

Good Governance in Cooperatives of Nepal-Relationship between Participation and Performance of Cooperatives

Drona Lal Puri, Lavanchawee Sujarittanonta
Shinawatra University, Bangkok, Thailand
The Australian School of Business, Australia
dlpuri@outlook.com

Abstract: In this paper, an attempt has been made to examine the relationship between members' participation and performance of cooperatives of Nepal. The purpose of this paper is to analyze the good governance in cooperatives of Nepal, in the light of the participation and its impact on performance of cooperatives in terms of deposit, volume of transactions, share capital, employment generation, loan investment, consultancy service, amount of reserve fund etc. Members' participation is selected as independent variable whereas performance of cooperatives is considered as dependent variable in the study. Data are collected from the secondary source from the department of cooperatives of Nepal, Ministry of cooperative and poverty alleviation. Study of 16 types of cooperatives consisting of 5 years of observations from the fiscal year 2010 to 2015 AD has been included in the study. A number of tables, bar diagrams, lines and charts have been used to clarify the data. After all, the study reveals that there is positive relationship there is positive relationship between participation and performance of cooperatives. The study also concludes that good governance in cooperatives is the single most important panacea to achieve the vision, mission, objectives and goals of the cooperatives assuring happiness, rights and liberty of their members through economic, social, cultural and technological changes in their practical lives.

Keywords: *Good Governance, cooperatives, panacea, happiness, economic, social and cultural change*

1. Introduction

After a cooperative is first established, its purposes and how it seeks to achieve successful administration change over time. At the time of Rochdales, cooperatives were established (Rochdale Equitable Pioneer Society, 1844 AD, England), for improving or uplifting quality of life of the members assuring their access in education, information and training. They used to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises on the basis of idea and philosophy generated by Robert Owen and William King. Of course, "Rochdale Equitable Pioneer Society" was the first successful consumer cooperative of the world although "The Shore Porters Society" (Established in 1498 AD, in the city of Aberdeen of Scotland) was the first cooperative of the world. First savings and credit cooperative was established in Germany in 1852 AD, as "Franz Herman Schulze -Delitzsch". International Cooperative Alliance (ICA) was established in 1995 AD in London. Nepal is very slow and late in the field of establishing formal cooperatives in comparison with the cooperatives of other countries of the world. Bakhanpur Credit Cooperative (1956 AD) was the first cooperative of Nepal in the history of cooperatives. Department of cooperative (1953 AD), National Cooperative Training Centre (1962), National Cooperative Development Board (1991), Enactment of cooperative Act (1992), National cooperative Federation (1993), National cooperative Bank (2003) are some of the important historical cooperative events in the history of cooperatives of Nepal. In this way, a number of legal entities were established in time series in order to formalize and successfully administer the cooperatives as per the rule of law.

2. Literature Review

Good Governance in cooperatives: Views, Dimensions, Model and Hypothesis: According to international cooperative alliance (ICA-1995) – "A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a

jointly owned and democratically controlled enterprise.” According to Kaufaman, Kraay & Mastruzzi (2009:5), “Governance consists of the tradition and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies and the respect of citizens and the state for the institutions that govern economic and social interactions among them”. On the basis of different views of cooperatives and governance, good governance in cooperatives can be understood as the good management of cooperative where members’ common economic, social and cultural needs and aspirations can be addressed through a jointly owned and democratically controlled power exercise. So, cooperative governance is a means to achieve members’ happiness by protecting their basic rights and liberty. It is the panacea in cooperatives which is as important as heart of the human being and main spring of the watch. In absence of good governance, cooperative will be just like a tree without green leaves.

