

STUDY OF RURAL COOPERATIVES

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EXECUTIVE SUMMARY

This study on the Cooperatives and MEs promoted by MEDEP is a part of Daayitwa – Nepal Public Service Fellowship initiated by Nepal ko Yuwa (NKY). The fellowship was a two and half months endeavor in which four different districts viz. Pyuthan, Nawalparasi, Kavre and Nuwakot were visited in order to analyze cooperatives affiliated to MEDEP and interact with MEs so as to access the situation at the ground level. Four MEDEP Cooperatives and three non-MEDEP Cooperatives were visited.

Out of the four MEDEP Cooperatives, Aerawati Saving & Credit Cooperative established at Baddanda, Pyuthan known was operating extremely well. A random sampling of 10% was done among the numerous active MEs promoted by the Cooperative. The reasons for its success could be attributed to the involvement of both youth and dedicated executive committee members, charismatic leadership, establishment of collection center, training and capacity building programs to MEs, participative management and many more. Thereafter, another Cooperative situated at Jaisithok, Kavre was visited that was also operating well. The Cooperative did not raise share only from the target group of MEDEP but also invited others to join the Cooperative as shareholders. In this way, they could generate more fund and invest the same on needy MEs.

In another visit to Nawabihani Saving & Credit Cooperative situated at Okharpauwa, Nuwakot, the plight of executive members was clearly seen as they were over dependent upon a single person to operate the Cooperative who unfortunately had died a couple of years back. Furthermore, they had problems motivating more MEs to become shareholders and had shortage of funds to lend. Nevertheless, tremendous opportunities existed as the majority of MEs were strawberry farmers who had to rely upon external contractors for funds owing to financial inability of the Cooperative to lend. MEs were troubled by a disease and an insect that were severely denting the productivity of strawberries.

Lastly, a Cooperative called Agrani Micro Entrepreneurs was visited that was black listed in spite of boasting tremendous opportunities and resources. The problems identified were related to lack of youth participation, no succession planning, as well as old and uneducated executive committee members that resulted in blacklisting by Divisional Cooperative Office.

95% of the 52 respondents (MEs) from all districts were the sole owners of their enterprise. 90% of them had taken loan from the Cooperative and have invested their savings simultaneously. Only 10% of them had taken loan from other sources such as private lenders.

Comparison between MEDEP and non MEDEP Cooperatives was also done which clearly showed that MEDEP ones had been successful in supporting MEs whereas non MEDEP ones were found to be more profit centric. Policy recommendations were provided address some of the challenges and opportunities that the Cooperatives were facing.

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LIST OF ACRONYMS

MEs:	Micro-entrepreneurs
DMEGA:	District Micro-Entrepreneurs Group Association
BDSPO:	Business Development Service Provider
MEG:	Micro-entrepreneur's Group
MEDEP:	Micro Enterprise Development Program
MEDPA:	Micro Enterprise Development for Poverty Alleviation
BCTS:	Brahmin Chheteri Thakuri Sanyasi
CBS:	Central Bureau of Statistics
NRB:	Nepal Rastra Bank
CFC:	Common Facility Center
RSRF:	Rural Sector Resilient Fund

1. INTRODUCTION OF INDUSTRY & COMPANY

1.1. INTRODUCTION TO MICRO ENTERPRISE DEVELOPMENT PROGRAM (MEDEP)

In order to meet the economic necessities of the rural masses and in particular, to cater to the needs of those living below the poverty line, the Government of Nepal and the UNDP entered into a technical collaboration to promote off-farm employment and income-generating opportunities. The partnership between the Government of Nepal and the UNDP established MEDEP in July 1998 in 10 districts of Nepal, covering two districts each from the five development regions. Initially designed as a five-year program, interest in the program by funding agencies resulted in the extension of the program for another four years to cover an additional ten districts until December 2007. (Micro Enterprise Development Program, 2008)

Vision

- Ensure that poor people have access to secure and easy financing and access to business development services

Mission

- To concentrate funding and capacity building programs to develop micro entrepreneurship among the poor

Objectives

- The main purpose of the project is to address the issues of rural unemployment and lack of economic opportunities for the poor.
- In the process of creating income and employment opportunities, the programme's objective is to build the capacity of state and private institutions that provide necessary services required for setting up micro-enterprises.
- The programme has set out to advocate for policy change and formulation, which could support the development and strengthening of the micro-enterprise sector.
- A core objective of the programme is to facilitate in creating policy-conducive environment for rural economies to be linked to national private sector businesses .

Target Group

- Hardcore poor families (those having annual income of less than Rs 4,404)
- Poor scheduled caste (Dalit - there are 26 different scheduled castes in Nepal)
- Poor indigenous groups (there are 59 different indigenous groups of which 12 are ethnic minority groups among which 8 have been listed as endangered ethnic groups)
- Differently able (physically and mentally challenged)
- Deprived women (divorced women, women-headed households)

1.2. MANAGEMENT STRUCTURE

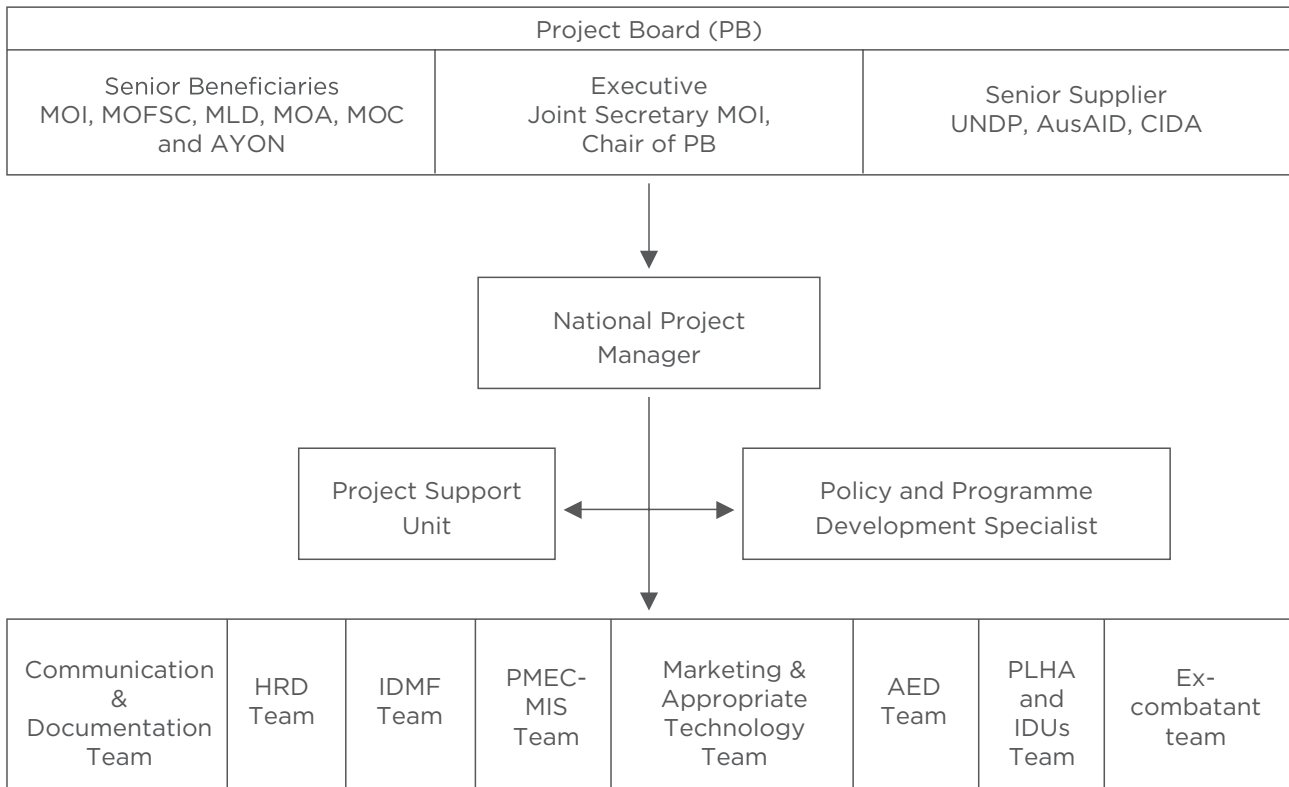


Chart i: Management Structure of MEDEP

Project Board

The Project Board (PB) is the apex body, which governs the overall management and functioning of MEDEP. Being a multi-agency programme, the Project Board constitutes representatives of the following organizations:

Chair

Joint Secretary, Ministry of Industry and the National Programme Director (NPD) of MEDEP

Member Representatives

- Ministry of Forest and Soil Conservation (MoFSC)
- Ministry of Local Development (MoLD)
- Ministry of Agriculture and Co-operatives (MoAC)
- Association of Youth Organizations in Nepal (AYON)
- Member Secretary - MEDEP National Programme Manager (NPM)
- Assistant Country Director (ACD), UNDP
- Canadian International Development Agency (CIDA) and Australian AID (AusAID)

At the central level the National Programme Support Office (NPSO) under the leadership of the National Programme Manager coordinates programme activities between central level partners and facilitates programme activities in the district. The NPSO is a small team of professionals as all of the programme's activities are field-based in the district. At the central level, the overall activities of the programme are

coordinated and facilitated by the NPSO through core staff members hired jointly by the UNDP and the Ministry of Industry of the Nepal Government.

