

# CHAPTER- 1

## INTRODUCTION

### 1.1 General Background

Nepal is the birth place of Lord Buddha the country famous of highest mountain in the world, Everest. Nepal has agriculture based economy nevertheless the present trend of going national economic prosperity is not in the real scene of the agriculture output alone.

In the scenario of the world, Nepal is a beautiful landlocked country located between the latitude 26° 22'' North to 30° 27'' North and longitude 80° 4'' East to 88° 12'' East and elevation ranges 60 to 8848 m. The average length being 885 km east to west and 193 km width of North to South, the boarder line of Nepal is surrounded by two large countries i.e. China in North and India in the south, east and west.

The country divided administration into 5 development regions and committees and municipalities are the lower administrative units in each district. Each VDC is comprised of 9 wards and wards in a municipality 9 to 35. Currently there are 3915 VDC and 58 municipalities in the country. Ecologically Nepal is divided into three regions called Mountain region, Hill region, and the Terai region.

The country is one of the least developed countries of the world. Approximately 38% of all Nepalese live in obsolete poverty. The population of Nepal according to Nepal population census 2001 is 2, 31, 51,423.

Nepalese average GDP growth rate in recent year is around 3 to 5 % the total population growth rate is 2.3% and the population distribution is 160 people per square k.m. have affected its economy to a large extent. World development reports 2007 shows that the economic growth rate on per capita GNP is 5.3%. The report

shows that the public expenditure on education and health are 2.8% and 1.2% of GNP respectively. Currently 59% of all adult are literate.

Today the business is depending not only on market and production as it was in late 1920-1950's development of financial sector is another strategic variable to uplift the economy.

There are different obstacles like natural, technical, socio-economic and administrative that result slow rate of financial development in Nepal. Banking and financial sector play a vital role in the economic development of the country. In the development of financial sector, co-operative development is much more affected by these obstacles. We cannot say that we are not trying to avoid nations persisting obstacles. Because of many reasons we may be avoiding these obstacles to some extent.

Government of Nepal is trying to avoid various obstacles to improve the people's financial condition of Nepal. For this purpose, government gives to permit different co-operative institution and non-government organizations to increase people saving mobilization awareness in order to create a sound and healthy financial system. The financial sector primarily the means for transforming and transferring the saving of an economy into productive sector and helps to fulfill the needs of people. It means those institutions that hold financial assets and that obtain the funds for these investments by issuing liabilities. These would include commercial banks, development bank, financial companies, co-operatives insurance companies and so on.

## 1.2 Historical Background of Co-operatives

Co-operative is modified version of self-help and saving groups. Hence these have envisaged major aim to improve socio-economic condition of the rural areas. The group of people having limited resources and income gathered for their common

social and economic interest. Add prosperity and eradicated poverty through co-operative activity was considered a co-operative slogan. Co-operative organizations have distinct character in comparison to other organization due to its own co-operative development as well as its success. Co-operatives help to distribute wealth and profit equally all. It minimizes exploitation of money lenders, landlords and traders and discourages block marketing and artificial scarcity.

Since the ancient period co-operation in the community come into existence up to date. Co-operation concept was introduced in the 18<sup>th</sup> century. Robert Owens contribution considered as Important for the co-operative movement. He made an organization of labors with the purpose of co-operative to each other. An organization “Rockdale Society of Equitable Pioneers” was established in England in 24 October 1844 which becomes first written history of co-operatives.

In 1860, Luigi and Luzzati were started first co-operative in Italy. And Franz Schulze has an organization having principles of co-operative in 1850, “Each for all and all for each”. He also published a book named co-operative banking in 1956. In 1850 F.W. Raiffelson established an organization named the “Grand Union of rural co-operative societies in Germany”. In 1866 co-operative movement was started in Denmark. In 1991, “Credit Union National Extension Bureau” was established in the United State of America. In Asia co-operative was initiated in India 1904, Srilanka in 1906, Taiwan in 1910, Philippines in 1951, Thailand in 1916 and in Nepal in 1953. The co-operative concept was developed as well as expanded all over the Europe America Africa and Asian countries.

### 1.3 Co-operative in Nepalese Perspective

A co-operative for the Nepalese society was not newly acquired. Helping peoples among the community was and is our tradition in case of marriage death and other functions. There are most popular traditional co-operative firms.

The co-operative society became organization in 2010. In 2013 first co-operative institution established in Chitwan named Bakhanpur loan co-operative society. In 2016 government of the Nepal formulated the co-operative organization act 2016 co-operative development fund in 2017 and co-operative organization rules in 2018.

For the growth of the co-operative Sajha Kendriya Sansthan was established in the principles security of the king Mahendra. In 2019 co-operative teaching center was also established on the ownership of the government and other business type of co-operative organization thereafter.

In 2020 co-operative bank was established in Nepal and it also absorbed under agriculture Bank in 2024 under the formulation of the co-operative act 2048.

The co-operative act 2048 and rule 2049 evoked a new movement in the co-operative sector. The co-operative act 2048 as well as rules 2049 fetches the further opportunities. The ministry for agriculture and co-operative international co-operative alliance Rastriya Sahakari Board, Rastriya Sahakari Shang, Sahakari Division office and Rastriya Sahakari Bank few sector working in the promotion of co-operative organizations. Co-operative organizations are given the approval for the banking transaction.

Co-operative societies are the established aimed group co-operation among members not for the profit motive. Co-operative programs are hold especially for the rural sector development in our country. Sajha Swasthya Sewa, Sajha Bhandar and Sajha Yatayat are the examples of farmer co-operative organization.

Different co-operative laws and government policies designed for the co-operation development in the different economic plan. In the first five Year plan (2013-2018) Bakhanpur co-operative was established in Chitwan in 2013 and co-operative organization act 2016 was formulated as first achievement in co-operative sector. Co-operative development fund was established in 2017. In second plan (2019-2022) co-operative bank act 2019 was formulated and in 2020 co-operative saving bank was

established. In third plan (2022-2027) co-operative saving bank was changed into agriculture development bank in 2024. In fourth plan (2027-2032) focused the qualitative development of co-operatives rather than quantitative development. In fifth plan expanded the co-operative as common program in the country. In six economic plans (2038-2042) co-operative act 2016 was changed into Sajha Sanstha Act 2014. So on in seventh plan co-operatives had to develop in 72 districts where 830 agriculture co-operative and 54 non-agriculture co-operative were organized in the country. In 2048 Rastriya Sahakari Development Board was established. Likewise in 2050 Rastriya Sahakari Shang was established which is based on Sahakari Act 2048 and Sahakari rule 2049.

In eight plans (2049-2054) Rastriya Sahakari Shang was established. Major objective of eight plans was to remove the poverty and economic growth.

Different government policies and laws designed for co-operative development. Different laws are based on principle of co-operative. In 1995 international Sahakari Mahasang was formulated seven Sahakari principles- democratic controls of the member over organization open and voluntary membership economic participation and organizational freedom group co-operation responsible towards society are the general principles of the co-operative organizations. Co-operative societies are established aimed at group co-operation among members both for the profit motive. Co-operative programs are hold especially for the rural sector development.

After democratic revolution, co-operative act 2048 and co-operative rule 2049 were formulated in the country. In very short period many co-operative banking organizations are established but none of them could function properly.

The number of financial co-operatives licensed by NRB to conduct limited banking activities had reached to 35 by mid July 2000. After taking over 11 small farmers co-operatives to small farmer development program by NRB in April 2003 and license

revocation for non-compliance of NRB directives the total member of co-operatives has been reduced to 20 in mid July 2005.

#### 1.4 Background of the Navajeevan Co-operative

With the co-operation of seventeen person and institution found in Kailali on 16 Shrawan 2046 named Samudayak year publication 2058.

After with the help of the immediate office manager of the district co-operative office Kailali the name was transformed to Navajeevan Co-operative society Ltd. and registered under the central co-operative department Jawalakhel Lalitpur with registered number 307/2049/050 in Baisakh 2050.

It became the first co-operative banking office of the kingdom of Nepal after getting the approval letter of NRB banking management department Kathmandu of 20 Ashwin 2050. The opening celebrated on 30 Mangshir 2050 by the immediate assistant minister for the construction and transport Mr. Shiv Raj Joshi. The article of the association synthesized then realized by the letter of the HMG co-operative departments dated 13 Magh 2051 having function sector of the banking office all over the country.

Shares were published in the open market through the different branches of Nepal Bank Limited and Rastriya Banijya Bank since 1<sup>st</sup> Chaitra 2051.

However sympathy goes to those 64 founder members that devoted their sweet oil and tears on behalf of the organization. The popular concept of co-operatives is “one share one vote”. Forty two employees are directly involved with this organization and operation services through fine branches situated at Dhangadhi Kailali.

On the first year end (2050) of the establishment its paid up capital was Rs. 2448070 while authorized capital was one crore. At 12<sup>th</sup> year and (2052) its authorized capital incremented and fixed to Rs. 25 crore, where as paid up capital accessed to Rs. 19985600. Issued capital is equal to paid up capital. There was a board consisted eleven members. Moreover seven member advisory boards account committee of three members a district representative and a legal advisor are executive body.

In Kailali district, there were 58 co-operative societies registered at present time. Among them 28 are multiple purpose co-operative societies. In the course of operation 12 multipurpose co-operative societies are inactive position and 5 multipurpose co-operative are located in Dhangadhi. All are running smoothly and diving banking transaction alone with Navajeevan Co-operative Society Ltd.

#### 1.5 Statement of the Problem

The co-operative are establishing and manage to solve the problems of distribution of goods of daily necessity agricultural products to facilitate improve farming system and exploitation of intermediaries to the mass people. Co-operative movement is one such a measure to ease and lower the blow of poverty of underdeveloped country and its people. Financial position and quality of services is main stream of successful organization. The main problem towards which this study is directed is to identify financial position in terms of liquidity deposit profitability and loan disbursement. What is the condition and collection and lending? To what extent the deposit, liquidity and loan? These are some of the statement of problems and this study has been undertaken to seek the answer of these research questions.

#### 1.6 Focus of the study

At present co-operative means in common words working together. At present time co-operative ascended towards money transaction and co-operatives demolished. Financial position is one of the important components of financial administrations. It is a crucial aspect of financial management of the firm. No business organization can run smoothly without proper utilization of financial resources. To this fact the study concerned with the financial position of the firm which has been included by deposit position investment position profit position and liquidity position of Navajeevan co-operatives. The study also focused to find out the expected result which may be useful for different sector of co-operatives.

### 1.7 Objective of the study

The basic objective of this study is to analyze the financial performance of Navajeevan Co-operative limited and the specific objectives of this study are as follows:

- i. To analyze the liquidity position of the co-operatives.
- ii. To analyze the trend of deposit, collection and loan disbursement.
- iii. To evaluate the trend of earning in comparison of total credit of the co-operative.
- iv. To make recommendation for the improvement of operational activities of the co-operatives.

### 1.8 Statement of Hypothesis



For the fulfillment of above-mentioned objectives, this study tested following null hypothesis in connections with the financial position of Navajeevan Co-operative limited.

- i. There is positive relation between loan disbursement and total profit.
- ii. There is positive relationship between liquidity and profit earned.
- iii. There is no significant different between total credits and total deposit.

#### 1.9 Significance of the study

This study is related with financial position of Navajeevan Co-operatives Limited. There is a need of growing linkage among different segments of the co-operative systems, shareholders, public and co-operative firms. These all are responsible factor of saving mobilization in any organization. No business can run smoothly without proper management of resources. Therefore, aim of this research is to study about the financial position. Study of the financial position is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance. The output of this research is expected to be beneficial for policymaker, operators of co-operatives, investors savers and researchers etc.

#### 1.10 Limitation of the study

An effort has done for avoiding errors while collecting, analyzing and interpreting the data. Every research has to conduct within certain size. So existing limitations of this research are:

- i. This study includes five years data from 2061/062 to 2065/066.
- ii. Cumulative data for each year end are used.
- iii. The study contains both qualitative and quantitative analysis.

## 1.11 Organizations of the Thesis

This Thesis has been organized in the following five chapters.

### **CHAPTER 1 – INTRODUCTION**

The first chapter is introductory and it includes background of the study, statement of problem, objective of study, history of co-operative, importance of study, setting of hypothesis and limitation of the study.

### **CHAPTER 2 – REVIEW OF LITERATURE**

The second chapter presents the review of literature relating to the conceptual framework of co-operative and financial performance of related previous studies, review from books and methods of evaluating financial performance.

### **CHAPTER 3 – RESEARCH METHODOLOGY**

The third chapter describes the research methodology employed in the study. Research design and its types, nature of data, source of data, collection procedures and different types of financial and statistical tools are high- lighted in this chapter.

### **CHAPTER 4 – PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA**

This is one of the most important chapters of this study. This chapter deals with presentation and analysis of data with the help of different tools specified on methodology and the interpretation of data.

### **CHAPTER 5 – SUMMARY, CONCLUSION AND RECOMMENDATIONS**

The fifth will provide summary, conclusion and recommendation. The research has reaches some conclusion and recommended some guidelines to the sampled

organization for its improving weakness factor and offers several suggestions for future research.

# CHAPTER - 2

## REVIEW OF LITERATURE

### 2.1 Conceptual Framework

#### **2.1.1 Origin and Development of Co-operatives**

Modern co-operative movement appears to have started in England in 1844. The co-operative movement has necessitated protecting the interest of weaker sections of society. Co-operative was set up not with profit as the guiding motive but with the fundamental object of serving the interest of its member. The philosophy behind co-operative movement is “All for each and each for all”, and “Self help through mutual help”.

Generally co-operatives had established by such persons of ordinary means who have openers of interest in solving similar problems. A co-operative organization is a voluntary association of persons with limited means to safeguard their interests. It had started with the aim of service to members. Its basic object is to help weaker section of society.

According to international labour organization, “A co-operative organization is an association of person usually with the limited means who voluntarily is in together to achieve a common economic end through the formation of democratic controlled organization making equitable contribution to the capital required and accepting a fair share of risks and benefit of the undertaking”. Hennery Calvert defines co-operative organization where in the persons voluntary associate together as human beings the basis of equality for the promotion of economic interest of themselves. Pro Talmaki defines, “It is an association for the weak who gather together for a common economic need and try to left themselves from the weakness into strength through business organization.” Co-operative organization may defined as a voluntary association of person; usually of limited means joining on equal basis for the promotion of the certain economic or business interests. Such an association

registered under co-operative act is called co-operative society. Its basic object is to help weaker section of society.

In the course of the time, co-operative ascended towards money transaction and pure money transaction and pure co-operative demolished. England is the place of origin of the co-operative concept; later on, this concept expanded all over the Europe, Asia and led to Nepal on 2010 for economic and social development of the farmer, sculptors having less capital and low capital and low economic group labors landless and unemployed person or social. No human beings can live independently rather he/she needs the co-operation of a community in common parlance pronounced as working together.

An auxiliary and helpful individual of friend who works together work in a group is said to be co-operative.

“Utilizing the liberalization policy of the government in the co-operative sector a large amount of co-operative organization was established by the different names after 2050.

Co-operative is not new system to Nepalese life style. From the ancient time while doing some work we have the tradition of helping each other with a view of co-operation. Co-operative society is voluntary association in which person of limited means of the associate together for the promoting their common interest and economic ends in a democratic way. Especially in the field of agriculture while ploughing land seeding and reaping the crop and in social customs like marriage there is tradition of helping each other. In Kathmandu Mankaguthi in Hills ‘Parma’ in western Nepal Thakalis ‘Dhikur’ and within the kingdom Dharma Bhakari are the traditional forms of co-operatives in Nepal. In modern form these traditions are not co-operative its features are similar to co-operatives.

The history co-operative development in Nepal is only about fifty years old. In its development department of co-operative established under food and agriculture

ministry in 2010.the first multipurpose co-operative Rapti Valley Development Project has started under this department in 2011. The underlying objective was to channel aid for agriculture as well as small scale and cottage industries.

This history of development planning of Nepal is about 50 years old. Furthermore every plan of Nepal has given attention to the development of co-operative movement.

### **2.1.2 Characteristics of Co-operative organization**

Co-operative organization or societies possess the following characteristics:

- a. Equal Voting Rights:* - A co-operative organization is equality of status between members of a co-operative. It is based on democratic principles. Irrespective of number of share every member has one vote only. No one can dictate based on holding more shares. It assures democratic control and management.
- b. Voluntary association and open membership:* - The co-operative organization is a voluntary association and its membership is open to all persons of common interest. It implies that every individual is free to join it and share its advantages. People come together to satisfy their common needs through common efforts. No one is forced to become a member or to continue as a member. The membership is open and unrestricted. In Nepal to form a co-operative organization, there should be at least 25 members but no limit has been fixed regarding the maximum number.
- c. Democratic Management:* - The management of co-operative organization is always on democratic lines. All the members of an organization elect its management committee. The management

committee works according to the wishes of its member for the welfare of them. They are elected through one man one vote.

- d. Legal existence:** - Co-operatives are established according to co-operative act in Nepal. At least 25 members combine together to get a co-operative registered from co-operative office. The organization gets separate legal existence after the registration.
- e. Service Motive:** - The primary objective of co-operative is to provide service to its members. It is based on service motive rather than a benefit motive. Thus distinguishing feature of a co-operative organization is that it is established with a view to impart maximum services to its members. Therefore its aim is not to earn maximum profits as on all other forms of organization. Even though co-operatives earn profit by extending their services to non-members.
- f. Education:** - Co-operation is a new philosophy of life and it should be developed among the members. The success of co-operative depends upon the awareness of its members towards the principles of co-operative.
- g. Cash Transaction Only:** - Cash transaction ensures economy for the co-operatives. All the transaction of co-operative organizations should be carried on cash basis and no credit transaction. It eliminates bad debts and collection expenses.
- h. Disposal of Surplus:** - Co-operative organization had both conducted with profit motive. Even though it can make some surplus/net profit. A portion of surplus is used to create especially financial fund. The co-operative organization most allocates a portion of the surplus toward reserve and in various welfare programs of the members. The remaining surplus only is distributed to the members in proportion to



their purchases of shares and its employees. Co-operative act has restricted to provide dividend maximum 15% of share capital to its members.

*i. Liability:* - The liability of the members of the co-operative organization is limited to the extent of subscribed shares. For this purpose the organization must write the word “Limited” after its name.

*j. Government Control:* - In Nepal all co-operatives are registered under Nepal co-operative act 2049. The co-operative organization is to follow certain rules and regulations framed by the government. There is some control and supervision from the government on the working of co-operatives in Nepal.

