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Pearls Analysis of Saving and Credit Cooperatives of Jhapa

(A Comparative Study of Adhunik, Hamro Nepal, and Karnali Saving and Credit Cooperatives Ltd.)

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[1]A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Master's Degree

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "Pearls Analysis of Saving and Credit Cooperatives of Jhapa". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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RECOMMENDATION

This is to certify that the dissertation

Submitted by

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Report of Research Committee

Ms. Gyani Mahato has defended research proposal entitled "Pearls Analysis of Saving and Credit Cooperatives of Jhapa" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Ghan Shyam Dhakal and submit the thesis for evaluation and viva voce examination.

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To all those who have contributed in ways both large and small, I express my deepest appreciation.

Thank you.

Gyani Mahato

Signature:

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ii Abstract This study focuses on the PEARLS analysis of Saving and Credit Cooperatives (SACCOs) in the Jhapa district of Nepal. PEARLS, a financial performance monitoring system developed by the World Council of Credit Unions, serves as a comprehensive tool for evaluating the financial health and operational effectiveness of SACCOs. The study aims to assess the financial strength, liquidity, asset quality, and overall profitability of selected cooperatives in Jhapa using the PEARLS framework. By analyzing key indicators such as Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, and Signs of Growth, this research identifies both the strengths and weaknesses of SACCOs, offering actionable recommendations for improving their financial management and sustainability. The findings of this study contribute to a better understanding of the financial performance of SACCOs and highlight their critical role in promoting financial inclusion and socio- economic development in rural areas. Key Words: PEARLS analysis, Saving and Credit Cooperatives, SACCOs, financial performance, liquidity, asset quality, Jhapa, financial management, sustainability, Nepal iii Chapter - I: Introduction 1.1. Background of the Study Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity, and Signs of growth (PEARLS) framework is an overall financial performance assessment instrument that has been co-created by the World Council of Credit Unions (WOCCU) and is intended to be used in SACCOs. This model assesses the firm's capacity to look after and conserve its capital, attain and sustain a good financial structure, obtain quality assets and guarantee the maximization of returns on investments, manage its stocks, and address the needs of its members. Through the evaluation of such dimensions, SACCOs can measure their absolute performance level, rate their operations' strengths and weaknesses, and ultimately come up with ways of improving performance with the use of PEARLS. The PEARLS framework is a specialized financial performance monitoring system developed to meet the unique needs of Savings and Credit Cooperatives (SACCOs) Wamukota (2022). This system is designed to provide a comprehensive evaluation of SACCOs' financial stability and operational efficiency, playing a critical role in ensuring their sustainability and growth. The primary objective of PEARLS is to offer a detailed analysis that identifies both the strengths and areas needing improvement within a SACCOs, thus supporting the cooperative's long-term viability Gebrehiwet (2022). The concept of cooperatives has deep historical roots, with the term "cooperative" originating from the Latin words "co-operari," meaning to work together for mutual benefit. Cooperation is a form of business organization primarily focused on serving its members rather than maximizing profits Wikipedia contributors. According to the International Co-operative Alliance (ICA), a cooperative is defined as an "autonomous association of persons who have united voluntarily for the achievement of their economic, social, and cultural needs and objectives through jointly owned and democratically controlled enterprises". Cooperatives are built on principles of self-help, self-responsibility, democracy, equality, equity, and solidarity, alongside business ethics of honesty and openness. These principles form the foundation of cooperative organizations and guide their operations, ensuring that they serve the best interests of their members and the community at large. In Nepal, the cooperative movement has a rich history that dates back to traditional practices such as Dhukuti (Savings and Credit Associations), Parma and

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SELF-DECLARATION

To,
The Chairperson,
Mangement Research Committee
Mechi Multiple Campus

Subject: Self-declaration

Date: November 25, 2024

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I hereby affirm that there exists no disparity in the substance of the physical print and digital version of the document specified below, which has been submitted to this establishment for the purpose of undergoing a plagiarism examination. If any dissimilarity is discovered between the physical print and digital version, I am prepared to accept any consequences as per the established regulations.

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ABBREVIATIONS

%	Percentage
AD	Anno Domini
Amt	Amount
BCC	Bakhan Credit Cooperative
CEO	Chief Executive Officer
ICA	International Co-operative Alliance
NCDB	Nepal Cooperative Development Board
NCFN	Nepal Cooperative Federation
NIM	Net Interest Margin
NPL	Non-Performing Loan
NPM	Net Profit Margin
NPR	Neplease
SACCO	Saving and Credit Co-operative
SACOS	Saving and Credit Co-operative
SACCOs	Saving and Credit Co-operative
WOCCU	World Council of Credit Unions
PI	Price Influence
PL	Purchase Location
ROA	Return on Assets
ROE	Return on Equity
RFB	Reason for Favorite Brand
Rs.	Rupees
SPSS	Statistical Package for Social Science
SV	Satisfaction with Variety
TI	Taste Importance
TR	Taste Rating
WPQ	Willingness to Pay More for Quality

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ABSTRACT

This study focuses on the PEARLS analysis of Saving and Credit Cooperatives (SACCOs) in the Jhapa district of Nepal. PEARLS, a financial performance monitoring system developed by the World Council of Credit Unions, serves as a comprehensive tool for evaluating the financial health and operational effectiveness of SACCOs. The study aims to assess the financial strength, liquidity, asset quality, and overall profitability of selected cooperatives in Jhapa using the PEARLS framework. By analyzing key indicators such as Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, and Signs of Growth, this research identifies both the strengths and weaknesses of SACCOs, offering actionable recommendations for improving their financial management and sustainability. The findings of this study contribute to a better understanding of the financial performance of SACCOs and highlight their critical role in promoting financial inclusion and socio-economic development in rural areas.

Keywords: *PEARLS Analysis, Saving and Credit Cooperatives, Saccos, Financial Performance, Liquidity, Asset Quality, Jhapa, Financial Management, Sustainability, Nepal.*

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CHAPTER ONE
INTRODUCTION

A. Background of the Study

Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity, and Signs of growth (PEARLS) framework is an overall financial performance assessment instrument that has been co-created by the World Council of Credit Unions (WOCCU) and is intended to be used in SACCOs. This model assesses the firm's capacity to look after and conserve its capital, attain and sustain a good financial structure, obtain quality assets and guarantee the maximization of returns on investments, manage its stocks, and address the needs of its members. Through the evaluation of such dimensions, SACCOs can measure their absolute performance level, rate their operations' strengths and weaknesses, and ultimately come up with ways of improving performance with the use of PEARLS.

The PEARLS framework is a specialized financial performance monitoring system developed to meet the unique needs of Savings and Credit Cooperatives (SACCOs) Wamukota (2022). This system is designed to provide a comprehensive evaluation of SACCOs' financial stability and operational efficiency, playing a critical role in ensuring their sustainability and growth. The primary objective of PEARLS is to offer a detailed analysis that identifies both the strengths and areas needing improvement within a SACCOs, thus supporting the cooperative's long-term viability Gebrehiwet (2022).

The concept of cooperatives has deep historical roots, with the term "cooperative" originating from the Latin words "co-operari," meaning to work together for mutual benefit. Cooperation is a form of business organization primarily focused on serving its members rather than maximizing profits Wikipedia contributors. According to the International Co-operative Alliance (ICA), a cooperative is defined as an "autonomous association of persons who have united voluntarily for the achievement of their economic, social, and cultural needs and objectives through jointly owned and democratically controlled enterprises". Cooperatives are built on principles of self-help, self-responsibility, democracy, equality, equity, and solidarity, alongside business ethics of honesty and openness. These principles form the foundation of cooperative organizations and guide their operations, ensuring that they serve the best interests of their members and the community at large.

In Nepal, the cooperative movement has a rich history that dates back to traditional practices such as Dhukuti (Savings and Credit Associations), Parma and Dharma Bhakari (grain and labor-saving associations), and Guthi (socio-cultural associations). These early forms of cooperative practices were deeply ingrained in Nepalese society and played a significant role in fostering community solidarity and economic cooperation. Even today, similar cooperative systems are in service in the rural regions of Nepal, supported by government initiatives. The modern cooperative movement in Nepal began with the establishment of the Department of Cooperatives (DOC) in 1953, following the end of the Rana oligarchy in 1951. This period marked a significant shift towards socio-economic development through cooperative initiatives, with early efforts such as the Bakhan Credit Cooperative (BCC), founded in 1954, focusing on flood relief and resettlement. The BCC was aligned with Nepal's First Five-Year Plan (1956–1961), which emphasized agricultural multipurpose cooperatives as a means of promoting economic development in rural areas Department of Cooperative (1962).

In the late 1960s and early 1970s, reforms were introduced to improve the efficiency of cooperatives in Nepal. This period saw the launch of the 'Sajha' Programme (1975–1988), which aimed to restructure cooperatives and village committees. However, the program faced challenges such as mandatory farmer savings and political influences, which hindered its effectiveness. Despite these challenges, the cooperative movement continued to evolve, and the 1990s marked a resurgence in cooperative activities. The establishment of the Nepal Cooperative Development Board (NCDB) in 1991 and the Nepal Cooperative Federation (NCFN) in 1993 were pivotal in fostering growth across various sectors, including savings, credit, dairy, and agro-based cooperatives. These developments were further bolstered by Nepal's participation in International Cooperative Day from 1997 onwards, highlighting the country's engagement with the global cooperative movement Department of Cooperative (1962).

From the year 2000 onward, cooperatives in Nepal expanded their roles in service delivery, market promotion, and infrastructure development. This expansion was supported by various initiatives such as the National Cooperative Award (2000) and 'Sahakari Sandesh'- 2001, which recognized and promoted the contributions of cooperatives to the national economy. The establishment of the Ministry for Cooperatives and Poverty Alleviation in 2012 and legislative advancements like the Cooperatives Act (2017) further strengthened Nepal's cooperative framework, aligning it with the country's federal structure and promoting greater transparency and accountability within the sector NEFSCUN (2017).

As of February 2024, the number of cooperative institutions in Nepal had grown to 31,450, with over 7.3 million individuals holding shares in these institutions. The sector has seen substantial financial growth, with NPR 94.72 billion in share capital, NPR 478.11 billion in savings, and NPR 405.03 billion in loans distributed. Employment within the sector has also grown, with 94,002 individuals directly employed by February 2024. To enhance the reliability and transparency of operations and streamline management processes, the "Cooperative and Poverty Information Management System" (COPOMIS) was established. By February

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2024, 19,980 institutions had become part of this system, reflecting the sector's commitment to improving efficiency and accountability Ministry of Finance (2024).

In the broader context of Nepal's development, cooperatives play a crucial role in empowering local communities, particularly in rural areas where traditional financial institutions are often absent. Nepal, a landlocked country heavily dependent on agriculture, faces significant developmental challenges, especially in its financial sector, where deficiencies are notable. Establishing financial institutions in rural and mountainous regions is complicated due to limited job opportunities and infrastructure. However, cooperatives have emerged as vital instruments of economic empowerment, facilitating collective participation in credit funds and providing essential financial services in remote areas. Cooperatives not only offer financial support but also promote social cohesion and community engagement, contributing to the socio-economic development of rural regions Nepal (2017).

The district of Jhapa in southeastern Nepal serves as a notable example of the impact of the cooperative movement on local economies. Jhapa, known for its agricultural practices, multi-ethnic population, and gradual urbanization, has become home to a large number of cooperative organizations. These range from small, local-based credit unions to large SACCOs with significant memberships. According to (Sahakari Jhalak, 2079) there are 801 cooperatives in Jhapa District. These cooperatives have a total of 752,619 members and provide employment to 5,363 individuals. The financial details of these cooperatives include a share capital of NPR 8,597,848,127, savings totaling NPR 45,097,867,230, and funds amounting to NPR 4,997,826,958. Additionally, the loan investment stands at NPR 5,302,390,004.

➢ *Profile of the Sample Institutions*

- *Adhunik Saving & Credit Co-operative Limited*

Formed by 47 residents of Mechinagar Munacipality in the year B.S. 2068, Adhunik Cooperative envisions a future where individuals, communities, and nations come together in a unified effort of mutual respect and shared aspirations. This vision is rooted in the belief that true prosperity, sustainability, and peace can only be achieved through collective action and cooperation. In this ideal future, collaboration is not just a tool but the very foundation upon which societies build their success. By promoting inclusive dialogue and fostering innovative problem-solving, Adhunik Cooperative seeks to address global challenges head-on, ensuring that solutions are not only effective but also reflective of the diverse perspectives and needs of all people involved. This vision transcends geographical, cultural, and social boundaries, embodying a commitment to global solidarity and continuous improvement. It emphasizes the importance of diversity, recognizing that every voice matters and that the strength of a community lies in its ability to empower all its members. Through this approach, Adhunik Cooperative aims to create a world where cooperation is the norm, and where collective efforts lead to a brighter, more harmonious future for everyone. The cooperative sees this future as one where collaboration is synonymous with progress, and where the interconnectedness of communities drives positive change on both local and global scales.

In alignment with this vision, Adhunik Cooperative's mission is deeply focused on providing a comprehensive range of services and support to its members throughout every stage of their lives, from birth to death. This lifelong commitment is central to the cooperative's ethos, ensuring that members are not only supported in times of need but are also empowered to achieve their fullest potential. The cooperative is dedicated to fostering an environment where members feel valued and connected, offering tailored programs and assistance that address their specific needs and circumstances.

Adhunik Cooperative's mission is also about building a thriving and interconnected community. It aims to create a sense of belonging and shared purpose among its members, helping to strengthen the bonds that unite them. By providing services that are responsive to the evolving needs of its members, Adhunik Cooperative ensures that it remains relevant and effective in its role as a facilitator of community development and personal empowerment. This mission reflects a deep commitment to the well-being of its members, emphasizing the importance of lifelong support and the belief that everyone deserves the opportunity to live a fulfilling and prosperous life.

- *Hamro Saving & Credit Co-operative Pvt. Ltd*

Established on 14th Shrawan 2069 BS (29 July 2012), this organization has rapidly grown into a significant financial cooperative in Nepal. Registered under the Division Cooperative Office with registration no. 652, it has expanded its programs and services beyond its initial base in the Jhapa district to include Ilam and Morang districts as well. With the approval to operate 30 service centers, the organization has achieved a remarkable turnover exceeding Rs 150 crore in just nine years. Employing over 200 staff members, it has consistently provided better service benefits to its employees than those mandated by the Government of Nepal. Adhering to the provisions of the Cooperatives Act and Rules, the cooperative has been committed to offering continuous and enhanced facilities to its shareholders. The organization is currently in the process of completing its second five-year development plan after successfully concluding the first five-year promotion stage. Starting from five VDCs during its development phase, it has now established itself as a state-level cooperative with a strong and expanding presence.

The organization's mission is rooted in fostering a capable and sustainable community-based financial cooperative. It aims to develop, utilize, and mobilize its policies, methods, and skilled manpower in alignment with cooperative values and principles. By

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leveraging modern technology, the cooperative strives to provide accessible and high-quality financial and non-financial services that can transform the living standards of its members. The organization's goals include the efficient use of local resources, supporting the commercialization of its members, establishing institutional good governance, and building a safe and financially robust institution. Its objectives focus on encouraging regular savings, fostering self-sufficiency among members, promoting investment in productive sectors, and demonstrating the significance of cooperatives in the community. Additionally, the organization values kindness towards members, ensuring their financial security, and upholding honesty, transparency, creativity, accountability, and punctuality in all its operations.

- *Karnali Saving & Credit Co-Operative Society*

Karnali Saving and Credit Co-operative has been functional in Jhapa, Morang, and Ilam Since 2057 BS (2000AD). The Karnali Saving & Credit Co-Operative Society is a financial institution dedicated to improving the economic well-being of its members, particularly in the Jhapa region of Nepal. Founded with a mission to provide accessible financial services to underserved communities, the cooperative plays a crucial role in fostering financial inclusion and supporting local development. Karnali Saving & Credit Co-Operative offers a range of services, including savings accounts, credit facilities, and investment opportunities tailored to meet the diverse needs of its members. These services are designed to empower individuals, promote savings habits, and provide financial support for small businesses and agricultural activities.

The cooperative is guided by principles of transparency, member participation, and sustainability. It is committed to ensuring that its operations are conducted with integrity and that the benefits of its services are accessible to all members, regardless of their socio-economic background. Over the years, Karnali Saving & Credit Co-Operative Society has contributed significantly to the economic empowerment of its members and the broader community by enabling them to achieve financial stability and independence. Through its efforts, the cooperative continues to play a vital role in the socio-economic development of the Karnali region, helping to uplift the living standards of its members and promoting a culture of responsible financial management.

B. Problem Statement

The elements within the PEARLS analysis framework are crucial for evaluating the financial sustainability and operational efficiency of Savings and Credit Cooperatives (SACCOs). This framework encompasses key components such as protection, effective fund management, asset quality, rates of return and associated costs, liquidity, and indicators of growth. By thoroughly analyzing these aspects, PEARLS provides a comprehensive assessment that can guide necessary improvements and foster the development of these cooperatives.

Despite the strengths of the PEARLS framework, SACCOs often face significant challenges that hinder their effectiveness. One of the major issues is inadequate record-keeping and financial management practices. This lack of precision in managing financial records and funds can obscure the true financial position of the cooperative and weaken member trust. Transparency is another area of concern, as some SACCOs struggle with maintaining open and honest communication about their financial dealings, which can undermine confidence among members and stakeholders. These issues are further compounded by a shortage of qualified personnel, unclear policies, and limited resources, which collectively impede the organization's ability to operate efficiently and effectively. Additionally, the ability of members to borrow money is often constrained by high interest rates and a lack of sufficient collateral, making it difficult for them to access the financial support they need.

To address these challenges and better understand the dynamics at play within SACCOs, this research will focus on three key questions:

- How does share capital influence the net profit of SACCOs?
- What is the impact of investment activities on the net profit of SACCOs?
- How do total assets affect the net profit of SACCOs?

This comparative analysis will provide insights into how these cooperatives operate under similar regulatory frameworks but with potentially different financial outcomes, offering a foundation for improving the financial and operational sustainability of SACCOs in Jhapa

C. Objectives of the Study

The primary aim of this study is to thoroughly explore and enhance the financial dynamics and overall operational effectiveness of Savings and Credit Cooperatives (SACCOs) within the Jhapa district of Nepal, a region where cooperatives play a pivotal role in community development and economic empowerment. These cooperatives are vital in providing financial services to underserved populations, promoting savings, and offering credit facilities to their members, which in turn supports local economic growth and improves the socio-economic conditions of the community. By leveraging the PEARLS analysis framework, this study seeks to conduct an exhaustive assessment of the financial health, operational efficiency, and strategic direction of these SACCOs. The PEARLS framework, which encompasses Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, and Signs of Growth, offers a comprehensive tool for evaluating and enhancing the financial sustainability of cooperatives. Through this analysis, the study aims to identify key areas of strength and vulnerability within these cooperatives,

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providing insights into how they can optimize their financial performance, better serve their members, and contribute to the broader goal of poverty alleviation and community development. Ultimately, the findings of this study will not only help in diagnosing current challenges but also in formulating actionable strategies to ensure the long-term sustainability, growth, and success of SACCOs in Jhapa, thereby reinforcing their role as critical financial institutions in the region.

