

# Chapter –1

## Introduction

### 1.1 Back ground

Federal Democratic Republic of Nepal, is a landlocked country in South Asia and the world's youngest republic. It is bordered to the north by the People's Republic of China, and to the south, east, and west by the Republic of India. With an area of 147,181 square kilometres (56,827 sq mi) and a population of approximately 30 million, Nepal is the world's 93rd largest country by land mass and the 41st most populous country. Katmandu is the nation's capital and the country's largest metropolitan city.



Nepal is a country of highly diverse and rich geography, culture, and religions. The mountainous north contains eight of the world's ten highest mountains, including the highest, Mount Everest. The fertile and humid south is heavily urbanized. By some measures, Hinduism is practiced by a greater majority of people in Nepal than in any other nation. Buddhism, though a minority faith in the country, is linked historically with Nepal as the birthplace of Siddhartha Gautam who as the Buddha Gautama gave birth to the Buddhist tradition.

A monarchy throughout most of its history, Nepal was ruled by the Shah dynasty of kings from 1768, when Prithvi Narayan Shah unified its many small kingdoms. However, a decade-long People's Revolution by the Communist Party of Nepal along with several weeks of mass protests by all major political parties of Nepal in 2006, culminated in a peace accord and the ensuing elections for the constituent assembly voted overwhelmingly in favor of the abdication of the last Nepali monarch Gyanendra Shah and the establishment of a federal democratic republic in May 28, 2008. The first President of Nepal, Ram Baran Yadav, was sworn in on 23 July, 2008.

### 1.2 Introduction of research area

Sankhu lies about 17 km east north of the capital city of Nepal. historically, it is known as one of the small kingdoms and it was ruled by King Manichud. Sankhu is identified by other names such as Stanchud nagar, Shankharapur, Lawoney Desh (according to Magha Mahatammey of Shwasthani katha, the town is known as Lawoney Desh, where King Navaraj had ruled over.)

It is the oldest typical Newari town of the Kathmandu Valley. The town was settled in 1801 B.S. (around 700 years earlier than the Roman Empire.). Sankhu is known as "Sakwo" which means next to Tibet. In ancient times this was the main way to do all the economic and trade transactions from Kathmandu and other districts. According to the Bansabali, Sankhu was made in the shape of a holy right Conch-shell under the direction of Jog Dev Bajracharya (a priest, who received permission to do so from Goddess)

Bajrayogini) However sankhu is very rich and important on the view of historical and cultural aspect, but the point of view of economic it is not so satisfactory. Most of the people are doing agriculture using traditional method but now a days it is going to change some new technology. Some people are doing their own business, some of the people are getting jobs on government and private sector.

### **1.3 Statement of the problems**

After the restoration of multi party democracy in the country, cooperative organizations in the financial sectors has been growing rapidly in each every par to the country. Which play greater role I the improving economic condition of the people especially among the poor people.

Though there are different types of cooperative organizations, majority of cooperative organizations of Nepal are functioning in the sector of saving and credit. Cooperative sectors collect small savings and invest same money for productive and economic activity within the savers. In the same time, the problems of bad debts arise after the loan taker didn't pay pack the loan amount at the time. There could be various reasons i.e customers own problem, loss in business and use of the amount on non productivity sectors. The cooperative organizations also have the bad debts amount. Which have been not collecting that amount. And the organization become goes to loss.

In this matter, bad debts show the performance of cooperative organizations. If the bad debts amount have been found more in the organization it's symbolize that risk of liquidation. If bad debts are sell it indicates well operation performance of the cooperative organization there for bad debts must be minimized for the good performance and benefit for the cooperative members.

In the Sankhu many of the cooperatives are facing the bad debts problems as other areas. The loan takers are using loan amount against loan objectives. The bad debts problems is most common in the banking and financial sectors which is exists in cooperative sectors also.

### **1.4 Significance of the study.**

There are many possibilities to increases in the investment in cooperative organization the organization can control of their bad debts by investing good and safe sectors as well as productive area. Cooperative organizations are important, economical development and uplift the deprived people.

Especially for the economically scrawny people who don't have own property and capital, cooperative organizations are financial tools for improving their economy. Have no some people have their own property although they could not use that. But in Sankhu not any study had been done in cooperative organization so it is essential to carry out a study on loan investment of the cooperative organization and its status of bad debts. This study will provide different measures to control and handling the bad debts for cooperative organization in future.

### **1.5 Purpose of the Study**

- Analyze loan flow against their saving collection

- To know the situation of loan investment with bad debts.
- To Analyze the bad debt and its management strategy.

