

REPORT OF NATIONAL  
SEMINAR ON ROLE OF  
CO-OPERATION IN  
AGRICULTURAL DEVELOPMENT  
IN NEPAL

HELD AT  
KATHMANDU NEPAL  
31ST AUG. - 4TH SEPT. 1964

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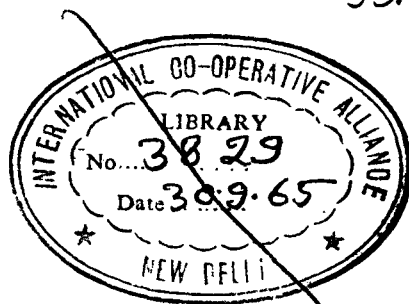
REPORT OF THE  
NATIONAL SEMINAR ON  
"THE ROLE OF CO-OPERATION IN AGRICULTURAL DEVELOPMENT IN NEPAL"

held at

Kathmandu, Nepal

( 31st August - 4th September, 1964 )

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INTERNATIONAL CO-OPERATIVE ALLIANCE  
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HIS MAJESTY'S GOVERNMENT  
Ministry of Panchayat  
Co-operative Department  
Singh Durbar, Kathmandu, Nepal.

ICA Regional Office and Education Centre  
for South East Asia  
6 Canning Road, New Delhi, India.

Report of the National Seminar on "The Role of Cooperation in  
Agricultural Development in Nepal" held at Kathmandu, Nepal  
from 31st August to 4th September 1964

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## 1. INTRODUCTION

In collaboration with the Regional Office and Education Centre for South East Asia of the International Cooperative Alliance, New Delhi, the Cooperative Department of His Majesty's Government, Nepal, organised the First National Seminar on "The Role of Cooperation in Agricultural Development in Nepal" at Kathmandu from August 31 to September 4, 1964. The Seminar was attended by about 60 participants; half of these were officials of the Cooperative Department such as Zonal Officers, Inspectors, Sub-Inspectors and Cooperative Instructors and the remaining were non-officials including Secretaries, members and other honorary workers of cooperative societies operating at different levels. The Seminar discussed various aspects of the Agricultural Cooperative Movement in Nepal. A copy of the programme of the Seminar is given in Appendix I.

The Seminar was held at Narayan Bhavan, Jawala Khal, Lalitpur, Kathmandu. It was inaugurated on August 31, 1964, by the Hon'ble Vice Chairman of the Council of Ministers and Minister for Finance and Economic Planning, Mr Surya Bahadur Thapa.

## 2. PROBLEMS OF AGRICULTURAL COOPERATIVES

The Seminar recognised the importance of agriculture in achieving the economic development of Nepal and the well-being of a large section of population (93%) depending upon agriculture for their employment and livelihood. In the development of the agrarian economy, cooperatives are the important agencies and intensive efforts should be made to strengthen the cooperative structure. Among others, the Seminar specifically concentrated on the problem of viability of societies particularly in the context of the sparsely populated villages in the hilly areas, the need and ways to increase the financial resources of the cooperatives at all levels, supply of adequate and timely finance to farmers particularly to tenants and small size or uneconomic farmers as also provision of domestic necessities, measures needed to secure effective link between credit and marketing which would enable the cooperatives to recover the loan dues, and measures that should be taken for achieving the efficient operation of cooperative marketing societies. The Seminar also noted the difficulties that arise due to the general illiteracy of the farming population and proposed various measures for making the cooperative education programme effective. The part played by the Government and other agencies in the promotion and development of agricultural cooperatives was critically appraised and suggestions were made so that the Government and other agencies could play a more positive and effective role.

## 3. ECONOMIC VIABILITY OF SOCIETIES

The Seminar considered the difficulties in organising economically viable societies particularly in the context of the sparsely populated villages in the hilly areas of the country. From the point of view of maintaining the cooperative character namely, mutual knowledge among members, the seminar was of

the opinion that the societies should cover about four to five villages within a radius of about five miles. In order to meet the problem of high operational costs, the Seminar emphasised the organization mainly of multi-purpose co-operatives. These societies would be in a position to undertake, apart from provision of credit, other activities such as supply of production and domestic necessities etc. The margin of profits earned in various transactions could contribute to reduce the operational expenses and ultimately to making the society a viable unit. This will also be in line with the general practice prevailing in the villages as the cultivators are used to procuring their production and domestic necessities from a trader or a money-lender. The societies should also collect the produce of the members and transport the same to the marketing unions for sale. In fact, some of the members were of the opinion that in the initial stages, the societies need not undertake credit activities but should only concentrate on non-credit functions as indicated above.

