

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nepal is youngest republican country in the world. By the political change in the country, many things are being used and practiced in this Himalayan country. In Nepal, the most of the people are still dependent on agriculture for securing livelihood. The livelihoods adopted by the rural communities are derived from the traditional economic activities such as agro-based and livestock based. Most rural and agriculture households rely on multiple income sources and adopt a wide range of livelihood strategies for food securing due to inadequate income from a single occupation.

Federal Democratic Republic of Nepal is a landlocked country in South Asia. It is bordered by China to the north and India to the south, east and west. Nepal is small, landlocked and agricultural country lying between two fast growing and economically strong countries India and China which is suffered from many economic problems such as mass poverty, high unemployment, high population growth rate, low per capita income, income inequality, high dependency on agriculture, high dependency on Indian economy etc. These factors are responsible for the slow economic growth rate. The main goal of developing countries like Nepal is to attain high economic growth rate, reduction of income inequality and poverty and to improve the living standard of the people. Though various institutions are established to uplift the economic development. Cooperative is one of such institutions, which has become suitable and popular business entity for the upliftment of economic development.

As per the revised estimate, Nepal's real GDP was estimated to grow by 5.0 percent in FY 2014/15. Such growth rate, however, is estimated to stagnate at 3.0 percent at basic price against the growth rate of 2.1 percent in the previous fiscal year. While classifying GDP into agriculture and non-agriculture sector as per industrial classification, the share of agriculture sector to GDP is in declining trend while that of non-agriculture is on the rise. Contribution of agriculture sector to real GDP which was 36.6 percent in FY 2000/01 has dropped to 33.1 percent in current fiscal year while that of non-agriculture sector has gone up from 63.4 percent to 66.9 percent.

Inflation rate, which was 8.9 percent in first eight months of FY 2013/14, has rested at 7 percent during the same period of current fiscal year.

It is necessary to achieve and sustainable economic growth rate for the country to graduate from its current status of a least developed country to developing country by 2022. In a situation where average annual growth rate for the past 10 years has been mere 4.1 percent, it poses a tough challenge to the country to achieve annual growth rate of 7-8 percent for graduating to the developing country. (MoF, Economic Survey, 2015)

A Cooperative is a voluntary organization of persons with limited means of safe guard of their common needs and interest. “Unity in diversity is the main motto of cooperative societies”. The philosophy behind cooperative movement is “all for each and each for all”. A cooperative is defined by the international cooperative alliance’s statement on the cooperative identity as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and inspiration through jointly owned and democratically controlled enterprises. It is a business organization owned and operated by a group of individuals for their mutual benefits. A cooperative may also be defined as a business owned and controlled equally by the people who use its services or who at it. Cooperative means working together for the common benefit that have similar desires, wants and motives. A Cooperative usually uplift the living standard of lower income people. Cooperative development may be the backbone for the development of developing countries (NRB, 2012).

A cooperative is a form of organization engaged in economic activities and carries out management function such as planning, organizing, controlling and evaluation. Furthermore, cooperative are business organization operated by farmers, workers, handicraft workers, porters, landless poor people, unemployed, marginalized people and social workers for the economic and socio-cultural development of their members. Development of competition of small producers and service users through cooperative is indispensable in Nepal.

The word “Co-operative” is said to have been derived from the latin word “Cooperate” which means working together for some common purpose. The cooperative is comprised of two terms ‘Co’ and ‘Operative’. ‘Co’ stands for together and ‘Operative’ stands for working. In general, cooperative means living, thinking

and working together for mutual benefits of the member engaged in the business organization. It is technical sense and it also denoted the special method of doing business using the skills and knowledge of members and investing capital to develop their business as an industry and selling their production of goods and services. Cooperative is a business entity which is gained, capitalized and managed by of and for its members, patrons furnishing and/or making at cost of goods and/or service to patrons.

A cooperative (“Coop”) or Cooperative (“Co-op”) is an autonomous association of people who voluntarily cooperate for their mutual social, economic and cultural benefit. Cooperative is non-profit community organization and businesses that are owned and managed by the people who use its services or by the people who work there or by the people who live there (a housing cooperative), hybrids such as worker cooperatives that are also consumer cooperatives or credit unions, multi-stakeholder cooperatives such as those that brings together civil society and local actors to deliver community needs and second and third tier cooperative whose members are other cooperatives (Wikipedia, 2014).

A cooperative is a voluntary organization for a joint organization of some work on equal terms and with common objectives. This form of organization has been growing popularly in the sphere of economic activities particularly among the economically weak member of community who by definition cannot protect their interest on an individual basis.

Cooperative can be defined as a “jointly owned enterprise engaging in the production or distribution of goods or the supplying of services, operated by its members for their mutual benefit. It is typically organized by consumers or farmers. Cooperatives have social goals which they aim to accomplish by investing a proportion of trading profit back into their communities. A cooperative is a legal entity owned and democratically controlled by its members and members often have a close association with the enterprises as producer or consumers of its products or services or as its employees (Wikipedia, 2014).

The objectives of cooperative are generally related to the welfare of members. It always tries to develop the economic, social and mental empowerment of members. Cooperatives are based on the value of self-help, mutual help, self-responsibility,

democracy, equality and solidarity value of honesty, owner, social responsibility and caring of others. Cooperatives are community based, rooted in democracy, flexible and have participatory involvement which makes them well suited for economic development. The process of developing and promoting community spirit, identity and social organization as cooperatives play an important role in poverty reduction, facilitating job creation, economic growth and social development. In tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring of others.

Badal (2007) claims that cooperative is form which is owned, controlled and operated by a group of users for their own benefit. Each member contributes equity capital and shares in the control of the firm on the basis of one member, one vote principle and not in proportion to his or her equity contribution (Sahakari Siddhanta Ra Prayog, 2007).

The Rochdale Society of Equitable Pioneer is usually considered the first successful cooperative enterprises which founded in 1844. It is used as a model for modern co-ops, following the 'Rochdale Principles'. A group of 28 weavers and other artisans in Rochdale England and set up the society to open store selling food items they couldn't otherwise afford. There were over 1000 cooperative societies in the United Kingdom within 10 years.

The Rochdale Principles are a set of ideals for the cooperating in the operation of cooperative's activities. They were first set act by the Rochdale Society of Equitable Pioneers in Rochdale, England, in 1844 and have formed the basis for the principles on which cooperative operate in the worldwide in this day. The Rochdale principles have been focused on the study in cooperative economics. The original Rochdale principles were officially adopted by the International Cooperative Alliance (ICA). According to the 1996 ICA revision, the main or original Rochdale Principles of Cooperatives are as follows:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independency

5. Education, training and information
6. Cooperation among cooperatives
7. Concern for community

Cooperative Principles are principles on which cooperative societies work. Some principles are called “Moral Principles” in the sense that they are statement of universal basic values which are a guide to human conduct.

Cooperative Principles are based on certain moral values or certain ideals. The cooperative principles simply describe the essential and characteristic features of an organization known as the cooperative organization. In other words, the cooperative principles define the cooperative form of organization. In addition, cooperative principles explain the basis of working of cooperative society in the specific sense.

“ An association of persons who have voluntarily joined together to achieve common end through the formation of democratically controlled business organization, making equitable contribution to the capital required and accepting a fair share of the risk and benefits of the undertaking in which member actively participate” (ILO, 1996).

Acharya (2006) stated that cooperative has been playing pivotal role in many developed and developing countries in production, processing, marketing and caring not only their members but also making greater impact to their communities as a whole.

MoF (2009/10) stated that cooperative policy of Nepal revealed that cooperative system has great potentiality to provide impacts to economic and social development efforts by bringing change in the living standard of the general public. This is only possible by bringing the suitable change in the society through establishing cooperatives. People can achieve self dependency and self responsibility by utilizing their limited sources and skills being involved in cooperative. Cooperative can contribute largely in poverty alleviation being involved in employment generation activities. Various directives and standard for the registration and continuation of cooperative institution have been issued for the cooperative department through which number of activities is being carried out for the quality growth and efficiency.

After the restoration of democracy in 1990, New Cooperative Act, 1991 and New Cooperative Rules, 1992 are promulgated providing autonomy to the cooperative

sector in real sense. There emerged conclusion in registering new cooperatives and managing old ones in terms of new provision. Most of the cooperatives registered were agriculture in types with the hope of selling chemical fertilizers supplied by the government imported from different countries. There are so many types of cooperative in practice in Nepal. The experience of Grameen Bank in Bangladesh is particularly important because it focus on the rural poor, the landless and other small artisans to help in their credit operation through small group operation.

The International Cooperative Alliance was the first international association formed by the cooperative movement. It includes the world council of credit unions. A second organization was formed later in Germany, the International Raiffeisen Union. The National Cooperative Business Association (NCBA) serves as the sector's oldest national membership association in United States. In 2012, the turnover of the largest 300 cooperatives in the world reaches \$ 2.2 trillion.

