



Cooperatives for Sustainable Economic Development: A Case of Chandrapur Pashupalan Saving and Credit Cooperative Ltd. Surkhet, Nepal

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Abstract

This paper discusses the economic development through cooperative as initiated in a Chandrapur village of Surkhet District, Nepal. This is a case study of a saving and credit co-operative projected towards promoting animal husbandry in the rural area of Nepal. To analyze the economic empowerment of cooperative members of saving and credit cooperative was set as the study objective. This study is primarily marked with the descriptive research design followed with qualitative data and information collected from the field and described and analyzed in the text of this paper. Findings of the study show that the cooperatives in the rural areas are functioning more smoothly than the urban areas. This Chandrapur Animal Husbandry Saving and Credit Cooperative has carried out the better success than the previous years since its establishment of the structure, functioning and its meaning in the context of local people's view have been considered as a sustainable venture operating in their area.

Keywords: Cooperatives, economy, sustainable development, animal husbandry, societies

Introduction

Co-operatives have been assigned a pivotal role to play in the planned economy of Nepalese Republic with a pledge for socialism and democracy. It is considered as a powerful lever to vitalize the rural economy through catering to the financial needs of rural people. Poor people in the country are benefited by the co-operative societies. Their small pieces of land can be properly utilized by the support of co-operatives. The cattle holding, small and cottage



industries and small businesses are supported by the policies of co-operative societies and members take advantage of the credit and other facilities (Anderson, 1999). The slogan "cooperatives in villages to villages" provides employment to each household to household" helps to generate the co-operative movement in villages as well as urban areas.

Acharya (1989) has traced out the problems of poor farmers such as their ignorance and the low level of income. To investigate these problems he has made area survey and household survey. This study has highlighted the socio-economic activities of farmers and has indicated that the credit injection may serve as a tool to mobilize the rural poor but the credit would not alone be productive until other services could reach in the area. This study has shown that the small farmer co-operative in an experimental basis is quite successful.

Regarding the economic development Healy et al. (2017) marked that cooperation and group work is effective instrument for sustainable economic progress in contemporary society. Cooperative societies provide effective leadership to the primary agricultural credit supply, animal husbandry, small business, cottage industries and dairy industries. They serve them as friend, philosopher and guide. National Cooperative Federation of Nepal (2019) stated that cooperatives are working together to strengthen the overall movement. Co-operatives under the license of Nepal Rastra Bank were helpful in providing economic resources and financial support to the rural poor during the conflict period even though other banks and financial institutions were gradually shifted toward the urban area (NRB, 2005).

Cooperatives provide assistance to its members, especially the underprivileged ones. During war or post-war period; assistance, grants and other means of cooperation help the people in the world. Self-efficacy and leadership effectiveness can be applying social development and enhance the leadership (Michael, 2001). If the people are seriously disturbed by conflict, the assistance through the foreign agencies as well as local agencies is helpful to minimize the conflict in a country. The caste conflict in the Sarajevo war made them enemy but the co-operation to each other after the war made them the nearest friend (Anderson, 1999).

This paper provides the insight performance level of rural people managed cooperatives in contemporary society of Nepal. The objective of this study is to analyze the economic empowerment as created among members who belong to a co-operative located in Chandrapur village of Surkhet District, Nepal.

A brief history of co-operatives in Nepal

Cooperative development in Nepal legally flourished after the establishment of democracy in 1990. The government of Nepal has brought the Co-operatives Act 1992 and the Co-operative Regulations 1993. These legal legislations opened the opportunities for the people to open and do activities through establishing autonomous cooperative societies for their improved livelihood and fulfill their necessities (National Cooperative Policy, 2069)



Gajendra Bhandari (2003) in his study has concluded that accumulation and mobilization of capital, employment opportunity, mobilization of local inputs, resources and skill, poverty alleviation, end of exploitation, supply of necessary goods and services, broader participation of people, assistance to the formation of development infrastructure, development in industrial and business sector and emphasis on planned economic development are the basic areas of intervention of co-operatives in which they are proved as backbone of economic development.

