

Chapter - One

Introduction

1.1 Background of the Study

Nepal is a landlocked country adjoining China in the north and surrounded on the three remaining sides by India. It is situated in the southern part of the Asia being beautiful and mountainous. The total area of Nepal is 1,47,181 Sq.km. It lies between 80°04' east and 88°12' east longitude and 26°22' north to 30°27' north latitude (Everest Atlas, 2009:2). Nepal is divided into three regions. In south-belt there is plain Terai region covering 23% land of Nepal. In the northern belt there is mountain region covering 35% of total area and remaining middle part of 42% is hilly region.

Nepal is under the category of economically least developed countries in the world where significant population live below poverty line. Survey report revealed that 25.16% of Nepal's people are living below the absolute poverty line (NLSS-III, 2011:49). Agriculture sector is the key sector of country where 75% people are engaged in agriculture and agriculture sector contribute only 37% to GDP. (NPC, 2010:6). Apart from this, agriculture is the main source of national income, employment, food, clothing and industrial raw materials exports trade and basis of trade and commerce as well as major investment sector. Keeping this in view, the government has been giving due emphasis in this sector. But every effort from governmental side, aid of foreign donor agencies and any other programmes would be vain and futile unless the people at grass-root level are not made conscious and motivated for the national development. For which co-operative could be the best means of solution for the development of every sector of Nepal's rural based economy.

Unemployment and underemployment are the major problems of our country. Without employment, man cannot have any income, so man becomes poor. In an underemployment man cannot have sufficient income for survived

and save one's own position. So, one cannot uplift one's own living standard. They have no income to fulfill minimum necessities so they are compelled to live in miserable condition. Employment and income are the major aspects for coming out from the vicious circle of poverty. According to NLSS-III more than 30 million people are working in foreign labor market, 56 percent household economy depending on remittance it shows that Nepalese economy depends on remittance. It is not a sustainable source of income and employment. Our people are developing other country and devaluing our money power.

Currently in Nepal 2.5 million people of working age are unemployed and labor participation rate stands at 83.4 percent. Out of the total population, 30 percent are either unemployed or underemployed whereas 4,00,000 people (four lakh) are entering labor market every year (NPC, 2013:396).

To increase employment, investment is needed. Less investment does not change the condition. To give big push in employment large amount of money is needed. It is impossible for one person. With the medium of co-operative that could be possible. With the help of co-operative scattered money is collected in one bag and is easy to invest in any sector which creates employment.

The word co-operation is derived from the latin word 'co-operari' where 'Co' means together and 'operari' means to work. Therefore the word 'co-operation' means working together for similar and common case. The literal meaning of co-operatives indicates the mutual help among people. In simple words co-operation is a give and take process to each other for similar and common interest. Co-operative refers to work together to raise the economic standard through it. A co-operative organization is established by a group of economically poor and exploited people with a view to working together in an organized way for their common benefit.

'Co-operative association is voluntary association based on the principle of self-help through mutual help' (CDB, 2056:2).

International Co-operative Association (ICA) gives a little broader and

more reliable definition on 1995. According to ICA- "A co-operative is an autonomous association of persons united voluntarily for the fulfillment of their common economics social and cultural needs and aspirations through jointly owned and democratically controlled enterprises.

H. Carlvert defines co-operative as "A form of organization where in persons voluntarily associate together for a common economic need and try to lift themselves and others out of weakness into strength through business organization, conduct for the common benefit of all who join it (SBB, 2065:2).

Herricks defined: co-operative as- "It is the act of poor persons voluntarily united for or both under their mutual management to their common profit or loss" (Badal Keshav, 2062).

Philips has defined co-operatives as- "A co-operative society is an enterprise formed and directed by an association of democracy and directly intended to serve both in own members and the community as a whole, so it has widely accepted that economic activities of country are greatly influenced by the development or a sound credit system".

Prof. Cassalman defined co-operative as- "Co-operative is an economic system with a social content. Its idealism penetrates both its economic and social elements. The economic ideals affect the business enterprise, its method and operations. The social ideals have a direct bearing on the association of person's comprising the society.

ILO defined the co-operative society as- "Association of the economically weak, who voluntarily associating on the basis of equal rights and equal responsibilities, transfer to an undertaking one or several of their functions corresponding to one or more of their economic needs which are common to them all, but which each of them is unable fully to satisfy by his own individual effort and manage and use such undertaking advantage" (Shrestha, 1964:71).

Prof. Staudinger has defined co-operative as- "A co-operative is an association open to all and granting equal rights and responsibility to member en-

gaged in an economic enterprise on their common account and in which benefits are bestowed on members in production to their use of the enterprise itself without regarding their share in the society's capital".

Black's Law Dictionary defined co-operatives as- "A co-operative is an association organized for the purpose of rendering economic service without gain to itself to shareholder or members who own and control it" (Henry, 1990:334).

From all of the above definition we rest to conclusion that co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises. Hence co-operative is a form of business organization. Especially the weak and powerless people where in actual users of certain goods and services voluntarily associated together as human being on the basis of equality for the promotion of their economic interest by honest means.

Co-operatives are based on the values of: self help responsibility, democracy, equality, equity and solidarity. In the tradition of their founders co-operative members believe in the ethical values of honesty, openness, social openness and caring for others (Dhakal & Sabakoti, 2067:15).

Co-operative planning committee of 1946 defines "Co-operation is a form of organization in which person's voluntarily associate on the basis of equality for the promotion of their economic interest. Those who come together have a common economic aim which they cannot achieve by individual isolated action because the weakness of the economic portion of a large majority of this element of individual weakness is overcome by the pooling of their resource by making self help effective through mutual aid by strengthening the bonds of moral solidarity between them" (Sahakari Booklet, 2070/71:2).

From the study of these definitions we can conclude that co-operative is an autonomous association of people united voluntarily to meet their common

economic, social & cultural needs and aspirations. Objectives of the co-operative must have common and to fulfill that they must be prepared to work selflessly on the principle of 'each for all and all for each'. Co-operative system is special system of people who have equal aim idea, social and economic status. Co-operative helps to eliminate economic exploitation by moneylender's so-called rich people. Co-operative is such philosophy which gives the feeling to self reliance to make society without exploitation, to strength mutual understanding to develop self confidence and make development a dynamic one.

Already we understand that co-operative could provide income and employment which is from administrative view, from the participation of economic activities and from the trickledown approach, who are not directly involve in co-operative. Co-operative in Nepal is quite different in terms of membership and services. In Nepal there are agricultural co-operative, dairy co-operative, consumer co-operative, savings & credit co-operative, coffee co-operative, vegetables and fruits co-operative are existing and working their own field. So the co-operative enterprises are one form of organization that meets several dimensions of income and employment generation. Co-operatives create and maintain employment in rural and urban areas and both productive and service sector. If the savings high then credit mobilization also increases that increase the income from that income members can fulfill their needs. This also increases the living standard of members.

Contribution of co-operatives in Nepali economy was less in starting time. Now it is increasing year by year. It started to increase after 2048 B.S. When the law & rule of co-operative are made from co-operative sector near about 100 billion NPRs are transacting more than 60 million people are involving in co-operative where 10 billion rupees have share. 58 billion rupees savings collected & 62 billion rupees is invested (Interim plan, 2067/068-2070/071).

Near about 27914 (www.deoc.gov.np) co-operatives are exiting in Nepal and 22 lakh membership are involving in co-operative and more than 60 lakh

people are benefitting from the co-operative business. Now 50,000 people are getting direct employment in co-operative. Co-operative sector contribute 2% in GDP of Nepal (Interim plan, 2067/068-2070/071:395). There are 42% of member of co-operative are female.

According to the 'Sahakari Gatibidhi 2066/067' there are 361 different types of co-operatives organizations registered in Baglung District till 1st Baisakh 2070 in which are 357 are actively working and only 4 co-operatives are dissolved. Among them 77 co-operatives are SACCOS, 136 multipurpose co-operatives, 37 dairy (milk production) co-operatives, 7 vegetable production co-operatives, some are consumer co-operatives, some are agriculture co-operatives etc. Total numbers of co-operative member in Baglung district are 16635 where 9365 are male and 7270 are female. In all kinds of co-operatives share capital 72,92,20,000 rupees deposits of co-operative is 1,93,96,20,000. Total employment in co-operatives society in Baglung are near about 795 directly and more than that indirectly (Co-operative Division Office, Baglung: 2070 Baisakh).

In formal form co-operatives are as old as human civilization. In Stone Age men lived together and hunted. They shared the flesh and ate. They started to live in a family. Slowly they began to harvest clearing field. About it Indian writer Federick has written in his book 'An introduction of co-operate'. The pilgrims who settled at play mouth jointly cleared fields abandoned by the Indians broke up the soil planted and cared for their corn. They celebrate with Indians in 1621 with thanks given feast. The corn was shared equally among the settlers. In 1952 Benjamin Frankln organized the initial structured co-operative business a mutual fire insurgence company in the United States. However the concept of modern co-operative was developed at the beginning of the 19th century from Europe.

In 1844 in Great Britain 28 labours whose employment was seized by employer, was united and collected 28 pounds to start a shop for consumer

goods to get rid of high exploitation of middlemen.

The idea of co-operative was brought into light in the beginning of 19th century by Robert Owen, Dr. William King publicized the ideology of co-operative later on who initiated an education at movement for co-operative development. The Reformist Robert Owen's ideas and principles have continued to inspire the co-operative movement. These principles were:

- a) Abolition of private profit
- b) Voluntarily association
- c) Common ownership of the means of production
- d) Utilization of wealth of the community for increasing the happiness of mankind (Hajela T.N., 1994:44)

These principles could not take long time. Rochadale pioneers group pointed some weakness of these principles. Those weaknesses were:

- a) Capital sunk because of credit sale.
- b) Unfair competition took place because of selling the goods at lower price.
- c) Co-operative store did not succeed enough as members believe it.

Pointing these Owen's weaknesses Rochadale Pioneers propounded the rules and ideology which was known as consumer society in Great Britain. This society sold only consumer goods to its members in the beginning and later non members. In 1860 Rochadale Pioneers formulated the following rules of co-operatives which are still relevant and used in modern co-operatives to some or more extent.

- a) Religious and political neutrality
- b) Sale of goods at market price
- c) Cash sale
- d) Limited interest in share capital
- e) Distribution of surplus in proportion of purchase
- f) One man one vote

- g) Open membership
- h) Democratic control
- i) Sale of quality products
- j) Certain percentage of expenses on profit
- k) Regular meeting
- l) Book keeping and auditing. (Hejela T.N. 1994:47)

In 1919 the first co-operatives college in the world was established in Manchester in Britain. It was administered by the educational committee of the co-operative union opened for the student from all parts of the world. After the co-operative society was recognized in 1944, the government of Great Britain decided that all students after school must attend in co-operative college for some times. The main objectives of this were to produce good co-operative citizens within the country.

In German, in the middle of 19th century, F.W. Raiffersen and Franz Schulze, who are known as social reformists, emerged, who wanted to eliminate poverty and exploitation through the norms of mutual help and self help by the co-operative movement. Their working areas are different. Raiffersen centered his reform in rural area establishing agriculture credit co-operative society where as Shulze centered in urban areas setting up a co-operative bank. They started their co-operative bank. They started their co-operative to free the poor from the exploitation of moneylenders' and landlords. In 1849 and both were successful in their aim. The success of co-operative in Germany and Great Britain was followed by other developed and developing countries and these countries felt that co-operative might be one of the best means for uplifting poor people and liberating them from the exploitation of landlords and moneylenders. They started co-operative works purely on a humanitarian basis, quite independent by providing credit facilities on co-operative basis in respective area.

In Italy co-operative movement began from 1860's and they adopted the Rochdale method of co-operative which is progressing now and then.

In Switzerland co-operative movement was started from 1870's by agricultural co-operatives first and second one is provision wholesale formed in 1890.

All European countries included in co-operative movement from nineteenth century to twentieth century. So twentieth century would be remembered not only the age of atomic bomb or as conflict between Christianity and communists but also the first age in history in which man through it practical to distribute all the benefits of civilization to all men (Quoted by: E.R. from the *Alternative to Monopolism and Communism*, Henry Schuman, New York, 1953:20).

In America co-operative movement was started only after 1930 A.D. by the Chairman of Japanese Co-operative Association Toyohiko Kanagawa Co-operative movement. But it could not be fully successful in America.

