

CHAPTER - ONE

INTRODUCTION

1.1 Background

A Cooperative is a voluntary organization of persons with limited means to safeguard their needs and interest. Principally, Cooperative is established by such persons of ordinary means who have oneness of interest in solving their similar problems. The philosophy behind Cooperative movement is "all for each and each for all, and self-help through mutual help". Such an organization registered under Cooperative act is called "Cooperative society". Its basic purpose is to help weaker section of the society. In Nepal Cooperative societies are registered under Cooperative act, 1992 (NCDB, 2006).

Cooperatives are defined as “an autonomous association of persons who unite voluntarily to meet their common economic and social needs and aspiration through a jointly owned and democratically controlled enterprise (ICA, 1995). Cooperatives are established by like-minded persons to pursue mutually beneficial economic interest. Researchers are of the opinion that under normal circumstance Cooperative play significant role in the provision of services that enhance agricultural development. Regular and optimal performance of these roles will accelerate the transformation of agriculture and rural economic development. Ijere (1981), further explains that, it is the cooperative that embraces all type of farmers and a well organized and supportive Sizya (2001) opines that cooperatives provide an opportunity for pooling financial resources of people of limited financial means together in order to achieve commonly identified development needs of their members. Cooperatives societies constitute an

avenue through which cheap credit is channelled to the rural areas and especially when it is supported by international donors and governments (Huppi and Feder, 1990). Cooperative societies are a major part by which developmental activities are carried out in rural communities via individual member's participation. Financial cooperatives are described by Larocque et al. (2002) as an avenue for those without access to commercial banking services to gain access to financial services that may include savings deposit, productive credit, consumer credit and loan. Sizya (2001) argued that cooperatives have been the leader in development interventions that aim to alleviate the poverty level of the poor in the rural areas. The rural people take solace in the little financial service that is provided by the cooperative. Sizya (2001) stated further that cooperatives are the most significant forms of participation in financial markets available to the rural Tanzanians. The importance of cooperatives have been identified by Larocque et al. (2002) as an avenue for the introduction of formal banking to rural areas in Burkina Faso. This shows that the rural people first have a good knowledge of the benefits of financial services by participating in financial cooperatives and thus suggests that the failure of access to formal banking system in the rural areas is a major boost for the growth of cooperative societies.

The main aim of cooperative development has been to bring about social and economic upliftment of the poor farmer by "Pooling their small capital, fragmentary land and limited labor". It aims at providing not only credit and other facilities on fair terms but also to help in marketing and development of industries. Cooperatives are regarded as complementary to change the agrarian structure for removing socio-economic inequalities and introducing progressive changes for accelerating rural development. The cooperatives are based on some principles. These principles are the

guidelines by which cooperatives put their values into practice. There are seven universal principles of cooperatives.

1. Open membership.
2. Democratic member control.
3. Member economic participation.
4. Autonomy and independence.
5. Education, training and information.
6. Cooperation among cooperatives.
7. Concern for community.

The evolution of cooperative was due to the industrial revolution. After industrial revolution the labourers and poor persons are forced to work in groups and cooperatives emerged. “Rochdel Pioneers Equitable Society” was considered to be the first cooperative of the world established in 1844 in Manchester of England. It was then extended to the whole world through Europe.

Cooperative movement of Nepal started with the establishment of Department of Cooperative in 1954 (CEDA). “Bakhan credit cooperative limited” was the first cooperative of Nepal established on Chaitra 20, 2013 B.S. The main objective of Cooperative movement was to raise the socio-economic conditions of the poor farmers by pooling their small capital and fragmented land. Cooperative was regarded as complementary agents to change the agrarian structure of the country by removing socio-economic un-equalities through progressive changes (NCDB, 2004).

The World Bank quotes definition Cooperative is to be understood as an association of persons based on a mutual contract (Social contract, by laws) which may be somehow registered with the state and whose members have chosen the mutual goal of creating an enterprise with a democratic voting system. Sharing also in the financial

responsibilities and risks involved in the process. Cooperative's origin is the result of the socio-economic exploitation of uses landlords. Mine owner etc. the weak people through to be united to fight against this depression. They conducted that the Cooperative is the best way of getting rid off such exploitation. So the Cooperative is a form of organization of the economically weak people where in actual users of certain goods and services voluntarily associate together as human beings on the basis of equality for the promotion of their economic interest honesty

Cooperative has two features that make them attractive to those developing countries whose goals include the equalitarian objectives of greater dispersion of income and population control of the economic institution. Cooperative in contrast to privately owned firms, attempts to benefit their users or patrons, rather than their owners and limit the returns received by the suppliers of equity capital to the owners. They are ultimately controlled by the patrons rather than the owners. This is attractive because it permits distribution of profits to the rank and file of the populations, rather than the suppliers of capital who are inequality members of elite.

Nepalese people have a long tradition in Cooperative having many from of labour sharing informal mutual aid groups and rotating savings and credit association in rural areas with different ethnic groups. The co-operative concept in the form of Guthi, Parma, Dhikuri, Dharmabhakari Dhikuri, Parma, Dharma Bhakari and Guthi are some of the traditional forms of informal Cooperatives (Shrestha, Dr. M. P. 2007).

They have been used from a very beginning in Nepalese societies. Characteristics of these historical social institutions are almost resembled with primary form of co-operatives. For the institutional development of such societies, the then government aimed to adopt co-operative system as a means for economic social and cultural development of the people as well as an appropriate and effective tool for rural

development. The then government established the Department of Co-operative under the Ministry of Planning, Development and Agriculture in 1953 A.D (2010 B.C). The modern cooperative movement initiated from Rapti Valley (Chitwan District) as a part of flood relief and resettlement program. At the first time 13 credit cooperative societies established in 2013B.S. were provisionally registered under the executive order of the then government which got legal recognition after the enactment of Cooperative Societies Act 2016B.S.(1959A.D.). The first Co-operative Societies Act was revised several times and it was replaced by the Sajha Societies Act in 2041B.S.(1984A.D.). After the restoration of multiparty democracy the Sajha Societies Act was replaced again by the Co-operative Act 1992. The Department of Co-operative has provided the authority for registration and regulations of co-operative societies/unions/federations under the Acts.

The interim Constitution of Nepal, 2063 has considered Cooperative sector as one of the three pillars for national development. Several types of cooperatives societies operated in the country are Saving and Credit, Multipurpose, Dairy, Agriculture, Fruits and Vegetables, Bee Keeping, Tea, Coffee, Consumers, Energy, Communication etc. including production, financial and service. Nepal has initiated its cooperative movement after 1950 AD. Policy and programs launched by the government have emphasized the importance of Cooperative modality to maintain peace in the society by means of self employment and to expedite the development works. It is believed that some 3 million people are already affiliated so far in more than 20000 cooperatives and more than 50000 people are employed directly in Cooperative business.

With the restoration of democracy in 1990 and promulgation of a new Cooperative Act in 1992, there has been resurgence in the cooperative movement in Nepal. This is

evidenced by the fact that the number of registered cooperatives has grown to 9362 (Statistics on Nepalese Cooperative Societies & Unions, Government of Nepal, Ministry of Agriculture & Cooperatives, Department of Cooperatives, 2007, July 9) as of the record up to April 13, 2007, compared to 830 in 1990. With the increase in number, cooperatives have diversified their involvement in micro & medium level enterprises. Indeed cooperative sector is flourishing one of the largest private sector business enterprises in Nepal. One of the factors that have contributed to the rapid expansion in both the number and the enterprise coverage of cooperatives is the new policy and legal regime allowing grassroots based spontaneous initiatives of communities to organize themselves into cooperatives for doing business and serving the communities. This is in contrast to the government led and government directed cooperatives prior to 1990. The development of cooperatives in Nepal can be presented in the following table separating them into two tables viz from 1953 to 1990 and from 1992 to 2012.

No. 1.1.1 - Cooperative Development 1st Era

Cooperative Development - 1953- 1990 (1 st Era)	
1953	Establishment of Department of Cooperatives (DOC) under the Ministry of Agriculture for Planning and Development
1956	Promulgation of the Executive Order of Government of Nepal and recognition of cooperative society under it. Credit Cooperative Society for the first time, was established in Chitwan District.
1959	Cooperative Society Act, 1959, came into effect
1961	Cooperative Society Rules, 1961, came into effect
1962	Establishment of Cooperative Training Center Cooperative Bank Act, 1962, came into effective
1963	Establishment of Cooperative Bank
1966	DOC was kept under the Ministry of Land Reforms, Agriculture and Food.
1967	Conversion of Cooperative 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	DOC was kept under the control of the Ministry of Land Reform.
1970	The second amendment of the Cooperative Society Act, 1959. Transfer of management of Cooperatives to ADB.
1971	The first amendment of Cooperative Societies Rules, 1961
1976	The second amendment of Cooperative Society Rules, 1961
1980	Implementation of Small Farmer Cooperatives
1984	Enactment of Sajha Society Act, 1984, for making the cooperative development campaign effective
1985	Conversion of DOC into Sajha Development Department
1986	Announcement of Sajha Sanstha Rules, 1986,
1990	Formation of an <i>ad hoc</i> committee for National Sajha Cooperative

Table- 1

Source: GoN, DEOC

Table No. 1.1.2 - Cooperative Development 2nd Era

Cooperative Development- 2 nd Era (1992 till date)	
1992	Enactment of Cooperative Act, 1992.
1993	Enactment of Cooperative Society Rules, 1993. Formation of a large number of Single-purpose Cooperatives such as Consumers Cooperatives, Milk Producers Cooperatives, Saving and Credit Cooperatives throughout the country.
1997	Reception of the membership from the International Cooperative Alliance (ICA).
2000	Conversion of Ministry of Agriculture into the Ministry of Agriculture and Cooperatives)
2003	Establishment of National Cooperative Bank Ltd.
2004	National Cooperative Federation of Nepal established "National Cooperative Development Fund, NCDF Government of Nepal announced the policy of GOAN-GOANMA SAHAKARI GHAR GHAR GHAR MA ROJGARI through its budget of the fiscal year 2061-62 B.S.
2006	Establishment of Central Coffee Producers Cooperative Union Establishment of Central Fruits and Vegetables producers Cooperative Union.
2007	Recognition of cooperative as basic pillar of socio-economic development as equal footing those of private and government sector.
2009	Government of Nepal announced the policy "GAUN GAUNMA SAHAKARI, GHAR GAHRMA BHAKARI."
2011	Completed the Regional and National Workshop on Cooperative Strategic Planning
2012	The Ministry of Cooperatives and Poverty Alleviation has forwarded the draft on National cooperatives Policy 2012 to the cabinet for final approval.

