

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The word co-operative is made with two words 'co' and 'operative' where 'co' means together and 'operative' means doing something. It means that co-operative is an activity of doing something together for the welfare of their members. Co-operative is organized to improve the social, economic and cultural development of the members of the organization.

Co-operative is the form of business enterprises, or community organization, incorporated in services to its members and users, in order to meet their common economic, social and cultural needs and aspiration. Co-operative is jointly-owned and democratically controlled by its members and users on the basis of one member, one vote.

Shrestha (1999) stressed that co-operative organization is a voluntary association of persons, usually of limited means, joining together on equal basis for the problem of certain economic or business interest. Such association registered under Co-operative is called "Co-operative Society".

Co-operative organization is the voluntary association of person with limited means to safeguard their interests. It is started with the aim of service to members. Generally co-operatives are established by such persons of ordinary means who have oneness of interest to solving similar problems.

According to the definition of International Co-operative Alliance (ICA) (1995), "A Co-operative is an autonomous association of people united voluntary to meet their common economic, social & cultural needs and aspiration throughout a jointly-owned and democratically controlled enterprise".

All forms of organizations (sole trading, partnership and Joint Stock Company) the basic objectives of the owner or owners are to make profit. But the co-operative form of organization is different from these in basic respect. It is set up not only with profit as the guiding motive but with the fundamental object of serving the interest of its members. The philosophy behind co-operative movement is “All for each and each for all” and “Self help through mutual help”.

Acharya (2007) in his thesis report of M.B.S. defined that, Co-operative organization is developed to remove defects of capitalism, to lesser competence to prevent exploitation over people and to help the weak class people. Its ideology is tried to use in different possible area. It is found in the field of tea & coffee production, wood carving, furniture cutting industry, carpet industry, housing and many others. Besides these co-operative provides access to microfinance service, saving & credit co-operatives are the example of it. Due to its nature co-operative with limited banking service, saving and credit co-operative is also called credit union (CU) and recognized as microfinance institutions (MFIs) (pp.1-2).

The co-operative form of business organization developed rather late and has assumed importance gradually in Nepal. The spirit of co-operative has been developed from the ancient time “Robert Owen” from England is the founder of modern co-operatives. The group of 24 labors founded a consumer’s co-operative society called “Rochdale Equitable Pioneers Society” on 24th October 1844, saving a pound each. It is the first co-operative society in the history of the world co-operative development. After then, it is extending to Germany, Italy, France and all over the world. As a result of the development of the co-operative organization ‘International Co-operative Alliance (ICA) was established in England in 1895.

In Nepal, from the ancient time the concept of co-operative system has been transcending as a group working system. The form of ‘Parme’, ‘Bheja’, ‘Dhikuti’, ‘Dharma Bhakari’, ‘Guthi’ and ‘Manka’ has been contributing till now. The history of co-operative society dates back to 1956 A.D. in which the year the government incorporated ‘Bakhan Saving & Credit co-operative Ltd.’.

Shrestha (1999) has further mentioned that the modern history of co-operative development in Nepal is only about fifty-five years old. In its development, Department of co-operative was established under Food and Agriculture Ministry in B.S. 2010. Under this department the first multipurpose co-operative Rapti Valley Development Project was started in B.S. 2011 (1954). The underlying objective was to channel aid for agriculture as well as small scale and cottage industries.

The history of development planning of Nepal is about fifty-two years old. Each and every plan of Nepal has given attention to the development of co-operative movements.

The First Five year plan (2013/14-2017/18) looked co-operative movements almost as a panacea for bringing about improvements in the economic conditions of the rural people. An ambitious target of establishing 4,500 co-operatives societies all over the country has been established. The total membership was 11,059 with a paid up capital Rs. 3,63,000. The main activities of the society remained to the advancement of loan. The achievement of the first plan, however, was the enactment of Co-operative Society Act, 2016, which provided legal basis to the development of co-operative movement.

The year 2018/19(1961/62) was without a development plan. At co-operative front 203 new societies were established with a membership of 14,283. The achievement during the Second Plan (2019/20-2021/22) was for short of the target of opening 2,200 new co-operative societies. Only a total of 542 co-operative societies were established. In the Third Plan 2022-2027 a total of 366 multipurpose co-operative societies were established. They had a total membership of 41,365. They had a total membership of 41,365. The Co-operative Bank was converted into Agricultural Development Bank in B.S. 2024. It began to provide loan to these co-operative societies.

The fourth plan 2027-2032 emphasized quality rather than quantity for co-operative development. It also ushered in the era of guided co-operatives. In the Fifth Plan 2032-2037 introduced the new 'Sajha Program' to replace the existing guided co-operative societies. There were altogether 1,553 Sajha institutions in B.S. 2033.

The Sixth Plan 2037-2042 placed focused in the coordinated development of Sajha Program with agriculture credit, extensions services, inputs and land reform

program. During the sixth plan thirty-two small farmer's Sajha institutions and thirty - seven Sajha institutions were established. At the end of Seventh Plan 2042-2047 there were 830 Agriculture Co-operative Institutions in districts, and District Co-operative Institutions in thirty-three districts.

In the Eight Plan new 'Co-operative Act, 2049' has been passed and implemented in Nepal. This act has replaced the old form of co-operative movement and replaced the new form. There were sixty-eight District Co-operative Office, seventy-three District Operating CO-operatives, one National Co-operative Federation, and three Central Co-operative Federation etc.

The Ninth Plan 2054-2059 was fully focused on the promotion of women participation on agriculture, their economic development and job opportunities. In the ninth plan only nine Arabs four crore and ninety lakhs was spend instead of budgeted money nine Arabs four crore and ninety lakhs. In 2058/59 one National Co-operative society, three Subjective Central Co-operative Society, One hundred and twenty one District Co-operative Society and seven thousand and sixty -four co-operatives were established in Nepal (Co-operative Training Centre, 2003, p.53).

Since then, co-operatives are growing rapidly. There is a great importance of co-operative societies for the upliftment of poor people and weaker section of the community. It is the best means of bringing economic and social upliftment of the weaker section of the country. Co-operative societies try to eliminate middlemen and provide goods at the cheaper and fair prices to its members. They make concerted efforts to supply goods to the members not only at fair prices but also of the best possible quality. This results in improvement in the standard of living. This society provides loans to poor section at allow rate of interest and reasonable term. These societies make effort to unite the members so that they may stand on by their own feet. The co-operatives are important not only for economic development of the country but also for social development. Co-operative societies removes social and economic evils and do not let them increases. Members get the habit of working with service motive. A part of profit is used for social welfare. Hence co-operatives are very important for the social and economic development of the country.

The Co-operative Training Centre of Kathmandu (2006) has defined that co-operative is a voluntary association of persons to achieve common goals. All people use their different skills in groups to achieve better success. People alone cannot do anything; it needs groups for doing something. For example, bees, ants and other animals etc. are working together to get success for achieving common goals. So, we can say that co-operative is a voluntary association of persons to co-operate with each other to achieve economic, social and other needs by using democratic system is called co-operative society. It deals with 'we' and 'ours' instead of 'me' and 'mine' (pp. 1-2).

1.2 Focus of the Study

The main focused of this study is to analyze the deposit and its investment pattern of Bishal co-operative Society Limited. Deposit and loans are like life blood of every financial institution. The importance of deposit and its mobilization is very important in our country where there is deficit for funds for investment in different sectors. Deposit generally deals with the accepting the customer's money. It is the process of collecting public money's and other assets through the name of current a/c, saving a/c and fixed a/c. Co-operatives give interest to the customer accordingly to the different deposited a/c. Co-operative not only received deposit but also invest those deposit for further income. Investment may be defined broadly as the employment of capital with the aim of producing again in the shape of income or appreciation in value or both (W. Dower and Fuiler, 1989, p.18). Investment will be use of resource particularly the financial resource, within the aim of producing again weathered in the firm of future income or appreciation in the value of the resources or sometimes both of them too.

The study aims at to analyze of the deposit collection and investment pattern of Bishal Co-operative Society Limited by using descriptive and analytical research design. This study is concentrated on deposit volume, mobilization of deposit, vitality, trends, cost involvement, interest rate and the cost involve in the sectors of deposit mobilization and investment. This study covers the period of past five year's data.

1.3 Statement of the Problem

Nepal is a landlocked country, which is located between the two largest countries of Asia, namely China and India where they are well developed countries in the world. But Nepal is a underdeveloped country and it falls in the categories of least developed countries in the world. Almost 30% of population of Nepal is below poverty line. Accordingly to 2001 census, the population of Nepal is 23.1 million with an annual growth rate of 2.21%. Current population of urban areas comes to be 14.2% and that of rural areas is 85.8%. Population density is estimated to be 157 people per square kilometer nearly one in two Nepalese is illiterate (Statistical Pocket Book, 2002, p.11).

Most of the people are depend on agriculture sector for their live hood. Agriculture is the backbone of Nepalese economy. Its contribution to the GDB is 39.1%, which is the highest of all other sectors. Most of the Nepalese people are semi or underemployed. Lack of diversification on occupation other than agriculture has been the phenomenal difficulty in rural Nepal. Perhaps this is the one of the reasons why majority of people in rural area are living under constant poverty. Due to poor economic situation, poor people lack capital to mobilize other resources co-operative was established. Co-operative is a form of organization wherein the person voluntary associate together as human beings on the basis of themselves. The primary objective of co-operative is to serve its members. Co-operatives are important not only for economic development of the country but also for social development. Co-operative societies try to eliminate middlemen and provide goods at the cheaper and fair price with best quality. These lead the result in the improvement of the living standard of co-operative members. It also provides loans to the poor at a low rate of interest and reasonable terms. In Nepalese context, co-operative is introduced as supporting institution for economic and social development of the members of the co-operative organization.

Baral (2005) has stressed that, after the restoration of democracy in 1990, the government consider co-operative as a means of poverty alleviation. It enforced new Co-operative Act, 1991 (2048 B.S.) and Co-operative regulation, 1992 (2049 B.S.) and repealed both act and regulation of Panchayat Regime. The new co-operative act is considering one of the best democratic co-operative acts of the world. But due to the undemocratic practices and environment in democratic system, in most of the cases, co-

operatives have turned out as an intermediary to transfer the money from poor to rich. The democratic government speeded up the liberalization of financial sector. In liberalized financial environment, saving and credit co-operative grew like mushroom especially in urban and sub-urban areas of the country. There must be at least twenty-five members but there is no upper limit for incorporating co-operative organization.

However co-operative organizations are in limited numbers. They are trying to fulfilling their members needs because of low depositing and mobilizing capabilities. On the background of this problem this study has attempted to address to the following research questions. This study is focused on the current deposit collection and investment pattern of Bishal Co-operative Society Limited (BCSL).

1. What is the deposit and investment policy of BCSL?
2. What is the trend of deposit collection of BCSL?
3. What is the trend of investment composition of BCSL for last five years?
4. How much interest does BCSL earned and paid?
5. What is the liquidity position of the BCSL?
6. What are the different sector wise loan mobilizations of BCSL?

1.4 Objective of the Study

The present study is directed towards analyzing about deposit collection and mobilization of Bishal Co-operative Society Limited. This study shows the right position of co-operative. It is mainly focused on the trend and types of deposit collection pattern and their mobility.

The specific objectives are:

1. To analyze the deposit and investment policy of BCSL.
2. To determine the trend of the deposit position of BCSL for the period of last five years.
3. To measure the trend of investment of deposit composition of BCSL.
4. To access the interest payment and interest earned.
5. To measure the liquidity position of BCSL.

6. To analyze the different sector wise loan mobilization of BCSL for the last five years of period.

1.5 Significance of the Study

This study may provide guideline to Bishal Co-operative Society Limited for further improvement and achievement of efficiency in deposit collection and investment of such deposit. Furthermore it may also be guideline to the Department of Co-operative, Co-operative Training and Division Office (CTDO), saving and Credit Co-operative Association for analyzing and monitoring deposit and mobilizing sectors. This study is also helpful for the researchers of the concerned field, to the government, bankers and general public. Moreover this study will be much important to the members and staff of co-operative organization.

1.6 Limitation of the Study

This study is conducted as an academic requirement for the degree of Master of Business Studies due to which it may not able to expose every aspects of the topic. The main focus of the study is to point out the deposit collection and investment pattern of Bishal Co-operative Society Limited. This study has the following limitations.

1. This study is basically dependent on secondary data collection from the co-operative, financial statements, publications and journals.
2. Only the data of last five years will take into consideration to conduct the study.
3. Mainly the study deals with deposit collection and investment pattern of selective co-operative. As the subject matter is concentrated on the given topic, other subject matter is not touched.
4. This is only the case study and the finding of the study cannot be generated.
5. Limited tools and techniques are used.

1.7 Organization of the Study

The whole study is divided into five chapters via, introduction, review of literature, research methodology, data collection, presentation and analysis, summary, conclusion and recommendations.

Introduction chapter includes the general background, focus of the study, statement of the problem, objectives of the study, significance of the study, limitations of the study and organization of the study.

Similarly, the second chapter deals with the reviews of literature. It includes the conceptual review and review of available literature. It includes the definition of co-operative, principles of co-operatives, historical background, Nepalese perspective, current issues and challenges of co-operatives.

The third chapter is concerned with research methodology. It includes research design, justification for the selection of the study unit, procedure of data collection, data processing procedure, tools and techniques and limitations of the methodology.

The fourth chapter is consisting with the presentation of relevant data and information. It includes data analysis using the financial indicators. Presentation of analyzed data will be made in the form of tables and graphs.

Finally the summary of the research report, conclusion and recommendations are given in chapter five.

CHAPTER II

REVIEW OF LITERATURE

This chapter is basically concerned with the review of literature relevant on the deposit collection and investment pattern of Bishal Co-operative Society limited. Every study is very much based on the past knowledge. The previous studies should not be ignored as it provides foundation of the present study. The review of related literature is the critical aspect of planning of the study. The relevant literature and articles are reviewed from national and international publications as well as unpublished reports available from different libraries and institutions. This chapter is divided into two following parts – conceptual framework and the review of related studies.

2.1 Conceptual Framework

In this section we study about the definition, values, principles, global and national scenario of co-operatives as well as the definition of deposits and the investment are also included.

2.1.1 Meaning and Definition of Co-operative

The word “Co-operative” is derived from the Latin word “Co-operare” which means in its ordinary sense working together but in broad sense, it means the system of people voluntarily associated working together in terms of equality to eliminate their economic exploitation by others.

Co-operative is associated with human beings in all walks of life. It is the gathering of persons for achievement of their social, economic and cultural needs. It is set up not with profit as the guiding motive but with the fundamental object of serving the interests of its members. The philosophy behind co-operative movement is “All for each and each for all” and “Self help through mutual help”.

The International Co-operative Alliance (ICA), 7th General Meeting on (1995) defines, “A Co-operative is an autonomous association of people united voluntarily to

meet their common economic, social & cultural needs and aspiration throughout a jointly owned and democratically-controlled enterprises. (<http://www.ica.coop/coop/index.html>).

The definition given by International Labor Organization (ILO) has covered the most of the principles of co-operative as such it can be considered to be the most comprehensive one. ILO has defined co-operative society as “An association of the economically weak who voluntarily associate on the basis of equal rights and equal responsibility transfer to an undertaking one or several of their functions, corresponding to one or other economic needs which are common to them all, but which each of them is unable fully to satisfy by his/her own individual efforts and manage and use such undertaking in mutual collaboration to their common material and moral advantage” (Dhakal, 1999, p.3).

H. Calvert defined co-operative as “A co-operative form of organization wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of economic interest of themselves” (Shrestha, 1999, p.135).

Tuladhar (2009) has stressed that co-operative are participative self help organization in that the member are also co-owners and have both the rights and obligations of participation in goal setting, decision making and control (p.14).

Prof. Shukla (n.d.) has defined co-operative organization as a voluntary association with unrestricted membership and collectively owned funds, organized on democratic principles of equity by persons of moderate mean of incomes who join together to supply their needs and wants through mutual action, in which the motive of production and distribution is service rather than profit.

The process of co-operative movement has been slow in world. In the context of Nepal, it has been resolved to secure to all the citizens of Nepal justice, social economic and political. Co-operative societies have been given an important place in the constitution. Co-operative is one of the major means to develop the economic, culture and social health of the country.

National Co-operative Society (NCS) (2007) has express that co-operative is a group of associate to get common economic, social and cultural needs through

democratic rules (p.14). Central Co-operative Training Centre (CCTC) has defined co-operative as, having equal economic objects who organized business for their own economic development through the application of democratic rules is known as co-operative (CCTC, 2007, p.1).

Adhikari (2005) has stressed that co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise.

A co-operative is a user- owned and user-controlled business that distributes benefits on the basis of use (Karki, 2005, p.72). The distinction between co-operative and other business is that co-operatives return net income to users or to patrons, while other business firms return net income to users or to investment (Cobia, 1998). Professor Seligman defined co-operative as the abandonment of completion in distribution and production and the elimination of middleman of all kinds (Shrestha, 1998, p.135).

Black's law dictionary (1990) defines co-operatives as "A co-operation or association organized for the purpose of rendering economic service, without gain to itself, to shareholders or members who own and control it" (Campbell, p.334).

Hence the given above discussions concluded that co-operative organization is a voluntary association of persons, usually of limited means, joining together on equal basis for the promotion of certain economic or business interests. Such association registered under the co-operative act is called "Co-operative Society". Its basic objective is to help the weaker section of the society. All forms of organization have the basic objective of making profit to the owner or owners but the co-operative form of organization objective is to serving the interest to its members.

2.1.2 Values of Co-operative

Value is the worth or desirability or qualities on which these depend (Allen, 1999, p.835). Co-operatives are based on the values of self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honest, openness, social responsibility and caring for others (ICA, 2007).

2.1.3 Principles of Co-operative

Principles are the code of conduct, which give the life of every activity of human beings. Co-operative principles are the set of rules and regulation which govern co-operative organization. They were first set out by the “Rochdale Society of Equitable Pioneers” in Rochdale, England in 1844, and have formed the basis for the principles on which co-operatives around the world operate to this day and being the guideline principles for all kinds of co-operative activities for the attainment of predetermine goals (http://en.wikipedia.org/wiki/Rochdale_Principles). The principles of co-operation have been given new dimensions in order to make co-operative movement more meaningful and purposeful.

The ICA has undertaken three reviews of Co-operative Principles in 1937, 1966 and 1995 A.D. In 1937 ICA had published three principles from their meeting held in Paris. In 1966, the ICA meeting held in Vienna had recommended six principles of co-operatives under the chairman of Prof. GG. Kane from India (Thakuri, 2009, p.58). Thakuri further stressed that the ICA general meeting held on the occasion of ICA’s Centennial Congress held in Manchester (England) in September 1995 approved ICA Statement on Co-operative Identity, which has replaced the co-operative principles as adopted by ICA Congress in 1966. ICA has prescribed the following seven principles of co-operative.

2.1.3.1 Voluntary and Open Membership

The first of the Rochdale Principles states that co-operative societies must have an open and voluntary membership. According to ICA’s Statement on the Co-operative Identity, “Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination”.

2.1.3.2 Democratic Member Control

A society which is democratically control by its member is the co-operative (Thakuri, 2009, p.61). According to ICA's Statement on the Co-operative Identity, "Co-operatives are democratic organizations control by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner".

2.1.3.3 Member Economic Participation

Member economic participation is one of the defining features of co-operatives societies, and constitutes the third Rochdale Principle in the ICA's Statement on Co-operative Identity. According to the ICA's, Co-operatives are enterprises in which "Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership".

2.1.3.4 Autonomy and Independence

The fourth of the Rochdale Principles states that co-operative societies must be autonomous and independent. According to ICA's Statement on the Co-operative Identity, "Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy".

2.1.3.5 Education, Training and Information

The fifth of the Rochdale Principles states that co-operative societies must provide education and training to their members and the public. According to the ICA's Statement on the Co-operative Identity, "Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation".

2.1.3.6 Co-operation among Co-operatives

The sixth of the Rochdale Principles states that Co-operatives cooperate with each other. According to the ICA's Statement on the Co-operative Identity, "Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures".

2.1.3.7 Concern for Community

The seventh Rochdale Principles states that co-operative societies must have concern for their communities. According to the ICA's Statement on the Co-operative Identity, "Co-operatives work for the sustainable development of their communities through policies approved by their members".

2.1.4 Historical Background

2.1.4.1 Global Prospective

Co-operative is the organization owned and run jointly by its members with profits shared among them (Allen, 1991, p.159). Cooperation is an ancient idea and a natural human tendency. However the history of modern co-operative development in world is about one hundred and sixty-six years old i.e. 1844 A.D. At beginning of the 19th Century, the idea of co-operative was given by Robert Owen, an industrialist of Great

Britain. Robert Owen had the idea of forming “Villages of Co-operation” where workers would drag themselves out of poverty by growing their own food, making their own clothes and ultimately becoming self-governing. But it was practically developed by a group of Rochdale Pioneers called the “Consumer Society”. This idea was become successful and later, it spread all over the Great Britain. The ‘Consumer Society’ sold goods only for its members in the beginning, but later it started to sell goods to non members also.

Rochdale Principles of Co-operative discussed in co-operative literature throughout the world are open membership, democratically control, distribution of surplus in proportion to purchase limited interest on capital, religious and political neutrality cash trading, promotion and education. Although there have been in extend hundreds of societies but the truth is that it was the Rochdale Pioneers Society that achieved tremendous success and put economic and social life to Britain on the read of continuous progress (Acharya, 2007, p.12).

The first co-operative college was established in 1919, in Manchester that was administrated by the educational committee of the co-operative union. This college was opened for all students from all parts of the world. In 1944, British government decided that boys and girls must attend to Country College after the learning school. The main aim was to produce good co-operative citizens in Great Britain.

F.W. Raiffeisen and Franceis Schulze were the first two Germans who emerged the concept of saving and loan co-operative. In 1849, both of them started their co-operative work in German for the purpose of improving the condition of the poor people. Raiffeisen succeeded to help those poor peasants through Co-operative Agriculture Society. Schulze had opened co-operative organization by the name of “Co-operative Bank” to help German’s poor people. Schulze had also established “Society for Relief in Sickness” in 1949 A.D. which was the first co-operative about health. Raiffeisen credit societies were suitable in village while Schulze co-operative was in town but both were started their first co-operative societies in 1849 and both ran successfully (Badyal, 2007, pp.57-61).

The success of co-operative movement in Germany and Britain followed it by other countries of the world. Not only the developing countries but also developed countries felt that co-operation might be one of the best instruments for uplifting the rural poor and liberating them from the exploitation of landlords and moneylenders (Acharya, 2007, p.13).

Denmark is counted as the homeland of Agricultural Co-operation in the world. A local Pasteur, Rev. Hans Christian, started the co-operative movement in 1861 at Juland. In 1882, Dairy Co-operative and the first balloon factory were established in Denmark. Nowadays, the co-operatives dairy occupies the front position among the co-operatives in Denmark. Danish co-operatives are taken as good examples of co-operatives around the world.

In Israel since 1990 A.D. co-operative movement has started with the emergence of variety of co-operative villages in Israel though the state of Israel came into existence only in 1948 A.D. However, the history of co-operation in Israel began with the colonization of the Jews people. Today, four types of co-operative, viz. the Moshavim Ovdim (1921), Moshavim Olim (1948), Kfarim Shitufim (1935), Moshavim Shitufim (1933) embrace over 80 percent of all villages the country (Badyal, 2007, pp.82-88).

In Indonesia, British Indian model of co-operatives was introduced in 1915 A.D. and a new law was introduced in 1927 A.D. The Co-operative Department was established in 1953 A.D., a new co-operative law was introduced. After that, the number of co-operative societies expanded very rapidly.

In Canada, the concept of co-operative was determined in 1870 A.D. The government of Canada organized 'Co-operative Cheese and Butter Factory' in 1891 and 'United Fruit company' was also established. But there were no progress until 1930 when the priest and teacher of St. Frances Xavier University started study on co-operative for adults. Mainly agricultural, horticultural and livestock types of co-operative societies are found in Canadian society. British Canadian society of 'Nova Scotia' is the only and great progress co-operative Canada (Heleja, 1989, pp.43-44). Nowadays more than ten thousands co-operative societies are there in Canada.

In Switzerland, the co-operative movement was started by 'Daisies'. Swiss agriculture is organized by the various co-operatives. Co-operative movement contribute a lot to the development of Switzerland in 1847 and 1848 A.D. Establishment of co-operative stores and numbers of food societies were also formed in 1851. Another contribution is 'Holiday Home' in Switzerland. This was given job to opportunities to young people of Switzerland in 1934. By all this people of Switzerland realized that co-operative provides many things to them (Acharya, 2007, p.13).

'Co-operative Forbundet Society' was established in 1899 A.D. in Sweden. Almost, all the necessity of agricultural production is fulfilled by the Swedish Agricultural Co-operative. Each and every farmer are involved in co-operatives in Sweden. There are twelve national level co-operatives in Sweden among them six are the main and they are, "The Federation of Swedish Farmer's Association", "The Swedish Farmer's Purchase Association", "The Swedish Egg Marketing Association", "The Association of Swedish Rural Credit Society", "The Royal Mortgage Bank of Sweden" and "The Swedish Forest Owner's Association"(Badyal, 2007, p.76-79).

After the independent of Bangladesh from India and Pakistan in 1971 A.D., 'Bangal Co-operative Act 1940' was established. But this was the modified of 'Co-operative Act 1912'. Nowadays Bangladesh has more than 21 national Co-operative Societies, 1,068 Central Co-operative Society and more than 40,434 peoples are involved in co-operatives.

In Japan first Consumer Co-operative Society was established in 1879 A.D. But due to the war between China and Japan that co-operative did not take speed. In 1924, "Hoh-Toku-Sha Saving and Loan Co-operative Society" was established. The credit (loan) co-operatives of Japan were like that of German Model. In 1947, a Central Co-operative Union was established. After the Second World War, the Agricultural Co-operative Society was established for developing and sustaining of farm management and livelihoods of owner farmers. Till March 1994, more than 88,20,000 people of Japan were affiliated with co-operatives.

China has a hundred years of history of development of modern co-operatives. In 1912 A.D. the concept of co-operative was origin in China. Dr. Sonatsen had given big

contribution towards the development of co-operatives in China. He allowed weekly publication and co-operative training to China. Sonatsen had established “Shanghai Co-operative Saving Bank” in 1919. After 1979, Chinese Communist Party gave priority in co-operatives and more than fifty lakhs co-operative society established in China. The ownership of the land to the farmers was established as a program of land reform. Every farmer got the equal price of land and discrepancy was avoided. The central committee of the Chinese Communist Party managed three different types of organization for more production. They are Mutual Aid Teams, Agricultural Producers Co-operative, Advance Production Co-operative or People Commune (Shivakoti & Dhakal, 2007, pp.84-88).

