

Independent Final Report

**The Role of Cooperatives in Promoting Agricultural
Entrepreneurs**

by

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March 2019

Independent Final Report

Presented to

Ritsumeikan Asia Pacific University

In Partial Fulfillment of the Requirements for the Degree of

Master of Business Administration

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Certification of Originality

I, BASKOTA Raunak (Student ID 52117002), hereby declare that the contents of this Independent Final Report are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma.

All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

BASKOTA, Raunak

2019/01/15

Acknowledgements

This Independent Final Report is written for the fulfillment of the Master's degree of Business Administration in Ritsumeikan Asia Pacific University. This Independent Final Report is the result of the unceasing support, inspiration and supervision of respected Professor Yokoyama Kenji. Without his continuous support and valuable guidance throughout the research process, this report would not have been possible. I am also thankful to the Otsuka Toshimi Foundation, APU Tuition Reduction Program, Oita Prefecture, Makino Textbook, Oita Kotsu and JASSO Scholarships, for providing me with the financial support throughout my graduate as well as undergraduate studies, which helped me complete my research to the best of my abilities.

I would like to thank my parents for the incessant support and valuable guidance throughout my APU life. Furthermore, I would like to express my sincere gratitude to my seniors, friends and juniors in APU, without whose encouragement and wise advice, this research would not have been possible.

January 15, 2019

BASKOTA Raunak

Summary

Since the turn of the millennium, Nepal has been witnessing the rapid growth of the ageing population in the rural areas. Further, the decade long civil war led the huge purge of the youths towards more urban areas in search of safety and various work opportunities, thus forth negatively impacting on the agriculture sector in rural areas. The villages in Nepal have been emptying, with the young population migrating domestically as well as internationally for job opportunities. The rural areas of Nepal are largely consisted of the aged population who do not have the sheer strength and enthusiasm in order to be an agricultural entrepreneur whilst also finding a market for their products. This is where the role of cooperatives comes to play.

With more than 30,000 major cooperatives in Nepal currently, the agriculture sector has not only seen a boom of revenue, but also an increase in the bargaining power over its market. The cooperatives use the simple model of being the social entrepreneurs from the same village or area and acts as a united front. Working together through cooperatives, these agricultural entrepreneurs improve on market performance and the improvement of economics surplus from intermediation sectors. They are different from other organization in terms of governance as they put the interests of a particular stakeholder group above others for investment opportunities as well as electing governing boards. This model of cooperatives in working as a collective retail power in agriculture sector is quite popular in

Nepal. A primarily agrarian country- Nepal, has more than 60% of its total population involved in agriculture.

This paper uses the case of a one of the successful cooperatives in Nepal- ‘Janajagrit Green Fresh Vegetable and Fruit Producer Cooperative (JGFVFPC)’, to analyze the cooperative model that it incorporates. The paper looks at the role of the cooperatives and the gain for the farmers involved in these cooperatives. Further, it looks at other benefits for the farmers from these cooperatives in reducing costs and increasing revenue in Nepal whilst empowering the women in the locality as well. The data collected for this paper was both primary as well as secondary. Primary data was collected through field visit to the location of the cooperatives, interaction, interviews and observation of the daily activities of the cooperative by the author. The paper will try to depict and define the different roles the cooperative played which can be transferred to other cooperatives as well. In the latter part, the paper tries to provide several recommendation to the cooperative movement, members of cooperatives, government and all other bodies involved directly or indirectly with cooperatives, for the further development and sustainability of cooperatives.

1.0 Introduction

Nepal is one of the poorest countries in South Asia, with 25% of its population under poverty. The country hugely relies on international remittance, which accounts for more than 20% of its GDP, which makes the country vulnerable to external economic shifts. The internal conflict for the 10-year period, 1996-2006, was a huge factor for the repression of the economic sector. International trade, which accounts to around 40% of the GDP is focused mainly in India, with export items being contained to a few limited raw items (World Bank Data, 2018). Although, Nepal became the first least developed country (LDC) to join the WTO through the full accession process in April 2004, the country has not been able to implement its trade policies to its expected results, thus leading to the underdeveloped economic status of the country in present date. The government has in fact, realized the factors that lead to the present situation and has formulated plans to bring the country to safe grounds, however the political instability has made it next to impossible to bring these plans out of the paper.

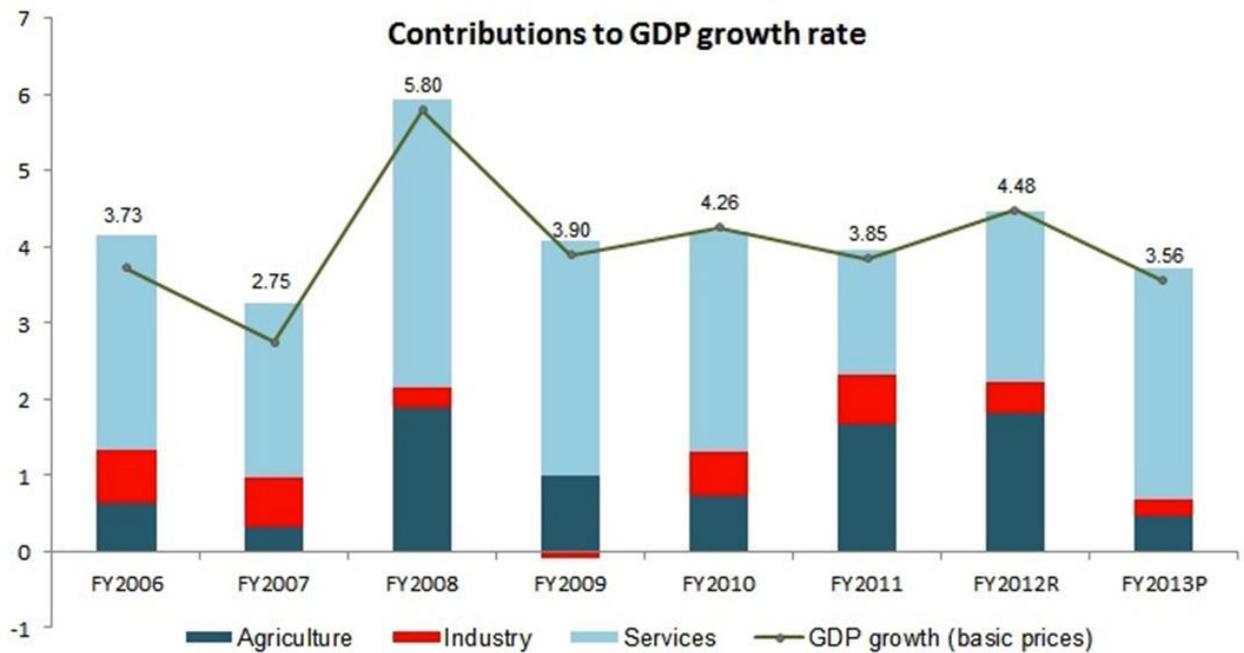


Figure 1: Components of Nepalese economy (Source: Lamichane, 2015)