Table- 2

Source: GoN, DEOC, 2013

There are presently nearly 9,362 primary cooperatives and these are federated into a number of subject-specific cooperative unions at the district level (72), district cooperative unions (49), central cooperative union (5), and 1 national cooperative bank. The National Cooperative Federation is the apex level representative body of all the cooperatives at the national level. Among the five central level cooperative unions, there is one each for dairy, coffee, fruits and vegetables, consumers, and savings and credit.

Regardless of the type, size, geographical location or purpose, cooperatives provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. These goals include achieving economy of size, improving bargaining power when dealing with other businesses, purchasing in bulk to achieve lower prices, obtaining products or services otherwise unavailable, obtaining market

access or broadening market opportunities, improving product or service quality, securing credit from financial institutions and increasing income (RBCDS, 1995).

Cooperatives operate very much like other businesses. They must serve a market efficiently and effectively, they must be well managed, and they must survive financially. However, there are important distinctions that make cooperatives unique. Laidlaw (1974) examines the difference between cooperatives and other businesses in relation to three main groups of people responsible for bringing them into existence and keeping them in operation.

The three groups are: the persons who own them (the shareholders, the investors), the persons who control them (the effective decision makers) and the persons who use them (the customers). According to him, in typical capitalist business, especially large enterprise and multinational corporations, these three are separate and distinct groups. In small private business the situation is generally much better because of the close connection between shareholders (investors) and control. In a small retail business, for example, the first two components are often identical. But still the users, the customers, are a separate group. In a cooperative, all three come together to form a unity; those who own, those who control, and those who use are one.

As indicated above, it helps the property less to become property owners and so tends to change their outlook on society and life in general making them less easy to stampede in to extreme or reckless action especially in politics, property also gives a sense of security and in the days before the advent of the welfare state with social insurances and public concern for maintaining high and stable employment. The saving deposited with the consumers' Cooperative society constituted an important reserve against hard times the property- owning worker further feels and displays

greater independence. Rather than endure oppressive or unhealthy working conditions he can take the risk of changing his employment or at least of threatening to do so, if he can't find any other remedy more significant still are the benefits enjoyed by the younger generation. Much of the members savings confided to consumer Cooperative societies is eventually withdrawn to be spent on education not only in school and college fees, but also in contributions to maintain of children and young people for longer periods at school or college. These wider education opportunities open the way to a greater choice of employment.

1.1.1 Emergence of Cooperative in Rural Development

In Great Britain, the first propounded the concept of Cooperative by Robert Owen in the idea of Cooperative was brought in to eight in the beginning of the 19th century (Haijata, T. N. 1994). In England with initiating the saving from group of factory workers comprising 28 members an organization Rochdales society of equitable pioneers was established in 1844. It made expansion in the area of flour, milling, textile and shoe factory (Kunwar, K.B. 2006).

In U.S.A. at a time when rural and agricultural development were synonymous. Teddy Roosevelt's 1908 country life commission recommended Cooperatives as a means to improve economics of scale and strengthen the vertical and horizontal linkage in agriculture production, input supply and infrastructure development for rural America through this concredited strategy and a series of government programmers'. Cooperatives were formed across rural America. This strategy was one of the most comprehensive and successful rural development strategies ever created and funded by the federal government (Cooperative Journal, 1999).

In Russia, the first Russian Cooperatives appeared during the Czrist Empire in the 1860s. In 1865, the first consumers Cooperatives appeared and were joined also by

the first agriculturally oriented credit Cooperatives as evidenced by a special governmental legal Act. Cooperative development, originally limited to rural areas expanded further and spread into the commercial sectors of the cities. (Kunwar, K. B. 2006)

In Poland, the housing Cooperative society was established in 1928 through peasant self-aids. The government had given them with the test of dialing up extra land, which was taken from the big state amount of the peasants because peasant self aids were run on Cooperative lines they were long before interpreted into Cooperative movement.

In the control and Eastern Europe, K. Marx and F. Engels had not outlined of Cooperative theory but had developed some fundamental ideas on the topic of Cooperative which were inserted into their overall theory. In fact Marx wrote that "In order to turn social production" to a complete and harmonic system of free collective labor, overall social changes are necessary changes of general conditions of the society, that can only come in to being through a ship of the organization of the society, i.e. state authority, which has to be taken out of the hands of the capitalists and the landowners and to be put into the hands of the producers themselves.

Modern Cooperative organization has been a long process of ideological and conceptional controversies as well as trial and error. Social philosophers, philanthropist's professional groups. Cooperative members and politician propagated in various forms the idea that socio-economically weak persons should establish Cooperative owned enterprises of promotional services. Which needed to increase their income and improve their socio-economic situation as well as Rural Development activities. Cooperative today are in operation in all the economic

systems prevalent in the world, private or capitalist market economics (USA, Germany, Western Industrialized countries or Japan).

With a per capita income of around US \$ 250. (CBS, 2001) Nepal remains one of the poorest countries in the world, the poorest in the South Asian region. Its main problem is poverty. To develop the Nepal, there are big requirement of capital and technology. Without Rural Development all venture wouldn't be effectiveness. So many potentiality are still we have but we couldn't success. So, Cooperatives are the main instrument for the Rural Development.

Cooperative is an extremely useful tool to promote any sector of economy with limited resources particularly the rural development sector. For this, market access should be ensured right institutional framework established and government support and incentives even if in a time bound manner should be extended. If these aspects can be ensured, Cooperatives movement will defiantly take a forward looking shape. This will ensure Rural Development and will facilitate the faster growth and development of Nepal in a suitable manner while targeting to its primary problems of poverty, inequality and unemployment. Capital formation can be defined as the transfer of savings from households and governments to the business sector, resulting in increased output and economic expansion (Wikipedia).

The growing need for credit and access to the basic necessities of life and articles of trade led to the formation of most of the co-operative societies. Co-operatives vary in meaning for different purposes and with the profession of the people. Regardless of the type, size, geographical location or purpose, cooperatives provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. These goals include achieving economy of size, improving bargaining power when dealing with other businesses, purchasing in bulk to achieve lower prices,

obtaining products or services otherwise unavailable, obtaining market access or broadening market opportunities, improving product or service quality, securing credit from financial institutions and increasing income (RBCDS, 1995).

The present study is focus on the role and effectiveness of Unnatisil Multipurpose Cooperative Kathmandu district. All the activities of Cooperative institution like financial condition, deposit, credit utilization, working efficiency, efficient use of assets loan recovery, loan distributions as well as weakness and strengths of the Cooperatives.

1.2 Statement of the Problem

The Cooperative sector has been accepted as an important partner for accelerating Nepal's Rural Development. It is a voluntary organization owned and promoted by members for mutual benefits through collective efforts.

Nepalese economy is based on agriculture as in several countries of the South-Asian Region Agriculture contributes more than 40.22 percent to the total gross domestic and it has been a source of livelihood for almost 80 percent of the total population. (CBS, 2001)

The main problems of agriculture are the lack of agricultural inputs lack of irrigation, lack of credit supply, lack of technology and scientific methods among the farmers and the lack of institutional marketing facilities etc. These problems have hindered growth and it has not able to attain development. Agriculture development means to obtain higher production. And it is obvious that higher production requires preceding inputs. These inputs consist not only exclusively in material but also in immaterial items (Donner, Wolf, 2004). The material inputs like fertilizer, irrigation, improved seeds transport facilitates, technical assistance etc. are well known. The immaterial

inputs refer to mental change and change of attitude that have a permanent importance in any kind of development process.

In Nepalese situation modern methods of agriculture mean to improve old techniques and to leave old habits and hence it is necessary to take proper education and training. Modernization of agriculture is an urgent need methods of cultivation need to be improved. So, it needs agricultural credit, improved seeds. Fertilizers and insecticides; and agricultural development program can be launched through an established institutional system.

Though Cooperative movement was started since 1953 in democratic Nepal and still continuing, it couldn't touch the fringe of population and almost, remained only to a few well established points in the country (Jha, K.K., 1978). Cooperative movement in Nepal is still being continued, but it has not got grand success. Mutual Cooperative movement is one of the primary credit agencies which is popular among people because of institutional credit agency in the field of agriculture and it is very essential for its development and which would ultimately mean the development of economy in general.

Cooperatives suffer from weak institutional capabilities for project implemental managerial aspects of implements are weak. Project managers lack of professionalism. Their appointment tends to be based on political considerations. So many potentialities are still in the Cooperatives. But we couldn't get benefits from the Cooperatives. So we can say that "what is not possible for the individual is possible for many people acting together".

1.3 Objective of the Study

This study examines role of Cooperative in income generating activities in rural development. The study is confined five VDCs namely Ichangunarayan , Ramkot, Sitapaila, Syuchatar and Bhimdunga VDCs.

The objectives of the study are:

- 1) To find out the contributions of Unnatsil Cooperative in local employment generation.
- 2) To analyze the impact of Cooperative by accessing credit for Rural Development.
- 3) To examine the effectiveness of Cooperative credit for income generation activities.

1.4 Rationale of the Study

Cooperatives are the most important aspect of the agricultural development as well as the Rural Development. So we can say that Cooperative can play the vital role for providing credit to the farmers. Nepal is an agricultural country and livestock farming is one of the components of agriculture.

There are so many problems regarding with the agricultural practices.

Through this study will make an effort of analyze only the effectiveness of cooperative credit for the rural development. All the varieties of the process which are the key indicator of the rural development process. Without agricultural transformation Rural Development is impossible.

1.5 Limitations of the Study

This study has the following limitations:

- 1) The study of this area is Sitapaila, Ichangunarayan, Bhimdhunga, Ramkot VDCs. & 15-Kathmandu Metropolis.

- 2) It is based on the limited tools and techniques.
- 3) This study has been completed with the limited time effort and money.

1.6 Organization of the Study

This study has been organized into six chapters. The first chapter is an introduction of the subject matter which includes background of the study, objectives and rationale of the study. Similarly, various studies are made in the second chapter through review of the literature. The third chapter is about research methodology of the proposed study. The fourth chapter is the description of the study area. The fifth chapter is data presentation and analysis. The six chapters are focuses on summary, conclusion and recommendations.