In Japan co-operative movement was started after half of the 19th century. Though there was tradition of making collective fund and taking loan from the fund in the fourteenth century but real co-operative movement in Japan took place after the establishment of consumer society in 1879 (Source: *Co-operative Training Center, Sahakari Ra Nepalma Yesko Bikas*, 2048:17). Japanese co-operative Societies were influenced from European co-operatives. Co-operative of Japan took speed development after Second World War In 1947 when Agricultural co-operative act was passed. After that, integrated co-operative came into existence in the field of agriculture, forestry and fish farming. In this way the tradition of providing all possible services and goods to the members through multiple co-operatives is an important achievement of Japanese co-operative movements. In 1996's data of international Inter Co-operative Association among 10 great co-operative of world three are in Japan (Dhakal & Sibakoti, 2067:113).

In China co-operative movement was started from 1912 A.D. Before that time China was in poor condition. More natural resources were unutilized. Flood

and starvation was very common. The peasants were exploited by the loan of landlords. San Yat Sen applied the co-operative movement and included it in constitution. In clause 34 of Chinese constitution there was mention of co-operatives.

The government shall guide the peasant step by step to organize various forms of labor, mutual aid and production, co-operation according to the principles of mutual benefit and that every step of the agricultural production (Source: Co-operative Training Centre, 2048:15).

The central committees of Chinese communist party manage three different type of organization executing land reform of more production.

- a) Mutual aid teams
- b) Agricultural producers co-operatives
- c) Advance producers co-operative or people's commune.

Now through these three types of organization China is been covering the world market. This is possible through co-operatives.

Similarly, the co-operative movement of India began in 1904 to find the way out to many social problems like scarcity, grief and dissatisfaction in the form credit society. For development of co-operative movement India has emphasized in all the five years plans to agricultural co-operative in the sector of economic development. India has a wide network of agricultural co-operative in the field of credit & banking, marketing and production of fertilization. Indian government makes a commission in 1925 for the rural development that commission concluded that 'if co-operation fails, then all possibilities of rural development fail. To improve the condition of poor farmers, British government brought 'Multiunit Co-operative Act-1942' in India. British government also contributed to the co-operative development in India.

After Independence there were made many committees and Acts. In 1984 'Multistate Co-operative act', in 1990, 'Brahamaprakash Samittee' in 1991, 'Mirdha Samitee' were recommended. From this recommendation 'Multistate Co-operative Act 2002 was passed from Loksabha.

Main co-operative sector of India are credit co-operatives, banking co-operatives, agricultural co-operatives, marketing co-operatives, Sugar Production Co-operatives, Milk Production Co-operatives etc.

In India Milk Production and Fertilizer Co-operatives are developed most.

The concept of working together for mutual benefit as co-operative in Nepal is not a new concept. It was practiced from very ancient times. In ancient times, we had been using different types of co-operatives like, Dharma Bhakari, Dhikuti, Parma, Guthi, Manka Khala etc.

'Dharma Bhakari' is a religious store of grain where each family in the village would put certain quantity of grain after the end of harvest reaping time. At the time of famine and natural disaster reserved quantities of grain are distributed to the farmer who contributes in that Bhakari and Loan is granted only to the villagers who contribute in the grain bank and agree to pay with some interest. It was under provision in west Nepal Baglung, Myagdi & Dharbang (Thesis: Gita Pun, 2012:18).

'Parma' is another type of traditional rural co-operative, it is existing even in the villages of country side, under which work is done together by turn to promote their economic and social status. Parma is the organization of mutual help without monetary transactions.

Likewise 'Dhikuti' or 'Dhikuri' is an old system based on cash collection making some rules and regulations in which a group of people contribute a fund (amount of money) every month. This premium is taken by one member first who can give more benefit to other members. This process is continued until all members can get chance to take premium once. Dikuri was introduced by Thakali community of Mustang District in Thak-khola. It was highly practiced in Baglung District.

'Manaka Guthi' or 'Manka Jaya' is practiced as group forming in Kathmandu valley. Each group is called Manka Khala and head of that group is

called Thakuli which means chairman of the group. Informal group of farmers are formed for doing agricultural operations like cultivation, savings and harvesting.

It is hard to find the actual date when such informal type of co-operative were started in Nepal. Many type of informal co-operatives were running in different parts of Nepal in different structure but those are not in a position to take formal co-operatives.

First formal and recorded co-operative of Nepal is "Bakhan Savings and Credit Co-operative Society Ltd." in Rapti Valley of Chitwan District in 1956 AD (2013 B.S.) as part of the resettlement programme for the flood stricken people in Rapti valley under the Rapti Valley Development Project (RVDP) with the active support of United States Agency for International Development on experimental basis. At that time 13 co-operative societies were established under USAID. Considering the importance and necessity of co-operatives rules and regulations for managing and guiding was promulgated in 1959 which provided legal entity among other things. Those all co-operatives are registered under the executive order. Co-operative Society's Rule 1961 was promulgated which promoted the co-operative movement in the country with the introduction of the first co-operative activities were tied up with the so-called revolutionary land reforms programme. In 1969, the management of co-operative was entrusted to the Agricultural Development Bank of Nepal. Co-operative Development Fund (CDF) was established to finance co-operative for leading to their members, to provide broader spectrum of supervision, guidance and trading of co-operative, co-operative bank was established in 1963. In short time. Co-operative bank suffered heavy financial burden because of misuse and fraud in the co-operation to its member of Agriculture Development Bank in 1970 with all due assets and liabilities under the formal control. In 1976, the co-operative societies also subjected to various agencies regarding management and control. In the early seventies, they were brought under the Agricultural Development Bank of Nepal for financial and administrative control. Lat-

er, they were handed over back to the co-operative development until 1990 (2047 B.S.). The co-operative movement was developed in slow pace. That did not take speed due to lack of consciousness and legal provision.

There were so many difficulties and vicissitudes in co-operative movement during the operation. Almost all the times co-operatives were promoted, established, directed and controlled by the government through different ministries and departments until 1990 (2047).

After the restoration of democracy in the country, in 1990, it traced a new way for new changes in the co-operative movement. Consequently new Co-operative Act was promulgated in 1992 recognizing co-operatives as people's organizations with autonomy. On the basis of this act National co-operative Federation came into existence.

Now co-operative is the third pillar of three pillar economy. This is the mixed structure of peoples' participation and government representation. Long term vision of co-operative is developed for alleviating poverty through social welfare oriented economic development.

Co-operatives are playing vital role to alleviate poverty, to increase income, employment generation in the world. So Nepal government is also conducting various programmes through co-operatives to achieve the above mentions goals. To achieve the goals objectives are as follows:

- a) Developing co-operatives as the foundation of national economy through development of co-operative concept in general citizens.
- b) Achieving economic growth, savings management development of agriculture and small scale industries and performing other developmental activities through co-operative system and principles through co-operative system and principles.
- c) Developing co-operatives as a mechanism for local development constructions and service flow and recognizing it as a medium to fulfill economic social and cultural needs.

To fulfill these objectives, the following strategies are found supportive:

- a) Reforming the existing legal provision and making institutional Structure effective for the conduction of co-operatives.
- b) Improving observation, inspection and supervision system for good governance, efficient administration and financial management.
- c) Improving economic condition of co-operative and ensuring the access of the co-operatives to other financial resources.
- d) Expanding the contribution of co-operative in production, refinement and marketing management.
- e) Extending co-operative education training and information system.
- f) Exclusion/enrollment of female aborigines various ethnic groups, Terai people (Madesh) handicapped, conflict victims, Muslims and disadvantaged group into one string.
- g) Providing discount facility for the promotion and development of co-operative (Co-operative Department, 2066 B.S.).

Most of the countries in the world have already issued proper law for the smooth operation of co-operative organization. Britain had issued industrial and provident society act in 1852 A.D., but the first co-operative act in the world was brought in 1904 A.D. Co-operative was given legal framework in India. The modern co-operative movement was begun from 2010 B.S. in Nepal. The first co-operative society act came into effect in 2016 B.S. Development process of co-operative law in Nepal is given as:

- a) Co-operative Organization Act- 1959 (2016)

To develop mutual co-operative, economic development, self reliance and elimination of poverty, co-operative act 2016 came in effect in the period of democracy which was taken by prime minister Bisheswor Prasad Koirala to develop the country in Asian Standard during the following 30 years. It was published in gazette on 3rd Asad 2016 B.S. and began from 9th Kartik of 2016 B.S. This is the first co-operative Act of co-operative movement in Nepal. People

above 16 years, having more than 25 members could register co-operative organization. For savings and credit co-operative members should have the same place, the same aim and profession. Then and then only they register the organization. After that the insurance of Co-operative rules 2018 formation operation and control of co-operative organization become very easy.

b) Co-operative Bank Act- 1962 (2019)

Co-operative Bank Act 2019 has been issued to provide loan to co-operative organization easily. After insurance of co-operative Bank Act in 2019 B.S. co-operative bank was established in 18th Bhadra 2020 B.S. this Bank provided loan to the co-operative which was not considered safe. So it suffered failure, as a result of which it was merged into agricultural development Bank in 2024 B.S.

c) Constitutions of Nepal 2019

Third amendment of constitution of Nepal has given legal acceptance to co-operative. It gave emphasis on co-operative as a formation to development of industry and commerce.

d) Sajha Sanstha Act- 2041

Sajha Sanstha Act had come in effect in 2041 B.S. This act has managed the following provision:

- a. Industrial Sajha having 15 or more than 15 members.
- b. Other type of Sajha organization having 24 or more members.
- c. District Sajha union organization having 25 or more members.
- d. National union having 15 or more district Sajha Union.

e) Co-operative Act- 2048 (1991)

After the restoration of democracy in 2046 B.S. Co-operative Act- 2048 has come in existence. The new legislation recognized the democratic character of co-operative movement. Based on this act co-operative rules 2049 have come in effect. This act has given independence to co-operative organization on their members. According to this Act Co-operative must have at least 25 members

and should follow co-operative rules and regulations. The major features of the Co-operative Act- 2048 are as follows.

- a) Simple registration system.
- b) Legal and organization states.
- c) Provision of elected operative body
- d) Autonomous instruction.
- e) Voluntarily membership.
- f) Self controlling mechanism
- g) Federal from of co-operative movement.
- h) Limited responsibility of the members.
- i) Board scope of co-operative industry.
- j) Provision of discount for the co-operative industry.
- k) Provision of discount for the co-operative instructions.

Apart from the above mentioned act National Co-operative Development Board Act- 2049 also has been brought in effect.

Nepal Government accepts the co-operative as third pillar of economy in three pillar economy in interim constitution 2063 to develop economy of country. They are government, co-operative & private. Provisioned policy are as follows:-

- i. Co-operatives movements will be made free of non co-operative practices prevailed in co-operative organization.
- ii. Co-operative movement will be free from politicization.
- iii. Co-operative movement will be re-structured in a professional and participatory fashion.
- iv. Co-operative movement will be developed as the basis for agriculture extension, infrastructure development, marketing and local resource mobilization.
- v. Co-operative will be encouraged in production, processing, storage and marketing of agricultural and non-agro commodities.

- vi. Co-operatives will be developed as a powerful means of production and investment promotion capital formation and marketing, agriculture and livestock insurance.
- vii. Co-operative stores will be operated and managed for distributing commodities of daily necessities for making public distribution system effective.
- viii. Programme will be formulated and implemented for uplifting the poor segment of the society (Dalits, Ultra poor, marginalized and landless) and excluded communities through co-operatives.
- ix. Rural Youths Self-employment Program will be launched by involving new generation into co-operatives.
- x. Curriculum of co-operative education will be introduced from secondary school level to university level.
- xi. Resources available through various trust funds such as rural self reliance fund poverty alleviation fund and micro finance will be channeled and mobilized through co-operatives.
- xii. Local development works and social service delivery works under Public Co-operative Partnership Program (PCPP) will be also launched through local co-operatives (NPC/HMG: 2010/11 -2012/13).

1.2 Statement of the Problems

Nepal is poor and developing country. the majority of people are living in rural area & minority in urban area. Out of the total population 7.5% live in Himalayan region 47.1% in mountain and 45.4% are living in Terai region and per-capita income of Nepali people is only 470\$ (MOF 2007/08). The report of IIIrd living standard survey 2010/011 released that 25.16% of Nepali are living below the poverty line which is the 5.7% less than the previous (Interim Plan, 2067/68-2070/71:2). It shows that poverty of Nepal is declining in slow pace.

Nepal is an agricultural country people are working dawn to dusk doing

hard labour but they cannot get food easily due to low productivity. Nepal would exports the food grains before 50 to 60 years ago but now it is importing that due to low productivity. Land is not in the hand of those who work in field, land is in the hand of fistful men who do not work. We are hearing the news that people are begging food from the government. Sometimes they are living without eating food they eat forest root and fruits. They could not get good health service so they are dying of simple epidemics.