The economy of Nepal is basically relied on agriculture as around 70-80% of the population is engaged in agriculture related activities, directly or indirectly. However, the downside of this is that the outcome is not as prolific even though such a large part of the population is related in this field. The service sector has a very small percentage of the population, in contrast, however, this population contributes to almost 60% of the GDP. The tourism sector has been a key provider for the service sector and the nation as a whole by generating 23% of the GDP of Nepal (Ministry of Finance, 2016). The manufacturing industry is in the slums and only generates about 8% of the GDP. Inadequate foreign as well as domestic investment has been a key reason for the manufacturing industry to be failing. The main reason that the manufacturing industry is not getting any attraction from investors is because Nepal had a major civil war from 1996 till 2006. This war destroyed

whatever was left of the industries, and the ones that were left behind, were asked for huge commissions from the rebels to let the industry run. In this process, most of the industry shut down completely. Even though the war ended in 2006, the manufacturing industry has never been able to recover completely.

Year	Export/billions	Import/billions	Trade deficit/billions	Unemployment rate
1995	35	69.34	34.34	44.4
2000	44	74	30	47
2005	45	128	83	43
2010	35	180	145	39.5
2016	46	221	175.75	42

Table 1: Economic position of Nepal (Source: Ministry of Finance, 2016)

The table presented shows clearly that the nation faces an extreme trade position and a very high unemployment rate. In the period of almost 20 years (1995-2016), we can see that exports have not had a significant change, on the other hand, the imports have taken a huge leap, almost leaping up four folds. The trade deficit in this 20 years has also gone up in a huge number, almost 6 folds of the deficit Nepal faced in 1995. Nepal relies

mostly on foreign supplies for petroleum, salt and other daily consumption goods. The only significant processed exports includes carpets, garment and coffee. Apart from these, the country exports some raw materials. Therefore, exporting a small amount of materials and importing a huge amount of daily consumption goods as well as heavy machinery has put the country to an almost unrecoverable situation in the international market.

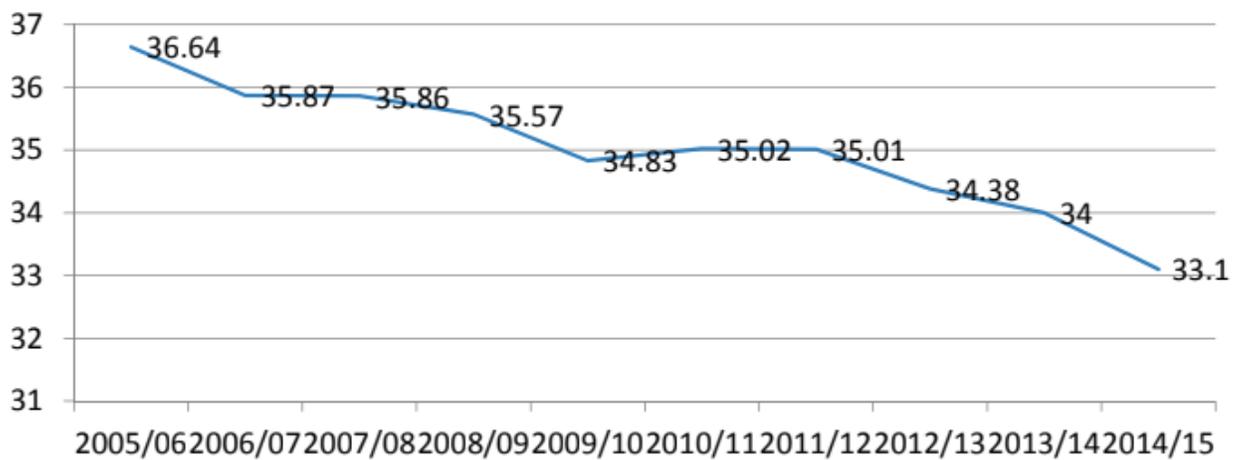


Figure 2. Contribution of agriculture to the economy of Nepal 2005-2015 (Source: MOF, 2016)

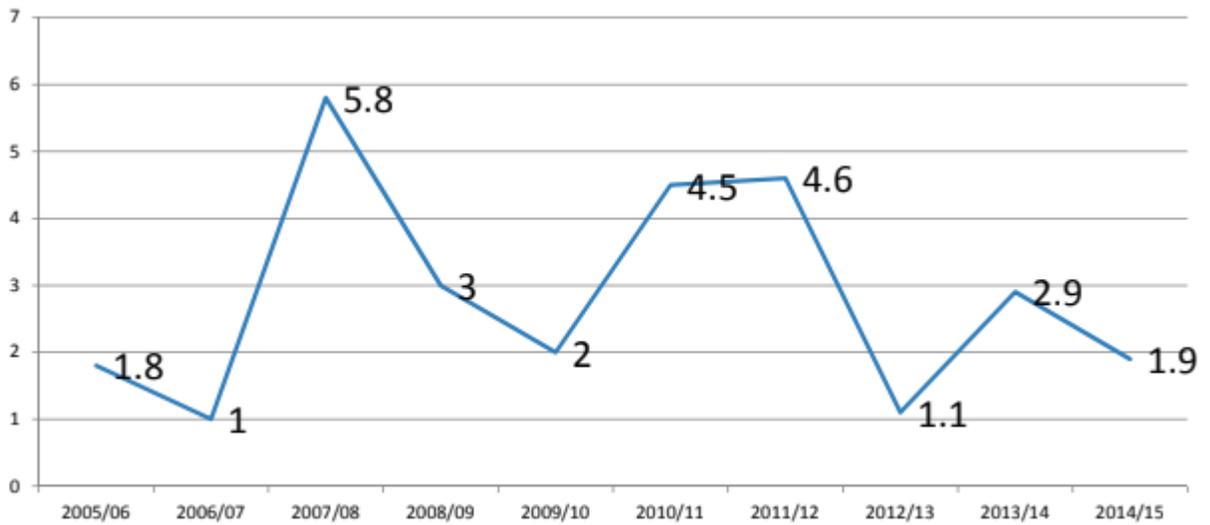


Figure 3. Growth rate of Agriculture in Nepal 2005-2015(Source: MOF, 2016)

The agriculture situation of the country can be clearly depicted from the figures 3 and 4. The sector has been falling in terms of the contribution of the sector towards the national GDP. The figure which was at 36% at 2005, came down to 33% in 2015, and is still decreasing. This decrease in the contribution towards national GDP might be a result of the increase of the other sector's economic development such as the tourist sector. Figure 4 clearly shows that the agriculture sector has getting less attention each year, resulting in the growth rate of the biggest sector in Nepal to be only 1.9% in 2015 (MOF, 2016). The agriculture sector is in dire need of a motivational push to jump up the growth rate and contributions towards GDP of the whole economy.