The term ‘good governance’ is first time used by the World Bank on its report in 1989, and then by the International Monetary Fund (IMF) and United Nations Development Program (UNDP). So, on the basis of the literature review of good governance and cooperative, the common minimum dimensions of cooperative can be developed as follows:

- Legitimacy
- Participation
- Professionalization
- Accountability
- Transparency

Brief elaboration of the above five dimensions of cooperative governance:

- **Legitimacy:** It is the rule of law. This indicator captures the perceptions to the extent in which all concern parties/ members have confidence in and abide by the rules of cooperative society. It can be divided into three parts: (a) internal sets of rules and regulations, directives formulated by the cooperatives themselves i.e. “BINIYAM”. (b) External rule set by the government i.e. Cooperative Act, By-law prepared by the Ministry of Cooperative and Poverty Alleviation, Department of Cooperative, Division Cooperative Office etc. (c) International Rule of Law of Cooperatives prepared by ICA.
- **Participation:** This indicator refers to the members’ participation or attendance in a number of meetings, programs and activities organized by the cooperative. It may be direct or indirect (representatives). It is the democratic practice and voice too. It is the solidarity means that one for all and all for one which is the basic norms and value of cooperatives. It enhances the chance of successful cooperative governance. .
- **Professionalization:** This indicator reflects the institutionalization of the activities performed by the cooperatives. It indicates the competencies, leadership, efficiency and effectiveness of the board, CEO and Account Committee. It is more about predictability which means that the strategic planning and business plan of the various levels of management of the cooperatives.
- **Accountability:** This indicator measures the responsibilities of all the stakeholders within the organization. It is the most important or core indicator of good governance which helps to control the corruption as well in cooperative since it makes them accountable and answerable for the responsibilities they shouldered and performed.
- **Transparency:** This indicator concerns the extent to which members or stakeholders of cooperatives are able to obtain information, notices etc. It is the dissemination of right information to the right personal at right time and right place to make the right decision.

Proposed Relationship of cooperative governance

$$CG = (L + P^2 + AT) H$$

Where,

CG = Cooperative Governance = Good Governance in Cooperatives

L = Legitimacy

P = Participation

P = Professionalization

A = Accountability

T = Transparency

H = Honesty = Honesty in financial matter including tax payment and non-financial matter including duty.

Hypothesis: There is positive relationship between participation and performance of cooperatives or Participation and performance are positively related.

3. Methodology

This paper is prepared on the basis of secondary data obtained from Department of Cooperative under Ministry of Cooperative and Poverty Alleviation of Nepal. Quantitative data has been described with the help of tables, numbers and figures covering the five fiscal years since 2067/68 BS (2010/11 AD) to 2071/72 BS (2014/2015 AD).

4. Results and Discussion

The analysis is made with respect to the number of cooperative organization, involvement of members, investment of share capital and deposit, investment and number of employee working in different types of cooperatives within the country. Five years data have been analyzed covering from fiscal year 2067/68 to 2071/72.

Growth in Number of Cooperatives: The growth trend of cooperative organization is presented broadly in two areas as number of saving and credit cooperative and other types of cooperatives. Other types of cooperative includes multipurpose cooperative, agriculture cooperative, dairy cooperative, consumers cooperative, fruit and vegetable cooperative, tea cooperative, coffee cooperative, herbs cooperative, bee-keeping cooperative, communication cooperative, health cooperative, sugar-cane cooperative, Junar cooperative and miscellaneous cooperatives.

Table 1: Growth of Cooperative Organization

Year	Saving and Credit	Other Cooperative	Total	Increase/Decrease (%)
2067/68 BS (2010/11 AD)	10,997	12,304	23,301	-
2068/69 BS (2011/12 AD)	11,581	14,920	26,501	13.73
2069/70 BS (2012/13 AD)	12,916	16,610	29,526	11.41
2070/71 BS (2013/14 AD)	13,368	17,809	31,177	5.59
2071/72 BS (2014/15 AD)	13,460	19,203	32,663	4.77

