

CHAPTER-ONE

INTRODUCTION

1.1 Background

Nepal is the youngest republican country in the world. By the political change in the country, many things are being used and practiced in this Himalayan country.

The majority of the population in Nepal is still dependent on agriculture for securing a 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 security, due to inadequate income from a single occupation.

A co-operative is a voluntary organization of person with limited means to safeguard their needs and interest. "Unity in diversity is the main motto of co-operatives societies." The philosophy behind co-operative movement is "all for each and each for all". A cooperative is defined by the International Co-operative Alliance's Statement on the Co-operative Identity as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. It is a business organization owned and operated by a group of individuals for their mutual benefit. A cooperative may also be defined as a business owned and controlled equally by the people who use its services or who work at it. There are different types of cooperative based on working nature.

An agricultural cooperative, also known as a farmers' co-op, is a cooperative where farmers pool their resources in certain areas of activity. When we talk about cooperative, we have to look it's forms or type too, where we can find more than 14 kind of cooperatives in Nepali practice.

The study endeavors to assess the community based farming system in Nepal. The study explores the various domains of cooperative farming that are evident in the study area of Nepal. The evidence of introduction of cooperative farm in Nepal, its success stories and the factors has investigated in this study.

Cooperative farming began in the history. Mostly this type of farming has been practiced in communist countries i.e. Cuba, China North America etc. It came to Nepal after 1990 when Nepal communist Party Maoist (CPNM) has started People's war in Nepal in 2052 BS. They also started cooperative farming. They have given name to the farming such as communal farming, commune integrative farming and cooperative farming.

In the same way, CPNM has started cooperative farming in Sindhupalchok district. When CPNM changed their strategy of capture the power of the state from fighting to democrat process, after the peace agreement on November 21, 2006 and an arms agreement on November 28, 2006. {By Pablo Sanchez Tuesday, 19 December 2006}

Theoretically, Maoist are clear that they want to built the commune system .When they start the fight against the state, they set the concept of communal system in the society. Mainly Maoist targeted in agriculture transformation for the development of the nation arguing that if the farmers who lives in the village, get free from vicious circle of poverty then automatically the country will free from poverty. Communist Party of Maoist (CPNM) has started People's war in Nepal in 2052. At first, they were with the people of the remote villages of the country. Then slowly they expand their party member in different place of the country .By 2057 Maoist has started communal farming at their base area such as Ropla, Rukum and other pocket area although they were in battle.

When the CPN Maoist and Seven political parties signed on peace accord Maoist were thinking to manage the fulltime party member. Party member who were in People's Liberation Army {PLA} were managed according to an arms agreement on November 28, 2006. In the same duration at 2064, Jestha district party of Maoist of Sindhupalchok decided to establish the cooperative in the district to promote the motto of the party economic revolution from agriculture.

Maoist lead government's finance minister Dr. Baburam Bhattarai also mentioned the motto of the party in his budget of 2065/66. In charge of the district party of Sindhupalchok and a central member of the Maoist, Mr. Dhruva Parajuli propose to the district party to establish the cooperative and all the District party member agreed in his propose. "SAMAAJIK RUPANTARAN MA SAHAKAARITA" {Cooperativeness for Social Transformation.} The district party of Maoist in

Sindhupalchok made the slogan for the Cooperative. Sindhupalchok, where 181 people were killed in Peoples war, Maoist decided "Sahid Smriti Bahu Uddesya Sahakari Sanstha Limited" name for the cooperative.

Main objectives of the cooperative were:

- J To empower the economic and social status of the member of cooperative.
- J To invest for cooperative farming.
- J To encourage cooperative farming.
- J To harmonize with other institution having similar objectives.
- J To insure the free education and shelter for children of them who were killed in People's war.

People who were involved in the full time party member are now involved in cooperative. The cooperative has established in bank of the Bhotekoshi River in Kalika VDC of Sindhupalchok and started to collect the capital from people in the name of cooperative following the cooperative law of Nepal government. The cooperative made mainly five objectives; one of them is cooperative farming in Sindhupalchok district. In this way, cooperative farming is running in different area of Sindhupalchok. This study mainly focused in Kalika VDC-9, Gopinichaur of Sindhupalchok.

This study will find the popularity of cooperative system within people observing in study area, finding the facts of cooperative farming and analyzing the whole process of labor, seeds, production, market, and income and benefit sharing. In addition, it will explore how the cooperative farming changes the traditional farming system and making it scientific and commercial, which will change the life style of the rural people.

This study has a conceptual framework to identify the potential of income generation opportunities and local development of the study area. The opportunities mainly focused to the community forest, farmland, livestock, human resources, and other resources and activities in that area. It has found the existing status and gaps in resources use that are the major research issues. Issues related to the socio-economic, technology, local development and equity are the major identified research issues.

After selection of these issues, we have to find out the local developmental activities and income generation of user groups. Support of relevant stakeholders to implement it first, then user imitates it themselves. After increase, the user's income there will be a positive change that is called development.

1.2 Statement of the Problem

Our traditional system and social construction has become being individualistic. Working together in all fields is hard to make as habit for farmers because of our social, cultural, economic and geographical causes. If there is the same class, group only then after it will, established a new system. In other hand for huge scale of farming there needs modern technical inputs i.e. Seed, tractor, fertilizers, knowledge etc. People should be assured that they would get equal benefit.

This research has state that the largest political party of the country has started the cooperative farming.

The other reason was that people have threat in there mind about Maoist and they do not want to believe in any activities done by a political party like Maoist.

1.3 Objectives of the Study

The general objective of the study is to investigate the existing situation factor of cooperative farming in the study area. However, other specific objectives are as follows:

-) To know the condition and the changes in the life of the people who are involve in the cooperative farming now but were involve in war few years ago.
-) To study the policy and strategies along with the working pattern of cooperative farming

1.4 Significance of the Study

Cooperative Farming which is formed by the farmers of a political party, governed by them, and run by them in a democratic fashion is an ideal mechanism to increase livestock and agricultural production and farm income, enhance agricultural sustainability and food self-sufficiency, while promoting Nepal's socio-economic development. Through cooperatives, farmers are empowered and economic growth is

stimulated. Appropriate governmental policies, programs, rules/regulations, and support systems are essential for the success of cooperative farming.

This study is concerned with the importance of co-operative farming and its socio-economic impact in rural people. It also highlights the related problems and socio-economic condition of farmers of the study area. This study is purely a micro level study because no such study has been done in the past to cover the entire aspect. By the way the study tries to fulfill the gaps of knowledge about various aspects like production, management, marketing and socio-economic condition of farmers of study area. The study tries to find out the impact of co-operative farming in the general life of the people. Likewise, it will present the problems of co-operative farming and recommends. Trained work force should be available to the private sector; pricing of the product should be based on the quality and fixed by a free market system with little intervention from the government. Extension services should be backed up with more research, animals and product quality.

For its sound development this study will provide guidelines to construct cooperative farming development policies and plan for the policy makers, development workers, rural farmers and it will fruitful for further study regarding this topics.

This research will prove the cooperative farming system to be a milestone for farming system in Nepal. More than 85 percent of the population is still engaging in farming. The farming system they are using is old, non-commercial and non-scientific. Due to this, most of the farmers are engage in farming just for live hood. The research help to find out the process of cooperative farming that could be applied. It is a new example in new Nepal done by a political party.

1.5 Limitations of the Study

This research is conducted only with limited objectives for the partial fulfilment of Master Degree in Rural Development considering the time and budget limitation. This study is only confined to the people of Kalika VDC who sell their product (Fish and livestock). Since the research is limited to a particular locality of Sindhupalchowk district and also in a particular VDC of Kubinde, the findings and the conclusions drawn with this research may not be generalized. This is the first case/step to run a cooperative farming by a political party so no secondary data were easily found for literayure reivew of the particular farm.

The cooperative farming however has been studied with Nepalese perspective; the study will be predominantly conducted in Sukute of Sindhupalchowk district only. The farming practices are present in the study area throughout the year. Nevertheless, the study is only for three months. Hence, the cross-sectional study is the only option rather than longitudinal one. The time factor of this short span is due to our budget and time constraint. The research has carried out in particular geographic, socio-cultural and economic setting, the findings may not generalize. It is in Nepali context so; it cannot cover the world practice.

CHAPTER–TWO

LITERATURE REVIEW

2.1 Concept

In this section on review of literature to know, what others have done related to Cooperative Farming. Only the relevant literatures have been reviewed. Every possible effort has been made to grasp knowledge and information that is available from libraries, and the documents available from the concerned authorities.

In this chapter, inputs are reviewed from the books, reports, articles, research paper, thesis and acts. It seeks to review the existing literatures on cooperative farming. The general overviews of cooperative farming in Nepal are reviewed. The literature related to income resources in CF, income generation in CF, benefit sharing in CF, income generation and employment creation and cooperative farming and rural development are reviewed throughout this chapter.

