

**SAVING AND CREDIT CO-OPERATIVE AS A POVERTY  
REDUCTION PROGRAMME: A CASE STUDY OF  
RUPANDEHI DISTRICT, NEPAL**

**THESIS**

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DOCTOR OF PHILOSOPHY (PhD)  
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Under the Supervision of:

**Dr. PADAM S. BISHT**

Professor, Department of Economics  
D.S.B.Campus, Kumaun University,  
Nainital, Uttarakhanda.

Research scholar:

**KHAGRAJ SHARMA**

Department of Economics  
D.S.B.Campus, Kumaun University,  
Nainital, Uttarakhanda.

**Research centre**

Department of Economics, D.S.B.Campus, Kumaun University  
Nainital, Uttarakhanda, India

**January, 2012**



**Department of Economics**  
**D.S.B. Campus, Kumaun University, Nainital (Uttarakhand)**

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**CERTIFICATE**

This is to certify that the thesis entitled **"SAVING AND CREDIT CO-OPERATIVE AS A POVERTY REDUCTION PROGRAMME: A CASE STUDY OF RUPANDEHI DISTRICT, NEPAL"**, which is being submitted by **Khagraj Sharma** for the award of Degree of **DOCTOR OF PHILOSOPHY IN ECONOMICS** of the Kumaun University, Nainital has been prepared under my supervision and guidance.

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
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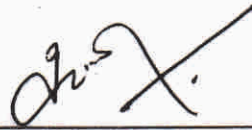
Head of Department, Economics  
S.S.J.Kumaun University,  
Campus Almora  
HEAD  
Department of Economics  
SSJ Campus Kumaun University Almora  
Uttarakhand

  
(Padam S. Bisht)  
Dr. Padam S. Bisht  
Professor of Economics  
Kumaun University  
D. S. B. Campus, Nainital

Dated:

## **DECLARATION**

I, **Khagraj Sharma**, solemnly declare that the thesis entitled, **“SAVING AND CREDIT CO-OPERATIVE AS A POVERTY REDUCTION PROGRAMME: A CASE STUDY OF RUPANDEHI DISTRICT, NEPAL”** is original and is based on proven facts. An original analysis has been presented based on the study of facts. I further certify that it is my original piece of work and in case at any stage copyright violation is reported regarding my thesis, I will be fully responsible for the same.

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**(Khagraj Sharma)**

# DEDICATION

*In Memory of*

My

Late Father

**Bhumishwor Acharya**

And

Late Mother

**Indrakala Acharya**

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## ABBREVIATIONS

AC	:	Agriculture census
ADB	:	Asian Development Bank
ADB/N	:	Agricultural Development Bank of Nepal
Adm. Exp.	:	Administrative Expenditure
AGM	:	Annual General Meeting
AIDS	:	Acquired Immune Deficiency Syndrome
ALC	:	Adult Literacy Classes
Amt	:	Amount
APP	:	Agriculture Perspective Plan
Av	:	Average
BDFCL	:	Bhutan Development Finance Corporation Limited
BEP	:	Break-Even Point
BoD	:	Board of Directors
BRDB	:	Bangladesh Rural Development Board
BS	:	Nepali year
BWTP	:	Banking with the Poor
CAMELS	:	Capital, Assets, Management, Earning, Liquidity and Sensitivity to Market Ratio
CBN	:	Cost of Basic Needs
CBO	:	Community Based Organization
CBS	:	Central Bureau of Statistics
CECI	:	Canadian Center for International Studies and Cooperation
CEO	:	Chief Executive Officer
CEPRED	:	Centre for Environmental & Agricultural Policy Research, Extension and Development
CF	:	Community Forestry
CMF	:	Center for Micro Finance
CUBESEA	:	Credit Union Bench Marketing in South East Asia
CV	:	Coefficient of Variance
DCF	:	District Cooperative Federation
DCO	:	District Cooperative Office

DCOR	:	District Cooperative Office Rupandehi
DDC	:	District Development Committee
DECSI	:	Debit Credit and Saving Institution
DFID	:	Department for International Development
DOC	:	Department of Cooperatives
DPMAS	:	District Poverty Monitoring and Analysis System
DSU	:	District Saving Union
FAO	:	Food and Agricultural Organization
FDC	:	Foundation for Development Cooperation
FHI	:	Family Health International
FI	:	Financial Institutions
FINIDA	:	Finish International Development Agency
FY	:	Fiscal Year
GA	:	General Assembly
GB	:	German Bank
GC	:	Gini coefficient
GDP	:	Gross Domestic Product
GM	:	General Manager
GNP	:	Gross National Product
GO	:	Group Organizer
GTZ	:	German Agency for Technical Co-operation
HDI	:	Human Development Indicator
HDR	:	Human Development Report
HH	:	Household
HIV	:	Human Immunodeficiency Virus
HPI	:	Human Poverty Index
Ibid	:	Ibidem (In the same book or piece of writing as the one that has just)
IBP	:	Intensive Banking Program
IC	:	Indian Currency
ICA	:	International Cooperative Association
ICIMOD	:	International Center for Integrated Mountain Development
IDA	:	International Development Agency
IDP	:	International Development Program
ILO	:	International Labor Organization

IMF	:	International Monetary Fund
INGO	:	International Non-governmental Organizations
Int	:	Interest
IRR	:	Internal Rate of Return
IT	:	Information Technology
JDTC	:	Jute Development and Trading Corporation
KF	:	Cooperative Federal
LDC	:	Least Developed Countries
LGCDP	:	Local Government and Community Development Program
Max	:	Maximum
MCPW	:	Micro-Credit Project for Women
MDG	:	Millennium Development Goal
MFI	:	Microfinance Institutions
Min	:	Minimum
MLD	:	Ministry of Local Development
MoF	:	Ministry of Finance
NABARD	:	National Bank for Agriculture and Rural Development
NARC	:	Nepal Agricultural Research Council
NCB	:	National Cooperative Bank
NCDB	:	National Cooperative Development Board
NCF	:	National Cooperative Federation
NCFCC	:	National Cooperative Federation Central Committee
NCUI	:	National Cooperative Union of India
NEFSCUN	:	Nepal Federation of Saving and Credit Cooperative Union Limitd
NFDIN	:	National Foundation for Development of Indigenous Nationalities
NGO	:	Non-Governmental Organizations
NHDR	:	Nepal Human Development Report
NLFS	:	Nepal Labour Force Survey
NLSS	:	National Living Standard Survey
NPC	:	National Planning Commission
NPC/N	:	National Planning Commission, Nepal
NRB	:	Nepal Rastra Bank
NRCS	:	Nepal Rural Credit Survey

NRs	:	Nepalese Rupees
NSS	:	National Sample Survey
PAF	:	Poverty Alleviation Fund
PAPWT	:	Poverty Alleviation Project in Western Tarai
PC	:	Population Census
PCL	:	Proficient Certificate Level
PEARLS	:	Protection, Effective Financial Structure, Assets Quality, Rate of Return and Cost, Liquidity, Sign of Growth
PMAS	:	Poverty Monitoring and Analysis System
PPP	:	Purchasing Power, Parity
PRA	:	Participatory Rural Appraisal
PRC	:	People's Republic of China
PRC	:	People's Republic of China
PRSP	:	Poverty Reduction Strategy Paper
Qt	:	Quantity
Qty	:	Quantity
RAIDP	:	Rural Access Improvement and Decentralization Project
RMDC	:	Rural Microfinance Development Center
RMP	:	Rural Micro-finance Projects
ROSCAS	:	Rotating Saving & Credit Association
Rs	:	Rupees
RSDC	:	Rural Self Reliance Development Center
RWSSP	:	Rural Water Supply and Sanitation Project
S&M	:	Supervision and Monitoring
SAARC	:	South Asian Association for Regional Cooperation
SACCOS	:	Saving and Credit Cooperative Society
SADF	:	South Asian Development Fund
SAPAP	:	South Asia Poverty Alleviation Program
SE	:	Standard Error
SFCL	:	Small Farmers' Cooperative Limited
SFDB	:	Small Farmers' Development Bank
SFG	:	Small Farmers' Group
SLC	:	Netherlands Developments organization
SPSS	:	Statistical Package for Social Science
Std.dev	:	Standard Deviation

STI	:	Second Tier Institution
TU	:	Tribhuvan University
UCCA	:	Upazila Central Cooperative Association
UGC	:	University Grant Commission
UK	:	United Kingdom
UMN	:	United Mission to Nepal
UN	:	United Nations
UNCT	:	United Nations Country Team of Nepal
UNDP	:	United Nations Development Program
UNICEF	:	United Nations Children's Fund
US \$	:	United States Currency
USA	:	United States of America
USAID	:	United States Agency for International Development
VDC	:	Village Development Committee
WB	:	The World Bank
WHO	:	World Health Organization
WOCCU	:	World Council of Credit Union
WTPAP	:	Western Tarai Poverty Alleviation Project

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background**

A co-operative 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. It is member based, democratically managed institution bounded by their own bylaws and systems of audit etc., ensuring transparency and accountability. Saving and credit cooperative institutions have made especially rural life easier due to their saving and lending system. Nowadays such cooperatives have contributed locally a lot in the development and fulfillment of demands of rural families and societies (Kimberly A, Zeuli and Robert Cropp, 2004)<sup>1</sup>.

Cooperatives are very important instruments for economic, social, cultural and human advancement in developing countries like Nepal. Unless the society becomes economically better, many problems may remain intact. The solution is possible only when the agricultural development and overall economic development is enhanced through cooperatives. Cooperative societies are people's organizations which are formed by the members (voluntarily), owned by them (by purchasing shares and on payment of prescribed admission fees), and run by them (democratically and in accordance with the Principles of Cooperation), to satisfy their social and economic needs (through active participation and mutual help). Cooperative institutions have not only met the economic needs of their members but have also played a significant part in the social development of their members and the human community in general (Prakash, 1994)<sup>2</sup>.



The government has initiated, controlled and has been using Cooperative enterprises in different ways since establishment of the first Saving and Credit Cooperative in 1956, until 1992 when new Cooperative Act provided freedom to establish and manage Cooperatives independently. Then their role has also been increased significantly over the last decade. There were considerable ups and downs, not only in numbers of cooperative enterprises but also in its scale, volume and business activities over the period.

In the year 1953 the government initiated to establish the Department of Cooperatives which started to promote pre cooperative groups through the US Aided Rapti Valley Development Project in Terai region where the above mentioned first registered Saving and Credit Cooperative was established in 4<sup>th</sup> April 1957. In the first 5 years' Cooperatives were independent from the then government. During the period, the first elected government headed by the great Cooperator BP Koirala, a vibrant socialist leader, visited Israel and introduced the first Cooperative Act in 1959. His democratically elected government had promoted the idea of small scale rural agro based industries and trade in cooperative form of enterprises covering the farmers.

But later on, his co-op-friendly elected government was overthrown by the then aristocratic dictator King Mahendra which badly affected the development of independent cooperatives in Nepal. This change in government and introduction of so called guided Panchyat Democracy took independent cooperatives into government control and used wherever and whenever required to favour the then government's administration influencing the people through the essential goods distribution system. The principles of cooperation were so ideal to demonstrate in public and provide necessary services such as agro-inputs, distribution of ration items like sugar, food grain, kerosene oil and salt (Sharma ,Neupane, 2004)<sup>3</sup>.

Cooperation is a tool like a hammer or atomic energy. The tool itself has no ethics. A cooperative thus may be used for good and evil ends. When cooperative movement remains true to the idealistic principles, more and more people walk along by its side, hand-in-hand, but when cooperators become selfish, greedy, grasping and dominated by profit motive, it must be condemned (Sells, 1946)<sup>4</sup>. Cooperative policy is an ideal one and it aims at service to humanity in most sacred way (Patnaik and Roy, 1988)<sup>5</sup>.

Now a days, community based organizations have been created largely in the form of cooperatives such as Savings and Credit Cooperatives, Multipurpose Cooperatives, Dairy Cooperatives, Agriculture Cooperatives, Consumers Cooperatives, Science and Technology Cooperatives, Electricity Cooperatives, Tea Cooperatives and Coffee Cooperatives. The main goal of such organizations is to improve socio-economic status of rural people by creating cooperation and mutual support to each other. Basic features of cooperatives are as follows:

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

Because of their operating philosophy, cooperatives are equally popular in developing and developed countries since long time (Shrestha, 2007)<sup>6</sup>.

Saving and Credit Cooperative Society (SACCOS) is an autonomous community based financial institution formed voluntarily by the people for mutual benefits and to meet their common goals of economic, social and cultural needs. It follows self help development approach and runs under the credit union operating principles. Most importantly, it is owned and controlled by its members. SACCOS is an effective means for small scale lending through internally generated funds and a tool of promoting self- help development practices among its members. It enables the people to support each other and to be self-reliant in the development. It has made basically rural life easier. The poor or needy people do not need to go to borrow money from the landlord. Those who need small amount of money and those who cannot go to the bank to get loan, get enough help from the cooperatives established in their village. SACCOSs provide services which are categorized mainly into three groups: i) Saving and Credit Services, ii) Education and Training, iii) Community Development Services (Shrestha, 2010)<sup>7</sup>.

Poverty is the main problem of rural and urban areas of developing countries like Nepal. Nepal is an agricultural country; most of the people live in rural areas. Poverty is mostly centered in rural areas of Nepal due to low production of agriculture, the limited infrastructure and inadequate growth rate of non-agricultural sector in the economy. Poverty seems to be increasing substantially. Although poverty in Nepal is basically a rural phenomenon; it has also affected urban areas. Major causes of wide spread poverty in the country are increasing unemployment and under-employment. At the present time the growth rate of agriculture sector is unable to contribute to economic development by creating employment and lessening poverty. The additional causes and responsible factors of economic backwardness and poverty are: low work force productivity, lack of

exploitable mineral resources, high rate of population growth, poor agriculture policy of government etc.

At present, cooperatives have played significant role for economic development. Marginalized and small saving groups collect small amount of money and mobilize the collected money to gain profit and distribute the profit amount to the shareholders. The collected amount is mobilized according to saving and credits process. The co-operatives have made their own policies, rules and systems to manage and mobilize the collected fund among the share holders and necessary outsiders, too. Co-operatives have created great employment opportunity in rural areas. Co-operatives can help reduce the risks to whole communities through connecting them up to wider markets and diversifying sources of income by providing short-term credit and a safe place for saving. They can help their members ride out seasonal shocks such as harvest failures or falls in the market prices.

Co-operative society plays an important role for overall development of the country through agricultural development and promotions of small business enterprises. The development of Nepal depends upon the development of the agriculture and small business enterprises. The development of agriculture and small business enterprises can be enjoyed by giving different facilities to the farmers and entrepreneurs through cooperatives. It can reduce the population pressure on agriculture diverting the population towards the cottage industries and giving incentives to the farmers to establish such industries providing appropriate financial and technical assistance.

## **1.2 Historical Perspective of Cooperative Movement**

As mentioned earlier, the basic human concepts in the form of cooperative have been practised throughout the history. Therefore, informal types of cooperatives are as old as human history. However, modern cooperative movement as we know it today started in Europe, in the context of industrial revolution, monetary economy and growing concentration of power in the hands of the few bourgeois. Those cooperatives were set out initially as a means of safeguarding and promoting the interests of economically backward and less powerful members of the society whether they were workers, consumers, farmers or other allied producers.

Cooperatives commenced from the mid-nineteenth century (1844 AD) from a group of factory workers of Rochdales, England, popularly named as "Rochdale Society of Equitable Pioneers". This cooperative society grew up rapidly and within a decade cooperatives were established in a flower mill, a textile mill and a shoe factory. The Rochdale principles are even today known and to a large degree respected throughout the world. The Rochdale Pioneers began their cooperative in 1844 and this is taken as the birth year for the cooperative movement. Cooperative was initiated since the beginning of 18th century by Robert Owen (1771-1855) in England and Charles Fourier (1772 to 1837), Philippe J.B. Buchez (1796 to 1865) and Louis Blanc (1811 to 1882) in France. Rochdale Pioneers, H. Schulze-Delitzsch (1808 to 1883) and F.W. Raiffensson (1818 to 1888) had influenced development of the concept of modern cooperatives such as self-help organizations of consumers, craftsman, small industrial business and traders etc. (Rhodes, 1995)<sup>8</sup>.

The International Cooperative Alliance (ICA) was established in 1895. It made two formal declarations in cooperative principles in 1937 and 1966. Asia and

Africa applied cooperative strategies massively in agriculture and socio-economic development. After the end of cold war, globalization spread all over the world. Cooperatives are operating in such open market economy also by mobilizing domestic financial resources through creating self-help organizations at the grassroots level around the world (Badal, 2007)<sup>9</sup>.

### **1.2.1 Cooperative Movement in Nepal**

Establishment of Cooperative Division under the Ministry of Agriculture in 1953 heralded the institutional beginning of cooperative movement in Nepal. Cooperative programmes at field level were launched in 1957 by establishing 13 cooperatives in Chitwan under the Rapti Valley Development Program, with an aim of reducing poverty and uplifting the livelihood of the vastly poor rural people who were facing numerous problems including lack of professional manpower, lack of road and communication facilities, economic destitution, vulnerability, social exploitation, drudgery and lack of employment opportunities (Bisht and Sharma, 2011)<sup>10</sup>.

The cooperatives aimed at solving these problems by collecting financial resources available among the people themselves in the form of savings thereby investing that fund in the income generating activities to uplift the socio-economic condition of rural populace. Cooperatives were accorded high priority in each of the government's plans with this program identified as a tool to improve rural economy. However, the objectives of the cooperatives were not concretely stated until 1992.

The Cooperative Act 1992 was a major breakthrough in the cooperative movement of Nepal. This made several provisions related with flexibility to implement

programs for improvement of economic condition of poorest of the poor populace in the rural areas.

### **1.2.2 Cooperative Movement in India**

Cooperative was initiated in India in 1904 after promulgation of the Cooperative Act. This was the first cooperative initiation in South Asian region. The Cooperative Act was amended in 1912, 1942, 1984 and 2002 to make it a more efficient tool for economic development. Cooperatives of India are fully accountable towards the competitive economy. Cooperative has become one of the most basic instruments in the rural development of India. Considering its importance in sustainable economic development, the cooperative approach has entered the fields of insurance, international trade, tourism and communication sectors as well. Government of India has been providing support on professionalism development, cooperative education, and training programs. (Sisodia 2001)<sup>11</sup>

History of cooperative in India has crossed a century of its establishment and it has been established as the most popular tool in marketing development and management of agricultural sector. In addition, it has been providing different supports such as storage, irrigation, electricity, transportation and health activities in the rural vicinity. Likewise, urban cooperative banks and credit societies are operating massively in the city areas particularly to uplift the economic status of small entrepreneurs, artisans and small traders etc.

### **1.2.3 Cooperative Movement in China**

Cooperative was initiated in China in 1912 with an aim to support people affected from famine and drought. Altogether 55000 savings and credit cooperatives were

established in China until 1937. After 1937 cooperatives extensively grew in agriculture and industry sectors. More than 350 industrial cooperatives were established until 1938. National Training Academy on Cooperatives was established in 1939. Likewise, Cooperative League of China was established in 1940. National Cooperative Development Board was established in 1949. In total 750000 cooperatives were established across the country. All cooperatives were transformed into communes in 1958. After transformation of cooperatives, major cooperative values such as democratic process, performance based incentive system and quality control mechanism were demolished from the organizations (Birchall, 1997)<sup>12</sup>.

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

After 1979 China modified cooperative policy by emphasizing democratic principles; performance based incentive system, profit earning and loss bearing system. With the change in policy, around 200 million people were involved in cooperatives in China. Of the total cooperatives, 45000 were selling and marketing cooperatives and 500000 were income-generating cooperatives. More than 4000000 people were employed in the cooperative sectors while 200000 experts were involved in training and advisory activities. Cooperatives alone occupied more than 66 percent of selling and marketing of products. Every cooperative deposited at least 15 percent profit in their special fund to provide interest-free loans to the poorest of the poor populace in their organizations. For promotion and strengthening of cooperatives, China initiated cooperative university and supported various colleges and faculties across the country (Badal, 2007)<sup>13</sup>.



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

#### **1.2.4 Cooperative Movement in Sri Lanka**

Cooperative Act was introduced in Sri Lanka in 1911. The Act restructured the National Institute of Cooperative Development as an autonomous school of cooperative. National level Cooperative Rural Banks Federation was created by involving district and provincial level cooperative banks to promote strong financial institutions in Sri Lanka. At the same time cooperative federation was formed by involving development bank and micro insurance companies to cater to the need of cooperatives and their members. Multipurpose Cooperative Societies are major innovation of Sri Lanka and are being implemented across the country after amendment in Cooperative Act in 1956 (Birchall, 1997)<sup>14</sup>.

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

### **1.2.5 Cooperative Movement in Bangladesh**

The cooperative movement in Bangladesh has a common history that of the Indian sub-continent. The movement in this region first started during the year 1904 with the introduction of ‘Cooperative Act: 1904’ by the British Indian Government. Under this Act the economic condition of the agro-farmers who were debarred of the provision in industrial participation had to be improved. According to S.A.M. Haque (2003)<sup>15</sup>, the Act was amended in 1912 assuring provision for non-agricultural cooperatives. A number of village cooperatives were formed and those primary cooperatives were backed by a Central Cooperative Bank with its headquarter in the Provincial Capital and branches at the District, sub-division and police thana levels. In order to strengthen the cooperative movement, a cooperative department headed by a registrar was set up as a government agency to promote and regulate. But in no way development out of the cooperative movement in rural areas were in sight and a number of factors such as the economic depression of 1930s, Abolition of Settlement Board (1937) and the Second World War in 1939-45 and sad partition of mainland India were identified for the failure (Birchall, 1997)<sup>16</sup>.

After the independence of Bangladesh, the introduction of the two-tire cooperative, popularly known as the ‘Comilla Model’ of cooperative progressed in 1970s by the sponsorship of the Bangladesh Rural Development Board (BRDB). Under the system, small farmers were organized into the primary cooperative at the village level as first tire. These village cooperatives were federated at the Upazila level as second tire of the cooperatives. The Upazila Central Cooperative Association (UCCA) provides the necessary financial and organizational assistance to the primary cooperatives. Now both types of cooperatives are in existence in Bangladesh. However, to cater the need of time the cooperative Acts and Rules

were revised in 1987 and in 2001-2002 in Bangladesh. These revisions were made mostly on the management perspective. The latest changes of 2002 are being under practice.

### **1.2.6 Cooperative Movement in Pakistan**

Cooperative Development Board in Pakistan was established in 1962 with the major objectives of creating the required capacity for development planning, project preparation and self-management promotion within the cooperatives. The board was useful for implementing several development schemes for agricultural credit supply, marketing and processing. In 1963, Government constituted another committee for the development of cooperative. The committee suggested changing primary cooperative societies into cooperative development societies operating more than a village. The function of the cooperative was not only limited to invest of the credit but it also provided banking facilities, installed tube wells, construct buildings and go downs among others. Cooperative Board was dissolved in 1966. In 1972 the Cooperative Societies Reforms was performed to stress the role played by the cooperative in micro economy. Federal Bank of Cooperative was established in 1976 (Shrestha, 2006)<sup>17</sup>.

### **1.3 Statement of Problems**

Since the last two and half decades voluminous research works on poverty and poverty reduction strategies have been under taken. But a comprehensive research about poverty reduction through role of saving and credit cooperatives from both quantitative as well as qualitative aspects have not yet been carried out except small scales studies concentrating only on the part of wealth status.

The problems of poverty in Nepal are trapped in vicious circle of poverty like other developing countries. It is a poor country of rural nature with low per capita income as well as social indicators (education, health, nutrition etc.) indicates the same. There is inequality in the distribution of income and wealth in rural as well as in urban areas. As a result, there is vast gap between rich and poor and also there seems regional disparity. There is the existence of disguised unemployment in the agricultural sector in Nepal. It is mainly due to the lack of alternative work and self employment opportunity. There is lack of investment, environment, capital formation and lack of risks bearing capacity of the people. To reduce poverty, proper management of natural resources and specific program have played vital role. The people in the society are not equally capable and skilful. Therefore, an access, opportunity and right to control over resources should be provided according to their capability which is related to equity concept. There must be proper distribution of patronage fund, liquidity management and distribution of benefit to members in cooperatives.

The Interim Constitution of Nepal-2006 envisioned that the cooperative sector has been recognized as one of the three pillars of economic development along with the public and private sectors. But the cooperative sector has not properly established as a pillar in the economy. There is lack of knowledge and research, lack of strong implementing agencies like ministry of cooperative, lack of awareness about cooperative to the members, lack of monitoring of primary cooperatives are the problem of cooperative sectors. Similarly lack of identification of the formal and informal cooperative movement in the rural and urban society. It has a gap of the measure of the role of poverty reduction and contribution of income distribution in economy. Cooperatives have played an important role in socio economic change and resources management but it has not been properly

mentioned in any literature of economy. These are the main troubles of cooperative sector establishment as a pillar in the economy.

#### **1.4 Objectives of the Study**

The general objectives of this study are to evaluate the role of saving and credit cooperatives in poverty reduction in Nepal. However, the specific objectives are:

- to assess the knowledge of a cooperator about cooperative
- to analyze the socio-economic condition as being a member of cooperative
- to examine the patterns of income distribution and inequality
- to identify the role of co-operative on poverty reduction
- to suggest policy recommendations for reducing poverty

#### **1.5 Hypothesis of the Study**

Saving and credit cooperatives can reduce poverty over a period of time. It targets that cooperative members have obtained proper knowledge about the cooperative spirit and proper manage the resources. This study is based on following hypothesis.

- Cooperative members have good knowledge about cooperative and its principles, norms and values.
- Cooperatives are beneficial to its members in increasing monetary income.
- Cooperatives have positive impact on poverty reduction of the rural society.

#### **1.6 Rationale of the Study**

A number of studies have been made regarding the effects and achievement of co-operative in the national economy but with an inadequate enquiry on the degree of

poverty alleviation. Therefore, this study aims at finding out how such co-operatives have assisted for poverty reduction. This study also aims to provide valuable suggestion to the policy makers and stakeholders while supplementing the eliminated part of the study made in the field of saving and credit co-operative.

In saving and credit co-operatives people from different races, caste, class, sex, religion, cultural and ethnic groups are involved. This helps for close and mutual relationship among shareholder. This perspective must be studied because close and mutual relations always enhance any work to go ahead. All the member of co-operative have the equal legal right and play the significant role to develop community and solve shareholders' family problems without having any discrimination. By managing the resource properly, small scale saving and investment can help to earn reliable income.

### **1.7 Limitation of Study**

The limitations of the present study are as follow:

- The study basically focuses on the poverty reduction dimension of saving and credit cooperatives in Rupandehi district.
- Primary data have been taken from cooperative members, who have been united in saving and credit cooperative in Rupandehi at least before five years.

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## **CHAPTER TWO**

### **REVIEW OF THE LITERATURE**

#### **2.1 Background**

There are various empirical studies which have been undertaken in past to study various aspects of the poverty reduction in the different ways, and also to study relationship between the poverty reduction and cooperatives.

In this chapter an attempt has been made to review several research articles and books related to different issues of cooperative, poverty and poverty reduction programmes in different countries. From the available literature, different types of thoughts and analysis on saving and credit cooperatives as well as other types of cooperatives and reduction of poverty have been analyzed. Cooperation, involvement, and effective management system in different social activities, member's participation in different business and identification of various activities for poverty reduction are the more useful parts of these research and studies. But these studies have not touched poverty reduction through saving and credit cooperatives. From the present research, I am trying to cover up those areas of poverty reduction through cooperative development, which was not covered in the earlier studies.

#### **2.2 Concept, Measurement and Causes of Poverty**

Timilsina (2000)<sup>1</sup> in his article "Poverty in Nepal: Some Issues and Perspectives" explains that high population growth rate, lower life expectancy at birth, high infant mortality rate, high maternal mortality rate along with other factors are dominant characters in Nepal. This paper, basically, discusses issues related to

employment and poverty in the country as well as the major initiatives to address it. The paper ends by putting forward some future course of action to address poverty in Nepal. Though this paper expounds poverty and poverty related major issue, major initiatives to address it, future course of action beautifully, but lack to expose it in respect of cooperatives through poverty reduction.

World Bank (2001)<sup>2</sup> in the report "W.B. 2000-2001 Attacking Poverty" describes to expound the understanding of poverty and its causes and sets out actions to create a world free of poverty in all its dimensions. It both builds on our past thinking and strategy and substantially broadens and deepens what we judge to be necessary to meet the challenges of reducing poverty. It argues that major reductions in human deprivation are indeed possible and that the courses of global integration and technological advance bend must be harnessed to serve the interests of poor people. Whether this occurs with depend on how markets, institutions globally, nationally and locally. The report accepts the how established view of poverty as encompassing not only low income and occupation but also low achievement in education, health nutrition and other areas of human development. And based on what people say poverty means to them, it expounds this definition to include powerlessness and voicelessness and vulnerability and fear. Though the report clearly explains about poverty, but does not describe it in the relationship between poverty reduction and cooperatives.

Deo Jay(1997)<sup>3</sup> conducted the research on Inequality of Poverty in Rural Nepal .The study was based on cross section secondary data collected by Nepal Rasta Bank, ADB etc. For the analysis of data, he applied Lorenz Curve, Gini Coefficient, Standard Deviation of Logarithm, Variance of Logarithm, Extreme Deciles Ratio etc.

Regarding income inequality prevailing within the poor household and the non-poor households, the findings of the study show that inequality exists in both groups of households but the degree of inequality prevalent among the non-poor households is higher than that of the poor households. The figures computed for the non-poor household's shows that the bottom 40 percent of the households receives 20.86 percent of the total income of the group whereas the top 10 percent and the middle 50 percent of the households receive 21.37 percent and 57.77 percent respectively. Likewise, figures calculated for the poor households show that the share of the bottom 40 percent of the households in the total income of the group is 20.71 percent, while the share of the top 10 percent and the middle 50 percent are 20.66 percent and 58.63 percent respectively. Though the research shows the fact on the income inequality and poverty in rural Nepal and implemented different way for reducing poverty but still lacks to show the relation between poverty reduction and cooperatives.

Bajracharya(2005)<sup>4</sup> made a study to examine Poverty and Environment Inter-Linkages : A Case Study of Palpa. The study is carried out based on descriptive cum survey research design, which is a fact finding operation searching for adequate information. Data were taken from primary approach. Observation interview and structured questionnaire were applied of the method of data collection. To analyse the data Sen Index Model, Gini-coefficient, T-test, Chi-square test, Regression equation of y on x, F-test, Multiple Regression and Karl Pearson's coefficient correlation etc have been used in the study.

On the basis of findings, poverty level has been increasing from 1992 to 2002 continuously in the study area. In 1993, poverty level had been 48 percent where as in 2002 it has become 58.54 percent. So, it is clear that in 2002 poverty has been increased by 10.54 percent as compared to 1993. In the same way, the

coverage of forest has been decreasing by 16.01 percent in 2002 as compared to 1993. In 2002, the status of water resources has been decreasing by 31.79 percent as compared to 1993. The use of pesticides has been increased by 49.95 percent in 2002 as compared to 1993. The entire agriculture productivity in 2002 has been increased by 2.19 percent as compared to 1993. In 2002; soil erosion has been decreased by 19.48 percent as compared to 1993. The research focus on the level of poverty and causes and factors of increasing the poverty, despite the lacks of shows the relation between poverty reduction and cooperatives.

Sen (1992)<sup>5</sup> opines that the measurement of poverty can be seen as consisting of two distinct through interrelated exercises, i.e. I) identification of the poor and II) aggregation of the statistics regarding the identified poor to derive an overall index of poverty. In the traditional 'head count' approach, the identification exercise is done through the use of the poverty line income as a cut off. Then, the aggregation is done simply through counting the number of the poor and calculating the proportion the 'head count ratio' of people below the poverty line. Both the exercises are in this approach thoroughly dependent on seeing deprivation in terms of low income as such. This book is concerned only poverty inequality and its measurement but still lacking the relationship between poverty reduction through cooperatives.

Jalihal and Shivamurthy (2003)<sup>6</sup> attempt to fill up this lacuna and make available some basic information relating to practical theory of rural development required for accelerating poverty alleviation. We have named this practical theory as 'Pragmatic Rural Development'. This book is divided into two parts. Part I deals with the concept of rural poverty, causes of rural poverty, poverty related situational fact and some of the results of efforts made so far in alleviating rural poverty.

Part II of the book has dealt with the basic concepts of pragmatic rural development, issues important in pragmatic rural development, models of economic growth and their effect on rural poverty alleviation, Strategies to be used for accelerating poverty alleviation, Programme objectives of Rural Development for Poverty alleviation and need for developing programme areas from programme objectives for easy and effective implementation. The book focused on a realistic approach to management problems but lacks to the briefing reduction of poverty through cooperatives.

Okada and Rana (1973)<sup>7</sup> conducted probably the first study in the field of poverty in Nepal with a view to describing a clear picture of child beggar in Kathmandu valley. This study is based on primary data which were collected from 780 beggars through interview method. Among the total sample beggars, 149 were children. The tabular analysis has been done to highlight the problems and the analysis systematically describes the reasons for beggary and its characteristics.

Analyzing the data, they observed that three main factors namely poor physical condition and social factors are responsible for making beggars. The numerical findings of the study show that out of a total sample of beggars 92 percent, 5.3 percent and 2.7 percent of beggars took to beginning due to social reason, poor economic condition and poor physical condition respectively. Thus, this study clearly indicates that poor economic condition is not the prime cause of beginning but one of the causes of begging. They suggested two kinds of policies, i.e., curative and preventive. But the study cannot reach the relationship between poverty reduction and cooperatives.

Jain (1981)<sup>8</sup> conducted a research work in order to find out the extent of poverty prevailing in Nepal by using secondary data published by NPC/N in 1977. The

study highlights the poverty problems and suggests some policies and programmes for removal of poverty in Nepal. For the purpose of the study, he divided the poor into two groups, viz., poorest of the poor (absolute poor) and the poor (relative poor). Adopting the minimum calorie norm approach (the same is adopted by NPC/N, 1977), he estimated Rs 2 and Rs. 2.68 per head per day at 1976-77 prices as absolute and relative poverty lines respectively. Accordingly, he observed that 36.2 percent of the populations (40.30 percent of households) were absolutely poor and 18.95 percent the populations (20.51 percent of households) were in relative poverty. Thus, the study shows 55.15 percent of the people or 60.81 percent of the households were in poverty in Nepal in 1977. The figures relating to urban and rural sectors show that the incidence of poverty was higher (41.22 percent of households and 37.17 percent of people) in the rural sector than in the urban sector (22.08 percent of households and 17.55 percent of people). Among the ecological zones, the study shows that the incidence of poverty was highest in the mountain region (75.84 percent of households) followed by the hill (36.05 percent of households) and Terai zones (39.63 percent of households). In addition, he projected the magnitude of poverty for 1980 (44.36 percent of the households) and for 1985 (49.66 percent of the households) which clearly show the increasing trend of poverty in Nepal.

To alleviate poverty, he suggested food-for-work programme, credit programmes for crop production, animal husbandry, small machinery and equipment and programmes for education, health, family planning, maternity and child welfare but study escapes to show the relationship between poverty reduction and cooperatives.

Islam (1983)<sup>9</sup> conducted a study on poverty and income distribution in rural Nepal. The study was based on the survey made by ILO in 1973 and NPC in 1976-77, and

analyzes the income distribution pattern, land distribution pattern, magnitude of poverty and trends in poverty. The findings of the study show that the lowest 40 percent of the households received more than 46 percent of total income while the top 10 percent of the households received more than 46 percent of the total income. Thus, the pattern of income distribution was quite uneven in Nepal. The calculated Gini coefficients also support the fact. Analyzing the data of 1973 he found higher inequality in the Terai region ( $0.51$ ) than in the hill region ( $GC = 0.43$ ). Adopting the criterion suggested by NPC/N, he observed that nearly half of the households in rural Nepal were below the poverty line. The study left the role of cooperative through distribution of income in rural area.

Suvedi (1986)<sup>10</sup> conducted a comparative study on the poorest of the poor by collecting the primary data from two villages; one from the hilly region and another from the Terai region. The data were analyzed quantitatively as well as qualitatively. Descriptive statistics and chi-square test are used to compare the situations in the two villages. Analyzing the data, he observed that the poor in both villages earned their living by doing many works but farming and wage labor were their main sources of earning in cash. The average annual income of the poor of the Terai areas was greater than that of the hill areas and income inequality was also found higher among the poor of the Terai region.

The findings of the study show that there were many causes of poverty in these areas. They were lack of income to assure subsistence, large family size, family debt, low productivity of family labor, poor health, large number of dependents, lack of productive employment opportunities, natural disasters and weeding expenses: Suvedi observed that the main problems faced by the rural poor were related to food and clothing, family debt, poor health, weeding costs,

education and employment for the family members. But study left the creation of cooperative to sustain livelihood of village people.

The book "Drive against Poverty" written by Paudel (1986)<sup>11</sup> deals with the concept of poverty (absolute as well as relative poverty) and the major causes of poverty in Nepal. This study is based on secondary data compiled from various publications. Analyzing the data, he observed that incidence of poverty was not the same in all the regions in Nepal and the land distribution was also not even. The mountain and hill regions have high magnitudes of poverty but a low amount of arable land.

The author pointed out that the productivity in the agricultural sector had been declining because of improper use of existing irrigation facilities, declining fertility of soil due to deforestation, flood, landslides, erosion and lack of adequate agricultural development services. In addition, he evaluated the existing poverty alleviation programmes and recommended for initiating labor intensive programmes to ensure alleviation of poverty, increase in spread of education and nutrition and productivity but it was missing the relation between cooperative and poverty reduction.

The World Bank/UNDP (1991)<sup>12</sup> made a study on poverty and incomes using data of secondary nature. The study analyzes the structure of income and poverty determinants of poverty, the mechanism of poverty, poverty and productive sector of the social dimension of poverty and appraisal of the effectiveness of existing poverty alleviation programmes and projects.

About income distribution, the study states that there was inequality of income distribution but the degree of concentration was somewhat more favorable



to the poor in Nepal than in Sri Lanka, Brazil, and comparable with Sweden. In context of measurement of poverty, three poverty lines have been adopted, the poverty line estimated by the NPC/N, poverty line determined by the World Bank (US \$150) and poverty line suggested by Lipton. Accordingly, the incidence poverty varies between 40 percent and 71 percent but the incidence of poverty in the hill is higher than in the Terai.

Hamilton (1968)<sup>13</sup> wrote about the existence of poverty even in the highly industrialized economy such as, in the American industrial economy. He also made clear about the term “poor” and “poverty” relating to different economic theories, like Adam Smith’s wealth definition, or Karl Marx’s Surplus Value Theory. Marx criticized the 19th century capitalism on the ground that though the labor-saving machine (capital) used in the capitalistic system increased profit, it made the condition of laborer very miserable widening the gap between the rich and the poor in the economy. He believed that poverty is created from structural causes as suggested by Marshal e.g., social prejudices particularly related to color, sex, and race. These elements reduce education and job opportunities for the people ultimately affecting on aggregate demand in the economy. This again creates a gap in the levels of standard of living even in the industrial countries like United States.

Meier (1995)<sup>14</sup> emphasized on the policies to raise standard of living for some 30 percent of the people in less developed countries living in a condition of absolute poverty. Robert McNamara defined absolute poverty, as “condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victim’s basic human necessities” (Ibid, p. 3). Thus, McNamara focused world’s attention on basic human needs. The World Bank then identified approximately the lowest 40 percent of population in developing countries as being in absolute poverty; about 900 million with an average per capita income of less than US\$ 100 a year.

While analyzing human resources and economic development, the author emphasized for gender aspect. Even if the poor women work hard as agricultural wage laborers, they have no provision of land rights and have no access to related resources like credit, or technology in almost all developing countries. He also added that they work in a small farm because of landlessness problem as seen in Bangladesh and elsewhere.

The author therefore, suggested that anti-poverty strategies must be designed to address the social, legal, and economic constraints that women are facing around the world. This could raise women's productivity and income and accrue benefits for their well-being. But he seemed positive about micro enterprises interventions rather than microcredit. The enterprise-based programmes are reaching successfully to women, as these programmes are designed to improve entrepreneurial skill first, rather than the family income. This concept considered "women's role not only as agricultural laborers but also accounted as resource managers". But study missed the power of cooperative for empowerment and organizing of women in enterprise.

Asian Development Bank (2001)<sup>15</sup> analyzed the poverty situation in Asian continent. Poverty is concentrated primarily in those countries, where they have majority of agricultural rural labor forces such as, Bangladesh, India, Nepal, and Pakistan. Output and employment in these economies are relatively dominated largely by agriculture; thereby making GDP growth rate more vulnerable depending on weather conditions. This is the reason that GDP growth rate in South Asia declined from 5.8 percent in 2000 to 4.2 percent in 2002 mainly due to uncertain whether condition. Over the period of 1995-2000, the region has population growth rate of 1.76 percent having 40.1 percent population share of the world's population, which is the highest among other Southeast Asian nations or

group of the newly industrialized countries. It is even higher than that of the People's Republic of China (PRC). Annual per capita income in the region is US\$ 418 (1999), whereas it is \$744 in PRC, \$1,050 in Southeast Asia (newly industrialized economy) and \$10,987 in the industrialized economics. As regards for social indicators, South Asia has infant mortality rate of 71 per 1000 live births in 2001 and maternal mortality rate during 1990-1999 is 368 per 1,00,000 live births with average life expectancy (female) of 64 years in 1999. The gross primary enrolment is 83 and 100 percent for female and male respectively during mid to late 1990.

A joint study of the World Bank and UNDP (1992)<sup>16</sup> has showed the nature of income and poverty in Nepal. The study uses a quantitative analysis for examining the condition of the poor and non poor, their sources and level of incomes .It attempts to evaluate effectiveness of existing poverty alleviation programmes. It investigates the effect of development policies and strategies on personal income of the poor. The objective of the study is to propose the outlines of a long term strategy of the country to reduce poverty. It has been found out that among the rural, poor area only 35 percent of income is in cash which is generated mostly from wages. The poors get a larger share of their income from wages and salaries accounts for only a quarter incomes among the rural poor in Nepal.

Sharma (2008)<sup>17</sup> attempt to explored rural income inequality in Gajehada VDC of Kapilvastu districts. The VDC has greater disparity in distribution of income as well. Nearly 35.2 percent of total income is earned by 10 percent of top level households whereas only 2.7 percent of total income is shared by 10 percent bottom level households. Gini-concentration ratio of the study area is 0.4262 which is lower than Nepal (0.57). The study was missing the role of cooperative for distribution of income equality in study area.

MIMAP Research on poverty in Nepal: A synthesis was initiated in July 1995 with the aim to fill vacuum of knowledge in poverty issue. Eight technical papers were prepared using available data sets which also implicitly assess the suitability of the existing data to shed light on relevant issues relating to poverty. Three macro data sets utilized in the papers as the main data sources are:

- a) Nepal Rural Credit Survey of 1992 (NRCS 92 ),
- b) Population Census 1991 (PC 91) and
- c) Agriculture census 1991 (AC 91)

The data sets and hence the analysis pertains to year 1991. In this synthesis paper the general findings are put together, supplemented with broad policy measures to alleviate poverty in the country. Papers on the environment relating to poverty and macro policies are excluded in this synthesis. There are three sections of this paper. First defines poverty lines and examines the incidence of poverty at the district level .In the second , socio-economic analysis of various groups prove to higher incidence of poverty is reported .Analysis of women , children , caste/ ethnic groups and small farms is conducted to understand poverty issues specific to the groups . In the final section, emanating policy issues and the urgency of related research are outlined (Sharma and Chhetry, 1996) <sup>18</sup>

Sen (1981)<sup>19</sup> discusses about poverty reports that there is specific problem of starvation, which is linked with poverty. He also contributes himself some econometric tools for the measurement of poverty. One of the econometric tools is called 'Head Count Ration' for the purpose of the study. But the study made space the lack of cooperation enlarged of poverty in the world.

Minhas (1970)<sup>20</sup> conducted an empirical investigation to study the extent of poverty in rural India. This study was based on time series data of the National

Sample Survey (NSS) and he estimated Rs. 200 per person per annum at 1960-61 prices as the minimum level of income excluding the expenditure on health and education. This standard was slightly lower than the standard determined by the distinguished study group (D.R. Gadgil, et al., 1962), i.e. Rs. 240 per person per annum at 1960-61 prices. For rural population, he took a slightly lower figure than the figure suggested by the study group on the ground that the cost of living of the rural population is lower than that of the urban population. Applying the former minimum level of income, i.e., Rs 200 per person per annum, he observed that the proportion of the poor population in the rural areas declined by 15.3 percentage point from 52.4 percent to 37.1 percent between 1956-57 and 1967-68. Applying the standard suggested by the latter study group i.e. Rs 240 per person per annum he found that the proportion of the poor population in the rural areas decreased by 14.4 percentage point from 65 percent to 50.6 percent between 1956-57 and 1967-68. Thus, both the findings pointed to decreasing magnitude of absolute poverty during the above mentioned period. In addition, it observed that the number of the poor tends to rise in based harvest years.

Bardhan (1970)<sup>21</sup> conducted a research work on the minimum level of living and the rural poor using the time series data of NSS. He estimated separate minimum levels of income of Rs. 15 per capita per month for the rural sector and Rs 21 for the urban sector at 1960-61 prices on the ground that rural prices are generally lower than urban prices. Applying these standards he observed that 38 percent people in rural areas and 44 percent in urban areas lived in absolute poverty on the basis of the same minimum norms for both the rural and urban areas. Bardhan suggested that in 1968-69 at 1960-61 prices as many as 54 percent of the rural people and 41 percent of the urban people fell below the poverty line. Thus,

Bardhan's time series profile of the rural as well as urban poor showed a sharp rise in the incidence of poverty over time.

Dandekar and Rath (1971)<sup>22</sup> accomplished a research work on "Poverty in India" issuing the data of NSS. The criteria adopted by them for the determination of the poverty line was similar to Ojha's with two difference. They used the NSS estimates of consumption of food-grains (and substitute) without any correction. Secondly, they assumed a yield of 200 calories per capita per day from other items of food. Owing to price variation, they estimated separate poverty lines for the rural sector and the urban sector. At 1960-61 prices, they worked out Rs. 170.8 per person per annum for the rural people and Rs. 271.7 per person per annum for the urban people as the expenditure required ensuring a diet equivalent at least to 2250 calories per capita per day. On the basis of these poverty lines they observed that about one third (33.12 percent) of the rural people and nearly half (48.64) of the urban people were in poverty in 1960-61. Further, they considered per capita annual expenditure of Rs 324 in the rural sector and Rs. 486 in urban sectors at 1968-69 prices as necessary for a minimum level of living. On the basis of these standards, they observed that 40 percent of the rural population was living below the minimum level of living in 1968-69. But the study missed the role and development of cooperative for increasing rural income.

Rajaraman (1974)<sup>23</sup> conducted a research work in order to find out the incidence of poverty in the rural sectors of the Punjab, India. She used time series data of one decade, i.e., from 1960-61 to 1970-71. She measured poverty by the percentage of population below the poverty line and worked out especially for the region by using linear programming techniques. She estimated a figure of Rs. 16.36 for 1960-61 and corresponding level of expenditure of Rs. 33.86 in 1970-71 as the poverty line. Applying these standards, she observed that the proportion of

population below the poverty line had increased by 4.9 percent point from 18.4 percent to 23.3 percent over the decade of sixties, i.e., from 1960-61 to 1970-71. Further, she observed the largest increase in the incidence of poverty among agricultural laborers (from 22.6 percent to 40.5 percent) and, in contrast, the incidence of poverty among cultivators showed a small decline over the decade of sixties. In substance, she found decline in the absolute levels of living and rise in the incidence of poverty in Punjab over the decade of sixties. But she did not submit the effort of cooperative business for decline in the poverty.

Ahluwalia (1978)<sup>24</sup> conducted a research on "Rural Poverty and Agricultural Performance of India" using time series data of thirteen years spanning the period from 1956-57 to 1973-74. He estimated separate poverty lines for each year and each state which the study covered. On the basis of poverty lines, he estimated the magnitudes of poverty by the states for various years. Besides, to measure the extent of poverty, he applied traditional as well as Sen's index of poverty. The time series data showed fluctuation in the incidence of poverty in response to variations in real agricultural output per head, though no significant time trend was discernible. Further, he observed a statistically significant inverse relationship between rural poverty and agricultural performance for India as a whole. The relationship was also observed in several states but there was the evidence of other factors at work which tended to increase the incidence of poverty independently of variations in output per head.

Nayyar (1979)<sup>25</sup> carried out a research work with a view to analyzing the trends in relative and absolute levels of poverty in the rural sector of Bihar, India. Like other scholars, he also confined his study to time series data of consumption expenditure supplied by the different rounds of National Sample Survey. The findings of the study clearly indicate that there were disparities in the distribution of income in

rural Bihar in all the years from 1961-62 to 1970-71. The calculated Gini coefficients (0.27 for 1961-62, 0.29 for 1963-64, 0.31 for 1964-65 and 0.28 for 1970-71) illustrate that the trend of inequality was increasing till 1964-65 but it was decreasing after 1964-65.

For the measurement of incidence of poverty, he followed both the monetary and calorie norms. He estimated Rs. 15.83 per capita per month at 1960-61 prices as poverty cut-off income and corresponding minimum level of incomes for different years were estimated. Accordingly, he found that 54 percent, 52.5 percent and 58.8 percent of the people of rural Bihar were below the poverty line in 1963-64, 1964-65 and 1970-71 respectively. Thus, these findings indicate that the proportion of the poor increased in 1963-64, but slightly declined in 1964-65 and again increased in 1970-71. In addition, he observed that 85 percent of the non cultivating wage earners and 9.82 percent of the small cultivators lived in poverty in the rural areas in 1970-71. Applying 2200 calories per person per day as minimum nutritional requirement (cut-off point), he found 44.26 percent of the people in 1960-61 and 62.81 percent in 1970-71 were in poverty in rural sectors. But he didn't submit the support of cooperative society for increasing wages of rural poor.

Another study was carried out by Reddy and Mitra (1982)<sup>26</sup> in the rural sector of Medan district, Andhra Pradesh, India, with a view to examining the nature of rural poverty. This study was also based on NSS data. For fixation of poverty line, they adopted a minimum calorie norm (2200 per head per day) and, applying the standard, they found that 83 percent of people of the rural sector lived in poverty. They further estimated that 90 percent of the marginal farmers and 86 percent of the landless were below the poverty line in the study areas. Examining the relationship between incidence of poverty and other determining factors, they



observed a positive relationship between the incidence of poverty and the average size of household and a negative relationship between the incidence of poverty and the extent of irrigation and land-owning classes.

