

**A STUDY ON CREDIT LENDING PROCESS AND RECOVERY  
SYSTEM OF DISTRICT LEVEL COOPERATIVE IN SURKHET  
DISTRICT**

**(GaunSahar Multipurpose Cooperative Ltd. and Community Cooperative Ltd.  
Surkhet)**

**BY**

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**For**

**55<sup>th</sup>Batch PGDCBM Course**



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Submitted to

**The Programme Director**

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## **ACKNOWLEDGEMENT**

It is my sincere pleasure to submit this Dissertation Report entitled "**A study on credit lending process and recovery system of district level cooperative in Surkhet district**" prepared with a view to fulfill the requirement of the 55<sup>th</sup> Batch Post Graduate Diploma in Cooperative Management (PGDCBM), Course, Organized by VAMNICOM, Pune.

This study is just an effort undertaken to review the credit lending process and recovery system of district level cooperative at local level. The Dissertation Report prepared outlines the range of productivity which is necessarily a broad category of management.

While working on the issue, it occurred to me that probably it would be much more difficult to bring this document if I was not supported from the various sides.

I, therefore, would like to offer due respects to my honorable Teacher Dr. Jayalaxmi and Dissertation Guide/Associate Prof. S.Y. Deshpande of VAMNICOM, Pune Same thanks go to the Cooperative Manager at GaunSahar Multipurpose Cooperative Ltd. and Community Cooperative Ltd. Surkhet and other staffs as well for providing with the required level of assistance. Likewise, I am indebted to my friends and family who supported me to carry out this study.

Finally, I hope that study is merely the prelude to further analytical works by many development workers, college students, social organizations and others interested to acquire knowledge on this magnificent issue "**A study on Credit Lending Process and Recovery System of District Level Cooperative in Surkhet District**".

Kamal Prasad Adhikai

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### **CERTIFICATE**

This is to certify that the Dissertation entitled "**A study on credit lending process and recovery system of district level cooperative in Surkhet district**" is an original research work carried out by Mr. Kamal Prasad Adhikai under my guidance and supervision. No part of this work has been submitted for any other degree earlier.

Date:

Place: Pune

Prof. S.Y. Deshpande

## DECLARATION

I hereby declare that the dissertation entitled "**A study on credit lending process and recovery system of district level cooperative in Surkhet district**" is the outcome of research work carried out by me under the guidance of Prof. S.Y. Deshpande, Associate Professor and Head, Centre for Cooperative Management, Vaikunth Mehta National Institute of Cooperative Management, Pune, Maharashtra. I further declare that this dissertation has not been submitted previously for the award of any degree either in this Institute or any other Institute.

Date:

Kamal Prasad Adhikai

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Trainee Officer

## EXECUTIVE SUMMARY

### "A study on credit lending process and recovery system of district level cooperative in Surkhet District"

**Research Guide: Prof. S.Y. Deshpande Trainee Officer: Kamal Prasad Adhikai**

Cooperative is an autonomous association of persons who voluntarily cooperate for their mutual, social, economic and cultural benefit. Cooperatives include non-profit community organizations and businesses that are owned and managed by the people who use its services. Cooperation dates back as far as human beings have been organizing for mutual benefit. Tribes were organized as cooperative structures, allocating jobs and resources among each other, only trading with the external communities.

The study is based on secondary data collected from Gaun Sahar Multi-purpose Cooperative Organization and Community Co-operative Limited in Surkhet district of Nepal during the period of five fiscal years, i.e. from 2073/074 to 2077/078. Based on the relevant selected review of literature objectives were formed for the study. To examine the performance of loans disbursement by GSMCOL and CCL, to analyze the performance of loan recovery by GSMCOL and CCL and to compare the loan lending and recovery of GSMCOL and CCL.

The study has used the performance indicators to understand the performance of the both the cooperative societies by using appropriate percentages, growth rate and trend analysis. Major finding has been drawn based on the analysis of GSMCOL and CCL. GSMCOL percentage change with respect to loans disbursement has been positively increased during the study period. But in the case CCL percentage with respect to loans disbursement has been positively decreased during the study period. Therefore, CCL must concentrate their loans disbursement on the basis of potentially viable members and implement suitable various types of productive loans.

The following recommendations are made for improvement for both the cooperative societies like; the cooperative societies should select suitable candidates while recruitment for better growth and performance of both the cooperative societies, there should be effective coordination between the members of the cooperative as well as between the shareholders, there should be elasticity in interest rate on loans, it may lead financial viability of both cooperative societies, there must be continuous supervision and investigation, the management should arrange suitable training programmes for both the cooperative societies employees about enhancement of their efficiency and effectiveness motivate the members to provide incentive or implementation of member benefit programmes.

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## ABBREVIATIONS

AD	:	Anno Domini (After Christ)
CCL	:	Community Cooperative Limited
DOC	:	Department of Cooperatives
GSMCOL	:	Gaun Sahar Multi-Purpose Cooperative Organization Limited
HMG	:	His Majesty's Government
ICA	:	International Cooperative Association

# **CHAPTER: I**

## **INTRODUCTION**

### **1.1 Background of the Study**

Cooperative is an autonomous association of persons who voluntarily cooperate for their mutual, social, economic and cultural benefit. Cooperatives include non-profit community organizations and businesses that are owned and managed by the people who use its services (a consumer cooperative) or by the people who work there (a worker cooperative) or by the people who live there (a housing cooperative). Cooperation dates back as far as human beings have been organizing for mutual benefit. Tribes were organized as cooperative structures, allocating jobs and resources among each other, only trading with the external communities.

Cooperatives are established under following principles.

- The user ownership principle: Co -operative is owned by people who use it.
- The user control principle: Cooperative is controlled by people who use it.
- The user benefit principle: Benefit is distributed in proportionate among the members of cooperatives.

In agriculture, farmers cooperative is important and present in Nepal. Basically there are following types of farmers cooperatives in Nepal.

#### **1.1.1 Marketing Cooperatives**

These include commodities or commodity groups such as cotton, dairy, fruit and vegetables, poultry, and livestock marketing cooperatives. Marketing cooperatives' primary objective is marketing the farm produce of its members. Most of the market volume of this cooperative comes from the farm produce of its members. As marketing is a very difficult task for farmers, establishing a marketing cooperative is very important for commercialized agricultural development and to maintain the farm profit.

#### **1.1.2 Farm Supply Cooperatives**

Farm supply cooperatives are vital for the dependable supply of farm inputs such as farm machinery, equipment, fertilizers, housing materials, livestock feed, seed, and petroleum



products. They may also handle items such as lawn equipment, food items, or necessary items for gardening. Farm supply cooperatives may be established at the local, regional, or the national level depending on the nature of farm supply needs. Cooperative endeavors such as feed mills, farm machinery, and fertilizer plants can be established at the regional or national level, whereas the farm supply depot can be established at the local level.