2.2 Cooperatives as Legal Entities

Although the term may be used loosely to describe a way of working, a cooperative properly so-called is a legal entity owned and democratically controlled equally by its members. A defining point of a cooperative is that the members have a close Association with the enterprise as producers or consumers of its products or services, or as its employees. In some countries, there are specific forms of incorporation for co-operatives. Cooperatives may take the form of companies limited by shares or by guarantee, partnerships or unincorporated associations.

2.3 Identity

Cooperatives are based on the values of self-help, self-responsibility, democracy and equality. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. Such legal entities have a range of unique social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. Economic benefits are distributed proportionally according to each member's level of participation in the cooperative, for instance by a dividend on sales or purchases, rather than divided according to capital invested. Cooperatives may be generally

classified as either consumer cooperatives or producer cooperatives. Cooperatives are closely related to collectives, which differ only in that profit-making or economic stability is placed secondary to adherence to social-justice principles.

2.4 Historical Background of the Co-operative

Although co-operation as a form of individual and societal behavior is intrinsic to human organization, the history of modern co-operative forms of organizing dates back to the Agricultural and Industrial Revolutions of the 18th and 19th centuries. The 'first co-operative' is under some dispute, but there were various milestones.

In 1761, the Fenwick Weavers' Society was formed in Fenwick, East Ayrshire, and Scotland to sell discounted oatmeal to local workers. Its services expanded to include assistance with savings and loans, emigration and education. In 1810, social reformer Robert Owen and his partners purchased New Lanark mill from Owens's father-in-law and proceeded to introduce better labor standards including discounted retail shops where profits were passed on to his employees. Owen left New Lanark to pursue other forms of co-operative organization and develop co-op ideas through writing and lecture. Co-operative communities were set up in Glasgow, Indiana and Hampshire, although ultimately unsuccessful. In 1828, William King set up a newspaper, *The Cooperator*, to promote Owens's thinking, having already set up a co-operative store in Brighton.

The Rochdale Society of Equitable Pioneers, founded in 1844, is usually considered the first successful co-operative enterprise, used as a model for modern co-ops, following the 'Rochdale Principles'. A group of 28 weavers and other artisans in Rochdale, England set up the society to open their own store selling food items they could not otherwise afford. Within ten years, there were over 1,000 co-operative societies in the United Kingdom.

The Rochdale Principles are a set of ideals for the operation of cooperatives. They were first set out by the Rochdale Society of Equitable Pioneers in Rochdale, England, in 1844, and have formed the basis for the principles on which co-operatives around the world operate to this day. The implications of the Rochdale Principles are a focus of study in co-operative economics. The original Rochdale Principles were officially adopted by the International Co-operative Alliance (ICA). The Rochdale Principles of cooperative according to the 1996 ICA revision are detailed below.

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

One village or a group of two or three villages forms the basic unit of the primary cooperative. While full-time salaried employees manage the day-to-day functioning of the cooperative, the committee or board of the cooperative, consisting of only elected members, makes the decisions on the affairs of the cooperative. Primary-level cooperatives bring together members with similar interests at village level to work towards common goals. This system can also identify good leadership talent that would be given a chance to develop through interaction with other community leaders.

A group of primary-level cooperatives forms a union, which can be for a district, region. This is the second tier. The third tier is the unions joining up to form a federation at state or national level, depending on the size and system of administration in the country. The federation has the power to act on such issues as pricing policies, extension, training, and control on product imports, subsidies and credit.

2.4.1 World Context of Farm Cooperatives in Communist Countries

I. China

In agriculture, the government established huge rural people's communes, which brought all rural land and major farm equipment under collective ownership. Although China sowed a huge grain crop in 1958, much of it went to waste because of inadequate transportation and storage facilities. Worse, a policy of deep plowing and the practice of planting grain even in conditions unsuited to its cultivation did a great deal of ecological damage. Silting and runoff from ill-considered and poorly executed

irrigation projects, and the destruction of trees, grasses, and ponds, contributed to catastrophic floods in 1959 and 1960. The misguided industrial and agricultural policies of the Great Leap Forward, compounded by these environmental calamities, resulted in three years of famine in which more than 20 million people died.

II. Vietnam

Vietnam has traditionally derived the bulk of its wealth from agriculture, especially from the cultivation of wet rice. During the traditional and colonial eras, most farmland was privately owned and cultivated by either owners or tenants. Under Communist rule, however, the government placed farmland in the North under collective ownership. After reunification, the government attempted to collectivize all privately held farmland in the South, but local resistance and declining grain production eventually persuaded party leaders to dismantle the collective system. Instead, they granted long-term leases to farmers in return for an annual quota of grain paid to the state. Surplus production could be privately consumed or sold on the free market.

III. Cuba

Only 3 percent of the total land area is used for growing crops. Basic food crops include cassava, plantains, corn, peanuts, sweet potatoes, and millet. In order to increase the wage-earning power of the peasant farmer, the government has organized agricultural cooperatives, placing primary emphasis on introducing new crops that are expected to produce a higher income. The cultivation of tobacco, sesame, and rice is encouraged by the government. The most important cash crop is coffee, once grown mostly on European-owned plantations, but now produced largely on smaller African-owned farms. In 2005, coffee production was 4,200 metric tons. Cotton, which is widely cultivated, is also a leading cash crop and represents a significant portion of export earnings.

2.4.2 Former Communists Countries

I. Russia

State-owned farms and collective farms became an influential lobby in the late Soviet period, and after the Soviet breakup, they resisted any significant privatization of the farm sector. Russia inherited about 26,000 such farms, which on average employed

about 400 workers each. Many of these huge farms were nominally reorganized as producers' cooperatives, which are collectively owned and operated by groups of farmers who share in the profits. However, parliament refused to adopt a new land code that would permit farmland to be bought and sold like other forms of property or used as collateral for loans, and most genuinely private farming ventures were blocked. Changes in relative prices made fertilizer and agricultural machines too expensive for some farms, and the sector was plagued by bad weather. From 1989 to 1999, total agricultural output shrank by about 45 percent. Since then the sector has undergone a significant revival. From 1999 through 2002, output grew by an average of about 10 percent per year. In 2002 parliament adopted a law that legalized the buying and selling of agricultural land by Russian citizens. Under Put in costly government, subsidies to the sector have been reduced substantially.

2.4.3 Asian Context of Cooperative Farming

Around 60 year ago in north china, cooperative farming has practiced. The formation of elementary agricultural producer's cooperatives of 20-30 households beginning in 1955, however involved a fundamental change in the organization of the agricultural sector, as land brought into each cooperative was farmed as a single contiguous unit and decision making responsibility move to the people. (Chinn, 1980)In the same way in some part of India and Bangladesh has also started cooperative farming.

2.4.4 Maoists Policy on Agriculture.

The Maoists issued a 75-point manifesto just before the breakdown of the last ceasefire in November 2001. In the same manifesto, there are some points about agriculture in chapter four in the heading 'Agriculture and Land Reformation.'

- a. The peoples' revolution will have an agrarian revolution as its main goal. It will end feudal, semi-feudal and bureaucratic means of production and develop a national capitalistic means of production under which land will be distributed to the landless and poor farmers. No expropriation of the land belonging to rich people and absentee property owners shall be made.
- b. The help of the local level revolutionary peasants shall be obtained to determine the character of landless, poor, semi-feudal and feudal, to prepare actual land records, and to mobilize the community as a whole.

- c. Land expropriated from feudal and capitalist bureaucrats shall be distributed to local farmers without any discrimination and such land will be their private property.
- d. Land shall be distributed equally to the representatives of peoples' government as it is distributed to other peasants. A special priority shall be given to the families of martyrs.
- e. All documents pertaining to land loans, ownership and transactions shall be declared null and void until land reforms come into force and the people's government issues new land deeds.
- f. Cooperatives shall be promoted to increase production, for the maximum utilization of labour, and to contribute to economic growth.

2.5 Origin of Cooperative Farming

The History Cooperative is a pioneering nonprofit humanities resource. (History cooperative)

Australia's National Catholic Rural Movement was lobbying to extend co-operatives in Victoria and other States. Let us Talk Sense about Co-operative Farming was the front-page headline in the National Catholic Rural Movement's (NCRM).

What the NCRM was arguing for was that the War Agricultural Committees should adopt co-operative farming instead of collective farming. The article made a clear distinction between collective farming and co-operative farming: "Collective farming exists when the State compulsorily imposes upon the farmers of a district the pooling of labor and machinery, and directs the individual farmers as to the products which he/she grows."

"Co-operative farming exists where the farmers of a district realizing that the common good of the people of the district demands a modification of individualist practices, voluntarily assist each other with the pooling of labor and machinery and the co-ordination of their production policies."

"Between the two, there is a complete and thorough-going difference. The first is repulsive to the Christian. The second is a lofty height of the Christian life."