## **1.6 What is cooperative**

Cooperatives can take many forms. For example, a group of single parents may decide to band together to provide a child-care facility so they will have reliable day care for their children. Each parent contributes a certain amount of money and/or time, and in exchange they all have a safe place to leave their children. A credit union is also a type of cooperative. The purpose of a credit union is not to make a profit for itself, but to help each member be more financially secure. By creating their own financial institution, members can receive a higher interest rate on the money they have placed in savings and receive a lower interest rate on loans. Retailers have also started establishing co-ops. Ace Hardware, for example, is a co-op of independent hardware store owners. By banding together, the hardware owners can share advertising costs and receive discounts for bulk ordering of materials and supplies. Sharing costs and discounts allows small hardware stores to compete with large chain hardware stores.

While cooperatives can be found in many different areas of the economy, they are most commonly found in the agricultural area. A group of farmers may band together to allow themselves to be more competitive and to achieve more economic power. Agricultural cooperatives allow members to save money on materials needed to produce and market their product, which means a larger profit margin for all members.

## **1.7 Cooperatives in Nepal**

The financial service need of the members of the cooperatives have changed quite a lot during the last decade. New areas for economic activities have emerged both in rural and urban areas in addition to the traditional economic activities such as off-season vegetable farming, processing, non-traditional enterprises and so on. Nepal was a bit isolated with the rest of the world during that time. So, the cooperative movement started only after Nepal started opening up. In 1956, thirteen credit cooperatives were established in the Rapti Valley of Chitwan district under an Executive Order of the Government. To regulate these cooperative societies, the first Cooperative Act was promulgated in 1959. Up to 1990s, since the societies and district unions were in limited numbers, the Department of Cooperatives was able, to a significant extent, to monitor these societies. With the huge growth in cooperative societies/unions/federations without the growth in the capacity of the Department, the greatest challenge the government sector faced was of monitoring the movement. There is no separate Credit Union act in Nepal. The current cooperative act does not even have a separate chapter for credit unions. In addition from last two years the registration of savings and credit cooperatives has been suspended by the Department of Cooperatives. Lack of clear vision of promoters of savings and credit programs, in Nepal almost all government and non-government organizations have included savings as a component of their various development programs such as literacy group, health group, forest user's group, mother's group, irrigation user's group, agriculture production group and so on and so forth. After the preliminary objective of the group formation is completed the savings and later credit component continues and as the groups grow, the

technical assistance need for these groups increases, which in most cases are not provided by the promoters.

people in Nepalese communities work with the feeling of cooperating each other since long back. They co-operate each other several social activities such as at feast, festivals marriages and funeral. The tradition of Guthi especially prevailing in the Newar community as an example of cooperative.

To fulfill this vacuum cooperative was put in effect in 2016 BS and co operative regulations in 2018 BS. Co operative center was established in 2019 to cater the need of developing co operatives and to provide training.

Co operative bank was established in 2020 BS in 2025 this bank was converted into as the Agriculture sector and cooperative sector. In 2033 BS , Multiple cooperatives were established in the VDC of 30 districts new cooperative act 2041 and cooperative regulations 2043 came into effect. These effects were fruitless in managing and developing cooperatives.

With the advent of multiparty system in 2046 BS Nepal entered into the economic liberalization policy. Then the government developed cooperative act 2048 and cooperative regulations 2049 came into effect to promote cooperatives in Nepal to provide facilities to poor people. Due to this new policy of the cooperative, each and every part of the country from grass root level to national level cooperative organization were formed and working in financial sector. There are numerous no. of cooperatives in Nepal.

Sankhu is close composition of three different VDCs (Pukhulachhi, Suntole, Bajrayogini) there are 20 co-operative organizations working with under registration of the government system these cooperative organization are working with close supervision and monitoring of Department of Cooperative and District cooperative office. Annually they are organizing general meeting and issuing their balance sheet for their shareholders as legal provision. As the norms, they are doing financial transaction within their members, collecting saving and granting loan for the economical benefit of the members.