#### 4. FINANCIAL RESOURCES

Towards increasing the resources of the societies and strengthening the financial base of the co-operative structure, the Seminar suggested that intensive efforts should be made to enlarge the membership of the primaries and also to induce the present members to increase their contribution in the form of share capital with the primaries. It was also suggested that, apart from providing financial assistance to co-operatives for various purposes, the Government should contribute to the share capital of the societies. This will help in creating confidence among the general public and enable the societies not only in securing increased deposits from the people but would also contribute to their increased borrowing power.

The Seminar also recognized the importance of mobilisation of rural savings in increasing the financial resources of the societies and it was, therefore, suggested that, a vigorous drive should be made for the collection of deposits from rural areas both in cash and kind though efforts should be concentrated primarily on the collection of deposits in kind. The authorities or officials of the societies connected with the organization of this Savings Drive should be given a small commission on the quantity of grain collected so that the officials would take more interest in this activity. Wherever possible a small percentage of amount from the loans advanced to cultivators or from the sale proceeds of the produce of the cultivators, might compulsorily be deducted and credited to their Savings Account. For certain specific purposes such as marriages etc., separate savings accounts might be created. This might help to generate the required enthusiasm for the savings drive. In this connection, the need for exploring the possibility of organising Chit Funds within the society for meeting social and other non-productive expenses of the cultivators was also suggested. Special efforts should also be made in attracting deposits from non-members within the area of operation of the society. Though these measures are important and would definitely help in strengthening the financial structure of the primaries, the Seminar was of the opinion that the National Co-operative Bank which is the apex bank, should attempt to provide the needed financial assistance to primaries on a somewhat liberal scale.

The Seminar also suggested various measures for increasing the financial resources of the secondary societies, i.e. Co-operative Credit and Marketing Unions. It was, for instance, suggested that, in the initial stages, individuals should be enrolled as members of the secondary societies. Apart from the share

capital contribution of individual members, this would also help in attracting deposits from these members. The member societies should also be induced to invest more in the share capital of the societies. In this connection, it was further suggested that there should be a definite legal provision in the Act for compelling the primaries to invest their resources in the form of share capital of the Credit and Marketing Unions. The State Government, apart from providing financial assistance for the construction of godowns, warehouses and purchase of transport vehicles etc., should also consider the possibility of contributing to the share capital of the secondary societies. This will help to create confidence among the general public and will undoubtedly contribute to increasing deposit resources of the societies. The Credit and Marketing Unions should also be given preference or monopoly in the import of chemical fertilizers and other production requisites in scarce supply and in the distribution of the same to the primaries and members. The Unions should also be entrusted with the distribution of commodities such as foodgrains etc., secured under P.L. 480 which are at present handled by the Government. Finally, the Seminar suggested that the Nepal Bank and other commercial banks should be induced to change their conservative attitude in their dealings with the agrarian co-operatives so that they could provide, on a more liberal scale, financial assistance to the co-operatives in the processing and marketing of agricultural products.

At the national level, the apex Bank, i.e. the Co-operative Bank, Nepal, has been recently organised. The structure of the Co-operative Movement in Nepal i.e. whether it should be two-tiered with primaries at the base and the Nepal Co-operative Bank at the National level, or three-tiered, with District or Regional Co-operatives in between the primaries and the apex bank, has yet to be finally decided and adopted. At present the Apex Bank admits individuals as members. From the point of view of increasing the financial resources in the form of share capital and in attracting deposits, though admission of individuals as members may be justified in the initial stages, the Seminar suggested that this practice should be discontinued as early as possible. Similarly, the Seminar was of the opinion that in the initial stages, primary co-operatives should be admitted as members from areas so long as the credit and marketing Unions are not organised. This policy should be adopted provided that the co-operative structure of the country will ultimately be three-tiered. The Bank should also make efforts to attract deposits from Primaries, Credit and Marketing Unions, from individuals in the urban areas and from other social and religious and other public organisations. It was further suggested that if necessary, the religious and public bodies should be legally obliged to deposit their financial resources with the Bank. Raising of funds through floating of agricultural debentures or bonds guaranteed by the Government may also be considered by the Cooperative Bank. The Seminar noted with appreciation the part played by the Government in contributing to the share capital of the Bank and suggested that the National Government should increase their contribution to the extent necessary keeping in view the increasing needs of the Movement. Finally, the Rashtra Bank of Nepal, i.e. the Central Bank of the country, should find out ways and means of providing increasing financial assistance to the co-operative Bank and to the Co-operative Movement as a whole as is being done in India and some of the South-East Asian countries.

