

Small Farmer Cooperatives and its' Role on Rural Poverty Reduction in Nepal: A Study of Chitwan District

Dr. ChnadraPrasad Dhakal

ABSTRACT

Poverty reduction is one of the challenging tasks for government in Nepal. Government prioritizes small farmer cooperatives in rural area for poverty reduction and provides various financial and non-financial supports for its' development. The study briefly analyzes the situation of small farmer cooperative and its role on poverty reduction in Nepal. Government provides certain supports to the cooperatives and its' members through subsidy. Except that, by functioning various activities related to income generation, small scale loan dispersion and trainings, cooperatives play important role to uplift the socio-economic status of the members. The study follows the qualitative and quantitative research design and only secondary data were used in this study. Books, reports and web sites were used as the secondary source of data. Library research method was used to collect data from different sources. Through analysis of the collected information, conclusion has been made.

KEYWORDS: Cooperatives, Rural Poverty Reduction, Chitwan, Nepal)

I. INTRODUCTION

Cooperative is an autonomous organization of the people that made for the improvement of economic benefit. The word 'cooperative' is derived from the Latin word 'cooperari', that means working together with others. Generally, cooperative is known as a 'give and take' process to each other, working together for similar and a common cause. For the long-time cooperatives remain in informal setting because till 200 years before people were lived in the village communities, tribes and large extended families and even in the city where people felt. Cooperatives are formed with the objectives of earning economic benefit through joint effort of the members. Cooperative is an organization that mobilizes domestic financial resources to ameliorate socio-economic status of rural populace (Majee, 2009). Cooperative is a social organization that focuses on unity, cooperation, and democratic principles. In this regards Badal (2006) notes, "Cooperative as an economic development organization that is developed and promoted by the local people themselves to provide services for its members" (Badal K., 2006). Badal identifies certain features of cooperatives that helps to achieve socio-economic development of the members. He mentions, "Some of the characteristics as, voluntary membership, democratic process, financial contribution from members, freedom, regular training and sharing, assistance among cooperative organizations and focus to the community". Cooperatives initially started in Germany, England, America, Israel and Japan. Third world nation like, Nepal follow these models for economic improvement, however, there has been practiced traditional *guthi* model of cooperative in Nepal since long time. Cooperatives developed in different manner in different parts of the world. Cooperative committee had initiated its formal activity in Israel since 1890.

Cooperative was initiated since the beginning of the 18th century by Robert Owen (1771- 1858) in England and Charles Fourier (1772-1837), Philippe J.B. Bunchez (1796-1865) and Louis Blanc (1811-1882) in France had influenced development of the concept of modern cooperatives (Rhodes, 1995). The International Cooperatives Alliance (ICA) was established in 1985. It made two formal declarations in cooperative principles in 1937 and 1966. Agricultural cooperative was initiated in the period from 1945 to 1960 and its network expanded widely during 1960 to 1970 (Badal K., 2004). Main function of the cooperative is to mobilize local resources for the socioeconomic upliftment of poor people. Development is possible only by utilizing the domestic resources through active involvement of cooperative organizations in the local level. Furthermore, labor, capital and research are considered as major engine of the development (Nakkiran, 2006). Cooperative is an organization of producers and users. However, it develops as the bank and ends exploitation of capitalists, ultimately performing the government authority. Jawaharlal Nehru believed that social exploitation; poverty, unemployment, violence etc could be resolved only by establishing cooperative organizations at the grassroots

level(Gibbs, 1999). On the basis of the principle cooperative was established in Nepal in 2013 B.S and updated it with political changes and desire of the society. During Panchayat time cooperatives were known as active agent of development, however, much positive result could not be seen in economic upliftment of the people.

Cooperative in the Context of Nepal : Cooperative Division was established in 2010 B.S.under the Ministry of Agriculture. Cooperative programs at field level were launched in Chaitra 20, 2013. Thirteen cooperatives were established in Chitwan under the *Rapti* Valley Development Program, with an aim of reducing poverty and uplifting the livelihood of the vastly poor rural people. ADBL highlights the situation and aims of cooperatives as follow:

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 2048 B.S.