Altimir (1982)<sup>27</sup> conducted a study with a view to examining the incidence and intensity of absolute poverty in 10 Latin American countries and in the region as a whole during 1970s. He used available data of household surveys and population censuses and adopted specific poverty lines representing minimum acceptance of private consumption. Estimating the poverty line for different countries he found different poverty lines ranging from US\$ 150 to 250 per household per annum. On the basis of separate poverty lines for each country, he observed that 40 percent of the Latin American households were poor at the beginning of 1970s. Besides, analyzing the data of urban and rural sectors, he found that about 25 percent of the households were in poverty in the urban areas and in rural areas the incidence of poverty varied between 20 percent and 60 percent. In order to highlight the dimension of poverty in Latin America he used different methods such as poverty gap, Sen's index, etc., but he left the support of cooperative society for the raising of household income.

Chernichovsky and Mecsook (1984)<sup>28</sup> made a study to examine poverty in Indonesia. For this purpose, they applied analytical approach to the data taken from the national Socio-Economic Survey for 1978. For the purpose of study, they divided the households into three groups, viz., the poor, better-off and the rich on the basis of the level of per capita consumption. Analyzing the data, they observed that the overall urban incidence of poverty was 14 percent compared with 42 percent for rural households. For each of the areas the incidence of poverty was considerably lower in the outer islands than in Java.

The findings of the study show that agriculture was the main source of income of the poor and the poor people devoted a good percentage of their expenditure to food. They did not receive health care of the same quality as the others and they generally used to depend upon folk doctors for their treatment. A small proportion of children of the poor were attended school beyond the primary level. Besides, it was observed that a number of the poor households used to change their jobs more frequently and they were always looking for work. Regarding the causes of poverty, their study identified that the poor have larger families with a large amount of labor force and head of the poor households was less educated. Analyzing the data, they found the incidence of poverty as inversely related to the level of educational attainment of the household head. The study didn't suggest the power of cooperative to generous alternative sources of income for the poor people.

Standing and Szal (1979)<sup>29</sup> in their book, "poverty and Basic needs evidence from Guyana and Philippines" state about the extent and incidence of poverty as measured by such basic needs as nutrition, health, income, opportunities, shelter and education. This book also considers various government policies that have introduced to improve the living condition of the low-incomes of the respective populations. The individual studies are preceded by an introduction, which places the focus on basic human needs in the context of an evolution of development strategies. It also considers various methodological approaches to the analysis of basic needs and briefly discusses the implications for data collection. Though the book throws light on poverty and basic needs of Guyana and the Philippines but still lacks to explain it in the perspective of cooperatives.

Sen (1980)<sup>30</sup>, in his book "Levels of poverty policy and change" presents an over view of changes in poverty over time and some of the causes of these changes. It

opens with a discussion of various concepts of poverty, paying particular attention to recent controversy over nutritional norms and to the debate on whether poverty should be measured by such 'results' as life expectancy or by such 'inputs' as income. The comparative success of a wide range of countries in reducing poverty is then assessed and detailed examination is made of selected countries-South Korea, Sri Lanka, Taiwan, Tanzania and Yugoslavia. Particular attention is given to the causes of success and to the difficulties of drawing lessons from success stories. The book focuses on extreme causes of poverty, such as the famines in Bangladesh and Ethiopia in the first part of 1970s. It concludes with a hypothetical dialogue on policy between the author and a developing country finance minister. Though, the book explains about poverty, changes in poverty over time and causes of these changes, but still lacks to explore about poverty reduction through cooperative society.

Greer, J and Thorbeck, E (1986)<sup>31</sup>, in their book "Food poverty and consumption patterns in Kenya" explain about the fact that food is both a major source of employment and a key determinant of the incidence of poverty in developing countries. Policies to alleviate food poverty must, therefore, be based on a sound understanding of how food, employment and poverty are related to one another. This study suggests a new methodology for the measurement of food poverty and analysis in detail the pattern of food consumption and its determinants in Kenya. The book presents findings to trace the effects of one of the most widely advocated public policies-an increase in relative price of food on production income and consumption of various socio-economic groups in Kenya society. This monograph makes a substantial contribution to the analysis of the poverty and can serve as a model for similar investigations in other developing countries. Though, the book

illuminates beautifully about the food poverty existing in Kenya but still lacks to explain and explore about poverty and cooperatives.

Rahama and Hossain (1995)<sup>32</sup> in their book "Rethinking Rural Poverty" argue that a majority of the rural population in the developing world nevertheless continues to live bleak lives full of deprivation and vulnerabilities. Today, poverty remains the single most important challenge for much of the developing world. Viewing poverty and multidimensional reality, the book provides a penetrating look at these most serious contemporary problems. Taking Bangladesh as a case study, it highlights many facts of poverty as a state and as a process. The seventeenth original essays in this volume based mostly on a nationwide survey of households, extend conventional economic analysis in several new directions, most notably in the analysis of routine crises, ecological reserves differentiation of the poor, and the political economy of poverty alleviation. Empirically rich and based on primary data the volume deals with the methodological challenges of rural poverty research, offering innovative contributions in the use of self evaluations by the rural poor.

Hayter (1982)<sup>33</sup>, in book, "the creation of world poverty" explains that third world poverty is neither an irrelevant bit of history nor a fiendish left wing plot, but a coherent explanation, backed by solid evidence, which affects thought and action now and is impossible to ignore, then it will have gone a long way towards success. The book also expounds the fact that third world first is national movement in British Colleges and universities, with a rapidly growing student membership and an expanding program of education and campaigning on third world issues. Third world first aims to publicize the facts of international poverty support the poor and oppressed as they organize together to combat poverty and determine their own path development to expose and oppose, the interests of the

rich and powerful who stand in this way. The study didn't attempt the opportunities of development of cooperatives for sustain poor people.

### **2.3 Concept, Movement, Policy and Variety of Cooperatives**

Macpherson (1995)<sup>34</sup> in his book "Cooperative principles for the 21st century" explained the definition, values and principles of cooperatives in brief. The book also explained into the twenty first century: co-operatives yesterday, today and tomorrow. Descriptive methods were used in different sub topics of nineteenth century, 20<sup>th</sup> century and 21<sup>st</sup> century in cooperative movement in the world.

Finally there are few limits to what people can accomplish when they work together for their mutual benefit. The task accomplishments of the international cooperative movement demonstrate that simple truth. The present strength of cooperatives around the world further affirms it; the future needs of the human family demand its reconfirmation. The book explained definition and principles of cooperatives but the lacks in briefing poverty reduction through cooperatives.

The study of evolution of National and International Cooperative reveals that Willam King and Robert Woven were the first promoters of cooperative society in England. 'Rochdale Friendly Co-operative Society' was established in 1830 in England. For the development of Cooperative, 60 workers of garments industry were involved continuing since 1830 to 1844. It was the oldest cooperative in the world. In the context of Nepal, establishment of Cooperative Department under the Planning Development and Agriculture Ministry in 1953(2010 B.S.) was the initiation in the evolution of cooperative in Nepal (Badhal, 2004: 44)<sup>35</sup>.

The historical data and the trend of changes in cooperative Movement in Nepal clarifies that it needs overall revitalization, strength, and honest leadership with value based professional management which can capitalize the interests of cooperative enterprises and take them to a road to success in large scale. Government's support in line of promotion or facilitation with equity participation but not control is crucial for Nepalese cooperatives that then later become sustainable in economic and business sense (Sharma, 2004)<sup>36</sup>

Dhakal and Siwakoti (2007)<sup>37</sup> have focused on the cooperative movement: The best socialization and modernization, definition, values and principles of cooperative, cooperatives past and present situation in Nepal. Youth, Women cooperatives and cooperative Act, 2048: General Review.

Baviskar (1980)<sup>38</sup> identified a number of social, political, economic, and institutional factors that affect the performance of cooperatives. In his opinion, those cooperatives which are imposed from above by the government or any other authority are likely to fail. On the other hand, if and when cooperatives are organized by the people themselves, in response to their felt needs or to fight against some sort of exploitation, they are likely to succeed. He also found out that the success of a cooperative depended on its ability to fulfill the objectives for which it was established. Loyalty of members was identified to be another important determinant of success of a cooperative.

Mujeri (1992)<sup>39</sup> clarifies the difficulty to make a precise definition of "success" or "failure" of a cooperative given the multiplicity of objectives and their relative importance in the activities of the cooperatives. He provides a clear picture of success and failure of agricultural cooperatives in Asia and disseminates the results for mutual benefit. The study was a part of CIRDAP implemented project on "Case

Studies of Cooperatives as Institutions for Development of the Rural Poor" in 1984. The main objective of the project was to analyze the factors behind success and failure of agricultural cooperatives in Asia. The project covered seven CIRDAP member countries including Bangladesh, India, Lao PDR, Pakistan, Philippines, Sri Lanka, Thailand and one non-CMC and Republic of Korea.

The scope of the project covered in depth case studies of two village level primary agricultural cooperatives – one successful in each country. In order to identify the causes of their success/failure, various aspects of those cooperatives e.g., organization, management, member participation, beneficiaries, member-management relations, group cohesion among members, economic performance etc. were analyzed. The major criteria applied for the selection of cooperatives was as follows:

- Primary cooperatives in rural areas;
- Agricultural cooperatives;
- At least three years in operation;
- Similar objectives, activities and mode of operation;
- One "successful" and one "unsuccessful" cooperative.

NCFCC (1991)<sup>40</sup>, A report entitled "Nepal Ma Sajha Andolan (Cooperative (Sajha) Movement in Nepal,)" points out the then existing problems of cooperatives classifying problems relating to government and semi-government. Institutional problems identified organizational, general administrative, business transactions and resource mobilization. Likewise, Problems relating to government and semi-government included problems relating to the government, Agricultural Development Bank, Nepal Food Corporation, Agriculture Inputs Corporation and other concerned organizations.

As the report was based on the colloquium participated by different level of cooperative members, government agencies and corporations, their suggestions were based on the establishment of the then proposed National Cooperative Federation and the report does not make any suggestion and recommendations on agricultural cooperatives.

NCDB (1993)<sup>41</sup> A report entitled "Sahakarita ko Bhawi Disha (Future Directions of Cooperatives)" identified various activities to be taken by the cooperatives on the impact of liberal economic policy on cooperatives, review of existing cooperative policy and role of cooperatives in poverty alleviation. The main objectives of the General Conference were to set up the future directions of cooperative movement and to identify the scope and programs of cooperatives.

The General Conference identifies some of the key areas to be reformed. They are increment of dealership commission to the cooperatives, cooperatization of public corporations, structural reform of cooperatives, conduct of women and adult literacy classes by cooperatives, involvement of cooperatives on environment conservation, establishment of cooperative ministry and cooperative bank etc.

A very critical study entitled Institutional Sustainability and Impact of Small Farmers Cooperative Ltd. (SFCL, 2001) makes an in-depth assessment of SFCL as an organization selecting 11 sample SFCLs from Jhapa, Morang, Udayapur, Siraha, Dhading, Chitwan, Tanahu, Rupandehi and Surkhet. The study was made with the objectives to assess the organizational viability of SFCLs and to examine the impacts of the program on the living conditions of participating small farmers. For this purpose conceptual framework was designed with a total of 5 main and 23 sub-indicators. They were used to assess the organizational abilities of SFCLs and these indicators basically reflect the state of existing processes within the SFCL as



an organization. Two indicators that reflect the perceptions of various actors with regard to organizational sustainability of SFCLs further complement the process indicators. They are termed perceptions on overall activities, and perceptions on sustainability of the organization. "Operational Self-sufficiency" and "Financial Sufficiency" both indicators of financial sustainability were calculated according to Nepal Rastra Bank standard. The technique and instruments of data collection included focus group discussions, standardized schedules and field work.

The study concluded that the assessment of organizational development indicates SFCLs as the emerging viable grass roots organizations of small farmers. They are well-managed and have been able to meet the credit requirements of their members satisfactorily. The negative aspects of these selected SFCLs are seen to be rather weak in their ability to secure available resources from the external environment. The assessment concludes that SFCLs show sufficiently strong traits of organizational viability (GTZ/ADB, 2001)<sup>42</sup>.

Neupane(2006)<sup>43</sup> in his study of the Cooperative Movement :A People Based Development Approach. It's role in the economy of Nepal is based on primary and secondary sources of data. Data have been analyzed using different statistical techniques. Descriptive statistics were calculated for primary investigation of data. Further ratio analysis, chat/graph and bar diagrams were used to analysis the present status and role of cooperative enterprises in Nepal.

Findings of the study are from the primary data and trend of changes in cooperative movement in Nepal, it is clear that it needs an overall revitalization. There should be an honest leadership, value based professional management which could capitalize the interests of cooperative enterprises and take them to a road to success in large scale. Government support for promotion or facilitation with

equity participation without administrative control is crucial for Nepalese cooperatives.

Cooperative must increase the level of participant of the members in cooperative business and management of the organization in a compulsory manner. Cooperatives sector should be recognized as a catalyst, the third sector alongside the public and private sector in the nation's economic development. Government should give priority to the grass root participative members based on cooperative societies to grow and back support them. Cooperative should be competitive, geared towards eradication of poverty, creation of employment and business opportunities by upgrading the life of the people based on cooperative principles. The study was elapsed interrelationship between poverty and saving and credit cooperatives.

Zeuli and Cropp (2004)<sup>44</sup> have focused that the cooperative model will continue to change, reflecting fluctuation in social and business environments. There remain, however, three defining cooperative principles: user-ownership, user-control and proportional distribution of benefits. To continually provide benefits to members year after year, cooperatives must be well organized, well financed, well managed, well governed and supported by a committed membership. Their models were very applicable for cooperative development but they didn't attain the role of saving and credit cooperative through poverty reduction.

Gadgil (1975)<sup>45</sup> identified several determinants of their success. They included a producer oriented pricing policy that ensured remunerative and stable price of sugarcane; producer owned and controlled cooperative sugar factories; provision for a proper depreciation reserves and compulsory deposits by members; provision of technical guidance and inputs to sugarcane growers by the agriculture

departments created within each factory; equitable distribution of benefits from sugar factories among the members; and provision of welfare services.

He also lists some undesirable, albeit unintended, effects of sugar cooperatives such as keen competition among their members and bitter and expensive elections to gain control over the cooperatives, lack of focus on improving the internal management and efficiency, and indiscriminate extension of sugarcane cultivation to areas which were water stressed.

According to Jha and Jha (2000)<sup>46</sup>, Co-operatives are the best and the most suitable member based voluntary agencies, they improve the conditions of the weak and backward persons who can deliver services to the members. NGO sector may not recognize this by simply saying, "Co-operatives do work with profit motive". Similarly, people in the voluntary agencies also say that cooperatives are not voluntary agencies in spirit and practice because they work with profit motive. This perception about co-operative is not true. The first principle of co-operative states that co-operatives are voluntary institutions organized not for economic profit only but for fulfilling the social and cultural needs of its members who are weak and achieve their needs on their own. Therefore, co-operatives are not only profit oriented organizations but also service to members first in need because its members contribute their time and energy on voluntary basis for others.

In fact, co-operatives supplement as the role of member is based on voluntary agencies by liberating them from their problems. There is a vast difference between a co-operative and NGO type voluntary agencies in the market in tackling the needs of the poor and weak members. The weaker and backwards may organize themselves into a co-operative on their felt needs to achieve what they consider of utmost important business at a particular point of time. Therefore,

conceptually co-operatives are the most suitable people based voluntary organizations to improve the condition of not only the weaker and backward sections, but also of farmers and laborers at large. The study explains and defines about cooperatives but didn't attain the role of saving and credit cooperative through poverty reduction.

Kamesam (2001)<sup>47</sup> states that the Indian financial system has over the years, undergone a remarkable transformation and now comprises an impressive network of financial institutions, market institutions and a wide range of financial instruments. The co-operative structure has also grown to a massive proportion. The institutionalization of saving with wide geographical and functional coverage of institutional credit as well as market development is crucial for rural economy. It is true that there is now a number of cooperative institutions with huge volumes of business in financial, dairy, and marketing sectors.

McCarthy and Ward (2001)<sup>48</sup> write in their paper 'communicating the Cooperative Message: A case study of the Irish Credit Union Movement to demonstrate the importance of communication and transparency of the messages and activities in the co-operatives for their members'. It is imperative that co-operatives communicate their activities to their members, which is essential to strengthen the co-operative identity, and in differentiating the cooperative form with conventional organizations. Conventional communication system is advertising media. However, co-operative does not advertise because they think it is a waste of members' money, especially in case of buyers and sellers are members themselves. It is suggested that advertisement can be done with a cooperative message than to advertise products and services alone. Co-operation between co-operatives in communicating the messages of mutuality can serve as a competitive advantage.

Dubhasi (2001)<sup>49</sup> in his study 'National Policy on Co-operative a Critique' focused on Indian cooperative policy. Author gives his opinion from own experience regarding co-operative policy. The co-operative policy has to deal with sectoral problems some of which are mentioned here. A new co-operative policy document should therefore begin with a critical analysis of the past policies and present problems and to suggest the series of concrete measures in the new cooperative policy. It was laissez-faire attitude of the government during colonial period but these days the registrar of cooperatives played such an active role that he came to be all in all of the co-operative movement. This unfortunate situation for the democratic cooperative movement; therefore, it should be reformed with immediate effect. Actually co-operative policies are formulated after series of consultations with cooperative stalwarts, specialists, senior practitioners at large and academician.

## **2.4 Cooperatives as an Effective Tool of Poverty Reduction**

Acharya, (2008)<sup>50</sup> in his article "Cooperative: A Tool for Poverty Reduction" is based on secondary sources of data. Descriptive methods are used in different sub topics of poverty and cooperatives. Definition, measurement and problems of poverty are mentioned. Concept and status of cooperative in rural Nepal are also described. Sixteen poverty traps are also mentioned in this article which is the book of ending global poverty: A guide to what works was written by Stephen Smith.

Conclusion of this, to accept any kinds of grants or financial support in the name of poverty reduction by the cooperatives can be a slow poison for their sustainable development. Cooperatives of all types and tiers have to give full priority to the generation of internal resources. Support should be for the

betterment of the members, not for dependency and profit earning. Such mantra can be elixir for the long term sustainability of the cooperatives and reduced poverty through cooperatives.

Sharma (2010)<sup>51</sup> in his study “Role of Saving and Credit Cooperative on Poverty Alleviation in Nepal: A Case Study of Rupandehi District, Nepal” is based on primary and secondary data collection by using structured questionnaire from the study area, collection information were processed using percentage, ratio are presented in a tabular form, pie chart and bar diagram in appropriate place and topic. And also keeping in view the objectives of the study Range, Lorenz curve, Gini coefficient have been applied to analyze the data.

Major findings of the study are the cooperative members of Rupandehi district have greater disparity in distribution of income as well. Nearly 30.43 percent of total income is earned by 10 percent top level household where as only 1.46 percent of total income is shared by 10 percent bottom level households. In the study rang of income and Gini concentration ratio are 7.06 and 0.4069 respectively. The Gini concentration ratio of Nepal has 0.41, which is greater than study area (0.4069). The study is related to saving and credit cooperative through poverty alleviation but it has not used sufficient sample and statistical tools.

ICFTU and ICA (2001)<sup>52</sup> presented that employment generation, poverty alleviation and human resource development were the perspective of cooperative and trade union movements. Three days workshop, nine papers were presented by different countries resource person in Manila, Philippines. Different 14 country and institutions 37 participants were participated in this workshop.

Major objectives and findings of the workshop were alleviating and eradicating poverty, which are inevitable tasks for trade unions and cooperatives because they draw their membership largely from the lower income groups of society. These are the sectors that are most vulnerable to the structural changes in the economy. As the Asian crisis of 1997-99 showed loss of jobs reinforces social deprivation and exacerbates the conditions of the poor, where we are already both economically and socially deprived. Loss of opportunities leads to social exclusion. But the workshop didn't raise poverty reduction through saving and credit cooperatives.

Bashyal (2009)<sup>53</sup>, in her article "Rural Development Through Cooperative: Key examples of South Asia" explains that rural poverty in these countries still remain as a big challenge mainly because of low and stagnant agricultural productivity, lack of rural infrastructure and limited alternative income generating activities for the majority of the rural workforce.

The development of rural economy, which covers agriculture, industry, forest, animal husbandry, etc., is most essential for the overall development of a country. South Asian nations are characterized with heavy dependence on rural based agricultural economy. The rural sector in these countries not only generates employment, income and foreign exchange from agriculture and of farm rural activities, but also provides markets, labor and raw materials inputs to manufacturing and other urban industries. Rural development assumes much greater significance in the SAARC countries' context as 75 percent of the population live in the rural area and nearly 80 percent of the rural population live below the poverty line. She applied secondary data and submitted the example, UK of Europe and India, Sri Lanka and Nepal of SAARC. She concluded that

cooperative is the most important factor for rural development and poverty reduction in the era of developing countries.

Acharya (2007)<sup>54</sup> conducted a research on rural agriculture cooperative societies in Nepal: performance and member participation. The study is based on primary and secondary data collected from the selected primary agricultural cooperative societies located in different ecological zones of the country. For the analysis of data, he applied Chi-square test, T-test and regression analysis.

On the basis of conclusion, agriculture cooperatives play a vital role in the socio-economic development of the poor and marginal farmers. In the history of cooperative development in Nepal, agriculture cooperatives dominate in number and activities. However, most of the agricultural cooperatives are running as traditional cooperatives and lack enterprise skills and development. The study made lacking to the relationship between reduction of poverty and cooperative development in Nepal.

Mosher (1976)<sup>55</sup> observed different stages of rural development in the South and South East Asia during pre -1955 and the post -1955 periods. In the first stage, small-scale projects were undertaken by private people e.g., Rabindra Nath Tagor's Rural Development Programme at Sri Niketan, Bengal that gave much emphasis on self-help and mutual help. In the second stage, larger government-financed projects as National Community Development Programmes were undertaken during the early 1950s. Concept of rural development was also re-defined by Mosher giving emphasis on technologies, organizations and values of a society such as, health, effective means to adjust conflicts and injustices in the society, and effective use of all potential farmland (Mosher, 1976). Thus, Mosher's strategy of rural development supports positively poverty alleviation of a country giving equal



opportunities for rural people regarding health and education. But the study didn't attain to the need of functioning saving and credit cooperative society in rural area for the alleviation of poverty.

Chowdhuri and Garcia (1993)<sup>56</sup> studied the country-specific constraints in financial development of two low-income countries, i.e. Bangladesh and Nepal. Both these countries are highly dependent on rural economy and both have inadequate development of financial system for rural sector. The study looked at the works and efforts in rural finance in these two countries, and suggested some ingredients for reforming and strengthening their rural financial systems underlining the financing development in rural areas where the majority of the poor live. Poverty in these countries is mainly caused by slow growth and productivity in the agricultural sector that has been the mainstay of the rural economy. The study concluded that the development of rural financial markets is a multifaceted and complex task. The authors also concluded that the government, private sector, and international development agencies have focused on microfinance strategy for poverty alleviation. But the authors were ignoring the role of saving and credit cooperative is a major device of poverty alleviation.

In 2000 United Nations adopted a millennium declaration and recognized the MDGs ultimately directing towards poverty alleviation in all less developed as well as in developing countries. Altogether eight goals have been documented, as: (a) eradicate extreme poverty and hunger by half in 2015, (b) ensure children everywhere, boys and girls alike will be able to complete full course of primary schooling, (c) promote gender equality and empower women by eliminating gender disparity in education, (d) reduce child mortality by two-thirds within 1990-2015 with the provision for one-year old children, immunised against measles, (e) reduce maternal mortality rate by three-quarters through education regarding the

reproductive health, (f) combat with HIV/AIDS, malaria, and other diseases by providing a comprehensive correct knowledge of HIV/AIDS to population between the ages of 15 and 24 years and using effective malaria prevention and treatment measures, (g) ensure environmental sustainability through sustainable development of country's policies and programmes regarding environmental resources as forest and maintaining biological diversity, and (h) develop a global partnership for development through developing an open, non-discriminatory trading and financial system including good governance, development and poverty reduction, and also decreasing the special needs of land-locked and other developing countries. Actually, this last goal is about the means to achieve the first seven goals, i.e. related with human development and poverty reduction (Web Page)<sup>57</sup>.

Bashyal (2005)<sup>58</sup> conducted a research on “Impact of Micro Credit Programmes on Poverty Alleviation in Nepal: A case study of Rupandehi District.” The study is based on primary as well as secondary data. Primary data were collected from the field survey in programme operated three VDCs of Rupandehi Districts. For this purpose, she applied this study to analyse and compare the various characteristics of poverty measure between credit recipient and non recipient groups, the centre from the branch office in purposely chosen for sampling the population.

The findings of the study, that no unique model of microfinance is applied for all situations. It is very contextual and it needs to be context specific to achieve the goal of poverty alleviation. To provide microfinance services to large numbers of scattered poor people in the hills and mountains of the country through well managed operating costs. The study should be related poverty reduction but still lacks of interrelationship between poverty reduction and saving and credit cooperatives.

Trainer, (2002)<sup>59</sup> in his article assesses the prospects for appropriate development confidently. Given the triumph of capitalism and the race to globalization, which is still accelerating, there are good grounds for concluding that these radically alternative development initiatives will at best remain marginal and insignificant. However, from the perspective of the development practitioner, as distinct from the academic onlooker, the emergence of the alternative movement can be regarded as opening up more exciting opportunities than they have been available for half a century.

Mwenda and Muuka, (2004)<sup>60</sup>, found that Africa as a least developed continent has perhaps the most pathetic and challenging development record. We can conclude that this is a continent with vast endowments in natural resources, including land and we are optimistic (rather than pessimistic) about its future. We are cognizant of the important fact that any global , multi-national , multi-regional, multi-dimensional ,and multi-pronged strategy towards resolving Africa's multifaceted development challenge – and thereby " main- streaming " the continent into the world economy – revolves ( and should revolve ) around establishing of lasting peace , agriculture and agro- driven poverty eradication , and sustainable development , but they lacking to the role of cooperative for eradication of poverty.

Vyas and Bhargava (1999)<sup>61</sup> in their book "Poverty reduction in developing countries experiences from Asia and Africa" explain that reduction in levels of poverty continues to be on the top of agenda of several developing countries. Though the governments in these countries took several measures to bring down the levels of poverty, the experience across countries has been mixed owing to the differences in initial conditions, institutional framework approach and design of the poverty alleviation programs and their implementation and macroeconomic policy

environment. It is in the context that the sharing of experiences of different countries in poverty alleviation book includes a set of eight country studies is presented in a week long work shop organized at the institute of development studies, Jaipur (India) during 1998. The workshop provided an opportunity to the scholars from Botswana, Ethiopia, Ghana, Kenya, Tanzania, India, Malaysia and Sri Lanka to share the experiences in poverty reduction in these countries.

The themes covered in the workshop were quite comprehensive and included nature extent and causes of poverty, macroeconomic policies and their impact on poverty and factors affecting nature of trickledown effect, strategies of poverty alleviation programs; delivery system and role of NGOs, and future directions for reducing the poverty at a rapid rate. But the study couldn't suggest the effectiveness of poverty reduction programme through cooperative.

Singh Jagadeep and Tiwari (1998)<sup>62</sup> in their book "Managing poverty alleviation insights for the field, Indian institute of public administration, Indraprastha estate Ring Road, New Delhi," illumine that in India, management of rural development has increasingly become a critical area of concern. During the sixth plan and in the seventeenth plan the quantum of resources earmarked particularly for poverty alleviation program has been significantly enhanced. However, the degree of disparity between planned goals and actual outcomes has made management of such programs the focus of attention. The book insights from the field seek to contribute to a better understanding of the implementation processes in the management of poverty alleviation programs. The case studies broadly examine social, cultural planning, organizational and behavioral problems affecting the achievement of results. The book provides an introduction to the origin and purpose of the case method, the arts of case writing and using case studies for training administrators, an overview of the seven effective management of the

process of poverty alleviation. Second part of the book consists of seven case studies which deal respectively with low plan preparation, brick kiln, implementation of IRDP, poultry complex, district level computerization, implementation of land reforms, and consolidation of holdings operations. These studies provide a wealth of insights into the problems faced by our field level administrators. Though the books present practice ways i.e. case study methods for alleviating poverty but still lack to describe about poverty in cooperatives perspectives.

Walle (1990)<sup>63</sup> in his article "Policies for reducing Poverty" focuses the facts that recognizing the immense waste of human resources within economics due to poverty, some developing country governments have begun to change their approaches toward developing to include the poor as clearly identified targets of official programs financed by domestic resources for external aid. Poverty is effectively reduced when domestic development policies stress two key components: a pattern of growth that encourages the efficient use of labor and the provision of social services to the poor. However, these policies and others will not reach some of the poor will remain vulnerable to shocks. A well-targeted system of transfers and safety nets, therefore, is needed in a comprehensive poverty reduction program. A country's development strategy and stage of development, the extent and nature of administrative and physical infrastructure, and the silent characteristics of the poor in each country will determine the precise role and optional combination of these policies.

Article throws light on the fact that how can government encourage growth that fosters the efficient use of the factors owned by the poor? The answer is the first-key to long-term poverty reduction. One way is through the price mechanism. Relative prices matter to most of the poor. Increase in the relative

price of goods that more intensely use the labor of the poor encourage growth in sectors that employ such labor and so raise the return to the single most important assets of the world's poor ; their capacity for work. The external terms of trade of developing countries and the net trading position of the poor within those countries can interact powerfully to influence the benefits the poor obtain from the pattern of growth.

But overvalued exchange rates, excessively capital intensive industrialization, and artificially low relative prices of agricultural outputs can severely hamper effect to reduce poverty, as evidence by the experience of Ghana in the 1970's and of Nigeria, Senegal and Tanzania more recently. In contrast, Cameroon and Kenya avoided heavy taxation of agriculture and performed comparatively well in terms of growth of agriculture, manufacturing and per capita GDP. Infrastructure development has been found to increase the productivity of the rural poor. Improve transport and marketing network have spurred growth in agriculture and helped develop and diversity the economics of backward areas in many countries. The spread of irrigation and the adoption of high-yielding varieties and other forms of technological progress in Asia and Latin America vastly increased employment opportunity for the poor and helped stabilize their incomes over the agricultural calendar. Article also emphasize on participation of poor in growth process and investment in human capita for reducing poverty. Article was stated various policies to be implemented for reducing poverty in developing countries. But the article couldn't reach the prospect of cooperative for reducing poverty.

Ayres (1990)<sup>64</sup> in his article "Foreign Aid and Poverty Reduction" shows mixed results. Developing countries received 5 billion in concessional assistance in 1988 roughly half their net receipts of external capital. Where aid has been well

employed, it has benefited the poor through a number of channels; agricultural research and extension, the construction of rural infrastructure, such as farm- to market roads, the provision of primary education, basic health care and nutrition programs, and relief from natural and man-made disasters. But the contribution of aid to the reduction of poverty has not always come up to its full potential because of a number of reasons, firstly, donors especially bilateral donors, have many different motives-political, strategic, commercial and humanitarian. Reducing poverty is often not stressed. As a result, about 40 percent of aid still flows to middle and high-income countries and there is little relationship between per capita aid allocations and the extent of poverty in individual countries. Secondly, donors prefer to finance physical capital installation that helps their own firms and exporters. They are reluctant to support the operating (or "recurrent") costs of undertaking financed by aid. But much poverty related initiatives are in sectors such as health and education that demand a high level of recurrent expenditures. Some recipients including Haiti, Sudan, Tanzania, and Zaire have fallen into "aid dependency" Tanzania, for instance, received 8.6 billion in concessional assistance over 1970-88, but growth declined and poverty increased as a result of inappropriate macro economics and sectoral policies. Aid donors are partly to blame for failing to monitor programs carefully enough to make assistance commensurate with policy reform. Thirdly, many poverty oriented projects do not reach the poor because of lack of government commitment to helping poor people in appropriate sectoral and macroeconomic policies money in support of public expenditure programs, and discrete investment projects.

Aid should also increasingly support the private sector in these countries, since this sector is central to growth in labor demand. Countries that have large numbers of poor people, but where public policies are not conducive to poverty

reduction, need to direct limited quantities of aid toward the poorest target groups. The goal is to protect the welfare of the as far as possible, while efforts to reform country policies continue. They could support health clinics, serving poor women and children immunization programs or children, or well targeted feeding programs.

Psacharopoulos, (1990)<sup>65</sup>, in his article "Poverty Alleviation in Latin America" illuminate the fact that with the aim of promoting growth with equity, the Bank works with countries to launch effective programs to protect the poor. The infant mortality and is perhaps the most telling indicators of poverty. In Bolivia and Haiti, for example, more than 10 percent of infants die within a year of birth. The extent of poverty can also be gained from identifying the poorest groups and their conditions. In Ecuador, 65 percent of the rural population is considered to be below the poverty line. The major pockets of poverty in Latin America are in rural areas and sub region with a high percentage of native India populations. Even in a relatively rich country such as Vennezula, one third of the population in the Andes region is estimated to be below the poverty line. In the Oaxaca and Chops States in Mexico, Calorie consumption per capital is far below accepted standards.

The article also presents approaches in order to alleviate poverty. They are general economic growth as the effective way to attack forty in the long run, specific programs to increase the earning opportunities of the poor, such as malnutrition increasing productivity of the physical assets of the poor through land reform, irrigation or credit to the small farmers, improving human capital, water social programs i.e. Provision of nutrition, primary health care water and sewage etc. of these three strategies, much attention has been focused in recent years on targeted programs to help the poor. The article focuses beautifully on poverty



approaches to eradicate poverty and depicts priorities. But the article didn't submit the role of cooperative for reducing poverty.

Baker (1997)<sup>66</sup> in her book "Poverty reduction and human development in the Caribbean" expounded that causes of poverty in the Caribbean interlined to several complex, interrelated factors. These include low or negative economic growth, macro economic instability, deficiencies in the labor market resulting in limited job growth, low productivity and low wages in the informal sector and a decline in quality of social services. Accordingly, countries that have sustained high economic growth rates and invested heavily in the social sectors have experienced reduction in poverty levels; every country in the region has a mix of social safety net programs designed to provide assistance for the poorest.

In addition, family members and communities have ground ways to cope during difficult times through community based initiatives, migration, remittances from relatives abroad, and the search for new source of income. Yet with the declining resources, increases in poverty and an aging population in many countries, the safety net programs have become strained and informal safety nets of the extended family are also coming under pressure. Several recommendations for safety net reforms are discussed in the study. This study is a beautiful piece of work. It has described the poverty scenario and measures taken to reduce poverty in very convincing way. It would have a remarkable work, had it been taken in to consideration the effect of poverty on environment but it didn't consider the role of cooperative for poverty reduction.

The World Bank (2000)<sup>67</sup> in the book "India Reducing Poverty, Acceleration Development" highlights the facts that poverty reduction and sustainable development require sound macroeconomic policies, open trade and increase in

human physical. But sustained development also requires good governance, sound incentives which protect property rights, a sound financial sector, health, education, social services that reach the poor, women and girl effectively, quality infrastructure public services to promote rural development, policies to promote environment human sustainability. The report begins with the measure for reducing poverty, the yardstick against which development is measured and the World Bank's principal concern. Human development has been considered as an indicator of poverty reduction and a way out of poverty. The paper also focuses on the Indian states, which are key actors in human development and infrastructure provision as well as in regulation and governance. But the book didn't focus on cooperative society for sustainable development and reducing poverty.

Sharma (1997)<sup>68</sup> portrays how milk cooperative movement in India, through 'Operation Flood' has proved that livestock farming has become a modern commercial enterprise. It can bring both social and financial rewards to the people. The author has designated 'Operation Flood' as one of the best programs for the promotion of poor and weaker sections of the society including women to upgrade them from poverty. Dairy farming has become the best co-operative option not only in India but also in whole of south Asia. It directly benefits farmers to raise their socio-economic standard of living, better health and education to their children. Then it helps the farmer rise in their life and living standard.

Dharia (2001)<sup>69</sup> emphasize on the importance of co-operative ideas for the growth of an agro-based rural economy in whole of south Asia. Credit co-operatives and cooperatives banks have been instrumental in breaking the shackles of the feudal moneylenders in the country. The movement has considerably succeeded in rendering social justice along with the growth in equality that has disclosed a new

direction in the farmers' economy. But the study could not attain the position defined of the credit cooperative society for increasing farmers' economic status.

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## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Universe of the Study**

The total number of co-operatives functioning in Rupandehi district is 516, among which, the number of saving and credit co-operative is 224. Share holder members of the total co-operatives are 94928(male 57513 and female 37415) where as that of saving and credit co-operatives alone is 34142(male 18829 and female 15313) (DCOR, 2010)<sup>1</sup>.

#### **3.2 Research Design**

This study is mainly based on the micro study of saving and credit cooperative for poverty reduction in Rupandehi district. The study intends to analyze the impact of co-operative on resource management and social mobilization in the sample area. Both of the descriptive (explanatory) as well as analytical (exploratory) methods have been used for the study.

#### **3.3 Method of Data Collection**

The study is particularly based on primary as well as secondary data collection by using structured questionnaire from the cooperative members of study areas, office record of different sample cooperatives. Information are also collected by taking interview to the relevant persons, book reviews, journals, publications of District Cooperative Office (DCO), Department of Cooperatives(DOC), National Cooperative Development Board (NCDB), Central Bureau of Statistics(CBS), Nepal Rastra Bank(NRB), National Cooperative Federation (NCF), Nepal

Federation of Saving and Credit Cooperative Union Ltd (NEFSCUN), International Cooperative Association (ICA), World Bank etc .

### **3.4 Pre-testing of Data**

An opinion survey was conducted in different saving and credit cooperative societies of Rupandehi district to design questionnaire for the cooperative members of selected area. It was used to evaluate whether questionnaire, research method and selected samples are appropriate for the sample survey. Questionnaire and sample size were finalized after making this pre-test. Ten saving and credit cooperatives in different areas of Rupandehi district were taken for pre testing of data.

### **3.5 Sources of Data**

In Nepal, there is lack of time series data relating to income and consumption expenditure. Therefore, cross section data have been used in this study. The present study primarily relies upon primary as well as secondary data.

#### **3.5.1 Primary sources**

The primary data were collected from the total 224 saving and credit co-operatives of Rupandehi district in which total members were 34142, among them 18829 are males and 15313 are females. These data were collected from 82 SACCOS which had been registered before five years in district cooperative office of Rupandehi, which were appropriate for the study in this research. The field survey had been done by taking list of SACCOS from district cooperative office of Rupandehi. The total number of SACCOS was 82, out of which 70 are active and 12 are inactive ones defined by district cooperative office Rupandehi. For the study purpose, both

quantitative and qualitative data were collected from the field using appropriate tools including interview and focus group discussions. Necessary data were collected through an intensive field survey during February to May, 2011.

### **3.5.2 Secondary Data**

Secondary data were collected from District Cooperative Office (DCO), Department of Cooperatives (DOC), National Cooperative Development Board (NCDB), Central Bureau of Statistics (CBS), National Planning Commission (NPC), Nepal Rastra Bank (NRB), National Cooperative Federation (NCF), Nepal Federation of Saving and Credit Cooperative Union Ltd (NEFSCUN), International Cooperative Association (ICA), World Bank, ADB and other related organizations.

### **3.6 Sample Size and Sampling Technique**

Data collection had been carried out through the structured questionnaire considering the judgment perspective for the sampling of cooperatives which was applied while studying about the history of saving and credit co-operatives of Rupandehi district. The study revealed that saving and credit co-operatives have been established since 2050. If recently established saving and credit co-operatives were studied, the objectives of this research can't be fulfilled and be fruitful. Hence, at least five years old cooperatives and members (who have taken membership from cooperative) have been taken for the fulfillment of the objectives of this study.

Ten saving and credit cooperatives in different areas of Rupandehi district had been taken for pre-testing of data. The respondents i.e. new members (below five years of Membership) of cooperatives couldn't give proper response to

different questions, like why take membership? What sort of benefits was taken from cooperatives? What is the responsibility of member in cooperative etc. But the old members (above five years of members) of cooperatives had given proper response than the new members. Hence, at least five years old cooperatives or members (taken membership from cooperative before five years ) were needed for the fulfillment the objectives of the study. Hence the total numbers of SACCOS were divided into two parts: i) registration in district cooperative office at least before five years (up to 2005) , ii) registration in district cooperative office up to present. But for the study purpose sample was taken only from cooperatives registered in the district cooperative office at least before five years (up to 2005).

There are 224 saving and credit co-operatives functioning in Rupandehi district, of which 82 SACCOS were registered before five years- which were qualified for the study of this research. In the total number of cooperatives, 70 SACCOS are active and 12 are inactive cooperatives defined by district cooperative office Rupandehi. Twenty percent cooperative units were taken from the active (70 SACCOS) saving and credit cooperative societies. Purposive sampling technique was used to include most of the saving and credit co-operatives established by the different caste, communities and classes in different geographical areas, constituency of Rupandehi district etc. Out of seven constituencies of Rupandehi district, sample units were taken from each constituency except 7<sup>th</sup> number. Because only one active SACCOS lies in this constituency which is nearer to fifth constituency. Only one SACCOS was taken from fifth and seventh constituency of Rupandehi. It is noted that there are total of 2862 share members, of which 1376 were female and 1486 were male from 14 selected sample co-operatives in the districts. Only 10 percent i.e. 286 of 2862 were taken as sample unit while collecting the data collection for information.

Each sampling unit from member of cooperatives was selected by lottery system of simple random sampling without replacement. This is done to obtain an unbiased and fair study. (Ibid, 2010).

**Table 3.1 Selected SACCOS and Total Sample Size**

Consti tuency	Total SACCOS	SACCOS Registered Before 5 year	Total Active SACCOS	Total Sample SACCOS	Total Sample Size		
					Female	Male	Total
1	18	8	7	2	14	19	33
2	37	16	11	2	28	40	68
3	55	19	19	3	36	14	50
4	81	21	15	3	17	32	49
5	14	4	4	1	13	4	17
6	15	13	13	3	29	40	69
7	4	1	1	0	0	0	0
<b>Total</b>	224	82	70	14	137	149	286

*Source: DCO, Rupandehi, 2010*

### **3.7 Variables and Measurement**

All variables collected during the period of data collection have been measured systematically. The variables which have been collected from the universe were of two types: quantitative and qualitative. Qualitative variables were coded and measured in nominal and ordinal scale according to the nature of variable. While quantitative variables such as land size, income, expenditure etc. was measured in ratio scale. All variables were entered in SPSS systematically.

### **3.8 Data analysis and output**

Collected information was processed using average, percentage, ratio, frequency distribution and presented in suitable tabular form. Some common

graphical and diagrammatical presentations such as curve, pie chart, bar diagrams etc. were used to present the summary statistics. Moreover, some statistical devices such as weighted arithmetic mean, range, Lorenz curve, Gini co-efficient, t-test, Chi-square test have been used. SPSS have been used for the above statistical analysis except Gini co-efficient and Lorenz curve.

### 3.8.1 Gini co-efficient

Gini co-efficient measures the inequality of income distribution algebraically it can be derived as follows.

For grouped data

$$G = \frac{\sum x_i y_{i+1} + 1 - \sum x_{i+1} y_i}{(100)^2}$$

Where,

G = Gini Coefficient (0<G<1)

X<sub>i</sub> = the cumulative percentage of the household in the class interval

Y<sub>i</sub> = the cumulative percentage of the income in the class interval

### 3.8.2 Lorenz Curve

It is a diagrammatic method to measure the extent of inequality in the size distribution of income. It is derived from help of the method applied in deriving Gini concentration ratio.

### 3.8.3 Range

Range is the simplest method of measuring inequality in the distribution. It is defined as the ratio of the difference between the highest and lowest value. In our case since we are measuring income inequality, is the basis for its calculation.

$$E = \frac{MaxY - MinY}{\mu}$$

Where,

E = Range  
MaxY = Maximum level of income  
MinY = Minimum level of income  
 $\mu$  = Average income

Or

$$\mu = \frac{Total\ Income}{Total\ No\ of\ HH}$$

As the value of E tends zero, it signifies that this is equality in the distribution of income and vice-versa

### 3. 8.4 Weighted Arithmetic Mean

Arithmetic mean calculated with respect to their importance is called weighted arithmetic mean.

Let  $X_1, X_2, \dots, X_n$  be the n number of observations and  $W_1, W_2 \dots W_n$  be the weights assigned to the values  $X_1, X_2 \dots X_n$  respectively. Then weighted arithmetic mean denoted by  $\bar{X}_w$  is given by,



$$\bar{X}_w = \frac{W_1X_1 + W_2X_2 + \dots + W_nX_n}{W_1 + W_2 + \dots + W_n}$$

$$\bar{X}_w = \frac{\sum WX}{\sum W}$$

### 3.8.5 Paired t-test for difference of Means

In the t-test for difference of means, the two sample were independent of each other. However, there are many situation where the samples are pair wise dependent to each other. for example, if we are testing sales of goods after & before advertisement; a testing the productivity level of workers before & after a training program or checking memory capacity of person before & after training and so on. Then there values are related to each other. In such situation, we are concerned with the difference between the pair of related observations instead of the value of the individual observation. Paired t-test for difference of means can be applied under the following situations.

- i. The sample sizes are equal i.e.  $n_1 = n_2 = n$  (say).
- ii. The two samples are not independent but the sample observations are paired together. i.e. the pair observations  $(x_i, y_i)$   $i = 1, 2, \dots, n$ ) corresponds to the same sample unit.
- iii. The same set of sample is treating twice on the same subject matter.

The following are the steps in testing paired t test for difference of mean as:

- 1. Set up the null hypothesis**  $H_0: \mu_1 = \mu_2$  or i.e. there is no significance difference in the observation before & after treatment.
- 2. Set up the Alternative Hypothesis**  $H_1: \mu_1 \neq \mu_2$  i.e. there is significance difference in the observation before & after treatment or

$H_1: \mu_1 > \mu_2$  (R.T) The treatment is not effective

Or,  $H_1: \mu_1 < \mu_2$  (L.T) The treatment is effective

3. Fixed the level of significant  $\alpha$

4. **Test statistics:** under  $H_0: \mu_1 = \mu_2$  the test statistics is  $t = \frac{\bar{d}}{\frac{S}{\sqrt{n}}}$  follow student

t=distribution with (n-1) d.f.

where  $d = x - y$  difference between two set of observation.

$$\bar{d} = \frac{\sum d}{n} \quad \& \quad S^2 = \frac{1}{n-1} \sum (d - \bar{d})^2 = \frac{1}{n-1} \left[ \sum d^2 - \frac{(\sum d)^2}{n} \right]$$

5. For  $\alpha$  level of significant & (n -1) d.f. find critical value t as  $t_{\alpha}$  if  $t_{cal} < t_{tab}$   
(We accept null hypothesis)

$t_{cal} \geq t_{tab}$  (We reject null hypothesis)

### 3.8.6 $\chi^2$ Distribution as Goodness of fit

In test of hypothesis or estimation of parameters it is usually assumed that the random variable follows particular distribution like Binomial, Poisson, normal distribution etc. But often the need is felt to conform whether our assumption is true or not.

So, on the basis of outcomes of a trial or observational data, a very powerful test for testing the significance of the discrepancy between theory and experiment was given by Prof. Karl Pearson in 1900 and is known as ‘chi-square test of goodness of fit’ it enables us to find if the deviation of the experiment from theory is just by chance or is it really due to the inadequacy of the theory to fit the observed data.

If  $O_i$  (i =1, 2 .....n) is a set of observed or experimental frequencies and  $e_i$  (i =1, 2 .....n) is the corresponding set of expected (theoretical or hypothetical) frequencies then Karl Pearson’s chi-square test is given as

$$\chi^2 = \frac{(O - e)^2}{e}, \text{ Follows chi-square distribution with (n-1) degrees of freedom.}$$

Where  $\sum O = \sum e$

### Steps for test of goodness of fit

Following are the steps for test of goodness of fit

1. **Set up null hypothesis  $H_0$ :** the data have come from the assumed distribution or from the composite hypothesis or fitting of the certain distribution is good.
2. **Set up alternative hypothesis  $H_1$ :** the fitting of the certain distribution is not good.
3. Fix the level of significance  $\alpha$ .
4. **Test statistics:** under null hypothesis  $H_0$  the test statistics is,  
$$\chi^2 = \sum (O-E)^2 / E$$
 follows chi-square distribution with  $(n-1)$  degrees of freedom.
5. For  $\alpha$  level of significance and  $(n-1)$  degrees of freedom find the critical value of chi-square as  $\chi^2_{cal}$
6. **Conclusion:** If calculated value of chi-square  $\chi^2_{cal}$  is greater than tabulated value of chi-square  $\chi^2_{tab}$  we reject our null hypothesis otherwise accept it.

### 3.9 Selection of the study Area

Rupandehi district is one of the districts which lie in the mid-region of Terai area of Nepal. From the point of view of establishment of cooperative in relation to its number Rupandehi comes under top ten in Nepal and on the basis of capital mobilization, it comes under top fifth number. Among all the major castes living in Nepal, 103 kinds of castes live in Rupandehi in which 26% are upper castes, 54% are Janajati, 11% Dalit and 9% religious minorities (CBS, 2001)<sup>2</sup>. This district was

selected as the study area because of the habitation of different kinds of communities and castes and being in the front line of cooperation transaction. This district is also identified as a place where economically affluent to very poor people live. The cooperative societies have been established in two municipalities and all the VDCs except in 6 among 69 VDCs. This is also one of the important factors of covering a district by cooperative in Nepal. This district is also recognized as a common place of the indigenous people of Terai and the people migrated from hilly-regions. Because of all these reasons, Rupandehi district was chosen for the study area of this research.

Likewise, the cooperatives of different nature and subjects prone to poverty reduction such as saving and credit, multipurpose, milk, agriculture, consumer cooperatives etc., Seem to be established 43%, 37%, 12%, 3% and 2% in number respectively in Rupandehi district. Saving and credit cooperatives cover the wide area of this district being the largest in number among all other cooperatives. Because of this reason the savings and credit cooperatives of Rupandehi districts were selected for the study (DCOR, 2010)<sup>3</sup>.

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## **CHAPTER FOUR**

### **DEVELOPMENT OF COOPERATIVE IN NEPAL**

#### **4.1. Historical Overview**

The cooperative in Nepal constitutes a very important institute that stimulates social and economic development in Nepal. It is a way of life especially in rural Nepal. The cooperative credit societies were the first institutional sources for supplying credit to the farmers in Nepal. Due to the lack of institutional credit facilities, the farmers were the subject of individual money lenders throughout the country and such domination of the private credit agencies had been increasing the rural indebtedness. In such critical situation the concept of cooperative movement was realized for the rural economic development. There is long tradition of time immemorial in helping each other in Nepalese society, irrespective of ethnicity. Historical background of cooperatives is divided into two sectors.