It is essential to increase production, income, employment to alleviate poverty. For this purpose, co-operatives would be the medium which creates employment opportunities, increasing production and income by conducting many programmes for socio-economic development in co-operative organization. If men organize and make a team they can save cutting their earnings. If there is more savings they can invest and can increase earnings. They can cut the ties with land lord, money lender and escape from their exploitation. They will be able for producing and supplying quality goods and service at reasonable price not only to members but also to communities.

It also provides modern technologies and suggestion about social cultural and economic development. Co-operatives encourages the people to develop the habit of compulsory savings and mobilize those savings into productive sectors like agriculture, small cottage industries, business etc, which help to increase income and employment. So co-operative could be very effective to solve economic and social problems.

But co-operatives are forgetting these facts and conducting with the interest of middlemen. So the results of co-operatives are not satisfactory. More co-operatives have been conducting their activities according to the bank system and company law. There are no norms of collateral or mortgage system in co-operatives but they are doing so. Some co-operatives are depositing savings of non member and mobilizing the investment to non-members for the profit.

Now after peoples' movement of 2062/063 government has accepted the co-operatives as a foundation of economic growth so government declared that co-operative is one pole among three pole economic policy (Interim Plan, 2065/66-2067/068).

The following issues have been seen in this study:

- a) Are co-operatives making easier life to its member ?
- b) How does the member deal with co-operatives ?
- c) Is savings voluntary or compelled ?
- d) How much money are they mobilizing ?
- e) Is saving collection is sufficient to mobilize credit ?
- f) Is saving collection the same in urban and rural co-operatives ?
- g) Is credit mobilization process the same in urban and rural co-operatives ?

1.3 Objectives of the Study

In any work objectives are the main focuses. The effect of the work is evaluated according to its objective. The task would be right or wrong it is not concerned part in research. Is the work accomplished according to its objective ? This is important. The general objective of this study is to give the reader a message about co-operatives and from co-operative we can do progress.

The specific objectives of this study are:

- a) To compare and analyze the savings & credit mobilization of rural co-operatives and urban co-operatives.
- b) To examine the savings & credit mobilization of rural and urban co-operatives.
- c) To provide suggestions to support the policy maker for appropriate policy.

1.4 Hypothesis of the Study

The hypothesis of this study is mentioned below:

- a) Null hypothesis (H_0):
 - i. There is no significant difference between savings and credit mobilization in rural co-operatives or urban co-operatives.
- b) Alternative hypothesis (H_1):
 - i. There is significant difference between savings and credit mobilization in rural co-operatives and urban co-operatives.

1.5 Justification of the Study

This study provides knowledge about savings and credit mobilization position of four sampled co-operatives which are established in rural area & urban area. This study is important for the restoration of economic status of the poor & middle class people in the study area. Unemployment, underemployment and low income are the main problems of the Nepali economy. According to NLSS III nearly 30 million people are working in foreign countries and 56 percent household economy depending on remittance. So it can be stated that Nepali economy is running or surviving by remittance. Nepali active people's knowledge, skill and sweat are not being used for the development of our country Nepal.

In this context, savings and credit mobilization in productive way generate employment to the people and upgrade them from poverty.

This study aims to find out the savings and credit mobilization in the sample co-operatives. This study is also useful for making plans policies about co-operatives and from this research people will be able to understand the glimpse of Nepalese co-operative as one of the most important models and vital roles with reference to the financial performance of urban sampled co-operatives of Baglung Bazar's & rural Co-operatives of Lekhani VDC's Baglung District.

1.6 Limitations of the Study

This study has the following limitations.

- a) This study concerns only the role of co-operatives in savings and credit mobilization of Urban co-operatives of Baglung Bazar and rural of Lekhani VDC of Baglung District. This study may not represent the whole co-operatives' role of Nepal.
- b) This study tries to find out the effects of co-operatives in savings and credit mobilization in both urban and rural in Baglung District.
- c) Financial factor and time factor also limit the study.

1.7 Organization of the Study

This study has been classified into five chapters. First chapter includes introductory part, background of the study, statement of the problems, objectives of the study, hypothesis of the study, justification of the study, scope and limitation of the study, organization of the study.

In the second chapter review of literature in which some related works, books, articles, journals etc. have been reviewed.

In third chapter gives the details about the research methodology used in the research to find the result work which includes design source of data, procedure of data collection, analysis etc.

In the fourth chapter there are the explanations of physical, social and economic background of the study area, analysis of the collected data through table chart and statistical tools, findings of the study.

Finally, chapter five includes the summary, conclusion and suggestions of the study.

Chapter - Two

Review of Literature

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

2.1 Conceptual Review

The word co-operative is derived from the Latin word co-operari where 'co' means together and 'operari' means work. So that co-operative means work together. But in broader sense it means the system in which people are voluntarily associated and working together for achieving mutual goal. The motto behind co-operative is 'Each for all and all for each' and its system for self help through mutual help (PC Dahal, 1989:17).

It is a system of people voluntarily associated working together in terms of equality to get rid of economic exploitation by intermediaries. In technical sense, it is a special method of business. We may define co-operative as a special technique of doing business in such a way that group of people may secure common goal through self help and mutual help.

The concept of co-operation can be made clear comparing the works of ants, birds, bees etc. They give the knowledge to us to maintain disciplined life and co-ordination with each other. From ant community we get the indication of incentive co-operation. From bees community we get the knowledge for collection to secure future life. So co-operation means unity strength co-ordination and motivation. Therefore unity is the great force and effort which brings unity among individuals communities castes, religions etc. to create good will and strengthens understanding between them.

Co-operatives are regarded as democracy where it serves the members by the members and for the members. It is socio-economic democracy and controlled by their members and designed to perform needed services for them at the individual desire to establish common economic enterprises through mutual support with the business organization. It is organized, capitalized and managed for member patrons, furnishing and marketing goods and services at low cost. So co-operative are the association of people who join to provide themselves with goods & services through joint effort.

Therefore co-operatives are such organization which collect the scattered savings and putting them in productive use for the benefit of the poor people and distribute wealth & benefit equally to all members.

2.2 Related Research Review

Before this study, many research works by different persons in different time regarding the co-operative societies have been studied. Some of the significant research works are taken for literature review on this study. On this study some sampled co-operatives of Lekhani VDC's rural savings and credit mobilization co-operatives and Baglung Municipality's urban savings and credit mobilization have been taken comparatively. The sum of the savings, have been taken and credit mobilization of the sampled co-operatives have been analyzed. How much money is collected by them as savings and how much money are they mobilizing ?

Jha (2005), has studied on the topic of the role of co-operative in economic development of woman. In his study he has concluded that small savings and credits schemes provided to less income group. Who lack the collateral to start their own enterprise is one of the good models for the country like Nepal. Mostly financial institution should concentrate on the equality and equal opportunities for each member. Co-operative will certainly help to raise the living standard and help empower economically his case study was Dakshin Kali woman

savings and credit co-operative Dakhin Kali V.D.C. Kathmandu. His major empirical findings of the study are as follows:

- i. The economic conditions of the woman who have taken loan have improved to some extent and raise in the level of income implies a reduction in the degree of deprivation and have acquired the resources to guarantee their children on sound education.
- ii. Dhakshin Kali woman savings and credit co-operative is also able to check the widespread disguised unemployment and opportunity of gainful employment in some users group.
- iii. Self employment creation has increased the working hour and the property owned and controlled by the woman is constant. This shows that the Women of Dhakshin Kali VDC are engaged in income generating activities.

Shrestha Prameshori (1981), had studied on the topic of 'The Role of Sajha Society in Agriculture Development' with reference to Dadhikot Sajha Society of Bhaktapur District. In her study she has concluded that:

- i. The majority of the farmers of the Dadhikot Village Panchyat were found to be taking loan from the Dhadikot Sajha Society for agricultural purpose. This indicates that the contribution of Dadhikot Sajha Society was virtual in bringing about development specially in the sphere of agriculture.
- ii. The farmer members are found to be habituated in using the agricultural inputs. This indicates that the Sajha society has been successful in bringing about changes in the tradition pattern of cultivation. Hence it can be concluded that the performance of the Sajha Society is good enough. In bringing about changes needed for development in that Village Panchyat.
- iii. This society also shows that the fertilizer distribution by the Sajha Society was marvelous in bringing about agricultural development.

From this we can also remark that chemical fertilizer play a vital role in increasing the yield from the land.

- iv. The manager of Sajha society and farmer members, both were found to be interested in providing and receiving more marketing facilities as well, as supply of consumer goods to the local people.
- v. Both the manager and the farmer members felt the need of having improved types of agricultural tools and machines as pump-set, tractors, power-tillers, thressors, sprayer and others.
- vi. The majority of the farmers were found dissatisfied with J.T.A.'s services. According to them the services rendered by the J.T.A. was irregular and unsatisfactory.
- vii. Sufficient supply of all inputs and credit in both kinds and cash by her provision of consumer goods, marketing facilities agricultural tools and machines rural services of JTA and education about better farming as well as training about it were the main demand of the farmer for the smooth functioning of the Sajha Society.

Manandhar (2005), has studied on the topic of 'A Comparative Study on the Financial Performance of Different Co-operatives Society of Banepa and Panauti'. Objectives of the study were:

- i. To compare and analyze the financial performance of listed society.
- ii. To calculate and interpret the financial ratios for examining the liquidity position, assets utilization. Capital structural and profitability position.
- iii. To get the information on co-operative movement in selected and their financial conditions.

He has concluded that:-

- i. Among 8 societies except one all societies have lower current ratio than 2:1.
- ii. The return on total assets position of all these co-operative societies

is not satisfactory having less than 5%.

- iii. The return on capital employed ratios is satisfactory.
- iv. The return of total deposits conditions of these societies is unsatisfactory because of very low percentage and low profit generation etc.

Pokhrel (2009), has studied on the topic of A Comparative Study on Savings and Credit Mobilization and financial performance of Royal Co-operative Society Ltd. and Chandi Kalika Savings and Credit Co-operatives in Synja District. Her objective of the study was:-

- i. To analyze comparative status of savings and credit mobilization of both sampled co-operatives.
- ii. To determine deposit/lending ratio.
- iii. To analyze the financial position of the sampled co-operatives.

She concluded that co-operative society is important for economic development of the country. They accumulate the scattered money of small business, craftsman and general public and mobilize that to the needy persons of middleman in rural area and help in the capital formation. Co-operatives have the responsibility of providing financial as well as technical assistance to the poor people. She suggested that:

- i. The main focus of the co-operative is economically poor persons who do not have capital to invest in productive sector and those persons who have small savings but do not have profitable deposit centre so co-operative should be the access of such group of people.
- ii. Co-operative organization should be developed as the supporter of rural people but not the competition of commercial bank.
- iii. Co-operative board should provide immediate guidance to the co-operatives for their effective performance and to know how to perform profitable transactions.
- iv. Co-operative should invest its deposit in micro finance sector.

- v. Both sampled co-operatives should work in the field of production and marketing of typical agricultural production of Syangja i.e. orange and coffee.
- vi. Both sampled co-operatives are suggested to support the social welfare event.

Joshi (2007), has conducted on the topic 'Financial performance of Pokhara Royal Co-operative Society Limited in the framework of PEARLS. He concluded that:

- i. Sampled co-operative has adequate provision to cover bad debt losses or not value of assets to total share and deposit are under the PEARLS standard and shows increasing trend.
- ii. The use of funds is satisfactory and the net loan to total assets ratio is within PEARLS standard. Its funds has invested most of its productive assets and less in non-earning assets.
- iii. The ratio of non earning assets to total assets should not exceed 5 percent of total assets as per the standard the institution's collection policies and procedure are effective in lowering the delinquency.
- iv. The liquidity reserve to savings deposit ratio shows that the institution has high total deposit etc.

Sharma (2008), has studies about the topic 'A study on the role of Dhikuti as Savings and Credit mobilization in Malma VDC Baglung. Dhikuti is rural co-operatives which is very familiar in Baglung Districts from very long time ago. Slowly it was spread in urban area and the Dhikuti is existing nowadays also. It is one of the important and popular form of co-operative in Nepal. The researcher pointed out the following things about the role of Dhikuti as savings and credit mobilization in Malma VDC in Baglung.

- i. People take part in Dhikuti association with the purpose of savings, gaining more invest, business, for higher education etc.
- ii. Among the different business activities 38.46% member have run

grocery shop, 23.08% have fancy shop, 15.38% member involved in hotel and restaurant and 11.54% in agriculture and animals keeping activities respectively.