Cooperative may take the form of companies limited by its shares or by guarantee, partnerships or unincorporated association. In USA, cooperatives are often organized as non-capital stock corporations under state specific cooperative laws. Cooperative share their earning with the membership as dividends which are divided among as patronage, instead of according to the value of their capital shareholdings. Cooperatives are dedicated to the values of openness, social responsibility and caring of others. Membership is open which means anyone who satisfies certain non-discriminatory conditions may join. In the cooperative, economic benefits are distributed proportionally to each member's level of participation by a dividend on sales or purchases rather than according to capital invested in the business entity. The United Nations has declared 2012 to be the International Year of Cooperatives (IYC). Co-op city in the Bronx, New York City is the largest cooperative housing development in the world with 55,000 people. The two largest supermarkets chains in Switzerland Migros and coop are also cooperatives. The third largest , Raiffeisen is a cooperative as well. In 2007, the top 300 largest cooperatives were listed by the International Cooperative Alliance. 80% were involved in either agriculture, finance or retail and more than half were in the United States, Italy and France (Wikipedia, 2014).

The cooperatives registered in the country in terms of broad divisions are:

1. Multipurpose Cooperative
2. Single Purpose Cooperative
3. Producers' Cooperative
4. Service Providers Cooperative

1. Multipurpose Cooperative

The multipurpose cooperatives are involved in multiple subject functioning such as collection of saving deposits, loan distribution to the members, running small consumer store, collecting members' production and selling them to the market. They are also involved in purchasing business of farm inputs like chemical fertilizers, chemical pesticides and farm equipments. Though multi-subject cooperatives can perform any types of business, it is suggested that the activities should provide self employment and income generation on the group of member.

2. Single Purpose Cooperatives

Single purpose cooperatives involve in single subject. The cooperatives are working as single subject in the area of saving and credit, milk producer/grower dairy, vegetable grower, coffee producer, tea producer etc. But most of the single purpose cooperatives are involved in collecting deposits from the members and provide loan to its members or a group of people.

3. Producers' Cooperatives

Producers' Cooperatives promoted by the Department of Veterinary and the Dairy Development Cooperation, government Cooperation that sent circular to by milk only from the milk producers' cooperatives. The main function of the producers' cooperative is to collect the deposits from member from the payment amount they get selling the producer to the market through cooperative societies. Most of the producers' cooperatives are related only agriculture sector and farmer related.

4. Service Provider Cooperatives

Saving and Credit Cooperatives, INGO/NGOs working in semi-urban and rural area are also registered cooperatives in Nepal and involving the community and groups operating under their program.

Nepalese economy despite presence of great opportunities for higher growth rate through development of potential sector of the economy including agriculture, tourism, forestry mines and human resources, has been perpetually bearing the challenges of low economic growth rate. Economic growth rate remained low in the current fiscal year as a result of protracted strikes, bandh and obstructions to movement on the border with India. Similarly, per capita income has also dropped owing to modest economic growth and as a consequence, this index mayn't support the country to achieve its target of graduation from the status of least developed country to developing country by 2022. Implementation of Constitution, if delayed, would render adverse impact to the investment environment.

World economy, though improving after the financial crisis, remained weak in 2015 owing to sluggishness in the revival of developed economies coupled with decreased economic growth rate of emerging and developing economies. Likewise, global inflation rate remained low as a result of decreased oil prices and weak demand. Nepalese economy having less direct impact of world economy is also projected to grow marginally in FY 2015/16. Economic activities that remained dormant in the first six months of the current fiscal year 2015/16 are moving in positive direction in subsequent months.

1.2 Statement of the Problem

The common characteristics of developing countries like Nepal are rapid population growth, mass poverty and inequality, increasing unemployment, resource constraint and high dependency in agriculture. Cooperative movement is one of such a tool to improve the economic condition and lower the blows of poverty and underdevelopment to the country and its members.

Cooperatives are popular community organization and people have accepted cooperatives cordially for its services beneficial to them. Moreover, the cooperative has been succeeded to replace the indigenous lenders and provided cheap loan to the needy people. Thus, the cooperative helps to create self employment generations through its saving, credit, production and marketing activities which assisted in increasing its member level of income.

The general role of proposed study is to examine and analyze the credit and investment pattern of Kirtipur Multipurpose Cooperative Limited in business sector over 8 years.

There are limited financial institutions mainly concentrated only towards urban areas. People do not have any institutions in order to save their small amount of money and also they don't get any credit facility in case of need. In such case, saving and credit cooperatives play prominent role for the development of economic status of rural people. Saving and Credit cooperative mainly concern with the accepting savings from its members and providing credit/loan to its members. The interest rate charged by such cooperative is usually lower than that of other bank and financial institutions. Multipurpose cooperative have important role for the economic development of whole country. Members of cooperative borrow loan and invest in their business and they can grow their business. They also save money regularly in cooperative and get interest from such savings. This can build habit of saving to the people. Members can become independent, self decision making, group working etc. Such cooperative create employment opportunities, promote people participation, increase self-dependency and maintain social justice and equal distribution of income.

According to World Bank, Nepal is a poor country in the world's economy. It has been suffered from extreme poverty, high population growth, increase in unemployment problem and inequality in facility distribution. Cooperative is such a measure to ease and lower the poverty and underdeveloped of nation. Therefore, cooperatives are established and managed to solve the problem of saving and credit, distribution of goods, agricultural inputs etc. However, most of the cooperative are unable to provide service to their members. They fail to follow rule, regulation and directives. Cooperative development trend seems to be unsatisfactory.

Cooperative Act, 1991 and Cooperative Rule, 1992 are very liberal and there is no provision to take decision against violators. There is no any clear provision for rejection of registration against cooperative values and principle. There was no separate policy on cooperatives before commencement to three-year interim plan. In Nepal, there is no conducive policy regarding saving and credit, insurance, cooperative hospitals and cooperative schools in plan document for cooperatives. The government has accepted cooperatives as potential business organization for income generation of poor and marginalized people, which has established itself as growing

sector of economy. But, it is sought that prevalent members of cooperatives are middle level traders, teachers, college teacher, political leaders, intellectuals, retired bank officials and influential people. The farmers, workers, artisans and farm-workers as well as landless people are not participating overwhelmingly and the benefit as anticipated in preamble of cooperative Act, 1992 is not far reaching (Thakuri, 2010).

The role of central level cooperative organization is to tackle with various problems faced by its primaries of different sectors i.e multipurpose, dairy consumer, saving and credit etc. But, the cooperative societies are not running well in Nepal. Cooperative development trend seems to be unsatisfactory.

Research Problem can be mentioned as follows:

1. What is the credit and investment pattern of Kirtipur Multipurpose Limited in business sector over 8 years?
2. What type of credit is being provided to its members?
3. What are the problems of Kirtipur Multipurpose Co-operative Limited?

1.3 Objectives of the Study

The general objective of the study is to analyze the overall status and activities of the cooperative in Nepal especially Kirtipur Multipurpose Cooperative Limited in Kirtipur Municipality, Kathmandu. The specific objectives of the research are as follows:

1. To examine the credit pattern of Kirtipur Multipurpose Co-operative Limited in business sector.
2. To analyze the investment pattern of Kirtipur Multipurpose Co-operative Limited in business sector.
3. To find the types of credit provided to the member of Kirtipur Multipurpose Co-operative Limited.

1.4 Significance of the Study

The study will be concerned with the importance of multipurpose cooperative and its impact to its members. It also highlights the related problem and socio-economic condition of the people of the study area. The main purpose of the study is to reflect credit and investment pattern of Kirtipur Multipurpose Cooperative Limited over 8

years. Furthermore, it will provide information about the present situation of cooperative in Nepal. This study would be helpful to the researcher of this concern field, to the government, cooperative members, promoter and the general people who want to collect some knowledge about cooperatives.

The study is focused on multipurpose cooperatives. The outcomes of this study will be helpful to the Cooperative Department, Cooperative Development Board and other Cooperative Societies. It will also be equally helpful to the government bank and researcher of the concerned field, who want to collect knowledge about cooperatives. This study finds out the role of cooperative in the generation of income and employment and also helps to find out social impact of cooperatives to its members. People will be able to understand cooperative as the foundation of economic development of Nepal.

1.5 Limitation of the Study

This study is concerned only to the activities of Kirtipur Multipurpose Cooperative Limited. It is the case study of individual saving and credit cooperative. So that, the result may not present entire activities of cooperative in Nepal. Therefore, some limitations of the study are as follows:

1. The study has been limited to Kirtipur Multipurpose Cooperative Limited.
2. Only the member of Kirtipur Multipurpose Cooperative Limited have been included in the study.
3. Since the outcome is specific one, it may not be generalized.
4. Time and resource create constraints.

CHAPTER II

REVIEW OF LITERATURE

2.1 International Review

Cobia (1989) has stated that cooperative is a user owned and user-controlled business entity that distributes benefits on the basis of use. According to patronage proportionality- “a cooperative is a private business organization and joined by all the members to fulfill their mutual economic needs as patron of the business with the key control, ownership and income distribution decision should be taken on the basis of patronage proportions; namely member voting, equity capital investment by patrons and distribution of net income to patrons are proportional to use of the cooperative. The terminology used to describe cooperative and other firms differs widely in the sense that cooperative are also commonly known as non-profit organization or corporation or patron owned corporation. The distinction between cooperative and other businesses entity is that cooperative returns its net income to the users or the patrons while other business firms returns its net income to the users or to invest in the field which helps to maximize their net income in the coming future.