1.1 Cooperatives in Nepal

The society of Nepal has always had the culture of working in groups in society. However, formal cooperatives have only more than half a century of history in the context of Nepal. In 1953, the government of Nepal established the Cooperative development department under the Ministry of Planning, Development and Agriculture, thus forth laying the foundation for cooperatives (DoC, 2017). However, there was a significant lack of expertise on cooperatives, its laws and its development therefore the government of Nepal sent two personnel to learn the ways of cooperatives and its development strategies in Sri Lanka. This was the first time that the government addressed the cooperative in the international stage. This was followed by passing the First Cooperative Act in 1959. The first cooperatives established in Nepal were in 1956 in Ratidun with the support of USAID. The government then set up a Cooperative Training Center in 1962 in order to give effective education, knowledge and training for Cooperative management as well as to farmers to increase their skills. The government set up the Cooperative Bank in 1963 with the aim to serve the cooperatives and its members all over Nepal. The bank was later merged with the Agriculture Development Bank in 1967, in order to not only provide services to the cooperatives but also the farmers who are both members and non-members of cooperatives. There were several programs which were conducted by the government in order to aware and promote about cooperatives and micro capitalism and its advantages to the farmers around the whole country. With the restoration of Multi-party democracy, the cooperative movement in Nepal saw a more effective and concrete step towards its development with the establishment of the National Cooperative Development Board

(NCDB) in 1991. In 1997, the NCDB then forth became a member of the International Co-operative Alliance, paving the way for the cooperatives in Nepal to gain international market as well as expertise and knowledge in a global scale. One of the most significant moments in the cooperative movement in Nepal was the organization of the Asian Cooperative Regional Meet, in Nepal in 2001 which showed the commitment and the eagerness of the government of Nepal towards the development of cooperatives in Nepal (DoC, 2017)

In accordance to the latest statistics compiled by the Department of Cooperatives (DoC) in 2017, the total current number of primary cooperatives has already reached 34,512, secondary cooperatives union amounting to 69 and 256 Secondary level Sectoral Cooperative Union, 20 sectoral central cooperative unions, 1 National cooperative Bank and 1 National Cooperative Federation as an apex level organization, which is a significant rise in the numbers of cooperatives in such a small period of time. The total number of the members of these cooperatives is more than 6.3 million and the total economy of the cooperatives in Nepal amounted up to NPR 300 billion, which shows that the cooperative sector is a very important sector financially, where the annual budget of the country was NPR 1.3 trillion in 2018 (Dhungel, 2018). The cooperatives that are developing in terms of businesses and look more stable and strong are the cooperatives dealing with specific agricultural sectors such as Dairy, Tea, Coffee, Honey and medicinal herbs. The contribution towards the national GDP from cooperative sector is around 3% (MOCPA, 2015) making it a significant sector for the government to focus and develop.

One of the most important positive points related to the success of the cooperative movement in Nepal is the participation of women and women empowerment issues. More than 50% of the total cooperative members across the country are women and there is a significant number of cooperatives that are completely run by women (DoC, 2017). One of the reasons for this sort of successful participation and growth of the cooperatives has been the de-regularization of the cooperatives and its laws on establishment with the amendment to the National Cooperative act in 1991, at which time the number of the cooperatives in total amounted only up to 800-900. The cooperative movement has brought upon success not only in terms of cooperatives but also has been a first step towards formation and development of several other industries. For example, milk collection centers have been converted to milk processing factories and small industries related to separation or processing of raw agricultural materials have been transformed to industries producing the final products. This sort of progress for cooperatives is promising for the future where more and even bigger community developed projects such as hydropower plant and fertilizer plants might be collectively opened and owned.

In terms of Nepal, which is a developing country whose primary economic activity is agriculture, cooperatives can be key players to promote rural development by empowering the locals involved in agriculture and weaving in more related industries to it. The unstable political system and regional disparities, with the introduction of the federal republic system may prove as a hindrance to the national cooperative movement with newer laws and change of the government's priority towards cooperatives. Therefore, the government needs to focus on removing these hindrances and disparities to let the

cooperative movement make swift developments thus forth enhancing the local and national economy positively.

The cooperatives needs to especially make a mark in the Nepali economy now as the agriculture sustainability is being questioned as more youth migrate from rural areas towards other 'promising careers'. The rural areas of Nepal are in a sorrowful position as 75.8% of the aged population lives in the rural areas. This is a result of mass migration of the active population towards lucrative destinations both domestic and international with almost 80% of international migrants from Nepal are between the age of 20 to 44 (MOCPA, 2015).

1.2 Objective of the paper

The cooperatives play a huge role in the development of the rural area and the rural population, empowering them and mobilizing the entire community. It is very interesting to study cooperatives as we can find how effective leadership combined with unity within the community is able to bring upon several positive socio- economic development to everyone involved in the community. The paper looks to find the relationship between the cooperatives and farmers focusing on the different aspects of it in terms of business, collective economy, managerial, financial and social responsibility aspects. Furthermore, the paper will look at the specific roles that the cooperatives plays in order to bring about changes to the local households and the community as a whole. The paper will also look

upon and suggest several recommendations for the development of cooperatives in local rural areas as well as for the betterment of the cooperative movement in Nepal. In order to sum up, the following are the main objectives of the paper:

- *In order to find the positive relation between cooperatives and farmers (including their families)*
- *In order to understand the sustainability and profitability of the cooperatives in terms of Nepal*
- *In order to understand the situation of the cooperative movement in Nepal*
- *In order to provide solutions and suggestions for the development on the cooperative movement in Nepal*
- *In order to find the different roles a particular cooperative takes in order to achieve socio- economic development of a rural area*

1.3 Research Question

The paper focuses on the main research question as follows:

What are the roles of cooperatives in promoting Agricultural Entrepreneurs in rural areas?