##### 5. FINANCING OF SMALL OR UNECONOMIC FARMERS

The Seminar noted the special problems of the co-operatives in financing tenants and uneconomic or small farmers in certain areas. These problems arise

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mainly due to concentration of land ownership, unfavourable tenancy conditions, lack of local leadership and lack of trained personnel to guide and assist farmers in farm planning. The Seminar was of the opinion that before any attempt could be made by the co-operatives in financing such farmers in these areas, it is necessary that Land Reform programmes are implemented effectively. Co-operatives organised in these areas should provide adequate and timely finance on the basis of farm plans prepared on the advice of technical experts. In other words, the cultivators in these areas should be provided with 'Supervised Credit'. In view of the limitation of resources available in the country at present and the special problems that arise in financing uneconomic or small farmers, the Seminar suggested that in the initial stages, the co-operatives should concentrate on the provision of adequate credit to such farmers in a few selected districts from each of the 14 zones and as experience is gained, more societies should be organised in other areas so that the cultivators in these areas could get the benefit from the co-operatives. It was also suggested that the societies organised in such areas should not only provide credit but also supply production requisites in kind and other domestic necessities. For ensuring proper recovery of co-operative dues, there should also be an effective link between credit and marketing. The societies should also be given adequate financial assistance in the form of loans or subsidies for the construction of storage facilities, for the purchase of transport vehicles and other requisites which could contribute to the effective working of the societies. In this connection, apart from the co-operatives at the higher levels, other public institutions such as commercial banks, etc., should also provide the needed help and financial assistance. Finally for achieving the success in the implementation of the supervised credit programme, it was suggested that there should be an effective coordination among the various departments concerned such as the Department of Co-operation, Agriculture, Irrigation, Panchayats Land Reorganisation etc.

## 6. LINK BETWEEN CO-OPERATIVE CREDIT AND MARKETING SOCIETIES

In the expansion of co-operative credit, the need for the effective link between credit and marketing co-operatives was recognised. Towards securing this link, the Seminar emphasised the importance of providing adequate and timely credit to cultivators, ensuring efficient working of the marketing co-operatives through the appointment of skilled personnel and also providing the management personnel with practical training in the management of marketing co-operatives. It was also suggested that managers and secretaries of the societies at the primary level should be given adequate financial incentives so that they could take necessary measures for the collection of produce of the cultivators and despatch the same to Marketing Unions at higher levels. At the primary level, in each society, there should be a Marketing Sub-Committee to guide and implement the marketing functions in an effective way. Association of Local Panchayats in the recovery of loans was also suggested. The Seminar also stressed the need for providing adequate financial assistance to the Primary Credit and Multi-Purpose Societies and Marketing Unions for the construction of godowns and warehouses and for the purchase of transport vehicles, etc. For the successful operation of the linkage programme, it is also necessary to see that the cultivators are relieved from their dependence on the traders and money-lenders for their other necessities particularly domestic requirements. The Seminar, therefore, suggested that the primary co-operatives should attempt

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to provide domestic requirements of the cultivators. These needs, however, should be supplied on cash basis and against grain deposits of farmers. The societies might also try to recover the loan dues as far as possible in kind.

