



Application of Universal Cooperative Principles in Agricultural Cooperatives: A Case Study from Nepal

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Abstract— This study examines the use of universal cooperative principles by agricultural cooperatives in Nepal, highlighting their importance and the challenges they face. Data from 45 cooperatives, including savings and credit cooperatives (n=17) and multipurpose cooperatives (n=28), and 135 respondents in Tulsipur Sub-Metropolitan City, Nepal were analyzed quantitatively and qualitatively. The study suggests that principles such as democratic member control, voluntary and open membership, and member economic participation are critical to the effective and sustainable operation of agricultural cooperatives in Nepal. These principles promote members' sense of responsibility and ownership by ensuring transparency, fairness, and democratic decision-making. However, the research also identifies several constraints facing Nepal's agricultural cooperatives, including limited access to finance, inadequate infrastructure, governance issues, lack of technical expertise, and political interference. These challenges could hinder cooperatives' ability to expand into new markets, provide essential services to members, and support the long-term growth of Nepal's agricultural sector. The study concludes that addressing these issues and promoting the adoption of universal cooperative principles are essential to strengthening agricultural cooperatives in Nepal and enabling them to significantly improve the livelihoods of farmers and rural communities.



Keywords— Universal Cooperative Principles, Agricultural Cooperative, Nepal, Economic Prosperity, Sustainability.

I. INTRODUCTION

Cooperation has long been recognized as fundamental aspect of human interactions (Ibrahim, 2023). Indeed, modern cooperative enterprises trace their roots back to traditional forms of cooperation (Akerle et al., 2014), evolving into what the International Cooperative Alliance (ICA, 1995b) defines as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly-owned and democratically-controlled enterprise." Throughout history, cooperative enterprises have played a vital role in fostering locally-owned, people-centered businesses while also serving as catalysts for social

organization and unity (Dhital, 2018). Its model emphasizes democratic decision-making and collective ownership, in keeping with the ethos of cooperation that is deeply rooted in human societies. The cooperative model offers a compelling solution for individuals to leverage their strengths and become owners of their own businesses, overcoming challenges such as administrative hurdles and market dynamics (Ribas et al., 2022). As such, cooperatives not only meet economic needs, but also contribute to the social fabric of communities by promoting solidarity and mutual support. (Dhital, 2018). This study seeks to explore the importance of implementing these principles in agricultural cooperatives and their broader implications for the cooperative movement worldwide. By uniting members

in collective action, cooperatives play a central role in driving economic and social development, promoting shared benefits and empowering communities. Central to the success and longevity of cooperative enterprises is the adherence to universal cooperative principles. By examining how these principles affect the operations and outcomes of agricultural cooperatives, the research aims to shed light on their role in shaping cooperative practices and promoting sustainable development. Through this research, the study seeks to contribute to a deeper understanding of the importance of universal cooperative principles and their implications for cooperative enterprises in the agricultural sector and beyond.

The concept of cooperatives is multifaceted, encompassing various roles and objectives, as articulated in the Statement on the Cooperative Identity by the International Cooperative Alliance (ICA) in 1995 (ICA, 1995b). Consequently, these principles are reflected in the operational practices of cooperative enterprises. The universal principles of cooperatives, established by international cooperative bodies such as the International Cooperative Alliance (ICA), serve as the ethical cornerstone for cooperative enterprise. These principles collectively uphold the values of inclusivity, democracy, equitable participation, autonomy, education, and collaboration, guiding cooperative enterprises toward sustainable growth and community empowerment ("The Seven Cooperative Principles," 2024). Cooperatives offer significant advantages such as minimizing transaction costs and reducing the risk of default, making them valuable financial intermediaries for small-scale farmers. Despite these benefits, cooperatives encounter a fundamental challenge in strengthening their economic viability and institutional sustainability (Singh, 2022). This challenge is likely due to a number of factors, including market dynamics, the regulatory environment, and internal governance structures. Overcoming this hurdle will require concerted efforts to improve operational efficiency, diversify revenue streams, strengthen member engagement, and adapt to changing market conditions. By addressing these challenges, cooperatives can realize their full potential as catalysts for economic empowerment and sustainable development in their communities.

1.1 Significance of Applying Universal Principles

The application of cooperative principles ensures that cooperative organizations operate with transparency, fairness, and a commitment to the well-being of their members and the broader community. (Majee & Hoyt, 2011) defined cooperative values as general norms shared by cooperators, cooperative leaders, and staff that guide their thinking and actions. Cooperative principles, on the

other hand, are guidelines for putting these values into practice, rooted in a particular social philosophy. As a result, cooperatives often tailor their principles to factors unique to their local communities. Understanding the importance of these principles in guiding cooperative action is essential to fostering a cooperative movement that contributes positively to economic and social development. In the following sections of this study, we will explore how agricultural cooperatives in Nepal are implementing these principles, the challenges they face, and the impact of adhering to universal principles on their performance and sustainability. By examining these aspects, we aim to gain insights into the role of cooperative principles in shaping the trajectory of agricultural cooperatives and their contribution to broader socio-economic development in Nepal.

II. LITERATURE REVIEW

2.1 Cooperatives: what it stands for?

The definition of cooperatives in the contemporary world has sparked debate between the "essentialist approach," which seeks to define cooperatives based on inherent characteristics, and the "nominalist approach," which focuses on the practical aspects of cooperative organization. In 1995, the International Cooperative Alliance sought to bridge the gaps by defining cooperatives as "autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly-owned and democratically-controlled enterprise" (Ibrahim, 2023). This definition recognizes the essential elements of cooperatives, such as voluntary membership, democratic governance, and collective ownership, while also recognizing the diverse range of economic, social, and cultural needs that cooperatives seek to address. By emphasizing autonomy and democratic control, this definition reflects the principles underlying cooperative organization and distinguishes cooperatives from other forms of business. By providing a comprehensive yet flexible definition, the International Cooperative Alliance's definition of cooperatives serves to guide and unite cooperative enterprises worldwide by promoting a common understanding of their purpose and principles.

A study by Sabatini et al. (2014) demonstrates that cooperatives have a greater propensity to cultivate social capital compared to other organizational forms in the market. This finding highlights the cooperative model's ability to facilitate market exchange by improving contract enforcement mechanisms and reducing transaction costs. The presence of robust social capital within cooperatives enhances their ability to enforce contracts and facilitate transactions, leading to more efficient and equitable market

interactions. In fact, agricultural cooperatives in particular help individual farmers resist market pressures from their up- and downstream partners giving them an opportunity to cut on transaction costs by jointly performing activities related to processing and/or marketing of their produce (Sabatini et al., 2014; V. Valentinov, 2007; V. L. Valentinov, 2005). Moreover, by reducing information asymmetries and fostering a sense of collective responsibility, cooperatives contribute to the overall resilience and sustainability of local economies. The study by (Sabatini et al., 2014) highlights the valuable role that cooperatives play in not only fostering social capital but also in enhancing market dynamics and promoting economic development.

