

Role of Farmers' Cooperatives in Income Generation: A Study of Chitwan District

CHANDRA PRASAD DHAKAL

*Author affiliations can be found in the back matter of this article

CORRESPONDING AUTHOR

Chandra Prasad Dhakal

Tribhuvan University, Nepal

cpdhakal@gmail.com

KEYWORDS	ABSTRACT
Chitwan	The farmer cooperatives are the kinds of cooperative that only farmers are involved to run the cooperative and the purpose of the cooperatives is to work for the wellbeing for farmers. The study focuses on role of farmers' cooperative in income generation. Main objectives of the study analyzed the situation of farmers' cooperatives of Chitwan and their activities related to income generation of the members. The study followed descriptive method and data were analyzed both qualitative and quantitative research design. Conclusion of this study was based on primary data. In Chitwan only 15% cooperatives were related to farmers' cooperatives and these cooperatives have no enough capital and investment, however, the attempt of cooperative in income generating was excellence. Income generating activities of the cooperatives created new hope among the members. Profit of the cooperatives showed that those cooperatives were in a right track and in future the cooperatives can be played more effective role in income generation.
Cooperatives	
Economics	
Farmers	
Income	

1. INTRODUCTION

The study analyzes how farmers' cooperatives play role to enhance the income status of the people living in Chitwan district. In the context of economic development in developing nation like Nepal cooperatives have taken as a main toll of income generation. Cooperation holds immense significance within the Nepalese society, acting as a precious instrument in addressing the challenges of poverty, limited income, and unemployment. This movement emphasizes the notion that "Countless minds possess countless ideas to tackle a singular issue, and every individual can impart knowledge to another. The International Co-operative Alliance (ICA)

provides a definition of a cooperative as an independent organization formed by individuals who willingly come together to fulfill their shared economic, social, and cultural requirements and ambitions through a collectively owned and democratically managed enterprise (ICA, 2011).

The United State Department of Agriculture has outlined a cooperative as a company that is owned and managed by its members, providing benefits according to usage. According to the International Labor Organizations (1990), cooperatives are viewed as autonomous associations of people who join together willingly to fulfill their shared socio-economic and cultural requirements and goals through a

democratically run and mutually governed business. According to the ILO, cooperatives play a crucial role in enhancing living conditions globally, offering developmental phenomena, especially in underserved areas not reached by government or investor-managed businesses. Cooperatives have been instrumental in creating and sustaining employment opportunities for many individuals. It is estimated that cooperatives currently provide a minimum of 279 million jobs, contributing to the advancement of decent work and sustainable development (ILO, 1990).

The idea of a cooperative involves a collective of people, frequently with restricted resources, who have joined forces willingly to reach a shared economic objective through the creation of a democratically managed business entity. Each member makes fair contributions to the necessary capital and shares both the risks and rewards of the endeavor. Macpherson (1995) elaborated on the definition, values, and principles of cooperatives in his work "Cooperative principles for the 21st century." The book examines the development of cooperatives throughout history, investigating various descriptive approaches used in different time periods such as the 19th century, the 20th century, and the 21st century within the worldwide cooperative movement (MacPherson, 1995). Self-help, mutual assistance, and cooperation from the fundamental are the pillars of a cooperative. A cooperative serve as a platform for individuals to collaborate and work collectively towards a shared objective or advantage. By actively engaging in the production and distribution of goods and services, managed by its members, a cooperative showcases its commitment to fostering cooperation among its participants for their mutual benefit. The ICA established a committee in 1937 to develop a revised set of principles for the initial "Rochdale Principles" of cooperation. These principles were meticulously developed to cater to the requirements and viewpoints of consumer co-operatives. They encompass: 1. Open and voluntary

membership 2. Democratically controlled management 3. Limited interest on capital 4. Distribution of surplus to members based on their transactions 5. Political and religious neutrality 6. Cash trading 7. Promotion of education 8. Mutuality.