During the British rule, Nicholson a British officer in India suggested to introduce Raiffersen model of German Agriculture Credit Co-operatives. Co-operative movement was introduced in India in the form of credit society. The first Co-operative Society Act of 1904 A.D. was enacted to enable formation of “Agricultural Credit Co-operatives” in villages of India under government sponsorship. With the enactment of 1904 Act, co-operatives were to get a direct legal identity as every agricultural co-operative was to be registered under that Act only. Co-operative Societies Act 1904 was replaced by Co-operative Societies Act 1912 which provides formation of co-operative societies other than credit in India. In 1942, the British Government enacted the Multi-Unit Co-operative Society Act 1942, with an object to cover societies whose operations are extended to more than one state. The impulse of the Indian freedom movement gave birth to many initiatives and institution in post independence era in India and armed with an experience of 42 years in the working of Multi-Unit Co-operative Societies and the Multi-Unit Co-operative Societies Act, 1942, the Central Government enacted a comprehensive Act known as Multi State Co-operative Societies Act, 1984, repealing the Act of 1942. Co-operatives have extended across the entire country and there are currently an estimated 230 million members nationwide. The co-operative credit system of India has the largest network in the world and Co-operatives has advanced more credit in the Indian agriculture sector than commercial banks (Das Banishree, Nirod & D. kumar, 2007).

As the co-operative movement took place in different countries, International Co-operative Alliance (ICA) was established in London on 18th August 1895 by the

International Co-operative Congress. ICA is an independent worldwide international association of co-operative organization of all types. The main head office of ICA is in Geneva, Switzerland and has four branch offices to represents all over the world's co-operatives. In ICA, there are more than 242 member organizations from 91 countries active in all sectors of the economy. Together these co-operatives represent more than 800 million individuals worldwide (Shivakoti & Dhakal, 2007, pp.90-92). ICA 2009 General Assembly was an historic event. Dame Paulin Green was elected ICA President and became ICA's first woman president (<http://www.ica.coop/al.ica>). ICA collaborates with several United Nations Agencies, including the International Labor Association (ILO), Food and Agriculture Organization (FAO) and the Council of Trade and Development (UNCTAD). ICA enjoys Category-I Consultative Status within the United Nations Economic and Social Council (UNECOSOC).

2.1.4.2 Nepalese Prospective

The concept of co-operative is not new system to Nepalese life style. From the ancient time, while doing some work we have the tradition of helping each other with a view of co-operation. Especially in the field of agriculture while ploughing lands, seeding and reaping the crops in the soil, crop protection, social custom like marriage there was the tradition of helping each other. In Kathmandu 'Manka Guthi', in hills 'Parma' in western Nepal Thakali's 'Dhikuri' and with in the kingdom 'Dharma Bhakari' were the traditional forms of co-operatives in Nepal (Shrestha, 1999, pp. 148-149). 'Dhikuri', 'Parma', 'Guthi' are still in existence in the rural areas. These co-operative ventures in daily life of people have their own guiding principles. Among them, mutual co-operation and self-help are core values. Solidarity, fraternity, altruism, oneness, religious faith etc. are also factors that have guided the traditional ways of operating many social and cultural undertaking in Nepal.

Thus the concept of co-operative in Nepal is not a new one. Many types of informal co-operatives are running in different parts of Nepal but those are not in a position to take formal slope of co-operative. The co-operative as a modern concept of Nepal is a recent phenomenon. Co-operative movement in Nepal with an organized form

started only in 1953 A.D. with an establishment of the Co-operative Department under the Ministry of the Plan Development and Agriculture. The aim of this establishment was to promote the co-operative societies in order to take care of organization and registration of co-operative initiatives.

In 1954 A.D., ‘Rapti Valley Multipurpose Project’ was introduced to resettle the flood-affected people under the US aid. This project was launched in Chitwan district with co-operative framework for challenging aid for agriculture as well as small scale and cottage industries. Despite the fact in principle that the beneficiary parties initiated the co-operatives voluntarily and spontaneously to avoid the cruel hands of different kinds of exploiters, they were actually initiated and induced by the government by mobilizing the members for their benefits (CTC, 2006, p.71).

In 1956 A.D., the government of Nepal issued an executive order for the legal validity of co-operative societies. As a result, ‘Bakhan Loan Co-operative Ltd’ was established in 1956 A.D. at the Bakhanpur, the village of Chitwan. Because of the first establishment of co-operative by the general people, the day 20th Chaitra is renowned as the ‘National Co-operative Day’. At 1956 A.D. more than one dozen saving and credit co-operative were established in Nepal (Shivakoti & Dhakal, 2007, p.27).

In 1958 A.D. (2015 B.S.), the government of Nepal issued “Co-operative Act 2016”. Co-operative department transferred under the Ministry of Foods, Agriculture and Forest. The government of Nepal had properly managed the co-operatives by the issued of “Co-operative Act 2016 B.S.”. Following this, growing number of co-operative societies were promoted and registered by the government of Nepal with the aim to accelerate the pace of economic development and liberate the people from different kinds of exploitation. As further steps for co-operative development, late King Mahindra had given greater emphasis for co-operative movements as a means of rural development. A Co-operative Centre was established to promote co-operative initiatives in different sectors, as a result ‘Sajha Yatayat’ (Transport Co-operative) was promoted in 2018 B.S. ‘Sajha Health Service’ (Health Co-operative), ‘Sajha Bhandar’ (Retail Co-operative) and ‘Sajha Prakashan’ (Publication Co-operative) were also established in 2021 B.S. (Adhikari, 2005, p.19).

During the Second Three-Year-Plan (1962/63-1964/1965) a Land Reform Act came into force in 1964 including a compulsory savings scheme, according to which farmers had to save a portion of their crop. The co-operative programmed was integrated into the land reform programmed. A total of 542 societies were organized during the Plan period. A Land Reform Savings Corporation was established in 1967 to accept compulsory savings and advance loans to farmers. This led to a rapid numerical growth of co-operative societies of which, however, two thirds were soon defunct. A Co-operative Bank was established under the Co-operative Bank Act of 1963 to finance the reorganization of agriculture and to provide credit facilities to various small scale productions, marketing and other societies organized in co-operative form. This bank was converted into the Agricultural Development Bank/Nepal (ADB/N) in 1968, in order to meet the overall credit requirements of agriculture and to provide credit to co-operatives and to individual farmers (Münkner & Shrestha, 1998, pp.13-23).

Co-operative Division transferred under the Ministry of Land Reform in 1969 A.D. In 1969, the “Co-operative Ltd Act” was refined. Within the short period of establishment, the co-operative bank suffered from heavy losses because of misuse of its member co-operatives. It leads to the establishment of Agriculture Development Bank and dissolution of Co-operative Bank in 1970 A.D. with all the assets redesigned as “Sajha”. In early seventies the co-operatives were brought under the Agriculture Development Bank of Nepal (ADB/N) for financial and administrative control. But this did not last for long. They were handed back to the Co-operative Department for the development of co-operative. In 1969, Credit and Marketing Co-operative was converted into district co-operative union and also introduced guided-co-operative program emphasizing qualitative growth through recompilation and amalgamation.

After the resolution of democracy in the country in 1990 A.D., it gave the way of new changes in the co-operative movement. Measures were taken to revitalize existing co-operatives on the basis of a detailed study of the situation, to solve the problems of past loans, bad debts, compulsory savings, embezzlements and reconciliation and to reorient co-operatives in the changed context (Münkner & Shrestha, 1998). Consequently new Co-operative Act was promulgated in 1992 A.D., recognizing co-operatives as

people's organization with an autonomous body. On the basis of Act, long awaited National Co-operative federation came into existence in June 20th, 1993 (NCF/N, 2007). In the same year 1990, the interim government had formed a National Level Committee made on a depths analysis of the problems teaches by the co-operative movement and which emphasis on the need for promoting co-operatives in the line with co-operative with co-operative principles and democratic values. Eleven members 'National Co-operative Development Board (NCDB/N)' was formed by the government of Nepal in 1991 A.D. NCDB/N was formed with initial task of formulated co-operative policies and legislation, to set up the structure of co-operative movement up to central level, co-ordinate the activities of different sectors and for creating the necessary foundation for facilitating the process of co-operative development. Between 1991 and 1994 the number of co-operative societies increased spontaneously and without any governmental programmed by 1,155 from 916 to 2,071. In 1995/96 it stood at 3,308. In 1991, 'Sajha Central Office' was dissolved and formation of a seven member National Co-operative Federation Consultative Committee to submit recommendation in roder to strengthen the Sajha Campaign.

There have been several Commission and Task Forces formed for studies in the field of co-operatives. Such Commissions and Task Forces include Consultative Committee for National Co-operative Federation (1990), study on improvement on Organizational Structure of Co-operative Sector (1993), Task Force for Suggestions for Co-operative Development (2000), High Level Co-operative Sector Improvement Committee (2004), Legal Framework and Institutional development study of Savings and Credit Co-operative Society and National Co-operative Bank by Ministry of Finance (2004) (Mali, 2005).

Co-operative Bank was established in 9th July, 2003 with the aim to provide financial services to all the co-operatives issuing share and making member to co-operatives. NRB has issued direction to limited banking authorized co-operative organization. Within the four year period of establishment it is not capable to include most of the co-operatives of Nepal and facing problem including all the co-operatives and extension of branch office in major parts of Nepal (Acharya, 2007, p.20). For the

supervision of co-operatives in regional level, government established of Regional Level Co-operative Training Office combining with Division Co-operative Office in Kailali, Surkhet, Kaski and Chitwan in 2005. In 2006, being the fifty years of formal establishment of co-operative in Nepal, Co-operative Golden Jubilee was celebrated all over the country.

The major events of co-operative movement in Nepal have been summarized as under:

Table – 2.1

Major Events of Co-operative Movements in Nepal

Years		Events
1953 AD (2010 B.S.)		Establishment of Department of Cooperatives (DOC) under the Ministry of Agriculture for Planning and Development.
1956 AD (2013 B.S.)	a.	Promulgation of the Executive Order of Government of Nepal and recognition of cooperative society under it.
	b.	Credit Cooperative Society for the first time, was established in Chitwan District.
1958 AD (2015 B.S.)		The district level staff of DOC under the administrative control of Rural Development Block carried out cooperative activities.
1961 AD (2018 B.S.)	a.	Cooperative Society Rules, 1961, came into effect.
	b.	The first amendment of Cooperative Society Act, 1959.
	c.	Establishment of Cooperative Development Fund.
1962 AD (2019 B.S.)	a.	Establishment of Cooperative Training Center.
	b.	Establishment of Credit and Marketing Cooperative Union.
	c.	Cooperative Bank Act, 1962, came into effective.
1963 AD (2020 B.S.)	a.	Establishment of Cooperative Bank.
	b.	Conversion of Rural Development Blocks into District Panchayat kept under the District Panchayat.

1964 AD (2021 B.S.)	a.	Initiation of Agriculture Re-organization Programme.
	b.	Transfer of Staff members in Cooperative activities to the Land Reforms programmed.
1966 AD (2023 B.S.)		DOC was kept under the Ministry of Land Reforms, Agriculture and Food.
1967 AD (2024 B.S.)	a.	Formation of Central Investigation Committee on cooperatives.
	b.	Conversion of Cooperative Bank into Agricultural Development Bank (ADB).
1969 AD (2026 B.S.)	a.	DOC was kept under the control of the Ministry of Land Reform.
	b.	Implementation of the Coordinated Agricultural Development Programmed.
	c.	Credit and Marketing Cooperative Union was converted into District Cooperative Union.
	d.	Return of Cooperative promotional and strengthening of activities undertaken by the Department of Land Reform to DOC.
	e.	Introduction of guided cooperative programme emphasizing qualitative growth through reorganization and amalgamation.
1970 AD (2027 B.S.)	a.	The second amendment of the Cooperative Society Act, 1959.
	b.	Establishment of Central Cooperative Strengthening Committee.
	c.	Transfer of management of Cooperatives to ADB.
1971 AD (2028 B.S.)		The first amendment of Cooperative Societies Rules, 1961.
1973 AD (2030 B.S.)		Implementation of Cooperative Education Programmed regularly.
1976 AD (2033 B.S.)	a.	Integration of Population Education with Sajha
	b.	Implementation of Sajha Programmed emphasizing Sajha in a wider scale.
	c.	The second amendment of Cooperative Society Rules, 1961.
	d.	Compulsory Savings was converted into the share capital of Sajha Society.
1977 AD (2034 B.S.)		Introduction of Sajha Society Administrative and Financial Regulation, 1977.
1978 AD (2035 B.S.)	a.	Transfer of Sajha Societies' Management handled by ADB to the managing committee of cooperatives.
	b.	Introduction of Sajha Society Financial and Administrative Regulation, 1978
1984 AD (2041 B.S.)		Enactment of Sajha Society Act, 1984, for making the cooperative development campaign effective.
1986 AD (2043 B.S.)		Announcement of Sajha Sanstha Rules, 1986.
1987 AD	a.	Formation of a 17-member 'High Level Central Coordination

(2044 B.S.)		Commission for making the Sajha campaign more strong and effective
	b.	Sajha Development Department was transferred to the Ministry of Agriculture.
1988 AD (2045 B.S.)		Announcement of compulsory savings to be refunded to the depositors.
1991 AD (2048 B.S.)	a.	11 members National Co-operative Development board established.
	b.	Dissolution of Sajha Central Office.
1992 AD (2049 B.S.)	a.	Enactment of Cooperative Act, 1992.
	b.	Formation of District Cooperative Implementation Committee and an interim steering committee for continuation of cooperatives.
	c.	Conversion of Sajha Development Department into DOC.
	d.	Conversion of Sajha Development Training Center into CTC.
	e.	Conversion of Regional Sajha Development Office into Regional Cooperative Office.
	f.	Conversion of Sajha Development Section into District Cooperative Office.
1993 AD (2050 B.S.)	a.	Enactment of Cooperative Society Rules, 1993.
	c.	Nationwide election of cooperative societies/unions.
	d.	Establishment of National Cooperative Federation
	e.	Establishment of Central Consumer Cooperative Union.
	f.	Establishment of Central Milk Producers Cooperative Union.
	g.	Formation of a large number of Single-purpose Cooperatives such as Consumers Cooperatives, Milk Producers Cooperatives, Saving and Credit Cooperatives throughout the country.
2000 AD (2057 B.S.)	a.	Nepal (NCF/N) was elected for the post of Chairman of the Agriculture Committee for ICA, Asia and the Pacific Region.
	b.	Conversion of Ministry of Agriculture into the Ministry of Agriculture and Cooperatives.
	c.	Establishment of the National Cooperative Award by NCF.
	d.	Formation of the National Cooperative Development Advisory Working Team and submission of report.
	e.	The first amendment in the Section 26 of the Cooperative Act, 1992.
2001 AD (2058 B.S.)		Announcement of observance of International Cooperative Day by the Government.
2003 AD (2060 B.S.)		Establishment of National Cooperative Bank Ltd.
2004 AD (2061 B.S.)	a.	National Cooperative Federation of Nepal established "National Cooperative Development Fund, NCDF.

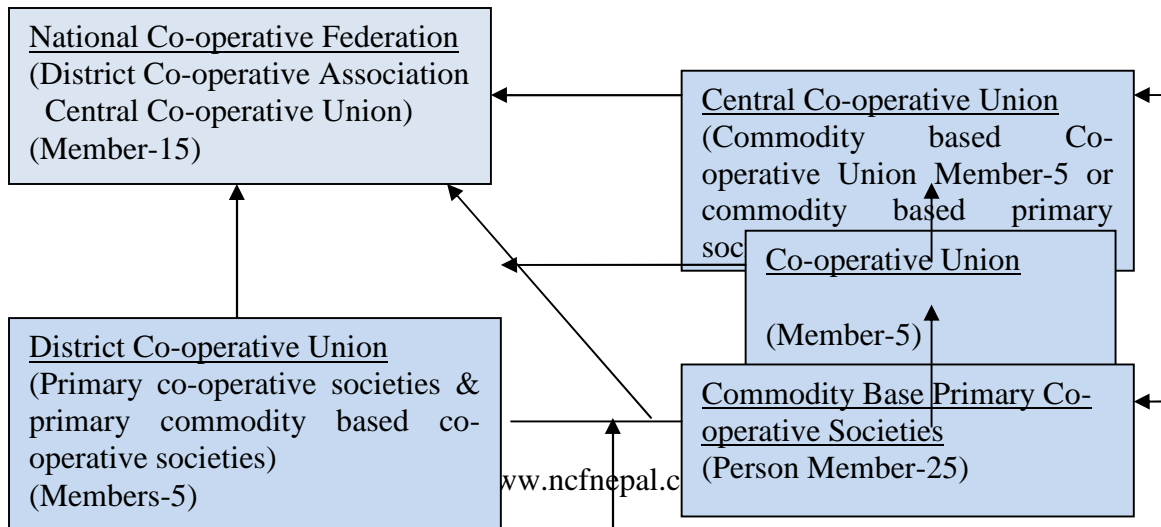
	b.	Nepal Government constituted a high level cooperative sector improvement consultative committee under convenorship of the Minister of Agriculture and Cooperatives submitted its report to the Government of Nepal.
	c.	Ministry of Finance constituted to study the legal frame work and institutional development of the savings and credit cooperative society and National Cooperative Bank.
2005 AD (2062 B.S.)	a.	Completion of Second National Women Cooperative Congress held at Kathmandu.
	b.	Change of name of CTC into Central Cooperative Training Centre.
	c.	Change of name of District Cooperative Office into Division Cooperative Office.
	d.	Establishment of Regional Level Cooperative Training Office combining with Division Cooperative Office in Kailali, Surkhet, Kaski and Chitawan.
2006 AD (2063 B.S.)	a.	Change of Agriculture Policy Unit into Agriculture and Cooperative Policy Unit in MOAC for coordination and establishing contact about cooperative policy-making.
	b.	Election of Nepal as Standing Committee Member of ICA/AP.
	c.	Establishment of Central Coffee Producers Cooperative Union.
	d.	Establishment of Central Fruits and Vegetables producers Cooperative Union.
	e.	Beginning of Cooperative Golden Jubilee 2006/7 throughout the country for full year.
2007 AD (2064 B.S.)		Completion of Cooperative Golden Jubilee 2006/07 with four special cooperative publications.

Source: (<http://www.ncfnepal.com.np/historicalevents.html>)

2.1.5 Organizational Structure

The Cooperative movement of Nepal has a three-tier system e.g. primary, secondary and national level in terms of multi-purpose cooperatives and a four-tier system e.g. primary, secondary, tertiary and national level in terms of single-purpose cooperatives. Multi-purpose cooperatives and single-purpose cooperatives at all levels have vertically and horizontally linkages. Cooperatives at all levels are integrated with NCF/N, CCU and DCUs. The Organizational structure of the Nepalese Cooperative Movement is as follows:

Figure 2.1
Organizational Structure of Co-operatives in Nepal



2.1.6 Existing Situation of Co-operative in Nepal

After the restoration of democracy in 1990, prolongation of new Co-operative Act 1992, the co-operative movement in Nepal. This is evidence by the fact that the number of co-operative has been grown to 9,362 as of the record up to April 13th, 2007, compared to 830 in 1990. With the flourishing of co-operatives numbers, co-operatives have diversified their involvement in micro & medium level enterprises. Indeed co-operative sector is flourishing one of the largest private sector business enterprises in Nepal.

The newly established policy and legal regime co-operative is one of the factors that have contributed to the rapid expansion in both the number and the enterprise coverage of co-operatives. New act has allowing grassroots based spontaneous initiatives of communities to organize themselves into co-operatives for doing business and serving the communities.

There are presently nearly 9,363 primary co-operatives and these are federated into a number of subject-specific Co-operative Unions at the district level (72), District Co-operative Unions (49), Central Co-operative Union (5) and one National Co-operative Bank. The National Co-operative Federation (NCF) is the apex level representative body by all the co-operatives at the national level. Among the five Central Level Co-operative

unions there is one each for dairy, coffee fruits and vegetables, consumers and saving & credit.

S.N.	Types of Co-operatives	Numbers	Male Members	Female Members	Total Members
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A total of 1.2 million peoples are actively involved in co-operative organization. Out of this, women cover nearly one-third percentage of the total membership. Total share capital is 960 millions. Total accumulated saving of the co-operatives is estimated to 18 billion. More than 16 thousand people are engaged in the co-operatives. The contribution of the co-operative sector to gross domestic product is estimated around 1% while there contribution in the financial sector is 7% (NCF, 2007). The existing situation of Co-operative Union, Federation and Bank are as follows;

-	District Level Co-operative Union	134
-	National Co-operative Union	5
-	National Co-operative Federation	1
-	National Co-operative Bank	1

Primary Co-operative Societies of Nepal, Kaski District Level Co-operative unions & Primary Co-operative societies of Kaski District and affiliated members of those co-operatives are shown in the following tables;

Table -2.2

Primary Co-operative Societies of Nepal

1.	Saving and Credit Co-operatives	3,241	226,881	166,945	393,826
2.	Multipurpose Co-operatives	2,402	277,023	95,454	372,477
3.	Dairy Co-operatives	1,564	59,841	31,035	90,876
4.	Agricultural Co-operatives	1,192	177,603	52,477	230,080
5.	Small Farmer Co-operatives	213	4745	19,914	68,559
6.	Electricity Co-operatives	169	48,645	681	5,426
7.	Consumer Co-operatives	103	4,618	1,270	5,888
8.	Science, Technology, Transport and Communication Co-operatives	102	5,948	1,511	7,459
9.	Coffee Producers Co-operatives	65	937	594	1,531
10.	Health Co-operatives	28	2,206	262	2,468
11.	Herbal Co-operatives	24	817	269	1,086
12.	Tea Producers Co-operatives	22	512	532	1,044
13.	Other Co-operatives	237	24,380	29,442	53,822
	Total	9,362	834,156	400,386	1,234,542

Source: statistics on Nepalese Co-operative Societies & unions, Department of Co-operatives, GON, 2007, July9

Table – 2.3

District Level Co-operative Unions, Kaski District

S.N.	Types of Union	No. of Union	No. of Members
1.	District Cooperative Union	1	33
2.	Saving and Credit	1	7
3.	Milk	1	17
	Total	3	57

Source: statistics on Nepalese Co-operative Societies & unions, Department of Co-operatives, GON, 2007, July9

Table – 2.4

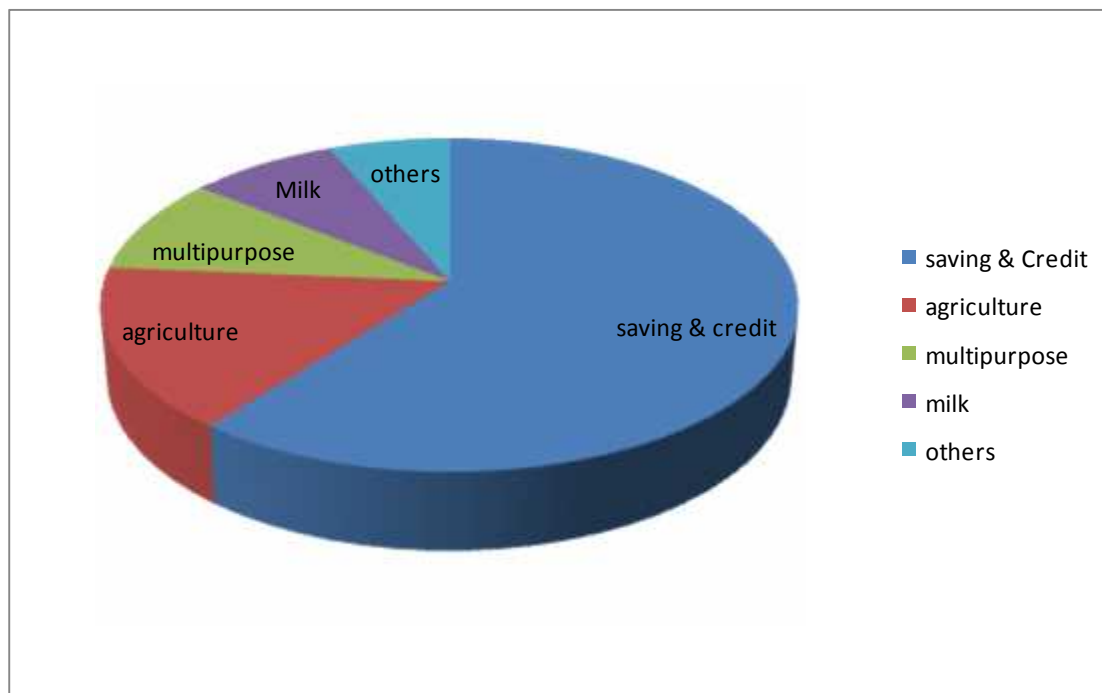
Primary Co-operative Societies of Kaski District

S.N.	Types of Co-operatives	No. of Co-operatives	Co-operative Societies in %
1.	Saving and Credit	169	60.57
2.	Agriculture	44	15.77
3.	Multipurpose	26	9.32
4.	Milk	22	7.88
5.	Others	18	6.45
	Coffee	4	
	Communication	4	
	Consumer	3	
	Herbal	2	
	Health	1	
	Bee-Keeping	1	
	Others	3	
	Total	279	100

Source: Co-operative Training and Division Office, Department of Co-operative, GON, 2009.

Figure – 2.2

Primary Co-operative Societies of Kaski District



2.1.7 Formulation of Co-operative in Nepal

Each and every country has its own rules and policies regarding to co-operatives. In Nepal also Co-operative Act 1991, is enacted for the development of co-operative. Co-operative Act 1991 follows the ICA principles. According to co-operative Act 1991, following types of society can be established:

1. Preliminary Society, consisting at least 25 members.
2. Subject wise Society or Association, consisting members at least 5 preliminary society.
3. District Co-operative Federation, consisting members at least 5 preliminary society or subject wise association or with combining of both.
4. Central Co-operative Federation, consisting members at least 25 preliminary society or 5 subject wise association.
5. National Co-operative Federation, consisting members at least 25 including subjective association district co-operative federation and central co-operative federation.

There are several rules regarding the co-operative formulation in Nepal.

2.1.7.1 Legal Provision for Formulation of Co-operative Society

For the formulation and registration of a co-operative society following procedure should be adopted:

1. Preliminary Meeting: For the registration of a co-operative society, at least 25 qualified persons according to by laws with one chairman among them must be united. Preliminary meeting must be conducted in order to decide on the following proposals:

- a. Concerning society opening, name, address and objective of the society.
- b. Concerning value of the share and entry fee, concerning election, formulation of Board of Director of the society.
- c. Passing by laws of the proposed society, concerning the responsibility of amount rose from shares and entry fee.
- d. Concerning the opening of bank account and depositing such amount after registration and conduct of account.
- e. Concerning the delegation of authority for the registration of society.
- f. Concerning annual working scheme, working area and
- g. Miscellaneous.

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

2. Apply for Registration: After preparing and passing working proposed by-laws and working scheme from the preliminary meetings, application should be submitted to the registrar of Nepal Government, the Department of Co-operative in the prescribed form. In the application proposed name of the society, address, objectives, working area, liability, total share capital and the total numbers of shares to be sold and total amount are mentioned. With the application following documents of two copies of by-laws of the

proposed society, one copy original working scheme of proposed society, attested photocopies with decision of the preliminary meeting, original description form with specimen signature of at least 25 members and application must be signed by chairman of the committee should be presented.

3. Receive the Certificate of Registration: The application and necessary documents received for registration will be scrutinized by the Department of Co-operative. The registrar will examine whether or not the by-laws of the society are based on the principles of co-operative. If the entire document is found satisfactory, the registrar will register the society and issues the certificate of registration. After receiving the certificate of registration it becomes a corporate body. It will be its own seal for all its activities (Shrestha, 1999, pp.153-155).