Likewise, programme activities in the districts are coordinated and facilitated by the seven Area Programme Support Office (APSO) under the NPSO, which work directly with district level institutions to deliver services to establish and expand micro-enterprises among the poor people. (MEDEP/UNDP, 2010)

1.3. ORGANIZATIONAL STRATEGIES

The demand-driven approach has two-pronged demand strategies, that is interest and potential of the community to acquire the skills for enterprise development - the demand/needs of the target groups, market opportunity based on district potential - market demand, and resource potential including natural, financial, skills, etc. The demand-driven approach is central to the implementation strategy of the programme where all programme activities are embedded on the potential and needs of micro-entrepreneurs and their markets. The starting point for all programme initiatives is thus based on the demand of the low income families to improve their sources of income and the demand of market for their products.

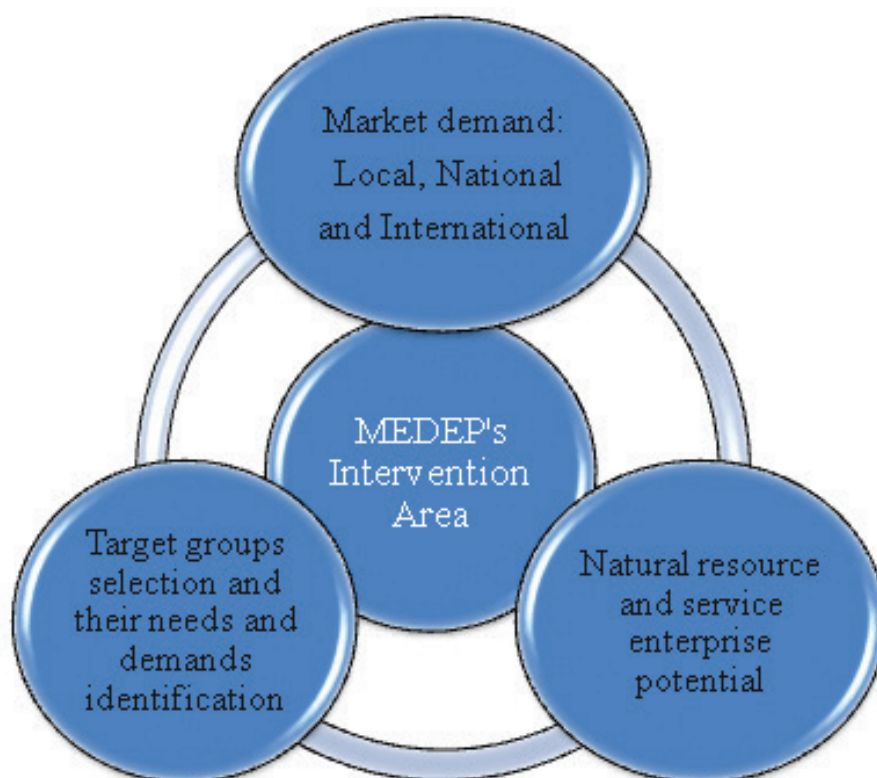


Chart ii: Organizational Strategy of MEDEP

Programme intervention is based on the thorough understanding and study of the resource potential, people's need and market demand for products and services. Target groups that are in desperate need of economic betterment are first selected and their immediate needs are sought. Then, natural resource potential of the area is analyzed in order to produce something indigenous by the targeted people that may find due market nationally or internationally.

1.4. ENVIRONMENTAL FACTORS

MEDEP is a project that is run jointly by the GoN and UNDP. It is actually influenced by political factors as unstable government and the vested interests of political actors could actually hamper its continuation despite outstanding results. Regarding the economic factors, huge import of Chinese consumable goods may make it difficult for the products of MEs to find due market. Also, people are tempted to go to Arab countries for the sake of better earning.

In terms of Socio-cultural factors, reluctance of minorities group and indigenous communities to come forward and seek assistance from MEDEP is a challenge. In case of technological factors, promoting the products via the Internet for the international market is a big challenge. Rules and regulations as set by NRB directly affects the cooperatives established by MEs and they need immediate guidance and support regarding it. Finally, the need for products with environment friendly theme may be required in days to come.

2. PRESENTATION OF PROJECT UNDERTAKEN

2.1. INTRODUCTION

2.1.1. Introduction of the Project

As of March 2013, altogether 200 cooperatives are already promoted by micro-entrepreneurs with support from MEDEP. Some of them are very strong and have already received wholesale loan from apex organizations. The cooperatives promoted by MEs are at different level of maturity. Some cooperatives are formed by MEs themselves; some MEs are affiliated with the cooperatives already formed in the locality by non-MEs. Institutional consolidation of the cooperatives as per their requirement seems to be essential. The interest rate charged by the MFIs to their clients seems to be comparatively higher. By receiving wholesale loan from financial institution and paying them is much lower. So, MEs prefer to receive loan from cooperative.

Numbers of areas for the improvement of cooperatives are observed that include: current status of the cooperatives, attendance, savings deposit and its ratio against loan disbursement, shareholders and the share deposited registration and renewal, investment in the business / enterprises, areas of investment, etc. from which, the gap of the cooperative can be found out and further required support could be provided. There are some subject-based cooperatives promoted by the like-minded people. Numbers of MEs have also registered multipurpose cooperatives on need base. MEDEP expects clear road map by studying the real status of the cooperatives of different nature. While cooperatives are seen to be successful components under MEDEP, the project is looking forward to studying the status of the cooperatives and figure out scope for improvement.

2.1.2. Objectives

The main objective of the project is to study the status of cooperatives established and operated by MEs promoted by MEDEP (MOI) and compare with cooperatives of non MEDEP districts. More specific objective include:

- Select a few non MEDEP co-operatives and study their performances in micro-enterprise development and poverty alleviation, compare with MEDEP promoted co-operatives and determine the differences between them
- Assess the strengths and weaknesses of the cooperatives based on the developed indicators
- Suggest cooperative with new ideas and approaches to develop their capacity on cooperative management, increase investment portfolio, management information system

2.1.3. Scope of the Project

The project envisions to study the status of cooperatives established by MEDEP. The project shall look into the number of active MEs, business portfolio of MEs, inclusiveness, economic status of MEs, savings mobilization, service delivery, management, transparency, profitability and incentives mechanism of the cooperatives. Project shall determine the differences in the living standard of MEs before and after the joining the cooperative. Differences between MEDEP affiliated cooperatives and non

MEDEP ones would be sought on the basis of aforementioned indicators. The project shall identify loopholes in the operation of the cooperatives and suggest MEDEP with better management strategies.

2.1.4. Limitations

The following are the limitations of the project

- Due to limited time frame, only a handful of cooperatives could be visited.
- Site visit to remote places was not possible due to monsoon season.
- Respondents could have given false information.

2.2. CONCEPTUAL FRAMEWORK

2.2.1. Literature Review

According to Industrial Policy 2010 of Nepal, a micro-enterprise is defined as an economic activity that carries the features of self-employment, self-managed, employing 1 to 9 persons (including self), fixed capital investment up to Rs 200,000 (excluding land and building), power machine (not exceeding 10 kW), registration in VDC level and annual transaction not exceeding NRs. 2 million.

According to Nepal Cooperative Act 1992, a group of 25 persons from a community can form a cooperative by registering it with the Department of Cooperatives, Ministry of Agriculture and Cooperatives. The Savings and Credit Cooperatives (SCCs) do not come under the regulatory framework of the Nepal Rastra Bank (NRB). However, some cooperatives that have been licensed from NRB for limited banking services have been providing services to non-members as well. They come under its regulation and supervision.

According to a Handbook on MEs as published by MEDEP, MEs are usually mobilized to form group as micro-entrepreneurs group (MEG). Such MEGs regularly meet at settlement level, deposit savings, mobilize their savings, maintain their books of account and operate their micro-enterprises with support from group financing at some level. As an association of the MEGs, micro-entrepreneurs group association (MEGA) is formed at VDC (Village Development Committee) level with the member representatives of MEGs. These MEGAs also regularly meet at VDC level. In many cases, there occurs regular savings deposit in MEGA from where micro-entrepreneurs receive finance for their enterprises. But the size of savings in MEGA is not at the required level for micro-entrepreneurs.

CFC is a ME-friendly institutional structure that benefits micro-entrepreneurs. The institutional structures where MEs are involved at grassroots level are the base of group liability and considered to be the equity of the micro-entrepreneurs to recognize them before service providers. MEs receive a type of business incubation services through the MED package. One of the components in the package is access to financial services. One of the basic reasons to affiliate the MEs in MEG is to facilitate for establishing the linkages with micro-finance service providers.

