A COMPARATIVE STUDY ON SAVING AND CREDIT MOBILIZATION AND FINANCIAL PERFORMANCE OF ROYAL COOPERARIVE SOCIETY LTD. AND CANDIKALIKA SAVING AND CREDIT COOPERATIVE SOCIETY LTD.

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CHAPTER I

INTRODUCTION

1.1   Background of the Study

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

Cooperative refers to work together economic standard through cooperatives.
A cooperative organization is established by a group of economically poor and
exploited people with a view of working together in organized way for their common
benefit. Cooperative association is a voluntary association based on the principle of
self help through mutual help[1]. It has to satisfy two objectives i.e. service as well as
profit. Cooperative is one of the systems to move the life of people better by
themselves achieving the economic and social progress. The cooperative level
develops the democratic system and motivates to help each other. Rural farmers are
exploited by the moneylender by taking higher rate of interest on loan. Cooperative
can free the farmers from such expensive loan. Cooperative provides fertilizer, seeds,
tools and goods of daily needs at reasonable price. Cooperative encourages the people
for compulsory saving and mobilizes the saving in agriculture sector as well as small

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[1]   Cooperative Development Board, *Shahakari Adhyanmala,* Vol. 6 (2056):

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

1.2   Focus of the Study

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

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

The focus of the study is on the comparative evaluation of saving and credit mobilization of Royal Cooperative Ltd. Syangja and Chandikalika Saving and Credit Co- operative Society Ltd. Syangja for the period from2059/ 2060 to 2063/ 2064. Comparative study on saving and credit mobilization of cooperatives helps to identify

the saving habit of rural people and willingness plus involvement of the people in productive sector. Not only this, study will focus to study the role of cooperative for the upliftment of poor economic condition of the people.

1.3   Statement of Problems

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

1)   What is the comparatives status of saving and credit mobilization of sampled cooperatives?

2)   What is deposit /lending ratio?

3)   What is the true financial position of the cooperatives working in rural area?

4)   What is the trend of deposit collection and its mobilization?

1.4   Objectives of the Study

The general objective of this study is to identify the saving and credit mobilization status of Royal Cooperative Ltd. and Chandikalika Saving and Credit Cooperatives Ltd. The specific objective of the study can be highlighted as below

1)   To analyze comparative status of saving and credit mobilization of both sampled cooperatives.

2)   To determine deposit/ lending ratio.

3)   To analyze the true financial position of the cooperatives.

4)   To find out trends value of deposit collection and its mobilization.

1.5   Significance of the Study

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

i.   This study is important to cooperatives to make policies based on recommendation and suggestion mentioned in this thesis.

ii.   This study may encourage the researchers to research further.

iii.   It is important for investors, customer, and personnel of cooperatives to take various decisions regarding deposit and its mobilization.

iv.   This study is important to know how well the cooperative is utilizing.

1.6   Limitation of the Study

The main focus of this study is to analyze the saving and credit mobilization status of cooperative organization with reference to Royal Cooperative Society Syangja and Chandikalika Saving and Credit Cooperatives, Syangja. This study has the following limitation

1.   The study is focused on only two cooperatives RCOSL and CSCCOSL.

2.   The study is based only on 5 years data of RCOSL and CSCCOSL.

3.   The period covered by the study is about one year.

4.   The accuracy of the research work will be dependent on the data provided by concerned   cooperatives.

5.   Limited tools and techniques of financial analysis are utilized.

6.   Time and resources constrains may limit the area covered by the study.

1.7   Organization of the Study

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

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

Review of Literature -Review of literature contains the review of related book, journal and past research works.

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

Presentation and Analysis of Data - In this chapter, collected and processed data are presented, analyzed and interpreted using financial tools as well as statistical tools.

Summary, Conclusion and Recommendation- In this chapter summary of whole study, conclusion and recommendation are presented

CHAPTER II

REVIEW OF LITERATURE

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

2.1   Conceptual Review

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

The term cooperation is derived from the Latin word "cooperari" 'co' means together and 'operari ' means work, which means working together, But in broader sense, it means the system in which people voluntarily associated and working together for achieving mutual goal. The motto behind cooperation is "each for all and all for each" and its system for self-help through mutual help.[2]

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

The cooperative organization has been defined in different ways by the thinkers and scholars. Bhide has defined "cooperative represents itself as a happy means between the forces of extreme individualism on one hand and socialism and communism on the other. It stands for individual rights tempered by consideration of justice, equity and fair dealing between man and man and its great aim is to prevent the exploitation by the stronger party"[3]

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[2]   P.C. Dahal, *A Text Book of Co-operative Management,* (New Delhi: Konark Publishers Pvt. Ltd. 1989.), P. 17

[3]   V.S. Bhide, *The Place of Co-operative in National Life,* (Bomboy:Himalaya Publishing House.1930). P. 112

"Cooperative is only one aspect of a vast movement, which promotes voluntary associations of individuals having common on needs who combine towards the achievement of common economic end" V.L Mehta.[4]

The international cooperative alliances meeting held at Manchester England in 1995 defined "A cooperative is an autonomous economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprises.[5] As defined by ILO,"A cooperative society is an association of persons who have voluntarily joined together to achieve a common end through the formation of democratically controlled business organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate.[6]

According to prof. Staudinger "A cooperative is an association, open to all and granting equal rights and responsibilities to member engaged in an economic enterprise on their common account and in which benefits are distributed on members in proportion to their use of the enterprise it self without regard to their share in the society's Capital"[7] equity and fair dealing between man and man and its great aim is to prevent the exploitation by the stronger party"

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[4]   Fatta Bahadur K.C., ***Business Organization and Office Management,*** (Kathmandu: Sukunda Pustak Bhawan. 2056.), P.37
[5]   Cooperative Training Centre, *Sahakarita Ra Nepal Ma Yesko Bikas.*2048, P.7.
[6]   Pampha Raj, "ILO & Cooperative", Sahakari Abadharana, Vol 7 (2054), P. 4
[7]   W. Preuss. ***Cooperatives in Israel and the world***. (Jerusalam: Arnold Publication, 1978), P. 63

enterprise on their common account and in which benefits are distributed on members in proportion to their use of the enterprise it self without regard to their share in the society's Capital"

2.2   Principles of Cooperative

Principles of cooperatives refer to the guideline to give the concrete form to the norms and values of cooperative organization. In other words cooperative principles are the set of rules and regulation to regulate and govern the activities of cooperative enterprise. There have been three types of cooperative systems, which are Rochdale system, Refisen system and Schulze system.

The first system was concerned with consumer, the second with farmers and the third with traders. The Rochdale pioneers emphasized on cash transactions where as Refisen and Schulze organized cooperative as credit organizations. However, the principles, which have been commonly adopted all over, the world is that which is laid down by Rochdale pioneers.

The principles of cooperative have been given new dimensions from time to time to suit the changing environment and situations in order to make the cooperative movement more meaningful and purposeful. Due to rapid changes in the economy of the world, the need for review of the principle of cooperative was increasingly felt. In 1963 the International Cooperative Alliance had reviewed the existing principles. In 1995, Sep. ,the ICCA General meeting stated the followings as the principles of cooperative.[8]

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

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

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[8]   Cooperative Training Center, *Sahakarita Ra Nepalma Yesko Bikas,* 2048, P. 13.

Economic Participation by Member: - There is legal and equal economic participation of the members in this organization. They possess a common capital. A cooperative organization makes provision for reserve fund, dividend fund, employees bonus fund, cooperative education fund and loss compensation fund. The members of cooperative have opportunities to participate in economic activities. In this way, we find two kinds of economic participation of members in cooperative organization. First to provide capital to the organization and second to get economic gains from the organization.

Autonomous and Freedom: - Cooperative organization is an autonomous, independent and an organization controlled by its members. There is necessary to make the members acquainted with the basic principle of cooperative education training and information to the members based on cooperative values.

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

Cooperation among Cooperatives: - Cooperative Organizations maintain a sound cooperation among themselves. Local, regional, national and international cooperative organizations work together for the development of cooperative campaign.

Concern to Society: - Cooperative organization directs their plans and policies towards the continuous and long-term development of the society.

2.3   Importance of Cooperatives

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

Economic Importance

1. Financial assistance: Farmers need agriculture tools, implements, high yielding varieties of seeds and fertilizers. Today, cooperative societies have become the most important source of financial assistance to the farmers and low-income groups in the rural areas. In a country like Nepal where the government is not in a position to provide agricultural subsidies, cooperative societies play an important role for the economic well being of the farming communities.

2. Protect from exploitation: Majority of the farmers in the rural areas depend on the village moneylenders as a source of finance for there farming operations. These villages' moneylenders charge very high interest rate and take away the crop harvest at very low prices. Cooperative societies protect their members from exploitation by the village moneylenders.

3. Eliminate middlemen: The cooperative society's purchases the farm inputs and agricultural tools and implements directly from the producers are dealers in large quantities and eliminate the middlemen. They make these farm inputs and others goods available to the members or farmers at cheaper prices. They also eliminate the profit margin of the middlemen.

4. Encourage savings: the farming communities and low-income groups in the rural areas establish the cooperative societies. A member of the cooperative society not only buys the shares of the society but also makes a nominal savings by having a savings account with the society. Each member deposits a small sum of money every month and this encourages savings in the villages. The accumulated savings also yield interest.

5. Facilitates implementation of plans: The governments in developing countries like Nepal implement some of the planned activities in the rural areas through the cooperative societies. The cooperative societies facilitate successful implementation of the plans in the villages and rural areas.

6. Help develop agriculture and cottage industries: The rural population can organize themselves on a cooperative basis to develop commercial farming practices by pooling their land holdings. They can also establish cottage industries like spinning threads, goat rearing, animal husbandry and many other activities on a cooperative basis.

7. Employment opportunities: The cooperative societies provide employment opportunities to the members in the rural areas by taking up a number of economic activities on a commercial basis.

8. Distribution of surplus: The cooperative societies have service motive rather than profit motive. However, when they operate commercially viable operations, they generate a certain amount of surplus. After providing 25% of the surplus for reserves, the balance of the surplus is distributed to the members on the basis of the volume of transactions. This helps in increasing the standard of living of the members.

Social Importance

1. Promote cooperation: Cooperative societies are established with the principle of each for all and all for each. This helps the members to build better understanding and cooperation among themselves. This builds up a closely knit society for all kinds of activities in the rural areas.

2. Diversifies economic power: Generally, the rural rich and the village moneylenders hold the economic power in the villages all over Nepal. Over a longer period of time, cooperative societies help in diversifying the economic power from the few rich people to lesser rich people. The middle and lower income groups can join hands and compete effectively with the richer people and the village moneylenders.

3. Benefit the poor: The cooperative societies help the poor people to benefit by taking membership of the societies.

Political Importance

1. Promotes equality: The cooperative societies promote a sense of equality among the members. Each member is entitled to cast one vote irrespective of the number of shares held. This promotes cohesiveness or healthy relations among members of various ethnic backgrounds.

2. Promote individual freedom: The voluntary nature of the association and the election process within the cooperative societies promote individual freedoms.

3. Promote democratic practices: The members of the cooperatives societies elect the Management Committee and other office bearers through a process of secret ballot. This educates and promotes the democratic practices among the illiterate rural population by actually involving them in the election process.

Moral Importance

1.   Promote self help: The cooperative societies promote the idea of self-help through its each for all and all for each philosophy. Through the effective functioning of the cooperative societies, the feeling of self-sufficiency and hard work are promoted.

2.   Eliminate social evils: The cooperative societies keep the members busy in their activities. In an effort to improve the economic condition of the family, the members work to derive maximum benefit. This brings a change in the behavior of the members. If they resorted to drinking and gambling when they had nothing to do, as a member, they utilize their resources in a better manner. This promotes the feeling that drinking and gambling are bad in the context of rural Nepalese society characterized by frustration due to high unemployment.

2.4   Historical Background

2.4.1   Global Perspective

Robert Owen first propounded the concept of cooperative in 1972 in Great Britain. The idea of Cooperative was brought into light in the beginning of the 19th Century. The follower of Owen, Dr. William King, publicized the ideology of cooperative later on who initiated an education at movement for cooperative development. The reformist Robert Owen's ideas and principles have continued to inspire the cooperative movement. These principles are (i) Abolition of private profit. (ii) Voluntary association (iii) Common ownership of the means of the means of production (iv) Utilization of wealth of the community for increasing the happiness of mankind.[9]

But the following weaknesses were pointed out in the owen's cooperative later on:

i.   Capital sunk because of credit sales.

ii.   Unfair competition took place because of selling the good at lower price in the market.

iii.   Cooperative sore did not succeed enough, as members did not believe it.

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[9]   T.N. Hajeta, *Principles, Problems and Practice of Cooperative*, (New Delhi: Konark Publishes, Ltd., 1994.) P.44

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

i.   Religious and political neutrality

ii.   Sale of goods at market price

iii. Cash sale

iv.   Limited interest on share capital

v.   Distribution of surplus in proportion to purchase

vi.   One man one vote

vii. Open membership

viii. Democratic control

ix.   Sale of quality products

x.   Certain percentage of expenses on profit

xi.   Regular meeting

xii. Book-keeping and auditing[10]

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

In the middle of 19th century, two reformists emerged in German who worked to eliminate the poverty and exploitation through the norm of mutual help and self-help in the form of cooperative. They were F.W. Refisen and Franz Schulze. Their working areas were different. Refisen centered his reforms in rural areas where as Schulze in city area. But both started their cooperative to free the poor from the exploitation of moneylenders and land lords in 1849 and both were successful to their

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[10]   T.N. Hajeta, *Principles, Problems and Practice of Cooperative*, (New Delhi: Konark Publishes, Ltd., 1994.), P. 45

aim. The successful cooperative movement in Germany and Great Britain was followed by other countries as well as developed countries felt that cooperative might be one of the best measure for uplifting the rural poor people and liberating them from the exploitation of landlords and money lenders.

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

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

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

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

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

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

contributions of Canadian cooperative is British Canadian Cooperative society of Nova Scotia.

In Japan cooperative movements seemed to have been started after the second half of the 19[th]century. Though there was tradition of making a collective fund and taking loan from the fund in the 14[th]century also but real cooperative movement took place in Japan after the establishment of consumer society in 1879.[11] The cooperative movement of Japan seems to have been influenced by the European Cooperative movement. The credit cooperatives of Japan are like that of Germany and consumer cooperative like that of British Cooperative.

After the establishment of consumer Cooperative in 1879 for controlling the increasing price of the goods, other such consumer cooperative and credit cooperative also started to establish rapidly. After the war between Japan and China, large industries grew up heavily where as small and cottage industries become weaker and weaker. In this situation, a great need and essence of cooperative was felt. As a result, cooperative bill was passed in 1900 for the development of different types of cooperative in Japan. After this bill was passed, many cooperatives established in Japan.

These cooperatives had the objectives of liberating the people from the exploitation of the capitalists and providing farmers with necessary fertilizers, seeds and other necessary helps in agriculture. In 30 years period, cooperatives opened from local or primary level to national level. But unfortunately they could not be untouched from the global crises in agriculture.

Up to 1930, the production of farmers increased in half but loan increased more .The government launched special program to make reform in agriculture. Various economic activities of the government started being performed under cooperative, which gave rise to the rural development. Different development works started being performed through cooperatives. The government of Japan started using agriculture cooperative to keep control in the economy. In this situation the cooperatives nearly lost their identity. But after the Second World War, these cooperatives organizations were able to regain their democratic value and flourished again. In 1947, Agricultural Cooperative Act was passed. After this, rural

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[11]   Cooperative Training Centre, *Sahakarita Ra Nepalma Yeasko Bikas*, 2048, P. 17.

cooperatives ran as per their own principles. Integrated cooperatives came into existence in the field of agriculture, forestry and fish farming. In this way Japan initiated cooperative campaign. In this way the tradition of providing all possible services and good to the members through multiple cooperatives is an important achievement of Japanese cooperative movement.[12]

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

In Chinese Constitution, in clause 34 the following has been stated which is relevant to mention here.

The government shall guide the peasants step by step to organize various forms of labor, mutual aid and production, cooperation according to the principle of voluntary of mutual benefit and that every step of the agricultural production".[13]

After the establishment of the republican government in China, the ownership of the land went to the farmers and a program of land reform was executed

The central committee of the Chinese Communist Party managed three different types of organization for more production.

a)   **Mutual Aid Teams** - Mutual Aid Teams emphasized on communal labor, division of labor and maximum production. It was of two types- Temporary organization and Cast Organization. Temporary organization means for specific work and Cast Organization was for operating both agricultural and professional works.

b)   **Agricultural Producers Cooperatives**: - Agricultural producers' cooperative is established containing personal and social features. The members collect their labor and resources to a place without losing their personal ownership in this system. The member families use their land collectively and make collective effort to increase the production. The main principle of this system is that farmers can not produce much

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12   Cooperative Training Centre, *Sahakarita Ra Nepalma Yeasko Bikas,* 2048, P. 17-19.

13   Cooperative Training Centre, *Sahakarita Ra Nepalma Yeasko Bikas,* 2048, P. 15.

when they perform farming separately. To yield more production, mutual effort, togetherness and cooperation is better, is the norm of this system.

c)   Advance Producers Cooperative or People's Commune: - It is the advance from of cooperative when the members have accepted the communal ownership of land. This is the last step from socialism to communism. Different organizations are united under the direction of the central committee of the communist Party. In this way Chinese try to reach to communism through cooperatives.

