

# Sixty-five Years of Nepalese Cooperative Movement and its Direction

## **Abstract:**

This article discusses the Nepalese cooperative movement's sixty-five year history, current state, and the future plans. Traditional cooperatives such as Guthi, Parm, Dharmabhakari, Dhikuri, and others had to wait until 1957 to join the contemporary cooperative movement. Nepal's cooperative movement has developed both quantitatively and qualitatively on its sixty-five years of maturity. It is now commonly acknowledged that Nepal's cooperative movement has the potential to improve social economic disparities by lowering poverty and increasing employment opportunities. Because of its benefits and global appeal, the cooperative sector is vital. After the government and the private sector, it is described in the constitution as the third pillar of the economy and the largest sector. Cooperatives have long been seen as a tried and true method of achieving socialism. Cooperatives must be established to go from the working hand to the mouth, and they can help to bridge the divide between the rural and urban economies by bringing village produce to the city and urban capital to the village. It has the potential to help alleviate poverty, create job opportunities, and develop a more equitable economy. The cooperative movement in Nepal should be focused in this direction. From the first to the present sixteenth planned growth stage, the cooperative sector has been given significantly more significance, with a few exceptions. The other cooperative movement hasn't been able to fully realize its goals and values. As a result, all stakeholders must pay attention to qualitative development in order for cooperatives to become the economy's third pillar, as the constitution recognizes.

**Keywords:** *Cooperative Movement, Current Situation, Traditional Cooperative, Modern Cooperative, Destination.*

## **Introduction:**

Cooperatives are not a new concept, and they have long been associated with human society. Cooperatives have grown in popularity alongside the advancement

of human civilization. Looking at the history of contemporary cooperatives not only in Nepal but across the globe, the creation of cooperatives with the goal of alleviating human issues and providing a higher quality of life. A cooperative is an attempt to promote the economic, social, and cultural interests of its members based on the principle of one for all, and all for one. Cooperatives are a way of freedom from social oppression from a sociological standpoint, and a means of social professionalism from a commercial standpoint.

From an economic standpoint, it is the greatest approach to enhance the members' financial situation. A cooperative is a commercial organization that is founded and governed by its members and has successfully established itself as a significant economic model all over the world.

A cooperative is an independent organization of connected persons created voluntarily to meet common economic, social, and cultural goals and ambitions through joint ventures and democratically managed businesses (ICA, 2013). Similarly, the International Labor Organization (ILO) defines a cooperative as a democratically controlled business organization of people with limited resources that allows its members to achieve the common economic potential of accepting the risk and profit share of the business by investing the necessary capital (ILO, 2013). According to the United Nations, cooperatives, in their various forms, encourage full participation in the economic and social development of all people, including women, youth, the elderly, and people with disabilities, and are increasingly becoming a vital component in economic and social development (UN, 2002). Cooperatives, as social companies, may assume this role and so contribute to inclusive growth (Khatiwada, 2014).

Individual entrepreneurship may be developed through cooperatives to make a substantial contribution to the nation's economic and social growth. A cooperative is a voluntary association of democratic and social entrepreneurs. It has formed its own distinct set of ideals and ideas. The International Cooperatives Alliance (ICA) was founded in 1985 with the goal of elevating the cooperative movement by making it more respectable, accountable, and profitable.

ICA has developed the same ideals and ideas by giving credibility to cooperatives all over the globe, establishing them as a sustainable and indivisible organization, and focusing on the well-being of its members. Cooperative values are classified

into two types: fundamental values and moral values. Cooperatives are founded on fundamental principles such as self-sufficiency, self-accountability, democracy, equality, equality, and solidarity. Similarly, the cooperative's members believe in ethical ideals such as honesty, openness, social responsibility, and caring for others, in keeping with the cooperative's founders' legacy (Paudel, 2016). The cooperative's moral principles demonstrate the cooperative's relationship with society, whereas its basic values demonstrate the cooperative's relationship with its members. ICA developed cooperative principles in 1995 with the goal of helping cooperatives to function in line with cooperative values.

### **History of Cooperative**

In Lancashire, England, Rochdale pioneers established the modern cooperative movement in 1844 to give a cheap alternative to poor-quality and contaminated food and provisions, with any excess benefiting the community. Since then, the cooperative movement has grown globally, incorporating all sectors of the economy (ICA, 1995).

In 1849, the first saving and credit cooperative clubs were formed in Germany. The forefathers of this movement were F.W. Raiffeisen and Herman Frenz Schulze (Pokhrel, 1988). F.W. Raiffeisen established first credit union in 1862 on the idea of "each for all, all for each" and he went on to inspire numerous others throughout the world (Ramkishen, 2009).

According to ICA, with approximately 1 billion cooperative members from any of the 3 million cooperatives from 112 countries worldwide. The combined revenue of the world's 300 largest cooperatives is \$2.146 trillion. Cooperatives contribute to long-term economic growth and consistent, high-quality employment by employing or providing job opportunities to 280 million people globally, accounting for 10% of the global workforce (ICA, 2021).

### **Traditional cooperative movement:**

In Nepal, cooperatives are not a new notion. The modern cooperative movement, on the other hand, began in 1956 as part of a flood relief effort in Rapti Valley. Nepalese culture has had a long heritage of supporting one another, regardless of race, since the beginning of time. Guthi, Parma, Dharmabhakari, Dhikuri, Mankakhala, and other informal collaborations are examples.

**Guthi:** Guthi is a non-profit dedicated to the worship of Hindu and Buddhist gods at temples. It was built on the foundation of immovable property. Rajguthi, Amalguthi, Oliguthi, and Devguthi (temple/monastery guthi) are the four types of guthi. The community's equal sharing of grains after harvesting makes these guthis possible. The grain has been sold, and the earnings will be used to purchase land. The money earned from farming was used to maintain the temple, monastery, or other religious institution viable.

**Mankaguthi:** Mankaguthi refers to a common organization in Newari, whereas it refers to a cooperative organization in Nepali. Guthi is a non-profit organization that brings together farmers to better their economic, social, and cultural circumstances. Only farmers who work together on the farm are eligible. The chairman is Thakali, while the vice-chairman is Noku. In addition to agricultural operations, it conducts a variety of cultural events, including as hymns, dances, and theater plays, for which members voluntarily contribute monetarily to obtain the necessary materials and meet other expenses. The details of the yearly earnings and expenditure of such Guthis, which are widespread in the Kathmandu Valley, are arranged once a year by presenting a banquet with dance songs and informing the members.

**Si and Sana Guthi:** The Si Guthi is a kind of Guthi popular among the Newar people. Sana Guthi refers to the honoring of the departed, whereas Si Guthi refers to the cremation of the corpse. These organizations, which go by a variety of names in Newar culture, are thought to be the traditional organization for handling funeral ceremonies. Most of the older members are worn out. The purpose of the organization is to cremate the deceased's ashes in accordance with the deceased's traditions while causing as little pain as possible to the deceased's family.

**Dharmabhakari:** Agricultural goods are gathered from religious people and stored in Dharmabhakari, which are designated storage sites. Farmers join this organization, and grains like as rice, millet, and maize are harvested and stored in Bhakari when harvests are imported as commodities. When members are in need, food grains are made available to them on a lending basis. Its operation is outsourced to a Punch member who has been picked by the other Punch members.

**Dhikuri:** A dhikuri is a type of informal financial organisation with a set number of members. These members deposit a certain amount in the form of shares every

month, and the required money is borrowed for a specific purpose by the required members. Even though such institutions, which are claimed to have originated with the Thakali clan, are more frequent in hilly zones, they are currently operating in small communities around the city. Ghopa is the member who oversees or manages this money.

**Parma:** Farmers collaborating while planting and importing agricultural goods is referred to as Parma. This rite is comparable to Manka Guthi, which is performed in most highland areas. Most of Nepal's agriculture is reliant on monsoon rainwater, which must be captured in a timely manner. The owner of the farms can plant samples in less time thanks to the labor exchange, lowering the amount of time spent traveling there each day. It is formed by individuals who are in need and then dispersed once the work has been finished.

Nepal has a flourishing informal cooperation network, as evidenced by these institutional structures and practices. It is unofficial since there is no requirement to register. Characteristics of these historical social institutions have almost resembled with the primary form of co-operatives.

### **Modern cooperative movement:**

Modern cooperative movement started after the establishment of Bakhanpur Saving and Credit Cooperative on 4<sup>th</sup> April 1957, under the executive order of 1956. Which is considered as the first modern cooperative of Nepal was registered along with 17 others saving and credit cooperative societies in Chitwan district. But some of the scholars and cooperators claim that the first cooperative is the Landmortgage Bank and Cooperative Society rather than Bakhanpur Saving and Credit Cooperative. However, Bakhanpur is regarded as the first cooperative despite the lack of convincing proof. Cooperative movement has been identified as a major tool for uplifting the livelihood of most poor people across the country. A brief outline of cooperative movement, as envisaged by the periodic plans, is discussed below.