Zeuli & Cropp (1995) has concluded that cooperative model has been adopted to various businesses entity. According to United States Department of Agriculture (USDA), “cooperative is a user-owned, user-controlled business organization that distributes benefits or net income on the basis of user. This definition captures what are generally considered the three primary cooperative principles i.e user ownership, user control and proportional distribution of benefit. The “user owner” principle implies that the people who use the cooperative, help finance the cooperative and therefore, own the cooperative and members of cooperative are responsible for providing at least some of the cooperatives capital. The “user control” concept means that member of the cooperative govern the business directly by voting on significant and long term business decisions and indirectly through their representatives on the board of directors. Equitable voting right or democratic controls are hallmark of cooperatives. The “Distribution of benefit on the basis of use” described the principle of proportionality that means member of cooperatives should share the benefits, costs and risk of doing business in equal proportion. It is also another key foundation of cooperatives.

Dogarawa (2005) has explained that when many people feel powerless to change their lives, cooperatives represent a strong, vibrant and viable economic alternatives. Cooperative are established to meet people's mutual needs and interest. They are based on the powerful idea that together a group of people can achieve goals that none of them could achieve alone. For over, 160 years now, cooperatives have been an effective way for people to exert control over their economic livelihoods. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. Cooperatives are being considered useful mechanism to manage risk for member in agricultural or other similar cooperatives, help salary earners save for the future through a soft-felt monthly contribution that is deducted from source, own what might be difficult for individuals to own by their efforts, strengthen the communities in which they operate through job provision and payment of local taxes. Cooperatives generally provide an economic boost to be community as well and cooperative societies were thought to be associations meant only for farmers, small traders and other very low-income earners.

Philips (1960) has aimed at reviewing the development of cooperative in England on the essence of cooperative method. The study found that cooperative society is an enterprises formed and directed by an association of democracy and indirectly intended to serve both in own members and the community as a whole. So, it has been widely accepted that economic activities of country are greatly influenced by the development of a sound credit system and for this, cooperative society plays a vital role.

Braveman, Luis, Happi and Pohlmejer (1991) had jointly studied rural cooperatives and concluded that in many cases cooperatives would not be in a position to accept immediately the responsibilities so far handled by government officials. This study suggested for significant efforts in order to strength of and sometimes even creates the necessary cooperative structure.

Kwai and Urassa (2015) have concluded that SACCOS should provide adequate knowledge to members to increase their shares and savings in SACCOS; this could ensure sustainability of SACCOS activities and better provision of services. Second, SACCOS must expand the scope of beneficiaries to have broader and wider positive impacts as well as providing credit according to client's demand to enable them invest in income generating activities (IGAs) that are more productive. Third, there is a need

for the government and other relevant stakeholders to increase efforts to empower SACCOS through additional capital; this would enable them provide sufficient loans amounts to members. Lastly, it is recommended that SACCOS's members be sensitized on the importance of reviewing by-laws on a regular basis; this would help to break the barriers existing against non-members thus attracting them to join the MFIs in their respective areas and hence increasing capital.

Daman (2003) has explained that the cooperative movement is a Movement of perpetual promise, a Movement of becoming not of ending. It never achieves a state of perfection; it never rests satisfied with what it has accomplished. It is a Movement that is always turn between what its philosophy suggests and the contemporary world requires. It is a Movement that fails unless committed, pragmatic cooperators continuously consider the choices their cooperatives must make in responding to members' needs, in achieving broader goals and in adhering to cooperative principles in their daily activities. They are choices that are never finally made. There are no decisions that are completely perfect.

Osti (2012) has described in his article published in Italy that sustainable agricultural cooperative diversify their activities to include water management, tourism, production of quality regional foods and organic farming. They respond to the crisis of high-tech agriculture and environment regulation in the Netherlands. In Italy, "social cooperatives" provide maintenance of public green spaces, urban waste collection, urban sanitation, installation of solar panels and waste prevention and reuse.

Pinto (2009) has explained in his paper that in accordance with the guiding principles of the cooperative movement, this model of organization is based on freedom of association, democratic equally with one member one vote and independence from the state. These principles have been perverted in their application in many environments for decades. In many countries farmers were obliged to join cooperatives. In those countries, cooperatives have functioned as extended arms of the state. At the same time, Cooperatives gained many benefits, such as exclusivity in the distribution of foodstuffs and export of agricultural products, fiscal exemption, credits, donations etc.

ILO defines cooperative as "An association of person who have voluntarily joined together to achieve a common interest and through the formation of democratically

controlled organization making equitable contribution to the capital required and accepting a fair share of the risk and benefit of the undertaking in which the members actively participate.

Co-operative typically sees the light of day during periods when markets and existing institutions fail to meet people's needs and aspirations. Co-operative movements tend to start as mass phenomenon during periods of want, social crisis and group antagonism. It is therefore no surprise that many of these movements, including the financial sector, emerged in industrializing and famine struck 19th century Europe. Initially, Co-operatives rely a lot on the commitment of their members, both of labor (volunteers work) and (financial) resources. The reliance on volunteers means that management and governance problems are important challenge at this early stage. Although the initial member base do not necessarily have fully compatible interest the initial success of a co-operative therefore depends largely in the degrees of to which its member's interests are aligned its ability to overcome divergences of interests among its members; and its capacity to serve those interests better than the available alternatives (Brazda & Schedrwy, 2001).

ICA (2011) has published report about co-operative which claims that in total, about one billion people are involved in cooperatives in some way, either as members/customers, as employees/participants, or both. Cooperatives employ at least 100 million people worldwide. It has been estimated that the livelihoods of nearly half the world's population are secured by cooperative enterprises. The world's 300 largest cooperative enterprises have collective revenues of USD 1.6 trillion, which are comparable to the GDP of the world's ninth largest economy- Spain.

Bakken (1963) has explained that cooperative associations are infused with certain monopolistic tendencies. The characteristic emerges, first of all, as a consequence of mass formation. In the original of mutual enterprises, the members voluntarily conform to the rules of conduct prescribed for their collective action. In so far as this discipline, rugged individualism is curtailed in certain selfish pursuits.

Duflo, Glennerster & Kim (2013) has studied in their article have that Evidence from a randomized evaluation based on the observation and analysis of MFIs working in India Hyderabad. Their study was based on primary as well as secondary information using large sample household special focused on the micro credit program of

SPANDANA. This paper aims to give long term performance of microfinance. They took three different survey named as baseline survey, first end line survey and second end line survey. For the selection of the sample, they employed stratified sampling in the baseline survey and for the 1st and 2nd end line survey, they created a proper sampling frame. In their study, different methodology applied to measure the performance of MFIs. Like they applied average for comparison among treatment and comparison area and borrowers and non-borrowers, also regression analysis applied for the examined of business profits, revenue, business inputs and the number of workers employed by the business. Likewise for the external validity, they tested the different hypothesis. The finding of the study is noted that microfinance was no visible effect on education, health and women empowerment in the short run. But in the long run, there is really increased in money spent on education, declined in health expenditure and no any effect on women empowerment. The study was different from study to study on these outcomes, but as a whole they don't point a picture of dramatic changes in basic development outcomes for poor families.

Gullander (1951) has explained about the cooperative in Sweden, "Sweish farmer, like American farmers, have had to learn the hard way that successful co-operation entails responsibilities and obligations as well as privileges. For example, they have learned that the polling type of operation eliminates the risks involved in the speculation, outright purchase of farm products by the cooperative. They have also learn that providing capital and patronage are important obligation of membership in cooperatives. At first, the Swedish farmers did not like these ideas, but apparently they now accept them, perhaps more generally than American farmers do."

He has further written that Swedish farmer appear to have gone much faster than Americans in federating their local cooperatives into country, district and national organizations. For example, in Sweden, local cooperative generally supplies in their local market but in selling of the excess over local needs is delegated to a district or national federation or union of cooperatives. Apparently there has been some objection among local cooperatives to such delegation, but they have thereby been able to gain some significant objectives. Of course, the handling of surpluses would present quote a different problem in the United States. Voluntary cooperation in America during 20's proved inadequate to deal with surpluses. As a consequence, American farmers have since enlisted the aid of government in dealing with them.

Gupta & Jain (2012) has concluded that in India, the financial performance of Urban Cooperative Banks (UCBs) improved in 2010-11 though there are some concerns with regard to some of the UCBs reporting negative CRAR. Within the rural cooperative sector, State Cooperative Banks and District Central

Cooperative Banks (DCCBs) reported profits but the ground level institutions, i.e., Primary Agricultural Credit Societies (PACS) continued incurring huge losses. The financial performance of long term cooperatives was found to be even weaker than their short term counterparts. Also, it was observed that the branch network of cooperatives, though widespread across the country, continued to be concentrated in certain regions. Moreover, the network of cooperatives was not broad based in the north-eastern region of the country. This suggests that efforts need to be taken to improve banking penetration in the north-eastern part of the country along with improving the financial health of the ground level cooperative institutions.

Haleja (1991) has explained that cooperative is an instrument for removing problems very effectively, because profit earned by the societies are distributed among the members not in the basis of capital investment by them but on the bases of use, they have made of the society. Secondly, all members enjoy equal opportunities unlike capital system in the cooperative system the capital is jointly owned it has been pointed out that “cooperatives can contribute to reduction of the desperation of wealth at any rate of preventing of an aggravation of the disparities of wealth, to this end cooperatives can help reduced the chains of intermediaries between producers and consumers and can facilitate a broad based ownership of means of production.”