## 1.8 Co-operative organizations in Sankhu.

Table NO. 1 .1

SN	Name of Co-operatives
1.	Shankha Saving & Credit Co-Operative Ltd
2.	Oriental Co-Operative Ltd
3.	Divayajyoti Saving & Co-Operative Ltd
4.	Meridian Saving & Co-Operative Ltd
5.	Shankharapur Saving & Credit Co-Operative Ltd
6.	Sakwo Saving & Credit Co-operative Ltd
7.	Bajrashali Multi Purpose Co-Operative Ltd
8.	Rural Micro Co-Operative Ltd
9.	Baras Saving & Co-Operative Ltd
10.	Kaya Mandala Saving & Credit Co-operative Ltd
11.	Janma Saving & Co-operative Ltd
12.	Khadga Yogin Saving & Co-operative Ltd
13.	Ek Jati Multi purpose Co-operative Ltd
14.	Swosthani Saving & Co-operative Ltd
15.	Jyotir Lingeswor Saving & Co-operative Ltd
16.	Tara Tirtha Multipurpose Co-operative Ltd
17.	Tare Maam Saving & Co-operative Ltd
18.	Medico Saving & Co-operative Ltd
19.	Wave Saving & Co-operative Ltd
20.	Palubari Saving & Co-operative Ltd
21.	Sakwo Saving & Co-Operative Ltd
22.	Ankhi Jhyal Saving & Co-Operative Ltd
23.	Friends of Pabika Multipurpose Cooperative Ltd
24.	Pragya Paramita Saving & Cooperative Ltd
25.	Jaljala Saving & Co-Operative Ltd
26.	Sharada Laxmi Saving and Cooperative Ltd
27.	Manisail Saving and Co-Operative Ltd
28.	Mahila Uthan Saving and Credit Co-Operative Ltd

## ***Chapter-2*** ***Methodology***

The primary objectives of this study is to find out major reasons for bad debts and impact of bad debts conducting co-operative in economy. The following research methodology has been followed in order to accomplish the study in a systematic way.

### **2.1 The Research Design:**

The present research is designed according to the objectives set above. It is based upon primary data collected from the sample co-operative organizations. The cooperative organizations are carefully selected so as to represent all the cooperative organizations.

To achieve the objective of this study, descriptive and analytical research designs have been applied.

Basic statistical tools as well as graph, bales, diagram have been applied to show the data collection form cooperative organization.

### **2.2 Population**

There are many co-operatives in the sankhu, but the whole of the population are not engaging with cooperatives. There are various causes and limitations of the cooperatives to make involvement all residential of the sankhu. Among the members of the cooperative, they are facing bad debts problems. So these bad debts of cooperatives constitute the clients of this town.

### **2.3 Sampling procedure.**

The population is divided as a whole people of sankhu's cooperative organization. There are 20 cooperative organizations in sankhu among them 4 cooperatives has been selected randomly as a sample for the study which are taken as representative of the total cooperative organizations. It is based on cooperative and loan taker in different situation and taken randomly and interviewed with them. Remaining cooperative organization representing all the Sankhu.

### **2.4 Selection of the study Area**

There are many cooperative organizations in Sankhu four cooperative organization has been selected because it could be a representative cooperative of the town in saving collection, providing facility, loan flow, nature of organization

and their transaction, also socio economic factors and structure of organization. Most important the function of cooperative and their process in organization commercially engaged to make profit and give benefit to their members as well.

## **2.5 Sources of the data collection.**

Primary data was collected through the field survey was conducted by taking personal interviews with bad debts of the cooperative Ltd. By using structure questionnaire.

Also secondary data was collected from concern cooperatives organizations and office they are published and unpublished reports and other sources of information.

## **2.6 Data Collection problem**

Due to the lack of availability of actual report, cooperative staff didn't know well about bad debts and what impact it in origination. So most of the cooperative do not want to give their report. They do not want show outside person about the condition of organization.

## **2.7 Limitation of the study.**

- a. Thought the bad debts is all cooperatives organizations only four cooperative is selected for the study.
- b. An unregistered cooperative is not included in this study.
- c. The whole study is based on the date of four cooperative ltd. So the result drawn would not be generalized.
- d. This study has been done only for learning purpose.

## **2.8 Assumption of the study.**

- Selected sample represents all the cooperatives of sankhu.
- The survey period 2064/65 BS is considered as a normal year.

## *Chapter 3*

### *Study Result.*

#### 3.1 Introduction of study cooperative Ltd

##### a) Sankha saving & credit cooperative Ltd.

Sankhu saving & Credit cooperative Ltd. Was established in 2062/09/08 with the registration number 876. There are three staffs members in organization. It is located at Ipatole, sankhu

According the manger, Bishnu Devi Shrestha, she is very interested and satisfied of her work in organization. She says the transaction of the organization is very well and excellence performance.

She had no taken any training about cooperative. But her won experienced has helped to conduct it. Form a long time a lot and also her self-learning. It is for profit earning and also for service oriented.