2.0 Literature Review

The cooperative movement in the world got its momentum with the works of Robert Owen, considered the father of cooperative movement. The first cooperatives opened with the objectives of saving the poor from the economic exploits of the rich, to eliminate the middleman and to serve the members (Bibby, 2014). ‘Cooperate is self-help as well as mutual help. It is a joint enterprise of those who cannot stand on their own legs and therefore come together with a view not to get profit but to overcome the disability arising out of the want of adequate financial resources’ (Digby, 1965). Cooperation is living, working and thinking together, from which the concept of ‘Cooperatives’ has been generated. Further, the concept of ‘Agricultural Cooperatives’ refers to the conventional classification of cooperatives (Helm, 1968). Cooperatives are defined by the International Cooperative Alliance as 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. Cooperatives are business entities which are set up by a group of people with similar vested interest of uplifting their economic and social conditions for all their members rather than having individual gains. The cooperatives are built on the common grounds and pillars of democracy, equality, equity, unity and responsibility.

The modern concept of cooperation is defined by George J. Holyoake (1906) as something that begins in mutual help, with a view to end in a common competence, and hence the members who are involved become of help to each other.

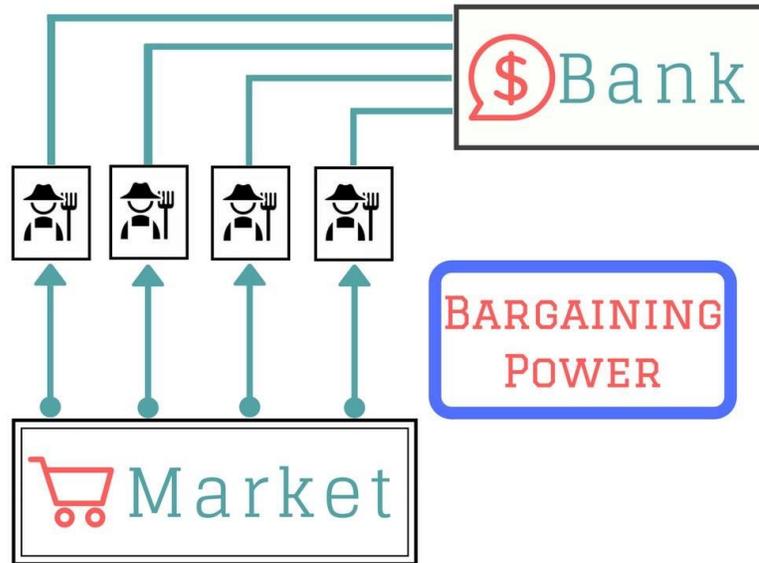


Figure 4. Model of market for a Farmer without cooperative (Source: author)

The model above (figure 4) shows the market conditions for individual agricultural entrepreneurs. The model also incorporates banks as an important player in terms of business for these farmers. The model explains how the market forces are tougher on the farmers when they transact with the market as an individual. The bargaining power remains with the market as there are more suppliers for the market and the market can negotiate. This is a simple economic theory of demand and supply, where it is proven as there is more supply, the price of the product goes down. Similarly, in terms of transacting with the banks, individual farmers face more obstacles when obtaining loans and other services.

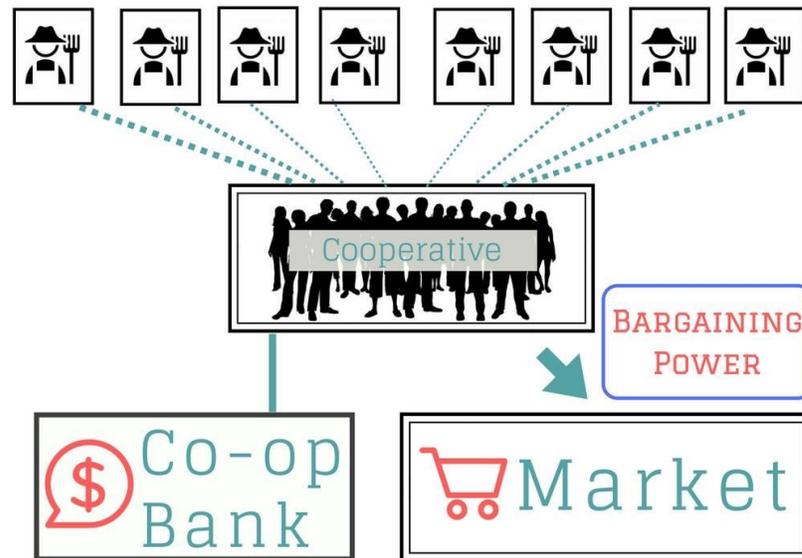


Figure 5. Model of market for a Farmer with cooperative (Source: author)

The concept of cooperatives is rather simple, as we can see in the model (figure 5), that cooperatives is a collection of people in the same field with the same goals. Margaret Digby (1965) has explained simply that the ingredients needed for a successful a cooperative is the combination of self-help and mutual aid. The concept of cooperatives revolves around the concept of social capital, which is considered as an important factor for the increment of economic performance. Social capital is the ‘collective value of all social network and the inclinations that arise from these networks to do things for each other’ (Putnam, 2000). This share capital concept brings in people together to work as a united front- a single force, rather than individuals competing in the same periphery. For the success of cooperation, trust is rather essential which is developed from social networks and working together. However, social networks do have negative attributes to it such as

grouping, bias against outsiders, limited freedom and autonomy (Gijssels and Bussels, 2014).

Cooperatives are very important in terms of a developing economy where the income generating activities are in rather small entities and fractions, to unite them and create a collective economy to work together against the forces of the market. Cooperatives helps its members raise their socio- economic status by reducing the number of intermediaries, providing appropriate value of their produce (Thakuri, 1999). Collective marketing is one of the major advantages to being a part of cooperatives. In fact, cooperative marketing may be considered as a process of marketing of product formed by the producers themselves. Its purpose is to enable the growers to market their produce at better prices, followed by the intention of securing better marketing services and ultimately contributing to improvement in the standard of living of members (Kamat, 1979).

