

## Role of Cooperatives for Sustainable Livelihood in Bagmati Province, Nepal.

Nischal Risal\*

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### Abstract

The study aims in analyzing the role of cooperatives for sustainable livelihood of people in Bagmati Province (3), in Nepal. Cooperatives are considered to be the third pillar of Nepalese economy. The ongoing literature suggests that the cooperative movements have relationship with quality of work life of people and poverty reduction. Nepal is developing her future prosperity and growth. Hence, the study has pointed out the gap in the literature and the practice. The descriptive and analytical research designs have been adopted in the study. The secondary source has been used to collect the data. The MS Excel Software has been used to tabulate and analyze the data. The study found that the cooperative movement is more prone in Bagmati and Gandaki Province that resulted decrease in poverty rate and the increase in the employment rate. The activities of the cooperatives in the investment in share, saving, lending and employment creation had contributed in the sustainable livelihood of people in Bagmati Province, Nepal.

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**Keywords:** : Share Capital; Savings; Loan; Employment; Livelihood JEL Classifications: C70; G20; I30; P13; Q01

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### Introduction

Cooperatives as an autonomous association, promote the values of self-reliance, good governance, equity and transparency. The concept of cooperatives is based upon the ethical values of openness, honesty and social responsibility. The group of persons voluntarily come together to meet their common social, economic and cultural needs and owned and controlled by members in a democratic manner. An active kind of participation is ensured without any kind of social, racial, political, gender and religious discrimination for the benefit of their members. International Cooperatives Alliance (ICA) (2018) defined cooperative as an independent group of people who collectively own and democratically control an organization that would meet the social, cultural and economic needs that are shared by all members. Nepal Cooperative Act (2048) stated cooperative as the society constituted in order to provide services and facilities for the economic and social development of its members.

Cooperative enables low income people to access financial and non-financial services that are packaged in a manner that enable those who are unable to access formal financial services to access comparatively small loans, saving schemes and other services for working capital and income generation (Nathan, et.al., 2004). Cooperative is one of a range of financial arrangements designed to attract the poor as either borrower and/ or savers (Montgomery and Weiss, 2005). Cooperatives are formed by taking

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\* Assistant Professor, Faculty of management, Nepal Commerce Campus, Tribhuvan University, Nepal, corresponding email: [nischalrisal@gmail.com](mailto:nischalrisal@gmail.com)

the similarities in the locality, needs etc., to help and promote the living standard of their members. Cooperatives are form of microfinance institutions owned by group of people who are the members and provide small scale financial services; majorly savings and loans; just like any other microfinance institutions to their members (Pradhan, 2016).

In Nepal, the cooperatives work as a principal component of financial system. The poverty is not beyond our interest in Nepal. The huge potentialities have obstacles in rural areas. The strategy should be developed to break the nasty poverty cycle. The cooperatives can contribute in the poverty alleviation with well managed cooperatives. Even though, cooperatives do not fall under the classification of Nepal Rastra Bank (NRB), the cooperatives have greater role in channelizing the funds from savers to users, intermediation functions, and play important role in socio-economic development of the country. Thus, the research paper aims towards explaining the role of cooperatives for the sustainable livelihood of people in the poverty alleviation process in Nepal.

## Literature Review

### *Principles of Cooperatives*

Cooperatives are established under the following principles;

- a. The user ownership principle: cooperative is used by people who use it.
- b. The user control principle: cooperative is controlled by people who use it.

In addition, as per the ICA, the principles of cooperatives are as under;

### *Voluntary and open membership*

Cooperatives are voluntary organizations that open the doors to people regardless of their gender, race or financial situations. The cooperatives are devoted to their members' financial wellness not for making profit. One can join and leave the cooperative at any time.

### *Democratic owner control*

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Cooperatives operate on a democratic platform, meaning the mechanism of one member one vote, regardless of their financial well-being. The voice of members is heard.

### *Member economic participation*

Members contribute equitably and democratically control the capital of their cooperative. Members are both owners and customers who allocate surplus funds for improving the financial and economic health of the cooperative.

### *Autonomy and independence*

Cooperatives are autonomous, self-help organizations controlled by the owners but treating each member as boss.

### *Education, training and information*

Cooperatives provide training, education and information to its members so that they can contribute effectively to the development of the cooperatives.

### *Cooperation among cooperatives*

Working together financial cooperatives are there when one need them. One becomes more successful when one cooperates with others who know how to cooperate.

### *Concern for the community*

Cooperatives are concern serving their members and making impact on the community. They work voluntary for the local charities and participate in cause to make a difference.