Figure 1.7 provides with the precise picture of the organization of the study report with chapter-wise key components.

Figure 1.7 : Organization of the Thesis

CHAPTER - TWO

REVIEW OF THE LITERATURE

Literature review is one of any research work for this research work the literature review will be done under two categories; the conceptual review of empirical study for this, different books, journals, articles, plans and policies, other published and unpublished documents related to the subject will be reviewed.

The philosophy of cooperation is evolved around 18th century in Europe with the notion of protecting economically poor people from the exploitation of economically powerful (Subburaj, 2003). Co-operatives are democratically owned and governed enterprises guided by the values of self-help, self-responsibility, democracy, equality, equity and solidarity. They put people at the heart of their activities and allow members to participate in the decision-making (Kimberly & Robert, 2004). Cooperatives generate considerable socio-economic benefits to their members. From the economic stand point, cooperatives improve income and bargaining power of their members. While the social purposes of cooperation are more diverse than economic purposes. They provide a unique opportunity to members to education and training; encourage active participation in meetings, committee membership and leadership positions (Majurin, 2012).

A study has been taken by Man Bahadur B.K. on the financial analysis of Nepalese Cooperative societies with reference to district Cooperative association Ltd. Banepa, Kavre. The objective carried by this study was to analysis the strengths and weakness of the association on the basis of financial statements and their behavior. The study concluded that organization's liquidity position was satisfactory but it had invested its fund in current assets unnecessarily. The assets utilization position of the organization

was not satisfactory due to loss and inefficient debtors management. The association had not maintained its appropriate leverage position due to its improper management of funds and sundry creditors. The association was suffering from the operating loss throughout its study period. On an average there is an operating loss of 0.92 percent per year. The financial performance of the association was found very weak. He has suggested that the Cooperative should maintain the political neutrality. If managed and utilized properly, Cooperative could be the backbone for the economic development of the country it would have been the best very mobilize the scattered saving of the small farmers and labours and the country would have been moving towards a golden tomorrow walking on the way of Cooperative movement.

Miss Shrestha (Miss Shrestha, 1981) has studied the role of Sajha society in Agricultural development with special reference to Dadhikot Sajha society of Bhaktpur district. This Sajha society covers Dhadhikot and sirutar VDC.

There are altogether 160 member farmers in two Panchayats. Only 25 percent of them are randomly selected for this study. So 20 members of each VDC have been taken into consideration.

She concludes that the majority of farmers were meeting their cultivation cost by taking loan through Sajha. They borrowed from Sajha for purpose of agricultural inputs, livestock, poultry and running cottage industries. They usually didn't take loan from other institutions due to high rate of interest, beaucratic system and demand for big amount of deposit. Most of the farmers were satisfied with Sajha regarding the provision of agricultural input for their higher productivity. The manager of Sajha and farmers both were interested in providing and having greater facility of consumers goods. Marketing and supplying and having agricultural tools and scientific equipments. But farmers were dissatisfied with the irregular services rendered by

J.T.A. in that locality. Unavailability of different types of fertilizer at different time in Sajha was the main problem of the farmers. Farmers and manger of the Sajha society felt that agricultural extension education and training were necessary for having better and higher yield from the land.

N.R.B (1972) conducted a study on agricultural credit by selecting 52 village panchayats (Terai 35 and hills 17) of 32 districts (Terai 20 and Hills 12) by using techniques of stratified random sampling. The Bank Survey concludes that the Cooperative as a grass-root level organization should be equipped with all necessary aspects of agricultural development, i.e. technical assistance, supply of inputs, supply of credit and marketing of the product.

Another study was conducted by N.R.B. (1984) in 1980/81 to evaluate the activities of Sajha institutions and it was the firth evaluation report of Sajha institute. There were 532 Sajha operating 30 districts of the kingdom. And as in the previous years, 20 percent has considered reasonable for this study. Therefore, altogether 104 Sajha (117 in hill and 87 in the Terai) were selected.

N.R.B. concludes that the loan disbursement per Sajha in comparison with that of previous years (1979/80) was declined by 28 percent. Similarly, the recovery was less by 22 percent that the previous years. In the marketing activities, the average sale of agricultural inputs per Sajha increased by 3 percent, whereas the sale of agricultural, product declined by 32 percent in comparison with the years of 1979/80. About the income and expenditure of Sajha institutions the study revealed that out of 91 Sajhas, 40 percent were in loss as against 27 percent during 1979/80. Thus this study showed the less effectiveness of Sajha institutions.

Lamsal (G.D. Lamsal) has evaluated the working of Sajha sanstha in Narayanpur village panchayat in chitwan district. He has taken only the member farmers of Sajha sanstha of this panchyat randomly for study.

He finds that 68 percent of the sample farmers were taking credit through Sajha but it wasn't sufficient for them. 92 percent of farmers were not satisfied with the marketing services of Sajha. So they didn't sell to the society.

Poudel (1979) seeks to answer whether the Sajha societies are financially sound and effective in providing credit to the majority of farmers for enhancing agriculture production.

He concludes that the Cooperative societies in Nepal are neither financially viable nor effective in boosting up the agricultural sectors. The major beneficiaries have been the feul privileged farmers who have not only misused the credit but also pushed up the societies in to the financial burden. Hence, we should observe the entire structure and operation of Cooperative societies.

Gurung (1978) has studied "New Sajha Programe" with special reference to compulsory saving scheme.

He concludes that it has become very much difficult to regain the peoples faith and good will not only in Cooperative programme but also in governments plan and policies because of the failure of compulsory scheme. The present administrative system of Cooperative, mainly in village and district level. Seems to be more politically oriented rather than economic consequently, Cooperative enterprises have become less effective to regain the peoples' faith and good will in government activities.

In 1974, as ASARRD converence, to recognize that, it was necessary to bring about suitable change in production structure since them. The small farmer development group have functioned exceedingly well in both economic and social terms. Family income with substantial group saving have been generated and properly utilized for both social and economic needs of individual member, group production plans have been made leading to the release by ADB/N of production credit loan repayment have been successfully launched, democratically elected members to the government have promoted varieties of social activities including laterally classes, improve drinking water system family pit latrine and family planning. To this list most be added intangible such as self respect, sense of community and nation, self reliance, release of initiative and desire to think and plan months and even year ahead instead of day by day as before (FAO, 1974).

There is broad agreement on the positive role played by cooperatives in view of economic development and poverty reduction (Wanyama, Develtere & Pollet, (2008); Gicheru (2012); FAO (2012), DFID (2010a); Birchall (2003); Birchall et al (2008)).

In view of **agricultural co-operatives** it is noted that:

Co-operatives contribute to poverty reduction by increasing their members' access to financial and other assets (including information), thereby allowing small farmers to increase their productivity (e.g., by allowing them to purchase seeds, fertilizer, transport and storage) and, as a result, their incomes (: Wanyama, Develtere & Pollet (2008); DFID (2010a); Gicheru (2012)).

- By generating economies of scale, and improving their members' bargaining power co-operatives make markets work better for poor people and thereby help create more equitable growth (e.g.: DFID (2010); Gicheru (2012)). For example, they enable small farmers to benefit from higher food prices and other market opportunities, and to better mitigate the negative effects of food and other crises (FAO, 2012). Also, they help small farmers capture more of the value chain, e.g. by getting involved in processing activities (DFID, 2010a)

Overall, agricultural co-operatives are commonly seen as a highly effective organizational framework that allows isolated small farmers to organize themselves towards self directed economic development (Wanyama, Develtere, & Pollet, 2008).

A similarly positive role is generally attributed to **multi-purpose and credit co-operatives**. By providing their members with access to small loans – which otherwise are difficult or impossible to obtain for poor people – they enable individuals to support their own self-employment, be it through retail shop keeping, farming or keeping livestock (Birchall & Simmons (2009); Gicheru, (2012).

Birchall (2003), based on extensive research including 11 case studies in developed and developing countries, comes to the conclusion that self-organization of the poor is a pre-condition for successful anti poverty work, and that **co-operatives in general** can play an important role in this regard.

Wanyama, Develtere, & Pollet (2008) note that co-operatives tend to have multifold impact on employment and income generation by i) offering wage employment to people working within the co-operative and providing its members with a decent self-employment income, ii) by increasing income-generation through negotiating better prices to improve members' profit margins, and iii) by providing members with loans

which are often used for the creation of further employment and income-generation, which, in turn, may spill over to positively affect non-members of the co-operative. However, while not questioning the positive impacts of co-operatives for their immediate members, Pollet (2009) states that based on a survey conducted in nine African countries, data on the direct employment created and/or represented by co-operatives were inadequate, which made it difficult to determine the macroeconomic implications of the co-operative movement.

Cooperative is a business enterprise organized, funded and managed by and for its member patrons, the main purpose the establishment of Cooperative is to protect the interest of the people from low and medium level income by providing goods and services when required at fair prices. Similarly, the farmers and procedures can get the equitable prices of their products from the Cooperative, farmers with small plots of land can join joint farming Cooperatives and so on. For this the international labour organization has conceptualized the term Cooperative as 'An association of persons usually of limited means who voluntarily joined together to achieve a common and through the formation of a democratically controlled business organization, making equitable contribution to the capital required and accepting a fair share of risks and the benefits of the under taking (G.S. Kamat, 1978).

A study carried out by Shaw (2004) examined the causes of income related impact gap and the reasons for differences between earnings of micro enterprises among poor and less poor clients. The study suggested that, financial support for rural entrepreneurs helps to alleviate ill-effects of poverty. The poor in semi-urban locations have a better opportunity to exit poverty via any micro enterprises than their rural counterparts. The researcher reported that 25% of households that were initially below poverty line

came out of poverty after joining the program. The study concluded that it is harder for poor people in rural areas to get out of poverty than other areas.

Adjei and Arun (2009) examine the depth of an NGO program that used group lending method in the provisions of savings, credit, insurance and training services to the clients in Ghana, using human resources, food security and vulnerability, dwelling and related indicators, and ownership of household assets as the four dimensions of poverty with the aid of a standardised poverty assessment tools. The researchers found significant difference between clients and nonclients with respect to ownership of sewing machine, refrigerators, radios, beds and mattresses, and expenditure on clothing and footwear. No significant difference was found in acquisition of televisions and gas/electric cookers between the clients and non-clients. They reported that clients have better ownership of accommodation, source of water supply and toilet facility than non-clients. But no difference was noticed in energy for cooking, roofing materials and level of education. In conclusion, the study stated that clients have better standard of living than non-clients. The discussion in the paper suggests a quantitative research in data gathering but the researchers do not specify this. The researchers do not mention if the tool used was quantitative, qualitative or combination of both.