Strengthening cooperatives across various domains such as governance, financial management, business operations, and community engagement is crucial for their success (Singh, 2022). The selection of competent individuals at both the governance and management levels is paramount to ensure effective leadership and decision-making within cooperatives. Cooperatives, as enterprise with dual nature encompassing both economic and social dimensions (Bonus, 1986), must go beyond merely fulfilling the economic needs of their members. Therefore, to strengthen the cooperative enterprise, agricultural cooperatives are guided by universal principles, that encompass two codes: the social code and the market code (ILO, 2017). The social code emphasizes the cooperative's commitment to serve the broader interests of its members and the community, prioritizing social responsibility, inclusiveness, and community development. On the other hand, the market code focuses on optimizing the cooperative's economic performance and competitiveness in the market, ensuring efficiency, innovation, and profitability (ILO, 2017). By adhering to both the social and market codes, agricultural cooperatives can strike a balance between their economic and social objectives, effectively fulfilling their role as sustainable and socially responsible enterprises (ILO, 2012). This dual governance approach enables cooperatives to navigate complex market dynamics while remaining rooted in their cooperative principles and commitment to member welfare and community development.

2.2 Cooperatives: An emergence of Social Economy

Cooperatives stand out for their unique characteristics, emphasizing social objectives over capital returns, democratic member governance, and aligning member interests with the common good (ICA, 2015b). By definition, cooperatives inherently incorporate a social dimension, which upholds their purpose, normative values, and principles, while addressing social needs through economic means (ICA, 2015b). Achieving a harmonious

balance between social and economic necessitates a steadfast commitment to the values-based cooperative model, coupled with proactive management of a dynamic and evolving environment (Novkovic et al., 2022).

Achieving a harmonious balance between social and economic goals necessitates a steadfast commitment to the values-based cooperative model, coupled with proactive management of a dynamic and evolving environment (Novkovic et al., 2022). This holistic approach to cooperative management recognizes the interconnectedness of social and economic objectives, acknowledging that sustainable success requires more than just financial gains. Economic democracy can be enacted through a set of rules and practices including collective ownership, flat hierarchies and participation of all workers in decision-making (Malleon, 2014). By prioritizing member welfare, community development, and democratic decision-making, cooperatives foster a sense of collective ownership and responsibility, enriching both their internal operations and external impact (Sabatini & Franchini, 2015). Navigating the complexities of the modern business landscape while staying true to cooperative principles requires adaptability, innovation, and strategic vision (Sagar, 2023). Cooperatives that effectively balance their social mission with economic viability not only thrive in the marketplace but also contribute positively to the well-being of their members and communities (Thapa, 2017).

Emerging from the philosophy and theory of co-operation and the co-operative movement, on the one hand, and from the practice of co-operation as realized in organizations functioning to meet their goals within the economy, on the other (Torgerson et al., 1997), current literature offers many interconnected polemic themes, perspectives and points of departure, some of them conflicting with one another (Novkovic et al., 2022). Cooperatives are strategically adjusting and repositioning their operations, but to maintain a role of acting in the interests of producers, they will need to use fundamental cooperative principles as their primary logic and discipline of organization (Torgerson et al., 1997). This can include services like collective bargaining, access to inputs and supplies, marketing assistance, and various forms of technical support. Furthermore, the point made by Emilia Off and others underscores the fundamental purpose of cooperatives: to enhance the profitability and success of individual enterprises by pooling resources and leveraging collective strength (Torgerson et al., 1997). This is consistent with the core principle of cooperation among cooperatives, where members work together for mutual benefit rather than pursuing purely individual interests. Overall, the importance of agricultural cooperatives remains rooted in their cooperative values and principles, even as they adapt and evolve to changing market

conditions and operational challenges. These principles serve as the foundation for cooperative success and sustainability, ensuring that they continue to effectively serve the needs of their members and communities.

Indeed, the multifaceted nature of cooperatives is a central aspect of their identity and purpose. The International Cooperative Alliance's Statement on the Cooperative Identity aptly captures this duality by highlighting the intertwined social and economic objectives of cooperatives. This recognition reflects the complex reality that cooperatives operate within both the social and economic spheres, often blurring the lines between the two. As (Pigeon & Rixon, 2023) suggest, cooperatives embody a paradoxical nature, being simultaneously viewed as social and economic institutions. On the one hand, they serve economic functions by providing goods and services, facilitating trade, and generating income for their members. On the other hand, they also fulfill social objectives by promoting the principles of solidarity, equality and community development. At the heart of cooperatives is their collective nature, which distinguishes them from other forms of enterprise. Shared contributions, ownership, benefits, decision-making processes and control mechanisms are all hallmarks of cooperative organizations. This collective ownership and governance structure not only empowers members, but also fosters a sense of belonging and shared responsibility (Vadil & Castriciones, 2023). The emphasis on cooperation and collaboration within cooperatives is crucial. It reflects their commitment to democratic principles and participatory decision-making, where members collectively determine the direction and priorities of the organization (Vadil & Castriciones, 2023). By working together, cooperatives leverage the strength of their collective resources and expertise to achieve shared goals and address common challenges. Overall, the social and economic dimensions of cooperatives are deeply intertwined, reflecting their holistic approach to meeting the needs and aspirations of their members and communities (Vieta & Lionais, 2015). This unique combination of social solidarity and economic viability underscores the enduring relevance and resilience of the cooperative model in today's world.

2.3 Cooperatives in Nepal: History and Context

Agricultural cooperatives in Nepal play an important role in the country's rural economy, serving as vital institutions for smallholder farmers and rural communities. Agricultural cooperatives in Nepal have a long history, dating back to the early 20th century. However, their modern form gained prominence after the introduction of the Cooperative Act in 1959. The first cooperative in Nepal was formed in 1956. The Nepal Federation of Savings and Credit Cooperative

Unions (NEFSCUN) was established on August 16, 1988 (NEFSCUN, 2022). A major change in the cooperative sector in Nepal took place in 1992, when the liberal Cooperative Act 1992 was promulgated. Nepal's cooperative sector comprises National Cooperative Federation, 20 Central Cooperative Unions, 321 District Cooperative Unions and about 33,000 primary cooperatives of various types (Department of Cooperatives [DoC], 2016). Cooperatives have extended across the entire country and there are currently an estimated 4.2 million members nationwide. The cooperative movement in Nepal began in 1956 with the establishment of thirteen credit cooperatives in Chitwan District to assist flood victims. Since then, there have been a total of 7,598 cooperatives, including 2,979 multipurpose cooperatives, 2,345 credit unions, 1,410 milk producer cooperatives, 154 consumer cooperatives, and 710 other types of cooperatives (Mali, 2005). Agriculture Cooperatives are also found in the areas of transportation, vegetable production, coffee and tea production, wood carving, furniture, the cottage industry, carpet industry, and in ginger production. The sector has been providing direct employment to 50,000 people while it is providing indirect employment to 700,000 people (DOC, 2016).