Like in the other countries of the world, the cooperative movement of India began to find way out to many social problems like scarcity, grief and dissatisfaction. In India, the co-operative movement was introduced in the form of credit society in 1904. For the development of cooperative movement has emphasized in all the five - years plans to agricultural co- operative in the sector of economic development. India has a wide network of agricultural co-operative in the field of credit and banking, marketing and processing and production of fertilizers. Agro processing co-operatives consisting of co-operative sugar factories and co-operative spinning mills and oilseed co-operative are having very strong position in the sphere of production of sugar cotton yarn and edible oils. Agricultural co-operative marketing federation of India is a business organization and involved in domestic as well as international marketing of agricultural co-operative is yet to respond effectively to the emerging challenges and opportunities of market economy and new economic reforms.[14]

2.4.2   History and Development of Co-operative in Nepal

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

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14   Man Bahadur B.K., "Financial Performance of Nepalese Cooperative Societies with Reference of District Cooperative Associations, Banepa," (Master Diss. Tribhuvan University, 2004.)

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

'PARMA' is another type of traditional rural cooperative. Historically, it is the first of co-operative in Nepal. It is such system under which farmers; neighbors, friends and relatives work together to promote their economic and social interests.

Likewise 'DHIKURI' is a best example of voluntary co-operation, which is very much popular in Thakali society. It is formed by a group of people for specific work. In this system, the members prepare the rules and regulations. Every member is required to contribute certain amount of capital to the fund of Dhikuri. The find is used by the members under pre-determined rules and regulations.

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

It began together with the human civilization to live together in a society or community. But it has not been possible to fix the time from when co-operative begin. If we turn over the history of co-operative movement in Nepal, the regained history can be traced back to about 48 years. The history of organized co-operative in Nepal began after the establishment co-operative department in the year 1993, under the Ministry of Agriculture for the establishment, promotion, supervision and evaluation of co-operative societies.

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

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

Considering the importance of necessary rules and regulations for managing and guiding co- operatives effectively and efficiently, the first co- operative Act was

passed in 1959, which not only provided a sound legal basis for organizing co-operatives but also recognized all co- operative so far previously registered under an executive department of the government.

Consequently Cooperative society rules 1961 was promulgated which spurred the cooperative movement in the country. With the introduction of the first cooperative act, numerical growth of the cooperative boomed up. In the mean time, the cooperative were tied up with the so-called revolutionary many land reform programs. A cooperative bank was established in 1963 for providing credit to cooperative as well as agro business or industries. Cooperative Bank was converted into Agricultural Development Bank in 1967. Agricultural Development Bank was considered as a specialized bank for providing credit to cooperatives, individual's agro- business and marking etc. Later on cooperatives training center was established in order to provide training on cooperatives within the country. In 1976 the cooperatives were redesigned as Sajha. The cooperative Societies were also subjected to various agencies regarding management and control. In the early seventies they were handed over back to the cooperatives Development that has remained under different ministries. For whatever purposes the cooperatives Societies were established they could not work satisfactorily enough to meet their objectives. The cooperative Societies converted into Sajha Institution was for providing basic facilities like agricultural credit, agricultural inputs and consumer goods to individual peasants. The objectives of Sajha institution were set as supply of daily necessary consumers goods, supply of improved seeds, pesticides and fertilizers, purchase of agricultural production and make necessary arrangements for storage, mobilize saving by establishing banking facilities in rural areas and providing raw materials, credit to develop cottage industries. As a result all the cooperatives and village committees were converted into Sajha institution in Nepal.

Despite the long experience in the formation of multi-purpose societies, the position of the cooperative did not improve up to the desired level. Many co-operative societies remained multi-purpose only in name. Almost all the cooperative societies suffered from the lack of capital and poor volume of business.

After the restoration of democracy in the country, in 1990, it traced a new way for new changes in the cooperative movement. Consequently, new cooperative Act was promulgated in 1992 recognizing cooperatives as peoples' organization with an

autonomous body. On the basis of this Act a long waited National Cooperative Federation came into existence.

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

2.4.3 The Major Events of Cooperative Movement in Nepal

Table- 2.1

Major Events of Co-operative Movement in Nepal

Year	Events
2010 B.S.	⟩ Establishment of co-operative division under the Ministry of Plan Development and Agriculture
2013 B.S. (1956 A.D)	⟩ Issue of executive order for the legal variety of co-operative societies by the government ⟩ Government incorporated Bakham Saving and Credit Co-operative Ltd in Rapti Valley, Chitawan by issuing executing order for its legal validity.
2016 B.S. (1958 A.D)	⟩ Co-operative department transferred under the Ministry of Food, Agriculture and Forest. ⟩ Issue of co-operative Acts 2016
2018 B.S. (1961 A.D)	⟩ Issue of co-operative Regulation 2018 ⟩ First amendment of co-operative Act 2016 ⟩ Establishment of co-operative Development Fund ⟩ Establishment of Sajha Santha Ltd.
2019 B.S (1962 A.D)	⟩ Establishment of Co-operative Training Center ⟩ Establishment of co-operative exchange and Loan Association ⟩ Issue of co-operative Bank Act. 2019
2020 B.S (1963 A.D)	⟩ Establishment of co-operative Bank. ⟩ Co-operative section and kept under the District Pandchayat.
2021 B.S	⟩ Being of Agriculture Reorganization Program.

(1964 A.D)	)	Co-operative staffs transferred to Land Reform Program.
(2023 B.S) (1966 A.D)	)	Co-operative Division had been transferred under the ministry of land reform Agriculture and Food.
(2024 B.S) (1967 A.D)	))	Formation of central investigation committee. Co-operative Bank had transferred into Agriculture Development Bank
2026 B.S (1969 A.D)	))))	Co- operative Division transferred under the ministry of Land Reform. Operation of co-operative Agriculture Development. At first compulsory saving (Anibarya Bachat) has converted into share of co=operative societies, Bhaktapur. Co-operative Exchange and Loan Association changed into District co-operative Association.
2027 B.S (1970 A.D)	)))	Second Amendment in co-operative Act 2016 Arrangement of central and District co-operative improvement committee. The management of co-operative societies has transferred to ADB/N.
2088 B.S (1971A.D)	)	First Amendment in co-operative regulation 2018.
2029 B.S. (1972 A.D)	)	Operational of regular co-operative education program.
2033 B.S (1976 A.D)	))))	Beginning of population education through co-operative. Occurrence of central Sajha Development Committee. Second amendment on co-operative Regulation 2018. Compulsory saving converted into the share of Sajha.
2034 B.S (1977 A.D)	)	Fiscal Regulation 2034 issued for the Sajha Society Management.
2035 B.S. (1978 A.D)	))	Management of Co-operatives transferred to operating committee from ADB/N. Issue of fiscal and administrative regulation for co-operatives.
2041 B.S. (1984 A.D)	)	Sajha Society Act. 2041 was issued.
2043 B.S. (1986 A.D)	))	National co-operative seminar conducted. Issue of Sajha Society Regulation 2043.
2044 B.S (1987 A.D)	)	Member's high level central co-ordination committee formed for the effective development of Sajha movement.
2045 B.S (1988 A.D)	)	Announcement to return of compulsory saving to the savers.
2046 B.S (1990 A.D)	)	Formation of adhoc committee for the formation of central Shaja Society.
2047 B.S (1991 A.D)	)	Formation of 7 member central co-operative general Association consulting committee and the committee submitted its report.
2048 B.S (1991 AD)	))))	Co-operative Act 2048 issued. District co-ordination committee and co-operative adhoc committee formed. Sajha Development Department transferred into co-operative Department. Sajha Training center transferred into co-operative Training Center.
2050 B.S (1993 A.D)	))	Co-operative Society Regulation 2049 issued. Formation of National Co-operative Federation.

	)	Establishment of Central co-operative Federation.
	)	Establishment of Nepal Federation of Saving and Co-operative Union Ltd.
	)	Consumer and saving and credit co-operative societies are established at the large scale all over the country.
2052 B.S. (1995 A.D)	)	Formation of high-level committee for co-operative improvement and proposal submitted.
2057 B.S (2000 A.D)	)	Conversion of Ministry of Agriculture into the Ministry of Agriculture and Co-operatives.
	)	Formation of the National Co-operative Development Advisory Working Team and submission of report.
	)	The first amendment in the Section 26 of the Co-operative Act, 1992.
2058 B.S (2001 A.D)	)	Announcement of observance of International Co-operative Day by the Government.
2060 B.S (2003 A.D)	)	Establishment of National Co-operative Bank Ltd.
2061 B.S (2004 A.D)	)	Structure of co-operative Division changed according to the administrative improvement program.
	)	Nepal Government constituted a high level co-operative sector improvement consultative committee under governorship of the Minister of Agriculture and co-operatives submitted its report to the Government of Nepal.
	)	Ministry of Finance constituted to study the legal framework and institutional development of the saving and credit co-operative and National co-operative Bank.
	)	Government of Nepal announced the policy of GAU - GAUMA MA SAHAKARI GHAR GHAR GHAR MA ROJGARI through it's budget fiscal year 2061/062.
2062 B.S (2005 A.D)	)	Change of name of District co-operative office into division co-operative office.
	)	Establishment of Regional Level Co-operative Training office combining with division co-operative office in Kailali, Surkhet, Kaski and Chitawan.
2063 A.D)	)	Celebration of Co-operative Golden Jubilee 2006/7 throughout the country.

The above activities during last 48 years in the history of cooperative movement in Nepal are enough to say that cooperative development passed through many managerial ups and downs causing a high inconsistency. The cooperative movement remained affected by the political changes in the nation that brought the situations among the people not to believe readily the philosophy of cooperative in practice. Moral objectives, social objectives, service to the members, good quality, cheep pricing, reasonable profit, cooperative principle have been the major challenges for cooperative organization in the present context of competitive market.

Table- 2.2

Primary Co-operative Societies of Nepal

S.N.	Types of Co-operative	Number	Male Members	Female Members	Total Members
1	Savings and Credit Co-Operatives	3,241	226,881	166,945	393,826
2	Multipurpose Co-operative	2,402	277,023	95,454	372,477
3	Dairy Co-operative	1564	59,841	31,035	90,876
4	Agricultural Co-operative	1192	177,603	52,477	230,080
5	Small Farmer Co-operative	213	48,645	19,914	68,559
6	Electricity Co-operative	169	4,745	681	5,426
7	Consumer Co-operative	103	4,618	1,270	5,888
8	Science, Technology, Transport and Communication Co-operative	102	5,948	1,511	7,459
9	Coffee Producers Co-operative	65	937	594	1,531
10	Health Co-operative	28	2,206	262	2,468
11	Herbal Co-operative	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, July 9.

Table 2.3

District Level Co-operative Unions, Syangja

S.N.	Types of Union	No. of Union	No. of Members
1	District Coop Union	1	68
2	Saving and Credit	–	–
3	Milk	1	13
	Total	2	81

Source: Statistics on Nepalese Co-operative Societies & Unions, Department of Co-operatives, GoN, 2007, July 9.

Table-2.4

Primary Cooperative Societies of Syangja District

S.No.	Types of Cooperative	No. of Co.	No. of Members	Percentage
1.	Saving & Credit	44	18675	29.53
2.	Agriculture	28	2040	18.79
3.	Milk	39	1605	26.18
4.	Multipurpose	28	12648	18.80
5.	Consumer	4	879	2.68
6.	Small farmer	2	9.71	1.34
7.	Communication	1	2.31	0.67
8.	Health	1	34	0.67
9.	Herbal	1	31	0.67
10.	Other	1	136	0.67
	Total	149	37250	100%

Source: Cooperative Division Office, Syangja

Fig. : 2.1

Cooperative Societies in Syangja District
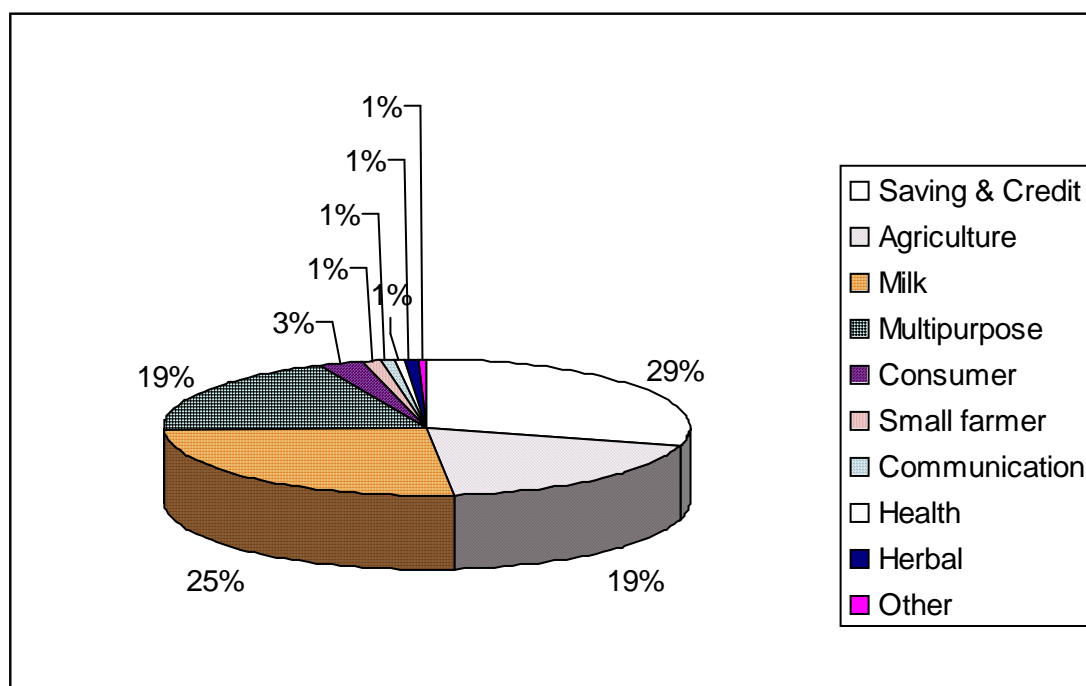
2.5   Review of Related Studies in Nepalese Context

Before this study, many studies are found to have been carried out by different persons in different times regarding the cooperative societies and their activities some of the significant studies have been reviewed in this study also. This study mainly concerns the comparative study on saving and credit mobilization of cooperatives in Nepal with special reference to Royal Cooperative Society Ltd. Syangja and Chandi Kalika Saving and Credit Cooperative Society Ltd. Syangja .No study has been performed on this topic before. However, some earlier studies related to some or more extent to this subject are mentioned here under with their findings or conclusions.

A study has been carried on by Man Bahadur B.K.[15] on the Financial Performance Analysis of Nepalese Cooperative Societies with reference to District Cooperative Association Ltd. Banepa. The objective of this study was to analyze the strengths and weaknesses of the Association by analyzing the financial statement. He concluded that the liquidity position of the Association was satisfactory but the association had invested its fund unnecessarily in current assets. It also meant that the association had not efficient strategic planning policy and management in working capital. The heavy amount of sundry debtors and larger investment in current assets and loose and insufficient management of debtors clearly revealed that the asset utilization position of the association was not satisfactorily. The association had not maintained its appropriate leverage position due to its improper loss of 0.92 percent per year. It clearly shows that it is on operating loss be cause of the association is found very weak. Man Bahadur B.K has suggested there is study that cooperative should maintain political neutrality. If managed and utilized properly, cooperative can be the backbone of the economic development of the country. Cooperative is a best way to mobilize the scattered savings of the small farmers and laborers.

Similarly another study was undertaken by Bihari Bonod Pokhrel.[16] The study aimed at reviewing the overall situation of cooperative movement Nepal. According to has study, all most all of village of 30 districts were, covered by Sajha societies upto 1983/84. Out of those societies on loss, 41 .20 present were of Terai region and58.8 percent were of hilly region. The same position seems to have been existed

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[15]   Bihari Binod Pokharel, "A Study of the Cooperative Movement of Nepal," (Ph.D. diss. Bihar University, 1988.)

[16]   Bishow Prakash Subedi, "A Study on the Accounting Information System of Cooperative in Nepal." (Master Diss. Tribhuvan University, 2004.)

then that of Terai. The study concluded the following problems being faced by the cooperatives in Nepal.

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

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

A study has been taken by Bishwa prakash Subedi [22] in 1991 on the accounting information the use and procedure of keeping accounts, its defects and difficulties in
Nepalese cooperatives and the study has given some suggestions against such problems.

Subedi has concluded that a huge amount of economic resources has been mobilized through 881 cooperatives. Sources of find in these cooperatives have remained loan from Agriculture Development Bank, Savings and deposits of the member and grants and subsidies from the government. But most of them were not in a position to provide goods and services to the people. Most of them were under the unbearable and almost incapable loans of bank and were looking for the grants from the government. But the government did not come forward for assistance.