### **First Five Year Plan (1956–1961)**

Executive order 1956 was issued by the government at the time as a temporary management system until a long-term legal answer could be established. In 1957, a

modern cooperative society was formally created as Nepal's first cooperative society under the same executive order in Chitwan district. Institutionally government established the Department of Co-operative under the Ministry of Planning, Development, and Agriculture in 1953. Within this plan period, the Cooperative Societies Act was enacted in 1959, and the Cooperative Societies Rules were adopted in 1961. During this time, 378 cooperatives with a total of 11,059 members were founded around the country (NPC, 1962).

### **Second Three Year Plan (1962–1965)**

During this plan period, cooperative programs were implemented in 44 districts, including 25 new districts. At the end of the plan period, 1,123 cooperative societies, including 745 new ones, had been registered, with a total of 29,798 members and NRs. 1.66 million in share capital. The societies borrowed NRs. 5.73 million and distributed the same amount to their members as a loan (NPC, 1962). The cooperative movement, on the other hand, made little progress during this period. Poverty and illiteracy among rural farmers, as well as the cooperative groups' limited membership and area of activity, were important culprits (NPC, 1965). During this planning period, the cooperative department established five zonal cooperative offices and a cooperative training center, as well as the Cooperative Bank.

### **Third Five Year Plan (1965–1970)**

During the plan period, the cooperation program was implemented in 56 districts, including 12 new districts. The overall number of societies has risen to 1,489, with 366 new ones joining. Similarly, membership increased to 71,163, with 41,365 new members, NRs. 2.73 million in share capital, and a loan of NRs. 19.90 million received by the societies. 350 large multifunctional cooperatives were to be established as part of this Plan. The Cooperative Bank was merged into the Agricultural Development Bank after its establishment in 1964. The "Back to Village: National Initiative" government campaign emphasized excellent financial management to cooperative institutes.

The government founded the Agricultural Supply Corporation in 1966 with the purpose of collecting and distributing agricultural products (NPC, 1970). The

process of turning sufficient funds into cooperative share capital began in the Bhaktapur area. The Cooperative Marketing and Credit Union was renamed the district cooperative union at this time. Cooperatives were required to merge into 'Agricultural Development Bank Ltd'. during this plan period since they were unable to function efficiently owing to a lack of adequate management.

#### **Fourth Five Year Plan (1970–1975)**

The qualitative components of the cooperative operation were stressed in this design. According to the cooperative strengthening strategy, guided principles were used to manage the cooperative societies. Cooperative management was delegated to the 'Agricultural Development Bank' to improve coordination between loan distribution and collection. 179 new cooperative societies were founded during this plan period, ranging over sixty regions. The overall number of members was 71,431, and the total share capital was NRs. 2.66 million. Similarly, during this period, the societies received NRs. 83.61 million in loans and distributed a total of NRs. 46.33 million in loans to their members (NPC, 1975).

Local cooperatives began the job of transforming required deposits into shares in a saving agency during this period, and legal responsibility for cooperative societies was given to the agriculture development bank. The agricultural development bank acquired full responsibility for providing financing and training to enhance cooperative executive bodies in 30 districts. The Department of Cooperatives was formed with government assistance.

#### **Fifth Five Year Plan (1975–1980)**

Under the title "Agriculture Loan, Production, Equipment, and Management," cooperative sectors were named "Sahakarita Ra Sajha" in that plan. Due to mergers and reorganization, the total number of cooperatives had increased to 711 in 67 districts by the end of the plan period, including 30 Terai districts and 37 hilly districts. The societies' total membership was 1.19 million at the time, with members contributing NRs. 136.09 million to the share capital. The societies received a loan of NRs. 566.22 million from the Agricultural Development Bank and disbursed NRs. 332.79 million (NPC, 1980). Cooperative organization management was still being managed by the Agricultural Development Bank.

Furthermore, plans were made for the management of some selected societies to be transferred to their members.

There were 453 directed village committees at the outset of the plan; they were reinforced and made more vibrant. The government established the "Sajha Program" on May 3, 1976, to replace existing guided cooperative societies in Terai districts and many highland regions. During this plan period, cooperatives were established in 742 VDCs spread over 30 districts (ibid). As part of its mission, cooperative institutions were actively involved in loan investment, food distribution, and the selling of fertilizer and superior seeds, among other things. The management of the cooperatives was shifted from the Agricultural Development Bank to the cooperatives' executive body.

### **Sixth Five Year Plan (1980–1985)**

During this time, there were 719 cooperative societies in operation. The share capital was NRs. 147.85 million, and the membership increased by 1.43 million. Cooperative societies received a loan of NRs. 1.23 billion. A total of NRs. 673.14 million was loaned by the societies (NPC, 1985). The guiding principle was that it should be tailored to the requirements of small and marginal farmers to protect them from being abused by high interest rates offered by local creditors. According to the decentralization legislation, cooperative offices were established in seventy districts to provide cooperatives with necessary services, and a district cooperative development program was established. During this period, provisions in the feasibility study were made to organize cooperatives under the 'Integrated Rural Development Project,' as well as to merge and integrate non-feasible societies.

During this time, Small Farmers' Cooperative Societies were formed to help small farmers. Sajha institutions were freed from the ex-officio authority of Panchayat political functionaries with the start of the sixth plan, and elected members were authorized to run Sajha institutions. When the "Sajha Institution Act-1984" was established, it incorporated all cooperative field departments and offices into the Sajha institution.

## **Seventh Five Year Plan (1985–1990)**

Among other things, the major goals of this strategy were to develop the rural economy, support the expansion of Sajha at the rural level, and construct a central department dedicated toward the interests of institutions. Over this time, agricultural inputs, consumer goods, and agricultural product cooperative transactions total NRs. 1.51 billion, NRs. 1.22 billion, and NRs. 1.31 billion, respectively. The "Sajha Institution Rules, 1986" were also approved to strengthen Sajha programs, and a 'High Level Central Coordination Committee' of 17 members was formed. The Sajha Development Department has been overseen by the Ministry of Agriculture since 1987, when it was split from the Ministry of Land Reform. Compulsory deposits, as transformed into member share capital, were remitted to members in 1988. There were 830 agricultural cooperative societies in 72 districts and district cooperative unions in 33 districts by the seventh plan period. Aside from these, 54 non-agricultural and commodity-specific cooperative groups existed. In 1985, the National Coordination Committee was formed to carry out all cooperatives as a single organization (NPC, 1992).

After being converted into share capital, compulsory deposits were refunded to members in 1988. By the seventh plan period, there were 830 agricultural cooperative societies in 72 districts and district cooperative unions in 33 districts. Aside from that, there were 54 non-agricultural and commodity-specific cooperative groups. The National Coordination Committee was established in 1985 with the purpose of uniting all cooperatives into a single body (1992).

## **Eighth Five Year Plan (1992–1997)**

There were numerous important successes highlighted during that plan era, including some progressive policies. At the commencement of this initiative, 830 societies were active in multifunctional activities, with 53 societies engaging in non-agricultural sectors. At the outset of the plan, there were 1.48 million members, but at the end, that number had plummeted to 1.05 million. The entire amount of share capital increased by NRs. 324.74 million, a 217.20 percent increase, like the intermediate period of fiscal year 1990/91. The societies received a total loan of NRs. 324.74 million during this time, with a return of NRs. 848.29 million. 87 percent of the total loan amount was repaid throughout this time. As the

first step in implementing this plan, a new cooperative Act and cooperative rules were drafted and implemented in 1992. (NPC, 1997). As a result, cooperatives aided in the revitalization and organization of domestic financial resources for the country's economic progress. Cooperatives were soon reproduced in rural and urban areas across the country due to the law's flexibility in program execution.

The National Cooperative Development Board was established during this period by dissolving the then Sajha Central Office, and Parliament granted it permanent status under the National Cooperative Development Board Act, 1992. Similarly, national cooperative federation and three central unions were established and recognized by the cooperative act: Savings and Credit, Dairy, and Consumers. By the end of the plan period, 3,132 cooperatives had been established, including 1,622 dairy cooperatives, 343 savings and credit cooperatives, 258 consumers' cooperatives, and 248 others (NPC, 1997).

### **Ninth Five Year Plan (1997–2002)**

Cooperatives were categorized as Cooperative Development under the agriculture sector category at the time. The plan also emphasized cooperatives' strategic role in mobilizing economically active age groups by stressing cooperative business promotion through training and education, such as cooperative supply of production inputs, marketing of goods, processing, and so on. There was one Federation, three Central Unions, 121 District Unions, and 7064 main cooperative groups in the ninth plan's last year (2002/03). (NPC, 2002). Cooperative organizations purchased and sold fertilizer and agricultural products, totaling NRs. 171.40 million. During this period, Nepal Rastra Bank awarded the 34 saving and credit cooperative institutions a restricted banking transaction license. The purpose of the ninth plan was to overhaul the cooperative formation's major institutions (Department of Cooperatives, 2002).