2.1.8 Introduction of Bishal Co-operative Society Limited

In Nepal, the development of co-operative movement is only about half century. Co-operative of Kaski district contributed much in the field of economy, agriculture, dairy production and other field. In Kaski district the numbers of co-operatives are 279 where 169 are saving and credit co-operatives, 44 agriculture co-operatives, 26 multipurpose co-operatives, 22 dairy co-operatives and 18 other types of co-operatives. Bishal Co-operative Society Limited (BCSL) is one with having long years of experience in the field of co-operatives.

BCSL was established in 7th Magh, 2048 B.S. according to the Co-operative Act 2048 B.S. on article no. 189/057/058 (prospectus, 2067, BCSL). BCSL is situated in the heart of Pokhara i.e. inside Buddha Bishal Bazar, Pokhara-4. BCSL has mainly deals with saving and loan transaction. It is operated by the renowned person and business of Pokhara. BCSL has Rs. 3,60,00,000 of total capital. Its slogan is “yours saving our security, yours planning our investment”. There are 10 staffs in BCSL out of them one Deputy General Manager, one credit incharge, one credit helper, four market one accountant, one co-accountant representative and one messenger.

BCSL has mainly concentrated on deposit collection, loan investment and other transaction. BCSL collects deposit in the name of normal saving a/c, term fixed a/c, cumulative fixed a/c and special saving a/c. In normal saving a/c, customer can open this a/c with Rs. 600 and customer can deposit money as much as they want. BCSL gives 7% annual rate of interest. There should be minimum balance of Rs. 500 in a/c. In term fixed a/c client can open a/c with Rs. 5,100. BCSL gives interest at the rate of 7.25% per annum for six month deposit, 8.5% per annum for one year deposit, 11% per annum for 2 years and 3 years deposit, 14% for 4 years deposit and 16% interest rate per annum for 5 years deposit. In cumulative fixed a/c client can open a/c with Rs. 200 and more than Rs.50 can be deposit either in daily basis, weekly or monthly basis. In this a/c BCSL gives 7% rate of interest for six month deposit, 8% for one year and 10% per annum for 2 years deposit, 11%, 12% and 13% annual rate of interest for the 3 years, 4 years and 5 years respectively. For women “Nari Bacchat Khata” is established by the BCSL where client can open a/c with Rs. 900 and get 9.5% rate of interest per annum. And in special saving a/c client can open this a/c by depositing Rs 1100 and client can deposit and withdraw any sort of amount from the a/c. For this a/c BCSL gives 6.5% rate of interest per annum.

BCSL also invest its deposit in other sector sectors for further gain. It invest its deposit in other business as a loan at charging 15% annual rate of interest, hire purchase loan at 15% interest rate, home loan at 15% interest rate, 14% for educational loan & agricultural loan and 15% annual interest rate charge for miscellaneous loan. Beside above transaction BCSL also invest its deposit in fixed asset. In this transaction BCSL gives loan for bus, truck, minibus, car motorbike purchase. For this, client should deposit 40% amount of assets and BCSL invest rest of the amount. After that client have to pay remaining amount in installment basis at the rate of interest rate prescribed by BCSL.

2.1.9 Concept of Deposits Collection

Deposits are the main source of funds by providing, certain rate of interest, co-operative calls for the deposit from the customer. Deposit is the process of thing stored or entrusted for safe keeping (Allen, 1991, p.195). The existence of any co-operative largely

depends upon the mobilization of deposits. Co-operative can no longer function well in the absence of adequate deposits. In other word, the strength and the weakness of any co-operative largely depends upon the capability to attract more people to deposit their saving. There are different types of deposit are accepted by the co-operative but current, saving and fixed are the mainly three types of deposits. These different types of deposits are used for lending the money to different sector such as agriculture, productive work, trade, irrigation and industry. So, in developing country like Nepal deposit has played a significance role for the development of country.

According to Bank Act 1974 defines, deposit as the amount deposit in a current, saving of fixed amount of a bank or financial institution (Bhandari, 2003, p.73). Deposit is the sum of money lodged with a bank, discount house or other financial institution (Shrestha, Paudel & Bhandari, 2002, p.28).

The deposit function of bank is important because it has to aggregate small sums of money lying scattered here and there twenties, fifties and hundreds. Singly these sums have no economic efficiency what so ever. But they can accomplish Herculean task when they are aggregated and employed by the bankers (Clowell, 1965).

We may think of a deposit as something that has been turned over to someone else for safe-keeping. The person receiving whatever to us hands over assumes a responsibility; he gives something, a promise (Ran, 1968, pp.50-60).

Deposit is the sum of money lodged with a bank or other financial institution. The deposits are the subject to withdraw by the means of cheque on a short notice by customers. Every financial institution pays rate of interest for the amount deposited in different a/c. The rate of interest varies depending on the nature of the deposit. The co-operatives and other financial institution attract deposits from customer by offering different rates of interest and different kinds of facilities. Though the co-operative and other financial institution plays an important role in influencing the customer to save and open deposit accounts with it, it is ultimately the customer who decides whether s/he should deposit his surplus funds in current deposit a/c, saving deposits or fixed/time deposit a/c.

The depositors of co-operatives are affected by various factors. They are as follows:

1. Types of customer.
2. Physical facilities of co-operative.
3. Management accessibility of customers.
4. Types and the range of service offered by the co-operative.
5. Interest rate paid to depositors.

2.1.9.1 Types of deposit

There are different types of deposits. For this study, major three types of deposits are taken but the definition of others deposits are also mention below:

1. Current Deposit:

Current deposit is a running account with amounts being paid into and drawn out of the account continuously up to the full amount of the deposit. The current deposit account is generally opened by the business persons. Under this account the customer is allowed to use the frequent of his account. There is no limitation of withdrawing the money. No interest is allowed by co-operative on current deposits. These deposits are also called “Demand Deposits”. Under this deposit, the customer can get the payment until there is balance in the account as many times as cheques are sent to the bank. There can be special contract between the co-operative and depositor, under which a customer/depositor may get such facility in excess balance in his account and the co-operative give him payment. Co-operative should keep enough balance because the co-operative should pay the large amount to account’s holders as their demand.

2. Saving Deposit:

These kinds of deposit are normally meant for the individual and non-profit making organization. Such deposit earns some profit of interest although the holders of such accounts enjoy tremendous flexibility in terms of depositing and withdrawal. Both Dahal’s has stressed that saving deposit attract interest which is normally less than that of long term deposit but more than that of short term deposit (Dahal & Dahal,1999, p.28). Co-operative also accepts deposit from the public also under the saving account. These

accounts are opened to promote the saving of middle class and lower class of people. Under this account the depositor can withdraw money once or twice a week only, the amount that can be withdraw by the customer at any time shall be limited. This idea is to impose restriction or the dissipation of such saving or the part of smaller depositors by too frequent withdraw, any withdraw of beyond the prescribed limit requires a prior notice. The interest allowed on saving account deposit is lower than that allowed on fixed deposit account but higher than that allowed to current account. Co-operative supplies pass book or co-operative statement which must be presented along with the withdraw from it a customer wants to withdraw money. Usually the co-operative gives interest every six month of the deposited. In the absence of pre information, the co-operative may refuse to give payment. If it is not refused, it may take some charge as fine to give the deposit. There can be special contract between the co-operative and depositor, under which a customer/depositor may get such facility in excess balance in his account and the co-operative give him payment. If the co-operative goes to liquidation more priority is given to those depositors who have opened the saving account in their co-operative, then current and fixed deposit account in the payment liability.

3. Fixed Deposit:

Fixed deposit is also known as time deposit. This is a kind of deposit in which amount will be deposited for a fixed period of time that money cannot be withdrawn before the expiry of time. Co-operative offers fixed interest rates on this deposit and repayment principal together with interest at fixed maturity. Under this account the deposit are receive fixed period which varies from 6 months, 1 year, 2 year, 3 years, 5 years etc. The rate of interest is higher than that of other deposit accounts. The money deposited in this account can be utilized by co-operative for medium or long term credit freely being confident that the depositor will not come to claim until the time lapses. The time deposit is the main source of co-operative for their credit operation. Investment in medium term and long purposes is possible only through this type of deposit. However, the depositor can take loan under security. The rate of interest rate on fixed deposit depends upon the duration of time deposit (Maxwell, 1974, p.89). The amount cannot be

withdrawn by cheques in this account like other accounts. The customer can renew the fixed period deposit after the expiry of the fixed period.

4. Call deposit:

Call deposit is the hybrid of current deposit or demand deposit and saving deposit. Big depository customers normally open it. Interest is paid on call deposits. Withdraw restriction is not in this account and such accounts are opened by those organizations or companies which aren't entitled to open saving account. Interest rate on call deposit is negotiable between the co-operative and the depositors and hence, is normally not announced in public. Withdrawal restriction is not imposed on call deposit but the balance should not go below an agreed level (Dahal and Dahal, 1999, p.30).

5. Margin Deposit:

Margin deposit is the non-interest bearing deposit. Margin deposit can hold individual or jointly. The holder of the account also enjoys the facility of nomination. The interest income by the co-operative from the deposit is taxable under income tax act. However, the tax exemption is provided to the units specially, exemplified by the government. Deposits received from the depositors as well as the interest payable thereon shall be credited to account of depositors. Financial Institution open the fictitious margin account in the name of the borrower to put such amount and interest is not paid in such deposit. Margin deposit is required to the customer if the claim is not lodged by the beneficiary. In the case of claim, the amount is utilized to honor the claim. The customer is asked to cover the shortfall if any (Dahal & Dahal, 1999, p.32).

6. Provident Fund Deposit:

The employee any organization, who is certain percentage of the salary deposit monthly, bimonthly or quarterly in continuously and get back the total amount with interest only after the retirement is known as employee provident deposit. It is the similar to recurring saving deposit but deference between them is getting back the amount. After

certain fixed period the total amount with interest will get back in employee provident fund deposit.

7. Other Deposits:

There are other deposits as well. Bishal Co-operative Society Limited also introduces various types of deposit schemes like, “Nari Bacchat Yojana”, “Installment Yojana” etc.

2.1.10 Concept of Investment

In general terms, investment means the use of money in the hope of making more money. It is defined as sacrifice of current consumption for future consumption whose objective is to increase future wealth. The sacrifice of current consumption takes place at the present with certainty and the investor expects desired level of wealth at the end of his investment horizon. The general principle is that the investment can be retired when cash is needed. The decision to invest now is a most crucial decision as the future level of wealth is not certain. Time and risk are the two conflicting attributes involved in the investment decision. Broadly, investment alternatives fall into two categories: real assets and financial assets. Real assets are tangible while financial assets involve contracts written on pieces of papers such as common stocks, bonds and debentures. Financial assets are bought and sold in organized security markets.

Investment is the simplest form of means employing money to generate more money in future. It is the sacrifice of current rupees for future rupees, return is the primary motive of investment, but it always entails some degree of risk (Shrestha, Paudel & Bhandari, 2003, p.2).

Sharpe and Garden (1999) has defined investment in this way, investment in its broad sense means the sacrifice of current dollars for further dollars. Two attributes are generally involved time and risk. The sacrifice takes in the present and it is certain. The rewards come later, if at all and the magnitude is generally uncertain.

An investment may be defined as the current commitment of funds for a period of time to derive future flow of funds that will compensate the investing unit for the time.

Like other financial institute co-operative also invest its deposits in issuance of Nepal Rastra Bank such as letter of credit, letter of saving and other government funds for further gain (Thakuri, 2009, p.136).

Hence from the above definition it is clear that investment is the sacrifice of current value for the future profit. But in a broad sense investment is the commitment of money and other resources which generate additional money in the future. In financial institution investment problem is revolve around the concept of managing the surplus financial assets in such a way, which led to the wealth maximization and providing a significant future source of income. Investment is the process of managing of surplus resource in such a way as to make it work for providing benefits to the owners by increasing total assets simultaneously providing benefits to the suppliers by letting third party to use such resource. However the investment needs to be a procedural task. It must follow a definite investment process which definitely begins from the formulation of proper investment policy.

2.1.11 Guiding Principles of Sound lending and Investment Policy:

The succession of the financial companies is measure by its income and profit, which is depends on its lending procedure, lending policy and investment of its fund in different security and different market. But Co-operative organization is not conducted with profit even though it can make some surplus or net profit. A portion of surplus is used to create patronage fund. The organization must allocate a portion of the surplus toward reserves and in various welfare programs of the members. The remaining surplus only is distributed to the members in proportion to their purchases of shares and bonus to its employees. In Nepal, Co-operative Act 1991 has restricted to provide dividend maximum 15% of the share capital to its members.

The Co-operative Act 1991 gave right to do banking transaction for co-operative. For this co-operative should take the permission of Nepal Rastra Bank (NRB) and should follow the rules prescribed by the NRB. Co-operative can also collect deposit and provides loan to its members as well. A sound lending and investment policy is not only

profitability, but also significant for the promotion of commercial saving of a backward country like Nepal.

Some principle for sound lending investment policies of the co-operative are as follows:

1) Safety and Security

All the financial institutions should inlets their deposit in profitable and secured sectors. They should not invest their fund in securities of those companies whose securities are too much depreciated and fluctuated because of loss factors. They should accept those securities, which are durable, profitable and high market price as well as stable. In this case 'MAST' should be applied for the investment.

Where,

M = Marketability

A = Ascertain ability

S = Stability

T = Transferability

2) Legality

Illegal securities will bring out many problems for the investors. A co-operative must follow the rules and regulation as well as different issues of Co-operative Act 1991, for financial transaction NRB and Ministry of finance and other while mobilizing its funds.

3) Purpose of Loan

Customer has needed a loan for different purpose. Every financial institution should consider why is a customer needing loan? If customer does not use their borrowings, they can never repay and the financial institutions will have heavy bad debts. So, they should collect detailed information about the plan and scheme of the borrowing.

4) Profitability

To increase the economic capacity, cultural development and achieve social needs co-operative needs extra money called surplus. If the surplus is more, more the co-operative can serve its members. This rule also followed to other financial institution. So they must invest their fund where they gain maximum profit. The profit of the financial institution mostly depends upon the interest rate, volume of loan time period and the nature of investment on different securities and sectors.

5) Liquidity

Liquidity is the position of the firm to meet current or short-term obligations. General public or customers deposit their savings at co-operatives and other financial institution in different accounts having full confidence of repayment by those institutions whenever they require. To show a good current position and maintain the confidence, every financial institution must keep proper cash balance with them while investing in different securities and granting loan for excess fund.

6) Tangibility

To maximize the return on investment and lending position, financial institutions must invest their collected fund in proper sectors. Finally they can maximize their volume of wealth. Their return depends upon the interest rate, volume of loan its time period and nature of investment on different securities and sectors.

7) Diversification

Financial institution can invest its deposit collection in various securities to minimize the risk. So, all the financial institution must diversify their fund or make portfolio investment. Diversification helps to earn a good return and minimize the risks and uncertainty. So, the firms are making portfolio investment with different securities of different companies.

2.1.12 Investment Process

The investment process describes how an investor makes decisions about what securities to invest in, how extensive these investments should be, and when they should be invest. Generally the investment process involves five steps:

1) Set Investment Policy

The first step of the investor is to set the investment policy. It involves the determining the investor's objectives and the amount of his or her investable wealth in terms of both risk and return. This step involves the identification of the potential categories of financial assets for consideration in the ultimate portfolio which is based on the investment objectives, amount of investable wealth, and tax status of the investor.

2) Perform Security Analysis

Security analysis involves examining a number of individual securities or group of securities within the broad categories of financial analysis. The purpose of for conducting such examinations is to identify those securities that currently appear to be mispriced. There are two main approaches to security analysis. They are technical analysis and fundamental analysis. Technical analysis involves the study of stock market prices in an attempt to predict future price movements for the common stock of a particular firm where as fundamental analysis begins with the intrinsic value of any financial asset equals the present value of all cash flows that the owner of the assets expects to receive.

3) Construct the Portfolio

This process involves the identification of specific securities in which to invest, along with the proportion of investable wealth to be put into each security.

4) Revise the Portfolio

This process involve the determination of security in the current portfolio are to be sold and which securities are to be purchased to replace them. The investor must balance the costs of moving to the new portfolio against the benefits of the revision.

5) Evaluation of Portfolio Performance

The fifth step of the investment process is portfolio performance evaluation. It involves determination of the actual performance of a portfolio in terms of risk and return, and compares the performance with that of a appropriate “benchmark” portfolio (Asmita’s Book & Stationery, 2007, p.40-41).

2.1.13 Meaning of Some Important Terms

1) Loan and Advance:

Loan is the sum of money to be return with or without money and advance is the payment beforehand. The loan granted by the financial institution to a customer is debited to their account and credited to the account of those customers in the institution. Loans are normally offered in areas that yield productive results. The deposit of public granted in form of loan & advances and the accepted deposits are released as per the regulations of the financial institution. BCSL do offer variety of loans.

2) Investment on government securities, share and debenture

Co-operative Act 1991 has provided certain rules and regulation for the co-operatives investment in government securities, shares and capita. The co-operative society should have to take approval from the Board of Director (BOD) of the co-operative society on the policy and procedure of investment on the government bond, the Nepal Rastra Bank (NRB) bond and debenture of corporate societies, and only can implement it. The co-operative society is not prohibited to invest in the government bond and NRB bond. But without taking NRB approval one co-operative society cannot buy the share of another co-operative society and become a member. However, this clause shall not make any obstacle to buy and become member of district/national level co-operative union and co-operative bank (NRB, 2002, p.22).

3) Investment on corporate institutions shares and debentures

The co-operative society has to invest on those corporate institutions shares or debentures those are listed or suppose to be listed within a year in Nepal stock exchange board. Incase these shares or debenture shall not be listed within the prescribed period as per sub clause 1, the co-operative society should have to create equivalent amount of investment adjustment fund. The fund amount should not be allowed to expenses until those shares or debentures are not listed. The co-operative society shall not be invested more than 5% of share capital in a corporate institution and all investment in shares and debentures should not be more than 15% of the share capital.

4) Provision of Liquid Assets

The co-operative society should have to keep 7% of total deposit liability as liquid assets. The following assets are defined as liquid asset:

- a) Cash balance in the volt.
- b) Bank balance in the commercial bank.
- c) Investment in government bond bills.
- d) Investment in the NRB bond bills.
- e) Deposit balance in the NRB license holder bank and financial institution
- f) But amount deposited in a co-operative society by another co-operative society shall not consider as a liquid asset.
- g) The term deposits consider up to 90% only as a liquid asset.
- h) The company has to keep 2% as cash in the volt or in any commercial bank as current account out of minimum required 7% liquid asset balance.

In case the co-operative society shall fail to deposit any amount of deposited less than required amount as a compulsory balance in NRB account as required according clause 15 shall penalize as per the NRB act 2001 clause 47. The penalty shall be, for the first time penalty is measured by calculating on the deficit amount by maximum interest rate prescribed by the NRB. In second time, it shall be measured by 2 times of bank interest rate on the amount that is not deposited or deficit amount. Third time and above,

it shall be measured by 3 times of bank interest rate on the amount that is not deposited or deficit amount (NRB, 2002, p.12).

2.2 Review of Related Studies

This sub section presents the review of books, articles, journals and dissertations. Some researchers have conducted the research on deposit collection and investment policy compliance with NRB directive. Beside this there are some books, articles, dissertations and other relevant study concerned with the lending and investment. Some of relevant studies, their objectives, findings and conclusion and other literature relating to the topic are reviewed.

2.2.1 Review of Related Books

Co-operative society is a voluntary association of persons with limited means associate together for promoting their common interest and economic desire in a democratic way. Co-operative is also deals with the collecting deposit and credit instruments. The most important think for the co-operative is good circulation of deposit and credit. Fluctuate flow of credit and week decision harms the whole economy and the co-operative as well. Thus, collect fund effectively and it well utilization is very challenging task for the bank. The decision of an investment fund is the challenging things for the co-operative.

Ran (1968) stressed that, we may think of a deposit as something that has been turned over to someone else for safe-keeping. The person receiving whatever to us hands over assumes a responsibility; he gives something, a promise (pp.56-60).

Bhandari (2003) has defined deposit as the sources of capital for the commercial bank, its divided fixed, saving and current deposit. Bank flows such amount as loan and invests in different sectors to earn profits (p.74).

Singh (2005) stressed that deposit provide most of the raw materials for bank loans. It represents the ultimate source of bank profits and growth. Deposit generate cash reserve fund, maintaining received cash reserve, the excess cash fund, a bank holds is lent

to borrow. Thus deposits create loans. The management should be able to use the deposit efficiently.

In the word of Garg (1998), deposit may also out of loans grant by the bank or through the process of discounting customer's bills. In the case, they are known as, 'created' deposit and in actual practice the amount of such deposit is much larger than from of right to receive cash. He added deposit may right to receive cash. These may be in the form of cheques, bills, promising notes etc, owing to them.

From the above definition it shows that deposit is the main source of bank and it follows to co-operative also. The term deposit denotes not only the source of fund so deposited into a financial institution but also covers in general terms, the money or say, saving so hold by the people. Deposits are the source of the income to the co-operative. In other words, the main sources of raising capital these days are that of deposits. Co-operative reserve deposit in the form of different accounts, it grants a right to the depositors to withdraw it whenever they like.

Bhattarai (2008) defined investment is the sacrifice of current rupees and resources for the sake of future rupees and resources. It is a commitment of money and other resources in the future. Such a commitment takes place in the presents and is certain to occur but the reward comes in the future always remain uncertain. Therefore, every investment entails some degree of risk (p.1).

Jones and Edward (2001) are concerned with the objective of investment and indicate that the risk is in proportion with the degree of return. They write, investment objectives are to increase systematically the individual wealth. Define as assets minus liabilities. An investors seeks higher return must be willing to face higher level of risk (p.13).

According to Bhalla, the term investment has rather precise meaning in the literature of economic thereby. Typically, it includes net addition to the capital stock of society. By capital stock of society it meant those goods, which are used in the production of other goods. He says it is good, societal or aggregate point of view. (Bhalla 1983).

Eneney and Moses (1988) said the investment objective is to increase systematically their individual wealth defined as assets minus liabilities. The higher level of desired wealth the higher must be received. An investor seeking higher level of desired wealth the higher must be required. An investor seeking higher return must be willing to face higher level of risk (p.13).

Thus, investment promotes the contribution of nation's wealth and economic growth. In simple words investment is the apply or use of money for profits. Co-operative should invest its fund by lending to various business institutions to get higher return. Beyond this, most of the companies issue stocks and bonds that for sell to investors to raise capital needed for business expansion. Government also issues bonds to obtain funds to invest in such projects as the constructions involve a present sacrifice of income to get on expected future benefit as a result, investment raise a nation's standard of living.

2.2.2 Review of Journals and Articles

In this sub section, different relevant studies and research articles published in magazine, newspaper and other electronic media are presented.

Pradhan (1996), in his article entitled, "Deposit Mobilization, its problem and Prospects" has presented that deposit is the life-blood of every financial institutions be it commercial bank, finance company, co-operative or non government organisation. He further adds in consideration of most banks and finance companies, the latest figure does produce a strong feeling that a serious review must be made of problems and prospects of deposit sectors.

He has highlighted following problems of deposit mobilization in Nepalese context.

- i. Most of the people do not go for the survey in institutional manner, due to the lack of knowledge; however, they are very much used of saving in the form of cashier ornament.
- ii. Unavailability of the institutional services in the rural areas.
- iii. Lesser hour of banking system.
- iv. No more mobilization and improvement of the employment of deposit in the loan sectors.

Bajracharya in his article “Monetary policy and deposit mobilization in Nepal” has mentioned the mobilization of domestic savings is one of the prime objectives of the monetary policy in Nepal. For this purpose CBs stood as the active and vital financial intermediary for generating resource in form of deposit of the private sector. So far providing credit to the investors is a different aspect of the money (Bajracharya, 1999, pp. 93-97).

Pyakural in his article writes, “The present changing context calls for a substantial revitalization of the resource. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task of utilization of resources is as much crucial as the mobilization. The under utilization of resources not only results in loss of income but also goes further to discourage the collection of deposit.” Thus in his paper he has emphasized on proper utilization of resources and profitability increment (Pyakuryal, 1987: Paper Presented).

In an article, about banking services in Annapurna Post, Pramod Giri indicated that commercial banks are centralized and concentrated in the city area only. The people of rural area are not able to get the banking services. The deposit of rural people has not been able to reach the banking channel. After 2010 the Nepalese banking sector will be opened for the international banks and financial institution, in that context Nepalese

banks face the challenge to be prepared to face the that competition. (Annapurna Post, 22 Sep 2008).

Sharma in his article “Banking the future of competitions” has said due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and one personal guarantee, whose negative side effects would show colors only after 4 or 5 years. Again he said that “Private CBs have mushroomed only in urban areas where baking transactions in large volume is possible. The rural and sub urban areas mostly remain unattended to. This is likely to prevail till competition tasks its full reign in the urban areas” (Sharma, 2000, p. 13).

F. Morris in his discussion paper “Latin America’s banking system in 1980’s A.D.” has concluded that most of the banks concentrated on compliance with central bank rules on resources requirement, credit collection and interest rates. While analyzing loan portfolio quality, operating efficiency and soundness of bank investment management has largely been overlooked. The huge losses now find in the bank’s portfolio in many developing countries and testimony to the poor quality of this ever sight investment function. The writer adds that mismanagement in financial institution has involved inadequate and over optimistic loan appraisal, tax loan recovery, high risk diversification mismatching. This has led many banks of developing countries to the failure of 1980s A.D.” (Morris, 1990. p.81).

In an interview with Annapurna Post (2008), Sushil Joshi, Managing Director of Himalayan Bank Clarified that commercial banks are not able to invest in hydropower projects, roads and other infrastructure because of huge amount of capital required for those projects and due to the political instability of the country. At present banks are willing to invest in these projects. (Annapurna Post, 22 Sep 2008).

Thapa (1994) in his article, “Financial System in Nepal” has explained the view that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits. Likewise loans and advances of these banks are also

increasing. But compared to high credit needs particularly by the new emerging industries, the banks still seem to lack of adequate funds. The banks are increasing their lending to non-traditional sectors along with traditional sectors.

2.2.3 Review of Dissertation

Gurung (2007) has performed research on “Deposit Collection and Mobilization of Nabil Bank Limited”. In her study she has analyzed deposit collection and mobilization in different sector made by the bank. Five years of date from 2001/02-2005/06 has been taken into consideration for conduction the research. The researcher found that the total deposit volume composed of interest bearing deposits and interest free deposits proportion is in increasing trend. Bank is diverting major deposits in loan and advances. During the study period Gurung has found that there is a high probability of loan default in future. So bank is advised to maintain up to international standards and increase quality of assets. Liquidity position of the bank found to be high especially in liquid funds, the bank is recommended to look upon new area of lending and investment that helps in minimizing the idle funds. Otherwise it may impact the profitability negatively. Gurung also found that the bank’s vault to total deposits ratio and NRB balance to total deposits ratio are below and the industrial average during the study period so bank should strictly follow the NRB directives is better for regulatory mandatory.