- iii. Dhikuti association have played vital role in savings and credit mobilization perspective there are 11 different Dhikuti association running in this study area total 396 members involves in association and association mobilize the total fund of 2168000 in each instrument.
- iv. Most of the members have used the Dhikuti's fund for household needs. In the same way a considerable number of members have invested in Dhikuti fund for earning more interest amount and least number of member have used their for business.

A study was undertaken by Pokrel 1988. The study aimed to review overall situation of co-operative movement in Nepal. According to his study all most all of villages of 30 districts were covered by Sajha Societies upto 1983-84. Out of these societies on loss 41.20 percent were in Terai region and 58.8 percent were in hilly region. The same position seems to have been existed them that of Terai. The study concluded the following problems being faced by the co-operatives in Nepal.

- i. Lack of co-operatives education and training.
- ii. Lack of fund.
- iii. Lack of spontaneity towards co-operatives.
- iv. Lack of lonely services.
- v. Lack of deficient management.
- vi. Political interference.
- vii. Public apathy.
- viii. Lack of specific & & stable policy.
- ix. Lack of central level organization.
- x. Access of good process of loan disbursement and payment.

This study was an depth study performed covering all aspects of co-

operative movement in Nepal. This study emphasized on the role of Sajha Societies for rural development in Nepal. The financial resources, utilization of funds and marketing activities reveal that there is a great need for revitalization in order to make the movement strong and stable.

Lamsal (2000), has conducted a study on 'Financial Performance Analysis of Nepalese Co-operative societies with special reference to District Co-operative Association Ltd. Kaski.' The main objectives of his study were to identify the financial strength and weakness of the association. In his study he has concluded that liquidity position of the association was satisfactory. Inventory turnover ratio and debt to return ratio were not in sound position. The capital structure of the association is unable to mobilize its fund in profitable sector. The current assets and capital structure is imbalance. He has also concluded that the financial performance of the association is very weak and if it continuous the organization my face crises in future.

Pun (2012) 'The role of co-operatives in income and employment generation. A case study of Kaski district is studied during this period. Her specific objectives of the study were:

- i. To examine the role of co-operatives to increase income.
- ii. To find the role of co-operatives to generate employment
- iii. To identify the existing problems of co-operatives.

She concluded that the co-operative is the most essential tools to alleviate poverty in Nepal. Her main points of findings are as follows:

- i. 2669 people are directly and thousands of people are indirectly employed in study area's co-operatives.
- ii. From different co-operatives many people are increasing employment and income.
- iii. Co-operatives institution makes people economically socially and educationally strong and aware.
- iv. There is no fixed salary to the employee in co-operatives.

Chapter - Three

Research Methodology

The main intention of this study is to examine & compare the savings status and credit mobilization in different selected co-operatives of Lekhani VDC and Baglung Bazaar's co-operatives of Baglung, during the period of 2065/066-2069/070. It is intended to use simple, suitable methodology as required by the study.

3.1 Research Design

To achieve the objectives of the study descriptive, comparative as well as analytical research design have been used. This study is based on secondary data as well as primary data also. Some tools such as statistical tools like Table, Diagram, Bar-graph, Pie-chart, Mean, Co-relation Analysis, Chi-square Test also applied to examine facts.

3.2 Population Sample

There are 27914 co-operatives registered in Nepal till the end of Ashad 2070. Among them 13105 are savings and credit co-operatives registered upto 2070 Ashad (Co-operative Department). There are 305 co-operative societies in Baglung district only. Among them only 77 co-operatives are savings and credit co-operatives (Co-operative Division Office, Baglung). For the present study only four of them have been selected. They are Ekata SACCOS and Sahaj SACCOS of urban co-operatives and Gaja SACCOS and Kadesh SACCOS in rural co-operative only four co-operatives are selected for the sample.

3.3 Source of Data

The study is based on both secondary and primary data. Secondary data have been taken from different financial statement for different selected co-

operative societies for the analysis. Different reports, records, periodicals related to co-operatives publications of co-operatives training center, related journals, master's level degree dissertation etc. also widely used. For the primary data questionnaires are proposed for the managers and share members of co-operatives.

3.4 Data Gathering Procedure

Most of the required data for the present study are collected from the financial statements of Ekata SACCOS, Sahaj SACCOS of Baglung Bazaar's urban co-operative and Kadesh SACCOS, Gaja SACCOS of Lekhani VDC's rural co-operatives. These data have been audited and verified by the concerned authority. These data prove the reliability. Additional pieces of information required for the studies are collected from different articles, research studies, magazines, Division Co-operative Office etc. For the collection of primary data informal discussion questionnaire is held with the concerned persons of the co-operatives have been found helpful.

3.5 Data Processing Procedure

Data collected from different sources and many other related materials is thoroughly reviewed then they are sorted out on the basis of their homogeneous nature and resemblance of facts and they are kept in tabular form according to the need for the study.

The tools selected for analysis and interpretation of financial data are mentioned below:

- i. Table, Bar-graph, Pie-chart
- ii. Correlation coefficient
- iii. Chai-square test (χ^2 -test)

Correlation Coefficient

The Correlation is a statistical tool, which studies the relationship between two variables and correlation analysis involves various techniques used for studying and measuring the extent of relationship between the two variables. Correlation is an analysis of their covariance between two or more variables. The effect of correlation is to reduce the range of uncertainty of our prediction. Saving is independent variables and credit is dependent variables in my study.

$$r_{xy} = \frac{\Sigma XY - n\bar{X}\bar{Y}}{\sqrt{\Sigma Y^2 - n(\bar{X})^2} \cdot \sqrt{\Sigma X^2 - n(\bar{Y})^2}}$$

$$\bar{X} = \frac{\Sigma X}{n}$$

$$\bar{Y} = \frac{\Sigma Y}{n}$$

Where,

X= Amount of saving during the period of 2065/066 to 2069/070.

Y = Amount of credit mobilization during the period of 2065/066 to 2069/070.

ΣX = Sum of the deviations of the x series from an assumed mean.

ΣY = Sum of the deviations of the y series from an assumed mean.

ΣX^2 = Sum of the square of the deviations x series from an assumed mean.

ΣY^2 = Sum of the square of the deviations y series from an assumed mean.

ΣXY = Sum of the product of the deviation of x and y series from assumed mean.

- i) When $r = +1$ there is positively perfect correlations between the two variables.
- ii) When $r = -1$ there is negatively perfect correlations between the two variables.
- iii) When $r = 0$ the variable are uncorrelated, there is no correlation between the variables.

Where, the value of coefficient correlation is always between +1 and -1.

Chai-Square Test

χ^2 - test is of great applied in such a situation where does not need any assumption regarding the population parameter. It also called distribution of free test. It explains the magnitude of discrepancy between expected frequency and observed frequency. So, it is often used to know the differences in theory and observation. χ^2 is a no negative quantity. Hence, it's value range from zero to infinity. If it is zero the discrepancy between observed and expected frequency completely vanishes. And if the chai-squre values increases, the discrepancy between the expected the observed and estimated frequency goes up. So, the chai-square test is preformed to know whether the difference between observed and estimated frequency is significant or that is only due to sampling fluctuations.

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where,

O = Annual observed frequency.

E = Annual expected frequency.

Decision Making

- i) If the calculated value of χ^2 less than the tabulated value at a given level of significance and degree of freedom, we consider the fit as good.
- ii) If the calculated value of χ^2 greater than the tabulated value at a given level of significance and degree of freedom, we consider the fit is to be poor.

Chapter - Four

Data Presentation and Analysis

This chapter includes a brief introduction of Baglung Districts, sampled urban and rural co-operatives, tabulation of collected data. It is analyzed and interpreted. The main objective of this chapter is to show the savings status and credit mobilization of Ekata & Sajaj SACCOS of urban co-operatives in Baglung Municipality and Kadesh and Gaja SACCOS of rural co-operatives in Lekhani VDC. Therefore all the data collections have been processed and kept in suitable tables, bar-graph and pie-chart as per needs for various analyses. This research has been conducted with the help of analytical tools like average line graph.

4.1 A Brief Introduction of Baglung District

Baglung district is located in Dhaulagiri zone of western development region which lies around 350km west from capital city Kathmandu. The district is situated between the latitude 28⁰15" to 28⁰37" North and longitude 83⁰00" to 83⁰36" East. Nepal is divided into three main geographical regions, among them Baglung district falls in hilly region. The district covers 1784 sq. km geographical area of the country. It is bordered by *Gulmi, Parbat, Mygdi, Rukum, Rolpa* and *Pyuthan* districts. It has the shape roughly similar to Nepal. The altitude of Baglung District ranges from 600 meter to 7247 meter above the sea level. As the Baglung District is the hilly district, the climate of it varies in different seasons. It is hot in summer, cold in winter and moderate in other seasons. Because of its diverse climate, diversity lies in flora and fauna too. On the basis of political and administration, the district has been divided into one municipality, fifty-nine village development committees, thirteen election area (*Ilaka*) and three constituencies. The total population of Baglung district, according to the census of 2068, is 268613 with 117997 male and 150616 female. The population growth rate of Baglung is 2.3 as the national rate of Nepal (CBS, 2068).

Co-operative organizations are creating employment opportunities, generating income and facilitating financial flow for the members & non members. So co-operatives are essential organization to serve its members and it should be conserved and promoted.

4.2 A Brief Introduction of Savings & Credit Co-operatives

a) Rural Areas

i) Gaja SACCOS

Gaja Savings and Credit Co-operatives was established in 2056-3-5 B.S. which is registered 127-056-03-10 on the basis of co-operatives act 2048 in Lekhani VDC-3, Baglung District. It consists of 25 founder members whose working area is Lekhani VDC & neighbouring VDC Bihun. It was started with only Rs. 2500/- with equal share. Now it has 1043 share holders with Rs. 1,61,25,200/- share capital, differing in the amount of share holder. Highest share capital of one person is Rs. 1,00,000/- one lakh and least is 6,000/- six thousand.

The objectives of the Gaja SACCOS are:

- a) To promote self reliance, frugality co-operation between share members and society.
- b) To give competitive interest rate for the members promoting regular savings.
- c) To mobilize the credit to members at suitable low interest rate in productive, incomeable and skillful work.
- d) To give concept to members about self dependence and self confidence.
- e) To attain information and help for members in income generation capacity.
- f) To improve the economic condition of members providing income generating economic activities.

ii) Kadesh SACCOS

Kadesh SACCOS was established in 2062-11-3 B.S. in Lekhani VDC Ward No.-8, Kadesh. It is registered in Division Co-operative office Baglung whose registration No. is 353/063. In Initial stage it had only Rs. 2,900/- savings, Rs. 2,900/- share capital to its' 27 share members equally. Now it has 553 share member Rs. 22,88,400/- share capital Rs. 87,15,338 savings and it is mobilizing Rs. 1,18,46,095/- credit. The objectives of these co-operatives are:

- a) To collect the savings from its member.
- b) To provide loan to its members.
- c) To hold various activities for supporting its members financially
- d) To help the member to uplift the economic condition.
- e) To conduct the social welfare programme.

b) Urban Areas

i) Ekata SACCOS

Ekata SACCOS was registered in 2056/03/32 Division Co-operatives Office Baglung. It was started by 27 members with Rs. 2,700/- as share capital, Rs. 2,700/- savings from each member equally. Now in 2070, it has 620 share members and Rs. 4,18,16,000/- as share capital. It collected the savings from non-members also who wanted voluntary savings.

The main objectives of this co-operative are:

- a) To uplift the marginal poor people's economic status through encouraging for regular savings to be self reliance, self-help and frugality.
- b) To collect deposits from shareholder and given them market competitive interest rate.
- c) To flow the credit for share holders in cheap rate of interest to the productive income generable and skillful profession.
- d) To given technical advice poor the operation productive income generable and skillful profession.

- e) To be the mediator between the organization and institution who have same interest, aim and objectives to fulfill the own objectives in local, regional, national and international level.
- f) To flow the credit letter taking the permission of government.
- g) To do banking transaction by taking permission from Nepal Rastra Bank.
- h) To accept grant, take collateral, transfer, exchange, buy & sell goods, earn liquid asset or fixed assets for daily work for development and encouragement of share members according to Co-operatives Act, Rule & Points.

iii) Sahaj SACCOS

Sahaj SACCOS was established in 2064-8-4 in Baglung district. The registration no. is 188/064/065. In establishing period, it had only 29 share members and Rs. 2,900/- share capital with Rs. 2,900/- savings. Now it has 199 members. with Rs. 63,97,158/- savings Rs. 64,99,300/- share capital and Rs. 1,54,55,567/- total savings until Ashad last 2070. The objectives of this co-operative are:

- a) To promote regular savings for the self reliance, mutual help & the frequently to its members.
- b) To accept loan and grant from the other financial institution.
- c) To promote the concepts of self dependence and self confidence by increasing the ability.