Entrepreneurs are individuals who manage a business with the intention of expansion of the business with managerial as well as leadership skills to reach the goals (Gray, 2002). Farmers are business owners-managers, primarily and that the farms owned by these farmers can be recognized as businesses (Carter and Rosa, 1998) and that pluriactive farmers can be recognized as entrepreneurial (Eikeland and lie, 1999). Further, these farmers can be recognized as social entrepreneurs based on the argument proposed by Peter Drucker (Gendron, 1996) that the social entrepreneurs work to change the performance capacity of the society. Further, social entrepreneurs are individuals who can show the characteristic of successful business owners who are also motivated to create

social change with their vision (Schulyer, 1998). There are various ideas about social entrepreneurs and how it should be defined, however, one common idea that surrounds the concept of social entrepreneurship is the ‘problem- solving nature’ and further vision of development and implementing various initiatives (Johnson, 2000).

Social entrepreneurs and economic entrepreneurs are however different to each other primarily due to the difference in ideology (Prabhu, 1999) in the sense that the social entrepreneurs are people who create or manage businesses or ventures with the primary vision of social change and development in contrast to the pursuit of economic gains. Further, unlike their economic counterparts, social entrepreneurs are not just individuals who are highly entrepreneurial but are also have high tendency to have collaborations resulting in a collective leadership with diverse backgrounds and parties in the same table, tackling the same problem with rather more efficiency (Henton, 1997). Thompson (2000) adds on, that a visionary social entrepreneur has the ability to develop a network of relationships in various places and has the ability to communicate their vision effectively to recruit various partners.

3.0 Methodology

Yin (1994), stated that for writers who are using the research question in analyzing phenomenon in order to understand the ‘how’ and ‘why’ of a specific topic, then a qualitative method is more appropriate as a research strategy. The research conducted for the paper is qualitative and further more focused on the case study approach (Yin, 1994). The paper tries to focus on the workings of a cooperative and gain more insight on the various roles that it plays in order to stay competitive in the market and at the same time promote agricultural entrepreneurs in Nepal. Further, the paper also aims to find the success formula of a successful cooperative in order for the other cooperatives to follow as a model. For the paper to find out about these much focused topics and in order to fulfil the objectives of the paper, the case study approach does justice to the paper. A qualitative study with a case study approach gives us an in-depth analysis of the phenomenon that are at play rather than the causes or the consequences of the phenomenon. The research is not focused on predicting certain phenomenon neither is trying to verify it, rather, the paper is focused on understanding and finding out an interpretation of the structure of a phenomenon and its configuration.

3.1 Case study Method

Yin (1984) defines the case study research method “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries

between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.” The case study methodology may be a little controversial in terms of being a method of research, however it is a robust research method which allows the researcher the complete exploration and understanding of complex issues (Zainal, 2007). A case study approach is rather regarded as an effective tool of research in topics regarding social sciences such as community related issues (Johnson, 2006). A case study in general is focused on a specific topic, geographic location, specific individuals and/or organizations and explore and investigates certain phenomenon undergoing and their relationship to the topic of the study. One of the major difference of the case study approach to a quantitative study is that the quantitative study is more macro level and observes the frequency of any phenomenon, whereas the case study method looks at a certain issue in a micro level.

There are many advantages to choosing a case study approach as the data collection becomes rather focused in terms of the topic of research and the objectives that it has. The approach is also very useful to the researcher as the vast array of the type of data that can be collected using the method allows the researcher to analyze the data both qualitatively and quantitatively. Furthermore, the method helps the paper easily describe the events or contents of the case in a real life environment and situation (Zaidah, 2003). However, there are also disadvantages to this approach, as it is criticized that the technique is not valid to generalize the result because of the low number of subjects (Yin, 1984).

3.2 Data collection

There were two types of data collected- primary and secondary. Due to the lack of information available on the cooperative because of its scale and the cooperative's needlessness to put their data information on the internet, a primary research including field visit was necessary. The field visit was conducted from October 28th until November 2nd for a total span of five days. The field visit study included various data collection methods such as interview and observation. The interviews consisted of the members of the management committee- the President, the Manager and an accountant. Further interviews were taken with the traders who are the primary negotiators with the market for the cooperative. These traders would find the markets and negotiate price for the produce of the member farmers. Interviews were also taken of the local farmers and housewives involved with the cooperative, some ever since the establishment of the cooperative.

The secondary data collected mainly comprises of the books about cooperatives in Nepal. However, as the books' primary focus of readers is the farmers, the books that were collected are all written in Nepali which needed to be translated on certain parts for the completion of the research paper. There were some papers, however, which were written and published about cooperatives and focusing on the same cooperative case as this paper, therefore allowing this paper to also refer to those paper and compare and contrast the situation of the cooperative in the past and the present. Further secondary data was collected from the internet, government websites related to cooperatives and other

international journals in the form of papers, master's thesis and newspaper/ magazine articles.

3.3 Limits of data collection

The subject of the paper is a small cooperative serving the farmers of a rather rural area in Nepal. The non-availability of proper technical resources such as the internet, computer (which was only very recently installed) and sometimes even electricity, has resulted in the data storage of the cooperative to not be available in a digital format. The manual paper format of data have irregularities as the papers have not been stored properly as a shortage of office space. Therefore, the quantitative data analyzed for the paper might have certain level of mistake. With only a couple of papers written and even fewer published on the field of cooperative in Nepal, there is another limitation in the qualitative analysis of the cooperative and its context in various ways.

There books and other materials available to the public which is published by the department of cooperatives provided a good insight on the situation, however, as the books and other publications were focused on the readers in Nepal, the language of the publications was in Nepali. This had to be translated and presented in the paper in various locations, mainly in the literature review. There may have been mistakes in translation or the true meanings of certain passages might have been lost in translation.

Despite the limitations in the data collection, the paper has tried to incorporate as much information that was available in terms of the topic and its relevance. The translations of the information that was available only in Nepali was translated by the author but was also rechecked by a fellow Nepali colleague, therefore reducing the chances of having mistranslations especially of the technical languages being used in the sources.

4.0 Results

4.1 Janajagrit Green Fresh Vegetable and Fruit Producer Cooperative (JGFVFPC)

The JGFVFPC was established in 1999, therefore having an experience of doing business for two decades. The cooperative is located in Vandara Village development committee in Chitwan district, which is located 200 km south of the capital- Kathmandu. The management committee comprises of a total of 15 members- 10 male and 5 female. The total number members for the cooperative is 1001 and there are also a non-members who are involved with the cooperative and using its services. According to the cooperative, the members include all the farmers who are inside the total area where the cooperative can legally provide its services, and also farmers from other areas.