### **1.1.3 Service Cooperatives**

Service Cooperatives are set up for special services such as credit services, telephone/electric service, insurance services, irrigation services, grain banks, trucking, artificial insemination, cotton ginning, ginger drying, rice drying, etc. Service Cooperatives may also provide items such as chemicals, diesel, oil, gas, feed, seedlings, and seeds to its members. Soil testing, crop scouting, and land leveling are other services a service cooperative may provide to its members.

According to International Co-operative Association-operative is an autonomous association of person unit voluntarily for the fulfillment of their common economic, social and cultural needs and of aspirations through a jointly owned. On the basis of definition by ICA, co-operation is mainly business activity based organization. Main objective of co-operatives is to enhance economic and social need of those people who have common purpose. In general, co-operative means collective work of persons to get specific goal together. The business system in which separate skills and knowledge of employees are used to get profit mutually. Hu they can do everything in team. Such principle is applicable for co-operatives.

As ants and bees and other wild animal are able to do their work in team. People also can achieve goal doing work together and this is co-operative thought. There are different views to define co-operatives. The collective principle and behavioral activity of all employee is co-operative. Technically it is defined as a good aspect of business; technically. According to sociologist, co-operative is the tool which makes us away from exploration; but according to ecologies it is the tool which makes poor people, free from exploitation.

Co-operative means, such organization which are organized by self-desire to fulfill equal economic, social and other requirements on the basis of democratic control. Its principle is not being I but being we and our business for economic and social welfare. Different scopes of human business like agriculture, small and medium business, and domestic business are started and mobilized through co-operative. In this, production refines and market management methods exist.

Co-operative can be treated as an organization based on mutual work doing together. It is operated on the basis of value, assumption and principle. It gives the strength to its members to spend quality life without violence. We receive human values and motivation from this. There is no conflict between members and good co-ordination exists there. Profit and losses shared equally. Co-operative not only increases the human value but also increases moral quality and behavior, which causes good social changes. Co-operative conducts new thought, so it is fully business organization and it has long-lasting existence.

The history of the cooperative movement concerns the origins and history of cooperatives. Although cooperative arrangements, such as mutual.

Insurance, and principles of cooperation existed long before, the cooperative movement began with the application of cooperative principles to business organization.

The cooperative movement began in Europe in the 19th century, primarily in Britain and France, although The Shore Porters Society claims to be one of the world's first cooperatives, being established in Aberdeen in 1498 (although it has since demutualized to become a private partnership). The industrial revolution and the increasing mechanism of the economy transformed society and threatened the livelihoods of many workers. The concurrent labor and social movements and the issues they attempted to address describe the climate at the time.

The first documented consumer cooperative was founded in 1769, in a barely furnished cottage in Fenwick, East Ayrshire, when local weavers manhandled a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount, forming the Fenwick Weavers' Society.

In the decades that followed, several cooperatives or cooperative societies formed including Lennoxton Friendly Victualling Society, founded in 1812. By 1830, there were several hundred co-operatives. Some were initially successful, but most cooperatives founded in the early 19th century had failed by 1840. However, Lockhurst Lane Industrial Co-operative Society (founded in 1832 and now Heart of England Co-operative Society), and Galashiels and Hawick Co-operative Societies (1839 or earlier, merged with The Co-operative Group) still trade today.

It was not until 1844 when the Rochdale Society of Equitable Pioneers established Rochdale Principles the on which they ran the basis for development and growth of the modern cooperative movement was established.

Financially, credit unions were invented in Germany in the mid-19th century, first by Franz Hermann Schulze-Delitzsch (1852, urban), then by Friedrich Wilhelm Raiffeisen (1864, rural). While Schulze-Delitzsch is chronologically earlier, Raiffeisen has proven more influential over time –see history of credit unions. In Britain, the friendly society, building society, and mutual savings bank were earlier forms of similar institutions.

#### **1.1.4 Cooperative Movement in Nepal**

Modern cooperatives began in Nepal in 1954 when a Department of Cooperatives (DOC) was established within the Ministry of Agriculture to promote and assist development of co-operatives. The first cooperatives formed in Nepal were co-operative credit societies with unlimited liability created in the Chitwan district as part of a flood relief and resettlement programme. They had to be provisionally registered under an Executive Order of HMG and were legally recognized after the first Cooperative Societies Act of 1959 was enacted. The history of co-operatives in Nepal is closely related to Government's initiatives-operatives as part of its to development use co programmes. Therefore, the development of cooperatives will be described in eight phases corresponding to eight plan periods.

During the First Five-Year-Plan (1956/7-1960/1) Government embarked on an ambitious programme to organise 4,500 agricultural multipurpose co-operatives.

During the Second Three-Year-Plan (1962/63-1964/1965) a Land Reform Act came into force in 1964 including a compulsory savings scheme, according to which farmers had to save a portion of their crop.

During the Third Five-Year Plan (1965/66-1969/1970) the total number of co-operatives reached 1,489 operating in 56 out of 75 districts.

During the Fourth Five-Year Plan (1970/71-1974/75) a massive reorganization programme launched already in 1969 was pursued, placing emphasis on the quality rather than on the quantity of co-operatives.

Under the Fifth Five-Year Plan (1975/76-1979/80) a massive Co-operative Expansion Programme was laun

During the Sixth Five-Year Plan (1980/81-1984/85) an —InteProgrammell was launched andinmade1981more for responsive to the needs and problems of small farmers.

During the Seventh Five-Year Plan (1985/86-1989/90) efforts were made to reshape the co-operative movement.

It appears that until 1990 most cooperative ventures were limited to credit and finance and were controlled by the government. The Cooperative Act of 1992 provided freedom for the farmers themselves to organize and establish cooperative societies. As of 2004, it is reported that a total of 7,598 cooperatives exist in Nepal, and of the total 2,979 were multipurpose cooperatives, 2,345 credit unions, 1,410 milk producer cooperatives, 154 consumer cooperatives, and 710 other types of cooperatives (Mali, 2005). It is reported that consumer cooperatives are failing mainly due to the opening of department stores nationwide. Cooperatives are also found in the areas of transportation, vegetable production, coffee and tea production, wood carving, furniture, the cottage industry, carpet industry, and ginger production.