According to the Impact Assessment Study of MEDEP conducted by Narma Consultancy Pvt. Ltd, 64% of the sampled micro-enterprises have been operating at individual or private level, 12% are members in group enterprises, 4% are working as employees/workers in others' enterprises and 20% did not have enterprise business. A larger percentage of women have received opportunities to start enterprises through MEDEP. The study also highlights that among the enterprises, the highest average profit making enterprise is service followed by food products, non-farm, forest based and agriculture.

Enterprises started by MEDEP show that almost all are profit making, with return on investment ranging from 71% to 157% annually. However, employment creation has not reached the same levels. The average number of household members engaged in the sample HHs was 2.2 with contribution of 229 person days of employment per HH per year. 80% MEs are self-financed, with only 20% borrowing from MEGs, savings and credit groups, cooperatives, NGOs, MFIs, friends, relatives or money lenders. A higher proportion of Janjati (85.1%) and BCTS (83.1%) are self financed compared to Dalits (75.1%). Overall, less than 50% find MEDEP’s market related services to be adequate. On an average an entrepreneur earned Rs. 91,161 per year and expended Rs 44,123 with average profit of Rs. 53,029. A higher proportion of participants have moved to higher income ranges than non-participants.

According to a report on Impact Study of Rural Sector Resilient Fund prepared by Center for Policy Studies and Rural Development, an overwhelming majority of clients (85%) felt an improvement in their overall socio-economic conditions after participation in RSRF program. The proportion reporting improved condition was the highest in the hills (91.5%) and the lowest in the mountains (45.4%), with the Terai in between (85.4%). Only (10.4%) of the total executive members were Dalits, with the highest proportion in the hill (18.3%), followed by the mountains (10.0%) and the Terai (8.4%).

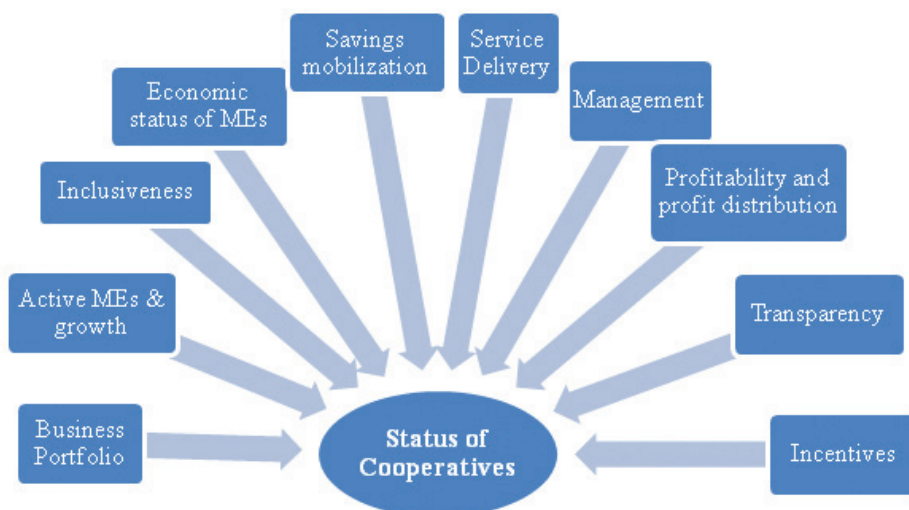


Chart iii: Conceptual Framework of Project

2.3. METHODOLOGY

The methodology comprised of the following steps:

Study coverage

Given time and resource constraints, the study covered four districts namely Nuwakot, Kavrepalanchowk and Pyuthan which are located in the hilly region of Nepal followed by Nawalparasi which is located in Bhitri-Madesh belt adjoining Terai. Hence, the coverage area encompasses Central Development Region, Western Development Region and Mid-Western Development Region of Nepal.

Population and Sampling

Out of 196 MEDEP affiliated cooperatives, four were visited and assessed for their performance ranging from excellent, good, average and poor. So, non-probability judgment sampling was done after analyzing data such as percentage of active entrepreneurs among total shareholders, savings mobilization, years of operation and external borrowing. Project supervisor's consent was also taken during selection. Likewise, for selecting non MEDEP Cooperatives, non-probability convenience

sampling was done and those cooperatives that are located close to MEDEP promoted ones were taken into consideration. This was to measure the effect of former on the latter.

In order to select MEs, samples were divided into four groups i.e. Brahmin, Chheteri, Janjati and Dalit. These four groups were regarded as four strata and disproportionate stratified random sampling technique was used to collect information. This was owing to the fact that some minorities lived very far away and were difficult to reach. Hence, a sampling size of 10% was used among the active entrepreneurs. This technique was used for both MEDEP affiliated and non-affiliated cooperatives.

Primary data collection

Primary data was collected by interviewing cooperative members and MEs. Regarding the MEDEP promoted MEs, all the respondents were shareholders as well as borrowers. However, in case of non MEDEP ones, respondents are only borrowers barring MEs affiliated to Rural Women Development Multipurpose Cooperative Society Ltd., Tinpiple, Kavre where they are both shareholders and borrowers. Questionnaires and interviews were used as research instruments. Face to face structured interviews were taken. Open ended, closed and double-barreled questions were included in the questionnaire.

Various stakeholders such as DMEGA's Chairman and BDSPO's officials of Nawalparasi and Nuwakot were also interviewed. Information such as status of MEs in the district, problems and challenges associated to them, working modalities and suggestions for way forward were collected from the stakeholders.

Micro-entrepreneurs affiliated to different Cooperatives are listed below:

Survey Method	Name & location of the Cooperative	Sample Size of respondents			Remarks on respondents (MEs)
		Male	Female	Total	
Key Informant Survey	Airawati Multi Purpose Cooperative Ltd., Buddanda, Pyuthan	7	6	13	Shareholder as well as borrowers
	Godavari Saving & Credit Cooperative, Jaisithok, Kavre	1	2	3	Shareholder as well as borrowers
	Nawa Bihani Multipurpose Cooperative Society Ltd., Okharpauwa, Nuwakot	6	4	10	Shareholder as well as borrowers
	Agrani Micro Entrepreneurs Saving & Credit Cooperative	5	4	9	Shareholder as well as borrowers
	Sankalpa Swet Saving & Credit Cooperative, Jaisithok, Kavre and	3	2	5	Only borrowers
	Rural Women Development Multipurpose Cooperative Society Ltd., Tinpiple, Kavre	-	10	10	Shareholder as well as borrowers
	Gaindakot Saving & Credit Cooperative, Nawalparasi	-	2	2	Only borrowers

Table i: Primary data

Secondary data collection

Secondary data such as publications and progress reports were collected from MEDEP, MEDPA, CBS, NRB and various cooperatives that have been visited.

Analysis of information

Microsoft Office was used to prepare and quantify the obtained data. The quantified data was then analyzed.

(Questionnaires are attached in Annex II.)

2.4. PRESENTATION & ANALYSIS OF THE PROJECT

2.4.1. Statement of Findings

Four MEDEP promoted cooperatives and three non MEDEP cooperatives have been visited. The details of MEDEP promoted cooperatives will be discussed below:

Airawati Multi Purpose Cooperative Ltd., Buddanda, Pyuthan

It is a Multi-purpose Cooperative established at Buddanda, Pyuthan in B.S 2059. A year prior to its establishment, micro entrepreneurs in that locality established a marketing federation in order to smoothen their marketing woes of ginger business. As the federation only looked into the issue of ginger production and marketing, the micro-entrepreneurs felt the need of saving and credit facilities that would ease their businesses. Then they sought help from MEDEP and exactly a year later, they founded a cooperative named Airawati Bahu Udeshya Sahakari Sanstha and legally started it after registering in the Divisional Cooperative Office a year later. It had the support of forty-four promoting shareholders during its establishment and all of them were micro-entrepreneurs.

Initially they couldn't collect enough funds to lend to needy micro-entrepreneurs. After hearing about RSRF offered by NRB, they requested MEDEP to link them to NRB and hence, they were successful in obtaining RSRF loan and till now, they have already borrowed it thrice and performed timely repayments. Furthermore, MEDEP also provided accounting training to the Chairman & Manager of the Cooperative so that they could better manage the accounts and ensure transparency that was given topmost priority by NRB during sanctioning of RSRF loan.

Current Status

1. Active Micro-entrepreneurs & growth

Data provided by MEDEP shows that out of 509 shareholders, about 51% are MEDEP promoted micro-entrepreneurs. However, current data upon the visit to the cooperative revealed that MEDEP promoted MEs have been reduced to 34.3%. This reduction is due to the migration or death of MEs. Furthermore, out of the 34.3% of the micro-entrepreneurs currently affiliated with the Cooperative, only 74% are actively involved with their enterprise.