**4.1.1 Informal Cooperative Sector** Cooperation among relatives and members of different segments of the communities through a socially accepted institution has been in the practice of Nepalese culture from the time immemorial and this may be a relative term or ‘cooperatives’ that was classically exercised through the informal sector in the Nepalese societies. Formation of such informal cooperative groups with sizable persons has remained a common component of the Nepalese socio economic structure for generations; however, no attempt has been made to deeply recognize them as cooperatives. Those groups were a kind of self help organizations which were not legally supported. Such groups are still being practiced in a

way of informal groups. Some example of such groups are referred in the following (ICA, 2003)<sup>1</sup>.

**4.1.1.1 Guthi :** It is a kind of cooperative trust .It is a group of people who accept to join it on the voluntary basis and who contribute a certain amount of money or labour or in kinds. There are different types of Guthi namely Rajguthi, Analguthi, Oliguthi, Mankakhala Guthi, Deveguthi or temple / monastery Guthis' etc. The objectives of Guthi are confined in the social, cultural and religious purposes which include religious and funeral performance, financial and labour support to its needy members and other community members too who are not its members.

**4.1.1.2 Parma-Parima:** Parma is another traditional informal cooperative for exchange of labour. It is operated among the people who voluntarily agree to join it for mutual cooperation, particularly in the farming as well as non agricultural activities by way of contributing voluntary labour as well as money.

**4.1.1.3 Dhikuri:** It is a rotation service with in limited number of member for saving and credit activities in cash or in kind. Each member of the Dhikuri is morally obliged to contribute certain amount of money in the certain period of time. The fund is utilized though bidding or alphabetical order of names against the collateral and through the joint responsibility.

**4.1.1.4 Dharma Bhakari :** It is literally defined as food grain fund for religious purpose in the farming communities . It is constituted by those farmers who are voluntarily willing to be associated with for making contribution of food grains. The fund either in cash or in kind is utilized when is members need just before the start or cultivation and during the scarcity period of food grains.

#### **4.1.2 Formal Cooperative Sector**

The fifties of the last century the agricultural development programmes and initiatives were virtually negligible. It was found that neither farmers were paid keen attention in putting necessary inputs and new technology in their farms nor the growth of agricultural productivity and production. The agricultural economy was in tangent state in the traditional farming system. Land and mortgage Bank and cooperative society was established in Benepa in 1943A.D. Major general Bijaya Shamsheer had given order writing a letter to Sardar Bhim Bahadur Pondey to study on the possibility of establishing 'land mortgage bank and cooperative' in 1943, September. There were two staffs to look after it. It was dissolved in 1949 march 15. Rana government had thought about the establishment of cooperatives for the benefit of people but it was not established as an institution (Thakuri, 2010)<sup>2</sup>.

Following the collapse of autocratic family rule of Rana and the promulgation of democracy in 1951, an interim government was instituted. The interim government decided to explore the possibilities to bring changes in the economic and social life of the people.

In 1953, the department of cooperative (DOC) was established in order to improve the agricultural productivity and production. In the beginning, the Department faced several problems such as the absence of legislative framework, lack of proper consciousness of the people towards the cooperative system, lack of persons educated in cooperative principles and methods. The prominent obstacle to the department was the extremely inadequate fund for the development of cooperative spirit. The cooperative development was initiated as one of the important components under the first five year plan (1956/57-1960/61) in the Fiscal Year 1956-57. The plan envisaged that the cooperative development could be one of the suitable ways to improve rural poverty. It was



introduced with the formation of micro credit organization known as credit cooperative in Chitwan district in Nepal for the first time.

During the plan period 'The Cooperative Act, 1959' and 'Cooperative Rules, 1961' came into effect as the legal framework of cooperative. A number of cooperatives, thereafter, were registered and their focus was virtually for the agricultural development. Training arrangement for the managing committees, members and employees of the cooperatives and the staff of the department of the cooperatives was made so that they might be able to run and guide the cooperatives (ICA, 2003)<sup>3</sup>.

Besides these constraints, establishment of most of the cooperatives was based on the top down approach adopted by the government. These cooperatives have not been in accordance with the needs and aspiration of the members. This has resulted in the loss of interest, dedication and active participation in their cooperative activities.

#### **4.2. Evolution of Cooperative on Different Ruling Systems**

It seemed that cooperative took different modes in accordance with the circumstances in political change that occurred in the course of time. It has been analyzed to the development process of cooperative in these phases regarding to the democratic system before 1960, Panchyat system after 1960 and after the restoration of democracy in 1990.

While adopting the base for the change in cooperative sector and the new plans which are constructed after every changing circumstance, the time framework of these changes appears to be up to 1961, from 1962 to 1991 and 1992 to recent time. However, a radical change has occurred in the political arena with the transformation of Nepal as republican country in 2006. In the interim constitution -

2006, the cooperative sector has been recognized as one of the three pillars of developments along with the public and private sector. After all, there has not been special change in the policy level and other attitudes in cooperative sector. And it has also not been taken as exception because of the political circumstances which is on the process of constitution formation. Along with the democratic restoration in country development process in cooperative has been analyzed in the later phase of republican period.

#### **4.2.1 Early evolution period (up to 1961)**

In the year 1953, the government had established the department of cooperative (DOC) under the ministry of agriculture for planning and development; which promoted cooperative groups especially, saving and credit cooperatives through the USAID, Rapti Dun Development Multipurpose project in Chitwan District as a part of flood relief and resettlement program. Thirteen credit cooperative societies established in Chitwan district of Nepal on 4<sup>th</sup> April 1957. The first one is Bakhan Credit Cooperative committee in Bakhanpur Village (Thakuri-2010)<sup>4</sup>. These cooperatives were provisionally registered under an executive order of the government and legally recognized after the enactment of ‘The First Cooperative Act,1959’ and ‘Cooperative Rules, 1961’ provided the legal framework and basis for registering those groups into multipurpose cooperatives ( Shrestha,2007)<sup>5</sup>.

#### **4.2.2 Cooperative Development Period from 1962 to 1991**

In 1960 elected government was dissolved by the king Mahendra and Panachayati regime was launched in 1962.He launched land reform with the term revolutionary added to it at the last year of second three year plan period.

The cooperative Training Centre was established in 1962 for the training of employees under Department of Cooperative. The forced saving in food grain was deposited in the Dharma Bhakari after harvest .The rate was fixed in terms of land lot size. Most of the farmers participated in that scheme with fear of being the member of banned opponent party.

The ‘Back to Village Campaign’ as political program was launched with the slogan and ‘Create the Function of Development’ in FY 1968-69. It has promoted to establish Sajha group movement in the capital. Sajha shop, Sajha transport, Sajha medical store, Sajha book publication, Sajha consumer store etc. But all are running excluding Sajha Bus.

The cooperative bank of Nepal was established in 1963 for the development of cooperatives in the country, which was converted in to Agricultural Development Bank (ADB) in 1967, the objectives of serving the farmers in cooperatives and outside of cooperatives. The management of cooperative society was transferred to the ADB/N in 1970. In 1976 the compulsory saving amount deposited in the land reform office of the government of Nepal was converted into the share capital of the respective farmers to the nearing cooperative societies. The management of the cooperative societies by the ADB/N was handed over to the Department of Cooperative in 1979.

The amendment in the Cooperative Act in 1985 has kept the department of cooperatives under the ministry of agriculture and the term cooperative was called ‘Sajha’ in the name of government office related to cooperatives as the department of Sajha development. Also all the decentralized cooperative offices were converted into Sajha development office and Sajha development section. The Sajha

development section was under the district panchayat by the Decentralization Act of 1982(Thakuri, 2010)<sup>6</sup>.

There was popular movement against panchayat regime after which democracy was restored in 1990 that opened the door to so many changes in the country. In 1990, new democratic government formed a seven member national cooperative federation consultative committee for submitting its opinion in order to strengthen the Sajha camping and make it effective. The report was presented by committee. The committee gave the report suggesting drastic reformation and liberalization of Nepalese cooperative movement, which also recommended allowing cooperatives the right to federate up to the national level (NCF, 2009)<sup>7</sup>.

#### **4.2.3 Cooperative Development Period from 1992 to present**

After the restoration of the democracy in 1990, a comprehensive study about the cooperative was carried out by the national cooperative federation advisory committee. The study report laid emphasis on full-fledged autonomous and independent cooperatives and recommended that the national cooperative federation (NCF) should be established and replaced the Sajha center (cooperative center) established in 1961. In line with the past experience and recommendations of the committee, a big change had taken place with the cooperative legislation that came into effect since 1992. The report emphasized that cooperative would be autonomous and independent association to be operated with the policy of minimum government interference (ICA, 2003)<sup>8</sup>.

After the general election in 1991, new elected government again formed another high level interim committee named National Cooperative Development Board in the place of former ‘Sajha Kendra’. This interim board got the mandate to review

the existing cooperative laws and rules as well as to advice on new organizational structures of overall cooperative movement. The cooperative act of 1992 and national cooperative development board act in 1993, which declared full autonomy to all cooperative enterprises, freed from government control and allowing right to federate up to national level. When law took its course, there was tremendous growth in Nepal's cooperative movement.

Government has underlined the importance of cooperatives by changing the name of the Ministry of Agriculture to the Ministry of Agriculture and Cooperatives. Similarly a big change is found on the role of Department of Cooperative (DOC). In 1993 National Cooperative Federation (NCF) was established, which is a leader organization of all cooperatives. This was the most positive sign of development of cooperative enterprises in Nepal. However, in the meantime new acts and government's policy remain silent and gave no attention on how to handover or phase out these old government controlled and managed cooperatives to the newly elected autonomous management. The government had decided to keep the Agricultural Development Bank under the ministry of finance from the ministry of agriculture. The debt burdens of ADB/N are still in an unsettled mode. ADB/N is recovering debt from the government year by year because government was the guarantor in the beginning when supplying the loan to multipurpose cooperative and ultimately to the members. Most of those cooperatives are neither able to pay back the bad loan to ADB/N not getting and support from government to survive. The assets and businesses they had also shrieked day by day, because of misuse, corruption in business and the dearth of responsible management except of few exceptions (NCF, 2010)<sup>9</sup>. The cooperative act 1992 provided autonomy and independence to the societies. There were just

830 cooperative in 1990, which reached to more than 20,000 in the year 2010 (DOC, 2010)<sup>10</sup>.

### **4.3. Development of Cooperatives in Different Plan Periods**

Nepal was connected with limited nations in the world along with the lines of undeveloped countries. Economical management was conducted with unscientific strategies. As a significant step for drastic change of the situation, our country adopted a plan policy of development since the fiscal year 1956-57 and first five year plan was implemented since the same fiscal year. A brief description is presented here as to how cooperative field has been promoted in the planned development campaign and what were its achievements.

#### **4.3.1 First Five Year Plan (1956-1961)**

Among the eighteen scopes which were separated for the development of this plan, cooperative field was one of them. And it was named as “cooperative committees”. Through these committees, assistance would be provided to the business. It was seemed to have managed the appropriate value determination of selling of the product crops, loan providing to the farmers in the right interest, facilities of fertilizers, storage house and the scientific ways of crops classification etc. And likewise the role of cooperative which was under the land reformation was taken into account. In the plan, it was assumed to manage the cooperative institutions to provide loan for farmers and to annex the fragmented lands as well. Cooperative trainings were planned to manage for three and forty eight personnel of higher and lower grades respectively.

The development of cooperative field remained as highly motivated which was conducted from direct supervision of cooperative department. Different branches

of government development sector prioritized to the cooperative fields. The then government had formulated "Executive Order-1956" as temporary management system until the long term legal provision was addressed. Modern cooperative was legally initiated as the first cooperative society of Nepal in Chitwan since 4<sup>th</sup> April 1957 according to the same executive order. To conduct and manage the cooperative institution well during this plan period "Cooperative Society Act-1959" was implemented after the dissolution of executive order with this plan period of different objectives , 365 cooperative institutions and 4 district level purchasing, selling and credit cooperative union were founded. These were total 0.11 lakh (10.1 million) members in cooperative programmes of 19 districts and 4 lakh share capital was invested in the cooperative.

#### **4.3.2 Second Three Year Plan (1962-1965)**

Under the title "Agriculture Loan", cooperative sector was maintained as cooperative management in this plan. Its objectives were to uplift the social and economical background of farmers by using their minimum capital, less acre of land and labour. It was also explained the dire necessity of cooperative development to bring change in the recent land management. Despite the absence of plan in fiscal year 1961/1962, Cooperative Society Rules- 1961 was maintained and agriculture cooperative remained as counterpart for rural development. Likewise, "Sajha Centre" was also established in 1961 to solve the problems of investment in transportation, health, consumer storage and publication etc. of non-agricultural sectors.

Up to this plan period, the number of primary cooperative and district level cooperative union was 1109 and 14 simultaneously. During this period, 44 district numbers were there where programmes were conducted. On the other hand, the

number of members who were involved in cooperative was 0.30 lakh and share capital was 17 lakh. Cooperative department has also established 5 zonal cooperative offices and cooperative training centre for making effective cooperative development. To make well managing for cooperative financial system, cooperative bank was initiated formally since 1963 after the introduction of Cooperative Bank Act- 1962. Government has constructed five storage houses for the farmers' product that enable the security and determine market price of their products. And those storage houses were handed over to the cooperative institutions as to the provision of clearing loan with 20 years in minimum interest rate (NCF, 2010)<sup>11</sup>.

#### **4.3.3 Third Five Year Plan (1965-1970)**

In this plan, the title of cooperative sector was "Agriculture Loan and the Development of Cooperatives". Its main motto was to develop the agricultural system of Nepal under the cooperative assistance. Land reform and agricultural development program were launched to meet the objectives. And different policies were forwarded with united form of cooperative development programmes.

Coordinative agriculture development programmes were conducted to make increase the agricultural products in nine districts of the country. Administrative responsibilities i.e. composition of cooperatives, registration, etc were withdrawn from the 1967-68 fiscal year. And they were shifted to the land reform department. But cooperative department regained those rights within a year. After the inauguration of Agricultural Development Act-1967, cooperative bank was changed into the agriculture development bank that had aimed for the economic upgrading and facility maintenance of the public people. A programme like "Back to village: National Campaign" of Panchyati Government had also



emphasized to the cooperative institutes as proper financial management. Total 1468 primary cooperatives and 21 district union were listed up to this period. 0.71 lakh members and 27 lakh share capital was supposed to have invested. And cooperative programmes were expanded to the 56 districts during the period.

#### **4.3.4 Fourth Five Year Plan (1970-1975)**

Cooperative sector was named as "Cooperative Development" under the sub title of "Agricultural Loan" in this plan. It was clear that law makers and planners were under in the confusion of cooperatives as loan distributing institution. The cooperative movement was directed more towards the agricultural cooperatives. This plan emphasized the qualitative aspects of the cooperatives. Guided Principles was adopted to operate the cooperative societies as per the Cooperative Strengthening Plan.

Local cooperatives initiated the work of changing compulsory saving amount into the share of saving agent during this period and likewise, legislative responsibility of cooperative societies was handed over to the agriculture development bank within this period, it seemed that 251 cooperatives were into existence of conduction after unification and re-unification of them, and district cooperative unions were the eighteen numbers as they were united too. Cooperatives programmes were seen to have been conducted in sixty districts. And it was equal to the condition of share investment and the condition of members as previous plan (Hada, 2009)<sup>12</sup>.

#### **4.3.5 Fifth Five Year Plan (1975-1980)**

Cooperative sectors were placed as the "Sahakarita Ra Sajha" from the head title "Agriculture Loan, Production, Equipment and Management" in this plan.

Expansion of cooperative institution and the ways of growth flowing of agriculture loan and equipment were the distinct objectives in the period. Under the institutional management, Sajha Programmes were taken into action for the rural development since 1976. After the formation of sub-committees of ward level by establishing cooperative institution in every village, different works were initiated and public development committees were formed in the central level through village to district.

It was continued to change the compulsory saving amount into the share of cooperative institution. Cooperative administrators restored the responsibilities of cooperative management which was once delivered to the agriculture development bank. In the 67 districts, cooperative programmes were implemented along with the Sajha Programmes. And total 678 primary cooperatives and 33 district unions were running in this time period. It was recorded that there were gross 11.94 lakh share members and 1361 lakh share capital within the period (NCF, 2010)<sup>13</sup>.

#### **4.3.6 Sixth Five Year Plan (1980-1985).**

It is seen that cooperatives are placed as “Sajha (Cooperative) Development” along with the development in different sectors. Economical support, agricultural loan, equipments, consuming goods and selling/buying facility of their production etc were the basic amenities to the poor and marginal farmers. Eradication of traditional exploitation of farmers, development of local leadership via Sajha programmes, poverty alleviation and formation of sentiments in public involvement, and the growth of productivity in rural farming and small entrepreneurs of urban areas etc were the main objectives in this plan (NPC, 1980)<sup>14</sup>.

Sajha programmes were implemented since the initial phase in this plan. When "Sajha Institution Act-1984" came into existence, all the departments and offices of cooperative field were changed in the Sajha institution. During this period there were altogether 348 storages in the total 53 districts. As a result, there were 686 and 33 numbers of primary cooperatives and districts union respectively. To this phase, 14.35 lakh in share members and 1479 lakh in share capital were increased, and programme conduction was expanded in the 70 districts (NCF, 2010)<sup>15</sup>.

#### **4.3.7 Seventh Five Year Plan (1985-1990)**

Cooperative (Sajha) programmes were presented with other topic of different fields even in this project. With the aim of developing rural economy; promoting the growth of Sajha in rural level and establishing the central department oriented to the interest of institution etc. was as main mottos in this plan. Among those objectives, there were many more like economical assistance to small and marginal farmers, availability of basic facilities for agricultural growth, strengthening in production and productivity of small farmers and entrepreneurs and developing the institutional medium in the rural level (NPC, 1985)<sup>16</sup>.

There were 830 primary cooperative institutions and 33 district level union during this period. And programmes were run in the 72 districts and the numbers of share holders was 14.35 lakh as well as 1479 lakh in share capital. "Sajha Institution Rules-1986" was also adopted to strengthen to the Sajha programmes. Since 1987 Sajha Development Department was placed under the control of ministry for agriculture which was withdrawn from ministry for land

reform. And likewise, compulsory saving amount was proclaimed to be returned to the saving members in this duration (NCF, 2010)<sup>17</sup>.

#### **4.3.8 Eighth Five Year Plan (1992-1997)**

"Cooperative Development" has been given a significant place under the heading "Agriculture, Forest and Land Reform" in the plan. Cooperative movement has been emphasized to move forward with the spirit of fundamental principle and assumption very democratically. Under the necessity and people's aspiration in people's activeness and involvement to help in promoting social, economical growth of poor people, to assist the source of national economy increasing in local economical activities etc. were some objectives in this period which could be possible only by promoting and developing cooperative societies based on democratic principle (NPC, 1992)<sup>18</sup>.

Because of the political change in 1990, two fiscal years before this plan were void in the plans in creating new projections. However, there has been abundant progress in the cooperative development during this period. Along with this, "Cooperative Act- 1992" was formulated and "Cooperative Rules- 1993" was put into forth after dissolving Sajha institution principles. During this plan less period, "Committee for National Cooperative Federation Consultancy" had also presented the report soon after it was transformed into National Cooperative Development Board. As a result, National Cooperative Development Board Act-1993 came into existence for well management.

Here, some significant achievements can be explained including some progressive steps in this no plan period. The word "Sajha" was transformed into

the "cooperative" in all cooperative organizations: National Cooperative Federation, Central Saving and Credit Cooperative Union, Central Consumer Cooperative Organization and Central Milk Product Cooperative Organization were formed as central institution. All types of cooperative institutions came into implementation which were in number as 3711 primary cooperative, 77 district level union, 3 central unions and one National Cooperative Federation . There were cooperatives in 73 districts, and 10.51 lakh share holder and 3247 lakh share capital were there. Main reason for decreasing the share members was that afore-mentioned statistics were presented out of authenticity. Within this period, National Cooperative Federation got the membership from the International Cooperative Alliance (NCF, 2010)<sup>19</sup>.

#### **4.3.9 Ninth Five Year Plan (1997-2002)**

Cooperative was placed as "Cooperative Development" under the sub-heading of agricultural sector in this period. To contribute in social and economical development, to make benefit to the farmers and consumers in right benefit to be medium for selling crops, making involvement to the small producers and to make capacity development of cooperative societies as well as exploring new possibilities etc. were prime focus points in this plan. As the main prioritized programmes, there were institutional developments to the cooperative societies, institutional basic development, strengthening training programmes and strengthening cooperative development programme etc. in this period (NPC, 1997)<sup>20</sup>.

There were 7064 primary cooperatives, 4 central organizations including National Federation and 121 district unions within this period. On the other hand, cooperative programmes were conducted in 74 districts, but there were

not new additional number of share members and share capital data. Nepal Rastra Bank had provided limited banking transaction permission to the 34 saving and credit cooperative institutions during this period. Ministry for agriculture was named as 'Ministry for agriculture and cooperative' since 2000 to indicate the significant role play in the national economy. Different commissions, studying groups or committees were composed to develop and promote the cooperative constructing the necessary policies. And they are seen of presenting their report in the concerned departs (NCF, 2010)<sup>21</sup>.

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

It seemed that tenth plan has placed cooperative sector in the field of agriculture and cooperative. Involving cooperative and private sector, this plan has aimed to promote the business and industry based on agriculture, and to strengthen exporting along with the development of internal market.

Cooperative programmes and campaign were expanded to the whole 75 districts during this period. In this duration, there were altogether 9720 primary cooperative of various objectives, 132 district unions and 6 central organizations including national cooperative federation. And 10,456 lakh share capital was mobilized in this period where there were total 13 lakh share members (DOC, 2008)<sup>22</sup>. The number of cooperative offices was made limited to the number of 38 from 68 districts to make offices smooth, promoted and economy by the then government in 2004. Since 2003, National Cooperative Bank was begun to conduct after the registration in cooperative department. On the occasion of 50<sup>th</sup> anniversary in cooperative movement in Nepal, "Golden Jubilee-2006/2007 in Cooperatives" was celebrated during whole year encompassing different programmes since 2006. Among three sectors in the

economic development of nation, in Interim Constitution- 2006 of Nepal, it was explained that cooperative was one of them. Code of conduct of cooperative-2007 was taken into action when the chairpersons of different central cooperative organization expressed their public commitment. Actions were initiated by adopting cooperative under the sectors of forest and land conservation, land reform and management, agriculture and rural credit, business industry and supply or development of electricity (NCF, 2010)<sup>23</sup>.

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

To the condition of acceptance as a sector in cooperative among three main economical fields by the Interim Constitution of Nepal-2006, a separate importance was given to the development sector of 'cooperative' in this period. This plan was for economical advancement, mobilization of minimum saving, conduction of small enterprises and for the development of cooperative concept in citizens in the cooperative system. To develop cooperative as the base of economy, to create the mechanism in flowing service and constructing local development and to contribute in economical, social and cultural necessity of public people, etc. were some objectives in this plan (DOC, 2008)<sup>24</sup>.

There were 20,102 total primary cooperative societies in this period where as the number of district level organization and central level organization was 193 and 9 respectively. But there was only one national cooperative federation and national cooperative bank. 93,605 Lakh share capital was supposed to have mobilized and there were 21 lakh people as share members. On the other hand, cooperative programmes were run throughout 75 districts, in accordance with the government policy to provide one lakh grant to cooperative shop (fiscal year 2009) many kinds of business came into existence in various districts. Founding

and promoting cooperative industry was given special priority in this time. And different activities were done for the improvement of cooperative sector (DOC, 2010)<sup>25</sup>.

#### **4.3.12 Present Three Year Plan (2010-2013)**

In this plan cooperative is seen to have located under the title, "Development for Cooperative Sector". This plan was initiated since 17 July 2010. To mobilize the labour, skill, capital and source and people for collective interest in organized form through the cooperative medium, to make the foundation of coordinative development social transformation and economical capability etc. are the very objectives in this plan.

To the end of this plan, increasing the contribution of cooperative in gross national product and financial sector, making smooth administration in cooperative organization, promoting the poor and backward class, making capacity growth in different organization with the help of education, generating model programmes in partnership between government and cooperative and making increasement to flow loan through cooperative bank etc. are expected as certain achievement (NPC, 2010)<sup>26</sup>.

#### **4.4 Conclusion:**

It is positive thing for the achievement that has happened in the development of cooperative sector, and which brought change in the economic, social and political sector of citizens between 'First Five Year Plan' to 'Present Three Year Plan'. But there was found ambiguity in policy makers and planners



who placed cooperative under the sub-title of different original heading during these different periods. However, due to the adoption to cooperative as an important sector among other three major parts by interim constitution-2006 of the nation, cooperative was highly prioritized in the distinct topic since eleventh plan. And so, all these aspects should be taken positively.

Because of providing autonomy and freedom in different institutions by Cooperative Act-1992 and Rules- 1993, numeral increment in cooperative was extremely seen. But there were not as much expected achievements in cooperative institutions due to the lack of skilled manpower, monitoring and evaluation. Despite the achievement of suggestions from more than dozen of studying taskforce or commissions, all rounding development in country with effective implementation of those suggestions was of no avail. Still there are failure in cooperative owing to lack of education and effective observation system in citizen, though there was brought different programmes like cooperative farming, subsidized shop etc.

Because of a large potentiality of hope in cooperative sector as an important pillar, there should be prepared a distinct framework of implementation in this field. In case of moving forward adopting various suggestions from the past, cooperative will be successful to orient economy of nation into the important arena.

**Table 4.1 Progress report of cooperative societies since first to eleventh plan:**

S. No.	Plan period / Description of Institution	1 <sup>st</sup> plan (1956 to 1961)	2 <sup>nd</sup> plan (1962 to 1965)	3 <sup>rd</sup> plan (1965 to 1970)	4 <sup>th</sup> plan (1970 to 1975)	5 <sup>th</sup> plan (1975 to 1980)	6 <sup>th</sup> plan (1980 to 1985)	7 <sup>th</sup> Plan (1985 to 1990)	8 <sup>th</sup> plan (1992 to 1997)	9 <sup>th</sup> plan (1997 to 2002)	10 <sup>th</sup> plan (2002 to 2007)	11 <sup>th</sup> plan (2007 to 2010)
1	Primary Cooperatives	374	1109	1468	251	678	686	830	3711	7064	9720	20102
2	District Level Unions	4	14	21	18	33	33	33	77	121	132	193
3	Central Level Unions	-	-	-	-	-	-	-	3	3	5	9
4	National cooperative Federation	-	-	-	-	-	-	-	1	1	1	1
5	National Coop. Bank	-	1	-	-	-	-	-	-	-	1	1
6	Share Members (In Lakh)	0.11	0.30	0.71	0.71	11.94	14.35	14.49	10.51	-	13	21
7	Share Capital (In Rs. Lakh)	4	17	27	27	1361	1479	1490	3247	-	10456	93605
8	Programme Covered District	19	44	56	60	67	70	72	73	74	75	75

**Source:** Fifty years Grantha of Cooperative Development- 2009, DOC Yearly Progressive Report- 2010, Statistical Information of Nepalese Cooperative Institutions -2010.

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## **CHAPTER FIVE**

### **POVERTY REDUCTION IN NEPAL**

#### **5.1 Introduction**

Poverty is a complex, multidimensional leading to physical deprivation. Most of the poors in low-income countries feel that because of socio-economic deprivation they lack voice and power and are subjected to exploitation. In layman's terms, poverty is a lack of material well-being, food, housing and land. The poor focus on assets rather than income and link their lack of physical, human, social and environmental assets to their vulnerability and exposure to risk. It is widely accepted that the government has failed to guarantee security and provide maximum needs to a majority of the people (Pyakuryal, 2004: 143)<sup>1</sup>

The concept concerning poverty specially seems to have developed since 1960AD. Before this, poverty alleviation programmes were implemented in the Europe and America. "Poverty Rules" was taken in to action in Britain at about 18<sup>th</sup> century. And one of its forms was also introduced in America. However, no any theoretical discussion under this issue had taken place widely at the time. But the poverty issue had got tremendous introduction after the then chairman of World Bank delivered his speech in a board of governance meeting at Nairobi in 1983. The feeling in the comparative lack helped the poverty issue to bring out from developed countries. In the past, poverty was defined as the inability to fulfill the minimum nutrition or life maintenance. But after 1970s, poverty got a new introduction as to be unable to meet the minimum requirement of life maintenance as determined by society.

But in Nepal, there were no any goal-oriented programmes concerning poverty issue during that period. Panchyat system and its development were assumed all in all. Although the ruling class didn't prioritize for poverty alleviation in that time, the all rounding development in the country was directed to the interest of all classes in the society. To the mid-1970, economic poverty was emphasized as the "basic needs" after it was explained in detail. Under the new concept of poverty, the issue was raised that it was not only linked with the economic lack, but also with the necessity of health, education and other services. Along with these views, much advice was recommended to implement the united rural development programmes. As a result, development programmes were issued ahead. With the intention to meet basic necessities, it is seen that poverty is highly prioritized since sixth plan (1980-1985) in Nepal (Adhikari, 2006: 26-27)<sup>2</sup>.

There is a great difference of opinion among scholars regarding this concept. Ancient religious thinkers and moralists viewed poverty as an act of God—a curse on the sinners for their sinful acts in the past life. This view prevailed down to the end of the nineteenth century and persists even today in some societies. Modern sociologists and social workers view it as stratification. To them poverty is a wider issue of inequality-social, political and economic. But economist stress more on economic aspects view poverty as an economic phenomenon, i.e. an insufficiency of income to meet socially accepted minimum needs or an income less than a particular percent of the per capita income or norm.

From among the various concepts of poverty given by the different scholars, a simple but appropriate one for a developing country like Nepal can be adopted. The concept used for the present study regards poverty as a social-economic phenomenon in which a segment of the society is not able to fulfill even its basic needs of life, which keep body and soul together and allows them to live

in society with dignity. But the basic needs of life vary from culture to culture, place to place and time to time. That is to say, the bundle of basic needs of life for a group of people at a particular time cannot be the same as for another group of people inhabiting another place even at the same time. The concept of poverty embraces not only those who are unemployed and poor but also those who are fully or partially employed having very low productivity or low wages. Poverty is the bane of society and a curse on human being. It creates a labyrinth of despicable hellish conditions where people live under sub-human conditions (Ready, 1994:1)<sup>3</sup>.

Five decades have been spent for plan wise development in Nepal. Despite the indirect involvement of the issues for poverty reduction in all plans, they are forwarded with special attention since eighth plan. As issued from National Planning Commission in 1977 for the first time, the 'poverty line' was determined on the basis of consumption and income with 60 rupees per person monthly. Under this calculation, 40.3 percent Nepali family was below the poverty line at the time.

According to the Central Bureau of Statistics, 1995-1996 under Nepal Living Standard Survey, poverty rate was estimated on the basis of consumption expenses (food, non-food and accommodation expenditure). So, far the life maintenance of Nepalese people, approximately 2124 kg calories were assumed as the necessary food items. And along with this, other necessary non- food items and services (accommodation, clothes, health and education facilities etc.) were included. According to this management, nearly 5,089 rupees per person annually in national value was determined for poverty line. So, 42 percent Nepali population was estimated under the poverty line during this period.

Likewise, in the second living standard survey conducted in 2003-04, calories in necessary food items were increased into 2144 kg. and consumption

expense in the national value reached to Rs 7,696 per person annually as for the determination of poverty line. Consequently, poverty line from 42 percent reduced to the 31 percent in this time. After all, a deep gap between rich and poor people seems to have increased from time 1995-06 to 2003-04 AD. Because Gini coefficient, index that refers to differences in consumption expenses, from 0.34 has increased to the 0.41 (NPC, 2010a:1)<sup>4</sup>.

Similarly, in the third living standard survey conducted in 2010-2011, calories in necessary food items were increased into 2220 kg. and consumption expense in the national value reached to Rs 19,261 per person annually as for the determination of poverty line. Consequently, poverty line from 25.4 percent (CBS, 2009)<sup>5</sup> reduced to the 25.16 percent in this time (CBS, 2011: 2-3) <sup>6</sup>.

On the basis of index in Nepal Labour Force Survey 2008, there is 25.4 percent population in poverty line in Nepal. After all, various exercises have been applied for poverty measurement from different parts of the world. To measure the poverty of different countries, the World Bank has developed a system to assume population as poverty line if a person has less than US \$ 1 or US \$ 2 income per day in his/her purchasing power, parity (PPP). So, according to the survey of UNDP in 2003-04, it has been estimated that there are 24.1, 55 and 78 percent Nepali individual whose income is less than US\$ 1, US\$ 1.25 and US\$ 2 respectively. However, a group of professors of Oxford University for UNDP has set a concept and definition of poverty differently. According to their calculation, 65 percent Nepali were assumed under poverty line (NPC, 2010a:1)<sup>7</sup>.

Because of different measurement and definition that has been introduced for poverty, it has arisen different results as well which is taken generally. Poverty has been widely analyzed with poverty statistics and its definition on the basis of



Cost of Basic Needs Approach (CBN- Approach) and Nepal Living Standard Survey, forwarded by National Planning Commission.

## **5.2 Definition of poverty:**

The poor are defined as persons who cannot acquire the minimum level of basic needs. They are unable to escape from such a situation, as they transfer poverty from one generation to another. Illiteracy, limited access to safe water, hunger and food insecurity is some of the equally important issues that need to be addressed to cover the broader dimensions of poverty. Therefore, the consideration of combining the human poverty index (HPI) such as a short life, the lack of education and lack of access to public and private resources in a single poverty index, is viewed as a useful method to capture the totality of human poverty as opposed to the conventional method of measuring poverty by income alone (Pyakuryal, 2004:154)<sup>8</sup>.

Several scholars of various disciplines have defined it from different angles but none of the definitions given is universally acceptable because the objective perception of poverty varies according to the different stages of economic development of various countries. For example, in developed country like the USA and the UK, a failure to come up to a desired level of living is called poverty, whereas in developing countries like Nepal, India, Ethiopia and Kenya the term 'poverty' reflects a picture of starvation, malnutrition, slum, ill-health, ignorance, illiteracy, high mortality and fertility rates, low per capita income and the like which threaten the very survival of people.

Definitions and causes of poverty given by the scholars to date are based on several approaches. They are physical quality of life approach, psychological

approach, development or basic infrastructure approach, inequality of income approach, indifference approach and tax payment of retirement approach (Bajracharya, 2005:12)<sup>9</sup>.

Ghose and Griffin in 1980, defined poverty as persistence of hunger, malnutrition and question of survival of the rural poor in the third world because of their insufficient income to meet the subsistence need. The group of people whose income could meet their minimum consumption requirement and suffer from under nutrition, starvation and diseases and live in the border of survivals was conceptualized as situation poverty.

According to World Bank in 1990, poverty is concerned with the absolute standard of living of a part of society of the poor. So poverty can be defined as the inability of attain a minimum standard of living.

Dictionary of modern economics (1992) defines the term 'poverty' as absolute and relative concept. The absolute poverty approach defines minimum levels of income required to sustain life. The relative poverty approach defines poverty relative to appropriate comparative groups.

According to next view of World Bank in 2000-2001, poverty is more than in adequate income of human development it is also vulnerability and a lack of price, power and representative.

UNDP in 1990 defined poverty as primarily a rural phenomenon. It was also primarily an agricultural phenomenon. A related characteristic of the poor was that they lack assets. They either have very small amount of unproductive land or no land at all. They lack human capital and were therefore reduced to selling unskilled labor, largely in an agriculture setting.

Sen in 1980 defined poverty through three approaches i.e. biological inequality and relative deprivation. In biological approach, poverty was related to biological requirement and nutritional norms keeping issues of starvation and hunger at the center concept of poverty. According to inequality approach, 'poverty and inequality' relates closely and sometimes, they were used as synonymous to each other. In this sense, it related to a situation when people possess loss of some desired attribute like income favorite employment condition etc. In sen's other view , poverty as a matter of deprivation (both absolute and relative deprivation) if people were dying of a hunger in a famine situation, it was a case of acute poverty or absolute deprivation if no one goes hunger but some were terrible deprived compared with other, it was legitimate to diagnose poverty as relatives deprivation.

Human Development Report Nepal focuses on the fact that minimal increase in income, minimum agriculture productivity and minimal standard of social and economic standards, high population growth and its adverse effect on environment, lack of employment opportunities in nonagricultural sector, social and cultural aspect and lack of good governance are root causes of poverty in Nepal.

According to world Development Report - 2002 defined, international comparisons of poverty data entail both conceptual and practical problems. Different countries have different definition of poverty and consistent comparisons between countries can be difficult. Local poverty lines (in 2000/01 Report, National Poverty Lines) tent to have higher purchasing power in rich countries, where more generous standards are used than in poor countries.

Hence, poverty is a situation in which an individual person is unable to attain a minimum standard of living. The causes of poverty by analyzing different aspects of income and human poverty are not only economic but also social and technological backwardness, too.

Development practitioners have worked for half a century to pull millions of people out of poverty, disease and fear to offer them hope and to support peace but the challenge of poverty remains enormous. More than half of the people in developing countries -2.8 billion people live on less than US \$2 a day , and 1.2 billion of those people earn less than US \$1 a day. These statistics represent real people who do not have the means to satisfy their basic needs. They are hungry, isolated and vulnerable to weather, war and sudden fluctuation in international markets. The disparity in levels of income, health and education between developed and developing economies grows greater even as levels of absolute poverty decline.

In the past 20 years, many regions with large concentrations of extremely poor people have made little progress in reducing their poverty. Even in cases where there have been country level or regional achievements gaps in skills, knowledge and capacity to collect and learn from these experience, coupled with little knowledge on how to extract these ideas for results at a scale have often kept those stories unreported. The good work and positive experiences that might have been adopted and adopted to make remarkable differences in people's lives have not always been appropriately shared with the rest of the world (Leautier and Dodson, 2005:1-2)<sup>10</sup> .

### **5.3 Present status of poverty:**

At the start of this century, poverty remains a global problem of huge proportions of the world's 6.0 billion people; 2.8 billion live on less than US \$2 a day and 1.2 billion on less than US \$1 a day. In the Asia and Pacific region, for instance about 1.9 billion people still live on less than US \$ 2 a day and over 620 million survive on less than US \$1 a day (ADB, 2007:1)<sup>11</sup>.

In the recent past, a large number of social scientists paid great attention to the problem of poverty. A number of studies have been conducted in various countries in Asia, Africa and Latin America to identify the extent and nature of poverty. All these studies clearly demonstrate that acute poverty is deep rooted in the developing countries. Due to this very fact, alleviating poverty has become one of the important objectives of development plans and programmes in almost all the developing countries. Available data reveal that Sub-Saharan Africa and South Asia have the highest incidence of both income and human poverty with one dollar-a-day (UNDP, 1997:6)<sup>12</sup>.

On the basis of the experiences, priorities and recommendations of 60,000 poor representing 60 countries in the world, the World Bank has prepared the 'World Development Report 2000-2001: Attacking poverty'. The findings reveal that a large number of poor people observed that they are worse-off now, have fewer economic opportunities and live with greater insecurity than in the past. Extreme poverty has declined but rather slowly in the developing countries during the 1990s. In South Asia, it was observed that the share of the population living in poverty declined moderately through the 1990s, but not sufficiently enough to reduce the absolute number of poor. In short, structural reforms have proven inadequate to alleviate poverty in South Asia and moderate growth could not

trickle down to the poor masses in reducing the gap between the poor and the rich. The lesson that we can learn is that direct intervention in poverty alleviation along with human development and investment in social capital is important (Pyakuryal, 2004:162)<sup>13</sup>.

Nepal is one of the least developed and poorest countries in the world with a per capita income of US \$472(CBS, 2009)<sup>14</sup>. According to the development report published by United Nations Development Programme (UNDP) Nepal, the human development index is at 0.55, life expectancy at birth is estimated to be 66.3 years , literacy rate (15-24 age group) is at 86.5percent , primary enrolment ratio is at 93.7 percent (NPC, 2010b)<sup>15</sup>,adult literacy rate is at 55.6 percent(CBS, 2009)<sup>16</sup>, maternal mortality ratio ( Per 100 thousand live births ) is at 229, infant mortality rate of children under five years( per 1000 live birth) is at 50 and HIV prevalence for 15-49 age group is at 0.49 percent(NPC, 2010b)<sup>17</sup>. These are the key development and MDG indicator and their values of Nepal.

Nepal has made good progress on reducing poverty. Between 1996 and 2004, the level of poverty was reduced by 11 percentage points from 42 percent to 31 percent (CBS, 2004)<sup>18</sup> and, it has further reduced by six percentage point from 31 percent to 25.4 percent between 2005 and 2009 (NPC, 2010a)<sup>19</sup>, similarly poverty has reduced by 0.24 percentage from 25.4 percentage to 25.16 percentage (CBS, 2011)<sup>20</sup>. However, with in this positive trend, disparity between rural and urban areas is still a persistent problem. Urban poverty was 10 percent in 2004, while rural poverty was 35 percent, now (2009) it is 8 percent and 22 percent respectively. From a regional perspective, the mid western development region is the poorest, with a notable gap between it and better off regions such as the central development region and urban centre such as the Kathmandu valley. In 2004, poverty in the mid-western development region was 44.8 percent, while it was 27.1

percent in the central development region and 3.3 percent in Kathmandu. In 2009, these figures have come down to 37.4 percent for the mid-western development region 22.3 percent for the central development region and 1.9 percent for Kathmandu. Disparity between genders and caste ethnicities is also high and persistent. In addition, the gap between rich and poor is unacceptably high and is also increasing. The persistent level of economic disparity has had a consequential effect on other sectors such as education health and the environment (NPC/UNCT 2010:4)<sup>21</sup>.

It is important not only to examine the status to the MDGS and the livelihood of achieving them by 2015, but also to ask whether the achievements made so far will be sustained in the long term. With the country's transitional political situation as well as a remittance dependent economy, it is essential to ask what the impacts of these might be on achievement of the MDGs in 2015 and beyond.

**Table 5.1 Key Development and MDG Indicators and their Values:**

<b>S.No.</b>	<b>Indicators</b>	<b>Year</b>	<b>Achievement</b>
1.	Population below national poverty line (Percentage)	2010-2011	25.16
2.	Expected life expectancy (year)	2009	66.3
3.	Gross national income percapita (US \$)	2008-09	472
4.	Human development indicators (values)	2007	0.55
5.	Literacy rate (15-24 age group ) ( Percentage)	2008	86.5
6.	Net enrolment rate in primary education (Percentage)	2009	93.5
7.	Infant mortality rate of children under five years (per 1000 live birth)	2006	50
8.	Maternal mortality ratio (per 100 thousand live births)	2006	229
9.	HIV/AIDS prevalence for 15-49 years(Percentage)	2007	0.49
10.	Adult literacy rate(Percentage)	2008	55.6

Sources: CBS, 2011, NPC, 2010b and CBS, 2009

## **5.4 Policies, strategies and programmes for poverty reduction in different plan period.**

The planned development in Nepal introduced in 1956 has completed five decades. So far, nine five year and two three year plans have been implemented. In 1955, the National Planning Commission was established and stated to formulate periodic plan. The current three year plan has been started since 16 July 2010 when we review the priorities of the past periodic Plans; it can be observed that areas of importance have been changing from time to time such as infrastructure development, social development, integrated rural development and the fulfillment of basic needs of the people. Since the eight plans, private sector development and poverty alleviation have been given much importance. Over the year, poverty alleviation has been continued to be placed as a prime objective and focus has been given to broad based economic growth and poverty alleviation-oriented development.

### **5.4.1. First Five year Plan (1956-1961)**

The first plan was introduced in the year 1956-057 to 1960-61. Before that period, there was no planning and budgeting used to control public expenditure and its accountability. Thus there was no statistical data and experience for planning, so it could not be launched systematically. The plan made some objectives, which can be pointed to here:

- i. To raise the production and employment.
- ii. To raise the standard of living
- iii. To establish government corporation for the successful implementation of development programs and



- iv. To prepare economic infrastructure.

Agriculture sector was the first and most important sector for economic development and poverty reduction of the country to raise the production. For the increment of employment opportunities, necessity to the development of industry, mining and tourism. At first, infrastructure like transport, communication, power, irrigation etc. are the most important sector for all development of the country. The first five year plan was made to focus these sectors. The total development outlay was Rs. 330 millions of the plan. During the plan period transportation and communication sector got the first priority with more than 33 percent the total development expenditure (NPC, 1956)<sup>22</sup>.

All these activities were related to the direct or indirect for reducing poverty. Agriculture development, Village development, cooperative societies development, land reform multi project etc. were the main programmes of the plan, which was related to the reducing poverty. Final achievements of the plan, performance in some sectors such as village development, education and health was quite impressive the overall results were not satisfactory.

#### **5.4.2 Second Three year plan (1962-65)**

Second three year plan commenced in the year 1962 was also the preparatory plan to create the basic pre conditions for a comprehensive country-wide plan which would be designed to meet the long term objectives of planned economic growth. The top priority had been given to a proper knowledge about the country's economy and creating the fundamental pre requisites for future development. The main objectives of the second plan can be summarized as four points. First, emphasis was placed on the expansion of natural production, second the maintenance of economic stability; third, the expansion of employment

opportunities was to be attempted in principle. Finally it was also accepted that all possible efforts to attain social justice be properly made on gradual basis. The total estimated development outlay of the second plan was 600 millions. The top most priority was given to the development of the means of transport, communication and power. Agricultural development administrative management data collection and technical training were the other priority of the plan (NPC, 1962)<sup>23</sup>.

These all objectives and priorities were made indirect relationship with poverty reduction. None of the specific objectives or determine priority sector for poverty reduction in the plan but all programmes had been related for reducing poverty indirectly. Financial achievement of the second plan was satisfactory; it is because almost 100 percent, i.e. 99.47 percent was spent for the implementation of the plan.

#### **5.4.3 Third five year plan (1965-1970)**

Third five year plan was introduced in the year 1965 to 1970, which was prepared with long term objectives, i.e. more ambitions objective for economic development of the country. It's main purpose being to provide the prerequisites for rapid economic development through the use of the country's potential and actual resources. The plan must, however, encompass programmes designed to meet immediate problems as well as those which are essential to future growth.

To agricultural development, transport power and industrial developments were the main priority of the plan. Industrial, agricultural, trade, regional development and price policies had been applied of the plan. Rupees 2500 million was the total outlay which was shared into the public, panchayat and private sector (NPC, 1965)<sup>24</sup>.

The national income target of the third plan is to achieve a total increase of 19 percent. This will give a nine percent increase in per capita income over the plan period. The third plan was none of any priority for the poverty reduction but all the objectives and policies had been related to reduce poverty during the period.

#### **5.4.4 Forth five year plan (1970-1975)**

The fourth five year plan was introduced in July 1970 to June 1975. The primary goal of the fourth plan was to promote social welfare, to establish foundation for the economic development to complete the previous uncompleted projects and to increase national products. The plan was moved to implementation oriented envisaged the presence of affective administrative, machinery geared to planning. The main objectives of the plane were to increase production, established economic infrastructures, extend and diversity international trade, control of price level for economic stability, to control population growth and create the society free from exploitation.

In the plan few objectives were the continuation of the previous plans and few were new. Those objectives were not focus on the reduction of poverty directly but all of the objectives were related with this. The plan conformed priority to the development of the basic sectors like transport and communication, industry agriculture and land reform, education, health, social services and mobilization of internal sources for data book respectively. The total expected outlay of the fourth five year plan was of Rs. 3540 million, which is divided into public, panchyat and private sectors (NPC, 1970)<sup>25</sup>.

In terms of achievement the fourth plan was no different from the third plan. It had fulfilled above the 90 percent of financial target during the plan period. But

the progress of most sectors was equally disappointing. Every progression and achievement of the plan was indirectly related to the poverty reduction.

#### **5.4.5 Fifth five year plan (1975-1980)**

The fifth five year plan was started in July 1975. The main objectives of this plan were as:

- i. To increase the people oriented production.
- ii. Maximum utilization of human resources.
- iii. Maintaining the regional balance and integration. Some policies and priorities would be adopted in order to fulfill these objectives.

The agriculture sector and the social sector got highest priority in financial allocation de-emphasizing first time the physical infrastructure as fixed top priority. Project like as Jeri Multipurpose Development and Remote Area Development Project Rasuwa-Nuwakot Integrated Rural Development Project, Hill Transport Development Program were incorporated. The small farmer's development program was also initiated with the development process; four more Integrated Rural Development Project was launched despite the inclusion in the plan. A massive 'sajha fikshions' program was launched in 1976 initiating a new organizational structure for the co-operatives at village panchayat level and a sub-committee at ward level.

This plan was different than the previous plans because of the minimum and maximum targets i.e. two growth rates in GDP: a minimum of four percent per annum and a maximum of five percent per annum associated with an outlay of Rs 9197million and Rs 11404 million respectively (NPC, 1975)<sup>26</sup>.

The growth rate of the economy was only 2.2 percent per annum during the plan period but the population growth rate was 2.3 percent. All the programmes and priority were indirectly targeted to reduction poverty in the plan.

#### **5.4.6. Sixth five year plan (1980-1985)**

Sixth five year plan was started in July 1980. The plan was implemented at the movement of increasing poverty, rising unemployment and under employment in Nepalese economy. The major objectives were as: achieve high growth of production, increase productive employment opportunities and fulfill the minimum basic needs of people.

Different development strategies were adopted to achieve the objectives laid down by the sixth plan namely to increase production, to widen the employment scope and to enable the low income group of people to enjoy the fruit of development. The total estimated outlay of the plan was Rs 33940 millions, which was allocated for public, panchayat and private sector. The plan special emphasis on promotion people's participation, envisaged seven IRDPS for the execution, Remote Area Development Program. It was focused to provide the basic services in the remote area mostly northern part of the country (NPC, 1980)<sup>27</sup>.

The annual growth rate of the economy i.e. GDP was 4.4 percent such growth rate was attained as a result of better performance of agricultural sector. The output of agricultural sector increased at a rate of 4.7 percent and industrial output was raised 10.3 percent per annum. These achievements have indicated that the part of poverty reduction was positive in this plan.

