DEPOSIT COLLECTION AND MOBILIZATION OF DHAWALAGIRI SAVING AND CREDIT COOPERATIVE LIMITED FOR RURAL ENTREPRENEURSHIP DEVELOPMENT:

A CASE STUDY OF MYAGDI DISTRICT

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RECOMMENDATION

This is to certify that the thesis

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Entitled:

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has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

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And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

Master of Business Studies (MBS)

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DECLARATION

I hereby declare that the work reported in this thesis entitled "**Deposit Collection and Mobilization of Dhawalagiri Saving and Credit Co-operative Limited for Rural Entrepreneurship Development**" submitted to office of the Dean, faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Dinesh Mani Ghimire**, department head and head research department **Prof. Dr. Bal Krishna Shrestha**, Central Department of Management, T.U.

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ABBREVIATIONS

ADB   =   Agriculture Development Bank

BS   =   Bikram Sambat

CRR   =   Cash Reserve Ratio

CU   =   Credit Union

CV   =   Coefficient of Variance

DSCCL   =   Dhawalagiri Saving and Credit Co-operative Limited

FI's   =   Financial Institutions

FY   =   Fiscal Year

ICA   =   International Cooperative Alliance

ILO   =   International Labour Organization

MFIS   =   Micro Finance Institutions

NCDB   =   Nepal Co-operative Development Board

NEFSCUN   =   Nepal Federation of Saving and Co-operative Union

NIM   =   Net Interest Margin

NRB   =   Nepal Rastra Bank

PE   =   Probable Error

r   =   Correlation Coefficient

SD   =   Standard Deviation

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

Nepal is emerging country which have a great potentiality because it has approached to great giant country like India and China. 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 year's 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.

Cooperative refers to work together economic standard through cooperatives. A cooperative 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. Cooperative association is a voluntary association based on the principle of self help through mutual help (*Shahakari Adhyanmala,2056:Vol.6)*. It has to satisfy two objectives i.e. service as well as profit. Cooperative is one of the systems to move the life of people better by themselves achieving the economic and social progress. The cooperative 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. Cooperative can free the farmers from expensive loan. Cooperative provides fertilizer, seeds, tools and goods of daily needs at reasonable price. Cooperative 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. Cooperative based organization could be very effective to solve the most of the economic and social problems in the rural area. The cooperative 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 cooperative 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 cooperatives are the true banks for the people of rural area to deposit the small saving and voluntarily mobilization of such saving for others benefit.

Cooperative is a form of business enterprises, or community organization of corporate service with its member and users, in order to meet their common economic, social, and cultural needs and aspiration (aim). Cooperative is jointly owned and democratically controlled by its members and user on the basis of one member one vote. It means cooperative is one for all and all for one. Cooperative follows democratic, participatory and transparent decision making process and organizational structure so that their members and users may be directly responsible for benefiting themselves and the society in general.

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

Cooperative organization was developed to remove defects of capitalism, lesser competence, prevent exploitation over people and help lower class people. Its ideology is applied in different areas such as vegetable farming, poultry and animal husbandry, sales and distribution, transportation, health, education, tourism, wood and metal carving, furniture, cottage and carpet industry, as well as housing and other. Besides, cooperative provides access to microfinance service, saving and credit cooperative are the example of it. Due to its nature, cooperative with limited service, like saving and credit cooperative is also called credit union (CU) and recognized as microfinance institutions (MFIS). The cooperative has been developed from the ancient time. The Rochdale society of Equitable Pioneers, founded in 1844, was an early consumer cooperative, and the first to pay a patronage dividend, forming the basis for the modern cooperative movement. Although other cooperatives preceded them, the Rochdale Pioneers cooperative became the prototype for societies in Great Britain. The Rochdale Pioneers are most famous for designing the Rochdale Principles, a set of principles of co-operation that provide the foundation for the

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principles on which co-ops around the world operate to this day. The model, Rochdale Pioneers used is a focus of study within cooperative economics. The Rochdale Society of Equitable Pioneers was a group of 28 weavers and other artisans in Rochdale, England, that was formed in 1844. As the mechanization of the industrial Revolution was forcing more and more skilled workers in to poverty, these tradesmen decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed now famous Rochdale Principles, and over a period of four months they struggled to pool together one pound sterling per person for a total of 28 pounds of capital. On 21st December 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. Ten years later, the British cooperative movement had grown to nearly 1,000 cooperatives. The archive for the cooperative movement in Rochdale is held by Local Studies, Rochdale Borough wide cultural Trust. Rochdale Pioneers traded independently until 1991, with name changes inspired by mergers with neighboring cooperatives, as Pioneers from 1976, and   Norwest Pioneers from 1982, based in Wythenshawe, Manchester by 1991. In 1991,then Norwest Cooperative Society transferred its engagements to United Cooperatives that was run from Rochdale when it in turn transferred to the Manchester-based national hybrid society (www.wkipedia.org, April, 2012).

Cooperative society in Nepal is not a new concept. Traditionally cooperative is known as "Parma", "Bheja", "Dhikuti", "Dharma", "Bhakari", "Guthi" has been continuing till now. In 1956A.D, the government incorporated "Bakhan Saving and Credit Cooperated limited" at Rapti Valley, Chitwan by issuing executing order for its legal validity . The third years Panchayat regime, also attempted to promote cooperate by enforcing the cooperative Act, 2016 BS (1959 AD) and cooperative regulation 2018 BS. After the restoration of democracy in 1990 AD, the government find cooperative as a means of poverty alleviation. It also enforced new cooperative Act 2048 BS and cooperative regulation 2049 BS. Cooperative today, has gained extensive importance in public on rural and urban area. There major function is being confined to accept of deposit and extending loans on productive sector. Cooperative collects deposit by

offering various deposit schemes with attractive interest rate. Funds collected through acceptance of deposit are being mobilized through different ways.

Dhawalagiri Saving and Credit Cooperative Limited (DSCCL) was established on 2057/10/5 at Beni according to the cooperative Act, 2048. It was established to raise the economy condition of the country, which was going very slowly on aspect of economy. It provided the economical help to the people to raise the style, especially for the middle and lower class people. The head office of DSCCL is located in NewRoad Beni Bazar, Myagdi. The main objectives of DSCCL is to uplift the living standard of socially and economically disadvantaged poor people by providing them economical support on cooperative basis with suitable financial facilities, which is long run will support social and economical development of country as a whole. DSCCL helps people having how and moderate income by gradually collecting the small scattered amount of saving and providing them with loans for the establishment of small scale cottage Industries and livestock raising.

Dhawalagiri Saving and Credit Cooperative Limited was established by highly efficient and experience personalities in management, commerce, banking, social and political sector. There are 234 shareholders. Seven person are in the board of member of the DSCCL, in which Lila Bahadur Baniya is the president. The share capital of Dhawalagiri Saving and Credit Cooperative Limited was Rs 8912500 There is 5 staff and in which 2 are males and rest of them are females. All the works are performed by computerized system (DSCCL,2011: 5).

1.2 Statement of the Problem

The cooperative literature identifies several problems affecting cooperative performance such as free rider, horizon, portfolio, control, and influence problems. In addition to these general problems, cooperatives in developing countries face specific challenge including lack of institutional transparency and weak management and financial markets out of thousand saving and credit cooperatives, only 19 cooperatives are under the control of Nepal Rastra Bank (NRB, 2007:64). NRB regulates and supervises the cooperative under its control on the basis of same supervision parameters.

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

DSCCL helps people having low and moderate income by collecting the small scattered amount of saving and providing loan for the small scale cottage industries. Under this act, the proposed study will be reasonable and a researcher expect that a study on deposit collection and mobilization of DSCCL. The problem provides the context for the research study and typically generates questions which the research hopes to answer. In considering whether or not to move forward with a research project, we will generally spend some time considering the problem. DSCCL is working for uplifting the rural economy in Myagdi district but systematic practiced should be imposed for better performance of the organization. In this research, DSCCL strength and weaknesses are evaluated because it helps to explore the supporting factors of cooperatives in rural economy.

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

➢   What is the situation of deposit collection and lending practice of the DSCCL?
➢   What are the interest rates given by the DSCCL?
➢   What is the financial condition of the DSCCL?
➢   What are role played by DSCCL for empowering rural entrepreneurship in Myagdi?
➢   How positive contribution play by DSCCL in entrepreneurial work?

1.3 Objectives of the Study

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

- ➢ to analyze deposit collection and lending practice of the DSCCL,
- ➢ to analyze the financial condition of the DSCCL,
- ➢ to analyze the sector wise investment in entrepreneurial works,
- ➢ to explore the contribution of DSCCL for empowering rural entrepreneurship in Myagdi district.

1.4 Significant of the Study

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

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

1.5 Limitation of the Study

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

- ➢ The study is mainly concentrate with the study of DSCCL.
- ➢ The study is focused only on deposit collection and mobilization of DSCCL.
- ➢ The study is based on secondary data from FY 2063/064 to FY 2067/068.

1.6 Organization of the Study

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

Chapter I: Introduction

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

Chapter II: Review of Literature

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

Chapter III: Research Methodology

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

Chapter IV: Presentation and Analysis of Data

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

Chapter V: Summary, conclusion and Recommendations

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

CHAPTER-II

REVIEW OF LITERATURE

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

2.1 Conceptual Review

2.1.1 Meaning and Definition of Cooperative

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

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

The definition given by international labor organization covered most of the principal of cooperation. So it can be considered to be the most comprehensive. Cooperative society is an association of the economically weak who voluntarily associates on the basis of equal rights and responsibility, transfer to an undertaking one or several of

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

The progress of cooperative moment has been slow and in some countries it is very slow. In the constitution of Nepal, it has been resolved to secure all the citizen of Nepal justice, social, economic and political. As such, cooperative societies have been given an important place in the constitution. Economic development and social change are equally vital elements in the reconstruction of Nepal. Socio change is equally vital elements in the reconstruction of Nepal social economic structure. Cooperative is one of the principal's for bringing changes on fundamental nature in the country. As such cooperative development has got priorities and various programs have been launched by the government through various economic plans to circulate the idea of cooperative in the country (*www.enfscun.org.np,April, 2012).*

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

2.1.2 Principles of Cooperatives

All the cooperative activities are guided by its principles. Cooperative principles are set of rules and regulations to regulate and govern the activities of cooperative enterprise. They were first set out by "Rochdale Society of Equitable Pioneers" in Rochdale, England, in 1844 A.D, and have formed the basis for the principles on which cooperative around the world operate to this day and being the guide line

principles for all kinds of cooperatives activities for the attainment of the pre-determine goals. The principles of cooperation have been given new dimensions in order to make the cooperative movement purposeful.

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

➢ **Voluntary and Open Membership**

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

➢ **Democratic Member Control**

The second of the Rochdale principles states that cooperative societies must have democratic member control. According to the ICA's statement, "cooperative is democratic organization control by their member, who actively participated in setting their policies and making decision. Man and woman servings elected representatives are accountable to the membership. The cooperatives member has equal voting rights and cooperatives at other levels are also organized in democratic member".

➢ **Members Economic Participation**

Member economic participation is one of the defining features of cooperative societies, and constitutes the third Rochdale principle in the ICA's statement on the cooperative identity. According to ICA "cooperative is enterprises in which members

contribute equitably to, and democratically control, the capital of their cooperative". At least part of that capital is usually the common property of the cooperative. Member usually receives limited compensation, if any on capital subscribes a condition of membership. Member allocate surplus for any or all of the following purposed developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible, benefiting members in proportion to their transactions with the cooperative and supporting other activities approved by the membership.

> **Autonomy and Independence**

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

> **Education, Training and information**

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

> **Cooperation among Cooperatives**

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

➢ Concern for Community

The seventh of the Rochdale principle status that cooperative societies must have concern for their communities. According to the ICA's statement of the cooperative identity, "cooperative works for the sustainable development of their communities through policies was approved by their members" (*www.ncfnepal.com.np, May 2012*).

2.1.3 Historical Background

• Global Perspective

Robert Owen first propounded the concept of cooperative in 1972 in Great Britain. The idea of Cooperative was brought into light in the beginning of the 19th Century. The follower of Owen, Dr. William King, publicized the ideology of cooperative later on who initiated an education at movement for cooperative development. The reformist Robert Owen's ideas and principles have continued to inspire the cooperative movement. These principles are (i) Abolition of private profit. (ii) Voluntary association (iii) Common ownership of the means of production (iv) Utilization of wealth of the community for increasing the happiness of mankind *(Hajeta,1994:44)*.

But the following weaknesses were pointed out in the Owen's cooperative 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. Cooperative sore did not succeed enough, as members did not believe it.

After then, Rochdale Pioneers the real founder of the modern cooperative movement developed cooperative rules and philosophy. The cooperative society established by Rochdale pioneers has been known as 'The Consumer Society'. This was a successful cooperative 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 cooperative, which are still relevant and use in modern cooperatives to some or more extent.

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 money 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 *(Hajeta,1994:45).*

In 1919 the first cooperative college in the world was established in Manchester. It was administered by the educational committee of the cooperative union, opened for the students from all parts of the world. After the cooperative society was recognized in 1944, the government of the Great Britain decided that boys and girls must attend a country college after leaving the school. The main objective of this was to produce good cooperatives citizens within the Great Britain.

In the middle of 19th century, two reformists emerged in German who worked to eliminate the poverty and exploitation through the norm of mutual help and self-help in the form of cooperative. They were F.W. Refisen and Franz Schulze. Their working areas were different. Refisen centered his reforms in rural areas where as Schulze in city area. But both started their cooperative to free the poor from the exploitation of moneylenders and land lords in 1849 and both were successful to their aim. The successful cooperative movement in Germany and Great Britain was followed by other countries as well as developed countries felt that cooperative might be one of best measure for uplifting the best measure for uplifting the rural poor people and liberating them from the exploitation of landlords and money lenders.

Poland is also a large peasant country. Most of the citizen of this country lived in villages and they were poor. The housing cooperative society was established in 1928 through peasant self-aids. The government had given them with the test of dialing up extra land, which was taken from the big state amount of the peasants because

peasants self aids were run on cooperative lines they were long before interpreted into cooperative movement.

In Denmark, cooperative movement started from 1866 as consumer society as per the principles of Rochdale. However Denmark made exemplary success in agricultural cooperative in the world especially in dairies cooperatives of Denmark and which are good examples of successful cooperatives in the world.

In Israel, cooperative were begun form 1910 as a part of Jewish labors Movement. Israel being a dynamic country, its cooperative movement is also dynamic. Today the Cooperative Societies of Israel are highly developed in the world.

In Switzerland, Daisies started the cooperative movement Swiss agriculture is organized by the various cooperatives. Cooperatives movement contributes a lot for the development of Switzerland. In 1847 and 1848 establishment of cooperative stores and number of food societies were formed and at the same time Zurich consumers' society was also formed.

In 1851 a general union of Swiss Cooperative store was formed at Barla and at the end of the century a wholesale cooperative store was established in Switzerland cooperative gave job opportunities to youth. By all these, people of Switzerland realized that cooperative provides many things to them.

In Canada, cooperative movement started by Lancashire Coal miners and iron and steelworkers. The government of Canada organized cooperative butter and cheese factories in 1891 and United Fruit Company also established in Nova-Scotia. But there was no progress until 1930. When the priests and teacher of St. Frances Xavier University stated to study on cooperative for adults, cooperative wholesale had many new cooperative stores were opened in 1937.One of the remarkable and successful contributions of Canadian Cooperative is British Canadian Cooperative society of Nova Scotia.

In Japan Cooperative Movements seemed to have been started the second half of the 19th century. Though there was tradition of making a collective fund and taking loan from the fund in the 14th century also but real cooperative movement took place in Japan after the establishment of consumer society in 1879 *(sahakarita Ra Nepalma*

Yeasko Bikas,2048:17). The Cooperative movement of Japan seems to have been influenced by the European Cooperative movement. The credit Cooperatives of Japan are like that of Germany and consumer cooperative like that of British Cooperative.

After the establishment of consumer Cooperative in 1879 for controlling the increasing price of the goods, other such consumer Cooperative and credit Cooperative also started to establish rapidly. After the war between Japan and China, large industries grew up heavily where as small and cottage industries become weaker and weaker. In this situation, a great need and essence of Cooperative was felt. As a result, Cooperative bill was passed in 1990 for the development of different types of Cooperative in Japan. After this bill was passed, many cooperatives established in Japan.