Human security is the 'protection of the vital core of all human lives in ways that enhance human freedoms and fulfillment'. Human security thus means protecting fundamental freedoms protecting people from critical threats and situations that undermine their well-being. In a broader sense, it implies creating political, social, environmental, economic, and cultural systems that together give people the building blocks for survival, livelihoods, and dignity. Human security, along with ensuring absence of violent conflict - encompasses access to economic opportunity, social services like education and health care and social protection. It is a concept that comprehensively addresses both 'freedom from fear' and 'freedom from want' and thus creates an environment for economic justice and empowerment along with poverty reduction and human development. Food, shelter, job, education, health, environment, and freedom from crime are some of the emerging dimensions of human security all over the world. As such, human security has emerged as an extension of the human development paradigm which, in its narrowest sense, encompasses income for decent living, knowledge, and a healthy life (National Cooperative Federation of Nepal, 2019).

Reforms in rural financial system were initiated in 1956 by the Government of Nepal with the formation of a number of savings and credit groups under a settlement program launched in Raptidun valley (Pradhan, 2007). A legal framework was created by enacting "Co-operatives Act 1963" and co-operatives rules were formulated. This provided a legal basis for the registration and operation of multipurpose co-operatives. During that period, co-operatives were seen as an important vehicle for rural saving mobilization and credit delivery. Separate bank for the cooperatives known as Co-operative Bank was set up in 1965. Though by 1976, altogether 1059 such co-operatives were registered; the co-operative movement could not gain public confidence. As a result, these co-operatives suffered from financial and managerial problems as well as political interference. After the introduction of democracy in 1991, co-operative movement got momentum. The new co-operatives act was formulated in 1992.

Cooperative development in Nepal has a rich history and plays a significant role in the country's economy and social structure. The cooperative movement in Nepal began in the early 1950s, and since then, it has evolved into a vital component of rural development and economic growth. The idea was to provide financial services to rural communities that were underserved by traditional banks. Over the years, the Nepali government has recognized the importance of cooperatives and has supported their development through various policies and initiatives. These



are financial institutions that provide loans and savings options to members, especially in rural areas. Agricultural cooperatives focus on improving agricultural productivity by providing services such as input supplies, technical support, and marketing assistance. Consumer cooperatives help members purchase goods and services at lower prices. Producer cooperatives focus on collective production and marketing of goods, particularly in sectors like dairy, handicrafts, and textiles. Overall, cooperatives in Nepal continue to be a vital part of the country's socio-economic fabric, contributing to rural development and community well-being. With ongoing support and development, they hold the promise of further strengthening Nepal's economic and social landscape (Paudel, 2022).

Cooperatives used to play important role in Nepal in delivering inputs and seeds, providing markets for agricultural products, providing financial services and providing market for milk (Mali, 2005). With growing privatization since 1990s, the role of providing inputs, seeds and market for agricultural products, especially in the peri-urban areas, have been largely assumed by the private entrepreneurs from the cooperative sector. Yet, cooperatives are providing such services significantly in the rural areas. The financial services and dairy business remains the stronghold of cooperatives in the rural areas. Both the finance and milk sectors of cooperatives are the prime sectors that have helped cash inflow into the rural areas.

Co-operatives and sustainable development

Cooperatives in Nepal play a significant role in advancing sustainable development. Their contributions span economic, social, and environmental dimensions, aligning with broader goals of sustainability. Cooperatives are impacting sustainable development in Nepal as:

Economic sustainability: Cooperatives stimulate local economies by creating jobs, facilitating access to credit, and supporting local businesses. This helps to reduce poverty and increase financial stability within communities. By pooling resources and sharing profits among members, cooperatives provide a more stable income source compared to individual ventures. This is particularly beneficial in rural areas where traditional employment opportunities are limited. Many cooperatives assist small businesses by offering services such as bulk purchasing, marketing, and distribution, helping these enterprises thrive and contribute to local economic development (ILO, 2013).