4.3 Savings Status of the Co-operatives

The main objectives of co-operatives is to safe guard the small savings of people and mobilizing it in productive sector. The following table shows the total savings of sampled co-operatives.

4.3.1 Total Savings of Sampled Co-operatives

Table No. 1
Total Savings of Sampled Co-operatives

(In lakhs, 00000)

SACCOS		Year					
		065/066	066/067	067/068	068/069	069/070	Average & Total
Urban	Ekata	905	826	805	962	1388	977
	Sahaj	30	372	41	56	269	87
	Total	935	863	846	1018	1657	1064/5319
Rural	Gaja	51	74	110	159	209	121
	Kadesh	17	18	24	32	43	27
	Total	68	92	134	191	252	147/737

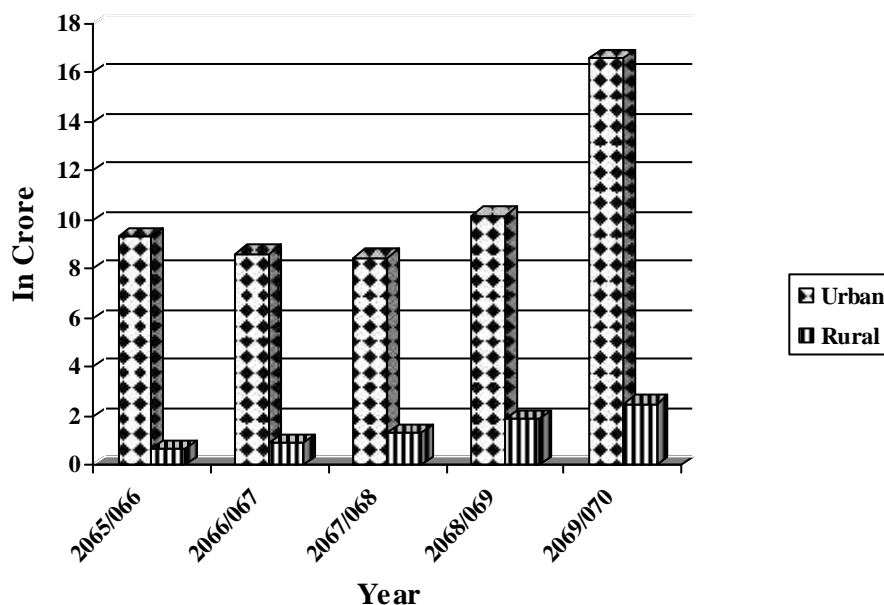
Source: SACCOS Co-operative Report, 2070

From the above table we can find that the total savings of two urban co-operatives in 2065/066 was 935 lakhs whereas in the same time savings in two rural co-operatives was 68 lakhs which is 13.83 times less than urban savings. Urban co-operatives take savings from non-members also.

In 2069/070 the savings of urban co-operatives were 1657 lakhs which is greater to 722 lakhs (77%) than 065/066. In the same time rural co-operatives' total savings are 252 lakhs which is only 6.58 times less than urban co-operatives. This shows that the savings increasing in successive year. It can be clarify from the following figure.

Figure No. 1

Total Savings of Sampled Co-operatives



4.3.2 Net Savings of Sampled Co-operatives

Table No. 2

Net Savings of Sampled Co-operatives

(In lakhs, 00000)

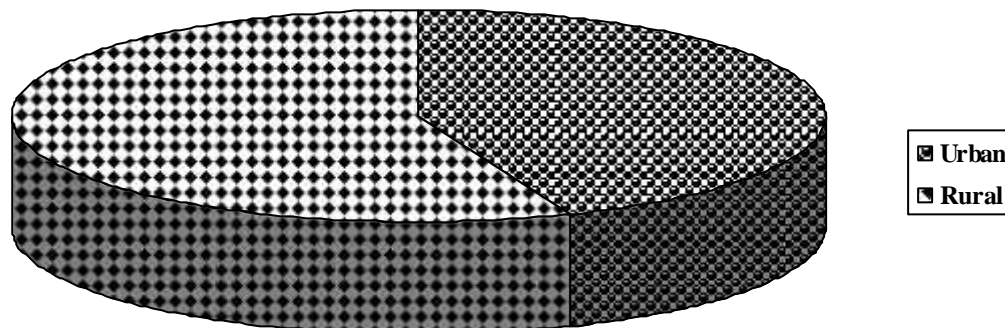
SACCOS		Year					Total & Average
		065/066	066/067	067/068	068/069	069/070	
Urban	Ekata	16	13	12	7	22	10
	Sahaj	16	16	14	20	8	15
	Total	32	29	27	27	8	123/25
Rural	Gaja	1.3	16	69	0.5	50	27
	Kadesh	10.4	11	11	14	19	13
	Total	11.7	27	80	15	69	202/40

Source: SACCOS Co-operative Report, 2070

From the above table we can conclude that the net savings of urban co-operatives are 123 lakhs whereas in the same time the rural co-operatives' savings is 202 lakhs which is greater than the urban net savings. This implies that

rural savings is sustainable. It can be clarify from the following figure.

Figure No. 2
Net Savings in Pie-chart



From the above figure the net savings is more in rural co-operatives in the comparison of urban co-operatives.

4.3.3 Returned Savings of Sampled Co-operatives

The return savings of sampled co-operatives is high which signifies that in total savings, more than 97 percent is withdrawn by saver in urban co-operatives and in rural only 76 percent is withdrawn. From that we can say rural co-operatives are more powerful than urban co-operatives in net savings. The returned savings is shown in following table.

Table No. 3
Returned Savings of Sampled Co-operatives

(In lakhs, 00000)

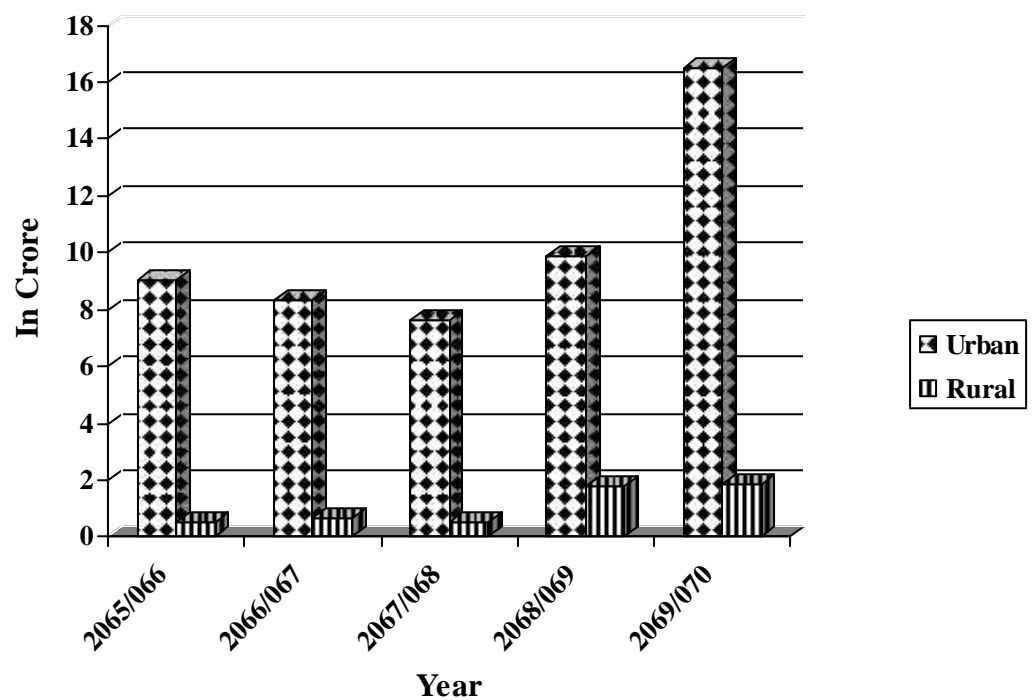
SACCOS		Year					Average & Total
		065/066	066/067	067/068	068/069	069/070	
Urban	Ekata	889	813	733	955	1388	956
	Sahaj	14	21	27	36	27	25
	Total	903	834	760	991	1415	980/4903
Rural	Gaja	50	58	42	159	159	94
	Kadesh	6	8	14	18	24	14
	Total	56	66	56	177	183	108/538

Source: SACCOS Co-operative Report, 2070

From the above table we conclude that the returned savings in urban area is very high. Urban co-operatives saved 122 lakhs during five year and the returned savings is 4903 lakhs which is 97.7% in total savings. On the other hand in same years rural co-operatives collect only 737 lakhs and success to put in co-operative 156 lakhs and returned 581 lakhs which is 78.7% in total. This implies that rural savings is sustainable. It can be clarify from the following figure.

Figure No. 3

Returned Savings of Sampled Co-operatives



4.4 Credit Mobilization in Sampled Co-operatives

The main objective of this study is to see how much savings is mobilized as credit or loan by the sampled co-operatives. The following table and figure shows the credit mobilization in urban and rural co-operative.

Table No. 4
Credit Mobilization in Sampled Co-operatives

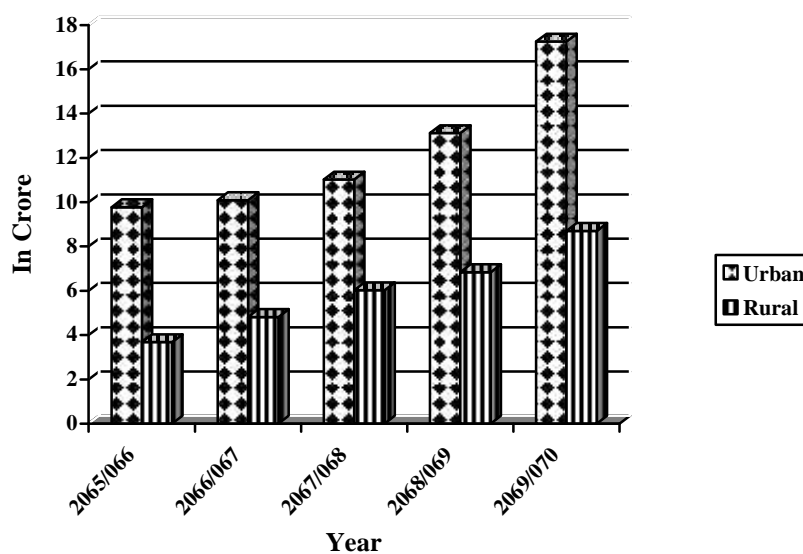
(In lakhs, 00000)

SACCOS		Year					
		065/066	066/067	067/068	068/069	069/070	Average
Urban	Ekata	941	957	1027	1217	1570	1142
	Sahaj	36	52	76	95	156	83
	Total	977	1009	1102	1312	1726	1225
							5232
Rural	Gaja	297	374	460	517	649	459
	Kadesh	72	107	142	167	221	142
	Total	369	481	602	684	870	601
							3006

Source: SACCOS Co-operative Report, 2070

From the above table we can conclude that the total credits mobilized in 5 years period in urban and rural co-operatives are 5232 lakhs and 3006 lakhs respectively. The credit mobilization is greater in urban than rural co-operatives. It can be clarified from the following figure.

Figure No. 4
Credit Mobilization in Sampled Co-operatives



4.5 Comparison of Net Savings and Net Credit Mobilization

a) Urban

Table No. 5

Net Savings and Net Credit Mobilization in Urban Co-operatives

(In lakhs, 00000)

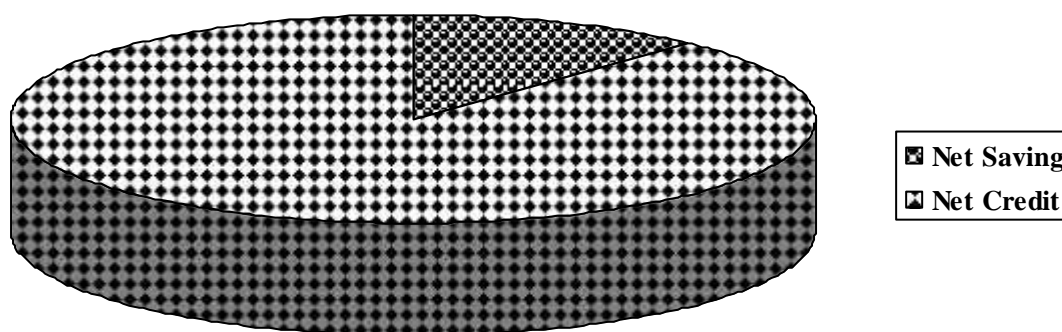
Year	065/066	066/067	067/068	068/069	069/070	Total
Net Savings	32	29	27	27	8	123
Net Credit	132	32	93	210	414	881

Source: SACCOS Co-operative Report, 2070

From the above table we can find that the total net credit mobilization is greater than the net savings. During five years urban sampled co-operatives are success to collect 123 lakhs as net savings whereas in same years they mobilize 881 lakhs as credit. This means that there are other funds which are greater than savings in co-operative for example that may be share capital fund, loan etc. These means there is no perfect correlation between savings and credit mobilization. This is negative correlation -0.66 (Annex 1). It can be clarify from the following figure.

