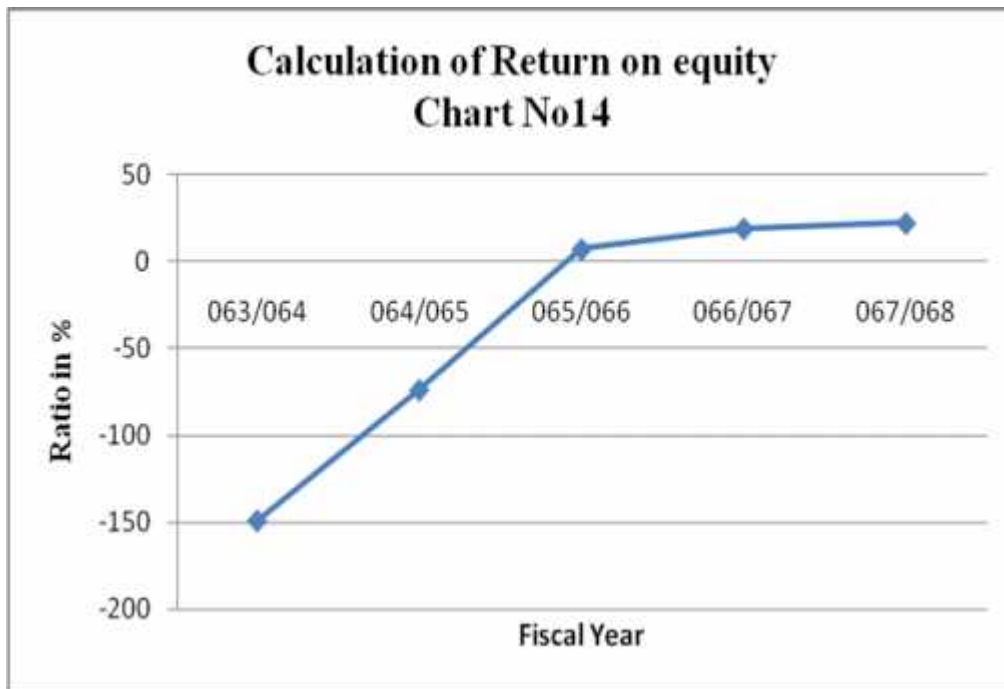
Calculation of Return on equity

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|--|--------------|----------|
| | Net profit | Total equity | Ratio |
| 063/064 | (3610493) | 2421807 | (149.08) |
| 064/065 | (3269435) | 4440735 | (73.62) |
| 065/066 | 818884 | 11141084 | 7.35 |
| 066/067 | 2867210 | 14864094 | 19.29 |
| 067/068 | 5472998 | 24413553 | 22.42 |
| Mean (\bar{X}) | | | (34.73) |
| S.D (†) | | | 75.07 |
| C.V | | | (216%) |

Source: Annual Report and appendix no.13

Negative sign is ignored in C.V

Table No.14 shows the return on equity of Swarnalaxmi Saving & Credit co-operative Ltd. of 5 years study period from fiscal year 063/064 to 067/068. It has fluctuating return to total equity ratio. The average return to total equity ratio is (34.73) % and lowest ratio is (149.08) % in the fiscal year 2063/064 and highest ratio of 22.42% in the fiscal year 067/068. It has negative return to total equity ratio in the first two years of study period i.e. in 063/064 and 064/065 but in last three years of study period i.e. in fiscal year 065/066, 066/067 and 067/068 return on total equity ratio is seen positive and in increasing trend. In conclusion it can be said this co-operative is stronger to earn profit with respect to total equity employed in it last three year.



4.1.5.5 Interest Earned to Total Assets Ratio

This ratio measures the percentage of interest earned in relation to total assets of the co-operatives. The ratio highlights on the utilization of its assets for interest generating purpose. It plays an important role in evaluating their efficiency in terms of interest earning. Such credit and saving co-operatives usually earn interest through the provision of loan and advances which is major source of income for co-operatives. Higher ratio shows the better efficiency in mobilization of fund and vice versa. It can be computed by using the following formula.