Nepal's new constitution makes strong commitments to cooperatives, many of which are agricultural. If these cooperatives can make money for their members, they can be an important force for development, contributing to the achievement of the Sustainable Development Goals (Kemkhadae, 2017).). The GoN, (2015) recognizes cooperatives as one of the three pillars, along with the public and private sector, for development of the national economy (NEFSCUN, 2020).

The co-operative sector in Nepal plays a very important role in enhancing access to finance, providing non-financial services, and helping to improve the socio-economic condition of members. Making Access Possible (MAP) survey conducted by United Nations Capital Development Fund (UNCDF) and Nepal Rastra Bank in 2014 revealed that 19 percent people prefer to save in cooperative and 9 percent people borrow from cooperative (IFC & UNCDF, 2023). Cooperatives have played an important role in providing credit to those who are unable to obtain credit from commercial banks (e.g., due to strict credit application procedures, including proof of eligibility).

Agricultural cooperatives in Nepal can take various forms, including primary cooperatives at the grassroots level, district-level cooperatives, and apex organizations that coordinate the activities of lower-tier cooperatives (NEFSCUN, 2019). The primary objective of agricultural cooperatives is to improve the socio-economic status of

farmers by providing them with access to essential services and resources (Dhakal, Obrien, et al., 2021; Kumar et al., 2015). This includes facilitating the collective marketing of agricultural produce, providing inputs such as seeds and fertilizers, and offering financial services such as credit and savings facilities. Agricultural cooperatives engage in a range of activities aimed at improving agricultural productivity and rural livelihoods. These activities can include agricultural extension services, training programs, value-added initiatives, and infrastructure development projects. Despite their importance, agricultural cooperatives in Nepal face several challenges, including limited access to financial resources, inadequate infrastructure, governance issues, and insufficient technical capacity. In addition, political interference and bureaucratic hurdles can hinder their effective functioning.

2.4 Universal Cooperative Principles

While cooperatives share some characteristics with traditional corporations, such as having a board of directors and limited liability for investors, they are fundamentally distinct entities guided by a set of principles that differentiate them from other forms of business (ICA, 2015b). With being said that, cooperatives are guided by a set of principles that set it apart from other corporation (Zeuli & Cropp, 2004). The cooperative principles, as articulated by the International Cooperative Alliance, provide a framework for cooperative governance and operation. These principles include voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training, and information, cooperation among cooperatives, and concern for community (ICA, 1995, 2015b, 2016; Zeuli & Cropp, 2004). Applying universal cooperative principles is crucial for ensuring the effective functioning and sustainability of agricultural cooperatives in Nepal (Sharma, 1999). These principles serve as the foundation for cooperative identity and practice, shaping the way cooperatives operate and interact with their members, communities, and the broader society (ICA, 2015b). They emphasize values such as democracy, equality, solidarity, and social responsibility, setting cooperatives apart from profit-driven enterprises. In essence, cooperatives are not just defined by their legal status as corporations but also by their adherence to a set of principles that prioritize member empowerment, community development, and cooperation among equals (Vieta & Lionais, 2015). This unique blend of structure and values distinguishes cooperatives as a viable and sustainable alternative to conventional business models.

1. Voluntary and Open Membership: Cooperative principles advocate for voluntary and open membership, allowing

farmers from diverse backgrounds and communities to join and benefit from cooperative initiatives (Rai, 2021). This inclusivity promotes solidarity and cooperation among farmers, facilitating collective action to address common challenges and pursue shared opportunities. Cooperatives is justified as it is open to all persons willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination (Ibrahim, 2023; ICA, 1995).

2. Democratic Member Control: Cooperative principles promote democratic decision-making processes, ensuring that all members have a voice in the cooperative's affairs. In agricultural cooperatives, democratic governance helps prevent power imbalances and ensures that decisions align with the needs and priorities of the farming community (Rai, 2021). Cooperatives accepted the basic tenet of exercising economic democracy through one member, one vote applies and ensures the cooperative as an organization that is owned, served and democratically controlled by the people it served (Khatiwada, 2014). All the members can vote irrespective of their financial stake in the co-operative thus ensuring autonomy of the cooperative from outside control.

3. Member Economic Participation: Cooperative principles encourage active participation and engagement of members in the cooperative's activities (Rai, 2021). In agricultural cooperatives, this can lead to increased farmer involvement in decision-making, knowledge sharing, and collective problem-solving, ultimately enhancing the cooperative's effectiveness and relevance (Verhees et al., 2015). Spear argues that cooperative values lead to resilient and flexible organizations that can stabilize a community economy since members usually have deeper stakes in the community compared to dispersed shareholders (Spear, 2000).

4. Autonomous Operations and Independence: Cooperatives are autonomous, self-help organizations controlled by their members (Dhital, 2018). This autonomy enables agricultural cooperatives in Nepal to make independent decisions based on the needs and aspirations of their members, free from external influence or interference (Rai, 2021). Its essence is to operate according to the policies and rules made by the share members of the cooperative (G. Pandey, 2024b).

5. Education, Training, and Information: Cooperative principles emphasize the importance of education, training, and information sharing among members (Dhital, 2018). In the context of agricultural cooperatives, this promotes capacity building, knowledge transfer, and skill development among farmers, empowering them to improve their agricultural practices and livelihoods.

6. Cooperation Among Cooperatives: Cooperative principles encourage cooperation and collaboration among

cooperatives at the local, national, and international levels (ICA, 2016). By working together, agricultural cooperatives in Nepal can leverage their collective strength, resources, and expertise to address common challenges, access new markets, and advocate for supportive policies (Dhital, 2018).

7. Concern for Community: Universal cooperative principles emphasize values such as honesty, openness, social responsibility, and concern for community (ICA, 2015b, 2016). By adhering to these principles, agricultural cooperatives can maintain high ethical standards in their operations, fostering trust and credibility among their members and the broader community (Osten et al., 2024).