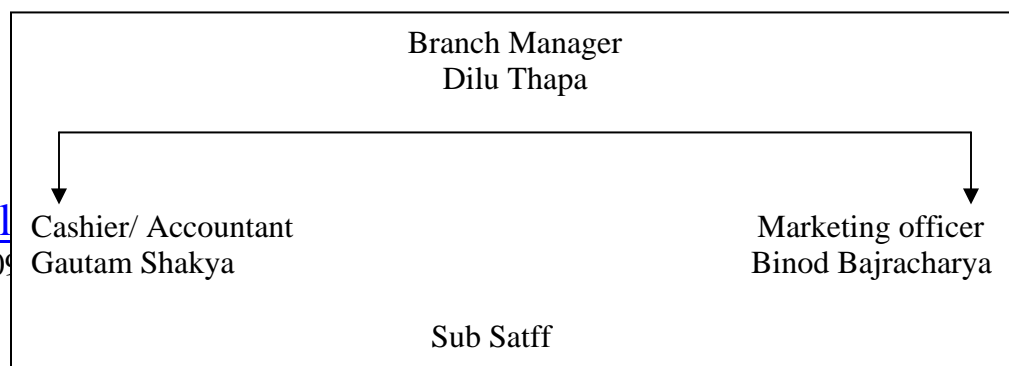
##### b) Oriental cooperative Ltd.

It is established as Branch of head office since 2057 with registration no.236. The According to the bad debts is the one matter of the transaction in business. She says her cooperative also got bad debts. She managed the bad debts fulfilling from profit or the cooperative and noticed to its customer about action.

it is established as a branch of the head office since 2057 with the registration no 236 . there are four staff members. It is located at ward no 8 Ipatole, Sankhu.

The Accountant Mr. Gautam Shakya says that the transaction of the oraganization is excellence and improving. He hasn't taken any training about the cooperative, but conducting of his self learning. The organization is started for the profit motive. According the question about bad debt he said that the bad debts should manage with fulfilling their of profit.

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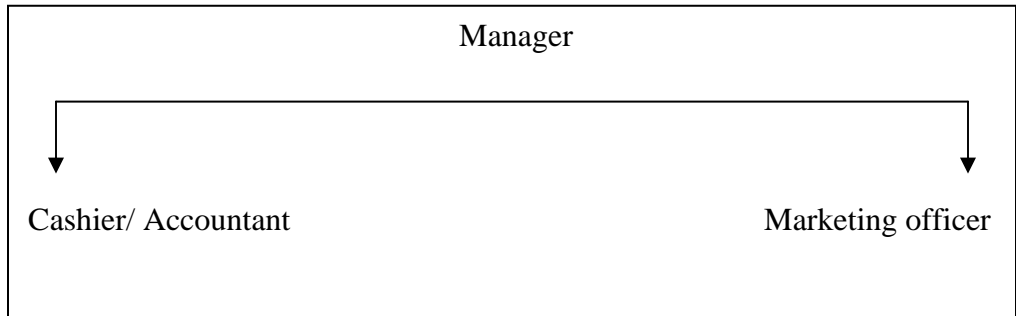
c) Divyajyoti Saving and Credit

Divyajyoti Saving And Credit cooperative ltd, has been established in 2058 BS with the registration number 763 . the NO. of staffs are in organization is two . it is loxated at Ipatole –8 Sankhu.

According to the manager Mr. Mahendra Shrestha, is very interested and satisfied of his work in the organization. He says transaction of the organization is going smooth and getting progress.

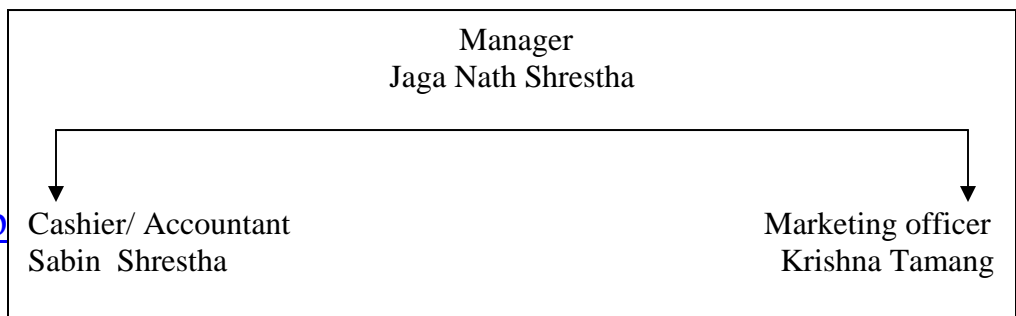
He says he has hnot taken any training about cooperative. But conduction of his self learning and with a experience. The purpose of establishment of cooperative is for profit earning and for service oriented. He says it is their partnership business.