➢ The Specific Objectives of this study are as follows:

- To analyze the impact of share capital on the net profit of SACCOs.
- To evaluate the effect of investment activities on the net profit of SACCOs.
- To examine the relationship between total assets and net profit in SACCOs.

D. Rationale of the Study

The rationale behind this study is deeply rooted in the fundamental role that Savings and Credit Cooperatives (SACCOs) play in promoting economic empowerment and driving community development, especially in regions like Jhapa district of Nepal. SACCOs are instrumental in providing essential financial services to populations that are often underserved by traditional banking institutions. They offer critical savings and credit facilities that support local economic growth and contribute to improving the socio-economic conditions of their members. These services are crucial for enabling individuals and small businesses to access capital, manage financial risks, and engage in income-generating activities.

However, to ensure that SACCOs can continue to deliver these vital services effectively, it is imperative to assess and enhance their financial performance and operational efficiency. The PEARLS analysis framework, which encompasses key financial indicators such as Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, and Signs of Growth, provides a comprehensive tool for evaluating these aspects. By applying the PEARLS framework, this study aims to identify both the strengths and weaknesses of SACCOs. This in-depth analysis is crucial for understanding the current state of these cooperatives, pinpointing areas for improvement, and developing strategies that will contribute to their long-term sustainability and effectiveness (Richardson, 2002). Despite the recognized importance of SACCOs in community development, they encounter several significant challenges that can hinder their effectiveness. Issues such as inadequate record-keeping, poor financial management, and a lack of transparency often obscure the true financial position of these cooperatives and undermine the trust of their members. Additionally, the scarcity of qualified personnel, combined with resource constraints and policy gaps, further complicates the operational efficiency of SACCOs. Addressing these challenges is essential for enhancing the financial health and operational capabilities of these institutions. This study aims to explore these challenges in depth, particularly focusing on how they impact financial performance, and to offer insights that can guide strategic improvements and better practices (Henry & Schimmel, 2011).

Moreover, this study is significant as it seeks to bridge the gaps identified in the existing literature concerning the financial sustainability of SACCOs in Nepal, especially within the framework of PEARLS. While previous research has underscored the need for more detailed financial analyses of cooperatives, there remains a need for focused studies that apply structured analytical frameworks like PEARLS. By concentrating on SACCOs in the Jhapa district and employing this comprehensive analysis framework, the study aims to contribute valuable knowledge that can inform policy formulation and strategic planning. The findings are expected to provide actionable recommendations that can help SACCOs enhance their financial performance, improve operational efficiencies, and ultimately serve their members more effectively. This, in turn, will reinforce the role of SACCOs as essential financial institutions within the region and support their mission of fostering economic development and empowerment (Branch & Baker, 2000).

E. Limitations of the Study

➢ The limitations of the study are as follows: -

- The study is focused solely on SACCOs in the Jhapa district of Nepal, which may limit the generalizability of the findings to other regions or countries.
- The study may primarily rely on secondary data sources, such as financial statements and reports provided by the SACCOs. This reliance could result in potential biases or inaccuracies if the data is not up-to-date, incomplete, or subject to errors in reporting.
- The study's design might be cross-sectional, analyzing data from a specific point in time. This could limit the ability to capture long-term trends or the dynamic nature of financial performance and operational efficiency in SACCOs. The findings might not fully reflect changes in financial conditions over time.
- The study might face challenges in accessing detailed internal information from SACCOs, such as proprietary financial data or confidential records.
- The study could encounter challenges in accurately measuring some of the key variables, such as asset quality or the effectiveness of risk management practices. Differences in the interpretation of these variables, or the use of proxies that do not fully capture the constructs, might affect the validity of the results.

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CHAPTER TWO
LITERATURE REVIEW

In this chapter, we carry out a thorough review of literature pertinent to the PEARLS analysis of Savings and Credit Cooperatives in Jhapa. Considerable efforts have been made to gather information and data from various sources, such as libraries, document repositories, information management agencies, and relevant cooperatives. The goal of this chapter is to provide meaningful insights and broaden the knowledge base, thereby enhancing the foundation for this study. The key areas addressed in this chapter include:

A. Theoretical Review

A theoretical review for the PEARLS analysis of Saving and Credit Cooperatives (SACCOs) in Jhapa involves examining the conceptual underpinnings that guide the assessment of these cooperatives' financial performance and sustainability. The review draws on various theories such as Agency Theory, which highlights the importance of governance and alignment of management with member interests (Jensen & Meckling, 1976). Social Capital Theory emphasizes the role of trust and cooperation within the cooperative (Putnam, 1993). Financial Intermediation Theory explains the SACCOs' role in efficiently mobilizing and allocating financial resources (Diamond, 1984). Additionally, the Resource-Based View (RBV) Theory underlines the importance of effectively managing internal resources for competitive advantage (Barney, 1991), while Cooperative Theory provides a foundational understanding of SACCOs' unique member-centric structure (Birchall, 2011). Finally, Stakeholder Theory reinforces the need to consider the interests of all stakeholders in decision-making processes (Freeman, 1984). Together, these theories form the basis for applying the PEARLS framework, which systematically evaluates SACCOs on protection, financial structure, asset quality, returns, liquidity, and growth, ensuring their stability and effectiveness in serving their members (Richardson, 2009).

➢ *Cooperative Theory*

Cooperative Theory focuses on the principles, structures, and functioning of cooperatives as unique business entities, emphasizing member ownership, democratic control, and the equitable distribution of benefits (Birchall, 2011). It is rooted in the idea that cooperatives operate for the mutual benefit of their members, rather than for profit maximization (Hansmann, 1996). This theory highlights the importance of member participation in decision-making processes, ensuring that the cooperative's operations align with the members' collective interests (ICA, 1995). Cooperative Theory also stresses the role of cooperatives in promoting social and economic inclusion, as they are often formed to address specific community needs (Birchall, 2004). The cooperative model is built on principles such as voluntary and open membership, democratic member control, and concern for community, which distinguish it from other business models (ICA, 1995). This theory provides the foundation for understanding how cooperatives function as both economic enterprises and social organizations, balancing financial sustainability with social objectives (Zeuli & Cropp, 2004).

➢ *Agency Theory*

Agency theory explores the relationship between principals (members of the cooperative) and agents (the cooperative's management), focusing on potential conflicts of interest that may arise when the management does not prioritize the members' best interests (Jensen & Meckling, 1976). In the context of SACCOs, this theory is particularly pertinent because it highlights the necessity for robust governance structures, transparency, and accountability mechanisms to ensure that the management's actions align with the collective goals and expectations of the members (Fama & Jensen, 1983). The principles of agency theory are foundational in understanding the significance of the "Protection" and "Effective Financial Structure" components of the PEARLS framework, as these elements are crucial in safeguarding member interests and ensuring financial stability (Shleifer & Vishny, 1997).

➢ *Social Capital Theory*

Social capital theory emphasizes the importance of networks, relationships, and social norms in facilitating collective action and cooperation within communities (Putnam, 1993). For SACCOs, social capital is a critical asset as these organizations rely heavily on the trust, cooperation, and mutual support of their members to function effectively (Coleman, 1988). High levels of social capital can enhance member participation, improve loan repayment rates, and contribute to overall financial stability within the cooperative (Fukuyama, 1995). This theory is closely linked to the "Signs of Growth" and "Asset Quality" components of the PEARLS framework, as it underscores the role of trust and social cohesion in fostering the success and sustainability of SACCOs (Bourdieu, 1986).

➢ *Financial Intermediation Theory*

Financial intermediation theory explains the role of financial institutions like SACCOs in bridging the gap between savers and borrowers by efficiently mobilizing and allocating financial resources (Diamond, 1984). SACCOs act as intermediaries by pooling savings from their members and providing loans to those in need of credit, thereby facilitating economic activity and financial inclusion within their communities (Levine, 1997). This theory highlights the importance of effective financial management and risk mitigation to ensure that SACCOs can maintain profitability and liquidity while fulfilling their intermediary role (Allen & Santomero, 1998). The theory is particularly relevant to the "Rates of Return and Costs" and "Liquidity" components of the PEARLS

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framework, which focus on the cooperative's ability to manage costs, generate returns, and maintain sufficient liquidity to meet members' demands (Freixas & Rochet, 2008).

B. Conceptual Review

When examining the topic "PEARLS Analysis of Saving and Credit Cooperatives," various crucial concepts can be explored to gain a deeper understanding of the financial and operational performance of these cooperatives. The PEARLS framework, a widely recognized financial performance monitoring tool, serves as the foundation for analyzing the stability and efficiency of Savings and Credit Cooperatives (SACCOs). Developed by the World Council of Credit Unions (WOCCU), this comprehensive system evaluates multiple dimensions of a cooperative's performance, making it a vital tool in the financial sector (Richardson, 2009). Below is an expanded and detailed discussion of the key concepts within this framework:

➢ *PEARLS Framework Overview:*

The PEARLS framework is an acronym representing six critical areas of focus: Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, and Signs of Growth. This framework was specifically designed to provide a clear, systematic approach to assessing the financial health and operational strength of SACCOs. Each component plays a significant role in ensuring that the cooperative operates sustainably and effectively, thereby safeguarding the interests of its members (Richardson, 2009).

- *Protection (P):*

Protection is the first pillar of the PEARLS framework and is crucial for safeguarding the cooperative's assets, particularly the savings of its members. This concept emphasizes the importance of maintaining adequate provisions to cover potential loan losses, thereby protecting the financial interests of the cooperative's members. Ensuring sufficient protection against losses is vital for maintaining trust and stability within the cooperative (Richardson, 2009).

- *Effective Financial Structure (E):*

The Effective Financial Structure component focuses on the balance between a cooperative's assets, liabilities, and equity. Maintaining a well-balanced financial structure is essential for long-term sustainability. This involves careful analysis of how assets are financed, ensuring that liabilities do not outweigh assets, and that the cooperative has a strong equity base to support its operations. A sound financial structure is a key indicator of a SACCOs's financial health (Branch & Baker, 1998).

- *Asset Quality (A):*

Asset Quality is a critical concept that examines the risk associated with the SACCOs's loan portfolio. It assesses the proportion of non-performing loans (NPLs) and the overall credit risk management within the cooperative. High asset quality indicates that the cooperative's loans are being repaid on time and that the risk of default is low. This, in turn, contributes to the financial stability of the cooperative (Richardson, 2009).

- *Rates of Return and Costs (R):*

This component of the PEARLS framework evaluates the profitability of the SACCOs by analyzing the rates of return on various financial activities. It includes the return on assets, loans, and investments, as well as the costs associated with funding, operations, and credit. A SACCOs's ability to generate positive returns while keeping costs under control is crucial for its financial viability and for providing value to its members Branch & Baker (1998).

- *Liquidity (L):*

Liquidity is a fundamental aspect of financial management within SACCOs, ensuring that they have enough liquid assets to meet short-term obligations, such as member withdrawals and other liabilities. Effective liquidity management is critical to maintaining member confidence and operational stability. The liquidity ratio within the PEARLS framework measures the availability of liquid assets relative to short-term liabilities, providing a clear indication of the cooperative's ability to meet its immediate financial commitments (Richardson, 2009).

- *Signs of Growth (S):*

Signs of Growth refer to the expansion and development of the SACCOs over time. This concept examines key growth indicators, such as increases in membership, savings deposits, loan portfolios, and institutional capital. Growth is a positive sign of the cooperative's ability to attract new members, increase its financial resources, and enhance its overall market presence. Sustained growth is essential for the long-term success and relevance of a SACCOs (Richardson, 2009).

- *Comparative Analysis:*

In applying the PEARLS framework, it is often beneficial to conduct a comparative analysis across different SACCOs. This approach allows for benchmarking performance, identifying best practices, and recognizing areas for improvement. By comparing key metrics across multiple cooperatives, management can gain insights into what strategies are working well and what can be adapted to enhance their own operations Kyazze, Nkote, & Wakaisuka-Isingoma (2017).

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- *Regulatory Compliance:*

Ensuring compliance with national and international regulations is crucial for the sustainability and legality of SACCOs. Regulatory compliance impacts various aspects of the PEARLS framework, particularly in protection, asset quality, and liquidity. Compliance ensures that SACCOs operate within the legal frameworks established by governing bodies, which is essential for maintaining trust and avoiding legal or financial penalties Cuevas & Fischer (2006).

- *Member Participation:*

The participation of members is a cornerstone of cooperative success. In the context of the PEARLS framework, member participation is reflected in the governance and decision-making processes, as well as in the overall growth and stability of the SACCOs. Active engagement from members not only contributes to the cooperative's growth but also ensures that the interests of the members are represented and protected Cuevas & Fischer (2006).

By delving into these concepts, one can gain a comprehensive understanding of the PEARLS framework and its application to the analysis of Savings and Credit Cooperatives. Each concept plays a vital role in ensuring the financial health and sustainability of SACCOs, making the PEARLS framework an invaluable tool in the cooperative sector.

C. Empirical Literature Review

An empirical literature review systematically examines and synthesizes existing research studies based on data-driven evidence to identify patterns, trends, and gaps. It provides a critical overview of what is known in a specific field through empirical findings.

➢ *Review of Nepalese Studies*

The PEARLS analysis of Savings and Credit Cooperatives (SACCOs), detailing the sample, objectives, findings, and methodology in the context of Nepal are as follows:

Sharma (2005) conducted an impact assessment of SACCOs in Nepal's hill districts. Their study highlighted the positive role SACCOs have played in enhancing access to credit and improving livelihoods in rural areas. However, they also noted the challenges posed by inadequate record-keeping and financial management. These challenges often led to difficulties in ensuring the sustainability of SACCOs, particularly in remote and underserved regions..

Paudel (2024) studied the identification of significant relationships between financial performance indicators—such as return on assets (ROA), net profit margin (NPM), net interest margin (NIM), and return on equity (ROE) and key factors like leverage and liquidity within cooperative societies. The study emphasizes the critical importance of managing leverage and liquidity to enhance cooperative profitability. By utilizing both primary and secondary data, along with financial ratio and regression analysis, the research provides insights into effective strategies for optimizing financial management in cooperatives.

Khanal (2016) focused on examining the influence of the PEARLS analysis framework on risk management practices within Nepalese SACCOs. The study covered a sample of 126 cooperatives of Kathmandu, representing both rural and urban areas to capture a diverse range of practices and challenges. Khanal employed a case study approach that combined financial data analysis with qualitative interviews of SACCOs managers to assess the impact of PEARLS on their risk management strategies. The objectives were to understand how PEARLS affected the assessment of financial risks and the implementation of risk management practices. The study found that the PEARLS framework significantly improved risk management practices by providing clearer insights into financial risks and promoting more effective credit risk management. This improvement contributed to more stable and reliable SACCOs operations.

Baral (2006), "Financial Health Check-up of Pokhara Royal Co-operative Society Limited in the Framework of PEARLS", offers a critical evaluation of PRCSL's financial health using the PEARLS framework. The findings reveal that PRCSL has not managed to generate adequate earnings to provide returns on member share capital or to build necessary institutional capital, resulting in a weak financial position. This study is particularly relevant for your review as it provides a valuable benchmark for assessing the financial health of savings and credit cooperatives in Jhapa. It underscores the importance of sufficient earnings and robust institutional capital, offering practical insights into the application of the PEARLS model within the Nepalese cooperative context..

Simkhada (2017) explored the challenges and opportunities associated with applying the PEARLS framework among cooperatives of Nepal. The study involved a sample of random 210 cooperatives, chosen to represent various operational contexts and challenges. Using a mixed-methods approach, the research combined surveys with cooperatives members and managers and analyzed financial data to identify obstacles and opportunities in implementing PEARLS. The study aimed to uncover the practical challenges faced by cooperatives, such as limited financial literacy and inadequate data reporting, and to identify opportunities for improving PEARLS implementation. The findings highlighted significant challenges but also pointed to potential improvements through targeted training and technology adoption. This study emphasized the need for supportive measures to enhance the effectiveness of PEARLS in the Nepalese context.

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Rimal (2020) explored the impact of the PEARLS framework on the financial performance of ACCESS branded SACCOs in the of Nepal. The study involved a sample of 20 SACCOs, representing both emerging and established institutions. Rimal utilized both quantitative and qualitative methods, including financial ratio analysis and in-depth interviews with SACCOs managers, to assess the effectiveness of the PEARLS framework in improving financial performance. Their study found that the implementation of PEARLS led to significant improvements in asset quality and financial structure. However, challenges in liquidity management and rate of return were noted. The study recommended enhanced training for SACCOs managers and improved financial monitoring practices to address these challenges.

In Nepal, the role of total assets in determining the financial health of SACCOs has been the focus of various studies. (Goutam, 2011) conducted a study analyzing the impact of total assets on the financial performance of SACCOs in the Eastern Development Region of Nepal. They found a positive correlation between asset size and profitability, where cooperatives with larger asset bases could offer more credit facilities, which in turn improved their financial returns. Their research highlighted

Bhusal (2023) examined the role of the PEARLS indicators in improving member satisfaction and service quality within SACCOs in Butwal. The research involved a sample of 38 SACCOs across different Sub- Metropolitan city, focusing on how the PEARLS metrics influenced member experiences and perceptions. The study used survey data from SACCOs managers or CEO or chairman metrics to evaluate the impact of the framework on service quality and member satisfaction. The results indicated that the PEARLS framework had a positive impact on member satisfaction by enhancing service quality and transparency. The study highlighted the importance of integrating member feedback into SACCOs operations to further improve performance.

Risal (2020), in their study of cooperatives in Bagmati Province of Nepal, concluded that the size of share capital had a direct influence on the financial performance of cooperatives. Higher share capital provided a cushion against liquidity challenges, enabling SACCOs to maintain operational efficiency and ensure long-term profitability.

In his study on the financial performance of cooperative societies in Nepal, (Paudel G. P., 2024) focuses on key areas of liquidity, leverage, and risk management within cooperatives in Kathmandu. Employing a comprehensive methodology that includes descriptive, financial ratio, correlation, and regression analyses, the study provides a thorough examination of the sector. The sample, representing approximately 10% of total cooperatives, incorporates both primary and secondary data sources. Paudel's analysis covers organizational structure, loan investment procedures, and credit risk management, and reveals significant relationships between financial performance indicators such as return on assets, net profit margin, net interest margin, and return on equity. The findings underscore the critical role of managing leverage and liquidity to enhance cooperative profitability. This study offers valuable insights into effective strategies for optimizing financial performance, which can inform and complement research on similar cooperatives, such as the SACCOs in Jhapa, Nepal.