The Rural Micro Finance Development Center (RMDC) and Small Farmers Development Bank (SFDB) were established to provide wholesale loans to cooperatives and other microfinance institutions. Given the importance of cooperatives in rural socioeconomic development, major agencies such as the National Cooperative Development Board, the Cooperative Department, the Small Farmers' Development Bank, NGOs, and INGOs are focusing heavily on

establishing cooperatives in rural areas during this plan period. The rigorous training, funding, and technical advisory services provided by the competent authorities for the promotion and strengthening of cooperatives in Nepal's rural areas were extremely effective. At the municipal, district, central, and national levels, voluntary and autonomous cooperative groups, and associations are created.

### **Tenth Five Year Plan (2002-2007)**

His Majesty's Government restructured the Division Cooperative Offices at this period, lowering the number of division cooperative offices from 68 to 38 districts. Following registration in the cooperative sector, National Cooperative Bank has been in business since 2003. By the end of the tenth plan, there were 9,720 primary co-operatives, 5 central federations, one national co-operative bank, and 133 district and sectoral federations. These cooperatives and their associations had a total of 1.251 million members, with women accounting for 33% of the membership. The yearly transactions in the cooperative industry are over Rs. 50 billion. Co-operative societies have a share capital of Rs. 1,040 million, with a balance of Rs. 20 billion in savings and Rs. 24 billion in investments. According to estimates, the transactions of these cooperatives generate around 1% of GDP, and 15,000 people are directly employed in this business (NPC, 2007). The tenth plan's principal goal was to eliminate poverty, and government organizations along with cooperatives and NGOs engaged carried out significant development initiatives to achieve this goal.

### **Eleventh Three Year Interim Plan (2007-2010)**

The interim plan's overarching goal was to undertake several programs to boost cooperatives' institutional capacities. The proposal advocated revising the present cooperative act, rules, and regulations, re-evaluating the cooperatives' organizational structure, establishing monitoring units at various levels, and strengthening transparency and information systems to achieve this goal. The three-year interim plan aimed, among other things, to improve human resources, direct national and international poverty-related funds to the sector, provide wholesale credit to cooperatives from the cooperative development bank, and integrate landless, tenants, and marginal farmers into cooperative programs (NPC, 2007).

The country had around 20,000 primary cooperatives, 10 theme central unions, one national cooperative bank, one national cooperative union, 66 district cooperative unions, and 127 thematic district cooperative unions at the end of the 11<sup>th</sup> plan. These groups have about 2.2 million members in total. The annual financial transactions in the cooperative sector amounted to around Rs. 100 million. Cooperatives have a total share capital of Rs. 10 billion, a Rs. 58 billion cumulative savings deposit, and a Rs. 62 billion investments. The cooperative industry is estimated to contribute 2% of the country's GDP. Over 50,000 people have found direct employment in cooperatives. At the time, 150 cooperative trainers were trained, and 48,000 cooperative employees received various trainings, including cooperative orientation (NPC, 2010).

### **Twelfth Three Year Plan (2010-2013)**

The fundamental purpose of the 12<sup>th</sup> plan was to mobilize the general public's labor, talent, money, and resources for communal well-being through co-operatives to lay the groundwork for economic success, social change, and equitable development. Cooperatives are generally prevalent in metropolitan areas, but they have spread throughout the country. The Department of Cooperatives has adopted criteria-based monitoring and rules for cooperative groups and societies. The Ministry of Cooperatives and Poverty Alleviation was founded to oversee the growth, expansion, and promotion of the cooperatives sector. Efforts to expand this sector are complex and dynamic, as indicated in the National Cooperatives Policy of 2012.

The fundamental purpose of the 12th Plan was to mobilize the general public's labor, talent, money, and resources for communal well-being through co-operatives to lay the groundwork for economic success, social change, and equitable development. At the end of the tenth plan, there were 29,526 primary cooperative societies working in a variety of industries, including agriculture, savings and credit, milk, and a small number of consumers. There were 3,044 agricultural (multipurpose), 2,350 savings and credit, 1,362 milk, 194 consumers, and 495 other sorts of cooperatives during the fiscal year (NPC, 2013; Department of Cooperatives, 2013). During the same period the previous year, a total of 3,026 cooperatives were registered, an increase of 11.42 percent. There were a total of

2600 all-female cooperatives. Similarly, cooperatives are expected to contribute 3% of GDP while providing direct and indirect work opportunities to more than 50,000 and 700,000 individuals, respectively. Cooperatives originated in cities but have now extended to all districts. The Department of Cooperatives had begun to adopt criteria-based monitoring and regulations for cooperative organizations and groups. The National Cooperatives Policy-2012 indicated that attempts to grow this sector were complex and dynamic (NPC, 2014).

### **Thirteenth Three Year Plan (2014 - 2016)**

By the completion of the plan, there were 32,663 different types of primary cooperatives, 69 district cooperative organizations, 252 theme cooperative associations, 20 thematic central associations, one national cooperative bank, and national cooperative federation limited as the apex body. The cooperative has more than 5.2 million members. Women's participation in the cooperative sector was roughly 46%, while women's access to leadership was 34%. The total number of women-only cooperatives now stands at 4,011. The industry is reported to have directly employed around 61,000 inhabitants and indirectly employed more than one million people. Cooperative share capital increased to Rs. 65 billion at the end of 2015/16, with Rs. 210 billion in savings and Rs. 185 billion in investment. By spreading its network to all districts, this region has succeeded in covering the impoverished classes, rural areas, Adivasi Janajati, Madhesi, Dalit, persons with disabilities, minorities, all classes, regions, and communities (NPC, 2016).

### **Fourteenth Three Year Plan (2016 – 2019)**

The fourteenth plan's goal is to create a multiplier effect in production and social empowerment by combining local resources, labor, skills, and money. The purpose of the plan is to contribute to the country's long-term and equitable socioeconomic progress by building and growing cooperative-based goods, enterprises, and service businesses and promote cooperative principles and values while improving cooperative management techniques and procedures to preserve good governance. Throughout the plan period, cooperative sector promotion, entrepreneurship and capacity building, cooperative communication, and monitoring, research, and evaluation activities were all undertaken.

There were 77 district cooperative unions, 328 subject wise district cooperative unions, 20 subject wise central cooperative unions, national cooperative banks, and national cooperative federations among the 34,512 distinct forms of primary cooperatives. The primary cooperative has over 6.3 million members. The total share capital of the cooperatives was Rs. 73 billion, and the mobilized savings were Rs. 3.2 trillion. Cooperatives have raised Rs. 273 billion in loans. Cooperatives have around 52% female members, and women make up 40% of cooperative participation. The cooperative sector has directly employed 61,000 people while indirectly creating millions of jobs. Women's empowerment, leadership development and capacity building, social integration, entrepreneurial promotion, and poverty reduction have all made significant contributions to this sector. It is therefore critical to consolidate achievements in this area to encourage the healthy expansion of the cooperative movement (NPC, 2019).

### **Fifteenth Five Year Plan (2019 – 2024)**

Under the vision of high-quality and sustainable cooperatives for economic success and social transformation, the plan's purpose is to build productive, sustainable, and fair economic connections based on self-reliance and the concept of mutuality. The plan's major objectives are to assist targeted and poor communities in participating in economic and social empowerment processes through cooperatives, to uphold cooperative norms and principles, good governance, and develop a culture of self-reliance and mutuality, and to strengthen cooperative institutional capacity to orient them toward multiple production environments, processing, and commercialization.

Cooperative subjects will be taught at both the high school and university levels throughout this planning period. The CoPoMIS (Cooperative and Poverty Alleviation Management Information System) will be implemented effectively. The contribution of the cooperative sector to GDP will be determined. A long-term collaborative strategic plan will be produced. The cooperative training and research facility will be restructured. Women's cooperative engagement will grow. Cooperatives would raise Rs 86 billion in equity, Rs 384 billion in deposits, and Rs 393 billion in debt. An extra 17,000 direct jobs will be created in this sector per year. Up to the year 2018/19 there were 34,763 primary cooperatives, 77 district cooperative unions, 305 district subject wise cooperative unions, 20 central subject

wise cooperative unions, 1 national cooperative federation and 1 national cooperative bank (NPC, 2019).

### **Growth of Cooperative Movement in Nepal:**

Coincidentally, the beginning of planned development in Nepal and the beginning of modern cooperative movement coincided. From the first to the fifteenth development plan, the cooperative movement has come to a strong and efficient position after sixty-five years of its establishment. The Department of Cooperatives is working to collect and present the information about cooperative development.

The growth of Nepalese cooperative movement from 2006/7 to 2019/20 can be seen from the table below.