Instead of being an effective measure to solving economic problems of the poor in different ways according themselves are being the burden to the country. Nr. Subedi has concluded that about seventy percent of the societies are running on loss. The factors were misleading directions, mismanagement, lack of support from the

government, unnecessary pressure from politician, lack of relevant, accurate, timely and understandable accounting information system of the cooperative in Nepal. The study has suggested to remove the various problems of the cooperative movement of the country and for paying due attention to development activities and existing irregularities and weakness by establishing a sound accounting information system.

A study conducted by Thankur Prasad Koirala[17] on "Development of Nepal through cooperative " has concluded that Nepal would be self sufficient and she need not depend on foreign loan and if cooperative is developed well . The study has pointed out the problems being faced by the cooperatives as such:

1. Poor management
2. Incomplete records
3. Lack of trained personnel
4. Failure to interact with cooperatives
5. Wrong utilization and wastage of inventories
6. Lack of technical guidance

He has suggested that due attention should be given by all concerning authorities and a close supervision and constant guidance should be done by the concerned authorities. He has also suggested for diversifying the pattern of cooperative development as well as strengthens the base of structure. He is very hopeful that there will be all- round development of Nepal through cooperatives in near future.

Gokul Raj Sharma has undertaken a study on[18] "A comparative study on the Financial Performance of Cooperatives with reference to Samjhana Multipurpose Cooperative and Naba Kshitij Cooperative Societies Ltd, Kathmandu. He aimed to examine comparative financial position SMCSL and NBCSL by analyzing the financial statements. He has concluded that both the cooperatives' deposit utilization rate is satisfactory. However, SMCSL utilization rate is increasing over all the years of study period .So it implies that SMCSL is more active in creating investment opportunities and enhancing business activities than NBCSL. The analysis of profitability ratio has clearly shown the profitability of SMCSL is better than that of

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[17] Thakur Prasad Koirala, *"Development of Nepal through Cooperative in Nepal"*, (Master Diss, Tribhuvan University, 1997).

[18] Gokul Raj Sharma, "A Comparative Study on the Financial Performance of Cooperatives with Reference to SMCSL and NBCSL", Master Diss., Tribhuvan University, 1999.)

NBCSL. Due to unstable higher fluctuating trend, occurrences of losses during the initial periods, lower banking transactions, lower deposit collection are the causes of lower financial position of NBCSL .The liquidity position of both the cooperatives seems which they should maintain. The weak aspects of both the cooperatives are higher leverage rations, lower profitability ratios and high liquidity ratios. Based on findings and conclusions, some suggestions and recommendations have been put by Mr.Sharma as follows:

1. Presently credit and saving cooperatives have to compete with commercial bands, finance companies, development banks etc. for attracting deposits. For this the following things must be considered
    a) Simplify present complicated and lengthy depositing process through computerization.
    b) Set a more convenient minimum balance requirement to open an account.
    c) Provide incentives for attracting new fixed deposits.
    d) Collect more institutional deposits.
    e) Attract the cooperative members for saving habit.
    f) Collect more deposit from door to door.

2. Saving and credit cooperatives should utilize the deposit effectively.
3. Cooperatives should operate their new branches in rural area as rather than urban areas.
4. The cooperatives should consider more seriously about strengthening their liquidity position.
5. The cooperatives should make their strategies to compete with banks in the new context of economic liberalization policy adopted by the government.
6. There should be good management information system in the cooperatives.
7. The management in cooperatives should try to maintain a good relationship between the managerial staff-workers, members of the board and general public and among cooperatives.

Finally he has come to a very conclusion that cooperative is only viable means to uplift the socio-economic conditions of majority people in Nepal. After the

restoration of democracy, national cooperative federation consultative committee has been formed and the committee has conducted different studies to have information about an exact situation of the cooperatives in Nepal.

MR, Majendra Nath Rarmacharya (1978) in his thesis word 'A Study on Deposit Mobilization of Cooperative has concluded that cooperative societies play a crucial role in uplifting poor financial condition of rural people. The cooperatives mobilize small saving of the poor people and mobilize that in productive sectors. Cooperatives develop feeling of saving and provide reasonable return to them. Both, who don't have money, get money to perform returnable work and who have money but don't get proper place for deposition get a secured institute.

Nirajan Raj Ojha (2059) conducted a research 'Loan Recovery Approach to the Performance Assessment of Micro-credit projects for woman in Pokhara' with the objectives of examining the performance of micro-credit financing project targeted to woman with the help of both primary and secondary information. The major findings from this study were the success of programme by lending to group members than individual in numbers. Training at different level impact on the execution of professional activities and majority of participating woman well facilities and get chance to be literate.

He recommended that NGOS are not able to include the entire targeted woman and failed to meet the required criterion of lean repayment and amount of overdue remained high. But cooperatives are working in rural area and reaching to the grass root level of illiterate, innocent and economically poor women. So to attract the poor people to the productive sector and to kill the problem of investment in agriculture sector, cooperatives play a vital role. Cooperative can mobilize the rural women in worthy activities and support to increase national income.

2.6 Review of Journal and Articles

Saving refers to the total income, which is more than the expenditure of the individual. In other words saving =total income – total expenditure. Basically, saving can be divided into two parts voluntary saving and compulsory saving. Among deposited in different account of cooperative organization and commercial bank is the example of voluntary saving.[19]

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[19] Nepal Rastra Bank, "Bankers Rakashan" Vol. 24, (1984): P. 10.

Capital formation is possible through collecting scattered unproductive and small savings from the people. This collected fund can be utilized in productive sector to increase employment and national productive. Deposit (credit) mobilization is the most dependable and important source of capital formation.[20]

Bodhi Bahadur Bajracharya has mentioned in his article "Monetary policy and deposit mobilization in Nepal ". The mobilization of domestic saving is one of the prim objectives of the monetary policy in Nepal. For this purpose, CBS stood as the active and vital financial intermediary for generating resources in the form of deposit of the private sector, so far providing credit to the investors is a different aspect of the money.[21]

Som Nath Bastola has written in his article "Purbaki Sahakari Netri"[22]

Cooperatives not only generate income to its member but also taken overall responsibility of them. In Nepal multipurpose cooperative are in practice, they inspire the villagers for modern agriculture system, to grow off seasonal vegetable and professional animal husbandry. They promote the product in market and arrange the sales it reasonable rate.

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

Bishow Mohan Achyara has mentioned in his article "Transparency in cooperatives: Essential for good governance."[23] Cooperatives are crucial to the economically poor and exploited people. In our country more than 80% people live in rural area, which do not have proper and reliable source of income. In such country cooperative is the means to motivate the people to work together for their common benefit. It encourages the people for compulsory saving and takes the responsibility of mobilizing that small saving in productive field. It develops feeling of coordination

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[20]   Nepal Rastra Bank,"Upahar" Vol. 4 (2055): P.14

[21]   Bodhi Bahadur Bajracharya, "Monetary Policy and Deposit Mobilization in Nepal." **Upahar,** Vol.9, (2060).

[22]   Som Nath Bastola. "Purbaki Sahakari Netri" **Annapurna Post.** (June 7.2008): P. 8

[23]   Bishow Mohan Achyara, "Transparency in Cooperatives: Essential for good Governance" Sahakari Sambad, Vol. 4, (2064)

mutual help for self-help and aids to increase national GDP, per capita income and ultimately support for national development.

CHAPTER III

RESEARCH METHODOLOGY

In the previous chapters the role of cooperatives and its contribution for the economic development of rural people as well as nation has been discussed and review of literature with possible review of relevant books, articles and thesis and research findings has been done along with function of cooperative and its saving and credit mobilization trend. This has equipped the researcher to make choice of research methodology to support the study in realistic terms with sound empirical analysis. This topic deals with the research design, nature of data collection, processing of data and statistical tools used in the study.

3.1   Research Design

To achieve the objectives of the study, descriptive as well as analytical research design have been used. This study is based on secondary data. Some tools such as statistical tools like mean, C.V., trend, correlation analysis has been applied to examine facts of data.

3.2   Sources and Nature of Data

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

3.3   Population and Sample

After the restoration of democracy (2046) the most developed concept for social empowerment is ' cooperative' so here are innumerous cooperatives in our country. In this study the saving and credit mobilization of two cooperatives RCOSL and CSCCOSL is studied. All the cooperatives of Nepal are taken as population and RCOSL and CSCCOSL are taken as samples for the study. RCOSL and CSCCOSL

are working in rural area and providing service to economically exploited people. Therefore, these two cooperatives have been selected as a sample for the study by using convenient sample method to know the actual performance of cooperating working in rural area.

3.4   Method of Data Analysis

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

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

3.4.1   Financial Tools

Following financial tools are applied to analyze the data.

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

i)   Current Ratio

ii)   Total liquid fund to total deposit ratio.

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

i)   Credit to total deposit

ii)   Time deposit to total deposit

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

i)   Capital to total deposit

ii)   Capital to total credit

iii)   Capital to total assets

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

i)   Capital risk ratio

ii)   Interest risk ratio

iii) Credit risk ratio

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

i)   Net Profit to Total Working Fund ratio

ii)   Net Profit to Total Loan and Advances

iii)   Earning Per Share

iv)   Return on Equity

Percentage Change Ratio: - Percentage is used to measure the changing position of different amount. The following formula is used to find out the

$$Annual \text{ Percentage Change X} \frac{\text{Amount of this year - Amount of Last Year}}{\text{Amount of Last Year}}$$

Growth Ratio: - Growth ratio is directly related to the fund mobilization and investment management of a cooperative. It represents how well the cooperative maintaining the economic and financial posit

ion. Following ratios are considered under this ratio:-

i)   Growth Ratio of Total Deposit

ii)   Growth Ratio of Total Loan and Advances

3.4.2 Statistical Tools

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

a)   Arithmetic Mean

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

It is denoted by X.

We have,

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

Where,

   X =   Sum of all values of the observations

   n   =   Number of observation

   X   =   Values of variables

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

b)   Standard Deviation (S.D.)

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

$$\text{Standard deviation (s)} = = \sqrt{\frac{(x\,\mathrm{Z}\,\overline{x})^2}{n\,\mathrm{Z}1}}$$

Where,

$\overline{X}$ =   Expected return of the historical data.

N   =   Number of observations.

c)   Coefficient of Variation (C.V.)

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

$$\text{C.V.} = \frac{\dagger}{x} X100$$

Where,

     =   Standard deviation

$\overline{X}$ =   Mean Value of variances

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

d) Coefficient of Correlation

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

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

Where,

N = Number of observation

x = Sum of observation in series X

y = Sum of observation in series Y

e) Probable Error

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

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

Where,

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

r = Correlation coefficient

n = Number of observation.

f) Trend Analysis

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

Y= a+bx

Where,

Y = the dependent variable

a = the region i.e. arithmetic mean

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

X = The independent variable

The uses of Trend Analysis can be shown as follows;

1. It enables us to study the past behavior of the phenomenon under consideration i.e., to determine the type and nature of the variations of the data.

2. The segregation and study of the various components is of paramount importance of a businessman in the planning of future operations and in the formulation of executive and policy decisions.

3. It helps to compare the actual current performance of accomplishments with the expected ones (on the basis of the past performances) and analyses the causes of such variations, it any.

4. It enables of us to predict of estimate or forecast the behavior of the phenomenon in future, which is very essential for business planning.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

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

4.1 Deposit Collections and its Mobilization

The main objectives of a cooperative is to safe guard the small saving of people and mobilizing it in productive sectors. The following table shows the situation of cooperatives in relation with deposit collection.

4.1.1 Annual Percentage Change of Deposit Collection

Table 4.1

Deposit Collection and its Annual Percentage Change of RCOSL and CSCCOSL

(In thousand)

| Year	RCOSL		CSCCOSL	
	Deposit Collection	Percentage Change	Deposit Collection	Percentage Change
059/060	10768.25	-	4944.47	-
060/061	12101.2	12.38	4879.94	(1.30)
061/062	19331.9	59.75	4772.04	(2.21)
062/063	31029.27	60.51	6632.89	38.99
063/064	39669.81	27.85	11858.08	78.78

Source: Annual Reports

Table 4.1 shows that the deposit collection of RCOSL is in increasing order. The total deposit collection in the first year of study period i.e. 059/060 was Rs. 10768.25 thousand and in the last year the deposit collection has become Rs. 39669.81 thousand. The annual percentage change shows the percentage increase or

decrease in every successive year the minimum increment in deposit collection of RCOSL is 12.38% in the fiscal year 060/061 and maximum increment in deposit collection of RCOSL is 60.51% in the fiscal year 062/063.

In the another hand, the total deposit collection of CSCCOSL is in decreasing order in earlier three fiscal year of study period i.e. in 059/060, 060/061 and 061/062 but the deposit collection is increasing in last two years of study period i.e. in 062/063 and 063/064. The total deposit collection in the fiscal year 059/060 was Rs. 4944.47 thousand. But it had reached to Rs. 4772.04 thousand in the fiscal year 061/062. In the last year of study period i.e. in the year 063/064 the total deposit collection of CSCCOSL had increased to Rs. 11858.08 thousands. The maximum decreased to Rs. 11858.08 thousands. The maximum decreased in deposit collection (Annual percentage change) is 2.21% in the fiscal year 061/062 whereas the maximum annual percentage increases in deposit collection of CSCCOSL is 78.78% in the last year of study period i.e. in the fiscal year 063/064.

Comparatively, RCOSL is a head in collecting high amount of deposit in every successive year whereas the deposit collection status of CSCCOSL is in decreasing trend but CSCCOSL has also shown a dramatic increment in deposit collection in the last two years of study period. The maximum annual percentage change of CSCCOSL is higher than that of RCOSL i.e. (78.78 > 60.51). The following graph shows the clear status of deposit collection of both cooperatives.

Graph 4.1

Deposit Collection of RCOSL and CSCCOSL
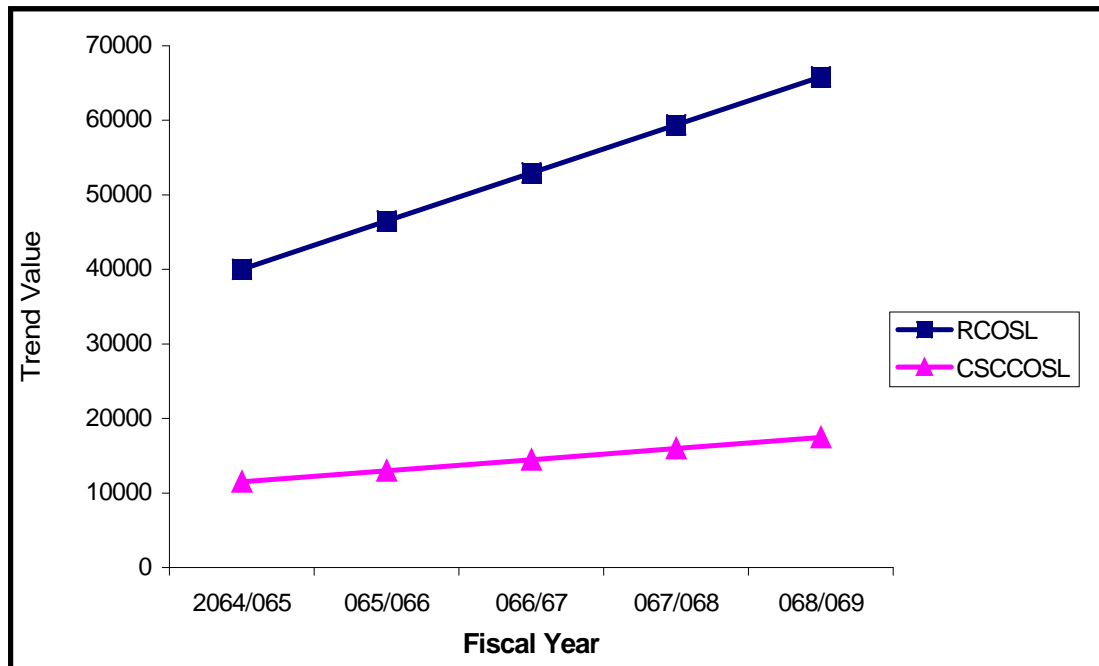
4.1.2   Growth Ratio of Deposit Collection

Growth ratio is the growth rate of deposit collection. It indicates how well the cooperative collecting the deposit. The growth ratio is calculated as follows.

$Dn = Do \, (l + g)^{n-1}$

Where,

Dn = Deposit amount for n period.

Do = Current deposit amount

n = number of years observed

g = growth rate during the period

Table 4.2

Growth Ratio of Total Deposit Collection

Fiscal Year		2059/060	060/061	061/062	062/063	063/064	Growth Rate
Deposit Collection (in Rs. thousand)	RCOSL	10768.28	12101.2	19331.9	31029.27	39669.81	38%
	CSCCOSL	4944.47	4879.94	4772.04	6632.89	11858.08	24%

Source: Annex - 1

The table 4.2 shows that the growth ratio of total deposit of RCOSL and CSCCOSL are 38% and 24% respectively which shows that RCOSL has higher the growth ratio than CSCCOSL i.e. 38% > 24% RCOSL shows that the performance of collecting deposit is better in comparison to the CSCOSL.

4.1.3 Annual Percentage Change of Credit Mobilization

Annual percentage change of credit mobilization shows that how the cooperatives are mobilizing its saving or the lending status of cooperatives.