These Cooperative 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, Cooperatives opened form local or primary level to national level. But unfortunately they could not be untouched from the global crises in agriculture.

Up to 1930, the production of farmers increased in half but loan increase more. The government launched special program to make reform in agriculture. Various economic activities of government started being performed under Cooperative, which gave rise to the rural development. Different development works started being performed through Cooperative. The government of Japan started using agriculture Cooperative to keep control in the economy. In this situation the Cooperatives nearly lost their identity. But after the Second World War, these Cooperatives organizations were able to regain their democratic value and flourished again. In 1947, Agricultural Cooperative Act was passed. After this, rural Cooperatives ran as per their own principles. Integrated Cooperatives came into existence in the field of agriculture, forestry and fish farming. In this way Japan initiated Cooperative campaign. In this way the tradition of providing all possible services and good to the members through multiple Cooperatives is an important achievement of Japanese Cooperative movements *(Sahakarita Ra Nepalma Yeasko Bikas,2048:17-19)*.

In China, it is assumed that Cooperatives 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. San Yat Sen had taken the authority of the government he applied Cooperative to improve its economy greatly *(sahakarita Ra Nepalma Yeasko Bikas,2048:15)*.

Like in the other countries of the world, the Cooperative 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. For the development of Cooperative movement has emphasized in all the five –years plans to agricultural co-operative in the sector of economic development. India has a wide network of agricultural co-operative in the field of credit and banking, marketing and processing and production of fertilizers. Agro processing Co-operatives consisting of co-operative sugar factories and co-operatives consisting of co-operative sugar factories and co-operative spinning mills and oilseed co-operative are having very strong position in the sphere of production of sugar cotton yarn and edible oils. 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 *(B.K.,2004:16)*.

- **Nepalese Perspective**

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

'Parrna' is still another type of traditional cooperative in Nepal. It is a socioeconomic organization in which farmers, neighbors, friends and relative work with cooperative operation, promote their economic and social interest. Another traditional form of

rural cooperative 'Dhikuti is the best example of voluntary cooperation of the 'Thakali'. It is formed by the group of people with the specific work. 'Dhikuti' is one of the important and popular forms of co-operation in Nepal. This system of cooperative is utilized in all part of the country. The member prepares the rules and regulation. After preparing rules of such society, very member is required to contribute certain amount of capital towards the fund. The fund is to be contributing certain amount of capital towards the found. The fund is to be contributed on the basis of financial requirement of the member *(Koirala, 2062:9l)*.

Thus the concept of cooperative in Nepal is not a new one. It is familiar from those days when people had the knowledge to live together in a society or community. But we cannot ascertain the actual data when the cooperative movement was started in Nepal, many types of informal cooperatives were running in different part of Nepal but those are not in position to take formal shape of cooperative. If we turn over the history of cooperative movement of Nepal, the organization history can be traced back to about 56 yrs old. Formally the history of Nepal has been started after established of cooperative department in the years 1953 under the ministry of agriculture for the promotion, supervision and evaluation of cooperative societies.

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

Consequently cooperative society rules 1961 were promulgated and prompted the cooperative movement in the country. With the introduction of the first cooperative Act, numerical growth of the cooperative boomed up. In the mean time, the cooperative activities were tired up with the so called revolutionary many land-reform program. In later dates, the guided cooperative program was introduced which followed a repaid merging process. In 1969, the management of cooperative was

entered to the agriculture development bank of Nepal. The number of cooperative registered with the concerned department increased gradually and by the end 1970-1971 reached to be about 1500.

During the period a cooperative development fund (CDF) was established to finance cooperative for learning to their member. In order to provide broader spectrum to supervision guidance and leading to cooperative a cooperative bank was established in 1963. Within a short of established, the cooperative a bank suffered heave financial looses because of misuse and fraud in the operation of its member cooperatives. This led to establishment of CDF and dissolution of cooperative bank in 1970 with all the assets and liabilities under the formal control. In 197, the cooperatives were led signed as "Sajha" the cooperative societies were also subjected to various agencies regarding management control. In the early seventies they were brought under the CDF for financial and administrative control. This did not last long. They were handed over back to the cooperative development.

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

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

sectors and for creating the necessary foundation for facilitating the process of Cooperative development.

There have been several commissions and task foreces formed for studies inthte field of Cooperatives. Such commission and task forces include consultaitve committee for national Cooperative federation 1990, study on improvement on organizational structure of Cooperative sector. 1999, task force for suggestions for Cooperative development, 2000,and high level Cooperative sector improvement committee,2004, legal frame work and institutional development study of saving and credit Cooperative society and national Cooperative Bank by Ministry of finance, 2004 (*Mali, 2005:49*).

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

Table 2.1

Major Events of Cooperative movement in Nepal

Year	Events
2010 B.S (1953AD)	• Establishment of Cooperative division undr the Ministry of plan Development and Agriculture.
2013 B.S(1956.D)	• Issue of executive order for the legal variety of Cooperative societies by the government. • Government incorporated Bakhan Saving and credit Cooperative ltd in Rapti Valley, Chitwan by issuing executing order for its legal validity.
2016 B.S(1958AD)	• Cooperative department transferred under the Ministry of Food, Agriculture & forest.

	• Issue of Cooperative Act,2016.
2018B.S (1961AD)	• Issue of Cooperative Regulation 2018. • Frist amendment of Cooperative Act, 2016. • Establishment of Cooperative Development Fund. • Establishement of Sajha Sanstha Ltd.
2019B.S (1962AD)	• Establishment of Cooperative Training Center. • Establishment of Cooperative exchange & loan Association. • Issue of Cooperative Bank Act,2019.
2020B.S (1963AD)	• Establishment of cooperative Bank. • Cooperative section had kept under the District Panchayat.
2021B.S (1964AD	• Being of Agriculture Reorganization Program. • Cooperative Division staffs transferred to Land-reform program.
2023B.S (1965AD	• Cooperative Division had been transferred under the Ministry of land-reform,Agriculture and food.
2024B.S(1966AD)	• Formation of central investigation committee. • Cooperative Bank had transferred into Agriculture Development Bank.
2026B.S(1969AD)	• Cooperative Division transferred under the ministry of land reform. • operation of Cooperative saving (Anibarya Bachat) has con verted into share of Cooperative societies,Bhaktapu. • Cooperative exchange and Loan Association changed into ADB/N.
2027B.S(1970AD)	• secound amendment in Cooperative Act,,2016. • Arrangement of Central and District Cooperative Improvement Committee. • The management of Cooperative societies has transferred to ADB/N.

2028B.S(1971AD)	• First Amendment in Cooperative Regulation 2018.
2029 B.S(1975AD)	• Operational of regular Cooperative education program.
2033 B.S(1976D)	• Beginning of population education through Cooperative. • Occurrence of centrl Sajha Development Committee. • Second amendment on Cooperative Regulation 2018. • Compulsory saving converted into the share of Sajha.
2034 B.S(1977AD)	• Fiscal Regulation 2034 issued for the Sajha society management.
2035 B.S(1978AD)	• Management of Cooperative transferred to operting committee from ADB/N. • Issue of fiscal and Administrative regulation for Cooperative.
2041 B.S(1984AD)	• Sajha society Act,, 2041 was issued.
2043 B.S (1986AD)	• National Cooperative seminar conducted. • Issue of Sajha Society Regulation 2043.
2044 B.S(1987AD)	• Member's high-level central co-ordination committee formed for the effective development of sajha movement.
2045 BN.S(1988AD)	• Announcement to return of compulsory saving to the savers.
2046 B.S(1990AD)	• Formation of ad-hoc committee for the formation of the central sajha cociety.
2047 B.S(1991AD)	• Formation of 7 member central Cooperative general association consulting committee and the committee submitted its report.
2048 B.S(1991AD)	• Sajha central office dissolved. • 11 member National Cooperative development boards established.

2049B.S(1992AD)	• Cooperative Act,, 2048 issued. • District co-ordination committee and Cooperative ad-hoc committee formed. • Sajha Development Department transferred into Cooperative department. • Sajha training center transferred into Cooperative training center.
2050B.S(1993AD)	• Cooperative society Regulation 2049 issued. • Formation of national Cooperative federation. • Establishment of central Cooperative Federation. • Establishment of national saving and credit Cooperative Federation. • Establishment of Nepal Federation of saving and Cooperative Union ltd. • Consumer and saving and credit Cooperative societies are established at the large scale all over the country.
2052B.S(1995AD)	• Formation of high level committee for Cooperative improvement and proposal submitted.
2057B.S(2000AD)	• Conversion of ministry of agriculture into the ministry of agriculture and Cooperative. • Formation of the national Cooperative development advisory working tem and submission of report. • The first amendment in the section 26 of the Cooperative Act,1992.
2058B.S(2001AD)	• Announcement of observance of international Cooperative improvement and proposal submitteed.
2060B.S(2003AD)	• Establishment of national Cooperative bank itd.

2061B.S(2004AD)	• Structure of Cooperative division changed according ot the administrative improvement program. • Nepal government constituted a high-level Cooperative sector improvement consultative committee under chairmanship of the Minister of Agriculture and Cooperative submitteed its report to the government of Nepal. • ministry of finance consituted to study the legal framework and institutional development of the saving and cooperative & national cooperative bank. • Govemment of nepal announced the policy of GAU GAUMA MA SAHAKARI GHAR GHAR GHAR MA ROJGARI through it's budget fiscal year 2061/2062.
2062B.S(2005 AD)	• change of name of district cooperative office into division cooperative office. • Establishment of regional level cooperative traning pffice combining with division cooperative office in kailali, surkhet, kaski and chitwan.
2063 B.S (2006 AD)	• Election of Nepal as standing committee Member of CA/AP. • Election of nepal as vice-chairman of house Cooperative foundation. • Beginning of Cooperative Golden Jubilee 2006/07 throughout the conutry for full year.
2064B.S(2007AD)	• Completion of Cooperative Golden Jubilee 2006/07 with four special Cooperative publications. • Recognition of Cooperative as basic pillar of socioeconomic development as equal footing those of private and governmetn sector.

2065B.S(2008AD)	• National Conference on Cooperative policy organized by NCF.
2066B.S(2009AD)	• Government of Nepal announced the policy "Gaun Gaunma Sahakari Ghar Gharma Bhakari".
2067B.S(2010AD)	• Establishment of central sugarcane Cooperative union. • Formation of Cooperative cooperation network. • UN proclaimed 2012 International year of Cooperatives.
2068B.S(2011AD)	• Establishment of central Tea Cooperative union. • Completed the Regional and National workshop on Cooperative strategic plannning.

Source: www.ncfnepal.com.np

2.1.4 Saving and Credit Cooperative in Nepal

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

- **Traditional Saving and Credit Cooperative**

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

- **Multipurpose Saving and Credit Cooperative**

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

- **Finacial Cooperative**

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

- **Banking Cooperative**

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

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

2.1.5 Current Issues and Challenges of Cooperatives

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

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

1. Confusion in national vision of cooperative sector.
2. Lack of identify of cooperatives.
3. Lack of professionalism.

4.   Lack of investment in this sector.

5.   Too small membership to gain economy of scale.

6.   Lack of credibility.

7.   Lack of capacity of government to monitor.

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

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

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

- **Legal and Regulatory**

There is on separate cooperative Act, in Nepal. The current cooperative Act does not even have a separate chapter for cooperative. In addition from last 2 years, the registration of saving and credit cooperative has been suspended by the department of cooperative.

- **Diversifying Financial services**

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

- **Lack of Adequate monitoring**

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

- **No Linkages with Business Development services**

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

2.1.6 Concept of Deposit collection

According to Banking and financial Act, 2061deposit means the collection of fund in current and fixed saving. Deposit collection is the main sources by which organization run and gets profit. In the investment, they invest the collected deposit to the different section and charge interest. Increase in deposit provides a financial sector with additional cash the increase in cash supplement its loan able resources and permits a more than proportionate increase in its loan. DSCCL accept deposit from the people who can save but can't invest themselves. Deposit is the main sources of income for any cooperative society. Higher the deposit collection higher the investment in loans in other companies can be done. So the increase their sources of deposit and to provide different facilities such as establishing different heads for deposit for their member. DSCCL mainly collected it in 2 types of deposit account.

- **Saving Deposit**

People who want to save certain amount of money for the shorten period of time and can take benefit by keeping money in the account. Saving account encourages small savers to save money because they are paid certain rate of interest, whatever they

deposit. The savers are expected to curtail unnecessary consumption because cooperative fix numbers of withdraws and amount of money to be withdrawn (*Joshi, 2058:62*).

- **Fixed Deposit**

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

2.1.7 Concept of Deposit Mobilization

A financial intuitional mobilizing savings must respond to the depositors requests for safety, efficiently and stability. In addition, it also needs to deliver the service. The roles are reversed in the credit business. The institutions must convince depositors that it will handle their funds with care and provide with them benefits by returning deposit amount with interest. Successful mobilization of institutional saving can only be the existence of demand driven savings facilities offer by appropriate institutional structure. A broader understanding of the saving decisions by poor households has shown that appropriate scheme can attract significant volumes of saving. Furthermore, a much larger number of clients can be reached though saving mobilization through credit granting (*Adams, 1985: www.goole.com.dated: June, 2012*).

Deposit mobilization plays a vital role for the economic development of underdeveloped and developing countries. Underdeveloped countries like Nepal face major problem for economic development such as national income, low per capita income, and lack of technical knowledge, poverty, increase in population growth, geographical situation etc. For the economic development of nation these aspects are taken to the consideration and for this capital required. Capital formation is possible through collection of scattered unproductive and small amount of money from the people. Small deposits from individual customer are often the largest segment of this deposit and represent the most diversified and stable funding source. Mobilization of internal resources i.e. deposit has greater significance for external sources is not

dependable sources for formation of required capital. So deposit mobilization helps in circulation of idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Banks provide incentives to the depositors and thus encourage the depositor to create habit of saving. The scattered deposits collected are further investment there will be generation of income to the investors. Thus there is circulation of idle money which ultimately leads to the economic development of the nation.

Cooperative is considered to be the best in deposit mobilization. They collect savings/deposit scattered in the form of saving deposit and fixed deposit through their branches. Effective deposit mobilization help in acquisition of surplus capital from capital hoarding sector which are further invested in different sectors. This helps to fulfill the gap between these two sectors and maintain proper coordination, as the surplus sector will earn interest income in their deposits and different sector will meet their capital requirement through loan and advances *(Koirala, 2062-26)*.

2.1.8 Concept of Entrepreneurship

Entrepreneurship is the process of creating new ventures. It involves innovation. It requires assumption of risks and rewards. It brings together resources. It provides option for self-employment to an individual. It creates employment opportunity for others.

Entrepreneurship is the process of identifying opportunities. It brings together factors of production to pursue those opportunities. It invests resources to exploit these opportunities. It results in creation and management of new ventures. It plans, organizes, operates and assumes the risk of new venture.

The entrepreneurial spirit has appeared as the engine of economic development. Entrepreneurship has resulted in millions of new ventures in the world. It has served as the driving force for economic development. There is a growing interest in the concept of entrepreneurship. (*Agrawal, 2006-1*)

2.2. Review of Other Related Studies

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

2.2.1 Review of Articles

Bodhi Bairacharya (2007), thought his article "Deposit Mobilization and Money Monetary Policy" published *Nepali Intellectual council* on has concluded that the mobilization of domestic saving is one of the monitory polices in Nepal for this propose cooperative stood as the vital and active financial intermediary for generating resources in the form of deposit of the private sector so for proving loan the investor's in different aspects of economy.

Som Nath Bastola (2008), in his article "Purbaki Sahakari Netri" Published on *Annapurna post* said that cooperative not only generate income to his is member but also taken aver all responsibilities of them in Nepal multipurpose cooperative are in particles they inspire the villages 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. Beside this cooperative is working for social welfare also it is acting for the development of leadership skills of the women informal education providing health service though health campaign and other skill s oriented training is also given to rural women. This cooperative organization is bringing revolution change to the life of rural women.

