

ROLE OF CO-OPERATIVES IN CREDIT MOBILIZATION

(A case study of Co-operative society for Community Development saving &
Credit Ltd., Shankarnagar VDC of Rupandehi District)

**A PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF
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BY

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RECOMMENDATION

This is to certify that Ms Anjana Sharma has completed the Project report "**Role of Co-operatives in Credit mobilization**" (A Case Study of Co-operative Society for Community Development Saving and Credit Ltd., Shankarnagar VDC of Rupandehi District) under my supervision and guidance. I recommend this report for final approval and acceptance.

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ACRONYMS

ADB	Agricultural Development Bank
CBS	Central Bureau of Statistics
CDRD	Central Department of Rural Development
CDS	Central Department of Sociology
CSCDSC	Co-operative Society for Community Development
CTC	Co-operative Training Center
Exp.	Expenditure
F/Y	Fiscal Year
HHs	House hold
HMG/N	His Majesty Government/ Nepal
IBP	Intensive Banking Program
INGO	International Non- Governmental Organization
NCDB	National Co-operative Development Board
NEFSCUN	Nepal Federation of Savings and Credit Cooperative
NGO	Non- Governmental Organization
NPC	Nepal Planning Commission
NRB	Nepal Rastra Bank
PCRW	Production Credit for Rural Women Saving and Credit Ltd.
SFCL	Small Farmers Co-operative Limited
SFDP	Small Farmers Development Program Unions Ltd
VDC	Village Development Committee
WB	World Bank

CHAPTER-ONE

INTRODUCTION

1.1 Background

More than 85% of the populations of Nepal live in rural areas where poverty is wide spread. It is a known fact that agricultural is the main source of income in rural areas and low productivity of agriculture is very close. Until and unless the living standard of the people improved, there seems no possibility of development of Nepal. Therefore, it is necessary to find out the actual problems of rural areas and identify the possible solutions.

The people of Nepal especially of rural areas are far behind the development although Nepal is full of resources. These resources are not mobilized. It is observed that the credit device is an independent mechanism through which the available resources are mobilized. It is a well known fact that banks and financial intermediaries have their roles to play in mobilization and management of resources required for economic development. Finance is the key element for the modern process of production. Agriculture is the dominant sector of the Nepalese economy. Hence, agricultural finance plays an important role in overall economic development of the country. But the institutional finance that is available to agriculture is still limited. There are no financial institutions in rural areas to provide credit to rural people. In this context, Co-operative way is best way to tackle such adverse situation .Co-operative is suitable concept for Nepal and her condition and is also significant to achieve rapid socio-economic development.

In general sense cooperative means working together for some purpose, but in the general broad sense it is a form of organization engaged in economic activities and carries out management functions such as planning, organization, controlling and evaluating. Co-operatives provide vital health, housing and banking services; they promote education and gender equality (NCFN, 2003). Co-operative concerns its activities to uplift the socio-economic status of its members. A financial co-operative can meet credit demand for rural areas by borrowing from urban banks and financial institutions. Thus, Co-operatives are helpful to reduce poverty by increasing agricultural production and employment. Hence, Co-operative would be an alternative way to serve low- income groups in rural areas of Nepal.

1.2 Statement of the Problem

Agriculture and rural credit play very important role in poverty alleviation and is the creation of employment in the villages by promoting agricultural and other business. Lack of easy access to receive loan, inadequate institutional expansion, lack of security, excessive indirect expenditure to receive loan and high interest loan have been observed as the obstacles in the development of this sector.

Though programs like SEDP, IBP (Intensive banking program), and PCRW had made a positive impact on the access of poorer households to credit, (Nepal Rural Credit Review, 1994), Informal sources such as landlords moneylenders, grain merchants, leaders, and friends and relative are still dominant in rural financing. The popularity of informal sources of rural financing is due to two reasons. First, it is due to the non availability of institutional sources of credit in rural areas. The second reason is the availability of social related sources of credit in rural areas. But rural farmers are exploited by the loan at higher rate of interest in the village. Co-operative can free the farmers from such expensive loan. Co-operative provides fertilizers, seeds, tools, and goods of daily necessity at

reasonable prices. Cooperative encourage people for compulsory savings in agriculture and small business and increase the production and employment opportunities. They eliminate middleman and the render goods and services at cheap prices. Finally, uplift the economic status of the economically poor people. Cooperative represents the grass root level farming community significantly largest in the country. In fact, Co-operatives are essentially local level popular institutions whereby rural people and communities can help themselves through group actions, ideals of democratic participation in the process of decision making and self- help through mutual help.

1.3 Objectives of the Study

The general objective of this study is to assess the role of cooperatives in credit mobilization in the present context. Within the general objective, the paper has set the following specific objectives:

- ❖ To analyze the performance of the cooperative for rural financing and income generation.
- ❖ To find out the attitude of people to CSCDSC.
- ❖ To identify the financial strengths and weaknesses of the organizations.
- ❖ To suggest appropriate credit policies and programs for promoting rural financing.

1.4 Significance of the Study

This study will be helpful to the Co-operative department, Co-operative Development Board and Federation of National Co-operative Association. It also will be helpful to the Government, Banks and Research workers of the concerned field. Moreover, this study is very much fruitful for the Board of

Directors, managers, shareholders, debtors, creditors and consumers of Co-operatives.

CHAPTER-TWO

REVIEW OF LITERATURE

This chapter consist the existing literature and research related to the present study for the purpose of finding out what had already been explained and how the present research adds to this dimension. In this connection, conceptual aspect of Co-operative, important issues and development Co-operative under various planning period in Nepal, review of related thesis works and introduction of concerned Co-operative have been explained in this chapter.

2.1 Meaning & Definitions of Co-operatives

“Co-operative is to be understood as and association of persons based on mutual contract, which may be somehow registered with the state, and whose members have chosen the mutual goal of creating and enterprise with a democratic voting system, sharing also in the financial responsibilities and risks involved in the process.”(WB, 1979)

“Co-operative is only one aspect of a vast movement, which promotes voluntary associations of individuals having common needs who combine towards the achievement of common economic end.”-V.L. Mehta.

The International Co-operative Alliance’s meeting held at Manchester England in 1995 defined “A Co-operative is an autonomous economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.” (CTC, Sahakarita Ra Nepalma Yesko Bikas.)

Hence, from all above discussion we can come to conclusion that Co-operative is a form of organization of the economically weak people wherein

actual users of certain goods and services voluntarily associate together as human beings on the basis of equality for the promotion of their economic interest honestly. It is a volunteer association of individuals for the common objective. It exists on the basis of the principle that unity is strength, it involves a spirit of dedication and honest service, self help through mutual help is its motto, its prime objective is to serve its members at its level best so service is the first objective but it makes profit too for its existence. So, it is a business organization. It is regarded as midway between Capitalism and Socialism.

2.2 Principles of Co-operative

Generally, principles refer to the code of conduct that governs the life and activity of human beings. Similarly, Cooperative principles are the set of rules and regulations to regulate and govern the activities of Cooperative enterprise. Every economic system is based on certain fundamental principles. Broadly speaking, there have been three types of Cooperative systems which are based, more or less, on the same principles, but differ from each other in the mode of operation. The three systems are: (1) Rochadale system, (2) Raiffeisen system, and (3) Schulze - Delitzsch system. (T.N. Hajela, Cooperation Principles, Problems and Practice, P.5.)

The first system was concerned with consumer, the second with the farmers and the third with traders. The Rochadale pioneers laid emphasis on cash transactions, whereas Raiffeisen and Schulze - Delitzsch organized Cooperatives as credit organizations. Despite the operational difficulties of these systems, it is interesting to note that all types of Cooperatives have some philosophical basis.

The principles which have been commonly adopted all over the world are those which are laid down by Rochadale pioneers. These includes: (1) democratic control, (2) open membership, (3) limited interest on capital, (4) patronage

dividend, (5) cash trading, (6) political and religious neutrality; and (7) promotion of education. (Ibid)

The International Cooperative Alliance prescribed the following seven principles of cooperation. (CTC, 1995, p. 30-31)

1. Voluntary and Open Membership

It is a voluntary organization. There is a provision of free entry and free exit of the members which is set by Cooperative Acts. A Cooperative Society does not discriminate anyone on the basis of caste, creed, colour or political and religious beliefs. All members are treated equal as a principle of equality.

2. Democratic Control

In this respect, differences of wealth, caste, colour, or creed do not affect the status or position of individual members so far as organization and management of the society are concerned. All the members are eligible to participate in the policy making and decision making of the Cooperative organization. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. The democratic control of all Cooperative organization can be judged from: (a) the constitution of the society; and (b) equal voting rights.

3. Economic Participation

The entire members in the Cooperative have equal right to participate in the economic activities. They possess a common capital. A Cooperative organization makes provision for reserve fund, for Cooperative development i.e. dividend fund, patronage dividend fund, employees bonus fund, Cooperative education, loss

compensation fund etc. Therefore, the members of Cooperative have opportunities to participate in economic activities of the Cooperative organization.

4. Autonomous and Self Control

Cooperative organization is a self reliant, self help, mutual help and democratically controlled organization. To ensure this principle, the people are united, work together with their existing resources and reap the benefit. As Katre states, "self help through mutual help is the essence of cooperation", without this there is no genuine cooperation. It is free from direct government control.

5. Education, Training and Information

"Create cooperators before creating Cooperatives" is the watch word of Cooperative movement. Without education Cooperative would die. To enhance qualitative development of Cooperatives, It should provide Cooperative education, training and information, to the members based on Cooperative value, principles and techniques.

6. Cooperation among Cooperatives

The success of Cooperative largely depends upon their coordination and integration. Mutual understanding and interdependence among Cooperatives help the process of development of Cooperatives. it develops closeness, and affinity among them. Cooperative organization provides the service to members effectively. Cooperative is organized to each other to make the Cooperative mission strong at the local, regional, national and international sphere.

7. Concern to Society

Cooperative organization is concerned with the secure and sustainable development of the society. To ensure the development of the society Cooperative organization formulates the policy which helps the long term and continuous development of the society.

2.3 Historical Background

2.3.1 Global Perspective:

At the beginning of the 19th century, the idea of Cooperative was given by Robert Owen, a successful industrialist of Great Britain. The Reformist Robert Owen's ideas and principles have continued to inspire the cooperative movement. These principles are: (i) abolition of private profits, (ii) voluntary association, (iii) common ownership of the means of production, and (iv) the utilization of wealth of the community for increasing the happiness of mankind.(T.N. Hajela-p.63.- 6th addition)

After then Rochadale pioneers, the real founder of the modern Cooperative movement developed Cooperative society began by Rochadale pioneers is called "The consumer society". This was successful Cooperative society which was started later all over the Great Britain. Rochadale principles of Cooperative discussed in Cooperative literature through out the world are open membership, democratic control, distribution of surplus in proportion to purchase, limited interest in capital, religious and political neutrality, cash trading and promotion of education.(S.K.S. and et al., Agricultural Economics and Cooperation S.Chand R. Co., New Delhi, 1970-p.588)

Although there have been in existence hundreds of societies but the truth is that it was the Rochadale pioneers' society which achieves tremendous success and

put economic and social life of Britain on the road of continuous progress. The economic and social life of the pioneers did not rest on the successful running of Cooperative store, but also in founding a movement.

In 1919, the first Cooperative College in the world was established in Manchester. It is administered by the educational committee of the Cooperative Union and open for the students from all parts of the world.

After the achievement of Cooperative society was recognized, in 1944, the government of Great Britain decided that boys and girls must attend a country college after the learning school. Its main motto was to produce good Cooperative citizens within the Great Britain.

Likewise, the idea of Cooperative was suggested by two Germans at the time of Rochdale pioneers. They started their Cooperative work in Germany for improving the conditions of the poor peasants. But it was Friedrich Reuffeisen who successfully tried to help those poor peasants through Cooperative agricultural credit societies. The other Germany cooperator was Feiz-Suth Ulze-Dalitzch who opened the Cooperative Bank to help Germany people. There were little difference between these two German cooperators Raiffeiser's credit societies were suitable in village while other was suitable in town but both started their first Cooperative societies in 1849 and both were successful.

The successful Cooperative development in Germany and Britain inspired various countries. Then it was followed by other countries too. Other developed as well as developing countries felt that Cooperation might be one of best instruments for uplifting the rural poor, liberating them from the exploitation of landlords, moneylenders and millionaires.(T.N. Hajela- p. 43-44)

Mainly agricultural, horticultural and livestock types of Cooperative societies could be found in Canadian society. British Canadian Society of Nova Scotia is the only and greatest progressed Cooperative in Canada. (Ibid)

In Switzerland, one of the remarkable revolutions in the history of Swiss agriculture development had been possible through Cooperative. Swiss people realized Cooperative societies on the basis of their development at the grass root level. (Ibid)

Denmark is the homeland of agricultural cooperation in the world. The successful Cooperative development of England inspired the Cooperative development in Denmark too. Today, the Cooperative dairies occupy the front position in the Cooperative of Denmark. Denmark's Cooperatives is taken as good example in the world. (Ibid)

The Kibbutzim and the Moshavim are the speciality of the Jewish cooperative movement in Israel. In no other country in the world there are so many cooperatives in the form of Kibbuzims and Moshavims than in Israel. The Cooperative movement Israel is playing a pioneering role in the sense that is creating and fostering an economy. The absorption of large scale immigration and creating sources of employment for the new immigrants and finding out suitable place for their settlement is the responsibility of the cooperative movement and it has been furthering it to the best advantage of the Jewish community as a whole. The cooperative societies of Israel are highly developed in the world. (Ibid)

In India, all the five year plans have emphasized upon the role of agricultural Cooperatives in the sphere of economic development. India has a wide net work of agricultural Cooperatives in the field of credit and banking marketing and processing and production of fertilizers. Total numbers of primary agricultural cooperatives societies are nearly 90,000 which cover all the villages. Agro-

processing Cooperatives consisting of Cooperative sugar factories, Cooperative spinning mills, Cooperative oilseed processing units, fruits and vegetable. Cooperatives have been playing a major role in providing benefits of value addition to the farmers. Cooperatives sugar factories and Cooperative spinning mills and oilseed Cooperatives are having commanding position in the sphere of production sugar, cotton yarn and edible oils, respectively. Agricultural Cooperative Marketing Federation of India is a business organization and is involved in domestic as well as international marketing of agricultural produce. The present situation is that the agricultural Cooperatives are yet to respond effectively to the emerging challenges and opportunities of market economy and new economic reforms. (Shakari Prabaha, 2054/55- p. 28).