#### **5.4.7 Seventh five year plan (1985-1990)**

The seventh five year plan was introduced in 1985-86 and ended in 1989-90, which was the last plan of panchayat system. The main objectives of this plan were similar to sixth plan they were as: increase production of a higher rate, increase productive employment opportunities and fulfill the minimum basic needs of the people. The plan adopted policy were to accord highest priority to agriculture sector, emphasize the forest development and soil conservation, lay emphasize on the development of tourism, promote export trade and control population. Basic development strategies were applied to achieve the objectives of the seventh plan.

The total development outlay of the plan was Rs. 50010 million, which was divided in to public, panchyat and private sectors. In the plan, the first priority was assigned to agriculture, irrigation and forest. In the plan period the target of principal agricultural products was 4.3 percent per year (NPC, 1985)<sup>28</sup> and the achievement during the plan period were 6.8 percent per year. Similarly the target of industrial production was 12.7 percent per year where the achievements were 88.19 percent. It is indicated that the plan was more responsible for poverty reduction in the country. But it was not made special objectives and targets of the poverty reduction.

#### **5.4.8. Eight five year plan (1992-1997)**

Eight five year plan was launched in July 1992. It was launched in democratic environment whose broad objective was to give definite direction to the social and economic upliftment of the citizens of the country by tackling the challenge of economic stagnation, increasing poverty, structural anomalies, environment degradation and rapid population growth.

After the restoration of the democracy the first elected government designed the plan making remarkable changes in development policies, emphasizing private sector and economic liberalization. Poverty alleviation was one of the major objectives of the eight plans. The objectives were to achieve sustainable economic growth and diminish regional imbalance. The priorities were intensiveness and diversification in agriculture, development of rural infrastructure, energy development, employment creation, human resource development, population control, export promotion and diversification and industrial development and tourism promotion.

The total gross fixed investment outlay for the plan period was estimated at Rs. 170332 million. The annual growth rate of real GDP, in eight plan period was 5.1 percent agricultural sector and nonagricultural sectors were 3 percent and 6.3 percent respectively target during the plan period.

### **Poverty alleviation (reduction) programme in eighth plan**

Poverty alleviation i.e. reduction received the main objectives of the eight plan in the history of planning development of Nepal. At the beginning of the eight plans the magnitude of poverty was estimated that 49 percent of Nepal's total populations live in absolute poverty. Eight plans have been a goal of promotion approximately 1.4 million poor people to non poor status through different programme (NPC, 1992)<sup>29</sup>. In the event of this goal being achieved, there would be about 8.7 million (42 percent of the population) poor people in the country after the conclusion of the plan period.

Different poverty alleviation programmes to be undertaken in the eight plan will be so formulated and implemented that the relatively well to do families

may not grab these benefits and the real poor ones will benefit directly or indirectly. In order to achieve these goal and targets, different policies and programmes were adopted, they were as: to develop physical infrastructure, increase the poor's access to means of production, education and training, employment generation, food security, labour export, special programmes for women and backward ethnic tribes and soon. To carry out the programmes for poverty reduction effectively different necessary institution were set up which was at establishment of a trust fund, poverty alleviation credit programmes revival the national development services programme and monitoring and evaluation.

#### **5.4.9 Ninth five year plan (1997-2002)**

Ninth five year plan was introduced in 1997-98 and ended in 2001-2002, which was set poverty alleviation as its main objective with a determination of bringing down the number of those below poverty line from 42 percent to 32 percent.

In a developing country like Nepal, the concept of long term development should give emphasis to higher economic growth rate, pro poor development process and equitable distribution of income. Although Nepal has adopted liberal, open and market oriented economic policies in line with the changes in the world economy, the objective of alleviating poverty cannot be achieved unless the government, market and private sectors complement each other and work together.

In this context and also in keeping with the past experiences, it was essential that effective machinery should be mobilized to attain the rapid and sustainable development and plans, policies and programmes should be geared towards poverty alleviation, employment promotion and regional balance.



The overall growth rate of economy was expected to be 6.0 percent. The expected budget for ninth plan was Rs. 372711 million on the fixed price of 1996/97, which was divided into government and private sector. The growth rate of economy i.e. GDP was 3.6 percent, the output of agriculture sector increased at a rate of 3.3 percent and non agricultural sector was 7.3 percent per annum were the achievements of the plan (NPC, 1997)<sup>30</sup>. Reduction of the population below the poverty line in that period was only 38.05 percent (NPC, 2002)<sup>31</sup>.

### **Poverty alleviation (reduction) program in Ninth Plan**

It was estimated that 42 percent of the total population had remained below the poverty line at the end of the eight plans. With the achievement of high economic growth rate and the implementation of sectoral and other special programmes for poverty alleviation i.e. reduction, it was targeted to reduce the population living below poverty line to 10 percent targeted to bring down the population growth rate at the level of 1.5 percent within next 20 years. Targeted programmes and policies for poverty reduction of this plan was at physical infrastructure, remote area development programme, integrated rural development programme, education and training, social extension program, employment generation, programme for the backward community, food security etc (NPC, 1997)<sup>32</sup>.

#### **5.4.10. Tenth five year Plan (2002-2007)**

The tenth five year plan was introduced in July 2002. The main objectives of the plan was to alleviate poverty by mobilizing optimally the means and resources in the mutual participation of government, local agencies, nongovernmental sectors, private sector and civil society to extend economic opportunities and open new ones enlarging employment opportunities and widen the access to means and

economic achievements for women, Dalits peoples of remote areas and poor and backward groups through programmes like empowerment, human development security and targeted projects thereby improving the status of overall economic, human and social indicator.

The target was fixed to bring down the percentage of people living under poverty line to 30 percent by the end of the tenth plan. In the same vein, other targets were fixed such as to boost up literacy rate to 70 percent, to lower the infant mortality rate to 45 per thousand, to increase average life expectancy to 62 years, to extend safe drinking water service to 85 percent of population, electricity service to 55 percent of population and to extended telephone service to all VDCs. The growth rate was estimated at 6.2 percent. But if there was no improvement in present status of security perspective and investment environment did not show encouragement, the growth rate was limited to 4.3 percent in the lower case. The expected capital investment for tenth plan was Rs. 609823 million on the fixed price of FY 2001-02 (NPC, 2002)<sup>33</sup>.

### **Poverty Reduction Strategies in Tenth Plan**

Nepal began implementation of the Poverty Reduction Strategy Paper (PRSP) in fiscal year 2002-2003. The PRSP was also Nepal's Tenth Plan. It had clear poverty reduction goals and measurable socio-economic targets, which it seeks to achieve by focusing development efforts on four strategies pillars. This was as:

- i. High, broad based and sustainable economic growth,
- ii. Improvement in access and quality of infrastructure, social and economic services in the rural areas,

- iii. Targeted programmes for social and economic inclusion of the poor and marginalized communities, and
- iv. Good governance to improve service delivery, efficiency, transparency and accountability.

The PRSP emphasises effective programme implementation and service delivery through governance reforms. It was also stressed maintaining macroeconomic stability and implementing structural and policy reforms in key areas. The policy changes were important for meeting both the tenth plan objectives as well as the MDGs. NPC began putting in place a comprehensive poverty monitoring and analysis system (PMAS) in 2004. The PMAS was a set of intermediate and final indicators for effective monitoring and reporting annual progress on the implementation of the tenth plan/PRSP. District poverty monitoring and analysis systems (DPMAS) had also been finalized and published in the plan periods. (NPC, 2006)<sup>34</sup>

Overall achievement of the tenth plan/ PRSP implementation were satisfactory, given the difficult development environment resulting from the violent conflict and continued political instability. The rate of economy, i.e. GDP was increased 3.4 percent, the output of agricultural sector increased at 2.7 and non agricultural sector was at 3.8 percent per annum increased during the plan period. According to National Living Standard Survey (NLSS) 2003/04, during the last eight years, the people living below the absolute poverty line, has fallen to 31 percent from 42 percent. During the period Gini-coefficient which shows the inequality of income distribution had increased from 0.34 to 0.41, which indicates that the gap between the rich and the poor had increased further. Similarly, according to the Human Development Report of 2006, although the human development index of Nepal was increased from 0.513 in the earlier year to 0.527, the period Nepal remains as

the country with the least HDI in south Asia and Nepal was placed at the 138<sup>th</sup> position in the global human index.

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

Interim three year plan was introduced in 2007-08 and ended in 2009-10. The main objective of this plan was to generate an experience of a direct feeling of change in the lives of the general public by supporting in the establishment of peace and reducing the existing unemployment, poverty and inequality in the country. Different strategies were made for fulfillment of objectives, which were as:

- i. To give special emphasis on relief, reconstruction and reintegration,
- ii. To achieve employment oriented, pro-poor and broad based economic growth,
- iii. To promote good governance and effective service delivery,
- iv. To increase investment in physical infrastructures,
- v. To give emphasis on social development
- vi. To adopt an inclusive development process and carry out targeted program.

Main priority of this plan was as: Physical infrastructure was reconstructed and rehabilitated, investment was increased to accelerate the pace of development, revitalize the national economy, investments was increased in physical infrastructures like hydropower, roads, irrigation and communication for supporting agriculture, tourism and industries. Investment was also increased in education, health, water supply and sanitation sectors for the development of human resources.

The expected capital investment of the eleventh interim plan was Rs 587.68 billion at 2006-07 constant prices. The average annual growth rate was estimated at

5.5 percent, the growth rate of agricultural sector was 3.6 percent and non agricultural sector was 6.5 percent increased in per annum. Population below the poverty line was estimated at 24 percent from 31 percent (NPC, 2007)<sup>35</sup>.

Achievement of the interim plan, the average annual economic growth rate at constant price was only 4.4 percent, of this 3.3 percent in agriculture sector and 5.1 percent in non agriculture sector increased during the plan. The target of reducing the population below the poverty line could be reduced to 25.4 percent. The different fact indicated that the interim plan was also tried to reduction poverty similar in previous plan but the plan could not achieve its targeted economic growth due to poor security situation, impunity, unstable government, high rise in prices, local bodies without elected people's representatives, bureaucracy having poor chain of command, power cuts up to 18 hours a day, negative impact on remittance due to severe international financial crisis. These facts hampered to the fulfillment of the objectives of the plan.

#### **5.4.12. Present Three Year Plan (2010-2013)**

Three year plan has a current plan in Nepal, which is introduced in July 2010. The main objective of the plan is to enable people to feel change in their livelihood and quality of life by supporting poverty alleviation and establishment of sustainable peace through employment centric, inclusive and equitable economic growth. Different strategies are made for fulfillment of this objectives, attaining employment centric, broad based economic growth, creating development infrastructures considering the future federal state including regional balance ensuring, inclusive and equitable development, supporting the process of socioeconomic transformation of the nation, making governance and service

delivery effective and mainstreaming trade in development are the macro strategies of the plan.

The plan has targeted to achieve 5.5 percent annual average economic growth rate. Of the overall economic growth, the agriculture sector is estimated to grow by 3.9 percent and non agriculture sector by 6.4 percent. The population living below the poverty line is targeted to be reduced to 21 percent on the basis of the achievement made in poverty reduction. So far, elasticity of poverty with the economic growth and targeted programs, and on the basis of accepted definition of poverty. It is estimated that the gross fixed capital formation will be Rs. 1023.70 billion at 2009/10 prices during the plan period.

Although initiation has been taken to reduce poverty in the country since the Ninth Plan (1996/97-2002/03) by placing it at the centre of planned development endeavors, and as the poverty ration has reduced to 25.4 percent at the end of FY 2008-09, poverty is still a major problem in Nepal. It is estimated that about 1.250 million households or about 7 million people are still living below the poverty line in the country. Poverty alleviation related objective and strategies have been set on the basis of implementation of the poverty alleviation related programs of the various sectors through the concerned ministries in the plan period and monitoring and evaluation of the implementation will also be carried out by the National Planning Commission. The main objectives and strategies of the poverty alleviation (reduction) programme of the plan has to reduce existing inequality and poverty in the country by increasing dignified and profitable employment opportunities through the expansion of inclusive productive and targeted programs (NPC, 2010b)<sup>36</sup>.

### **5.5 Poverty Reduction Programmes and Policies of Cooperatives:**

The duty of any government is to provide security to its citizens at any cost. And among many, economical security can be taken as an important part. More than a century (1847-1950), Ranas ruled in Nepal despotically in which time, the economic and social condition of Nepalese remained as much difficult and suffered one. And it was agreed that people participated programmes would make people free from such complicated situation in that period. In 1952, Tribhuvan Rural Development Programmes and Rapti Valley Development projects were also conducted as the concept of development in Nepal for the first time. And likewise, people had formed many other informal organizations like Parma, Dhikuri, Manka Guthi, etc. for the economic, social and cultural improvement in that time. But these organizations lacked the modern organizational structure and management system. As a result, the then government had resolved to adopt the economic management in cooperative for strengthening and developing economic, social and cultural condition of people. People were sent to the foreign country for training due to the lack of necessary infrastructure and skilled human power in the country. And the cooperative department was established in 1953 with its necessary infrastructural development after the people returned being trained.

It seems that government had prioritized to the cooperative development as an important practice to make improvement in the economical and social living standard of Nepali people. Meanwhile, there was natural disaster of a big inundation in 1954 in the country which caused many families were homeless in Nepal. To the end of 1954 'Rapti Valley Multipurpose Development Project' was conducted to solve the problems by managing their settlement, which had aimed to develop an organized unit for the rehabilitation, food management and settlement of the victims. Among those objectives, victimized farmers had to farm the land for

their livelihood and they used to be provided enough capital for this. To manage the capital for them, it was planned to distribute loan for farmers under the cooperative system. Policies were formed to avail loan to the poor farmers in various groups with simple ways by composing credit cooperative societies in the local level under the organizational system. Following this policy, first cooperative was established in the Sharadanagar Village development Committee in Chitwan on 4<sup>th</sup> April, 1957 for the first time in Nepal (NCF, 2010)<sup>37</sup>.

So, in Nepal, cooperative is developed with the intention to promote the living standard of affected people from their poverty and natural disaster in well managed and organized form. Likewise, many cooperatives are established in Britain, Germany, India, China, Denmark, Japan, Canada, Sweden and Bangladesh etc. with the intention to solve the problems of Public community in their poverty, exploitation, minimum production and natural disaster along with the minimizing effects of conflicts and modern technologies (Badal, 2007)<sup>38</sup>.

In Nepal, Cooperative Sectors have moved forward formally since the beginning of planned wise development in 1956-57. And activities related to cooperatives societies have been in advance with parallel to the government policies and programmes. In the first five year plan, many activities like to provide loan for farmers in cheap interest, to sell the product goods in committee's assistance and to make the necessary thing available to them etc. were administered via cooperative committees. Under the land reform programmes, government had taken policies to annex the various fragmented land in assistance with cooperative societies. Cooperative system was assumed as the direct need for the construction of social equity and social justice in the form of organizational medium by increasing agricultural product and productivity and professional progress of people. After the realization of investment in the development of



economical sector in 1961, optional saving programmes were initiated as the campaign to accumulate internal source. As result, members in their respective cooperatives began to collect savings optionally. Later, those saving amounts were mobilized among members themselves through which internal economic source of cooperative appeared to be strong.

In the third three year plan, it was explained as the objective of cooperative management to promote the social and economic condition of poor farmers by using their minimum capital, small land and labour collectively. As well as the implementation of land reform Act in 1964, compulsory saving programmes were also taken into action to conduct the cooperative and agricultural programmes in the context of mobilizing internal capital. And these programmes were conducted from 1964 to 1985 AD (NCF, 2010:106)<sup>39</sup>. It was explained and analyzed to the cooperative along with the development of agricultural sectors in this plan and even after the third and fourth plan. By providing loan and purchasing the necessary appliances to increase the production and productivity, farmers were targeted to meet the positive impact in their social and economic standard. For this purpose, ‘coordinated agriculture development programmes’ were implemented in different nine districts of the country in 1966. And through these programmes, cooperative sectors were much benefitted.

While analyzing the policies and programmes of cooperatives since fifth to seventh plan, there is the condition of having developed to these cooperatives into the sajha society, which was continually guided by the state. By developing and promoting different units including sajha store, sajha cottage industry, sajha transportation, sajha publication and sajha medicine etc, cooperatives were led ahead with government supervision and control. Policies to bring various cooperative (sajha) programmes up to the every village level were adopted.

However, poor farmers could not be benefitted in large numbers from the development process of periodical plan. It was felt that medium and large farmers could only get access for the amenities of institutional services in comparison to the small and poor farmers. So there was a big difference between them in their economical approach. And then, development projection of small farmers was encompassed in the project under the united rural development programmes which was initiated from fifth plan. Small farmer cooperative society programmes were also conducted, since the sixth plan with the leadership of cooperative department. And improving in their social and economical living standard was as the targeted motto in these plans. During this period, with much progress of the agricultural sectors through cooperative, it was sought to make improvement in living standard of the mass people. But due to the state's hegemony in cooperatives they could not progress for their main spirit.

After the restoration of democracy in the country, policies were adopted to run cooperatives with the people's involvement without letting the state hegemonies in the cooperative societies since eight plans. Along with these policies, strengthening and developing of cooperative societies were enforced to make fast progress in the development of poor people's social and economic background. It was also managed to avail the loan to small well trained people to open other industries as coordinated to other different financial institutes. Many other programmes were also launched in this time, such as cooperative societies were to develop as institutional structure to alleviate the rural poverty. Likewise ninth and tenth plans had also grasped many policies and programmes with certain ambition which were based on previous goals. To attain profit in social and economical sector via cooperatives, involve the small producers in supplying the products of farmers group and cooperative institutes, reduce poverty by increasing

products and productivity of agricultural sectors, and help in the nutrition security of farmers etc. were major objectives in these two plans. And these policies and programmes which were for completing those objectives helped much to reduce the poverty of people.

Cooperative has been taken as one of the three important pillars in economy (government, cooperative and private) after the country got massive political change into republican state. And there are managed various policies and programmes to uplift the social, economic standard of low level people in the eleventh and twelfth plans. These policies and programmes are concerned to promote the economy, mobilize the small savings, conduct and develop the agro-based small enterprise and flow the service mechanism with local development construction etc. By mobilizing labour, craft, capital and resources of people for the collective interest, there are also other goals included like economical prosperity, social transformation and the base of development in creating equal justice. And the programmes like organizational strengthening, effective monitoring and supervision, formal cooperative education upto the higher education and making participation in the role of leadership for women and backward community etc. are also encompassed in these plans. And some other policies are also set forth to mobilize the available sources in the fund of rural self-dependency, poverty alleviation fund, and small scale financial fund etc. through the cooperative societies coordinatively.

Government also seems to have brought concept to enforce the progress of people in the social, economical and cultural sector in accordance with the objectives of cooperative societies. A small amount of saving of mass citizens has been collected through 'Saving and Credit cooperative societies which have provided to the concerned members as loan in cheap interest. Members here take

loan for the development of agricultural sector, conduction of small-scale industries and enterprises, education facilities of children to manage for foreign services and for different works. People either from village or from town area who have low economic income are also attracted from this facility. As a whole, it seems as if the programmes in cooperative societies have played an important role to the campaign of poverty alleviation in the state.

In conclusion, Nepal is one of the least developed countries in the world. There is still 25.16 percent Nepali people of total population living under poverty line. In recent time per capita income of Nepal has US \$ 472, which is comparatively very low in the recent price level and various programmes have been continually launched to emancipate from the severe poverty in different time. As the greater part of economy of the country has based on the agriculture, there is no dual opinion regarding the priority to the development of agriculture that would lead to the development of whole sectors in the society. With target to reduce the poverty through the development of agricultural sector in the country, preliminary plans are forwarded for the implementation by bringing out the improvement in infrastructure development and agricultural sectors. These plans from first to seventh seem to be very active to meet the objectives of increasing production and productivity, promoting the opportunity in employment and fulfilling the basic necessity of the people. However, the economy of the country remained mostly in the state supervision up to this period. And there was restoration of the democracy in the country since eight plans and on the other hand, the economy of the country began to be based on the open economic policy. The programmes after the eighth plans were seen to be implemented with the objectives of sustainable economic development, maintenance in regional balance and poverty alleviation etc. So, programmes were specially affirmed to focus the poverty alleviation since eighth

plan. As moving in the preliminary state of twelfth plan, most of the programmes in the country seem to be directed towards the poverty reduction. And the programmes in this time framework are seemed to have centered to meet these eight goals of millennium development. While reviewing the millennium development goals in the 2009-10, there has been more progress in the field of literacy, school enrollment of the children, maternal death rate and child death rate etc. In the course of time since 1996 to 2009, the poverty from 42 percent has reduced to the 25.16 percent. On the basis of these progresses, it has been explained in the report that most of the targets will have been accomplished by 2015 (NPC/UNCT, 2010)<sup>40</sup>.

In this way, cooperative societies have played an important role in the campaign of poverty minimization. Due to the necessity of institutional management for the rehabilitation and food management of the farmers who were victimized from landslides and natural disaster in the Chitwan district, loan providing cooperative committees were established there for them. And these committees had provided the load to such suffered people to help uplift their living standard. Because of these examples, modern cooperative has been established in Nepal. Likewise, the establishments of the cooperatives in different countries have been linked with the aim to promote the marginalized level of people at any way. With the view to develop in whole round from agricultural sectors, plans from initial phase were taken to the implementation. Apart from the development in agricultural sector in the latter phase, the programmes like mobilizing savings, conducting small scale enterprises etc. had also been a part of field in cooperative programmes to be conducted. Through different programmes, cooperative sectors have been applied to help contribution in social, economic and cultural development of citizens in the country. So, it is the present condition that these

programmes have been working as an important partnership in the campaign of the poverty alleviation.

Despite the different programmes, the economic condition of the country had deteriorated due to the autocratic system of government in 103 year Rana Regime and 30-year Panchyat system. The country had been much backward with corruption slow administrative functioning, illiteracy and completion of standardless plans. However, the innovative dimensions in the development of the country have been expected along with the restoration of democracy in 1989-90 and the foundation of Republican state in 2006. Meanwhile, many structures in the building and administrative offices have been destroyed in the turmoil of 10- year people war. So, the state has the great responsibility to invest a thick amount of fund in the construction of these structures. It has also been expected that the living standard of mass citizens will get improved by the introduction of new concepts in the development along with the new constitution formation in the country. But there is still the existence of corruption, lack of smooth administrative functioning, murdering, violence, etc. in the country. While comparing the poverty level of Nepal to the international standard, it still appears to be more than 50 percent. And cooperative sectors have not been applied in practicality yet as the main organ to develop the country, though they carry the massive possibility in the plans and policy formation of the country. Recently, there are more than twenty thousand primary cooperative societies in the country and likewise, more than nine thousands saving and credit cooperative societies are existed here. In case of mobilizing them in the right direction, it can result to an important step to reduce the poverty in the country.

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## **CHAPTER SIX**

### **DESCRIPTION OF THE STUDY AREA**

#### **6.1 Overview of Rupandehi District**

Rupandehi district is surrounded by India, Palpa district, Kapilvastu district and Nawalparasi district from the south, north, west and east respectively. It lies in the Terai area of Western Development Region. This is one of the sixth districts of Lumbini Zone. This is one of the three districts of western Terai. The district headquarter is at Bhairahawa. It is about 250 km to the west of the capital city, Kathmandu. The total area of the district is 1360 square kilometers. The district has seven election zones, two municipalities and 69 VDCs. In 2011 the district had a total population of 886706 of which 450388 were female and 436318 were male living in 170077 households. The annual population growth rate from 2001 to 2011 is recorded to be 2.24 % and average household size of Rupandehi district is 5.21. The population density per square k.m. of land area is 652, which is 3.60 times higher than Nepal's average of 181 persons per sq. k.m. (CBS, 2011)<sup>1</sup>. The district has 85122 hectors of cultivated land, of which about 52 % (44373 hectors) is irrigated. It is located at the latitude of 27°32" north and a longitude of 83°28" east (DDC, Rupandehi, 2011)<sup>2</sup>.

The district was ranked 13<sup>th</sup> in the overall composite index of development in 2003 and 38<sup>th</sup> in 1997. It was ranked 11<sup>th</sup>, 5<sup>th</sup> and 30<sup>th</sup> in the poverty and deprivation index, socioeconomic and infrastructural, and women's empowerment indexes respectively. As regards the economy of the district NHDR 2004 has estimated the GDP of the district to be Rs.13015 million in 2001 having an annual per capita income of Rs.18373. The agricultural sector is the largest contributor to the district GDP, accounting for 33.56 Percent, followed by transport

communication and storage (16.45), finance and real estate (12.63), trade, hotels and restaurant (11.68) and others. (Pyakuryal, B and Sainju R.S, 2007)<sup>3</sup>

## 6.2 Scenario of the Economic and Social Services

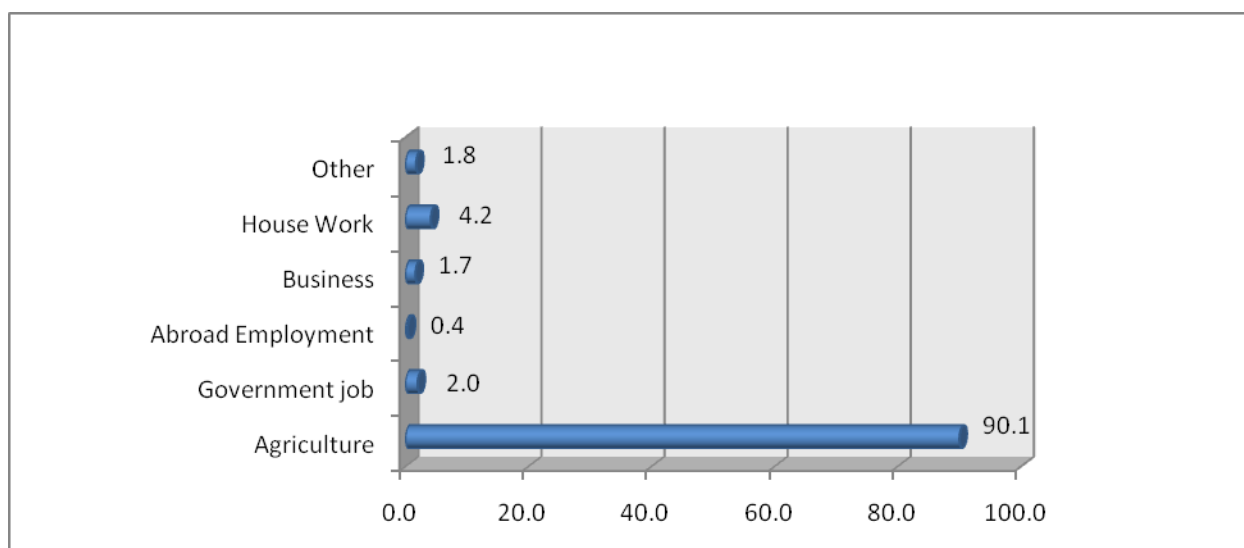
Agriculture covers the main place in the economic development of Rupandehi district. It is the main source of economic growth. However, the other Sources of income generation are also increasing in the district. According to the population census-2058 (2001), 90.05% people were involved in the agriculture profession. In average 2% people were engaged whereas 1.65% in business, 0.4% people were engaged in foreign employment but 4.15% were engaged in house hold activities. Rests of the people i.e 1.75 percentages were involved in other activities. The following table clarifies the involvement percentage of the male and female in different occupations (CBS, 2001)<sup>4</sup>

**Table6.1 Occupational Status of Rupandehi District**

Occupation	Percentage		
	Female	Male	Overall (Average)
Agriculture	92.4	87.7	90.05
Government Job	0.9	3.1	2.00
Abroad Employment	0.1	0.7	0.40
Business	1.3	2.0	1.65
House Work	4.4	3.9	4.15
Other	0.9	2.6	1.75
Total	100	100	100

*Source: DDC, Rupandehi, 2001*

**Figure 6.1 Involvement Percentage of Occupational Status  
In Rupandehi District**



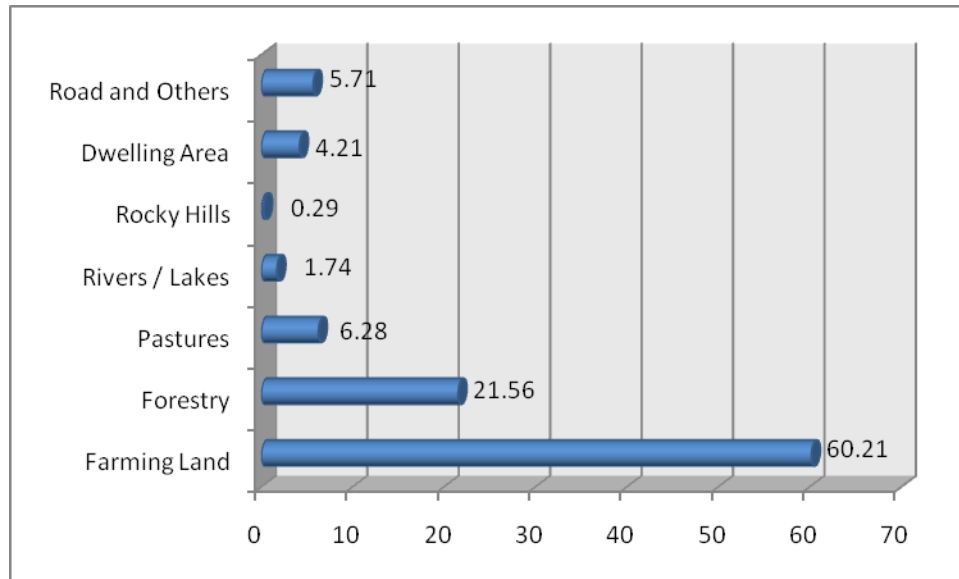
The table shows that the involvement of women in agriculture and household work is more than that of males but in other occupations the involvement of males seems more. The major agricultural products in Rupandehi district are paddy, wheat, maize, mustard, pulse, potato, vegetable and fruits. Among all farmers' families, 44% families are involving in farming in less than 0.5 hector. The land area in one farmer's ownership is 0.91 hector, almost 1.51% families' are landless (NPC/DDC/UNDP, 2006)<sup>5</sup>. The following table presents an analysis of the utilization of land in Rupndihi District.

**Table 6.2 Nature of the Land and its Utilization in Rupandehi**

Nature of Land	Utility Percentage
Farming land	60.21
Forestry	21.56
Pastures	6.28
Rivers / Lakes	1.74
Rocky hills	0.29
Dwelling area	4.21
Road and Others	5.71

Source: DDC, Rupandehi, 2011

**Figure 6.2 Land Utilization Percentages in Rupandehi**



According to the table 60.21% area of the land is being cultivated. 0.29% land is covered by rocky mountain. The land is used in seven different ways. The condition of infrastructure like education, health, electricity, road, drinking water etc, is also of medium level. The total literacy percentage of the district is 66.24% in which 76.21% males and 55.92% females are literate (DDC, Rupandehi, 2011)<sup>6</sup>. Similarly the human development index indicated 0.546 (HDR-2004). This report indicates the highest human development index of Kathmandu to be 0.652 and lowest index of Mugu district to be 0.304. In this context the index of human development of Rupandehi district is considerable.

Looking at the child mortality rate of Rupandehi district, according to the 2005, report is recorded to be 35.4 in each thousand population. The death rate of the children below 5 year of age is recorded to be 111 in each thousand. Whereas the child death rate of below 5 years in Nepal was 91 per thousand, which shows the

weak condition of Rupandehi. According to the report of UNDP's development programme 2001 published in the HDR, the life expectancy of the people of Rupandehi district is 68.27 years. According to the statistics of 2005, the laboring women with trained health assistants is 22% in Rupandehi district whereas the record of this data is only 20% in the context of Nepal. Only less than 50% people have access to electricity in Rupandehi. According to the statistical data of 2006, only 45% households have electrical connection. 80% of total populations of the district are provided with pure drinking water. The main sources of drinking water are tube well, well, gravity drinking water system, pipe lines, river, irrigating channels etc.

Looking at the condition of the road construction in Rupandehi, 376 km 'A' grade rural road, 311 Km. 'B' class rural road and 39 km. branch highways have been made. The network of communication has reached the corners of each rural area. It seems that government and private mobile service providers have effectively expanded the communication service (NPC/DDC/UNDP, 2006)<sup>7</sup>.

A part from all aforementioned economic and social description, Rupandehi district has the availability of different kinds of educational institutions ranging from school level to university level in different subjects and fields such as engineering, medical science, medicine science, agriculture, technical and non-technical education. A part from zonal hospitals, district hospital and other health posts, people of Rupandehi are well benefitted with private hospitals. Similarly the various networks of government and private banks have been helping to promote business center in Rupandehi. There is a high possibility of rapid economic improvement and development because of the many religious places, being a business centre of the western region and many tourist areas. Different types of national and international government and non-government institution and organizations, cooperatives of different nature and subjects etc are acting from their own ways.

### 6.3 Overview of Cooperatives in Rupandehi

The formal form of cooperative movement in Runpadehi began with the establishment of Dhakedhi cooperative. Around the same time duration, the cooperatives were established in Chhapiya of Dayanagar, Padsari and Manigram of Anandaban VDC, as Sajha Societies. These institutes were established for selling grocery items; sugar, salt and fertilizer. The District cooperative office of Rupandehi was established under the coordination of Department of cooperative in 2022 B.S. Similarly, District Cooperative Federation (DCF) was established in 2024 B.S. Slowly after wards the process of establishing cooperative took place until 2035 and except very few cooperatives, this process stopped for a longtime until about 2050 BS. After the restoration of democracy the effect of changing society in cooperation began after 2050BS. With the effective implementation of cooperative Act–2048 and cooperative rules- 2049, saving and credit cooperatives were established in Rupandehi in 2050. Other cooperatives like milk cooperatives, agriculture cooperatives and consumer cooperatives also were organized and established.

By analysing the present condition of cooperative, Rupandehi comes in the seventh position in Nepal in terms of the number of cooperatives. Likewise, it comes in the fourth position in terms of capital mobilization in cooperative after Kathmandu, Latitpur and Kavrepalanchowk districts. Among all districts of Terai region, Rupandehi district falls in the 1<sup>st</sup> position in capital mobilization and in the third position in terms of the number of cooperative societies. Rupandehi is in the front position of cooperative movement in Lumbini zonal and western development regional comparisons. The following table illustrates all the cooperatives of Rupandehi from all its seven constituency areas.



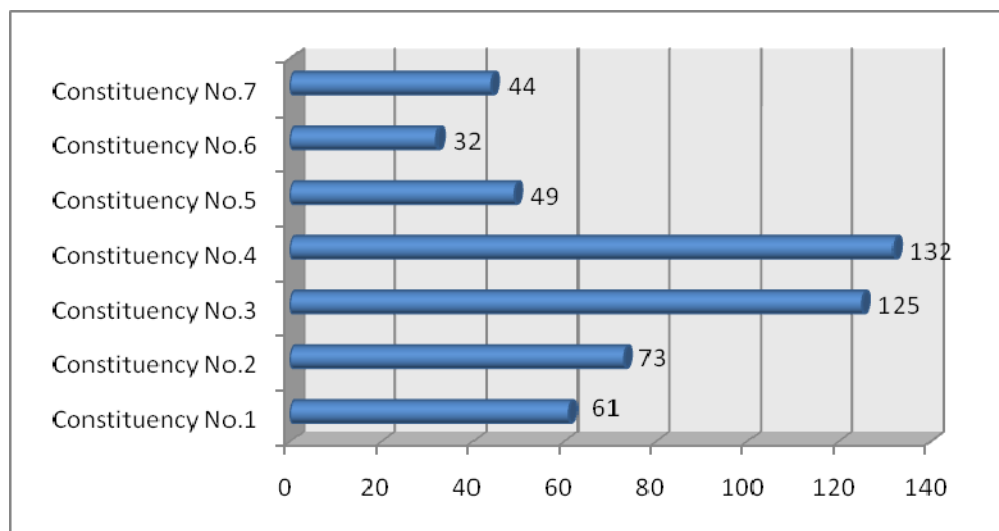
**Table 6.3 Constituency wise Cooperatives of Different Nature in Rupandehi**

Constituency	Present Status						
	SACCOS	Multipurpose	Milk	Agriculture	Consumer	Other	Total
1	18	18	18	3	0	4	61
2	37	29	4	1	1	1	73
3	55	37	22	6	0	5	125
4	81	41	2	1	5	2	132
5	14	25	7	2	0	1	49
6	15	12	3	1	0	1	32
7	4	31	7	0	2	0	44
<b>Total</b>	224	193	63	14	8	14	516

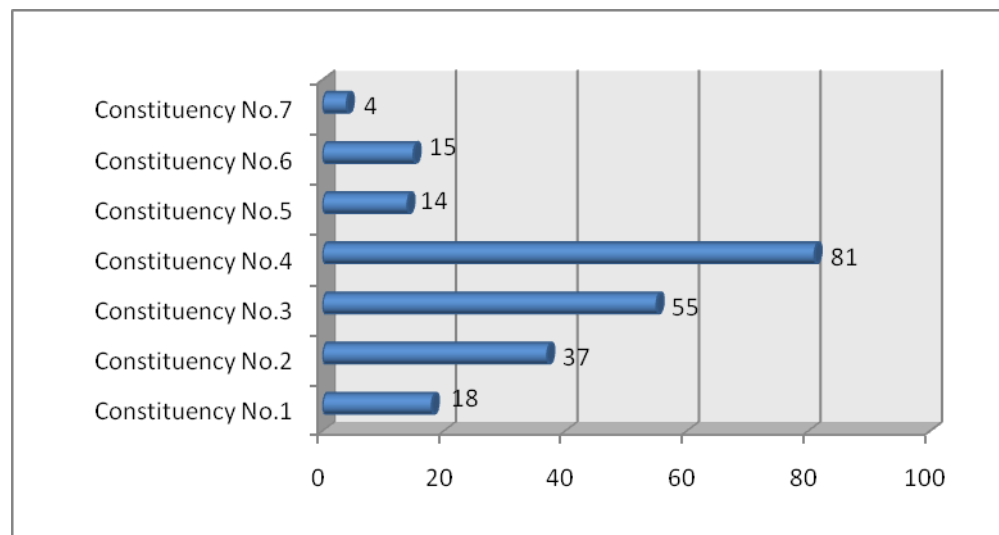
*Sources: DCO, Rupandehi, 2010*

According to the above table the maximum numbers of saving and credit cooperatives are 224 where as minimum number of consumer cooperatives are 8. The total number of cooperatives in different subjects is 516, in which 193 are multipurpose cooperatives, 63 milk cooperatives, 14 agriculture and 14 cooperatives of various other subjects. By analysing on the basis of constituency number in Runpandehi, maximum number of cooperatives i.e 132 are located in constituency no-4 and minimum number of cooperatives are in constituency no-6 i.e. 32. While looking at the regional condition of saving and credit cooperatives, the maximum numbers of cooperatives are 81 in constituency no-4, and minimum numbers of cooperative societies are 4 in constituency no.-7.

**Figure 6.3 Constituency wise Total Cooperatives in Rupandehi**



**Figure 6.4 Constituency wise Total Saving and Credit Cooperatives in Rupandehi**



The following table presents the current condition of capital mobilization, gender condition of share members, activeness and inactiveness, direct employment condition etc.

**Table 6.4 Status and Profiles of Co-operatives in Rupandehi District**

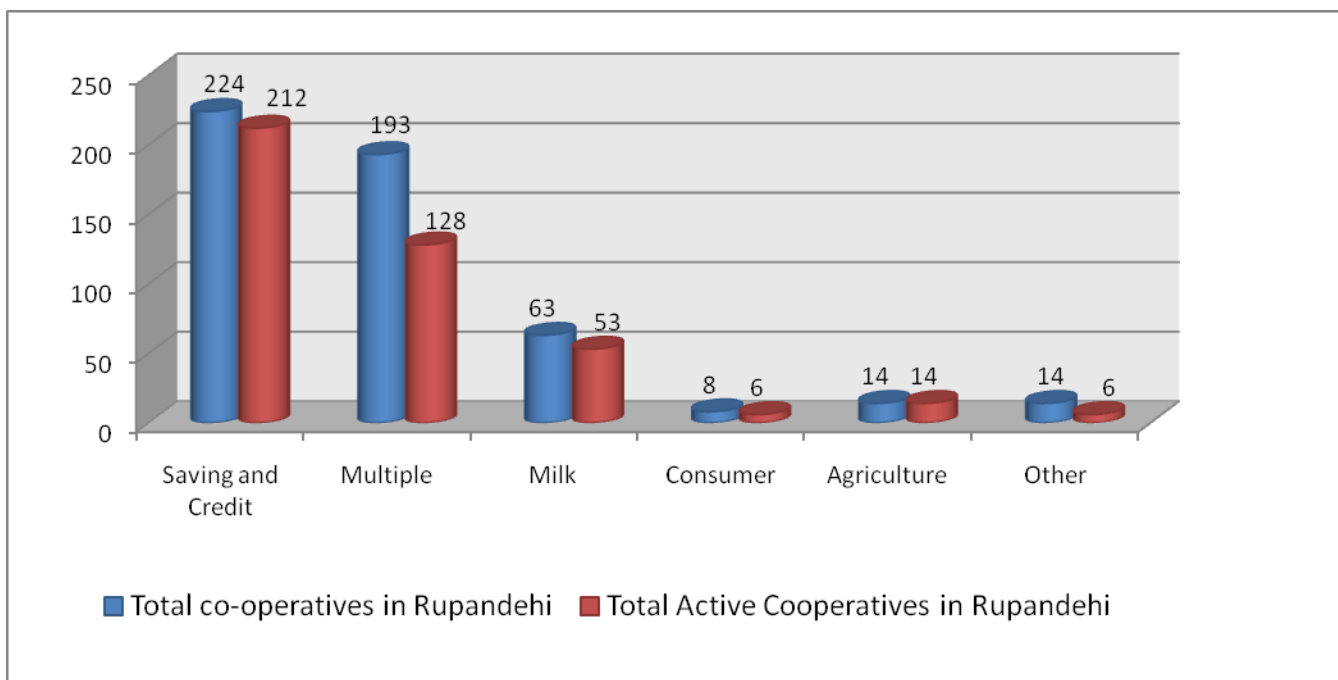
Working Nature	Total co-operatives	Members			Share Capital	Status		Employee Number
		Male	Female	Total		Active	Inactive	
Saving and Credit	224	18829	15313	34142	224381000	212	12	320
Multiple	193	31867	13132	44999	86102300	128	65	183
Milk	63	3138	747	3885	1934000	53	10	108
Consumer	8	196	44	240	4215000	6	2	7
Agriculture	14	2987	7956	10943	21467372	14	-	44
Other	14	496	223	719	7715000	6	2	36
Total	516	57513	37415	94928	34,58,14,672	419	97	698

**Sources: DCO, Rupandehi, 2010**

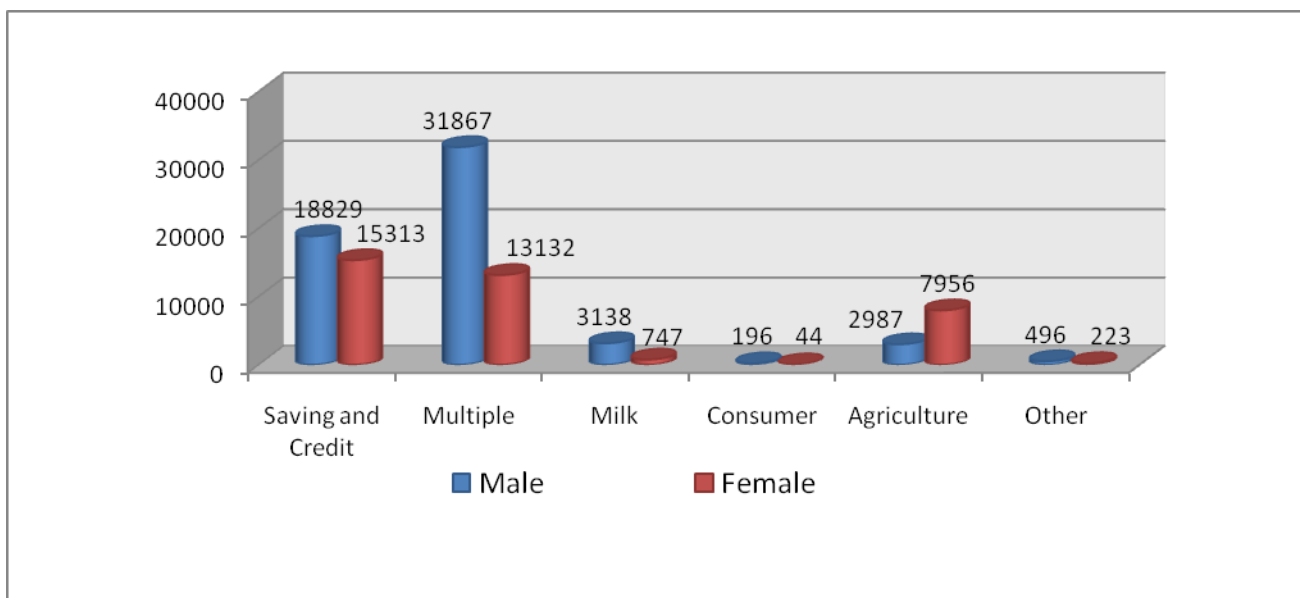
According to the table there are 94928 share members in total 516 cooperatives, where the number of males is 56513 and the number of females is 37415. In these societies of cooperatives, there are 97 passive and 419 active institutions. The maximum numbers of share members (44999) are in multipurpose cooperatives but the maximum number of female share members i.e. 15313 is in saving and credit cooperatives. The minimum number of cooperatives and share members is consumer cooperatives. According to this there are only 8 consumer cooperatives and 240 their members. Likewise share capital and saving deposit, both are Rs. 224381000 and Rs 1470658742 respectively in saving and credit cooperative. The maximum numbers of inactive cooperatives are multipurpose cooperative. The inactive number is 65. In average the number of inactive institutions is great in milk and other types of

cooperatives. The maximum direct employment is in saving and credit cooperative. The number of direct employer is 320.

**Figure 6.5 Subject wise Total and Active Co-operatives in Rupandehi**



**Figure 6.6 Sex wise Total Members of Cooperatives of Different Subjects in Rupandehi**



## 6.4 An Overview of the Sample Cooperatives

Interms of the number of saving and credit cooperative societies of nepal, Rupandehi district falls within top ten numbers . Inspite of having a greater number of multipurpose cooperatives in the past before 5 or 6 years, the number of savings and credit cooperatives has been increasings in the latter days. The follwing table presents the sample saving and creadit cooperatives before five years in terms of constituencies number in Rupandehi. According to this, the maximum number of such sample cooperatives are 21 in constitucency no.4 and minimum of one in constituency no-7 but the active cooperatives are found to be 19 in constituency no-3, in which the number of cooperative members seem to be great , i.e. 8586 members . The number of males and females in terms of gender is also greater than in other constitucency areas. Althoght the number of registered cooperatives 5 years befor in 2005 was 82, however the selection of the sample cooperatives was done from only 70 institutions due to the inactiveness of 12 cooperatives. The maximum number of the inactive cooperatives are 6 in corstituency no-4.

**Table 6.5 Constituency wise Registered (up to 2062) Active and Inactive Cooperatives and It's Members**

Constit uency	Total Cooperative	Total Cooperative member	Total Active Coop	Total Active Cooperative member	Total Inactive Coop.	Total inactive Cooperative member
1	8	1566	7	1538	1	28
2	16	4081	11	3906	5	175
3	19	8586	19	8586	0	0
4	21	6828	15	6666	6	162
5	4	414	4	414	0	0
6	13	3089	13	3089	0	0
7	1	411	1	411	0	0
<b>Total</b>	82	24975	70	24610	12	365

*Source: DCO, Rupandehi 2010*

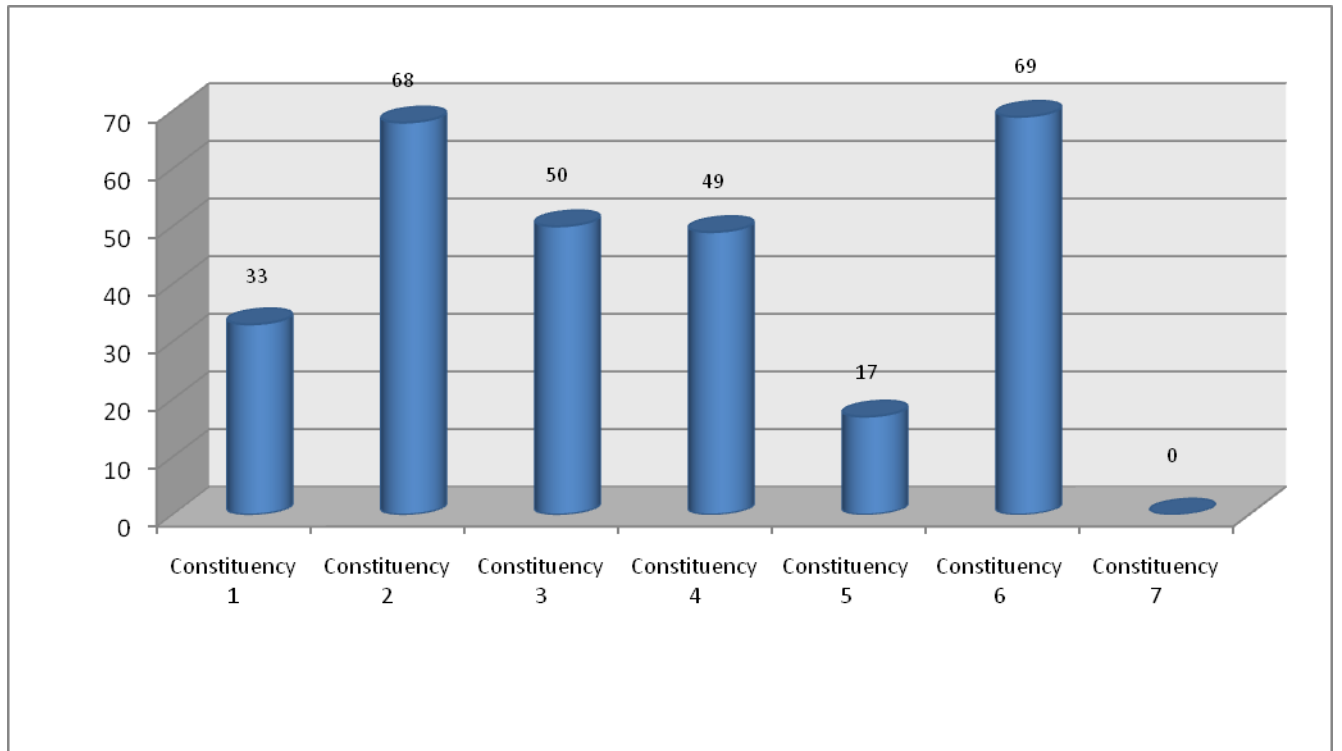
While selecting the cooperatives from each constituency 3 cooperatives from each constituency, having 13 or more active cooperatives, have been selected for the study. Two cooperatives from the other constitutions with seven to thirteen (7 – 13) active societies have been selected. One sample cooperatives is selected from the constituency having only 7 cooperatives and only one sample is selected by combining two constituencies having only four cooperatives in each. In this way the conclusion of the study is drawn on the basis of the study carried out in 286 members out of 2862 members of 14 cooperatives.