Figure No. 5

Net Savings and Net Credit Mobilization in Urban Co-operatives in Pie-chart



b) Rural

Table No. 6

Net Savings and Net Credit Mobilization in Rural Co-operatives

(In lakhs, 00000)

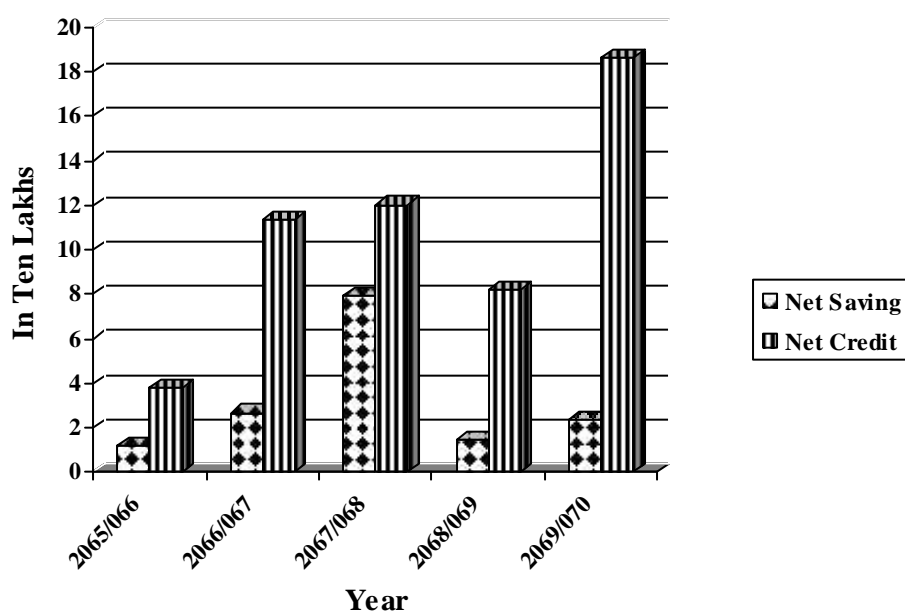
Year	065/066	066/067	067/068	068/069	069/070	Total
Net Savings	12	27	79	15	24	157
Net Credit	38	114	120	82	186	540

Source: SACCOS Co-operative Report, 2070

From the above table we can examine that net savings and net credit issue is in vast difference. The credit mobilization is more than collection of savings. Total net savings in rural co-operatives during five year is 157 lakhs whereas net credit mobilization is 540 lakhs. This is 4 times greater than savings. This implies that there are other funds also collected from different medians such as loan, she capital funds etc. In more extent rural saving and credit mobilization is correlated which is positive +0.95 (Annex 2). It can be clarify from the following figure.

Figure No. 6

Net Savings and Net Credit Mobilization in Rural Co-operatives in Bar-graph



4.6 Major Findings

- 1) During the five years period sampled urban co-operatives collect 5319 lakhs savings in total under this 4903 lakhs is withdrawn. During this period they were successful to mobilize total 5232 credit. Under this only 881 lakhs is net credit mobilization.
- 2) During the period of five years sampled rural co-operatives collected Rs. 737 lakhs savings in total whereas only Rs. 157 lakhs was the net saving. During this period sampled rural co-operatives could be successful to mobilize Rs. 3006 lakhs credit under this only Rs. 540 lakhs is net credit mobilization.
- 3) The computed value of χ^2 is greater than its tabulated value. Computed value is 16.63 and tabulated value at 0.05 d.f. is 3.841. So null hypothesis is rejected. The alternative hypothesis is accepted i.e. there is significant difference between urban savings and rural savings (Annex-4).
- 4) Since the computed value of χ^2 is less than its tabulated value. Computed value is 0.68 and tabulated value at 0.05 d.f. is 3.841. So alternative hypothesis is rejected. The null hypothesis is accepted i.e. there is no significant difference between urban credit mobilization and rural credit mobilization (Annex - 5).
- 5) The calculation of simple correlation coefficient of net savings and net credit mobilization is in negative numbers, which is -0.66. This justify that there is no correlation between urban and rural savings.
- 6) There is no perfect correlation between savings and credit mobilization in urban co-operatives. They mobilize more credit than savings. During these five years the urban co-operatives mobilization net Rs. 881 lakhs credit whereas during that time they become success to collect only Rs. 123 lakhs net savings. The difference between net. Savings and net credit mobilization is Rs. 7.58 lakhs which is 11.86 time higher than net savings.

- 7) During this five year period sampled rural co-operatives could be mobilized Rs. 5.40 crore net credits and successful to collect Rs. 157 lakhs savings as credit mobilization. Correlation of net savings and total net credit mobilization in rural co-operatives are near to perfect correlation 0.95. This justifies that there is correlation between net saving and net credit mobilization. This means one variable depend on other variable (Annex - 3).
- 8) There is difference between urban savings and urban credit mobilization. Both are independent and there is only nominal relationship 0.029 between urban savings and urban credit mobilization. (Annex - 2).
- 9) There is no positive correlation between urban savings & rural savings. (Annex -3). Which is negative -0.029. These mean no correlation between urban savings and rural savings.
- 10) From questionnaire we conclude that savings from other people who are not share holder is not suitable for co-operative as bank which is against the rule.
- 11) The interest rate of co-operative is satisfactory which is lower than that of moneylenders. Share members are not exploited by moneylender. Most of the share members responded that the interest rate was not so cheap which more than 15 percent was.
- 12) Among 50 respondents 45 give their answer that their co-operatives are providing loan by taking land or house as collateral. 5 respondents said they are providing loan with share guarantee. No one has been providing loan with faith or believe. This shows that there is lack of believe of faith which is necessary in co-operatives. So there is variation between co-operative members. They cannot help the rural or urban debted poor, who have no valuable land.
- 13) Among 60 respondents of executive members no one gave their answer that there is bad debt. This means there is no bad debt in co-operatives.

- 14) All co-operative members come to save their savings in co-operative office. Most of the urban co-operative members do not come to save their savings in co-operative office. Co-operative staffs goes home or to working place.
- 15) Co operative executive members do not monitor to their debtor properly most of the respondent give their answer only they ask for formality.
- 16) One person is found to have been participating in many co-operative membership so it is difficult to calculate the exact number of co-operatives in national level.

Chapter - Five

Summary, Conclusion and Suggestions

5.1 Summary

There is no doubt that there is an alternative weapon of co-operatives to fight against the poverty of country like Nepal. Only co-operative can collect the scattered money in accumulated form and invest in productive way. Many developed and developing countries have been adopting co-operative tools to develop the socio economic status of the country. It is a very popular business all over the world. Co-operative enterprises generate employment and increase income that leads to poverty alleviation.

This study concentrates on the objectives to compare and analyze the saving and credit mobilizations, to examine the saving and credit mobilization of two rural co-operatives Gaja & Kadesh SACCOS in Lekhani VDC's two urban co-operatives of Ekata & Sahaj SACCOS in Baglung Bazaar, to provide suggestions to the policy makers for the appropriate policy. For these different related books, journals and dissertations have been widely read which helped increase knowledge about the thesis writing. Data are taken by both primary and secondary methods. Comparatively descriptive, analytical research design is used to accomplish the objectives.

According to the study the contribution of the savings to the net profit is higher in co-operatives. The collection of savings must be taken as a crucial factor by the co-operatives. So that adequate funds can be available to mobilize it. Just only increment of savings does not give any return to the co-operative. A co-operative should have effective credit mobilization policy for the mobilization of available funds. The savings is liability of the co-operative which is returnable in demand any times. Sound investment policy has been appeared to be very necessary to the co-operatives. The co-operative mainly focuses on its two functions i.e. collection of savings through various schemes and mobilizes as

credit to the members by providing various facilities. It is important that the co-operative savings collection policy for its existence. The growth of co-operatives economic status depends primarily upon the growth of its savings collection. The volume of credit mobilization much depends upon the savings collection.

In collection of permanent savings the rural co-operatives are more powerful than urban co-operatives. In total figure urban savings seems very powerful but in net there is left no more. More is withdrawn. But they provide sufficient credit to their members from raising share and taking loan from NRB.

5.2 Conclusion

Based on the savings and credit mobilization status of sampled co-operative institutions' the following conclusion has been drawn:

- The savings of urban co-operatives seem very high in total but net and durable savings is very low 2.21% in total. On the other hand total savings of rural co-operatives in comparison to urban savings is very low but in reality and net savings seems very high in percentage, that is, 21.23% in total.
- The returned savings is more in urban co-operatives than that of the rural co-operatives. Urban co-operatives savings collection during 5 years is Rs. 53.52 crore from only which 1.22 crore is in net savings which is 2.3% of total savings. On the other hand rural co-operatives collect total savings 7.37 crore during this five years from this they can save in net savings 1.56 crore which is the 21.3%.
- Urban co-operatives members save for daily transactions whereas rural co-operatives member save for future in more extent than urban members.
- During this period total credit issue by urban co-operatives are 52.31 crore whereas the rural co-operatives issues 30.05 crore. Urban co-

operatives issue more credit than their net savings. This implies that there could be other funds also.

- During this five years period total net savings of rural co-operative Rs. 1.56 crore whereas in the same time net credit mobilization is 5.40 crore which is 4 times higher than net savings.

5.3 Suggestions

- The tax rate is high it should be minimized. Due to the high tax rate co-operatives are not showing their actual profit. They are doing the activities of tax evasion.
- Most of the co-operatives take additional liability cost which is the barrier to entry to the co-operatives. It should be abolished.
- The main focus of co-operative should be economically poor persons who do not have capital to invest in productive sector and those persons who have small savings but do not have profitable savings center so co-operative should be in the access of such group of people.
- Co-operative should be supportive to the rural people but not competitor of urban bank or other financial institution.
- Co-operation board or governmental offices should try to increase co-operation between co-operative to make their fund strong.
- Making strong fund urban co-operative should invest jointly in industrial product with mutual help among co-operatives.
- There is lack of believe among the actor of co-operatives and among the enterprise of co-operatives. This should be maintained by authorized person otherwise they start throat cut competition.
- Most of the co-operatives' rule regulation, target, strategies of enterprises do not know more executive member of enterprises. That should be necessary to take information upto date for sound and goad governance.
- In co-operatives the value of equality is negligible. There is different

share capital to different members. So who have more share capital they give emphasis in profit and who have less share capital they do not agree to take the responsibility. So this is being questionable that share capital should be equal under one co-operative.

- Most of the co-operatives are doing the act of savings and credit mobilization whatever their name & objectives this should be specialized.
- There is need of purification of co-operatives according to its value, principle, act and rule.
- Net savings collection seems low in sampled co-operatives, which very important. So co-operative should bring various schemes to collect more savings by initiating member for compulsory savings.
- Co-operatives should choose profitable sector of investment to give return to the member. Small industry is suitable for urban co-operatives and agriculture base field such as poultry family, goat rearing, cattle and buffalo keeping, pig keeping, fruit production, tea and coffee production, vegetable growing etc are more profitable for rural co-operatives.
- Urban co-operatives should emphasis of organic production. For this they should co-operate with rural co-operative. That may be support of co-operationalization.
- In Nepal there are more than 29,000 co-operatives till date. But there is lack of provision of co-operationalization.
- By raising co-operatives motive each other among co-operatives members we can make economically strong Nation.
- There is different accounting system of different co-operatives. The word used in audit report also varies.