### **2.1.3 Types of co-operative organization**

Various types of co-operatives have been started with different motives. Some of the important types of co-operative organization are as follows:

*a. Consumers’ co-operative society:* - Consumer’s co-operative societies are organization of consumers which is established to ensure a steady supply of essential product of standard quality at fair prices to the public. They protect weaker section of the community and increase their purchasing power provide welfare and raise their standard of living. The society makes bulk purchase directly from the producers and sells these goods to the member on retail basis. They try to eliminate intermediaries and supply goods

at the cheaper rate. The societies change small profit to cover up administrative cost. If there is any surplus some portion kept in reserve part is spent on welfare of the members and community and the rest is distributed among members.

**b. *Producers' co-operative society:*** - Producers co-operative societies are the voluntary association of small producers who join hands to face competition from large producers. These societies were established for the benefit of small produce who find it difficult to collect various factors of production and to face marketing problem. They purchase raw material, tools and equipment and other items of producing in large quantity and then distribute them among their producer members. They produce goods of their demand and sell them at a small profit. Such societies have established with a view to eliminate the capitalist or industrialist class which mainly controls production to the disadvantages of the consumers and the workers.

**c. *Co-operation Marketing Societies:*** - Co-operative Marketing Societies are voluntary association of small producers who want to sell their product through some centralizes agency. These societies are established with a view to carry on distribution of the products economically. They are formed to increase the bargaining power and enable their members to secure fair process for their products. These societies also provide service like grading warehousing transportation insurance and financing the goods are sold when the market is favorable. In this way small producers are free from the marketing of products.

**d. Co-operating farming societies:** - Co-operative farming societies are voluntary association of farmed to reap the advantage of large scale farming. Hence small farmers handover their hand to co-operative farming society. Small farmers will not be able to use improve technology for want of resources and small holding this also prevent fragmentation of land and there is less wastage of the land in shape of the boundary lines.

**e. Saving and credit co-operative societies:** - Saving and credit co-operative societies are voluntary association of people with limited means formed with the purpose of providing short term loans to their members and cultivating the habit of saving among members. The importance of such societies is very great particularly in the villages, where the farmers are usually exploited by the money lenders because of these weak financial positions. They eliminate Sahu and Mahajans, who have been exploiting the villagers. The main objective is to provide loan to their member in easy term of interest security and repayment. The liability of the members if limited, such societies are quit popular and have assumed great importance.

**f. Co-operating Housing Societies:** - Co-operating Housing Societies are formed by the small income earners who individually are not in a positing to solve their housing problems. They provide financial assistance to their member for the purchase of land and building. The members who take loans have to pay a low rate of interest then other financial institution. They purchase land for the members and the members get plots at a cheaper rate from the society.

*g. Multipurpose co-operative societies:* - If one society performs several functions it is known as a multipurpose co-operative society. For example if the societies fulfills the needs of credit production scale improved agriculture better standard of the living cleanliness and health etc, it will be multipurpose society in the beginning of the co-operative movement single purpose co-operative societies were established.

*h. Other single purpose societies:* - Co-operative societies can be formed in every walk of life. It can be applied to every conceivable form of economic activity. There are several other forms of societies like service co-operative, dairy and poultry co-operative, transport co-operative, printing press co-operative etc. These societies are voluntary association formed for providing benefit to their member in their respective field of activity.

#### **2.1.4 Importance of co-operative organization in Nepal**

There is importance of co-operative societies of the community. It is the best means of bringing economic and social upliftment of the weaker section of the country co-operatives have contributed immensely in the field of economy of the developing countries like India, Bangladesh, Nepal, etc. The importance of co-operatives for the economic development and social progress has globally acknowledged. Hence, the importance of co-operatives in Nepal can explain in the following points:

- a. ***Economic Upliftment:*** - The co-operative movement is rendering useful services for the economic progress and well being of the developing countries. In Nepal, most of the populations live in rural areas. Therefore, without the economic upliftment of the rural areas, it is not possible to develop the country. Government has been mobilizing the limited available resources towards the rural development. But the government efforts only are not sufficient for increase the living standard of the rural people. Hence, the rural people themselves have to attempt for improving their economic condition. They must work in common and be organized through the co-operative movement for their economic upliftment.
- b. ***Development of agriculture sector:*** - We all know that Nepal is an agricultural based country. In Nepal, more than 80% of total population depends upon agriculture. About 50% of the gross domestic products are contributed by agriculture sector. The main source of income of the people employment and productions are also based on the agriculture plays dominant development of the country. For the development of agriculture sector co-operative provide better seeds, fertilization, improve tools and insecticides. They also provide irrigation facilities as well as agriculture loan at low rate of interest leading to better farming, better business and better living.
- c. ***Elimination of Middlemen:*** - Cooperative societies try to eliminate middlemen and provide goods at the cheaper and fair prices to its member. They make concerted efforts to supply goods to the member not only the fair prices but also of the best possible quality. This result in improvement of the standard of living. They charge fair prices to the small producers and provide them a better medium

of distribution. Due to elimination intermediaries and voluntary services of the member, the operation of the society becomes economical also.

- d. Employment opportunity:* - Developing countries seems to suffer from the problems of the employment. Cooperative organization can be started with very small capital investment. Since cooperative carry on economic activities, it creates employment opportunities. They can run multipurpose business. Employment opportunity is a very important matter in a society where there is unemployment problem. By establishing cooperative in rural as well as urban areas, employment problem can be solved to some extent.
- e. Encouragement of saving:* - Cooperative are engaged in economic activities like selling of shares, banking activities, production and selling of product, etc. these economic activities encourage members to save. In the community where the cooperatives are active, the amounts of savings of the people have been found remarkably high. Savings become a habit of the people. Savings tend to increase the capability of the investment and investment brings income that leads to economic prosperity of the people.
- f. Institutional credit:* - In Nepal, the services of banks and financial institution rarely reach the rural areas. Loans are always needed in rural areas. The moneylenders who exploit the villages offer fulfill this need. Cooperatives provide institutional credit to members and protect from money leaders exploitation. They provide loans to their members in easy terms of interest, security and repayment.
- g. Social development:* - Co-operatives are important not only for the economic development of the country but also for social development. With the establishment of cooperative the feeling of the cooperation and democracy increases in the society. These societies remove social

and economic evils and do not let them increase. Members get the habit of working with crevice motive. A portion of the profit of the cooperative is used for social welfare. They provide economic help to the weaker section of the society. Hence cooperative are very important are important for the economic and social development of the country.

### **2.1.5 Registration of cooperative organizations in Nepal**

According to the cooperative principles, cooperative society can be established to provide service and facilities to their members for the economic and social development. According to cooperative act 2049, following types of society can be established:

1. preliminary society, consisting at least 25 member
2. Subjective society or association consisting member at least 5 preliminary societies.
3. District co-operative federation, consisting member at least 5 preliminary society or subject wise association or with the combination of the both.
4. Central co-operative federation consisting, member at least 25 preliminary society or 5 subject wise association
5. National co-operative federation, consisting member at least 25 including subjective association district co-operation federation and central co-operative federation.
6. Legal provision for registration (formulation).
7. For formulation and registration of a co-operative society following procedure should be adopted:

1) **Preliminary Meeting:** - For the registration of a co-operative society as least 25 qualified person under one chairman among

them preliminary meeting must be conducted in a order to decide on the following proposals.

- a. Concerning society opening.
- b. Concerning name, address and objective of the society.
- c. Concerning the value of share entry fee.
- d. Concerning election formulation of adobe Committee (Board of Directors) of the society.
- e. Passing by – laws of the proposed society.
- f. Concerning the responsibility of the amount rose from share and entry fee.
- g. Concerning the opening the bank account and depositing such amount after registration and conduct of account.
- h. Concerning the delegation of authority for the registration of society.
- i. Concerning annual working area.
- j. Miscellaneous.

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

**2) *Apply for registration:*** - After preparing and passing proposed by – laws and working scheme from the preliminary meetings application should be submitted to the register of Department of Co-operative in the prescribed form. In the application following particular must be provided:

- a. Proposed name of the society
- b. Address
- c. Objectives
- d. Working area
- e. Liability
- f. Total Share capital



- g. Total number of share to be sold and total amount

With the application, following documents must also be presented:

- a. Two copies of by-laws of the proposed society.
- b. One copy original working scheme of proposed society.
- c. Attested photocopies of the above-mentioned decisions of the preliminary meetings.
- d. Original description form with the particulars and specimen signature of at least 25 applicant members.

## 2.2 Review of Empirical Studies

### **2.2.1 Review from books and articles:**

Banks and financial institution in urban areas do have normally access of deposits over the demand for loan on therefore have the problem of access liquidity. On the other hand, co-operatives can meet credit demand of rural areas borrowing from urban banks and accepting deposits of the rural people. Therefore commercial banks through co-operatives can avail the opportunity of using their access liquidity in rural areas by wholesale lending. The co-operative organization could help reducing poverty by increasing production and employment in rural areas. Adequate financial resources are not available in rural areas most of the co-operative societies are working in rural areas. The model has already been provide successful in America and Europe. It has the satisfactory capital base and prior approval of central bank and therefore can command confidence of people. A large number of financial co-operatives are not within the regulatory framework of NRB. Therefore, either the financial co-operatives should be brought into framework of proposed co-operatives bank or other alternative measures should be talked by NRB.

Importance of co-operation in the development of the rural economy was realized after the political change. Co-operative movements gained some momentum only

after the implementation of the five years such as the credit marketing multipurpose bank are come into existence.

The co-operative movement in the India traces it's origin to the agricultural and allied sector and was originally evolved as a mechanism for the pooling the peoples meager resource with a view to providing to them the advantage of the economy of the scale. The first attempt to the institutionalized co-operatives credit societies act 1904 the scope of which subsequently enlarged by the more comprehensive co-operative society act 1912. Under the government of the India act 1919 the subject of the co-operation was transferred to the then provinces, which were authorized to enact their own co-operative laws under the government of India act 1935 co-operative remained a provincial subject. Presently the item "co-operative society is a stale subject under entry 32 of stale.

The co-operative movement was launched in India by the act of 1904 and 1912 passed by the government of the India. There are the numbers of state co-operative banks operating in India. Twenty-five of these which keep accounts with reserve bank of India had aggregate deposit of over Rs. 571 crore as on 30<sup>th</sup> June 1979. There also central co-operative bank land Mortgage bank now called land development banks host of credit societies. The resources of the co-operative credit institution consist mainly of deposits and borrowings.

The role of co-operatives has acquired new dimensions in the changing scenario of globalization and liberalization of the nation's economy. Internal and structural weakness of these institution combined with lake of proper policy support have naturalized their positive impact. There are wide regional imbalances in the development of the co-operative in the country. This has necessitated the need for a clear cut national policy in co-operative for meeting the sectors aspirations of the people on the consonance with the principal of co-operation.

“Major activities of co-operatives in India are investing loan on agriculture, cottage industries and marketing activities under the slate co-operative societies ac total number of the co-operative in India has been reached to 93000 primary Agricultural central co-operative banks. Major shorting coming of co-operative in India is prevailing as domination of the vested interest groups, poor management higher dependency on the government and lack of large business activities.”

“The co-operatives model of micro finance in the oldest on already provided successful in Europe and North America at the end of 19<sup>th</sup> century. A microfinance model should be adopted under the potentials and constraints of each local environment. Departments of co-operatives have to think over jointly as to the possibility of operating co-operating as financial intermediaries to promote their members interest. In order to ensure that the co-operatives providing financial services to their member are with in the instructions norms and regulation of NRB and DOC. NRB regional office and district co-operative office should be strengthening equipped with Equitable manpower and decentralized delegation the appropriate authority and responsibility”

Since the procedures of the registering co-operatives come in to operation and collected deposits all over the country. Department of the co-operative has no operation with the central bank and therefore these co-operative except those approved by the NRB carrying on the saving and credit activities are not with in the supervisory and the regulatory framework of Nepal Rastra Bank. Many saving and credit co-operative failed with out being able to make refund of the public deposit due to very weak supervisory and regularly mechanism of the government. A policy has regulate and supervise financial co-operative through the separate entity called co-operative bank to be formed in the near future is also adopted with the indirect supervision and control mechanism of NRB. The financial co-operative bank could became member of the proposed co-operative bank voluntarily unless membership are

made compulsory those could still be the existence of some co-operatives beyond the ambit of regulatory and supervisory frameworks.

“Nepal is one of the least development nations of the world by all indicators of the development such as per capital income GDP literary life expectancy economic development and poverty. Almost of the population still beside in the rural areas and about 90% of the population is still engaged in agriculture as main occupation. Financial system was the best solution to upgrade living standard of the country’s people. Financial system institution plays the role of the intermediaries between the surplus and the deficit units. Social scientist thought that the co-operative financing system was the best way to eradicate existing poverty in society.”

“Srilanka is an Island in the Indian Ocean to the south east of the India. Financial institution are plays a vital role in the development of the economy. In Srilanka Ceylon Agriculture Society was established in 1904 the governor of Ceylon under his leadership. Similarly agriculture bank was established in 1909. Co-operative movement in the Srilanka appears after established of the agriculture bank under the act of 07 of 1911 the first co-operative societies like co-operative thrift societies various economic groups established agriculture society and consumer society were established in 1991, 1936 and 1949 respectively for the proper management and takes the co-operative society, act 1979 come into existence a large number of the multipurpose co-operative.”

“Saving and credit co-operative are formed in rural and urban areas to attract the small savings of the members. These societies are voluntary association of people with limited means formed with propose of the providing short term loans to their members and cultivating the habit of the saving among members. The main object is to provide loans to their members on easy terms of interest security and repayment. The importance of such society is very grate particularly in the village, where the money lenders because of their weak financial position usually exploit farmer. They

eliminate money lenders (Sahu – Mahajans), who have been exploiting the villagers. The funds of these societies consist of share capital and saving made by the member. The liability of the members is limited. Loans are generally granted for productive purpose and the rate of interest is kept as low as possible. Such societies are quite popular and have assumed great importance.

“A co-operative is an association of persons whereby people of ordinary means willingly to protect their economic and social interests. The main principle of a co-operative is that each one works for all and all work for each one. This type of organization is very useful for poor people. In our village economy, this type of organization has special importance. It can help in the progress of agriculture and the marketing of the agriculture products.”

“Credit co-operatives are established in rural and urban areas to attract the saving of members and extended loan and facilities to other group members from time to time. They give short-term loans at cheap rates. The primary aim of these societies is to save their member from the clutches of the moneylenders. The capital of such societies was collected by the sale of the share. The shares are kept in denominations so that even poor can afford to buy the share and get the membership of these societies.”

M.Y. Khan and P.K Jain describe as financial analysis is the process of selection relation and evaluation. The first task of the financial analysis is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second step involved in financial analysis is to arrange the information in a way high light significant relationship. The final step is interpretation and drawing of inference and conclusions. Financial performance analysis is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firm’s position and performance.

“A quantitative judgment about the firm’s financial position and performance should be made from the point of view of firm’s investment. Thus financial analysis is the main quantitative judgment process of identifying the financial strength and weakness of the firms by properly establishing the relationship between the items of the balance-sheet and P\L account.”

### **2.2.2 Review of related Studies**

Chet Raj Paneru summarized on his case study report for top management body of Navajeevan Co-operatives Ltd. Dhangadhi Kailali is not a new phenomenon in the Nepalese society. The people of the society come together to help in the especial occasions i.e. birth marriage plantation and death. On a national scale Dharma Bhakari Mankaguthi Parma and Dhikute are the traditional co-operative forms.

Mr. Birendra Dahal has done a study entitled “A comparative study on a financial insurance co. and united insurance company.” He explores that one of the yardstick for the judging the word of a company is by studying its financial result of every organization which is affected by the financial decision; the decision must be based upon a financial data and the analysis of data. To get the optimum result every organization has to take the best decision from among the various alternatives. It is a measurable factor which can present the company’s strength and weakness in the financial sector.

It is only single fact of figure but also that analysis of all financial data available with the various tools ratios used for analyzing different aspects of finance.

A study conducted by Gokul Raj Sharma on the topic “The financial performance of co-operative with Reference to Samjhana Multiple Co-operative Society Ltd. and Naba-Kshitij Co-operative Society Ltd in 1999.” He concluded that co-operative is most significant vehicle for mobilizing the scattered savings and putting them in product use for the society. Co-operatives have to compete with other financial institutions for attracting deposits for more deposits. For more deposits utilization

granted the loan to the member. Priority given rural areas target market in considering saying in drop of water makes a sea. The liquidity position may have been affected by external and internal factors such as interest rates, supply and demand of loans, investment situation growth or slackening of the finance, market lending policies and the efficiency of internal management.

Miss Rajyeshwory Shrestha concluded in her study that, "Management of a firm is interested in all aspects of financial analysis to adopt a good financial management system and for the internal control of the organization. Similarly trade creditors and primarily interested in the liquidity position of the firm. Long term creditors are more interested in the cash flow ability of enterprises to service department over long turn. Likewise all the concerned groups are directly interested in all about the financial performance of a company or a firm. The financial analysis a ratio is used as an index and interpretation of various ratios should give an experience and skilled analyst better understanding of the financial condition and performance of a firm that he she would obtain from analysis of the financial data alone.

Mr. Man Bahadur B.K. (1994) had written on his study, "Financial statement analysis and ratio analysis are financial tools widely used to measure the strength and weakness of the financial position of the organization. The study concluded that the organizations liquidity position was satisfactory but it had interested its fund in current assets unnecessarily. The assets utilization position of the organization is not satisfactory due to its loose and inefficient maintained it appropriate leverage position due to its improper management of funds and sundry creditors. The association is suffering the operating loss throughout its study period. The financial performance of the associations is found in very weak position. The main problem is whether it becomes the political plate firm. Therefore the study suggested that the co-operative should maintain the political neutrality. It managed and utilized properly creative can be the backbone of the economic development of our country. It is best way to mobilize the scattered saving of the small farmers and laborers. Our country can go

towards a golden tomorrow walking in the way of co-operative payment. The co-operative education and co-operative training is a must for the development of the co-operative societies in the country.

Joshi concludes in his research “Liquidity position of commercial bank is sound. There debt to equity ratio which doubt on solvency. Debt to equity ration is high which doubt on solvency. Debt to equity ration of local commercial is higher then joint venture bank, conservative credit policy is followed by commercial banks for asset utilization. Why more investment is done in loans and advances. Asset utilization earning purpose is two thirds of the total assets. The main source of income for these banks is interest from loans and advances. Overall profitability position of NABIL is better then others. He recommends” Dividend payout ratio of commercial banks should be determined keeping in mind the share holder’s expectation and the growth requirements of the banks.