Kailash Bhakta Pradhanang (2009), in his article on the topic "country's cooperative moment in Nepal" published in *Sahakari Nepal* said the cooperative moment in Nepal has been gathering due momentum, as it has seen a notable institution development. Out of four laws introduced during the period, three were

implemented. On Shrawan 11, 2011 B.S. Nepal Cooperative Act, was published in the gazette. But it was not endorsed by the parliament. It had a unique provision of Authoring cooperative institutions to ensure law and order situation in the community through forging unity and cooperation among the members. We need to have a clear understanding of 'common bond', which is the core value of cooperative. Under the common bond, there are only three types of cooperative: employee type credit union (only employees of a particular organization), associational credit union (associated with any organization) and communal credit union.

Basanta Acharya (2011), in his article on the topic "Financial Performance Analysis of Cooperative Association" publish on *Nepal Intellectual Council.* His aim was to analyze the strength and weaknesses of the association by analyzing the financial statement. In that study, he found in current assets unnecessarily. The assets utilization position of the association is not satisfactory. The association has not maintained its appropriate leverage position. The share capital is not paying any significant role to meet requirement. The funds are not appropriately managed and well. The financial position of the association is found in very week condition. He has concluded that the main cause of weakness of the association is the previous ruling system of the country. In fact there was no freedom to decide about the association itself, the plans were imposed by the center. The study suggests that cooperative should maintain political can be the back bone.

2.2.2 Review of thesis

Yagya Raj Giri (1996), has conducted the study on the topic of "*A Case Study of Damak Cooperative Sanstha in Jhapa District*", submitted to PN campus. The main objective of the study was to evaluate the Contribution of Damak Cooperative Sanstha. The major finding of his study ere that due to lack of capital in time, lack of effective management and lack of people participation. The cooperative Sanstha has Failed to have got more benefit. By the lack of adequate distribution of agriculture inputs distribution of Credit in time and lack of effective management of big farmers are not satisfied with the service of Cooperatives.

Sushil Dahal (2005), has studies on the topic of "*Financial Performance of Cooperative Societies limited in the Inaruwa and Sunsari Districts*" submitted to

Central Deportment of Management The main objective of the study was to find out the financial position of cooperative society. The main Finding of this study was that the liquidity position is improving. The capital structure of Cooperative Society is not found. There is heavy debt capital as compared to equity for ownership capital. The society has issuing share for collection capital and rising for loans in those periods has collected most of the Funds. Paying rate of interest is very high proving insufficient amount of dividend; inefficient management, high operating cost etc. are the main variables which reflect the poor financial performance of Cooperative society. He also suggests that society must try to remove all these variables and improve its financial performance significantly.

Binod Bihari pokhrel (2008), conducted a research work on the topic of "*A Study of Cooperative Movement in Nepal",* submitted to Bihar University. The main objective of this study is to review the overall situation of cooperative movement in Nepal. In this study he found some problems faced by the cooperative movement which are lack of fund and spontaneity towards cooperation, lack of loyalty and efficient management and center level organization absence of good publicity and good process of loan distribution and payment. This study stressed the role of Sajha societies resources utilization of funds mandating activities revels that these is a great need for reutilization in order to make the movement strong and stable.

Bishwa prakash subedi (2009), has been studied on the topic of "*Accounting Information System of Cooperative in Nepal*" submitted to, central Department of management, TU. His aim was to analyze the working of the accounting system of the cooperative their defects and difficulties. His has also aimed to suggest measuring against such problems of the economics development of the country. In his study he has concluded that huge amount of economics resources has been flown to over 881 cooperative. The study has also suggest to removing the various problems facing the cooperative movement in the in the country and playing due attention to developmental activities and controlling the existing irregularities and weakness by establishing sound accounting information system. Many problems of the cooperative of Nepal are not property indentified yet by the concern and interested parties and people are in general not to mention that no productive and unity plans and programs to solve the problems are prepared so far this systematic accounting information

system is needed. This study focus on the information system of the cooperative societies lack of which is one of the reason of failure of cooperative and been conducted specially with reference to Narayanpur cooperative limited, Chitwan.

2.2.3 Research Gap

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

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

CHAPTER-III

RESEARCH METHODOLOGY

3.1. Introduction

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives and views. In order to find out a true result, an appropriate research methodology is necessary for an investigation. The main objective of this study is deposit collection and mobilization by Dhawalagiri Saving and Credit Cooperative Limited from fiscal years 2063/064 to fiscal years 2067/068. This chapter specially analyzes the research design, population and sample, nature and sources of data, data collection procedure, data processing and financial tools and techniques of analysis.

3.2 Research Design

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

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

The study is based on descriptive research design followed by analytical approach to achieve the objective of the study. Description research seeks to find out the fact with help of sufficient data and information. Some financial and statistical tools have been applied to examine fact and descriptive techniques have been adopted to evaluate

deposit collection and mobilization of Dhawalagiri Saving and Credit Cooperative Limited.

3.3 Population and Sample

In Nepal there are three key acts in the field of micro finance services delivery at client's level. They are microfinance development banks including Grameen Replicators, Financial Intermediary NGOs and saving and credit cooperatives. There are more than 10000 Cooperative Organizations in Nepal. According to Cooperative Division office Baglung, there are more than 100 Cooperative organizations are registered in Myagdi districts. Out of these cooperative 61 saving and credit cooperative societies are registered. Only 26 are rural based saving and credit cooperative. Out of which 12 are` mixed saving and credit cooperative (male and female) and 14 are women saving and credit cooperative organization. Total accumulated saving of the cooperative estimated to Rs. 18 billion outstanding loans 24 billion. More than 16 thousand people are employed in the cooperative. The contribution of the cooperative sector to gross domestic product is estimated around 1% while their contribution in financial sector is 7% (*www.ncfnepal.com.np*. *July, 2012*).

It is the fact that, saving and credit cooperative are being the key micro finance institution in Nepal. The actual performance played there is of necessary to find out the gap with the application of deposit collection and mobilization. In the addition to it, the data availability comes as a significant part. Among the saving and credit cooperative this study is an attempt to find out the critical deficiencies faced by the Dhawalagiri Saving and Credit Cooperative Limited and talking this institution as a study unit through numerous indicators under ratio analysis. A case of study of single unit of DSCCL is taken as sample which has completed five fiscal years its operation.

3.4 Sources of Data

Collection data is the connection link to world of reality for the researcher. The data collection activity consists of talking ordered information from reality and transferring it into some recording system so that it can later be examined and analyzed for pattern. It is form this pattern that social behavior can understand and predicated. Research as a media can be interpreted as having a content of data and process a

methodology. Without the data methodology cannot be utilized to bring us to bring the conclusion which hypotheses suggest *(pant, 2009: 57).*

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

3.5 Data Collection Procedure

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

Additional information required for the study are collected from the cooperative development board, department of cooperative, NRB directives to the Cooperative licensed for the limited banking services, journals book and other related study by various writers and publications available in the Central Library.

3.6 Data Processing

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

3.7 Data Analysis Tools

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

to analyzed and interpret the finding of the study. The data analysis tools used are discussed below.

3.7.1 Financial Tools

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

- **Liquidity Ratio Analysis**

➢ **Total Liquid Fund to Total Deposit Ratio**

Total liquid funds to total deposit ratio is the expression of numerical relationship between total liquid funds in total deposit of a cooperative. It shows the overall short-term liquidity position. The higher ratio implies the liquidity position and lower ratio shows the inefficient liquidity position of the cooperative. It is calculated by using the following model.

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

Where,

Total Liquid fund = Cash + Bank Balance

Total Deposit = Short Term and Long Term Deposit

➢ **Cash Reserve Ratio (CRR)**

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

➢ **Cash in vault to Total Deposit Ratio**

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

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

Where,

Cash in Vault = Cash in hand

• **Solvency Ratio Analysis**

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

Loan and advance to total deposit ratio measures the proportion of total deposits mobilized by granting loan and Advances. It shows the extent to which cooperative is capable of mobilizing its total deposit in loan and advances for the purpose of income generation. Higher ratio indicates better mobilization of total deposit collected and so vice versa. However, from liquidity view higher ratio is not preferable. It is calculated as below.

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

Where,

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

Total Deposit = Short term and long term deposit

• **Profitability Ratio Analysis**

➢ **Profitability Ratio**

Profitability is the net result of a number of policies and decisions. The ratio examined thus for providing some information about the way the firm is operating but the profitability ratio shows the combined effects of liquidity, assets management and

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debt. Management is an operating result. Maximization of profit is the main objectives of each and every business concern and for this king of cooperative society as well. The profitability ratio is related to profit. Following ratios are shown under profitability ratio.

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

- **Return on Loan and Advance** $= \frac{\text{Net income}}{\text{Total Loan \& Advance}}$

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

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

3.7.2 Statistical Tools

- **Average /Mean**

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

$$\text{Mean } (\overline{X}) = \frac{\text{Sum of the values}}{\text{No. of Values}}$$

$$= \frac{X_1 + X_2 + X_3 + \ldots\ldots + X_n}{n}$$

Where,

    X = Individual value

    n = No. of observations

- **Standard deviation (SD)**

Standard deviation is the absolute measure of dispersion of the value and show the deviation or dispersion in absolute term (*Sthapit, 2006*). Here, the standard deviation is used to find out the deviation in absolute term, standard is determined in the following way:

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

Where,

n= no. of observations

X= individual value

X̄= Arithmetic mean

- **Coefficient of Variation (CV)**

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

$$\text{CV} = \frac{\sigma}{\overline{X}} X 100$$

Where,

σ =Standard Deviation

$\overline{X}$ = mean

- **Coefficient of Correlation (r)**

The study measures relationship between the two variables. The correlation between the different variables of cooperative is compared to measure the relationship between the individual variables. Correlation refers to the degree of relationship between two variables. If between two variables increase or decrease in one cause increase or

decrease in another then such variables are correlated variables. The reliability of the value of coefficient between two variables describes the degree of relationship between those two variables. It interprets whether two or more variables are correlated positively or negatively. This tools analyzes the relationship between those variables of the cooperative which are helpful to make appropriate investment policy regarding deposit collection fund mobilization and profit maximization. The Karl person coefficient of correlation (r) is given as below:

$$\mathbf{r} = \frac{N\sum xy - \sum x.\sum y}{\sqrt{\left[N\sum x^2 - \left(\sum x\right)^2\right]}\sqrt{\left[N\sum y^2 - \left(\sum y\right)^2\right]}}$$

Where,

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

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

σ_1 = Standard deviation of series x

σ_2 = Standard deviation of series y

N= of pairs observation.

3.7.3 Trend Analysis

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

$Yc = a + bX$

Where,

Y = dependent variables

X = coded timed (independent variables)

a = Y- intercept

b = slope of the trend line

3.7.4 T-test for Significance of Observed Simple Correlation Coefficient

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

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

Where,

r = Correlation Coefficient

n = No of Pairs

α= 5% = 0.05 = level of significance

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

The present chapter deals with the presentation and analysis of collected data from the different sources. It includes the financial data of five years period 2063/064 to 2067/2068 of DSCCL and analysis of data using the indicators of financial ratio analysis tools. The collected data from different annual reports and office of DSCCL have been analyzed with the financial indicators of ratio analysis. The study is conducted with reference to deposit collection and mobilization of Dhawalagiri saving and credit Cooperative Limited.

4.1 Analysis of Deposit Position and Its Composition

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

Table 4.1
Deposit Composition of DSCCL (Rs.000)

Type of Deposit	Fiscal Years					Mean	SD	CV
	2063/2064	2064/065	2065/066	2066/067	2067/068			
Normal Saving	8468	11304	11832	9060	6422			
Special Saving	25537	30783	41003	43066	43224			
Fixed Saving	32987	36859	51071	58146	84383			
Total Deposit	66992	78946	103906	110272	134029	98.83	23.68	23.96

Source: Annual Report of DSCCL

As show in table 4.1, the total deposit collection has been increasing all the over the period. The deposit valume is minimum Rs. 66992 thousend in the year 2063/064 and miximum with Rs. 134029 thousand in the year 2067/068. The deposits volume were almost increases from 2036 to 2068 as there were immerse of so many other financial institutions that diverted the customer deposit. But in the year 2067/068 and then afrer it rose up as cooperative had launched new deposit scheme with comparatively higher rate of interest and other facilities. The deposit increased in the year 2063 to 2068 and later increased in 2068. As a result, the average mean of the deposit composition is 98.83, variance is 560.94 standard deviation is 23.68 and also coefficient of 23.96. This indicates that Everest Society Cooperative Limited has been sucessful in capturing the deposits from the market during the study period five years.

The deposit position of DSCCL is seems to be warmth and positive because the financial strength positively moving upwards in Myagdi district by contributing cooperatives as a financial sources for investment to rural people.

Figure 4.1

Deposit Composition of DSCCL (in Rs. 000)
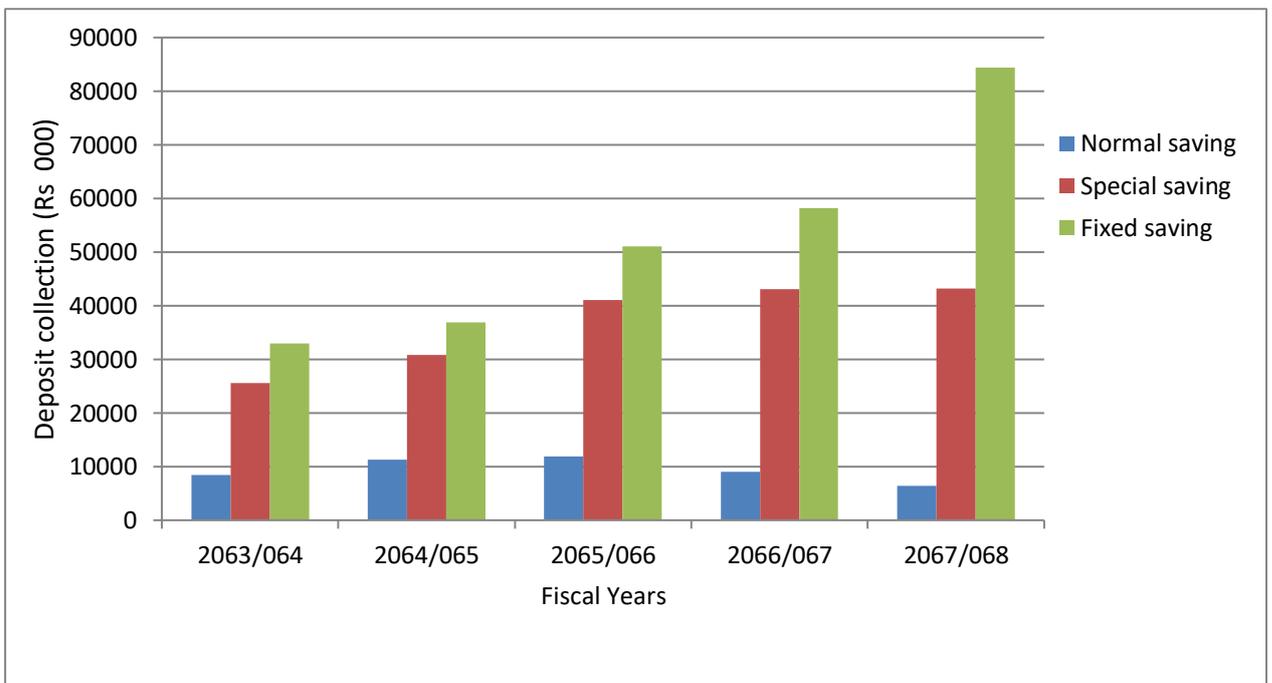
Figure 4.1 show the observed total deposit of the DSCCL within the period of last five years. In the chart there are three types of deposit collection composition whereas the deposit is quite fluctuating over the study period. Overall it indicates deposit collection of DSCCL capacity to collect maximum the deposit volume from the public.