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

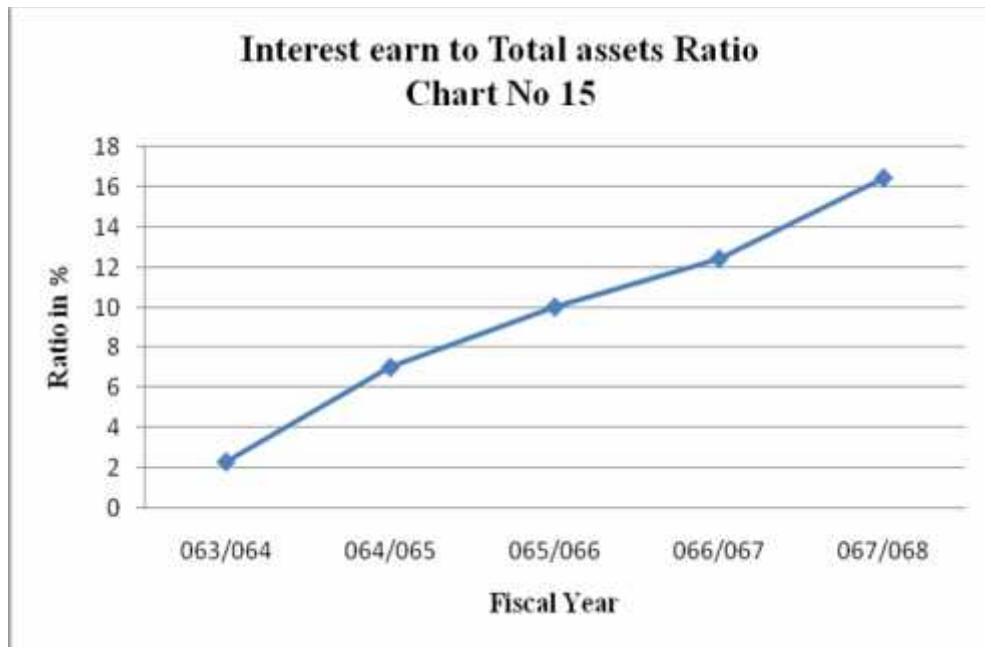
Table No. 15

Calculation of Interest Earned to Total Assets Ratio

| Year | Swarnalaxmi Saving & Credit co-operative Ltd | | |
|--------------------|---|---------------------|--------------|
| | Interest Received | Total Assets | Ratio |
| 063/064 | 836422 | 36051083 | 2.32% |
| 064/065 | 6763990 | 96342157 | 7.02% |
| 065/066 | 21845210 | 217973422 | 10.02% |
| 066/067 | 37130454 | 298815405 | 12.43% |
| 067/068 | 49108927 | 298766453 | 16.44% |
| Mean (\bar{X}) | | | 9.65% |
| S.D (†) | | | 5.35% |
| C.V | | | 55.44% |

Source: Annual Report and appendix no.14

Table No.15 shows interest earned to total assets ratio of Swarnalaxmi Saving & Credit co-operative Ltd. of 5 years study period from fiscal year 063/064 to 067/068. The interest earning to total assets ratio is 2.32%, 7.02%, 10.02%, 12.43%, and 9.65% respectively. It has average interest earned to total ratio of 9.65%. It has highest interest earned to total ratio of 16.44% in the fiscal year 067/068 and lowest ratio of 2.32% in the year 063/064. Interest earning ratio shows that it has utilized its resources more efficiently. The CV of the co-operative is 55.44%, which is substantial fluctuated which is not good.



4.2 Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantitative terms. On the basis of tendencies in the dependent variables in the past period, the future trend is forecasted. This analysis takes the historical data as the basis of forecasting .In this method of forecasting, the future trend is based on the assumptions that the past tendencies of the variables are repeated in the future of the past events affects the future events significantly.

The future trend is forecasted by using the following formula:-

$$Y = a + bX$$

Where, Y = The dependent variable

a = The origin i.e. arithmetic mean

b = The slope coefficient i.e. rate of change

X = The independent Variable

4.2.1 Trend Analysis of Deposit

Deposit includes current, saving, fixed and other deposit (call deposit +others). Under this topic an effort has been made to calculate the trend values to total deposit of Swarnalaxmi Saving & Credit co-operative Ltd. for 5 years and forecast for next 5 years till 2072/073.