Table 4.3

Credit Mobilization and its Annual Percentage Change

(In thousand)

Year	RCOSL		CSCCOSL	
	Credit Mobilization	Percentage Change	Credit Mobilization	Percentage Change
059/060	10371.42	-	4685.1	-
060/061	12625.33	21.7	5894.2	25.80
061/062	18391.78	45.67	5538.5	(6.03)
062/063	26081.76	41.81	7663.4	38.36
063/064	35905.82	37.67	11261.3	46.95

Source: Annual Report

Table 4.3 shows that the credit mobilization of RCOSL is in increasing order. The total credit mobilization in the first year of study period i.e. fiscal year 059/060

was Rs. 10371.42 thousand similarly in the last year i.e. in fiscal year 063/064 credit mobilization had reached to Rs. 35905.82 the minimum annual percentage change (increment) in credit mobilization is 21.7% in the fiscal year 060/061 where as the maximum annual percentage change in credit mobilization is 45.67% in the fiscal year 061/062.

In another hand the credit mobilization of CSCCOSL is in fluctuating trend. In the first year of study period (in the fiscal year (059/060) the credit mobilization amount was Rs. 4685.1 thousands, in second year (in the fiscal year 060/061 it reached to Rs. 5894.2 thousand in third year (in the fiscal year 061/062) it decreased to Rs. 5538.5 thousands but in last two years (i.e. in fiscal year 2062/063 and (063/064) the credit mobilization is increasing gradually. The maximum annual percentage change of credit mobilization of CSCCOSL is 46.95% in the fiscal year 063/064 similarly minimum percentage increment is 25.80% in the fiscal year 2060/061 but the negative increment of 6.03% of credit mobilization is seen in the fiscal year 061/062.

In comparative analysis, the RCOSL has better credit mobilization power than CSCCOSL, but the percentage change of credit mobilization of CSCCOSL is higher in last two years of study period than that of RCOSL. The following graph shows the credit mobilization status of two cooperatives i.e. RCOSL and CSCCOSL.

Graph 4.2

Credit Mobilization of RCOSL and CSCCOSL
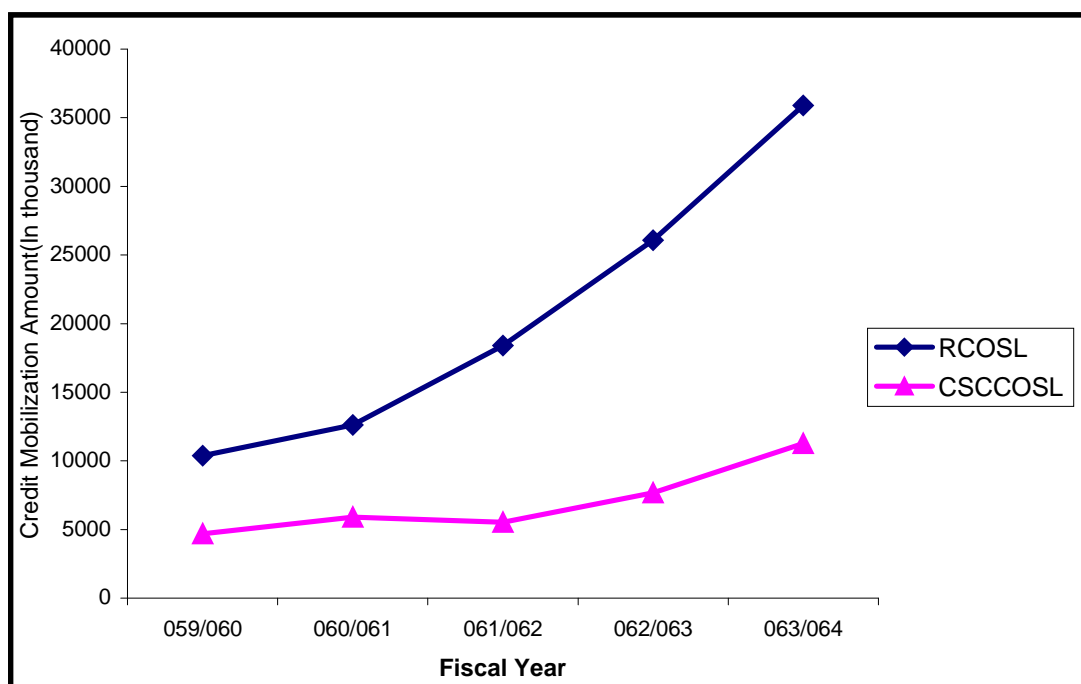
4.1.4 Growth Ratio of Credit Mobilization

Growth ratio of credit mobilization indicates that the growing rate of credit mobilization in every successive year.

Table 4.4

Growth Ratio of Total Credit Mobilization

Fiscal Year		2059/060	060/061	061/062	062/063	063/064	Growth Rate
Credit Mobilization (in Rs. thousand)	RCOSL	10371.42	12625.33	18391.78	26081.76	35905.82	36%
	CSCCOSL	4685.1	5894.2	5538.5	7663.4	11261	24%

Source: Annex - 2

The table 4.4 shows that the growth ratio of credit mobilization of RCOSL and CSCCOSL are 36% and 24% respectively which shows that RCOSL has higher the growth ratio than CSCCOSL i.e. 36%>24%. The credit mobilization performance of RCOSL is better than CSCCOSL.

4.1.5 Coefficient of Correlation

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

4.1.5.1 Coefficient of Correlation between Total Deposit and Credit Mobilization

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

Table 4.5

Coefficient of Correlation between Total Deposit and Credit Mobilization

Name	r	r2	P.E.	6 P.E.	Sig/insig
RCCOSL	0.995	0.99	0.003	0.018	Sig (r>6 P.E.)
CSCCOSL	0.973	0.946	0.0159	0.095	Sig (r>6 P.E.)

Source : Annex- 3

Table 4.5 shows the correlation coefficient(r) between deposits and loan and advances of RCOSL and CSCCOSL that are 0.995 and 0.973 respectively. This shows the positive relationship between these two variable i.e. deposit and loan and advances of both cooperatives

By considering coefficient of determination (r^2), the value of r^2 is 0.99 in case of RCOSL and 0.946 in case of CSCCOSL. The value of r^2 of RCOSL is 0.99, which means 99% of loan, and advances decision is determined by deposit and 1% loan and advances depend upon other variables. The value of r^2 of CSCCOSL is 0.946, which means that 94.6% of loan and advances is determined by deposit and 5.4% loan and advances depend upon other variable. The correlation coefficient (r) of both

cooperative is greater than 6 P.E. so, there is significant relationship between deposit and loan and advances of RCOSL and CSCCOSL.

4.2   Financial Ratio Analysis

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

4.2.1   Liquidity Ratio Analysis

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

4.2.1.1 Current Ratio

Current ratio is concerned with current assets and current liabilities and it defines how much rupees of current assets are available to pay one rupee of current liability. It is also called working capital ratio. It is computed using the following formula.

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

In this study, current assets comprise of assets convertible into cash within a year bank balance, short-term loan to members, account receivable etc. similarly current liabilities include obligation maturing with in a year i.e. general deposits and account payable. A high current ratio indicates excessive investment in current assets leading to underutilization of firm's resources and causes to lower profitability

position .In the same way a low ratio indicates inability to meet its short obligation that may lead to loss of good will and lower margin of safety. So the satisfactory level of current ratio can lead the firm into higher profitability position and makes the firm able to maintain short- term solvency. 2:1 is assumed to be an appropriate current ratio though this standard is only rule of thumb. The current ratio of RCOSL and CSCCOSL is given below.

Table 4.6

Calculation of Current Ratio

| Year | RCOSL | | | CSCCOSL | | |
	Current Assets	Current Liabilities	Ratio	Current Assets	Current Liabilities	Ratio
059/060	10217.63	7834.5	1.30:1	6712.3	5460.5	1.23:1
060/061	10414.23	8272.3	1.25:1	6596.5	5308.8	1.24:1
061/062	22180.9	19831.6	1.11:1	6566.7	5245.5	1.25:1
062/063	35458.5	33071.3	1.07:1	6498.05	5165.8	1.26:1
063/064	45269.7	41529.9	1.09:1	8464.9	7152.8	1.18:1
Mean ($\overline{X}$)			1.164			1.23
S.D (†)			0.104			0.0261
C.V			8.96			2.12

Source: Annual Report

Table 4.6 shows the current ratio of RCOSL and CSCCOSL. Both the cooperative failed to meet the standard current ratio i.e. 2:1. The current ratio of RCOSL and CSCCOSL is in fluctuating order. The highest current ratio is 1.07:1 in the fiscal year 062/063 and lowest current ratio of 1.30:1 in the fiscal year 059/060. The highest current ratio of CSCCOSL is 1.26:1 in the fiscal year 063/064. The average ratio of CSCCOSL is greater than that of RCOSL (1.23> 1.16). The RCOSL has Rs.1.16 to 1 rupee of liability and CSCCOSL has Rs.1.23 to pay 1 rupee of liability. The study indicates that the CSCCOSL is stronger with respect to availability of current assets.

Graph 4.3

Calculation of Current Ratio
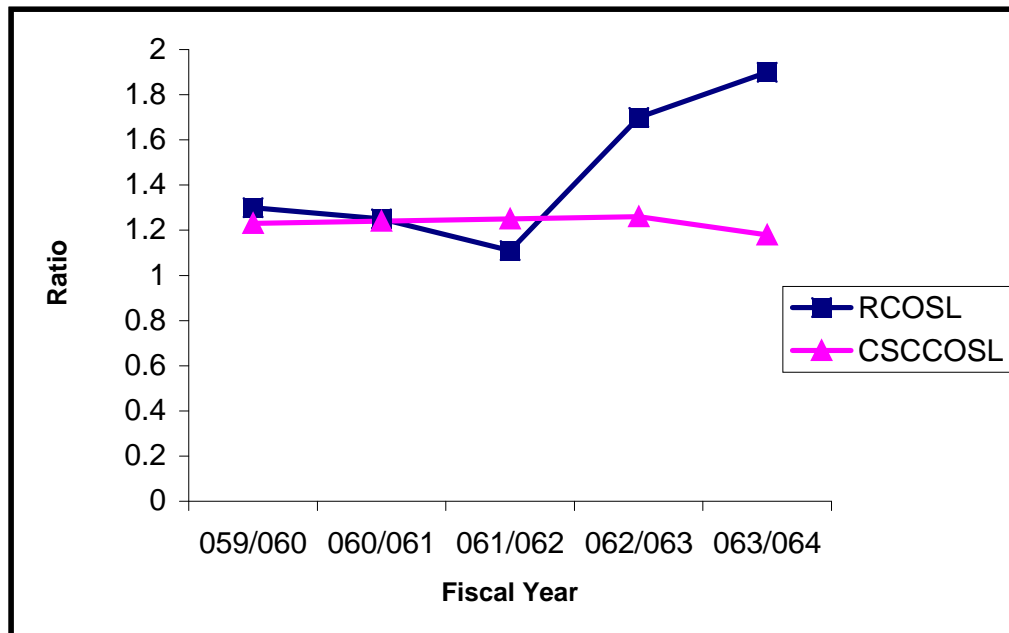
4.2.1.2 Total Liquid Fund to Total Deposit Ratio

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

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

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

Table 4.7

Calculation of Liquid Fund to Total Deposit Ratio

(In thousand)

Year	RCOSL			CSCCOSL		
	Total Liquid Fund	**Total Deposit**	**Ratio**	**Total Liquid Fund**	**Total Deposit**	**Ratio**
059/060	677.80	10768.25	6.29%	1930.29	4944.47	39.04%
060/061	1247.56	12101.2	10.31%	1400.97	4879.94	28.70%
061/062	3811.90	19331.9	19.762%	231.40	4772.04	4.85%
062/063	6229.56	31029.27	20.01%	507.28	6632.89	7.65%
063/064	5771	39669.81	14.55%	235.47	11858.08	2%
Average			14.2%			16.45%
S.D			5.33			14.70
C.V			37.53			89.36

Source: Annual Report

Table 4.7 shows the ratio between liquid assets and total deposit of RCOSL and CSCCOSL. Average ratio of liquid fund to total deposit ratio of RCOSL and CSCCOSL the 14.2% and 16.45% respectively. The maximum liquid fund to total deposit ratio of RCOSL is 20.01% (062/063) and minimum ratio is 6.29% (059/060) where as the maximum liquid fund to total deposit ratio of CSCCOSL is 39.04 (059/060) and minimum ratio is 2% (063/064). Both the cooperatives have fluctuating trend of liquid fund to total deposit ratio. RCOSL is better in fulfilling the demand of the money in later than earlier years but CSCCOSL is better in fulfilling the demand of the money in earlier years than later. The CV of RCOSL is significantly lower than CSCCOSL i.e. 37.54 < 89.36% which implies that average ratio of liquid fund to total deposits of RCOSL was more consistent than CSCCOSL.

Graph 4.4

Liquid Fund to Total Deposit Ratio
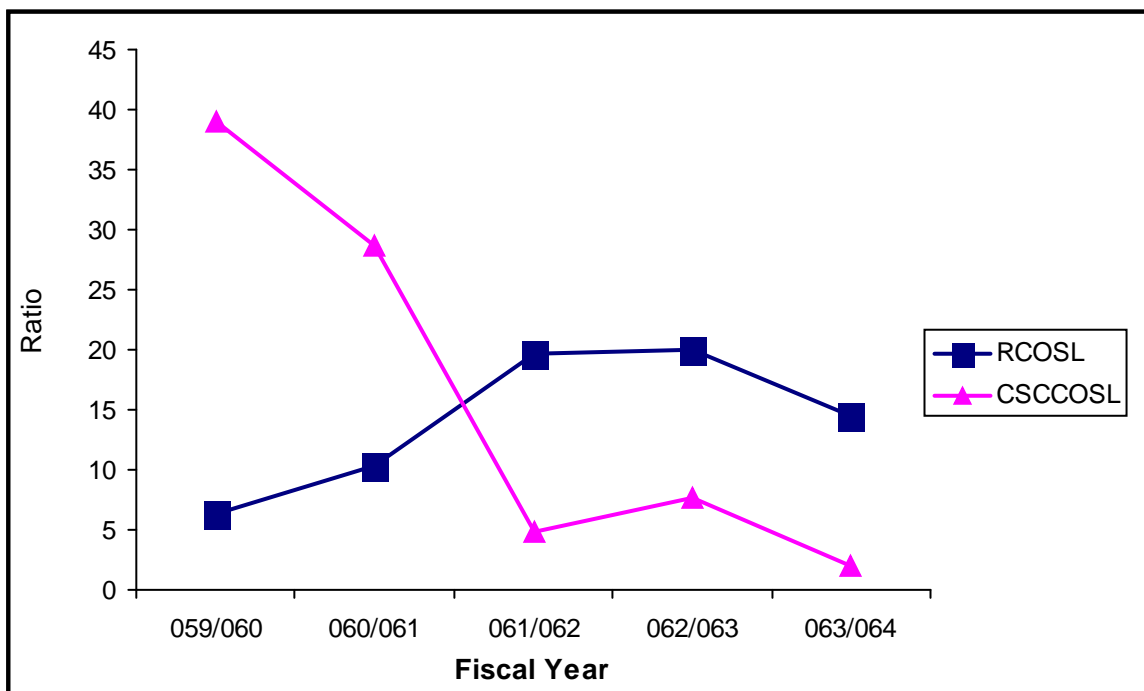
4.2.2   Activity Ratio

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

4.2.2.1 Credit Mobilization to Total Deposit Ratio

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

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

Table 4.8

Calculation of Credit to Total Deposit Ratio

(In thousand)

Year	RCOSL			CSCCOSL		
	Total Loan Advances	Total Deposit	Ratio	Total Loan Advances	Total Deposit	Ratio
059/060	10371.42	10768.25	96.31%	4685.1	4944.47	94.75%
060/061	12625.33	12101.2	104.33%	5894.2	4879.94	120.78
061/062	18391.78	19331.9	95.14	5538.5	4772.04	116.06
062/063	26081.76	31029.27	84.05%	76634	6632.89	115.54
063/064	35905.82	39669.81	90.51	11261.3	11858.08	94.96
Average			94.07			108.41
S.D			6.70			11.22
C.V			7.12			10.35

Source: Annual Report

Table 4.8 shows the fluctuation in the ratio of credit to total deposit of RCOSL and CSCCOSL. The average ratio of credit to total deposit ratio of RCOSL and CSCCOSL are 94.07% and 108.41% respectively. RCOSL has highest credit ratio of 104.33% in the year 060/061 and lowest credit ratio i.e. 84.05% in the year 062/063. Where as the highest credit ratio of CSCCOSL is 120.78 in the year 060/061 and lowest credit ratio is 94.96% in the year 063/064. The average of CSCCOSL is greater than RCOSL (108.41>94.07). Which indicates that CSCCOSL has mobilized more than its deposition in the study period i.e. 108.41% and RCOSL has mobilized 94.07% on the average. The C.V. of CSCCOSL is also more than that of RCOSL. It can be concluded that the credit to deposit ratio of CSCCOSL is satisfactorily consistent during the study period.