Khanal Miss Puspa conducted the study about “A study of financial performance of Navajeevan Co-operative Bank Dhangadhi”. She concluded that “Co-operative movement is the result of the exploitative policies of the capitalists, who in their, derive to minimize the profit are least bothered about socio economic interest of the economically weaker section. The movement is defined as form of organization in which persons voluntarily associate for the promotion of their economic interest. She also added that main purpose of the co-operative movement is to work out for the overall development of the rural farmers. We have to created new avenues for giving financial assistance with lower rate for promoting their agriculture product through their working performance in future.”

Above studies were conducted different researches which had submitted in different year. After the liberalization policy of Nepal Rastra Bank, limited banking transactions had been allowed for co-operatives and Navajeevan Co-operatives doing such limited transactions as per the rules and regulations of co-operatives.



## CHAPER - 3

# RESEARCH METHODOLOGY

### 3.1 Introduction

Research is the investigation by planning structuring with strategy to find out the problems and to control the variable. Research has significance on a specific to solve various operational and planning problems of business and industry. Research refers to a search of knowledge, which may be scientific research or systematic research for pertinent information on a specific topic. “The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find out the truth which is hidden which has not been discovered yet.”

According to Kerlinger, “Research methodology means how the research objective will be reached and how the problem encountered in the research will tackle.”

The history of research methodology gives the student the necessary training in gathering materials an arranging or card indexing them participation in field work when required and also training in techniques for the collection of data appropriate to particulars problem in the use of statics questionnaires and controlled experimentation and recording evidence sorting our interpreting it.

The study concerned with examining the financial position of Navajeevan co-operatives Ltd. To attain this goal the under mentioned methodology has been followed in this study.

### 3.2 Research Design

Research design is a controlling media for the collection of data and helps to elect the right quantum of accurate information as necessary. In this study both analytical research design and description has been followed. In other words, the existing

situation has been presented and data collected for the purpose of the study have been systematically analyzed.

***Kerlinger (1986) describe a research design as follows:-***

“Research design is the plan structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance. The plan is the overall scheme or program of the research. It includes all outlines of what the investigator will do from writing the hypothesis and their operational implications to the final analysis of data. The structure of the research is more specific. It is the outline the scheme the paradigm of the operation of the variables. When we draw diagrams that outline the variables and their relation and just position we build structural schemes for accomplish operational research purposes. Strategy as used here is also more specific than plan. In other words strategy implies how the research will be reached and how the problems encountered in the research will be tackled.”

“The research design is an organized and integrated system that guides the researcher in formulating implementing and controlling the study. Useful research design produces the answers to the proposed research of this type of research has become necessary keeping in view the quantity and quality of information that is available.”

### 3.3 Population And Sample Of The Study

Kailali is deprived sector in the overall field of banking. Navajeevan Co-operatives Ltd. is found to be alternative banking of the HMG ownership bank for 2057. But few joint venture banks are introduced in the economic environment since 2057. Navajeevan has grounded its root in Kailali and earned public confidence a lot.

By sample we mean position of the population chosen for the study. A sample is the representatives of the total population in as many factor as possible a part is selected from the population and examination is called a sample. A sample requires relativity

better resources for designing and executing it adequately act of choosing sample can be reformed as sampling. All the Co-operatives established in Kailali District are considered as population and the study. Navajeevan Co-operatives Ltd. has been selected as sample for the purpose of the study.

### 3.4 Data Collection Procedure

Data are the major parts of each type of study. The most part of essential data has been collected by the secondary sources as well as few data are collected through primary sources. All related data are gathered as per the objectives determined in this report. The questionnaire schedule related to organization and employees designed and administered through personal efforts as primary sources of data collection. The data related to the deposit, borrowings, liquidity condition, loan disbursement, profit earned and share capital is collected by adopting secondary sources. The data availed sources are internal records, financial statements, balance-sheets annual reports and booklets the organization.

### 3.5 Methods of Analysis

The Methods of analysis used in this study are as follows :

#### **3.5.1 Statistical Method**

Data are tabulated with percentage change and indexes. In this study necessary statistical tools have been used for presentation analysis and interpretation of data. Relationship between variables is tested the help of Karl persons co-efficient of correlation with help of following formula.

$$R = (N \sum xy - \sum x \sum y) / [ \{ N \sum x^2 - (\sum x)^2 \} \{ N \sum y^2 - (\sum y)^2 \} ]^{1/2}$$

Being specific upon the objectives determined from various required sources data are presented in the form of table graph and figures. While analyzing data the processing device calculator and computer as well as analytical tools ratio frequency percentage distribution and correlation co-efficient are used.

### **3.5.2 Financial Method**

Following financial tools have been used in this study:

#### **a. Ratio Analysis**

Ratio analysis is one of the techniques of financial analysis. Ratio shows the relationship between two interrelated accounting figures of financial statements. The aim of such analysis is to determine the efficient progress and performance of the management of a firm. It establishes the numerical and arithmetical relationship between the two figures. Ratio analysis is defined as the systematic use of ratio to interpret the financial statements, so that the strengths and weakness of firm as well as historical performances and current financial condition could be determined. We should use financial statements like B\S, P\L account and income statement to calculate ratio analysis. The judgment can also be assumed the risk of the firm with the help of ratio analysis so that it can be used to rank industries according to the degree of risk.

Researcher has to some financial ratios which are classified in the following categories.

1. Market Value Ratio
2. Leverage Ratio
3. Assets Management Ratio

#### 4. Liquidity Ratio

#### 5. Profitability Ratio

### 1. *Market Value Ratio*

These ratios relate to the firm's stock price to its earning and book value per share. These ratios give management and indication of what investor think of the company's past performances and future prospects.

#### ➤ *EPS*

It measures the profit available to the equity shareholders on per share basis i.e. the amount that they can get on each share held. This ration is computed by dividing the net profit after preference dividend by the number of equity shares outstanding.

$$\text{EPS} = (\text{NPAT} - \text{Pd}) / (\text{number of shares outstanding})$$

In general higher the figure is considered as best. While calculating the EPS retained earning shared is not considered i.e. only the earnings of the year should be considered.

#### ➤ *Dividend Per Share*

The net profit after tax interest tax and preference dividend belongs to ordinary shareholders. It is not necessary to that dividend per share must be equal with the earning per share. The amount of earning distributed and paid ad cash dividend is considered for calculating the dividend per share. It is computed by dividing the amount of dividend distributed to shareholders by the number of common shares outstanding.

DPS = Earning paid to shareholders / number of equity shares outstanding

## 2. *Leverage Ratio*

The long term solvency of a firm can be examined by using debt management ratio. Debt management ratio has three implications:

- a. By raising funds through debt the owner's can maintain control of the firm with a limited investment.
- b. Creditors look to the equity or owners supplied fund to provide a margin of safety.
- c. Return on owner's capital is magnifies.

v. Debt to total assets ratio = total debts / total assets

Where total debt = long term debt + current liability + deposit

vi. Debt to Equity ratio = Debt to assets ratio / (1 - debt to assets ratio)

## 3. *Assets Management Ratio*

Assets management ratio measure how effectively the firm is utilizing managing its assets. It measures the effectiveness with which a form is utilizing its assets to generate sales. A very efficient firm then is one that utilizes its investment assets to generate the largest possible level of sales revenue. The ratios in the group are as following

### *vii. Fixed assets turnover ratio*

This ratio indicated the number of time the average fixed assets are turned over daring the year. It measures how effectively the firm uses its plant and equipment.

FATR = Interest Earned / Interest Earned Assets

Where sales = total interest earned

Higher fixed assets turnover ration indicated better business performance and lower ratio inefficient utilization of available fixed assets since there is no standard for this ratio.

**viii. Total assets turnover ratio**

This ratio measures the turnover or utilization of all the firms assets. Total assets include current assets ling term or fixed assets and intangible assets. The amount of total assets can also be determined as follows.

Total amount of asset side of BIS = xxx

Less: Total amount of factious assets = xxx

———  
Xx

Where,

Factious assets = These assets refers to different expenditures and debit balance of profit and loss account.

It is calculated as under

TATR = Interest Earned / Total net assets

Where sales = total interest earned

**ix. Days Sales outstanding**

It is also called the average collection period which is used to appraisal accounts receivables. It indicates the number of day's sales that are tied up in receivable

$$\begin{aligned} \text{DSO} &= \text{Receivable} / (\text{Annual sales}/360) \\ &= (\text{Receivable} \times 360) / \text{Annual sales} \end{aligned}$$

#### **4. Liquidity Ratio**

Liquidity ratios are used to understand firm's ability to meet short term financial strengths of a firm. The consequences to inadequate liquidity are very serious and therefore measures of such liquidity have been attached greater importance population. In this category following ratios are calculated.

##### **x. Current Ratio (CR)**

One of the most frequently used of this ratio is the current ratio. It indicates the extent to which current assets are sufficient to pay current liabilities. It is calculated by dividing current assets by current liabilities.

$$\text{CR} = \text{Current assets} / \text{current liabilities}$$

##### **xi. Quick Ratio (QR)**

A modification version of current ratio that is called second measure of firm's liquidity is the acid test ratio. Deduct inventories and prepaid expenses from CA and dividing the remainder by CL to calculate this ratio.

$$\text{QR} = (\text{CA} - \text{inventories} - \text{prepaid expenses}) / \text{CL}$$

#### **5. Profitability Ratio**



Profitability Ratios are used as overall measures of the efficiency and effectiveness of the firm's investment management. Some important profitability ratios are follows.

***xii. Gross profit margin***

One of the most common ratios in operational analysis is the calculation of gross profit as a percentage of sales i.e. interest earned in this study. A firm should have a reasonable gross profit margin to ensure adequate coverage for operating expenses of the firm and sufficient return to the owners of the business. Gross profit ratio expresses the relationship between gross profit and sales and it is calculated by dividing gross profit by sales.

$$\text{Gross profit Margin} = \text{Gross profit} / \text{sales}$$

***xiii. Net profit Margin Ratio***

The relation between net profit and sales indicates management's ability to operate the business with sufficient success not only recover the cost of production, operating expenses of business and cost of borrowed fund but also to leave a margin of reasonable compensation to the capital and risk. It is calculation by as follows.

$$\text{Net profit margin} = (\text{NPAT} / \text{sales}) \times 100\%$$

***xiv. Return on assets***

It measures in term of relationship between net profit and assets. It is calculated as:

$$\text{ROA} = (\text{NPAT} / \text{total assets}) \times 100\%$$

This ratio judge the effectiveness in using the total fund supplied by the owners and creditors.

*xv. Return on Equity*

One of the most important tools of the ratio analysis is return on shareholders equity. It measures whether a concerned firm has earned a satisfactory return for its owner or not. It is calculated as

$$\text{ROE} = [(\text{NPAT} - \text{PD}) / \text{share}] \times 100\%$$

*xvi. Return on capital employed*

This ratio measures the relationship between capital employed and net profit after tax. This management has used the fund supplied by creditors and owners.

## **b. Trend Analysis**

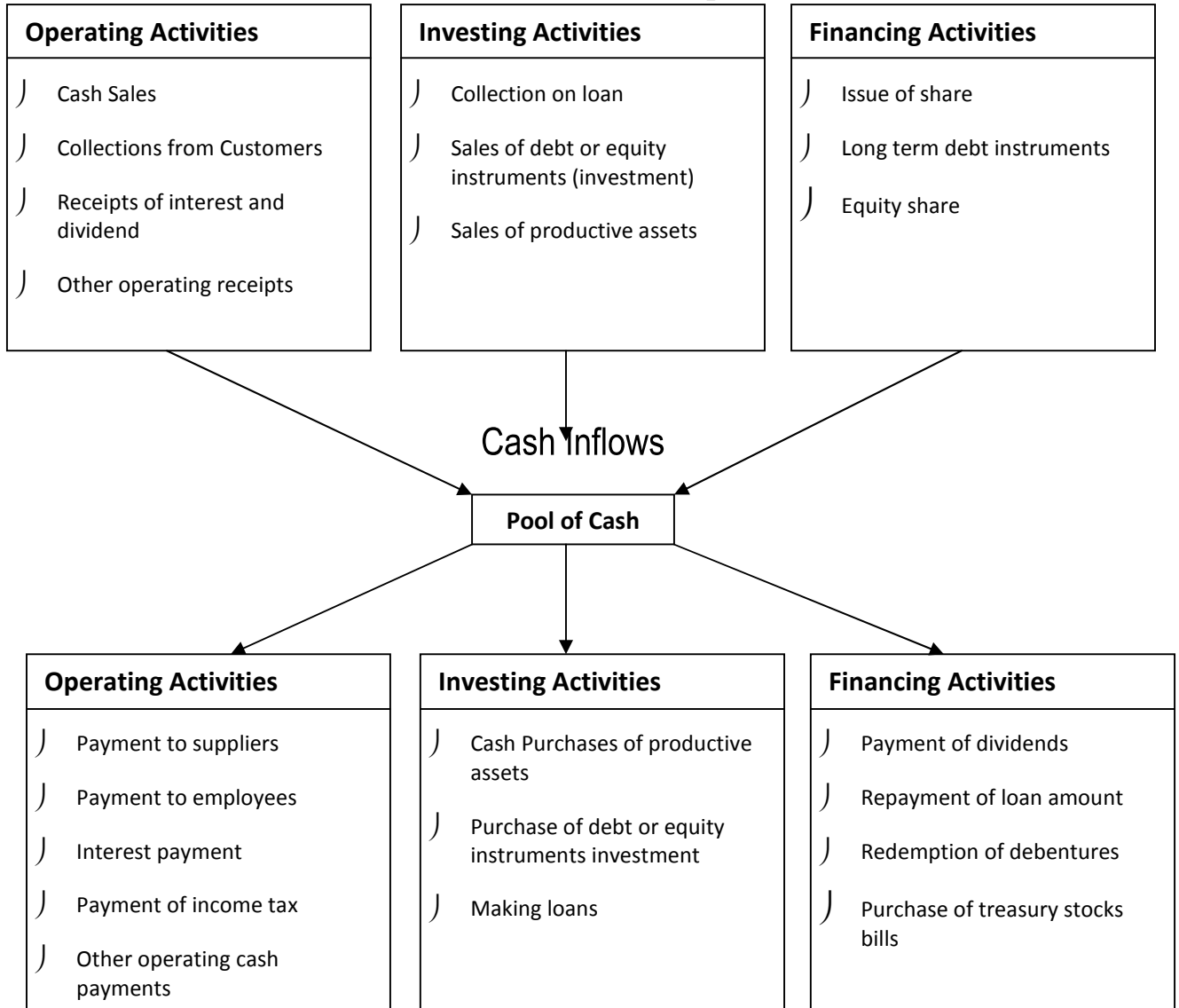
Trend analysis is a significant tool of horizontal financial analysis. It is a dynamic method to indicate the changes and deviations in terms of financial statement. It is one of the useful tools in making a comparative study of the financial statements of the number of years. Trend analysis helps to identify the controllable items of given period and future forecast can be made for outgoing concern. Trend relationship is the ratio analysis and interpretation of the items of the comparative financial statement of different period. Trend analysis helps to analysis the facts of a firm, which is very important from the presentation of forecasting of budgeting in future.

### **c. Cash Flow Analysis**

Cash is the fuel that keeps a business alive. Without cash no activities can be taken place. Therefore a business must have an adequate amount of cash of co-operative. The analysis of the events and transaction that affects the cash position of the company is termed as cash flow analysis. As such the decision makes must pay attention to the position events and transaction that causes cash position to change. Cash flow analysis measures the changes that have been taken place in the financial position of a firm. It communicates those types of information that are not covered by income statements and balance sheet. Cash flow analysis is done through statements of cash flows. A cash flow statement is a statement of firm's ability to generate cash from various activities such as operating investing and financing and their need of cash. It is a statement, which shows the inflows and outflows of cash and cash equivalent during the year. Nepal Company Act 2053 also made mandatory to present cash flow statements along with balance sheet and income statements. As such enterprise should prepare a cash flow statement and present it as and integral parts of its financial statements are presented.

The cash flow statements are prepared based on cash of accounting. While calculating operating profits for cash flow statements adjustments for prepaid and outstanding expenses and income are made to convert the data from accrual basis to cash basis. The statements is prepared by taking the opening balance of cash adding to this all the inflows of cash and deducting all the outflows of cash from the total.

**Cash Flows from different activities can be presented as follows:**



**xvii. Arithmetic Mean ( $\bar{x}$ ):**

Arithmetic mean of a given set of observation in general  $x_1, x_2, \dots, x_n$  are the given observations then their arithmetic mean usually denoted by  $\bar{X}$  is given

$$\bar{x} = (x_1 + x_2 + \dots + x_n) / n$$

Where,

x= variables

n= number of series

**xviii. Standard Deviation:**

It can be used to measure the risk of two variables of a company. It is denoted by Greek letter ( $\sigma$ ) which is the positive square root of the arithmetic mean of the square of the deviations of the given values from their arithmetic mean. It measures the absolute dispersion or validity of the distribution standard deviation is externally useful in judging the representativeness of the mean, To calculate standard deviation, we used the following formula.

$$\text{S.D. } (\sigma) = \sqrt{\frac{\sum x^2/n - (\sum x/n)^2}{n}} \text{ or } \sqrt{\frac{\sum fx(x - \bar{x})^2}{n}}$$

Where

S.D. / ( $\sigma$ ) = standard deviation

X = x variables

$\bar{X}$  = mean value of x series

**xix. The co efficient of variance**

The co efficient of variation is the relative measures of dispersion comparable across distribution which is defined as the ratio of the standard deviation to the mean expressed in percent to calculate co efficient of variance we used the following formula.

$$\text{C.V.} = (\text{Sd} / \bar{x}) \times 100 = \dots\dots\dots\%$$

Where,

C.V. = co efficient of variance

S.d. = standard deviation

$\bar{X}$  = mean given variables

**xx. *Graphic Presentation***

Graphic presentation proves very effective way of analyzing various variables. It shows at a glance the whole situation of variables. Graphs are attractive to look so that eye catches them for the first time. The diagram include simple bar diagram, multiple bar diagram, pie chart even the illiterate people and people who don't have numerical knowledge understand it.

# CHAPTER - 4

## PRESENTATION AND ANALYSIS OF DATA

### 4.1 Nature of Deposite & Interest Rate Level

Along with 21<sup>st</sup> century Nepal is become a member of WHO. Financial sector is also affected by the globalization, however expansion and development of co-operatives is necessary to provide service in the different weaker society in the country. To consider this fact Navajeevan co-operative is to provide service with accumulated scattered saving and grants loan at lower interest rate.

The main functions of co-operative are the mobilization of resources and its investment. Thus deposit increment and credit expansion are their two important measures of co-operatives development in the feasibility area. All transaction of co-operative organizations should be carried on cash basis and no credit transactions. Cash transaction ensures economy for the co-operatives. It eliminates bad debts and collection expenses. It helps to have a good working capital and maintaining short-term solvency. For this purpose, Navajeevan co-operatives Ltd. accumulated the saving of people as institutional policy. Co-operatives development is not possible only by establishing institutions in the feasibility area and providing more facilities in that respect. It is necessary to analyse the deposit rate of Navajeevan co-operatives in different years under review which are present in table 4.1.