- *Review of International Studies*

Akuetteh (2019) conducted a study applying the PEARLS framework to analyze the performance of 23 selected credit union in Ghana. The research aimed to assess how well the PEARLS framework could be used to evaluate financial stability and operational efficiency in this regional context. The sample was selected to represent a range of microfinance institutions operating in diverse settings. The study utilized financial data analysis to evaluate the institutions' performance based on PEARLS metrics. The findings demonstrated that the PEARLS framework was effective in improving asset quality and liquidity among the institutions. The study highlighted the framework's adaptability and effectiveness in enhancing financial performance across different regional contexts.

The study on SACCOs in Gondar, Ethiopia, conducted by Zerfeshewa (2010), involved 120 members and 30 SACCOs officials, using World Council of Credit Unions (WOCCU) financial standard tools for analysis. It found that narrow collateral options, inadequate training, poor auditing, limited financial products, and lack of financial standards hinder SACCOs performance. However, better education, strong governance, and favorable legislation improve outcomes. The study recommends modernizing services, diversifying products, improving collateral systems, and adopting financial standards to enhance SACCOs and benefit both members and the local financial market.

This study by Janiczak-Serafico (2020) examines the impact of microfinance on empowering Filipino women in NCR and Central Luzon, using PEARLS analysis to evaluate financial performance. Data from 54 interviews with clients and administrators show microfinance boosts confidence, fosters independence, and improves household well-being. Christian religious teachings within microfinance institutions also contribute to empowerment by reducing financial information gaps and providing access to resources. The PEARLS analysis highlights institutional effectiveness in managing risks and sustaining growth, showing that "microfinance-plus" programs enhance women's socio-economic status and help overcome poverty.

Patel and Sharma (2024) investigated the impact of the PEARLS framework on the financial performance of 30 SACCOs in India. The study utilized statistical analysis of financial ratios and performance indicators to assess the impact of PEARLS. The objectives included exploring correlations between PEARLS metrics and improvements in financial performance. The results highlighted positive correlations between PEARLS metrics and enhancements in rates of return and asset quality, demonstrating the

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framework's effectiveness in improving SACCOs financial performance. This study provided evidence of the framework's success in enhancing financial performance within the Indian SACCOs sector.

Gatwa (2024) study, "The Implementation of Working Capital Management in Cooperatives: A Case Study of Cooperatives in the Municipality of La Trinidad, Benguet, Philippines," examines 66 cooperatives in La Trinidad using a 4-point Likert scale survey. The study reveals that these cooperatives effectively implement working capital management (WCM), as evidenced by their application of the PEARLS framework—covering Protection, Effective Financial Structure, Asset Management, Rates of Return, Liquidity, and Signs of Growth. This indicates a strong focus on managing short-term assets and liabilities, reflecting the cooperatives' commitment to proficient business management and timely financial obligations.

Illangakoon (2024) in the *South Asian Journal of Social Studies and Economics* explores risk management's impact on microfinance sustainability in Sri Lanka, using a sample of 376 female borrowers. The study finds a positive link between effective risk management and sustainability. This evaluation process further developed PEARLS by integrating risk management practices, highlighting their role in enhancing the financial health and resilience of microfinance institutions

Maina (2024), in their study titled *"Selected PEARLS Indicators for Enhancing Financial Performance of Deposit Taking Savings and Credit Co-Operative Societies in Kenya,"* explore the challenges facing DT-SACCOs in Kenya, particularly the deterioration of capital sufficiency, liquidity, and asset quality. To address these issues, the World Council of Credit Unions (WOCCU) has recommended the PEARLS framework to improve credit risk management. Despite substantial research on PEARLS and financial performance, gaps remain in the literature, particularly in terms of conceptual, contextual, and methodological issues. The study, targeting 176 DT-SACCOs in Kenya from 2018 to 2022, examines the impact of PEARLS indicators—protection, effective financial structures, asset quality, and liquidity—on financial performance. The results demonstrate that protection, effective financial structures, and asset quality have statistically significant positive effects on financial performance, while liquidity also exerts a positive influence.

Kabtimer (2014) investigated the outreach, sustainability, and growth of the Awash Rural Saving and Credit Cooperatives Union, which includes 78 primary SACCOs. The study, covering the period from 2007 to 2013, utilized secondary data from annual audit reports and the WOCCU PEARLS model to assess the performance of the union. Kabtimer found that the union faced significant sustainability challenges, including inconsistent growth, poor internal fund performance, low earnings, and high operational costs. The study recommends controlling operational costs, charging market-based interest rates, enhancing institutional capital, introducing new savings products, improving marketing strategies, and reducing reliance on external creditors to address these issues.

Maharudrappa (2023) studied examines the financial performance of District Central Co-Operative Banks (DCCBs) and Designated Co-Operative Societies in Karnataka, India, using the PEARLS framework. The research, covering the period from 2014–2015 to 2019–2020, includes a sample of 21 DCCBs and Designated Co-Operative Societies from a larger population. The study analyzes various financial indicators such as Share Capital, Own Fund, Deposits, Borrowings, Loans & Advances, Investments, Working Capital, Profit & Loss, Recovery, NPA, and Asset Quality. The findings indicate that these factors significantly impact financial performance, highlighting the role of the PEARLS framework in assessing financial health. The next phase of the research will investigate the reasons behind performance variations to understand the factors contributing to better or worse financial outcomes.

Gebrehiwet Y. G. (2023) from the Department of Leadership and Governance, Ethiopia Civil Service University, conducted a study on Saving and Credit Cooperatives (SACCOs) in Hawelti Sub-city, Ethiopia. Using a mixed-method approach, the study surveyed 214 respondents through questionnaires and interviews. The PEARLS model was applied to assess SACCOs' financial performance. The study found that SACCOs offered diverse saving and loan products, improving members' living standards, but faced challenges such as poor governance, weak financial monitoring, and inadequate professional staffing and training. Despite growth in savings and assets, SACCOs struggled with liquidity and loan portfolio issues. Recommendations include enhancing member awareness, hiring professionals, and implementing better financial monitoring systems.

D. Research Gap

Existing research on the PEARLS framework for Savings and Credit Cooperatives (SACCOs) in Nepal reveals several significant gaps. Studies like Sharma (2005) and Baral (2006) focus primarily on specific regions or individual SACCOs, which limits the generalizability of their findings to the broader SACCOs landscape in Nepal. Furthermore, these studies often overlook critical financial variables such as Share Capital, Investment, and Total Assets, which are essential for understanding their impact on Net Profit. There is a critical need for research that incorporates a diverse range of SACCOs across various regions to provide a comprehensive view of how these financial indicators influence Net Profit within the PEARLS framework.

Contemporary issues, including technological advancements and digital financial services, are often not addressed in existing studies like those by Simkhada (2017) and Rimal (2020). Research exploring how these modern factors impact the relationship between Share Capital, Investment, Total Assets, and Net Profit within the PEARLS framework is necessary. Additionally,

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methodological inconsistencies, as seen in Paudel (2024) and Khanal (2016), highlight the need for standardized approaches. Standardizing methodologies would enhance the comparability of findings and offer clearer insights into how financial variables like Share Capital, Investment, and Total Assets affect Net Profit across different SACCOs contexts.

Moreover, the absence of longitudinal studies limits understanding of the long-term effects of PEARLS implementation on Net Profit. Many studies focus on individual financial indicators without considering their combined effects on overall SACCOs performance. Future research should examine how Share Capital, Investment, and Total Assets influence Net Profit over time and how these relationships are impacted by member feedback and governance practices. Integrating global best practices and assessing the influence of national policies on these variables will provide a more nuanced understanding of SACCOs dynamics. Additionally, focused research on SACCOs in remote and underserved regions could reveal unique challenges and opportunities related to these financial indicators, contributing to a more comprehensive analysis of SACCOs performance.

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CHAPTER THREE
RESEARCH METHODOLOGY

The research methods section describes the systematic approach used to explore a research problem, explaining the rationale behind the selected methodologies for identifying, selecting, processing, and analyzing information. This section enables readers to evaluate the study's reliability and credibility critically. It thoroughly covers the details of data collection or generation and its analysis, including both current and historical data when relevant. Typically, this section includes six key components: first, a comprehensive explanation of the research framework; second, a discussion of the demographics and characteristics of the study's sample; and third, a clarification of the types and sources of data used in the research. By outlining these elements, the research methods section ensures transparency and rigor in the study's approach to the research problem (Chopra, 1995).

A. Research Design

This study focuses on evaluating the financial performance of Savings and Credit Cooperative Societies (SACCOs) in Nepal, which are financial institutions that initiate community-based lending and cooperative savings programs. The research employs a quantitative methodology, relying on secondary data collection methods. A critical examination of key financial indicators is conducted using the PEARLS framework, a comprehensive analytical tool designed to assess the financial health and sustainability of cooperative institutions. The study aims to provide an in-depth analysis of these indicators, including Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity, and Signs of growth, to gain a clearer understanding of the factors influencing the success and stability of SACCOs in Nepal. This approach not only highlights the financial strengths and weaknesses of these institutions but also offers insights into potential areas for improvement to ensure their long-term viability and contribution to the local economy.

B. Population and Sampling Procedure

The study will focus on a population comprising the 31,450 cooperative institutions operating across Nepal. From this extensive population, a carefully selected sample of three Savings and Credit Cooperative Societies (SACCOs) will be chosen through a purposeful selection process. This approach ensures that the selected SACCOs are representative of the diverse operational and financial dynamics within the sector. Specifically, the study will concentrate on three prominent SACCOs located in the Jhapa district: Adhunik Savings and Crediting Cooperative Society Limited, Hamro Nepal Savings and Credit Cooperative Society Limited, and Karnali Savings and Credit Cooperative Society Limited. These particular SACCOs have been chosen due to their significant role within the local community, their diverse member base, and their established track record in cooperative finance. By focusing on these institutions, the study aims to provide a detailed and insightful analysis of the financial performance and operational effectiveness of SACCOs within the broader context of Nepal's cooperative movement. The selection of these SACCOs is intended to highlight varying strategies and practices within the cooperative sector, offering valuable lessons and potential models for other cooperatives across the country.

C. Nature and Sources of Data Collection

This study will leverage the wealth of information available in the annual reports of cooperatives, which contain essential resources for conducting a PEARLS analysis—a comprehensive evaluation tool used to assess the financial health of cooperatives. By utilizing secondary data sources, such as the financial statements and annual reports of selected cooperatives, the study will gather detailed data on various critical financial aspects. These include protection costs, asset quality, operating expenses, revenue streams, liquidity levels, and growth rates. The collected data will undergo a systematic sorting process to ensure it is organized effectively for analysis. This process will involve meticulous data cleaning to correct any inconsistencies or inaccuracies, thereby enhancing the reliability and precision of the analysis. Through this approach, the study aims to provide a robust evaluation of the financial performance of cooperatives, offering insights that can inform best practices and strategic decisions within the sector. By integrating and analyzing this data, the research will contribute to a deeper understanding of the financial dynamics within cooperatives, ultimately supporting their long-term sustainability and effectiveness in serving their communities.

D. Methods of Analysis

This study will capitalize on the extensive data available in the annual reports of cooperatives, which provide crucial information for performing a PEARLS analysis. The PEARLS framework is a comprehensive evaluation tool designed to assess the financial stability and overall health of cooperatives. By tapping into secondary data sources, particularly the financial statements and annual reports of selected cooperatives in Jhapa, the study will collect detailed information on key financial indicators. These indicators include protection costs, asset quality, operating expenses, revenue streams, liquidity, and growth rates—all essential components for understanding the financial performance of the cooperatives.

The data collected will then be methodically organized to ensure it is ready for thorough analysis. This organization process will involve carefully sorting the data to align with the PEARLS framework, which will allow for a more precise and systematic evaluation. Additionally, the study will implement rigorous data cleaning procedures to eliminate any inconsistencies or inaccuracies, thereby ensuring that the analysis is both reliable and accurate. This step is crucial for maintaining the integrity of the research findings and ensuring that the conclusions drawn are based on high-quality data.

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Through this structured approach, the study aims to deliver a comprehensive assessment of the financial performance of Savings and Credit Cooperatives (SACCOs) in Jhapa. The insights gained from the PEARLS analysis will be invaluable for identifying strengths and weaknesses within these cooperatives, offering actionable recommendations that can enhance their financial stability and operational efficiency. Ultimately, this research will contribute to a deeper understanding of the financial dynamics within SACCOs, supporting their long-term sustainability and their vital role in the economic development of their communities.

E. Research Framework and Definition of Variables

A research framework is a structured representation that outlines the key concepts, theories, and variables relevant to a research study, serving as a blueprint for the investigation. It visually or narratively depicts the relationships between these elements, guiding the study's methodology and analysis by connecting theoretical foundations with empirical research. The conceptual framework helps clarify the research problem, define the study's scope, and establish the basis for hypotheses or research questions. By providing a coherent structure, it ensures that the research is logically organized and grounded in existing knowledge, offering both the researcher and the audience a clear understanding of the study's approach and rationale.

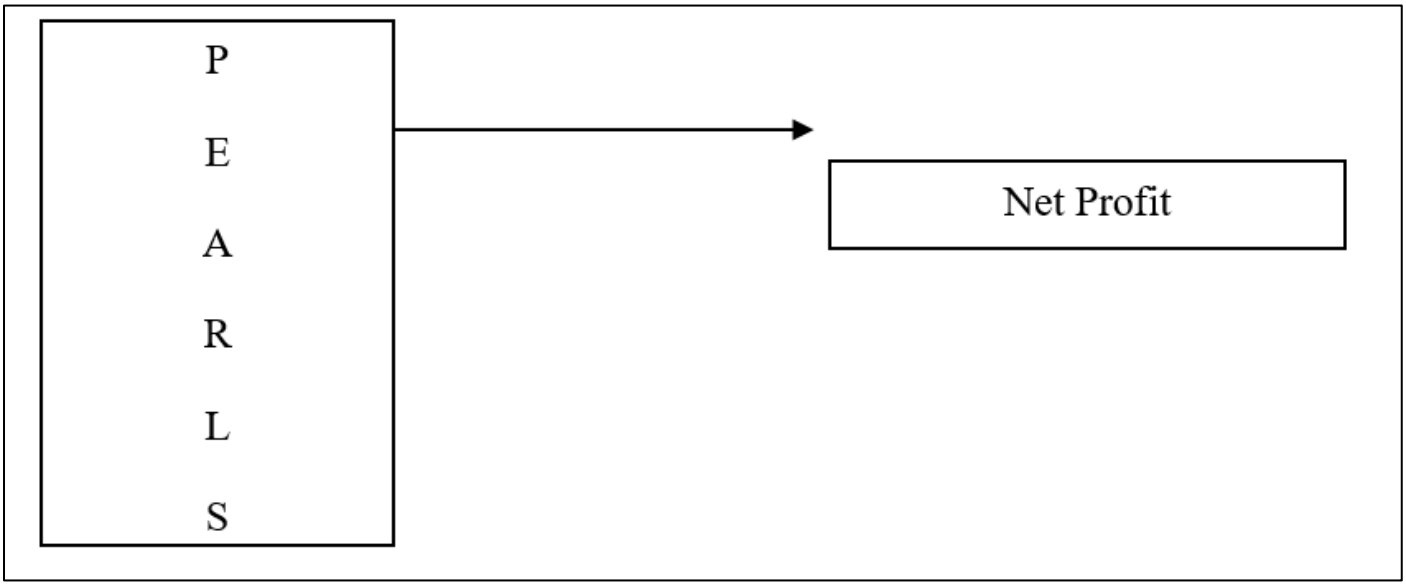

Fig 1 Framework of the Study

➢ *Definition of Variables*

- *Independent Variables:*

Independent variables are the factors or conditions that are manipulated or categorized to observe their effect on a dependent variable. They are the presumed causes in the cause-and-effect relationship being studied Creswell (2014).

- *P - Protection:*

Protection ensures the cooperative is safeguarded against credit risks by maintaining adequate loan loss provisions. It reflects the cooperative's capacity to cover potential defaults and protect member savings. Higher protection ratios indicate financial resilience.

- *E - Effective Financial Structure:*

This component examines the cooperative's balance of assets, liabilities, and equity. It highlights the sufficiency of member shares, reserves, and investments to sustain operations and growth. A strong structure ensures long-term financial stability.

- *A - Asset Quality:*

Asset quality assesses the soundness of the cooperative's investments and loans. It identifies risks associated with non-performing loans (NPLs) and poor investments. Better asset quality ensures consistent returns and minimizes credit risk.

- *R - Rates of Return and Costs:*

This measures the efficiency of the cooperative in generating income and managing expenses. High returns on assets and equity indicate profitability, while low operational costs reflect financial discipline and efficiency.

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- *L – Liquidity:*

Liquidity evaluates the cooperative's ability to meet immediate financial obligations, such as member withdrawals or emergencies. Sufficient liquidity ensures operational continuity and builds member confidence.

- *S - Signs of Growth:*

This component tracks trends in membership, assets, and member shares. Growth signals operational success, increasing trust, and the cooperative's ability to attract more resources for expansion.

- *Dependent Variable:*

The dependent variable is the outcome or the variable that is measured in a study to assess the effect of the independent variables. It is what the researcher seeks to explain or predict, Creswell (2014).

- *Net Profit:*

Net Profit, also known as net income or net earnings, is the financial measure representing the amount of money a company retains after subtracting all operating expenses, interest, taxes, and other costs from its total revenue. It is the ultimate indicator of a company's profitability and financial performance over a specific period.

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CHAPTER FOUR
RESULTS AND DISCUSSION

The "Results" section offers a comprehensive presentation of the survey data, detailing the demographic characteristics of the respondents and their preferences for different biscuit brands. This section is dedicated to presenting factual information without any interpretation or analysis.

On the other hand, the "Discussion" section provides a deeper analysis and interpretation of the results presented earlier. It examines the implications of the findings, elucidates any patterns or trends that emerged, and may contrast these results with current literature or expected outcomes. Additionally, this section considers the study's limitations and suggests areas for future investigation.

A. Trend Analysis

Trend analysis is a technique employed to assess changes over time by analyzing data points to uncover patterns or trends. It aids in predicting future outcomes by leveraging historical data, thereby facilitating informed decision-making. This approach is essential for grasping long-term shifts and evaluating the effects of different factors on a specific variable.

➢ *Trend Analysis of Share Capital*

Trend analysis of share capital in cooperatives involves examining historical data on the cooperative's share capital to identify patterns and changes over time. This analysis helps in understanding how the cooperative's capital structure has evolved, including variations in member contributions and fluctuations in issued shares. By tracking these trends, cooperative managers and stakeholders can make informed decisions about future capital requirements and assess the cooperative's financial health. This process is crucial for evaluating how changes in share capital impact the cooperative's growth, member equity, and overall financial stability.