Figure 4.5
Credit to Total Deposit Ratio
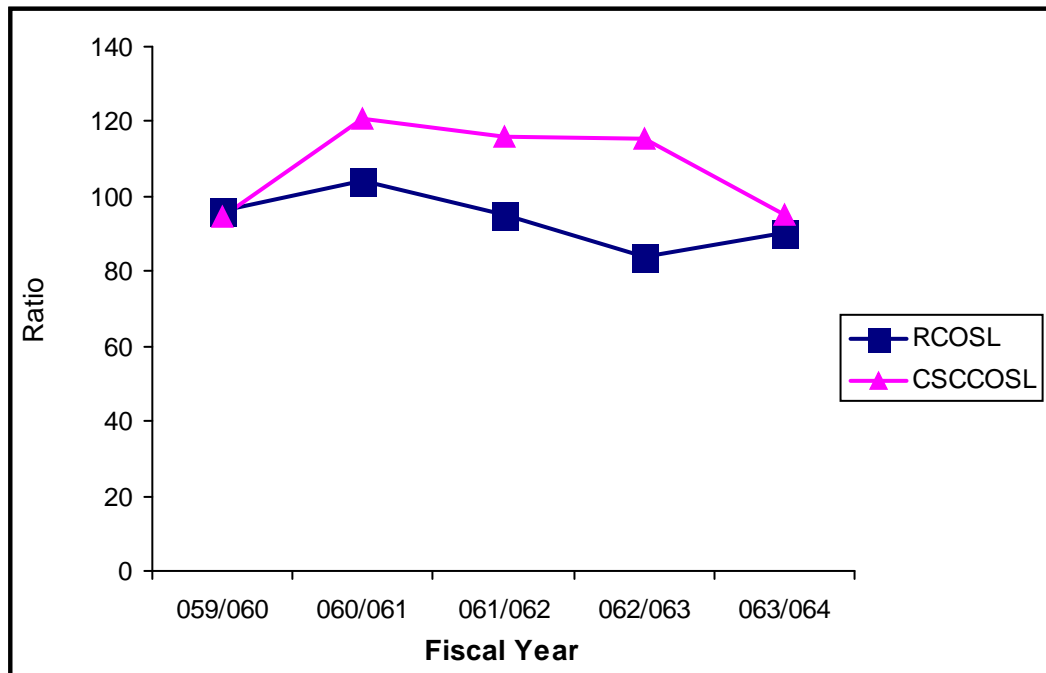
4.2.2.2   Time Deposit   to Total Deposit Ratio

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

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

Table 4.9

Calculation of Time Deposit to Total Deposit

(In thousand)

Year	RCOSL			CSCCOSL		
	Fixed Deposit	**Total Deposit**	**Ratio**	**Fixed Deposit**	**Total Deposit**	**Ratio**
059/060	2797.25	10768.25	25.98%	3626.67	4944.47	73.34
060/061	3660.78	12101.2	30.25%	3946.3	4879.94	80.87
061/062	4720	19331.9	24.42%	3679.16	4772.04	77.09
062/063	8480.24	31029.27	27.33%	4772.04	6632.89	71.94
063/064	10216.35	39669.81	25.75%	6632.9	11858.08	55.93
Mean ($\bar{x}$)			26.75			70.4
S.D (S)			2			8.12
C.V			7			11.53

Source: Annual Report

Table 4.9 shows the ratio of time deposit to total deposit of RCOSL and CSCCOSL, which indicates the capacity of mobilizing the funds collected as deposit in the cooperative. The funds collected as deposit in the cooperative. The average ratio of RCOSL is 26.75% and the average ratio of CSCCOSL is 70.4%. The maximum time deposit ratio of RCOSL is 30.25% in 2nd year of study period. Similarly the minimum time deposit ratio of RCOSL is 25.75% in 5th year. Likewise, the minimum time deposit ratio of CSCCOSL of 55.93% and the maximum time deposit ratio is CSCCOSL is 80.87% in last year. The average ratio of CSCCOSL is greater than RCOSL. The CV is also greater in CSCCOSL than RCOSL. It shows that CSCCOSL can invest the money in long-term project also. It can easily manage the repayment due to the availability of high amount of time deposit.

Graph 4.6

Time Deposit to Total Deposit
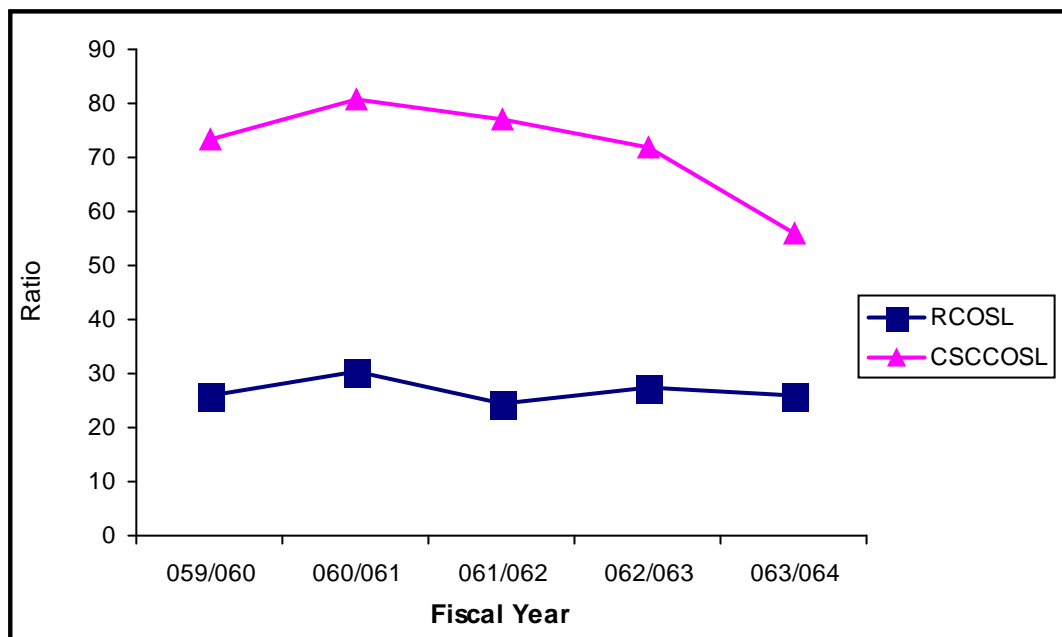
4.2.3 Capital Structure Ratio

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

4.2.3.1 Total Deposit to Total Capital Ratio

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

Total deposit to total capital ratio = Total Deposit

Total Capital

Total Capital= Share capital + Reserve + Surplus + Deposit

Table 4.10

Calculation of Total Deposit to Total Capital Ratio

(In thousand)

Year	RCOSL			CSCCOSL		
	Total Deposit	**Total Capital**	**Ratio**	**Total Deposit**	**Total Capital**	**Ratio**
059/060	10768.25	12197.05	88.28	4944.47	6509.97	75.95
060/061	12101.2	13575.9	89.14	4879.94	6451.14	75.64
061/062	19331.9	21540.2	89.75	4772.04	6347.74	75.17
062/063	31029.29	33226.49	93.38	6632.89	8212.39	80.76
063/064	39669.81	42152.11	94.11	11858.08	13393.58	88.53
Mean ($\overline{X}$)			90.93			79.21
S.D (†)			2.355			5.078
C.V			2.59			6.411

Source: Annual Report

Table 4.10 shows the ratio of total deposit to total capital of RCOSL and CSCCOSL. During the study period the average ratio of total deposit to total capital of RCOSL and CSCCOSL are 90.93% and 79.21% respectively. Both the cooperatives have high proportion of deposit out of their total capital. Average ratio is higher in RCOSL than CSCCOSL i.e.90.93% >79.21%. RCOSL has the highest deposit to total capital ratio of 94.11% in the fiscal year 063/064 and lowest 88.28% in the fiscal year 059/060.Likewise CSCCOSL has the highest deposit to total capital ratio of 88.53% in the fiscal year 063/064 and lowest ratio of 75.17% in the fiscal year 061/062.

Graph 4.7

Total Deposit to Total Capital Ratio
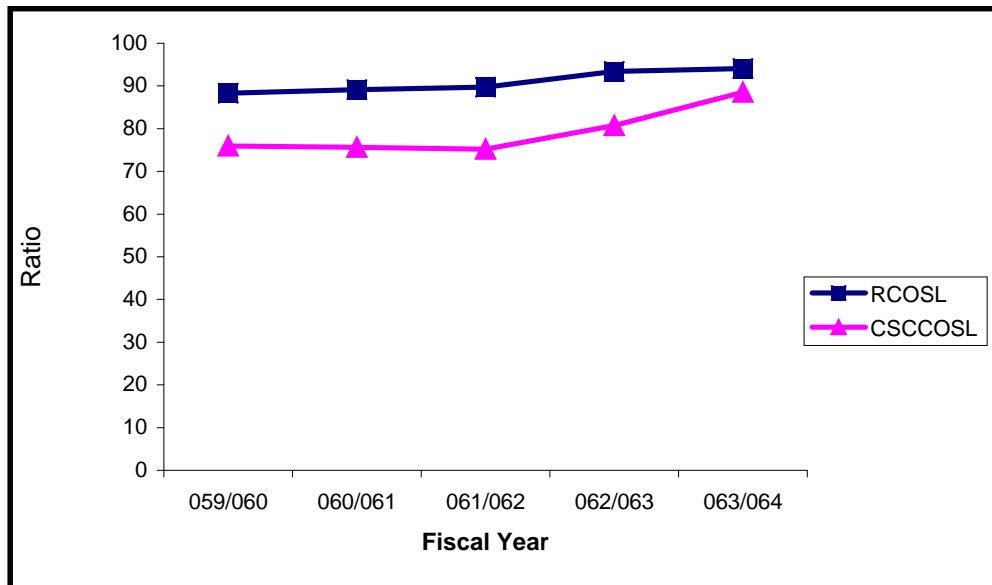
4.2.3.2 Total Debts to Equity Ratios

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

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

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

Table 4.11

Calculation of Total Debts to Equity Ratio

(In thousand)

Year	RCOSL			CSCCOSL		
	Total Debts	**Share holders equity**	**Ratio**	**Total Debt**	**Shares holders equity**	**Ratio**
059/060	8370.34	1425.8	1:5.87	5308.8	1565.5	1:3.39
060/061	13243.42	1394.2	1: 9.49	5245.5	1571.2	1:3.34
061/062	15831.56	2938.13	1:5.83	5165.8	1575.7	1:3.28
062/063	33071.31	3321	1:9.95	7152.89	1579.5	1:4.53
063/064	41529.8	4880.19	1:8.51	12817.06	1665.7	1:7.69
Mean ($\overline{X}$)			1:7.84			1:4.45
S.D (†)			1.870			1.687
C.V			23.85			37.91

Source: Annual Report

Table 4.11 shows total debt to equity ratio of RCOSL and CSCCOSL of 5 years study period from fiscal year 059/060 to 063/064. The average total debt to equity ratio of RCOSL is 1:7.84 and that of CSCCOSL is 1:4.45. The highest total debt to equity ratio of RCOSL is 1:9.95 in the fiscal year 062/063 and lowest total debt to equity ratio is 1:5.38 in the fiscal year 061/062. Similarly highest total debt to equity ratio of CSCCOSL is 1:7.69 in the fiscal year 063/064 and lowest total debt to equity ratio is 1:7.69 in the fiscal year 061/062. Both cooperatives ratio are slightly fluctuating. Both cooperatives have higher ratio than theoretical norm. It means they have more debt capital so they have more risk. They should pay maximum amount of interest to the debt holder. The average debt to equity ratio of RCOSL is greater than that of CSCCOSL (1:7.84>1:4.45) so RCOSL has more risk. The CV of RCOSL is smaller than that of CSCCOSL (23.85<37.91) so debt to equity ratio of RCOSL is more consistent than CSCCOSL.

Graph 4.8

Total Debt to Equity Ratio
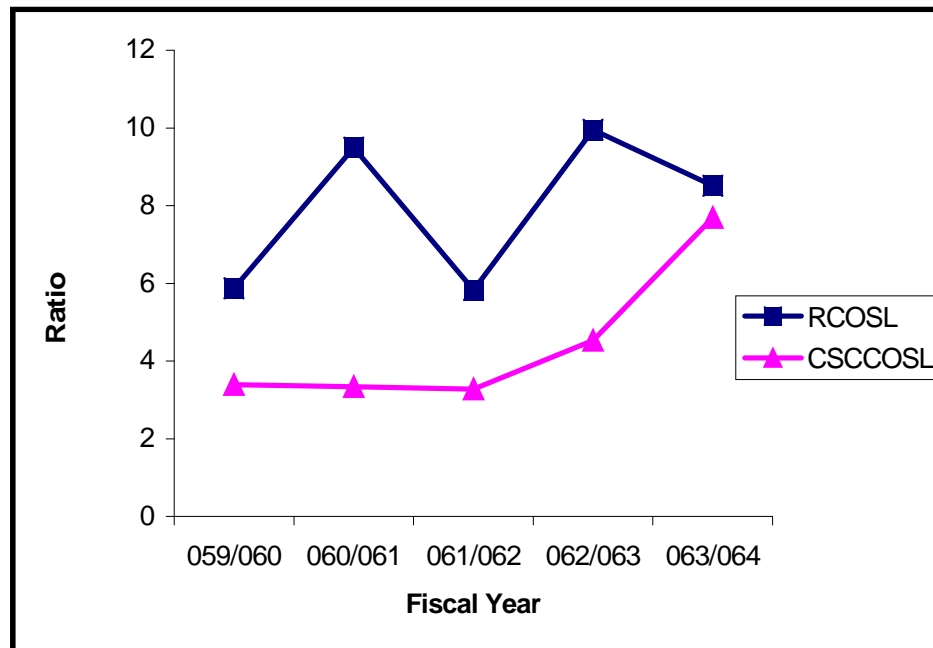
4.2.3.3 Total Debt to Total Assets Ratio

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

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

Total debts indicate current liabilities and long-term debt. Similarly total assets include all the assets of right hand side of the balance sheet. The debt to assets ratio of RCOSL and CSCCOSL is calculated below.

Table 4.12

**Calculation of Debt to Total Assets Ratio**

(In thousand)

Year	RCOSL			CSCCOSL		
	Total Debts	**Total Assets**	**Ratio**	**Total Debt**	**Total Assets**	**Ratio**
059/060	8370.34	12784.06	65.47	5308.8	6879.99	77.16
060/061	13243.42	15357.27	86.23	5245.5	6821.22	76.89
061/062	15831.56	24600.9	64.35	5165.8	6745.31	76.58
062/063	33071.31	36392.35	90.87	7152.89	8688.39	82.33
063/064	41529.8	45726	90.82	12817.06	14358.66	89.26
Mean ($\overline{X}$)			79.55%			80.44
S.D (†)			12.075			4.89
C.V			15.179			6.079

Source: Annual Report

Table 4.12 shows the total debt to assets ratio of RCOSL and CSCCOSL for fiscal year52059/060to 063/064. Both the cooperatives have fluctuating debt to total asset ratio. The average total debt to asset ratio RCOSL is 79.55% likewise the highest total debt to total ratio is 90.87 %in the fiscal year062/063 and lowest ratio is 64.35% in the fiscal year 060/061. CSCCOSL has average total debt to asset ratio of 80.44%. Highest total debt to asset ratio of CSCCOSL is 89.26% in the fiscal year 2063/2064 and lowest ratio of 76.58% in the fiscal year 061/062. CSCCOSL has greater average debt to total ratio so it is more risky and there is chance of earning more profit. The CV of CSCCOSL is smaller than that of RCOSL (6.094 %< 15.18%) so CSCCOSL is more consistent.

