

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Introduction**

Nepal is situated on the southern lap of great Himalaya's bordering China in north and India rest. She has a total population of 23.1 million, including 11563921 males and 11587502 females, residing sparsely in the territory of 147181 square kilometers in the mountains, hills and the plains of terai (CBS, 2002).

The country is marred by weak and fragile economic situation, which is evident in meager gross domestic product of NRs.557869 million in the fiscal year 2005/2006. The contribution of agriculture is NRs.212827 million and NRs.345042 million from non-agriculture sector. The per capita GNP stands at NRs.23032 (SINA, 2007). Agriculture alone contributes 39 percent to the GDP and provides employment to 65.5 percent labor force. The grim picture is also reflected from the per capita income of Nepal of US\$ 322 as compared to that of Bangladesh US\$ 400, Bhutan US\$450, India US\$540, Pakistan US\$ 520 and Sri Lanka US\$ 930 (Shrestha, 2007).

Due to its stagnant economy, almost 31 percent Nepalese fall under abject poverty. To reduce such alarming poverty, Nepal has been implementing cooperative activities massively across the country.

The cooperative movement originated from the philosophy of cooperation and later developed as a powerful tool to support to improve socio-economic status of resource poor, vulnerable, members of the lower caste people, women, labors and peasants. Furthermore, cooperative promote cohesiveness, mutual support and congenial environment in the society. Cooperative principles have proved that small efforts of many people would make large contribution in socio-economic development of a society. Considering its great importance in socio-economic development, cooperatives of different forms started to take shape, particularly in providing financial and social support to their respective community across the country since long time (Koirala, 2002).

Now a days, community based organizations have been created largely in the form of cooperatives such as Savings and Credit Cooperatives, Multipurpose Cooperatives, Dairy Cooperatives, Agriculture Cooperatives, Consumers Cooperatives, Science and Technology Cooperatives, Electricity Cooperatives, Tea Cooperatives and Coffee Cooperatives.

The main goal of such organizations is to improve socio-economic status of rural people by creating cooperation and mutual support each other. Basic features of cooperatives are as follows:

- a) Organize community people into the groups,
- b) Collect savings for the loan investment and social activities,
- c) Share ideas on community, social and economic development,
- d) Empower grassroots people,
- e) Grasp financial resources,
- f) Access technical assistance from the related other development agencies and
- g) Develop self-operating financial institutions at the village level.

Because of their operating philosophy, cooperatives are equally popular in developing and developed countries since long time (Shrestha, 2007).

Cooperatives commenced from the mid 19th century with an initial saving of GBP 28 from a group of factory workers of Rochdales, England, popularly named as "Rochdale Society of Equitable Pioneers". This cooperative society grew up rapidly and within a decade cooperatives were established in a flourmill, a textile mill and a shoe factory. The World Development Bank Report (2006) presents that Freiderich Raiffeisen introduced the Community Based Credit Cooperative Society in 1865. It was the first Credit Organizations in the world. After its inception, large numbers of cooperatives have been established in the rural areas of the world for socio-economic development of rural populace. Similarly, Schulze Delitzsch started urban type credit cooperatives through the community-based cooperatives. Luigi Luzzati started the first cooperative in Italy. Thereafter, the number of cooperatives increased encouragingly and reached 735 by 1909. In the United States of America, Credit Union National Extension Bureau was established in 1921. Further, it was followed

by the enactment of the Federal Credit Union Act, in 1934 for expansion of the cooperative movements effectively (Shrestha, 2006).

Badan Crewdit Kecamatan (1970), BRI/Unit DESA (BUD) known as General Rural Credit Program (1980) in Indonesia, Bank for Agriculture and Agricultural Cooperatives (1966) in Thailand, Amanah Ikhtiar Malaysia (1987) in Malaysia, ASA/ Bangladesh, Grameen Bank (1980) in Bangladesh have been implementing micro-credit services effectively. Similarly, Grameen Bank Financial System, Freedom from Hunger in Philippines, FINICA/Peru, FINICA/Uganda, Alternative Solidarity in Mexico, Pride in Africa, Save the Children through Credit in Sri Lanka, NABAD, CASHPOR in India, Luliang Prefecture in China are providing micro finance services for poverty reduction endeavor (Bashyal, 2005).

Grameen Bank and the Americans for Community Cooperation in other Nations (ACCION) extended the micro finance programs including cooperatives in developing countries through the credit support of World Bank.

Group lending model of micro finance was replicated effectively in Sri Lanka, Malaysia, the Philippines, India, Vietnam, Indonesia, Pakistan, Nepal, Guinea, Kenya, Malawi, Zambia, Mali, Chile, Bolivia, and Peru.

Cooperative was initiated since the beginning of 18th century by Robert Owen (1771-1858) in England and Charles Fourier (1772 to 1837), Philippe J.B. Buchez (1796 to 1865) and Louis Blanc (1811 to 1882) in France. Rochdale Pioneers, H. Schulze-Delitzsch and F.W. Raiffeisen had influenced development of the concept of modern cooperatives such as self-help organizations of consumers, craftsman, small industrial business and traders etc.

The International Cooperative Alliance (ICA) was established in 1895. It made two formal declarations in cooperative principles in 1937 and 1966. Agricultural cooperative was initiated in the period from 1945 to 1960 and its network expanded widely during 1960 to 1970.

International Organizations such as ILO Resolution in 1966, United Nations General Assembly 1968 and Economic and Social Council 1969 had recommended massive use of cooperative principles in the field of socio-economic development in

all over the world. Consequently, cooperatives were integrated into agricultural credit investment, agricultural input management, agricultural product marketing and agricultural extension etc.

Asia and Africa applied cooperative strategies massively in agriculture and socio-economic development. After the end of cold war, globalization spread all over the world. Cooperatives are operating in such open market economy also by mobilizing domestic financial resources through creating self-help organizations at the grassroots level around the world (Shrestha, 2006).

## **1.2 Principles of Cooperative**

Different scholars have expressed their views on cooperatives in a different manner by focusing on different aspect of the cooperative. Most of the scholars, however, agree that cooperatives are the organizations of resource poor people, especially created for raising their socio-economic status.

According to Charles Fruriya, development is possible only by utilizing the domestic resources through active involvement of cooperative organizations in the local level. Further, he mentioned that labor, capital and research are considered as major engine of the development.

Rober Woven introduced cooperatives in schools, labor residences and shops in 1985. He specified working hours for labors and kept children away from labor.

According to Pere Josef Prudho cooperative is an organization of producers and users. However, it develops as the bank and ends exploitation of capitalists, ultimately performing the government authority.

Jawaharlal Nehru believed that social exploitation; poverty, unemployment, violence etc could be resolved only by establishing cooperative organizations at the grassroots level.

According to Soligmen, cooperative organizations are highly useful for eliminating exploitation by the middleman and monopoly market.

Anotoan Yantoni has defined cooperative as an organization that mobilizes domestic financial resources to ameliorate socio-economic status of rural populace.

Cooperative is a social organization that focuses on unity, cooperation, and democratic principles, says Watkins.

Prof. Paul Lombart has regarded cooperative as an economic development organization that is developed and promoted by the local people themselves to provide services for its members (Badal, 2006).

Cooperatives strictly follow seven principles to promote and strengthen their institutions to achieve the major goal of socio-economic development all over the world. Major characteristics of a cooperative are:

- a) Voluntary membership,
- b) Democratic process,
- c) Financial contribution from members,
- d) Freedom,
- e) Regular training and sharing,
- f) Assistance among cooperative organizations and
- g) Focus to the community

### **1.3 Cooperative Movements in the World**

Cooperatives initially started in Germany, England, America, Israel and Japan. Successful implementation of this model in socio-economic development resulted in increased interest to replicate the model in third world also. Cooperatives developed in different manner in different parts of the world.

#### **1.3.1 Israel**

Cooperative committee had initiated its formal activity in Israel since 1890. The cooperative committee had envisaged enhancing business and management skill of the Jews. Due to its positive impact in socio-economic development, cooperative increased rapidly in Israel. Ein Ganinin is a residential cluster of small farmers of Kibbutzim and Moshav played great role to establish cooperatives in Israel. Jews initiated cooperative settlement in Israel in 1980.

In the beginning of the 20th century, Israel established agricultural production and distribution cooperatives. Cooperative Act was approved in 1920 for promoting and strengthening cooperatives. At present, Israel is the only country where majority of economists have focused on cooperative economy for making country economically sound.

Histadrut is a General Federation of Labor, which is recognized as another major initiator of cooperative. Even politicians and religious organizations are extensively supporting cooperative activities and the ever increasing support from the government and other agencies concerned has resulted in massive expansion of cooperatives in Israel as compared to other countries.

Multipurpose cooperatives implemented different activities by providing credit in livestock rising, agriculture and insurance etc in Israel. This model gained much popularity in Japan, Poland and Yugoslavia.

Along with multipurpose cooperative, savings and credit cooperatives have been playing crucial role for effectively mobilizing domestic financial resources. They provide services to the members and non-members.

### **Major Cooperatives of Israel**

Agriculture Cooperatives is an organization of Kibbutizm formed by the middle-income groups with similar political inclination. These organizations are motivated towards socialism and they create community assets from the individual earning. Kibbutizm members do not have any individual property. The works in a Kibbutizm is divided on the basis of individual member's skill. Equality is a major characteristic of Kibbutizm. It discards child labor and members can withdraw themselves from the Kibbutizm easily if they are not satisfied.

Moshavim cooperative is another major cooperative in Israel formed by the laborers. They are categorized as follows:

- a) Moshavim Olim is the residence of migrated small farmers established in 1948
- b) Kiarim Shitufim is a cooperative village
- c) Cooperatives have been formed by the people of Mid Europe and West Europe since 1933

Among many activities, distribution of equal allowances and equal land to its members are major characteristics of this organization.

Major characteristics of the Israeli Cooperatives:

- a) Kibbutzim were formed particularly to solve the economic problems,
- b) Land was leased from the Jewish National Fund for 49 years for distribution among the cooperative members
- c) Kibbutzim is an independent organization and every member must be accountable to Kibbutz
- d) A Jew older than 17 years of age can only get membership in a Kibbutz

Major reasons behind the success of cooperatives in Israel are:

- a) Jews strongly believe in God so they have strong unity,
- b) Jews are laborious, passionate and more optimistic,
- c) Jews have strong national feeling and are committed to make their nation independent,
- d) Because Israel is a new state, there is no problem regarding ownership of land
- e) Jews have strongly united in their fight against the Arabians
- f) Socialism is major aim of their cooperatives
- g) Cooperative received direct assistance from foreign donors
- h) Cooperative committees actively involve to develop settlements for migrants
- i) The Jewish Agency for Palestine provided huge financial support to the cooperative committee before establishment of Israel nation,
- j) Israel Government itself provided huge support to the cooperatives and
- k) Credit cooperatives have been transformed into banks.

### **1.3.2 Germany**

Germany is one of the pioneer countries for the savings and credit cooperatives. First saving and credit cooperative was established in Germany. Former Judge Mr. F.W. Raiffeisen and former municipality chief Mr. Franceis Schuize promoted savings and credit cooperatives in Germany and they executed the management and supervision mechanisms.

The major goal of savings and credit cooperatives in Germany was to eliminate exploitation of the poor families by the rich families and businessmen.

Some 150 years ago, Germany massively implemented cooperatives to rid themselves of hunger, malnutrition, social exploitation, credit burden, deprivation, vulnerability and economic destitution.

After Second World War, three types of cooperative were implemented in Germany: savings and credit cooperatives, service related cooperatives including health and education and distribution related cooperatives. Among them, savings and credit cooperatives performed banking, agricultural farming and marketing activities.

Mr.F.W. Raiffeisen, Mr. Franceis Schuize and Dr. Hagard began cooperative movements in Germany to improve economic status of deprived people. Among them, F.W. Raiffeisen organized rural people, Mr. Franceis Schuize formed the organization of urban people and Dr. Hagard prearranged both wealthy and poor people into cooperative organizations. Mr. Schuize began Society for Relief in Sickness in 1849 with the help of Dr. Hagard. It was the first health cooperative in the world. In addition, Mr. Schuize promoted cooperatives in 1852 by issuing shares to the poor people. He also initiated cooperative bank. Mr. Schuize also published a book on cooperative in 1852. He played a crucial role for the approval of Cooperative Act 1867. Likewise, other scholar Mr. F.W. Raiffeisen founded the Flamers' Union in 1849. This organization operated banking activities in the communities of Germany. He initiated a Heddesdort Beneficent Society to promote savings and credit activities. Mr. Raiffeisen launched banking activities in cooperative by providing attractive interest to the depositors. He also invested deposit in low interest rate to the poor members. Mr. Raiffeisen initiated the Grand Union of Rural Cooperative in 1877. He was also an innovator of principle of 'all for one and one for all'.



National Cooperative Bank was established in Germany in 1949. This organization was responsible for formulating policies, monitoring and inspection of cooperative institutions implementing across the country. Besides, cooperative banks were also created at the regional level.

Objectives of German cooperatives:

- a) To improve economic and social status,
- b) To provide loan support,
- c) To mobilize domestic saving,
- d) To provide banking facilities and
- e) Enhance members' knowledge on business promotion.

Fund Management in German cooperatives:

- a) Covered more than three villages from each cooperative,
- b) All members had taken shares between sterling pound of 5 to 50,
- c) Higher saving interest rate provided member depositors than the non members,
- d) Collected saving massively,
- e) Borrowed loan from central bank,
- f) Loan invested in the guarantee of other members,
- g) Loan duration fixed between 1 to 3 yrs,
- h) Loan collected in the installment basis,
- i) Fifty percent profit deposited in the institution fund and
- j) Interest charged between 3 to 6 percent in loan investment.

Achievements of German cooperatives:

- a) Employment facilities were provided to more than 63000 persons, of which 59000 were employed in 3264 small business shops. Annual selling from cooperative revealed Mark 140140000
- b) Altogether 1700000 persons were registered as members
- c) 1848 cooperatives were developed as the non-profit organization.
- d) Cooperatives contributed almost 50 percent of the national income, while savings and credit cooperatives contributed by only 20 percent.

### **1.3.3 China**

Cooperative was initiated in China in 1912 with an aim to support people affected from famine and drought. Altogether, 55000 savings and credit cooperatives were established in China as of 1937. After 1937 cooperatives extensively grew in agriculture and industry sector. More than 350 industrial cooperatives were established as of 1938. National Training Academy on Cooperatives was established in 1939. Likewise, Cooperative League of China was established in 1940.

National Cooperative Development Board was established in 1949. In total 750000 cooperatives were established across the country. All cooperatives were transformed into communes in 1958. After transformation of cooperatives, major cooperative values such as democratic process, performance based incentives system and quality control mechanism were demolished from the organizations.

Chinese government introduced egalitarianism system in all the process whether they produced more or less; they shared equally, consequently cooperatives were bankrupt.

After 1979, China modified cooperative policy by emphasizing democratic principles; performance based incentive system, profit earning and loss bearing system. With the change in policy, around 200 million people were involved in cooperatives in China. Of the total cooperatives, 45000 are selling and marketing cooperatives and 500000 are income-generating cooperatives. More than 4000000 people are employed in the cooperative sectors while 200000 experts are involved in training and advisory activities. Cooperatives alone occupied more than 66 percent of selling and marketing of products.

Every cooperative deposited at least 15 percent profit in their special fund to provide interest-free loans to the poorest of the poor populace in their organizations. For promotion and strengthening of cooperatives, China initiated cooperative university and supported various colleges and faculties across the country.

Chinese cooperatives focused on introducing democratic and flexibility norms in cooperatives, implementing cooperative activities in the rural areas, electing executive body through democratic process, providing full authority to the general members and on improving socio-economic condition of the rural populace.

The reason behind the success of cooperatives in China:

- a) Government emphasized cooperative feeling,
- b) Government purchased agricultural commodity in the attractive marketing rate,
- c) Ministry and Department concerned assisted to the cooperative organizations
- d) All cooperatives deposited their profit between 5 to 12 percent in the reserve fund and 2 percent in welfare fund.

Benefits achieved from Cooperatives in China were:

- a) Utilized land properly,
- b) Grew entrepreneurships massively,
- c) Introduced improved agricultural practices,
- d) Increased investment in agricultural and industrial sectors,
- e) Expanded business activities massively,
- f) Generated employment opportunities in the rural areas,
- g) Followed democratic principles in cooperative operation,
- h) Improved socio-economic condition of rural populace and
- i) Raised national economy of the country.

#### **1.3.4 Canada**

Cooperative movement in Canada was initiated in 1870. However, marketing cooperative was established in 1923 for selling agricultural products such as wheat,

wool, tobacco and dairy products. Among various cooperatives, house construction, electricity supply, health treatment, and insurance and transportation cooperatives were popular ones. Cooperative Research and Training Center, established in 1940, was another major initiation in the cooperatives movement in Canada. Apart from that, Federal Cooperative Limited and Canadian Cooperative Union Institute were established in 1971.

Cooperatives occupied 75 percent of marketing share in agriculture products, 73 percent in forestry and 50 percent in dairy products.

Achievements of Canadian cooperatives:

- a) More than 10000 cooperatives were established in Canada,
- b) Almost 160000 people received employment opportunity,
- c) Canadian \$ 60 million subsidies received from various agencies,
- d) Cooperative membership had included 33 percent of Canadian people and
- e) Banking facilities provided by cooperatives to 900 villages.

### **1.3.5 Sweden**

After Britain, Sweden was a major country that followed the cooperatives principles from the eighteen century. It followed the Rochdel Model from 1860 to 1870 but this failed.

Cooperative Farbunted (KF) was established in 1899 and Cooperative Act, was approved in 1911. Sweden government formulated a cooperative study committee to solve the problems faced by the cooperatives all over the country. As per the recommendations of that committee, all cooperatives acquired legal authority to perform their functions as per the Cooperative Act, 1911.

Cooperatives comprised of 50 to 100,000 members. Every member from cooperatives had to purchase shares worth 150 to 200 Kroner. General assembly, as the most powerful body of the cooperative, would elect 7 to 15 members of executive committee for the duration of two years. KF succeeded to establish big fertilizer

industries, electricity equipment industries, rubber industries, paper industries and iron mills. It provided employment to more than 38995 persons in 1979.

Major agricultural cooperatives established in Sweden are: The Federation of Swedish Farmers' Association, The Swedish Farmers Purchase Association, The Swedish Forest Owners Association, The Swedish Egg Marketing Association, The Association of Swedish Rural Credit Society and The Royal Mortgage Bank of Sweden. In Sweden every farmer must be involves in agriculture cooperatives as per their farming nature. Cooperatives managed all activities such as production, marketing, research, information, account, training, monitoring and technical support.

Selling of products from cooperatives occupied almost 99 percent in dairy, 70 percent in meat, 20 percent in agricultural products, 14.9 percent in insurance and users' commodity and 26 percent in fertilizers.

The reasons behind the success of cooperatives in Sweden were:

- a) Cooperative movement was initiated as per the interest and needs of Sweden people,
- b) Financial discipline maintained strictly and
- c) Cooperative feeling developed among the people.

### **1.3.6 Japan**

Users' commodity cooperative was established in Japan in 1879 and national level savings and credit union was established in 1924. More than 25 percent banking transaction were performed through savings and credit cooperatives in Japan. Agriculture Cooperatives increased rapidly. As a result, 5690 agriculture cooperatives were established from 1898 to 1909. National Cooperative Bank was established in 1923. After Second World War, cooperative had contributed in water distribution, gas supply, sanitation and hygienic, repair and maintenance, book and stationary supply.

Japan is a unique country in the world where more than 57 percent enterprises operate by the partnership of three entrepreneurs. Such small entrepreneurs are involved in cooperatives for selling of their products easily.

Federation of Labor Bank was established in 1955. More than 8820000 farmers were involved in agriculture cooperatives. Moreover, Japan provided equal emphasis for promoting and strengthening of other cooperatives such as Credit Cooperatives, Insurance Cooperatives, Welfare Activities Cooperatives, Real Estate Business Cooperatives, Education Program Cooperatives, Production and Processing Cooperatives and Consumers' Goods Cooperatives etc.

Cooperatives of Japan have undertaken a major objective of welfare rather than profit. It spends more than 20 percent budget in training activities to enhance members' skill in their respective business. Out of the total profit, it distributed only 7 to 8 percent dividend to the shareholders (Badal, 2006).

The reasons behind the success of cooperatives in Japan were:

- a) Cooperative feeling developed among the Japanese people,
- b) Professionalism enhanced in own enterprises,
- c) Professional planners hired to make the plan,
- d) Experiences were shared among each other,
- e) Research and marketing incorporated into the program,
- f) Experience consultants hired to operate the business and
- g) Dynamic Managers managed in the program.

### **1.3.7 India**

Cooperative was initiated in India in 1904 after promulgation of the Cooperative Act. This was the first cooperative initiation in South Asian region. The Cooperative Act was amended in 1912, 1942, 1984 and 2002 to make it a more efficient tool for economic development. Cooperatives of India are fully accountable towards the competitive economy. Cooperative has become one of the most basic instruments in the rural development of India. Considering its importance in sustainable economic development, the cooperative approach has entered into the fields of insurance, international trade, tourism and communication sectors as well.

Government of India has been providing support on professionalism development, cooperative education, and training programs (CICTAB, 2006).

### **Status of Cooperative Movement in India**

History of cooperative in India has crossed a century of its establishment and it has been established as a most popular tool in marketing development and management of agricultural sector.

In addition, it has been providing different supports such as storage, irrigation, electricity, transportation and health activities in the rural vicinity. Likewise, urban cooperative banks and credit societies are operating massively in the city areas particularly to uplift the economic status of small entrepreneurs, artisans and small traders etc.

### **Growth of the Cooperatives during the Plan Period**

The first five-year plan of India (1950 to 1956) emphasized to community developments through cooperative networks whereas second five-year plan (1956 to 1961) had focused cooperative as the part of scheme development. The third five-year plan (1961 to 1966) reinforced cooperation across the country. Fourth five-year plan (1969 to 1974) prioritized the development of agricultural and consumer cooperatives. Fifth five-year plan (1974 to 1979) emphasized incorporation of small and marginal farmers in the cooperative societies. While the sixth five-year plan (1979 to 1984) envisaged promoting and strengthening primary village cooperatives, the seventh five-year plan (1985 to 1990) laid emphasis on comprehensive development of primary agricultural credit societies. The eight five-year plan (1992 to 1997) hushed in cooperative development and the ninth five-year plan (1997 to 2002) emphasized on de-bureaucratization and de-politicization of cooperative sector.

Finally, the tenth five-year plan (2002 to 2007) laid emphasis to Kisan credit card, cooperative banking and information technology (IT) operation.

Indian cooperative movement was further institutionalized by the promulgation of Cooperative Act, in 1904 and subsequent amendments in 1912, 1942,

1984 and 2002. Currently, cooperatives are directing toward the market economy principle for its financial sustainability.

### **Major Cooperatives of India**

- a) Dairy Cooperatives
- b) Sugar Cooperatives
- c) Fertilizer Cooperatives
- d) Marketing Cooperatives
- e) Consumer Cooperatives
- f) Fisheries Cooperatives
- g) Housing Cooperatives
- h) Labor Cooperatives
- i) Weavers Cooperatives
- j) Industrial Cooperatives
- k) Tribal Cooperatives and
- l) Student Cooperatives.

### **Achievements of Indian Cooperatives**

Altogether 545354 cooperative societies are in operation across India through active participation of 236 million members (CICTAB, 2006).

#### **1.3.8 Sri Lanka**

Cooperative Act was introduced in Sri Lanka in 1911. The Act restructured the National Institute of Cooperative Development as an autonomous school of cooperative. National Level Cooperative Rural Bank's Federation was created by involving district and provincial level cooperative banks to promote strong financial institutions in Sri Lanka. At the same time cooperative federation was formed by



involving development bank and micro insurance companies to cater to the need of cooperatives and their members. Multipurpose Cooperative Societies are major innovation of Sri Lanka and are being implemented across the country after amendment in Cooperative Act in 1956.

Cooperatives are major instruments for microeconomic development because poor people are organized into self-help organizations in credit supply, agricultural development, industrial development and physical infrastructure development so on. Major problems encountered in cooperatives are politicization, bureaucratization, lack of member commitment, and lack of professional management, lack of visionary people and no committed leadership.

In Sri Lanka there are 300 multi-purpose cooperatives, 8,363 credit societies, 369 agricultural societies, 265 milk producers, 621 fisheries, 249 small industries, 1047 school cooperatives and 430 states worker cooperatives.

Cooperative Rural Banks are the highest rural savings collectors and showed 60 percent saving mobilization in the year 2002. Loan granted for the members from saving mobilization was only 17 percent, of which 30 percent was agriculture loans (Perera, 2006).

#### **(a) Introduction of Bentota Multi-purpose Cooperative**

Bentota Multi- purpose Cooperative is one of the largest cooperative of Sri Lanka. It has more than 300 Cooperative Societies operating in the southern city of the country.

#### **Objective of the Society**

Major objectives of the Bentota Multi-purpose Cooperatives are to provide food and textile items at a reasonable price invest in the form of short, medium and long term loan and support members by providing saving facilities.

#### **Function of Bentota Multipurpose Cooperative**

Basically, Bentota Multipurpose Cooperative are implementing rural credit, transport services, bakery foods, manufacturing items and saving facilities.

**(b) Millawana Estate Worker Housing Cooperative Society**

Millawana Estate Worker Housing Cooperative Society was established in 1993 with a major objective to improve the living standard of the poor worker community of the estate. Major contributions accomplished from the cooperative are physical infrastructure development, welfare activities instigation and credit supports.

**Activities**

The activities undertaken by the Millawana Estate Worker Housing Cooperative Society included welfare, health, education, training, cultural, religious, sports, banking service units, housing and construction

**Strength of Cooperative**

The loan repayment maintained at 100 percent, domestic saving has been mobilized extensively, president of the cooperative and board members are fully accountable toward the cooperative level of awareness has been improved in the societies through cooperative programs

**1.3.9 Bangladesh**

Bangladesh adopted the cooperative legislation in 2001. Rural and agricultural cooperatives are contributing in the economic development of rural areas by implementing improved agricultural and other allied activities. Self-help groups of landless laborers were formed in the rural areas. Cooperatives like dairy, housing, banks and insurance are highly successful in Bangladesh.

**1.3.10 Pakistan**

Cooperative Development Board in Pakistan was established in 1962 with the major objectives of creating the required capacity for development planning, project preparation and self-management promotion within the cooperatives. The board was useful for implementing several development schemes for agricultural credit supply, marketing and processing. In 1963, Government constituted another committee for the development of cooperative. The committee suggested changing primary cooperative societies into cooperative development societies operating more than a village. The

function of the cooperative was not only limited to invest of the credit but it also provided banking facilities, installed tube wells, construct buildings and godowns among others. Cooperative Board was dissolved in 1966. In 1972 the Cooperative Societies Reforms was performed to stress the role played by the cooperative in micro economy. Federal Bank of Cooperative was established in 1976 (Shrestha, 2006).

### **1.3.11 Bhutan**

Bhutan Development Finance Corporation Limited (BDFCL), a non bank development financial institution was established in 1988 with the major objective of providing financial services in the form of cooperative to the development of agricultural and industrial enterprises. Central Bank of Bhutan is a major authorized organization for monitoring and supervision of BDFCL (CICTAB, 2006).

#### **Rationale for the Establishment of BDFCL**

Bhutan has only three financial institutions across the country while demand of credit is increasing day by day. To fulfill the credit demand by countryside populace, Government of Bhutan had initiated BDFCL for strengthening credit services across the country. The institution is at present investing credit for 16,341 clients.

#### **Feature of Cooperative Product**

The loan provided for any activity should be legally sound, analysis focused on clients' character, repayment capacity, financial viability and collateral adequacy, head office provided large amount loan in all major industrial and agricultural sectors whereas branch offices advanced only small loan.

### **1.4 History of Cooperatives in Nepal**

Establishment of Cooperative Division under the Ministry of Agriculture in 2010 BS heralded the institutional beginning of cooperative movement in Nepal. Cooperative programs at field level were launched in Chaitra 20, 2013 by establishing 13 cooperatives in Chitwan under the Rapti Valley Development Program, with an aim of reducing poverty and uplifting the livelihood of the vastly poor rural people who were facing numerous problems including lack of professional manpower, lack

of road and communication facilities, economic destitution, vulnerability, social exploitation, drudgery and lack of employment opportunities.

The cooperatives aimed at solving these problems by collecting financial resources available among the people themselves in the form of savings thereby investing that fund in the income generating activities to uplift the socio-economic condition of rural populace. Cooperatives were accorded high priority in each of the government's plans with this program identified as a tool to improve rural economy. However, the objectives of the cooperatives were not concretely stated until 2048 B.S.

The Cooperative Act, 1992 was a major breakthrough in the cooperative movement of Nepal. This made several provisions related with flexibility to implement programs for improvement of economic condition of poorest of the poor populace in the rural areas.

Major objectives of cooperatives are to:

- a) Participate disadvantaged section of the societies such as women, lower caste, poor people into cooperative organizations in order to improve their socio-economic condition,
- b) Develop cooperative feeling among the different groups such as different religious people, castes, professionals groups, and economic status people of the societies, and
- c) Improve socio-economic condition of rural populace by mobilizing domestic resources through the cooperatives in the rural vicinity where development activities have not been implemented effectively.

Cooperative movement has been identified as a major tool for uplifting the livelihood of the majority of poor people across the country. A brief outline of cooperative movement, as envisaged by the periodic plans, is discussed below:

#### **1.4.1 First Five Year Plan (1956 to 1960)**

In this period, 378 cooperatives were established across the country and Cooperative Act, 2016 and Cooperative Rules 2018 were formulated. Cooperative Department was established in 2010 BS. In addition, 13 cooperatives were established

in Chitwan under the Rapti Integrated Development Project with the support of USAID.

#### **1.4.2 Second Plan (1960 to 1963)**

The Cooperative Training Center and the Cooperative Bank was established in this plan period. Training on cooperative was provided massively to its executive body members, general members and staff. Cooperative awareness was developed extensively across the country.

#### **1.4.3 Third Plan (1965 to 1970)**

In this plan period, 1,489 cooperatives were established in 56 districts. Cooperatives, however, did not operate properly due to the lack of scientific management practices, inadequate monitoring and follow-up system, lack of quality loan investment and no regularized in loan collection. To resolve these problems, all cooperatives merged into Agricultural Development Bank Limited in this plan period.

#### **1.4.4 Fourth Plan (1970 to 1975)**

Agricultural Development Bank took full responsibility for providing credit and imparting training activities to enhance the capacity of executive bodies of the cooperative groups in 30 districts. Training was implemented massively in this plan period and some unviable cooperatives were dissolved. As of 1975, there were already 251 cooperatives across the country.

#### **1.4.5 Fifth Plan (1975 to 1980)**

During this plan period cooperatives were formed in 742 VDCs of 30 districts in four-development regions. As per its mandate, cooperative institutions were actively involved in credit investment, food distribution and selling fertilizer and improved seeds etc. The management of the cooperatives was transferred from the Agricultural Development Bank to the executive body of cooperatives.

#### **1.4.6 Sixth Plan (1980 to 1985)**

Cooperative Act 2041 was promulgated. After approval of this Act, integrated development programs were implemented through cooperatives across the country. Major activities launched during this period were training on cooperatives, improvement of irrigation facilities, credit, agricultural and income-generating activities, which were executed through the 719 agricultural based cooperatives and 32 non-agricultural cooperatives.

#### **1.4.7 Seventh Plan (1985 to 1990)**

National Coordination Committee was formulated in 1985 in order to carry out all cooperatives in a single unit. As per its objective, all cooperatives were transferred from Ministry of Land Reform to Ministry of Agriculture. In total, 916 cooperative organizations were established all over the country.

#### **1.4.8 Eighth Plan (1992 to 1997)**

Cooperative Act 1992 was approved in this plan period. As a result, cooperatives revitalized and mobilized domestic financial resources for economic development activities in the country. The law ensured flexibility in program implementation resulting in rapid replication of cooperatives in rural and urban areas of the country. As of end of this plan period, 3,132 cooperatives were established including 1,622 Dairy Cooperatives, 343 Saving and Credit Cooperatives, 258 Users' Cooperatives and 248 others. In addition, National Cooperative Board was established in this plan period.

#### **1.4.9 Ninth Plan (1997 to 2002)**

Rural Micro finance Development Center and Small Farmers Development Bank were established to provide wholesale credit to the cooperatives and other micro finance institutions. Considering the great importance of cooperatives in socio-economic development of rural areas, major agencies such as National Cooperative Board, Cooperative Department, Small Farmers' Development Bank, NGOs and INGOs focus to establish cooperatives massively in the rural vicinity in this plan period. Training, credit facilities, technical advisory services provided intensively

from the respective agencies for promotion and strengthening of the cooperatives in the rural areas of Nepal were very effective.

#### **1.4.10 Tenth Plan (2002 to 2007)**

National Cooperative Bank was established as the apex level body by collecting the share from the cooperatives across the country. Agricultural Development Bank Limited transferred all Small Farmers' Development Program into Small Farmers' Cooperative Limited. Replication of cooperatives through the Small Farmers' Cooperative Limited gained momentum. Tenth plan had envisaged the major goal to reduce the poverty and NGOs, INGOs and government agencies concerned executed cooperative development programs extensively to meet this goal.

Nevertheless, after restoration of multi-party democracy, cooperatives got more priority than by the previous governments. While during the Rana regime, government conducted feasibility study on cooperatives whereas in the Panchayat regime cooperatives focused on credit investment and fertilizer distribution. After 1990 cooperatives involved fully for improving socio-economic status of rural populace by implementing savings, credit, banking, training and community development activities. Cooperatives program has focused to improve the economic condition of countryside populace by involving them in improved agricultural activities, business activities, agro-processing, and cottage industries by mobilizing domestic resources within the groups (CJ, 2002).

The main challenges faced by the cooperatives are:

- a) Increment of large numbers of non-viable cooperative,
- b) Few members' involvement in economic activities,
- c) Lack of adequate financial resources,
- d) Lack of cohesiveness among members,
- e) Politicization in the cooperatives and
- f) Weak managerial capability.

Despite these challenges, self-help institutions have been executing saving and credit programs through different cooperative organizations such as paincho (borrowing mostly in kind), Dhikuri (rotational financing or highest bid), Dharma Bhakari (grain bank), Parma (labor exchange), Guthi (trust within family community), Saghu (community help among Magars), Lhoba (community help among Gurungs) and Village Welfare Trusts since long time (Koirala, 2002).

#### **1.4.11 Interim Plan (2007/08 to 2009/10)**

NPC (2007) in the Three-Year Interim Plan, while evaluating the progress of the tenth five-year plan, has underscored the need to improve the access of agriculture and rural credit to the general rural populace. The assessment has shown that the supply of agriculture and rural credit has exceeded the target by 5.5 percent but when assessed in terms of rural credit there is a shortage of credit by 0.1 percent. In this backdrop, the plan has envisaged to prepare institutional set up to coordinate and monitor the cooperatives functional in the country.

The interim plan has adopted an overarching goal of conducting different programs to develop the institutional capacity of the cooperatives. To attain this goal the plan has suggested amendment in the present Act, rules and regulations related with the cooperatives, to re-evaluate the organizational structure of the cooperatives, to establish monitoring units at different levels and improve transparency and information system. The three years interim plan (2064/65 to 2066/67) has focused on improving human resources, directing national and international poverty related funds to the sector, providing wholesale credit from the cooperative development bank to the cooperatives, including landless, tenants and marginal farmers into the cooperative programs, among others.

### **1.5 Initiation of Small Farmers' Cooperative Limited**

Small Farmers' Cooperative Limited (SFCL) is a rural-based cooperative of Nepal, which was formed by transferring Small Farmers' Development Program since 1993. Major objective of SFCL is to promote financially self-sustainable micro finance organizations in the grassroots levels by mobilizing domestic resources including saving and credit programs and implementing community development activities through the active initiation of local people themselves.



However, specific objectives of the program are as follows:

- a) Develop local self-reliance institutions by developing leadership and managerial abilities among small farmers themselves,
- b) Narrow down the cost and bureaucratic hurdle between the delivery agencies and small farmers and establish an effective and efficient delivery mechanism to reach the services towards rural people and
- c) Expand outreach of micro finance program.

### **Organizational Structure of SFCL**

- a) Village-level groups: Village-level group is one of the basic units of the SFCL network organized at grassroots level to include small farmers such as lower caste people, Dalits, Janjatis, women, deprived groups, poor and landless family.
- b) Inter-groups: Inter-groups are the groups of SFCLs organized in ward level and include representatives from village groups
- c) Main committee: Main committee is the apex body of a SFCL and makes major decisions authorized from general assembly. It consists of 9 to 11 members elected from general assembly (CTI, 2007).

## **1.6 Statement of the Problem**

SFCLs lack charismatic leadership, successors are not developed, and there is high dropout of members, less participation of women, inappropriate regulation, less trust among the general members, limited products, lack of financial discipline and higher dependency on the external resources.

Besides, SFCLs lack professional staff, do not have adequate training facilities and depend on fragile community development activities. The institutions are marred by rising non performing assets, no portfolio management, lack of effective business plan, inadequate mobilization of domestic resources, lack of need-based financial programs are other major problems of SFCLs.

In addition, SFCLs have encountered problems of financial discipline, complexity in loan procedure, unavailability of sufficient fund and so far have failed to formulate appropriate legal system for defaulters.

SFCLs have weak monitoring and follow-up system, lack of accountabilities among executive members, rising fraud, no strict punishment and reward system, lack of effective loan investment and collection strategies.

Lack of team spirit, lack of cooperative knowledge among executive members, staff and general members, lack of coordination between SFCLs and District Cooperative Office, higher interest rate against loan, no regularized main committee meeting, increased conflict between main committee members and staff, dropping of assistance by GTZ, difficulty in collecting loan invested without collateral security, lack of standard accounting system, lack of SFCL's own building and lack of computerization are some of the problems faced by the SFCLs. Lack of security of cash and weak information management system are other burning problems facing the SFCLs.

The above problems have contributed largely to bankruptcy of the SFCLs and the present research is being conducted to understand the institutional aspects of the SFCLs. The recommendations by this study would be useful to revitalize SFCLs in the future.

## **1.7 Objectives of the Study**

The major objective of the study is to find out the institutional and financial sustainability of Small Farmers' Cooperative Limited.

Specific objectives of the study are to:

- a) Assess status of saving activities,
- b) Identify the status of credit activities,
- c) Find out financial and institutional sustainability and
- d) Finally, provide recommendations and suggestions for further improvement of Small Farmers' Cooperative Limited.

## 1.8 Hypothesis

Following hypothesis are formulated and tested for assessing savings, credit and financial sustainability of Small Farmers' Cooperatives Limited.

To justify the objectives of the research study we used the following analysis.

To analysis of saving activities: Multiple regression analysis is used

Credit activities: Correlation and chi-square test.

Financial sustainability: correlation with scatter diagram, ANOVA, chi-square and multiple regression analysis are used.

### Hypothesis 1: (Correlation)

Null Hypothesis,  $H_0 : \dots = 0$  (There is no significant correlation)

Alternative Hypothesis,  $H_1 : \dots \neq 0$  (There is a significant correlation)

### Hypothesis 2: (Chi-square ( $\chi^2$ )

Null Hypothesis,  $H_0$ : The two classification variables are independent of each other (i.e., there is no relationship between them)

Alternative Hypothesis,  $H_1$ : The two classification variables are not independent (i.e., there is a relationship between them)

### Hypothesis 3: (Multiple regressions)

Null Hypothesis: There is no significant relationship between dependent variable (Y) and  $j^{\text{th}}$  independent variables ( $x_j$ ). ( $\beta_j = 0$ , for all  $j$ )

Alternative Hypothesis: There is a significant relationship between dependent variable (Y) and  $j^{\text{th}}$  independent variables. (At least one  $\beta_j \neq 0$ )

### Hypothesis 4: (ANOVA)

Null Hypothesis,  $H_0 : \mu_1 = \mu_2 = \mu_3 = \dots = \mu_c$  (no differences in  $c$  population means)

Alternative Hypothesis,  $H_1$  : Not all  $\mu_j (j = 1, 2, \dots, c)$  are equal

## 1.9 Importance of the Study

This is the first type of study conducted for the assessment of institutional and financial sustainability of SFCL implemented across the country at the initiation of ADBL and GTZ.

SFCL is one of the pioneer programs in the field of poverty reduction of Nepal and this model has scope in the future if effectively and efficiently expanded in the hills, mountains and terai regions in all five-development regions.

Considering its great importance in poverty reduction, this study has attempted to find-out the financial and institutional strength and weakness of SFCLs to implement this program effectively in future.

To achieve its goal, this study has analyzed the status of saving deposit, loan investment, outstanding and overdue. In addition, it assessed expenditure, income and profit of SFCLs. Along with, this study investigated institutionalization of SFCLs. Due to its core analysis on institutional and financial activities including income, expenditure and profits of Small Farmers' Cooperative Limited, it could be useful for policy makers, planners and development experts to amend the programs and policies effectively in future.

### **1.10 Limitations of the Study**

Limitations of this research study are as follows:

- a) Due to limited budget and manpower, this study covered only hilly areas of Nepal while SFCLs of high mountain and terai regions were excluded,
- b) This study covers only the aspects related with saving, loan investment, collection, expenditure, income, net profit, along with social and institutional development activities,
- c) This study relies on data collected from individual sample members and
- d) The study has accumulated net profit of SFCLs in the aggregate form.

### **1.11 Organization of the Study**

This study is divided into nine chapters. Overview of the chapters is outlined below:

The first chapter deals with general introduction of the cooperative movement and sheds light on the general socio-economic status of Nepalese people, contribution of agriculture and non-agriculture sector in GDP. It also presents the scenario of

economic status of South Asian region. It includes different scholars' views on cooperatives concept and principles. The chapter presents cooperative movement in world including Israel, Germany, China, Canada, Sweden, Japan, India, Sri Lanka, Bangladesh, Pakistan, Bhutan and Nepal. Statement of problem, objective of the study, hypothesis, and importance of the study and organization of the study are included here.

In the second chapter, introduction of Small Farmers' Cooperative Limited, the transfer from SFDP into SFCL, organizational strengthening and management as well as organizational structure of SFCLs, legal authorities, lending and collection policies, operational management, financial sustainability of SFCL, financial analysis process, impact and problems of Small Farmers' Cooperative Limited are included. Further, this chapter covers cause and affects of poverty, role of institutional credit in poverty reduction, role of agriculture in poverty reduction, micro-finance, its history and its relation with cooperatives development.

The following chapter defines the research design implemented in the study, the sample size, the PHStat2 Output, distribution of population and sample, sampling procedure, data collection procedure, research hypothesis and analysis techniques. The chapter also deals with the description of the study area including geographical feature, crops, livestock, population status, educational activities, literacy status, occupation, foreign employment, cooperatives, bank, transportation facilities, health activities, communication, electricity facilities and industry of sample SFCLs located district such as Ilam, Dhading, Syangja, Surkhet and Doti.

The fourth chapter deals with the government strategies on cooperatives, Cooperative Act, by-laws and other major rules and regulations. The chapter also deals with the cooperatives management, social inclusion, and partnership programs between government and cooperatives. Issues such as credit approach, business promotion activities, subsidies and other benefits to the cooperatives are also discussed in the chapter. This chapter presents cooperative related different policies such as lending policies of cooperatives, policy for improvement of Saving and Credit Cooperatives, supervision and monitoring policy of cooperatives, policy for improvement of social inclusive in cooperatives, national agricultural policy for strengthening cooperatives 2063. Apart from these, it includes discussion of major

cooperative institutions such as National Cooperative Development Board, National Cooperative Bank, Cooperative Division, Central Cooperative Training Center, Cooperative Divisional Office, National Cooperative Federation, Central Dairy Cooperative Association limited, Central Vegetable and Fruits Cooperative Association Limited, Central Coffee Development Cooperative Association Limited, Nepal Central Consumers' Cooperative Association Limited, Nepal Saving and credit Central Cooperative Association Limited, Small Farmers' Cooperative Limited and Nepal Federation of Savings and Credit Cooperative Unions Limited (NEFSCUN).

Following chapter discusses about the status of cooperatives, cooperative associations, gender participation in cooperatives, and cooperatives status on the development regional basis in Nepal. Besides, it includes employment status in cooperatives, investment and profit status of cooperatives, activity-based capital and saving status and investment and profit status of cooperatives. The chapter also discusses the status of women cooperatives and agriculture cooperatives. It also includes overall institutional and financial scenario of Small Farmers' Cooperatives Limited including criteria for institutional development, organizational structure of Small Farmers' Cooperative Limited under institution development, general assembly, main committee, inter group, small farmers' groups, sub committee, status of groups and members' enrollment, operational management of Small Farmers' Cooperative Limited, Sana Kisan Bikas Bank Limited, international agencies and socio-economic impact etc.

Chapter six includes discussion of saving deposit in Small Farmers' Cooperative Limited such as group saving, individual saving, child saving, maternal saving and old-age group saving. Along with other important analysis, the chapter includes presentation and discussion of status of saving deposit, saving deposit from SFCLs, compulsory saving deposit, saving deposit interval, reasons for saving deposit, reasons for irregularity in saving deposit, benefits from saving, source of saving, problem of compulsory saving, reasons of problems on compulsory saving, loan borrowing from saving, achievement of loan investment, collection and saving deposit, loan borrowing status, gender-wise loan borrowing status, loan borrowing status among representative, numbers of loan borrowing, SFCL wise loan status, number of loan status with gender wise, borrowing loan types, SFCL-wise analysis on

loan borrowing numbers, gender-wise loan borrowing types and representative-wise loan borrowing status. The chapter also discusses on the relation of loan borrowing status with educational level, loan types borrowing from farmers, loan borrowing status with gender and sector-wise, overall loan portfolio, loan repayment status, delinquent loan status, overall loan portfolio analysis, loan investment in livestock, horticulture, marketing and off farm activities, among others. Finally hypothesis and their result have been presented in this chapter.

The seventh chapter deals with organization of general assembly meeting and members' attendance in the assembly. The chapter presents status of organization of group meeting and members' role in-group meetings in SFCL.

Apart from these, it incorporates the issue of members' familiarization with policy, rank of SFCLs operation, financial discipline in SFCLs, members' familiarization level with policy, account accuracy in SFCL, share divestment, members' entry fees, reasons for choosing SFCL, activities influencing for institutionalization, awareness development for timely loan repayment, major influencing activities for timely loan repayment, loan collection techniques and dividend distribution.

The chapter deals with the issues related with financial sustainability including income and expenditure of the sample SFCLs. It also includes the discussion on profit earning from livestock, marketing, horticulture and off farm loan activities. The chapter incorporates loan portfolio, financial ratios including interest income rate, profit margin, gross profit, gross profit margin, net profit margin, net profit/ loss, net profit margin, interest coverage ratio, operating self-sufficiency ratio, overdue to total loan, average loan size, break-even point, income/expenditure ratio, profit income ratio, annual operating cost over fixed asset. Furthermore, it presents statistical analysis of the data.

Chapter eight includes summary and problems; finally chapter nine presents conclusions and recommendations.

## **CHAPTER II**

### **LITERATURE REVIEW**

This chapter attempts to shed light on the literatures related and pertinent with the given study on institutionalization and financial sustainability of Small Farmers' Cooperatives. The focus is on cooperative efforts of these small farmers who comprise of 40 percent of total land holdings numbering 3.4 million. In the international perspective, cooperatives have been playing catalytic role to reduce the poverty around the world.

Therefore, in this chapter both national and international cooperatives movements, working process, contributions, problems and prospects have been presented briefly.

#### **2.1 National Perspectives in Literature Review**

Literatures on issues including those related with the Small Farmers' Cooperatives and other programs such as the Community Based Saving and Credit Cooperatives and Micro-finance Institutions have been briefly dealt with.

There are two schools of thought playing important roles in the micro-credit sector. While the first school of thought is focused on Gramin Banking model trying to perform all the activities through the employees of formal institutions, the other school of thought focuses on Community Based Cooperatives trying to perform all the activities through the members of cooperatives by themselves by strengthening grassroots level institutions. Both models are operating in Nepal particularly for the overall goal of poverty reduction.

Formal micro-finance sector includes Small Farmers Development Programs, Production Credits for Rural Women (PCRW), Rural Development Banks (RDBs), Micro-Credit Project (MCP), Western Terai Poverty Alleviation Project (WTPAP), Rural micro-finance Development Center (RMDC) and Intensive Banking Program (IBP) whereas informal sector programs includes Community Based Organizations (CBOs), Saving and Credit Organizations (SCOs), Village Banking (VBs), Mother Group (MGs) and other traditional saving groups.

ADBL (2008) in its annual report has dealt with the issue of the SFCL. Altogether 228 SFCLs reached as of 2007, in which 11122 male groups and 10556



were female groups have organized 136064 members including 69221 males and 66843 females, respectively. Loan investment, principal collection, interest collection and outstanding loans of SFCLs reached NRs. 1.31 billion, NRs. 1.08 billion, 0.29 billion, and NRs 2.20 billion respectively by mid-July 2007.

SFCLs are totally dependent on ADBN's financial resources and there is no networking with other financial institutions and are operating in the rural areas with less potential of being financed. ADBL has coerced the SFCLs to pay interests and principal installments regularly. The SFCLs need to manage operating cost, administrative cost and training cost etc. Generally, successful MFIs are focused to develop professionalism, advanced business plans and market orientation programs but SFCLs have not been able to make such progresses.

Lack of efficient portfolio management, scientific business plans, inadequate mobilization of domestic resources, lack of efficient human resources, shortage of need-based programs, lack of effective organizational structure and lack of proper coordination with financial institutions are the major problems faced by the SFCLs. In addition, SFCLs are troubled by the misuse of their property, low members' enrollment, negligible amount of share capital deposit, lack of awareness, lack of feeling of ownership, conflict, political influence and lack of strong inspection mechanism.

Furthermore, SFCLs are facing lack of leadership, no successors development, high dropout of skilled employees, less participation of women, inappropriate regulation, less trust among the general members, limited products, less business, negligible profit oriented activities, lack of financial discipline and higher dependency on the external resources.

Series of researches conducted by the Nepal Rastra Bank in 1969/70, 1976/77 and 1991/92 on credit investment has revealed that household borrowing stood at 38 percent in 1969/70, 51 percent in 1976/77 and 39 percent in 1991/92. This has pointed out the fact that there has been almost 13 percent increase in household borrowing in seven years from 1969/70 but declined by 12 percent after 15 years from 1976/77. This reveals a fact that loan investment from banks is not satisfactory due to the economic slackness, higher intervention from government and no entrepreneurship promotion from banking policies etc.

Likewise, the coverage of institutional credit in households was 7 percent in 1969/70, 12 percent in 1976/77 and 8 percent in 1991/1992, again clearly reflecting that there was a five percent increment on households covered by institutional loans during the 7 years from 1969/70 to 1976/77, and a drop by four percent during the period of 15 years from 1976/77. Before restoration of democracy in 1990, share of formal credit was not satisfactory. Proportion of institutional borrowers among the borrowing households stood at 18 percent in 1969/70, 24 percent in 1976/77 and 20 percent in 1991/ 92. The study has further revealed that during the seven years from 1969/70, institutional borrowers increased only six percent but dropped by four percent after 15 years from 1976/77.

Share of institutional credit in the total outstanding debts of the borrowing households was 17 percent in 1969/70, 41 percent in 1976/77 and 30 percent in 1991/92, reflecting the fact that debt households increased by 24 percent during the period of seven years after 1976/77 and then decreased by 11 percent during the period of 15 years after 1976/77.

Coefficients of credit distribution were 0.78 percent in 1969/70, 0.49 in 1976/77 and 0.65 in 1991/92. Loan disbursement was satisfactory in 1976/77 and 1991/92 but the situation was below satisfactory in 1976/77.

Hada (2002) in his article entitled “Poverty Alleviation Programs in Nepal” has analyzed the poverty related activities being implementing across the country. Article was prepared on the basis of secondary data collected from Agricultural Development Bank Limited and other agencies concerned. Among many poverty related micro finance activities, SFDPs provided services to 1, 70,170 families of 604 Village Development Committees across the country. The major objective of SFDP is to improve socio economic condition of small farmers, tenants and land less labors. Group dynamics is the basic principle of SFDP. A team of ADBL staff organizes small farmers into a group of 5 to 10 members and provides them with necessary credit and other support activities through sub-project office of the bank. Despite its contribution in socio-economic development of rural populace, SFDPs were transferred into SFCLs in 1993 due to the higher overhead cost.

Devkota (2003) has written an article "An overview of Small Farmers' Cooperative Limited (SFCLs) of Nepal in the context of Socio-Economic

Development and Financial Sustainability". The objective of the article is to assess the impact of SFCLs in poverty reduction and its sustainability in long run perspective. This article was prepared by collecting secondary information from offices concerned with the ADBL. The article has dealt with the average trend of formation of male and female groups in SFCLs and has shown that there has been a satisfactory increase with the growth rate of 11 percent and 14 percent, respectively. Increment trend of female group is further encouraging. SFCLs have aimed to increase female groups, particularly to empower them in society thereby decrease the gender gap. For this purpose, SFCLs are implementing various activities such as human capital formation, saving and credit, literacy, health and sanitation, social and community development activities focusing women's welfare. Loan investment and collection in the SFCLs has been found to have increased by NRs. 62382 thousand and NRs. 46890 thousand per annum at the growth rate of 15 percent and 14 percent, respectively. Similarly, interest collection increased by NRs.14434 thousand at the growth rate of 13 percent per annum. Loan outstanding from investment of external resources amounted to NRs. 102275 thousand with the growth rate of 14.23 percent whereas internal resources accounted to NRs. 36381 thousand at the growth rate 20.12 percent per annum. Investment in SFCLs from internal resources shows positive trend, meaning that dependency on outsiders was decreasing slowly thereby influencing sustainability and viability in the long run. Ratio between internal and external funds shows big gap and account at 26 and 74 percent.

Wernicke (2003) has conducted a research study entitled "Outreach to Rural Clients and Economic Viability" in Rural Finance in Nepal. The major aim of this study is to find-out the program expansion in the countryside and assess the viability of SFCLs.

The research has revealed that SFCLs have been extending credit services to rural populace extensively in income-generating activities such as vegetable production, livestock rearing, tea and daily uses shop, marketing of goods (beaten rice, vegetables and fruits) cottage industries as per their capacity and experiences on the basis of group liabilities without collateral. In addition, SFCLs have been executing saving and credit products to meet the felt needs of poor people. SFCLs have covered 7-8 per-cent market share of rural financing.

The study has suggested that integration of services such as domestic saving, credit and insurance would be useful to reduce the operating cost and maintaining financial sustainability of institutions by active initiation of local people in SFCLs.

Shrestha (2004) has written an article entitled "Role of Agricultural Development Bank in Poverty Reduction through Micro-finance and Social Mobilization Programs in Nepal". The article mentions that among other poverty reduction programs, SFCLs imparted positive contribution to deliver credit in a sustainable manner for the poorest of the poor populace. SFCLs, in particular, have succeeded in their activities due to their participatory planning, active domestic resources mobilization, ample business activities, profit earning, effective human capital formation and sustainable institution building at the grassroots level. In the first decade of operation of the SFCL, it was found to be one of the successful sustainable programs for rural economic development, particularly in poverty reduction venture.

Koirala (2003) highlights that SLCL identified as a best model in poverty reduction and therefore replicated in several adjoining VDCs. For example, in Chhatredeurali, the first of its kind, Kewalpur Women SFCL was established in 1999 and the success of the program in several activities such as saving collection and mobilization, social and community development activities at their village, resulted in replication programs. Similar programs were initiated in VDCs including Prithivinagar (Jhapa), Kumroj (Chitwan), Argyauli (Nawalparasi), Anandaban (Rupendehi) and Attariya (Kailali), resulting in further replication of the programs in the neighboring VDCs.

Devkota (2002) in his article "Concept of Products and Methodologies of Micro-Finance" outlined the concept and methodologies of micro finance program including cooperatives were briefly. Information was collected from research studies concerned including publications by the agencies related. The author has outlined three major principles of the micro-finance: firstly, buying of money which emphasizes collection of domestic savings to accumulate financial resources by paying reasonable interest to the depositors; secondly, selling of the money which stresses on investment of the collected domestic financial resources in micro-enterprises or investment in income generating activities which includes the operational cost and a small margin of profit; and thirdly earning of the money which focuses on receiving the interest and other income from the borrowers and others.

Cooperatives and MFIs generally use some key components such as financial viability, financial sustainability and operational self-sufficiency. Financial viability refers to the stage of MFIs and cooperatives where the income must be equal to or greater its total cost or the income is adequate to meet its all cost. In case of financial sustainability, it is the ability of an MFI and cooperative to maintain or increase its flow of benefits of services through internally generated income or funds. Operational self-sufficiency is a stage when micro-finance institutions including cooperatives cover operating cost such as personal expenses, administration expenses, depreciation, and interest cost of lending, capital and loan loss provision. Financial self-sufficiency is a stage when micro-finance institutions and cooperatives cover all operating cost, inflation and consider the capital of subsidies.

Micro-finance comprises of saving, credit, insurance, social and community development activities whereas micro-credit focuses only saving and credit activities. SFCLs are basically micro finance programs, because they include saving, credit, insurance, social and community development activities. So far, SFCLs have been collecting saving and investing the deposits in agriculture and off-farm activities. While in social activities, it constructed schools, bridges, smokeless stoves, sanitation, drinking water systems, irrigation schemes, and community buildings through massive participation of the local people. Group lending is one of the major instruments of micro-finance program, especially for poverty reduction endeavor and is commonly followed by various agencies.

SFCLs have been applied this approach in credit investment on the basis of group guarantee with the decision of the group members.

NLSS (2004) has considered an annual income of NRs 7,696 as the baseline for poverty definition. As per this standard, some 30.85 percent of the total population is living under this category. According to Purchasing Power Parity calculated on the basis of income of one dollar a day, about 24.1 percent population is living below the income of this category. Poverty analysis needs to incorporate social aspects such as health, nutrition, average life of expectancy, access to school, refutation to live dignified life, social discrimination, existence of deprivation and compulsion to live in destitute and absence of citizen's right etc.

NPC (2002) envisages the major aim of tenth five-year plan (2002 to 2007) to extensively reduce poverty. Hence, it focuses on four pillars — (1) higher, sustainable and wider economic growth (2) social sector and rural infrastructure development (3) targeted programs and (4) good governance. Consequently, poverty has been reduced drastically with the increase in remittance and wages rate by lowering the growth of inflation. Population living below poverty the line has declined to 30.85 percent in 2003/2004 from the 41.76 percent in 1995/96.

MoF (2007) in its annual Economic Survey has presented that 35 of the 450 annual projects implemented during the Tenth Five Year Plan, were related with women, Dalit, indigenous people, Madheshi and deprived communities living in remote areas. Apart from this, Poverty Alleviation Fund Ordinance 2060 had regularized by the Poverty Fund Act, 2063. The major objective of the PFA was to launch programs for the populace living under the poverty line to help fund various programs in the countryside through different community organizations such as NGOs, CBOs, private organizations and local institutions etc. Consequently, 4,615 community organizations were established in 591 Village Development Committees in 25 districts. Altogether 3,941 income generating projects on livestock, vegetable, floriculture, juice processing, wool carpet woven, poultry, bamboo products, pork, fish, retail shops, motorcycle repair and rickshaw etc. aimed at reducing poverty were launched. Basically, ethnic groups such as 44 percent Dalits, 27 percent ethnic groups and 29 percent other poorer participated in these programs. Altogether 65 percent women were involved in the program. Apart from these programs, 109 rural infrastructure development projects on drinking water, small irrigation, small hydro, rural roads, bridges and culverts, schools, health post building were launched across the country. So far 1,38,447 households, including 66 percent ultra poor, 21 percent medium poor, 10 percent poor and 3 percent marginal poor, benefited from these programs.

Nepal's priority has always been to reduce poverty through maximization of agricultural products and shifting crop production towards commercial mode from the existing sustenance basis.

The SFCLs in this context, is very pertinent because its main aim is to facilitate technology transfer to the rural populace with a view to improving

cultivation by multiple fold through adoption of newer technologies and increased input investment.

MoF (2007) in its annual Economic Survey has presented that the cooperatives were initiated in tea-processing factory to meet the growing demand of tea farmers in eastern region. Nepal government provided subsidies equivalent to 25 percent of total cost of machinery or an interest subsidy equivalent to 80 percent of the interest in the loan for the duration of five years. Cooperatives of Illam and Jhapa districts of eastern development region received capital subsidy up to NRs. 300 thousand and farmers' user group got NRs. 100 thousand subsidy in the construction of small irrigation canals. Plans have been prepared for massive extension of micro-credit program in the rural vicinity of Nepal. In total NRs 2.30 billion was allocated in fiscal year 2064/65 for promotion and strengthening of this sector.

APP (1997) has underscored the large potential of institutional credit including cooperatives in the context of economic development of Nepal. It has selected major components to invest credit largely on those areas, which have synergic effect to improve the economic condition of rural populace. In this context, fertilizer was considered as one of the crucial components to increase the production of crops that reduces the poverty by increasing the yield of food crops, cash crops, vegetables and horticulture plants. East Asian countries such as the Philippines, Thailand and Japan had received higher yield from food crops, cash crops and horticulture plants by applying fertilizers. Besides these, other developing countries revealed positive impact of fertilizer application especially in yield increment from the cereal and cash crops. Considering the success of fertilizer application in East Asia, APP proposed application of fertilizer and irrigation in agriculture crops in Nepal for increasing higher yield. APP proposed cooperatives and farmers' groups to construct irrigation canal, digging of shallow tube well and fertilizer distribution effectively across the country. To fulfill of this objective, Small farmers' Cooperative Limited, informal cooperatives and saving and credit organizations were actively involved in rural vicinity. Small Farmers' Cooperative Limited supplied credit extensively particularly in hills in order to promote cash crops such as production of seeds of carrots and radish. In addition, it supplied credit for fruit cultivation, vegetable growing, potato cultivation, tea plantation, cardamom cultivation, ginger cultivation and other cash

crops. Although, credit supply in this activity revealed very unsatisfactory due to the lack of trained manpower to process the loan, no clear policy guidelines and lack of adequate fund for the investment in this activity. Loan investment need to be increased both from banks, cooperatives and informal saving and credit organizations extensively. APP proposed cooperatives particularly to manage the marketing of livestock products such as milk, ghee, meat, eggs and wool etc. In addition, credit supply from formal sectors and micro finance including cooperatives required largely to fulfill the credit requirement of livestock farmers. For promotion and strengthening of livestock activities, banks, cooperatives as well as saving and credit organizations can play crucial role for delivering credit effectively in order to raise improved livestock breed. Out of total credit disbursement, livestock sector occupies 20 percent share. Nevertheless, refinancing in same animal is a big problem where a single unit of animal is being financed two or more times by the banks as well as cooperatives.

The perspective plan has further mentioned that agriculture is an engine of growth and that it has multiplier effect on economic development by creating productivity, production and employment generation. Considering its prime role in economic development, APP has focused to grow agriculture commodities such as high value cash crops, vegetables and fruits. It has expected a growth of economy by 5 percent per annum. Besides, it focused to implement small and medium scale enterprises in the rural areas. APP has undertaken the major aim to reduce poverty through creating employment in agriculture and cottage industry sectors. The plan has cited developments in Taiwan, Thailand, Punjab, Kenya, Costa Rica and Columbia through implementation of agriculture program. It has mentioned that the countries succeeded in effectively eliminating poverty through such programs.

Agriculture road investment constitutes of 20 percent of the priority input investment of first five years of plan. Out of the total investment, one third is in the terai, two thirds in the hills and mountains. Around 40 percent investment increased in the rural road construction. The APP has proposed to increase GDP from agriculture sector merely 5 percent whereas non-agricultural sector expected to increase 14 percent by 2005/06. It has also emphasized to promote cooperatives specifically in fertilizer consumption, livestock production particularly dairy and high value crop production.



Sharma (2004) in his article on poverty reduction mentioned that APP focused to increase agricultural productivity, transformation of subsistence agriculture to commercial farming and marketing of agricultural products through farmers' groups and cooperatives. In addition, it emphasized to reduce the poverty through adoption of high value crops in hills and mountains and use of improved farm practices in terai areas by creating market opportunities etc.

Basnet (2004) in his article Rice Technologies and Their Sensitization for Poverty Reduction mentioned that farmer groups could play important role to increase the production of food crops. Rice is one of the important principal food crops hence the success of increasing its yield certainly helps improve the quality of life. Rice yield was 2.9 ton / ha and was cultivated in 1.6 million hectare land with a total production of 4.5 million mt. It contributed 20 percent of agricultural gross domestic product. In addition, it fulfilled 50 percent calories requirements of the Nepalese people. Nepal registered 49 rice varieties. Healthy seedlings are responsible for half of the production. Rice has been playing catalytic role for poverty reduction endeavor.

Bajracharya et al (2004) in their article Poverty Orientation and Social Inclusion in Sustainable Soil Management Program have mentioned that farmers' groups contributes enormously to execute sustainable soil management program in 12 districts by introducing compost improvement, new crop varieties, and cultural practices in cereal crops, vegetable cultivation, cash crops and executed poverty focused program to improve the livelihood of resource poor farmers. A total of 27 institutions are involved in poverty focused activities in 9 districts during 2003/04. Out of the 993 households, 741 (75%) were involved in livestock farming. Remaining households were engaged in vegetable cultivation, bee keeping and compost making.

Ghimire and Mishra (2004) in their article entitled Role of Jute Production Technologies in Poverty Reduction in Nepal have mentioned that jute farmer groups played a crucial role to increase jute cultivation in eastern development region that succeeded to reduce poverty satisfactorily. Further, they mentioned that systematic research and development work on jute started with the establishment of Jute Development and Trading Corporation (JDTC) in 1974. Five improved varieties of jute such as JRO 624, JRO 7835 and JRO 524 of *Corchorus olitorius* and JRC 321 and JRC 212 of *Corchorus capsularis* released by JDTC and Itahari-1 of *C. capsularis*

and Itahari -2 of C, olitorious released by NARC in 1999 were cultivated. Merely 100,000 farm families were involved in jute production and processing through cooperatives. In addition, jute agriculture generated paid employment to more than 30000 man days per season and around 20,000 workers earned income from 10 jute industries of Morang and Sunsari districts. From these activities, poverty reduction performed satisfactorily in that respective area.

Khan et al (2004) in their article Improved Rice and Wheat Production Technologies for Poverty Reduction, have maintained that farmers' groups involved in assessment and evaluation process of rice and wheat production technology found improvement in production through adoption of improved varieties in the local level. In this methodology, farmers were familiarized with the benefits of the fertilizer, surface irrigation, seedlings, minimum tillage or zero tillage technology.

Neupane et al (2004) in their article Farmer Participatory Research on Grain Legumes for Poverty Alleviation have highlighted that the involvement of farmers' groups involved in integrated crop management technology gave 2 to 3 fold yield increase in chicken pea, 35 to 100 percent in pigeon pea and 11 percent in beans. It reduced the unit cost of production and enhanced the income of poor and marginal farmers. Impact Assessment of chicken pea conducted in Banke, Bardiya, Sarlahi and Mahotari districts noticed that adoption of integrated crop management package increased family income, which contributed to improve the economic condition of poor farmers so far.

Budhathoki et al (2004) in their article, Poverty Reduction of Poor Farmers Through Scaling up the Vegetable Production Technologies, have mentioned that farmers' groups introduced five varieties of tomato (Swarachha, T-5975, Manesha, NS-815 and Bishesh), five varieties of cauliflower ( Rami, White Flash, Silver Cup 60, Tropical 45 days, Jyapu and Milkway ), five varieties of cabbage (NS-21, NS-25, NS-27 and Saint) produced higher yield so that these varieties are useful to reduce the poverty.

Jayaswal (2004) in his article Technology Transfer by New ERA for poverty reduction has highlighted that the New ERA program on demonstration-cum-seed multiplication through the farmers' groups in Dang district during 1991/92 to 1996/97

positively contributed for poverty reduction. The main purpose of conducting this activity was to help poverty reduction through transfer of improved technology. As a result, cultivation area and production of oil seeds increased by 95 percent and 136 percent respectively, but productivity increased only marginally by 20 percent. The major reasons for low increment in productivity were lack of improved technologies, lack of technology transfer, unavailability of good quality seeds, unavailability of fertilizers and inadequate technical support. Nepal Agricultural Research Council has conducted a number of research activities on organic fertilizer by using farmers' group with an aim of improving the living standard of the farmers. The NARC used three replications and nine treatments during 2002 to 2004. Meanwhile, overall post harvest quality of cauliflower curd in terms of size, shape, color, compactness, taste and freshness were found superior from the plot that received compost 20 ton / ha and EM Bokashi 200 gm /plant. On the other these qualities were highly accepted by consumers as well as markets.

ADBN (2004) in its book Success Story has presented a case study on Self-dependency of Piple, Chitwan People. The major aim of the case study is to explore the impact of SFCL Piple. The study used checklist and interactions with members to collect data. The study revealed that the SFCLs had helped in awareness creation, socio-economic development, self-employment, domestic resource mobilization and reduction of overhead cost of institution. SFCL Piple, Chitwan, has contributed on domestic resource mobilization, loan investment and collection, coordination, economic and social development.

ADBL (2004) in the book Success Story has presented a case study on Confidence for Institution Operation in SFCL Sankernagar, Rupendehi. The study has assessed the status of SFCL Shankernagar by collecting information from borrower members. This study revealed that SFCL largely contributed towards empowerment of local women and also helped on better mobilization of domestic resources, created awareness and assisted in agricultural development.

Thakur (2002) in his case study entitled Assessment of the status of Women SFCL of Kewalpur, Dhading promoted by SFCL Chhtredeurali, Dhading, attempted to analyze the cost effectiveness of the SFCLs, the impact of the loans disbursed by the SFCLs and the strength and weaknesses of the SFCL among others.

The study used structured questionnaire to gather information from respective SFCL members and also held discussions with the executive staff of the organization

concerned. Data availed from the secondary sources were also used for analysis purpose. The study revealed that SFCL Kewalpur, Dhading is one of the successful SFCLs promoted by Chhatredeurali SFCL in 1999. Major activities of this SFCL were found to be institutional development, saving collection, small loan investment in micro-enterprises and women empowerment.

The SFCL could make a saving total of NRs 609 thousand from among its 356 members. The SFCL was found to have invested NRs 776 thousand and collected NRs 538 thousand loans while the outstanding loan stood at NRs 741 thousand.

Joshi and Pathak (2002) have conducted a case study on Banking Operation of SFCL Kumroj, Chitwan. Major aim of the case study is to evaluate the status of banking program implemented from SFCL Kumroj. Information was collected from respective SFCL by using checklist and spot observation; discussions with the executive staff members and also secondary information from related agencies were used for analysis purposes. The SFCL had 1183 members who collected a total saving of NRs 588 thousand and made an investment of NRs 8860 thousand. The SFCL could collect NRs 6389 thousand provided as loan while NRs 17894 thousand stood as outstanding loan with an overdue NRs 3495 thousand.

The case study concluded that SFCL Kumroj, Chitwan has succeeded to operate village banking activity at the village level. Major activities of SFCL Kumroj are banking operation, saving deposit, loan investment, awareness development and micro-enterprises promotion at the village level.

Khatiwada and Lamichane (2002) have conducted a case study on Financial Sustainability of SFCL, Annadavan of Rupendehi. The aim of the case study is to identify the sustainability of the SFCLs Annandaban, to assess the impact of the SFCL in the villages and find the problems in the SFCL. Case study conducted by using structured checklist, a survey using random sampling method was also performed. Several secondary data pertinent to the study topic were used and some statistical tools such as mean, percentage and standard deviation were used to analyze the findings.

The SFCL had 861 members and the asset was found to have an outstanding loan of NRs 11052 thousand. The study has revealed an increase in income by 90.13 percent and employment increased by 91.36 percent after the SFDP was transformed into SFCL.

SFCL Annandaban succeeded to incorporate all castes, religions, occupations, and multi-level economic groups and genders in socio-economic development programs. Dependency on external agencies had been reduced gradually. SFCLs are cost-effective and profit receptive. As a result, SFCLs have been acquired 17 to 20 percent profit from their business.

Sharma et al (2002) have published an article on Problems Faced by MFIs in the book entitled Review for Micro-finance Services in the Hills of Nepal. Major aim of the research is to analyze the impact of MFIs in the hills of Nepal. This research study used structured questionnaires to extract relevant data and also secondary information was used for the purpose. The study reveals that political problems, ambiguity in objectives, costly performance, low level of capacity building, lack of committed leadership, low recovery rate, lack of trained manpower and weak governance were some of the problems faced by the MFIs in the hilly region. These problems are found to have been plaguing the MFIs in their every day activities thus affecting their performance adversely.

Dhakal (1999) has written an article entitled Expansion of Micro-finance Services: The Development of Community Based Savings and Credit Co-operatives in Nepal. The article has attempted to assess the contribution of community based savings and credit organizations. Article was published on the basis of research study conducted from CECI.

The study has conducted survey of 13 saving and credit cooperative from the hill and 12 from the Tarai for the study purpose.

The study has concluded that community-based saving and credit cooperatives are basic micro-finance institutions, which have been ameliorating socio-economic condition of rural populace through mobilization of domestic resources.

The survey has indicated that majority of the cooperatives, which were less than five years old had less than 90 members. The cooperatives were found to have high prospects to be operationally and financially self-sufficient with high service quality, depth, length and breadth of outreach. Many cooperatives were found to have financially sustainable by mobilizing savings and investing credit in income generating activities. The study has underscored the need for design and implementation of an institutional support program for cooperative sector. Such a program should be demand driven, responding to desire of the cooperative members

to improve their services to members so as to secure their cooperatives in long run perspective.

Shrestha (1999) has written an article entitled Small Farmers Development Program to Small Farmers Cooperative: A Major Innovation in Sustainable Poverty Reduction at the Grassroots. The article was written on the basis of a case study conducted in SFCLs in Dhading District. Major aim of the article is to find out the impact of SFCLs, which have been found to be the best poverty reduction models of Nepal.

The study, which was conducted through the information provided by secondary source, has revealed that the reason behind the success of SFCLs is the low operating cost, participatory planning, effective implementation of social and economic activities, regular monitoring, domestic saving collection and mobilization of it effectively.

Koirala (2003) in his article Rural Financing in Nepal evaluated the financial position of SFDP. The article analyzed the loan portfolio, income and expenditure of the SFDPs. The study has concluded that after 15 years of operation, SFDPs seemed unmanageable due to their high overhead cost and lack of banking culture so that ADBN introduced Small Farmers' Cooperative Limited by handing over all management and financial responsibilities from SFDPs to SFCLs.

Singh and Dhital (2003) have conducted a case study on Gobardiha and Urahari, Dang, RTC, Nepalganj. Study on the SFCLs in these regions conducted through structured questionnaire. It revealed that financial and institutional problems such as vandalism of SFCL property, no significant enrollment of members, negligible amount of share deposit, lack of awareness, no strong feeling of ownership among members, conflict between the Board of Directors and Staff, lack of coordination, political influence, weak supervision and monitoring were affecting the performances.

Major problems facing these institutions are shortages of financial resources, inappropriate regulation, lack of trust among the general members, limited products, less business and lack of profit motive etc.

In this regard, the study has suggested that the cooperatives should operate in professional ways by creating sound regulatory mechanism. Similarly, government needs to create sound environment for healthy, stable and encouraging growth of cooperatives by formulating proper legal policy and regulatory framework so as to

increase income and employment for poor, disadvantaged and the weaker sections of the societies.

ADBL (2004) conducted an interaction workshop on Problems Identification and Interaction for Alternatives measures of Problems of Small Farmers' Cooperative Limited, Dhading district. Major aim of the workshop is to gather the problems and prospects of SFCLs in Dhading. A report was prepared on the basis of the workshop, which suggested that the major problems facing the SFCLs are weak monitoring, inspection and follow-up system, lack of accountabilities among executive members, poor management system, lack of discipline among employees, no strict punishment and reward system among others. Consequently, overdue loan has been increased alarmingly in SFCLs.

Khatiwada and Prasai (2002) in the review workshop of Small Farmers' Cooperative Limited - 2001/2002 attempted to review the progress of SFCLs.

Major Problems of SFCLs are overdue loan, lack of team spirit among main committee members, increase in delinquency in main committee members and employees, lack of cooperative knowledge among executive members, staff and other general members, increasing of fraud, lack of strong monitoring, supervision and inspection system, lack of coordination between SFCLs and District Cooperative Office, higher interest rate charged on loan, no regularize main committee meeting and increase delinquency loan after handed-over of SFCLs.

Other problems ailing the SFCLs included increased conflict between main committee members and employees, reducing assistance from GTZ, difficulty to collect loan which had been invested without collateral security and lengthy lending procedures among others.

NSAC (1998) has published an article entitled Micro-Credit Program in Nepal in the Nepal Human Development Report.

The article has analyzed the cost of micro-credit service cost in Small Farmers' Development Program, Production Credit for Rural Women and Rural Development Banks which have stood at 12 percent, 42 percent and 10-20 percent, respectively.

On an average, operating cost of these institutions accounts more than 20 percent. Non-repayment loan stands between 10-20 per-cent.

NPC (1998) in the Ninth Five Year Plan has assessed the status of cooperative in Nepal. The document has identified major shortcomings of cooperatives as higher

dependency on government fund, lack of scientific planning, weak marketing mechanisms and no effective cooperative bank. It has stressed the need for investment on diversified products, enlargement of loan size and commercialization of business activities to make cooperatives more effective.

NPC (2007) in the Three-Year Interim Plan (2064/65 – 2066/67), while evaluating the progress of the tenth five-year plan, has underscored the need to improve the access of agriculture and rural credit to the general rural populace. The assessment has shown that the supply of agriculture and rural credit has exceeded the target by 5.5 percent but when assessed in terms of rural credit there is a shortage of credit by 0.1 percent. In this backdrop, the plan has envisaged to prepare institutional set up to coordinate and monitor the cooperatives functions in the country.

DEPROSC-N (1998) conducted a case study on enhancing job opportunities for people to review and assess policies and implementation management of various on-going income generating program, their performance and impact on employment promotion, has used primary sources of information, case studies of seven selected employment generation activities from six districts of Nuwakot, Chitwan, Rupandehi, Parbat, Dang and Dadeldhura to learn from existing employment promotion practices.

The study has analyzed various aspects of employment generation under four headings -- employment and labor market condition, government policies, and employment promotion program and employment generation in practice.

The major recommendations among others are to initiate social mobilization works to promote local self-help groups with economic activity, implement appropriate skill development training programs in combination with the financial facilities to increase agricultural growth and create environment favorable for cooperative movement at the local level.

ADBN (2002) has conducted a study on the role of human and physical resources on the performance of larger branch and sub-branch of ADBN, with the objective to determine the impact of human and physical resources of the performance of field offices.

The study was conducted on the basis of secondary information available from head office and field offices of the ADBN. The study has taken 29 percent samples offices from 41 districts in all development regions.

Variables such as investment, principal collection and interest collection are expressed separately as function of the available human and physical resources.



The study has revealed that loan investment is correlated significantly with all the variables except overdue loan and interest receivable. There is no association between principal collection and interest receivable, interest collection and repayment rate, and outstanding loan and repayment rate. Repayment rate has significant negative correlation with each of overdue loan and interest receivable.

The physical resources contributed markedly for loan investment, principal collection and interest collection purpose of the field offices.

Thakur (2002) has written an article entitled "SFDP the Pioneer of Micro-finance in Nepal" in Micro-finance Development of Nepal. The major aim of the article is to analyze the contribution of SFDP for promoting and strengthening of Small Farmers' Cooperative Limited in the field of poverty reduction of Nepal. Although SFDPs have been implemented across the country for socio-economic development of rural populace but it has suffered from higher overhead cost incurred from the implementation of SFDPs in rural areas. Considering the higher overhead cost of SFDP, it transferred into SFCLs by enhancing the capacity of members with involving them into various capacity development programs such as training, seminars and exposure visit etc. One and half years took for transfer of SFDPs into SFCLs.

Shrestha (2002) has written an article entitled "Micro-credit Development Program for Women's Empowerment in Nepal" to analyze the status of women empowerment those have been participated in micro-finance programs. Micro-finance programs are major catalytic institutions in the context of women empowerment. From these programs, women are participating saving and credit activities, attended in-group meeting, interacted with each other and participated in grassroots level constituency agencies such as ward, Village Development Committee and Municipalities etc. Thus, Small Farmers' Development Program assisted to empowerment of women across the country. Despite its contribution in women empowerment as well as socio-economic development of rural populace, SFDPs were transferred into SFCLs to minimizing operating cost. Moreover, SFCLs are implementing at grassroots level to provide wholesale credit and improve socio-economic condition of rural populace.

Neupane (2002) has written an article entitled "Micro-credit Program in Nepal". Major aim of the article is to assess the financial sustainability of SFCLs. Small Farmers' Cooperatives are managing from the people of grassroots level by

themselves. They hired the few local administrative staff to operate day-to-day activities of SFCLs. Due to the involvement of local staff, overhead cost of SFCLs reduced drastically. On the other, Small Farmers' Cooperatives have been implementing its program under the close monitoring and supervision of executive committee and sub-committees. For auditing of its income and expenditure, External auditors hire every year from the general assembly of SFCLs.

Thapa (2003) has written an article "An impact of Institutional Development Program: A Case Study of Small Farmers' Cooperative Limited, Uttarganga of Surkhet. Major objective of the article was to explore the socio-economic impact of Small Farmers' Cooperative Limited Uttarganga, Surkhet. Small Farmers' Cooperative Limited, Uttarganga Surkhet is one of the pioneer programs of poverty reduction of Surkhet District. It transferred from Small Farmer Development Program in 1997. This cooperative has fully managed by women members. It is one of the women dominated Small Farmers' Cooperatives of Nepal. Due to the active involvement of women in the program, this SFCL achieved remarkable performance on loan investment, collection, domestic resource mobilization and socio-economic development. Investment and outstanding increased by three and one and half fold more. In the context of loan collection, principal and interest increased by 443 and 422 percent respectively. Repayment rate increased seven percent and overhead cost maintained at 1.5 percent. Finally, profit stood at NRs. 731,000. It empowers the women themselves to participate in local community and economic development activities. In addition, leadership development and community awareness program are highly satisfactory. Great sense of self-reliance, high degree of accountability, pro-poor pressure and higher level of motivation towards the socio-economic of an individual as well as community as a whole are major impact of SFCL Uttarganga, Surkhet.

ADBL (2002) published a Report on Executive Development Program for Promotion and Development of Cooperatives and Rural Development Institutions. The major objective of this report is to find-out the best innovative activities of cooperatives being implemented in South Asia. Out of various cooperatives activities being implemented in south Asia, Small Farmers' Cooperative Limited is one of the innovative model, have been managed by local people themselves. For promoting and strengthening of SFCLs, Sana Kisan Bikas Bank Limited (SKBBL) was established legally in July 2002.

Barma (2002) has written an article entitled "Status and Potentiality of Micro-finance Program". Major objective of the article is to assess the status of micro finance programs of Nepal. Among various micro finance institutions, Small Farmers' Cooperatives have recognized as one of the specialized micro-credit lending financial institutions of Nepal. These institutions are providing the credit to the poorest of the poor populace in the groups without collateral. In addition, Small Farmers' Cooperatives have envisaged major aim to implement social and community development activities in rural areas. To promote and strengthening of Small Farmers' Cooperative Limited, Small Farmers' Development Bank registered under the Company Act, 2053. Nevertheless, it has been operating under the rules and regulations of Development Bank Act, 2052. Paid-up capital of Small Farmers' Development Bank accounts NRs. 98.71 million out of total share capital of NRs. 120 million issued. Share contribution in paid-up capital includes 70.91 per-cent from ADBL, 20.26 per-cent from Nepal Government, 5.06 per-cent from NBL, 2.03 per-cent from NABIL and 1.74 per-cent from SFCLs respectively. The Board of Small Farmers' Development Bank comprises of seven members including three members from the ADBL, two members from the SFCLs and one each from Ministry of Finance and Commercial Banks.

Mahato (2002) has written an article entitled Status and potentiality of Micro-finance Program in Nepal. The major aim of the article is to identify the status of micro-finance programs with reference to Small Farmers' Development Bank. The study has identified that Development Bank has been performing various activities such as delivering wholesale credit, regularizing monitoring, supervision, follow-up and inspection of SFCLs, organizing training programs, coordinating among financial and development agencies, mobilizing domestic financial resources and promoting financially viable financial institutions at grassroots level with the active participation of local people

Sah (2003) in his article Target Participation in Social Mobilization Process in Nepal has focused on the level of participation of the target group in social mobilization process. For this, he has taken 33 social mobilization agencies covering 25 VDC, which are operational through the support of the government, NGO, donors and banks. Major objective of the research had envisaged investigating the operational effectiveness of social mobilization agencies at grassroots level. Research study of UNDP supported Social Mobilization Agencies (SMAs) has revealed positive results

on development of ownership feeling, effective federation, good governance, financial discipline, gender balance and sustainable development. Consequently, possibility of financial linkage between Small Farmers' Development Bank and Social Mobilization Agencies revealed abundant scope. Hence, most of the micro-finance institutions have good capacities on credit investment, awareness development and involvement of large number of rural people in the MFIs. Ninety percent of the households participated in groups from program areas. Village group members deposited NRs. 9 million. Of this total amount, 96 percent invested in income generating activities, one percent in bank and three percent kept as cash at hand. Forty-two percent of total saving belonged to women members. In total NRs. 26.7 million was spent for the construction of 86 water schemes with the participation village groups. From these schemes, 3874 (63%) households were benefited from the program areas. The study however has revealed that the social mobilization programs are being applied in districts with duplication and complication.

Singh and Dhital (2003) conducted a case study on impact of Facilitators on Small Farmers' Development Program. Major objective of the study is assessed the impact of Facilitators in Small Farmers' Cooperative after they got institutional development training. The study has revealed that the facilitators are major catalytic agents for promoting and strengthening of Small Farmers' Cooperatives Limited at the grassroots level. They conduct awareness development training to the general members and also assisted to increase the members in SFCL, conduct meetings and also help collect savings and invest loan in income generating activities.

Sainju (2003) has written an article entitled "Banks must learn from their Experiences". This article has tried to identify the status of saving and credit cooperatives and self-help groups being implemented in countryside. Meanwhile, these institutions are collecting large amount of domestic resources amounted to over 3 billion rupees from 20, 000 groups.

Khatiwada (2002) has written an article entitled "An Overview of Rural Financing in Nepal: Cooperative and Micro- finance Perspective". This article has aimed to identify the accessibility of rural credit in Nepal. After execution of economic liberalization policy in mid-1980s, financial institutions were opened massively for poverty reduction purposes. Altogether 16 commercial banks, 16 development banks, five Rural Development Banks, 52 Finance Companies and 34 Financial Cooperatives were authorized by the Nepal Rastra Bank. With its

expansion, total deposit increased by 20-fold (NRs. 200 billion) in July 2000 as compared to 1985 (less than NRs.10 billion). Likewise, credit investment also increased by 24-fold from less than NRs. 8 billion in 1985 to NRs.190 billion in July 2000. Despite the increase of financial institutions and their financial resources, the poor are still not getting adequate credit from these institutions, because these are concentrated only in urban vicinity.

More than 1971 Saving and Credit Organizations (SCOs) have been operating in rural Nepal to cope the challenges of inadequate financial services with a view to mitigating poverty in rural areas by July 2001.

Dhakal (2002) has written an article entitled "Marketing in Nepalese Micro-finance Institutions". This article has tried to assess the status of micro-finance institutions. Over the last decade, micro-finance institutions (MFIs) have been established in an encouraging manner and as a result, their outreach has also expanded so far. Altogether more than 6, 30000 small farmers were involved in MFIs by 2002. MFIs have succeeded to improve the income level, increase nutritious food supply and raise living standard on the one hand and decrease infant mortality, reduce maternal death, decline birth rate, increase family planning practices, improve health and sanitation and increase schooling of children including daughter on the other. Nepalese micro-finance includes government initiated model like Grameen Bikas Bank and semi-formal sector like NGO, SCC model–external fund-supported including SFCL, MCPW and RSRF of government program, micro-finance development bank and NGO/SCC model organization from internal model–indigenous NGOs, SCOs and SCCs.

SFDPs were transferred into SFCLs as per the Cooperative Act, 1992. Moreover, SFCLs are implementing under the rules and regulations of Cooperatives. SFCLs need to focus participatory planning process to incorporate the programs of grassroots people extensively.

Shrestha (2003) has written an article on Nepal Rastra Bank and Strengthening of Rural Financing System in Nepal. The article has aimed to identify the sustainability of micro-finance institutions. The study has revealed that registered cooperative societies such as SFCLs, Saving and Credit Cooperatives and Nepal Rastra Bank licensed rural-based saving and credit cooperatives and financial intermediary NGOs (FI-NGOs) have been playing major roles for providing credit in rural areas of Nepal to improve socio-economic condition by human capital

formation, technological transformation with disseminating improved breeds, seeds, fertilizer, pesticides, irrigation facilities and developing micro-enterprises etc.

Dhakal (2004) has written an article entitled "Micro-finance for Achieving Millennium Development Goals in Nepal". The major aim of this article is to assess the growth of micro-finance institutions in Nepal. The article has mentioned that MFIs reached to 128 Small Farmers' Cooperative Limited, 183 Small Farmers Development Project, 44 Financial Intermediary NGOs, 1800 Savings and Credit Cooperative, four Micro-finance Development Banks and Five Grameen Bikas Banks in 2003. Moreover, these institutions also have been facing great challenges to incorporate all the needy rural populace where poverty is rampant everywhere either rural or urban vicinity.

Acharya (2003) in his research study entitled "Financial Institutions working in Rural Areas are Facing Challenges for Financial Viability", has used secondary data to analyze the challenges faced by the MFIs including the SFCLs. He has identified the financial sustainability of micro finance institutions as the major problem facing MFIs, which are also concentrating in the urban areas due to the high business potentiality and ample profitability from the investment. The researcher has concluded that the MFIs operating in the rural areas are facing the problem of high overhead cost and more risk.

Thapa (2003) has written an article entitled "To Uplift the Unprivileged Poorer in Rural Areas". The aim of the article is to assess the contribution of MFIs in poverty reduction. Despite the large contribution by the SFDPs in socio-economic development of rural populace, the program was transferred into SFCLs, particularly to augment the program's financially sustainability.

ADBN (1993) has published the By-laws of the Small Farmers' Cooperative Limited to provide basic rules and regulations of the cooperatives. General assembly is one of the most powerful authorities of SFCLs. It has full authority to prepare policies, procedure of SFCLs on the one hand and an approval of last year's expenditure and current year's program and budget on the other. Apart from this, it nominates auditor and finalizes staff salary for the current year. There must be at least 25 general members to be registered as a cooperative institution. General assembly is organized once a year at the end of fiscal year. General assembly elects the members of main committee including Chairperson, Vice-chairperson, Secretary, Treasurer and Members from among the general members. Management of SFCLs is guided and

controlled by the main committee, so that certain accountabilities such as office management, accounting and loan management are handed-over to the staff of SFCLs. The main committee is fully accountable to loan investment, collection and enrollment of new members. Major functions of the main committee are loan investment, collection, and domestic resource mobilization, meeting organization, coordination, supervision, and follow-up and monitoring. In addition, executive committee could implement awareness development activities, empowerment development and community mobilization activities for development of their respective areas. Inter group is a structure of ward-level unit comprising executive committee from the representatives of small farmers' groups of village level. Major functions of inter group are coordination between main committee and small farmers' groups, implementation of community development activities, verification of new members, mobilization of saving and credit activities in their respective groups. Small farmers' groups are the units at the grassroots level and comprise executive committee from the people of similar economic condition, ethnicity, occupation, geographical location and social status. The major aim of the groups have been undertaken as saving collection and mobilization, loan collection, supervision and monitoring, implementation of social, community and economic activities at grassroots level.

Under the organizational structure of SFCLs, sub-committees such as account and supervision committee, loan committee, livestock insurance committee, advisory committee etc are formed to regulate daily affairs. All committees comprise three members including Coordinator. Members of account and supervision committees are chosen from the general assembly. In SFCLs, general assembly is an apex body that formulates policies, procedures, vision, mission, rules and regulations. Of the total attained members, fifty-one percent is considered as an eligible majority to undertake the decisions in general assembly except for dissolving the institution. Decision made by general assembly is considered as major guidelines for main committee of SFCLs. According to Cooperative Act, 1992, general assembly is a major responsible body of SFCLs. It makes rules and regulations of institutions, elects executive committee members and the members of account and supervision committee. In addition, it should make the approval of expenditure of the past fiscal year and the annual plan, program budget, staff salary and expenditure of coming year.

Executive committee can be dissolved if majority of the general members approve the decision. Duration of executive committee and other sub-committees

would be fixing by the general assembly. Generally, duration of committees is fixed at approximately three years.

Shrestha (2007) has conducted a research study entitled “Financial Performance of Micro finance Institutions with Special Reference to Small Farmers’ Cooperative Limited (SFCL) in Nepal”. Objectives of the research study were (i) review the overall status and activities of micro finance institutions in Nepal, (ii) analysis the financial performance of Small Farmers’ Cooperative Limited with particular reference to loan investment, repayment rate, profit and overhead cost, (iii) examine the relationship between social mobilization and financial performance of SFCL and (iv) analysis problem and prospects of SFCL with respect to its financial performance and also recommend appropriate strategy for improving its overall performance.

In the research methodology, field survey was used as a major information collection method, for this purpose, structured questionnaire and formats were used. Secondary information was collected from concerning offices. Dependent and independent variables were specified for analysis purpose. Under the dependent variables, loan investment, repayment rate, profit and overhead cost were selected whereas for the independent variables groups, collateral, loan, women client, main committee meeting per year, skill development trainees, saving amount, internal resources, social and community development and activity had selected for the analysis purpose.

Altogether 128-sample stakeholder had chosen for information collection purpose. Sample SFCLs selected by using the stratified clustering method.

Research study investigated that training is major independent variable that is significantly correlated (at 0.05 levels) with three important performance indicators such as loan investment (INV), repayment rate (RR) and profit (PR). Internal resource (IR) revealed second most important independent variable that significantly correlated with two dependent variables such as loan investment and profit. Saving is the third most important independent variable, which significantly correlated with the dependent variables such as loan investment. Loan number revealed fourth most important independent variable that significantly correlated with dependent variable such as investment. From the regression analysis, research study investigated that dependent variable such as investment influence by four independent variables such as women clients, skill development, trainee, internal resource, and social and



community development since the significance F in the ANOVA table was 0.0000 that was less than level of significance. Similarly, repayment rate (dependent variable) had influenced by two independent variables such as loan investment and skill development of clients. Overhead cost was not influenced by any independent variables. Finally student's t-test was carried out to investigate the differences in the mean level of investment, repayment rate and profit of the SFCLs of hills and terai. Research study further investigated that there was no significant difference in mean levels of loan investment, repayment rate and profit between hills and terai.

Research study covered large number of SFCLs from hills and terai, as a result field survey revealed very broad.

ADBL (1999) has published a report on Brief Introduction on Institutional Development of Small Farmers. The publication has attempted to justify the reasons for hand-over from SFDP to SFCLs. Basic reasons behind transfer of the SFDPs into SFCLs are to promote grassroots level self-help institutions, enhance the managerial capacity of local people, operate SFCLs by the members themselves and to perform the role of financial intermediaries between bank and small farmers by taking wholesale loan from the ADBN as a whole sellers and invest that loan to their members as a retailers.

CTI (1995) published a report on Small Farmers Institutional Development Programs. The report has examined the differences between SFDP and SFCLs. Major differences between SFDP and SFCLs are that SFDPs operated under the directives of ADBN and included only groups and SPOs and were manage by the ADBN staff, which resulted in very high operation cost, whereas SFCLs are operated under the directives of small farmers, in which, these institutions comprise groups, inter-groups and main committees. Apart from this, financial resources have been upgraded from group savings, shares, inter-groups and main committee fund. Local people have been managed these institutions by themselves at the lower operating cost.

SFDC (1996) has published a report on Institutional Development Program of Small Farmers Development Program. Major aim of this report is to assess the importance of institutional development of SFCLs. The report has mentioned that the major objectives of institutional development are to promote grassroots level self-help financial institutions by developing leadership capability, managerial skill and operate the financial institution independently at the local level to fulfill the demand of credit

of rural populace and reduce operating cost of the program by managing institution through local people.

Wehnert (2003) has written an article on "Outreach to Rural Clients and Economic Viability". Major aim of this article is to identify the mechanism of financial sustainability of SFCLs. The article has suggested that integration of services such as domestic saving, credit; insurance and participatory management by local people would be useful to reduce the operating cost and maintaining financial sustainability of SFCLs.

Bashyal (2005) has conducted a research study entitled "Impact of Micro credit Programs on Poverty Alleviation in Nepal: A Case Study of Rupandehi District". Objectives of this research study were (i) to analyze the existing models available in Nepal and their outreach i.e. total operation and ecological coverage of the program, (ii) to assess the impact of micro finance on economic and social aspects in client's life, (iii) to assess women's empowerment through improvement in gender equity and decision-making role of women, (iv) to investigate the impact of micro finance on forest resource management and (v) to develop required policy measures with appropriate model to make micro finance sector a wider outreach business identifying the key issues at various levels.

Primary and secondary information were used in the research. Under the primary data collection, standard survey formats were used. Both quantitative and qualitative data were collected by interviewing and also organized focus group discussion. Study area selected purposively. In secondary source, various micro finance related information collected from different agencies of government and non-governmental organizations. Analysis had done on the basis of mean and percentage. In addition, some important analyses were presented in the graphs.

This research study investigated that micro finance institution provided credit services hardly 35 percent to the poorest of the poor populace. Many poor people are still away from the micro finance services due to the lack of basic services, inadequate investment for capacity building of the financial intermediaries, lack of coordination among various government agencies and lack of core capital to meet operating cost of many small MFIs. However, this research study focused on qualitative analysis so that it had not analyzed dependent variables such as loan investment, repayment, delinquent, outstanding, interest income and profit with independent variables such as group meeting, training, representation, gender, group guarantee, duration, policies,

coordination, technical assistance, and monitoring and supervision etc. Likewise advanced statistical analysis tools such as multiple regressions, correlation, zero order correlation matrix, z- test, f- test, student's t test were not used.

Bajracharya (2005) has conducted a research study entitled "Poverty and Environment Inter- Linkages: A Case Study of Palpa". Major objectives of the research study were (i) to assess the trend of poverty in Palpa, (ii) to examine the trend of environmental status in Palpa and (iii) to evaluate the inter- linkages between poverty and environment in Palpa. Data were collected from primary and secondary sources. In the primary source, household survey was conducted in Palpa district by using the structural questionnaire. Sample VDCs had chosen by stratified clustering method. For the secondary data, information collected from district, national and international agencies.

Some important statistical tools were used in data analysis. Basically, they were: Gini coefficient, coefficient of multiple determinations, adjusted coefficient of determination, t- test, chi-square test, the regression equation of y and x, multiple regressions and Karl Pearson's coefficient of correlation, f-test, total sum of square, sum of square of variation in columns, some of square of variation in rows and adjusted coefficient of multiple regressions.

Finally, this research study investigated that there is negative relationship between poverty and agriculture productivity. The findings of statistical analysis clearly revealed that R (.195), R square (.38), adjusted R square (- 0082) and F-test (.317). Pearson correlation coefficient is equal to .195 and significant (2 tailed). 589. Despite using various statistical tools, this research study were not analyzed the dependent and independent variables.

Raut (1999) has written a book entitled "Possible Banking for Poor". The book has identified effective mechanisms for sustainability of MFIs. The author has mentioned that institutional sustainability fully depends on pragmatic vision, effective human resources development, need-based program, efficient organizational structure, proper coordination, appropriate strategies and effective implementation of plan.

Financial viability determines the status of collection rate, annual credit investment, non-performing assets and operating cost including cost of fund, depreciation, and annual inflation rate.

Acharya (2001) has written an article on "Poverty in Nepal: Challenges, Efforts and Remedies". Major aim of this article is to identify the activities of Small Farmers' Cooperatives. SFCLs have envisaged major objectives to promote self-help institutions at grassroots level thereby supporting small farmers particularly with credit facilities to assist in social and economic development, physical infrastructure development, women empowerment and community awareness development etc.

Staschen (2001) has conducted a study on "Design Savings , Loan and Insurance Products" to identify the major saving and loan products of SFCLs. The study has mentioned that among various savings, child saving is especially designed to initiate saving habit for those who are below the age of 16 years by providing box with pledging amount of NRs.50. Children can draw their deposit after the saving reaches to NRs. 500. Every month children carry saving box to the bank and then accumulated their savings in their respective account.

Personal Saving (Pewa): is basically designed for women. They deposit their earning in their account.

Older Age Group Saving: This is one of the very important savings initiated almost all SFCLs by encouraging older people above the age of 50. Main purpose of this saving scheme is to fulfill the requirements of older age people regarding celebration, travel in religious places and casualties. Savers should form medium-sized groups and then, start to deposit affordable amount per member per month in their account. Six to 10 per-cent interest rates is provided on their deposit accounts.

Saving product is one of the very important internal resources of SFCLs. It is used for lending purposes in income generating and social activities in order to improve the livelihood of rural populace. Group savings are also considered as the collateral of credit; hence it creates group pressure among the group members. Finally, savings consists of group savings, individual savings, inter-group savings, user group savings, consumer security fund, staff provident fund, forest users savings fund, elder age group savings, pewa savings, institutional savings and child-box savings etc. Average deposit per member amounted to NRs. 2,613.

ADBN (2003) has published "Operation Manual of Micro finance" with an aim to allocate lending amount of SFCLs. This manual has made the provision to invest NRs. 5000 thousand to the SFCLs from ADBL at the interest rate of 15 per-cent.

Interest could be subsidized by three percent to the SFCLs when they repay the loan on time. Loan committee of respective offices such as Sub-branch, Branch, Main-branch and Regional Offices are authorized to approve the loan amounting to NRs. 1500 thousand, 3000 thousand, 3500 thousand and 4000 thousand, respectively.

Pradhan and Banjara (2002) have conducted a case study on Domestic Financial Resources Collection and Mobilization in SFCL, Rupendehi. Major aim of the case study is to assess the saving deposit of SFCL, the role played by the institution in mobilizing internal capital, and the initiatives taken by the SFCL to encourage saving and to identify problems faced in saving.

The study has used primary and secondary data for study purpose. Random sampling method was used and 10 members each of 10 SFCL groups were interviewed.

There was a share amount of NRs 172 thousand; savings was NRs 983 thousand and the outstanding loan stood at NRs 12706 thousand.

The study has suggested that two major saving schemes were found to be more effective viz, individual and group savings.

Forster et al (2004) have written an article entitled "Financial Profitability" by analyzing the concept of financial sustainability of MFIs. The authors have suggested that there are two level of financial sustainability. One is operational self-sufficiency and another is financial sustainability. Operational sufficiency means income of SFCL should enough to cover of administrative or operational expenses whereas financial self-sufficiency means its income should meet to whole expenses such as administrative expenses, cost of inflation, loan losses and market cost of the fund.

Small amount of saving is a major financial resource of cooperatives. Initially, cooperatives were operated by voluntarily. Credit union received grants from the donors amounted to US\$ 100,000 for implementation of socio-economic activities.

Shrestha (2002) has written an article entitled "Challenges of Management in Nepalese Micro-financing Institutions for their Sustainable Development". Major aim of this article is to assess the management practices of MFIs. Most of the Nepalese MFIs are operating traditionally. They were not applied advanced management information system, no computerized their information, lack of professional manpower, less productivity and undergone in higher over-head cost. Due to these problems, SFCLs are not financially viable.

ADBN (2002) has published a research study on Agricultural Development Bank on the Path of Financial Sustainability. The main objective of the study was to provide credit for enhancing production and productivity of agricultural sector and development of rural areas. The study has concluded that the implementation of reform program is strenuous task in a financial institution like the ADBL with a huge and scattered network as well as large number of staff. The data for the analyses of the program was collected through secondary sources.

Wehnert and Shakya (2001) have published a research study on "Are Small Farmer Cooperatives Ltd. (SFCLs) Viable Micro finance Organizations?" This research study was carried-out from the comprehensive financial analysis of 33 SFCLs. Results showed that saving collection in SFCLs increased by 191 per-cent by 1999/00, as a result deposit reached NRs. 1,159 thousand from NRs. 398 thousand in 1996/97. During four years period, individuals' deposit increased up to NRs. 1950 in 1999/00 from NRs. 554 in 1996/97. At the same duration, credit investment increased by 47 per-cent. An average loan borrowing and saving deposit in female groups were NRs. 14167 and NRs. 2820 in 1999/00 as against the NRs. 7044 and NRs. 621 in 1996/1997 respectively. Loan outstanding of the SFCLs increased from NRs. 6.1 million in 1996/97 to NRs. 7.2 million in 1999/00. Overdue loan ratio in the terai based SFCLs reveled 16 per-cent whereas in the hill based SFCLs stood at 11.9 per-cent. Operational self-sufficiency level increased from 40.3 per-cent in 1996/97 to 122.2 per-cent in 1999/00. SFCLs have been achieved satisfactory result on collection of domestic savings and mobilization of financial resources on the one hand and improvement of quality credit transaction, equity capital formation and operational self-sufficiency on the other. Total savings increased by 50 per-cent, overdue loan decreased by 14.1 per-cent per-annum, financial self-sufficiency level crossed more than 100 per-cent.

Koirala (2003) has written an article "Financial Sustainability of SFCLs" to assess the financial sustainability of respective institutions. Domestic saving is one of the major assets of SFCLs, which reached NRs. 238.83 millions (25 percent of total outstanding loans) in 33 SFCLs. Investment, collection and outstanding amounted to NRs. 1.83 billion, NRs. 1.40 billion and 0.98 billion respectively by the year 2002. Approximately, 70 per-cent SFCLs are found financially viable having more than 70 per-cent repayment rates. Out of 128, eleven SFCLs have been operating limited

banking program with the approval of NRB, in which, these institutions collected deposit over NRs. 14 million.

Wehnert and Shakya (2003) have conducted a research study on "Financial Ratios" The major aim of this study is to evaluate the financial status of SFCLs. The research study was carried-out by collecting loan, collection, overdue, income and expenditure information of 77 SFCLs. As per the analysis, it is found 81.3 per-cent in E1 (calculated by net outstanding loan balance/total assets), 15.7 per-cent in E2 (calculated by total deposits/total assets, 69 per-cent in E3 (calculated by borrowed fund/total assets), 1 per-cent in E4 (calculated by paid up capital/total assets) 110 per-cent in E4 (calculated by total capital fund/overdue loan), 22.5 per-cent in E5 (calculated by total internal source/outstanding loan balance), 83.7 per-cent in E6 (calculated by total deposit/total internal source), 7.1 per-cent in E7 (calculated by total paid up capital/total deposit) and 4.1 per-cent in E8 (calculated by total capital fund/total assets). Similarly, performance of asset quality (A) is revealed 20 per-cent (calculated by total overdue loan/total outstanding loan) whereas performance of rates of return (R) is maintained 13.6 per-cent in R1 (calculated by income from loan business/average outstanding loan), 7.4 per-cent in interest expenses in R2 i.e. calculated by deposit/average deposit balance), 12.7 per-cent in R3 (calculated interest expenses on borrowed loan / average borrowed fund), 2.5 per-cent in R4 (calculated total operating expenses / total average assets) and 11.8 per-cent in R5 (calculated by total financial expenses / average non capital fund).

Likewise, liquidity (L) is found 18.6 per-cent (calculated by total liquidity assets / total deposit). Signs of growth (S) is found 15.3 per-cent in S1 (growth in total assets), 12.2 per-cent in S2 (growth in outstanding loan balance), 21 per-cent in S3 (growth in deposits), 9.6 per-cent in S4 (growth in borrowed fund), 31.0 per-cent in S5 (growth in paid-up capital), 1.4 per-cent in S6 (growth in membership), 18.2 per-cent in S7 (growth in operating expenses) and 50.7 per-cent in S8 (growth in total capital fund). Finally, operating and financial self-sufficiency ratios have stood at 85 per-cent and 82 per-cent respectively.

Pokharel (2006) in his book Analysis of Pearls Monitoring System has mentioned that Dave Richardson had initiated pearls monitoring system in 1980. Firstly, it was applied in credit union in 1990 and is very effective for performance evaluation of SCO cooperatives. Pearls are considered as the strong monitoring

system in the comparison of other. Basically, pearls include protection (P), effective financial structure (E), assets quality (A), rate of return and cost (R), liquidity (L) and sign of growth (S). Among these indicators, protection (P) measures the status of loan portfolios and protection (P) assesses the status of loan investment intensively to maintain it in the right position. Characteristics of Protection (P) are to:

- a) Secure loan and saving,
- b) Increase assets quality,
- c) Maintain provisioning amount,
- d) Encourage for loan collection and
- e) Increase income.

Likewise, effective financial structure (E) evaluates the status of assets. Among different assets, saving is considered as the major assets of the SCO cooperatives; eventually it requires maintaining at least 70 to 80 percent of total assets.

Assets quality (A) evaluates the status of liquid assets, assesses the status of loan quality and measures status of fixed assets. Meanwhile, loan a major component of the institution so loan investment must be performed effectively so as to return loan easily without managing the provisioning.

Rate of return and cost (R) measures the income and expenditure ratio of the institution. Operating expenses and net profit should maintain at 5 percent and 10 percent of total assets respectively.

Liquidity (L) evaluates the status quick return assets such cash reserve, receivable amount, investment in bond and securities etc, principally these turns out immediately in the liquid form. Liquid assets, however plays great role for increasing the trust of the members, uses to invest loan in further activities and makes easy for future payment etc. It needs to maintain at 20 percent of total assets.

A sign of growth (S) evaluates increment of activities regarding saving, share, loan repayment capacity and new members entry in the organization



etc. It requires to increase at least 10 to 12 percent annually for making cooperatives financial sustainable so far.

GTZ (2007) conducted a comprehensive financial analysis of 145 SFCLs. The study revealed that more than 81.40 percent SFCLs have good loan whereas 5.40 percent SFCLs had sub-standard loans and 13.20 percent SFCLs had doubtful loans. The Nepal Rastra Bank directives requires one percent provisioning for good loan (no overdue loan and less than three month over due loan), 25 percent for sub-standard loan (3 to 6 months overdue loan), 50 percent for doubtful loan (6 to 12 months overdue loan) and 100 percent provisioning for bad loans (more than 12 months over due loan).