- **Trend analysis of Total deposit**

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

Table.4.2

The Trend Analysis of Total Deposit

Year	Trend Equations $Yc= 98.83+0.0590 \times X$	Trend value
2063/064	$98.83+0.0590 \times -2$	98.71
2064/065	$98.83+0.0590 \times -1$	98.77
2065/066	$98.83+0.0590 \times 0$	98.83
2066/067	$98.83+0.0590 \times 1$	98.89
2067/068	$98.83+0.0590 \times 2$	98.95
20687/069	$98.83+0.0590 \times 3$	99.01
2069/070	$98.83+0.0590 \times 4$	99.07
2070/071	$98.83+0.0590 \times 5$	99.13
2071/072	$98.83+0.0590 \times 6$	99.18
2072/073	$98.83+0.0590 \times 7$	99.24

Source: Appendix-1.3-8

Table 4.2 shown in trend value it has been increasing all the over the period. The trend value is minimum 98.71 in the year 2063/064 and trend value was almost increasing in 2064/065 trend value is 98.77 like that trend value is 98.55 in the year 2067/068. First forecasting year 2068/069 has trend value of 99.01 and 99.13 in the

year of 2070/071 and the maximum trend value is 99.24 in the forecasting year 2072/073. It is best performances of deposit collection.

Figure 4.2

Trend of Total Deposit
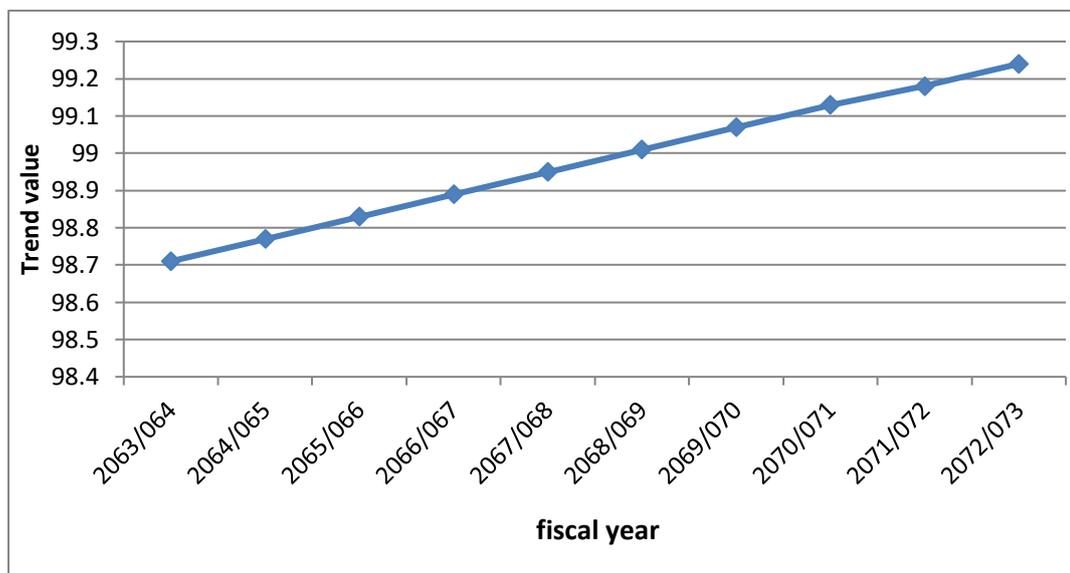
Figure 4.2, analysis trend shows those five years from FY 2063/064 to FY 2067/068 and trend Value of 98.71 to 98.95, forecasting fiscal year 2068/069 to 2072/073's trend value is 99.01 to 99.24.

4.1.1 **Analysis of Cost of Deposit**

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

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

The ratio of total interest expenses on total operating revenue measure the total cost involved for collection of deposits. The ratio is calculated by dividing the total interest expenses on deposits only by total revenue. A high level of interest expenses ultimately results from maximum deposits volume collected by the cooperative. Beside interest rate offered on deposits also affect the volume of interest expenses. A

high or increasing ratio of expenses to total revenues may give indication of increasing in cost and so is likely to affect profitability. Other interest expenses on financial institution also have to be born by the cooperative. Interest expenses on total deposit comprise to be paid to the depositors saving and fixed account. Financial institution's earning originate from interest on loan and advance, investments, commission and discounts, services charge entrance fee, application fee and other income. Conversely, it expends it on depositor's interest, staff salary, provident fund, allowance and other operating expenses like rent, water, fuel, audit fee management expenses. Depreciation, miscellaneous expenses and all other expenses directly related to the operation of cooperative.

Table 4.3

Interest Expenses on Total Deposit to Total Operating Revenue (Rs.0000)

	Fiscal Year					Mean	SD	CV
	2063/064	2064/065	2065/066	2066/067	2067/068			
Interest Expenses on Deposit	5123	6637	7590	9808	13253	8482	2827.7	33.34
Total Operating Revenue	8569	10725	13511	15133	17075	13002	3042	23.40
Total Interest Expenses on Deposit to Total Operating Revenue (%)	59.79	61.88	56.18	64.81	77.62	65.24		

Source: Annual Report of DSCCL

As show in table 4.3 the total expenses on total deposit volume to total operating revenue is fluctuating a over the study period. The ratio on 2063/064 stood at 59.79% which is later increasing over next year i.e to 61.88% in 2064/065 and decreasing by 65.18% in year 2065/066. The ratio of 77.62% in year 2067/068 is the maximum during the observed period and minimum ratio in year 2065/066 which was 56.18%.

- **Trend Analysis of Interest Expenses**

This analysis indicates that the interest expenses of five fiscal years 2063/064 to 2067/068's value of previous and other five fiscal year 2068/069 to 2072/073 is forecasting value.

Table 4.4

Trend Value of Interest Expenses

Year	Trend Equation $Yc= 8.482+0.4859 \times X$	Trend value
2063/064	$8.482+0.4859 \times -2$	7.5102
2064/065	$8.482+0.4859 \times -1$	7.9961
2065/066	$8.482+0.4859 \times 0$	8.482
2066/067	$8.482+0.4859 \times 1$	8.9679
2067/068	$8.482+0.4859 \times 2$	9.4538
2068/069	$8.482+0.4859 \times 3$	9.9397
2069/070	$8.482+0.4859 \times 4$	10.4256
2070/071	$8.482+0.4859 \times 5$	10.9115
2071/072	$8.482+0.4859 \times 6$	11.3974
2072/073	$8.482+0.4859 \times 7$	11.8833

Source: Appendix-1.4-8

Above result exhibits the interest expenses trend value. In this calculation of ten years trend value will be increase trend. In the year 2063/064 it stood at 7.5102 trend value. Then increase in the year 2064/065 to 2067/068 and its trend value is 7.9961 to 9.4538. Forecasting year 2072/073 has 11.8833 the trend value.

Figure 4.3

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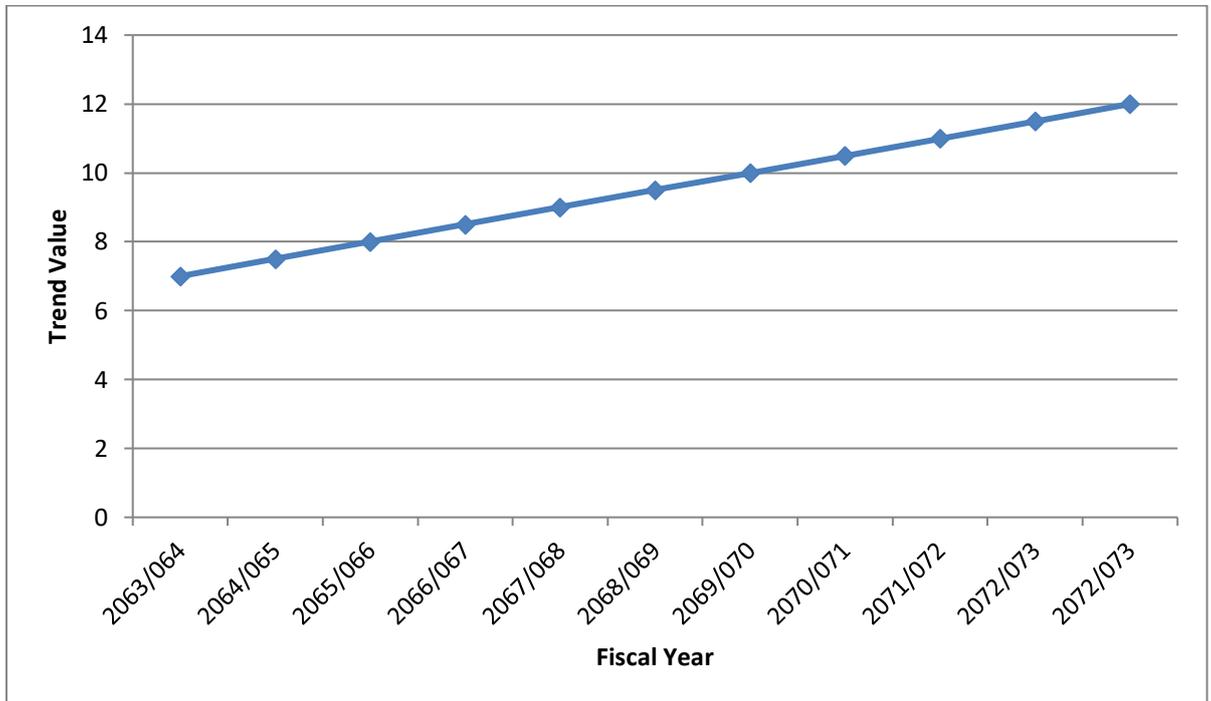
Figure 4.3 as shown in the chart, the observed ratio increased all year. The positive slope thus indicates increasing interest expenses with respect to income, which is due to Increase in deposit volume as well as increase in interest rate offered by the cooperative.

The interest expenses of DSCCL is increasing trend because the financial strength positively moving upwards in Myagdi by contributing cooperative for investment to generate income for rural people.

- **Trend Value of Operating Revenue**

Total operating revenue involved the total cost for collection of deposit. The analysis shows that five fiscal year trend value form 2063/064 to 2067/068 and other five fiscal years are forecasting trend value.

Table 4.5

Trend Value of Total Operating Revenue

Year	Trend Equation $Yc = 13.002+0.4632 \times X$	Trend Value
2063/064	$13.002+0.4632 \times -2$	12.0756
2064/065	$13.002+0.4632 \times -1$	12.5388
2065/066	$13.002+0.4632 \times 0$	13.002
2066/067	$13.002+0.4632 \times 1$	13.4652
2067/068	$13.002+0.4632 \times 2$	13.9284
2068/069	$13.002+0.4632 \times 3$	14.3916
2069/070	$13.002+0.4632 \times 4$	14.8546
2070/071	$13.002+0.4632 \times 5$	15.318
2071/072	$13.002+0.4632 \times 6$	15.7812
2072/073	$13.002+0.4632 \times 7$	16.2444

Source: Appendix-1.4-9

This result shows the trend value of the total operating revenue on five years and forecasting five year value. In year 2063/064 the trend value is 12.0756 and it is increasing trend in the year of 2064/065 to 2068/069. The trend value of this year is 12.5388 to 14.3916. Forecasting year 2069/070's trend value is 15.318. there is not big difference between previous year, the next forecasting year 2071/072's trend value is 15.7812 and last forecasting year 2072/073's trend value is 16.2444. So there is not high increasing in beginning and ending year during the study period.

Figure 4.4

Trend of Total Operating Revenue
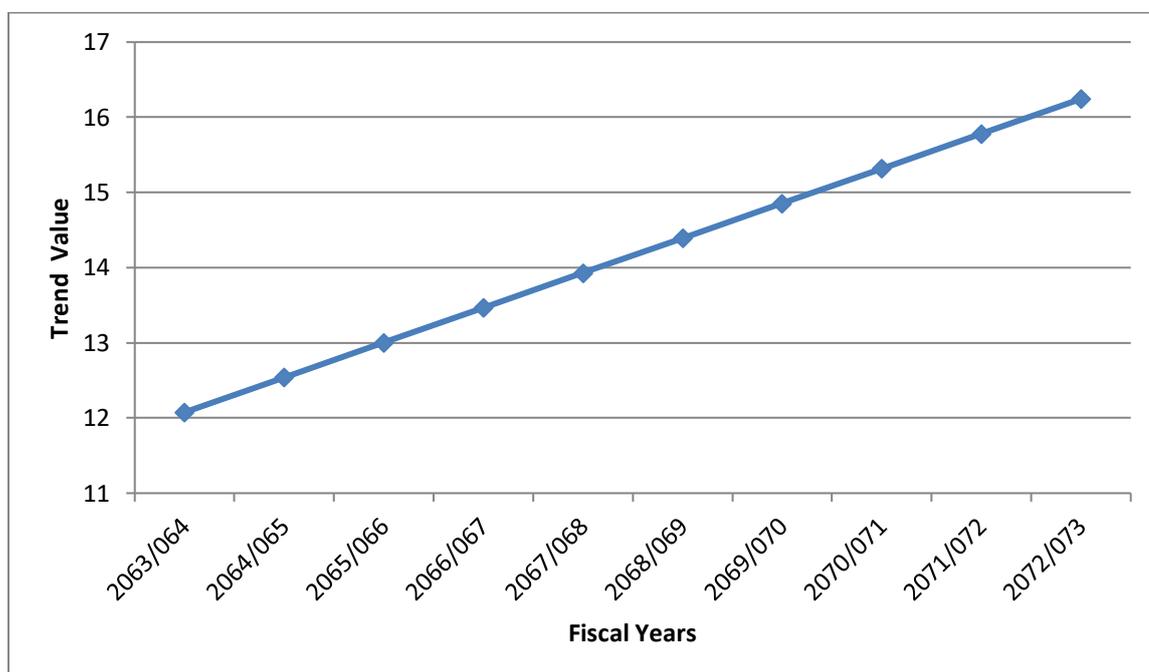
Figure 4.4 shows the observed total operating revenue trend value of DSCCL within a study period of five fiscal year it is actual value and after that is it forecasting. The trend values are increasing trend.

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

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

	Correlation	T-test Value	Result
Interest Expenses	0.9514	5.3510	**Significant**
Total Operating	0.9514	5.3510	**Significant**

Source: appendix-1.4

Total interest expenses and total operating revenue correlation is the 0.9514 and its t-test value is the 5.3510 and tabulated value is 3.182 it means there is high degree of positive correlation between them and also we concluded that there is high significant relation between interest expenses and total operating revenue.

- **Trend Analysis of Net Interest Income of DSCCL`**

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

Table4.6

Net Interest Income

	Fiscal Years					Mean	S.D	CV
	2063/064	2064/065	2065/066	2066/067	2067/068			
Total Interest Income	7424	9506	12303	14527	16997			
Total Interest expenses	5123	6637	7590	9808	13253			
Net Interest Income	2301	2869	4713	4719	3744	3668	970.14	26.45

Source: Annual Report of DSCCL

In the past five years, the net interest income of DSCCL was distributed over Rs. 2301 thousand of 2063/064. The minimum volume was observed in year 2063/064 with Rs. 2301thousand and maximum volume Rs. 4719 thousand in year 2066/067. Average mean is 3668 and SD and also risk of the interest income is 970.14 and it's coefficient of variance is 26.45. Net interest income is fluctuating all over the study period because interest rate different from loan amount. In the above table total interest income and total interest expenses in increased in all over the period.

- **Trend Value of Net Interest Income**

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

Table 4.7

Trend Value of Interest Income

Year	Trend equation $Yc =3.668+1.0051\times X$	Trend value
2063/064	3.668+1.0051×-2	1.6578
2064/065	3.668+1.0051×-1	2.6629
2065/066	3.668+1.0051×0	3.668
2066/067	3.668+1.0051×1	4.6731
2067/068	3.668+1.0051×2	5.6782
2068/069	3.668+1.0051×3	6.6833
2069/070	3.668+1.0051×4	7.6884
2070/071	3.668+1.0051×5	8.6935
2071/072	3.668+1.0051×6	9.6986
2072/073	3.668+1.0051×7	10.7037

Source: Appendix-1.5-5

Trend analysis showed the trend value of 2063/064 to 2067/068 and forecasting year 2068/069 to 2072/073. Find the above result, trend value 1.6578 in year 2063/064 and

2.6629 in year 2064/065 it is not high increasing in the ten year but title grow up in years. 2068/069 is 6.6833 trend value and last forecasting trend value 10.7037.