"What Catholic farmers must realize is this: The old days of individualism are gone - and no one in his senses will mourn their passing. In the new world towards which we are moving the organization of agriculture will be on a community basis." (Australia. coop, 2007)

2.6 The Cooperative Movement in Nepal

Cooperative activities have existed in Nepal since traditional times. The cooperative movement of Nepal can be divided into the three types.

2.6.1 Traditional Co-operatives

Since ancient times in Nepal, there were saving and credit associations popularly known as Dhukuti, and grain saving and credit saving known as Parma that have worked for a long period. Similarly, Guthi provided a forum to work together for smoothly running different socio-cultural practices in the different communities of the country, which are still in practice.

2.6.2 Early Co-operative Movement

Modern cooperative initiatives date back to 1956 with the establishment of thirteen credit cooperatives in Chitwan District to assist flood victims. Establishment of the Cooperative Bank in 1963 that was converted into the Agricultural Development Bank in 1968 and the formation of the Land Reform Savings Corporation in 1966 can be cited as the major cooperative ventures in the early era of the cooperative movement in Nepal (NCFN, 2007). It appears that until 1990 most cooperative ventures were limited to credit, finance, and were controlled by the government.

2.6.3 After 1990's

The Co-operative Act 1992 provided a liberal and democratic framework for co-operatives societies. There were 33-district co-operative unions up to 1990 and no national and central federations. After 1992, the mushroom growth took place not only in co-operative societies at the grassroots level, but also in secondary level and central level.

In 1990's National Co-operative Development Board and National Co-operatives Federation jointly took the initiative to distribute monetary benefits to the co-operative staffs established before 1991. Yet another achievement was made in 1997.

National co-operative Federation was conferred with the International Co-operative Alliance (ICA) membership. Similarly, Ministry of Agricultural and Co-operatives and Co-operative Act, 1992 first amendment was enforced in 2000. Cooperatives are also found in the areas of transportation, vegetable production, coffee and tea production, woodcarving, furniture, the cottage industry, carpet industry, and in ginger production. Even though governmental agencies, international institutions, Non-Governmental Organizations, and other stakeholders have put some effort into the cooperative movement in Nepal, the results are far from satisfactory. Most profitable cooperatives are urban-based, and except for finance, credit, and dairy cooperatives, the rural sector has not felt the presence of the cooperative movement in the country. Cooperative movements have to strive for the inclusion of women, dalits, poor people, and other oppressed classes of society. Some of the reasons identified for failure of the cooperative movement in the country include: lack of national vision for the cooperative movement, lack of adequate monitoring, lack of inclusion of every sector of society in the cooperative movement, lack of managerial skills and professionalism, lack of working capital, lack of technological support and development, and lack of credibility (Mali, 2005).

Table 1: Number of Co-operatives

As of 2065 B.S., the total number of cooperatives in Nepal is following below:

S.N.	No. of Co-operatives	Number
1.	Agriculture Co-operative	1497
2.	Saving and Credit Cooperative	4432
3.	Dairy Co-operative	1561
4.	Electricity	254
5.	Vegetable and horticulture	116
6.	Tea Producers Co-operative	39
7.	Coffee Producers C/O	69
8.	Health C/O	41
9.	Multipurpose C/O	2808
10.	Science and Technology C/O	76
11.	Consumers C/O	103
12.	Bee Keeping	28
13.	Herbal	33
14.	Other C/O	245
Total		11302

Source: Department of Co-operatives, 2065.

The cooperative movement started only after Nepal started opening up. In 1956, thirteen credit co-operatives were established in the Rapti Valley of Chitwan district under an Executive Order of the Government. To regulate these cooperative societies, the first Cooperative Act was promulgated in 1959. Up to 1990s, since the societies and district unions were in limited numbers; the Department of Cooperatives was able, to a significant extent, to monitor these societies. With the huge growth in cooperative societies/unions/federations without the growth in the capacity of the Department, the greatest challenge the government sector faced was of monitoring the movement.

There is no separate Credit Union act in Nepal. The current cooperative act does not even have a separate chapter for credit unions. In addition, from last two years the registration of savings and credit cooperatives has been suspended by the Department of Cooperatives. Lack of clear vision of promoters of savings and credit programs, in Nepal almost all government and non-government organizations have included savings as a component of their various development programs such as literacy group, health group, forest user's group, mother's group, irrigation user's group, agriculture production group and so on and so forth. After the preliminary objective of the group formation is completed the savings and later credit component continues and as the groups grow, the technical assistance need for these groups increases, which in most cases are not provided by the promoters.

Nepalese economy is based on agriculture. Therefore, the government after 1951 had paid attention to develop agriculture through cooperative society. The government has adopted different laws and rules for making it well functioning new KISCCU program, Rapti valley development program etc.

Before 1990s, cooperatives used to play important role in delivering inputs and seeds, providing markets for agriculture products, providing financial services, providing markets for milk associated with rural economy:

With growing privatization since 1990s, the role of providing inputs, the private entrepreneurs from the cooperative sector have assumed seeds and market for agriculture products, especially in the pure-urban areas. Yet, cooperatives are providing such services significantly in the rural areas. The recent budget speech (fiscal year 2005/06) of the Finance Minister includes implementing 150 small

irrigation projects through cooperatives. The financial services and dairy business remains the stronghold of cooperatives in the rural areas. Both the finance and milk sectors of cooperatives are the prime sectors that have helped cash inflow into the rural areas. Be it through the inter-lending program of Nepal Federation of Savings and Credit Unions (NEFSCUN) or Rural Self Reliance Fund (RSRF) the savings and credit cooperatives have been able to access external sources of loan to on-lend to their members. (Kandel, 2007)

2.6.4 The Maoist Changed their Strategies

The people's war, under the leadership of the Maoists was an armed battle to take power from the ruling party. But about 3 years back, the central committee of the Maoist group of Nepal took a few important decisions. Some of their aims and steps were as follows :- 1) To improve the lot of the poorest of the poor, and to make these rural areas self-sufficient by forming communes. 2) These communes and co-operatives would be run by commonly elected adult members of the community. This kind of democracy was known as Revolutionary People's Democracy. 3) In this democracy, natural resources like crops, minerals or the forest products were equally distributed among the people. They learnt to live like independent human beings and therefore, took care to keep vigil over the maintenance of their hard-earned self-government. 4) This kind of democracy, by its very nature makes corruption and nepotism non-viable. The people who have tasted self-respect and independence would not hesitate to identify and eradicate any sign of corruption. 5) People's revolution can be complete, not through armed battle; but through self-ruled rural development. In the present day, it is impossible to win an armed battle against the imperialistic forces and take over the state power. But by successful implementation of the co-operative concept, by forming communes and making their own villages self-reliant, these poor underdogs can achieve independence. 6) So, the logical aim is not to 'surrender' the arms, but to 'control' the use of arms. Arms would be for self-defense; so that the feudal powers could not further oppress the historically oppressed communities of this area.

Their aim is not to fight with tanks and machine guns against the global capitalist forces. Their aim is to regain human dignity.

After the victory in Constituent Assembly (CA), the CPN-Maoists held interaction, what they called an 'ice-break, with industrialists and businesspersons to discuss the economical aspects.

Maoist Chairman Prachanda and senior leader Dr Baburam Bhattarai said that New Nepal could not build without bringing about an economic revolution. We will create 'economic miracle' in next ten years with the adoption of capitalism ending feudalism, he added.

2.7 Collective Farm

Collectivism, term used to denote a political or economic system in which the means of production and the distribution of goods and services are controlled by the people as a group. Generally, this refers to the state. Collectivism is the opposite of capitalism or free enterprise, in which private individuals own the means of production and distribution, is determined by free trade and considerations of personal profit. The concept of collectivism is derived from the social theory holding that the interests and welfare of the collective group are of greater importance than the interests and welfare of any individual. As a political-economic theory, collectivism differs little from theoretical socialism. Modern revolutionary communism is a more extreme type of collectivism in which not only capitalistic enterprise but also most private property is abolished, by violent means if necessary. Communalism is a form of collectivism in which ownership of the means of production is vested in a smaller unit, the commune, with a corresponding reduction in the authority of the state.

The livestock sector is very complex with many crosscutting issues and interrelationship with other sectors, it is a very important part of the agriculture sector and key role to play in the country's development and poverty reduction (Report, ADB 2001)

2.8 Nepal's Act and Policies for Cooperative Farming

The National Cooperative Federation of Nepal (NCF/N) established in June 20, 1993 under the Co-operative Act, 1992 is an apex body of the cooperative movement of all types and levels of cooperatives organized based on universally accepted cooperative values and principles. As the national apex body of cooperatives of all types and

levels, it on behalf of them represents in government, national and international forum.

NCF/N represents around 8000 cooperatives operating throughout the country. Approximately 2 million individual members are involved in the different types of co-operatives for their economic, social and cultural development various activities.