### *Types of Cooperatives*

#### *Marketing cooperatives*

It includes commodities or commodity groups such as cotton, dairy, fruits and vegetables, poultry and livestock marketing cooperatives. The primary objective of marketing cooperatives is marketing the farm product of its members. Marketing is difficult task for farmers, so establishing a marketing cooperative is important for commercializing agricultural development and to maintain the farm profit.

#### *Farm supply cooperatives*

Farm supply cooperatives are vital for the dependable supply of farm inputs such as farm machinery, equipment, fertilizers, hosing materials, live stock feed, seed etc. These cooperatives are established at the local, regional or national level depending on the nature of farm supply needs.

#### *Service cooperatives*

Service cooperatives are established for special services such as credit services, telephone services, insurance services, irrigation services, etc. They may also provide items like chemicals, oil, gas and seeds to its members. Soil testing, land leveling and crop scouting are other services provided by this cooperative to its members.

#### *Production cooperatives*

Farmer cooperative for agricultural production such as milk, fruits, vegetables, poultry, etc. fall under this type of cooperative.

### *Processing cooperatives*

Farmers' cooperatives for processing agricultural commodities such as fruits, vegetables, flowers, etc. are important to minimize losses from perishable commodities and increase income from those commodities.

### *History of cooperatives*

The earliest record of a cooperative comes from Fenwick, Scotland where, in March 14, 1761, in a barely furnished cottage local weavers manhandled a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount, forming the Fenwick Weavers' Society. There were plethora of records of cooperatives started out as small grassroots organizations in Western Europe, North America and Japan in the middle of the nineteenth century, however, it was Rochdale Pioneers that were generally regarded as the prototype of the modern cooperative society and the founders of the cooperative movement in 1844. Rochdale Pioneers founded the modern cooperative movement in Lancashire, England, to provide an affordable alternative to poor quality and adulterated food and provisions, using any surplus to benefit the community.

Since then, the cooperative movement had flourished, extending across the globe and encompassed all the sectors of economy. Later, ICA was founded in London, England on 19 August 1895 during the first cooperative congress. The participants were delegates from cooperatives from Argentina, Australia, Belgium, England, Denmark, France, Germany, Holland, India, Italy, Switzerland, Serbia, and the USA (International Cooperative Alliance, 2018). Cooperative societies were created long before the advent of the fair-trade movement to help workers to improve their livelihoods and protect their interest. The mouth to mouth explanation stated that people used to have each other and create resources jointly in different form like Guthi, Dhukuti, Parma and Dharma Bhakhari in Nepal. The modern cooperative had begun in Nepal in 1954 when Department of Cooperatives (DOC) was established within the Ministry of Agriculture to promote and assist development of cooperatives. The first cooperative formed in Nepal was Cooperative Credit Societies with unlimited liability created in the Chitwan district as part of a flood relief and resettlement program and then legally recognized after the first Cooperative Societies Act, 1959 was enacted.

The history of cooperative in Nepal is closely related to government initiatives to use cooperative as part of its development programs (Pandey, 2015). Therefore, the development of cooperative has been described in first five year plan (1956/57-1960/61) to 14th plan (2073/74-2075/76) as per National Planning Commission, government of Nepal. The interim constitution of Nepal has considered the co-operative sector as one of the three pillars for national development. According to The Interim Constitution of

Nepal (2007), section 35 (2) and (25); the state shall pursue a policy of economic development through governmental, cooperative and private sectors. The state shall pursue a policy of making continuous efforts to institutionalize peace in Nepal through international norms and values, by promoting cooperative and good relations in economic, social and other spheres with neighboring friendly nations and all other countries of the world, on the basis of equality. The major types of cooperative societies operating in Nepal are saving and credit, multipurpose, dairy, agriculture, fruits and vegetables, bee keeping, tea, coffee, consumers, science and technology and energy. It is believed that some six million people are already affiliated in approximately 34,512 cooperatives and more than 60,517 people are employed directly in Cooperative business (Department of Cooperatives, 2017).

## **Literature Review**

Cooperative can be effective institutional arrangement in breaking the vicious cycle of poverty in the rural socio-economic context. Under effective supervision, if cooperative can be well managed and strengthened; cooperative can potentially strengthen the domain of transferability of rural community and there forwards to contribute to sustainable reduction of poverty. The cooperatives had played the significant role in defining and sustaining the lives of the communities. Therefore, the rural communities had lot to benefit from undertaking cooperative programs. The major roles of the cooperatives to the rural communities included the poverty reduction, employment creation, improved food security, women empowerment and human capital development (Bharadwaj, 2012). Oluyombo, (2010) concluded that the participation in savings and credit microfinance program by monthly income earners would led to positive economic well being of the participants. The cooperatives would continue to be part of rural life as such cooperatives had a propensity to sustain livelihoods of many rural communities (Mhembwe and Dube, 2017).