Social sustainability: Cooperatives often focus on empowering marginalized groups, including women and low-income families. By providing leadership opportunities and a platform for collective decision-making, cooperatives enhance social inclusion and gender equality. Cooperatives foster a sense of community and mutual support. They create networks of trust and cooperation among members, which strengthens social cohesion and community resilience. Many cooperatives invest in education and training for their members, enhancing their skills and knowledge. This capacity-building contributes to personal and professional development, empowering individuals to better contribute to their communities.



Environmental sustainability: Agricultural cooperatives in Nepal promote environmentally friendly farming practices, such as organic farming and integrated pest management. These practices help in preserving soil health, reducing chemical use, and improving crop yields sustainably. Hein et al. (2020) stated that cooperatives often manage natural resources collectively, such as water and forests, in a sustainable manner. This collective management can lead to better conservation practices and more effective use of resources. Some cooperatives are involved in promoting renewable energy solutions, such as solar energy projects, which reduce reliance on fossil fuels and contribute to reducing greenhouse gas emissions (International Cooperative Alliance, [ICA] 2023).

Health and well-being: Cooperatives often provide essential services such as healthcare and education in underserved areas. By pooling resources and leveraging collective bargaining, they can offer services at lower costs and improve access for their members. Through initiatives such as cooperative housing projects and microfinance programs, cooperatives contribute to improving the living standards of their members, which has positive ripple effects on community health and well-being. The role of saving and credit cooperatives in promoting access to credit in rural life (Zikalala, 2016).

Moreover, cooperatives in Nepal contribute significantly to sustainable development by promoting economic stability, social inclusion, and environmental stewardship. Their role in empowering communities and addressing local needs makes them a crucial component of Nepal's sustainable development strategy (ILO, 2013).

Research Methods

During the preparation of this article, the information was obtained through discussions and interactions with the officials and board members. Few persons were selected from the organization including the officials, board of directors and the shareholder for the focus group discussion. The secondary data were collected from the Ministry of Land Management, Cooperatives and Poverty Alleviation, Department of Cooperatives, National Cooperative Development Board, National Cooperative Federation, and other Cooperative Federations from the province level. In addition to above reports, statistics, records, laws, articles, books, websites, and other cooperative-related items were collected, compiled and analyzed.

The research work carried out to this paper followed descriptive research design in order to depict the situation under research consideration. Both Primary and secondary data had been collected, analyzed, interpreted and presented in the main text of this research paper.

Results and Discussion

This result and discussion section is divided into two parts. The first part provides a glimpse on respondents' socio-economic aspects. The second part is followed with form and functions of co-operatives in the specific context of utilization of its resources by the stakeholders who are primarily concerned with the co-operative organization.



Social-economic aspects of the respondent

According to a sociological perspective, social component is concentrated on the study of issues relating to social relations between persons. This encompasses any method or custom used to facilitate group cooperation, organization, and harmony that incorporates components of shared experience. Sociologists view society as a group of individuals who adhere to similar ideals and lifestyles. The institution of society is heavily reliant on social features, which encompass all facets of it. Some social and economic aspect of the respondents of the study is analyzed as below.

Age and sex of the respondent

When conducting a socio-economic analysis involving age and sex of respondents, essentially looking at how these demographic factors influence various aspects of socio-economic outcomes. Respondents in the survey category included different age groups and sex status. Following table shows the age group and sex of the respondents.