Additionally, trend analysis allows cooperatives to gauge the effectiveness of their capital-raising strategies and identify potential areas for improvement. It helps in forecasting future capital needs, planning for expansion, and adjusting strategies to meet changing financial conditions. Analyzing trends in share capital also provides insights into member engagement and investment patterns, which can guide strategic decision-making and enhance the cooperative's ability to achieve its long-term objectives. Overall, trend analysis serves as a valuable tool for managing financial resources and ensuring sustainable development within the cooperative sector.

Table 1 Trend Analysis of Share Capital (Amt in Rs)

Fiscal Year	Adhunik SACOS	Hamro Nepal SACOS	Karnali SACOS
2075/76	14,167,550.00	51,205,600.00	223,688,400.00
2076/77	17,415,716.00	74,208,500.00	280,351,500.00
2077/78	20,731,666.00	12,522,970.00	358,453,000.00
2078/79	26,315,244.00	172,291,000.00	437,404,100.00
2079/80	27,391,400.00	188,748,700.00	488,021,700.00

Source Annual Report

Table 1 presents the trend analysis of share capital for three cooperatives over five fiscal years, with amounts expressed in Nepali Rupees (Rs). For Adhunik SACOS, there has been a consistent increase in share capital from Rs 14,167,550 in fiscal year 2075/76 to Rs 27,391,400 in fiscal year 2079/80, reflecting steady growth. Hamro Nepal SACOS shows significant fluctuations, with a rise from Rs 51,205,600 to Rs 188,748,700 over the same period, highlighting substantial growth in recent years. In contrast, Karnali SACOS displays a steady upward trend from Rs 223,688,400 to Rs 488,021,700, indicating robust capital accumulation. This analysis reveals the varied growth trajectories of the cooperatives, providing insights into their capital development strategies and financial health.

➢ *Trend Analysis of Investment*

Trend analysis of investment involves examining historical data on investments to identify patterns and changes over time. This analysis helps in understanding how investment levels have evolved, revealing trends such as increases or decreases in capital allocation across different sectors or projects. By assessing these trends, investors and managers can make informed decisions about future investment strategies and resource allocation. This process is crucial for evaluating the impact of past investment decisions on financial performance and planning for future growth opportunities. Overall, it provides valuable insights into how investments contribute to long-term organizational goals and financial stability.

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Table 2 Trend Analysis of Investment

Fiscal Year	Adhunik SACOS	Hamro Nepal SACOS	Karnali SACOS
2075/76	114,500.00	4,542,400.00	4,414,300.00
2076/77	1,030,500.00	5,137,600.00	4,475,800.00
2077/78	1,020,000.00	5,297,600.00	9,377,800.00
2078/79	1,030,000.00	5,462,600.00	9,401,900.00
2079/80	1,030,000.00	5,492,600.00	9,402,200.00

Source: Annual Report

Table 2 presents a trend analysis of investment for three cooperatives—Adhunik SACOS, Hamro Nepal SACOS, and Karnali SACOS—over the fiscal years 2075/76 to 2079/80. For Adhunik SACOS, investment figures show a noticeable increase from Rs. 114,500 in 2075/76 to Rs. 1,030,000 in 2079/80, indicating a significant upward trend. Hamro Nepal SACOS exhibits a more moderate rise, with investments growing from Rs. 4,542,400 to Rs. 5,492,600 over the same period. Conversely, Karnali SACOS displays a relatively stable investment pattern, fluctuating between Rs. 4,414,300 and Rs. 9,402,200, with a marked increase during 2077/78 and 2078/79 but stabilizing in the last fiscal year. This analysis highlights varying investment growth rates and stability across the cooperatives, reflecting different investment strategies and financial conditions.

- *Trend of Total Assets Analysis*

The trend analysis of total assets for the cooperatives provides insights into their financial growth and stability over time. By examining historical data, one can observe how the total assets of each cooperative have evolved, indicating their capacity to expand operations, invest in new opportunities, and sustain financial health. Increases in total assets generally reflect successful asset acquisition strategies, efficient resource management, and overall organizational growth. Conversely, stagnation or declines may suggest financial challenges or strategic shifts. Analyzing these trends helps stakeholders understand the cooperatives' financial trajectory, gauge their economic viability, and make informed decisions about future investments and management strategies.

Table 3 Trend Analysis of total Assets

Fiscal Year	Adhunik SACCO	Hamro Nepal SACCO	Karnali SACCO
2075/76	135,548,040.64	489,606,510.76	1,855,739,852.49
2076/77	177,791,835.21	728,684,359.12	2,356,173,174.52
2077/78	168,844,771.92	1,487,681,667.28	3,368,729,633.59
2078/79	201,163,446.56	1,913,569,907.27	3,971,176,626.39
2079/80	202,758,687.49	2,163,919,595.59	4,301,050,019.10

Source: Annual Report

The trend analysis of total assets for Adhunik SACCOs, Hamro Nepal SACCOs, and Karnali SACCOs reveals significant growth across all three cooperatives over the fiscal years. Adhunik SACCOs shows a steady increase from NPR 135,548,040.64 in 2075/76 to NPR 202,758,687.49 in 2079/80, indicating a gradual expansion in asset base. Hamro Nepal SACCOs exhibits a more pronounced growth trajectory, with assets rising from NPR 489,606,510.76 to NPR 2,163,919,595.59, reflecting its substantial asset accumulation and operational scaling. Karnali SACCOs also demonstrates robust growth, escalating from NPR 1,855,739,852.49 to NPR 4,301,050,019.10, underscoring its significant expansion and asset management success. This upward trend in total assets highlights the increasing financial strength and capacity of these cooperatives to support their operations and investments, providing a positive outlook on their financial stability and growth potential.

- *Trend Analysis of Net Profit*

Trend analysis of net profit involves examining the changes in a company's net profit over a specified period to identify patterns and fluctuations. This analysis helps in understanding how a company’s profitability has evolved, revealing trends such as consistent growth, volatility, or declines in earnings. By evaluating these trends, stakeholders can assess the effectiveness of the company’s operational strategies, cost management, and revenue generation. Tracking net profit trends is crucial for forecasting future performance, making informed investment decisions, and developing strategies to enhance financial health. Overall, it provides valuable insights into the company’s financial stability and operational efficiency.

Table 4 Trend of Net Profitt Analysis

Fiscal Year	Adhunik SACCO	Hamro Nepal SACCO	Karnali SACCO
2075/76	2,992,454.00	5,406,700.49	43,326,792.10
2076/77	2,422,077.11	4,017,487.02	45,376,384.29
2077/78	3,494,825.47	7,048,247.67	79,927,914.52
2078/79	3,282,444.90	3,858,956.34	86,137,821.64
2079/80	325,788.58	442,266.38	77,966,514.79

Source: Annual Report

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The trend analysis of net profit for Adhunik SACCOs, Hamro Nepal SACCOs, and Karnali SACCOs reveals distinct patterns over the fiscal years. For Adhunik SACCOs, net profit experienced a decline from Rs. 2,992,454 in 2075/76 to Rs. 325,788.58 in 2079/80, indicating a significant decrease in profitability over the years. Hamro Nepal SACCOs saw fluctuations with an initial decrease from Rs. 5,406,700.49 to Rs. 442,266.38, but it remained notably lower than its peak in 2077/78. Conversely, Karnali SACCOs displayed a steady growth trend. Starting at Rs. 43,326,792.10 in 2075/76, net profit rose consistently to Rs. 86,137,821.64 by 2078/79. However, it slightly decreased to Rs. 77,966,514.79 in 2079/80, marking a plateau compared to earlier years. This analysis highlights variations in profitability trends among the SACCOs, reflecting differing operational efficiencies, financial strategies, or market conditions affecting each cooperative.

B. Descriptive Analysis

Descriptive analysis is a statistical method used to summarize and interpret the main features of a dataset, providing a clear and concise overview of the data's characteristics. It involves calculating measures such as mean, median, mode, range, and standard deviation to describe the central tendency, dispersion, and overall distribution of the data. This type of analysis focuses on presenting the data in an understandable format without making inferences or predictions about future trends. By summarizing key aspects of the dataset, descriptive analysis helps researchers, analysts, and decision-makers gain insights into the data's basic structure and patterns, facilitating a better understanding of the dataset's overall trends and distributions.

Table 5 Descriptive Statistics

Variables	N	Mean	Std. Deviation
Total Share Capital	5	478583409.20	180623908.67
Total Investment	5	13445960.00	3323779.53
Total Assets	5	4704487625.59	1795048637.71
Total Net Profit	5	74839596.43	21179497.81
Valid N (list wise)	5		

Source: Annual Report

Table 5 presents the descriptive statistics for key financial metrics across five fiscal years. The mean total share capital is approximately Rs.478,583,409.20, with a standard deviation of Rs.180,623,908.67, indicating variability in the share capital among the observations. The average total investment is Rs.13,445,960.00, with a standard deviation of Rs.3,323,779.53, reflecting some fluctuation in investment levels. Total assets have a mean of Rs.4,704,487,625.59 and a substantial standard deviation of Rs.1,795,048,637.71, showing significant variation in asset sizes. Lastly, the mean net profit stands at Rs.74,839,596.43, with a standard deviation of Rs.21,179,497.81, indicating variability in profitability. The valid N (listwise) of 5 indicates that all data points were included in these calculations. These descriptive statistics provide a snapshot of the financial performance and stability of the entities over the observed period.

C. Correlation Analysis

Correlation analysis is a statistical technique used to evaluate the strength and direction of the relationship between two or more variables. By calculating correlation coefficients, researchers can determine whether an increase or decrease in one variable corresponds to an increase or decrease in another variable. The most commonly used coefficient is Pearson's correlation coefficient, which ranges from -1 to 1. A value close to 1 indicates a strong positive correlation, meaning that as one variable increases, the other variable also tends to increase. Conversely, a value close to -1 indicates a strong negative correlation, where one variable increases as the other decreases. A coefficient around 0 suggests no significant linear relationship between the variables.

In practical applications, correlation analysis helps in understanding the degree to which variables are related, which can inform decision-making and strategic planning. For example, businesses might use correlation analysis to assess how changes in marketing expenditures correlate with sales revenue, allowing them to optimize their spending strategies. However, it's crucial to remember that correlation does not imply causation; a strong correlation between two variables does not necessarily mean that one variable causes change in the other. Instead, correlation highlights the association and can guide further investigation into causal relationships.

Table 6 Correlation Analysis of Adhunik SACCOs

		Share Capital	Investment	Assets	Net Profit
Share Capital	Pearson Correlation	1			
Investment	Pearson Correlation	0.696	1		
Assets	Pearson Correlation	.922*	0.850	1	
Net Profit	Pearson Correlation	-0.450	-0.218	-0.465	1

Source: Annual Report

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Table 6 presents the correlation analysis for Adhunik SACCOs, revealing the relationships between various financial metrics: Share Capital, Investment, Assets, and Net Profit. The Pearson correlation coefficients indicate that Share Capital has a strong positive correlation with Assets (0.922) and a moderate positive correlation with Investment (0.696). This suggests that increases in Share Capital are associated with higher levels of Assets and Investment. However, the relationship between Share Capital and Net Profit is negative (-0.450), implying that higher Share Capital is linked with lower Net Profit. Investment and Assets are also positively correlated (0.850), indicating that as Investment increases, so do Assets. In contrast, Net Profit shows a negative correlation with both Assets (-0.465) and Investment (-0.218), suggesting that increases in these variables might not correspond with higher Net Profit. Overall, the correlations highlight significant positive associations between Share Capital and other variables, but also reveal some areas where increases in financial metrics may not align with improved profitability.

Table 7 Correlation Analysis of HAMRO NEPAL SACCOs

		Share Capital	**Investment**	**Assets**	**Net Profit**
Share Capital	Pearson Correlation	1			
Investment	Pearson Correlation	0.587	1		
Assets	Pearson Correlation	0.707	.890*	1	
Net Profit	Pearson Correlation	-.878*	-0.449	-0.531	1
*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Annual Report

Table 7 illustrates the correlation analysis for Hamro Nepal SACCOs, showcasing the relationships between Share Capital, Investment, Assets, and Net Profit. The Pearson correlation coefficients reveal that Share Capital has a significant positive correlation with both Investment (0.587) and Assets (0.707), indicating that increases in Share Capital are associated with higher levels of Investment and Assets. Conversely, Share Capital exhibits a strong negative correlation with Net Profit (-0.878), suggesting that higher Share Capital tends to correspond with lower Net Profit. Investment and Assets are highly positively correlated (0.890), reflecting that as Investment increases, Assets also rise. However, Net Profit is negatively correlated with Share Capital (-0.878) and Assets (-0.531), and shows a moderate negative correlation with Investment (-0.449). These correlations highlight that while Share Capital and Investment are positively linked, the rise in Share Capital and Investment may not translate into higher Net Profit, indicating potential inefficiencies in translating financial resources into profitability.

Table 8 Correlation Analysis of Karnali SACCOs

		Share Capital	**Investment**	**Assets**	**Net Profit**
Share Capital	Pearson Correlation	1			
Investment	Pearson Correlation	.889*	1		
Assets	Pearson Correlation	.993**	.934*	1	
Net Profit	Pearson Correlation	.931*	.993**	.966**	1
*. Correlation is significant at the 0.05 level (2-tailed).					
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: SPSS

Table 8 presents the correlation analysis for Karnali SACCOs, detailing the relationships between Share Capital, Investment, Assets, and Net Profit. The Pearson correlation coefficients reveal a very strong positive correlation between Share Capital and Investment (0.889), indicating that increases in Share Capital are closely associated with higher Investment levels. Share Capital also shows a near-perfect positive correlation with Assets (0.993), suggesting that as Share Capital grows, Assets increase correspondingly. Similarly, Investment and Assets have a high positive correlation (0.934), underscoring the significant relationship between these two variables. Net Profit exhibits very strong positive correlations with Share Capital (0.931), Investment (0.993), and Assets (0.966), indicating that higher Share Capital, Investment, and Assets are all closely associated with increased Net Profit. These results suggest that Karnali SACCOs effectively translates its increases in Share Capital and Investment into higher Assets and Net Profit, demonstrating a robust relationship between financial resources and profitability.

D. Regression Analysis

Regression analysis is a statistical method used to examine the relationships between a dependent variable and one or more independent variables. It helps to identify and quantify the strength of these relationships, allowing researchers and analysts to make predictions or infer causal links. By fitting a regression model to the data, it is possible to assess how changes in independent variables are associated with changes in the dependent variable. This analysis provides insight into the nature of the relationships and helps in understanding the impact of each predictor on the outcome of interest.

In practice, regression analysis can be used to test hypotheses, make forecasts, and guide decision-making processes. The results include coefficients that represent the size and direction of the impact of each independent variable, along with measures of statistical significance, such as p-values, to determine whether the relationships observed are unlikely to have occurred by chance.

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By evaluating these results, analysts can make informed decisions and develop strategies based on the identified patterns and relationships.

➢ *Regression Analysis of ADHUNIK SACCOs*

Table 9 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.582[a]	0.34	-1.64	2085490.07
a. Predictors: (Constant), Assets, Investment, Share Capital				

Source: SPSS

Table 10 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2228345254997.34	3	742781751665.78	.171	.906[b]
	Residual	4349268818017.59	1	4349268818017.59		
	Total	6577614073014.938	4			
a. Dependent Variable: Net Profit						
b. Predictors: (Constant), Assets, Investment, Share Capital						

Source: SPSS

Table 11 Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1	(Constant)	10293534.53	13630504.43	
	Share Capital	0.063	0.525	0.279
	Investment	2.280	5.366	0.726

Source: SPSS

The regression analysis for ADHUNIK SACCOs is presented in three tables from SPSS outputs. Table 9, the Model Summary, shows an R-squared value of 0.34, indicating that the model explains 34% of the variance in Net Profit. However, the Adjusted R Square value is negative (-1.64), suggesting that the model might not be a good fit. Table 10, the ANOVA, reveals a regression F-value of 0.171 with a significance level of 0.906, indicating that the model's predictors (Assets, Investment, Share Capital) do not significantly improve the prediction of Net Profit compared to a model with no predictors. Table 11, the Coefficients, shows that none of the predictors are statistically significant, as all p-values exceed the common significance threshold (0.05). Specifically, Share Capital, Investment, and Assets have t-values of 0.120, 0.425, and -0.423, respectively, all with high p-values (0.924, 0.744, and 0.745), suggesting that these variables do not have a meaningful impact on Net Profit for ADHUNIK SACCOs in this model.

➢ *Regression Analysis of HAMRO NEPAL SACCOs*

Table 12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888[a]	0.79	0.16	2241204.17
a. Predictors: (Constant), Assets, Share Capital, Investment				

Source: SPSS

Table 13 *ANOVA*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18805582304126.00	3	6268527434708.68	1.248	.563[b]
	Residual	5022996133627.12	1	5022996133627.12		
	Total	23828578437753.20	4			
a. Dependent Variable: Net Profit						
b. Predictors: (Constant), Assets, Share Capital, Investment						

Source: SPSS

The regression analysis summarized in Tables 12 and 13 reflects the relationship between Net Profit and the predictors (Assets, Share Capital, and Investment) for ADHUNIK SACCOs. Table 12's Model Summary indicates a relatively strong correlation (R = 0.888) between the predictors and Net Profit, with the model explaining 79% of the variance (R Square = 0.79). However, the

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Adjusted R Square is much lower at 0.16, suggesting potential over fitting or that the model's effectiveness may be limited when generalized. The Standard Error of the Estimate is 2,241,204.17, indicating the average distance between the observed values and the regression line. Table 13, the ANOVA, shows a regression F-value of 1.248 with a significance level of 0.563, suggesting that the model is not statistically significant. The predictors (Assets, Share Capital, and Investment) do not significantly contribute to explaining the variation in Net Profit, as indicated by the high p-value (0.563), which is well above the conventional threshold of 0.05 for significance.

Table 14 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	9065106.79	29193005.69		0.311	0.808
	Share Capital	-0.032	0.021	-1.012	-1.546	0.365
	Investment	-0.561	6.404	-0.089	-0.088	0.944
	Assets	0.001	0.004	0.263	0.226	0.858
a. Dependent Variable: Net Profit						

Source: SPSS

Table 14 presents the coefficients for a regression model where the dependent variable is Net Profit. The model includes three independent variables: Share Capital, Investment, and Assets. The constant (intercept) is 9,065,106.79, but with a high standard error of 29,193,005.69, leading to a non-significant t-value (0.311) and p-value (0.808), indicating the intercept is not statistically significant. Share Capital has a negative unstandardized coefficient of -0.032 with a standard error of 0.021, a t-value of -1.546, and a p-value of 0.365, suggesting it is not significantly impacting Net Profit. Investment also shows a negative relationship with Net Profit, with a coefficient of -0.561, but with high standard error (6.404) and insignificant p-value (0.944). Similarly, Assets have a positive coefficient of 0.001, but this effect is also not significant, with a t-value of 0.226 and a p-value of 0.858. Overall, none of the variables in this model show a statistically significant impact on Net Profit, as indicated by their high p-values.