The community derives cooperatives to work for the sustainable development of the community. The cooperatives work for the sustainable development of their communities through policies approved by their members. It undertakes need based community-related services e.g., drinking water, health care, sanitation, education, women empowerment, and other community related programs. A cooperative is a central rallying point in the village and therefore it performs a lot towards the social responsibility and such activities bring the general community closer to the cooperative. However, cooperatives need additional support to adopt the successful model for ensuring livelihoods of the members (Kumar, Wankhede and Gena, 2015).

Ferguson (2012) explained that the livelihood comprised the capabilities, assets and activities required for the means of living. A livelihood is sustainable when it could cope with and recovered from stresses and

shocks and maintained or enhanced its capabilities and assets both at present and in the future, while not undermining the natural resource base. The experience of Canadian cooperatives and CCA's experience in international development over the past forty years had shown that development efforts must build on the strengths of communities and that achieving sustainability was a longer term, multi-dimensional process. Working within the cooperative framework means building an effective cooperative system and building partnerships that last decades.

Krantz (2001) explained that the three factors shed light on why the sustainable livelihood approach had been applied to poverty reduction. The first was the realization that while economic growth might be essential for poverty reduction, there was no automatic relationship between the two since all depended on the capabilities of the poor to take an advantage of expanding economic opportunities. Secondly, there was the realization that poverty as conceived by the poor themselves was not just the question of low income, but also included other dimensions such as bad health, illiteracy, lack of social services, etc., as well as a state of vulnerability and feelings of powerlessness in general. Finally, it was now recognized that the poor themselves often knew their situation and needs best and must therefore be involved in the design of policies and projects intended to better their lot. Thus, participation by the poor improved the project performance.

### **Cooperatives Status in Nepal**

Department of Cooperatives Nepal (2017) explained the cooperative functions with the guiding philosophy of group principle, self-help development and institutionalization of networks at the grassroots level to reduce the poverty. A cooperative is guided by democratic norms and values which are shared by the members who empowered with one member one vote for the saving collection, credit investment and socio-economic improvement of the member and society. The cooperative sectors had played the vibrant role to raise the expenses of members for improvement of the living standard as well. The members' living standard was going to improve after the involvement in cooperative.

Bharadwaj (2012) revealed that the poverty had been identified as the integrated strategy of socio-economic development. The reduction of poverty refereed in improving of poor's condition and generation of the sustainable command of welfare. The cooperative meant for income, social and perception based poverty reduction. The cooperative had become an integral part of community to provide financial access to unbanked people. The commercial banks and other financial institutions had not been able to reach in rural area. The cooperative in different form had reached in very rural areas and encouraging the people to save and entertain loan. The major type of cooperative operating in Nepal were saving and credit, multipurpose, dairy, agriculture, fruits and vegetables, bee keeping, tea, coffee etc.

Simkhada (2013) concluded that the cooperatives in Nepal offered the wide range of savings and credit, insurance, and non-financial services. The cooperatives could continue to grow as key players in the development of Nepal. If cooperatives operating in different villages were strengthened, they would contribute significantly in improving access to finance and the well-being of members. Tiwari (2016) concluded that the small farmers cooperative limited (SFCL) had played the pivotal role in economic development. Due to lack of fulfillment of the duties and responsibilities of related sectors, the expected exponential result hadn't been achieved. By managing certain amount of funds for education, the cooperative members should be given vocational and skillful training for their occupations, awareness of empowerment and leadership development programs. SFCLs had helped lot to reduce rural poverty. In a sense, the role of SFCLs was remarkable to improve poor quality of life. Hence, on the basis of existing literature, the relationship between dependent and independent variables has been framed as under:

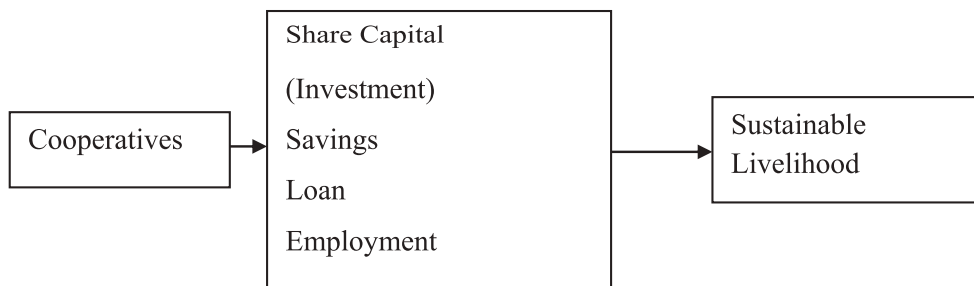


Figure 1: Conceptual Framework

## Research Methodology

The study had adopted the descriptive and analytical research design. The population of the study was the entire cooperatives operating in Bagmati Province (3), Nepal. The data had been collected from the secondary sources, i.e., NRB Economic Survey, Cooperative Board in Nepal, and Annual Reports of the Cooperatives. The purposive sampling method had been used in the study. The statistical tools had been used to tabulate and analyze the data. Bagmati Province consisted of 13 districts with approximately 55,29,452 people with area occupied 20,300KM<sup>2</sup> that represented about 13.76 percentages of the country's total area. The density ranked second among seven provinces in Nepal. The population ranked first among seven provinces in Nepal. These were the reasons to base the study in Bagmati Province. The statistical tools had been used to analyze and interpret the data. American Society of Agronomy (1988) explained the tables and figures as the integral part of a well-written scientific paper. The bulk of the detailed information in a paper could be typically presented in its tables. Many of the descriptions and basic concepts, key natural trends, key discoveries, and some of the conclusions could be presented in figures. Springer Nature (2020) explained that the figures and tables as often the quickest way to

communicate large amounts of complex information that would be complicated to explain in text. The concise table and figures as ideal for presenting could be used to present large amount of data. Thus, the table and graphs had been used in the study. The simple percentage analysis tools also had been used in making comparison between two or more series of data and to determine the relationship between the series. The MS Excel software had also been used to encode, decode and tabulate the secondary source of the information.

## Results

The cooperatives as the institutions to carry out the financial transaction did not fall under the A, B, C and D classifications of Nepal Rastra Bank. The cooperative falls under the Cooperative Board Nepal. There were 13 districts under Bagmati Province which had included 11577 cooperatives. Table 1 and Figure 2 had revealed that the number of cooperatives were highest in Kathmandu district followed by Kavrepalanchowk, Lalitpur, Sindhupalchowk, Chitwan and so on. The lowest number of cooperative was in Rasuwa. It had indicated that the cooperative movements were prone in city and valleys. For these reason, the literacy rate, employment rate, resource utilization rate etc., had been found highest in these districts. More than 53 percentages of the total population of Bagmati Province was having residence in these districts that offer cooperatives movement in the increasing trend. There were total 34512 cooperatives operating in Nepal up to fiscal year 2073/74. The total general members of the cooperatives were 6305581 including both male and female. The total employees in the cooperatives were 60517. The total share capital, saving deposits and loan were rupees 73178715, 302164513 and 274154363 respectively.

The total male members were 3092067 and rest of the members was female. It had indicated that approximately 49 percentages were male and rest was female. There were different types of cooperatives such as saving and credit, multipurpose, agriculture, dairy, consumers, electricity, groceries and fruits, tea, coffee, herbs, bee keeping, communications, health and others.

Table 1: Profile of the Cooperatives in Bagmati Province (FY 2073/74)

District	Number of Cooperatives	Member	Staff	Capital Structure (in '000')		
				Share Capital	Deposit	Loan
Bhaktapur	662	309032	2324	29763289	18275036	15357101
Chitwan	704	235566	1486	2805917	14230633	14182678
Dhading	415	127928	699	591179	2397678	2775651
Dolakha	518	146076	233	672702	2816842	2777222
Kathmandu	3832	410797	17270	14792695	108923455	85199303
Kavrepalanchowk	1495	132037	774	1217823	6510676	6495252
Lalitpur	1153	347971	4487	5043088	38396694	18065054



Makwanpur	560	125758	777	810372	3619940	3828329
Nuwakot	464	66888	581	388146	1238131	1412683
Ramechhap	413	56874	190	169467	1248332	1229619
Rasuwa	114	19432	69	148128	389911	564779
Sindhuli	507	57120	174	157438	301763	549004
Sindhupalchowk	740	26566	328	670695	1232173	839691
Total	11577	2062045	29392	57230939	199581264	153276366