He added that it is difficult to remove poverty from its grass roots, it is however possible to reduce it to the minimum and cooperative can prove to a powerful instrument in this direction. Cooperative can co-ordinate the activities of producers and consumers, as in Sweden, so that none of them two parties is exploited by the other. He has claimed that cooperative societies can also be organized for people living in backward areas or belonging to the socially under privilege sections of the society. People can get employment through the various projects, planned and executed by these societies and the activities of labour, capital, organization and enterprise can be properly co-ordinate. He has been rightly pointed out that “ The cooperative movement has to play a very vital role in eradication poverty and ensuring social justice to the downtrodden section of community. It has both vision

and the strength to uplift the weaker section. Cooperative was no longer a mere movement. It has become a way of life.”

Kimberly (2002) has found that very few studies have attempted to measure the economic impact of cooperatives at either the state or local level, which means their contribution to economic development has not been well quantified. Staff at the University of Wisconsin Centre for Cooperatives (UWCC) recently completed a study that provides some quantitative measurement of the economic impact of cooperatives (both agricultural and non-agricultural) in the state of Wisconsin. Financial data for 1999 was collected from 798 cooperatives (all of the known cooperatives in the state at that time). Wisconsin cooperatives represented a total of 2.7 million members and reported \$5.6 billion in gross sales for 1999. It should be noted that credit unions contributed the majority of that figure \$698 million, with an additional \$73 million from farm credit associations. The cooperatives generated \$227 million in net profits, of which they returned \$323 million back to members in the form of cash patronage refunds and dividends. The cooperatives reported nearly \$13 billion in assets and almost \$11 billion in liabilities. They employed 17413 people full- time and 6021 people part-time. The cooperatives reported paying \$583 million in salaries and wages and almost \$80 million in benefits to their employees in 1999. They paid \$64.5 million in federal, state and local taxes. Cooperative businesses don't pay federal or state income tax on net profits allocated to members as patronage refunds, although they do not pay income tax on net profits earned from nonmember business and/or net profits retained as unallocated equity.

Oluyombo (2012) has revealed that increase in household income was traced to the role of cooperative societies from the study which further creates happiness, satisfaction and self-fulfillment to the members thus removing them from psychological depression, worries and sense of rejection by the society. As a result of membership of the cooperatives, the members are more likely to have better economic conditions and be able to afford most of the essential needs of the family and perhaps to invest more funds into their trades for future growth as found in the result of enterprise assets acquired which led to better living standard. The insignificant result of $p=0.273$ on enterprises profitability suggests that cooperatives may not be the right source of rural finance to achieve better enterprise profitability. Improved standard of living was found among the members because the cooperative loan helps them to

increase household income, acquire household assets and enterprise assets and they were satisfied with the savings and loan products offered by the cooperative. Access to loan has positive impact on the lives of the members. However, the role of cooperative was moderate on economic uplift of members because strong positive relationship between the cooperative loan and members' performance at household and enterprise levels was not found in the study.

The cooperative also leads to physical, social and financial capitals which are found in the social capital theory. This can be explained further that cooperative societies lead to the creation of financial capital, physical capital and social capital for individual member because they participate in and enjoy the benefits of the program saving and loan services. The study result further enhanced the use of social capital theory as theoretical underpinning for members sponsored informal rural finance provider especially, the cooperative societies that offers saving and loan services to their member in rural areas.

Movsisyan (2013) has summarized that cooperatives are slowly making an impact across rural Armenia. Cooperatives have huge potential to become one of the cornerstones in Armenia's agricultural and economic development especially in rural areas where the united force of farmers can change their own lives and overall livelihood of their community. However, in Armenia cooperatives as organizational models are not sustainable yet. Most of the member did benefit from developing their individual farms but the idea of cooperative as an entity is not developed properly yet. This derives risks in a sense that, after donor organizations leave, cooperatives are broken since most members are not motivated to stay with the cooperative. The experience of many registered but not functioning cooperatives in Armenia shows this effect.

Smith (1994) has discussed the comparative advantages of cooperative includes smaller size innovations that are contributed by individual members. For worker cooperatives, observation that the workers make in the course of their daily work, whether make in the course of their daily work, whether in the context of building craft products, working on an assembly line or service work may be more likely to be mentioned, recorded and built upon by the cooperative. In this way, cooperative can introduce improvements and need methods of production and organization with more direct line of communication that their management structure facilities. This is clearly

a comparative advantage of cooperatives over conventional firms because monitoring effort and work quality can be costly, producing goods that require high quality or effort can be expensive, conventional firms may have difficulty in monitoring and incentivizing high quality work, cooperatives may therefore have benefits specializing in quality or artistic versions of goods within a broader sector, as their incentive structure is better suited to worker engagement and effort. At least, indirect and anecdotal evidence suggests that this is the case for example in Italy.

Vishal (2014) has defined that the cooperative societies play a phenomenal role in uniting people and marching them towards the realm of development. The cooperative movement of India is the largest in the world. It has given birth to different kinds of cooperative societies in different spheres like producer's cooperatives, consumer's cooperatives, tribal cooperatives etc. cooperative societies are service enterprises aiming at rendering service to its members. In one sentence, the philosophy of cooperation can be summed up as "each for all and all for each". Cooperatives are defined by International Cooperative Alliance as an autonomous association of persons united voluntarily to meet their common economic, social and culture needs and aspiration through jointly owned and democratically controlled enterprises.

Walter (1960) has discussed about co-operative. Cooperatives must not only "deofficialized", but the support system helping them gain strength and self-reliance must be reshaped. A strategy and time table 'deofficialization' must be worked out jointly by government officials and cooperative representation. Donors may play an important role in facilitating the dialogue and assisting with the formation of a feasible strategy. The cooperative association is an association of firms of households for business purposes, and economies institution through which economic activity is conducted in the pursuit of economic objectives.

Carson (1977) The cooperative theory. This article seeks to derive basic pricing, production and resource allocation rules for consumer and producer co-operative. In order to do this, a somewhat general model of a firm is developed, capable of comprising co-operatives as well as the conventional owner- controlled firm of economic theory. The model is extended to get a theory of labour unions and to cover immigration and emigration and the growth of cities.

A major historical debate in Co-operative economics has been between Co-operative federalism and co-operative individualism. In an owenite village of cooperation or a coomune, the residents would be both the producers and consumers of its products. However, for a co-operative, the producers and consumers of its products become two different groups of people, and thus, there are two different sets of people who could be defined here as its 'users', but are generally referred to as the Co-op's "members". As a result, we can define two different modes of co-operative organization: consumer's cooperative in which the consumers of co-operative's goods and services and producer's co-operative in which the producers of a cooperative goods and services.

This in turn led to a debate between those who support consumer's cooperative known as Co-operative Federalists and those who favor producer cooperative known as Cooperative Individualism.

Cooperative Federalism is the school of thought favoring consumer cooperative societies. The cooperative federalists argue that consumers should form cooperative wholesale societies in which all members are cooperators, and that cooperative wholesale societies should undertake purchasing factories. They argue that profits from these cooperative wholesale societies should be paid as dividends to the member cooperator rather than to their workers.

Co-operative Individualism is the school of thought favoring workers' cooperative societies where the cooperative individualism argue for federation in which consumer cooperative federate and receive the monetary dividends rather in cooperative wholesale societies. The surplus would be paid as dividends to their workers.

Fredrick (2013) has analyzed the impact of community saving and investment program (COMSIP) activities on household income and credit of member households of COMSIP groups in kasungu District in Central Malawi. COMSIP groups are a form of village based microcredit and community-based savings institutions with a number of socio-economic functions. The functions include mobilization of communities to save and/or invest their resources into income generating initiatives and provide credit. The efficiency of the COMSIP program can be enhanced by allocation credit to households with marginal land holding for which the impact is the greatest.

Although microfinance programs, especially among the rural poor people living below the standard poverty line of one US dollar per day have elicited different reactions from different stakeholders, there seems to be a general agreement that the program is useful amongst the strategies for ensuring improved household income and credit of rural Malawians, hence reduced poverty in the long run.

2.2 National Context

MoF (2015/16) shows that economic growth of the country (at the basic price) is estimated to remain at 0.77 percent in FY 2015/16. GDP recorded a growth of 2.32 percent growth rate in the previous fiscal year. The economic growth rate in FY 2001/02 has recorded 0.16 percent, which once again went below 1 percent in current fiscal year for the second time. The economic growth rate shrank owing to negative production rate of mines and quarrying, industry, electricity, gas and water, construction, wholesale and retail trade, hotel and restaurant sector and the low growth in agriculture sector that occupies one-third proportion of GDP.

Bhattarai (2010) raised the major problems faced by Nepalese cooperatives due to political interference of the state, lack of specific policy, unscientific planning, lack of awareness of people toward cooperative unable to withstand competition with other banks and financial institutions, supervisory and regulatory problems. The study suggested formulating flexible acts and policies and providing skill development training by improving regular supervision and evaluation system so that anyone can enjoy with the service of cooperative.