This reduction may be attributed to the desire of MEs to switch to other work or travel abroad for work opportunities. Hence, the number of shareholders can be seen on an increasing trend but the number of MEDEP promoted MEs has been slowly decreasing. Also, growth in terms of owning fixed assets is increasing as they are adding up a floor in their already two-storied office

2. Business Portfolio of MEs

Majority of MEs have invested their loan amount taken from the Cooperative in

agriculture. Approximately 40% of active entrepreneurs have invested upon agriculture such as vegetables farming, 35% in small businesses such as mobile repair shop, meat shop, retail stores, etc. and 15% on domestic business such as bee keeping, candy and squash making, etc.

Business Portfolio

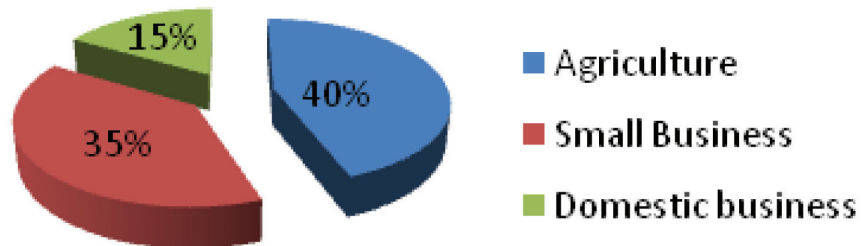


Chart iv: A pie-chart showing the business portfolio of MEs

3. Inclusiveness

Around 65% of the MEs belong to Janjati, 30% are Dalits and remainder 5% are Brahmin-Chettri. It is in line to the target group of MEDEP.

Inclusiveness

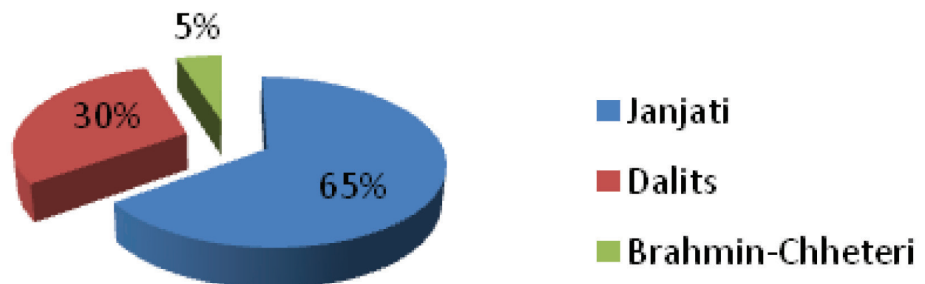


Chart v: A pie-chart showing the inclusiveness of MEs

4. Economic status of MEs

A total of thirteen MEs that represent 10% of active MEs were subject to questionnaire survey. Almost all respondents except one belonged to Janjati ethnic group. In average, they have had their monthly income up by Rs. 2,000 after taking loan from the cooperative to invest in their enterprise. 40% said that their income had risen by Rs. 1500 per month and 60% said that their income had risen by Rs. 2,100 per month. Around 62% of the respondents believed that they have had their economic transformation from lower middle class to middle class. Similarly, 23% of them believed that they had been transformed to lower middle class from poor as a result of their enterprise and 5% considered no transformation to have taken place. Respondents were ginger farmers, bee keepers, pork farmers and candle makers.

5. Savings Mobilization

Savings balance and external borrowing of the cooperative amounts to Rs. 6.96 million. However, their outstanding loan only corresponds to Rs. 5.475 million with Rs. 200 thousand as cash balance and Rs. 832 thousand as bank balance. Hence, their savings mobilization is about 78% which is well short of 90% as prescribed by NRB.

6. Service Delivery

A questionnaire survey on 10% of active entrepreneurs showed that they were very happy with the services provided by the Cooperative. All of them were satisfied with the use of software to keep accounts and dedicated staffs that are always present during the office hours to solve their problems. During the course of the survey, they revealed that it took less time for them to deposit or withdraw their savings. Furthermore, Cooperative has its own store-room where it buys, collects and stores all the products produced by the MEs and sells them directly to the distributors. In this way, it has relieved the MEs of marketing, branding and quality assurance issues and provides them with instant cash once they get their products ready.

7. Management of Cooperative

The Cooperative boasts eleven executive committee members comprising of Chairman, Deputy Chairman, Secretary, Assistant Secretary, Treasurer and six members. Ever since the establishment, the same Chairman named Som Bdr Somai has been leading the Cooperative. He played an instrumental role as a founder and is considered as a visionary by other Cooperative members and shareholders. Generally, chairman plays the role of planning, directing and controlling the activities of the Cooperative. Manager is responsible for organizing and implementing the activities and the other support staffs perform their duty as instructed by the manager.

An experienced manager who is also a shareholder is hired to manage the everyday operations of the Cooperative. In addition to this, two staffs currently studying in the Bachelor's level are hired for accounting and computer operations. General assembly takes place every three years to select new executive members of the Cooperative. According to the manager, turnout during the annual meeting is about 75% as all shareholders are requested to attend.

Meeting of the executive members takes place on the fifth of each month followed by the meeting of account committee and loan inspection committee in every three months. Executive committee members are not included in the account committee and loan inspection committee. Participative management is given topmost priority during sanctioning of loan as loan committee recommends the name and amount that is agreed upon by all the executive members of the committee.

8. Transparency

In order to ensure transparency in financial transactions, they utilize manual ledger as well as accounting software in the computer and end up tallying the two. Cash receipt and saving and credit passbook are also utilized and well maintained so as to avoid any complications later. A bachelor level student is hired as an accountant who maintains the books of account both manually and electronically. They also need to submit monthly status report to Divisional Cooperative Office, which is an apex institution that measures progress, status, sustainability, challenges and transparency of the cooperative.

9. Profitability and profit distribution

The Cooperative is found to be in profit for many years. In fiscal year 2067/68, it made a profit of Rs. 312 thousand which is 10% lower than what it has made in 2068/69 i.e. Rs. 343 thousand. It is found to pay dividend to its shareholders at 15%.

10. Incentives

As employees are hired to work full time, a monthly remuneration is paid to them and incentives are also provided during Dashain. Same is the case for full time Manager who looks after the operations of the Cooperative. However, other executive members of the cooperative aren't provided any incentives.

SWOT Analysis

Strengths

- Operated by dedicated executive members, educated manager and support staffs
- Assists uneducated MEs of marketing, branding and quality related issues and ultimately, fulfills their need of immediate cash by buying all their products and bulk selling to distributors on their own
- Participative management and timely meetings
- Trusted by the MEs
- Provides training and capacity building programs to MEs using their own fund and human capital
- Good relationship with distributors based in Butwal
- No default on loan till date
- Timely guidance, support and monitoring by MEDEP

Weaknesses

- No succession planning once the chairman retires
- Not able to convince more MEs to join the cooperative
- No market study to find out if the product really sells
- Savings mobilization less than 90%

Opportunities

- Identify products that has market and can be made at local level
- Encourage more villagers/micro entrepreneurs to become members
- Up-scaling of products that have immense potential to sell
- All the MEs surveyed have shared their desire to expand their enterprise by taking more loan from the Cooperative

Threats

- Products produced by MEs may not have any market at all

Godavari Saving & Credit Cooperative, Jaisithok, Kavre

Godavari Saving and Credit Cooperative was established in the year 2065 B.S and is situated in Jaisithok, Kavre. Two MEGs each representing Vegetables and Weavers group were merged to establish the Cooperative. The need to establish it was realized by the aforementioned MEGs as they needed better saving and credit facilities.

Before registering it, they had established Vegetables Collection Center in the road connecting Jaisithok to Zero Kilo, Kavre. DMEGA had provided Rs. 40,000 for the establishment of the collection center. Thereafter, they formed a group of twenty five micro-entrepreneurs and formed a Cooperative for which DMEGA provided legal assistance.

Current Status

1. Active Micro-entrepreneurs & growth

Data provided by the Cooperative reveals that out of 113 shareholders, about 26.5% i.e. 30 are MEDEP promoted micro-entrepreneurs. Furthermore, among 26.5% of the MEs currently affiliated with the Cooperative, 83.3% are actively involved with their enterprise.

This reduction in the number of active entrepreneurs is owing to the marriage of women micro-entrepreneurs and their subsequent migration. Hence, the number of shareholders can be seen on an increasing trend as they started out with twenty five but the no. of MEDEP promoted MEs has been slowly decreasing. They have set up an office in a single room and currently own a computer along with a printer.

2. Business Portfolio of MEs

Majority of MEs have invested their loan amount taken from the Cooperative in agriculture. Approximately 90% of active entrepreneurs have invested upon agriculture and only 10% have invested upon tailoring and knitting.