### **1.1.5 Present Status of Cooperative in Nepal**

The total numbers of cooperatives are 29886 according to Sahakarijhalak 2077 in country. 125 are under the federal government, 6002 under the state government and 23759 under the local government. About 80 percent of the total cooperatives are under the local government. The majority of local governments do not have the policy and experience to regulate, supervise and coordinate these cooperatives. Similarly there are about 7307462 members affiliated to the cooperatives. Out of the total members 56 percent are female members and 44 percent are male members. There are 4737 cooperatives in province no1, 4153 cooperatives in province no2, 10418 cooperatives in province no3, 2671 cooperatives in province no4, 3755 cooperatives in province no5, 1967 cooperatives in province no6 and 2060 cooperatives in province no7. At present context.

### **1.1.6 Benefits from Cooperative Movement in Nepal**

Through farmer cooperatives, important agricultural developmental objectives such as enhancing agricultural production, adding value to agricultural produce, enhancing marketing of agricultural commodities, and developing technologies and practices related to agricultural production can be achieved. Farmers will derive income from multiple sources including production and marketing cooperatives, value-added commodities, and trade. Trade profits will go directly to the farming communities rather than to a few intermediaries in the cities. The bargaining power of farmers will increase and they can get good market as well as good price for their products. Moreover, because of low market margin, consumers will get the products at lower price and hence efficient mobilization of product will be done. Due to the decentralized grassroots level of production, marketing, and processing of agro-commodities in the cooperative mode of nation building, farmers and the rural population will feel that villages and rural areas are as good as cities for living. This will help to stop rural to urban migration. Governmental subsidies and support systems will directly help rural communities and the rural infrastructural development. People will generate income through various sources including farmer cooperatives, employment at farmer cooperatives, and other agricultural production activities. Through the formation of farmer cooperatives across the nation, farmers, ethnic groups, women, rural youth, and the suppressed classes will feel that they are part of nation building and are sharing in the fruits of economic growth. It will bring them a sense of pride and dignity. Similarly, to cope with the natural misfortune like drought, flood, landslides etc. and search alternatives for them, collective effort through cooperative is necessary in our context. The average landholding of a farmer in Nepal is less than 1ha, by collective farming; mass production in commercial scale is possible for the commodity desired. The ultimate benefit is food security for the farmers and good income through agriculture.

### **1.1.7 Principle of Co-operatives**

Co-operative principles are brought in 1844 A.D. in London, through consumer's-operatives. International Cooperative Alliance (ICA) had brought 6 principles and 1 is also added. Those 7 principles are as follows;

- a. Optional and open membership
- b. Democratic rule

- c. Economic participation
- d. Autonomy and freedom
- e. Education, training and information
- f. Inter cooperative coordination
- g. Social Interest

### **1.1.8 Introduction of Gaun-Sahar Multipurpose Co-operative Organization Limited (GSMCOL)**

Gaun-Sahar Multipurpose Co-operative Organization Limited was registered under Division Cooperative Office, Surkhet on 13<sup>th</sup> of Magh, 2060 and its registered number is 87/060/061. This cooperative was established to uplift the economic status of the people of low income and economic status. Along with this, the cooperative has been working in the fields of social awareness, female empowerment and health education. These all works have been conducted by the cooperative by implementing different plans and policies. On the course of its journey of 18 years, this co-operative has crossed a lot of obstacles and now it has been increasing its field of developmental works. Due to the hard work of its employees and the members of the functional committee, this cooperative has been progressing day by day. Now, this cooperative has adopted itself according to the present changing situation and has increased its field of developmental activities. On 20<sup>th</sup> Ashoj, 2078, this co-operative completed its 17<sup>th</sup> Board of meeting and selected a 11 member committee under the chairmanship of Shivaraj Jaishi. Now, there are 119 female and 209 male members.

### **1.1.9 Objectives of GSMCOL**

The objectives of GSMCOL are as follows:

- a. To increase capacity among the members and community people by creating self-dependency, co-operation and equality between males and females.
- b. To create self-dependency and self-belief among the members of the co-operative.
- c. To provide trainings and techniques to the members to increase their economic status.
- d. To develop relationship with other organizations working socio-economic fields.
- e. To conduct productive, income generating and skill generating programs for the members

who are economically weak and from the low income families.

- f. To develop feelings of cooperative among people by conducting co-operative education.
- g. To conduct banking and micro-financial transactions in co-ordination with Rastra Bank.

### **1.1.10 Source of Services, Facilities and Income**

The main source of income of this cooperative is the capital collected by selling the shares and the interest from the loan provided to the members along with the savings of the shareholders in different topics. The interest obtained from the bank account is also the source of income of this cooperative.

### **1.1.11 A. Services and Facilities of the Cooperative**

This cooperative limited has provided loan to its members to raise their life style and to make their economic status strong. Due to this, those who are directly related to this co-operative are highly benefited. This co-operative has also taken the membership of the bank. So, it has started its activities with the co-operative of bank too. Recently, this cooperative has provided the facilities of health services to its members. Apart from this, this cooperative has provided the following services and facilities:

#### **a. Savings**

Savings is one of the important fields of service provided by this cooperative. It has provided the facilities to its members by saving their amount. It has provided the facilities to those who have low income and are unable to deposit their money in other co-operatives and banks. This cooperative has the facilities of the following savings:

#### **b. Group Savings**

Group saving is the saving done by dividing the people in different groups. In group savings, one can deposit Rs. 20 at minimum and more than Rs. 50 at maximum. A member can withdraw the deposit if he/she wants to leave the membership of the cooperative. In this case, 8 percent interest is provided to the member.

### **c. Child Saving**

Individual saving is the saving done by an individual for the future. This cooperative provides an interest of 8 percent to such saving. In this savings, a saving can be done from Rs. 25 Rs. 1,00,000. This deposit can be withdrawn at any time by the individual.

### **d. Pension Saving**

This cooperative has also the facility of pension saving. In this saving, an annual interest of 8 percent is provided and an amount of Rs. 25 to Rs. 1,000 can be deposited. This saving can be withdrawn after 10 years. Double interest is provided if the deposit is withdrawn after 15 years and half amount is added after 10 years whereas 5 percent interest is given if it is withdrawn before 10 years.

### **e. Student's Fund**

The cooperative provides an interest of 10 percent on this saving. An amount of Rs. 50 to Rs. 10,000 can be deposited in this saving. This saving is done for the student's welfare and is withdrawn for the same purpose.

### **f. General Fund**

This cooperative has provided an interest of 5 percent in this saving in which a minimum of Rs. 50 is deposited. This deposit can be withdrawn after leaving the membership of the cooperative.

### **g. Loan Lending**

This cooperative has invested the amount collected from different sources in different fields which has directly helped the members who are related to this limited. It has provided loan at low interest. This cooperative has divided the loan into four parts: Better, worse, low quality and susceptible. The loan which has not crossed the duration of 3 months is considered as better, that which has crossed three months and below six months is worse, the loan which has crossed 6 months but not a year is considered as low quality loan and that which has crossed the duration of 1 year is considered as susceptible. The cooperative has a provision of taking the responsibility of 2 percent of the loan which falls under better, 25 percent of the loan which falls under worse, 50 percent of the loan which falls under low quality and 100 percent of the loan which falls under susceptible loan.