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.Major objectives of cooperatives are to:

- a) Participate disadvantaged section of the societies such as women, lower caste, poor people into cooperative organizations in order to improve their socio-economic condition,
- b) Develop cooperative feeling among the different groups such as different religious people, castes, professionals' groups, and economic status people of the societies, and
- c) Improve socio-economic condition of rural populace by mobilizing domestic resources through the cooperatives in the rural vicinity where development activities have not been implemented effectively(The Cooperative Act, 1992).

Cooperative movement has been identified as a major tool for uplifting the livelihood of the majority of poor people across the country. Various periodic plans also highlight about the situation of cooperatives and its' role In the First Five-Year Plan (1956 to 1960) made the provision of cooperative department and established cooperative Department in 2010 and 13 cooperatives established in Chitwan under the *Rapti* Integrated Development Project with the support of USAID. Cooperative act was formulated in 2016. In the third period plan 1,489 cooperatives were established in 56 districts. Cooperatives, however, did not operate properly due to the lack of scientific management practices, inadequate monitoring and follow-up system, lack of quality loan investment and no regularized in loan collection. In the fourth Plan (1970 to 1975), Agricultural Development Bank took full responsibility for providing credit and imparting training activities to enhance the capacity of executive bodies of the cooperative groups in 30 districts. Training was implemented massively in this plan period and some unviable cooperatives were dissolved. As of 1975, there were already 251 cooperatives across the country.Like that, Fifth Plan (1975 to 1980) cooperative institutions were actively involved in credit investment, food distribution and selling fertilizer and improved seeds etc. The management of the cooperatives was transferred from the Agricultural Development Bank to the executive body of cooperatives. Sixth Plan (1980 to 1985), Cooperative Act 2041 was promulgated. After approval of this Act, integrated development programs were implemented through cooperatives across the country. Seventh Plan (1985 to 1990)National Coordination Committee was formulated in 1985 in order to carry out all cooperatives in a single unit.Eighth Plan (1992 to 1997), Cooperative Act 1992 was approved in this plan period. As a result, cooperatives revitalized and mobilized domestic financial resources for economic development activities in the country. The law ensured flexibility in program implementation resulting in rapid replication of cooperatives in rural and urban areas of the country. As of end of this plan period, 3,132 cooperatives were established including 1,622 Dairy Cooperatives, 343 Saving and Credit Cooperatives, 258 Users' Cooperatives and 248 others. Tenth Plan (2002 to 2007), National Cooperative Bank was established as the apex level body by collecting the share from the cooperatives across the country. In the Three-Year Interim Plan, while evaluating the progress of the tenth five-year plan, has underscored the need to improve the access of agriculture and rural credit to the general rural populace(NPC, 2007).

Small Farmers' Cooperative Limited (SFCL) is a rural-based cooperative of Nepal, which was formed by transferring Small Farmers' Development Program since 1993. Major objective of SFCL is to promote financially self-sustainable micro finance organizations in the grassroots levels by mobilizing domestic resources including saving and credit programs and implementing community development activities through the active initiation of local people themselves (Tiwari, 2017). Microfinance is one of the major components of poverty reduction of Nepal. Basically, Rural Self Reliance Fund, Rural Microfinance Development Center, Center for Self-help Development Bank, Deprosc, Nirdhan, Chhimek, Grameen Development Banks,