**Table 1**  
**Growth of Cooperative Movement in Nepal**

Year	No of Coop	Coop Member			Share ('000)	Deposit ('000)	Loan ('000)	Employment
		Female	Male	Total				
2019/20	29886	4092394	3215068	7307462	94105016	477961146	426262311	88309
2016/17	34512	3213514	3092067	6305581	73178715	302164513	274154363	60517
2015/16	33599	3086318	2944539	6030857	71357882	295727802	289825041	56475
2014/15	32663	2281935	2824985	5100370	63059914	202420535	188078439	57854
2013/14	31177	2100137	2456513	4555286	61186201	172529350	154631604	54143
2012/13	29526	1953273	2398732	4352005	33451296	158162704	133827326	52003
2011/12	26501	1934551	2709902	4647549	27095151	139543971	134383307	39572
2010/11	23301	1449348	1692233	3141581	20225139	117295228	116835814	16502
2009/10	19724	897768	1240580	2138348	9360530	58045139	61549469	N/A
2008/09	15813	631454	1212305	1843759	8959172	29308434	30024625	N/A
2007/08	11302	608810	1182649	1791459	3638018	29001800	29873174	N/A
2006/07	9720	412447	847300	1259447	1045563	19517518	24147747	N/A

Source: Statistical report 2007-20, Department of Cooperatives

From the above table, Nepal's cooperative movement has been continuously growing. However, recent data from the department indicates that other indicators of cooperatives are increasing but also declining in numbers. Although the department of cooperatives has lowered the number of cooperatives owing to mergers and inactivity, it remains to be seen what the future holds if the local level allows for the simple establishment of cooperatives. According to the above table, quantitative capitalization and qualitative wealth are required to move the cooperative movement forward. For this, special attention should be paid to cooperative risk management as well as business diversification and expansion. With the growth of cooperatives and increase in capital and credit investment, its

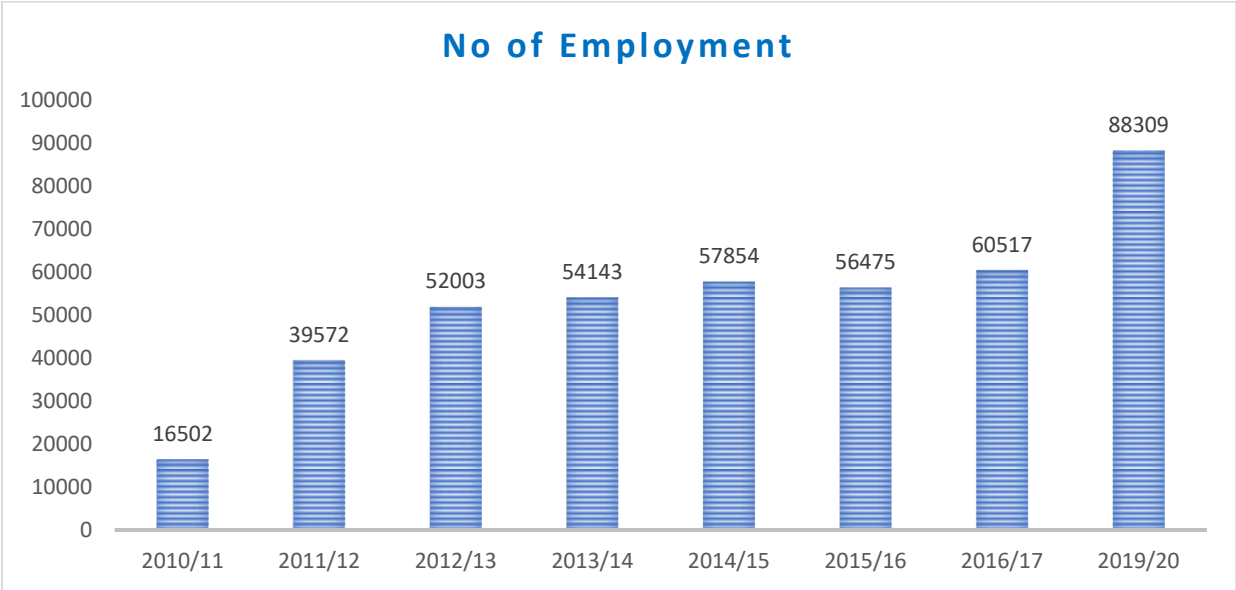
risk also increasing. The interest rate, loan duration, value of collateral, management inefficiently, boards vested interest in investment, inadequate follow up and lack of training are the affecting factors of risk in Cooperatives (Paudel, 2021). This is an issue that stakeholders should pay close attention to. Kharel et al. (2020) conclude that the cooperative sector contributes to poverty reduction, service delivery, gender equality, financial strength, and good governance.

Attempts have been made to illustrate the overall growth rate in the cooperative sector by increasing the number of cooperatives, share capital, deposit mobilization and credit investment, number of shareholders involved in cooperatives, and direct employment provided by the cooperative sector.

**Employment:**

The cooperative movement has long been one of the most important sectors in the world for providing decent work. In Nepal, the cooperative sector has also proven to be a reliable source of job creation. In 2010/11, 16,502 people were employed; by 2019/20, that number had risen to 88,309. Cooperatives have enabled millions of members to become self-employed, and the number of indirect employers is estimated to be even higher. The status of direct employment provided by the cooperative is depicted in figure 1.

**Figure-1**

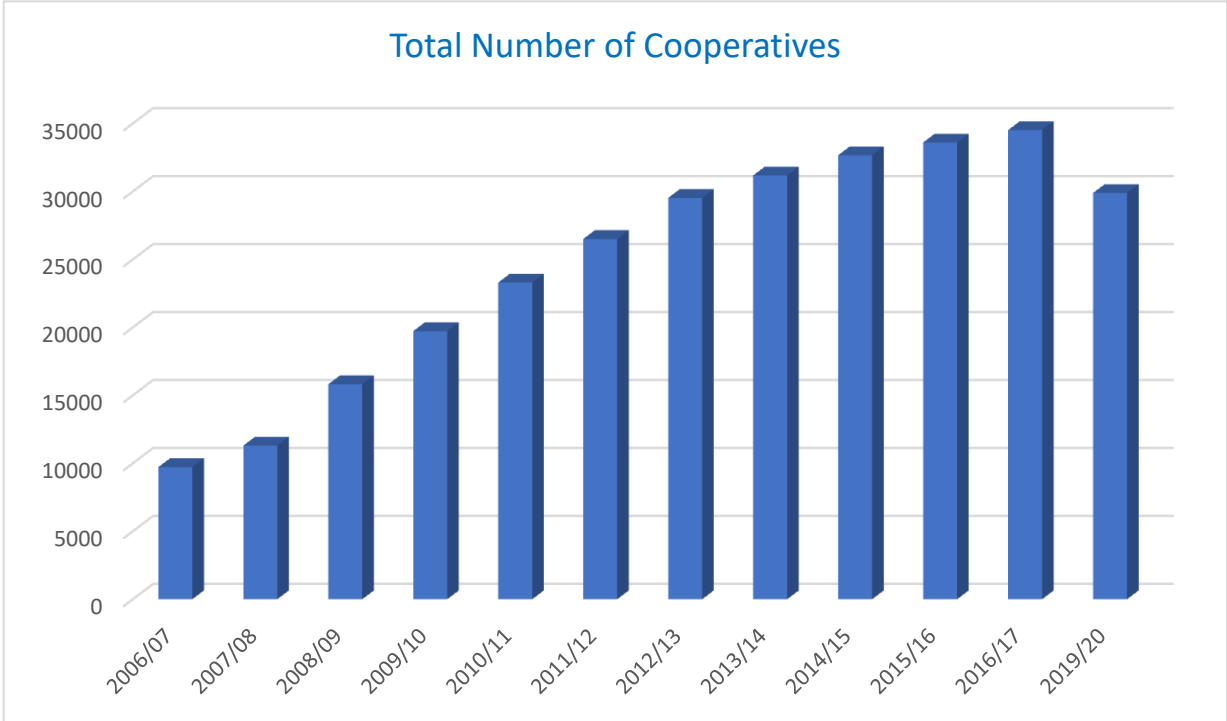


Source: Department of Cooperatives

**Number of Cooperatives**

After the Cooperatives Act, 1992 the cooperative movement in the name of Sajha in the panchayat system appears to have had the opportunity to bear fruit. After the division of cooperatives into federal cooperatives, provincial cooperatives, and local level cooperatives, according to the Cooperatives Act 2017, the number of cooperatives has decreased in 2019/20 as compared to 2016/17. The following figure 2 depicts the growth situation of various types of cooperatives from 2006/07 to 2019/2020.