NCF/N is a member of International Cooperative Alliance (ICA), Geneva. It is also affiliated with the International Federation of Agriculture Producers (IFAP), France and Network for the Development of Agricultural Cooperatives (NEDAC), Thailand.

2.9 Development of Co-operatives by Plan Periods

During the First Five-Year-Plan (1956/7-1960/1), Government embarked on an ambitious programme to organize 4,500 agricultural multipurpose co-operatives. In fact only 378 co-operatives were organized. The important achievement during this period was that the co-operative development programme was integrated into the overall rural development programme.

During 1961/62, the country was without a Plan. As far as co-operatives are concerned, 203 new societies were organized. In the course of the following years, government machinery for co-operative development was established: Co-operative Societies Rules were framed in 1961, a Co-operative Training Centre was created in 1962 and in the same year, a Co-operative Development Fund was set up within the DOC. The total number at the end of this period stood at 581.

During the Second Three-Year-Plan (1962/63-1964/1965), a Land Reform Act came into force in 1964 including a compulsory savings scheme, according to which farmers had to save a portion of their crop. The co-operative programme was integrated into the land reform programme. A total of 542 societies were organized during the Plan period. A Land Reform Savings Corporation was established in 1967 to accept compulsory savings and advance loans to farmers. This led to a rapid numerical growth of co-operative societies of which, however, two thirds were soon defunct. A Co-operative Bank was established under the Co-operative Bank Act of 1963 to finance the reorganization of agriculture and to provide credit facilities to various small-scale productions, marketing and other societies organized in co-operative form. This bank was converted into the Agricultural Development

Bank/Nepal (ADB/N) in 1968, in order to meet the overall credit requirements of agriculture and to provide credit to co-operatives and to individual farmers.

During the Third Five-Year Plan (1965/66-1969/1970), the total number of co-operatives reached 1,489 operating in 56 out of 75 districts.

Many of these co-operatives were formed in a hurry without taking economic feasibility and social viability into consideration. By the end of the Third Plan, most of these co-operatives were defunct. A Co-operative Review Committee assessed the viability of the existing co-operatives and presented a report, grading the co-operatives as follows:

-) 17 % good (Class A)
-) 18 % with potential to develop (Class B)
-) 65 % in poor condition (Class C)

The Committee reported among other things that the co-operative system had failed to perform in accordance with the expectations outlined.

Most of these co-operatives failed to mobilize the desired member participation and to open up new business opportunities.

During the Fourth Five-Year Plan (1970/71-1974/75), a massive reorganization programme launched already in 1969 was pursued, placing emphasis on the quality rather than on the quantity of co-operatives. The Plan gave priority to 28 districts where the Intensive Agricultural Development Plan was to be implemented. This “Guided Co-operative Programme”, which was later turned into the “Programme for Strengthening Co-operatives” stressed the need for business efficiency (but still ignored social viability).

The 1,489 co-operatives merged or were liquidated so that at the end of the process only about 250 societies survived. The management of the co-operatives was handed over to ADB/N.

The Bank provided loans amounting to more than Rs 110 Million. However, small farmers secured only 32% of these loans whereas 68% were given to medium and big farmers. As a result of these measures the business of the co-operatives increased but

the loan recovery ratio reached a low of only 49.3 % (down from 90.3 % under the First Plan and 73.4 % under the Third Plan).

Under the Fifth Five-Year Plan (1975/76-1979/80) a massive Co-operative Expansion Programme was launched, the “Sajha Programme”, which initially aimed at running 1,163 co-operatives in 1,827 village panchayats (now VDCs) of 30 districts, with some 808,000 members reaching 4.4 million people?

Under this programme, guided co-operatives and village committees were converted into Sajha societies, co-operatives were organized to cover almost all villagers.

The compulsory savings raised under the Land Reform Programme were converted into shares of co-operatives societies. In this way, persons became members of co-operatives against their will.

Under the Sajha programme, local politicians were made ex-officio members of the boards of co-operatives, a measure that alienated ordinary members from “their” society.

Within a year, the number of co-operatives increased from 293 to 1,053 and the number of members from 93,000 to 802,000. Many of these co-operatives became inactive after some time and their number decreased by 40 %.

The main objectives of the Sajha societies were to increase production and farmers’ income through improved farming systems, institutional loans (subdividing co-operatives into small groups at village level), supply of inputs, savings and marketing.

In 1978, the management of co-operative societies was withdrawn from ADB/N and handed over to their respective management committees. However, the concerned people were not properly informed of the decisions. Besides, they were not prepared for the take over. This led the Sajha societies to wilderness.

During the Sixth Five-Year Plan (1980/81-1984/85), an “Intensive Sajha Programme” was launched in 1981 focusing more on and made more responsive to the needs and problems of small farmers. This programme started in 20 districts of the Terai.

The ex-officio representation on the boards of co-operative societies was replaced by election of office-bearers from among the members.

The basic guidelines of the programme were as follows:

- (a) More emphasis on effectiveness of co-operatives rather than numerical growth;
- (b) Concentration on areas where integrated rural development programmes are applied, formation of co-operatives only after a thorough feasibility study;
- (c) Major orientation on the interests of small farmers.

During the Seventh Five-Year Plan (1985/86-1989/90), efforts were made to reshape the co-operative movement. It was planned to extend co-operative services to the people through newly established service centers. Existing co-operatives were placed at service centers and where no co-operatives existed. A total of 144 new societies were formed mainly in the remote parts of the country.

By the end of this plan period there were:

-) 830 agricultural co-operatives in 72 districts,
-) 33 districts unions and
-) 54 non-agricultural co-operatives.

During this plan period, structural adjustment programmes were introduced and co-operatives lost their monopoly in fertilizer trading.

2.10 Revitalizing Co-operatives after 1990

With the restoration of democracy in 1990 and under the Eighth Plan, (1992-1997) efforts are made to revitalize existing co-operatives.

A National Co-operative Federation Advisory Committee was appointed and submitted its first report in 1991. In the same year, a National Co-operative Development Board was constituted and in 1992, a new Co-operatives Societies Act promulgated which recognizes the democratic character of co-operatives and ensures their operational autonomy.

I. The National Co-op. Development Board (NCDB)

The NCDB is a high-powered body established under the NCDB Act of 1992 and composed of Government representatives from different ministries appointed and

people having experience and knowledge about the co-operative movement nominated by HMG. The Minister of Agriculture chairs the Board.

The responsibilities of the NCDB included:

- (a) To work out suitable policy guidelines and new legislation relating to the co-operative movement,
- (b) To create organizational structures of the co-operative movement from village to national level, and
- (c) To co-ordinate activities of co-operatives.

II. Salient features of the Co-operative Societies Act of 1992

The salient features of the 1992 Act are as follows:

In the preamble to the Act, it is stated that co-operative societies and unions shall be formed “for the social and economic development of the country’s farmers, artisans, people possessing inadequate capital and low-income groups, workers, landless and unemployed people or social workers or general consumers on the basis of mutual co-operation and co-operative principles.”

Furthermore, it is said in section 3 (1) of the Act that:

“A society or union may be formed ... in accordance with co-operative principles with the objective of providing services and facilities for the economic and social development of its members.”

While granting operational autonomy to co-operatives once they are registered, there are some restrictions as to registration.

In the case of primary societies, at least 25 persons have to apply for registration. This number exceeds international standard requirements of 7 to 10 applicants and makes it difficult for artisans and other profession based co-operatives to use the co-operative form of organization for their joint activities {section 3 (1) (a)}.

In the case of secondary societies, single purpose unions can be formed by at least five primary societies, and (multi-purpose) district unions need at least five primary societies or single purpose unions as founder members {section 3 (1) (b) and (c)}. In the case of a central (national) single purpose union, a minimum of 5 single purpose

unions or 25 single purpose primary societies are required {section 3 (1) (d)} and in the case of the National Co-operative Federation, at least 15 unions have to apply.

By the exclusivity clause of section 3 (2) it is prescribed that not more than one district co-operative union or single purpose union of the same nature and not more than one central union of the same nature shall be formed.

This complicated regimentation, which restricts the rights of co-operatives to determine their own federal structures and which may be in conflict with the constitutional rights of citizens and their freedom of association is regulated in other countries by one single sentence:

"Co-operatives have the right to federate".

The National Co-operative Federation was established in 1993. Other Central (single-purpose) Unions were formed in the fields of savings and credit, consumers and dairy products.

The 1992 Act empowers co-operative societies to collect share capital by selling these shares not only to members and persons eligible to become members, but also to other prescribed agencies {section 23 (1)}.

This section follows a trend to open the door of co-operatives to “well-meaning” investors and sets limits (20 % of the share capital) to avoid undue influence of such investors on the management of the society. However, in strict terms, this section is a deviation from the “pure” co-operative principles.

The powers of the Registrar of Co-operative Societies have been drastically reduced. Under the new Act, co-operatives are autonomous to elect their office-bearers, to take management decisions and to appoint their auditors subject to the approval of the Registrar.