In fact a single person is nothing but very weak, helpless and incomplete to step ahead in the world of complexity and in the face of his or her numerous and complicated requirements. However, for the very existence of the prosperity, Cooperative is of prime importance to the mankind. Cooperative movement has become a clear reply to such dark aspects of capitalism as irrational economic inequality, rise in price due to the artificial storage of goods, inequitable distribution of goods and services, etc and safeguards mainly the interests of the poorer sections of the society. Thus, Cooperative has been accepted as a prime source of economic development of countries in the world.

2.3.2 Nepalese Perspective

In Nepal, cooperation is not a new concept. We are already familiar with the main theme of cooperative principle. Self-help, mutual help, cooperation among people is very old theme. It is developed with the development or along with development of human civilization.

"Getting together with a view to helping each other on social occasions, like marriage, Shradha and in performing agricultural operations such as ploughing, sowing, crop- protection, harvesting is a traditional way of doing things in the rural mountains and even the growing urban areas of Nepal." (Shinba Cooperative Development in Nepal, NCDC, 1965-p.1)

In Nepal, we have found our own type of Cooperative principle in earlier period. The different types of traditional Cooperative organization include "Dharma Bhakari", "Dhikuri", and "Parma". They still exist in the mountain villages. These forms of mutual cooperation and self- help shows that voluntary effort in respect of economic activities is not a foreign element to the Nepalese economic context. Similarly Manka Jaya, or Manka, Guthi are also ancient forms of cooperation. However, the Cooperative in a modern concept in Nepal is of a recent concept. Thus, various forms of informal cooperation (i.e. Dharma Bhakari, Dhikuri, Parma) were used in different parts of the country. We cannot say the actual time of its origin in Nepal. (Shrestha, Increasing Agricultural Production through Cooperative Action, 1978- p. 6)

The history of organized Co-operative in Nepal is of recent origin. Its history can only be traced back to about 46 years old. Formally, the history of Cooperative movement in Nepal was developed after the establishment of Cooperative department in the year 1953 under the Ministry of Agriculture for the promotion, supervision and evaluation of Co-operative societies. In 1954, Raptidun multipurpose programme came for the help of flood affected people which was fully Cooperative based plan in Chitwan district.

In 1956 the first plan (1956-61) was formulated which recognized that if the Co-operative movement is developed in the healthy and efficient manner, it would progressively abolish excessive indebtedness and contribute significantly in raising the living standard of the members of Co-operative societies.

The first elected government formed after the 1958 general election passed a Co-operative Act in 1959, which not only provided a sound legal basis for organizing Co-operatives, but also recognized all Co-operatives so far provisionally registered under an executive department of the government.

Subsequent to the political change of 1960, although Co-operatives were looked upon as a cornerstone of the national economy, there had been a conspicuous lack of coherent approaches to promoting the Co-operative movement. In general, the emphasis was on government control rather than on people's initiatives and participation.

For imparting necessary funds require for the promotion and conduct of Co-operatives, a Co-operative Bank was established in 1963. For providing the credit to Co-operatives as well as agro-business or industries, Co-operative Bank was converted into Agricultural Development Bank in 1967. Agricultural Development Bank was considered as a specialized bank for providing credit to Co-operatives, individuals, agro-business, marketing etc. Later, Co-operative Training Center was established in order to provide training on Co-operative within the country. In 1976, all the Co-operative societies converted into Sajha institution for providing basic facilities like agricultural credit, agricultural inputs and consumer's goods to individual peasants. The objectives of Sajha institution were set as supply of daily necessary consumer's goods. supply of improved seeds, implements, pesticides and fertilizers, purchase of agricultural production and make necessary arrangements for storage, mobilize savings by establishing banking facilities in rural areas, and providing raw materials, credit to developing cottage industries and providing loans for consumption to the rural peasants. As a result, all the Co-operative and village committees were converted into Sajha institution in Nepal. (Dr. R.R. Soh, NCDB, 2051- p. 17-18)

Despite the long experience in the formation of multi-purpose societies the position of the Cooperatives did not improve upto desired level. Many Co-operative societies remained multi-purpose only in name. Almost all the Cooperative societies had dearth of capital and poor volume of business. Seventh Plan progress reports reveal that even Agricultural Development Bank did not provide credit to Co-operative societies sufficiently. It is due to the lack of Co-ordination between the two. The historical development of cooperative societies did not inspire confidence in the villagers, and no progress was therefore, made in providing credit as well as collecting deposits in rural areas.

Soon after the reinstatement of democracy in 1990, a high level National Cooperative confederation advisory committee was formed by the interim government. The committee made on an in-depth analysis of the problems faced by Co-operative movement and laid emphasis on the need for promoting Co-operatives in line with Co-operative principles and democratic values. The committee's report was studied by the government and subsequently, National Cooperative Development Board (NCDB) was formed for working out a new legislation as well as policy guidelines and for creating the necessary foundation for reorienting the Cooperative movement.

As a result, a new Co-operative Act was promulgated in 1992. The new legislation recognized the democratic character of Co-operative movement, ensue the operational autonomy of Co-operatives and defined the role of Department of Co-operatives in a transparent way.

The Act provides for the organization of various types of Co-operative societies and unions as deemed necessary by the people. The procedures for registering Co-operatives have also been simplified.

Likewise, the Eighth Plan (1992-97) has recognized the role of Co-operatives in the process of nation building and state policy measures to foster Co-operatives. Now the emphasis is on people's participation rather than government initiatives, on autonomy rather than officialization and on control 'from within' rather than 'from outside'. (HMG, 8th Plan, NPC)

Within in the general framework of liberal economic policies, the government has pursued a policy of promoting Co-operatives to meet the competitive challenges from other sectors. For instance, Co-operatives have been exempted from certain taxes. This has enabled Cooperatives to plough back their earnings and broaden their capital base.

In addition, a National Co-operative Development Board (NCDB) has been set up at national level. The board, which has representatives of the government as well as the Co-operative movement on its executive committee, is given the mandate to recommend policy reforms, operate the 'Co-operative Development Fund' and extend the necessary technical assistance to Co-operatives.

Thus, after the enactment of new Co-operative Act in 1992 there has been a phenomenal increase in the number of Co-operative societies. However, disbursement of agricultural credit both short term as well as long term has been one of the most important activities of rural Co-operatives. These activities are often performed by societies as agents of the higher tier of Co-operatives. Margin on such business, whether it is credit refinanced from commercial banks or the sale of essential commodities under the public distribution system, is so nominal or in some cases even negative that primary societies have to incur losses, resulting in their non-viability. This has also led to total dependence of Co-operatives on higher tier and government subsidies. But the main issue here is that 'how the majority of people who have low income, savings, investment and low level of living can be stepped up in such a circumstances'. The fair answer is that

Co-operation is only way out to remove all the ills in the economy. Co-operation is a crucial factor for economic, social and political betterment of the majority of people in Nepal. Following table will clearly reveal the transactions performed by Co-operatives during various planning period.

Table no.1

Cooperative societies and of its transaction during various Planning Period

Palanning period	Total Cooperatives	No. of members	8 share capital	Selling agricultural inputs	Loan received	Loan returned	Loan investment	Payment of loan
1 st Plan	581	15882	486756	-	989000	-	989000	-
2 nd Plan	1123	29798	1663323	-	2782000	790757	2782000	2172200
3 rd Plan	1489	71163	2725609	-	19900000	14609171	19900000	14609171
4 th Plan	251	71431	2661545	57457429	83616047	43970726	46338004	22827040
5 th Plan	711	11937651	136098472	99183246	477005980	346133853	286455563	157914434
6 th Plan	719	1435760	147851000	209540452	544538000	419236000	340348000	222990000
7 th Plan	916	1449000	149045000	423723000	173224000	150463000	105090000	108543000
8 th Plan	3792	1050164	324741892	487486522	112663683	79157234	168107379	136444306

Source: Cooperative Department (Planning Section)

Above table clearly reveals that number of Co-operative has been increasing up to the third plan. Then it shows a declining trend till the seventh plan. In eighth plan total Co-operative increased enormously by 4014 times. As compare with the earlier plan period whereas it is decreased at the eighth plan by 1.38 times. The prime reasons for the decreasing trend of membership could be attributed to the low belief of people towards Co-operative, enactment of new Co-operative Act and Regulation, and formation of Co-operative with the minimum requirement prescribed by Co-operative Act 2048.

Likewise, share capital of Co-operative has an increasing trend upto the 3rd plan and slightly decreased (by 2.35%) at the end of Fourth Plan. Thereafter, share capital has enormously increased due to establishment of Sajha societies (i.e. Sajha Transportation, Sajha health service and Sajha Publication etc.). Now at the

end of eighth plan share capital of Co-operative societies have increased by 111.88%. In the same plan number of Credit and Saving Co-operative, Diary Co-operative and Consumer Co-operative have been established with higher capital investment. Selling of agricultural inputs is always increasing from the beginning.

Loan received by Co-operatives also increased till the Sixth Plan and decreased thereafter. Liquidation of Co-operatives who were running at loss, and non-advancement of loans by Agricultural Development Bank due to delayed payments by the cooperatives were the major reasons for the decreasing trend. This is justified by the fact that the positions of repayment of loan have recorded simultaneous increasing upto Sixth Plan and decreasing afterwards.

The investment made by Co-operative clearly indicates that it has an increasing trend upto sixth plan and decreased in the seventh plan. In the eighth plan it is increased by 59.97%. AS such the positions of loan repayment of Co-operative have recorded increasing except the seventh plan. The position has increased by 25.71% at the end of eighth plan.

In brief, in the eighth plan Co-operative societies are in an increasing trend. Although, by the analysis of the historical development of Co-operative, se did not get remarkable progress during the first plan to eight plan.

2.4 Types of Cooperative societies

All the cooperatives are not uniform. They differ from one another according to their size, area of operation etc. There are two types of cooperative societies such as cooperative credit societies and cooperative non-credit societies. Cooperative credit societies are further classified into agricultural credit societies and non-agricultural credit societies. Further non-credit societies are classified into

agricultural non-credit societies. The structure of the cooperative societies is shown in the form of a chart.

Figure no. 1: Structure of the Co-operative societies

The non- agricultural credit societies are formed in the urban are similar to the agricultural credit societies in the rural areas. Urban banks, life insurance societies, salary earner's societies, fisherman's societies, consumer's cooperative societies, industrial cooperative societies and cooperative housing societies are the prominent non-agricultural credit societies.

Agricultural non-credit societies include cooperative purchase and sale societies, cooperative marketing societies, consolidation of holding societies, better farming societies, cooperative irrigation societies, cattle insurance societies for land reclamation, crop protection, cattle breeding, cooperative farming societies and cooperative better living societies etc. Similarly, non-agricultural non-credit societies include: (1) Consumer's Cooperative Societies (2) Producer's

Cooperative Processing Societies, (3) Cooperative Farming Societies, (4) Cooperative Processing Societies, (5) Cooperative Marketing Societies (6) Industrial Cooperatives, (7) Dairy Cooperatives, and (8) Urban Cooperative Banks etc.

In Nepal we have found various types of Cooperatives that are as follows:

1. Multipurpose Cooperative Societies

The most important class of cooperatives which has emerged in the past is that of multipurpose cooperatives. The main cause for their emergence is due to the inefficiency of credit societies in the country. It has been realized that finance is only one of the problem facing the rural life of the country. Multipurpose societies extend their services through different channels in different fields and their aim is an all round economic development. These societies induce their members to (a) sell their product cooperatively, (b) ensure growth of improved varieties of crops by purchasing seeds for their members, (c) make arrangements for purchasing of seeds jointly and at profitable rates, (d) consolidate agricultural holdings and supply of good seeds and improved implements, (e) supplement the income of their members by inducing them to take to subsidiary industries, (f) try to remove in sanitary habits and provide medical relief, and so on.

As the multipurpose societies make an effort to solve the economic problems of the rural areas, it can be said that these societies are the best for improving the economic condition of peasants. In addition to the various activities already referred above, these societies extend credit facilities, too, to their members.

At present (according to progress report of Cooperative Department for the FY 2053/54) there are 1802 multipurpose Cooperative societies. It is hoped that in

due course of time these societies will be soundly organized and will pave the way for socio economic development of the areas where they are situated.

2. Cottages Industrial Societies

In a developing country like Nepal, cottage and small scale industries need special attention. These industries if developed will increase the income of the farmers as they can be engaged in these industries during their leisure periods. The problem of unemployment and underemployment can be solved to a great extent if these industries are properly organized and developed. During the First Five year plan period eighteen industrial cooperative were established. Twenty-one such societies were established during the Three-year Plan period. (Report of Cooperative Department, 1996)

Cottage Industrial Cooperatives are being organized in different parts of the country including Tansen, Dhankuta, Ilam, Patan, Banepa, Birganj and Pokhara.