Business Portfolio

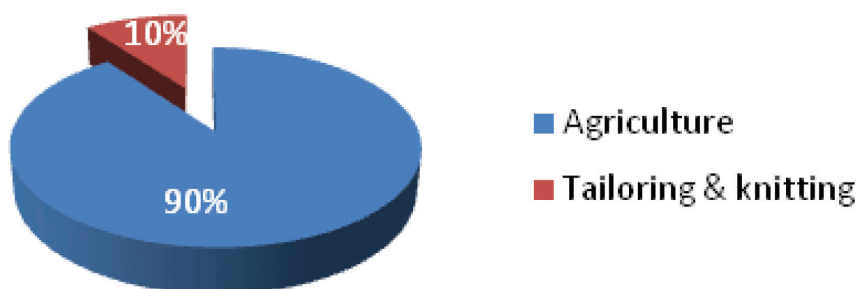


Chart vi: A pie-chart showing the business portfolio of MEs

3. Inclusiveness

Around 50% of the MEs belong to Brahmin-Chheteri, 40% are Dalits and remaining 10% are Janjati. Only 50% of MEs belong to the target group of MEDEP in terms of ethnicity.

Inclusiveness

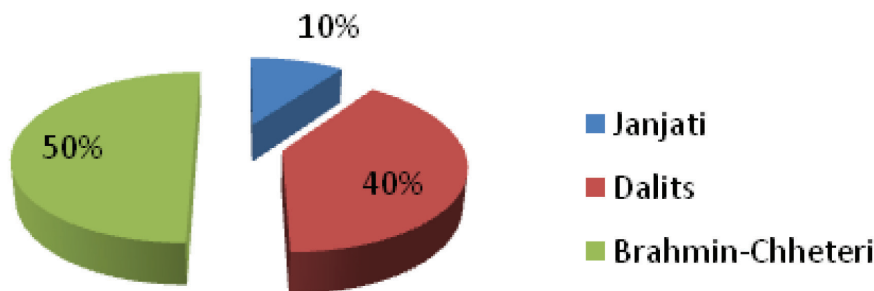


Chart vii: A pie-chart showing the inclusiveness of MEs

4. Economic status of MEs

A total of 3 MEs that represent 10% of active MEs were subject to questionnaire survey. Each of them belonged to Dalit, Janjati and Brahmin ethnic group. In average, all the respondents said that they have had their monthly income up by Rs. 3,000 after taking loan from the Cooperative to invest in their enterprise. All the respondents said that they have had their economic transformation from hardcore poor to lower middle class. Two of the respondents were vegetable farmers and one was involved with tailoring business.

5. Savings Mobilization

Total fund that the cooperative has generated by collecting savings balance and external borrowing as RSRF from NRB is about Rs. 2.925 million. Likewise, their outstanding loan amounts to Rs. 2.824 million with Rs. 76,696 as cash balance and Rs. 63,482 as bank balance. Hence, their savings mobilization is on a higher side i.e. 96%. As they have little cash in hand and cash on bank, they might find it difficult to fulfill the immediate lending needs of MEs.

6. Service Delivery

The survey showed that the respondents were happy with the services provided by the cooperative. All of them were satisfied with the recent progress of using software to keep accounts and dedicated part time staffs. During the course of the survey, they revealed that it took less time for them to deposit or withdraw their savings. Furthermore, cooperative also owns a Vegetable Collection Center where MEs bring their vegetables and sell directly to the distributors. In this way, it relieves the MEs of marketing issues and provides them with instant cash once they get their vegetables ready to sell. However, the Cooperative is only open fifteen days a month.

7. Management of cooperative

The Cooperative boasts eleven executive committee members comprising of Chairman, Deputy Chairman, Secretary, Assistant Secretary, Treasurer and six members. A new chairman was selected after the General Assembly last year.

Chairman plays the role of planning, directing and controlling the activities of the Cooperative. Manager is responsible for organizing and implementing the activities and the other support staff perform their duty as instructed by the manager. Participative management is given topmost priority during sanctioning of loan as loan committee recommends the name and amount that is agreed upon by all the executive members of the committee. Then, the final decision is taken by the Chairman.

An experienced manager who is also the Secretary looks after the everyday operations of the cooperative. In addition to this, one support staff currently studying in the Bachelor's level is working voluntarily for computer operations. General assembly takes place every three years to select new executive members of the cooperative. According to the manager, turnout during the annual meeting is about 80% as all shareholders are requested to attend. Meeting of the working committee members takes place on the third of each month followed by the meeting of account committee and loan committee in every three months. Executive committee members are not included in the account committee but Treasurer heads the loan committee.

8. Transparency

In order to ensure transparency in financial transactions, they utilize manual ledger as well as accounting software in a computer and end up tallying the two. Cash receipt and saving and credit passbook are also utilized and well maintained so as to avoid any complications later. Like stated before, they also need to submit a monthly report to Divisional Cooperative Office mentioning the status, savings mobilization, challenges, etc. that also helps to maintain transparency.

9. Profitability and profit distribution

The Cooperative is found to be operating in a profit for the last two years. Two years before, there were only 59 shareholders and interest rate was also high i.e. 18%. However, with the induction of a new and experienced Chairman, the Cooperative managed to attract other shareholders that actually did not form the target group of MEDEP. They introduced a provision of allowing shareholders to buy 200 shares and organized a felicitation program for the parents of shareholders and depositors of Children Deposit Scheme. In this way they were able to increase the number of shareholders by 91% to 113 and hence, collect more share capital, invest the money in entrepreneurs and earn more profit. In the fiscal year 2067/68, it made a profit of Rs. 30,067 that increased by 20% to Rs. 36,255 in the fiscal year 2068/69. 18% dividend is provided to the shareholders each year.

10. Incentives

Secretary cum manager and computer operator are working voluntarily at the moment. However, they are thinking of providing a basic remuneration to them as they intend to be operational almost every day of the month soon. In the meeting of working committee that comprises of executive committee members, loan committee members and account committee members, fifty rupees is provided to the participants. Furthermore, in the annual general meeting, hundred rupees is provided to all the attending shareholders followed by hi-tea. This ensures good participation of the shareholders.

SWOT Analysis

Strengths

- Operated by experienced Chairman & other executive members
- Use of computer for account keeping
- Youth participation in the office
- Interest rate of mere 12%
- Collection center for vegetables produced by all
- Trainings and capacity building programs to MEs

Weaknesses

- Only 22% of 113 shareholders are active MEs
- Unable to encourage more MEDEP target group i.e. Janjati & Dalits to join the Cooperative
- Unable to merge the two vegetables collection centers in close proximity and enhance the bargaining power of sellers

Opportunities

- Competition among bulk buyers of vegetables can yield good margin
- Urban market of Dhulikhel and Banepa in close proximity
- Reaching out to more MEs is easy with enhanced fund

Threats

- Another Agriculture Cooperative in close proximity
- Access to banks and other financial institutions within a short distance
- Few MEDEP target group among shareholders

Nawa Bihani Multipurpose Cooperative Society Ltd., Okharpauwa, Nuwakot

It is a multi-purpose cooperative established in the year 2063 B.S. at Okharpauwa VDC, Nuwakot that is famous for production of strawberries. Before its establishment, MEDEP had formed a group called Laligurans Jam Samuha and helped them make jam from strawberry. However, the MEs did not understand the rationale behind the creation of a MEG and due to very little idea about strawberry and jam production, the group was unable to continue. Thereafter, MEDEP encouraged them to establish a cooperative, helped them with legal registration and has been providing them numerous help such as marketing, branding and quality assurance of their produced strawberries till now.

Current Status

1. Active Micro-entrepreneurs & growth

Data provided by the Cooperative reveals that out of 152 shareholders, about 74%

i.e. 113 are MEDEP promoted micro-entrepreneurs. Furthermore, among 113 MEs currently affiliated with the Cooperative, 85% i.e. 96 of them are actively involved with their enterprise at the moment.

This reduction in the number of active entrepreneurs is owing to the marriage of women MEs and their subsequent migration. Death of MEs is also accountable for the reduction in MEs. According to the Chairman of the Cooperative, Okharpauwa VDC has around 500 MEs who are involved with strawberry farming. Hence, the number of shareholders can be regarded steady on the lower side as they started out with twenty five but the no. of MEDEP promoted MEs has been slowly decreasing. Regarding infrastructure, they have set up an office in a large single room flat and currently own a computer along with a printer.

2. Business Portfolio of MEs

Majority of MEs have invested their loan amount taken from the Cooperative in strawberry production. Approximately 90% of active entrepreneurs have invested upon the former and only 10% have invested in off-season vegetables such as tomato.

Business Portfolio

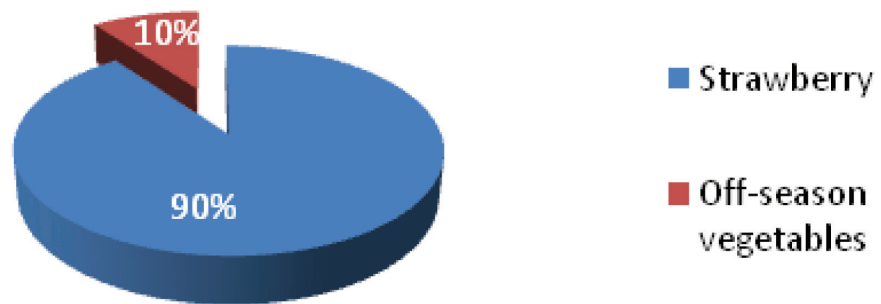


Chart viii: A pie-chart showing the business portfolio of MEs

3. Inclusiveness

Around 95% of the active MEs belong to Janjati and a mere 5% are Dalits. Cent percent of MEs belong to the target group of MEDEP.