Source; Department of Cooperatives, Nepal

Figure 3 had explained that the twenty and half lakh peoples become the member of cooperatives in Bagmati Province. It had indicated that the 37.29 percentages of total population that is 55, 29,452 in Bagmati Province were directly benefitted from the cooperatives movements. It had implied that the living standard of citizens of Bagmati Province was found sound that led to the decrease in degradation line. Kathmandu, Lalitpur, Bhaktapur, and Chitwan districts were providing the highest employment opportunities to people. Approximately, 26000 peoples had been employed in the cooperatives in these four districts. Even though, Kavrepalanchowk and Sindhupalchowk districts employment rate was found low in cooperative sectors with respect to volume of the cooperatives in these districts. Approximately, 0.53 percentage of total population in Bagmati Province were engaged as the employees in the cooperatives. The capital structure shown in Table 1 had revealed the huge investment in cooperatives in Bagmati Province. The people had invested approximately 0.60 billion rupees in share of the cooperatives. It had indicated that people were aware on the cooperatives movement and practices. In addition, on an around two billion rupees had been found as the deposit in the cooperatives in Bagmati Province. The cooperatives in Kathmandu and Bhaktapur districts had highest amount of investment in share capital whereas it was found lowest in Rasuwa. Likewise, the deposit and lending practices of cooperatives in Bagmati Province as shown in Table 1 revealed the positive role of cooperatives in saving and lending activities of people in Bagmati Province which led to sustainable livelihood of the people.

Cooperatives of various levels had contributed in capacity enhancement, good-governance, and promotion of business activities of overall cooperatives sector. Cooperatives were engaged in the production, processing and marketing of high value agricultural products such as tea, coffee, cardamom, ginger, vegetables and fruits, honey, sugarcane, tangerine, herbs and service oriented cooperative businesses inter alia health, transportation, housing, insurance, tourism and communication. Thus, the cooperative business had been developed as the sector that was able to contribute in the equitable distribution of economic prosperity and achievements of its poor members. The detailed analysis of the data had revealed the positive effects of cooperative movements in the sustainable livelihood of people in Bagmati Province.

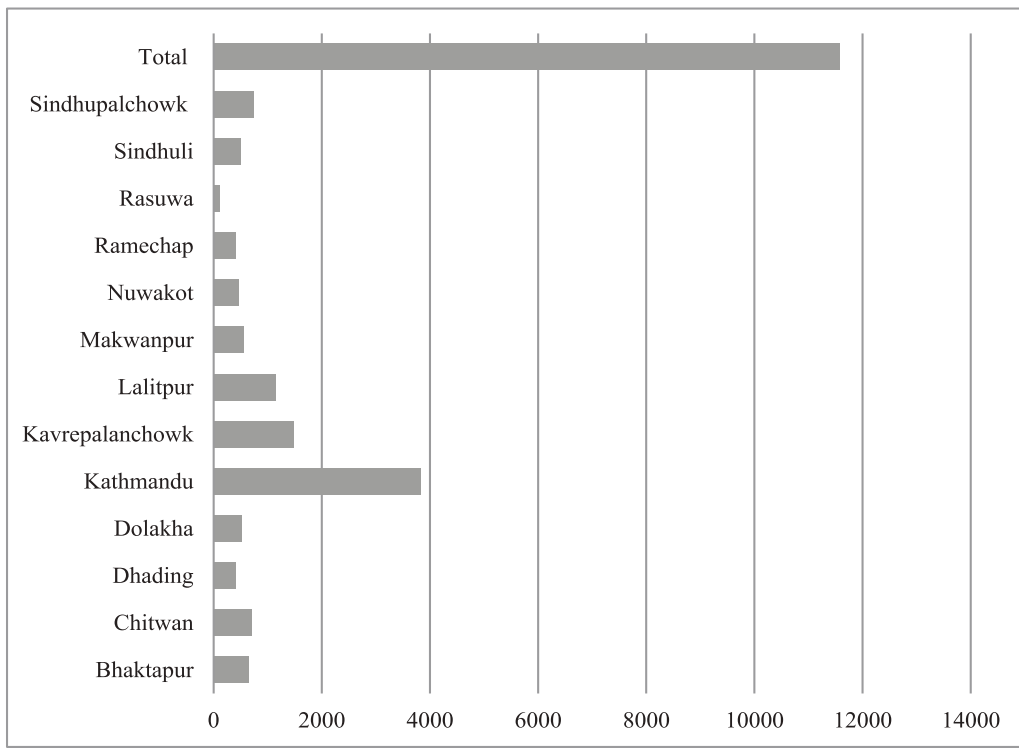


Figure 2: District Wise Cooperatives in Bagmati Province (FY 2073/74)

The analysis had found the people in Kathmandu and Bhaktapur had huge saving deposits in the cooperatives. It might have negative impact on A, B, C and D class institutions. It had indicated that the city areas were more benefitted from the cooperatives movements rather than sub urban and rural areas in Bagmati Province. The credit to core deposit ratio was found to be 76.80 percentages. It had indicated that the lending through the cooperatives was so much inclined to poverty reduction process. The lending procedure of the cooperatives might be easy in comparison to Bank and Financial Institutions under the NRB classification, so that people were ready to pay more interest for loan in the cooperatives. Rasuwa, Dhading and Ramechhap districts were not so much benefitted from the cooperatives movements that led to poverty alleviation. Nevertheless, the movement of microfinance might be susceptible to these districts so that the cooperative movements were found slow in these districts.