Asking with the questions about bad debts, it is normal matter of the transaction in business. He said that it is a partner for business.



d) Meridian Saving & Cooperative:

Meridian Saving and Cooperative Ltd is situated at Sankhu Bajrayogini –2 Shalkha. It was registered under the Act of co-operative 2048. The financial transactions are going smoothly and the condition of the bad debts is not so bad Said Manager of the organizations. Even the all the staff are not taken and kind of cooperative trainings. The organization flow the fund for the various purpose such as ; business purpose, agriculture purpose and other kind of social and cultural activities. According the bank statement published on the local newspaper the total share capital is Rs 547300. the information shows that the total Amount of the balance sheet is Rs 8623845 and the co-operative’s net profit for the fiscal year is Rs 93259



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### 3.2 Purpose of cooperative

The main purpose of the cooperative of the sankhu is gaining the profit. All of the organization has the profit motive strategy. But they assured that it gives the benefit to the customers as well. They provide various loan without any property and goods. They also provide the easy installment payment.

### 3.3 Business Structure:

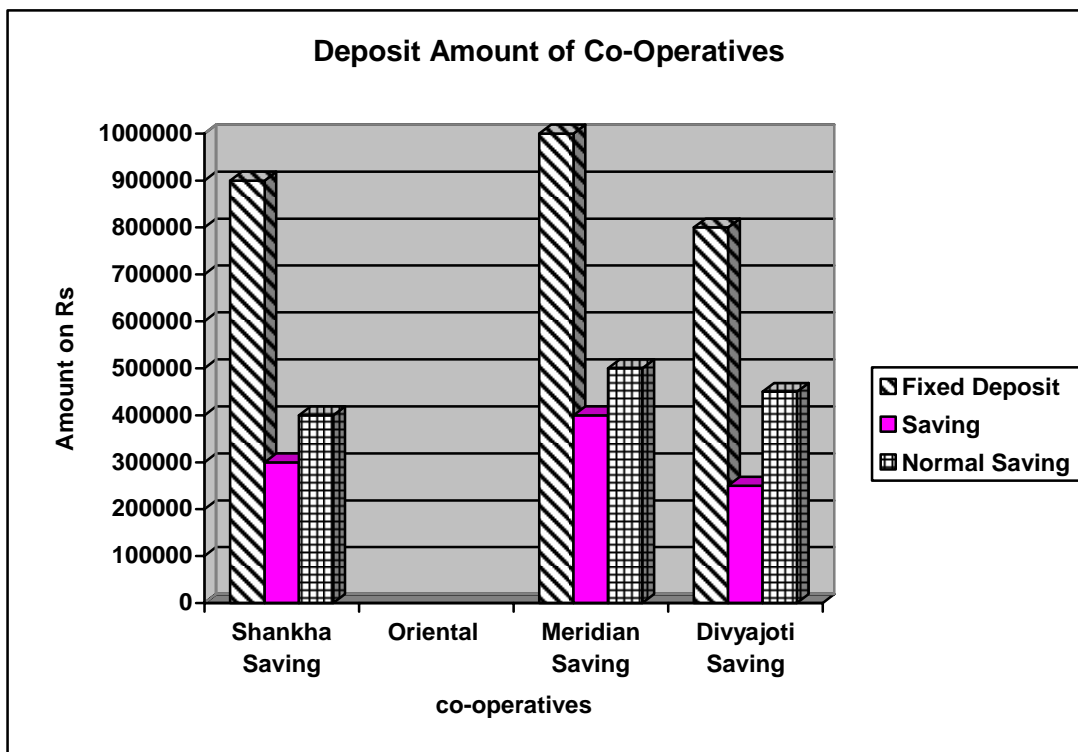
There are many cooperative Ltd. Sankhu is not very big area so the business should operate obligate in this small town. The business isn't so enlarged. They have invested loan amount for starting phase. After the conduction business they collected little amount by local people as for a deposit. Then after they provide cash as a loan to their customer. So it has low criteria business.

### 3.4 Deposit collection:

The cooperative organization is a financial institution. There are different collection for deposit amount in different organization. One is the keeping their own staff as a marketing to collect individual money customers and other customer would come themselves and deposit as a sum of money in fixed deposit structure is as follows:

Table 1.0

Sn	Name of Cooperatives	Fixed Deposit	Saving	Normal Saving
1.	Shankha Saving and Credit Ltd	9,00,000	3,00,000	4,00,000
2.	Oriental Co-Operative	NOT GIVEN	NOT GIVEN	NOT GIVEN
3.	Meridian Saving and Cooperative	10,00,000	4,00,000	5,00,000
4.	Divyajyoti Saving and Credit	8,00,000	2,50,000	4,50,000