GTZ study shows that 99 percent category 'A' SFCLs have good loan whereas category "B", category "C" and category "D" have 93.30 percent, 81.10 percent and 30 percent good loans respectively.

Likewise, substandard loan was found to be 0.3 percent in category "A", 3.60 percent in category "B", Zero percent in category "C", 8.50 percent in category "D". While doubtful loan stood 0.2 percent in category "A", 3.10 percent in category "B", 13 percent in category "C" and 27.20 percent in category "D" SFCLs.

Furthermore, research noticed that category "A" had 100 percent provisioning whereas category "B", category "C" and category "D" SFCLs had 90 percent, 10 percent and zero percent provisioning respectively. Eighty percent category "D" SFCLs has a negative loan loss reserve.

Only 41 percent invested loans are being utilized by category "D" SFCLs, meaning that Small Farmers' Development Bank and Agricultural Development Bank Limited loans are in the high risky position because most of the loans invested from these institutions were borrowed from Category "D" SFCLs.

On the other this category "D" SFCLs start to eat core capital such as share and other available resources, but category "A", category "B" and category "C" have adequate capital fund so far. In case of operational self-sufficiency level (OSS), more than 43 percent of SFCLs have more than 100 percent operating self-sufficiency. Monthly interest repayment maintained from category "A" SFCLs as 96.7 percent

whereas category "B", category "C", category "D" SFCLs stood as 67.1 percent, 43.5 percent and 29.8 percent respectively.

Interest payment from the borrowers was found 95 percent in category "A", 67 percent in category "B", 43.5 percent in category "C" and 29.6 percent in category "D" SFCLs, whereas percentage of interest payment to the bank revealed 100 percent from category "A", 98 percent from category "B", 92 percent from category "C" and 65 percent from category "D" SFCLs.

Low category SFCLs have higher staff and operating cost in the comparison of category "A" and category "B" SFCLs. Consequently, category "C" and category "D" SFCLs have more than 4 percent operating expenses i.e. higher than the interest margin.

Shrestha (2002) has written an article entitled "A Case Study on Women Small Farmer Development Project, Motipur, Morang" to analyze the status of Women Small Farmers' Development Project, Motipur, Morang promoted by ADBN. This program is considered as one of the major successful poverty reduction programs of eastern development region of Nepal. The program has completed all essential requirements to hand-over into Small Farmers' Cooperative Limited. SFCL Motipur performed NRs. 4784 thousand in outstanding loan by July 2003 from NRs. 1300 thousand in July 1999. Repayment rate was placed at 100 percent. Major activities of this SFCL are found to be internal financial resources mobilization, loan investment, collection, and social and community development and women empowerment.

Subedi (2003) has written an article entitled "Small Farmers' Cooperative Limited Dumarwana (DSFCL) An Innovation to Poverty Reduction". Major aim of the article is to assess the impact of SFCL Dumarwana. The article was written on the basis of the case study, which had collected data from the respective SFCL office.

Besides, author interacted with borrower members and he also visited in the credit projects. Small Farmers' Co-operative Limited Dumarwana is established in 1996 having the aim of socio-economic development of rural populace.

The study has shown that the SFCL has performed outstanding achievement on loan investment, collection and domestic saving deposits on the one hand and socio-economic development on the other.

As a result, an outstanding loan of this institution increased by NRs. 12310 thousand by July 2003 from NRs. 4379 thousand by July 1997.

Similarly, receivable interest and overdue loan decreased by NRs. 211 thousand and NRs. 483 thousand by July 2003 from NRs. 418 thousand and NRs. 533 thousand by July 1997, respectively. In the same duration, repayment rate increased by 19 percent.

In addition, this SFCL has been operated limited banking activities so that its deposit reached NRs. 1094 thousand from their group members by July 2002. Profit of this institution reached NRs. 540 thousand by July 2003. Major activities of this institution are dairy development, rural banking, livestock insurance, agricultural activities and cottage industries.

Shrestha (1999) has written an article entitled "Small Farmers Development Program to Small Farmers Cooperative Limited: A Major Innovation in Sustainable Poverty Reduction at the Grassroots".

The article was written on the basis of case study conducted in SFCLs Dhading District. Structured questionnaire were used to collect the information from respective SFCL office. In addition, researchers visited in the credit projects and interacted with loan borrower members. The study has found that poverty reduction oriented programs like Small Farmers' Development Program, Production Credit for Rural Women and Rural Development Banks are suffering from high operating cost. As a result these institutions have big question of financial sustainability in the long-run perspective.

Poverty reduction is the major objective with which economic growth can be attained and for this objective the rural populace must be equipped with better and sustainable tools. In this context, the SFCLs have been functioning as good tool for making farmers to promote collective efforts to help themselves get rid of poverty.

Kunwar (2003) mentions details about the cooperative in rural development as follows:

International Labor Organization recommended that development country can reduce the poverty if they implemented autonomous, economically viable and democratically controlled cooperatives.

As per the World Bank's definition of cooperative clearly mentions that cooperative is an association of persons that forms by the mutual contract and registered under the state.

Self-help groups as well as other many social organizations would fulfill the goal of the cooperatives, are organizing in the communities since long time. As

observing its impact in socio-economic development of rural areas, cooperatives have been implementing massively all over the world in order to poverty reduction endeavor. Finally, cooperatives are implementing with the concept of self-help ness, self-responsibility, democracy, equality and solidarity, mutual collaboration, joint accountability and creating cooperation among the members.

Cooperatives are different types and different nature; those are agriculture input supply cooperative, savings and credit, consumer, housing and handicraft cooperatives.

International Co-operative Alliance, a independent, non governmental association adopted seven principle from the ICA congress in 1995 are (i) voluntary and open membership (ii) democratic control (one member one vote) (iii) member economic participation (iv) autonomy and independence (v) education, training and information (vi) cooperation among cooperatives and (vii) related to the community.

CMF (2005) explores the findings of cooperative research. Major objective of the study was to justify the impact of Saving and Credit Cooperatives (SACCOS) in socio-economic improvement of the low economic household and also identify the support that needed to improve the socio-economic status of rural populace.

Research methodologies of this research were structural questionnaire, participatory rural appraisal, case studies and observation methods.

A total of 600 respondents that included 400 cooperatives members (10 percent of total members) and 200 non-members were selected for the research purpose from four SACCOS.

Research investigated that members borrowed loans for productive purposes, social activities, purchasing and repairing assets and for repaying previous loans. However, large sector of loan borrowed from women in social activities and paying of the previous loans. Research revealed that most of the loans diverted in other needy activities rather invest in the proposed project.

Members of the cooperatives also borrowed loan from the other sources such as banks, cooperatives, saving groups, moneylenders, friends, neighbors and relatives. Non-member households are more dependent on the moneylenders, however member households mostly borrowed loan from cooperatives than the member households. Loan repayment problem is found in non-profitable projects that invested from SACCO.

Training and profit are highly correlated with each other. If members acquired training before implementation of credit project, in such case, members received profit. Research revealed that investment in diversified project also generated attractive profit.

Income of the member households shows higher than the income of non-household members.

Purchasing of assets such as land, gold jewelry, house and vehicles are higher in member households rather than the non-member households. Expenditure in health treatment is less in the member households rather than the non-member households because most of the member households used preventive precaution timely.

Research revealed that members of the cooperatives are aware to send their children including daughter in schools rather than non-members.

Member household used nutrient food such as meat, milk, egg, and fruits than the non-member households. In addition member households constructed cemented with tin roof house than the non-member households.

Women members from the cooperatives are actively participated in decision making particularly in buying and selling assets, borrowing and investing loans etc than the non-members.

Due to the fund mobilization from cooperative, interest rate reduces largely from moneylenders.

## **2.2 International Perspectives in Literature Review**

In the context of cooperative development and promotion across the world, German, United Kingdom, Israel, Japan, United States of America, India and other countries have been playing great role in order to improve socio-economic status of rural populace through this model. Hence, in this section tried to present all cooperative innovations, working process, contributions, problems and prospects of different countries of the world briefly.

World Development Report (2008) has highlighted the concept of micro-finance as to be playing crucial role for providing loans to the poor populace into the groups without collateral. The activities in the micro-finance include savings and credit products, insurance and remittance services. Formal financial institutions like savings and credit cooperatives, rural development banks public, private banks, micro-finance banks, special purpose leasing, housing and consumer finance

companies are licensed and supervised by central authority. Informal sources of financial services include rotating savings and credit associations, moneylenders, pawnshops, friends and relatives. Moreover, self-help groups and small financial cooperatives are in-between financial organizations that provide small loans, collect savings and implement other social activities to improve the livelihood of rural populace.

World Bank (2006) has presented the global history of micro-finance in chronological order as follows:

- At the initial time:** SCOs operated all over the developing world,
- Middle Ages:** Monk created the first official pawn shop in 1462 in Europe and Italy,
- 1700s:** Irish Loan Fund System created by Jonathan Swift provided small loans to poor farmers without collateral,
- 1800s:** Friedrich Wilhelm Raiffeisen initiated cooperative concept in financial system in 1965,
- 1950 – 1970:** Expanded farmers' cooperatives,
- Early 1970s:** Initiated micro-credit in developing countries,
- 1980s:** Improved methodology of micro-credit,
- Early 1990s:** Micro-credit transferred into micro-finance includes savings, credit, insurance and money transfers and
- At present:** Developing countries have been emphasizing financial sectors to work with poor.

Coleman (2002) in his study on “Micro finance in Northeast, Thailand, Who benefits and How much?” has tested the assumption that micro-finance are providing sufficient services to the poor people of the countryside.

The researcher surveyed 14 villages, which were participating in micro-finance program. A stratified sample of 505 households was taken from all 14 villages

and collected the data on household demographic assets and debts, income, expenditure and credit transactions.

The study revealed that the village bank has a large and positive contribution on the value of committee members' household assets and this contribution is primarily on women's assets. Comparing with landed wealth and non-land asset there is a positive and significant contribution on total household non-land asset.

F-test has also shown that the impact on committee members is significantly greater than the other. The impact of the village of banks on household savings is positive and significant for committee households. F-test shows that committee household savings is significantly greater than the other.

Khandker et al (1997) have conducted a study on Grameen Bank; performance and sustainability with a view to understand the meaning of Grameen Bank, its activities and target group, procedures and cost and its sustainability and potential for replication in Bangladesh and elsewhere. The analysis of the study is based on the secondary and primary data collected from sample of branches.

The study revealed that Grameen Bank served half of all villages in Bangladesh in 1994 and it has a network of 1045 branches staffed by 10,861 employees in 1994. It recorded profit at the program level each year during 1986-91, incurred losses in 1992 and again reported profit in 1993 and 1994. It has had a significant positive effect on wages.

The study revealed that the program is able to operate without relying on subsidized fund for the near future. Its success in improving credit to alleviating poverty has led to its replication in other countries.

Pit and Khandker (1996) conducted a study on household and Intra-household impact of the Grammen Bank and similar Targeted Credit Program in Bangladesh. The study has assessed the impact of three group-based micro-credit programs such as Grameen Bank, the Bangladesh Rural Advancement Committee and the Bangladesh Rural Development Board's Rural Development RD-12 Program on measures of household welfare and on the intra-household distribution of resources.

A multi-purpose quasi-experimental survey was conducted in 87 villages of 29 sub-districts in Rural Bangladesh during the year 1991-92. It included both target and non-target household from both program and non-program areas.

The sample consists of 29 sub districts randomly drawn from 391 sub districts. Weighted means and standard deviation of dependent and independent variables are

used in the regression. There are 38 independent variables and 21 dependent variables.

Based on these test, the credit variables of both males and females are statistically significant at the 0.05 level of significance in all eight key behaviors studied. Women credit from the Bangladesh Rural Development Board's Rural Development RD-12 Program had the largest impact on boys' schooling and the value of women's assets. Study reveals that the program has been beneficial to the poorest of the poor. The study made policy conclusion that the Grameen Bank can empower women.

Osmani (1998) in his article entitled Impact of Credit on the Relative Well-being of Women; Evidences from the Grameen Bank based on some previous study had an objective to examine the impact of this process on their relative well-being. He has defined women's well being in terms of three sets of capabilities: the degree of autonomy with which women can live their lives, their ability to control decision making within the family and their relative access to household resources.

A household level survey in the area served by the Hemnagar branch of the Grameen Bank in district Tangail, Bangladesh with a total sample size of 100 consisted two equal sub-samples of project group – households from which the wife had borrowed money from the Grameen Bank and continued to be a borrower at the time of survey; and the control group – the households from which no women had borrowed money from the GB or similar institutions.

The study revealed that GB credit ensures higher income if credit is used productively in non-farm self employed activities. Other findings are that the households' income of women is positively significant for the women in the household at higher levels of income.

Autonomy with regard to the ability of the women in spending family income independently is positively significant. The impact is stronger at higher levels of income, whereas control over decision-making is found insignificant at over all level and positively significant on family planning.

Picciotto and Feinstein (2000) mention that workshop of the participants had shared about the lessons of their respective countries that achieved in poverty reduction programs. Methodologies in the workshop were undertaken as presentation, discussion and question-answers.



Major objective of the workshop had envisaged sharing the achievement of pro poor growth policies and programs of poverty reduction. Along with they discussed about role of private sector in poverty reduction.

In the context of poverty reduction, research revealed that multiplier effects could play a crucial role to reduce the poverty all over the world. Evaluation of poverty reduction projects reflected that there is no specific blueprint program would suitable for specific locations and communities. Hence, poverty is more multidimensional so that it should be addressed by multidimensional ways.

Holistic approach, however it is one of the suitable strategies in the context of poverty reduction, therefore government and donor agencies should work jointly to address the problems all over the world. Limited access of the land to the poor people is major factor of the poverty. Therefore, in the context of poverty reduction, major focus should provide to increase the access of resources, knowledge and also design pro-poor friendly policy by targeting to the poor people.

Micro finance project is not the panacea to increase the economic status of rural poor. Along it, major different activities such as communication; infrastructure development and training need to be incorporated in poverty reduction activities. Program intervention from bank and financial institutions is found the positive impact while institutional development part is not so strong.

Health is another important program of poverty reduction that could play important role to earn the income by improving sound health.

Besides, another important activity has undertaken as politics that could play important role to reduce the poverty effectively. Advocacy is one of important components of poverty reduction while representatives could advocate rightly for poverty reduction endeavor that plays important role than the others.

Research revealed that education to the children, training to the poor households; health campaign and nutritious food are basic components that contribute to reduce the poverty in long run perspective

Poverty reduction projects can play a vital role to reduce the conflict among the ethnicity, racial, religious group and others because most of the conflicts are created from the poverty. Transaction cost must be reduced to make the poverty reduction project more effective and pro-poor friendly.

Poverty reduction requires changing beliefs, values, and institutional adjustment and also activates voluntarily organizations effectively. Transparency,

good governance and accountability play catalytic role to reduce the corruption that is more useful for poverty reduction endeavor.

Financial support is considered as one of the important aspect of poverty reduction. Large volume of financial resources requires implementing different social, community, economic, institutional and human resource development activities to improve livelihood of rural populace.

Financial organizations must be non-corrupted; self-disciplinary and committed towards the poor people in order to utilize financial resources properly in the allocated activities. This process increases trust among the poor people and makes the project success thereby useful to the poverty reduction.

In the context of effective poverty reduction program, it has undertaken key components such non-corrupted government, un-bias judiciary, a good enabling environment for the private sector and sound system of financial intermediation are also equally important for poverty reduction.

Holistic, results based and participatory approach are major component need to emphasize in poverty reduction program. Training is one of the important components for poverty reduction so that massive training should organize to the poor in order to enhance the capacity development.

Trilateral alliances among the public, private and voluntary sectors are highly essential to achieve the goal of poverty reduction.

Better health out come is major indicator of the health program rather than the establishment of large number of health posts, several health clinics and hiring of large number of doctors.

Active participation of local people in the program is equally important for poverty reduction.

Poverty reduction is complex issue so that it could be succeeded only when poor people are actively participated in the program by themselves, therefore putting the people first approach need to be applied for effective poverty reduction.

Vyas and Bhargava (1999) mention poverty is one of the critical issues of Asia and Africa, which affected largely to the rural people around the world. Poverty situation of Ethiopia is revealed very alarming. Some common influencing factors of poverty are lack of productive assets, unemployment, degradation of environment and poor human resources. Poverty is different due to the historical, institutions and

governance factors; are fully dependence on how they maintain these activities properly.

### **Malaysia**

Poverty affects largely if economic growth rate stand almost five percent or less than five percent. In case of Malaysia, economic growth stood at six percent in 1960s and over 8 percent after 1980s, in which, poverty level declined from 52 percent in 1970 to 9 percent in 1990s. India study investigated that if economic growth maintained in agriculture sector smoothly that helps to decrease poverty effectively.

Investment in infrastructure, education and health were encouraged in Malaysia. In the same time, inflation was under control situation. In addition, major focus was provided to rural development include agriculture development, infrastructure development, welfare programs, technological change, agrarian reforms, research, training, credit, input and price subsidies.

Emphasis also provided to promote agricultural resources related to handicrafts. Major problem encountered in rural development were bureaucratization of rural development programs, political interference, foreign labors and liberalized economy so far. Major focus provided to the hard core poor and minimized the leakage and ensures benefit to reach up to poor. In the part of poverty reduction program, training was provided massively to the core poor.

### **Tanzania**

Investment largely in basic services can assist to reduce the poverty. Study revealed that if there is no any development intervention from the government in social services that increases poverty.

Economic reformed in Tanzania focused to internal and external trade, promote private sector initiative, reduce government involvement, control public spending, change fiscal policies and monetary management and also reformed social sector. As a result poverty reduction stood from 65 percent in 1983 to 51 percent in 1990. However, due to the affect of drought past four years, poverty also increased largely.

Finally, Tanzania had focused three approaches such as first approach was emphasized to involve poor people, good governance, effective coordination and supervision.

Likewise second approach was taken as to introduce growth oriented macro-economic policies, promoting micro finance institutions, strengthening agriculture industries, mining, developing basic infrastructure and promoting cooperatives etc.

### **Srilanka**

Sri-lanka case study pointed out that if there is imbalanced investment in social and economic sector that affects to poverty reduction because the period up to 1977 Sri-lanka government neglected to invest their resources in social sector that damaged largely in poverty reduction so far.

Sri-lanka program shifted from social welfare to targeted programs. Policy makers realized that failure of market oriented policies to generate employment and growth related activities in order to reduce poverty to bring the poor in mainstream of development. More specific intervention made to reduce poverty. The Janasaviya program was launched to increase productivity and income generating capacities of the poor households. However, Samuridhi program launched by incorporating saving and credit activities to promote the self-employment opportunities in the replacement of Janasaviya program. In addition, Samuridhi also implemented community development activities for infrastructure development and nutrition component.

### **Ethiopia**

For the poverty reduction purpose, major focus provided to agriculture development and industrialization based on the utilization of domestic raw materials with labor-intensive technology. While political sector dominated by the urban people therefore they never made rural friendly agriculture product price.

Ethiopia had launched different development activities such as domestic production, infrastructure development, integrating poor people, promoting participation of community people in identification and implementation of community development small projects. Policy was formulated to ensure and coordinate relief efforts, promote self-reliance among disaster victims.

### **Ghana**

Economic reform was started since 1983 in Ghana. It increased economic growth some extent but poor people were not benefited from the reform program. A program of action to mitigate the social costs of adjustment was implemented with economic reform program by undertaking the major objective to alleviate poverty across the country. However, this program was not succeeded to achieve its goal due to the limited financial resources.

A case study revealed that Ghana had implemented agriculture production, productivity, trade policies and also minimized the price distortions; reduce the environmental degradation, promoting a harmonious relationship between development and environment. In addition, it focused to investment in human capital and better focusing of public social expenditure, strengthening the institutional base of communities for self-reliance and participation in development process to improve the socio-economic condition of rural populace.

Ghana also implemented two different strategies such as universal basic education and medium term health plan to reduce the poverty in long run perspective.

National Action Program for Poverty Reduction envisaged that action plan can help to promote self reliance and increase participation of local people in the development process.

### **India**

Indian case study suggested that land reform legislation could play vital role to reduce the poverty across the country. It also suggested that more focus should provide to institutional reforms to enable the poor to access the credit and infrastructure development in the rural areas. In addition, integrated rural development program and, employment guarantee scheme could play important role for poverty reduction.

### **Botswana**

First priority provided in Botswana was food production through mobilization of the small-scale peasants. In addition, public work also implemented in the famine area so as to resolve the starvation problem while it generated purchasing power of the people by creating job in rural sector.

A tribal grazing land policy was implemented. Financial support provided to their infant industries. An old age pension program was also launched in Botswana. Consequently, poor people were benefited from these activities by attaining basic needs. Training had also implemented extensively to enhance their knowledge in economic, social and community development. Due to this effort, people participated effectively in each and every program.

Robb (2002) mentions that participatory poverty assessment revealed that poor people affected from different ways such as low income and consumption levels, lack of accessibility of health facilities and education attainment to their children,

vulnerability, physical and social inclusion, lack of security and self-respect, lack of access to information, lack of accessibility to institutions and powerless.

Vulnerable groups are not identified in household survey. They are away from political, culture and social factors. In Togo, vulnerable groups account displaced people and domestic child labor.

In case of gender, male headed household of Tanzania involved in transportation and farming so their livelihood is somewhat better whereas female headed household suffered from starvation, lack of clean water and illness due to their lack of attractive earning. Poverty and crimes are correlated each other. Participatory poverty assessment investigated that child prostitution in Zambia, drugs used in Jamaica and domestic violence in Mexico increased due to the reasons of poverty. Street crime in Mexico increased so that women are restricted to work outside at night. Due to these circumstances, women feel reluctant to use public transport particularly at night, because of the safety issue.

Poor of the Gambia and Uganda expressed frustration in lack of their influence on government policies. Poor people of Uganda expressed about the government corruption. In Vietnam, poor people lacked information of entitlements and rights and about the activities of local government. Poor people of Brazil, Bangladesh and Uzbekistan found police harassment, corruption and unresponsiveness. Poor people of Ghana, Mali and Nigeria investigated that physical isolation and also inaccessibility of water.

Participatory poverty assessments investigated that poor people should actively involve in project identification, activities prioritization, program planning, implementation, monitoring, follow-up, evaluation and modification of the project.

Enarsson and Wiren (2005) present that Malawi promoted first Savings and Credit Cooperative (SACCOs) by Catholic Church and government in 1970. Major objective of this program was to motivate the local people to deposit their savings in SACCOs those who were not deposited their savings in commercial banks. Along with, SACCOs invested short-term credit to its members. It also maintained good savings records. Donor also supported to promote and strengthen of the SACCOs services and helped to establish a MUSCCO a national association of credit in 1980.

Insurance services incorporated in the credit activities since the inception of the program. All members joined in insurance program through SACCOs.

Two types of insurance product launched in SACCOs such as: (i) loan protection and (ii) life savings scheme. Basically, loan protection covers the unpaid balance of a loan if the member dies whereas in the life savings scheme, when a member dies, the appointed beneficiaries can get an additional amount equal to deceased member's balance of share and saving up to maximum of US \$935. This type of insurance scheme found more useful to protect the borrowers from disasters that lost the project largely on the other it also makes more secure to his/her family by insuring the life of the borrowers if died from any events.

Only two staff worked in MUSCCO's insurance department. However in the SACCOs there are not deputed other staff for only the insurance transaction. This activity is considered as the integral part of saving and credit activities so that it does not increase operating cost of SACCOs.

In total, US \$ 200 000 had deposited in MUSCCO's insurance scheme from the financial protection fund of SACCO as of 2003. In the year 2003, US\$ 85000 and in 2002 US\$ 60,000 underwriting profits transferred into the insurance fund. Treasury Bonds helps to increase the profit of the institution.

Premium rates raised 60 percent on the recommendation of review committee. Mortality rate of insurance clients had increased sharply due to the affect of HIV/AIDs in Malawi.

It reflects that insurance program can not be implemented separately due to its higher operating cost so that it should implement through labor unions, schools, churches, big employees, cooperatives and farmers' unions. Claim verification is important and costly aspect of insurance. MUSCCO decentralized whole authorities of claim verification to the staff of SACCOs; as a result overhead cost has been reducing largely.

In product design; SACCOs cover 55000 people i.e. 3 to 4 times the number covered by the Malawi's entire insurance industry. SACCOs pay the premium on the quarterly basis on the total savings and loan balance of the members. Insurance can operate in minimum cost so that transaction costs would be minimized since one payment covers all the members in the SACCO. If insurer offered many choices, the complexity of individual premiums and benefits would drastically increase the costs and make the scheme ineffective. Simple process makes easier for low education clients to understand easily.

In the case of life insurance, insurers need to revise insurance scheme time to time to adjust changing death rate patterns. The HIV/AIDs epidemic is a sad example of such changes long-term effects, particularly in Africa and not only in Malwai while it is difficult to project the mortality rate in other developing countries also.

To make the insurance product more demand driven, an actuarial review, organization must have collect reliable data systematically.

Reserve fund of insurance scheme should not integrate in loan portfolio.

Careful analysis needs to be made of the local environment. Rules and regulation should form as per the local conditions. If insurance procedures applied as per the international norms prepared from the developed world that might not be suitable at local environment. For instance: Insurance member of Malawai have not official identity so it requires to alternative approach to claim verification.

Claims prevention: Government, churches, humanitarian organizations and donors must organize awareness campaign jointly to protect from HIV/AIDs and other epidemic diseases. While longer people live, claims reduce sharply per year.

Mule et al (2001) present innovative approach of micro finance services is being implemented in Kenya.

This study was conducted by organizing a series of interviews with group members, group officials, staff and management of the Accumulated Savings and Credit Associations Management Agencies (AMAS). Three organizations participated in the study: such as (i) Partnership for Productivity, (ii) Women's Enterprise Development Institute and (iii) the Small Enterprise Development Institute.

Numerous micro finance organizations have been developed in central province of Kenya, based in the small town of Karatina in Nyeri District. They collect savings from the members and invest in economic activities of the deposited savings. MFIs operate profitably, without donor funding and these activities are expanding rapidly, in which, more than 20,000 members involved in 2001. Due to the numerous saving and credit organizations operating in the same location, they have been facing the challenge of financial sustainability.

The ASCA Management Model (AMA): The AMA helps to organize group and first monthly meeting. Members contribute Kshs 100 per month, are called shares. Loan would invest from the first meeting from the deposited saving amount. Two types of loan are offered: short term loans interest charges 10 percent per month whereas long term loan interest charges 17 percent flat. At the end of the year dividends are



calculated and profits distributed in relation to members' shares. The dividend rate depends on the performance of group varying between 16 percent and 60 percent. AMA assists to organize monthly meeting, bylaws preparation and register the cooperative with the Ministry of Cultural and Social Services. Field officers of AMA maintain account of the groups; of which group secretary also keep a copy of transaction. The group pays one percent service charge of the fund to a maximum KShs 2500 per month. AMA has responsible to manage the overdue loan. Hence they are actively involved to collect loan timely from the clients.

Karduck and Seibel (2004) present transaction cost of the self-help groups and to access the satisfaction level of SHGs' members.

For the purpose of the study, NABARD selected three banks, which in terms of the Human Development Index (HDI) and the Gender Development Index (GDI) ranks in the middle among the state (UNDP, 2003). Field research conducted on February 2004 with the assistance of staff. The sample included 78 SHGs in eight bank branches and three primary agricultural cooperative societies. The 78 SFGs consists of 1160, among it 97 percent of them female. 800 members were interviewed.

India is one of the fast economic rising countries where more than 92,000 cooperatives are establishing across the country. On an average, there is one rural financial institution for every four villages. As per the noticed by the World Bank (2003) still 193 million rural people and another 180 million rural near poor people are not accessed rural credit. Out of total landless and marginal farmers 70 percent have no deposit account and 87 percent have no access formal credit.

High transaction cost is one of the major problems to bank loans to the poor in low-income countries. Bank transaction cost can be lowered by lending in self help groups in which more than one million self help groups comprising of 16 million members including 90 percent women substantially by lending to self-help groups (SHGs). Self-help Banking Program works as financial intermediaries of the NABARD in India. In addition, more than 90 million schedule castes households are linked with 36,000 bank branches and cooperatives as of March 2004.

While transaction cost of self-help groups were found very low comprising real cost of 0.62 percent and opportunity cost of 0.60 percent of loans outstanding to members where real cost of members in formal financial institution stood 0.04 percent and opportunity cost stood 2.3 percent. It is concluded that SHGs are an efficient intermediary for bank loans to vast numbers of the rural poor.

As per the basic data of self-help group, internal resources reached to US \$ 1,187 per group, 64 percent invested from regular savings and 36 percent from interest earning. Poorest can save, borrow and repay effectively. At borrowing rates stood 12 percent and lending rates found 24 percent, compulsory saving is one of the major resources of self-help groups. Almost 30 percent of the members have personal bank accounts. Members have average US\$ 148 loan outstanding.

Regular meeting is considered as one of the important component of self-help groups, which help to make the group more dynamic, efficient and collect the savings regularly. So far 55 percent of the groups organize meeting weekly and 31 percent monthly. Amount of regular savings stood US\$ 1.20 per member per month. Research investigated that 16 percent more resource collected from the weekly meeting groups.

Finally study revealed that self-help groups are highly profitable to the banks and also beneficial to their members

Ashe (2005) mentions that over the past three decades 60,000,000 households worldwide have been accessed micro finance services but still another 200, 000,000 poor households are not receiving micro finance services. Oxfam America and its partner, "freedom from hunger" is developing a methodology to incorporate to all poor households in micro finance institutions including credit unions. It has focused to conduct the program for illiterate village women. Under this program, members encouraged to save more thereby borrow loan sufficiently in future.

Credit invests generally on vegetable cultivation, animal farming, medicine purchasing and other economic and social development activities.

Staff of Micro finance Institutions enhances knowledge and skill on account management and group operation in order to promote the grassroots level institutions successfully. Therefore, groups join weekly training up to three months after it institutions provided responsibility of monitoring of the groups to members themselves who have received the training from the respective Micro finance Institutions. Local staff have taken the responsibility of group trainings thereby make successful leaders at the grassroots level at the lower cost.

Basically, Micro finance Institutions provide the training on saving, credit, record keeping, group mobilization etc. In addition, they conduct training to protect from malaria, HIV/AIDs and other epidemic diseases.

Over two thirds of the households from Sengal-, Mali and Combodia (the three BOP pilot project countries) have found lack of access the institutional credit

after decades of investment from MFIs and credit unions. Most of them are very poor and poor. Formal institutions are fully ineffective to provide the micro-credit to the poor of the rural areas. NGOs are using local self-help groups to provide credit by mobilizing saving activities at rural areas. Research investigated that those groups, which have received the training from Micro finance Institutions, they have good credit borrowing capacity as well as saving deposit capacity in the groups so that training found one of the major components to promote and strengthening saving and credit activities in SACCOS.

Bacroff et al (2000) present that comparative analysis initiated by Micro save, a joint DFID/UNDP program and United Nations Capital Development Fund. Basically, this study was focused on analysis of impact of the financial product and services implemented from Micro finance Institutions.

Nevertheless, major objective of the study was to find-out the history of the movement, member profile, type of products and services. In addition, it also analyzed the institutional structure, governance, and financial, social and institutional viability.

Methodology of the study included a field survey, in which, it conducted in two East African countries, Kenya and Tenzanian. In addition, focus group discussions were also undertaken as the methodology of the study.

In the context of financial and institutional sustainability, member-based MFIs in West Africa generally found good institutional and financial viability at the primary level. Members are contributing voluntarily in the organization and also they have strong sense of ownership.

Lack of legal status affects for institutional viability. Effective monitoring and supervision helps to promote and strengthen MFIs so that it needs to formulate effective bylaws to conduct monitoring and follow-up practices properly in Micro finance Institutions.

Sanderatne (2002) mentions that commercialization of micro finance is a sine qua non or prime outcome of the program if the millions of small poor households served effectively with sufficient credits.

Micro finance is one of the major components of poverty reduction endeavor. Still, it has not provided services all the poor households who need credit for their economic development.

Barnds and Martha (2004) assess the status of housing cooperative. Major methodology in this research adopted review of the literature, legislation, policies and practice. In addition, this research gathered relevant data and information from Chicago by interacting with focus group discussion with affordable housing cooperative members. Major interactions were conducted with leaders, managers, experts and advocates.

Research study presented that cooperative housing is a long history as a major part for homeownership since early 1900s in Chicago. It was formed as the most crucial nature of homeownership in multi-unit buildings. All cooperative members resided in the building jointly through their ownership of shares in the cooperative corporation.

Housing cooperatives fix rate as affordable and market rate. Affordable housing cooperatives have made the plan to promote long-term affordability by agreeing the limits on resale price of shares. Housing cooperative is targeted to low and moderate income households to ensure that they can afford on it. It is restricted to provide shares for well off households.

Goldman (2007) explores some of the benefits and problems within a low-income worker cooperative.

Major objective of this study was to assess the working mechanism of worker cooperative. Cooperatives of such types are providing cleaning facilities in their hometown. Meanwhile, these are promoting their organization by democratic ways. Major goal of the organization is to provide eco-friendly services. Now a day in northern California there is searching environment safe cleaning services, which do not harm the environment through cleaning. They use simple and less expensive technology. It consists of 15 members' cooperatives. Large members were not emphasized because many cooperatives failed due to the large member's involvement in cooperatives. Due to its low overhead cost and self-management system, these small cooperatives are found successful.

The ICA group in Boston and the Arizmendi Development and Support Cooperative in Oakland provided financial consulting services, data management of cooperatives, trainings, and loans to group for cooperatives members and develop working culture as democratic ways. Cooperatives require current information to make its success in long run perspective. Along with, cooperatives should treat

equally to all gender, race, class, seniority, and education enriched people. To make the success of the cooperatives, there need to emphasize cooperative principle, norms and values.

Promotion and strengthening of the cooperatives are really very hard and tuff work.

It needs mutual support; capital and technical support and also need to enhance self- determination in local people. Cooperatives are a forum that gives new thinking, vision, and aspiration and learn new ones. Cooperatives would be highly useful to the women who victimized from the societies. Voice of single person that does not enough to create the pressure, but voices of many persons create power.

Kurimoto (2004) argues that the institutional framework provides an influence in organizational set-up. This article had written on the basis of secondary information. Ratio and index were calculated in the form of analysis.

Japanese promoted cooperatives by influencing the cooperatives activities that promoted from European community in 19th century, so far Japan replicated cooperative policies in industrial and institutions sectors. Finally, Japan developed as multipurpose cooperatives by doing tripod agreements among state agency, pressure group and cooperative per se.

By thus, Japanese agriculture cooperatives grew rapidly. Due to its impact, economic growth rate reached 8.3 percent in 1960s. After 1960s, agriculture cooperatives in Japan were not increased rapidly, as a result economic growth rate declined to 4 percent annually

In the period of 1990 to 1996, economy of Japan was not sound so that, 9000 multipurpose agriculture cooperatives were merged into 3600 in 1990, furthermore these numbers amalgamated into 1400 multipurpose agriculture cooperative in 2000. In this period of 1990 to 2000, amalgamation strategy was undertaken in the cooperative sectors. This strategy was useful to improve the efficiency of Japanese agriculture cooperatives. Nevertheless, Japanese agriculture multipurpose cooperative had succeeded to improve the overall growth of Japanese economy.

Webb et al (2005) evaluate how marketing contributes to successful business outcome.

This research study had undertaken the major aim to assess the major component that plays key role in marketing either effective communication or effective training program.

Major methodology of this research was interview, which conducted to the cooperative leaders. In this research study, 42 cooperative leaders were involved to identify their perception on marketing advantage, market research, business performance and role of communication in their cooperatives. Out of them seventy-six percent were satisfied in their marketing advantages that gained from the cooperatives.

In the part of research, 57 percent were satisfied with the market research available to them.

Another important aspect was business performance, 41 percent mentioned that business performance maintained above industry average.

Communication is considered as one of the major components to attain the goal of the cooperatives. In this statement, 59 percent mentioned that communication played important role to achieve their cooperatives goal.

Small Cooperatives must collaborate with other cooperatives either within their region or within their industry particularly to maintain financially viable, ethical values and effective structure to compete competitive market economy.

Grubel (2004) mentions that consumer cooperatives in Japan are implementing successfully in the comparison of other countries of the world. Successful cooperatives provide citizens with links to international groups, movements and values through daily life activities.

Japan has been implementing biggest and successful consumer cooperatives in the world. Cooperative-Kobe is one of the biggest consumer cooperatives of Japan.

Non-governmental organizations are playing catalytic role for development of cooperatives in Japan.

Japan's consumers cooperative are not receiving government funds not aligned with any political party.

One million and three hundred thousand members are involving in the cooperatives of Japan.

Japanese cooperatives are creating international awareness and cooperation. They focus to internationalization, environmental responsibility, human rights, peace and economic development.

Co-op Kobe was established in 1962. Cooperative-HYOGO also merged in this cooperative. KAGAWA TOYOHICO, a social activist had promoted the concept of this cooperative initially. Generally cooperatives considered as effective tools for empowering, poverty-stricken labors and citizens in HYGO's urban slums.

In Japanese Cooperatives, inspiration received from the Rochdale Equitable Pioneer Society (Rochdale Cooperative), generally it is recognized as the founding organization for consumer cooperatives established in 1844 in Great Britain and it had served to promote the cooperative throughout the world.

Cooperative - Kobe also encountered serious problems for its operation. After encountering serious problem in operation, cooperative members started to visit each member's home every morning to take an order, and then deliver the items in the evening. This approach was very much popular to sale the products to the members effectively.

Due to the conflict raised between management and labors in 1970s, every day order collection system was seen as too inefficient. As a result, group-purchasing systems replaced it. This method followed the concept of Han; each Han group is made up of five to ten members representing households who receive weekly orders of cooperative items. One Han member has selected as the leader to co-ordinate the orders and to accept their delivery on the appointed day each week.

Han approach found more effective because orders are received a week before delivery, it is easy to arrange transport for perishable items.

Six indicators were selected for evaluation of the cooperative whether that performed the progress satisfactorily or not; basically those indicators are consumer relations, democratic member control and participation, social responsibility and fairness, autonomy, solidarity and improvement, management efficiency and future potential.

Cooperative should provide the services to the surrounding people. Leader is considered as key personnel to implement the cooperative successfully. To make the cooperative sustainable, leader should have enriched knowledge on entrepreneurial and technical skills. Between these parts, entrepreneurial skills are needed to enhance the idea to other farmers, leaders, economic developers and commodity buyers whereas technical skills are needed to understand complexities of farming as well as processing.

In the initial phase of cooperative, it should attract diverse groups of people. Most of the rural people they are looking for a quick profit who have more philosophical perspective on farming. While price drops or difficult decisions, trade opportunist quickly drop-out of the cooperative members over time, only core group of farmers stay in the cooperative up to the last movements even encountered many difficulties in cooperatives, they share a common set of values based on commitment, cooperation and mutual support.

This cooperative installed soybean-processing plant at the cost of US\$ 19 million. First US\$ 250 of the membership fee is converted into one share for the financial sustainability of cooperatives. They decided to install processing plant, because business makes the cooperative financially viable.

Kabuga (2000) defines that “decent work” is productive work for gender in conditions of freedom, equality, security and human dignity. In addition, it should create employment, social protection; social dialogue and workers right.

International Cooperative Alliance presents that cooperative influence values and principles of “self help” self-responsibility, democracy, equality, equity and solidarity.

In the liberalize economies, Rochdale pioneers from the United Kingdom, he demonstrated the strength and power of cooperative in poverty reduction through the approach of mutual help “self-help” mechanisms.

Cooperative could be the major institution to promote the business in rural areas and also generate the employment largely. More than 50 percent youths are remained in unemployment position in developing countries, so far its losses huge social capital.

Cooperatives only major mean to trap these large west human resources to involve them in economic mainstream through this approach. It is found highly successful in the world particularly to solve unemployment problem, improve economic and social development.

Government intervention should be nominal in the cooperative. People of the grassroots level they manage all socio-economic development activities themselves.

Cooperative is a self-help organization that creates employment in the rural areas that plays catalytic role to stop the migration from rural areas to urban areas. Cooperative functions on the principle of “one person one vote” equally treated as to regardless of gender, race, caste, education and seniority.



Cooperative is very useful for the poor and underdeveloped people in the developing countries where there is no alternative to self-help cooperative organizations with regard to employment creation. It must have professional management, committed, enlightened and honest leadership; focus to be provided for institutional capacity building by organizing massive training to its executive and general members.

Government should provide great attention to create employment for people through cooperatives because they might be pillars for peace and democracy. It reduces conflict and frustration among the active citizens

Weihe (2004) mentions cooperatives have special characteristics compared to other forms of institutions. Major characteristics of the cooperatives are independent; member owned and democratically governed business, created with equity financed by members' cooperative. Cooperative networks could establish at national, regional and grassroots level. It resolves the problem of conflict; monopolistic market and middlemen influenced market.

Cooperatives can resolve the conflict by involving frustrate citizens in socio-economic development of the respective community.

Since 200 yrs before, cooperatives are implementing successfully all over the world because it operates from small capital, uses productive human capital and easy to mobilize poor people effectively to improve their socio-economic condition from the institutions.

Cooperative found more successful in that areas where people meet in every days for using common property, shared water and grazing rights and offer economic benefits through collective actions.

Cooperatives are useful to maintain quantity of small producer products branding and packaging and outreach to high-end marketing.

Saving and credit activity in cooperative plays important role to sustain broad-based growth, and enhances the ability for small producers to withstand economic shocks due to human conflict, economic down turns and natural disasters

Cooperative is one of the democratic friendly enterprises while it promotes democratic values, norms and principles in the community.

Mckee et al (2006) mention that housing cooperatives create affordable housing to low economic people likewise; agriculture cooperatives improve efficiency in supply, utilities cooperatives create competition and reduce the cost,

employee/worker cooperatives enhance wages and benefits, health care cooperatives improve public health and finally consumer food cooperatives reduce the cost of food items etc.

Uganda (2004) evaluates that funding from the justice law and order sector of the Ministry of Justice Constitutional Affairs in January 2001 to complete the reform of commercial law.

Saving and credit cooperative society formed a committee that was responsible to the members for directing and controlling the business, funds and records of the society and reporting annually to the members on management of the society. Committee organized meeting monthly. Saving and Credit cooperative society registered under cooperative organization. Major goal of the organization had taken to collect saving from the members thereby saving invest in economic activities in order to improve the living condition of rural populace.

Before distribution of profit from cooperatives, at least 10 percent out of total profit had made the provision to keep in reserve fund. This fund could use for write off of credit projects those losses from natural disaster.

Prakash (2000) mentions that people of Japan have demonstrated their economic, social and political strength through sharing experiences, maintain hard work, develop organizational and management capacities and capabilities. Cooperatives are useful to implement new farm related technologies, consolidating their marketing, supply and credit investment.

Japanese government reformed the cooperative by various ways to compete with global competitive economy. Major focus was provided to amalgamate the large number of cooperatives to reduce the cost and increase the working efficiency.

Various lessons learned from cooperative operation based on the experiences of agricultural cooperatives at the primary, secondary and national levels in various countries including Japan

Government should provide major emphasis in agriculture cooperative to increase the business and employment in the rural areas.

Cooperatives must be non-political, maintain good governance, self-reliant, and enhance trust and confidence.

Cooperative should conduct by business principle, values and ethics; it not be treated as social clubs and charity organizations.

Cooperatives require technological support such as scientific farming, provision of high value inputs such as seed and mechanization are important factors for enhancing productivity from concerning agencies.

Cooperative farmers should interact regularly on different production related and other institutional activities.

Cooperatives should lead by dynamic, committed, honesty and knowledgeable professional because business needs to be conducted in cooperatives as per the modern management principle.

Agriculture cooperatives should work as wholesalers to sale cooperatives products in the market.

In the context of Japanese experience, cooperative should create corporate identity, maintain financial health and finally develop good product.

The concept of cooperative in Japan applies on joint purchasing, joint marketing, joint use of capital, and joint use of facilities and collaboration with private enterprises.

Some cooperatives fulfill the requirement of other industries such as filling bottles for juice makers, coffee processors and even for popular brand companies.

Cooperatives provide different essential services through single window such as bank, insurance service, travel agency, farm distribution center and farm guidance services.

After 1996, cooperatives merged with other institutions such as banks, telecommunication companies, automobile companies and other business house merging together to maintain the financial sustainability.

Guidance and technical support need to be managed in cooperatives particularly on agriculture planning, farm inputs management and marketing of the agriculture products. Organization support is needed in grassroots level, district level, regional level and national level to optimize its productivity.

Japan specialized agriculture cultivation in particular areas such as Naganon's Fnji- orange, Kyoho – grapes, Carsetions and Turkish- bellflower, Enoki promotes mushroom and apricots, likewise Fukuka's Persimmon – Fruit, Kochi's has grown cucumber.

Cooperatives implement different activities such as herbs garden management, tourism development and cleaning facilities in the cities and urban areas etc.

Cooperative maintains information very effectively so that they can take the marketing decisions as per the current information.

Cooperatives provided the marketing space to the members to sale their product directly to the consumers. This process creates harmony with the busy neighbors, because at least they meet at marketing spot with their neighbors. Cooperatives produce fresh vegetables and other foods without applying chemical fertilizer, insecticides and pesticides as per the demand of market.

Japanese cooperatives give first priority to involve women in cooperatives. As a result, there were 1,526 agriculture cooperatives with a total membership of 1.4 million as of 1991.

Thor and Usmanova (2000) mention 600 cooperatives are implementing in agribusiness in the southwest. The time framework of cooperatives research project was three-years time period.

Cooperatives suffered from financial crunch situation including southwest producer associations. These institutions were influence by technology transfer rather than the business promotion activities.

Cooperative provided services such as contractual / legal assistance, advice on quality assurance, technology transfer, issues related to marketing (branding issues, collective marketing, and identifying proper marketing), and financial assistance: training and information on financial options and sources, management issues: including education for current and prospective.

COPAC (2000) examines problem of capital formation in agricultural cooperatives in developing countries.

The main objective of this research was to identify the successful strategies for mobilizing the capital of cooperatives in business sector. Research was conducted in India, Kenya and Gutemala.

The COPAC studies were designed to test the hypothesis on investment of cooperative capital. Most of the cooperatives financed from banks, donor agencies and government, however in the near future it finances by its members.

Cooperatives leaders and its members they do not rely to invest by themselves, since long time they have been getting financial support from outsiders. Nevertheless, financial investment from members must initiate in cooperatives to compete under the new, rapidly liberalizing market conditions.

It is highly correlated between financial investments from members and also increases their active participation in cooperatives.

Major importance of cooperatives in the context of capital mobilization investigated that members were benefited jointly by using capital in various business activities through cooperatives rather than profit earning from individual in the private business.

Research study identified that capital formation in agriculture cooperatives revealed utmost important in its financial sustainability. Cooperatives of India have been implementing successfully because they are apply mixed approach neither provide provision to independent operation or fully controlled by government.

In Kenya, government controlled cooperatives fully so that most of the cooperatives are not operating successfully. Cooperatives in Guatemala have been implementing without intervention of government. Contribution from these cooperatives in economic development is not remarkable. This research study investigated that mixed government policy is highly important for the cooperative development so that cooperative should control and supervise by partially.

Cooperatives are expanding in Midwest particularly for rural development purpose. This case study was conducted in the five cooperatives of Iowa Missouri, North Dakota, South Dakota and Wisconsin during the period of 1997 to 1998.

Major objectives of the study were to summaries the experiences of cooperatives in the respective areas.

More than 47000 cooperatives are operating in the United States of America, in which, 40 percent people involved in the cooperatives. Cooperatives generate more than US\$ 120 billion income annually from different economic activities. Cooperatives in United States of America operate in agriculture, health, finance, utilities, housing and retail. Obviously, cooperatives have been contributing enormously in the economy of the United States.

Self-help principle has undertaken major thrust so that local community people they form the cooperative by the initiation of themselves. It creates symbiotic relationship of mutual support; promote business activities, according the international joint project on cooperative democracy.

Cooperatives revealed very successful to sale the members' product in attractive market price.

Major outcomes of the cooperative found enhance the local tax base, create new jobs, and strengthen local demand for retail sales and services. It also creates a need for new roads, water, and utilities and also increases schools and health centers and housing facilities. Consequently, cooperatives can generate other business in the locality that creates employment and economic development.

Prakash (2003) mentions that women participation in cooperative found negligible even in the developed country as Japan. Nevertheless, women are gradually increasing in agriculture cooperatives in India because women involvements in agriculture sector remain very high.

Rajagopalan (2002) mentions that tribal communities promoted multipurpose cooperatives including saving and credit, agriculture, cash crops, forestry etc with the support of the government. These needed intensive support from the outsiders like government, banks, NGOs and other agencies to promote and strengthen the cooperatives in this community. Finally, saving and credit, processing and marketing could help to retain more income of tribal communities.

Jacobs (1994) mentions that Cooperatives play important role to sale the citrus in attractive prices. Cooperatives share the market risk fully. Members of the cooperatives should pay the service charge of their product to the cooperatives as per the decision of general assembly. They also pay US \$ 10 annual membership fee.

Tatylor (2002) mentions that Officers need to be reported regularly to the executive bodies of councils to maintain the operation smoothly. Besides, Officers manage coffee collection, the warehouse and processing plants.

Several case studies noted that elected leaders leave offices after they become experience and competent. Due to their low level of education attainment, elected leader trained slowly. Similarly, ordinary member grasped information slowly those delivered from leaders and technical staff.

Technical advisors include agronomist, biologist, marketing specialist, accountants and even anthropologists. They advise technical part; in addition they also prepare proposal and other essential documents to receive donation in cooperatives from the donors.

Most of the well-developed cooperatives promote producer organization they produce qualitative, relatively cheap and chemical free products. Cooperatives create trade of their products.

Multiple certification requires for fair marketing of the product but these require more time to certify the product from the concerning organization. Cooperatives conduct various training on trade activities to sale their commodity in attractive price.

Cater and Waters (2004) mention that workshop provided opportunity to gather academics, donors, practitioners and development professionals to interact the status of rural finance whether being implemented successfully or failures. Finally, it had undertaken the objective to explore the alternatives of MFIs problems. This analysis, however presents the experiences of concerning personnel particularly in MFIs.

Rural finance market declined by three ways:

- (i) Liquidity constraints (ii) risk constraints (iii) saving constraints

Microfinance has been playing catalytic role to reduce the poverty by collecting savings and investing credit, implementing insurance and other financial business.

Despite its great effort in poverty reduction in developing countries, MFIs are not providing sufficient services in the rural areas. In such circumstances, major suggestions provided by the workshop were as follows:

Firstly, intermediary organizations can play crucial role in microfinance promotion and strengthening instead of direct involvement of donor agencies.

Secondly, legal framework is one of the major components of microfinance sectors, are useful to expand MFIs effectively without any problems.

Thirdly, human resource development is one of the major components in MFIs so that training should organize to its members massively.

Finally, coordination is also necessary among concerning institutions of MFIs to implement program successfully.

Wilson (2001) mentions that more than 17,000,000 members involved in self-help groups in India. Cooperatives and banks invested to 461,478 self-help groups.

Almost 450 cooperatives and banks provide training to the self-help groups. Likewise, 2100 NGOs are involving to promote and strengthen self-help groups with the partnership of NABARD.

NABARD has been investing loan in self-help groups through the joint partnership of cooperatives, banks and NGOs. Credit is considered as one of the strong component to reduce the poverty in rural areas. Therefore, NABARD has been

investing large amount in self-help groups after providing the training to the rural populace. Cost of training revealed between \$ 4 to 12 per group. NABARD alone provided credit to 6,651,701 members in India.

Many international donor agencies such as IFAD, DFID, GTZ, Misereor and Ford Foundation are realized that MFIs are best programs for poverty reduction of developing countries. Because, it has managed by the groups of the poor people, operate by democratic principles, strong monitoring and supervision practices and collect financial resources from the local community massively.

Cooperative bank, Cuttack started since 14 September 1981 in India. Major objective of this urban cooperative bank has been undertaken to solve the financial difficulties of small business persons or traders such as small retails, shop keepers, fruits and vegetables vendors, tea stall operators, cycle repair shop owners, small garbage operators and rickshaw operators those who did not get such financial assistance from formal financial institutions.

One of the most potential products developed from the Cuttack is daily deposit scheme launched since 1982 just one year after initiation of bank.

The major idea behind this model is small traders those who are doing the business in urban areas are bankable, if savings collected from them on the daily basis.

So, Board of Directors of the bank decided to collect deposit ranges IRS 2 to 10 from the business man by managing collection agents to door steps of these people. Collection agents can get remuneration @ 3 percent commission. There are 210 collection agents of the bank. In total, 15000 are joined in daily deposit scheme out of 26000 members.

The daily deposit scheme of the bank contributes about 10 percent to total deposits and also borrowed loan about 25 percent of total investment. This scheme plays catalytic role to disseminate vision, mission, objectives and activities of the bank advocated from the collection agents. As a result, this bank is more popular in that working area.

Bank hires honesty, integrity, hard worker, patience, sincerity and punctual local people after completed the rigorous assessment of 6 to 8 months.

It evaluates by two ways one is observed his/her working pattern other is assessing family background and judged through formal interview by the bank staff.



Agent must deposit at IRs. 4000 in bank fixed deposit account. Along with he/she should provide collateral security of IRs. 10000. The agent should sign to obey the rules and regulations of the scheme. Each agent collects deposit between 50 to 300 clients.

If customer behavior found satisfactory, loan can provide IRs. 5000 as saving collected of IRs. 1000 after 2 to 3 months completed of regular savings. Loan application can get by paying IRs. 5 from the bank. Repayment duration is fixed for 3 yrs. Repayment rate stood 80 percent in this type of loan.

A daily deposit scheme plays a catalytic role to promote small traders into the large businessman. For example- in 1982, automobile's parts shop owner took a loan of IRs. 12000. Loan increased by him, finally he took 25 lakh in 1997.

Deposit collection from the individuals and investment of savings into the business activities are major components of the bank. Total cost of saving revealed 9 percent including 4.5 percent financial cost, 3 percent commission to collection agents and 1.5 percent others.

Interest charge ranges as 25000 to 100000 charges 15.5 per-cent, one lack to two lack charges 17 per-cent, NRs. two lacks to 10 lack charges 18 percent and more than 10 lack charges 19 percent.

Groen (2003) presents that average 83 euros per member deposited savings from 2.3 million rural Thais as of December 2002.

Thai rural people attracted from the saving scheme as "Save and Get a Chance", this scheme provided rewards among the savers and organized party in prize drawing day.

This scheme was targeted to the rural people of the Thailand with the technical support of GTZ. Duration of the scheme was fixed 24 months. In total 191 million euros collected from the low economic group of the rural areas and invested that deposit in income generating activities of the respective members.

The reason behind the success of this scheme was to design saving products that match customer requirements by identifying from the market research. BAAC identified that women and small savers can participate in such scheme massively. Savers were fully confident that they are depositing their money in the government bank so that they feel secure. BAAC has large networks so that members can deposit their savings easily in their location.

BAAC fixed minimum amount to open account is only 50 Bhat or 1.10 euros.

Scheme provided attractive interest rate for savers at 0.75 percent plus the drawings.

Different activities conducted during 24 months are as follows:

First part of the program was field pilot tests, evaluation, re-testing on target scale and management committee formation took 16 to 18 months while second part of the program was market research, product design, marketing strategies, acceptance and formed management Commitment for field-testing.

Kalala (2001) presents contribution of cooperatives to improve socio-economic status of rural populace. Methodology of the case study was secondary data and interview. Saving has been increasing satisfactorily in West Africa. Member increased by 34.5 times whereas savings increased by 56.2 times.

Cooperatives were not delivered credit to the poor households because they collected small amount of savings from the members that was not enough to meet the financial demand of poor people. Due to the acute poverty, they did not increase equity in the cooperatives.

Mugwanga (1999) presents that information generated through several focus group discussions and interviews with officials and original members of old groups.

Purpose of this study was to increase the knowledge and understand of how poor people in Kenya save to meet their needs, how they use different saving products and also find-out the impact of saving programs. This study conducted from Micro save, which is assisting to promote and strengthening of savings for the betterment of poor people in Africa.

Compulsory saving is one of the important component of MFIs, it only releases after leaving from the program. Members are more loyal towards the organization if saving deposit increased from members. Members can get this saving amount after leaving from the group, which works as the future assets to the particular members of the institution.

Besides, members are depositing their savings in individual account because members feel more reluctant to draw savings from this account than the compulsory saving account.

Research revealed that women are more interested to save in group savings or compulsory saving account because they feel safer than the other account. Generally, their husband gave pressure to draw savings from the other account but they are well known that group saving can only withdraw after leaving from the group so that their

husband did not give pressure to withdraw the amount from the group saving account. As a result it increases the assets of women and poor people that is more useful in the future. This is one of the good techniques to increase assets in poor families. Finally, group saving gives positive impact to increase the livelihood of members and improves the financial assets of the institution.

In Kenya, saving and credit programs play important role in poverty reduction. Poor people can get loan from the saving and credit cooperatives easily from their saving deposit

Cooperative established from businessman in Nairobi, Thika and the Mount Kenya region whereas civil servants (teachers and nurses) established cooperatives in western Kenya.

In the agriculture sector, 100 rural SACCOs are operating to provide the agriculture services for more than one million farmers in central, eastern and western parts of Nyanza since mid 1998.

Beside, SACCOs, Church, village, clan, market town are also providing services in many parts of Kenya.

The absence of competent national or regional regulatory and supervisory framework and authority leaves SACCOS highly vulnerable to mismanagement and corruption.

Wealthy people are benefited from this program in Kenya due to lack of strong monitoring and supervision practices.

Recommendations of the study were (i) major focus need to be provided for collecting savings (ii) develop effective delivery services to provide credit to the poorest of the poor populace (iii) Deposit of few saving from the members creates more chance of arrears so that amount of group saving must be increased attractively.

Mutesasira and Sampangi (1998) present impact of SACCOS those are implementing in Uganda in order to improve socio-economic status of rural populace.

This research used different methodologies such as interviews, focus group discussions and participatory rapid appraisal techniques Major respondents of this study were Credit officers, clients, ex-clients and non-clients of PRIDE FINCA, Faulu, FOCCAS, Rural development Banks and Cooperative Banks etc.

Most of the SACCOS are operating around the work place of formal employers, vendors, and agriculture producers. Uganda has also been facing the problems of fraud due to the weak management in SACCOS.

Out of 400 only about 60 are operating smoothly. Rests are facing delinquency problems due to the lack of collateral security.

Major recommendations from the study were: (i) credit should provide to the poor from all the organizations such as formal, semi-formal and non-formal institutions, (ii) interest of the SACCOS found very high so that it must be reduced (iii) finally, credit insurance need to be practiced in SACCOS so as to protect borrowers if lost happened in projects from natural catastrophic events.

Eschborn (1999) mentions that during the past decade, Thai financial markets have demonstrated remarkable growth and diversification. During this period, the Thai authorities have embarked on a conscious effort to incorporate the financial sector into global financial markets. This process has taken place against the background of a relatively stable macro-economic environment and rapid economic growth.

BAAC provided support to promote the economic development of the rural areas of Thailand. Technological changed (eg. On line banking, ATMs) and administrative enhancement (eg. extended counter service hours) had introduced. BAAC explored interaction among customers. It focused to lend to non-farmers to improve economic status of rural poor. These new activities found more useful for non-farmers to save their surplus and also borrow loan to implement income generating activities from BAAC.

Laura and Hanning (1999) present saving mobilization strategies applied from six countries such as Africa, Asia and Latin America, which was useful to improve the livelihood of rural populace. GTZ helped to disseminate the findings of saving mobilization across the globe.

Saving is important component of SACCOs, which generates income to make the institution financially sustainable. Furthermore, SACCOs should design scientific saving and credit products, reduce operating cost and increase the productivity and efficiency of working staff.

JAK is a cooperative association that has undertaken major aim of humanitarian values instead of profit.

JAK deposits savings and invest loan to the members at free interest rate. The basic principle of JAK is to provide the money for the needy members of the cooperatives by the process like of relatives, family members or friends.

It was established in 1931 in Denmark, later it had taken license from Sweden government in 1997.

As of December 2003, JAK have 25,600 members and 460 voluntary workers to disseminate the ideas of JAK banking system all over Sweden.

JAK is functioning as a telephone bank; it has 25 staff and five consultants.

JAK means: J = Jord (Land), A=Arbete (Labor) and K = Capital

Major objectives of the JAK are to support the low-income members by providing the interest free money up to 10 yrs. and finally develop sustainable world, in which, every one can get money for earning income.

Rules and Policies: JAK works as a non-political and non-religious. It is open to any person or organization that agrees on interest free cooperation. At the time of loan borrowing, loanee should pay refundable amount at 6 percent to the bank; this risk money will get back after repay the loan from the borrowers. In the context of saving point, Using JAK account gives saver points. Example: 100 SKK deposit for one-month gives saver 100 points. In this case, borrowers do not need to save, if he/she has not surplus money at the time of installment payment. In addition, savers can get more credit than the non-savers. On the other, if loan borrowers have no point then he/she also needs to save the money with the loan repayment installments. Savers can withdraw their savings at any time when loan is repaid. Collateral needs to submit to borrow large loan such as house and vehicle loan. It provides loan US\$ 4000 without collateral with the guarantee of two friends. As of 2003, total deposit reached to \$ 85 million. The average loan is \$ 12, 500 ([www.european-icrofinance.org/pays\\_en.php](http://www.european-icrofinance.org/pays_en.php)).

Forster et al (2000) have written an article entitled "Organization Models of Micro-finance in CEE and NIS. The article has attempted to assess the promotion and strengthening of cooperatives in the world. Luigi Luzzati pioneered the concept of cooperative from Italy. In Asia, cooperative was initiated in India in 1904, in Sri Lanka in 1906, in Taiwan in 1910, in the Philippines in 1915, in Thailand in 1916 and in Nepal in 1953. The Asian Development Bank and the World Bank are supporting for the cooperative of Albania, Azerbaijan, Kazakhstan, Moldova, Ukraine, and Uzbekistan. Cooperatives are strictly based on the principle of one member and one vote. Savings-first is major strategy of

institution, however credit investment has been provided due importance within the members. Lending procedures are so simple and have made provisions to invest limited amount thereby discourages to the well-off borrowers. Major activities of the cooperatives include consumer loan, micro-enterprises, automated teller machines (ATMs), and electronic payment of monthly bills, credit cards and life insurance.

Fisher and Sriram (2002) have written an article on Micro-finance, Social and Economic Security. The article has aimed to analyze the status of cooperatives being implemented in South Asia. Among various cooperatives in south Asia, Shri Mahila SEWA Sahakari Bank (SEWA Bank) is recognized as one of the most successful cooperative institutions. Some 4000 women of the Self-Employed Women's Association formed this institution in 1974 at Ahmedabad of Gujarat state in India.

Rhyne (2003) has written an article entitled "Towards a Package of Saving Indicator". Major aim of the article is to analyze the activities of Association for Social Advancement (ASA) that was established in 1978 to serve rural populace in Bangladesh particularly for women. The program has targeted to worst sufferers and victims of social injustices. ASA has involved over 2.2 million members from different groups with especial emphasis on savings (regular, weekly, voluntary and life insurance), credit operation and micro-enterprises and are providing services through 8000 employees. ASA has found that poor would feel easy to save their saving at the evening/morning time rather than the day shift due to their hectic schedule. So, ASA had made provision to deposit of savings at evening/ morning shift also.

The study has mentioned that analysis must be done in the major indicators of savings products — such as outreach (scale of outreach-number of active borrowers and depth of outreach – average loan size, depth), efficiency (efficiency-administrative cost ratios, physical productivity – loan officer or staff caseloads, revenue generating ability, portfolio yield), and risk (portfolio at risk, and loan loss rate) play key role to succeed micro-finance institutions to understand the institutions.

Other analysis should include the issues of total deposits, number of clients or accounts, average account balance (total deposits/number of accounts), savings expense ratio (operational costs of administering savings/ average total deposits), transactions per staff member (or per teller), savings account per staff member and financial cost (interest paid less fees collected as percentage of average total deposits),

liquid assets less short term payables as a percentage of total deposits, liquidity reserves as percentage of total savings deposits, non-earning liquid assets as a percentage of total assets.

Weber (2003) has written an article entitled "Activity-Based Costing and Savings". The article has aimed to assess the cost of saving. The paper has mentioned that saving is a costly product of micro-finance institution as it includes financial cost, staff cost and other administrative cost. Despite the higher cost of saving products in MFIs, it is found most important to participate poorest of the poor populace in the program.

Beroff (2003) has written an article entitled "Rural Savings Mobilization in West Africa: Guard against Shocks or Build an Asset Base?". The article has examined the importance of saving deposit. Basically, savings mobilization is considered as major assets of MFIs in West Africa. Savings are invested among the clients in economic and social activities as per their needs. It can be used as collateral of respective members and groups so that it maintains discipline among the members. Moreover, saving is a strong instrument for fund collection at the organization.

Dhawan (1998) has written an article on "Studies in Agricultural Investments and Rural Savings". Major aim of this article is to find-out the potentiality of economic groups for saving deposit largely. The study has suggested that saving ratio is higher in well off group than the lower income group. Therefore, involvement of well off group in community-based organizations would be useful for generating financial resources in the organization if there is scarcity of fund.

Wehnert (2003) has written an article on "Outreach to Rural Clients and Economic Viability". Major aim of this article is to identify the mechanism of financial sustainability of SFCLs. The article has suggested that integration of services such as domestic saving, credit; insurance and participatory management by local people would be useful to reduce the operating cost and maintaining financial sustainability of SFCLs.

Goldin and Reinert (2007) in the book Globalization for Development has mentioned that despite the progress made over the past 50 years, poverty still has been remaining a great challenge; 1.1 billion people still live on less than US\$ 1 per day and that poverty is not a single dimensional phenomenon. It relates to deprivation of income, health, education, empowerment and working conditions. Globally, poverty

concerns to trade, finance, aid, migration and ideas so that mutual support helps reduce poverty. The authors have maintained that the people, who migrate to foreign countries, eventually help reduce poverty of their home country, because they send tens of billions of dollars as remittance every year. They have mentioned that trade could play an important role for alleviating poverty in a different ways. Hence, exports and imports also generate income to the poor.

Atal (1999) in his book *Poverty in Transition and Transition in Poverty* has maintained that poverty originated by the affect of bad economic, social, psychological, cultural and political factors. Former Soviet Block officially denied the existence of poverty in the country until collapse of the Soviet Union. Transformation from socialism to market economy, eventually revealed more difficulty and costly. Scholars from six countries conducted a study on the causes of poverty and found that culture is a strong factor that could play an important role to reduce poverty; hence specific solutions of cultural influence need to be emphasized in poverty prone countries.

Ayres (1990) in his article *Foreign Aid and Poverty Reduction* mentions that poor people get benefit from various activities such as agricultural research and extension, provision of primary education, basic health care and nutrition programs and rural infrastructure. But investment made in public expenditure rather than project has created further problems in developing counties. For example, US \$8.6 billion assistance of Tanzania in public expenditure during 1970 to 1988 has increased poverty there.

Baker (1997) in her book *Poverty Reduction and Human Development in the Caribbean* has mentioned that poverty originated due to the cause of different factors such as low or negative economic growth, macroeconomic instability, deficiencies in the labor market, low productivity and low wages in the informal sector and the low quality social services. Countries with high economic growth invested their large earning in the social sector, targeting poorest of the poor populace that reduces poverty level.

Stiglitz (2002) *Globalization and its Discontents* has mentioned that the third world countries have suffered from acute poverty despite contribution of different



organizations. Almost 100 million poor people increased in the twentieth century. On the other hand, at the same time total income of the world was increased by an average of 2.5 percent annually. The developing countries have asked the western countries to reduce trade barriers and have halted exporting their agriculture products. The author has further mentioned that poor people are not lazy but they work very hard and more than rich peoples do. But still they live in poor health condition and encounter many problems in daily lives. The income they make is not enough to afford for food, education, and health services and to fulfill other basic needs. Lack of education transfers poverty from one generation to another.

Bigman and friends (2000) in their article Community Targeting for Poverty Reduction in Burkina Faso have developed a method for targeting anti-poverty program and public projects to poor communities in rural and urban areas. The method calls for constructing an extensive data set from a large number of sources and then integrating the entire set into GIS. The data set includes demographic data from population census, household level data from variety of surveys, community level data on macro-climatic conditions. An economic model that estimates the facts of household community level variables on household consumption is used to identify the key explanatory variables that determine the standard of living in rural and urban areas. This model is then applied to predict poverty indicators for 378 rural and urban communities in Burkina Faso and to map the spatial distribution of poverty in the country. A simulation analysis assesses the effectiveness of village level targeting based on these predictions. The results show that such targeting is an improvement over regional targeting in that it reduces leakages.

## **Conclusions**

A brief review of the literature has revealed that the study conducted by various institutions and researchers has different objectives, methodologies, findings and recommendations. Some have set the objectives ranging from making inventories of cooperatives, understanding the concepts, approaches and modalities, coverage area, process documentation and examining the impact of cooperatives on target groups. Others have tried to validate earlier findings related with the SFCLs. Some others have studied to examine the operational and financial self-sufficiency ratio of SFCLs.

The differences were found in research methodologies used in the studies. They have used different survey techniques such as checklist, questionnaires, focus group discussions and whatever relevant. The data analyses also were done through different tools and methods. Regression analysis, zero order correlation matrix, F-test have also used for this purpose. Studies conducted by the agencies including the ADBL, German Technical Agency, and Center for Micro finance, Canadian Center for International Studies and Cooperation, and Nepal Rastra Bank was more focused on analyzing performances including financial performances of the institutions. This study helped in designing a multi-variate regression model using different variables.

The objectives of the methodologies of the present study are different from that of the aforementioned reviewed articles, reports and researches. One of the main objectives of the given study is to find out the institutionalization and financial sustainability of the Small Farmers' Cooperative Limited and for this purpose statistical tools such as multiple regression, regression, correlation, T-test, Z-test, Multi-variate analysis were used.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This study is based on primary and secondary data and information derived from various sources. This explanatory research was developed systematically. It has described and elaborated the relationship between dependent and independent variables. Data were collected through individual interviews and observations, while secondary data were also used for the research. After the identification of proper variables, relevant hypothesis on savings, credit and sustainability of the institutions were tested with the objective of examining the research objectives.

#### **3.2 Research Design**

The aim of this study is to assess the financial and institutional sustainability of the Small Farmers' Cooperative Limited hence the data were collected from two sources i.e. primary and secondary sources.

In the primary source, five Small Farmers' Cooperative Limited including Shreeantu, Illam of Eastern Development Region; Kumpur, Dhading of Central Development Region; Fedikhola, Syangja of Western Development Region; Uttarganga, Surkhet of Mid-Western Development Region and Kalena, Doti of Far-Western Development Region were selected from all five Development Regions of Nepal. This research is focused to collect the information from savings, credit investment and loan repayment, interest and profit earning in Small Farmers' Cooperative Limited. Along with it, information on organizational structure, group's management, planning, program implementation, monitoring and socio-economic activities were also gathered.

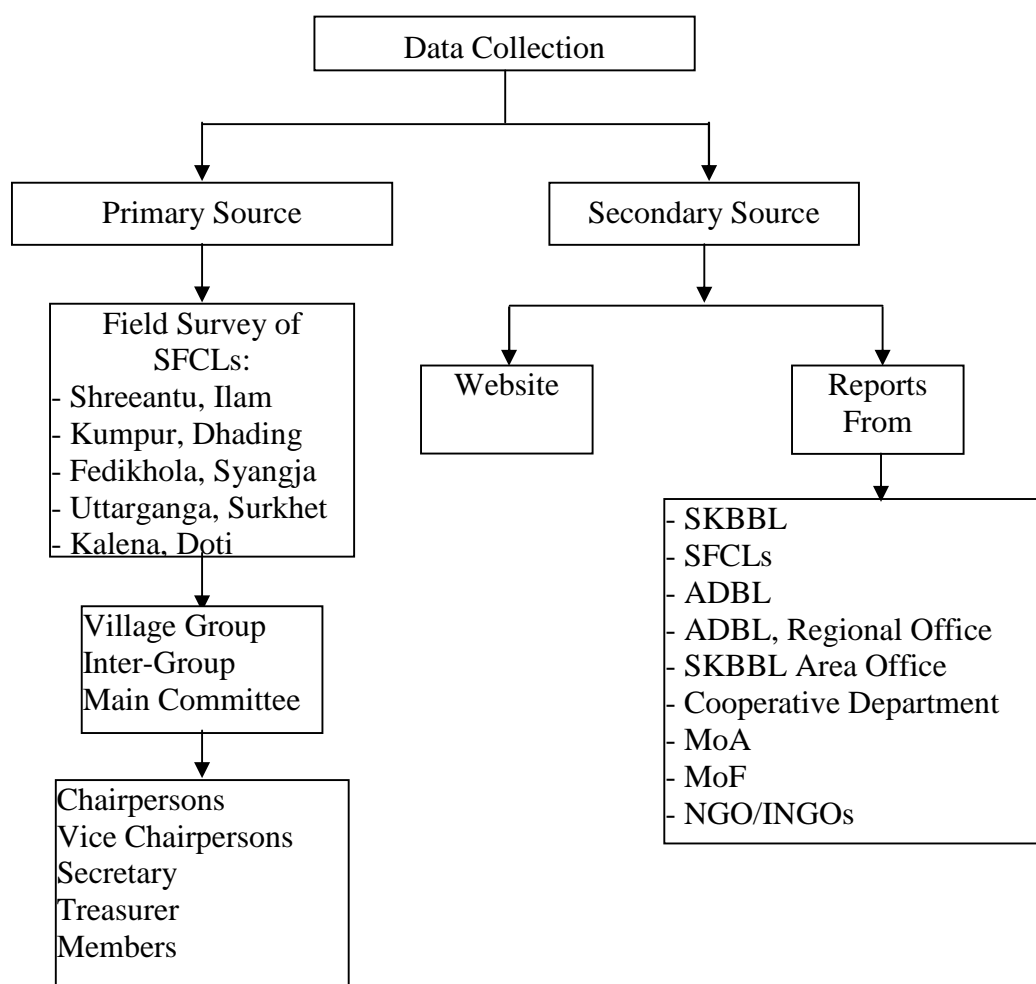
In secondary source, information was collected from concerning agencies.

### 3.2.1 Nature, Types and Sources of Data

Primary data were collected to shed light on demographic and educational status, members' involvement in economic and social activities. Information including saving deposit, loan investment; loan collection, expenditure, income and net profit were collected from the field survey. Likewise, lending policies, strategies, lending activities, research cases, annual program, progress report, business plan, income statement, cash flow and balance sheet were collected from the secondary sources.

**Figure 3.1**

#### Source of Data Collection



Major institutions used for secondary information collection were Agricultural Development Bank Limited, Small Farmers' Development Bank, Centre for Micro finance Institution, Centre for Self-help Development, DEPROSC, CECI, Nepal Rastra Bank, Rastriya Banijya Bank, CEPRED, SAPROSC, Department of

Cooperative, Cooperative Training Institute, NEFSCUN, National Cooperative Development Board, Nepal, Library of Patan Multiple Campus, Library of Tribhuvan University, Nepal Cooperative Bank, Delhi, India, Cooperative Training Institute, Gurgaun, India, Cooperative Training Institute Pune, India, Cooperative Organizations, NGOs and INGOs.

#### (a) Sources of Data

This research study incorporates two types of information. They are as follows:

##### **Primary Sources**

Information were collected from field survey, mainly on, (i) status of saving deposit and credit investment in small farmers' cooperative limited in chapter vi, and (ii) status of financial sustainability and institutionalization of small farmers' cooperative limited in chapter vii.

##### **Secondary Sources**

Secondary sources of this research are (i) introduction of cooperatives including principles of cooperatives, cooperatives movement in the world and history of cooperatives of Nepal in chapter i, (ii) literature review in chapter ii, research methodology in chapter iii, (iii) role of government and financial institutions or promoting and strengthening of cooperatives in Nepal in chapter iv and (iv) overall status and institutionalizations of cooperatives in Nepal in chapter v.

### **3.3 Sample Size**

Sample size was determined by using **PHStat2** software, a Microsoft Excel Add Ins structured program published by Prentice Hall Inc., Upper Saddle River, New Jersey, NJ, and USA for the users of its statistics books. The software uses the following formula for the computation of sample size. Minimum required sample size in estimating the population proportion  $f$  is

$$n = \frac{Z^2 f (1-f)}{e^2}$$

Where

$Z_{\frac{\alpha}{2}}$  = Critical value of Z for a  $(1-\alpha) \times 100\%$  confidence that cuts off a right-tail area

of  $\frac{\alpha}{2}$  under the standard normal curve, e.g. 1.96 for a 95% confidence.

$f$  = An estimate of population proportion, usually 0.5 if the estimate cannot be done.

$e$  = Level of precision (sampling error)

Note: If the resulting sample size represents 10 per cent or more of the population, the finite population correction (fpc) should be applied. The required sample size should then be calculated by using the following formula:

$$n_c = n \times N / (n + N - 1)$$

Where,

$n$  = sample size without fpc

$n_c$  = sample size with fpc

$N$  = population size

To confirm that the sample size of 555 was adequate, calculation for sample size determination was made as under, using maximum possible population variation ( $f = 0.5$ ). The precision value is 0.05 for 95% confidence level.

**Table 3.1**

**The PHStat2 Output**

Data	
Estimate of True Proportion	0.5
Sampling Error	0.05
Confidence Level	95%

Intermediate Calculations	
Z Value	-1.95996279
Calculated Sample Size	384.1454128
Result	
Sample Size Needed	385

Therefore, the 555 sample size was more than sufficient.

**Table 3.2**

**Sample Size Determination for SFCL Shreeantu, Ilam**

<b>Data</b>	
Estimate of True Proportion	0.5
Sampling Error	0.10
Confidence Level	95%

Intermediate Calculations	
Z Value	-1.959962787
Calculated Sample Size	96.0363532

Result	
Sample Size Needed	97

Finite Population	
Population Size	434
Calculated Sample Size	78.78433502
Sample Size Needed	79

**Table 3.3****Sample Size Determination for SFCL Kumpur, Dhading**

<b>Data</b>	
Estimate of True Proportion	0.5
Sampling Error	0.08
Confidence Level	95%

<b>Intermediate Calculations</b>	
Z Value	-1.959962787
Calculated Sample Size	150.0568019

<b>Result</b>	
Sample Size Needed	151

<b>Finite Population</b>	
Population Size	666
Calculated Sample Size	122.6145587
Sample Size Needed	123

**Table 3.4****Sample Size Determination for SFCL Fedikhola, Syangja**

<b>Data</b>	
Estimate of True Proportion	0.5
Sampling Error	0.09
Confidence Level	95%

<b>Intermediate Calculations</b>	
Z Value	-1.959962787
Calculated Sample Size	118.563399

<b>Result</b>	
Sample Size Needed	119

<b>Finite Population</b>	
Population Size	450
Calculated Sample Size	94.00452821
Sample Size Needed	95



**Table 3.5****Sample Size Determination for SFCL Uttarganga, Surkhet**

<b>Data</b>	
Estimate of True Proportion	0.5
Sampling Error	0.09
Confidence Level	95%

<b>Intermediate Calculations</b>	
Z Value	-1.959962787
Calculated Sample Size	118.563399

<b>Result</b>	
Sample Size Needed	119

<b>Finite Population</b>	
Population Size	442
Calculated Sample Size	93.65341346
Sample Size Needed	94

**Table 3.6****Sample Size Determination for Kalena, Doti**

<b>Data</b>	
Estimate of True Proportion	0.5
Sampling Error R	0.09
Confidence Level	95%

<b>Intermediate Calculations</b>	
Z Value	-1.959962787
Calculated Sample Size	118.563399

<b>Result</b>	
Sample Size Needed	119

<b>Finite Population</b>	
Population Size	524
Calculated Sample Size	96.8372279
Sample Size Needed	97

### 3.4 Populations and Sample

Population of this research study comprised of all members of Small Farmers' Cooperatives Limited of five districts from Ilam, Dhading, Syangja, Surkhet and Doti. So, it defined as entire SFCL institutions, general members, inter-group members and main committee members of the respective SFCLs.

**Table 3.7**

**Distribution of Population and Sample SFCL**

S. N.	Name of Small Farmers' Cooperative Office	District	Development Region	Pop	Sample structure	
					Nos.	Percent
1	Shreeantu	Ilam	Eastern	434	88	20.28
2	Kumpur	Dhading	Central	666	149	22.37
3	Fedikhola,	Syangja	Western	450	105	23.33
4	Uttarganga,	Surkhet	Mid-western	442	98	22.17
5	Kalena	Doti	Far-western	524	115	21.95
	Total			2516	555	22.06

*Source: Field Survey (2007).*

Regarding the sample selection, five SFCLs (33%) out of 15 SFCLs were selected for the purpose of the study. The selected SFCLs were SFCL Shreeantu from Ilam district of Eastern Development Region, SFCL Kumpur from Dhading District of the Central Development Region, SFCL Fedikhola of Syangja district from the Western Development Region, SFCL Uttarganga of Surkhet district from the Mid-western Development Region and SFCL Kalena from Doti district from the Far-western Development Region. SFCL Shreantu, Ilam comprises of 434 members from 54 groups, SFCL Kumpur, Dhading 666 members from 83 groups, SFCL Fedikhla, Syangja 450 members from 56 groups, SFCL Uttarganga, Surkhet 442 members from 56 groups and SFCL Kalena, Doti has 524 members from 74 groups. Out of this population, 555 members (22%) were selected as sample respondents. Eighty-eight members were selected from SFCL Shreeantu, 149 members from Kumpur, 105 from Fedikhola, 98 from Surkhet, Uttarganga and 115 members were selected from Kalena, Doti.

**Table 3.8****Respondents from Sample SFCLs**

<b>S.N.</b>	<b>SFCLs</b>	<b>Chairperson and Vice chairperson</b>	<b>Secretary and Treasurer</b>	<b>Members</b>	<b>Total</b>
1	Shreeantu, Ilam	27	23	38	88
2	Kumpur, Dhading	48	44	57	149
3	Fedikhola, Syangja	32	26	47	105
4	Uttarganga, Surkhet	33	28	37	98
5	Kalena, Doti	37	32	46	115
	Total	177	153	225	555
	Percent	31.9	27.6	40.5	100.0

*Source: Field Survey (2007).*

### **3.5 Sampling Procedure**

SFCLs, basically, were divided into three tiers such as village-level groups; inter groups and the main committee. This research study employed stratified research technique to collect samples from all the levels. As per the stratified sampling method, groups were stratified in their respective clusters such as grassroots group, inter group and the main committee. After stratifying groups into their respective clusters, sample groups were selected by using simple random sampling (SRS) method from each cluster except the main committee, which is a single tier of the organization. From the selected sample groups, further respondents were stratified into three categories as per the responsibilities given to them in the organization. As per this method, one composition was formed between the Chairperson and Vice Chairperson, other was Secretary and Treasurer and another composition was formed among the members only. At least one respondent was selected from each sampling group. Sample offices were selected by applying following criteria:

- a) Sample offices must be selected from hills of five development regions of Nepal,
- b) Operation duration of SFCLs should be over 5 years,

- c) Sample offices must be picked from the offices having large outstanding loan,
- d) Priority should be given to the SFCLs that are based in areas where the population of disadvantaged people is higher.

### **3.6 Data Collection Procedure**

This explanatory research was focused on collecting primary data by interviewing with sample respondents from respective sample groups. Researcher along with five key enumerators was used for conducting interviews in the SFCLs. All enumerators have passed bachelor's degree and possess enriched knowledge on subject matters such as savings, loan investment and institution development activities.

#### **Informal Group Discussion**

Informal discussion was carried out with key microfinance practitioners such as Board of Directors, CEO, Senior Managers of Small Farmers' Development Bank, Chairperson and GM, DGM, Division Chief, Section Chief and Managers of Agricultural Development Bank Limited, Main Committee Members, inter-committee members and general members of SFCLs, Senior Officers of GTZ, UNDP, CMF, CEC, CSD, DEPROSC, SAPROSC, Nirdhan, Grameen Bank, NEFSCUN, National Cooperative Development Board, Cooperative Department, Members of National Planning Commission, Chairman of CBOs and NGOs, etc.

### **3.7 Pre-Testing**

Pre-test is a pilot test of the research. It is used to assess whether questionnaire and research methods are suitable for the main survey. For this purpose, pre-test of this research study was conducted in SFCL Bhumisthan of Dhading.

### **3.8 Research Hypothesis**

There exists significant correlation between two numerical variables.

The null-and alternative hypotheses for this test are set as under:

Null Hypothesis,  $H_0 : \dots = 0$  (There is no significant correlation)

Alternative Hypothesis,  $H_1 : \dots \neq 0$  (There is a significant correlation)

### 3.9 Data Analysis Techniques

Data were analyzed by using the quantitative methods such as SPSS, STATA and Excel, considered as major tools in this research particularly for hypothesis testing, regression analysis and correlation analysis, etc. In addition, weightage mean has used for ranking the activities of social, community and institutional development activities beginning implemented from Small Farmers' Cooperative Limited. Scores were used as follows.

$$Index = \frac{fhsa * 1 + fsa * 0.75 + fmsa * 0.50 + flsa * 0.25 + fvlsa * 0.1 + fnsa * 0}{n}$$

Where

fhsa = Frequency of highly satisfactory

fsa = Frequency of satisfactory

fmsa = Frequency of moderately satisfactory

flsa = Frequency of low satisfactory

fvlsa = Frequency of very low satisfactory

fnsa = Frequency of not satisfactory

n = Total number of responses

### 3.10 General Description of Study Area

This research study conducted in Ilam, Dhading, Syangja, Surkhet and Doti districts. Details of physical setting, settlement pattern, and population, economic and social activities are described hereunder.

#### 3.10.1 Ilam District

ISRS (2004) states that Ilam district is one of the main economically enriched districts of the eastern development region of Nepal. Heterogeneous ethnicity and diversified culture are major characteristics of this district. Spread in 1,703 sq km, Ilam district lies in Mechi zone. This district has one municipality, 48 VDCs and three parliamentary election centers.

**a) Demographic Status**

Ilam district has a population of 282,806, comprising 142,434 males and 140,372 females. This district has 54,565 households. Furthermore, Informal Sector Research and Study (ISRS) presents that average household population size stood at 5.18 and population density per kilometer was 166 persons.

NGO Federation Ilam (2005) in its publication titled "Brief introduction of Ilam district" mentions that major dominant castes of the district are Rai (24.36%) followed by Brahmin (15.14 %), Limbu (14.33%), Chhetri (13.55 %), Tamang (6.83%), Magar (5.13%), Newar (3.84%) and Dholi (1.46%).

**b) Education Activities**

Highest student enrollment (57118) was recorded in 430 primary schools followed by 18970 students in 102 lower secondary schools, 6947 students in 55 secondary schools and 1875 students in 47 pre-primary schools. Besides, one Master's level campus having different faculties such as law, humanities, and management and education is operating in district.

**c) Literacy Status**

Literacy rate of Ilam district stood at 66.5 per cent. Out of the population, literate category of six yrs of age and over comprised 85402 males and 86011 females. Likewise, the number of people who cannot read and write stood (illiterates) stood at 65250 (This comprises 22798 males and 42452 females). A total of 16636 people – 8843 males and 7794 females fell under the category "can read only". The number of people who can read and write stood at 162775 (91784 males and 70990 females).

Education status of district shows that 75469 have passed the primary (1-5 class) level, 33027 the lower secondary (6-7 class), 17269 the (8-10 class) level, 13409 have passed SLC and equivalent, 8159 the certificate level and equivalent, 3244 the bachelor's level and equivalent and 896 have obtained post graduate degrees.

**d) Occupation**

According to the Central Bureau of Statistics (2002) “Population Census 2001” in National Report mentioned that agriculture is the major occupation of the district. However, their subsidiary occupations include business, foreign employment and services. Out of 54565 households, 2960 households have agriculture land only, 654 have livestock only, 142 are involved in poultry only, 12402 have land and livestock, 591 have land and poultry, 749 have livestock and poultry, and 32272 have land, livestock and poultry, while 4795 do not have any occupation. Likewise, of the total households, 8746 are involved in economic activities: 697 in manufacturing, 2477 in trade/ business, 226 in transport, 2944 in services and 2402 in others. A total of 45819 households are not involved in economic activities.

**e) Crops**

Major crops grown in this district are maize (*zea mays*), wheat (*Triticum aestivum*), millet (*Elusine coracana*) paddy (*Oryza sativa*) and potato (*Solanum tuberosum*). Production varies among the crops such as maize produced 20,100 MT from 12910 ha millet produced 2000 MT from 2000 ha, wheat produced 3745 MT from 3700 ha and paddy produced 3100 MT from 1500 ha. Besides, major cash crops of the district are cardamom, potato, ginger, milk and orthodox tea. In total, 8,216.35 ha of land had access to irrigation facilities as of 2002/03, while 7295.85 ha had access to irrigation in 1998/99. More than three crops are grown in a year.

**f) Livestock**

This district has 130,753 cattle, 31,439 buffaloes, 6,968 sheep, 93,470 goats, 13, 800 pigs, 149,372 fowl and 492 ducks.

**g) Foreign Employment**

In total, 4548 male and 612 female went abroad for the services, 2969 male and 528 female went to India, besides other countries visited are 6 males in Pakistan, 4 males in Bangladesh, 12 males and 2 females in Bhutan, 1 male in Sri Lanka, 7 males in the Maldives, 8 males and 2 females in China, 4 males and 3 females in Korea, 4 males and one female in Russia, 6 males in Japan, 30 males and 18 females

in Hong Kong, 60 males and 15 females in Singapore and 85 males in Malaysia, 7 males in Australia, 735 males and 12 females in Saudi Arabia, 245 males and one female in Qatar, 36 males and 15 females in Kuwait, 153 males and one female in the United Arab Emirates, 45 males and 2 females in Bahrain, 22 males in other Asian countries, 60 males and 8 females in the United Kingdom, 8 males and one female in Germany, 3 males in France, 2 males in other European countries, 20 males and 3 females in the USA, Canada, and Mexico and 16 males in other countries. Out of 139770 economically active populace are over 10 yrs of age. Besides, 2283 are under the category of employer, 23192 are employee, 98946 are self-employed and 15349 are unpaid family workers.

#### **h) Cooperatives**

Four District level Cooperative Unions were formed in Ilam district. Out of these, one (25%) was tea cooperatives union, multi-purpose cooperatives union, dairy cooperatives union and saving and credit cooperatives union each. Altogether, 32 persons were in executive committee. Women were not involved in the union due to the reason of gender bias.

In total, Mrs. 53,580 was deposited in the form of share in these unions.

**Table 3.9**

#### **Status of Cooperative Union**

<b>S. N.</b>	<b>Cooperative Union</b>		<b>Executive committee</b>			<b>Total Capital (Mrs.)</b>	<b>Saving (Mrs.)</b>	<b>Investment (Mrs.)</b>
	<b>Types</b>	<b>Nos.</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>			
1	Tea	1	8	0	8	8000	0	0
2	Multi purpose	1	8	0	8	7080	0	0
3	Dairy	1	8	0	8	11000	0	0
4	Saving & Credit	1	8	0	8	27500	2,33,000	2,67,500
	Total	4	32	0	32	53580	2,33,000	2,67,500

*Source: Statistical Information of Cooperatives of Nepal, Department of Cooperative (2007).*

In addition, Mrs. 233,000 was deposited by members in their regular savings account. Total investment in income generating activities stood at Mrs. 2,67,500.



From all the cooperatives, they involve 10085 members -- 6056 (60.04 %) males and 4029 (39.95 %) females. Saving cooperatives have the highest number of members 3025 (29.99 %), followed by 2735 (27.11 %) in multipurpose, 2250 (22.31 %) in dairy, 1002 (9.93 %) small farmers' cooperatives, 665 (6.59 %) in agriculture, 231 (2.29 %) in science and technology, 117 (1.16 %) in consumers, 34 (0.33 %) in health and 26 (0.25 %) in coffee.

**Table 3.10**

**Status of Cooperatives and Members Involvement**

S.N.	Cooperatives		Members		
	Types	Nos.	Male	Female	Total
1	Dairy	40 (32.78%)	1835 (81.55%)	415 (18.44%)	2250 (22.31%)
2	Multi purpose	23 (18.82%)	1553 (56.78%)	1182 (43.21%)	2735 (27.11%)
3	Saving	32 (26.22%)	1542 (50.97%)	1483 (49.02%)	3025 (29.99%)
4	Agriculture	18 (14.75%)	440 (66.16%)	225 (33.83%)	665 (6.59%)
5	Science & Technology	1 (0.81%)	221 (95.67%)	10 (4.32%)	231 (2.29%)
6	Small Farmers' Cooperative Limited	2 (1.63%)	331 (33.03%)	671 (66.96%)	1002 (9.93%)
7	Consumer Cooperative	4 (3.27%)	86 (73.50%)	31 (26.49%)	117 (1.16%)
8	Coffee	1 (0.18%)	17 (65.38%)	9 (34.61%)	26 (0.25%)
9	Health	1 (0.18%)	31 (91.17%)	3 (8.82%)	34 (0.33%)
10	Others	0	0	0	0
11	Total	122 (100%)	6056 (60.04%)	4029 (39.95%)	10085 (100%)

*Source: Statistical Information of Cooperatives of Nepal, Department of Cooperative (2007).*

**i) Bank**

Altogether eight bank branches including three RB Bank, one NBL, three Agricultural Development Branches and one Small Farmers' Development Program have been operating in the district. In total Mrs. 151013 thousand invested in Ilam District for the fiscal year 2005/06. Among the different loan activities, highest loan borrowed in marketing activities including buying and selling of commodities in hat bazaar, small grocery, teashop, mobile vendors, vegetable selling, input and out put marketing of agriculture products etc. After it, second highest loan found in special

crops amounted to average NRs 36682 thousands (24.29 %) including ginger, cardamom and potato etc.

Similarly third highest loan found in business services amounted to NRs 21916 thousand (14.51 %) followed by tea and coffee NRs 15829 (10.48 %), cash crops NRs 15147 thousands (10.03 %), livestock NRs 7139 (4.72 %), biogas NRs 2015 (1.33 %), agro-industry NRs 1667 (1.10 %) and other activities such as cereal crops and horticulture found very negligible amount.

**Table 3.11**

**Loan Investment in Ilam District for FY2005/06**

NRs 000

S.N.	Activities	Loan	
		Amount	Percent
1	Cereal Crops	20	0.013
2	Cash crops	15147	10.030
3	Special crops	36682	24.290
4	Marketing	49706	32.915
5	Farm Mechanization/tools	662	0.938
6	Irrigation	0	0
7	Bio-gas	2015	1.334
8	Land & Housing	0	0
9	Agro industry	1667	1.103
10	Godown	0	0
11	Livestock	7139	4.727
12	Horticulture	230	0.152
13	Tea & Coffee	15829	10.481
14	Business Services	21916	14.512
15	SFCLs	0	0
16	Others	0	0
	Grand Total	151013	100

*Source: Statistical Information of Cooperatives of Nepal (2007).*

**j) Transportation Facilities**

Altogether 376.45 kilometers blacktopped roads are constructed for transportation purposes.

**k) Health Activities**

One district hospital has been established in the district headquarters for providing health services.

**l) Communication**

In total 52 postal offices and 1373 telephone lines are operating in the district.

**m) Electricity Facilities**

Electricity Facility accessed in district headquarters and main market centre of Ilam district.

**n) Industry**

Sixty-four industries registered in the district. Out of them 52 are small and cottage industry and 12 are manufacturing large industries.

**3.10.2 Dhading District**

Himalaya picks, beautiful mountains and natural forests are major endowments of this district. This district has 50 Village Development Committees.

Dhading district lies in Bagmati zone of the central development region. This district is spread in 192484 hectares. Altitude of this district ranged from 300 meters to 7110 meters. The district headquarters is situated at an altitude of 640 meters. This district is demarcated by Kathmandu, Nuwakot and Rasuwa districts in the east, Gorkha in the west, Tibet in the north and Makawanpur and Chitwan districts in the south. This district has 50 Village Development Committees (NGOFD, 2005).

**a) Demographic Status**

Total population of the district stands at 338658: 165864 (49%) males and 172798 (51%) females. Furthermore, NGO Federation Dhading (NGOFD) mentions that Dhading district has around 62,759 hhs. Average household population size stands at 5.40 and population density is 176 persons per sq. km.

Major dominant castes of this district are Tamang (21.5%), followed by Brahman (16.7%), Chhetri (15.5%), Newar (9.6%), Magar (8.5%), Gurung (7.7 %), Sarki (4%), Kami (3.4%), Chepang (3.2%), Damai (2.3%), Sanyasi (1.3%), Kumal (1.2 %), Thakuri (1%), Gharti/Bhujel (0.9%), Sunar (0.5%), Dalit (0.5%) and others (2.7%).

**(b) Educational Activities**

This district has 35 pre-primary, 461 primary, 99 secondary, 51 middle school and seven higher-level middle schools.

Students' enrollment in primary schools stands at 58318, followed by 13,644 in lower secondary schools, 5,626 in 51 secondary schools and 1,472 in 35 pre-primary schools.

**c) Literacy Status**

Literacy rate stands at 40 per cent and comprises 74 per cent males and 26 per cent females. Out of the total populace, the number of literate males and females stands at 139422 and 147110.

The number of people who cannot read and write stands at 73990. Among them, 19055 are males and 54935 are females.

The number of people who can read only stands at 21730. Among them 12440 are males and 9290 are females. Altogether 124594 people – 74860 males and 49734 females -- can read and write.

Education status of the district shows that 70501 have passed the primary (1-5 class) level, 23247 the lower secondary (6-7 class) level, 10402 the secondary (8-10 class) level, 6961 passed SLC and equivalent, 1785 passed the certificate level or equivalent, 693 the bachelor's level and 126 have obtained post graduate degrees.

**d) Occupation**

CBS (2002) highlights that 81 per cent of people in this district involved in agriculture. Subsidiary occupations include off farm activities, business, and government and military services.

Out of 62759 households, 2603 households are involved in land cultivation, 339 households in livestock rising, 135 households in poultry, 16256 households in farming and livestock rearing, 551 households in farming and poultry, 283 households in livestock and poultry, 39212 households in farming, rearing livestock and poultry. A total of 3389 households are not involved in any of the above-mentioned activities.

Likewise, of the total households, 8846 households are involved in economic activities. A total of 933 households are involved in manufacturing, 3107 in trade/business, 247 in transport, 2686 in services and 1873 in other areas. Altogether 53913 households are not involved in economic activities.

**e) Crops**

ISRSC (2004) puts the production of paddy from 14,949 ha at 45,560 MT, maize from 19485 ha at 40,918 MT, millet from 7,250 ha at 7,010 MT, wheat from 4900 ha at 8,570 MT. Furthermore, Informal Sector Research and Study Center (ISRSC) presents that major horticultural crops of the district are citrus fruit, pear, guava, pineapple and coffee. Apiculture is a common income generating activity.

**f) Livestock**

This district has cows 133,391 buffaloes 92,530, sheep, 6,146 goats, 154, 540, pigs 20, 580, fowls, 530,000 and ducks 2, 446.

**g) Foreign Employment**

A total of 10021 people -- 9311 males and 710 females -- went abroad for employment. Of them, 7176 males and 637 females went to India, 8 males and 3 females to Pakistan, 9 males to Bangladesh, 11 males to Bhutan, 2 males each to Sri Lanka and the Maldives, 4 males and 1 female to China, 21 males and 1 female to Korea, 7 males to Russia, 16 males and two females to Japan, 12 males and 5 females to Hong Kong, 36 males and 16 females to Singapore and 174 males to Malaysia, 5 males and 2 females to Australia, 976 males and 10 females to Saudi Arabia, 469 males to Qatar, 34 males and 5 females to Kuwait, 177 males and one female to the United Arab Emirates, 11 males to Bahrain, 37 males and 4 females to other Asian countries, 50 males and 9 females to the United Kingdom, 16 males to Germany, 3 males to France. Similarly, 17 males and 3 females went to other European countries, 23 males and 9 females to the USA, Canada and Mexico and 15 males and 2 females went to other countries.

## **h) Cooperatives**

Five District level Cooperative Unions have been formed in Dhading district. In total NRs 86000 has been deposited in the form of shares in these unions. In addition, NRs 6900 deposited by members in their regular savings accounts. Total investment in income generating activities stands at NRs 2108801.

**Table 3.12**

### **Status of Cooperative Union**

<b>S. N.</b>	<b>Cooperative Union</b>		<b>Executive committee</b>			<b>Total Capital</b>	<b>Saving</b>	<b>Investment</b>
	<b>Types</b>	<b>Nos.</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>			
1	Multi purpose	1	56	0	56	45000	45000	0
2	Dairy	1	25	0	25	8000	0	0
3	Saving & Credit	1	26	0	26	15000	15000	0
4	SFCL	1	25	0	25	9000	9000	2108801
5	Agriculture	1	9	0	9	9000	0	0
	Total	5	141	0	141	86000	69000	2108801

*Source: Statistical Information of Cooperatives of Nepal (2007).*

## **i) Activities Related to Cooperatives**

Altogether 156 cooperatives have been established in Dhading district. Forty-six of them (29.48%) fall under “saving” category, 41 (26.28%) under multi-purpose, 25 (16.02%) under dairy, 20 (12.82%) under Small Farmers’ Cooperative Limited, 16 (10.25%) under agriculture, 2 (1.28%) under electricity, 1 (0.64%) under tea, science and technology, consumers, coffee, health and others categories.

These cooperatives have 27755 members, including 17829 (64.23%) males and 9926 (35.76%) females. The Small Farmers’ Cooperatives Limited has the highest number of members 9521 (34.30 %), followed by 8740 (31.48 %) in multipurpose, 6035 (21.74%), in saving, 2110 (7.60%) in dairy, 1018 (3.66%) in agriculture, 98 (0.35%) in consumers, 75 (0.27%) in others, 53 (0.19%) in electricity, 27 (0.09%) each in tea and coffee, 26 (0.09%) in science and technology and 25 (0.09%) in health cooperatives.

**Table 3.13****Status of Cooperatives and Members' Involvement**

S.N.	Cooperatives		Members		
	Types	Nos.	Male	Female	Total
1	Dairy	25 (16.02%)	1395 (66.11%)	715 (33.88%)	2110 (7.60%)
2	Multi purpose	41 (26.28%)	6566 (75.12%)	2174 (24.87%)	8740 (31.48%)
3	Saving	46 (29.48%)	2343 (38.82%)	3692 (61.17%)	6035 (21.74%)
4	Agriculture	16 (10.25%)	877 (86.14%)	141 (13.85%)	1018 (3.66%)
5	Tea	1 (0.64%)	27 (100%)	0	27 (0.097%)
6	Electricity	2 (1.28%)	46 (86.79%)	7 (13.20%)	53 (0.19%)
7	Science & Technology	1 (0.64%)	23 (88.46%)	3 (11.53%)	26 (0.93%)
8	SFCLs	20 (1.28%)	6389 (67.10%)	3132 (32.89%)	9521 (34.30%)
9	Consumer Cooperative	1 (0.64%)	49 (50%)	49 (50%)	98 (0.35%)
10	Coffee	1 (0.64%)	27 (100%)	0	27 (0.097%)
11	Health	1 (0.64%)	23 (92%)	2 (8%)	25 (0.090%)
12	Others	1 (0.64%)	64 (85.33%)	11 (14.66%)	75 (0.27%)
	Total	156 (100%)	17829 (64.23%)	9926 (35.76%)	27755 (100%)

*Source: Statistical Information of Cooperatives of Nepal (2007).*

**j) Bank**

Eleven bank branches, including three Rastriya Banijya Bank branches, four Agricultural Development Bank branches and four banks of the Small Farmers' Development Program are operating in the district.

NRs 239207 thousand invested in Dhading district in the fiscal 2005/06. The highest amount of loan, amounting to NRs 106700 (44.58 %) as borrowed for marketing activities. It included buying and selling of commodities in *hat* bazaar, small grocery, teashop, and mobile vendors, vegetable selling, input and output

marketing of agriculture products, etc. This was followed by loan taken for cultivation of cash crops, including vegetables such as beans, chilies, potato, cauliflower, cabbage and cucumber, and amounted to NRs 76455 thousand (31.94 %). NRs 31980 (13.36 %) was borrowed for horticulture, followed by NRs 10330 thousand (4.31 %) for agro industry, NRs 5023 thousand (2.09 %) for micro credit, NRs 4892 thousand (2.04 %) for cereal crops, 3634 thousand for special crops (1.51 %). Negligible amount was investment in the biogas sector.

**Table 3.14**

**Loan Investments in Dhading District for FY 2005/06**

NRs 000

S.N.	Activities	Loan	
		Amount	Percent
1	Cereal Crops	4892	2.044
2	Cash crops	76455	31.949
3	special crops	3634	1.518
4	Marketing	106700	44.588
5	Farm Mechanization /tools	0	0
6	Irrigation	0	0
7	Biogas	283	0.118
8	Land & Housing	0	0
9	Agro industry	10330	4.316
10	Godown	0	0
11	Livestock	0	0
12	Horticulture	31980	13.364
13	Tea & Coffee	0	0
14	Business Services	0	0
15	SFCLs	5023	2.099
16	Others	0	0
	Grand Total	239207	100

*Source: Statistical Information of Cooperatives of Nepal (2007).*

**k) Transportation Facilities**

Blacktopped roads with the total length of 142 kilometer have been constructed in the district. These roads are linked with the Mahendra-highway.



**l) Health Activities**

This district has 56 different health offices, including one district hospital, two primary care health centers, 16 health posts, 33 sub-health posts and four Aurvedic health centers. As per the density of population, one health centre caters to 5500 people. As per the national standard, a doctor needs to provide health services to 62308 people. However, in this district, a doctor has to attend to 103846 people. This district falls under the rank of 54 out of 75 districts in the context of social and economic enrichment.

This district has 56 health offices including one district hospital, two primary care health centers, 16 health posts, 33 sub-health posts and four Aurvedic health centers.

**m) Communication**

Dhading has a district-level postal office, 12 area postal offices and 41 temporary postal offices. A total of 416 telephone lines have been distributed across the district.

**n) Electricity Facilities**

The district has a number of power plants, including 10 KW Galaudi (Pida), Mulpani (600 KW), Tawal (7 KW), Tipling 25 (KW) and Kumpur (28 KW).

**o) Industry**

A total of 56 industries, including 45 small and cottage industries and 11 manufacturing industries, have been registered in the district.

**3.10.3 Syangja District**

Syangja lies in the western development region and quite near from the Pokhara valley, a well-known tourist destination. The western region is where famous people like Gautam Buddha were born. Himalaya peaks, beautiful mountains, lakes, flora and fauna have made the region all the more beautiful. The district is home to people from different ethnic backgrounds. This district has two municipalities, 60 VDCs and three election constituencies (NGOFS, 2005).

It belongs in Gandaki zone. Altitude of this district ranges from 300 meters to 7110 meters. The district headquarters is situated at an altitude of 640 meters. Syangja is flanked by Tanahu district in the east. Gulmi and Parvat districts are in the west, Parvat and Kaski districts are in the north and Kaligandaki River is in the south.

Furthermore, NGO Federation Syangja (NGOFS) mentions that average annual rainfall of this district is recorded at 2665 ml. Maximum temperature stands at 30.9 C and minimum temperature at 8.2 C.

**a) Demographic Status**

The district has a population of 317211, which includes 143592 males and 173619 females. This district has 59186 hhs. The average number of people per household is 4.90 and population density is 273 persons per square kilometer.

Dominant castes of this district are Brahmin (32.9%), followed by Chhetri (11.2%), Kami (6.5%), Damai (3.2%), Thakuri (2.7%), Sanyasi (0.7%) and Kumal (0.3%).

**b) Education Activities**

Altogether 576 primary schools have 70,230 students, followed by 25,390 in 160 lower secondary schools, 11,816 in 99 secondary schools and 5,622 in 41 pre-primary schools.

**c) Literacy Status**

ISRSC (2004) maintains that literacy rate of the district is 66.32 per cent. Out of it, percentage of literate males and females stands at 77.30 per cent and 22.70 per cent. The number of literate males and females over six years of age stood at 119861 and 150438. The number of those who "cannot read and write" stood at 73990 -- 19055 males and 54935 females, while 15483 people, comprising 7336 males and 8147 females, fell under the category "can read only". Number of the populace that can "read and write" stood at 179266 -- 63056 males and 86210 females.

Education status of the district shows that 79374 passed primary (1-5 class) level, 42265 lower secondary (6-7 class), 23543 secondary (8-10 class) level, 11575

SLC or equivalent, 5289 passed the certificate level or equivalent, 2355 passed bachelor's level or equivalent, while 566 obtained postgraduate degrees or equivalent.

**d) Occupation**

CBS (2002) highlights agriculture as the major occupation in the district. Subsidiary occupations include business, government and military services.

Of the total households, 2952 are into agriculture, 735 are into livestock rearing, 369 into poultry farming, 23528 into poultry and livestock rearing, 622 into farming and poultry, 432 are engaged in livestock and poultry, land, and 28814 are engaged in livestock rearing and poultry farming.

**e) Crops**

The district is spread in 116400 hectares. Out of the 76520 hectares of cultivable land, 47492 hectares is used for farming. A total of 16178 hectares of land has access to irrigation. Over three crops are grown in this land. A total of 31764 hectares of land falls under the category of highland. Out of the total farming area, 8070 hectares has access to irrigation round the year, while 8108 hectares of land is fully dependent on monsoon rain.

**f) Livestock**

Livestock is the second most important activity in the district. The common livestock raised in the district are cattle, buffalo, goat, sheep and poultry. This district has 154,056 cattle, 119,485 buffaloes, 11,297 sheep, 132,892 goats, 8,731 pigs, 150,429 fowls and 561 ducks.