Ghosh and Maharjan (2001) study in Bangladesh assessed the role of government sponsored cooperatives in improving the socio-economic conditions of their members. They collected data through questionnaire, observation and case study from both cooperatives and non-cooperative members. They reported that household income for members was higher than non-members, and much higher than the national figure, but it was not tested statistically. Larocque et al.'s (2002) found that the total household

income for cooperative member was 2.9 times higher than the poverty line. A cross sectional study by Ramotra and Kanase (2009) examined the impact of cooperatives on members' standard of living with the aid of interviews among cooperative members located in twelve villages in India. Sixteen variables were used for the standard of living criteria such as household income, female literacy, educational attainment, land ownership and condition of toilet facilities. The study found a positive correlation ($r=0.71$) between income and household condition which signify positive changes among members after the

establishment of cooperatives. They reported that per capital income of the members is on the increase, and cooperatives bring improvement into toilet facilities in members' houses. The study used interview which was reported quantitatively without information on how this was achieved, neither do they specify the numbers of members that formed the sample for the study. Findings at each village were scantily reported individually and were not consolidated in the study. As such, the researchers were unable to provide a particular outcome and conclusion of the study at the village or community level.

Simkhada (2004) used cooperatives that offer savings, loans and micro insurance services to their members and found that 62% of members and 20% of non-members increase their income. Adebayo et al. (2010) reported that 70% of the members' income increases but without comparison figure for nonmembers. The findings of Wanyama et al. (2008) reveal that participation in cooperatives leads to increase in members' household income and more employment. They found in Ghana that members obtain loans for informal

business to support their wage income. Sharma et al. (2005) documented that members' reported higher increase in household income of 61.7% as against 20% by non-members. The non-members performance was traced to a spillover effect of the activities of the cooperative. However, their results were not tested statistically. The study covered too many variables that include savings, health, family planning, human capital, quality of life (toilet and house), food consumption and nutrition, children education, income, assets and enterprise profit. Calkins and Ngo (2005) found that members' income increases more than non-members and control group. Significant difference between members

and other group was found in Ghana, while the result in Cote d'Ivoire was not significant. Torfi et al. (2011) reported a direct and meaningful relationship between income and social capital. Early members have better income than others who joined the scheme later (Holmgren, 2011).

Cooperative is a business enterprise organized, funded and managed by and for its member patrons, the main purpose the establishment of Cooperative is to protect the interest of the people from low and medium level income by providing goods and services when required at fair prices. Similarly, the farmers and procedures can get the equitable prices of their products from the Cooperative, farmers with small plots of land can join joint farming Cooperatives and so on. For this the international labour organization has conceptualized the term Cooperative as 'An association of persons usually of limited means who voluntarily joined together to achieve a common and through the formation of a democratically controlled business organization, making equitable contribution to the capital required and accepting a fair share of risks and the benefits of the under taking (Kamat,G.S. 1978).

Likewise Krishna Swami explains the Cooperative in this way, "It is a voluntary and democratic association of human beings, based on equality (of control and opportunity) and equity (of distribution) and mutuality for the promotion of their common interest by meeting their needs but doesn't earn profit for itself as an independent economic unit, at their cost. It is meant for earning profits from rendering service to others. It is just organized for the benefits of its members; it is their organization. Therefore, the Cooperative business is different from other concerns which are owned and run for the personal profits of their owners by rendering services to others (Swami, Krishna 1978). A study carried out by Shaw (2004) examined the causes of income related impact gap and the reasons for differences between earnings of micro enterprises among poor and less poor clients. The study suggested that financial support for rural entrepreneurs helps to alleviate ill-effects of poverty.

The poor in semi-urban locations have a better opportunity to exit poverty via any micro enterprises than their rural counterparts. The researcher reported that 25% of households that were initially below poverty line came out of poverty after joining the program. The study concluded that it is harder for poor people in rural areas to get out of poverty than other areas. Adjei and Arun (2009) examine the depth of an NGO program that used group lending method in the provisions of savings, credit, insurance and training services to the clients in Ghana, using human resources, food security and vulnerability, dwelling and related indicators, and ownership of household assets as the four dimensions of poverty with the aid of a standardised poverty assessment tools. The researchers found significant difference between clients and nonclients with respect to ownership of sewing machine, refrigerators, radios, beds and mattresses, and expenditure on clothing and footwear. No significant difference was found in acquisition of televisions and gas/electric cookers between

the clients and non-clients. They reported that clients have better ownership of accommodation, source of water supply and toilet facility than non-clients. But no difference was noticed in energy for cooking, roofing materials and level of education. In conclusion, the study stated that clients have better standard of living than non-clients. The discussion in the paper suggests a quantitative research in data gathering but the researchers do not specify this. The researchers do not mention if the tool used was quantitative, qualitative or combination of both.

Cooperative has particular approach to the problem of economic life with two germinal ideas, association and use the significance of Cooperative approach to economic life consistent emphasis on social welfare. Cooperatives approaches man as a whole, never disassociated from the social and moral aspect. Thus Cooperative thought has broken new ground in the traditional social thought in which as Prof. F.H. Knight has observed individual has been seriously overstressed to the neglect of the social side of mind, of thinking and the appreciative moral life. Cooperative doesn't look upon man as an economic man of the classical school of economics; in a Cooperative association each member must have in view the welfare of the whole body of member forming the association as also of each of its constituents. This spirit is quite in contrast with that of the joint stock concern, which ostensibly works on the motto 'each for himself'. Here is an attitude for selfishness and spirit of competition and therefore of conflict with others carrying on similar business. On the other hand the communists work on the principle of each for all and all for all.

The impact of four savings and credit cooperative societies which consists of two self promoted, one program promoted and one government sponsored cooperatives located in both the rural and urban areas of Nepal was carried out by Simkhada (2004). The study was underpinned by social capital theory. The sample

consists of members and non-members to determine the impact of the cooperative at individual, household, enterprises and community levels. The researcher reported that the cooperatives used compulsory savings to develop thrift among members and as a result, the members develop capacity to save and repay their loans. Nathan et al (2004) found in Uganda that savings help rural finance clients to determine their loan amount and how they save in the program. The findings suggest that the poor people are not only interested in credit but they are also interested in how to save their money at regular intervals. It is not the credit obtained that raises the poor out of poverty but their ability to save from income generated from the use of credit given (Buckley,1997). A person that finds it very difficult to save may eventually consume both his capital and income because credit alone is not enough to deliver the poor from poverty.

The international labour organizational (ILO) has taken the Cooperative and Cooperative as follows. "Cooperative in the widest sense means the union and the coordination of the resources and endeavors of each individual in a joint effort to achieve the results sought offer by all. A Cooperative society is an association of persons carrying in number who are grappling with the same economic. Difficulties and who voluntarily associated on a basis of equal rights and obligations, endeavour to solve those difficulties. Mainly by conducting at their own risk, an under taking to which they have transferred one or more or such of their economic functions as correspond to their common deeds and by utilizing their understanding in joint Cooperative for their common material and moral benefit. (ILO Cooperative, 1956).

All the researchers concluded that Cooperative institutions are an important instrument for rural development. It is only because these institutions can be helpful for solving the problems of the farmers regarding for the rural development. Having

failed in its attempts to promote rural credit Cooperatives along the lines of Nepalese movement having met with plenty of difficulties and having incurred having losses in direct lending to small farmers, the Nepalese government should give a combination of the two schemes with self help and government guidance and great assistance put together. It is hope that Cooperatives will get emerge in the Nepalese as a dominant factor in the solution of many problem including credit. Land reform and supervised credit are now being instituted. The immediate concern is to effect within the shortest time possible improvement in the income and living conditions of the rural population. The present administrative system of Cooperative institution has been set up mainly in village and district level. Therefore, Cooperative institutions in central level should be organized. All the researchers emphasized that Cooperatives should be equipped with all necessary aspects i.e. technical assistance, supplying of inputs, supply of credit and marketing should be included.

The present study has been prepared to ascertain the effectiveness of the Unnatisil Cooperative Limited. Nobody has get done this study. Hence, this study has been endeavored in which the available literature is of a great help.

CHAPTER - THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study has been carried out on the basis of exploratory as well as descriptive research design because the study was focus on to investigate the effectiveness of Cooperative credit for rural development taking the advantage activities, their participation and benefit from the credit utilization for the effectiveness work. Moreover the study has been found out the actual trend of investment of the credit out put condition through utilization process. In this regard, it was an exploratory descriptive research.

Besides, the study has analyzed about the trends awareness, participation advantage group, disadvantage group, stake holder, experiences, size existing condition and investigated of explored finding has been described.

3.2 Selection of the Study Area

Unnatisil Cooperative is selected for the study. The study areas are Sitapaila, Ichangunarayan, Bhimdhunga, Ramkot VDCs & 15-Kathmandu has been selected due to the following reasons.

- 1) Easy accessibility to the area.
- 2) Researcher is better familiar with the area.
- 3) No such study has been done so far in the area.
- 4) Mobilize within the available limited resources.
- 5) It is multi-dimensional.

3.3 Nature and Sources of Data

Sources of data

The present study is based on both the primary as well as secondary data

i. Primary sources Primary sources include data collected from

questionnaire, observation and interview. Questionnaire was administered randomly to the members of cooperative society to gather information from members of staff of the society. The data collected most especially from primary data were analyzed using descriptive statistics and inferential statistics .

ii. Secondary data:

Further publications and reports of Cooperative department, publications of Cooperative training center, related journals and publication. Master's Degree dissertations are also widely used for this study. In this cause of primary data, questionnaires were proposed for member of the society to derive information regarding their attitudes toward the existing financial position and plans for the future.

3.4 Sampling Procedure

Unnatisil Cooperative limited has been selected for this study. The universe of the study is shareholders of the Unnatisil Cooperative. There are 152 shareholders who have more than five thousand rupees. Out of the 152 shareholders, 50 households have been taken as sample by using simple random sampling method.

3.5 Data Collection Tools and Techniques

Different methods of data collection has been applied depending on the context.