The Registrar still decides on the registration of new societies after conducting the necessary investigations to ascertain, whether or not the by-laws of the applicants conform to the co-operative principles {section 5 (1)} and registers amalgamated or divided societies {section 31 (2)}. The applicants have to submit a work plan and a statement of shares together with their application for registration, however, the Act is

silent on the importance of these documents for the Registrar's decision to register or to refuse registration.

The Registrar cannot interfere with elections to the board of directors, except upon request of a member of the society {section 16 (5)}. But intervention of the Registrar is not totally excluded {section 16 (6)}, if members inform the Registrars of irregularities. Other powers of the Registrar are:

- To specify information which registered co-operative societies have to send to the DOC (section 34) with a fine for non-compliance (section 43);
- To conduct an inquiry into the affairs of a registered co-operative society either on application of not less than 5 % of the members {section 35 (1)} or on his own motion, if the business transactions of a society or union are suspected to be unsatisfactory {section 35 (2)};
- To carry out an inspection of a society or union (section 36) and to make suggestions for improving the situation, however, without power to make orders to correct irregularities or to improve performance;
- To approve auditors appointed by societies or unions to audit their accounts {section 37 (1)};
- To collect arrears due to societies or unions on request of such societies or unions (section 39);
- To cancel the registration of dissolved societies on application {section 41 (2)} or on his own motion in cases prescribed by the law {section 41 (3)}.

The Act is silent on who prescribes what accounts and records have to be kept by registered co-operative societies and unions (section 33).

2.10.1 The Role of Co-operatives

Agricultural multipurpose co-operatives are the most numerous types of societies. Their main activity is to supply inputs, give access to production loans and special purpose loans and sell items of daily consumption, an activity that is important in the Hills and Mountains Districts, where such items are in short supply.

Agricultural co-operatives maintain 353 godowns with a total storage capacity of 54,694 mt. However, the utilization of this capacity is low. Marketing is a relatively new but increasing activity, depending on surplus production, mainly in the Terai.

The principal commodities sold by agricultural co-operatives either to the Nepal Food Corporation or in the open market are paddy, wheat, maize and oil seeds. However, co-operatives also purchase food grains to sell to their members during periods of shortages.

A more recent activity with important prospects for the future is processing of agricultural produce (paddy, oil seeds). In 20 districts, co-operatives have installed small, efficient agro-processing plants. Their success will depend on whether or not they manage to keep the cost of processing low and to maintain a good quality. Other types of co-operatives work in the fields of:

- Dairy
- Consumers
- Savings and Credit
- Craftsmen's Supply and Marketing

2.10.2 Government Policies Concerning Co-operatives

I. Government policies before 1990

In Nepal, modern co-operatives were introduced by Government and worked under Government control and direction. Co-operatives were utilized as instruments for the implementation of Government's development schemes, applying incentives but also administrative pressure. When analyzing the different programmes, a number of weaknesses and mistakes can be identified:

-) Government mistrusted people's organizations if they were not controlled by Government and had little confidence in people's capacity to manage their own organizations.
-) The spirit and principles of co-operative self-help were largely ignored.
-) Co-operatives were organized from outside to implement national policy objectives without careful preparation (feasibility studies, member education)

and without regard to the felt needs of the people called upon to become members.

Co-operatives, over the years, have been subjected to the experiment of a variety of organizational arrangements: people oriented, land reform oriented, guided co-operatives, Sajha societies etc. Too many and too frequent organizational experiments have not been healthy for the movement to prosper and grow.

The number of co-operatives and of members increased but many societies did not operate according to their own by-laws, e.g. they did not hold annual general meetings for over three years, and members did not know their rights and obligations. Little or no attention was paid, however, to reforming the basic organizational structure to ensure the viability and sustainability of the co-operatives, once they were organized.

The guided co-operative programme worked on the assumption that co-operatives could not function properly if the members were in control. Therefore, it was decided that the management should be taken over by staff of the DOC and later of the ADB/N. The role of members' diminished and public support decreased.

Many as Government offices perceived co-operatives. Providing managers and paying their salaries was intended as important assistance to co-operatives but had the effect of alienating members from "their" co-operatives.

Provision of funds at a nominal rate of interest and relaxed standards in loan repayment did not help co-operatives to become self-reliant. On the contrary, such privileges increased their dependence on external funds and diminished the importance of internal resource mobilization.

Where co-operatives were used as channels for ADB/N loans to individual farmers or groups, the cost incurred by the co-operatives was not fully covered by the commission paid by the Bank so that co-operatives lost own funds in the process.

The Sajha Programme was a politically guided programme, with the Pradhan Panchas of the village panchayats as ex-officio chairpersons of the board of the co-operative society.

Under the Sajha Programme, many people were made members against their will, when their compulsory savings during the Land Reform Programme were converted into co-operative shares. They were also not allowed to manage the co-operatives of

which they were made members, because the members of the management committees or boards were ex-officio political workers of persons nominated to serve on the committees, while the responsibility for the management was with the ADB/N.

This resulted in the dominance of rich and powerful people. Mandatory membership and political predominance hurt the image of co-operatives in the eyes of ordinary co-operators and the public.

The share of loan disbursement to co-operatives, which stood at 70% of the total disbursement in 1976/77, came down to 12.6 % in 1991/92.

The decrease in the share of loans to co-operatives in total disbursements has been caused by the increase in the number of defunct co-operative societies despite the policy declaration of the Government to promote and develop co-operatives as the basis of socio-economic development relying on the mobilization of local resources and skills and the participation and initiative of local people.

The dominating role of co-operatives in the delivery of small production loans to farmers living everywhere in the country has become a matter of the past.

Sajha co-operatives, although they are more in terms of quantity, are not performing too well. 48% are making profit mainly on paper.

Only 30% of the total Sajha co-operatives can be considered to operate satisfactorily in terms of positive economic results.

I. Government Policies after 1990

With the restoration of democracy, the attitude of Government towards co-operatives changed. Measures were taken to revitalize existing co-operatives on the basis of a detailed study of the situation, to solve the problems of past loans, bad debts, compulsory savings, embezzlements and accounts reconciliation and to reorient co-operatives in the changed context.

Under the Eighth Plan Government expressed its willingness to promote an autonomous and democratically controlled co-operative movement in accordance with its fundamental ideals, values and principles, and to “extricate it from the bewildered state of the past.” One Co-operative is now expected to grow on their own and to expand their activities according to their own plans.

Between 1991 and 1994, the number of co-operative societies increased spontaneously and without any governmental programme by 1,155 from 916 to 2,071. In 1995/96, it stood at 3,308.

Under the new political, economic and administrative climate, many existing informal groups opted for conversion into co-operatives. Other growth factors are:

-) the operational autonomy, and
-) Immunities and privileges granted under the 1992 Co-operative Societies Act.

Around 65 % of farm requisites, including chemical fertilizers improved seeds and implements are distributed through the co-operative network.

The situation is different in the case of urban co-operatives, where many new societies have been registered to qualify for tax privileges but otherwise remain inactive.

The new co-operative development policies are laid down in the Eighth Five-Years-Plan and include the following objectives:

-) To mobilize the co-operative movement as a self-inspired, voluntary and autonomous movement of the people on people's own initiatives, with their participation and according to their needs and aspirations,
-) To infuse co-operative spirit among people through publicity and membership education,
-) To provide assistance for the establishment of an integrated, strong and effective co-operative system through maximum participation of the local people and in particular of women in economic activities,
-) To mobilize small capital and skills scattered in the rural areas,
-) To encourage the formation of co-operative organizations at local, district as well as national levels adopting democratic systems of management and maintaining transparency in their business transactions,
-) To give first priority to co-operatives in any programme implementation or business operation to be undertaken by any governmental or non-governmental agencies, and

) To engage co-operatives in the supply of means of production, sale and purchase of commodities and various other activities oriented towards agricultural production and industrial enterprises and to involve co-operatives increasingly in planning, publicity & programme implementation processes from the central to the district and village levels.

When supporting co-operatives in line with the above-mentioned policies, the new autonomy principle of the ICA should be kept in mind.

“Co-operatives are autonomous self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.”

CHAPTER–THREE

RESEARCH METHODOLOGY

3. Concept

A Research methodology may be defined as a systematic process that adopted by researcher in studying a problem with certain objectives in view. In other words research methodology is the systematic method of finding solution to a problem i.e. systematic collection, recording, analysis, interruption and reporting of information about various facts of the phenomenon under study.

The basic objectives of the chapter are to provide the details of the various methodology used during the analysis. This chapter deals mainly with the research methodology, which are used in period of research. Research means to search again.

Since, the objective of the research requires both quantitative and qualitative information, method and tools of data collection in the present study. There are various aspects to understand the role of Cooperative Farming but the study is mainly based on limited area with certain indicators such as socio economic status, development activities, community forestry and local impact of Cooperative Farming.