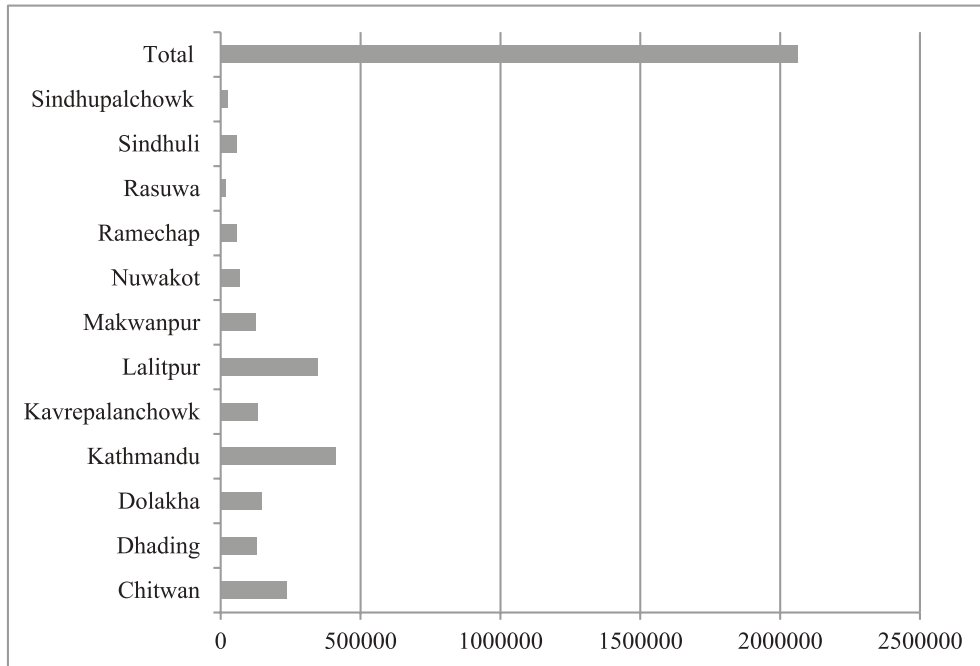


Figure 3: District Wise Member in Cooperatives (FY 2073/74)

## Cooperatives Movements in Sustainable Livelihood of People in Nepal

(Based on Economic Survey, 2017/18; Reports of Department of Cooperatives, Nepal)

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ILO, 2002). The ILO views cooperatives as important in improving the living and working conditions of women and men globally as well as making essential infrastructure and services available even in areas neglected by the state and investor-driven enterprises. Cooperatives have a proven record of creating and sustaining employment – by creating 279 million jobs. The cooperatives had contributed to promoting decent work and advancing sustainable development goals. By mid-April 2018, the credit flow into 1,170 organizations of non-governmental organizations, cooperatives and Agricultural Development Bank from the Rural Self Reliance Fund equivalent to rupees 2.38 billion. Out of the credit amount, rupees 1.86 billion had been recovered while the sum of rupees 510 million was still in investment. The total of 60,359 rural households of seventy districts had been directly benefited from such credit by conducting various income and self-employment oriented programs. The cooperative organizations were partners with Small Farmers Development Program with total number 636 in the first eight month of the previous fiscal year 2016/17 whereas in the corresponding period of the current

fiscal year, 27 cooperatives had been added and became 663. Similarly, the number of facilitated family from Small Farmer Development Bank had been increased by 9 percent reached to 657 thousand (NRB, 2018).

The rupees 9.34 billion credit had been given to the 53 districts, 422 households in the livestock credit program. The 95050 farmers were benefited from the activities. In addition, 49 new cooperatives had been formed to expand the micro financial services by following the way of Small Farmer's Cooperative. The 60517 people were directly employed in the cooperatives. The total self-employment number was 44810 till first eight months of the fiscal year 2017/18 in 296 cooperatives. It was the challenge to build an exploitation-free society by achieving sustainable development goals, economic growth and employment creation thorough maximum utilization of available natural resources, mobilization of domestic and foreign capital through participation of public, private, and cooperative sectors and their growth. It had indicated the positive and prosperous movements of cooperatives in Nepal for the sustainable livelihood of people and in the poverty reduction process.