Graph 4.9
Total Debt to Assets Ratio
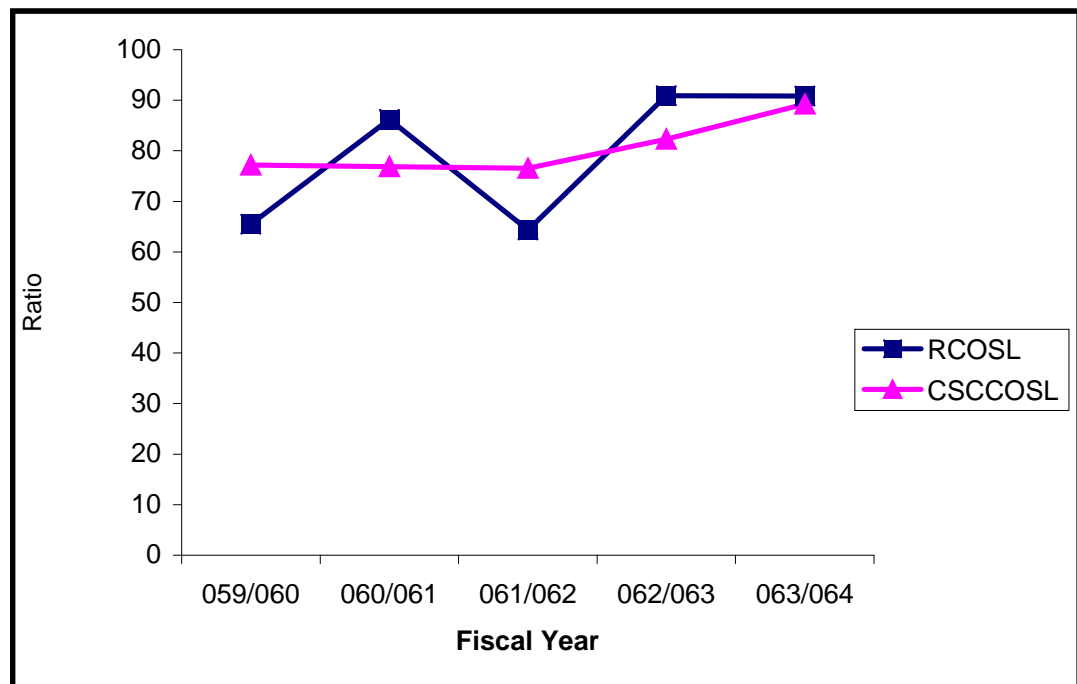
4.2.4 Profitability Ratio

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

4.2.4.1 Return on Total Working Fund Ratio

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

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

**Table 4.13**
Return to Total Working Fund

(In thousand)

Year	RCOSL			CSCCOSL		
	Net Profit	**Total Working Fund**	**Ratio**	**Net Profit**	**Total Working Fund**	**Ratio**
059/060	56.67	10768.25	5.26	-119.85	4944.47	-242
060/061	165.41	12101.2	1.37	-67.15	4879.94	-1.38
061/062	288.8	19331.9	1.49	11.27	4772.04	0.24
062/063	405.3	31029.27	1.31	49.48	6632.89	0.75
063/064	537.5	39669.89	1.35	50.6	11858.08	0.43
Mean ($\overline{X}$)			2.16			-0.48
S.D ($\dagger$)			1.46			1.22
C.V			67.59			-254

Source: Annual Report

Table 4.13 shows the ratios of return to working fund ratio of RCOSL and CSCCOSL. The average ratio of return of working fund ratio of RCOSL and CSCCOSL are 2.16% and -0.48% respectively which shows that RCOL has higher ratio. The maximum return of RCOSL is 5.26 % in the year 2059/060 and minimum return is 1.31%in the year 062/063 but the CSCCOSL has negative ratio in earlier year and nominal recovery is seen in other years of the study. This study shows RCOSL has earn more profit than CSCCOSL. The CV of the RCOSL is positive but CV of CSCCOSL is negative.

Graph 4.10

Return to Total Working Fund Ratio
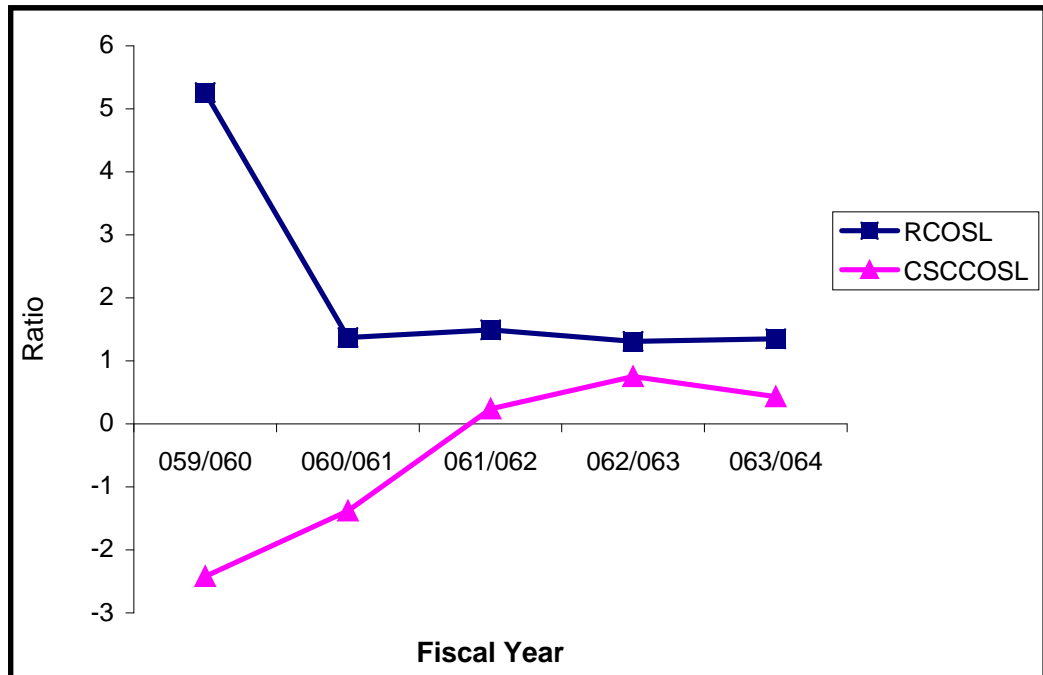
4.2.4.2 Net Profit to Loan and Advance Ratio

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

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

Table 4.14

**Calculation of Return on Loan and Advances**

(In thousand)

Year	RCOSL			CSCCOSL		
	Net Profit	Loan and Advances	Ratio	Net Profit	Loan and Advances	Ratio
059/060	56.67	10371.42	0.55	-119.85	4685.1	-2.56
060/061	165.41	12625.33	1.31	-67.15	5894.2	-1.14
061/062	288.8	18391.78	1.57	11.27	5538.5	0.20
062/063	405.3	26081.76	1.55	49.48	7663.4	0.65
063/064	537.5	35905.82	1.50	50.6	11261.3	0.45
Mean ($\overline{X}$)			1.30			-0.48
S.D (†)			0.38			1.2
C.V			29.23			-250

Source: Annual Report

Table 4.14 shows the ratio of return on loan and advances of RCOSL and CSCCOSL. The average ratio of return on loan and advances of RCOSL is 1.3% and that of CSCCOSL is -0.48%. The highest ratio of RCOSL is 1.37% in the year 061/062 and lowest ratio of 0.55% in the year 2059/060. Similarly the CSCCOSL has highest ratio of 0.65% in the year 2059/060 and lowest ratio of 0.20% in the year 061/062. The C.V. of RCOSL is lower that the earning net profit level of RCOSL is more consistent in comparison to CSCCOSL.

Graph 4.11

Return on Loan and Advances Ratio
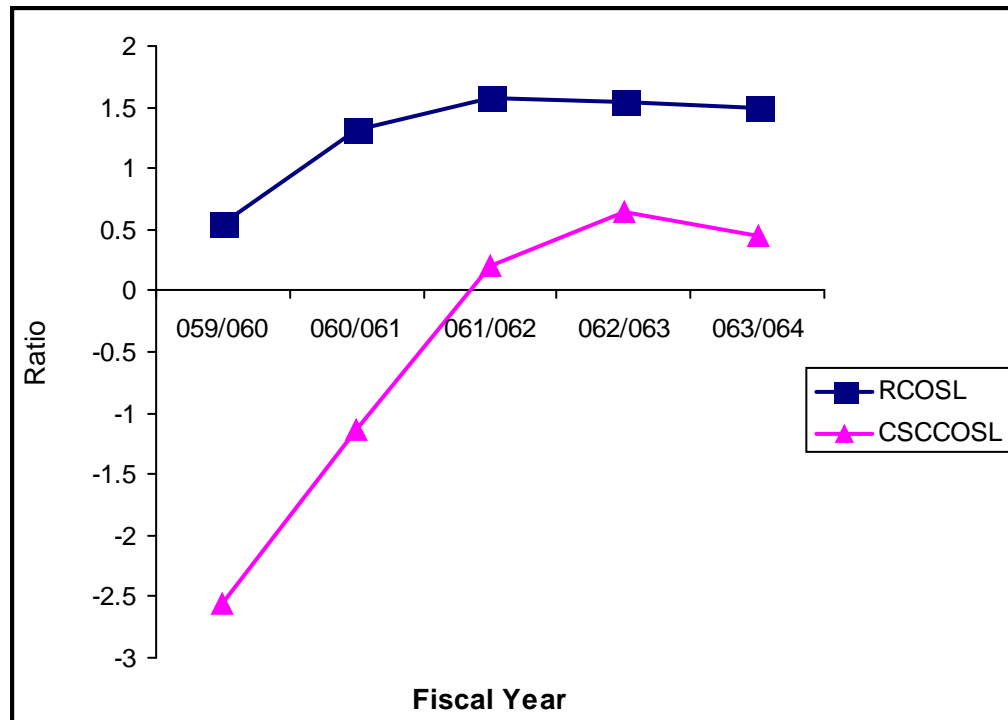
4.2.4.3 Earning Per Share

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

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

Table 4.15

Calculation of Earning Per Share

Year	RCOSL			CSCCOSL		
	Net profit	No. of share	EPS	Net profit	No. of share	EPS
059/060	56670	14258	3.97	-119850	15712	-7.63
060/061	165410	13942	11.86	-67150	15757	-4.26
061/062	288800	22090	13.07	11270	15795	0.71
062/063	405300	21972	18.45	49480	15795	3.13
063/064	537500	24822	21.65	50600	15416	3.28
Mean ($\overline{X}$)			13.8			-4.77
S.D (†)			6.069			5.76
C.V			43.97			120.67

Source: Annual Report

Table 4.15 revealed that the earning per share of RCOSL is in increasing order. Earning per share in the first year of study period i.e. in the fiscal year 059/60 was Rs. 3.97 and reach to 21.65 in the last year of study period i.e. in the fiscal year 063/064. The average earning per share of RCOSL is Rs. 13.8. In the another hand the CSCCOSL is in lose in the first two years of study period i.e. in the fiscal year 2059/060 and 060/061. Earning per share is gradually increasing in the last 3years of study period means in the fiscal year 2061/062, 2062/063 and 2063/064. The cooperative study of EPS of RCOSL and CSCCOSL shows that RCOSL is earning more than CSCCOSL in per share basis. RCOSL has satisfactory EPS than that of CSCCOSL but CSCCOSL has also shown positive increment in earning per share.

Graph 4.12
Earning Per Share
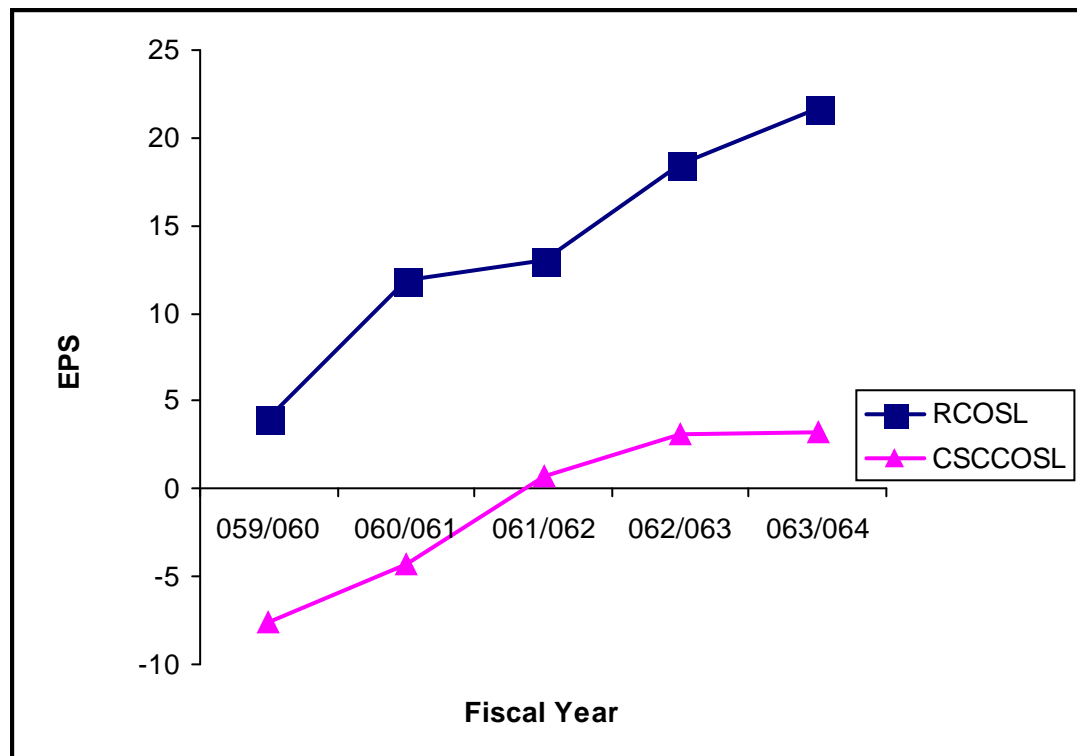
4.2.4.4 Return on Equity

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

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

Table 4.16

**Calculation of Return on Total Equity**

(In thousand)

Year	RCOSL			CSCCOSL		
	Profit	Equity	Ratio	Profit	Equity	Ratio
059/060	56.67	1425.8	3.97	-119.85	1565.5	-7.65
060/061	165.41	1394.2	11.86	-67.15	1571.2	-4.27
061/062	288.8	2938.13	9.83	11.27	1575.7	0.71
062/063	405.3	3821	10.61	49.48	1539	3.21
063/064	537.5	4880.19	11.01	50.60	1665.7	3.04
Mean ($\overline{X}$)			9.46			-4.96
S.D (†)			2.82			5.84
C.V			29.81			117.74

Source: Annual Report

Table 4.16 shows the return on equity of RCOSL and CSCCOSL during the study period 2059/060 to 063/064. The RCOSL has fluctuating return to total equity ratio. The average return to total equity ratio of RCOSL is 9.46% and lowest ratio is 3.97% in the fiscal year 2059/060 and highest ratio of 11.86% in the fiscal year 060/061. Similarly CSCCOSL has negative return to total equity ratio in the first two years of study period i.e. in 059/060 and 060/061 but in last three years of study period i.e. in fiscal year 061/062,062/063 and 063/064 return on total equity ratio is seen positive and in increasing trend. In conclusion it can be said RCOSL is stronger to earn profit with respect to total equity employed in it.

Graph: 4.13
Return on Total Equity
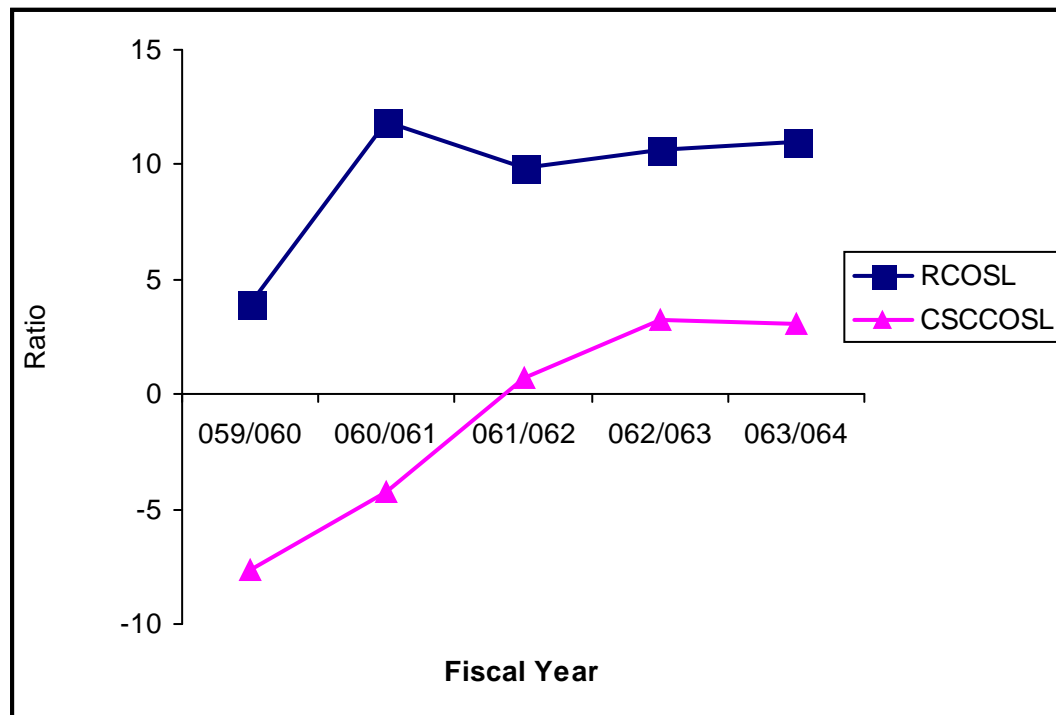
4.2.4.5 Interest Earned to Total Assets Ratio

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

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

Table 4.17

Calculation of Interest Earned to Total Assets Ratio

(In thousands)

Year	RCOSL			CSCCOSL		
	Interest earned	Total Assets	Ratio	Interest earned	Total Assets	Ratio
059/060	916.15	12784.06	7.17	216.65	6879.99	3.15
060/061	1151.52	15357.27	7.49	931.52	6821.22	13.65
061/062	2623.29	24600.9	10.66	980.31890	6745.31	14.53
062/063	3588.58	36392.35	9.86	890	8688.39	10.24
063/064	2037.4	45726	4.45	867.15	14358.66	6.03
Mean ($\overline{X}$)			7.93			9.52
S.D (†)			2.193			4.368
C.V			27.66			45.88

Source: Annual Report

Table 4.17 shows interest earned to total assets ratio of RCOSL and CSCCOSL during the study period from the fiscal year 059/060 to 063/064. RCOSL has average interest earned to total ratio of 7.93%. It has highest interest earned to total ratio of 10.66% in the fiscal year 061/062 and lowest ratio of 4.45% in the year 063/064.Similarly CSCCOSL has average interest earned to total assets ratio of 9.52%. It has highest ratio of 14.53% in the fiscal year 061/062 and lowest interest to total asset ratio of 3.15 in the fiscal year 059/060. Interest earning ratio of CSCCOSL

Is better than that of RCOSL because the average ratio of CSCCOSL is greater than RCOSL. It shows CSCCOSL has utilized its resources more efficiently. The CV of RCOSL is smaller than that of CSCCOSL (27.66<45.88) so interest earning capacity of RCOSL more consistent than CSCCOSL.