Baral (2006), has submitted a thesis named, “Deposit Collection and Investment Pattern of Machhapuchchhre Bank Limited”. The basic objectives of his thesis are to analyze the general deposit and investment policy of Machhapuchchhre Bank Limited (MBL), to analyze the trend of deposit position and composition of investment, to measure the different sector of loan investment of MBL for the F.Y. 2000/01 to 2005/06. His major findings are that the percentage of total deposit composition, the portion of the fixed deposit has in first rank, call deposit is in second rank and saving deposit have a very low contribution in total deposit composition. From the study it has revealed that MBL invest more fund in other investments. Second largest position of loan investment

in government securities and less portion of loan invested in other companies bonds, share and debenture. Liquidity position of bank is found less strong, its current ratio is not satisfactory, it has maintained just 1:1 ratio. The current ratio of bank is less than standard ratio i.e. 2:1. In analysis of portfolio ratio, the fluctuating trend (with negative in 1st and 2nd years) of return on total assets and return on loan and advances ratio depicts that net income for each unit of the bank is depreciate, which shows the ability of the management to utilize bank assets to generate profit the profit is negative in the initial year. From the above analysis Baral has found that there is positive relationship between deposit, loan and advances, investment and net profit during the study period. While analysis the deposit pattern it is found that maximum amount of desposits is collected form fixed deposit which is good result for the bank. So the bank is suggested to increase the weight of fixed deposit to total deposit without ignoring other types of deposits. It is recommended to keep wise vision in investment while utilizing their resource and invest in different sector.

Shakya (2008) has conducted a study entitled “Deposit & Investment Policy of Commercial Banks of Nepal, a comparative study of Nabil Bank Ltd. and Himalayan Bank Ltd.”. She has mentioned the following specific objectives. The major objectives of the study were to determine the investment and deposit polices of commercial bank, to make a comparative study of fund mobilization and investment policy, to analyse the trend of deposit utilization and its project. For this study purpose she has used various financial and statistical tools that are widely used to analyse the financial position of the bank. From her research shakya has found that the deposit collection of Himalayan Bank (HBL) is changed. Firstly it has decreased and after that it increase rapidly up to 19.92% in 2005/06. But the percentage change of deposits of Nabil bank is in every financial year in fluctuating i.e. progressive rate of growth in total deposits are going to increase. The overall growth rate of sector wise investment is highest in case of Nabil with the growth rate of 17.11% followed by HBL with rate of 12.75%. The banks should allocate more funds for sector wise investment for more productive growth results. There is positive correlation between deposits and investment of Nabil. Coefficient of determination shows

about 37% variation in investment is explained by the independent variable deposits.. There is positive correlation between deposits and investment of HBL. Shakya has recommended that to look upon new area of lending and investment for both banks. She further mentioned if it is to generate more profits, both banks should enhance its deposit collection through introduction of various schemes as of its contemporary banks. Though it has come up with Nabil Bachat scheme with higher interest rates and bumper prizes, it should make more endeavors to increase its deposit collection. It should focus more on low-cost deposits.

In the thesis by Neupane (2007) “Analysis of Deposit mobilization of Commercial Banks in Nepal” he conducted the study by referring Standard Chartered Bank and Nepal Bank Limited. He concluded that private banks are more efficient in deposit collection. But his study reflected Nepal Bank’s rate of deposit mobilization was greater than Standard Chartered Bank but the private sectors banks maintains strong liquidity and earns more profit. As a recommendation given by him commercial banks should expand their branches in more areas. More lending should be promoted with liberal lending policy and with new areas of retail banking. He also suggested new investment opportunities should be explored.

Sigdel (2009) has done research on “Deposit Collection and Investment Pattern of Nabil Bank Limited”. Her major objectives is to find out the general deposit and investment policy of Nabil Bank Limited, its composition, liquidity, assets management, ratio analysis of total deposit, loans etc and trend analysis of different variables related to investment. Sigdel has found that deposit collection of Nabil bank has been increasing at lower rate with respect to increase in investment. Assets management ratio is 65% of its total deposit which shows that the banks effectiveness in mobilizing its total funds. There is a positive relationship between deposit and loan and advances, investment and loan and advances. She recommends bank need to update customer demand and arrange for special schemes. The bank is suggested to increase the weight of saving deposit without ignoring the other types of deposits. As liquidity position of the bank, liquidity ratio is

found to be high in liquids assets to total deposit; the bank is suggested to look after new areas of investment and lending that helps in minimizing the idle fund of the bank which helps in profitability.

Shrestha (2006) has performed research on “Investment Portfolio of Pokhara Finance Ltd”. In her study she has analyzed deposit mobilization and investment trends in different sectors made by the company. Six years of data from 2055 B.S. to 2061 B.S. has been taken into consideration for conducting the research. The researcher found that the company had high liquidity during the period and has focused more on loan and advances than on other government securities. From the study she has concluded that Pokhara Finance has to relate to maintain of appropriate risk return tradeoff between credit outflows by the way of loans and investments and strict monitoring of its repayment to ensure timely cash inflows. She further recommended launching demand driven or customer oriented schemes so as to initiate depositors and to focus on diversification of investments.

2.3 Research Gap

Many researchers have been conducted on the topic of deposit collection aspects regarding financial institution and also various studies have conducted on the investment aspects too, especially on bank. Previous researches were only concentrated on deposit collection and investment aspects and not even covering both areas delightfully. But only few researcher has done research on the topics of “deposit collection and investment” on co-operative sector. So, this study is concentrated on co-operative sector. This study is mainly focused on the deposit collection and investment pattern of Bishal Co-operative Society Limited. Similarly, the study is also focused on the composition of the deposit and the investment in the different sectors. This study covers the composition of deposit collection, interest rate payment to depositors and the growth ratio of total deposit collection and as well as their investment is also analyzed in this study. This study covers the most recent financial data’s and literature so that the recent issues and scenarios can

be delighted. Furthermore, there is no any research regarding the Deposit Collection and Investment Pattern of Bishal Co-operative Society Limited.

CHAPTER III

RESEARCH METHODOLOGY

“Research methodology refers to the various sequential steps to be adopted by a research in studying a problem with certain objectives in view”. (Kothari, 1989, p. 30) Research methodology is the research method used to test the hypothesis. Research methodology is a way to systematically solve the problem. It may be understand as a science of studying how research is done scientifically. It sequentially refers to the various steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words, research methodology describes the methods and process applied in the entire subject of the study.

The main objective of this study is to analyze, examine, highlight and interpret the deposit collection and investment pattern of BSCL. For this purpose this chapter aims to present and reflect the method and techniques adopted and followed in this study. Research methodology includes research design, population and sample, nature and source of data, data collection procedure and techniques, data analysis tools and limitation of the methodology.

3.1 Research design

Research design is the procedural plan that is adopted by the researcher to answer questions validity, objectively, accurately and economically (Bhandari, 2003, p.40). Research design is the plan to obtain the answer of research question through analysis of data. Research design constitutes the blueprint for the collection, measurement and analysis of data.

To achieve the objective of the study, descriptive research design has been used within the combination of analytical approach. The study is in the framework of case study of a unitary co-operative. Descriptive research seeks to find out the fact with the help of sufficient data and information. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to evaluate deposit collection and investment of BSCL.

3.2 Population and Sampling

There are more than 9,362 co-operatives functioning all over the kingdom of Nepal. The registration of co-operative has been increasing day by day. Indeed co-operative sector is flourishing one of the largest sectors of business enterprises in Nepal. For the study purpose total co-operative operated in Nepal is the population of the study. Among them only BCSL is taken as sample as it is convenience to get data easier. So, convenience sampling method is used for this study.

3.3 Nature and Source of Data

This study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan and advances, assets and profit are directly obtained from the

Balance Sheet and Profit and Loss a/c of the concerned bank's annual reports. Supplementary data and information are also collected from number of institution and authoritative sources like NRB, NEPSE, SEB, web sites, etc.

3.4 Data Collection Procedures and Techniques

As mentioned above all the data's for the study have been collected from the secondary source. The annual report and other information's were collected from the field visit of respective co-operative. The annual report, websites and other information of BSCL have been obtained from the co-operative. Similarly NRB publications are collected from the website of NRB. Existing literature on the subject matter was collected from various research papers placed in Central Library, Western Regional Library, P.U. library Pokhara etc. First of all, necessary data were extracted from the audited financial statements which were recorded in the master sheet to work out the financial ratios and prepare the necessary figures. Finally, different financial ratios were work out with the help of computer programs like Microsoft Excel, Microsoft Word and SPSS.

3.5 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 objectives. Besides that some graphs, charts and tables are presented to analyze and interpret the findings of the study. The data analysis tools used discussed below.

3.5.1 Financial Tools

Financial tools are those tools which are used for the interpretation of financial data. Financial tools are the technique of ratio analysis is of considerable significance in studying the financial stability, liquidity, profitability and quality of the management of the business and industrial concerns." (Kothari, 1989, p.487). Those tools can be used to get the precise knowledge of a business, which in turn are fruitful to explore the strengths and the weakness of the financial policies and strategies. In order to complete the purpose of the study different ratios are calculated and analyzed, which are given below:

A. Liquidity Ratio

Liquidity ratio measures the liquating position of the firm and the speed with which a co-operative asset can be converted into cash to meet deposit withdrawal and other current obligation. It reflects the firm's ability to meet its short-term obligation. Liquidity ratio reflects the short-term financial strength of the business those ratios are used to know the capacity of the concern and find out the ability of co-operative to meet and to repay its short-term liability. There are various ratios under liquidity ratio, which are calculated as follows;

i) Current Ratio

Current ratio is the payment ability to current debt from current assets. It shows the relationship between the current assets and current liabilities.

Current ratio is calculated by dividing current assets by current liabilities. It can be presented as:

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

Current Assets includes cash and bank balance, money at call or short notice, loans and advance, investment in government securities and other securities, interest receivable and miscellaneous current assets. Similarly current liabilities include deposit and other accounts, short term loan, bills payable, tax provision, staff bonus, dividend payable and miscellaneous liabilities.

The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstances in case of seasonal transaction.

ii) Cash and Bank Balance to Total Deposit Ratio:

Cash and bank balance are the most liquid current assets of a firm which measures the percentage of most liquid assets to pay depositors immediately. This ratio is computed dividing the amount of cash and bank balance by the total deposits. It can be presented as,

$$\text{Cash and Bank Balance to total deposit ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

Where, cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance held abroad. Total deposits consist of deposits on current account, saving account, fixed account, money at call and short notice and other deposits.

iii) Cash and Bank Balance to Current Assets Ratio:

This ratio is computed by dividing cash and bank balance by current assets. We can calculate it as,

$$\text{Cash and Bank Balance to current Assets Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

Cash and bank balance includes cash in hand, foreign cash and foreign banks.

iv) Loan and advance to Current Assets Ratio:

This ratio can be computed by dividing Loans and advances by current assets. This can be mentioned as,

$$\text{Loan and Advance to Current Assets Ratio} = \frac{\text{Loan and Advance}}{\text{Current Assets}}$$

The numerator consists of loan, advances, cash credit, local and foreign bills purchased and discounted.

B. Assets Management Ratio (Activity Ratio):

This ratio measures the management efficiency of the financial institution in managing its resources at its command. The following financial ratios related to investment policy are calculated under asset management ratios.

i) Loan and Advance to Total Deposit Ratio:

This ratio is calculated to find out how successfully the co-operative or financial institutions are utilizing their total collection. This ratio can be stated as:

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

ii) Total Investment to Total Deposit Ratio:

This ratio indicates how properly firm's deposits have been invested on government securities and shares and debentures of other companies. This ratio is computed by using following formula:

$$\text{Total Investment to Total Deposit Ratio} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

iii) Loan and Advances to Total Working Fund Ratio:

This ratio indicated the ability of selected banks in term of earning high profit from loan and advance, loan and advances to total working fund is formulize as,

$$\text{Loan and Advance to Total Working Fund Ratio} = \frac{\text{Total Loan and Advance}}{\text{Total Working Funds}}$$

Where, total working fund include total amount of assets given in balance sheet which refers to current assets, net fixed assets, total loans for development banks and other sundry assets except off balance sheet item i.e. letter of credit, letter of guarantee etc.

C. Profitability Ratio:

Profitability ratio is designed to highlight the end result of business activities. Profit is the key element for any business organizations. It is a fact that sufficient profit must be carried to sustain the operation of the business, to be able to obtain funds from investors to expand and grow and to contribute towards the social overhead for the welfare of society. Profitability ratio is useful to measure the overall efficiency or operations of the firm; it is a true indicator of the financial performance of any institution. Higher the profitability ratio betters the financial performances of the bank and vice versa, profitability ratio can be computed as:

i) Return on Total Assets:

It measure the profitability of fund invested in the co-operative or other FI's assets. It is computed by dividing the net profit by total asset. It is expressed as,

$$\text{Net Profit to Total Asset Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

ii) Return on Loan and Advance Ratio:

Return on loan and advance ratio shows how efficiency of the co-operative has utilized their resources to earn good return from provided loan and advances. It can be mentioned as:

$$\text{Return on Loan and Advance Ratio} = \frac{\text{Net Profit or Loss}}{\text{Total loan \& advance}}$$

iii) Total Interest Earned to Total Investment Ratio:

This ratio is calculated by dividing total interest earned by total investment. It can be stated as,

$$\text{Total Interest Earned to Total Investment Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Investment}}$$

Total investment includes short term as well as long term investment.

iv) Total Interest Earned to Total Working Fund Ratio:

This ratio can be calculated by dividing total interest earned by total working fund. This can be stated as,

$$\text{Total Interest Earned to Total Working Fund Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

Where total working fund means total assets.

v) Total Interest Paid to Total Deposit Ratio:

This ratio measures the percentage of total interest expenses against total deposit fund. A high ratio indicates higher interest expenses on total deposit fund and vice-versa. It is calculated as,

$$\text{Total Interest Paid to Total Working Fund Ratio} = \frac{\text{Total Interest Paid}}{\text{Total Deposit}}$$

vi) Total Interest Earned to Total Interest Paid Ratio:

This ratio is calculated to find out the total interest earned as compared to total interest paid by BCSL. It is calculated as,

$$\text{Total Interest Earned to Total Interest Paid Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Interest Paid}}$$

D. Risk Ratios:

Risk means uncertainty, which lies in the business transaction of investment management. When a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm increases these ratios check the degree of risk involved in the various financial operations. For this study, credit risk and capital risk ratio are used to analyze and interpret the financial data on investment policy.

i) **Credit Risk Ratio:**

Credit risk helps to check the probability of loan non-repayment or the possibility of loan to as into default. It can be expressed as:

$$\text{Credit Risks Ratio} = \frac{\text{Total Loan and Advance}}{\text{Total Assets}}$$

ii) Capital Risk Ratio:

Capital risk ratio measures banks ability to attract deposits and interbank funds. It is also determine the level of profit. It can be stated as:

$$\text{Capital Risk Ratio} = \frac{\text{Share Capital}}{\text{Risk Weight Assets}}$$

Where, risk weight assets = Loan and Advances

E) Growth Ratios:

Growth ratio is directly related with to the fund mobilization and investment management of a commercial bank. It represents how well the co-operatives are maintaining the economic and financial position. Following ratios are considered under this ratio.

- i) Growth ratio of total deposits
- ii) Growth ratio of loan and advances
- iii) Growth ratio of total investment
- iv) Growth ratio of net profit

3.5.2 Statistical Tools

Some important statistical tools have been used to present and analyze the data for achieving the objective of this study. Mean (average), Standard deviation, co-efficient of variance; co-efficient correlation analysis, least square, linear trend analysis etc have been used for the purpose. The basic statistical analysis is related to this study are discussed below:

A. Arithmetic Mean (Average)

Arithmetic mean is the ratio of the sum of all the observations to the number of the observation. It is a single value of selected series which represents them in average. Out of the various central tendencies, a mean is a one of the useful tools to find out the average value of the given data. Arithmetic Mean is calculated as,

$$X = \frac{\sum X}{N}$$

Where,

X = mean of the values

N = Number of pairs of observation

ΣX = Sum of observation

B. Standard Deviation:

The standard deviation measures the absolute dispersion. It is said that higher the value of standard deviation the higher the variability and vice versa. It is defined as the positive square root of the mean of the square of the deviations taken from the arithmetic mean. Karl Pearson introduced the concept of standard deviation in 1823 and this is denoted by the small Greek letter σ (sigma). It is calculated as:

Symbolically,

$$\dagger = \sqrt{\frac{\Sigma(X - \bar{X})^2}{N}}$$

Where,

\dagger = Standard Deviation

X = Variant Values

\bar{X} = Arithmetic Mean

N = No. of observation (Time period)

C. Coefficient of variation (C.V.)

The standard deviation in the above form was given as an absolute measure of dispersion. Hence, where the mean value of the variables is not equal, it is not appropriate to compare two pairs of variables based on standard deviation only. The relative measure of dispersion based on the standard deviation is shown as the coefficient of standard deviation.

Symbolically,

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

Where,

$C.V.$ = Coefficient of Variation

\dagger = Standard Deviation

\bar{X} = Arithmetic Mean

It is independent of unit. So, two distributions can be compared with the help of C.V. for their variability. Less the C.V., more will be the uniformity, consist etc. and vice versa.

D. Correlation Coefficient Analysis (r)

Another statistical tool, correlation coefficient (r) measures the relation between two variables. Two variables said to have correlation, when they are closely related that the change in any value of variable is accompanied by the change in the value of other. For eg. Increase in advertisement expenditure is accompanied by increase in sales. The measure of correlation called the correlation coefficient.

One of the widely used mathematical methods of calculating the correlation coefficient between two variables is Karl Pearson's correlation coefficient. It is denoted by (r) and is defined. The value of r lies between (-1) to (+1).

$$\text{Correlation coefficient (r)} = \frac{N\Sigma XY - \Sigma X .\Sigma Y}{\sqrt{N\Sigma X^2 - (\Sigma X)^2} .\sqrt{N\Sigma Y^2 - (\Sigma Y)^2}}$$

Probable error,

$$\text{P. Er.} = 0.6745 \times \frac{1-r^2}{\sqrt{N}}$$

When r = 1, there is perfectly positive correlation and when r = -1, there is perfectly negative correlation. This kind of correlation is same now impossible to find. As the value of correlation coefficient reaches near to zero, it is said that there is no significant relationship between the variables.

The correlation coefficient has been interpreted based on probable error (P.Er.). If the value of correlation of coefficient is greater than 6 times the value of probable error, the correlation coefficient is deemed as significant and reliable. If the value of correlation is less than the value of probable error, the correlation coefficient is said to be insignificant and there is no evidence of correlation.

E. Time Series:

When a series of data are pertaining to a series of continuing period should be studied, its characteristics and its future direction is based estimated by the time series. Time series analysis a series of data keeping in minds the various short term and long term fluctuations. The following trend value analysis has been used in this study.

- i) Trend analysis of total deposit.
- ii) Trend analysis of loan and advance.
- iii) Trend analysis of total investment.
- iv) Trend analysis of net profit.

The straight-line trend of a series of data is represented by the following formula.

$$y = a + bx$$

Where,

y = dependent variable.

x= Independent variable.

a = y intercept.

b = slope of the trend line.

3.6 Limitation of the Study

Like every research this research has also some limitation. This study is carried out within the framework of case study type by the use of descriptive research design. This study is based on secondary data which is available in the published annual report of the co-operative and published materials which has been assumed to be fact. So the accuracy of the data depends on those reports. So, it is bound by its own methodology. There are more than 9,362 co-operatives in Nepal but only a single unit of the population is taken for the study, therefore this study may not be able to represent the whole scenario. Simple random sampling lottery method is used to draw the sample, which is not free from the criticism.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the presentation, analysis and interpretation of data collected from different sources. This is an analytical chapter, where an attempt has been made to analyse and evaluate major financial items, which have an impact on deposit collection and investment or fund mobilization of BCSL. The data have been analyzed according to the research methodology as mentioned in chapter three to get the best result.

4.1 Presentation and Analysis of Data

4.1.1 Analysing Deposit collection of BCSL

Deposit collection is one of the major functions of co-operative. It is the primary source of fund. Co-operative collects deposit from individuals and organizations in different forms of deposit like saving deposit, fixed deposit, current deposit and others. Collected deposits are to be well managed since it is the liquidity of the bank and there is involvement of the cost in the form of interest earned which is to be paid to the depositors. Generally, deposit is used or mobilized as loan and advance to generate profit. Therefore the efficiency of the co-operative depends on the ability to attract deposits and capacity is to earn profit depends on the volume as well as the deposit mix of the co-operative.

The total deposit collection of BCSL in five years period starting from F.Y. 2004/05 -F.Y.2008/09 has been presented in the table 4.1 below:

Table - 4.1
Total Deposit Collection of BCSL

(In millions)

Co-operative	Fiscal Year					Mean
	2004/05	2005/06	2006/07	2007/08	2008/9	
BCSL	25.48	33	60.1	91.97	107.5	63.61

Source: BCSL Annual Reports

The above table 4.1 depicts the total deposit collection in millions of BCSL under five years study period starting from F.Y. 2004/05 to F.Y. 2008/09. The total deposit collection of BCSL has been increasing year by year i.e. from Rs. 25.48 million to Rs.33 million, Rs.60.1 million, Rs.91.97 million and Rs.107.5 million in F.Y. 2004/05 to 2008/09 respectively. The highest deposit collection is Rs.107.5 million in F.Y.2008/09, which indicates that in this fiscal year co-operative has able to better collect spread out funds from the public. Likewise, F.Y. 2004/05 the total deposit has shown the lowest portion i.e. Rs.25.58 million, it reveals that the co-operative was comparatively less able influence new customer in that fiscal year rather than other fiscal years. Similarly, the

average deposit volume of the co-operative is Rs. 63.61 millions, which seems to be satisfactory.

The table 4.1 has been parented in figure 4.1 below

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09	Mean	Mean
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Figure – 4.1
Total Deposit Collection

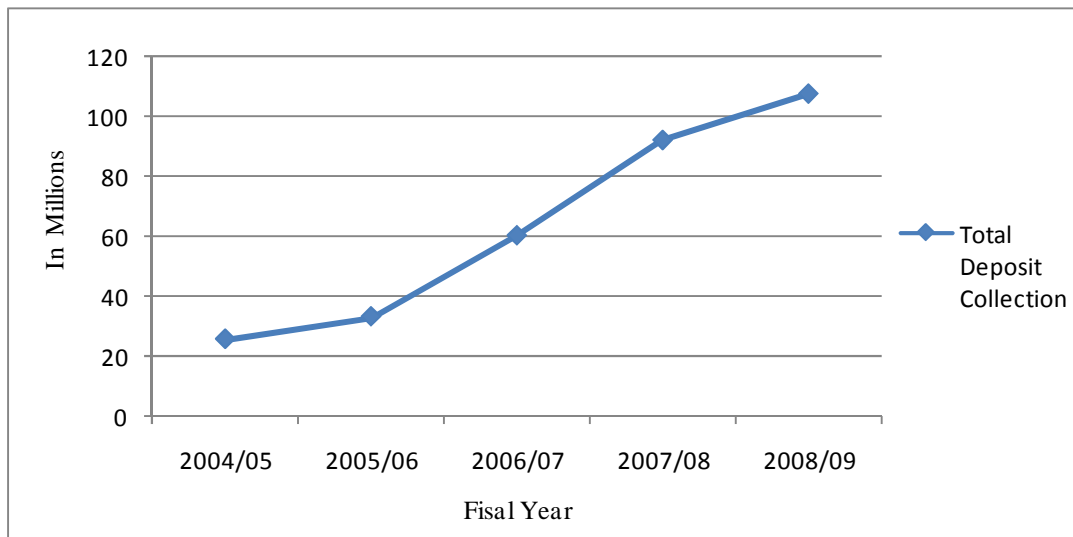


Figure 4.1 exhibits that the total deposit Collection of BCSL at least square trend analysis method. From this figure it is clear that the total deposit collection of co-operative is increasing during the five years study period.

4.1.1.1 Deposit Composition of BCSL

The following table 4.2 shows the deposit composition of BCSL for the period of last five years starting from F.Y. 2004/05 to F.Y. 2008/09 (Working details in appendix no. 1).

Table – 4.2
Different Types of Deposit Composition of BCSL

(In millions)

							%
Recurring Saving Deposit	14.62	17.46	29.23	40.46	28.44	26.042	45.89
Special Saving Deposit	4.74	5.98	11.61	19.2	39.2	16.146	22.67
Fixed Deposit	6.12	9.56	19.26	32.31	39.86	21.422	31.44
Total Deposit	25.48	33	60.1	91.97	107.5	63.61	100

Source: BCSL Annual Reports

In the above table 4.2 shows that the different types of deposit available in BCSL. They are also called the deposit collection of the co-operative. Mainly BCSL collects deposit in the name of recurring saving deposit a/c, special saving deposit a/c and fixed deposit a/c. From the table 4.2 it is clear that recurring saving deposit is increasing from F.Y. 2004/05 to 2007/08 i.e. Rs. 14.62 million, Rs. 17.46 million, Rs. 29.23 million and Rs. 40.46 million. But in F.Y. 2008/09 it is decreased to Rs. 28.44 million.

Likewise, deposit collections of BCSL on special saving deposit a/c are Rs. 4.74 million, Rs. 5.98 million, Rs. 11.61 million, Rs. 19.2 million and Rs. 39.2 million from F.Y. 2004/05 to 2008/09 respectively. It shows that the special deposit is increasing year by year. It also assumes that BCSL is able to influence its depositor each and every year.

Similarly, BCSL collects deposit in the name of fixed deposit a/c. In fixed deposit a/c, from F.Y. 2004/05 to 2007/08 deposit were in increasing trend i.e. Rs. 6.12 million, Rs. 9.56 million, Rs. 19.26 million, Rs. 32.31 million and Rs. 39.86 million. It shows that the BCSL fixed deposit is increasing year by year.

On an average the different types of deposit collection of BCSL shows the better level. Recurring saving deposit shown by table 4.2 shows i.e. Rs. 26.042 millions. The average of special saving deposit is Rs. 16.146 millions. Likewise fixed deposit shown by the table 4.2 is 21.422 million which is more appropriate for lend because it cannot withdraw before the expiry of the date. Accordingly, the mean ratio of BCSL are 26.042%, 16.146% and 21.422% for recurring saving deposit, special saving deposit and fixed deposit respectively. The table 4.2 has shown in the figure 4.2 below:

Figure – 4.2

Deposit Composition of BCSL

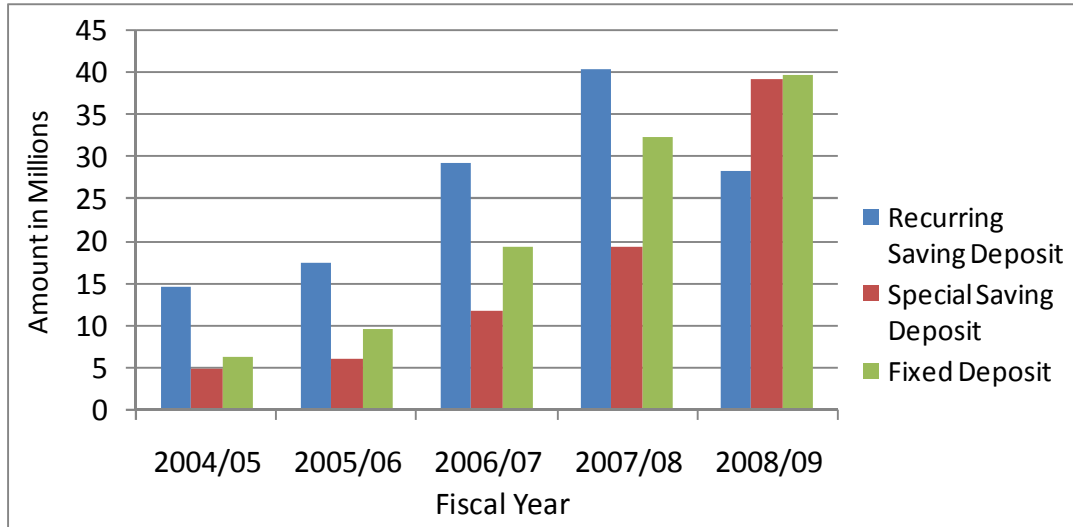


Figure 4.2 reveals that the deposit composition of BCSL during five year period i.e. F.Y. 2004/05 to F.Y. 2008/09. In the figure 4.2, recurring saving deposit covers the total deposit volumes but slightly decreasing during the F.Y. 2008/09. But the bar diagram showing special saving deposit is increasing slightly for two years and gradually getting high from F.Y. 2006/07 to F.Y. 2008/09. Fixed deposit is also in increasing from F.Y. 2004/05 to F.Y. 2008/09.