### **1.1.12 Introduction of Community Cooperative Limited (CCL)**

Community Cooperative Limited registered in Division Cooperative Office, Surkhet on Chaitra 11, 2058 under Cooperative Act 2048. The registration number of this co-operative is 252/38. This cooperative started its activities from Baisakh 1, 2059 by increasing its share.

This co-operative is now conducting its activities from its office located in ward no. 6 of Birendranagar Municipality of Surkhet district. This cooperative was established to unite the scattered capitals with the concepts of cooperation and conduct the capital for the good will of the members of the cooperative.

Now, there are 864 shareholders in this cooperative limited. This cooperative completed its 18<sup>th</sup> Board of Meeting. Till then, the total capital of the cooperative was Rs. 15,06,000. This cooperative has the main motives of equality, justice and responsibilities. The cooperative has served the rural communities by providing loan at low interest.

### **1.1.13 Objectives of Community Cooperative Limited**

- a. To stimulate the members about interdependency and self-belief.
- b. To provide and get interest on competitive rates in comparison to other financial organizations.
- c. To conduct daily activities according to the cooperative act and rules.
- d. To help the cooperative mission by providing training, education and information.
- e. To provide and gain loan from other cooperatives.
- f. To help for the proper management of the goods produced by the members of the cooperative.
- g. To conduct regular evaluation and inspection of the loan taken from the co-operatives by the members for different purposes.
- h. To collect capital by regular increment in the number of shareholders.

### **1.1.14 Source of Services, Facilities and Income of CCL**

The main source of income of this cooperative is the capital collected by selling the shares and the interest from the loan provided to the members along with the savings of the shareholders in different topics. The interest obtained from the bank account is also the source of income of this co-operative.

### **1.1.15 Services and Facilities of the Cooperative**

This cooperative limited has provided loan to its members to raise their life style and to make their economic status strong. Due to this, those who are directly related to this cooperative are highly benefited. This cooperative has also taken the membership of the bank. Recently, this cooperative has provided the facilities of health services to its members. Apart from this, this cooperative has provided the following services and facilities:

#### **a. Savings**

Savings is one of the important fields of service provided by this cooperative. It has provided the facilities to its members by saving their amount. It has provided the facilities to those who have low income and are unable to deposit their money in other cooperatives and banks. This co-operative has the facilities of the following savings:

#### **i. Group Savings**

Group saving is the saving done by dividing the people in different groups. In group savings, one can deposit Rs. 25 at minimum and more than Rs. 25 at maximum. A member can withdraw the deposit if he/she wants to leave the membership of the cooperative. In this case, 10 percent interest is provided to the member.

#### **ii. Individual Saving**

Individual saving is the saving done by an individual for the future. This cooperative provides an interest of 8 percent to such saving. In this savings, a saving can be done from Rs. 20 Rs. 1,00,000. This deposit can be withdrawn at any time by the individual.

### **iii. Pension Saving**

This cooperative has also the facility of pension saving. In this saving, an annual interest of 5 percent is provided and an amount of Rs. 20 to Rs. 1,000 can be deposited. This saving can be withdrawn after 10 years. Double interest is provided if the deposit is withdrawn after 15 years and half amount is added after 10 years whereas 5 percent interest is given if it is withdrawn before 10 years.

### **iv. Favour (Upakaar) Fund**

The cooperative provides an interest of 8 percent on this saving. An amount of Rs. 25 to Rs. 20000 can be deposited in this saving. This saving is done for the community welfare and is withdrawn for the same purpose.

### **v. Central Fund**

This cooperative has provided an interest of 8 percent in this saving in which a minimum of Rs. 20 is deposited. This deposit can be withdrawn after leaving the membership of the cooperative.

### **vi. Loan lending**

This cooperative has lent the amount collected from different sources in different fields which has directly helped the members who are related to this limited. It has provided loan at low interest. This cooperative has divided the loan into four parts: Better, worse, low quality and susceptible. The loan which has not crossed the duration of 3 months is considered as better, that which has crossed three months and below six months is worse, the loan which has crossed 6 months but not a year is considered as low quality loan and that which has crossed the duration of 1 year is considered as susceptible. The cooperative has a provision of taking the responsibility of 2 percent of the loan which falls under better, 25 percent of the loan which falls under worse, 50 percent of the loan which falls under low quality and 100 percent of the loan which falls under susceptible loan.

## **1.2 Statement of the Problem**

Today, the functions of cooperative limited is not only confined to do its usual functions but also to do something for the development of the economy. The development of the country depends upon the financial position. The deposits of the co-operative are increasing each year but due to improper accounting system, the cooperatives are not able to handle their transactions properly. The loan lending of the cooperatives is also increasing but the recovery process is slow because the members of the cooperatives do not repay the loan in limited time. In such conditions, the cooperatives are likely to degrade in their financial transactions. GSMCOL and CCL have been providing loan for different purposes to its members and shareholders. The loan lent by the cooperatives is recovered in time. This study aims to compare the loan lent and recovered by GSMCOL and CCL. Therefore, the problem of this study is stated as "A Comparative Study on Loan lending and Recovery Policy GSMCOL and CCL."

## **1.3 Objectives of the Study**

The main objectives of this study are as follows:

1. To examine the performance of loans disbursement by GSMCOL and CCL.
2. To analyse the performance of loan recovery by GSMCOL and CCL.
3. To compare the loan lending and recovery of GSMCOL and CCL.

## **1.4 Significances of the Study**

The study has its own significances. This study also has its significances which are as follows:

- i. This study will be helpful to find out the loan lending and recovery policy of GSMCOL and CCL, Surkhet.
- ii. This study will serve as a guideline for other students to carry out the same report in the field of business studies.
- iii. This study will help those who are concerned GSMCOL and CCL.
- iv. This study will help GSMCOL and CCL to find out their defects and improve them.

## **1.5 Limitations of the Study**

Due to the lack of time and budget constraints, this study has been limited within the following points:

- a. This study is only confined to GSMCOL and CCL.
- b. Due to time limitation, complete data are not included.
- c. This study is based on secondary data.
- d. It is just limited to loan lent and the loan recovered.
- e. This study only covers the data of five fiscal years from 2073/074 to 2077/078.