**g) Foreign Employment**

In total, 40195 people, including 36045 males and 4150 females, went abroad for employment. Of them, 29568 males and 3778 females went to India, 9 males and 1 female to Pakistan, 20 males and two females to Bangladesh, 7 males to Bhutan, 2 males to Sri Lanka, 7 males to the Maldives, 14 males and 9 females to China, 148 males and 9 females to Korea, 13 males and 6 females to Russia. Likewise, 60 males and 8 females went to Japan, 357 males and 156 females to Hong Kong, 97 males and 19 females to Singapore, 405 males and 7 females to Malaysia, 28 males and 5

females to Australia, 2833 males and 33 females to Saudi Arabia, 1097 males and 3 females to Qatar, 176 males and 4 females to Kuwait, 890 males and 6 females to the United Arab Emirates, 58 males and 2 females to Bahrain, while 90 males and 23 females went to other Asian countries. A total of 160 males and 33 females went to the United Kingdom, 46 males and 6 females to Germany, 3 males to France, 41 males and 5 females to other European countries, 82 males and 23 females to the USA, Canada, and Mexico, while 34 males and 2 females went to other countries. Out of the economically active populace of 150129 aged over 10 yrs, 3162 are under the category of employer, 21698 are employees, 108407 are self-employed and 16862 are unpaid family workers. Out of 178730 economically active people aged over 10 yrs, 4559 are under the category of employer, 14230 are employees, 147540 are self-employed and 12402 are unpaid family workers.

#### **h) Cooperatives**

There are two District level Cooperative Unions in Syangja district. NRs 22000 have been deposited in the unions in the form of shares in these unions.

**Table 3.15**

#### **Status of Cooperative Union**

S. N.	Cooperative Union	Nos.	Executive committee			Total Capital	Saving	Investment
			Male	Female	Total			
1	Multi purpose	1	9	0	9	9000	0	0
2	Dairy	1	13	0	13	13000	0	0
	Total	2	22	0	22	22000	0	0

*Source: Statistical Information of Cooperatives of Nepal (2007).*

There are 122 cooperatives in Syangja district. Among them, 40 (32.78%) fall under dairy category, 32 (26.22%) under saving, 23 (18.85%) under multipurpose,

**Table 3.16****Status of Cooperatives and Members' Involvement**

S.N.	Cooperatives		Members		
	Types	Nos.	Male	Female	Total
1	Dairy	40 (32.78%)	1835 (81.55%)	415 (18.44%)	2250 (22.31%)
2	Multipurpose	23 (18.85%)	1553 (56.78%)	1182 (43.21%)	2735 (27.11%)
3	Saving	32 (26.22%)	1542 (50.97%)	1483 (49.02%)	3025 (29.99%)
4	Agriculture	18 (14.75%)	440 (66.16%)	225 (33.83%)	665 (6.59%)
5	Science & Tech	1 (0.81%)	221 (95.67%)	10 (4.32%)	231 (2.29%)
6	SFCLs	2 (1.63%)	331 (33.03%)	671 (66.96%)	1002 (9.93%)
7	Consumers	4 (3.27%)	86 (73.50%)	31 (26.49%)	117 (1.16%)
8	Coffee	1 (0.81%)	17 (65.38%)	9 (34.61%)	26 (0.25%)
9	Health	1 (0.81%)	31 (91.17%)	3 (8.82%)	34 (0.33%)
10	Others	0	0	0	0
	Total	122 (100%)	6056 (60.04%)	4029 (39.95%)	10085 (100%)

*Source: Statistical Information of Cooperatives of Nepal (2007).*

18 (14.75%) under agriculture, 4 (3.27 %) consumers, 2 (1.63%) under Small Farmers' Cooperative Limited, 1 (0.81%) each fall under science and technology, coffee and health categories. These cooperatives have 10085 members, including 6056 (60.04 %) males and 4029 (39.95 %) females. The saving category has 3025 members (29.99%) of members, followed by 2735 (27.11 %) members in multi purpose, 2250 (22.31%) in dairy, 1002 (9.93 %) in Small Farmers' Cooperative Limited, 665 (6.59%) in agriculture, 231 (2.29%) in science and technology, 117 (1.16 %) in consumers, 34 (0.33%) in health and 26 (0.25%) in coffee.

**i) Bank**

Six banks, including one branch of the Rastriya Banijaya Bank, two branches of the NBL and three branches of the Agricultural Development Bank are providing

services in the district. NRs 215272 thousand was invested in Syangja district in the fiscal year 2005/06.

**Table 3.17**

**Loan Investments in Syangja District for FY 2005/06**

NRs 000

S.N.	Activities	Loan	
		Amount	Percent
1	Cereal Crops	311	0.144
2	Cash crops	10224	4.749
3	Special crops	7710	3.581
4	Marketing	141689	65.818
5	Farm Mechanization/tools	480	0.222
6	Irrigation	0	0
7	Biogas	0	0
8	Land & Housing	0	0
9	Agro industry	17748	8.244
10	Godown	0	0
11	Livestock	9091	4.223
12	Horticulture	0	0
13	Tea & Coffee	240	0.111
14	Business Services	26854	12.474
15	SFCLs	0	0
16	Others	925	0.429
	Grand Total	215272	100

*Source: Statistical Information of Cooperatives of Nepal (2007).*

Among different loan activities, the highest amount of loan amounting to NRs 141689 thousand (65.81 %) was borrowed for carrying out marketing activities, including the purchase and sale of commodities in *hat* bazaar, small grocery, tea shop, mobile vendors, vegetable selling, input and output marketing of agriculture products, etc. This was followed by loan taken for business services, which amounted to NRs 26854 thousand (12.47 %), NRs 17748 thousand (8.24 %) for agro industry, NRs 10224 thousand (4.74 %) for cash crops, NRs 9091 thousand (4.22 %) for livestock, NRs 7710 thousand (3.58 %) for special crops. Investment in cereal crops, tea and coffee, farm mechanization and agri tools was negligible.

**j) Transportation Facilities**

This district is connected with Kaski to Rupandehi districts through the Prithivi highway. Syangja district has 105 sub-blacktopped roads, 23 main

blacktopped roads, 2.5 gravel roads and village trails with the total length of 10 kilometer.

**k) Health Activities**

This district has 75 health offices, including a district hospital, an Aruvedic health centre, three primary health centers, 10 health posts, 54 sub-health posts and six Aruvedi health posts. In addition, Non-Governmental Organizations (NGOs) and International Non- Governmental Organizations (INGOs) are providing health services, sanitation facilities and clean drinking water facilities.

**l) Communication**

This district has one postal office, 53 sub-postal offices and 12 area postal offices. A total of 400 telephone lines have been distributed in 31 VDCs. Internet and cables networking facilities are available in the district headquarters.

**m) Electricity Facilities**

Twenty-nine per cent of the district's population has access to electricity. Kaligandaki power plant, Adhikhola power plant and Setidhovan power plant generate 144 MW, 5.1 MW and 80 KW of electricity. In addition, eight VDCs lying in northern Syangja have access to community electricity facilities.

**n) Industry**

A total of 1020 industries are registered in the district.

**3.10.4 Surkhet District**

Surkhet is the headquarters of the mid-western region, which is 600 km from Kathmandu. Heterogeneous ethnicity and diversified culture are major attractions of this district. This district has 60 Village Development Committees (VDCs) and three election constituencies.

Surkhet district lies in the Bheri zone of the mid-western development region. This district is bordered from Salyan in the east, Doti in the west, Accham, Dailekh and Jajarkot in the north and Baka, Bardiya and Kailali in the south (NGOFS, 2005).

**a) Demographic Status**

Total population of the district is 288,527, with 142,817 males and 145,710 females. This district has 54,047 hhs. Furthermore, NGO Federation Surkhet District (NGOFSD) mentions that average household population size is 5.34 and population density stands at 118 persons per square kilometre.

Dominant castes of this district are Chhetri (25.93. %), followed by Magar (19.29%), Kami (14%), Brahman (11.54 %), Thakuri (4.26%), Dhimi/Dholi (3.66%) and Sunar (3.02 %), Tharu (1.95%), Sarki (1.91%), Sanyasi (1.7%), Gurung (1.4%) and others (1.3%).

**b) Education Activities**

Students' enrollment in primary schools was 84,163, followed by 15,222 in 89 lower secondary schools, 6,950 in 51 secondary schools and 20,292 in 60 pre-primary schools.

**c) Literacy Status**

According to ISRSC (2004), the number of literate males and females over six years of age stood at 110,675 and 113,394. Category under "cannot read and write" stood at 69,590 with 22,216 males and 47,374 females.

A total of 13,743 people – 6,542 males and 7,201 females – can read only, while 139,992 people – comprising 81,610 males and 58,383 females – can read and write.

**d) Occupation**

CBS (2002) mentions that agriculture as the major occupation in the district and business, government and military services as subsidiary occupations.

The Newars are involved in business activities while Magars and Gurungs are in military services. Of the total households, 4,290 are involved in agriculture, 590 in livestock rearing, 200 households in poultry, 10,070 households in farming and livestock rearing, 813 households in farming and poultry, 464 in livestock rearing and poultry, 28,880 in farming, livestock and poultry. A total of 73,384 households are not involved in any of the above-mentioned activities. Likewise, of the total households,



8732 households are involved in economic activities. Among the 8732 households, 794 are involved in manufacturing, 2483 in trade/ business, 97 in transport, 2666 in services and 2692 are involved in other occupations. A total of 41959 households are not involved in economic activities.

**e) Crops**

The district has 27071 hectares of total cultivable land. Out of it, 20,673 MT of paddy is produced from 12,327 ha, 30,801 MT of maize from 15,290 ha, 1732 MT of millet from 1,420 ha and 28,100 MT of wheat is produced from 15,580 ha of land.

**f) Livestock**

This district has 143,128 cattle, 40,181 buffaloes, 7,810 sheep, 176,102 goats, 16,282 pigs, 250,980 fowls and 8,389 ducks.

**g) Foreign Employment**

In all, 10454 people -- 9479 males and 975 females -- went abroad for employment. Of them, 9229 male and 940 female went to India, 2 males and 1 female to Pakistan, 3 males and 1 female to Bangladesh, 1 male each to Bhutan and Sri Lanka, 3 males to the Maldives, 6 males and 1 female to China, 3 males each to Korea and Russia and 2 males and 1 female went to Japan. Likewise, 10 males and 1 female went to Hong Kong, 36 males and 14 females to Singapore and 9 males to Malaysia, 7 males and 1 female to Australia, 63 males and 1 female to Saudi Arabia, 5 males to Qatar and 22 males and 1 female went to the United Arab Emirates. Likewise, 4 males and 1 female went to Bahrain, 17 males and 7 females to other Asian countries, 28 males and 2 females to the United Kingdom. One male each went to Germany and other European country, 9 males and 1 female to the USA, Canada, and Mexico, while 14 males and 2 females went to other countries.

Out of 108589 economically active populace aged over 10 yrs, 4241 fall under the category of employer, 28913 are employees, 61425 are self-employed, while 14010 are unpaid family workers.

## h) Cooperatives

Three District level Cooperative Unions were formed in Surkhet district. NRs 30,000 were deposited in the form of shares in these unions.

**Table 3.18**

### Status of Cooperative Union

S. N.	Cooperative Union		Executive committee			Total Capital (NRs)	Saving (NRs)	Investment (NRs)
	Types	Nos.	Male	Female	Total			
1	Agriculture	1	10	0	10	5000	0	0
2	Dairy	1	13	0	13	13000		0
3	Saving & Credit	1	7	0	7	12000	0	0
	Total	3	30	0	30	30000	0	0

*Source: Statistical Information of Cooperatives of Nepal (2007).*

Altogether 173 cooperatives were formed in Surkhet. Among them, 71 (41.04 %) are savings cooperatives, 51 (29.47 %) are agriculture cooperatives, 25 (14.45 %) are multipurpose cooperatives, 21 (12.13 %) are dairy cooperatives, 3 (1.73 %) are small farmers' cooperatives. one cooperatives (0.57 %) each are under consumers and science and technology category. These cooperatives comprise 15723 members -- 10,473 (68.11 %) males and 5250 (31.88%) females. The savings cooperatives have the highest number of members 5972 (37.98 %), followed by 4521 (28.75%) in agriculture, 4050 (25.75 %) in multi-purpose, 848 (5.39%), in dairy, 231 (1.46 %) in science and technology, 76 (0.15%) in Small Farmers Cooperative Limited and 25 (0.15%) in consumer categories.

**Table 3.19****Status of Cooperatives and Members' Involvement**

S.N.	Cooperatives		Members		
	Types	Nos.	Male	Female	Total
1	Dairy	21 (12.13%)	757 (89.26%)	91 (10.73%)	848 (5.39%)
2	Multi purpose	25 (14.45%)	2343 (57.85%)	1707 (42.14%)	4050 (25.75%)
3	Saving	71 (41.04%)	3530 (59.10%)	2442 (40.89%)	5972 (37.98%)
4	Agriculture	51 (29.47%)	3538 (78.25%)	983 (21.74%)	4521 (28.75%)
5	Science & Technology	1 (0.57%)	221 (95.67%)	10 (4.32%)	231 (1.46%)
6	SFCLs	3 (1.73%)	66 (86.84%)	10 (13.15%)	76 (0.15%)
7	Consumer Cooperative	1 (0.57%)	18 (72%)	7 (28%)	25 (0.15%)
8	Health	0	0	0	0
9	Others	0	0	0	0
	Total	173 (100%)	10473 (68.11%)	5250 (31.88%)	15723 (100%)

*Source: Statistical Information of Cooperatives of Nepal (2007).*

**i) Bank**

Altogether six branches, including one branch each of the Restrained Banijya Bank and NBL, two branches of the Agricultural Development Bank and Small Farmers' Development Program are providing credit services in the district.

A total of NRs 148072 thousand was invested in Doti district in the fiscal year 2005/06. Among different loan activities, the highest amount of loan amounting to NRs 74122 thousand (50.05. %) was borrowed for marketing activities, including buying and selling of commodities in *hat* bazaar, small grocery, tea shop, mobile vendors, vegetable selling, input and output marketing of agriculture products. This was followed by loan borrowed for housing and land development, which amounted to NRs 18558 thousand (12.53 %), 16961 thousand (11.45%) for livestock, NRs.13563 thousand (9.15%) for others. There was negligible investment in cereal crops, special crops, farm mechanization, and biogas and horticulture sectors.

**Table 3.20****Loan Investments in Surkhet District for FY 2005/06**

NRs 000

S.N.	Activities	Loan	
		Amount	Percent
1	Cereal crops	282	0.190
2	Cash crops	1789	1.208
3	Special crops	3080	2.080
4	Marketing	74122	50.058
5	Farm Mechanization/tools	3700	2.498
6	Irrigation	393	0.265
8	Biogas	339	0.228
9	Land & Housing	203	0.137
10	Agro industry	7652	5.167
11	Godown	0	0
12	Livestock	16961	11.454
13	Horticulture	535	0.361
14	Tea & Coffee	0	0
15	Housing & Land development	18558	12.533
16	SFCLs	6895	4.656
17	Others	13563	9.159
	Grand Total	148072	100

*Source: Statistical Information of Cooperatives of Nepal (2007).*

**j) Transportation Facilities**

This district has the total road length of 330.94 kilometers.

**k) Health Activities**

This district has a district hospital, 39 sub health posts, three Aruvedic health centers and 164 primary health outreach clinics.

**l) Communication**

This district has one postal office, 10 area postal offices, 40 additional postal offices, seven money order centers and two savings banks. Besides, 1670 telephone lines have been distributed in Surkhet district.

**m) Electricity Facilities**

Over 7988 households have access to electricity.

**n) Industry**

A total of 66 industries are registered in the district.

**3.10.5 Doti District**

Doti district is one of the main focal points of the far-western development region. It is the regional headquarters of the far-western development region. Heterogeneous ethnicity and diversified culture are major characteristics of this district (NGOFDD, 2005).

Doti lies in the Mahakali zone. This district has one municipality and 50 VDCs.

**a) Demographic Status**

Total population of the district stood at 207,066, comprising 103,521 males and 103,545 females. Furthermore, Non Governmental Organization Federation Doti (NGOFDD) mentions that this district has 36,455 households and the population density per square kilometre stands at 102.

Dominant castes of this district are Chhetri (51.33. %) followed by Brahmin (18.12%), Kami, Sarki (7.65%), Thakuri (5.26%), Dalit (2.45%), Damai (2.90%), and Sunar (2.90%).

**b) Education Activities**

Student enrollment in primary schools was 31,260, 6,050 in lower secondary schools, 2,144 in secondary schools and 1,042 in pre-primary schools. In addition,

one campus and six higher middle schools are providing higher education in the district.

**c) Literacy Status**

Literacy stands at 37.4 per cent. Out of this, 77.93 per cent males and 22.07 percent females are literate. The number of literate males and females over six years of age stands at 85402 and 86011. Altogether 81592 people, including 26235 males and 55357 females can neither read nor write. A total of 12466 people, including 6269 males and 6197 females can read only. The number of those who can "read and write" stands at 72951 and comprises 51296 males and 21655 females.

**d) Occupation**

Agriculture is the major occupation (81%), followed by services within the country (9%), services abroad (8%) and involvement in other sectors (2%).

Of the total households, 2106 households are involved in agriculture, 533 in livestock rearing, 131 in poultry, 20286 in agriculture and livestock, 289 households in agriculture and poultry, 427 households in rearing livestock and poultry, 10349 households in agriculture, livestock and poultry. A total of 2344 households are not involved in any of the above-mentioned activities. Likewise, of the total households, 5238 households are involved in economic activities, followed by 652 in manufacturing, 1141 in trade/ business, 45 in the transport sector, 1772 in services and 1628 in other areas, while 31227 households are not involved in economic activities.

**e) Crops**

Major crops grown in this district are paddy (*Oryza sativa*), maize (*Zea mays*), wheat (*Triticum aestivum*), millet (*Elusine coracana*) and potato (*Solanum tuberosum*). Average annual production of paddy, maize, wheat, millet, oat and potato stands at 13890 MT, 4690 MT, 15400 MT, 3747 MT, 330 MT and 4533 MT. Almost 8070 ha of land has access to irrigation facilities and over three crops are grown annually. A total of 8108 ha depends on monsoon rain.

**f) Livestock**

Livestock rising is the second most important activity in the district. Cow, buffalo, goat, sheep and poultry are raised in the district.

**g) Foreign Employment**

A total of 15947 people -- 14435 males and 1512 females – went abroad for employment. Altogether 14390 males and 1495 females went to India, 1 male and 2 females to Pakistan, 8 males and 4 females to Bangladesh, 1 male to Bhutan and 1 female to the Maldives, 4 males and 2 females to China, 1 male to Korea, 2 males and 1 female to Russia, 1 male to Hong Kong, 5 males to Malaysia, 1 male to Australia, 3 males to Saudi Arabia, 1 male to Qatar, 2 males and 3 females to Kuwait, 6 males to the United Arab Emirates, 2 males to the United Kingdom, 1 male to Germany, 2 males each to the USA, Canada, and Mexico and 4 males and 4 females to other countries. Out of 102617 economically active people over 10 years of age, 6564 fall under the category of employer, 20386 are employees, 69547 are self-employed and 6120 are unpaid family workers.

**h) Cooperatives**

No district-level cooperative union has been formed in Doti district yet. Sixty cooperatives were established in Doti district.

**Table 3.21**

**Status of Cooperatives and Members' Involvement**

S.N .	Cooperatives		Members		
	Types	Nos.	Male	Female	Total
1	Multi purpose	38 (63.33%)	2742 (83.24%)	552 (16.75%)	3294 (75.48%)
2	Saving	22 (36.66%)	386 (36.07%)	684 (63.92%)	1070 (24.51%)
	Total	60	3128 (71.67%)	1236 (28.32%)	4364 (100%)

*Source: Statistical Information of Cooperatives of Nepal (2007).*

Thirty-eight (63.33%) of them fall under the category of multipurpose cooperatives, while 22 (36.66%) fall under the category of savings cooperatives. These cooperatives have 4364 members -- 3128(71.67%) males and 1236 (28.32 %) females. A total of 3294 people (75.48 %) are involved in multipurpose cooperatives, while 1070 members (24.51%) are involved in savings and credit cooperatives.

**i) Bank**

Six branches, including two branches of the Agricultural Development Bank and Rastriya Banijya Bank, and one branch each of the Nepal Bank Limited and Small Farmers' Development Program are providing credit services.

**Table 3.22**

**Loan Investments in Doti District for FY 2005/06**

NRs 000

S.N.	Activities	Loan	
		Amount	Percent
1	Cereal Crops	173	0.9055
2	Cash Crops	1175	6.150
3	Special Crops	150	0.785
4	Marketing	14017	73.372
5	Farm Mechanization/tools	30	0.157
6	Irrigation	0	0
7	Biogas	20	0.104
8	Land & Housing	0	0
9	Agro Industry	385	2.015
10	Godown	0	0
11	Livestock	339	1.7774
12	Horticulture	45	0.235
13	Tea & Coffee	0	0
14	Housing & Land Development	2770	14.499
15	SFCLs	0	0
16	Others	0	0
	Grand Total	19104	100

*Source: Statistical Information of Cooperatives of Nepal (2007).*



In total, NRs 19104 thousand was invested in Doti district in the fiscal year 2005/06. Among different loan activities, NRs 14017 thousand (73.37%), the highest amount of loan, was borrowed for marketing activities, which include purchase and sale of commodities in *hat* bazaar, small grocery, tea shop, mobile vendors, vegetable selling, input and output marketing of agriculture products. The second highest amount of loan, amounting to NRs 2770 thousand (14.49%), was borrowed for housing and land development, followed by NRs 1175 thousand (6.15%) for cash crops, NRs 385 thousand (2.01%) for agro-industry, NRs 339 thousand (1.77%) for livestock rising. Negligible investment was made in cereal crops, special crops, farm mechanization and agri tools, biogas and horticulture.

**j)      Transportation Facilities**

This district has 187.46 kilometers of blacktopped roads.

**k)      Health Activities**

This district has a district hospital, two health centers, 10 health posts, and 39 sub-health posts, 250 primary health centre outreach clinics, seven Ayurvedic Aushadhalaya and one Ayurvedic health centre.

**l)      Communication**

This district has a district post office, 11 area post offices, 41 additional post offices, 11 money order centers and three savings banks. Likewise, 807 telephone lines have been distributed in Doti.

**m)      Electricity Facilities**

Almost, 2,315 households have access to electricity.

**n)      Industry**

Forty-one industries – 39 cottage and small industries and two manufacturing industries – are registered in the district.

## **CHAPTER IV**

### **ROLE OF GOVERNMENT AND FINANCIAL INSTITUTIONS FOR PROMOTING AND STRENGTHENING OF COOPERATIVES IN NEPAL**

#### **4.1 Strengthening of Cooperatives in Nepal**

Different forms of cooperatives, namely Duiker, Parma and Guthi, have been operating in different parts of Nepal for ages. Formal institutional of cooperatives began in 2010 BS. Thirteen primary cooperative institutions were instituted in Chitwan in 2013 BS, primarily to provide assistance to flood victims. Later they also contributed to economic and social development of village populace by providing credit for people engaged in agriculture, livestock keeping, marketing, horticulture, vegetable farming, cottage industries, irrigation, goat and sheep rearing, beekeeping and poultry farming.

Cooperative Act, 2016 BS, Sajha Institution Act, 2041, Cooperative Bylaws, Sajha Institution Bylaws 2043 were promulgated and executed for the promotion and strengthening of cooperatives. Though the cooperatives managed to reap benefits, their operation was not transparent, neither were they institutionalized properly. These institutions had flawed accounting system, while monitoring and inspection processes of these cooperatives left much to be done. Due to these shortcomings, the cooperatives failed to improve socio-economic status of the rural populace.

After the restoration of democracy in 1990, these cooperatives were mobilized for the socio-economic development of people living in villages. The parliament approved Cooperative Act, 2048, Cooperative Bylaws 2049 to facilitate the expansion of cooperatives at the village-level.

Different types of cooperatives, including multipurpose, dairy, consumer, small farmers, tea, coffee; saving and credit, health, electricity, science and technology were established. The contribution of the cooperatives to the financial

sector stood at seven percent. The transaction per year through the cooperatives stood at NRs 45 billion. Cooperatives had over NRs 960 million-share capital, while savings crossed over NRs 180 million and investment stood at NRs 240 million. Finally, cooperatives provided employment opportunities to over 16000 persons.

#### **4.1.1 Major Objectives**

Major objectives of the cooperatives are as follows:

- a) To manage local financial resources productively
- b) To promote and strengthen cooperative formal institutions at the local level and improve socio-economic condition of rural populace through effective mobilization of domestic financial resources under the guidance and control of cooperative members and
- c) To operate cooperative organizations as per cooperative laws, rules and regulations.

Other specific objectives of the cooperatives are as follows:

- a) To initiate income-generating activities by mobilizing domestic resources at the village level with the active initiation of local people.
- b) To promote and strengthen cooperatives at the local level in accordance with rules and regulations of Cooperative Act and Cooperative Bylaws,
- c) To establish cooperatives in the countryside, particularly in the mountains and hills, where acute poverty prevails
- d) To initiate marketing of agricultural and non-agricultural products through the active initiation of cooperatives to ensure that poor people get maximum return from their productions and
- e) To mobilize cooperatives in the countryside as catalytic organizations for poverty alleviation.

#### **4.1.2 Strategies**

Multi level institutions such as saving and credit, dairy, coffee, tea and multipurpose cooperatives have envisaged major strategy to promote in countryside. Cooperatives have been undertaking the role for collecting funds at the local level from members on monthly basis by introducing different saving schemes such as individual saving, group saving, child saving, older-age saving and maternal health saving at nominal

interest rates. Along these, cooperatives invest funds in income-generating activities such as agriculture and non-agriculture components that give higher profits at a short duration and improving socioeconomic condition of the rural poor in countryside are some of the other strategies adopted by the cooperatives.

#### **4.1.3 Cooperative Structural Management**

In the context of globalization, cooperatives are expected to develop in a way that they will be able to compete with other cooperatives at the local and international levels and for this the cooperative institutions are free to organize themselves as per their specific activities such as dairy, saving and credit, consumer, marketing, coffee and tea.

At present, the contribution of the cooperatives to the country's Gross Domestic Product stands at a meager one percent and the state has expected that its contribution will cross to three percent, for which the network and structures of the cooperatives should be restructured to achieve this goal.

Cooperative rules and regulations should be amended frequently to prevent problems that come in the way of effective operation of the cooperatives and they should be frequently monitored, inspected and their accounts should be audited regularly. Controlling and guiding mechanisms should be put in place to prevent the dissolution of cooperatives, as the dissolution of these firms affects stakeholders and the cooperative movement.

The cooperative structural management also envisages promoting micro-finance cooperatives, cottage industries cooperatives and micro-business cooperatives separately. Such cooperatives specialize in specific activities, resulting in high returns and smooth operation. Coordination mechanisms should be developed among the cooperative institutions at the district and national levels.

District-level and Divisional-level Cooperative Organizations should be equipped with hi-tech facilities and professional manpower. Professional manpower can be developed through training. The cooperatives endowed with professionals and equipped with high-tech facilities will surely be able to improve socio-economic status of the countryside populace.

#### **4.1.4 Cooperative Education, Training and Information**

With regard to cooperative education, training and information, the government and cooperative institutions should impart training to people, disseminate information to them and educate them on cooperatives.

In the present context, cooperatives are the major tool for the development of rural areas. Relevant curricula should be introduced at the primary and higher levels of school education so that the educated mass knows about the mode of operation of cooperatives and the roles they can play for the uplift of rural populace.

Every cooperative institution should allocate some funds for the promotion and strengthening of cooperatives, while the government should also provide financial resources so that the cooperatives can organize trainings, seminars, workshops, interactions and visit of other successful cooperatives to enlighten the concerned on the functioning of cooperatives.

There should be enough efforts to revise cooperative training curricula to better inform cooperative members and other concerning stakeholders. This move will boost the professionalism of cooperative members and other stakeholders, which will lead to the emergence of more competitive and sustainable cooperative institutions. In the open market economy, every institution needs to be financially viable. For this purpose, every cooperative institution, whether it be agricultural or non-agricultural, should carry out business activities with an aim to earn optimum amount of profit. In the present context, rather than promotion of social activities, cooperative training should focus on business promotion and profit-making activities. In this line, cooperatives training curricula should be revised and modified.

Information on cooperatives should be disseminated through different channels such as electronic media, reports, brochures and posters. A cooperative information system should be put in place to make dissemination of information more systematic and accessible ways.

All development agencies such as local community-based organizations, Non-Governmental Organizations, International Governmental Organizations, private agencies should acquire information on cooperatives principle, vision, mission, objectives and activities. This knowledge can be useful to implement cooperative activities massively to improve socio-economic status of rural populace.

A Central-level Cooperative Information and Dissemination Institution should be set up under the Cooperative Department to disseminate information of cooperatives in nationwide.

#### **4.1.5 Cooperative Institutions Management**

For the institutional management of the cooperatives priority should be accorded for the formation of specialized cooperatives rather than integrated cooperatives because the specialized cooperatives are more productive, effective and efficient because such specialized cooperatives utilize their resources fully, their profit will be higher than that of other cooperatives.

Considering higher return, specialized cooperatives will focus on fields such as saving and credit, dairy, marketing, consumers, tea, coffee, vegetable production and electricity etc.

Due to increasing competition, a large number of cooperatives are found to be operating in smaller markets. The presence of a large number of cooperatives in Village Development Committees, Municipality Wards is not financially viable. All cooperatives try to draw in members of the same groups, but the people cannot invest in all cooperatives because they have dismal savings.

On top of that, many cooperatives have a rule, which says that their members should deposit certain amounts of money on a monthly basis. This is beyond the means of many people. Members might be attracted towards different cooperatives. In this scenario, the cooperatives may not even be able to collect funds required to meet their operating cost of the cooperatives. This will make the cooperatives bankrupt. Unhealthy competition renders the cooperatives unsustainable. To prohibit unhealthy competition, the Cooperative Department discourages the registration of more than one cooperative in a small location.

Secondly, cooperatives are not allowed to blacklist defaulters of other financial institutions such as commercial banks, development banks, micro-finance, financial company and other related institutions but those members who do not repay the loan timely as per the rules and regulations of cooperatives they also blacklisted from the cooperative institution.

Rehabilitation, restructuring and rescheduling of loan will save the cooperatives from bankruptcy. There should be proper insurance schemes to shield

members of cooperatives from financial losses caused by project failure. Projects may fail due to the natural calamities and other casualties.

The Cooperative Volunteer Scheme is being launched across the country to provide jobs to the youths and usher in socio-economic development.

Community Based Organizations, Clubs and other Social Organizations should be turned into cooperatives. By mobilizing domestic resources, these institutions can carry out business activities, thereby generating income, which can uplift the socioeconomic status of the low-income people.

For further institutional development of the cooperatives, districts concerned and national-level cooperative association can be pressed into service to monitor and control the activities of the cooperatives.

#### **4.1.6 Social Inclusion in Cooperatives**

The cooperatives launch different activities to uplift the socio-economic status of women, Dalits and other disadvantaged groups, this helps in ensuring social inclusion in cooperatives.

Women's empowerment is one of the major components of sustainable development process, which is impossible without the participation of women in development activities. Therefore, the cooperatives should focus on greater involvement of women in each and every development program. Cooperatives should have plans to incorporate more and more women to facilitate their empowerment. Special subsidies, rebates and other facilities have been provided to women-only cooperatives (the cooperatives that are promoted by women.)

More efforts should be put into form cooperatives comprising specific groups such as women, students, village youths and children. These efforts can encourage the groups to work for the socio-economic development of their areas through the mobilization of local resources. These resources are utilized for promoting of infrastructure and social activities such as construction of rural roads, drinking water supply systems, schools, community buildings, bridges, sanitation facilities and protection of community forestry.

#### **4.1.7 Government and Cooperative Institutions Partnership Programs**

Institutional partnership between the concerning government offices, who implement different activities like social development, economic development,

natural conservation, agricultural development, livestock rising, horticulture, development of cottage industries, and health and sanitation improvement with the cooperatives can help its effectiveness.

Cooperatives aim to promote linkage between the urban and rural based cooperatives. They channelize funds lying idle in the urban-based cooperatives to the village-based cooperatives, thus promoting a partnership between urban and rural cooperatives. This way, they facilitate the full utilization of resources for income-generating activities; pave the way for the creation of jobs and sustainable development of rural areas.

In this context, the cooperatives and the government can forge partnership to establish a factory producing powdered milk thus reducing milk holiday.

Plans are afoot to turn state-owned factories and industries into cooperatives. Operating costs borne by the government will go down if the state-owned entities are turned into cooperatives. Productivity and efficiency of these entities will increase if they are turned into cooperatives.

#### **4.1.8 Wholesale Credit**

The National Cooperative Development Bank was established to provide wholesale credit to district level and Village Development Committee (VDC)-level cooperatives institutions at reasonable interest rates. The bank aimed to address the scarcity of fund at cooperatives, which provide loans to their members to carry out economic activities. The Poverty Reduction Fund, Village Self-Help Fund and other institutions provide financial assistance to the bank for smooth implementation of cooperative programs.

#### **4.1.9 Business Promotion**

Cooperatives are promoting income-generating activities such as the cultivation of cash crops, fruit crops, cereal crops, livestock rising, poultry farming, and cottage industry in every VDC.

##### **Subsidies and Other Benefits to the Cooperatives**

- a) Government has given PAN to all the cooperatives. It has waived tax on essential commodities in remote areas where cooperatives have been serving the people.



- b) In order to promote cooperatives in remote areas, where only a few development agencies are operating for overall development of that vicinity, due to their limited number, contribution from that agencies were found very negligible so that government has given special incentives to the cooperatives such as tax exemption for certain period.
- c) Cooperatives can sale their commodities at fixed prices to the government agencies without inviting tender.

#### **4.1.10 Lending Policies of Cooperatives**

The lending policies of the cooperatives focus specially on productive activities, income-generating activities, employment generation activities and poverty reduction related activities,

There should be proper pre-inspection and post-inspection of the credit project follow from the respective cooperatives to utilize the credit properly and the loan advances should be make people with low income and acutely poor women, downtrodden, backward, unemployed and poorest of the poor people,

Loan defaulters are barred from being nominated in the executive committee. Every executive committee member must submit to the cooperatives an authoritative letter to prove that he/she is not a defaulter and has not been blacklisted,

Based on funds deposited by members, cooperatives can provide certain amount in loan. Individual members can take loan based on amounts they have saved while the non-members cannot deposit funds in cooperatives,

Proper mechanism to make reasonable spread rate between saving and lending should be designed and the cooperatives should take approval to provide loan against security of gold and silver.

Classification of cooperatives on the basis of volume of transaction and the region of operation and setting criteria regarding the total share amounts and share members should be fulfilled before registering the cooperatives could still help their institutional development.

#### **4.1.11 Policy for Improvement of Saving and Credit Cooperatives**

Some policies regarding improvement of the saving and credit cooperatives could include among others operating all saving and credit cooperatives under the National Cooperative Development Bank (NCDB), NCDB providing wholesale credit

to the Saving and Credit Cooperative Institutions at the local level to increase the accessibility of credit, cooperatives providing refinancing services by fixing interest rates by taking into account the operating cost and interest on bad loan, providing short, medium or long-term loans, fixing interest rates in a scientific manner.

#### **4.1.12 Supervision and Monitoring Policy**

- a) Cooperative associations concerned will be responsible for monitoring and inspection of the affiliate cooperatives,
- b) Account Supervision Committee should conduct account training,
- c) Staff should be trained so as to enhance their knowledge, skill and competence
- d) PEARLS, CAMEL will be used to monitor cooperatives,
- e) The parliament will endorse Special Saving and Credit Operation Act, and Bylaws for the smooth operation of saving, credit and banking activities,
- f) A central-level Supervision and Monitoring Cell will be formed under the Cooperative Department to monitor and inspect Saving and Credit Cooperatives.

#### **4.1.13 Involvement of Back-ward People in Cooperatives**

- a) The enrollment of backward people in cooperatives is very low. Considering this, an amalgamation strategy will be adopted in cooperatives to reduce the number of cooperatives, thereby increasing the number of members in cooperatives. In addition, awareness campaigns will be launched to motivate individuals to join in cooperatives,
- b) Small entrepreneurs should be involved in cooperatives,
- c) Cooperatives focus on improving the socio-economic status of the poorest of the poor, landless, laborers, peasants, women, disadvantages people and other backward rural populace,
- d) Government provides subsidies in interest to small Saving and Credit Cooperatives based in rural areas to promote and strengthen them.

#### **4.1.14 National Agricultural Policy 2061 for Promoting Cooperative**

National Agricultural Policy 2061 accorded priority to the cooperatives on following components:

- a) Priority given to agro-based industries and activities implement by the cooperatives,

- b) Commercialization of the agriculture sector is an important component. The government has accorded top priority to those cooperatives that have promoted for commercialization of the agriculture sector,
- c) Market information system should be made systematic, scientific and accessible,
- d) Marketing of agricultural products is a major component of rural economic development. The government has accorded top priority to those cooperatives which have been carrying out marketing activities and
- e) Farmers, entrepreneurs and owners of agro-based industries and factories should be involved in the cooperatives so as to promote marketing, input management and technical support for cooperatives from one delivery point.

#### **4.1.15 National Agricultural Policy 2063 for Strengthening Cooperative**

- a) National policy 2063 aims to promote commercialized farming and establish agro-based industries and factories to reduce poverty. To meet this objective, top priority has been accorded to the cooperatives involved in the development of the agriculture sector,
- b) Government decided to provide support to the cooperatives involved in the construction of cold storages and
- c) Human resources of cooperative training centre will be trained.

## **4.2 Major Cooperative Institutions and their Functions**

Nepal Government has been formulating various organizations for promoting and strengthening of Cooperatives across the country. Major institutions those, which are related to cooperatives, described hereunder.

### **4.2.1 National Cooperative Development Board**

- a) The government formed a 11-member National Cooperative Development Board (NCDB) in Kartik 21, 2049 BS to design and devise cooperative structure, operational strategy, policy, rules and regulations with the objective of promoting and strengthening cooperatives across the country. The aim was to improve livelihood of rural populace and
- b) The government decided to transfer all fixed assets of Sajha offices to the NCDB.

## **Policies**

Cooperatives program has focused to improve the economic condition of countryside populace by involving them in improved agricultural activities, business activities, agri processing, and cottage industries through mobilizing domestic resources within the groups.

### **Activities Performed from NCDB**

- a) National Development Board prepared the final draft of Cooperative Act, 2048 and the parliament approved it,
- b) It submitted a detailed report of Sajha programs financed by the Agricultural Development Bank Limited,
- c) Formed a National Cooperative Association by federating cooperative institutions from the grassroots level to the national level,
- d) Conducted training to cooperative members across the country to inform people about the Cooperative Act, 2048,
- e) Published different cooperative-related literatures, and
- f) Proposed the National Cooperative Bank in particular to provide wholesale credit to the grassroots-level cooperative institutions.

### **Responsibilities**

Responsibilities of the NCDB has fixed by the NCDB Act, 2049. As per the Act, the responsibilities are (i) policy formulation, implementation and review, (ii) promotion and (iii) coordination. Details are as follows:

- a) The NCDB is fully responsible for the formation of cooperatives. It recommends the government on whether or not to approve the formation of cooperatives,
- b) It should help the Nepal Government implement cooperative policy, rules and regulations,
- c) It should take support from bilateral and multilateral agencies to promote and strengthen cooperatives across the country,
- d) It should create a Cooperative Development Fund, thereby providing financial support to the grassroots-level cooperatives,
- e) It should invest shares in cooperatives and the National Cooperative Development Bank,

- f) It must provide technical support as well as other administrative and financial support to the grassroots-level cooperatives and
- g) It must coordinate all development programs at the grassroots level.

### **Executive Committee**

The NCDB comprises a 21-member executive committee:

Minister for Agriculture or State Minister	Chairperson
Government-nominated person	Vice-chairperson
Chairperson, National Cooperative Association	Member
Governor, Nepal Rastra Bank	Member
Secretary, Ministry of Finance	Member
Secretary, Ministry of Commerce and Industries	Member
Secretary, Agriculture and Cooperative Ministry	Member
Secretary, Local Development Ministry	Member
Representative, Planning Commission	Member
Registrar, Cooperative Department	Member
Two chairmen of cooperative associations	Member
Five government-nominated persons representing cooperatives and social sectors of five development regions	Member
Facilitators of women's cooperative	Member
Two cooperative experts	Member
General Manager, Agricultural Development Bank	Member
Government-appointed	Member-Secretary

### **Challenges**

- a) Increment of large numbers of non viable cooperatives,
- b) Few members' involvement in economic activities,
- c) Lack of adequate financial resources,
- d) Lack of cohesiveness among members,
- e) Politicization in the cooperatives and
- f) Weak managerial capability.

#### **4.2.2 National Cooperative Bank**

National Cooperative Bank provides wholesale credit to cooperative institutions working at the grassroots level to improve the income level of rural

populace. This bank has promoted cooperative institutions registered in 2060 BS at the Cooperative Department under the Cooperative Act, 2048.

### **Major objectives**

- a) National Cooperative Bank provides wholesale credit to cooperatives across the country and helps them improve the living standard of rural populace and
- b) It also operates banking activities under the rule and regulations of the Nepal Rastra Bank. It also coordinates with national and international cooperatives for carrying out cooperative activities across the country.

### **Activities**

- a) National Cooperative Bank provides wholesale credit to the cooperatives, especially involved in income and employment-generating activities in such diverse sectors as agriculture, cottage industry, service and business,
- b) It gives loans to cooperatives for promotion of agro and non-agro based business,
- c) It also provides loan for marketing of basic commodities such as rice, pulses, oil, milk, tea, coffee, cardamom, ginger, fruits, fertilizers, farm tools, insecticides and pesticides,
- d) It gives loans to groups to help them undertake economic activities,
- e) It collects saving from the public under the rules and regulations of Nepal Rastra Bank,
- f) Borrows loan from national banks and financial institutions as per the rules and regulation of the Cooperative Act,
- g) It can take loan from international banks after sanctioning approval from the Nepal Rastra Bank,
- h) It can obtain financial assistance from International Non-governmental Organizations for the promotion and strengthening of cooperatives,
- i) It helps to organize cooperative awareness campaigns, interactions and cooperative training particularly to raise awareness among rural people and to promote cooperative activities and
- j) It operates banking services under rules and regulation of the Nepal Rastra Bank.

### **4.2.3 Cooperative Division**

Department of Cooperative connected with different Ministries since its establishment 1953.

#### **Activities on Cooperatives Institution Strengthening**

- a) Cooperatives aimed to give a boost to agricultural activities by providing credit and arranging input and output marketing facilities,
- b) Village Development Blocks were formed in 2015 BS under the Cooperative Division,
- c) The Cooperative Act, 2016 was enforced in 2016 BS,
- d) The Cooperative Development Fund was established in 2017 BS,
- e) Cooperative rules and regulations 2018 were formulated in 2018 BS, leading to the establishment of Sajha Transportation, Sajha Publication, Sajha Marketing Store, Sajha Health Centre and Sajha Shop. The Sajha Limited. Cooperative Act, 2016 was formulated and amended in 2018 BS,
- f) The National Cooperative Training Centre was established in 2019 BS. In addition, the Cooperative Division was transferred to the Panchyat Ministry. The Cooperative Bank Act, was initiated this year,
- g) The Cooperative Bank was established in 2020 and the Village Development Block was merged with the Panchyat Ministry. The Cooperative Section was established under the District Panchyat the same year,
- h) Employees of the cooperatives were given the responsibilities and work of the Land Reforms Offices in 2021 BS,
- i) Cooperatives merged under the Land Reforms, Agriculture and Food Ministry. Employees of the cooperatives were placed at the Land Reform Offices,
- j) The Cooperative Bank transferred under the Agricultural Development Bank Limited in 2024 BS,
- k) The Land Reforms Office was given the task of registering and governing the cooperatives,
- l) Cooperatives were transferred from the Land Reform Office to the Cooperative Division in 2026 BS,

- m) Second amendment to the Cooperative Act, 2016 was made in 2027 BS. Accordingly, the management of the cooperatives was handed over to the Agricultural Development Bank Limited,
- n) Second amendment to the Cooperative rules and regulation of 2018 was effected in 2033 BS. A Multipurpose Sajha Program was implemented in 30 districts in 2033 BS to launch awareness campaigns and conduct training programs, seminars and workshops on cooperative development. Saving of the cooperatives was turned into shares of Sajha institution the same year.
- o) Sajha institution administration and financial rules 2034 took effect in 2034 BS and
- p) Formulated short-term and long term plans for the development of cooperatives.

### **Management Improvement and Strengthening of Cooperatives**

- a) Management of the cooperatives was transferred from the Agricultural Development Bank Limited to Board of Directors of the Sajha Institution in 2035 BS. The amalgamation of Sajha was initiated the same year. Sajha institution financial and administration rules 2035 took effect from 2035 BS,
- b) Sajha institution financial and administration rules were executed on 2037BS,
- c) The Cooperative Division was renamed as Sajha Development Division in 2042 BS. All its networks were renamed as Sajha, such as Sajha Training Centre, Regional Sajha Development Office and the Sajha Development Section,
- d) The Sajha Development Division was transferred into the Agriculture Ministry in 2044 BS; Higher-level Sajha central coordination committee was formed,
- e) Decision made on compulsory saving return from Sajha Institutions in 2045 BS,
- f) An Ad hoc Committee was formed in 2046 BS for the formation of a National Sajha Committee,
- g) National Cooperative Development workshop was organized on 2047 BS,
- h) Cooperative rules and regulations 2049 BS were enforced in 2049 BS. The Sajha Development Division was renamed as the Cooperative Division,



- i) The National Cooperative Association, Central Saving and Credit Association, Central Users' Cooperative Association, Central Dairy Cooperative Association were established in 2050 BS,
  - j) The National Cooperative Bank was registered in 2058 BS, and
  - k) District Cooperative Offices were downsized to 38 from 68.
- In addition it provides services such as
- l) Help to formulate cooperative policies and programs for Nepal Government,
  - m) Operate Cooperative Offices and Cooperative Associations as per cooperative rules and regulations,
  - n) Carry out monitoring, follow-up and inspection of Cooperative Offices,
  - o) Collect data from the field Cooperative Offices and publish reports regularly,
  - p) Amalgamate Cooperative Offices and dissolve the bankrupt ones,
  - q) Organize national and international training programs, workshops, seminars, interactions and exposure visits to enhance knowledge, skill and attitude of cooperative staff and cooperative members through its training centre, cooperative associations and cooperative offices,
  - r) Issue directives and notices to operate cooperative offices,
  - s) Conduct research on cooperatives activities and
  - t) Promote coordination with government, national and international non-governmental agencies.

#### **Amendment in Cooperative Act**

- a) Sajha Institution Act, 2041 was enforced in 2041 BS. It replaced the Sajha Institution Act, 2016,
- b) The Sajha Institution rules 2043 were executed in 2043 BS,
- c) The Cooperative Act, 2048 was enforced in 2048 BS. It replaced the Cooperative Act, 2041.
- d) The Cooperative Act, 2048 was amended in 2057 BS,

#### **4.2.4 Central Cooperative Training Centre**

The Central Cooperative Training Centre was established in 2019 BS. It aimed to organize trainings, workshops, seminars, exposures visits for the cooperative staff and cooperative members to enhance the capacity of personnel concerned and help them execute cooperative programs effectively. Through various training programs, it

disseminated information on the Cooperative Act, 2048. At that time, the training centre was a unit of the Cooperative Division. In 2061 BS, the unit was renamed as the Central Cooperative Training Centre.

This centre imparts training to representatives of cooperative associations, women members of the Community Based Organizations, general members of the cooperatives, staff of cooperative institutions, NGOs and other related institutions.

This centre has conducted training on basic cooperative management, marketing management, saving mobilization, leadership development, account supervision, business promotion, population education and management.

### **Objective**

Major objective of this centre is to organize training programs, seminars, workshops; exposure visits for the enhancement of knowledge and skill of cooperative staff and members. Through such training, the centre aims to contribute to socio-economic development of rural populace.

### **Specific Objectives of the Center**

- a) To raise awareness on cooperative development,
- b) Enhance the capacity and capability of cooperative staff,
- c) Develop positive attitude of cooperative staff, members and others for a smooth conduct of cooperatives activities,
- d) Conduct research study on cooperative activities and modify programs as per the need of the general members and
- e) Help cooperative members carry out business activities.

### **4.2.5 Cooperative Offices at Regional and District Level**

As per the Cooperative Act, 2048, five Cooperative Training and Divisional Offices were established in development regions. These offices are headed by Gazette Second Class Officers of the Nepal Government. Thirty-eight cooperative offices have been operating in different districts across the country under these divisional offices.

### **Activities**

- a) Registration of cooperatives and cooperative associations,
- b) Amendment of bylaws of cooperatives,
- c) Conduct of training for cooperative members,
- d) Gather information on cooperatives,
- e) Appoint auditors for account auditing of cooperatives,
- f) Cancel the registration of cooperatives,
- g) Amalgamation, segregation of cooperatives,
- h) Recommend subsidies and other benefits and
- i) Work as the liquidator of bankrupt cooperatives.

#### **4.2.6 National Cooperative Federation**

It is one of the national-level associations comprising representatives of all cooperative organizations operating across the country. Established in 2050 BS as per the Cooperative Act, 2048, it aims to promote, strengthen and provide legal support to all cooperatives. The federation also highlights the contribution of the cooperatives at the national and international level. It has five central level, 58 district-level, seven primary-level and four associate-level members. The federation received membership of International Cooperative Association (ICA) in 1997.

### **Objective**

- a) Promote cooperatives across the country,
- b) Initiate income-generating activities,
- c) Provide assistance for the development of leadership and improve the management of cooperatives and
- d) Represent the cooperatives at the national, regional and international level.

### **Activities**

- a) Raises awareness among cooperative members on cooperative development,
- b) Organizes training programs, workshops and seminars,
- c) Manages agricultural inputs, fertilizers, improved seeds, pesticides, insecticides and agri-tools and
- d) Works as the spoke person for the cooperatives.

#### **4.2.7 Central Dairy Cooperative Association limited**

The Central Dairy Cooperative Association Limited was established in 2049 BS under the Cooperative Act, 2048 to integrate dairy cooperatives operating across the country and promote, strengthen and protect their interests. Twenty percent of dairy cooperatives based in 45 districts joined this institution.

##### **Objectives**

- a) Promote economic development activities,
- b) Provide justice to dairy cooperative members,
- c) Produce milk and milk products as per the need,
- d) Install milk processing plant,
- e) Promote improved livestock breeds and
- f) Promote coordination with dairy cooperatives.

##### **Activities**

- a) Make improved livestock breed available to the cooperatives,
- b) Provide credit to cooperatives by assessing their actual need,
- c) Manage livestock food, veterinary facilities and improved fodder, forage seeds and seedlings,
- d) Install dairy cooling centers for storing surplus milk,
- e) Establish livestock feed industry to provide quality feed for livestock,
- f) Launch saving programs among members,
- g) Impart training to members on livestock management, quality milk and milk product production; pasture management, improved breed rearing, and account keeping.
- h) Manage to sell milk and milk products at reasonable rates,
- i) Work as the central representative of the dairy cooperatives and
- j) Promote coordination with national and international agencies.

#### **4.2.8 Central Vegetable and Fruits Cooperative Association Limited**

At present, vegetable production has massively increased in the peripheries of the Kathmandu valley and neighboring districts such as Dhading, Gorkha and Kavre. As vegetable and fruits are highly perishable commodities, the cultivators should manage proper marketing and storage facilities to bag reasonable profit from these

commodities. To develop this sector further, vegetable and fruit growers formed the Centre Vegetable and Fruit Cooperative Association Limited by inducting representatives of grassroots-level cooperatives.

### **Objectives**

- a) To promote and strengthen grassroots-level vegetable and fruit cooperatives, and
- b) Manage marketing centers for selling of vegetables and fruits grown by cooperative members.

### **Activities**

- a) Activities aimed at improving income level of vegetable and fruit growers, who are members of the cooperatives,
- b) Develop vegetable and fruit pocket areas and
- c) Manage marketing facilities.

#### **4.2.9 Central Coffee Development Cooperative Association Limited**

Coffee, recognized as one of the most important cash crops, is being cultivated in Gulmi, Palpa, and Syangja and Arghakhanchi districts. Coffee can also be grown in other districts. The Central Coffee Development Cooperative Association Limited was instituted to promote and strengthen this sector.

### **Objectives**

- a) Help to increase the production and productivity of coffee and
- b) Manage marketing facilities for coffee growers.

### **Activities**

- a) Make expansion of coffee cultivation,
- b) Organize training programs on coffee cultivation, processing and economic benefits and
- c) Produce coffee seedlings and developed technology suitable for coffee processing.

#### **4.2.10 Nepal Central Consumers' Cooperative Association Limited (NCCAL)**

NCCAL was established in Bhadra 3, 2050 BS, mainly to protect the rights of Consumers' Cooperatives operating across the country.

## **Objectives**

- a) Promote business among consumers' cooperatives,
- b) Involve cooperatives in the import and export of goods,
- c) Manage basic commodities, and
- d) Coordinate among national and international consumers' cooperatives and other agencies

### **4.2.11 Nepal Federation of Savings and Credit Cooperative Unions Limited**

NEFSCUN was registered and formalized in 1993 under the Cooperative Act, 1990. It has aimed to strengthen all microfinance institutions. It consisted of 432 Savings and Credit Institutions from 51 districts. It represented in Asian Credit Federation and World Credit Institution.

## **Vision**

NEFSCUN is a member-based organization of Saving and Credit Cooperatives in Nepal. It provides financial services to its members in line with the principles and values of International Credit Union. It focuses to (i) democratic structure - open and voluntary membership, democratic control and non-discrimination (ii) imparts services to members – provide different socio-economic development activities to the members, distribute benefits among members and promote financial sustainability (iii) achieves social goals – conduct on-going education, develop cooperation among cooperatives and fulfill social responsibility.

## **Mission**

Its mission is to promote and strengthen a forum for Savings and Credit Cooperative Societies (SACCOS), in which, SACCOS aims to become a viable community based financial institution by providing value added services such as education, training and financial services on a sustainable basis.

## **Objectives**

NEFSCUN's objectives are as follows:

- a) It formulates plans and programs,

- b) Communicates importance of saving and credit activities in improving the livelihood of rural populace,
- c) Organizes trainings, workshops, seminars, exposure visits for strengthening of saving and credit activities,
- d) Develop coordination between national and international organizations with an aim to give a boost to saving and credit activities,
- e) Executes different socio-economic development programs ,
- f) Operate banking services in different areas,
- g) Develop a central finance facility program among member SACCOS,
- h) Encourage self-help groups to register under the Cooperative Act and
- i) Provide support on business development activities to SACCOS.

### **Activities**

- a) Organizes trainings, seminars, workshops, exposure visits to promote and strengthen saving and credit institutions at the grassroots-level,
- b) Publishes saving and credit related pamphlets, newsletters, wallpapers, booklets, journals and books to disseminate saving and credit-related information,
- c) Promote banking services,
- d) Implement insurance activities,
- e) Develop coordination among national and international saving and credit institutions,
- a) Provide inter lending facilities and
- b) Manage stationeries to the members' institutions.

### **Partnership Programs**

- a) NEFSCUN Mutual Aid Program,
- b) Credit Union Benchmarking in South East Asia (CUBESEA) in Nepal,
- c) Institutional Strengthening of Savings and Credit Cooperatives in Nepal,
- d) Women Empowerment Credit Union Microfinance Innovation (WECUMI) and
- e) Integrating Reproductive Health with training programs of NEFSCUN.

#### **4.2.12 Small Farmers' Cooperative Limited**

Small Farmers Cooperative Limited refers to small farmers' (SF) organization, which has a vision to build-up institutional management capacity of SF to implement SFDP at the grassroots level by the active initiation of its members.

##### **Objective**

- a) Promote local self-reliance institutions by developing leadership and managerial abilities among small farmers themselves,
- b) Reduce cost and bureaucratic hurdle in program operation in order to make program efficient and cost-effective and
- c) Expand and increase outreach of microfinance programs.

##### **Institutional Development Program Experiment**

With the support of German Agency for Technical Cooperation (GTZ), Agricultural Development Bank Limited had conducted an experiment on a few SPOs in Dhading District in 1988. Outcomes of these SPOs were satisfactory. Consequently, at the first phase ADBL handed over SPOs from Bhumisthan, Chhatredeurali, Dhuwakot and Maidi of Dhading District to small farmers in July 16, 1993.

Institutional Development Program of Dhadhing district was found highly successful to transfer from Small Farmers' Development Program into Small Farmers' cooperative Limited. Main committee contribute important role to perform day-to-day function of SFCLs. Considering effective operation of experimented SFCLs at Dhading district, it decided to replicate in other parts of Nepal gradually.

For this purpose, GTZ provided technical and financial assistance to SFCLs whereas ADBL provided the support of monitoring and supervision, refinancing and coordination with local line agencies. Nepal government had provided some grants.

##### **Transformation Process from SFDP into SFCL**

Before handover of SFDP into SFCL, following criteria need to be performed because it helps to enhance the capacity of grassroots peoples to implement SFCL smoothly Major entry point of IDP are at least 50 percent of small farmers joined into SFCLs, more than 75 percent members should be active particularly in loan repayment, meeting attendance and involvement in social and community



development activities, overdue loan not crossed more than 20 percent of outstanding loan, interest receivable must be less than 25 percent and repayment rate stood at least 50 percent.

**Figure 4.1**

**Transformation Process of SFDP into SFCL**



*Source: Financial performance of Microfinance institutions with special reference to SFCL in Nepal, 2007.*

**Donor Support**

GTZ provided technical assistance for SFCL's management and conduct of training programs, whereas ADBL had provided support on monitoring, supervision, refinancing and program planning at the initial phase of institutional development program

### **Key Organizational Structure**

- a) Village-level groups:
- b) Inter groups
- c) Main committee

### **Status of SFCL**

Altogether 228 SFCLs are operating across the country. Considering its contribution to economic development of countryside populace, these institutions are recognized as one of the major poverty reduction institutions of Nepal. The SFCLs have provided microfinance services to 136064 small farmers.

### **4.3 Legal Framework of Cooperatives in Nepal**

National Cooperative Bank Limited, established under the Cooperative Act, 1992 is an important initiation of the government aimed at poverty alleviation. The Poverty Alleviation Fund (1999/2000) is another catalytic program in this sector.

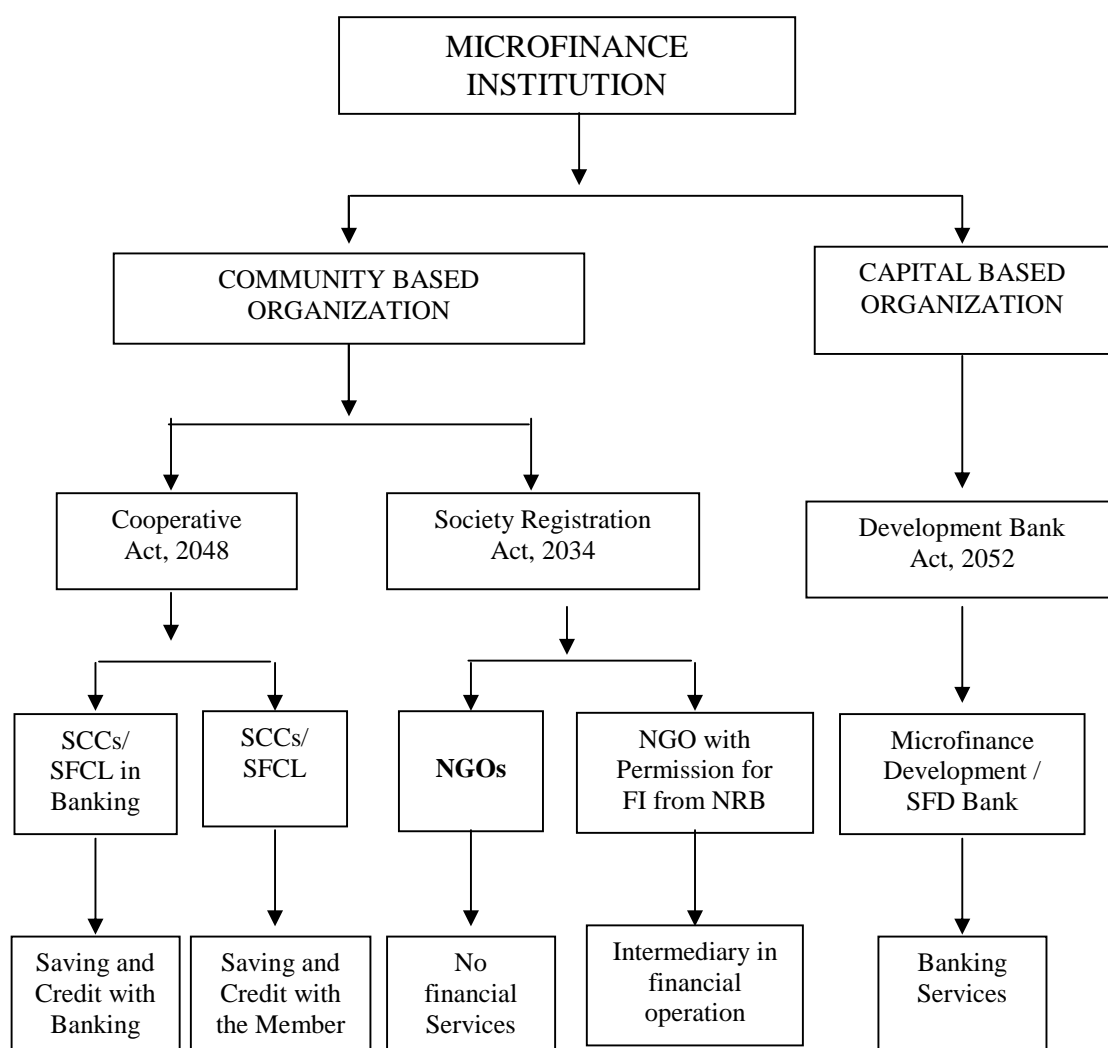
Rural Self-reliance Fund, Small Farmers' Development Bank (2001), Grameen Bikas Bank and Rural Micro-credit Development Centre are apex institutions that launch poverty reduction endeavors of the government.

Three important Acts, namely the Cooperative Act, 1992, Financial Intermediary Act and Development Bank Act, 1996 and Financial Intermediary Act, 1998 were enacted to promote and strengthen Microfinance Institutions.

The amended Cooperative Act has paved the way for the formation of members-owned cooperative societies in place of government-controlled ones. Under the present cooperative legal framework, there are two major options for the promotion and strengthening of Microfinance Institutions. They are Community-based organizations including saving and credit cooperatives, or NGOs established under the Society Registration Act, 1978. To work under the Financial Intermediary Act, these organizations need to obtain licenses. Capital-based organizations are the other type of cooperatives established under the Development Bank Act, 1996.

**Figure 4.2**

**Legal Framework of Microfinance including Cooperatives in Nepal**



Source: Marketing in Nepalese Microfinance Institutions, Agricultural Credit, Biannual Journal, Vol. 34, 2002.

In the context of Nepal, Legalized Microfinance Institutions are Microfinance Development Bank, Grameen Bikas Bank, Saving and Credit Cooperatives, Small Farmers' Cooperative Limited, and Financial Intermediary Non-Governmental Organizations.

#### **4.4 Major Components of Cooperatives Act, 1992**

The Cooperative Act 1992 has undertaken major aim to involve peasants, mechanics, laborers, landless and unemployment people in cooperative organizations to improve their livelihood. It governs diverse issues such as membership of cooperative

organizations, daily operation of cooperatives, register's appointment and his/her authorities, financial management, amalgamation, division, information management, auditing, penalty, rebate, subsidy, cancellation of registration and dissolution of cooperative institutions.

#### **4.4.1 Section One**

##### **Inception**

Cooperative Act, 1992 is one of the pragmatic Act of cooperative sector. It has undertaken major objective to improve economic and social condition of landless, peasants, labors and poor people through organizing them in cooperative.

##### **Short title and inception**

The name of this law is Cooperatives Act, 1992.

##### **Definitions**

Unless the context otherwise requires, in this Act

- a) **Institution or Union** is cooperative society or union, which are registered under this Cooperative Act.
- b) **Member** defines as any individual, institution, association, or other agency, which receive membership of a cooperative organization or cooperative union by purchasing its shares according to its bylaws.
- c) **Board** defines the Board of Directors or Executive Committee of the cooperative organization or cooperative union comprised as per its bylaws.
- d) **Registrar** means the Registrar, he/she will be appointed as per the Cooperative Act from the government of Nepal.
- e) **General Assembly** defines the general assembly of the cooperative organization or cooperative union that organizes assembly each year by inviting its general members.
- f) **Bylaw** defines the rules and regulations of the cooperative organizations or cooperative union; it controls all operation of the cooperatives that approves from the general assembly.

#### **4.4.2 Section Two**

##### **Formation of Institution or Union**

To improve socio-economic condition of livelihood, following institution or union would be formed as per the principle, norms and values of cooperatives.

- (a) To achieve above objective a primary institution will be formed by comprising at least 25 members.
- (b) A union forms by comprising of five similar institutions as per the clause (a) as its members.
- (c) A District Cooperative Union will be formed by comprising at least five institutions as mentioned in clause (a) or unions dealing in any specific field as mentioned in clause (b) or both.
- (d) Central Cooperative Union will be formed by comprising of at least 25 institutions as mentioned in clause (a) or at least five unions dealing in specific field as mentioned in clause (b).
- (e) National Cooperative Union will be formed by comprising of at least 15 unions as mentioned in clause (b), (c), and (d).

#### **Application for Registration of Institutions or Unions**

- (a) Concerning members need to be submitting an application to the Registrar for the registration of cooperative or union.
- (b) Application should have two copies of the bylaws of the concerning cooperative or union, along with it includes work plan, description of agreed shares purchasing letter and signed by all members as per the Cooperative Act.

#### **Registration of Institution or Union**

- (a) Concerning authorities verify the submitted documents. If submitted documents fulfilled the requirements as per mentioned in Cooperative Act, then concerning authorities provide the registration certificate.

#### **Condition for Refused**

If there is needed some amendment, the Registrar gives 15 days time to make the amendment.

#### **Institution or Union eligible to be Corporate Body**

Institution or union would be an autonomous and corporate body.

- (a) Institution or union would have a separate stamp of its official use
- (b) Institution or union can earn or disposal its assets as per the individual authorities.
- (c) Institution or union can complain or other can objection in its name legally like an individual citizen.

### **Liability of Institution or Union to be Limited**

- (a) Liability of an institution or union will be limited.
- (b) Every institution or union must use the word cooperative in its name and the word limited should put at the end of the cooperative name.

#### **4.4.3 Section Three**

##### **Membership of Institution**

- (a) Following Nepali citizens would become members of the cooperative.
- (b) Nepalese citizens who have applied for the registration of the cooperative.
- (c) Nepalese citizens who desire to get the services of the cooperative by purchasing shares as per Cooperative Act. He/she also agrees to take the responsibility of membership and fulfill the conditions of bylaws.
- (d) Institutions would be the member of cooperatives but they purchase the shares of cooperatives as per Cooperative Act.
- (e) Person who participates in cooperative, he/she must submit application to its Board of Directors or Executive Committee.
- (f) If applicant refused by Board of Directors or Executive Committee, in such case, concerning members can complain in the meeting of general assembly. Decision made by the general assembly could be the final decision of any complains in cooperative.
- (g) Compulsory savings can only withdraw after resigning of membership from cooperative.

##### **Membership of Union**

Concerning cooperatives can get the membership of specific union as per the provision of bylaws.

- (a) All cooperatives can get the membership of District Cooperative Union as per the provision of bylaws.
- (b) All cooperatives can get the membership of respective Central Level Cooperative Unions as per the provision of bylaws.
- (c) All unions can get the membership of National Cooperative Union as per the provision of bylaws.
- (d) Those institutions that purchase share as per Cooperative Act, they could be the members of respective union.

### **Refused of Membership**

Membership of cooperatives or unions will be terminated while members do not fulfilled the necessary requirements that mentioned in bylaws.

#### **4.4.4 Section Four**

### **Operation Procedures**

#### **Bylaws**

- (a) Concerning cooperatives or unions can formulate the rules and regulation as per the Cooperative Act to perform the daily work smoothly.
- (b) Operational and management procedure of cooperatives or unions would be as per their bylaws.
- (c) Bylaws should have included name of the cooperative or union, its address, working area, objective, working procedure and other essential information required to mentioned in the proposal to register under Cooperative Act.
- (d) Bylaws of cooperative or union can be amended by the two-thirds majority of the shareholders of respective cooperative.
- (e) Those bylaws, which amended as per the Cooperative Act that will be effective after approval from Registrar.

#### **General Assembly**

Each cooperative or union should have a general assembly.

- (a) All members could be general member of a cooperative or union.
- (b) Required members of general assembly will be fixed as per the provision made in bylaws.

#### **Duties and Responsibilities of General Assembly**

- (a) To examine the expenditure and income of cooperative.
- (b) To elect the Board of Directors or Executive Committee and Account Committee, and also make decisions for refusing of executive committee and account committee.
- (c) To discuss the reports of executive committee or board of directors and account committee.
- (d) To make the decision on the amendment of bylaws.
- (e) To make the decisions on amalgamation with other institution or separation to make it financially sustainable in long run perspective.

### **Meetings of General Assembly**

- (a) Each cooperative or union must call preliminary general assembly meeting within three months of its registration under Department of Cooperative.
- (b) Each cooperative or union must organize general assembly meeting within six months after completion of fiscal year.
- (c) If necessary, cooperative or union can organize special general assembly meeting.
- (d) Bylaws would amend only by the approval of 51 percent of share members.

### **Executive Committee**

- (a) Every cooperative or union should have an executive committee or board of directors.
- (b) Role and responsibilities of executive committee or board of directors is allocated as per the provision of bylaws.
- (c) Executive committee or board of directors will be nominated for the term of five yrs from general assembly.

### **Accounts Committee**

- (a) Three members of account committee including Coordinator will be nominated from the meeting of general assembly.
- (b) Account committee is one of the major internal authorities of cooperative that audits internal account and provide suggestions to executive committee or board of directors.
- (c) Account committee should present account report in the meeting of general assembly.

### **Refusing of Members and Executive Committee**

- (a) Five percent of total members could complain to remove members of executive committee.

### **Sub-Committees**

Executive committee could form the sub-committee to perform day to day activities of the institution as per the provision of bylaws.

### **Appointment of Employees and Advisors**

Executive committee can hire staff and advisors as per the approval from the meeting of general assembly.



#### **4.4.5 Section Five**

##### **Registrar**

##### **Appointment of Registrar**

Nepal Government can appoint a Registrar to register cooperatives conduct supervision and monitoring of cooperatives and manage other functions related on cooperative operation.

##### **Delegation of Authority**

Registrar can delegate his/her authorities to other officials.

#### **4.4.6 Section Six**

##### **Financial Sources and Mobilization**

##### **Sale of Shares**

- (a) Cooperatives and Unions can collect financial resources by issuing shares to the people of the working area and the institutions.
- (b) Cooperatives or Unions can sale 20 percent share from the total share amount to the international cooperative institutions.
- (c) Cooperatives or Unions can sale share not more than 20 percent of total share to an individual or institution. But this limitation is not valid for government institutions.
- (d) At the time of election, one member one vote is strictly followed in cooperative.

##### **Loan Bonds and Borrowing of Credit**

Cooperatives or union can issue loan bonds, or borrow loans from local or foreign banks or any other institutions. But it must get prior approval from government before issuing loan bonds or borrowing loan from foreign banks.

##### **Government Guarantee for Loan**

- a) If there is necessary to get the guarantee from government, in such case cooperatives or unions must submit application to the Government for that purpose.
- (ii) Government would provide guarantee but it may recommend necessary conditions to make the repayment of loans and loan bonds, must repay to the concerning institutions.

##### **Banking Operation**

Cooperatives or Union must take approval from Nepal Rastra Bank before operation of banking activities except to mobilize saving and credit to its share members.

### **Profit Distribution**

- (a) At least one-fourth of the net profit must be managed in reserve fund.
- (b) Only 15 percent profit of total share amount could be provided to the shareholders.

### **4.4.7 Section Seven**

#### **Amalgamation or Separation**

Two-thirds majority of the general assembly members can make the decision to make the amalgamation and division of the institution.

### **4.4.8 Section Eight**

#### **Notices, Records, and Assessment of Accounts**

##### **Records of Decisions**

Every cooperative or union must maintain records of meeting conducted from general assembly, account committee and sub- committee.

### **4.4.9 Section Nine**

#### **Facilities for Cooperatives or Unions**

##### **Facilities**

- (a) No need to make registration except immovable property.
- (b) No registration fee charge.
- (c) No local tax charges on the transaction/activities being conducted by cooperatives or Unions
- (d) Government can provide partial or full tax-free facilities to machinery, cottage industries and agriculture related components, which import from Cooperatives or Unions.

### **4.4.10 Section Ten**

#### **Dissolve of Cooperative or Union and Cancellation of Registration**

A two-thirds majority of the total share members of cooperative or union can make decision to dissolve their cooperative.

### **4.4.11 Section Eleven**

#### **Fines and Penalties**

Registrar can fine up to NRs. 1500 to the cooperatives or unions those are not submitted their report as per mentioned in the Cooperative Act (Shrestha, 2006).

#### **4.5 Rural Finance Policy in Nepal**

Rural finance includes saving mobilization, credit investment, transfer of money, payment of service and micro-insurance. It may be agricultural finance, microfinance and other financial services. Banks, financial institutions, cooperatives and microfinance intermediary NGOs can provide these services. To promote and strengthening of rural financial institution following activities are performed.

- a) Nepal Rastra Bank initiated a priority sector program in 1974. Major thrust of this program was to invest five percent of the deposit of commercial banks in agricultural, services and industrial sectors and meet the demand for rural credit,
- b) Commercial banks were required to invest three percent of their loans and advances in rural and microfinance sectors,
- c) Under the deprived sector requirement, commercial banks are allowed to invest through indirect financing mechanisms such as equity investment and line of credit to Rural Development Banks and Microfinance Institutions,
- d) Agricultural Development Bank Limited contributed over 50 percent to total rural financing investment,
- e) Small Farmers' Development Programs have been transferred to Small Farmers' Cooperative Limited. To meet the credit requirement of Small Farmers' Cooperative Limited, Small Farmers' Development Bank was established in July 2001 as an apex level wholesale lending institution. It has been providing credit services since March 2002.
- f) Five Rural Development Banks and nine Microfinance Development Banks were involved in microfinance.
- g) Wholesale microfinance institutions such as Rural Self-Reliance Fund, Rural Microfinance Development, Small Farmers' Development Bank and National Cooperative Development Banks are providing credit and training support for strengthening of Microfinance Institutions across the country.
- h) The 10th five-year plan (2002-2007) aims to develop coordination between different rural finance programs. It also aims to achieve broad-based economic growth, further social sector development, including human development, social inclusion, good governance and implement targeted programs.

#### **4.6 Inter-relation of Cooperatives with Microfinance**

Development Finance is one of the specialized sectors of the financial industry, which aims to bridge the gap between commercial investment and state-sponsored development aid in the form of public and private sector development projects. According to ADB (1998), microfinance is commonly understood as providing various financial services such as micro saving; micro-credit, micro-insurance and micro-money transfer services to poor households. Academically, finance is just the same. However, the methodology of development finance and microfinance is not the same. Agricultural and rural finance or specifically microfinance deals with the poorest of the poor populace whose income is less than US \$ 1 per day. Wealth ranking, CASHPOR housing index and PRA tools are being developed to identify the poor (Upreti, 2006). Nepal Rastra Bank declared that any loan up to NRs 30.000 provided to the poor household is considered microfinance. Since 2004, loan of up to NRs 100000, advanced to small enterprises, is classified as microfinance. In general, MFI's interest rates are very high. Reasonably higher interest rate setting is the only way for MFI's sustainability. Financial repression through subsidized lower interest rate was a distinct problem. Nepal Rastra Bank used to control interest rate, but nowadays it has stopped doing so. In microfinance there are solidarity groups comprising of 5 to 10 members. They provide credit facilities. These groups are organized to access credit and other related services such as training and institution building, provide loan under joint liability and as per the borrower's need. Further, solidarity groups are categorized as:

- a) Grameen type
- b) Latin American Solidarity group type

A particular Grameen type cooperative comprises of 5 to 8 groups with 25 to 40 members, which are consisted from core poor families of the same location. Each group is strictly composed of five members. The Latin American Solidarity type comprises of 3 to 20 members promoted from homogeneous and cohesive groups. These members are willing to work under joint liabilities for loan operation. NGOs and INGOs are operating Community-based Organizations (CBOs), one of the important models in the microfinance sector, for the socio-economic development of rural populace. This model is also the modification of ROSCA. A particular CBO

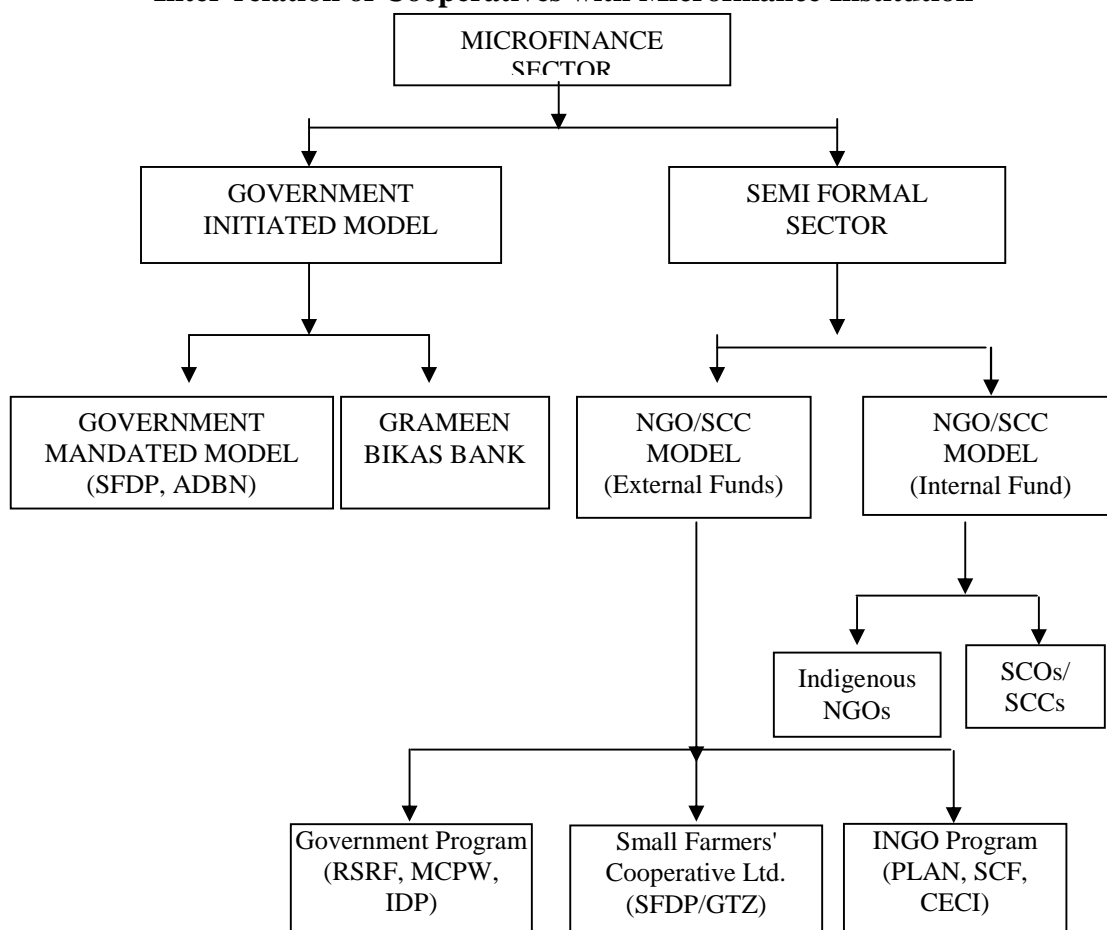
comprises of 25 members. These CBOs are registered under the Cooperative Act.

Basic features of the CBOs are as follows:

- a) They organize community people into a group,
- b) Collect saving for loan investment and social activities,
- c) Share ideas on community, social and economic development,
- d) Empower grassroots people,
- e) Utilize financial resources,
- f) Access technical assistance from related development agencies and
- g) Develop self-operating financial institutions at the village level.

**Figure 4.3**

**Inter-relation of Cooperatives with Microfinance Institution**



Source: *Efficiency in Nepalese Microfinance Institutions, Agricultural Credit Bi-Annual Journal, Vol.33, 2001*

Two types of community-based organizations are mainly operating in the microfinance sector and they are:

- a) Village Banking
- b) Saving and Credit Organizations

Small farmers have diversified needs. They demand production loan, marketing loan and consumption loan at the same time. Not all microfinance models are suitable for all places because the success of these models depends fully on geographical location, level of economy, social settings, peace and prosperity as well as the level of gender equity. Social Banking models that have seen success in Latin America, South Asia, and East Asia or in Africa may not notice success in other regions. UNICEF, IFAD, ADB/M, IDA launched various poverty reduction programs such as Production Credit for Rural Women (PCRW), Micro-Credit Project for Women (MCPW), Third Livestock Development Project (TLDP), Cottage and Small Industries (CSI), Community Groundwater Irrigation Sector Project (CGISP), Poverty Alleviation Project in Western Terai (PAPWT) and Rural Microfinance Project (RMP). Nepal Rastra Bank introduced the deprived sector program in 1990 to provide small credit to the poorer group of the rural areas. Under this program, commercial banks are required to invest anywhere between 0.25 and 3.0 percent of total loan portfolio to the targeted sector through microfinance institutions. Rural Self-Reliance Fund (RSRF) was commenced in 1991 particularly to improve socioeconomic condition of deprived rural groups by providing institutional wholesale credit. The RSRF has been providing wholesale credit to the Saving and Credit Cooperatives and Financial Intermediaries Non Governmental Organizations.

On the other hand, the Government of Nepal established five Rural Development Banks in the Eastern, Central, Western, Mid-western and Far-western Development Regions between 1992 and 1996 to provide rural credit to poor households, mobilize domestic resources and involve poor women in income-generating activities. To meet these goals, these banks are executing programs by designing core operating principles such as focus on women members, advancing of small loans under group guarantee with the weekly repayment schedule, conducting close supervision and monitoring practices. In addition to these programs, CSD, Nirdhan, Deprosc, Chhimek and RMDC (wholesale lending institutions) have been launching microfinance programs to uplift economic status of the poor populace. Though a large number of microfinance institutions have been involved in rural credit sectors, Rural Credit Survey revealed that only 20 percent of the households have access to credit from formal sectors, while 80 percent households are fully dependent on informal sectors. It means that Nepal has still abundant potentiality and scope for

capitalizing the demand for micro-credit. Special policy, guidelines and regulatory framework are also needed to strengthen MFIs. Considering the need for a special policy in MFIs, Nepal Rastra Bank has begun establishing Second Tier Institutions (STIs) to regulate and supervise MFIs (Upreti, 2006).

#### **4.7 Link-up of Small Farmers' Cooperative Limited with Poverty Reduction Strategy Program and Millennium Development Goals**

##### **4.7.1 Poverty Scenario of Nepal**

Level of poverty of Nepal stood at 31 percent in 2003/04, which declined 11 percent in aggregate form, it stood 42 percent in 1995/96. Inequality revealed much worsened in which Gini Coefficient increased 34.2 to 41 percent from 1995/96 to 2003/04. It clearly indicates that still Nepal has huge disparities in opportunities and access among the people. In the context of urban and rural poverty, rural poverty revealed 34.6 percent whereas urban poverty seemed 9.6 percent. Urban poverty declined sharply from 22 percent to 10 percent but rural poverty reduced very slowly from 43 percent to 35 percent (NRB/CECI, 2008).

Poverty is also the outcome of its difficult physical infrastructure of the country. While Nepal is landlocked country situated between China in north and India in south, west and east. It is divided into three ecological zones such as mountain, hill and terai and other it divided into five development regions such eastern, central, western, mid-western and far-western development regions. Along with it has 14 zones, 75 districts, 3913 Village Development Committees and 58 Municipalities. Nepal is popular on its socio-cultural diversity of 100 ethnicities, 92 languages and 9 religions (UNDP, 2004). The religious composition of populace shows that 80.6 percent Hindu followed by 10.7 percent Buddhist, 4.2 percent Muslim and 3.6 percent Kirat (CBS, 2001).

In Nepal, poverty scenario varies in ecological zones so that analysis was focused as per the ecological belts such as mountains, hills and the terai.

Furthermore, poverty is higher (44%) in rural areas than in urban areas (23 %). Mountain revealed as highest (56%) than the other ecological zones. Proportion of households consuming "less than adequate" food was 63.16 percent in the mountain, 54.67 percent in the hills and 44.86 percent in the terai. It is targeted to reduce such populace at 50 percent by 2015 by increasing the production of the cereal and other crops in the respective ecological zone (NLSS, 1996).

Similarly, as per the development region wise analysis, mid-western and far-western hills stood at alarming situation (70 %). Poverty correlates strongly with the lands because most poverty sufferers revealed in land less/ marginal category people than among those with small/medium/large land holdings in all three ecological belts.

Remittance is only the prime sources to reduce the poverty significantly during the period 1996 to 2004.

Caste and ethnicity are also important variables that reflect the variation in poverty ratios.

High poverty is revealed in Janjatis and Dalits (low caste) compared to higher caste like for Brahmin and Chhetry (NLSS-II, 2004). Poverty incidence of 46 % found in Dalits, 41 percent in Muslims and 43 % in hill Janjati. However, low castes Dalits have a 15 percent higher poverty incidence in the comparison of national average.

While in the analysis of education level wise, illiterate are more affected from poverty than the educated household heads. NLSS survey 2004 shows that 11 years schooling has a poverty rate merely 1.6 percent whereas illiterate households have 42 percent poverty rate.

Moreover, agriculture related households are poor than the trade services related households. Almost 95 percent of the poor live in rural areas. Households headed by agriculture wage labors are the poorest (poverty incidence of 46 %) in the comparison of households headed by those self-employed in agriculture made up the second poorest group (NLSS-II, 2004).

In the three year interim plan's period 2007-2010 also focused to bank, corporate institutions and MFIs to provide the credit in rural areas of Nepal. Microfinance however revealed as major poverty reduction programs of Nepal. ADBL is one of the largest banks of Nepal. It is also one of the recognized poverty reduction banks of south Asia. It introduced Small Farmers' Development Program in 1975, which invested credit to 200 thousand small farmers 650 Village Development Committees (NRB/CECI, 2008).

### **Millennium Development Goal and Poverty Reduction**

Due to the conflict occurred more than one decade in the country, development activities totally stopped so many infrastructure damaged, low private sector investment, disruption to the work of INGOs, community organizations and



other developing agencies and disruption of production, trade, and transport through frequent closures. The economy grew 3.3 percent in 2003/04, 2 percent in 2004/05 and 5.56 in 2007/08 (NPC, 2005).

The economy is characterized by a large agriculture sector that provides a livelihood for 80 percent of economically active population. Agriculture sector contributes 39.2 percent of GDP. Remittance plays a major role both as a source foreign exchange and as a source of income for many rural households. Remittance grew by 32 percent in 2004 from 23 percent in 1996 (MoF, 2005).

Nepal invites to the WTO in 2004, it is significantly scope for the country's effective integration into the global economy. Nepal has prepared three-year plan by focusing with the objective of PRSP.

UN Millennium Project 2005 introduced in developing and under developing countries around the world to mitigate poverty extremely. Nepal has long history working with the donors. As a result, some visible impact revealed in education, health, drinking water, telecommunications, road construction and hydropower development. However, still there is lacking to incorporate neglected regions and groups in development mainstream. Nepal has fund deficiencies as US\$ 7.6 billion to achieve targeted goal between 2005 to 2013 (NPC, 2005)

In the context of Poverty Reduction Strategy Program/PRSP/MDGs, Government of Nepal assessed the progress of millennium development goal entitled "Millennium Development Goals Needs Assessment for Nepal" conducted an assessment study with involving one international expert and six national experts. This team used the Needs Assessment Models (MS Excel Templates) developed by the Un Millennium Project to examine the resource requirements for attaining the selected indicators such as: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability and promote the construction of rural needs and extension of the rural electrification.

Seventy percent of the world's poor live in Asia. Nepal has 31 percent people below the poverty line. Only 10 percent of small farmers obtained credit from institutional sources, 16 percent borrowed from middlemen, while 49 percent obtained credit from rich farmers. The 10<sup>th</sup> plan (2002 to 2007) targets to bring the poverty

level down to 30 percent through a wider execution of microfinance programs. While 10<sup>th</sup> five-year plan aims to invest NRs 101 billion in rural credit (Koirala, 2000).

Millennium Development Goal plans to incorporate 175 million poor people throughout the world in the microfinance program by 2015 AD. As of mid-July 2006, 750 thousand poor households have been receiving microfinance services in Nepal.

To achieve rural infrastructure target, it requires as NRs. 1,148.8 billion (US \$ 16.4 billion) at 2004/05 prices for 2005 to 2015. Out of this amount, NRs. 263.9 billion (US\$ 3.8 billion) is expected by the development partners. The total public sector investment required for achieving millennium development goals and rural infrastructure targets is NRs. 884.9 billion (US\$12.6 billion) at 2004/05 prices. Out of this amount, NRs. 332.9 billion (US\$4.8 billion) is to be expected from the domestic resources such as revenues and borrowings from the government. Remaining amount is expected to fulfill by the donor partners.

Total financial requirements for 2005 to 2015 have estimated that as NRs. 338,955 million for hunger, NRs. 334,524 million for education, NRs. 17,964 million for gender, NRs. 198,360 million for health, NRs.137, 398 million for drinking water and sanitation, NRs. 121,202 million for rural transport and electrification out of total required budgeted as NRs. 1,148,805 million (US\$ 16, 411 million).

At the Millennium Summit of September 2000, the Member States of the United Nations adopted the Millennium Declaration that aims to maintain peace, security and development of all the people around the world. This summit fixed time duration, in which, all targeted goals should fulfilled by all countries by 2015. Numerical target fixed in each goal and are to be monitored by 48 indicators.

Millennium Development Goals (MDG) has fundamental values such as freedom, equality, human rights, peace and security. The MDG provides power to the people to claim their fundamental human rights such as right to food, education, and health, shelter and allow ordinary citizens etc to become active advocate for development.

## **CHAPTER V**

### **OVERALL STATUS AND INSTITUTIONALIZATION OF COOPERATIVES IN NEPAL**

#### **5.1 Overall Scenario of Cooperatives**

Altogether, 9362 Cooperatives have been implementing across the country. Most of them are Savings and Credit, Multipurpose, Dairy, Agriculture, Small Farmers' Cooperatives, details are described hereunder.

##### **5.1.1 Status of Cooperatives**

Out of 9362 Cooperatives, there were 3241 (34.61%) Savings and Credit Cooperatives followed by 2402 (25.65%) Multipurpose Cooperatives, 1564(16.70%) Dairy Cooperatives, 1192 (12.73%) Agriculture Cooperatives and 237 (2.53%) were of other types. Similarly, there were 213 (2.27%) Small Farmers' Cooperatives, 169 (1.80%) Electricity Cooperatives, 103 (1.10%) Consumers Cooperatives, 102 (1.08%) Science and Technology Cooperatives, 65 (0.69%) Coffee Cooperatives, 28 (0.29%) Health Cooperatives, 24 (0.25%) Herbal Cooperatives and 22 (0.23%) are Tea Cooperatives.

Altogether 1234542 members including 834156 (68%) male and 400386 (32%) female participated in cooperatives across the country. Among them, highest members 393826 (31.90%) were involved in Savings and Credit Cooperatives followed by 372477 (30.17%) in Multipurpose Cooperatives, 230080 (18.63%) in Agriculture Cooperatives, 90876 (7.36%) in Dairy Cooperatives, 68559 (5.55%) in Small Farmers' Cooperatives and 1044 to 7459 (0.084% to 0.60%) in other Cooperatives such as Electricity, Consumers, Science and Technology, Coffee, Health, Herbal and Tea Cooperatives.

**Table 5.1****Status of Cooperative**

NRs. 000

Cooperatives			Members			
Types	Nos	Percent	Male	Female	Total	Percent
Saving & Credit	3241	34.618	226881	166945	393826	31.900
Multipurpose	2402	25.656	277023	95454	372477	30.171
Dairy	1564	16.705	59841	31035	90876	7.361
Agriculture	1192	12.732	177603	52477	230080	18.636
Small Farmers	213	2.275	48645	19914	68559	5.553
Electricity	169	1.805	4745	681	5426	0.439
Consumers	103	1.100	4618	1270	5888	0.476
Sci &Tech	102	1.089	5948	1511	7459	0.604
Coffee	65	0.694	937	594	1531	0.124
Health	28	0.299	2206	262	2468	0.199
Herbal Medicine	24	0.256	817	269	1086	0.084
Tea	22	0.234	512	532	1044	0.084
Others	237	2.531	24380	29442	53822	4.359
Total	9362	100	834156	400386	1234542	99.996

*Source: Information of Cooperative Institutions (2007).*

After restoration of democracy in Nepal, cooperatives are increasing largely. Of the total cooperatives, savings and credit cooperatives are increasing in large numbers, because in the rural areas accessibility of the formal financial institutions found very low. Only 35 percent households are accessed the credit from formal financial institutions. Due to this limited services from the formal financial institutions, people of the village areas they started savings and credit cooperatives by themselves by depositing small amount of monthly savings in their group account.

After it, multi-purpose cooperatives are found more popular in the rural areas because they are implementing integrated programs such as cereal crop production, cash crop production, fruit plantation, vegetable production, livestock development, dairy processing, marketing, saving and credit and other community and social activities such as construction of drinking water system, school maintenance, community forestry development, literacy program, health and sanitation, materiality and child welfare program etc. By thus, multi-purpose cooperatives are contributing in the rural areas of Nepal to up-liftmen of socio-economic status of rural populace.

Likewise, dairy cooperatives are increasing at present in the rural areas because these types of cooperatives have been playing important role to sale the milk of its members by managing the market inside and outside the district. Besides, they are establishing the dairy processing plant in their community so as to resolve the milk holiday problems in some extent.

Agriculture cooperatives are increasing in the rural areas to manage fertilizer, improved seeds, pesticides and marketing of the agriculture products etc. Like other, agriculture cooperatives play catalytic role in the rural areas in order to promote and strengthen of agriculture activities effectively. From the support of these cooperatives, farmers are introducing improved agriculture technology thereby assist to increase the production and productivity of the agriculture crops.

Small Farmers' Cooperative Limited were promoted from the Agricultural Development Bank Limited in 42 districts of the country, so far, number of this cooperatives are also increasing gradually in the country by replicating this program in neighbor Village Development Committees from the nearest Small Farmers' Cooperative Limited. Prior to hand-over of Small Farmers 'cooperative limited that directly controlled by the staff of Agriculture Development Bank Limited in which that was crunched from higher overhead cost. To resolve this problem, Agriculture Development Bank Limited decided to hand-over Small Farmers' Development Programs to small farmers at grassroots level. As per this mandate, all Small Farmer Development Programs handed-over to small farmers as a form of Small Farmers' cooperative limited since 1993. Before hand-over of Small Farmers' Development Programs into Small Farmers' Cooperative Limited, capacity enhancement of Small farmers' group was accomplished since 1987 with the technical and financial assistance of German Technical Agency. Small Farmers' Cooperative Limited are popular in the context of saving collection, credit investment, institutional development, social activities implementation such as drinking water system construction, village road construction, community forestry development and literacy program implementation.

Like other, electricity related cooperatives are also implementing in micro-hydro sites from the initiation of rural people by themselves. It has envisaged major objective to repair and maintenance of the micro-hydro plants by their revenues,

which collects from the users monthly. They also manage the technicians to repair and maintenance of the plants. Members of these cooperative prepares bylaws and directives by themselves to conduct micro-hydro project in their village smoothly. All members of these cooperatives follow rules and regulations strictly, which approved from general assembly. From these cooperatives, members maintain micro-hydro plant by themselves by using the revenues on one and implement saving, credit, social and environment protection activities in the initiation of the local people on the other.

Likewise, consumers' cooperatives are also increasing in the rural areas of Nepal. Now a days this types of cooperatives are more useful to supply daily uses goods to the consumers at reasonable price. Thus, these cooperatives are found more popular in the rural areas of Nepal where daily uses goods are not accessed easily.

Science and technology cooperatives are established gradually across the country to promote and strengthen the modern technology in their respective areas. For this purpose, they collect fund regularly from their members thereby invest that fund to promote and strengthen appropriate technology such as installation of solar drying, water turbine, drip irrigation, electricity generation and processing plants etc. in their community particularly to make the life easy in rural areas from this sector. In addition, this cooperative also collect savings and invest credit to their members in income generating activities.

Coffee cooperatives are increasing gradually in the coffee plantation area particularly in Gulmi and Arghkhachi district. It has undertaken major aim to expand the coffee in that respective location. This type of cooperatives manage coffee seedlings, fertilizers, insecticides, pesticides, processing and also assists to sale the coffee of their member farmers in local, regional, national and international markets at reasonable price. Besides, this cooperatives also mobilize domestic financial resources to increase the income of the rural populace.

Health cooperatives are also initiating in local areas to provide health services to their members in rural vicinity. From this cooperative, they manage health check-up center, medicine shop and also conduct health and sanitation campaign in their village to improve the health awareness among the members. In addition this type of cooperatives also collect savings from the members thereby invest that savings in

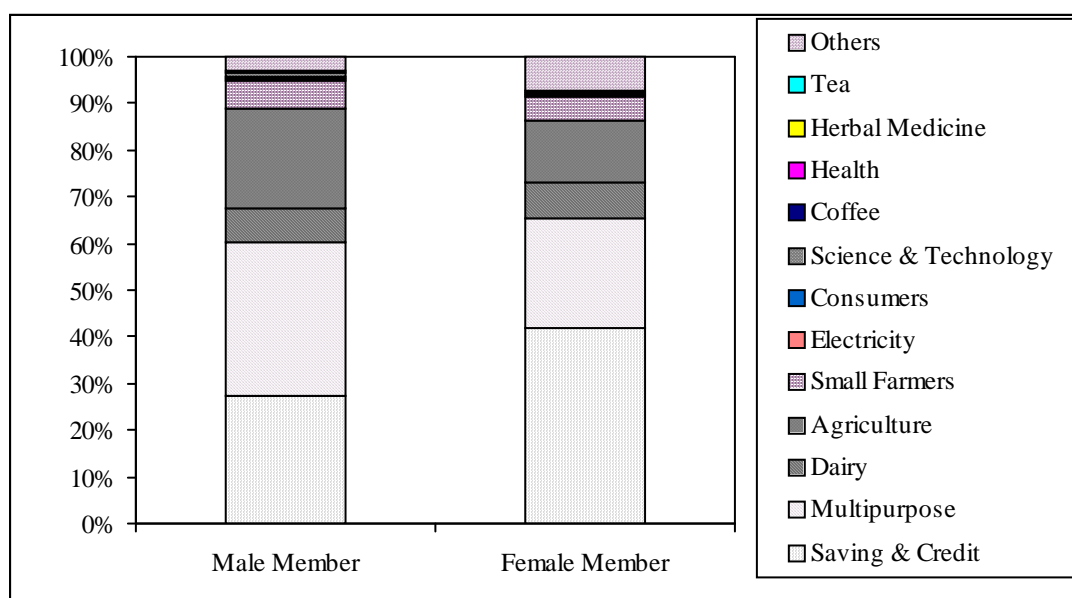
health treatment and income generating activities to improve the livelihood of rural populace.

Herbal cooperatives have been initiating in the mountain areas. Major aim of this cooperative is to promote and strengthen herbal cultivation in their respective feasible areas by managing seeds, seedlings, fertilizers, insecticides, pesticides and also manages marketing support to sale of this product at attractive price in national and international market through cooperatives. In addition, these types of cooperatives also collect savings from the members thereby invest that savings in herbal plant cultivation and other income generating activities in order to improve livelihood of rural populace.

Tea cooperatives are established in tea cultivation areas particularly in Jhapa, Ilam and Panchthar. Major aim of this cooperative is to manage seedlings, fertilizers, and insecticides, pesticides, processing and marketing of the tea in national and international market at attractive price. Besides, these types of cooperatives collect savings from the members thereby invest that savings in tea cultivation and other income generating activities to improve the economic status of their members.

**Figure 5.1**

### **Status of Gender Participation in Cooperatives**



Of the total women members, highest members 166945 (13.52%) were involved in Savings and Credit Cooperatives followed by 95454 (7.73%) in

Multipurpose Cooperatives, 31035 (2.51%) in Dairy Cooperatives, 594 (0.048%) in Coffee Cooperatives, 262 (0.021%) in Health Cooperatives, 269 (0.021%) in Herbal Cooperatives, 532 (0.043%) in Tea Cooperatives, 681 (0.055%) in Electricity Cooperatives, 1270 (0.102%) in Consumers Cooperatives and 1511 (0.122%) in Science and Technology Cooperatives.

### 5.1.2 Cooperative Association

Cooperative Association of Nepal comprised of 134 institutions including 51 (38 %) Multipurpose Cooperative, 34 (25%) Dairy Cooperatives, 33(24%) Savings and Credit Cooperatives and 3 (2%) stood in Coffee Cooperatives and Consumers Cooperatives each. Similarly, one (0.7%) each was Small Farmers' Cooperatives and Tea Cooperatives. Out of 2591 Cooperatives, 2531 (98%) are male and 60 (2%) are female Cooperative Association

**Table 5.2**

#### **Status of Cooperative Association**

NRs. 000

Types of Cooperative Association	Nos.	Percent	Gender wise Cooperative Association			
			Male	Female	Total	Percent
Multipurpose	51	38.059	1214	60	1274	49.170
Dairy	34	25.373	642	0	642	24.778
Saving & Credit	33	24.626	511	0	511	19.722
Agriculture	7	5.223	46	0	46	1.775
Coffee	3	2.238	10	0	10	0.385
Consumers	3	2.238	70	0	70	2.701
SFCL	1	0.746	25	0	25	0.964
Tea	1	0.746	8	0	8	0.308
Others	1	0.746	5	0	5	0.192
Total	134	100	2531	60	2591	100

*Source: Statistical Information of Cooperative Association of Nepal (2007).*

. It reflected that only 60 (2%) were Women Multipurpose Cooperative Association. It shows that women participation in cooperative association found very negligible due



their low access in program lack of awareness, restricted to involve in such association from socially.

Among them 127 (49%) are Multipurpose Cooperatives, 642 (24%) are Savings and Credit Cooperatives.

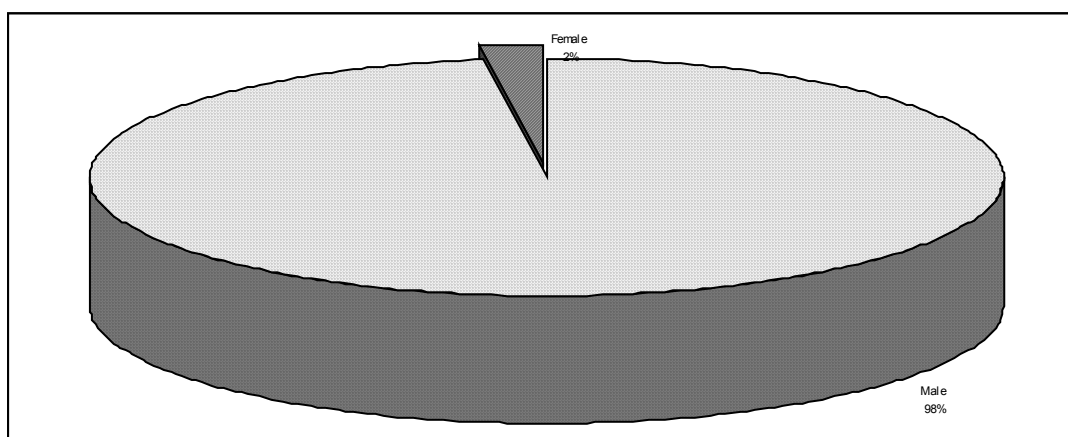
Cooperative Association is higher numbers in Multipurpose Cooperatives because its cooperative numbers stood quiet higher than the other cooperatives. Saving and Credit Cooperatives occupied second position while association of this cooperative also stood in second position. Cooperative Association is a coordinating organizations initiated in district and central level that coordinates with concerning agencies and work as facilitating and representing organization of grassroots level cooperatives, while in capital collection, NRs. 4226060 thousand (49%) capital was collected from Savings and Credit Cooperatives followed by NRs. 2204048 thousand (25%) from Multipurpose Cooperatives and NRs. 1798900 thousand (21%) collected from Dairy Cooperatives. Every cooperative require savings to implement their business activities among the members. A good cooperative always focus to collect savings from their members. Saving and Credit Association maintained attractive saving portfolio in the comparison of Multipurpose and Dairy Cooperative Association. Rural people are more interested to deposit their savings in the Savings and Credit Associations rather than other associations because rural people feel that Saving and Credit Associations are directly related with the SCOs, which operates banking business thereby earn more profit than the other Cooperative Associations.

### **Gender Participation in Cooperative Association**

Of the total gender participation, 98 percent are males and the rest (2%) are females. It shows that almost males are involved in the cooperative association. Women are gradually participating in development activities including cooperatives in recent days. Every people know that without women active participation in development activities there is no possible of sustainable development in long run perspective. By realizing this fact, women are encouraged to participate in cooperatives actively. Consequently, women participation are increasing in the grassroots level cooperatives like Multipurpose, Saving and Credit, Dairy, Small Farmer and others, But in the context of Cooperative Association, women participation stood very negligible (2%).

**Figure 5.2**

**Status of Gender Participation in Cooperative Association**



Research revealed that women do not like visiting out side their home village so that their participation in the association remained very low.

**Saving and Credit Portfolio of Cooperative Association**

A total of NRs.14630004 thousand (58%) was collected from Savings and Credit Cooperatives whereas NRs. 9659372 thousand (38%) was collected from Multi-purpose and NRs. 681803 thousand (2%) was accumulated from Dairy.

**Table 5.3**

**Saving and Credit Portfolio of Cooperative Association**

Types of Cooperative Association	Capital		Saving		Investment	
	Amount	Percent	Amount	Percent	Amount	Percent
Multipurpose	2204048	25.983	9659372	38.609	2924769	24.765
Dairy	1798900	21.207	681803	2.725	452000	3.827
Saving & Credit	4226060	49.820	14630004	58.477	6324171	53.550
Agriculture	200500	2.363	19000	0.075	0	0
Coffee	10000	0.117	0	0	0	0
Consumers	16000	0.188	19000	0.075	0	0
SFCLs	9000	0.106	9000	0.035	2108801	17.856
Tea	8000	0.094	0	0	0	0
Others	10000	0.117	0	0	0	0
Total	8482508	100	25018179	100	11809741	100

*Source: Statistical Information of Cooperative Association of Nepal (2007).*

Similarly in the loan investment, NRs. 6324171 (53%) invested by the Savings and Credit Cooperatives followed by NRs. 2924769 (24%) by the Multi-purpose Cooperatives and NRs. 2108801 (17%) by the Small Farmers' Cooperatives.

Above data shows that saving collection and loan investment scenario is quiet good in savings and credit and multipurpose cooperatives rather than other cooperatives. Besides, Small Farmers' Cooperative Limited maintained quiet satisfactory in loan investment (17%) but its saving part is very weak. Research investigated that saving is major component of cooperatives to sustain it in long run perspective. Therefore, saving should undertake as key important activities of the cooperatives. Similarly, Loan investment is another important activity of the cooperatives so that loan investment must be done in highly secure potential projects. Research revealed that investment in economic development activities is safer than the investment in social activities. Because economic activities generate return of the investment but social activities do not generate return in monetary form directly.

### 5.1.3 Status of Cooperatives with Development Region-wise

Altogether 9361 Cooperatives are operating in five development regions. Among them, 4249 (45%) are in Central Development Region, 1858 (19.84%) in Western Development Region, 1829 (19.53%) in Eastern Development Region, 818 (8.73%) in Mid-western Development Region and 607 (6.48%) in Far-western Development Region.

**Table 5.4**

#### **Status of Cooperatives with Development Region-wise**

Cooperatives with Region-wise			Members			
Development Region	Nos	Percent	Male	Female	Total	Percent
Eastern	1829	19.538	134469	91796	226265	18.113
Central	4249	45.390	340862	129748	470610	37.673
Western	1858	19.848	171616	132169	303785	24.318
Mid-western	818	8.738	98494	34091	132585	10.613
Far-western	607	6.484	95258	20673	115931	9.280
Total	9361	100	840699	408477	1249176	100

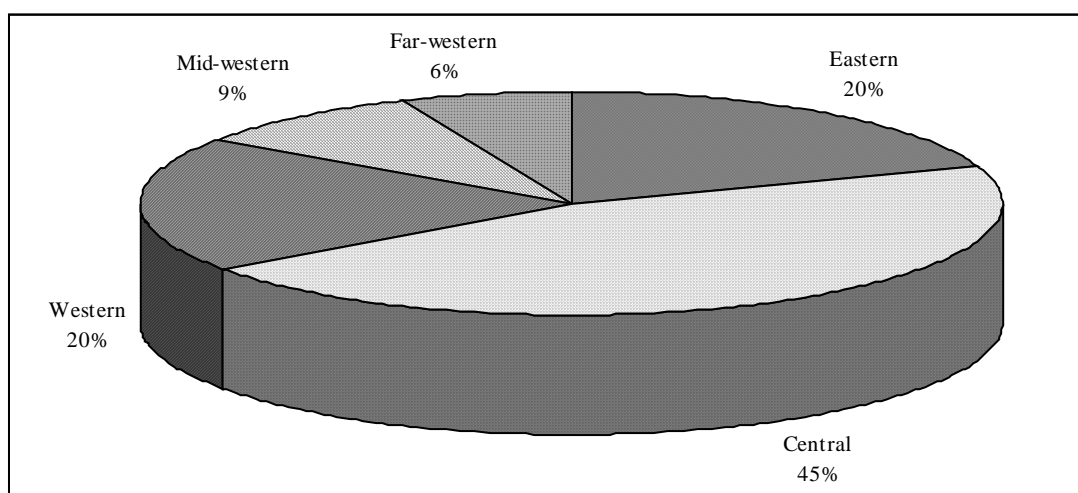
*Source: Statistical Information of Cooperative Association of Nepal (2007).*

It clearly indicates that cooperatives are not establishing equally in all development regions. Data shows that central development region has highest numbers of cooperative institutions followed by eastern and western development regions. It reveals that government did not focus to establish cooperatives in far-

western and western development regions, no equality in socio-economic development from the government, no need prioritization from the authorized government institutions. On the other, concentrations of cooperatives in central development regions are most of the authorized organizations working in this region, highly accessibility to implement program and large section of literate people concentrated in this region

**Figure 5.3**

**Status of Cooperatives with Development Region-wise**



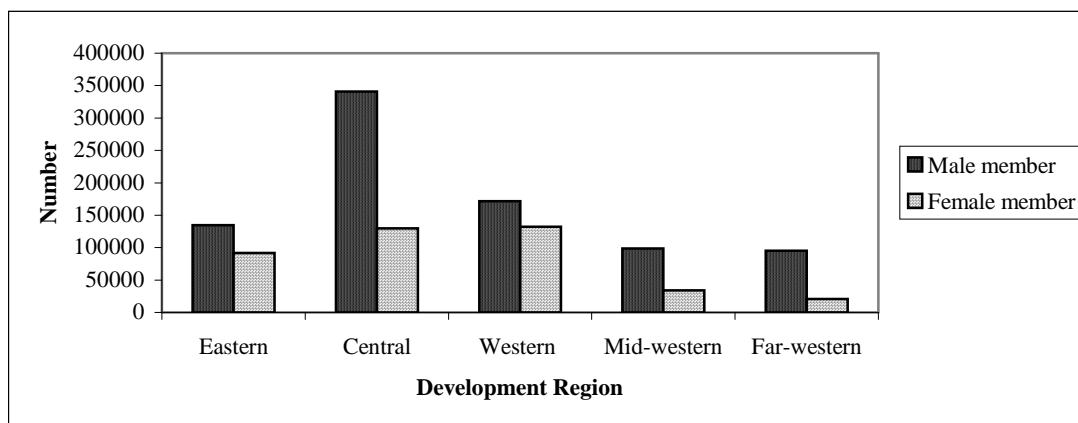
In the context of members enrollment in cooperatives, altogether 1249176 members including 840699 (67.31%) male and 408477 (32.69%) female were participated in the cooperatives across the country, among them, highest members as 470610 (37.67%) were enrolled in the Central Development Region followed by 303785 (24.31%) in the Western Development Region, 226265 (18.11%) in the Eastern Development Region, 132585 (10.61%) in the Mid-western Development Region and 115931 (9.28%) in the Far-western Development Region.