These industrial cooperatives are organized for cloth-weaving, curio-making, brick manufacturing, furniture manufacturing etc. These societies are however faced some handicaps. Absence of cooperative retail shops for the sale of products of these industries, non-availability raw materials in time, lack of modern equipment etc. are some of these handicaps. As these cooperatives can play a very great role in the industrial development of the country, the handicaps facing them should be removed as early as possible.

3. Consumers' Cooperatives

The importance of consumer's cooperatives needs no explanation in Nepalese economy. Malpractices relating to sales, under weighing, adulteration of foodstuffs etc. are very common and widespread in the country. Means of transport and distribution facilities are also almost nil in the rural areas of the

country. In such situation consumer's cooperatives could be the best media for regular supply of essential consumer goods. The price of imported commodities and goods are artificially boosted up big private profiteers. A central agency for the supply of these goods in every district is of paramount importance.

Besides the topographic features, a number of other factors have also been responsible for the slow growth of consumer's cooperation. In the absence of central agency for the supply of consumption goods, even the consumers' stores engaged in retail trade are dependent on private wholesalers. Absence of trained personnel in the management of consumer's stores is another limiting factor. The barter system prevailing in the rural and hilly areas is another reason for slow growth of consumer's cooperation. The traditional loyalty of consumers to the same shop is also another reason for the slow progress in consumers' cooperation. In spite of all these difficulties, HMG of Nepal are paying increasing attention to the task of healthy cooperative development with due emphasis on consumer's cooperatives. During the first Five-year plan period, twelve consumer's cooperatives were registered and now two hundred fifty two societies were established during the Eight Planning period. (Progress Report of Cooperative Department)

4. Cooperative Marketing Societies

Marketing cooperatives have contributed much to the development of agriculture in many countries. Now, agricultural producers in the rural areas are exploited by private profiteers. The functions of marketing cooperatives and farmers will be encouraged to produce more when they get better prices for their products. Lack of transport facilities and scarcity of capital have limited the growth of these cooperatives in Nepal. Absence of trained persons to run these types of cooperatives is another important defect. The societies which are engaged in marketing activities are suffering from the shortage of proper go down facilities.

5. Milk Producers' Societies (Diary Cooperatives)

Most of the parts of the country being mountainous, there is ample scope for dairy and poultry farming societies. There is a great demand for dairy-poultry products. The growing demand for these products could be met if cooperatives could be organized in this sector. There is ample scope even for exporting dairy products if well organized. These societies will help a lot in boosting up the economy of the country. The importance of Dairy Cooperatives in an agricultural country like Nepal needs no justification. There is ample scope for cooperatives dairies. Dairy cooperatives are great hopes in the rural areas. At the end of Eight-plan, seven hundred ninety dairy cooperatives were involved in this sector.

6. Transport Cooperative Society

The Sajha Transport Cooperative came into existence in 1962. It has contributed much to the improvement of transport system in Nepal. However, it should be noted that society is facing increasing competition from private bus owners. Efforts should be made in time for the healthy growth of this society.

7. Health Cooperatives

Health Cooperative mainly engaged in the supply of medicines. Mainly it is situated in the center of Kathmandu. The society is supplying medicines at cheaper rates. It is hoped that later on the society will enter the field of manufacturing medicines.

8. Credit and Saving Cooperatives

The growing importance of credit and saving cooperatives needs no explanation in Nepalese economy. This society is gaining more and more strength. After the enactment of cooperative Act 2048, number of Credit and Saving

Cooperatives are increasing day by day. According to the progress report of Cooperative Department for the FY 2053/54 there are five hundred seventy nine registered Saving and Credit Cooperatives. Out of them, 29 cooperative societies obtained the license from Nepal Rastra Bank (NRB) with limited banking transaction. Therefore, credit and saving cooperative could play an effective role in the cooperative development.

9. Other Cooperatives

There are two hundred eighty four other cooperatives of different kinds such as poultry farming societies, women's cooperatives etc. No remarkable achievements have been reported in case of these cooperatives.

2.5 Major Cooperative Movement in Nepal

The major events of Cooperative movement have been summarized as follows:

2010 (1953):

1. Setup cooperative Department under Ministry of plan Development and Agriculture.

2013(1956):

1. Issue of executive order for the legal recognition of cooperative societies by the government.
2. Firstly, formation of loan cooperative society in Chitwan district.

2016(1959):

1. Cooperative Department transferred under the Ministry of Food, Agriculture and Forest.
2. Issue of Cooperative Act 2016.

2018(1961):

1. Issue of Cooperative Regulation 2018.

2. First Amendment of Cooperative Act. 2016.
3. Establishment of Cooperative Development fund.
4. Establishment of Sajha Sanstha Ltd.

2019(1962):

1. Establishment of Cooperative Training Centre (CTC).
2. Establishment of Cooperative Exchange and Loan Association.
3. Issue of Cooperative Bank Act 2019.
4. Cooperative Department transferred under the Ministry of Panchayat.

2020(1963):

1. Establishment of Cooperative Bank.
2. Cooperative section kept under the District Panchayat.

2021(1964):

1. Beginning of Agriculture reorganization program.

2023(1966):

1. Cooperative Department has been transferred under the Ministry of Land-reform, Agriculture and Food.

2024(1967):

1. Formation of Central investigation Committee for Cooperatives.
2. Cooperative Bank transferred/amalgamated into Agricultural Development Bank.

2026(1969):

1. Cooperative Department has been transferred under the Ministry of Land Reform.
2. Operation of Coordinative Agriculture Development.
3. At first, compulsory saving (Anibarya Bachat) converted into share of cooperative societies Bhaktpur.
4. Cooperative Exchange and Loan Association changed into District Cooperative Association.

2027(1979):

1. Second amendment in Cooperative Act 2016.
2. Arrangement of central and District Cooperative Improvement Committee.
3. The management of cooperative societies transferred to the Agricultural Development Bank.

2028(1971):

1. First Amendment in Cooperative Regulation 2018.

2029(1972):

1. Operation of Regular Sajha programe.

2033(1976):

1. Beginning of population education through Sajha.
2. Occurrence of Central Sajha Development Committee.
3. Second Amendment on Cooperative Regulation 2018.
4. Compulsory saving converted into the share of Sajha.

2034(1977):

1. Fiscal Regulation 2034 issued for the Sajha society management.

2035(1978):

1. Management of cooperatives again transferred operating committee from ADB/N.
2. Issue of fiscal and administrative regulation for cooperatives.
3. Emphasis upon Sajha societies' Qualitative improvement rather than Quantitative improvement.

2041(1984):

1. Issue of Sajha Society Act 2041.

2043(1986):

1. National Sajha Seminar conducted.
2. Issue of Sajha Society Regulation 2043.
3. Cooperative Department changed into Sajha Development Department.
4. Cooperative Training Centre changed into Sajha Development Training Centre.

5. Regional Cooperative office changed into Regional Sajha Development Office.
6. Cooperative Branch changed into Sajha Development Branch.

2044(1987):

1. 17-members high level central coordination committee formed for the effective development of Sajha movement.
2. Sajha Development Department transferred under the Ministry of Agriculture.

2045(1988):

1. Announcement of return of compulsory savings to the savers.

2046(1989):

1. Formation of Adhoc Committee for the formation of Central Sajha society.

2047(1990):

1. Formation of 7 members' central Cooperative general association consulting committee and the committee submitted its report.
2. Seminar conducted on national Cooperative Development.

2048(1991):

1. Sajha, central office dissolved.
2. 11 members National Cooperative Development Board established.

2049(1992):

1. Issued Cooperative Act 2048.
2. Formation of District Coordination Committee and Cooperative adhoc Committee.
3. Sajha Training Centre transferred into Cooperative Department.
4. Sajha Training Centre transferred into Cooperative training Centre.
5. Regional Sajha Development Branch changed into regional Cooperative office.

2050(1993):

1. Issued Cooperative society regulation 2049.
2. Elections have been conducted in nation wide of Cooperative organizations.
3. Formation of National Cooperative Federation.
4. Establishment of Central Cooperative Federation.

5. Establishment of National Saving and Credit Cooperative Federation.
6. Establishment of Nepal Federation of Savings and Credit Cooperative Unions Ltd. (NEFSCUN).
7. Establishment of Central Dairy Cooperative Federation.
8. Consumer and Saving and Credit Cooperative Societies are establishment at the large scale all over the country.

Thus, above list of development activities during the 46 years towards cooperative movement visualize that there is a high variation in the management of cooperative organization. The management of Cooperative has been changed time to time according to the changed political system of the country. Therefore, high level of ups and down of the cooperative management stands as the main cause of slow development in cooperative history. Sometimes its management goes under the control of Ministry of Food, sometimes to the Ministry of Land-Reform, sometimes to the ADB/ Nepal and now it comes under the control of Ministry of Agriculture. Even though the Nepalese government assigned the top priority towards cooperative development, it has not been able to progress as expected.

The restoration of democracy in 1990 brought changes in the sphere of cooperative movement in Nepal. It offered great expectation for the socio-economic development of the majority people. But it must be geared towards new direction with new orientation. In Nepal, cooperative concept must be changed from the old concept of cooperative like Guthi, Parma, Bhakari, Makajya, etc. Newest philosophy of cooperative management has changed the cooperative organization as a business organization. At the same time, there also exists competition between cooperative and other forms of business organization. Cooperative business organization must earn reasonable profit to stand in the competitive business environment as well as satisfy its social objective. Moral

objectives, social objectives, service to the members, good quality, cheap pricing, reasonable profit, cooperative principle itself are the major challenges for cooperative business organization to maintain its philosophy and for the long run existence in the competitive market.

2.6 Current Issues of Cooperative

The current issues of cooperatives are as follows:

1. Structural Reforms

In order to make cooperatives competitive and free from government control, some of the cooperators have started for advocating conversion of cooperatives into Cooperative companies just on the lines of the joint stock companies. The question is whether change of Cooperatives into a Cooperative company would be in a position to achieve the objectives and philosophy of Cooperatives. As a experience in other countries shows, such steps had subsequently placed cooperatives in the hand of private sector who bought them over. Mere incorporation of principles of cooperation in the articles of association and memorandum of association as prescribed under company law would not be a guarantee to maintain cooperative character. There is every possibility that over a period of time, these so called cooperative companies would be totally divested of cooperative character and would lose their identity in the vast multitude of private sector enterprises. Therefore, it is strongly felt while discussing structural reforms, cooperative content should be focus of our attention.

2. Membership and Leadership

The success of Cooperative enterprise depends on loyalty of their membership based on commercial benefits and harmonious relationship between members the elected leaders. The changed scenario would call for complete restructuring of Cooperative unions if they want to play a very effective role to safe guard the interests of Cooperatives.

3. Managerial Reforms

Confusion prevails regarding relationship between the chief executive and the elected chairman and the board. Cooperative had to involve their pattern of professionalization of management suiting to their needs and ideology. With a view to ensuring harmonious relations between the chief executive, chairman and the elected board and to have clear cut demarcation of the functions and responsibilities among various organs of management, there is a need to evolve a suitable mechanism at the cooperative enterprise level. In a number of cooperative institution of the west, two board system exists; Board of directors which confines itself to goal setting, policy formulation, review and evaluation and appointment of chief executive; and executive board headed by the chief executive and consisting of heads of functional divisions within the enterprise having full powers of implementation of the policies and goals as set out by the elected board of directors.

4. Resources Mobilization

The Cooperative broadly, raise their funds from the following sources as: (i) members, (ii) capital market operations, (iii) money market operations, (iv) borrowings from government, (v) borrowings form banks and financial institutions, (vi) inter institutional borrowings, (vii) borrowings from international financial institutions, (viii) share capital and reserves, and (ix) deposits.

However, major sources of their funds are equity contributed by the government and the members; borrowings from the members and tradable and listed in stock exchange. In this regard, some innovative system and measures need to be evolved to enable cooperatives to mobilize their resources from capital market.

5. Rehabilitation of Weak Cooperative

Cooperative sector more or less remains outside the ambit of these rehabilitation measures of government. It is, therefore, necessary that the government amends its policies such a way as well as enable cooperatives to restructure and reconstruct themselves. It is for consideration if some of institutional framework for identifying the cooperative units for rehabilitation; drawing up a plan of action and ensuring its implementation could be set up in every state for which specific resource support be provided by the government.

6. Trade and Technology

In the changed scenario benefit of trade and technology are generally going to private sector. Neither cooperatives are enthusiastic and responsive towards mobilization of benefits of trade and technology flow nor does government pay any attention toward this aspect. Most of the foreign collaborations in different fields are in the private sector. The national Cooperative Federations, therefore, should identify the needs of their sector and prepare an action program for its implementation. There is also a need for establishing international cooperative trade promotion organization within the cooperative sector. The parastatal organizations created by the government to support agricultural cooperatives can play a very important role in this regard.

7. Government Support

Government support, in the sense that it should create a conducive environment by providing level playing field to cooperative legislative framework should be immediately reshaped and readapted. Secondly, the benefits of the specific schemes which have been formulated by the government for strengthening the public and private sector's enterprises should also go to Cooperative enterprises.

8. Sectoral Strategies

Sectoral strategies for positioning of different segment of agricultural Cooperatives need to be based on the approach to agricultural development enunciated in the national policies. The efforts should be made to prompt cooperatives to pass the transition from the government oriented functioning to the stage of free and autonomous competitive business enterprise.

The emerging challenges of cooperatives in the coming times are as under.

- a. Challenge of competition.
- b. Challenge of exploiting opportunities.
- c. Challenge of withdrawal of governmental support and assistance.
- d. Challenge of infrastructure.

Thus, above stated constraints and challenges handicapped the cooperative societies. The main consequences of the failure of Cooperative movement in Nepal can be taken as lack of relevant, accurate, timely, and cost effective information and accounting system. Therefore, this study is not far from stated these constraints and challenges.

