

# Marketing challenges and opportunities of agriculture cooperatives in Mountain Dang Valley of Nepal

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**Abstract:** The agriculture sector in Nepal has been weak over the past two and a half decades, and it faces both structural and new challenges, including poor access to technology, inputs, and credit, and the emerging challenge of climate change. The major challenge faced by farmers is a lack of marketing opportunities. The main objective of this study will be to design remedies to the main problems of agriculture co-operatives, explore other alternatives, and analyzed the institutional structures of the formal existing institutions and stakeholders, and their role in the development of the cooperatives in the rural settings, and how rural cooperatives can function on coping the circular bio-based economy. The path forward for cooperative societies lies in a holistic approach that encompasses a well-structured value chain supply, strategic government assistance, bio-based economic solution, the unwavering commitment and active participation of stakeholders, rigorous and regular audits, robust financial credibility, and stringent internal controls.

**Keywords:** bio-economy, cooperatives, institutional challenges, marketing opportunities

**YEL classification:** J54, P13, Q13, Q57

## 1 Introduction

The agricultural sector, in Nepal has been significantly impacted by the changes caused by globalization and climate change affecting its sustainability and competitiveness. It is worth noting that agriculture plays a role in the livelihood of 90% of Nepal's population. However, the country has experienced a food deficit for the 26 years. To address this challenge it is imperative for farmers to come together as a group and take action to enhance their livelihoods and improve agriculture practices (Poudel, 2007). Rural enterprises face challenges, including the effects of global market fluctuations on food production and profitability. However, cooperatives whether single-purpose or multipurpose originated, provides a wide range of services especially to the rural communities, for instances; savings services, loan products of cooperatives, insurance services, and non-financial services as well (Simkhada, 2017). Additionally, they also deal with periods of floods and droughts which negatively impact their productivity (Thapa et al., 2019).

Although agriculture cooperatives are classified primarily as marketing, farm supply, and agriculture related-service cooperatives in most of the available literature (Poudel, 2007; Simkhada, 2017; V. Valentinov, 2007; V. L. Valentinov, 2005), various development activities in agriculture, small industry marketing and processing, distribution and supplies are now carried on through co-operatives e.g. Dairy, on and off-farm agriculture. 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, 2020). In areas, the agriculture co-operative societies in fact are playing multi-functional roles both in rural and urban areas dealing agriculture and non-agriculture services and credit/finance.

Bioeconomy (BE) could be a major opportunity for former agricultural and local communities and their food producing cooperatives to change their specialization using local resources potential and develop a thriving circular bio-based economy. It is a great chance to create new jobs and improve economic competitiveness of cooperatives in comparison with former traditional ones with mainly agricultural production. 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 bio-economy to govern holistic approach is essential for balancing three pillars of sustainability: social, economic and environment. It was suggested that small and fragmented agricultural markets are conducive for development of agricultural cooperatives, which, apart from correcting the market failures, also perform social and farmer-specific economic roles (Bonus, 1986; V. Valentinov, 2007; V. Valentinov & Curtiss, 2005).

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## **2 Methods**

### **2.1. Methodological Procedure**

The study consists of both primary and secondary data including a household/cooperative leaders survey, literature review, participatory rural appraisal tools including, focus group discussions, economic performance mapping of co-operative and a review of relevant literature.

**2.1.1. Household/cooperative survey:** A systemic stratified sampling approach was used for the household survey. A total of 194 households, corresponding to different cooperatives were approached for sampling, whereas for cooperative survey, 21 cooperatives representatives were selected. Stratification was done according to the active, moderate and passive farmers of co-operative those are involved in the production, packaging and marketing as well.

For the cooperative leaders, the questionnaires were usually filled either by directors themselves or by cooperative members close to directors in the presence of researchers for data gathering. After data was compiled into a database, a number of cooperative directors was interviewed about the most interesting (or otherwise unclear) aspects of information obtained through the questionnaire. Financial data was collected from the currently most reliable co-operative which was supplemented by the data from the database of the Cooperative Association in Tulsipur areas contains information on 166 cooperatives, the total 21 co-operatives data was taken in a comprehensive way and to establish whether these cooperatives are active or not and tele-communication, focus groups discussions (FGDs) and Key Informant Interview (KII) was conducted by the researcher with all listed cooperatives.

**2.1.2. Selection of sample:** The random sample criteria for criteria for selection of traditional and contemporary cooperatives was proposed and 5 cooperatives from each group was selected. In additionally, other 5 private enterprises were selected as control sample in order to compare the cooperativeness. In each cooperative, the cooperativeness, governance system including planning, decision-making process and market functionality, employment opportunity, attitudes of leaders of village community, cooperative, landowner and farmers, use of technology etc. was investigated. The 194-household questionnaire survey, 20 key informants' interview and 10 focus group discussions (FGDs) was done for gathering primary data with detailing information on the organizational structure, financial performance, and decision-making processes.