The JGFVFPC had a total revenue by selling products of NPR 5,091,231 in 2017 compared to NPR 2,971,040 in 2016 which is a 70% increase in revenue from the previous year. However, not surprisingly the cost of production also increased dramatically from NPR 2,822,676 to NPR 4,761,246 which is also around 70% increase in the same period. The net profit amount for the period has increased from NPR 148,363 in 2016 to NPR 329,984 which is a staggering increase in profits, around 120%. This increase in profitability was credited to the proper weather and harvest season along with the marketing of the trade negotiators to be able to successfully sell the products in the right price to the suppliers. With the increase in the produce as well as revenue, the cooperative has also decided to invest in building another warehouse in its properties in order to be able

to hold on to more inventory, lessening the burden on the local farmers. The cooperative also has other sources of income, such as the dairy business. The total profit of the dairy cooperative for the year 2017 amounted to NPR 1.43 million an increase of more than 10% from its preceding year (JGFVFPC, 2018).

The cooperative is not only involved with the transactions related to the agricultural and dairy activities, but also generates income through banking and investment. JGFVFPC has been involved in investment in buying assets, providing loans as well as investment in shares. The total investment of the cooperative has also increased to NPR 3.85 million in 2017 from NPR 2.95 in 2016, a change of more than 33%. The annual summary of accounts shows that the cooperative is performing well with more income generation and an increase of monetary flow within the organization (JGFVFPC, 2018).

4.2 Roles of JGFVFPC Cooperative

An organization has several roles to play in order to be successful in doing business or completing their goals. A cooperative too has to play several roles in order for the members and the buyers to keep having trust in the organization. The paper tries to understand what the major roles are being played by the cooperatives by analyzing the JGFVFPC in order to gain success in its endeavors. After several interviews with the management and local members of the cooperatives, observation of the daily activities and other data collected in the field research, the JGFVFPC coop was seen to be playing the

following roles below for the success of its business as well as promotion of agriculture entrepreneurs. These roles are vital to be played by JGFVFPC to be able to uplift the socio-economic status of the member farmer in the area. JGFVFPC is an exemplary cooperative in terms of the roles that it plays to ensure the gain for all the party involved. It can be a model cooperative for the other cooperatives in the region with the style of work management and leadership that JGFVFPC conducts.

4.2.1 Market Negotiator Role

All of the members of the cooperative, bring their agriculture product such as rice grains, barley, cabbage, tomato and dairy products among others to the collection center, which is in the premises of the cooperative along the East-West Highway. The collection starts at midday until late in the evening, in which time the farmers can bring as much products they have harvested to the cooperative. The cooperatives have local trade negotiators who work as the middle men between the farmers and the market. The main responsibility of the trade negotiators is to find a market for the products, with the best price value. The trade negotiators are controlled and the transactions are overseen by the cooperative for any irregularity that may occur. The trade negotiators are basically the front line for the cooperative in terms of dealing with the market. The cooperative with the help of the trade negotiators then make provisions of transportation for the products to be supplied to the suppliers. The products collected from each farmer is properly stored in the warehouse if they do not sell the same day. The amount of products brought in by the

farmers, the amount that was sold and the price for the products sold are all kept in proper data by the cooperative. More or less most of the products are sold without having any leftovers as the cooperative has a good reputation within the market for the quality of the products.

The cooperative charges a 1% commission on all products sold with the farmers and then uses the commission to pay the trade negotiators and use it for other operational expenses. This low commission percentage is one of the strongest point of the cooperative for it to be trusted and famous among the local farmers as the other cooperatives are taking a commission of more than 2%. Furthermore, the cooperative has no ceiling limit for the amount of products to be collected from the farmers, which helps get some burden off the farmers with their inventory space problems. The cooperative with their proper record keeping and transparency of transactions has been truly an exemplary as well as trustworthy organization for the local community.

The trade negotiators however, have been facing some troubles with the constant transportation strikes and road blockades which ruins the vegetables and fresh products therefore not being able to sell it in the proper pricing. Further, when inquired about finding markets in India, as the cooperative is close to the border of India, it was found out that India has imposed several restrictions on the import of fresh agriculture product in to their country. However, there are no trade restrictions on the Nepali side with importation. Therefore, this is one issue that the government needs to address with bilateral agreements

helping these cooperatives find markets outside of Nepal as well which will help even in reducing the international trade deficit of Nepal.

With the farmers being more effective with the output of their products, the cooperative is facing a new challenge of having warehouse storage space. In order to tackle this problem, the cooperative has started to build a new warehouse in its own premises without any outside financial support. The cooperative also is planning to install cooling technology in the warehouses to be able to store the vegetables for a longer time preserving the freshness and getting better value for their products.

4.2.2 Financial Supporter Role

The cooperative has started their banking services very recently in order to be able to provide services to the member farmers with the savings account. The cooperative provides 7% interest on the savings accounts to the farmers and very simple deposit methods without a minimum deposit amount specified. This has helped the farmers save even with the smallest amount at the closest and trustworthy bank, as they have been involved with the cooperative themselves. The cooperative also aims for the farmers to be able to understand the advantages of saving in a bank and how it affects the whole economy of the cooperative and the area at the same time. The farmers are getting 2-3% more interest on their saving account compared to other commercial bank in the area. Therefore, cooperative has been able to motivate the members to deposit their savings with

the cooperative because of their higher interest rate, no minimum deposit and simple deposit methods without the deposit slips, as some of the farmers are illiterate and are demotivated to save just because of the deposit slips.

The cooperative bank also provides loan services to both members and non-members, with the members getting the loans in a low interest rate of 12% compared to an average of more than 14% on other banks. The members get the loans very easily if they bring up a proposal of an interesting idea which looks promising. The farmers have been immensely helped by this service as it would be quite a difficult task to get loans from other commercial banks.

The cooperative bank has also incorporated investment strategy in order to invest in other projects which have less risk and more or less certain profits, in order for the cooperative to gain at least some more for the farmers. They have increased their investments to outside projects by more than 33% from 2016 to 2017 which is a positive move in terms of monetary flow in the local and national economy.

4.2.3 Educator/ technical supporter Role

One of the major goals of the cooperative since its inception has been to educate and provide knowledge to the local farmers about farming techniques needed to enhance their farming skills as well as help in increasing the output of quality products. The

cooperative has constantly conducted training activities for its members about the types of crops, proper irrigation and plantation methods, compost manure, fertilizers and pesticides. The cooperative negotiates with the government to provide the farmers with experts in agriculture to train the farmers of the locality. There are several private experts as well who are invited by the cooperative to conduct training sessions for the members.

Furthermore, the cooperative also provides the members with technical services such as soil inspection in order for the member farmers to understand the soil composition. It also provides consultation services to the farmers about the type of crop that would bring in the most yield and revenue for the farmer. These services are carried out by the cooperative free of charge mostly or with a very small amount covering their external charges. This is also another reason for the local farmers to have increased yield in products, resulting in the collection of more and more products every year, according to the management of the cooperative.