3.5.1 Questionnaire Survey

Structured questionnaire were prepared to generate the realistic accurate data from survey of the Cooperatives member. Household survey was conducted and the respondents were requested to fill up the questionnaire of the respondents.

3.5.2 Key Informant Interview

The primary data were also being collected from key informant interview using the semi or unstructured interview method. The interviews have been taken from president and vice-president of the cooperative, secretary of district cooperative association and chief of the administration of this cooperative.

The key informants' interviews have been taken cross checking the data obtained from questionnaire.

3.5.3 Field Visit and Observation

Cooperative organizations and members have been visited and observed. So observation was proved more fruitful and important tool to find out and present the vivid real picture and condition of the area in the study.

3.5.4 Check List

The checklist is other most important tools of collecting data were held in separate Cooperative organizations and members. This check list was focused more on credit investment in various aspect, participation condition, sustainability condition, level of awareness about the Cooperative organization, agricultural training and problem and one more issues.

3.6 Data Processing and Analysis

After collection of primary raw data tabulation was worked out, further supplemented by computer software. The computer software applied to the processing, classification, tabulation and analysis of data and information were word and excel.

CHAPTER - FOUR

GENERAL BACKGROUND OF THE STUDY AREA

Kathmandu District is situated in the central development region of Nepal. The majority area of the district lies in plain. It is also known as the capital of the Nepal. The workings areas of Unnatisil cooperate are situated to the west of Kathmandu valley. They are scattered in constituency no.7, 8 and 9 of Kathmandu district. Three of the villages viz sitapaila, ichangu and syuchatar are in suburb. But the villages like Ramkot and Bhimdhunga lie in rural areas. The main occupation of the people in these areas is agriculture and agriculture based industries. But some of the people are service holders and some are engaged in industrial activities and some in trading too. These are about 30 cooperatives in operation in these areas. They have assisted the people of these areas and have become the backbone for uplifting the life standard of the people of these areas. Different types of cooperatives like agriculture; saving and credit cooperative, multipurpose are in operation. The cooperatives are playing a great role in the development of these areas.

Ichangunarayan VDC

Ichangunarayan VDC lies to the west of Kathmandu valley. Named after the famous shrine ichagunarayan temple one of the four narayans of Kathmandu valley, the village famous for the traditional floriculture and agricultural occupations. The main source for the finance for these occupations is cooperatives.

Ramkot VDC

Ramkot VDC lies to the west of Kathmandu valley. Ramkot VDC is full of natural resources like forest, water resources. Poultry farming and vegetables farming are famous in this village. Most of the land is used for farming.

Sitapaila VDC

Named after the footsteps of Sita which are on a stone, is one of the developed villages of Kathmandu. Sitapaila is situated to the west of Kathmandu valley. Famous shrines like harisiddhai, Aadeshwor lie in this village. Hatchery, stone industries

Syuchatar VDC

Syuchatar VDC lies to the west of kalanki. It is to the south of Ramkot village. The main occupation of the people of syuchatar VDC is agriculture but people are also engaged in trading also.

Bhimdhunga VDC

Bhimdhunga VDC lies to the west of Ramkot VDC. It is somehow backward in development in comparison to the other villages of the working areas of Unnatisil Cooperative. Most of the people are engaged in agriculture. Some of the people operate retail shops and some are engaged in cottage industries too.

4.1 Unnatisil Savings and Cooperative

Vision of Unnatisil

-) Building up a able well organized financial organization based on community.

Mission

-) Adaptation of participated development process for socio economic change.
-) Mobilization of maximum resources for development.
-) Establishment of base of development institution based on community.

Goals

-) To provide competitive services for it's members socio-economic development.
-) To increase production and create self, employment of opportunities by mobilizing rather resources.

-) To help and Cooperative with finance institutions which are based on community.

Objectives

-) To make the members habituated for regular savings by making them Cooperative and economic.
-) Collecting some amount from members and provide competitive interest.
-) To provide loan for productive deeds.
-) To play a Cooperative and helping role with local, national and international organizations which have common objectives.
-) Providing banking services to community, playing as a role of banking and financial mediator.

Functions/Activities/Programs

Saving programme

-) Each and every person invests some amount as monthly saving account compulsory and is provided some interest.

Credit Programme

-) The amount collected as monthly saving amount by shares can be distributed as loan within certain criteria.

Alternative Energy

-) It takes help from alternative energy center Kathmandu and make benefited to it's share members.

Education Programme

-) It has run conducting some educational programme/ conference. Now we are decided to invest this fund in land.

Felicitations Programme

They started to felicitate those who contributed as members in different committees.

They also felicitate those couples (spouse) who assumed/did family planning though they have two daughters.

CHAPTER - FIVE

DATA PRESENTATION AND ANALYSIS

In research data collection refers to both data and information gathering activities. There are various methods and ways of data collection depending upon the nature of topic and subject under study or depending on the study objectives, the study design and the availability of time, money and personnel. The data may be quantitative or qualitative. and based upon broad approaches to information gathering data are categorized as secondary data and primary data. (Sharma, P 2003).

Both qualitative and quantitative data were collected and presented using tables so as to easily present and interpret the collected data. The researchers have employed descriptive statistics such as mean, standard deviation and percentage to analyze the collected data with regard to the different variables of socio-economic impact of Cooperatives.

The availability data are represented by different methods by pictorial form and graphical form. In pictorial form data are represented by

1. Bar Diagram

2. Circular diagram or pie chart

In graphical representation is done by plotting points on a graph and there are two types of graphical representation :

1. Histogram

2. Frequency distribution

5.1 Occupation of the Members

Table No. 5.1

Occupation of the Respondents

S.No.	Particular	Unnatisil	Percentage
1	Service	10	20
2	Farming	5	10
3	Business	25	50
4	Other	10	20
	Total	50	100

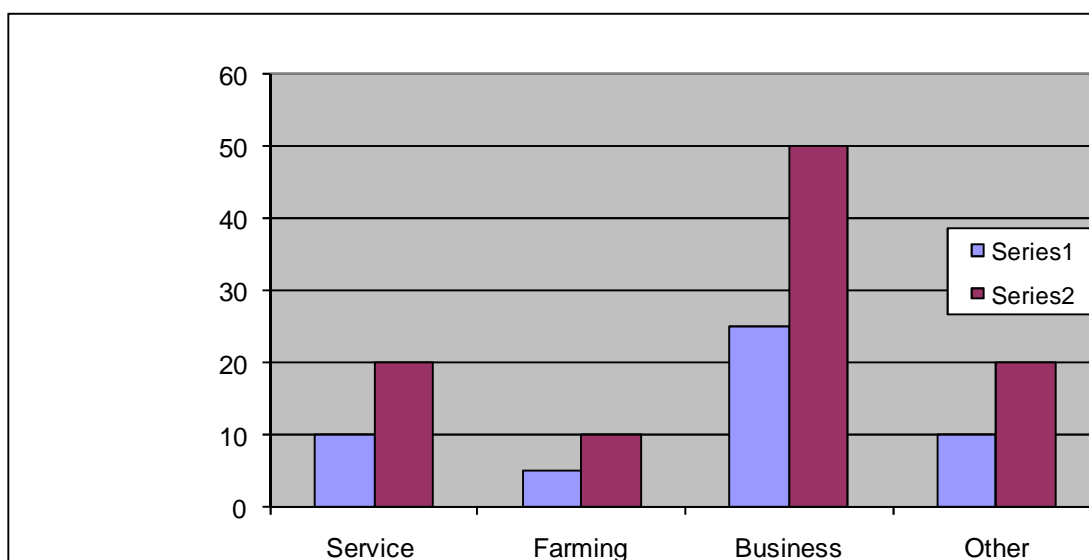
Source: Field Survey, 2012

his table shows that occupation of the 50 members of Unnatisil Cooperative, 20 percent involved in service, 10 percent in farming, 50 percent business and 20 percent are involved in others occupations.

Above indicators shows that most of the members are involved in business sector. This condition can be clearly shown in multiple bar-diagrams below:

Figure No. 5.1

Occupation of the Member



5.2 Educational Status of the Cooperative Members

Table No. 5.2

Educational Status of the Cooperative Members

S.No.	Particular	Unnatisil	Percentage
1	S.L.C.	12	24
2	S.L.C. to Bachelor	35	70
3	Bachelor above	3	6
	Total	50	100

Source: Field Survey, 2012

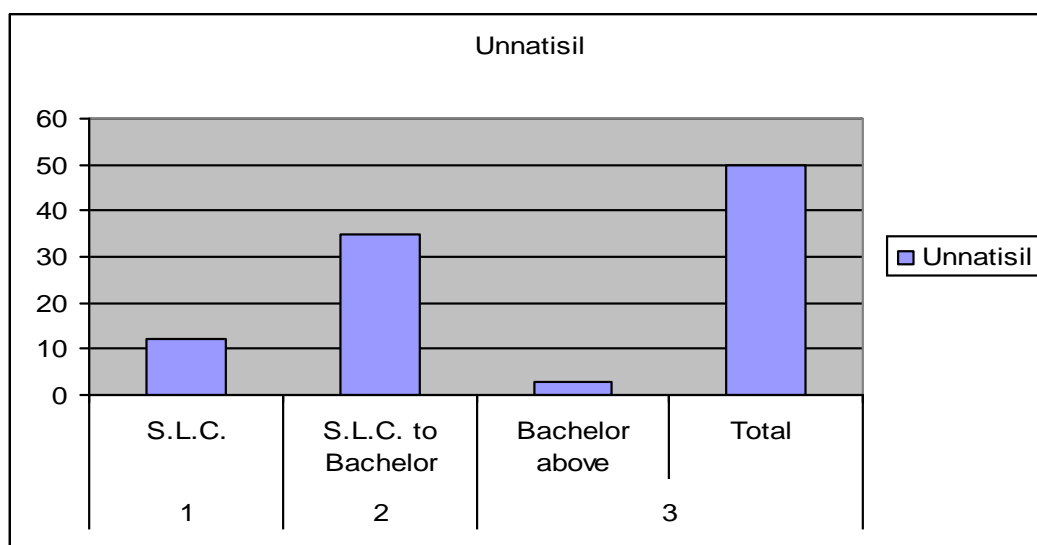
This table shows the educational status of the Cooperative members of Unnatisil cooperative.

From the above table, it is clear that out of 50 members 24 percent members are S.L.C. below 70 percent members are S.L.C. to Bachelors level and 6 percent members are Bachelor above.