Above data indicates that women participation is still not encouraging in cooperatives in the comparison of male counterparts. Women are back warded to participate in cooperatives due to their social control, need to be respected to traditional values, norms and beliefs. Due to their low literacy, lack of awareness, higher burden of non-economic work such as fetching water, collection of fuel woods and grasses, washing clothes and cooking food, hence women do not freely participate in the cooperatives. Women participation in cooperative is highly correlated with their awareness level. Awareness level in far western and mid-western is very low in the

comparison of other regions therefore women participation is very negligible in far-western and mid-western development regions.

**Figure 5.4**

**Status of Members with Development Region-wise**



Altogether 408477 women members were enrolled in cooperatives across the country. Of them, a large number of women 132169 (10.58%) were enrolled in the Western Development Region followed by 129748 (10.38%) in Central Development Region, 91796 (7.34%) in Eastern Development Region, 34091 (2.72%) in Mid-western Development Region and 20673 (1.65%) in Far-western Development Region.

#### **5.1.4 Employment Status in Cooperatives**

Altogether, 15822 members got employment including 4875 (30.82%) male and 10947 (69.18%) female in the cooperatives across the country.

Of the total employees, 14057 (88.84%) were employed in the involved in Central Development Region followed by 968 (6.11%) in Western Development Region, 557 (3.52%) in Eastern Development Region, 122 (0.77%) in Far-western Development Region and 118 (0.74%) employed in Mid-western Development Region.

Out of the total members, 10947 females received employment from different cooperatives, among them large numbers as 10553 (66.69%) got employment opportunity in the Central Development Region followed by 201 (1.27%) from Western Development Region, 148 (0.93%) from Eastern Development Region, 24

(0.15%) from Mid-western Development Region and 21 (0.13%) from Far-western Development Region.

**Table 5.5**

**Status of Employment in Cooperatives**

S.N.	Development Regions	Employment Status			
		Male	Female	Total	Percent
1	Eastern	409	148	557	3.520
2	Central	3504	10553	14057	88.844
3	Western	767	201	968	6.118
4	Mid-western	94	24	118	0.745
5	Far-western	101	21	122	0.771
	Total	4875	10947	15822	100

*Source: Statistical Information of Cooperative Association of Nepal (2007).*

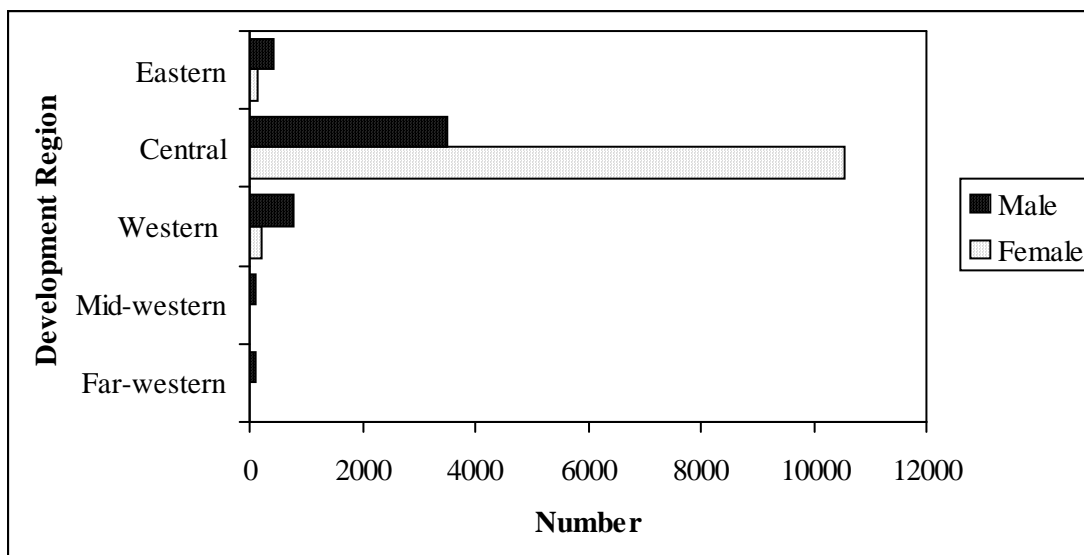
Central Development Regions occupies higher employment share in the comparison of other development regions. Because large number of cooperatives established in central development regions, therefore share of employment is automatically higher in this region.

This problem was raised due to un-balanced program planning in cooperatives among the development regions, no authorized body cared about the equal distribution of the resources in respective development regions. As a result central development regions enjoyed with higher resources in comparison of other development regions.

Like other programs, cooperatives also concentrated in the central development region thereby created employment opportunity in this region in some extent. Women employment is found very encouraging in central development region but in other development regions they are exploited.

**Figure 5.5**

**Status of Employment in Cooperatives**



**5.1.5 Capital and Saving Status of Cooperatives with Region-wise**

Of the total NRs. 1019760 thousand capital accumulated from cooperatives of all development region, among it, highest capital NRs. 483622 thousand (47.42%) collected from Central Development Region followed by NRs. 243208 thousand (23.84%) from Western Development Region, NRs. 183006 thousand (17.94%) from Eastern Development Region, NRs. 71494 thousand (7.01%) from Mid- western Development Region and NRs. 38430 thousand (3.76%) from Far-western Development Region.

**Table 5.6**

**Capital and Saving Status of Cooperatives**

NRs.000

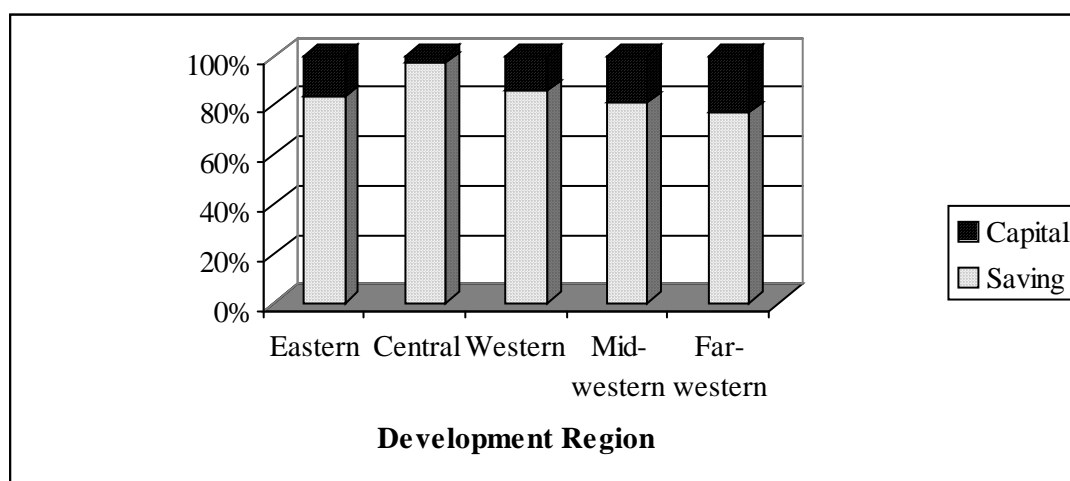
S.N.	Development Region	Capital		Saving	
		Amount	Percent	Amount	Percent
1	Eastern	183006	17.945	907084	4.647
2	Central	483622	47.425	16674379	85.432
3	Western	243208	23.849	1493691	7.653
4	Mid-western	71494	7.010	312291	1.600
5	Far-western	38430	3.768	130069	0.666
	Total	1019760	100	19517514	100

Source: Statistical Information of Cooperative Association of Nepal (2007).

Similarly, out of total saving collection as NRs. 19517514 thousand, highest saving NRs. 16674379 thousand (85.43%) collected from Central Development Region followed by NRs. 1493691 thousand (7.65%) from Western Development Region, NRs. 907084 thousand (4.64%) from Eastern Development Region, NRs. 312291 thousand (1.6%) from Mid-western Development Region and NRs. 130069 thousand (0.66%) collected from Far-western Development Region.

Saving is one of the major components of cooperatives to maintain its financial sustainability in long run perspective. Cooperatives cannot operate smoothly without collection of saving from member shareholders. Every cooperatives need to invest their fund in income generating activities to earn the profit by using saving deposit. Basically, profit uses in operating and other miscellaneous expenses to operate cooperatives smoothly

**Figure 5.6**  
**Capital and Saving Status of Cooperatives**



It is true that those cooperatives do not earn such income from their business they do not exist more in the society so that savings is utmost essential for crating the fund to invest credit in income generating activities, without it cooperatives cannot exist more. Central Development Regions occupied large share of savings than the other development regions. It reflects that saving collection in central development region is higher in comparison of other development regions. As a result, income earning opportunity is higher in central development regions so that cooperatives of this



region could be sustainable if financial resources mobilized appropriately but cooperatives of other development regions are more risky situation due to lack of attractive saving deposit in the respective regions.

#### 5.1.6 Investment and Profit Status of Cooperatives with Region-wise

Of the total investment as NRs. 24147747 thousand, highest amount NRs.19593389 thousand (81.13 %) invested from Central Development Region followed by NRs. 2435177 thousand (10.08 %) from Western Development Region, NRs. 1188198 thousand (4.92 %) from Eastern Development Region and NRs. 465590 thousand (1.928 %) from Far-western Development Region and NRs. 465390 thousand (1.927 %) invested from Mid-western Development Region. In the context of profit generation, highest profit NRs. 415796 thousand earned from Central Development Region followed by NRs. 30,112 thousand from Mid-western Development Region, NRs. 8256 thousand from Eastern Development Region, NRs. 1820 thousand from Far-western Development Region whereas Losses stood at 1216163 thousand in Western Development Region.

This data clearly indicates that central development region earns profit in some extent in the comparison of eastern, mid-western and far-western development regions. Western development region stood negative worth. It shows that financial situation is alarming in western development region due to lack of attractive saving collection and also lack of investment in potential business activities. In total, profit found negative worth situation. Consequently, most of the cooperatives are in financial risk situation.

**Table 5.7**

#### **Income and Expenditure Status of Cooperative Association with Region-wise** NRs.000

S.N.	Development Region	Investment		Income	Expenditure	Profit
		Amount	Percent			
1	Eastern	1188198	4.920	183676	175420	8256
2	Central	19593389	81.139	1937534	1521738	415796
3	Western	2435177	10.084	347740	1563903	-1216163
4	Mid-western	465390	1.927	61441	31329	30112
5	Far-western	465590	1.928	55222	53402	1820
	Total	24147747	100	2585613	3345792	-760179

*Source: Statistical Information of Cooperative Association of Nepal (2007).*

### 5.1.7 Activity-wise Capital and Saving Status of Cooperatives

In total, NRs. 983542 thousand collected from all the cooperatives across the country, out of it highest capital as NRs. 424670 thousand (43.17%) collected from Savings and Credit Cooperatives followed by NRs. 309167 thousand (31.43%) from Multipurpose Cooperatives, NRs. 114029 thousand (11%) from Science and Technology Cooperatives, NRs. 32895 thousand (3.34%) from Agriculture Cooperatives, NRs. 28171 thousand (2.86%) from Dairy Cooperatives, NRs. 18109 thousand (1.84%) collected from SFCLs.

**Table 5.8**

#### Capital, Savings and Profit Status of Cooperatives

NRs. 000

Cooperative Types	Capital		Saving		Investment		Income	Expenditure	Profit
	Amount	Percent	Amount	Percent	Amount	Percent			
Saving & Credit	424670	43.18	8883069	45.80	15054708	62.39	738270	709393	28877
Multipurpose	309167	31.43	9831828	50.69	7906300	32.77	301488	288524	12964
Dairy	28171	2.86	38103	0.20	33403	0.14	263897	225361	38536
Agriculture	32895	3.34	259263	1.34	343354	1.42	501178	107028	394150
SFCLs	18109	1.84	199627	1.03	602787	2.50	86689	78611	8078
Electricity	913	0.09	11	0.00	0	0.00	0	0	0
Consumers	6863	0.70	8571	0.04	16265	0.07	551	3373	-2822
Sci & Tech	114029	11.59	44759	0.23	59743	0.25	624319	624122	197
Coffee	341	0.03	367	0.00	0	0.00	1675	542	1133
Health	2000	0.20	26100	0.13	42428	0.18	5306	9721	-4415
Herbal Medicine	997	0.10	823	0.00	15	6.22	512	503	9
Tea	6102	0.62	7332	0.04	5520	0.02	83	46	37
Others	39285	3.99	95046	0.49	63970	0.27	25759	23919	1840
Total	983542	100.00	19394899	100.00	24128493	100.00	2549727	2071143	478584

Source: Information of Cooperative Institutions (2007).

As per the activity-wise analysis, out of 14 different cooperatives only two cooperatives (14%) such as Savings and Credit and Multipurpose Cooperatives occupied large amount of capital (75%), savings (96.49%) and investment (95.16%). This data clearly indicates that status of capital, savings and investment of other cooperatives such as Dairy, Agriculture, Small Farmers' Cooperative, Electricity, Consumers, Science and Technology, Coffee, Health, Herbal medicine, Tea and others maintained very negligible. If these cooperative are not committed towards the capital increment, saving collection and loan investment, ultimately they turn into bankruptcy situation in near future.

NRs. 6863 thousand (0.70 %) from Consumers Cooperatives, NRs.6102 thousand (0.62 %) from Tea Cooperatives, NRs. 2000 thousand (0.20 %) from Health Cooperatives, NRs.997 thousand (0.10 %) from Herbal Cooperatives, NRs. 913 thousand (0.09 %) from Electricity Cooperatives, NRs. 341 thousand (0.03 %) from Coffee Cooperatives and NRs. 39285 thousand (3.99 %) collected from others.

Of the total savings as NRs. 19394899 thousand, large amount collected as NRs.9831828 thousand (50.69 %) from Multipurpose Cooperatives followed by NRs.8883069 thousand (45.80 %) from Saving and Credit Cooperatives, NRs. 259263 thousand (1.34 %) from Agriculture Cooperatives, NRs. 199627 thousand (1.03 %) from Small Farmers' Cooperatives, NRs. 44759 thousand (0.23 %) from Science and Technology Cooperatives, NRs. 38103 thousand (0.20 %) from Dairy Cooperatives, NRs. 26100 thousand (0.13 %) from Health Cooperatives, NRs. 8571 thousand (0.04 %) from Consumers Cooperatives, NRs. 7332 thousand (0.03 %) from Tea Cooperatives, NRs. 823 thousand (0.004 %) from Herbal Cooperatives and NRs.95046(0.49 %) thousand from others, NRs. 367 thousand (0.001 %) from Coffee Cooperatives and 11 thousand (0.00005 %) collected from Electricity Cooperatives.

#### **5.1.8 Investment and Profit Status of Cooperatives with Types-wise**

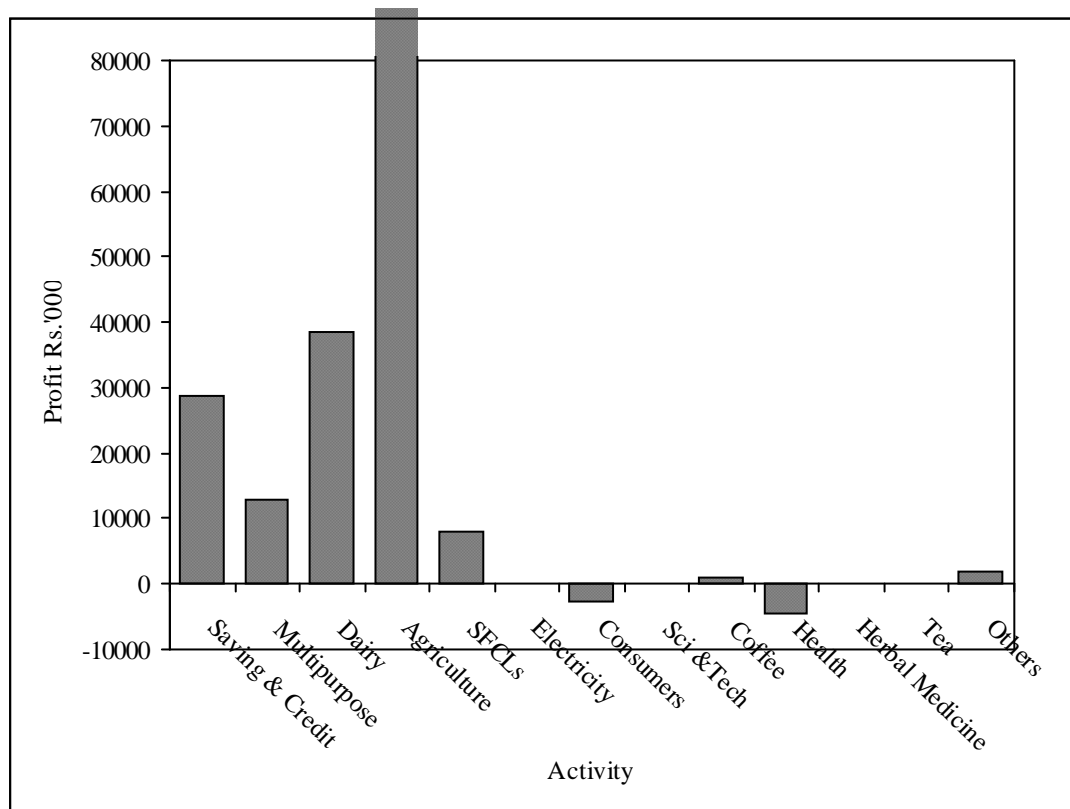
In total NRs. 24128493 thousand invested from all the cooperatives across the country. Among them, large amount NRs.15054708 thousand (62.39 %) invested from Savings and Credit Cooperatives followed by NRs. 7906300 thousand (32.77 %) from Multipurpose Cooperatives, NRs.602787 thousand (2.50 %) from Small Farmers' Cooperatives, NRs. 343354 thousand (1.42 %) from Agriculture Cooperatives, NRs. 59743 thousand (0.25 %) from Science and Technology Cooperatives, NRs. 42428 thousand (0.18 %) from Health Cooperatives, NRs. 33403 thousand (0.14 %) from Dairy Cooperatives, NRs. 16265 thousand (0.07 %) from Consumers' Cooperatives and NRs.63970 thousand (0.27 %) invested from others.

In the context of profit, large amount as NRs.394150 thousand profit received from Agriculture Cooperatives followed by NRs.38536 thousand from Dairy Cooperatives, NRs.28877 thousand from Saving and Credit Cooperatives, NRs.

12964 thousand from Multipurpose Cooperatives and NRs. 8078 thousand earned from Small Farmers' Cooperatives.

**Figure 5.7**

**Profit Status of Cooperatives**



Above data reflects that agriculture occupied highest profit followed by Dairy, Saving and Credit, Multipurpose and Small Farmers' Cooperatives, others and coffee. Although, these cooperatives maintained positive net worth, but not earned attractive profit from their activities. Therefore, all these cooperatives require huge investment in potential projects that generates profit largely. Besides these, other cooperatives such as consumers and health are found in negative net worth situation so that as per the cooperative principle these cooperatives also need to invest its fund in potential business to maintain its financial viable position in long run perspective. Business is one of the important component of cooperatives because without earning from their business, no more exist in such organization in the community. Therefore, business should consider as important component in cooperatives. To promote the business, every cooperatives raise its fund through collecting domestic savings, issuing shares

to the members, collecting financial support from government, NGOs and INGOs etc. thereby invest that collected fund in highly potential and risk free business.

### 5.1.9 Status of Women Cooperatives

Of the total 1057 Women Cooperatives, 616 (58.27 %) reached in Savings and Credit Cooperatives followed by 286 (27.05 %) in Multipurpose Cooperatives, 97(9.17 %) in Agriculture Cooperatives, 13(1.22 %) in Dairy Cooperatives, 7(0.66 %) in Small Farmers' Cooperatives, 5(0.47 %) in Consumers Cooperatives, 2(0.18 %) in Tea Cooperatives, 1 (0.09 %) in Health Cooperatives and 30(2.83 %) stood in others.

**Table 5.9**

#### **Status of Women Cooperatives**

NRs.000

<b>Women Cooperatives</b>				<b>Capital</b>	<b>Saving</b>	<b>Investment</b>
<b>S.N.</b>	<b>Types</b>	<b>Nos.</b>	<b>Members</b>			
1.	Agriculture	97 (9.17%)	8037 (7.37%)	659 (1.53%)	1647276 (0.49%)	3098 (0.85%)
2.	Saving /Credit	616 (58.27%)	59079 (54.19%)	29558 (68.71%)	285071 (86.17%)	2661266 (73.74%)
3.	Dairy	13 (1.22%)	923 (0.84%)	186 (0.43%)	1549 (0.46%)	691 (0.19%)
4.	SFCL	7 (0.66%)	2032 (1.86%)	221 (0.51%)	4790 (1.44%)	3682 (1.02%)
5.	Tea	2 (0.18%)	45 (0.04%)	7 (0.01%)	0	1840 (0.51%)
6.	Health	1 (0.09%)	67 (0.06%)	15 (0.03%)	60 (0.01%)	0
7.	Multipurpose	286 (27.05%)	38033 (34.88%)	12097 (28.12%)	37430 (11.31%)	85204 (23.61%)
8.	Consumers	5 (0.47%)	193 (0.17%)	139 (0.32%)	83 (0.025%)	45 (0.01%)
9.	Others	30 (2.83%)	605 (0.55%)	127 (0.29%)	157 (0.04%)	161 (0.04%)
	<b>Total</b>	<b>1057</b>	<b>109014</b>	<b>43013</b>	<b>330789</b>	<b>360849</b>

*Source: Information of Cooperative Institutions (2007).*

Of the total portfolio, large amount as NRs. 29558 thousand stood in capita, NRs 285071 thousand in savings and NRs.2661266 thousand maintained in investment.

Women Cooperatives concentrated their large financial participation (96%) in capital, (97%) in saving and (97 %) in investment only in 22 percent cooperatives

such as Savings and Credit Cooperatives and Multipurpose Cooperatives. While their financial participation in other cooperatives such as Agriculture, Dairy, Small Farmers' Cooperative Limited, Tea, Health, Consumer and others found very negligible. Research reflects that if women do not increase financial participation in the respective cooperatives there would be the problem of financial discipline. Hence, financial participation from women should increase in each cooperatives to maintain financially sustainable in future because, women are more sensitive to pay the loan on timely.

Generally, cooperatives have big challenges to increase the members on one and increase capital, saving and investment in potential economic projects on the other.

#### 5.1.10 Status of Agriculture Cooperatives

Altogether, 3056 Agriculture Cooperatives were established across the country. Among them, 1564 (51.17 %) reached in Dairy Cooperatives, 1192 (39.005 %) in Agriculture Cooperatives and 213 (6.96 %) stood in Small Farmers' Cooperatives. Out of total 392090 members, 230080 (58.68 %) involved in Agriculture Cooperatives followed by 90876 (23.17 %) in Dairy Cooperatives, 68559 (17.48 %) in Small Farmers' Cooperatives, 1531(0.39 %) Coffee Cooperatives, 1044 (0.26 %) enrolled in Tea Cooperatives.

**Table 5.10**

#### **Status of Agriculture Cooperatives**

<b>Agri-Cooperatives</b>		<b>Member</b>			<b>NRs.000</b>		
<b>Types</b>	<b>Nos</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Capital</b>	<b>Saving</b>	<b>Investment</b>
Dairy	1564 (51.17%)	59841	31035 (29.68%)	90876 (23.17%)	28171 (32.90%)	38103 (7.54%)	33403 (3.39%)
Agriculture	1192 (39%)	177603	52477 (50.19%)	230080 (58.68%)	32895 (38.42%)	259263 (51.37%)	343354 (34.85%)
SFCL	213 (6.96%)	48645	19914 (19.04%)	68559 (17.48%)	18109 (21.15%)	199627 (39.55%)	602787 (61.19%)
Coffee	65 (2.12%)	937	594 (0.56%)	1531 (0.39%)	341 (0.39%)	367 (0.07%)	0
Tea	22 (0.71%)	512	532 (0.50%)	1044 (0.26%)	6102 (7.12%)	7332 (1.45%)	5520 (0.56%)
Total	3056	287538	104552	392090	85618	504692	985064

*Source: Information of Cooperative Institutions (2007).*

Of the total 104552 women members, 52477 (50.19 %) participated in Agriculture Cooperatives followed by 31035(29.68 %) in Dairy Cooperatives and 19914 (19.04 %) participated in Small Farmers' Cooperatives. Of the total portfolio, large amount as NRs.32895 thousand in capital and NRs.259263 thousand in savings stood in Agriculture Cooperatives whereas in investment large amount as NRs.602787 thousand stood in Small Farmer' Cooperatives.

Only two (40%) cooperatives such as Agriculture and Dairy Cooperatives have 82 percent members' involvement and 71 percent capital collection. Likewise Agriculture and Small Farmers' Cooperatives hold 91 percent savings and 96 percent investment. It shows that Agriculture and Small Farmers' Cooperatives are operating smoothly by collecting savings thereby invest savings in profitable projects.

While Dairy Cooperative is quiet satisfactory in members' enrolment and capital formation. But Coffee and Tea Cooperatives are totally new cooperatives they are very poor in capital formation, saving collection and also low investment of their savings in economic projects.

#### **5.1.11 Status of Cooperatives in Development Region-wise**

##### **a) Eastern Development Region**

In total 1829 cooperatives were established in Eastern Development Region of Nepal. Out of them, highest numbers stood 568(31.05 %) in Multipurpose Cooperatives followed by 510 (27.88 %) in Savings and Credit Cooperatives, 270 (14.76 %) in Agriculture Cooperatives, 250 (13.67 %) in Dairy Cooperatives, 49(2.68 %) in Small Farmers' Cooperatives, 40(2.19 %) in Consumers Cooperatives, 28(1.53 %) in Science and Technology Cooperatives, 18 (0.11 %) in Tea Cooperatives 12 (0.65 %) in Electricity Cooperatives, 10 (0.54 %) in Herbal Cooperatives, 8(0.44 %) in Health Cooperatives and finally 2 (0.11 %) stood in Coffee Cooperatives.

**Table 5.11****Status of Cooperatives in Eastern Development Region**

Cooperatives			Members				Capital	
Types	Nos	Percent	Male	Female	Total	Percent	Amount	Percent
Agriculture	270	14.76	26096	5869	31965	14.13	6736488	3.68
Saving	510	27.88	30276	28875	59151	26.14	67244489	36.74
Dairy	250	13.67	10944	7786	18730	8.28	7729413	4.22
SFCL	49	2.68	11808	6193	18001	7.96	1498655	0.82
Herbal	10	0.55	451	118	569	0.25	654838	0.36
Tea	18	0.98	453	509	962	0.43	1297081	0.71
Coffee	2	0.11	85	41	126	0.06	28500	0.02
Health	8	0.44	246	114	360	0.16	919100	0.50
Multipurpose	568	31.06	49500	25679	75179	33.23	89515610	48.91
Science & Tech.	28	1.53	1888	990	2878	1.27	989850	0.54
Consumers	40	2.19	1328	775	2103	0.93	3650202	1.99
Others	64	3.50	1213	14749	15962	7.05	2717858	1.49
Electricity	12	0.66	181	98	279	0.12	24800	0.01
Total	1829	100.00	134469 (59.42%)	91796 (40.57%)	226265	100.00	183006884	100.00

Source: *Information of Cooperative Institutions (2007)*.

Altogether 226265 members including 134469 (60 %) male and 91796 (40 %) female participated in cooperatives of Eastern Region of Nepal. Among them, highest members as 75179 (33.23 %) stood in Multipurpose Cooperatives followed by 59151(26.14 %) members in Savings and Credit Cooperatives, 31965(14.13 %) in Agriculture Cooperatives, 18730(8.28 %) in Dairy Cooperatives, 18001(7.96%) in Small Farmers' Cooperatives, 2878 (1.27%) in Science and Technology Cooperatives, 2103(0.93 %) in Consumers Cooperatives, 962(0.43 %) in Tea Cooperatives, 569(0.25 %) in Herbal Cooperatives, 360 (0.16 %) in Health Cooperatives, 279(0.12 %) in Electricity Cooperatives, 126 (0.06 %) in Coffee Cooperatives and 15962 (7.05 %) members enrolled in others.

Nevertheless, highest female members as 28875(12.76 %) had participated in Savings and Credit Cooperatives followed by 25679 (11.34 %) members involved in Multipurpose Cooperatives, 7786(3.44 %) in Dairy Cooperatives, 6193(2.73 %) in Small Farmers' Cooperatives, 5869(2.59 %) in Agriculture Cooperatives, 990(0.43 %) in Science and Technology Cooperatives, 775(0.34 %) in Consumers



Cooperatives, 509(0.22 %) in Tea Cooperatives, 118(0.05 %) in Herbal Cooperatives, 114(0.05 %) in Health Cooperatives, 98(0.04 %) in Electricity Cooperatives, 41(0.01 %) in Coffee Cooperatives and 14749 (6.51 %) women participated in other.

Out of the total capital as NRs. 183006884, highest capital found NRs.89515610 (48.91 %) in Multipurpose Cooperatives, followed by NRs.67244489 (36.74 %) in Savings and Credit Cooperatives, NRs.7729413 (4.22 %) in Dairy Cooperatives, NRs. 6736488 (3.68 %) in Agriculture Cooperatives, 3650202(1.99 %) in Consumers Cooperatives and NRs. 2717858 (1.49 %) in others, NRs.1498655 (0.82 %) in Small Farmers' Cooperatives, NRs. 1297081(0.71 %) in Tea Cooperatives, NRs. 989850(0.54 %) in Science and Technology Cooperatives, NRs. 919100(0.50 %) in Health Cooperatives, NRs. 654838(0.36 %) in Herbal Cooperatives, NRs. 28500(0.02 %) in Coffee Cooperatives, and NRs. 24800(0.01 %) capital stood in Electricity Cooperatives.

Above analysis shows that participation of male and female in the cooperatives of Eastern Development Region found quiet difference because male involvement stood (59.42 %) and female was (40.57%). It clearly indicates that female participation needs to focus in the cooperatives of Eastern Development Region. Saving and Credit and Multipurpose Cooperatives hold large share in member participation (59.37%) and capital fund (85.65%) followed to Agriculture, Dairy and Small Farmers' Cooperatives.

To make the sustainability of other cooperatives such as Herbal, Tea, Coffee, Health, Science and Technology, Electricity, Consumers and others need to increase members and capital fund largely.

Most of these cooperatives could not sustain in long run if they do not increase members and capital from the shareholders. So, each cooperative should focus to increase members, collect savings, issuing shares and invest deposit in profitable activities to main the cooperatives financially viable in long run perspective

**Table 5.12****Portfolios of Cooperatives in Eastern Development Region**

Types of Cooperatives	Saving		Investment		Income	Expenditure	Profit
	Amount	Percent	Amount	Percent			
Agriculture	142310383	15.69	104265964	8.78	1196811	1726865	-530054
Saving	398290654	43.91	486350939	40.93	67813229	65609748	2203481
Dairy	17371900	1.92	18096129	1.52	26660058	15461349	11198709
SFCL	69062186	7.61	164403316	13.84	9664676	5084741	4579935
Herbal	568015	0.06	0	0.00	0	0	0
Tea	4372374	0.48	5519896	0.46	83289	46210	37079
Coffee	146500	0.02	0	0.00	1169597	25555	1144042
Health	1340805	0.15	1387541	0.12	3368434	3489582	-121148
Multipurpose	225977975	24.91	355536688	29.92	71843815	74110553	-2266738
Sci & Tech.	1701810	0.19	16535461	1.39	11078	42681	-31603
Consumers	745104	0.08	1414948	0.12	27065	3574	23491
Others	45196834	4.98	34687851	2.92	1838140	9820119	-7981979
Electricity	0	0.00	0	0.00	0	0	0
Total	907084540	100.00	1188198733	100.00	183676192	175420977	8255215

*Source: Information of Cooperative Institutions (2007).*

In total NRs. 907084 thousand collected savings from all the cooperatives of Eastern Development Region of Nepal. Among them, large amount NRs.398290 thousand (43.90 %) had collected from Savings and Credit Cooperatives followed by NRs. 225977 thousand (24.91 %) from Multipurpose Cooperatives, NRs. 142310 thousand (15.69 %) from Agriculture Cooperatives, NRs.69062 thousand (7.61 %) from Small Farmers' Cooperatives, NRs.45196 thousand (4.98 %) from others, NRs.17371 thousand (1.92 %) from Dairy Cooperatives, NRs. 4372 thousand (0.48 %) from Tea Cooperatives, NRs.1701 thousand (0.19 %) from Science and Technology Cooperatives, NRs. 1340 thousand (0.15 %) from Health Cooperatives, NRs.745 thousand (0.08 %) from Consumers Cooperatives, NRs. 568 thousand (0.062%) from Herbal Cooperatives and NRs. 146 thousand (0.02 %) savings collected from Coffee Cooperative. Of the total investment as NRs.1188198 thousand, large amount as NRs.486350 thousand (40.93 %) invested from Savings and Credit Cooperatives followed by NRs. 355536 thousand (29.92 %) from Multipurpose Cooperatives, NRs 164403 thousand (13.8 %) from Small Farmers' Cooperatives, NRs.104265 thousand (8.78 %) from Agriculture Cooperatives NRs. 34687 thousand

(2.92 %) from others, NRs. 18096 thousand (1.52 %) from Dairy Cooperatives, NRs.16535 thousand (1.39 %) from Science and Technology Cooperatives, NRs. 5519 thousand (0.46%) from Tea Cooperatives and NRs. 1414 thousand (0.12 %) invested from Consumers Cooperatives. While on the profit side, total profit NRs. 8255 thousand earned from the different cooperatives of Eastern Development Region of Nepal, however large amount of profit as NRs.11198 thousand received from Dairy Cooperatives followed by NRs. 4579 thousand from Small Farmers Cooperatives, NRs.2203 thousand from Savings and Credit Cooperatives, NRs.1144 thousand from Coffee Cooperatives, NRs. 37 thousand from Tea Cooperatives and NRs. 23 thousand earned from Consumers Cooperatives. Apart from these, some other cooperatives such as Agriculture Cooperatives, Health Cooperatives, and Multipurpose Cooperatives, Science and Technology Cooperatives were negative worth position.

As per the above analysis 15 percent cooperatives such as Savings and Credit and Multipurpose Cooperatives hold major share (69%) in saving and (71%) in investment followed to Agriculture and Small Farmers Cooperatives. Moreover, saving and investment status of other cooperatives stood 69 percent from Dairy, Herbal, Tea, Coffee, Health, Science and Technology, Consumer and Electricity. Besides these cooperatives, others found very negligible. So, there need to be increased members, savings and quality loan portfolio to make the cooperatives financially viable. In the context of profit, Eastern Development Region earns 46 percent profit from Dairy, Small Farmers' Cooperatives, Saving and Credit, Tea, Coffee and Consumers. Nevertheless, these cooperatives have positive net worth status whereas other cooperatives such as Agriculture, Health Multipurpose, Science and Technology are in negative worth situation. It reflects that financial status of the cooperatives of Eastern Development Regions found only moderate position neither excellent nor bad. To make the cooperatives financially sustainable, there is needed to increase members including women, capital, saving, and loan investment largely.

#### **b) Central Development Region**

Altogether, 4249 cooperatives were established in Central Development Region of Nepal. Among them, large numbers as 1381(32.50 %) stood in Savings and Credit Cooperatives followed by 1067 (25.11 %) in Multipurpose Cooperatives, 958 (22.54 %) in Dairy Cooperatives, 526 (12.37 %) in Agriculture

Cooperatives, 110 (2.58 %) in others, 78(1.83 %) in Small Farmers' Cooperatives, 52(1.22 %) in Science and Technology Cooperatives, 38(0.89 %) in Consumers Cooperatives, 14 (0.32 %) in Health Cooperatives, 13(0.30 %) in Electricity Cooperatives, 7(0.16 %) in Coffee Cooperatives, 3 (0.07 %) in Tea Cooperatives and 2(0.04 %) in Herbal Cooperatives.

**Table 5.13**

**Status of Cooperatives in Central Development Region**

Cooperatives			Members				Capital	
Types	Nos	Percent	Male	Female	Total	Percent	Amount	Percent
Agriculture	526	1.1	87209	19034	106243	22.575	14036815	2.924
Saving	1381	32.501	95611	61917	157528	33.473	211239782	44.013
Dairy	958	22.546	33176	13876	47052	9.998	5829104	1.214
Small Farmers	78	1.835	18393	6145	24538	5.214	12653221	2.636
Herbal	2	0.047	73	42	115	0.024	6530	0.001
Tea	3	0.070	40	12	52	0.011	5200	0.001
Coffee	7	0.164	171	36	207	0.043	110700	0.023
Health	14	0.329	1681	78	1759	0.373	716009	0.149
Multipurpose	1067	25.111	87290	25297	112587	23.923	119723789	24.945
Sci & Tech	52	1.223	3294	336	3630	0.771	108878510	22.685
Consumers	38	0.894	2436	284	2720	0.5779	1362583	0.283
Others	110	2.588	11204	2629	13833	2.939	5215430	1.086
Electricity	13	0.305	284	62	346	0.073	161827	0.033
Total	4249	100	340862 (73%)	129748 (27%)	470610	100	479939500	100

*Source: Information of Cooperative Institutions (2007).*

Altogether 470610 members including male 340862 (73 %) and female 129748 (27 %) participated in the Cooperatives of Central Development Region of Nepal. Among them, large members as 157528 (33.47 %) involved in Savings and Credit Cooperatives followed by 112587(23.92 %) in Multipurpose Cooperatives, 106243(22.57 %) in Agriculture Cooperatives, 47052 (9.99 %) in Dairy Cooperatives, 24538(5.21 %) in Small Farmers' Cooperatives, 13833 (2.93 %) in others, 3630(0.77 %) in Science and Technology Cooperatives, 2720(0.57 %) in Consumers Cooperatives, 1759(0.37 %) in Health Cooperatives, 346(0.07 %) in Electricity Cooperatives, 207(0.04 %) in Coffee Cooperatives, 115(0.02 %) in Herbal Cooperatives and 52 (0.01 %) enrolled in Tea Cooperatives. In total NRs.479939 thousand capital collected from different cooperatives of Central Development Region of Nepal, out of this amount, large amount NRs.211239 thousand (44.01 %) collected from Savings and Credit Cooperatives followed by NRs.119723 thousand

(24.94 %) from Multipurpose Cooperatives, NRs.108878 thousand (22.68 %) from Science and Technology Cooperatives, NRs. 12653 thousand (2.63 %) from Small Farmers' Cooperatives, NRs.5829 thousand (1.21 %) from Dairy Cooperatives, NRs.5215 thousand (1.08 %) capital collected from others.

Above analysis shows that women participation in cooperatives found very few (27%) in the comparison of male counter parts (73%) in Central Development Region of Nepal. On the other, participation of members found very high (80%) only in 23 percent cooperatives such as Saving and Credit, Multipurpose and Agriculture Cooperatives only. While 77 percent cooperatives such as Dairy, Small Farmers' Cooperative, Herbal, Tea, Coffee Health, Science and Technology, Consumers, Electricity and other cooperatives have enrolled negligible members in their institutions. In the context of capital collection, very few (23%) cooperatives hold (91%) whereas 77 percent cooperatives hold only 9 percent. It indicates that 77 percent cooperatives were not trapped the members and not raised the capital fund attractively. As a result, these cooperative are turning in financially risky position.

**Table 5.14**

**Portfolios of Cooperatives in Central Development Region**

Types of Cooperative	Saving		Investment		Income	Expenditure	Profit
	Amount	Percent	Amount	Percent			
Agriculture	18630993	0.111	101713278	0.519	479716522	80727141	398989381
Saving	7405060754	44.513	12184428117	62.264	520282262	520337499	-55237
Dairy	10460203	0.062	3385753	0.017	155225580	140930740	14294840
Small Farmers	48450196	0.291	116987396	0.597	26628550	26145477	483073
Herbal	10000	.0001	15000	.0006	6800	3200	3600
Tea	0	0	0	0	0	0	0
Coffee	0	0	0	0	0	0	0
Health	23066683	0.138	41039980	0.209	108000	122000	-14000
Multipurpose	9066719067	54.502	7043444994	35.993	113986054	115460756	-1474702
Sci & Tech	40785052	0.245	43207586	0.220	621841676	620705934	1135742
Consume	7536255	0.045	14537551	0.074	154456	2920997	-2766541
Others	14740004	0.088	19947203	0.101	18277609	9127479	9150130
Electric	5600	.00003	0	0	0	0	0
Total	16635464807	100	19568706858	100	1936227509	1516481223	419746286

*Source: Information of Cooperative Institutions (2007).*

Likewise, of the total savings as NRs.16635464 thousand collected from different cooperatives of Central Development Region of Nepal, out of this amount,

large amount of savings NRs.9066719 thousand (54.50 %) collected in Multipurpose Cooperatives followed by NRs. 7405060 thousand (44.51 %) in Saving and Credit Cooperatives, NRs. 48450 thousand (0.29 %) in Small Farmers' Cooperatives, NRs. 40785 thousand (0.24 %) in Science and Technology Cooperatives, NRs. 23066 thousand (0.13 %) in Health Cooperatives, NRs. 18630 thousand (0.11 %) in Agriculture Cooperatives, NRs. 14740 thousand (0.088 %) in others, NRs. 10460 thousand (0.062 %) in Dairy Cooperatives, NRs.7536 thousand (0.045 %) in Consumer Cooperatives, NRs. 10 thousand (0.0001 %) in Herbal Cooperatives and five thousand (0.00003 %) savings collected in Electricity Cooperatives.

In total, NRs.19568706 thousand invested loan from the cooperatives of Central Development Region of Nepal, out of this amount, large amount as NRs. 12184428 thousand (62.26 %) invested from Savings and Credit Cooperatives followed by NRs. 7043444 thousand (35.99 %) from Multipurpose Cooperatives, NRs. 116987 thousand (0.59 %) from Small Farmers' Cooperatives, NRs. 101713 thousand (0.51 %) from Agriculture Cooperatives, NRs. 43207 thousand (22 %) from Science and Technology Cooperatives, NRs.41039 thousand (0.20%) from Health Cooperatives, NRs. 19947 thousand (0.10 %) from others, similarly NRs. 14537 thousand (0.07 %) invested from Consumers Cooperative, NRs.3385 thousand (0.017 %) from Dairy Cooperatives and NRs.15 thousand (0.0006 %) invested from Herbal Cooperatives. In the Profit side, highest profit earned as NRs. 398989 thousand from Agriculture Cooperatives followed by NRs. 14294 thousand from Dairy Cooperatives, NRs. 1135 thousand from Science and Technology Cooperatives, NRs. 483 thousand from Small Farmers' Cooperatives, NRs. 3600 from Herbal Cooperatives whereas Saving and Credit Cooperatives, Health Cooperatives, Multi-purpose Cooperatives, Consumers' Cooperatives were negative worth position.

Above analysis shows that large amount (99%) of savings and (98%) loan investment performed from 15 percent or two cooperatives such as Multipurpose and Savings and Credit Cooperatives. While remaining 85 percent cooperatives performed only one percent of savings and two percent of investment. On the profit side, 46 percent cooperatives maintained positive net worth whereas 54 percent are in negative worth situation. This analysis reflects that cooperatives of Central Development Regions are not financially strong position due to lack of members enrollment, capital

fund raising, savings collection and profit earning by investing fund in profitable income generating activities.

### **c) Western Development Region**

In total, 1862 Cooperatives were established in Western Development Region of Nepal. Among them, large numbers as 824(44.25 %) stood in Savings and Credit Cooperatives whereas 376 (20.19 %) stood in Multipurpose Cooperatives, 274(14.71 %) in Dairy Cooperatives, 207(11.11 %) in Agriculture Cooperatives, 56(3 %) in Coffee Cooperatives, 49(2.63 %) in Small Farmers' Cooperative, 28 (1.50 %) in others, 17 (0.91 %) in Consumers Cooperatives, 13 (0.69 %) in Science and Technology Cooperatives, 8(0.42 %) in Herbal Cooperatives, 5(0.26 %) in Health Cooperatives, 4(0.21 %) in Electricity Cooperatives and only one (0.05 %) established in Tea Cooperative.

Altogether 289245 members enrolled in different cooperatives in Western Development Region, however highest members as 108472(37.50 %) found in Savings and Credit Cooperatives followed by 88716 (30.67 %) members in Multipurpose Cooperatives, 47064(16.27 %) in Agriculture Cooperatives, 20350(7.03 %) in Dairy Cooperatives, 13812(4.77 %) in Small Farmers' Cooperatives, 7626(2.63 %) in others, 1198 (0.41 %) in Coffee Cooperatives, 676(0.23 %) in Science and Technology Cooperatives, 560 (0.19 %) in Consumers Cooperatives, 324(0.11 %) in Health Cooperatives, 280(0.09 %) in Herbal Cooperatives, 137(0.04 %) in Electricity Cooperatives and 30(0.01 %) members participated in Tea Cooperatives.

In total NRs. 210681 thousand capitals accumulated from Western Development Region of Nepal. Out of this amount, large amount as NRs.115110 thousand (54.63 %) collected from Saving and Credit Cooperatives followed by NRs.65679 thousand (31.17 %) from Multipurpose Cooperatives, NRs. 7546 thousand (3 %) from Agriculture Cooperatives, NRs. 4801 thousand (2.28 %) from Dairy Cooperatives, NRs.4800 thousand (2.27 %) from Tea Cooperatives, NRs. 4096 thousand (1.94 %) from Science and Technology Cooperatives, NRs.3645 thousand (1.73 %) from other, NRs.2575 thousand (1.22 %) from Small Farmers' Cooperatives, NRs. 1616 thousand (0.76 %) from Consumers Cooperatives, NRs. 362 thousand (0.17 %) Health Cooperatives, NRs. 202 thousand (0.095 %) from Coffee

Cooperatives, NRs.197 thousand (0.093 %) from Herbal Cooperatives and NRs. 47 thousand (0.022 %) collected from Electricity Cooperatives. In total, NRs. 1409986 thousand savings collected from the cooperatives of Western Development Region of Nepal. Out of it, large amount as NRs. 817720 thousand (57.99 %) collected from Savings and Credit Cooperatives followed by NRs. 480647 thousand (34.08 %) from Multipurpose Cooperatives, NRs.47467 thousand (3.36 %) from Small Farmers' Cooperatives, NRs. 45167 thousand (3.20 %) from Agriculture Cooperatives, NRs. 8883 thousand (0.63 %) from Dairy Cooperatives, NRs. 4253 thousand (0.30 %) from others, NRs. 2960 thousand (0.20 %) from Tea Cooperatives, NRs. 1692 thousand (0.12 %) from Health Cooperatives, NRs. 626 thousand (0.044 %) from Science and Technology Cooperatives, NRs. 220 thousand (0.015 %) from Coffee Cooperatives, NRs. 204 thousand (0.014 %) from Consumers Cooperatives, NRs. 138 thousand (0.009 %) from Herbal Cooperatives.

**Table 5.15**

**Status of Cooperatives in Western Development Region**

Cooperatives			Members				Capital	
Types	Nos	Percent	Male	Female	Total	Percent	Amount	Percent
Agriculture	207	11.117	25337	21727	47064	16.271	7546494	<b>3.581</b>
Saving	824	44.253	55566	52906	108472	37.501	115110840	54.637
Dairy	274	14.715	12361	7989	20350	7.035	4801643	2.279
Small Farmers	49	2.631	9615	4197	13812	4.775	2575300	1.222
Herbal	8	0.429	213	67	280	0.096	197200	0.093
Tea	1	0.053	19	11	30	0.010	4800000	2.278
Coffee	56	3.007	681	517	1198	0.414	202100	0.095
Health	5	0.268	256	68	324	0.112	362000	0.171
Multipurpose	376	20.193	58895	29821	88716	30.671	65679751	31.174
Sci & Tech	13	0.698	554	122	676	0.233	4096050	1.944
Consumes	17	0.913	437	123	560	0.193	1616829	0.767
Others	28	1.503	1094	6532	7626	2.636	3645615	1.730
Electricity	4	0.214	114	23	137	0.047	47700	0.022
Total	1862	100	165142 (57%)	124103 (43%)	289245	100	210681522	100

*Source: Information of Cooperative Institutions (2007).*

In Western Development Region, 23 percent or three cooperatives such as Saving & Credit, Multipurpose, Agriculture and Multipurpose Cooperatives hold 84 percent members whereas 77 percent cooperatives hold only 16 percent members. On the capital side, 15 percent or two cooperatives such as Saving & Credit and Multipurpose Cooperatives hold 86 percent capital fund. Remaining 85 percent



cooperatives such as Agriculture, Dairy, Small Farmers' Cooperatives, Herbal, Tea, Coffee, Health, Science and Technology, Consumers, Electricity and others hold 14 percent capital only. It reflects that most of the cooperatives in Western Development Regions are financially weak position due to the lack of large members' enrollment and poor capital fund collection from the share members.

Out of total profit, highest amount as NRs.23506 thousand earned from Savings and Credit Cooperatives followed by NRs. 6154 thousand from Dairy Cooperatives, NRs.2717 thousand from Small Farmers' Cooperatives and NRs.672 thousand from others whereas Agriculture Cooperatives, Coffee Cooperatives, Health Cooperatives, Multipurpose Cooperatives, Science and Technology Cooperatives and Consumers Cooperatives were in the negative worth position.

**Table 5.16**

**Status of Cooperatives in Western Development Region**

Types of Cooperative	Saving		Investment		Income	Expenditure	Profit
	Amount	Percent	Amount	Percent			
Agriculture	45167634	3.203	59514362	2.438	14008530	16424670	-2416140
Saving	817720767	57.994	1764610456	72.302	107603353	84097172	23506181
Dairy	8883502	0.630	10942900	0.448	71861000	65706554	6154446
Small Farmers	47467212	3.366	191708368	7.854	27294523	24576854	2717669
Herbal	138506	0.009	0		500000	500000	0
Tea	2960000	0.209	0		0	0	0
Coffee	220000	0.015	0		505756	516713	-10957
Health	1692874	0.120	0		1829357	6109734	-4280377
Multipurpose	480647129	34.088	407332746	16.689	81393523	88134289	-6740766
Sci & Tech	626750	0.044	0		2466067	3338750	-872683
Consumers	204408	0.014	312320	0.012	369745	448379	-78634
Others	4253162	0.301	6184172	0.253	5328854	4655991	672863
Electricity	4900		0003		0	0	0
Total	1409986844	100	2440605324	100	313160708	294509106	18651602

*Source: Information of Cooperative Institutions (2007).*

While on the investment side, in total NRs. 2440605 thousand invested from different cooperatives, out of this amount, highest amount as NRs.1764610 thousand (72.30%) invested from Savings and Credit Cooperatives followed by NRs. 407332 thousand (16.68%) from Multipurpose Cooperatives, NRs. 191708 thousand (7.85%) from Small Farmers' Cooperatives, NRs. 59514 thousand (2.43%) from Agriculture Cooperatives, NRs. 10942 thousand (0.44%) from Dairy Cooperatives, NRs.6184

thousand (0.25%) from others and NRs. 312 thousand (0.012%) invested from Consumers Cooperatives.

Above analysis shows that only 15 percent or two cooperatives such as Saving & Credit and Multipurpose Cooperatives hold 92 percent savings and 89 percent investment whereas 85 percent cooperatives such as Agriculture, Dairy, Small Farmers' Cooperatives, Herbal, Tea, Coffee, Health, Science & Technology, Consumers, Electricity and others have hold only 8 percent savings and 11 percent investment. It reflects that saving collection and loan investment remained very low in most of the cooperatives. On the profit side, 31 percent or four cooperatives such as Saving & Credit, Dairy, Small Farmers' Cooperatives and others they have positive net worth whereas 69 percent cooperatives such as Agriculture, Herbal, Tea, Coffee, Multipurpose, Science & Technology, Consumers, Electricity and Others have negative worth position. It reflects that most of the cooperatives in Western Development Region are in financial risk position due to the lack of strong saving collection strategies, lack of awareness towards the saving collection, lack of effective fund mobilization strategies, no adequate training to the general members and lack of business knowledge with executive committee. Consequently, they are not implementing profitable business in cooperatives.

#### **d) Mid-western Development Region**

In total 817 cooperatives were established in Mid-western Development Region of Nepal. Out of them, highest numbers as 339 (41.49 %) stood in Savings and Credit Cooperatives followed by 191(23.37 %) in Multipurpose Cooperatives, 153(18.72 %) in Agriculture Cooperatives, 69(8.44 %) in Dairy Cooperatives, 26 (3.18 %) in Small Farmers' Cooperatives, 22(2.69 %) in others, 6(0.73 %) in Science and Technology Cooperatives, 5(0.61 %) in Consumers and Electricity Cooperatives each and 1(0.12 %) stood in Herbal Cooperatives. Altogether 1,32,560 members enrolled in different cooperatives of Mid-western Development Region of Nepal. Out of it, highest members as 48,883(36.87 %) enrolled in Multipurpose Cooperatives followed by 40,956(30.89 %) in Savings and Credit Cooperatives, 24,659(18.60 %) in Agriculture Cooperatives, 7791(5.87 %) in Small Farmers' Cooperatives, 5,337(4.02 %) in others, 4,237(3.19 %) in Dairy Cooperatives, 159 (0.11 %) in Science and

Technology Cooperatives, 102 (0.07 %) in Electricity Cooperatives and 26(0.01 %) enrolled in Herbal Cooperatives.

Out of the total members, 34066 women were participated in different cooperatives in Mid-western Development Region of Nepal, among them, highest women members as 16,696 (12.59%) participated in Savings and Credit Cooperatives followed by 8,627(6.50%) in Multipurpose Cooperatives, 5171(3.90%) in Agriculture Cooperatives, 2275(1.71%) in Small Farmers' Cooperatives, 1153(0.86%) in Dairy Cooperatives, 43(0.032%) in Consumers' Cooperatives, 40(0.030%) in others, 30(0.022%) in Science and Technology Cooperatives, 23(0.017%) in Electricity Cooperatives and 8(0.006%) women enrolled in Herbal Cooperatives.

**Table 5.17**

**Status of Cooperatives in Mid-western Development Region**

Cooperatives			Members				Capital	
Types	Nos	Percent	Male	Female	Total	Percent	Amount	Percent
Agriculture	153	18.727	19488	5171	24659	18.602	4273361	5.977
Saving	339	41.493	24260	16696	40956	30.896	25262315	35.335
Dairy	69	8.445	3084	1153	4237	3.196	9703348	13.572
Small Farmers	26	3.182	5516	2275	7791	5.877	1251622	1.750
Herbal	1	0.122	18	8	26	0.019	130000	0.181
Multipurpose	191	23.378	40256	8627	48883	36.876	30410160	42.536
Sci & Tech	6	0.734	129	30	159	0.119	55900	0.078
Consumers	5	0.612	367	43	410	0.309	223090	0.312
Others	22	2.692	5297	40	5337	4.026	158300	0.221
Electricity	5	0.612	79	23	102	0.076	24400	0.034
Total	817	100	98494	34066	132560	100	71492496	100

*Source: Information of Cooperative Institutions (2007).*

In total NRs.71492 thousand capital accumulated from different cooperatives of Mid-western Development Region of Nepal. Out of this amount, large amount NRs. 30410 thousand (42.53%) collected in Multipurpose Cooperatives followed by NRs. 25262 thousand (35.33%) in Savings and Credit Cooperatives, NRs.9703 thousand (13.57%) in Dairy Cooperatives, NRs. 4273 thousand in Agriculture Cooperatives, NRs. 1251 thousand (1.75%) in Small Farmers' Cooperatives, NRs. 223 thousand (0.31%) in Consumers Cooperatives, NRs.158 thousand (0.22%) in Others, NRs. 130 thousand (0.18%) in Herbal Cooperatives, NRs. 55 thousand (0.078%) in Science and Technology Cooperatives, and NRs. 24 thousand (0.034%) capital collected in Electricity Cooperatives.

Only 30 percent or three cooperatives such as Multipurpose, Saving & Credit and Agriculture Cooperatives hold 86 percent members whereas 70 percent cooperatives such as Dairy, Small Farmers' Cooperatives, Herbal, Science & Technology, Consumers, Electricity and others had participated only 14 percent members. In addition, 20 percent or two cooperatives such as Multipurpose and Savings & Credit Cooperatives hold 78 percent capital. While 80 percent cooperatives hold only 22 percent capital. Most of the cooperatives of Mid-western Development Region were not involved members largely. In addition, they had not collected capital fund from their members effectively.

**Table 5.18**

**Portfolio of Cooperatives in Mid-western Development Region**

Types of Cooperative	Saving		Investment		Income	Expenditure	Profit
	Amount	Percent	Amount	Percent			
Agriculture	41556730	13.307	63109247	13.560	181704	98382	83322
Saving	198992837	63.720	252070674	54.163	15504942	15003950	500992
Dairy	1220617	0.390	502511	0.107	10150319	3260927	6889392
Small Farmers	27656142	8.855	93888250	20.174	5305627	5825280	-519653
Herbal	0		0		0	0	0
Multipurpose	39457244	12.634	52681085	11.319	30298763	7140981	23157782
Sci & Tech	0		0		0	0	0
Consumers	84800	0.027	0		0	0	0
Others	3323625	1.064	3139104	0.674	0	0	0
Electricity	0		0		0	0	0
Total	312291995	100	465390871	100	61441355	31329520	30111835

*Source: Information of Cooperative Institutions (2007).*

In total, NRs. 312291 thousand savings collected from different cooperatives of Mid-western Development Region of Nepal. Out of this amount, large amount NRs. 198992 thousand (63.72 %) collected from Saving and Credit Cooperatives followed by NRs. 41556 thousand (13.30 %) from Agriculture Cooperatives, NRs. 39457 thousand (12.63 %) from Multipurpose Cooperatives, NRs. 27656 thousand (8.85 %) from Small Farmers' Cooperatives, NRs. 3323 thousand (1.06 %) from others, NRs.1220 thousand (0.39 %) from Dairy Cooperatives, and NRs.84 thousand (0.027 %) savings collected from Consumers' Cooperatives. Likewise, in total NRs. 465390 thousand loan invested from different cooperatives, however highest amount as NRs. 252070 thousand (54.16 %) invested from Savings and Credit Cooperatives followed by NRs.93888 thousand (20.17 %) from Small Farmers' Cooperative, NRs.63109 thousand (13.56 %) from Agriculture Cooperatives, NRs. 52681 thousand

(11.31 %) from Multipurpose Cooperatives and NRs. 3139 thousand (0.67 %) invested from other cooperatives.

Likewise on the profit side, in total NRs.30111 thousand earned from different cooperatives. Out of it, NRs.23157 thousand earned profit from Multipurpose Cooperatives followed by NRs.6889 thousand from Dairy Cooperatives, NRs. 500 thousand from Savings and Credit Cooperatives, NRs. 83 thousand earned from Agriculture Cooperatives whereas Small Farmers' Cooperative Limited stood negative worth position in Mid-western Development Region of Nepal.

Only 30 percent or three cooperatives such as Saving & Credit, Agriculture and Multipurpose Cooperatives hold 90 percent saving and 79 percent investment whereas 70 percent cooperatives such as Dairy, Small Farmers' Cooperatives, Herbal, Science & Technology, Consumers, Electricity and others hold 10 percent saving and 21 percent investment.

On the profit side, 40 percent cooperatives have positive net worth whereas 60 percent cooperatives comprised of negative net worth due to lack of effective saving collection, weak fund mobilization strategy, no effective planning and monitoring and no follow-up strategies, no adequate training provided to general and executive committee members.

#### **e) Far-Western Development Region**

In total, 605 cooperatives were established in Far-western Development Region of Nepal. Among them, large numbers as 200(33.05 %) reached in Multipurpose Cooperatives followed by 187(30.90 %) in Savings and Credit Cooperatives, 135(22.31 %) in Electricity Cooperatives, 36(5.95 %) in Agriculture Cooperatives, 13(2.14 %) in Dairy Cooperatives and others each, 11(1.81 %) in Small Farmers' Cooperatives, 3(0.49 %) in Science and Technology Cooperatives and Consumers Cooperatives each, 1 (0.16 %) established Health Cooperatives in Far-western Development Region of Nepal.

**Table 5.19****Status of Cooperatives in Far- western Development Region**

<b>Cooperatives</b>			<b>Members</b>				<b>Capital</b>	
<b>Types</b>	<b>Nos</b>	<b>Percent</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agriculture	36	5.950	19473	676	20149	17.390	302180	0.786
Saving	187	30.909	21168	6551	27719	23.924	5812764	15.128
Dairy	13	2.148	276	231	507	0.437	107400	0.279
Small Farmers	11	1.818	3313	1104	4417	3.812	130100	0.338
Herbal	3	0.495	62	34	96	0.082	8700	0.022
Health	1	0.165	23	2	25	0.021	2500	0.006
Multipurpose	200	33.057	41082	6030	47112	40.662	3838008	9.988
Sci & Tech	3	0.495	83	33	116	0.100	9100	0.023
Consumers	3	0.495	50	45	95	0.081	10400	0.027
Others	13	2.148	5572	5492	11064	9.549	27547928	71.696
Electricity	135	22.314	4087	475	4562	3.937	654100	1.702
Total	605	100	95189	20673	115862	100	38423180	100

*Source: Information of Cooperative Institutions (2007).*

Altogether 115862 members including 95189 (82.16 %) male and 20673 (17.84 %) female participated in different cooperatives of Far-western Development Region of Nepal. Among them, highest numbers as 47112(40.66 %) enrolled in Multipurpose Cooperatives followed by 27719(23.92 %) in Savings and Credit Cooperatives, 20149(17.39 %) in Agriculture Cooperatives, 11064 (9.54 %) in others, 4562 (3.93 %) in Electricity Cooperatives, 4417(3.81 %) in Small Farmers' Cooperatives, 507(0.43 %) in Dairy Cooperatives, 116(0.10 %) in Science and technology Cooperatives, 96(0.082 %) in Herbal Cooperatives, 95(0.081 %) in Consumers Cooperatives and 25(0.021 %) members enrolled in Health Cooperatives. Out of total members, highest women members as 6551(5.65 %) participated in Savings and Credit Cooperatives followed by 6030(5.20 %) in Multipurpose Cooperatives, 5492(4.74 %) in other, 1104(0.95 %) in Small Farmers' Cooperatives, 676(0.58 %) in Agriculture Cooperatives, 475(0.40 %) in Electricity Cooperatives, 231(0.19 %) in Dairy Cooperatives, 45(0.038 %) in Consumers Cooperatives, 34(0.029 %) in Herbal Cooperatives, 33(0.028 %) in Science and Technology Cooperatives and 2 (0.001 %) enrolled women in Health Cooperatives.

While in capital collection, in total NRs. 38423 thousand accumulated capital from different cooperatives, out of it highest capital as NRs. 27547 thousand

(71.69%) accumulated from other cooperatives followed by NRs. 5812 thousand (15.12%) from Saving and Credit Cooperatives, NRs. 3838 thousand (9.98%) from Multipurpose Cooperatives, NRs. 654 thousand (1.70 %) from Electricity Cooperatives, NRs. 302 thousand (0.78 %) from Agriculture Cooperatives, NRs. 130 thousand (0.33 %) from Small Farmers' Cooperatives, NRs. 107 thousand (0.27 %) Dairy Cooperatives, NRs. 10 thousand (0.027 %) from Consumers' Cooperatives, NRs. 9 thousand (0.023 %) from Science and Technology Cooperatives and NRs. 8 thousand (0.022 %) capital collected from Herbal Cooperatives.

Above data shows that only 27 percent or three cooperatives such as Multipurpose, Saving & Credit and Agriculture Cooperatives occupied 82 percent members whereas 73 percent cooperatives such as Dairy, Small Farmers' Cooperatives, Herbal, Health, Science & Technology, Consumers, Electricity and others had participated only 18 percent members.

On the capital side also 27 percent or three cooperatives such as Savings & Credit, Multipurpose and others hold 97 percent capital whereas other 73 percent cooperatives had hold only three percent capital. It shows that member's involvement and capital rising in most of the cooperatives from Far-western Development Region found very weak position due to lack of effective government policies towards the cooperatives development, no adequate training provided to general and executive committee members, lack of effective fund mobilization strategies and no strong and effective follow-up and monitoring strategies.

In total NRs. 130069 thousand savings collected from different cooperatives of Far-western Development Region of Nepal. Of the total savings, large amount as NRs. 63004 thousand (48.43 %) collected from Savings and Credit Cooperatives followed by NRs. 27532 thousand (21.16 %) from others cooperatives, NRs. 19026 thousand (14.62 %) from Multipurpose Cooperatives, NRs. 11596 thousand (8.91 %) from Agriculture Cooperatives, NRs. 6991 thousand (5.37 %) from Small Farmers' Cooperatives, NRs. 1645 thousand (1.26 %) from Science and Technology Cooperatives, NRs. 166 thousand (0.12 %) from Dairy Cooperatives and NRs. 106 thousand (0.082 %) savings collected from Herbal Cooperatives.

Likewise in total NRs. 465590 thousand investments stood in different cooperatives of Far-western Development Region of Nepal

**Table 5.20**

**Portfolio of Cooperatives in Far-western Development Region**

Types of Cooperative	Saving		Investment		Income	Expenditure	Profit
	Amount	Percent	Amount	Percent			
Agriculture	11596999	8.915	14751231	3.168	6074645	8050574	-1975929
Saving	63004014	48.438	367247410	78.877	27066566	24344835	2721731
Dairy	166900	0.1283	476160	0.102	0	1384	-1384
Small Farmers	6991571	5.375	35799521	7.689	17795275	16979102	816173
Herbal	106699	0.082	0		5679	0	5679
Health	0		0		0	0	0
Multipurpose	19026550	14.627	47304572	10.1601	3965603	3676986	288617
Sci & Tech	1645000	1.264	0		0	34860	-34860
Consumer	0		0		0	0	0
Others	27532170	21.167	11500	0.002	314760	315244	-484
Electric	0		0	0	0	0	0
Total	130069903	100	465590394	100	55222528	53402985	1819543

*Source: Information of Cooperative Institutions (2007)..*

Of the total investment, large amount as NRs. 367247 thousand (78.87 %) invested from Saving and Credit Cooperatives followed by NRs.47304 thousand (10.16 %) from Multipurpose Cooperatives, NRs. 35799 thousand (7.68 %) from Small Farmers' Cooperatives, NRs. 476 thousand (0.10 %) Dairy Cooperatives and NRs. 11 thousand (0.002 %) invested from other cooperatives

While on the profit side, highest profit as NRs. 2721 thousand earned from Savings and Credit Cooperatives followed by NRs. 816 thousand from Small Farmers' Cooperatives, NRs. 288 thousand from Multipurpose Cooperatives and NRs. five thousand earned profit from Herbal Cooperatives whereas Agriculture Cooperatives, Dairy Cooperatives, Science and Technology Cooperatives and other cooperatives were in negative worth position.

Above data shows that only 27 percent or three cooperative such as Saving & Credit Cooperative, Multipurpose and Agriculture Cooperatives collected 72 percent whereas 73 percent cooperatives such as Dairy, Small Farmers' Cooperatives, Herbal, Health, Science & Technology, Consumers, Electricity and others collected 28 percent savings.



On the loan investment sector, nine percent or one cooperative such as Savings and credit Cooperative invested 78.87 percent whereas 91 percent cooperatives such as Agriculture, Dairy, Small Farmers' Cooperatives, Herbal, Health, Multipurpose, Science & Technology, Consumers, Electricity and others invested only 21 percent loan to their members.

While on the profit side, 36 percent or 4 cooperatives such as Saving & Credit Cooperative, Small Farmers' Cooperative, Herbal and Multipurpose Cooperatives have positive net worth whereas other 64 percent cooperatives have negative net worth due to the lack of effective business strategy of the cooperatives.

## **5.2 Institutionalization of Small Farmers' Cooperative Limited**

Small Farmers' Cooperative Limited are, basically, characterized by group norms, saving product, small loans, insurance, social and community development activities aiming to ameliorate socio-economic status of rural populace in all ecological regions, viz., the mountains, the hills and the terai. In the year 2003, Small Farmers' Cooperative Limited received honor by CGAP-IFAD, RPPIC international award for the outstanding performance of outreach expansion, innovation and commitment to sustainability of institution as well.

Small Farmers' Cooperative Limited involved downtrodden populace such as core poor and lower ethnicity having the problems of unawareness, lack of bargaining power, inaccessibility of development facilities, illiteracy, low income and less representation in political constituency. Besides, they are not accessed credit facility extended by formal institutions owing to lack of collateral. On such circumstances, Small farmers' Cooperative Limited have been providing credit services to rural populace in income-generating activities such as vegetable production, livestock raising, tea and daily uses shops initiation, marketing of goods (beaten rice, vegetables and fruits) cottage industries promotion as per their capacity and experiences on the basis of group liabilities without collateral. By thus, Small Farmers' Cooperative Limited is being implemented saving and credit product particularly to meet the felt needs as well as burning demand of poor people. The integration of services such as domestic saving, credit and insurance would be useful to reduce the operating cost and maintaining financial sustainability of institutions so

far. Small Farmers' Cooperative Limited covered 7-8 percent market share of rural financing. Nevertheless, these institutions are delivering the credit in a sustainable manner for the poorest of the poor populace particularly in rural vicinity. To fulfillment of its objective, Small farmers' Cooperative Limited focused pragmatic planning including domestic resources mobilization, profitable business intervention, massive training programs implementation and sustainable microfinance institutions promotion at the grassroots level. During the inception of one-decade of Small Farmers' Cooperative Limited, it recognized as the best models in poverty reduction sector. Apart from it, these institutions launched replication program in adjoining Village Development Committees. For example, Chhatredeurali is one of the first initiator that replicated Kewalpur Women Small Farmers' Cooperative Limited at Dhading district in 1999. From this program, women members of Kewalpur Village Development Committee had felt great satisfaction to involve in socio-economic development programs including saving collection and mobilization and social and community development activities at their village. With the prominent outcome of replication program executed by the members of Chhatredeurali, Small Farmers' Cooperative Limited of Dhading district subsequently other Small Farmers' Cooperative Limited viz., Prithivinagar (Jhapa), Kumroj (Chitwan), Argyauli (Nawalparasi), Anandhaban (Rupendehi) and Attariya (Kailai) initiated similar programs in their adjoining Village Development Committees.

Small Farmers' Cooperative Limited executes social activities such as construction of schools, bridges, smokeless stoves, sanitation, drinking water systems, irrigation schemes, community buildings, likewise it conducts literacy classes, community forestry plantation and protection and empowerment campaign. Group lending is one of the major instruments of micro finance programs. So, Small Farmers' Cooperative Limited invested credit without collateral on the basis of group guarantee.

### **5.2.1 Institutional Strengthening**

Small Farmers' Development Programs transferred into Small Farmers' Cooperative Limited in order to execute the socio-economic development programs through the grassroots people by themselves so as to make the program financially sustainable. Major aims of this approach have envisaged developing capable self-help

institutions at grassroots level; enhance knowledge, skill, and attitude of small farmers by involving them in various training programs. In addition, institutional development program focused to enhance the leadership capacity and managerial skill among small farmers, mobilize domestic resources, increase share of small farmers, promote financial intermediary linkages between bank and small farmers and finally execute development programs at low operating cost.

### **5.2.2 Institutional Development**

Small Farmers' Development Center (SFDC) of Agricultural Development Bank, Nepal has followed some specific criteria particularly to hand-over of Small Farmers' Development Program into Small Farmers' Cooperative limited. Small Farmers' Development Program need to fulfill following criteria to enter in institutional development process:

### **5.2.3 Criteria for Institutional Development**

Small Farmers' Development Program transferred into Small Farmers' Cooperative Limited only after fulfill the following criteria

- a) Saving considered as one of the important activities of the Small Farmers' Cooperative Limited, It is a core capital of SFCLs while saving has been collecting from the members massively. Saving has different benefits, among them one is collected fund for the investment purpose in the future, other is - it creates ownership among the members another is - it creates the pressure to repay the loan on timely, by thus saving plays important role in order to operate SFCLs smoothly. As a result, it considered as one of the major indicator to hand-over of SFDPs into SFCLs. Considering its importance in SFCLs operation, savings must have at least 10 percent of the total loan outstanding.
- b) Internationally, repayment rate must be maintained more than 95 percent in Microfinance Institutions, It is true that higher the repayment rate makes the profit higher in such institutions. It is one of the strong indicators developed in Microfinance Institutions particularly to assess the financial position of the

institutions. Considering its importance in the financial sustainability, repayment rate should be maintained more than 70 percent.

- c) Currently, monthly interest collection plays a catalytic role in order to maintain financial sustainability of the Microfinance Institutions, close contact with the members increases the possibility of repayment and it makes success of the credit projects. By viewing such importance, monthly interest should pay by seventy-five percent members.
- d) Small Farmers' Development Program promoted and strengthened from the contribution of village level promoters who are highly visionary, dedicated, honesty, volunteer feeling, mobilize local people massively, coordinated effectively, charismatic leadership quality, finally they are motivated towards the development of their community by involving fully in development activities. So far, promoter plays a catalytic role in promoting and strengthening of Small Farmers' Cooperative Limited effectively. Therefore, at least one promoter in each ward should be promoted.
- e) Prior to handover from Small Farmers' Development Program into Small Farmers' Cooperative Limited, there must be institutionalized all tiers such as village group, inter group and main committee systematically and perfectly so as to institutions would not be sufferer in the future so far. Considering each and every organization in the institution, initiate well-organized institutions such as small farmer's groups at cluster level inter-groups at ward level and main committee at Village Development Committee level.
- f) Training, interaction, exposure visit, workshop are major components those contributes directly to enhance the capacity and capability of the members. After training program, participants initiated economic development activities such as sewing and cutting, cash crop production, vegetable farming, small grocery shop initiation, livestock rearing, poultry rearing, goat and sheep rearing, bee keeping, pigs rearing thereby increase income level of the respective trained members' family so that training have been conducting massively to the members of SFCLs, likewise organization behaviors, leadership, awareness development, group mobilization, conflict management

are equally important in Small Farmers' Cooperative Limited, contribute for institutionalization of the SFCLs. By analyzing great importance of training, workshop, exposure visit and other awareness development activities, SFDPs organized various training, seminars, interaction programs and observation visits to the executive members and small farmers extensively before handover from Small Farmers' Development Program into Small Farmers' Cooperative Limited so far.

- g) Cooperatives operate as per the bylaws that prepares by the general members of the cooperatives. It has mentioned objective, vision, mission, activities, rules and regulations formulated by interacting with the cooperative members. Considering its prime importance in operating cooperatives legally, bylaws of Small Farmers' Cooperative Limited should prepare and register under the department of cooperative for approval of it legally.
- h) Human resource is one of the major components of Small Farmers' Cooperative Limited. It expected to conduct all activities such as account keeping; loan investment collection, saving mobilization, information management, reporting, office management etc should be performed from the local SLC passed personnel. It reduces the operating cost such as remote area allowances and other cost should pay to the outside staff of the Small Farmers' Cooperative Limited. It makes SFCLs financially viable on one and makes the trained human resources at the local level on the other. So, all SFCLs must manage local staff for office work. Finally, after fulfillment of above criteria, members must be highly interested to transfer Small Farmers' Development Program into Small Farmers' Cooperative Limited. Because members' interest plays crucial role in order to operate Small Farmers' Development Program smoothly. If they were not interested to operate Small Farmers' Cooperative Limited ultimately there would be raised management problems, conflict and other issues, which create bankruptcy situation in the institution.

After handed-over of Small Farmers' Development Program into Small Farmers' Cooperative Limited, following organization structures are used to fulfill the objectives of institution development program.

#### **5.2.4 Organizational Structure of Small Farmers' Cooperative Limited**

Small Farmers' Cooperative Limited are comprised of three-tier organization structure, viz. small farmers' group (SFG) at village level, inter-group (IG) at ward level and main committee at apex level. To help main committee, a team of the staff comprised of Manager, Assistant Manager and Accountant has accomplished day-to-day function of SFCL. All these staff are appointed from the respective Village Development Committees with the academic background of high school level passed among the local people while some years of experience at operation level is required for the Manager. The Manager, as a Secretary, assists the management committee. The organizational structure in detail is described hereunder:

##### **General Assembly**

It is one of the most powerful authorities of Small Farmers' Cooperative Limited. It has full authority to prepare policies, procedure of Small Farmers' Cooperative Limited on the one hand and an approval of last year's expenditure and current year's program and budget on the other. Apart from this, it nominates auditor and finalizes his /her incentives for the current year. General members should be at least 25 persons to register it legally under Department of Cooperatives. Its meeting should be organized once a year at the end of fiscal year.

##### **Main Committee**

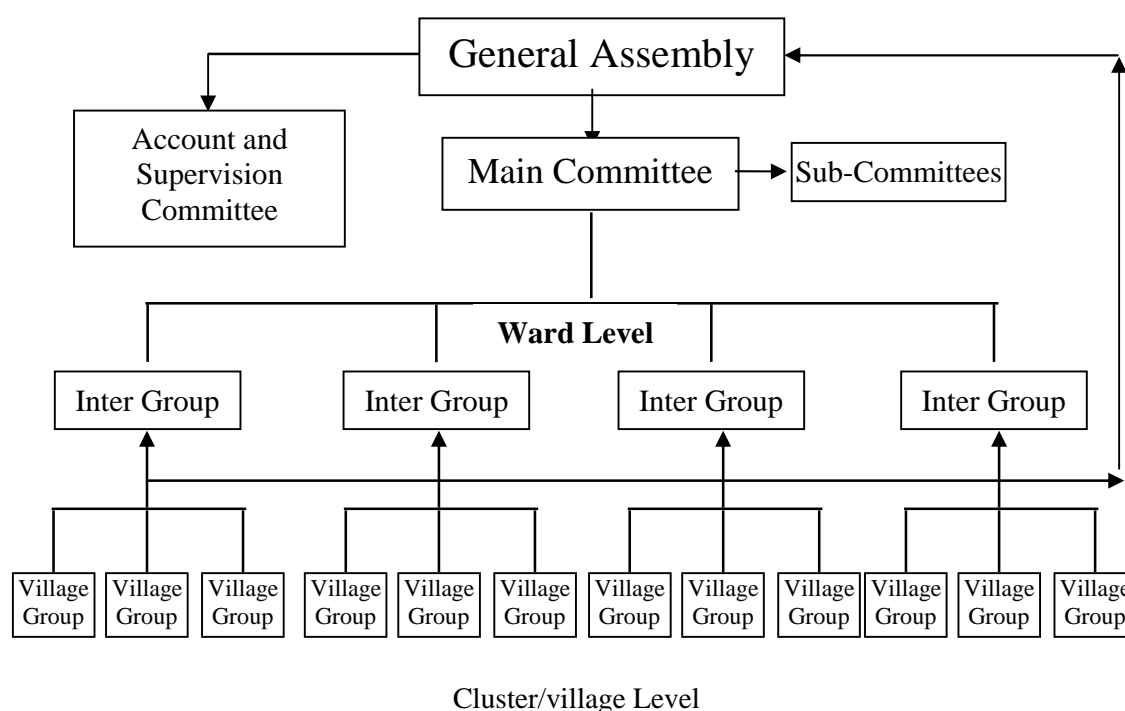
General Assembly elects the members of main committee including Chairperson and Vice-chairperson among the general members. Management of Small Farmers' Cooperative Limited has been guided and controlled by the main committee; although certain authorities such as office management, accounting and loan management are delivered to the staff of Small Farmers' Cooperative Limited.

##### **Inter-Group**

It is a structure of ward-level unit, which is comprised of Chairperson, Vice-chairperson, Secretary, Treasurer and Members from the representatives of small farmers' groups of village level. Major functions of inter groups are, basically to maintain coordination between main committee and small farmers' groups, implement community development activities and mobilize of saving and credit activities in their respective groups.

**Figure 5.8**

Organizational Structures of SFCLs Village Development Committee Level



### **Small Farmers' Group**

Small farmers' groups are the grassroots level organizations comprised of Chairperson, Vice-chairperson, Secretary, Treasurer and Members from the people of similar economic condition, occupation and geographical location. The major functions of the groups have undertaken as to mobilize savings and manage socio-economic development activities at grassroots level.

### **Sub-Committees**

Under the organizational structure of Small Farmers' Cooperative Limited, other sub-committees are formed such as account and supervision committee, loan committee, livestock insurance committee, advisory committee etc. All committees are comprised of three members including Coordinator. Members of account and supervision committees have been elected from the general assembly. However, members of other sub-committees are selected from main committee.

### 5.2.5 Status of Groups and Members' Enrollment

An average trend of male and female groups in Small Farmers' Cooperative Limited has been increased with the growth rate of 10.4 percent and 14.9 percent respectively. Growth rate in enrollment from male and female members in Small Farmers' Cooperative Limited shows 9.8 percent and 14.4 percent respectively.

**Table 5.21**

#### **Status of Groups and Members in Small Farmers' Cooperative Limited**

<b>Fiscal Year</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>Annual Trend</b>	
Year	Year 1	Year 2	Year 3	Year 4	Year 5	Growth in nos	Percent
Male group	5828	6867	8060	9061	9881	1030	10.4
Female group	3427	4516	5593	7052	8484	1265	14.9
Total group	9255	11383	13653	16113	18365	2295	12.5
Male members	38893	45291	53009	58917	62894	6162.8	9.8
Female members	23041	30139	37146	45794	54200	7797.3	14.4
Total	61934	75430	90155	104711	117094	13960.1	11.9

*Source: Central Training Institute Annual Report (2007).*

Percentage of male groups has found highest in 2001/02 recorded at 62.97 percent and lowest recorded in 2005/06 was at 53.80 percent.

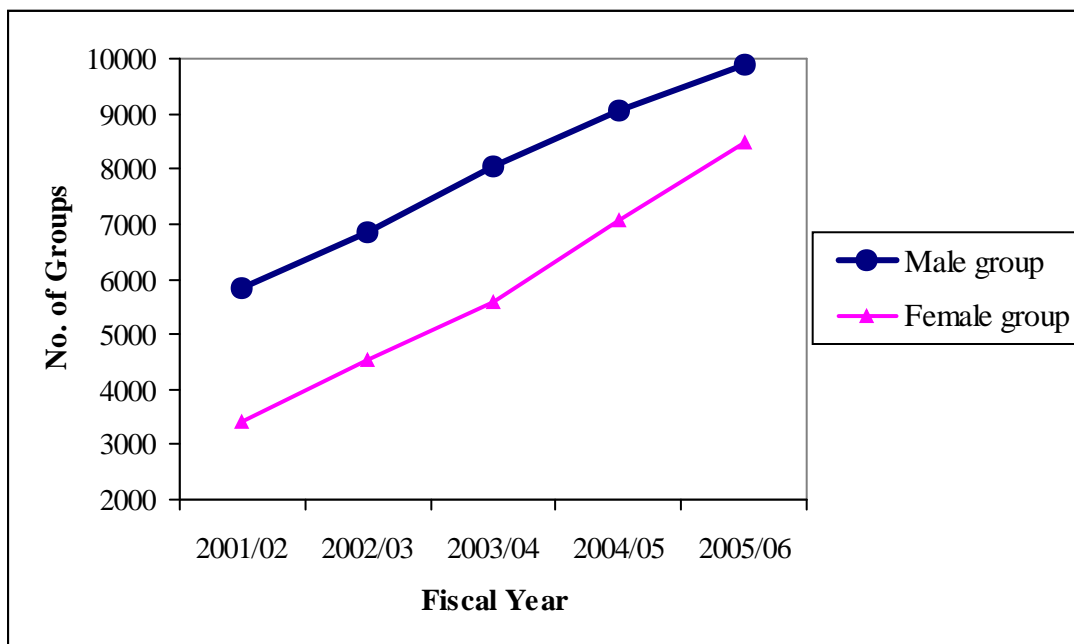
Above analysis shows that hand over of the members from Small Farmers' development Program to Small Farmers' Cooperative Limited revealed satisfactory. Because, before hand-over of the members, Agriculture Development Bank Limited conducted intensive training to the members in account management, office management, loan operation, program planning, loan collection, leadership development, institutional development and financial management of Small Farmers' Cooperative Limited. By thus, after organizing various capacities enhancement training to the members only then ADBL started hand-over of the SFDP into SFCL. Hand-over process took almost two yrs in SFDP.

Increment of groups and members stood 12.5 percent and 11.9 percent into SFCLs respectively due to the slow hand-over process performed from the concerning agency. Research revealed that financial position of SFCL found quiet positive than the SFDP.



**Figure 5.9**

Growth Trend of Male and Female Groups



Likewise, in the female groups recorded highest in 2005/06 at 46.19 percent and lowest was in 2001/02 at 37.02 percent. In the present time, Small Farmers' Cooperative Limited focused to women groups rather than male counter parts, because women found more sincere towards the loan repayment, participation in monthly meeting regularly and utilized loan fully. As a result, women groups have been increased rapidly in SFCLs.

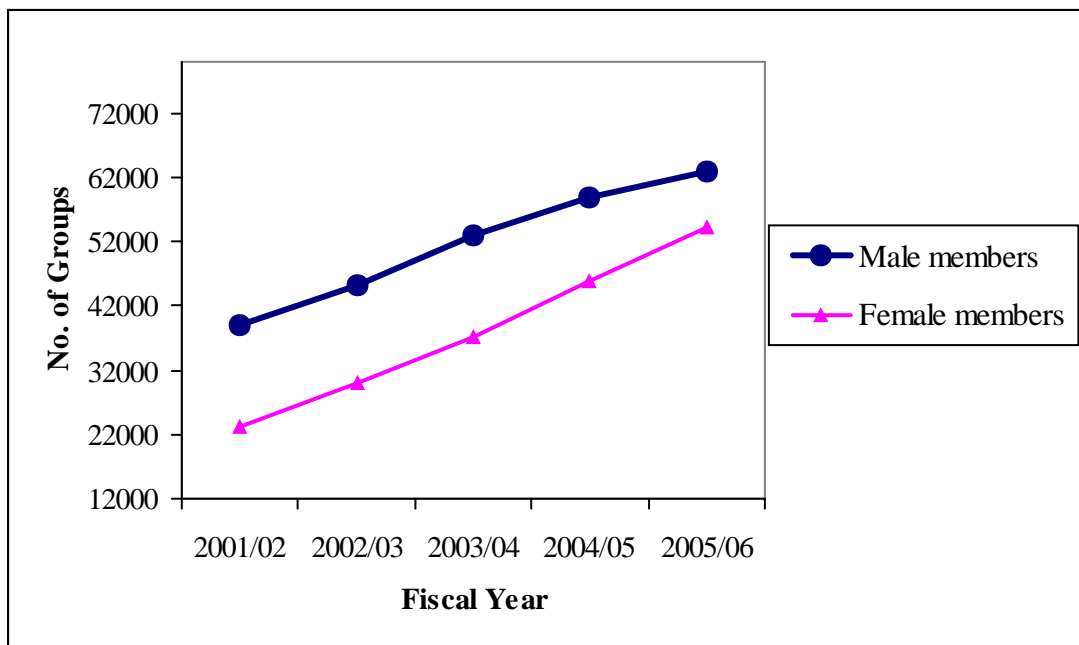
Members' enrollment in male groups is found highest in 2001/02 at 62.79 percent and lowest recorded in 2005/06 at 53.71 percent.

Similarly in the female members recorded highest at 46.28 percent in 2005/06 and lowest was in 2001/02 at 37.20 percent.

Finally, analysis shows that women members increased significantly whereas male members decreased gradually in the subsequent year. Thus, increment trend of female group shows quite positive. It indicates that SFCL have been playing crucial role to empower women so as to borrow loan from formal institutions, participate in various development activities, encourage them to represent in political constituency and finally motivate them to involve in business, social and community development activities at local level.

**Figure 5.10**

**Growth Trend of Male and Female Members**



This research shows that women are more conscious towards regular saving deposit, timely loan repayment and proper implementation of the socio-economic development activities. Therefore, increment of women in SFCLs shows positive indication for its sustainability in long run perspective.

Small Farmers' Cooperative Limited is one of the successful poverty reduction organizations of grassroots level where there is existed rampant poverty, exploitation, drudgery, social evils and vulnerable livelihood. It is the characteristics of poverty prone country all over the world not only in Nepal. Women are more sufferers in the society by socially, economically and legally. By considering such alarming rural problems existed in the countryside, Small Farmers' Cooperative Limited emphasized to participate women, lower caste, back-ward, poor, land less, laborers in the program. Consequently, women are participating in Small Farmers' Cooperative limited programs encouragingly. Therefore, there increment status revealed 2.43 percent in-group and 2.55 percent in female members during the five years period from 2001/02 to 2005/06.

**Table 5.22****Trend of Male and Female Groups and Members Involvement in Small Farmers' Cooperative Limited**

Figure in percent

S.N	Status	2001/02	2002/03	2003/04	2004/05	2005/06
1	Male groups	62.97	60.32	59.03	56.23	53.80
	Increment		(2.64)	(1.29)	(2.80)	(2.43)
2	Female groups	37.02	39.67	40.96	43.76	46.19
	Increment		2.64	1.29	2.80	2.43
3	Male members	62.79	60.04	58.79	56.26	53.71
	Increment		(2.75)	(1.24)	(2.53)	(2.55)
4	Female members	37.20	39.95	41.20	43.73	46.28
	Increment		2.75	1.24	2.53	2.55

*Source: Central Training Institute (2007)***5.2.6 Operational Management of Small Farmers' Cooperative Limited**

Small Farmers' Cooperative Limited is operating with the philosophy of group principle, self-help development and institutionalization of their network at the grassroots level. Considering such philosophy, they have comprised of various primary groups at ward level by involving economically low profiled people. General assembly is an apex body of this organization; basically it formulates policies, procedures, vision, mission, rules and regulations. Fifty-one percent of general members are considered as an eligible majority to undertake the decisions at general assembly. Moreover, the decision made by general assembly is considered as major guidelines for main committee of Small Farmers' Cooperative Limited. Those Small Farmers' Cooperative, which are directed by strict rules and regulations, are operating smoothly. On the contrast, those, which have not followed rules and regulations, may encounter various problems such as irregularities of members in meeting, fluctuation of saving deposit, increase of overdue loan and no effective implementation of socio-economic development programs. Therefore, the discipline of the members helps to keep up the institutions sustainable and viable in such organizations. Basically, people under these categories are totally unknown about market potentialities, technical know-how, profit earning, risk analysis and bargaining power etc. So, loan absorption capacity of such people is very low. Small farmers' Cooperative Limited provided credit starting not more than NRs.5000 in income generating activities to their

members after providing training to them. Timely repayment is one of the major criteria for successful operation of Small Farmers' Cooperative Limited. In this context, strict action on defaulters performs promptly so as to sensitize whole members towards the loan repayment timely

#### **5.2.7 Support Agencies**

Sana Kisan Bikas Bank Limited (Small Farmers' Development Bank Limited) has been established for promoting and strengthening of Small Farmers' Cooperative Limited.

##### **Sana Kisan Bikas Bank Limited**

Small Farmers Development Bank Limited (SFDBL) was registered in July 2001 in the company registrar office. It started its lending operations since November 2002. ADBL handed over 141 SFCLs with loan and interest amounted to NRs. 960 million to Small Farmers Development Bank as of mid July 2006.

##### **a) Vision**

SFDBL has undertaken the vision to become leading financially viable wholesale bank in the microfinance sector.

##### **b) Mission**

Mission of the SFDBL is to advocate and provide support for capacity building of SFCLs by obtaining the cooperation with partner organizations.

Sana Kisan Bikas Bank Limited (SKBBL) is one of the specialized wholesale lending financial institutions of Nepal. Major aim of this organization is to ameliorate socio-economic conditions of rural populace by strengthening and promoting of Small Farmers' Cooperative Limited at the grassroots level on the one hand and to impart wholesale lending to the micro finance organizations on the other. Major functions of Small Farmers' Development Bank have undertaken to deliver short and medium terms wholesale loan to Small Farmers' Cooperative Limited, activate the grassroots level micro- finance institutions and impart technical assistance in human capital formation. Finally, it provides technical assistance on accounting system, portfolio

management, loan investment and loan repayment etc. So, Small Farmers' Development Bank performs monitoring, supervision and follow-up of Small Farmers' Cooperative Limited, organizes training programs for institutional strengthening and business promotion etc. By thus, it assisted to institutional development; social mobilization and expansion of support services in employment generation. Major promoters of Small Farmers' Development Bank consists of Government of Nepal, Agricultural Development Bank, Nepal, two Commercial Banks, viz; Nepal Bank Limited (NBL), Nepal Arab Bank Limited (NABIL) and twenty-one SFCLs. Paid-up capital of SKBBL accounts NRs. 98.71 million out of total share capital of NRs. 120 million issued. Share contribution in paid-up capital includes 70.91 percent from Agricultural Development Bank, Limited, 20.26 percent from Government of Nepal, 5.06 percent from Nepal Bank Limited, 2.03 percent from NABIL and 1.74 percent from Small Farmers' Cooperative Limited respectively. The Board of Small Farmers' Development Bank comprises of seven members including three members from the Agricultural Development, Limited, two members from the Small Farmers' Cooperative Limited and one each from Ministry of Finance and Commercial Banks. In the central level, one main office established at Kathmandu whereas in the field level, other three field branches had established at the different locations.

### **International Agencies**

Financial linkage is utmost important in the context of community level micro-finance institutions, which are developed and strengthened by the various national and international agencies. Major donors of MFIs are United Nations Development Program (UNDP), Center for International Studies and Canadian Cooperation (CECI), CARE/NEPAL, Plan International, Swiss Development Agency, Save the Children Fund, Royal Danish Embassy (DANIDA) and SNV-Nepal. Besides, ICIMOD, IFC, EEC, OECD, RUFIN, SAARC, SADF, SAFD, USAID would provide the support for socio-economic development.

Major outcomes of the institutions performed human capital formation, women empowerment, strong group organization, entrepreneurs' development, awareness development and domestic resources mobilization. In this context, research study of UNDP supported Social Mobilization Agencies (SMAs) shows positive

results on promotion of ownership feeling, effective federation, good governance, financial discipline, gender balance and development. It shows that possibility of financial linkage between Small Farmers' Development Bank and Social Mobilization Agencies has abundant scope. Small Farmers' Development Bank could play leading role for collaboration with concerning donor agencies. In this sector, further integration between Small Farmers' Development Bank and donor agencies supported micro-finance programs is necessary to cope for the present challenges of poverty.

#### **5.2.8 Socio-economic Improvement**

All ethnicity including different caste, religion, occupation and multi level economic groups and gender have been participated in the SFCL program. Saving deposit and loan investment are major activities of the SFCLs so that these activities have been performed regularly. Interestingly, dependency on external agencies has been reduced gradually.

Economic condition of the members improved mostly from SFCLs. Along it, awareness development, sanitation, and education attainment to their children, adult literacy and physical infrastructure are major outcomes of Small Farmers' Cooperative Limited contributing to improve the livelihood of rural populace.

# **CHAPTER VI**

## **STATUS OF SAVING DEPOSIT AND CREDIT INVESTMENT IN SMALL FARMERS' COOPERATIVE LIMITED**

### **6.1 Saving Deposit in Small Farmers' Cooperative Limited**

Poor people in the villages have to depend on the moneylenders, friends and other informal financial institutions to get the money they badly need for several purposes including meeting daily basis needs. They have no other sources of financing during the emergency situations like accidents, diseases and natural calamities. They have very limited access to banks, finance company and other credit investing institutions. Saving makes fund available for investment in income generating activities, emergency purposes and economic revitalization of the societies. It also saves from the dependency of external donors. Saving, now a day is considered as important product in economic development of rural vicinity, where there is severe lack of formal sources of funds. Even in the cases where such formal sources of financing are available, the processes are so lengthy, interest rates so high, behavior of the officials so rude, the processes so slow and opaque that the people in the rural areas prefer to go to the moneylenders or friends for taking loan at a very high interest rate. For the alternative of it, saving is considered as an engine of economic development of rural areas.

Saving is an important product to mobilize domestic financial resources in Small Farmers' Cooperative Limited by organizing members at grassroots level. It has undertaken major aim to raise the fund by collecting financial resources at village level and invests it in income generating activities, with a nominal rate of interest.

Poor people, generally they don't have adequate assets. Form the process of saving; they can increase their assets in future. Saving is one of the important components of Small Farmers' Cooperative Limited in which various saving schemes offer from the institution to raise the assets of the individual members and also increase the fund of the institution to invest in income generating activities.

### **6.1.1 Major Saving Products**

Small Farmers' Cooperative Limited has been implementing various saving schemes such as group saving, individual saving, child saving, older age group saving and maternal welfare saving. Major products of savings in Small Farmers' Cooperative Limited are described hereunder:

#### **Group Saving**

Group savings is considered as one of the important components in the Small Farmers' Cooperative Limited. Principally, this saving emerged in Microfinance Institutions to raise the fund by collecting specific amount in the interval of specific time. Major characteristics of the group savings are: (i) members need to deposit saving compulsorily by weekly, fortnightly or monthly basis (ii) it prohibits withdrawal of money before the membership of the institution is dismissed (iii) savers could get attractive interest in deposits (iv) the saving can be used as a collateral and used to take loan from banks and other financial institutions (v) group saving is useful to build trust among the members and donors.

Considering its great importance in fund generation, Small Farmers' Cooperative Limited have been extensively implementing this saving scheme. Under this saving scheme, an individual member can deposit saving between NRs. 25 to NRs.100 in his/her groups' account regularly every month.

#### **Individual Saving**

Individual saving is an optional saving scheme for the members of the Small Farmers' Cooperative Limited. Members from the SFCL would deposit their money in the form of individual saving. This saving is very useful for raising the fund in institutions and for the members it is good source of earning interest. Generally, individual members would deposit his/her saving from NRs. 25 to NRs. 500 as per their income in any time.

Members are very much interested to save their money in the individual savings. They feel reluctant to save their surplus in this account because they can withdraw at any time whenever they need. Members also save in this account to secure their money from any losses. It also earns attractive interest regularly. Therefore, member of Small Farmers' Cooperative Limited saves largely in this account.



### **Child Saving**

Child saving is another important saving scheme in the SFCL. This scheme is designed to improve the status of the children in the villages, keeping in mind that children's participation in saving programs is very necessary to eliminate poverty from the society. In this regard, SFCL has envisaged a major strategy to participate children in the saving program and at the same time habit of saving among the children, enhances self-help, improve confidence and promote accountability towards the societies. SFCLs provide boxes to the children below 16 years of age, for collecting money on a regular basis. A depositor child can withdraw money after it reaches NRs 500. The children have to take the box to the bank and then deposit the saved amount in their respective accounts.

### **Personal Saving (Pewa)**

This saving scheme is basically designed for women. Generally, women deposit their earning from NRs. 25 to NRs. 500 in their account in any time. This scheme is designed particularly for five years. It means that, women can withdraw their savings after only five years of their first deposit.

### **Maternal Welfare Saving**

Due to the unavailability of money, most of rural women were not admitted at the hospital for their safe delivery. In such critical circumstances, SFCLs have specially designed saving schemes for pregnant women who can use the money during their delivery period. This saving scheme is targeted for women to use for emergency health care purpose. Women under such category, generally deposit between NRs. 25 to NRs. 100 per month and get an attractive interest.

Finally, women of the rural areas they do not have adequate financial resources. They are fully depended on the male counter part. This is a very terrible situation of women. If they sicked they would die without the financial resources if there male counterpart is outside from the home. To improve such situation, this saving is very much useful in the rural areas of Nepal. Therefore, Small Farmers' Cooperative Limited has been focusing to women for saving in this account attractively. At present, women are well aware towards to deposit their money in this saving account for the emergency purposes particularly use in delivery time.

### **Older Age Group Saving**

Older age group saving is another important saving scheme in SFCL. The scheme aims at old age people who have crossed 50. Generally, people of this age are economically inactive and physically weak and to protect them from economic destitution is an important aim of the scheme. In this scheme old age people form small groups between 5 to 10 members. Older age groups saving schemes are initiated in almost all SFCLs by encouraging the target group. The main purpose of this scheme is to fulfill the financial requirements of older age people during festivals, traveling to religious places and casualties. For this purpose, they deposit affordable amount per member per month in their account. Six to 10 per-cent interests provides on their deposit amount.

#### **6.1.2 Status of Saving Deposit**

Saving deposit is the backbone of the SFCLs and it expected that all members participate in this program. During each monthly meeting, principally the members deposit their group saving in their account that manages in the each group separately.

Primarily, the vision behind the saving scheme in SFCLs is to raise the fund by mobilizing local resources at the village level. SFCLs from all the development regions have been collecting this product in their institutions between NRs. 5 to 50 per month per member. Detail analysis of saving deposit in each Small Farmers' Cooperative Limited are described hereunder.

#### **Saving Deposit from SFCL Shreeantu, Illam**

Shreeantu village in ILLam district is located in a geographically tricky terrace and there are no other financial institutions established for delivering the credit activities to improve their economic status. In such situation, Agricultural Development Bank Limited initiated SFCL by transforming the SFDP. Since its inception, saving got first priority to mobilize domestic financial resources in income generating activities to improve economic status of that territory. All 88 respondents participated in the saving deposit. Overall scenario of saving deposit shows that interest of saving has very least risk and total amount of saving has maximum risk.

SFCL collected domestic financial resources in the form of saving. Research study shows that average saving deposit from SFCL Shreeantu, Illam stood NRs. 21.70 per member per month ranging between NRs. 10 to NRs. 50. Likewise, average saving deposit reached per member in SFCL amounted to NRs. 2204.64 varying

between NRs.180 to NRs.7200. Interest rate on saving stood at eight percent per annum. Coefficient of variance revealed in 52.15 in saving amount while 85.09 in total saving amount. It shows that saving amount has incorporated risk. Higher variation in the saving collection found in SFCL Shreeantu, Illam that might be discontinued saving deposits in any time, which creates fund scarcity in SFCL in future.

**Table 6.1**  
**Saving Deposit of SFCL Shreeantu, Illam Eastern Development Region**

<b>Particulars</b>	<b>Mean</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Standard Deviation</b>	<b>CV (Percent)</b>
Saving Amount (NRs.)	21.70	50	10	11.31	52.15
Total Amount of Saving per year (NRs.)	2204. 64	7200	180	1875.86	85.09
Interest of Saving (NRs.)	8	8	8	0	0
Number of Respondents	88	88	88	0	0

*Source: Field survey (2007).*

Above analysis shows that saving collection in Small Farmers' Cooperatives Limited was not found encouraging. It shows that saving amount between NRs. 10 to 50 per month is very little amount in fund collection. In international practices, generally one day earning they recommended to deposit in Cooperatives or Microfinance Institution per month because this type of deposit only help to increase saving on one hand and increase assets of poor people on the other. While little saving increases only overhead cost of the cooperatives for recording and managing of deposits, therefore saving need to be increased in Small Farmers' Cooperative Limited Shreeantu Illam massively by promoting awareness development of general members through organizing training and exposure visit etc.

To make financial sustainability of Small Farmers' Cooperative Limited Shreeantu, Illam there is needed to increase the savings on one and also increase the members on the other. Saving is very important financial assets of Small Farmers'

Cooperatives because it can directly invest in income generating activities to increase the profit of the institution.

### **Saving Deposit from SFCL Kumpur, Dhading**

Small Farmers' Cooperative Limited Kumpur, Dhading has been providing great emphasis for mobilizing domestic financial resources from its inception when saving and credit activities implemented from the Small Farmers' Development Program. After hand-over of Small Farmers' Development Program into SFCL further it gave the prime importance for mobilizing domestic financial resources to improve economic status of the poor people in that vicinity.

**Table 6.2**

### **Saving Deposit of SFCL Kumpur, Dhading Central Development Region**

<b>Particulars</b>	<b>Mean</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Standard Deviation</b>	<b>CV (percent)</b>
Saving Amount (NRs.)	11.02	20	10	2.93	26.57
Total Amount of Saving per year (NRs.)	944.21	2400	120	371.83	39.38
Interest of Saving (NRs.)	5	5	5	0	0
Number of Respondents	149	149	149	0	

*Source: Field survey (2007).*

In this regard, research study shows that average saving deposit in SFCL Kumpur, Dhading stood NRs. 11.02. Average total amount of saving reached to NRs. 944.21 that varies between NRs. 120 to 2400 per member in SFCL. Interest on saving deposit offered five percent per annum. All 149 respondents participated in saving deposit program. Overall scenario of saving deposit shows that interest of saving has very least risk and total amount of saving has moderate risk, Coefficient of variance found 26.57 percent in saving amount whereas 39.38 percent in total amount of saving. It shows that SFCL Kumpur has also moderate risk in this aspect due to the lack of consistency of saving deposit from the members.

Above analysis clearly reflects that Small Farmers' Cooperative Limited Kumpur Dhading is not collecting domestic savings encouragingly. Average saving amount stood between NRs.10 to 20 per month per member. This amount of monthly

saving does not increase the financial assets of cooperatives on one and not increased the assets of poor people on the other. Therefore, it must be increased as per the international standard, which recommended depositing saving at least one day earning per month per member in the cooperatives or Microfinance Institutions. Saving is very important financial assets of Small Farmers' Cooperative Limited because it can use in various income generating activities such as cereal crops production, cash crops and vegetable production, horticulture development, poultry raising, livestock rearing, small shop installment, cottage industries promotion and also invest in other off farm activities that generates earning for member borrowers and interest earning for the cooperatives. Therefore, Small Farmers' Cooperative Limited should provide the major focus to increase the saving by increasing amount and also increase the members in the cooperatives extensively.

### **Saving Deposit from SFCL Fedikhola, Syangja**

Saving has been considered as one of the prime financial resources in SFCL, Fedikhola, Syangja, to raise the internal fund by collecting surplus from the members themselves.

**Table 6.3**

### **Saving Deposit of SFCL Fedikhola Syangja, Western Development Region**

Particulars	Mean	Maximum	Minimum	Standard Deviation	CV (percent)
Saving Amt. (NRs.)	36.76	50	10	16.29	44.31
Total Amount of Saving per year (NRs.)	3755.4 7	11120	700	2735.78	72.85
Interest of Saving (NRs.)	8	8	8	0	0
Number of Respondents	105	105	105	105	

*Source: Field survey (2007).*

Considering its importance in loan investment and economic development, all members deposited their savings regularly in their group account. Research study shows that average saving stood at NRs. 36.76 ranging between NRs.10 to NRs. 50 per month per member. While its average total amount of saving per member reached to NRs. 3755.46 and varied between NRs. 700 to NRs. 11120 in Small Farmers'

Cooperative Fedikhola, Syangja. Interest charge on deposit was eight percent per annum. All 105 respondents have opened saving account in SFCL.

Overall scenario of saving deposit shows that interest of saving has very least risk and total amount of saving has maximum risk. It also shows that savings were not deposited regularly so that in any time saving deposit may drop by the member that creates the fund scarcity in SFCL.

Above analysis shows that Small Farmers' Cooperative Limited Fedikhola, Syangja has also faced same problems in saving collection like other Small Farmers' Cooperative Limited. It deposited only average saving NRs. 10 to 50 per member per month. In the context of saving collection, it is recognized that one of the major financial assets of cooperatives. To maintain the financial sustainability of cooperatives it must be increased attractively per month. Without attractive collection of domestic savings from the members, there is no possibility to increase the fund in cooperatives. As a result cooperatives can not invest its resources in economic and social development activities where rampant problems exist in the countryside. Therefore, Small Farmers' Cooperative Limited Fedikhola, Syangja has great challenge to increase savings amount and enroll the members in order to attain the goal of poverty reduction endeavor.

#### **Saving Deposit from SFCL Uttarganga, Surkhet**

SFCL, Uttarganga, Surkhet is recognized as one of the major cooperatives in the context of saving deposit as well as its mobilization in income generating activities at rural areas. Uttarganga however is one of the leading economic development center of mid-western development region. Despite its location, the place is still backward in economic amenities than that of eastern, central or even western development regions of Nepal. To improve the income level of rural people, SFCL, Uttarganga had initiated saving schemes intensively by mobilizing domestic financial resources extensively. So far, after hand-over of Small Farmers' Development Program into Small Farmers' Cooperative Limited, saving mobilization has undertaken major priority from SFCL. In this connection, average saving deposit from SFCL Uttarganga, Surkhet stood at NRs. 36.88 per member per person. Average total collection of saving per member reached to NRs. 3169 varies between NRs. 240 to NRs. 9900. Interest rate on deposit provided eight percent per annum.