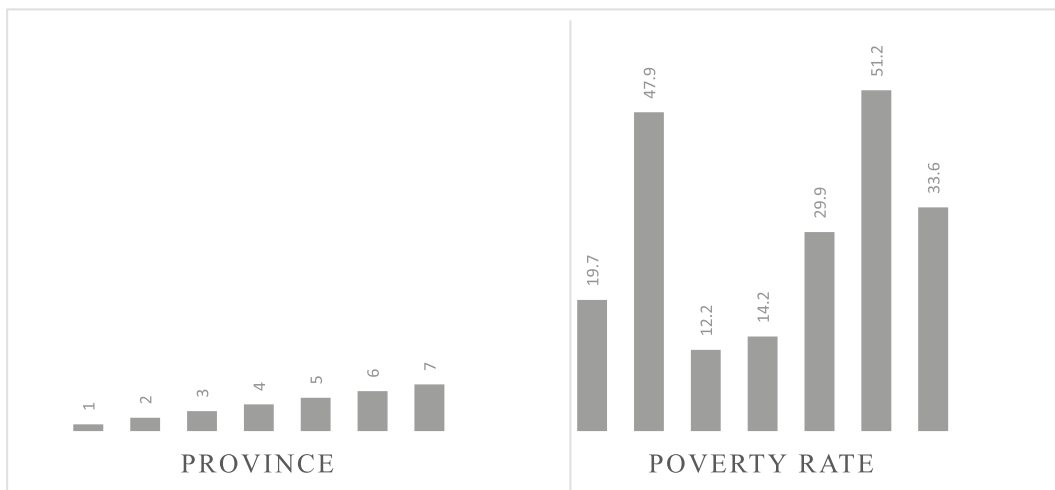


Figure 4: Province Wise Multidimensional Poverty Rate

The per capita GDP was found to be 12.28 in the fiscal year 2017/18 which was lower than per capita GDP in the fiscal year 2016/17. The per capita GNI growth rate was decreased from 5.02 percentage to 1.66 percentages in the fiscal year 2017/18. The import rate of goods and services was 45.53 percentages whereas export rate had been limited to 8.79 percentages only. Despite the continuous decrease in the proportion of population below the poverty line, the achievement had not been as expected. As of now, about 21.6 percentages people (more than 6 million) were below the poverty level. Moreover, the situation of multidimensional poverty indices was even worse.

Table 2 and Figure 4 had shown that the poverty rate was highest in Karnali Province (6) and lowest in Bagmati Province and Gandaki Province (4). The multidimensional poverty rate in Province 1, Bagmati Province and Gandaki Province was below than the national average, whereas it was above the national average in other provinces. Of the list of poor households, 188 thousand 235 households, 119 thousand 748 households and 83 thousand 848 households had been classified as extreme poor, moderate poor and poor, respectively.

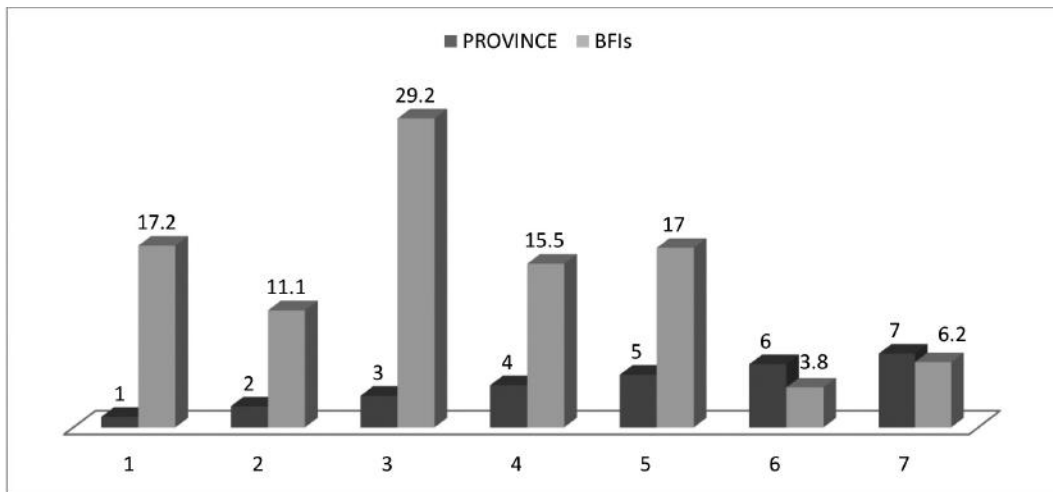


Figure 5: Province Wise Bank and Financial Institutions in Nepal

It had indicated that one of the determinants for poverty alleviation in Bagmati and Gandaki Province was because of high contribution of cooperatives. Table 2 and Figure 5 had explained the highest number of Bank and Financial Institutions was in Bagmati Province and lowest in Province 1. It had indicated that the movement of bank, financial institutions and cooperatives were able to have contribution to increase the sustainable livelihood of people in Bagmati Province more among all other Provinces. In addition, National Poverty Alleviation Policy was formulated in line with objectives of the constitution and sustainable development goal while bonding cooperatives and poverty alleviation program together. The investment in the social sector had been elevated so as to support the poverty reduction. The employment and income oriented programs were being carried out while focusing on target groups and areas. Micro-enterprise development program for poverty alleviation, which was initiated for raising the income level of poor families through entrepreneurship development, had been expanded. Western upland poverty alleviation project 2016 concluded that despite creation of bases for agriculture marketing in eight project districts, access of farmers to market information was still low.