**Figure-2**



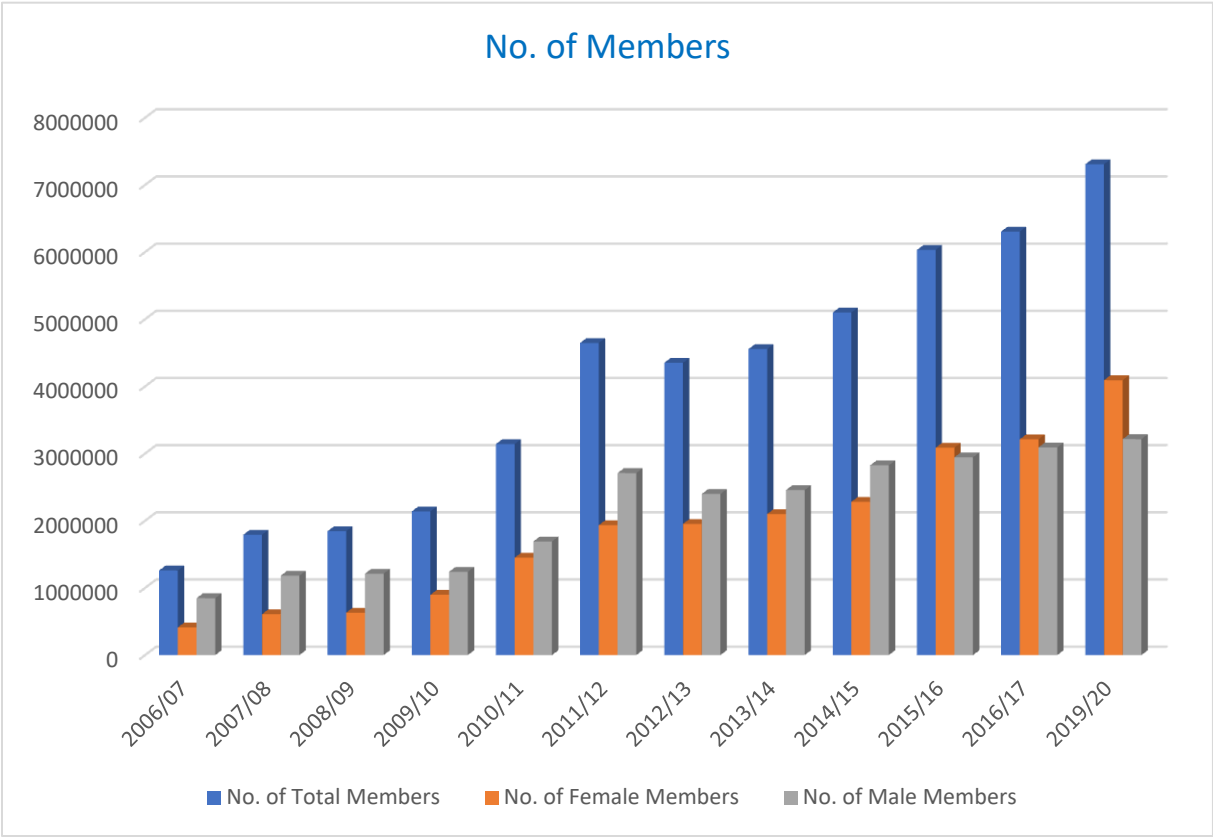
Source: Department of Cooperatives

**Cooperative Members**

The number of members who are part of the cooperative is rapidly growing. Cooperatives are not only a convenient way to meet one's needs, but their economic and social status is also improving. Even though some members have multiple memberships, the cooperative currently has many members. Even though the number of women members in the cooperative was lower than that of men until 2014/15, after 2015/16, women's participation appears to have increased significantly in comparison to men. According to the available recent statistics,

women make up 56% of the membership, while men make up 44%. Figure 3 depicts the cooperative's membership numbers from 2006/07 to 2019/20.

**Figure -3**

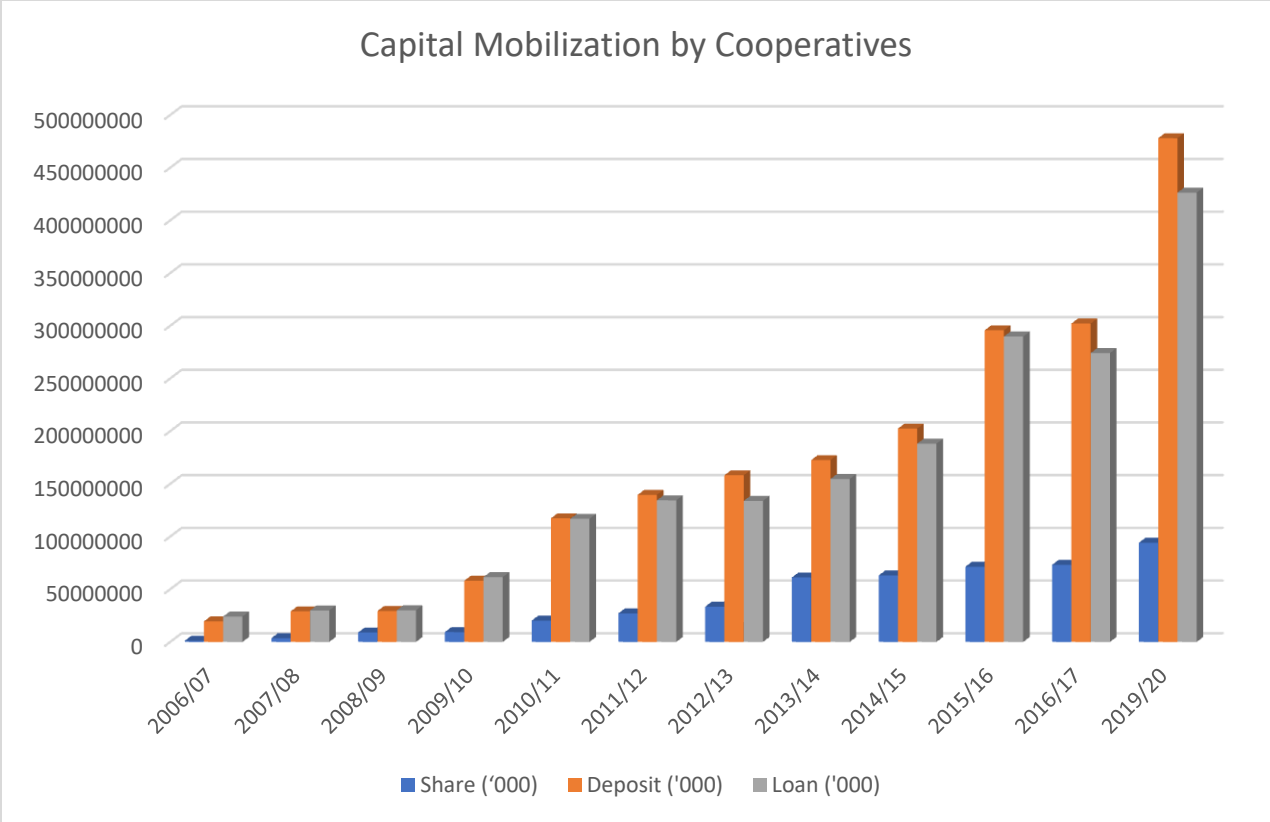


Source: Department of Cooperatives

**Capital Mobilization through Cooperatives**

Capital mobilization through cooperatives has been on the rise in Nepal in recent years. By 2019/20, the share capital will have grown from 1,045,563 thousand in 2006/07 to 94,105,016 thousand, and the deposit mobilization will have grown from 19,517,518 thousand to 477,961,146 thousand. In the same way, loan investment increased from 24,147,747 thousand in 2006/07 to 426,262,311 thousand in 2019/20. This demonstrates that the cooperative sector is an important source of capital. The capital mobilization from 2006/07 to 2019/20 can be explained using the figure 4.

**Figure -4**



Source: Department of Cooperatives

**Province Wise Cooperative Situation:**

After the sixty-five years of establishment of modern cooperatives, more than 7.3 million members have joined 29,886 cooperative societies of various types. Women's representation appears to be promising, with 56 percent of total members being female. The cooperative industry has directly employed 88,309 individuals, and millions more have become self-employed. Cooperatives have a total share capital of Rs 94 billion, a deposit collection of Rs 478 billion, and a loan investment of Rs 426 billion. There are 20 central subject wise cooperative unions, one national cooperative federation, one cooperative bank, 77 district cooperative unions, 328 district subject-wise cooperative unions, and the remainder is primary cooperatives. Province cooperative unions and province subject wise cooperative unions, which are not included in this statistic, are also being established. The statistics of cooperatives based on the provinces are shown in the table 2.