**Table 6.4****Saving Deposit of SFCL Uttarganga, Surkhet, Mid-western Development Region**

<b>Particulars</b>	<b>Mean</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Standard Deviation</b>	<b>CV (percent)</b>
Saving Amount (NRs.)	36.89	16	10	14.78	40.07
Total Amount of Saving per year (NRs.)	3169	9900	240	2249.78	70.99
Interest of Saving (NRs.)	8	8	8	0	0.00
Number of Respondents	98	98	98	98	

*Source: Field survey (2007).*

Overall scenario of saving deposit shows that interest of saving has very least risk and total amount of saving has maximum risk. SFCL Uttarganga, Surkhet also found higher risk in saving deposit due to the lack of regularization of their savings in their group account.

Above analysis shows that saving deposit from Small Farmers' Cooperative Limited Uttarganga, Surkhet ranged between NRs.10 to 16 per month per member. In the context of financial sustainability of Small Farmers' Cooperative Limited, this amount revealed very negligible. Because, it does not increase the adequate fund of Small Farmers' Cooperative limited on one and not increased assets of poor women on the other. Therefore Small Farmers' Cooperative Limited, Uttarganga needs to focus for increasing saving amount in coming days. Ultimately, large amount of saving amount helps to invest in income generating and social development activities in rural areas through cooperatives. Earning from women leaded project is found more useful to invest their children education, family health treatment, family food and other social activities. Along with, it is also useful for the economic empowerment of women. Therefore, saving mobilizations from women need to increase in cooperatives largely.

**Saving Deposit from SFCL Kalena, Doti**

SFCL Kalena Doti has been mobilizing domestic financial resources since its inception. Inaccessibility of adequate credit from formal financial institutions was a major factor for the underdevelopment of socio-economic level of Kalena. Considering prime importance of SFCL in the field of socio-economic improvement, Agricultural Development Bank Limited transferred Small Farmers' Development

Program into SFCL particularly for mobilizing domestic financial resources by the active participation of local people by themselves. However, SFCL could not achieve satisfactory result in saving collection program since the time while it was operated in the form of Small farmers' Development Program. The reason behind its ineffectiveness in saving collection as well as mobilization of that fund by the SFCL Kalena were lack of adequate awareness campaign, interaction workshop and also inadequate training conducted on saving collection and mobilization so far. Besides, members frequently visited Indian cities like Delhi, Mumbai, Kalkatta and other places for the seasonal employment purposes so that they were absent in monthly meetings and also failed to deposit their savings regularly in their group account. On the other, they have been struggling to survive by using limited resources such as unfertile land, very few livestock, lack of surplus money and unavailability of other supporting activities so they discontinued their saving even when they wanted to do so.

**Table 6.5**  
**Saving Deposit of SFCL Kalena, Doti, Far-Western Development Region**

<b>Particulars</b>	<b>Mean</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Standard Deviation</b>	<b>CV (percent)</b>
Saving Amount (NRs.)	8.22	20	5	3.70	45.01
Total Amount of Saving per year (NRs.)	450.70	2400	100	443.59	98.42
Interest of Saving (NRs.)	6.02	8	6	0.19	3.10
Number of Respondents	115	115	115		

*Source: Field survey (2007).*

Despite the various economic problems encountered in their daily livelihood, many of the people were saving money in their group accounts. Research study reveals that average saving deposit from SFCL Kalena, Doti was NRs. 8.21 ranging between NRs.5 to NRs. 20 per month per member. Similarly, average total deposit reached to NRs. 450.69 per member and varied between NRs. 100 to NRs. 2400 in



SFCL. Average interest rate on saving deposit in SFCL Kalena, Doti stood six percent per annum.

Overall scenario of saving deposit of SFCL Kalena, Doti shows that interest of saving has very least risk and total amount of saving has maximum risk. Higher variation in saving deposit revealed in SFCL Kalena Doti due to the lack of regularization of saving from all group members, as a result, in any time saving deposit could be drooped.

As per above analysis, Saving collection of Small Farmers' Cooperative Limited revealed very negligible, because it collected average saving ranged between NRs.5 to 20 per member per month. This amount of saving does not increase the fund of the Small Farmers' Cooperative Limited on one and not increase the assets of poor members on the other. Far-western Development Region is one of the backward regions of Nepal. This region has many problems encountered vulnerability, unemployment, food deficit, illiteracy, deep-rooted beliefs, traditional values, norms, and lack of development facilities. People are totally bypassed in development activities with the comparison of other development regions. Most of the people are seasonally migrated in India for generating income to maintain their family livelihood. In this context, Small Farmers' Cooperatives Limited, Kalena Doti has not been implementing effective saving activities to increase the fund for investment in economic and social development activities in order to improve their livelihood through generating employment opportunities. Therefore, Small Farmers' Cooperative Limited Kalena, Doti needs to increase saving at least one day earning from the respective members in their group saving account. Moreover, this strategy helps to increase the fund of the cooperative thereby help to investment in economic and social development activities. In addition, it helps to increase the assets of poor members that work as major assets for their livelihood. By this process, Small Farmers' Cooperative Kalena Doti will operate smoothly by promoting financial health of the institution in future.

### **6.1.3 Comparison on Saving Deposit among SFCLs**

Saving, considered as the prime engine of SFCL, collected in the form of group saving, individual saving, child saving, older age group saving or materiality health care saving, ultimately it had the single objective to raise the fund in SFCLs particularly to invest in income generating activities. Besides, it is essential to fulfill the objectives of SFCL in order to improve the livelihood of rural populace across the

country. Furthermore, it used loan for investment and this created trust among members and donors or external supporters and initiate banking transaction. Without savings, SFCL could not be operated smoothly in the rural vicinity where no financial institution existed. Therefore, all SFCLs have been implemented in rural areas by envisaging single goal to collect financial domestic resources by paying interest for the deposits and investment at a nominal interest rate to help income generating activities, which could bear all cost including financial cost, operating cost, risk cost and others.

**Table 6.6**  
**Scenario of Overall Saving Deposit**

<b>Particulars</b>	<b>Mean (n = 555)</b>	<b>Maximum (n = 555)</b>	<b>Minimum (n = 555)</b>	<b>Standard. Deviation</b>	<b>CV (percent)</b>
Saving Amount (NRs.)	21.57	55	5	16.30	75.53
Total Amount of Saving per year (NRs.)	1966.51	11120	100	2133.23	108.48
Interest of Saving (NRs.)	6.78	8	5	1.33	19.57

*Source: Field Survey (2007).*

Research study shows that all SFCLs are not providing similar efforts for collecting saving in their respective institutions so that their average and total saving amount per member stood quite different. On the other only one SFCL out of five are collecting savings regularly from all members whereas most of them are collected occasionally.

Finally, Small Farmers Cooperative Limited are forbidden saving activity gradually due to their inefficiency of management, lack of strict rules and regulation, no commitment enhancement towards institutions, no created awareness in members on vision, mission, objectives and activities of institutions and no strong monitoring, supervision and follow-up to improve their activities properly.

Overall scenario of saving deposit shows that interest of saving has very least risk and total amount of saving has maximum risk. It reveals that saving deposit has higher variation due to lack of consistency in deposit by all the members.

Nevertheless, this research study shows that saving performance among SFCLs was at an average deposit per month per member of NRs. 36.88 in SFCL Uttarganga of Surkhet district followed by NRs. 36.76 in SFCL Fedikhola of Syangja district, NRs. 21.70 in SFCL Shreeantu of Ilam district and NRs. 8.21 in SFCL Kalena of Doti district. It revealed that women dominated SFCL such as Uttarganga, Surkhet and Fedikhola, Syangja have quiet good performance in saving deposit because their saving amount found slightly higher whereas male dominated SFCL Kumpur Dhading, Shreeantu, Ilam and Kalena, Doti have less saving deposit.

The major variation behind these two category clearly shows that women repay loan on time; they participate in monthly meetings, do not misuse loans, make saving deposited higher amount and finally they found more sincere and accountable towards the institutions so as their saving performance was found to be satisfactory whereas male members were insincere towards the institution and therefore did not repay loan on time, not participate in monthly meeting regularly, misuse loans, not make saving deposits regularly and not participate actively in the community development activities. Due to these factors, the male dominated SFCLs showed unsatisfactory performance.

As per the analysis of development regions, saving deposit status is highly satisfactory in Mid-western and Western Development Regions than the Central and Eastern Development Regions. Moreover, the reasons behind the success of saving deposit in Mid-western and Western Development Regions were cohesiveness feeling created among members, promoted development oriented feeling, influenced by highly committed people and also involved traditionally in informal saving programs since long time such as Dikuti, Aichopaicho, Parma and Dharma Bhakari etc. Members of Eastern and Central Development Regions were away from cohesiveness feeling, increased competitiveness, accessed credit facilities from many financial institutions and benefited from different earning opportunity etc, thus affecting the saving deposit.

Saving deposit status of Far-western Development Region was the worst because this region suffered from poverty, lack of economic opportunity, vulnerability, and illiteracy and migrated seasonally in India for their livelihood,

Overall analysis in saving deposit shows that average monthly saving per member stood NRs. 21.57 ranging between NRs. 5 to NRs. 55. Likewise, average total amount of saving reached to NRs. 1966.50 ranges between NRs. 100 to NRs. 11120 per member in sample SFCLs. Average interest rate on saving was NRs.6.78 percent that ranged between NRs. 5 to 8 percent. All 555 respondents have saving deposit account in their respective SFCLs. Among them, almost 89 percent were not regularized their savings.

As per the above analysis reflects that there is no any Small Farmers' Cooperative Limited had maintained saving deposit attractively in all five-development regions. Further, analysis shows that average saving stood at NRs. 21.57 that ranged between NRs.5 to 55 per member per month. As a result, average accumulated saving stood as NRs.1966.51 per year per Small Farmers' Cooperative Limited. This all scenario indicates that saving status in all Small Farmers' Cooperative Limited revealed very negligible. It reflects that this type of fund does not fulfill the vision, objectives and mission of Small Farmers' Cooperative Limited that had undertaken at the time of transformation of SFDPs into SFCLs. Moreover, domestic financial resource is one of the major financial components of Small Farmers' Cooperatives Limited. Experiences of other countries revealed that lack of attractive saving deposit; there is no possibility to operate the cooperatives smoothly in long run perspective. Because, saving deposit can use in income generating and social development activities in the rural vicinity where poverty exist rampant. It also fulfill the credit needs of general members on one and generate earning for the cooperative operation on the other. Income from the investment would be useful to spend in staff salary, office stationary and other operating cost of SFCLs.

Finally, cooperative is the institution of poor, vulnerable, lower ethnicity, landless, unemployment, women and economic destitute people. Saving collection from these sectors of community increases the assets of poor and economically downtrodden people ultimately it reduces distress and economic fears thereby increases the confidence and financial support in their livelihood in future.

Above analysis shows that importance of savings is found totally ignorant among general members, executive committee members and concerning staff so that they are not motivated to increase saving in cooperatives. Therefore, massive awareness campaign is needed to increase savings at least one day earning from

individual member in their respective cooperatives to invest it in income and social development activities.

#### 6.1.4 Interval of Saving Deposit

SFCL generally allocated time duration for saving deposit within a month. This interval made it easy for depositing their saving in the monthly meeting. Discipline is major aspect in SFCL because if members are not regular, their saving in the stipulated time ultimately they would not attend meeting and also not repay the loan timely. Therefore, members need to be more conscious towards the saving collection timely.

**Table 6.7**  
**Interval of Saving Deposit**

SFCLs	Saving deposit at 30 days (Monthly)	Saving deposit at Irregular interval	Total
Shreeantu	49 (55.68%) (12.56%)	39(44.31%) (23.63%)	88 (100%)
Kumpur	134(89.93%) (34.35%)	15(10.06%) (9.09%)	149(100%)
Fedikhola	100(95.23%) (25.64%)	5(4.76%) (3.03%)	105(100%)
Uttarganga	98(100%) (25.12%)	0	98(100%)
Kalena	9(7.82%) (2.30%)	106(92.17%) (64.24%)	115(100%)
Total	390(70.27%) (100%)	165(29.72%) (100%)	555(100%)

*Source: Field Survey (2007).*

This research study shows that members from SFCL Uttarganga, Surkhet deposited their saving monthly, indicating that SFCL Uttarganga followed savings rules and regulation strictly, while other four SFCLs such as Shreeantu, Ilam, Kumpur Dhading, Fedikhola, Syangja and Kalena Doti had not regularized their savings on the monthly basis. It indicates that 80 percent of SFCLs were not followed savings rules

and regulations while saving is major asset of SFCLs. For the financial sustainability of SFCLs, one day earning needs to be deposited in their group saving.

Above analysis shows that almost 30 percent members are not deposited their savings monthly. So, there must be maintained regularity of saving deposit at 100 percent. Research shows that if members deposit savings weekly that would increase the fund at least 16 percent in comparison of monthly savings. Poor people like to save at the short duration than the longer interval. Nevertheless, in all cooperatives they have had practice to deposit their savings in the monthly basis

**Table 6.8**  
**Range of Monthly Saving Deposits of SFCLs**

SFCL	Minimum	Mean	Maximum
Shreeantu	10.00	21.70	50.00
Kumpur	10.00	11.02	20.00
Fedikhola	10.00	36.76	50.00
Uttarganga	10.00	36.89	46.00
Kalena	5.00	8.22	20.00

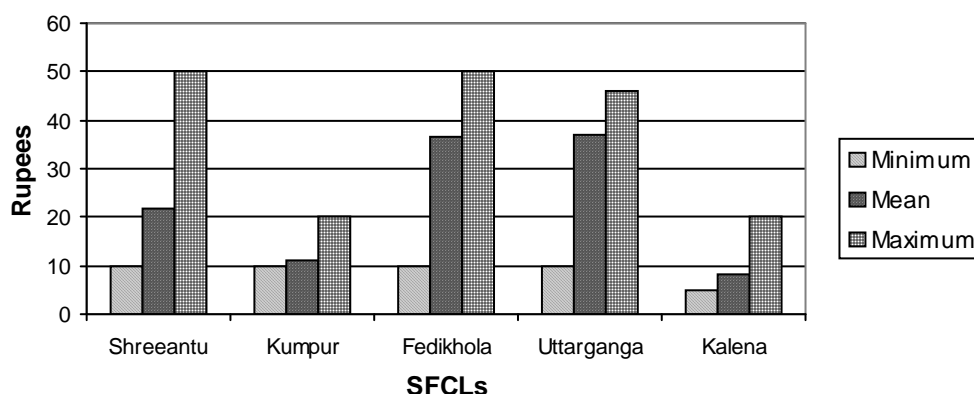
*Source: Field Survey (2007).*

Lack of regular savings increases overdue loan and drop-out of the members in cooperatives largely. Research shows that lack of large amount of savings or assets belonging in members that reduces the members' participation and also decreases loyalty towards the institutions. Furthermore, research investigated that members do not save in the cooperatives regularly due to the lack of strict supervision and monitoring policies, no strong punishment to irregular savers and lack of awareness development among the members. In Bangladesh MFIs have been maintained strict rules and regulation for saving and installment collection even if family member died they collect his/her savings and loan installment from his/her responsible person by sending staff in member's home.

It concludes that cooperatives can operate smoothly if rules and regulations maintain strictly. Therefore, monthly saving must be regularized in Small Farmers' Cooperatives strictly.

While comparative analysis of five SFCLs shows that monthly minimum deposit is similar to NRs. 10. The mean value is quite lower of SFCL Kalena, Doti in comparison to others. The maximum deposit value is highest of SFCLs Shreeantu, Ilam and Kumpur, Dhading.

**Figure 6.1**  
**Comparative Study of Monthly Saving Deposit of SFCLs**



Analysis shows that average saving deposit per SFCL ranged between 5 to 50 per member. Among it, 40 percent Small Farmers' Cooperative Limited stood their maximum savings at NRs. 20, however 60 percent Small Farmers' Cooperatives maintained their saving almost NRs. 50. This amount is very low in the context of saving increment of poor people. To maintain financial sustainability of Small Farmers' Cooperative Limited, saving rate must be increase at least as per the international norms. It makes benefit to savers and cooperatives. If such international practices do not follow from the Small Farmers' Cooperative Limited, ultimately they turn into bankruptcy position due to the lack of fund in investment that generates income particularly to meet the operating cost of institution. Therefore, all Small Farmers' Cooperative Limited should make plan to raise the saving fund at least one day earning from their general members to make it financially sustainable.

#### **6.1.5 Reasons for Saving Deposit**

Majority of the members deposited their savings for the future use purposes, particularly for children education, religious activities and loan repayment etc. Previously, they don't have any knowledge on the importance of the saving deposit. After involved in Small Farmers' Cooperative Limited they are familiarized with this activity by monthly meeting organised from SFCLs.

**Table 6.9**  
**Reasons for Saving Deposit**

SFCLs	Reasons for saving deposit				
	Future use	Emergency purpose	Saving increment	Confidence development	Total
Shreeantu	48(54.5%) (12.1%)	37(42%) (23.9%)	0	3(3.4%) (100%)	88(100%) (15.9%)
Kumpur	126(84.6%) (31.8%)	23(15.4%) (14.8%)	0	0	149(100%) (26.8%)
Fedikhola	81(77.1%) (20.5%)	23(21.9%) (14.8%)	1(1%) (100%)	0	105(100%)
Uttarganga	65(66.3%) (16.4%)	33(33.7%) (21.3%)	0	0	98(100%) (17.7%)
Kalena	106(92.2%) (64.2%)	9(7.8%) (2.3%)	0	0	115(100%) (20.7%)

*Source: Field Survey (2007).*

This research study reflects that 92.2 percent from SFCLs Kalena, Doti, 84.6 percent from Kumpur Dhading, 77.1 percent from Fedikhola, Syangja 66.3 percent from Uttarganga, Surkhet and 54.5 percent from Shreeantu, Ilam made their saving for future use purposes. Their second reason for saving was to use during the emergency situation like for health treatment and natural calamities like flood, land slide and earth quake etc. Some 23.9 percent from the members of SFCL Shreeantu, Ilam followed by 21.3 percent from SFCL Uttarganga, 14.8 percent each from SFCLs Kumpur and Fedikhola and 2.3 percent from SFCL Kalena, Doti made savings for such purposes. It was revealed that members of all SFCL are more aware to deposit the saving for the future purpose for economic prosperity.

Above analysis indicates that more than 50 percent members deposited their savings for future use. It means that their perception towards the saving is 100 percent right. Only there is needed to encourage them to increase fund by organizing awareness and training program. In the cooperative, training and awareness campaign is equally needed to make the members more knowledgeable towards the program. Most of the members are illiterate or simple literate so that without motivation to



them they cannot increase their deposit in the cooperatives. Therefore, they need intensive training and awareness campaign about the importance, need and future benefits of savings. After fully convince from training and awareness program then they will fully participate in cooperative programs. In the context of saving deposit, Small Farmers' Cooperative Limited Shreeantu, Ilam, Kumpur, Dhading, Fedikola, Syngja, Uttarganga, Surkhet and Kalena, Doti are not conducting adequate training and awareness campaign, as a result deposit of the respective cooperatives found negligible. To make all cooperatives financially sustainable, training and awareness campaign must be conducted massively. Because research revealed that training is a major component to attain the goal of the cooperatives by sensitizing and creating awareness among the members.

#### **6.1.6 Reasons for Irregularity in Saving Deposit**

SFCL Uttarganga Surkhet, a women dominated institution that regularized saving at 100 percent. Furthermore, this research shows that women are more conscious towards saving deposit so they are succeeded to regularize savings at 100 percent whereas SFCLs Shreeantu Ilam and Kalena Doti are male dominated SFCLs while they failed to regularize savings. Similarly, SFCL Kumpur Dhading and Fedikhola Syangja were also not regularized savings fully. Research shows that causes of irregularity of savings were 66 percent from inactive group members, 36.3 percent from lack of enough money 7.87 percent from reduction of family income and finally 6.06 percent due to the payment of loan.

In fact, generally small farmers they do not have adequate land, livestock, horticultural plants as well as other off farm activities to generate money to fulfill their daily requirements. Therefore, they were busy in work to meet these requirements in all days so that they were not attended monthly meeting.

**Table 6.10**  
**Reasons for Irregularity in Saving Deposit**

<b>SFCLs</b>	<b>Irregular Saving Depositor Members</b>	<b>No enough money for saving</b>	<b>Reduction of Family income</b>	<b>Payment of loan</b>	<b>Inactive group members</b>
Shreeantu	39	0	0	0	39(100%) (35.77%)
Kumpur	15	0	0	0	15(100%) (13.76%)
Fedikhola	5	0	0	0	5(100%) (4.58%)
Uttarganga	0	0	0	0	0
Kalena	106	33(31.13%) (100%)	13(12.26%) (100%)	10(9.43%) (100%)	50(47.16%) (45.87%)
Total	165	33 (20%) (100%)	13(7.87%) (100%)	10 (6.06%) (100%)	109(66%) (100%)

*Source: Field Survey (2007).*

Above data shows that women were attended monthly meeting regularly in the comparison of male counterparts. Research revealed that women are involved in household activities so that they are more free then the male counterparts therefore women can easily join in the monthly meeting. On the other, women are highly deprived, vulnerable, backward and economic destitute populace of the society. Due to these reasons, women are more interested to attain in monthly meeting in order to solve their acute social and economic problems through their joint efforts in participating cooperatives. In the case of male, attainment in monthly meeting revealed very negligible in all cooperatives. Because all Small Farmers' Cooperative limited conducted meeting at daytime. All members found busy at day time. Therefore, instead of day time, SFCLs should organize monthly meeting at morning or evening shift so as to increase the participation of the members in monthly meeting. Meanwhile, this practice is highly useful to increase saving deposit and also

decreases dropout rate of members in cooperatives by participating them in monthly meeting regularly.

### 6.1.7 Benefits from Saving

Members of SFCL have been receiving various benefits from saving particularly providing financial assistance for health treatment; delivering financial support in casualties such as flood, land slide and earthquake

**Table 6.11**  
**Benefits from Saving**

SFCLs	Easy for borrowing loan	Confidence development	Family expenditure	Loan repayment	Emergency use	Total
Shreeantu	6(6.8%) (10.3%)	17(19.3%) (70.8%)	60(68.2. %) (31.4%)	5(5.7%) (2.1%)	0	88(100%) (100%)
Kumpur	8(5.4%) (13.8%)	0	51(34.2%) (26.7%)	73(49%) (31.1%)	17(11.4%) (36.2%)	149(100%) (100%)
Fedikhola	8 (7.6%) (13.8%)	0	7(6.7%) (3.7%)	73(69.5%) (31.1%)	17(16.2%) (36.2%)	105(100%) (100%)
Uttarganga	17(17.3%) (29.3%)	0	10(10.2%) (5.2%)	60(61.2%) (25.5%)	11(11.2%) (23.4%)	98(100%) (100%)
Kalena	19(16.5%) (32.8%)	7(6.1%) (29.2%)	63(54.8%) (33%)	24(20.9%) (10.2%)	2(1.7%) (4.3%)	115(100%) (100%)
Total	58 (10.450%)	24(4.324%)	191 (34.414%)	235(42.342 )	47(8.468%)	555 (100%)

*Source: Field Survey (2007).*

Besides, it provides assistance for child education, purchasing of daily uses goods, construction of house, and funded expenditure during festivals and investing loan in economic activities and other social activities. It created confidence among the members to borrow additional loan by depositing security of saving in the SFCL. Thus, saving has been considered as one of the important activities in SFCL. In this connection, research study shows that majority of the respondents: 68.2 percent SFCL Shreeantu and 54.8 percent from SFCL Kalena stated that saving could be used for family expenditure such as child education, marriage of their sons and daughters, house construction, purchasing of utensils, health treatment and spend in casualties

such as flood, land slide, earthquake etc. in future, whereas members from SFCLs Fedikhola (69.5%) Uttarganga (61.2%) and Kumpur (49%) mentioned that they would repay loan from saving in future because they did not have regular income and sometimes face difficulty in paying regular installment for loans. Above data analysis shows that, saving is highly useful for their loan repayment, family expenditure, emergency use and confidence development etc. Saving is considered as one of the major component of Small Farmers' Cooperative limited in the context of fund management in the institution and asset increment of poor members. Therefore, saving is highly benefited to the institution and poor people equally. In cooperatives, saving from the members must be increased to invest it in income generating and social development activities. It reduces the poverty of countryside populace and also increases financial strength of institution.

#### **6.1.8 Sources of Saving Deposit**

Most of the small farmers don't have regular income sources. Among them, some of them income from agriculture and labor works and few others earn from the small business

**Table 6.12**  
**Sources of Saving Deposit**

<b>SFCLs</b>	<b>Saving deposit from income</b>	<b>Compulsory saving</b>	<b>Total</b>
Shreeantu	84(95.5%) (16%)	4(4.5%) (13.8%)	88(100%)
Kumpur	146(98%) (27.8%)	3(2%) (10.3%)	149(100%)
Fedikhola	102(97.1%) (19.4%)	3(2.9%) (10.3%)	105(100%)
Uttarganga	95(96.9%) (18.1%)	3(3.1%) (10.3%)	98(100%)
Kalena	99(86.1%) (18.8%)	16(13.9%) (55.2%)	115(100%)
<b>Total</b>	<b>526(94.77%)</b>	<b>29(5.22%)</b>	<b>555(100%)</b>

*Source: Field Survey (2007).*

. Members of small farmers know about the prime importance of saving deposit for future use when they would be physically weak to generate income to meet their requirements. Considering its great importance for future use, majority of the members from SFCLs Kumpur (98%), Fedikhola (97.1%), Uttarganga (96.9%), Shreeantu (95.5%) and Kalena (86.1%) saved money from their regular family income such as wages, business, selling of agriculture and livestock commodity.

Above analysis shows that most of the members deposited their savings from their regular income. Because they are well known that they need to save their few earnings to their future use. Therefore, they are depositing their earning in cooperatives to make more secure in their financial need like health treatment, child education, house expenditure and other miscellaneous expenditure in future. Very few members encountered saving problems due to their limited income from the labor works and other activities, they faced big problems to meet the requirement of regular savings. In such case Small Farmers' Cooperative Limited provided skill related training to their members by coordinating with other concerning agencies. After achieving training, members can identify potential profitable business thereby earn attractive income from the respective project. Meanwhile, it increases income of the members from the profitable project and also secures the investment of the cooperatives as well. Therefore all Small Farmers' Cooperative Limited must organize skill related training to their members massively to increase deposit regularly by earning from profitable projects without any financial constraints.

#### **6.1.9 Problem of Compulsory Saving**

Small Farmers, do not have adequate land, livestock, horticultural plants as well as other off farm activities to earn money to fulfill their daily requirements. Most part of this limited income is spent on food consumption, clothes and during calamities such as flood, draught, landslide and health treatment etc. In addition, they spend their earning in festivals and schooling to the children.

SFCL Kalena Doti stated 92.17 percent problems in compulsory saving followed by Shreeantu, Illam (44.31%), Kumpur, Dhading (10.06%) and, Fedikhola (4.76%), however SFCL Uttarganga, Surkhet had not mentioned any problems in savings deposit.

**Table 6.13**  
**Intensity of Problems in Compulsory Saving**

S.N	SFCLs	Yes	No	Total
1	Shreeantu	39(44.31%)	49(55.68%)	88(100%)
2	Kumpur	15(10.06%)	134(89.93%)	149(100%)
3	Fedikhola	5(4.76%)	100(95.23%)	105(100%)
4	Uttarganga	0	98(100%)	98(100%)
5	Kalena	106(92.17%)	9(7.82%)	115(100%)
	Total	165(29.72%)	390(70.27%)	555(100%)

*Source: Field survey (2007).*

In addition, the members of the Kumpur SFCL had good opportunity to get jobs in Kathmandu and other cities such as Narayaghat of Chitwan and Hetauda of Makawanpur etc, from which they got a regular income. Some of them initiated small business such as tea stall, daily commodity shops and fruit shop etc. along the highway whereas members of SFCL initiated livestock rearing such as buffaloes, goat, cattle and poultry. In addition, they cultivated cash crops such as vegetables, beans, cauliflower and potatoes. Members from Fedikola SFCL cultivated fruits for generating income. Few of them joined in industry and labor works in Pokhara. Members of SFCL Uttarganga involved in agricultural, livestock and horticultural activities to earn income. Most of the members joined in labor works in own Village Development Committee and district headquarter. Consequently, they deposited savings easily in their respective SFCLs.

Above data shows that even 29.72 percent members encountered the problems in compulsory saving because they have not good opportunity to earn regular income from their day-to-day activities. Moreover, those Small Farmers' Cooperative Limited, which established in the remote areas, basically they do not have marketing facilities. Most of the members of Small Farmers' Cooperative Limited are totally unknown about the business promotion activities. They do not have skill to operate the income generating activities smoothly. Consequently, one third of the members encountered compulsory savings extensively. To solve this problems, Small Farmers' Cooperative Limited need to identify basic profitable business in that respective Small Farmers'

Cooperative Limited then only invest credit in that project after providing skill related training massively.

#### **6.1.10 Loan Borrowing from Saving**

Income generating activities, so far, is considered as very important activities in order to improve income level of rural populace. Without economic development of poor populace sustainable development is not possible. Saving, therefore, is a major engine of economic development. The SFCL investments are made in income generating activities like agriculture, horticulture, livestock, and cottage industries, off farm activities such as small grocery, tea stall, butcher stall and fruit stall etc.

SFCL is only such institutions that totally prohibited using their saving in the loan form. Executive Members in SFCL argued that deposit acts as the collateral of loan. Further they mentioned that if they invest saving in the form of loan they would face the problems of loan repayment. Hence, they strictly prohibited investing saving in the form of loan from SFCL. As a result, no members borrowed loan from their saving deposit. However, SFCL invested savings in the form of institutional loan.

**Table 6.14**  
**Loan Borrowing Status from Saving**

SN	SFCLs	Yes	No
1	Shreeantu	0	88
2	Kumpur	0	149
3	Fedikhola	0	105
4	Uttarganga	0	98
5	Kalena	0	115
	Total	0	555

*Source: Field Survey (2007).*

Above data shows that individual member can not allow to borrow his/her saving from the Small Farmers' Cooperative Limited that deposited in the form of compulsory saving. Because large amount of savings increases responsibility, trust, commitment and also motivates to pay the loan to the cooperatives on time. Research revealed that those cooperatives, which have maintained large, amount of savings from the members ultimately they are in financial good position. Due to their large savings, members maintained good repayment track, attained meeting, promote

cooperatives, follow rules and regulations strictly, promote good coordinating environment and finally Small Farmers' Cooperative Limited maintained its operating cost and other miscellaneous cost from their earning effectively. Therefore, large amount of saving deposit from member is one of the effective system of Small Farmers' Cooperative Limited, which helps to maintain rules, regulations and discipline from the members strictly.

## **6.2 Loan Investment and Collection**

Small Farmers' Cooperative Limited is one of the major poverty reduction programs of the country. Its major aim has had undertaken to collect savings from members in the village thereby invest it in income generating activities such as cereal crop production, cash crop and vegetable production, poultry raising, bee keeping, cattle and buffalo raising, goat and sheep rearing, pig farming, cottage industry, small tea shops, vendors, marketing, pledging and other off farming activities. In addition, it also provide loan in social activities such as health treatment, household expenditure, children education and others.

To meet the major objective, it invests loan in short, medium and long-term basis in income generating activities to improve the livelihood of the rural people. This research study revealed that annual growth of loan investment stood 15 percent likewise, growth rate of loan collection revealed 16 percent, interest collection grew by 15 percent and outstanding increased by 13 percent annually.

Detail achievements on loan investment collection, outstanding and overdue are described hereunder:

### **6.2.1 Overall Status of Loan Investment and Collection**

Loan investment is one of the major component of SFCL, in which, it invests loan to needy members who are recommended by group members and respective inter-groups. It has envisaged objective to provide loan to all the members who involved in the groups. As a result, in the National perspective loan investment reached to NRs. 1.020 billion in SFCLs as of 2005/06. Along it, loan investment trend was quite positive during five years period from 2001/02 to 2005/06. So far, large investment increment of 43.29 percent occurred in 2004/2005 in comparison to past year 2003/2004. The increment in investment was very low, only 17 percent, in 2005/2006. Finally, average annual trend showed an increment of NRs. 158144



thousand in loan investment per year while average loan investment increment stood only 15 percent per annum.

**Table 6.15**  
**Status of Loan Investment and Collection**

NRs. 000

<b>Fiscal Year</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>Trend</b>	
<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Annual</b>	<b>Per-cent</b>
Loan investment	414235	503709	608653	872149	1020737	158144	15
Loan collection (Principal)	326595	406330	507514	687593	888282	140464	16
Interest collection	110858	131214	167438	217668	271579	40790	15
Outstanding	899586	1105917	1340675	1600288	1856079	2407636	13
Recovery Rate (%)	70	69	69	74	78	2	3

*Source: Central Training Institute Annual Report (2007).*

Above data shows that loan investment trend stood quiet positive, because it maintained average annual growth rate as 15 percent. Nevertheless, Small Farmer' Cooperative Limited has great challenge to increase the loan size to its members and to invest credit to the new members those who are not accessed the credit in the past. Research revealed that still 30 percent members were not received loan from the Small Farmers' Cooperative Limited. In such condition, Small Farmers' Cooperative Limited needs to increase its loan investment to its members massively so as to help to reduce the poverty of the country.

**a) Credit Investment**

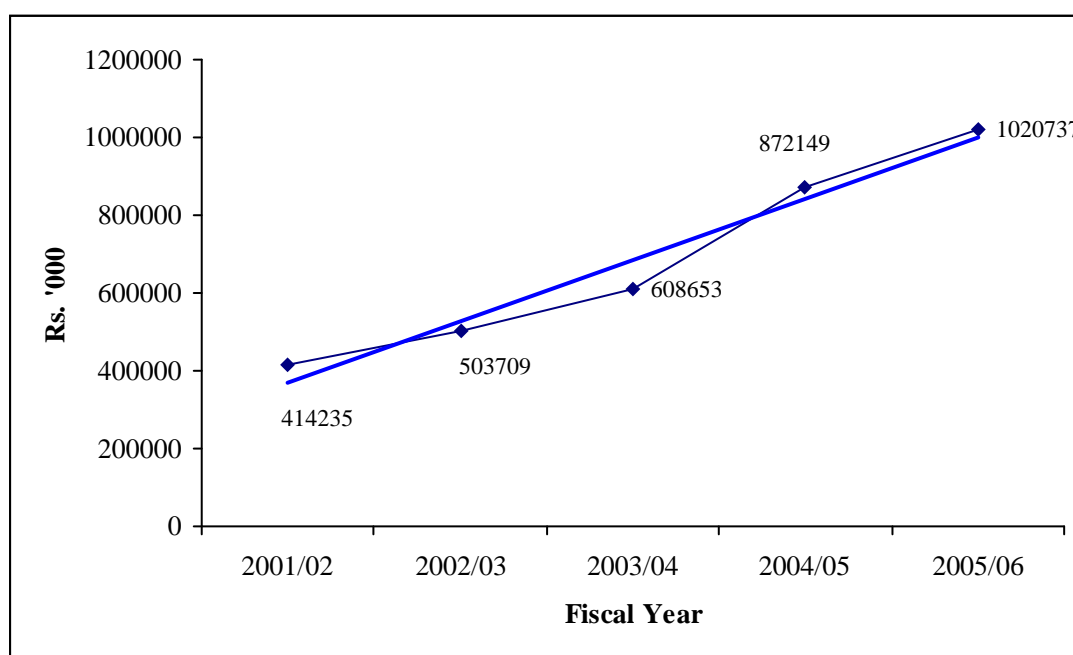
Members of SFCL are comprised of poorest of the poor populace who do not have adequate income to fulfill their daily requirements. In order to increase economic status of rural populace, SFCL has been investing credit to its members in income generating activities such as agriculture viz; food crops, cash crops, seasonal vegetables, off farm vegetables, horticulture plants, tea, coffee, livestock (buffalo,

cattle, goats, sheep, poultry) cottage industry (garment, sewing cutting, handicrafts and weaving) agro industry (mills, dryers) others (marketing input and output, pledging, house construction, land purchasing, health treatment and casualties etc.).

Moreover, SFCLs categorize their credit products into three components such as short-term, medium term and long term. But most of the loan falls under the short-term category.

Credit investment from the SFCLs ranges from NRs. 500 to NRs.50,000 with the nominal interest rate between 14 to 20 percent. Since 2004, loan advances up to NRs.100,000 in small enterprises have also been classified as micro finance from Nepal Rastra Bank.

**Figure 6.2**  
**Loan Investment**



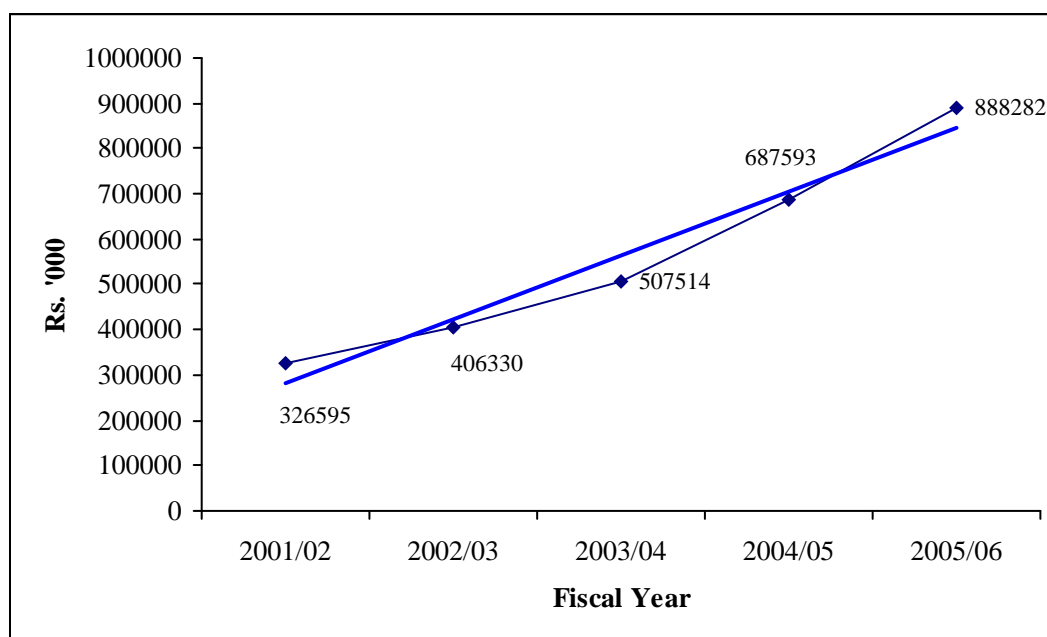
Above data shows that annual investment from the Small Farmers' Cooperative Limited stood not encouraging that ranged between 414,235 thousand to 1,020,737 thousand during the year of 2001/02 to 2005/06. Meanwhile this portfolio does not meet the financial cost of cooperatives and also it does not meet the credit demand of the members. In other words, it neither reduces the poverty of the countryside populace nor meets the operating and other miscellaneous cost of the cooperatives. It shows that investment policy of Small Farmers' Cooperatives is totally outdated in the context of economic development of poor people and maintains financial

sustainability of institution. To resolve these problems, it must increase loan portfolio to their members on one and also increase accessibility of credit demand to new members massively in order to achieve the goal of the poverty reduction.

**b) Loan Collection (Principal)**

Loan collection (principal) reached to NRs. 888.282 million as of 2005/06. Highest loan collection increment was recorded in the year 2004/05 as 35.48 percent against the increment of 24.90 percent in the fiscal year of 2003/04. Lowest increment in loan collection was recorded in 2002/03 as 24.41 percent. Average annual loan collection (principal) revealed NRs. 140.464 million that increased by 16 percent.

**Figure 6.3**  
**Loan Collection (Principal)**



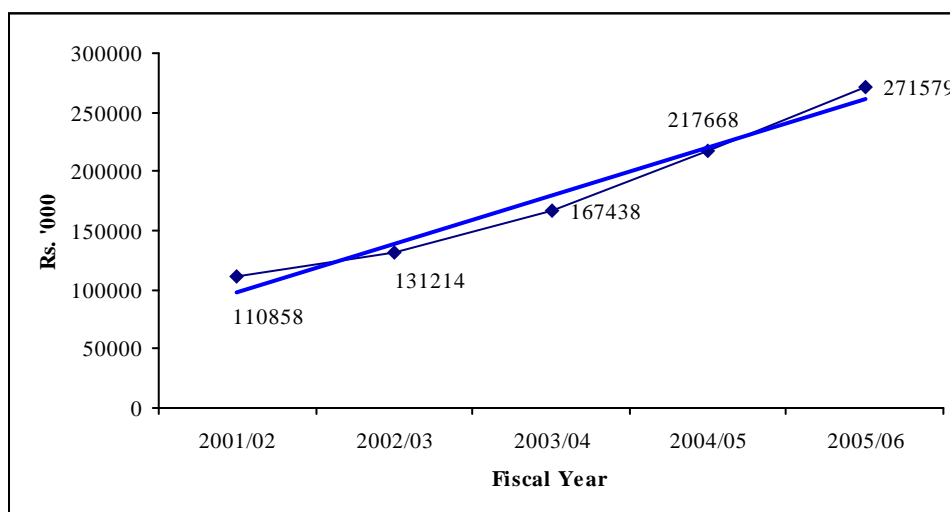
Above data shows that loan collection ranged between 326595 thousand to 888282 as against the investment ranged 414235 thousand to NRs. 1020737 thousand that stood 78 percent to 87 percent loan collection in that duration. This percentage of loan collection does not give the good status because as per the international norms, it must be above 95 percent per annum. Therefore, all Small Farmers' Cooperative Limited should improve their loan collection status by motivating to the members in their monthly meeting.

**c) Interest Collection**

Interest collection is major aspects of Small Farmers' Cooperative Limited. All operating cost and miscellaneous cost of cooperatives must meet from this earning. Therefore, Small Farmers' Cooperative Limited can not operate smoothly due to the lack of such resources that need to perform day to day activities of the institution.

Interest collection in SFCL reached to NRs.271.579 million as of fiscal year 2005/06. Its interest collection increased to the highest in 2004/05 as 29.99 percent against of 27.60 percent in 2003/004. While lowest interest collection increment of 18.36 percent was recorded in 2002/03.

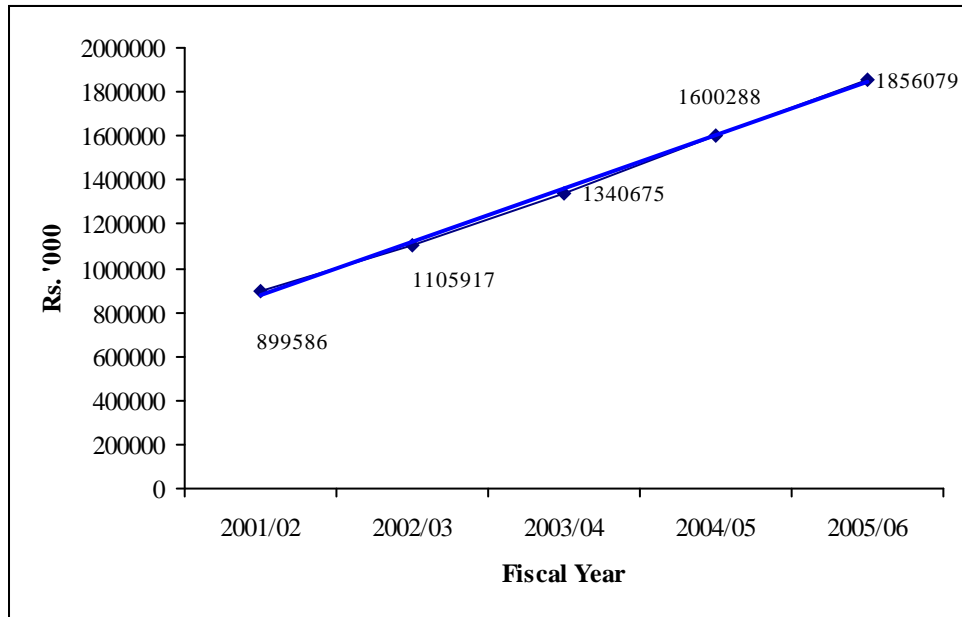
**Figure 6.4**  
**Interest Collection**



**d) Loan Outstanding**

Loan outstanding of SFCL reached to NRs. 1.856079 billion as of fiscal year 2005/06. However, loan outstanding decreased slowly and reached 22.93 percent increment in 2002/03, 21.22 percent increment in 2003/04, 19.36 percent increment in 2004/05 and 15.98 percent increment in 2005/06.

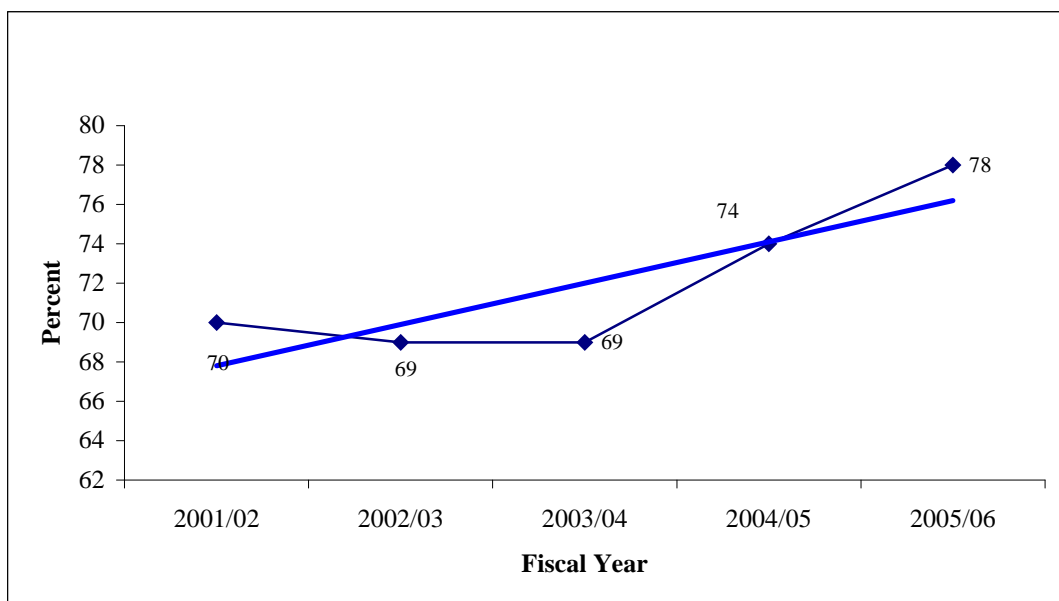
**Figure 6.5**  
**Outstanding Loan**



**e) Loan Recovery Rate**

Loan recovery rate stood 70 percent in 2001/002, 69 percent in 2002/03, 69 percent in 2003/04, 74 percent in 2004/05 and 78 percent in 2005/06. This research study shows that loan collections of SFCLs are increasing trend in the comparison of the past years.

**Figure 6.6**  
**Loan Recovery Rate**



## 6.2.2 Loan Borrowing and Repayment Status of Respondents

This section has been analyzed about the loan borrowing, repayment, overdue and outstanding status of individual respondents, are described hereunder:

### Number of Loan Borrowing Respondents

Out of 555 sample respondents, 361 (65%) borrowed loans Whereas 194 (35%) did not have access to loans from SFCLs.

**Table 6.16**

**Number of Loan Borrowing Respondents**

SFCLs	Nos. of respondents having loan	Nos. of respondents not having loan
Uttarganga, Surkhet	73 (74.5%) (20.2%)	25 (25.5%) (12.9%)
Fedikhola, Syangja	55 (52.4%) (15.2%)	50 (47.6%) (25.8%)
Kumpur, Dhading	98 (65.8%) (27.1%)	51 (34.2%) (26.3%)
Kalena, Doti	76 (66.1%) (21.1%)	39 (33.9%) (20.1%)
Shreeantu, Ilam	59 (67%) (16.3%)	29 (33%) (14.9%)
Total	361 (65%)	194 (35%)

*Source: Field Survey (2007)*

Large number of members 27.1 percent borrowed loan from SFCL Kumpur, Dhading, followed by Kalena, Doti 21.1 percent, Uttarganga, Surkhet 20.2 percent, Shreeantu, Ilam 16.3 percent and Fedikhola, Syangja 15.2 percent.

The major reasons behind to inaccessibility to credit facilities from SFCL were the lack of adequate fund in SFCLs, no trust among the members, no potential investment activities in the program areas and no encouragement from the executive members. Nevertheless, research shows that those members who have tactfulness had access to adequate loan, whereas those who have not such capacity they were still away from the loan facilities.

### Types of Loan Receiving from Respondents

Out of 482 loan numbers, highest borrowing was found to be in agribusiness 49 percent followed by marketing 18.3 percent, cash crops 16.1 percent, tea and coffee 5.3 per cent, non-agro-business 3.6 percent, cereal crops 2.5 percent, agro-tools

1.7 percent, housing cum land 1.4 percent, agro-industries 0.6 percent and horticulture 0.3 percent.

Highest loan numbers was found at 98 (27.1%) in SFCL Kumpur, Dhading followed by Kalena, Doti 75 (20.8%), Uttarganga, Surkhet 73 (20.2%), Shreeantu 59 (16.3%) and Fedikhola 56 (15.2%).

Altogether 50 percent members borrowed loan in agribusiness from SFCL. It occupied large share than that of other loan portfolios. In fact, agro-business generates easy profit as compared with other portfolios. It includes livestock rearing activities such as buffaloes, cows, goats, sheep and poultry. Apart from this, marketing and cash crops achieved quiet significance performance rather than the other activities. While, marketing activity provided loan in daily uses goods shop, tea-shop and pledging etc, cash crops provided loan for improved seeds, fertilizers and plantation activities etc.

### **Number of Loan Borrowing from Respondents**

SFCL do not have adequate financial resources, because they collect fund from savings from its members in the form of individual, group, children, old aged and maternity saving. In addition, it borrowed loan from Small Farmers' Development Bank as a wholesale credit. Loan received from wholesale lending requires fulfilling the minimum requirements of SFCLs. Due to the unavailability of adequate fund for investment in various activities to the respective members, most of the members borrowed loan in single activity. Of the total, 74.8 percent members borrowed single loan followed by two loans by 18.3 percent, three loans by 5.5 percent and four loans by 1.4 percent members.

**Table 6.17**

### **Number of Loan Borrowing from Respondents**

<b>SN</b>	<b>Number of loans</b>	<b>Frequency</b>	<b>Valid percent</b>
1	1	270	74.8
2	2	66	18.3
3	3	20	5.5
4	4	5	1.4
		361	100

*Source: Field Survey (2007).*

### Number of Loan Borrowing from Gender

Of the total 270 single loan borrowers, female occupied 54.8 percent in comparison with 45.2 percent male counterparts. Similarly, out of 66 two-loan borrowers, female occupied 51.5 percent whereas male occupied 48.5 percent. Loan received from female was quite positive in single and double loan borrowing. Research shows that SFCL encouraged investing loan to women rather than male counterparts. Further, it revealed that women are more sincere towards the loan repayment; project implementation, loan utilization and also marketing management regarding input and output management effectively.

**Table 6.18**

### Number of Loan Borrowing from Gender

Gender	Loan borrowing numbers				Total
	1	2	3	4	
Male	122 (45.2%)	32 (48.5%)	8 (40%)	1 (20%)	163 (45.2%)
Female	148 (54.8%)	34 (51.5%)	12 (60%)	4 (80%)	198 (54.8%)
Total	270 (100%)	66 (100%)	20 (100%)	5 (100%)	361 (100%)

*Source: Field Survey (2007).*

### Types of Loan Borrowing from Gender

Out of 482 loan numbers, female borrowed 55.1 percent whereas male borrowed 44.9 percent. Research shows that types of loan borrowing in female are found quite higher than that of male counterparts. Further, the research pointed out that female are more conscious, honest and sensitive towards the loan utilization as well as loan repayment. Consequently, SFCL gradually increased loan numbers to the female members in comparison of male.



**Table 6.19****Types of Loan Borrowing from Gender**

S.N.	Loan types	Male	Female	Total
1	Cereal crops	4 (44.4%) (2.5%)	5 (55.6%) (2.5%)	9 (100%) (2.5%)
2	Cash crops	30 (51.7%) (18.5%)	28 (48.3%) (14.1%)	58 (100%) (16.1%)
3	Marketing	20 (30.3%) (12.3%)	46 (69.7%) (23.1%)	66 (100%) (18.3%)
4	Agri.tools	1 (16.7%) (0.6%)	5 (83.3%) (2.5%)	6 (100%) (1.7%)
5	Agri. industries	1 (50%) (0.6%)	1 (50%) (0.5%)	2 (100%) (0.6%)
6	Agribusiness	88 (49.7%) (54.3%)	89 (50.3%) (44.7%)	177 (100%) (49%)
7	Horticulture	0	1 (100%) (0.5%)	1 (100%) (0.3%)
8	Tea & coffee	10 (52.6%) (6.2%)	9 (47.4%) (4.5%)	19 (100%) (5.3%)
9	Housing and land	0	5 (100%) (2.5%)	5 (100%) (1.4%)
10	Non agri. business	4 (30.8%) (2.5%)	9 (69.2%) (4.5%)	13 (100%) (3.6 %)
11	Others	4 (80%) (2.5%)	1 (20%) (0.5%)	5 (100%) (1.4 %)
12	Total	162 (44.9%) (100%)	199 (55.1%) (100%)	361 (100%) (100%)

*Source: Field Survey (2007).*

On activity wise analysis, female borrowed highest numbers in marketing loan 69.7 percent followed by non agro-business 69.2 percent, cash crops 51.7 percent agro-business 50.3 percent whereas male borrowed highest numbers in tea and coffee loan 52.6 percent and cash crops 51.7 percent. It reflects those females are attracted towards the profitable activities. As a result their involvement found higher in off farm activities rather than the agricultural activities. Agricultural activity had fewer profit margins in the comparison of off farm activities.

**Gender's participation in loan Borrowing**

On the basis of gender wise analysis, 69.95 percent male and 61.49 percent female members had accessed to loan from SFCLs whereas remaining 30 percent male and 38.50 percent female members did not have accessed to loans from SFCLs. In the case of female, loan-borrowing status revealed low as compared to the male

counterparts. Research study shows that women were more conscious, less tactful and passionate than the male counterparts so their decisions were performed late. In addition women needed to take approval from the male family head about borrowing the loan.

**Table 6.20**  
**Genders' participation in Loan Borrowing**

SFCLs	Male		Female	
	Borrowing loan	Not borrowing loan	Borrowing loan	Not borrowing loan
Uttarganga, Surkhet	6 (8.2%) (100%)	0	67(72.8%) (33.83%)	25 (27.17%) (20.16%)
Fedikhola, Syangja	16(29.1%) (64%)	9 (18%) (36%)	39(70.9%) (48.8%)	41 (82%) (51.3%)
Kumpur, Dhading	60(61.2%) (67.4%)	29 (56.9%) (32.6%)	38 (38.8%) (63.3%)	22 (43.1%) (43.1%)
Kalena, Doti	47(61.8%) (69.1%)	21 (53.8%) (30.9%)	29(61.7%) (14.64%)	18(38.3%) (14.51%)
Shreeantu, Ilam	34(57.6%) (75.6%)	11(37.9%) (24.4%)	25 (42.4%) (58.1%)	18 (62.1%) (41.9%)
Total	163(29.36) (69.95%)	70(12.61) (30%)	198(35.67%) (61.49%)	124(22.34%) (38.50%)

*Source: Field Survey (2007).*

The gender wise analysis of SFCLs showed that the highest loan borrowed by male members in SFCL Kalena, Doti stood 61.8 percent followed by Kumpur, Dhading 61.2 percent, Shreeantu Ilam 57.6 percent, Fedikhola 29.1 percent and Uttarganga 8.2 percent. Research study shows that loan status in women stood negligible in male dominated SFCLs such as Kalena, Doti, Kumpur, Dhading and Shreeantu, Ilam. Women were found to have been discouraged from demanding loan in the male dominated SFCLs. However, women had better loan accessibility in women dominated SFCLs like Uttarganga, Surkhet and Fedikhola, Syangja, where 72.8 percent loan takers were women in SFCL Uttarganga, Surkhet followed by Fedikhola, Syangja (70.9%).

#### **Loan Borrowing from Representatives**

Most of the executive committee members borrowed loan from SFCLs. Research study shows that large number of Chairpersons (81.3%) were involved in loan borrowing from SFCL followed by Treasurers (72.7%), Secretary (58.3%) and Members (57.9%).

As per the SFCL wise analysis, Treasurers of SFCL Kumpur, Dhading were involved the highest (81.8%) in loan borrowing followed by Chairpersons (67.7 %), Members (64.9%), Vice-chairpersons (64.7%) and Secretary (50 %).

In SFCL Shreeantu, Illam, Vice-chairpersons were the highest (81.8%) in loan borrowing followed by Chairpersons (81.3%), Treasurers (72.7%), Secretary (58.3%) and members (57.9%).

In SFCL Uttarganga, Surkhet, Vice-chairpersons involved the highest (85.7%) in loan borrowing followed by Secretaries and Chairpersons each by (73.7%), Treasurers (71.4 %) and members (67.6%).

Likewise, members from SFCL Kalena, Doti involved the highest (76.1%) in loan borrowing followed by Secretary (68.4 %), Chairpersons (60 %), and Treasurers (53.1 %) and Vice-chairpersons (50%).

Research study shows that most of the executive committee members had borrowed loan to fulfill their requirements. Basically, there were no any special rules and regulation to prohibit the executive committee members from borrowing the loan. Study noticed that due to the lack of strict rules and regulation, generally executive committee members borrowed large amount as loan and they had not been paying the loan back on time. As due to such unprofessional conduct, loan portfolio of SFCL was not so good resulting in sharp increase in volume of overdue loan.

**Table 6.21****Loan Borrowing from Representatives**

SFCLs	Chair Person		Vice-chairperson		Secretary		Treasurer		Member		Total	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Uttarganga, Surkhet	14	5	12	2	12	2	10	4	25	12	73	25
% with loan borrow from SFCL	73.7	26.3	85.7	14.3	85.7	14.3	71.4	28.6	67.6	32.4	74.5	25.5
% with designation of respondent	19.2	26.3	16.4	8.0	16.4	8.0	13.7	16	34.2	32.4	100	100
Fedikhola, Syangja	14	8	3	7	4	10	7	5	27	20	55	50
% with loan borrow from SFCL	63.6	36.4	30	70	28.6	71.4	58.3	41.7	57.4	42.6	52.4	47.6
% with design of resp.	25.5	16	5.5	14	7.3	20	12.7	10	49.1	40	100	100
Kumpur, Dhading	21	10	11	6	11	11	18	4	37	20	98	51
% with loan borrow from SFCL	67.7	32.3	64.7	35.3	50	50	81.8	18.2	64.9	35.1	65.8	34.2
% with design of resp	21.4	19.6	11.2	11.8	11.2	21.6	18.4	7.8	37.8	39.2	100	100
Kalena, Doti	15	10	6	6	13	6	7	6	35	11	76	39
% with loan borrow from SFCL	60	40	50	50	68.4	31.6	53.8	46.2	76.1	23.9	66.1	33.9
% with design of resp	19.7	25.6	7.9	15.4	17.1	15.4	9.2	15.4	46.1	28.2	100	100
Shreeantu, Ilam	13	3	9	2	7	5	8	3	22	16	59	29
% with loan borrow from SFCL	81.3	18.8	81.8	18.2	58.3	41.7	72.7	27.3	57.9	42.1	67	33
% with design of resp	22	10.3	15.3	6.9	11.9	17.2	13.6	10.3	37.3	55.2	100	100

Source: Field Survey (2007).

**Loan Borrowing Status of Representatives**

As per the representative wise analysis on loan borrowings, highest numbers of loans borrowed by members 147 (40.7%) followed by Chairpersons 77 (21.3%), Treasurers 50 (13.9%), Secretary 46 (12.7%) and Vice- chairpersons 41 (11.4%).

Merely 41 percent shares were occupied in loan borrowing from the members. This is quiet positive participation of low empowering groups in SFCLs, Participation of Chairpersons was found to be quiet high in the comparison of its

share in-group. Research study clearly indicated that Chairpersons and Vice-chairpersons fully dominated the groups regarding loan borrowing, decision making, controlling and managing of the SFCLs. As a result, loan borrowing, however increased in Chairpersons and Vice-chairpersons due to their autocratic rules rather than the participatory decisions. Loan borrowing from other representatives such as Treasurers and Secretary revealed quiet positive in comparison of their presence in the groups.

As per the activity wise analysis, members borrowed highest loans in agro-business 49.7 percent followed by marketing 21.1 percent, cash crops 13.6 percent and non agro-business 3.4 percent. Likewise, Chairpersons borrowed highest loans in agro-business 54.5 percent followed by marketing 16.9 percent, cash crops 13 percent, tea and coffee 7.8 percent.

**Table 6.22**

**Activity wise Loan Borrowing Status of Representatives**

Loan types	Chairperson	Vice-chairperson	Secretary	Treasurer	Members	Total
Cereal crops	1(11.1%) (1.3%)	1(11.1) (2.4%)	1(11.1%) (2.2%)	0	6(66.7%) (4.1%)	9 (100%) (2.5%)
Cash Crops	10 (17.2%) (13%)	7(12.1%) (17.1%)	10(17.2%) (21.7%)	11(19%) (22%)	20 (34.5%) (13.6%)	58(100%) (16.1%)
Marketing	13(19.7%) (16.9%)	12 (18.2%) (29.3%)	8(12.1%) (17.4%)	2 (3.0%) (4 %)	31(47%) (21.1%)	66(100%) (18.3%)
Agri. tools	3(50%) (3.9%)	0	0	2(33.3) (4 .0%)	1(16.7%) (0.7%)	6(100%) (1.7%)
Agri. Industries	0	1(50%) (3.9%)	0	0	1(50%) (0.7%)	2(100%) (0.6%)
Agri. business	42(23.7%) (54.5%)	13(7.3%) (31.7%)	22(12.4%) (47.8%)	27(15.3%) (54%)	73(41.2%) (49.7%)	177(100%) (49%)
Horticulture	0	0	0	0	1(100%) (0.7%)	1(100%) (0.3%)
Tea & coffee	6(31.6%) (7.8%)	3(15.8%) (7.3%)	1(5.3%) (2.2%)	4(21.1%) (8.0%)	5(26.3%) (3.4%)	19(100%) (5.3%)
Housing & land	1(20%) (1.3%)	0	2(40%) (4.3%)	1(20%) (2.0%)	1(20%) (0.7%)	5(100%) (1.4%)
Non agri. business	1(7.7%) (1.3%)	3(23.1%) (7.3%)	1(20%) (2.2%)	3(23.1%) (6%)	5(38.5%) (3.4%)	13(100%) (3.6%)
Others	0	1(20%) (2.4%)	1(20%) (2.2%)	0	3(60%) (2.0%)	5(100%) (1.4%)
Total	77(21.3%) (100%)	41(11.4%) (100%)	46(12.7%) (100%)	50(13.9%) (100%)	147(40.7%) (100%)	361(100%) (100%)

*Source: Field Survey (2007).*

Similarly, Treasurers borrowed highest loans in agro-business 54 percent followed by cash crops 22 percent, tea and coffee 8 percent, non agro-business 6

percent and marketing 4 percent. Likewise, Secretary borrowed highest loans in agro-business 47.8 percent followed by cash crops 21.7 percent, marketing 17.4 percent and housing and land 4.3 percent. Research shows that loan borrowing in agro-business occupied highest share among the different loan activities. It was, however borrowed highest numbers from all representatives such as Chairperson, Vice-chairperson, Secretary, Treasurers and Members

#### **Overall Loan Borrowing Status with Respondents' education Level wise**

Out of 555 members, 361 (65%) borrowed loan whereas 194 (35%) were not accessed loans from SFCLs. Out of 56 illiterate borrowers, 31 (55.4%) borrowed loan whereas 25 (44.6%) did not. Similarly, out of 30 from "can read category" 22 (73.3%) borrowed loan whereas 8 (26.7%) did not. Of the 445 "can read & write category" 288 (64.7%) borrowed loan whereas 157 (35.3%) did not.

**Table 6.23**

#### **Overall Loan Borrowing Status with Respondents' education level wise**

S.N.	Education Level of Respondents	Loan borrowing	Not loan borrowing	Total
1	Illiterate	31 (55.4%) (8.6%)	25 (44.6%) (12.9%)	56 (100%) (10.1%)
2	Can read only	22 (73.3%) (6.1%)	8 (26.7%) (4.1%)	30 (100%) (5.4%)
3	Can read & write	288 (64.7%) (79.8%)	157 (35.3%) (80.9%)	445 (100%) (80.2%)
4	SLC	16 (84.2%) (4.4%)	3 (15.8%) (1.5%)	19 (100%) (3.4%)
5	Intermediate	2 (66.7%) (0.6%)	1 (33.3%) (0.5%)	3 (100%) (0.5%)
6	Bachelor	2 (100%) (0.6%)	0	2 (100%) (0.4%)
7	Total	361(65%) (100%)	194 (35%) (100%)	555 (100%) (100%)

*Source: Field Survey (2007).*

Out of 19 SLC passed members, 16 (84.2%) borrowed loan whereas 3 (15.8%) did not. Out of 3 Intermediate passed members, 2 (66.7%) borrowed loan whereas 1 (33.3%) did not. Out of 2 graduate members, 100 percent borrowed loan from SFCL. Highest number of loan borrowers fell in the graduate pass category and followed by 'can read and write' category stood 288 (79.8 %). Research study shows that education is one of the major strong tools for empowering people to get the loan from SFCL. In

this respect, SFCL organized adult literacy courses for its members to make them literate, thereby improving the credit quality properly in order to pay loan back timely.

#### **SFCL wise Loan Borrowing Status with Respondents' education Level wise**

This section tries to analysis the role of education for borrowing the loans from the SFCLs. Details are described hereunder:

##### **a) SFCL Shreeantu, Illam**

Out of total 59 loan borrowers in SFCL Shreeantu, 49 (83.1 %) members borrowed loan for a single purpose whereas 10 members (16.9%) had borrowed loan for double purpose. Out of two illiterate members, 100 percent borrowed loan for a single purpose.

**Table 6.24**

#### **Loan Borrowing Status with Respondents' education Level wise at SFCL Shreeantu, Illam**

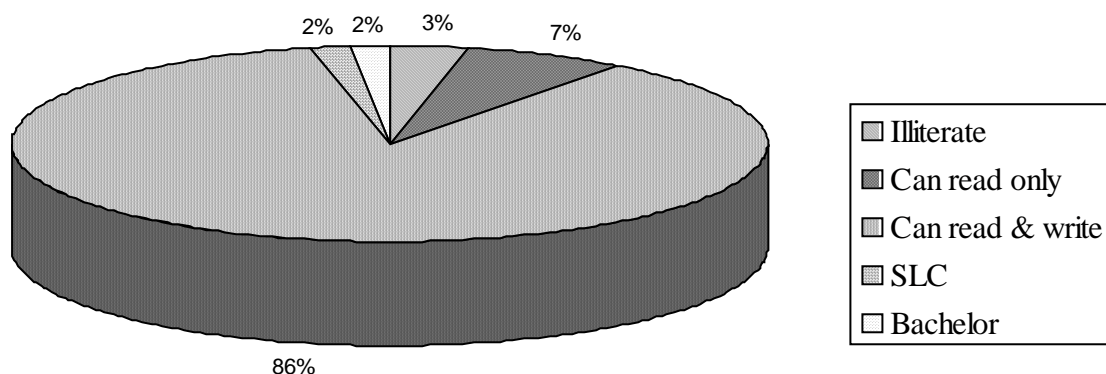
<b>Education Level of Respondents</b>	<b>Loan Numbers</b>				
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Total</b>
Illiterate	2(100%) (4.1%)	0	0	0	2(100%) (3.4%)
Can read only	3(75%) (6.1%)	1(25%) (10%)	0	0	4(100%) (6.8%)
Can read & write	42(82.4%) (85.7%)	9(17.6%) (90%)	0	0	51(100%) (86.4%)
SLC	1(100%) (2%)	0	0	0	1(100%) (1.7%)
Bachelor	1(100%) (2%)	0	0	0	1(100%) (1.7%)
Total	49(83.1%) (100%)	10(16.9%)	0	0	59(100%) (100%)

*Source: Field Survey (2007).*

Likewise, out of the four members "can read only category" three members (75%) borrowed loan for single purpose whereas one member (25%) had borrowed loan for double purpose. Out of 51 members of the "can read & write category" 42 (82.4%) borrowed loan for single purpose whereas nine members (17.6 %) had borrowed for double purpose. Out of one member of the SLC passed category, 100 percent borrowed loan for single purpose.

**Figure 6.7**

**Loan Borrowing Status with Respondents' education level wise at SFCLs  
Shreeantu**



**b) SFCL Kumpur, Dhading**

Out of total 98 loan borrowers in SFCL Kumpur, 97 (99%) members borrowed loan for single purpose where as 1 (1%) borrowed loan for double purpose. Specifically, out of 9 illiterate members in SFCL Kumpur, 100 percent borrowed loan for single purpose.

**Table 6.25**

**Loan Borrowing Status with Respondents' education Level wise at SFCL  
Kumpur.**

S.N.	Education Status	Loan Numbers				
		1	2	3	4	Total
1	Illiterate	9(100%) (9.3%)	0	0	0	9 (100%) (9.2%)
2	Can read only	5(100%) (5.2%)	0	0	0	5(100%) (5.1%)
3	Can read & write	72 (100%) (74.2%)	0	0	0	72(100%) (73.5%)
4	SLC	8(88.9%) (8.2%)	1(11.1%) (100%)	0	0	9(100%) (9.2%)
5	Intermediate	2(100%) (2.1%)	0	0	0	2(100%) (2.0%)
6	Bachelor	1(100%) (1.0%)	0	0	0	1(100%) (1.0%)
	Total	97(99%) (100%)	1(1.0%) (100%)	0	0	98(100%) (100%)

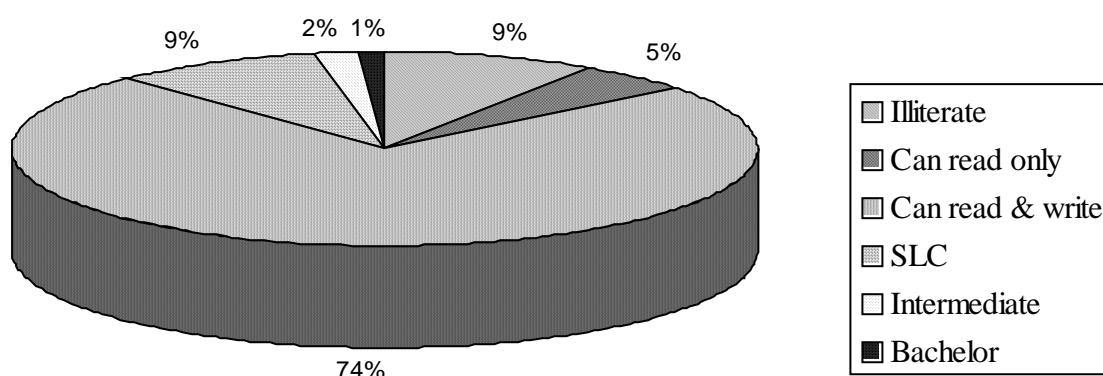
Source: Field Survey (2007).



Likewise, out of the 5 members of the "can read only category" 100 percent-borrowed loan for single purpose. Out of 72 members of the "can read & write category", 100 percent borrowed loan for single purpose. Similarly, out of 9 SLC passed category, 8 (88.9%) borrowed loan of single purpose whereas 1 (11.1%) had borrowed loan for double purpose.

**Figure 6.8**

**Loan Borrowing Status with Respondents' education level wise at SFCLs  
Kumpur, Dhading**



**c) SFCL Fedikhola, Syangja**

Out of total 55 loan borrowers in SFCL Fedikhola, 26 (47.3%) members borrowed loan for single purpose followed by 18 (32.7%) for double purpose, 10 (18.2%) for 3 purposes and finally, 1 (1.8 %) members borrowed loan for 4 purposes. Specifically, out of 7 illiterate members in SFCL Fedikhola, 4 (57.1%) members borrowed loan for single purpose and 3 (42.9%) borrowed for double purpose.

**Table 6.26**

**Loan Borrowing Status with Respondents' education level wise at SFCL  
Fedikhola, Syangja**

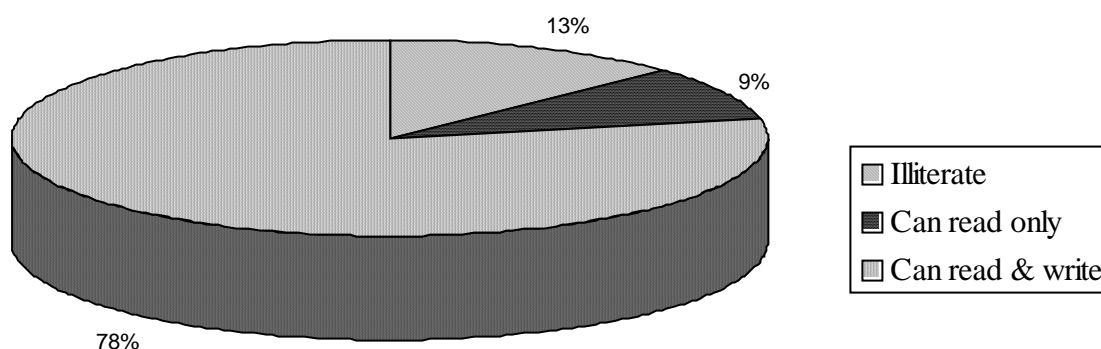
Education Status	Loan Numbers				
	1	2	3	4	Total
Illiterate	4 (57.1%) (15.4%)	3(42.9%) (16.7%)	0	0	7(100%) (12.7%)
Can read only	3 (60.0%) (11.5%)	2(40%) (11.1%)	0	0	5(100%) (9.1%)
Can read & write	19 (44.2%) (73.1%)	13(30.2 %) (72.2%)	10(23.3%) (100%)	1(2.3%) (100%)	43(100%) (78.2%)
Total	26 (47.3%) (100%)	18(32.7%) (100%)	10(18.2%) (100%)	1(1.8%) (100%)	55 (100%) (100%)

Source: Field survey (2007).

Likewise, out of the 5 members of the "can read only category" 3 (60%) borrowed loan for single purpose whereas 2 (40%) borrowed loan for double purpose. Similarly, out of 43 members of the "can read & write category" 19 members (44.2%) borrowed loan for single purpose, 13 members (30.2%) borrowed for double purpose, 10 members (23.3 %) borrowed loan for three purposes and a member (2.3%) borrowed for four purposes.

**Figure 6.9**

**Loan Borrowing Status with Respondents' education level wise at SFCLs  
Fedikhola, Syangja**



**c) SFCL Uttarganga, Surkhet**

Out of total 73 loan borrowers in SFCL Uttarganga, 56 (76.7%) borrowed for single purpose whereas 11 (15.1%) borrowed for double purpose, 4 (5.5%) borrowed for 3 purposes and finally, 2 (2.7%) borrowed for 4 purposes. Specifically, out of 3 illiterate members in SFCL Uttarganga, 1 (33.3%) borrowed loan each for single, double and three purposes. Of the 2 members of the "can read only category", 100 percent borrowed for single purpose. Out of 64 members of the "can read & write category" 49 (76.6%) borrowed for single purpose, 10 (15.6%) borrowed for double purpose, 3 (4.7%) borrowed for three purposes and 2 (3.1%) borrowed for four purposes.

**Table 6.27**

**Loan Borrowing Status with Respondents' education level wise at SFCLs  
Uttarganga Surkhet**

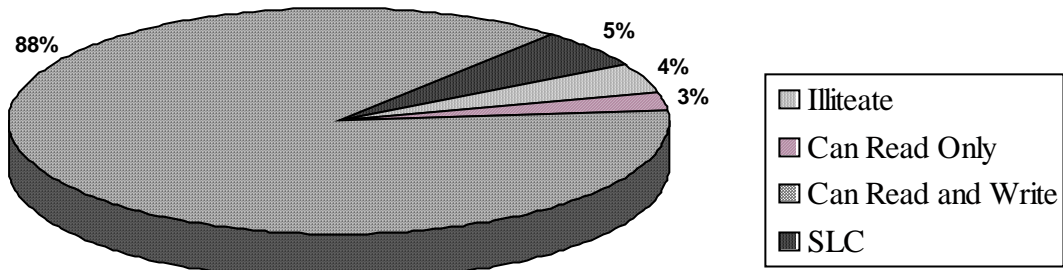
Education Status	Loan Numbers				
	1	2	3	4	Total
Illiterate	1 (33.3%) (1.8%)	1(33.3%) (9.1%)	1(33.3%) (25.0%)	0	3 (100%) (4.1%)
Can read only	2 (100%) (3.6%)	0	0	0	2(100%) (2.7%)
Can read & write	49(76.6%) (87.5%)	10(15.6%) (90.9%)	3(4.7%) (75%)	2(3.1%) (100%)	64 (100%) (87.7%)
SLC	4 (100%) (7.1%)	0	0	0	4 (100%) (5.5%)
Total	56 (76.7%) (100%)	11(15.1%) (100%)	4 (5.5%) (100%)	2(2.7%) (100%)	73 (100%) (100%)

Source: Field Survey (2007).

Out of 4 SLC passed members, 100 percent borrowed for single purpose. Research study clearly shows that SFCL provided loan mostly for single purposes, to utilize loan properly, provide credit facilities for many members, mitigate risk, gradually improve project management skill and finally increase profit from the project to repay the loan timely.

**Figure 6.10**

**Loan Borrowing Status with respondents' education level wise at SFCLs  
Uttarganga, Surkhet**



**e) SFCL Kalena, Doti**

Out of total 76 loan borrowers in SFCL Kalena, 42 (55.3 %) members borrowed loan for single purpose followed by 26 (34.2%) borrowed loan for double

purpose, 6 (7.9%) borrowed loan for three purposes and 2 (2.6%) borrowed loan for four purposes. Out of 10 members, 6 members (60 %) borrowed loan for single purpose whereas 4 (40%) had borrowed loan for double purpose.

**Table 6.28**

**Loan Borrowing Status with Respondents' education level wise at SFCL Kalena, Doti**

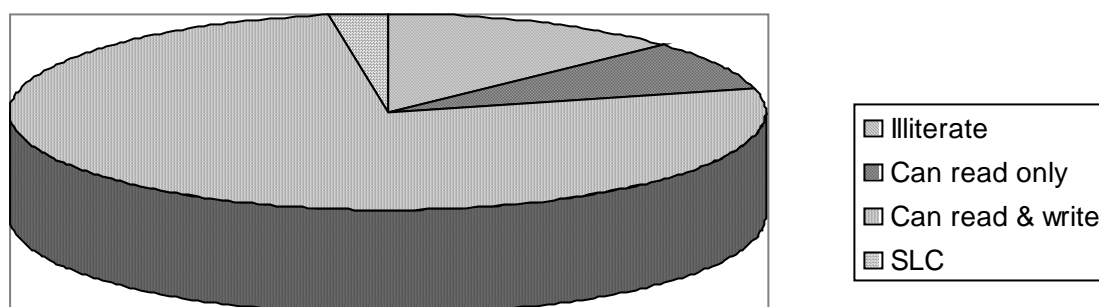
Education Status	Loan Numbers				
	1	2	3	4	Total
Illiterate	6(60.0%) (14.3%)	4(40%) (15.4%)	0	0	10(100%) (13.2%)
Can read only	4(66.7%) (9.5%)	2(33.3%) (7.7%)	0	0	6(100%) (7.9%)
Can read & write	31(53.4%) (73.8%)	19(32.8%) (73.1%)	6(10.3%) (100%)	2(3.4%) (100%)	58(100%) (76.3%)
SLC	1(50%) (2.4%)	1(50%) (10%)	0	0	2(100%) (2.6%)
Total	42(55.3%) (100%)	26(34.2%) (100%)	6(7.9%) (100%)	2(2.6%) (100%)	76(100%) (100%)

*Source: Field Survey (2007).*

Likewise, out of the 6 members of the "can read only category" 4 (66.7%) borrowed loan for single purpose whereas two members (33.3%) had borrowed loan for double purpose.

**Figure 6.11**

**Loan Borrowing Status with Respondents' education level wise at SFCL Kalena, Doti**



Similarly, out of 58 members of the "can read & write category" 31 (53.4%) borrowed loan for single purpose followed by 19 (32.8%) for double purpose, six members (10.3%) for three purposes and finally two members (3.4%) borrowed loan for four purposes. Similarly, out of two SLC passed category, one member (88.9%) borrowed loan for single purpose whereas one member (11.1%) had borrowed loan for double purpose

#### **Number of Clients Receiving Loan in Specific Activities**

Out of 361 borrowers, highest numbers involved for borrowing of buffalo raising 21.9 percent, followed by goat raising 20.2 percent, marketing 18.6 percent, vegetables cultivation 15.8 percent, tea plantation 5.3 percent, cows raising 3.6 percent, textile industry 3.0 percent, ox 2.2 percent, bullock cart 1.7 percent, maize and ginger 1.4 percent.

**Table 6.29**

#### **Number of Loans Borrowing in Specific Activities**

<b>S.N .</b>	<b>Borrowers Receiving Loan Activities</b>	<b>Frequency</b>	<b>Valid percent</b>
1	Vegetables	57	15.8
2	Cows	13	3.6
3	Buffalo	79	21.9
4	Goat	73	20.2
5	Poultry	4	1.1
6	Paddy	4	1.1
7	Fruit plants	1	0.3
8	Tea	19	5.3
9	Selling goods	67	18.6
10	Ox	8	2.2
11	Health treatment	1	0.3
12	House construction	4	1.1
13	Leather marketing	1	0.3
14	House maintenance	1	0.3
15	Bullock cart	6	1.7
16	Textile industry	11	3.0
17	Mill operation	2	0.6
18	Maize and ginger	5	1.4
19	Ginger	1	0.3
20	Herbs	2	0.6
21	Electricity	2	0.6
	Total	361	100

*Source: Field survey (2007).*

Likewise, borrowing for house construction, poultry rearing, and paddy production each were 1.1 percent. Herbs and electricity each have borrowed to 0.6 percent. Finally, ginger, leather marketing, house maintenance each stood 0.3 percent clients.

Members of SFCL largely borrowed livestock loan. While buffaloes and goats considered as major livestock in the hills of Nepal, economically, these animals are important to generate income for raising living standard of rural people. By considering this fact, SFCLs invested huge number of loans to promote livestock in rural areas of Nepal. Other important activities are marketing and vegetable cultivation and so on where the SFCLs invested loans attractively on trading of daily uses goods under the marketing loan while vegetable loan were provided to grow potato, beans, onion, and chilies, are important activities in hilly areas of Nepal. Market potentiality of this activity is abundant in the rural areas especially in high way, growth centers and district headquarters.

#### **Number of Loan Borrowing in Specific Activities with Gender-wise**

Female clients were higher (55.1%) than male counterpart (44.9%). Specifically, female borrowed highest loan in buffalo rearing (24.1%) followed by marketing (23.6%), goat (15.1%), vegetable (13.6%), tea (4.5%), textile industry (4%), cows (3.5%), bullock cart (2.5%), house construction, maize and ginger each (2%), ox and poultry each (1%), paddy, fruit plants, health treatment, house maintenance and ginger each borrowed (0.5%). Male borrowed highest loan in goat rearing (26.5%) followed by buffalo (19.1%), vegetables (18.5%), marketing (12.3%), tea (6.2%), cows and ox each (3.7%), textile industry and paddy each (1.9%), poultry, herbs, electricity each (1.2%), leathering market, bullock cart, mill operation, maize and ginger each (0.6%). Loan choice between male and female are not similar. Female borrowed highest loan for buffalo rearing while male borrowed for goat rearing. Female borrowed second highest amount of loan for marketing while male borrowed for buffalo rearing.

Similarly, female borrowed third largest chunk of loan for goat rearing against the male demand for vegetable cultivation.

**Table 6.30****Number of Loan Borrowing in Specific Activities with Gender-wise**

Specific loan activities	Male	Female	Total
Vegetables	30 (52.6%) (18.5%)	27(47.4%) (13.6%)	57 (100%) (15.8%)
Cows	6(46.2%) (3.7%)	7(53.8%) (3.5%)	13(100%) (3.6%)
Buffalo	31(39.2%) (19.1%)	48(60.8%) (24.1%)	79 (100%) (21.9%)
Goat	43(58.9%) (26.5%)	30(41.1%) (15.1%)	73(100%) (20.2%)
Poultry	2(50%) (1.2%)	2(50%) (1.0%)	4(100%) (1.1%)
Paddy	3(75%) (1.9%)	1(25%) (0.5%)	4(100%) (1.1%)
Fruit plants	0	1(100%) (0.5%)	1(100%) (0.3%)
Tea	10(52.6%) (6.2%)	9(47.4%) (4.5%)	19(100%) (5.3%)
Selling goods (market.)	20(29.9%) (12.3%)	47(70.1%) (23.6%)	67(100%)
Ox	6(75%) (3.7%)	2(25%) (1%)	8(100%) (2.2%)
Health treatment	0	1(100%) (0.5%)	1(100%) (0.3%)
House construction	0	4(100%) (2%)	4(100%) (1.1%)
Leather marketing	1(100%) (0.6%)	0	1(100%) (0.3%)
House maintenance	0	1(100%) (0.5%)	1(100%) (0.3%)
Bullock cart	1(16.7%) (0.6%)	5(83.3%) (2.5%)	6(100%) (1.7%)
Textile industry	3(27.3%) (1.9%)	8(72.7%) (4%)	11(100%) (3.0%)
Mill operation	1(50%) (0.6%)	1(50%) (0.5%)	2(100%) (0.6%)
Maize and ginger	1(20%) (0.6%)	4(80%) (2%)	5(100%) (1.4%)
Ginger	0	1(100%) (0.5%)	1(100%) (0.3%)
Herbs	2(100%) (1.2%)	0	2(100%) (0.6%)
Electricity	2(100%) (1.2%)	0	2(100%) (0.6%)
Total	162(44.9%) (100%)	199(55.1%) (100%)	361(100%) (100%)

Source: Field Survey (2007)

With the economic analysis of above products, female borrowed for highly profitable projects than the male counterparts. Marketing is one of the highly profitable off farm business that started by female largely. Female borrowed highest loan (70.1%) in marketing followed by buffalo (60.8%) as comparison of male counterparts (29.9%) and (39.2%) in the respective activities. Similarly, male borrowed highest loan (58.9%) in goat followed by vegetable cultivation (52.6%) in the comparison of female counterparts (41.1%) and (47.4%) in that respective activities.

#### **Number of Loan Borrowing with Sector-wise**

Of the total 361 borrowers, 73.4 percent borrowed loan for agricultural activities whereas 24.7 percent borrowed in off farm activities and 1.9 percent borrowed loan in other activities such as health care and social activities.

As comparison with SFCLs, highest loan (92.9%) was borrowed in agricultural activities from Fedikhola, Syangja followed by Kumpur, Dhading (85.7%), Kalena, Doti (81.3%), Shreeantu, Ilam (76.3%) and Uttarganga, Surkhet (31.5 %). Similarly, in off farm activities highest loan was borrowed from SFCL Uttarganga (61.6%) followed by Shreeantu, Ilam (20.3 %), Kumpur, Dhading and Kalena Doti each (18.7%) and Fedikhola Syangja stood (7.1%).

**Table 6.31**

-

#### **Number of Loan Borrowing with Sector-wise**

<b>SFCLs</b>	<b>Agriculture</b>	<b>Off farm activities</b>	<b>Others</b>	<b>Total</b>
Uttarganga, Surkhet	23(31.5%) (8.7%)	45(61.6%) (50.6%)	5(6.8%) (71.4%)	73(100%) (20.2%)
Fedikhola, Syangja	52(92.9%) (19.6%)	4(7.1%) (4.5%)	0	56(100%) (15.5%)
Kumpur, Dhading	84(85.7%) (31.7%)	14(18.7%) (15.7%)	0	75(100%) (20.8%)
Kalena, Doti	61(81.3%) (23%)	14(18.7%) (15.7%)	0	75(100%) (20.8%)
Shreeantu, Ilam	45(76.3%) (17%)	12(20.3%) (13.5%)	2(3.4%) (28.6%)	59(100%) (20.8%)
Total	265(73.4%) (100%)	89(24.7%) (100%)	7(1.9%) (100%)	361(100%) (100%)

*Source: Field survey (2007).*



### Number of Loan Borrowing with SFCL-wise

With the comparison of single loan borrowing status among 270 loan borrowers from sample SFCLs, Kumpur, Dhading occupied highest share (35.9%) followed by Uttarganga, Surkhet (20.7%), Shreeantu, Ilam (18.1 %), Kalena, Doti (15.55%) and Fedhikhola, Syangja (9.6%).

Similarly, the status of two loans borrowing 66 members was found the highest (39.39%) in SFCL Kalena Doti, followed by Fedikhola (27.3%), Uttarganga, Surkhet (16.7%), Shreeantu, Ilam (15.2%) and Kumpur, Dhading (1.5%). Out of 361 borrowers, highest borrowers were in Kumpur, Dhading (27.1%), followed by Kalena Doti (21%), Uttarganga, Surkhet (20%), Shreeantu, Ilam (16.3%) and Fedikhola, Syangja (15.2%).

SFCL, Kumpur, Dhading is located along the highway with road facility, so many economic opportunities prevail in the locality. By taking advantage of the road facility in their locality, the SFCL has invested much loan in off farm activities such opening as small tea shop, mini grocery, fruit stall and small restaurants etc.

**Table 6.32**

### Number of Loan Borrowing with SFCL-wise

SFCLs	Loan borrowing numbers				Total
	1	2	3	4	
Uttarganga, Surkhet	56(76.7%) (20.7%)	11(15.1%) (16.7%)	4(5.5%) (20%)	2(2.7%) (40%)	73 (100%) 20 %
Fedikhola, Syangja	26(47.3%) (9.6%)	18(32.7%) (27.3%)	10(18.2%) (50%)	1(1.8%) (20%)	55 (100%) (15.2%)
Kumpur Dhading	97 (99%) (35.9%)	1 (1%) (1.5%)	0	0	98 (100%) (27.1%)
Kalena Doti	42(55.3%) (15.55%)	26(34.2%) (39.39%)	6(7.9%) (30%)	2(26%) (40%)	76(100%) (21%)
Shreeantu, Ilam	49(83.1%) (18.1%)	10(16.9%) (15.2%)	0	0	59(100%) (16.3%)
Total	270(74.8%)	66(18.3%)	20(5.5%)	5(1.4%)	361(100%)

Source: Field Survey (2007).

While other SFCLs such as Kalena, Doti, Uttarganga, Surkhet, Shreeantu, Ilam and Fedikhola Syangja have not invested loan due to the lack of economic opportunity in their locations

### **Types of Loan Borrowing with SFCL wise**

Members of SFCL Shreeantu, Ilam borrowed highest loan numbers (32.2%) in tea and coffee followed by agri. business 25.4 percent, cash crops and marketing each 16.9 percent and land 1.7 percent. Geographically, Ilam is one of the potential districts in tea cultivation. Its climate, soil, topography and environment are highly suitable for its cultivation. As a result, SFCL provided credit to large numbers of SFCLs members in this activity in the comparison of other activities. Other important activities are agro- business, cash crops and marketing are also potential activities recognized in that area. These activities include livestock farming, ginger plantation and other cash crop plantation. High potential of these activities in that area resulted in large number of SFCL members engaged in these activities in comparison of other activity.

In SFCL Kumpur, Dhading highest loan borrowing numbers (60.2%) was in agro-business followed by cash crops 24.5 percent, marketing 14.3 percent and horticulture 0.3 percent. Like other hilly districts, agro-business is one of the major activities of the Dhading district. It includes livestock rearing such as buffalo, cattle, goats, sheep and poultry. Accessibility of road facilities in the program area raised the potential of milk and dairy product marketing, meat and eggs supply etc. Dhading district is suitable for livestock farming as the climate is favorable for such and fodder trees; grassland and grazing forest are available adequately.

Similarly in Fedikhola, Syangja, almost 76.8 percent members borrowed loan in agro-business, followed by cereal crops 8.9 percent, cash crop 7.1 percent, marketing 5.4 percent and non-agro-business 1.8 percent. Research study shows that large number of SFCL members involved in agro-business activities like buffaloes, cattle, goats, sheep and poultry rearing. Syangja is a favorable for livestock rearing because it has dense fodder trees, grasses and grazing land. This district is linked with Prithivi Highway from eastern to western location and this has developed several market centers in different locations of the program area. So, marketing of milk and dairy products is more lucrative in the location. As a result, agro-business activities expanded in the comparison of other activity. Other activities such as cereal crops, cash crops, and marketing and off farm activities occupied fewer shares due to the less demand in that location. Infertile soil resulted in low demand for loan for agriculture purposes and marketing and off farm activities occupied less share due to lack of proper ideas of pledging, marketing of products and cottage industries etc.

**Table 6.33****Types of Loan Borrowing with SFCLs-wise**

<b>Loan types</b>	<b>Uttarganga Surkhet</b>	<b>Fedikhola Syangja</b>	<b>Kumpur Dhading</b>	<b>Kalena Doti</b>	<b>Shreeantu Ilam</b>	<b>Total</b>
Cereal crops	1 (11.1%) (1.4%)	5(55.6%) (8.9%)	0	3(33.3%) (4.0)	0	9 (100%) (2.5%)
Cash crops	1 (1.7%) (1%)	4 (6.9%) (7.1%)	24(41.4%) (24.5%)	19 (32.8%) (25.3%)	10 (17.2%) (16.9%)	58 (100%) (16.1%)
Marketing	32(48.5%) (43.8%)	3 (4.5%) (5.4%)	14 (21.2%) (14.3%)	7 (10.6%) (9.3%)	10 (15.2%) (16.9%)	66(100%) (18.3%)
Agri.tools	5(83.3%) (6.8%)	0	0	1(16.7%) (1.3%)	0	6 (100%) (1.7%)
Agri. Industries	2 (100%) (2.7%)	0	0	0	0	2 (100%) (0.6%)
Agribusiness	21(11.9%) (28.8)	43(24.3%) (76.8%)	59(33.3%) (60.2%)	39 (22%) (52%)	15 (8.5%) (25.4)	177(100%) (49%)
Horticulture	0	0	1(100%) (0.3%)	0	0	1 (100%) (0.3%)
Tea and coffee	0	0	0	0	19 (100%) (32.2%)	19(100%) (5.3%)
Housing & land	4 (80%) (5.5%)	0	0	0	1 (20%) (1.7%)	5 (100%) (1.4%)
Non agri business	6 (46.2%) (8.2%)	1 (7.7%) (1.8%)	0	6 (46.2) (8%)	0	13 (100) (3.6%)
Others	1 (20%) (1.4%)	0	0	0	4 (80%) (6.8%)	5 (100%) (1.4%)
<b>Total</b>	<b>73(20.2%) (100%)</b>	<b>56 (15.5) (100%)</b>	<b>98(27.1%) (100%)</b>	<b>75(20.8%) (100%)</b>	<b>59(16.3%) (100%)</b>	<b>361(100%) (100%)</b>

*Source: Field Survey (2007).*

In SFCL Uttarganga, Surkhet, 43.8 percent members borrowed in marketing, followed by agro-business 28.8 percent, non-agro-business 8.2 percent, agro-tools 6.8 percent, housing and land 5.5 percent. The reasons behind the increase in demand of marketing loan are due to the accessibility of road facilities in the program locations. Besides, it has dense population inhabited in Surkhet, a regional market center as well as district headquarters of the Surkhet district, lies very nearer from this Village Development Committee. It has good market potential to supply different goods basically to fulfill the requirements of their daily uses goods. Besides, agro-business is another important activity that occupies quiet large share. Because, milk and dairy products are major essentials in the area, demand for dairy products is high resulting in attracting farmers towards animal rearing.

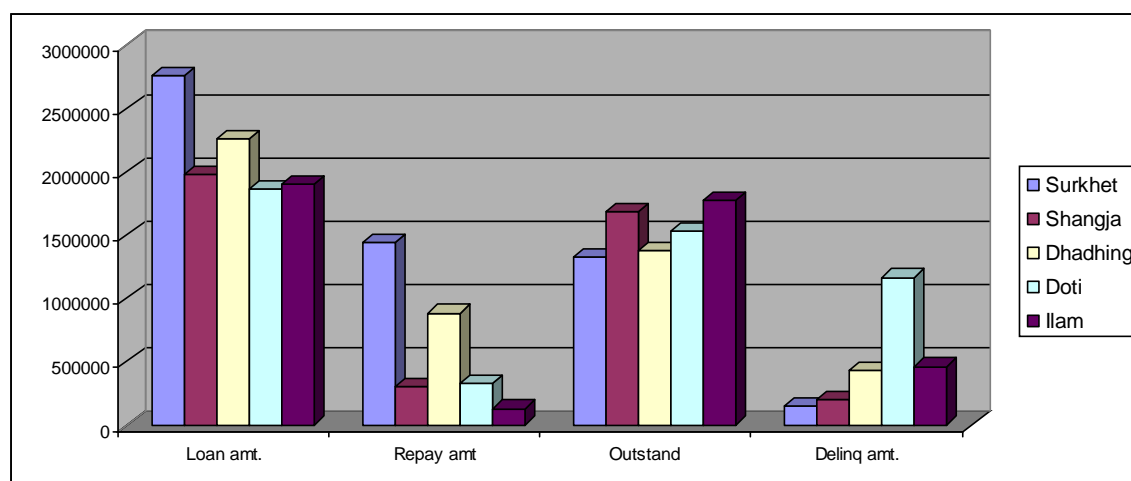
Finally, in SFCL Kalena, Doti highest number of members (52%) borrowed highest loans for agro-business, followed by cash crops 25.3 percent, marketing 9.3 percent, and non agri-business 8 percent, cereal crops 4 percent and agro-tools 1.3 percent. Doti in Far-western Development Region has dense population inhabited in this area shaped potentiality of agro-business remained extremely. As considering the potentiality of this activity, people of this area raise livestock such as buffaloes, cattle, goats, sheep and poultry to fulfill the requirements of meat, milk and milk products.

### Overall Loan Portfolio Status of Respondents

Average loan investment, collection, and delinquent and outstanding stood at NRs. NRs.29842.1, NRs.20680.14, NRs.22744.76 and NRs.25553.68, respectively per client. This analysis shows that almost 89 percent stood delinquent loan out of the total outstanding. This scenario is not appropriate for making the SFCL financially sustainable. Nevertheless, average loan investment per member found reasonable amount in the context of higher delinquent situation, because higher investment increases the overdue loan.

**Figure 6.12**

### Loan Investment Portfolio



loan stood at NRs.2765500 in SFCL Uttarganga, Surkhet followed by NRs. 2264300 in SFCL Kumpur Dhading, NRs. 1981000 in SFCL Fedikhola, Syangja, NRs. 1899200 in SFCL Shreeantu, Ilam and NRs. 1863000 in SFCL Kalena Doti from their respective sample client members.

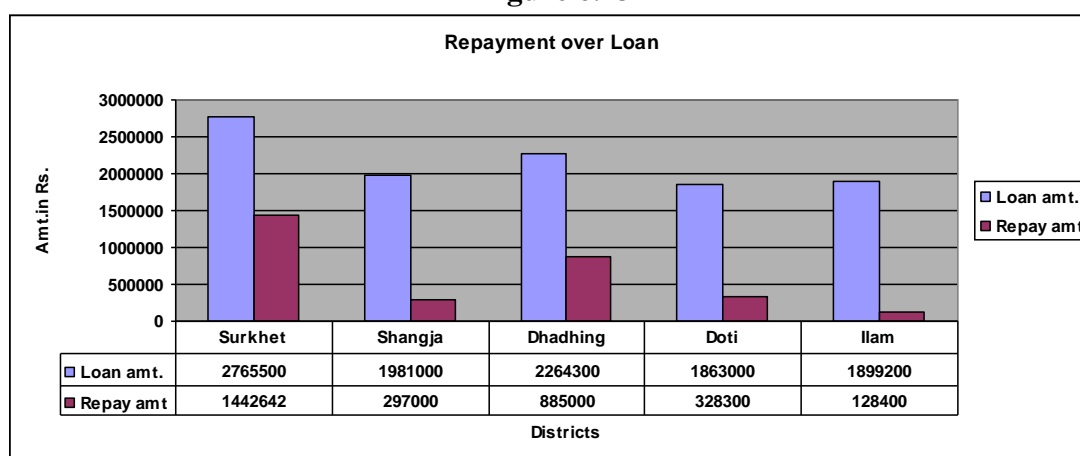
Investment amount was increasing trend in SFCL Uttarganga, Surkhet much to be credited to the sound decision performed in loan investment from women

executive committee whereas 99 percent women were participated in the SFCL Uttarganga, Surkhet. Research study shows that women borrowed loan to implement highly profitable projects such as marketing loan, livestock loan, cash crop and cottage industries. In other SFCL such as Shreeantu, Ilam, Kumpur, Dhading, Fedikhola Syangja and Kalena Doti have borrowed loan for implementation of agricultural activities, livestock, marketing, cottage industries and off farm activities such as tea shop, vegetable marketing, small restaurant and small grocery etc.

### Loan Repayment Status

Loan repayment amount was the highest at NRs.1442642 (52 %) from the total investment of NRs.2765500 in SFCL Uttarganga, Surkhet. Meanwhile, SFCL Surkhet found highest loan collection in the comparison of other SFCL. While this research analysis shows that higher women authority in SFCL was better in loan repayment because they were more sensitive toward the loan repayment as comparison with their male counterparts. In addition, regular meeting, interaction, strong supervision and monitoring were other important aspects in order to increase loan repayment so far.

**Figure 6.13**



While SFCL Kumpur, Dhading collected NRs. 885000 (39.08%) from the investment of NRs. 2264300, in SFCL Kalena, Doti collection was NRs.328300 (17.62 %) from the investment of NRs. 1863000, similarly SFCL Syangja collected NRs. 297000 (14.99%) from the total investment of NRs. 1981000 and SFCL Shreeantu, Ilam collected NRs. 128400 (6.76%) from the total investment of NRs. 1899200. Furthermore, some installment are not due so that there is higher probability to repay the loan in future.

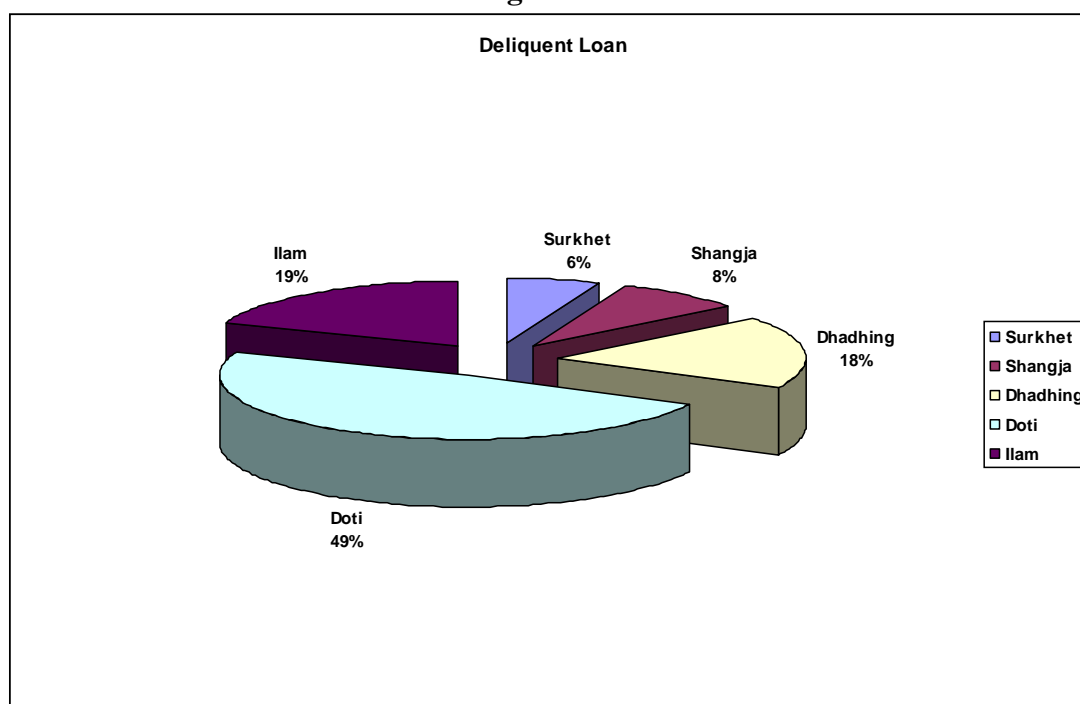
### Delinquent Loan Status

Delinquency is the problematic loan that crossed the due date, in which, as per the international banking norms it needs to be made provisioning.

So far, highest loan delinquency stood 49 percent in SFCL Kalena Doti, followed 19 percent in SFCL Shreeantu Ilam, 18 percent in SFCL Kumpur Dhading, 8 percent in SFCL Fedikhola Syangja and six percent in Uttarganga Surkhet.

Research study shows that major reasons behind delinquency increment were seasonal migration to India, investment in unprofitable projects, not regularized monthly meeting, not followed strict rules and regulations, abject poverty, food deficit, lack of marketing facilities, no forward and backward linkages, no credit insurance policies, diverted credit to fulfillment of basic needs such as clothes, food, treatment, children's fees etc. In addition, due to their frequent absence in their settlement, loan collection was not performed on time.

**Figure 6.14**



Apart from these, major problems raised in delinquency were due to the lack of regular meeting and no follow-up to the client members and also not repay the large amount of overdue loan from the executive committee members.

### Status of Loan Portfolio in Agriculture

Average loan investment, repayment, delinquent and outstanding per agriculture activity found NRs.26280, NRs. 16851, NRs. 20997 and 23641

respectively. In this sector, delinquency stood at 88.81 percent out of total outstanding. It indicates that loan investment in agriculture activities are in risky position. Therefore, loan collection must be done more systematic and effective ways.

**Table 6.34**

**Status of Loan Portfolio in Agriculture**

S.N.	Portfolios	Amount (NRs.)	
		Mean	Std. Dev
1	Investment	26280	17748
2	Repayment	16851	1654
3	Delinquent	20997	13300
4	Outstanding	23641	16028

*Source: Field survey (2007)*

**a) Livestock Loan**

Livestock loan has been considered as one of the major portfolio of SFCL. Average loan investment, collection and delinquent in livestock loan stood at NRs.25660.89, NRs 15020.63, and NRs. 20,000 per year respectively. Repayment rate stood 42.89 percent. As per its potentiality in the hilly areas, borrowing status in livestock loan was found to be very negligible. It shows that neither it created employment nor exploited the potential of hilly areas. Research study clearly pointed out that SFCL could not invested credit sufficiently in the livestock activities particularly in the hilly areas.

The coefficient of variation in livestock loan stood 122 percent in loan collection followed by 71 percent in delinquency, 70 percent in loan investment and 67 percent in outstanding. This analysis shows that all loan portfolios contained risk in livestock loan. Out of these, repayment contained higher risk.

**Table 6.35**

**Loan Portfolio in Livestock Loan**

Loan portfolio	Sample Size (n)	Mean (NRs)	Std. deviation	CV (Percent)
Loan	179	25660.89	18077.08	70
Loan collection	63	15020.63	18324.38	122
Delinquent	45	20000	14225.45	71
Outstanding	161	22652.17	15076.5	67

*Source: Field survey (2007).*

Consequently, delinquency in livestock loan increased in hilly areas of all development regions due to the low repayment practice among the loan borrowers. Besides some borrowers had misused loan in other activities such as purchasing of food stuff, buying of clothes, paying of child fees and expending in medicines etc. Finally, lack of purchasing of improved breeds and no monitoring and follow-up practices adopted from SFCL that affected loan repayment extensively. Apart from theses, groups were inactive for organizing regular meeting, no pressure generated from group and executive committee. Finally this study investigated that executive committee were major awkward for loan collection because most of them were defaulters. As due to the defaulter executive committee, they could not have moral dignity to create the pressure for repaying the loan timely to general defaulters.

### **Horticulture Loan**

Horticulture loan has been recognized as one of the most important potential activities in the hilly areas. Average loan investment, collection and delinquent in horticulture loan stood at NRs.26884.61, NRs 20500, NRs. 21250 respectively. As per its potentiality in the hilly areas, loan investment in this activity was found to be negligible. Research study shows that loan investment is still highly lucrative business in hilly areas particularly in horticulture development. Loan repayment from horticultural activities is found to be very unsatisfactory because its repayment rate was only 49.10 percent. The major reasons behind the low repayment rate were lack of awareness toward the timely loan payment, no effective loan collection polices and weak monitoring and follow-up mechanism and inactive groups and executive committee existed in SFCL.

The coefficient of variation shows that all loan portfolio contained risk.

**Table 6.36**

### **Loan Portfolio in Horticulture Loan**

<b>Loan portfolio</b>	<b>Sample Size (n)</b>	<b>Mean (NRs.)</b>	<b>Std. deviation</b>	<b>CV (Percent)</b>
Loan	78	26884.61	16759.55	62
Loan collection	26	20500	11528.22	56
Delinquent	28	21250	11213.83	53
Outstanding	60	26066.66	18502.28	71

*Source: Field survey (2007).*



### **Loan Portfolio in off farm Activities**

SFCL has been investing large credit in off farm activities. This is recognized as one of the potential activities in terms of profit earning in the short duration. Under the off farm activities, loan investment generally forwarded on small grocery, tea shop, mobile vendors, fruit shop, vegetable sellers, input marketing of various agriculture and off farm projects etc.

Average loan investment, collection and delinquent in off farm activities stood at NRs.32142.85 NRs. 21700, NRs. 18500, NRs. 23033.33, respectively. Loan investment amount in off farm activity has been found to be quite satisfactory. However, borrowers' number in this activity seemed very low as compared with other activities. Loan delinquency in this activity also has been increasing day by day due to the lack of strong loan collection policy. Further, this study shows that 28.54 percent borrowers did not repay the loan on timely in off farm activity.

The coefficient of variation in off farm activities stood 110 percent in loan collection followed by 73 percent in loan investment and delinquency each and 56 percent in outstanding loan. It shows that all portfolios are in risk, out of these, loan collection has severe risk.

**Table 6.37**

#### **Loan Portfolio in Off Farm Activities**

<b>Loan portfolio</b>	<b>Sample Size (n)</b>	<b>Mean (NRs.)</b>	<b>Std. deviation</b>	<b>CV (Percent)</b>
Loan amount	14	32142.85	23310.14	73
Loan collection	8	21700	23862.22	110
Delinquent	4	18500	13503.08	73
Outstanding	12	23033.33	12961.99	56

*Source: Field survey (2007).*

### **Marketing Loan**

Marketing loan is one of the major activities of SFCL that includes loan for small grocery, pledging, agriculture input marketing, tea stall and fruit marketing and mobile vendors etc. These are highly profitable business so that most of the small farmers were interested to borrow marketing loan. It is quick returnable activity so as to use the profit for basic needs.