In this regard, this chapter describes research design, data collection procedures and sources of data and analysis of data.

3.1. Rationale of the Selection of Study Area

Cooperative Farming is one of the new experiment in Nepal. This study was done in the Kalika VDC of Sindhupalchok district. People of rural area in Sindhupalchok interestingly involing in Cooperative Farming. Cooperative Farming hope to play vital role to improve socio economic condition of the rural people of the district. This type of farming has awared and encouraged people to be a part of it and earn good money through commercial and modern farming replacing traditional and subsistence farming.

This study is intended to find the role of cooperative farming done by a political party to change the socio economic condition of the people living in the study area. It is seen that the main occupation of the district are agriculture and livestock so the study

may find out the problem and solution of the cooperative farming. And the study of the cooperative farming in the study area provides the clue for developing other small income generating activities and enterprises associated with it by other parties also.

3.2 Research Design

A research design is a plan, structure and strategy to obtain the objectives of the study. The main function of a research design is to explain how researcher will find answers to their research questions. The design set out the logic of their inquiry. The purpose of the design is to minimize possible errors by maximizing the reliability and validity of the data.

The design of the research is case study research design since it assesses the past performance, current status and situation and the future trends and prediction of the cooperative farming in the study area. The research portrays the accurate profile of how cooperative farming developed among the other cooperative in study area. And, how the cooperative farming is progressing in the present context, what are the driving force behind its development are the other facets of study. The study also assesses how the cooperative farming is helping to uplift the livelihood of the people of the political party and the people of the area too.

3.3 Nature and Source of Data

This study has been conducted by using both the primary as well as secondary data. The secondary data were from the records of the Cooperative Institution looking after the farming, CBS, Cooperative Organization, District cooperative office. And, the data from published / unpublished journals, books, articles and research reports were also agglomerated as secondary data for the study.

The study mainly adopts the primary data collected by conducting intensive field works in Kalika VDC of Sindhupalchok district from February 2009 to April 2009. The sources of primary data are sample respondents, indepth interviews, key informant interviews and field observations. On the basis of nature both qualitative and quantitative data were collected in this research.

3.4 Techniques of Data Collection

The information of research work is mainly based on primary data sources, also including secondary sources. Investigation surveys were done before actual survey and data collection. The primary data were generated by using the following techniques and corresponding tools. Field observation as well as informal discussion has applied.

The primary data were collected by using different techniques such as interview, observation, focus group discussion, and key informant interview etc.

3.4.1 Interview

The primary data had been collected from key informants using the interview guide with semi or unstructured questions.

Informal Interviews of the qualitative nature were conducted in the study areas. The interview were directive one and probed the different dimensions of how Cooperative should be advance in the present context. The interview also assessed on how to convert the existing subsistence level of Cooperative farming to commercialization of it. The training regarding livestock farming, the veterinary services available in the region and the possible strategy of increment of cooperative farming, problem of cooperative farming, possible of market and how the member were satisfied about the services were probed on the interview. Interviews were done from the top of the policy making level to the working labour in the cooperative.

3.4.2 Observation

The management and operation of Cooperative farming, management, sanitation maintained, the effect of benefits through the income in the farmers and among the share holders at their homes i.e. life standard, manners, gadgets, infrastructure developed and quality of products were observed during the field visits.

This was useful to know what was currently happening in the research area.

3.5 Data Analysis

Analysis is the careful study of available facts so that one can understand and draw conclusion from them on the basis of established principles and sound logic.

In this study, the optimum primary data were collected from the respondents of Kalika VDC. Most of the primary data were collected through face to face interviews and interaction with the respondents. The semi-structured interview schedule were prepared and administered in the field visit to collect information as per the objective of the study. The information covered in the schedule were personal along with the farm production, animal details, income and expenditure of Cooperative farming, role of cooperative for their socioeconomic change.

The data collected from FGDs, Observations and interviews were the abstract and combination of verbal and emotional expressions, trail and trace evidences and visual impressions. The data collected through semi-structured interviews were processed manually.

The data collected from qualitative way (FGDs, Observation and interviews) were analyzed through qualitative content analysis to dissect the issues and dimensions of market, success, livelihood by farm production, problems and prospects of cooperative farming.

CHAPTER–ONE

INTRODUCTION OF THE STUDY AREA

4.1 Physical Location and Geographical Characteristics

Sindhupalchok district is located in Bagmati Zone in Central Development Region of Nepal. Geographically, it has an area of 2542 Sq. Km. and surrounded by Rasuwa and Nuwakot districts in the West, Rasuwa district and Tibet of China in North, Kabhrepalanchok, Kathmandu and Ramechap district in the south and Dolakha, Ramechap district and Tibet of China in the east border of the district. The district headquarter is Chautara, located at an altitude of 1450 m. Geopolitically, Sindhupalchowk district is divided into 3 electoral constituencies, 13 Ilakas and 79 Village Development Committees (VDCs).

4.1.1 Demographic Features

The total population of Sindhupalchowk district is 305857 (CBS, 2001) comprising of males 152012 (49.70 %) and females 160001 (51.30 %) inhabit in 57649 households within the seventy-nine VDCs of the district. Population density of the district is 120 per square kilometer, while average HH size is recorded 5.06 (C.B.S., 2001).

Table 2 Summary of Population Distribution of Sindhupalchok

Total Area	2542 Sq. km
Total Population as of 2001	305859
Male	152012 (49.70 %)
Female	160001 (50.22%)
Population Growth in percent	1.32
Nos. of Household	57649
Average Household Size	5.06
Population Density per sq. km.	120
District Literacy Rate in percent	40.19

Source: Nepal District Profile, CBS, 2006

Table 3: Economically Active and Inactive Population above 10 years In Sindhupalchok

Status	Total	Male	Female
Economic active	167246	84982	82264
Economic inactive	51952	24001	27951

Source: Nepal District Profile, CBS, 2006.

4.1.2 Land Use Pattern

The land use pattern of the Sindhupalchok district is as follows:

Table 4: Land Use pattern

S. No.	Land Use	Area (Sq. Km)	Percentage (%)
1	Agricultural land	737.10	29.00
2	Forest land	775.67	30.51
3	Pasture land	118.23	4.65
4	Snow	47.00	1.85
5	Bush	322.53	12.69
6	Landslide	2.62	0.10
4	Parti	456.15	17.94
5	Others	82.70	3.26
	Total	2542	100

Source: Annual Report 063/64, Sindhupalchowk.

4.2 Livestock Production

Livestock is an important component of farming system in Sindhupalchowk district. Livestock are regarded as one of the major assets of farm household. Cattle and buffaloes are primarily reared for draught power cultivation and transport, with the latter providing milk and meat for on-farm consumption and opportunity sales. The livestock's population and their production are presented in table below.

Table 5: Livestock Population in Sindhupalchok.

S. No.	Livestock	Livestock Population
1	Cattle	78110
2	Buffaloes	41357
3	Sheep	15042
4	Goat	127444
5	Pig	8684
6	Fowl	269729
7	Duck	438

Source: Nepal District Profile, CBS, 2006.

Table 6: Annually increasing number of Livestock and income

S. No.	Types of Livestock	Number of livestock in 2064	Number of livestock in 2065	Number of livestock in 2066	Annual Income in Rs.
1	Keep Pig	6	10	40	120,000
2	Goat	6	12	40	110,000
3	Chicken	50	300	600	60,000
4	Fish		15,000	50,000	2,00,000

Source: Sahid Smriti Bahu Uddesya Sahakari Sanstha.

4.3 Brief Introduction of Study Area (Kalika VDC)

Among the 79 VDCs of the district Kalika is one. The main inhabitants of these VDCs are Brahman, Chhetri, Dalit and Janajati. The main occupation of the villagers is Agriculture and livestock. There is a great potentiality for fish farming, vegetable farming in these areas such as potato, tomato, cucumber, beans and other off seasonal vegetables, if irrigation could be managed. The livelihood practices in the VDCs are buffalo, goat, and poultry farming. According to the VDC office, the population of the VDC is about 6 thousand.

4.4 Types of Respondents

4.4.1 The main respondents for in-depth interview were:

1. Baburam Bhattarai-Former Finance Minister senior leader of Maoist.

2. Dhurba Parajuli “Santosh”- Maoist Incharge for Sindhupalchowk district.
3. Netra Dangal “Badal”- President of “Sahid Smriti Bahu Udesya Sahakari Sanstha”.
4. Ebindra Parajuli, "Rajan" Secretary of Cooperative.
5. Workers in field
6. Fourty Share Holder

4.4.2 The basic Respondents were:

1. Five full time worker in the farm
2. Three part time helper in the farm
3. Three staffs of “Sahid Smriti Bahu Uddesya Sahakari Sanstha”.
4. Fourty four shareholders among fifteen hundreds.