Upholding universal cooperative principles is crucial for agricultural cooperatives in Nepal to maintain credibility among their members and the broader community. By adhering to these principles, cooperatives can operate in a manner that is fair, transparent, and beneficial to all stakeholders involved (Acharya, 2024). In Nepal, where agriculture plays a significant role in the economy and rural livelihoods, cooperatives serve as vital institutions for empowering farmers, enhancing their bargaining power, and improving access to markets, inputs, and services. However, to fulfill their potential and effectively address the needs of their members and communities, cooperatives must operate with integrity and commitment to cooperative values (Dhakal, O'Brien, et al., 2021).

Universal cooperative principles such as voluntary and open membership, democratic governance, member economic participation, autonomy and independence, cooperation among cooperatives, and concern for community are essential guidelines for ensuring the ethical and responsible conduct of agricultural cooperatives in Nepal (ICA, 2016). By promoting democratic decision-making processes, ensuring equitable participation and benefit-sharing, fostering collaboration with other cooperatives, and prioritizing the well-being of rural communities, cooperatives can enhance their credibility and effectiveness as vehicles for sustainable development (Moxom & Dave, 2019). Moreover, transparency in operations, accountability to members, and a commitment to ethical business practices are essential for building trust and confidence among both members and the broader community. Cooperatives that demonstrate integrity and adherence to cooperative principles are more likely to attract and retain members, attract investment, and earn the respect and support of stakeholders (Paudel, 2023). Overall, applying universal cooperative principles not only enhances the performance and sustainability of agricultural cooperatives in Nepal but also contributes to the broader goals of inclusive economic growth, social development, and poverty reduction in rural

areas. By embodying the values of cooperation, solidarity, and mutual aid, cooperatives can play a vital role in building resilient and vibrant rural communities in Nepal.

III. METHODOLOGY

3.1. Study Area

Tulsipur Sub-metropolitan city encompasses 160 cooperatives comprising a total of 12,851 (Male: 7319, and Female: 5532) members and have been providing direct employment opportunities to 68 individuals. (Department of Survey, 2077). Cooperatives are categorized into savings and credit cooperatives and multipurpose cooperatives. Agricultural cooperatives, marketing cooperatives, farm-based cooperatives, forest and agroforestry-based cooperatives, dairy cooperatives were all categorically labelled within multipurpose cooperatives.

3.2. Data Collection

The study was held with a mixed approach qualitative research modality where the researcher itself invested on a social approach with direct questionnaire about the context and adaptability of the universal principles of cooperatives and how it differentiates in application and in theory. Whereas, field research to identify the current scenario of universal principle of cooperative was also conducted. A total of 45 Cooperatives (n=45), both savings and credit cooperatives and multipurpose cooperatives were selected from total cooperatives available around Tulsipur Sub-Metropolitan City (N=160).

Purposive sampling, which is familiar with secondary data, is used in the selection process for screening. The Tulsipur SMC office of administration and chamber of commerce provided the statistics used for the screening, which was conducted based on the cooperatives' performance. The respondents were divided into three categories within each sample: executive director, employee, and general member. The respondents were interviewed using KOBO Tool about the applicability and the status of the universal principle being implemented in the respective cooperative. Case studies were also sought to deter the applicability and issue adhering to cooperatives in cooperatives. Their varying levels of knowledge are a result of their varied experiences with the cooperatives' financial mechanisms. A grand total of 135 responses were gathered. Before the cooperatives were screened, a semi-structured questionnaire was created, and it was used to collect data from the intended respondents after the screening process. The questionnaire included financial supporting statements that complied with regulations as well as basic information about the cooperatives.

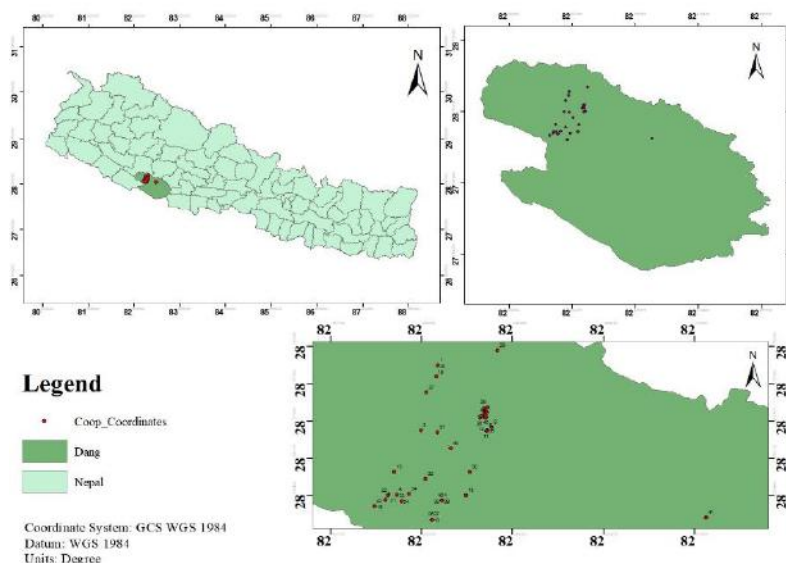


Fig.1 Study Area visualizing location of cooperatives

3.3. Data Analysis

The descriptive data from the KOBO Tool was used to generalize the shared understanding of universal principles of cooperatives that is being implemented in the cooperatives of Tulsipur SMC, and to deter the cooperative’s requirement of the application of the principles of universal cooperatives, irrespective of their understanding. The average weighted mean was computed using Statistical Package for Social Science (SPSS) Version 26. Case study was reviewed to dictate the shared understanding in the regional level to generalize in a global level as well as to specialize in the local level.

IV. RESULT

4.1. Descriptive Statistics of the respondents

A total of 135 respondents from a total of 45 cooperatives (Savings and Credit Cooperatives: 17, and Multipurpose Cooperative: 28) were interviewed for this research study. Brahmin/Chhetris were most of the respondents in both types of cooperatives, whereas dominance of female

respondents was found in both cooperatives. The age group of 25 to 50 age were the major respondents. The respondents were also asked about the awareness of universal principles of cooperatives, where the respondents were categorized based on the position they were at the cooperatives. The total respondents were categorized into executive directors (n=46), employee (n=43) and general members (n=46) respectively. Very less member of the executive board was unaware about the universal principle whereas even less employee was unaware of the universal principle which can be articulated that the employee in the cooperatives were educated about the principle of cooperatives, and they tend to operate in the environment where each cooperative is interwoven into the basic principle of cooperatives. Nevertheless, the general member section of the respondents showed a conflicting descriptive statistic with almost half of the general members were unaware about the concept of universal principles of the cooperatives. This can be interpreted as that the members are only interested on the activities that claimed their self-interest rather than operational readiness.