4.1.2 Analysis Related to Investment Composition

Like other financial institution co-operatives are also diversify their risk by investing its investable funds in different secured and unsecured sector. The Co-operative Act 1991 has given right to do banking transaction for co-operatives but for this they have to take permission from NRB. Co-operative can also invest its funds in government securities, shares and debenture issued by different types of companies as well. But the co-operative society should not be invest more than 5% of shares capital to a corporate institution and the investment in shares and debentures should not be more than 15% of the share capital.

Though the co-operative is established for the economic, social and cultural development of the members but it can invest its few funds in returnable sectors. Investments on government securities do not give more return to investor but they are fully secured. From the risk point of view, investment in government securities is safer and low risk as compared to loan and advances and shares of other companies. But like other financial institution co-operatives does also target to make maximum profit so that it can invest to its members. The following table shows the investment composition of BCSL (Working details in appendix No.2).

Table - 4.3
Investment Composition of BCSL

				(In Millions)
S.	Fiscal Year			Mean

No.	Investment	2004/05	2005/06	2006/07	2007/08	2008/09	Mean	%
1.	Company's Shares	00	0.05	0.055	0.06	0.06	0.045	0.078
2.	Loan and Advances	24.552	34.353	55.98	72.744	95.44	56.61	99.922
Total Investment		24.552	34.403	56.04	72.804	95.5	56.66	100

Source: BCSL Annual Reports

Above table 4.3 depicts the investment composition of BCSL from F.Y. 2004/05 to F.Y. 2008/09. Basically, it represents the pattern of investment made by BCSL, which indicates the investment made by co-operative on company's shares and other loan and advances sector respectively.

From the table 4.3 it is clear that investment made by BCSL on company's shares are 0.00 million, 0.05 million, 0.055 million, 0.06 million and 0.06 million from F.Y. 2004/05 to F.Y. 2008/05 respectively. In F.Y. 2007/08 and F.Y. 2008/09 BCSL has invested highest in companies shares i.e. 0.06 millions in both fiscal years.

Similarly, BCSL has also made investment on loan and advances. BCSL has invested 24.552 million, 34.353million, 55.98 million, 72.744 million and 95.44 million from F.Y. 2004/05 to F.Y. 2008/09 respectively. In F.Y. 2004/05 BCSL has made full investment on loan and investment sector i.e. 24.55 million.

Likewise the average mean of BCSL are 0.045 million and 56.61 million for company's shares and loan and advances. The mean percentages of investment composition of BCSL are 0.078% and 99.922% for the company's shares and loan and advances respectively. The table 4.3 has been shown in the figure 4.3as follows:

Figure – 4.3
Investment Composition of BCSL

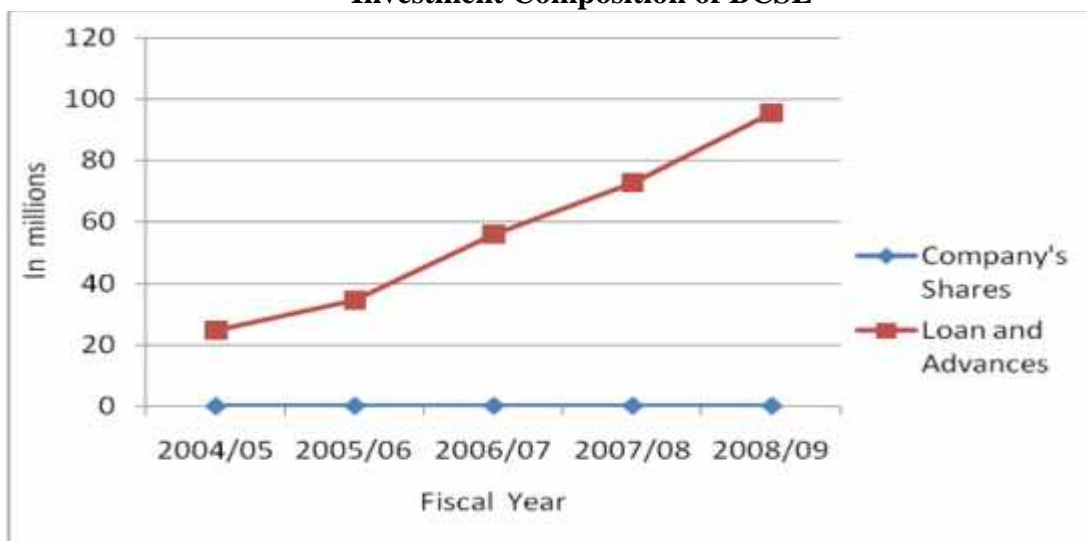


Figure 4.3 shows the trend of investment composition of BCSL during the five years period i.e. F.Y.2004/05 to F.Y. 2008/09. The trend line on company's shares is highly fluctuated with lower level investment during the study period but the investment on loan and advances is in increasing trend. In loan and advances, BCSL has made 100% investment on F.Y. 2004/05 while investment on other fiscal years on loan and advances were also in maximum level.

4.1.3 Analysis of Sector Wise Loan Investment

The primary objective of co-operatives is to serve its members. Co-operative can also perform banking transaction after getting permission from NRB. Co-operative also distributes loan to different channels for various purpose to the people of different community, mostly their own members. Sector wise loan investment shows the information about the credit in various sectors. The co-operative management should follow the credit distribution in each sector in such a way that the portfolio on credit may effectively be managed.

Lending is essential for co-operative. The formulation and implementation of fund lending policies are among the most important responsibilities of the co-operatives director and management. The lending policy should be carefully analyzed and it must be carefully implement. While performing its credit creating function co-operative should effectively manage it so that it minimizes the risk. The following table 4.4 shows the sector wise loan investment of BCSL (Working details in Appendix no.3).

Table - 4.4
Sector Wise Loan Investment

(In millions)

S. No.	Investment Sectors	Fiscal Year					Mean	Mean %
		2004/05	2005/06	2006/07	2007/08	2008/09		
1.	Business Loan	14.34	15.03	16.79	33.24	33.33	22.55	44.523
2.	Hire Purchase Loan	7.97	13.68	21.4	15.94	9.06	13.61	28.359
3.	Fixed Deposit Loan	0.05	1.001	0.94	1.51	0.99	0.898	1.58
4.	Housing Loan	1.043	2.512	3.61	3.304	4.18	2.928	5.381
5.	Household Loan	0.011	00	00	00	00	0.002	0.009
6.	Recurring Saving Loan	1.138	2.18	7.09	8.38	5.85	4.926	8.252
7.	Educational Loan	00	00	00	00	0.68	0.136	0.142
8.	Others	00	00	6.21	10.43	41.41	11.61	13.754
Total Investment		24.552	34.403	56.04	72.804	95.5	56.66	100

Sources: BCSL Annual Reports

Above table 4.4 shows the sector wise loan investment (disbursement) of the BCSL from F.Y. 2004/05 to F.Y. 2008/09. The above table depicts that the highest investment on sector wise loan disbursement of BCSL is in business loans i.e. 14.34 million, 15.03 million, 16.79 million, 33.24 million and 33.33 million from the F.Y. 2004/05 to F.Y. 2008/09. The minimum amount invested by BCSL was in household loan i.e. 0.011 million in F.Y. 2004/05 but BCSL has not invested in other fiscal years towards household loan. The second highest loan invested by BCSL is in hire purchase loan i.e. 7.97 million, 13.68 million, 21.4 million, 15.94 million and 9.06 million from F.Y. 2004/05 to F.Y. 2008/09 respectively. In fixed deposit BCSL highest investment was in F.Y. 2007/08 i.e. 1.51 million and the lowest was in F.Y. 2004/05 i.e. 0.05 million. In housing loan BCSL has invested 1.043 million, 2.512 million, 3.61 million, 3.304 million and 4.18 million from F.Y. 2004/05 to F.Y. 2008/09 respectively. In recurring saving deposit BCSL invested 1.138 million, 2.18 million, 7.09 million, 8.38 million and 5.38 million from F.Y. 2004/05 to F.Y. 2008/09 respectively. In educational loan BCSL has invested 0.68 million only in F.Y. 2008/09 and it invested 6.21 million, 10.43 million and 41.41 million from the F.Y. 2006/07 to F.Y. 2008/09 respectively in others loans. The mean percentage of sector wise loan investment of BCSL are 44.523%, 28.359%, 1.580%, 5.381%, 0.009%, 8.252%, 0.142% and 13.754% for business loan, hire purchase loan, fixed deposit loan, housing loan household loan, recurring saving loan, educational loan and others loan respectively.

4.1.4 Financial Ratio Analysis

Financial ratio analysis is a tool basically helps to analysis those major financial performances which are mostly related to the investment and fund mobilization related to BCSL. All the ratios could not be studied under this chapter. But only those ratios are studied and analyzed which are very much important for evaluating fund mobilization and investment pattern of BCSL. The important and needed financial ratios, which are to be calculated for the purpose for these studies are mention below.

4.1.4.1 Liquidity Ratio

Liquidity ratios are devices to judge the financial institutions ability to meet its short term current obligations. There should not be the condition of lower and higher liquidity in co-operatives. Lower liquidity indicates the failure of meeting the co-operative current obligations and adverse result. On the other hand, higher liquidity indicates an idle asset which is also not good as it earns nothing. So, it is essential for the co-operative to maintain a balance of liquidity position. The following liquidity ratio has been calculated in order to exhibit the liquidity position of the BCSL.

1. Current Ratio

A current ratio measures the short term liabilities maturing before one year or, it indicates the ability of the co-operative to meet its current obligations. This is the broad measure of liquidity position of the financial institution. Current ratio is calculated by dividing current assets by current liabilities (Working details in appendix no. 4). The standard current ratio is 2:1 for seasonal business. Current ratio of 1:1 considered the standard norms.

Table – 4.5
Current Ratio

(In times)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	4.21	2.08	2.91	5.01	4.98	3.84	1.1634	30.3

Source: BCSL Annual Reports

As exhibited by the table – 4.5, current ratio of BCSL for the period of last six years starts from F.Y. 2004/05 to F.Y. 2008/09. The calculated ratios seemed to be in fluctuating trend. The ratios are 4.21 times, 2.08 times, 2.91 times, 5.01 times and 4.98 times from F.Y. 2004/05 to F.Y. 2008/09. All the years current assets are greater than current liabilities but only the F.Y. 2005/06 current ratio is in satisfactory level i.e. 2.08 times as compared to other ratio. BCSL has higher ratio in F.Y. 2007/08 i.e. 5.01times. The mean ratio maintained by co-operative is 3.84 times which is found to be higher than need ratio i.e. 2:1, which is not regarded as satisfactory. The ratio higher than the stated standard may be acceptable as satisfactory but it indicates that the co-operative has poor utilization of current assets. The standard deviation of BCSL is 1.1634 and co-efficient of variation is 30.3%. Less the C.V. will be better the co-operative because C.V. measures the risk of the co-operative. The table 4.5 has been presented in figure 4.4 below:

Figure – 4.4
Current Ratio

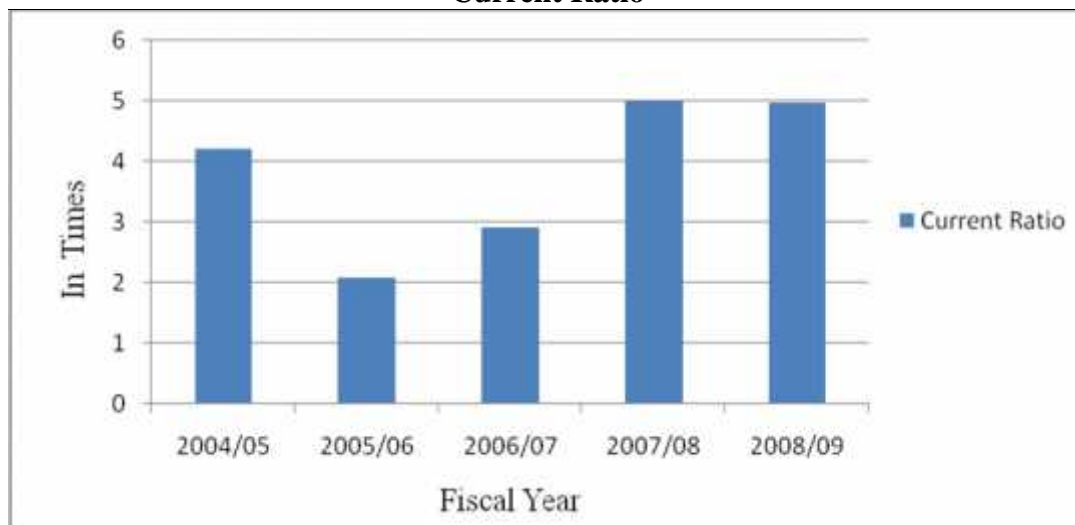


Figure 4.1 reveals that the current ratio of BCSL. Throughout the whole study period the current ratio of the co-operative is in fluctuating trend. All the ratio of the BCSL is higher than the standard ratio i.e. 2:1. So, the co-operative should try to utilize its more assets on investment sectors to meet the standard ratio.

2. Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total deposit ratio is said to be first line defense of every co-operative which measures the abilities of co-operative to meet the unanticipated call on all types of deposits. Higher ratio indicates the higher generator ability to meet their deposit and vice versa. But too high ratio is unfit as capita will be tied up and too lower ratio cannot fulfill the demand of the public immediately. So, co-operative should maintain sufficient cash reserve in order to meet their short term obligation. This ratio is computed by dividing cash and bank balance by total deposit (Working details in appendix no. 5).

Table – 4.6
Cash and Bank Balance to Total Deposit Ratio

(In percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	16	12	19	31	18	19	6.37	33.53

Source: BCSL Annual Reports

Cash and bank balance to total deposit ratio of BCSL have been observed as 16%, 12%, 19%, 31% and 18% respectively throughout the study period. Liquidity position in terms of cash and bank balance to total deposit ratio of BCSL is found unsatisfactory level in F.Y. 2004/05 to F.Y. 2005/06 but from F.Y. 2007/08 to F.Y. 2008/09 it is in satisfactory level. Standard deviation of BCSL is 6.37 and co-efficient of variation is 33.53%.

The table 4.6 is presented in figure 4.5 below:

Figure – 4.5
Cash and Bank Balance to Total Deposit Ratio

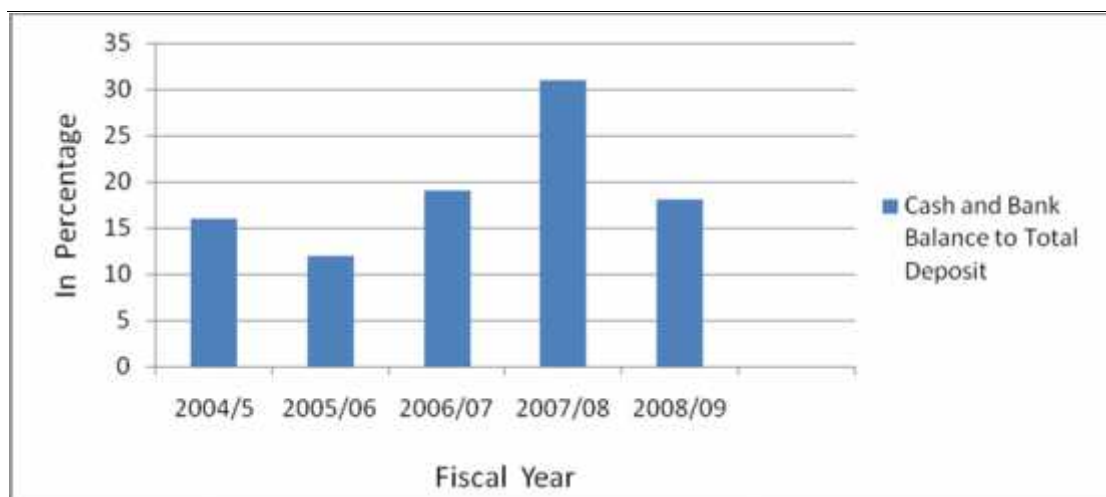


Figure – 4.5 shows the cash and bank balance to total deposit ratio which has increased for first year and then decreased but at F.Y. 2006/07 it has been tremendously increased up to 31% and after that it decreased to 18% in F.Y. 2008/09.

3. Cash and Bank Balance to Current Assets Ratio

Cash and bank balance to current assets ratio shows the co-operative capacity on the basis of its liquid assets i.e. cash and bank balance. This ratio reveals the ability of the co-operative to make the quick payment on its customer's deposits. High ratio indicated the co-operatives sound ability to meet their daily cash requirement of the customer's deposit and vice versa. In this ratio both the high and lower ratio are not desirable. This ratio is calculated by dividing cash and bank balance to current asset (Working details in appendix no. 6).

Table – 4.7
Cash and Bank Balance to Current Assets Ratio

(In percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	86	81	91	93	83	87	4.58	5.26

Source: BCSL Annual Reports

From the table 4-7 it is clear that cash and bank balance to current assets ratio of BCSL has in fluctuating trend i.e. 86%, 81%, 91%, 93% and 83% respectively during the study period. In the F.Y. 2006/07 BCSL has higher percentage of cash and bank balance to current assets whereas in F.Y. 2005/06 it has the lowest ratio. This reflects that BCSL can make quick down payment to its customer in F.Y 2006/07 rather than F.Y. 2005/06. The average ratio of BCSL is 87% and coefficient of variation is 5.26% whereas standard deviation is 4.58.

The table 4.6 is shown in figure 4.6 below:

Figure – 4.6
Cash and Bank Balance to Current Assets Ratio

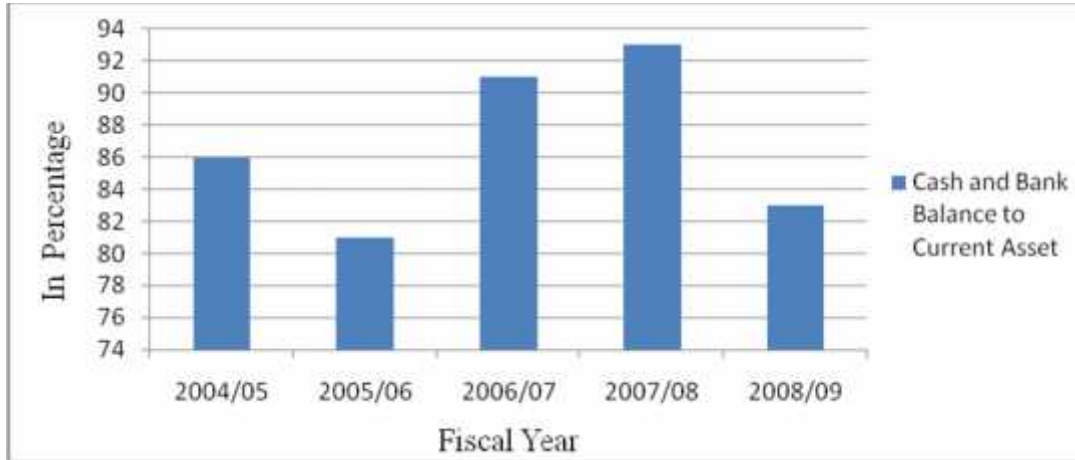


Figure 4.6 Shows the cash and bank balance to current assets ratio which is in fluctuating trend. In the F.Y. 2007/08 it has the highest proportion of cash and bank balance to current assets ratio as compared to other fiscal years.

4. **Loan and Advance to Current Assets Ratio**

This ratio measures the extent to which co-operative are successfully to mobilize their total deposit on loan and advances. Co-operative should not keep its all collected fund as cash and bank balance but they should be invested as loan and advances to the customers to make more profit by mobilizing its funds in the best way. A high ratio measures the higher efficiency to utilize the funds provided outsider and vice versa. But too high ratio might not be better from the view point of liquidity. This ratio is obtained by dividing loan and advance by current assets (Working detail in appendix no. 7).

Table – 4.8

Loan and Advance to Current Assets Ratio

(In percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	519.2	708.9	444.5	237.5	420.5	466.12	152.693	32.76

Source: BCSL Annual Reports

It is clarified through the above table - 4.8 that BCSL has mix trend under the study period. Loan and advance to current assets ratio is found 519.2%, 708.9%, 444.5%, 237.5% and 420.5% respectively. Mean ratio is 466.12% of loan and advances to current assets. It indicates that BCSL has maintained good ratio for three year i.e. F.Y. 2004/05 to F.Y. 2006/07 but it has unable to obligate its customer in the F.Y. 2007/08 and F.Y. 2008/09. On the other hand co-efficient of variation of BCSL is 32.6% which means that loan and advance to current assets ratio is not in satisfactory level than other ratio.

The table - 4.8 has been shown in figure 4.7 below:

Figure – 4.7
Loan and Advance to Current Asset Ratio

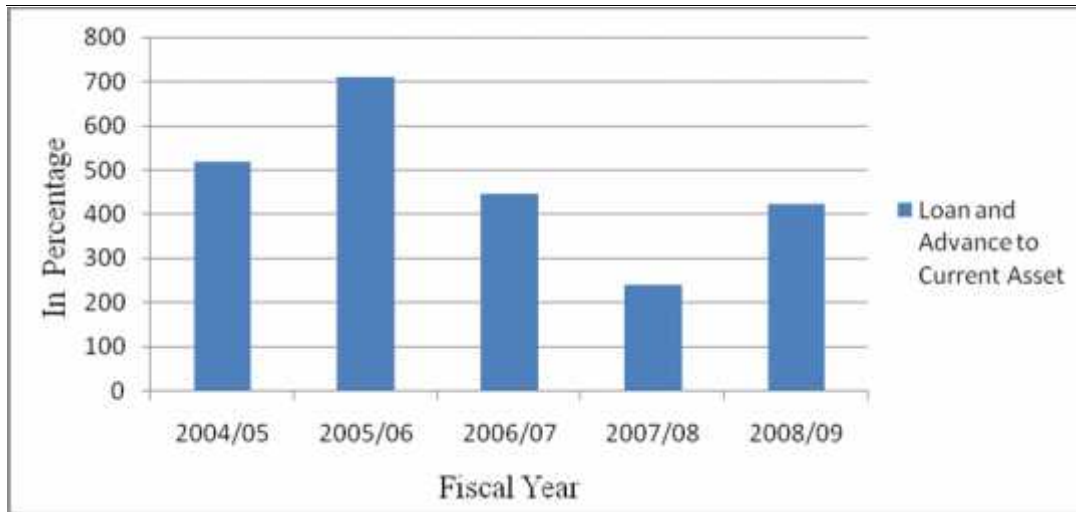


Figure 4.7 depicts the loan and advances to current asset ratio from F.Y. 2004/05 to F.Y. 2008/09. It has found that ratios are generally in mixed trend during the study period.

4.1.4.2 Asset Management (Activity) Ratio

Asset management ratio measures the efficiency of a co-operative to manage its assets in profitable and satisfactory direction. This ratio measures the degree of effectiveness in using the resource of the firm. Asset management ratio is also called efficiency ratio. Co-operative must able to manage its assets properly to earn high profit maintaining the appropriate level of liquidity.

1. Loan and Advance to Total Deposit Ratio

Loan and advance to total deposit ratio measures the co-operatives success in utilizing total collections of deposit on loan and advances for the purpose of income generation. To calculate the lending performance of co-operative, this ratio is important to know how much amount is disburse out of total deposit collection. A high ratio indicates better mobilization of collected deposit and vice-versa. But it should be noted that too high ratio might not be better form liquidity point of view. This ratio is calculated by dividing loan and advances by total deposits (Working detail in appendix no. 8).

Table – 4.9

Loan and Advance to Total Deposit Ratio

(In percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	96.36	104.25	93.24	79.25	88.84	92.39	8.274	8.957

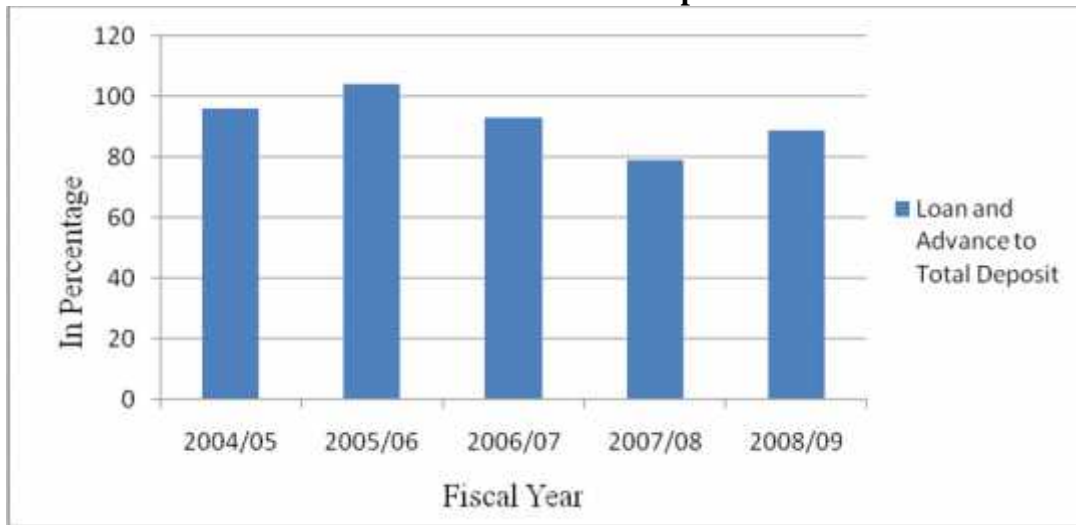
Source: BCSL Annual Reports

Loan and advance to total deposit ratio of BCSL is 96.36%, 104.25%, 93.24%, 79.25% and 88.84% respectively from F.Y. 2004/05 to F.Y. 2008/09. The ratio is highest in F.Y. 2005/06 i.e. 104.25%. The lowest ratio is in F.Y. 2007/08 i.e. 79%. Table 4.9 further shows that the BCSL has converting 92.39% of collected fund into loan and advances for generating income. From this it is clear that BCSL is mainly investing its collected fund into loan advances. The fluctuating in the loan and advance to total deposit ratio during research period is 8.957% that implies that 91.043% consistency in case of BCSL while lending total deposit into loan and advances.

The table 4.9 is presented in figure – 4.8 below.

Figure - 4.8

Loan and Advance to Total Deposit Ratio



While analyzing the figure-4.8, it shows that loan and advance to total deposit ratio has been increasing trend in the first two years but after that it has been decreasing for two more years and last year it is slightly getting peak. It shows that BCSL has highest investment in F.Y. 2005/06 and the lowest investment is in F.Y. 2007/08.