**Table 2**  
**Cooperatives based on Province Level**

province	No of Cooperatives	Members			Employment	Share ('000)	Deposit ('000)	Loan ('000)
		Female ('000)	Male ('000)	Total ('000)				
Prov 1	4737	500	435	935	20,685	8,200,287	41,210,043	38,952,915
Madhesh	4153	252	303	555	10,843	2,365,246	23,199,641	15,051,198
Bagmati	10418	1457	1260	2717	33,892	51,406,428	214,662,206	199,864,724
Gandaki	2671	642	475	1117	7,638	22,050,967	86,074,572	88,378,061
Lumbini	3755	577	322	899	6,989	5,822,297	59,963,768	40,806,804
Karnali	1967	272	133	405	4,534	1,918,073	8,868,179	7,925,249
Sudurpaschim	2060	319	224	543	2,815	2,015,088	10,443,497	11,499,585
Under Fed. department	125	73	63	136	913	326,629	33,539,241	23,783,774
<b>Total</b>	<b>29886</b>	<b>4019</b>	<b>3288</b>	<b>7307</b>	<b>88,309</b>	<b>94,105,016</b>	<b>477,961,146</b>	<b>426,262,311</b>

Source: Cooperative Department, 2020

On a provincial basis, Bagmati is far ahead of other province in all indicators and Karnali lags in most of the indicators. Madhesh lags in terms of women's participation and far-western lags in terms of employment. Similarly, Kathmandu district is far ahead among other districts and Kathmandu metropolitan city is far ahead among other municipalities. There are only four rural municipalities three from Dolpa district (Dolpobuddha, Shefokshundo and Chharkatangsong rural municipalities) and one from Manang district (Narpabhumi rural municipality) who have no cooperative out of total 753 municipalities.

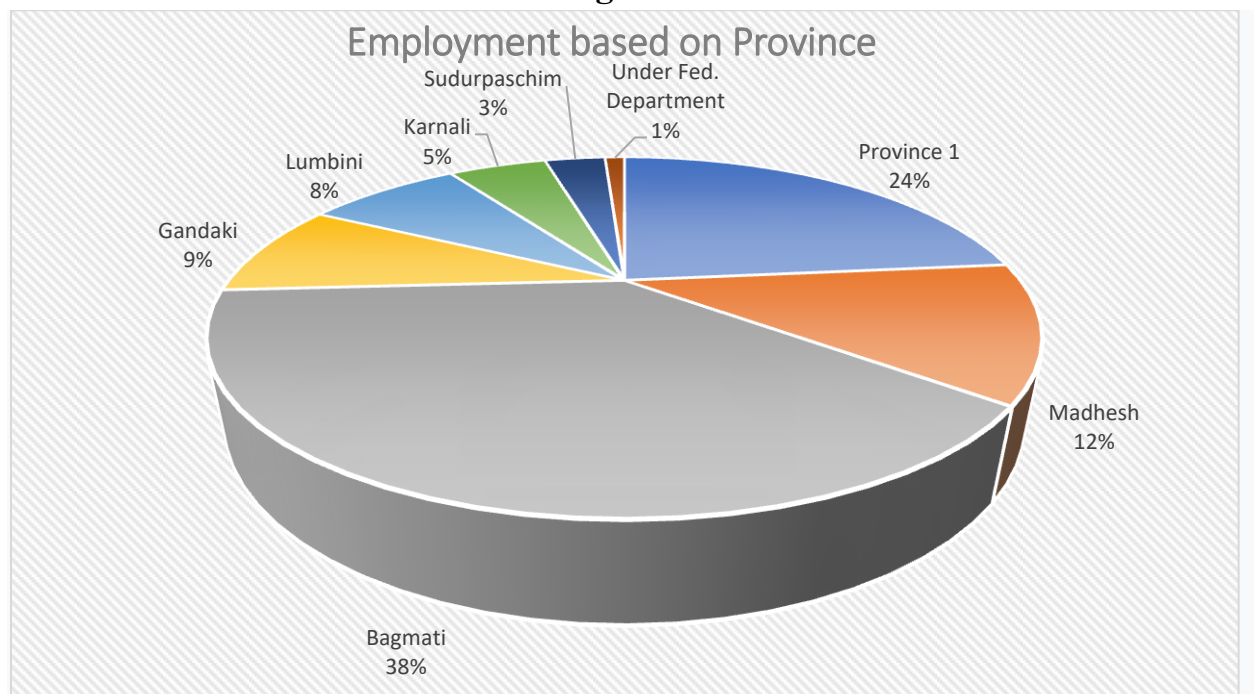
Nepalese Cooperatives are divided into three tiers based on their area of work, within the regulatory area of federal, provincial, and local level. Accordingly, the federal department of cooperatives operates 125 (0.41%) cooperatives, the provincial cooperatives department operates 6,002 (20.08%) cooperatives, and the local cooperatives department operates 23,759 (79.49%) cooperative societies.

Attempts have been made to further clarify the numerical, capital (share capital, deposit mobilization and loan investment) of the cooperatives, the shareholding members involved, and the direct employment status provided separately from the diagram and documentary as per the table given above.

## Number of Employment

Bagmati province leads all indicators in the cooperative movement. Risal (2020) claimed that more common in the Bagmati and Gandaki Provinces, resulting in lower poverty and increased employment. According to employment statistics, Bagmati province employs over 38 percent of the population. This province is home to the majority of the 125 cooperatives overseen by the Federal Department of Cooperatives. Bagmati is followed by province 1 in terms of employment, which accounts for 24% of total employment. Similarly, Madhesh province came in third place with 12 percent employment, while Sudurpaschim province came in last place with only 3 percent employment. Figure-5 can be seen in greater detail.

**Figure -5**



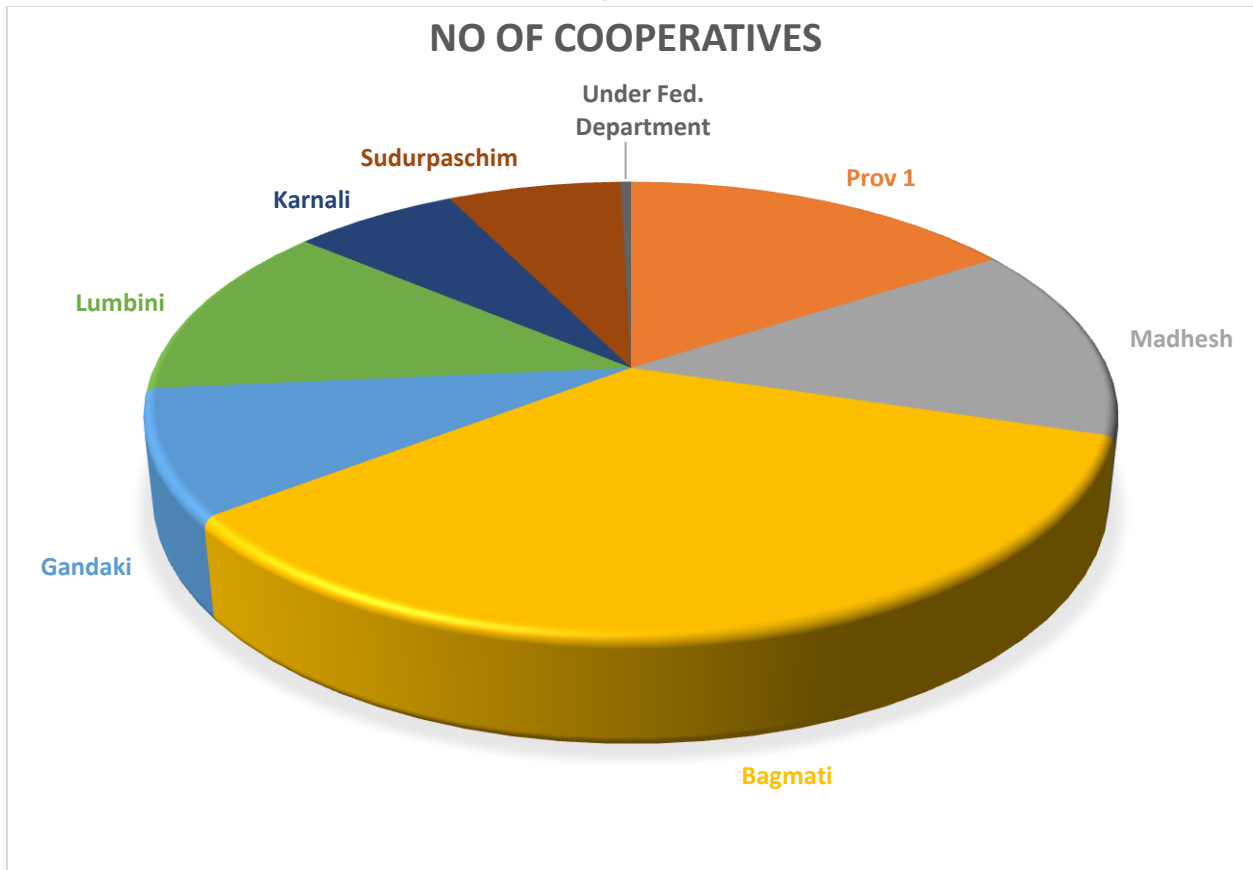
Source: Cooperative Department, 2020

## Number of Cooperatives

Bagmati province leads in the number of cooperatives, while Karnali province lags. Bagmati, which is also the country's capital, are most of the central subject wise unions, cooperative banks, and the National Federation of Cooperatives. Province 1 follows Bagmati, followed by Madhesh province. The number of cooperatives has decreased in 2019/20 compared to 2016/17 due to a recent wave

of mergers in the cooperative sector. Figure-6 helps to spread the number of cooperatives across the province.