To face these challenges cooperatives have to reorient and readapt their structure, functioning and management. There should be a well conceived action program which should provide specific guide points to cooperatives in the areas of professionalism and efficiency, induction of modern technology; systematic

functioning through effective inter-play of inter-cooperative relationships; mobilization of resources and enhancing participation of members in the decision making process and reducing dependence on government assistance. Within these parameters action program should be prepared at the level of Government and Cooperatives both at macro and micro levels of cooperative system.

2.7 Credit Co-operatives- main Thrust:

In most Asian countries the colonial governments had considered Co-operatives as a suitable agency to provide credit to the forming community. Because of the common problem of agricultural indebtedness, and absence of industrial financing of agriculturist, the governments in Asia, unlike the European countries where noncredit activities became more prominent in the Co-operative movement pioneered agricultural credit Co-operatives. There was growing unrest among the indebted farmers and landless labor. It was politically essential to take steps to convince the people that the governments were aware of the problems and were in search of the problems and were in search of its solution. The reasons for sponsoring credit Co-operatives thus were both economic and political. The success of Co-operative in Europe in the field of agricultural and non-agricultural fields was well demonstrated, which could be adopted elsewhere. This was one of the factors which led to the introduction of Co-operatives in the Asian countries.

2.8 Resume of the Earlier Studies:

Prior to this study, a few research studies were conducted. These covered financial aspects of the cooperative societies and its analysis. They lay general emphasis on financial performance of the societies, virtually lacking micro level analysis. The present study concerns the role of cooperatives in credit mobilization.

CTC, 2055 conducted study about various types of nine Cooperatives and observed four different types of Cooperatives. The main objective of the study was to make the base for monitoring and evaluation the primary cooperative societies and promoting the capacity of working performance of cooperatives. The study came to the conclusion that: (CTC, 2055, - p. 41-53).

(1) Absence of clear vision existed within the cooperative societies. The study has found the absence of business oriented thought in the rural areas, absence of business oriented thought in majority of the members, failure to replace the political thought by business oriented thought in the leadership of the societies and majority of the members do not know the cooperative as a business organization.

(2) Organizational structure is an important factor which has not been found within the cooperatives.

(3) Internal control system is unable to make the exact direction of cooperative business which is great weakness of the cooperatives.

(4) The vision and programs of the cooperative cannot be seen to enter in the market by modernizing the business occupation of the members.

(5) Financial management aspect has been found to be weak.

(6) The capacity, ability and condition of employees plays crucial role for the success of cooperatives which have been found very weak in the cooperative organizations.

(7) External inter linkage is found to be limited due to limited vision, objectives and programs.

(8) In the context of technology adoption, only few cooperatives have succeeded to mobilize their little savings but more societies have been found in an unproductive situation due to its incapability to invest the collected savings. The organization is only limited to fulfill the loan need of members rather than to make the program for improving the business capacity.

(9) Majority of the cooperative organizations are conducted with traditional thought and concept. It cannot be convinced to the members that the cooperatives have been established to make a business by member themselves for the benefit of the members.

Pant and Jain have stressed some reasons of failure cooperative in our country in their book entitled Agricultural Development in Nepal. The main reasons outlined by them are (1) inadequacy of fund, (2) in adequacy of trained staff and defects in organization, (3) dearth of sound and reliable workers (4) want of confidence in the cooperative movement, (5) Unsatisfactory working of the cooperative institutions at some places (6) want of cooperation from the rich and well to do people, (7) deficit nature of agriculture and illiteracy among cultivators. Likewise, after the reestablishment of democracy a National-cooperative Federation Consultative Committee has been formed and the committee has conducted a study to have an exact situation of the cooperative in the country. The study was conducted for the period of 8 years from 1982/83 to 1990 (NCFCC). The report shows that though the numbers of members have been increased, the percentage of the societies making profit is in a decreasing trend. Out of 673 societies in 1982/83; 65.1 percent societies were operating at profit. But the number of societies making profits decreased to 48.8 (out of 721 societies) in 1987/88. The report shows an increasing indebtedness, the amount to be paid to ADB/N increases to Rs. 40,93,16,000/- in 1989/90 from Rs. 19,15,64,000/- in 1982/83. The report shows a poor condition of cooperative movement in Nepal.

But it has not analyzed the financial performance of the societies using the financial tools, such as, financial statement analysis and ratio analysis, rather the committee has attempted together the information to have an overall bird's eye view of the cooperative movement. (Panta & Jain, Agricultural Development in Nepal, Bombay, 1968, - p. 198)

In 1991, to facilitate in making infrastructures for the recruitment and promotion of cooperative movement in the country, the government formed a 11 member Cooperative Development Board. The Board conducted a thorough study on the indebtedness of the Cooperative societies. For this purpose, a district level committee has been formed in each district to have thorough study of debt. The study found that the cooperative societies are suffering from high indebtedness of ADB/N. By the end of FY 2047/48 amount due by various cooperatives stood at Rs. 248593000, the principal being Rs. 18,27,13,000 and interest Rs.658,80000 (CD, A government circulated, 2049). The situation is that most of the societies are almost closed; the salaries of the staff are due for a long time. The committee also suggested government to subsidize as it is not possible to collect such as amount. The study focuses itself only on the debt of the Cooperatives. However, our study focuses on the role of cooperative on credit mobilization.

A study entitled 'why do cooperatives fail?' was conducted by CTC. The findings of the study are as follow: (CTC, 2055)

1. Program structure is the basic drive for the cooperative success. It includes: (i) opportunity based on necessity, (ii) creativeness, and (iii) integrity.

2. Organizational structure visualizes the group activities of the organization. So it can not be negligible factor for the cooperative success. In this respect, we can classify it into three different parts.

- i. Communication must flow to all related parties i.e. for the ordinary members, Board Committee, Accounting Committee, management and employees etc.
- ii. Participation of members must be an essential factor for the cooperative success. It is needed for chalking out the program, for implementation and for decision making etc.
- iii. Business vision: long term business vision could be prominent element for cooperative success.

3. Internal resource mobilization contributes for the cooperative success. It includes: (i) motivation to the members for the collection of capital and to mobilize the fund, (ii) equal sacrifice of cooperative members is essential, and (iii) continuous contribution of members is essential.

4. Member service is the prime objective of the society. Cooperative organization is of the members, for the members, by the members. Following points can be taken as: (i) the organization should undertake studies for reforms at the level of member service, (ii) cooperative members must get special service in comparison to the non-members, and (iii) equal distribution of service is also a crucial element for the cooperative success.

Thus, above listed four important distinct factors could lead the cooperative organization in the ladder of success which has been found under the study.

An article by Gosh entitled "Towards Cooperative Development" lists that Cooperative Education and training, Project Design and Technology, Business Planning and Strategy, Management and Efficiency, Need Based Services, Environment and Coordination, Communication and Awareness as the critical requirements for the success of cooperatives. The article is too general, and does not focus on any specific aspect of cooperative.

A study undertaken by B.P Subedi, 1991, on the Accounting Information system of cooperative of Nepal¹. The study highlights the working of the accounting systems of the cooperatives, their defects and difficulties, and suggests the measures for improvements. The sources or funds in the societies consisted mainly of; (i) loans from Agricultural Development Bank, (ii) saving and deposits of the members, and (iii) grants and subsidies from the government. But most of them are not in a position to provide goods and services to the people. Most of them are under the unbearable and almost inescapable loads of bank loans and are always looking for the grants from the government. But government has not come forward for assistance.

Instead of being an aid to the very uneasy economic situation of this poorest country by helping the poverty stricken people in different ways according to the universal principles of the cooperative movement, the cooperatives themselves are being the burden to the country. Nearly seventy percent of the societies are running at loss. Apart from such important factors like very little commissions of the AIC and NFC, misleading directions, mismanagement, lack of support from government, unnecessary pressure from politician, lack of relevant, accurate, timely, understandable accounting information system of the societies themselves are the responsible causes of the failure of cooperative institutions of Nepal. The study has suggested for removal of the numerous problems of the cooperative development of the country, and for paying due attention to developmental activities and controlling the existing irregularities and weaknesses by establishing a sound accounting information system. The study revealed that the major problems faced by cooperatives are lack of systematic, scientific, complete and comprehensive system of collecting, processing, storing, producing and communicating the data and information etc. Such numerous problem of the

¹ Bishwa Prakash Subedi. "A study on the Accounting Information System of Cooperatives of Nepal...", An Unpublished Masters' Level Dissertation Submitted to T.U. 1991.

cooperative of our country are not properly identified yet by the concerned and interested parties and people in general. No productive and worthy plans and programs to solve the problems are prepared so far for this a scientific accounting information system is needed. This study focuses on the information system of the cooperative societies which is one of the causes of failure and has been conducted society ltd. Chitwan of terai region.

Dahal, 2053, Financial Performance of Co-operative society ltd. Inaruwa, Sunsari. The basic findings of this study was that high cost of goods sold, heavy interest expenses, heavy operating expense, heavy debt capital, low owners' capital, inability to employ funds in profitable sector, low sales revenue, traditional inventory management system, traditional concept of financial management, traditional pricing policy etc. are the main variables which reflect the poor financial performance of the Co-operative society ltd., Inaruwa, Sunsari. Therefore, Sushil Dahal suggested that the society must try to remove all these variables and improve its financial performance significantly.

Similarly, a study conducted by B.B. Pokharel on cooperative movement in Nepal. The study aimed at reviewing the overall situation of cooperative movement in Nepal. By the year 1988 almost all the villages of 30 Terai districts in the country were covered by the Sajha societies. The membership increased from 8.02 lakhs in 1976-77 to about 16 lakhs in 1988. In accordance with the research study 43 percent Co-operative societies were of Terai region and 58.8 percent of hill areas. The similar position has been noticed in the preceding years. The study found some problems faced by the Co-operative movement, such as (1) lack of Co-operative education and training, (2) lack of fund (3) lack of spontaneity towards Co-operation (4) lack of loyalty (5) absence of lonely service, (6) lack of efficient management, (7) political interferences, (8) public aptly (9) lack of specific and stable policy, (10) lack of central level organization

(11)absence of good publicity and (12) absence of good process of loan disbursement and payment. The study stressed the role of the sajha societies in rural development in Nepal, the financial resources; utilization of funds, marketing activities reveals that there is a great need for revitalization in order to make the movement strong and stable. This study was the study incorporating all aspects of the Co-operative development in Nepal.

A study conducted by Thakur Prasad Koirala entitled "Development of Nepal Through Co-operative" concluded that Nepal will be self sufficient, and she need not depend on foreign aid for all round development. The study pointed out some problems faced by the cooperative organization, such as (1) poor management (2) incomplete records (3) lack of trained personnel, (4) failure to interact with cooperatives (5) misutilization and wastage of inventories (6) lack of technical guidance, (7) Delay in transferring the saving. Due attention should be given by all concerning authorities (both from government and public sides) close supervision and constant guidance should be done by the concerned authorities. Thakut Prasad Koirala² suggested that diversifying the pattern of cooperative development as well as strengthening the base of its structure it may be hoped that there will be all round development of Nepal through cooperatives in near future.

² Thakur Prasad Koirala, A Case Study on *Development of Nepal through Cooperatives*.

CHAPTER -THREE

METHODOLOGY

3.1 Study Site Description

Shankar VDC lies in Rupandehi district i.e. situated in western part of Nepal. The total population of Shankarnagar VDC is 11500 with total 1915 household.

The VDC is surrounded by Devdaha and Makrahar in the east, Motipur in the west, Butwal Municipality in north and Anandaban and Karaiya VDC in the south. The VDC occupies 1503 ha. area.

3.2 Research Design

This research study was carried out on the basis of exploratory and analytical research design and the present study was based mainly on primary data and information. This study focused mainly upon how people are benefited by the credit program of Co-operative society. Moreover, the study tried to find out the way of providing credit to the low- income families who cannot offer collateral.

Besides, the study made an attempt to describe the performance of Co-operative, its programs, problems, situation and the investigated of explored findings were described. Thus, the nature of study is explorative, analytical as well as descriptive.

3.3 Nature and Sources of Data

Both primary and secondary data were used in the study. Primary data were collected through questionnaire, interview, key informant, discussion and

observation. Likewise, secondary data were collected from various published/unpublished materials and organizations. Although, much emphasis were given to the primary data.

3.4 Sampling Procedure

1204 members are associated in the Co-operative. The member of the Co-operative includes women, ethnic group, higher caste, lower caste. Total 50 members were taken by quota sampling. Among them 30 respondents were taken from the members who borrowed credit. 15 respondents were taken from key informant person. 5 respondents were taken from executive committee. Individual respondents were taken through random sampling.

3.5 Data Collection Technique and Instruments

To generate the primary data the techniques of survey, key informants, interviews, structured questionnaire, semi or unstructured interviews, and observations methods were applied. In the same way, secondary data were collected from books, magazines, news papers and published /unpublished documents etc.

3.5.1 Questionnaire Survey

The structure of the questionnaire will be mainly based on the credit program of Co-operative, its performance, its objective etc. The respondents will be requested to fill the questionnaire, the questions will be asked to the respondents and answers will be filled up to collect the required data.

3.6 Methods of data analysis

All the data/ information were analyzed and presented to fulfill the objective. To ensure the quality number of analytical tools were followed, these are frequency percentage, mean, median, tabulation and so on. Data were analyzed and presented comparatively through the cross tabulation, pie chart, bar diagram etc. In order to explore the relationship between variables, for these purpose different programs of the computer were used.

3.7 Limitations of the Study

This study basically attempts to access the effectiveness of the Co-operative societies in credit mobilization at the local level for low level income families.