Shrestha (2014) in his article revealed that, problems seen in the cooperative were due to cooperative Act, 1992. The problem is aggravating as the act has not been amended as per the changed context. A high level commission formed last year by the government had found 130 saving and credit cooperatives are in troubled state. They had total liabilities amounting to Rs. 10 billion- Rs. 7.6 billion deposits and Rs. 2.4 billion in interest amount. Though cooperatives have been doing remarkable works toward alleviating poverty and making contribution to the national economy, wrongdoing of some cooperatives is tarnishing the image of entire cooperative sector.

Thakuri (2010) in his book “ An anatomy of cooperative movement in Nepal” explains that cooperatives are community organizations delineated to support the group business of farmers, workers, artisans, landless, low income group and unemployed or

social workers to protect the interest of community people. The study also highlighted cooperative having great prospects for the development of Nepal.

Bastola (2008) has explained that cooperatives not only generate income to its members but also take overall responsibility of all the members. In Nepal, multipurpose cooperative are in practice which inspires the villagers for modern agriculture system, to grow up seasonal vegetables and professional animal husbandry. It promotes the product in the market and sale them in the reasonable price.

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

Acharya (2007) has mentioned that cooperatives are crucial to the economically poor and exploited people. More than 80% people of Nepal live in rural area which don't have proper and reliable source of income. In such country, cooperative is the means to motivate the people to work together for their common benefit. It encourages the people for compulsory saving and takes the responsibility of mobilizing that small saving in productive sector. Cooperative helps to develop the feeling of coordination among the people, mutual help for self help and aids to increase the national GDP, per capita income and ultimately support for national development.

Aryal (2014) studied that access to the impact of MF program in women empowerment by using primary information and tested with the help of different tools. His study revealed that the impact of microfinance services to the involved rural poor people and their household income has moved in the expected direction. Finally, he concluded that the MFPs have playing positive role to improve the status of rural women in the society. It means MFPs has encouraging, supporting and facilitating rural women to improve their status.

Badal (2012) in his interview said that after two decades of liberal economy, the international community has realized that it cannot bring long lasting economic solutions in the world. In this context, cooperatives have provided the basis for the shift from liberal to mixed economy. Knowing the importance of cooperatives as a

way for the future economy, the United Nations has also celebrated the year 2012 as a year of the cooperatives. One of the aims of the year was to make the world happier through the cooperatives. The theme of the year is cooperative as enterprises for the better world. The UN has urged the government around the world to make cooperative friendly legislations and create conducive environment for these organizations.

Cooperatives are essential for world peace, prosperity and social justice. This is the reason even the International Cooperative Federation has pushed the related UN agenda. Nepal government has also celebrated the international year of Cooperatives. Despite certain criticism about the activities, a majority of cooperatives have been working properly. A few bad incidents travel like fire but the good ones rarely make the news. The cooperatives, which have been in recent controversies, do not have anything to do with us. Cooperatives have been making a lot of efforts to transform the livelihood of people. Their contributions and their role are very important.

Mistra (2013) in his article examined that past initiatives for the cooperative movement in Nepal have not shown much impact on the overall food self-sufficiency, agricultural commercialization and socio-economic transformation of the nation. A scientific farmer cooperative movement that empowers farmers, commercializes agriculture, enhances food security, transforms socio-economic conditions and contributes to rural development in Nepal is necessary. A renewed and revitalized cooperative movement should be all inclusive, fully managed at the grassroots level and must have strong governmental support in terms of cooperative formation and safeguarding. Appropriate educational, research and extension support programs are essential for a successful cooperative movement. Farmers' income and quality of life must be the yardstick of success of the cooperative movement in Nepal.

In the final report of First National Co-operative Congress (FNCC) organized by NCF/N (2014) has written the speech delivered by Finance Minister Dr. Ram Sharan Mahat, "Co-operatives stand among the low income group of people. They are enterprises of rural income holders with common interest. Unity and upliftment of cooperative economy are two major objectives focusing on a main goal of "one for all and all for one."

In the final report of First National Co-operative Congress (FNCC) organized by NCF/N (2014) has written the speech delivered by ICA president Dame Poulina Green “Through co-operative, we can make the world better place to live.”

With the statement of ICA President, we can explain that for the better place to live in earth, cooperatives are essential. Through the values and principles of cooperative, we can make the world better place for live.

In the final report of First National Co-operative Congress (FNCC) organized by NCF/N (2014) has written the speech delivered by former Prime Minister and NFC/N Adviser Dr. Babu Ram Bhattarai, “ co-operatives are found to have been limited and they must be accessible to the women and backward classes. To enhance social and economic development model, the Nepalese cooperative sector must keep close contact.”

Nepal Cooperative sector which is one of the most important pillars of the Nepalese economy will be encouraged for mobilization in the activities of employment generation, increasing income and alleviating poverty in the rural areas. A provision of concessional loan and capital grant will be made for the cooperative societies, farmers associated with cooperatives and groups of entrepreneurs in order to implement the activities like agriculture and livestock, production of fruits and vegetables, processing of agro products, construction of cold stores, small and medium industries and promotion of agro markets. (MoF, 2015)

Neupane (2006) has explained that cooperative can play vital role in the Nepalese economy through they have very poor contribution in the economy at present. If management and business operation capabilities are improved, there could be better prospects for the cooperatives. Successful cooperative enterprises can generate higher prospects of employment, economic surplus which leads to poverty alleviation. In his study, it is also suggested that there should be an honest leadership value based professional management, which could capitalize the interests of cooperative to a success in large scale.

K.C (2003) tried to analyze the present financial position and prospect of financial cooperatives. She also analyzed the investment and lending practices of financial cooperative in Nepal. She based the financial and statistical tools are for analysis of data under financial tools, liquidity ratio, assets management ratio, debt management

ratio, profitability ratios are used. Statistical tools means coefficient of variation and least square which are used in her thesis for analyzing the data. Her findings are current ratio, loan and total deposit ratio, return of total assets, return on total deposit, total interest paid to total deposit ratio of selected financial cooperatives of Nepal are unsatisfactory. The financial cooperatives are going to face the problem of further disbursement of credit in comparison to invest on agriculture sector. There is lack of efficient and skilled manpower to run the financial cooperatives.

Pokharel (2011) studied in his article that a quantitative analysis of the living standard of people before and after the credit of microfinance cooperatives of Nepal. A case study of mid-western region is analyzed the performance of microfinance institutions in his thesis. The estimated value indicates that if credit amount increases by one unit, change in income after credit increases by 0.054315 units. It means that if share of the credit of client is high, it facilitates to increase income, income gives rise to demand for goods and services, demand gives rise to expenditure, which in turn help to keep up the living standard of client by increasing everyday expenditure in various sector of consumption such as food, clothing, sanitation, health schooling of children etc.

Bhattra (2014) has examined that cooperative are regarded as an engine of economic growth of rural areas of the country. Such an organization plays a vital role for rural development. Many developed and developing countries have adopted the cooperative system in production, processing, marketing and caring not only the members but also have greater impacts on their communities as a whole. Therefore, considering the importance of rural organization, most of the government has mobilized cooperative system for rural development ending on domestic, social and economic situation.

Malla (2014) on his thesis found that as the member are the only user and supplies of the service of the cooperatives, it is rather unless to drive cooperative without the active participation of the members. Participation of member is essential for cooperative to smoothly running the activities. In this way, results in a stronger sense of “ownership” on the part of member. Economic development of the cooperative is essential requisite for the existence and long term survival. Share capital, reserve fund and total deposits play vital role in the economic development of cooperative organization. On the other hand, financial monitoring and analysis system is also essential for maximizing the profit.

Lama (2014) in his thesis explained that members feel BWAC have made a significant impact in their social and economic living condition. The members responded that after joining in BWAC, their dependence on traditional money lender has decreased. Awareness with respect to many social and economic factors has reportedly increased after participation in BWAC. The economic and social condition of member has improved after being a member in BWAC. There are strong indicators that suggest attitudinal change in the members.

Bhatta (2008) has undertaken a study that main objective was to examine the relationship between financial sector development and economic growth and to examine the relationship development and economic growth, and to examine the relationship development and poverty reduction. For analysis the data, he used simple statistical and mathematical tools. Graphs, ratio, percentage and tables are used to explain this relationship. This research finding was a strong and stable financial sector is necessary for economic development of the country. Nepalese financial system has witnessed a significant change over the last two decades. Not only has the number of financial deeping front as well. One of the silent features of the Nepalese financial development is the considerable participation of the private sector which is necessary to enhance the efficiency and competition. Over the year, the expanded financial deeping. Access to the formal financial system has increased. This study's conclusion and recommendation of this research was to develop a sound financial system, prudential regulation and effective supervision in crucial. Prudential regulations comprising of capital adequacy requirement, corporate governance and market discipline. It can be acquired through improve in transparency and improved information system. A competitive integrated, efficient and properly regulated and supervised banking system would mobilize and allocate resources to support the growth of private sector.

Sharma (2009) has concluded that cooperative plays vital role for the improvement of the socio economic condition of the people. Firstly, fostering feeling among rural farmers. Secondly, providing marketing facilities to rural milk producers and thirdly, providing saving and credit facilities to the rural poor farmer. Dairy cooperatives have made the farmers to unite themselves in groups and they have feeling of togetherness. This sector has significant impact on the quality of life. Number of people has changed their patterns of life as well as their mode of living. This has been measured

during study by analyzing their socio-economic status and their awareness level. Through the study, the researcher has found that this dairy farming has lot of potentiality instead of having lot of problems in this sector like-lack of institutional facilities, veterinary facilities, animal health, insurance low price of milk, milk holidays, subsistence level of farming etc. These problems hinder in development of this sector but these problems have solution. Problems lies in every sector but if we can solve through the involvement of government and private sector in this field then this sector has lot of capabilities and it can be a means of rural development.