Table No .16

TREND ANALYSIS OF TOTAL DEPOSIT

| Name | | 2068/069 | 069/070 | 070/071 | 0671/072 | 072/073 |
|--------------------|-------------------------|-----------------|----------------|----------------|-----------------|----------------|
| Trend Value | Actual Value | 46481048.80 | 107158866.4 | 167836684 | 228514501.6 | 289192319.2 |
| | Forecasted Value | 349870136.8 | 410547954.4 | 471225772.6 | 531903589.6 | 592581407.2 |

Source: Appendix no.15

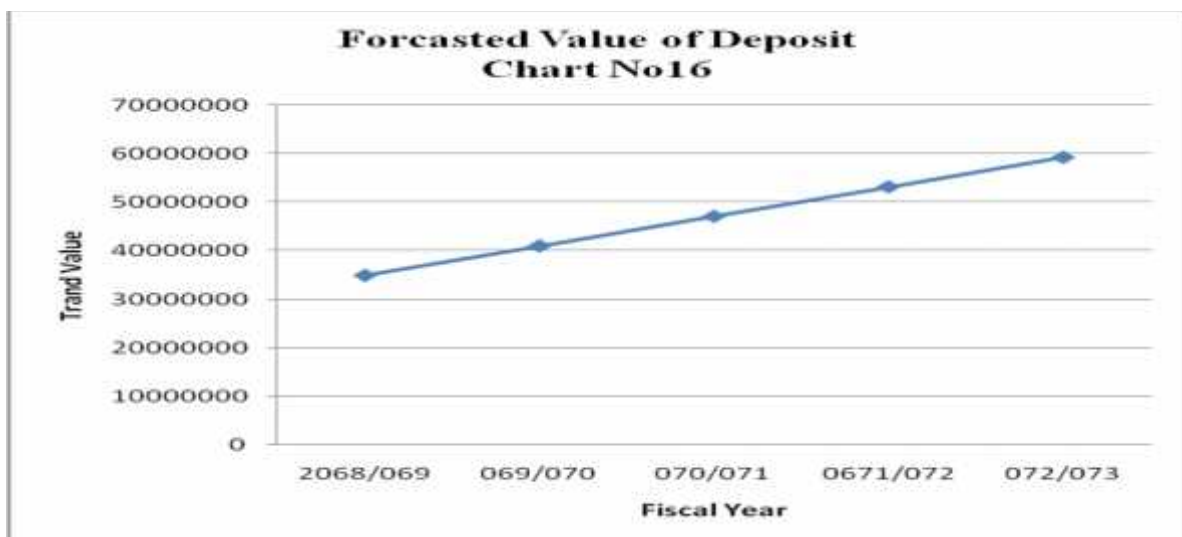


Table has given the trend value of Swarnalaxmi Saving & Credit co-operative Ltd. The trends of deposit are in increasing trend. The co-operative will be accumulating a total deposit of Rs Rs. 592,581,407.2 in fiscal year 2072/073.

4.2.2 Trend Analysis of Loan and Advances

Loan and advances includes, loan and advances disbursed to the shareholder of co-operative. Under this topic an effort has been made to calculate the trend values of loan and advances of Swarnalaxmi Saving & Credit co-operative Ltd. for 5 years and forecast for next 5 years till 2072/073.

Table No .17

TREND ANALYSIS OF LOAN AND ADVANCE

| Name | | 2068/069 | 069/070 | 070/071 | 0671/072 | 072/073 |
|--------------------|-------------------------|-------------|-------------|-----------|-------------|-------------|
| Trend Value | Actual Value | 32696273.60 | 89588351.80 | 146480430 | 203372508.2 | 260264586.4 |
| | Forecasted Value | 317156664.6 | 374048742.8 | 430940821 | 487832899.2 | 544724977.4 |