**Figure-6**

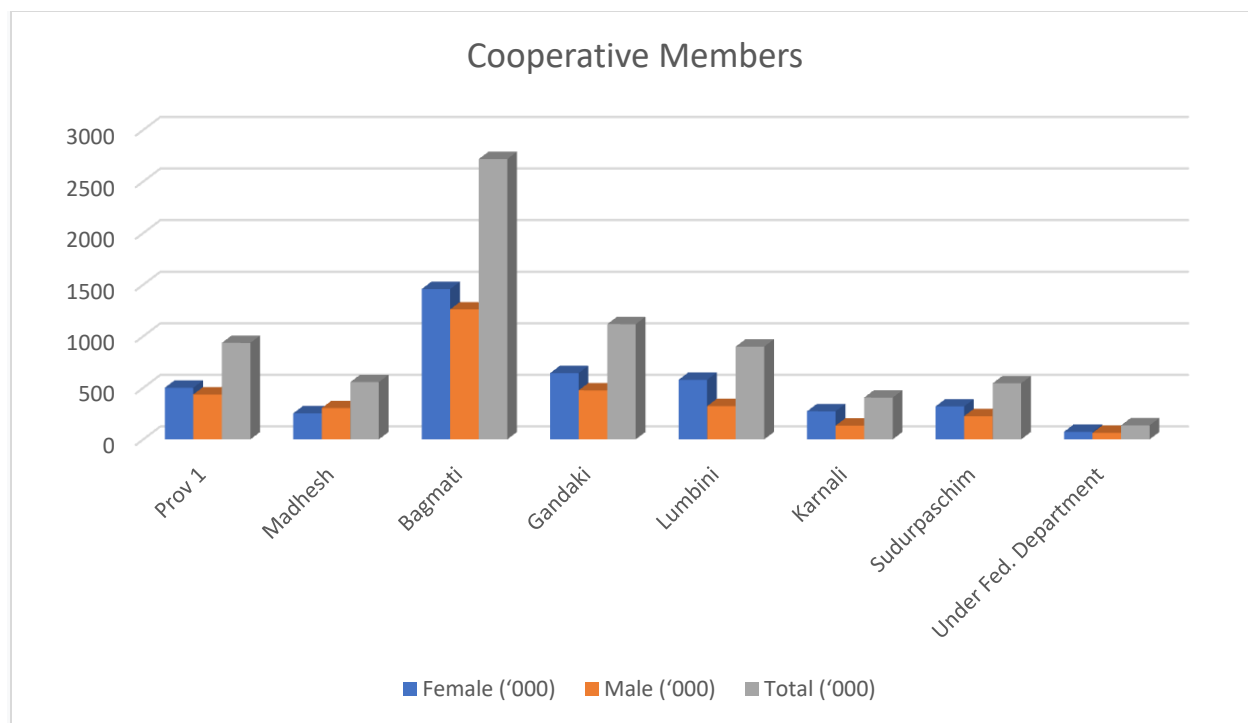


Source: Cooperative Department, 2020

### **Members**

Bagmati province is first among the provinces in terms of cooperative membership, followed by the Gandaki province. Karnali is one of the provinces with the smallest population. Madhesh province lags the most in terms of women's participation in the members. The number of male members in Madhes appears to be low, even though the number of female members has increased in all other provinces. Following figure-7 can be used to further explain the statistics of the overall provincial members, including female and male members involved in cooperatives.

**Figure-7**

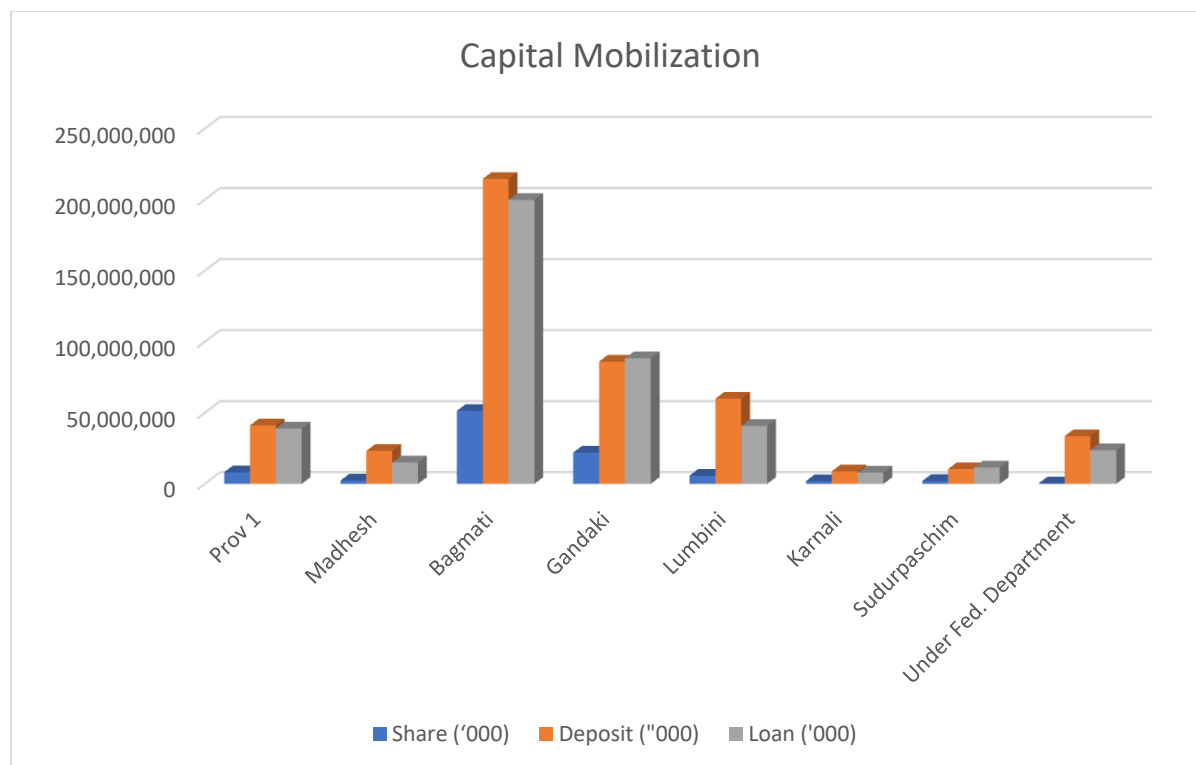


Source: Cooperative Department, 2020

### Capital Mobilization

Another important function of the cooperative sector is capital mobilization. The cooperative accepts deposits and provide loans to its members in addition to production, consumption, service, and other activities. The primary purpose of savings and credit cooperatives is to collect savings from members and provide loans to those who are in need. Bagmati province ranks higher than other provinces in terms of capital mobilization. Most notably, 125 institutions in the Federally Administered Tribal Areas have higher savings mobilization and loan investments than Karnali, Far West, and Madhesh provinces. In terms of share capital, deposit mobilization, and credit investment, Karnali lags. The following figure-8 clarifies the status of share capital, deposit mobilization, and credit investment within the regulatory areas of all seven states and federal departments.

Figure-8



Source: Cooperative Department, 2020

### Future Destination:

Given the current state of cooperatives in Nepal and the fact that the cooperative sector has been designated as the third pillar of the economy by the constitution, the cooperative movement bears a tremendous deal of responsibility. The cooperative movement must concentrate on establishing a socialist-oriented economy, as stipulated by the constitution. Cooperatives should strive for the economic and social welfare and upliftment of their members to better their economic situation. As a result, cooperatives make it simpler to progress toward a socialist natural economy. The co-operatives appear to perform savings and loan business like banks and financial institutions on the surface, but cash flows from the capitalist group to the needy group, facilitating their financial upliftment. Because banks and financial institutions focus their capital investment in the category of big borrowers, cooperatives can play an essential role in improving the economic and social conditions of underprivileged members.