This study was based on and limited to the people of Shankarnagar VDC of Rupandehi district. This study focused on the theoretical and practical aspect of Co-operative society (CSCDSC), credit mobilization and income generation. The conclusion and findings of this study might not be generalized and applicable to the other parts of the country.

CHAPTER-FOUR

PRESENTATION AND ANALYSIS OF DATA

As explained in the introduction chapter, the study attempts to be confined to a case study of Shankarnagar VDC of Rupandehi district on the role of Cooperative in credit mobilization. This Cooperative is the financial institution of Shankarnagar VDC for the local people's development. It is pursuing the major concentration in rural economy improvement through providing the domain role in formal credit investment. This institution has been established in 2050-10-17. In the beginning it has only 200 members. It has started regular saving from 200 members in each month at the rate of Rs.200. Now during this time it has 1204 members, among them 546 are female and 658 are male and its total capital from regular saving is Rs.6,89,31,852.

The main sources of CSCDSC capital are as follows:

- Share capital
- Customer's deposits
- Regular Saving of members
- Interest
- Fine
- Entrance fee, delay fee and others
- Commission

4.1 Objectives of the Co-operative Society for Community Development Saving and Credit Center

This Co-operative has been established to fulfill certain objectives. So, the objectives of this co-operative have been given below:

- ✦ To encourage all the members working together for satisfying their needs.
- ✦ To empower all the members with knowledge of independency cooperation and economies.
- ✦ To standardize the economic and level of all the members.
- ✦ To make all the members participate in the program of community development.
- ✦ To solve the urgent economic need of all the members.
- ✦ To manage the capital assistance to those who have skill don't have reach over capital.
- ✦ To collect the savings from the members and investing it within the area of their own.
- ✦ To invest for community employment.
- ✦ To conduct the programs to resist the growing environmental degradation.
- ✦ To serve with banking facility.

4.2 Major works of CSCDSC

Following works are cited by this institution according to its exchange:

1. Agricultural Production

- ✦ To assist them with loan in the area of advanced agricultural production and cattle rearing.

2. Saving Mobilization

- ✦ To initiate saving mobilization according to the objects of institution and then by forming policy to help saving mobilization.

- ✦ To accept deposit from the members.
- ✦ To invest the collected saving in the production activities.

3. Others

- ✦ To make aware to all members about co-operatives.
- ✦ To manage co-operative education.
- ✦ To start environment education, family and demographic welfare education through co-operatives.
- ✦ To work for social welfare limited by work limitation of co-operatives.
- ✦ To work for materializing above mentioned works.

4.3 Basic Characteristics of the Respondents

4.3.1 Distribution of Respondents According to Age

An analysis of the age of the cooperative members was also done in order to find out which age group was the most active in terms of utilizing cooperative facilities. The respondents are the members of cooperative who have taken loan from cooperative. Age structure of the population always holds a greater importance in the study of population and development dynamic. Therefore, on the basis of response made by the population is as.

Table No.9 Distribution of Respondent According to Age

Age	Number	Percentage
20-30	5	16.66
30-40	8	26.66
40-50	9	29.97

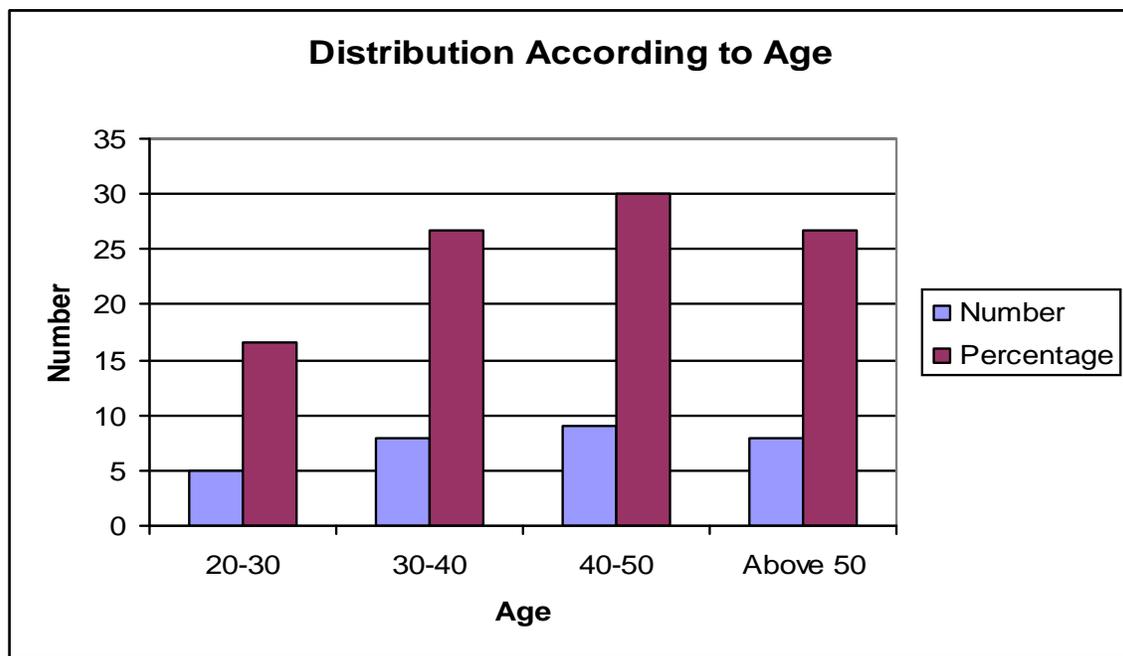
Above 50	8	26.66
Total	30	100

Source: Field survey 2006

The table above shows that the age group falls within the age 20 to above 50 years age group. Among these the most loans taking age group is between 40-50. The number of this age group is 9 i.e. 29.97%.

This can be shown in the figure below.

Figure no. 2: Distribution of respondent according to age



4.3.2 Distribution of Respondents According to Sex

Respondents for household were selected according to the convenience of the researcher. Respondents were taken from household member available in home in course of home visiting in study area. Respondent's distribution according to sex is given below in table no.2.

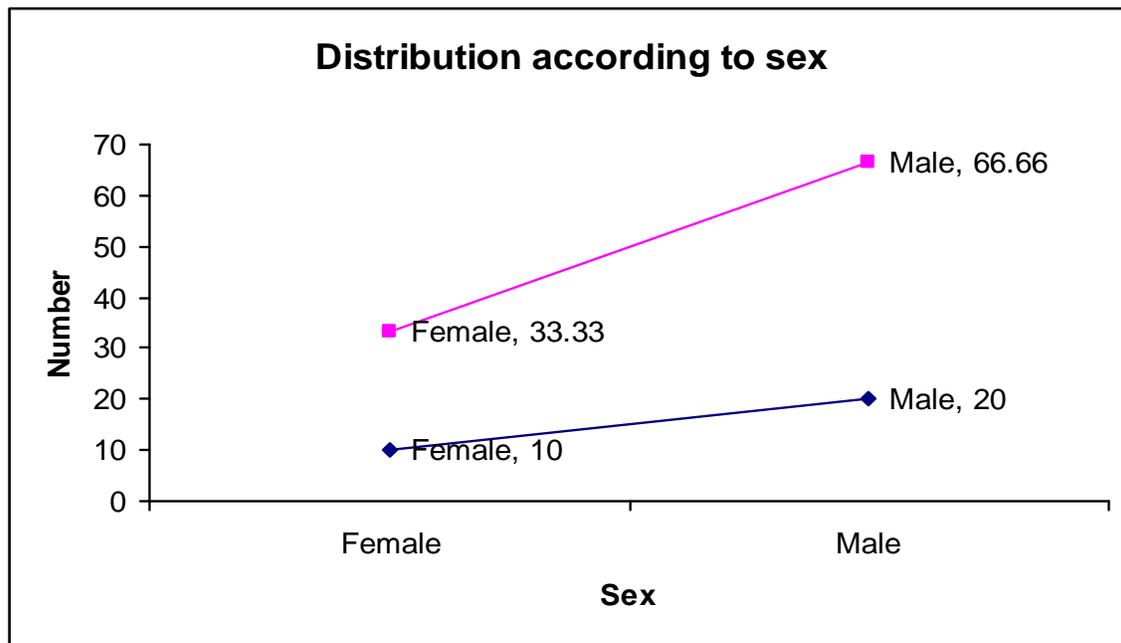
Table No. 10: Distribution of respondent according to sex

Sex	Number	Percentage
Female	10	33.33
Male	20	66.66
Total	30	100

Source: Field survey 2006

The above table shows the distribution of respondent according to sex. Among 30 respondent there were 10 female members i.e. 33.33% whereas the number of male members is 20 i.e. 66.66%. The data above can be shown in the figure below

Figure No. 3: Distribution of respondents according to sex



4.3.3 Distribution of Respondents According to Caste

In any research the caste also plays a vital role in finding out certain objective. The table below shows which caste group is most active in utilizing the resource of the cooperative.

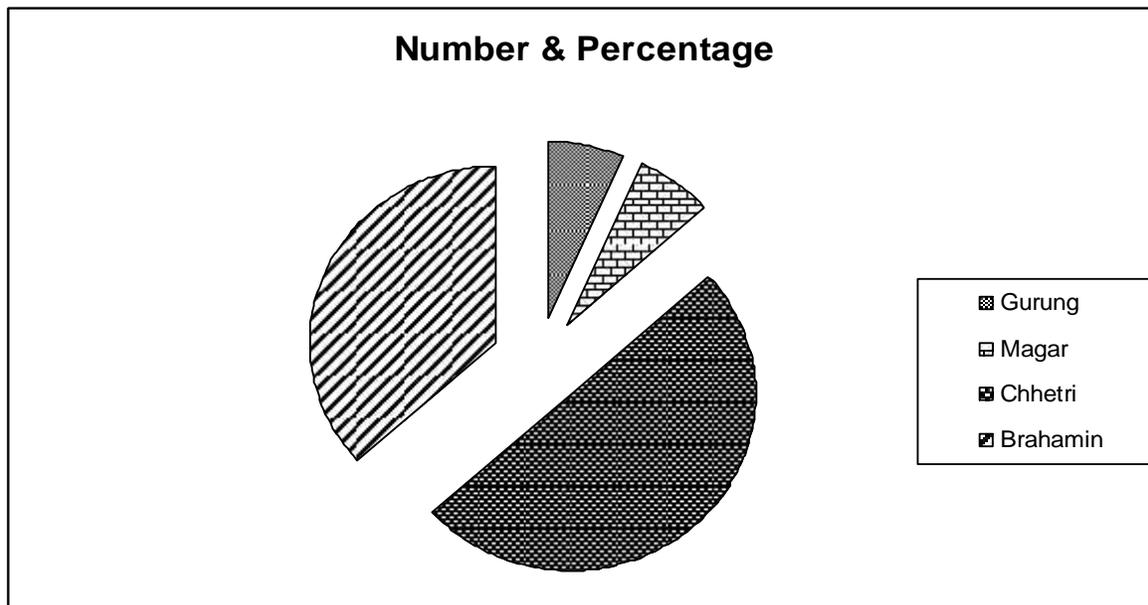
Table No. 11: Respondent's distribution according to caste

Caste	Number	Percentage
Gurung	2	6.66
Magar	2	6.66
Chhetri	15	50
Brahamin	11	36.66
Total	30	100

Source: Field survey 2006

The table above shows that the most loan taking group is Chhetries i.e. 50%. and remaining 50% are Brahamin, Magar and Gurung. The data above can be shown in the figure below

Figure No. 4: Distribution of respondent according to caste



4.3.4 Distribution of Respondents According to Occupation

The occupation of the respondent also helps to find out how the credit of the cooperative is utilized and mobilized. It also helps to know that in which field the members of cooperative relates. And it also helps to find out what occupation related people are allowed to take loan.

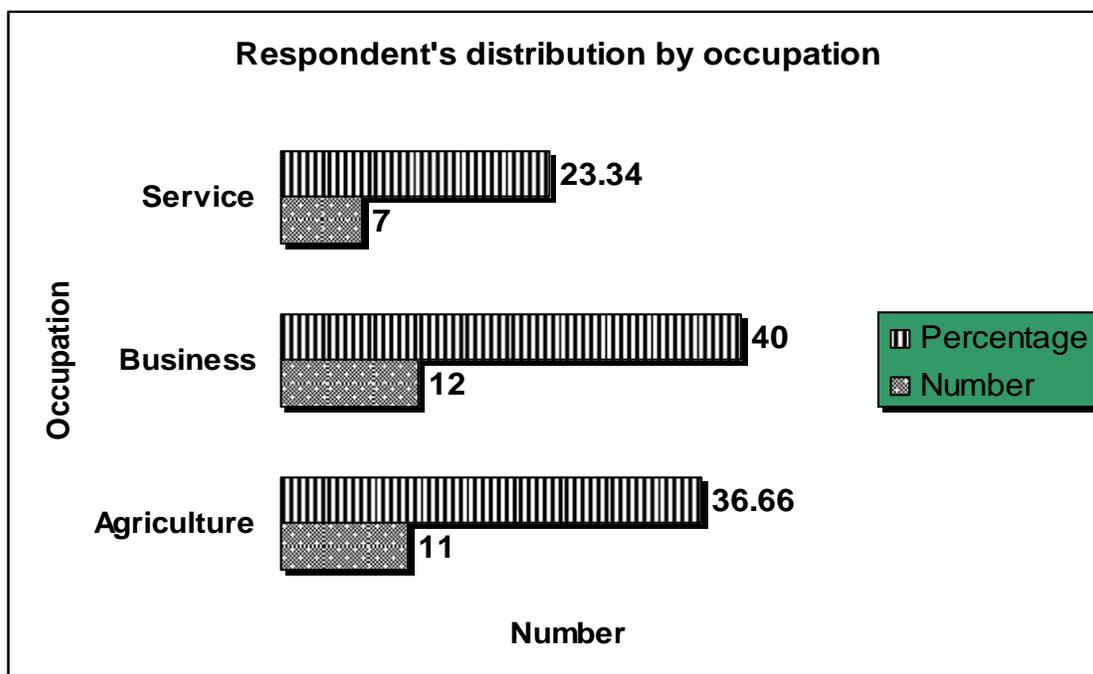
Table No. 12: Respondent's distribution by occupation

Occupation	Number	Percentage
Agriculture	11	36.63
Business	12	39.96
Services	8	26.66
Total	30	100

Source: Field survey 2006

The above table shows that most of the respondent's occupation is business. Among 30 respondent 12 are involved in business i.e. 39.96% whereas 11 people are involved in agriculture i.e. 36.63% and only 8 people are involved in service i.e. 26.66%. Therefore, it shows that most of the loan taking members of this cooperative are involved in business. The above data can be shown in the figure below.