- *Regression Analysis of Karnali SACCOs*

Table 15 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	0.998	0.991	2047423.73
a. Predictors: (Constant), Assets, Investment, Share Capital				

Source: SPSS

Table 16 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1916475091044560.00	3	638825030348186.00	152.39	.059[b]
	Residual	4191943932890.11	1	4191943932890.11		
	Total	1920667034977450.00	4			
a. Dependent Variable: Net Profit						
b. Predictors: (Constant), Assets, Investment, Share Capital						

Source: SPSS

Table 15 provides the model summary for a regression analysis where the dependent variable is Net Profit and the predictors are Assets, Investment, and Share Capital. The model shows a very high correlation coefficient (R) of 0.999, indicating an almost perfect fit between the predictors and the dependent variable. The R Square value is 0.998, meaning that 99.8% of the variance in Net Profit is explained by the model. The Adjusted R Square, which accounts for the number of predictors in the model, is slightly lower at 0.991, still indicating a very strong explanatory power. The standard error of the estimate is 2,047,423.73, reflecting the average distance that the observed values fall from the regression line.

Table 16 presents the ANOVA results for the same regression model. The regression sum of squares is very large (1,916,475,091,044,560.00), indicating that the model explains a significant portion of the total variability in Net Profit. The mean square for the regression is also large (638,825,030,348,186.00), with an F-statistic of 152.39, which typically suggests a strong model. However, the p-value (Sig.) is 0.059, which is slightly above the conventional threshold of 0.05, indicating that the model's overall significance is marginal. The residual sum of squares is much smaller (4,191,943,932,890.11), indicating that the model's predictions are generally close to the observed data. Despite the high R Square and F-statistic, the marginal significance suggests that the model may not be statistically significant at the 5% level.

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Table 17 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4872287.56	7148327.35		0.682	0.619
	Share Capital	0.025	0.247	0.125	0.102	0.935
	Investment	6.117	3.209	0.757	1.906	0.308
	Assets	0.003	0.033	0.135	0.086	0.946
a. Dependent Variable: Net Profit						

Source: SPSS

Table 17 presents the coefficients from a regression analysis where Net Profit is the dependent variable, and the independent variables are Share Capital, Investment, and Assets. The constant (intercept) has an unstandardized coefficient of 4,872,287.56 with a standard error of 7,148,327.35, resulting in a t-value of 0.682 and a p-value of 0.619, indicating that the intercept is not statistically significant. Share Capital has a positive but small unstandardized coefficient of 0.025 with a high standard error of 0.247, yielding a t-value of 0.102 and a p-value of 0.935, suggesting that its impact on Net Profit is minimal and not significant. Investment has a larger positive coefficient of 6.117 with a standard error of 3.209, producing a t-value of 1.906. However, the p-value of 0.308 indicates that this relationship is also not statistically significant. Lastly, Assets have a very small positive coefficient of 0.003, with a standard error of 0.033, resulting in a t-value of 0.086 and a p-value of 0.946, showing no significant impact on Net Profit. Overall, none of the independent variables in this model demonstrate a statistically significant effect on Net Profit, as indicated by their high p-values.

E. Pearls Analysis

PEARLS Analysis is a comprehensive financial performance monitoring system used primarily by credit unions and microfinance institutions to evaluate their overall financial health and sustainability. The acronym stands for Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity, and Signs of growth, covering key areas of institutional performance. Each category is assessed using specific financial ratios, such as loan loss provisions, asset-to-liability ratios, return on assets, and liquidity coverage, allowing institutions to measure risk, profitability, operational efficiency, and growth. By systematically analyzing these factors, PEARLS enables organizations to make data-driven decisions aimed at improving financial stability, operational effectiveness, and long-term sustainability.

➢ *Protection Analysis*

In PEARLS Analysis, Protection refers to the institution's ability to safeguard its loan portfolio against potential losses due to loan defaults. The primary focus of protection analysis is to ensure that adequate provisions are made for delinquent loans, particularly those that are overdue for more than a year. The goal is to maintain the financial stability of the institution by ensuring that losses from bad debts are fully covered by loan loss provisions.

The key metric used in protection analysis is the Provision for Loan Losses to Delinquent Loans ratio. This ratio measures the extent to which the institution has set aside reserves to cover potentially non-recoverable loans. A coverage ratio of 100% is considered ideal, as it indicates that the institution is fully protected against the risk of default on delinquent loans, minimizing the impact on the financial health of the institution.

Table 18 Protection Analysis

	Protection Analysis of HAMRO NEPAL SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
P1	Loan Risk Provision Fund 100% / Expired Loan > 12 Months	100	100	100	1	100	100
P2	Loan Risk Provision Fund 35% / Expired Loan < 12 Months	35	N\A	35	0.35	35	35
P3	Loan Risk Provision Fund / Good Loan	1	1	1	0.01	1	1
P6	P6 - Total Assets/ (Net share + net saving)	≥ 111%	165.83	156.00	175	177.61	162.71
	Protection Analysis of KARNALI SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
P1	Loan Risk Provision Fund 100% / Expired Loan > 12 Months	100	100	100	100	100	100
P2	Loan Risk Provision Fund 35% / Expired Loan < 12 Months	35	35	35	35	35	35
P3	Loan Risk Provision Fund / Good Loan	1	1	1	1	1	1

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P6	P6 - Total Assets/ (Net share + net saving)	≥ 111%	188.82	178.85	180.14	171.91	160.86
	Protection Analysis of ADHUNIK SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
P1	Loan Risk Provision Fund 100% / Expired Loan > 12 Months	100	100	N/A	100	100	100
P2	Loan Risk Provision Fund 35% / Expired Loan < 12 Months	35	N/A	N/A	35	35	35
P3	Loan Risk Provision Fund / Good Loan	1	N/A	N/A	1	1	1
P6	P6 - Total Assets/ (Net share + net saving)	≥ 111%	140.32	163.58	255.73	133.15	125.74

Source: Annual Report

The Protection Analysis table presents data for three SACCOs (Savings and Credit Cooperatives): Hamro Nepal SACOS, Karnali SACOS, and Adhunik SACOS, across five fiscal years (075/076 to 079/080). It evaluates key protection indicators such as loan risk provision and asset ratios.

For Hamro Nepal SACOS, P1 (Loan Risk Provision for loans expired more than 12 months) is consistently 100% for all years except 077/078 when it dropped to 1%. P2 (Provision for loans expired less than 12 months) is mostly at 35%, except for 076/077 when data is unavailable and 077/078 where it falls to 0.35%. P3 (Provision for good loans) remains at 1% for all years, except for a dip to 0.01% in 077/078. P6 (Total Assets to net share and savings) remains above the standard 111%, ranging from 156% to 177.61%. Karnali SACOS shows consistent 100% coverage for P1 and 35% for P2 across all five years. P3 remains at 1% each year, while P6 shows a gradual decline from 188.82% in 075/076 to 160.86% in 079/80, but still above the required 111%. Adhunik SACOS presents consistent 100% for P1 except in 076/077, where the data is unavailable. P2 and P3 show similar patterns, with unavailable data in 076/077 and 077/078. P6 fluctuates significantly, peaking at 255.73% in 077/078 but falling to 125.74% in 079/80. The Protection Analysis highlights the varying performance of these SACCOs in maintaining loan provisions and asset coverage, with Karnali SACOS demonstrating the most consistent performance across the indicators.

- *Effective Financial Structure*

In the PEARLS analysis, "E" (Effective Financial Structure) assesses the equilibrium between a financial institution's assets, liabilities, and capital, underscoring the importance of a stable and sustainable financial foundation. This element focuses on key ratios such as net loans to total assets, liquid investments to total assets, and institutional capital to total assets. These ratios provide insight into the institution's financial health, helping to ensure that its asset distribution and capital allocation are aligned for long-term growth. By evaluating these aspects, institutions can identify potential vulnerabilities and optimize their financial structure to support stability and profitability.

A robust financial structure enables credit unions or cooperatives to be resilient in times of economic uncertainty, capable of absorbing potential financial shocks without compromising operational efficiency. It also promotes growth by ensuring that resources are allocated efficiently and risks are managed effectively. Maintaining an optimal balance between assets, liabilities, and capital helps to increase member confidence, enhance operational performance, and ensure the institution's long-term viability. Therefore, the "E" component is fundamental in achieving a well-rounded and effective financial system that supports sustainability and growth.

Table 19 Effective Financial Structure Analysis

	PEARLS of HAMRO NEPAL SACCOs	**Standard**	**075/076**	**076/077**	**077/078**	**078/079**	**079/80**
E1	Total Loan / Total Assets	70-80 %	65.81	88.15	84%	89.82	83.63
E2	Bank deposit / TA	≤ 16%	22.17	7.66	10%	6.16	10.53
E3	INVESTMENT / TA	≤ 3 %	0.93	1.3	0.36%	0.29	0.25
E5	TOTAL SAVING / TA	70-80 %	49.86	59.04	49%	47.3	52.74
E6	OUTER LOAN / TA	0 - 5 %	34.85	31.56	39%	40.27	33.87
E7	SHARE/TA	≤ 20 %	10.44	27.11	8%	9	8.72
E8	Institutional capital / TA	≥ 10 %	2.52	1.82	3%	1.16	0.99
E9	Net institutional capital/ TA	≥ 10 %	1.91	2.23	3%	1.04	0.98
	PEARLS of KARNALI SACCOs	**Standard**	**075/076**	**076/077**	**077/078**	**078/079**	**079/80**
E1	Total Loan / Total Assets	70-80 %	65.81	88.15	84%	89.82	83.63
E2	Bank deposit / TA	≤ 16%	22.17	7.66	10%	6.16	10.53
E3	INVESTMENT / TA	≤ 3 %	0.93	1.3	0.36%	0.29	0.25
E5	TOTAL SAVING / TA	70-80 %	49.86	59.04	49%	47.3	52.74
E6	OUTER LOAN / TA	0 - 5 %	34.85	31.56	39%	40.27	33.87
E7	SHARE/TA	≤ 20 %	10.44	27.11	8%	9	8.72

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E8	Institutional capital / TA	≥ 10 %	2.52	1.82	3%	1.16	0.99
E9	Net institutional capital/ TA	≥ 10 %	1.91	2.23	3%	1.04	0.98
	PEARLS of ADHUNIK SACCOs	**Standard**	**075/076**	**076/077**	**077/078**	**078/079**	**079/80**
E1	TL/TA	70-80 %	89.67	84.15	82.06	85.84	84.96
E2	Bank deposit/ TA	≤ 16%	8.61	14.26	14.20	10.43	11.03
E3	INVESTMENT/TA	≤ 3 %	0.24	0.19	0.28	0.24	0.22
E4	N/A	70-80 %	0.00	0.00	0.00		
E5	TOTALSAVING/TA	0 - 5 %	40.91	44.01	44.87	47.16	50.82
E6	OUTERLOAN/TA	≤ 20 %	34.16	31.28	33.29	30.55	26.81
E7	SHARE/TA	≥ 10 %	12.05	11.90	10.64	11.01	11.35
E8	Institutional capital/ TA	≥ 10 %	6.16	5.60	5.46	5.62	6.00
E9	Net institutional capital/ TA		4.20	4.05	3.86	4.00	4.90

Source: Annual Report

The PEARLS analysis for HAMRO NEPAL SACCOs, KARNALI SACCOs, and ADHUNIK SACCOs presents a comprehensive evaluation of their financial structure across five fiscal years (075/076 to 079/080). For HAMRO NEPAL SACCOs and KARNALI SACCOs, key metrics such as E1 (Total Loan/Total Assets) exceed the standard of 70-80%, reaching as high as 89.82% in 078/079, indicating a high loan concentration in their asset structure. E2 (Bank Deposit/Total Assets) fluctuates, with both SACCOs remaining below the 16% threshold, while E3 (Investment/Total Assets) stays well within the ≤3% standard. Institutional capital (E8) and net institutional capital (E9) both decline over the years, falling below the recommended 10%, highlighting potential risks in maintaining sufficient capital reserves. ADHUNIK SACCOs shows a similar pattern in E1, where loan concentration remains high but stable around 82-85%. E2 stays within the acceptable range, while E5 (Total Savings/Total Assets) gradually increases but stays below the 70-80% target. ADHUNIK SACCOs exhibits stronger institutional capital levels than the others, although it still remains below the recommended 10% threshold. Overall, the analysis highlights the need for stronger capital buffers and improved asset allocation across these SACCOs to meet the standards of effective financial structure.

The PEARLS analysis for HAMRO NEPAL SACCOs, KARNALI SACCOs, and ADHUNIK SACCOs provides a detailed assessment of their financial structure over five fiscal years (075/076 to 079/080). In terms of E1 (Total Loan/Total Assets), both HAMRO NEPAL SACCOs and KARNALI SACCOs consistently exceed the recommended standard of 70-80%, peaking at 89.82% in 078/079. This indicates a high concentration of loans within their total assets, which may suggest aggressive lending practices. While such high loan ratios can boost short-term profitability, they also carry increased risks, especially in times of economic downturn or liquidity crunch. A higher percentage of loans relative to total assets could expose these institutions to defaults and liquidity challenges. ADHUNIK SACCOs exhibits a similar trend in E1, maintaining loan concentrations within the 82-85% range, signaling stability but still above the standard threshold.

- *Assets Quality*

In the PEARLS analysis, "A" (Asset Quality) assesses the soundness and performance of a financial institution's asset portfolio, focusing on the proportion and quality of assets such as loans and investments. This component evaluates metrics like the ratio of non-performing loans to total loans, the level of overdue loans, and the adequacy of provisions for loan losses. High asset quality is indicated by low levels of non-performing and overdue loans, which reflect the institution's effective credit risk management and lending practices. A strong asset quality ratio suggests that the institution maintains a robust and well-managed portfolio with minimal credit risk, thereby ensuring stable returns and financial health. Conversely, poor asset quality, characterized by high levels of non-performing or overdue loans, can signal underlying issues in credit assessment and risk management, potentially leading to financial instability and increased losses. Therefore, asset quality is a critical measure of an institution's ability to manage and safeguard its assets, influencing overall financial performance and resilience.

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Table 20 Assets Quality Analysis

	PEARLS Analysis of HamroNepal SACCOs	Standard	075/76	076/77	077/78	078/79	079/80
A1	Non-Performing Loan (NPL) / Total Loan	≤ 5 %	1.28	1.23	0.90%	1.97	5.24
A2	Non-Earning Assets (NEA)/Total Assets	≤ 5 %	11.09	8.49	4.98%	5.39	5.59
A3	Non cost capital/NEA	≥ 200%	22.73	21.46	27%	21.47	9.95
	PEARLS Analysis of Karnali SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
A1	NPL/TL	≤ 5 %	1.04	1.12	0.76	0.97	1.16
A2	NEA/TA	≤ 5 %	1.49	1.40	3.46	3.49	3.79
A3	Non cost capital/NEA	≥ 200%	477.22	353.00	157.73	160.743	158.18
	PEARLS Analysis of Adhunik SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
A1	Non-Performing Loan (NPL) / Total Loan	≤ 5 %	1.00	1.00	1.75	1.40	1.27
A2	Non-Earning Assets (NEA)/Total Assets	≤ 5 %	11.56	15.04	4.79	5.01	5.51
A3	Non cost capital/NEA	≥ 200%	49.66	35.76	171.29	160.54	127.64

Source: Annual Report

The Asset Quality Analysis of HAMRO NEPAL SACCOs, KARNALI SACCOs, and ADHUNIK SACCOs, based on the PEARLS framework, provides insights into their financial health over five fiscal years (075/076 to 079/080). For HAMRO NEPAL SACCOs, the ratio of Non-Performing Loans (NPL) to Total Loans (A1) begins below the 5% standard but rises to 5.24% in 079/080, signaling a deterioration in loan quality. Similarly, the Non-Earning Assets (NEA) to Total Assets ratio (A2) remains above the 5% threshold, indicating inefficiencies in asset utilization. In contrast, KARNALI SACCOs maintains better loan quality with NPLs consistently below 2%, and its NEA/TA ratio stays well within acceptable limits. However, its Non-Cost Capital to NEA ratio (A3) significantly drops from 477.22% in 075/076 to 158.18% in 079/080, suggesting declining capital reserves to cover non-earning assets. ADHUNIK SACCOs shows relatively stable NPL levels, staying under 2%, but struggles with a high NEA/TA ratio throughout the period. Its A3 ratio shows improvement in capital coverage, but remains below the optimal 200% target in recent years. Overall, the analysis highlights asset quality challenges, particularly with rising NPLs and inefficiencies in non-earning assets, posing risks to the financial health of these SACCOs.

- *Rate of Return and Costs*

In PEARLS analysis, the letter "R" stands for Rates of Return and Costs, which plays a vital role in assessing the overall profitability and cost management of financial institutions, particularly credit unions and cooperatives. The "R" section provides insights into how well the institution is generating income relative to its assets and equity while controlling expenses. It serves as a key indicator of the institution's financial performance and efficiency, highlighting its ability to operate profitably while maintaining a cost-effective structure. By focusing on profitability metrics, this section ensures that institutions not only grow but do so in a sustainable and cost-efficient manner.

The core metrics under the "R" category include Return on Assets (ROA) and Return on Equity (ROE), which measure the institution's ability to generate profits from its total assets and from the shareholders' investments, respectively. A higher ROA indicates that the institution is effectively utilizing its assets to generate income, while a high ROE reflects strong profitability from the shareholders' perspective. Additionally, the Net Interest Margin (NIM) is crucial in understanding how efficiently the institution is managing its interest income and expenses, ensuring that it can maximize returns on its lending and investment activities while minimizing the cost of borrowing or interest expenses. These metrics together offer a comprehensive view of the institution's ability to generate returns and remain competitive. Furthermore, cost control is another critical element of the "R" section. The Operating Expenses/Total Assets** ratio measures how efficiently the institution manages its operational costs relative to its asset base. Maintaining low operating expenses in relation to assets is essential for achieving higher profitability, as it allows the institution to allocate more resources towards generating income rather than covering overhead costs.