Graph 4.14

Interest Earned to Total Asset Ratio
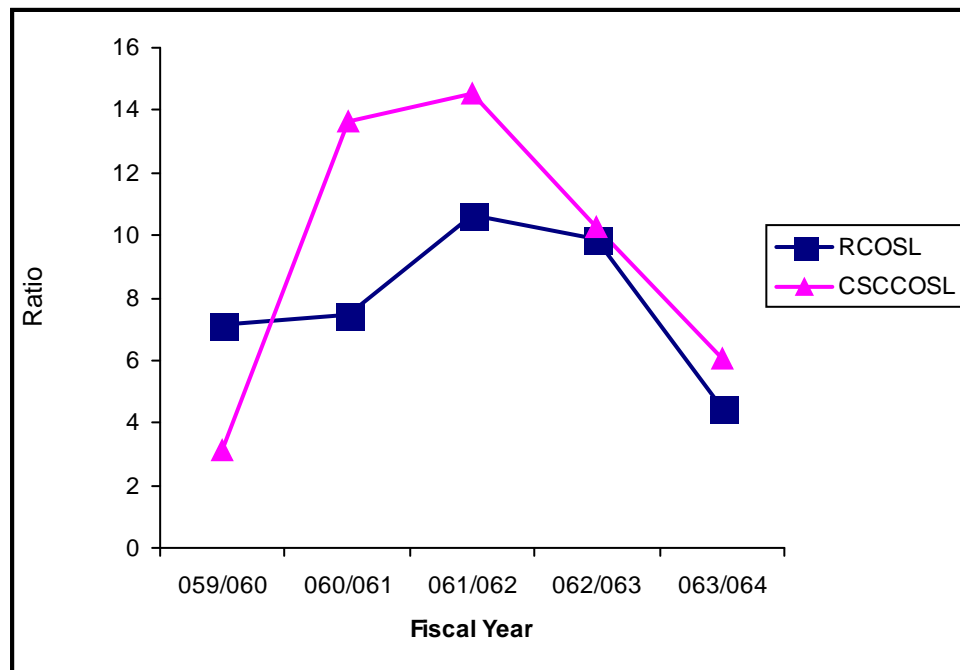
4.2.5 Risk Ratio

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

4.2.5.1 Credit Risk Ratio

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

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

Table 4.18

Calculation of Credit Risk Ratio

(In thousand)

Year	RCOSL			CSCCOSL		
	Loan and Advanced	**Total Assets**	**Ratio**	**Loan and Advanced**	**Total Assets**	**Ratio**
059/060	10371.42	12784.06	81.13	4685.1	6879.99	68.09
060/061	12625.33	15357.27	82.21	5894.2	6821.02	86.41
061/062	18391.78	22600.9	81.38	5538.5	6745.31	82.10
062/063	26081.76	36392.35	71.67	7663.4	8688.39	88.20
063/064	35905.82	45725.9	78.52	11261.3	14358.66	78.42
Mean ($\overline{X}$)			78.98			80.64
S.D (†)			3.86			7.14
C.V			4.89			7.49

Source: Annual Report

Table 4.18 shows the fluctuation in the ratios of credit risk of RCOSL and CSCCOSL. The average credit risk ratio of RCOSL and CSCCOSL are 78.98% and 80.68% respectively. CSCCOSL has higher average credit risk ratio than that of RCOSL so SCCOSL is more risky cooperative than RCOSL in respect to Loan and advance. Which shows that RCOSL has highest Ratio and it is able to avoid default for non-payment of loan RCOSL has highest credit risk ration of 82.21% in the fiscal year 2060/061 and lowest credit risk ratio of 71.67% in the fiscal year 2062/063. Where as CSCCOSL has highest credit risk ratio of 88.20% in the fiscal year 2062/063 and lowest credit risk ratio of 68.09% in the fiscal year 2059/060.

Graph 4. 15

Credit Risk Ratio and RCOSL and CSCOSL
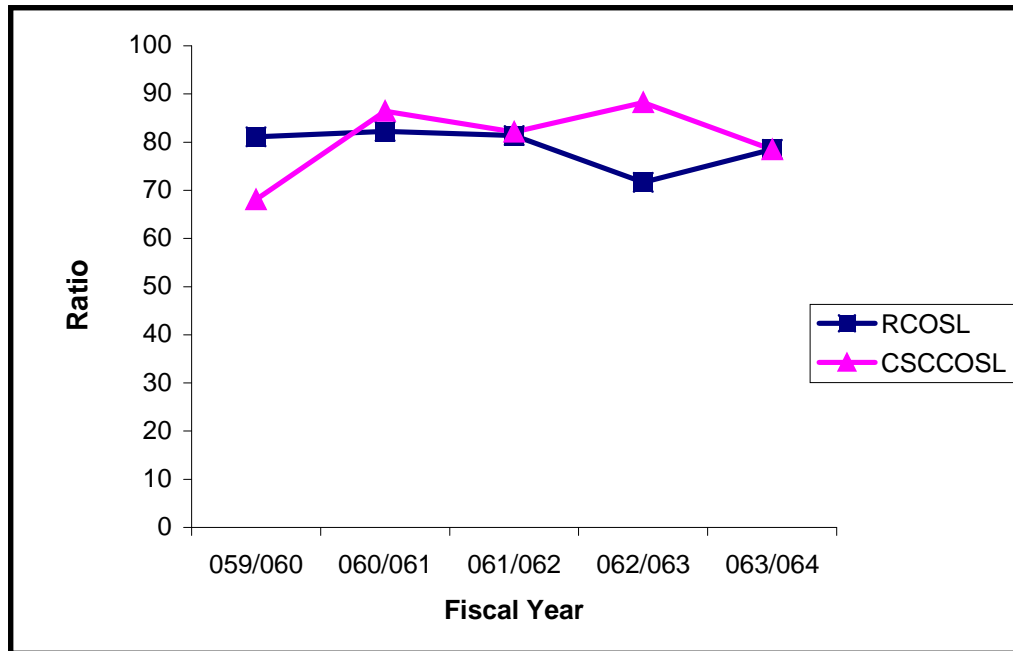
4.3   Trend Analysis

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

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

$Y = a + bX$

Where,

Y = The dependent variable

a = The origin i.e. arithmetic mean

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

X = the independent Variable

4.3.1 Trend Analysis of Deposit

Deposit includes current, saving, fixed and other deposit (call deposit +others). Under this topic an effort has been made to calculate the trend values to total deposit of RCOSL and CSCCOSL for 5 years and forecast for next 5 years till 2068/069.

Table 4.19

Trend Analysis of Total Deposit

Actual Trend Value

	Name	2064/065	065/066	066/067	067/068	068/069
Trend Value	**RCOSL**	7233.85	14906.97	22580.09	30253.21	37926.33
	CSCCOSL	3501.44	5059.46	6617.48	8175.5	9733.52

Forecasted Trend Value

	Name	2064/065	065/066	066/067	067/068	068/069
Trend Value	**RCOSL**	45599.45	53272.57	60945.69	68618.81	76291.93
	CSCCOSL	11291.54	12849.56	14407.58	15965.6	17523.62

Source: Annex -4

Graph 4.16

Forecasting Trend Value
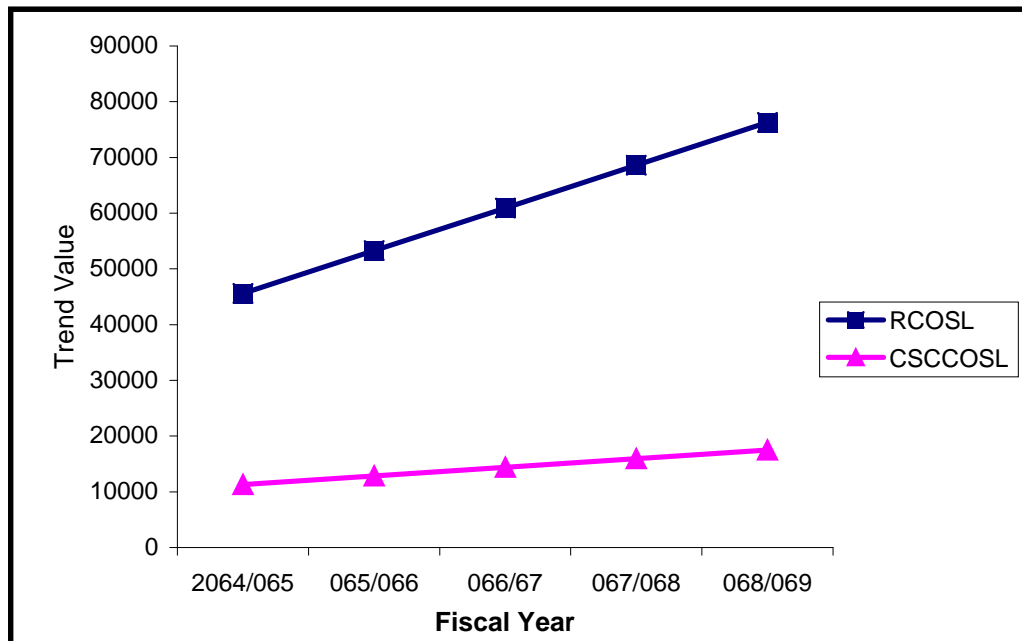
Table has given the trend value of RCOSL and CSCCOSL. The trends of deposit of both cooperatives are n increasing trend. The total deposit of RCOSL is greater than CSCCOSL. The total deposit of RCOSL is greater than CSCCOSL. The other things remaining the same, both cooperatives will be accumulating a **total** deposit of Rs 76291.93 thousand and 17523.62 thousand respectively in the fiscal year 2068/069 of RCOSL and CSCCOSL.

4.3.2 Trend Analysis of Loan and Advances

Loan and advances includes, loan and advances disbursed to the shareholder of cooperative. Under this topic an effort has been made to calculate the trend values of loan and advances of RCOSL and CSCCOSL for 5 years and forecasted for next 5 years till 2068/069.

Table 4.20

Trend Analysis of Loan and Advances

Actual Trend Value

	Name	2064/065	065/066	066/067	067/068	068/069
Trend Value	**RCOSL**	7770.18	14222.7	20675.22	27127.74	33580.26
	CSCCOSL	4024.1	5516.26	7008.42	8500.58	9992.74

Forecasted Trend Value

	Name	2064/065	065/066	066/067	067/068	068/069
Trend Value	**RCOSL**	40032.78	46485.3	52937.82	59390.34	65842.86
	CSCCOSL	11484.90	12977.06	14469.22	15961.38	17453.54

Source: Annex -5

Graph 4.17

Forecasted Trend Value
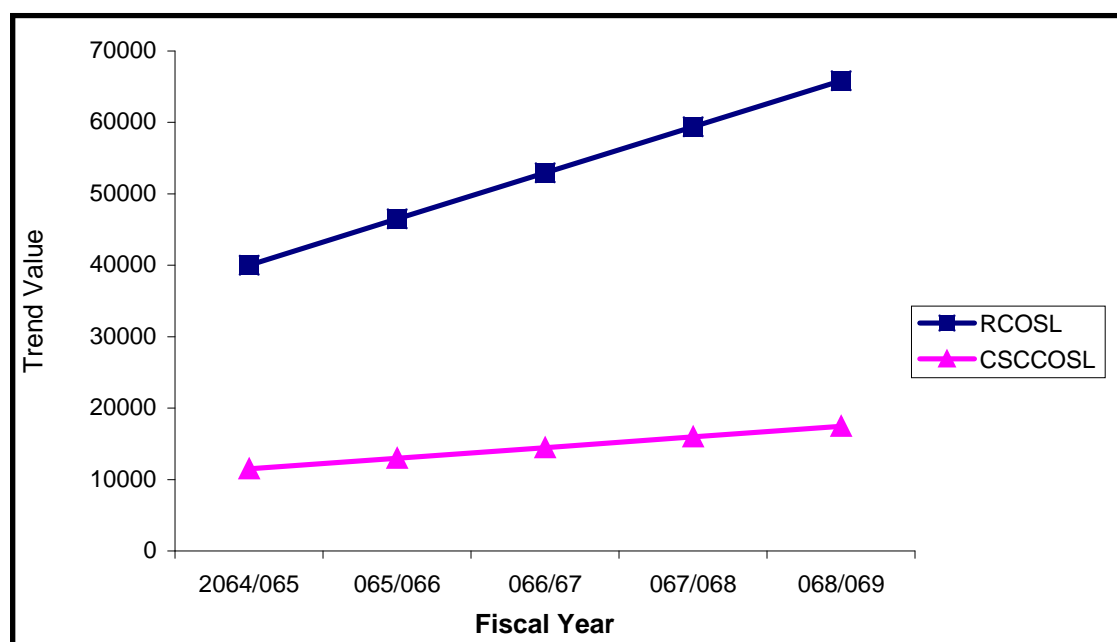
4.4   Major Findings

4.4.1   Deposit Collection and its Mobilization

The deposit collection amount of RCOSL is increasing every year but the collection of CSCCOSL is fluctuating. From the study of deposit collection and loan and advance, the deposit collection of both the cooperatives are not satisfactory. Percentage change of deposit collection of CSCCOSL is more fluctuating than the percentage change of deposit collection of RCOSL.

Credit mobilization of both the cooperatives is in increasing order. Both the cooperatives utilize their whole deposit to the loan and advances. It can be said that RCOSL and CSCCOSL are taking more interest towards less risky investment.

4.4.2   Financial Ratio Analysis

4.4.2.1 Liquidity Ratio

The average ratio of liquid fund to total deposit ratio CSCCOSL of greater than that of RCOSL, which shows that CSCCSOL has much liquid fund than RCOSL.

4.4.2.2 Activity Ratio

Credit to total deposit ratio of RCOSL and CSCCOSL are in fluctuating trend. During the study CSCCOSL has been more successful in mobilizing funds than RCOSL

Time deposit to total deposit ratio of CSCCOSL is greater than RCOSL like wise CV of CSCCOSL is also greater than RCOSL. The study shows the CSCCOSL has higher ratio of mobilizing the fund.

4.4.2.3 Capital Adequacy Ratio

Capital to total deposit ratio reveals that CSCCOSL has higher the ratio than RCOSL and has slightly fluctuating in total capital. The CV of the RCOSL is lower than CSCCOSL i.e. 27.89%< 28.59% .It shows that the capital maintained by RCOSL is more consistent compare to CSCCOSL.

Total capital to total credit ratio reveals that CSCCOSL has higher the ratio and it has slightly decreasing trend in total capital to credit. On the other hand the CV of RCOSL is lower than CSCCOSL i.e. 23.58% < 27.78% which shows that the capital maintains by RCOSL is more consistent compare to CSCCOSL.

Capital to total assets ratio reveals that CSCCOSL has higher the ratio the CV of CSCCOSL is lower than RCOSL i.e. 9.71% < 49.21% which shows that the capital maintained by CSCCOSL is more consistent than RCOSL.

The overall study of the ratio shows that the RCOSL is in better position than CSCCOSL in this regard.

4.4.2.4 Profitability Ratio

Return on working fund reveals that the average ratio of RCOSL is higher than CSCCOSL not only that CSCCOSL has negative ratio. RCOSL has become able to earn more profit than CSCCOSL. The CV of CSCCOSL is negative which shows that the earring net profit level of RCOSL is more than CSCCOSL.

Return (Net Profit) On loan and Advance s reveals that RCOSL has higher the average ratio than CSCCOSL. It was able to earn more profit on loan and advance than CSCCOSL. The CV of RCOSL is 29.23% and that of CSCCOSL is -250%

4.4.2.5 Risk Ratio

Credit risk ratio reveals that RCOSL has higher the average ratio than CSCCOSL The CV of CSCCOSL is lower than RCOSL i.e. 24.03% < 31.01%. Which shows that the non performing assets in total loan and advances levels by CSCCOSL is more consistent compare to the RCOSL

4.4.2.6 Growth Ratio

Growth ratio of total deposit of RCOSL is higher than CSCCOSL.RCOSL in collecting deposit is better in comparison to CSCCOSL. The trend of deposit collection of both cooperatives is in increasing trend.

Growth ratio of loan and advances of RCOSL is higher than CSCCOSL. Both cooperatives have increasing trend of credit mobilization

Growth ratio of net profit of RCOSL is greater than CSCCOSL. CSCCOSL is in loss. It shows the performance of RCOSL is better in comparison to CSCCOSL.