Table 2: Provincial Indicators

Province	Nepal	1	2	3	4	5	6	7
Multidimensional Poverty Rate	28.6 %	19.7 %	47.9	12.2	14.2	29.9	51.2	33.6
BFI	5164 n	17.2 %	11.1	29.2	15.5	17	3.8	6.2

Source; Economic Survey, 2017/18;n=number

Cooperatives had been considered as the practice of mutuality and self-reliance. The efforts had been made to improve the living standard of individuals through cooperatives by enhancing their income level with the operation of business activities through utilization of collective capital while 137 integrating the limited means and resources, skill and technology lying scattered among themselves. In addition to the extension of saving and credit facility, needy services were also being rendered through consumer cooperative institutions. Business activities had been increased through worker cooperative institutions in their own initiatives where access of workers to additional employment had increased. The analysis based on secondary information revealed that the role of the cooperatives had contribution in sustainable livelihood of people in saving deposits, lending, share capital, and employment in Bagmati Province.

## Conclusions

The cooperative business had been regarded important for the socio-economic transformation of poor members. Cooperative sector's contribution was visible mainly on leadership development, community empowerment, productive employment creation, social conflict mitigation and poverty reduction. In the context of managing federalism, emphasis needs to be given to sustainable and overall development of industry, commerce, supply, and tourism sectors by involving public, private and cooperatives sectors. Nepal is an agricultural based country. Most of the people are farmers who live in the rural areas and their income level is low. They are not getting the basic facilities of life like education, health, finance, housing facilities, electricity, telephone, water supply and other basic goods and services. In such context, cooperative can be the best means to uplift the economic standards of the people of the lower income class living in rural and urban areas. The cooperatives act as an effective tool for self-help. The strong cooperative networks enable practitioner across different parts of the world to share learning the best practices from amongst each other. As open and democratic organizations, cooperatives foster gender equality. Even though cooperative movement was started in Nepal some six decades ago, the sector is still in primitive stage and struggling hard to make its space in the main economic agendas. It is still considered in the least priority sector though it has been able to make the changes in the livelihood of rural people in number of different arenas.

There is no strong legal framework and governments' initiative to promote and regulate the sector in effective manner. Except for finance, credit and daily cooperatives, the rural sector has not felt the presence of the cooperative movement. The major problem of cooperatives are the lack of managerial skills and professionalism, sound planning and implementation, lack of technological support, research and development, and lack of transparency and accountability. Besides the public and private sectors, the cooperative begin the third economic sector has the responsibility for improving the livelihood, acting as a backbone in improving the agriculture sector as majority of people depends on it for their livelihood. In final conclusion, the cooperatives cannot be ignored because these institutions have also worked as the pillar of economy. The cooperatives are able to increase the quality of the work life of the people which led to poverty reduction in Nepal especially focused and achieved success in Province 3 as well as city and urban areas.

## **Discussions**

Reviewing the prospects for the cooperative movement in Asian and African countries it has been assumed that it has a great positive potential and is bound to exert an ever growing influence on all aspects of economic, social, and political life. However, the purposes, orientation, and significance of the movement will, to a considerable extent depend on the degree to which anti-feudal or anti-capitalist transformation in these states is consistently pursued. The development of the cooperative movement is a component element in the policy of social progress, a major factor in the effort to speed up the process of progressive socio-economic transformation. Despite contribution of saving and credit cooperative institutions to the expansion of financial accessibility, overall cooperative sector lacks regulation, supervision and institutional governance. Such an expansion of shadow banking is likely to create parallel banking system and financial risk in the long run. It is a daunting task to make institutional, structural, legal, and regulatory arrangements for streamlining this sector by clearly defining the roles of saving and credit cooperatives.

## **Implications**

The Department of Cooperatives, Nepal Rastra Bank and Ministry of Finance authorities would get some insight from the analysis presented in the research paper. Further, Bagmati Province can formulate necessary policies regarding the cooperative movements, its sustainability and poverty elimination in the state with the extension of the research in the given issue. The academicians, practitioners, professionals and scholars would be happy from the findings of the research paper that may be able to create the new platform for further research.

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