Table1:

Distribution of Respondents on the Basis of Age Group and Sex

S. N.	Age group	Male	Female	Total	Percentage
1	Below 25	4	3	7	7.52
2	26- 35	10	8	18	19.36
3	36 – 45	11	9	20	21.50
4	46 -55	13	10	23	24.74
5	56 +65	8	7	15	16.12
6	66 and above	5	5	10	10.76
Total		51	42	93	100.00

Source: Field survey 2024

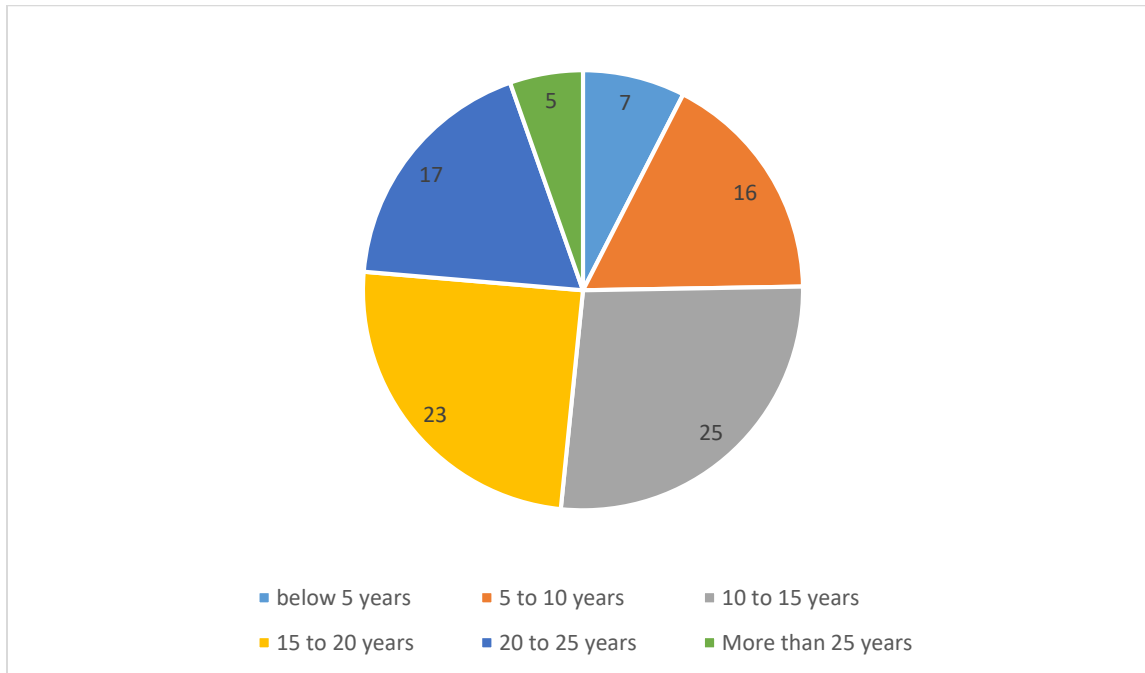
Education status of the respondents

Above table shows that among the respondents the largest portion of respondents 24.74 percentage are belong to age group of 46-55, secondly, 21.50 percentage are belong to the age group of 36-45, thirdly, 19.36 percentage are belong to the age group of 26-35. Similarly 16.12 percentage respondents are belong to the age group of 56-65, likewise, 10.76 percentage are belong to the age group of 65 and above and the lastly, 7.52 percentage respondents are belong to the age group of below 25.

Involvement duration of the shareholder in saving and credit cooperative ltd.

The involvement duration of the shareholders regarding the savings and credit cooperative (SCC), can provide a valuable insight into the dynamics of membership, commitment, and overall effectiveness of the cooperative development consideration. The involvement of the shareholder of Chandrapur Animal Husbandry Saving and Credit Cooperative Ltd. LekBesi, Municipality Ward No. 10 Surkhet is presented in following figure:

Figure 1:
Respondents by the involvement duration



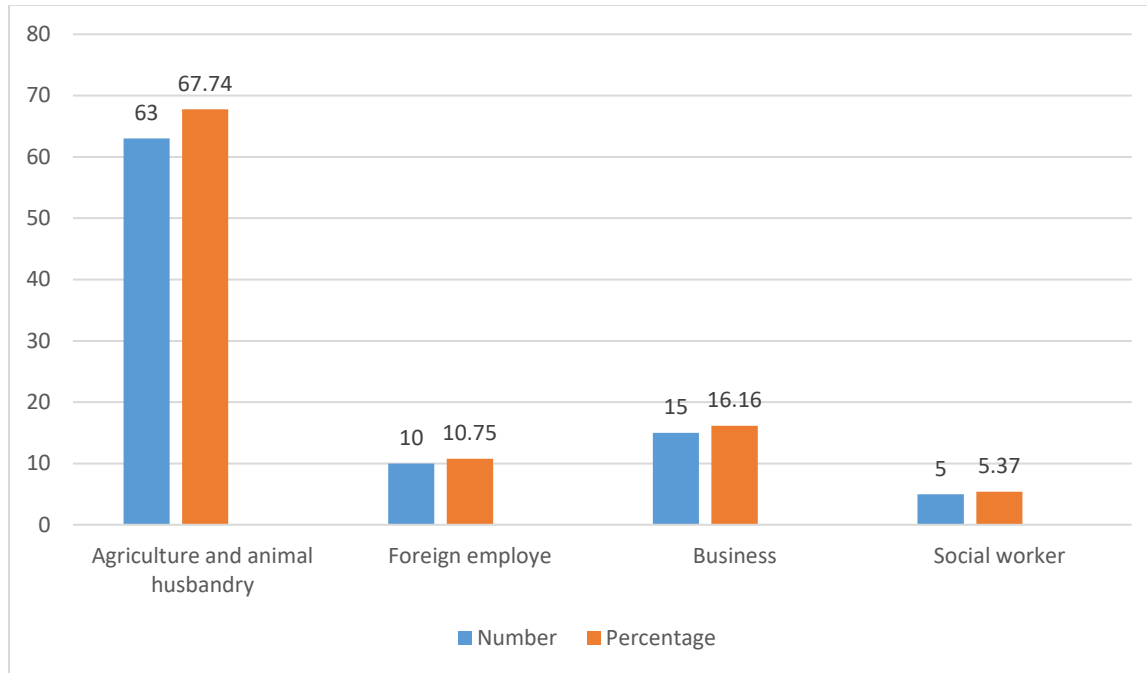
Source: Field Study 2024

Above figure shows that among the respondents the largest portion 25 respondents are belong to age involvement duration of 10-15 years, secondly, 23 respondents are belong to age involvement duration of 15-20 years, thirdly, 17 respondents are belong to age involvement duration of 20-25 years. Similarly, 16 respondents are belong to age involvement duration of 5-10 years, 7 respondents are belong to age involvement duration of below 5 years and lastly 5 respondents are belong to age involvement duration of above 25 years.

Occupation of the respondents

When analyzing survey data or research about cooperatives, understanding the occupation of respondents can provide valuable insights into the demographics and backgrounds of those involved. Understanding the occupations of respondents can help in interpreting the data and drawing conclusions about the needs, challenges, and perspectives of different groups involved in or affected by cooperatives. Some common occupations of respondents is presented in the following figure:

Figure 3:
Occupation of the respondents



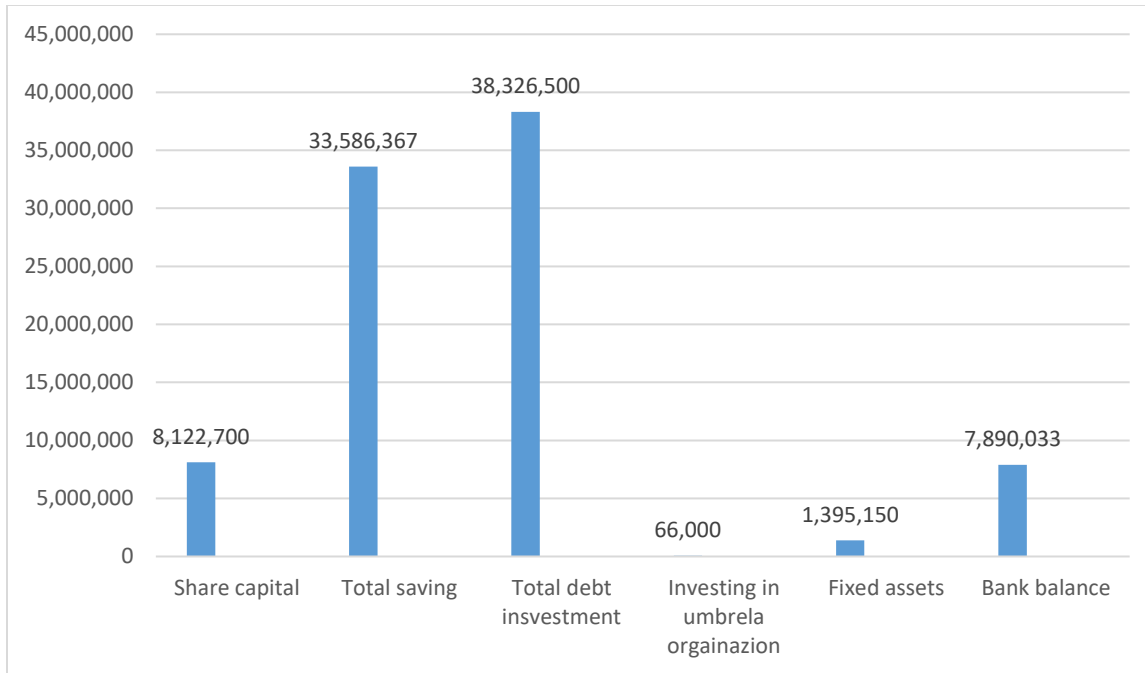
Source: Field Study 2024

The above figure shows that among the respondents 67.745 percentageis belong to the agricultural activities. 10.75 percentage of the respondents are involve in business, like this 10.75 percentage of the respondents involve in foreign employment and lastly 5.37 percentage of the respondents involve in their social worker.

The financial situation of the Cooperative

The financial situation of cooperatives can vary widely depending on their sector, size, and geographic location. Generally, cooperatives are member-owned organizations designed to meet the common economic needs of their members, and their financial health reflects a range of factors, including: Sector variability, economic conditions, and so on. For specific and up-to-date information on the financial situation of cooperatives, typically look at sector reports, financial statements of individual cooperatives, or industry analysis from relevant trade associations. The current financial situation of Chandrapur Pashupalan Saving and Credit Cooperative is presented in the following figure.

Figure 2:
Current financial situation of the Cooperative



Source: Field Study 2024

The above figure shows that the greatest amount Rs.38,326,500 cover total DEBT investment, secondly, Rs.33,586,367 cover total saving. Thirdly, Rs.8,122,700 covers share capital and second lowest portion Rs.7,890,033 cover bank balance and lowest portion of the amount Rs.66,000 covers investing in umbrella organization of the financial situation of the cooperation.

Income and expenditure details of Cooperative

The income and expenditure of cooperatives are key indicators of their financial health and operational efficiency. The general overview of financial aspects for cooperatives are income sources (Membership Fees, capital contributions, sales and revenue, product sales, service fees, interest and investment income, interest on loans, investment income, Grants and Subsidies, donations and fundraising) and expenditure categories (operational costs, cost of goods sold administrative expenses, marketing and sales, interest and loan repayments, maintenance and repairs, community and member services), Understanding these financial aspects helps in assessing the cooperative’s sustainability, efficiency, and overall impact. Financial statements, including income statements and balance sheets, are typically used to provide a detailed view of income and expenditures.



Table 2:
Income details of co-operative

S. N.	Description	2080/081 Income Proposed	2080/081 Income Progress
1	Interest from investment	5219990	5031679
2	Interest from Bank	45000	83302.97
3	Entry fee	36000	57000
4	Mortgage appraisal	6000	2900
5	Account opening income	4000	3600
6	Application	18380	10000
7	Management fee	210000	183395
8	Passbook token	1500	465
9	Account closed income	0	1429.42
10	Miscellaneous	10000	3400
Total		5550870	5,377,171.39

Source: Field Study 2024

The above table shows that the purposed income of the cooperative was Rs. 5550870 but in reality the progress of the fiscal year 2080/081 is Rs. 5377171.39.