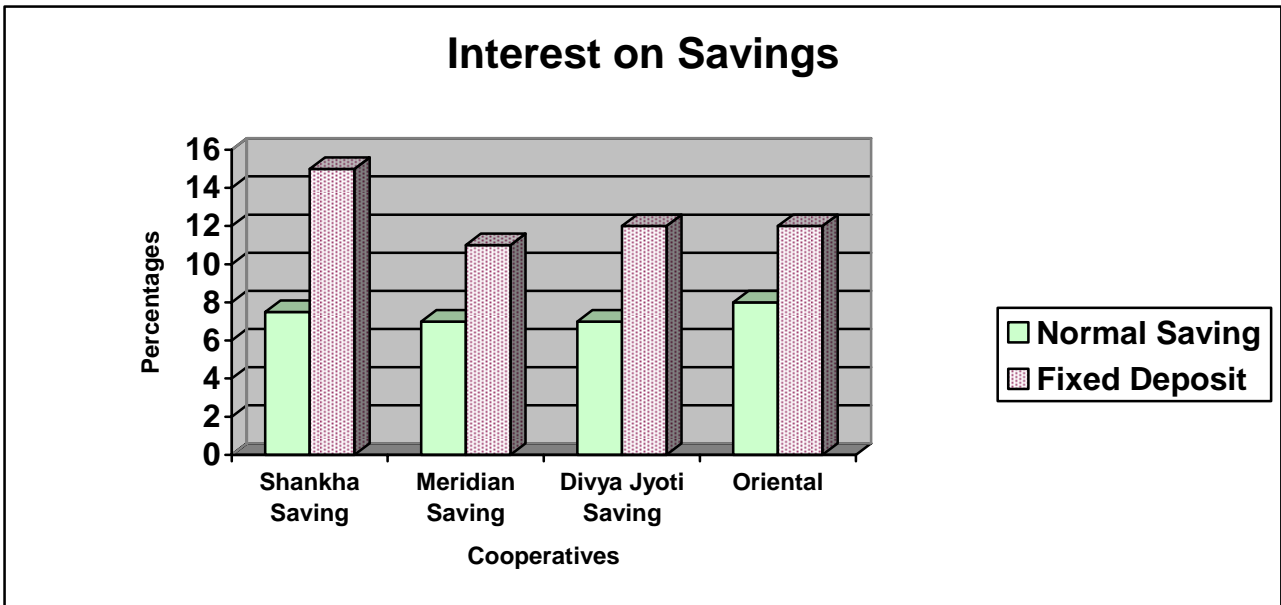


### 3.5 Interest on loan and fixed deposit.

Interest is the one of the component of the banking and financial transactions. It is the means to inspire customer/clients for taking loans and deposit their money to there. Normally in the case of Sankhu's co-operatives they give around maximum 10% to minimum 7% on their saving and they charged maximum 15% to minimum 12% interest on their loan.

Interest table 1.2

SN	Name of Co-Operative	Normal Saving (Daily Saving)	Fixed deposit (For one year)
1.	Shankha Saving and Credit	7.5%	15%
2.	Meridian Saving and Credit	7%	11%
3.	Divya Jyoti Saving and Credit	7%	12%
4.	Oriental	8%	12%



### 3.6 Providing Facility

The Co operative organization are providing various services to their members not only give loan without any pledge. Co-operative organizations give facility to pay customer's monthly Electricity, Water and Telephone bills by it. They also provide the facility of hire purchasing the goods and other luxury equipments.

### 3.7 Use of collected money:

cooperative organization is one business for the platform in financial transactions. They collect money from different sources as a small amount. The money they collected is using for other various productive sectors.

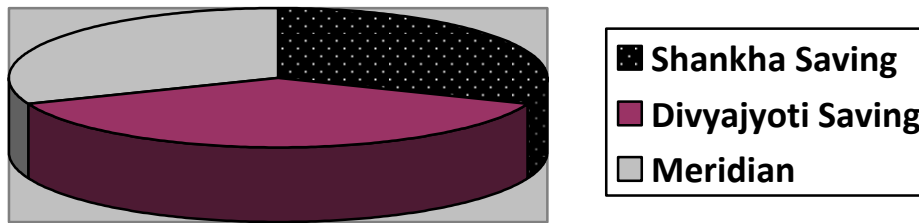
### 3.8 Situation of Bad Debts

Bad debts is the term of business transaction which appears loan taken money not back given. Thee cooperative origination is also affected from this. The studied result says that situation of bad debts is over Rs, fourth thousand. Among of them on cooperative is not to show the bad debts amount but he said that the situation of the bad debt si around 8% of the total loan transformation3.9 Structure. The condition of the bad debt can be shown on the following pie chart.