1.1 HISTORY OF CO-OPERATIVES IN NATIONAL AND INTERNATIONAL CONTEXT

The examination of the development of National and International Cooperative reveals that Willam King and Robert Woven were the first proponents of cooperative society in England. The formation of the 'Rochdale Friendly Co-operative Society' took place in 1830 in England. From 1830 to 1844, a total of 60 workers from the garments industry actively participated in the progress of the Cooperative (Zeuli, Cropp, & Schaars, 2002). This cooperative holds the distinction of being the oldest in the world. In the context of Nepal, the cooperative evolution began with the establishment of the Cooperative Department under the Planning Development and Agriculture Ministry in 1953 (2010 B.S.) (Badal et al., 2004). In 1960, the government enacted the initial Co-operative Act, which was later followed by the Agricultural Co-operative Act (Sajha Sahakari). The year 1963 witnessed the conversion of savings and credit cooperative societies' capital into a Cooperative Bank. Subsequently, in 1968, it underwent another conversion and became the Agricultural Development Bank of Nepal (ADBN). After a span of 5 years, the ADBN relinquished its management to the government, leading to the amendment of the Cooperative Act in 1975. Now there are 34,000 cooperatives are registered and around 25,000 cooperatives have been working in Nepal (Cooperatives Statistics 2022). Only 20% cooperatives involve in agriculture sectors and other cooperatives are related to other sectors like saving, business, heath, tourism, education and other sectors. The study only concentrates on how farmers cooperatives

1.2 LITERATURE REVIEWS

Researchers from home and abroad have researched on multiple aspects of Cooperatives. (Kontogeorgos et al. 2014). Data were gathered through a field survey involving 235 agricultural cooperative members in Thessaly and Western Macedonia regions. The analysis was conducted using logistic regression to interpret the findings. The outcomes indicate that factors, such as education, living in urban areas, involvement in the cooperative's administrative processes, and the farmers' views on potential future strategies and past managerial shortcomings can have a positive impact on members' willingness to invest in the cooperative. Njagi (2014) carried out a research study on the factors that determine the efficiency of cooperatives in Mbeere North Sub-County. The study utilized systematic random sampling to collect data from operational cooperatives in the area. A sample of 400 members was selected for the study. Data collection involved the use of a semi-structured questionnaire and an unstructured interview schedule. Descriptive statistics were used to analyze the data. Ogunleye et al. (2015) investigated the socio-economic factors that affect farmers' participation in cooperative societies in Surulere local government area of Oyo state. Similarly, Bagchi (2016) conducted a study on the economic activities of cooperatives in the Morang district of Nepal, with a focus on farmers' involvement. Thaba (2016) analyzed the factors that affect the proper functioning of smallholder agricultural cooperatives in Lepelle Nkumpi municipality. Mubirigi (2016) examined the performance of agriculture cooperatives in Gatsibo District, Rwanda. The researcher used correlation and regression techniques, along with the statistical software STATA, to analyze and interpret the data. Hong (2017) conducted a study to explore the various factors that influence the sustainable development of agriculture cooperatives in the Mekong River Delta. The study collected primary data from 80 agriculture cooperatives located in three provinces:

Travin, Bentre, and Soctrang. A multivariable regression model was employed to analyze and interpret the collected data.

Linh et al. (2017) investigated the factors influencing the Technical Efficiency in Agricultural Cooperatives. They collected primary data from 45 agricultural cooperatives situated in Dong Thap province, Vietnam, using a three-stage DEA model. The results revealed a marginal enhancement in efficiency scores for cooperatives in the third stage compared to the initial stage. Gashaw and Kibret (2018) identified the determinants that influence individuals' decisions to become members of agricultural cooperatives in Oromia and Southern Nations, Nationalities, and Peoples' Region.

In the context of Nepal, Neupane (2006) conducted a research on the role of cooperatives in income generation. Acharaya (2009) assessed the participation of members in rural agricultural cooperative societies. Malla (2014) examined the role of cooperatives in enhancing agriculture. Poudel and Pokharel (2017) studied the contribution of SFCL (small farmers cooperative limited) in empowering Nepalese women socio-culturally and politically. Similarly, Puri and Walsh (2018) investigated the governance practices of cooperatives and discovered that they are not aligned with the principles of cooperatives. The literature review revealed that numerous studies have been conducted on an international scale, however, there is a scarcity of research available specifically pertaining to Nepal. The research conducted in Nepal primarily focuses on topics such as poverty alleviation, member participation, the impact of farming methods and the socio-economic status of farmers, as well as the liquidity and investment risks associated with Nepalese cooperative societies. Additionally, the contribution of small farmers' cooperatives to the socio-cultural aspects is also explored.

2. RESEARCH METHODOLOGY AND STUDY AREA

The study followed the descriptive method. Data were collected both primary and secondary source of data. Primary data were collected through survey research. Survey research conducted in Chitwan district. Total Cooperatives of Chitwan districts were the universe of this study and from the universe only farmers' cooperatives were selected as a sample. There were 654 cooperatives were registered till 2022. Among them 25 cooperatives were selected as sample population. Questions were asked to the 25

Table: 1: List of cooperatives

S.N.	Local Bodies	No. farmers of cooperatives	Farmer cooperatives	Sample (cooperatives)
1.	Bharatpur Metropolitan	353	40	7
2.	Kalika Municipality	23	5	1
3.	Ratnagar Municipality	67	10	4
4.	Khairani Municipality	91	15	5
5.	Rapti Municipality	47	15	3
6.	Madi Municipality	42	10	4
7.	Ichhakamana rural Municipality	31	5	1
	Total	654	100	25

Source: Cooperative Department, 2022

Table mentioned above shows the list of cooperatives established in Chitwan. There were 100 farmers' cooperatives are in Chitwan. These cooperatives were located in different local bodies of the Chitwan.