Table 3:
Expenditure details of co-operative

S.N.	Description	2080/081 Proposed Expenditure	2080/081 Expenditure Progress
1	Interest expense	2213260	2572196.87
2	Regular expenses	28400	47165
3	Purchase of property	50000	0
4	General assembly expenses	400000	400000
5	Capacity building training	30000	18000
6	Institutional renewal	3000	2457
7	Cost cutting	18300	18486.22
8	House rent	66000	60000
9	Salary allowance	476410	482150
10	Audit expenses	18000	15000
11	Honor award	10000	0
12	Communication	21000	20916
13	Transport	15000	17800
14	Internal audit	9000	9000
15	Maintenance	7000	1900
16	Advance tax	35000	6000
17	Meeting lunch	85000	78445
18	Debt subcommittee lunch	9000	9000



19	Credit risk fund return	200000	0
20	Fuel	4000	0
21	Monitor of loan	25000	25000
22	Coordinating association	5000	5000
23	Cooperative education	40000	0
24	Employment uniform	10000	10000
25	Group building and management	10000	0
26	Cooperatives conversation tour	100000	0
27	Participation fee	1000	0
28	Maternity intensives	10000	4000
29	Bank tax	0	12512.87
30	Policy and rule making	10000	0
31	Software update	20000	36000
32	Credit risk fund	50000	0
33	Membership death relief	0	26000
34	Miscellaneous	5000	11280
35	Credit rating	5000	2900
36	Interest paid	8000	34142.37
37	Service charge	1500	0
38	Electricity tariff	2000	3090
39	Half yearly review expenses	0	13440
40	Foundation day expenses	0	15865
43	Net saving	1550000	1450425.06
Total		5550870	5377171.39

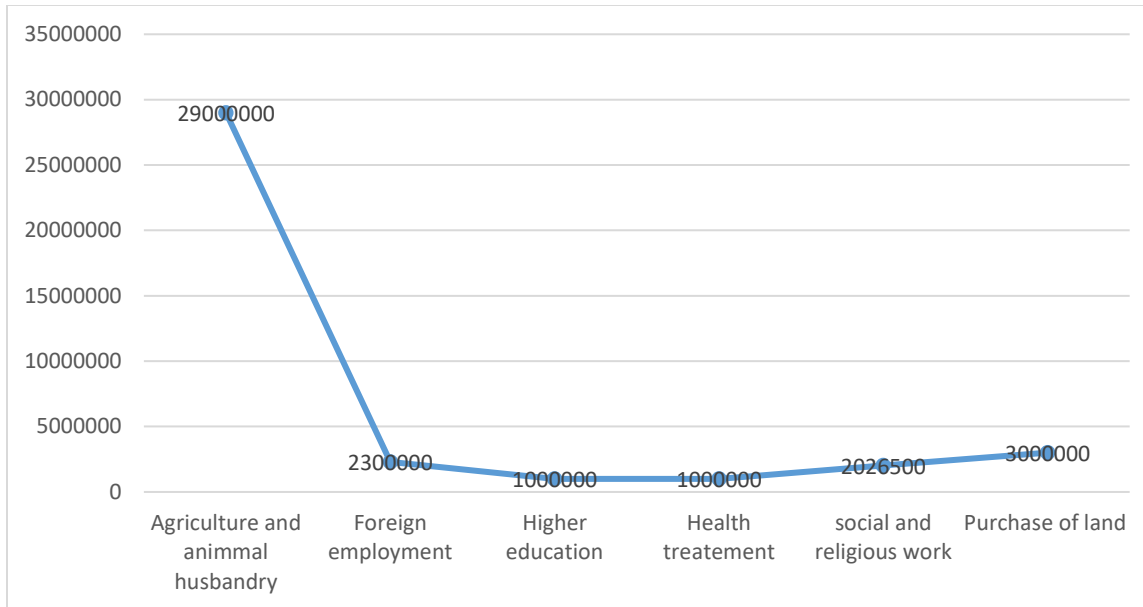
Source: Field Study 2024

As given information of the table shows that the purposed income of the cooperative was Rs. 5550870 but in reality the expenditure progress of the fiscal year 2080/081 is Rs. 5377171.39. The both table give a picture of good governance by maintaining the income and expenditure at a balanced level.