Inclusiveness

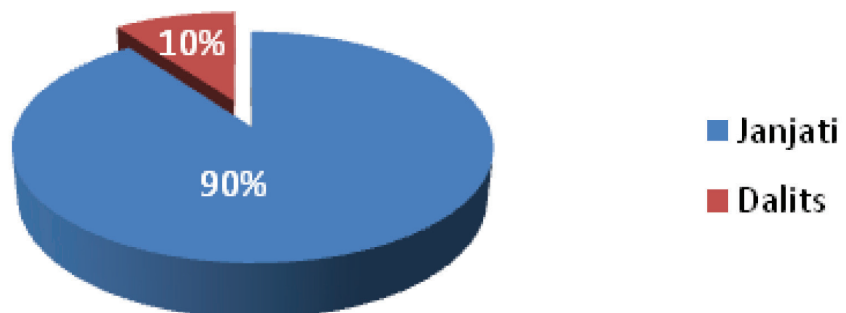


Chart ix: A pie-chart showing the inclusiveness of MEs

4. Economic status of MEs

A total of ten MEs that represented 10% of active MEs were subject to questionnaire survey. 90% belonged to Janjati and 10% belonged to Dalit ethnic group. 80% of them invested in strawberry, 10% on off-season vegetables and 10% on handicrafts. In average, they have had their monthly income up by Rs. 3,000 after taking loan from the Cooperative to invest in their enterprise as 50% said that their income had risen by Rs. 4,000 and 50% said Rs. 2,000. 50% of the respondents said that they have had their economic transformation from poor to lower middle class and the remaining 50% consider their transformation from lower middle to middle class.

5. Savings Mobilization

Total fund that the cooperative has collected as savings balance is about Rs. 3.469 million. Likewise, their outstanding loan amounts to Rs. 3.46 million with no cash balance and Rs. 8,440 as bank balance. Hence, their savings mobilization is on a higher side than required i.e. 96%. So, they face lack of cash in hand that has been hampering their reach and effectiveness.

6. Service Delivery

The survey showed that the respondents were happy with the services provided by the Cooperative. All of them were satisfied with the system of using software to keep accounts. However, they felt the need to hire dedicated staffs to carry out the everyday operations. They also revealed that it took less time for them to deposit or withdraw their savings. Cooperative has also been coordinating with DMEGA and providing various training and capacity building programs to the MEs.

Furthermore, the one-roomed building of the Cooperative is also used as a Common Facility Center (CFC) where MEs affiliated to the Cooperative bring their strawberries and the representative of MEDEP helps in marketing, branding and quality control. In this way, it relieves the MEs of many issues and provides them with instant cash once they get their strawberries ready. However, as the Cooperative lacks abundant savings and borrowings to provide loan to more willing MEs, the latter is compelled to take the assistance of business contractors who pay them before the production and take away all the strawberries once they are ready to be plucked and sell them to the market. This results in such MEs to get lower margin.

7. Management of Cooperative

The Cooperative boasts eleven executive committee members comprising of Chairman, Deputy Chairman, Secretary, Assistant Secretary, Treasurer and six members. Leadership rotation took place for the first time since its establishment and a new Chairman was selected after the General Assembly this year. Executive committee members are changed in every three years after the General Assembly.

Chairman plays the role of planning, directing, staffing and controlling the activities of the Cooperative. Currently, there is no manager assigned and a couple of youths are taking care of the activities of the Cooperative including the computer operations. Cooperative was solely managed, controlled and supervised by an executive member whose untimely death a couple of years ago signalled the start to turbulent times of the Cooperative. Commitment level of other committee members is indeed questionable.

Participative management is given topmost priority during sanctioning of loan as loan committee recommends the name and amount that is agreed upon by all the executive members of the committee. Then, the final decision is taken by the Chairman. According to the Chairman, turnout during the annual meeting is about 80% as all shareholders are requested to attend. Meeting of the working committee members takes place on the third of each month followed by the meeting of account committee and loan committee in every three months. Executive committee members are not included in the account committee but Treasurer heads the loan committee.

8. Transparency

In order to ensure transparency in financial transactions, they utilize manual ledger as well as accounting software in a computer and end up tallying the two. Cash receipt and saving and credit passbook are also utilized and well maintained so as to avoid any complications later.

9. Profitability and profit distribution

The Cooperative is found to be operating in a very minimal profit for the last two years. It had taken RSRF from Rastra Bank a couple of years ago. But, due to the untimely demise of the sole manager of the Cooperative, other members could not perform the repayment to NRB in time and were compelled to pay about 120 thousand rupees in fine. In the fiscal year 2067/68, it made a profit of Rs. 28,000 that has reduced by 50% to Rs. 14,000 in the fiscal year 2068/69. They have not yet distributed dividends to the shareholders.

10. Incentives

Currently everyone is working voluntarily. However, youths want to be associated with the Cooperative and are urging the executive committee to provide them with some monetary incentives to work.

SWOT Analysis

Strengths

- Located close to a big market like Kathmandu
- Former chairman is the now heading DMEGA, Nuwakot
- Tremendous backstopping by MEDEP during marketing, quality and branding

Weaknesses

- Not enough money to lend to MEs
- Poor management
- Over reliant upon a single person
- Lack of dedicated employees

Opportunities

- MEs who are reliant upon contractors for their immediate cash need could be motivated to join in as shareholders and loan could be provided to them
- Up-scaling of strawberry production by MEs could yield big profit
- A big market throughout Nepal could be tapped

Threats

- Three other Cooperatives established in close proximity
- A disease called "Dadhuwa" and infestation by an insect called "Khumre" lowering strawberry productivity by 40% per plant
- Contractors providing less margin but immediate money to needy MEs

Blacklisted Cooperative: A Special Case

Agrani Micro Entrepreneurs Saving & Credit Cooperative located in Gaidakot, Nawalparasi was established in the year 2009 A.D. It has 53 shareholders among which 30 are active MEs. Most of the MEs are squatters living along the banks of Narayani river. Among the active MEs, 50% are Janjati, 26% are Brahmin-Chheteri and 24% are Dalits. Entrepreneurs are involved in various enterprises ranging from pork farming, tea stall, rickshaw, retail store, meat shop, handicrafts, etc.

The executive committee of the cooperative faced severe challenges associated to account keeping. Only the chairman was SLC passed and despite numerous efforts of DMEGA

to provide them accounting training, they could not understand the fundamental principle of accounting. Young educated people of the locality were not interested to work there and they did not recruit any business graduates from the market. Hence, they failed to keep proper books of account and did not submit monthly report to the Divisional Cooperative Office, Parasi which led to the blacklisting of the cooperative.

SWOT analysis

Strengths

- Located just a bridge away from a big market Narayanghat enables better customers for MEs products
- One of the founders of the Cooperative Mr. Nanda Lal Neupane had already served as the Chairman of DMEGA and his experience and network could help revive the cooperative
- MEs have a very positive perception towards the Cooperative as evident from a survey on 30% randomly selected active MEs who stated their satisfaction with the Cooperative

Weaknesses

- Lack of educated executive committee members
- Difficulty in keeping accounts due to uneducated executive committee
- Nobody to prepare monthly report to be submitted to Divisional Cooperative Office
- Lack of youth participation in the Cooperative
- Lack of local hiring of business graduates
- No attention to succession planning
- No incentives for the youths willing to work

Opportunities

- Almost all the MEs interviewed willing to take more loan from the Cooperative to expand their business
- DMEGA willing to provide more training opportunities if the committee members are willing to hire new accountants to work
- Successful MEs could generate opportunities for cooperative's growth
- Numerous successful MEGs are present that could be encouraged to join by Mr. Nanda Lal Neupane who holds tremendous respect among the community

Threats

- Banks, finance companies and non MEDEP Cooperatives abundantly present
- Unwillingness of MEGs to deposit their savings in the Cooperative

The survival of the Cooperative hinges entirely on the executive committee members and their course of action in days to come. They might actually decide to forego the cooperative concept and convert the space into a CFC which would be a good learning lesson for MEDEP and its partner institutions.

Strategies for such cooperatives

- Members should be asked to motivate the youth to work in the cooperative by providing basic remuneration and incentives.
- Cooperative should only be established if the founders are really motivated to work as executive members.
- Local MEGs should be encouraged to join so as to increase participation and coordination.