Figure 4.5

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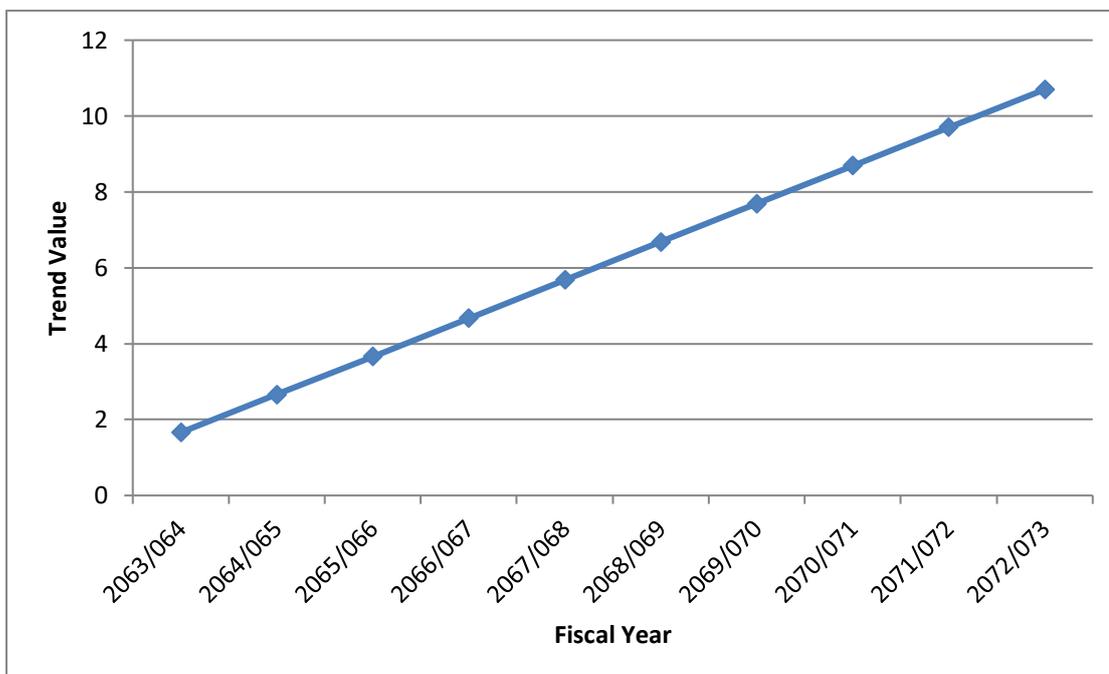
Figure 4.5 show the trend of net interest income of five fiscal years and other forecasting period. The trend line obtained positive which shows increasing trend of net interest income during the study period. It was found continuously increasing total interest income.

4.1.2 Analysis of Uses of Deposits and Loan and Advance

The main functions of this cooperative society are to collect deposit from the members and provide loan to them. Such kinds of saving and credit cooperative organizations have to pay interest to their members on their deposits. Out of sources of cooperatives collects deposit of public in different sources like saving and fixed. Deposit is the primary sources of fund for the financial institutions. Deposit collected is to be well managed since it is the liability of the cooperative and there is involvement of cost in from of interest earned to be paid to the deposits collected are used for different purpose that makes up composition of assets. The cooperative assets composition represents the varied nature and consequence of the cooperative function

and investment policies. Usually cooperative seem to arrange their assets appearing in balance sheet in descending order of liquidity.

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

Table4.8

Uses of Deposit (in Percentage)

	Fiscal Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	(x)
Cash	0.59	0.13	0.33	0.54	0.49	0.416
Bank balance	6.11	0.53	4.40	6.47	6.22	4.746
Loan investment	89.53	99.19	78.02	74.94	72.89	82.114
Share investment	0.13	0.24	0.21	0.19	2.11	0.576
Fixed assets	0.35	0.36	0.29	1.06	0.81	0.574
Other assets	3.29	3.55	16.75	16.80	17.48	11.574
Total assets	100	100	100	100	100	100

Source: Annual Report of DSCCL

Table 4.8 shows assets composition of DSCCL over the period 2063/064 to 2067/068. As shown in the table, percentage of cash and bank balance (which form the most liquid of all assets) almost remained at the consistent level though it was in fluctuating in the year 2064/065. Cash and bank balance are decreasing in year 2063/064 to 2065/066 and later increasing in year 2066/067. The average cash and bank balance of

5 year was 5.162%. Loan investment composition is fluctuating all over the period. Higher the loan investment of total assets in years 2064/065 is 95.19%. Lower the loan investment in year 2067/068 is 72.89% within an average of loan investment so 82.114 %. The share investment is fluctuating all over the period.

Fixed assets under assets composition is fluctuating over the study period. The highest fixed assets in year 2066/067 are 1.06% and lowest fixed assets in year 2065/066 are 0.29%. The average of fixed assets in 5 year is 0.574. At last other assets are increased in year 2063/064 to 2067/068. The highest other assets in year 2067/068 is 17.48% and lowest assets in year 2063/064 which had 3.29%. The average mean of other asset in study period 11.574%. asset composition of the cooperative in last five financial year, as it can be seen from the table given above ,major part of total assets was held in the form of loan investment which falls under high risk category assets.

Figure 4.6

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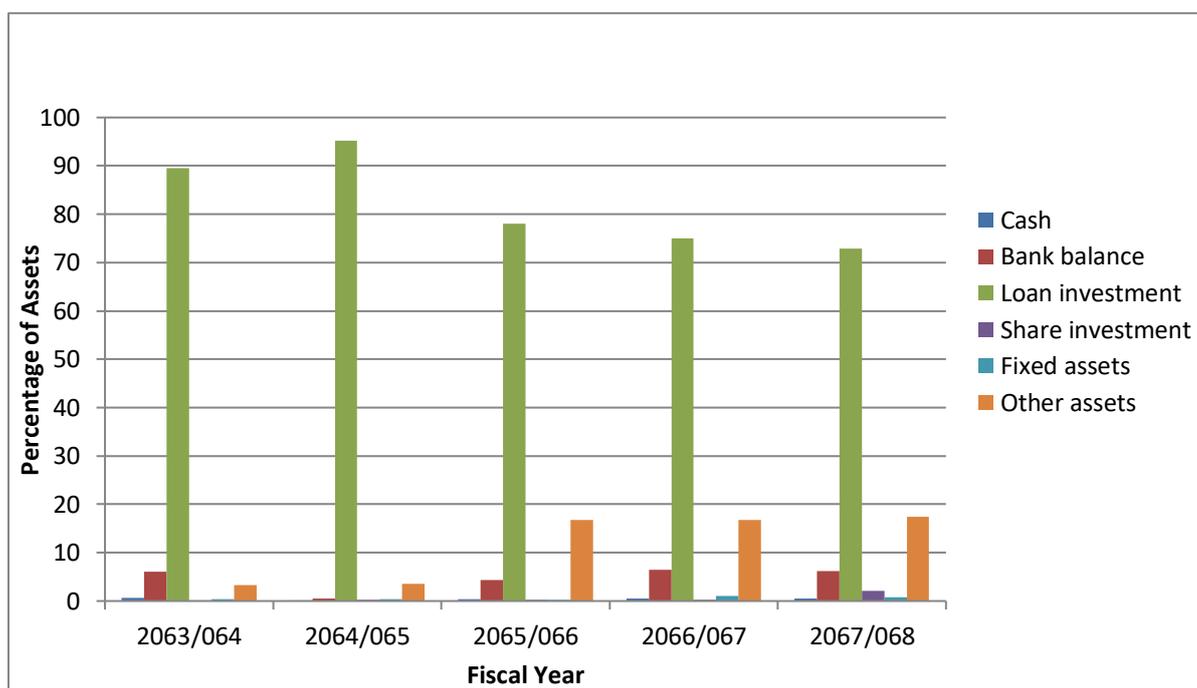
The figure 4.6 shows the areas where deposits collected by the cooperative have been mobilized during the study period. It can be also said as assets composition of the cooperative like in every cooperative organization of financial institutions remained largely in loan and advance during the last five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

Table 4.9

Composition of Loan and Advance (in Rs. 000)

Fiscal year	2063/ 064	%	2064/ 065	%	2065/ 066	%	2066/ 067	%	2067/ 068	%
Haipo loan	15231	20.68	30189	33.70	30413	32.17	30593	31.43	36798	32.00
Business Loan	37366	50.74	27134	30.28	21800	23.06	22589	23.21	25840	22.47
Hire Purchase Loan	4395	5.97	5758	6.42	5800	6.14	5880	6.04	6645	5.78
Housing Loan	11301	15.34	20193	22.54	30751	32.73	31758	32.63	36248	31.52
Agriculture Loan	50	0.07	50	0.06	85	0.09	115	0.12	307	0.27
Other Loan	2740	3.72	2956	3.30	1504	1.59	1765	1.81	2811	2.44
Short term Loan	2539	3.45	3203	3.58	4056	4.29	4482	4.60	6230	5.42
Hitkos Loan	22	0.03	109	0.12	120	0.13	148	0.16	118	0.10
Total	73644	100	89592	100	94229	100	97330	100	114997	100

Mean	SD	CV
94016	**13310**	**14.16**

Source: Annual Report of DSCCL and Appendix 1.3

Table 4.9 exhibits the loan an advance its major composition are Haipo loan and housing loan. Business loan further includes clearing purchase, export loans, imports loans, short term loan, long term loans, etc. similarly retail loan which has been turned as personal lending in the past few years includes hire purchase loan, housing loan and other loan. At now cooperative organizations DSCCL focusing to provide agriculture loan Because, Nepal has a low per capita income and people are highly dependent upon agriculture. The major proportion of loan and advances is contributed

by Haipo loan business loan and housing loan. In Haipo loan fiscal years2063/064 to 2067/068 is increasing. In business loan stood Rs. 37.366 thousand in years 2063/064 and was observed decreased to Rs. 27134 thousand in year 2064/065 and Rs. 21800 thousand in year 2065/066 again it increased and reached to Rs. 25840 thousand in the final year of the study. Hire purchase loan is increasing all over the period. The maximum hire purchase loan in year 2067/068 Rs. 6645 thousand and minimum hire purchase loan in year 2063/064 Rs. 4395 thousand. The housing loan is increasing in year 2063/064 to 2067/068. Agriculture loan is the most of important part to our country because maximum people involved in this areas. Now this loan in constant first two year and later increased. Other loan is fluctuating all over the period. Short term loan is increasing all over the period. Hitkos loan stood at Rs. 22 thousand and was observed increased to 148 thousand in year 2066/067 and it decreased to Rs. 118 thousand in year 2067/068.

The agriculture loan of DSCCL is increasing trend it shows that the DSCCL is positive contribute to the development of rural entrepreneurship. On the other hand the cooperative's investment in this sector is very low percentage of total investment it shows that it is not adequate investment for rural entrepreneurship development.

- **Trend Value of Loan and Advance**

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

Table 4.10

Trend Value of Loan and Advance

Year	Trend Equation $Y_c = 94.016 + 0.1021 \times X$	Trend Value
2063/064	$94.016 + 0.1021 \times -2$	93.8118
2064/065	$94.016 + 0.1021 \times -1$	93.9139
2065/066	$94.016 + 0.1021 \times 0$	94.016
2066/067	$94.016 + 0.1021 \times 1$	94.1181
2067/068	$94.016 + 0.1021 \times 2$	94.2202
2068/069	$94.016 + 0.1021 \times 3$	94.3223
2069/070	$94.016 + 0.1021 \times 4$	94.4244
2070/071	$94.016 + 0.1021 \times 5$	94.5265
2071/072	$94.016 + 0.1021 \times 6$	94.6286
2072/073	$94.016 + 0.1021 \times 7$	94.7307

Source: Appendix-1.3-9

The trend value of loan and advance 93.8118 in year 2063/064 and 93.9139 in the year 2064/065.trend value is increasing all over the period. In the year 20654/066 to 2067/068 trend value is 94.016 to 94.2202. First forecasting year trend value is 94.3223 and in the last forecasting year trend value is 94.7307.

Figure 4.7

Trend of Loan and Advance
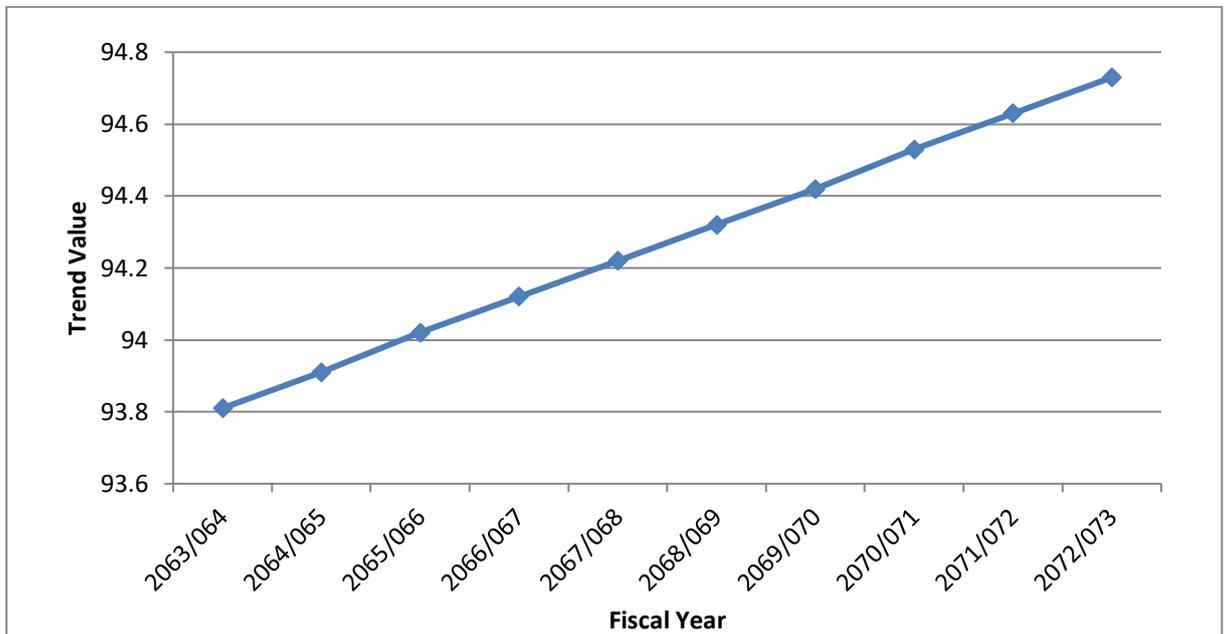
Figure 4.7 shows that the trend line of loan and advance grow up all over the period. This value is also increasing trend of forecasting period.

4.1.3 Analysis of Liquidity Position of the Cooperative

The level of liquidity influences the ability of a cooperative system to with stand stocks. Liquidity risk of arises when **FI**'s liability holder like depositors demand immediate cash for the financial claims they hold with a financial institutions. The most liquid assets are cash, which **FI**'s can use directly to meet liability holders' demands to withdraw funds. Day to day withdrawals by liability holder are generally. Predictable and large **FI**'s can expect to borrow additional funds on the money and financial market to meet any sudden shortfalls of cash. At times **FI**'s face of liability crisis due to either a lack of confidence on the **FI**'s problem or some unexpected need for cash the liability holder may demand large with drawls than usual. This turns the **FI**'s liability problem into a solvency problem and cases it to fail financial institutions must maintain satisfactory liquidity position to satisfy the credit needs of the community, to meet demands for deposits withdrawal pay maturity obligation in time and convert non cash assets into cash to satisfy immediate needs without loss to the

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cooperative and without consequent impact on long run profitability of the cooperative. To measure the liquidity position of the cooperative the following measures of liquidity ratio has been calculated and its analysis has been done below.

- **Liquid Assets to total Deposit Ratio**

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

Table 4.11

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

	Fiscal Years				
	2063/064	2064/065	2065/066	2066/067	2067/068
Liquid Funds	5513	627	573	9111	10588
Total Deposit	66992	78946	103906	110272	134029
Liquid funds to total deposit ratio	8.23%	0.79%	5.52%	8.26%	7.90%

Source: Annual Report of DSCCL

Table 4.11 show that liquid fund to total deposit if *DSCCL* during the period of fiscal year 2063/064 to 2067/068. The ratio is in fluctuating all over the period the liquid assets to deposit ratio was maximum in year 2065/066 was 8.26% the deposit was maximum in year 2067/068 with Rs. 134029 thousand when ratio is 7.90%. The ratio

was minimum in year 2064/065 with 0.79% when the deposit was Rs.78946 thousand. Its ratio indicates overall liquidity position of this organization. Higher ratio indicates higher level of liquidity position of the cooperative lower the ratio level of liquidity position of cooperative.