This trend can be clearly shown in multiple bar-diagram.

Figure No. 5.2

Educational Status of the Cooperative Members



5.3 Taking Credit from Cooperatives

Table No. 5.3

Reasons for Taking Credit from Cooperatives

S.No.	Particular	Unnatisil	Percentage
1	Becoming easy to take loan	32	64
2	Interest is low than other	16	32
3	I don't know	2	4
4	Other	-	-
	Total	50	100

Source: Field Survey, 2012

This table shows that, taking credit trend from the cooperative societies.

64 percent members have been taking the credit becoming easy to take loan, 32 percent members have been taking the credit becoming low interest rate than others likewise 4 percent members have been taking loan unknowingly.

5.4 Information Providing Source for Cooperative

Table No. 5.4

Information Providing Source for Cooperative

S.No.	Particular	Unnatisil	Percentage
1	From Electronic media	3	6
2	Newspaper	15	30
3	Community Interaction	30	60
4	Others	2	4
	Total	50	100

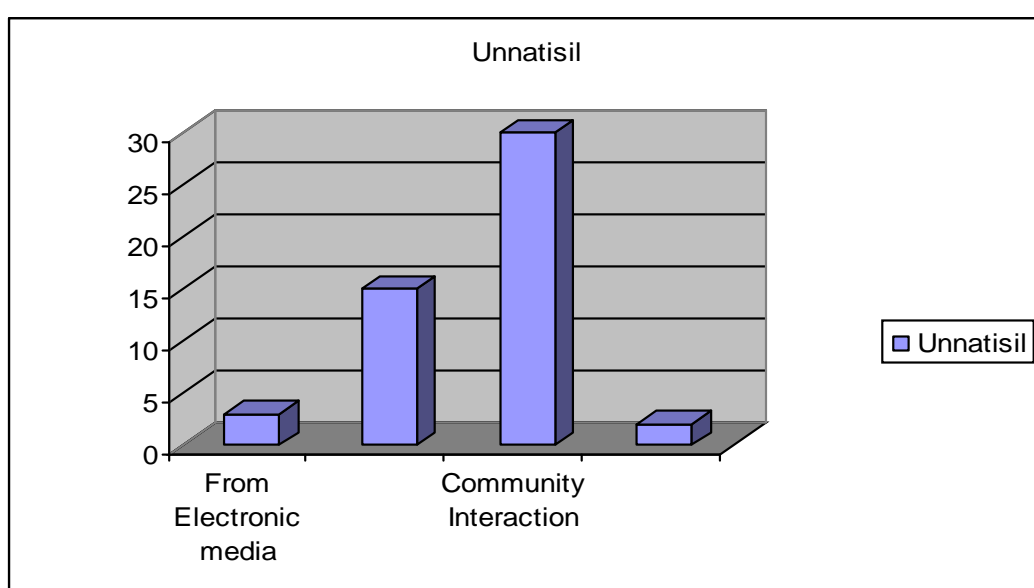
Source: Field Survey, 2012

The table shows that the information providing sources for cooperative organization from the Unnatisil 6 percent members from electric media, 30 percent from newspaper, 60 percent from community interaction, 4 percent from other information sources.

This condition can be clearly shown in multiple bar-diagram.

Figure No. 5.4

Information Providing Source for Cooperative



5.5 Source of Taking Credit

Table No. 5.5

Source of Credit

S.No.	Particular	Unnatisil	Percentage
1	From land lords	2	4
2	From commercial bank	12	24
3	From Cooperatives	33	66
4	Other	3	6
	Total	50	100

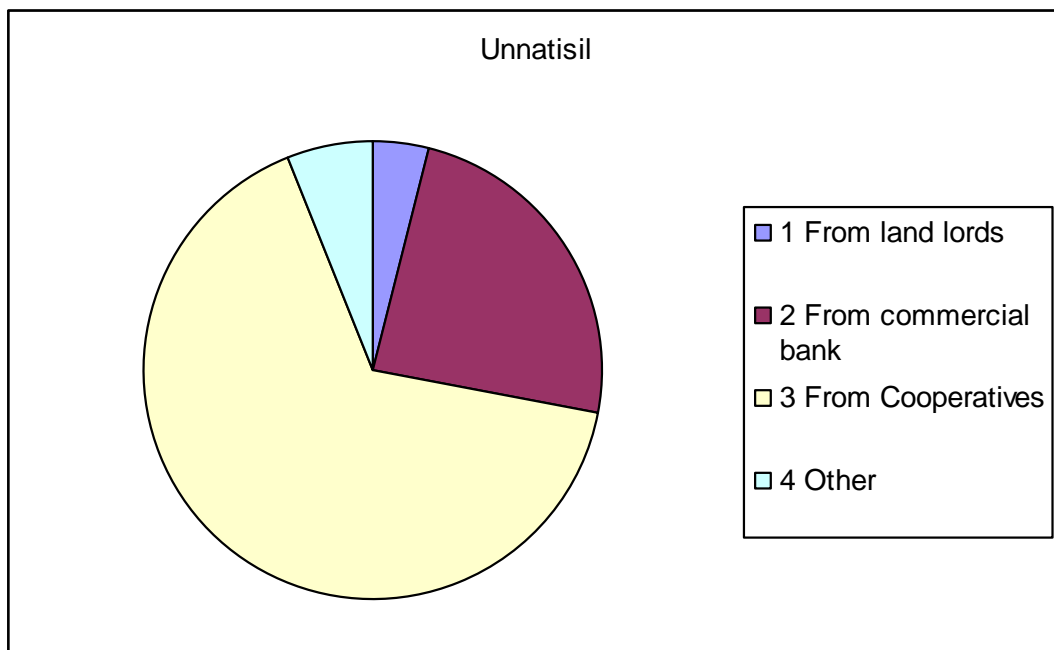
Source: Field Survey, 2012

The above table shows that there are difference sources of loan provided to the farmers. Some member's farmers have been taking credit from cooperatives. The other sources of credit are commercial bank and the land lords. The above table shows that the sources of taking credit from the Unnatisil 4 percent members have been taking credit by land cords, 24 percent members have been taking by commercial bank, 66 percent members have been taking credit from cooperative society and 6 percent have been taking from others sources.

This situation can be clearly shown in pie-chart

Figure No. 5.5

Source of Taking Credit



5.6 Satisfaction from Cooperative System

Table No. 5.6

Satisfaction from Cooperative System

S.No.	Particular	Unnatisil	Percentage
1	Arrangements of loan distribution	45	90
2	Management for consumer goods	5	10
3	Supply of agricultural goods	-	-
4	Buying and selling of agriculture products	-	-
	Total	50	100

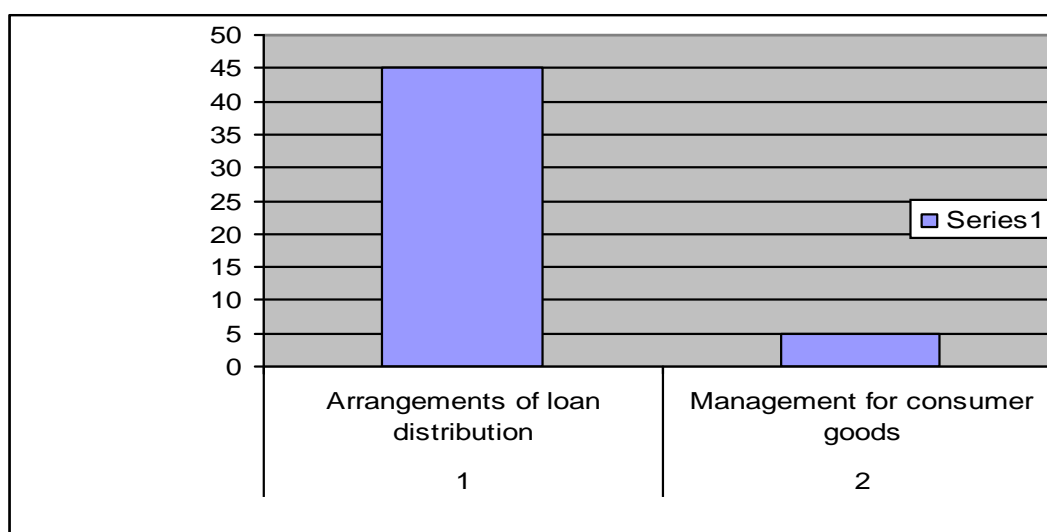
Source: Field Survey, 2012

The table no.5.6 shows the satisfaction of cooperative activities from the Unnatisil 90 percent members are satisfied with arrangement of land distribution process which is provided by cooperative society. 10 percent members are satisfied with management for consumer goods.

This situation can be clearly shown in multiple bar-diagrams below:

Figure No. 5.6

Satisfaction of Cooperative System



5.7 Reason for Not Taking Credit

Table No. 5.7

Reason for Not Taking Credit

S.No.	Particular	Unnatisil	Percentage
1	Enough loan is not given	30	60
2	The procedure is lengthy	10	20
3	Not Needed	5	10
4	High Interest rate	5	10
	Total	50	100

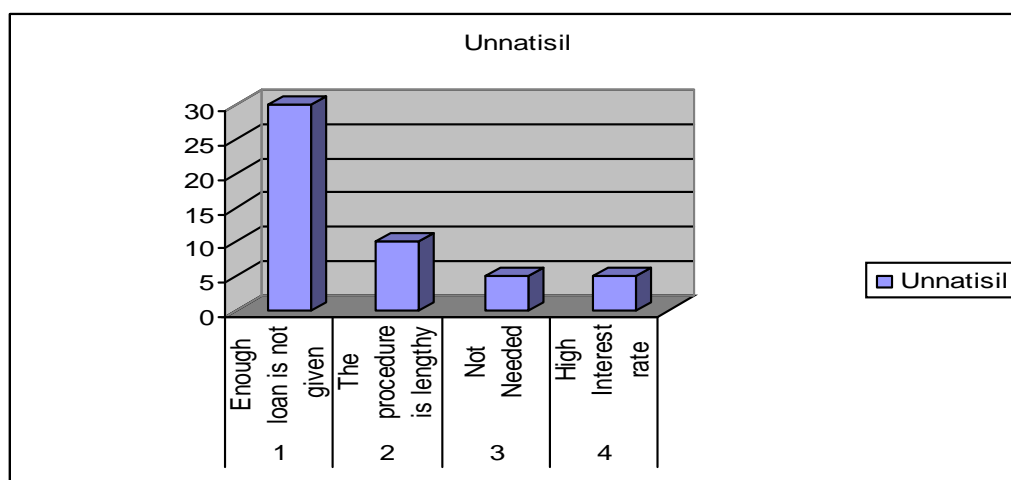
Source: Field Survey, 2012

The table no. 5.7 shows that the reason for not taking credit. From the Unnatisil 60 percent members said that enough loan wasn't given. The procedure is lengthy option for 20 percent members, 7 percent members aren't required and high interest rate for the 20 percent members.