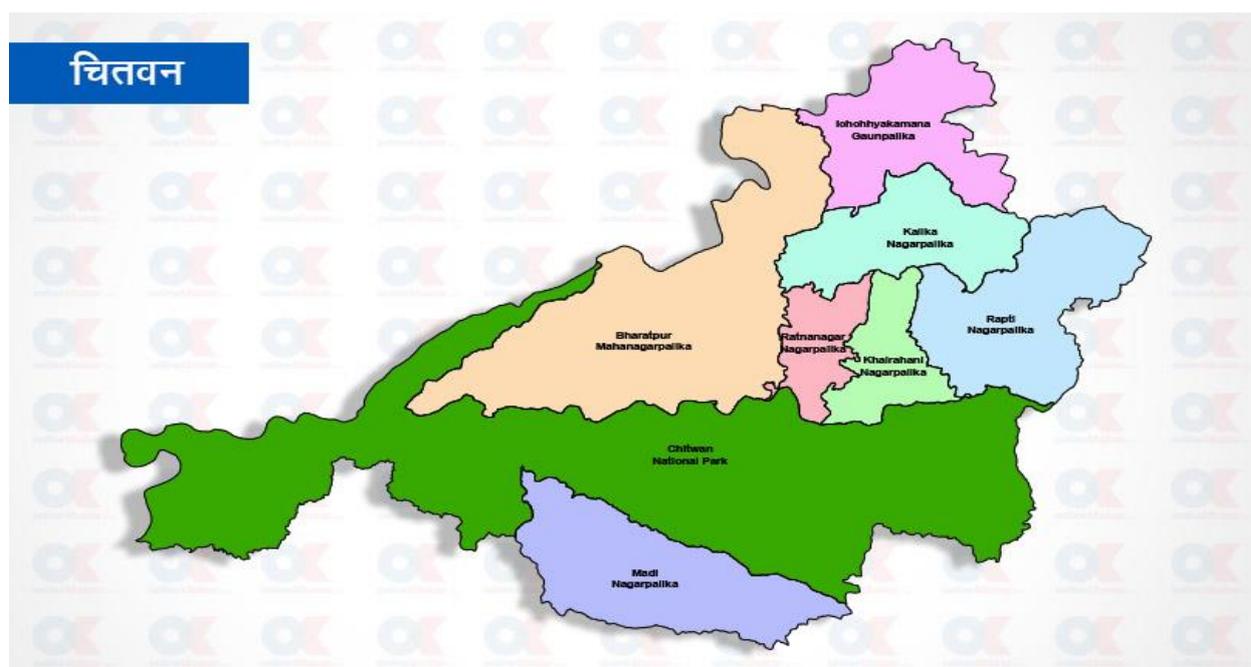
Cooperative Banks, Different Cooperatives such as Multipurpose, Saving and Credit, Agriculture, Dairy, Consumers, Tea, Coffee, Health, Science and Technology, Electricity, Herbal and other Cooperatives have been operating across the country. Despite important role contributed in poverty reduction from these organizations, still expansions of these activities are not praiseworthy so that these institutions should expand massively to reduce the acute poverty across the country(Dhakal, 2016). In recent time number of cooperatives is in increasing trend due to its' diversity but cooperatives are mostly focus on the collection of interest from low income holder people Number of saving and credit cooperative is high among other.

Role of cooperatives in rural Poverty Reduction in Chitwan : In Chitwan district, the first cooperative was established in 2010, B.S and in 2013 B.S. USAID support government to established more cooperative in Chitwan. During 10 to 15 there were 13 cooperatives in Chitwan. Chitwan was known as death valley before eradication of the malaria. There was poverty and illiteracy among the indigenous people living in Chitwan. Few of the mountain people migrated to there, however, there need to certain programs and supports to hold them in the land. Government provided loan, seed of different vegetables and corns to the people through government side. During the time of Panchayat regime Chitwan was model district for cooperatives. At that time numbers of cooperatives were also limited and people had got good service from the cooperative. After establishment of democracy in 2046 B.S., numbers of cooperatives also increased and cooperative shift its' paradigm from service to profit(DCC, 2018). Cooperatives are concentrated on profit rather than service. Poor and marginalized people are slowly been out from the cooperatives and rich business-oriented people's involvement is increasing. Till date cooperatives are running as private business form and no more objectives are fulfilled by the cooperatives.

In the context of saving and cooperatives, participation of local merchants is high and they disperse loan for poor people in high interest and earn money much than the bank. Motto of cooperative is to take facilities from the government and earn much profit from loan dispersion. Except few, most of the local saving and cooperatives are involved in such activities. Dairy cooperatives and Argo cooperatives play a little bit better role than the saving and credit cooperatives. Milk producers' cooperatives also concentrated on profit because same quality milk price also different from dairy to dairy. Bee keeping cooperative and other special cooperatives are established only for the purpose of taking subsidy from government. In the context of Chitwan role of cooperative is not so progressive and effective in the direction of reducing poverty from grass root level. Cooperatives are concentrated on profit than the service. Local bodies also encourage them to increase profit any way rather than the service. Interest rate loan is comparatively high in cooperative and microfinance than the bank. Like that interest of saving also low in cooperatives. However, cooperatives collect large amount money from management group and disperse as loan in high interest. Daily saving is nominal in cooperatives than the other savings. Some of the cooperatives run training for the user groups in support of government line offices, however, the training is not effective for groups(DCO, 2018).