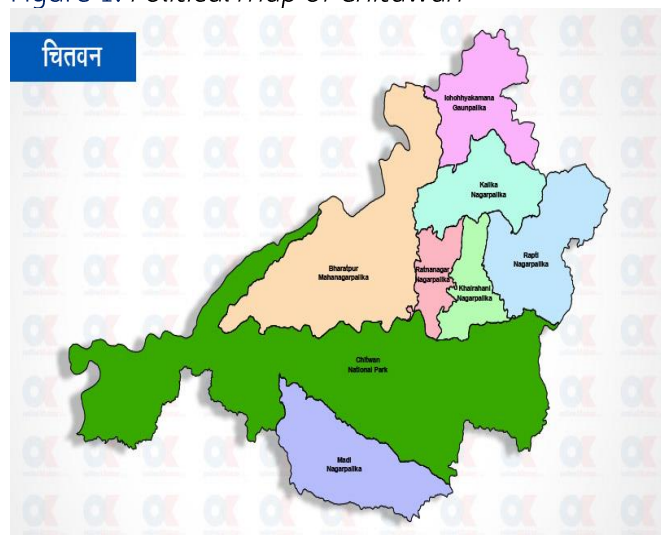
individual who were involved in the management of the selected cooperatives as managers.

2.1 STUDY AREA

Chitwan district is the study area of this study from where cooperative movement has begun in Nepal. It is located in Bagamti province. According to the report of cooperatives department 2022 there are 654 cooperatives are registered. The following table shows the list of cooperatives located in different local bodies of the Chitwan

Modern cooperatives movement was established in Nepal from Chitwan with the establishment of Bakhan Cooperative. The cooperative is the first cooperative of Nepal related to farmers' cooperatives.

Figure 1: Political map of Chitawan



Source: https://en.wikipedia.org/wiki/Maula_Kalika < Adopted, 2081

2.2 ABOUT RESPONDENTS

In this study 20 respondents were participated and expressed their opinion how farmers' cooperative is working to

enhance the income of the people. Socio economic status of the respondents mentions in the following table:

Table 2: About Respondents

S.N.	Sex	No.	%	Education	No.	%	Age	No.	%	Ethnicity	No.	%	Religion	No.	%
1	Male	13	52	Up to Bachelor	10	40	20-30	6	24	Bramin	6	24	Hindu	15	60
2	Female	12	48	Master	6	24	30-40	15	60	Chetri	8	32	Buddhist	5	20
3	Total	25	100	Above Master	4	16	40-50	3	12	Ethnic	10	40	Christian and other	5	20
-	-	-	-	Total	25	100	Above 50	1	4	Dalit	1	4			

Source: Field Survey, 2024

The table above illustrates the socio-cultural status of the respondents. The data reveals that 52% were males and 48% were females. Upon examining the age distribution of the respondents, it was discovered that 24% fall within the 20-30 years age group, 50% were in the 30-40 years age group, 12% were in the 40-50 years age group, and only 4% were in the above 50 years age group. Furthermore, 24 respondents were Bramin, 32% were Chhetri, 40% belonged to ethnic communities, and only 4% were Dalit. Likewise, 60% of the respondents were Hindu, 20% are Buddhist, and the remaining

20% were either Christian or part of another religious group.

3. DISCUSSION AND ANALYSIS

All cooperatives participated in agricultural production endeavors. Out of the 25 cooperatives, 1 was dedicated to cultivating seasonal vegetables, another one focused on mushroom production, and a third one specialized in the production of dry vegetable. This information is visually represented in the accompanying bar graph. Additionally, the data revealed that out of the total 25 cooperatives, 9 of them were engaged in animal husbandry as well.

Table 3: Distribution of cooperative by agriculture production

S.N.	Productions	No	Percentage
1.	Seasonal vegetable	15	60
2.	Animal husbandry	8	32
3.	Dry vegetable	2	8
	Total	25	100

Source: Field Survey, 2024

Table 2 noted the distribution of cooperatives by production. Data show that 60% cooperatives were related to seasonal vegetable and 32% cooperatives were related to animal husbandry. Only 8% cooperatives were involved in preparing dry vegetable like making dry *Gundruk*, *Sinki*, candy, etc.