This situation can be clearly shown in multiple bar-diagrams below:

Figure No. 5.7

Reason for Not Taking Credit



5.8 Investment of Credit Loan from the Cooperative

Table No. 5.8

Investment of Credit Loan from the Cooperative

S.N.	Particular	Unnatisil	Percentage
1	Agricultural production	15	30
2	Cottage (small industry)	5	10
3	Business	20	40
4	Education	8	16
5	Others	2	4
	Total	50	100

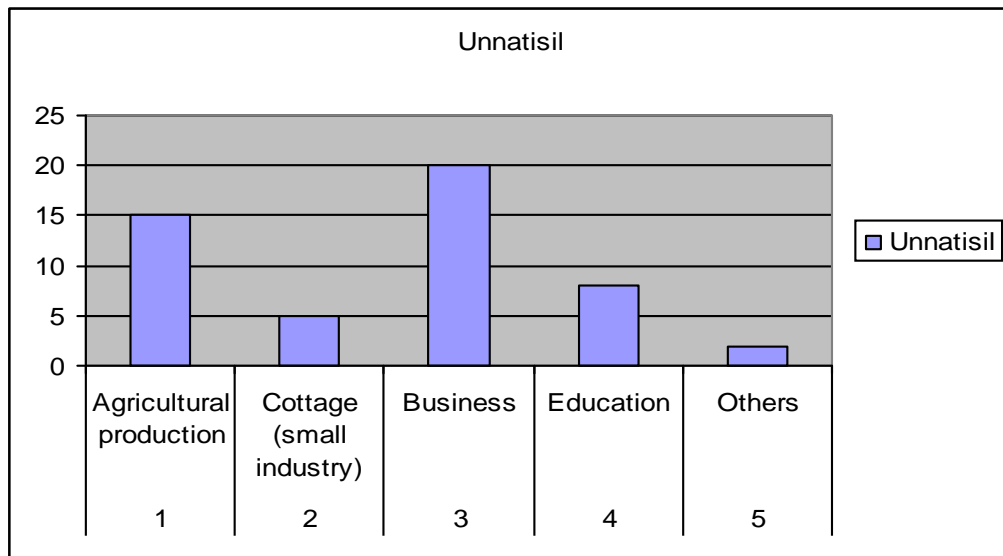
Source: Field Survey, 2012

The table no. 5.8 shows that the actual condition of the investment of the farmers members from the Unnatisil, 30 percent members are invested their credit for the agricultural production. 10 percent members for the cottage (small) industries, 40 percent members for the business, 16 percent have investment their credit for the educational sectors, 4 percent members for the others unidentified sectors from the cooperative societies.

This trend can be clearly shown in multiple bar-diagrams below:

Figure No. 5.8

Investment of Credit Loan from the Cooperative



5.9 Agricultural Technical Information Providing Sources

Table No. 5.9

Agricultural Technical Information Providing Sources

S.N.	Particular	Unnatisil	Percentage
1	J.T.A.	5	10
2	Cooperative management		
3	Electronic media	41	80
4	Fellow farmers	5	10
	Total	50	100

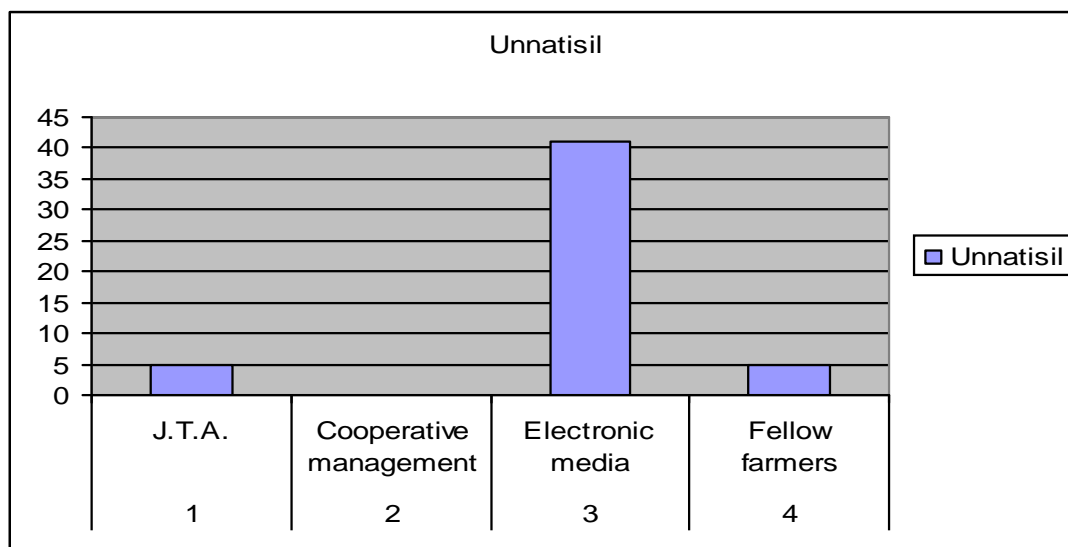
Source: Field Survey, 2012

The table no. 5.9 shows that the agricultural technical information providing sources through cooperative societies. From the Unnatisil 10 members from J.T.A. 80 percent members from electronic media. 10 percent members have taken the agricultural technical information from fellow farmers.

This trend can be clearly shown in multiple bar-diagrams below:

Figure No. 5.9

Agricultural Technical Information Providing Sources



5.10 Sale of Agricultural Production

Table No. 5.10

Sale of Agricultural Production

S.No.	Particular	Unnatisil	Percentage
1	Cooperatives	-	-
2	Land lord	-	-
3	Open Market	45	90
4	Money lender	2	4
5	Others	3	6
	Total	50	100

Source: Field Survey, 2012

The table no. 5.10 shows that the sale of agricultural production through cooperative society. From Unnatisil 90 percent members are sold their agricultural

production directly to the open market, indicators shows that 4 percent members are sold to the money lender and 6 percent members have sold to others sources.

5.11 Change in Attitude Behavior from Cooperative

Table No. 5.11

Change in Attitude Behaviour from Cooperative

S.No.	Particular	Unnatisil	Percentage
1	Attitude behaviour	25	50
2	Economic benefit	20	40
3	Training system	5	10
4	Others	-	-
	Total	50	100

Source: Field Survey, 2012

The table no. 5.11 shows that the changing behavior after entering in cooperative society. From the Unnatisil 50 percent members have expressed to change their attitude through the cooperative. 40 percent members have been taking benefit by economic conditions. 10 percent members have expressed their view to be benefited from training system.

5.12 Opinion about Distribution of Loan by Cooperative

Table No. 5.12

Opinion about Distribution of Loan by Cooperative

S.No.	Particular	Unnatisil	Percentage
1	Satisfied	45	90
2	Unsatisfied	5	10
	Total	50	100

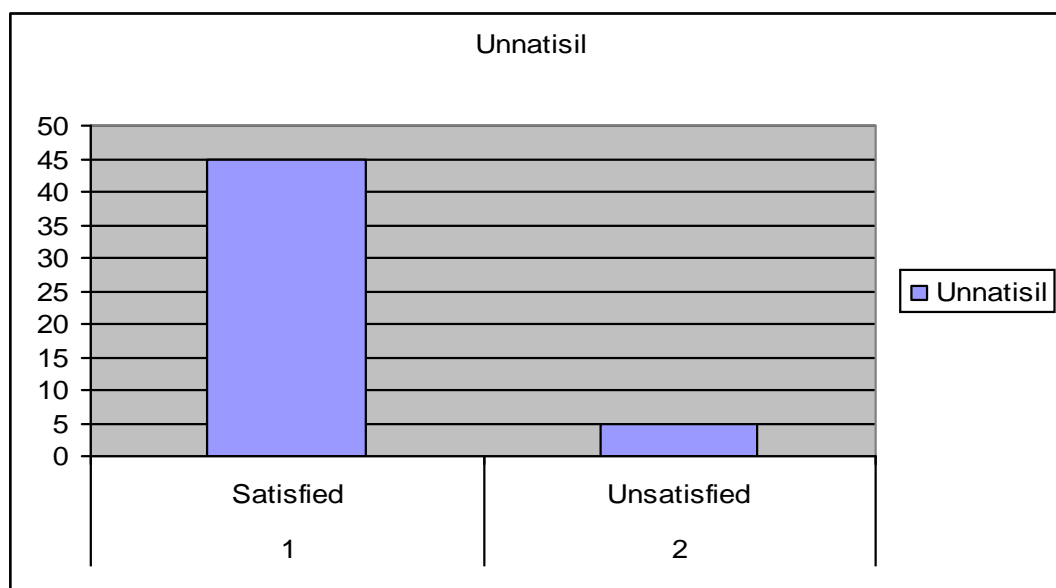
Source: Field Survey, 2012

The table no. 5.12 shows that the opinion about distribution of credit by cooperative from the Unnatisil 90 percent respondents has been satisfying with the cooperative's loan distribution. 10 percent have been unsatisfying. Thus, most of the respondents are satisfied.