Table 1 Descriptive Statistics of Respondents

	Savings and Credit Cooperatives	Multipurpose Cooperatives
<i>Ethnicity</i>		
Brahmin/Chhetris	44	58
Indigenous Peoples (IPs)	5	13
Dalits	7	7
Others	0	1

<i>Gender</i>		
Male	20	34
Female	36	45
<i>Position</i>		
Executive Director	19	27
Employee	17	26
Members	20	26
<i>Age</i>		
<25	3	4
25-50	45	66
>50	7	10
<i>Knowledge about Universal Principles</i>		
Executive Director	6	40
Employee	3	40
Members	21	25

4.2. General Understanding of Cooperatives

The respondents were inquired about their general understanding of cooperatives. The cumulative responses from all three categories of respondents were generalized into five headings that summarized into the following:

- 1) Non-participation in profit: Cooperatives are self-operated, member owned entity that delves its operation on the working modality of not gaining profit or benefit on behalf of the organization. However, the member are entitled for the benefit gained and the cost accrued.
- 2) Not doing business with non-members: Co-operative members were found to be limiting their business services and transactions to co-operative members only.
- 3) Providing services to non-members: Cooperatives were found to be sharing non-commercial services that are not related to the financial benefits of cooperative's share-members should also be provided to members.

- 4) Do not rely on favors: Co-operative's share-members should not expect others to give them welfare. Share members themselves should become independent and self-supporting.
- 5) Acting positively: Cooperative share members should act on the ideal of equal participation without discrimination based on gender or any other basis. Positive initiatives and actions should be taken for the benefit of members who are marginalized in the community.

4.3. Level of Awareness of Universal Principles

The respondents were questioned about their awareness of universal principles. The cooperative universal principles are the guiding rules that construct the very foundation of the cooperatives. And the member associated with the cooperatives need a knowledge about what they are and how they matter to the foundation of the cooperatives. The respondents were categorized with a level of awareness about the universal principles viz., <25%, 25-50%, 50-75%, and >75% respectively. The result is displayed stratified based on the type of cooperatives.

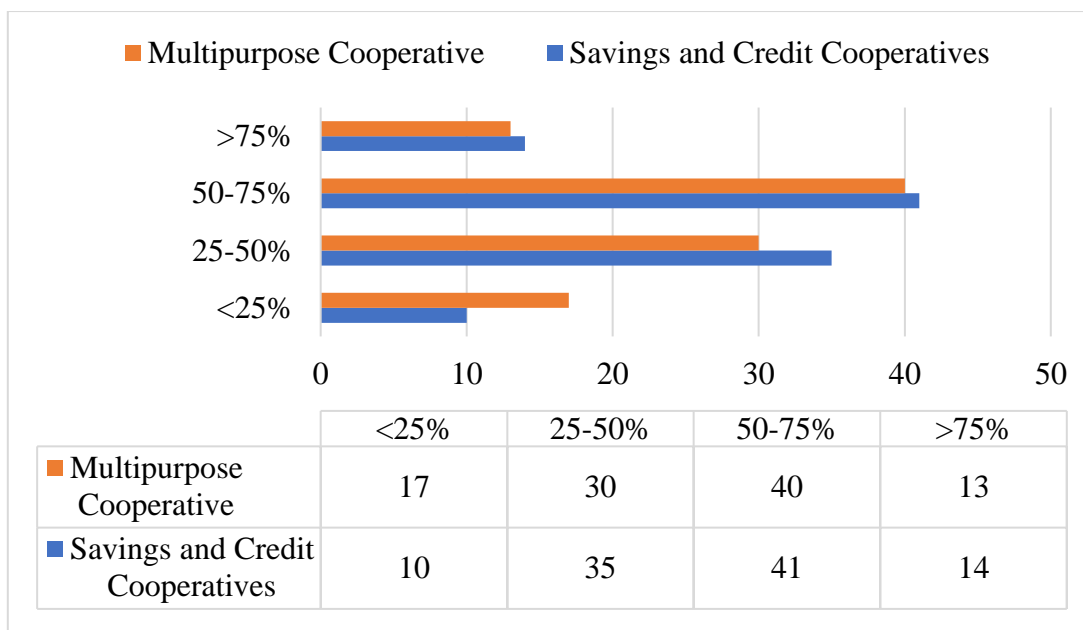


Fig.2 Level of awareness among the respondents

The figure above illustrated high amount of awareness among the respondents of savings and credit cooperatives in respect to multipurpose cooperatives. This can also be related with the high technical issues in implementing universal principles by multipurpose cooperatives in 4.4 as they are equipped with no or lower level of awareness about universal cooperatives and thus weren't able to apprehend the existential of the cooperatives problems in implementing universal principles.

4.3.1. Concept of Universal Principles

The respondents were approached with the intertwined objective of identifying their understanding of universal principles application in their current cooperatives and the

cooperative requirement to implement the universal principles of cooperatives. The respondents were inquired about their knowledge for universal principles, whether they were aware about it or not. The weighted mean across each principle was computed based on the cooperative's practices and cooperative's requirements were determined using SPSS. Voluntary and Open Membership was the most prominent principle found for both criteria mentioned. Followed by member economic participation is the most applicable in terms of importance value index (weighted mean), cooperation among cooperatives was found to be least applicable among the seven principles with the weighted mean value less than 4 for both types of cooperatives.

Table 2 Understanding Universal Principles by Cooperatives Practices and Cooperatives Requirement

Understanding Universal Principles by Cooperatives Practices and Cooperatives Requirement				
Cooperatives' Practices		Universal Principles	Cooperatives' Requirements	
Most Applicable	4.52	Voluntary and Open Membership	4.46	Most Applicable
Most Applicable	4.21	Democratic Member Control	4.10	Applicable
Most Applicable	4.43	Member Economic Participation	4.24	Most Applicable
Most Applicable	4.26	Autonomy and Independence	4.22	Most Applicable
Applicable	4.17	Education, Training, and Information	4.25	Most Applicable
Applicable	3.80	Cooperation among cooperatives	3.95	Applicable
Applicable	4.04	Concern for Community	4.12	Applicable

4.4. Issues in the implementation of universal principles of cooperatives

The table below identifies the key issues in implementing universal principles within cooperatives and how cooperatives of Tulsipur SMC has been categorized based on their performance. The cooperatives who were found underperforming or who were captivated by these challenges that has undermined their day-to-day transactions were labelled as Passive. Those cooperatives who have shown remarkable growth in last few years and also offers many opportunities to fill the gap and witness more remarkable performance with apprehending the universal principles of cooperatives in their daily operation were labelled as Neutral. Nonetheless, those cooperatives who were found to be performing very well capturing every principle of cooperatives in their daily transactions and shown remarkable growth in their financial performance were labelled as Active.