Figure 1: Number of Cooperative Organizations

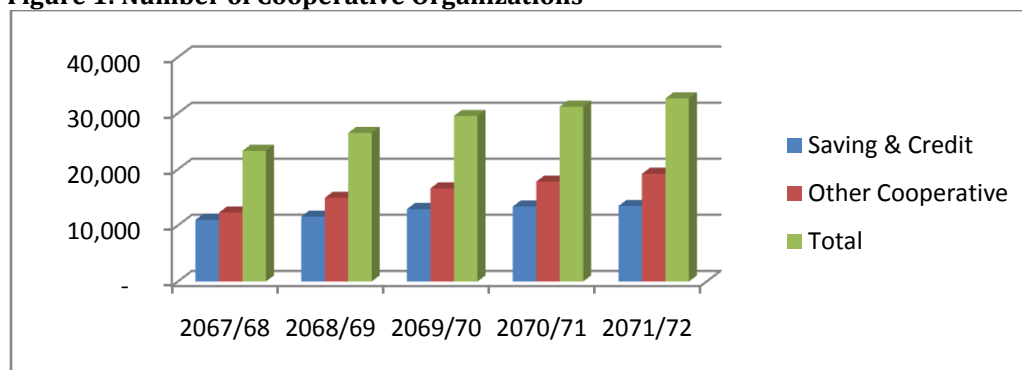


Table 1 show that the fiscal year 2068/69 retains highest growth rate of cooperatives with 13.731%. Rests of the periods have slowing down the increasing trend for establishment of cooperatives in Nepal. This is shown in figure 1.

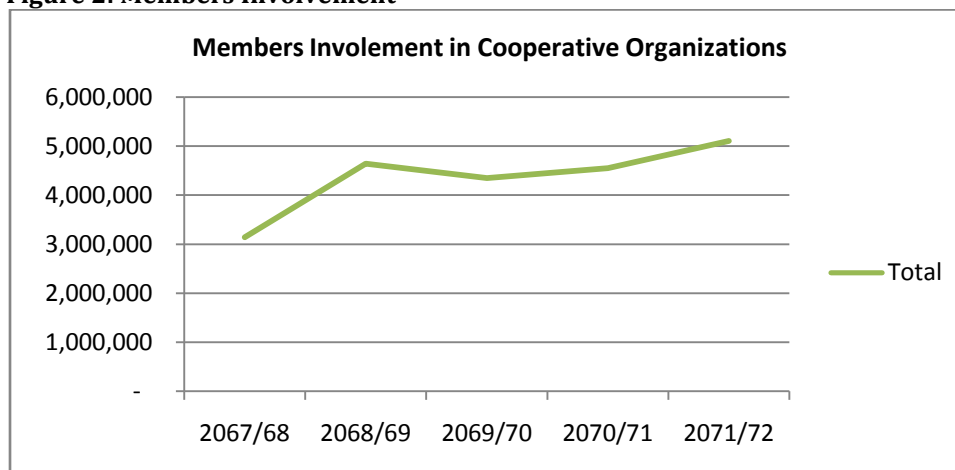
Members' Involvement: Total members involved in cooperative are shown in table 2 which includes the female and male members in cooperative organization in Nepal.

Table 2: Members Involvement in Cooperative Organizations

Year	Female	Male	Total	Increase/Decrease (%)
2067/68 BS (2010/11 AD)	1,449,348	1,692,233	3,141,581	-
2068/69 BS (2011/12 AD)	1,934,551	2,709,902	4,644,453	47.84
2069/70 BS (2012/13 AD)	1,953,273	2,398,732	4,352,005	(6.30)
2070/71 BS (2013/14 AD)	2,100,137	2,454,513	4,554,650	4.66
2071/72 BS (2014/15 AD)	2,281,935	2,824,958	5,106,893	12.12

The members' strength in cooperative organization is looks in fluctuating trend. The members growth rate retains in highest in the year 2068/69 by 47.84%. In the year 2069/70, it has decreased by 6.30%. Rest of the periods has increasing rate of both female and male members in cooperative organizations. It is shown in figure 2.