Methodology : Qualitative and quantitative research design was used for this study. For the study purpose, both quantitative and qualitative tools were used to collect data. Relevant literature was received as required by this research topic and later on tried to generalize it. Conclusion and findings of the study has been made on the basis of the analysis of the data that was published by cooperative division of Nepal government and district office Chitwan.

Study Area : Chitwan lies in the inner terai region of Nepal. The district covers an area of 2,238.39 square kilometers, and in 2011 had a population of 579,984 (279,087 male and 300,897 female) people. Bharatpur is the commercial and service center of South-Central Nepal and a major destination for higher education, health care and transportation in the region (DCC, 2018). In all six local bodies there are line office of cooperatives and members have got certain facilities from the government. Till the time more than half population are out from the access of cooperatives in the district.



Source: https://en.wikipedia.org/wiki/Maula_Kalika < Adopted, 2076

II. DISCUSSION AND ANALYSIS

Collected data and information related to Small Farmer Cooperatives and its' Role on RuralPoverty Reduction. Various collected information was presented by using table.

The following table indicates the number of cooperatives in Nepal.

Table 1: Number of Cooperative in Nepal

S.N.	Types of Cooperatives	Number	%
1.	Saving and credit	13578	39.34
2.	Multipurpose	4371	12.66
3.	Agriculture	10921	31.64
4.	Usergroup	1423	4.12
5.	Dairy	1658	4.80
6.	Electricity	463	1.34
7.	Fruit and vegetable	193	0.55
8.	Tea	108	0.31
9.	Coffee	155	0.44
10.	Herbal	186	0.53
11.	Bee keeping,	93	0.26
12.	Mass communication	193	0.55
13.	Health	128	0.37
14.	Sugarcane	48	0.139
15.	Junar,	45	0.130
16.	Other	999	2.89
17.	Total	34512	100

Source: Cooperative Department, 2019

Basic principle of cooperative focuses on joint effort of common socio-economic problems that people have been facing long time, however, above data indicates the different situation. In total 39.34 percent cooperatives are saving and credit cooperatives that cooperatives concentrated on microfinance like saving collection and loan dispersion. Like that 31.64 percent are agriculture related cooperatives. These cooperatives are working on various business activities rather than service-oriented function. Dairy cooperatives cover 4.80 percent and user group cooperatives covers 4.12 percent.

Other special subject base cooperatives cover less than 1 percent. In fiscal years 2075/ 76 government has brought the program "Cooperatives in each village and food basket in each house" (GaunGa ma Sahakarigharghar ma bhakari) however most of the cooperatives are located on urban or semi urban area. Saving and credit cooperatives are in urban area and agriculture-based cooperatives are located in semi urban area and only few cooperatives are in rural area. Table 1 indicates the member of cooperative registered in cooperative department of Nepal. Data indicates that half of the cooperatives are established to collect saving and disperse loan in high rate interest. Taking government found in various name and disperse the fund to the local people in high interest rate. So, the current direction of the cooperative is not headed in right direction.

In total 6305581 members (3213514 females and 3092068 male) males are less than female but in managing committee only 95512 females are involved and 150315 males are involved in management committee. It shows that role of female is less than male in cooperative management. However, government prioritizes to women and bring various program for the encouragement in participation management of the cooperatives. In the context of Chitwan overall situation is not so different from national panorama of the cooperatives. The following table shows the current situation of cooperatives in Chitwan.

Table 2: Cooperatives of Chitwan

S.N.	Types Of Cooperatives	Number	%
1.	Saving and credit	291	39.64
2.	Multipurpose	70	9.53
3.	Agriculture	166	22.61
4.	Dairy cooperative	143	19.48
5.	User group	9	1.22
6.	Fruit and vegetable	14	1.90
7.	Herbal	6	0.81
8.	Bee keeping	4	0.54
9.	Mass communication	5	0.68
10.	Others	26	3.54
11.	Total	734	100

Source: Cooperative Department, 2019

In the context of Chitwan, 19.48 percent cooperatives are related to dairy whereas in the context of nation only 4.80 percent are related to dairy sector. Like that 22.61 percent cooperatives are related to agriculture whereas 39.64 percent are related to saving and credit. The numbers of special cooperatives are nominal in Chitwan whereas in initial phase special agriculture related cooperatives were established. Table 2 indicates the total number of cooperatives and its types. In the context of Chitwan, saving and credit cooperative is high in number. It covers 291 among 734 and only 4 cooperatives are related to Bee keeping. Like that Dairy product cooperatives are 143, fruit and vegetable cooperatives are 14. In Chitwan dairy product, agriculture and saving cooperative are in high number. Most of the cooperatives are in sophisticated town area and only limited cooperatives are in rural area. Total 235566 population are involved in cooperative as member and 6354 are in management committee.