2. Total Investment to Total Deposit Ratio

The total investment total deposit ratio indicates the proportion of deposit utilized for the purpose of income generation as well as for maintaining liquidity in appropriate level. A high ratio indicates of high success to mobilize the co-operative fund as investment and vice versa. This ratio is obtained by dividing total investment by total deposit (Working details in appendix no. 9).

Table – 4.10

Total Investment to Total Deposit Ratio

(In Percentage)

Co-operative	Fiscal Year	Mean	S.D.	C.V.

	2004/05	2005/06	2006/07	2007/08	2008/09			%
BCSL	96.35	104.39	93.34	79.23	88.85	92.43	8.322	9

Source: BCSL Annual Reports

As indicated by table-4.10, the ratio between total investments to total deposit form F.Y. 2004/05 to F.Y.2008/09 are 96.35%, 104.39%, 93.34%, 79.23% and 88.85% respectively. It is clear that this ratio has got fluctuating percentage in each year. In F.Y. 2005/06 it has the highest ratio i.e. 104.39% and F.Y. 2007/08 it has lowest ratio i.e. 79.23%. The mean ratio and the co-efficient of variation of BCSL regarding investment and deposit are 92.43% and 9% respectively. It shows that BCSL is highly capable of mobilizing its deposit into different investment sectors to generate profit. The table-4.10 has presented into figure 4.9 as below:

Figure – 4.9
Total Investment to Total Deposit Ratio

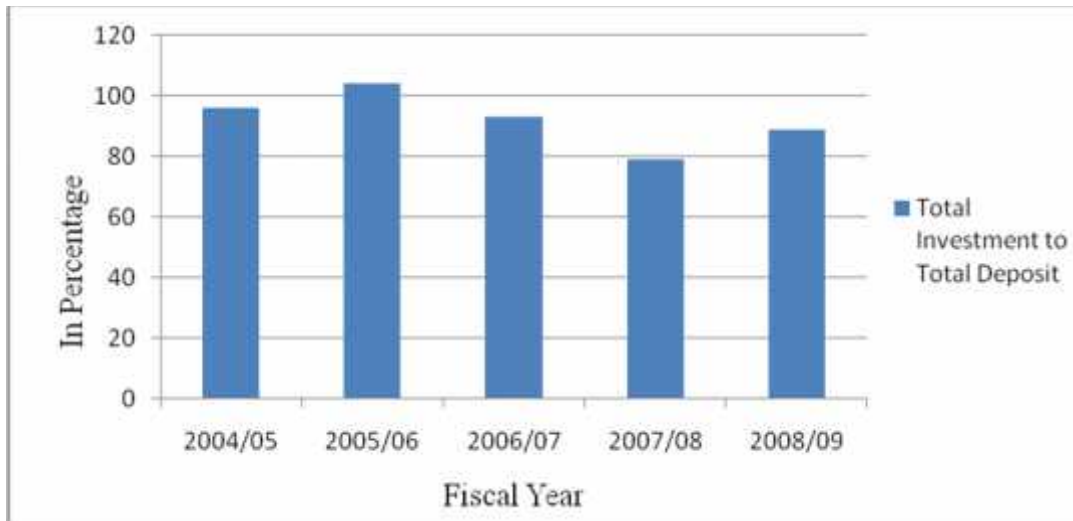


Figure-4.9 reveals that the total investment to total deposit ratio of BCSL for the F.Y. 2005/05 to F.Y. 2008/09. In F.Y. 2005/06 BCSL has invested high amount in productive sector to generate more profit as compared to other fiscal year.

3. **Loan and Advance to Total Working Fund Ratio**

Total assets are the total working fund. It is an important part of total assets. Co-operative should be very careful in mobilizing its total working fund as loan and advance in appropriate level to generate profit. This ratio reflects the extent to which the co-operative is mobilizing their assets on. Higher ratio indicates the better mobilization of fund on loan and advances and vice-versa. This ratio is calculated by dividing total loan and advance by total working fund (Working details in appendix no. 10).

Table – 4.11
Loan and Advance to Total Working Fund Ratio

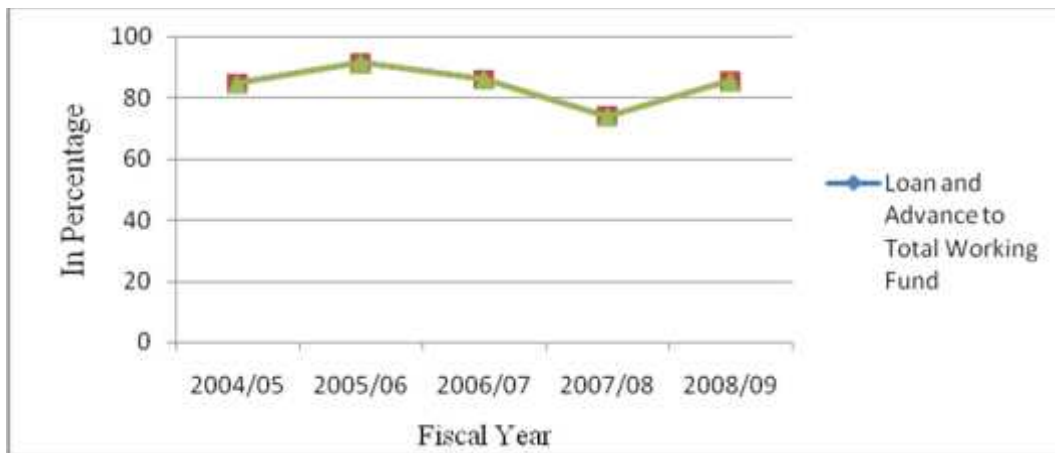
(In percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	84.84	91.45	86.16	74.01	85.47	84.4	5.6936	6.75

(Source: BCSL Annual Reports)

The table - 4.11 shows the loan and advance to total working fund ratio of BCSL from the F.Y. 2004/05 to F.Y. 2008/09 which is in fluctuating order. From F.Y. 2004/05 to F.Y. 2005/06 this ratio has been in increasing trend but in F.Y. 2006/07 it is decreased to 86.16%. But in F.Y. 2007/08 it has the lowest ratio i.e. 74% and after that it increased to 85.47% in F.Y. 2008/09. The mean ratio of loan and advance to total working fund ratio is 84.4% which determine BCSL is capable in utilizing total working fund in the name of loan and advances. C.V. of BCSL is less fluctuating i.e. 6.75% over the period. The table 4.11 has been presented in figure 4.10.

Figure – 4.10
Loan and Advance to Total Working Fund Ratio



The figure 4.10 reflects that the loan and advance to total working fund ratio at least square trend analysis method of BCSL. The observed values of the ratio are fluctuating over the period, the ratio has increased in F.Y. 2005/06 and later it has fall down in F.Y. 2007/08 and finally rises in F.Y. 2008/09.

4.1.4.3 Profitability Ratio

Profit is regarded as the engine that drives the business and indicates economic progress. Profitability ratios are calculated to measure the economic efficiency of the business. Sufficient amount of profit is to be earned by every co-operative for successful day to day operations and long-run survival in the competitive environment. Profitability denoted the value credited by the use of resources. It is more than the total of the input

resources. A high profitability ratio represents as symbol of good management of the banks.

1. Return on Total Assets Ratio

Return on total assets ratio measures the profit earning capacity by utilizing available resource i.e. total assets. Return will be higher if the bank's fund is well managed and efficiently utilized. The ratio is also called 'profit to assets ratio'. It is calculated by dividing return on net profit/loss by total asset/total working fund (Working details in appendix no. 11).

Table – 4.12
Return on Total Assets Ratio

(In Percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	1.89	2.03	1.15	1.02	1.19	1.46	0.4177	28.61

Source: BCSL Annual Reports

Table 4.12 represents the return on total assets for five year period starting from F.Y. 2004/05 to F.Y. 2008/09. These ratios are 1.89%, 2.03%, 1.15%, 1.02% and 1.19% respectively for the study period. All the ratios are in positive but the highest ratio is in F.Y. 2005/06 i.e. 2.03% and the lowest ratio is 1.02% in F.Y. 2007/08. The average ratio is 1.46% and the co-efficient of variation 28.61%. In conclusion, the co-operative could not be properly utilizing its assets. Although the co-operative is not in loss it has lesser return in the last three years period.

Figure – 4.11
Return on Total Assets Ratio

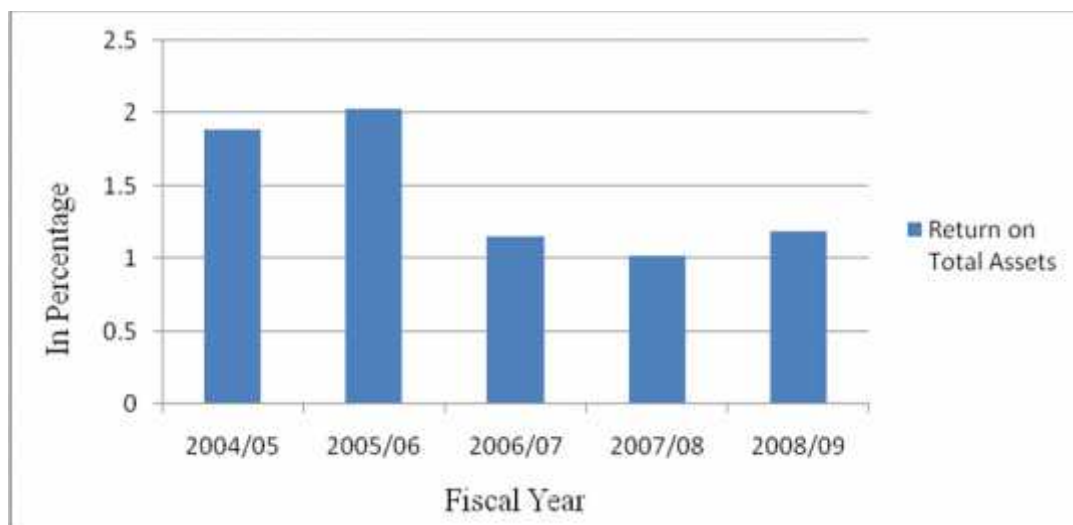


Figure 4.11 reveals that the return on total assets of BCSL during the five year period from F.Y. 2004/05 to F.Y. 2008/09. This ratio has sufficient return on first two years i.e. F.Y. 2004/05 and F.Y. 2006/07 but it has decreased in F.Y. 2006/07 and F.Y. 2007/08 and after that increased in F.Y. 2008/09.

2. Return on Loan and Advances Ratio

Return on loan and advances measures the earning capacity of co-operatives on its total loan and advances. Most loan and advances includes business loan, hire purchase loan, housing loan, educational loans and so on. Higher the ratio greater will be the return and vice versa. This ratio is calculated by dividing return by loan and advances (Working details in appendix no.12).

Table – 4.13
Return on Loan and Advances Ratio

(In percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	2.22	2.21	1.33	1.37	1.4	1.71	0.4162	24.34

Source: BCSL Annual Reports

Table 4.13 depicts the return on loan and advances ratio of BCSL from F.Y. 2004/05 to F.Y. 2008/09 are 2.22%, 2.21%, 1.33%, 1.37% and 1.4% respectively. The average ratio is 1.71% and co-efficient of variation is 24.34%. Return on loan and advance of BCSL is in decreasing order. It has higher ratio in F.Y. 2004/05 which indicates that BCSL is able to earn high return on its loan and advance. The lowest return on loan and advance is in F.Y. 2008/09 which indicates lower income generation. Hence

it is necessary to carry out further loan related activities by BCSL for properly increase this ratio.

The table 4.13 has shown in figure 4.12 as below.

Figure – 4.12
Return on Loan and Advances Ratio

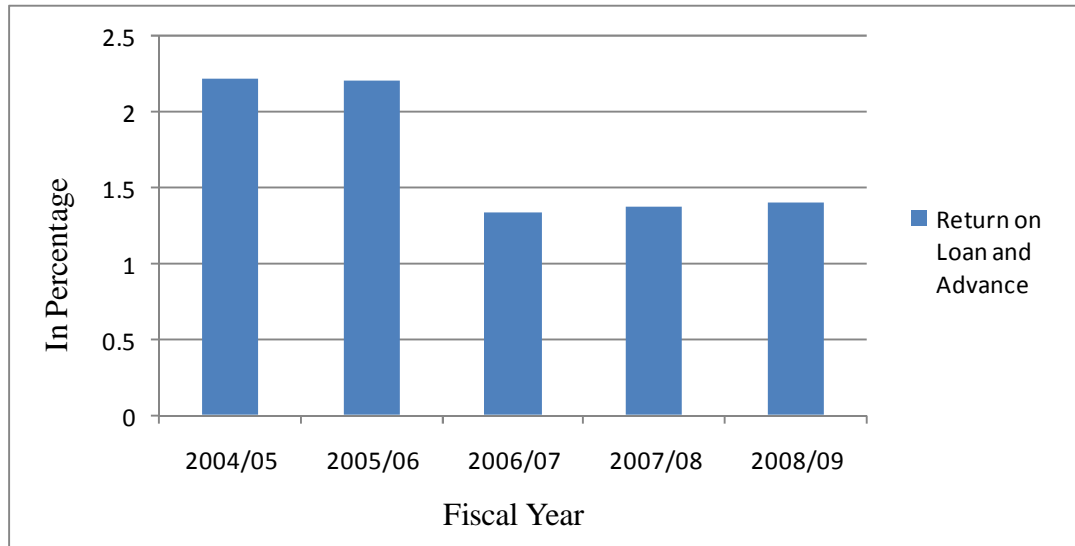


Figure 4.12 exhibits that BCSL return on loan and advances ratios are maximum for the initial two years i.e. F.Y. 2004/05 and F.Y. 2005/06 but this ratio has decreased in F.Y. 2006/07 after that in F.Y. 2007/08 to F.Y. 2008/09 it has been increasing in a decreasing rate.

3. Total Interest Earned to Total Investment Ratio

Total interest earned to total investment reflects the extent to which the co-operative is successful to earn interest as major income on all the outside assets which includes loan and advances, investment on company's shares and all other types of investment. This ratio is computed by dividing total interest earned by total outside assets (Working details in appendix no.13).

Table – 4.14
Total Interest Earned to Total Investment Ratio

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	15.48	14.22	12.46	14.92	13.55	14.13	1.0564	7.48

Source: BCSL Annual Reports

The above table 4.14 shows that the total interest earned to total investment ratio of BCSL for the five year study period. It is clearly observed that the highest ratio is 15.48% in the F.Y. 2004/05 which reveals that BCSL has successfully utilization of total assets in this year. The mean ratio is 14.38% which reveals that co-operative earns 14.13% interest amount on total outside assets on an average under five year periods. Likewise C.V. is 7.48% which is in stable order. The table has been shown in figure 4.13 as below:

Figure – 4.13
Total Interest Earned to Total Investment Ratio

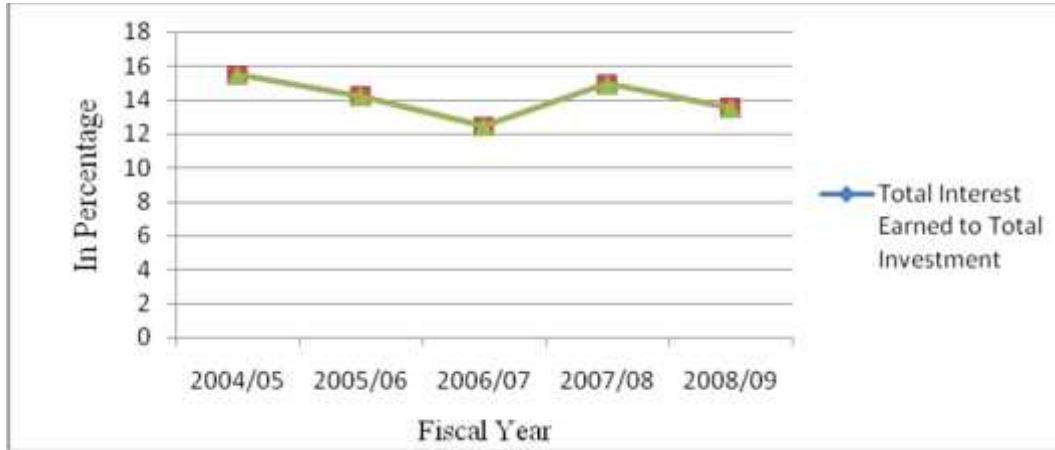


Figure 4.13 shows the trend of total interest earned to total investment ratio of BCSL during five years period i.e. F.Y. 2004/05 to F.Y. 2008/09. The ratio has decreasing trend follow by increasing till F.Y. 2006/07 and then it has increasing trend after that it gradually decreased at end year.

4. Total Interest Earned to Total Working Fund Ratio

This ratio indicates the extent of the co-operative being successful in mobilizing their assets to generate high income as interest. It reveals the earning capacity of a co-operative by mobilizing its working fund. High ratio indicates high earning power of the co-operative on its working fund and vice-versa. This ratio is obtained by dividing total interest earned to total working fund (Working details in appendix no.14).

Table – 4.15
Total Interest Earned to Total Working Fund

(In Percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	13.13	13.02	10.75	11.04	11.58	11.9	0.9932	8.25

Source: BCSL Annual Reports

From the table 4.15 it is visualized that total interest earned to total working fund ratio has mixed trend till F.Y. 2004/05 to F.Y. 2008/09 and that ratios are 13.13%, 13.02%, 10.75%, 11.04% and 11.58% respectively. Average of the ratio is 11.9% and coefficient of variation is 8.25% which proves that BCSL has high earning power and the fact that interest income to total assets is satisfactory in the five years period. The table 4.15 is shown in the figure 4.14 below:

Figure 4.14
Total Interest Earned to Total Working Fund Ratio

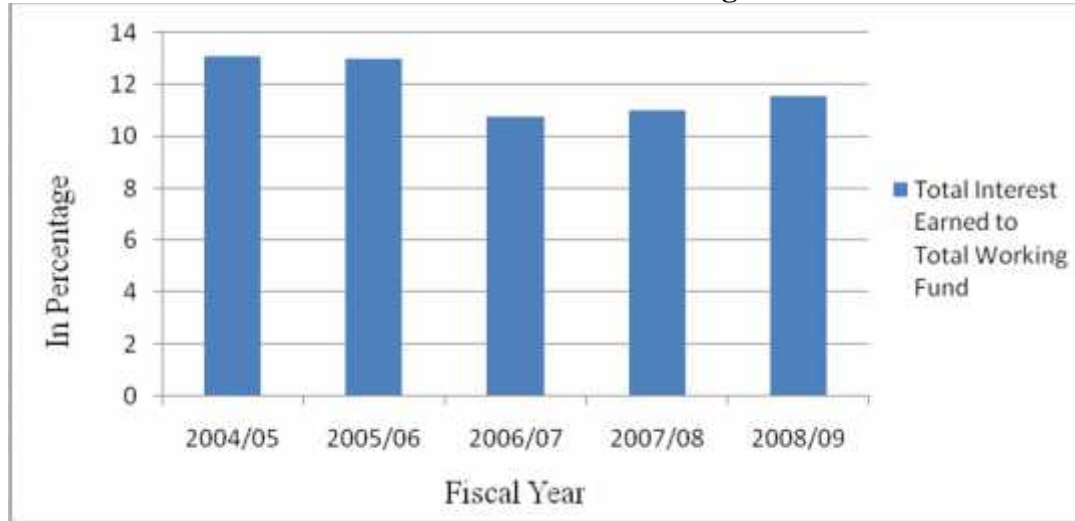


Figure 4.14 shows the total interest earned to total working fund ratio from F.Y. 2004/05 to F.Y.2008/09 which shows that this ratio has fluctuating percentage in each year. The high interest received is in the F.Y. 2004/05 i.e. 13.13%.

5. Total Interest Paid to Total Deposit Ratio

This ratio measures the percentage of interest paid against total deposit. Total interest paid is the amount which is paid to the lenders. A high ratio indicates the higher interest expenses on total deposit and vice versa. This ratio is computed by dividing total interest paid by total deposit (Working details in appendix no.15).

Table – 4.16

Total Interest Paid to Total Deposit Ratio

(In percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	9.22	10.48	8.9	9.08	10.87	9.71	0.8039	8.28

Source: BCSL Annual Reports

The ratio of total interest paid to total deposit ratio presented in table 4.16 are in fluctuating order. The highest ratio is 10.87% in the F.Y. 2008/09 and the lowest is 8.9% in the F.Y. 2006/07. The mean ratio is 9.71% and C.V. of BCSL i.e. 8.28%
The table 4.16 has been presented in figure 4.15 as below:

Figure – 4.15
Total Interest Paid to Total Deposit Ratio

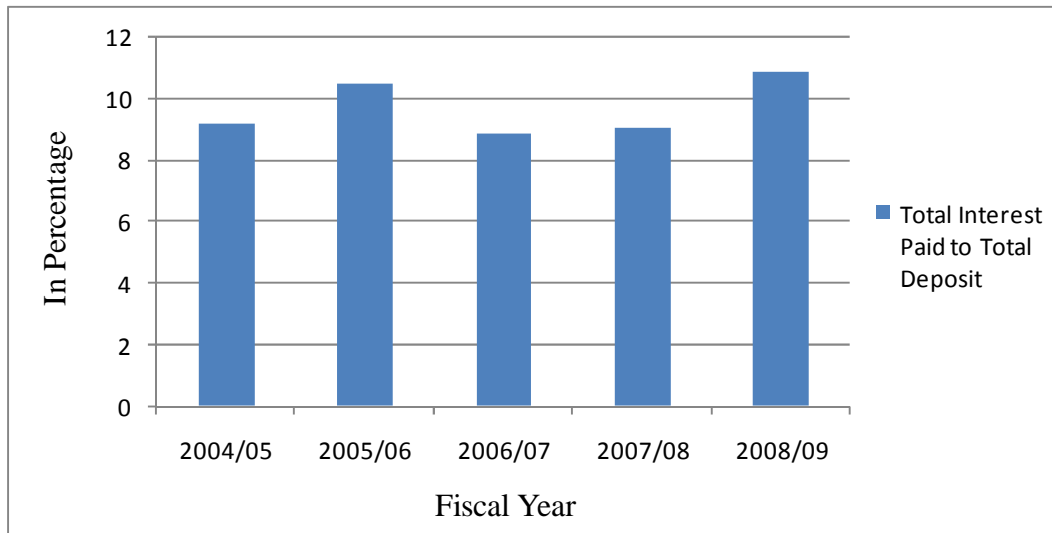


Figure 4.15 reveals that total interest paid to total working fund ratio. In the F.Y. 2008/09 BCSL has paid more interest than other fiscal years i.e. 10.45%. And it has paid less interest in F.Y. 2004/05 i.e. 8.12%.

6. Total Interest Earned to Total Interest Paid Ratio

This ratio is calculated to find out earned interest as compare to interest paid of BCSL. It reveals the earning capacity of co-operative. High ratio indicates high earning and vice versa. This ratio is calculated by dividing total interest earned by total interest paid (Working details in appendix no. 16).

Table – 4.17
Total Interest Earned to Total Interest Paid

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	162	142	131	130	111	135.2	16.702	12.35

Source: BCSL Annual Reports

The ratio of total interest earned to total interest paid are in decreasing order and they are 162%, 142%, 131%, 130% and 111% from F.Y. 2004/05 to F.Y. 2008/09

respectively. The mean ratio is 135.2% and the C.V. is 12.35%.The table 4.17 has been presented in figure 4.16 as below:

Figure – 4.16
Total Interest Earned to Total Interest Paid Ratio

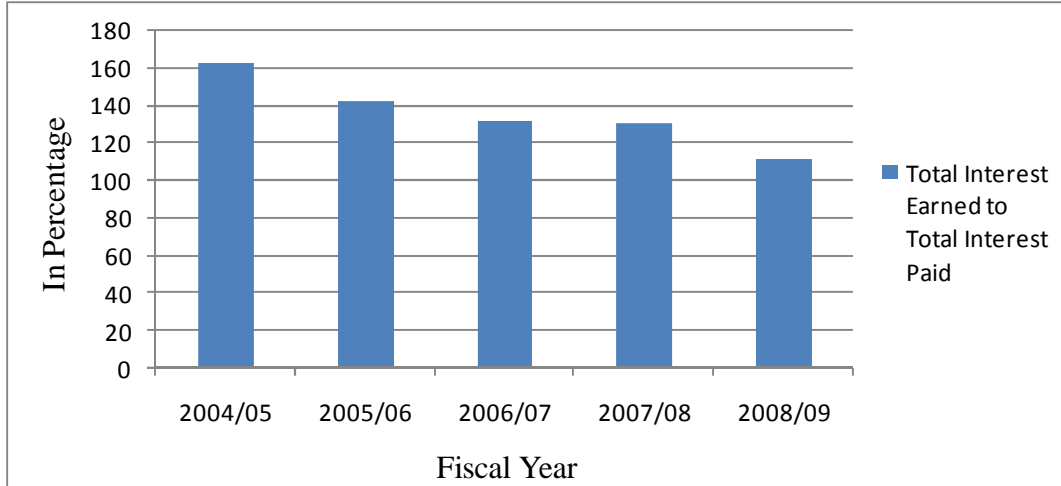


Figure 4.16 shows the total interest earned to total interest paid from F.Y. 2004/05 to F.Y. 2008/09 which shows that this ratio has decreasing trend. The high interest received and interest paid ratio of BCSL is in F.Y. 2004/05 i.e. 162%.

4.1.4.4 Risk Ratio

Risk is defined as the chance that actual outcome from an investment will differ from the expected outcomes. Risk is always sticks with return, if there is risk, return will be definitely there. Higher the risk higher will be return. Co-operative has to face high risk if it expects high return on its investment. Therefore, co-operative should accept and manage high risk to get high profit. Thus, following ratio has been computed to measure the level of risk.

1. Credit Risk Ratio

Co-operative makes investment by providing credit to different sector by utilizing its collected fund. The credit risk ratio measures the risk behind making investment or granting loan. While, making investment the co-operative should examines the credit risk involve in the project. This ratio is computed by dividing total loan and advances to total assets (Working details in appendix no. 17).

Table – 4.18
Credit Risk Ratio

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			

BCSL	84.84	91.45	86.16	73.95	85.47	84.37	5.7155	6.77
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Source: BCSL Annual Reports

Table 4.18 shows that credit risk ratio of BCSL for five years study period starting from F.Y. 2004/05 to F.Y. 2008/09 i.e. are 84.84%, 91.45%, 86.16%, 73.95% and 85.47% respectively. BCSL has maintain the highest ratio is 91.45% in F.Y. 2005/06 and the lowest ratio is 73.95% in F.Y. 2007/08. In average BCSL has maintained 84.37% which is slightly high. On the other hand co-efficient of variation of BCSL is 6.77% which indicates that BCSL credit policy is less stable and consistent.