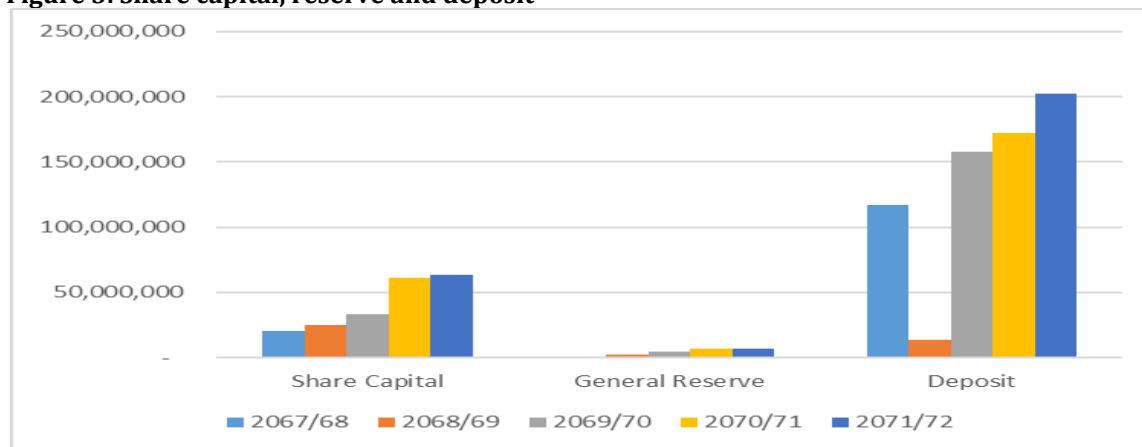
Figure 2: Members Involvement



Share Capital, Reserve and Deposit: One of the factors for evaluating the growth pattern of cooperative movement would be the financial transactions of the cooperatives. In this regard, the status of share capital, reserve and deposit of the members during the five fiscal years, 2067/68 to 2071/72, has been depicted in table 3. The share capital is growing continuously in every year. However highest rate of its growth is found in fiscal year 2070/71 by 82.91%. The least growth rate (3.18%) retains in the year 2071/72 in the share capital. Similarly, the general reserve is also found increasing every year. The highest growth of general reserve is in the fiscal year 2069/70 by 103.91% and least growth rate (5.11%) in the fiscal year 2071/72. In case of deposit, it has fluctuating as decreased by 88.10% in the fiscal year 2068/69 and increased in other years. The deposit is increased more than thousand percent (1033.46%) in the fiscal year 2069/70. Fiscal year 2070/71 and 2071/72 have increased by 9.08% and 17.33% respectively. Additionally, figure 3 is depicted.

Table 3: Share Capital, Reserve and Deposit (Amount in '000)

Year	Share Capital	Change (%)	General Reserve	Change (%)	Deposit	Change (%)
2067/68 BS (2010/11 AD)	20,225,139	-	-	-	117,295,228	-
2068/69 BS (2011/12 AD)	25,095,151	24.08	2,187,959	-	13,953,971	(88.10)
2069/70 BS (2012/13 AD)	33,451,296	33.30	4,461,534	103.91	158,162,704	1,033.46
2070/71 BS (2013/14 AD)	61,186,201	82.91	6,449,701	44.56	172,529,350	9.08
2071/72 BS (2014/15 AD)	63,131,367	3.18	6,779,243	5.11	202,420,535	17.33

Figure 3: Share capital, reserve and deposit

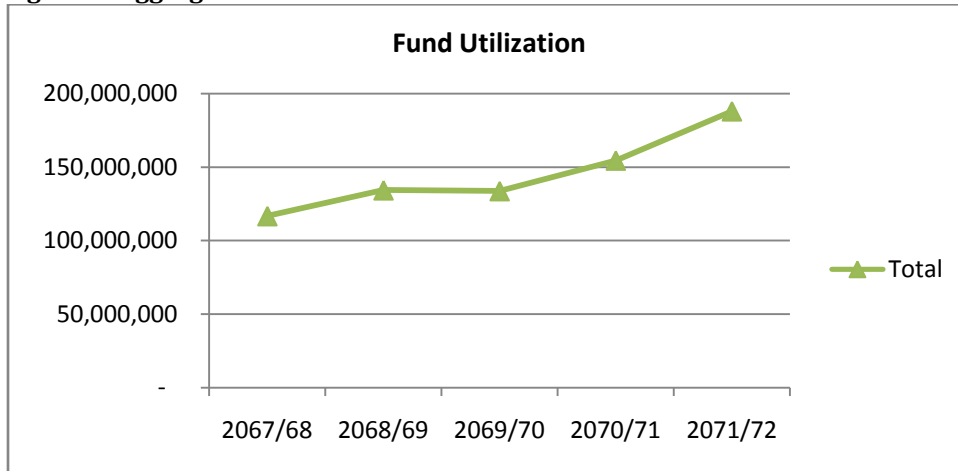
Investment: One of the important areas of performance measures of cooperative organizations would be fund mobilization or investment (Simkhada, 2013). The investment in terms of loan and others has been presented in table 4.