K.C (2012) has stated that cooperative program uplift the socio-economic condition of rural as well as urban women through access of financial service and other development services and there by alleviate poverty through women empowerment. The main aim of any cooperative is to increase management capacity of the member, and, ultimately improve the economic position of the shareholders through income generating projects and sustainable agriculture practices.

UNFAO (2010) has explained that cooperative federation of Nepal is the apex body of cooperative movement in Nepal. It launches several activities mostly in the areas of training i.e Cooperative Training, Leadership Development Training, Capacity Building Training, Member Awareness Campaigning, Agriculture Marketing Training, Product Diversification on Agro Products, Success Case Replication etc. Likewise, the products also develops model of cooperatives, support to women cooperatives, distribute seed money for the expansion of agriculture business related to production and marketing.

Poudel (2011) has concluded that cooperatives provide access to micro finance to rural people, accelerate agricultural production and ultimately empower rural people including women. The access of rural people to financial services will be increase by development of a network of bank and financial institutions, cooperatives and micro-credit institutions. Cooperative supports to achieve the national target of poverty alleviation and millennium development goal (MDGs). Cooperative will be restructured and reformed so that it could play coordinator's role in rural development. As women empowerment is one of the determinant factors of rural development. Cooperatives can be effective means of empowering women.

2.3 Research Gap

After analyzing the above literatures, it is found that various efforts are made by the government for the development of nation through the cooperatives societies in national as well as international context. The economic development of developed countries like Canada, china, Germany, United States, Norway etc has been tremendously changed through the cooperatives. It is also observed that cooperative plays a vital role in Nepal to uplift the living standard of people. However, progressive of cooperative have not yet achieved in Nepal because of lack of raising awareness and empowerment program, lack of timely amendments and improvisation in the related Acts and Rules, lack of self-regulation, absence of clear cooperative governance, maximum investments in real estate business, performance against the spirit of cooperative, absence of financial discipline, lack of coordination, lack of decision making etc. These reasons are responsible in creating the problematic situation in such cooperatives. Most of the cooperatives expand their credit facilities to its members by crossing their credit limits and invest the less amount of income. In this situation, there may arise the risk of dissolution of business because the cooperative fails to collect its principal amount as well as interest amount. This has put a question mark to the cooperative norms which has created the possibility of having adverse effect to the performance of banks and financial institutions if such problems continue to grow in those institutions. Hence, there is an urgent need to pay attention towards improving institutional, structural, legal and regulatory aspect in order to address the problems seen in cooperatives. This study will try to find the investment and credit pattern of Kirtipur Multipurpose Cooperative Limited over 8 years.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is the sequential procedure and methods to be adopted in a systematic study. Methodology involves methods and technique of data collection and analysis. In another words, methodology is also defined as a process of completing the study. It describes the steps to carry out the research work. A systematic research study needs to follow a proper methodology to achieve the pre-determined objectives.

3.1 Research Design

The study is designed to examine and analyze the credit and investment pattern of cooperative in Nepal. The study is based on various research designs. This study has been combined historical, analytical as well as descriptive research. It have been used both qualitative and quantitative technique depending on the nature and source of data and information.

3.2 Selection of the study area

This study has been based on Kirtipur Multipurpose Cooperative Limited of Kirtipur Municipality ward no.17 Kathmandu district. The study area has been selected on the basis of researcher interest in order to achieve the pre-determined objectives.

3.3 Nature & Sources of Data

This study has been based on secondary data and information. Generally, secondary data has been collected from various published materials by related organization eg. Financial report or annual report of cooperative.

3.4 Methods of Data Analysis

The collected data has been processed manually. The information has been edited, coded and tabulated manually. Data and information has been presented in various units and forms on its nature to conduct through analysis on it to fulfill the set objectives. A number of mathematical tools such as tabulation, graphical presentation have been employed as analytical tools. The data and information has been presented in table, pie chart, trend line etc.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

Kirtipur Multipurpose Co-operative Limited was established in 2054 B.S. The main objectives of cooperative is to collect the deposits, mobilize the deposits in the field where the adequate investment is needed, provide the sufficient loan to needy people with the low or reasonable rate of interest and improve or uplift the living standard of the people. So, with these objectives, the cooperative execute its all works to implement the assigned or listed objectives. So, it has been experienced its 15 years of experience in the field of cooperatives.

The main objective of the study is to analyze investment and credit pattern of Kirtipur Multipurpose Cooperative Limited over 8 years. So, to achieve the objectives, the study can be analyzed in the following way.

4.1 Presentation and analysis of investment pattern of Kirtipur Multipurpose Cooperative Limited

Table 4.1

Presentation of investment pattern of Kirtipur Multipurpose Cooperative Limited

(Amount in NPR)

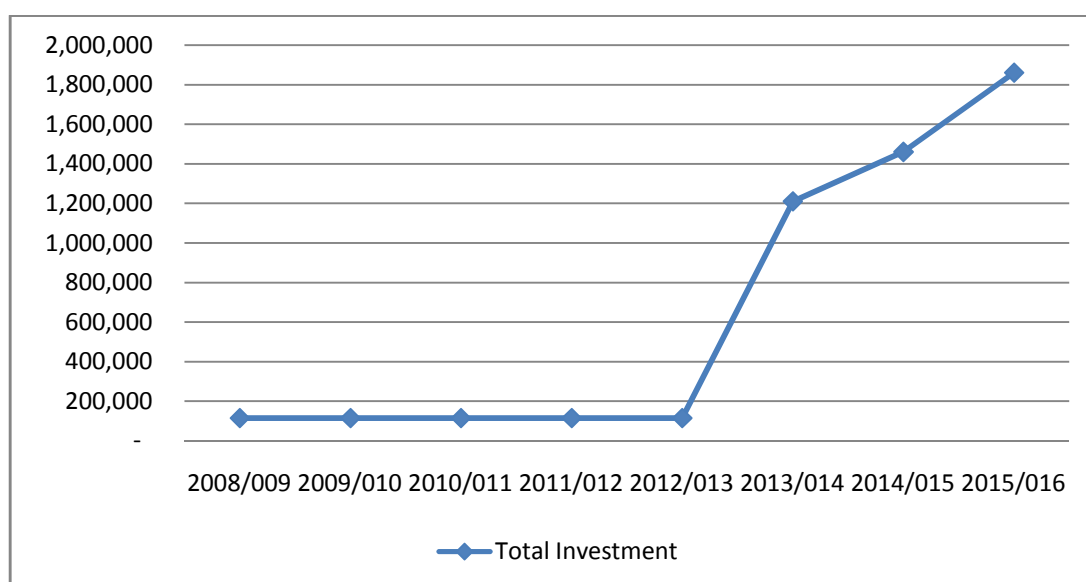
Year	National Cooperative Bank	Cooperative Association	District Cooperative	Dudhapokhari Power Co.Ltd	Champadevi Infrastructure Co.Ltd	Total Investment
2008/009	10,000.00	-	-	-	105,000.00	115,000.00
2009/010	10,000.00	-	-	-	105,000.00	115,000.00
2010/011	10,000.00	-	-	-	105,000.00	115,000.00
2011/012	10,000.00	-	-	-	105,000.00	115,000.00
2012/013	10,000.00	-	-	-	105,000.00	115,000.00
2013/014	1,000,000.00	100,000.00	5,000.00	-	105,000.00	1,210,000.00
2014/015	1,000,000.00	350,000.00	5,000.00	-	105,000.00	1,460,000.00
2015/016	1,000,000.00	500,000.00	5,000.00	250,000.00	105,000.00	1,860,000.00

Source: Annual Report of KMCL

In the above table, the cooperative has invested its deposited amount in the field of National Cooperative Bank, Cooperative Association, District Cooperative, Dudhapokhari Power Co. Ltd. and Champadevi Infrastructure Co. Ltd. respectably. The table shows that cooperative has invested the total amount of Rs. 115,000 in FY 2008/009. There was no any changed in the investment level of cooperative upto FY 2012/013 i.e Rs. 115,000. But from the fiscal year 2013/014, the investment level of cooperative is rapidly increased from Rs. 115,000 to Rs. 1,860,000 upto FY 2015/016.

Figure 4.1

**Analysis of Investment Pattern of Kirtipur Multipurpose Cooperative Limited
(In NPR)**



Source: Based on the Table 4.1

The figure 4.1 shows the investment pattern of Kirtipur Multipurpose Cooperative Limited over 8 Years. The investment curve is straight line upto FY 2012/013 i.e, the cooperative has invested the same amount from FY 2008/009 to FY 2012/013. With increasing the investment level, the investment curve starts up warding. So, from the fiscal year 2013/014, the investment curve is up warded and reaches the maximum point of investment level in the fiscal year 2015/016.