The cooperative has expanded in terms of the number of members as well as business size. The management also needs to be able to keep up with these changes of which the management understands the importance of. Therefore, the cooperative staff also undergo several trainings provided by the Cooperative Training Center, to enhance their skills in managing the cooperative more effectively. The accountants and data collectors are constantly provided with trainings, classes and expected to take standardized tests in order to enhance their skills and understand the newer techniques to handle data as well. The senior management gets provided with leadership trainings from lectures and seminar for

the cooperative managements of the regional cooperatives by the cooperative development board. These sorts of trainings has helped the cooperative to enhance their leadership and management skills for the cooperative.

4.2.4 Government/ NGO Negotiator Role

The cooperative provides services to the farmers as a negotiator or a bridge with the government bodies. It claims to help the farmers who have promising and well thought out plans and proposals who want to develop their farms or expand their businesses, to connect to the proper channels to gain support from. These channels include the government organizations as well as Non-Government organizations which are dedicated to support the farmers. However, because of the lack of knowledge of the farmers about these sort of support programs, the cooperatives provide help to these farmers. The services includes searching for the right support, such as monetary grant or technical support among others. Then forth, the cooperative helps with the proper procedures required by the farmer to complete in order to receive these services. Within in these procedures, there are several steps which requires for the applicant to negotiate and explain about their ideas. The cooperate helps with these negotiations in the behalf of the members. The follow up reports and inspections that are required and the procedure to use the grants or the support is then all explained to the member applying for it. These sort of help is quite necessary for the farmers as most of them have very little knowledge about these programs and schemes.

The cooperative's advisory body is comprised of five members, all of whom are leaders of different political parties. This was a strategic move of the management to include the political members of different parties in the advisory committee so that there are no disruptions from any party on the daily transactions. Further, this move has also helped the cooperative to be able to have a stronger position to negotiate on the different services provided by the government such as trainings, grants and other various kinds of support. Having the support of all the political party members in the area places the cooperative on a higher level in terms of negotiations with the market as well. This increases the validity of the cooperatives, therefore bringing in more trading partners to transact with as well as getting more members to use the cooperative, increasing its business and eventually providing better shares of profitability with the community.

4.2.5 Promoting to the new generation Role

Nepal has been severely impacted by the brain drain of the young adults, the most active population, towards urban areas domestically and internationally in search of employment opportunities. With so many youths migrating for other jobs, the agriculture sector of the country has indeed been hit more badly than other sectors. The agriculture sector has a lot of potential if the farmers are provided with the proper training, knowledge and tools. The cooperatives need to understand the gravity of the situation and be able to make an example to the young population showing that there is a huge potential in agriculture. JGFVFPCC understands the need of youths to be involved in agriculture

especially in the long run therefore, it has started to focus on youth trainings and skill up sessions to give them a hands on knowledge about agriculture.

There have been also several cases, about 8-10, of youths who faced a hard time overseas in their jobs and came back, only to face financial troubles at home such as loan repayment for the fee used to migrate out of Nepal. The cooperative has introduced some programs which are aimed at empowering these youths to help them with their financial situation as well as appeal them towards the agriculture sector. These programs have been implemented very recently therefore the results can not be seen clearly. However, with these programs and its possible successes, the cooperative aims to be able to lure the youths who are working so hard overseas for the same amount of income that can be generated with agriculture at their motherland.

Further, the cooperative every year recognizes and awards the top students in the area to motivate them towards the success in their education, preferably in something that will help give back to society in the long run. With these sorts of various programs, the cooperative is trying to focus some of their energy onto bringing back the youth in the local area in order to create a sustainable agriculture environment in the community.

4.2.6 Women Empowerment Role

The cooperative sector has presented a bright future in terms of women empowerment and participation in community development roles. Of the total members involved in cooperatives in Nepal, more than 50% are women also there are several very successful ‘only women’ run cooperatives in the nation. These examples prove that the cooperative sector is paving the way for social reformation and collective economic development with women participation. The cooperative sector is also motivating women to take on more leadership roles with more than 39% of the decision making members in cooperatives being women and further, many of the local representative bodies in rural areas are being led by women who are involved in cooperatives (Subba, 2017). This level of participation level of women in primary cooperatives is extremely positive, as there have been not a lot of direction or laws towards women engagement in the cooperatives in Nepal. However, the participation of women in the secondary, tertiary and national level is far behind expectation, which needs to be addressed by the government with providing quotas or laws to ensure the participation of women in decision making levels.

In order to promote women participation, JGFVFPC has also included some steps such as having women events and trainings related to agriculture. Further, there are also several extra facilities to women members of the cooperatives related to healthcare facilities and consultation. The management comprises of five women out of the total fifteen, also of the total 1001 members, 504 are female members (more than 50%) which is an outstanding number for the cooperative. The cooperative has been constantly voicing out the

importance of female participation and collective development of the community. In order to empower more women, the cooperative is planning to start a small handicraft factory run entirely by women as a new project. The cooperative expects that the success of this project will be reflective and will help in increasing more women participation in the local level.

5.0 Conclusion and Recommendation

The paper conducted a research on cooperatives and its roles that it plays towards promoting the agricultural entrepreneurs in rural areas. For this study, the paper focused on one cooperative case of Janajagrit Green Fresh Vegetable and Fruit Producer Cooperative (JGFVFPC), which is based in a rural part of Chitwan District in Nepal. The cooperative is one of the successful cooperatives in the region with a high level of increasing local participation including women participation of more than 50%. The cooperative has been able to show profits in its books for consecutive years with increase in revenue every year. The cooperative works with the local governmental bodies to enhance the skills of the farmers in the community as well as help them reach the right support needed in order to develop the business of the farmers. The cooperative believes in the business being ‘Of the community and for the community’ therefore is working to uplift the socio-economic status of the community as a whole.

The cooperative has been able to incorporate and implement several of its visions such as educating and increasing knowledge the local farmers by conducting several training programs and in addition to it providing technical assistance and service such as soil inspection which are difficult for a simple farmer to conduct. It further provides with consultation services to the farmers about their crops and enhancing the productivity. These sort of services has in fact resulted in the cooperative gaining more business transactions with the increase of production of the local farmers.