Table 3 Issues in Implementing Universal Principles of Cooperatives

Issues in Implementing Universal Principles in the Cooperatives					
S. N	Obstacles	Key Descriptions	Passive	Neutral	Active
1	Limited Member Participation	Encouraging active participation from all members in decision-making processes can be challenging. Some members may be passive or disengaged, affecting the democratic control aspects. Majority of the small-capital intensive cooperatives were captivated by these challenges.	Swajan MCC, Shiva Shikar MCC, Somnath Agriculture MC, Bhagya Agriculture MC	Hamro Rajakot MCC, Ekata SCC, Jyoti Mahila SCC	Hamro Pahunch MCC, Miteri SCC, Rapti SCC
2	Limited Awareness and Understanding	Many agricultural cooperatives lack comprehensive knowledge and understanding of the universal cooperative principles, leading to challenges in their effective implementation. This limited awareness hampers efforts to align cooperative practices with the core principles of voluntary and open membership, democratic member control, and member economic participation.	Samjhana MCC, Shriram Agriculture MC, ShivaShikar MCC	Hamro Rajakot MCC, Balapur Janakrishi MC, Rara SCC	Hamro Pahunch MCC, Saune Pani Agriculture MC, Rapti SCC.
3	Governance Issues	Agricultural cooperatives often face governance challenges, including issues related to leadership, decision-making processes, and transparency. Weak governance structures may result in power imbalances, lack of accountability, and ineffective representation of members' interests, undermining the principles of democratic member control and autonomy.	Pabitra Agriculture MC, Kamal Pokhara Agriculture MC, Manakamana Mil Producers MC	Rara SCC, Saksi SCC, Sahara SCC	Hamro Pahunch MC, Srijana Women SCC, Guru Baba MCC
4	Financial Sustainability:	Financial sustainability is a significant challenge for agricultural cooperatives, particularly in resource-constrained settings. Limited access to capital, inadequate financial management practices, and economic volatility can threaten the viability of cooperatives and hinder their ability to adhere to principles such as member economic participation.	Shiva Shikar MC, Garima MC, Rasta Sebak MC	Tulsipur Agriculture and Forest MC, Hamro Rajakot MCC, Ekata SCC	Hamro Pahunch MC, Tulsi Consumer MC, Siddeshwori Women SCC

5	Member Engagement and Participation	Encouraging active member participation and engagement is essential for cooperative success. However, agricultural cooperatives often struggle to foster meaningful member involvement due to factors such as low literacy levels, and socio-cultural barriers. This lack of engagement undermines the principles of member participation and education.	Goltakuri Mahila Sana Kishan Agriculture MC, Sarbottam MC, Gari Bhagwati Agriculture MC	Rara SCC, Saksi SCC, Darpan Agriculture MC	Hamro Pahunch MC, Guru Baba MCC, Miteri SCC
6	Market Dynamics and Competition	Agricultural cooperatives operate in increasingly competitive market environments, facing challenges from both traditional market players and emerging agribusiness models. Limited market access and changing consumer preferences pose significant challenges to cooperative sustainability and profitability, affecting principles related to cooperation among cooperatives and concern for the community.	Shiva Shikar MC, Rasta Seebak SCC, Ananti SCC	Baba SCC, Ekata SCC, Sahara SCC	Hamro Pahunch MC, Rapti SCC, Tulsi consumers MC.
7	Regulatory and Policy Constraints:	Regulatory frameworks and government policies can either facilitate or hinder the operation of agricultural cooperatives. Complex regulatory requirements, bureaucratic hurdles, and inconsistent policy support may create barriers to cooperative development and compliance with universal principles, particularly in countries with weak institutional frameworks.	Shiva Shikar MC, Dipak Smriti User MC, Subha Sandesh SCC	Janasewa SCC, Baba SCC, Baikalpik SCC, Mahila Utsali SCC	Hamro Pahunch MC, Sahayogi SCC, Srijana Women SCC
8	External Dependencies and Partnerships	Agricultural cooperatives often rely on external stakeholders, including government agencies, NGOs, and financial institutions, for support and resources. However, dependency on external actors can sometimes compromise cooperative autonomy and decision-making authority, challenging principles of member control and independence.	Satyashwori Mahila SCC, Shanti Agriculture MC, Samjhana MCC	Tulsipur Agriculture and forest enterprise MC, Sahara SCC, Hamro Rajakot MC	Hamro Pahunch MC, Rapti SCC, Saune Pani Agriculture MC
9	Capacity and Skills Gap	Building and maintaining the capacity of agricultural cooperatives and their members is essential for effective governance, management, and operations. However, cooperatives may face challenges in accessing training, technical assistance, and expertise, resulting in skill gaps and limited institutional capacity to adhere to universal principles effectively.	Tulsipur SCC, Arundoya MCC, Fulwari Agriculture MC	Jyoti Mahila SCC, Balapur Janakrishi MC, Ekata SCC	Siddeshwori Women SCC, Guru Baba MCC, Miteri SCC.

Majority of multipurpose cooperatives were found to be underperforming and struggling to cope with the problems of cooperatives and facing obstacles and hurdles in

implementing the universal principles of cooperatives. Savings and Credit Cooperatives were found to be neutral in performance as they were found to be operating on a daily

basis, suggesting more outreach to the members of the cooperatives. Despite the fact that SCCs were operating on a daily basis, the issues of governance, member engagement and participation, market dynamics and competition, regulatory and policy constraints, and capacity building and skills gap were still prominent and need urgent attention. Cooperatives that have established themselves as financial institutions in Tulsipur and have performed well even during the economic emergency period have shown remarkable response to the issues of implementation of universal principles. For instance, Hamro Pahunch Multipurpose Cooperatives Limited have developed around 33 regulations that enables the securing cooperative governance and avoid regulatory and political level constraints, while they have also established and supported a community school, a radio station, various diary consumption unit, a petrol station and many more social and civic duty that adheres to generate awareness and understanding among the cooperative members. Similarly,

they have started vocational learning program to enhance member participation and also supported community level forest-based enterprises which also promotes member engagement and participation in the cooperative ensuring financial sustainability. Overall, the cooperatives listed in the active column marked their unwavering commitment and application of their financial transactions and cooperative operations adhering to the universal principles of cooperatives.

4.5. Key ideas and solutions to implement the principles of cooperatives

The table below illustrated the key solutions that need to be identified and weighted mean for each solution were computed and ranked accordingly. The most repeated value for each ranking for each solution was computed and percentage weightage was computed and based on the percentage calibration the most important solution was outranked accordingly.