Table 21 Return & Cost Analysis

	PEARLS Analysis of Hamro Nepal SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
R1	Loan Interest / Avg. Loan	Market Rate	19.72	17.97	16%	16.95	17.54
R2	Bank Interest / Avg. Bank Deposit	Market Rate	7.65	3.25	2%	2.1	2.33
R3	Dividend or interest / Average Investment	Market Rate	8.81	16.11	24%	21.81	24.26
R4	Non-Financial Investment / Avg Non-Fin.Investment	≥ R1					
R5	Interest on saving/ Avg. Saving	Market Rate> Inflation	7.51	7.28	7%	9.31	9.89
R6	Outer loan Interest/ Avg Outer loan	Market Rate	12.47	12.77	8%	13.64	14.73
R7	dividend exp on share/ Avg. Share	Market Rate > R5	6.41	5.16	2.46	2.74	1.24

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R8	Total Income/ Avg. Assets	Market Rate, E9 = 10%	17.59	15.99	15.84	17.75	8.64
R9	Total Operating exp / Avg ASSETS	≤ 5 %	7.20	5.53	15.84	6.46	5.80
R10	LOAN LOSS PROVISION/ Avg LOAN		1.84	1.62	2%	2.12	3.78
R11	On-recurring Income / Average Total Assets	Low	N/A	N/A	N/A	N/A	N/A
R12	Net Profit / Avg. Assets	Market Rate, E9 = 10%	1.29	0.59	1%	0.23	0.02
	PEARLS Analysis of KARNALI SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
R1	Loan Interest/ Ave. Loan	Market Rate	16.73	15.49	15.13	15.82	15.36
R2	Bank Interest/ Ave. Bank Deposit	≥ R1	3.19	3.71	1.95	1.24	2.22
R3	Dividend or interest/ Average Investment	Market Rate> Inflation	8.37	18.96	15.67	13.98	18.57
R4	Non-Financial Investment/ Ave Non-Fin.Invt	Market Rate	N/A	N/A	N/A	N/A	N/A
R5	Interest on saving/ Avg. Saving	Market Rate > R5	7.73	9.33	8.63	8.26	8.36
R6	Outer loan Interest/ Ave Outer loan	Market Rate, E9 = 10%	13.43	11.48	8.23	10.73	13.79
R7	dividend exp on share/ Avg. Share	≤ 5 %	6.29	6.72	5.16	7.10	6.90
R8	Total Income/ Ave. Assets		16.66	14.89	14.01	14.59	15.02
R9	Total Operating exp/ Avg ASSETS	Low	5.37	4.31	3.86	4.12	4.01
R10	LOAN LOSS PROVISION/ AVg LOAN	Market Rate, E9 = 10%	1.97	1.97	1.81	1.89	1.70
R11	on-recurring Income or Expense/Average Total Assets		N/A	N/A	N/A	N/A	N/A
R12	Net Profit/ Ave. Assets		2.71	2.15	2.79	2.74	1.89
	PEARLS Analysis of ADHUNIK SACCOs	Standard	75/76	76/77	77/78	78/079	79/80
R1	Loan Interest / Avg. Loan	Market Rate	16.25	14.93	15.93	16.66	15.49
R2	Bank Interest / Avg. Bank Deposit	Market Rate	0.00	0.00	2.92	2.36	3.70
R3	Dividend or interest / Average Investment	Market Rate	0.00	30.10	4.12	13.11	14.00
R4	Non-Financial Investment / Avg Non-Fin.Investment	≥ R1	0.00	0.00	0.00	0.00	0.00
R5	Interest on saving/ Avg. Saving	Market Rate> Inflation	6.77	7.19	7.58	7.52	8.29
R6	Outer loan Interest/ Avg Outer loan	Market Rate	0.44	4.67	14.21	22.19	24.35
R7	dividend exp on share/ Avg. Share	Market Rate > R5	0.00	0.00	0.00	7.08	7.07
R9	Total Operating exp / Avg ASSETS	≤ 5 %	5.95	5.71	11.39	13.67	2.41
R10	Loan Loss Provision/ Avg Loan		4.15	3.02	2.79	2.47	2.24
R11	On-recurring Income / Average Total Assets	Low	N/A	N/A	N\A	N\A	N\A
R12	Net Profit / Avg. Assets	Market Rate, E9 = 10%	2.56	1.55	2.02	1.77	0.16

Source: Annual Report

The PEARLS analysis for Hamro Nepal SACCOs, Karnali SACCOs, and Adhunik SACCOs provides a comprehensive overview of their return and cost efficiency over five fiscal years (075/76 to 079/80). In terms of loan interest (R1), Hamro Nepal SACCOs experienced a decline in rates from 19.72% in 075/76 to 17.54% in 079/80, reflecting a slight reduction in income from loans. Similarly, Karnali SACCOs saw a gradual decline in loan interest from 16.73% to 15.36% over the same period, whereas Adhunik SACCOs' loan interest rates fluctuated, with a peak of 16.66% in 078/79 before dropping to 15.49% in 079/80. Bank interest on deposits (R2) remained low across all SACCOs, with Hamro Nepal SACCOs showing a consistent low range between 2-3%, while Adhunik SACCOs demonstrated improvements in bank interest in recent years, reaching 3.70% by 079/80. Dividend or interest on average investment (R3) was particularly notable for Hamro Nepal SACCOs, which increased from 8.81% in 075/76 to 24.26% in 079/80, while Karnali SACCOs saw moderate fluctuations, and Adhunik SACCOs experienced volatility in dividend

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returns. In terms of cost management, the total operating expenses as a percentage of average assets (R9) remained controlled for Karnali SACCOs, maintaining rates around 4-5%, while Hamro Nepal SACCOs saw improvements from 7.20% in 075/76 to 5.80% in 079/80. Adhunik SACCOs, however, exhibited instability in operating costs, with expenses peaking at 13.67% in 078/79 before decreasing to 2.41% in 079/80. Overall, net profit as a percentage of average assets (R12) indicated varying profitability levels, with Hamro Nepal SACCOs struggling in recent years, reaching just 0.02% in 079/80, while Karnali SACCOs maintained a relatively steady profit rate, and Adhunik SACCOs saw significant declines in profitability, falling to 0.16% in 079/80.

- *Liquidity Analysis*

In PEARLS analysis, the letter "L" stands for Liquidity. This section focuses on evaluating an institution's ability to meet its short-term obligations and maintain adequate cash flow. Liquidity is crucial for ensuring that a financial institution can cover withdrawals, loans, and other financial commitments without facing liquidity crises. The "L" indicators typically include measures such as Liquidity Reserves to Total Assets and Net Loans to Total Deposits, which assess the adequacy of liquid assets compared to total assets or deposits. The goal is to ensure that the institution has enough liquid resources to remain stable during periods of financial stress. In essence, the "L" metrics provide insights into how well the institution is managing its liquidity to support ongoing operations and safeguard against liquidity risks.

Table 22 Liquidity Analysis

	PEARLS Analysis of Hamro Nepal SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
L1	liquid Assets - Short Term Payable/total saving	15%	45.68	20	20%	10.95	15.51
L2	Liquid Assets /total saving	10 - 15 %	7.033	23	23%	14.07	12.49
L3	Non earing liquid assets / total assets	< 1%	1.29	0.0	0.00%	0.49	0.54
	PEARLS Analysis of Karnali SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
L1	liquid Assets- Short Term Payable/total saving	15%	3.82	15.70	19.49	10.45	11.55
L2	Liquid Assets/total saving	10 - 15 %	21.06	32.46	31.64	22.13	21.70
L3	Non earing liquid assets/ total assets	< 1%	0.01	0.03	0.00	0	0.00
	PEARLS Analysis of Adhunik SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
L1	liquid Assets - Short Term Payable/total saving	15%	25.16	39.27	15.87	11.34	14.08
L2	Liquid Assets /total saving	10 - 15 %	27.03	19.75	17.51	11.13	16.03
L3	Non earing liquid assets / total assets	< 1%	1.18	0.76	1.30	1.21	1.80

Source: Annual Report

The Liquidity Analysis of HAMRO NEPAL SACCOs, KARNALI SACCOs, and ADHUNIK SACCOs presents key liquidity metrics over a five-year period from fiscal year 2075/76 to 2079/80. For HAMRO NEPAL SACCOs, L1 (Liquid Assets - Short Term Payable/Total Saving) started at a high of 45.68% in 2075/76 but sharply declined to 10.95% in 2078/79 before rising slightly to 15.51% in 2079/80. L2 (Liquid Assets/Total Saving) fluctuated between 7.03% and 23%, stabilizing at 12.49% in 2079/80. L3 (Non-Earning Liquid Assets/Total Assets) stayed below 1% for most years, reflecting good liquidity management. KARNALI SACCOs saw a more stable L1, starting at 3.82% in 2075/76 and improving to 11.55% by 2079/80, while L2 remained well above the standard, peaking at 32.46% in 2076/77 and closing at 21.70% in 2079/80. L3 remained negligible throughout the period, indicating minimal non-earning liquid assets. ADHUNIK SACCOs showed higher volatility in L1, peaking at 39.27% in 2076/77 but declining to 14.08% in 2079/80. L2 remained above the required range in most years, though it fell to 11.13% in 2078/79 before recovering to 16.03% in 2079/80. L3, while slightly above the 1% standard, reached its highest at 1.80% in 2079/80, indicating some increase in non-earning liquid assets. Overall, these SACCOs institutions generally managed liquidity well, though fluctuations in certain years suggest varying degrees of liquidity challenges across the period.

- *Growth Analysis*

PEARLS analysis, the letter "S" stands for Signs of Growth, which assesses the overall growth trends of a financial institution. This component focuses on key areas such as the growth in membership, assets, savings, loans, and institutional capital. By monitoring these growth indicators, PEARLS aims to evaluate whether the institution is expanding sustainably and enhancing its financial health. The "S" indicators help measure how well the institution is attracting new members, increasing its asset base, and growing its loan portfolio while maintaining adequate capital reserves. Consistent growth in these areas is critical for long-term stability, as it indicates the institution's ability to meet member needs, stay competitive, and manage risks effectively.

Table 23 Signs of Growth Analysis

	PEARLS ANALYSIS of HAMRO NEPAL SACCOs	**Standard**	75/76	76/77	77/78	78/79	79/80
S1	Assets growth-	> Inflation + 10 %	56.51	48.79		28.63	13.08
S2	Loan growth	E1= 70-80%	43.26	73.77	123.52 %	34.6	7.26

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S3	Saving growth	E5 = 70 - 80 %	26.7	73.86	70.64%	24.84	26.08
S4	Non-financial investment growth	E4 = 0 %	0	0	0.00%	0	0.00
S5	Outer loan growth	E6 = 0 - 5 %	261	34.51	153.24 %	32.36	-4.89
S6	Share growth	E7 = 20 %	22.78	44.9	95.34%	37.58	9.55
S7	Fund growth	E8 ≥ 10 %	20.25	27.7	69.47%	4.1	3.42
S8	Share member growth	≥ 10 %	31.82	84.34	49.35%	52.46	43.75
	PEARLS ANALYSIS of KARNALI SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
S1	Assets growth-	E5 = 70 - 80 %	37.75	26.97	42.97	17.88	8.31
S2	Loan growth	E4 = 0 %	34.30	19.22	39.14	23.30	7.20
S3	Saving growth	E6 = 0 - 5 %	33.87	36.61	45.76	23.89	16.72
S4	Non-financial investment growth	E7 = 20 %	0	0.00	0.00	0.00	0.00
S5	Outer loan growth	E8 ≥ 10 %	58.06	16.27	52.14	8.18	-4.96
S6	Share growth	≥ 10 %	25.45	25.33	27.86	22.03	11.57
S7	Fund growth		10.76	18.59	34.12	23.40	15.08
S8	Share member growth		9.03	16.33	17.40	27.13	6.11
	PEARLS ANALYSIS of ADHUNIK SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
S1	Assets growth-	> Inflation + 10 %	38.40	31.17	-5.03	19.14	0.79
S2	Loan growth	E1= 70-80%	31.78	34.57	5.18	24.61	-1.15
S3	Saving growth	E5 = 70 - 80 %	29.95	10.72	21.96	12.08	7.29
S4	Non-financial investment growth	E4 = 0 %	0.00	0.00	0.00	0.00	0.00
S5	Outer loan growth	E6 = 0 - 5 %	111.16	89.33	-59.65	68.91	-13.03
S6	Share growth	E7 = 20 %	25.35	22.93	19.04	26.93	4.09
S7	Fund growth	E8 ≥ 10 %	58.22	22.96	44.89	16.74	-11.80

Source: Annual Report

The Signs of Growth (S) analysis of HAMRO NEPAL SACCOs, KARNALI SACCOs, and ADHUNIK SACOS reveals varying performance across different indicators over the fiscal years 75/76 to 79/80. In HAMRO NEPAL SACCOs, asset growth consistently surpassed inflation plus 10% in the earlier years, but gradually declined to just 13.08% by 79/80. Loan growth was strong, peaking at 123.52% in 77/78, while savings growth hovered around the standard of 70-80%. Share growth and fund growth fluctuated, with fund growth showing a steep decline in later years. In KARNALI SACCOs, asset growth consistently fell below the standard, and loan and savings growth showed modest improvements. Non-financial investment growth remained at 0% for all SACCOs, while outer loan growth varied, with significant surges in certain years, such as 261% in HAMRO NEPAL SACCOs during 75/76. ADHUNIK SACCOs experienced fluctuating performance, with negative outer loan growth and asset growth in some years, highlighting challenges in its growth trajectory. Despite occasional growth in loans, savings, and shares, all SACCOs showed inconsistency in maintaining stable growth, indicating areas for improvement in their financial strategies.

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F. Major Findings

➢ The major findings of the study are as follows: -

- Adhunik SACCOs has consistently demonstrated a steady and reliable increase in its share capital over the five fiscal years under review. This consistent upward trend in share capital reflects the cooperative's successful efforts to steadily enhance its financial base. The gradual growth in member investments suggests that Adhunik SACCOs has effectively attracted and retained investments, contributing significantly to its long-term financial stability and growth.

- Hamro Nepal SACCOs experienced notable fluctuations in its share capital over the fiscal years, with periods of both significant growth and declines. These variations indicate that the cooperative's capital structure has been subject to considerable changes, which might be due to varying investment levels, changes in membership, or other financial strategies. Despite these fluctuations, Hamro Nepal SACOS managed to achieve substantial overall growth by the end of the period.

- Karnali SACCOs demonstrated a strong and consistent increase in its share capital throughout the analysis period, indicating highly effective capital accumulation strategies. The steady upward trajectory in share capital suggests that Karnali SACCOs has successfully implemented strategies to attract and manage capital, resulting in a robust financial foundation.

- The investment patterns of the three cooperatives reveal distinct strategic approaches. Adhunik SACCOs exhibited a notable and sustained upward trend in its investment levels, reflecting a proactive strategy to enhance its investment portfolio and capitalize on growth opportunities. In contrast, Hamro Nepal SACCOs showed moderate growth in its investments, indicating a more cautious approach. Karnali SACCOs demonstrated relatively stable investment patterns with some fluctuations, suggesting a different strategic focus or response to changing financial conditions.

- The trend analysis of net profit across the cooperatives reveals significant differences in profitability outcomes. Karnali SACCOs achieved a consistent and substantial increase in net profit over the fiscal years, underscoring the effectiveness of its operational strategies and financial management. This consistent growth in profitability suggests that Karnali SACCOs has successfully managed its operations to generate increasing earnings. Conversely, Adhunik SACCOs faced a notable decline in net profit, reflecting potential challenges in its operational efficiency or market conditions. Hamro Nepal SACCOs experienced fluctuating profitability, with its net profit showing considerable variations.

✓ Correlation Analysis

➢ *ADHUNIK SACCOs:*

- *Share Capital and Assets:*
  A strong positive correlation exists between share capital and assets, indicating that as share capital increases, assets tend to rise significantly.

- *Share Capital and Investment:*
  There is a moderate positive correlation between share capital and investment, suggesting that higher share capital is associated with increased investments.

- *Share Capital and Net Profit:*
  A negative correlation is observed between share capital and net profit, implying that as share capital increases, net profit may decrease.

- *Investment and Assets:*
  Investment and assets are positively correlated, indicating that higher investments generally lead to an increase in asset levels.

- *Investment and Net Profit:*
  A negative correlation is present between investment and net profit, suggesting that increased investments are associated with lower net profit.

- *Net Profit and Assets:*
  There is a negative correlation between net profit and assets, meaning that as asset levels increase, net profit tends to decrease.

- *Net Profit and Investment:*
  A negative correlation is observed between net profit and investment, implying that higher investments are linked with reduced net profit.

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➢ *HAMRO NEPAL SACCOs*

- *Share Capital and Assets:*
  A strong positive correlation is observed between share capital and assets, suggesting that as share capital increases, asset levels rise significantly.

- *Share Capital and Investment:*
  There is a moderate positive correlation between share capital and investment, indicating that higher share capital is associated with greater investments.

- *Share Capital and Net Profit:*
  A negative correlation exists between share capital and net profit, meaning that as share capital increases, net profit tends to decrease.

- *Investment and Assets:*
  Investment and assets are positively correlated, showing that increased investments lead to higher asset levels.

- *Investment and Net Profit:*
  A negative correlation is present between investment and net profit, suggesting that higher investments are associated with lower net profit.

- *Net Profit and Assets:*
  There is a negative correlation between net profit and assets, indicating that as asset levels rise, net profit tends to decrease.

- *Net Profit and Investment:*
  A negative correlation is observed between net profit and investment, meaning that increased investments generally result in reduced net profit.

➢ *KARNALI SACCOs*

- *Share Capital and Assets:*
  A strong positive correlation is observed, indicating that as share capital increases, asset levels also rise significantly.

- *Share Capital and Investment:*
  There is a moderate positive correlation, suggesting that higher share capital is associated with increased investment levels.

- *Share Capital and Net Profit:*
  A negative correlation exists, meaning that as share capital increases, net profit tends to decrease.

- *Investment and Assets:*
  Investment and assets are positively correlated, showing that higher investment levels lead to increased asset values.

- *Investment and Net Profit:*
  A negative correlation is present, indicating that higher investments are associated with lower net profit.

- *Net Profit and Assets:*
  A negative correlation exists, meaning that as asset levels increase, net profit generally decreases.

- *Net Profit and Investment:*
  A negative correlation is observed, implying that increased investment levels are linked with reduced net profit.

➢ *PEARLS ANALYSIS*

This detailed data outlines the Protection, Effective Financial Structure, Asset Quality, Return & Cost Analysis of three SACCOs (Savings and Credit Co-operative Societies): HAMRO NEPAL, KARNALI, and ADHUNIK SACCOs over a period of five fiscal years (2075/76 - 2079/80).

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➢ *Protection Analysis:*

- HAMRO NEPAL SACCOs shows fluctuations in protection indicators, with notable deviations in P1, P2, and P3 in 077/78, while P6 remains strong, indicating sound overall asset management.
- KARNALI SACCOs maintains consistent performance in protection parameters over the years, adhering to standards in all categories.
- ADHUNIK SACCOs also exhibits consistency, though the Loan Risk Provision Fund for expired loans was unavailable in 076/077.

✓ *Effective Financial Structure:*

- HAMRO NEPAL and KARNALI SACCOs perform similarly, with Total Loan/Total Assets (E1) exceeding the ideal 70-80% range, indicating high loan activity relative to assets.
- ADHUNIK SACCOs shows a stable trend with E1 remaining within the recommended range.
- All three SACCOs face challenges in Institutional Capital (E8), falling below the desired ≥10% threshold.

✓ *Asset Quality Analysis:*

- HAMRO NEPAL saw a rise in Non-Performing Loans (NPL) in 079/80, reaching 5.24%, above the ≤5% standard. Non-Earning Assets (NEA) slightly exceeded the 5% standard in the last two years.
- KARNALI SACCOs performs better in asset quality, with consistent NPLs and NEAs remaining within the acceptable limits.
- ADHUNIK SACCOs shows a relatively stable asset quality, with improvements in NEAs over the years.