Source: Appendix no. 16

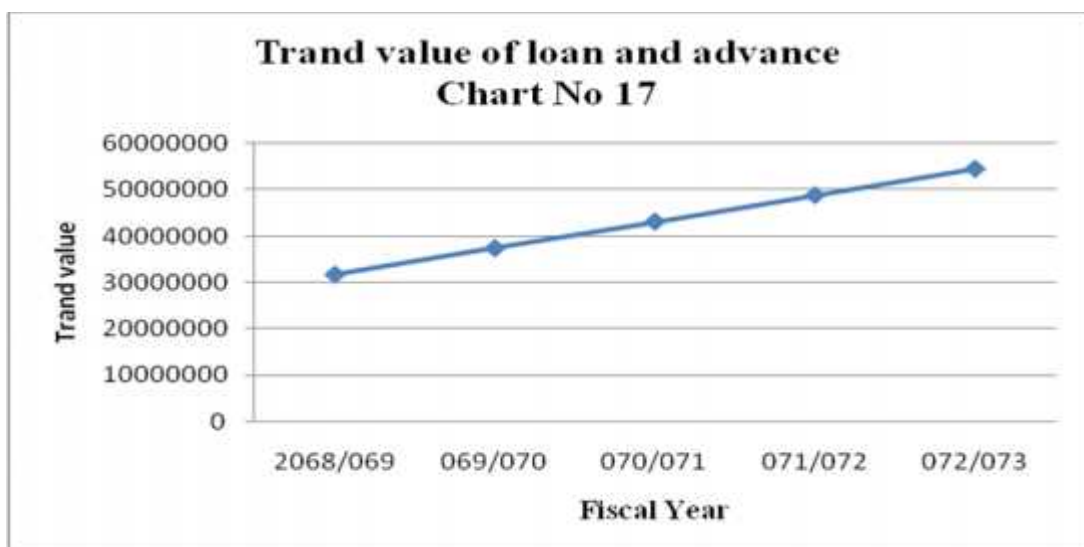


Table has given the trend value Loan and Advance of Swarnalaxmi Saving & Credit co-operative Ltd. The trends of Loan and Advance are in increasing trend. The co-operative will be accumulating a total deposit of Rs Rs. 544724977.4 in fiscal year 2072/073.

4.3 Coefficient of Correlation

Under this heading, Karl Pearson's coefficient of correlation is used to find out the relationship between total deposit and loan and advances (Credit mobilization)

4.3.1 Coefficient of Correlation between Total Deposit and Credit Mobilization

Total deposit and credit mobilization are very important liabilities and assets of the co-operative. Deposit is mobilized as the loan and advances. Proper mobilization of deposits is very crucial function of the co-operatives. The relationship between deposit and its mobilization must be optimum to gain profit. In this analysis total deposit is independent variables (x) and loan and advance is dependent variable (y)

Table No. 18

Coefficient of Correlation between Total Deposit and Credit Mobilization

| R | r² | P.E. | 6 P.E. | Sig/in sig |
|----------|----------------------|-------------|---------------|-------------------|
| 0.989 | 0.978 | 0.00664 | 0.0398 | Sig (r>6 P.E.) |

Source: Appendix no. 17

Table No 18 shows the correlation coefficient(r) between deposits and loan & advances is 0.989. This shows the positive relationship between these two variable i.e. deposit and loan & advances of co-operative.

By considering coefficient of determination (r^2), the value of r^2 is 0.978. The value of r^2 means 98% of loan, and advances decision is determined by deposit and 2% loan & advances depend upon other variables. The correlation coefficient (r) of

co-operative is greater than 6 P.E. so, there is significant relationship between the deposit and the loan & advances of the co-operative.

4.4 Major Findings

4.4.1 Financial Ratio Analysis

4.4.1.1 Liquidity Ratio

(i) Current ratio: The current ratio implies that the firm is able to pay its current obligation in a proper manner in F/Y 063/64 to 067/068 .So, these all five year study period liquidity position of the firm is good. F/Y 065/065 current ratio of the co-operative is high i.e. 1.56:1. The study finds that current ratio is in fluctuating order.

(ii) Total Liquid Fund to Total Deposit Ratio: This ratio shows the short-term obligation capacity of the demand of the depositor money. In F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) the ratio is 11.75%, 26.78%, 23.16%, 19.76% and 19.76% respectively. The study shows that the co-operative has 26.78% is highest in year 064/65. In this year the liquidity position is better.

4.4.1.2 Activity Ratio

(i) Credit Mobilization to Total Deposit Ratio: Credit to total deposit ratio of the co-operative is fluctuating trend. In F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) the ratio is 81.12%, 89.39%, 79.04%, 85.69% and 96.69% respectively. During the study it has mobilized its funds in F/Y (067/068) in high ratio.