Figure 4.8

Liquid Fund to Total Deposit Ratio
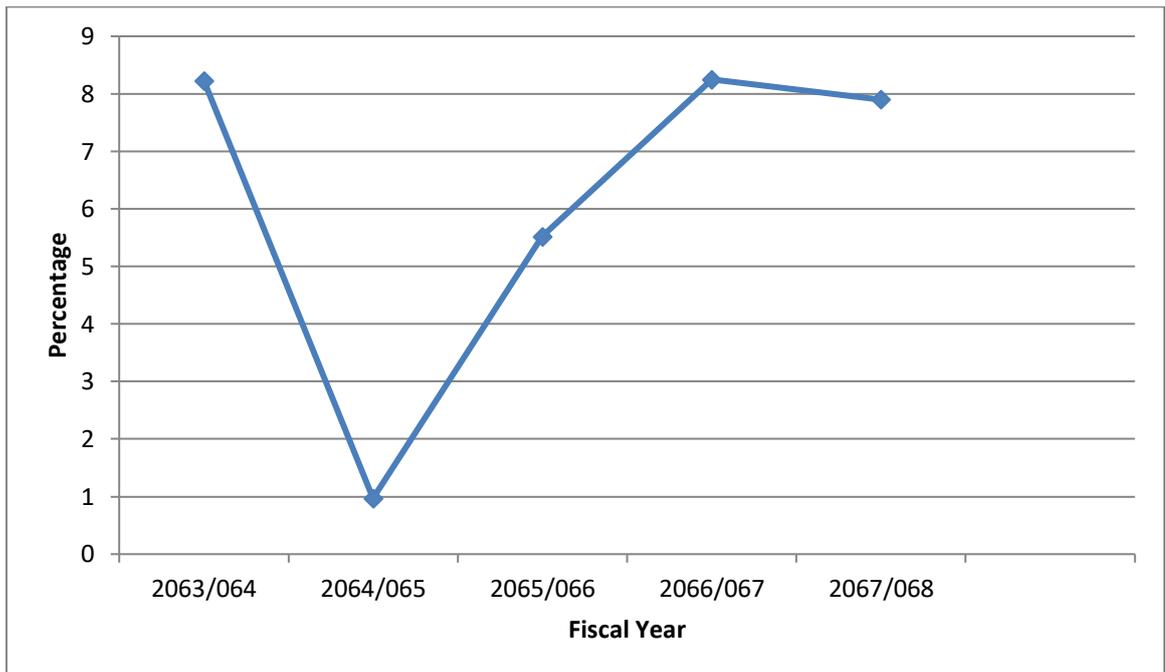
Figure 4.8 exhibits the liquid fund to total deposits ratios of the DSCCL. In this figure the ratio is fluctuating all over the period. It shows highest the liquidity position in year 2066/067 and lowest the liquidity position in year 2064/065. However the lowest liquidity of the cooperative has switched to investing on more profitable assets.

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

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

Table 4.12

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

	Fiscal Year				
	2063/064	**2064/065**	**2065/066**	**2066/067**	**2067/068**
Cash in vault	486	126	402	705	776
Total deposit	66992	78946	103906	110272	134029
Cash at vault total deposit ratio (%)	0.73	0.16	0.39	0.64	0.58

Source: Annual Report of DSCCL

Table 4.12 shows the cash at vault of total deposit ratio during the five fiscal year. This ratio is fluctuating all over the study period. The ratio is the maximum in year 2063/064 with 0.73% and lowest ratio in year 25064/065 with 0.16%.

Figure 4.9

Cash at vault to Total Deposit Ratio
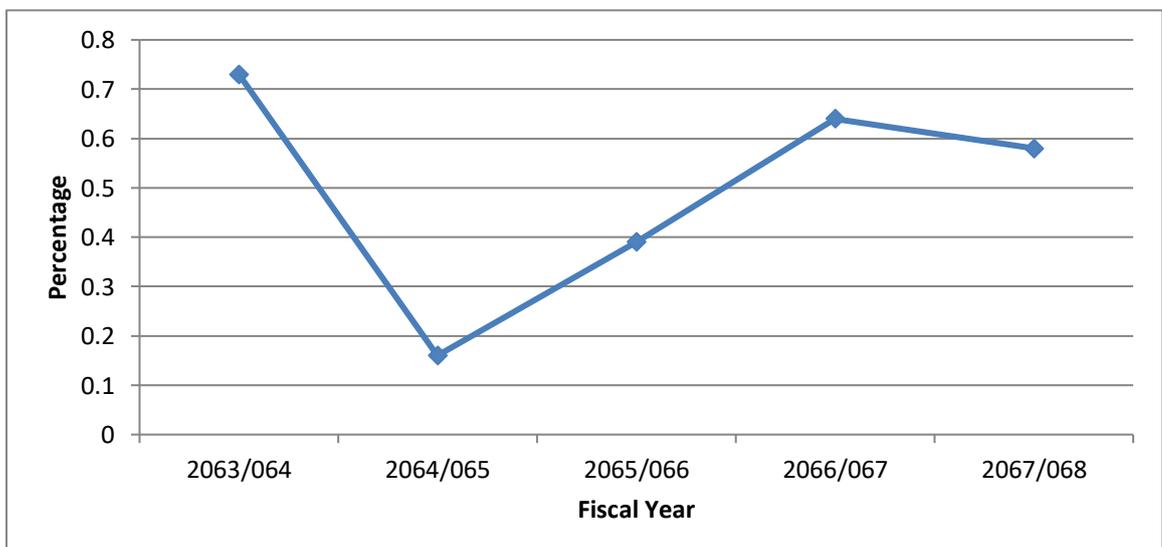
Figure 4.9 exhibit the observed cash in vault ratio the DSCCL in this figure the ratio curve indicates fluctuating of ratio in alternate year. The ratio in 2063/064 stood at 0.73% which later decreasing in the year of 2064/065. Then after the ratio is increasing in year

4.1.4 Analysis of Assets Management Position of the Cooperative

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

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

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

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

The ratio of total loan advances to total deposit it used as a proxy measure of the assets management quality. This ratio is calculated by dividing the total loan and advance by total deposits. This ratio measure the extent to which the cooperative is successful to mobilize its total deposit on loan and advance for the purpose of income generation. A high ratio indicates better mobilization of deposits collected and so vice

versa. However it should also be well noted that excessive high ratio might not be better form the liquidity view point and it may reflect inefficient assets management. This can be, but necessarily due to asset management deficiencies and is likely to negatively affect profitability.

Table 4.13

Loan and Advance to Deposit Ratio (In Rs.000)

	Fiscal Year				
	2063/064	**2064/065**	**2065/066**	**2066/067**	**2067/068**
Total Loan	73644	89592	94529	97330	114997
Total Deposit	66992	78946	103906	110272	134029
Total Loan and Advance to Total Deposit Ratio	1.10	1.13	0.91	0.88	0.86

Sources: Annual reports DSCCL

As show in table 4.13 the total and advance to total deposits ratio. In the above table loan investment and total deposit is increasing in first two and decreasing trend in last three year. The ratio in the above table the maximum ratio in year 2064/065 which has 1.13 and minimum ratio are satisfactorily consistent during the study period. DSCCL is mobilizing is better mobilizing the collected deposits because DSCCL is more provide loan then deposits collection.

Figure 4.10
Total Loan and Advance to Total Deposit Ratios (in Rs 000)
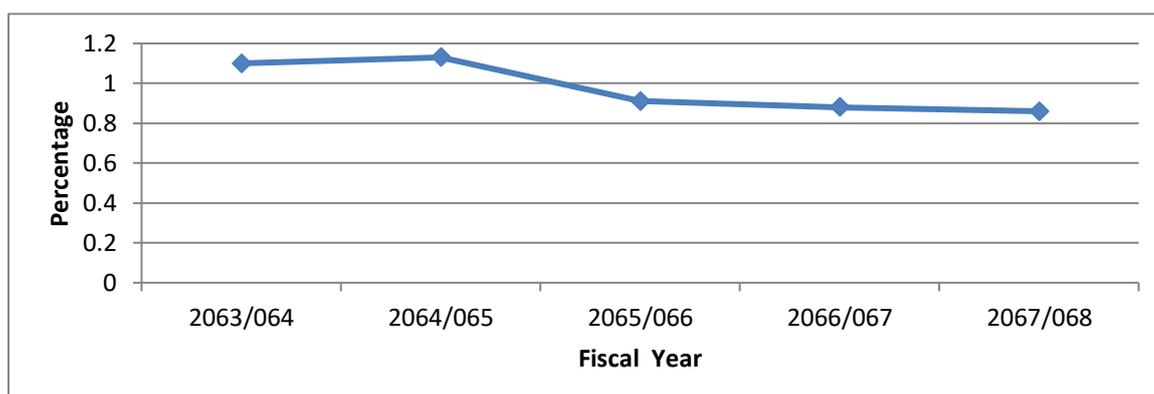
Figure 4.10 exhibits the observed total loan and advances to total deposit ratio of DSCCL the study period of last five year. As shown in the chart, the observed ratio increasing from 2063/064 to 2064/065 and then with continuous decreasing trend and last year reached the 0.86. Overall it indicates cooperative capacity to maintain decreasing loan and advance to total deposit ratio but total loan and total deposit is increased, which is satisfactory assets management quality.

4.1.5 Profitability Ratio

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

- **Return on Total Deposits Ratio**

This ratio indicates the ratio condition of mobilization and utilization of deposits. It shows the overall performance of organization. The highest ratio indicates better mobilizations and utilization of deposit and lowest level utilization of deposits. The ratio is show table and figure.

Table 4.14

Return on Total Deposit Ratio

(In Rs.000)

	Fiscal Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	(x)
Net Income	2148	2508	1341	1547	1407	
Total Deposit	66992	78946	103906	110272	134029	
Return on Total Deposit Ratio	3.21	3.18	1.29	1.40	1.05	2.03

Sources: Annual reports of DSCCL

In the above table 4.14 shows the return on total deposit. The maximum ratio in year 2063/064 was 3.21 and lowest ratio in year 2067/068 within 1.05. The ratio was fluctuating all over the study period. The ratio decreased in year 2063/064 to 2065/066 and later slightly increasing in year 2066/067 then slightly decreased in year 2067/068.The average mean of return on total deposit is 2.03.

Figure 4.11

Return on Total Deposit Ratio
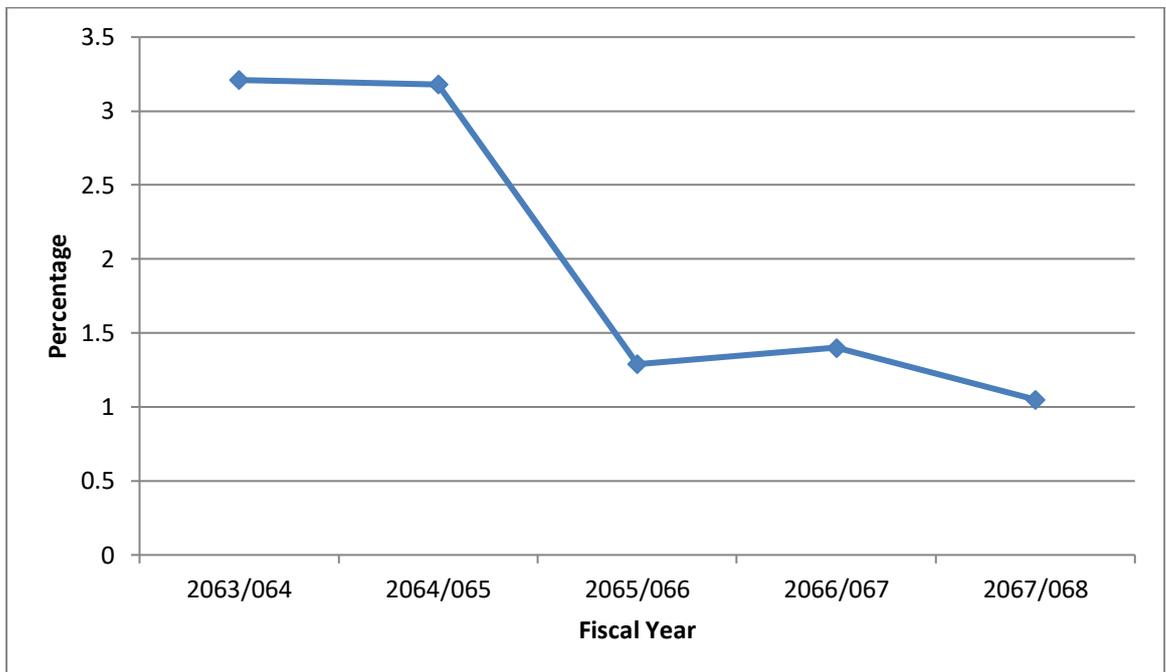
Figure 4.11 show the return of total deposit of *DSCCL* the ratio in 2063/064 stood at 3.21% which later decreased over the two year i.e. 1.29% in 2065/066 later increased 1.40% in year 2066/067 and decreased 1.05% in year 2067/068 in the above table the ratio was not satisfied after the study period because return on total deposit decreasing trend.

- **Return on Loan and Advance ratio**

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

Table 4.15

Return on Loan and Advance Ratio (In Rs.000)

	Fiscal Year					
	2063/064	**2064/065**	**2065/066**	**2066/067**	**2067/068**	**Mean**
Net Income	2148	2508	1341	1547	`1407	
Total Loan and Advance	73644	89592	94529	97330	114997	
Return on Loan and Advance Ratio (%)	2.92	2.80	1.42	1.59	1.22	1.99

Sources: Annual returns of DSCCL

Table 4.15 shows the return on loan and advance. The ratio is fluctuating all over the period. The maximum ratio is in year 2063/064 and minimum ratio in year 2067/068. The mean ratio is 1.99 of the study 'period. The ratio slightly decreased in first three year and later increased in year 2066/067 then decreased in last year.

Figure 4.12

Return on Loan and Advance Ratio
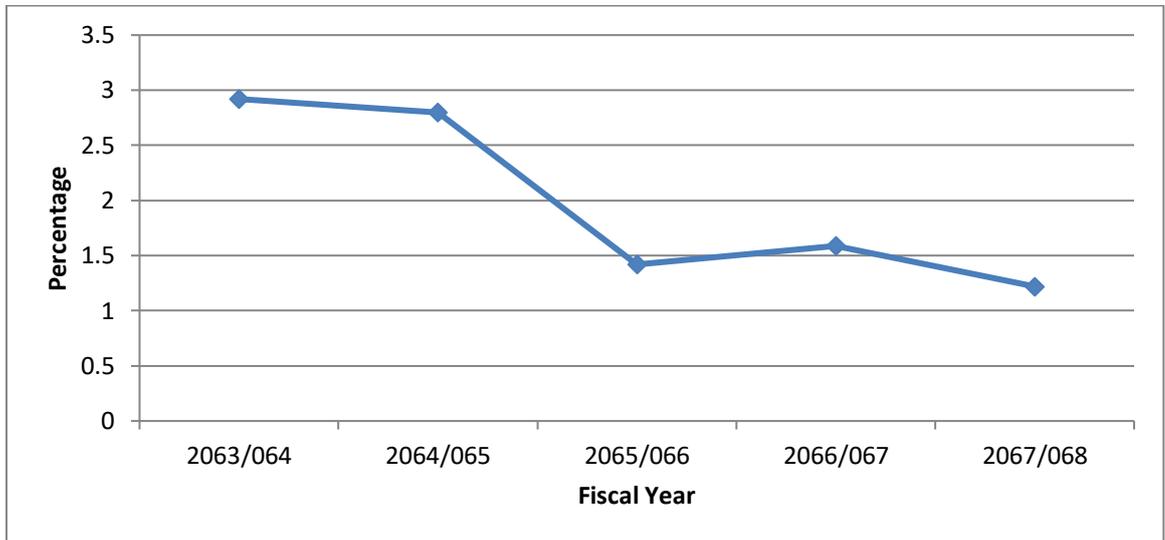
Figure 4.12 exhibits the return on loan and advance of DSCCL in the year study period from 2063/064 to 23067/068. The ratio stood at 2092% in year 2063/064 and reached 1.22% in year 2067/068. The highest ratio indicates higher level of return on loan and advance which has 2092% in first year. The lower ratio indicates lower level of return on loan an advance lower level of return in year 2067/068 at 1.22%.