**Table 4.1****Interest rate on Deposit (%)**

<b>Economic year</b> <b>Deposit types</b>	<b>2061/062</b>	<b>2062/063</b>	<b>2063/064</b>	<b>2064/065</b>	<b>2065/066</b>
1. General Saving	4.75	4.75	4.75	5	5.5
2. Home Saving	5	5	5	5.25	6
3. Special Saving	1	1	1	1	1
4. Fixed Deposit (Average)	5	5	5	5.55	6.8
5. Continuous Saving	15	15	15	15	15
6. Principal Doubling Scheme	15	15	15	15	15
7. Regular & Monthly Saving	15	15	15	15	15
8. Lakhapati Saving Scheme	15	15	15	15	15

*Source: Annual report of NC*

Table 4.1 shows the interest rate on deposit in different fiscal year from 2061/2062 to 2065/066. In the general saving account, interest rate on fiscal year 2061/062 was 4.75% and 5.5% in 2065/066, which changed by 07-75% in the study period. Table 4.1 shows that interest rate was constant in first three year and increase in last two year.

In the home saving account, interest rate in fiscal year 2061/062 was 5% and 6% in 2065/066 which changed by 1% in the study period. The table shows the interest rate



was constant in first 3 years and increased by 0.25% in 2064/065 and 0.75% in 2065/066.

There is no change in interest rate in special saving account, continuous saving principal doubling scheme regular monthly saving account and Lakhpati saving scheme for the study period since 2061/062 to 2065/066.

There are five types of fixed deposit: 3 month, 6 month, 1 year, 2 year and 3 year to the secured of customers money deposit in these period. Customers may draw the amount of fixed deposit only after the time finished. If they want to draw the amount before finished the time they can draw only as loan of FDR to pay certain interest for the different type of fixed deposit. Different interest rates were determined, however for different accounts researcher had taken average interest rate for the study. In the fiscal year 2061/062, average fixed interest rate was 5% and it is constant in year 2062/063 and 2063/064. However in fiscal year 2064/065, it increased by 0.55% and reached to 5.55%. After this year, fixed deposit rate was increased by 1.25% and reached to 6.8% in fiscal year 2065/066.

As mentioned earlier, the interest rate has great impact on deposit and credit position of the co-operatives. If the interest rate is high than the rising prices, the ratio of increase in deposit will be high. Conversely, if the interest rate is how than the rising price the ratio of increase in deposit will be low. Similarly, the interest rate also affects the credit position of co-operatives. The success of bank depends upon its volume of deposit and credit. Trend of deposit and credit trend of Navajeevan co-operatives since 2061/062 to 2065/066 is have have been presented in Table 4.2.

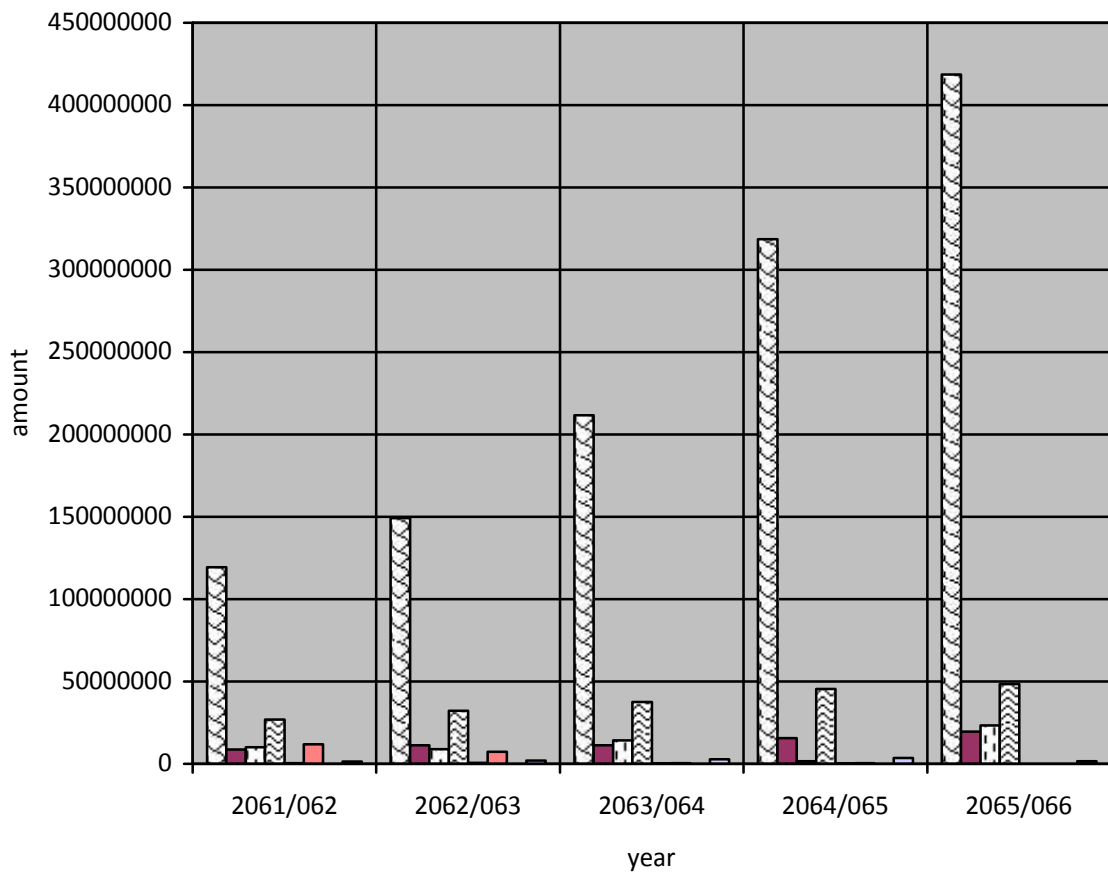
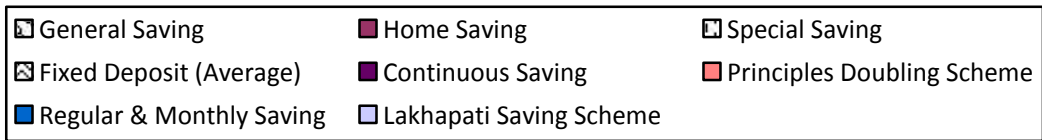
**Table 4.2****Amount of Deposit in different types of account (in Rs.)**

S. No	Fiscal Year	2061/062	2062/063	2063/064	2064/065	2065/066
	Account Type					
1.	General Saving	119,395,596.91	149,239,964.89	211,643,131.60	318,498,150.33	418,569,193.89
2.	Home Saving	8,721,663.88	11,202,695.17	11,348,379.50	15,550,054.58	19,549,985.33
3.	Special Saving	10,073,530.56	8,907,684.22	14,296,323.15	1,654,138.15	23,320,473.85
4.	Fixed Deposit (Average)	26,891,051.58	32,136,203.70	37,630,536.49	45,419,481.97	48,395,951.20
5.	Continuous Saving	493,820.00	520,005.00	239,500.00	113,000.00	54,500.00
6.	Principal Doubling Scheme	11,838,000.00	7,317,500.00	340,400.00	389,000.00	8,000.00
7.	Regular & Monthly Saving	0	0	0	0	0
8.	Lakhapati Saving Scheme	1,472,688.07	1,980,126.33	2,795,900.12	3,503,697.63	1,540,385.12
<b>Total</b>		178,886,351.00	211,304,179.31	28,135,770.86	400,014,722.66	511,++438,489. 39

*Source: Annual report of NC*

Figure 4.1

Amount of deposit in different types of account



Above table and graph shows the amount of deposit in different types of account. In general saving account, the amount of deposit is Rs. 119395596/91 in fiscal year 2061/062 and it increased by Rs. 29844367/90 and reached it Rs. 149239964/89 in fiscal year 2062/063. In fiscal year 2063/064, it become Rs. 211643131/60 and it is also increased by Rs. 106855018/70 in year 2064/065 and the amount of 2064/065 became Rs. 318498150/33. In last fiscal year of study period, there was Rs. 418,569,198.89 in general saving account which increased by Rs. 100,071,043,150 than the previous year's level

In home saving account the amount in fiscal year 2061/062 was Rs. 8,721,663.88 and the amount increased by Rs. 2,481,031.29 in fiscal year 2062/063 and also increased in fiscal year 2063/064 up to Rs. 11,348,379.50 which increased by Rs 145,684.33 than the previous years amount. The amount of home saving account was increased in fiscal year 2064/065, it was Rs. 15,550,054.58 and it also increased by Rs. 3,999,930.75 in fiscal year 2065/066 and reached to Rs. 19,549,985.33.

In special saving account, fiscal year 2061/062 was Rs. 10,073,530.56 and the amount decreased by Rs. 1,165,846.34 in fiscal year 2062/063 and increased in fiscal year 2063/064 up to Rs. 14,296,323.15 which increased by Rs. 5,388,638,193 than the previous year. The amount of special saving was increased to year 2064/065 and 2065/066 upto Rs. 16,541,338.15 in fiscal year 2064/065 and Rs. 23,320,473.85 in study period.

In fixed deposit account, amount of fiscal year 2061/062 was Rs. 26,891,051.58 and the amount increased by Rs. 5,245,152.12 in fiscal year 2062/063 and it also in fiscal year 2063/064 up to 37,630,536.49. The amount of fixed deposit also increased to year 2064/065 up Rs 45,419,481.97 which was increased by Rs. 7,788,945.48 than previous year. In last fiscal year or study period, the amount went up to 48,395,951.20 which is also increased than previous year.

In continuous saving account amount of fiscal year 2061/062 was Rs. 493,820.00 and the amount increased by Rs. 26,185 in fiscal year 2062/063 and it decreased by Rs. 280,505 in year 2063/064 and Rs. 239,500. In 2064/065 the amount of continuous saving is also decreased and the amount was Rs. 113,000 in fiscal year. In fiscal year 2065/066 the amount was also decreased and which was Rs. 54,500.00 in study period.

In principal doubling account the amount of Rs. 11,838,000.00 in the fiscal year 2061/062 and the amount decreased by Rs. 4,520,500 than previous year and it also in fiscal year 2063/064 up to Rs. 3,404,000.00. In fiscal year 2064/065 the amount of Rs, 389,000.00 which was also decreased and the fiscal year 2065/066 the amount reached Rs. 8000.

In regular and monthly saving account the amount of all the year was zero.

In Lakhapati saving account, the amount of first four year was also increased by Rs. 14,472,688.07 in fiscal year 2061/062 and Rs. 19,801,2633 in fiscal year 2062/063 and Rs. 2,795,900.12 in 2063/064 and Rs. 3,503,697.63 in fiscal year 2064/065 but it is decreased in 2065/066 which amounts to Rs. 1,540,385.12.

The yearly deposit and growth rate in different fiscal year has been shown in following table:

**Table 4. 3**

**Yearly Deposit and Growth Rate**

<b>Fiscal Year</b>	<b>Yearly Deposit</b>	<b>Cumulative Yearly Deposit</b>	<b>Growth Rate %</b>
2061/062	178,886,351.00	178,886,351.00	0

2062/063	211,304,179.31	390,190,530.30	1.18
2063/064	281,357,770.86	671,548,301.10	0.72
2064/065	400,014,722.66	1,071,563,024.00	0.60
2065/066	511,438,489.39	1,583,001,513.00	0.48

*Source: Annual report of NC*

Above table 4.3 deposit growth seemed to be highest in year 2062/063 where as the lowest growth rate 2061/062 shows growth of deposit. The yearly deposit is in decreasing trend every year. The yearly deposit of fiscal year 2061/062 was Rs. 178,886,351 and it increased every year and reached to Rs. 511,438,489.39 in fiscal year 2065/066. But the growth rate is in decreasing trend. The highest growth rate is 1.18 which is in year 2062/063.

By analysis of this table we know that the growth rate was decreased every fiscal year.

In the fiscal year 2063/064 the growth rate was 0.72 and it decreased to 0.62 in 2064/065. Similarly in fiscal year 2065/066 also it decreased and reaches to 0.48%

**Table 4. 4**

**Yearly Cumulative Deposit in different fiscal year**

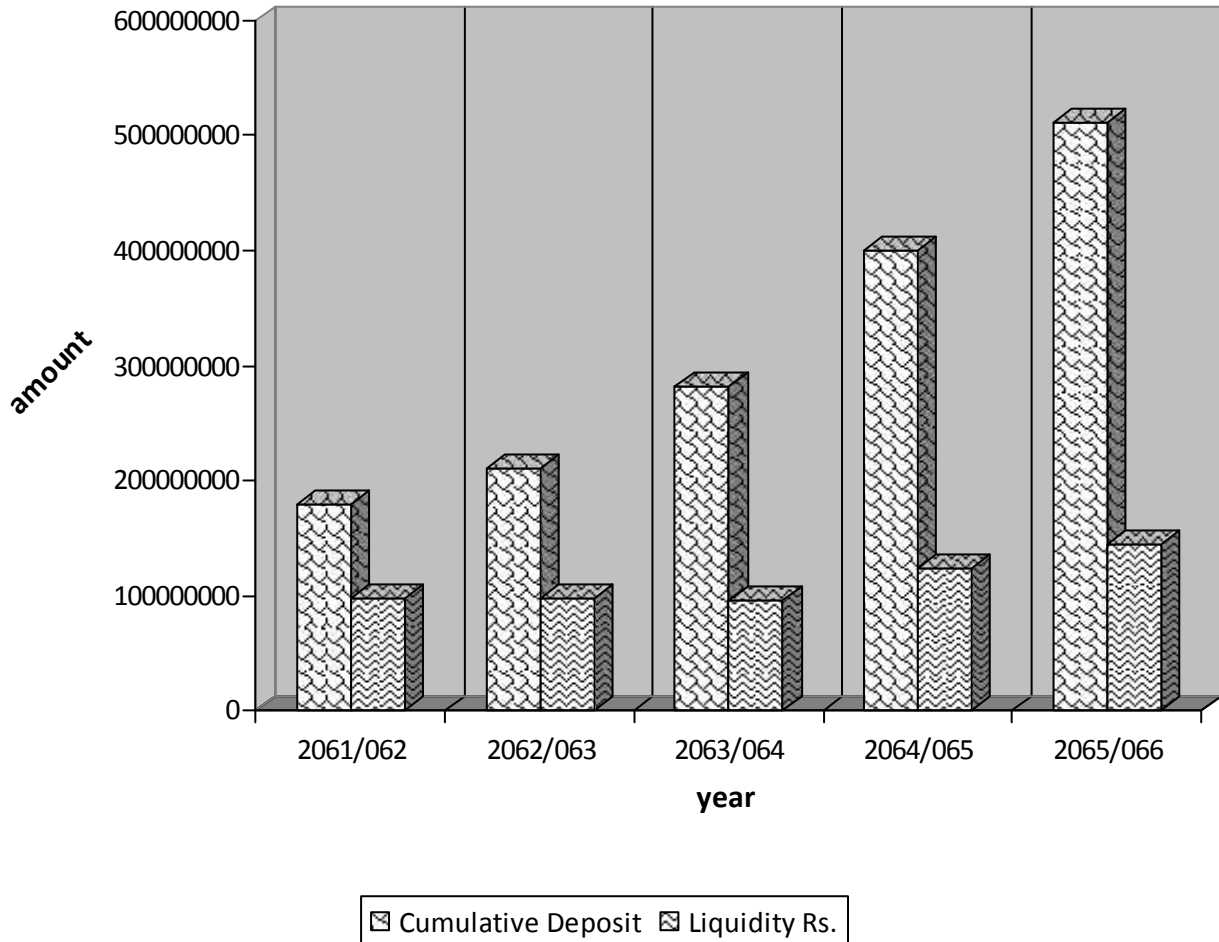
<b>Fiscal Year</b>	<b>Cumulative Deposit</b>	<b>Liquidity Rs.</b>	<b>Ratio Liq./cum. Dep.</b>
2061/062	178,886,351.00	98,071,884.78	54.82 %
2062/063	211,304,179.31	98,433,118.81	46.58 %
2063/064	281,357,770.86	95,941,408.37	34.10 %
2064/065	400,014,722.66	123,063,003.90	30.76 %

2065/066	511,438,489.39	144,872,557.30	28.33 %
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*Source: Annual report of NC*

**Figure 4.2**

**Yearly Cumulative Deposit in different fiscal year**



In the above table 4.4 and figure 4.2 the liquidity amount Rs. 98,071,884.78 which is 54.82% of cumulative deposit. In the fiscal year 2062/063 ratio of liquidity is 46.58% which is lower than previous year. The highest liquidity amount is Rs. 144,872,557.30 in the fiscal year 2065/066. Farther more the highest liquidity ratio is 54.82% which is in the fiscal year 2061/062 and the lowest liquidity ratio is in the current period i.e. 28.33%. Above table visualizes the liquidity amount in decreasing trend and every year it has decreased.



Above analysis of deposit condition of Navajeevan co-operative is satisfactory in all aspect.

On the other hand; interest rate structure is influencing factor for deposit accumulation. Besides this there are other factors too which are:

- xxi. Increase in money supply which helped to increase bank deposits.
- xxii. The expansion of Navajeevan co-operative branches in the different urban places as well as rural areas also helped to accumulate more deposit.
- xxiii. Political instability and domestic area in the country was much more affected to the banking activities.
- xxiv. Lastly the increased banking habit among the people has also played an important role in increasing the overall activities.

#### 4.2 Lending position of Navajeevan Co-operatives

Another important wheel of development is the credit position of Navajeevan Co-operatives. Accumulating the deposit is not only the aim and function of the co-operatives. They have to invest such accumulated deposit in a productive way. If a co-operative only receives the deposits and not invest it in the form of loan then how it can pay interest on deposits, how it can pay salary to the staffs and raise surplus in order to declare dividends to the shareholders. If the co-operatives do not invest the deposits economic development in the country will be difficult. Therefore, the collections of deposits and extension of credit or investment of deposits of Navajeevan co-operatives is necessary to analyze.

For extension of saving of Navajeevan co-operatives as a loan, they had charged interest rate to the debtors. Following table shows the lending rate of Navajeevan co-operatives for different fiscal year.