**Table 6.6 Constituency and gender wise total and sample member of the Sample Cooperatives**

Constituency	Total Sample Coop.	Total member of sample Cooperative			Total sample Size		
		Female	Male	Total	Female	Male	Total
1	2	145	197	342	14	19	33
2	2	277	395	672	28	40	68
3	3	362	138	500	36	14	50
4	3	172	319	491	17	32	49
5	1	129	38	167	13	4	17
6	3	291	399	690	29	40	69
7	0	0	0	0	0	0	0
<b>Total</b>	14	1376	1486	2862	137	149	286

*Source: DCO, Rupandehi 2010*

**Figure 6.7 Constituency wise total Sample size of Study Area**



The following table presents an analysis of 14 cooperative societies from different constituency numbers including the geographical condition in terms of their date of registration, total number of share members, sample size and saving and share capital of cooperative. In average the share capital mobilization of the cooperative is Rs.2195275. It ranges from minimum of Rs 58000 to maximum of Rs 8296000. About the analysis of saving amount it has been found that Rs 13813327 in average, maximum Rs 53076877 and minimum Rs. 1166471 has been mobilized in the study area (DCOR, 2010)<sup>8</sup>.

**Table 6.7 Date of Registration , Annual Share Capital and Saving Amount and Sample size of Cooperatives**

Name of Cooperative	Date of Regd.	Amount of Capital			Shareholder Member			Sample size		
		Share	Saving	Total	Female	Male	Total	Female	Male	Total
Lumbini , Bhairahawa	1995	5623956	7048397	12672353	87	219	306	9	22	31
Everest , Butwal	1997	1666100	53076877	54742977	86	109	195	9	11	20
Panchajyoti , Saljhandi	1999	214000	2494697	2708697	129	38	167	13	4	17
Siddharth, Sikkthan	1999	115700	2156976	2272676	110	84	194	11	8	19
Janashakti , Chiliya	2000	800000	7968228	8768228	190	176	366	19	18	37
Mahalaxmi , Betkuiya	2000	58000	1166471	1224471	97	116	213	10	12	22
Nawadurga , Majgawa	2000	127500	5092676	5220176	164	128	292	16	13	29
Krishna ,Farena	2000	60200	1443800	1504000	30	155	185	3	15	18
Pragatishil, Butwal	2000	6448000	7800671	14248671	24	60	84	2	6	8
Bishwajoti, Butwal	2002	1742600	14308089	16050689	62	150	212	6	15	21
Devdaha,Devdaha	2005	8296000	40000000	48296000	35	113	148	3	11	14
Mamtamahila, Kha-Bangai	2005	62000	1648760	1710760	301	0	301	30	0	30
Dhankos, Karhaya	2005	4019800	36355576	40375376	27	72	99	3	7	10
Suryakiran,Shankarnagar	2005	1500000	12825356	14325356	34	66	100	3	7	10
Total		30733856	193386574	224120430	1376	1486	2862	137	149	286
Averag /Percentage		2195275	13813327	16008602	48	52	100	48	52	100

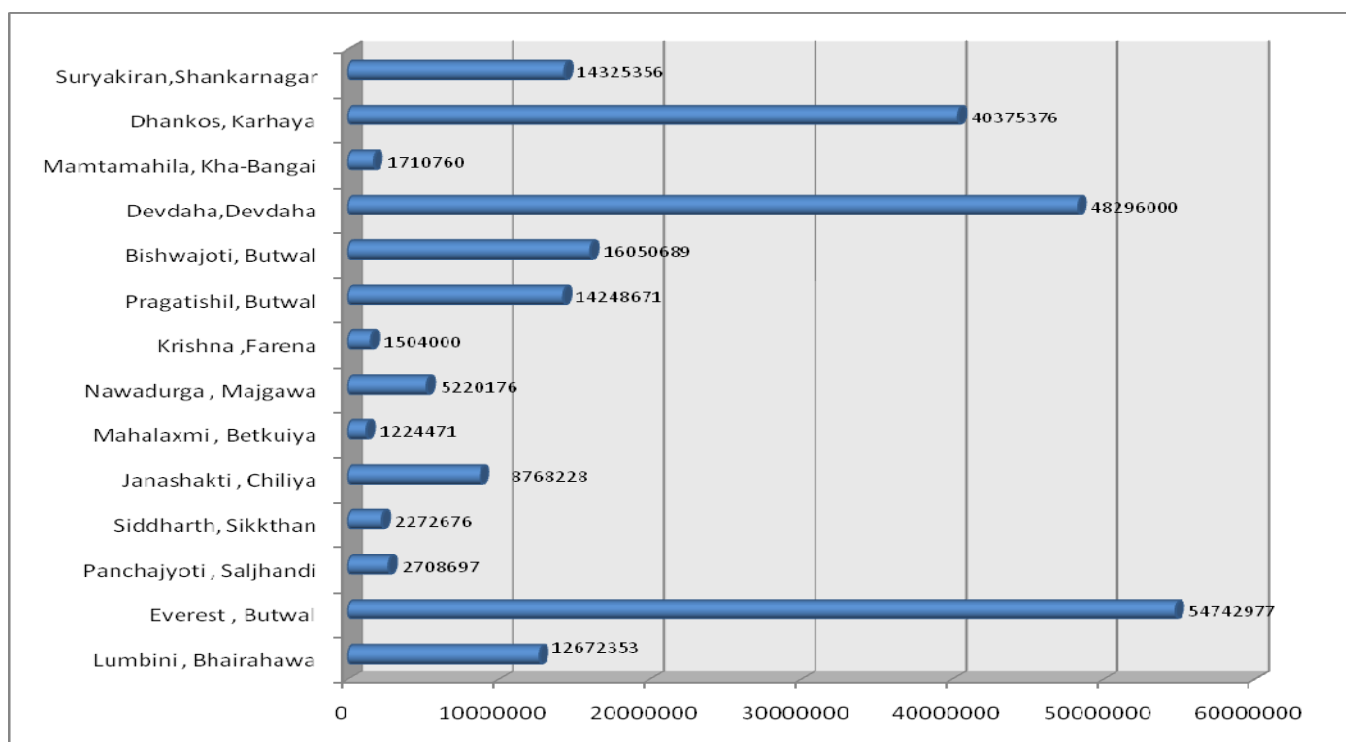
*Source: DCO, Rupandehi 2011*



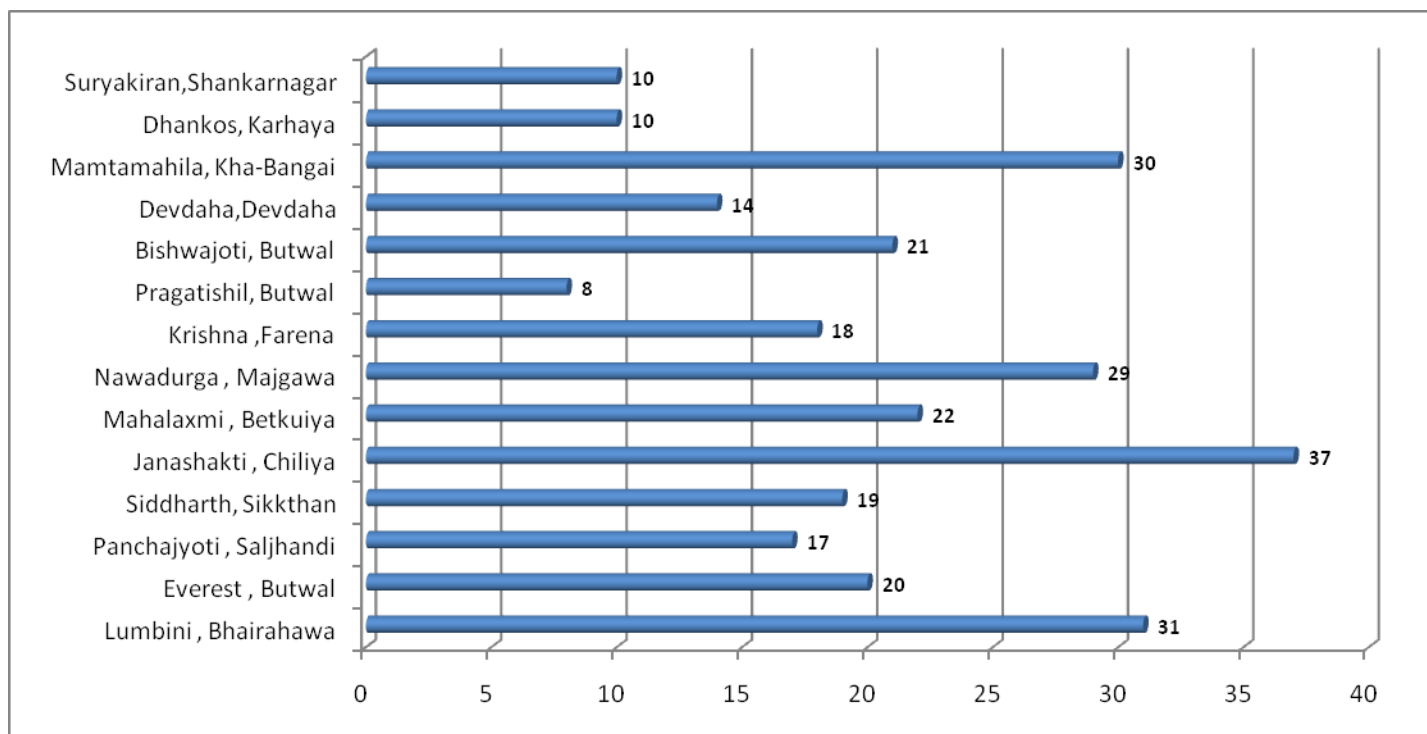
In this table the oldest cooperative institute ‘Lumbini SACCOS’, established in 1995 to the new institutions established until 2005 have been taken for the study. Three cooperative institutions have been selected only from Butwal municipality since it contained 14 cooperatives prior to 2005 including different communities and geographical regions. Other selected cooperatives are Janashakti SACCOS-Chilihiya, which has the largest numbers of members and Mamata Mahila SACCOS-Kha-Bangai, which has only female members. The cooperatives run by ethnic minorities and promoted by non-government organization 'RMDC' have also

been selected for the study. Similarly cooperatives from city areas, developed VDCs and VDCs from geographically backward regions have been selected for the study. The cooperative from communities of terai origins, hill -side origins and other ethnic groups also have been selected.

**Figure 6.8 Annual Capital Amounts of Sample Cooperatives**



**Figure 6.9 Sample size of Sample Cooperatives**



The following table presents an analysis of the ethnicity of the total members of the selected cooperatives. The ethnicity of the members has been done on the basis of four major divisions of the people of Nepal as upper caste, Dalits, Janajati and religious minorities. While analyzing the ethnicity of share members of the cooperatives, about 57% of the total members are from upper caste, 24% members from Janajati, 17% members from Dalit and 2% from religious minorities. The access of religious minority groups seems to be very less where as the access of upper caste seems to be higher. The involvement from the point of view of gender the ratio of males and females from religious minority groups seems to be equal than in other three groups. Form the upper caste and Dalit, male member involvement is higher than females but from Janajati female's involvement is greater.

**Table 6.8 Ethnicity and Gender wise Status of Sample Cooperatives**

Name of Cooperative	Upper caste				Dalit				Janajati				Religious Minorities				Total shareholder Member
	Female	Male	Total	Total %	Female	Male	Total	Total %	Female	Male	Total	Total %	Female	Male	Total	Total %	
Lumbini	70	175	245	80	4	11	15	5	11	26	37	12	3	6	9	3	306
Everest	73	93	166	85	0	0	0	0	13	16	29	15	0	0	0	0	195
Panchajyoti	19	6	25	15	6	2	8	5	103	31	134	80	0	0	0	0	167
Siddharth	17	13	29	15	33	25	58	30	55	42	97	50	6	4	10	5	194
Janashakti	143	132	275	75	9	9	18	5	34	32	66	18	4	3	7	2	366
Nawadurga	58	70	128	60	15	17	32	15	21	26	47	22	3	3	6	3	213
Mahalaxmi	74	58	131	45	41	32	73	25	46	36	82	28	3	3	6	2	292
Krishna	14	70	83	45	11	54	65	35	5	28	33	18	1	3	4	2	185
Pragatishil	20	50	70	83	0	1	1	1	4	9	13	16	0	0	0	0	84
Bishwajoti	1	1	2	1	57	138	195	92	4	11	15	7	0	0	0	0	212
Devdaha	32	102	133	90	0	0	0	0	4	11	15	10	0	0	0	0	148
Mamtamahila	226	0	226	75	15	0	15	5	60	0	60	20	0	0	0	0	301
Dhankos	12	32	45	45	1	4	5	5	14	36	50	50	0	0	0	0	99
Suryakiran	30	58	88	88	0	0	0	0	4	8	12	12	0	0	0	0	100
<b>Total</b>	<b>787</b>	<b>858</b>	<b>1645</b>	<b>-</b>	<b>193</b>	<b>293</b>	<b>486</b>	<b>-</b>	<b>378</b>	<b>311</b>	<b>689</b>	<b>-</b>	<b>20</b>	<b>22</b>	<b>42</b>	<b>-</b>	<b>2862</b>
<b>Average percentage</b>	<b>27</b>	<b>30</b>	<b>57</b>		<b>7</b>	<b>10</b>	<b>17</b>		<b>13</b>	<b>11</b>	<b>24</b>		<b>1</b>	<b>1</b>	<b>2</b>		<b>100</b>

*Source: Sample Survey, 2011*

Professional analysis has been done here of economically active population in the 15-59 age group of sample family member in the total population. According to this analysis, male and female cover 51.7% and 48.3 percentages respectively. Fifty three percent people are involved in agriculture as their profession, 33.2 and 19.7 percentage are male and females in it. As the other occupations 22.4% people are engaged in industrial profession, 9.6% in foreign employment, 9.6% in domestic services and 5.9 % in daily wages service.

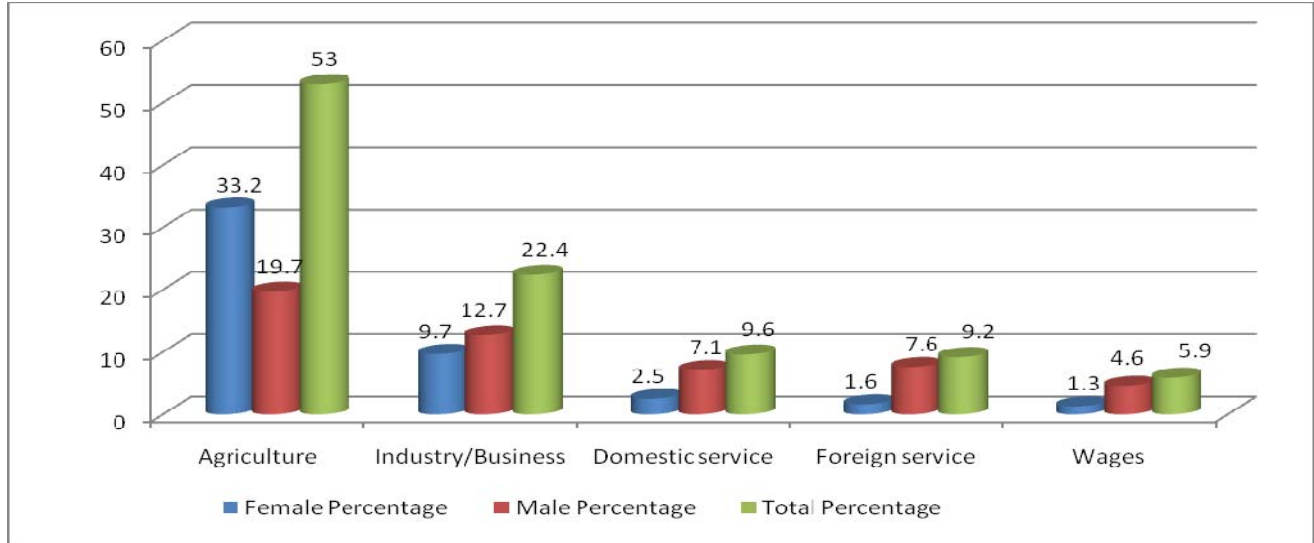
In the ratio of share members, female involvement is seen greater agricultural sectors than the male in family members. But in other sectors males are more engaged in different professional sectors. There is proportional involvement in agriculture and non-agricultural sector of share member and total family members. And while comparing agriculture sector to the national status, population study field seems to be reduced by 20 percent and it is a bit upgraded in the agricultural field. Owing to the continual assistance from cooperative to the industries, entrepreneurs and foreign employment, participated percentage from agriculture to different sectors seems high.

**Table 6.9 Gender wise Occupational Status of Households of the Sample Share Members**

Occupation	Female		Male		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Agriculture	424	33.2	252	19.7	676	53.0
Industry/Business	124	9.7	162	12.7	286	22.4
Domestic service	32	2.5	90	7.1	122	9.6
Foreign service	20	1.6	97	7.6	117	9.2
Wages	16	1.3	59	4.6	75	5.9
Total	616	48.3	660	51.7	1276	100.0

*Source: Sample Survey, 2011*

**Figure 6.10 Gender wise Occupational Status of the Sample Share Members  
in Percentage**



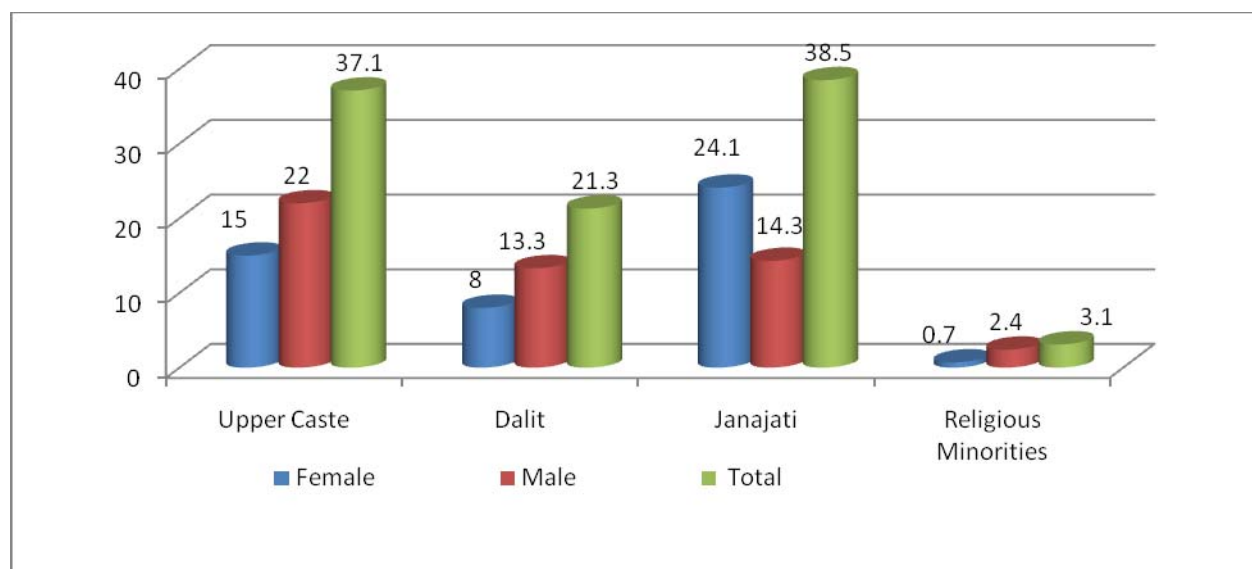
In the study of gender wise ethnicity status of respondent we find 37.1% upper caste, 21.3% Dalit, 38.5% Janjati and 3.1% religious minorities from the cooperative involvement. Under the basis of sexuality, females are more involved from Janjati background but males seemed to possess a high rate in various ethnical background. As a whole, 24.1% from Janjati females, 22% males from upper caste are involved in the cooperative, and males and females from religions minorities belong to the low involvement.

**Table 6.10 Percentage of Sex wise Ethnicity Status of Respondents**

Sex/Ethnicity	Upper Caste	Dalit	Janajati	Religious Minorities	Total
Female	15.0	8.0	24.1	0.7	47.9
Male	22.0	13.3	14.3	2.4	52.1
Total	37.1	21.3	38.5	3.1	100.0

*Source: Sample Survey, 2011*

**Figure 6.11 Percentage of Sex wise Ethnicity of Respondents**



### **6.5 Poverty Reduction Programmes in Rupendehi**

The involvement of 61% of the total population of the district in farming proves to that agriculture covers the important part of economic development. The animal husbandry as a supplementary profession of agriculture has been going professionally ahead. The profession of keeping cows, buffaloes, pigs, poultry etc. is gradually increasing. Various kinds of large and small business and industrial activities have been running in this district. The industries like spinning mills, cement factory, chemical fertilizer industry, alcohol industry, iron industry, flour mills, vegetable ghee etc. are in function.

The district has been running fast ahead with the infrastructure development like road and transportation, telecommunication, electricity, drinking water etc. The basic service like education and health are heading to development. The famous religious pilgrimage tourist places like Lumbini, Devadaha, Siddhababa, Bolbamdham are located in this district. The plans and programmes related to poverty reduction have been running in this district which is important from

economic, social, trade and tourism point of view. The total estimated annual income of the district development including different government and non-government sectors is 3 Arab 22 crore and the expenditure in district level projects & plans is also in the same ratio from each sector (DDC, Rupandehi, 2011)<sup>9</sup>.

According to the plans of completing Millennium Development Goals (MGD) until 2015 A.D., many development activities have been conducted in the district. The most of the development programs being conducted have tried to touch the recently defined four dimensions of poverty as far as possible. The four dimensions of poverty are poverty by income; poverty in social and economic/human development; poverty due to lack of access to physical, infrastructure development services and facilities and poverty due to lack of access to governance or good governance.

There have been important roles of their own from each of government sectors, private sector and cooperative sector to reducing the poverty of the district. Especially, the private sector is concerned with promotion of investment and employment and the role of government and cooperative sectors can be stated with much importance to targeted programmes. Many project works are conducted by the government sector with the partnership of many donor-agencies, national and international non-government institutions. The forms of main projects and programs can be stated as below. These various programs going on in the district can be categorized in two groups:

#### **1) The programs conducted from the ministry and other sectors under it:**

Although many programs are conducted from different ministries, mainly the development programs are conducted from the ministry of local development.

Some of the most important programs conducted in Rupendehi districts as given below:

- i. People's participation based development programmes.
- ii. Rural Access Improvement and Decentralization Project (RAIDP)
- iii. Local Transportation Infrastructure Sector Wide Programmes.
- iv. Rural Water Supply and Sanitation Project (RWSSP)
- v. National Foundation for Development of Indigenous Nationalities (NFDIN)
- vi. Neglected, Suffered and Depressed class Upliftment Development Board.
- vii. Terian Backward class and Muslim Upliftment Program.
- viii. Chure and Terai Area Development Program.
- ix. Bishweswor program with poors.
- x. The programs of Local Government and Community Development Program (LGCDP)
- xi. Social Mobilization Program.

These programs have helped in various social sectors by investing the investment like agricultural professionalism, increase in production, infrastructure development, Control of flooding, irrigation, drinking water, construction of toilet and drainage, promotional activities to uplift indigenous and backward people, increase in ability, skill development and income generation, which has helped promote the life of poor and backward community (MLD,2010 )<sup>10</sup>.

## **2) Programs conducted by Donor Agencies and Non-government Organizations:**

Many programs related to poverty reduced are in function conducted by many National and international non-government organizations and donor agencies in this district which are as given below:

- i. Income Programs for Livelihood.



- ii. Traditional Skills Development Training Programmes.
- iii. United Economic Development Project.
- iv. Community Literary Programmes for Poverty Alleviation.
- v. Social Mobilization Program.
- vi. Health, Drinking water and Sanitation Program.
- vii. Animal Husbandry, Vegetable and Small Business Promotion Program.
- viii. Rural Poor Community Development Programmes.
- ix. Safe Motherhood and Child health Program.
- x. HIV Control, Care and Reduction of destruction Program.
- xi. Animal husbandry, Fruits and Vegetable Farming Program.
- xii. Social Goodwill Project for Sustainable Peace.
- xiii. Sustainable Agriculture Development, Women Empowerment and Leadership Development Training Programmes.
- xiv. Programs for Environment, Biodiversity and Reduction of Climate Change.
- xv. Rural Urban Partnership Programmes.

Apart from these programs, many other programs related to various subjects and areas are being conducted by non-government agencies, local clubs and mother groups. Many donor-agencies and international institutions have donated in poverty reduction and social mobilization in the district. Mentioning some of the main institutions of donation are S.A. Foundation, Canada; European Union; Adra, Nepal; World Vision International, Nepal; DFID; Heifer International; UNICEF, Nepal; United Mission to Nepal (UMN); Action Aid; UNDP; CWS; Family Health International (FHI), Care Nepal; Amda Nepal; Blue Diamond Society; FINIDA etc. (DDC, 2011)<sup>11</sup> .

With the main aim of attaining Millennium Development Goals, 'District Level Millennium Development Goals and Needs Identification' Program has been

completed in Rupendehi district. To improvement the eight National goals with district level programs; it has been planned in the following ways:

- i. To halve extreme poor's.
- ii. Provide primary education to all.
- iii. Increase gender equality.
- iv. Reduce infant mortality.
- v. Improve in maternal health.
- vi. Struggle against communicable diseases / infectious diseases.
- vii. Ensure sustainable environment.
- viii. Organizing world partnership for development.

To attain these goals, an aim is set to go ahead by determining different areas and indicators. This plan will play an important role in poverty reduction of Rupendehi district (NPC/DDC/UNDP, 2006)<sup>12</sup> .

#### The Attempts made from Cooperative Sector

To reduce poverty in Rupandehi, the programmes conducted by cooperative institutes have played an important role. In spite of having many examples of cooperation, the establishment of cooperative institutions seems to be formally from 2020 B.S. In the agriculture dependent economy, there was the need of easily accessible chemical fertilizer, seeds and agriculture loan for the farmers for this purpose the cooperative had been helpful to all farmers. Consumers used to buy basic goods like sugar, salt etc. from these societies. The cooperative was playing a helpful role in farmers' family. Although the cooperative movement marched gradually ahead, the campaign of cooperative establishment has concerned only after 2050 B.S.

There has been a great help through cooperative by forming a group of community with the development of common spirits, for socialization between different communities and women empowerment. Similarly, it has helped people

to get freedom from the condition of taking loan from people in high interest rate and develop a habit of collecting and saving small amount of money. The cooperative has been successful in developing a concept of 'save and then use' rather than 'use and then save'. Similarly, it has played a positive role in developing leadership and equal participation of all adult members in making decision of a family (DSU,2010)<sup>13</sup>.

But the cooperative movement since 2020 B.S. to date hasn't achieved great success in providing enough employment opportunity to foster direct economic increment and reduce economic poverty. The study shows that all the saving and credit cooperative institutions have focused only on saving and providing loan. The involvement of only very few cooperatives seems to be working in providing training to members and helping them to create self-employment. Although a few of the members have made a significant change in incoming though foreign-employment taking loan from cooperative, this number is very small.

In this way, by analyzing the role of cooperative in poverty reduction in Rupandehi district it has got great achievement played an important role in poverty reduction in contained in social and human development. It can be taken as a partial achievement for its contribution to poverty due to lack of access to governance and good governance and empowerment and increase in social participation. However, there has been very less achievement in poverty due to income, poverty due to lack of access to physical, infrastructure development, services and facilities.

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## CHAPTER SEVEN

### PRESENTATION AND INTERPRETATION OF RESULT

#### 7.1 General Information

##### 7.1.1 Gender wise Distribution

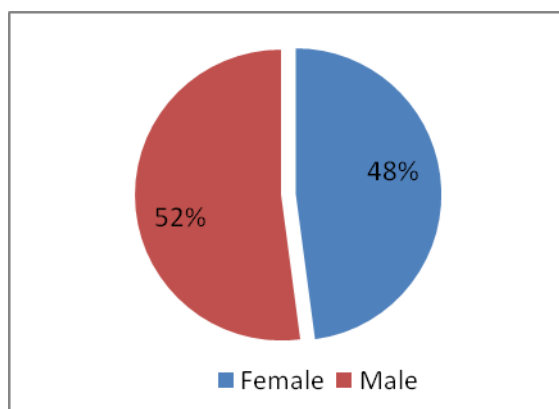
Among the total 286 sample size, there are 52.1 % male and 47.9% female respectively. From this statistic, male participation seems to be bigger in cooperative movement of Rupandehi district. While analyzing the national status of cooperative, there are 41% female and 59% male cooperative member till the 13 April, 2011, (DOC, 2011)<sup>1</sup>. In case of cooperative condition of Rupandehi district, 39.4% female and 60.6% male are found in the gross cooperative numbers (DCOR, 2011)<sup>2</sup>.

**Table 7.1 Gender wise Distribution  
of Respondents**

Gender	Respondents	Percent
Female	137	48
Male	149	52
Total	286	100

*Source: Sample Survey, 2011*

**Figure 7.1 Gender wise Distributions of  
Respondents**



##### 7.1.2 Educational Status of Respondents

While analyzing gender wise educational status of share members, there seems to be 5.9% of gross illiteracy rate. As a result there is 2.8% female and 3.1% male illiterate. It means that male illiteracy rate possess a high position. In this

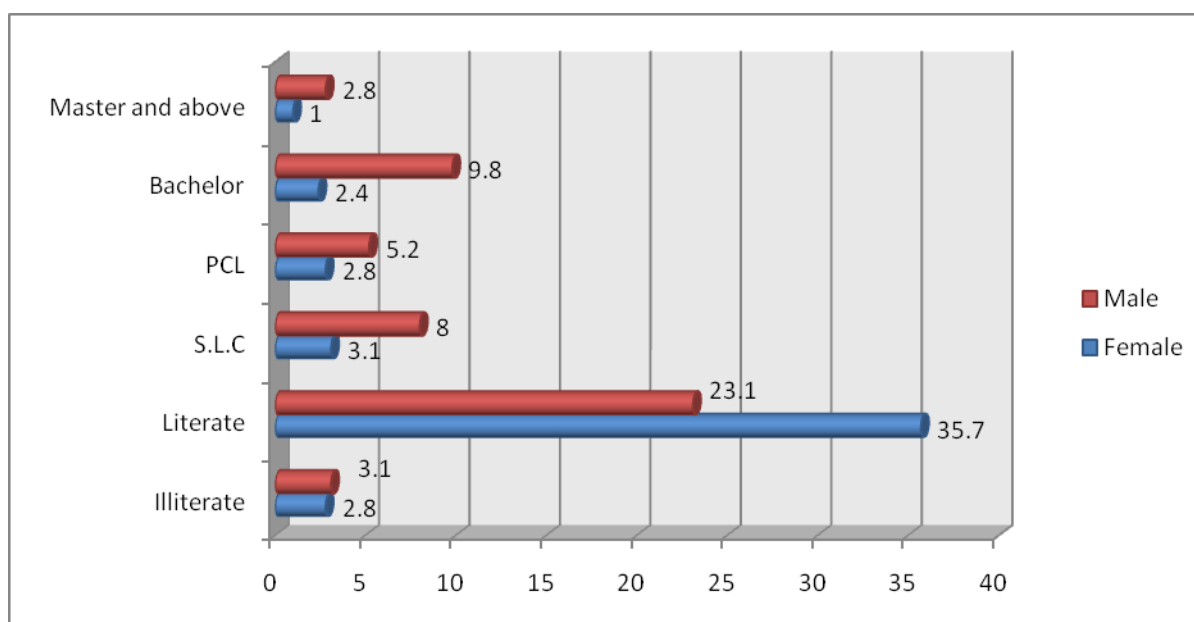
way, there is 35.7% female and 23.1% male in general 58.7 percent literacy rate. And the rest 35.4 percent in the S.L.C. and above are this educated members. So we find 94% share member's literate and only 6% people illiterate in the study area of total educational background. And adult literacy rate of Nepal in found to be 55.6% in this literacy field. 70.7% male and 34.3% female are in it (NLFS, 2008)<sup>3</sup>. In this way, there is total 66.24% literacy rate in Rupendehi district in which 76.2 and 55.92 are male and female percentage simultaneously (CBS, 2001)<sup>4</sup>.

**Table 7.2 Gender wise Educational Status of Respondents in Percentage**

Gender/Educational status	Illiterate	Literate	SLC	PCL	Bachelor	Master and above	Total
Female	2.8	35.7	3.1	2.8	2.4	1.0	47.9
Male	3.1	23.1	8.0	5.2	9.8	2.8	52.1
Total	5.9	58.7	11.2	8.0	12.2	3.8	100.0

*Source: Sample Survey, 2011*

**Figure 7.2 Gender wise Educational Statuses of Respondents in Percentage**



### 7.1.3 Occupational Status of Respondents

To the gender-wise occupational status of share holder member, 54.5% people are involved in the agricultural sector. And people from industry / business, domestic job and other professions consist of 28.7%, 13.3% and 3.5% involvement respectively. Other professions are included like politics; social service etc. On the basis of their sexuality in professional involvement, female participations (33.2%) are appeared to be in the greatest rate in agriculture as compared to the male participation (21.3%) and vice versa in other sectors.

As demonstrated in Nepal , 73.9% people are involved in agriculture as their profession and other 26.1% people follow non-agricultural profession (NLFS, 2008)<sup>5</sup>.

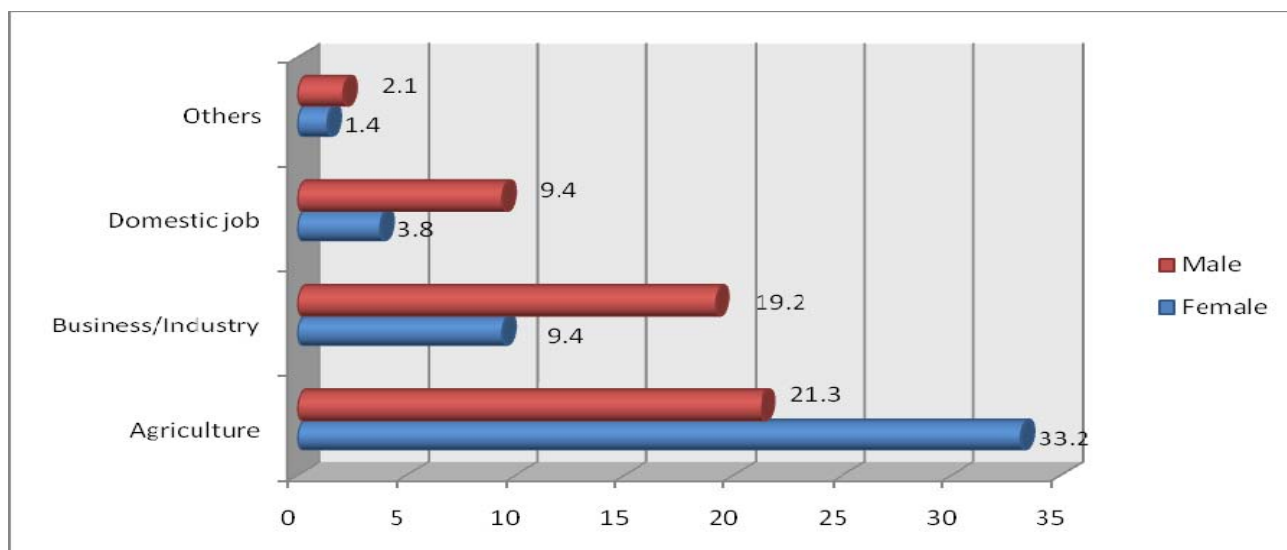
**Table 7.3 Gender wise Occupational Status of Respondents in Percentage**

<b>Gender/ Occupation</b>	<b>Agriculture</b>	<b>Business / Industry</b>	<b>Domestic job</b>	<b>Others</b>	<b>Total</b>
Female	33.2	9.4	3.8	1.4	47.9
Male	21.3	19.2	9.4	2.1	52.1
Total	54.5	28.7	13.3	3.5	100.0

*Source: Sample Survey, 2011*



**Figure 7.3 Gender wise Occupational Statuses of Respondents in Percentage**



#### **7.1.4 Gender wise Responsibility of Respondents**

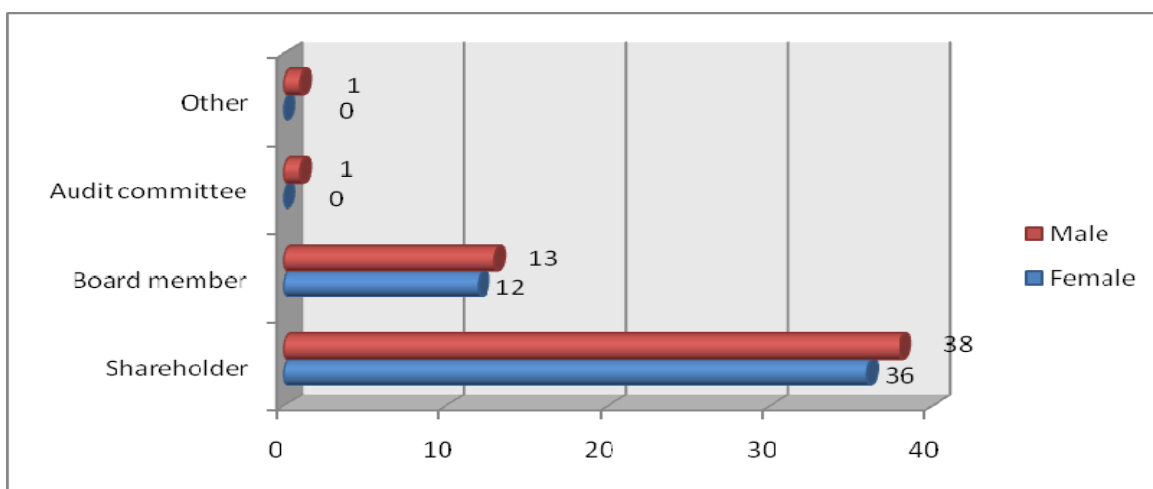
There are 74 percent general share members as to analyses of the member from samples, who have maintained role in the cooperative. Twenty four percent board members, one percent audit committee and one percent other committee are there. While analysing sexuality of the respondents, there are 36% females and 38% males. And there are 12% females and 13% males in the board members.

**Table 7.4 Responsibility of Respondents Towards their Cooperative in Percentages**

Sex/responsibility	Shareholder	Board member	Audit committee	Other	Total
Female	36	12	0	0	48
Male	38	13	1	1	52
Total	74	24	1	1	100

*Source: Sample Survey, 2011*

**Figure 7.4 Responsibility of Respondents Towards their Cooperative in Percentage**



## 7.2 Knowledge of a Cooperator about Cooperative

The entire cooperative should come under the principle of International Cooperative Alliance (ICA), its norms and values and all the saving and credit cooperatives should be conducted according to the principle of World Council of Credit Union (WOCCU). Moreover, all the founder members of cooperative, board members and members of different committee and all share members have their own roles and responsibilities. Share holders must be familiar with all the plans and activities of the institution and the board members of the institution should bear the responsibility of informing all its share members about all the plans and activities. The activities of the institution, the participation of institution in social activities, the participation of cooperative members in all activities conducted by the institution, the election of the board of management committee; the areas of investment, the necessary trainings about cooperative education to the members, the economic transparency of the institution and feelings and responses of

members about it etc. are very important matters. Whether the institution has imposed all its activities to the members or there is the agreement of all its members is also one of the crucial parts of the conduction of co-operative.

Including all these important things of institutional good governance how much information the members hold about their institution as one of the share members of the cooperative, has been studied below.

### **7.2.1 Selection Procedure of Executive Committee**

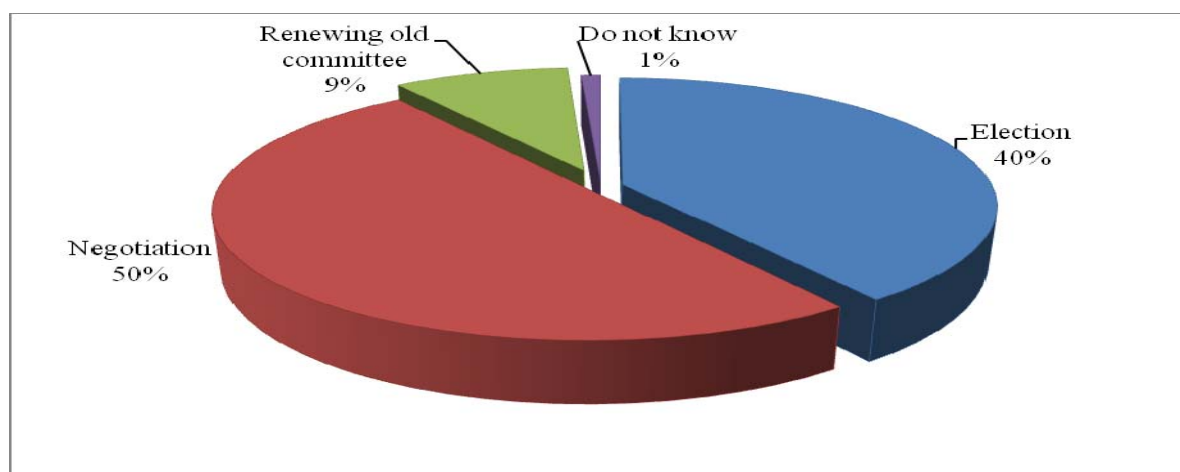
This table presents an analysis about the norms and practices in forming the management committee that bears the responsibility of guiding the cooperative making necessary polices and other necessary committees. The analysis of the answers obtained by the cooperators in the study area has been analyzed here. 50% members thought that they form the committee by common concession. Other 40% members kept their opinion that they form the committee from election. Similarly at least 9% members told that they renew and let to continue the previous committee. 1% members expressed their ignorance about the formation of the committee.

**Table 7.5 Knowledge of Shareholder to the Procedure  
of Select Board**

<b>Procedure</b>	<b>Percentage</b>
Election	40
Negotiation	50
Renewing old committee	9
Do not know	1
Total	100

*Source: Sample Survey, 2011*

**Figure 7.5 Knowledge of Shareholder to the Procedure of Select Board**



Similarly, according to the data obtained from cooperative societies about selection process of leadership 79% institutions have provision of election by common agreement but 21% followed the election method.

**Table 7.6 Procedure to Selection of Executive Committee**

Name of Cooperative	Procedure of Board Formation	
	Election	Negotiation
Lumbini SACCOS Bhairahawa	Negative	<b>Positive</b>
Everest SACCOS Butwal	Negative	<b>Positive</b>
Panchajyoti SACCOS Saljhandi	Negative	<b>Positive</b>
Siddharth SACCOS Sikkthan	Negative	<b>Positive</b>
Janashakti SACCOS Chiliya	<b>Positive</b>	Negative
Mahalaxmi SACCOS Betkuiya	Negative	<b>Positive</b>
Nawadurga SACCOS Majgawa	Negative	<b>Positive</b>
Krishna SACCOS Farena	Negative	<b>Positive</b>
Pragatishil SACCOS Butwal	Negative	<b>Positive</b>
Bishwajoti SACCOS Butwal	<b>Positive</b>	Negative
Devdaha SACCOS ,Devdaha	Negative	<b>Positive</b>
Mamtamahila SACCOS, Kha-Bangai	Negative	<b>Positive</b>
Dhankos SACCOS, Karhaya	Negative	<b>Positive</b>
Suryakiran SACCOS ,Shankarnagar	<b>Positive</b>	Negative
Total Positive Response	3	11
Percentage	21%	79%

*Source: Sample Survey, 2011*

According to the cooperative share members the different systems of forming the committee doesn't seem to match with democratic norms and values. In the same way, the differences between the election process of the institution and thoughts and understanding of the members indicates that there is a need of transparency and improve good governance of the cooperatives. In fact, what influence remains in the members by their activities is more important than what the board members do.

### **7.2.2 Social Sector Involvement of Cooperatives**

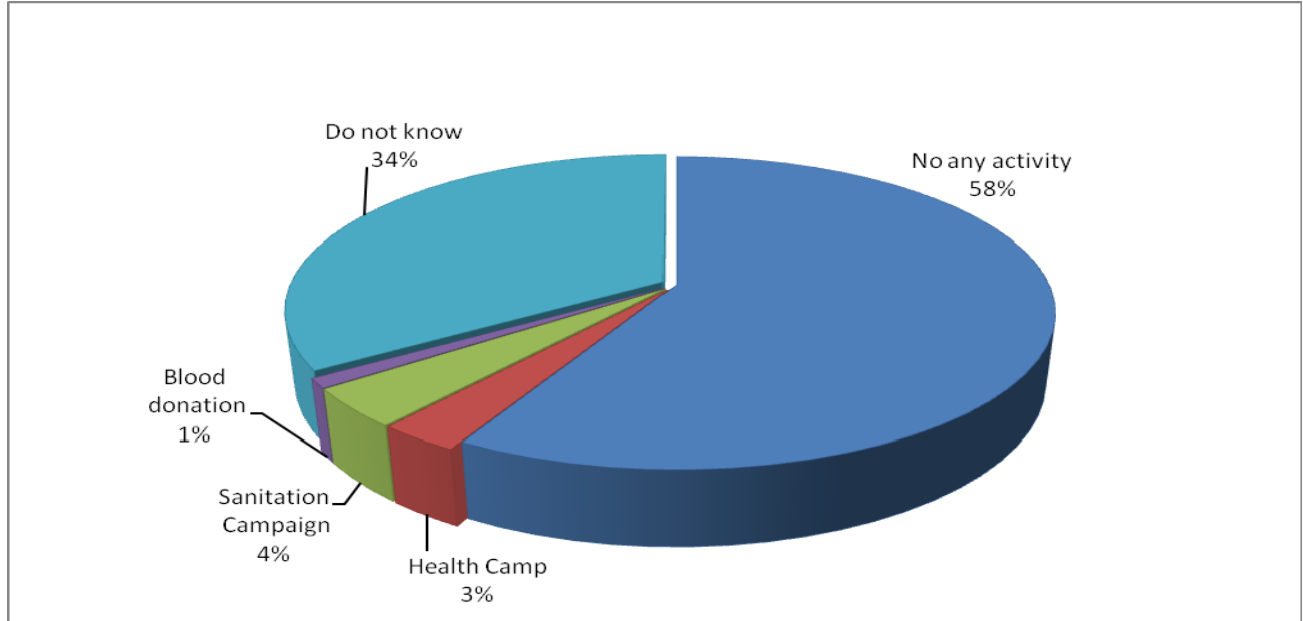
This table presents the knowledge of cooperative members about the activities of cooperative in the society. 85% members responded that the cooperative hasn't been involved in any kind of activities in the society. 34% members revealed their ignorance about what cooperative does. i.e. they don't know about the activities of cooperative in the society. Only 8% people seem to have known about its various activities in the society. This clarifies that in terms of cooperative principles it seems to be passive towards social responsibilities.

**Table 7.7 Knowledge of Shareholders about Social Sector Involvement of Cooperatives**

<b>Sector</b>	<b>Percentage</b>
No any activity	58
Health Camp	3
Sanitation Campaign	4
Blood donation	1
Do not know	34
Total	100

*Source: Sample Survey, 2011*

**Figure 7.6 Knowledge of Shareholder to Social Sector Involvement of Cooperatives**



According to the responses received from the cooperatives in the study area 71 % cooperatives don't do any kind of social activities where as only 29 % cooperatives have been involved in such activities. Either from the understanding of the members or minimum participation of cooperative in social activities, it has created a problem in the development of cooperative.

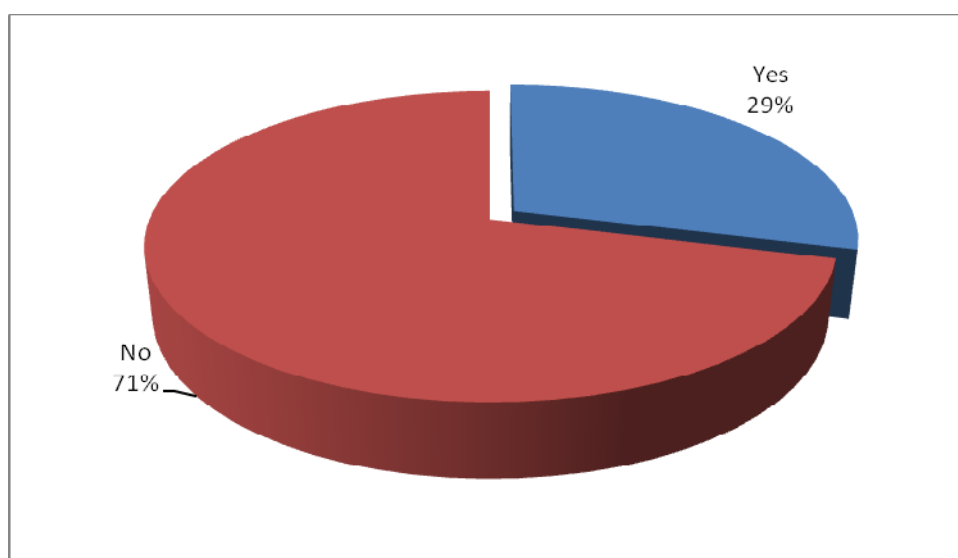
**Table 7.8 Social Sector Involvement of Cooperatives**

Name of Cooperative	Response
Lumbini SACCOS, Bhairahawa	Negative
Everest SACCOS, Butwal	<b>Positive</b>
Panchajyoti SACCOS, Saljhundi	Negative
Siddharth SACCOS, Sikkthan	Negative
Janashakti SACCOS, Chilia	Negative
Mahalaxmi SACCOS, Betkuiya	Negative
Nawadurga SACCOS, Majgawa	<b>Positive</b>

Krishna SACCOS, Farena	Negative
Pragatishil SACCOS, Butwal	Negative
Bishwajoti SACCOS, Butwal	Negative
Devdaha SACCOS ,Devdaha	<b>Positive</b>
Mamtamahila SACCOS, Kha-Bangai	<b>Positive</b>
Dhankos SACCOS, Karhaya	Negative
Suryakiran SACCOS ,Shankarnagar	Negative
Percentage in Positive	29%
Percentage in Negative	71%

*Source: Sample Survey, 2011*

**Figure 7.7 Social sector involvement of cooperative**



### **7.2.3 Knowledge about the Values, Norms and Principles of Cooperative**

Share members should be informed about the norms, values and principle of cooperative. This table presents the analysis about it. According to the respondents 32% members have know the norms, values and principles of cooperatives, but 68% members seem to be ignorant about it. Other 65% members told that they know nothing about the norms, values and, principle of cooperative because of making no plans for any kind of training by the institution in which they

are involved. Whereas 3% people told that they have no time to participate in training.