Figure No. 5: Occupation of the respondents



4.3.5 Distribution of Respondent According to Education

Education is the most important thing that should be in every people. In this research it is tried to find out the education level of the respondent. Because it helps to find out that how aware the people are about the credit of this cooperative.

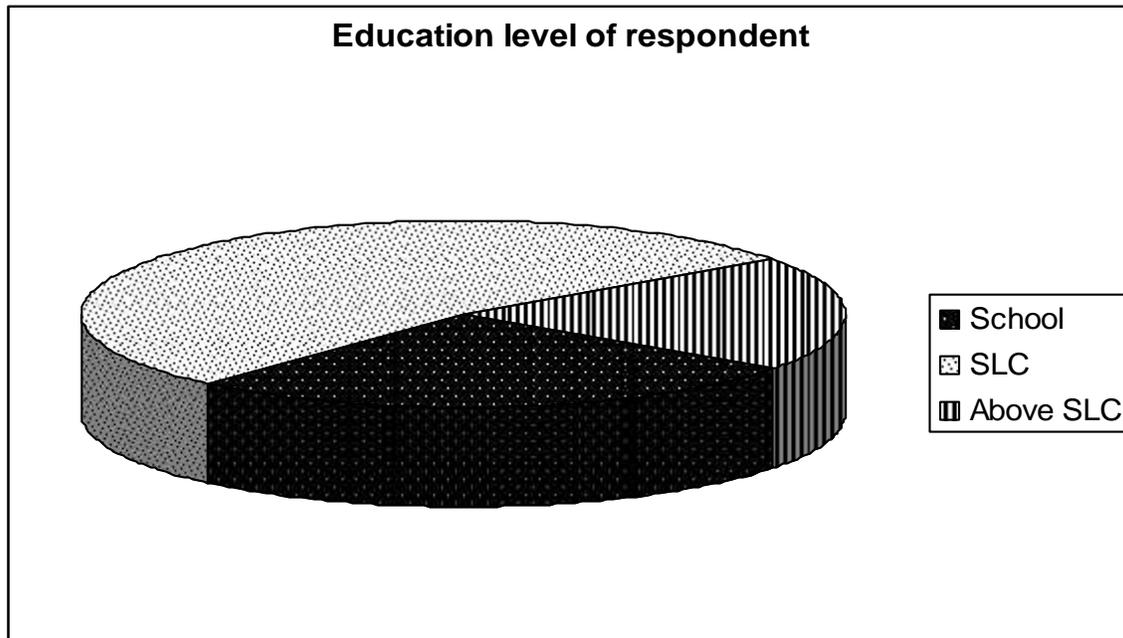
Table No. 13: Respondents according to education

Education	Number	Percentage
School	8	26.66
SLC	16	53.33
Above SLC	6	20
Total	30	100

Source: Field survey 2006

The above table shows that among 30 respondents, 8 respondents i.e. 26.66% have school level education, 16 respondents i.e. 53.33% have SLC level education and only 6 respondents i.e. 20% have the education of above SLC. Therefore, it shows that most of the people are literate but only few people have higher level education. This can be shown in the figure below.

Figure No.6: Respondents according to education



4.3.6 Distribution of Respondent According to the Purpose of Taking Loan

One of the objectives of this research is to analyze the role of credit cooperative in income generation. So, it is necessary to find out for what purpose does the members are taking loan. Whether the loan has been taken for income generating activity or for non- income generating activity.

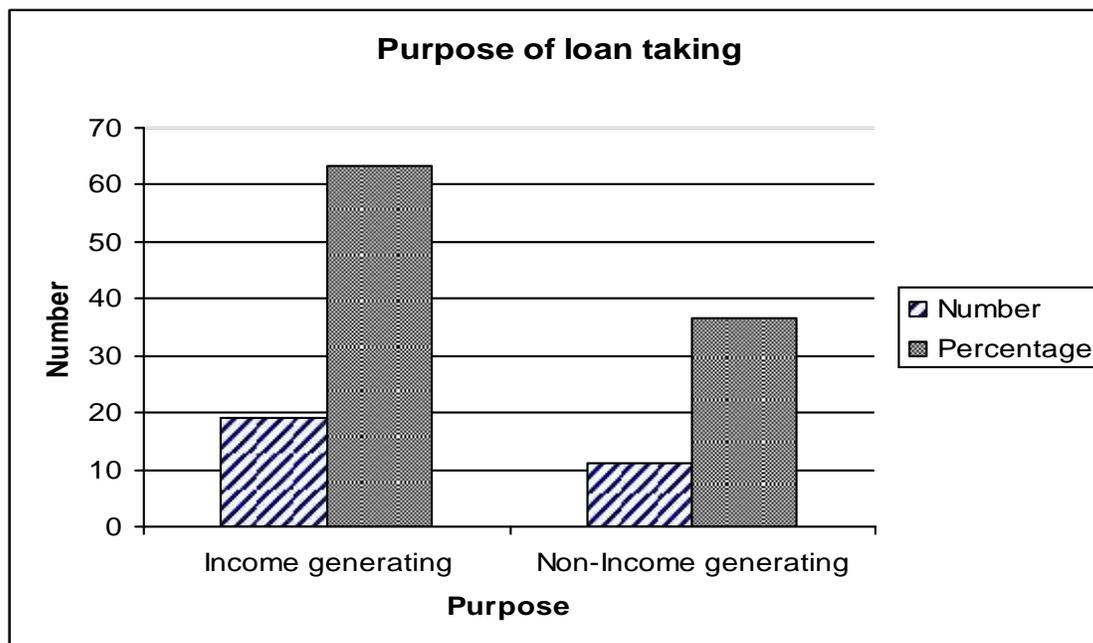
Table No. 14: Respondents according to the purpose of taking loan.

Purpose	Number	Percentage
Income generating activity	19	63.35
Non-income generating activity	11	36.65
Total	30	100

Source: Field survey 2006

The above table shows that among 30 respondents 19 respondents i.e.63.35% have taken loan for income generating activity where as 11 respondent i.e. 36.65% have taken loan for non-income generating activity. Therefore, it shows that most of the loan is taken for income generating activity. This can be shown through this figure below.

Figure No. 7: Respondents according to the purpose of taking loan



4.3.7 Income Generating Activity

This cooperative gives loan to both types of members (members who take loan for income generating activity and members who take loan for non income generating activity).The activity that could be income generating is given in the table below.

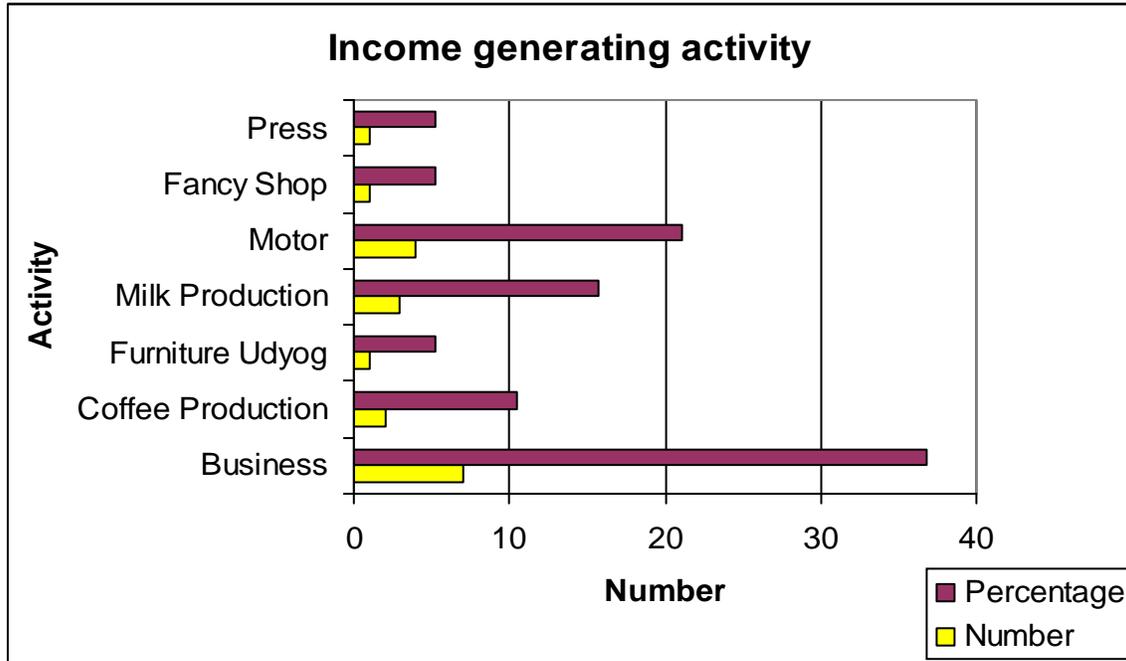
Table No. 15: Activities that are income generating

Activity	Number	Percentage
Business	7	36.84
Coffee Production	2	10.52
Furniture Udyog	1	5.26
Milk Production	3	15.78
Motor	4	21.05
Fancy Shop	1	5.26
Press	1	5.26
Total	19	100

Source: Field survey 2006

The above table shows that most of the respondents have taken loan for business purpose i.e. 36.84%. 21.05% have taken loan for Motor, 15.78% have taken loan for Milk Production, 10.52% have taken loan for Coffee Production and remaining 15.78% have taken loan for Furniture Udyog, Fancy Shop and Press.

Figure no.8: Activities that are income generating



4.3.8 Non-income Generating Activity

The non-income generating activities are given below in the table no.8.

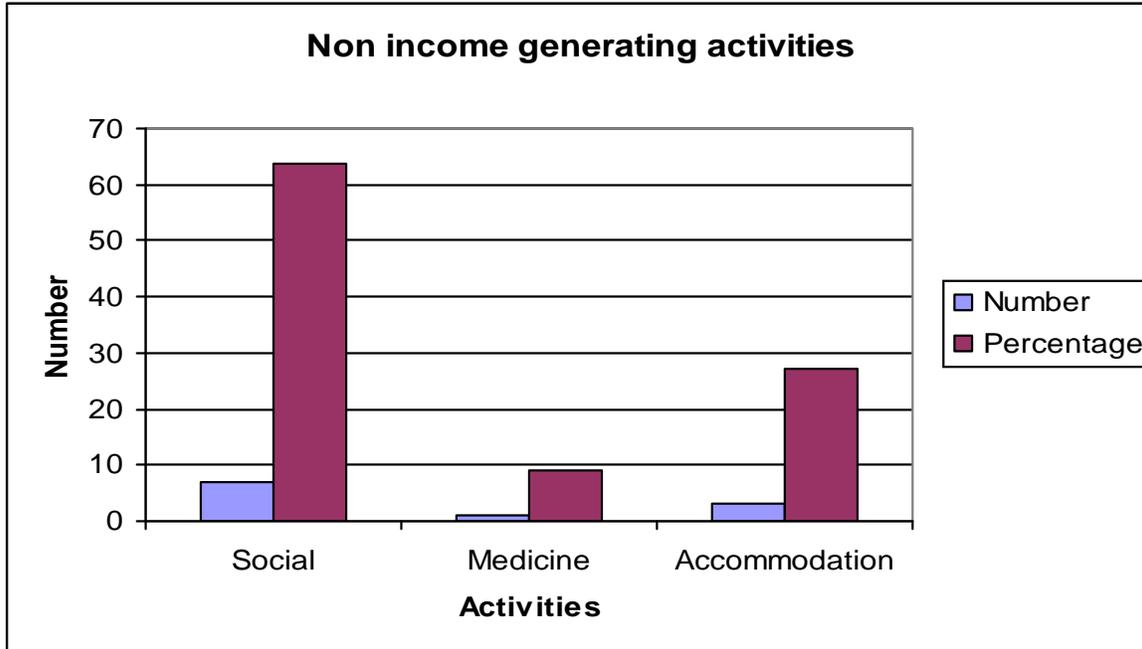
Table No. 16: Non-income generating activities

Activity	Number	Percentage
Social	7	63.63
Medicine	1	9.09
Accommodation	3	27.27
Total	11	100

Source: Field survey 2006

In the above table among 30 respondents only 11 has taken loan for non income generating activities. And most of them have taken loan for social activities. That includes; marriage, feasts, religious activities etc. This cooperative also gives loan for accommodation, housing and other purpose.

Figure No.9: Non-income generating activities



Source: Field survey 2006

4.3.9 Attitude of Respondents

In this research it is tried to find out how the cooperative members are benefited by the credit of this cooperative. It has also tried to find out that whether the cooperative is helpful or not in doing any kind of occupation. Because the other objective of this research is to analyze the attitude of beneficiary group toward this cooperative.