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

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

	Correlation	t-test Value	Result
Total Deposit	**0.9617**	**6.0769**	**Significant**
Loan and Advance	**0.9617**	**6.0769**	**Significant**

Source: Appendix-1.3-7

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Total deposit and loan and advance correlation is the 0.9617 and its t-test value is the 6.0769 and tabulated value is 3.182 it means there high degree of positive correlation between them and also have a relation each other and we concluded that there is highly significant relation between them.

- **Return on Total Assets Ratio**

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

Table 4.16

Return on Total Assets Ratio (In Rs.000)

	Fiscal Year					
	2063/064	**2064/065**	**2065/066**	**2066/067**	**2067/068**	**Mean**
Net Income	2148	2508	1341	1547	1407	
Total Assets	82258	94122	121169	129875	157760	
Return on Total Assets Ratio	2.61	2.66	1.11	1.19	0.89	1.692

Sources: Annual Reports of DSCCL

Table 4.16 shows that return on total assets. Return on total assets is fluctuating all over the study period. The maximum ratio is in the second year and minimum ratio in year 2067/068. The average mean ratio is 1.692.

Figure 4.13

Return on Total Assets Ratio
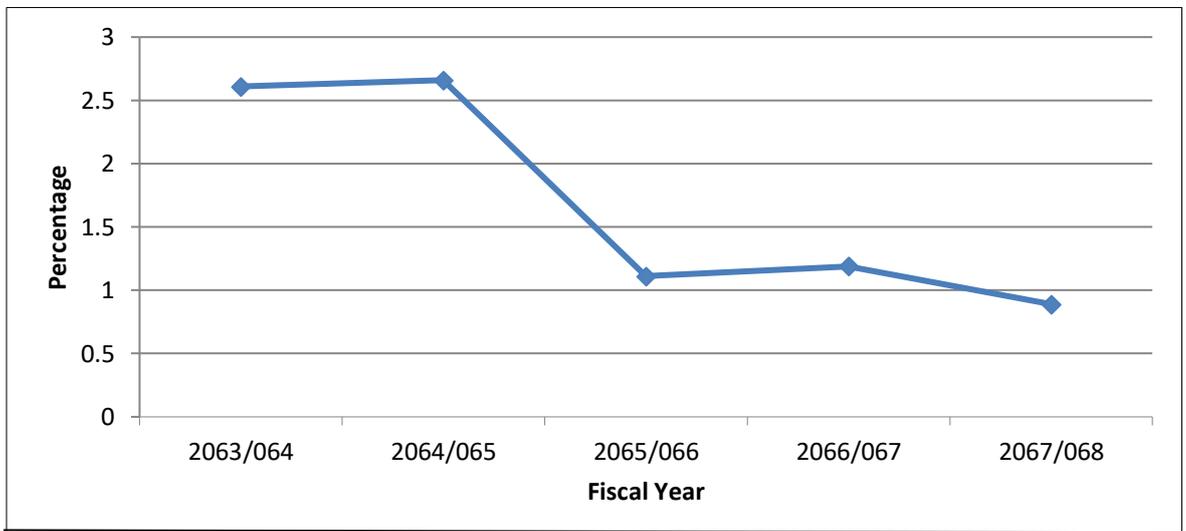
Figure 4.13 exhibits the return on total assets of DSCCL. In the study period 2063/064 to 2067/068 the ratio ranged from 0.89% to 2066%. Higher ratio indicates higher level of return on total assets and lower ratio indicates lower of return on total assets.

- **Interest Earned to Total Assets Ratio**

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

Table 4.17

Interest Earned to Total Assets Ratio (In Rs.000)

	Fiscal Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
Interest Income	7424	9506	12303	14527	16997	
Total Assets	82258	94122	121169	157760		
Interest Earned to Total assets ratio	9.03	10.10	10.15	11.19	10.77	10.248

Sources: Annual Reports of DSCCL

Table 4.17 shows the interest earned to total assets of *DSCCL*. In the above table interest income and total assets increased in all over the study period interest earned to total assets is increasing trend. The ratio stood at 9.0.3% in year 2063/064 and reached 11.19 in year 2066/067 and then decreasing in last year. The average mean ration is 10.25%.

Figure 4.14

Interest Earned to Total Assets Ratio
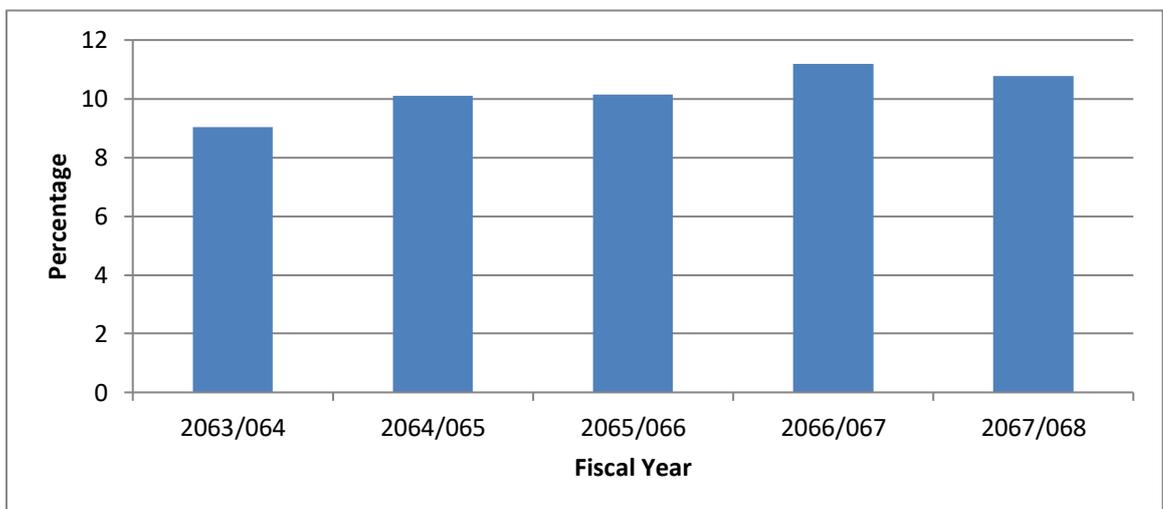
Figure 4.14 exhibits the interest earned to total assets of DSCCL. In the study period from 2063/064 to 2067/068, ratio ranged from 9.03 to 11.19 the maximum ratio in year 2066/067 was 11.19 the minimum ratio in year 2063/064 was 9.03 the ratio seems slightly increasing first four (4) years and then decreased.

4.2 Interest Rate

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

4.2.1 Interest Rate of Fixed Account

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

Table 4.18

Interest Rate of Fixed Account

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

Source: Brochure of DSCCL

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

4.2.2 Interest Rate of Saving Account

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

4.3   Major Findings

The major finding of the study on deposit collection and mobilization of DSCCL are as follows.

- Total deposit volume of DSCCL remained largely in fixed deposit volume last five financial years. The fixed deposit volume Is increasing trend because it has higher interest rate then special saving and fixed deposit. Special saving is also increasing trend last five years.

- The cost of deposits i.e. the total interest expenses on total deposit to total operating revenue is increasing trend. Total operating revenue (net income) is increasing trend more than expenses on deposit. Therefore total interest expenses on deposit to total operating revenue are increasing trend.

- In the past five years five the net interest income at DSCCL continuously increased in 2063/064 to 2066/067 than after decreased in last year. The slope of the trend line obtained from least square trend line Is positive which shows increasing trend of net interest income margin during the study period. Throughout the review period, cooperative maintained higher interest margin.

- Mobilization of deposits of DSCCL like in every financial sector reminded largely in the loan and advance in the last five financial years. In the study period of five years, the average composition of cash, bank balance loan investment share investment fixed assets and other assets were 0.416%, 4.746%, 82.11%,0.576% and respectively. The net investment loan and advance is fluctuating all over the study period.

- Mobilization of loan and advance of DSCCL is similar like in every financial sector. In the study period of five year the composition of loan and advance are being distributed on Haipo loan, business loan, hire loan,   purchase loan, housing loan, agriculture loan, other loan, short term loan, and Hitkos loan. The major compositions are Haipo loan, business loan, and housing loan. From the agriculture loan it provide small volume of amount to development rural entrepreneurship.

- The liquid assets to total deposit ratio of DSCCL during the period FY 2063/064 to FY 2067/068 are in fluctuating all over the study period. The liquid ratio was minimum in year 2064/065 and maximum in year 2066/067.

- The volume of cash at vault is decreasing in second year and the increasing trend. Measure the percentage of most liquid with cooperative to make immediate payment to the depositors. In the study period was maximum ratio in year 2063/064. Likewise the ratio was minimum in year 20645/065 when the cash at vault also minimum in this year. The slope of the trend line is fluctuating during the study period.

- The loan and advance to total deposit ratio is fluctuating over the study period. The ratio is fluctuating in downward trend. The slope of the trend line determined by the least square is negative indicating the down ward trend in ratio during the period of five years. The decreasing trend of ratio implies that decreasing loan and advance with respect to increasing deposits. This shows that cooperative has switch deposit mobilizations from to other areas.

- The return on total deposit ratio of fiscal year 2063/064 is 3.21% which is highest during the period and lowest ratio 1.05% in year 2067/068. This ratio is fluctuating all over the study period. The average mean ratio is in this period 2.03%.

- The return on loan and advance is fluctuating over the study period. In the study period maximum ratio in year 2063/064 and advance the minimum ratio is in year 2067/068 which has highest loan and advance. The mean ratio is 1.99%.

- The return on total assets of DSCCL has fluctuating trend ranged from 0.89% to 2.66%. The lowest ratio is in year 2067/068 and highest ratio in year 2064/065. The average mean ratio is 1.1692% over the study period.

- The interest earned to total assets is slightly increasing trend over the study period. The highest ratio is in year 2066/067 and lowest ratio inn year 2063/064 which is ranged from 9.03% to 11.19%. The average mean ratio is 10.25%.

- The correlation analysis shows that the correlation coefficient (r) between deposits and loan and advances of DSCCL is 0.9617 and so it is found that there exists perfectly positive correlation between deposit and loan and advances during the study period. Correlation coefficient (r) between interest expenses and total operating revenue of DSCCL is 0.95 that mean there is perfectly positive. As r is positive and near to 1 and so it can be concluded that there is high degree of association between deposits and loan and advance and both of them are directly related. The measure risk of between them deposit and loan and advance. There is more of deposit than loan advance (i.e. 23.68> 13.31). The variance of deposit is 23.96 greater then coefficient of variance of loan and advance are 14.16. Lower the coefficient of variation represent better efficiency in management as well as the ratio is more consistent during the study period.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

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

5.1 Summary

The study was carried out as academic requirements for master's degree of business studies on the topic of "Deposit Collection and Mobilization of DSCCL ". The study was started with the objective to find out the fact about deposit collection pattern and it's mobilization for rural entrepreneurship development of Dhawalagiri saving and credit Cooperative limited the analysis of deposit collection pattern and it's is done to obtain a better insight into a cooperative's deposits total aspects. Cooperative effectiveness in deposit collection and mobilization is judged on the basis of its liquidity position. assets management position cost on deposit position and profitability position of the cooperative etc. there has been continuous increase n numbers of cooperative and provide them social responsibility and earning profit ,but it has become a challenge for these cooperative to attract customers for deposit and retain them for long periods. Thus, the interest was to analyze the deposit collection and its mobilization of Dhawalagiri saving credit cooperative Limited.

The study was conducted with the general objective to analyze and evaluate effectiveness of DSCCL in deposit collection and its mobilization for rural entrepreneurship development. In addition with, this specific objectives of the study were to analyzed the trend in deposits, loan and advances, assets composition assets management ratio, liquidity ratio, cost involved in deposit collection and correlation, t-test and trend analysis, profitability ratio of the cooperative in period from FY 2063/064 to 2067/068 B.S.

Various materials were reviewed in order to build up the conceptual foundation and to find out the clear destination of research work. Meaning and definition of cooperative, principle of cooperative, historical background, saving and credit cooperative of Nepal, current issue and challenges of cooperative, concept of deposit collection and mobilization, concept of entrepreneurship were reviewed as conceptual review. On the other hand review of articles and review of dissertation were included in the theoretical review section of the report.

The research covers only five years period form FY 2063/064 to FY 2067/068 B.S. it is concerned with the deposit collection and mobilization analysis of cooperative for rural entrepreneurship. The study was designed within the framework of descriptive and analytical research design and the analysis has been made in the same way. The required data and information were collected from secondary sources. In addition with this, primary data also are used in this research work, which was collected, by using unstructured interview with concern staffs of the cooperative. Financial ratios, simple mathematical and statistical tools have been implied to get the meaningful result of the collected data in this research work.

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

The fixed deposit volume and special saving also increasing trend last five years. The cost of deposit is increasing trend more than interest expenses on deposit. The slope

of cost of deposit is increasing trend more than interest expenses on deposit. The slope of the trend line obtained from least square trend line is positive which shows increasing trend of net income margin during the study period. Average composition of cash, bank balance, loan investment, share investment, fixed assets and other assets are mobilization of deposit in financial sectors remained largely in the Loan, and advanced in the last five financial years. Composition of loan and advances are being distributed on haipo loan, business loan, hire purchase loan, housing loan, agriculture loan, other loan, short term loan or hitkos loan, agriculture loan is focus to rural entrepreneurship development. The liquid assets to total deposit ratio and volume of cash at vault is fluctuating alternately over the study year. The correlation analysis shows that the correlation coefficient (r) between deposits and loan and advances of DSCCL is 0.9617 and so it is found that there exists perfectly positive correlation between deposit and loan and advances during the study period. Correlation coefficient (r) between interest expenses and total operating revenue of DSCCL is 0.95 that means there is high correlation.

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

5.2 Conclusion

The deposit volume of DSCCL has during the study period of five years from FY 2063/064 to FY 2067/068 shows that it has been increasing trend. The cost involved in deposit collection on the total interest expenses to total operating revenue is in

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increasing trend, deposits collection and volume of deposit is heading towards same direction and increasing trend of net interest margin for first four year and later decreased last year. The net interest income relationship between interest income and interest expenses has been achieved by close control over the cooperative earning assets, composition of the cooperative during the study period reveals that movement of investment was observed over into loan and advances during the study period, which falls under high risk category of assets. Agriculture loan play positive role for rural entrepreneurship development. The liquid funds to total deposit ratio shows that there is low proportion of liquid funds, that the proportion of investment in income generating assets and shows that the funds invest in high income generating assets in the firm of investment. The cash in vault shows that immediate payment to the depositors, it also indicates that the cooperative is running with the inadequate liquidity to meet its short term obligation. The increasing trend of assets management ratio i.e. loan and advances to deposit shows that the capability of the management to deposits to loan and advances to deposit shows that the increase in deposit volume the loan and advances extended is also increasing, at now loan and advances is slightly increasing in first two year and later decreased the study period.

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

5.3 Recommendations

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

- The total deposit volume is in increasing trend. This means the cooperative has been able to accrete customers of competitive market for deposits. The cooperatives needs to update customers demand and average for special schemes, facilities and services in order to enhance the volume of deposit collection.

- The cooperative has been mobilizing major portion of deposits in loan and advances compared to investment as it yield higher return contributing to increase in operating revenues being involved of high risk in loan and advances. The cooperative is diverting major deposits in loan and advances during the study period: there is high probability of profit in future. So, cooperative is advised to maintain up to increase in quality of assets. Besides cooperative management also has to from loan recovery committee for credit appraisals and follow up measures.

- The DSCCL has been investing low proportion amount in agriculture loan for rural entrepreneurship development. So, the cooperative is advised to increase in investment in agriculture loan to rural people.