**Table 4.5**  
**Structure of lending rate (%)**

<b>Economic</b> <b>Loan Type</b>	<b>2061/062</b>	<b>2062/063</b>	<b>2063/064</b>	<b>2064/065</b>	<b>2065/066</b>
Service/Business	14	13	13	13	13.5
Agriculture	13	12	12	11.5	13.5
Industry	14	13	13	13	13.5
Micro project	12.5	12	12	11.5	12.5
Construction	14	12	12	12	14
Higher Degree Education	14	14	14	14	14
Against for loan	+2	+2	+2	+2	+2
Hypothecation	14	14	14	14	14
Hire Purchase	14	13	13	13	12.5

*Source: Annual report of NC*

Above table shows the interest rates on lending of the Navajeevan Co-operatives from fiscal year 2061/062 to fiscal year 2065/066. On service/loan interest rate of Navajeevan Co-operatives is 13.5 to 14%. In fiscal year 2061/062 interest rate on service /business seemed 14% and it decreased in next fiscal year 2062/063 by 1%

that reached to 13%. In fiscal year 2063/064 and 2064/065 there is same rate of interest on loan i.e. 13% in this sector. But in fiscal year 2065/066 lending rate of interest on services and business increased by 0.5% and reached to 13.5%.

In the agriculture sector loan lending rate is 13%. In fiscal year 2061/062 that reached to 12%. Again in the fiscal year 2063/064 lending rate is same i.e. 12%. It decreased by 0.5% and reached to 11.50% in fiscal year 2064/065. But the lending rate in fiscal year 2065/066 is increased to 13.5%.

In the industry sector loan lending rate of interest was 14% in fiscal year 2061/062 that decreased by 1% in fiscal year 2062/063 that reached to 13%. In fiscal year 2063/064 and 2064/065 there was the same lending rate i.e. 13%. But in the fiscal year 2065/066 it is increased by 0.5% i.e. it reached to 13.5%.

In fiscal year 2061/062, Micro project loan lending rate was 12.5% and it decreased by 0.5% i.e. it reached to 12% in 2062/063 and rate was same in the fiscal year 2063/064. Again it decreased by 0.5% in 2064/065. In fiscal year 2065/066 it increased to 12.5%.

In construction area the lending rate was 14% in 2061/062 and it decreased by 2% in 2062/063. Moreover, it constraint in fiscal year 2063/064 i.e. 12%. Similarly it was 12% in fiscal year 2064/065 and it increased by 2% i.e. reached to 14% in 2065/066.

In Higher Degree Education and Hypothecation sector there was same lending rate i.e. 14%. The rate remained constant each year.

Similarly against FDR loan lending rate was +2% higher than fixed deposit rate. This rate is all studied from fiscal year 2061/062 to 2065/066. In higher purchase loan the

lending rate was 14% in 2061/062 and it was decreased by 1% i.e. reached to 13% in fiscal year 2062/063. It was same for 3 years and it decreased to 12.5% in 2065/066.

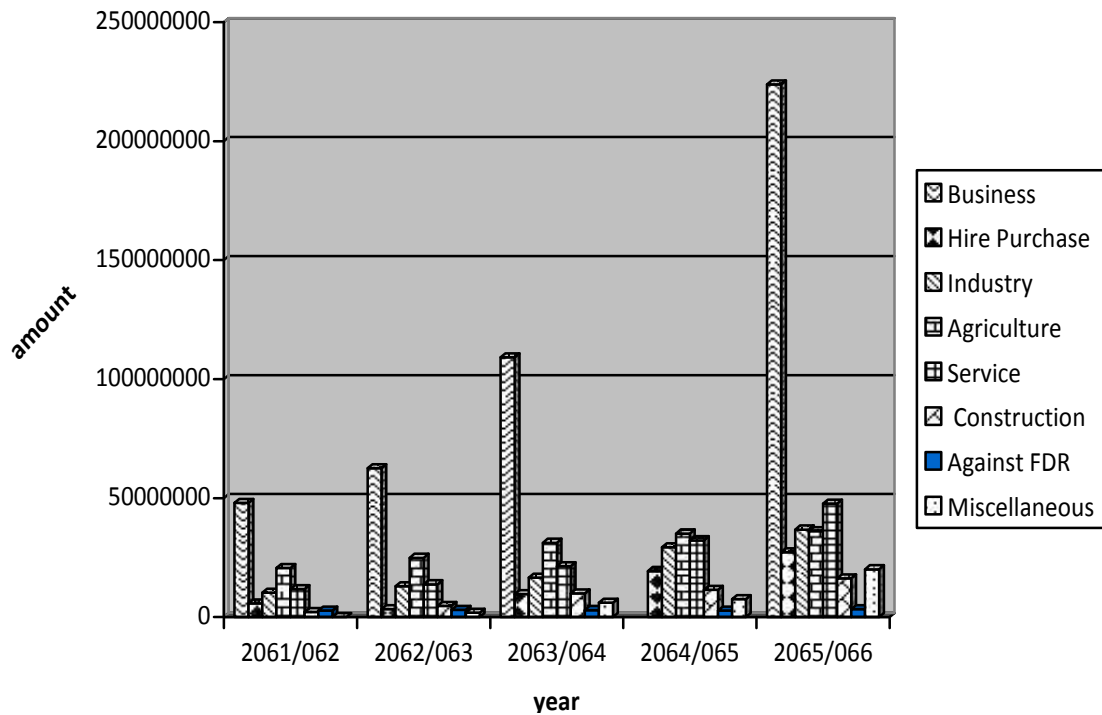
**Table 4.6****Loan amount and investment sector of Navajeevan Co-operative**

<b>Year</b> <b>Particular</b>	<b>2061/062</b>	<b>2062/063</b>	<b>2063/064</b>	<b>2064/065</b>	<b>2065/066</b>
1. Business	47,959,562.00	62,514,674.83	109,134,148.16	169,173,234.43	223,882,367.42
2. Hire Purchase	5,747,701.57	3,298,905.10	9,663,561.48	19,331,064.06	27,204,555.07
3. Industry	10,200,419.52	12,906,296.07	16,525,609.54	29,295,977.23	36,784,291.31
4. Agriculture	20,603,242.00	24,908,438.25	31,187,920.88	35,106,624.43	36,097,935.36
5. Service	11,768,874.10	13,790,613.35	21,411,292.28	32,263,784.62	47,708,492.64
6. Construction	2,120,987.00	4,668,289.60	9,929,602.62	11,442,548.98	16,280,431.67
7. Against FDR	2,756,011.32	3,011,446.00	2,948,638.36	2,730,738.26	3,341,500.00
8. Miscellaneous	19,232.98	180,7632.98	6,031,153.39	7,507,328.63	20,067,506.01
Total	101,176,030.49	124,906,296.18	206,831,926.71	306,851,599.74	411,361,079.48

*Source: Annual report of NC*

**Figure 4.3**

**Loan amount and investment sector**



With the help of table 4.6 and figure 4.3 we can analyze the fund utilization sector of Navajeevan Co-operative Ltd. In fiscal year 2061/062 the loan of business sector is 47,959,560.00 and hire purchase loan is 5,747,201.57. Similarly in fiscal year 2061/062 the loan of industry, Agriculture and service sector is Rs. 10,200,419.52, Rs. 20,603,242.00 and 11,768,874.10 respectively. In fiscal year 2061/062 the amount of loan of construction is Rs 2,120,987.00. Navajeevan Co-operatives had provided loan against the deposit of fixed deposit ratio (FDR) for those customers who deposited their amount in fixed deposit. For this purpose amount of loan on against FDR loan is Rs. 2756011/32 of total loan amount. In the miscellaneous sector investment of Navajeevan Co-operatives is shown Rs. 19232/98.

In the fiscal year 2062/063 the loan of business sector increased than of previous year i.e. Rs. 62514674/83. Hire purchase loan decreased than of previous year i.e. Rs. 3,298,905.10. In fiscal year 2062/063 the loan of industry, Agriculture and service sector is increased than previous year i.e. the amount is Rs. 12,906,296.07, Rs. 24,908,438.25 and Rs. 13,790,613.35 respectively. In fiscal year 2062/063 the loan of construction, against FDR and Miscellaneous is also increased than previous year.

In fiscal year 2063/064 the loan amount of business sector increased than previous year i.e. Rs. 109,134,148.16. In fiscal year 2063/064 the loan of hire purchase, industry, agriculture, service sector and construction is also increased than previous year but the loan of against FDR is decreased than previous year which amount to be 2,948,638.36. Further more the loan of miscellaneous is increased than previous year which amount to be Rs. 6,031,153.39. In fiscal year 2064/065 the loan of business sector, hire purchase, industry, agriculture and service sector are also increased than previous year i.e. amount to be Rs. 169,173,234.43, Rs. 19,331,064.06, Rs. 29,295,977.23, Rs. 35,106,624.43, Rs. 32,263,784.62 respectively. In fiscal year 2064/065 the loan of construction is Rs. 11,442,548.98 which is also increased than previous year but the loan of against FDR is decreased than previous year which is Rs. 2,730,738.26. Again the loan of the Miscellaneous is increased than previous year.

In fiscal year 2065/066 the loan of all sectors i.e. business, hire purchase, industry, agriculture, service, construction, against FDR and Miscellaneous are also increased than previous year which amount to be Rs. 223,882,367.42, Rs. 27,204,555.07, Rs. 36,784,291.31, Rs. 36,097,935.36, Rs. 47,708,492.64, Rs. 16,280,431.67, Rs. 3,341,500.00., Rs. 20,067,506.01.

#### 4.3 Deposit and Credit Ratio of Navajeevan Co-operative

We have already discussed the deposit and credit position of Navajeevan Co-operative Ltd. separately now it is necessary to see whether collected deposits by the

Navajeevan Co-operative have been utilized or not. Following table shows the position and credit ratio of Navajeevan Co-operative in different years.

**Table 4.7**  
**Total Deposit and Credit Ratio**

<b>Year</b>	<b>Total deposit</b>	<b>Total credit</b>	<b>Credit as percent of total deposit</b>	<b>Growth rate (%)</b>
2061/062	178,886,351.00	101,176,030.49	56.56	-
2062/063	211,304,179.31	124,906,296.18	59.11	104.51
2063/064	281,357,770.86	206,831,926.71	73.51	124.36
2064/065	400,014,722.66	306,851,599.74	76.71	104.35
2065/066	511,438,489.39	411,361,079.48	80.43	104.85

*Source: Annual report of NC*

#### **Calculation of Growth Rate**

Growth rate =  $1 + [(\text{credit \% of current year} - \text{credit \% of previous year} / \text{credit \% of previous year}) \times 100\%]$

#### **Growth rate**

For year 2062/063 =  $1 + [(59.11\% - 56.56\% / 56.56\%) \times 100\%]$

For year 2063/064 =  $1 + [(73.51\% - 59.11\% / 59.11\%) \times 100\%]$

For year 2064/065 =  $1 + [(76.71\% - 73.50\% / 73.50\%) \times 100\%]$

For year 2065/066 =  $1 + [(80.43\% - 76.71\% / 76.71\%) \times 100\%]$



By analyzing the above table total deposit is in increasing trend it has increased every year i.e. is from 2061/062 to 2065/066. The deposit amount was Rs. 17 crore in fiscal year 2061/062 and it increased in every year i.e. reached to 51 crore in fiscal year 2065/066. By analysis, the total credit amount was also in increasing trend. It was 10 crore in fiscal year 2061/062 and reached 41 crore in 2065/066.

The highest growth rate was 124.36% in fiscal year 2063/064 and the lowest growth rate was 104.35% in fiscal year 2064/065.

**Table 4.8**  
**Calculation of correlation between total deposit and total credit**

Year	Total deposit(x)	Total credit(y)	xy	X <sup>2</sup>	Y <sup>2</sup>
2061/062	1,788.90	1,011.80	1,810,009.02	3,200,163.21	1,023,739.24
2062/063	2,113.04	1,249.06	2,639,313.74	4,464,938.04	1,560,150.88
2063/064	2,813.60	2,068.32	5,819,425.15	7,916,344.96	4,277,947.62
2064/065	4,000.15	3,068.52	12,274,540.28	16,001,200.02	9,415,814.99
2065/066	5,114.40	4,113.61	21,038,646.98	26,157,087.36	16,921,787.23
<b>Total</b>	x 15,830.09	y 11,511.31	xy 43,581,935.17	x <sup>2</sup> 57,739,733.59	y <sup>2</sup> 33,199,439.96

*Source: Annual report of NC*

$$R = (N \sum xy - \sum x \sum y) / [\{N \sum x^2 - (\sum x)^2\} \{N \sum y^2 - (\sum y)^2\}]^{1/2}$$

$$R = (5 \times 43581935.17 - 15830.09 \times 11511.31) / [\{5 \times 57739733.59 - (15830.09)^2\} \{5 \times$$

$$33199439.96 - (11511.31)^2\}]^{1/2}$$

$$R = (217909675.90 - 182225073.30) / (38106918.60 \times 33486941.90)^{1/2}$$

$$R = 35684602.60 / 35722317.61$$

$$R = 0.999 \quad 1$$

It is now necessary to examine whether there is close relationship between deposit collection and credit expansion collection of Navajeevan Co-operatives. This is computed by using Karl person's co-efficient of correlation. The formula for correlation given below:

$$R = (N \sum xy - \sum x \sum y) / [\{N \sum x^2 - (\sum x)^2\} \{N \sum y^2 - (\sum y)^2\}]^{1/2}$$

Where,

N = Number of year of x and y.

X = Value of total deposit

Y = Value of total credit

R = Karl person's co-efficient of correlation.

The result of correlation co-efficient may vary from 0 to 1. If there are **0** correlations, it means there is no correlation between deposit and credits. However if it is **1**, there is perfect correlation between them. If the result is plus (+) sign it indicates positive correlation and minus (-) sign indicates negative correlation.

#### 4.4 Profitability of Navajeevan Co-operatives

Collection and proper utilization of fund is a continuous transaction of co-operatives. Besides these, we have to know how much profit have earned by Navajeevan Co-operatives to maintain good operating positions of institution. Therefore it is necessary to analyze profit positions of Navajeevan Co-operatives.

**Table 4.9**

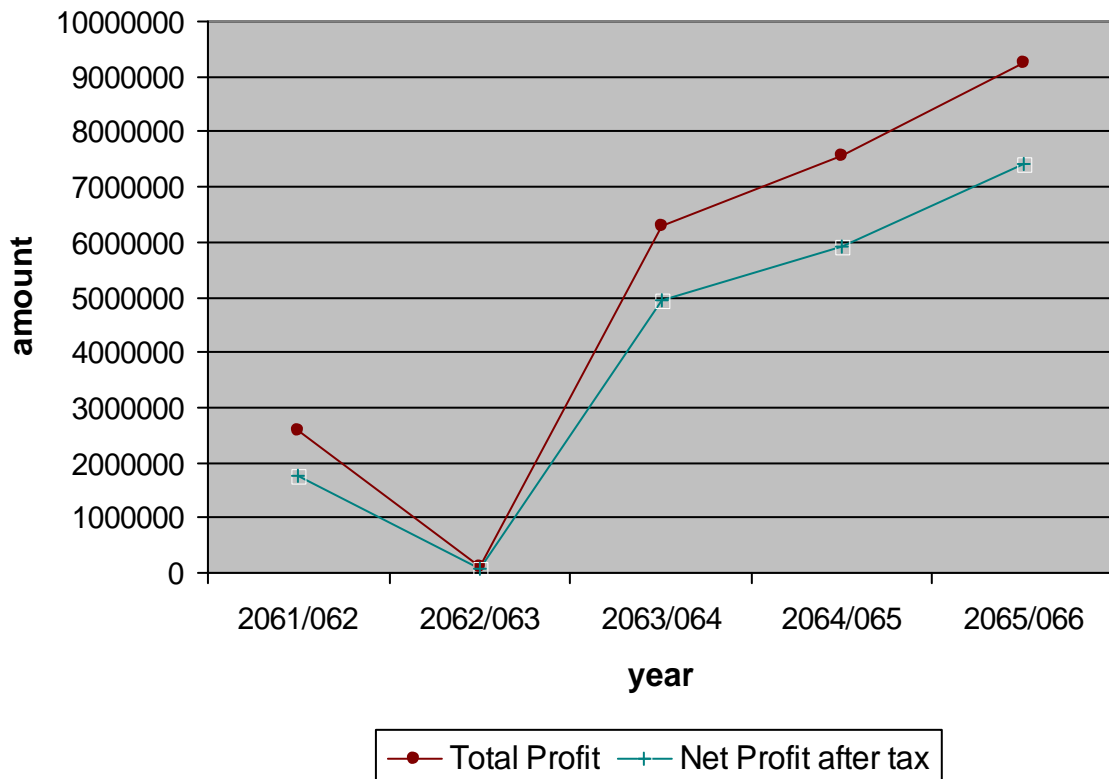
**Profit Position of Navajeevan Co-operatives**

<b>Fiscal Year</b>	<b>Total Profit</b>	<b>Net profit after Tax</b>
2061/062	2,565,964.11	1,757,685.42
2062/063	114,423.41	78,380.04
2063/064	6,293,945.79	4,940,747.44
2064/065	7,550,405.17	5,927,068.06
2065/066	9,268,739.91	7,414,991.93

*Source: Annual report of NC*

**Figure 4.4**

**Profit position of Navajeevan co-operatives**



The table 4.9 and figure 4.4 show the profit position of Navajeevan Co-operatives in different fiscal year. In fiscal year 2061/062, the total profit was 2,565,964.11. After deducting the tax and distributing staff bonus net profit remained Rs. 1,757,685.42 in fiscal year 2061/062. As per annual report of fiscal year 2062/063 total revenue was shown Rs. 44,162,592.45. Total expenditure was Rs. 20,798,214.17 and total profit were 114,423.41 and remained Net profit after tax Rs. 78,380.04 only.

Again in the fiscal year 2063/064 total profit was Rs. 6,293,945.79 and net profit after tax Rs. 4,940,747.44. In fiscal year 2064/065 total profit was 7,550,405.17 and net profit after tax was 5,927,068.06. Again in fiscal year 2065/066, total profit is

9,268,739.91 and net profit after tax is Rs. 7,414,991.93 after deducting dividend providing tax and special fee.

In this way, Navajeevan Co-operative is operand in profit condition. The profit position of Navajeevan is again examined with Karl person's correlation coefficient as following loan disbursement.