## 7. CO-OPERATIVE EDUCATION

The general illiteracy of the people and lack of understanding of the value of co-operative approach has been a great obstacle in the development of co-operative movement in Nepal. The Seminar recognised the importance of co-operative education and suggested for the creation of a separate body, preferably within the Department of Co-operation, exclusively concerned with the imparting of co-operative education among the agriculturists. This organ of the Department of Co-operation and also the Department of Education should produce adequate literature for distribution among the members of primary societies and the general public. The societies and also the training personnel should be supplied with other educational tools such as audio-visual aids, posters etc. The officials of the Department of Co-operation should also be given practical training in the management of the co-operatives. Other Government officials touring the villages should also be requested to give lectures to the members on some aspects of Co-operation. Societies should also organise group meetings, exhibitions etc. as often as possible. In this connection, it was also suggested that apart from organising Seminars at district levels to discuss local problems of co-operatives, at least once a year there should be a National Seminar where the co-operators from the country could meet to exchange views and suggest suitable solutions to the problems faced by the Movement. Celebration of Co-operative Week every year was also suggested. Though these measures would help to contribute, in some measure, to the development of the Co-operative Movement, as a long term measure, the Seminar was of the opinion that the future of the Co-operative Movement depends upon the success achieved in developing Co-operative methods of thought and action among the general public. The Seminar, therefore, suggested for linking co-operative education with general education in the country. As a part of this programme, production of popular literature for distribution among public and also the organisation of co-operatives in the schools, was suggested.

## 8. ROLE OF GOVERNMENT AND OTHER AGENCIES

The Seminar recognised the importance of the positive role of the Government in the promotion and development of agricultural co-operatives in Nepal and therefore suggested that the Government should increasingly associate itself with the Co-operative Movement. Among others, the measures suggested include, contribution to the share capital of the societies, providing financial assistance in the form of loans and subsidy for the construction of godowns, warehouses and purchase of transport vehicles, subsidies for the appointment of technical personnel etc. It was also suggested that the funds of the Local Panchayats should be routed to the agriculturists through the co-operatives. The Panchayats as also other agencies such as the Nepal Industrial Development Corporation and other commercial Banks should attempt to provide financial assistance to marketing co-operatives in acquiring processing plants, transport vehicles etc. The Central Bank of the country, i.e. Nepal Rashtra Bank might also consider the possibility of providing finance to co-operatives as is being done in some of the South-East Asian countries particularly in India.



## 9. COORDINATION OF WORK AMONG DIFFERENT DEPARTMENTS OF THE GOVERNMENT

The Seminar noted the role played by the different Departments of His Majesty's Government of Nepal in the development of agriculture and agrarian co-operatives, and observed that the activities of the different Departments are not effectively coordinated. For the promotion and development of agrarian co-operatives which could contribute to achieving agricultural development of Nepal, the Seminar emphasised the need for the effective co-ordination of the activities of the different Departments such as the Department of Agriculture, Department of Co-operation, Irrigation, Panchayats, Land Reorganisation, Farmers' Association and the Co-operative Apex Bank of Nepal. For securing the coordination of activities of different Departments, the Seminar suggested for constituting a Committee consisting of the representatives of the various concerned Departments.

## 10. CONCLUSION

The Co-operative Movement in Nepal is in a very infant stage and the structure of the Movement which will ultimately be adopted by the country is yet to be finally decided. Government and the recently organised Co-operative Bank are no doubt providing assistance to the agricultural co-operatives. However, in this programme of assistance the Government as well as the Co-operative Apex Bank have not formulated any long-term policy. In the promotion and development of agricultural co-operatives, the role of the above mentioned agencies as also commercial and other institutions and the inter-relationship between different Co-operatives at various levels need to be considered and formulated. The Seminar therefore suggested the appointment of a Committee consisting of Co-operative Experts to examine the structure of co-operatives, the role of the Government, the Central Bank of the country and other agencies in the development of agricultural co-operatives in the country. The recommendations of the Committee would contribute to a great extent in the progress of co-operatives and in achieving the desired goal of economic and social well-being of a large section of population depending on agriculture for their livelihood.



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NATIONAL SEMINAR ON "THE ROLE OF COOPERATION IN AGRICULTURAL DEVELOPMENT IN NEPAL"  
KATHMANDU, NEPAL : AUGUST 31 - SEPTEMBER 4, 1964

P R O G R A M M E

1st August, Monday

9.00 a.m. - 10.30 a.m.

Welcome Address by

Mr. N.B. Shah, Registrar, Cooperative Department,  
Ministry of Panchayat, His Majesty's Government,  
Nepal.

Inaugural Address by

The Honourable Vice-Chairman of the Council of f f  
Ministers and Minister for Finance & Economic Planning  
Mr. Surya Bahadur Thapa, His Majesty's Government,  
Kathmandu, Nepal.

Introduction to ICA Activities by

Dr. P.R. Baichwal,  
Specialist in Agricultural Cooperation,  
International Cooperative Alliance,  
Regional Office & Education Centre for South-East  
Asia, 6 Canning Road, New Delhi-1, India.

10.30 a.m. - 11.00 a.m.