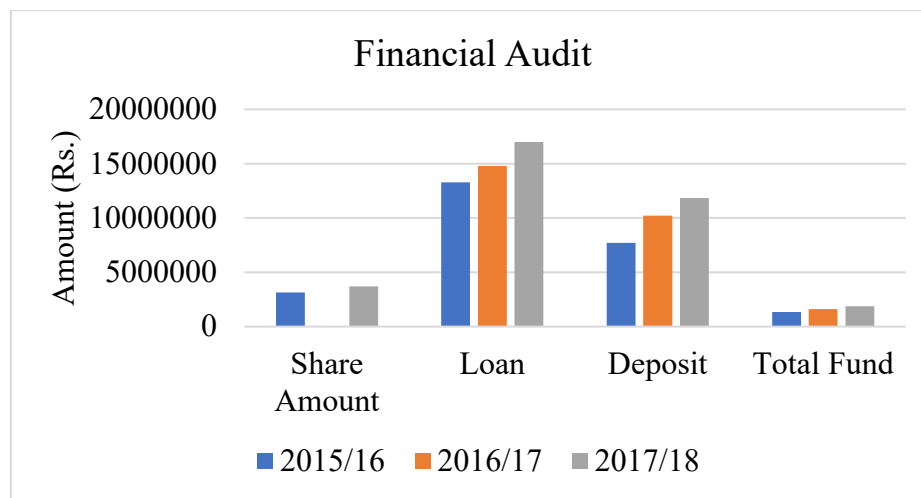
### **2.2 Data Analysis**

Data obtained from the field were very heterogeneous. For the simplicity of analysis, the processing was done by editing and coding, so edited and coded data were tabulated under required headings and subheadings. The survey questionnaires were coded, cross-checked, and cleaned where necessary. Household survey data was entered into a data-entry mask designed using the SPSS Statistics software package 16.0 version.

## **3 Results and Discussion**

Altogether, 21 cooperatives were selected for in-depth overview of the cooperative economic sustainability. They were approached with providing the financial audit data for the consecutive years starting from 2015/16 to 2017/18. Provided data encompassed share amount, loan deposit, liquid assets, deposit amount, interest amount, tax deducted amount, total fund allocated amount and so on. The data showed a progressive growth in the share amount, loan acquisition amount and deposit amount fashionably increasing the total fund transaction in the following years. The result is demonstrated in the figure below.

**Figure 1** Financial Audit tracking down from 2015/16 to 2017/18.



### 3.1 Loan

Altogether 194 individuals were sought for questionnaire survey and the loan disbursement was divided into short term, mid-term, long-term and no loan acquired data set. The data visualized 21 individuals sought 21 short-term loan, 41 individuals undertook mid-term loan, 8 individuals acquired long-term loan whereas 114 individuals were found to take no loan at all. With the country facing economic crisis, the individuals are afraid to take risk regarding loan acquisition and withdrawal from the cooperatives. Respondents that were found to seek short term loan responded the requirement of financial aid for agricultural and livestock purpose, whereas, mid-term loan seeker were found to be acquiring loan for business purpose.

### 3.2 Cooperatives decision

Stakeholders' involvement in the cooperatives overall functioning is crucial for the economic sustainability of the cooperatives. Stakeholders meeting are the means to an end for determining the progress in the trend of the growth of cooperatives. However, the respondents are found to be missing those meetings which results in the delay in the result disposition. Cooperative decision regarding hiring and firing employees are done in the stakeholders meeting, though the decision takers are found to be Executive committee in the majority of the General Assembly. Dispute resolution on the proper functioning of the sustainability of the cooperatives were found to be conducted using consensus or qualified majority methods in the General Assembly.

### 3.3 Problems in Cooperatives

The KII respondents and focus group discussion groups were approached with a predetermined setoff semi-structured questionnaire and were asked to expressed the present scenario and problems that resides deeply in the cooperatives of Tulsipur.

- i. Lack of clarity about mission, national vision, and adequate monitoring on the part of government with respect to cooperative movement.
- ii. Lack of managerial skills, and professionalism, sound planning and implementation.
- iii. Lack of working capital, appropriate research extension and education about cooperative.
- iv. Lack of credibility, lagging behind from institutional developments.
- v. Contributions are not measured in national accounts, dormant members.
- vi. Inadequately trained human resources, lack of strategic direction.
- vii. Very little or no intervention in digitization.
- viii. Weak portfolio. low risk management, liquidity crunch in the financial system.

### 3.4 Bio-economy and rural development

The respondents from KII were engaged in a capacity building workshop as part of the community teaching where they were asked a series of questionnaire and they were responsible to deduce the response of the respective queries regarding how the cooperatives conceptualize bioeconomy and how that is being adapted.

**Table 1** Respondents visualization of Bioeconomy as a tool for rural development.

Conceptualizing Bio-economy	An approach to become independent from sources of income through simple production, conservation and consumption of natural resources.
Adaptation	By facilitating skills and capacity development trainings and exhibition. By adapting savings, investment and employment approach and understanding market management. And by enabling equal access to all.
Delivery	The current policy and government structure is unable to deliver the bio-economy approach in the cooperatives. Middlemen existence as a mediator pushes the value addition as much by 5x for the final consumer. Unscientific use of imported fertilizers has increased, displacing pesticides, chemical fertilizers and artificial fertilizers.

### 4 Conclusions

As the research quantify the economic sustainability of the cooperative based on the financial auditing and how progressive the growth it achieved, the loan acquisition remarks the mobilization of human resource and cooperatives decision exhibiting its way forward on the upcoming challenges the cooperatives face, in short, the economic sustainability in the agricultural cooperatives in Tulsipur sub-metropolitan city embarks on a long-lasting journey. However, with the COVID-19 impacts, and Russia-Ukraine war faceted the economic crisis globally, Nepal cannot be remained untouched, and the data acquired in 2018/19 might not represent and may flaunt before the crisis data in general. Many cooperatives have succumbed before the crisis resulting in the overall economic sustainability of the cooperatives and now must seek options for their existence.

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