Bad debt table 1.3

Sn	Name of Cooperative	Bad debt
1.	Shankha Saving and Credit	31%
2.	Divyajoti Saving and Credit	38%
3.	Meridian Saving and Credit	31%

### Condition of Bad debts



### 3.9 Time of loan flow:

The loan amount is flows in the season of the various festival and the other social actives like, marriage ceremony, Dashian, Tihar and other. The loan was maximum used during the agriculture time as well.

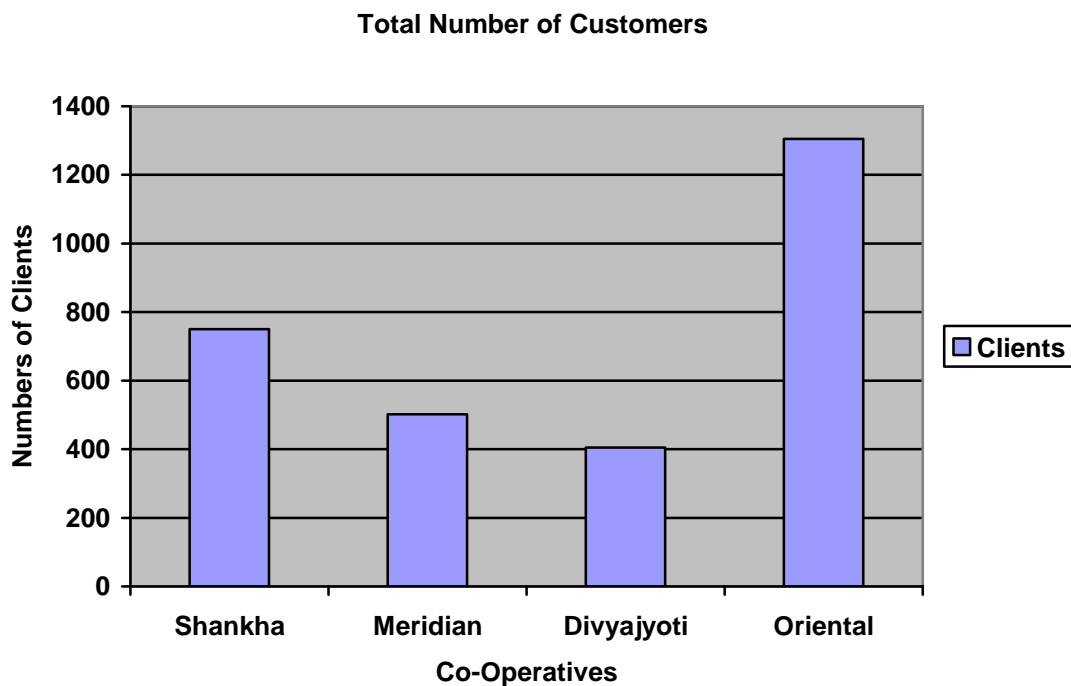
### 3.10 Number of clients:

Co-operative organization is base on communism society. There are many cooperatives as the clients. They deposit their money on the concern cooperative as saving with withdraw when they needed. The different cooperative organization have many client. In Shankha saving and credit cooperative has 750 members, Meridian Saving has 502 members, Medico Saving and Credit has 405 members and Oriental has 1305 members.

Table 1.4

Sn	Name of cooperative	No. of clients	%
1	Shankha Saving and Credit	750	25.32
2	Meridian Saving and Credit	502	16.95
3	Divyajyoti Saving	405	13.67

4	Oriental Cooperative	1305	44.06
Total		2962	100



### 3.11 Installment facility:

The cooperative organization give the installment facility for the home equipment with the coordination with the such the company like, KONKA, SAMSUNG, PHILIPS, CG. etc for their customer's facility.