3.1 LAND USED BY COOPERATIVES FOR AGRICULTURE

All 25 cooperatives participated in agricultural production. To carry out agricultural production, the cooperatives have leased land. The land area utilized by the cooperatives for agricultural production is illustrated in the diagram below.

Table 4: Land Used by Cooperatives for Agriculture

S.N.	Land size	No	Percentage
1.	up to 10 Katha	3	12
2.	10 to 20 Kathata	12	48
3.	More than 20 katha	10	40
	Total	25	100

Source: *Field Survey, 2024*

Table 3 shows the land that cooperatives used for agriculture purpose. 40% cooperatives used more than 40 Katha lands for agriculture purpose and 48% use d10 to 20 Katha lands for agriculture

purpose. Only 12% cooperatives used dup to 10 Katha land for agriculture purpose.

3.1 COST ON FERTILIZER

Cooperatives used fertilizer by purchasing from the market that determined the income of the farmers. The following table shows the situation as;

Table 5: Cost on Fertilizer

S.N.	Cost (000) thousands	No	Percentage
1.	up to 20	3	12
2.	20 to 50	12	48
3.	More than 50	10	40
	Total	25	100

Source: *Field Survey, 2024*

The table above illustrates that out of 25 cooperatives, 3 spent less than 20 thousand on fertilizer, 12 spent 20 to 50 thousand, 10 spent more than 50 thousand. The amount spent on fertilizer was correlated with the size of the land.

3.2 PROFIT SIZE

All financial institutions aim to generate profits in each fiscal year in order to distribute dividends to their shareholders. These profits are essential for the continued growth and success of these institutions.

Cooperatives, especially, are unable to function effectively without generating a profit. Profit is the monetary benefit obtained when the income derived from commercial operations exceeds the costs, expenditures, and taxes incurred. It serves as a significant indicator of a firm's current standing. Higher profits indicate a strong position for firms, whereas losses or lower profits indicate a weak position. Dividends are also distributed to shareholders from the profits earned by an organization.

Table 6: Profit Size

S.N.	Profit in lakha	No	Percentage
1.	up to 20	3	12
2.	20 to 50 Lakha	12	48
3.	More than 50 Lakha	10	40
	Total	25	100

Source: *Field Survey, 2024*

Table 6 shows the profit size of the cooperative. Data indicated that 12% cooperatives had up to 20 Lakhs profit size and 48% earned 20 to 50 Lakhs. Like that 40% cooperatives had more than 50 Lakhs profit size.

3.3 DISTRIBUTION OF COOPERATIVE BY REVENUE

Revenue refers to the income acquired by firms or organizations. Agriculture cooperatives seek to generate revenue through various means such as

loan amounts, sales of agricultural products, fines and fees related to loans, loan service charges, sales of chemical fertilizers.

Table 7: Distribution of Cooperative by Revenue

S.N.	lakh	No	Percentage
1.	up to 10	3	12
2.	10 to 20 Lakh	12	48
3.	More than 20 Lakha	10	40
Total		25	100

Source: Field Survey, 2024

Table: 7 shows the revenue size of the cooperative. Data indicate that 12% cooperatives had up to 10 Lakhs revenue size and 48% cooperatives have 10 to 20 Lakhs revenue size. Like that 40% cooperatives had more than 20 Lakhs revenue size.

4. CONCLUSION

Income level of agriculture cooperatives is positively influenced cost using in production. Additionally, expenditure on human capital and investment in capital assets also has a positive impact on the income level of farmers' cooperatives. The study reveals a significant disparity between farmer's cooperatives operating with larger land area compared to those with lower capital, fewer members, and smaller land area. These cooperatives are able to operate in a more significant manner by calculating the situation of cost benefit analysis. Cooperatives invest the accumulated funds to enhance the overall living standard of members through uplifting the life style. In doing so, they play a pivotal role in alleviating poverty among the middle-class population residing in rural areas, while contributing to the process of capital formation cooperatives bear the responsibility of providing both financial and technical assistance to underprivileged individuals, enabling them to generate income and attain socio-economic empowerment. Expanding the land area will lead to an increase in the income of these cooperatives. Instead of that effective management and honest attempt is the main tools for the succession of cooperative in study, however, such practice has not

been practiced by the members and management team so people have raising the question to the cooperatives. In the context of study area farmers cooperatives are playing positive role to increase the income of the members and members also satisfied with the cooperative but they are more conscious then the past because cooperative have facing the problems in Nepal due to the failure of some big cooperatives.

AUTHOR AFFILIATIONS

Chandra Prasad Dhakal, PhD

Assistant Professor of Economics
Tribhuvan University, Nepal

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