(ii) Time deposit to Total deposit Ratio: This ratio is indicates the capacity of mobilizing the funds collected as deposit in the co-operative. The ratio is 9.01%, 25.20 %, 34.81%, 33.23% and 34.29% in F/Y (063/064), (064/065), (065/066),

(066/067) and (067/068) respective. It is finding that in F/Y (063/064) the ratio is lower which means in this year fixed deposit proportion is low and in F/Y (067/068) the co-operative is success to collect the fixed deposit in high ratio. It finds that the ratio is increasing pattern. Coefficient of variance is also positive 39.85

4.4.1.3 Capital Structure Ratio

(i) Total Deposit to Total Capital Ratio: This ratio shows the relationship between deposit and total capital. The ratio is 87.57%, 95.31%, 92.46%, 89.27%, and 82.84% in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respective. It finds that the ratio is fluctuated in five years. In F/Y (064/065), the ratio 95.31% shows that the capital maintained by the co-operative is more consistence than other years. The study shows that last three years the ratio is decreasing.

(ii) Total Debts to Equity Ratio: This ratio shows the relationship between total debt and shareholder's equity. The ratio is 1:13.89, 1:20.70, 1:18.56, 1:19.10 and 1:11.24 in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respective. It finds that the ratio is fluctuated in five years. Theoretically 1:1 ratio is satisfactory. So, all the years this ratio is satisfactory state.

(iii) Total Debt to Total Assets Ratio: This ratio is used to analyze long-term solvency of a firm. The ratio is 93.28%, 95.39%, 94.89%, 95.03%, and 91.83% in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respective. It finds that this ratio is slightly different in all years. In F/Y (064/065) the ratio is high i.e.95.39% which means in this year co-operative pays more interest on its debt. The study finds that the co-operative is in risky position in year 2nd and 3rd but in these years it is chance of more profit rather than other year.

The overall study of the Capital Structure Ratio shows that the stability and efficiency of financial systems is better in F/Y (064/065) compare to other years.

4.4.1.4 Risk Ratio

(i) Credit Risk Ratio: Credit risk ratio is related to total loan and advances and total assets. The ratio is 71.04%, 85.20%, 73.09%, 76.49%, and 79.27% in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respectively. It finds that the ratio is fluctuated in five years. This ratio is high in F/Y (064/065) so, we find this year the co-operative invest its collection in high ratio i.e. 85.20%. There is high chance of risk to recover the money. The CV is 7.22%. This shows that the non-performing asset in total loan and advances levels is consistent.

(ii) Interest risk ratio: Interest risk ratio is related to interest paid and total assets. The ratio is 1.38%, 2.73%, 5.74%, 8.03%, and 9.25% in F/Y (063/064), (064/065) (65/066), (066/067) and (067/068) respectively. The study shows that this ratio is in increasing paten. It finds that interest paid is increase with high percentage compare to total assets. Which means total deposit is raise during the years.

4.4.1.5 Profitability Ratio

(i) Return on Total Working Fund Ratio: Return on total working fund measures the relationship between the working fund and profit of the co-operative. The ratio is (302.28)%, (13.56)%, 1.07%, 3.02%, and 5.69% in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respectively. It finds that the co-operative is in loss 1st and 2nd years due to establishing year. The average ratio is negative i.e. (61.21) % .which means it has not able to earn more profit.

(ii) Net Profit to Loan and Advance Ratio: This ratio measures the earning capacity of co-operatives as its deposit mobilized on loan and advances. The ratio is -14.1%, -3.98%, 0.51%, 1.25%, and 2.31% in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respectively. The ratio finds that it is able to earn profit on loan and advance in last three years.

(iii) Earning per Share: Earnings per share measures the profit available to the shareholder's as per share basis. The EPS is Rs. -56.85, -42.40, 7.93, 25.65 and 33.37 in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respectively. EPS is negative in first two years because of loss. It is increasing and positive in third year. It finds that EPS is higher in F/Y (067/068) compare to other years. So, this year the co-operative is in better condition.