4.5 Income, Reinvestment and Benefit Sharing System

The cooperative farming is running successfully. The total investment until date is Rs. 50 lakh, where 9 lakh from saving at cooperative and Rs. 39 lakh from the share. 3,000 share had been sold to 1500 shareholder and the rate of per share is Rs.1000. Rs.100 for entrance and Rs.100 for saving. Until date it is under construction, so they are plan to invest in the study area.

4.6 Future Plan of Investment and Working Plan

It is planned that the sale of fish from 12 ponds this year will be of one crore. Rs. 50 lakh is already invested and Rs. 50 lakh will be again invested taking loan from Agriculture Development Bank and other financial institution as well. Maoist party of Sindhupalchok is planning to expand the cooperative farming different three areas. They have start cooperative farming at Lamosanghu and Tipeni too. In plan next year, they are going to start in 13 area of the district and 79 VDC of Sindhupalchok within 3 years. They are also planning to expand this type of farming at 711 ward of the Sindhupalchok.

Monthly meeting is being held to discuss between the stakeholders, ordinary people of the area and members of the cooperative and cooperative farming. Increasing the number of shareholders in future also falls under the plan. Number of livestock and fishes will be increased to expand the business.

4.7 Organization and Governance of the Cooperatives

The General Assembly

The General Assembly comprises all members of the Association for major policymaking or conflict resolution issues. According to the issues, the Assembly convenes each month in regular or special session. Attendance at regular meetings (usually more than 50 percent participants) is generally high when members inform in time, or when meetings is call to discuss amounts to be purchased or to divide the year's profits. The business activities and travel of the members outside the region are the most common reasons for absences at these meetings.

General Assembly decisions are manage by an executive office comprised of 11 members who are elected for a three-year renewable term by the General Assembly. Part of this office consists of a Management Committee of five members who are responsible for daily management, including purchases, sales and rental payments, and for watching the farming. Decision-making in the cooperative, as in many other similar groups in the region, combine follows both formal rules of procedure and traditional forms of consensus decision-making. The process is democratic and consensual, but must be accompanied and monitored to conform to more formal governance processes in order to assure transparency and a written record.

The cooperatives has developed a workable compromise between traditional and modern management mechanisms (such as written minutes; payment of membership fees, book keeping and accounting reports of meetings and travel). This type of balance and transparency allows the Association to confront more successfully common organizational difficulties.

4.8 Characteristics of the Respondents (Caste/Ethnicity, Education, Age and Gender)

Most of the respondents were Brahmin and Chhetri followed by Dalit and Janajati too. 30% of the respondents were so called uneducated and of old age, especially among the shareholders. Among the respondents, 85% of male are actively participated in the farming, cooperative office and in shareholding. Only 15% of female shows there interest in it.

CHAPTER–FIVE

ANALYSIS AND DISCUSSION

5. Concept

After finishing interview schedule from field observation collection of data had been preceded. Various computer programmes had been taken and simple statistical tool like; table has been used for data analysis. In this stage, descriptive methods were used for qualitative data. The data has been presented on the tables according to the study. In addition, photographs have been presented wherever they are useful.

5.1 Social Aspects

The cooperative farming is providing facilities for the people of Kalika VDC-9. The involvements in the cooperative are Brahman, Chhetri, and Janajati and so called Dalit. Any one from the above said territory people could be the member of the cooperative. Cooperative shares its profit to the shareholder within five of his/her saving year. There is no discrimination towards so-called Dalit, Janajati and other ethnic castes.

The old generation of the people still continuing their traditional skill and technology but the young generation is working as to change the farming system such as cooperative farming. Cooperative provides equal facilities to its all member.

However, in the decision making process of the cooperative the participation of the female is very little then male.

5.2 New Economic Practices

The loan management documents used by the cooperative always reviewed by the General Assembly. The cashbook for use in their individual business operations. In short, members have adapted many of the management techniques for their personal business dealings.

Loan applications are now reviewed and discussed by all the members. Before the General Assembly where everyone has, an opportunity to ask questions and make suggestions related to the proposed the business activity. All members are involved in these discussions and know how the activity will unfold, as well as the financing required, the periods of reimbursement and the interest rates granted by the financing

institution. The tasks of the members are analyze and each member signs a joint agreement to guarantee the investment.

5.3 Awareness Building

5.3.1 Training and Capacity-Building

Consistent with the proverb that “intelligence is not shown, but needs to be carefully maintained,” the cooperative includes training for its members, managers and administrators (office members) in Action Plan. This type of training has included firm management, association operations, the roles and responsibilities of organizations and their heads, publicity, feasibility studies, record keeping and management, principles and practices of accounting, meetings and techniques that ensure member participation.

Based on this training, the Association now has the capacity for:

-) Following improved management practices;
-) Improving the revenue of individual members;
-) Improving the incentive for membership in the cooperative
-) More clearly defined roles and responsibilities for members
-) The implementation and cooperative management of economic activities;
-) Improve administrative and financial management;
-) Increasing the number of shareholders ,
-) Establishing trust relationships with financial institutions (banks and savings and loan banks) by obtaining loans, managing them well and repaying them
-) Negotiating with the administration and public and private institutions
-) Developing business relationships with the operators of neighboring cooperatives.

5.3.2 Increasing Ratio of the Co-operative Members

Table 7: This table shows the Increasing ratio of the cooperative members in Sahid Smriti Bahu uddesya Sahakari Sanshta Limited.

Year	Shareholders
2063	12
2064	500
2065	1000
2066	1500

5.4 Establishment of Cooperative

1. Creation

The Cooperative of Kalika Sindhupalchok was established in 2063 BS and officially recognized in 2064 BS, after learning the advantages of registering under the new cooperative law, the district party of Maoist of Sindhupalchok decided to establish cooperative business, Called **Saghan Integrative Namuna Kheti** by Cooperative as with its office is in the rural commune of Kalika Sindhupalchowk 70 kilometers from Kathmandu.

The objectives of Agro-Pastoral Cooperative are:

-) To improve the socio-economic situation of its members;
-) To develop and contribute to high quality animal production;
-) To meet the local market demand for livestock.

2. Cooperative Farming and Rural Development

Cooperative Farming has played a vital role in the development of rural people in the Kalika VDC for following reason:

1. It is not just cooperative farming but its commercial farming too.
2. It has transformed the subsistence farming into modern farming.

3. Due the need of cooperative farming, a bridge was built to cross a river. This proves a infrastructural development which has made peoples life safe and easier to cross the river.
4. People have learnt to be cooperative not only for farming but in other aspects of life also.
5. People became aware of there needs and learnt to save money and invest it in cooperative activities.

CHAPTER–SIX

CONCLUSION AND RECOMENDATION

Based on the successful experience from field study of the Kalika VDC, Cooperative Farming the researcher has found that Cooperative farming is integral component of livestock farming. People of this area are more into Cooperative farming. However, with the development of co-operatives farming, participation of poor and marginal farmers is not in high rate.

6.1 Conclusion

The co-operative movement in Nepal has a history of being supported by government through various programmes and projects. Much of this support focused on income generating activities. Another preferred area of support was to channel credit and agricultural inputs through co-operatives to individual farmers or groups of farmers.

Here in Kalika VDC not only the local people of there are involved in the farming but also a huge member of a huge political party is involving from different sector. Some of them are involving from area of decision-making level; some of them are planning to make the cooperatives in different sector of the district. It means the short-term result making them encourage doing so. Normally in our mind, it comes that political party means that kind of group involve in awareness program, or to come to the people for vote and go for politics whatever they like. Most of the rural people use to think that politic is dirty game seeing the activity of political party at past. Nevertheless, when a huge political party starts example in cooperative farming, people either from city or from rural area slowly starts to think positively to them. It is positive change to the people.

During the period of Government supervision and control co-operatives have acquired the image of semi-official structures implementing Government's development policies and being supported by and accountable to Government. Where Government staff was seconded to act as managers, this negative image was strengthened further.

The policy of encouraging the numerical growth of co-operatives by offering incentives like tax exemptions and concessions, e.g. regarding registration fees, import duties etc., made the public (and many co-operators) see co-operatives as a

form of organization favored by policy makers and politicians and used by them for their own ends. The conversion of compulsory savings into co-op shares has created large numbers of involuntary members, which turned out to be a burden for a voluntary movement.

After the restoration of democracy in 1990, the official policy and the law governing co-operatives were changed and new institutions like the National Co-op Development Board and National Co-operative Organizations were created, however, the image of co-operatives dating back to the time of state control and state subsidies is still present in the minds of Government officials, co-operators and the general public.

A new image of co-operative societies as autonomous self-help organizations financed, managed, controlled and patronized by their members for their own benefit has still to be created.