MEDEP vs. non MEDEP Cooperatives

Three non MEDEP Cooperatives namely Sankalpa Swet Saving & Credit Cooperative, Jaisithok, Kavre; Rural Women Development Multipurpose Cooperative Society Ltd., Tinpile, Kavre and Gaidakot Saving & Credit Cooperative, Nawalparasi were visited. The fundamental differences between MEDEP & non MEDEP Cooperatives in terms of micro-enterprise development & poverty alleviation are listed below:

S.No.	MEDEP Promoted	Not MEDEP Promoted
1.	According to data provided by MEDEP, in around 196 cooperatives promoted by them, approx. 47% of shareholders are micro-entrepreneurs & 70% among them are active	Among 26,501 ¹ registered cooperatives, just 2-5% of their clients are active MEs
2.	A survey on 40 MEs from four different districts show that their monthly income has risen by Rs. 2500 in average after taking loan from the Cooperative	A survey on 15 MEs from two different districts show that their monthly income has risen by Rs. 1,500 after taking loan from the Cooperative
3.	Cooperative is formed and operated by the micro-entrepreneurs themselves with some support staffs from outside	Cooperative is formed by like minded business people and operated with the help of employees from outside
4.	Cooperative members are shareholders and borrowers themselves	Cooperative members are only shareholders
5.	Trainings and capacity building programs for MEs are provided by DMEGA and BDSPO as according to the need	No trainings and capacity building programs provided to MEs
6.	Target group is hard core poor and low income families followed by indigenous groups, poor Dalits, women and religious minorities	Target group is any person, institution or business house in need of loan
7.	Dedicated towards economic betterment of hard-core poor and low income families of selected target group	Dedicated towards profit and shareholder's wealth maximization
8.	Provides services of marketing, branding and quality control to MEs	Provides different loan schemes, online services, remittance service, etc. to customers. No additional services provided to MEs
9.	Default on loan is extremely negligible	More cases of default on loan visible
10.	No collateral required upto Rs. 50,000 loan	Some seek collateral while some refrain from it
11.	Interest rate varies from 12%-18%	Interest rate varies from 14%-18%
12.	Even well managed cooperatives are less profitable as compared to non MEDEP ones	More profitable than MEDEP promoted ones

Table ii: Comparison between MEDEP & non MEDEP cooperatives

Reasons for such difference

MEDEP affiliated cooperatives are established in order to help and support MEs who are predominantly low-income families and hardcore poor. Such cooperatives are established and operated by MEs themselves. Such MEs are not very well educated. However, upon the establishment of a cooperative, its members are provided trainings

¹ (National Cooperative Development Board, 2013)

and capacity building programs by MEDEP. The executive members may not boast any experience and hence, various trainings and guidance provided by MEDEP are essential for the smooth operation of the cooperative.

In case of non MEDEP ones, they are normally established by experienced and educated people and they have bigger portfolio to invest as compared to MEDEP promoted ones. They are generally found to be more profitable with sound management, transparency and better incentives schemes. However, they put very little attention towards the plight of hardcore poor and low income families and are mainly profit centric. Honesty and integrity on part of the MEs followed by localized cooperative have resulted in very little default on loan as compared to non MEDEP ones where rate of default is quite high.

2.4.1. Analysis of Findings

Data analysis and field visit show that in around 197 cooperatives promoted by MEDEP, 47% of shareholders are MEs and 70% of them are actively operating their enterprise. This shows that less than 50% of shareholders are actually MEs. This can be attributed to the fact that cooperatives that have been solely focusing upon having hardcore poor and low income families to be their shareholders have limited fund to provide for lending. Some cooperatives now are even found to accept deposits, issue share and provide lending to non target group of MEDEP such as middle income Brahmin family and many more. Though it may be against the norms of MEDEP, but it is actually fulfilling the liquidity need of the cooperative and hence, MEs would have access to more funds to lend. Hence, other economically sound people have also been encouraged to deposit their savings so that it can be invested as a loan to needy MEs.

MEDEP with its sister institutions such as DMEGA and BDSPO has been providing various trainings such as candle making, bee keeping, candy making, agarbattis, modern farming methods, etc. An employee assigned by MEDEP called Employment Development Facilitator (EDF) has been helping the local MEs with quality assurance, branding and marketing. Hence, once people from hard core poor and low income families belonging to minority and janjati groups that form the target market of MEDEP take any form of training and start their enterprise, they are found to be assisted by MEDEP in most of the areas of the business. In many cases, people after establishing their enterprises have grown in size and market and, ultimately transformed themselves into rich business-people.

The cooperatives operated by MEs are found to be in sound working condition if the executive committee members are dedicated and educated enough to run it. Even if they are not more than SLC passed, their prior experiences of working somewhere else is found to be crucial for long term sustainability of the cooperative. In some cases it was found that over dependence upon a single executive member who was educated to perform the everyday tasks of the cooperative led to a disastrous effect when the person all of a sudden died that ultimately left the cooperative in a lurch. Such cases of over reliance upon a single or a couple of persons were seen in most of the cooperatives.

A major problem in most of the cooperatives is the lack of awareness on part of the target group. As most people belonging to the target group are uneducated, it is a very burdensome and often disheartening effort to make them understand about share and the advantages of being a shareholder. Target group only takes it as a compulsion and many refrain from it owing to their reluctance on buying of shares that they feel worthless. They actually find it easy to obtain immediate lending from other lenders and contractors that eat up their profit margin but MEs seem to have no idea about it. In such cases, intervention by MEDEP is a must as it is regarded as a savior by many MEs who are very grateful in its efforts to bring them out of poverty.

In terms of poverty alleviation, MEDEP has been instrumental in helping the MEs. 52 respondents of the study have had their monthly income up by Rs. 2,650 in average.

50% respondents have had their monthly income up by Rs. 3,000, 30% by Rs. 2500 and 20% by Rs. 2000. This has enabled them to rise one step above in the socio-economic classification. It has also enabled them to send their children to school, eat good food, build a small village styled house and own assets such as TV and radio. 80% of the respondents described that their greatest achievement after being affiliated to MEDEP was their ability to send their children to school.

Cooperatives have been quite efficient in savings mobilization that has been set at 90% by NRB. MEs are very motivated to seek repeat lending and hence, mobilization rate is high. For some cooperatives that have accumulated high volume of savings and external borrowing, it is imperative for them not to deposit the money in banks for the greed of interest. MEs could be losing out on valuable lending money if the cooperatives decide to act so.

The executive committee members and part time employees working in the cooperative are found to be working voluntarily except the one in Pyuthan where accountant, loan manager and operations manager are paid basic salary and incentives. Such tendency of not providing remuneration will hurt the motivation of the employees and may prohibit the executive members from putting in an extra effort. Even during monthly meetings of various units, majority of cooperatives are not found to provide any remuneration.

Cooperatives that function well are provided with computer and accounting software by DMEGA to maintain electronic books of account. Necessary trainings are also provided to successfully operate and use the computer and software. It is highly imperative that employees or cooperative members with good education use the provided technologies. Furthermore, cooperatives are found to put less attention towards succession planning as the same person is found to lead the cooperative for decades. Grooming of likely candidates to lead the cooperative is found to be clearly lacking.

Some MEs were complaining about certain products (candles and cotton threads) that they made but were unable to sell in the market. It can be regarded as loss of time for MEs and loss of money for MEDEP as the latter provided all the materials for making the products. So, proper market study, competitive analysis and consumer buying behavior have not been taken seriously by MEDEP sometimes. Some cooperatives are found to be having crisis of funds. They have huge lending demand but due to lack of awareness and low number of shares offered to MEs, they are unable to bridge the gap for demand and supply.

Many MEs are found to be satisfied with their association to MEGs as it provides easy lending facility. Some MEGs are willing to transform into a cooperative whereas others are not willing. Some products of MEs such as handicrafts, designer candles, etc. can have a bigger market in urban cities. MEs making such products have own respective MEGs. So, such MEGs if are collaborated together to form a cooperative, then they can utilize the savings and external borrowings to upscale their businesses.

The interest rate as charged by cooperatives falls between 12%-18% range. Cooperatives that have not hired any external employees but have taken RSRF from NRB are found to provide loan at 12%. However, cooperatives that have large number of shareholders, full time employees and a collection room to collect products produced by MEs are found to charge upto 16%. The interest rate is also found to be dependent upon the wholesale loan providers and is set according to the rate charged by them.

3. CONCLUSION

Daayitwa: Nepal Public Service Fellowship was a good platform to conduct a ground level study on the MEs and Cooperatives promoted by MEDEP and, to provide policy recommendations to sort out some of the issues faced by such Cooperatives. MEDEP is found to be doing an exemplary job in helping the hard-core poor and low income families followed by poor Dalits, indigenous groups, religious minorities and women to economically sustain themselves by doing something on their own. MEDEP is found to identify and motivate hardcore poor people, provide them with necessary training and skills, provide resources and mentoring so that the hardcore poor of any ethnicity could rise beyond their poignant poverty.