To stay being known about the norms and values of such a large institution leads to create a problem in the proper movement of the cooperative.

In average 68% members attendance is seem in the general meeting where as 8% members in average put their views in AGM. Only 33% of the total share members know about the total member of share members in their institution.

**Table 7.9 Knowledge on the Values, Norms and Principles of Cooperative**

<b>Response</b>	<b>Reason</b>	<b>Percentage</b>
Yes		32
No	Lack of organizing training by cooperative	65
	Lack of time to attain training	3
Total		100

*Source: Sample Survey, 2011*

All the executive members must have the knowledge of the norms, values and principles of cooperatives. This study reveals that 64% executive committee member in average seem to know about the norms, values and principal of cooperatives where as maximum of 90% executives and minimum of 40% executives have known about the norms, values and principles of cooperatives. This can be regarded as the weakest aspect of cooperation operation because 100% executive members must have the knowledge about it.

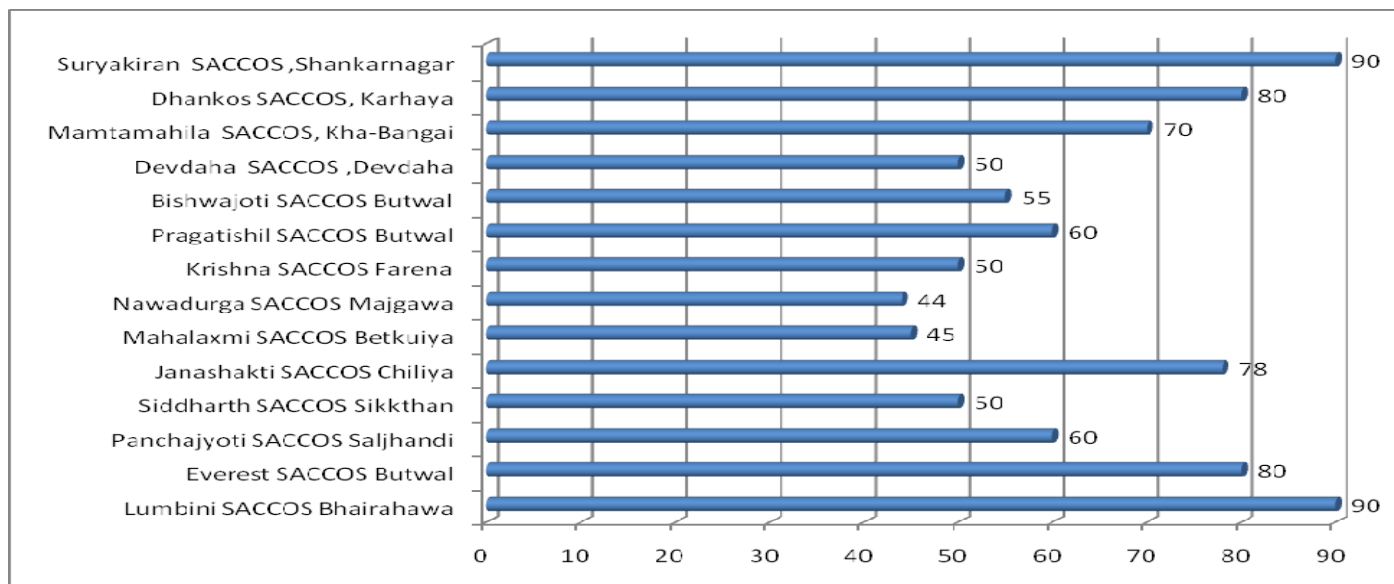


**Table 7.10 Knowledge about Principle, Norms and Values of Cooperative On Executive Committee Member**

<b>Name of Cooperative</b>	<b>Percentage of Executive Committee Member</b>
Lumbini SACCOS, Bhairahawa	90
Everest SACCOS, Butwal	80
Panchajyoti SACCOS, Saljhandi	60
Siddharth SACCOS, Sikkthan	50
Janashakti SACCOS, Chiliya	78
Mahalaxmi SACCOS, Betkuiya	45
Nawadurga SACCOS, Majgawa	44
Krishna SACCOS, Farena	50
Pragatishil SACCOS, Butwal	60
Bishwajoti SACCOS, Butwal	55
Devdaha SACCOS, Devdaha	50
Mamtamahila SACCOS, Kha-Bangai	70
Dhankos SACCOS, Karhaya	80
Suryakiran SACCOS, Shankarnagar	90
Total	898
Average	64

*Source: Sample Survey 2011*

**Figure 7.8 Knowledge about Principle, Norms and Values of Cooperative On Executive Committee Member in Percentage**



#### 7.2.4 Membership of Cooperatives in Different Nature

This table presents the analysis of the cooperative members to have been the member of different cooperative societies. In fact it's good to become the member in one kind of cooperative. The cooperative policy of the government also addresses the same thing. It is found that 38% people have been the member in only one kind of cooperative, where as 62% people seem to be involved in various cooperatives of different nature ranging from one to seven. 40% people are found to be involved in many saving and credit cooperative societies which don't quite match with the Government cooperative policy-2011. Similarly the study carried out in the study area reveals that 8% people have been involved in saving-credit and agriculture cooperative and other 8% people in saving-credit and multipurpose. In the same way people involved in agriculture, multipurpose, saving- credit and milk are 1%, 2% and 3% respectively. This is the data about the members of one saving-credit cooperative involving in various other cooperatives.

In this way, the knowledge and information of the board members and other members seems to be lacking to make the cooperative more useful and purposeful. The main problem of cooperative seems to have the concept of the cooperators in involving in many cooperative societies.

**Table 7.11 Nature of other Cooperatives that Member Involved in**

<b>Nature</b>	<b>Percentage</b>
Saving and credit	40
Agriculture	1
Multipurpose	2
Saving -credit and agriculture	8
Saving-credit and milk	3
Saving-credit and multipurpose	8
Total	62

*Source: Sample Survey, 2011*

About reason behind involving in different cooperative society of the same nature, 22% people responded that it becomes easier to get loan, 18% were involved for saving purpose, where as 19% responded for the both reasons of saving and credit. Similarly 2% expressed their opinion that it becomes easier for getting agricultural equipments, seeds and chemical fertilizer. On the other hand 1% told that they were involved due to the friends and relatives.

**Table 7.12 Reason to be Cooperative Member  
from Other Cooperatives**

<b>Reason</b>	<b>Percentage</b>
Borrowing	22
Saving	18
Personal request	1
Saving and borrow	19
Others	2
Total	62

*Source: Sample Survey, 2011*

This table presents an analysis about the inspiration given by various agencies to become co-operative members. According to the survey done in the study area, 39% respondents have told that they were inspired by neighbours and relatives. 26% and 23% people were inspired by co-operative members and non government institutes. 9% of them have become the members spontaneously without anyone's inspiration. Other 3% people were inspired from government sectors to become its co-operative members.

On the whole apart from the neighbours and cooperative members, the inspiration of NGO can be taken as a positive factor. However, all the aspirators

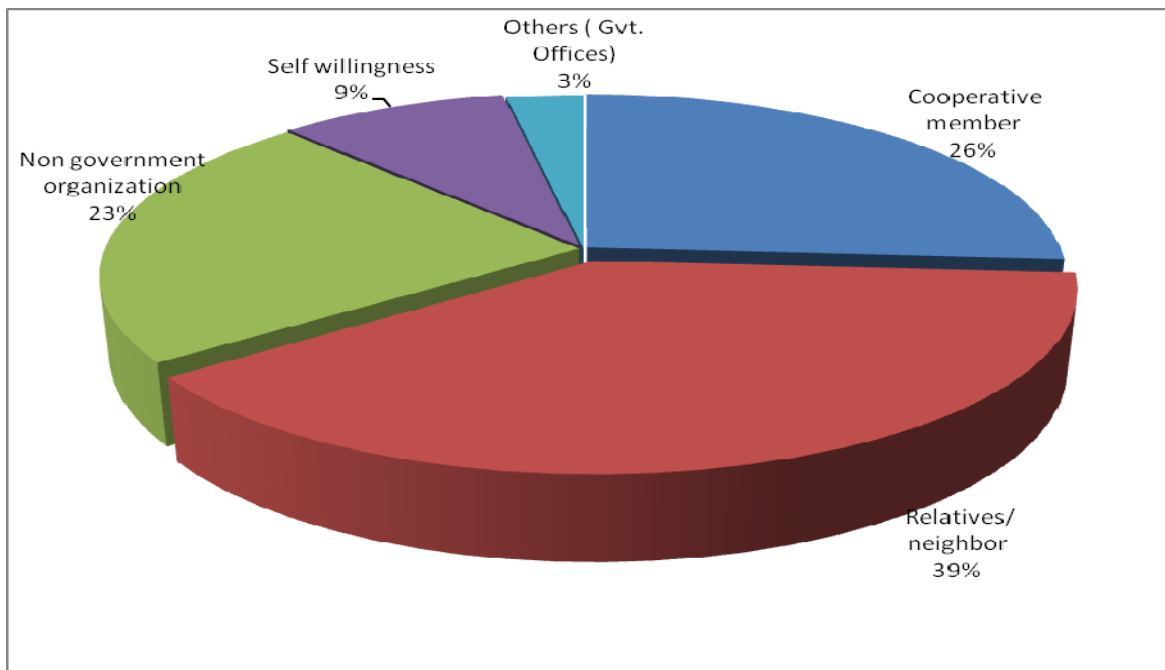
don't seem to have clarified all the realities of cooperative to the new members. Most of the people seem to have inspired to make others people to be members because it is better to become and that they've also been the members

**Table 7.13 Motivation to Become a Member of Cooperative**

Source	Percentage
Cooperative member	26
Relatives/ neighbor	39
Non government organization	23
Self willingness	9
Others ( Gvt. Offices)	3
Total	100

*Source: Sample Survey, 2011*

**Figure 7.9 Motivations to Become a Member of Cooperative**



### **7.3 Socio Economic Status of the Study Area**

Co-operative is the powerful medium of bringing a drastic change in social, economic and cultural aspect of its members. There can be great differences in social and economic level between the people who have been the members of cooperative and those who haven't been its members. From the result of the sample survey done in the study area, it has been found that the cooperative has played an influential role in increasing social recognition, to be closer to various communities and castes, increasing participation in decision making process, and empowering women. Similarly cooperative has played an important role in increasing the involvement of family members in making decision of the process of household works; and promotion of women involvement in social responsibilities. The socio economic status of study area has been presented as gender and ethnicity wise description of educational, occupational circumstances of sample size. Similarly house condition, toilet and lightening status of home, holding domestic goods and means of transportations etc are presented for the representation of socioeconomic status in study area.

#### **7.3.1 An Analysis of the Executive Committee of Cooperative**

There is an important role of the board of members in conduction and management of cooperative. The major functions of the board of members are to make and pass the policies, rules, regulations and work plans and use the approved policies and work plans. It plays an important role in taking the cooperative ahead, improvement of it providing various services to its members etc.

It is also necessary to analyse about the board members as being the members of such a responsible committee. In this chapter the analysis of members in terms of gender, academic status and ethnic condition is done.

### 7.3.1.1 Academic Status of Execution Committee Members

From the analysis of the academic status of the board members of the sample cooperatives, it is found that, no executive member is illiterate but 40% executives are literate, 16% have passed S.L.C, 24% certificate level, 12% are bachelor degree holder, 8% members have the qualification of master's degree and above. In average 4 persons are literate, 2 persons SLC graduate, 2 persons PCL, one bachelor and one masters and above.

**Table 7.14 Educational Status of Cooperative on Executive Committee Member**

<b>Name of Cooperative</b>	<b>Illiterate</b>	<b>Literate</b>	<b>SLC</b>	<b>PCL</b>	<b>Bachelor</b>	<b>Masters and above</b>	<b>Total</b>
Lumbini	0	0	2	1	2	2	7
Everest	0	2	3	3	0	1	9
Panchajyoti	0	5	3	1	0	0	9
Siddharth	0	8	0	0	1	0	9
Janashakti	0	0	2	5	1	1	9
Nawadurga	0	9	0	0	0	0	9
Mahalaxmi	0	7	0	2	0	0	9
Krishna	0	4	1	1	1	0	7
Pragatishil	0	3	3	3	2	1	12
Bishwajoti	0	1	5	4	1	0	11
Devdaha	0	1	0	3	4	3	11
Dhankos	0	2	2	5	1	1	11
Mamtamahila	0	10	0	1	0	0	11
Suryakiran	0	0	0	3	2	2	7
Total	0	52	21	32	15	11	131
percentage	0.0	40	16	24	12	8	100.0
Average	0	4	2	2	1	1	9

*Source: Sample Survey, 2011*

### **7.3.1.2 Gender and Ethnicity wise Status of Executive Committee Members**

The following table presents gender and ethnic wise analysis of the executive committee of the sample cooperatives. In this way the representation of females in executive committee is about 26 %, where as the representation from male members is 74%. The participation of females in sample cooperative is 48% and males are 52%. In this way the gender average of the male and female participation in executive level is quite weaker. This indicates that there should be an improvement in women, involvement in women leadership and executive committee which ensures the women empowerment in the society through cooperative.

From the view point of ethnicity, 64% members participate from the upper caste and very less participation of only 2% from the religious minorities. However this figure seems to be higher for upper caste but it is equal in proportion to the participation in cooperatives from religious minorities. Similarly, the participation of Dalits is 16% and Janajati is 18%, which shows that the participation of Janajati is less than that of Dalit. If the involvement of Dalit and Janajati is promoted in cooperatives, the average proportion of Dalit and Janjatis can be increased in the executive committee. While analysing the involvement of executive members from the average of the total share members from each ethnic groups, it has been found that 57% members are involved from the upper caste, 24% from Janajati, 17% from Dalits and 2% from religious minorities.

This reveals that the number of the executive members in relation to the total share member is far higher from upper caste than that of Janajati. But the average involvement of Dalits and religious minority in executive committee is equal to the total share member from both ethnic groups.

**Table 7.15 Gender wise and Ethnicity wise Status of Executive Committee Member**

Name of Cooperative	Sex wise Status of Executive Committee Member			Ethnicity Status of Executive Committee Member				
	Female	Male	Total	Upper Caste	Dalit	Janajati	Religious Minorities	Total
Lumbini	1	6	7	6	1	0	0	7
Everest	0	9	9	7	0	2	0	9
Panchajyoti	4	5	9	5	1	3	0	9
Siddharth	3	6	9	3	1	4	1	9
Janashakti	2	7	9	8	1	0	0	9
Nawadurga	5	2	9	4	2	2	1	9
Mahalaxmi	2	7	9	3	2	3	1	9
Krishna	1	6	7	3	1	3	0	7
Pragatishil	2	10	12	11	0	1	0	12
Bishwajoti	0	11	11	0	11	0	0	11
Devdaha	1	10	11	10	0	1	0	11
Mamtamahila	11	0	11	6	1	4	0	11
Dhankos	1	10	11	10	0	1	0	11
Suryakiran	1	6	7	7	0	0	0	7
Total	34	97	131	83	21	24	3	131
Percentage	26	74	100	64	16	18	2	100

*Source: Sample Survey, 2011*

### **7.3.2 Gender wise, Age group and Educational Status of Households of Sample share Members in Study Area**

There are 1908 numbers as total population in gender and age-wise familial analysis of 286 sample share members. In this data, there are 49.4% female and 50.6% male members. And in the age group of 15-59, the economically active population to be in 66.9 percentages. Likewise, 9.1, 16.7 and 7.3 are the percentage of 0-4, 5-14 and 60 or above age group respectively. Likewise average household size of the study area is 6.67, which is greater of Rupandehi district (5.21) and Nepal (4.70) (CBS, 2011)<sup>6</sup>.



**Table 7.16 Gender wise Age group of Households of Sample Share Members**

<b>Age group in years</b>	<b>Female</b>		<b>Male</b>		<b>Total</b>		<b>Average HH Size</b>
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>	
0-4	100	5.2	74	3.9	174	9.1	0.61
5-14	155	8.1	163	8.5	318	16.7	1.11
15-59	616	32.3	660	34.6	1276	66.9	4.46
60 and above	71	3.7	69	3.6	140	7.3	0.49
Total	942	49.4	966	50.6	1908	100.0	6.67

*Source: Sample Survey, 2011*

There is 13.6% population illiterate in the total family of share members in which 9.6% female and 4% male are found. But there is 56.4% as only literate percentage in which 28% and 28.3% are the number of female and male percentage respectively. And the rest 30% population in S.L.C. pass and above this is the higher one.

In the proportion of share members, there are more than double illiteracy rate in the gross family members. And in the comparison of share members, three-fold females were found to be illiterate and male percentage is a bit higher in this condition. Consequently, female illiteracy rate is in the high position in total familial analysis. In the analysis of S.L.C. and above the highest point is found in the PLC level, i.e.11.3% and the lowest one is 2.4% in the master and above this level.

**Table 7.17 Gender wise Educational Status of Households of Sample Share  
Members in Study Area**

Educational Level	Female		Male		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Illiterate	183	9.6	76	4.0	259	13.6
Literate	536	28.1	540	28.3	1076	56.4
SLC	87	4.6	100	5.2	187	9.8
PCL	91	4.8	124	6.5	215	11.3
Bachelor	39	2.0	87	4.6	126	6.6
Masters and above	6	0.3	39	2.0	45	2.4
Total	942	49.4	966	50.6	1908	100.0

*Source: Sample Survey 2011*

### 7.3.3 Ethnicity wise Occupational Status

After the professional analysis of ethnical people of sample member, 37.1% people from upper caste, 21.3%. Dalit, 38.5% Janjati and 3.1% religions minorities are engaged in various working fields. The highest percentage in the agricultural sector is 25.5% from ethnic background, 11.2 and 7 percent is the highest point of upper caste in business and domestic employment respectively. In this way, the involvement of marginal community has been appeared very low in such various fields.

**Table 7.18 Average Ethnicity wise Occupational Status of Respondents in  
Percentage**

Ethnicity/Occupation	Agriculture	Business / Industry	Domestic job	Others	Total
Upper caste	17.8	11.2	7.0	1.0	37.1
Dalit	9.8	5.9	4.9	0.7	21.3
Janajati	25.5	10.5	1.0	1.4	38.5
Religious minorities	1.4	1.0	0.3	0.3	3.1
Total	54.5	28.7	13.3	3.5	100.0

*Source: Sample Survey, 2011*

### 7.3.4 Status of House Conditions, Toilet and Lightening in the Study Area

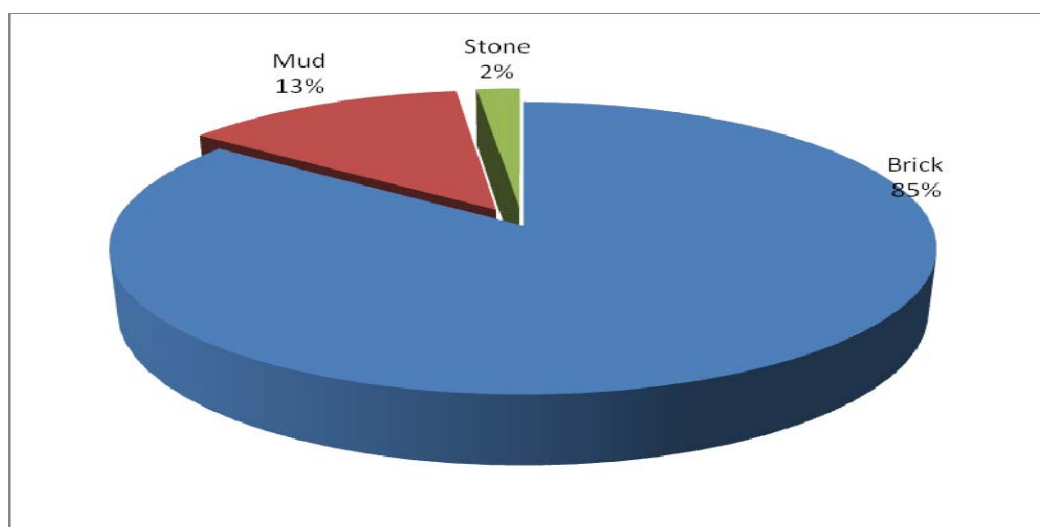
In order to describe the condition of poverty of the members of co-operative, the structure of their house has been analyzed. For the analysis of walls and roof, the brick wall covers 85% of the total sample size, the mud wall covers 13% and the stone wall covers only 2%. Similarly 64% members of cooperative have the house with cemented roof, 19% cooperators have the house with tin (Zink plates), 12% members have the roof of tile and only 5% member have thatched roof. The number of rooms in a house in the study area is four in average.

**Table 7.19 Status of Wall and Roof**

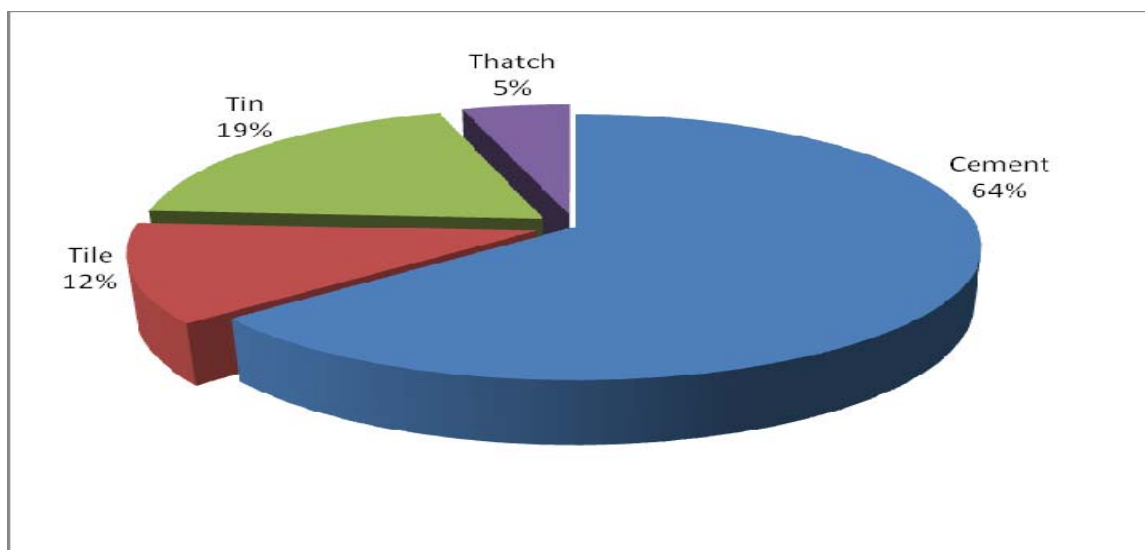
Type of wall	Percentage	Type of Roof	Percentage
Brick	85	Cement	64
Mud	13	Tile	12
Stone	2	Tin	19
Total	100	Thatch	5
		Total	100

*Source: Sample Survey, 2011*

**Figure 7.10 Status of Wall**



**Figure 7.11 Status of Roof**



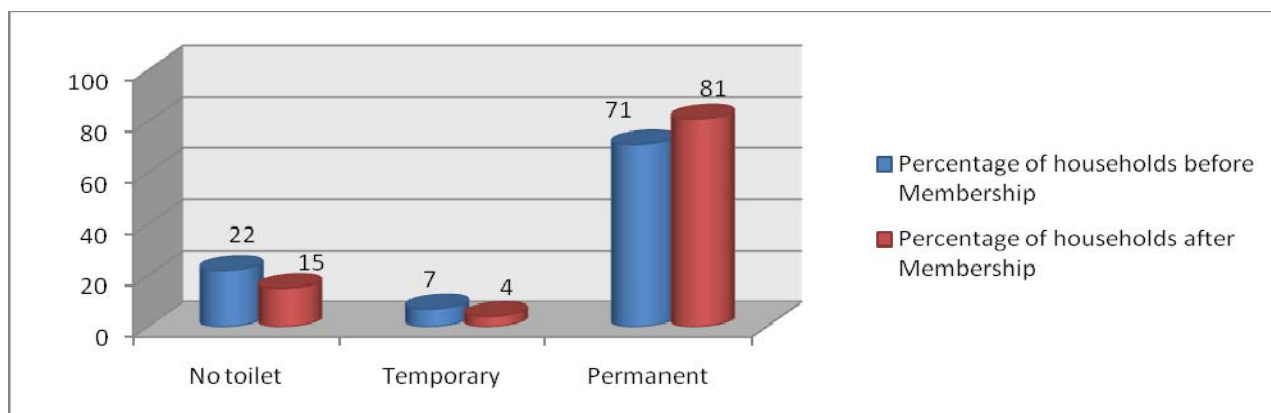
The study carried out in the study area about the condition and types of toilet it reveals the following situation. The number and types of available toilets are different before and after the people became co-operative members. Before they became co-operative members about 71% people had permanent toilet, 7% had used temporary toilet but 22% people had no toilet at all. However, the change in the number & type of toilet changed after people became co-operative members. 81% members have permanent toilet. The number of temporary toilet has decreased to 4% and the percentage of people having no toilet has decreased to 15%. This study reveals that with various other reasons, the awareness given by co-operative has brought significant change in making permanent toilets.

**Table 7.20 Status of Toilet**

Status	Percentage of Households	
	Before	After
No toilet	22	15
Temporary	7	4
Permanent	71	81
Total	100	100

*Source: Sample Survey, 2011*

**Figure 7.12 Status of Toilet**



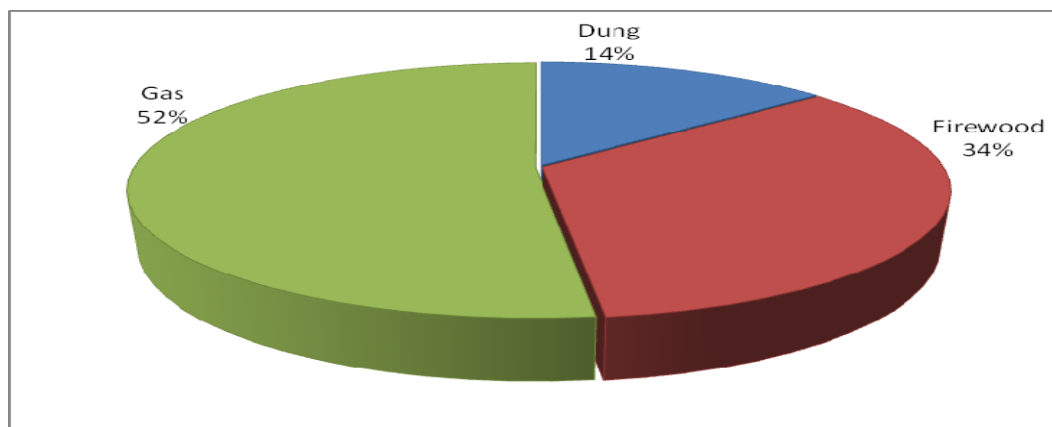
The study of the fuels used in cooking in the study area has been done in the following ways. The three types of fuel are found to be used. Maximum of 52% people used gas fuel, minimum of 14% members used dried cow dung and 34% members used firewood in their households. Although kerosene and electricity are used as fuels in some households, they aren't used as main fuel resources.

**Table 7.21 Status of Fuel Energy**

Lightening/ Energy	Percentage of Households
Dung	14
Firewood	34
Gas	52
Total	100

*Source: Sample Survey, 2011*

**Figure 7.13 Status of Fuel Energy**



### 7.3.5 Possessing Domestic Goods and Means of Transportations

The study on the possession the means of transportation and electronic devices reveals the following condition. About 99% cooperative members possess mobile phone, 88% persons have radios, 87% people have television sets and 34% and 38% people have refrigerator and land line phone respectively. Only 23 percentage members possess computer.

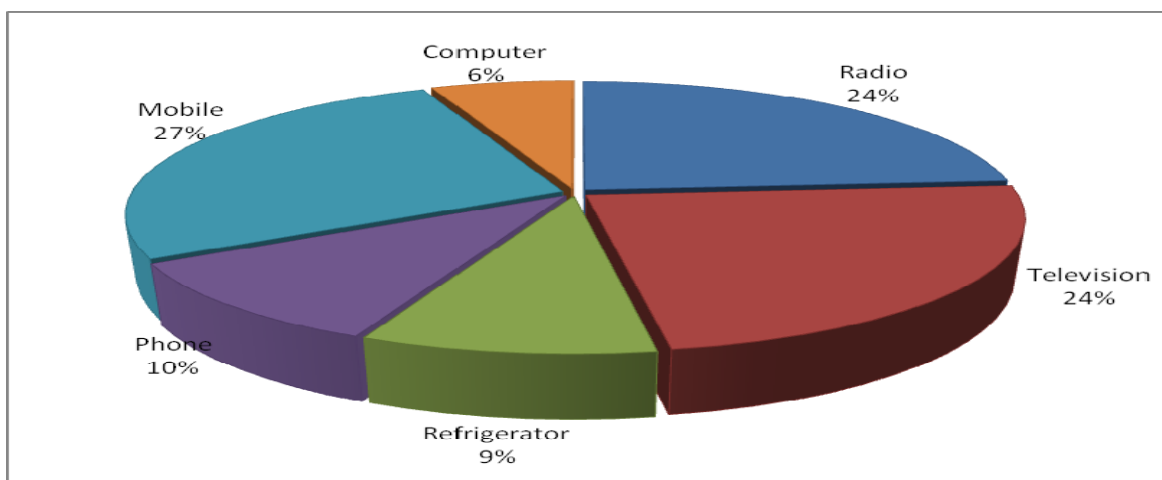
Similarly, the study about the means of transportation shows that maximum of 64% members have bicycle, where as only 2% members possess cars. While looking at the availability of other means, 11% people have got motor cycles, 8% have got tractors and 7% people have buses.

**Table 7.22 Percentage of Households Possessing Domestic Goods And Means of Transportations**

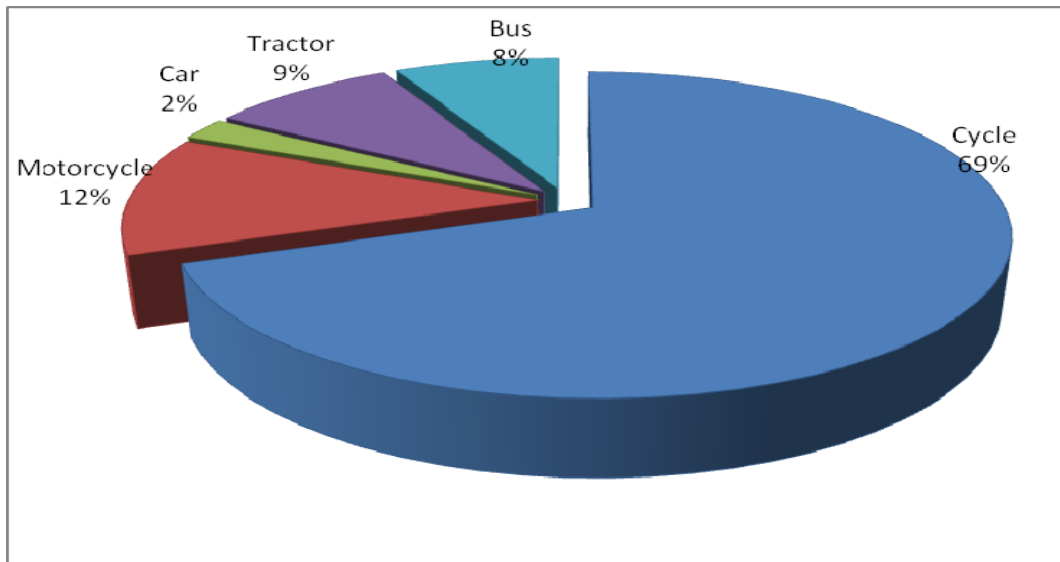
Domestic Goods	Percentage	Means of Transport	Percentage
Radio	88	Cycle	64
Television	87	Motorcycle	11
Refrigerator	34	Car	2
Phone	38	Tractor	8
Mobile	99	Bus	7
Computer	23		

*Source: Sample Survey, 2011*

**Figure 7.14 Percentages of Households Possessing Domestic Goods**



**Figure 7.15 Percentages of Households Possessing Means of Transportation**



### **7.3.6 Institutions used for saving and Frequency of saving in Cooperative in the Study Area**

This table presents an analysis about where the cooperative members collect their savings, 89% members seem to have collected only in cooperative and 3% members collect in cooperatives and banks where as 8% members seem to have collected in informal saving groups in the society. 97% members collect their savings every month but 3% members collect their savings every day. In this way the greater majority members depositing their saving in cooperative can be regarded as one of the positive aspects of cooperative sector.

**Table 7.23 Institutions used for saving and Frequency of Saving in Cooperative**

<b>Institution and Frequency</b>		<b>Percentage</b>
<b>Institutions Used for saving</b>	Cooperative	89
	Cooperative and bank	3
	Cooperative and informal saving groups	8
	Total	100
<b>Frequency of saving</b>	Daily	3
	Monthly	97
	Total	100

*Source: Sample Survey, 2011*

## **7.4 Pattern of Income Distribution and Inequality**

### **7.4.1 Distribution of Income by Different Level in study area**

#### **7.4.1.1 Land ownership**

Here, the Consumption of different types of land has been analyzed of before and after the share membership. Before their membership in cooperative, 99% members have made their house in the ratio 1.08 kattha land and it is the condition that the same percentage members has constructed their homes after the membership in the ratio 1.11 kattha land. As to compare the membership of before and after in cooperative, it is increased in the area of housing land by 3 percent.

While studying own cultivated land, rented in and rented out cultivated land, 24.21, 18.28 and 21.72 kattha of land are seemed to use before membership simultaneously. After membership the use of these types of land are decreased as average 23.74, 17.96 and 20.32 kattha respectively. There are 58%, 13% and 19% people to use such lands in both conditions (after and before) in total share members. But when we watch the changed condition of land area, it seems to



decrease to use land by 2% in own cultivated and, 2 % in Ranted in and 6% in rented out.

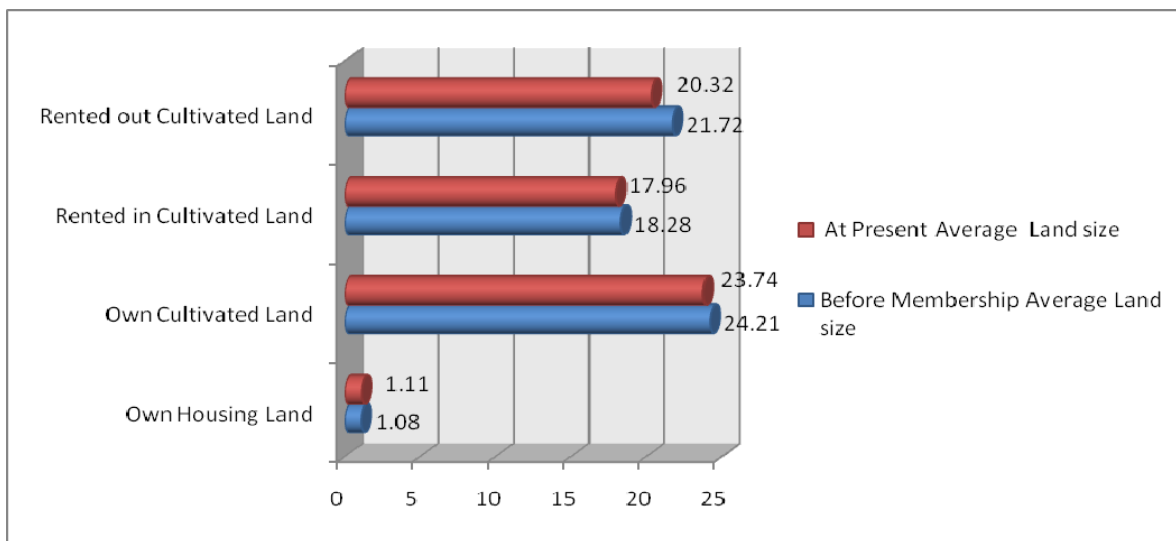
Behind these conditions, there are many reasons, such as; people's attraction decreased in such professions due to the low productivity in agricultural sectors and they are more tended to other different job fields etc. According to agriculture census in 2001/2002 in the consumption of land, average family is supposed to have possessed 23.53 kattha (0.80 hector) lands. Likewise, according to agriculture census in Runpandehi district, average per family seems to have used 26.76 kattha (0.91 hector) land. And according to which national average is seen to be near with the present average of own cultivated land of sample household (CBS, 2002)<sup>7</sup>.

**Table 7.24 Average Land size (In Kattha) of Cooperative Member**

Type of Land	Before Membership Average Land size	At Present Average Land size	Involvement Percentage (Before / Present)	Percentage Change
Own Housing Land	1.08	1.11	98.95	3
Own Cultivated Land	24.21	23.74	58.39	-2
Rented in Cultivated Land	18.28	17.96	13.00	-2
Rented out Cultivated Land	21.72	20.32	19.20	-6

*Source: Sample Survey, 2011*

**Graph 7.16 Average Land size (In Kattha) of Cooperative Member**



#### **7.4.1.2 Average Annual Income from Agricultural Products:**

In it, income source of agriculture sector has been analyzed. On the basis of present production, income source has been explained here before and after membership. The highest average income has been seen from paddy growing in agriculture production. It is counted in Rs.28540. And even after membership, the average income Rs. 44313 has been achieved from paddy production. So, 79 percent individuals have gained income from paddy production in both conditions. And it is increased by 55 percent.

The lowest average income has been done from potato in both conditions where 57 percent people have planted such crops. This income was Rs.2731 before membership and Rs.4159 in the present one. It is increased by 52%. The lowest percentage is the four one in which people is involved in producing fruits. Average income from fruits before was Rs.9692 and Rs. 15233 is in present time. Fifty-seven percent is its increasement point.

Income has gone up in both situation of membership in agriculture production, 83% in the highest average income in producing wheat and the 39% is

the lowest one in maize production. Likewise, while looking at the overall average income from different kinds of agricultural production; it seems to be Rs. 10792 before being the member and Rs. 16948 at the present time. The changing rate of the income is 57%, the involvement of cooperative members in minimum 4% to maximum 79%.

Due to the availability of modern technology, seeds, facilities, easy access of loan to farmers, training and study observation etc, the income from 39 to 83% has increased after the membership. Price increasement is another important factor in the present context. In spite of decreasement of average land consumption, cooperative sector has played important role to increase income with high production.

**Table 7.25 Annual Average Incomes from Agricultural Products**

<b>Products</b>	<b>Before Membership Income(NRs)</b>	<b>At present Income(NRs)</b>	<b>Involvement Percentage (Before/Present)</b>	<b>Percentage Change</b>
Paddy	28540	44313	79	55
Wheat	9182	16849	50	83
Pulses	5585	8172	58	46
Oil seed	3464	5107	52	47
Maize	3597	5006	12	39
Potato	2731	4153	57	52
Vegetables	7109	11096	24	56
Fruits	9692	15233	4	57
<b>Overall</b>	<b>10792</b>	<b>16984</b>	<b>-</b>	<b>57</b>

*Source: Sample Survey, 2011*

#### **7.4.1.3 Annual Average Income from Livestock and their Products**

People have also created their important-source of income from animal raising (livestock selling). Before and after being membership, the highest average

income is from the milk and its product in both conditions. Their income is Rs. 37115 and Rs.66998 from milk and its product respectively. Twenty six percent people are involved in this farming. And it is changed in their income by 81 percent. Average income by compost fertilizer selling is Rs.4750 and Rs.9150 in both durations, which is also the lowest income. So it is increased by 93 percent. Only 3 percent people are involved to achieve such income sources. It seems that more percent people are engaged for income with meat selling in which 30% people before membership and 32% people after membership are involved and as a result income has increased with 175 percent as the highest point. The overall average income on different titles from farming animal (animal husbandry) before being the member seems to be Rs. 20,130 and Rs. 40,388 after that at present. The changing rate of which seems to be 101%. The participation of member generating income from farming is minimum of 3% to maximum of 32%.

Main reasons behind the increasement in income from 81 to 175 percent are that more people are involved in meat business, more income earned from milk production and its selling. And though price increasement, cooperative has provided easy loan to these people.

**Table 7.26 Annual Average Income from Livestock and their Products**

<b>Animal products</b>	<b>Before Membership Income(NRs)</b>	<b>At present Income (NRs)</b>	<b>Involvement Percentage (Before/Present)</b>	<b>Percentage Change</b>
Livestock selling	7833	20867	5	166
Meet selling	8997	24747	30/32	175
Milk and its product	37115	66998	26	81
Compost fertilizer selling	4750	9150	3	93
<b>Overall</b>	<b>20130</b>	<b>40388</b>	<b>-</b>	<b>101</b>

*Source: Sample Survey, 2011*

#### **7.4.1.4 Annual Average Income from Other Sources**

Besides the sources of income from agriculture sector, there are many ways to achieve income for member from non-agriculture sectors. Before the membership in cooperative, as known from data, the highest average income had been from foreign employment, i.e. Rs.358571. The lowest income from the daily wages, which were Rs.18668. Fifteen percent and fourteen percent people are involved in these services respectively. But after the membership, the highest income is from the industry as Rs.649244 and the lowest is from the daily based wages in which 7 and 14 percent people are involved. In both condition, many more people are involved by 49 and 52 percent-simultaneously. Likewise, people have earned their income from interest with 2 percent as the lower one.

While analysis and comparing the changing income before and present membership, the highest income with 216 percent is from interest and the lowest income with 23 percent is by pension. From other different sources of income it seems that the average overall income before and after being cooperative members are Rs. 16,6747 and Rs. 30,0267 respectively. The growth rate of income is 80% and minimum of 2% to maximum of 52% members are participating in this type of income sources.

Especially, rather than membership earlier, it is increased for income in the population involving rate, commission, rent, pension, business and foreign employment for income. Among these increasing percentages, foreign employment has played a greater role with the easy loan provision (facilities) from Cooperative; people facilities have been successful for abroad employment from every village. Because of impressive and helpful cooperation of cooperative, there is much more increment of income and involvement in conducting industries/ entrepreneurs. Capacity development, salary increment with relative time and price increment in goods/ service etc. are some other reasons for high income.

**Table 7.27 Annual Average Income from Other Sources**

<b>Sources of income</b>	<b>Before Membership Income(NRs)</b>	<b>At present Income (NRs)</b>	<b>Involvement Percentage (Before/Present)</b>	<b>Percentage Change</b>
Domestic job	155500	230395	36	48
Abroad job	358571	498831	15/31	39
Business	209050	393776	49/52	88
Industries	278095	649244	7	133
Daily wages	18668	35707	14	91
Pension	115742	142785	12/13	23
Rent	36459	78869	13/15	116
Interest	32800	103714	2	216
Commision	69900	135808	7/9	94
<b>Overall</b>	<b>166747</b>	<b>300268</b>	<b>-</b>	<b>80</b>

*Source: Sample Survey, 2011*

#### **7.4.1.5 Average Annual Household Level Income and Percentage Change in Study Area**

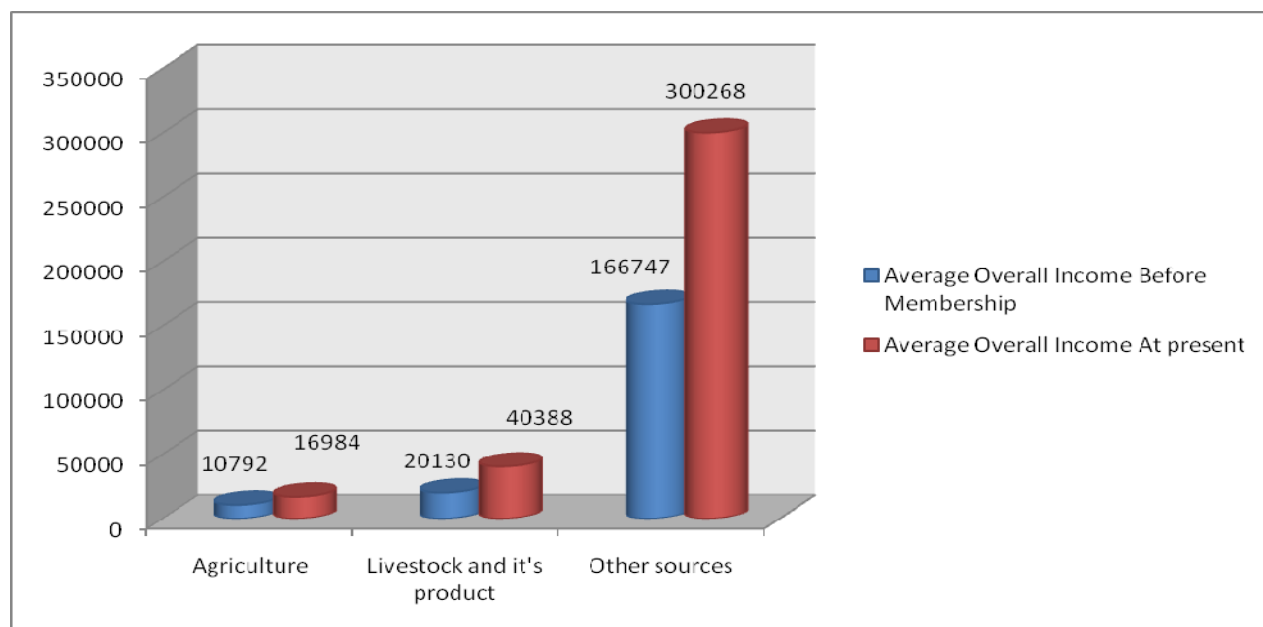
This table presents the overall total average income of the cooperative members before and after being the member of this society. The income growth indicates that they would earn Rs 1,97,669 per annum prior to becoming its member and 3,57,640 after being its member. The average change rate is 81% while analysing the contribution of their income from different sectors, it shows that they earned 5.5% from agriculture, 10.2% from animal husbandry and 84.4% from other sources before being its member. The same income rate increased much after being the members as they earned 4.7%, 11.3 % and 84.0% from agriculture, animal and other sources respectively.

**Table 7.28 Average Annual Household Level Income and Percentage Change  
in Study Area**

Sources	Income(NPR)				Percentage change
	Before	Percentage	At present	Percentage	
Agriculture	10792	5.5	16984	4.7	57
Livestock and it's product	20130	10.2	40388	11.3	101
Other sources	166747	84.4	300268	84.0	80
<b>Grand total</b>	<b>197669</b>	<b>100.0</b>	<b>357640</b>	<b>100.0</b>	<b>81</b>

*Source: Sample Survey, 2011*

**Figure7.17 Average Annual Overall Household Level Income**



#### **7.4.1.6 Size Distribution of Total Household Income before Membership**

This table presents the condition of total annual income of cooperative members before being the members. The total, annual income of the bottom level 10% family seems to be only 1.5% of the grand total income which is Rs 60950

and less. Similarly, the total annual income of top level 10% family seems to be 35% of the grand total which is Rs 650950 and more.

Likewise, the lower level 50% families have 18.2 % of the total income and the upper level 50% family's income covers the rest of 81.8% part of the total income. This analysis reveals that there was unequal distribution of income in the study area before the people entered into cooperative society.

**Table 7.29 Size Distribution of Total Household Income before Membership**

Level of Income (In Rs.)	Household		Total Income (In Rs.)	
	Percentage of HH	Cummulative Percentage	Percentage of Income	Cummulative Percentage
Less than 60950	10	10	1.5	1.5
60950 to 83000	10	20	2.4	3.9
84000 to 134500	10	30	3.6	7.4
136000 to 151200	10	40	4.8	12.2
154400 to 205000	10	50	6.0	18.2
205000 to 268200	10	60	7.6	25.8
273500 to 327000	10	70	9.8	35.6
327000 to 436000	10	80	11.9	47.5
455000 to 650950	10	90	17.5	65.0
650950 and above	10	100	35.0	100.0

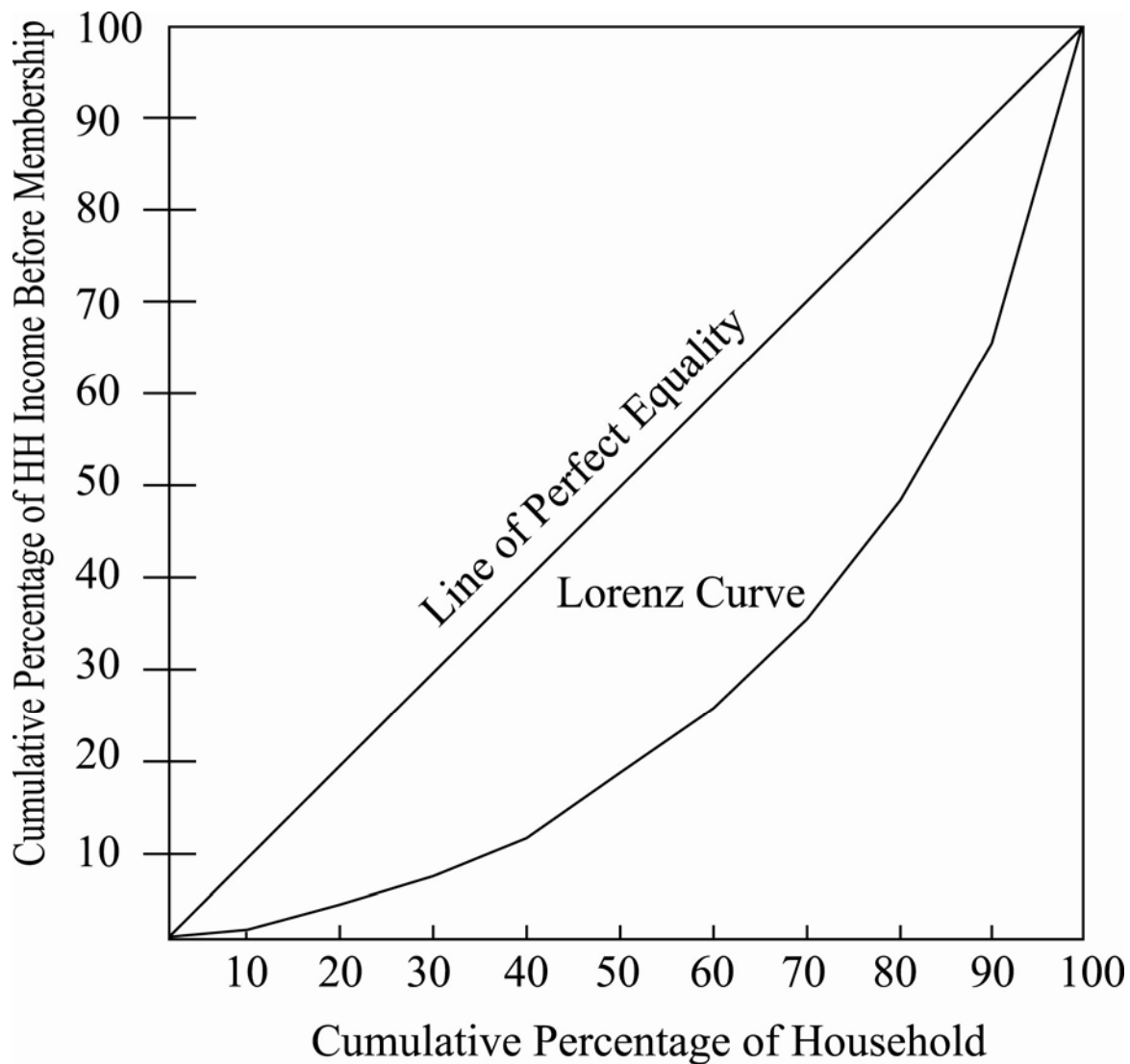
*Source: Sample Survey, 2011*

Graphically, the above data can be presented in term of Lorenz Curve. The cumulative percentages of households are plotted in the horizontal axis, whereas cumulative percentages of before income are plotted in the vertical axis. The point of origin (0,0) shows the 0 percent income shared by 0 percent households. The Lorenz Curve runs from one corner of the unit square to the diametrically opposite corner. This curve is the locus of points derived by plotting cumulative percentage of household and cumulative percentage of before income shared by the group of households. The 45 degree line shows perfect equality in the distribution of income. In the absence of perfect equality the bottom income groups have a proportionally lower share of income. Therefore it is obvious that any Lorenz Curve must lie below the diagonal. The slope of the curve increasingly rises as we



move to the richer section of the households. The area between the perfect equality and Lorenz curve is known as Gini concentration ratio. The Gini co-efficient of total household income is 0.4658 (annex-1) Lorenz Curve is plotted in graph as shown below.