Table 4: Credit Management (Amount in '000)

Year	Loan	Others	Total	Increase/Decrease (%)
2067/68 BS (2010/11 AD)	116,835,814	-	116,835,814	-
2068/69 BS (2011/12 AD)	134,033,495	349,812	134,383,307	15.02
2069/70 BS (2012/13 AD)	133,728,223	99,103	133,827,326	-0.41
2070/71 BS (2013/14 AD)	154,444,936	171,375	154,616,311	15.53
2071/72 BS (2014/15 AD)	187,756,583	307,205	188,063,788	21.63

Table 4 shows the investment trend of cooperative organization is inconsistent. It has increased by 15.02% in 2068/69. In opposite, the investment or credit mobilization is decreased in the fiscal year 2069/70 by 0.41%. Rest of the years, 2070/71 and 2071/72 have increased the investment by 15.53% and 21.62% respectively. It is also depicted in figure 4.

Figure 4: Aggregate Investment



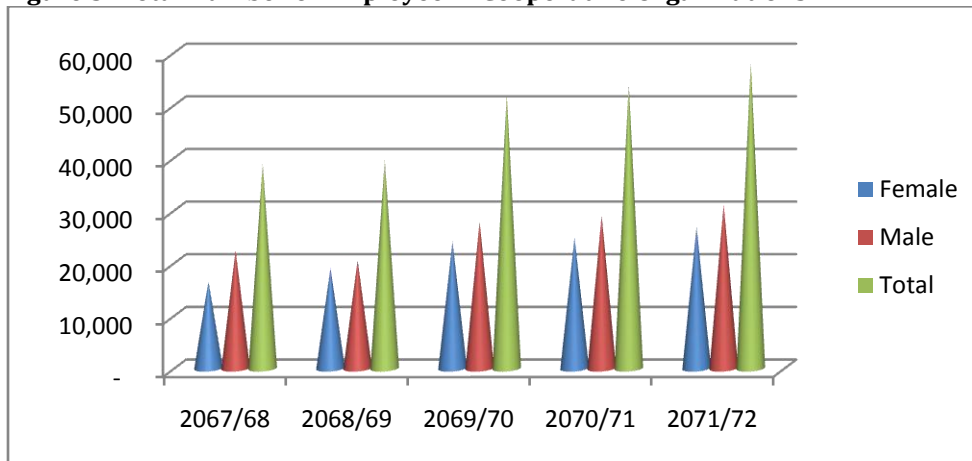
Employment Opportunity: One of the major contributions made by cooperative organization is creating employment opportunities to its members and citizens. The number of employee involved in cooperative organization has been shown as female and male in table 5.

Table 5: Employment Generation

Year	Female	Male	Total	Increase/Decrease (%)
2067/68 BS (2010/11 AD)	16,502	22,390	38,892	-
2068/69 BS (2011/12 AD)	19,045	20,527	39,572	1.75
2069/70 BS (2012/13 AD)	24,096	27,907	52,003	31.41
2070/71 BS (2013/14 AD)	24,877	29,061	53,938	3.72
2071/72 BS (2014/15 AD)	26,886	31,191	58,077	7.67