✓ *Return & Cost Analysis:*

- HAMRO NEPAL shows fluctuating returns, with Loan Interest Rates (R1) gradually decreasing. Net Profit (R12) drops sharply, highlighting a decline in overall profitability by 079/80.
- KARNALI SACCOs maintains better profitability across the years, with R12 remaining above 1%, despite a slight dip in 079/80.
- ADHUNIK SACCOs demonstrates consistent loan interest performance, with R1 close to market rates and relatively stable profitability.

These analyses provide insights into the financial health and operational efficiency of the three SACCOs, showing areas of strength in loan management but revealing concerns in institutional capital adequacy and profitability, particularly for HAMRO NEPAL.

G. Discussion

The trend analysis across Adhunik SACCOs, Hamro Nepal SACCOs, and Karnali SACCOs reveals diverse patterns in their financial metrics, reflecting distinct growth trajectories and operational strategies. Adhunik SACCOs shows consistent growth in share capital and assets but a troubling decline in net profit, suggesting potential inefficiencies or increased costs affecting profitability. Hamro Nepal SACCOs exhibits substantial increases in share capital and assets with significant growth in investments, although net profit trends are volatile, indicating fluctuating operational effectiveness or market challenges. Conversely, Karnali SACCOs demonstrates robust growth in all metrics—share capital, investments, and assets—coupled with a steady increase in net profit, reflecting effective capital management and operational success. These variations underscore the different approaches and financial health of each cooperative, highlighting the importance of strategic planning and management in achieving financial stability and growth.

The descriptive statistics reveal a broad spectrum of financial performance across the SACCOs entities. For Adhunik SACCOs, Share Capital, Investment, and Assets display significant variability, with Share Capital having a mean of approximately Rs. 478 million and Assets showing a mean of about Rs. 4.7 billion. This variability suggests differences in financial health and resource allocation among the entities. In contrast, the correlation analysis shows varying relationships between Share Capital, Investment, Assets, and Net Profit. Adhunik SACCOs exhibits a strong positive correlation between Share Capital and Assets, indicating that increases in Share Capital are associated with higher asset levels. However, the negative correlation with Net Profit suggests that higher Share Capital might not necessarily translate into higher profitability. Similarly, Hamro Nepal SACCOs and Karnali SACCOs show complex relationships, where increased Share Capital often correlates with higher Investment and Assets but does not always result in higher Net Profit.

In examining the financial performance and operational efficiency of HAMRO NEPAL, KARNALI, and ADHUNIK SACCOs over the five fiscal years from 2075/76 to 2079/80, key observations can be made in the areas of protection, effective financial structure, asset quality, and return and cost analysis. HAMRO NEPAL SACCOs exhibited fluctuations in protection indicators, with notable deviations in P1, P2, and P3 in 077/78, although P6 remained strong, suggesting effective asset management overall. However, ADHUNIK SACCOs experienced a gap in data availability for its Loan Risk Provision Fund for expired loans in 076/077.

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KARNALI SACCOs demonstrated consistent adherence to protection standards throughout the period. In terms of effective financial structure, both HAMRO NEPAL and KARNALI SACCOs surpassed the recommended 70-80% range for total loan-to-total asset ratios, indicating high loan activity, while ADHUNIK SACCOs remained within the ideal range. A challenge observed across all three SACCOs was their failure to meet the recommended institutional capital ratio (≥10%), which could pose risks to long-term sustainability. Asset quality analysis showed varying trends among the SACCOs. HAMRO NEPAL experienced a rise in non-performing loans (NPLs) and non-earning assets (NEAs) in the last two years, exceeding the acceptable standards and pointing to potential issues in loan repayment and asset management. In contrast, KARNALI SACCOs maintained consistent performance in both NPLs and NEAs, while ADHUNIK SACCOs exhibited improvement in NEAs over the years, indicating more effective management of non-performing assets. Regarding return and cost analysis, HAMRO NEPAL faced declining loan interest rates and a sharp drop in net profit (R12) by 079/80, reflecting challenges in profitability. KARNALI SACCOs, on the other hand, maintained better profitability, with net profit remaining above 1% despite a slight dip in the last year. ADHUNIK SACCOs showed stable loan interest rates and relatively consistent profitability, though not without its own challenges. Overall, while the SACCOs exhibited strengths in loan management, concerns regarding institutional capital adequacy and profitability, particularly for HAMRO NEPAL, highlight areas that require focused attention to ensure sustained financial health.

- *Similarities*

The studies reviewed reveal consistent findings regarding the impact of financial metrics on SACCOs performance. Across Adhunik SACCOs, Hamro Nepal SACCOs, and Karnali SACCOs, there is a general trend that increases in Share Capital and Assets are associated with improved financial stability and operational efficiency. Nepalese studies, such as those by Paudel (2024), Khanal (2016), and Goutam (2011), emphasize that larger share capital provides a cushion against liquidity challenges, enabling cooperatives to maintain operational efficiency and profitability. Similarly, Bhusal (2020) highlights the positive impact of institutional capital and asset growth on member satisfaction and service quality. These findings are consistent with international studies like those by Akuetteh (2019) in Ghana and Patel and Sharma (2024) in India, which show that higher asset bases and better capital management contribute to enhanced financial performance and risk management.

- *Differences*

Despite these similarities, notable differences exist between Nepalese and international contexts. In Nepal, studies often focus on localized challenges such as inadequate financial literacy, weak governance, and record-keeping issues, as noted by Sharma (2005) and Simkhada (2017). In contrast, international studies, like Zerfeshewa (2010) in Ethiopia and Gatwa (2024) in Kenya, highlight broader systemic issues such as the need for legislative reforms and improved collateral systems. Methodologically, Nepalese research tends to employ mixed-method approaches combining qualitative interviews with financial data analysis, whereas international studies, such as Patel and Sharma (2024), predominantly use quantitative analysis to assess PEARLS indicators. These differences reflect the adaptability of the PEARLS framework while addressing unique regional challenges faced by SACCOs in Nepal.

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CHAPTER FIVE SUMMARY AND CONCLUSION

A. Summary

This study aims to enhance the financial dynamics and operational effectiveness of Savings and Credit Cooperatives (SACCOs) in Jhapa, Nepal, using the PEARLS framework, which evaluates Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, and Signs of Growth. By focusing on SACCOs like Adhunik Saving & Credit Co-operative Limited, Hamro Saving & Credit Co-operative Pvt. Ltd, and Karnali Saving & Credit Co-Operative Society, the research seeks to address challenges such as inadequate record-keeping, transparency issues, and resource constraints that impact their financial sustainability and operational efficiency. The study will identify strengths, weaknesses, and opportunities for improvement, ultimately aiming to provide actionable recommendations for enhancing the financial performance and effectiveness of SACCOs. However, limitations include the study's regional focus, reliance on secondary data, and potential difficulties in accessing comprehensive internal information. Despite these challenges, the study is expected to contribute valuable insights to improve SACCOs operations and reinforce their role in community development.

The analysis of Adhunik SACCOs, Hamro Nepal SACCOs, and Karnali SACCOs unveils distinct financial trends and strategic approaches. Adhunik SACCOs displays a consistent upward trajectory in share capital and assets, suggesting a solid foundation for financial stability. However, its net profit has seen a notable decline, which could indicate operational inefficiencies or increased costs affecting profitability. In contrast, Hamro Nepal SACCOs experiences substantial fluctuations in its share capital and net profit. Despite these variations, it manages to achieve overall growth, reflecting a dynamic and potentially volatile financial performance. On the other hand, Karnali SACCOs exhibits a robust and consistent increase in share capital, investments, and assets, coupled with a steady rise in net profit, signaling effective capital management and operational success.

Descriptive statistics reveal significant variability in the financial performance of these cooperatives. For Adhunik SACCOs, the average share capital stands at approximately Rs. 478 million, with assets averaging around Rs. 4.7 billion. This variability highlights differences in financial health and resource management among the cooperatives. Correlation analysis shows a general positive relationship between increased share capital and asset levels across the cooperatives. However, the impact on net profit is less clear, with negative correlations suggesting that higher levels of share capital and investment do not necessarily translate into higher profitability. This complexity underscores the nuanced relationship between capital investment and financial performance.

The research methods section outlines a systematic approach for evaluating the financial performance of Savings and Credit Cooperative Societies (SACCOs) in Nepal. Employing a quantitative methodology and secondary data collection, the study utilizes the PEARLS framework to assess key financial indicators such as protection, asset quality, and liquidity. A sample of three SACCOs from Jhapa district—Adhunik Savings and Crediting Cooperative Society Limited, Hamro Nepal Savings and Credit Cooperative Society Limited, and Karnali Savings and Credit Cooperative Society Limited—will be analyzed to provide insights into their financial health and operational effectiveness. By leveraging annual reports and financial statements, the research aims to identify strengths and weaknesses within these cooperatives, offering actionable recommendations to enhance their sustainability. The conceptual framework defines independent variables (Total Assets, Share Capital, and Investment) and the dependent variable (Net Profit), establishing a clear basis for understanding the relationships and impact on financial performance.

The financial analysis of HAMRO NEPAL, KARNALI, and ADHUNIK SACCOs over five fiscal years (2075/76 - 2079/80) reveals key insights into their protection, effective financial structure, asset quality, and return and cost performance. HAMRO NEPAL SACCOs experienced fluctuations in protection indicators and faced challenges with rising non-performing loans (NPLs) and non-earning assets (NEAs) by 079/80. Its profitability also declined sharply in the same year, highlighting issues in financial performance. KARNALI SACCOs, in contrast, maintained consistent performance across protection, asset quality, and profitability metrics, showing stronger financial stability. ADHUNIK SACCOs displayed stable trends in loan-to-asset ratios, asset quality improvements, and consistent profitability, though it faced challenges in institutional capital adequacy.

Overall, while KARNALI SACCOs performed most consistently, both HAMRO NEPAL and ADHUNIK SACCOs showed areas for improvement, particularly regarding institutional capital and profitability. The analysis underscores the need for focused strategies to enhance financial structure and ensure sustained growth, especially for HAMRO NEPAL, which exhibited the most variability across the key indicators.

The literature review corroborates the general effectiveness of frameworks like PEARLS in enhancing financial stability and operational efficiency across various regions. Studies consistently show positive impacts on asset quality and liquidity when such frameworks are implemented. However, regional differences, such as those observed between Nepal and Southeast Asia, highlight the importance of contextualizing these frameworks. Tailoring approaches to address specific local challenges and leveraging regional opportunities are crucial for optimizing the effectiveness of such frameworks. This nuanced understanding underscores the need for customized strategies to enhance financial performance in different geographical and operational contexts.

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B. Conclusion

This study on the financial dynamics and operational effectiveness of Savings and Credit Cooperatives (SACCOs) in Jhapa, Nepal, utilizing the PEARLS framework, has provided significant insights into the performance and strategic approaches of Adhunik SACCOs, Hamro Nepal SACCOs, and Karnali SACCOs. The analysis highlights that while each cooperative demonstrates varying degrees of success in different financial metrics, there are common themes and critical differences that shape their overall effectiveness. Adhunik SACCOs has shown a steady increase in share capital and assets, indicating a robust financial foundation. However, its declining net profit points to potential inefficiencies or rising costs, suggesting the need for improved operational strategies. Conversely, Hamro Nepal SACCOs exhibits substantial fluctuations in both share capital and net profit, reflecting a volatile financial performance. Despite these variations, its overall growth suggests an adaptive approach that might benefit from enhanced stability and strategic consistency. In contrast, Karnali SACCOs presents a strong, consistent upward trend across all financial metrics, indicating effective capital management and operational success. The stable growth in net profit further underscores the effectiveness of its strategies.

The descriptive and regression analyses reveal a complex relationship between share capital, investment, assets, and net profit. While a general positive correlation exists between share capital and asset levels across the cooperatives, the impact on net profit is less straightforward. The negative correlations observed suggest that increased share capital and investment do not necessarily translate into higher profitability. This complexity underscores the need for a nuanced understanding of how capital investments influence financial performance. For Adhunik SACCOs, the regression analysis indicates that the model's predictors do not significantly impact net profit, highlighting potential limitations in the model's ability to explain profit variations. On the other hand, Karnali SACCOs shows a high R Square value, suggesting a strong model fit, but the marginal significance of the ANOVA results necessitates cautious interpretation of the findings.

The study's findings align with broader research on the effectiveness of the PEARLS framework in enhancing financial stability and operational efficiency. The positive impacts observed in asset quality and liquidity across various regions, as highlighted in the literature review, support the general effectiveness of the framework. However, regional differences, such as those between Nepal and Southeast Asia, emphasize the importance of contextualizing these frameworks. Tailoring approaches to address specific local challenges and leveraging regional opportunities are crucial for optimizing the framework's effectiveness. This study contributes to the understanding of SACCOs performance in Nepal, highlighting the need for customized strategies to improve financial health and operational success.

In conclusion, the study underscores the importance of strategic planning and management in achieving financial stability and growth for SACCOs. While the PEARLS framework provides a valuable tool for assessing financial performance, the diverse findings across Adhunik SACCOs, Hamro Nepal SACCOs, and Karnali SACCOs illustrate that its effectiveness varies based on the cooperative's specific context and operational dynamics. Future research should focus on exploring additional factors influencing financial performance and developing tailored strategies that address the unique challenges faced by SACCOs in different regions.

In conclusion, the financial analysis of HAMRO NEPAL, KARNALI, and ADHUNIK SACCOs over the five fiscal years (2075/76 - 2079/80) highlights both strengths and areas for improvement across key operational and financial indicators. HAMRO NEPAL SACCOs faces challenges in maintaining asset quality, with increasing non-performing loans and declining profitability, pointing to the need for stronger risk management and operational efficiency. KARNALI SACCOs demonstrated consistent performance across all financial parameters, indicating its stability and sound financial practices. ADHUNIK SACCOs, while showing steady performance in asset quality and profitability, faces a similar issue with institutional capital adequacy, which could impact its long-term sustainability. Overall, improving capital structure and ensuring consistent profitability will be essential for all three SACCOs to enhance their financial health and support sustainable growth in the future.

The study's limitations, including its regional focus and reliance on secondary data, highlight the need for further research to validate the findings and explore broader contexts. Despite these challenges, the insights gained offer valuable recommendations for enhancing the financial performance and effectiveness of SACCOs. By addressing identified weaknesses and leveraging strengths, SACCOs can improve their operational efficiency and contribute more effectively to community development.

C. Implications

The implications of a PEARLS analysis for cooperatives are critical for enhancing their financial performance and overall stability. By focusing on key areas like Protection, Effective financial structure, Asset quality, Rates of return and cost, Liquidity, and Signs of growth, cooperatives can better manage risks and identify areas for improvement. The PEARLS framework allows cooperatives to track efficiency, profitability, and solvency, offering actionable insights that promote sustainable growth. Through these metrics, management can make informed decisions, strengthen internal controls, and ensure the cooperative remains competitive and resilient in a dynamic financial environment. The implications of the study are as follows:

- Strategic Capital Management: The study highlights the importance of effective capital management strategies for SACCOs. For cooperatives like Adhunik SACCOs, which demonstrated steady capital accumulation but declining net profit, it is crucial to reevaluate their operational and financial strategies. Enhanced capital management practices can help in aligning share capital

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growth with profitability improvements. This involves optimizing investment strategies and operational efficiencies to ensure that increases in share capital translate into better financial outcomes.

- Investment Strategies and Profitability: The fluctuating investment patterns observed in Hamro Nepal SACCOs and their impact on profitability underscore the need for a balanced approach to investment. SACCOs must develop strategic investment plans that not only focus on capital expansion but also consider the potential trade-offs between investment levels and profitability. This can involve adopting more dynamic investment strategies and closely monitoring their impact on financial performance.

- Operational Efficiency Enhancements: The significant differences in net profit trends among the cooperatives suggest that operational efficiency plays a crucial role in financial performance. For example, Karnali SACCOs's consistent profit growth indicates successful operational management. Other SACCOs, particularly those facing profit declines, should focus on improving operational efficiency through process optimization, cost management, and enhanced productivity to achieve similar financial stability.

- Tailored Financial Frameworks: The study reinforces the necessity for tailored financial frameworks that address the specific challenges faced by different SACCOs. While the PEARLS framework provides a general approach, its application needs to be customized based on the unique financial dynamics and operational contexts of each cooperative. This implies that SACCOs should adapt the framework's principles to better align with their individual financial situations and strategic goals.

- Regional Contextualization: The observed differences in the effectiveness of financial frameworks across regions, as highlighted by the study, underscore the importance of contextualizing financial management practices. SACCOs in Nepal and similar regions may face unique challenges compared to those in Southeast Asia or other regions. Therefore, financial strategies and frameworks should be adapted to local economic conditions, regulatory environments, and market dynamics to enhance their effectiveness.

- Enhanced Data Utilization: The study's findings point to the value of comprehensive data collection and analysis for improving SACCOs performance. Reliable and detailed financial data are essential for accurate trend analysis and informed decision-making. SACCOs should invest in robust data management systems and analytical tools to better understand their financial health, identify potential issues, and make data-driven decisions.

- Policy and Regulation Implications: The variations in financial performance and effectiveness of management practices across SACCOs suggest a need for policy and regulatory adjustments. Policymakers should consider developing guidelines that promote best practices in financial management and operational efficiency for SACCOs. This may include establishing standards for financial reporting, performance evaluation, and capital management to support the growth and sustainability of SACCOs in the sector.