## **1.6 Organization of the Study**

The study was organized as follows: Chapter One  
Introduction Chapter Two –Review of Literature  
Chapter Three –Research Methodology  
Chapter Four –Presentation and Analysis of Data  
Chapter Five –Summary, Conclusion and Recommendation  
References

## **CHAPTER: II**

### **REVIEW OF LITERATURE**

#### **2.1 Conceptual Framework**

According to International Cooperative Association cooperative is an autonomous association of person unit voluntarily for the fulfillment of their common economic, social and cultural needs and of aspirations through a jointly owned on the basis of definition by International Cooperative Alliance (ICA), cooperation is mainly business activity based organization. Main objective of cooperatives is to enhance economic and social need of those people who have common purpose.

In general, cooperative means collective work of persons to get specific goal together. The business system in which separate skills and knowledge of employees are used to get profit motto they can do everything in team. Such principle is applicable for cooperatives.

As ants and bees and other wild animal are able to do their work in team. People also can achieve goal doing work together and this is cooperative thought. There are different views to define cooperatives. The collective principle and behavioral activity of all employee is cooperative. Technically it is defined as a good aspect of business; technically. According to sociologist, cooperative is the tool which makes us away from exploration; but according to ecologies it is the tool which makes poor people, free from exploitation.

Cooperative means, such organization which are organized by self-desire to fulfill equal economic, social and other requirements on the basis of democratic control. Its principle is not being I but being we and our business for economic and social welfare. Different scopes of human businesslike agriculture, small and medium business, domestic business are started and mobilized through cooperative. In this, production refine and market management method is existed.

Cooperative can treat as an organization based on mutual work doing together. It is operated on the basis of value, assumption and principle. It gives the strength to its members to spend quality life without violence. We receive human values and motivation from this. There is no conflict between members and good coordination exists there. Profit and losses shared equally. Cooperative not only increases the human value but also increases moral quality and behavior, which causes good social changes. Cooperative conducts new thought, so it is fully business organization and it has long-lasting existence.

## **Loan**

In finance, a loan is a debt provided by one entity (organization or individual) to another entity at an interest rate, and evidenced by a note which specifies, among other things, the principal amount, interest rate, and date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower.

In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time.

The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants. Although this article focuses on monetary loans, in practice any material object might be lent.

Acting as a provider of loans is one of the principal tasks for financial institutions. For other institutions, issuing of debt contracts such as bonds is a typical source of funding.

### **Types of loans - Secured**

A secured loan is a loan in which the borrower pledges some asset (e.g. a car or property) as collateral.

A mortgage loan is a very common type of money, used by many individuals to purchase things. In this arrangement, the money is used to purchase the property. The financial institution, however, is given security — a lien on the title to the house — until the mortgage is paid off in full. If the borrower defaults on the loan, the bank would have the legal right to repossess the house and sell it, to recover sums owing to it.

In some instances, a loan taken out to purchase a new or used car may be secured by the car, in much the same way as a mortgage is secured by housing. The duration of the loan period is considerably shorter — often corresponding to the useful life of the car. There are two types of auto loans, direct and indirect. A direct auto loan is where a bank gives the loan directly to a consumer. An indirect auto loan is where a car dealership acts as an intermediary between the bank or financial institution and the consumer.

## **Unsecured**

Unsecured loans are monetary loans that are not secured against the borrower's assets. These may be available from financial institutions under many different guises.

The interest rates applicable to these different forms may vary depending on the lender and the borrower. These may or may not be regulated by law. In the United Kingdom, when applied to individuals, these may come under the Consumer Credit Act 1974.

Interest rates on unsecured loans are nearly always higher than for secured loans, because an unsecured lender's options for recourse against the borrower in the event of default are severely limited. An unsecured lender must sue the borrower, obtain a money judgment for breach of contract, and then pursue execution of the judgment against the borrower's unencumbered assets (that is, the ones not already pledged to secured lenders). In insolvency proceedings, secured lenders traditionally have priority over unsecured lenders when a court divides up the borrower's assets. Thus, a higher interest rate reflects the additional risk that in the event of insolvency, the debt may be uncollectible.

## **Demand**

Demand loans are short term loans that are typically in that they do not have fixed dates for repayment and carry a floating interest rate which varies according to the prime lending rate. They can be "called" for repayment by the lending institution at any time. Demand loans may be unsecured or secured.

## **Subsidized**

A subsidized loan is a loan on which the interest is reduced by an explicit or hidden subsidy. In the context of college loans in the United States, it refers to a loan on which no interest is accrued while a student remains enrolled in education.

## **Concessional**

A concessional loan, sometimes called a "soft loan", is granted on terms substantially more generous than market loans either through below-market interest rates, by grace periods or a combination of both. Such loans may be made by foreign governments to developing countries or may be offered to employees of lending institutions as an employee benefit.



## **CHAPTER: III RESEARCH METHODOLOGY**

### **3.1 Research Design**

The study is of descriptive type of research and its nature is quantitative. It covers the data of five fiscal years, i.e. 2073/074 to 2077/078.

### **3.2 Population and Sample of the Study**

There are number of cooperative organizations in Surkhet district.

Some of them are:

- a) Environmental Developmental Society
- b) Bulbule Cooperative Limited
- c) Gurans Tol Savings and Credit Cooperative Limited
- d) Gaunsahar Savings and Credit Cooperative Limited
- e) Sangam Savings and Cooperative Limited
- f) Pragatishil Women Development Savings and Credit Cooperative Limited
- g) Boudha Savings and Credit Cooperative Limited
- h) NauloJagriti Savings and Credit Cooperative Limited
- i) Samaj Sudhar Saving and Loan Cooperative Limited
- j) Pabitra Jana Kalyan Cooperative Limited, etc.
- k) Community Cooperative Limited.

Among these cooperatives, two cooperative organizations, i.e. Gaun Sahar Multi-purpose Cooperative Limited and Community Cooperative Limited were selected.

### **3.3 Sources of Data**

The data were mainly collected from the two sources. The primary data was collected by interview with the cooperative staffs whereas the secondary data were collected with the help of annual reports of the cooperative, articles, brochure, etc. The sources of data are as follows:

### **a. Primary Data**

Primary sources are usually defined as the original information or data that is generated by witnesses or participants in past events. Primary sources are characterized not by their format but rather by the information they convey and their relationship to the research question. The interpretation and evaluation of these sources becomes the basis for other research. In this study, no primary data is collected.

### **b. Secondary Data**

These data were collected from the sources like loan lending and recovery report of cooperative, brochure and articles of cooperative, cooperative law 2048, periodicals, audit reports and books.