III. CONCLUSION

During the time of initial phase cooperatives were handled by government. In Chitwan, government provided certain amount of seed capital for cooperatives and cooperatives were concentrated on poverty alleviation and run various service-related functions but now the situation is changed and cooperatives are concentrated on profit rather than service. Most of the cooperatives are located in urban area. Most of the cooperatives are run by upper middle-class people. Chitwan is the origin place of modern cooperative and the role of cooperatives were formative in poverty reduction in past but now the role of small farmers cooperatives is changed and it appears as saving and credit cooperatives, microfinance, dairy cooperatives, Argo cooperatives etc. and provide service like private sectors. In Chitwan, hardly seen the small farmers cooperative in rural area but in town area the numbers of cooperatives is high. Cooperatives create new space for merchant/local money lenders to invest money to poor. In some cases, such practice also brings positive result in investment sectors, however, the cooperatives do not fulfill the demand of nation. National policy and government priority are related to reduce poverty through small farmers' cooperatives, however, functions of cooperatives are less headed to the direction and much oriented in profit. Poor and deprived community people do not have access to cooperatives.

However, some of the diary cooperatives help poor people by providing loan for cows and buffalo. Cooperatives face same fate in Nepal and Chitwan due to neglect of the government. Government neglects the cooperatives sector and now cooperatives are being used by the local merchants to collect savings in low interest and disperse loans in high interest. Only few cooperatives function for the welfare of the poor in Nepal and Chitwan too, however, the main principle of cooperative is related to uplift the poor and economically deprived group.

SUGGESTIONS

- Saving collection from the members found very low from most of the cooperatives should think on that issue.
- Government agencies should be conscious about the activities of cooperatives/ microfinance institutions and guide them to work on the principle of cooperative.
- Number of saving cooperative is high than the other special cooperatives so it should increase other cooperative in rural area.
- Cooperatives should be conscious about service rather than the profit.
- Government should provide certain support to service oriented cooperative and make such cooperatives sustain in rural area.
- Local and province government should control the cooperatives' activities and encourage the cooperatives to provide service to the poor people.

REFERENCES

1. Badal, K. (2006). *Cooperative Principle and Application*. Kathmandu: Cooperative Assistance Group, Nepal.
2. Badal, K. (2004). *Sahakari- Siddanta ra Prayog. Kathmandu*. Kathmandu: Sahakari Sahayog Samuha.
3. DCC. (2018). *Annual Report*. Citwan: District Coordination Committee.
4. DCO. (2018). *Annual Report*. Chitawan: District cooperative office.
5. Dhakal, C. P. (2016). Economic Impact of Microfinance Services of Rural Farmers. *International Journal of Development and Economic Sustainability*, 4 (5), 1-12.
6. Gibbs, C. (1999). *Non-governmental Organizations in World Bank - Supported Projects.20433*. Washington D.C: The World Bank.
7. Majee, W. (2009). Building community trust through cooperatives: A case study of a worker-owned homecare cooperative. *Journal of Community Practice*, 17: 444–463. [Taylor & Francis Online],. *Journal of Community Practice* (17), 444 - 463.
8. Nakkiran, S. (2006). *Co-operative Management-Principles and Techniques*,. New Delhi: Deep and Deep Publications.
9. NPC. (2007). *Three Year Interim Plan*. Kathmandu: Government of Nepal.
10. Rhodes, J. V. (1995). Cooperative Enterprise and Organization Theory: An Appraisal. *Journal of Cooperatives, NCERA-210*, 10, 1-5.
11. *The Cooperative Act*. (1992). Kathmandu: Government of Nepal.
12. Tiwari, L. & Nepal, G. (2017). Financial Sustainability of Small Farmer Cooperative (SFC) in MidWestern Region of Nepal. *Journal of Advanced Academic Research (JAAR)* , 19-20.
13. https://en.wikipedia.org/wiki/Maula_Kalika<Adopted, 2076