MEDEP promoted Cooperatives are playing an instrumental role in poverty alleviation and micro-enterprise development. Cooperatives that are led by experienced people with youth participation are particularly performing well as compared to others. The structural framework of MEDEP to empower MEs has indeed helped the latter climb up the economic hierarchical ladder. Cooperatives that are performing well are provided with a computer that enables them to use a software to keep books of account.

The biggest challenge lies in identifying better products that can be produced by the MEs that finds due acceptance in the market. Some Cooperatives perform bulk buying of the products produced by the MEs and hence relieve them from marketing, branding, packaging and quality related issues. Such Cooperatives have been able to attract large number of shareholders, majority belonging to the target group of MEDEP.

Cooperatives that have not been able to live up to the mark have been facing lack of fund and deposits, poor management and succession plan, lack of youth participation, lack of awareness among hardcore poor, shortage of charismatic leaders and reluctance of MEGs to deposit their savings in a cooperative. However, with timely interventions of MEDEP, such problems are bound to be solved as MEs as well as executive committee members of all cooperatives that were visited regard MEDEP's effort for micro-enterprise development and poverty alleviation as outstanding.

4. POLICY RECOMMENDATIONS

I would like to provide the following recommendations:

- i. Cooperatives have to be asked by MEDEP to provide remuneration and incentive to youth for working.
- ii. Non-MEDEP MEs have to be motivated to join as shareholders. So, MEs or executive committee members who motivate others to join could be given due recognition by MEDEP/MOI.
- iii. MEDEP must continuously push the chairman and other executive committee members to work on succession planning so as to avoid ripple effect later.
- iv. MEDEP must conduct proper market study of a product before imparting training and providing resources to MEs for producing it.
- v. Identification and up-scaling of businesses that have tremendous potential to capture a wide market. MEDEP could link potential investors to such MEs so that high volume low cost production could be enabled.
- vi. A rule must be enforced that at least one fourth of the cooperative's executive members must be Intermediate or SLC passed with accounting knowledge accumulated throughout the secondary school.
- vii. MEGs that are operating well have to be encouraged to be transformed into a cooperative. It is evident from the study that heterogeneous MEGs have also been successfully transformed into a cooperative.
- viii. Muslim minorities lingering as hardcore poor in Baddanda-2, Pyuthan have to be intervened by MEDEP to form MEGs as they rarely come forward with their problems.
- ix. For cooperatives facing crisis of fund, raise the no. of shares that could be bought by a shareholder. Also, bring in people from non-MEDEP target group as shareholders which would provide needy MEs with much needed loan.
- x. Leverage business school students eg. KUSOM to conduct market study, provide account keeping training, facilitate in marketing, branding, quality control, etc. Students would be asked to reach out to the MEs and cooperatives and assist them with aforementioned endeavors.

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ANNEX 1: CHEKLIST

S.No.	Activity	Status
1.	Literature review	
2.	Questionnaire preparation and draft proposal submission	
3.	Field visit to Charikot	
4.	Interaction with cooperative members	
5.	Interaction and Focus Group Discussion (FGD) with micro-entrepreneurs (8-10)	
6.	Data collection from questionnaire	
7.	Observation of the cooperative and entrepreneurs	
8.	Interaction with representatives of MEGA, DMEGA, BDSPO and APSO	
9.	Field visit to Gaindakot, Nawalparasi	
10.	Interaction with cooperative members	
11.	Interaction and FGD with micro-entrepreneurs (8-10)	
12.	Data collection from questionnaire	
13.	Observation of the cooperative and entrepreneurs	
14.	Interaction with representatives of MEGA, DMEGA, BDSPO and APSO	
15.	Field visit to Kunta Besi, Kavre	
16.	Interaction with cooperative members	
17.	Interaction with and FGD with micro-entrepreneurs (8-10)	
18.	Data collection from questionnaire	
19.	Observation of the cooperative and entrepreneurs	
20.	Interaction with representatives of MEGA, DMEGA, BDSPO and APSO	
21.	Field visit to Nuwakot & Pyuthan, and same steps would be followed	
22.	Data analysis and interpretation	
23.	Final report and presentation preparation	
24.	Final presentation and report submission	

ANNEX 1: QUESTIONNAIRES

QUESTIONNAIRE 1

(For micro-entrepreneurs who have taken loan from the cooperative)

1. Name and type of the cooperative
2. Name of entrepreneur
3. Gender
4. Age
5. Address
6. Ethnicity
Dalit Janjati Brahmin Chheteri Madhesi Others
7. Educational level
8. Skill
9. Trainings
10. Marital status
11. Family members
12. When did you take loan from this cooperative to start your micro-enterprise?
.....
13. How much loan did you take and what business did you start?
.....
14. Sources of capital beside the cooperative
Own savings Close relative Family
INGOs Local lenders Bank
Community Others
15. Ownership
Entrepreneur's own Family owned Rented Partnership
Cooperative's
16. How many employees are working for you?
Family members Outside people
17. What/Who inspired you to start the business?
Father Mother Relative Education/Training
Friend Tradition Own choice Others
18. After you took the loan from the cooperative and started your micro-enterprise,
did your economic condition get better?
Yes No
19. How much do you earn in average from your enterprise per month?
Below 1000 1001-3000 3001-5000 5001-7000
7001-10000 10001 and above
20. What used to be your monthly earning before you started the enterprise?
Below 2000 2001-4000 4001-6000 6001-8000
8001-10000 10001-12000 Above 12000
21. How did you obtain necessary skills to run your enterprise?
Training Education Work experience Taught by person
22. What is the main reason behind your willingness to start an enterprise?
Earn money To be independent For a secured job
Social prestige Others
23. What according to you was the economic status of your family before you
started your enterprise?
Very rich Rich Upper middle Middle Lower middle
Poor Hard core poor
24. What according to you is the economic status of your family two years after you
started your enterprise?
Very rich Rich Upper middle Middle Lower middle
Poor Hard core poor
25. How does the majority of your transactions take place?
In cash In credit

26. If your answer is in credit, then how much money still remains to be recovered?

27. How do you evaluate your overall economic well being after establishing your enterprise?
 Excellent Very Good Good Average Below average Poor
28. What facilities are provided to you by the cooperative for your enterprise development?
 Training on business development Training on marketing
 Leadership and communication training Technology to ease deposits
 Linkage with distributors and wholesalers Training to keep books of ac
 Appropriate technologies Others
29. What interest rate are you currently paying?

30. How often do you perform loan repayment?
 Daily Fortnightly Monthly Quarterly Half yearly Yearly
31. What challenges are you facing for the marketing and production of your products?

32. What future plans do you have for your enterprise?

33. Are you a member of Micro-Entrepreneurs Group (MEG)?
 Yes No
34. If Yes, how has this association enabled you to develop and promote your business?

35. How do MEGA, DMEGA, BDSPO and APSO help you in your business?

36. How do you evaluate the overall effort of MEDEP in micro-enterprise development?
 Excellent Very good Good Average Below average Poor

Name of the interviewer:

Date:

Signature:

QUESTIONNAIRE 2

(For the board members of cooperative)

1. Name of the respondent
2. Name and type of the cooperative
3. Age
4. Gender
Male Female
5. Designation
6. How were MEGs formed?
.....
.....
.....
.....
7. How many micro-entrepreneurs is your cooperative supporting?
.....
8. What gender and ethnic groups do the majority of micro-entrepreneurs belong to?
.....
9. Is the no. of micro-entrepreneurs:
Rapidly increasing Steadily increasing Very slowly increasing
Not increasing at all
10. How many members are there in your cooperative?
.....
11. Out of the members, how many are active entrepreneurs?
.....
12. What gender and ethnic groups do the majority of members belong to?
.....
13. Sources of fund
Share capital (Rs.) Savings balance (Rs.) External borrowing (Rs.)
.....
14. Uses of fund
Cash balance (Rs.) Bank balance (Rs.) Outstanding loan (Rs.)
.....
15. What %age of your acquired fund is invested (only asked if above information is not given)?
.....
16. What is the rate of default on loan that has been experienced by the cooperative?
.....
17. Does your cooperative utilize any form of technology for account keeping?
Yes No
18. How do you manage the savings account of members?
.....
.....
.....
.....
19. What are the different business portfolios that you have invested upon?
.....
.....
.....
20. What advantages are you getting from DMEGA, BDSPO and APSO for micro-enterprise development and poverty alleviation?
.....
.....
.....
.....

21. How do you ensure transparency in your financial transactions?

22. Do you provide any form of trainings and capacity building programs to the micro entrepreneurs?

23. How often do you provide such programs?
 Every month Quarterly Half yearly Yearly Others
24. Do you help micro-entrepreneurs to:
 Identify possible market: Yes No
 Identify distributors and wholesalers: Yes No
 Perform branding of the products: Yes No
 Perform quality check of the products: Yes No
25. Do you intend to qualify for RSRF?

26. How often does leadership rotation take place in your cooperative?

27. What is the average turnout of members during meetings?

28. What further help do you expect from MEDEP?

Name of interviewer

Date

Signature

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