This condition can be clearly shown in multiple bar-diagram:

Figure No. 5.12

Opinion about Distribution of Loan by Cooperative



5.13 Respondents View Toward Consumers Goods Service

Table No. 5.13

Respondents View towards Consumer Goods Service

S.No.	Particular	Unnatisil	Percentage
1	Enough	10	20
2	Not enough	40	80
	Total	50	100

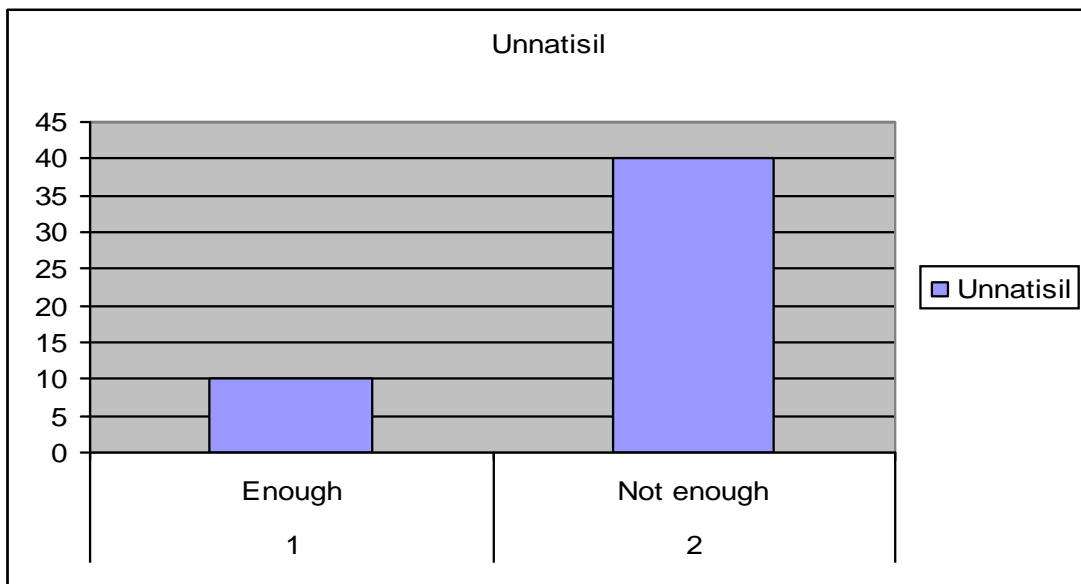
Source: Field Survey, 2012

The table no. 5.13 shows that respondent's view toward consumer good service from Unnatisil 20 percent members have been saying enough and 80 percent members have been saying not enough.

This trend can be clearly shown in multiple bar-diagram below:

Figure No. 5.13

Respondents View towards Consumer Goods Service



5.14 Total Investment(in Rs.) of Unnatisil

Table No. 5.14

Total Investment (in Rs.) During FY 2058/59 to 2066/67 of the Unnatisil

Fiscal Year	Investment (in Rs.)
2058/2059	1143800
2059/2060	1434000
2060/2061	2306500
2061/2062	3327000
2062/2063	4017000
2063/2064	5731000
2064/2065	6730500
2065/2066	9613500
2066/2067	9302500

Source: Field Survey, 2012

5.15 Total Assets of Unnatisil

Table No. 5.15

Total Assets Fiscal Years 2058/59 to 2066/67 and increasing percentage of the Unnatisil

Fiscal Year	Total Assets	Increase Percentage
2058/2059	347209	-
2059/2060	610130	74.72
2060/2061	939836	54.03
2061/2062	1440095	53.23
2062/2063	2163554	50.91
2063/2064	3071216	41.31
2064/2065	4087786	33.09
2065/2066	596035	45.85
2066/2067	8202481	37.57

Source: Field Survey, 2012

5.16 Financial Resources of the Cooperative

Both cooperative society's finances of credit consist of internal resources, i.e., owned funds and borrowings from the governmental and other financing institutions. The internal resources of cooperative societies comprise the share capital, reserve fund deposits. In the societies comprise the share capital, reserve fund and deposits. In the societies surveyed, the major source of owned funds is the share capital, it is the large scale of capital.

5.17 Problems of Cooperative Specially of Saving and Credit Programs

In Nepal, almost all governmental and non-governmental organizations have included saving as a component of their various development programs such as literacy group health group, forest user's group, mother's group, irrigation user's group, agriculture production groups and so on and so forth. After the preliminary objective of the group is completed the saving and later credit component continues and as the groups grow, the technical, increases which in most cases aren't provided by the promoters. The lack of clear vision of the promoters leads to non adherence of best practices in this field by the group resulting further to the distortions of the market. Even when there are existing financial service providers promoters tend to develop their own groups leading into formation of unsuitable group main problems are:

- 1) Governmental interference
- 2) Lack of awareness
- 3) Functional weakness
- 4) **Lack of clear visions**
- 5) Lack of adequate monitoring
- 6) Lack of technology and diversification of product
- 7) Lack of proper capital

5.18 Contribution of the Cooperative Sector for Rural Development

The movement of modern cooperative system in Nepal started over fifty years ago was indeed a process of constant search for suitable and effective local organizations that could institutionalize the process of rural development. Cooperatives occupy an important place in uplifting social as well as economic status particularly in rural

areas where more than four-fifths of the total population reside and majority of them are poor and excluded from the socio-economic development opportunities. The contribution of cooperatives in rural development can be described on the following points.

-) Reducing poverty and inequalities.
-) Provision of receiving mechanism.
-) Establishing decentralization of leadership.
-) Building awareness.
-) Creating social mobilization.
-) Generating employment and income opportunity.
-) Fulfilling credit needs.
-) Meeting the basic needs.
-) Helping rural industrialization.
-) Keeping social solidarity.
-) Helping agricultural development.
-) Mobilizing local resource.

CHAPTER - SIX

SUMMARY, CONCLUSION AND RECOMMENDATION

6.1 Summary

The present study has been under taken to examine the effectiveness of cooperative credit for rural development. Which is the case study of Unnatisil Cooperative Limited?

Major findings of the study have been summarized as:

-) Unnatisil was established in 2053 B.S.
-) The cooperative is located at Kathmandu district.
-) Most of the members have been involved in business sectors.
-) Educational status of the cooperative has satisfactory from the Unnatisil 24 percent members are S.L.C. below, 70 percent are S.L.C. to Bachelors level, and 6 percent are bachelor above.
-) Information providing sources for cooperative organization are electronic media, newspaper, and community interaction from the Unnatisil 6 percent from electronic media, 30 percent from newspaper and 60 percent from community interaction. Cooperative societies and commercial banks are the main sources of credit provider organization.
-) The main function of the cooperative is to provide credit to the members.
-) Sources of taking credit are land lords, commercial bank and cooperative societies from the Unnatisil (Out of fifty respondents), 4 percent are from land lords, 24 percent from commercial bank and 56 percent are from cooperative society.
-) Most of the members of Unnatisil are taken credit through cooperative society.

-) Interest rate is 13 percent for credit distribution provided by cooperatives.
-) Satisfaction of cooperative system from Unnatisil 90 percent members is satisfied with arrangement of loan distribution. The reason for not taking credit from the Unnatisil (out of 50 respondents) 60 percent members said that enough loans weren't given.
-) Investment of credit from the cooperative of Unnatisil 40 percent members are invested their credit for the business sectors.
-) Sale of agricultural production through cooperative society from Unnatisil 90 percent members are sold their agricultural production through open market. There is no facility of agricultural productions selling cooperative.
-) Main financial resources of the cooperative are the monthly saving deposit, interest of the providing credit.
-) Technical information providing sources from Unnatisil 80 percent members are informed by electronic media.
-) Improvement in life style, socio-economic condition of the respondent's family due to the increment in their income.
-) Development of entrepreneurship by 40%.
-) Increase social and economic relation, exposure, empowered and access to formal financial institution.
-) Direct self employment creation through entrepreneurship development.
-) Change in financial behavior like saving habit, utilization and membership in financial in institution.

6.2 Conclusion

Nepal as being predominantly an agricultural country, agricultural development has permanent importance in the process of overall economic as well as rural development of the country. So the government after 1951 had paid much attention to develop agricultural development through rural development, different laws and rules have been adopted by the government for a well functioning of the cooperative.

The main focus of the study to find out the effectiveness of cooperative credit for rural development. Cooperatives are often blamed for an efficiency. Though there are shine examples of successful and vibrant cooperatives yet a large number continues to face criticism not only from their own members but also from other segments of the society. There are various reasons, which are attributed to the weakness of cooperatives.

Many of these reasons are real but don't necessarily lead to a conclusion that cooperative are efficient and member cannot run their own organizations. Many of these so called faults are pure misconception and imaginary and are floated due to various self interests involved. These are due to lack of information, inadequate management competency, poor advocacy role played by the cooperatives and their leaders, excessive self interests and poor public relations. The remedy lies in education, extension, training and professionalization.

An enlightened citizen is the back bone of a democratic society. Cooperative institutions provide social and economic services to their members. They not only service the members but also service their family and the community. Any amount of aid or assistance given to primary societies or to any institution from external sources tends to weaken the institution more than anything else. The key factor in the management of cooperatives the participation by members.

6.3 Recommendation

The following recommendations are made to improve the working of cooperatives.

-) Whenever possible, performance should be given to implementing a supervised credit program through cooperative organizations. In this case technical and social supervision may be made for effective and at a much lower cost.
-) Governmental bank and others should provide sufficient loan to cooperatives in time when it is needed.
-) The management should try to maintain a good relationship between the managerial staffs, workers and members of the board and general publics. Likewise the cooperative organization should develop coordinative among the Cooperatives.
-) On the part of other Cooperative societies they should adopt efficient and latest market strategies to make themselves capable of increasing their transactions as well as fulfilling growing demand of new financial services and facilities so that they will be able to cope with the Cooperative challenges.
-) The according system of the Cooperative must be modern and scientific.
-) Cooperatives should also provide consumer goods and other essential goods needed to farmers.
-) Provision for credit amount should be increased.
-) The Cooperative societies lacks the educated and skilled manpower due to lack of Cooperative education program though the history of Cooperative is being very old, it hasn't been conceptualized yet. Therefore, it is suggested that the Cooperative education and Cooperative training must be provided for the

development of Cooperative societies and the upliftment of socio-economic condition of the country.

-) As Cooperatives are effective in mobilizing marginal and small farmers Cooperative movement should be promoted on a massive scale in rural community.
-) Since effectiveness of farmers Cooperatives is further strengthened when they also join savings and credit Cooperatives, farmer's Cooperative member should be encouraged to join saving and credit Cooperatives as well.
-) Being an autonomous organization, participation of women, Dalit and janajatis is not ensured in such Cooperatives. Hence, some sort of mechanism should be established to enhance participation of women, dalits and janagatis in the Cooperatives.
-) Priority will be given to promotion of agri-industry and productive sectors.
-) Develop objective policies to attract and promote Cooperative.
-) Promote Cooperative to mobilize small and scattered saving.
-) Cooperative education member education and sharing of success and weakness should be promoted significantly.
-) Incentive mechanism may be introduced to people involved in the management linking to performance.
-) Monitoring and supervision must be enhanced.

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