## **3.4 Method of Analysis**

Secondary sources of data are used for the preparation of this study. For the analysis of the data, a descriptive design is used and the data are analyzed with the help of the following:

- a. Bar diagram
- b. Percentage diagram
- c. Time series analysis/Trend analysis

## **3.5 Chapter Scheme**

The dissertation report is divided into five chapters. First chapter briefed introduction about the cooperative societies. The second chapter deals with literature survey to understand the research gap. The research methodology highlighted under the third chapter. The important segment result and discussion indicated under the fourth chapter. The fifth chapter reflected summary, conclusion and recommendations.

## CHAPTER: IV

### RESULT AND DISCUSSION

#### 4.1 Data Presentation and Analysis

The data collected are analyzed and interpreted in different sections which are as follows:

##### 4.1.1 Loan lending Position of GSMCOL and CCL

The loan lending position of GSMCOL and CCL for five fiscal years is presented below in table no. 1.

**Table No. 1**  
**Loan lending Position from 2073/074 to 2077/078**

(Rs. in 000)

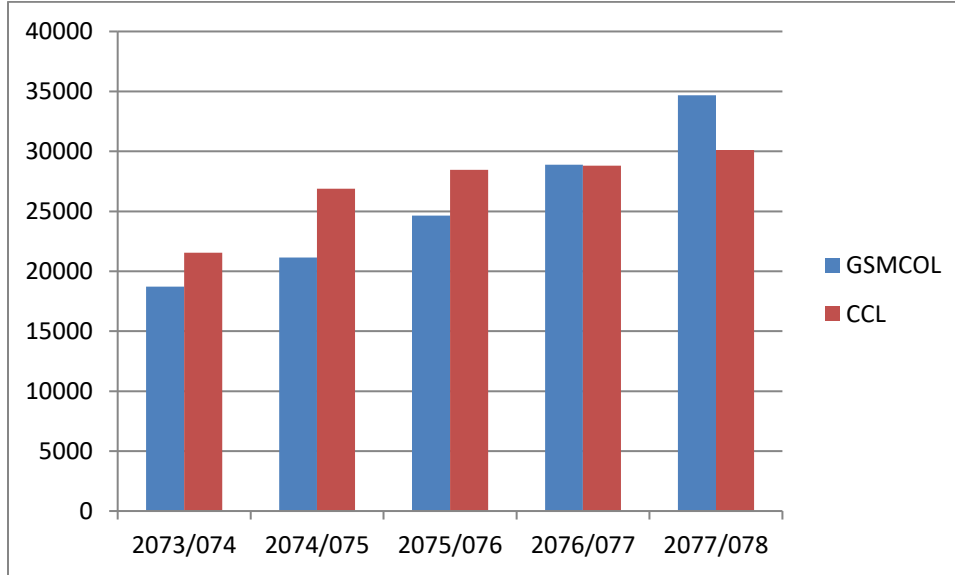
Fiscal Year	GSMCOL			CCL		
	Loan Investment	Change in Loan Investment	Percent Change	Loan Investment	Change In Loan Investment	Percent Change
2073/074	18705	-	-	21547	-	-
2074/075	21140	2435	13.02	26879	5332	24.75
2075/076	24655	3515	16.63	28457	1578	5.87
2076/077	28890	4235	17.18	28794	1645	5.78
2077/078	34687	5797	20.07	30125	1331	4.62

Source: Annual Reports of the Cooperatives

The loan lent by GSMCOL and CCL is shown in the following diagram:

**Figure No. 1**

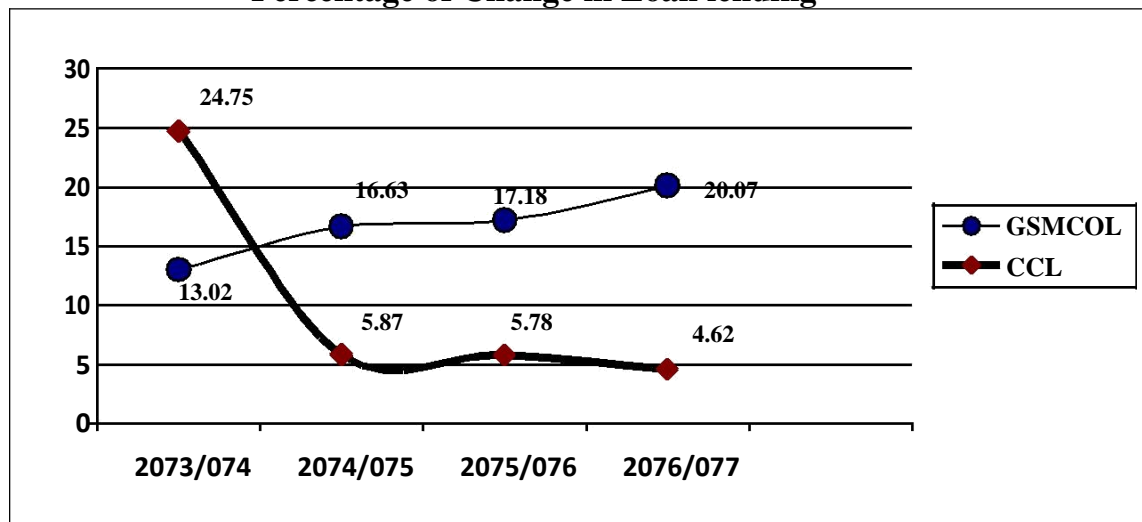
**Loan lent by GSMCOL and CCL from 2073/074 to 2077/078**



The above table and the figure shows that GSMCOL has loan lent Rs. 18705000 in the fiscal year 2073/0074, Rs. 21140000 in the fiscal year 2074/075 Rs. 24655000 in the fiscal year 2075/076Rs. 28890000 in the fiscal year 2076/077 and Rs. 34687000 in the fiscal year 2077/078. It shows that GSMCOL has been loan lending every year in an increasing trend. Similarly, CCL has lent Rs. 21547000 in the fiscal year 2073/074, Rs. 26879000 in the fiscal year 2074/075, Rs. 28457000 in the fiscal year 2075/076, Rs. 28794000 in the fiscal year 2076/077 and Rs. 30125000 in the fiscal year 2077/078. The CCL has also lent loan in increasing order from 2073/074 to 2077/078.

The change in percentage of loan lent by the cooperatives is shown below in figure no. 2.

**Figure No. 2**  
**Percentage of Change in Loan lending**



The figure above shows that there was change in loan lending of the two co-operatives. By percentage, in the fiscal year 2073/074 GSMCOL has provided 24.75 percent loan whereas CCL has provided only 13.02 percent loans. In the fiscal year 2074/75, GSMCOL has provided 16.63 percent loan and CCL has provided 5.87 loan which were less than the previous fiscal year. In the fiscal year 2075/076, GSMCOL has lent 17.18 percent loan whereas CCL has lent 5.78 percent loan. Similarly, in the fiscal year 2076/077, GSMCOL has lent 20.07 percent loan whereas CCL has lent only 4.62 percent loan. This shows that GSMCOL has lent loans more loan than CCL.