Even if it is mentioned in the constitution, creating a socialist-oriented economy is not an easy task. It's difficult to say how the three sectors of the economy, the public, private, and cooperative sectors, collaborate to construct a socialist-oriented

economy. The socialism and bourgeois economies are two distinct economies in which the state plays an essential function for society while the private sector plays an important part for the bourgeoisie. Furthermore, given Nepal's existing situation and global geopolitical realities, the country would not be able to develop a socialist-oriented economy overnight. Moving ahead on a socialist road is inconceivable given that the private sector is an important component of the free economy. Now there's the cooperative, which can help us get closer to establishing a socialist-oriented economy. What we need to be clear about is that we will only continue the route of socialism and will not be bringing socialism soon. Qualitative development in output will not be feasible until people have direct access to production. The private sector will not invest in remote locations; instead, it will look for areas where profits can be made through capital mobilization. As a result, the government should create a practice of partnering with the private sector to build significant infrastructure and other large projects of a productive and commercial character.

In rural areas, agriculture, small and medium industries, and some service sectors, the cooperative system should be implemented. Cooperative-cooperative partnerships (C2C Model), private-cooperative partnerships (P2C Model), and government-cooperative partnerships (G2C Model) can all be used to accomplish this. Capital mobilization can be done through a public-private-cooperative partnership (PPCP Model). The government should create a practice of partnering with the private sector to build significant infrastructure and other large projects of a productive and commercial character. In rural regions, agriculture, small and medium businesses, general mobilized areas, and some service sectors, the cooperative system should be implemented.

Production from rural areas might be shifted to the city, and the money could then be distributed back to the rural area via cooperatives. As a result, the village's farmers are encouraged to production and the urban consumer can get fresh goods at fair prices. This not only eliminates the middleman, but also builds cooperatives as a vital link between rural and urban economies.

While Nepal's cooperative movement has been in existence for six and a half decades, it has through multiple ascents and descents to achieve its current position, as previously stated. From the first to the present fifteenth planned development stage, the cooperative sector's development has been considerably higher than that of other sectors, with a few exceptions. The cooperative

movement, on the other hand, has never been able to progress in line with its goals and beliefs. It is essential for every stakeholders to pay attention to the qualitative development of cooperatives in order to make cooperatives the third pillar of an economy, as acknowledged by the constitution.

### **Conclusion:**

Since 1957, the cooperative culture that has existed in Nepal since ancient times has been formalized as a modern cooperative movement with a sixty-five-year history. The cooperative movement is growing in both quantity and quality today, and it still needs to be developed as a reliable model of qualitative economic development based on values and principles. Furthermore, the cooperative movement should be developed as a risk-free means of advancing people's economic, social, and cultural interests by establishing it based on law and technology.

The modern cooperative movement, which began with an executive order, was limited to a common campaign as a cooperative directed during the Panchayat period in the absence of the Cooperatives Act, and only after the Cooperatives Act, 1992, did it appear possible to move forward quickly. This demonstrates that the cooperative movement can only flourish in a democratic setting. Cooperatives are one of Nepal's three economic foundations, according to the 2015 Constitution. The constitution predicts national prosperity via public-private-cooperative partnership. The 2017 Cooperative Act prioritizes assisting cooperatives in adapting to changing circumstances. Cooperatives, like other financial institutions, contribute to the country's entrepreneurial growth by fostering small, medium, and large-scale firms and providing job opportunities.

Because of the huge potential for optimism in the cooperative sector as a critical pillar, a unique implementation structure in this area should be established. If the cooperative continues to follow several previous recommendations, it will be successful in steering the nation's economy in the right direction. Through qualitative development rather than numerical increase, cooperatives must become more community-based and member-centered. Promoting cooperative-friendly policies, expanding cooperatives to rural deprived communities as specified in the constitution, establishing cooperatives as the foundation of the country's prosperity,

strengthening cooperative self-regulation, and maintaining good governance are all necessary conditions for the advancement of Nepal's cooperative movement. It is also critical to create good cooperation between cooperative federations and monitoring bodies. By increasing cooperative access to women and other groups, the cooperative movement must focus on poverty reduction and job creation.

### **References:**

- Department of Cooperatives. (2007). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperatives. (2008). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperatives. (2009). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperatives. (2010). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperative. (2011). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperative. (2012). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperatives. (2013). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperatives. (2014). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.

- Department of Cooperatives. (2015). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperatives. (2016). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperatives. (2017). Annual Progress reports. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Department of Cooperative (2020). Sahakari Jhalak. Ministry of Land Management, Cooperative & Poverty Alleviation, Government of Nepal. Kathmandu.
- Devkota S P (2021), Contribution of Co-Operative in Nepalese Economy, The Journal of Madhyabindu Multiple Campus, Vol. 6, No. 1. Retrived from:
- ICA. (1995). On-Line Conference on Cooperative Principles, Sept. 1995. International Co-operative Information Centre. ICA/UWCC.
- ICA. (2013). Cooperative Growth For the 21st Century, International Cooperative Alliance (ICA). Geneva.
- ICA, (2021). World Cooperative Monitor, 2021. [https://monitor.coop/sites/default/files/2022-01/WCM\\_2021\\_0.pdf](https://monitor.coop/sites/default/files/2022-01/WCM_2021_0.pdf)
- International Labour Organization, (2002). Promotion of Cooperatives Recommendation, 2002. Retrived from:[https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:R193](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R193)
- Khatiwada, Y. R. (2014). Cooperatives, Economic Democracy and Human Security: Perspectives from Nepal. Retrieved from [https://www.nrb.org.np/ofg/governors\\_presentation\\_paper\\_at\\_1st\\_national\\_cooperative\\_congress\\_a/](https://www.nrb.org.np/ofg/governors_presentation_paper_at_1st_national_cooperative_congress_a/)
- Kharel, Adhikari, Chalise, & Gyawali (2020). Evolution of Cooperatives Through Development Plans and Resource Mobilization in Nepal. International Journal of Advanced Research in Management and Social Sciences. Retrived: from <https://garph.co.uk/IJARMSS/Nov2020/G-2852.pdf>.
- National Planning Commission (1956). First Five-Year Plan 1956-1961. Kathmandu: Government of Nepal.

- National Planning Commission. (1962). Second Three Year Plan 1962-1965.  
Kathmandu: Government of Nepal.
- National Planning Commission. (1965). Third Five Year Plan 1965-70.  
Kathmandu: Government of Nepal.
- National Planning Commission. (1970). Fourth Five Year Plan 1970-75.  
Kathmandu: Government of Nepal.
- National Planning Commission. (1975). Fifth Five Year Plan 1975-1980.  
Kathmandu: Government of Nepal.
- National Planning Commission. (1980). Sixth Five Year Plan 1980-1985.  
Kathmandu: Government of Nepal.
- National Planning Commission. (1985). Seventh Five Year Plan 1985-1990.  
Kathmandu: Government of Nepal.
- National Planning Commission. (1992). Eighth Five Year Plan 1992-1997.  
Kathmandu: Government of Nepal.
- National Planning Commission. (1997). Ninth Five Year Plan 1997-2002.  
Kathmandu: Government of Nepal.
- National Planning Commission. (2002). Tenth Five Year Plan 2002-2007.  
Kathmandu: Government of Nepal.
- National Planning Commission. (2007). Eleventh Three Year Plan 2007-2010.  
Kathmandu: Government of Nepal.
- National Planning Commission. (2010). Twelfth Three Year Plan 2010-2013.  
Kathmandu: Government of Nepal.
- National Planning Commission. (2014). Thirteenth Three Year Plan 2014-2016.  
Kathmandu: Government of Nepal.
- National Planning Commission. (2016). Fourteenth Three Year Plan 2016-2019.  
Kathmandu: Government of Nepal.
- National Planning Commission. (2019). Fifteenth Five Year Plan 2019- 2024.  
Kathmandu: Government of Nepal
- Paudel G. P. (2021). Risk Management and Efficiency of Cooperatives: A Study of Nepalese Cooperative Societies, International Journal of Scientific & Engineering Research, Volume 12, Issue 12, ISSN 2229-5518. P 274-288.

- Paudel G. P. (2016). Credit Risk Management in Nepalese Cooperative Societies; An Unpublished PhD Thesis. Singhanian University. Rajasthan, India.
- Pokhrel, B. B. (1988). A Study of Cooperative Movement in Nepal. An Unpublished PhD Thesis. Bihar University. Bihar.
- Ramkishan, Y. (2009). Management of Cooperatives (second ed.). JAICO Publishing House. ISBN 81-7992-213-8, Mumbai.
- Risal N. (2020), Role of Cooperatives for Sustainable Livelihood in Bagmati Province, Nepal. International Research Journal of Management Science Print - ISSN 2542-2510 E-ISSN 2717-4867 Vol.5, Issue 1 -Dec 2020.
- Shakya, S.R. (2011). Sahakari Bikash Ko Pachasa Barsiya Grantha. National Cooperative Federation, Nepal. (NCF/N). Kathmandu.
- United Nations (2002). Cooperatives in Social Development, Resolution Adopted by the General Assembly on 18 January 2002. Retrieved from: <https://digitallibrary.un.org/record/454944?ln=en>