(iv) Return on Equity: Return on equity ratio expresses the relationship between net profit and share holder equity. The ROE is -149.08, -73.62, 7.35, 19.29 and 22.42 in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respectively. It finds that the firm making satisfactory return on its equity in F/Y (065/066), (066/067) and (067/068). The study shows that efficiency on mobilization of the owner's equity is raise in these years.

(v) Interest Earned to Total Assets Ratio: This ratio measures the percentage of interest earned in relation to total assets of the co-operative. The ratio is 2.32%, 7.02%, 10.02%, 12.43%, and 16.44% in F/Y (063/064), (064/065), (065/066), (066/067) and (067/068) respectively. The study shows that this ratio is in increasing paten. Interest is the main source of income which is seems to be growing during the years.

The overall study of the profitability ratio shows that the co-operative is in net loss first two years. But now it is in profit last three years. Now the co-operative is run well.

4.4.2 Statistical Analysis

s4.4.2.1 Correlation Coefficient

Correlation coefficient between total deposit and loan and advances found that there is highly positive correlation of the Swarnalaxmi SACOS. It indicates that increase in deposit will increase in loan and advances. This study also suggests that independent variable that is loan and advances is highly dependent to the deposit .The value of correlation is greater than the sixth times to P.E. of co-operative. Therefore there is significant relationship between total deposits and loan and advances of co-operative.

4.4.3.2 Trend Analysis

The overall trend analysis of co-operative shows that deposit and loan and advances is in increasing trend. The Swarnalaxmi SACOS will be accumulated a total deposit amount of Rs. 592,581,407.2 in fiscal year 2072/073.

Loan and advances is also in increasing trend. The Swarnalaxmi SACOS will extent total loans worth Rs. 544724977.4in the year 2072/073.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter summarizes the whole study, presents the conclusions and forwards the recommendations on basis of major findings.

5.1 Summary

This study has been divided into the five chapters i.e. introduction, review of literature, research methodology, presentation, analysis & interpretation of data and summary, conclusion and recommendation.

The main objective of the study is to analyze the financial performance of Swarnalaxmi saving and credit Ltd. It also focuses and forecasts the trend values of deposit, loan and advance and its projection for next five years.

The study is mainly based on secondary sources. All the data are taken from concerned co-operative annual reports, literature publications, balance sheet, profit and loss account, previous thesis reports, different websites, related booklets, journals and articles. After collecting the data from the different sources, it is analyzed by using financial tools and statistical tools. Deposit of the co-operatives is very important variable. According to the study, the contribution of the deposit to the net profit is higher in the co-operative. The collection of the deposit must be taken as a crucial factor by the co-operatives so that adequate funds can be available to mobilize it.

Just only increment of deposit does not give any return to the co-operative. A co-operative should have sound investment policy for the mobilization of the available funds. A deposit is that liability of the co-operative, which is returnable in demand at

any time. So, sound investment policy has appeared to be very necessary to the co-operative. A co-operative mainly focuses on its two function i.e. collection of deposit through various schemes and granting those amounts as loan to the members by providing various facilities. It is important that the co-operatives' deposit policy is the most essential policy for its existence. The growth of co-operatives depends primarily upon the growth of its deposits. The volume of credit mobilization much depends upon the deposit base of co-operatives. Overall financial performance analysis of this co-operative is improving stage. This study finds that the co-operative has positive increment in the performance of last years of the study period.

5.2 Conclusions

Deposit is the major organ of co-operative society for its existence. As commercial bank, co-operative also collects small saving of people through various accounts and schemes. Higher the deposit, higher will be the chance of mobilizing that fund in productive sector and generating higher level of profit. Before investing the collected sum, the sound investment policy should be made and loan should be approved if there is proper security of loan and income for repay of loan and interest. More risk more the profit but in the name of profit loan should not be given to the person where there is high chance of default.

Co-operative societies are important for economic development of the country. They accumulate the scattered, money of small businessman, craft man and general public and mobilize that to the needy person of lower – middle class. They eliminate middleman in rural & other areas and help in the capital formation. Co-operative have the responsibility of providing financial as well as technical assistance to the poor people for generating income so Co-operative is taken as a device to fill the pit between haves and have not.

❖ In the fiscal year 2063/64 the co-operative has collected deposit of Rs.31,571,255 and extended as loan and advances 25,611,538 and face with net profit of Rs. 3610493.