### 3.12 Pledge for loan:

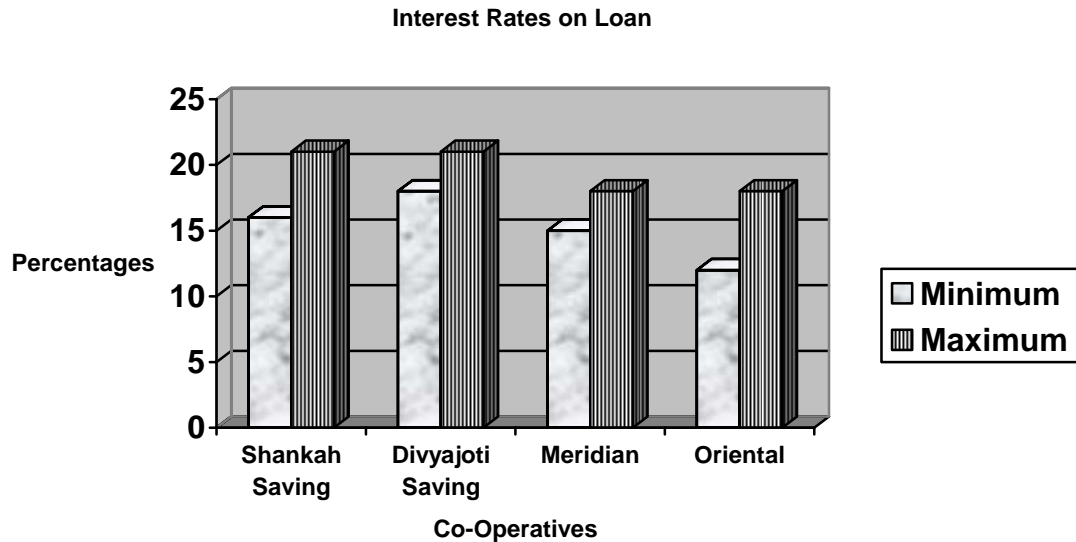
The current cooperative organization of sankhu flowing their collected deposit money to their customer as taken little pledge for guarantee of the loan amount. So when the customer wants to take loan they should guaranteed any thing which can convert into cash in future such as, land, house and other mechanism item. But one day they can use the share allotment card as well. It guaranteed the flows loan amount of concern cooperative for security if there is good relation with customer the organization they can provide loan without any pledge.

### 3.13 Interest on loan

The study shows the interest on loan amount is charged by cooperative organization is an average diminishing rate is minimum 16% to maximum 21% . The structure of the interest can be shown as follows.

Table 1.5

Sn	Name of cooperative	Interest
1	Shankha Saving and Credit	(16 to 21)%
2	Medico Saving and Credit	(18 to 21)%
3	Meridian Saving and Credit	(15 to 18)%
4	Oriental Cooperative	(12 to 18)%



### 3.14 Contribution to Society:

The organization is a business for the banking transaction. However it is contributing to society and help to the deserving people. It is also contribute the donation for the community welfare programs, cultural programs and it helps the people who victimed from the natural disaster, flood, landslide, earthquake etc.

## *Chapter –4*

### *Conclusion and Recommendation*

#### 4.1 Conclusion

There are many Around 22 cooperatives in Sankhu. Among of them four operatives are selected for the study. The cooperatives are making the image in society. People are encouraged to save the money in the cooperative and they are helped by the economically by the cooperatives. The system of the transaction of taking deposit and giving loan are not so similar for all cooperative. The condition of bad debt is not so fare in all the cooperatives. The information related to the bad debt are not interested to show for this study. The all the organization has no so experience and no none take any training for cooperatives, however the Sankhu is a small town and there is not so factory and other productive sector except

Agriculture, but the cooperatives organization are formed large number than the economic transactions.

#### **4.2 Recommendations:**

It seems difficult to make a general policy suggestion on the basis of conclusion drawn reporting very small size of sample and restricted number of variables. However one the basis of our study the following recommendation can be made.

1. The all the cooperative are doing their work as they know. We found that the owner and staff are not so trained and sufficient education. So they should be trained for the betterment.
2. the given loan is not so use in the productive sector most of the loan amount has used in unproductive sector. So the cooperative organization is suggested that they have to study before giving the loan, where is will be used.
3. Most of the organization used the computer system for the taking all the activities but most of the organization are still using the traditional entry system for the banking transaction. Thy should use the new software and process to keep all the information regarding to the deposit, loan and bad debts.
4. it is highly recommended that the cooperative must be given subsidy on the capital of organization. It will help to reduce the cost of established.
5. · For the effective marketing, government or cooperative department should purchase all the farm products produced by the member peoples at the peak season and the price should be reasonable as compared to the market price.
6. To produce capable lenders for the future the union should improve women education and involvement, participation and leadership training.
7. To should encourage employment and self-employment skill based income generating programs by running professional training for its members.
8. Women member are found shy and they lacked forwardness. So, to give them participation in programs and expose by study tour, training etc.
9. Credit access of rural people should be improved by increasing saving and credit union for banking services in rural areas and joint venture enterprises should be Promoted.

#### ***ABBERVIATION***



i.e	: That is
%	: Percentage
&	: and
B.S	: Bikram Sambat
VDC	: Village Development Committee

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APPENDIX  
Questionnaire:

Name of Co-Operative Ltd \_\_\_\_\_

Registration No. \_\_\_\_\_

1. How is the transaction of the co-Operative?
2. Have you take any training about Cooperative?
3. How do you collect Deposit from Clients?
4. What is the interest rate of your cooperative? In deposit and loan?
5. What is the condition about Bad Debt?
6. Do you Provide loan without any pledge?
7. What is the exact number of Customers on your Co –Operative?

End