Table 4 Solutions to Overcome Challenges of Implementation of Cooperatives

Solutions	%	Rank	Descriptions
Education and Training	12.86%	4	Providing education and training programs to cooperative members, leaders, and stakeholders to enhance their understanding of cooperative principles, governance structures, financial management, and business operations.
Capacity Building:	7.14%	8	Investing in capacity-building initiatives to strengthen the governance, management, and technical skills of cooperative leaders and members, enabling them to effectively implement cooperative principles and manage cooperative enterprises.
Strong Governance:	10.00%	5	Establishing robust governance structures within cooperatives, including transparent decision-making processes, democratic member control, and accountability mechanisms, to ensure adherence to cooperative principles and promote trust among members.
Financial Management:	15.71%	2	Implementing sound financial management practices, such as effective budgeting, accounting, and internal controls, to ensure financial sustainability, transparency, and accountability within cooperatives.
Member Engagement:	17.14%	1	Encouraging active participation and engagement of cooperative members in decision-making processes, planning, and operations, fostering a sense of ownership, empowerment, and collective responsibility.
Market Access and Diversification	6.43%	7	Facilitating access to markets, value chains, and business opportunities for cooperative products and services, as well as promoting diversification strategies to mitigate risks and enhance competitiveness.
Policy Advocacy:	9.29%	6	Advocating for supportive policies, regulations, and legal frameworks that enable the growth and development of cooperatives, including provisions for cooperative registration, governance, taxation, and access to finance.
Networking and Collaboration	15.00%	3	Promoting networking, collaboration, and partnerships among cooperatives, government agencies, NGOs, financial institutions, and other stakeholders to leverage resources, share best practices, and advocate for common interests.
Technology Adoption	2.14%	10	Embracing technological innovations and digital solutions to enhance efficiency, productivity, and service delivery within cooperatives, such as digital financial services, e-commerce platforms, and data management systems.

Social Responsibility	4.29%	9	Emphasizing the social mission of cooperatives and their role in promoting community development, environmental sustainability, and social inclusion, aligning cooperative activities with broader societal goals and priorities
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Member participation in each component of governance has been identified as the key practices that need to be implemented to adhere to the principles of cooperatives. As mentioned in the table above, member participation in decision making, appointment of roles and general assembly will develop a sense of ownership and stewardship towards the cooperative. Next is financial management, cooperatives can only be able to implement the universal principles of cooperatives if all members of cooperatives are aware of the financial management and accounting reporting mechanism of cooperatives. This will develop transparency towards financial accounting and will seek accountability in both senses, i.e. members to cooperative and cooperative to members. Further towards the assessment of key solutions, cooperatives were building networking and collaboration and providing necessary education and training to the members. To hotspot areas to leverage resources, share common understanding and interests around the cooperatives requires effective education and training to members, employees, leaders of cooperatives to understand the governance of cooperatives and coupled with the common understanding of universal principles within the cooperatives. Strong governance could only be achieved if all the above solutions are rigorously and comprehensively put into action and a robust framework to internal control system will allow further diversification and access to market. This can be ensured by advocating at the policy level, advising at the local government level to the national standard, and developing Corporate Social Responsibility (CSR) within the members.

V. DISCUSSIONS

5.1. Shared Understanding among cooperatives about universal principles:

Addressing the findings and insights from the study can inform policy and regulatory interventions aimed at strengthening agricultural cooperatives in Nepal. This may involve revising existing laws and regulations to better support cooperative principles and provide a conducive environment for cooperative development (Dhakal, O'Brien, et al., 2021). Recognizing the importance of member awareness and understanding of cooperative principles, efforts should be made to enhance capacity building and training programs for cooperative members and leaders. This can empower them to effectively apply cooperative principles in their day-to-day operations and decision-

making processes. The study findings can shed light on governance and management practices within agricultural cooperatives in Nepal. Recommendations for improving governance structures, enhancing transparency and accountability, and fostering democratic member participation can be formulated based on the identified best practices and challenges (Puri & Sujarittanonta, 2016). Exploring opportunities for collaboration and networking among agricultural cooperatives can amplify their impact and resilience. Platforms for knowledge sharing, joint ventures, and collective marketing initiatives can be established to leverage the strengths of different cooperatives and enhance their competitiveness in the market (Cervantes et al., 2023). Enhancing financial inclusion and access to resources for agricultural cooperatives is crucial for their sustainability and growth. Efforts should be made to strengthen cooperative financing mechanisms, improve access to credit and investment opportunities, and promote income-generating activities among cooperative members (A. Pandey, 2022). Agricultural cooperatives play a significant role in community development and social impact. The study findings can inform strategies for maximizing the social benefits of cooperatives, such as poverty reduction, gender empowerment, and environmental sustainability, through targeted programs and initiatives (Dhakal, 2021). Establishing robust monitoring and evaluation mechanisms is essential for tracking the progress and impact of interventions aimed at strengthening agricultural cooperatives. Regular assessments of cooperative performance against key indicators can help identify areas for improvement and guide future policy and programmatic interventions (USAID, 2017). By addressing these implications, stakeholders can work together to improve the effectiveness and sustainability of agricultural cooperatives in Nepal, ultimately contributing to rural development, poverty reduction, and inclusive economic growth.

5.2. Hurdles in implementing the universal principles within the subtext of cooperatives:

Currently, the main problems seen in the cooperative sector are related to the establishment, operation, regulation, and effective monitoring of cooperatives (G. Pandey, 2024a). The problems seen in some cooperative organizations are related to good governance and adherence to cooperative principles. It seems that this is the primary problem in the field of cooperatives, while the current recession and relaxation in the Nepali economy has also affected the

cooperative campaign in Nepal. Moral objectives, social objectives service to the members, good quality, cheap pricing, reasonable profit, co-operative principle have been the major challenges for co-operative organization in the present context of competitive market (Gurung, 2015). Low commodity prices, the agricultural economy, operational problems, and increasing costs were the most frequently mentioned problems cooperative management are some of the major challenges faced by rural cooperatives as stated by (Gray & Kraenzle, 2002) in their study of problems faced by rural cooperatives.

When cooperative organizations struggle with governance issues, it can lead to inefficiencies, lack of transparency, and conflicts among members or with regulatory authorities. Many Caribbean cooperatives have failed or are floundering because members perceive that the property of the cooperative is their personal property (ILO, 2017). Addressing these governance challenges is critical to ensuring that cooperatives fulfill their mission of serving the interests of their members and contributing to community development. Additionally, external factors such as economic downturns and fluctuations can exacerbate existing challenges within the cooperative sector. The current recession and relaxation in the Nepali economy may have adverse effects on cooperative campaigns, including reduced funding, decreased demand for cooperative services, and heightened financial instability for member-owners. To address these issues and strengthen the cooperative sector, concerted efforts are needed from various stakeholders, including government agencies, cooperative federations, development organizations, and civil society groups.