#### **4.1.2 Loan Recovery Policy**

Banking oriented cooperatives prepare lending as well as recovery policy. Non-recovery of loan up to specific date causes loss on cooperatives. So, such cooperatives have to consider in lending as well as recovery.

All cooperatives apply their loan recovery policy when loan time period ends. After completion of time limit of loan, cooperatives recover principle and interest. Such cooperatives apply their own rules; policy and program to lent and recover without depending to Agriculture Development Bank. Small farmer cooperative take a goal to recover the loan unrecovered in defined time period.

### a. Loan Recovery Position of GSMCOL and CCL

The loan recovery position of GSMCOL and CCL of the five years from 2067/068 to 2071/072 is shown in table no. 2.

**Table No. 2**

#### **Position of Loan Recovery of GSMCOL and CCL from 2073/74 to 2077/78**

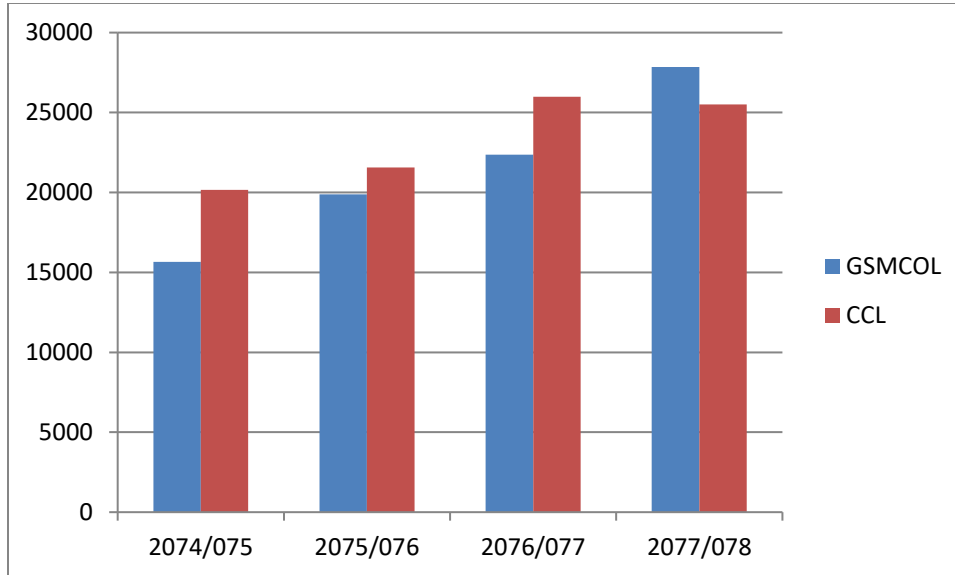
Fiscal Year	GSMCOL		CCL			
	Loan Investment	Loan Recovered	Percent Change	Loan Investment	Loan Recovered	Percent Change
2073/074	18705		-	21547		-
2074/075	21140	15648	83.66	26879	20156	93.54
2075/076	24655	19875	94.02	28457	21567	80.24
2076/077	28890	22356	90.68	28794	25987	91.32
2077/078	34687	27840	96.37	30125	25497	88.55

Source: Annual Reports of the Cooperatives

Table no. 2 shows the loan recovered by GSMCOL and CCL from the fiscal year 2073/074 to 2077/078. In the fiscal year 2073/074, GSMCOL had lent Rs. 18705000 and CCL had lent Rs. 21547000. The loan lent by GSMCOL in the fiscal year 2074/075 was Rs. 21140000 whereas the loan lent by CCL in the same fiscal year was Rs. 26879000. The loan lent by GSMCOL in the fiscal year 2075/076 was Rs. 24655000 whereas the loan lent by CCL in the same fiscal year was Rs. 28547000. Similarly, the loan lent by GSMCOL in the fiscal year 2076/77 was Rs. 28890000 and the loan lent by CCL in the same fiscal year was Rs. 28794000. In the final fiscal year of the study, the loan lent by GSMCOL was Rs. 34687000 and the loan lent by CCL was Rs. 30125000. It can be concluded from the data that the loan lent by both the co-operatives was in increasing order from 2073/074 to 2077/078. The loan recovered by the two co-operatives from four fiscal years 2074/075 to 2077/078 is shown in the following figure:

**Figure No. 3**

**Loan Recovered by GSMCOL and CCL from 2074/075 to 2077/078**



From the above figure, it can be seen that GSMCOL had lent Rs. 21140000 in the fiscal year 2074/75 and had recovered the loan of Rs. 15648000 of the previous fiscal year 2073/074.

CCL had recovered Rs. 20156000 in the fiscal year 2074/075. Similarly, GSMCOL had recovered the loan of Rs. 19875000 whereas CCL had recovered Rs. 21567000 in the fiscal year 2075/076. Likewise, in the fiscal year 2076/077, GSMCOL had recovered Rs. 22356000 and CCL had recovered as Rs. 25987000.

Finally, GSMCOL had recovered Rs. 27840000 and CCL had recovered Rs. 25497000 in the fiscal year 2077/078. It shows that the cooperatives had recovered their loans every fiscal year but the loan recovery was fluctuating.

The percentage of loan recovered by the two co-operatives is shown in the following figure.