Tea Break

11.00 a.m. - 12.00 p.m.

Programme and Working Methods of the Seminar by

Dr. P.R. Baichwal

S E C T I O N - I

1.00 p.m. - 3.00 p.m.

Survey of Agricultural Credit and Marketing Cooperation  
in Nepal: Structure, Operation and Problems and  
Structural and other Inter-relationships between them.

Introduction by : Mr. N.B. Shah

Chairman : Dr. P.R. Baichwal

3.00 p.m. - 3.30 p.m.

Questions and observations

3.30 p.m. - 4.00 p.m.

Tea Break

4.00 p.m. - 5.00 p.m. Co-operative Credit and Marketing in some of the South-East Asian Countries.

Introduced by : Dr. P.R. Baichwal

Chairman : Mr. N.B. Shah

5.00 p.m. - 5.30 p.m. Questions and Observations

1st September, Tuesday

8.00 a.m. - 9.00 a.m. Problems in the Financing of Small Farmers and Marketing of their Produce. Solutions suggested with particular reference to Supervised Credit System as applied in Jhapa District, Nepal.

Introduced by : Dr. Q. Lindsey, Economic Adviser,  
Economic Planning Ministry,  
His Majesty's Government, Nepal.

Chairman : Dr. S.K. Saxena

9.00 a.m. - 9.30 a.m. Questions and Observations

9.30 a.m. - 10.30 a.m. Principles and Objectives of Agricultural Co-operation.

Introduced by : Mr. N.P. Chatterji,  
Joint Secretary,  
Ministry of Community Development &  
Cooperation, Government of India,  
New Delhi, India.

Chairman : Dr. S.K. Saxena

10.30 a.m. - 11.00 a.m. Questions and Observations

11.00 a.m. - 12.00 p.m. Group Discussion on Section - I.

2.00 p.m. - 5.00 p.m. Group Discussion on Section - I

2nd September, Wednesday

8.00 a.m. - 11.00 a.m. Plenary on Section - I

Chairman : Mr. N.B. Shah

S E C T I O N - II

11.00 a.m. - 12.00 p.m. Significance of Co-operative System in Nepal's Agricultural Re-organisation Programme.

Introduced by : Mr. Basu Dev Pekural, General Manager,  
Co-operative Bank, Nepal.

Chairman : Dr. S.K. Saxena

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12.00 p.m. - 12.30 p.m.

Questions and Observations

2.00 p.m. - 3.00 p.m.

Link-up between Co-operative Credit, Marketing, Processing and Consumers Societies : Present Position, Problems and Prospects.

Introduced by : Mr. S.C. Pravashi, Section Officer,  
Co-operative Department, Nepal.

Chairman : Dr. P.R. Baichwal

3.00 p.m. - 3.30 p.m.

Questions and Observations

3.30 p.m. - 5.30 p.m.

Group Discussion on Section - II

3rd September, Thursday

8.00 a.m. - 9.00 a.m.

Panel Discussion on Role of Government and Other Agencies in the Promotion and Development of Agricultural Co-operatives.

Speakers : Dr. S.K. Saxena  
Dr. P.R. Baichwal  
Mr. S.C. Pravashi  
Mr. B.P. Bhattarai

Chairman : Dr. S.K. Saxena

9.00 a.m. - 9.30 a.m.

Tea Break

9.30 a.m. - 11.00 a.m.

Plenary on Section - II

Chairman : Mr. S.C. Pravashi

Afternoon

Study Visits to Co-operatives

7.00 p.m.

Dinner by I.C.A.

S E C T I O N - III

4th September, Friday

8.00 a.m. - 9.00 a.m.

Co-operative Education, Member Education and Personnel Training, Educational Value of Co-operative Publicity and Propaganda.

Introduced by : Dr. S.K. Saxena

Chairman : Mr. N.B. Shah

9.00 a.m. - 9.30 a.m.

Questions and Observations

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9.30 a.m. - 12.00 p.m.	Group Discussion on Section - III
2.00 p.m. - 5.30 p.m.	Plenary on Section - III
3.30 p.m. - 4.00 p.m.	Tea Break
4.00 p.m. - 5.30 p.m.	Valedictory Address by The Honourable Assistant Minister for Panchayats, Mr. S.K. Upadhaya
7.00 p.m.	Dinner by Co-operative Department, His Majesty's Government, Nepal.

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