4.4.3   Statistical Analysis

4.4.3.1 Correlation Coefficient

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

4.4.3.2 Trend Analysis

The overall trend analysis of both cooperatives shows that deposit and loan and advances that deposit and loan and advances will be higher in RCOSL than CSCCOSL and growth rate is also higher in RCOSL than in CSCCOSL The deposits of both cooperates are in increasing trend. The total deposit collection of RCOSL is greater than CSCCOSL. The RCOSL will be accumulate a total deposit amount of Rs. 76291.93 thousand in fiscal year 2068/069 while the CSCCOSL will deposit amount that will be Rs. 17523.62 thousand only in the fiscal year 2068/069.

Loan and advances of both banks are also in increasing trend. RCOSL remained the higher volume of credit mobilization. The RCOSL will extent total loans worth Rs. 65842.86 thousand in the year 2068/069. CSCCOSL the lower position in term of loan and advances out flow that will be 17453.54 thousand in.

The overall trend analysis of both cooperatives show that deposit and credit mobilization be higher in RCOSL than CSCCOSL and growth rate is also higher in RCOSL than in CSCCOSL.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

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

5.1   Summary

The main objective of the study is to analyze comparative saving and credit mobilization status and the financial position of RCOSL and CSCCOSL. It also focuses the trends of saving and deposits mobilization of and forecasts the trend values of deposit, loan and advance and its projection for next five years.

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

Just only increment of deposit does not give any return to the cooperative. A cooperative should have sound investment policy for the mobilization of the available funds. A deposit is that liability of the cooperative, which is returnable in demand at any time. So sound investment policy has appeared to be very necessary to the cooperatives. A cooperative mainly focuses on its two function i.e. collection of deposit through various schemes and granting those amounts as loan to the members by providing various facilities. It is important that the cooperatives' deposit policy is the most essential policy for its existence. The growth of cooperatives depends primarily upon the growth of its deposits. The volume of credit mobilization much depends upon the deposit base of cooperatives. Overall financial performance analysis of both the cooperative concludes that RCOSL is stronger than CSCCOSL. But

CSCCOSL is also chasing the RCOSL by bringing positive increment in the performance of last years of study period.

5.2 Conclusions

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

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

∫ In the fiscal year 2063/064 RCOSL has collected deposit of Rs. 39669.81 thousand and extended as loan and advances 35905.82 thousand and made net profit of Rs. 537.5 thousand similarly, CSCCOSL was able to collect Rs. 11858.08 thousand deposits and extended as loan and advances of Rs. 11261.3 thousand and was able to make net profit of Rs. 50.6 thousands in the fiscal year 2063/064.

∫ According to liquidity ratio, the overall liquidity ratio of CSCCOSL is stronger than the RCOSL. It can conclude that CSCCOSL could discharge the depositor's obligation more to repay its short-term liability.

∫ According to activity ratio, CSCCOSL has mobilized its collected deposits on investment than CSCCOSL. These ratios reflect how efficiently the cooperative is managing its resources.

∫ According to capital adequacy ratio, RCOSL is in better position to row its capital than CSCCOSL.

⟩ The earning capacity of cooperative is measured by profitability ratio. RCOSL is more consistent at earning net profit than CSCCOSL

⟩ In case of risk ratio, the CSCCOSL has less risk ratio than RCOSL so CSCCOSL is less risky than RCOSL.

⟩ In case of growth ratio, the growth ratio of RCOSL is higher than CSCCOSL. Karl Pearson's correlation analysis helped to conclude that there is significant relationship between total deposit and loan and advances of both cooperative.

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

5.3 Recommendations

5.3.1 Recommendations to RCOSL

⟩ Deposit collection of RCOSL is higher than CSCCOSL. It is concluded in the study how important the deposit for the cooperatives so RCOSL is recommended to collect more deposit by initiating members for compulsory deposit through various scheme.

⟩ RCOSL has increasing loan and advances in every successive year but it is suggested that it should increase the percentage change of investment on loan and advances which helps to earn more profit.

⟩ Cooperatives should choose profitable sector of investment to give return to the members. Small industries and agriculture is the best sector for cooperative because other commercial banks are not involving in these sectors.

⟩ Investment through micro finance sector has become a crucial part of RCOSL profit so this sector's investment should be extended. RCOSL should provide the services like other commercial bank to attract the customer.

5.3.2 Recommendation to CSCCOSL

⟩ The deposit collection of CSCCOSL is in fluctuating order. It is not good sign for cooperative. It should attract the deposit by providing reliable service to the customers.

⟩ Growth ratio of total loan and advances of CSCCOSL is lower than that of RCOSL. Hence, it is recommended to CSCCOSL to increase deposit collection ratio and mobilization of such deposit in profitable sector. So as RCOSL, the CSCCOSL should also invest in micro finance sector to earn more profit and to insure investment.

⟩ CSCCOSL should learn the policy of RCOSL deeply and should reach to the grass root level for providing banking services to the low incoming group of people.

⟩ CSCCOSL should provide remittance counter facility to attract all the members

⟩ Prompt and easy service is the sign of good cooperative so CSCCOSL should give emphasis to such factor to be cooperative of public choice.

⟩ CSCCOSL should provide training to its staff about accounting system and banking facility to run the organization smoothly.

5.3.3 General Statement of Recommendations

⟩ The main focus of cooperatives is economically poor persons who do not have capital to invest in productive sector and those person who has small saving but don't have profitable deposit centre so cooperative should be in the access of such group of people.

⟩ Cooperatives organizations should be developed as the supporter of rural people but not the competitor of commercial bank.

⟩ Cooperative board should provide immediate guidance to the cooperatives for their effective performance and to know how to perform profitable transactions.

⟩ Cooperatives should invest its deposit in micro–finance sector.

⟩ Both sampled Cooperatives should work in the field of production and marketing of typical agricultural production of Syangja i.e. oranges and coffee.

〗 Sampled Cooperatives should open branches in remote V.D.C. of the district but not working only in head quarter.

〗 Lastly, both sampled cooperatives are suggested to support the social welfare event to promote their activities.

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CALCULATION OF GROWTH RATIO OF TOTAL DEPOSIT FOR RCOSL

$$DN = D0(1+G)^4$$

Or $39669.81 = 10768.28(1+g)^{5-1}$

Or $\dfrac{39669.81}{10768.28} = (1+g)^4$

Or $(1+g)4 = 3.68$

Or $1+g = (3.68)^{1/4}$

Or $1+g = 1.36$

Or $g = 38\%$

Similarly for CSCCOSL

Or $11858.08 = 4944.47(1+g)^{5-1}$

Or $(1+g)^4 = \dfrac{11858.08}{4944.47}$

Or $1+g = (2.39)^{1/4}$

Or $1+g = 1.24$

Or $g = 24\%$

ANNEX-II

Calculation of growth ratio of credit mobilization For RCOSL

Or $D_n = D_0(1+g)^{n-1}$

Or $35905.82 = 10371.42(1+g)^{5-1}$

Or $\dfrac{35905.82}{10371.42} = (1+g)^4$

Or $(1+g)^4 = 3.46$

Or $(1+g) = (3.46)^{1/4}$

Or $g = 1.36-1$

Or $g = 1.36 - 1$

Or $g = 36\%$

Similarly, For CSCCOSL

Or $1126.3 = 4685.1(1+g)^{5-1}$

Or $\dfrac{11261.3}{4685.1} = (1+g)^4$

Or $(1+g)^4 = 2.40$

Or $1+g = (2.40)^{1/4}$

Or $g = 1.24-1$

Or $g = 24\%$

Calculation of correlation coefficient and coefficient of determination (r^2) of total deposit and loan and advances of RCOSL

Total deposit(x)	Total loan and advance(y)	X^2	Y^2	XY
107.68	103.71	11594.98	10755.76	11167.49
121.01	126.25	14643.42	15939.06	15277.51
193.32	183.92	37372.62	33826.57	35555.41
310.29	260.82	96279.88	33826.07	80929.84
396.69	359.06	157362.96	128924.08	142435.51
x X1128.99	y X1033.76	x^2 X317253.86	y^2 X257472.54	xy X285365.76

Correlation coefficient (r) =
$$\frac{n \quad xy \, Z \quad x \quad y}{\sqrt{n \quad x^2 \, Z(\quad x)^2} \sqrt{n \quad y^2 \, Z(\quad y)^2}}$$

$$= \frac{5 \mid 285365 \, Z1128.99 \mid 1033.76}{\sqrt{5 \mid 317253.86 \, Z(1128.99)^2} \sqrt{5 \mid 257472.54 \, Z(1033.76)^2}}$$

$$= \frac{1426828.8 \, Z1167104.70}{\sqrt{1586269.3 \, Z1274618.42} \sqrt{1287362.7 \, Z1068659.74}}$$

$$= \frac{259724.1}{\sqrt{311650.88} \sqrt{218702.96}}$$

$$= \frac{259724.1}{558.26 \mid 467.66} \, X0.995$$

Coefficient of determination = $r^2 = (0.995)^2 = 0.99$

Problem error = $0.6745 \mid \dfrac{1 \, Zr^2}{\sqrt{n}}$

$0.6745 \mid \dfrac{1 \, Z0.99}{\sqrt{5}} \, X\dfrac{0.6745 \mid 0.01}{2.24}$

$= 0.003$

6PE = 6*0.003

$= 0.018$

ANNEX -IV

Calculation of correlation coefficient and coefficient of determination (r2) of total deposit and loan and advances of CSCCOSL

Total deposit(x)	Loan and advance(y)	X^2	Y^2	XY
49.44	46.85	2444.31	2194.92	2316.26
48.79	58.94	2330.46	3473.92	2875.68
47.72	55.38	2277.20	3066.94	2642.73
66.32	76.63	4398.34	5872.16	5082.10
118.58	112.61	14061.22	12681.01	13353.29
x X330.85	y X350.41	x^2 X25561.53	y^2 X27288.95	xy X26270.06

$$\text{Correlation coefficient (r)} = \frac{n \quad xy \text{ Z} \quad x \quad y}{\sqrt{n \quad x^2 \text{ Z}(\quad x)^2} \sqrt{n \quad y^2 \text{ Z}(\quad y)^2}}$$

$$= \frac{5 \,|\, 26270.06 \text{ Z} 330.85 \,|\, 350.41}{\sqrt{5 \,|\, 25561.53 \text{ Z}(330.85)^2} \sqrt{5 \,|\, 27288.95 \text{ Z}(350.41)^2}}$$

$$= \frac{15417.15}{\sqrt{127807.65 \text{ Z} 109461.72}\sqrt{136444.75 \text{ Z} 122787.17}}$$

$$= \frac{15417.15}{\sqrt{18345.93}\sqrt{13657.58}}$$

$$= \frac{15417.15}{135.45 \,|\, 116.87} \text{ X} 0.973$$

Coefficient of determination $= r^2 = (0.973)^2 = 0.946$

$$\text{Problem error} = 0.6745 \;|\; \frac{1 \text{ Z} r^2}{\sqrt{n}}$$

$$0.6745 \,|\, \frac{1 \text{ Z} 0.946}{\sqrt{5}} \text{ X} \frac{0.6745 \,|\, 0.053}{2.236}$$

$$= 0.0159$$

$$6PE = 6*0.0159$$

$$= 0.0159$$

TREND ANALYSIS OF TOTAL DEPOSIT OF RCOSL

Year	Deposit (Y)	X	X^2	XY
059/060	10768.25	-2	4	-21536.5
060/061	12101.2	-1	1	-12101.2
061/062	19331.9	0	0	0
062/063	31029.27	1	1	31029.27
063/064	39669.81	2	4	79339.62
	y =112900.43	x =0	x^2 =10	xy =76731.19

$$x = 0 \qquad a = \frac{y}{n} \, X \frac{112900.43}{5} \, X22580.09 \qquad b =$$

$$\frac{xy}{x^2} \, X \frac{76731.19}{10} \, XZ7673.12$$

Hence trend line equation

Y= a+ bx = 22580.09+(7673.12)(-2)=7233.85

22580.09+(7673.12)(-1)=14906.97

22580.09+(7673.12)(0)=22580.09

22580.09+(7673.12)(1)=30253.21

22580.09+(7673.12)(2)=37926.33

22580.09+(7673.12)(3)=45599.45

22580.09+(7673.12)(4)=53272.57

22580.09+(7673.12)(5)=60945.69

22580.09+(7673.12)(6)=68618.81

22580.09+(7673.12)(7)=76291.93

Trend Analysis of Total Deposit of CSCCOSL

Year	Deposit(Y)	X	X^2	XY
059/060	4944.47	-2	4	-9888.94
060/061	4879.94	-1	1	-4879.94
061/062	4772.04	0	0	0
062/063	6632.89	1	1	6632.89
063/064	11858.08	2	4	23716.16
	$y = 33087.42$	$x = 0$	$x^2 = 10$	$xy = 15580.17$

$$x = 0 \qquad a = \frac{y}{n} \, X \frac{33087.42}{5} \, X6617.48 \qquad b = \frac{xy}{x^2} \, X \frac{15580.17}{10} \, X1558.02$$

Hence trend line equation

$$Y = a + bx = 6617.48 + (1558.02)(-2) = 3501.44$$
$$= 6617.48 + (1558.02)(-1) = 5059.46$$
$$= 6617.48 + (1558.02)(0) = 6617.48$$
$$= 6617.48 + (1558.02)(1) = 38175.5$$
$$= 6617.48 + (1558.02)(2) = 9733.52$$
$$= 6617.48 + (1558.02)(3) = 11291.54$$
$$= 6617.48 + (1558.02)(4) = 12849.56$$
$$= 6617.48 + (1558.02)(5) = 14407.58$$
$$= 6617.48 + (1558.02)(6) = 15965.6$$
$$= 6617.48 + (1558.02)(7) = 17523.62$$

TREND ANALYSIS OF LOAN & ADVANCES OF RCOSL

Year	Loan & Advance	X	X^2	XY
059/060	10371.42	-2	4	-20742.84
060/061	12625.33	-1	1	-12625.33
061/062	18391.78	0	0	0
062/063	26081.76	1	1	26.-081.76
063/064	35905.82	2	4	71811.64
	$y=103376.11$	$x=0$	$x^2=10$	$xy=64525.23$

$$x = 0 \qquad a = \frac{y}{n} \, X \frac{103376.11}{5} \, X\,20675.22 \qquad b =$$

$$\frac{xy}{x^2} \, X \frac{64525.23}{10} \, X\,64525.23$$

Hence trend line equation

$$Y = a + bx = 20675.22+(6452.52)(-2) = 7770.18$$
$$= 20675.22+(6452.52)(-1) = 14222.7$$
$$= 20675.22+(6452.52)(0) = 20675.22$$
$$= 20675.22+(6452.52)(1) = 27127.74$$
$$= 20675.22+(6452.52)(2) = 33580.26$$
$$= 20675.22+(6452.52)(3) = 40032.78$$
$$= 20675.22+(6452.52)(4) = 46485.3$$
$$= 20675.22+(6452.52)(5) = 52937.82$$
$$= 20675.22+(6452.52)(6) = 59390.34$$
$$= 20675.22+(6452.52)(7) = 65842.86$$

Trend Analysis of Loan and Advances of CSCCOSL

Year	Loan & Adv.	X	X²	XY
059/060	4685.1	-2	4	-9370.2
060/061	5894.2	-1	1	-5894.2
061/062	5538.1	0	0	0
062/063	7663.4	1	1	7663.4
063/064	11261.3	2	4	22522.6
	$y = 35042.1$	$x = 0$	$x^2 = 10$	$xy = 14921.6$

$$x = 0 \qquad a = \frac{y}{n} X \frac{35042.1}{5} X 7008.42 \qquad b = \frac{xy}{x^2} X \frac{14921.6}{10} X 1492.16$$

Hence trend line equation

$$Y = a + bx = 7008.42 + (1492.16)(-2) = 4024.1$$
$$= 7008.42 + (1492.16)(-1) = 5516.26$$
$$= 7008.42 + (1492.16)(0) = 7008.42$$
$$= 7008.42 + (1492.16)(1) = 8500.58$$
$$= 7008.42 + (1492.16)(2) = 9992.74$$
$$= 7008.42 + (1492.16)(3) = 11484.90$$
$$= 7008.42 + (1492.16)(4) = 12977.06$$
$$= 7008.42 + (1492.16)(5) = 14469.22$$
$$= 7008.42 + (1492.16)(6) = 15961.38$$
$$= 7008.42 + (1492.16)(7) = 17453.54$$

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Gita Pokhrel

Entitled

A COMPARATIVE STUDY ON SAVING AND CREDIT MOBILIZATION and Financial Performance OF ROYAL COOPERATIVE SOCIETY LTD AND CHANDIKALIKA SAVING AND CREDIT COOPERATIVE

SOCIETY LTD.

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

Supervisor   **Head of Department**

Name: Hari Pathak

Signature:

Signature:

Campus Chief

Date: Signature:

VIVA- VOCE SHEET

We have conducted the viva-voce examination of the thesis presented by

GITA POKHREL

Entitled

A Comparative Study on Saving and Credit Mobilization and Financial Performance of Royal Cooperative Society Ltd. and Chandikalika Saving and Credit Cooperative Society Ltd.

and found the thesis to be the original work of the student and written according to the prescribed formant. We recommend the thesis to be accepted as partial fulfillment of the requirements for Master's Degree in Business Studies (M. B. S.)

VIVA -VOCE COMMITTEE

Chairperson, Research Committee :...............…………..........................

Member (Thesis Supervisor) : ....…………………...

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