Addressing these challenges requires concerted efforts from cooperative leaders, members, government agencies, and development partners to strengthen governance structures, enhance financial management practices, promote member engagement, and create an enabling policy environment for cooperative development.

5.3. Key solutions to achieve universal principle implementation in Cooperatives.

Some potential strategies are to provide the training and technical assistance to cooperative leaders and members on governance best practices, financial management, and compliance with regulatory requirements (ICA, 2015a). Reviewing and updating regulatory frameworks is to ensure and make conducive to the growth and development of cooperatives while maintaining appropriate oversight to prevent abuses. Launching public awareness campaigns are to highlight the benefits of cooperatives and encourage participation from potential members and stakeholders (Uwaramutse et al., 2022). Facilitating

collaboration among cooperatives, government agencies, and other stakeholders is highly demanded to share resources, best practices, and lessons learned (Cuevas & Buchenau, 2018). Providing financial support and incentives for cooperatives are, especially during economic downturns, to help them weather the challenges and continue serving their members effectively (Khatiwada, 2014). By addressing governance issues, promoting adherence to cooperative principles, and providing support during economic downturns, the cooperative sector in Nepal can overcome current challenges and realize its potential as a driver of inclusive economic growth and community development (Simkhada, 2013).

Enhancing the application of cooperative principles and promoting the sustainable development of agricultural cooperatives in Nepal requires a multi-faceted approach that addresses governance, capacity building, market access, social inclusion, and policy support (Dhakal, Obrien, et al., 2021). Governments can create an enabling environment through supportive policies and regulatory frameworks. Cooperative leaders and members can prioritize education, training, and capacity-building initiatives to enhance governance, financial management, and business acumen. Fostering cooperation among cooperatives unlocks the collective strength and resources of the cooperatives at local, national, and international levels (Laserre, 2008). Facilitate knowledge exchange and peer learning opportunities among cooperatives to share best practices, lessons learned and innovative approaches to develop a learning approach among cooperatives and witness financial performance in accordance with the universal principles of cooperatives. Implementing gender-sensitive programs and initiatives to address the specific needs and priorities of women farmers and ensure their equal access to resources, training, and benefits (Duguid & Weber, 2016). Strengthen collaboration between government agencies, cooperatives, civil society organizations, and research institutions to address policy gaps, promote cooperative development, and advocate for the interests of cooperative members (Novkovic & Golja, 2015). By implementing these recommendations in a coordinated manner, Nepal can unlock the full potential of agricultural cooperatives as engines of sustainable rural development, poverty reduction, and food security. The concerted efforts of stakeholders, including government agencies, cooperatives, civil society organizations, development partners, and the private sector, are essential to realize this vision and build resilient and inclusive agricultural cooperatives for the future.

VI. CONCLUSION

The findings from the study on the application of universal cooperative principles in agricultural cooperatives in Nepal highlight both the importance of these principles and the challenges faced in their implementation. Universal cooperative principles serve as foundational pillars for enhancing transparency, democracy, and supportive articulation within agricultural cooperatives. By adhering to these principles, cooperatives can empower farmers, enhance their livelihoods, and promote collective actions for sustainable development. Adherence to principles such as open and voluntary membership, democratic member control, member economic participation, and autonomy, cooperatives are institutionalized to empower farmers, enhance their livelihoods, and promote collective actions. These principles enable members to have a voice in decision-making processes and contribute to the overall governance and success of the cooperative. The level of awareness among the cooperatives were measured categorized into four strata viz., <25%, 25-50%, 50-75%, and >75% respectively. Multipurpose Cooperatives were found to be lacking behind Savings and Credit Cooperative for the level of awareness among the cooperatives. The respondents were categorically labelled against the implementation of universal principles and the practice of cooperatives were identified. The study identifies a lack of awareness among cooperative members about universal cooperative principles. This highlights the need for educational initiatives aimed at promoting understanding and implementation of these principles among members. Enhanced awareness can foster greater engagement and participation in cooperative activities, leading to improved outcomes for members and communities.

The key issues the respondents faced while implementation of these principles was lack of awareness, governance challenges, market dynamics, regulatory barriers, and capacity buildings, that hinders the effective application of cooperative principles. Addressing these challenges requires a multi-faceted approach, involving policy reforms, capacity-building programs, and collaborative efforts among stakeholders. The study also concluded the several challenges hindering the effective application of cooperative principles in Nepal, including governance challenges, market dynamics, regulatory barriers, and capacity building needs. Prioritizing education, creating policy enabling conditions, and fostering cooperation among cooperatives are identified as corrective actions to address the challenges faced in implementing universal cooperative principles. By focusing on these areas, cooperatives can enhance transparency, fairness, and their commitment to the well-being of members and the broader community. Overall, the study underscores the importance

of universal cooperative principles in advancing sustainable development goals in the context of agricultural cooperatives in Nepal. By addressing the awareness gap and overcoming implementation challenges, cooperatives can realize their full potential as agents of positive change in rural communities. Additionally, exploring the role of external stakeholders such as government agencies, NGOs, and development organizations in supporting agricultural cooperatives could provide further insights into potential solutions and interventions.

The integration of cooperative principles into the core operations and decision-making processes of cooperatives in Nepal is essential for their success and alignment with sustainable development goals. By embracing these principles and effectively interweaving them into their practices, cooperatives can fulfill their dual economic and social objectives, empower smallholder farmers, promote sustainable practices, and contribute to the overall development of communities. By prioritizing economic participation and autonomy, cooperatives empower smallholder farmers to have a stake in the economic activities of the cooperative. This can lead to increased income generation, improved market access, and enhanced livelihoods for members. By promoting democratic decision-making processes and ensuring inclusivity, cooperatives can empower marginalized groups, promote gender equality, and address social inequalities. By integrating principles of environmental stewardship and resource conservation into their operations, cooperatives can promote sustainable farming methods, reduce environmental degradation, and contribute to climate resilience. Through initiatives such as education and training programs, infrastructure development, and social welfare projects, cooperatives can address local needs and improve the quality of life for community members. The integration of cooperative principles into sustainable development goals ensures alignment with broader global objectives, such as poverty alleviation, food security, and environmental sustainability. Cooperatives can actively contribute to achieving these goals by leveraging their collective strengths and resources for the benefit of society as a whole. Overall, the success of the cooperative movement in Nepal depends on its ability to fully embrace and integrate cooperative principles into its operations and decision-making processes. By doing so, cooperatives can not only thrive economically, but also make meaningful contributions to social progress, environmental sustainability, and community development.

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