- ❖ In the fiscal year 2067/068 the co-operative has collected deposit of Rs. 247,501,805 and extended as loan and advances 236,830,132 and made net profit of Rs. 54, 72,998.
- ❖ According to liquidity ratio, the overall liquidity ratio of is good because the organization is able to maintain its current ratio 1.5:1. Current ratio is high in the year 065/066 i.e. 1:56. It can conclude that the co-operative could discharge the depositor's obligation more to repay its short-term liability.

In year 064/065 the liquidity to total assets higher ratio i.e. 26.78% shows the higher capacity of payment on demand of the money.

- ❖ According to activity ratio, the co-operative has mobilized its collected deposits on investment or loan in systematic manner. It is conclude that its credit mobilization ratio is increasing during the year. This ratio is higher in year 2067/068 i.e. 96.69% .These ratios reflect how efficiently the co-operative is managing its resources.
- ❖ According to capital structure ratio, the co-operative is in better position to row its capital. During the study period the average ratio of total deposit to total capital is 89.84%. So, it is conclude that the co-operative has high proportion of deposit out of their total capital.
- ❖ The earning capacity of co-operative is measured by profitability ratio. The co-operative is not consistent at earning net profit. The organization is being loss during the first two years. Because the operating cost is high and low resource of capital or fund. After that net profit is increasing due to capital, funds, deposit and lending are increasing.
- ❖ In case of risk ratio, the co-operative has high risk ratio. The credit risk ratio is 77. 06% in average. So, it conclude that it is high risky.

- ❖ Trend analysis of deposit and credit mobilization have analyzed the trend value of five years of study period and forecast the trend of deposit collection and credit mobilization in coming next five years.

5.3 Recommendations

- ❖ According to the rule of Co-operative the organization require 10% share capital of its total deposit value but in case of Swarnalaxmi it is not fulfilled so the first step is to meet the target of share according to deposit.
- ❖ As shareholder's fund is directly relates with profit, the co-operative seems necessary to increase its paid up capital by which the confidence and development of risk –bearing capacity will increase to shareholders.
- ❖ As, return on net worth shows the strength of equity holders, co –operative should increased it to gain the confidence of shareholders and all stakeholders.
- ❖ Deposit collection of the co-operative is far above the ground. It is concluded in the study how important the deposit for the co-operative so Swarnalaxmi saving and credit Ltd. is recommended to collect more deposit by initiating members for compulsory deposit through various scheme. It should attract the deposit by providing reliable service to the customers.
- ❖ The co-operative has increasing loan and advances in every successive year but it is suggested that it should increase the percentage change of investment on loan and advances which helps to earn more profit.
- ❖ The proper balance between current assets and current liability must be maintained by the co-operative which helps to meet its obligation.

- ❖ Co-operatives should choose profitable sector of investment to give return to the members. Small industries and agriculture is the best sector for co-operative because other commercial banks are not involving in these sectors.
- ❖ Investment through micro finance sector has become a crucial part of its profit so this sector's investment should be extended. The co-operative should provide the services like other commercial bank to attract the customer.
- ❖ Prompt and easy service is the sign of good co-operative so it should give emphasis to such factor to be co-operative of public choice.
- ❖ The co-operative should provide training to its staff about accounting system and banking facility to run the organization smoothly.
- ❖ The management should try to maintain a good relationship between the managerial staff, workers, members of the board of directors and general publics.

5.3.1 General Statement of Recommendations

- ❖ The main focus of co-operative is economically poor persons who do not have capital to invest in productive sector and those person who has small saving but don't have profitable deposit centre so co-operative should be in the access of such group of people.
- ❖ Co-operatives organizations should be developed as the supporter of rural people as well as urban too.
- ❖ Co-operative board should provide immediate guidance to the co-operatives for their effective performance and to know how to perform profitable transactions.
- ❖ Co-operative should invest its deposit in micro–finance sector.

- ❖ Co-operative should work in the field of production and marketing of typical agricultural production of the valley Kathmandu i.e. Kathmandu and Lalitpur district.

- ❖ Sampled Co-operative should open branches in remote V.D.C. of the district but not working only in Center.

- ❖ Lastly, sampled co-operative is suggested to support the social welfare event to promote their activities.

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