4.2 Presentation and Analysis of Credit Pattern of Kirtipur Multipurpose Cooperative Limited

Table 4.2
Presentation of credit pattern of Kirtipur Multipurpose Cooperative Limited

(Amount in Million)

Year	Business Loan	Percentage Change in Business Loan (%)	Hire Purchase Loan	Percentage Change in Hire Purchase Loan (%)	Building Construction Loan	Percentage Change in Building Construction Loan (%)	Home Loan	Percentage Change in Home Loan (%)
2008/009	336.44	-	2.52	-	20.42	-	-	-
2009/010	533.29	58.51	2.36	(6.35)	1.54	(92.46)	-	-
2010/011	364.77	(31.60)	0.49	(79.24)	27.74	1,701.30	-	-
2011/012	366.60	0.50	0.18	(63.27)	27.34	(1.44)	-	-
2012/013	345.89	(5.65)	0.90	400.00	26.22	(4.10)	-	-
2013/014	290.10	(16.14)	3.26	262.00	15.96	(39.13)	5.69	-
2014/015	260.32	(10.26)	1.46	(55.21)	31.47	97.18	5.04	(11.42)
2015/016	310.89	19.43	23.92	1,538.00	29.02	7.79	4.15	(17.66)

Source: Annual Report of KMCL

The above table shows the credit pattern of Kirtipur Multipurpose Cooperative Limited over 8 years. It also shows that the cooperative provides the huge amount of business loan and then other sector of business. There is a fluctuation in the credit pattern of cooperative in business sector. Most of the credit facilities provided to business man in the productive sector of the economy. In the fiscal year 2008/009, business loan which is provided by cooperative is 336.44 million and in the fiscal year 2009/010, it increases to 533.29 million which means business loan is increased by 58.51 percent. And then, from the fiscal year 2010/011, the cooperative decreases its business loan upto 2014/015. From the fiscal year 2015/016, the cooperative increases its business loan by 19.13 percent which is relatively better than previous year.

Hire purchase loan is the legal term for a contract in which a purchaser agrees to pay for goods in parts or percentage over a number of months. Hire purchase loan is also a kind of business loan which is provided by the cooperative with the certain percent of interest and the installment charges. So, with the help of above mentioned table, it

clearly shows that in the fiscal year 2008/009, the cooperative provides huge amount of hire purchase loan to its member with the reasonable rate of interest. But from the fiscal year 2009/010, the cooperative curtails its hire purchase loan continuously upto 2014/015. The hire purchase loan is rapidly increased from 2015/016 which is increased by 1538 percent.

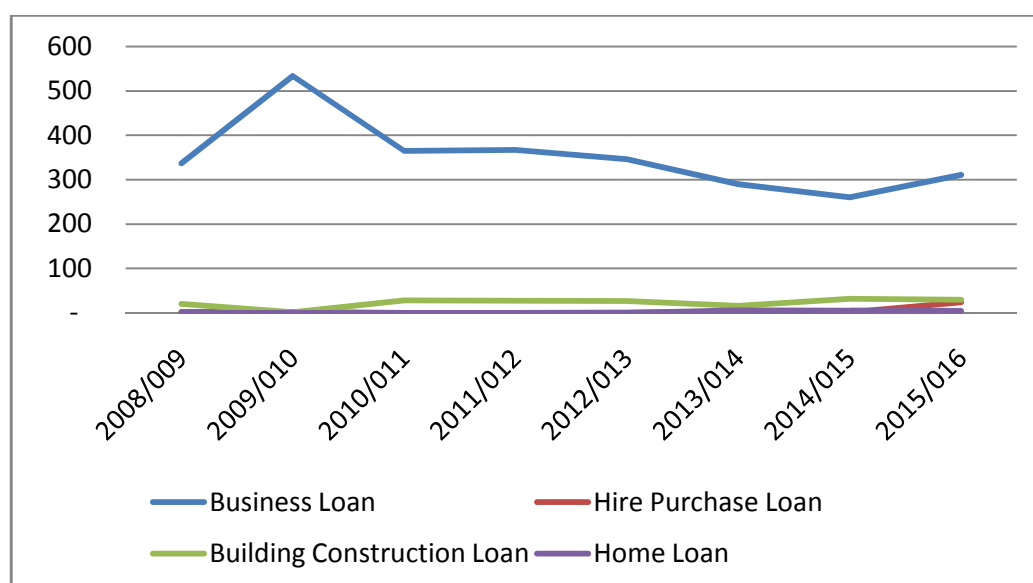
Construction Loans is a short term loan used to finance the building of home or another real estate project. The builders or home buyer takes out a construction loan to cover the costs of the project before obtaining long term funding. There is a continuous fluctuation in the construction loan as shown by the above table. The construction loan was reached at its maximum point in the FY 2014/015 i.e increased by 97.18 percent and it was increased by 7.79 percent in the FY 2015/016.

Home loan or mortgage loan, also referred to as mortgage, is used by purchaser of real property to raise funds to buy real estate by existing property owners to raise funds for any purpose. The cooperative started to provide home loan from FY 2013/014 and in this FY, home loan was 5.69 million. It was continuously decreased from FY 2014/015 i.e from (11.42 %) to (17.66 %).

Figure 4.2

Analysis of credit pattern of Kirtipur Multipurpose Cooperative Limited

(Amount in Millions)



Source: Based on the table 4.2

In the above figure, the cooperative provides the huge amount of business loan in the fiscal year 2008/009 as compared with other sector of the business. It is increased by 58.51 percent in the fiscal year 2009/010. The business loan was decreased by 31.60 percent in the FY 2010/011 and slowly, it is increased by 0.50 percent in the FY 2011/012. The cooperative curtails the facilities of business loan to its members for three fiscal year continuously. So, the business loan curve is downward sloping. But in the fiscal year 2015/016, it is slowly increased by 19.43 percent which is very low as compared with FY 2009/010. With the increased in business loan, the business loan curve is slowly up warding as shown by the above figure.

Hire purchase loan is the kind of loan which is provided by the cooperative to its members with the certain percent of interest. So, in the above figure, the hire purchase loan was 2.52 million in the fiscal year 2008/009 and from the fiscal year 2009/010, it was decreased by 6.35 percent to 63.24 percent i.e upto FY 2011/012. So, the hire purchase loan curve is continuously downward sloping. From the FY 2015/016, the hire purchase loan curve is slowly up ward sloping i.e hire purchase loan is increased by huge amount as compared with other FY.

There is continuously fluctuation in the Construction loan as shown by the above figure which means in sometimes, construction loan may be increased and it may be decreased. So with this, the construction loan curve is downward sloping if the construction loan is decreased and the curve starts to up ward if the construction loan is increased. The construction loan curve reached at the maximum point in the FY 2014/015 i.e increased by 97.18 percent and the construction loan curve slowly starts up warding upto FY 2015/016.

The cooperative started to provide the home loan to its members from FY 2013/014. Home loan curve is slightly straight line. It means there is no big changes in the home loan that is provided by the cooperative.

So, the above figure concludes that there arises the fluctuation in the credit pattern of the cooperative that means it may be increased and it may be decreased. It also seems that, the cooperative provides the huge amount of business loan to its members and then, hire purchase loan, construction loan and home loan respectively.

4.3 Presentation and Analysis of Share of Credit in Business Sector of Kirtipur Multipurpose Cooperative Limited

Table 4.3

Presentation of share of credit in Business Sector of Kirtipur Multipurpose Cooperative Limited

Types of Credit Loan	Total credit Amount (8 years)	Percentage of Share (%)
Business Loan	2,808.30	92.44
Hire Purchase Loan	35.09	1.15
Building Construction Loan	179.71	5.92
Home Loan	14.88	0.49
	3,037.98	100

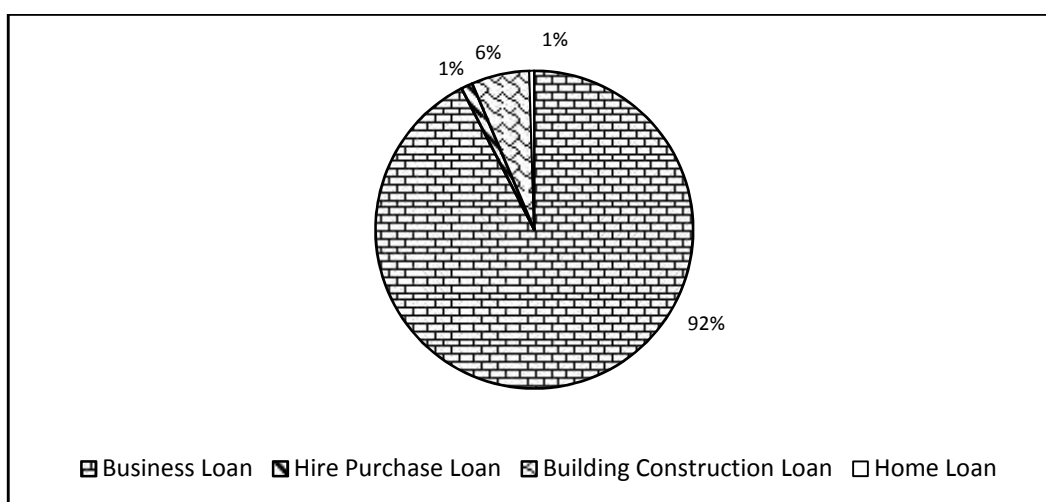
Source: Annual Report of KMCL

Table no. 4.3 shows that out of 3037.98 million, the cooperative provides 2808.30 million of business loan, 179.71 million of building construction loan and 35.09 million of hire purchase loan to its members respectively. Similarly, 14.88 million of home loan is provided by the cooperative.