Average loan investment, collection and delinquent in marketing loan stood at NRs.42559.7, NRs. 29981.51, NRs. 33541.17, NRs. 34516.12 respectively. Repayment rate revealed 47.19 percent. As per its potentiality SFCL invested large amount in the form of marketing loan in which it stood on an average NRs. 42559.7 per client. However, loan repayment in marketing loan found also unsatisfactory. The coefficient of variation stood 69 percent in loan collection followed by 61 percent in outstanding, 60 percent in delinquency and 56 percent in loan investment. This shows that all loan portfolio of marketing loan has moderate risk.

**Table 6.38**

**Loan Portfolio in Marketing Loan**

<b>Loan portfolio</b>	<b>Sample Size (n)</b>	<b>Mean (NRs.)</b>	<b>Std. deviation</b>	<b>CV (Percent)</b>
Loan amount	67	42559.7	24008.91	56
Loan collection	41	29981.51	20745.48	69
Delinquent	17	33541.17	20232.95	60
Outstanding	47	34516.12	21029.75	61

*Source: Field survey (2007).*

**Loan Investment in Other Activities**

Loan investment in social activities is one of the important activities of Small Farmers' Cooperatives Limited. It provides loan for emergency purpose such as health treatment and natural calamities affected from flood, landslide and other casualties.

Average loan investment, repayment, and delinquent and outstanding stood NRs. 37142, NRs. 16500, NRs. 12000 and NRs. 37833 respectively. Delinquency in other activities stood at 31.71 percent.

**Table 6.39**

**Status of Loan Portfolio in Other Activities**

<b>S.N.</b>	<b>Loan Portfolios</b>	<b>Amount</b>	
		<b>Mean (NRs.)</b>	<b>Std. Dev</b>
1	Investment	37142	16293
2	Repayment	16500	12020
3	Delinquent	12000	-
4	Outstanding	37833	18872

*Source: Field survey (2007).*

#### a) **Loan Portfolio in Social Activities**

Social activity is considered as one of the important activities in terms welfare of the cooperative members. Principally, small farmers do not have enough money to perform the casual activities to spend money for medicine, health care and other emergency activities.

Average loan investment, collection and delinquent in social activities stood at NRs.32950, NRs.16025, NRs.16500, NRs. 28500, respectively. Out of 361 borrowers, only 16 (4.32%) were found to have borrowed loan for this activity. It reflected that Small Farmers, Cooperative Limited provided credit on social activity only for needy members for health treatment and other emergency purpose.

**Table 6.40**

**Loan Portfolio in Social Activities**

<b>Loan portfolio</b>	<b>Sample Size (n)</b>	<b>Mean (NRs.)</b>	<b>Std. deviation</b>	<b>CV (Percent)</b>
Loan amount	16	32950	19250.28	58
Loan collection	8	16025	14214.85	89
Delinquent	4	16500	9327.37	57
Outstanding	14	28500	18496.36	65

*Source: Field survey (2007).*

### **6.3 Statistical Interpretation of Savings and Credit Activities**

#### **6.3.1 Statistical Analysis on Saving Activities**

##### **a) Multiple Regression Analysis of Savings (Y) and Other Variables (X<sub>i</sub>)**

Multiple regression analysis was carried out to see the functional relationship between the selected variables viz., duration of loan, interest rate, annual saving and income from project.

**Null Hypothesis:** There is no significant relationship between dependent variable (Y) and j<sup>th</sup> independent variables (x<sub>j</sub>). ( $\beta_j = 0$ , for all  $j$ )

**Alternative Hypothesis:** There is a significant relationship between dependent variable (Y) and j<sup>th</sup> independent variables. (At least one  $\beta_j \neq 0$ )

**Result:** The coefficient of determination (R-Square) = 0.558 indicates that 56 percent of the variation in the dependent variable is explained by regression plane. All the independent variables except income from the project are found to be very significant. The details on it are presented in Annex III (a).

Using a level of significance of  $\alpha = 0.05$ , the upper-tail critical value from the  $F$  distribution with 4 degrees of freedom in the numerator of the  $F$  ratio and 353 degrees of freedom in the denominator is 2.397. Since the computed test statistic  $F_U = 111.495 > 2.397$  (or the  $p$ -value = 0.000 < 0.05), we reject the null hypothesis and conclude that at least one of the independent variables is related to the dependent variable (Amount of saving).

### 6.3.2 Statistical Analysis on Credit Activities

#### Zero Order Correlation Matrix between the selected variables

The variables are tested for the presence of any interdependency between them. Zero order correlation matrix is presented in the Annex-III (b).

There exists significant correlation between two numerical variables.

The null-and alternative hypotheses for this test are set as under:

**Null Hypothesis,  $H_0$  :** ... = 0 (There is no significant correlation)

**Alternative Hypothesis,  $H_1$  :** ...  $\neq$  0 (There is a significant correlation)

**Result:** Testing the hypotheses from the results is as under.

- a) **Loan Amount** is significantly correlated with variables repayment amount, outstanding amount and delinquent amount (with  $p$ -value < 0.05).
- b) **Repayment Amount** is significantly correlated with variable loan amount only (with  $p$ -value < 0.05).
- c) **Outstanding Amount** is significantly correlated with variables loan amount, and delinquent amount (with  $p$ -value < 0.05).
- d) **Delinquent Amount** is significantly correlated with variables loan amount, and outstanding amount (with  $p$ -value < 0.05).

#### Chi-Square Test for Loan Type and Gender

**Null Hypothesis,  $H_0$ :** There is no significant association between Loan Type and Gender

**Alternative Hypothesis,  $H_1$ :** There is significant association between Loan Type and Gender

**Result:** From the analysis it is found that there is significant association (with p-value of  $0.037 < 0.05$ ) between Loan Type (cereal crops, cash crops, marketing, agri-tools, agri-industries, agribusiness, horticulture, tea & coffee, housing & land and non-agri business) and gender. The detail on this is depicted in Annex III (g).

#### **6.4 Effects and Impacts of SFCLs on Economic Development**

Small Farmers' Cooperative Limited have been providing services to 136064 small farmers (69221 male and 66843 female) by comprising of 11122 male groups and 10556 female groups

It has been implementing saving activity in order to collect domestic financial resources thereby invest in economic development activities to reduce the poverty of rural populace. Analysis shows that average saving stood at NRs. 21.57 that ranged between NRs.5 to 55 per member per month. As a result, average saving stood as NRs.1966.51 per year per Small Farmers' Cooperative Limited

Small Farmers' Cooperative Limited provided average loan in livestock, horticulture, off farm activities at NRs.25660.89, NRs.26884.61 and NRs.32142.85 respectively. Besides, it provided loan to spend money for medicine, health care and other emergency activities. Average loan investment stood in this purpose at NRs.32950 per member. Out of total 555 members 361 (65 %) borrowed loan from 162 male (44.9%) and 199 (55.1%) female.

Overall scenario of Small Farmers' Cooperative Limited shows that investment reached to NRs. 1316530 thousand, principal collection 1088935 thousand, interest collection NRs. 297027 thousand, and outstanding 2202640 thousand and recovery rate maintained 81 percent.

Small Farmers' Cooperative Limited increased members' assets such as housing, improved livestock breeds and bullock carts. Besides, community infrastructure constructed in their Village Development Committee such as roads, bridges, culverts, irrigation systems, community building, and market centers and schools etc.

Small Farmers' Cooperative Limited had achieved great success in increasing agriculture production and productivity from small land holdings. Major improved varieties they introduced such as paddy, maize, wheat, potato, vegetables, fruits and other cash crops etc. They produced double production from the improved varieties than the local varieties.

Likewise, small farmer members reared improved livestock breeds such as cow, buffalo, goat, pig, sheep and others. Livestock production also increased largely than the production of local livestock breeds. It increased income of the poor households and also generated employment in the rural areas.

Poor farmers were not accessed credit from such institutions before, generally they borrowed loan from moneylenders, businessman, friends and relatives at higher interest rate. After establishment of Small Farmers' Cooperative Limited, small farmers have been received loan from this institution easily without collateral on the basis of group guarantee at low interest rate. In addition, they also get the opportunity to save their surplus in the SFCLs in the form of savings that will useful for their future livelihood and also useful to spend that savings in emergency purpose such as purchasing of medicine, health care and other casualties.

By thus, Small Farmers' Cooperative Limited has been improving the livelihood of poor populace.

## **CHAPTER VII**

### **STATUS OF FINANCIAL SUSTAINABILITY AND INSTITUTIONALIZATION OF SMALL FARMERS' COOPERATIVE LIMITED**

#### **7.1 Financial Sustainability**

Sustainability refers to the continuation of activities after the project ends. It often implies self-financing. It suggests that the flow of benefits continues through the impetus and resources of local institutions. It needs to maintain two difficult level of self-financing: one is operational self-sufficiency and another financial self-sufficiency. In the operational self-sufficiency its income (interest and fees) meets to the expenses of credit programs that require large number of clients and a strong, market oriented approach. Financial self-sufficiency requires meeting of the whole operating and financial cost from the income of the institutions. Organizations manage internal and external resources in the balancing way to cover the cost and maintain the real value of the credit portfolio. It must improve cost recovery, approaching 100 percent self-sufficiency for credit operation (Sharma, et. al., 2001).

Furthermore, SFCLs have been implementing by getting wholesale credit through Small Farmers Development Bank Limited. SFCL is the organizations of poor people. Its viability fully depends on effective mobilization internal and external resources. It measures by the indicators such as (i) External Linkage: SFCLs need to be maintained linkages in government and non-governmental agencies to get the services for their members, (ii) Internal Resource Mobilization: All SFCL must operate saving and credit activities effectively. Hence, SFCLs should increase savings, loan security fund, shares, livestock insurance funds; profit earned from different income generating activities and operates banking activities also to develop organizations as the self-reliance form, (iii) Credit Mobilization: SFCL, eventually invest loans to its members on various agriculture, off farm and other activities effectively and efficiently, (iv) Financial Soundness: SFCLs must maintain financially

soundness by maintaining loan portfolio such as loan investment, collection, repayment, delinquency in the normal position on one and make the profit by minimizing the cost on the other and (v) Forward Looking Views : Resource mobilization is considered as one of the prime engine of the financial sustainability of the institutions so that all executive bodies, general members and staff must be committed towards the resource mobilization effectively.

So far, in this section tried to assess the financial status of SFCL by using various financial indicators described hereunder:

### **7.1.1 Income and Expenditure of SFCL Shreeantu, Ilam**

Meeting allowance, monitoring and supervision cost, provision cost, miscellaneous cost and rent amount is zero in the SFCL Shreeantu in Ilam district. The total expenditure is NRs. 775728 which is not satisfactory as compared to the total interest income i.e. NRs. 857396. Due to this reason the net loss margin falls into the high negative figure of NRs. -521414.

**Table 7.1**

#### **Income and Expenditure of SFCL Shreeantu, Ilam for FY.2005/06**

<b>S.N.</b>	<b>Particulars</b>	<b>Amounts in NRs.</b>
1	Staff Salary	84540
2	Stationery	1783
3	Rent	0
4	Interest Cost	689405
5	Meeting Allowance	0
6	Monitoring and Supervision	0
7	Provision	0
8	Miscellaneous Cost	0
9	Total Expenditure	775728
10	Total Interest Income	857396
11	Gross Profit	167991
12	Net Loss	-521414
13	Gross Profit Margin	20%
14	Net Loss Margin	-61%

*Source: Field Survey (2007).*

The net loss margin percent is 61. The gross profit margin figure of 20 percent is not satisfactory. The interest cost is highest in this SFCL. Major part of the income is distributed as in the form of interest cost. The portion of interest cost as compared with total expenditure is 89 percent. The heavy burden of this cost does not permit to



earn profit by the existing activities. The total yearly salary distributed is NRs. 84540, which is 11 percent of the total expenditure.

### 7.1.2 Income and Expenditure of SFCL Kumpur, Dhading

The interest cost and the provision amount are high as compared with the total expenditure of the cooperative in SFCL Kumpur in Dhading. The total expenditure is NRs. 586766 whereas total interest income stood at NRs. 693044. The net loss margin accounted to NRs. -343864 that reveals -50 percent. The gross profit margin figure of 25 percent is not satisfactory.

The interest cost is very high in this SFCL. Major part of the income is distributed in the form of interest cost, staff salary, provision amount and miscellaneous cost. The portion of interest cost as compare with total expenditure is 88 percent. The heavy burden of these costs does not permit to earn profit by the existing activities. The miscellaneous cost of this SFCL is quite low as compared with other SFCLs. The total yearly salary distributed is NRs. 53336, which is 9 percent of the total expenditure.

**Table 7.2**

#### **Income and Expenditure of SFCL Kumpur, Dhading for FY 2005/06**

S.N.	Particulars	Amounts in NRs.
1	Staff Salary	53336
2	Stationery	2868
3	Rent	11115
4	Interest Cost	518454
5	Meeting Allowance	370
6	Monitoring and Supervision	370
7	Provision	367500
8	Miscellaneous Cost	253
9	Total Expenditure	586766
10	Total Interest Income	693044
11	Gross Profit	174590
12	Net Loss	-343864
13	Gross Profit Margin	25%
14	Net Loss Margin	-50%

*Source: Field Survey (2007).*

### 7.1.3 Income and Expenditure of SFCL Fedikhola, Syangja

The total expenditure of SFCL Fedikhola in Syangja is also high as compared to the other SFCLs. The total expenditure is NRs. 847119 which is greater to the total interest income i.e. NRs. 589300. This has resulted in net loss to NRs. -82116. The net loss margin percent is -14 percent. However the gross profit margin figure is positive with 43 percent.

**Table 7.3**

#### **Income and Expenditure of SFCL Fedikhola Syangja for FY.2005/06**

S.N.	Particulars	Amounts in NRs.
1	Staff Salary	121765
2	Stationery	2236
3	Rent	395
4	Interest Cost	335708
5	Meeting Allowance	30990
6	Monitoring and Supervision	7015
7	Provision	299000
8	Miscellaneous Cost	349010
9	Total Expenditure	847119
10	Total Interest Income	589300
11	Gross Profit	253592
12	Net Loss	-82116
13	Gross Profit Margin	43%
14	Net Loss Margin	-14%

*Source: Field Survey (2007).*

The interest cost is not very high in this SFCL. Major part of the income is distributed in the form of interest cost, staff salary, provision amount and miscellaneous cost. The portion of interest cost compare with total expenditure is 40 percent. The heavy burden of these costs does not permit to earn profit by the existing activities. Again the miscellaneous cost of this SFCL is quite heavy as compared with the other SFCLs. The total yearly salary distributed is NRs. 349010, which is 41 percent of the total expenditure.

#### 7.1.4 Income and Expenditure of SFCL Uttarganga Surkhet

The total expenditure of SFCL Uttarganga in Surkhet district is very high as compared to the other SFCLs in other districts. The total expenditure of NRs. 508553 is near to the total interest income i.e. NRs. 574899. This resulted in a net loss margin of NRs. 178499. The net loss margin percent is -31. However the gross profit margin figure is quite positive. The interest rate is very high in this Uttarganga SFCL of Surkhet district and a major part of the income is distributed in the form of interest cost. The portion of interest cost compared to total expenditure is 74 percent. The heavy burden of interest does not let profit earning through the existing activities.

**Table 7.4**

#### **Income and Expenditure of SFCL Uttarganga, Surkhet for 2005/06**

S.N.	Particulars	Amounts in NRs.
1	Staff Salary	119685
2	Stationery	1780
3	Rent	8282
4	Interest Cost	376699
5	Meeting Allowance	465
6	Monitoring and Supervision	465
7	Provision	149000
8	Miscellaneous Cost	1179
9	Total Expenditure	508553
10	Total Interest Income	574899
11	Gross Profit	198200
12	Net Loss	-178499
13	Gross Profit Margin	34%
14	Net Loss Margin	-31%

*Source: Field Survey (2007).*

Again, the salary in this SFCL is also high as compared with other SFCLs. The total yearly salary distributed is NRs. 119685, which is 24 percent of the total expenditure.

#### 7.1.5 Income and Expenditure of SFCL Kalena, Doti

Unlike in other SFCLs, the meeting allowance, monitoring and supervision cost provision amount and miscellaneous cost amount is zero in SFCL Kalena of Doti district. The total expenditure is NRs. 387902, which is not at a satisfactory level as

compared to the total interest income of NRs. 457812. Due to this reason the net loss margin falls into the high negative figure of NRs. -208218. The net loss margin percent is -45. The gross profit margin figure is not satisfactory with 27 percent.

The interest cost is very high in this SFCL. Major part of the income is distributed in the form of interest cost. The portion of interest cost as compared with the total expenditure is 86 percent. The heavy burden of this cost does not permit profit by the existing activities.

The total yearly salary distributed is NRs. 47574, which is 12 percent of the total expenditure.

**Table 7.5**

**Income and Expenditure of SFCL Kalena, Doti for FY 2005/06**

S.N.	Particulars	Amounts in NRs.
1	Staff Salary	47574
2	Stationery	5548
3	Rent	1765
4	Interest Cost	333015
5	Meeting Allowance	0
6	Monitoring and Supervision	0
7	Provision	0
8	Miscellaneous Cost	0
9	Total Expenditure	387902
10	Total Interest Income	457812
11	Gross Profit	124797
12	Net Loss	-208218
13	Gross Profit Margin	27%
14	Net Loss Margin	-45%

*Source: Field Survey (2007).*

**7.1.6 Profit Generation From Livestock Loan**

Out of 179 respondents, SFCL Fedikhola, Syangja earned large average income NRs. 5420 by spending highest amount as NRs.4263. Cost benefit ratio shows 1.27. While lowest average income was NRs. 2441 received from Kumpur Dhading by spending lowest average amount NRs. 2053. Its benefit cost ratio stood 1.18. It indicates that project is profitable because B/C ratio is greater than one i.e. acceptable. Average profit earned in SFCLs from livestock loan was found to be NRs. 611.

**Table 7.6****Profit Generation from Livestock Loan**

SFCLs	no	Income (NRs.)		Expenditure (NRs.)		Profit (NRs.)	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Shreeantu	15	3745	3877	3108	3152	637	768
Kumpur	59	2441	1446	2053	1272	388	223
Fedikhola	45	5420	2525	4263	2115	1157	542
Uttarganga	21	3268	4082	2800	3469	467	615
Kalena	39	2947	1180	2485	1103	387	204
Total	179	3510	2650	2879	2185	611	540

*Source: Field Survey (2007).*

Whereas average large amount of profit stood as NRs. 1157 from SFCL Fedikhola, Syangja followed by NRs. 637 from SFCL Shreeantu, Illam NRs. 467 from SFCL Uttarganga, Surkhet, NRs. 388 from SFCL Kumpur, Dhading and NRs. 387 received from SFCL Kalena Doti.

**7.1.7 Profit Generation from Marketing Loan**

SFCL Uttarganga Surkhet earned large average income NRs. 6728 by spending highest average amount as NRs. 5647. Its benefit cost ratio shows 1.19, while lowest average income was NRs. 4392 received from SFCL Kalena, Doti by spending average amount NRs. 3550 while its benefit cost ratio reveal 1.23. It shows that lowest average income project has highest profit margin. Average profit earned in SFCLs from marketing loan was found to be NRs. 989.

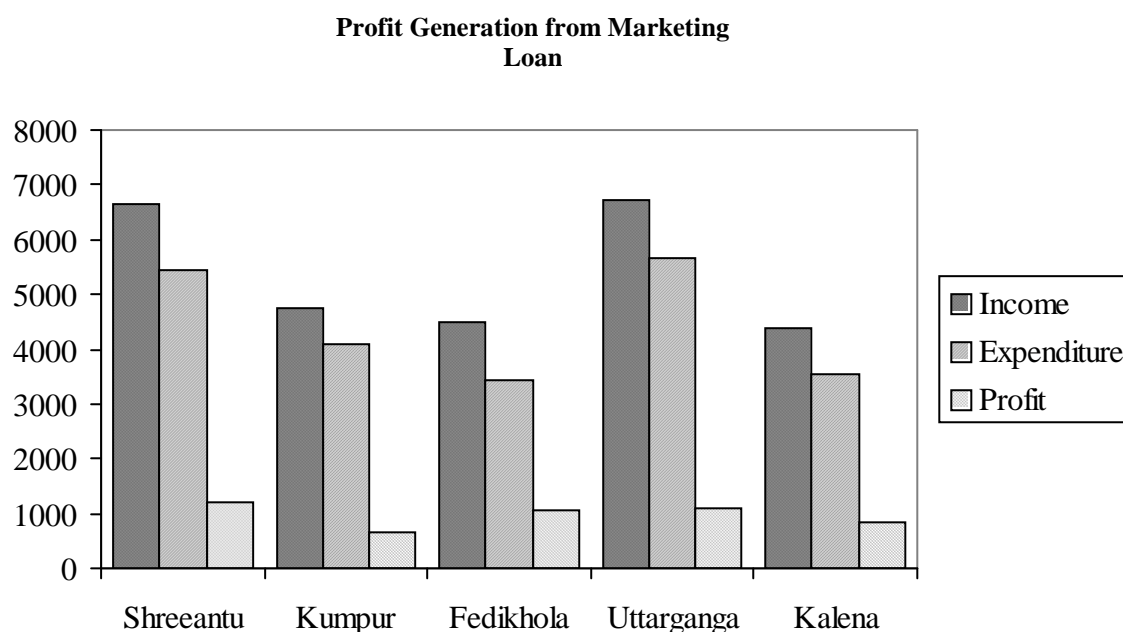
**Table 7.7****Profit Generation from Marketing Loan**

SFCLs	n	Income (NRs.)		Expenditure (NRs.)		Profit (NRs.)	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Shreeantu	10	6656	4110	5445	3309	1210	818
Kumpur	14	4762	1717	4091	1470	670	249
Fedikhola	3	4500	000	3444	000	1056	000
Uttarganga	33	6728	4125	5647	3315	1081	1006
Kalena	7	4392	3300	3550	2233	842	1132
Total	67	5963	3627	4974	2906	989	864

Source: Field Survey (2007).

Large average amount of profit of NRs. 1210 was from in SFCL Shreeantu, Illam followed by NRs. 1081 in SFCL Uttarganga, Surkhet; NRs. 1056 in SFCL Fedhikola, Syangja; NRs. 842 in SFCL Kalena, Doti and NRs. 670 in SFCL Kumpur, Dhading.

**Figure 7.1**



### 7.1.8 Profit Generation from Horticulture Loan

SFCL Uttarganga Surkhet earned large average income NRs. 7500 by spending highest average amount as NRs. 6379. Its benefit cost ratio stood at 1.17. Lowest average income was NRs. 2896 received from SFCL Kumpur, Dhading by spending average NRs. 2483 while its benefit cost ratio reveals 1.16. Average profit earned in horticulture loan was NRs. 477.

**Table 7.8**

**Profit Generation from Horticulture Loan**

SFCLs	n	Income (NRs.)		Expenditure (NRs.)		Profit (NRs.)	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Shreeantu	29	3864	2455	3442	2105	422	459
Kumpur	25	2896	1238	2483	1066	413	183
Fedikhola	4	3750	1500	2870	1148	880	352
Uttarganga	1	7500	0	6379	0	1121	0
Kalena	19	3012	2285	2485	1586	527	761

Total	78	3387	2099	2910	1724	477	494
-------	----	------	------	------	------	-----	-----

*Source: Field Survey (2007).*

Large amount of average profit of NRs.1121 was found in SFCL Uttarganga, Surkhet followed by NRs. 880 in SFCL Fedikhola, Syangja and NRs. 527 from SFCL Kalena, Doti.

### 7.1.9 Profit Generation from overall Credit Projects

SFCL Uttarganga Surkhet earned large average income NRs. 5459 by spending highest average amount as NRs. 4622. Its benefit cost ratio shows 1.18. Lowest average income was NRs. 2889 received from SFCL Kumpur, Dhading by spending average amount of NRs. 2454 while its benefit cost ratio is 1.17. Average profit earned from overall credit projects in SFCLs found NRs. 662.

**Table 7.9**

#### **Profit Generation in SFCLs from Overall Credit Projects**

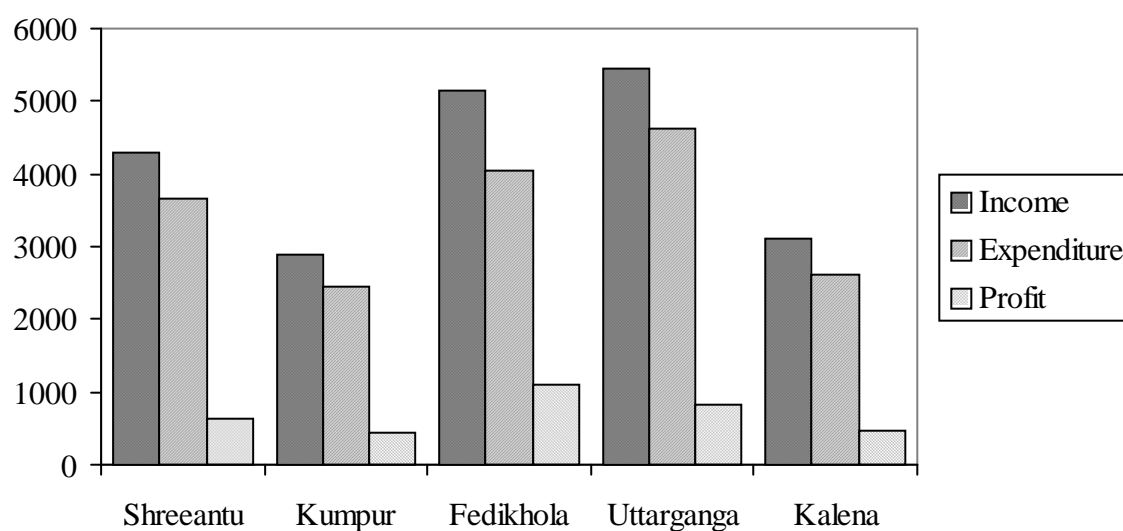
SFCLs	n	Income (NRs.)		Expenditure (NRs.)		Profit (NRs.)	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Shreeantu	59	4293	3375	3657	2763	636	683
Kumpur	98	2889	1629	2454	1422	435	237
Fedikhola	56	5159	2372	4045	1979	1114	507
Uttarganga	73	5459	4021	4622	3315	837	817
Kalena	75	3119	1769	2607	1348	471	543
Total	361	4041	2907	3368	2387	662	619

*Source: Field survey (2007).*

However, large amount of profit found as NRs.1114 from SFCL Fedikhola, Syangja, followed by NRs.837 from SFCL Uttarganga, Surkhet, NRs. 636 from SFCL Shreeantu, Illam, NRs.471 from SFCL Kalena, Doti and NRs. 435 received from SFCL Kumpur, Dhading.

**Figure 7.2**

**Profit Generation in SFCLs from overall Credit Projects**



**7.1.10 Status of Loan Portfolio in SFCL Shreeantu, Illam**

Out of 59 borrowers, 13 repaid loans timely but due to the lack of effective monitoring and follow-up practices, 13 fell in delinquency situation, in which, almost 27 percent were defaulters.

**Table 7.10**

**Loan portfolios of SFCL Shreeantu**

Loan Activities	n	Mean (NRs)	Std. Deviation
Investment	59	32189.83	24474.09
Collection	13	9876.92	8401.80
Delinquency	13	35461.53	28412.48
Outstanding	46	30531.03	23826.81

*Source: Field survey (2007).*

Average amount in delinquency loan stood at NRs.35461.53, outstanding average loan was found at NRs. 30531 from 46 borrowers. It indicates that large loan



holder was not paying the loan because average overdue amount is almost 116 percent higher than the average outstanding amount.

#### 7.1.11 Status of Loan Portfolio of SFCL Kumpur, Dhading

Out of 98 borrowers, 36 repaid loan on time. But due to the lack of effective monitoring and follow-up practices, 22 fell in delinquency situation. Almost 38 percent borrowers were defaulters. Average investment, collection, delinquency and outstanding stood NRs.23105, NRs.24583, NRs.19568 and NRs.30531 respectively.

**Table 7.11**

##### **Loan Portfolios in SFCL Kumpur, Dhading**

<b>Loan Activities</b>	<b>n</b>	<b>Mean</b>	<b>Std. Deviation</b>
Investment	98	23105.10	13200.00
Collection	36	24583.33	14829.26
Delinquency	22	19568.18	13216.41
Outstanding	58	30531.03	23826.81

*Source: Field survey (2007).*

#### 7.1.12 Status of Loan Portfolios of SFCL Fedikhola, Syangja

Out of 56 borrowers, 24 repaid loan timely. But due to the lack of effective monitoring and follow-up practices, 11 fell in delinquency situation, in which, twenty percent borrowers were defaulters.

**Table 7.12**

##### **Loan Portfolios in SFCL Fedikhola, Syangja**

<b>Loan Activities</b>	<b>n</b>	<b>Mean (NRs.)</b>	<b>Std. Deviation</b>
Investment	56	35375.00	15928.89
Collection	24	12375.00	9225.73
Delinquency	11	18272.73	12657.73
Outstanding	56	30071.43	13417.57

*Source: Field survey (2007).*

Average investment, collection, and delinquency and outstanding stood NRs.35375, NRs. 12375, NRs. 18273 and NRs. 30071 respectively.

#### **7.1.13 Status of Loan Portfolio of SFCL Uttarganga, Surkhet**

Out of 73 borrowers, 24 repaid loan on time. Almost 11 percent borrowers were defaulters. Average loan investment, collection, delinquency and outstanding loan stood NRs. 37883, NRs.26229, NRs. 24833 and 24497 respectively.

**Table 7.13**

##### **Loan Portfolio in SFCL Uttarganga, Surkhet**

<b>Loan Activities</b>	<b>n</b>	<b>Mean (NRs)</b>	<b>Std. Deviation</b>
Investment	73	37883.56	28040.21
Collection	55	26229.85	24964.21
Delinquency	6	24833.33	20153.57
Outstanding	54	24497.37	19925.78

*Source: Field survey (2007).*

#### **7.1.14 Status of Loan Portfolio of SFCL Kalena, Doti**

Of 64 borrowers 21 repaid loan timely. But due to the lack of effective monitoring and follow-up practices, 53 fell in delinquency situation. Almost 83 percent borrowers were in default position.

**Table 7.14**

##### **Loan Portfolio in SFCL Kalena, Doti**

<b>Loan Activities</b>	<b>n</b>	<b>Mean (NRs)</b>	<b>Std. Deviation</b>
Investment	75	24840.00	13186.85
Collection	21	15633.33	11150.04
Delinquency	53	21635.85	8955.08
Outstanding	64	23979.69	13801.46

*Source: Field survey (2007).*

Average Loan investment, collection, delinquency and outstanding stood NRs. 24840, NRs. 15633, NRs. 21635 and NRs. 23979 respectively.

### 7.1.15 Status of Overall Loan Portfolio in SFCL

Out of 361 borrowers, 149 repaid loan on time. Almost 35 percent borrowers were defaulters. Average loan investment, collection, delinquency and outstanding stood NRs. 29842, NRs. 20680, NRs. 22744 and NRs. 25553 respectively.

**Table 7.15**

**Status of Overall Loan Portfolio in SFCLs**

<b>Loan Activities</b>	<b>n</b>	<b>Mean (NRs)</b>	<b>Std. Deviation</b>
Investment	361	29842.10	20286.85
Collection	149	20680.15	18850.64
Delinquency	105	22744.76	15125.79
Outstanding	301	25553.68	17320.18

*Source: Field survey (2007).*

### 7.1.16 Calculation of Financial Ratios

Financial ratios are key indicators to analyze the financial health of the organization. It is necessary to judge the entire relevant ratio concerning the financial viability of the organization. Here are some key financial ratios of SFCL offices of five districts namely SFCL Shreeantu from Illam, SFCL Kumpur from Dhading, SFCL Fedikhola from Syangja, SFCL Uttarganga from Surkhet and SFCL Kalena from Doti district.

#### **Interest Income Rate**

The interest income rate over loan outstanding of the SFCL Kumpur Dhading stood 50 percent followed by 48 percent in Shreeantu Illam, 43 percent Uttarganga Surkhet, 35 percent Fedikhola Syangja and 30 percent found in SFCL Kalena Doti. The standard norm for this calculation is 12 percent. So from the interest collection side this indicator seems satisfactory and all are above than the prescribed norm.

#### **Profit Margin**

Profit margin ratio compares the profit and sales of an organization. Generally, the words such as gross profit margin and net profit margin indicate the calculation.

#### **Gross Profit**

The entire district except Syangja has been able to generate gross profit in the analyzed year. The amount of NRs. 771073 stood in SFCL Shreeantu Illam followed by NRs.298125 from SFCL Kalena, Doti, NRs.294045 from SFCL Uttarganga

Surkhet, and NRs.257232 from SFCL Kumpur Dhading. But the performance of SFCL Fedikhola Syangja district seems poor due to gross loss of NRs. 221111.

### **Gross Profit Margin**

Gross profit margin is gross profit over Interest Income. This is that profit margin which is calculated in gross basis omitting the interest cost. So in above scenario among the five SFCLs, Shreeantu Ilam's performance is higher than the remaining others. The gross profit margin of this district is 90 percent, which is quite higher.

Again the calculation of SFCL Fedikhola Syangja district gives negative figure of -38 percent. This is due to the provision of higher amount. Other remaining SFCLs like Kalena Doti, Uttarganga Surkhet and Kumpur Dhadhing also has gross operating profit containing the percentage of 88 percent, 51 percent and 37 percent respectively.

### **Net Profit/Loss**

The position of net profit in the analyzed district does not seem encouraging. The entire SFCL except Shreeantu Ilam and Kalena Doti has negative figure or net loss during the period.

The offices of SFCL Ilam and Kalena Doti district are in better position with the net profit amount of NRs.81668 and NRs.65110 respectively. The net loss of Uttarganga Surkhet, Fedikhola Syangja, and Kumpur Dhadhing are NRs.82654, NRs.556819 and NRs.261222 respectively.

### **Net Profit Margin**

It is obvious that there is no expectation of net profit margin scenario in the above condition. So the entire offices of the district except SFCL Kalena Doti and Shreeantu Ilam again fell in this category. SFCL Shreeantu Ilam survived with the 10 percent net profit margin and SFCL Kalena Doti with 14 percent. SFCL Offices of the remaining district have facing net loss margin.

### **Interest Coverage Ratio**

Interest coverage ratio is the ratio between interest income and interest expenses. After analyzing above figure all the ratio stands in satisfactory level. The ratio figure found 1.76 in SFCL Fedikhola Syangja, 1.53 in Uttarganga Surkhet, 1.36 in SFCL Kalena Doti, 1.34 in Kumpur Dhading, and 1.24 in SFCL Shreeantu Ilam District, which has been covering expenses in term of the interest income.

### **Operating Self Sufficiency Ratio**

Operating self-sufficiency means the achievement of positive income from operation covering the entire expenditure. The standard norm for this ratio is  $>1.5$ . The offices of SFCL Uttarganga Surkhet stood 1.89 while 1.80 found in SFCL Shreeantu Ilam, 1.17 in SFCL Kalena Doti, 0.87 in SFCL Kumpur Dhading and 0.51 stood in SFCL Fedikhola Syangja, are showing fluctuation.

### **Operating Self Sufficiency Ratio (without provision)**

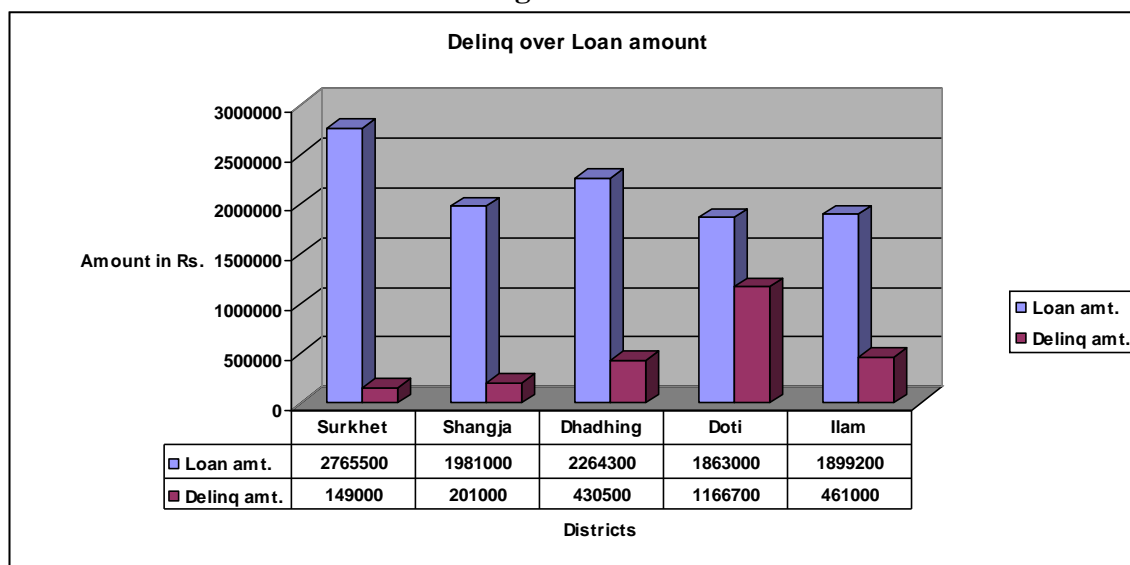
This ratio is the key indicator of the organization to know the current financial position. Total income is judged by deduction all the expenses such as administrative expenditure, interest expenditure, indirect interest expenditure and provision for doubtful debt. In other word this is the ratio of total income divided by expenses. Normally such ratio should be greater than 1.5. In above calculation SFCL Shreeantu Ilam and SFCL Kumpur Dhadhing district offices have strong operating self sufficiency ratio but the offices of the remaining district are in the less than normal range. This indication shows that the expenditure portion in SFCL Shreeantu Ilam and SFCL Kumpur Dhading is very low as well as the provision amount is also less.

Again the SFCL offices of Fedikhola Syangja, Kalena Doti and Uttarganga Surkhet have been provisioning a heavy amount, which indicates less profitability of the concern offices.

### **Overdue to Total Loan**

The delinquent amount over the total loan in SFCL Kalena Doti district offices is very high. Sixty-three percent of the loan is overdue which means a very alarming position for the concern office. However, SFCL offices of Uttarganga Surkhet district maintained its financial discipline keeping the delinquent loan as in five percent. The position of the offices of remaining district is not so good.

**Figure 7.3**



### **Average Loan Size**

The average loan size in SFCL Uttarganga Surkhet district offices is high comparing with the offices of other district. SFCL Shreeantu Ilam has its average loan size of NRs 28219. The SFCL office of Kumpur Dhadhing district has lowest average loan size of Rs.15197. The remaining SFCLs containing Shreeantu Illam, Fedikhola Syangja and Kalena Doti maintaining its average loan size with NRs. 21582, NRs.18867 and NRs.16200 respectively.

### **Break-even Point**

The break-even position of all the offices seems quite interesting. All the offices have good break-even point, which means all the offices are well maintaining their position concerning break even. Between the calculated SFCLs Uttarganga Surkhet and Kalena Doti have maintained its position lowest as 23 percent. However, among all office the office of Shreeantu Ilam district has maintained higher BEP as 45 per-cent which means it has to go far to operate office in survival condition.

### **Income Expenditure Ratio**

The SFCLs have positive income expenditure ratio. SFCL Uttarganga Surkhet district is in top position comparing with other analyzed SFCLs keeping the ratio with 1.3. The remaining SFCL such as SFCL Kalena Doti stood 1.22 while 1.15 in SFCL Kumpur Dhadhing, 1.14 in SFCL Fedikhola Syangja and 1.12 found in SFCL Shreeantu Illam.

### **Profit Income Ratio**

This is the ratio, which shows the portion of profit over the total income. SFCL Uttarganga Surkhet has higher profit over income comparing with remaining districts. It has maintaining 23 per-cent profits in total income. Again SFCL Shreeantu Ilam stands in last position with 11 per-cent profits over its income. Other SFCLs has no significant profit position.

### **Annual Operating Cost over Fixed Asset**

SFCL Shreeantu Ilam has highest annual operating cost over fixed asset with 3.06. Other SFCLs containing Uttarganga Surkhet, Kumpur Dhading, Kalena Doti and Fedikhola Syangja have 2.8, 1.95, 1.53 and 1.37 respectively (Annex II - a)

### **7.1.17 Financial Reliability, Transparency and Shares Divestment**

Transparency, accountability, financial reliability and members' trust towards the financial operation are major components to maintain financial sustainability so far; hence this section tries to find-out the level of familiarization of members with the financial policy, effectiveness of financial operation, accuracy in accounting, financial discipline and share divestment have described hereunder:

#### **Members' familiarization with Financial Policy**

In this major component, however out of 555 respondents, only 10.81 percent members were familiarized about all information including SFCL management, account and loan policies. Only 53 percent members were familiarized about the account policy whereas 34.59 percent members knew only management policy and 1.8 percent members familiarized only on loan policy.

**Table 7.16**

#### **Level of Members' familiarization with Policy**

SFCLs	n	Adm. Policy	%	Account Policy	%	Loan Policy	%	All Policy	%
Shreeantu, Illam	88	30	34.09	38	43	0	0	20	22.72
Kumpur, Dhading	149	3	2.01	143	96	0	0	3	2.01
Fedikhola, Syangja	105	78	74.28	24	23	3	2.85	0	0
Uttarganga	98	51	52.04	3	3	7	7.14	37	37.75
Kalena	115	30	26.08	85	74	0	0	0	0
Total	555	192	34.59	293	53	10	1.8	60	10.81

Source: Field Survey (2007).

Although SFCL Uttarganga, Surkhet promoted awareness development through conducting monthly meeting regularly, more than 37.75 percent members of

this SFCL were well-known with all policies whereas SFCL Shreeantu, Illam familiarized by 22.72 percent and SFCL Kumpur Dhading understood by only 2.01 percent members only.

### **Level of SFCLs Operation**

Out of total respondents, 82.34 percent members mentioned that SFCLs had operated under the less satisfactory operation level, because research reveals that most of SFCLs encountered the problems of overdue loan, not regularized monthly meeting, and not deposited savings regularly, lack of profit generated from institution, lack of proper monitoring and follow-up system developed from concerning institutions, lack of profitable business introduced by SFCLs.

**Table 7.17**  
**Level of SFCLs Operation**

SFCLs	n	Excellent	%	Good	%	Satisfactory	%	Less Satisfactory	%
Shreeantu, Illam	88	0	0	0		0	0	88	100
Kumpur, Dhading	149	0	0	0		0	0	149	100
Fedikhola, Syangja	105	0	0	0		0	0	105	100
Uttarganga	98	0	0	98	100	0	0	0	0
Kalena	115	0	0	00	0		0	115	100
Total	555	0	0	98	17.65	0	0	457	82.34

*Source: Field Survey (2007).*

Apart from these problems, most of the SFCL members have found lack of trust, enthusiasm, and cooperation. Moreover, management revealed very weak and ineffective due to the lack effective management policy and inadequate training and exposures to the staff of the SFCLs. Of the total SFCLs 80 percent was totally less satisfactory category whereas 20 percent stood in good position.

### **Reasons for Choosing SFCL**

Research study shows that the reason behind choosing a particular SFCL is because the institution is own village institution. Altogether 502 members (90.45 %) of 555 agreed in this statement while 100 percent agreed in this statement from the members of SFCL of Kumpur Dhading, Fedikhola Syangja, Uttarganga Surkhet and



Kalena Doti each. Only 39.77 percent members supported the idea in Shreeantu while 60.22 percent members had chosen to SFCL due to its saving and credit services.

**Table 7.18**

**Major Reasons for Choosing SFCL**

SFCLs	n	Own village Institution	Percent	Services with saving & credit	Percent
Shreeantu, Illam	88	35	39.77	53	60.22
Kumpur, Dhading	149	149	100	0	0
Fedikhola, Syangja	105	105	100	0	0
Uttarganga	98	98	100	0	0
Kalena	115	115	100	0	0
Total	555	502	90.45	53	9.54

*Source: Field Survey (2007).*

**Financial Discipline in SFCL**

Small Farmers' Cooperatives would exist only when they succeed in creating trust, maintaining financial discipline, developing mutual support, cohesiveness, transparency, good governance and maintain standard MIS in the organization. Their failure to maintain these activities smoothly would ultimately deteriorate members' faith towards the SFCLs resulting in drop-out of members, withdrawal of savings, increase of overdue, rise investment in faulty projects and rapidly increase other deceive activities those make the SFCLs bankruptcy.

**Table 7.19**

**Status of Financial Discipline**

**(Problems of Frauds, Corruption & Malpractices) in SFCL**

S.N.	SFCLs	n	Have you ensured in maintaining financial discipline from SFCL			
			Yes	Percent	No	Percent
1	Shreeantu, Illam	88	88	100	0	0
2	Kumpur Dhading	149	149	100	0	0
3	Fedikhola, Syangja	105	105	100	0	0
4	Uttarganga, Surkhet	98	98	100	0	0
5	Kalena, Doti	115	115	100	0	0
		555	555	100	0	0

*Source: Field Survey (2007).*

In this critical component all Small Farmers' Cooperatives have been maintaining financial discipline perfectly because none of them claimed

dissatisfaction on this issue. Hence, it reflects that all executive committee members, staff and other agencies concerned were not involved in frauds, corruption and other malpractices, which deteriorate the trust of the members.

#### **Account Accuracy in SFCL**

Account recording is considered, as one of the important components of SFCLs that increases the faith towards the SFCLs. Small mistake would affect the image of the institution for long time. Hence, principally each and every SFCL must maintain their accounting system either individually or institutionally and systematically without any mistakes.

**Table 7.20**

#### **Status of Account Accuracy in SFCL**

S.N.	Office	N	Are you ensured in maintaining your account accurately			
			Yes	Percent	No	Percent
1	Shreeantu, Illam	88	88	100	0	0
2	Kumpur Dhading	149	149	100	0	0
3	Fedikhola, Syangja	105	105	100	0	0
4	Uttarganga, Surkhet	98	98	100	0	0
5	Kalena, Doti	115	115	100	0	0
		555	555	100	0	0

*Source: Field Survey (2007).*

Consequently, it increases members' enrollment, rise savings deposit, increase business transactions, grow profits and finally operate SFCL smoothly and effectively. In this major component, all respondents confirmed that their accounts were maintained perfectly because the group of staff including Manager, Office Assistant and Clerks managed all information. None of them encountered from inaccuracy problems.

#### **Share Divestment**

Share is one of the major financial internal resources of SFCL. It works as the equity of the members deposited in the institutions. Members can get return on the basis of the profit that generates from the activities implemented from the SFCL. However, dividend could not be distributed more than 15 percent of the share amount. All members received share in SFCL of Shreeantu Illam, Kumpur Dhading, Fedikhola Syangja, Uttarganga Surkhet and Kalena Doti. Average share amount stood at NRs.

199.49. Average large amount stood at NRs. 489.77 in SFCL Shreeantu Illam followed by NRs. 208.47 in Fedikhola Syangja, NRs. 195.97 in Kumpur Dhading, NRs. 110 in Uttarganga Surkhet and NRs. 50 in Kalena Doti. Maximum amount deposited from an individual was NRs.1000 in the Kumpur SFCL, followed by NRs.600 from Fedikhola Syangja, NRs.500 from Shreeantu Illam, NRs. 110 from Uttarganga Surkhet and NRs. 50 in Kalena Doti. Similarly, minimum share stood at NRs.110 in Uttarganga Surkhet, NRs. 100 in Kumpur Dhading and Fedikhola Syangja each and NRs. 50 revealed in Shreeantu Illam and Kalena Doti each.

**Table 7.21**

**Status of Share Divestment**

SFCLs	N	Share	Mean	Max	Min
Shreeantu, Illam	88	88	489.77	500	50
Kumpur, Dhading	149	149	195.97	1000	100
Fedikhola, Syangja	105	105	208.47	600	100
Uttarganga	98	98	110	110	110
Kalena	115	115	50	50	50
Total	555	555	199.49	1000	50

*Source: Field Survey (2007).*

**Members' Entry Fees**

Entry fee is another major financial resource of SFCL, which is charged while members enter the SFCL. All SFCLs charged members' fees. Average amount stood at NRs.14.75 while maximum average amount stood at NRs.48.97 in SFCL of Shreeantu Illam followed by NRs. 10.4 in Uttarganga Surkhet, NRs.10 in Kumpur Dhading, NRs. 7.57 in Fedikhola Syangja and NRs. 5 in Kalena Doti.

**Table 7.22**

**Status of Members' entry Fees**

SFCLs	n	Fees paying	Mean	Max	Min
Shreeantu, Illam	88	88	48.97	50	5
Kumpur, Dhading	149	149	10	10	10
Fedikhola, Syangja	105	105	7.57	10	5
Uttarganga	98	98	10.4	20	10
Kalena	115	115	5	5	5
Total	555	555	14.75	50	5

*Source: Field Survey (2007)*

However maximum large amount was NRs. 50 in SFCL of Shreeantu Illam followed by NRs. 20 in Uttarganga, Surkhet, NRs. 10 in Kumpur Dhading and Fedikhola Syangja each and NRs. 5 in Kalena Doti. Likewise minimum amount was NRs.10 in Kumpur Dhading and Uttarganga Surkhet each NRs. 5 in Shreeantu Illam, Fedikhola Syangja and Kalena Doti each.

### **Activities Influencing for Sustainability**

More than 363 members (65.40%) mentioned that saving is major component for making the SFCL financial sustainable whereas 14.23 percent claimed that members' increment in SFCLs contributed to increase the strength of SFCL.

**Table 7.23**

### **Activities Influencing for Sustainability**

SFCLs	n	Activities for Sustainability		
		No	By increasing saving	By increasing members
Shreeantu, Illam	88	0	25(28.40%) (6.88%)	63(71.59%) (79.74%)
Kumpur, Dhading	149	6(4.02%) (5.30%)	143(95.97%) (39.39%)	0
Fedikhola, Syangja	105	3(2.85%) (2.65%)	102(97.14%) (28.09%)	0
Uttarganga	98	42(42.85%) (37.16%)	46(46.93%) (12.67%)	10(10.20%) (12.65%)
Kalena	115	62(53.91%) (54.86%)	47(40.86%) (12.94%)	6(5.21%) (7.59%)
Total	555	113(20.36%) (100%)	363(65.40%) (100%)	79(14.23%) (100%)

*Source: Field Survey (2007).*

Cooperatives supported that perception from the members of 28.09 percent from Fedikhola Syangja, 12.94 percent from Kalena Doti, and 12.67 percent from Uttarganga Surkhet and 6.88 percent reported from Shreeantu Illam. Apart from the saving deposit, 14.23 percent claimed that members' increment is another strong indicator for making the SFCL sustainable. Therefore, most of the SFCL are increasing their members to some extent.

### **Awareness Development for Timely Loan Repayment**

Out of 555 respondents, 171 (30.81%) mentioned that they developed awareness among members for timely loan repayment whereas 69.18 percent mentioned that they had not conducted any awareness development program for

timely loan collection. Due to their ineffectiveness in awareness development on loan repayment, most of the SFCLs have been facing great problems on loan repayment. Principally, micro finance require close monitoring, follow-up, supervision and counseling while SFCLs were not practiced these activities in village group; inter group and main committee level so far.

**Table 7.24**

**Level of Awareness Development for Timely Loan Repayment**

SFCLs	n	Yes	Percent	No	Percent
Shreeantu, Illam	88	49	55.68	39	44.31
Kumpur, Dhading	149	0	0	149	100
Fedikhola, Syangja	105	0	0	105	100
Uttarganga	98	98	100	0	0
Kalena	115	24	20.86	91	79.13
Total	555	171	30.81	384	69.18

*Source: Field Survey (2007).*

**Major Influencing Activities for Timely Loan Repayment**

Of the total 555 respondents, 482 (86.84%) claimed that awareness development played a catalytic role for timely loan repayment, but due to the lack of adequate training programs, exposure visits, seminar and workshop programs most of the SFCL failed to create awareness development for timely loan repayment, as a result delinquency found major problem in SFCL

**Table 7.25**

**Activities Influencing for Timely Loan Repayment**

SFCLs	n	Awareness	Rebate	Prestige
Shreeantu, Illam	88	79 (89.77%) (16.39%)	9(10.22%) (60%)	0
Kumpur, Dhading	149	110(73.82%) (22.82%)	0	39(26.17%) (67.24%)
Fedikhola, Syangja	105	99(94.28%) (20.53%)	6(5.71%) (40%)	0
Uttarganga	98	79(80.61%) (16.39%)	0	19(19.38%) (32.75%)
Kalena	115	115(100%) (23.85%)	0	0
Total	555	482(86.84%) (100%)	15(2.70%) (100%)	58(10.45%) (100%)

*Source: Field Survey (2007).*

In addition, 10.45 members claimed that timely loan repayment performed due to the enhancement of prestige in society whereas 2.70 percent claimed that it is due to rebate facilities introduced from SFCLs.

### **Loan Collection Techniques**

Of the total respondents, 69.54 percent members mentioned that executive committee members reminded them to repay the loan timely whereas 22.88 percent mentioned that executive committee and staff both played equally important role for reminding them. Finally, only 7.56 percent members mentioned that SFCLs staff made alert to collect installment timely. This research study clearly reflects that SFCL were not strictly monitored the credit projects on one hand and also failed to take corrective action to defaulters on right time on the other.

**Table 7.26**

### **Techniques of Loan Collection**

<b>SFCLs</b>	<b>n</b>	<b>Inform by Executive</b>	<b>Make alert by SFCL</b>	<b>Both</b>
Shreeantu, Illam	88	70(79.54%) (18.13%)	18(20.45%) (42.85%)	0
Kumpur, Dhading	149	128(85.90%) (33.16%)	6(4.02%) (14.28%)	15(10.06%) (11.81%)
Fedikhola, Syangja	105	90(85.71%) (23.31%)	3(2.85%) (7.14%)	12(11.42%) (9.44%)
Uttarganga, Surkhet	98	12(3.10%) (3.10%)	0	86(87.75%)
Kalena, Doti	115	86(74.78%) (22.27%)	15(13.04%) (35.71%)	14(12.17%) (11.02%)
Total	555	386(69.54%) (100%)	42(7.56%) (100%)	127(22.88%) (100%)

*Source: Field Survey (2007).*

### **Dividend Distribution from SFCLs**

Altogether 457 (82%) members are not receiving dividend from SFCL, because 90 percent SFCLs have been suffering from overdue problems, lack of regular savings, no regularized monthly meeting and no supervised and monitored credit projects, as a result most of the clients failed to pay the loan on time. However, only 20 percent SFCLs have succeeded in paying loan on time. This research study

clearly indicates that women dominated SFCL were regularized in loan repayment, monthly savings and also monitored and supervised their members' activities effectively. Consequently, Uttarganga a women dominated SFCL, has been implementing savings deposit, credit investment, supervision, monitoring, group meeting and socio-economic development activities smoothly to some extent.

**Table 7.27**

**Level of Earning from Investment**

SFCLs	n	Yes	Percent	No	Percent
Shreeantu, Illam	88	0	0	88	100
Kumpur, Dhading	149	0	0	149	100
Fedikhola, Syangja	105	0	0	105	100
Uttarganga	98	98	100	0	0
Kalena	115	0	0	115	100
Total	555	98	17.65	457	82

*Source: Field Survey (2007).*

**Nature of Profit Distribution from SFCLs**

Almost 90 percent SFCLs could not generate profit from their activities because they had not introduced effective loans and collection policy, had not practiced performance based incentive systems to the staff and executive committee members, lack of effective and pragmatic management, no effective controlling and supervision mechanism had been developed, as a result Small Farmers' Cooperatives merely reached in bankruptcy situation. SFCL Uttarganga Surkhet, women lead SFCL provided additional shares to its members on the form of dividend. Remaining other did not distribute profit in cash nor in the shares because they did not earn any profit.

**Table 7.28**

**Sources of Profit Earning from Investment**

SFCLs	n	Share	Percent
Shreeantu, Illam	88	0	0
Kumpur, Dhading	149	0	0
Fedikhola, Syangja	105	0	0
Uttarganga	98	98	100
Kalena	115	0	0
Total	555	98	18

*Source: Field Survey (2007).*

### 7.1.18 Impact of Credits on Business Promotion and Economic Improvement

Members of Small Farmers' Cooperative Limited have been changing their business slightly from agriculture to off farm activities in order to improve their income level. Profit can get higher in off farm activities rather than the agriculture.

**Table 7.29**

#### **Involvement of Respondents in Income Generating Activities**

SFCLs	Economic Activities			
	Agriculture	Business	Labor	Total
Shreeantu	<b>73 (83%)</b>	12(13.6%)	3(3.4%)	88 (100%)
Kumpur	124(83.2%)	11(7.4%)	14(9.4%)	149(100%)
Fedikhola	79(75.2%)	11(10.5.%)	15(14.3%)	105(100%)
Uttarganga	69(70.4%)	13(13.3%)	16(16.3%)	98(100%)
Kalena	100(87%)	8(7.0%)	7(6.1%)	115(100%)
Total	445(80.2%)	55(9.9%)	55(9.9%)	555(100%)

*Source: Field survey (2007).*

Out of 555 respondents, 445 (80.2%) with agriculture as major business pointed out that respondent of the study area are still dependent on agriculture activities.

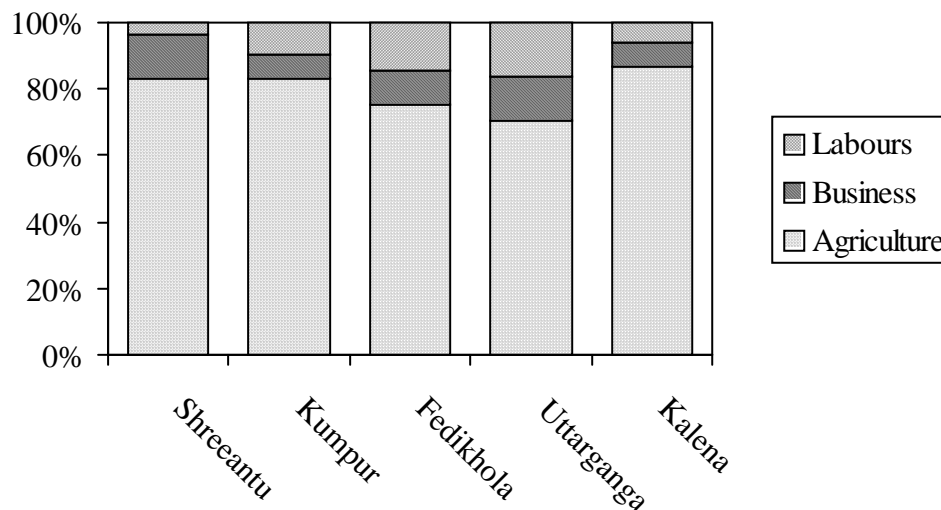
Out of total agriculture business people, 44.37 percent inhabited in Kumpur, Dhading; 22.47 percent in Kalena, Doti; 17.75 percent in Fedikhola, Syangja; 16.40 percent in Shreeantu, Illam; and 15.50 percent inhabited in Uttarganga, Surkhet.

Respondents with business and labors as major occupation were very negligible: only 55 (9.9%) each. Similarly, out of total businessperson, 23.63 percent inhabited in Uttarganga, Surkhet, followed by 21.81 percent in Shreeantu, Illam, 20 percent in Fedikhola, Syangja and Kumpur, Dhading each and 14.55 percent in Kalena, Doti. Of the total labors 29.09 percent inhabited in Uttarganga, Surkhet followed by 27.27 percent in Fedikhola, Syangja, 25.45 percent in Kumpur, Dhading, 12.72 percent in Kalena, Doti and 5.45 percent in Shreeantu Illam.



**Figure 7.4**

**Involvement of Respondents in Income Generating Activities**

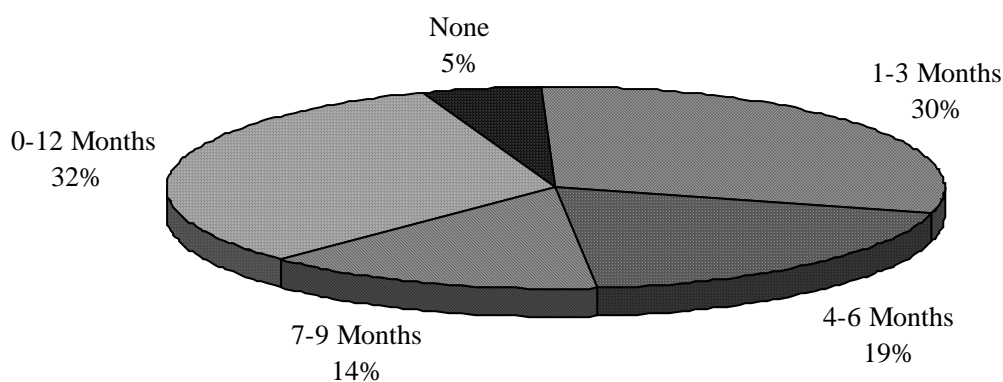


**Improvement in Food Sufficiency**

By using improved seeds, chemical fertilizers, insecticides and pesticides from production loan, which increased yields of the crops to some extent, as a result more than 31 percent members reached in food sufficiency level for 10 to 12 months. Whereas 165 members (29.7%) had food only enough for 1 to 3 months, 106 members (19.1%) had food access only for 4 to 6 months, 79 members (14.2%) had sufficient food for 7 to 9 months and 28 members (5%) still fell in the group of no access to food.

**Figure 7.5**

**Improvement in Food Sufficiency**



## **7.2 Institutional Sustainability**

Principally, Small Farmers' Cooperatives borrow wholesale credit from Small Farmers' Development Bank thereby invest those loans through providing retailing services to its members. Meanwhile, members generally used these loans in the economic development activities such as agriculture, cottage industries and off farm activities including grocery shop, tea shop and pledging etc. Apart from this, SFCLs mobilize internal resources by collecting savings such as group saving, individual saving, child saving, maternal saving and adult age saving by providing attractive interest rate between 5 to 8 percent. Shares and entry fees are also major financial resources those offer initially at SFCLs. Thus, Small Farmers' Cooperatives have been maintaining its sustainability by mobilizing internal and external resources. Executive Committee is most powerful administrative unit of SFCLs it should perform overall management activities of the organization, participate large number of members in decision-making process, involve stakeholders in different activities, mobilize financial resources and finally manage information system systematically. Among these activities, management considered as the catalytic aspects of SFCLs that includes office management, planning, recording, account keeping, reviewing, monitoring and follow-up of programs. Second major important components of SFCLs contains decision-making activity that refers to loan processing; loan approval and disbursement of loan installments, along with it finally takes the prompt administrative action to carry out the day-to-day functions of organization. Furthermore, SFCLs need to increase coverage (width and depth), skill enhancement of members through training and exposure visits and increase external and internal resources effectively and efficiently. Finally, management information system must be maintained in accessibility, adequacy, transparency and accuracy form thereby SFCLs provide services continuously in sustainable ways. Considering importance of above indicators, institutional sustainability plays utmost role to operate SFCLs in the long run perspective so that this research study tried to analyze all components of institutional development of SFCLs in this section as follows.

### 7.2.1 Organization of General Assembly Meeting

All respondents mentioned that general assembly of SFCL organized yearly. It is however, considered as a major component of SFCL, because all programs, budget and policy must take the approval from the general assembly meeting. Later than, executive committee members execute day-to-day activities of SFCL by themselves or hiring the staff from local vicinity. Cooperative Act provided major authority to the general assembly to take all decisions whatever needed to operate SFCL smoothly in grassroots level. Considering its great importance in cooperative operation, Cooperative Act, has made the special condition to organize its general assembly meeting compulsorily in each year. Consequently, all Small Farmers' Cooperatives are more conscious for organizing general assembly meeting timely; because cooperative registrar offices take action against asymmetrical SFCLs.

**Table 7.30**

#### **Organization of General Assembly Meeting**

S.N.	SFCLs	n	How often organized general assembly meeting			
			Yearly	Percent	Occasionally	Percent
1	Shreeantu, Illam	88	88	100	0	0
2	Kumpur, Dhading	149	149	100	0	0
3	Fedikhola, Syangja	105	105	100	0	0
4	Uttarganga, Surkhet	98	98	100	0	0
5	Kalena, Doti	115	105	100	0	0
	Total	555	555	100	0	0

*Source: Field Survey (2007)*

### 7.2.2 Members' attendance in General Assembly Meeting

Out of 555 respondents, 300 (54.05 %) attained general assembly meeting regularly in each year. Altogether 255 (45.94%) members did not attain meeting regularly. This indicates that regular attendance of the members in general assembly was not encouraging. Principally good MFIs require full participation in general assembly as well other meetings organized weekly, fortnightly or monthly, This makes the institution more strong and worthiness. Because general assembly is considered as a full-authorized unit of cooperatives while it makes all-important decisions that approves all policies such as loan investment, collection, account operation, office management, staff salary, incentives for executive committee

members and external auditors as well as make the approval of annual program and budgets.

**Table 7.31**

**Frequency of Attendance in General Assembly Meeting**

S.N.	SFCLs	N	Attendance in General Assembly			
			Regularly	Percent	Occasionally	Percent
1	Shreeantu, Illam	88	85	96.59	3	3.4
2	Kumpur,Dhading	149	6	4.02	143	95.97
3	Fedikhola,Syangja	105	102	97.14	3	2.85
4	Uttarganga,Surkhet	98	98	100	0	0
5	Kalena, Doti	115	9	7.82	106	92.17
		555	300	54.05	255	45.94

*Source: Field Survey (2007).*

### **7.2.3 Status of Group Meeting Regularization in SFCL**

Out of total SFCL, 90 percent were not conducting their monthly meeting regularly, however only 10 percent SFCL organized their monthly meeting regularly. While this meeting considered as one of the important component of SFCLs to make the institutions sustainable and worthiness because members exchange their experiences, ideas and new information each other in this meeting. Besides, they review their members' credit project and propose further required loan in their respective group meeting. Along with they interact on social and community development activities such as village road construction, drinking water installation, convenient toilet construction, vaccination to their children, maintain sanitation and environment protection in their village etc.

Nevertheless, the scenario of group meeting indicates that SFCL are operating beyond the micro finance principles, because MFIs need to regularize meeting, deposit savings timely, repay loan on the right time and involve members in socio-economic development activities actively therefore principally SFCLs failed to conduct monthly meeting regularly, as a result it affects to collect saving deposit regularly, because group savings generally deposit in the monthly meeting only.

**Table 7.32****Interval of Group Meeting**

SFCLs	n	Regular (30 days interval)	Percent	Irregular	Percent
Shreeantu, Illam	88	0	0	88	100
Kumpur, Dhading	149	0	0	149	100
Fedikhola, Syangja	105	0	0	105	100
Uttarganga, Surkhet	98	98	100	0	0
Kalena, Doti	115	0	0	115	0
Total	555	98	17.65	457	82.34

*Source: Field Survey (2007).*

**7.2.4 Members' attendance in Group Meeting**

Participation of members in group meeting plays vital role to enhance their knowledge, skill and attitude towards the promotion and strengthening of SFCLs on one and share experiences and problems and relevant information time to time to operate their credit projects on the other. Apart from these, monthly meeting makes more alert to the members on gender development, health and sanitation improvement, environment protection, domestic resource mobilization, cohesiveness improvement, human rights and individual rights utilization etc. As a result, attendance of members in group meeting plays important role to improve the socio-economic condition of the members effectively thereby helps to promote SFCLs more viable and sustainable way.

In this respect, out of total 555 members research shows that almost 533(96%) members involved in-group meeting regularly if they received the information of group meeting timely although 3.96 percent members were not regularized in-group meeting due to their busy schedule. It indicates that if SFCLs conducted group meeting regularly by using its staff ultimately group meeting would regularize effectively. At present, group meeting has not been organizing regularly due to the lack of adequate facilitators and also inefficient effective management policy.

**Table 7.33****Members' attendance at Group Meeting in SFCL**

<b>SFCLs</b>	<b>n</b>	<b>Regular</b>	<b>Percent</b>	<b>Irregular</b>	<b>Percent</b>
Shreeantu, Illam	88	75	85	13	14.77
Kumpur, Dhading	149	149	100	0	0
Fedikhola, Syangja	105	105	100	0	0
Uttarganga	98	89	91	9	9.18
Kalena	115	75	65	13	11.3
Total	555	533	96	22	3.96

*Source: Field Survey (2007).*

**7.2.5 Members' role in Group Meeting in SFCL**

Conceptually, Small Farmers' Cooperatives are functioning by the groups of the poor people those who are taking membership of SFCL in order to improve their socio-economic condition by cooperating each other in respect to use of their financial resources, physical resources, intellectual support and mutual cooperation etc. Members have undertaken core authority to operate own groups by themselves. Hence, planning, programming, budgeting, monitoring and follow-up need to be performed from the groups either they operate at village, ward or VDC level. Savings collection and credit investment required to attain effectively from all groups to improve the economic condition of individual members on one and generate interest from investment to meet their operating and other costs of SFCL for existing its in future. Therefore, members' participation in decision making reveals utmost important to improve socio-economic and empowerment level of an individual members on one hand and make the SFCLs sustainable by mobilizing savings, creating business and involving members in credit activities intensively that increases profit of the SFCLs so far.

In this respect, out of total members participated at meeting there is only 19 percent members participated actively by raising issues as well as providing suggestions in group meeting whereas 79 percent of members only attended in meeting without raising any issues and no provided any suggestions. This scenario indicates that very few members still dominant in decision making in SFCLs while that might not be the useful for all members of SFCLs. Finally, it shows that most of

the members of Small Farmers' Cooperative are supportive nature except the members of SFCL Uttarganga Surkhet, because SFCL Uttarganga Surkhet participated 91 percent members in the meeting actively. Due to the active involvement of members in decision-making in SFCL Uttarganga Surkhet, particularly that SFCL succeeded to improve loan repayment, saving deposit and implementation of socio-economic development activities so far.

**Table 7.34**

**Role of Members at Group Meeting in SFCL**

SFCLs	n	Not raised any issues	Percent	Raised issues & provided suggestions	Percent
Shreeantu, Illam	88	72	81.81	16	18
Kumpur, Dhading	149	149	100	0	0
Fedikhola, Syangja	105	105	100	0	0
Uttarganga	98	9	9.18	89	91
Kalena	115	115	100	0	0
Total	555	450	79	105	19

*Source: Field Survey (2007).*

## 7.2.6 Training Activities

Training is an important component of Small Farmers' Cooperatives because it helps the members enhance knowledge, skill and attitude to fulfill the information gap and helps individuals to develop capacity and capability. Considering its importance in successful implementation of program, Small Farmers' Cooperatives need to organize various training programs to their members for enhancing capacity of members.

### **Members' enrollment in Training Program**

Out of 555 respondents, only 119 (21.44%) participated in several trainings organized by the SFCLs. The trainings covered several topics related with agriculture, livestock, horticulture, vegetable production and off farm activities as well as saving mobilization, group operation and management, SFCLs operation, exchange visits etc inside and outside the program area. Among five SFCLs covering all development regions, the SFCL Kalena Doti showed the 45.22 percent the highest rate of participation in trainings followed by 30.47 percent in SFCL Fedikhola Syangja,

19.31 percent in SFCL Shreeantu Illam, 8.73 percent in SFCL Kumpur Dhading and 5.10 percent found only in SFCL Uttarganga Surkhet.

**Table 7.35**

**Members' participation in Training Program**

SFCLs	n	Yes	Percent	No	Percent
Shreeantu, Illam	88	17	19.31	71	80.69
Kumpur,Dhading	149	13	8.73	136	91.27
Fedikhola,Syangja	105	32	30.47	73	69.53
Uttarganga,Surkhet	98	5	5.10	93	94.90
Kalena, Doti	115	52	45.22	63	54.78
Total	555	119	21.44	436	78.56

*Source: Field Survey (2007).*

Considering the role played by the training program on socio-economic development and SFCL operation, SFCL Kalena Doti and SFCL Fedikhola Syangja organized some training programs to its members while participation in few trainings organized by the SFCLs Shreeantu Illam, Kumpur Dhading and Uttarganga Surkhet were very low participation because most of the members were busy in their income generating activities.

**Usefulness of Training Programs**

Out of 555 respondents, 436 (78.56%) revealed that they had no idea about the usefulness of the trainings because they had not participated in them, 15.14 percent mentioned that they felt that the training programs were of less use to them, 4.14 percent felt the training moderately useful, 0.54 percent felt is useful an the rest 1.62 percent felt the training very useful. Most of them said the training was of less use to them because the SFCLs had not conducted any training need assessment (TNA) before organizing training programs. In addition, they said most of the training durations were very short and that there were no provisions of advanced level trainings and that the training programs did not tie-up with credit activities.



**Table 7.36****Usefulness of Training**

<b>Trainings</b>	<b>N</b>	<b>Very useful</b>	<b>Useful</b>	<b>Moderate</b>	<b>Low Useful</b>	<b>don't know</b>
Shreeantu, Illam	88	6(6.81%) (66.67%)	0	9(10.27%) (39.13%)	2(2.27%) (2.38%)	71(80.68%) (16.29%)
Kumpur, Dhading	149	2(1.34%) (22.22%)	0	7(4.70%) (30.44%)	4(2.69%) (4.76%)	136(91.27%) (31.20%)
Fedikhola, Syangja	105		0	2 (1.90%) (8.69%)	30(28.58%) (35.71%)	73(69.52%) (16.75%)
Uttarganga Surkhet	98	1(1.02%) (11.11%)	3(3.06%) (100%)	0	1(1.02%) (1.19%)	93(94.99%) (21.33%)
Kalena, Doti	115		0	5(4.35%) (21.74%)	47(40.87%) (55.96%)	63(54.78%) (14.45%)
<b>Total</b>	<b>555</b>	<b>9(1.62%) (100%)</b>	<b>3(0.54%) (100%)</b>	<b>23(4.14%) (100%)</b>	<b>84(15.14%) (100%)</b>	<b>436(78.56%) (100%)</b>

*Source: Field Survey (2007).*

**Members' participation on Agricultural related Training**

Of the total training participants, 41 (34.45%) were participated in agriculture related training programs such as agriculture, goat rearing, vegetable, nursery and livestock etc. These training programs were conducted by the SFCLs themselves with an aim to improve their agriculture products for generating more income. Moreover, at the present time knowledge is power and is one of the major tools for empowering people to involve in income generating activities as well as encourage them to participate in social and community development programs to improve their livelihood.

While in SFCLs wise analysis, highest training on agriculture attained as 58.33 percent from SFCL Fedikhola Syangja followed by 16.66 percent from SFCLs Kumpur Dhading and Uttarganga Surkhet each and 8.33 percent members involved from SFCL Doti, likewise in cash crops cum group savings attained 45.46 percent from SFCL Kalena Doti followed by 40.91 percent from SFCL Fedikhola Syangja, 9.09 percent from SFCL Kumpur Dhading and 4.54 percent members participated in SFCLs Uttarganga Surkhet.

**Table 7.37****Members' participation on Agricultural related Training**

<b>Trainings</b>	<b>SFCLs</b>					<b>Total</b>
	<b>Illam</b>	<b>Dhading</b>	<b>Fedikhola</b>	<b>Uttarganga</b>	<b>Doti</b>	
Agriculture	0	2(16.66%) (40%)	7(58.33%) (35%)	2(16.66%) (66.67%)	1(8.33%) (9.10%)	12 (29.27%)
Goat rearing	1(100%) (50%)	0	0	0	0	1(100%) (2.44%)
Vegetable	0	0	3(100%) (15%)	0	0	3 (100%) (7.32%)
Nursery	1(100%) (50%)	0	0	0	0	1(100%) (2.44%)
Cash crops with group saving	0	2(9.09%) (40%)	9(40.91%) (45%)	1(4.54%) (33.33%)	10(45.46%) (90.90%)	22(100%) (53.66%)
Livestock insurance with saving	0	1(50%) (20%)	1(50%) (5%)	0	0	2(100%) (4.87%)
Total	2(4.87%) (100%)	5(12.20%) (100%)	20(48.78%) (100%)	3(7.32%) (100%)	11(26.83%) (100%)	41(100%) (100%)

*Source: Field Survey (2007).*

Participation of members on goat rearing, vegetable farming, nursery management and livestock insurance cum savings found very negligible.

**Members' participation on Management related Training**

Of the total 555 respondents, only 75 (21.44%) participated in management related training programs. However, out of 119 training participants, 63.05 percent took part in management related training such as group saving, leadership, SFCL operation, observation tour, group management and account. So far, these types of trainings were recognized as crucial components for enhancing knowledge, skill and attitude of the SFCL members particularly for strengthening organization institutionally sound. Of total participants in management related training program, highest 48 percent participated in group management training, followed by 33.33 percent in group saving, 8 percent in SFCL operation, 4 percent in observation tour and account each and 2.67 percent members participated in leadership training.

**Table 7.38****Members' participation on Management related Training**

<b>Training</b>	<b>Shreeantu Illam</b>	<b>Kumpur Dhading</b>	<b>Fedikhola Syangja</b>	<b>Uttarganga Surkhet</b>	<b>Kalena Doti</b>	<b>Total</b>
Group saving	0	2(8%) (25%)	9(36%) (90%)	1(4%) (50%)	13(52%) (31.71%)	25(100%) (33.33%)
Leadership	1(50%) (7.14%)	1(50%) (12.5%)	0	0	0	2(100%) (2.67%)
SFCL operation	4(66.67%) (28.57%)	2(33.33%) (25%)	0	0	0	6(100%) (8%)
Observation tour	0	2(66.67%) (25%)	1(33.33%) (10%)	0	0	3(100%) (4%)
Group mgmt	7(19.45%) (50%)	1(2.78%) (12.5%)		1(2.78%) (50%)	27(75%) (65.85%)	36(100%) (48%)
Account	2(66.67%) (14.29%)	0	0	0	1(33.33%) (2.44%)	3(100%) (4%)
Total	14(18.67%) (100%)	8(10.67%) (100%)	10(13.33%) (100%)	2(2.66%) (100%)	41(54.67%) (100%)	75(100%) (100%)

Source: Field Survey (2007).

As per the SFCL-wise analysis in management related training, highest members' participation 52 percent was found in group savings from SFCL Doti Kalena, followed by 36 percent from SFCL Fedikhola Syangja, 8 percent from Kumpur Dhading and 4 percent from Uttarganga Surkhet. In group management training highest participation stood at 75 percent from SFCL Kalena Doti, followed by 19.45 percent from SFCL Shreeantu Illam and 2.78 percent from SFCLs Kumpur Dhading and Uttarganga Surkhet each from the participants of respective training programs. Apart from these training programs, participation of members in remaining other training programs such as leadership, SFCL operation, observation tour and account revealed very negligible.

**Members' participation on Others Training Programs**

SFCLs conducted very few sewing and cutting and health training programs. Of the total 119 participants of several training programs, only 2.52 percent participated in these training programs. Participation in such training programs was found very negligible due to the lack of adequate fund and unavailability of professional resource person at local level.

**Table 7.39****Members' participation in Others Training**

<b>Trainings</b>	<b>SFCLs</b>					<b>Total</b>
	<b>Illam</b>	<b>Dhading</b>	<b>Fedikhola</b>	<b>Uttarganga</b>	<b>Doti</b>	
Sewing and cutting	0	0	1(100%) (50%)	0	0	1(100%) (33.33%)
Health training	1(100%)	0	1(100%) (50%)	0	0	2(100%) (66.67%)
Total	1(33.33%) (100%)	0	2(66.67%) (100%)	0	0	3(100%) (100%)

Source: Field Survey (2007).

**Training Duration of Agriculture related Training Programs**

Out of 41 participants almost 78.04 percent participated in three-day-long training programs followed by 7.32 percent in one-day training program 4.88 percent in two-day trainings and six-day-long training program each while 2.43 percent participants attended the five and seven-day-long training programs. In component wise analysis of agriculture related training programs, 42 percent participated in five-day-long agriculture training, followed by 25 percent involvement in one-day training, 17 percent in six-day training and eight percent in two-day and five-day long training programs.

**Table 7.40****Training Duration of Agriculture related Training Programs**

<b>Training</b>	<b>Trainees</b>	<b>Training days</b>					
		<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>7</b>
Agriculture	12	3 (25%)	1 (8%)	5 (42%)	1 (8%)	2 (17%)	0
Goat rearing	1	0	1 (100%)	0	0	0	0
Vegetable	3	0	0	3 (100%)	0	0	0
Nursery	1	0	0	0	0	0	1 (100%)
Cash crops with group saving	22	0	0	22 (100%)		0	0
Livestock insurance with saving	2	0	0	2 (100%)	0	0	0
Total	41	3 (7.32%)	2 (4.88%)	32 (78.04%)	1 (2.43%)	2 (4.88%)	1 (2.43%)

Source: Field Survey (2007).

Similarly, all 100 percent of the recipients of goat rearing training program were involved in 2-day training program, while 100 percent participated in seven-day training on nursery management. Likewise 100 percent participants involved in three-day-long training program in cash crops with group saving and livestock insurance with saving each.

### **Training Duration of Management related Training Programs**

Almost 50.67 percent of the 75 trainees received training on management followed by 30.66 percent involved in two days long training programs, 6.66 percent in one day training program, 5.34 percent in five and six days training programs and finally 1.33 percent participated in seven days long training programs. In the component wise analysis, 60 percent members participated in three day long training program of group saving followed by 20 percent each in one day and two days training programs. Similarly, 100 percent participants took part in leadership development training in five days, 67 percent involved in six days and 33 percent participants participated in two days long training program of SFCL operation.

**Table 7.41**

### **Training Duration of Management related Training Programs**

Training	Nos.	Training Duration					
		1	2	3	5	6	7
Group saving	25	5 (20%)	5 (20%)	15 (60%)	0	0	0
Leadership	2	0	0	0	2 (100%)	0	0
SFCL operation	6	0	2 (33%)	0	0	4 (67%)	0
Observation tour	3	0	0	1 (33%)	2 (67%)	0	0
Group mgmt	36	0	16 (44%)	20 (56%)	0	0	0
Account	3	0	0	2 (67%)	0	0	1 (33%)
Total	75	5 (6.66%)	23 (30.66%)	38 (50.67%)	4 (5.34%)	4 (5.34%)	1 (1.33%)

*Source: Field Survey (2007).*

Likewise, 67 percent participants participated in five days long observation visit program whereas 33 percent involved in three days long same type of program. In group management training, 56 percent participants participated in three days long training programs whereas 44 percent participated in two days long training program. Finally, in account training, 33 percent participants participated in seven days long training program whereas 67 percent involved in three days training program.

### **Training Duration of Other Training Programs**

Out of three other skill related training programs, 66.67 percent participated in 16 days long training program whereas 33.33 percent participated in 90 days long training program. However, in the sector wise analysis, 100 percent participants took part in 90 days long training program of sewing and cutting whereas participants of health training participated in 16 days long training program only.

**Table 7.42**

### **Training Duration of Other Training Programs**

<b>Training</b>	<b>Training days</b>		
	<b>Nos</b>	<b>16</b>	<b>90</b>
Sewing and cutting	1	0	1 (100%)
Health training	2	2(100%)	
Total	3	2 (66.67%)	1 (33.33%)

*Source: Field Survey (2007).*

SFCLs managed three month long sewing and cutting training in Regional Training Centers of Agricultural Development Bank to enhance full competency of rural women in this activity particularly to open tailoring center in their respective villages. Except this, most of other trainings were of less than one week duration. SFCLs managed theses training programs to sensitize individual members to execute socio-economic development activities and institutionalize SFCLs in their respective program areas successfully.

### **7.2.7 Assessment on Satisfaction Level on Social Activities**

Assessment of the level of satisfaction as underscored by the members of the SFCLs also plays an important role in identifying how effective and useful the programs are. The SFCLs have been organizing several social programs ever since its inception, for the benefit of the people but there are very few works done to verify whether the beneficiaries of such

programs really felt the benefits or thought the programs need not be organized as they don't meet their requirements.

Proper analyses of satisfaction of the members of SFCLs on the programs organized by their institutions is very important for ensuring sustainability, effectiveness and efficiency of cooperatives in long run perspectives.

### **Construction of Community Drinking Water System**

Average weighted mean on satisfaction level of community drinking water stood at 0.77 meaning that members of SFCLs were quite satisfied on construction of community drinking water system. As per the SFCL wise analysis, highest satisfactory level was found in the area of Shreeantu, Illam followed by Kalena Doti, Fedikhola Syangja, Uttarganga Surkhet and lastly Kumpur Dhading. Weighted mean stood at 0.97 in Shreeantu Illam, 0.93 in Kalena Doti, 0.76 in Fedikhola Syangja, 0.63 in Kumpur Dhading and 0.62 in Uttarganga Surkhet.

**Table 7.43**

#### **Satisfaction level on Construction of Community Drinking Water System**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	85.75	94.75	80.75	61.5	107.5	430
Weighted mean	0.97	0.63	0.76	0.62	0.93	0.77

*Source: Field Survey (2007).*

### **School Maintenance**

Members from all SFCLs were satisfied over the activity of maintenance of school because overall weighted mean stood at 0.83. As per the SFCL wise analysis, highest rank stood at 98.29 in Shreeantu Illam followed by 0.93 in Kalena Doti, 0.86 in Uttarganga Surkhet, 0.83 in Fedikhola Syangja and 0.65 in Kumpur Dhading. At present, most of the members of SFCLs were more anxious to send their children to schools to eradicate poverty in the long run.

**Table 7.44****Satisfaction level on School Maintenance**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	86.5	97.5	88	85.25	107.25	464.5
Weighted mean	0.98.29	0.65	0.83	0.86	0.93	0.83

Source: Field Survey (2007).

**Convenient Toilet Construction**

Members from all SFCLs were not so happy in the program of convenient toilet construction because overall weighted mean stood at 0.48. As per the SFCL wise analysis, highest rank stood 0.60 in Kalena Doti followed by 0.55 in Uttarganga Surkhet, 0.54 in Kumpur Dhading, 42.66 in Fedikhola Syangja and 0.24 in Shreeantu Illam. Members of SFCL Shreeantu Illam were not satisfied by construction of convenient toilet because they already had ones.

**Table 7.45****Satisfaction level on Convenient Toilet Construction**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	21.75	80.75	44.8	54.15	69	270
Weighted mean	0.24	0.54	0.42.66	0.55	0.60	0.48

Source: Field Survey (2007).

**Smokeless Stove Construction**

Overall weighted mean revealed the score of 0.63 for construction of smokeless stove in program area. This indicates that status of this program is quite satisfactory, neither excellent nor bad. As per the analysis of SFCLs, highest weighted mean stood at 0.97 in SFCL Shreeantu Illam followed by 0.67 in Fedikhola Syangja, 0.57 in Kumpur Dhading, 0.56 in Kalena Dang and 0.46 weighted mean stood in Uttarganga Surkhet. Most of the respondents mentioned that the materials used in smokeless stove were not satisfactory because generally



they used mud for construction. Moreover, flawed design failed to move smoke out of the chimney.

**Table 7.46**

**Satisfaction level on Smokeless Stove Construction**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	85.75	85.25	70.85	45.5	65.25	352
Weighted mean	0.97	0.57	0.67	0.46	0.56	0.63

*Source: Field Survey (2007).*

**Community Building Construction**

Most of the respondents mentioned that construction of community buildings, especially SFCL office building was quite satisfactory because it's overall weighted mean stood at 0.65. A per the SFCL wise analysis, highest weighted mean stood at 0.99 in SFCL Shreeantu Illam followed by 0.71 in Kalena Doti, 0.60 in Uttarganga Surkhet, 0.58 Kumpur Dhading and 0.46 in Fedikhola Syangja. Respondents were not fully satisfied for construction of office building of SFCL because the buildings were not used for day to day activities and that the buildings were created by the voluntary labor contributed by the villagers.

**Table 7.47**

**Satisfaction level on Community Building Construction**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	87.25	87.55	49.3	59.1	82.75	365
Weighted mean	0.99	0.58	0.46	0.60	0.71	0.65

*Source: Field Survey (2007).*

**Improved Seed Distribution**

Most of the respondents were not satisfied on the program of improved seed distribution, because it's overall weighted mean stood only 0.58. The SFCL wise analysis revealed that the highest weighted mean stood at 0.93 in Shreeantu Illam

followed by 0.72 in Fedikhola Syangja, 0.51 in Uttarganga Surkhet, 0.44 in Kumpur Dhading and 0.41 in Kalena Doti. This research reveals that Shreeantu Illam and Fedikhola Syangja got second position in improved seed distribution because respondents of that areas liked the program because INGOs and NGOs contributed in agriculture extension in that areas. Kalena Doti, Kumpur Dhading and Uttarganga Surkhet had less intervention in agriculture from government, INGOs and NGOs so respondents of the areas found it less satisfactory.

**Table 7.48**

**Satisfaction level on Seed Distribution**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	82	66.55	76.5	50.65	48	323
Weighted mean	0.93	0.44	0.72	0.51	0.41	0.58

*Source: Field Survey (2007).*

**Seed bin Distribution**

Overall weighted mean stood at 0.53 in seed bin distribution. As per the SFCL wise analysis, highest weighted mean revealed 0.73 in Shreeantu Illam followed by 0.64 in Kalena Doti, 0.62 in Kumpur Dhading, 0.55 in Uttarganga Surkhet and 0.21 in Fedikhola Syangja. Meanwhile, this research shows that seed bin were not distributed adequately so that most of the respondents were not responded positively in its distribution.

**Table 7.49**

**Satisfaction level on Seed bin Distribution**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja N= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	64.9	93.8	22.35	54.1	73.6	296
Weighted mean	0.73	0.62	0.21	0.55	0.64	0.53

*Source: Field Survey (2007).*

### Sprayer Distribution

The activity of sprayer distribution was unpopular among the SFCL members because the overall weighted mean stood at 0.46. As per the SFCL wise analysis, highest weighted mean stood 0.69 in Kalena Doti followed by 0.65 in Kumpur Dhading, 0.22 in Fedikhola Syangja and 2.56 in Uttarganga Surkhet. This research reveals that sprayer distribution program was not launched adequately in SFCLs areas. There was a shortage of sprayer during the peak plantation seasons and proved to be more difficult to use it with insecticides and pesticides in vegetables, cereal crops and horticulture etc. Due to the less availability of sprayer, harvesting of vegetables, cereal and horticulture plants reduced drastically, as a result profit from the agriculture activities decreased sharply, therefore members were not satisfied from the program of sprayer distribution in SFCLs.

**Table 7.50**

#### Satisfaction level on Sprayer Distribution

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	11.5	98.3	23.15	251.5	80.35	259.6
Weighted mean	0.13	0.65	0.22	2.56	0.69	0.46

*Source: Field Survey (2007).*

### Temple Construction

Overall weighted mean in temple construction stood 0.69, it means that this program found quiet satisfactory in SFCL areas, while highest weighted mean stood 0.78 in Kalena Doti followed by 0.75 in Shreeantu Illam , 0.70 in Uttarganga Surkhet, 0.71 in Kumpur Dhading and 0.49 in Fedikhola Syangja. Nevertheless, SFCLs focused to construct the temple in the program areas particularly to maintain religious values; norms on one hand and improve the cooperation and mutual support on the other.

**Table 7.51****Satisfaction level on Temple Construction**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	66	106	52.2	69.35	89.75	383
Weighted mean	0.75	0.71	0.49	0.70	0.78	0.69

Source: Field Survey (2007).

**Literacy Program**

Literacy program is one of the popular programs of SFCL. Its overall weighted mean in this program stood at 0.87. As per the SFCL wise analysis, highest weighted mean stood at 0.99 in Shreeantu Illam followed by 0.92 in Kalena Doti, 0.87 in Uttarganga Surkhet, 0.83 in Kumpur Dhading, 0.76 in Fedikhola Syangja. This research shows that all members of SFCLs areas were highly satisfied with the literacy program that was implemented through the SFCLs. As a result most of the members are able to read and write in SFCL areas.

**Table 7.52****Satisfaction level on Literacy Program**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	87.25	124	80.1	85.75	106	484
Weighted mean	0.99	0.83	0.76	0.87	0.92	0.87

Source: Field Survey (2007).

**Vaccination Program for Children**

Campaign for immunization to the children through the vaccination program against the diseases was found highly popular in SFCLs areas. As a result, overall weighted mean in this program stood at 0.83 it means that most of the members of SFCLs were highly satisfied with the immunization program. As per the SFCL wise analysis, highest weighted mean in this program stood at 0.99 in Shreeantu Illam followed by 0.92 in Kalena Doti, 0.84 in Fedikhola Syangja, 0.74 in Uttarganga Surkhet and 0.71 in Kumpur Dhading. This research shows that vaccination to the children had undertaken highly positive from most of the members of SFCLs. The

reason behind to increase satisfaction level from this program are due to decrease of mortality rate of their children in the respective SFCLs areas.

**Table 7.53**

**Satisfaction level on Vaccination Program for Children**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	87.25	107.25	88.25	73.25	106	462
Weighted mean	0.99	0.71	0.84	0.74	0.92	0.83

*Source: Field Survey (2007).*

**Trail Road Construction**

Trail road construction in the village was moderately popular in the SFCLs because overall weighted mean in this program stood at 0.60. As per the analysis of SFCL wise, highest weighted mean in this program stood at 0.76 in SFCLs Shreeantu Illam and Uttarganga Surkhet each followed by 0.57 in Kalena Doti, 0.51 in Fedikhola Syangja and 0.48 in Kumpur Dhading. This research shows that members of SFCLs areas were not fully satisfied from this program except the members of Shreeantu Illam and Uttarganga Surkhet. Due to the difficult topography, trail road construction in Kumpur Dhading, Fedikhola Syangja and Kalena Doti were not performed from the SFCLs.

**Table 7.54**

**Satisfaction level on Trail Road Construction**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	67.5	72	54	74.5	65.75	334
Weighted mean	0.76	0.48	0.51	0.76	0.57	0.60

*Source: Field Survey (2007).*

**Fruit Sapling Distribution**

Overall weighted mean in fruit sapling distribution stood at 0.60. It indicated that this program undertaken from the members was quite positive. As per the analysis of SFCL, highest weighted mean stood at 0.85 in Shreeantu Illam followed

by 0.66 in Uttarganga Surkhet 0.62 in Kumpur Dhading, 0.54 in Kalena Doti and 0.37 in Fedikhola Syangja.

**Table 7.55**

**Satisfaction level on Fruit Sapling Distribution**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	75.5	93.25	39.05	65.2	62.35	335
Weighted mean	0.85	0.62	0.37	0.66	0.54	0.60

*Source: Field Survey (2007).*

As an agriculture dominant country, fruit sapling distribution needs to be increased largely. This research shows that most of the members except in Shreeantu Illam, Uttarganga Surkhet and Kumpur Dhading were not fully satisfied from the fruit sapling distribution programs

**Nursery Construction**

Nursery of fruit sapling, fodder and timber plants are in high demand in the hilly areas of the country. As per its high demand in the hilly areas, members of the SFCLs were not fully satisfied because overall weighted mean in this program stood only 0.52.

**Table 7.56**

**Satisfaction level on Nursery Construction**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	66.75	93.5	31.05	43.25	54.05	288
Weighted mean	0.75	0.62	0.29	0.44	0.47	0.52

*Source: Field Survey (2007).*

Nevertheless, as per the SFCL wise analysis, highest weighted mean stood 0.75 in Shreeantu Illam followed by 0.62 in Kumpur Dhading, 0.47 in Kalena Doti, 0.44 in Uttarganga Surkhet and 0.29 in Fedikhola Syangja. This research shows that construction of nursery was satisfactory in SFCLs Shreeantu Illam and Kumpur

Dhading. Members in the Fedikhola Syangja, Uttarganga Surkhet and Kalena Doti were highly unsatisfied.

### **Community Afforestation**

Community afforestation is considered as one of the important programs particularly to reduce erosion, landslide and environmental hazards. Considering its benefits in ecosystem, members of the SFCLs had participated quite positively in this program.

**Table 7.57**

#### **Satisfaction level on Community Afforestation**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	76.8	108.5	43.85	82.25	91.7	403
Weighted mean	0.87	0.72	0.41	0.83	0.79	0.72

*Source: Field Survey (2007).*

Overall weighted mean in this program stood at 0.72 while as per the individual SFCL wise analysis highest weighted mean stood 0.87 in Shreeantu Illam followed by 0.83 in Uttarganga Surkhet, 0.79 in Kalena Doti, 0.72 in Kumpur Dhading and 0.41 in Fedikhola Syangja.

### **Health, Sanitation and stature Distribution**

Health, sanitation and stretcher distribution was highly popular in SFCL areas. As a result overall weighted mean in this program stood at 0.79. As per the individual analysis of SFCL, highest weighted average stood 0.93 in Shreeantu Illam followed by 0.84 in Kalena Doti, 0.80 in Kumpur Dhading, 0.79 in Uttarganga Surkhet and 0.60 in Fedikhola Syangja.

**Table 7.58**

#### **Satisfaction level on Health, Sanitation and stature Distribution**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	82.25	120	63.4	77.8	97.25	396
Weighted mean	0.93	0.80	0.60	0.79	0.84	0.79

*Source: Field Survey (2007).*

### 7.2.8 Assessment on Satisfaction Level of SFCL Operation

This section presents SFCLs activities those have been directly related to increase the efficiency of the institutions, are described hereunder:

#### Village Level Group Operation

Village level group is one of the major components of SFCLs. It plays catalytic role for promoting and strengthening the institution. Major activities such as saving collection and mobilization as well as socio-economic development activities have been conducted from these groups in order to improve living condition of the members. Nevertheless, members of the SFCLs were not satisfied with the operation of village groups since over all weighted mean stood only 0.23.

**Table 7.59**

#### Satisfaction level on Village Level Group Operation

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	8.8	15.35	10.95	81.25	12.1	128.45
Weighted mean	0.1	0.10	0.10	0.82	0.10	0.23

*Source: Field Survey (2007).*

As per the SFCL wise analysis, highest weighted mean stood 0.82 in SFCL Uttarganga, Surkhet followed by 0.10 in Kumpur Dhading, Fedikhola Syangja and Kalena Doti each while the weighted mean in SFCL Shreeantu Illam was 0.1. This research clearly indicates that village level groups are not functioning properly particularly for organizing monthly meeting, collecting group savings regularly, repaying loan on time and involving them in socio-economic development activities effectively. This is a major shortcoming in the process of poverty reduction through the program.

#### Inter-group Operation

Inter-group is one of the coordinating groups of village level groups and the main committee. It monitors and follows the activities of village level groups. Apart from this, it also recommends to the main committee to get the approval for credit investment to the members of village level groups. Thus, it also plays vital role



particularly for monitoring and controlling of village level groups. So far, research shows that overall weighted mean of satisfaction of inter group operation stood at 0.55, indicating that members of SFCLs are neither very satisfied nor too upset from the performance of the inter groups.

**Table 7.60**

**Satisfaction level on Inter-group Operation**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	53.75	106.25	71.25	75.5	72.25	305
Weighted mean	0.61	0.71	0.67	0.77	0.62	0.55

*Source: Field Survey (2007).*

As per the SFCL wise analysis, highest weighted mean stood at 0.77 in SFCL Uttarganga Surkhet followed by 0.71 in Kumpur Dhading, 0.67 in Fedikhola Syangja, 0.62 Kalena Doti and 0.61 in SFCL Shreeantu Illam. This research indicates that inter-group operation was quite good in women dominated SFCLs. The reason behind this was their sincerity, commitment, and cohesiveness and disciplined manner.

**Main Committee Operation**

Main Committee is the apex body of the SFCL. It performs day-to-day function such as savings management, credit investment, loan collection, account management, staff controlling, program planning and overall management of SFCLs, in which, overall authorities provided from the general assembly. However, weighted mean on satisfaction level of main committee operation stood at 0.44 only, indicating that members were not fully satisfied with the operation of main committee. The main reasons behind the dissatisfaction with the main committee was the increase in amount of overdue loans among the main committee members, bias in dealing among members, improper monitoring and follow-up of the program, lack of implementation of socio-economic activities and their ineffective coordination with INGOS, NGOs and government agencies.

Furthermore, as per the individual SFCL wise analysis, highest weighted mean stood at 0.75 in SFCL Uttarganga Surkhet followed by 0.70 in SFCL Fedikhola Syangja, 0.50 in Shreeantu Illam, 0.22 in Kumpur Dhading and 0.20 in SFCL Kalena Doti.

The inactiveness of main committee in Shreeantu Illam and Kalena Doti were very visible because they had rendered defunct by insurgents; and the latter could not function because of migration of members to India for employment.

**Table 7.61**

**Satisfaction level on Main Committee Operation**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	44	33.7	74.2	73.8	23.9	248
Weighted mean	0.50	0.22	0.70	0.75	0.20	0.44

*Source: Field Survey (2007).*

**Decision Making Capacity of Main Committee**

Overall weighted mean on decision-making capacity of the main committee stood at 0.51, indicating that knowledge and skill on SFCL operation were neither good nor bad. The research revealed that the SFCL members had not acquired trainings on issues such as group management, saving collection and mobilization, monitoring, follow-up, coordination and insurance and economic development activities. They had also had very little training on agriculture, horticulture, livestock, cottage industry and off-farm activities. Therefore, the main committee was not very effective in making decisions. As per the individual analysis of SFCLs, highest weighted mean stood at 0.61 in SFCL Fedikhola Syangja followed by 0.53 in SFCL Uttarganga Surkhet and Kumpur Dhading each, 0.45 in SFCL Shreeantu Illam and 0.35 in Kalena Doti. This research shows that members of SFCLs Kumpur Dhading, Fedikhola Syangja and Uttarganga Surkhet received various training programs from INGOs and NGOs making them capable to make sound decisions by themselves as compared with the others.

**Table 7.62**

**Satisfaction level on Decision Making Capacity of Main Committee**

Description	SFCLs					
	Illam n=88	Dhading N= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	39.75	79	64.5	53	41	285
Weighted mean	0.45	0.53	0.61	0.53	0.35	0.51

*Source: Field Survey (2007).*

## Operation of SFCL

SFCLs have been operating saving deposit, credit investment, loan collection, and daily account keeping activities. Apart from these, they organize various meetings on loan investment, socio-economic development and reviewing and follow-up of their various activities. Hence, SFCLs need to be operated effectively to perform day-to-day activities smoothly. However, the research showed that the satisfaction level among the respondents over the day-to-day operation of the SFCLs was very moderate with the overall weighted mean standing at 0.65 only. When analyzed in individual basis, highest weighted mean stood at 0.90 in SFCL Uttarganga Surkhet followed by 0.89 in Fedikhola Syangja, 0.61 in Shreeantu Illam, 0.57 in Kumpur Dhading and 0.52 in Kalena Doti.

**Table 7.63**

### Satisfaction level on Daily Operation of SFCL

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	53.75	85.25	94.05	85.5	60.5	361
Weighted mean	0.61	0.57	0.89	90.5	0.52	0.65

*Source: Field Survey (2007).*

## Review and Monitoring of SFCLs

Reviewing and monitoring is one of the most crucial components of the SFCLs. Lack of effective reviewing, monitoring and follow-up may lead to bankruptcy situation of institution. Therefore, much care must be taken to this aspect of management for promoting and strengthening of SFCLs. However, research revealed that the reviewing and monitoring status was very unsatisfactory with an overall weighted mean score of only 0.32. It seems the SFCLs are operating without any effective controlling and monitoring mechanisms.

As per the individual SFCL wise analysis, highest weighted mean stood at 0.45 in SFCL Uttarganga Surkhet followed by 0.32 in Shreeantu Illam, 0.30 in Fedikhola Syangja, 0.24 in Kumpur Dhading and 0.22 in SFCL Kalena Doti.

**Table 7.64****Satisfaction level on Review and Monitoring of SFCLs**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	28.25	37.15	32.4	44.75	25.45	178
Weighted mean	0.32	0.24	0.30	0.45	0.22	0.32

Source: Field Survey (2007).

**Members' Participation in SFCL**

Members' participation in monthly meetings, saving deposit, loan borrowing, loan repayment and attendance in general assembly meetings play catalytic role for the success of SFCLs in long-run. Apart from these activities, members need to participate actively for implementation of social and community development activities such as community drinking water construction, village trail road construction, community afforestation programs, installation of convenient toilets and smokeless stoves, nursery establishment, improved seed distribution, organization of vaccination program for children, adult literacy program and school maintenance among others to improve their livelihood. However, overall weighted mean stood at 0.35 in members' participation in SFCLs programs. It indicates that participation of members in SFCLs is very poor. As per the individual analysis of SFCLs, highest weighted mean stood at 0.72 in Uttarganga Surkhet followed by 0.64 in Fedikhola Syangja, 0.29 in Kumpur Dhading, 0.22 in Shreeantu Illam and 0.20 in SFCL Kalena Doti.

**Table 7.65****Satisfaction level on Members' Participation in SFCL**

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	19.45	43.4	68	71.45	23.8	198
Weighted mean	0.22	0.29	0.64	0.72	0.20	0.35

Source: Field Survey (2007).

## Transparency in SFCLs Activities

Transparency and sharing of information among the members can play an important role in encouraging members to participate in SFCLs programs. It enhances ownership and increases the level of information about their institution thereby increasing their degree of accountability towards the SFCLs. Therefore, the issue of transparency and information sharing in the SFCLs must be taken into due consideration for promoting and strengthening of SFCLs. Overall weighted mean of this aspect stood at only 0.43 in transparency of SFCLs meaning that the transparency of SFCLs was neither too good or bad. As per the individual SFCL wise analysis, highest weighted mean stood at 0.50 in SFCLs Shreeantu Illam, Fedikhola Syangja and Kalena Doti each while Kumpur Dhading scored 0.41 and Uttarganga Surkhet 0.23.

**Table 7.66**

### Satisfaction level on Transparency of SFCL

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	44	62.5	52.5	23.2	57.5	239
Weighted mean	0.50	0.41	0.50	0.23	0.50	0.43

*Source: Field Survey (2007).*

## Vision of Program Operation

Vision of program operation is another important component of the SFCL. Clear vision helps make long-run plans of the program and therefore is very important of the sustainability of the SFCLs.

**Table 7.67**

### Satisfaction level on Vision of Program Operation

Description	SFCLs					
	Illam n=88	Dhading n= 149	Syangja n= 105	Surkhet n=98	Doti n= 115	Total n=555
Scores	30.27	37.75	26.25	24.5	27.35	159
Weighted mean	0.34	0.25	0.25	0.25	0.23	0.25

*Source: Field Survey (2007).*

Moreover, the vision, mission, objectives and activities of the respective SFCLs must be clearly communicated among the members. This in turn helps develop ownership and accountability towards the SFCLs for maintaining their sustainability.

On the contrary, the research has indicated that the SFCLs have no clear vision. This statement is supported by the fact that overall weighted mean stood on this aspect of the SFCLs stood at 0.25 only. When analyzed on the basis of individual SFCL, highest weighted mean stood at 0.34 in SFCL Shreeantu Illam followed by SFCL Kumpur Dhading, Fedikhola Syangja and Uttarganga Surkhet all sharing 0.25 and SFCL Kalena Doti scoring 0.23. It shows that the SFCLs have been facing a major challenged of making their visions clear to ensure sustainability in the long run.

#### **7.2.9 Overall Assessment on Satisfaction level of Social Activities**

Analysis into the overall level of satisfaction through social activities among the 555 respondents shows a distinct stress for educational activities. The overall weightage mean for literacy programs run by the SFCLs stood at 0.87 reflecting the fact that people are very aware that increased investment must be done in education related activities.

**Table 7.68**

#### **Overall Assessment of Satisfaction Level of Social Activities**

<b>Activities</b>	<b>Weightage mean</b>
Literacy Program	0.87
School Maintenance	0.83
Vaccination Program for Children	0.83
Health, Sanitation and stature Distribution	0.79
Construction of Community Drinking Water System	0.77
Community Afforestation	0.72
Temple Construction	0.69
Community Building Construction	0.65
Smokeless Stove Construction	0.63
Trail Road Construction	0.60
Fruit Sapling Distribution	0.60
Seed Distribution	0.58
Seed bin Distribution	0.53
Nursery Construction	0.52
Convenient Toilet Construction	0.48
Sprayer Distribution	0.46

*Source: Field Survey (2007).*

The level of satisfaction on school maintenance stood at 0.83 further strengthening the fact that people are more aware of development of education and schooling in their respective areas. Following the literacy program are school maintenance activity with a program for vaccination of children with a score of 0.83, health and sanitation activities has shown a score of 0.79, construction of community drinking water system has a score of 0.77, community afforestation score stood at 0.72, convenient toilet construction is at 0.48 and the least importance was given to sprayer distribution with a score of 0.46.

#### **7.2.10 Overall Assessment on Satisfaction Level of Organizational Structure**

The present study shows that the satisfaction on performance of inter-group with a score of 0.55 was better as compared with other groups the village level operation scored 0.23 and the main committee scored 0.44. However, it must be underscored that the inter-group level could not even perform satisfactory because it scored low. The study therefore suggests that the organizational structure must be drastically reviewed and revamped. The organizations have not been able to conduct regular meetings, collect savings or perform other functions at a satisfactory level because of several constraints including non-participation of people. The main functioning units of the SFCLs including the village level groups and the main committees have not been able to perform their task as requirement and this has caused much dissatisfaction among the members. It must be taken into consideration that the dissatisfaction among the members regarding the operation of the main committee was mainly due to the non-payment of loans taken by the main committee members. The main committee members responsible to call and hold regular meetings would not do so for fear of being questioned by the other members over their non-payment of loans. This over the long run has affected the overall performance of the SFCLs and any effort to improve the condition should be looking into the issues.

**Table 7.69**

#### **Assessment on Satisfaction Level of Networking of SFCLs**

<b>Organization networking</b>	<b>Weightage mean</b>
Village level operation	0.23
Inter-group operation	0.55
Main committee	0.44

*Source: Field Survey (2007).*

### **7.2.11 Overall Assessment on Satisfaction Level of SFCL Operation**

Also, the SFDB has not been able to frequently look into the operational aspects of the SFCLs thereby creating a monitoring vacuum. There has been a vacuum regarding supporting the organization which has now been run by the people on their own without proper support by any external organization, thereby affecting the performance of the organization.