**Figure 7.18 Lorenz Curve for Total Household Income before Membership**



#### **7.4.1.7 Size Distribution of Total household Income at Present**

From the analysis of the present condition of the income, it shows that 10% bottom level family's income covers only 1.9% of the total income of the study

area whereas top 10% upper family's income is 31.2% of the total income. The total annual income of 10% bottom level family is Rs. 156300 and less than this but upper level 10% family's total annual income is Rs. 1404475 and more. During the present time the grand total income of lower 50% families is 21.3% and rest 78.7% income goes to upper level 50% families.

The distribution of income before and after being the cooperative members seems to be satisfactory or positive. The income of the bottom level 10% has reached 1.9% from 1.5% after being the share member but the income percentage of upper level 10% families has decreased to 31.2% from 35% in the present. This shows that after being the cooperative members many economic activities have taken place for the equal distribution of income. This indicates the slight change occurred in the previous unequal distribution of income.

**Table 7.30 Size Distribution of Total Household Income at Present**

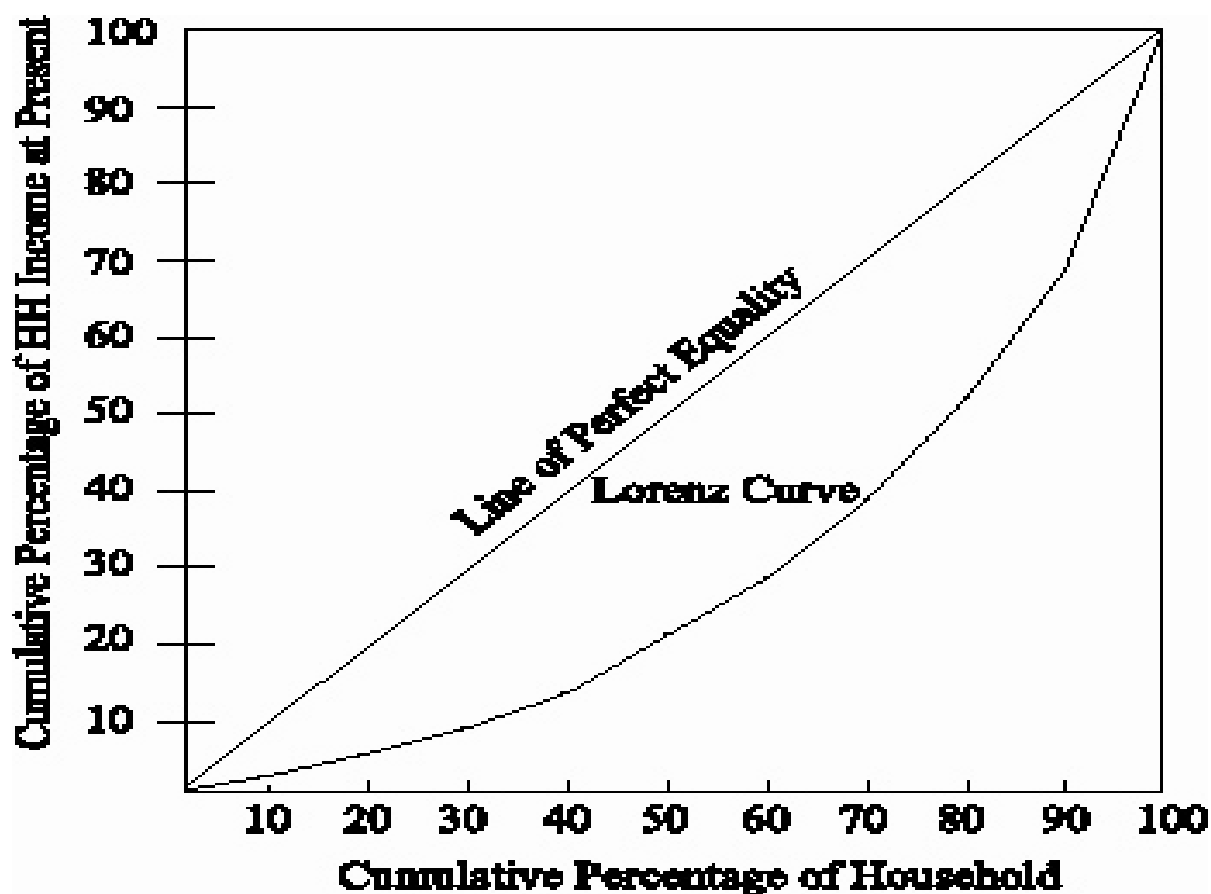
Level of Income (In Rs.)	Household		Total Income (In Rs.)	
	Percentage of HH	Cumulative Percentage	Percentage of Income	Cumulative Percentage
Less than 156300	10	10	1.9	1.9
156300 to 244726	10	20	3.3	5.2
2447726 to 299800	10	30	4.3	9.5
299800 to 369500	10	40	5.4	14.8
371850 to 426120	10	50	6.5	21.3
436140 to 544540	10	60	7.5	28.8
549013 to 700000	10	70	10.0	38.8
700000 to 943200	10	80	13.2	52.0
943200 to 1404475	10	90	16.8	68.8
1404475 and above	10	100	31.2	100

*Source: Sample Survey, 2011*

Graphically, the above data can be presented in term of Lorenz Curve. The cumulative percentages of households are plotted in the horizontal axis, whereas cumulative percentages of present income are plotted in the vertical axis. The point

of origin (0,0) shows the 0 percent income shared by 0 percent households. The Lorenz Curve runs from one corner of the unit square to the diametrically opposite corner. This curve is the locus of points derived by plotting cumulative percentage of household and cumulative percentage of present income shared by the group of households. The 45 degree line shows perfect equality in the distribution of income. In the absence of perfect equality the bottom income groups have a proportionally lower share of income. Therefore it is obvious that any Lorenz Curve must lie below the diagonal. The slope of the curve increasingly rises as we move to the richer section of the households. The area between the perfect equality and Lorenz curve is known as Gini concentration ratio. The Gini co-efficient of total household income is 0.4181 (annex-2) Lorenz Curve is plotted in graph as shown below.

**Figure 7.19 Lorenz Curve for Total Household Income at Present**



#### 7.4.1.8 Results Obtained From Various Methods of Measurements

This table presents the analysis of the result obtained by using the statistical tools like Gini Concentration Ratio and Range to measure the distribution of income. On the basis of the income of the share member prior to entering cooperative, the Gini Concentration Ratio was 0.4658 and Range was 7.2448 whereas this figure has slightly decreased after they became the member, the Gini Concentration Ratio is 0.4181 and Range is 5.1821 at the present context. The reduction of Gini Coefficient and Range of the income of members proves the improvement of income distribution in the study area.

**Table 7.31 Results Obtained From Various Methods of Measurements:**

Methods	Results	
	Before Membership	At Present
Gini Concentration Ratio	0.4658	0.4181
Range	7.2448	5.1821

*Source: Sample Survey, 2011*

From below the paired test, t statistic (-11.04), P value (0.00), Stand Error (26810), Result at 5% level of 'Significant', hence it is concluded that, the income has been significantly increased after the membership of cooperatives.

**Table 7.32 Incomes Before and after the Membership, t-Statistic, Standard Error, P Value and Result**

Income NPR		't ' Statistic	Standard Error (S.E.)	'P ' Value	Result at 5 % level of Significant
Before Membership	After Membership				
197669	357640	-11.04	26810	0.00	Significant

*Source: Sample Survey, 2011*

## **7.4.2 Annual Expenditure by Different Level in Study Area**

### **7.4.2.1 Annual Average Expenditure for Agricultural Products in Study Area**

Here, the condition of expenditure in agricultural production, either before or after being membership, has been analyzed. Sixty three percent people have expended in the paddy production in both conditions. Its previous average cost was Rs.11949 and the present cost is Rs. 18306. It is increased in expenses by 53 percent. It seems that there is Rs. 1221 as less previous average cost and Rs. 1734 in present in the agriculture production. There are 20% people involved. As we observe the involvement of few individuals, the lowest percent people are engaged in fruits production and 63 percent is the highest one in paddy production in both periods.

In the comparison of expenditure increment before and present membership, average expenses is increased by 58 percent as the highest point and it is the 14 percent in oilseed as the lowest level. And 53 and 52 percent in paddy and pulses respectively are increased. Likewise, the average overall cost in the field of agriculture seems to be Rs 4522 and Rs 6728 before and after being the share members. The cost in this field has increased by 49%. Minimum of 3% to maximum of 63% people have spent in different productions in this field. Most of the people involved in agriculture didn't like to show the cost of their direct involvement in farming. This has affected in finding out the exact overall cost invested in agricultural activities. The high price value in production instrument, labourer, fertilizer, seeds and machinery items are the main causes behind the increment in cost.

**Table 7.33 Annual Average Expenditure for Agricultural Products**

<b>Agricultural products</b>	<b>Before Membership Expenditure (NRs)</b>	<b>At present Expenditure (NRs)</b>	<b>Involvement Percentage (Before/Present)</b>	<b>Percentage Change</b>
Paddy	11949	18306	63	53
Wheat	3170	5007	41	58
Pulses	1922	2920	47	52
Oil seed	2609	2968	45	14
Maize	5009	7291	8	46
Potato	1430	2043	46	43
Vegetables	1221	1734	20	42
Fruits	4550	6825	3	50
<b>Overall</b>	<b>4522</b>	<b>6728</b>	<b>-</b>	<b>49</b>

*Source: Sample Survey, 2011*

#### **7.4.2.2 Annual Average Expenditure on Livestock in Study Area**

This table has depicted the cost of livestock purchase, food and medicines. In case of analyzing the condition of before and after membership, the highest 87 percent in medicinal expenses and the lowest 11 percent in the cost of livestock are seen here in both periods. Rs. 10150 is the highest average cost in the fodder of livestock before membership and likewise, Rs. 24,273 is the highest expenses in the purchase of livestock after membership. And while watching closely to the both condition of two periods in increment, expenditure has reached to the highest 372 percent in livestock purchase in present and animal food and medicine got 123% and 120% expenditure increment simultaneously. The average overall cost of share members in animal husbandry before and after being the member seems to be Rs. 5,439 and Rs. 12,929 respectively in which the growth rate is 138%. Minimum of 11% to maximum of 78% members have spent money in different titles.

Behind the shade of expenditure increment, those people who were previously rearing livestock made price increment and increment in price value etc are the main causes.

**Table 7.34 Annual Average Expenditure on Livestock**

<b>Expenses on livestock</b>	<b>Before Membership Expenditure (NRs)</b>	<b>At present Expenditure (NRs)</b>	<b>Involvement Percentage (Before/Present)</b>	<b>Percentage Change</b>
Livestock purchase	5145	24273	11	372
Food for livestock	10150	22662	76	123
Medicine for livestock	1361	2992	87	120
<b>Overall</b>	<b>5439</b>	<b>12929</b>	<b>-</b>	<b>138</b>

*Source: Sample Survey, 2011*

#### **7.4.2.3 Annual Average Expenditure on Food Items in Study Area**

The following table is interpreted with the expenditure scenario in food consumption. People have their cent percent usual expense in rice, oil, sugar, salt and spice etc, in both periods, before and after membership. Rs. 16799 and Rs. 24840 are average cost in rice in both periods before and after membership respectively. But less expense are seen in salt, sugar and spices etc. More than 90% people are involved in the consumption of wheat, pulses, vegetable, fruits and different other things. And their average expenses more than five thousand yearly, before membership are in rice, milk, vegetable and meat items etc. But after the membership, more than Rs. 5000 expenses are seen in the items like rice, pulses, edible oil, milk, vegetable, fruits and meats etc. Only 5 percent people seem to appear in the consumption of maize. If analyzed increasing percentage in expenses, the highest 74 percent is in the vegetable and pulses consists of 39 percent as the lowest level. Likewise, price increasement in the major foods like rice, wheat, edible oil, milk, milk product, fruits and meat etc. seems to have covered with 48, 64, 54, 42, 65, 72 and 62 percentages respectively. Likewise, the average overall

cost in the consumption of food before and after being the member seems to be Rs. 5417 and Rs. 8348. The growth rate is 54% and minimum of 5% to 100% members consume various types of food stuffs.

Therefore, there seem to be significant internal and external reason in this expenditure increasement from 39 to 74 percent, while comparing previous and the present one. Satisfactory progress in industries, business etc, assisted by foreign employment and increasing consumption rate with family member etc, are considered internal causes. And high price value (increment) in the goods and services is another external cause. Because of the average inflation rate in fiscal year 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 there are 5.9, 6.7, 12.3, 9.4 and 9.7 percentages respectively as the price increment (MoF, 2011)<sup>8</sup>. That's why, it is clear that the speed change in expenses rate is by the price increasment in the consumption of goods.

**Table7.35 Annual Average Expenditure on Food Items**

<b>Food items</b>	<b>Before Membership Expenditure (NRs)</b>	<b>At present Expenditure (NRs)</b>	<b>Involvement Percentage (Before/Present)</b>	<b>Percentage Change</b>
Rice	16799	24840	100	48
wheat	1905	3118	93	64
Pulses	4032	5586	98	39
Cooking oil	4482	6902	100	54
Milk	7949	11270	66	42
Milk product	2112	3477	59	65
Vegetables	5058	8806	91	74
fruits	4179	7175	95	72
Meat	5370	8715	66	62
Maize	2547	4087	5	60
Salt, Sugar, Spice etc	1552	2483	100	60
<b>Overall</b>	<b>5417</b>	<b>8348</b>	<b>-</b>	<b>54</b>

*Source: Sample Survey, 2011*



#### **7.4.2.4 Annual Average Expenditure on Non-food Items in Study Area**

Consumption expenditure in non-food items before and after membership in cooperative has been analyzed in this following table. The highest average yearly expenditure in education in both condition of membership, either before or after is Rs. 25003 and Rs.42972 respectively. There are 87 percent people involved. And the lowest average cost of drinking water in both periods is Rs.1439 and Rs. 2820 orderly. Only forty-nine percent people seem to expend in this title. However, cent percent people are appeared to be expending in health services, clothes and shoes / sandal purchase, communications. Drinking water covers the least percentage in expenditure. If we analyze the topic of involving people in the expenditure from 85 to 97 percent of the total members in both periods; firewood/gas, festivals, transportation, electricity, donation and domestic appliances etc, are the subjects to be exchanged. And 67 percent people have their expenses in smoking and liquored items.

As we observe the expenses increment before and after the membership, communication has got the highest increment with 148 percentages and lowest increment with 42% is covered by firewood etc. Before membership, there used to be more than Rs. 10,000 yearly average expenses in costume and education. But after the membership, these titles include health service, festivals, transportation, communication and domestic gadgets etc. Similarly the average overall cost in the consumption of non-foodstuffs before and after the people become member of cooperative in the study area is Rs. 6380 and Rs. 11615 respectively. The growth rate is 82% and minimum of 49% to maximum of 100% members are involved in using such non-foodstuffs.

In this way, behind the increment in expenditure from the lowest 42 percent to the highest 148 percent, the inflation has played an import role as the main

cause. However, increment in income and family size, lifestyle and fashion etc, are considered assistant internal causes.

**Table7.36 Annual Average Expenditure on Non-food Items**

<b>Items</b>	<b>Before Membership Expenditure (NRs)</b>	<b>At present Expenditure (NRs)</b>	<b>Involvement Percentage (Before/Present)</b>	<b>Percentage Change</b>
Clothes	10377	16257	100	57
Education	25003	42972	87	72
Health care	8083	14701	100	82
Shoes/Sandal	1723	2748	100	59
Lightening/Firewood/Gas	4730	6730	93	42
Festival/Custom	5752	10509	95	82
Transportation	5134	11435	96	123
Electricity	3420	6920	95	102
Communication	4131	10242	100	148
Drinking Water	1439	2820	49	96
Donation	4197	8300	91	98
Domestic Appliances	5654	11099	97	96
Repairing Gadgets	2707	5369	55	98
Smoking/Liquored	3808	6712	67	76
<b>Overall</b>	<b>6380</b>	<b>11615</b>	<b>-</b>	<b>82</b>

*Source: Sample Survey, 2011*

#### **7.4.2.5 Average Annual Household Level Expenditure and Percentage Change in Study Area**

The total average cost of the member before and after being the cooperative member is Rs.21758 and Rs. 39620 respectively. The average change rate is 82% while analysing the total expenditure of members before being the members in different titles as in agriculture, animal husbandry, consumption of food stuffs, and non-foodstuff was 20.8%, 25%, 24.9% and 29.3% respectively but after being the

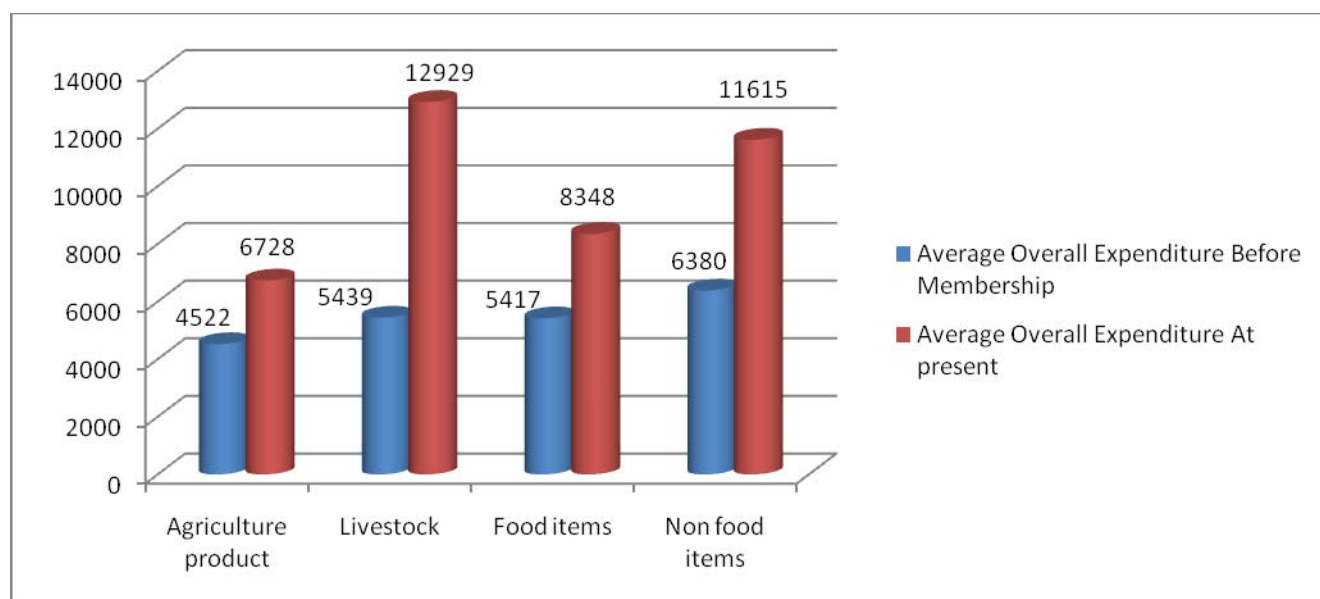
members a slight change has occurred as 17% in agriculture, 32.6% in animal husbandry, 21.1% in food consumption and 29.3% in non-foodstuffs.

**Table 7.37 Average Annual Household Level Expenditure and Percentage Change in Study Area**

Items	Income (NRs)				Percentage Change
	Before	Percentage	At present	Percentage	
Agriculture product	4522	20.8	6728	17.0	49
Livestock	5439	25.0	12929	32.6	138
Food items	5417	24.9	8348	21.1	54
Non food items	6380	29.3	11615	29.3	82
<b>Grand total</b>	<b>21758</b>	<b>100.0</b>	<b>39620</b>	<b>100.0</b>	<b>82</b>

*Source: Sample Survey, 2011*

**Figure 7.20 Average Annual Overall Household Level Expenditure**



This table presents the trend of annual growth of cost of goods and services. This table shows the condition of price increase of consumer, food and beverage, non-foodstuffs and services in the first 6 months of the three fiscal years. In the fiscal year 2065-066, the maximum price increase of sugary stuffs 37.3% to minimum of spices 8.1% was maintained (NRB, 2009)<sup>9</sup>. Similarly, in the fiscal year 2066-067 the maximum price increase of sugary stuffs 77.5 % to minimum of non foodstuffs and services 4.5% was maintained (NRB, 2010)<sup>10</sup>. The price growth data of 067-068 shows that the maximum price increase was 67.4% of vegetable and fruits and minimum was 6.2% of non foodstuffs and services (NRB, 2011)<sup>11</sup>.

This reveals that the cost increment of goods and services is intense rapid. The high changing rate of price increase doesn't seem to be unusual while analysing the change occurred between 5 to 15 years duration before and after becoming the cooperative members.

The increase in salary and wages in the fiscal years 065-066, 066-067 and 067-068 was 15.4%, 17.7% and 12.4 % respectively. The average annual inflation rate of 5 years between the fiscal years 063-064 to 067-068 was 5.9%, 6.7%, 12.3%, 9.4% and 9.7% respectively. From these statistical evidences the inflation rate of Nepal is high which has affected all the cooperative members of the study area, too (MoF, 2011)<sup>12</sup>.

**Table 7.38 Level and Trend of Consumer Price Increment and Increase in Salary and Wages in Percentage**

<b>Description /Fiscal Year</b>	<b>2009(2065-066)</b>	<b>2010(2066-067)</b>	<b>2011(2067-068)</b>
Consumer price increment in the first six months	14.4	11.8	11.3
Food and beverage	18.3	18.1	17.6
Noon-foodstuffs and service groups	10.3	4.5	6.2
<u>Within foodstuff</u>			
i) Green vegetable and Fruits	13.3	29.2	67.4
ii) Sugar stuffs	37.3	77.5	Rise higher
iii) Meat/fish	22.5	22.8	"
iv) Pulses	25.6	36.7	"
v) Spices	8.1	34.8	"
Average annual rate of Inflation	12.3	9.4	9.7
Rate of increment of salary and wages	15.4	17.7	12.4

*Sources: NRB, 2009, 2010, 2011 and MoF, 2011*

## **7.5 Role of Cooperative on Poverty Reduction**

### **7.5.1 Status of Employment and Poverty Reduction Programmes of Sample Cooperative in Study Area**

While analyzing the direct employment obtained in cooperative, it has been found that maximum of 6 persons and minimum of one person in average 2 persons have got direct employment in saving and credit cooperative in study area. Similarly analysing about the special program of cooperatives to poverty reduction, it is found that only 36% cooperatives have got special programs of poverty reduction where as 64% cooperatives have no any special program regarding it.

**Table 7.39 Employment Status and Poverty Reduction Programmes of Sample Cooperative**

<b>Name of Cooperative</b>	<b>No of Employment</b>	<b>Special Poverty Reduction Programme in Cooperatives ( Response)</b>
Lumbini SACCOS, Bhairahawa	3	Negative
Everest SACCOS, Butwal	2	Negative
Panchajyoti SACCOS, Saljhandi	1	Positive
Siddharth SACCOS, Sikkthan	1	Negative
Janashakti SACCOS, Chiliya	3	Positive
Mahalaxmi SACCOS, Betkuiya	1	Negative
Nawadurga SACCOS, Majgawa	1	Positive
Krishna SACCOS, Farena	1	Positive
Pragatishil SACCOS, Butwal	1	Negative
Bishwajoti SACCOS, Butwal	4	Negative
Devdaha SACCOS, Devdaha	6	Negative
Mamtamahila SACCOS, Kha-Bangai	2	Positive
Dhankos SACCOS, Karhaya	3	Negative
Suryakiran SACCOS, Shankarnagar	1	Negative
Total	30	5 / 9
Average	2.14	-
Percentage in Positive Response	-	36%
Percentage in Negative Response	-	64%

*Source: Sample Survey, 2011*

### **7.5.2 Loan Borrowing and Dependency from Different Sources**

The table here clarifies that cooperative members have a condition of exchanging average loan with various department. These members had to take necessary loans from different people and banks before their membership. Thirty two percent and forty percent people do their transaction in these programme unit respectively. But after adopting membership from cooperative, 75% members have their transaction with cooperative in loan.

And loan transactions with only individuals are zero. It is seen that it is upgraded with 35% in Bank. It is clear that people in city or city-oriented village do have their transaction in both cooperative and bank, and but they are more inclined to do business with cooperative in rural sectors. While watching changing state of average transaction price after being member in bank, loan price has increased with 191 percent. The main reasons behind this are that there are professional skills and members could do their work with few loans. Transaction of loan with individuals has reduced to the level of zero and it is increased with cooperative.

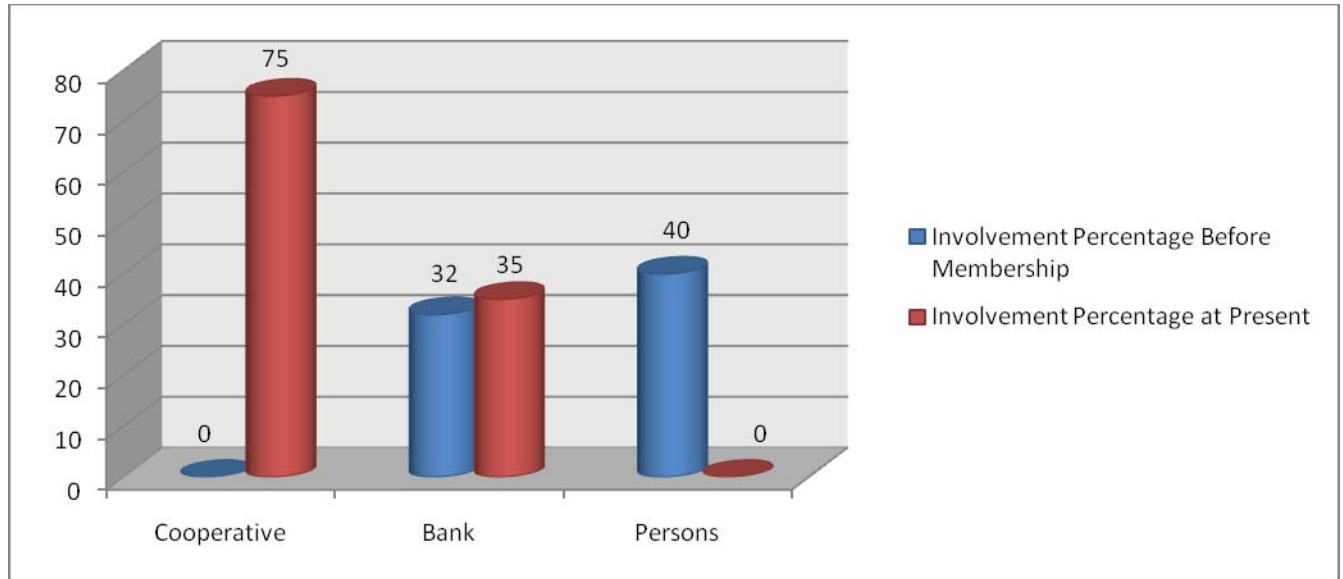
The core conclusion is that, due to access of cooperative up to rural level, people have been freed from high interest rate with individuals. It is assumed as the great achievement that saving and credit cooperative has played an important role for recourses management and providing service of the people.

**Table 7.40 Annual Averages Loan Borrowing from Different Sources**

<b>Sources</b>	<b>Before (NRs)</b>		<b>After (NRs)</b>		<b>Percentage Change</b>
	<b>Annual loan</b>	<b>Involvement Percentage</b>	<b>Annual loan</b>	<b>Involvement Percentage</b>	
Cooperative	0	0	182152	75	-
Bank	326277	32	948646	35	191
Persons	43333	40	0	0	-100

*Source: Sample Survey, 2011*

**Figure 7.21 Annual Involvement Percentage for Loan Borrowing**



This table deals with how much members depend on with what department. When we analyze the condition before membership, dependency of their most necessary loans from 51 to 75 percent was based on banks for 24 percent individuals and 30% individual with personal people. While interpreting the present status after being membership in cooperative, 40 % dependency of the individuals descended in the zero level of different types. Likewise, 51 to 75 percent dependency condition, which was once 24% of individual with bank, decreased to the 12 percent and the same dependency reached to the 47 percent in cooperative. Nineteen percent individuals were found to be involved for 26-50% loans after beings member. Despite the two percent involvement in bank for cent percent loans, it decreased to the one percentage level after being member.

In spite of the growing gross dependency from 32 to 35 percent in bank, a high dependency of individual, i.e. 51-75 percent has come to decrease from 26-50 percent (i.e. 19%). It is assumed as the great achievement. In this way, dependency on individual has gone down to the zero level and 75 percent people started



depending in cooperative. These facts are also considered as an important achievement.

**Table 7.41 Loan Borrowing Dependency from Different Sources**

<b>Dependency (percentage)</b>	<b>Cooperative</b>		<b>Bank</b>		<b>Person</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
0-25	0	5	0	3	0	0
26-50	0	21	6	19	10	0
51-75	0	47	24	12	30	0
76-100	0	3	2	1	0	0
Total	0	75	32	35	40	0

*Source: Sample Survey, 2011*

### **7.5.3 Different Changes after being Member of Cooperative in Study Area**

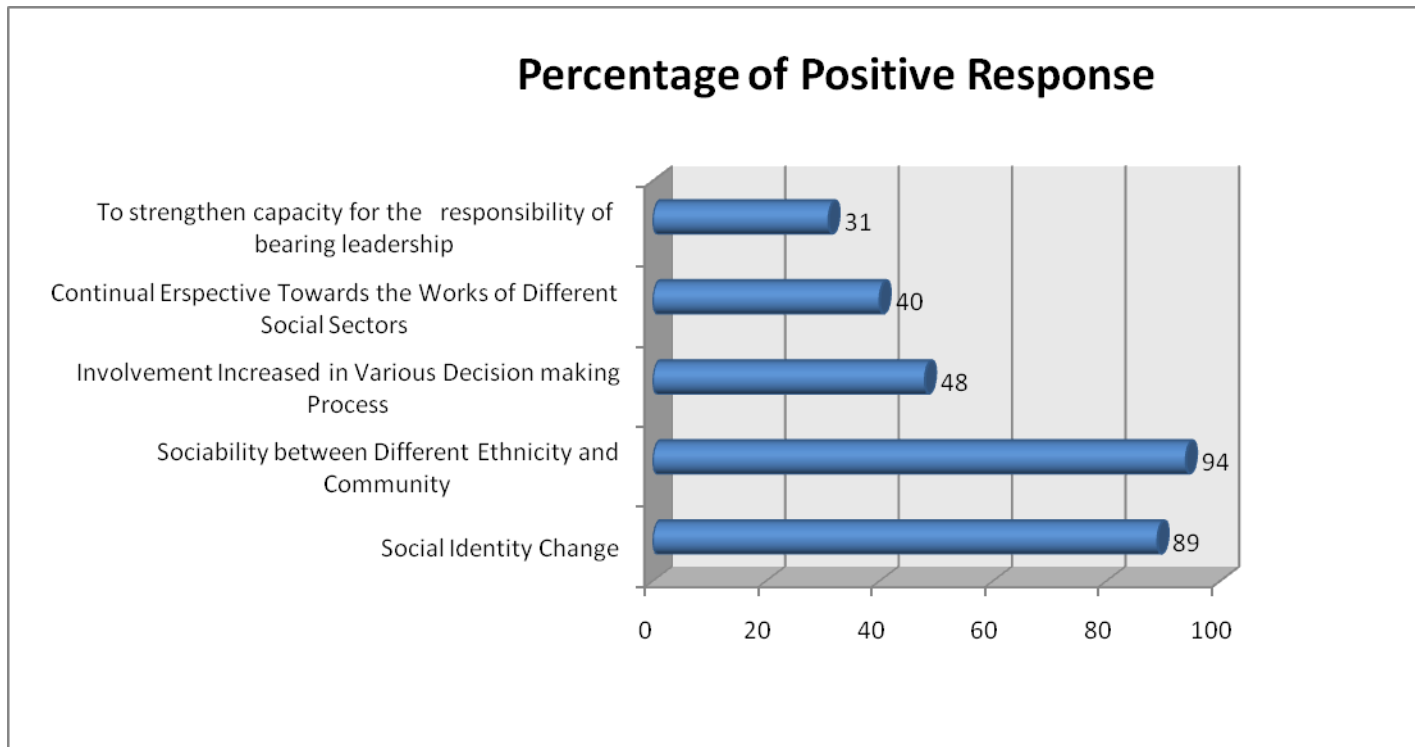
The following table presents the changes of co-operators that have been brought through cooperative in the study area. The respondents have given different answers to the questions about what changes occurred by working together with collective thoughts. 89% of the informants have given positive response of the role of co-operative to bring change in social recognition. 94% have given positive response about its contribution in maintaining mutual sociability between different ethnicity and community. Similarly, 48% people's positive response has been received about the role of cooperative increasing involvement of various social decision making process. Only 31% people were found to be positive to the question asked about it to help people, to reach the leading position of social activities. 40% people have given positive answer to the question about the constant attention towards the area of various social activities. Thus there is a great role of co-operative in strengthening social recognition and interaction between many communities. As a result it can contribute to the social and economic change of the community.

**Table 7.42 Changes being Member of Cooperative**

Changes being Member of Cooperative	Percentage	
	Yes	No
Social identity change	89	11
Sociability between different ethnicity and community	94	6
Involvement increased in various decision making process	48	52
Continual perspective towards the works of different Social sectors	40	60
To strengthen capacity for the responsibility of bearing leadership	31	69

*Source: Sample Survey, 2011*

**Figure 7.22 Changes being Member of Cooperative in Percentage  
(Positive Response)**



The cooperative members have given mixed opinion to the question about what sort of personal and family economic changes occurred as being a cooperative members. This can be clarified from the following table. 92 percentage

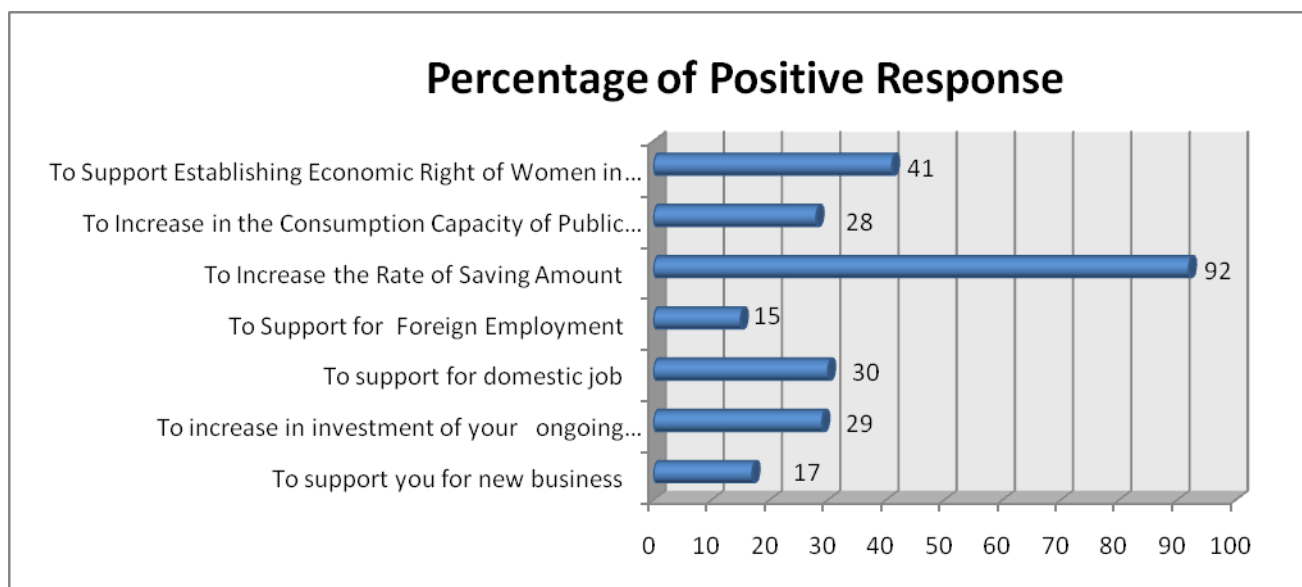
co-operators have given positive response about the role of cooperative to increase savings. 41 percentage people have given positive response about its role to establish economic right of women in the family. According to the people's opinion there hasn't been as much contribution of cooperative in economic change as in empowerment and social change. Because only 17% people have given positive answer to the question asked about its help in new business. Similarly, realizing the assistance of cooperative in various sectors, 29% people have given positive answer to increase investment in running business, 30% people have given positive answer to help in getting employment in the country, 15% in contributing in foreign employment and 28% people agreed to have helped in increasing the utilization of public goods and services. In the same way, 85% people have given negative response to the few questions. Among seven questions asked to the respondents more than 50% have given unfavorable answers to six questions that the cooperative couldn't have done remarkable help in direct change in economic sector.

**Table 7.43 Changes in Economic Condition in Personal and Family Life being a Member of Cooperative**

<b>Changes in Economic Conditions</b>	<b>Percentage</b>	
	<b>Yes</b>	<b>No</b>
To support you for new business	17	83
To increase in investment of your ongoing business	29	71
To support for domestic job	30	70
To support for foreign employment	15	85
To increase the rate of saving amount	92	8
To increase in the consumption capacity of public services	28	72
To support establishing economic right of women in family	41	59

*Source: Sample Survey, 2011*

**Figure 7.23 Changes in Economic Condition in Personal and Family Life being a Member of Cooperative in Percentage of the Positive Responses**



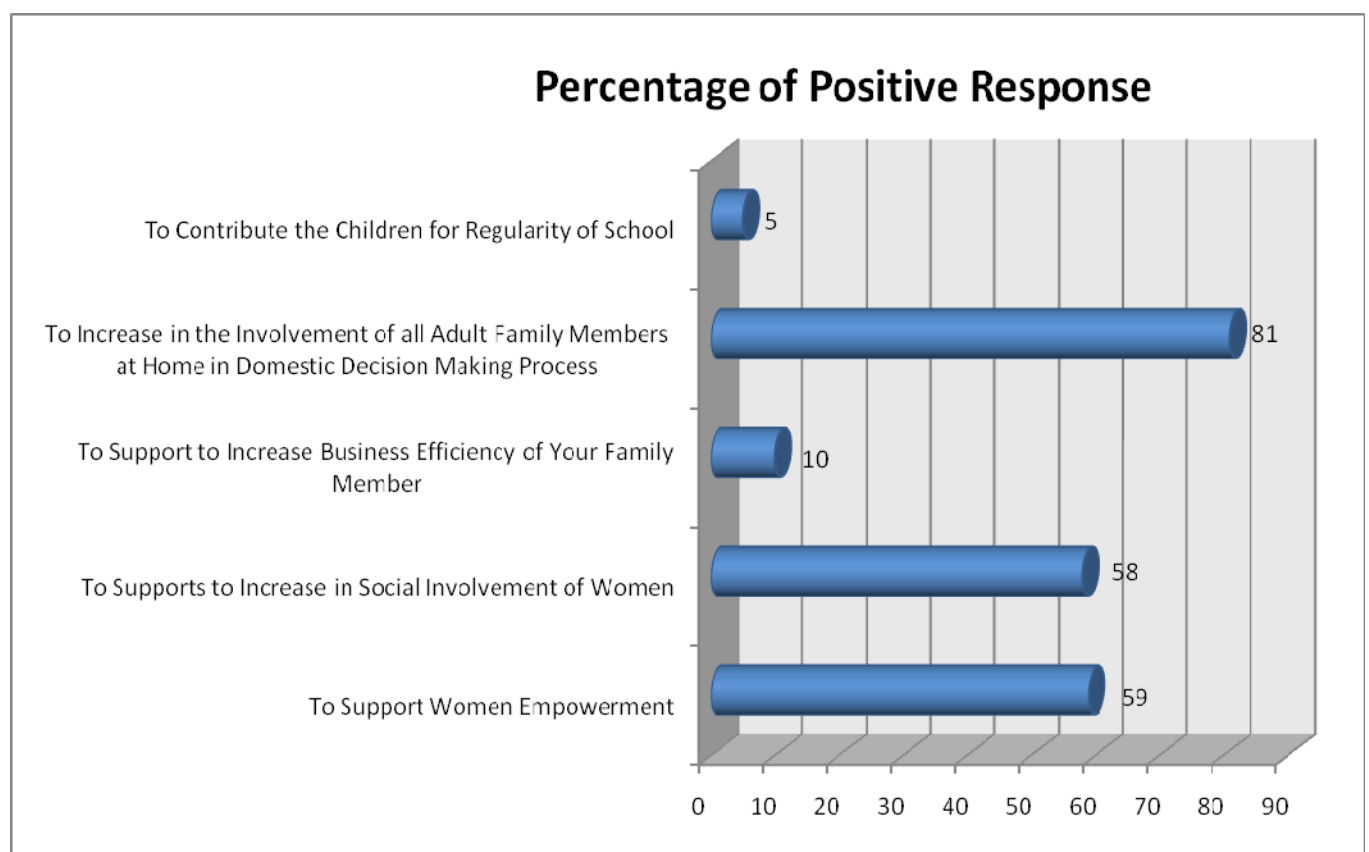
This table presents the answers obtained based on the questions asked to people about the changes occurred in the family members as being the cooperative members. 59% people have expressed their opinion in women empowerment. Other 58% people have given positive response towards the progress of social involvement of women. Similarly 81% people have given their positive opinion towards the effective role of cooperative in the increment of all adult family members in making important decision rather than only the eldest family member. In response to the question if cooperative has helped for the family members to strengthen business skills and if it has helped to inspire children to go to school regularly, 10% and 5% people have respectively given positive answers.

**Table 7.44 Changes in the Family Life being a Member of Cooperative**

Changes in the Family Life	Percentage	
	Yes	No
To support women empowerment	59	41
To supports to increase in social involvement of women	58	42
To support to increase business efficiency of your family member	10	90
To increase in the involvement of all adult family members at home in domestic decision making process	81	19
To contribute the children for regularity of school	5	95

*Source: Sample Survey, 2011*

**Figure 7.24 Changes in the Family Life being a Member of Cooperative in Percentage**



#### **7.5.4 Participation and Benefits from Cooperatives as a Member of Cooperative in Study Area**

This table presents the reasons for becoming the member of saving and credit cooperative. 36% people have been its member only with the purpose of saving and credit deal; 19% have got the purpose of only saving money and 17% member's purpose seems to get loan from it. Similarly 10% members have the multipurpose of saving, credit and being mutually sociable with many community 6% members' purpose seems to improve economic condition and acquire business knowledge. Other 6% members have the purpose of saving, credit and improvement of economic condition but 2% members responded to have no purpose of being a cooperator.

Especially 72% members seem to focus on saving and getting loan. Most of the members seem to be ignorant about the cooperative that it is involved in many helpful activates such as social services, educational trainings, empowerment, increase in social involvement etc. It seems that members should actively work to make the cooperative multi-dimensionally purposeful and useful. 96% of the total sample populations have expressed their satisfaction about activities going on according to their purpose of entering co-operative.

It reveals that the members seem to be confused about what purpose to make of being co-operator. There has been left to clarify about the wider range of co-operative to its members.

**Table 7.45 Aims of Entering in Cooperative**

<b>Aims</b>	<b>Percentage</b>
Saving	19
Borrowing	17
Mutual sociability between different community	1
Empowerment and leadership development	2
Improvement of economic level and business knowledge	6
Saving and borrowing	36
Saving, borrowing and mutual sociability	10
Saving, borrowing and empowerment	1
Saving, borrowing and improvement	6
Others ( Don't know)	2
Total	100

*Source: Sample Survey 2011*

After becoming the member of the cooperative they should be given necessary education, training and participate in different activities. But only 51% members seem to attend only general meeting. It doesn't seem for them to have an opportunity to participating in other activities. Only 12% members use to be participating in annual general meeting, educational programmes and trainings. Similarly 16% members seem to be participated in annual general meeting and meeting of executive committee, where as only 5% members use to participate in AGM, executive meeting, education and trainings. But 16% members don't seem to have been participated in any kind of programmes or activities.

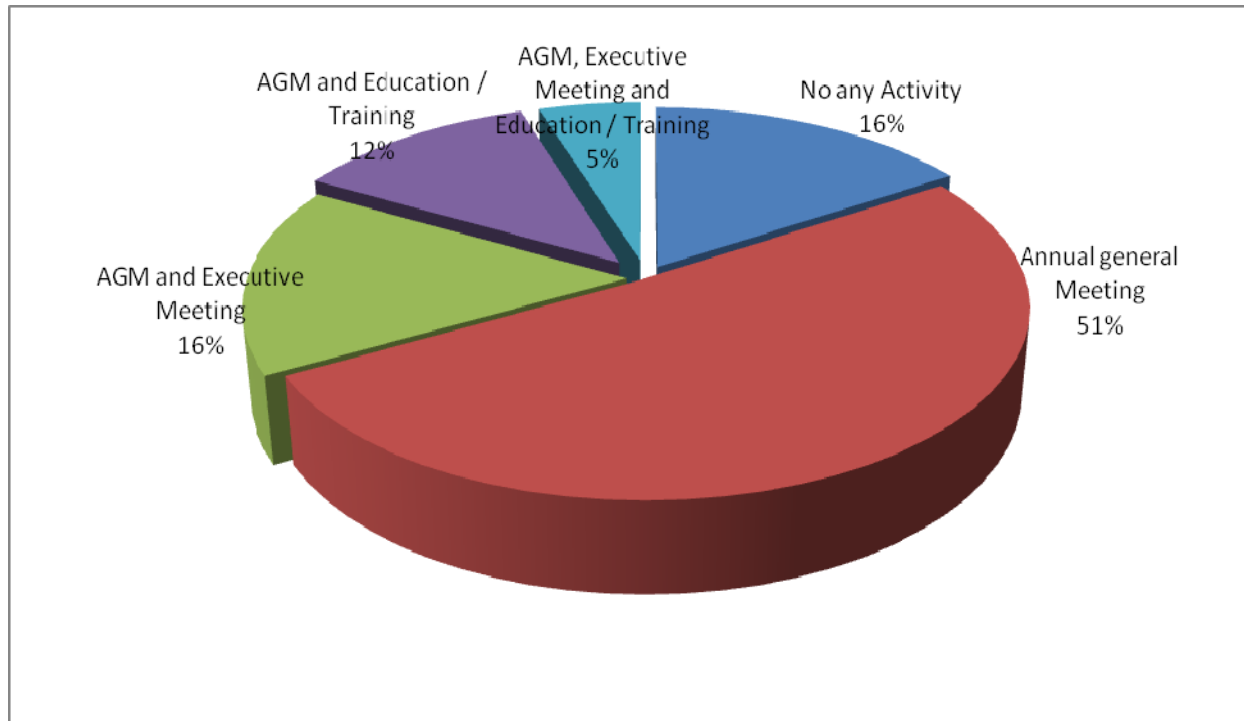
This indicates that most of the cooperative share members have not been participating in minimum required programmes except some particular members.

**Table 7.46 Involvement of Members in the Programmes of Cooperative**

<b>Programme</b>	<b>Percentage</b>
No any activity	16
Annual general meeting	51
AGM and executive meeting	16
AGM and Education / Training	12
AGM, Executive meeting and Education / Training	5
Total	100

*Source: Sample Survey 2011*

**Figure 7.25 Involvement of Members in the Programmes of Cooperative**



This table presents an analysis about the benefits that the members have received as being involved in cooperative. 21% percentages member are benefited by being able to mutually sociable between different ethnicity, 17% are benefited from the increase in social participation where as 16% members seem to be benefitted from getting a chance to leadership development, increase in social participation and adjustment with different communities. 10% members have got economic growth and development, 8% members have got benefit of exchange of experiences. 9 % members seem to have got all the aforementioned benefits where 7% members are such who haven't got any kind of profit from cooperatives. In this way the persons having similar interests and aspirations should be a member in orders to fulfill their demands and necessities from cooperatives.