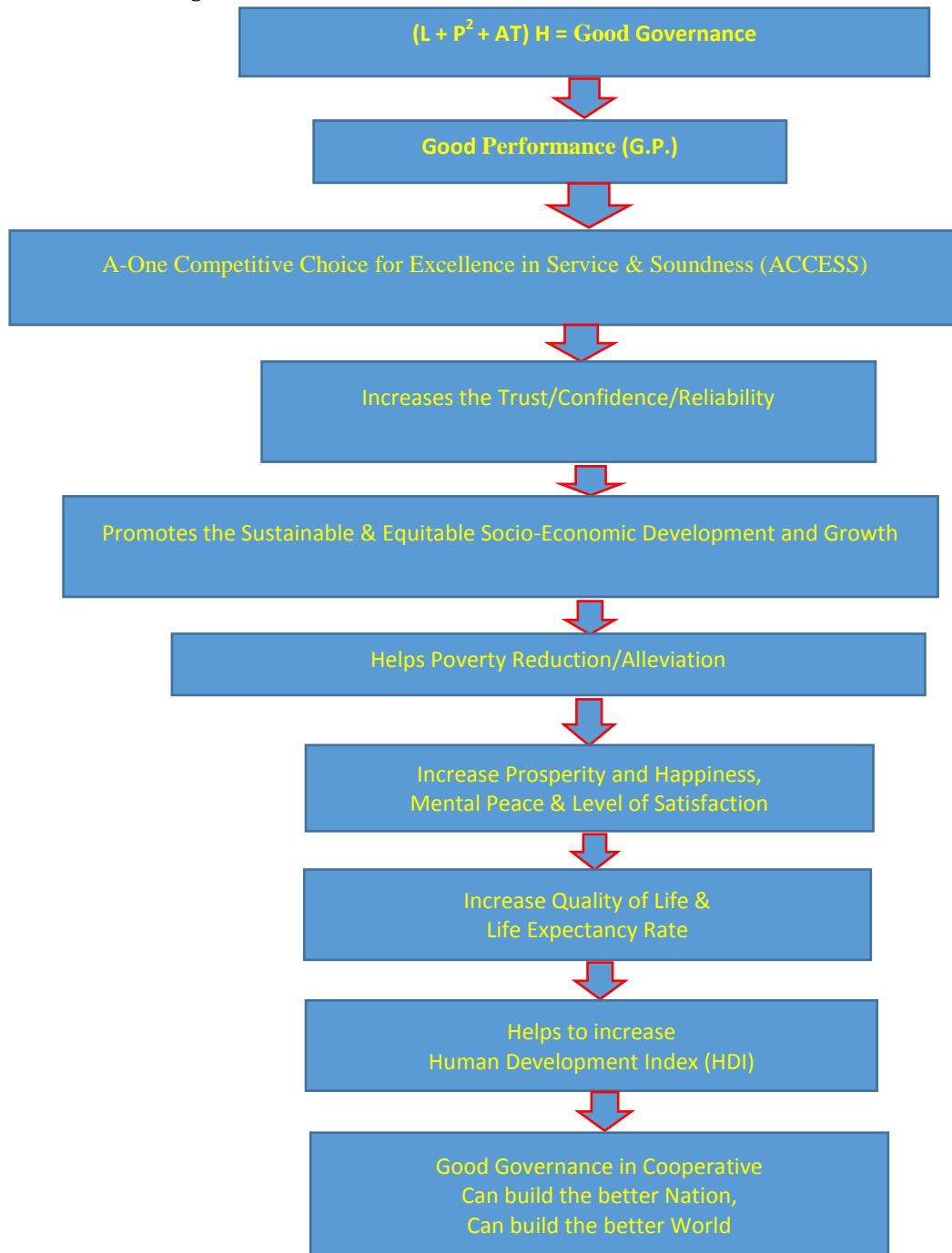
Table 5 shows the total number of employee has been increased in every year. However, the fiscal year 2069/70 has highest rate of employment increment by 31.41% and the fiscal year 2068/69 has lowest rate (1.75%) of employment increment. It is also presented in figure 5.

Figure 5: Total Number of Employee in Cooperative Organizations



5. Summary and Conclusion

Good Governance (GG) promotes Good Performance (GP) in cooperative. Good performance can make the cooperative A-one Competitive Choice for Excellence in Service and Soundness (ACCESS). ACCESS supports to increase the trust, confidence and reliability towards the cooperative industry which promotes the sustainable and equitable socio-economic development and growth. Again, it helps poverty reduction/alleviation which increase prosperity, happiness, mental peace and level of satisfaction of the members. It increases quality of life and life expectancy rate. Again, it helps to increase Human Development Index (HDI). After all, good governance in cooperative enterprises can build the better nation and better world. It can be summarized in following frame-work.



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