Data shows that the cooperative provides the huge amount of business loan to its members. But, it also provides hire purchase loan, building construction loan and home loan respectively.

Figure 4.3

Analysis of Share of Credit in Business Sector of Kirtipur Multipurpose Cooperative Limited



Source: Based on the table 4.3

The figure 4.3 shows that in the study area, most of the business loan is provided by the cooperative i.e 92.44 percent and then the cooperative provides 5.92 percent of building construction loan, 1.15 percent of hire purchase loan and 0.49 percent of home loan respectively.

So, it shows that the cooperative mainly focuses in business loan because of uplifting the living standard of the people and helps in attaining the higher rate of economic growth.

CHAPTER V

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

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

5.1 Summary of Finding

A Cooperative is an autonomous association of persons who voluntarily cooperate for their mutual, social, economic and cultural benefit. Cooperatives have aimed at increasing the financial access to those areas where financial institutions are not reached. Cooperative is viewed as the tool that can bridge the gap between urban and rural area through rural transformation. Cooperative have been established in Nepal to improve the socio economic status of the rural poor group of people. It also plays a vital role to overcome the problem of capital shortage through capital formation.

The main objective of the study is to analyze the credit and investment pattern of Kirtipur Multipurpose Cooperative Limited in Business sector over 8 years. The study also analyzed what type of credit is provided by Kirtipur Multipurpose Cooperative Limited to its members.

The study is mainly based on secondary sources of data. The secondary data are taken from journals, reports, books, publication, websites etc. The collected data are analyzed by using financial and statistical tools after collecting the data from different sources. Multipurpose Cooperatives are involved in multiple subjects functioning such as collection of saving deposits, loan distribution to the members, running small consumer store, collecting members' production and selling them to the market. Multipurpose Cooperatives are very important variable of the cooperative which helps to provide self-employment and income generation on the group of member.

The study was carried on Kirtipur Multipurpose Cooperative Limited and it analyzed the investment and credit pattern of the cooperative in business Sector over 8 years. The cooperative has invested its deposited amount in the field of National Cooperative Bank, District Cooperative, Champadevi Infrastructure Co. Ltd, Dudhapokhari Power Co. Ltd., Cooperative Association respectively. The study

shows that cooperative has invested its huge amount in the field of National Cooperative Bank and fewer amounts have been invested in the other sector of the business as compared with National Cooperative Bank. The study also shows that the cooperative provides business loan, hire purchase loan, building construction loan and home loan etc.

Similarly, the investment and credit pattern of cooperative in business sector was analyzed through the different table, pie chart and trend line.

The Findings of the Study are as follows:

The cooperative has invested its huge amount of saving in National Cooperative Bank i.e Rs. 1,000,000 and then it has invested in the field of Cooperative Association, District Cooperative, Dudhapokhari Power Co. Ltd and Champadevi Infrastructure Co. Ltd respectively. The study shows that at the early phase of its establishment, the investment pattern of the cooperative is low or there seems low amount of investment in the entire field of business sector. Due to increase in the saving level of cooperative, the investment level is increased.

With the help of the financial report of Cooperative, it is showed that the investment level is slowly increased. The study is analyzed with the help of 8 years of financial statement of Kirtipur Multipurpose Cooperative Limited. It shows the investment pattern of Kirtipur Multipurpose Cooperative Limited which is very low as compared with the credit pattern.

The study shows that the cooperative provides the different types of credit facilities in the different field of business sector such as business loan, hire purchase loan, building construction loan, home loan etc respectively .From the study of credit pattern of Kirtipur Multipurpose Cooperative Limited, the cooperative provides the huge amount of business loan to its members as compared with the other sector of business. The cooperative provides the less amount of home loan to the people. At the starting time, it was only 5.69 million and from the FY 2014/015, it was continuously decreased i.e from (11.42 %) to (17.66 %).

It is also showed that out of 3037.98 million, the cooperative provides 92.44 percent of business loan and 5.92 percent, 1.15 percent and 0.49 percent of building construction loan, hire purchase loan and home loan respectively.

The study concludes that there arises the fluctuation in the credit pattern of Kirtipur Multipurpose Cooperative Limited that means credit pattern may be increased or decreased on the basis of the financial condition of cooperative. Similarly, it is concluded that there is unbalanced between the investment and credit pattern of Kirtipur Multipurpose Cooperative Limited.

The study also suggests that cooperative should think about its credit pattern because its credit pattern is overflow as compared with the investment pattern. If the cooperative is failed to collect its principal amount from the borrowers, there should arise the problem of discontinuity and conflict between the board members of the cooperative.

5.2 Conclusion

Cooperatives are regarded as engine of economic development of the country. They accumulate the scattered money of small businessman, craftman and general public and mobilize that to the needy person of lower-middle class. It also invests the accumulated money in such a field which helps to uplift the standard of living and improved the living standard of people. It helps to eliminate the middleclass group of people in rural area and help in the capital formation process. Cooperatives have the responsibility of providing financial as well as technical assistance to the poor people for generating income. So, cooperative is viewed as a device to fill the gap between haves and have not.

Cooperatives are important for economic development of the country. The cooperative system have been adopted by many developed and developing countries in various sectors of the economic for improving and uplifting the standard of living of poor and middleclass group of people and accumulate the scattered money for investing in the productive sector of the economy. So, cooperative has the social and economic impact not only to its members but also on whole society.

In the study of Kirtipur Multipurpose Cooperative Limited, after analyzing the secondary data, the investment pattern of cooperative is in disorder because there is no balanced investment in all the sector of business. There seems high investment made in National Cooperative Bank and only after that it has invested in the rest of the business sector. In other hand, there seems to be rigid amount of investment made in the field of Champadevi Infrastructure Co. Ltd. So, the investment pattern of

Kirtipur Multipurpose Cooperative Limited is not good as per the analysis of the data over the last 8 years and the flow of investment is weak.

Similarly, the credit pattern of Kirtipur Multipurpose Cooperative Limited is overflow. The cooperative provides business loan, hire purchase loan, construction loan, home loan etc. The interest rate of the cooperative is low as compared with other cooperative organization. So, it provides the huge amount of business loan to the business man for the creation of economic activities which ultimately helps to achieve the economic goal of the cooperative. Besides this, the cooperative provides hire purchase loan, construction loan and home loan too.

The study also suggests that cooperative should think about its credit pattern because its credit pattern is overflow as compared with the investment pattern. If the Cooperative is failed to collect its principal amount from the borrowers, there should arise the problem of discontinuity and conflict between the board members of the cooperative. So, it is better to do the cooperative that cooperative should make balanced between the credit and investment pattern and should manage the disorder in the investment pattern. The cooperative should invest the money in such a sector i.e productive sector which helps to uplift the living standard of the people and high rate of economic growth.

Cooperative plays a vital role to provide the financial service to its members and help to generate the economic activities of the society. Transformation of unproductive money to the productive sector is very crucial role played by the cooperative. Cooperative creates the environment of cooperation among its members. They work together to achieve mutual objectives.

Cooperative is a voluntary organization for a joint organization of some work on equal terms and with common objectives. This form of organization has been growing popularly in the sphere of economic activities particularly among the economically weak member of community who by definition cannot protect their interest on an individual basis. The objectives of cooperative are generally related to the welfare of members. It always tries to develop the economic, social and mental empowerment of members. Cooperatives are based on the value of self- help, mutual help, self-responsibilities, democracy, equality and solidarity value of honesty, owner, social

responsibility and caring of others. Cooperative plays an important role in poverty reduction, facilitating job creation, economic growth and social development.

5.3 Recommendation

The following recommendation can be prepared on the basis of the study for the further growth and development of cooperative:

- i. Cooperative should have balanced in credit and investment pattern of the business sector.
- ii. Cooperative should also invest in other sector of business which helps to increase the economic activities in the society.
- iii. The cooperative should provide the varieties of credit services with the low rate of interest for the creation of self-independency environment and doing the something unique work in the society.
- iv. The study shows the unbalanced between the credit and investment pattern of cooperative. So, the cooperative should increase the investment in such a ratio which can help to balance between credit and investment.
- v. The cooperative should think about its credit pattern because if the credit limit of cooperative is very high as compared with its investment level, then it is very hard situation for the cooperative to maintain financial condition.
- vi. The rate of interest on loan should be minimized.
- vii. Principally cooperatives are always responsible to the members. Without active members, the institution cannot run smoothly. It is necessary to improve economic status to increase the living standard of members. Hence, to meet this purpose, the cooperative should organize the suitable programs which help to increase the working skill.
- viii. The manpower available in Kirtipur Multipurpose Cooperative Limited is not skilled technically and managerially. They don't have knowledge about advanced technology like SWIFT and long term plan with clear vision. Those shorts of shortcoming should be addressed otherwise institutional growth may be hampered.

- ix. The cooperative should organize some kinds of training such as cooperative education, entrepreneurship development, business plan preparation, crop diversification etc.
- x. The cooperative should also expand the social development activities to the community with DDC, NGO, INGO etc.

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