Year	(x)	(y)	xy	X <sup>2</sup>	Y <sup>2</sup>
2061/062	10,118.00	2,566.00	25,962,788.00	102,373,924.00	6,584,356.00
2062/063	12,491.00	114.00	1,423,974.00	156,025,081.00	12,996.00
2063/064	20,683.00	6,294.00	130,178,802.00	427,786,489.00	39,614,436.00
2064/065	30,685.00	7,550.00	231,671,750.00	941,569,225.00	57,002,500.00
2065/066	41,136.00	9,269.00	381,289,584.00	1,692,170,496.00	85,914,361.00
<b>Total</b>	x=115,113.00	y=25,793.00	xy=770,526,898.00	x <sup>2</sup> =3,319,925,215.00	y <sup>2</sup> =189,128,649.00

*Source: Annual report of NC*

$$N = 5$$

$$x = 115,113$$

$$y = 25,793$$

$$xy = 770,526,898$$

$$x^2 = 3,319,925,215$$

$$y^2 = 189,128,649$$

Applying Karl Person's equation, we have,

$$R = (N \sum xy - x \sum y) / [ \{ N \sum x^2 - ( \sum x )^2 \} \{ N \sum y^2 - ( \sum y )^2 \} ]^{1/2}$$

Where,

R = Correlation co-efficient

N = Number of years

X = Outstanding loan disbursed amount at the year

Y = Profit/Loss during the period

Now,

$$R = \frac{(5 \times 770526898 - 115113 \times 25793) / [\{5 \times 3319925215 - (115113)^2\} \{5 \times 3319925215$$

$$- (25793)^2\}]^{1/2}}$$

$$R = \frac{(3852634490 - 2969109609) / [\{3348623306\} \{280364396\}]^{1/2}}$$

$$R = 883524881 / (57867.29 \times 16744.09)$$

$$R = 883524881 / 968934845.8$$

$$R = 0.91 \quad 1$$

Now, Karl person's co-efficient of correlation between loan disbursement and profit earned has been calculated and found to be 0.91 1. It means there is perfectly positive correlation between these two variables. Therefore it can be said that the loan disbursed has positive correlation with the total profit.

#### 4.5 Liquid Assets Position of Navajeevan Co-operatives

Liquid assets are those assets which may be changed into cash within a year. To analyze the liquid assets position of institution of the ratio should be calculated as current assets to current liability ratio which is seemed to be 2:1 standard ratio with a

good financial position of an institution. This ratio indicates two rupees of current liabilities.

Following table shows the liquid assets position of Navajeevan Co-operatives:

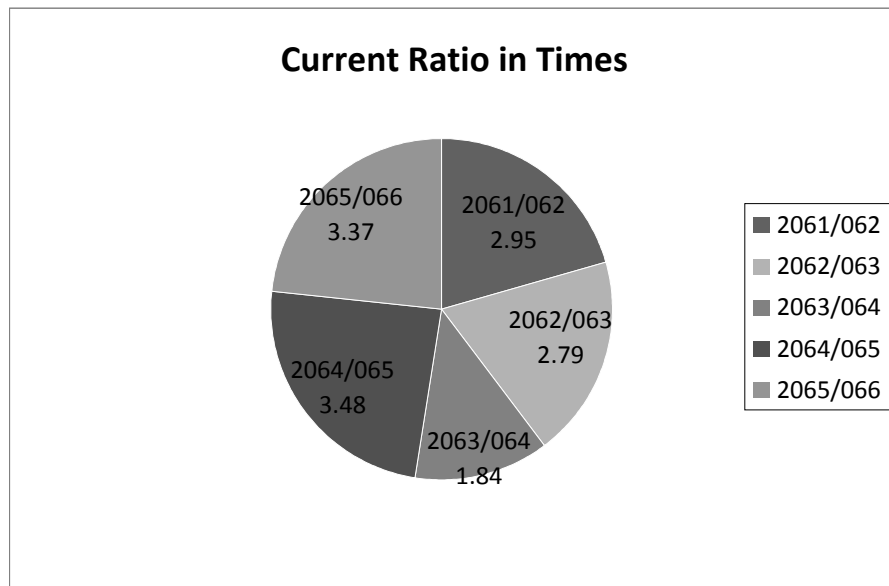
**Table 4.10**

**Current ratio in times**

<b>Fiscal Year</b>	<b>Current Assets</b>	<b>Current Liability</b>	<b>Ratio</b>
2061/062	98,694,884.78	33,460,670.90	2.95
2062/063	99,056,118.81	35,510,194.13	2.79
2063/064	96,564,408.37	52,364,016.51	1.84
2064/065	123,686,003.90	35,584,428.40	3.48
2065/066	145,395,557.30	43,088,689.72	3.37

*Source : Annual Report of NC*

**Figure 4.5**



Above table and figure shows the capacity of the Navajeevan Co-operative to meet its current liabilities. Generally current ratio for co-operative bank for the financial year 2061/062 is 2.95 times and 2.79 time in fiscal year 2062/063. Similarly, 1.84 times in financial year 2063/064 and 3.48 times in 2064/065. In fiscal year 2065/066 current ratio is 3.37 times which was decrease in comparison to previous fiscal year. The highest current ratio was 3.48 in the fiscal year 2064/065 and the lowest was 1.84 times in fiscal year 2063/064.

#### 4.6 Assets Management Position of Navajeevan Co-operatives

Assets management ratios measure the effectiveness with which a firm is utilizing its assets to generate revenue. Collected fund were invested in providing various kinds of assets to generate sales i.e. interest earned and profit. The better management of assets turnover is the better indication of its financial performance. A very efficient firm then is one that utilizes its investment assets to generate the largest level of revenues. Some of the efficiency ratios are computed to assets co-operatives efficiency in utilizing available resources.

##### *a. Fixed assets turnover ratio*

Fixed assets turnover ratios help the researcher to evaluate financial performance of the co-operative bank. This ratio measures how effectively the fixed assets are utilized to generate the total interest earned. The relationship between fixed assets and the interest earned. Higher ratio shows that the assets are utilized more effectively and low ratio is an indication of an inefficient assets management.

Fixed assets turnover ratio of Navajeevan Co-operative bank has been calculated below and presented in following table:



**Table 4.11**

**Fixed Assets turnover ratio**

<b>Fiscal Year</b>	<b>Fixed assets</b>	<b>Interest earned</b>	<b>Ratio</b>
2061/062	3,189,208.59	15,689,474.70	4.92
2062/063	10,304,347.32	12,339,485.39	1.20
2063/064	11,048,076.22	24,393,228.09	2.21
2064/065	13,471,816.71	32,742,134.12	2.43
2065/066	14,330,655.18	49,506,708.40	3.45

*Source: annual reports of NC*

$$\text{Ratio} = \text{Interest earned} / \text{fixed assets}$$

Above table clearly shows the fixed asset turnover ratio of Navajeevan Co-operatives as per table the ratio was 4.92 times in fiscal year 2061/062 and in 2062/063 this ratio was decreased by 1.20 times. Again this ratio was increased by 2.21 times in fiscal year 2063/064. Similarly the ratio was increased by 0.22 times in fiscal year 2064/065. Again it is increased by 3.45 times in studied period. In conclusion it can be said that the ratio if fixed assets turnover fluctuated at different period, depends upon the interest earned.

***b. Total asset turnover ratio***

Assets are used to generate revenue. In order to maximize firm's revenue the management must have to manage available assets effectively. Total assets turnover ratio measures the turnover or utilization of all for the firm's assets. In other words total assets turnover ratio is the relationship between total assets and interest earned. The total assets turnover ratio of Navajeevan Co-operative has been presented in following tables.

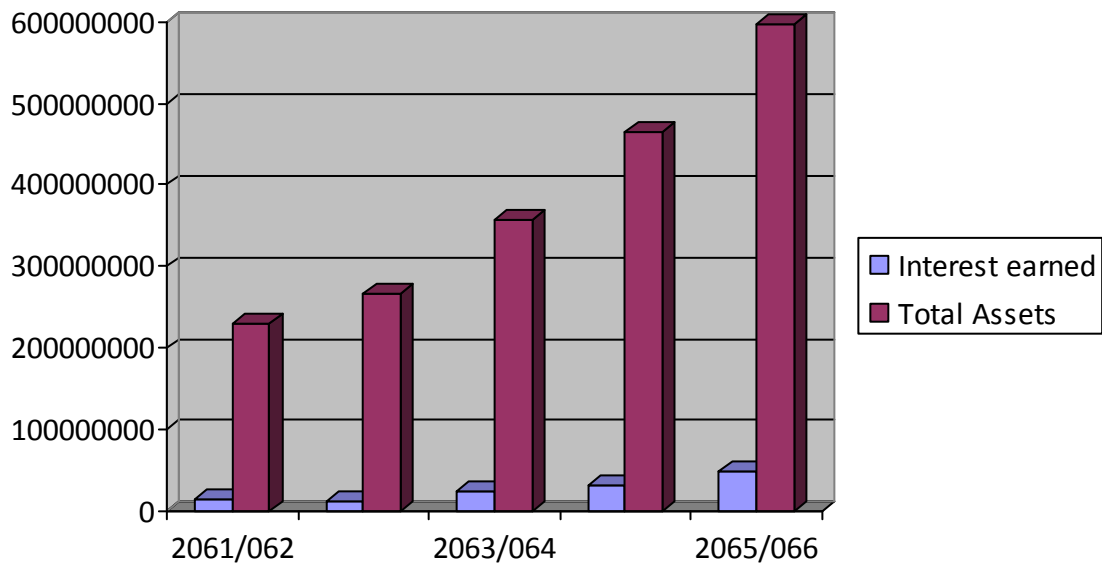
**Table 4.12**

### Total Asset turnover Ratio

Fiscal Year	Interest earned	Total Assets	Ratio
2061/062	15,689,474.70	231,383,019.04	0.07
2062/063	12,339,485.39	266,413,343.15	0.05
2063/064	24,393,228.09	357,648,719.67	0.07
2064/065	32,742,134.12	465,562,337.34	0.07
2065/066	49,506,708.40	597,080,717.80	0.08

*Source: annual reports of NC*

**Figure 4.6**



Total Assets turnover ratio = Interest earned / total assets = times

Total asset turnover ratio of the co-operative bank for different fiscal year is shown in above table 4.12 and figure 4.6. In the initial study period 2061/062, the total assets turnover ratio was 0.07. That means asset turnover ratio of 0.07 times is that every 1 rupee is required to generate interest. The ratio was 0.05 times in fiscal year 2062/063. And ratio was decreased in fiscal year 2062/063. Moreover, the ratio was increased in fiscal year 2063/064 i.e. 0.07 times. The ratio was same as previous fiscal year in 2064/065 i.e. 0.07 times. However interest earned increased i.e. Rs. 32,742,134.12. Again the ratio is increased in fiscal year 2065/066 i.e. 0.08 times.

As per above analysis we found that the total assets turnover ratio at first decreased in fiscal year 2062/063 and increased in 2063/064 and fiscal year 2065/066.

***c. Return on assets***

Return on assets is one of the significant tools for measuring the profitability of all the financial reserves utilized by the institution. This ratio is calculated to reveal the overall operating efficiency of organization. It is measured in terms of relationship between net profit and total assets. Higher ratio of return on total assets indicates satisfactory utilization of fund invested and vice versa. The value of assets of Navajeevan Co-operatives is presented in following table.

**Table 4.13**

**Return on Assets**

<b>Fiscal Year</b>	<b>Net profit after tax</b>	<b>Total Assets</b>	<b>Ratio</b>
2061/062	1,757,685.41	231,383,019.04	0.76
2062/063	78,380.04	266,413,343.15	0.03
2063/064	4,940,747.44	357,648,719.67	1.38

2064/065	5,927,068.06	465,562,337.34	1.27
2065/066	7,414,991.93	597,080,717.80	1.24

*Source: Annual report of NC*

As the above table ratio column indicates the profit return on total wealth on Navajeevan Co-operatives. In the fiscal year 2061/062, ratio of profit on total assets was 0.76 and it was decreased by 0.73% in the fiscal year 2062/063 and reached to 0.03%. The amount of net profit after tax was decreased by Rs. 1,679,305.38 fiscal year 2062/063 than in previous fiscal year. Amount of net profit and total assets are increasing in fiscal year 2063/064 by Rs. 4862367.4. In this year return ratio on assets had also increased more by 1.35% than previous fiscal year. Again ratio of net profit on total assets decreased by 0.11 and reached to 1.27% in fiscal year 2064/065. In this year, net profit after tax increased by Rs. 986,320.62. Similarly in the last study period 2065/066, net profit and total assets both have increased by Rs. 1,487,923.87 and Rs. 131,518,380.5 respectively. Due to this return ratio on total assets have decreased by 0.03% than in previous fiscal year and reached in 4.24% in studies period.

In terms of % highest ratio is 1.38% in fiscal year 2063/064 and lowest ratio is 0.03 in 2062/063. In average ratio of five fiscal years period is 0.94% from 2061/062 to 2065/066. However net profit ratio on total assets is satisfactory due to the increasing trend of return ratio. Furthermore, Navajeevan Co-operative has to increase its profit amount by increasing its transaction with expansion of branches with new financial technique and providing more facilities to people.

#### 4.7 Interest Expenses to total Income

An interest expenses occupies more portions of the total expenses. Interest expenses include the interest paid on deposit collected. It accepts deposit from depositors and

pays a certain percentage of interest in different types of account. From the accepted deposits, it invests in different sectors on the topic of loan and advances and earns sufficient income to meet the occurred expenses for operating bank and earn profit for the smooth operation and long run existence of the co-operative. Ratio of interest expenses on total income is shown in the table below:

**Table 4.14**

**Income expenses to total income ratio**

<b>Fiscal Year</b>	<b>Interest Expenses</b>	<b>Total income</b>	<b>Ratio (%)</b>
2061/062	968,755.88	23,364,278.28	41.46
2062/063	10,391,570.64	20,642,691.69	49.86
2063/064	11,705,481.22	28,333,215.86	41.31
2064/065	14,257,814.72	39,108,502.31	36.46
2065/066	19,008,763.52	55,742,998.29	34.10

*Source: Annual report of NC*

Above table shows that income expenses are the major expenses of the co-operative bank. It was in increasing trend in figure. It started from 96 lakhs and reached to 1 crore 90 lakhs during the study period. Total income is also in increasing trend that only decreased in fiscal year 2062/063 in comparison to previous fiscal year. It seemed that total income started from Rs. 2.06 crore and reached to 5.57 crore in the study period. Ratio of interest expenses to total income was 41.46% in fiscal year 2061/062 and 49.86% in fiscal year 2062/063 and 41.31% in fiscal year 2063/064. Similarly the ratio of 2064/065 was 36.46 and 34.10% in the study period. It can be concluded that the Navajeevan Co-operatives pays 40.64% interest expenses on an

average. Further more accepted deposit of the Navajeevan Co-operatives was increasing until the end of the study period.

#### 4.8 Employee Expenses to total Income

Without human resources, the existence of any organization cannot be imagined. Success or failure of an organization depends upon its available human resources. Committed, honest and energetic employees can take an organization in healthy position. In the existing competitive environment an organization can be able to earn maximum profit from providing services to its shareholders. Employee expenses include salary and allowance, provided fund and bonus. Employee expenses to total income ratio is presented in following table:

**Table 4.15**  
**Employee expenses to total income ratio**

<b>Fiscal Year</b>	<b>Employee Expenses</b>	<b>Total income</b>	<b>Ratio (%)</b>
2061/062	3,888,502.52	23,364,278.28	16.64
2062/063	3,821,343.67	20,642,691.69	18.51
2063/064	4,484,824.99	28,333,215.86	15.83
2064/065	6,268,145.62	39,108,502.31	16.03
2065/066	8,751,504.26	55,742,998.29	15.70

*Source: Annual report of NC*

The employ expense is in increasing trend that only decreased in fiscal year 2062/063 than in previous year. It seemed that employee expenses started from Rs. 382,143.67 to Rs. 8,751,504.26 at studies period. Total income is also increasing trend in a same way. It was decreased only 2062/063 and after that it every period it was increased. The ratio of employee expenses to total income either increased or decreased trend.

#### 4.9 Office Expenses to total Income

For the smooth operation of the co-operative, office expenses are also required. Office expenses as house, rent, water and electricity repairs and maintenance, insurance, postage and telephone stationary books and periodicals, advertisement, ceremony transportation expenses closing expenses allowances and supervision expenses auditing and legal expenses etc. Office expenses to total income ratio have been calculated and presented in given table:

**Table 4.16**  
**Office expenses to total income ratio**

<b>Fiscal Year</b>	<b>Office Expenses</b>	<b>Total income</b>	<b>Ratio (%)</b>
2061/062	1,636,125.79	23,364,278.28	7.00
2062/063	1,738,772.96	20,642,691.69	8.42
2063/064	3,212,082.77	28,333,215.86	11.34
2064/065	6,008,733.94	39,108,502.31	15.36
2065/066	8,456,799.69	55,742,998.29	15.17

*Source: Annual report of NC*

Table 4.16 shows the operating expenses fluctuated, either decreased or increased, in different fiscal year. It increased in year 2062/063 than in year 2061/062. In the same way it increased in every fiscal year. The operating expense was Rs. 1,636,125.79 in fiscal year 2061/062 but it increased every year and it reached to Rs. 8456799.69 in studies period. Total income is also increasing trend that only decreased in fiscal year 2062/063 than previous fiscal year. It seemed that total income started from Rs. 2.06 crore to 5.57 crore at the study period Ratio of office expenses to total income was 7% in fiscal year 2061/062 and it was increasing trend in fiscal year 2064/065 and

reached to 15.36% in fiscal year 2064/065. Furthermore, it decreased in study period by 0.19% and it reached to 15.17%.

#### 4.10 Total Expenses to total Income Ratio

Total expenses include interest expenses, employee expenses office operating expenses, risk bearing fund, depreciation fund and loss provision on investment etc. Following presentation shows the total expenses to total income ratio.