Seven years after the official liberalization of co-ops, dynamic, self-managed co-operative enterprises with active participation of their members, being aware of their responsibilities for their joint undertaking, are still the exception rather than the rule. Except for the problems related to stringent Government control and lack of autonomy, the problems of the past continue to exist:

-) Lack of co-operative knowledge: “A great number of people in the rural areas still think that a co-operative is a Government institution, and so they want to get maximum benefit out of it rather than to contribute to its development and growth.”
-) Lack of active member participation due to lack of knowledge of the principles and practices of co-operation but also due to wrong concepts about democratic management and control and bad experience in the past.
-) Lack of management expertise and technical staffs in small or weak societies which cannot afford to pay attractive salaries for full-time professional staff and do not utilize the advantages of vertical integration by co-operating with district unions.

-) Lack of funds and other resources: This is not a real problem, if tackled in a proper way. “Co-operative societies and unions are not really poor but choose to remain so because of their failure to mobilize resources.
-) Lack of co-ordination between primary co-operatives, unions and the NCF as well as between co-operatives and public or private business partners, e.g. lack of functional level co-ordination with ADB/N and other financial and business related institutions.
-) All these problems continue to exist and will only be overcome, if a deliberate new start is made, based on a new concept of co-operatives as autonomous private self-help organizations and on a policy of making members fully responsible for their own co-operative organizations.

The present manual on the formation of co-operative self-help organizations is meant as a contribution to the implementation of a new, constructive co-operative development policy focusing on human resources development and encouraging self-help and self-responsibility.

Key Principles and Practices: The conception, programming and implementation of development activities in the context of governmental decentralization context assume a certain number of principles and practices:

-) Participation (involving all stakeholders in all phases of project development)
-) Transparency (sharing all information). Ensuring that all members are informed and involved in all processes of the decision-making.
-) Efficiency (reaching goals), or developing action plans and evaluating them.
-) Equity (impartial and fair treatment of members), or the commitment by the heads of organizations to strengthen their groups by treating all members equally.
-) Accountability to all stakeholders involved.

Training:

All training activities must be designed around activities that specifically and directly allow members to develop their own businesses and to improve their livelihoods.

Members must appreciate that the success of an association or a cooperative depends on each member and in turn contributes positively to their personal lives.

Future of Cooperatives:

Law 01-076 revives the possibilities for more cooperative businesses since it stipulates that five people are required to create a cooperative. Thus, rural people are free to create groups based on trust, which continues to be a central element in most rural societies where one's word has more weight than a signature. Having lived, worked, succeeded and suffered together, rural people can therefore choose for themselves and create their business. Training program must strengthen this concept. With self-management, there is nothing to hide from the outside world, which is why a member said that now, with self-diagnosis and the presentation of balance sheets; everything is shown in front of everyone because "when a dead body hides from those who are responsible for washing it, it will be dirty right until the afterlife."

Decentralization:

Decentralization provides an opportunity to develop cooperative businesses, associations and all organizations in civil society because elected local community officials are capable of mobilizing resources for development and linking the organizations to their activities.

6.2 Recommendations

To improve the livelihoods of farmers and their cooperatives or associations in the Kalika region, the following recommendations emerge out of this study.

For the Government

-) Provide improved technical support to groups Sahid Smriti Bahu uddesya Sahakari Sanstha Limited in order to improve the technical.
-) Work with financial institutions to lower the interest rate for cooperatives and associations since their trading activities are not like those of private, individual traders.
-) To encourage the such types cooperative farming for mass production
-) Insure the market for the product from such cooperative farming.

For Cooperatives and Associations

-) Continue member training in management and advocate for the changes noted above.
-) Continue to build the organization's financial capital in order to have internal resources that can be mobilized to implement economic activities and thereby become less dependent upon loans from financial institutions.
-) Cooperative should quickly implement a training plan for its managers so the association is not dependent upon external groups for routine functions.
-) Continue training for organizational monitoring.
-) Better to make the biogas plant at the place of cooperative area.
-) Better to make the Small hydropower in the place cooperative farming.
-) Develop training modules that are appropriate for supervising rural organizations and organize continuing and re-training sessions.
-) Collaborate more closely with other similar partners providing similar support in order to prevent duplication and contradictory efforts.

REFERENCES

- ADB (2003) *Report and Recommendation of the President of the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Community Livestock Development Project*. ADB, Nepal.
- Agricultural Projects Services Centre (APROSC): *Restructuring Co-operative Training Centre*, prepared for Department of Co-operatives, Jawalakhel, Lalitpur, Kathmandu 1995.
- Bataille-Chedotel, F. and F. Huntzinger, (2004). *Faces of Governance of Production Co-operatives*. *Annals of Public & Cooperative Economics*, Vol. 75, pp. 89-111: <http://ssrn.com/abstract=522007>
- Cobia, David.W (Ed), 1989. *Co-operatives in Agriculture*. Englewood Cliffs, New Jersey: Prentice Hall.
- Development Project Service Centre (DEPROSC-Nepal) and Ledgerwood, Joanna: *Critical Issues in Nepal's Micro-Finance Circumstances*, Kathmandu 1997.
- Jain, S.C.: *Nepal: The Land Question*, Development Publishers, Indore 1985.
- Lal Ra Kshak , *Monthly Publication of Young Communist League YCL Bhaktapur*.
- Mali, P.M. 2005. *Cooperative Movement in Nepal and its Role in Rural Development: Innovations and Challenges*. A Paper Presented on "Program on Development of Rural Financing Institutions and Cooperatives", Organized by CITAB in Kathmandu, August 16, 2005: <http://www.cmfnepal.org/Paper%20for%20CICTAB%20on%20coop%20movement.doc>
- National Co-operative Federation Advisory Committee, *Sajha Programme in Nepal*, Kathmandu February 1991 (2047).
- Naujawan , *Monthly Publication of Young Communist League YCL Sindhupalchok*.
- NCFN, 2007. *Important Events of Co-operative Movement in Nepal*. *National Cooperative Federation of Nepal: Nepal Rastra Bank: Nepal Rural Credit Review*, Kathmandu, December 1994.

Pandey, Chhaya Datta et al.: Rural Co-operatives in Nepal, in: Taimni, K.K. (Ed.): Asia's Rural Co-operatives, New Delhi 1994, pp. 211-219.

Press Information Bureau, 2007. *Evolution of Cooperatives in India*. Government of India.

Sharma, Prem, (2002). *A Handbook of Social Science Research Methodology*, Kathmandu Kshitiz Prakashan.

Shrestha, Basu Dev: Country Paper Nepal, in: Asian Productivity Organization (Ed.): Agricultural Co-ops in Asia and the Pacific, Tokyo 1996, pp. 186-196.

South-South Solidarity and Community Development Organization, Status of Land Reform in Nepal, Seminar Report, Kathmandu, April 1995.

The World Bank, Nepal: Poverty and Incomes, Washington D.C., 1991.

Torgerson, R.E., B.J. Reynolds, and T.W. Gray. 1997. *Evolution of Co-operative thought, theory and purpose*. University of Wisconsin Center of Cooperatives: <http://www.uwcc.wisc.edu/info/torg.html>

Uprety, Sita Ram and Regmi, Keshab Prasad: Why Do Co-operatives Fail? A Study of the Factors That Are Basic to Co-operative Pursuits, Kathmandu 1996.

1 Shrestha, Basu Dev, op. cit., p. 193.

2 2 Pandey, Chhaya Datta et al., op. cit., p. 218.

3 3 Pandey, Chhaya Datta et al., op. cit., p. 219.

Wiskerke, J.S.C., B.B. Bock, M. Stuiver, and H. Renting. 2003. *Environmental Co-operatives as a New Mode of Rural Governance*. NJAS 51-1/2. <http://library.wur.nl/ojs/index.php/njas/article/view/374>

www.cooperatifarming.com.np

www.sahid smriti.com

ANNEX A: CHECKLISTS

Check list to collect Information about the Cooperative Farming and Sahid Smriti Bahu Udesya Sahakari Sanstha in Kalika VDC-9 of Sindhupalchowk District.

Q. No.	Question	Answer
1	Date of establishment of Cooperative and the farming	
2	Date of registered of the institution as co - operative	
3	Average number of fish and other livestock sold	
4	Number of Share holder members	
5	Number of staff working in the farm and in the cooperative institution (Position, Part-time, Full time)	
6	How often the meeting is held between the stakeholder, shareholder, the farmers and members of the committee	
7	Rate of the share and the overall management	
8	Facilities given by the cooperative to the farmer/Share holder	
9	Major Achievements of the cooperatives for the socio economic change of the farmers	
10	Progress report of the cooperative	
11	Problems that cooperative faces	
12	Future Plan of the cooperative	



Board of Cooperative in Gopinichaur, Sindhupalchok .



A Board on Araniko Highway Explaining about Farming.



Pigs at the Co-operative Farming .



Showing the Co-operative Farming to the Finance Minister Dr Baburam Bhattraï While he was in Thesis Place.



Taking Interview with Party Incharge of Maoist Sindhupalchok.



Talking Interview with Finance Minister Dr Baburam Bhattraï while he was in Thesis Place.