- During the study period interest expenses on deposit to total operating revenue is increasing trend likewise, net interest income of the cooperative is increasing trend the cooperative needs to focus more on interest income and other incomes leading to increase in total operating revenue and future control the operating expenses, which would in competitive environment.

- As the liquidity position of the cooperative is found to be low liquid funds, the cooperative is recommended to maintain the liquidity .otherwise, this may impact the profitability negatively and cash of vault to measure the percentage of most liquidity with the cooperative to make immediate payment to the depositors. So the cooperative to maintain to provide paid to cash for depositors.

- The assets management ratio i.e. loan and advances to deposits is slightly increasing in second years and later decreased last three year. So the cooperative more exercise to provide loan different sector. Better mobilization of deposit collection to operating revenue is increases. So, the profitability position is automatically high. Loan and advances is main part of the assets side and this is the risky assets. Financial intuitions are mostly depends upon the loan and investment. Better utilizations of deposit collection of the cooperative higher earning power capacity. So, the cooperative is main focusing to provide loan and investment in different productive sectors.

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

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Appendix 1.1

Dhawalagiri Saving & Credit Co-operative Limited

Balance Sheet

Assets	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Cash	485950	126000	401600	705125	775752
Bank	5027532	500714	5335526	8405968	9812476
Loan & Advance	73644375	89592257	94528726	97330227	114997073
Share Investment	110500	225500	250500	250500	3322000
Fixed Assets	188140	342436	354101	1375785	1284640
Other Assets	2701899	3335008	20298964	21807175	27567669
Total Assets	**82258396**	**94121915**	**121169417**	**129874780**	**157759610**
Capital & Liabilities					
Share Capital	3700100	5121400	5347300	7570000	8912500
Deposit Collection	66992366	78945713	103906358	110271722	134028986
Other Liabilities	7105978	5435352	7568892	6174442	9446356
Profit/Loss Fund					
Reserve	1401760	2028812	2364098	2750738	2575850
Share dividend	418716	307914	153820	173988	165782
Staff Bonus	196908	276024	279790	213284	232158
Member Education					
Co-operative Education	235142	95098	84446	142442	120550
Loan Loss Provision	290712	384770	4351065	493058	525050
P& L Fund	1916711	1526837	1029648	2085106	1752378
Total Capital & Liabilities	**82258396**	**94121915**	**121169417**	**129874780**	**157759610**

Source: Annual Report of DSCCL

Appendix 1.2

Dhawalagiri Saving & Credit Co-operative Limited

Profit and Loss A/C

Income	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Interest Income					
Loan Interest	74,24,251	9505705	12303060	14269486	16279445
Bank Interest	-	-	-	257846	717461
Other Income	6,41,810	678830	761365	605198	78340
Penalty Interest	502,469	540410	446433	-	-
Total Income	**85,68,530**	**10724945**	**13510858**	**15132530**	**17075246**
Expenses					
Interest Expenses	5123430	6626520	7589550	9807748	13252704
Staff overhead Exp.	828006	836777	2608582	1060420	1475168
Office operating Exp.	404275	687439	1839016	2203316	756616
Dep. Exp.	64424	66002	87696	-	184258
Saving Deposit	-	-	-	-	-
Provision for risky loan	-	-	-	514486	-
Other Expenses	-	-	-	-	-
Loss on Sale of Assets	-	-	44872	-	-
Total expenses	**6420135**	**8216738**	**12169716**	**13585970**	**15668746**
Gross profit					
Net profit and loss before tax	**2148395**	**2508207**	**1341142**	**1546560**	**1406500**
Tax					
Net Income/Loss	**2148395**	**2508207**	**1341142**	**1546560**	**1406500**

Source: Annual Report of DSCCL

Appendix 1.3

Correlation between Total Deposit and Loan and Advances (In Rs. 000000)

Fiscal year	Deposit (X)	Loans and Advance (Y)	(X-$\overline{X}$)	(X-$\overline{X}$)²	(Y-$\overline{Y}$)	(Y-$\overline{Y}$)²	(X-$\overline{X}$) (Y-$\overline{Y}$)
2063/064	66.99	73.64	-31.84	1013.73	-20.38	415.34	648.90
2064/065	78.95	89.59	-19.88	395.21	-4.43	19.62	88.07
2065/066	103.91	94.53	5.08	25.81	0.51	0.26	2.59
2066/067	110.27	97.33	11.44	130.87	3.31	10.96	37.87
2067/068	134.03	114.99	35.2	1239.04	20.97	439.74	738.14
	$\Sigma X = 494.15$	$\Sigma y = 470.08$		Σ (X-$\overline{X}$)² =2804.72		Σ (Y-$\overline{Y}$)² = 885.92	1515057

1. Mean ($\overline{X}$) = $\dfrac{\Sigma X}{n} = \dfrac{494.15}{5}$ =98.83,　($\overline{Y}$) = $\dfrac{\Sigma y}{n} = \dfrac{470.08}{5}$ = 94.016

2. Variance (6^2X) = $\dfrac{1}{n}$ Σ (X-$\overline{X}$)² = $\dfrac{1}{5}$ × 2804.72 = 560.94

   (6^2Y) = $\dfrac{1}{n}$ Σ (Y-$\overline{Y}$)² = $\dfrac{1}{5}$ × 885.92 = 177018

3. S.D. $6x = \sqrt{6^2 x} = \sqrt{560.90}$ = 23.68,　$6y = \sqrt{6^2 y} = \sqrt{177.08}$ = 1331

4. Cov (XY)= $\dfrac{1}{n}$ Σ (X-$\overline{X}$) (Y-$\overline{Y}$) = $\dfrac{1}{5}$ × 1515.57 = 303.11

5. Correlation (r) = $\dfrac{Covxy}{6x.6y} = \dfrac{303.11}{23.68 \times 13.31}$ = 0.9617

6. Coefficient of Variance (CV) = $\dfrac{6}{\overline{X}} \times 100$

   C.V (x) = $\dfrac{23.68}{98.83} \times 100$ = 23.96

   C.V (y) = $\dfrac{13.31}{94.02} \times 100$ = 14.16

7.   t- test

Null Hypothesis (H$_0$): $\ell = 0,$ i.e. there is no correlation between total deposit and loan and advance.

Alternative Hypothesis (H$_1$): $\ell = 0,$ i.e. there is correlation between total deposit and loan and advance.

Test Statistic,

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

Where,

Correlation (r) = 0.9617

No. of Pairs (n) =5

Level of Significant = 5% = 0.05

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

Now,

$$t = \frac{0.9617}{\sqrt{1-(0.9617)^2}} \times \sqrt{5-2}$$

= 6.0769

t = 6.0769

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

Decision: From the above result, the correlation between total deposit and loan and advance is high degree of the correlation and the calculated value of 't' is greater than it's tabulated value, we accept alternative hypothesis (H$_1$). In other word there is significant relation between total deposit and loan and advance.

8. Trend Analysis of Total Deposit

Y$_c$ = a+ bx

T(Time)	Y(Deposit)	X= T-2065/066	X^2	XY	Y^2
2063/064	66.99	-2	4	-133.98	4487.66
2064/065	78.95	-1	1	-78.95	6233.10
2065/066	1.3.91	0	0	0	10797.29
2066/067	110.27	1	1	110.27	12159.47
2067/068	134.03	2	4	268.06	17964.04
	Σy =**494.15**			Σxy =**165.4**	Σy^2 =**51,641.56**

We have,

$$b_{xy} = \frac{n\Sigma xy - \Sigma x\Sigma y}{n\Sigma y^2 - (\Sigma y)^2} = \frac{5 \times 165.4 - 0 \times 494.15}{5 \times 51641.56 - (494.15)^2} = \frac{827}{14023.58} = 0.0590$$

$$a = \frac{\Sigma y}{n} = \frac{494.15}{5} = 98.83, \qquad \therefore a = 98.83$$

| $Y_c = 98.83 + 0.0590X$ | $b_{xy} = 0.0590$ |

9. Trend Analysis of Loan and Advance

$Y_c = a + bX$

T(Time)	Y(Loan & Adv.)	X= T-2065/066	X^2	XY	Y^2
2063/064	73.64	-2	4	-147.28	5422.85
2064/065	89.59	-1	1	-89.59	8026.37
2065/066	94.53	0	0	0-0-0	8935.92
2066/067	97.33	1	1	97.33	9473.13
2067/068	114.99	2	4	229.98	13222.70
	$\Sigma y = 470.08$			$\Sigma xy = 90.44$	$\Sigma y^2 = 45080.97$

We have,

$$b_{xy} = \frac{n\Sigma xy - \Sigma x\Sigma y}{n\Sigma y^2 - (\Sigma y)^2} = \frac{5 \times 90.44 - 0 \times 470.08}{5 \times 45080.97 - (470.08)^2} = \frac{452.2}{4429.64} = 0.1021$$

$$\frac{\Sigma y}{n} = \frac{470.08}{5} = 94.016, \qquad \therefore a = 94.016$$

$bxy = 0.1021$

| $Yc = 94.016 + 0.1021X$ |

Appendix 1.4

Correlation between interest Expenses and Total Operating Revenue (In Rs. 000000)

Fiscal year	Interest Exp. (X)	Total Operating Revenue (Y)	$(X-\overline{X})$	$(X-\overline{X})^2$	$(Y-\overline{Y})$	$(Y-\overline{Y})^2$	$(X-\overline{X})(Y-\overline{Y})$
2063/064	5012	8.57	-3.36	11.29	-4.43	19.62	14.8848
2064/065	6.64	1072	-1.84	3.39	-2.28	5.20	4.1952
2065/066	7.59	13.51	-0.89	0.79	0.51	0.26	-0.4539
2066/067	9.81	15.13	1.33	1.76	2.13	4.54	2.8329
2067/068	13.25	17.08	4.77	22.75	4.08	16.65	19.4616
	$\Sigma X = 42.41$	$\Sigma y = 65.01$		$\Sigma(X-\overline{X})^2$ =39.98		$\Sigma(Y-\overline{Y})^2$ = 46.27	**40.9206**

1. Mean $(\overline{X}) = \dfrac{\Sigma X}{n} = \dfrac{42.41}{5} = 8.482$, $(\overline{Y}) = \dfrac{\Sigma y}{n} = \dfrac{65.01}{5} = 13.002$

2. Variance $(6^2 X) = \dfrac{1}{n} \Sigma(X-\overline{X})^2 = \dfrac{1}{5} \times 39.98 = 7.996$

   $(6^2 Y) = \dfrac{1}{n} \Sigma(Y-\overline{Y})^2 = \dfrac{1}{5} \times 46.27 = 9.254$

3. S.D. $6x = \sqrt{6^2 x} = \sqrt{7.996} = 2.8277$, $6y = \sqrt{6^2 y} = \sqrt{46.27} = 9.254$

4. Cov $(XY) = \dfrac{1}{n} \Sigma(X-\overline{X})(Y-\overline{Y}) = \dfrac{1}{5} \times 40.9206 = 8.18412$

5. Correlation $(r) = \dfrac{Covxy}{6x.6y} = \dfrac{8.18412}{2.8277 \times 3.0420} = 0.9514$

6. Coefficient of Variance $(CV) = \dfrac{6}{\overline{X}} \times 100$

   C.V $(x) = \dfrac{2.8277}{8.482} \times 100 = 33.34$

   C.V $(y) = \dfrac{3.0420}{13.002} \times 100 = 23.40$

7.   t- test

Null Hypothesis (H$_0$): $\delta = 0,$ i.e. there is no correlation between interest expenses and total operating revenue.

Alternative Hypothesis (H$_1$): $\ell = 0,$ i.e. i.e. there is correlation between interest expenses and total operating revenue.

Test Statistic,

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

Where,

Correlation (r) = 0.9514

No. of Pairs (n) =5

Level of Significant = 5% = 0.05

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

Now,

$$t = \frac{0.9514}{\sqrt{1-(0.9514)^2}} \times \sqrt{5-2}$$

= 5.3510

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

Decision: From the above result, the correlation between interest expenses and total operating revenue is high degree of the correlation and the calculated value of 't' is greater than it's tabulated value, we accept alternative hypothesis (H$_1$). In other word there is significant relation between interest and total operating revenue.

8. Trend Analysis of the Interest Expenses

$Y_c = a + bX$

we have,

T(Time)	Y(Int. Exp.)	X= T-2065/066	X^2	XY	Y^2
2063/064	5.12	-2	4	-10.24	26.2144
2064/065	6.64	-1	1	-6.64	44.0896
2065/066	7.59	0	0	0	57.6081
2066/067	9.81	1	1	9.81	96.2361
2067/068	13.25	2	4	26.5	175.5625
	Σy =42.41			Σxy =19.43	Σy^2 =399.7107

$$b_{xy} = \frac{n\Sigma xy - \Sigma x\Sigma y}{n\Sigma y^2 - (\Sigma y)^2} = \frac{5 \times 19.43 - 0 \times 42.41}{5 \times 399.7107 - (42.41)^2} = \frac{97.15}{199.9454} = 0.4859$$

$$a = \frac{\Sigma y}{n} = \frac{42.41}{5} = 8.482,$$

$$\boxed{Y_c = 8.482 + 0.4859X}$$

9. Trend Analysis of the Total Operating Revenue

$Y_c = a + bX$

T(Time)	Y (Total Operating Revenue)	X= T-2065/066	X^2	XY	Y^2
2063/064	8.57	-2	4	-17.14	73.4449
2064/065	10.72	-1	1	-10.72	114.9184
2065/066	13.51	0	0	0	182.5201
2066/067	15.13	1	1	15.13	228.9169
2067/068	17.08	2	4	34.16	291.7264
	Σy =65.01			Σxy =21.43	Σy^2 =891.5267

we have,

$$b_{xy} = \frac{n\Sigma xy - \Sigma x\Sigma y}{n\Sigma y^2 - (\Sigma y)^2} = \frac{5 \times 21.43 - 0 \times 65.01}{5 \times 891.5267 - (65.01)^2} = \frac{107.15}{231.3334} = 0.4632$$

$$a = \frac{\Sigma y}{n} = \frac{65.01}{5} = 13.002,$$

$$\boxed{Y_c = 13.002 + 0.4632X}$$

Appendix 1.5

Trend Analysis of Net interest income

(In Rs. 000000)

Fiscal year	Net interest income (X)	$(X-\overline{X})$	$(X-\overline{X})^2$
2063/064	2.30	-1.368	1.8714
2064/065	2.87	-0.798	0.6368
2065/066	4.71	1.042	1.0858
2066/067	4.72	1.052	1.1067
2067/068	3.74	0.072	0.0052
	$\Sigma X = 18.34$		4.7059

1. Mean ($\overline{X}$) = $\dfrac{\Sigma X}{n} = \dfrac{18.34}{5} = 3.668$,

2. Variance ($6^2 X$) = $\dfrac{1}{n} \Sigma (X-\overline{X})^2 = \dfrac{1}{5} \times 4.7059 = 0.94118$

3. S.D. $6x = \sqrt{6^2 x} = \sqrt{0.94118} = 0.970144$,

4. Coefficient of Variance (CV) = $\dfrac{6}{X} \times 100 = \dfrac{0.970144}{3.668} \times 100 = 26.4489$

5. Trend Analysis of Net Interest Income

$Y_c = a + bX$

(Time) T	Y (Net interest income)	X= T-2065/066	X^2	XY	Y^2
2063/064	2.30	-2	4	-4.6	5.2900
2064/065	2.87	-1	1	-2.87	8.2369
2065/066	4.71	0	0	0	22.1841
2066/067	4.72	1	1	4.72	22.2784
2067/068	3.74	2	4	7.48	13.9876
	$\Sigma X = 18.34$			$\Sigma xy = 4.73$	$\Sigma y^2 = 71.977$

We have,

$$b_{xy} = \frac{n\Sigma xy - \Sigma x \Sigma y}{n\Sigma y^2 - (\Sigma y)^2} = \frac{5 \times 4.73 - 0 \times 18.34}{5 \times 71.977 - (18.34)^2} = \frac{23.65}{23.5294} = 1.0051$$

$$a = \frac{\Sigma y}{n} = \frac{18.34}{5} = 3.668,$$

$$\boxed{Yc = 3.668 + 1.0051X}$$