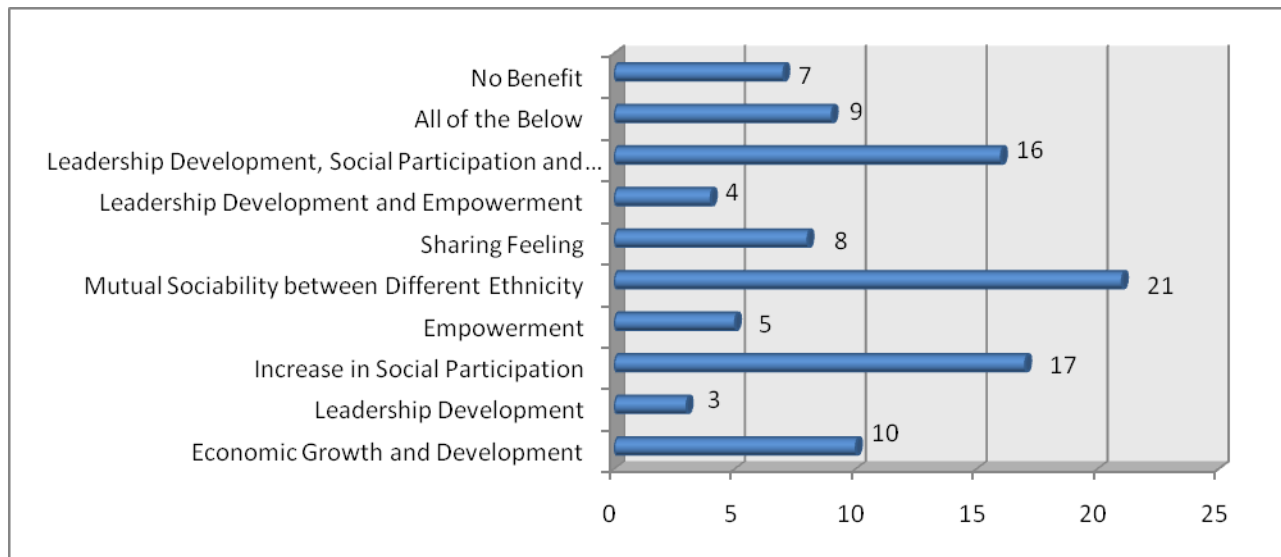


**Table 7.47 Benefits from the Involvement in Cooperative**

<b>Benefits</b>	<b>Percentage</b>
Economic growth and development	10
Leadership Development	3
Increase in social participation	17
Empowerment	5
Mutual sociability between different ethnicity	21
Sharing feeling	8
Leadership development and empowerment	4
Leadership development, social participation and mutual sociability	16
All of the above	9
No benefit	7
Total	100

*Source: Sample Survey, 2011*

**Figure 7.26 Benefits from the Involvement in Cooperative in Percentage**



This table presents the opinion of the members about the level of change occurred in their lives after becoming cooperative members, 23% people strongly agreed to have brought a positive change, 72% agreed to have brought a little

change in lives, 2% agreed to bring a normal change but 3% told that it brought no any difference in their lives.

In this way the cooperative seems to have brought a remarkable change in increase of awareness mutual sociability with different communities, improvement in saving habits, increment in women involvement in society, increase in social recognition etc. However it seems to improve more in direct economic improvement and income generation.

**Table 7.48 Perception on Living Standard of Members after Taking Cooperative Membership**

Perception	Number	Percentage
Extremely good	65	23
Good	207	72
Normal	6	2
No any difference	8	3
Total	286	100

*Source: Sample Survey, 2011*

**Figure 7.27 Perception on living standard of members after cooperative membership**

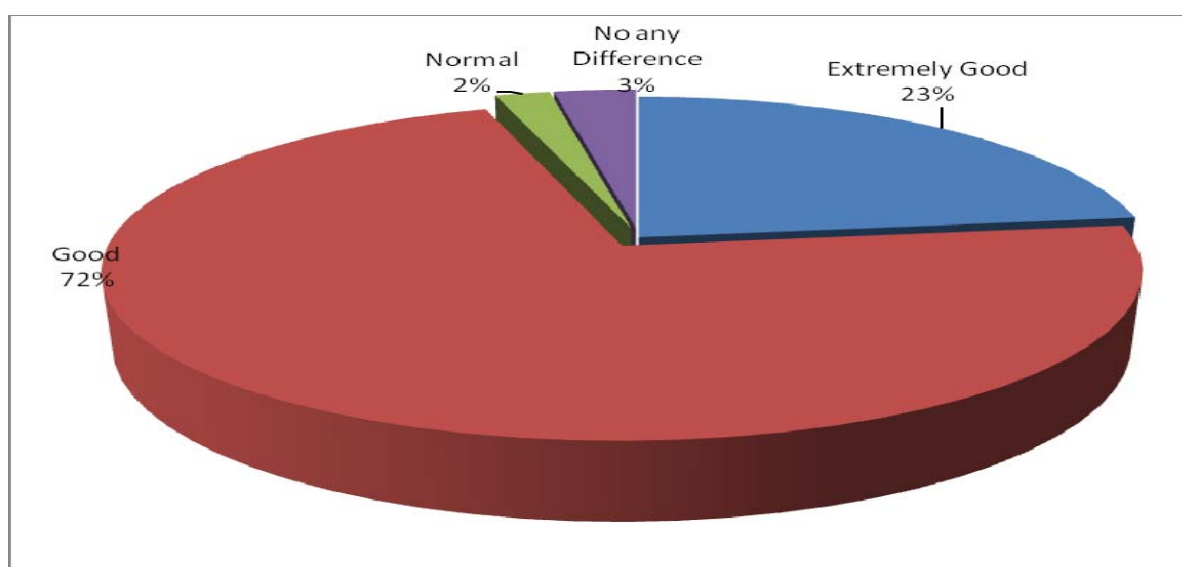


Table showing the Chi square value, p value and result on the perception about living standard of members after cooperative membership, from the table blow Chi square test, we conclude that majority of the members possess 'good' living standard after the membership of cooperatives.

**Table 7.49 Chi-square, P-value and results about living standard of members**

<b>Chi square value</b>	<b>'P' value</b>	<b>Result at 5 % level of significant</b>
373.776	0.00	Significant

*Source: Sample Survey 2011*

This table presents present study of the poverty status and the change that has occurred in the poverty level of cooperative members after being its members in the study area. According to the statistics of 'Nepal Living Standard Survey-III', people having less than 19261 per capita incomes per annum are termed as poor. Similarly the preliminary report of National population census-2011 has shown the household size of Nepal to be 4.70 persons. On the basis the income rate of 90527 per household can be taken as poverty line. 24.1% of members having less than Rs. 90527 annual per household income prior to being cooperative members have decreased to 8.2% whereas the number of non-poor persons has increased to 91.8% from 75.9%.

This analysis reveals that the poverty level of the study area has dramatically decreased to 8.2% by 15.9% from 24.1% after becoming cooperative members. In this way there has been adopted many kinds of activities to increase income and reduce poverty level in the study area. Because of foreign employment, progress in business, modernization in agriculture, increase in labour wages etc. the income of each family has increased in such a way that every family's income is above the poverty line. This study shows the important contribution of cooperative in the

activities like, empowerment, easy loan, and increase in social participation. In this way there has been an important role of cooperative in reducing poverty in the study area.

The poverty population in the study area seems to be very less, i.e. 8.2% than the poverty level population of the nation which is 25.16% (CBS, 2011<sub>b</sub>)<sup>13</sup>. The main cause of this result is due to the fact that saving and credit cooperatives have not reached to every citizen especially to those who are still very poor.

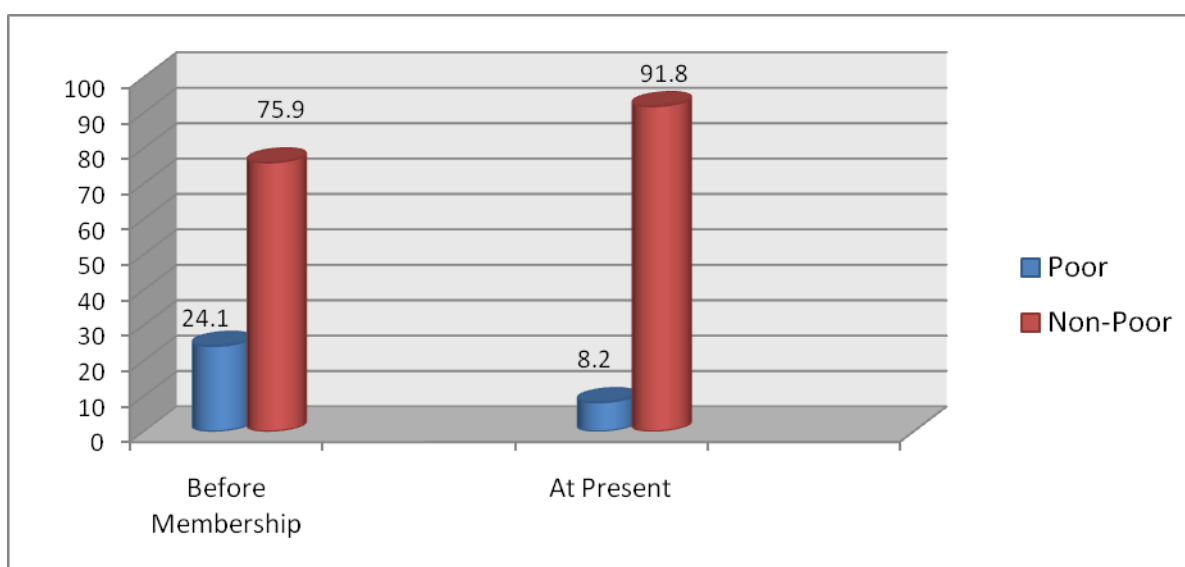
A large group of poor people is still deprived of taking necessary service from cooperative. Similarly no any effective programs have been conducted to make them the members of cooperative.

**Table 7.50 Poverty Status in the Study Area in Percentage**

Before/after	Poor	Non poor
Before Membership	24.1	75.9
After Membership	8.2	91.8

*Source: Sample Survey, 2011*

**Figure 7.28 Poverty statuses in the study area in Percentage**



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## **CHAPTER EIGHT**

### **CONCLUSION AND SUGGESTIONS**

This chapter contains conclusions and suggestions concerning to the entire study. Conclusions are based on the previous chapters, whereas the suggestions are made on the basis of the study and consequent findings. The suggestions are made for the upcoming way of the saving and credit cooperatives.

#### **8.1 Conclusion:**

Co-operative is the powerful medium of bringing a drastic change in social, economic and cultural aspect of its members. There can be great differences in social and economic level between the people who have been the members of cooperative and those who haven't been its members.

Cooperative has been taken as one of the three important pillars in economy of Nepal (government, cooperative and private) after the country got massive political change into republican nation. And there are managed various policies and programmes to uplift the social, economic standard of economically and socially deprived people in the three year interim plan and last three year plans.

From the result of the sample survey done in the study area, it has been found that the cooperative has played an influential role in increasing social recognition. Moreover it has helped to make closer to various communities and castes, increasing participation in decision making process, and empowering women. Similarly cooperative has played an important role in increasing the involvement of family members in making decision of the process of household works; and promotion of women involvement in social responsibilities.

This study is concerned with the poverty reduction through contribution of saving and credit cooperatives based on the study of primary and secondary data of study area and with the support of national level. The conclusion of this study is figured out by studying and analyzing the collected data through direct interviews with 286 shareholders of 14 active saving and credit co-operatives of different parts of Rupandehi district. To fulfill the objective of the study, selection procedure of executive committee, knowledge about different sectors of cooperative, education and other different status of executive committee member, ethnicity-wise occupational and other different status of respondents are studied and analyzed separately. Similarly overall economic and social condition of member in study area, before and after membership in cooperative, rate of land ownership, ratio of income distribution and expenditure pattern, resources mobilization by cooperative, loan distribution and dependency for loan in cooperative, changing scenarios by the membership of cooperative etc. are studied and analyzed individually. With the help of these important and vital views the conclusion of this study is presented as follows:

On the whole apart from the neighbours and cooperative members, the inspiration of NGO can be taken as a positive factor. However, all the aspirators don't seem to have clarified all the realities of cooperative to the new members. Most of the people seem to have inspired to make other people to be members because it is better to become and that they've also been the members. Especially 72% members seem to focus on saving and getting loan. Most of the members seem to be ignorant about the cooperative that it is involved in many helpful activities such as social services, educational trainings, empowerment, increase in social involvement etc. It seems that members should actively work to make the cooperative multi-dimensionally purposeful and useful.

The cooperative member to have been the member of different cooperatives societies does not seem sound. In fact it's good to become the member in one kind of cooperative of one nature. The cooperative policy of the government also addresses the same thing.

In the ratio of economically active age group share members, female involvement is seen greater (33.2%) in agricultural sectors than the male (19.7) in family members. But in other sectors males are more engaged in different professional sectors than female. While comparing agriculture sector to the national status, population study field seems to be reduced by 20 percent and it is a bit upgraded in the agricultural field.

Owing to the continual assistance from cooperative to the industries, entrepreneurs and foreign employment, participated percentage from agriculture to different sectors seems high.

According to the cooperative share members the different systems of forming the committee doesn't seem to match with democratic norms and values. In the same way, the differences between the election process of the institution and thoughts and understanding of the members indicates that there is a need of transparency and good governance of the cooperatives is a must. In fact, what influence remains in the members by their activities is more important than what the board members do.

The study reveals that the number of the executive members in relation to the total share member is far higher from upper caste than that of Janajati. But the average



involvement of Dalits and religious minority in executive committee is equal to the total share members from both ethnic groups.

In relation to this, the participation of the share members in cooperative from each ethnic group is quite different. While looking at the average participation of ethnic upper caste in cooperative is more than double in comparison to the total population of the district. Similarly the average involvement of the Janjati in relation to the total population of Janajati in the district is less than 50%. The average involvement of Dalits in cooperative is much more than the total population of them but the involvement of religious minority groups is quite less.

In this way the participation of upper caste and Dalits in cooperative seems to be quite remarkable but other two ethnic groups' involvement is worry some. So the involvement of Janajati and religiously minor groups should be improved. In this way, the involvement of marginal community has been appeared very low in such various fields.

It seems that the number of women in leadership is far less than the average number of women involvement in cooperative. This indicates that there should be an improvement in women involvement in women leadership and executive committee which ensures the women empowerment in the society through cooperative.

The knowledge and information of the board members and other members seems to be lacking to make the cooperative more useful and purposeful. The main problems of cooperative seem to have the concept of the cooperators in involving in many cooperative societies.

However, the change in the number & type of toilet after people became co-operative members, 81% members have permanent toilet. The number of temporary toilet has decreased to 4% and the percentage of people having no toilet has decreased to 15%. This study reveals that with various other reasons, the awareness given by co-operative has brought significant change in making permanent toilets.

As to compare the membership of before and after in cooperative, it is increased in the area of housing land by 3 percent, but when we watch the changing condition of land area, it seems to decrease the use of land by 2% in own cultivated and, 2 % in Rented in and 6% in rented out land.

Behind these conditions, there are many reasons, such as people's attraction decreased in such professions due to the low productivity in agricultural sectors and they are more tended to other different job fields etc.

According to agriculture census in 2001-2002 in the consumption of land, average family is supposed to have possessed 23.53 kattha (0.80 hector) lands. Likewise, according to agriculture census in Runpandehi district, average per family seems to have used 26.76 kattha (0.91 hector) lands. And according to which national average is seen to be near with the present average of own cultivated land of sample household.

Due to the availability of modern technology, seeds, facilities, easy access of loan to farmers, training and study observation etc, the income from 39% to 83% has increased after the membership. Price increment is another important factor in the

present context. In spite of decrement of average land consumption, cooperative sector has played important role to increase income with high production.

Main reasons behind the increment in income from 81% to 175 % are that more people are involved in meat business, more income earned from milk production and its selling. Similarly, cooperative has provided easy loan to these people, though price increment, etc are the reason of income increment.

After becoming cooperative share members, they have been able to increase their income by 175% from animal husbandry (cattle raising). They have increased the amount of income by adding the amount of investment by means of easy and cheap loan through cooperative and increase in the cost of production. By comparing the income from other source before and after becoming share members, the maximum income i.e. 216% has been from interests and minimum income i.e. 23% from pension. After becoming share members their involvement seems to be increasing in foreign employment because of the easy and cheap loan provided by cooperative for its members. The income of industrial area also is the cause of the increase in income of other sources. The contribution of easy and cheap loan process has helped in the increase in involvement rate of people and income. The income obtained from other resources has been increased due to the price increment in all round areas, price increment in goods and services.

Because of impressive and helpful cooperation of cooperative, there is much more increment of income and involvement in conducting industries/ entrepreneurs. Capacity development, salary increment with relative time and price increment in goods/ services etc. are some other reasons for high income.

Before membership in cooperative, the lower level i.e.50% families have 18.2 % of the total income and the upper level i.e.50% family's income covers the rest of 81.8% part of the total income. This analysis reveals that there was unequal distribution of income in the study area before the people entered into cooperative society. During the present time the grand total income of lower level50% families is 21.3% and rest 78.7% income goes to upper level 50% families, 21.3% and rest 78.7% income goes to upper levels 50% families.

The distribution of income before and after being the cooperative members seems to be satisfactory or positive. The income of the bottom level 10% has reached 1.9% from 1.5% after being the share member but the income percentage of upper level 10% families has decreased to 31.2% from 35% in the present. This shows that after being the cooperative members many economic activities have taken place for the equal distribution of income. This indicated the slight change occurred in the previous unequal distribution of income.

The result obtained by using the statistical tools like Gini Concentration Ratio and Range to measure the distribution of income is described here. On the basis of the income of the share member prior to entering cooperative, the Gini Concentration Ratio was 0. 4658 and Range was 7. 2448. Whereas this figure has slightly decreased after they became the member, the Gini Concentration Ratio is 0. 4181 and Range is 5.1821 at the present context. The reduction of Gini Coefficient and Range of the income of members proves the improvement of income distribution in the study area.

In this way the greater majority members depositing their saving in cooperative can be regarded as one of the positive aspects of cooperative sector.

In the comparison of expenditure increment before and present membership, average expenses is increased by 58 percent in wheat production as the highest point and it is the 14 percent in mustard as the lowest level.

The production cost of paddy and pulses are increased to 53 and 52 percent respectively. The high price value in production, instrument, labourer, fertilizer, seeds and machinery items are the main causes behind the increment in cost.

But most of the people involved in agriculture, didn't like to show the cost of their direct involvement in farming. This has affected in finding out the exact overall cost invested in agricultural activities.

After becoming the member the expenditure in buying cattle, fodder and treatment has been increased by 372%, 123% and 120% respectively. Such increment of expenditure is due to the increase in the amount the investment in cattle raising, price increment in all round areas, increase of diseases and cost increment in treatment of cattle.

There seems to be significant internal and external reason in this expenditure increment from 39 to 74 percent, while comparing previous and the present one. Satisfactory progress in industries, business etc, assisted by foreign employment and increasing consumption rate with family member etc, are considered internal causes. And high price value (increment) in the goods and services is another external cause.

The annual average inflation rate of five fiscal years between 2006-2007 and 2010/11 is 5.9%, 6.7%, 12.3%, 9.4% and 9.7% respectively. Because of this kind of price like, the maximum expenditure rate has been increased by the increase of the cost of goods and services.

In this way, behind the increment in expenditure from the lowest 42 percent to the highest 148 percent, the inflation has played an import role as the main cause. However, increment in income and family size, lifestyle and fashion etc, are considered assistant internal causes.

After becoming the cooperative member, taking loan in high interest from other persons has decreased to almost zero level and the dependency on dealing with cooperative has increased. The core conclusion is that, due to access of cooperative up to rural level, people have been freed from high interest rate with individuals. It is assumed as the great achievement that saving and credit cooperative has played an important role for recourse management and providing service to the people.

In spite of the growing gross dependency from 32 to 35 percent in bank, a high dependency of individual, i.e. 51-75 percent has come to decrease from 26-50 percent (i.e. 19%). It is assumed as the great achievement. In this way, dependency on individual has gone down to the zero level and 75 percent people started depending in cooperative. These facts are also considered as an important achievement.

96% of the total sample populations have expressed their satisfaction about activities going on according to their purpose of entering co-operative. It reveals that the members seem to be confused about what purpose to make of being co-operative member. There has been left to clarify about the wider range of co-operative to its members.

The study indicates that most of the cooperative share members have not been participating in minimum required programmes except some particular members.

In this way the persons having similar interests and aspirations should be a member in order to fulfill their demand and necessities from cooperatives. But it is a great problem of cooperative sector; it couldn't take any benefit since five years of the member of cooperative.

Regarding the question asked about the contribution of cooperative in having a direct influence in the improvement of economic condition, increasing investment in existing business, getting direct employment in the nation and abroad, 85% respondents have given their negative responses. Among those questions asked to the respondents more than 50% have given unfavorable answers to most of questions that the cooperative couldn't have done remarkable help in direct change in economic sector.

In this way the cooperative seems to have brought a remarkable change in increase of awareness, mutual sociability with different communities, improvement in saving habits, increment in women involvement in society, increase in social recognition etc. but it seems to improve less in direct economic improvement and income generation.

Most of the share members keep their opinion that the change of their life standard is good; which can be concluded to be 'good' from the significant change measured by using statistical tool, chi-square test. Its value is '373.776', p-value '0.00' and result is 'significant'. However, the cooperative hasn't brought the significant change though it is said that it has done well. Hence we conclude that majority of the members possess 'good' living standard after the membership of cooperatives but not 'betterment'.

This analysis reveals that the poverty level of the study area has dramatically decreased to 8.2% from 24.1% after becoming cooperative members. In this way there has been adopted many kinds of activities to increase income and reduce poverty level in the study area. Because of foreign employment, progress in business, modernization in agriculture, increase in labour wages etc. the income of each family has increased in such a way that every family's income is above the poverty line.

This study shows the important contribution of cooperative in the activities like, empowerment, easy loan, and increase in social participation. In this way there has been an important role of cooperative in reducing poverty in the study area.

The poverty population in the study area seems to be very less, i.e. 8.2% than the poverty level population of the nation which is 25.16%. The main cause for this result is due to the fact that saving and credit cooperatives have not reached to every citizen especially to those who are still very poor.

A large group of poor people is still deprived of taking necessary service from cooperative. Similarly no any effective programs have been conducted to make them the members of cooperative.

Lastly by analyzing the different condition of cooperative members, it has been found that cooperative has played an important role in social change where as it has not played much significant role in direct economic change. On the basis of the answers of cooperators about 81% to 92% people have admitted that the cooperative has done a great contribution in enhancing social recognition, to be closer and together among different communities and castes; developing the habits



of saving and increasing savings, involvement of the all adult family members in decision making process of family etc. Similarly, about 60% people have given positive response towards the role of cooperative in women empowerment and increase in social involvement. But less than 30% people have give their positive answers regarding the role of cooperative in helping to begin new business, increase employment, developing business skills, taking leadership in social works etc, however about more than 70% people have given their negative responses. Therefore in upcoming days the cooperative should play an important role in direct economic growth & development.

Hence it can be concluded that saving and credit cooperatives have played an important role for changing and strengthening social recognition and interaction between many communities in the study area. Similarly increase in empowerment of women and different marginal communities of rural area. As a result it can contribute to the social and economic change of the community but it seems to be less improvement in direct economic improvement and income generation of rural people and the member of cooperative.

## **8.2 Suggestions:**

The cooperative movement that was launched formally from England has now spread all over the world playing an important roles in economic, social and cultural change. Cooperative has contributed a lot in changing and bringing affirmative effects in these aspects in Nepal as well. This study reveals that cooperative has played a pivotal role in empowerment, socialization and development of leadership power than in direct economic progress.

I am of the opinion that among the various dimensions of poverty, the cooperative has played secondary role in economic poverty reduction but in other types of poverty reduction it has played an important role. The context of poverty reduction, saving and credit cooperatives contributed a lot in different ways. Cooperative organizations helped not only by providing loan to the shareholders but also making good relationship among the members and community dwellers. The people of rural areas are benefited from the establishment of cooperatives in their community. This also saved them from going to the bank situated in the city. The study shows that 73.9 percentage people of Nepal depend on agriculture sectors. I would like to point out that in such circumstance the co-operatives established in the village areas have been playing remarkable role by providing the necessary loan in different fields such as: agriculture, small industries, business, health and education, foreign employment, livestock farming etc. This helps to lessen the poverty of the rural areas and increase the life situation and status of the people. The cooperatives also help the people to stop to be deprived of the economic problems.

With the help of cooperative a balanced growth and development in different aspects of cooperative members can be done. For this there is the role and responsibility of different sectors, government sectors, federation and unions from centre to districts, related cooperative societies, cooperative leadership, all share members and community. Due to the lack of fulfilling the duties and responsibilities of related sectors, the expected exponential result hasn't been achieved.

Therefore, by studying the role of saving and credit cooperatives of Rupandehi district, I strongly say that their contribution is remarkable to make socialization and empowered. On the basis of the close and deep study of 14

cooperative organizations of different parts of Rupandehi district the concerned sectors acknowledge the recommendations given below, the cooperative movement of Nepal can obtain important achievement. Similarly the saving and credit cooperative societies will be proved to be helpful in reducing all types of poverty contained in all the people.

### **Suggestions for Cooperative Members, Leaders and Primary Cooperatives**

1. Cooperative members have to make plans for ruling the use of dried dung and fire woods as their household fuels through cooperative. In order to improve this situation it should be planned for developing alternative powers like biogas, plant and solar power.
2. People who not have toilets should be encouraged and inspired to build and use toilets through necessary awareness programs.
3. The role of cooperative in proving economic rights to women seem to be praiseworthy however not enough. Therefore, this campaign should be conducted through more effective programs in the days to come.
4. Cooperative funds managed by the rules of cooperative operation should be properly managed and implemented. By managing certain amount of funds for education, the cooperative members should be give vocational and skill full trainings, cooperative education, awareness of empowerment and leadership development.
5. All the cooperative members should be participated in all opportunities obtained from and created by cooperatives.
6. It doesn't seem to be necessary to continue the membership of those cooperators who always remains absent in annual general meetings and other activities and programmes run by cooperatives.

7. Annual general meeting should be a common place for all the share members to express their views in an effective ways. Forming certain groups of share members on the basis of their presence in general assembly a conclusion should drawn through wider discussion over the presented agendas, reports, future programs and budget. Cooperative should improve the tradition of allowing guest speaks to kill the greater part of time with long speech and approve and finalize the reports and programs in haste without effective discussion and common consensus.
8. Most of cooperatives seem to have forgotten to bear the social responsibility as a duty of every cooperative. So every cooperative should manage any kind of program to benefit the society manage any kind of program to benefit the society monthly, quarterly, half yearly or yearly according to the need and suitability of time.
9. Cooperative has played an important role in socialization of different groups in the community, increase in social participation, women empowerment and establish economic right to women. But there hasn't been significant role in income and direct economic improvement. So by means of vocational and skillful trainings the cooperative has to help its members to improve the levels of income and economic status.
10. The meeting of executive committee, auditing committee and other committee must be made effective and regular.
11. The participation of share members in general assembly must be increased and improved.
12. Cooperative institutions must make future plans and implement them effectively.
13. Aiming at the progress and promotion of share member's economic status the programs should be planned which helps in poverty elimination.

14. In comparison to the ratio of women and Janajatis participation in cooperative, there is less involvement of them in executive committee and other committees, this number should be increased.
15. In comparison to the total population of Janajati and religious minorities, their participation in cooperative seems to be less in average. Therefore their participation should be increased by arousing interest in cooperatives.
16. It seems that many cooperatives are run by one or two leadership doing a long time which causes the problem of the development of other leaders. So it would be better to make policy of two-term period for the same person to be elected in the main body of management committee.
17. It is obvious that if the saving and credit cooperatives have enough honorable and skilled management committee, well trained employees they will play significant role to help a lot to alleviate poverty and increase national income by optimum utilization of the available means and resources.

**Suggestions for Primary Cooperatives, District Cooperative Offices and Government Levels:**

1. There is high level of poverty and inequality in the income. So, it is necessary to create self-employment system by providing different trainings, focusing in agriculture in the rural areas and business in urban areas.
2. Though this study it is explicit that people spend much money in non-food and non-productive areas as: fashion, religion, cultures, festivals etc. To make conscious to the people about this phenomena different awareness programs should be conducted to lessen the expenditure in the non-productive area and attract to productive area.

3. Different bodies and members of the saving and credit cooperatives have less knowledge about conduction and management of cooperatives. Many saving and credit cooperatives are running on only by the employees, which has much chance of exploiting or abusing the collected money. So the monitoring system should be made effective and cooperative offices and division cooperative office should pay much attention in this matter.
4. There are not enough study materials resources and data to study separately about the main role of cooperative to alleviate poverty. Therefore, the concerned authority should pay much attention to maintain all the data so as to make easier for the research and study on different study materials, resources and data so that the role of cooperatives to alleviate poverty can be seen clearly.
5. It is necessary to maintain the ward-wise data of VDCs or municipalities related to the cooperatives and their members according to gender as well. While collecting data different aspects such as economy, sex, class, caste, should be taken into account.
6. There is a need of collection and proper management of necessary data related to cooperative.
7. The cent percent dependency of cooperative members for the loans should be on cooperatives. The cooperative has to create favorable environment to make its share member confident by improving human efficiency, physical and economic development. For this kind of condition the government has to plan for effective monitoring, favorable environment and proper rules, laws, by laws and counseling services.

8. It is better to have the system of forming executive body and other committees of cooperative through common consensus in most of cooperative societies, however there have been many other problems like the lack of effective and eligible leadership in cooperative, taking turn by turn in a certain circle of people, lack of practices in reaching to all share member for leadership selection etc. To solve these problems cooperative has to make plans for leadership formation or make rules of handing the leadership over to other persons. There seems to be regular inspection from the government sector in this regard.
9. Most of cooperatives seem to have forgotten to bear the social responsibility as a duty of every cooperative. So every cooperative should manage any kind of program to benefit the society manage any kind of program to benefit the society monthly, quarterly, half yearly or yearly according to the need and suitability of time.
10. Because of the trend of a person being involved in two or more than two cooperatives of same subject. Cooperatives have not done exponential development. The government laws of cooperative haven't been implemented well. Therefore the cooperative rules must be followed effectively and a person should not involve in more than one cooperative society of same nature. Monitoring of this aspect should be effectively done by government.
11. While looking at the trend of poverty in the study area before and after membership in cooperative society, it seems that the poverty level has decreased to 8.2% by 15.9% reduction from 24.1% poverty line of study area which doesn't seem to be close to National level poverty line which is 25.16 %. This shows that most of poor people and backwards haven't been able to involve in cooperative society. Therefore, the cooperative rules and laws, government officials of cooperative sectors and leaders of cooperative should

make solid plans to participate such poor and backward people more and more in cooperative. In this way, all the poor and backward group of people can be taken in to the main stream of economy.

### **Suggestions for Government Authority, District Cooperative Offices and Government Policy Level**

1. Officially the register process is made easier but while registering cooperative the government or concerned office should inform to follow the basic principles, norms and values of cooperatives.
2. The monitoring process should be made effective and done by the skilled manpower to check whether the cooperative are following the policies, terms and conditions of co-operatives or not.
3. About involvement of cooperative members in profession, women's involvement seems to be greater in agriculture than in other professions. So the women should be given an opportunity in different types of vocational trainings to increase women participation.
4. Economically active people in rural areas seem to be less in the utilization of land. The government has to make plans for increasing production and productivity through cooperative. This helps in the utilization of cultivatable land and encourages economically active people to provide an employment opportunity.
5. The national structure of a cooperative and the structure of unions from district level to centre should be changed and improved timely.
6. By developing the cooperative training centers to research centers, the district cooperative offices also should start training centers in the district.



7. It is necessary for the whole economic analysis of cooperative. So a team of economic analysis should be formed in the central level.
8. While implementing various subject related areas of cooperative, the necessary rules and laws should be made to work in coordination with other ministry and sectors.
9. To establish effective international relations a separate unit of the related ministry or department has to be organized and implemented.
10. It doesn't seem to be properly implemented the recommended advice from working committee formed in different time periods to solve cooperative problems. Therefore, the recommended advice of the lastly formed working group in November, 2009 must be implemented at the right time as soon as possible.

By and large co-operatives are somehow considered as the means of social change and leadership development. The government has also insisted on the establishment of co-operatives because of its fruitful nature to develop the community and increase dependency upon them (shareholders). So, co-operatives help a lot to reduce poverty. In a sense, the role of co-operatives is remarkable to reduce poverty. A great leap can be taken in the income field, if the values and norms of co-operatives are followed and applied from the professional point of view.

In my view to make co-operative a bit more effective and reliable, there must be mutual relation between or among concerned government authorities, co-operative organizations, co-operative committee (body) and shareholders.

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### **Important Web site**

[www.aciaamericas.coop](http://www.aciaamericas.coop)

[www.brs-vzw.bc](http://www.brs-vzw.bc)

[www.cbs.gov.np](http://www.cbs.gov.np)

[www.cdfcanada.coop](http://www.cdfcanada.coop)

[www.chfha.org](http://www.chfha.org)

[www.confcooperative.it](http://www.confcooperative.it)

[www.co-op.ac.uk](http://www.co-op.ac.uk)

[www.coopdevelopmentcenter.coop](http://www.coopdevelopmentcenter.coop)

[www.coopscanada.coop](http://www.coopscanada.coop)



[www.co-opstudies.org/](http://www.co-opstudies.org/)  
[www.danskeande/sse/skaber.dk](http://www.danskeande/sse/skaber.dk)  
[www.dcor.gov.np](http://www.dcor.gov.np)  
[www.ddcrupandehi.org](http://www.ddcrupandehi.org)  
[www.deoc.gov.np](http://www.deoc.gov.np)  
[www.dgrv.de](http://www.dgrv.de)  
[www.did.qc.ca](http://www.did.qc.ca)  
[www.fao.org](http://www.fao.org)  
[www.fos-socsol.be](http://www.fos-socsol.be)  
[www.global-unions.org](http://www.global-unions.org)  
[www.ica.coop](http://www.ica.coop)  
[www.ica.coop/icba](http://www.ica.coop/icba)  
[www.icaroop.coop](http://www.icaroop.coop)  
[www.icftu.org](http://www.icftu.org)  
[www.icmif.org](http://www.icmif.org)  
[www.icos.ie](http://www.icos.ie)  
[www.ifao.org](http://www.ifao.org)  
[www.ilo.org](http://www.ilo.org)  
[www.internationaldevelopment.coop/rec193.htm](http://www.internationaldevelopment.coop/rec193.htm)  
[www.koopi.sc](http://www.koopi.sc)  
[www.legacoop.coop](http://www.legacoop.coop)  
[www.mcc.coop/ing/cooperatives-mo/expemcc/mundukide.html](http://www.mcc.coop/ing/cooperatives-mo/expemcc/mundukide.html)  
[www.ncba.coop/clusa\\_news.cfm](http://www.ncba.coop/clusa_news.cfm)  
[www.ncfnepal.com.np](http://www.ncfnepal.com.np)  
[www.ncui.net](http://www.ncui.net)  
[www.nefscun.org.np](http://www.nefscun.org.np)  
[www.npc.gov.np](http://www.npc.gov.np)  
[www.nrb.gov.np](http://www.nrb.gov.np)  
[www.oikocredit.org](http://www.oikocredit.org)  
[www.paris21.org/betterworld](http://www.paris21.org/betterworld)  
[www.pradan.net](http://www.pradan.net)  
[www.sahakarinepal.com](http://www.sahakarinepal.com)  
[www.technology.open.ac.uk/cru/](http://www.technology.open.ac.uk/cru/)  
[www.un.org.np](http://www.un.org.np)  
[www.un.org/documents/ecosoc/docs/2001/e2001-68.polf](http://www.un.org/documents/ecosoc/docs/2001/e2001-68.polf)  
[www.un.org/millenniumgols/](http://www.un.org/millenniumgols/)  
[www.undp.org.np](http://www.undp.org.np)  
[www.undp.org/mdg/undpsrole.shtml](http://www.undp.org/mdg/undpsrole.shtml)  
[www.utangranser.swecoop.se](http://www.utangranser.swecoop.se)  
[www.wikipedia.org/cooperative](http://www.wikipedia.org/cooperative)  
[www.woccu.org](http://www.woccu.org)  
[www.worldbank.org](http://www.worldbank.org)

## ANNEX:

### 1. Gini Co-efficient of Income Distribution before Membership:

Cummulative Percentage of HH Size	Cummulative Percentage of income	xi	yi+1	Xi*yi+1	xi+1	yi	xi+1yi
10	1.5	10	3.9	39	20	1.5	30
20	3.9	20	7.4	149	30	3.9	116
30	7.4	30	12.2	366	40	7.4	298
40	12.2	40	18.2	728	50	12.2	611
50	18.2	50	25.8	1288	60	18.2	1091
60	25.8	60	35.6	2135	70	25.8	1803
70	35.6	70	47.5	3326	80	35.6	2847
80	47.5	80	65.0	5202	90	47.5	4276
90	65.0	90	100.0	9000	100	65.0	6503
100	100.0		<b>Total</b>	<b>22232</b>		<b>Total</b>	<b>17574</b>

$$G = \frac{\sum xi * yi + 1 - \sum xi + 1 * yi}{(100)2}$$

$$= \frac{22232 - 17574}{(100)2}$$

$$= \frac{4658}{10000}$$

$$= 0.4658$$

## 2. Gini Co-efficient of Income Distribution at Present:

Cummulative Percentage of HH Size	Cummulative Percentage of Income	xi	yi+1	Xi*yi+1	xi+1	yi	xi+1*yi
10	1.9	10	5.15	52	20	1.9	37
20	5.2	20	9.47	189	30	5.2	155
30	9.5	30	14.83	445	40	9.5	379
40	14.8	40	21.28	851	50	14.8	742
50	21.3	50	28.78	1439	60	21.3	1277
60	28.8	60	38.76	2326	70	28.8	2015
70	38.8	70	52	3640	80	38.8	3101
80	52.0	80	68.81	5505	90	52.0	4680
90	68.81	90	100	9000	100	68.8	6881
100	100		<b>Total</b>	<b>23446</b>		<b>Total</b>	<b>19265</b>

$$\begin{aligned}
 G &= \frac{\sum x_i l * y_i l + 1 - \sum x_i l + 1 * y_i l}{(100)^2} \\
 &= \frac{23446 - 19265}{(100)^2} \\
 &= \frac{4181}{10000} \\
 &= 0.4181
 \end{aligned}$$

**3. Before membership, income inequality compute with the help of range for household annual income:**

$$E = \frac{MaxY - MinY}{\mu} \text{----- (i)}$$

So,

$$MaxY = 2254000$$

$$MinY = 21200$$

$$Total\ income = 88143205$$

$$Average\ income = \mu$$

$$No\ of\ HH = 286$$

$$\text{Where, } \mu = \frac{Total\ Income}{Total\ No\ of\ HH} \text{----- (ii)}$$

$$= \frac{88143205}{286}$$

$$= 308193$$

Substitute the value of  $\mu$  in equation ( i )

$$E = \frac{2254000 - 21200}{308193}$$

$$= \frac{2232800}{308193}$$

$$= 7.2448$$

Therefore Range ( E ) = 7.2448

- 4 At present, income inequality compute with the help of range for household annual income:

$$E = \frac{MaxY - MinY}{\mu} \text{----- (i)}$$

So,

$$MaxY = 3310150$$

$$MinY = 60300$$

$$Total\ income = 179359001$$

$$Average\ income = \mu$$

$$No\ of\ HH = 286$$

$$\text{Where, } \mu = \frac{Total\ Income}{Total\ No\ of\ HH} \text{----- (ii)}$$

$$= \frac{179359001}{286}$$

$$= 627129$$

Substitute the value of  $\mu$  in equation ( i )

$$E = \frac{3310150 - 60300}{627129}$$

$$= \frac{3249850}{627129}$$

$$= 5.1821$$

Therefore Range ( E ) = 5.1821

## QUESTIONNAIRE:

### **Saving and Credit Co-operative as a Poverty Reduction Programme : A Case Study of Rupandehi District, Nepal.**

#### **Questionnaire for Cooperative Members**

#### **1. General Information of respondent:**

Date:

1.1 Name and address of cooperative society:

.....

1.2 Name of member (Respondent): .....

1.3 Gender: Female / Male

1.4 Address: ..... 1.5 Age: .....

1.6 Date of membership:..... 1.7 Contact number:.....

1.8 Education: 1.Illiterate ( ) 2. Literate ( ) 3.S.L.C. ( ) 4. PCL ( )  
5.Bachelor ( ) 6. Masters and above ( )

1.9 Occupation: 1.Agriculture: ( ) 2. Industry/Business ( ) 3.Domestic job ( )  
4. Others ( )

1.10 Ethnicity: 1. Brahmin/Chhettri ( ) 2. Dalit ( ) 3. Janajati ( ) 4. Religious  
Minorities ( )

1.11 Any responsibility in your cooperative? 1. Shareholder member ( )  
2. Board member ( ) 3. Auditing committee ( ) 4. Others ( )

#### **2. Family condition of member:**

2.1 Age factor of family:

S.No.	Age group	Female	Male	Total
1	0-4 Yrs			
2	5-14 Yrs			
3	15-59 Yrs			
4	60 Yrs and above			

## 2.2 Educational condition of family:

S.No.	Educational condition	Female	Male	Total
1	Illiterate			
2	Literate			
3	SLC			
4	PCL			
5	Bachelor			
6	Masters and above			

## 2.3 Family Occupation:

S.No.	Occupation	Female	Male	Total
1	Agriculture			
2	Industry/Business			
3	Domestic job			
4	Foreign job			
5	Wages			
6	Others			

## 3. Income Sources (Last year):

### 3.1 How much land has your family cultivated? (In Kattha)

Land	Present		Before Membership	
	Housing land	Cultivated land	Housing land	Cultivated land
Own land				
Land rented in				
Land rented out				

### 3.2 How much income did you achieve from agricultural product?

S.No	Crops	Present income			Income of Before Membership		
		Quantity Product	Per unit price	Total Rs.	Quantity Product	Per unit price	Total Rs.
1	Paddy(Qt.)						
2	Wheat(Qt.)						
3	Pulses(Qt.)						

4	Oil Seeds(Qt.)						
5	Maize(Qt.)						
6	Potato(Qt.)						
7	Vegetable ( Kg.)						
8	Fruits (Kg.)						
9	Others						
	Total income						

### 3.3 How much income did you receive from animal products?

S.No	Description	Present income	Income of Before Membership
1	Livestock selling		
2	Meat selling		
3	Milk and its product selling		
4	Compost fertilizer selling		
5	Others		
	Total Income		

### 3.4 What are the acquired incomes from different sources?

S.No	Sources	Present income	Income of Before Membership
1	Domestic Job		
2	Abroad job		
3	Business		
4	Industry		
5	Daily wages		
6	Pension		
7	Rent		
8	Interest		
9	Commission		
10	Other		
	Total income (Rs.)		



### 3.5 What is the situation of borrowing and dependence percent?

Sources of Borrowing	Present		Before membership	
	Borrowed Money	Dependence percent of total loan	Borrowed Money	Dependence percent Of total loan
Cooperative				
Bank				
Person				
Total		—		—

Note: 1 = 0-25 %, 2 = 26-50 %, 3= 51-75 %, 4 = 76-100 %

## 4. Expense description (Last Year):

### 4.1 How much expenditure did there happen in agricultural product?

S.No	Crops	Present expense Rs.	Before membership expenses Rs.
1	Paddy		
2	Wheat		
3	Pulses		
4	Oil Seeds		
5	Maize		
6	Potato		
7	Vegetable		
8	Fruits		
9	Others		
	Total expenditure		

### 4.2 Expenditure on livestock:

S.No	Description	Present Expenditure	Expenditure of Before Membership
1	Purchase on livestock		
2	Purchase on food cost		
3	Medical cost		
4	Other costs		
	Total cost		

#### 4.3 Expenditure on food items:

S.No	Items	Present			Before membership		
		Qty.	Price per unit	Total Rs.	Qty.	Price per unit	Total Rs.
1	Rice(Qt.)						
2	Wheat(Qt.)						
3	Pulses(Kg.)						
4	Cooking Oil (Lt.)						
5	Milk(Lt.)						
6	Milk product(Kg.)						
7	Vegetable(Kg.)						
8	Fruits(Kg.)						
9	Meat(Kg.)						
10	Maize(Kg.)						
11	Salt/Sugar/Spices						
12	Others						
	Total Rs.						

#### 4.4 Expenditure on non-food items:

S.No	Items	Present (Rs.)	Before Membership(Rs.)
1	Clothes		
2	Education		
3	Health care		
4	Shoes/ Sandals		
5	Lightening/firewood/gas		
6	Festival/custom		
7	Transportation		
8	Electricity		
9	Communication		
10	Drinking Water		
11	Donation		
12	Domestic Appliances		
13	Repairing gadgets		
14	Smoking/Liquored		
15	Others		
	Total Expenditure		

## 5. Analysis of Poverty Conditions:

### 5.1 Conditions of Home:

5.1.1 What is the wall of your house made of?

1. Mud ( ) 2. Stone ( ) 3. Brick ( )

5.1.2 What is the roof of the house made of ?

1. Thatch ( ) 2. Tile ( ) 3. Tin/Zink Plates ( ) 4. Cemented ( )

5.1.3 How many rooms are in your home? .....

5.2 What kinds of toilet are in your home? Correct (  $\sqrt{\quad}$  ) your kind .

Status	Present	Before Membership
No toilet		
Temporary toilet		
Permanent toilet		

5.3 What are the domestic goods used in your home?

1. Radio ( ), 2. Television ( ), 3. Refrigerator ( ), 4. Land Phone ( )

5. Mobile ( ), 6. Computer ( )

5.4 Which types of means of transportation are used in your home?

1. Cycle ( ) 2. Motorcycle ( ) 3. Car ( ) 4. Tractor ( ) 5. Bus ( )

5.5 What kinds of major sources of lightening/fuel are used in your home for cooking meal?

1. Cow dung ( ) 2. Wood ( ) 3. Kerosene ( ) 4. Gas ( ) 5. Electricity ( )

6. Others ( )

## 6. Socio-economic Analysis:

6.1 Being member of cooperative, what changes are occurred in your life?

- 6.1.1 Do you have increased social identity? Yes ( ) No ( )
- 6.1.2 Do you support sociability between different ethnicity and  
Community ? Yes ( ) No ( )
- 6.1.3 Is your involvement increased in various decision making process of  
your society? Yes ( ) No ( )
- 6.1.4 Do you think you should give a continual perspective towards the works  
of different Social sectors? Yes ( ) No ( ).
- 6.1.5 Are you eligible to strengthen your capacity for the responsibility of  
bearing leadership in social work? Yes ( ) No ( )
- 6.2 Being a member in cooperative, following economic conditions are changes in  
your personal and family life?
- 6.2.1 Did it support you for new business? Yes ( ) No ( )
- 6.2.2 Did you increase your income to increase in investment of your  
ongoing (continuous) business? Yes ( ) No ( )
- 6.2.3 Was it easy for (to get) domestic job? Yes ( ) No ( )
- 6.2.4 Was it supports to go to foreign employment? Yes ( ) No ( )
- 6.2.5 Was it supports to increase the rate of saving amount? Yes ( ) No ( )
- 6.2.6 Was there increasement in the consumption capacity of public services  
like health, education, transportation, communication etc.? Yes ( ) No ( )
- 6.2.7 Did it support to establish economic right of women in family?  
Yes ( ) No ( )
- 6.3 Being a member of cooperative, were the following changes in your family?
- 6.3.1 Was it increased to support women empowerment? Yes ( ) No ( )
- 6.3.2 Are there supports to increase to social involvement of women? Yes ( )  
No ( )

6.3.3 Was there supports to increase business efficiency of your family member? Yes ( ) No ( )

6.3.4 Is there increase to support to involvement in domestic decision making process of all adult members at home? Yes ( ) No ( )

6.3.5 Is there contributed to the children for regularity of school? Yes ( ) No ( )

## **7 What do you know about your cooperative?**

7.1 How many shareholders are there in your cooperative? Do you have known?

Yes ( ) No ( )

7.2 What attendance percentage of member is there in the annual general meeting in cooperative? In percentage .....

7.3 How many members do they have their opinions in this meeting, except board member and audit committee? .....

7.4 Which procedure is more applied to select Board (task committee) and audit committee of cooperative?

1. Election ( ) 2. Negotiation ( ) 3. Renewing the old committee ( )

4. I don't know ( )

7.5 In what social sectors have cooperatives involvement ?

1. Health camp ( ) 2. Sanitation Campaign ( ) 3. Blood donation ( ) 4. No any activities ( ) 5. others ( ) 6. I don't know ( )

## **8. What is the opinion in your involvement & achievement about following subject?**

8.1 With which aims, did you enter in this cooperative society ?

1. For saving ( ) 2. For borrowing ( ) 3. Mutual sociability between different community ( ) 4. Empowerment and leadership development ( ) 5. Improvement of economic level and business knowledge ( ) 6. I don't know ( )

8.2 Who motivated you to be a member of this cooperative institution?

1. From cooperative member ( )
2. From Government organization ( )
3. From relatives/ neighbor ( )
4. From non government organization ( )
5. Self willingly ( )

8.3 Are the work completed as your motives (wishes) after your entrance in the cooperative? Yes ( ) No ( )

8.4 In what programme of cooperative, are you involved?

1. Annual general meeting ( )
2. Executive meeting ( )
3. Cooperative education and training ( )
4. No any activities ( )
5. Others ( )

8.5 From which sectors did you gain benefits because of your involvement in cooperative?

1. Economic growth and development ( )
2. Leadership Development ( )
3. Increase in social participation ( )
4. Empowerment ( )
5. Mutual sociability between different ethnicity ( )
6. Sharing feeling ( )
7. No anything ( )
8. Others ( )

8.6 Do you have known about the values, norms and principles of cooperative? Yes ( ) No ( )

If No,

1. Lack of organizing training by cooperative ( )
2. Lack of time to attain training ( )

8.7 In how many primary cooperative societies have you been share member?  
.....

8.8 If you are a member in many cooperatives, what kind of nature of cooperatives is there?

1. Saving and credit ( ) 2. Consumer ( ) 3. Agriculture ( )  
4. Milk ( ) 5. Multipurpose ( ) 6. Others ( )

8.9 What is the reason to be cooperative member from many cooperative?

1. Easy to take borrow ( ) 2. For saving ( ) 3. Personal request by friends/relatives ( ) 4. Others ( )

8.10 In what rate and nature have you done saving in your cooperative ?

1. Daily Rs. .... 2. Weekly Rs. .... 3. Monthly Rs. ....

8.11 In which institutions are used to save your money?

1. Cooperative ( ) 2. Bank and financial institution ( )  
3. Community based informal groups ( ) 4. Others ( )

8.12 How do you compare to your living standard of before and after cooperative membership?

1. Extremely good ( ) 2. Good ( )  
3. Normal ( ) 4. No any difference ( )

Thanks!

## Sample Area Wise District Map of Rupandehi, Nepal