Table 4.18 has been presented in figure 4.17 below:

Figure – 4.17
Credit Risk Ratio

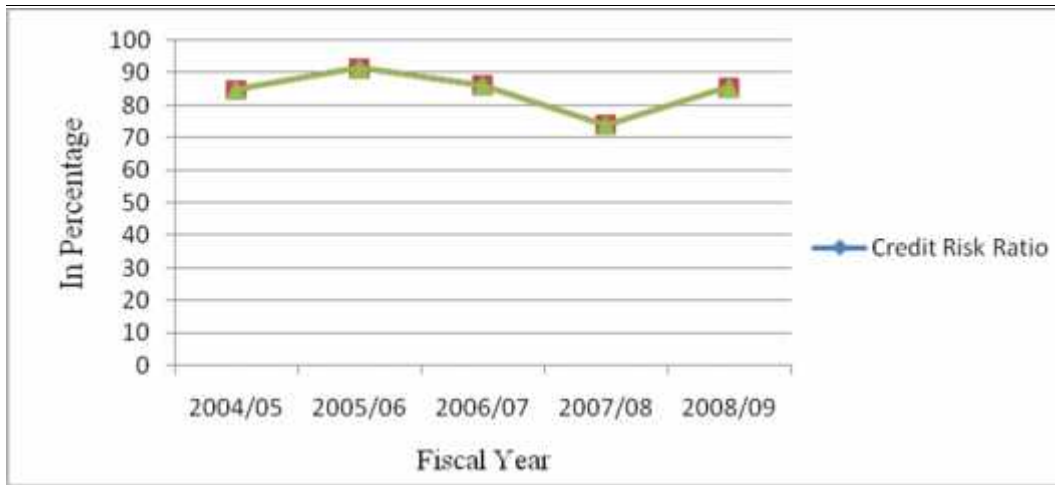


Figure 4.16 represents the credit risk ratio of BCSL at least square trend analysis method. This ratio has slightly increased in first two fiscal years but decreased for two fiscal years and later in F.Y. 2008/09 it goes up to 84.47%.

2. Capital Risk Ratio

Capital risk ratio measures co-operative ability to attract deposit and inter organization fund. It also determines the level of profits. High ratio indicates the high return and vice-versa. Capital risk ratio is obtained by dividing share capital by risk weight assets (Working details in appendix no. 18).

Table – 4.19
Capital Risk Ratio

(In Percentage)

Co-operative	Fiscal Year					Mean	S.D.	C.V. %
	2004/05	2005/06	2006/07	2007/08	2008/09			
BCSL	9.47	9.38	5.41	4.06	4.3	6.52	2.4122	37

Source: BCSL Annual Reports

Table 4.18 depicts the capital risk ratio of BCSL under five year study period starting from F.Y. 2004/05 to F.Y. 2008/09. The ratio seems to be in decreasing order. The ratios are 9.47%, 9.38%, 5.41%, 4.06% and 4.3% respectively. The highest ratio is 9.47% in F.Y. 2004/05 which indicates that co-operative has earned more return in this fiscal year. The lowest ratio is 4.3% in F.Y. 2008/09. Average ratio of BCSL is 6.52% and the co-efficient of variation is 37%. From the study it is concluded that there is a moderate degree of capital risk in BCSL during the study period. The table 4.19 is shown in the figure 4.18 as below:

Figure – 4.18
Capital Risk Ratio

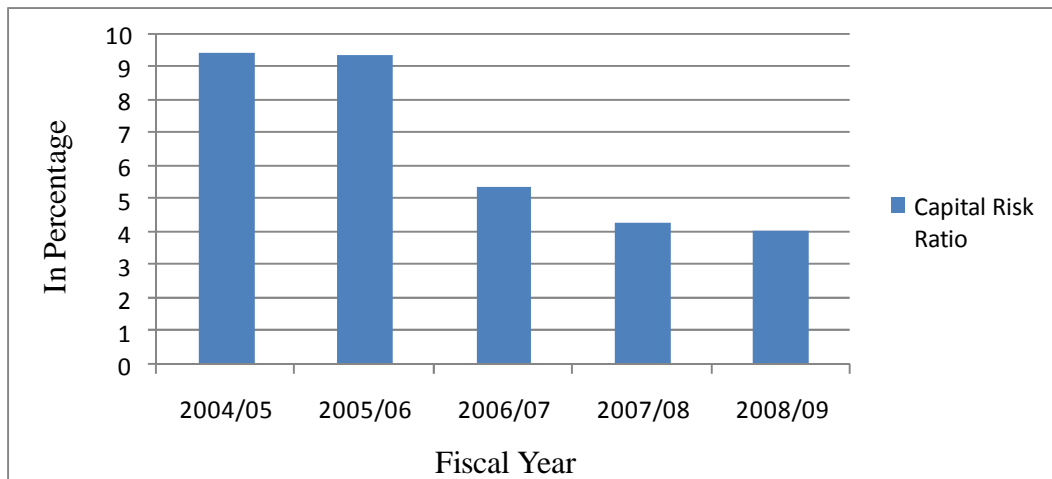


Figure 4.18 exhibits the capital risk ratio of BCSL from the F.Y. 2004/05 to F.Y. 2008/09. The ratio of capital risk has been continuously decreasing from the F.Y. 2004/05 to F.Y. 2008/09.

4.1.4.5 Growth Ratio

Growth ratio is directly related to the fund mobilization and investment decision of the co-operative. Growth ratio measures the increase and decrease of present year's figure in comparison to previous year's figure. The higher ratios represent the better performance of the co-operative. Under this topic, four types of growth ratios namely growth ratio of total deposit, loan and advance, total investment and net profit of BCSL for the study period has been analyzed (Working details in appendix no. 19).

Table – 4.20

Growth Ratio of Total Deposit

(In millions)

Co-operative	Fiscal Year					Growth Ratio
	2004/05	2005/06	2006/07	2007/08	2008/09	
BCSL	25.48	33	60.1	91.97	107.5	43.32

Source: BCSL Annual Reports

Figure – 4.19

Growth Ratio of Total Deposit

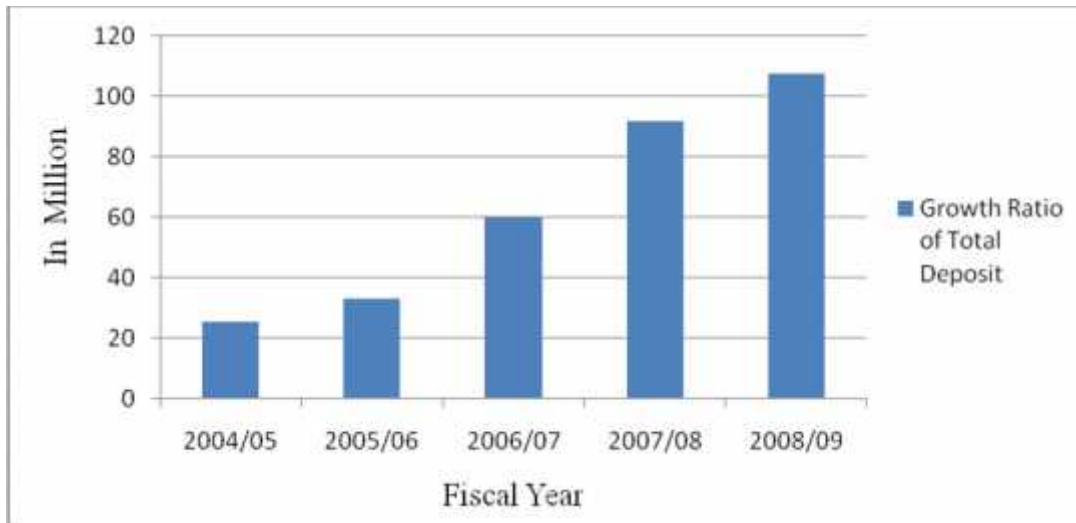


Table – 4.21
Growth Ratio of Total Loan and Advances

(In millions)

Co-operative	Fiscal Year					Growth Ratio
	2004/05	2005/06	2006/07	2007/08	2008/09	
BCSL	24.552	34.403	56.04	72.804	95.5	40.43%

Source: BCSL Annual Reports

Figure – 4.20
Growth Ratio of Total Loan and Advances

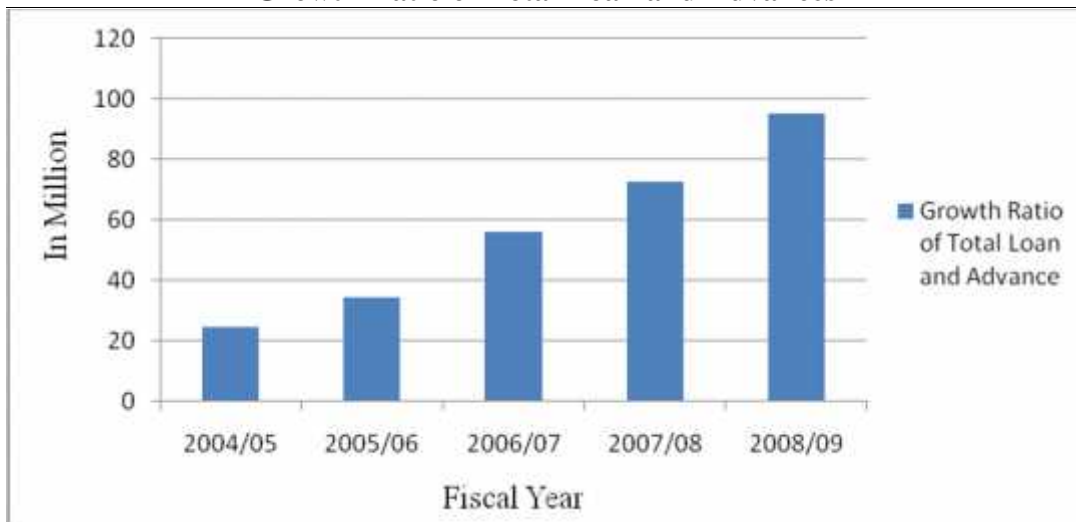


Table – 4.22
Growth Ratio of Total Investment

(In Millions)

Co-operative	Fiscal Year					Growth Ratio
	2004/05	2005/06	2006/07	2007/08	2008/09	
BCSL	24.55	34.45	56.1	72.87	95.51	40.44%

Source: BCSL Annual Reports

Figure – 4.21

Growth Ratio of total Investment

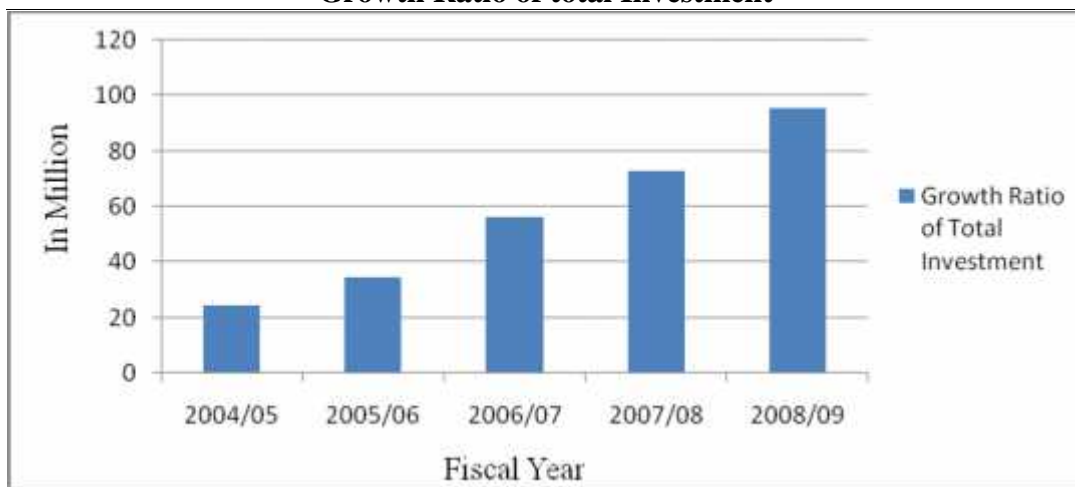


Table – 4.23

Growth Ratio of Net Profit

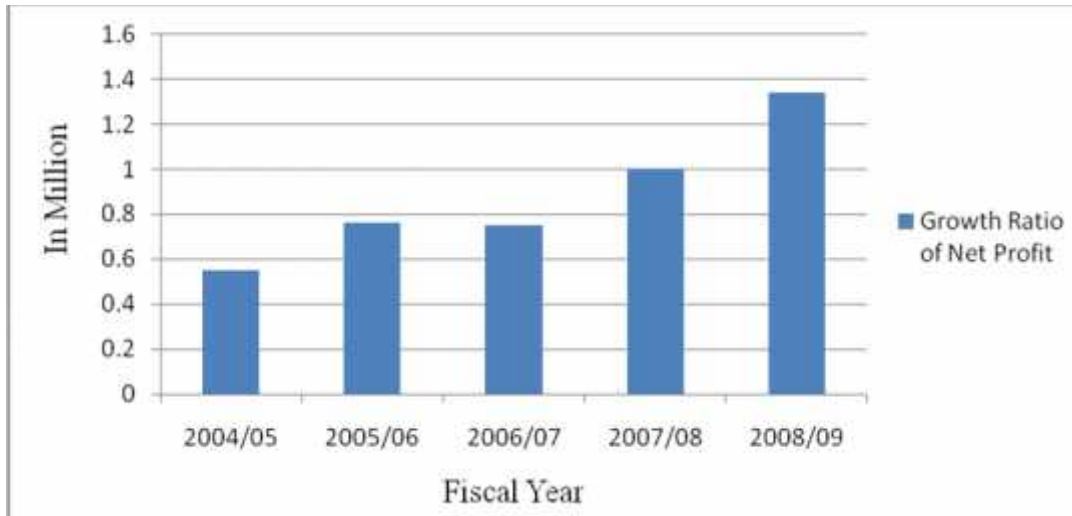
(In Millions)

Co-operative	Fiscal Year					Growth Ratio
	2004/05	2005/06	2006/07	2007/08	2008/09	
BCSL	0.5458	0.7613	0.7472	1.0007	1.335	25.06%

Source: BCSL Annual Reports

Figure – 4.22

Growth Ratio of Net profit



The table 4.20 shows the growth ratio of total deposit of BCSL under last six years study period. The analysis represents that total deposit of BCSL is slightly increasing over the years having net growth rate of 43.32% during the study period which cannot be considered as satisfactory.

Similarly, when we observe the growth ratio i.e. 40.43% of loan and advances in table 4.21, it seems that the co-operative is not able to successfully mobilize its fund in different sectors.

Likewise, table 4.22 represents the total investment of BCSL. It shows that total investment of co-operative is in increasing in decreasing order i.e. 40.44%. Finally, table 4.23 shows the growth ratio of net profit i.e. 25.06%. It indicates that co-operative is only able to generate 25.06% of profit growth during the five years study period.

4.1.5 Statistical Analysis

Under this chapter some statistical tools like correlation coefficient between different variables and trend analysis of variables related to investment are used to obtain the objectives of the study.

4.1.5.1 Co-efficient of Correlation Analysis

It is useful statistical tool for measuring the intensity of the magnitude of linear relationship between the series. Karl Pearson's Coefficient is the most common and useful tool to find out the relationship between deposit and loan and advance, investment and loan and advance, deposit and investment and investment and net profit (Working details in appendix no.20).

4.1.5.1.1 Co-efficient of Correlation between Deposit and Loan and Advances

The co-efficient and correlation between deposit and loan and advances describes the degree or relationship between two variables i.e. loan and advance. In this analysis, the deposit is considered as the independent variable (X) and the loan and advances are dependent variable (Y). The main objectives of finding out the correlation of coefficient

(r) between two variables are to justify whether deposit are increased or decreased and its effect in the volume of loan and advances respectively.

Table – 4.24

Correlation between Deposit and Loan and Advances

Correlation Coefficient (r)	Coefficient of Determination (r²)	p Er.	6*p.Er.	Remarks
0.9895	0.9791	0.0063	0.0375	r>6*p.Er.

Source: BCSL Annual Reports

Table 4.24 shows the value of correlation coefficient ‘r’, coefficient of determination ‘r²’, probable error ‘p.Er.’ and six times error ‘6*p.Er.’ between two variable i.e. deposit and loan and advances. While analyzing we find that correlation coefficient between deposit and loan and advances of BCSL is 0.9895. It is found that there is a high degree of positive correlation between deposits and loans and advances. Value of coefficient of determination (r²) is 0.9791 and it means 97.91% of the variation in the dependent variable (loan and advances) has been explained by the independent variable (deposit). When we compare the correlation coefficient (r) with 6*p.Er. correlation coefficient ‘r’ is found greater than of six times probable error i.e. 0.9895 > 0.0375. It shows that the relationship between deposit and loan and advances is significant.

4.1.5.1.2 Coefficient of Correlation between Investment and Loan and Advances

The correlation between investment and loan and advance measures whether the co-operative has a rigid policy to maintain a consistent relationship between two assets or other factor such a seasonal opportunity, economic demand, NRB directives etc. So, the increase or decrease in the volume of loans and advances directly reduces or increases the level of idle fund and this result is to effect the investment. Here investment is the independent variable (X) and the loan and advance is the dependent variable (Y).

Table – 4.25

Correlation between Investment and Loan and Advances

Correlation Coefficient (r)	Coefficient of Determination (r²)	p Er.	6*p.Er.	Remarks
1	1	0	0	r>6*p.Er.

Source: BCSL Annual Reports

As presented in table 4.25, the correlation coefficient between investment and loan and advances of BCSL is 1. It shows that there is a perfectly positive correlation between these two variables. The value of coefficient of determination ‘r²’ is also 1 and the other values is zero which shows that there is a strong positive relationship between investment and loan and advances and the co-operative is successfully mobilized its fund in loan and advances.

4.1.5.1.3 Coefficient of Correlation between Deposit and Investment

The coefficient of correlation between deposit and investment is to measure the degree of relationship between two variables. In correlation analysis deposit is independent variable (X) and investment is dependent variable (Y). The purpose of

computing coefficient of correlation is to justify whether the deposits are significantly used in proper way or not.

Table – 4.26

Correlation between Deposit and Investment

Correlation Coefficient (r)	Coefficient of Determination (r²)	p Er.	6*p.Er.	Remarks
0.9896	0.9793	0.0062	0.0374	r>6*p.Er.

Source: BCSL Annual Reports

The table 4.26 shows that the coefficient of correlation between independent variable deposit and dependent variable investment of BCSL is 0.9896 and coefficient of determination is 0.9793. This indicates that the 97.93% of the variation in the dependent variable (investment) has been explained by the independent variable (deposit). Further, p.Er. and 6*p.Er are 0.0062 and 0.0374 respectively. It shows that the value of coefficient 'r' is greater than six times probable error '6*p.Er.' i.e. $0.9896 > 0.0374$. Therefore value 'r' is significant which means there is a positive relationship between the deposit and the investment of BCSL.

4.1.5.1.4 Coefficient of Correlation between Investment and Net Profit

The coefficient of correlation between investment and net profit measures the degree of relationship between the two variables which are investment (independent variable) (X) and net profit (dependent variable) (Y). The main themes of finding out the correlation of coefficient 'r' between these two variables are to measure the significance of the relationship between investment and net profit.

Table – 4.27

Correlation between Investment and Net Profit

Correlation Coefficient (r)	Coefficient of Determination (r²)	p Er.	6*p.Er.	Remarks
0.9535	0.9092	0.0274	0.1644	r>6*p.Er.

Source: BCSL Annual Reports

Table 4.27 shows that the correlation coefficient 'r' between two variables is 0.9535 and the coefficient of determination 'r²' is 0.9092. It is found that there is a high degree of positive correlation between investment and net profit and it exhibits that 90.92% dependent variable i.e. net profit has been explained by the independent variable i.e. investment. Further, the correlation coefficient 'r' is more than 6 times probable error ($0.9535 > 0.1644$), which means the relationship between investment and net profit is significant.

4.1.5.2 Least Square Trend (Regression) Analysis

Regression is the statistical tool which is used to determine the statistical relationship between two or more variables and to make prediction of one variable on the basis of other variable. Trend analysis, present or future analysis, is utilized to see the movement of upward or downward by the help of given numerical values of some

specified period of time. Under this study, trend analysis of the deposit, loan and advance, investment and net profit of BCSL from F.Y. 2004/05 F.Y. 2008/09 and makes forecasting of the following five years i.e. till 2013/14 (Working details in appendix no. 21).

The forecasting is based on the following assumption.

- The main assumption is that other things will remain unchanged.
- The co-operative will remain in the present position.
- The forecast will be true only when a limitation of least square method is carried out.
- The economic will remain the present stage.

4.1.5.2.1 Trend Analysis of Total Deposit

The trend value of the total deposits in the study period is calculated and next five years trend value of deposits is forecasting on the basis of last five years deposit trend. The calculated trend value of the study period i.e. F.Y. 2004/05 to F.Y. 2008/09 is on the basis of real data and on the basis of these values, next five years i.e. F.Y. 2009/10 to F.Y. 2013/14 trends values are expected.

Table – 4.28

Trend values of Total Deposit

(In millions)

S.No.	Years	Trend Values
1	2004/05	19.008
2	2005/06	41.309
3	2006/07	63.61
4	2007/08	85.911
5	2008/09	108.212
6	2009/10	130.513
7	2010/011	152.814
8	20011/12	175.115
9	2012/13	197.416
10	2013/14	219.717

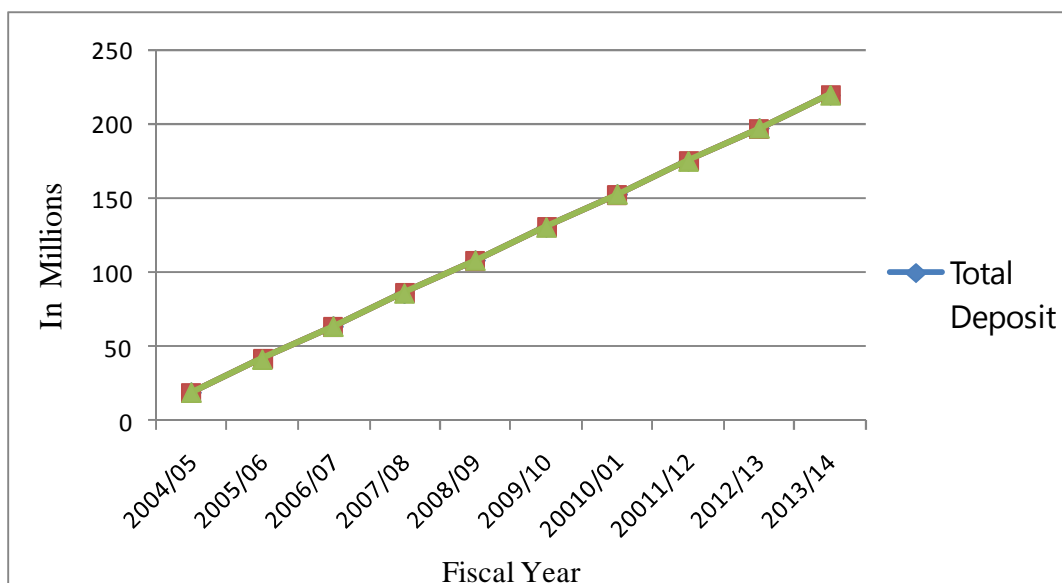
Source: BCSL Annual Reports

The above table 4.28 shows that the trend values of the total deposit of first five years study period and then forecasting next five years values on the basis of these five data of BCSL. The trend value of total deposit of BCSL has positive in all study period which is in increasing trend. If other things remaining the same or constant, total deposit of BCSL will be Rs. 219.17 million in the F.Y. 2013/14.

The calculated trend values of total deposit of BCSL are fitted in the trend line that is shown in the following figure 4.23.

Figure – 4.23

Trend Analysis of Total Deposit



The above figure 4.23 shows that the trend of total deposit of the co-operative is increasing year by year. The reason of increasing in total deposit is rise in special policy affiliated by the co-operative.

4.1.5.2.2 Trend Analysis of Loan and Advances

The scenario of the total loan and advance in the study period is calculated and the next five years trend value of loan and advances is forecasted on the basis of last five years loan and advances trend. The trend values of loan and advances of BCSL has calculated for the five year from F.Y. 2004/05 to F.Y. 2008/09 and the forecast for the next five years i.e. F.Y. 2009/10 to F.Y. 2013/14 are shown in the table 4.29.

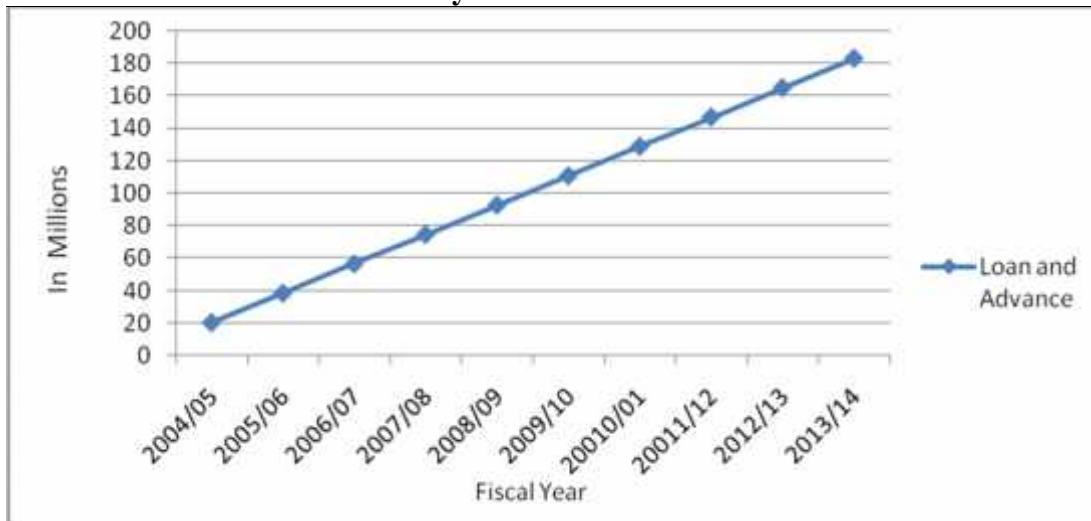
Table – 4.29
Trend Values of Loan and Advances
(In millions)

S.No.	Years	Trend Values
1	2004/05	20.6
2	2005/06	38.63
3	2006/07	56.66
4	2007/08	74.69
5	2008/09	92.72
6	2009/10	110.75
7	2010/011	128.78
8	2011/12	146.81
9	2012/13	164.84
10	2013/14	182.87

Source: BCSL Annual Reports

As presented in the table 4.29, it is found that the loan and advance of BCSL is in increasing trend from F.Y. 2004/05 to F.Y.2013/14. If the other things remaining the same the loan and advance of BCSL will be Rs. 182 millions in F.Y. 2013/2014. The calculated trend values of the total loan and advances of BCSL are plotting in the trend that is shown in the following figure 4.24.

Figure – 4.24
Trend Analysis of Loan and Advances



4.1.5.2.3 Trend Analysis of Total Investment

Under this topic, an effort has been made to calculate the trend value of total investment of BCSL for five years from F.Y. 2004/05 to F.Y. 2008/09 and forecasting for five years i.e. F.Y. 2009/10 to F.Y. 2013/14. The following table shows the trend value of ten years from F.Y. 2004/05 to F.Y.2013/14.