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Annex-1

Net Savings and Net Credit Mobilization in Urban Co-operatives

Year	Savings	Credit Mobilization
	X	Y
2065/066	1836870	13237538
2066/067	6006989	3155211
2067/068	1410800	9338252
2068/069	1974979	20940066
2069/070	820736	31350050

Calculation is in nearest 10 Lakhs

x	y	x ²	y ²	xy
1.84	13.24	3.39	175.29	24.36
6.00	3.15	36	9.92	18.90
1.41	9.34	1.99	87.24	13.16
1.97	20.94	3.88	438.48	41.25
0.82	41.35	0.67	1709.82	33.90
$\Sigma x=12.04$	$\Sigma y=88.02$	$\Sigma x^2=45.93$	$\Sigma y^2=2420.75$	$\Sigma xy=131.58$

Simple correlation coefficient

$$r = \frac{n\Sigma xy - \Sigma x \cdot \Sigma y}{\sqrt{n\Sigma x^2 - (\Sigma x)^2} \cdot \sqrt{n\Sigma y^2 - (\Sigma y)^2}}$$

$$r = \frac{5 \times 131.58 - 12.04 \times 88.02}{\sqrt{5 \times 45.93 - (12.04)^2} \cdot \sqrt{5 \times 2420.75 - (88.02)^2}}$$

$$r = \frac{-401.86}{\sqrt{84.69 \times 4356.23}} = \frac{-401.86}{607.21} = -0.66$$

Annex-2

Correlation between Net Savings (X) and Net Savings and Net credit Mobilization (Y) in Rural Co-operatives

Year	Savings	Credit Mobilization
	X	Y
2065/066	1167615	3835528
2066/067	2681123	11380919
2067/068	7929233	12022804
2068/069	1460296	8188588
2069/070	2377031	18611050

Calculation is in nearest 10 Lakhs

x	y	x ²	y ²	xy
1.17	3.84	1.37	14.74	4.49
2.68	11.38	7.18	129.5	30.49
7.93	12.02	62.88	144.48	96.74
1.46	8.19	2.13	67.08	11.96
2.38	18.61	5.66	346.33	44.29
$\Sigma x=15.62$	$\Sigma y=54.04$	$\Sigma x^2=79.22$	$\Sigma y^2=702.13$	$\Sigma xy=187.97$

Simple correlation coefficient

$$r = \frac{n\Sigma xy - \Sigma x \cdot \Sigma y}{\sqrt{n\Sigma x^2 - (\Sigma x)^2} \cdot \sqrt{n\Sigma y^2 - (\Sigma y)^2}}$$

$$r = \frac{5 \times 187.97 - 15.62 \times 54.04}{\sqrt{5 \times 79.22 - (15.62)^2} \cdot \sqrt{5 \times 702.13 - (54.04)^2}}$$

$$r = \frac{90.13}{\sqrt{9025.27}} = \frac{90.13}{95} = 0.95$$

Annex-3

Rural an Urban Net Savings Correlation

X = Rural, Y = Urban

Year	Savings	Credit Mobilization
	x	y
2065/066	1167615	3210478
2066/067	2681123	2896707
2067/068	7929233	2567436
2068/069	1460296	2696263
2069/070	2377031	842480

Calculation is in nearest 10 Lakhs

x	y	x ²	y ²	xy
1.17	3.21	1.37	10.24	3.71
2.68	2.89	7.18	8.35	7.75
7.93	2.57	62.88	6.60	20.38
1.46	2.69	2.13	7.20	3.92
2.38	0.84	5.66	0.71	1.99
$\Sigma x=15.62$	$\Sigma y=12.19$	$\Sigma x^2=79.22$	$\Sigma y^2=33.14$	$\Sigma xy=37.76$

Simple correlation coefficient

$$r = \frac{n\Sigma xy - \Sigma x \cdot \Sigma y}{\sqrt{n\Sigma x^2 - (\Sigma x)^2} \cdot \sqrt{n\Sigma y^2 - (\Sigma y)^2}}$$

$$r = \frac{5 \times 37.76 - 15.62 \times 12.19}{\sqrt{5 \times 79.22 - (15.62)^2} \cdot \sqrt{5 \times 33.14 - (12.19)^2}}$$

$$r = \frac{-1.48}{51.08} = -0.029$$

The result is negative so there is no correlation between urban and rural savings.

Probable error Pe:

$$r^2 = (-0.029)^2 = 0.00084$$

$$\begin{aligned} \text{Pe} &= 0.6745 \times \frac{1-r^2}{\sqrt{n}} \\ &= 0.6745 \times \frac{1-0.00084}{\sqrt{5}} \\ &= 0.30 \end{aligned}$$

$$6\text{Pe} = 6 \times 0.30 = 0.18$$

$$r < 6\text{Pe}$$

The value of r is not significant at all i.e. there is no evidence of correlation.

Annex-4

Computation of Chai Square (t^2) from savings in urban and rural co-operatives

	O	E	O-E	(O-E) ²
Urban	122.13	158.43	-36.30	1317.69
Rural	194.73	158.43	36.30	131.69
	$\Sigma O = 316.86$			$\Sigma(O-E)^2 = 2635.38$

$$\begin{aligned}
 E &= \frac{\Sigma O}{N} \\
 &= \frac{316.86}{2} \\
 &= 158.43
 \end{aligned}$$

$$\text{Chi-square test } \chi^2 = \frac{\Sigma(O-E)^2}{E} = 16.63$$

Degree of freedom $\nu = n - 1 = 2 - 1 = 1$

Tabulated value of χ^2 at 0.05 level of significance of 1 d-f is 3.841.

Decision: Since the computed value of χ^2 is greater than its tabulated value. The alternative hypothesis is accepted i.e. There is difference between urban savings and rural savings.

Annex-5

Computation of (t^2) from credit mobilization in urban and rural co-operatives

SACCOS	O	E	O-E	(O-E) ²
Urban	7.48	6.44	1.04	1.96
Rural	5.40	6.44	-1.04	1.96
	$\Sigma O = 12.88$			$\Sigma(O-E)^2 = 3.92$

$$\begin{aligned}
 E &= \frac{\Sigma O}{N} \\
 &= \frac{12.88}{2} \\
 &= 6.44
 \end{aligned}$$

$$\text{Chi-square test } \chi^2 = \frac{\Sigma(O-E)^2}{E} = \frac{3.92}{6.44} = 0.68$$

Degree of freedom $\nu = n - 1 = 2 - 1 = 1$

Tabulated value of χ^2 at 0.05 level of significance of 1 d-f is 3.841.

Decision: Since the computed value of χ^2 is less than its tabulated value. The alternative hypothesis is rejected. Null hypothesis is accepted i.e. there is no difference between urban credit mobilization and rural credit mobilization.

Annex-6
Questionnaire for Share members

Respective Namaste to you, I heartily request to you that tick the appropriate answer for my thesis in these questionnaire.

Name of Share member: Address:

Name of share taken co-operatives: No of share member:

- 1) How do you save ?
 - a. Daily
 - b. Monthly
 - c. No regular
- 2) What is the source of savings ?
 - a. From salary
 - b. From business
 - c. From doing daily labour
- 3) For which purpose do you save ?
 - a. For future
 - b. With business motive
 - c. For general transaction
- 4) How do you feelings to Savings ?
 - a. Sure for future
 - b. Unwanted headache
 - c. Increasing my income
- 5) Is co-operative accept you savings as you want ?
 - a. Yes they save
 - b. No they don't save
 - c. No they not save according the need of co-operatives.
- 6) How much interest rate is giving from co-operatives ?
 - a. Less
 - b. Good
 - c. More
- 7) How do you taking the loan providing system of co-operative ?
 - a. Easy
 - b. Difficult
 - c. Hard
- 8) Do you get the loan as you want ?
 - a. Yes I get
 - b. No I do not get
 - c. There is no money in co-operatives as we required
- 9) Do you expense the loan as significant work for which do you take ?
 - a. Yes I do
 - b. No I don't
 - c. No I expense diverting
- 10) Do executive member monitor your loan as you expensing in proper sector ?
 - a. Yes
 - b. No
 - c. Ask sometimes
- 11) What is your opinions about the interest rate of credit of co-operatives ?
 - a. It's is high
 - b. It is not high
 - c. It is lesser than moneylenders interest rate
- 12) Do you give as loan to other friends which is taken as loan from co-operatives ?
 - a. No, I don't give
 - b. I help to other
 - b. I do not take loan in such motive ?

Please Sign here:-.....

Annex-7

Questionnaire for the Executive member's Manager

Respective Namaste to you, I heartily request to you that tick the appropriate answer for my thesis in these questionnaire.

Name of Executive/Manager: Address:

Name of co-operatives: No of share member:

- 1) How many co-operatives members are you ?
 - a. one
 - b. two
 - c. more than two
- 2) How do you participate in co-operation
 - a. By taking training
 - b. By self studying
 - c. Influence by other appreciation
- 3) What is the more objection of share members in your co-operative ?
 - a. More or Less loan
 - b. More or Less interest rate
 - c. There is no voluntary savings
- 4) Is your co-operative provide loan in agriculture sector ?
 - a. Yes provide
 - b. No, do not provide
 - c. That is not our sector
- 5) How do your co-operative provide loan ?
 - a. By believe
 - b. By Share members' guarantee
 - c. By collateral
- 6) Have any bad debt to your co-operative ?
 - a. Yes, there is
 - b. No, there is not
 - c. They paid by taking loan from other medium
- 7) How many times do your co-operative provide co-operative Education training to the share members ?
 - a. Minimum one times
 - b. Tow times
 - c. There is no such provision
- 8) In which sector do your co-operative invest more lan ?
 - a. To industry
 - b. To businessmen
 - c. To general transactor
- 9) Is co-operative members come to save in office of co-operative go there ?
 - a. They save by own-self
 - b. Institution goes their home to collect savings
 - c. Remembered for savings

- 10) Is co-operative able to collect savings and provide loan according to need ?
 - a. Yes, it can
 - b. No it can't
 - c. We not take more savings
- 11) How much interest rate do you give your saver ?
 - a. Less than 8 percentage
 - b. 9-12 percentage
 - c. More than that
- 12) How much interest to you take from creditor ?
 - a. Less than 10%
 - b. 10-12%
 - c. More than 12%
- 13) How much difference is there between savings interest rate and credit interest rate ?
 - a. 5 percentage
 - b. 6 percentage
 - c. more than 6 percentage
- 14) Is your co-operative do transact with non members ?
 - a. Yes transact
 - b. No, don't transact
 - c. That is no provision
- 15) Are you monitoring to your debtors field that are they using their loan in proper field ?
 - a. Yes we monitor
 - b. No, we don't monitor
 - c. They give their report about their profession

Please Sign here:-.....

Annex-8

Important Events in Co-Operative Movement in Nepal

1953		Establishment of Department of Co-operatives (DOC) under the Ministry of Agriculture for planning and Development
1954		Realizing need of co-operatives for the resettlement programme initiated for the flood-stricken people through Multipurpose development plan of Government of Nepal.
1956	a	Promulgation of the Executive Order of Government of Nepal and recognition of co-operative society under it.
	b	Credit Co-operative Society for the first time, was established in Chitwan District.
1958		The district level staff of DOC under the administrative control of Rural Development Block carried out co-operative activities.
1959	a	DOC was kept under the Ministry of Food, Agriculture and Forestry
	b	Co-operative Society Act, 1959, came into effect
1961	a	Co-operative Society rules, 1961, came into effect.
	b	The first amendment of Co-operative Society Act, 1959
	c	Establishment of Co-operative Development Fund.
	d	Establishment of Sajha Soceity (Sajha Central Office)
1962	a	Establishment of Co-operative Training Center
	b	Establishment of Credit and Marketing Co-operative Union
	c	Co-operative Bank Act, 1962, came into effective
	d	DOC was transferred to the Ministry of Panchyat
1963	a	Establishment of Co-operative Bank
	b	Conversion of Rural Development blocks into District Panchyat Co-operative section was kept under the District Panchyat
1964	a	Initiation of Agriculture Re-organization programme
	b	Initiation of Supervised Credit system
	c	Transfer of Staff members in co-operative activities to the Land Reforms programme
	d	Publication of "Sahakarita" (Cooperation)
1966	a	DOC was kept under the Ministry of Land Reforms, Agriculture and food.