Table No. 17: Attitude of respondents

Helpful	Number	Percentage
Yes	27	90
No	3	10
Total	30	100

Source: Field survey 2006

The above table has shown that the cooperative is helpful for their occupation. Among 30 respondents 27 i.e. 90% said that it is helpful for their occupation and only 3 respondents i.e. 10% said that it is not helpful for their occupation. It is because this cooperative is very much helpful for the person whose occupation is business, agriculture etc. and it is not that much helpful for the people who are in government services.

Figure No.10: Attitude of respondents



4.3.10 How the Co-operative is Helpful

Among 30 respondents 27 has said that it is helpful for their occupation. Therefore, it has been asked to the 27 respondents how the cooperative is helpful for their occupation. Among 27 respondents 100% said that it is helpful by providing loan. 6 respondents i.e. 22.22% said that it is helpful by giving technical suggestions. And 11 respondents i.e. 40.74% said that it is helpful by giving encouragement.

4.3.11 Causes of Selection of this Co-operative

It has been tried to find out why people prefer this cooperative to take loan. Among 30 respondent 19 i.e. 63.33% said that it is easy to get loan from this cooperative. And 15 respondents i.e. 15% said that the cooperative provide loan in low interest rate. The loan that the cooperative provides to its members depends on their collateral. If they don't have any collateral then the cooperative gives loan from 80% of their saving.

4.3.12 The Respondent's Response towards Loan Taking

The following table shows the response of the respondent towards the cooperative; whether they want take loan again or not.

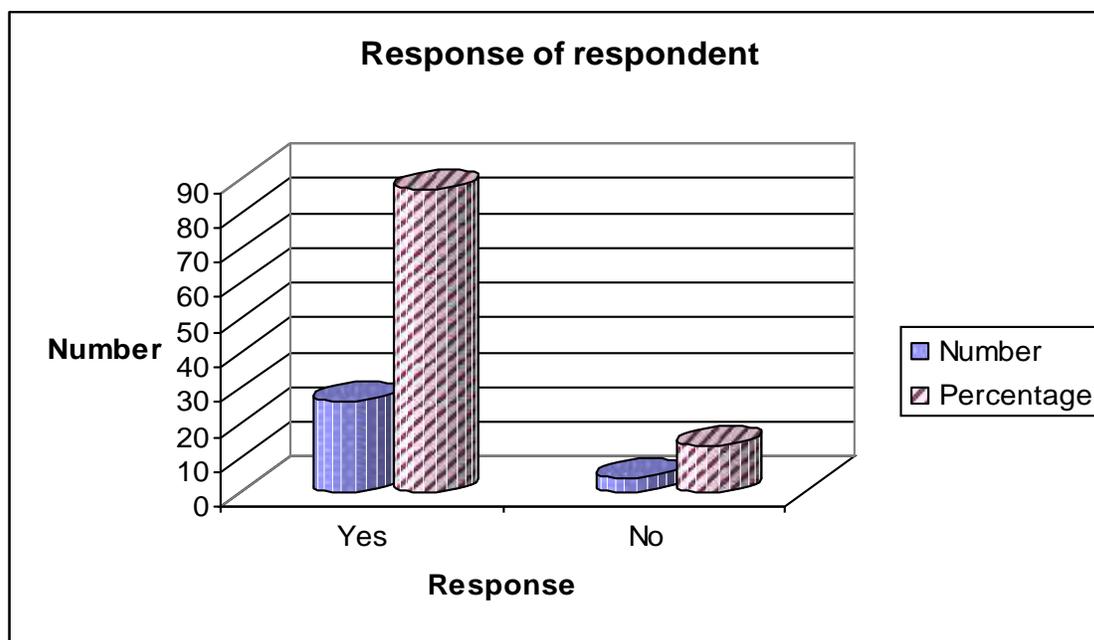
Table No. 18: Response of the respondent

Response	Number	Percentage
Yes	26	86.66
No	4	13.33
Total	30	100

Source: Field survey 2006

The above table shows that among 30 respondent, 86.66% want to take loan next time from this cooperative and 13.33% responded that they do not want to take loan next time from this cooperative.

FigureNo.11: Response of the respondent



4.3.13 The Purpose of Respondent Taking Loan Again

Among 30 respondent, 26 replied that they want to take loan again from this cooperative. Because according to them it is easy to get loan from this cooperative and it provide loan in low interest rate. Therefore, it is tried to find out for what purpose do they want to take loan again.

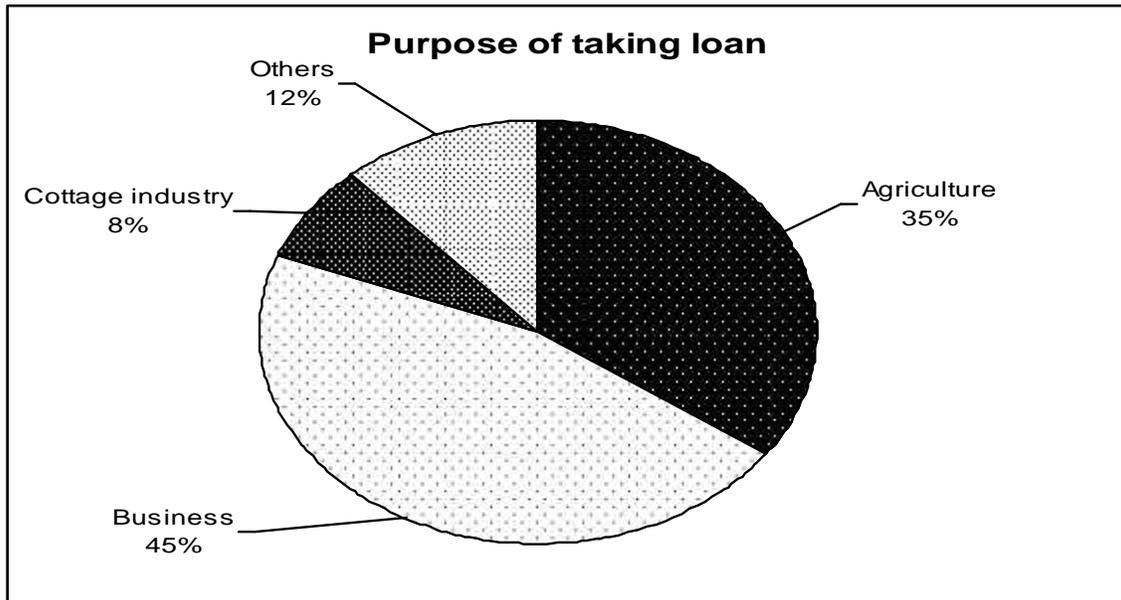
Table No.19: Purpose of taking loan

Purpose	Number	Percentage
Agriculture	9	34.61%
Business	12	46.15%
Cottage industries	2	7.69%
Others	3	11.53%
Total	26	100%

Source: Field survey 2006

In the above table among 26 respondent 9 i.e. 34.61% said that they want to take loan for agricultural purpose. That includes Milk production; vegetables production; animal farming etc. 46.15% said that they want to take loan for business purpose. 7.69% want to take loan for cottage industry and 11.53% want to take loan for other purpose. That includes social activities, accommodation, medicine etc.

Figure No.12: Purpose of taking loan



4.4 Income Sources of the Co-operative

Before doing any research in cooperatives it is necessary to find out the Income sources of the cooperative. The income sources of CSCDSC of F/Y 2061/062 are given below in the table No.1.

Table No. 2 Details of income source of CSCDSC.

F/Y 2061/062

S.N.	Particulars	Running Year	Last Year
1	Interest	10,523,066.00	8,559,201.00
2	Fine	1,020,554.00	919,336.00
3	Entrance Fee, Delay Fee & others	409,411.00	205,395.36
4	Commission	9,000.00	12.550.00
5	Bank Interest revenue	101,640.15	
6	Risk Loan Fund	1,534,371.55	
	Total	13,598,042.70	9,696,482.36

Source: Report of 11th general assembly of CSCDSC

In the above table we can see that the total income of this year is 13,598,042.70 /- which is earned from the sources; interest, fine, entrance fee, delay fee, commission, bank interest revenue, risk loan fund etc. The high income is from the interest.

4.4 Sources of Expenditure

The Income that is earned from the above sources is expended in the following subjects.

Table no. 3: Details of Expenditure of CSCDSC

F/Y 2061/062

S.N.	Particulars	Running year	Last year
-------------	--------------------	---------------------	------------------

1	Salary	601,247.20	527,289.00
2	Tour	3,904.00	8,647.00
3	House rent	38,830.00	42,360.00
4	Stationary	45,755.00	46,585.00
5	Repairing and maintenance	1,936.00	3,770.00
6	Interest	7,473,425.00	6,275,135.78
7	Ribbet	444,654.00	210,603.00
8	Miscellaneous	416,049.00	408,810.00
9	Risk loan fund management	668,828.00	573,765.00
10	Depreciation	28,325.00	10,886.00
11	Auditing fee	6,000.00	6,000.00
	Total	9,728,953.20	8,113,850.78

Source: Report of 11th general assembly of CSCDSC

The above table shows the particulars of expenditure. The total expenditure of this year is Rs. 9,728,953.20 and the expenditure of the last year is Rs. 8,113,850.78. The high expenditure is in interest i.e.Rs.7,473,425.00 of this year and Rs. 6,275,135.78 of last year.

S. N.	Purpose	F/Y 2060/061			F/Y 2061/062			F/Y 2062/063		
		Estimated	Real	Progress %	Estimated	Real	Progress %	Estimated	Real Till 2062/9/29	Progress %
1.	Contingency	15000000	87189000	58.16	15000000	7845000	52.30	-	-	-
2.	Medicine	1500000	959000	63.93	1000000	758000	75.80	1000000	1349400	134.9
3.	Service	1000000	331380	33.13	1000000	276750	27.68	500000	540749	108.1
4.	Social	44500000	44228000	99.28	50000000	75991468	151.98	74500000	53307000	71.55
5.	Business	800000	2250000	281.25	15000000	450000	3	19000000	1090000	10.90
6.	Land and Accom.	-	-	-	-	-	-	5000000	600000	12
7.	O.D.	-	-	-	-	-	-	10000000	-	-
8.	Educational credit	-	-	-	-	-	-	-	-	-
	Total	63800000	56487280	88.53	82000000	85321398	104.05	110000000	56887149	51.72

4.3 Loan Investment Program

CSCDSC has invested loan for many purposes such as; social purpose, service purpose and business purpose. Besides, it also invests loan in medicinal cure, educational purpose, land and accommodation purpose etc. The loan investment program of CSCDSC has given below:

Table no. 4
Loan Investment Program

Source: Report of 11th general assembly of CSCDSC

The table above shows loan investment program in the different fiscal years

S.	Purpose	F/Y 2061/062	F/Y 2062/063	F/Y 2063/064
----	---------	--------------	--------------	--------------

as shown there. The rate of investment under different heads such as Contingent, Medical cure Service etc. are increasing in the advancing following years. The actual loan investment is lower than the estimated for the fiscal year 2060/61. But as presented above the actual investment has exceeded the estimated. The Percentage progress is increasing in the fiscal year 2061/62 in comparison to F/Y 2060/61. In the same way, the percentage has lowered up to 51.72% in the F/Y 2062/63.

The Loan investment is directed to higher level in the field of social infrastructure. This shows loan investment is really heading towards developing the society.

4.5 Loan Collection Program

Table no. 5: Loan Collection Program

		Estimated	Real	Progress %	Estimated	Real till 2062/9/29				Total	Crossed deadline
						Crossed deadline	Not crossed deadline	Total	Progress %		
1	Contingency	12000000	8823602	73.53	5100000	1417142	1299971	2717113	53.28	6500000	1500000
2	Medicine	900000	756000	84	1000000	432000	481700	913700	91.37	1400000	700000
3	Service	800000	340650	42.58	600000	51716	77214	128930	21.49	1100000	200000
4	Business	3800000	1406167	37	7500000	62556	912120	974676	18.24	5500000	500000
5	Social	46000000	54469838	118.41	71000000	10452243	31042149	41494392	58.32	80000000	35000000
6	Land & Acc.	-	-	-	1300000	-	-	-	-	4000000	-
7	O.D.	-	-	-	3500000	-	-	-	-	4000000	-
8	To be received	5500000	3792060	68.95	5500000	-	-	3020796	54.92	-	-
	Total	69000000	69588317	-	95500000	12415657	33813154	49249607	51.57	102500000	37900000
9	Interest to be received										
	Fine to be received										
	Total										

Source: Report of 11th general assembly of CSCDSC

The loan collection Program has reached to the level of estimation in the F/Y 2061/062. The loan collection under service shows less progress. The people who are facilitated with loan under loan investment program show quite positive intention toward debt payment as well. Almost targeted percentages of people have cleared their all loan by the fiscal year 2062/063. But loan collection program still needs to be paid good care. Business loan and other loans in all the fiscal years are managed less effectively.

4.6 Net Income of CSCDSC

In the table below the net income is presented. The income is of three years i.e. F/Y 2059/060, F/Y 2060/061 and F/Y 2061/062.

Table no. 6: Net income of CSCDSC

S.N.	Fiscal Years	Net income
1.	2059/060	6245373.24
2.	2060/061	9696482.36
3.	2061/062	13598042.70

Source: Report of 11th general assembly of CSCDSC

The table above shows the net income of three years of CSCDSC. The income is increasing each fiscal year. In 2059/060 the income was 62,45,373.24 which increased in the next year and reached to 96,96,482.36 . This increased in next year and reached to 1,35,98,042.70.

4.7 Net Expenditure

This Co-operative has expended its income in many subjects. In the table below, the net expenditure is presented. The expenditure is of three years i.e. F/Y 2059/060, F/Y 2060/061 and F/Y 2061/062.