**Table 4.17**

**Total expenses to total income ratio**

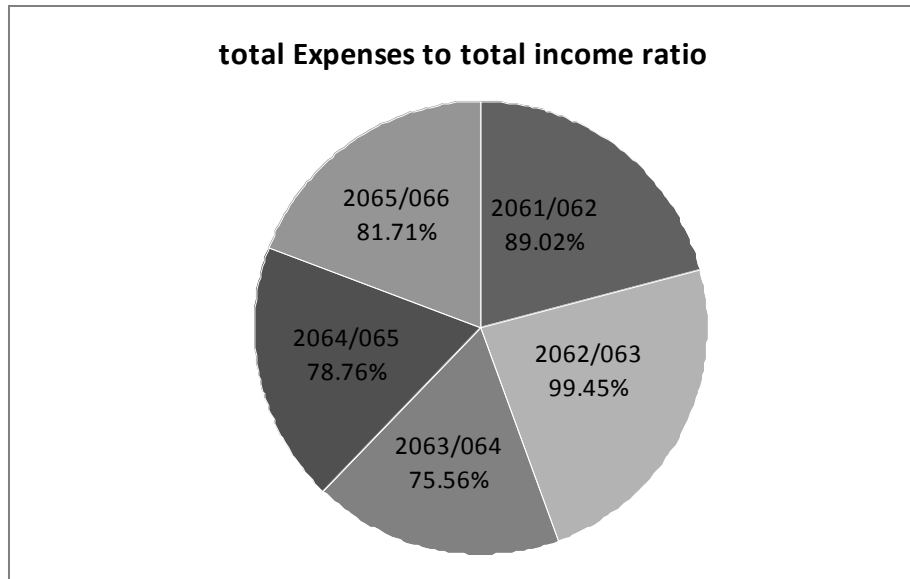
<b>Fiscal Year</b>	<b>Total Expenses</b>	<b>Total income</b>	<b>Ratio (%)</b>
2061/062	20,798,314.17	23,364,278.28	89.02
2062/063	20,528,268.28	20,642,691.69	99.45
2063/064	21,409,875.50	28,333,215.86	75.56
2064/065	30,803,056.62	39,108,502.31	78.76
2065/066	45,547,384.39	55,742,998.29	81.71

*Source: Annual Reports of NC.*

Total expenses to total income ratio = (total expenses / total income) X 100%

**Figure 4.7**





As the table and figure shows total expenses was mounting Rs. 4.55 crore from base year of Rs. 2.07 crore. The highest expenses amount seemed in fiscal year 2061/062 total expenses ratio on total income was 89.02% that increased to 99.45% in fiscal year 2063/064 but in the year 2064/065 ratio was increased to 78.76%. Same way the ratio was increased in study period reached to 81.71%. We found that the highest ratio in fiscal year was 2062/063 which was 99.45%.

#### 4.11 Return on Capital Employed

Return in capital employed is one of the significant tools of measuring the profitability of an organization. It provides a test of profitability related to the source of long-term funds which reflects how well management has used the funds supplied by creditors and owners. The higher ratio, the higher efficiency of the capital employed. The capital employed is determined by adding share capital reserve funds long-term debt. It can also be calculated by adding fixed assets plus current assets minus current liabilities. Return on capital employed is calculated with the help of the following formula

Return on capital employed = (NPAT / capital employed) X 100%

**Table 4.18**

**Return on capital unemployed**

<b>Fiscal Year</b>	<b>NPAT</b>	<b>Capital Employed</b>	<b>Ratio (%)</b>
2061/062	1,757,685.42	18,964,770.96	9.27
2062/063	78,380.04	19,598,649.13	0.40
2063/064	4,940,747.44	23,926,932.3	20.65
2064/065	5,927,068.06	29,963,186.28	19.78
2065/066	7,414,991.93	42,553,538.69	17.43

*Source: Annual report of NC*

Capital employed in 2061/062 = share capital + reserve fund + long term debt +  
13985600 + 4979170.96 + 0

The return on capital employed of Navajeevan Co-operatives has calculated in the above table over the study period return on capital employed highest in fiscal year 2063/064 i.e. 20.65% and lowest in fiscal year 2062/063 i.e. 0.40%. From the analysis of return on capital employed ratio, it can be said that the management couldn't use capital employed properly.

#### 4.12 Debt Ratio

With the help of debt ratio it can be found that how much contribution of credit on total assets and also helps to keep relationship between total debt and total assets. Higher debt ratio is not good position for an organization. If it increases, economic

risk of firm also increases. Debt ratio of Navajeevan Co-operatives has been presented in following table:

**Table 4.19**

**Debt ratio on total asset**

<b>Fiscal Year</b>	<b>Total Liabilities</b>	<b>Total assets</b>	<b>Ratio (%)</b>
2061/062	212,347,021.10	231,383,019.04	91.77
2062/063	246,814,373.40	266,413,343.15	92.64
2063/064	333,721,787.30	357,648,719.67	93.31
2064/065	435,599,151.00	465,562,337.34	93.56
2065/066	554,527,179.00	597,080,717.80	92.87

*Source: Annual report of NC*

$$\text{Debt ratio} = (\text{total liabilities} / \text{total assets}) \times 100\%$$

Above table shows that total liabilities amount was increasing trend every fiscal year 2061/062 to 2065/066. The amount of total liabilities started from Rs. 2.12 crore and it reached to Rs. 5.54 crore in the studies period. In terms of ratio in fiscal year 2061/062 it was 91.77 and slightly increased that reached to 93.56 in fiscal year 2064/065 and it is decreased by 0.69% in studies period. In fiscal year 2065/066 it is 92.87%.

From the analysis of debt ratio total liabilities seemed over 91% in each financial year. Therefore the management has to reduce this ratio by increasing wealth of Navajeevan Co-operatives.

#### 4.13 Cash flow Pattern of Navajeevan Co-operatives Limited

Cash is the lifeblood of any business organization. Without cash no business activities can be taken place. Cash flow information is widely used by investors, analysts, creditors, managers and others. The cash flow pattern of Navajeevan Co-operative is given in annex-9.

The tables given in annex-9 show cash in flow and cash out flow of Navajeevan Co-operatives for five fiscal years. Cash inflow in the year 2061/062 seemed Rs. 122,116,316.31 whereas cash outflow in the same year Rs. 240,444,315.53 and cash inflow exceeds over outflow Rs. 98,071,884.77 kept as cash and bank balance in this year working capital increased by Rs. 11,490,210.04.

The cash flow statement reveals the proper uses fund. Increase in deposit seems the main source of cash in flow. Similarly from the study of the above table cash inflow in the financial year 2062/063 seemed Rs. 136,330,717.51 and same year the cash outflow Rs. 98,433,118.8 and cash inflow excess than cash outflow. Cash considered most important source of cash from deposit liability which decreased in the same year. It was not healthy condition of such institution which provides banking service and the investment decreased. The total cash outflow of cash in respective year seemed to be Rs. 37,897,598.7 Dividend paid was also decreasing in increasing trend. Additional fixed asset was also increased every year.

Cash inflow and cash outflow was 2063/064 to Rs 184,006,085.90 and Rs. 245,105,309. Important sources of cash inflow were deposit liability which increased and it was good sign for an organization. Operating profit of the organization in first 3 years was decreased. In this fiscal year share capital amount also increasing trend, it was also good sign of organization to progress. Additional fixed assets were increasing every year. Income tax was also increased. But dividend was increasing and decreasing trend. Loan was decreased. There were not any operating losses.

Cash inflow and cash outflow of 2064/065 was Rs. 230751049.8 and Rs. 5381238.44. Important sources of cash inflow were deposit liability which increased and it was good sign for an organization. Share capital was also increasing every year. Operating profit was also increased than in previous year. In the fiscal year 2064/065, additional fixed assets also increased. Income tax and dividend paid was also increased than in previous fiscal year. Loan in advance was decreased.

Cash inflow and outflow of 2065/066 is Rs. 265526485.8 and Rs. 8862541.09. And cash inflow is excess than cash outflow. Share capital amount is decreased than previous year. Deposit amount is decreased than previous year. But the operating profit is increased than previous year. Income tax and dividend paid is also increased. Navajeevan Co-operative is not healthy condition due to high laxity and decreased in investment position.

#### 4.14 Risk and Return Analysis

Risk and return are two important aspects, which influences decision regarding investments on particular stock and assets. Risk and return analysis even being an important aspect of financial management to what extent a stock or assets is risky which depends upon the individual's attitude towards risk. As per the predator mind objectives; the risk and return pattern of co-operative has been studied and taken into consideration. ROE is calculated by dividing net profit after tax by paid up capital fund. The return what the investor expects over this initial investment is called the return on asset and stock. Risk refers to change that some unfavorable event will occur. Every investment involves uncertainties that make future investment risky. Risky and return pattern of co-operative is calculated in the given table which was shown below.

**Table 4.20**

**Risk and return pattern of NC**

Fiscal year	Capital fund	Net profit after tax	ROE (R)	R - R	(R - R) <sup>2</sup>
2061/062	13,985,600.00	1,757,685.42	0.1257	-0.0699	0.0049
2062/063	15,035,600.00	78,380.04	0.0052	-0.1904	0.0363
2063/064	16,974,600.00	4,940,747.40	0.2911	0.0955	0.0091
2064/065	19,985,600.00	5,927,068.06	0.2966	0.1010	0.0102
2065/066	28,603,700.00	7,414,991.93	0.2592	0.0636	0.0040
			ROE (R)=0.9778		(R - R) <sup>2</sup> =0.0645

*Source: annual report of NC*

$$\text{ROE} = \text{NPAT} / \text{capital fund}$$

$$\text{Calculation of R} = \text{R} / \text{N} = 0.9778 / 5 = 0.1956 \text{ or } 19.56 \%$$

We have,

$$\text{Risk ( )} = [ (\text{R} - \text{R})^2 ] = (0.0645 / 5) = (0.0129) = 0.1136 \text{ or } 11.36\%$$

Again,

$$\text{C.V.} = / \text{R} = 0.1136 / 0.1956 = 0.5808 \text{ or } 58.08\%$$

Where,

ROE = return on equity

NPAT = Net Profit after tax

N = No. of years

C.V. = Coefficient of variation

= Sigma

Return on equity of the organization is more fluctuating from the average return I over the study period. Return on equity is treated as expected return of co-operative.

Due to fluctuating and increasing NPAT, the ROE is also decreasing trend. Highest return on equity was earned in the financial year 2064/065. It can be said that more efficient utilization of capital fund generates revenue whereas in financial year 2062/063 ROE is 0.52%, which is lowest return on equity during the studied periods. It seems that the management is not success to utilize capital fund on generating more return on equity. Co-operatives return I is equal to 19.56%.

Risk is the factor that can be forecasted from past year experience. To manage the risk the S.D symbol for which sigma ( ) and coefficient of variance (C.V) are calculated. The coefficient of variation shows the risk per unit of return and provides a more meaningful base. Risk is being computed for two or more alternative of the organization. In the present study the average return on each share I is calculated 19.56% whereas risk is 11.36%. The table reveals that each shareholder has to bear 58.08% risk in order to earn 100% return which is given by coefficient of variation.

#### **4.15 Capital Adequacy Ratio**

To measure the strength of the capital structure adequacy of the co-operatives, the capital is required by a bank as a cushion to absorb losses which should be born by a shareholders rather than depositors and to finance the infrastructure of business. The Basel committee on banking supervision 1988 has developed as internationally accepted standard for capital adequacy based on what is known as the risk asset approach, this shows how important capital adequacy is to a bank.

This approach defines the elements of capital for supervisory purpose allocates weights to different broad categories of assets and expresses capital as a percentage of total risk weighted assets. This ratio is important to determine the capital adequacy because the co-operative under the study is banking sector or service organization. A high or low capital adequacy ratio is undesirable in terms of lower return and lowered solvency respectively.

The capital adequacy ratio of different fiscal years has been presented in following table.

**Table 4.21**  
**Capital Adequacy ratio of NC**

<b>Fiscal year</b>	<b>Capital fund</b>	<b>Total deposit</b>	<b>Ratio (%)</b>
2061/062	19,035,997.95	178,886,351.00	10.64
2062/063	19,598,969.71	211,304,179.31	9.28
2063/064	23,944,336.12	281,357,770.86	8.51
2064/065	30,143,447.59	400,014,722.66	7.54
2065/066	42,966,594.97	511,438,489.39	8.40

*Source: Annual Report of NC*

$$\text{Capital Adequacy Ratio} = \text{Capital Fund} / \text{Total deposit}$$

The ratio of the co-operative has been fluctuating and decreasing trend over the study period except slight increase in 2065/066 is clearly indicated through the above table. In the initial year, 2061/062 capital adequacy ratio is 10.64% and it decreased by 1.36% in fiscal year 2062/063 that reached to 9.28%. Same way the ratio was decreased and it reached to 8.51% in fiscal year 2063/064. Again in the fiscal year 2064/065, it was decreased by 0.97% than previous year and it reached to 7.54%. but in the fiscal year 2065/066 the ratio is increased by 0.86% and it reached to 8.40. An appropriate capital adequacy ratio is controversial matter. In general it can be concluded that capital adequacy of Navajeevan Co-operatives is appropriate.

#### 4.16 Share Capital Trend

Any Co-operatives or banking institution has to accumulate the capital through different way. By issuing shares is the main way of collection of capital which



may help the operate organization smoothly. The share capital trend of Navajeevan Co-operatives has been presented below:

**Table 4.22**

**Share Capital Trend of Navajeevan Co-operatives**

<b>Fiscal year</b>	<b>Share Capital</b>	<b>Percentage</b>	<b>Dividend Paid (%)</b>
2061/062	13,985,600.00	14.79	4
2062/063	15,035,600.00	15.89	15
2063/064	16,974,600.00	17.95	14
2064/065	19,985,600.00	21.13	15
2065/066	28,603,700.00	30.24	15
<b>Total</b>	<b>94,585,100.00</b>		

**Source: Annual report of NC**

Paid up share capital trend showing in the table 4.22 out of the total share capital collection in the studied period, highest amount seemed in fiscal year 2065/066 i.e. Rs. 28,603,700 or 30.24% and 15% dividend paid to shareholder. In 2061/062 share capital was Rs. 13,985,600 which was 14.79% of total share capital and dividend paid to shareholder was 4% in fiscal year 2062/063. The share capital increased to 15.89% of total share capital and dividend paid to shareholder in 15%. In fiscal year 2063/064, share capital amount was 17.95% of total share capital and dividend paid to 15%. In fiscal year 2064/065, the share capital amount Rs. 19,985,600 which is 21.13% of total share capital and dividend paid 15% . Last studied period it is highest amount i.e. 30.24% of share capital. Share capital trend positive of NC.

## CHAPTER – 5

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary

Nepal is a small but a beautiful republican. To its north, there lies the big nation China. On all other sides i.e. south, east and west, it is bordered by another large nation – India. Nepal has been divided into Village Development Committees, Districts, Zones and Development Regions. Nepal stretches from Mechi in the east to Mahakali in the west. The total area of Nepal is 1,47,181 sq. km. To develop any country, it should have basic infrastructures for development. After the First World War all the people thought of peace and harmony. They realized the importance of mutual understanding and co-operation. The developed countries like England, France, Germany, and Netherlands thought of international peace and co-operation.

The country has made program towards suitable economic growth since 1950's and is committed to a program of economic liberalization. There are obstacles like natural, technological, socio-economic and administrative that results in slow rate of financial development in Nepal. In the development of financial sector, co-operatives has been much more affected by these obstacles. A co-operative helps to distribute wealth and profit equally to all. It minimizes exploitation from moneylenders, landlords and traders and discourages block marketing and artificial scarcity. Co-operation among the community people is a past tradition in the world history. The people having less capital and low income found more co-operative. Rochdale Society of Equitable pioneers are a first co-operative institution which systematically established in England. Co-operative is not a new phenomenon in the Nepalese society. The people of the societies come together to help in the special occasions. i.e. birth, marriage plantation and death. On the national scale Dharmabhakari, Makauthi, Parma and Dhikuti are the traditional co-operative forms. The first co-operative organization established in Chitwan was loan co-operative society.

After formulation of the co-operative act 2048abd rule 2049, co-operative sector flourished in Nepal. Out of the different organization established under Nepalese government, few are in the existence. For example: Sajha Transport, Sajha Swasthya Sewa, Sajha Pascal and Sajha Bhandar etc..

International Co-operative alliance, ministry for agriculture and co-operative, co-operative board, Sahakari Shangh, Co-operative Department and Rastriya Sahakari Bank are a few co-operative promotion sectors.

The number of financial co-operative licensed by NRB to conduct limited banking activities had reached to 35 in mid July 2000. After taking over 11 small farmers, co-operatives to SFDB by NRB in April 2003 and license revocation for non compliance of NRB directives the total number of co-operatives has reduced to 20 in mid July 2005. The co-operative sector has taken a small part of the national economy.

Samudayik Bachat Kosh was founded with the joint effort of 17 members and later on introduced all over the country as Navajeevan having registered as well as approval. It has applied for registration to the department by its 64 founder member. Now, it is running with five branches. Navajeevan was introduced as a first co-operative banking office getting approval of the NRB in the near 2050. Paid up share capital is Rs. 13,985,600 at the first of the economic year 2061/062 as well as authorized share capital raised to Rs. 25 crore which is only 1 crore at the beginning.

Financial position is one of the important components of financial administrations. It is a crucial aspect of financial management of the firm. The study concerned with the financial position of the firm, which have included by deposit position investment position profit position and liquidity position of Navajeevan Co-operatives.

There are eight types of account to accumulate the scattered saving. In the study period from fiscal year 2061/062 to 2065/066 highest deposited amount was fiscal year 2065/066 i.e. Rs. 511,438,489.39 and lowest amount of deposited in fiscal year

2061/062 i.e. Rs. 178,886,351 which is shown in table 4.1.2. The total deposited amount is increasing trend in every fiscal year.

The liquidity position of Navajeevan co-operative is a higher than S.D. ratio in fiscal year 2061/062 even though satisfactory condition in all fiscal year.

The investment sectors of Navajeevan categorized eight types of loan. Out of these business sectors loan and investment greater than all other sector. Construction sectors investment is lower than all other purposed loan. As the total loan and investment, highest lending amount seemed in fiscal year 2065/066 i.e. Rs.411,361,079.48 which had shown in table 4.3. Similarly lowest amount of investment seemed in fiscal year 2061/062 i.e. Rs. 101,176,030.49.

As studied about total credit to total deposit ration have found that the highest credit ratio in year in year 2065/066 i.e. 80.43% and lowest credit ratio in year 2061/062 i.e. 56.56.

By analysis the relationship between loan disbursement and total deposit it can be said that the deposit amount has perfectly (+) correlation with credit amount i.e.0.999 which is nearly 1.

Similarly profit position of Navajeevan Co-operative seemed satisfactory even though unfavorable domestic area of the country. The total profit was highest in the fiscal year 2065/066 i.e. Rs. 9,268,739.91 and lowest in fiscal year 2062/063 i.e. Rs. 114,423.41 by using Karl person's coefficient of correlation profit earned position of Navajeevan Co-operative seemed perfectly positive correlation i.e.  $0.91 = 1$ .

The study may be useful for the organization itself relevant and for those who are willing for the further research in this sector. Time lag, insufficient fund inadequate published material is few limitation areas of the study. Depending in the field study research the research has conducted and few variables were used by which objectives are affected. Data were condored as per the objectives determined in the report

through the raw data recorded by the organization. Balance Sheets and related material are the secondary data but personal questionnaire survey is primary source.