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APPENDICES

APPENDIX-1 TREND ANALYSIS

Table 1 Trend Analysis of Share Capital (Amt in Rs)

Fiscal Year	Adhunik SACOS	Hamro Nepal SACOS	Karnali SACOS
2075/76	14,167,550.00	51,205,600.00	223,688,400.00
2076/77	17,415,716.00	74,208,500.00	280,351,500.00
2077/78	20,731,666.00	12,522,970.00	358,453,000.00
2078/79	26,315,244.00	172,291,000.00	437,404,100.00
2079/80	27,391,400.00	188,748,700.00	488,021,700.00

Source: Annual Report

Table 2 Trend Analysis of Investment

Fiscal Year	Adhunik SACOS	Hamro Nepal SACOS	Karnali SACOS
2075/76	114,500.00	4,542,400.00	4,414,300.00
2076/77	1,030,500.00	5,137,600.00	4,475,800.00
2077/78	1,020,000.00	5,297,600.00	9,377,800.00
2078/79	1,030,000.00	5,462,600.00	9,401,900.00
2079/80	1,030,000.00	5,492,600.00	9,402,200.00

Source: Annual Report

Table 3 Trend Analysis of total Assets

Fiscal Year	Adhunik SACCO	Hamro Nepal SACCO	Karnali SACCO
2075/76	135,548,040.64	489,606,510.76	1,855,739,852.49
2076/77	177,791,835.21	728,684,359.12	2,356,173,174.52
2077/78	168,844,771.92	1,487,681,667.28	3,368,729,633.59
2078/79	201,163,446.56	1,913,569,907.27	3,971,176,626.39
2079/80	202,758,687.49	2,163,919,595.59	4,301,050,019.10

Source: Annual Report

Table 4 Trend of Net Profit Analysis

Fiscal Year	Adhunik SACCO	Hamro Nepal SACCO	Karnali SACCO
2075/76	2,992,454.00	5,406,700.49	43,326,792.10
2076/77	2,422,077.11	4,017,487.02	45,376,384.29
2077/78	3,494,825.47	7,048,247.67	79,927,914.52
2078/79	3,282,444.90	3,858,956.34	86,137,821.64
2079/80	325,788.58	442,266.38	77,966,514.79

Source: Annual Report

APPENDIX-II DESCRIPTIVE ANALYSIS

Table 5 Descriptive Statistics

Variables	N	Mean	Std. Deviation
Total Share Capital	5	478583409.20	180623908.67
Total Investment	5	13445960.00	3323779.53
Total Assets	5	4704487625.59	1795048637.71
Total Net Profit	5	74839596.43	21179497.81
Valid N (listwise)	5		

Source: Annual Report

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APPENDIX-III CORRELATION ANALYSIS

Table 6 Correlation Analysis of Adhunik SACCOs

		Share Capital	Investment	Assets	Net Profit
Share Capital	Pearson Correlation	1			
Investment	Pearson Correlation	0.696	1		
Assets	Pearson Correlation	.922*	0.850	1	
Net Profit	Pearson Correlation	-0.450	-0.218	-0.465	1

Source: Annual Report

Table 7 Correlation Analysis of HAMRO NEPAL SACCOs

		Share Capital	Investment	Assets	Net Profit
Share Capital	Pearson Correlation	1			
Investment	Pearson Correlation	0.587	1		
Assets	Pearson Correlation	0.707	.890*	1	
Net Profit	Pearson Correlation	-.878*	-0.449	-0.531	1
*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Annual Report

Table 8 Correlation Analysis of Karnali SACCOs

		Share Capital	Investment	Assets	Net Profit
Share Capital	Pearson Correlation	1			
Investment	Pearson Correlation	.889*	1		
Assets	Pearson Correlation	.993**	.934*	1	
Net Profit	Pearson Correlation	.931*	.993**	.966**	1
*. Correlation is significant at the 0.05 level (2-tailed).					
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: SPSS

APPENDIX-IV REGRESSION ANALYSIS

- *Regression Analysis of ADHUNIK SACCOs*

Table 9 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.582[a]	0.34	-1.64	2085490.07
a. Predictors: (Constant), Assets, Investment, Share Capital				

Source: SPSS

Table 10 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2228345254997.34	3	742781751665.78	.171	.906[b]
	Residual	4349268818017.59	1	4349268818017.59		
	Total	6577614073014.938	4			
a. Dependent Variable: Net Profit						
b. Predictors: (Constant), Assets, Investment, Share Capital						

Source: SPSS

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➢ *Regression Analysis of HAMRO NEPAL SACCOs*

Table 11 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10293534.53	13630504.43		0.755	0.588
	Share Capital	0.063	0.525	0.279	0.120	0.924
	Investment	2.280	5.366	0.726	0.425	0.744
	Assets	-0.062	0.147	-1.339	-0.423	0.745
a. Dependent Variable: Net Profit ADH						

Source: SPSS

Table 12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888[a]	0.79	0.16	2241204.17
a. Predictors: (Constant), Assets, Share Capital, Investment				

Source: SPSS

Table 13 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18805582304126.00	3	6268527434708.68	1.248	.563[b]
	Residual	5022996133627.12	1	5022996133627.12		
	Total	23828578437753.20	4			
a. Dependent Variable: Net Profit						
b. Predictors: (Constant), Assets, Share Capital, Investment						

Source: SPSS

Table 14 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	9065106.79	29193005.69		0.311	0.808
	Share Capital	-0.032	0.021	-1.012	-1.546	0.365
	Investment	-0.561	6.404	-0.089	-0.088	0.944
	Assets	0.001	0.004	0.263	0.226	0.858
a. Dependent Variable: Net Profit						

Source: SPSS

➢ *Regression Analysis of Karnali SACCOs*

Table 15 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	0.998	0.991	2047423.73
a. Predictors: (Constant), Assets, Investment, Share Capital				

Source: SPSS

Table 16 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1916475091044560.00	3	638825030348186.00	152.39	.059[b]
	Residual	4191943932890.11	1	4191943932890.11		
	Total	1920667034977450.00	4			
a. Dependent Variable: Net Profit						
b. Predictors: (Constant), Assets, Investment, Share Capital						

Source: SPSS

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Table 17 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4872287.56	7148327.35		0.682	0.619
	Share Capital	0.025	0.247	0.125	0.102	0.935
	Investment	6.117	3.209	0.757	1.906	0.308
	Assets	0.003	0.033	0.135	0.086	0.946
a. Dependent Variable: Net Profit						

Source: SPSS

APPENDIX-V PEARLS ANALYSIS

➢ *Protection Analysis*

Table 18 Protection Analysis

	Protection Analysis of HAMRO NEPAL SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
P1	Loan Risk Provision Fund 100% / Expired Loan > 12 Months	100	100	100	1	100	100
P2	Loan Risk Provision Fund 35% / Expired Loan < 12 Months	35	N\A	35	0.35	35	35
P3	Loan Risk Provision Fund / Good Loan	1	1	1	0.01	1	1
P6	P6 - Total Assets/ (Net share + net saving)	≥ 111%	165.83	156.00	175	177.61	162.71
	Protection Analysis of KARNALI SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
P1	Loan Risk Provision Fund 100% / Expired Loan > 12 Months	100	100	100	100	100	100
P2	Loan Risk Provision Fund 35% / Expired Loan < 12 Months	35	35	35	35	35	35
P3	Loan Risk Provision Fund / Good Loan	1	1	1	1	1	1
P6	P6 - Total Assets/ (Net share + net saving)	≥ 111%	188.82	178.85	180.14	171.91	160.86
	Protection Analysis of ADHUNIK SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
P1	Loan Risk Provision Fund 100% / Expired Loan > 12 Months	100	100	N/A	100	100	100
P2	Loan Risk Provision Fund 35% / Expired Loan < 12 Months	35	N/A	N/A	35	35	35
P3	Loan Risk Provision Fund / Good Loan	1	N/A	N/A	1	1	1
P6	P6 - Total Assets/ (Net share + net saving)	≥ 111%	140.32	163.58	255.73	133.15	125.74

Source: Annual Report

➢ *Effective Financial Structure*

Table 19 Effective Financial Structure Analysis

	PEARLS of HAMRO NEPAL SACCOs	**Standard**	**075/076**	**076/077**	**077/078**	**078/079**	**079/80**
E1	Total Loan / Total Assets	70-80 %	65.81	88.15	84%	89.82	83.63
E2	Bank deposit / TA	≤ 16%	22.17	7.66	10%	6.16	10.53
E3	INVESTMENT / TA	≤ 3 %	0.93	1.3	0.36%	0.29	0.25
E5	TOTAL SAVING / TA	70-80 %	49.86	59.04	49%	47.3	52.74
E6	OUTER LOAN / TA	0 - 5 %	34.85	31.56	39%	40.27	33.87
E7	SHARE/TA	≤ 20 %	10.44	27.11	8%	9	8.72
E8	Institutional capital / TA	≥ 10 %	2.52	1.82	3%	1.16	0.99
E9	Net institutional capital/ TA	≥ 10 %	1.91	2.23	3%	1.04	0.98

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	PEARLS of KARNALI SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
E1	Total Loan / Total Assets	70-80 %	65.81	88.15	84%	89.82	83.63
E2	Bank deposit / TA	≤ 16%	22.17	7.66	10%	6.16	10.53
E3	INVESTMENT / TA	≤ 3 %	0.93	1.3	0.36%	0.29	0.25
E5	TOTAL SAVING / TA	70-80 %	49.86	59.04	49%	47.3	52.74
E6	OUTER LOAN / TA	0 - 5 %	34.85	31.56	39%	40.27	33.87
E7	SHARE/TA	≤ 20 %	10.44	27.11	8%	9	8.72
E8	Institutional capital / TA	≥ 10 %	2.52	1.82	3%	1.16	0.99
E9	Net institutional capital/ TA	≥ 10 %	1.91	2.23	3%	1.04	0.98
	PEARLS of ADHUNIK SACCOs	**Standard**	**075/076**	**076/077**	**077/078**	**078/079**	**079/80**
E1	TL/TA	70-80 %	89.67	84.15	82.06	85.84	84.96
E2	Bank deposit/ TA	≤ 16%	8.61	14.26	14.20	10.43	11.03
E3	INVESTMENT/TA	≤ 3 %	0.24	0.19	0.28	0.24	0.22
E4	N/A	70-80 %	0.00	0.00	0.00		
E5	TOTALSAVING/TA	0 - 5 %	40.91	44.01	44.87	47.16	50.82
E6	OUTERLOAN/TA	≤ 20 %	34.16	31.28	33.29	30.55	26.81
E7	SHARE/TA	≥ 10 %	12.05	11.90	10.64	11.01	11.35
E8	Institutional capital/ TA	≥ 10 %	6.16	5.60	5.46	5.62	6.00
E9	Net institutional capital/ TA		4.20	4.05	3.86	4.00	4.90

Source: Annual Report

- *Assets Quality*

Table 20 Assets Quality Analysis

	PEARLS Analysis of Hamro Nepal SACCOs	Standard	075/76	076/77	077/78	078/79	079/80
A1	Non-Performing Loan (NPL) / Total Loan	≤ 5 %	1.28	1.23	0.90%	1.97	5.24
A2	Non-Earning Assets (NEA)/Total Assets	≤ 5 %	11.09	8.49	4.98%	5.39	5.59
A3	Non cost capital/NEA	≥ 200%	22.73	21.46	27%	21.47	9.95
	PEARLS Analysis of Karnali SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
A1	NPL/TL	≤ 5 %	1.04	1.12	0.76	0.97	1.16
A2	NEA/TA	≤ 5 %	1.49	1.40	3.46	3.49	3.79
A3	Non cost capital/NEA	≥ 200%	477.22	353.00	157.73	160.743	158.18
	PEARLS Analysis of Adhunik SACCOs	Standard	075/076	076/077	077/078	078/079	079/80
A1	Non-Performing Loan (NPL) / Total Loan	≤ 5 %	1.00	1.00	1.75	1.40	1.27
A2	Non-Earning Assets (NEA)/Total Assets	≤ 5 %	11.56	15.04	4.79	5.01	5.51

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A3	Non cost capital/NEA	≥ 200%	49.6	35.76	17 1.29	16 0.54	12 7.64

Source: Annual Report

- *Rate of Return and Costs*

Table 21 Return & Cost Analysis

	PEARLS Analysis of Hamro Nepal SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
R1	Loan Interest / Avg. Loan	Market Rate	19.72	17.97	16%	16.95	17.54
R2	Bank Interest / Avg. Bank Deposit	Market Rate	7.65	3.25	2%	2.1	2.33
R3	Dividend or interest / Average Investment	Market Rate	8.81	16.11	24%	21.81	24.26
R4	Non-Financial Investment / Avg Non-Fin.Investment	≥ R1					
R5	Interest on saving/ Avg. Saving	Market Rate> Inflation	7.51	7.28	7%	9.31	9.89
R6	Outer loan Interest/ Avg Outer loan	Market Rate	12.47	12.77	8%	13.64	14.73
R7	dividend exp on share/ Avg. Share	Market Rate > R5	6.41	5.16	2.46	2.74	1.24
R8	Total Income/ Avg. Assets	Market Rate, E9 = 10%	17.59	15.99	15.84	17.75	8.64
R9	Total Operating exp / Avg ASSETS	≤ 5 %	7.20	5.53	15.84	6.46	5.80
R10	LOAN LOSS PROVISION/ Avg LOAN		1.84	1.62	2%	2.12	3.78
R11	On-recurring Income / Average Total Assets	Low	N/A	N/A	N/A	N/A	N/A
R12	Net Profit / Avg. Assets	Market Rate, E9 = 10%	1.29	0.59	1%	0.23	0.02
	PEARLS Analysis of KARNALI SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
R1	Loan Interest/ Ave. Loan	Market Rate	16.73	15.49	15.13	15.82	15.36
R2	Bank Interest/ Ave. Bank Deposit	≥ R1	3.19	3.71	1.95	1.24	2.22
R3	Dividend or interest/ Average Investment	Market Rate> Inflation	8.37	18.96	15.67	13.98	18.57
R4	Non-Financial Investment/ Ave Non-Fin.Invt	Market Rate	N/A	N/A	N/A	N/A	N/A
R5	Interest on saving/ Avg. Saving	Market Rate > R5	7.73	9.33	8.63	8.26	8.36
R6	Outer loan Interest/ Ave Outer loan	Market Rate, E9 = 10%	13.43	11.48	8.23	10.73	13.79
R7	dividend exp on share/ Avg. Share	≤ 5 %	6.29	6.72	5.16	7.10	6.90
R8	Total Income/ Ave. Assets		16.66	14.89	14.01	14.59	15.02
R9	Total Operating exp/ Avg ASSETS	Low	5.37	4.31	3.86	4.12	4.01
R10	LOAN LOSS PROVISION/ AVg LOAN	Market Rate, E9 = 10%	1.97	1.97	1.81	1.89	1.70
R11	on-recurring Income or Expense/Average Total Assets		N/A	N/A	N/A	N/A	N/A
R12	Net Profit/ Ave. Assets		2.71	2.15	2.79	2.74	1.89
	PEARLS Analysis of ADHUNIK SACCOs	Standard	75/76	76/77	77/78	78/079	79/80
R1	Loan Interest / Avg. Loan	Market Rate	16.25	14.93	15.93	16.66	15.49
R2	Bank Interest / Avg. Bank Deposit	Market Rate	0.00	0.00	2.92	2.36	3.70
R3	Dividend or interest / Average Investment	Market Rate	0.00	30.10	4.12	13.11	14.00
R4	Non-Financial Investment / Avg Non-Fin.Investment	≥ R1	0.00	0.00	0.00	0.00	0.00
R5	Interest on saving/ Avg. Saving	Market Rate> Inflation	6.77	7.19	7.58	7.52	8.29
R6	Outer loan Interest/ Avg Outer loan	Market Rate	0.44	4.67	14.21	22.19	24.35
R7	dividend exp on share/ Avg. Share	Market Rate > R5	0.00	0.00	0.00	7.08	7.07

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R9	Total Operating exp / Avg ASSETS	≤ 5 %	5.95	5.71	11.39	13.67	2.41
R10	Loan Loss Provision/ Avg Loan		4.15	3.02	2.79	2.47	2.24
R11	On-recurring Income / Average Total Assets	Low	N/A	N/A	N\A	N\A	N\A
R12	Net Profit / Avg. Assets	Market Rate, E9 = 10%	2.56	1.55	2.02	1.77	0.16

Source: Annual Report

- *Liquidity Analysis*

Table 22 Liquidity Analysis

	PEARLS Analysis of Hamro Nepal SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
L1	liquid Assets - Short Term Payable/total saving	15%	45.68	20	20%	10.95	15.51
L2	Liquid Assets /total saving	10 - 15 %	7.033	23	23%	14.07	12.49
L3	Non earing liquid assets / total assets	< 1%	1.29	0.0	0.00%	0.49	0.54
	PEARLS Analysis of Karnali SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
L1	liquid Assets- Short Term Payable/total saving	15%	3.82	15.70	19.49	10.45	11.55
L2	Liquid Assets/total saving	10 - 15 %	21.06	32.46	31.64	22.13	21.70
L3	Non earing liquid assets/ total assets	< 1%	0.01	0.03	0.00	0	0.00
	PEARLS Analysis of Adhunik SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
L1	liquid Assets - Short Term Payable/total saving	15%	25.16	39.27	15.87	11.34	14.08
L2	Liquid Assets /total saving	10 - 15 %	27.03	19.75	17.51	11.13	16.03
L3	Non earing liquid assets / total assets	< 1%	1.18	0.76	1.30	1.21	1.80

Source: Annual Report

- *Growth Analysis*

Table 23 Signs of Growth Analysis

	PEARLS ANALYSIS of HAMRO NEPAL SACCOs	**Standard**	75/76	76/77	77/78	78/79	79/80
S1	Assets growth-	> Inflation + 10 %	56.51	48.79		28.63	13.08
S2	Loan growth	E1= 70-80%	43.26	73.77	123.52%	34.6	7.26
S3	Saving growth	E5 = 70 - 80 %	26.7	73.86	70.64%	24.84	26.08
S4	Non-financial investment growth	E4 = 0 %	0	0	0.00%	0	0.00
S5	Outer loan growth	E6 = 0 - 5 %	261	34.51	153.24%	32.36	-4.89
S6	Share growth	E7 = 20 %	22.78	44.9	95.34%	37.58	9.55
S7	Fund growth	E8 ≥ 10 %	20.25	27.7	69.47%	4.1	3.42
S8	Share member growth	≥ 10 %	31.82	84.34	49.35%	52.46	43.75
	PEARLS ANALYSIS of KARNALI SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
S1	Assets growth-	E5 = 70 - 80 %	37.75	26.97	42.97	17.88	8.31
S2	Loan growth	E4 = 0 %	34.30	19.22	39.14	23.30	7.20
S3	Saving growth	E6 = 0 - 5 %	33.87	36.61	45.76	23.89	16.72
S4	Non-financial investment growth	E7 = 20 %	0	0.00	0.00	0.00	0.00
S5	Outer loan growth	E8 ≥ 10 %	58.06	16.27	52.14	8.18	-4.96
S6	Share growth	≥ 10 %	25.45	25.33	27.86	22.03	11.57
S7	Fund growth		10.76	18.59	34.12	23.40	15.08
S8	Share member growth		9.03	16.33	17.40	27.13	6.11
	PEARLS ANALYSIS of ADHUNIK SACCOs	Standard	75/76	76/77	77/78	78/79	79/80
S1	Assets growth-	> Inflation + 10 %	38.40	31.17	-5.03	19.14	0.79
S2	Loan growth	E1= 70-80%	31.78	34.57	5.18	24.61	-1.15
S3	Saving growth	E5 = 70 - 80 %	29.95	10.72	21.96	12.08	7.29
S4	Non-financial investment growth	E4 = 0 %	0.00	0.00	0.00	0.00	0.00
S5	Outer loan growth	E6 = 0 - 5 %	111.16	89.33	-59.65	68.91	-13.03
S6	Share growth	E7 = 20 %	25.35	22.93	19.04	26.93	4.09
S7	Fund growth	E8 ≥ 10 %	58.22	22.96	44.89	16.74	-11.80

Source: Annual Report