Loan investment of the co-operative

Loan investments in cooperatives involve the allocation of financial resources by the cooperative to various types of loans, which can include lending to members, investing in community projects, or financing business expansions. Effective management of loan investments is crucial for the financial stability and success of cooperatives. It involves balancing the need for growth and impact with careful risk management and regulatory compliance. The loan investment system of the cooperatives is presented in the following figure.

Figure 3:
Loan investment of the co-operative



Source: Field Study, 2024

The above figure shows that the scenario of loan investment of the cooperative. Here, the largest amount Rs.29000000 covers agriculture and animal husbandry, secondly, Rs. 3000000 covers land purchase. Thirdly, Rs.2300000 covers foreign employment; Rs. 2026500 covers the social and religious works. Likewise, Rs. 1000000 covers the higher education and same ratio Rs. 1000000 covers health treatment. It gives a message that the cooperative invest the huge amount in the sector of Agriculture and animal husbandry.

Comparison of statement of financial position

When comparing the statement of financial position of a cooperative, there are several key areas to focus on assets, liabilities, equity comparative analysis, ratios, notes and disclosures etc. By thoroughly analyzing these areas, we can gain a comprehensive understanding of the cooperative’s financial health and make informed decisions based on its financial position. The comparison of the statement of the financial position is presented in the following table.

Table 4:
Comparison of statement of financial position

S. N.	Description	Current Fiscal Year 2080/081	Last Year Fiscal Year 2079/080
Capital and liability			
1	Share capital	8122700	6910700
2	Reserved fund	5686996.45	5178780.89
3	Deposit	33586367.20	26735942.79



4	External debt	-	300000
Total		47684073.01	39342423.50
Amount to be paid			
1	Shares purchase	66000	6000
2	Debt investment	38326500	33885400
3	General property	1395150.47	1243636.69
4	Bank Balance	7896422.54	4153386.81
Total		47684073.01	39342423.50

Source: Field Study 2024

The above table indicates the scenario of comparison statement of financial position of the fiscal year 2079/080 and 2080/081 BS. The cooperatives in Nepal are suffering from the many more problems and constraints since Covid-19. Even though, Chandrapur Animal Husbandry Saving and Credit Co-operative has maintained the financial crisis by achieving the greater success than the last year. It is shown that the financial position is better in current fiscal year 2080/081 than previous fiscal year 2079/080.

Concluding remarks

Co-operative culture has existed in Nepal since ancient times. It has been formalized as a modern cooperative movement bearing with a long 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. The Chandrapur Animal Husbandry Saving and Credit Cooperative Ltd. Is located at Lekbesi -10, Surkhet, Nepal was established in 2052 BS. This co-operative is more popular for its programs such as child saving, good farmer honor, inter cooperative observation and tour, maternity incentive, award to more savers.

This cooperative had been kept priority to provide the loan in the sector of agriculture and animal husbandry. It has been focused for the higher education as well. The role of cooperatives in the poverty reduction through the loan investment is considerable work. Promoting cooperative-friendly policies, expanding cooperatives to rural deprived communities as specified in the constitution sector also has maintained well. Moreover, this cooperative has been worked on confidentiality of financial transactions, quality service, mutual cooperation based on necessity of the share members and society as well.

This co-operative have been the successful program as owned, controlled and managed by the local beneficiaries themselves. Activities of this co-operative moves around the peoples' to meet their needs, aspiration, values, and vision. This is considered as one of the most successful co-operatives located in Surkhet District, Nepal.



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