Assessment of the satisfaction level of the SFCL operation was done to understand how much the members were happy about the performance of the as a major determining factor in sustainability and institutional development of the SFCLs because without the members being satisfied by the performance of their organization, there is no question of sustenance of such an organization.

The main committee has not been able to perform on the par because of clear lack of training on group management, saving mobilization, credit investment, institutional development and performing economic and social activities.

The weightage mean on decision-making stood at 0.51 meaning that the performance is far below the expected level and that the capacity of decision-making among the main committee members must be increased for better performance.

The members of the committees have not been able to make saving as desired and expected i.e. equivalent of a day's labor charge. The members seemingly have no knowledge about the fact that their saving would in return create capital for investment to make economic progress.

Moreover, the loan disbursement was done on very few heads mostly related with agriculture and investment diversification has not been done resulting in inefficient investments and low returns.

There is a lack of external support from other agencies because the members do not have proper knowledge about the availability of loan opportunities and also due to lack of proper knowledge in making proper investment of the fund availed through external sources.

Daily operation aspect showed that the members were quite satisfied because the score stood at 0.65. This is largely due to employment of people to look into the daily activities of the institutions and the main committee and sub-committees had been functioning as expected. The members were found to have been controlling the



employees but much needs to be done to improve the performance. There are several problems in this regard. The SFCLs have been paying the staff much below the standard, which eventually affected the performances. Also, the staff are found to have been overloaded with work because the number of staff was very low as compared to the area and number of groups covered. The staff could only perform some basic tasks like keeping records. The staff could not visit the locations for group mobilization. The staff employed by the SFCLs were found to have been untrained and not very efficient. They lacked computer and other basic office management knowledge, largely affecting the performance.

The review and monitoring aspect of the SFCLs was clearly very low because it scored only 0.32. The SFCLs were not very efficient and the members were slowly refraining from meeting every month and therefore there were very less monitoring and review of programs. The main committee would not conduct regular meetings because of members at this level have not been following the rules of the SFCLs and this would affect the overall performance. Lack of proper rules regarding peer pressure to repay the loan could not function properly as there was no such mechanism in effect after the organization had been converted into SFCL. Similarly, there was no mechanism to increase more and more savings, as there were no regular meetings. This lack of savings created a fund crunch in the institution affecting the economic development.

To improve the situation at the SFCL level, the main committee must first prepare an action plan to make more savings and more loan recovering and execute it regularly and efficiently. The main committee must either mobilize staff or hire facilitators to ensure the monthly group meetings at different levels of the SFCLs are conducted regularly and effectively, which in turn would help improve performance of the SFCLs.

The main committee on the other hand must be regularly monitored from the higher levels including the SFDP and Cooperative Department as well.

Member participation is the backbone of the SFCLs and this largely determines the performance of the institution. There has been a low level satisfaction related with the member participation with a score of only 0.35 and this is at a dwindling trend. Failure to hold regular meetings, lack of motivation by the main committee members or the staff, lack of regular interaction and the non-compliance of saving rule and lack of strongly committed facilitators and motivators at the lowest

level affected the participation aspect of the members. Moreover, the motivation for formation of the institution largely affected the participation. In the institutions which were formed after realization of necessity of an organization by the members themselves were found to have been functioning better but the formation of SFCL are determined by the ADBL and their officials, creating a sense among the people that the SFCL is more a subsidiary of the ADBL and not an independent organization.

Lack of transparency also affects the performance of any institution and the SFCLs lacked this mostly because of lack of knowledge and fear of being taking action against for revealing the facts and figures and happenings in the institution. This sort of opaque behaviors resulted in members feeling they were excluded in the mainstream functioning of the SFCLs thereby discouraging them to participate in the regular activities. Mostly, the transparency factor was less because the members at the main committee were not following the rules by themselves and were afraid that their mistakes would be revealed. Lack of transparency also affected the possibility of gaining more support from external agencies and hence affected the performance.

Any organization has its vision and aims to achieve and lack of such a vision would obviously affect the performance. The members of SFCLs at all levels did not seemingly have good knowledge of the vision about the formation of SFCLs that the institutions are to be managed by themselves and that the loans invested by the organization would earn more income for collective activities. Lack of such a vision discouraged people from participating in the regular activities in the institutions. The members refrained from repaying loans because they never realized that the SFCL was their organization and this affected the performance of the institution resulting in reduction of saving and profit and thereby moving towards bankruptcy.

**Table 7.70**

**Assessment on Satisfaction Level of Operational Aspect of SFCLs**

<b>Description</b>	<b>Weightage mean</b>
Decision making capacity of main committee	0.51
Daily operation	0.65
Review and monitoring	0.32
Members' Participation	0.35
Transparency	0.43
Vision of Program Operation	0.25

*Source: Field Survey (2007)*

### 7.3 Statistical Analysis for Financial Sustainability

#### 7.3.1 Analysis of Variance on Net Profit after Provisioning of SFCLs

Null Hypothesis,  $H_0 : \sim_1 = \sim_2 = \sim_3 = \dots = \sim_c$  (no differences in  $c=5$  population means)

Alternative Hypothesis,  $H_1 : \text{Not all } \sim_j (j = 1, 2, \dots, c) \text{ are equal}$

**Result:** Using a level of significance of  $\alpha = 0.05$ , the upper-tail critical value from the  $F$  distribution with 4 degrees of freedom in the numerator of the  $F$  ratio and 356 degrees of freedom in the denominator is 2.397. Since the computed test statistic  $F_U = 11.909 > 2.397$  (or the  $p$ -value = 0.000 < 0.05), we reject the null hypothesis of no differences in the population means. Thus we have strong evidence that there is a significant difference in the mean net profit after provisioning among the five SFCLs.

**Table 7.71**

**SPSS output for**

**ANOVA**

ACTUPROF net profit after provisioning

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.95E+09	4	1237536568	11.909	.000
Within Groups	3.70E+10	356	103915973.2		
Total	4.19E+10	360			

#### 7.3.2 Fit of the Multiple Regressions Model on Income from Projects and other Variables

**Null Hypothesis ( $H_0$ ):**  $\beta_j = 0$  that is, the independent variable  $X_j$  has no significant effect on the dependent variable.

**Alternative Hypothesis ( $H_1$ ):**  $\beta_j \neq 0$  that is, the independent variable  $X_j$  has a significant effect on the dependent variable. ( $\beta_j \neq 0$ )

**Result:** Using a level of significance of  $\alpha = 0.05$ , the upper-tail critical value from the  $F$  distribution with 5 degrees of freedom in the numerator of the  $F$  ratio and 355 degrees of freedom in the denominator is 2.239. Since the computed test statistic  $F_U = 2.149 < 2.239$  (or the  $p$ -value = 0.059 > 0.05), we do not reject the null hypothesis and conclude that none of the independent variables (literate male, literate female, land holding, land ownership and land borrowing from SFCLs) is related to

the dependent variable (Income from the project). The detail on it is presented in (Annex III-b).

### 7.3.3 Fit of the Multiple Regression Model on Net Profit after Provisioning and other Variable

**Null Hypothesis ( $H_0$ ):**  $\beta_j = 0$  that is, the independent variable  $X_j$  has no significant effect on the dependent variable.

**Alternative Hypothesis ( $H_1$ ):**  $\beta_j \neq 0$  that is, the independent variable  $X_j$  has a significant effect on the dependent variable. ( $\beta_j \neq 0$ )

**Result:** Using a level of significance of  $\alpha = 0.05$ , the upper-tail critical value from the  $F$  distribution with 9 degrees of freedom in the numerator of the  $F$  ratio and 79 degrees of freedom in the denominator is 2.001. Since the computed test statistic  $F_U = 21.131 > 2.001$  (or the  $p$ -value =  $0.000 < 0.05$ ), we reject the null hypothesis and conclude that at least one of the independent variables (total income, staff salary, interest rate, interest cost, cost on meeting allowances, miscellaneous cost, total saving per year, repayment amount and outstanding loan) is related to the dependent variable (Net profit after provisioning). The detail on it is presented in (Annex III – a).

**Table 7.72**

**SPSS output for**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.13E+10	9	1260081180	21.131	.000 <sup>a</sup>
	Residual	4.71E+09	79	59630466.67		
	Total	1.61E+10	88			

a. Predictors: (Constant), OUTSTAND Outstanding Amount, INTRATE Interest Rate of Loan, MISCOST Miscellaneous Cost, MEETALO Cost on Meeting Allowance, REPAMT Repayment Amount, GRSVAMT Total Amount of Saving per Year, INTCOST Interest cost (Fund cost), TOTINC Total Income from Project, STAFSAL Staff Salary

b. Dependent Variable: ACTUPROF net profit after proviosioning

### 7.3.4 Correlation between Profit from the Project and Repayment Amount

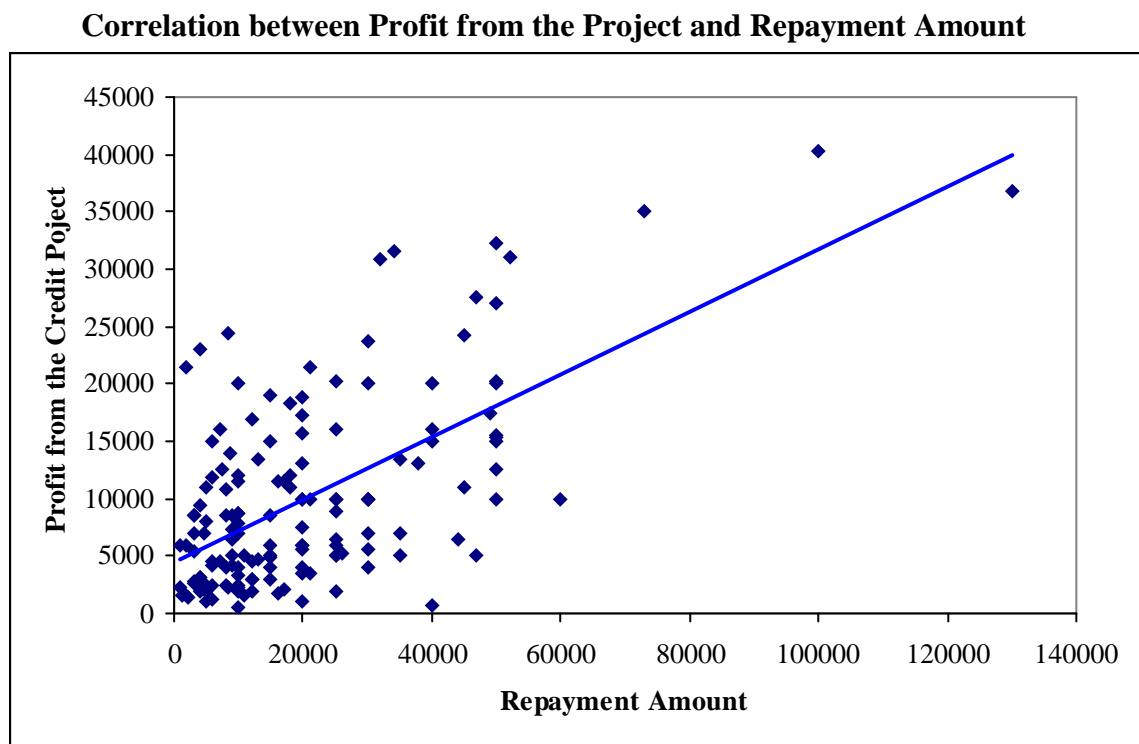
The strength of the relationship between two numerical variables viz., profits from the project and Repayment amount is measured using the correlation coefficient  $r$ .

**Null Hypothesis ( $H_0$ ):**  $\rho = 0$  (There is no significant correlation between profit from the project and repayment amount)

**Alternative Hypothesis ( $H_1$ ):**  $\rho \neq 0$  (There is significant correlation between profit from the project and repayment amount)

**Result:** The correlation between these two variables is found to have strong positive correlation with the value of  $r = 0.623$  and the data also shows significant correlation ( $p = 0.000 < 0.05$ ) between these two variables. The line of regression for this data is **Profit = 4477 + 0.273 (Repayment Amount)**. This shows that, when the repayment amount is increased by NRs. 1000, then the profits from the project also increases by Rs. 273 on the average.

**Figure 7.6**

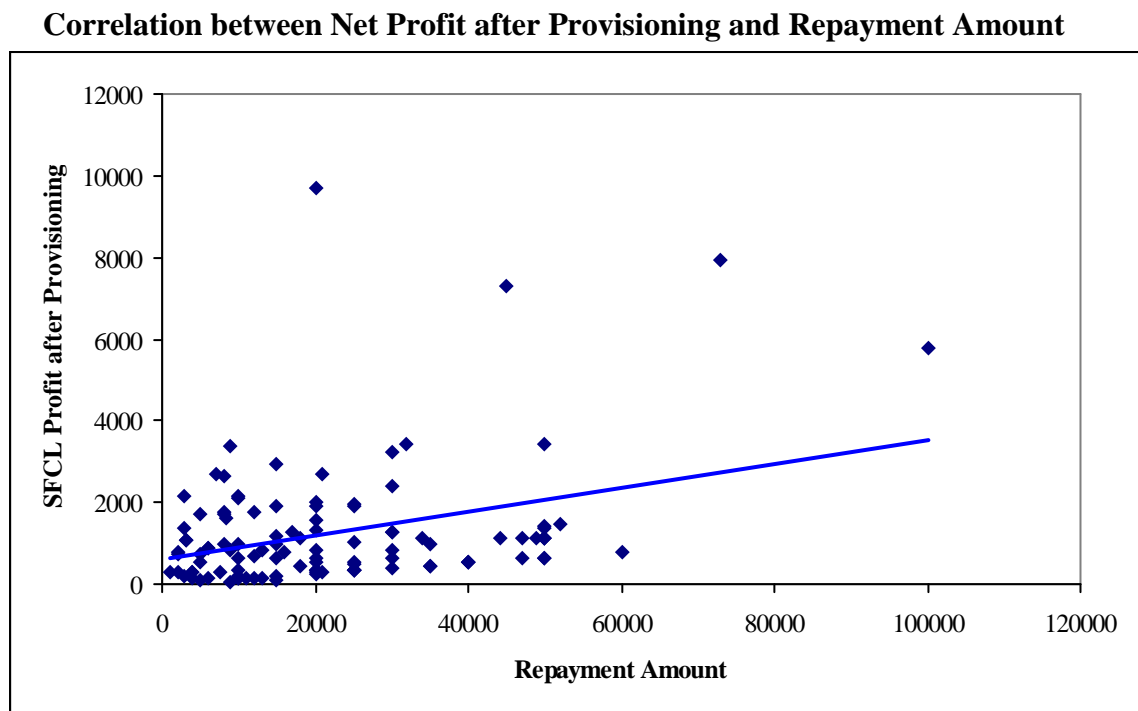


### 7.3.5 Correlation between Net Profit after Provisioning and Repayment Amount

The strength of the relationship between two numerical variables viz., *Net Profit after Provisioning* and *Repayment Amount* is measured using the correlation coefficient  $r$ .

**Result:** The correlation between these two variables is found to have weak positive correlation with the value of  $r = 0.026$  and the data also shows insignificant correlation ( $p=0.755 > 0.05$ ) between these two variables.

Figure 7.7



### 7.3.6 Correlation between Investment and Repayment Amount

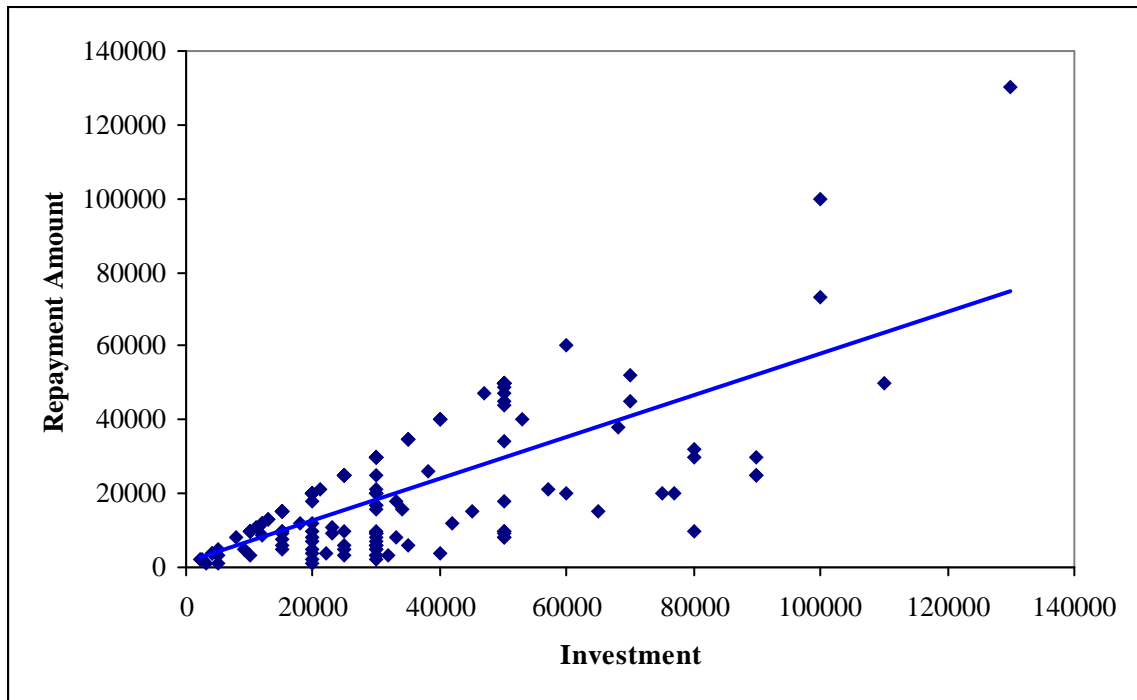
The strength of the relationship between two numerical variables viz., annual investment and repayment amount is measured using the correlation coefficient  $r$ .

The correlation between these two variables is found to have significant positive correlation with the value of  $r = 0.69$  and the data also shows highly significant correlation ( $p < 0.05$ ) between these two variables. The line of regression for this data is **Repayment Amount = 1523.1 + 0.564 (Loan Investment)**. This shows that, when the loan investment amount is increased by Rs. 1000, then the

repayment amount from the project also increases by Rs. 564 on the average. In other words, some 56 percent of the loan invested in the project is repaid on time.

**Figure 7.8**

**Correlation between Investment and Repayment Amount**



### 7.3.7 Chi-square Test for Main Occupation and Profit Earning of SFCLs

**Null Hypothesis,  $H_0$ :** There is no significant association between main occupation and profit earning.

**Alternative Hypothesis,  $H_1$ :** There is significant association between main occupation and profit earning.

**Result:** From the analysis it is found that there is significant association (with p-value of  $0.013 < 0.05$ ) between main occupation and profit earning.

**Table 7.73**

**SPSS output for**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.617 <sup>a</sup>	4	.013
Likelihood Ratio	8.755	4	.068
Linear-by-Linear Association	.635	1	.426
N of Valid Cases	555		

a. 6 cells (66.7%) have expected count less than 5. The minimum expected count is .59.

**7.3.8 Chi-Square Test for Land Holdings and Profit Earning In SFCLs**

**Null Hypothesis,  $H_0$ :** There is no significant association between land holdings and profit earning.

**Alternative Hypothesis,  $H_1$ :** There is significant association between land holdings and profit earning.

**Result:** Using a level of significance of  $\alpha = 0.05$ , the upper-tail critical value from the  $\chi^2$  distribution with  $(4-1) \times (3-1) = 6$  degrees of freedom is 12.592. Since the computed test statistic  $\chi^2 = 14.718 > 12.592$  (or the  $p$ -value =  $0.023 < 0.05$ ), we reject the null hypothesis of independence. Thus there is strong evidence of a relationship between land class in ropani and status of profit earning in SFCLs in terms of financial sustainability.

**Table 7.74**

**SPSS output for**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.718 <sup>a</sup>	6	.023
Likelihood Ratio	16.936	6	.010
Linear-by-Linear Association	1.920	1	.166
N of Valid Cases	555		

a. 8 cells (66.7%) have expected count less than 5. The minimum expected count is .15.



#### **7.4 Effects and Impacts of SFCLs on Social and Community Development**

Small Farmers' Cooperative Limited has been implementing social and community development activities massively in order to improve livelihood of rural populace. Most of the social and community development activities have had implemented to improve their livelihoods. Therefore, as per the contribution of implemented activities they ranked as 0.87 in literacy program, 0.83 in school maintenance, 0.83 in vaccination program for children, 0.79 in health, sanitation, and stature distribution, 0.77 in community drinking water system, 0.72 in community afforestation, 0.69 in temple construction, 0.65 in community building construction, 0.63 in smokeless stove construction, 0.60 in trail road construction and fruit sapling distribution each, 0.50 in seed distribution, 0.53 in seed bin distribution, 0.52 in nursery construction, 0.48 in convenient toilet construction and 0.46 in sprayer distribution out of full score 1 (see supra pp395).

From the contribution of these activities are being implemented through Small Farmers' Cooperative Limited, livelihood of rural populace improved satisfactorily. Most of the members of Small Farmers' Cooperative Limited accessed drinking water system, adult literacy program, community forestry, health program, smokeless stove, convenient toilet and rural road facilities etc.

Of the total, 67 percent participants participated in five days long observation visit program whereas 33 percent involved in three days long same type of program. Likewise, 56 percent participants participated in three days long group management training programs whereas 44 percent participated in two days long training program. Finally, 33 percent participants participated in seven days long account training program whereas 67 percent involved in three days training program (see supra pp379). Consequently, members of Small Farmers' Cooperative Limited has been enhancing knowledge and skill on SFCLs operation.

Likewise, of the total training participants, 41 (34.45%) were participated in agriculture related training programs such as agriculture, goat rearing, vegetable, nursery and livestock etc. These training programs enhanced knowledge and skill of members in improved agriculture practices to increase the income of rural populace.

By thus, Small Farmers' Cooperative Limited has been implementing various social and community development activities thereby improve the livelihood of poor populace in countryside.

Research revealed that integrated development approach is useful to improve the livelihood of rural populace rather than the single development approach. As a result, Small Farmers' Cooperative Limited have been implementing different activities including social and community development activities, therefore impact of SFCLs found positive to improve the livelihood of rural populace of Nepal.

In this context, Small Farmers' Cooperative Limited increased literacy rate by organizing the adult literacy classes to the adults also it increased to children to enroll in schools. It organized massive awareness and economic development training such as empowerment, legal advocacy, environment protection, social mobilization, community development, leadership development, saving and credit mobilization, entrepreneurship development, economic development, health and hygienic, livestock management, crops management, marketing and horticulture management, conflict management, coordination and institution management etc.

These awareness programs enhanced the knowledge and skill of the small farmers thereby conducted economic, social and community development activities smoothly.

Consequently, Small Farmers' Cooperative Limited improved living standard of rural populace. There seemed big improvements in food, clothing, shelter, health, hygienic, child caring, saving, income, communities infrastructures such as schools, community building, irrigation canals, roads, bridges, culverts, drinking water system, convenient toilets and milk collection centers etc.

Groups of Small Farmers' Cooperative Limited are more strong for marketing of agriculture products such as vegetables, cereals, fruits and livestock and livestock byproducts such as milk, ghee etc. From the channel of groups, small farmers received attractive return from their agriculture and livestock products.

Groups of Small Farmers' Cooperative Limited contributed to construct simple houses for the members those who have not housing facilities.

Members actively involved in community forestry development and management, as a result they protected natural resources and accessed easily fodders, timber and wooden sticks for cooking purpose.

Due to the positive impact of awareness, members of small farmers have been maintaining good health, good living environment and maintained good hygienic situation.

## **CHAPTER VIII**

### **SUMMARY, PROBLEMS AND PREOSPECTS**

#### **8.1 Summary**

##### **8.1.1 Overall Status of Cooperatives**

The study revealed that there were altogether 9362 cooperatives established in the country since 2013 BS. Among them highest number 3241 (34.61%) were Savings and Credit Cooperatives, 2402 (25.6%) were Multipurpose Cooperatives and 1564 (16.70%) were Dairy Cooperatives. SFCLs with 213 institutions (2.27%) scored the six positions. Tea Cooperatives ranked in the lowest rank of with only 22 (0.23%) in 13 different types of cooperatives. Altogether 1234542 members including 834156 (68%) males and 4000386 (32%) females participated in cooperatives across the country. Among them, 393826 (31.90%) were involved in Savings and Credit, 372477 (30.17%) in Multipurpose Cooperatives and 230080 (18.63%) in Agriculture Cooperatives. Only 68559 (5.55%) were engaged in the Dairy Cooperatives making it the one with least members.

In total 134 Cooperative Associations were established in Nepal. Of them 51 (38%) were Multipurpose Cooperatives, 34 (25%) were Dairy Cooperatives and 33 (24 %) were Savings and Credit Cooperatives. There was only one association of SFCL, making it the institution at bottom rank of the six types of associations.

Altogether, 15822 members received employment opportunities from the cooperatives across the country. Of the total employees, 14057 (88.84) were employed in Central Development Region whereas lowest 118 (0.74%) were employed in Mid-western Development Region.

##### **8.1.2 Cooperatives' Status in Development Regions**

Large numbers of cooperatives and members stood in Central Development Region whereas lowest found in Far-western Development Region. Details are described hereunder:

### **Numbers of Cooperatives and Members**

Out of total cooperatives, 4249 (45%) are operating in Central Development Region, 1858 (19.84%) in Western Development Region, 1829 (19.53%) in Eastern Development Region, 818 (8.73%) in Mid-western Development Region and 607 (6.48%) established in Far-western Development Region.

Altogether 1249176 members including 840699 (67.31%) males and 408477 (32.69%) females participated in the cooperatives across the country. Of them, 470610 (37.67%) were enrolled from Central Development Region followed by 303785 (24.31%) from Western Development Region, 226265 (18.11%) from Eastern Development Region, 132585 (10.61%) from Mid-western Development Region and 115931 (9.28%) from Far-western Development Region. Altogether 408477 women members enrolled in cooperatives across the country. Of them, the highest number 132169 (10.58%) had enrolled in Western Development Region whereas lowest number 20673 (1.65%) participated in the Far-western Development Region.

### **Status of Capital and Savings**

Of the total capital collection of NRs. 1019760 thousand, highest capital NRs. 483622 thousand (47.42%) was collected in Central Development Region followed by NRs. 243208 thousand (23.84%) in Western Development Region, NRs. 183006 thousand (17.94%) in Eastern Development Region, NRs. 71494 thousand (7.01%) in Mid-western Development Region and NRs. 38430 thousand (3.76%) in Far-western Development Region.

Out of total saving collection of NRs. 19517514 thousand, highest saving NRs. 16674379 thousand (85.43%) collected from the Central Development Region whereas lowest collection of NRs. 130069 thousand (0.66%) was from the Far-western Development Region.

### **Status of Investment and Profit**

Of the total investment of NRs. 24147747 thousand, highest amount of NRs. 19593389 thousand (81.13%) was invested in the Central Development Region whereas lowest investment of NRs. 465390 thousand (1.927%) was made in Mid-western Development Region. On profit generation, highest profit of NRs. 415796 thousand was registered in Central Development Region whereas the lowest profit of NRs. 1820 thousand was registered in Far-western Development Region.

### **8.1.3 Status of Cooperatives with Activity-wise**

#### **Capital and Savings**

Of the total capital of NRs. 983542 thousand accumulated from all the cooperatives across the country, highest capital of NRs. 424670 thousand (43.17%) collected from Savings and Credit Cooperatives whereas lowest amount of NRs. 341 thousand (0.03%) was accumulated from Coffee Cooperatives.

Of the total saving collection, NRs.9831828 thousand (50.69%) was collected from Multipurpose Cooperatives whereas least savings of NRs 11 thousand (0.00005%) was collected from Electricity Cooperatives.

#### **Status of Investment and Profit**

The study revealed that altogether NRs. 24128493 thousand was invested from all the cooperatives across the country. Of this, NRs.15054708 thousand (62.39%) was invested by the Savings and Credit Cooperatives whereas the least amount of NRs. 16265 thousand (0.06%) was invested by the Consumers' Cooperatives. Similarly, the Agriculture Cooperatives registered large amount of profit of NRs.394150 thousand, followed by NRs.38536 thousand by Dairy Cooperatives, NRs.28877 thousand by Saving and Credit Cooperatives, NRs. 12964 thousand by Multipurpose Cooperatives and NRs. 8078 thousand acquired from Small Farmers' Cooperatives.

#### **Status of Women Cooperatives**

Of the total 1057 Women Cooperatives, 616 (58.27%) reached in Savings and Credit Cooperatives followed by 286 (27.05%) Multipurpose Cooperatives, 97(9.17%) Agriculture Cooperatives, 13 (1.22%) Dairy Cooperatives, 7 (0.66%) Small Farmers' Cooperatives, 5 (0.47%) Consumers Cooperatives, 2 (0.18%) Tea Cooperatives, 1 (0.09%) Health Cooperatives and 30 (2.83%) stood in others.

Altogether, 109014 women members participated in different cooperatives across the country. Among them highest numbers 59079 (54.19%) members enrolled in Savings and Credit Cooperatives whereas lowest numbers as 45 (0.04%) found in Tea Cooperatives

### **Status of Agriculture Cooperatives**

In total, 3056 Agriculture Cooperatives were established across the country. Of these, 1564 (51.17%) are Dairy Cooperatives, 1192 (39.005%) Agriculture Cooperatives and 213 (6.96%) are Small Farmers' Cooperatives. Total of 392090 members were engaged in the cooperatives with 230080 (58.68%) involved in Agriculture Cooperatives and 19914 (19.04%) involved in Small Farmers' Cooperatives at the lowest.

### **Status of Cooperative in Eastern Development Region**

Altogether 1829 cooperatives were established in Eastern Development Region of Nepal. Out of this, highest numbers of 568 (31.05%) were engaged in Multipurpose Cooperatives whereas 2 (0.10%) were in Coffee Cooperatives.

In total 226265 members including 134469 (60%) males and 91796 (40%) females participated in cooperatives in the region. Highest number of them 75179 (33.22%) was engaged in Multipurpose Cooperatives while lowest numbers of 126 (0.05%) were engaged in Coffee Cooperatives. Similarly, highest female members of 28875 (12.76%) were engaged in Savings and Credit Cooperatives whereas lowest as 41 (0.01%) were in Coffee Cooperatives.

Out of the total capital of NRs. 183006884, highest capital stood of NRs.89515610 (48.91%) in Multipurpose Cooperatives whereas lowest found of NRs.. 24800 (0.013%) capital stood in Electricity Cooperatives.

In total NRs. 907084540 savings collected from all the cooperatives from Eastern Development Region of Nepal. Out of it, large amount of NRs.398290654 (43.90%) collected from Savings and Credit Cooperatives whereas lowest amount of NRs. 146500 (0.016%) savings collected from Coffee Cooperative. Of the total investment of NRs.1188198733, large amount of NRs.486350939 (40.93%) invested from Savings and Credit Cooperatives while lowest invested of NRs. 1414948 (0.11%) from Consumers Cooperatives. While in profit, NRs. 8255215 earned from the different cooperatives of Eastern Development Region of Nepal, however large amount of profit of NRs.1198709 received from Dairy Cooperatives whereas some cooperatives such of Agriculture Cooperatives, Health Cooperatives, Multipurpose Cooperatives, Science and Technology Cooperatives were in negative worth situation.

### **Status of Cooperative in Central Development Region**

Altogether, 4249 cooperatives were established in Central Development Region of Nepal. Among them, highest numbers of 1381(32.50%) stood in Savings and Credit Cooperatives whereas lowest of 2 (0.04%) found in Herbal Cooperatives.

In total 470610 members including male 340862 (73%) and female 129748 (27%) participated in the Cooperatives of Central Development Region of Nepal. Among them, large numbers of 157528 (33.47%) involved in Savings and Credit Cooperatives whereas lowest of 52 (0.01%) enrolled in Tea Cooperatives.

In total NRs.479939500 capital collected from different cooperatives of Central Development Region of Nepal, out of it, large amount NRs.211239782 (44.01%) collected from Savings and Credit Cooperatives whereas lowest amount of NRs.2958104 (1.21%) found in Dairy Cooperatives. Of the total savings of NRs.16635464807 collected from different cooperatives of Central Development Region of Nepal, out of it large amount of savings NRs.9066719067 (54.50%) deposited in Multipurpose Cooperatives whereas lowest amount of NRs. 5600(0.00003%) savings collected in Electricity Cooperatives.

Of the total investment of NRs.19568706858, large amount of NRs. 12184428117 (62.26%) invested from Savings and Credit Cooperatives whereas NRs. 6800 (0.0006%) invested from Herbal Cooperatives.

### **Status of Cooperative in Western Development Region**

In total 1862 Cooperatives were established in Western Development Region of Nepal. However, highest numbers of 824(44.25%) stood in Savings and Credit Cooperatives whereas lowest of 1(0.05%) stood in Tea Cooperative.

In total 289245 members involved in different cooperatives in Western Development Region of Nepal. However highest members of 108472(37.50%) found in Savings and Credit Cooperatives whereas lowest members of 30(0.01%) enrolled in Tea Cooperatives. In total NRs. 210681522 capital accumulated from Western Development Region of Nepal, out of it large amount of NRs.115110840 (54.63%) collected from Savings and Credit Cooperatives whereas lowest amount of NRs. 47700(0.022%) collected from Electricity Cooperatives. In total 1409986844 savings collected from the cooperatives of Western Development Region of Nepal. Out of it, large amount of NRs. 817720767(57.99%) collected from Savings and Credit

Cooperatives whereas lowest amount of NRs. 138506 (0.009%) collected from Herbal Cooperatives.

On the investment side, in total NRs. 2440605324 invested from different cooperatives, out of it, highest amount of NRs.1764610456 (72.30%) invested from Savings and Credit Cooperatives whereas lowest amount of NRs. 312320 (0.012%) invested from Consumers Cooperatives.

Out of total profit earning of NRs. 18651602, highest amount of NRs.23506181 earned from Savings and Credit Cooperatives whereas negative worth revealed in Agriculture Cooperatives, Coffee Cooperatives, Health Cooperatives, Multipurpose Cooperatives, Science and Technology Cooperatives and Consumers Cooperatives.

### **Status of Cooperatives in Mid-western Development Region**

In total 817 cooperatives were established in Mid-western Development Region of Nepal. Out of them, highest numbers of 339 (41.49%) stood in Savings and Credit Cooperatives whereas lowest numbers of 1(0.12%) stood in Herbal Cooperatives.

Altogether 1,32,560 members enrolled in different cooperatives of Mid-western Development Region of Nepal. Out of it, highest members of 48,883(36.87%) enrolled in Multipurpose Cooperatives whereas lowest numbers of 26(0.01%) enrolled in Herbal Cooperatives. Out of total members, 34066 women participated in different cooperatives in Mid-western Development Region of Nepal, among them, highest women members of 16,696 (12.59%) participated in Savings and Credit Cooperatives whereas lowest numbers of 8(0.006%) women members enrolled in Herbal Cooperatives.

In total NRs.71492496 capital accumulated from different cooperatives of Mid-western Development Region of Nepal. Of the total capital fund, large amount NRs. 30410160 (42.53%) collected in Multipurpose Cooperatives whereas lowest amount of NRs. 24400(0.034%) capital collected in Electricity Cooperatives.

In total NRs. 312291995 savings collected from different cooperatives of Mid-western Development Region of Nepal. Of the total savings, large amount NRs. 198992837 (63.72%) collected from Savings and Credit Cooperatives whereas lowest amount of NRs.84800 (0.027%) savings collected from Consumers' Cooperatives. Likewise, in total NRs. 465390871 loan invested from different cooperatives,



however highest amount of NRs. 252070674(54.16%) invested from Savings and Credit Cooperatives whereas lowest amount of NRs. 3139104(0.67%) invested from other cooperatives.

Likewise on the profit side, in total NRs.30111835 earned from different cooperatives. Out of it, NRs.23157782 earned profit from Multipurpose Cooperatives whereas negative worth revealed in Small Farmers' Cooperative Limited.

### **Status of Cooperatives in Far-Western Development Region**

In total 605 different cooperatives were established in Far-western Development Region of Nepal. Among them, large numbers of 200 (33.05%) was found in Multipurpose whereas lowest number of 1 (0.16%) established Health Cooperatives in Far-western Development Region of Nepal.

Altogether 115862 members including 95189 (82.16%) male and 20673 (17.84%) female enrolled in the different cooperatives in Far-western Development Region of Nepal. Among them, highest numbers of 47112(40.66%) enrolled in Multipurpose Cooperatives whereas lowest numbers of 25(0.021%) members enrolled in Health Cooperatives. Out of total members, highest women members of 6551(5.65%) in total enrolled from Savings and Credit Cooperatives whereas 2 members of (0.001%) enrolled of women members in Health Cooperative.

In total NRs. 38423180 collected capital from different cooperatives, out of it highest capital of NRs. 27547928 (71.69%) accumulated from other different cooperatives whereas lowest amount of NRs. 8700(0.022%) capital collected from Herbal Cooperatives.

In total NRs. 130069903 savings collected from different cooperatives of Far-western Development Region of Nepal. Out of it, large amount of NRs. 63004014 (48.43%) collected from Savings and Credit Cooperatives whereas lowest amount of NRs. 106699 (0.082%) savings collected from Herbal Cooperatives.

Similarly, in total NRs. 465590394 investment stood in different cooperatives of Far-western Development Region of Nepal. Out of it, large amount of NRs. 367247410 (78.87%) invested from Savings and Credit Cooperatives whereas lowest amount of NRs. 11500 (0.002%) invested from other cooperatives.

While on the profit side, highest profit of NRs. 2721731 earned from Savings and Credit Cooperatives whereas negative worth stood in Agriculture Cooperatives, Dairy Cooperatives, Science and Technology Cooperatives and other cooperatives.

## **8.2 Small Farmers' Cooperative Limited**

Small Farmers' Cooperative Limited is considered one of the crucial activities in the context of socio- economic development of poorest of the poor populace. As per its great contribution in poverty reduction especially outreach expansion, innovation, and commitment to sustainability development of institutions SFCL got international award from CGAP-IFAD.

SFCL organizes poor, women, lower ethnicity, disadvantages populace those who have less bargaining power, vulnerability, economic destitute condition, suppressed from the societies, exploitation from elites etc are the major target groups of Small Farmers' Development Program, have been organized into small groups between 5 to 10. However, its coverage found very limited only between 7 to 8 percent out of 2100 thousand needy small farmers across the country.

SFCLs have envisaged economic activities by investing micro-credit in agriculture, cottage industry and off farm activities, besides it implements social and community development activities.

### **8.2.1 Operational Principle of SFCL**

Small Farmers' Cooperative Limited is guided by cooperative principle such of organize the group of like-minded people; maintain transparency and good governance operate of democratic process, conduct socio-economic development activities and finally promote self-help institutions at grassroots level.

### **8.2.2 Operational Mechanism of SFCLs**

SFCLs are not operating as per it's principle .

### **8.2.3 Assessment on Satisfaction Level of SFCL Operation**

Assessment of the satisfaction level of the SFCL operation was done to understand how much the members were happy about the performance of the institution they were engaged in.

While the main committee has not been able to perform on the par because of clear lack of training on group management, saving mobilization, credit investment, institutional development and performing economic and social activities.

The weightage mean on decision-making stood at 0.51 meaning that the performance is far below the expected level and that the capacity of decision-making among the main committee members must be increased for better performance.

The members of the committees have not been able to make saving as desired and expected i.e. equivalent of a day's labor charge.

Moreover, the loan disbursement was done on very few heads mostly related with agriculture and investment diversification has not been done resulting in inefficient investments and low returns.

There is a lack of external support from other agencies because the members do not have proper knowledge about the availability of loan opportunities and also due to lack of proper knowledge in making proper investment of the fund availed through external sources.

Daily operation aspect showed that the members were quite satisfied because the score stood at 0.65.

The review and monitoring aspect of the SFCLs was clearly very low because it scored only 0.32. The SFCLs were not very efficient and the members were slowly refraining from meeting every month and therefore there were very less monitoring and review of programs.

Member participation is the backbone of the SFCLs and this largely determines the performance of the institution. There has been a low level satisfaction related with the member participation with a score of only 0.35 and this is at a dwindling trend.

Any organization has its vision and aims to achieve and lack of such a vision would obviously affect the performance. The members of SFCLs at all levels did not seemingly have good knowledge of the vision about the formation of SFCLs that the institutions are to be managed by themselves and that the loans invested by the organization would earn more income for collective activities.

#### **8.2.4 Assessment of Satisfaction level of Social Activities**

Analysis into the overall level of satisfaction through social activities among the 555 respondents shows a distinct stress for educational activities. The overall weightage mean for literacy programs run by the SFCLs stood at 0.87 reflecting the fact that people are very aware that increased investment must be done in education related activities. Health consciousness is also one of the most important aspects as

identified by the level of satisfaction with a score of 0.79 and the score of 0.83 for vaccination for children.

### **8.2.5 Criteria for Institutional Development**

Small Farmers' cooperatives transferred from Small Farmers' Development Program only after enhance the capacity of members to operate these institutions by themselves effectively. All SFDP transferred into SFCL by 2007.

### **8.2.6 Replication Program**

Small Farmers' Development Programs launched replication programs in adjoining Village Development Committees. These programs found praiseworthy in the context of socio-economic development of rural populace. Members of these programs benefited from adult literacy program, health activities, children vaccination, sanitation, clean drinking water, community forestry, environment protection and economic development activities.

### **8.2.7 Organizational Structure of SFCLs**

Small Farmers' Cooperative Limited are comprised of three-tier organization structure, viz. small farmers' group (SFG) at village level, inter-group (IG) at ward level and main committee at apex level.

### **8.2.8 Status of Groups and Members**

Groups and members have been increased in Small Farmers' Cooperative Limited. As a result, males and females groups increased by 10.4 percent and 14.9 percent whereas members increased by 9.8 percent and 14.4 percent respectively from 2001/02 to 2005/06.

### **8.2.9 Support Agencies**

German Technical Agency is one of the major donors of Small Farmers' Cooperative Limited. It provided financial and technical assistance in order to enhance capacity and capability of small farmers before hand-over from Small Farmers' development Program into Small Farmers' Cooperative Limited. From this assistance, small farmers enhanced knowledge and skill to operate Small Farmers' Cooperative Limited independently.

Besides, Small Farmers Development Bank Limited provides support for capacity building of Small Farmers' Cooperative Limited. Hence, Small Farmers' Cooperative Limited has been acquiring support from international agencies such of UNDP MEDEP, USA, KHARDEP, HLFFDP and GARDEP etc.

### **8.2.10 Socio-economic Improvement**

All ethnicity including different caste, religion, occupation and multi level economic groups and gender have been participated in Small Farmers' Cooperative programs. It assists to uplift economic and social condition of the poor, vulnerable, lower ethnicity, backward, women and helplessness people to some extent.

### **8.2.11 Saving and Credit Mobilization in SFCLs**

Saving is one of the important products of Small Farmers' Cooperative Limited that collects in the form of individual, group, child, maternal and old aged saving etc. After collecting it, saving generally uses to invest in income generating activities such of agriculture, livestock, vegetable, and cash crop and off farm activities for the economic development and also it uses it in emergency purposes such of health treatment, religious purposes and other casualties etc. Due to lack of regular saving, poor are fully dependent with their relatives, moneylenders, and friends in the informal sources. On the other, very few borrowers borrowed loan from formal financial institutions such of commercial banks, development banks, finance company and other credit institutions to resolve their economic as well as casualties problems frequently happened in their daily life.

#### **Saving Deposit**

Women dominated Small Farmers' Cooperative Limited such of Uttarganga, Surkhet and Fedikhola, Syangja have moderate performance in saving deposit whereas male dominated Small Farmers' Cooperative Limited Kumpur Dhading, Shreeantu, Illam and Kalena, Doti have less saving deposit. Research shows that participation level on saving deposit reduced drastically. Small Farmers' Cooperative Limited, Uttarganga, Surkhet deposited average savings of NRs. 36.88 followed by NRs. 36.76 in Small Farmers' Cooperative Limited Fedikhola of Syangja district, while NRs. 21.70 savings deposited in Small Farmers' Cooperative Limited Shreeantu of Illam district and NRs. 8.21 in Small Farmers' Cooperative Limited in Kalena of Doti district. However, saving deposit status found highly satisfactory in Mid-western and Western Development Regions than the Central and Eastern Development Region while saving deposit status of Far-western Development Region found worse.

#### **Saving Deposit Interval**

Members of SFCL Uttarganga, Surkhet deposited their savings monthly to some extent while other four SFCLs such as Shreeantu Illam, Kumpur Dhading,

Fedikhola Syangja and Kalena Doti had not regularized their savings on the monthly basis. Almost 80 percent of SFCLs were not followed savings rules and regulations.

### **Reasons of Saving Deposit**

Majority of the members deposited their savings for the future use particularly for children education, religious activities and loan repayment that mentions 92.2 percent from SFCLs Kalena, Doti, 84.6 percent from Kumpur Dhading, 77.1 percent from Fedikhola, 66.3 percent from Uttarganga and 54.5 percent from Shreeantu.

### **Reasons for Irregularity in Saving Deposit**

SFCLs Kumpur Dhading, Fedikhola Syangja and Uttarganga Surkhet are women dominated so they regularized savings 100 percent whereas SFCLs Shreeantu Illam and Kalena Doti are male dominated SFCLs they were not regularized savings. In this problem, 38.5 percent happened due to inactive group members, 36.3 percent have no enough money, 14.3 percent used surplus money in household expenditure and finally 11 percent repaid loan.

### **Benefits from Saving**

Sixty-eight percent members of SFCL Shreeantu and 54.8 percent members of SFCL Kalena used their savings for family expenditure whereas members from Fedikhola (69.5%) Uttarganga (61.5%) and Kumpur (49%) repaid loan from saving their savings.

### **Sources of Saving Deposit**

Majority of the members from SFCLs Kumpur (98%), Fedikhola (97.1%), Uttarganga (96.9%), Shreeantu (95.5%) and Kalena (86.1%) deposited savings to their regular family income.

### **8.2.12 Credit Investment**

Credit investment to an individual from the SFCLs ranges from NRs. 500 to NRs.50, 000 with the nominal interest rate between 14 to 20 percent. Since 2004, loan advances up to NRs.100, 000 to small farmers. As a result, loan investment stood of NRs. 1.020 billion in SFCLs as of 2005/06. Furthermore, trend of loan investment shows quite positive during five years period from 2001/02 to 2005/06. Average annual increment stood NRs. 158144 thousand per year that grew by 15 percent per annum. Likewise, loan collection (principal) stood NRs. 888.282 million, interest collection NRs. NRs.271.579 million, loan outstanding to NRs. 1.856079 billion and loan recovery rate stood 78 percent in 2005/06.

### **Loan Borrowing Status**

Out of 555 sample respondents, Only 361 (65%) members received loan from SFCLs Whereas 194 (35%) are still not accessed credit services from SFCLs.

### **Gender-wise Loan Borrowing Status**

On the basis of gender wise analysis, 69.95 percent males and 61.49 percent females were accessed loan from SFCLs

### **Loan Borrowing Status among Representatives**

Most of the executive committee members borrowed loan from Small Farmers' Cooperative Limited. Out of total, 72.7 percent borrowed from Chairman followed by Secretary of 58.3 percent and Members 57.9 percent.

### **Numbers of Loan Borrowing**

Most of the members 74.8 percent borrowed loan in single activity followed by two loans by 18.3 percent, three loans by 5.5 percent and four loans by 1.4 percent members.

### **SFCL-wise Loan Status**

Out of 361 borrowers, large numbers of (27.1%) concentrated in Kumpur, Dhading followed by Kalena Doti (21%), Uttarganga, Surkhet (20%), Shreeantu, Illam (16.3%) and Fedikhola, Syangja (15.2%).

### **Loan Borrowing Types**

Out of 361 loan numbers, 49 percent belonged in agribusiness followed by marketing 18.3 percent, cash crops 16.1 percent, tea and coffee 5.3 per cent, non agri. business 3.6 percent, cereal crops 2.5 percent, agri. tools 1.7 percent, housing cum land 1.4 percent, agri. industries 0.6 percent and horticulture stood 0.3 percent.

### **SFCL-wise Loan Borrowing Status**

Large numbers of borrowers of 32.2 percent borrowed loan in tea from SFCL Shreeantu, likewise, highest number of borrowers stood in agri. business loan of 60.2 percent from Kumpur Dhading, 76.8 percent from Fedikhola Syangja and 52 percent from Kalena Doti, similarly large numbers of borrowers of 43.8 percent borrowed marketing loan from Uttarganga, Surkhet.

### **Gender-wise Loan Borrowing Types**

Out of 361 loan numbers, female borrowed 55.1 percent whereas male borrowed 44.9 percent.

### **Loan Borrowing Status with Representative-wise**

As per the representative wise analysis, highest numbers of loan of 147(40.75) borrowed loan by members followed by Chairpersons (21.3%), Treasurers 50(13.9%), Secretary 46(12.7%) and Vice- chairpersons 41 (11.4%).

### **Loan Borrowing Status with Educational Level-wise**

All members (100%) borrowed loan from bachelor passed category followed by SLC passed (84.2%), can read category (73.3%), intermediate passed (66.7%), 'can read and write' and category (64.7 %).

### **Loan Borrowing Status with Sector-wise**

Of the total 361 borrowers, 73.4 percent borrowed loan in agricultural activities whereas 24.7 percent borrowed in off farm activities and 1.9 percent borrowed loan in other activities such as health care and social activities.

### **Overall Loan Portfolio**

Overall loan investment, collection, delinquent and outstanding stood NRs. NRs.29842.1, NRs.20680.14, NRs.22744.76 and NRs.25553.68 per credit project respectively.

### **Loan Repayment Status**

Loan repayment found highest of NRs.1442642 (52 %) from the total investment of NRs.2765500 in Uttarganga, Surkhet whereas lowest stood in SFCL Shreeantu, Illam collected NRs. 128400 (6.76%) from the total investment of NRs. 1899200.

### **Delinquent Loan Status**

Highest loan delinquency found in SFCL Kalena Doti 49 percent whereas lowest stood in SFCL Uttarganga Surkhet at 6 percent.

### **Loan Portfolio in Livestock Loan**

Average loan investment collection and delinquent in livestock loan stood NRs.25660.89, NRs 15020.63, NRs. 20,000 per project respectively. Repayment rate stood 42.89 percent.



### **Loan Portfolio in Horticulture Loan**

Average loan investment, collection and delinquent in horticulture loan stood NRs.26884.61, NRs. 20500, NRs. 21250 respectively. Loan repayment from horticultural activities found very unsatisfactory.

### **Loan Portfolio in Marketing Loan**

Average loan investment, collection and delinquent in marketing loan stood NRs.42559.7, NRs. 29981.51, NRs. 33541.17, NRs. 34516.12 respectively. Repayment rate revealed 47.19. Loan repayment in marketing loan found unsatisfactory.

### **Loan Portfolio in off farm Activities**

Average loan investment, collection and delinquent loan in off farm activities stood NRs.32142.85 NRs. 21700, NRs. 18500, NRs. 23033.33 respectively.

### **Loan Portfolio in Social Activities**

Average loan investment, collection and delinquent in social activities stood NRs.32950, NRs.16025, NRs.16500, NRs. 28500 respectively. Repayment rate revealed at 49.26 percent.

## **8.2.13 Financial Performance**

For the financial performance analysis, it calculates interest income rate, gross profit, gross profit margin, net profit/ loss, net profit margin, interest coverage ratio and operating self-sufficiency ratio etc., are presented hereunder.

### **Interest Income Rate**

The interest income rate over loan outstanding of the Surkhet, Syangja, Dhadhing, Doti and Ilam district are 43% 35%, 50%, 30% and 48% respectively, which is satisfactory.

### **Gross Profit**

The amount gross profit of NRs. 294045, NRs.257232, NRs.298125 and NRs.771073 shows the performance of Small Farmers' Cooperative Limited Uttarganga Surkhet, Kumpur Dhadhing, Kalena Doti and Shreeantu Ilam district respectively. But the performance of Fedikhola Syangja seems poor due to Gross loss of Rs. 221111.

### **Gross Profit Margin**

The highest gross operating profit found in SFCL Shreeantu Ilam is 90 percent whereas lowest stood in SFCL Fedikhola Syangja at –38 percent.

### **Net Profit/Loss**

The Small Farmers' Cooperative Limited Shreeantu Ilam found better position with the net profit amount of Rs.81668 whereas SFCL Kumpur Dhadhing stood lowest as NRs. 4800.

### **Net Profit Margin**

Small Farmers' Cooperative Limited Shreeantu Ilam survived with the 10 percent net profit margin and Small Farmers' Cooperative Limited Kalena Doti with 14 percent. Offices of the remaining Small Farmers' Cooperative Limited have facing net loss margin.

### **Interest Coverage Ratio**

The ratio figure (1.53, 1.76, 1.34, 1.36 and 1.24 of the offices of Small Farmers' Cooperative Uttarganga Surkhet, Fedikhola Syangja, Kumpur Dhadhing, Kalena Doti and Shreeantu Ilam respectively) has been covering expenses in term of the interest income.

### **Operating Self Sufficiency Ratio**

The standard norm for this ratio is >1.5. Highest found at 1.89 in SFCL Uttarganga, Surkhet whereas lowest stood at 0.51 in SFCL Fedikhola Syangja.

### **Break even Point**

Small Farmers' Cooperative Limited Uttarganga Surkhet stood highest at 45 percent whereas and Kalena Doti maintained its position lowest of 23 percent.

### **Income Expenditure Ratio**

Small Farmers' Cooperative Uttarganga Surkhet stood highest at 1.3 whereas lowest found at 1.12 in SFCL Shreeantu Ilam.

### **Profit Income Ratio**

SFCL Uttarganga Surkhet maintained 23 per-cent profits in total income. While SFCL Shreeantu, Illam stood 11 per-cent profit over its income. Other district has no significant profit position.

### **Annual Operating Cost over Fixed Asset**

SFCL Shreeantu Illam has highest annual operating cost over fixed asset with 3.06 whereas SFCL Fedikhola Syangja stood lowest at 1.37.

## **8.3 Problems of Financial Sustainability and Institutionalization of Small Farmers' Cooperative Limited**

Small Farmers' Cooperative Limited have been encountering various problems in group management, saving collection, saving mobilization, loan investment, collection and financial management due to the lack of efficient and effective *management*. Detail problems are described hereunder.

### **8.3.1 Problems of Financial Sustainability**

Financial sustainability is considered as one of the important components of Small Farmers' Cooperative Limited. To maintain it, Small Farmers' Cooperative Limited need to implement saving and loan investment smoothly. This research shows that Small Farmers' Cooperative Limited are facing big problems in saving collection and loan investment, details are described as follows:

- a) Members' enrollment in SFCLs found to be very low. Financial activities such as saving collection and loan investment are decreasing due to low participation of people in the SFCLs leading to increase in operating cost.
- b) SFCLs found disappointing performance in loan repayment, members' attendance in meeting, regularization of savings, proper utilization of loan and participation of members in socio-economic development activities, which are big challenges to SFCLs
- c) Saving deposit was not regular in most of the SFCLs. In fact, if savings could be increased the members would more effectively participate in the activities of the institutions.

- d) Saving deposits play catalytic role in SFCLs but most of the SFCLs they were not implemented maternal health care saving, child saving, older age saving and individual saving effectively.
- e) Amount of saving deposited by the members on monthly basis is found to be very low leading to very slow increase in creation of capital in the SFCLs, which would further affect the financial activities like investments to individual projects, investment on bonds, shares and non-fund business reduced, thereby, affecting the growth of the profit.
- f) Saving deposit was worse in the Far-western Development Region linking to the fact that investment in economic activities was not satisfactory there.
- g) Loan investment is not satisfactory in all SFCLs, because only 361 (65%) of the 555 members received loans.
- h) Delinquency is one of the major problems raised in all the SFCLs. Large number of delinquency loan borrowers was from the cooperative's executive committee members and this discouraged others from making savings.
- i) Loan investment and collection policies were not formulated scientifically. The policies approved from the general assembly was not implemented properly.
- j) Outstanding loan were not increased satisfactorily meaning: loan restructuring were performed extensively in SFCLs.
- k) Large investments made for marketing and agro-business by SFCLs created problems of overdue loans as large volume of loans concentrated on very few activities making investments more risky.
- l) SFCLs were found not to be investing money in highly profitable activities such as non-fund business such as remittance, guarantee, governments bonds and shares etc.
- m) Loan disbursement was done on very few heads mostly related with agriculture and investment diversification has not been done resulting in inefficient investments and low returns.

- n) Livestock insurance activity has not operated effectively, thus affecting the profit of livestock farmers.
- o) Loan investments were done in very unscientific methods.
- p) Group pressure was almost zero because member of the groups neither sought advice for savings neither deposit nor give pressure to repay the loan on time.
- q) Performance of 20 percent Small Farmers' Cooperative Limited (SFCL Fedikhola, Syangja) seems negative figure due to gross loss.
- r) The positions of net profit in the analyzed Small Farmers' cooperative Limited do not seem encouraging.
- s) The net loss found 60 percent Small Farmers' Cooperative Limited such as Uttarganga Surkhet, Fedikhola Syangja, and Kumpur Dhadhing out of five research conducted Small Farmers' Cooperative Limited.
- t) Most of the SFCLs are away from the operating self-sufficiency ratio.
- u) The delinquent amounts have found extremely high in 80 percent SFCLs except Uttarganga Surkhet.
- v) Except SFCLs Uttarganga Surkhet and Shreeantu Illam (40% SFCLs) other remaining SFCLs such as Kumpur Dhading, Fedikhola Syangja and Kalena Doti have no significant profit position and
- w) All Small Farmers' Cooperative Limited have higher annual operating cost.
- x) Besides, GTZ study also pointed-out that 99 percent category 'A' SFCLs have good loan whereas category "B", category "C" and category "D" have 93.30 percent, 81.10 percent and 30 percent good loans respectively. Likewise, substandard loan was found to be 0.3 percent in category "A", 3.60 percent in category "B", Zero percent in category "C", 8.50 percent in category "D". While doubtful loan stood 0.2 percent in category "A", 3.10 percent in category "B", 13 percent in category "C" and 27.20 percent in category "D" SFCLs.
- y) Research noticed that category "A" had 100 percent provisioning whereas category "B", category "C" and category "D" SFCLs had 90 percent, 10

percent and zero percent provisioning respectively. Eighty percent category "D" SFCLs has a negative loan loss reserve.

- z) Only 41 percent invested loans are being utilized by category "D" SFCLs, meaning that Small Farmers' Development Bank and Agricultural Development Bank Limited loans are in the high risky position because most of the loans invested from these institutions were borrowed from Category "D" SFCLs. On the other this category "D" SFCLs start to eat core capital such as share and other available resources, but category "A", category "B" and category "C" have adequate capital fund so far. In case of operational self-sufficiency level (OSS), more than 43 percent of SFCLs have more than 100 percent operating self-sufficiency. Monthly interest repayment maintained from category "A" SFCLs as 96.7 percent whereas category "B", category "C", category "D" SFCLs stood as 67.1 percent, 43.5 percent and 29.8 percent respectively.
- aa) Interest payment from the borrowers was found 95 percent in category "A", 67 percent in category "B", 43.5 percent in category "C" and 29.6 percent in category "D" SFCLs, whereas percentage of interest payment to the bank revealed 100 percent from category "A", 98 percent from category "B", 92 percent from category "C" and 65 percent from category "D" SFCLs.
- bb) Low category SFCLs have higher staff and operating cost in the comparison of category "A" and category "B" SFCLs. Consequently, category "C" and category "D" SFCLs have more than 4 percent operating expenses i.e. is higher than the interest margin.

### **8.3.2 Problems of Institutional Sustainability**

Small Farmers' Cooperative Limited have been facing big problems in group management, meeting regularization, coordination among various agencies, program implementation, monitoring and follow-up etc. Due to these factors, Small Farmers' Cooperative Limited are not implementing saving mobilization, loan investment, community and social development activities smoothly. Furthermore, major problems of Small Farmers' Cooperative Limited in institutional development have categorized as follows:

- a) Most of the Small Farmer members have hang-over of Small Farmers' Development Program, because SFDP managed whole activities such as organization of meeting, mobilization of savings, loan investment and loan collection etc.
- b) SFCLs lack scientific information management system so they were found to be facing problems to convey messages.
- c) SFCLs do not have short-term and long-term business plan. Hence they are not implementing economic, social and community activities systematically. This led to failure of SFCLs to fulfill their objectives.
- d) SFCLs are ignoring to revitalize social, community and infrastructure development activities resulting in gradual reduction of community participation towards the development activities.
- e) Coordination with donors and agencies concerned were found totally unsatisfactory.
- f) Internal and external monitoring systems were very weak resulting in increasing overdue in SFCLs.
- g) Lack of ineffective and inadequate action for the always-increasing number of defaulters was another major problem affecting cooperatives' development.
- h) Attitude, perception and thinking of executive committee and general members were totally negative because they understood that SFDBL is the sister organization of Agricultural Development Bank Limited. The members of the cooperatives thought that the loans transferred for the Small Farmers' Development Program of ADBL would be subsidized or written off. Due to this thought, SFCLs are not operating smoothly.
- i) SFCL staff were very unprofessional, uncharismatic and lacked commitment for the development of their working areas.
- j) Monitoring from concerning supporting agencies was very weak because neither they provided effective policies on loan processing, loan collection, human resource management, MIS, accounting, internal and external control of SFCLs as per the need of the SFCLs in the changing context of globalization as well as open market economy nor they developed other strong institutions to perform these activities effectively by federating the SFCLs institutions.

- k) SFCLs are totally dependent on ADBN's financial resources and there is no networking with other financial institutions and are operating in the rural areas with less potential of being financed. ADBL has coerced the SFCLs to pay interests and principal installments regularly. The SFCLs need to manage operating cost, administrative cost and training cost etc. Generally, successful MFIs are focused to develop professionalism, advanced business plans and market orientation programs but SFCLs have not been able to make such progresses.
- l) Lack of efficient portfolio management, scientific business plans, inadequate mobilization of domestic resources, lack of efficient human resources, shortage of need-based programs, and lack of effective organizational structure, SFCLs are not operating properly.
- m) SFCLs are troubled by the misuse of their property, low members' enrollment, negligible amount of share capital deposit, lack of awareness, lack of feeling of ownership, conflict and political influence
- n) SFCLs are facing lack successors development, high dropout of skilled employees, less participation of women, inappropriate regulation, less trust among the general members, limited products, less business, negligible profit oriented activities, lack of financial discipline and higher dependency on the external resources.
- o) SFCLs lack professional executive committee members and staff, do not have adequate training facilities and depend on fragile community development activities. Rising of non-performing assets, no portfolio management, and lack of effective business plan and inadequate mobilization of domestic resources are suffered to the institutions.
- p) SFCLs have encountered the problems of complexity in loan procedure, unavailability of sufficient fund and so far have failed to formulate appropriate legal system for defaulters.
- q) SFCLs have lack of accountabilities among executive members, rising fraud, no strict punishment and reward system, lack of effective loan investment and collection strategies.
- r) Lack of cooperative knowledge among executive members, staff and general members, lack of coordination between SFCLs and District Cooperative Office, higher interest rate against loan, no regularized main



committee meeting, increased conflict between main committee members and staff, dropping of assistance by GTZ, difficulty in collecting loan invested without collateral security, lack of standard accounting system, lack of SFCL's own building and lack of computerization and

- s) Lacks of security in banking operation are facing a big problem in Small Farmers' Cooperative Limited.
- t) Satisfaction of the operational system has been taken, as a major determining factor in sustainability and institutional development of the SFCLs because without the members being satisfied by the performance of their organization, there is no question of sustenance of such an organization. The main committee has not been able to perform on the par because of clear lack of training on group management, saving mobilization, credit investment, and institutional development and performing economic and social activities
- u) Members of the committees have not been able to make saving as desired and expected i.e. equivalent of a day's labor charge. The members seemingly have no knowledge about the fact that their saving would in return create capital for investment to make economic progress.
- v) There is a lack of external support from other agencies because the members do not have proper knowledge about the availability of loan opportunities and also due to lack of proper knowledge in making proper investment of the fund availed through external sources.
- w) Member participation is the backbone of the SFCLs and this largely determines the performance of the institution. There has been a low level satisfaction related with the member participation with a score of only 0.35 and this is at a dwindling trend.
- x) Lack of transparency also affects the performance of any institution and the SFCLs lacked this mostly because of lack of knowledge and fear of being taking action against for revealing the facts and figures and happenings in the institution.

## **CHAPTER IX**

### **MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **9.1 Major Findings**

The variable savings is regressed with duration of loan (DL), interest rate (IR), annual saving (AS) and income from the project (IP).

##### **9.1.1 Annual Saving**

Annual savings is the first most significant variable with t-statistics of 15.977 (p-value 0.000). If the annual saving is increased by NRs. 1000, the group saving (dependent variable) is increased by NRs. 5 on the average holding other variables constant.

##### **9.1.2 Interest Rate**

Interest rate is the second most significant variable with t-statistics of 6.157 (p-value 0.000). If the interest rate (IR) is increased 1 percent, the group saving (dependent variable) is increased by NRs. 1.96 on the average holding other variables constant.

##### **9.1.3 Duration of Loan**

Duration of loan is the insignificant variable with t-statistics of 1.026 (p-value 0.306) If the duration of loan (DL) is increased by 1 year, the group saving (dependent variable) is decreased by NRs. 1.56 on the average holding other variables constant.

##### **9.1.4 Income from the Project**

Duration of loan is the third most significant variable with t-statistics of 3.705 (p-value 0.000). If the income from the project (IP) is increased by NRs. 1000, the

group saving (dependent variable) is increased by very negligible amount on average holding other variables constant.

#### **9.1.5 Net Profit after Provisioning**

The variable net profit after provisioning is regressed with total income, staff salary, interest rate, interest cost, cost on meeting allowance, miscellaneous cost, total saving per year, repayment amount and outstanding.

#### **9.1.6 Miscellaneous**

Miscellaneous cost is the first most significant variable with t-statistics of 11.687 (p-value 0.000). If miscellaneous cost (MC) is increased by NRs. 1000, net profit after provisioning (dependent variable) is decreased by NRs. 1009 on average holding other variables constant.

#### **9.1.7 Total Saving per Year**

Total saving per year is the second most significant variable with t-statistics of 4.17 (p-value 0.000). If total saving per year (SY) is increased by NRs. 1000, net profit after provisioning (dependent variable) is decreased by NRs. 1785 on average holding other variables constant.

#### **9.1.8 Cost on Meeting Allowance**

Cost on meeting allowance is the third most significant variable with t-statistics of 2.5 (p-value 0.014). If cost on meeting allowance (CML) is increased by NRs. 1000, net profit after provisioning (dependent variable) is decreased by NRs. 9055 on average holding other variables constant.

#### **9.1.9 Staff Salary**

Staff salary is the fourth most significant variable with t-statistics of 1.174 (p-value 0.244). If staff salary (SS) is increased by NRs. 1000, net profit after provisioning (dependent variable) is increased by NRs. 2274 on average holding other variables constant.

### **9.1.10 Total Income from Project**

Total income from project is the fifth most significant variable with t-statistics of 1.067 (p-value 0.289). If income from project (IP) is increased by NRs. 1000, net profit after provisioning (dependent variable) is increased by NRs. 450 on average holding other variables constant. Rests of other variables are not very significantly related with the dependent variables.

### **9.1.11 Loan Amount**

Loan amount is significantly correlated with variables repayment amount (RA), outstanding amount (OA) and delinquent amount (DA) (with  $p$ -value  $< 0.05$ ).

### **9.1.12 Repayment Amount**

Repayment amount is significantly correlated with variable loan amount only (with  $p$ -value  $< 0.05$ ).

### **9.1.13 Outstanding Amount**

Outstanding amount is significantly correlated with variables loan amount, and delinquent amount (with  $p$ -value  $< 0.05$ ).

### **9.1.14 Delinquent Amount**

Delinquent amount is significantly correlated with variables loan amount, and outstanding amount (with  $p$ -value  $< 0.05$ ).

## **9.2 Hypothesis Test for Equality of Mean between Five SFCLs**

### **9.2.1 ANOVA**

It is carried out to find the difference in mean level of net profit after provisioning.

The ANOVA carried-out to see the effect on net profit after provisioning in all sample SFCLs. The analysis shows that there is significant difference in net profit after provisioning in the five SFCLs.

### 9.2.2 Multiple Regression Analysis of Savings (Y) and Other Variables ( $X_i$ )

Multiple regression analysis was carried out to see the functional relationship between the selected variables viz., duration of loan, interest rate, annual saving and income from project.

**Result:** The coefficient of determination (R-Square) = 0.558 indicates that 56 percent of the variation in the dependent variable is explained by regression plane. All the independent variables except income from the project are found to be very significant.

### 9.2.3 Zero Order Correlation Matrix of Credit Activities between the Selected Variables

The variables are tested for the presence of any interdependency between them. Zero order correlation matrixes. There exists significant correlation between two numerical variables.

**Result:** Testing the hypotheses from the results is as under.

- a) **Loan Amount** is significantly correlated with variables repayment amount, outstanding amount and delinquent amount (with  $p$ -value  $< 0.05$ ).
- b) **Repayment Amount** is significantly correlated with variable loan amount only (with  $p$ -value  $< 0.05$ ).
- c) **Outstanding Amount** is significantly correlated with variables loan amount, and delinquent amount (with  $p$ -value  $< 0.05$ ).
- d) **Delinquent Amount** is significantly correlated with variables loan amount, and outstanding amount (with  $p$ -value  $< 0.05$ ).

### 9.2.4 Chi-Square Test for Loan Type and Gender

There is no significant association between loan type and gender

**Result:** From the analysis it is found that there is significant association (with  $p$ -value of  $0.037 < 0.05$ ) between loan types (cereal crops, cash crops, marketing, agri-tools, agri-industries, agribusiness, horticulture, tea & coffee, housing & land and non-agri business) and gender.

### 9.3 Conclusions

On the basis of above analysis following conclusion carried-out:

- a) Independent variables of regression analysis such as annual saving (AS), interest rate (IR), duration of loan (DL), income of the project (IP) need to be improved for making the SFCL financially sustainable. The coefficient of determination (R-Square) = 0.558 indicates that 56 percent of the variation in the dependent variable is explained by regression plane. All the independent variables except income from the project are found to be very significant.
- b) If miscellaneous cost (MC), total saving per year (SY), cost on meeting allowances (CML) decrease while staff salary (SS) and total income from project (TIP) increase then the SFCL could be made financially sustainable and viable. Using a level of significance of  $\alpha = 0.05$ , the upper-tail critical value from the  $F$  distribution with 4 degrees of freedom in the numerator of the  $F$  ratio and 353 degrees of freedom in the denominator is 2.397. Since the computed test statistic  $F_U = 111.495 > 2.397$  (or the  $p$ -value = 0.000 < 0.05). It concluded that at least one of the independent variables is related to the dependent variable (Amount of saving).
- c) Loan amount is correlated with variables repayment amount (RA), outstanding amount (OA) and delinquent amount (DA). It indicates that higher loan investment increases chances of overdue loan. Loan investment must increase gradually to control the overdue loan
- d) Correlation between project income from project and repayment have strong positive correlation with the value of  $r = 0.623$  and the data also shows significant correlation ( $p=0.000 < 0.05$ ) between these two variables. Therefore investment must be done in profitable project.
- e) Correlation between saving and repayment have significant positive correlation with the value of  $r = 0.188$  and the data also shows significant correlation ( $p=0.022 < 0.05$ ) between these two variables. Savings must be increased from the individual members because large amount saving deposit sensitizes to pay the loan back on timely.

- f) The net loss of Small Farmers' Cooperative Limited Uttarganga Surkhet from Mid-western Development Region, Fedikhola, Syangja from Western Development Region and Kumpur, Dhadhing from Central Development Region are NRs.82654, NRs.556819 and NRs.261222, respectively. Hence, operating cost must be reduced.
- g) Small Farmers' Cooperative Limited Uttarganga, Surkhet from Mid-western Development Region maintains delinquent loan as in five percent whereas Kalena Doti from Far-western Development Region shows sixty-three percent delinquent loan. The position of the offices of remaining district is not so good. Therefore, overdue loan in these institutions reduced effectively on one hand and invest loan in quality credit projects on the other.

## **9.4 Recommendations**

On the basis of above overall analysis, following recommendations have been made for the improvement of SFCLs in order to make these institutions financially and institutionally sustainable in future.

### **9.4.1 Activities for Improving Financial Sustainability of SFCLs in Future**

To improve the financial sustainability of SFCLs, attractive saving amount need to be collected monthly by introducing different saving schemes such as individual saving, group saving, maternal welfare saving, older age group saving and child saving etc. Along with this, loan quality must be improved by investing credit in profitable projects such as marketing loan, agro-business, cash crops and invest on non-fund business such as remittance, guarantee, government bond and shares etc. On the other, loan collection is one of the major components of SFCL that helps maintain the SFCLs financially sustainable. Hence, every SFCLs must prepare a scientific loan repayment plan and execute that plan systematically and effectively in order to maintain the loan repayment at 100 percent.

Profit is final indicators of financial sustainability and major costs such as operating cost, financial cost and provisioning and other costs must be reduced drastically. Saving collection, investment and repayment play catalytic role to

maintain these institutions financially sustainable. Detail activities are presented hereunder:

### **Savings**

- a) Saving deposit in SFCLs has remained very low at NRs.5 to NRs.8 per month. This meager saving have not practically helped increase fund nor meet the operating cost of SFCLs. Therefore, the saving deposits need to be increased to least NRs.50 to NRs. 100 per month per member or deposition of a member's one-day earning. This would help meet the fund requirements of SFCLs.
- b) Savings of SFCLs such as individual saving, older age group saving, child saving and women saving have been discontinued. Savings are the major financial resources that generate income to maintain the institution financially sustainable so different types of saving schemes must be launched at a massive scale.

### **Loan Investment**

- a) SFCLs need to diversify their loan portfolio in new sectors like education loan, foreign employment loan, transportation loan, mini-department stores and resorts loan where profit margins are very high.
- b) SFCLs need to massively expand insurance scheme in livestock loan. At present there are very few members who have benefited from this scheme.
- c) Counter operation in remote areas is a very profitable business in SFCLs. Hence, the SFCLs must try and trap this possibility by managing banking counters in the village areas where money enter as remittance from abroad. This would increase profit from commissions earned through remittance business, which is comparatively a less risky business.



## **Loan Repayment**

- a) Overdue is one of major challenges of SFCLs that has originated due to the lack of effective monitoring and supervision (M&S) system, discontinuity of monthly meetings, irregular savings and non-performance on the aspect of quality loan investment. Consequently, SFCLs have been reaching bankruptcy situations. To resolve this problem, scientific M&S schemes should be developed and implemented at all levels.
- b) SFCLs need to introduce attractive facilities such as rebate, green card certificate and quick loan services to the good clients to encourage other general clients for repaying loan on time.
- c) Research reveals that women repay loans on time as compared to their male counterparts. Therefore, for sustainability of SFCLs, loan investment must be done on women members rather than the male counterparts.
- d) Research shows that loan repayment is unsatisfactory among the executive committee members including chairpersons, vice-chairpersons, secretary, treasurers and members. Thus, collecting of overdue loan from such defaulters is a great challenge facing the SFCLs. In such circumstances, loan repayment by other general members is not possible. To resolve this problem, loan investment must be prohibited to the executive committee members.
- d) Provisioning on overdue loan is an international practice of banking industry and it has not been practiced effectively in SFCLs. Hence, to maintain the actual profit from SFCLs, provisioning must be regularized as 1 percent for good loans, 25 percent for substandard loans, 50 percent for doubtful loans and 100 percent for bad loans as per the rules and regulations of Nepal Rastra Bank in every year.
- e) Research shows that management information system (MIS) in SFCLs is not maintained properly. To improve the MIS, data based MIS system need to be designed scientifically.

#### **9.4.2 Activities for Improving Institutional Sustainability of SFCLs**

- a) Regular meeting of the groups is considered as one of the important activities of the SFCLs. The cooperatives were found not to have organized meetings regularly at the village level groups, inter groups and main committee. It means that Small Farmers' Cooperative Limited are facing collapse. To resolve of this critical problem, Small Farmers' Cooperative Limited must hire qualified facilitators or part time paid volunteers to regularize monthly group meeting, monthly saving deposit and monitoring of the loan projects effectively.
- b) Analysis of this research reveals that women dominated Small Farmers' Cooperative Limited are in financially better position than the male dominated Small Farmers' Cooperative Limited because women dominated SFCLs maintained regular meeting, monthly savings and loan repayment occurred regularly and timely. It concludes that inclusion of women in SFCLs make the institutions more financially sustainable. Therefore, all male SFCLs must be replaced by female SFCLs by transferring all shares to female counter parts.
- c) Research shows that members' enrollment in Small Farmers' Cooperative Limited was unsatisfactory, because low enrollment of members neither increased fund in SFCLs nor contributed to poverty mitigation. Therefore, enrollment of members in the SFCLs must be done at a massive scale to involve all the poor people from program locations and increase financial resources from their regular savings.
- d) Location of SFCLs is one of the unique and creative models in the field of microfinance sectors of Nepal. Despite its importance in poverty reduction endeavor, SFCLs are not replicated massively. To fulfill the poverty reduction goal, Small Farmers' Cooperative Limited had planned to make effective replication of programs by offering supports from government, INGOs, NGOs and finical institution. This must be done at the villages and cover all VDCs across the country.
- e) Community development activities such as construction of schools, bridges, village trails, smokeless stoves, convenient toilets, drinking water systems etc.

were discontinued in SFCLs. These activities are very important components for rural areas of Nepal so the SFCLs must seek financial support from agencies concerned for these activities.

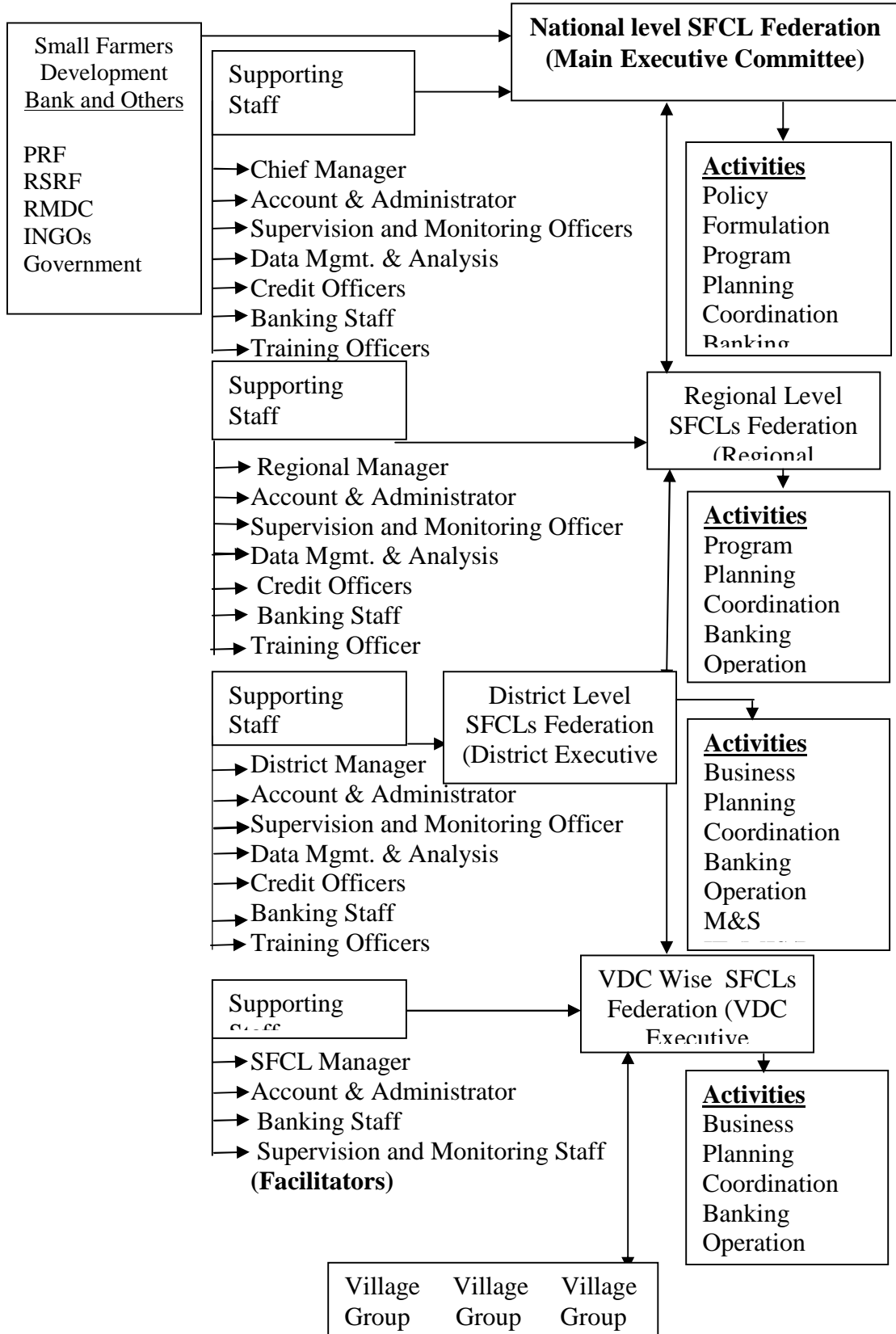
- f) Despite the great efforts of SFCLs in poverty reduction endeavor, donors are not attracted in this program. Therefore, SFCLs need to get help from the Village Development Committee, District Development Committee, District Level Offices, Non Governmental Offices, Department of Cooperative, International Government Offices, Microfinance Institutions such as Rural Microfinance Development Center, Poverty Reduction Fund and others.
- g) SFCLs' members lack proper knowledge on cooperative principles. Therefore, cooperative related training need to be conducted massively for each and every member of SFCLs in order to implement cooperative programs successfully.
- h) Most of the members do not have good knowledge on project planning, management and marketing. So, SFCLs should organize entrepreneurs training to their members.
- i) Executive members of SFCLs are fully unknown on banking business, insurance, remittance, marketing promotion and entrepreneurship development. So proper training on these subjects need to be conducted to them extensively to make them more competent for undertaking the right decisions on loan investment.
- j) Most of the Staff of SFCLs are not competent in their respective jobs regarding business promotion, office management, quality loan portfolio management and supervision and monitoring. Basically, to enhance the competency and professionalism of the staff, training should provide extensively to them.
- k) Management intervention from Agricultural Development Bank Limited has been adversely affecting the Small Farmers' Development Bank because it has raised expectations of the Small Farmers' Cooperative members regarding write off on their overdue loan, incentives of subsidies and rebate facilities etc., which were provided by Agricultural Development Bank Limited in its

regular programs. Although such facilities were not provided to the Small Farmers' Development Bank and Small Farmers' Cooperative Limited from Agricultural Development Bank Limited, members of Small Farmers' Cooperative Limited strongly demanded such incentives for Small Farmers' Development Bank and Small Farmers' Cooperative Limited also. Because they frequently claimed that Agricultural development Bank Limited has been undertaking all management responsibilities of Small Farmers' Development Bank and also transferred loans in Small Farmers' Cooperative Limited from Small Farmers' Development Program, they mentioned that they have full right to get all incentives whatever provided from Agricultural Development Bank Limited in its regular programs to the individual clients. Due to this conflict, loan repayment deteriorated in SFCLs sharply and ownership feeling of the members declined over time. To resolve this problem, the subsidies provided by the ADBL must be provided to the SFDBs and SFCLs as individual clients. Management team of Agricultural Development Bank must be replaced by outsourced microfinance experts and needy staff to promote the independent banking environment in SFCL.

#### **9.4.3 Restructuring of SFCL Networking**

To operate Small Farmers' Cooperative Limited effectively across the country, a model has been proposed for independent execution through a single door system to reduce poverty. In this model, all poverty reduction funds of government, INGOs, Rural Self Reliance Fund of Nepal Rastra Bank, PRF, RMDC, and investment by the private and government banks etc should be handed over to the National Level SFCL Federation. A board of directors or executive committee should be formed in each level of SFCL Federation — the national level, regional level, district level and VDC level — and should be allowed to formulate policy and procedure and coordinate with agencies concerned to invest the fund. A manager, account and administrator, monitoring and supervision officer, data management and analyst, credit officer, banking staff and training officers should be hired on yearly contract basis to make the SFCL federation more effective.

**Figure: 9.1**  
Proposed Model of Small Farmers Cooperative Limited



#### **9.4.4 Recommendations for Microfinance Institutions**

Microfinance is one of the major components of poverty reduction of Nepal. Basically, Rural Self Reliance Fund, Rural Microfinance Development Center, Center for Self-help Development Bank, Deprosc, Nirdhan, Chhimek, Grameen Development Banks, Cooperative Banks, Different Cooperatives such as Multipurpose, Saving and Credit, Agriculture, Dairy, Consumers, Tea, Coffee, Health, Science and Technology, Electricity, Herbal and other Cooperatives have been operating across the country. Despite important role contributed in poverty reduction from these organizations, still expansions of these activities are not praiseworthy so that these institutions should expand massively to reduce the acute poverty across the country.

- a) Saving collection from the members found very low from most of the microfinance institutions. To make the microfinance institutions financially sustainable, saving collection and its mobilization need to be performed effectively, therefore saving collection must be focused in microfinance institutions from the members effectively.
- b) Members' enrollment in microfinance institutions found very low, because in the duration of 30 yrs, only 7,00,000 households are benefited from the microfinance institutions. More than 2100,000 households required microfinance support from these institutions so that members' enrollment must be increased massively to reduce the poverty across the country.
- c) Coordination among microfinance institutions found very poor. Due to lack of coordination, most of the microfinance institutions are implementing activities in same locations; as a result same members involved in different microfinance institutions thereby he/she borrow loans from different member institutions that increases overhead cost of the microfinance institutions and increases borrowing cost of the members. Therefore, specific location should be provided to implement microfinance activities for each MFIs particularly to reduce the duplication of program.

#### **9.4.5 Recommendation for Research**

The presented research has performed only the basic and main statistical tests to examine relationship between independent and dependent variables and the

financial and time limits severely affected the attempts to perform all possible statistical tests.

This given research has conducted multiple regressions on savings to examine functional relationship between the duration of loan, interest rate, annual saving and income from project. Likewise, it has assessed zero order correlation matrixes on loan amount, repayment amount and outstanding amount and delinquent amounts. Apart from these, it examined correlation between profit from the project and repayment amount.

Many other variables such as borrowing cost, interest rate of loan and savings, composition of loan portfolio, contribution of sub-committees, donors, line agencies and efficiency of staff still need to be assessed for further understanding their impact in Small Farmers' Cooperative Limited.

It is strongly recommended that further researches be conducted in rest of the independent and dependent variables to examine their negative and positive aspects and gain a clearer and more objective depiction of the scenario.

## **ANNEX: A**

### **SFCLs' Expenditure and Income Calculation**

#### **I. Office Expenditure**

Sn.		Staff Salary	Stationary	Rent	Interest Cost	Meeting allowan ce	Monito ring Super vision	Provi sion	Miscella neous. Cost	Total Expendi ture	Total Interest Income	Gross Profit	Net Profit	Gross Profit Margin	Net Profit Margin
1	1	1350	20	90	4275	9	9	0	9	5762	6750	2475	-1800	37	-27
2	1	150	20	10	120	3	3	0	9	315	600	480	360	80	60
3	1	0	0	0	0	0	0	0	0	0	0	0	0		
4	1	150	20	10	120	3	3	0	9	315	600	480	360	80	60
5	1	0	0	0	0	0	0	0	0	0	0	0	0		
6	1	1350	20	90	4275	9	9	0	9	5762	6750	2475	-1800	37	-27
7	1	450	20	45	1425	3	3	0	9	1955	2250	825	-600	37	-27
8	1	3000	20	200	8000	3	3	0	9	11235	17000	9000	1000	53	6
9	1	2400	20	160	7600	3	3	0	9	10195	13600	6000	-1600	44	-12
10	1	0	0	0	0	0	0	0	0	0	0	0	0		
11	1	0	0	0	0	0	0	0	0	0	0	0	0		
12	1	1500	20	91	4750	3	3	0	9	6376	7500	2750	-2000	37	-27
13	1	450	20	30	1425	9	9	0	9	1952	2040	615	-810	30	-40
14	1	720	20	48	2280	9	9	0	9	3095	4080	1800	-480	44	-12
15	1	540	20	66	2565	9	9	0	9	3218	2610	45	-2520	2	-97
16	1	0	0	0	0	0	0	0	0	0	0	0	0		
17	1	0	0	0	0	0	0	0	0	0	0	0	0		
18	1	0	0	0	0	0	0	0	0	0	0	0	0		
19	1	450	20	45	1425	3	3	0	9	1955	2250	825	-600	37	-27



20	1	1170	20	78	3705	9	9	0	9	5000	5850	2145	-1560	37	-27
21	1	0	0	0	0	0	0	0	0	0	0	0	0		
22	1	0	0	0	0	0	0	0	0	0	0	0	0		
23	1	0	0	0	0	0	0	0	0	0	0	0	0		
24	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
25	1	1350	40	90	4275	18	18	0	36	5827	7650	3375	-900	44	-12
26	1	1350	60	90	4275	9	9	0	81	5874	8550	4275	0	50	0
27	1	2700	60	180	8550	9	9	0	81	11589	13500	4950	-3600	37	-27
28	1	150	20	10	475	3	3	0	9	670	750	275	-200	37	-27
29	1	2250	20	150	7125	9	9	0	9	9572	11730	4605	-2520	39	-21
30	1	225	20	15	714	9	9	0	9	1001	629	-85	-799	-14	-127
31	1	2100	60	140	6650	9	9	0	81	9049	17000	10350	3700	61	22
32	1	1500	20	100	4750	3	3	50000	9	6385	8500	3750	-1000	44	-12
33	1	0	0	0	0	0	0	0	0	0	0	0	0		
34	1	0	0	0	0	0	0	0	0	0	0	0	0		
35	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
36	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
37	1	900	20	60	2850	3	3	0	9	3845	5100	2250	-600	44	-12
38	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
39	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
40	1	4770	40	318	15105	18	18	0	36	20305	11850	-3255	-18360	-27	-155
41	1	1650	20	90	4275	9	9	0	9	6062	3750	-525	-4800	-14	-128
42	1	1080	40	72	3420	18	18	0	36	4684	2820	-600	-4020	-21	-143
43	1	1350	20	90	4275	9	9	15000	9	5762	7650	3375	-900	44	-12
44	1	1140	60	76	3610	9	9	0	81	4985	6460	2850	-760	44	-12
45	1	200	20	20	950	6	6	5000	9	1211	1500	550	-400	37	-27
46	1	1800	20	180	5700	3	3	0	9	7715	9000	3300	-2400	37	-27
47	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
48	1	300	20	20	950	6	6	0	9	1311	1500	550	-400	37	-27
49	1	0	0	0	0	0	0	0	0	0	0	0	0		

50	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
51	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
52	1	1000	20	120	4750	3	3	0	9	5905	7500	2750	-2000	37	-27
53	1	0	0	0	0	0	0	0	0	0	0	0	0		
54	1	0	0	0	0	0	0	0	0	0	0	0	0		
55	1	11700	60	780	37050	27	27	0	81	49725	45900	8850	-28200	19	-61
56	1	1800	40	120	5700	6	6	50000	36	7708	13600	7900	2200	58	16
57	1	2700	20	180	8550	9	9	0	9	11477	12540	3990	-4560	32	-36
58	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
59	1	600	20	40	1900	3	3	0	9	2575	3000	1100	-800	37	-27
60	1	0	0	0	0	0	0	0	0	0	0	0	0		
61	1	0	0	0	0	0	0	0	0	0	0	0	0		
62	1	600	20	40	1900	3	3	20000	9	2575	3400	1500	-400	44	-12
63	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
64	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
65	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
66	1	600	20	40	1900	3	3	0	9	2575	3400	1500	-400	44	-12
67	1	1800	20	120	5700	9	9	0	9	7667	9000	3300	-2400	37	-27
68	1	0	0	0	0	0	0	0	0	0	0	0	0		
69	1	1350	20	135	4275	9	9	9000	9	5807	6750	2475	-1800	37	-27
70	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
71	1	0	0	0	0	0	0	0	0	0	0	0	0		
72	1	0	0	0	0	0	0	0	0	0	0	0	0		
73	1	1500	20	100	4750	3	3	0	9	6385	7500	2750	-2000	37	-27
74	1	750	20	50	2375	3	3	0	9	3210	3750	1375	-1000	37	-27
75	1	2700	20	180	8550	9	9	0	9	11477	12540	3990	-4560	32	-36
76	1	900	20	60	2850	3	3	0	9	3845	4500	1650	-1200	37	-27
77	1	1350	20	135	4275	9	9	0	9	5807	4050	-225	-4500	-6	-111
78	1	900	20	60	2850	3	3	0	9	3845	4500	1650	-1200	37	-27
79	1	3300	40	200	9500	6	6	0	36	13088	16500	7000	-2500	42	-15

80	1	1620	20	108	5130	9	9	0	9	6905	4500	-630	-5760	-14	-128
81	1	0	0	0	0	0	0	0	0	0	0	0	0		
82	1	2100	20	240	6650	3	3	0	9	9025	10500	3850	-2800	37	-27
83	1	0	0	0	0	0	0	0	0	0	0	0	0		
84	1	2700	40	180	8550	6	6	0	36	11518	13500	4950	-3600	37	-27
85	1	900	20	60	2850	3	3	0	9	3845	5100	2250	-600	44	-12
86	1	2700	20	180	8550	9	9	0	9	11477	10800	2250	-6300	21	-58
87	1	720	20	48	2280	9	9	0	9	3095	3600	1320	-960	37	-27
88	1	4500	20	300	14250	9	9	0	9	19097	25500	11250	-3000	44	-12
89	1	0	0	0	0	0	0	0	0	0	0	0	0		
90	1	1350	20	90	4275	9	9	0	9	5762	7650	3375	-900	44	-12
91	1	750	20	50	2375	3	3	0	9	3210	10500	8125	5750	77	55
92	1	1800	20	120	5700	9	9	0	9	7667	8400	2700	-3000	32	-36
93	1	4500	20	300	14250	9	9	0	9	19097	9000	-5250	-19500	-58	-217
94	1	0	0	0	0	0	0	0	0	0	0	0	0		
95	1	2700	20	180	8550	9	9	0	9	11477	12000	3450	-5100	29	-43
96	1	900	20	40	1900	3	3	0	9	2875	3000	1100	-800	37	-27
97	1	0	0	0	0	0	0	0	0	0	0	0	0		
98	1	900	20	60	2850	3	3	0	9	3845	5100	2250	-600	44	-12
<b>Surkhet</b>		<b>119685</b>	<b>1780</b>	<b>8280</b>	<b>376699</b>	<b>465</b>	<b>465</b>	<b>14900</b>	<b>1179</b>	<b>508553</b>	<b>574899</b>	<b>198200</b>	<b>-178499</b>	<b>34</b>	<b>-31</b>
								<b>0</b>							
99	2	0	0	0	0	0	0	0	0	0	0	0	0		
100	2	0	0	0	0	0	0	0	0	0	0	0	0		
101	2	0	0	0	0	0	0	0	0	0	0	0	0		
102	2	3312	49	0	8994	0	1023	0	34100	47478	19500	10506	1512	54	8
103	2	3312	51	0	8994	0	1026	0	34200	47583	16800	7806	-1188	46	-7
104	2	0	0	0	0	0	0	0	0	0	0	0	0		
105	2	5382	20	135	15600	1656	0	50000	0	22793	24750	9150	-6450	37	-26
106	2	1500	20	100	2400	256	0	30000	0	4276	4500	2100	-300	47	-7
107	2	2400	20	160	7600	256	0	30000	0	10436	5100	-2500	-10100	-49	-198
108	2	220	5	0	600	68	0	5000	0	893	1260	660	60	52	5

109	2	0	0	0	0	0	0	0	0	0	0	0	0		
110	2	3477	52	0	9441	1074	0	0	0	14044	10080	639	-8802	6	-87
111	2	828	37	0	2248	256	0	0	0	3369	4200	1952	-296	46	-7
112	2	2484	37	0	6744	768	0	0	0	10033	12600	5856	-888	46	-7
113	2	2484	37	0	6744	768	0	0	0	10033	12600	5856	-888	46	-7
114	2	0	0	0	0	0	0	0	0	0	0	0	0		
115	2	0	0	0	0	0	0	0	0	0	0	0	0		
116	2	0	0	0	0	0	0	0	0	0	0	0	0		
117	2	1656	37	0	4496	0	512	0	19200	25901	8400	3904	-592	46	-7
118	2	4884	72	0	13263	1509	0	0	0	19728	24780	11517	-1746	46	-7
119	2	4140	61	0	15144	1278	1278	0	53250	75151	21000	5856	-9288	28	-44
120	2	0	0	0	0	0	0	0	0	0	0	0	0		
121	2	0	0	0	0	0	0	0	0	0	0	0	0		
122	2	2484	37	0	6744	768	0	0	0	10033	10920	4176	-2568	38	-24
123	2	0	0	0	0	0	0	0	0	0	0	0	0		
124	2	1656	37	0	4496	0	512	0	19200	25901	8400	3904	-592	46	-7
125	2	1656	37	0	4496	0	512	0	19200	25901	8400	3904	-592	46	-7
126	2	0	0	0	0	0	0	0	0	0	0	0	0		
127	2	3646	83	0	9894	0	1128	0	93060	107811	13720	3826	-6068	28	-44
128	2	3312	74	0	8992	0	1024	0	76800	90202	18000	9008	16	50	0
129	2	552	12	0	1500	170	0	0	0	2234	2800	1300	-200	46	-7
130	2	0	0	0	0	0	0	0	0	0	0	0	0		
131	2	0	0	0	0	0	0	0	0	0	0	0	0		
132	2	276	12	0	750	85	0	0	0	1123	1400	650	-100	46	-7
133	2	0	0	0	0	0	0	0	0	0	0	0	0		
134	2	0	0	0	0	0	0	0	0	0	0	0	0		
135	2	0	0	0	0	0	0	0	0	0	0	0	0		
136	2	1908	29	0	5172	588	0	0	0	7697	7140	1968	-3204	28	-45
137	2	1380	31	0	3748	426	0	0	0	5585	6300	2552	-1196	41	-19
138	2	552	12	0	1498	170	0	0	0	2232	2800	1302	-196	47	-7

139	2	2484	37	0	6744	768	0	0	0	10033	9800	3056	-3688	31	-38
140	2	1905	29	0	5169	588	0	0	0	7691	9660	4491	-678	46	-7
141	2	828	37	0	2248	256	0	24000	0	3369	4200	1952	-296	46	-7
142	2	1656	37	0	4496	512	0	0	0	6701	11200	6704	2208	60	20
143	2	2484	37	0	6744	768	0	0	0	10033	12600	5856	-888	46	-7
144	2	0	0	0	0	0	0	0	0	0	0	0	0		
145	2	0	0	0	0	0	0	0	0	0	0	0	0		
146	2	0	0	0	0	0	0	0	0	0	0	0	0		
147	2	2484	37	0	6744	768	0	0	0	10033	12600	5856	-888	46	-7
148	2	1656	37	0	4496	512	0	0	0	6701	8400	3904	-592	46	-7
149	2	1656	37	0	4496	512	0	0	0	6701	7000	2504	-1992	36	-28
150	2	0	0	0	0	0	0	0	0	0	0	0	0		
151	2	0	0	0	0	0	0	0	0	0	0	0	0		
152	2	828	37	0	2248	256	0	0	0	3369	4200	1952	-296	46	-7
153	2	0	0	0	0	0	0	0	0	0	0	0	0		
154	2	4215	64	0	11472	1308	0	0	0	17059	26740	15268	3796	57	14
155	2	2484	37	0	6744	768	0	0	0	10033	10080	3336	-3408	33	-34
156	2	0	0	0	0	0	0	0	0	0	0	0	0		
157	2	828	37	0	2248	256	0	30000	0	3369	4200	1952	-296	46	-7
158	2	0	0	0	0	0	0	0	0	0	0	0	0		
159	2	0	0	0	0	0	0	0	0	0	0	0	0		
160	2	0	0	0	0	0	0	0	0	0	0	0	0		
161	2	0	0	0	0	0	0	0	0	0	0	0	0		
162	2	552	24	0	1499	171	0	20000	0	2246	2800	1301	-198	46	-7
163	2	607	27	0	1650	187	0	42000	0	2471	5880	4230	2580	72	44
164	2	828	37	0	2248	256	0	0	0	3369	4200	1952	-296	46	-7
165	2	1656	37	0	4496	512	0	0	0	6701	9000	4504	8	50	0
166	2	828	37	0	2248	256	0	0	0	3369	4200	1952	-296	46	-7
167	2	0	0	0	0	0	0	0	0	0	0	0	0		
168	2	1766	39	0	4794	546	0	0	0	7145	8540	3746	-1048	44	-12

169	2	0	0	0	0	0	0	0	0	0	0	0	0		
170	2	1656	37	0	4496	512	0	0	0	6701	8400	3904	-592		
171	2	0	0	0	0	0	0	0	0	0	0	0	0		
172	2	0	0	0	0	0	0	0	0	0	0	0	0		
173	2	0	0	0	0	0	0	0	0	0	0	0	0		
174	2	2400	36	0	6516	741	0	29000	0	9693	13020	6504	-12	50	0
175	2	0	0	0	0	0	0	0	0	0	0	0	0		
176	2	829	38	0	2249	256	0	9000	0	3372	5100	2851	602	56	12
177	2	0	0	0	0	0	0	0	0	0	0	0	0		
178	2	2762	63	0	7494	852	0	0	0	11171	13800	6306	-1188	46	-9
179	2	4974	103	0	13490	1534	0	0	0	20101	22500	9010	-4480	40	-20
180	2	0	0	0	0	0	0	0	0	0	0	0	0		
181	2	2210	51	0	5996	684	0	0	0	8941	12000	6004	8	50	0
182	2	0	0	0	0	0	0	0	0	0	0	0	0		
183	2	3843	63	0	11244	1281	0	0	0	16431	19800	8556	-2688	43	-14
184	2	0	0	0	0	0	0	0	0	0	0	0	0		
185	2	0	0	0	0	0	0	0	0	0	0	0	0		
186	2	2733	41	0	7419	546	0	0	0	10739	12450	5031	-2388	40	-19
187	2	2484	37	0	6744	768	0	0	0	10033	10920	4176	-2568	38	-24
188	2	0	0	0	0	0	0	0	0	0	0	0	0		
189	2	0	0	0	0	0	0	0	0	0	0	0	0		
190	2	0	0	0	0	0	0	0	0	0	0	0	0		
191	2	0	0	0	0	0	0	0	0	0	0	0	0		
192	2	2760	31	0	7496	852	0	0	0	11139	10360	2864	-4632	28	-45
193	2	0	0	0	0	0	0	0	0	0	0	0	0		
194	2	2484	37	0	6744	768	0	30000	0	10033	12600	5856	-888	46	-7
195	2	3312	75	0	8990	1024	0	0	0	13401	16800	7810	-1180	46	-7
196	2	2484	37	0	6744	768	0	0	0	10033	12600	5856	-888	46	-7
197	2	0	0	0	0	0	0	0	0	0	0	0	0		
198	2	0	0	0	0	0	0	0	0	0	0	0	0		

199	2	0	0	0	0	0	0	0	0	0	0	0	0		
200	2	0	0	0	0	0	0	0	0	0	0	0	0		
201	2	2484	37	0	6744	768	0	0	0	10033	12600	5856	-888	46	-7
202	2	0	0	0	0	0	0	0	0	0	0	0	0		
203	2	1104	24	0	3000	340	0	0	0	4468	5600	2600	-400	46	-7
<b>Syangja</b>		<b>121765</b>	<b>2236</b>	<b>395</b>	<b>335708</b>	<b>30990</b>	<b>7015</b>	<b>299000</b>	<b>349010</b>	<b>847119</b>	<b>589300</b>	<b>253592</b>	<b>-82116</b>	<b>43</b>	<b>-14</b>
204	3	0	0	0	0	0	0	0	0	0	0	0	0		
205	3	400	13	20	3800	4	4	0	1	4242	4800	1000	-2800	21	-58
206	3	0	0	0	0	0	0	0	0	0	0	0	0		
207	3	480	15	20	4560	4	4	0	1	5084	5760	1200	-3360	21	-58
208	3	400	13	20	3800	4	4	0	1	4242	6400	2600	-1200	41	-19
209	3	400	13	20	3800	4	4	0	1	4242	7200	3400	-400	47	-6
210	3	500	65	17	4750	3	3	0	9	5347	6000	1250	-3500	21	-58
211	3	250	32	8	2375	2	2	0	4	2673	3000	625	-1750	21	-58
212	3	750	32	24	7125	6	6	0	4	7947	9000	1875	-5250	21	-58
213	3	0	0	0	0	0	0	0	0	0	0	0	0		
214	3	0	0	0	0	0	0	0	0	0	0	0	0		
215	3	0	0	0	0	0	0	0	0	0	0	0	0		
216	3	0	0	0	0	0	0	0	0	0	0	0	0		
217	3	0	0	0	0	0	0	0	0	0	0	0	0		
218	3	0	0	0	0	0	0	0	0	0	0	0	0		
219	3	0	0	0	0	0	0	0	0	0	0	0	0		
220	3	760	25	20	7220	4	4	0	1	8034	9120	1900	-5320	21	-58
221	3	520	17	20	4940	4	4	0	1	5506	6240	1300	-3640	21	-58
222	3	150	15	5	1425	1	1	15000	1	1598	1800	375	-1050	21	-58
223	3	40----- 0	13	20	3800	4	4	0	1	4242	4800	1000	-2800	21	-58
224	3	120	16	5	1140	1	1	12000	1	1284	1440	300	-840	21	-58
225	3	180	24	5	1757	1	1	18500	1	1969	2220	463	-1294	21	-58
226	3	1600	15	52	15200	12	12	0	9	16900	19200	4000	-11200	21	-58
227	3	384	15	20	4180	4	4	0	1	4608	5280	1100	-3080	21	-58

228	3	0	0	0	0	0	0	0	0	0	0	0	0		
229	3	200	7	20	1900	4	4	5000	1	2136	4000	2100	200	53	5
230	3	200	26	7	1900	2	2	0	4	2141	2400	500	-1400	21	-58
231	3	280	9	20	2660	4	4	7000	1	2978	5600	2940	280	53	5
232	3	0	0	0	0	0	0	0	0	0	0	0	0		
233	3	0	0	0	0	0	0	0	0	0	0	0	0		
234	3	0	0	0	0	0	0	0	0	0	0	0	0		
235	3	110	14	5	1045	1	1	0	1	1177	1320	275	-770	21	-58
236	3	0	0	0	0	0	0	0	0	0	0	0	0		
237	3	150	20	5	1425	2	2	15000	4	1608	1800	375	-1050	21	-58
238	3	400	52	13	3800	2	2	0	4	4273	4800	1000	-2800	21	-58
239	3	0	0	0	0	0	0	0	0	0	0	0	0		
240	3	400	10	20	3800	4	4	10000	1	4239	8000	4200	400	53	5
241	3	0	0	0	0	0	0	0	0	0	0	0	0		
242	3	0	0	0	0	0	0	0	0	0	0	0	0		
243	3	1600	52	52	15200	8	8	40000	4	16924	19200	4000	-11200	21	-58
244	3	1000	32	32	9500	8	8	0	4	10584	12000	2500	-7000	21	-58
245	3	600	20	20	5700	4	4	0	1	6349	7200	1500	-4200	21	-58
246	3	320	10	20	3040	4	4	0	1	3399	3840	800	-2240	21	-58
247	3	600	20	20	5700	4	4	0	1	6349	7200	1500	-4200	21	-58
248	3	0	0	0	0	0	0	0	0	0	0	0	0		
249	3	400	52	13	3800	2	2	0	4	4273	4800	1000	-2800	21	-58
250	3	150	20	5	1425	1	1	0	1	1603	1800	375	-1050	21	-58
251	3	500	65	17	4750	3	3	0	9	5347	6000	1250	-3500	21	-58
252	3	400	52	13	3800	2	2	40000	4	4273	4800	1000	-2800	21	-58
253	3	700	45	24	6650	4	4	0	4	7431	8400	1750	-4900	21	-58
254	3	1600	52	52	15200	8	8	0	4	16924	12000	-3200	-18400	-27	-153
255	3	400	53	10	3767	1	1	0	2	4234	4800	1033	-2734	22	-57
256	3	1200	40	20	11240	4	4	0	1	12509	14400	3160	-8080	22	-56
257	3	180	24	4	1686	1	1	15000	0	1896	5280	3594	1908	68	36



258	3	300	39	10	2850	2	2	0	4	3207	3600	750	-2100	21	-58
259	3	250	32	8	2375	2	2	0	4	2673	3000	625	-1750	21	-58
260	3	350	45	12	3325	2	2	0	4	3740	4200	875	-2450	21	-58
261	3	130	17	5	1235	1	1	0	1	1390	1560	325	-910	21	-58
262	3	260	8	20	2468	4	4	0	1	2765	3120	652	-1816	21	-58
263	3	320	10	20	3040	4	4	0	1	3399	3840	800	-2240	21	-58
264	3	400	13	20	3800	4	4	0	1	4242	4800	1000	-2800	21	-58
265	3	0	0	0	0	0	0	0	0	0	0	0	0		
266	3	640	20	20	6080	4	4	16000	1	6769	7680	1600	-4480	21	-58
267	3	0	0	0	0	0	0	0	0	0	0	0	0		
268	3	1600	39	52	15200	8	8	0	4	16911	19200	4000	-11200	21	-58
269	3	400	39	13	3800	2	2	40000	4	4260	4800	1000	-2800	21	-58
270	3	1400	45	48	13300	8	8	0	4	14813	16800	3500	-9800	21	-58
271	3	960	38	9120	4	4	4	0	1	10131	11520	11516	11512	100	100
272	3	480	26	28	7600	4	4	0	1	8143	9600	2000	-5600	21	-58
273	3	1120	36	40	10640	4	4	0	1	11845	13440	2800	-7840	21	-58
274	3	280	9	20	2660	4	4	0	1	2978	3360	700	-1960	21	-58
275	3	520	16	20	4940	4	4	0	1	5505	6240	1300	-3640	21	-58
276	3	0	0	0	0	0	0	0	0	0	0	0	0		
277	3	0	0	0	0	0	0	0	0	0	0	0	0		
278	3	0	0	0	0	0	0	0	0	0	0	0	0		
279	3	600	78	20	5700	3	3	0	9	6413	7200	1500	-4200	21	-58
280	3	480	26	28	7600	4	4	0	1	8143	9600	2000	-5600	21	-58
281	3	500	65	17	4750	3	3	0	9	5347	6000	1250	-3500	21	-58
282	3	0	0	0	0	0	0	0	0	0	0	0	0		
283	3	1000	32	32	9500	8	8	0	4	10584	12000	2500	-7000	21	-58
284	3	400	52	13	3800	2	2	0	4	4273	4800	1000	-2800	21	-58
285	3	0	0	0	0	0	0	0	0	0	0	0	0		
286	3	210	27	6	1995	1	1	0	1	2241	2520	525	-1470	21	-58
287	3	0	0	0	0	0	0	0	0	0	0	0	0		