One of the most important roles that the cooperative is playing is that of the market negotiator instead of the farmers. This has had the utmost impact for the farmers in terms of ease of business and profit generation. The cooperative has been working as a united front for the farmers involved with the cooperative to find them a proper market and value for their products. With the equality in price setting, there has been no disagreements between the farmers as they do not see each other as competition but rather as partners. JGFVFPC has been able to lessen a huge burden of inventory space by providing warehouse space and having no maximum ceiling on the amount of products to be collected. The 1% commission for the services provided by the cooperative is very satisfactory to the farmers who deal with the cooperative. Further with the banking services, providing loans and deposit services, the cooperative has made the life of the farmers easier. The members are now able to easily get financial support to develop their business and production.

These roles played by JGFVFPC has been exemplary and can be easily transferred to other cooperatives with effective leadership and management practices. The roles are very important not only to generate income and profit, but also to increase the standard of living of the entire community and creating harmony amongst each other. Development of these small community economies across the nation will result in the improvement of the economic condition of a developing country like Nepal. The cooperative movement in Nepal has been quite a success as it has generated such popularity in small rural communities and among women. There is however room for improvement for the whole movement in order for it to pave way for the existing cooperatives to develop and expand further in the future. The paper will try to provide several recommendation, hence forth, to

the cooperative movement including the government, cooperatives and the members involved.

5.1 Innovation in Cooperatives

Innovation is creating values from ideas. Although most of the focus of innovation goes towards its commercial value, there is a lot of social value that can be achieved with innovation (Rahim 2017). Bringing in about change to an existing idea or a concept already established with new methods or products is innovation. We see innovation in technology and the scientific field, however achieving innovation in a social science sector is quite a challenge. Bringing about an innovative project in the cooperative sector such as change in the distribution channel needs a lot of redesign and thinking in the many aspects of the business model of cooperatives. However, bringing about an innovative change would be able to change the current situation of the cooperatives and create further interest among more members to join in the cooperative movement. There are many aspects of the whole cooperative business where innovative ideas could be brought in. The development of the existing models of the cooperative business by expanding and adding in more kinds of businesses could be a type of innovation. The marketing of the products which are done locally to local markets may need to be upgraded so that the products can be sold in the international market. However, for this marketing innovation, the development of the produces as final products needs to be of the utmost priority. The cooperatives may even focus on the innovation in terms of member involvement, bringing in plans and offers

which lures the members to be more participative in the community activities. The cooperatives definitely need to advance their data collection methods whilst getting familiar to the newer ways of book keeping among others. Innovative ideas in the management and organization by bringing in standardized practices would be a refresher and a robust change for the cooperatives.

5.2 Uniting Cooperatives

The number of cooperatives in the country currently stands well above 30 thousand which is a lot for such a small country. These individual cooperatives might be successful in their areas and for their sizes, but the numbers do not look impressive looking from the outside. The cooperatives with their small revenues can only focus on introducing small projects in order to increase their economic standards. With cooperatives merging, they will create a bigger economic force and they can invest in a rather big projects which would bring them long term revenues such as hydropower projects. The cooperative case chosen for this paper- JGFVFPC, which is a relatively successful cooperative in its region, credits its increase in revenue and profitability due to its merge with another cooperative which focused on dairy products. In this manner, the cooperatives with the merging activities are able to do business in newer fields, attracting more members as well as market. The future of the cooperative movement in Nepal, is bringing in the cooperative together and unifying them in a big region. In this manner, the big unified cooperative can operate as a big

corporation, making a significant impact in the economy of the country, whilst also enjoying the economies of scale.

5.3 Cooperatives joining forces with other businesses

Similar to cooperatives joining forces with other cooperatives to become a unified cooperative, the cooperatives may also engage in vertical or horizontal integration with the other sectors of the market in order to expand its businesses. One such example may be of a cooperative selling the rice grains to factories, to incorporate the rice processing factories into themselves, resulting in the cooperatives themselves producing the final product. This would increase the profitability of the cooperative and at the same time would create employment opportunities for the local community empowering more members of the community. This sort of integration of business would decrease the number of intermediaries in between the cooperatives and the local consumers for the final product, similarly incorporating businesses of the cooperatives suppliers such as fertilizer producers would help the farmers and the cooperative decrease the cost for items that are bought in from third parties.

5.4 Government Support

Although, the cooperatives are independent business organizations, they are still very weak in terms of competition with the international market. This is where the role of

the government also comes into place. The government needs to pave paths for the development of the cooperative sector by bringing in several laws that protect the cooperatives against the bigger forces like the market and big corporations, both domestic as well as international. Cooperatives are organizations that are run by the locals for the locals therefore, is more effective to improve the socio economic conditions of a rural area. The government needs to understand the importance of these cooperatives and needs to provide more support in whatever manner is needed by the cooperatives and its members. Further, the government needs to help the cooperatives find markets in the international arena as it would be of a sign significant support from the government, and motivate the youth to work in the agricultural sector as well. There needs to be several programs which focuses on such ideas like bringing the youth back into the agricultural sector with subsidies and other financial support. The government further needs to recognize and award exemplary cooperatives which are focused on community development through different aspects.

The government needs to take the initiative to create a guidebook for the cooperatives to follow and should implement laws against cooperatives that do not follow the guidelines. The government should support the cooperatives in a manner that helps them run as a strong independent business entity in terms of the international market, however, the cooperatives should not rely on the government for support for all matters as it hinders the concept of being an entrepreneur.

6.0 Discussion

The research focusing in the cooperative sector of Nepal with the case study of a cooperative- JGFVFPC, made me understand the various roles that a social organization can play to help prosper the society in various ways. The data collection for the paper was done primarily from field research and even supporting materials had to be collected by myself in person from the corresponding organizations, as none of the data was available in the internet. This showed the condition of the feasibility of data collection in Nepal in this modern technologically advanced era. However, the technology is in fact catching up in the rural areas, one example being that JGFVFPC was changing its book keeping method to computers from actual ledgers. These sort of rapid changes in fact bring in several challenges to the managers to adapt and manage the organization accordingly. The flexibility of the managers to adapt to these changes is vital for the imminent development of the organization as a whole in the near future.

The cooperatives are social organizations and the main focus of the cooperatives should not hinder away from focusing on providing services to the community, however, this poses a challenge for the managers as the organization needs to reap profits as well to stay afloat and provide these services. This is one of the dilemmas that the managers need to address while managing a social organization such as cooperatives. JGFVFPC was a good example of a cooperative working for the community and the other cooperatives also can follow a lot of good practices from them, as a role model cooperative. The future of the cooperative movement is indeed seen to be bright with the cooperatives coming together and working together in terms of a developing country like Nepal.

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