Table – 4.30
Trend Values of Total Investment
(In millions)

S.No.	Years	Trend Values
1	2004/05	20.692
2	2005/06	38.662
3	2006/07	56.639
4	2007/08	74.73
5	2008/09	92.764
6	2009/10	110.798
7	2010/011	128.832
8	20011/12	146.87
9	2012/13	164.9
10	2013/14	182.934

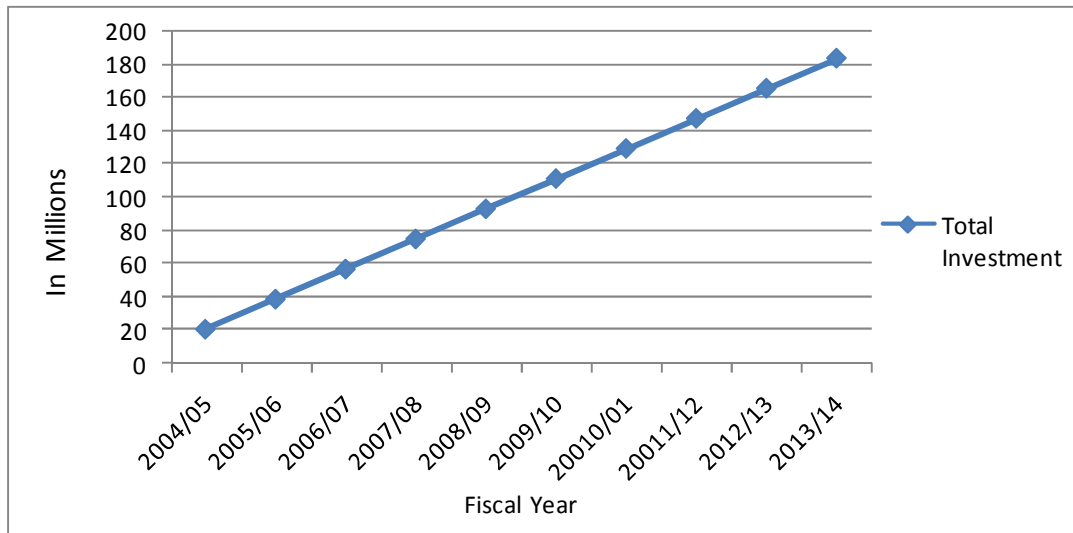
Source: BCSL Annual Reports

The table 4.30 represents that the trend value of total investment of BCSL. The trend value is in positive order and increasing from F.Y. 2004/05 to F.Y. 2013/14. The

trend values of total investment from F.Y. 2004/05 to F.Y. 2013/14 are Rs. 20.692 millions, Rs. 38.662 millions, Rs. 56.693 millions, Rs. 56.639 millions, Rs. 74.73 millions, Rs. 92.764 millions, Rs. 110.798 millions, Rs. 128.832 millions, Rs. 146.87 millions, Rs. 164.9 millions and Rs. 182.934 million respectively. If other things remain unchanged the same the total investment of BCSL will reach to Rs. 182.934 millions.

The calculated trend values of total investment of BCSL are fitted in the trend line is depicted in the following figure 4.25.

Figure – 4.25
Trend Analysis of Total Investment



4.1.5.2.4 Trend Analysis of Net Profit

The following table shows the trend values of net profit of BCSL has been calculated for five years from F.Y. 2004/05 to 2008/09 and the forecast for next five years i.e. from F.Y. 2009/10 to 2013/14 has been made is shown in table 4.31.

Table – 4.31
Trend Values of Net Profit
(In millions)

S.No.	Years	Trend Values
1	2004/05	0.52
2	2005/06	0.7
3	2006/07	0.88
4	2007/08	1.06
5	2008/09	1.24
6	2009/10	1.42
7	2010/011	1.6
8	2011/12	1.78

9	2012/13	1.96
10	2013/14	2.14

Source: BCSL Annual Reports

The trend values of net profit of ten years listed in table 4.31 reveals that the profit of BCSL is in positive trend increasing from F.Y. 2004/06 to F.Y. 2008/09 and the forecasted net profits are also in increasing trend from F.Y. 2009/10 to F.Y. 2013/14. The net profits of BCSL trend analysis are Rs. 0.52 million, Rs. 0.7 million, Rs. 0.88 million, Rs. 1.06 million, Rs. 1.24 millions, Rs. 1.42 millions, Rs. 1.6 millions, Rs. 1.78 millions, Rs 1.96 millions and Rs. 2.14 millions from the F.Y. 2004/05 to F.Y. 2013/14 respectively. If other things remaining unchanged the net profit of BCSL will reach to Rs. 2.14 millions in F.Y. 2013/14.

The calculated trend values of net profit of BCSL are plotted in the trend line that is exhibited in the figure 4.26.

Figure – 4.26
Trend Analysis of Net Profit

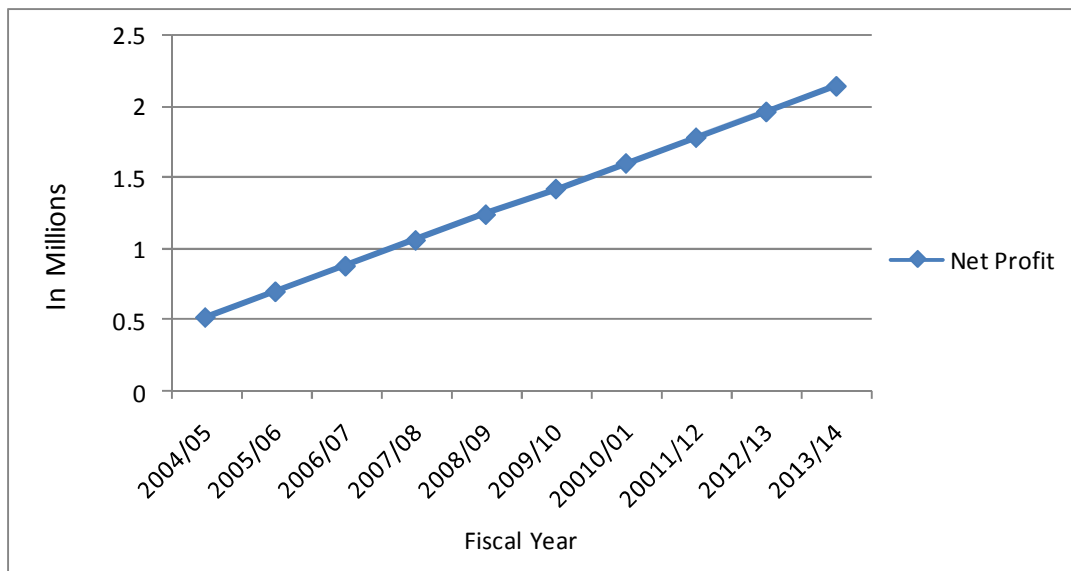


Figure 4.26 shows that the trend analysis of net profit of BCSL from F.Y. 2004/05 to F.Y. 2013/14. It exhibits that BCSL is running in profit in each and every year with increasing trend.

4.2 Major Findings of the Study

The major findings of the study on deposit collection and investment pattern of BCSL are as follows:

- The trend of total deposit collection is increasing during the study period of five years starting from F/Y 2004/05 to F/Y 2008/09. The highest amount of deposit collection during the F.Y. 2008/09 i.e. Rs. 107.5 millions and the lowest amount has seen in F.Y. 2004/05 i.e. Rs. 25.48 millions. The mean amount of deposit collection of the study period is Rs.63.61 millions.

- Deposit collection of BCSL consist recurring saving deposit, special saving deposit and fixed deposit. Recurring saving deposit has covered the major portion of the total deposit i.e. 45.89% of total deposit which shows that the co-operative can survive in competitive market and the special saving deposit contributes less to the total deposit i.e. 22.67% of total deposit.
- In fixed deposit, BCSL has collected 31.44% deposit out of total deposit for the last five years i.e. F.Y. 2004/05 to F.Y. 2008/09. It has been increasing trend during the study period. It shows that BCSL can make long term investment through fixed deposit to generate more profit.
- The total investment composition of BCSL from F.Y. 2004/05 to F.Y. 2008/09 has made on company's shares and loans and advances. The analysis data indicates that the amount invested by BCSL on company's shares are nil in F.Y. 2004/05 and from F.Y. 2005/06 to F.Y. 2008/09 it has invested 0.05 million, 0.055 million, 0.06 million and 0.06 million respectively in company's shares.
- BCSL has invested almost all of their deposit in loan and advances. It has invested 24.552 million, 34.353 million, 55.98 million, 72.744 million and 95.44 million in loan and investment sectors from F.Y. 2004/05 to F.Y. 2008/09 respectively.
- The mean percentages of investment composition of BCSL are 0.078% and 99.922% for company's shares and loan and advances respectively.
- The sector wise loan investment of total loans and advances explains BCSL's trend of lending for different purpose. BCSL invest its loans in different sectors such as business loan, hire purchase loan, fixed deposit loan, housing loan, household loan, recurring saving deposit loan, educational loan and others loan sector and the means ratio of them are 44.523%, 28.359%, 1.58%, 5.381%, 0.009%, 8.252%, 0.142% and 13.754% respectively. Among them business loan has the highest mean percentage i.e. 44.523% and household loan has the lowest mean ratio i.e. 0.009%. It shows that BCSL is enjoying in highly investment on business loan.

- Current ratios of BCSL are 4.21times, 2.08 times, 2.91 times, 5.01 times and 4.98 times for F.Y. 2004/05 to F.Y. 2008/09 respectively which is above the conventional standard level 2:1 times. The mean ratio for the study period is 3.84 times and C.V. between them is 30.3% which is not considered as satisfactory.
- Cash and bank balance to total deposit ratio of BCSL are in fluctuating trend i.e. 16%, 12%, 19%, 31% and 18% respectively. The mean ratio is 6.37% and C.V. between them is 33.53%. In F.Y. 2007/08, this ratio is highly rises to 31% it means that the liquidity position is high in this year and BCSL has low liquidity position in F.Y. 2005/06 i.e. 12%.
- Cash and bank balance to current assets ratio of BCSL are also in fluctuating order i.e. 86%, 81%, 91%, 93% and 83% from F.Y. 2004/05 to F.Y. 2008/09 respectively. The mean ratio of cash and bank balance to current ratio is 87% and C.V. is 5.26%, less the C.V. higher will be liquidity position and vice versa.
- BCSL has used large portion of its current assets on loan and advances. This ratio ranges from 519.2%, 708.9%, 444.5%, 237.5% and 420.5% from F.Y. 2004/05 to F.Y. 2008/09 respectively. The mean ratio and the C.V. between them are 466.12% and 32.76% respectively. It shows that BCSL has mobilized maximum current assets in loan and advance but too high ratio might not better from the view point of liquidity.
- Loan and advance to total deposit ratio of BCSL is 96.36%, 104.25%, 93.24%, 79.25% and 88.84% respectively from F.Y. 2004/05 to F.Y. 2008/09. The average ratio and C.V. between them are 92.39% and 8.957% respectively. This shows that the BCSL main source of income comes from interest earned from loan and advance. There is a high degree of positive correlation between deposit and loan and advances.
- The ratio between total investments to total deposit form F.Y. 2004/05 to F.Y.2008/09 are 96.35%, 104.39%, 93.34%, 79.23% and 88.85% respectively. It is clear that this ratio has got fluctuating percentage in each year. In F.Y. 2005/06 it has the highest ratio i.e. 104.39% and F.Y. 2007/08 it has lowest ratio i.e. 79.23%. The mean ratio and the co-efficient of variation of BCSL regarding

- investment and deposit are 92.43% and 9% respectively. It shows that BCSL is highly capable of mobilizing its deposit into different investment sectors to generate profit.
- Loan and advances to total working fund ratio indicates the maximum utilization of total earning fund for the fund mobilization towards loan and advances. From the analysis it is found that the ratios are in good condition i.e. 84.84%, 91.45%, 86.16%, 74.01% and 85.47% from the F.Y. 2004/05 to F.Y. 2008/09 respectively. The mean ratio is 84.4% which indicates that 84.4% of total assets are mobilized on loan and advances.
 - BCSL has positive result in return on total assets i.e. 1.89%, 2.03%, 1.15%, 1.02% and 1.19% for the study period. The highest ratio is in F.Y. 2005/06 i.e. 2.03% and the lowest ratio is 1.02% in F.Y. 2007/08. The average ratio is 1.46% and the co-efficient of variation 28.61%. Although the co-operative is not in loss it has lesser return in the last three years period.
 - return on loan and advance ratio of BCSL from F.Y. 2004/05 to F.Y. 2008/09 are 2.22%, 2.21%, 1.33%, 1.37% and 1.4% respectively. The average ratio is 1.71% and co-efficient of variation is 24.34%. Return on loan and advance of BCSL is in decreasing order. It has higher ratio in F.Y. 2004/05 which indicates that BCSL is able to earn high return on its loan and advance. The lowest return on loan and advance is in F.Y. 2008/09 which indicates lower income generation.
 - The total interest earned to total investment ratios are highly fluctuated i.e. 15.48%, 14.22%, 12.46%, 14.02% and 13.55% respectively. Highest ratio is 15.48% which reveals that BCSL has successfully utilization of total assets in this year and earned more interest. The mean ratio is 14.013% and C.V. is 7.48% which is in stable order.
 - Total interest earned to total working fund ratio has mixed trend till F.Y. 2004/05 to F.Y. 2008/09 and that ratios are 13.13%, 13.02%, 10.75%, 11.04% and 11.58% respectively. Average of the ratio is 11.9% and co-efficient of variation is 8.25% which proves that BCSL has high earning power and the fact that interest income to total assets is satisfactory in the five years period.

- The total interest paid to total deposit ratio of BCSL are 9.22%, 10.48%, 8.9%, 9.08% and 10.48% from F.Y. 2004/05 to F.Y. 2008/09 respectively. The mean ratio of BCSL is 9.71% which means BCSL has not paid high interest during the study period. On the other hand the C.V. of BCSL i.e. 8.28% which indicates that the co-operative is able to make ratio stable and consistency during the study period.
- The total interest earned and total interest paid ratio of BCSL are 162%, 142%, 131%, 130% and 111% from F.Y. 2004/05 to F.Y. 2008/09 respectively. The mean ratio is 135.2% and the C.V. is 12.35%.
- The risk ratio behind making investment is measured by credit risk. Mean credit risk of BCSL is 83.47% which is normally high ratio. From the analysis, it can be concluded that BCSL has high risk ratio.
- Capital risk ratio determines the level of profit that means high ratio indicates high return as well as high lost. Mean capital risk ratio of BCSL is 6.225 which reveals that BCSL has maintain capital risk ratio as satisfactory level.
- The growth ratio indicates the ability of co-operative to maintain the economic and financial position.
- The analysis of the growth ratio of total deposit, total loan and advances, total investment and net profit of BCSL during the study period i.e. F.Y. 2004/05 to 2008/09 shows that total deposit of co-operative is in increasing trend over the year having growth rate of 43.32%. Similarly, total loan and advances, total investment and total net profits of the BCSL is in also increasing trend with net growth rate of 40.43%, 40.44% and 25.06% respectively.
- Correlation co-efficient (r) between deposit and loan and advances of the BCSL is 0.9895 and the probable error multiply by six is found to be 0.0375. Since 'r' is greater than 6*p.Er. ($0.9895 > 0.0375$) and 'r' is nearby one and positive. It reveals that there is very strong positive relation between deposit and loan and advances.
- The correlation analysis shows that the correlation co-efficient 'r' between investment and loan and advances of the BCSL is 1 which is positive. This

reveals that there is perfect positive correlation between investment and loan and advances.

- The correlation co-efficient 'r' between deposit and investment of BCSL is 0.9793 which is greater than probable error multiply by six times i.e. $6 * p.Er.$ is found to be 0.0374. Since, 'r' is greater than $6 * p.Er.$ and 'r' is positive and nearby 1, it can be inferred that there is high degree positive correlation between deposit and investment during the research period.
- The correlation co-efficient between investment and net profit is 0.9535 and probable error multiple by six is found to be 0.1644 and 'r' is positive and also nearby 1. It shows that the value of correlation is significant and has positive relationship between investment and net profit.
- The trend analysis of deposit, loan and advances, investment and net profit and projection for next four year of BCSL reveals that the deposit collection is the one of the main important part of financial institution. The deposit of BCSL will be Rs. 219.717 million in F.Y. 2013/14. This forecast will be possible if other things remaining the same.
- The trend values of loan and advances of ten years reveal that the loan and advances of the co-operative is in increasing trend. The total loan and advances of BCSL will reach to Rs. 182.87 million in F.Y. 2013/14, if other things remaining the same.
- If other things remaining the same, the investment position of BCSL will reach to Rs. 182.934 million in F.Y. 2013/14. It will be possible if the economic condition of the co-operative does not go down.
- The net profit of the co-operative shows its capacity of financing. It is found that the net profit of BCSL is increasing trend for next five years. The net profit of BCSL will be Rs. 2.14 million in F.Y. 2013/14, if other things remaining the same.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATION

This chapter includes the three aspects of the study i.e. summary, conclusion and recommendations. The first part reflects the summery of the whole study, second part makes concluding remarks upon them and lastly, it draws some useful suggestions and recommendations based on findings.

5.1 Summary

Economic development of the country cannot be happened without the systematic and pre-planned development of trade and commerce. Undoubtedly, a financial institution stimulates the development of commerce to its domain. The co-operative movement is rendering useful services for the economic progress and well being of the country. Co-operative societies try to eliminate middlemen and provide product and service at the fair prices to its members. Co-operative not only provide services at fair prices but also provides quality which result in improvement of the standard of living. It provides loans to poor at a low rate of interest and it also make effort to unite the members so that they stand on by their own feet. So, co-operative is considered as a medium of economic development of the country.

The study was conducted with the objective to evaluate the deposit and investment pattern of BCSL over the five years study period from F.Y. 2004/05 to F.Y. 2008/09 designed within the frame work of case study, descriptive research design and analysis has been made on the same way. For the analysis purpose, BCSL has taken as study unit with applying convenience-sampling techniques out of 9362 co-operatives. The required data for the analysis are collected from the secondary sources. The data mainly obtained from the annual reports, financial statements, web sites etc. To analyse and interpret the data and information, financial and statistical tools have been employed. Under financial tools liquidity ratios, assets management ratios, profitability ratios, risk ratios, growth ratios are calculated and under statistical tools mean, standard deviation, covariance and correlation coefficient and regression analysis or trend analysis have been done to get result.

Deposit is the lifeblood of the every financial institution. Co-operative collects deposit from public through different accounts i.e. recurring saving a/c, special deposit a/c and fixed deposit a/c. Deposit is the amount that customers have put on the co-operative to get security against possible loss and to generate more money from the certain amount of money. This fund helps co-operative to grow up. The utilization of the co-operative collected deposit indicates the effectiveness of the management. From analyse, the deposit and investment pattern of BCSL has observed that there is slightly fluctuating trend over the study period which reveals that BCSL has mainly focused on investment on other company's shares and loans and advances. Likewise total amount of loan disbursement has been made for different purpose.

In the analysis of financial ratios, the liquidity ratio which included current ratio, cash and bank balance to total deposit ratio, cash and bank balance to current asset ratio and loan and advances to current asset ratio showed that the co-operative has less strong liquidity position. Liquidity position of a co-operative may affect by external as well as internal factors. Such factors may be supply and demand position of loan and advance, internal rates, NRB directives, co-operative rules and regulations, saving, investment, lending policies, capability of management, strategic planning and fund flow situation etc. Similarly to measures the assets management ratio, basically loans and advances to total deposit ratio, total investment to total deposit ratio and loan and advances to total working fund ratio were calculated. Loan and advances to total deposit ratio shows that the co-operative is able to highly mobilize its deposit's fund to earn profit by providing fund to outsider in the form of loan and advances. Total investment to total deposit ratio and total loan and advances to total working fund ratios are also in stable order which shows that the BCSL is consistently able to utilize its total working fund for generating high profit. Further more different types of ratios such as, return on total assets, return on loan and advances, total interest earned to total assets, total interest earned to total working fund and total interest paid to total deposit ratios have been calculated in order to measure the profitability ratio of BCSL. Return on total assets and return on loan and advances ratio depicts that BCSL has not mobilizing resources efficiently. Likewise total interest earned to total assets seemed to be success to earn high interest from its outside

assets. Similarly, total interest earned to total working fund ratio of BCSL has better earning power to its working fund. Total interest paid to deposit ratio shows that BCSL has paid normal interest during the study period.

To evaluate the risk ratio, the highest risk of BCSL is in credit risk. From the view point of growth ratio, BCSL has highest growth ratio of total investment as compared to other growth ratios they are growth ratio of total loan and advances, growth ratio of total deposit and growth ratio of net profit. The growth ratio of net profit is very low. There exists a strong positive correlation between deposit, loan and advances, investment and net profit. Finally, while calculating the trend value of total deposit, loan and advances, total investment and net profit, if other things remaining the same the future trend of next five years will be in increasing range.

5.2 Conclusion

Based on the findings of the study, following conclusions have been drawn which are summarized here.

- Total deposit collection percentage of BCSL is satisfactory.
- The deposit volume of the BCSL during the study period has been in increasing rate in each fiscal year. This shows that the co-operative is putting additional effort and in aggressively caught up in deposit collection. It can also be observed that the percentage of recurring saving deposit has in first rank, fixed deposit in second and special deposit in third.
- From the study, it is found that BCSL invested more funds in loan and advances and rest it invested in other company's shares.
- The sector wise loan investment of co-operative during the study period reveals that BCSL has categorized its loan portfolio in eight sectors. The loan disbursements on business sector, hire purchases sector recurring saving sector and other loan sectors are in higher position and fixed deposit sector, housing sector, household sector and educational sector are in lower portion of total loan and advances.

- The liquidity position of the co-operative is weak. Its current ratio is not satisfactory as it has maintained a 3.84:1 time which is above the conventional standard level i.e. 2:1. Cash and bank balance to total deposit and the cash and bank balance to current ratio of BCSL are in fluctuating order. It shows that there is high proportion of cash and bank balance than the proportion of investment and also the inconsistency of ratio shows lack of specific policy to invest the additional idle fund into high income generating assets. On the average, the co-operative has invested more current assets on loan and advances which shows that the co-operative effectiveness is in mobilizing its total loan and advances for income generating purpose.
- Through the analysis of assets management ratio, nearly 93% of total deposit has converted into loan and advances which reveals that the co-operative has effectively mobilized its deposit in income generating activities. The total investment to total deposit is higher which shows that BCSL is highly capable of mobilizing its deposit into different investment sectors to generate profits. The loan and advance to total working fund ratio of BCSL is higher, which indicates that it is in strong position to mobilize its total working fund as loan and advances.
- In the analysis of profitability ratio, the net income of return on total asset and return on loan and advances ratios are in positive return which shows that the ability of the management to utilize co-operative assets to generate profit. The co-operative has earned more interest with the effective utilization of total investment and total working fund but it has paid stable amount of interest to total deposit fund.
- Total interest earned to total interest paid ratio is in decreasing order although it earns profits. So, co-operative should consider more relevant sector to invest its fund to earn more interest.
- From the analysis of risk ratio, it can be concluded that the credit risk of the co-operative is higher. Higher the credit risk means higher the possibility of loan and advance to go into default.

- The growth ratio of total deposit, loan and advance, investment and net profit has increased. It shows that BCSL is employing safe landing procedure for investing its funds and this leads to increase in return.
- From the analysis made in chapter four, it can be concluded that there is strong positive relationship between deposit, loan and advances, investment and net profit during the study period.
- Through the analysis of deposit, loan and advances, investment and net profit of BCSL, it can draw a conclusion that the trend values of those variable will be positive increment for next five years, if other things remaining the same.

5.3 Recommendations

The following recommendations are made based on the conclusion regarding deposit collection and investment pattern of the Bishal Co-operative Society Limited.

- While analyzing the deposit pattern, it is found that maximum amount of deposit are collected from recurring saving deposit and fixed deposit are in increasing order. Increasing in saving deposit and fixed deposit are good for the co-operative as well as personnel. So, the co-operative is suggested to increase recurring saving fixed deposit without ignoring the other types of deposits.
- Special saving deposit of BCSL is also in increasing order in every year but in lower percentage. So, the co-operative is also suggested to apply new and attractive policies to raise the deposit volume through the special saving deposit.
- It is found that the volume of total deposit composition of BCSL is in increasing order in each and every study period. So, it is suggested that co-operative should follow the same policy in future.
- For achievement of targeted and objectives of co-operative, it is required to make better investment policy. Investment on those securities which is issued by government i.e. treasury bills, government bonds and national saving bonds which are free of risk and highly liquid in nature but such securities yield lower rate of

interest at stated maturity due to lower risk. So, the co-operative is advised to give importance to invest more on government securities for safety and diversification of investment. But if co-operative has to earn more return by the investment portfolio, it should invest its fund on other investment alternatives like invested on company's shares, commercial sectors and loan and advances etc. but co-operative should consider the risk.

- Sector wise loan investment of BCSL is in increasing range. So it is recommended to keep the same vision in future.
- The co-operative is unsuccessful in maintain the standard norms i.e. 2:1. The current ratio of BCSL is more than needed ratio which shows that it has idle assets which may gain profit. Therefore the BCSL is suggested to maintain required ratio and it should used proper policy to invest its idle assets for further gain in different sectors.
- Cash and bank balance are kept in the bank to tackle future opportunities and risk. Therefore, the co-operative should keep cash and bank balance to total deposit ratio and cash and bank balance to current asset ratio in stable condition. So, it is recommended to maintain those ratios stable and consistent.
- The loan and advances to current assets ratio of BCSL is in fluctuating order. So, co-operative is recommended to utilize their resource more efficiently because too high ratio might not be better from the view point of liquidity. But the loan and advances to total deposit ratio of BCSL is in satisfactory level.
- Loan and advances to total working fund ratio of co-operative is quite higher. So, co-operative is suggested to maintain the ratio stable and consistent.
- The main objectives of co-operative are to improve their member's life economically, socially and culturally for this they need some sort of funds to generate profit. A co-operative earns maximum profit, if it mobilizes its fund properly. But the return on total assets ratio and return on loan and advances ratios have been decreased in other fiscal years regarding to first years of the study period. BCSL has earned less profit as compare to previous years of the

- study. Therefore, the co-operative is suggested to use its total assets in productive sector effectively in order to increase the profit.
- Interest earned from total assets ratio and interest earned from total working fund of co-operative is found fluctuating up and down. So, the co-operative should try to mobilize its total assets and total working fund in such sector where the income is high and risk is negligible.
 - Total interest paid to total deposit ratio of BCSL shows that its interest paying ratio is greater and the total interest earned to total interest paid ratio of BCSL is in decreasing order. So, it is recommended to BCSL should take off their hands in utilizing their total assets towards non-productive sector and select productive sector only.
 - Co-operative has to have an idea of the level of risk that one needs to bear while investing its funds. The highest risk of BCSL is in credit risk. Thus, it is recommended that co-operative should minimize the credit risk to achieve the high profit.
 - Growth rate of the total deposit, loan and advances and investment are satisfactory level but growth rate of net profit has highly fluctuated. For strengthening the financial position and economic condition, the co-operative is suggested to keep stable and consistency growth ratio of net profit.
 - Modern growth rate as seen by the trend analysis of BCSL for further five years projection i.e. up to F.Y. 2013/14 induce to suggest the co-operative to formulate sound deposit and investment policy to achieve high growth rate and generate high profit to sustain in the competitive business environment.
 - Co-operative should launch special scheme so it will attract other small depositors and entrepreneurs for promoting and mobilizing their small investment.
 - In the light of growing completion in the financial sector, the business of the co-operative should be customer oriented. It should strengthen and activate its marketing function, as it is an effective tool for attracting and retaining customer. For this purpose, co-operative should develop an “Innovative approach to co-

operative marketing” and formulate new strategy of serving customers in a more convenient and satisfactory way.

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