288	3	0	0	0	0	0	0	0	0	0	0	0	0		
289	3	120	26	7	1900	1	1	0	1	2056	2400	500	-1400	21	-58
290	3	250	32	8	2375	2	2	0	4	2673	3000	625	-1750	21	-58
291	3	0	0	0	0	0	0	0	0	0	0	0	0		
292	3	0	0	0	0	0	0	0	0	0	0	0	0		
293	3	0	0	0	0	0	0	0	0	0	0	0	0		
294	3	400	13	20	3800	4	4	0	1	4242	4800	1000	-2800	21	-58
295	3	560	18	20	5320	4	4	0	1	5927	6720	1400	-3920	21	-58
296	3	352	15	20	3344	4	4	0	1	3740	4224	880	-2464	21	-58
297	3	400	13	20	3800	4	4	0	1	4242	4800	1000	-2800	21	-58
298	3	320	10	20	3040	4	4	0	1	3399	3840	800	-2240	21	-58
299	3	400	13	20	3800	4	4	0	1	4242	4800	1000	-2800	21	-58
300	3	0	0	0	0	0	0	0	0	0	0	0	0		
301	3	0	0	0	0	0	0	0	0	0	0	0	0		
302	3	0	0	0	0	0	0	0	0	0	0	0	0		
303	3	0	0	0	0	0	0	0	0	0	0	0	0		
304	3	280	9	20	2660	4	4	0	1	2978	3360	700	-1960	21	-58
305	3	100	13	5	950	1	1	0	1	1071	1200	250	-700	21	-58
306	3	480	26	28	7600	4	4	0	1	8143	9600	2000	-5600	21	-58
307	3	260	8	20	2468	4	4	0	1	2765	3120	652	-1816	21	-58
308	3	520	17	20	4940	4	4	0	1	5506	6240	1300	-3640	21	-58
309	3	400	13	20	3800	4	4	0	1	4242	4800	1000	-2800	21	-58
310	3	0	0	0	0	0	0	0	0	0	0	0	0		
311	3	320	10	20	3040	4	4	8000	1	3399	3840	800	-2240	21	-58
312	3	1000	65	32	9500	6	6	0	9	10618	12000	2500	-7000	21	-58
313	3	250	32	8	2375	2	2	0	4	2673	3000	625	-1750	21	-58
314	3	100	13	5	950	1	1	0	1	1071	1200	250	-700	21	-58
315	3	120	26	7	1900	1	1	13000	1	2056	2400	500	-1400	21	-58
316	3	0	0	0	0	0	0	0	0	0	0	0	0		
317	3	1200	39	40	11400	8	8	0	4	12699	14400	3000	-8400	21	-58

318	3	120	26	7	1900	1	1	0	1	2056	2400	500	-1400	21	-58
319	3	0	0	0	0	0	0	0	0	0	0	0	0		
320	3	1600	52	52	15200	8	8	0	4	16924	19200	4000	-11200	21	-58
321	3	0	0	0	0	0	0	0	0	0	0	0	0		
322	3	0	0	0	0	0	0	0	0	0	0	0	0		
323	3	0	0	0	0	0	0	0	0	0	0	0	0		
324	3	1000	32	32	9500	8	8	0	4	10584	12000	2500	-7000	21	-58
325	3	0	0	0	0	0	0	0	0	0	0	0	0		
326	3	0	0	0	0	0	0	0	0	0	0	0	0		
327	3	0	0	0	0	0	0	0	0	0	0	0	0		
328	3	0	0	0	0	0	0	0	0	0	0	0	0		
329	3	0	0	0	0	0	0	0	0	0	0	0	0		
330	3	0	0	0	0	0	0	0	0	0	0	0	0		
331	3	0	0	0	0	0	0	0	0	0	0	0	0		
332	3	0	0	0	0	0	0	0	0	0	0	0	0		
333	3	250	32	8	2375	2	2	0	4	2673	3000	625	-1750	21	-58
334	3	0	0	0	0	0	0	0	0	0	0	0	0		
335	3	320	10	20	3040	4	4	8000	1	3399	6400	3360	320	53	5
336	3	400	52	13	3800	2	2	40000	4	4273	4800	1000	-2800	21	-58
337	3	0	0	0	0	0	0	0	0	0	0	0	0		
338	3	150	19	5	1425	1	1	0	1	1602	1800	375	-1050	21	-58
339	3	1000	32	32	9500	8	8	25000	4	10584	20000	10500	1000	53	5
340	3	480	26	28	7600	4	4	20000	1	8143	16000	8400	800	53	5
341	3	480	26	28	7600	4	4	20000	1	8143	16000	8400	800	53	5
342	3	1600	52	52	15200	8	8	0	4	16924	19200	4000	-11200	21	-58
343	3	0	0	0	0	0	0	0	0	0	0	0	0		
344	3	600	19	20	5700	4	4	0	1	6348	7200	1500	-4200	21	-58
345	3	1600	52	52	15200	8	8	0	4	16924	19200	4000	-11200	21	-58
346	3	400	52	13	3800	2	2	0	4	4273	4800	1000	-2800	21	-58
347	3	1600	52	52	15200	8	8	0	4	16924	19200	4000	-11200	21	-58

348	3	400	52	13	3800	2	2	0	4	4273	4800	1000	-2800	21	-58
349	3	350	45	12	3325	2	2	0	4	3740	4200	875	-2450	21	-58
350	3	470	61	16	4465	3	3	0	9	5027	5640	1175	-3290	21	-58
351	3	920	29	32	8740	4	4	0	1	9730	7080	-1660	-10400	-23	-147
352	3	480	26	28	7600	4	4	0	1	8143	9600	2000	-5600	21	-58
<b>Dhadhin g</b>		<b>53336</b>	<b>2868</b>	<b>11115</b>	<b>518454</b>	<b>370</b>	<b>370</b>	<b>36750 0</b>	<b>253</b>	<b>586766</b>	<b>693044</b>	<b>174590</b>	<b>-343864</b>	<b>25</b>	<b>-50</b>
353	4	1828	63	0	11400	0	0	0	0	13291	11412	12	-11388	0	-100
354	4	150	10	5	1425	0	0	0	0	1590	1800	375	-1050	21	-58
355	4	800	10	40	7600	0	0	0	0	8450	8160	560	-7040	7	-86
356	4	1908	25	60	11400	0	0	0	0	13393	14400	3000	-8400	21	-58
357	4	0	0	0	0	0	0	0	0	0	0	0	0		
358	4	1220	50	0	4000	0	0	0	0	5270	9600	5600	1600	58	17
359	4	100	13	0	950	0	0	0	0	1063	1200	250	-700	21	-58
360	4	916	70	40	5700	0	0	0	0	6726	6000	300	-5400	5	-90
361	4	0	0	0	0	0	0	0	0	0	0	0	0		
362	4	0	0	0	0	0	0	0	0	0	0	0	0		
363	4	0	0	0	0	0	0	0	0	0	0	0	0		
364	4	0	0	0	0	0	0	0	0	0	0	0	0		
365	4	0	0	0	0	0	0	0	0	0	0	0	0		
366	4	1000	50	50	9500	0	0	0	0	10600	12000	2500	-7000	21	-58
367	4	440	28	0	4180	0	0	0	0	4648	4800	620	-3560	13	-74
368	4	160	13	0	3800	0	0	0	0	3973	4800	1000	-2800	21	-58
369	4	0	0	0	0	0	0	0	0	0	0	0	0		
370	4	0	0	0	0	0	0	0	0	0	0	0	0		
371	4	0	0	0	0	0	0	0	0	0	0	0	0		
372	4	0	0	0	0	0	0	0	0	0	0	0	0		
373	4	458	70	0	2850	0	0	0	0	3378	3300	450	-2400	14	-73
374	4	1210	65	0	9500	0	0	0	0	10775	12000	2500	-7000	21	-58
375	4	0	0	0	0	0	0	0	0	0	0	0	0		
376	4	450	17	0	4275	0	0	0	0	4742	5400	1125	-3150	21	-58

377	4	0	0	0	0	0	0	0	0	0	0	0	0		
378	4	150	15	10	1425	0	0	0	0	1600	1650	225	-1200	14	-73
379	4	229	25	15	1900	0	0	0	0	2169	2200	300	-1600	14	-73
380	4	137	12	3	855	0	0	0	0	1007	990	135	-720	14	-73
381	4	300	30	20	2850	0	0	0	0	3200	3600	750	-2100	21	-58
382	4	25	2850	0	3200	0	0	0	0	6075	3300	100	-3100	3	-94
383	4	600	30	40	5700	0	0	0	0	6370	7200	1500	-4200	21	-58
384	4	0	0	0	0	0	0	0	0	0	0	0	0		
385	4	0	0	0	0	0	0	0	0	0	0	0	0		
386	4	916	50	40	5700	0	0	0	0	6706	9600	3900	-1800	41	-19
387	4	400	20	20	3800	0	0	0	0	4240	4800	1000	-2800	21	-58
388	4	1526	60	24	6000	0	0	0	0	7610	12000	6000	0	50	0
389	4	916	40	20	5700	0	0	0	0	6676	7200	1500	-4200	21	-58
390	4	0	0	0	0	0	0	0	0	0	0	0	0		
391	4	100	25	5	950	0	0	0	0	1080	1100	150	-800	14	-73
392	4	600	70	40	5700	0	0	0	0	6410	7200	1500	-4200	21	-58
393	4	600	70	40	4900	0	0	0	0	5610	7200	2300	-2600	32	-36
394	4	100	10	5	950	0	0	0	0	1065	1200	250	-700	21	-58
395	4	900	30	60	8550	0	0	0	0	9540	14400	5850	-2700	41	-19
396	4	0	0	0	0	0	0	0	0	0	0	0	0		
397	4	915	35	30	5700	0	0	0	0	6680	7200	1500	-4200	21	-58
398	4	600	30	40	5700	0	0	0	0	6370	7200	1500	-4200	21	-58
399	4	600	30	40	5700	0	0	0	0	6370	9600	3900	-1800	41	-19
400	4	600	30	40	5700	0	0	0	0	6370	7200	1500	-4200	21	-58
401	4	400	10	20	3800	0	0	0	0	4230	4800	1000	-2800	21	-58
402	4	0	0	0	0	0	0	0	0	0	0	0	0		
403	4	0	0	0	0	0	0	0	0	0	0	0	0		
404	4	620	15	20	2400	0	0	0	0	3055	4800	2400	0	50	0
405	4	0	0	0	0	0	0	0	0	0	0	0	0		
406	4	960	35	30	5985	0	0	0	0	7010	7200	1215	-4770	17	-66

407	4	672	35	20	4180	0	0	0	0	4907	5280	1100	-3080	21	-58
408	4	960	35	30	5985	0	0	0	0	7010	9600	3615	-2370	38	-25
409	4	200	20	10	1900	0	0	0	0	2130	2200	300	-1600	14	-73
410	4	229	25	15	1900	0	0	0	0	2169	2400	500	-1400	21	-58
411	4	0	0	0	0	0	0	0	0	0	0	0	0		
412	4	305	30	10	1900	0	0	0	0	2245	2400	500	-1400	21	-58
413	4	305	30	10	1900	0	0	0	0	2245	2400	500	-1400	21	-58
414	4	1066	52	30	6650	0	0	0	0	7798	8400	1750	-4900	21	-58
415	4	458	70	0	2850	0	0	0	0	3378	3600	750	-2100	21	-58
416	4	535	80	0	3325	0	0	0	0	3940	4200	875	-2450	21	-58
417	4	500	44	20	4750	0	0	0	0	5314	6000	1250	-3500	21	-58
418	4	0	0	0	0	0	0	0	0	0	0	0	0		
419	4	549	30	15	3420	0	0	0	0	4014	5760	2340	-1080	41	-19
420	4	600	50	60	5700	0	0	0	0	6410	7200	1500	-4200	21	-58
421	4	0	0	0	0	0	0	0	0	0	0	0	0		
422	4	0	0	0	0	0	0	0	0	0	0	0	0		
423	4	0	0	0	0	0	0	0	0	0	0	0	0		
424	4	0	0	0	0	0	0	0	0	0	0	0	0		
425	4	0	0	0	0	0	0	0	0	0	0	0	0		
426	4	0	0	0	0	0	0	0	0	0	0	0	0		
427	4	0	0	0	0	0	0	0	0	0	0	0	0		
428	4	0	0	0	0	0	0	0	0	0	0	0	0		
429	4	305	25	15	1900	0	0	0	0	2245	2400	500	-1400	21	-58
430	4	305	30	0	1900	0	0	0	0	2235	2400	500	-1400	21	-58
431	4	100	13	0	950	0	0	0	0	1063	1100	150	-800	14	-73
432	4	0	0	0	0	0	0	0	0	0	0	0	0		
433	4	0	0	0	0	0	0	0	0	0	0	0	0		
434	4	0	0	0	0	0	0	0	0	0	0	0	0		
435	4	610	30	30	3800	0	0	0	0	4470	6400	2600	-1200	41	-19
436	4	915	30	45	5700	0	0	0	0	6690	9600	3900	-1800	41	-19

437	4	0	0	0	0	0	0	0	0	0	0	0	0		
438	4	900	50	60	8550	0	0	0	0	9560	14400	5850	-2700	41	-19
439	4	280	30	0	2660	0	0	0	0	2970	4800	2140	-520	45	-11
440	4	732	20	15	4560	0	0	0	0	5327	7680	3120	-1440	41	-19
441	4	0	0	0	0	0	0	0	0	0	0	0	0		
442	4	458	30	10	2850	0	0	0	0	3348	7200	4350	1500	60	21
443	4	229	30	5	1425	0	0	0	0	1689	1800	375	-1050	21	-58
444	4	0	0	0	0	0	0	0	0	0	0	0	0		
445	4	1220	30	40	7600	0	0	0	0	8890	12800	5200	-2400	41	-19
446	4	0	0	0	0	0	0	0	0	0	0	0	0		
447	4	600	25	60	5700	0	0	0	0	6385	9600	3900	-1800	41	-19
448	4	600	20	40	5700	0	0	0	0	6360	9600	3900	-1800	41	-19
449	4	0	0	0	0	0	0	0	0	0	0	0	0		
450	4	336	37	20	2090	0	0	0	0	2483	2640	550	-1540	21	-58
451	4	1620	45	60	11400	0	0	0	0	13125	15840	4440	-6960	28	-44
452	4	1220	35	40	7600	0	0	0	0	8895	9020	1420	-6180	16	-69
453	4	458	30	10	2850	0	0	0	0	3348	3000	150	-2700	5	-90
454	4	610	35	20	3800	0	0	0	0	4465	3600	-200	-4000	-6	-111
455	4	300	35	12	2850	0	0	0	0	3197	3360	510	-2340	15	-70
456	4	916	70	40	5100	0	0	0	0	6126	5160	60	-5040	1	-98
457	4	458	40	20	2850	0	0	0	0	3368	3600	750	-2100	21	-58
458	4	0	0	0	0	0	0	0	0	0	0	0	0		
459	4	200	10	10	1200	0	0	0	0	1420	2400	1200	0	50	0
460	4	229	30	5	1425	0	0	0	0	1689	1800	375	-1050	21	-58
461	4	1525	130	100	6000	0	0	0	0	7755	11000	5000	-1000	45	-9
462	4	700	11	46	4750	0	0	0	0	5507	6000	1250	-3500	21	-58
463	4	400	50	20	3800	0	0	0	0	4270	4800	1000	-2800	21	-58
464	4	0	0	0	0	0	0	0	0	0	0	0	0		
465	4	1525	85	45	6000	0	0	0	0	7655	5060	-940	-6940	-19	-137
466	4	0	0	0	0	0	0	0	0	0	0	0	0		

467	4	610	35	20	3800	0	0	0	0	4465	4800	1000	-2800	21	-58
<b>Doti</b>		<b>47574</b>	<b>5548</b>	<b>1765</b>	<b>333015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>387902</b>	<b>457812</b>	<b>124797</b>	<b>-208218</b>	<b>27</b>	<b>-45</b>
468	5	0	0	0	0	0	0	0	0	0	0	0	0		
469	5	609	10	0	4900	0	0	0	0	5519	5880	980	-3920		
470	5	0	0	0	0	0	0	0	0	0	0	0	0		
471	5	3059	35	0	24500	0	0	0	0	27594	29400	4900	-19600	17	-67
472	5	100	5	0	800	0	0	0	0	905	1120	320	-480		
473	5	0	0	0	0	0	0	0	0	0	0	0	0		
474	5	3150	15	0	29505	0	0	0	0	32670	37800	8295	-21210	22	-56
475	5	1100	22	0	8800	0	0	0	0	9922	12320	3520	-5280	29	-43
476	5	250	20	0	2000	0	0	0	0	2270	2800	800	-1200	29	-43
477	5	937	75	0	7500	0	0	0	0	8512	10500	3000	-4500	29	-43
478	5	2800	70	0	28000	0	0	0	0	30870	39200	11200	-16800	29	-43
479	5	0	0	0	0	0	0	0	0	0	0	0	0		
480	5	1750	20	0	14000	0	0	0	0	15770	16080	2080	-11920	13	-74
481	5	0	0	0	0	0	0	0	0	0	0	0	0		
482	5	1050	10	0	8400	0	0	0	0	9460	10080	1680	-6720	17	-67
483	5	1120	20	0	8000	0	0	0	0	9140	9100	1100	-6900	12	-76
484	5	1500	30	0	12000	0	0	0	0	13530	6800	-5200	-17200	-76	-253
485	5	187	15	0	1500	0	0	0	0	1702	2100	600	-900	29	-43
486	5	168	5	0	1200	0	0	0	0	1373	1176	-24	-1224	-2	-104
487	5	0	0	0	0	0	0	0	0	0	0	0	0		
488	5	2625	30	0	21000	0	0	0	0	23655	16800	-4200	-25200	-25	-150
489	5	0	0	0	0	0	0	0	0	0	0	0	0		
490	5	0	0	0	0	0	0	0	0	0	0	0	0		
491	5	0	0	0	0	0	0	0	0	0	0	0	0		
492	5	187	15	0	1500	0	0	0	0	1702	2100	600	-900	29	-43
493	5	0	0	0	0	0	0	0	0	0	0	0	0		
494	5	750	60	0	6000	0	0	0	0	6810	8400	2400	-3600	29	-43
495	5	0	0	0	0	0	0	0	0	0	0	0	0		



496	5	2000	80	0	16000	0	0	0	0	18080	22400	6400	-9600	29	-43
497	5	625	50	0	5000	0	0	0	0	5675	7000	2000	-3000	29	-43
498	5	1087	87	0	8700	0	0	0	0	9874	12180	3480	-5220	29	-43
499	5	0	0	0	0	0	0	0	0	0	0	0	0		
500	5	0	0	0	0	0	0	0	0	0	0	0	0		
501	5	2625	15	0	21000	0	0	0	0	23640	25200	4200	-16800	17	-67
502	5	2625	30	0	21000	0	0	0	0	23655	25200	4200	-16800	17	-67
503	5	0	0	0	0	0	0	0	0	0	0	0	0		
504	5	375	30	0	3000	0	0	0	0	3405	4200	1200	-1800	29	-43
505	5	750	60	0	6000	0	0	0	0	6810	8400	2400	-3600	29	-43
506	5	3934	15	0	31500	0	0	0	0	35449	37800	6300	-25200	17	-67
507	5	3059	14	0	24500	0	0	0	0	27573	29400	4900	-19600	17	-67
508	5	25	5	0	200	0	0	0	0	230	2800	2600	2400	93	86
509	5	187	15	0	1500	0	0	0	0	1702	2100	600	-900	29	-43
510	5	0	0	0	0	0	0	0	0	0	0	0	0		
511	5	0	0	0	0	0	0	0	0	0	0	0	0		
512	5	0	0	0	0	0	0	0	0	0	0	0	0		
513	5	1750	20	0	14000	0	0	0	0	15770	16800	2800	-11200	17	-67
514	5	0	0	0	0	0	0	0	0	0	0	0	0		
515	5	375	30	0	3000	0	0	0	0	3405	4200	1200	-1800	29	-43
516	5	362	25	0	3900	0	0	0	0	4287	4680	780	-3120	17	-67
517	5	187	15	0	1500	0	0	0	0	1702	2100	600	-900	29	-43
518	5	375	30	0	3000	0	0	0	0	3405	4200	1200	-1800	29	-43
519	5	748	15	0	6000	0	0	0	0	6763	8400	2400	-3600	29	-43
520	5	800	20	0	8000	0	0	0	0	8820	11200	3200	-4800	29	-43
521	5	87	10	0	700	0	0	0	0	797	980	280	-420	29	-43
522	5	1659	19	0	13300	0	0	0	0	14978	15960	2660	-10640	17	-67
523	5	748	15	0	6000	0	0	0	0	6763	8400	2400	-3600	29	-43
524	5	0	0	0	0	0	0	0	0	0	0	0	0		
525	5	186	5	0	1500	0	0	0	0	1691	2100	600	-900	29	-43

526	5	500	10	0	4000	0	0	0	0	4510	4340	340	-3660	8	-84
527	5	7434	85	0	59500	0	0	0	0	67019	71400	11900	-47600	17	-67
528	5	1000	80	0	8000	0	0	0	0	9080	11200	3200	-4800	29	-43
529	5	148	5	0	1200	0	0	0	0	1353	1680	480	-720	29	-43
530	5	4375	50	0	35000	0	0	0	0	39425	42000	7000	-28000	17	-67
531	5	5250	24	0	42000	0	0	0	0	47274	50400	8400	-33600	17	-67
532	5	125	5	0	1100	0	0	0	0	1230	1540	440	-660	29	-43
533	5	250	20	0	2000	0	0	0	0	2270	280	-1720	-3720	-614	-1329
534	5	600	12	0	4800	0	0	0	0	5412	6720	1920	-2880	29	-43
535	5	0	0	0	0	0	0	0	0	0	0	0	0		
536	5	0	0	0	0	0	0	0	0	0	0	0	0		
537	5	609	10	0	4900	0	0	0	0	5519	5880	980	-3920	17	-67
538	5	0	0	0	0	0	0	0	0	0	0	0	0		
539	5	312	25	0	2500	0	0	0	0	2837	3500	1000	-1500	29	-43
540	5	4809	55	0	38500	0	0	0	0	43364	46200	7700	-30800	17	-67
541	5	375	30	0	3000	0	0	0	0	3405	4200	1200	-1800	29	-43
542	5	562	45	0	4500	0	0	0	0	5107	6300	1800	-2700	29	-43
543	5	1250	100	0	10000	0	0	0	0	11350	14000	4000	-6000	29	-43
544	5	3059	35	0	24500	0	0	0	0	27594	29400	4900	-19600	17	-67
545	5	0	0	0	0	0	0	0	0	0	0	0	0		
546	5	0	0	0	0	0	0	0	0	0	0	0	0		
547	5	0	0	0	0	0	0	0	0	0	0	0	0		
548	5	2248	45	0	18000	0	0	0	0	20293	25200	7200	-10800	29	-43
549	5	0	0	0	0	0	0	0	0	0	0	0	0		
550	5	0	0	0	0	0	0	0	0	0	0	0	0		
551	5	0	0	0	0	0	0	0	0	0	0	0	0		
552	5	600	20	0	6000	0	0	0	0	6620	8400	2400	-3600	29	-43
553	5	0	0	0	0	0	0	0	0	0	0	0	0		
554	5	748	15	0	6000	0	0	0	0	6763	8400	2400	-3600	29	-43
555	5	4375	50	0	35000	0	0	0	0	39425	49000	14000	-21000	29	-43

<b>Ilam</b>	<b>84540</b>	<b>1783</b>	<b>0</b>	<b>689405</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>775728</b>	<b>857396</b>	<b>167991</b>	<b>-521414</b>	<b>20</b>	<b>-61</b>
<b>G. Total</b>	<b>426900</b>	<b>14215</b>	<b>21555</b>	<b>2253281</b>	<b>31825</b>	<b>7850</b>	<b>81550</b>	<b>350442</b>	<b>3106068</b>	<b>3172451</b>	<b>919170</b>	<b>-</b> <b>133411</b> <b>1</b>	<b>29</b>	<b>-42</b>

<b>Note:</b>	
<b>Gross Profit Margin=</b>	<b>Gross Profit/Net Sales*100</b>
<b>Net Profit</b>	<b>Net Income/Net Sales*100</b>
<b>Margin=</b>	

## II. Some Major Ratios

Sn.	Particulars	Calculations	Districts						
			Surkhet	Shyanja	Dhading	Doti	Ilam	Total	Std. Norm
1	Interest Income Rate	Int.Income./Outstanding*100	43%	35%	50%	30%	48%	<b>41%</b>	>12%
2	Gross Profit margin	<b>Gross Profit/Net Sales*100</b>	51%	-38%	37%	88%	90%	<b>47%</b>	
3	Net Profit Margin	Net Income/Net Sales*100	-14%	-94%	-38%	14%	10%	<b>-24%</b>	
4	Interest Coverage	Interest Income/Interest Cost	1.53	1.76	1.34	1.36	1.24	<b>1.41</b>	
5	Operating Self Sufficiency	Total Income/(Adm.exp+Int+pro)*100	0.87	0.51	1.89	1.17	18.06	<b>1.22</b>	>1.5
6	Operating Self Sufficiency(less pro)	Total Income/(Adm.exp+Int)*100	1.13	0.70	-	1.17	18.06	<b>1.77</b>	
7	Overdue amount over Loan	Overdue/Loan*100	5%	10%	19%	63%	24%	<b>22%</b>	
8	Overdue amount over Outstanding	Overdue/Outstanding*100	11%	12%	31%	76%	26%	<b>31%</b>	
9	Average Loan Size	Loan amount/No of loan	28219	18867	15197	16200	21582	<b>19411</b>	
10	Outstanding over Loan amount		48%	85%	61%	82%	93%	<b>71%</b>	
11	Break-Even-Point	Fixed Cost/(Income-variable cost)*100	23%	28%	29%	23%	45%	<b>29%</b>	
12	Break-Even in Rs.	Interest income/BEP Percentage	1032149	868081	1184667	700302	1399972	<b>5185205</b>	
13	Income Expenditure Ratio	Interest Income/Total Expenditure	1.30	1.14	1.15	1.22	1.12	<b>1.19</b>	
14	Profit over Income percentage	Profit /Income	23%	12%	13%	18%	11%	<b>16%</b>	
15	Annual Operating Cost over Fixed Asset	AOC/FA	2.80	1.37	1.95	1.53	3.06	2.04	

### III. Overall Income and Expenditure of SFCLs

Office	District	Staff Salary	Stationary	Rent	Interest Cost	Meeting allowance	Monitoring Supervision	Miscellaneous Cost	Total Expenditure	Total Interest Income	Interest Income Rate	Provision
1	Surkhet	119685	1780	8280	376699	465	465	1179	657553	574899	43%	149000
2	Syangja	121765	2236	395	335708	30990	7015	349010	1146119	589300	35%	299000
3	Dhadhing	53336	2868	11115	518454	370	370	253	367500	693044	50%	367500
4	Doti	47574	5548	1765	333015	0	0	0	387902	453012	30%	0
5	Ilam	84540	1783	0	689405	0	0	0	47478	857396	48%	0
Total		426900	14215	21555	2253281	31825	7850	350442	2606552	3167651	41%	815500

>12%

contd.

Gross Profit	Net Profit/ Loss	Gross Profit Margin	Net Profit Margin	Interest Coverage Ratio	Operating Self Sufficiency Ratio(OSSR)	OSSR less Provision
294045	-82654	51%	-14%	1.53	0.87	1.13
-221111	-556819	-38%	-94%	1.76	0.51	0.70
257232	-261222	37%	-38%	1.34	1.89	
398125	65110	88%	14%	1.36	1.17	1.17
771073	81668	90%	10%	1.24	18.06	18.06
1499364	-753917	47%	-24%	1.41	1.22	1.77

#### IV. Loan Related Ratios

District	Code	Loan amount	Repay amt	Outstand	Delinquency amount	Deli/loan	Average Loan Size	Outanding Loan
Surkhet	1	2765500	1442642	1322858	149000	5%	28219	48%
Shangja	2	1981000	297000	1684000	201000	10%	18867	85%
Dhadhing	3	2264300	885000	1379300	430500	19%	15197	61%
Doti	4	1863000	328300	1534700	1166700	63%	16200	82%
Ilam	5	1899200	128400	1770800	461000	24%	21582	93%
<b>Total</b>		<b>10773000</b>	<b>3081342</b>	<b>7691658</b>	<b>2408200</b>	<b>22%</b>	<b>19411</b>	<b>71%</b>

#### V. Loan Project Cost

Sn.	Off. Code	Fixed Assets (FA) Investment	Fixed Cost	Variable Cost	Total Expenditure	Income (Inc)	Profit (Pro)	Break Even Point (BEP) %	BEP in Income	Inc/ Exp	Pro./ Inc.	Annual Operating Cost/ Fixed Assets
Surkhet	1	928908	575399	2027492	3537876	4581659	1043783	23%	1032149	1.30	23%	2.80
Saynja	2	1160100	591400	998196	2749696	3131819	382123	28%	868081	1.14	12%	1.37
Dhadhing	3	1209923	709040	1645093	3564056	4097510	533454	29%	1184667	1.15	13%	1.95
Doti	4	966100	462760	1011200	2440060	2981135	541075	23%	700302	1.22	18%	1.53
Ilam	5	678020	841676	1236230	2755926	3099946	344020	45%	1399972	1.12	11%	3.06
<b>Total</b>		<b>4943051</b>	<b>3180275</b>	<b>6918211</b>	<b>15047614</b>	<b>17892069</b>	<b>2844455</b>	<b>29%</b>	<b>5185205</b>	<b>1.19</b>	<b>16%</b>	<b>2.04</b>



## **ANNEX: B**

### **STATISTICAL ANALYSIS**

#### **(a) Multiple Regressions**

Multiple regression analysis was carried out to see the functional relationship between the selected variables.

**Null Hypothesis:** There is no significant relationship between dependent variable (Y) and  $j^{\text{th}}$  independent variables ( $x_j$ ). ( $\beta_j = 0$ , for all  $j$ )

**Alternative Hypothesis:** There is a significant relationship between dependent variable (Y) and  $j^{\text{th}}$  independent variables. (At least one  $\beta_j \neq 0$ )

#### **Savings (Y) and Other Variables ( $X_i$ )**

The coefficient of determination (R-Square) = 0.558 indicates that 56 percent of the variation in the dependent variable is explained by regression plane.

The following regression is for the dependent variable amount of saving, and the independent variables are duration of loan, interest rate, annual saving and income from the project.

$$Y = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4$$

$$\text{Saving} = -12.177 - 1.556 (\text{Duration of loan}) + 1.964 (\text{Interest Rate}) + 0.005 (\text{Annual Saving}) + 0.00001 (\text{Income from project})$$

All the independent variables except income from the project are found to be very significant.



### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747 <sup>a</sup>	.558	.553	10.69306

a. Predictors: (Constant), Income from the project, Duration of loan borrowing, Interest Rate of Loan, Total Amount of Saving per Year

### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	50994.141	4	12748.535	111.495	.000 <sup>a</sup>
	Residual	40362.562	353	114.342		
	Total	91356.704	357			

a. Predictors: (Constant), Income from the project, Duration of loan borrowing, Interest Rate of Loan, Total Amount of Saving per Year

b. Dependent Variable: Amount (Rs) of Saving

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-12.117	4.271		-2.837	.005
Duration of loan borrowing	-1.556	.420	-.133	-3.705	.000
Interest Rate of Loan	1.964	.319	.231	6.157	.000
Total Amount of Saving per Year	.005	.000	.612	15.977	.000
Income from the project	1.991E-05	.000	.038	1.026	.306

a. Dependent Variable: Amount (Rs) of Saving

**(b) Zero Order Correlation Matrix between the Selected Variables**

Null Hypothesis,  $H_0 : \dots = 0$  (There is no significant correlation)

Alternative Hypothesis,  $H_1 : \dots \neq 0$  (There is a significant correlation)

**Correlations**

		Loan Amount	Repayment Amount	Outstanding Amount	Deliquent Amount
Loan Amount	Pearson Correlation	1.000	.695**	.850**	.818**
	Sig. (2-tailed)	.	.000	.000	.000
	N	361	149	301	106
Repayment Amount	Pearson Correlation	.695**	1.000	.128	.332
	Sig. (2-tailed)	.000	.	.230	.165
	N	149	149	89	19
Outstanding Amount	Pearson Correlation	.850**	.128	1.000	.865**
	Sig. (2-tailed)	.000	.230	.	.000
	N	301	89	301	106
Deliquent Amount	Pearson Correlation	.818**	.332	.865**	1.000
	Sig. (2-tailed)	.000	.165	.000	.
	N	106	19	106	106

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**(c) Income from Projects (Y) and other Variables (X<sub>i</sub>)**

, and the independent variables are literate male, literate female, land holding, land ownership and loan borrowing from small farmers' cooperative limited

Income from the Project = 69472 + 4849 (Literate male) – 2288 (Literate female) + 526 (Land holding) - 8774(Land ownership) – 13058 (Loan borrowing from Small Farmers' Cooperative Limited)

The independent variables literate male and land holding are found to be significant variables.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.171 <sup>a</sup>	.029	.016	30143.36510

a. Predictors: (Constant), Loan Borrowing from SFCL, Land Ownership, Literate Female, Land Holding in Ropani, Literate Male

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.76E+09	5	1952745852	2.149	.059 <sup>a</sup>
	Residual	3.23E+11	355	908622459.3		
	Total	3.32E+11	360			

a. Predictors: (Constant), Loan Borrowing from SFCL, Land Ownership, Literate Female, Land Holding in Ropani, Literate Male

b. Dependent Variable: Income from the project

#### **(d) Net Profit after Provisioning (Y) and Other Variables (X<sub>i</sub>)**

The coefficient of determination (R Square) = 71% indicates 71 percent variation in dependent variable is explained by regression plane.

The following regression is for the dependent variable net profit after provisioning, and the independent variables are total income, staff salary, interest rate, interest cost, cost on meeting allowance, miscellaneous cost, total saving per year, repayment amount and outstanding.

Net profit after provisioning = 4676 + 0.450 (Total income) +2.274 (Staff salary) – 221 (Interest rate)- 0.644 (Interest cost) -9.05 (Cost on meeting allowance)-1.0 (Miscellaneous cost)- 1.785(Total saving per year)+0.006 (Repayment amount) -0.016 (Outstanding)

The independent variables cost on meeting allowance, miscellaneous cost, total saving per year, interest rate of loan, and financial cost of saving are found to be significant variables.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.841 <sup>a</sup>	.707	.673	7722.0766

a. Predictors: (Constant), OUTSTAND Outstanding Amount, INTRATE Interest Rate of Loan, MISCOST Miscellaneous Cost, MEETALO Cost on Meeting Allowance, REPAMT Repayment Amount, GRSVAMT Total Amount of Saving per Year, INTCOST Interest cost (Fund cost), TOTINC Total Income from Project, STAFSAL Staff Salary

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.13E+10	9	1260081180	21.131	.000 <sup>a</sup>
	Residual	4.71E+09	79	59630466.67		
	Total	1.61E+10	88			

a. Predictors: (Constant), OUTSTAND Outstanding Amount, INTRATE Interest Rate of Loan, MISCOST Miscellaneous Cost, MEETALO Cost on Meeting Allowance, REPAMT Repayment Amount, GRSVAMT Total Amount of Saving per Year, INTCOST Interest cost (Fund cost), TOTINC Total Income from Project, STAFSAL Staff Salary

b. Dependent Variable: ACTUPROF net profit after proviosioning

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4676.494	10686.803		.438	.663
	TOTINC Total Income from Project	.450	.422	.179	1.067	.289
	STAFSAL Staff Salary	2.274	1.937	.204	1.174	.244
	INTRATE Interest Rate of Loan	-221.421	756.040	-.023	-.293	.770
	INTCOST Interest cost (Fund cost)	-.644	.596	-.168	-1.081	.283
	MEETALO Cost on Meeting Allowance	-9.055	3.622	-.254	-2.500	.014
	MISCOST Miscellaneous Cost	-1.009	.086	-.823	-11.687	.000
	GRSAVAMT Total Amount of Saving per Year	-1.785	.428	-.307	-4.170	.000
	REPAMT Repayment Amount	6.023E-03	.066	.006	.091	.928
	OUTSTAND Outstanding Amount	-1.63E-02	.074	-.020	-.219	.827

a. Dependent Variable: ACTUPROF net profit after provisioning

**(e) Analysis of Variance on Net Profit after Provisioning of SFCLs**

Analysis of variance was carried out to test whether there is significant difference in mean of net profit after provisioning among the five Small Farmers' Cooperative Limited such as Shreeantu Illam of Eastern development Region, Kumpur Dhading of Central Development Region, Fedikhola, Syagja of Western Development Region, Uttarganga Surkhet of Mid- western development Region and Kalena Doti of Far-western Development Region of Nepal.

Null Hypothesis,  $H_0 : \mu_1 = \mu_2 = \mu_3 = \dots = \mu_c$  (no differences in  $c=5$  population means)

Alternative Hypothesis,  $H_1 : \text{Not all } \mu_j (j = 1, 2, \dots, c) \text{ are equal}$

**ANOVA F – Test Statistics**  $F = \frac{MSA}{MSW}$

The result shows that there is significant difference among them. The multiple comparison gives the exact pair of Small Farmers' Cooperative Limited, which have significant difference as denoted by asterisk (\*) sign.

#### ANOVA

ACTUPROF net profit after proviosioning

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.95E+09	4	1237536568	11.909	.000
Within Groups	3.70E+10	356	103915973.2		
Total	4.19E+10	360			



### Multiple Comparisons

Dependent Variable: ACTUPROF net profit after provisioning  
Tukey HSD

(I) SFCL Location of SFCL	(J) SFCL Location of SFCL	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1.00 Uttarganga, Surkhet	2.00 Fedikhola, Syangja	8810.9499*	1810.8420	.000	3871.3746	13750.5251
	3.00 Kumpur, Dhading	1533.2840	1576.0309	.867	-2765.7787	5832.3467
	4.00 Kalena, Doti	-2064.3799	1676.0229	.733	-6636.1985	2507.4387
	5.00 Shreeantu, Ilam	-2516.4500	1784.5992	.621	-7384.4405	2351.5405
2.00 Fedikhola, Syangja	1.00 Uttarganga, Surkhet	-8810.9499*	1810.8420	.000	-13750.5251	-3871.3746
	3.00 Kumpur, Dhading	-7277.6658*	1707.6327	.000	-11935.7089	-2619.6227
	4.00 Kalena, Doti	-10875.330*	1800.3302	.000	-15786.2309	-5964.4286
	5.00 Shreeantu, Ilam	-11327.400*	1901.8228	.000	-16515.1505	-6139.6492
3.00 Kumpur, Dhading	1.00 Uttarganga, Surkhet	-1533.2840	1576.0309	.867	-5832.3467	2765.7787
	2.00 Fedikhola, Syangja	7277.6658*	1707.6327	.000	2619.6227	11935.7089
	4.00 Kalena, Doti	-3597.6639	1563.9416	.145	-7863.7496	668.4217
	5.00 Shreeantu, Ilam	-4049.7340	1679.7782	.112	-8631.7962	532.3281
4.00 Kalena, Doti	1.00 Uttarganga, Surkhet	2064.3799	1676.0229	.733	-2507.4387	6636.1985
	2.00 Fedikhola, Syangja	10875.3298*	1800.3302	.000	5964.4286	15786.2309
	3.00 Kumpur, Dhading	3597.6639	1563.9416	.145	-668.4217	7863.7496
	5.00 Shreeantu, Ilam	-452.0701	1773.9318	.999	-5290.9623	4386.8222
5.00 Shreeantu, Ilam	1.00 Uttarganga, Surkhet	2516.4500	1784.5992	.621	-2351.5405	7384.4405
	2.00 Fedikhola, Syangja	11327.3998*	1901.8228	.000	6139.6492	16515.1505
	3.00 Kumpur, Dhading	4049.7340	1679.7782	.112	-532.3281	8631.7962
	4.00 Kalena, Doti	452.0701	1773.9318	.999	-4386.8222	5290.9623

\*. The mean difference is significant at the .05 level.

### (f) Correlation between Net Profit and Provisioning Amount

The correlation between the net profit after provisioning and provisioning amount due to arrears is found to have strong negative correlation with the value of  $r = -0.982$  and the data also shows significant correlation ( $p = 0.000 < 0.05$ ).

$$r = \frac{Cov(X,Y)}{S_X S_Y} = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2 \sum_{i=1}^n (Y_i - \bar{Y})^2}} = \frac{\sum_{i=1}^n X_i Y_i - n\bar{X}\bar{Y}}{\sqrt{\left(\sum_{i=1}^n X_i^2 - n\bar{X}^2\right)\left(\sum_{i=1}^n Y_i^2 - n\bar{Y}^2\right)}}$$

#### Correlations

		ACTUPROF net profit after provisioning	PROVIOSI Provisioning amount due to arrears
ACTUPROF net profit after provisioning	Pearson Correlation	1.000	-.982**
	Sig. (2-tailed)	.	.000
	N	361	36
PROVIOSI Provisioning amount due to arrears	Pearson Correlation	-.982**	1.000
	Sig. (2-tailed)	.000	.
	N	36	36

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### (g) Chi-square Test on Loan Type and Gender

Chi-square test was conducted to test whether there exist any dependency between loan type and gender.

**Null Hypothesis,  $H_0$ :** There is no significant association between loan type and gender.

**Alternative Hypothesis,  $H_1$ :** There is significant association between loan type and gender.

#### Computing the Degrees of Freedom

The product of  $(r - 1)$  and  $(c - 1)$  gives the degrees of freedom in a chi-square test of independence. i.e.,  $df = (r - 1) \times (c - 1) = (11 - 1) \times (2 - 1) = 10$

The analysis supports that there is a significant ( $p = 0.037 < 0.05$ ) dependency between these two categorical variables.

**Loans Type \* Gender of the Respondents Crosstabulation**

Count		Gender of the Respondents		Total
		Male	Female	
Loans Type	Cereal Crops	4	5	9
	Cash Crops	30	28	58
	Marketing	20	46	66
	Agri-tools	1	5	6
	Agri-Industries	1	1	2
	Agribusiness	88	89	177
	Horticulture		1	1
	Tea & Coffee	10	9	19
	Housing & Land		5	5
	Non-Agri Business	4	9	13
	Others	4	1	5
Total		162	199	361

**(h) Chi-square test between land holdings & Profit earning in SFCLs**

Chi-square test was conducted to test whether there exist any dependency between land holdings and status of profit earning in SFCLs in terms of financial sustainability.

**Null Hypothesis,  $H_0$ :** There is no significant association between land holdings and status of profit earning.

**Alternative Hypothesis,  $H_1$ :** There is significant association between land holdings and status of profit earning.

#### Computing the Degrees of Freedom

The product of  $(r - 1)$  and  $(c - 1)$  gives the degrees of freedom in a chi-square test of independence. i.e.,  $df = (r - 1) \times (c - 1) = (4 - 1) \times (4 - 1) = 6$

The analysis supports that there is a significant ( $p = 0.023 < 0.05$ ) dependency between these two categorical variables.

#### **Land Class in Ropani \* Status of financial sustainability Crosstabulation**

Count

		Status of financial sustainability			Total
		less	Good	Excellent	
Land Class in Ropani	Landless	1	13	0	14
	0.1-10.0	5	273	6	284
	10.1-20.0	0	217	0	217
	20.1-30	0	40	0	40
Total		6	543	6	555

#### **Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.718 <sup>a</sup>	6	.023
Likelihood Ratio	16.936	6	.010
Linear-by-Linear Association	1.920	1	.166
N of Valid Cases	555		

a. 8 cells (66.7%) have expected count less than 5. The minimum expected count is .15.

**(i) Chi-square Test on Main Occupation and Location of SFCLs**

Chi-square test was conducted to test whether there exist any dependency between main occupation and location of SFCLs.

**Null Hypothesis,  $H_0$ :** There is no significant association between main occupation and location of SFCLs.

**Alternative Hypothesis,  $H_1$ :** There is significant association between main occupation and location of SFCLs.

Computing the Degrees of Freedom

The product of  $(r - 1)$  and  $(c - 1)$  gives the degrees of freedom in a chi-square test of independence. i.e.,  $df = (r - 1) \times (c - 1) = (3 - 1) \times (5 - 1) = 8$

The analysis supports that there is a significant ( $p = 0.019 < 0.05$ ) dependency between these two categorical variables.

**Main Occupation of the Respondents \* Name of SFCL Crosstabulation**

			Name of SFCL					Total
			Uttarganga, Surkhet	Fedikhola, Syangja	Kumpur, Dhading	Kalena, Doti	Shreeantu, Ilam	
Main Occupation of the Respondents	Agriculture	Count	69	79	124	100	73	445
		% within Main Occupation of the Respondents	15.5%	17.8%	27.9%	22.5%	16.4%	100.0%
		% within Name of SFCL	70.4%	75.2%	83.2%	87.0%	83.0%	80.2%
	Business	Count	13	11	11	8	12	55
		% within Main Occupation of the Respondents	23.6%	20.0%	20.0%	14.5%	21.8%	100.0%
		% within Name of SFCL	13.3%	10.5%	7.4%	7.0%	13.6%	9.9%
	Labours	Count	16	15	14	7	3	55
		% within Main Occupation of the Respondents	29.1%	27.3%	25.5%	12.7%	5.5%	100.0%
		% within Name of SFCL	16.3%	14.3%	9.4%	6.1%	3.4%	9.9%
Total	Count	98	105	149	115	88	555	
	% within Main Occupation of the Respondents	17.7%	18.9%	26.8%	20.7%	15.9%	100.0%	
	% within Name of SFCL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.344 <sup>a</sup>	8	.019
Likelihood Ratio	18.996	8	.015
Linear-by-Linear Association	12.475	1	.000
N of Valid Cases	555		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.72.

#### (j) Chi-square Test between Land holdings & Months of Food Sufficiency

Chi-square test was conducted to test whether there exist any dependency between land holdings and months of food sufficiency.

**Null Hypothesis,  $H_0$ :** There is no significant association between land holdings and months of food sufficiency.

**Alternative Hypothesis,  $H_1$ :** There is significant association between land holdings and months of food sufficiency.

#### Computing the Degrees of Freedom

The product of  $(r - 1)$  and  $(c - 1)$  gives the degrees of freedom in a chi-square test of independence. i.e.,  $df = (r - 1) \times (c - 1) = (4 - 1) \times (5 - 1) = 12$

The analysis supports that there is a significant ( $p = 0.000 < 0.05$ ) dependency between these two categorical variables.

**Land Class in Ropani \* Months of Food Sufficiency Crosstabulation**

Count

		Months of Food Sufficiency					Total
		.00	1-3 Months	4-6 Months	7-9 Months	10-12 Months	
Land Class in Ropani	Landless	14	0	0	0	0	14
	0.1-10.0	7	134	51	39	53	284
	10.1-20.0	5	30	50	31	101	217
	20.1-30	2	1	5	9	23	40
Total		28	165	106	79	177	555

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	371.280 <sup>a</sup>	12	.000
Likelihood Ratio	199.206	12	.000
Linear-by-Linear Association	103.546	1	.000
N of Valid Cases	555		

a. 6 cells (30.0%) have expected count less than 5. The minimum expected count is .71.

**(k) Chi-square Test between Development Regions and Profit earning in SFCLs**

Chi-square test was conducted to test whether there exist any dependency in the profit proportion among the five Small Farmers' Cooperative Limited.

**Null Hypothesis,  $H_0$ :** There is no significant association Development Regions and Profit earning in SFCLs.

**Alternative Hypothesis,  $H_1$ :** There is significant association between Development Regions and Profit earning in SFCLs.

Computing the Degrees of Freedom

The product of  $(r - 1)$  and  $(c - 1)$  gives the degrees of freedom in a chi-square test of independence. i.e.,  $df = (r - 1) \times (c - 1) = (5 - 1) \times (2 - 1) = 4$

The analysis supports that there is a significant ( $p = 0.000 < 0.05$ ) dependency among the five Small Farmers' Cooperative Limited indicating the development region greatly influence the profit aspect of Small Farmers' Cooperative Limited.

**SFCL \* PROFIT LOSS Crosstabulation**

Count		PROFIT/LOSS		Total
		1.00 Loss	2.00 Profit	
SFCL	1.00 Surkhet	16	57	73
	2.00 Syangja	23	33	56
	3.00 Dhading	21	77	98
	4.00 Doti	10	65	75
	5.00 Ilam	6	53	59
Total		76	285	361



### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.437 <sup>a</sup>	4	.000
Likelihood Ratio	19.430	4	.001
Linear-by-Linear Association	8.812	1	.003
N of Valid Cases	361		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.79.

## **ANNEX: C**

### **3.1 Statistical Interpretation**

#### **3.1.1 Sample Mean**

The sample mean is the sum of the values in the sample divided by the sample size  $n$  (number of values).

Where,

$\bar{X}$  = sample mean.

$n$  = number of values or sample size.

$X_i$  =  $i^{\text{th}}$  value of the variable  $X$ .

$\sum_{i=1}^n X_i = X_1 + X_2 + \dots + X_n$  = summation of all  $X_i$  values in the sample.

### 3.1.2 Sample Standard Deviation

The sample standard deviation is the positive square root of the sum of the squared differences around the mean divided by the degrees of freedom (sample size minus one, i.e.  $n-1$ )

$$S = \sqrt{S^2} = \sqrt{\frac{\sum_{i=1}^n (X_i - \bar{X})^2}{n-1}} = \sqrt{\frac{\sum_{i=1}^n X_i^2 - n\bar{X}^2}{n-1}}$$

Where:

$S$  = sample standard deviation.

$\bar{X}$  = sample mean.

$n$  = sample size.

$X_i = i^{\text{th}}$  value of the variable  $X$ .

$\sum_{i=1}^n (X_i - \bar{X})^2$  = summation of all the squared differences between the  $X_i$  values and  $\bar{X}$ .

$\sum_{i=1}^n X_i^2 = X_1^2 + X_2^2 + \dots + X_n^2$  = summation of all the squared  $X_i$  values in the sample.

### 3.1.3 Coefficient of Variation

The coefficient of variation is equal to the standard deviation divided by the mean multiplied by 100%

$$CV = \left( \frac{S}{\bar{X}} \right) \times 100\%$$

Where:

$CV$  = coefficient of variation.

$S$  = sample standard deviation.

$\bar{X}$  = sample mean.

### 3.1.4 Sample Coefficient of Correlation

The coefficient of correlation measures the relative strength of a linear relationship between two *numerical* variables. The values of the coefficient of correlation range from  $-1$  for a perfect negative correlation to  $+1$  for a perfect positive correlation. *Perfect* means that if the points were plotted in a scatter diagram, all the points could be connected with a straight line.

$$r = \frac{Cov(X,Y)}{S_X S_Y} = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2 \sum_{i=1}^n (Y_i - \bar{Y})^2}} = \frac{\sum_{i=1}^n X_i Y_i - n\bar{X}\bar{Y}}{\sqrt{\left( \sum_{i=1}^n X_i^2 - n\bar{X}^2 \right) \left( \sum_{i=1}^n Y_i^2 - n\bar{Y}^2 \right)}}$$

Where:

$Cov(X,Y)$  = sample covariance between two numerical variables  $X$  and  $Y$ .

$S_X$  = sample standard deviation of the variable  $X$ .

$S_Y$  = sample standard deviation of the variable  $Y$ .

$\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})$  = sum of the product of the deviations taken from respective mean.

$\sum_{i=1}^n X_i Y_i$  = summation of all the products of  $X_i$  and  $Y_i$  values in the bi-variate sample.

$\sum_{i=1}^n (X_i - \bar{X})^2$  = summation of all the squared differences between the  $X_i$  values and  $\bar{X}$ .

$\sum_{i=1}^n (Y_i - \bar{Y})^2$  = summation of all the squared differences between the  $Y_i$  values and  $\bar{Y}$ .

$\sum_{i=1}^n X_i^2 = X_1^2 + X_2^2 + \dots + X_n^2$  = summation of all the squared  $X_i$  values in the sample.

$\sum_{i=1}^n Y_i^2 = Y_1^2 + Y_2^2 + \dots + Y_n^2$  = summation of all the squared  $Y_i$  values in the sample

Where:

$\bar{X}$  = sample mean.

$Z_{\frac{\alpha}{2}}$  = the  $Z$  value that cuts off a right-tail area of  $\frac{\alpha}{2}$  under the standard normal curve.

$\sigma$  = population standard deviation.

### 3.1.5 Analysis of Variance

Analysis of variance (ANOVA) is a statistical method for determining the existence of differences among several population means.

### 3.1.6 The Hypothesis Test of ANOVA

Assuming that the  $c$  groups represent populations whose values are randomly and independently selected, follow a normal distribution, and have equal variances, the null and alternative hypotheses are as follows:

Null Hypothesis,  $H_0 : \mu_1 = \mu_2 = \mu_3 = \dots = \mu_c$  (no differences in  $c$  population means)

Alternative Hypothesis,  $H_1 : \text{Not all } \mu_j (j = 1, 2, \dots, c) \text{ are equal}$

### 3.1.7 Variations of ANOVA

$$\text{Total Variation: } SST = \sum_{j=1}^c \sum_{i=1}^{n_j} \left( X_{ij} - \bar{\bar{X}} \right)^2$$

Where:

$$\bar{\bar{X}} = \frac{\sum_{j=1}^c \sum_{i=1}^{n_j} X_{ij}}{n} = \text{grand mean}$$

$X_{ij}$  = the  $i$ th value in group  $j$

$n_j$  = number of values (i.e. size of sample) in group  $j$

$n$  = total number of values in all groups combined (i.e.,  $n = n_1 + n_2 + \dots + n_c$ )

$c$  = number of groups

$$\text{Among Group Variation: } SSA = \sum_{j=1}^c n_j \left( \bar{X}_j - \bar{\bar{X}} \right)^2$$

Where:

$c$  = number of groups

$n_j$  = number of values (i.e. size of sample) in group  $j$

$\bar{X}_j$  = sample mean of group  $j$

$\bar{\bar{X}}$  = grand mean

$n_j$  = number of values (i.e. size of sample) in group  $j$

$$\text{Within Group Variation: } SSW = \sum_{j=1}^c \sum_{i=1}^{n_j} (X_{ij} - \bar{X}_j)^2$$

Where:

$X_{ij}$  =  $i$ th value in group  $j$

$\bar{X}_j$  = sample mean of group  $j$

$n$  = total number of values in all groups combined (i.e.,  $n = n_1 + n_2 + \dots + n_c$ )

### 3.1.8 Mean Square in ANOVA

$$MSA = \frac{SSA}{c-1}$$

$$MSW = \frac{SSW}{n-c} \quad MST = \frac{SST}{n-1}$$

### 3.1.9 ANOVA F – Test Statistics

$$F = \frac{MSA}{MSW}$$



The  $F$ -test statistic follows an  $F$  distribution with  $c-1$  degrees of freedom corresponding to  $MSA$  in the numerator and  $n-c$  degrees of freedom corresponding to  $MSW$  in the denominator. For a given level of  $\alpha$ , we reject the null hypothesis if the  $F$ -test statistic is greater than the critical value from the  $F$ -distribution having  $c-1$  degrees of freedom in the numerator and  $n-c$  degrees of freedom in the denominator. Alternatively, we reject the null hypothesis if the associated  $p$ -value is less than the level of significance  $\alpha$ .

A Typical SPSS-ANOVA summary table is as under

**Table 3.1**

**ANOVA**

Source of variation	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	SSA	c-1	$MSA = SSA/(c-1)$	$MSA/MSW$	P-value
Within Groups	SSW	n-c	$MSW = SSW/(n-c)$		
Total	SST	n-1			

Note-1:  $SST = SSA + SSW$

Note-2: Assumptions about the data: a) Randomness and independence,  
b) Normality, c) Homogeneity of variance.

### 3.1.10 Chi-square ( $\chi^2$ ) test of independence

For a contingency table that has  $r$  rows and  $c$  columns, we can generalise the  $\chi^2$  test as a test on independence for two categorical variables.

As a test of independence, the null and alternative hypotheses follow:

**Null Hypothesis,  $H_0$ :** The two classification variables are independent of each other (i.e., there is no relationship between them)

**Alternative Hypothesis,  $H_1$ :** The two classification variables are not independent (i.e., there is a relationship between them)

Test statistic: The chi-square ( $\chi^2$ ) test statistic for independence is

$$\chi^2 = \sum_{\text{all cells}} \left[ \frac{(f_o - f_e)^2}{f_e} \right]$$

Where,

$f_o$  = observed frequency in a particular cell of the  $r \times c$  contingency table

$f_e$  = expected frequency in a particular cell if the null hypothesis of independence were true

$$\sum f_o = \sum f_e = n$$

### Computing the Expected Frequencies

The expected frequency (count) in a cell is the product of its row total and column total divided by the overall sample size.

$$f_e = \frac{\text{row total} \times \text{column total}}{n}$$

Where:

Row total = sum of all frequencies in the row

Column total = sum of all frequencies in the column

$n$  = overall sample size

### Computing the Degrees of Freedom

The product of  $(r - 1)$  and  $(c - 1)$  gives the degrees of freedom in a chi-square test of independence. i.e.,  $df = (r - 1) \times (c - 1)$ .

### Decision Rule

Reject  $H_0$  if  $t_{calc}^2 > t_{critical}^2$ , otherwise do not reject  $H_0$ .

Alternatively reject  $H_0$  if the  $p$ -value is less than  $\alpha$ , otherwise do not reject  $H_0$ .

### 3.1.11 Simple Linear Regression Model

The population simple linear regression model is

$$Y_i = S_0 + S_1 X_i + v_i$$

Where:

$S_0$  =  $Y$  intercept for the population

$S_1$  = slope for the population

$v_i$  = random error in  $Y$  for observation  $i$ .

$Y_i$  = dependent variable (also called the regress and or the response variable)

$X_i$  = independent variable (also called the regressor or the explanatory variable)

### 3.1.12 Coefficient of Determination $r^2$

Merely determining the regression equation, we cannot answer questions like: How good is the regression? Or how strong is the relationship? If the relationship is a strong one, prediction of the dependent variable can be relatively accurate and other conclusions drawn from the analysis may be given a high degree of confidence.

The coefficient of determination  $r^2$  is the most commonly used descriptive measure of goodness of fit of a regression line. The coefficient of determination is equal to the regression sum of squares (i.e., explained variation) divided by the total sum of squares (i.e., total variation).

$$r^2 = \frac{\text{regression sum of squares}}{\text{total sum of squares}} = \frac{SSR}{SST}$$

Verbally,  $r^2$  measures the proportion or the percentage of the total variation in  $Y$  explained by the regression model. For example, an  $r^2$  value of 0.904 can be interpreted as *90.4% of the variation in the dependent variable and is explained by the variability in the independent variable.*

Note: The coefficient of determination is always positive, and its value lies between 0 and 1.

### 3.1.13 Assumption Underlying the Classical Regression Model

The four assumptions of regression (known by the acronym LINE) are as follows

- a) Assumption 1: **Linearity**
- b) Assumption 2: **Independence of errors**
- c) Assumption 3: **Normality of errors**
- d) Assumption 4: **Equal variance** (also called homoscedasticity)

The first assumption, **linearity**, states that the regression model is linear in parameters.

The second assumption, **independence of errors**, requires that the errors ( $v_i$ 's) are independent from one another.

The third assumption, **normality of errors**, requires that for each observation, the errors ( $v_i$ 's) are normally distributed with mean zero and standard deviation  $\sigma$ . That is  $v_i \sim N(0, \sigma^2)$ .

The fourth assumption, **equal variance** or **homoscedasticity**, requires that the variance of the errors ( $v_i$ 's) is constant for all observations.

### 3.1.14 Student's T test for the Slope ( $\beta_1$ )

Null Hypothesis,  $H_0 : \beta_1 = 0$  (There is no linear relationship)

Alternative Hypothesis,  $H_1 : \beta_1 \neq 0$  (There is a linear relationship)

Level of significance =  $\alpha$  (generally 0.05)

Degrees of freedom =  $n - 2$

Decision: Reject  $H_0$  if calculated  $t$  exceeds  $t_{critical} = t_{n-2}$ , otherwise do not reject  $H_0$ .

The test statistic follows a  $t$  distribution with  $n - 2$  degrees of freedom.

### 3.1.15 Student's T test for the Correlation Coefficient ( ... )

Null Hypothesis,  $H_0 : \rho = 0$  (There is no correlation)

Alternative Hypothesis,  $H_1 : \rho \neq 0$  (There is a correlation)

The  $t$  test statistic equals the difference between the sample correlation coefficient  $r$  and the hypothesised value of the population

correlation coefficient ... divided by  $\sqrt{\frac{1-r^2}{n-2}}$ .

$$t = \frac{r - \rho}{\sqrt{\frac{1-r^2}{n-2}}}$$

Level of significance =  $\alpha$  (generally 0.05)

Degrees of freedom =  $n - 2$

Decision: Reject  $H_0$  if calculated  $t$  exceeds  $t_{critical} = t_{n-2}$ , otherwise do not reject  $H_0$ .

The test statistic follows a  $t$  distribution with  $n - 2$  degrees of freedom.

### 3.1.16 Test for the Significance of the overall multiple Regression Model.

We can use the overall  $F$ -test to test for the significance of the overall multiple regression models. This test determines whether there is a significant relationship between the dependent variable and the entire set of independent variables.

Given the multiple regression model of a dependent variable  $Y$  on set of  $k$  – independent variables,  $X_1, X_2, \dots, X_k$  :

$$Y_i = S_0 + S_1 X_{1i} + S_2 X_{2i} + \dots + S_k X_{ki} + V_i$$

Test the null hypothesis,  $H_0 : S_1 = S_2 = \dots = S_k = 0$

(i.e., all slope coefficients are simultaneously zero) versus

The alternative hypothesis,  $H_1 : \text{At least one } S_j \neq 0 \quad (j = 1, 2, \dots, k)$

(i.e., not all slope coefficients are simultaneously zero)

$$\text{Compute } F = \frac{SSR / k}{SSE / (n - k - 1)}$$

Where, the  $F$ -test statistic follows an  $F$ -distribution with  $k$  and  $n - k - 1$  degrees of freedom,  $k$  being the number of independent variables in the regression model.

**Table 3.2**

**ANOVA Summary Table for the Overall  $F$ -test**

Source	Degrees of freedom	Sum of Square	Mean Square	F	Significance F
--------	--------------------	---------------	-------------	---	----------------

Regression	$K$	SSR	$SSR/k$	$F = \frac{SSR/k}{SSE/(n-k-1)}$	P-value
Residual	$n-k-1$	SSE	$SSE/(n-k-1)$		
Total	$n-1$	SST			

### Decision Rule

If  $F > F_{\alpha}(k, n-k-1)$ , reject  $H_0$ ; otherwise do not reject  $H_0$ , where  $F_{\alpha}(k, n-k-1)$  is the *critical F* value at  $\alpha$  level of significance and  $k$  numerator degrees of freedom and  $(n-k-1)$  denominator degrees of freedom. Alternatively, if the  $p$ -value (i.e., significance  $F$ ) of  $F$  is sufficiently low ( $\alpha < p\text{-value}$ ) one can reject  $H_0$ .

The  $F$ -test statistic could also be obtained in terms of  $R^2$  as:

$$F = \frac{R^2 / k}{(1 - R^2) / (n - k - 1)}$$

### 3.1.17 Weighted Mean

$$Index = \frac{fhsa * 1 + fsa * 0.75 + fmsa * 0.50 + flsa * 0.25 + fvlsa * 0.1 + fnsa * 0}{n}$$

Where

fhsa = Frequency of highly satisfactory

fsa = Frequency of satisfactory

fmsa = Frequency of moderately satisfactory



flsa = Frequency of low satisfactory

fvlsa = Frequency of very low satisfactory

fnsa = Frequency of not satisfactory

n = Total number of responses

## **ANNEX: D**

### **QUESTIONNAIRE**

#### **4.1 General Information**

4.1.1 Name:

4.1. 2 SFCL:

4.1.3 Address:

4.1.4 Education Attainment of Respondent

Education	1	2	3	4	5	6	7	8
Education Level of Respondent								

- 1= Illiterate
- 2 = Literate
- 3 = Primary school passed
- 4= Secondary school passed
- 5= Middle school passed
- 6 = S.L.C. passed
- 7 = Intermediary level passed
- 8 = Bachelor level passed

#### 4.1.5 Occupation

Major occupation: 1. Agriculture 2.Business 3. Labors

Subsidiary occupation: 1. Business 2.Labors 3. Service

#### 4.1.6 Land Holding

Khet (Irrigated land) ..... Ropani

Bari (Up land) .....Ropani

#### 4.1.7 Income Level

Total food sufficient months:

- 1. Less than one month
- 2. Less than three months
- 3. Up to six months
- 4. Up to nine month
- 5. Up to one year
- 6 Others.....

## 4.2 Savings Collection

4. 2.1 Please could you inform about the details of savings operation?

S.N.	Name of the savings account	Date of initiation of savings deposits	Deposit amount per saving	Total deposit amount	Interest rate	Savings deposit interval
1	Group saving					
2	Individual saving					
3	Older-age saving					
4	Livestock insurance					

4.2.2 Did you deposit savings regularly?

Yes No

4.2. 3 If no, please could you inform about the reasons of irregularity?

S.N.	Savings	Reason of irregularity	Amount for penalty	Penalty times/yr	Total amount paid as penalty
1					
2					
3					

4.2.4 Please mention the benefits those which are acquired from the savings

1  
2  
3

4.2.5 Which is your option in saving deposit?

(a) Surplus deposit (b) Compulsion

4.2.6 If it is compulsion, please mention how did you manage your saving amount regularly?

4.2.7 Have you feel any problems on savings deposit and mobilization at SFCL?

Yes No

4.2.8 If yes, please notify the major problems and suggest appropriate solutions?

S.N.	Major Problems	Appropriate solutions
1		
2		

4.2.9 Do you have any further suggestions about the saving operations in SFCL?

### **4.3 Credit Borrowing**

4.3.1 Have you borrowed credit from SFCLs?

Yes No

4.3.2 If yes, please explain about the details of your credit portfolio?

Purposes (Type of loan)	Date of borrowing	Amount	Repayment duration	Collateral type and quantity	Interest rate	Repayment amount	Outstand ing	Overdue	Reasons of overdue	

4.3.3 Have you got profit from the credit projects?  
Yes No

4.3.4 Do you have any suggestions in credit activities?

Yes No

4.3.5 If yes, please points-out what should be improvement ?

S.N.	Credit project	Suggestions	Remarks
1			
2			

4.3.6 Had you kept any security for borrowing the loan from SFCL?

Yes No

4.3.7 If yes, please mention the details of collateral security, which have kept in SFCL

S.N.	Type of collateral
1	
2	
3	
4	
5	

4.3.8 If, no, what type of other guarantee did you provide to SFCL?

1. Group guarantee
2. Others

4.3.9 Who did follow-up your project?

1. Loan Sub committee members of main committee
2. Executive member of main committee
3. Own committee member

4. Others.....

4.3.10 How many times did follow-up in your project per year?

1. Monthly
2. Bi monthly
3. Tri-month
4. Quarterly
5. Half yearly
6. Annually
7. Very rarely
4. None

4.3.11 What they did in follow-up visits?

1. Just only inspection
2. After inspection also provide advice
3. Provide additional credit
4. Provide training
5. Assist for input marketing
6. Assist for output marketing
7. Others.....

4.3.12 What are the major problems generally encountered in the credit projects?

S.N.	Problems	Solutions
1		
2		

#### **4.4 Institutionalization**

4.4.1 Under which structure are you affiliated in SFCL?

1. Group
2. Inter-group
3. Main committee
4. Sub-committee

4.4.2 What is your position in the organization?

1. Chair-person
2. Vice chair-person
3. Secretary
4. Treasurer
5. Committee member
6. General member

4.4.3 What are the reasons behind to involve in SFCL?

- 1.
- 2.
- 3.
- 4.
- 5.

4.4.4 What is the main vision of your institution?

4.4.5 How did you familiarize with the rules and regulations of SFCLs?

1. By group meeting
2. By asking with other members



3. By training
4. By general assembly
5. By own self
6. Others .....

4.4.6 Is there organized general assembly regularly in your SFCL?  
Yes No

4.4.7 If yes, when did organize?  
1. Yearly  
2.. Occasionally

4.4.8 Did you attend in general assembly?  
Yes No

4.4.9 If yes, what was your regularity?  
Regularly Occasionally

4.4.10 What were the major activities generally accomplished in general assembly?

4.4.11 Are you satisfied with the meeting of general assembly?  
Yes No

4.4.12 If no, please points-out your dissatisfaction?

4.4.13 How did select the executive committee members in your institution?

4.4. 14 Please explain about the numbers of executive committee members?.....  
1. Male.....

2. Female.....

4.4.15 What are the major activities generally performed by executive committee?

4.4.16 Had your group organized executive committee meeting regularly?

Yes No

4.4.17 At what interval did organize meeting of your group?

1. Weekly
2. Fortnightly
3. Monthly
4. Bi-monthly
5. Tri-monthly
6. Other.....

4.4.18 Did you attend in the meeting?

1. Regularly
2. Occasionally
3. Not at all

4.4.19 What type of role did you play in meeting?

1. Supportive
2. Reactive

4.4.20 If reactive, what type of suggestions did you provide in meeting

4.4.21 Are there written rules and regulations in your organization?

Yes No

4.4.22 If yes, what are they?

4.4.23 Who did look care of your institution?

1. Committee members
2. Staff
3. Others

4.4. 24 Is there controlled by any organizations of your institution?

Yes No

4.4.25 Had you got support from other organizations?

Yes No ,

4.4.26 Did you participate in any training programs?

Yes No

4.4.27 If yes, what were they?

S.N.	Training Programs			Duration	Venue	Usefulness of Training
	Agriculture	Management	Others			
1						
2						
3						

4.4.28 Is there SFCL's own building?

Yes No

4.4.29 If no, what are the reasons of not constructed?

4.4.30 Did you involve in program planning work?

Yes No

4.4.31 If yes, how did plan the program in your group?

4.4.32 How did make finalization of your group plan?

1. By general members
2. By executive committee
3. By staff

4.4.33 How did operate social and community activities in your group?

1. By participating all the members of village
2. By enforcing to the individual
3. Others.....

4.4.34 Have you satisfied with the operation of SFCL?

Yes No

4.4.35 If no please give your dissatisfaction towards the programs of SFCL?

4.4.36 Could you please mark (✓) your satisfaction level in a box in each statement?

S.N.	Description	Highly satisfy	Satisfy	Neutral	dissatisfy	Highly dissatisfy	None
1	Construction of Community Drinking Water						

2	School Maintenance						
3	Convenient Toilet Construction						
4	Smokeless Stove Construction						
5	Community Building Construction						
6	Improved Seed Distribution						
7	Seed Bin Distribution						
8	Sprayer Distribution						
9	Temple Construction						
10	Literacy Program						
11	Vaccination Program for Children						
12	Trail Road Construction						
13	Fruit Sapling Distribution						
14	Nursery Construction						
15	Community Afforestation						
16	Health, Sanitation and Stature Distribution						
17	Village Level Group Operation						
18	Inter-group Operation						
19	Main Committee						

	Operation						
20	Decision Making Capacity of Main Committee						
21	Daily Operation of SFCL						
22	Review and Monitoring of SFCL						
23	Members' Participation in SFCL						
24	Transparency of SFCL						
25	Vision of Program Operation						

4.4.37 Could you please mark (√) your satisfaction level in a box in each statement?

SN.	Description	Highly satisfy	Satisfy	Neutral	dissatisfy	Highly dissatisfy	None
1	Individual members' enrollment						
2	Staff management						
3	Savings collection						
4	Loans investment						

5	Management of account records						
6	Planning of the program						
7	Implementation of income generating activities						
8	Coordination with concerning NGOs, I/NGOs and GOs						
9	Management of record and information						
10	Loan Repayment						
11	Institutional development						
12	Profit earning						
13	Governance						
14	Transparency						
15	Decision making process						
16	Gender Integration						
17	Savings'						

	interest						
18	Insurance						
19	Monthly meeting						
20	Organization structure						
21	Controlling mechanism						
22	Share collection						
23	Lending interest rate						
24	Rebate						
25	Monitoring and follow-up						

4.4.38 Are you familiarized with group, inter-group and main committee?

Yes No

4.4.39 If yes, what are the major differences among them?

Group	Inter-group	Main committee
1.	1.	1.
2.	2.	2.

4.4.40 Have you felt any specific benefits from the networking of group, inter-group and main committee in the institution?



4.4.41 Have you remarked any problems from these networking?

S.N.	Major Problems	Appropriate Solutions
1		
2		
3		
4		

4.4.42 Do you have strong trust towards accounting system of your institution?  
Yes No

4.4.43 If no, what are the reasons of dissatisfaction?

4.4.44 Have you familiarized on the auditing of your institution?  
Yes No

4.4.45 Have you known about the legal authority of SFCL?  
Yes No

4.4.46 If yes, what is your familiarity level of legal authority?  
1. Very little  
2. Moderate  
3. Fully

4.4.47 What is the key legal document of your SFCL?

4.4.48 Who is the major decision maker of your institution?

4.4.49 Who did operated day to day activities in your institution?

1. General members
2. Executive committee
3. Staff
4. Executive committee and staff
5. Don't know

#### 4.5 Financial Sustainability

Type of Credit Project:.....

4.5.1 Please could you explain about the details of the income, expenditure and profit of credit projects that implemented by borrowing the loan from SFCL?

S.N.	Credit Projects	Expenditure	Income
1		1. Fixed assets investment NRs..... 2. Operating cost 2.1 Fixed assets NRs..... 2.2 Variable cost NRs..... 2.2.1 Input (NRs)..... 2.2.2 Interest (NRs).....	1. Marketing of output NRs.....
2		1. Fixed assets	1. Marketing of output

		investment NRs..... 2. Operating cost 2.1 Fixed assets NRs..... 2.2 Variable cost NRs..... 2.2.1 Input (NRs)..... 2.2.2 Interest (NRs).....	NRs.....
3		1. Fixed assets investment NRs..... 2. Operating cost 2.1 Fixed assets NRs..... 2.2 Variable cost NRs..... 2.2.1 Input (NRs)..... 2.2.2 Interest (NRs).....	1. Marketing of output NRs.....
4		1. Fixed assets investment NRs..... 2. Operating cost 2.1 Fixed assets NRs.....	1. Marketing of output NRs.....

		2.2 Variable cost NRs..... 2.2.1 Input (NRs)..... 2.2.2 Interest (NRs).....	
5		1. Fixed assets investment NRs..... 2. Operating cost 2.1 Fixed assets NRs..... 2.2 Variable cost NRs..... 2.2.1 Input (NRs)..... 2.2.2 Interest (NRs).....	1. Marketing of output NRs.....
6		1. Fixed assets investment NRs..... 2. Operating cost 2.1 Fixed assets NRs..... 2.2 Variable cost NRs..... 2.2.1 Input (NRs)..... 2.2.2 Interest	1. Marketing of output NRs.....

		(NRs).....	
--	--	------------	--

4.5.2 How many rupees had you spent to borrow loan from SFCLs?

S.N.	Credit projects	Opportunity cost ( total days required for borrowing loan that calculate in monetary value in market opportunity cost) (A)	Traveling cost ( transportation and accommodation cost) (B)	Total Cost (A+B)
1				
2				
3				
4				
5				

4.5.3 How many rupees did you pay for entrance fee?  
Total amount NRs.....

4.5.4 How many rupees did you invest to buy shares?  
Total amount NRs.....

4.5.5 Did you contribute any other donation for SFCL operation?

S.N.	Purpose	Amount (NRs.)
1		
2		

4.5.6 How did your institution earn profit?

1. By mobilizing savings
2. By conducting activities voluntarily
3. By requesting financial support to VDC, NGOs and INGOs
4. By minimizing the cost in fixed and operating cost
5. By charging the higher interest rate on loan
6. By providing low interest rate on saving
7. By increasing members
8. By increasing saving amount
9. By managing different types of savings program
10. By collecting loan timely
11. By all above

4.5.7 How much costs involved in SFCL to lend in your credit project?

S.N.	Cost items			
		Project:..... ..... Loan: NRs..... Duration:.....	Project:..... ..... Loan: NRs..... Duration:.....	Project:..... ..... Loan: NRs..... Duration:.....
		Cost of SFCL involved in credit project		
1	Total man days required to perform credit approval, on the basis of maydays calculate the cost for a project by his/her remuneration.			
2	Stationary cost (loan request paper,			

	bond document, records and receipts for using in a project calculate the cost of this items by the market cost of this items)			
3	Miscellaneous cost (house rent, supervision cost, loan collection costs etc. calculate the cost for a project.			
4	Financial cost at market rate			
5	Total (NRs.)			

4.5.8 Are you ensured to sustain your institution in future?

Yes No

4.5.9 If yes, how can you justify SFCL will sustain financially in future?



4.5.10 If, no please give reasons why SFCL can not sustain financially in future?

4.5.11 Please give your further suggestions to maintain SFCL financially sustainable in future?

4.5.12 Have you feel any essential components need to incorporate in SFCL for making it institutionally sustainable in long run perspective?

4.5.13 Others, if any please mention ?

Thank you

## REFERENCES

- Acharya, S. R. (2000): *Thesis on Master of Public Administration*, Kathmandu: Tribhuvan University, Nepal
- Acharya, Ved R. (2001): "*Poverty in Nepal: Challenges, Efforts and Remedies*" - *Agricultural Credit Bi-Annual Journal*, Vol.33
- ADBL (2007): *CTI Annual Report*, Kathmandu :ADBL
- .....(2004): '*Success Story*', Kathmandu:ADBL
- .....(2006): '*A Case Study on New Product Development in ADBL*', Central Training Institute, Kathmandu
- ..... (2006): *Report on Executive Development Program for Cooperatives and Rural Financing Institutions*, Kathmandu: Central Training Institute
- .....(2005): *Report on Executive Development Program for Cooperatives and Rural Financing Institutions*, Kathmandu: Central Training Institute
- .....(2004): '*Krishi Vikas Bank Purva Karmachari Ko Dristima* (Agricultural Development Bank, Nepal in the perception of retired employees)', Kathmandu
- ..... (2003): *CTI Annual Report*, Kathmandu: Chancer Printer
- ..... (2003): '*Bitiya Sandes* (Message of Finance)', Kathmandu:ADBL
- ..... (2003): '*Laghu Karja Karyakram Sanchalan Tatha Laghu Karja Lagani Asuli Niti Ra Karyabidhi-2059* (Lending Policies and Procedures of Micro-finance Program-Operational Manual-1999)', Kathmandu :ADBL
- ..... (2003): '*Laghu Karja Asuli Niti Ra Karyabidhi* (Lending policies and Procedures of Micro-credit)', Kathmandu: ADBL

- ..... (2003): *Report on Executive Development Program for Cooperatives and Rural Financing Institutions*, Kathmandu: CTI
- .....(2002): *‘Bitiya Schhamta ko Path Ma Krisi Vikas Bank (Agricultural Development Bank, Nepal in the Path of Financial Sustainability)’*, Kathmandu:ADBL.
- .....(2002): *‘The Role of Human and Physical Resources on The Performance of Larger Branch and Sub-Branch Offices of ADBN’*, Kathmandu, : ADBL
- ..... (2002): *Report on Executive Development Program for Cooperatives and Rural Financing Institutions*, Kathmandu: CTI
- ..... (2001): *Report on Executive Development Program for Promotion and Development of Cooperatives and Rural Development Institutions*, Kathmandu: CTI
- ..... (1999): *‘Sanakisan Ko Sanstha SanakisanKai Sahavagita Digo Bikas Hamro Pratibadhata (Small Farmers' Cooperative Limited promoted by the Participation of Small Farmers for Sustainable Development)’*, Kathmandu: ADBL
- .....(1999): *‘A Brief Introduction on Institutional Development of Small Farmers’*, Kathmandu: ADBL
- .....(1999): *Report on Executive Development Program for Promotion and Development of Cooperatives and Rural Development Institutions*, Kathmandu: CTI
- .....(1995): *‘Executive Development Program for Financial and Co-operative Institutions in Rural Development’*, Kathmandu: CTI
- ..... (1995): *A Report on Small Farmers Institutional Development Programs*, Kathmandu: ADBL
- .....(1995): *‘Executive Development Program for Financial and Co-operative Institutions in Rural Development’*, Kathmandu: CTI
- .....(1993): *‘By-laws of Small Farmers' Cooperative Limited’*, Kathmandu: ADBL

- ..... (1987): *'Small Farmers' Development Program Operation Policy and Procedures'*, Kathmandu
- ADB (2003): *"ERD Working Paper"* ADB Special Publication, Series No. 45
- ADBL and GTZ (1990): *'Introductory Guideline for Institutional Development of Small Farmers'*, Kathmandu
- AIT (1992): *'Observation An Effective Alternative To Oral Communication: Nine Topical Survey Schedules'*, Bangkok: Division of Human Settlement Development, Thailand
- Awasthi, Ganga D. (2003): *"Interview on Microfinance Development in Nepal"* -ADBN's 35th Anniversary Special Publication: Vol.10
- Badal, K. (2006): *Cooperative Principle and Application*, Kathmandu: Cooperative Assistance Group, Nepal
- Bajracharya, P. and Shilu (1999): *"Strategies for Poverty Alleviation an Integrated Approach"* - *Agricultural Credit Biannual Journal*, Vol. 31
- Bajracharya, Sovit L. (2005): *Poverty and Environment Inter-Linkages: A Case Study of Palpa*, Kathmandu: Tribhuvan University, Nepal
- Balisacan, Arsenio M. (2003): *"Determinants of Poverty Reduction, Economic Growth and Poverty Reduction"* - *Asian Development Bank: ERD Working Paper Series No. 42*
- Baniya, G. (2002): *"Micro-finance Development in Nepal"* - *ADBN's 35 th Anniversary Special Publication*, Vol. 10
- BoE (2004): *Financial Sustainability Review*, London: Bank of England.
- Barma, Suresh K. (2002): *"Interview on Micro-finance Development in Nepal"* - *ADBN's 35 th Anniversary Special Publication*, Vol.10

- Bashyal, R. (2005): *Impact of Micro-credit Programs on Poverty Alleviation in Nepal: A Case Study of Rupandehi District*, Kathmandu: Tribhuvan University, Nepal
- Beroff, Renee C. (2003): “*Rural Savings Mobilization in West Africa: Guard Against Shocks or Build an Asset Base?*” - *The Micro Banking Bulletin*, Washington DC 20006: World Bank, Issue No. 9
- Bhattarai, Bijaya N. (2002): “*Interview on Micro-finance Development in Nepal*” -*ADBN's 35th Anniversary Special Publication*, Vol. 10
- Bhattarai, J. (2002): “*Interview on Micro-finance Development in Nepal*” - *ADBN's 35th Anniversary Special Publication*, Vol.10
- Bhattarai, Narayan P. (2004): *Financial Resources for the Development of Hydropower in Nepal: A Projection up to 2030*, Kathmandu: Tribhuvan University, Nepal
- Bista, A. (2003): “*International Award for Rural Development Model Received by Small Farmers' Cooperative Limited*” *Bank Samachar* (Bank News Letter), No. 11
- Burns, B. R. (2000): *Introduction to Research Methods*, New Delhi, India: SAGE Publications
- CBS (2002): *Population of Nepal*, Kathmandu
- .....(2002): *National Report*, Kathmandu
- Central Department of Rural Development, T.U. (2006): “*Nepalese Journal of Development and Rural Studies*” - *A Biannual Publication*, Vol. 3, Number 1
- CTI (2003): ‘*Business Cooperative Microfinance, Training Manual on Project Preparation and Appraisal*’, Kathmandu: ADBL
- CGAP (2006): ‘*Access for All Building Inclusive Financial System*’, Washington D.C.: The World Bank

..... (1998): *Business Planning, Financing, Modeling A Hand Book for Micro-Financial Institutions*, Washington DC : CGAP

Center for Micro-finance (PVT) LTD (2005): *'Impact Assessment of SACCOSs in Nepal's Hill Districts: Findings of An Action research'*, Kathmandu

Cooper, Donald R. and Schindler, Pamela S.(1999): *Business Research methods*, New Delhi: TATA McGRAW-HILL Publishing Company Ltd, India

Cooperative Department (2007): *Statistical Information of Cooperatives of Nepal*, Kathmandu

CSC and CO (2006): *Strengthening Selected Rural Financial Institutions*, Kathmandu

Devkota, K. (2004): *"Small Farmers' Cooperative Limited Promoted by ADBN Highly Successful for Poverty Reduction of Nepal"* Space Times, 21 January

..... (2004): *"Small Farmers' Cooperative Limited (SFCLs): Highly Successful Institutions in the Context of Poverty Reduction of Nepal"* - Sudur Darpan (Publication of Far – Western Region), Vol.2

..... (2003): *"Financial Sustainability with Economic Development: Major Focus of ADBN in the Context of Competitive Market Economy"* - Agricultural Credit Bi-Annual Journal, Vol.35

.....(2003): *"An Overview of Small Farmers' Cooperative Limited (SFCLs) of Nepal in the Context of Socio-Economic Development and Financial Sustainability"* - Agricultural Credit Bi-Annual Journal, Vol.36

..... (2002): *"Concept, Products and Methodologies of Microfinance, Microfinance Development in Nepal"* - ADBN's 35th Anniversary Special Publication, Vol. 10

- ..... (1994): *A Comparative Study of the Traditional and Project- Assisted Community Forestry Program in the Hills of Nepal*, Asian Institute of Technology, Bangkok, Thailand
- Dhakal, N. (2004): “*Micro-finance for Achieving Millennium Development Goals in Nepal*” - *Agricultural Credit Bi-Annual Journal*, Vol.37
- ..... (2002): “*Marketing in Nepalese Micro-finance Institutions*” - *Agricultural Credit Bi-Annual Journal*, Vol.34
- ..... (2002): “*Interview on Microfinance Development in Nepal*” *ADBN's 35 th Anniversary Special Publication*, Vol.10
- ..... (1999): “*Expansion of Micro-finance Services: The Development of Community Based Savings and Credit Co-operatives in Nepal*” - *Agricultural Credit Bi-Annual Journal*, Vol.31
- Dhawan, B.D. (1998): *Studies in Agricultural Investments and Rural Savings*, New Delhi, India: Commonwealth Publishers
- District NGO Federation Dhading (2002): *NGO Profile, Dhading*, Kathmandu: National NGO Federation
- District NGO Federation Doti (2002): *NGO Profile, Doti*, Kathmandu: National NGO Federation
- District NGO Federation Illam (2002): *NGO Profile, Illam*, Kathmandu: National NGO Federation
- District NGO Federation Surkhet (2002): *NGO Profile, Surkhet*, Kathmandu: National NGO Federation
- District NGO Federation Syangja (2002): *NGO Profile, Syangja*, Kathmandu: National NGO Federation
- Dowla, A. and Barua, D. (2006): *The Poor Always Pay Back The Granmeen II Story*, United States of America: Kumarian Press, Inc
- Fago, C. (2003): *Profit Planning and Controlling*, Kathmandu: Budha Academic Publishers & Distributors Pvt. Ltd

- Feinstein, O. and Picciotto, R. (2000): *'Evaluation and Poverty Reduction Proceedings from a World Bank Conference'*, Wasington DC: The World Bank
- Financial Intermediary Division (1999): *'A Brief Introduction on Institutional Development of Small Farmers'*, Kathmandu: ADBL
- Fisher, T. (2002): *Micro-finance, Social and Economic Security*, New Delhi, India: Vistaar publications
- Fisher, T. and Sriram M. S. (2002): *Beyond Micro-Credit Putting Development Back into Micro-Finance*, New Delhi, India: Vistaar Publications
- Forster, S. Greene, S and Pytkowska, j. (2003): *'The State of Microfinance in Central and Eastern Europe (CEE) and the New Independent States (NIS)'*, Washington, DC: CGAP, The World Bank
- Gibaldi, J. (2004): *MLA Handbook for Writers of Research Papers*, New Delhi, India: Affiliated East-West Press Pvt Ltd
- Gibbs, C. (1999): *'Non-governmental Organizations in World Bank - Supported Projects'*, Washington D.C. 20433: The World Bank
- GTZ and ADBN (2001): *'Institutional Sustainability and Impact of Small Farmer Cooperatives Limited'*, Kathmandu: GTZ
- Gorkhali, Hari G. (2002): *"Linking Self-help Groups with Bank for Meeting the Micro-credit Needs of the Poor" - ADBN's 35 th Anniversary Special Publication, Vol .10*
- Goldin, I. and Reinert K. (2007): *'Globalization for Development Trade Finance, Aid, Migration and Policy'*, Washington D.C.: The World Bank.
- NPC and UNDP (2006): *Progress Report 2005 Millennium Development Goals*, Kathmandu: Jagadamba Press
- .....(2005): *Progress Report 2005 Millennium Development Goals*, Kathmandu : Jagadamba Press



- .....(2002): *Progress Report 2002 Millennium Development Goals*, Kathmandu, Jagadamba Press
- Hada, Gambir B. (2002): “*Poverty Alleviation Programs in Nepal, Agricultural Credit Bi-Annual Journal*” - A Bi-Annual Publication of Agricultural Development Bank Limited, Vol.34
- Hasan, R. & Quibria, M.G. (2002): “*How Does Aggregate Growth Correlate with Poverty Reduction? Poverty and Patterns of Growth*” - Asian Development Bank ERD Working Paper Series, No.18
- Hirschland, M. (2005): *Savings Services for the Poor*, United States of America: Kumarian Press, Inc
- Informal Sector Research and Study Center (2004): ‘*District Development Profile of Nepal 2004*, Kathmandu: ISRASC
- Jha, D. (1997): *A Perspective on Co-operative Marketing*, New Delhi India: Vikas Publishing House Pvt.Ltd
- Joshi, B. and Pathak, K. (2002): ‘*Sanakisan Sahakari Sanstha Limited Kumroj, Banking Program Ko Bastusthiti Adhayan* (A Case Study on Banking Operation of SFCL Kumroj)’, Kathmandu: ADBL
- Kevin, S. (2003): *Portfolio Management*, New Delhi India: Prentice Hall Pvt. Ltd
- Khatiwada, Madhav P. and Lamichane, Kkrishna P. (2002): ‘*A Case Study on Finacial Sustainability of Small Farmers' Cooperative Limited*’, Annadavan, Rupendehi, Kathmandu: ADBL
- Khatiwada, Madhav P. and Prasai, Narayan P. (2002) : ‘*Sanakisan Sahakari Sanstha Li. Haru ko Samichhya Tatha Samasya Samadhan Gosthi 2058-2059 Ko Pratibedan* (Report of Review Workshop of Small Farmers' Cooperative Limited - 2001/2002)’, Kathmandu: ADBL
- Khatiwada, Yuba R. (2002): “*An overview of rural Financing in Nepal: Cooperative and Micro- finance Perspective*” - Agricultural Credit Bi-Annual Journal, Vol.34
- Koch, E. (2002): ‘*Establishment of SFCL Federation in Nepal Support of Implementation in Rupandehi*’, Kathmand : GTZ

- Koirala, Govinda P. (2002): *“Rural Financing and ADBN” - ADBN's 35th Anniversary Special Publication*, Vol.10
- Koirala, Shiva R. (2003): *“Small Farmers’ Cooperative Limited an Exemplary Model of Rural Development” - Bank Samachar (Bank News Letter)*, No.2
- Kothari, C.R. (2004): *Research Methodology, Methods & Techniques*, New Delhi, India: New Age International Publishers
- Kotov, I. (2008): *‘Case Study on New Generation Cooperatives: A short History of the Idea and the Enterprises’*, New Delhi, India: Illinois Institute for Rural Affairs
- Kunwar, Krisna B. (2005): *Poverty and Community Development Theory and Practice*, Kathmandu: Mina Publication, Lajimpat
- ..... (2003): *The Himalayan Poverty Prosperity Through Rural Development*, Kathmandu: Meena Prakashan, Bafal Height
- ..... (1999): *Poverty & Rural Development in Nepal*, Kathmandu: Mina Publication, Nepal.
- Levine, David M.(2004): *Business Statistics A First Course*, New Delhi India: Pearson Education Ltd. Indian Branch
- Mahato, K. (2002): *“Interview on Micro-finance Development in Nepal” - ADBN's 35 th Anniversary Special Publication*, Vol.10
- Miah, Abdul Q. (1993): *Applied Statistics*, Bagkok, Thailand: Darnsutha Press Co. Ltd.
- Microfinance Division (1999): *‘Laghu Karja Karyakram Sanchalan tatha Laghu Karja Lagani Niti Karyabidhi (Microfinance program implementation and its lending and collection policy and procedures)’*, Kathmandu: ADBL
- MoAC (2006): *‘Statistical Information on Nepalese Agriculture 2005/2006’*, Kathmandu : Singhdarbar

- ..... (1994): *'Guidelines for Group Operation'*, Kathmandu: Singhdarbar
- MoF, (2007): *'Targets and Performances of Public Enterprises (FY 2005/2006)'*, Kathmandu: Singhdarbar
- .....(2007): *'Budget Speech of Fiscal Year 2007- 08'*, Kathmandu: Singhdarbar
- ..... (2007): *'Economic Survey, Fiscal year 2006/07'*, Kathmandu : Singhdarbar
- NABARD (2006): *Annual report 2005/2006*, Mubai, India
- NCDC (2000): *Annual Report 1999-2000*, New Delhi,India
- NPC (1998): *'Ninth Plan'*, Kathmandu :Singhdarbar
- ..... (2004): *Progress Report on Poverty Reduction An Assessment of the Tenth Plan (PRSP) Implementation*, Kathmandu: Singhdarbar
- ..... (2005): *'Poverty Monitoring in Support in Support of PRSP Annual Progress Report 2004'*, Kathmandu: Singhdarbar
- ..... (2006): *'An Assessment of the Implementation of the Tenth Plan PRSP Implementation'*, Kathmandu: Singhadarbar
- ..... (2004): *Progress Report on Poverty Reduction An Assessment of Tenth Plan (PRSP) Implementation*, Kathmandu: Singhadarbar
- ..... (2005): *'Poverty Monitoring in Support of PRSP'*, Kathmandu: Singha Durbar Kathmandu, Nepal.
- ..... (2004): *Poverty Monitoring and Analysis System*, Kathmandu: Singha Durbar
- NRB and CECI (2008): *'Micro financing towards Empowerment of Disadvantaged Groups in Nepal Innovations and Practices, Sahakarya Project'*, CECI, Baluwatar, Kathmandu

NRB (2005): *Economic Report*, Kathmandu

Nepal South Asia Center (1998): *Nepal Human Development Report*, Kathmandu: NSAC

Neupane, Yagya P. (2002): “*Micro-credit Program in Nepal, Micro-finance Development in Nepal*” - ADBN's 35th Anniversary Special Publication Vol.10

PACT (1999): ‘*Formation of Community Bank*’, Kathmandu: Education Curriculum and Training Associates

Piya, M. (1996): ‘*Voices from the Villagers Perception Study Nepal*’, Kathmandu: SNV, Nepal

Policy Research Division (2002): ‘*The Role of Human and Physical Resources on the Performance of Large Branch and Sub-branch Offices of ADBN*’, Kathmandu

Pokharel, K. (2006): ‘*Analysis of Pearls Monitoring System*’, Kathmandu: Federation of Saving and Credit

Pradhan, K. (2002): “*Interview on Micro-finance Development in Nepal*” - ADBN's 35th Anniversary Special Publication, Vol.10

Pradhan, Radhe S. (2006): *Research in Nepalese Finance*, Kathmandu: Buddha Academic Publishes & Distributors Pvt. Ltd., Nepal.

..... (2004): *Financial Management*, Kathmandu,,: Budha Academic Publishers and Distributors Pvt. Ltd

Pradhan, Ram K. and Banjara, Him P. (2002): ‘*Sanakisan Sahakari Sanstha Limited Annandavan, Rupendehi Ko Antarik Srot Ko Nirmad Tatha Parichalan Sambandhi Bastusthiti Adhayan, Ashad-2059 (A Case Study on Domestic Financial Resources Collection and Mobilization in SFCL Rupendehi)*’, Kathmandu: ADBL

Pyakuryal, B. (2002): “*Establishing Link between Health and Poverty*” *Agricultural Credit Bi-Annual Journal*, Vol.34

Raut, D. (1999): ‘*Garib sanga Sambhabya Banking (Possible Banking for Poor)*’, Kathmandu: Graminprathisthan

- Regional Training Center Banke (2003): '*A Case Study on Financial Sustainability of Taratal, Bardiya*', Nepalganj: ADBL
- Regmi, Y. (2005): '*Modern Banking System of Nepal*', Kathmandu: Eagle Eye Research Institute (Pvt.) Limited
- Rhyne, E. (2003): "*Towards a Package of Saving Indicator*" - *The Micro-Banking Bulletin, World Bank*, Issue No. 9
- Robb, Caroline M. (2002): '*Can the poor influence policy? Participatory Poverty Assessments in the Developing World*', *The World Bank*, Washington: D.C.
- Roy, P. (2003): "*Micro-finance for Rural Poverty Reduction and Women's Empowerment: IFAD's Experience in Asia*" - *ADBN's 35 th Anniversary Special Publication*, Vol.10
- Rural Finance Nepal (2002): *A Preliminary Report on RUFIN/ ADBN/ SKBB/ Informal Symposium*, Kathmandu : RFN
- Sah, Jayasingh (2002): "*Target Participation in Social Mobilization Process in Nepal*" - *Agricultural Credit Bi-Annual Journal*, Vol.35
- Sainju, Mohan M. (2002): "*Interview on Rural Finance in Nepal*" - *ADBN's 35th Anniversary Special Publication Vol. 10*
- Shah, Devendra P. (2002): "*Interview on Micro-finance Development in Nepal*" - *ADBN's 35th Anniversary Special Publication*, Vol.10
- Shah, A. (2007): *Local Public Financial Management*, Washington D.C : The World Bank
- Sharma, S. (2001): '*Institutional Sustainability and Impact of Small Farmer Co-operatives limited*', Kathmandu: GTZ', Nepal.
- Shrestha, Bihari K. (1999): "*Small Farmers Development Program to Small Farmers Cooperative Limited: A Major Innovation in Sustainable Poverty Reduction at the Grassroots*" - *Agricultural Credit Bi-Annual Journal*, Vol.31
- Shrestha, Bijaya (2007): "*Microfinance: A Tool to Fight with Poverty*" - *Agricultural Credit Journal*, Vol. 40

- Shrestha, Ganesh K. (2002): *“Nepal Rastra Bank and Strengthening of Rural Financing System in Nepal” - ADBN's 35th Anniversary Special Publication*
- Shrestha, G. (2006): *Yan Sangraha (Law Document), Part –II*, Kathmandu : Parabi Prakasan , M. House, Singhdarbar
- Shrestha, Mahendra B. (2004): *“ A Case Study on Women Small Farmer Development Project, Motipur, Morang” Agricultural Credit Bi-Annual Journal*, Vol.37
- Shrestha, P. (2007): *Financial Performance of Microfinance Institutions with Special Reference to SFCL in Nepal*, A Ph.D. Dissertation, Kathmandu : Tribhuvan University.
- ..... (2004): *“Role of Agricultural Development Bank in Poverty through Microfinance and Social Mobilization Programs in Nepal” - Sudur Darpan (Publication of Far-western)*, Vol.2
- .....(2002): *“Micro-credit Development Program for Women Empowerment in Nepal” - ADBN's 35th Anniversary Publication*, Vol.10
- Shrestha, Prem B. (2002): *“Challenges of Management in Nepalese Micro-financing Institutions for their Sustainable Development, Microfinance Development in Nepal” - ADBN's 35th Anniversary Special Publication*, Vol.10
- Singh, Bishnu D. and Dhital, L. (2003): *Sanakisan Ayojanama Sahayogi Karyakarta Ko Prabhavkari Ak Baitik Adhyan (A Case Study on Impact of Facilitators on Small Farmers' Development Program)*, Nepalganj: Regional Training Center.Banke, Nepal
- Singh, Bishnu D. and Dhital, L. (2003): *Sanakisan Sahakari Sanstha Limited Gobardiha Ra Urahari Dang Ko Bastusthiti Adhayan (A Case Study on Small Farmers' Cooperative Limited Gobardiha and Urahari, Dang)*, Nepalgang: ADBN Regional Training Center, Banke

- Singh, Bishnu D. and Dhital, L. (2002): *Sanakisan Sahakari Sanstha Limited Ma Mahila Sahavagita Ra Yasko Prabhabkarita Samandhi Baitik Adthyan* (A Case Study on Women's Participation and their Impact in Small Farmers' Cooperative Limited), Nepalganj: Regional Training Center, Banke, Nepal
- SFDB (2003): *Annual Report for 2001/2002*, Kathmandu: SFDB
- ..... (2003): *'Lekha Niridesika (Account Directives)'*, Kathmandu: SFDB
- Small Farmers Development Center (1996): *'Institutional Development Program of Small Farmers Development Program'*, Kathmandu: ADBL
- ..... (1996): *'Small Farmer Development Program Two Decades of Crusade against Poverty'*, Kathmandu : ADBL
- ..... (1995): *'Sanakisan Bikas Sansthaगत Bikas Karyakram Karanoyan Niridesika-2051*, (Operational Guidelines of Institutional Development of Small Farmers' Development Program-1995)', Kathmandu: ADBL
- Staschen, S. (2001): *'Financial Technology of Small Farmer Cooperatives Ltd. (SFCLs) Products and Innovation'*, Kathmandu: GTZ, Nepal.
- Stiglitz, J. (2002): *Globalization and Its Discontents*, New Delhi India: Private Ltd. Penguin Group.
- Subedi, Badri R. (2003): *"Small Farmers' Cooperative Limited Dumarwana (DSFCL) An Innovation to Poverty Reduction" - Agricultural Credit Bi-Annual Journal*, Vol.36
- Suwal, P. (2002): *'Small Farmers' Tea Development Program* (Under Small Farmers' Cooperative Ltd. Prithivinagar, Jhapa)', Kathmandu : ADBL.
- Taschereau, S. (1998): *'Evaluating the Impact of Training and Institutional Development Programs A Collaborative Approach'*, Washington D.C.: The World Bank.

- Thakur, G. (2002): “*SFDP the Pioneer of Microfinance in Nepal*” - ADBN's 35th Anniversary Spacial publication, Vol. 10
- .....(2002): ‘*Sanakisan Sahakari Sanstha Limited Chhredeurali, Dhading Bat Sanchalit Mahila Sanakisan Bikas Ayojana-, Kewalpur Dhading Ko Bastusthiti Adhayan* ( A Case Study on Women SFCL of Kewalpur, Dhading promoted by SFCL Chhtredeurali, Dhading)’, Kathmandu: ADBL
- Thapa, Ganesh B. (2002): “*Interview on Rural Finance in Nepal*” - ADBN's 35th Anniversary Special Publication, Vol. 10
- Thapa, Babu K. (2003): “ *Impact of Institutional Development Program: A Case Study of Small Farmers' Cooperative Limited, Uttarganga, Surkhet*” Agricultural Credit Bi-Annual Journal, Vol.35
- Vyas, S.V. (1999): *Poverty Reduction in Developing Countries Experiences from Asia and Africa*, Institute of Development Studies, Jaipur India : Jaipur Rawat Publications
- Weber, Ben R. (2003): “*Activity-Based Costing and Savings*” *The MicroBanking Bulletin*, Washington DC 20006: World Bank, Issue No. 9
- Wehnert, U. (2002): “*Interview on Micro-finance Development in Nepal*” - ADBN's 35 th Anniversary Special Publication, Vol.10
- Wehnert, U. and Shakya, R. (2003): ‘*The Adverse Effects of the Insurgency on the Small Farmer Cooperatives Ltd. (SFCLs)*’, Kathmandu: GTZ, Nepal.
- ..... (2001): ‘*A Comprehensive Financial Analysis of 33 SFCLs*’, Kathmandu: GTZ, Nepal.
- ..... (2001): ‘*Are Small Farmer Co-operatives Ltd. (SFCLs) Viable Micro-finance Organizations*’, Kathmandu: GTZ, Nepal.
- Werrick, U. (2002): “*Interview on Rural Finance in Nepal*” - ADBN's 35th Anniversary Special Publication, Kathmandu: ADBL
- World Bank (2008): *World Development Report 2008 Agriculture for Development*, Washington D.C.: The World Bank



- .....(2004): *Making Services work for Poor People*, *World Development Report 2004*, Washington D.C. 20433: The World Bank
- ..... (2003): *Sustainable Development in a Dynamic World Transforming Institutions, Growth and Quality of Life*, *World Development Report 2003*, Washington D.C. 20433: The World Bank
- ..... (2002): *Building Institutions for Market*, *World Development Report 2002*, Washington D.C. 20433: The World Bank
- .....(2000): *Attacking Poverty*, *World Development Report 2000/2001*, Washington D.C. 20433:The World Bank

### **Websites:**

- i. Alam, Mohammed, N. "Institutionalization and Development of Saving habits Through Bai-Muajjal Mode of Islamic Banking Finance, Aug 2002  
<http://www.sanabelnetwork.org> (accessed on 28 January 2008)
- ii. Brands, A. Glas, M. Glesne, M.Wright,A.P. Zelalem,y. "Affordable Housing Cooperatives Condition and Prospects", June 2004,  
<http://www.uwcc.wisc.edu> (accessed on 13 January 2008)
- iii. [Carter. M and Waters, E. "Rethinking Rural Finance a Synthesis of the Paving the Way Forward for Rural Finance Confidence, March 2004" <http://www.ruralfinancenetwork.org/>](#) (accessed on 25 January 2008)
- iv. Eschborn, Delbert F. " Bank For Agricultural Cooperatives (BAAC) Thailand, Case Study  
<http://www.usaid.gov> (accessed on 25 January 2008)
- v. Elser, L. Hauning, A. Wisniwski, S. "Comparative Analysis of Saving Mobilization Strategies, 1999.  
<http://www.uncdt.org> (accessed on 27 January 2008)
- vi. Galor, Zvi. "The Member Owns His Cooperatives : Two Israeli Case Studies,1995,  
<http://www.copacava.org/> (accessed on 16 January 2008)
- vii. Groen, Ruth G. " Case Study in Donor Good Practices Success in Rural Savings : How Won Donor Leas the Way " A case Study of German Technical Cooperation (GTZ) in Collaboration with the Bank for Agriculture Cooperative in Thailand, April 2003.  
<http://www.cgap.org> (accessed on 26 January 2008)
- viii. <http://www.MicroSave.org> (accessed on 10 January 2008)

- xiii. <http://www.microfinancesummitnepal.org> (accessed on 24 January 2008)
- ix. Jacob, A. James. “Rural Business and Cooperative Development Service, Research Report, 1994, <http://www.rurdev.usda.gov> (accessed on 10 January, 2008)
- x. Kabuga, Charles. “Can Cooperative make a difference ?” 28 June,2000, <http://www.copac.coop/about/2000/> (accessed on 12 January, 2008)
- xi. Kotov, Igor. “New Generation Cooperatives Case Study, <http://www.usaskstudies.coop/NGCC/> (accessed on 14 January 2008)
- xii. Klaehn, J. "Paving the Way Forward for Rural Finance an International Conference on Best Practices, Case Study: Rural Financial Institutions: Saving Mobilization Adapting to the Challenges of Changing Financial Paradigms WOCCU's Saving Mobilization Programs in Latin America <http://www.basic.wisc.edu/rfc> (accessed on 26 January 2008)
- xiii. Mugwanga, E.A. "Use and Impact of Savings Services for Poor People in Kenya. Contribution to : Savings and the Poor the Methods Use and Impact of Savings by the Poor of East Africa, May 1999. <http://www.microsave.org> (accessed on 24 January 2008)
- xiv. Mutesasira, L. Sampangi, H. Hulme, D. Rutherford, S. and Wright, A. N. "Use and Impact of Saving Services Among the Poor in Uganda, Aug, 19998, ( accessed on 27 January 2008)
- xv. Mckee, J. G. Kenkel, P. Henahan, M. B. “Challenges in Measuring the Economic Impact of Cooperatives, 2006, <http://www.agecon.ksu.edu> ( accessed on 16 January 2008)
- xvi. Prakash, Daman. “Rural Women , Food Security and Agricultural Cooperatives , February 2003,

<http://www.uwcc.wisc.edu/info/intl/daman-japan.pdf>

(accessed on 23 January 2008)

- xvii. Sharma, Kailash C. "Sanchayeeta (saving) Daily deposit Scheme of Cuttack Urban Cooperative Bank  
<http://www.them&mi.org> (accessed on 26 January 2008)
- xviii. Stenius, E. "JAK – an Interest Free Bank Owned by its Members  
[www.european-microfinance.org/pays\\_en.php](http://www.european-microfinance.org/pays_en.php)  
(accessed on 26 January 2008)
- xix. Taylor, L. Peter. Poverty Alleviation Through Participation in Fair Trade Coffee Networks Synthesis a Case Study Research, Sep. 2000, <http://www.colostate.edu/> (accessed on 15 January 2008)
- xx. Uganda, Kampala. "A Study Report on Reform on Cooperative, 2004,  
<http://www.ulrc.go.ug/repandsandpubs/> (accessed on 22 January 2008)
- xxi. Valabogu, Ashok K. "Banking With the Poor Self Help Group Approach in India ,  
<http://www.microfinance.lu> (accessed on 28 January 2008)
- xxii. Weihe, Ted. "Cooperatives in Conflict and Failed State, June 2, 2004,  
<http://www.Zooinfo.com> (accessed on 11 January, 2008)
- xxiii. <http://www.worldbank.org>. (accessed on 24 January 2008)
- xxiv. Wilson, K. "The New Microfinance an Essay on the Self Help Group Movement in India  
<http://www.edarural.com> (accessed on 25 January 2008)