## 5.2 Conclusion

Now a days co-operative institution plays crucial role in accelerating the pace of economic growth in a developing country through mobilization of people saving and utilizing them into productive channels. Navajeevan as a first co-operative institution in the kingdom as established under co-operative act 2048 has to developed saving habits among the people and extend monetized area. So that the Navajeevan co-operative policy can effectively used and saving could mobilized in an efficient way. In most of rural areas, moneylenders are enjoying extending necessary credit with high rate of interest. To avoid this implication co-operative can plays a vital role to develop the rural areas by grant loan at low rate of interest. To consider this fact Navajeevan co-operatives limited is working the field of social empowerment as well as economic development but it focused its activities only in urban area and there was no economic as well as banking development in backward society and rural area in the Navajeevan established region. The structure of interest rates also proved effective tool for the collection of deposits. This study shows the banking facilities and rate of interest on deposit played an important role in the accumulation of deposits. Besides this saving and banking habit of people, political instability, lack of entrepreneurship and money supply also affects the deposits. Navajeevan Co-operatives fixation the interest rate structure and revised it time to time as economic liberalization and for scattered saving of peoples. This study shows the banking facilities and rate of interest on deposit played an important role in the accumulation of deposits. Besides this saving and banking habit of people political instability lack of entrepreneurship and money supply also affects the deposit. This study concludes that during the five years review period business sector credit higher than other sector investment. The

investment position mostly depends upon the economic condition of the people and political situation of the country. These both are not favorable since ten year in the country. Due to this credit position and co-operatives development are not satisfactory.

Liquidity position has satisfactory liquidity position. The deposit and credit ratio seemed positive correlation between total deposit and total credit in the studied period. Similarly profitability position during the five years period from fiscal year 2061/062 to 2065/066 seemed positive. The highest amount of profit is in fiscal year 2065/066. However nation's political conflict and domestic arena the Navajeevan Co-operatives operating as good condition now a day in established area.

### 5. 3 Recommendations

For rapid economic development of the poor people co-operatives should play a crucial role as momentary stability mobilization of resources. Following recommendations are made based on the study.

1. Because of the profit motive banking office whether Navajeevan has to provide different facilities to the depositors and it has to expand its branches in urban areas to attract depository such as; safe deposit locker facility, telex, ATM, anywhere branch banking Tele-banking, debit-credit card facility, traveler cheque, bank guarantee or it has move backward and work in rural community only. There are no other alternatives rather above two.
2. Profit analysis shows the great fluctuation within the study period. Moreover there is perfectly positive correlation between loan disbursement and profit earned. Profit depends on the well-disbursed loans and loan on the deposits; hence deposits an extent. The excess income over the expenditure is called profit thus; expenditure shall be reduced as far as

possible. Profit is the sustainable organization and progress is then only possible if profit can be maximized.

3. To generate more income they shall invest in the portfolio sector i.e. purchase of government securities, treasury bills and other short term investments in order to invest only on prescribed headings. Risk factor should also take into consideration while utilizing funds.
4. Competitor is rising due to the vast development on IT sectors. Therefore by the SWOT analysis the organization has to grasp unseen opportunities.
5. The excess loans over the deposits in the different economic year are supplied through the paid up share capital and capital is used as a major source for lending. Therefore an attempt for increasing share capital is necessary.
6. The interest rate on deposit and lending showed deposit decreasing while interest rate on deposit decreasing. On the other hand, loan disbursements are increasing. While interest rate on loan is decreasing. Therefore higher interest rate deposit and loan shall be comparatively determined by observing the competitive market.
7. An optimal liquidity should be maintained considering cash reserve ratio. A least liquidity fades away the public confidence as well as it. Bank is unable to pay the drawer run on the bank situation occurs. Therefore optimal liquidity is possible through the accurate measurement of deposits and loan disbursed relation.

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## **ANNEXES**

### **Annex-1**

Organizational structure of Navajeevan Co-operatives Limited

<b>Executive Board</b>
------------------------

Saroj Kumar Pokharel (Chair person)

Karunakar Pandey (Vice Chairperson)

<b>Member</b>
---------------

- Khem Raj Pandey
- Chakra Bahadur Singh
- Ratan Bahadur Kathayat
- Kailash Dahal
- Govind Raj Joshi
- Dabal Bahadur Rawal
- Deepak Prasad Devkota
- Janak Raj Joshi
- Padam Raj Bhatta

<b>Account Committee</b>
--------------------------

- Ishwor Prasad Joshi

- Ganesh Prasad Joshi
- Madan Kumar Nepali

### **District Representative**

- Shiv Kumar Joshi Phulara

### **Advisor Committee**

- Jeevnath Joshi (Co-ordinator)
- Dinesh Kumar Koirala (Member)
- Maheshwor Pathak (Member)
- Salik Ram Adhikari (Member)
- Bir Bahadur K.C. (Member)

### **Head Office**

- Chet Raj Paneru (Managing Director)
- Mahesh Datta Pant (General Manager, Head Banking Office, Dhangadhi, Kailali)
- Bihari Lal Chaudhary (Branch Manager, Banking Office, Tikapur Kailali)
- Sher Bahadur Bist (Branch Manager, Banking Office, Bangashi, Bardiya)
- Shiv Prasad Paudel (Branch Manager, Banking Office, Attaria, Kailali)
- Prem Raj Joshi (Branch Manager, Banking Office, Sukkhada, Kailali)

### **Legal Advisor**

➤ Pragma Dutta Bhatta



**Navajeevan Co-operative Limited**

**Head Office, Dhangadhi, Kailali**

**Balance-Sheet**

**Annex-2**

As on 31 Ashad, 2063

<b>S.No.</b>	<b>Capital and Liability</b>	<b>2062/063 (Rs.)</b>	<b>2061/062 (Rs.)</b>
	Authorized Capital	250,000,000	250,000,000
1	Equity Capital	15035600	13985600
2	Reserve funds:		
	a. Simple Reserve fund	3812368.03	3774966.28
	b. Other Reserve fund	750681.10	1204204.68
3	Loan	000	000
4	Deposit	211304179.31	178886351
5	Current liability and provision	35510194.13	33460670.09
6	Profit and loss account	320.58	71226.99
<b>Total Capital and Liability</b>		<b>266413343.15</b>	<b>231383019.04</b>
<b>Assets</b>			
1	Cash Balance	2170927	2854139.61

2	Bank Balance		
	a. Nepal Rastra Bank	4408006.32	2664143.83
	b. Commercial Bank	70258784.70	74109650.18
	c. Other financial Institutions	22471560.79	19501123.45
3	Investment in shares	623000	623000
4	Loan and advance	124906296.18	101176030.49
5	Loan of staff	3515842	2727757
6	Fixed Asset:		
	a. Land	2650000	2650000
	b. Building	6709252.44	000
	c. Computer Software	180000	000
	d. Furniture and Vehicle	765094.88	539208.59
7	Other assets	28630738.84	25595138.18
8	Profit and Loss account	000	000
<b>Total Asset</b>		<b>266413343.15</b>	<b>231363019.04</b>

**Navajeevan Co-operative Limited**

**Head Office, Dhangadhi, Kailali**

**Balance-Sheet**

**Annex-3**

As on 31 Ashad, 2065

<b>S.No.</b>	<b>Capital and Liability</b>	<b>2064/065 (Rs.)</b>	<b>2063/064 (Rs.)</b>
	Authorized Capital 2500000 share @ Rs. 100	250,000,000	250,000,000
1	Equity Capital	19985600	16974600
2	Reserve funds:		
	c. Simple Reserve fund	6727307.62	5065279.29
	d. Other Reserve fund	3250278.66	1887053.01
3	Loan	000	000
4	Deposit	400014722.66	2811357770.86
5	Current liability and provision	35584428.40	52364016.5
6	Profit and loss account	35584428.40	17403.82
<b>Total Capital and Liability</b>		<b>465562337.34</b>	<b>357666123.4</b>
<b>Assets</b>			
1	Cash Balance	64775676.27	4767875.42
2	Bank Balance		

	d. Nepal Rastra Bank		7081049.18
	e. Commercial Bank		74093225.15
	f. Other financial Institutions		9999258.62
3	Investment in shares	623000	623000
4	Loan and advance	306851599.74	206831926.71
5	Loan of staff	4489153.84	405529.66
6	Fixed Asset	13471816.71	11048076.22
7	Other assets	17063763.09	38798778.71
8	Profit and Loss account	0000	17402.82
<b>Total Asset</b>		<b>465562337.34</b>	<b>357666123.4</b>

**Navajeevan Co-operative Limited**

**Head Office, Dhangadhi, Kailali**

**Balance-Sheet**

**Annex-4**

As on 31 Ashad, 2066

<b>S.No.</b>	<b>Capital and Liability</b>	<b>2065/066 (Rs.)</b>
	Authorized Capital 2500000 share @ Rs. 100	250,000,000
1	Equity Capital	28603700
2	Reserve funds:	
	e. Simple Reserve fund	8994111088
	f. Other Reserve fund	4955726.81
3	Loan	0000
4	Deposit	511438489.39
5	Current liability and provision	43088689.72
<b>Total Capital and Liability</b>		<b>597080717.80</b>
<b>Assets</b>		
1	Cash Balance	134508687.06
2	Bank Balance	1036870.34

	g. Nepal Rastra Bank	
	h. Commercial Bank	
	i. Other financial Institutions	
3	Investment in shares	523000
4	Loan and advance	411361079.48
5	Loan of staff	8206421.49
6	Fixed Asset	14330655.18
7	Other assets	17787004.25
<b>Total Asset</b>		

**Navajeevan Co-operative Limited**

**Head Office, Dhangadhi, Kailali**

**Statement of P\L account**

**Annex-5**

As on 31 Ashad, 2063

S.No.	Particular	2062/063 (Rs.)	2061/062 (Rs.)
1	Interest Income:		
	a. From loan and advance	12339485.39	15689474.70
	b. From debenture	000	000

	c. Miscellaneous Income	8303206.30	7442378.58
2	Dividend received	000	232425
<b>Total income</b>		<b>20642691.69</b>	<b>23364278.28</b>
3	Interest expenses		
	a. In deposit	20291570.64	9687552.88
	b. In loan	000	000
4	Employee expenses		
	a. Salary	3568598.73	3421099.41
	b. Add in Provident fund	241302.60	210860.70
	c. Provision for bonus	11442.34	256596.41
5	Office operating expenses	1738772.96	1636125.79
6	Risk bearing fund	4454145.63	5408914.54
7	Depreciation fund	222435.38	172218.44
8	Provision for loss on investment	000	5000
<b>Total expenses</b>		<b>20528268.28</b>	<b>20798314.17</b>
9	Operating P\L	114423.41	2565964.11
10	Provision for tax	34327.02	769789.23
11	Additional tax	1716.35	38489.46

12	Earning after tax	78380.04	175768.42
13	Profit of previous year	71226.99	11893.45
14	Profit for dividend fund	462500	000
<b>Profit Distribution</b>		<b>612107.03</b>	<b>1769578.87</b>
15	Simple reserve fund	37401.75	442394.72
16	Employee provident fund	5984.28	17695.79
17	Emergency fund	000	000
18	Co-operative education fund	2992.14	17695.79
19	Reserve capital fund	2992.14	17695.79
20	Compensation fund	2992.14	17695.79
21	Proposed dividend	559424	1185174
22	Share dividend fund	000	000
23	Transfer in Balance Sheet	320.58	71226.99



**Navajeevan Co-operative Limited**

**Head Office, Dhangadhi, Kailali**

**Statement of P\L account**

**Annex-6**

As on 31 Ashad, 2065

<b>S.No.</b>	<b>Particular</b>	<b>2064/065 (Rs.)</b>	<b>2063/064 (Rs.)</b>
1	Interest Income:		
	a. From loan and advance	32742134.12	243932.28
	b. From debenture	000	000
	c. Miscellaneous Income	6300013.54	3905641.69
2	Dividend received	66354.65	34346.08
	<b>Total income</b>	<b>39108502.39</b>	<b>28332215.86</b>
3	Interest expenses		
	a. In deposit	14257814.72	11705481.22
	b. In loan	000	000
4	Employee expenses	6268145.62	4484824.99
5	Office operating expenses	6008733.94	3212082.77
6	Depreciation fund	936217.90	680038.64

7	Risk bearing fund	3332144.44	1327447.88
<b>Total expenses</b>		<b>30803056.62</b>	<b>21409875.50</b>
8	Profit before bonus	8305445.69	6923340.36
9	Provision for bonus	755040.52	629394.57
10	Profit before provision for income tax	7550405.17	6293945.79
11	Provision for income tax	1510081.03	1258789.16
12	Additional tax	113256.08	94409.19
13	Profit distribution after tax	5927068.06	4940747.44
14	General reserve fund	1481767.02	1235186.86
15	Proposed dividend	2546190	2255340
16	Employee provident fund	355624.08	29644.85
17	Co-operative education fund	118541.36	98814.95
18	Reserve capital fund	118541.36	98814.95
19	Compensation fund	118541.36	98814.95
20	Share dividend fund	1007601.57	839927.60
21	Transfer in Balance Sheet	180261.31	17403.82

**Navajeevan Co-operative Limited**

**Head Office, Dhangadhi, Kailali**

**Statement of P\L account**

**Annex-7**

As on 31 Ashad, 2066

<b>S.No.</b>	<b>Particular</b>	<b>2064/065 (Rs.)</b>	<b>2063/064 (Rs.)</b>
1	Interest Income:		
	a. From loan and advance	32742134.12	24393228
	b. From debenture	000	000
	c. Miscellaneous Income	6300013.54	3905641.69
2	Dividend received	66354.65	34346.08
	<b>Total income</b>	<b>39108502.31</b>	<b>28333215.86</b>
3	Interest expenses		
	a. In deposit	14257814.72	11705481.22
	b. In loan	000	000
4	Employee expenses	6268145.62	4484824.90
5	Office operating expenses	6008733.94	3212082.7
6	Depreciation fund	936217.90	680038.64

7	Risk bearing fund	3332144.44	1327447.88
<b>Total expenses</b>		<b>30803056.62</b>	<b>21409875.50</b>
8	Profit before bonus	8305445.69	6923340.36
9	Provision for bonus	755040.52	629394.57
10	Profit before provision for income tax	7550405.17	6293945.79
11	Provision for income tax	1510081.03	1258789.16
12	Additional tax	113256.08	94409.19
13	Profit distribution after tax	5927068.06	4940747.44
<b>Profit Distribution</b>			
14	General reserve fund	1481767.02	1235186.86
15	Proposed dividend	2546190	2255340
16	Employee provident fund	355624.08	29644.85
17	Co-operative education fund	118541.36	98814.95
18	Reserve capital fund	118541.36	98814.95
19	Compensation fund	118541.36	98814.95
20	Share dividend fund	1007601.57	839927.06
21	Transfer in Balance Sheet	180261.31	17403.82

## Calculation of Growth Ration Deposit

### Annex-8

**Growth rate = yearly deposit / cumulative deposit of previous year**

**For year 2062/063**

Growth rate = 211304179.31 / 178886251

= 1.18%

**For year 2063/064**

Growth rate = 281357770.86 / 390190530.30

= 0.72

**For year 2064/065**

Growth rate = 400014722.66 / 671548301.1

=0.60%

**For year 2065/066**

Growth rate = 511438489.39 / 1071563024

= 0.48%

**Annex-9****Cash flow Pattern of Navajeevan Co-operatives Limited**

<b>Cash inflow</b>	<b>2061/062</b>	<b>2062/063</b>	<b>2063/064</b>	<b>2064/065</b>	<b>2065/066</b>
	Rs.	Rs.	Rs.	Rs.	Rs.
Beginning cash balance	1815662.92	1796967.32	1294767.00	4767875.42	6477576.27
Beginning Bank Balance	78744199.83	96274917.46	97138351.81	91173532.95	116585427.69
Increase share capital	817000	1050000	1939000	3011000	86181.00
Decreasing investment	5000	0000	0000	0000	0000
Return of loan advance	0000	0000	0000	0000	0000
Loan taken	0000	0000	0000	0000	000
Increasing deposit	32587356.46	32417828.31	70053591.55	118656951.80	111423766.73
Operating profit	8147097.10	4791004.42	3905641.69	4420775.51	5856842.26
Decreasing working capital	0000	0000	9674133.83	8720914.13	16564772.93
Sales of asset	0000	0000	0000	0000	0000
<b>Total Cash</b>	<b>122116316.31</b>	<b>136330717.51</b>	<b>184006085.90</b>	<b>230751049.81</b>	<b>265526485.8</b>

<b>Inflow (A)</b>					
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**Cash flow patterns of Navajeevan Co-operatives**

<b>Cash outflow</b>					
Additional fixes assets	151935	7115138.73	965898.06	3323958.39	2184115.55
Pay income tax in previous year	239660.27	0000	36043.37	1300102.87	2054434.89
Dividend paid	628430	1185174	559424	673553	906723
Increasing investment	0000	0000	0000	0000	0000
Loan paid	11534196.22	23730265.69	889687.66	83624.18	3717267.65
Loan in advance	0000	0000	0000	0000	0000
Operating loss	0000	0000	0000	0000	0000
Decreasing deposit	0000	0000	0000	0000	0000



Increasing working capital	11490210.04	5867020.28	0000	0000	0000
<b>Total Cash outflow (B)</b>	<b>24044431.53</b>	<b>37897598.7</b>	<b>2451053.09</b>	<b>5381238.44</b>	<b>8862541.09</b>
<b>(A – B)</b>	<b>98071884.77</b>	<b>98433118.8</b>	<b>181555032.8</b>	<b>225369811.4</b>	<b>226663944.7</b>
<b>Closing Cash Balance</b>	<b>1796967.32</b>	<b>1294767</b>	<b>4767875.42</b>	<b>6477576.27</b>	<b>10363870.34</b>
<b>Bank Balance</b>	<b>96274917.46</b>	<b>97138351.81</b>	<b>91173532.95</b>	<b>116585427.69</b>	<b>134508687.06</b>

*Source: Annual report of NC*



## Resume

### **Personal Detail**

Name : Rekha Pandey (Pant)  
Father's name : Lal Mani Pandey  
Date of birth : 2040-11-10  
Religion : Hindu  
Nationality : Nepali  
Marital status : Married  
Address : Salt-trading, Dhangadhi, Kailali  
Phone no. : Resident- 091521674  
Mobile no. : 9848423256

### **Educational Background:**

<b>Degree</b>	<b>Board</b>	<b>Completion Date (B.S.)</b>	<b>Specialization</b>
Masters of Business Administration (M.B.S.)	T.U, Nepal	Running	Finance
Bachelor of Business Administration (B.B.S.)	T.U, Nepal	2063	Marketing
Intermediate of Science (I.Com.)	T.U, Nepal	2058	Account
School Leaving Certificate (S.L.C.)	S.L.C Borad of Nepal	2055	Science, agriculture, Economic, History

### **Reference:**

1. Dr. Hem Raj Pant  
Kailali Multiple Campus

Dhangadhi, Kailali

Phone: 091-521122

2. Dr. Padam Raj Joshi  
Kailali Multiple Campus

Dhangadhi, Kailali

Phone: 091-523428

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