1967	a	Formation of Central Investigation Committee on Co-operatives.
	b	Emphasis on "Sahja Management" in the 7th point in the back to the village National Campaign.
	c	Conversion of Co-operative Bank into Agricultural Development Bank (ADB)
1968		Transfer of administrative and developmental works being carried out by DOC to the department of Land Reforms
1969	a	DOC was kept under the control of the Ministry of Land Reform.
	b	Implementation of the Coordinated Agricultural Development Programme
	c	Compulsory Savings or the first time converted into share in Bhaktapur
	d	Credit and Marketing Co-operative Union was converted into District Co-operative Union
	e	Return of Co-operative Promotional and strengthening of activities undertaken by the Department of Land Reform to DOC
	f	Introduction of guided co-operative programme emphasizing qualitative growth through reorganization and amalgamation
1970	a	The second amendment of the co-operative Society Act, 1959
	b	Introduction of Co-operative Strengthening Programme
	c	Establishment of Central Co-operative Strengthening Committee.
	d	Establishment of District Co-operative Strengthening Committee
	e	Transfer of management of co-operative to ADB.
1971		The first amendment of Co-operative Societies Rules, 1961
1973		Implementation of co-operative Education Programme regularly
1976	a	Integration of Population Education with Sajha
	b	Implementation of Sajha Programme emphasizing Sajha in a wider scale
	c	The second amendment of Coperative Society Rules, 1961
	d	Compulsory Savings was converted into the share capital of Sajha Society
1977		Introduction of Sajha Society Administrative and Financial Regularion, 1977
1978	a	Transfer of Sajha Societies' Management handled by ABD to the managing committee of co-operatives
	b	Introductions of Sajha Society Financial and Administrative Regulation, 1978

	c	More emphasis on the qualitative growth of Sajha Societies then on quantitative growth.
1980	a	Implementation of Small Farmer Co-operatives
	b	Introduction of Sajha Society Financial and Administrative Regulation, 1980
	c	Special focus on Co-operative system in the Constitution of Nepal
1984		Enactment of Sajha Society Act, 1984, for making the co-operative development campaign effective
1985	a	Conversion of DOC into Sajha Development Department
	b	Conversion of Co-operative Training Center into Sajha Development Training Center.
	c	Conversion of the Regional Co-operative Office into Regional Sajha Development Office.
	d	Conversion of The co-operative Section into Sajha Development Section.
1986		Announcement of Sajha Sanstha Rules, 1986.
1987	a	Formation of a 17-member High Level Central Coordination Commission for making the Sajha campaign more strong and effective
	b	Sajha Development Department was transferred to the Ministry of Agriculture
1988		Announcement of compulsory savings to be refunded to the depositors
1990	a	Remittance was announced by Government of Nepal up to the interest and compensation exceeding the principle amount in case of a full payment of principal paid by debtors within July, 1991.
	b	Formation of an <i>ad hoc</i> committee for National Sajha Co-operative
1991	a	Formation of a seven-member National Co-operative Federation Consultative Committee for submitting its opinion in order to strengthen the Sajha campaign and make it effective. The report presented by the committee.
	b	Dissolution of Sajha Central Office
	c	Formation of a 11-member National Co-operative Development Board for preparation of policy based norms organizational structure its mobilization system, activities of co-operative movement for the preparation of necessary rules, by-laws and other infrastructure in order to establish or-

		ganizations from village level to central level
1992	a	Enactment of Co-operative Act, 1992.
	b	Formation of District Co-operative Implementation Committee and <i>inter-im</i> steering committee for continuation of co-operatives until January, 1992.
	c	Conversion of Sajha Development Department into DOC.
	d	Conversion of Sajha Development Trainig Center into CTC.
	e	Conversion Regioal Sajha Development Section into District co-operative Office.
	f	Conversion of Sajha Development Section into District Co-operative Of- fice.
1993	a	Enactment of Co-operative Society Rule, 1993
	b	Dissolution of Regional Co-operative Office.
	c	Nationwide election of co-operative societies/unions.
	d	Establishment of National Co-operative Federation
	e	Establishment of Central Consumer Co-operative Union
	f	Establishment of Central Consumer Co-operative Union
	g	Formation of a large number of Single-purpose Co-operatives such as Consumer Co-operatives, Milk Produces Co-operatives, Savings and Credit co-operatives throughout the country.
1994		Publication of "Sahakari Sandesh" (Co-operative Massage).
1995		Distribution of Rs. 31.8 million to the old co-operative employees by NCF as benefits received from Government of Nepal for only one time.
1997	a	Reception of the membership from the International Co-operative Alliance (ICA).
	b	Initiative taken by NCF for observance of International Co-operative Day.
1998		Nepal (NCF/N) was elected for the post of Vice-Chairman of the Agriculture Committee for ICA, Asia and the Pacific Region.
2000	a	Nepal (NCF/N) was elected for the post of Chairman of the Agriculture Committee for ICA, Asia and the Pacific Region.
	b	Conversion of Ministry of Agriculture into the Ministry of Agriculture and Co-operative.
	c	Establishment of the National Co-operative Award by FCF.

	d	Formation of the National Co-operative Development Advisory Working Team and Submission of report.
	e	The first amendment into the Section 26 of the co-operative Act, 1992.
2001	a	Announcement of observance of International Co-operative Day by the Government.
	b	Republication of "Sahakari Sandesh" weekly
2002	a	Co-operative Minister's Conference hosted by Nepal organized by International Co-operative Alliance, Regional Office for Asia and the Pacific, New Delhi in Collaboration with National Co-operative Federation of Nepal.
	b	The Ministry of Agriculture and Co-operatives has issued a circular, saying that there is no restriction for the eligibility of 'civil servant' as shareholder of co-operative although the Sec. 14 of the Anti-corruption Act refers to civil servant not eligible to become the shareholder of co-operatives.
	c	Nepal elected for the member of ICA ROAP Standing Committee
2003	a	Establishment of National Co-operative Bank Ltd.
	b	Seventh General Assembly of Network for Development of Agricultural Co-operative's (NEDAC) was held in Nepal from 29 th Oct. to 1 st Nov. In which Nepal was elected as Co-Chairman for two years.
2004	a	National Co-operative Federation of Nepal established National Co-operative Development Fund, NCDF.
	b	Nepal Government constituted a high level co-operative sector improvement consultative committee under convenorship of the Minister of Agriculture and Co-operatives submitted its report to the Government of Nepal.
	c	Ministry of Finance constituted to study the legal framework and institutional development of the savings and credit co-operative society and national co-operative Bank under the convenorship of then Member of Ghanashyam Khatiwada submitted its report to the Ministry of Finance.
	d	Government of Nepal announced the policy of GOAN-GoANMA SAHAKARI GHAR GHAR MA ROJGARI through its budget of the current fiscal year 2061-62.
2005	a	Completion of Second National Women Co-operative Congress held at Kathmandu.

	b	Change of Name of MOAC.
	c	Change of name of CTC into Central Co-operative Training Centre.
	d	Change of name of District Co-operative Office into Division Co-operative Office.
	e	Establishment of Regional Level Co-operative Training Office combining with Division Co-operative Office in Kailali, Surkhet, Kaski and Chitwan.
	f	Grant of the sum Rs. 1 Million by Government of Nepal to NCF as a token for NCDF
2006	a	Change of Agriculture Policy unit into Agriculture and Co-operative Policy Unit in MOAC for coordination and establishing contact about co-operative policy-making.
	b	Election of Nepal as Standing Committee Member of ICA/AP.
	c	Establishment of Central Coffee Products Co-operative Union.
	d	Establishment of Central Fruits and Vegetables producers Co-operative Union.
	e	Election of Nepal as Vice-chairman of Housing Co-operative Foundation.
	f	Beginning of co-operative Golden Jubilee 2006/007 throughout the country for full year.
2007	a	Completion of Co-operative Golden Jubilee 2006/007 with four special co-operative publications.
	b	Recognition of Co-operative as basic pillar of Socio-economic development as equal footing those of private and government sector.
2008	a	National conference on co-operative policy organized by NCF.
2009	a	Government of Nepal announced the policy "GAUN GAUNMA SAHAKARI GHAR GHARMA BHAKARI".
1010	a	Establishment of Central Sugarcane Co-operative Union
	b	Formation of Co-operative Cooperation Network.
	c	UN proclaimed 2012 international Year of Co-operatives
2011	a	Establishment of Central Tea Co-operative Union
	b	Completed the Regional and National Workshop on Co-operative Strategic Planning.

Annex-9

Principles and Values of Co-operatives

a) Principles

Behind any type of collective work these should be philosophy and system. For the system, they should make their code of conduct, rule and regulation which give the way to run smoothly which is known as principles. Through principles co-operative can sustained operate own operation. Co-operative economic system is based on its certain fundamental principles. There have been three type of co-operative system which are more or less on the same or different in principally each other.

- a) Rochadale system.
- b) Raiffeisein sytem.
- c) Schulze-Delitsh system (Hajela, 1994).

The Rochadale system concerns with consumers and emphasized on cash transactions. Raiffeisein system concerns with farmer and Schulze-Delitsh system concerns with traders and both Raiffeisen and Schulze-Delitsh are organized co-operative as credit organization. The principles which have been commonly adopted all over the world are propounded by Rochadale pioneers in October 24, 1844. In 1860 Rochadale societies were proposed with ten principles of co-operative which were modified in different periods of time. The first set out co-operative principles by Rochadale societies were as follows:

- a) Voting is done by members on democratic bases.
- b) Open membership.
- c) Equity provided by patrons.
- d) Equity ownership share of individual patrons is limited.
- e) Net income is distributed according to patronage.
- f) Divided on equity capital is limited.
- g) Exchange of goods and services at market price.
- h) Duty to educate and cash trading only.
- i) No unusual risk assumption.

j) Political and religious neutrality & equity of the sex in membership.

(Hajela, 1994:14-25).

These co-operative principles which were followed by Rochadale pioneers were first adopted by ICA co-operative congress, held in Paris 1937. These principles are adopted then by various countries in their own ways. It becomes a matter of concerns how they could be implemented throughout the world in a uniform way. The ICA co-operative congress held in Bournemouth in 1963 A.D. recommended constituting a co-operative principles commission to examine the applications and validity of existing co-operative principles and to suggest modification if needed. Based on this recommendation a commission was consisted under the chairmanship of Prof. GG. Kane from India Mr. Kane's commission recommended a new modified set of co-operative principles which were adopted by the ICA. Co-operative congress held in Vienna in 1966.

The ICA General Assembly Meeting held on the occasion of ICA's continental congress held in Manchester (England) in September 1995 approved ICA statement on co-operative identity which has replaced the co-operative principles as adopted by ICA congress held in Vienna in 1966. According to the ICA prescription, the following seven principles of co-operatives are (Published by: National Co-operative Federation of Nepal, 2002:24-25):

- a) Open and voluntarily membership
- b) Democratic member control
- c) Economic participation of member
- d) Autonomy and independence
- e) Education, training and information
- f) Co-operation among co-operatives
- g) Concern for community

b) Importance

Co-operative is a campaign whose importance is great in the developing

countries like Nepal and other Nepal is a agricultural country where majority people are small farmers and they have marginal land to cultivate for the sustainable development they should unite and do effort. The importances of Co-operatives are as follows in categorically.

- I. Economic Importance
 - a. Financial assistance
 - b. Protect from exploitation
 - c. Eliminate middleman
 - d. Encourage savings.
 - e. Facilitate implementation of plans
 - f. help development of agriculture and cottage industries
 - g. Employment opportunities
 - h. Distribution of surplus
- II. Social Importance
 - a. Promote co-operation
 - b. Diversities economic power
 - c. Benefit the poor
- III. Political importance
 - a. Promote equality
 - b. Promote individual freedom
 - c. Promote democratic practices
- IV. Moral importance
 - a. Promote self help
 - b. Eliminate social evils.

c) Values

International co-operative alliance (ICA) conference held in 1995 in Manchester (England) prescribed co-operatives values through a report to make unity and universality of worldwide co-operatives. From these values co-

operatives run to get perfection. These values are divided into two types:

- a) Basic values
- b) Ethical values (Sahakari Training Center, 2063:8)

Basic Values

These values establish co-operation between institution & members inherently under these values:

- a) Self help:** Every co-operative institution belief self reliance. Co-operatives are established independently.
- b) Self responsibility:** Co-operatives should give and take responsibility through self responsibility.
- c) Democracy:** All members should take active participation for the members by the members and to the members to practice democracy.
- d) Equality:** There would not discrimination between the members in any base. There would be equal opportunities for the development of co-operatives.
- e) Justice:** Anyone so called clever member should not want to get personal benefit selfishly to give burden to other member who are jointly organized to get rid from equal problems & needs.
- f) Solidarity:** All members of co-operatives should unite to get the common objectives. Its' believe is unity.

Ethical Values

Apart from basis values there are ethical values existing the co-operatives which make close relationship between co-operative organization and community. Which are as follows:

- a) Honesty:** Most important ethical values of co-operatives are honesty. There should not any Pseudo, pretend. There should have transparency in all activities obeying principles, act, rule etc.

- b) Openness:** These values preserve the rights in co-operatives to member freedom of exit & entry obeying the rule & regulation of organization.
- c) Social Responsibility:** All co-operative institution is establishing in society and sustain there. As societies sustain so the co-operative sustain. Co-operatives should play role solving the social problems. Such institution is intolerable which cannot fulfill the social responsibility.
- d) Caring for other:** Co-operative institution is a social organization. So co-operative should not care only its member but also care social member. They also help to solve the social problems giving joint effort.