Table no.7: Net expenditure of CSCDSC

S.N.	Fiscal Years	Net Expenditure
1.	2059/060	4909864.04
2.	2060/061	8113850.78
3.	2061/062	9728953.20

Source: Report of 11th general assembly of CSCDSC

The table above shows the net expenditure of three years of CSCDSC. The expenditure is also increasing in each year. In 2059/060 the expenditure was

49,09,864.04 that increased in the next year and reached to 81,13,850.78 and it reached to 97,28,953.20 in the next year 2061/062.

4.8 Net Profit

The net profit of the CSCDSC is presented in the table below which is of three fiscal years i.e. F/Y 2059/060, F/Y 2060/061 and F/Y 2061/062.

Table no. 8: Net profit

S.N.	Fiscal Years	Net Profit
1.	2059/060	1335509.20
2.	2060/061	1582631.58
3.	2061/062	3869089.50

Source: Report of 11th general assembly of CSCDSC

The table above shows the net profit of the CSCDSC of three years. The profit is increasing each year i.e. 1335509.20 in F/Y 2059/060. That increased in the next year and reached to 1582631.58 and it reached to 3869089.50 in the F/Y 2061/062.

4.9 SWOT analysis of Co-operative Society for Community Development Saving and Credit Center

During the study many strength and weakness of CSCDSC were observed. The strength, weakness, opportunity and threat of CSCDSC are tried to analyze under this heading.

4.9.1 Strength

The following points were observed as the strength of CSCDSC.

1. Transparency

The members of CSCDSC and visitors can see the working process and activity of this center any time during office hours. The book keeping system is very clear. The main points of financial transaction are shown on the notice board and every person can see it easily who enters the office. The problems are solved in meeting of managing committee and general meeting. CSCDSC has published time to time its policies, annual reports, financial statements, management reports etc. CSCDSC has published different brochures and activities. It has increased the people's belief and strong financial status.

2. Leadership

Leadership is one of the main strengths of the institution. Chairman is the main person in any institution. A leader should have various capacities to handle the institution. The chairman of CSCDSC has ability to convince the members and non-members too. He has accepted all good suggestion and applied the good suggestion to develop the center. The chairman is highly respected among the members and villagers too. The chairman devoted every time to taking up new activities to promote the center.

3. Regular Saving

Regular and fixed saving are accepted in CSCDSC. All the members are conscious to deposit their part of saving in time. They have created a saving policy too to encourage regular saving.

4. Co-operation among the Members

CSCDSC is smoothly running due to good understanding among the members. The majority of the members are from the similar socio-economic background. Co-ordination and good relation is the backbone of institution. The members believe in the policies and working methods of CSCDSC. Most of the members are receiving benefits from CSCDSC. Members are participating in managing committee, sub-committees, general meeting and other functions.

5. Rules and Regulations

CSCDSC has its own bylaw and accepted policies. It is functioning under Co-operative Act, its bylaws and policies. CSCDSC is providing loans in different sectors according the rules and regulations. The meeting of managing committee and annual general assembly is holding timely.

6. Credit

Loan is very important thing in a co-operative society. The co-operative society can only be effective through good management of loan policy. CSCDSC has formed a separate loan policy besides the provisions of its bylaw. It is easy to get loan from CSCDSC. The loan can be used in income generating activities as well as it also gives loan for marriage, and for some emergency works.

7. Positive Attitude of Local People

Social work is one of the objectives of CSCDSC. The local people are impressed by the activities of CSCDSC. The saving program is more familiar to local people. Therefore they are interested to be a member of CSCDSC. The ratio

of membership is increasing every year in CSCDSC. The attitude of local people is positive.

4.9.2 Weakness

1. Lack of Training

Most of the members of CSCDSC do not have knowledge about co-operative principles and policies. They are not interested to participate in training due to lack of time. Most of the members do not know about activities of center except saving. The center has no program for regular training and has not allocated budget on members in training, seminar etc organized by other institutions.

2. No Change in Management

According to the bylaw of CSCDSC, the general assembly elects the member of managing committee including chairman. the same management committee (board of directors) has been re-elected again and again since the establishment of the center. It shows that either the management committee does not want to produce new leaders or the other members are not much sensitive towards it. Any management, if it governs for long, may try to fulfill its vested interest or think it as its own property.

3. No Preparation for Successive Leadership

The chairman is very helpful, capable and dynamic and hence very popular among the members and villagers as well. The center is very fortunate to have such a leader but it may be equally harmful to it for everybody is dominated by his personality and no new leader can emerge equally capable.

4. Lack of Awareness of Share

Many members of CSCDSC don't know the terminology "share" and its value though they can say their investment as share. The main reason behind it was found as the attraction towards the easy loan and their economic development.

5. Unnecessary saving from other organization is accepted

CSCDSC is using the saving of other similar organization or saving groups in order to help them utilize their savings but it may be harmful to CSCDSC because the demand of its members can be fulfilled by its member's savings only. So it is not wise to take loan from other organizations and pay interest on it if its own capital is sufficient for lending its members.

4.9.3 Opportunity

1. Increase Membership

CSCDSC is established for the economic development of rural people living in certain part of Rupandehi. People are interested to receive its membership. Some restrictions are made for membership according to membership policy. Membership is increasing every year. If the center wants to expand its membership and activities there is a chance of its expansion as a co-operative bank.

2. Income Generating Activity

Saving is one of the main sources of investment. CSCDSC has been investing in many sectors through the saving capital and the members are running various income-generating activities and uplifting their economic status. If the center organizes income-generating training and finance such project, it may be beneficial to both the center and its members.

3. Co-operation among Similar Co-operatives

The center has helped in the formation of different saving groups and co-operatives. It has been using the savings of other groups too. There is a chance to organize various training programs, excursion tour or other such programs together and use the savings of different organizations mutually.

4.9.4 Threat

1. Competition

Now days many co-operatives society are organized in Shankarnagar and Rupandehi district. There is tough competition among such organization. This is a major threat to CSCDSC.

2. Leadership Development

Since the establishment of CSCDSC, the same management committee is re-elected again and again. There is no change in leadership. The personality of the chairman has dominated others and he is one and only leader liked by all and capable of doing everything. There is a fear that if he does not co-operate or give time to the center, it may collapse or its activities will be reduced. So, it is desired to train new leaders in the center.

CHAPTER-FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This Co-operative society was established in 2050 B.S. with a view to provide financial services to the poor people who were fully depended on the money lenders who charged high rate of interest. Now it has become able to meet the basic demands of the people for their primary need. Still there are some problems like the lack of adequate funds, awareness and micro enterprise opportunities. It was registered under the cooperative act of Nepal.

CSCDSC was established for the sustainable development and to solve the urgent economic need of all the members. The organization has 8 members in working committee. It was started with 200 members, now days there are all together 1204 members in the center.

The main objective of this center is to contribute to the economic and social improvement of its members. It has been one of the most successful Co-operative societies in Rupandehi district.

CSCDSC formally issued shares from 2050 B.S. and made it compulsory to buy one share for each member. CSCDSC has issued share costs Rs. 200. The cooperative was established with regular saving of Rs. 200 from each member. It has Rs. 40,000 in the beginning. The total saving amount till the end of 2062 is Rs. 27,793,392.

The center provides loan to its members with a minimum interest rate to run their various income generating programs. It provides various types of loan to its member; long term loan which should be paid within 2 years, short term loan which should be paid within 6 months, emergency loan which should be paid within 15 days. It also gives loan to the members for higher studies in foreign countries.

The members of this cooperative are benefited by its service. It gives social loan for the members who need it. They spent loan for many income- generating activities.

5.2 Findings of the Study

- ★ The Population of this VDC is 11500 and the total household is 1915.
- ★ It gives its service within Rupandehi district
- ★ This institution was established in 2050-10-17 with 200 members.
- ★ It started its regular saving with Rs. 200 in each month with every member.
- ★ Now its total capital is 6,89,31,852.
- ★ Their total members are 1204 with 546 female and 658 male.
- ★ Its main income sources are interest, fine, bank interest revenue etc. that are expended in salary, interest, loan, auditing fee etc.
- ★ Its net income of the F/Y 2061/062 is 1,35,98,042.70, net expenditure is 97,28,953.20 and net profit is 38,69,089.50.
- ★ Most loan taking age group is 40-50 and they are 29.97%.
- ★ The total female members are 33.33% and male members are 66.66% in this Co-operative.
- ★ The most loan taking caste group is Chhetries i.e. 50%.
- ★ Most of the people are engaged in business i.e. 39.96%.
- ★ 53.33% members have qualification of SLC and only 20% have qualification of above SLC.

- ★ 63.35% members take loan for income generating activity and 36.65% take loan for non-income generating activity.
- ★ 36.84% take loan for business purpose and 63.63% take loan for social purpose.
- ★ 90% people think this Co-operative is helpful and 10% think it is not so much helpful.
- ★ 63.33% choose this Co-operative because it is easy to get loan from here.
- ★ 34.61% want to take loan for agricultural purpose, 46.15% want to take loan for business purpose and about 18% want to take loan for other purpose.

5.3 Conclusion

The following has been derived from the study.

1. Smooth Running

CSCDSC is smoothly running since its establishment. The members are happy with the work of CSCDSC. And they do not have any complaint against its management.

2. Investment

The investment of CSCDSC is encouraging. The center has been investing in agriculture, business, trade, health, and social sector and it also provide loan for marriage, festivals, feast and other activities.

3. Recovery

The loan recovery is very satisfactory.

4. Delinquency

CSCDSC has no delinquency.

5. Outstanding

Recovery is good and delinquency is not seen in the center. Of course some outstanding loans are seen but their deadlines are still to come. The outstanding loan is recovering every year.

6. External Co-operation

The governmental and semi- governmental institutions are also helping CSCDSC in its activities.

5.4 Recommendations

CSCDSC can be presented as an example of a very successful co-operative society. The economic, social and socio-economic activities consented by the center are really appreciable. Still some shortcomings are bound to be seen in any successful organization, if observed minutely. Here some recommendations are made in order to make it more efficient, effective and successful.

- ☞ The staff of the center should be given further training on book keeping so that the account will be maintained in a proper way and the chairman should not bother about those things.
- ☞ Most of the respondent blindly believe in the chairman and did not bother in knowing much about the organization and its proceedings. It indicates the need of member education.
- ☞ Co-operative movement is still the best means for the agriculture and rural development, so CSCDSC should be able to run effective programs in other sectors besides saving and credit.
- ☞ It was realized that the chairman is the pivot of the center. So he should groom other co-operative leaders in proper guidance of its experienced chairman so

that members' dependency on him reduces and the organization produces capable leaders for the future.

- œ CSCDSC should encourage the income- generating programs by running professional training programs for its members.
- œ Most of the women the women members are found shy and they lacked forwardness. It is recommended to give them exposure by study tour, idea exchange programs, training or literacy classes etc.

Executive Summary

This study was carried out during May, 2006 at Co-operative Society for Community Development Saving and Credit Center in the Rupandehi District which was targeted for various activities concerning the role of Co-operative in credit mobilization. The main objective of this study includes: (i) To observe and analyze the impact of credits disbursement in rural markets. (ii) To identify the performance of the programs of the cooperatives for rural financing. (iii) To identify the financial strengths and weaknesses of the organizations. (iv) To suggest appropriate credit policies and programs for promoting rural financing. The primary data were collected through field visit and secondary data were collected from various official sources and publications. The research design of this study was both descriptive and analytic. Regarding these methods of research, the sampling size was also determined, where 50 respondents were taken as sample. To collect the data household survey and interview method were adopted. The collected data were analyzed through tabulation, average, percentage, bar diagrams and pie chart. The limitation of this study focused in the specific area i.e. Co-operative Society for Community Development Saving and Credit Center in limited time framework.

It was found in this Co-operative that there are 1204 members till date. Among them 546 female and 658 male. It started its regular saving with Rs. 200 in each month with every member. Now its total capital is 6,89,31,852. Its main income sources are interest, fine, bank interest revenue etc. that are expended in salary, interest, loan, auditing fee etc. The total female members are 33.33% and male members are 66.66% in this Co-operative. Most of the people are engaged in business i.e. 39.96%. 53.33% members have qualification of SLC and only 20% have qualification of above SLC. 34.61% want to take loan for agricultural purpose, 46.15% want to take loan for business purpose and about 18% want to take loan for other purpose.

The investment of CSCDSC is encouraging. The members are satisfied with its service. The center has been investing in business, trade, health, social activities etc. The government and non-governmental organizations are also helping this institution.

21. After being the member of this Co-operative, have you taken loan form other organization?

- a) Yes
- b) No

22. If yes, then why?

- a) The loan taken from this Co-operative is not enough
- b) The loan is needed for other works too.
- c) Others

23. with whom did you took loan?

- a) Moneylenders
- b) Relatives
- c) Friends
- d) Bank
- e) Others

24. What sort of problems are you facing before taking loan from this Co-operative?

- a) High interest rate
- b) Can not get loan in time
- d) Others

25. What do you think about the loan giving process of this Co-operative?

.....

26. What sort of works the Co-operative is doing?

.....

27. Do you think must do more?

- a) Yes
- b) No

28. What it should do?

.....

For the Staffs of this Co-operative

General Information

Name of the respondent:

Address:

Ward.....

Age:

Sex:

Occupation:

Questions

1. How do you provide loan to the members through this Co-operative?

.....

2. How many people did you provided loan till date?

.....

3. How much interest do you take?

.....

4. Through which process do you take interest?

.....

5. How much capital did you invested in this Co-operative?

.....

6. How is the recovery status of loan?

a) Good

b) Bad

c) Satisfactory

7. Especially for what purpose do the members take loan from this Co-operative?

.....

8. What is the attitude of the members towards the process of providing loan?

.....

9. What sort of problems you have to face during the investment of loan?

.....

10. What are the solutions of such problems ?

.....

11. Have you tried to solve such problems?

a) Yes

b) No