**Figure No. 4**  
**Percentage of Change in Loan Recovery**

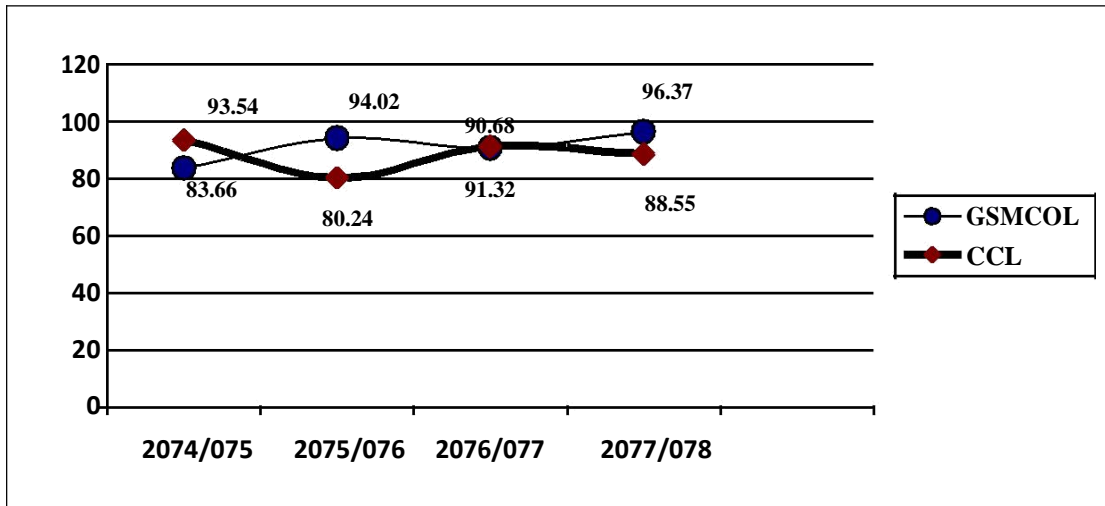


Figure above shows that in the fiscal year 2074/075, GSMCOL had recovered 93.54 percent of the loan whereas CCL had recovered 83.66 percent of the loan. It is clear that in this fiscal year, GSMCOL had recovered more loan than CCL. In the fiscal year 2075/076, GSMCOL had recovered 94.02 percent of the loan whereas CCL had recovered 80.24 percent of the loan. This year also, the loan recovery position of CCL was less than the GSMCOL. In the fiscal year, 2076/077, GSMCOL had recovered 90.68 percent of the loan whereas CCL had recovered 91.32 percent of the loan. In this year, CCL had recovered more loan than GSMCOL. In the final fiscal year of the study, GSMCOL had recovered 96.37 percent of the loan whereas CCL had recovered only 88.55 percent of the loan. It can be concluded from the above data that in some years, GSMCOL had recovered more loan than CCL whereas in some years, CCL had recovered more loan than GSMCOL.



## **SWOT Analysis**

### **a. Strength:**

Both the cooperatives were found to enhance the condition of people in our society. It increases the strength of the people. It helps to encourage the local people to involve themselves in different creative and income generating activities by providing loans at different and various interests.

### **b. Weakness:**

Female participation was seen low in both the cooperatives and they are being passive day by day. Share capital, loan amount is not sufficient. And its loan is short-term loan. There is no provision of long-term loan.

### **c. Opportunity:**

Maximum people are saving their money and are getting the opportunity to start their own domestic, small and medium business by providing loan. Both the cooperatives give opportunity of training for doing their own profession.

### **d. Threats:**

There occurs competition between many other cooperatives and it has to cooperate with other Bank and financial institution to provide loan.

# **CHAPTER: V**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary**

Nepal is a country where the males are the main power. Females are exploited. They are not involved in so many creativity activities. Few of them are only active in business and other works. The two cooperative organizations have enhanced the condition of both the males and the females by providing loan. The organizations provide trainings for opening and operating new businesses and invest or utilize on their profession. The cooperatives not only provide loan but also increase the skill, knowledge, ability and activeness of exploited people. It also decreases the economic problem of the country.

### **5.2 Major Findings of the Study**

After the analysis and interpretation of data, the study has drawn the following findings:

- a. It was found that GSMCOL has the highest loan lending of Rs. 34687000 in the fiscal year 2077/078 whereas the lowest loan lending was Rs. 18705000 in the fiscal year 2073/074.
- b. CCL had the highest loan lending of Rs. 30125000 in the fiscal year 2077/078 and the lowest loan lending of Rs. 21547000 in the fiscal year 2073/074.
- c. It was found that GSMCOL had a change in loan lending of Rs. 5797000 in the fiscal year 2077/078 and Rs. 2435000 in the fiscal year 2073/074.
- d. CCL had the highest change in loan lent of 5332000 in the fiscal year 2074/075 and the loan lending change of Rs. 1331000 in the fiscal year 2077/078.
- e. The percentage in change in loan lending of GSMCOL was 20.07 percent in the fiscal year 2077/078 and 13.02 percent in the fiscal year 2073/074.
- f. The percentage in change in loan lending of CCL was the highest 24.75 percent in the fiscal year 2074/075 and the lowest in the fiscal year 2076/077 which was 4.62 percent.
- g. GSMCOL had recovered a loan of Rs. 27840000 in the fiscal year 2077/078 whereas CCL had recovered a loan of Rs. 25987000 in the fiscal year 2076/077.
- h. GSMCOL had the highest change in loan recovery of Rs. 27840000 in the fiscal year 2077/078 whereas CCL had the highest change in loan recovery of Rs. 25987000 in the

fiscal year 2076/077.

- i. The highest loan recovery percentage of GSMCOL was 96.37 percent in the fiscal year 2077/078 and the lowest of 83.66 percent in the fiscal year 2074/075.
- j. CCL had the highest loan recovery percentage of 93.54 percent in the fiscal year 2073/074 and the lowest percent of 80.24 in the fiscal year 2075/076.

### **5.3 Conclusion**

The two cooperative limited organizations are helping a lot of people to enhance their income by providing them loan and encouraging them to involve in different income generating activities. The main goals of these organizations are to help the people to save their income and utilize them when they need it. After the analysis and presentation of data, it can be concluded that the loan lending of both the organizations is increasing year by year. The organizations are able to invest their loans in different activities and help the members as well as the shareholders to lift their lifestyle. From the data presentation and analysis, it can be concluded that the loan lending of GSMCOL is higher than the CCL but it can be seen that loan lending is fluctuating every fiscal year.

It is concluded that to enhance the financial position of people and to increase the socio-economic and financial status of the society and country, GSMCOL and CCL are playing a vital role as they are stable in their goals and are in a continuous way of completing their purposes.

## 5.4 Recommendations

GSMCOL and CCL are showing the signs of success every year. But both the cooperative societies have some weaknesses. During the preparation of this report, some weaknesses were seen. So, to remove the weaknesses of the organizations and help them for their better and successful future, the following recommendations are made:

- a. The organizations should select suitable candidates while recruitment for better growth and performance of both the cooperative societies.
- b. There should be effective coordination between the members of the cooperative as well as between the shareholders.
- c. There should be elasticity in interest rate on loans, it may lead financial viability of both cooperative societies.
- d. There must be continuous supervision and investigation.
- e. The management should arrange suitable training programmes for both the cooperative societies employees about enhancement of their efficiency and effectiveness.
- f. Saving amounts should be increased.
- g. Motivate the members to provide incentive or implementation of member benefit programmes.
- h. Both the cooperative societies should create awareness about their member benefit programmes. It may lead more publics become members of the cooperative societies.
- i. For knowledge development programs, members should be invited for local tours.
- j. According to requirement, share capital should be increased and invested.

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## Action Research

1. Increase of financial viability of the both the societies, they may increase women members. This action may suggest to the both cooperative societies on or before September 2022.
2. Increase of business volume and facilitate to the societies members, both the societies may implement long duration loans to its members along with existing short term and medium term loans for the present fiscal year.
3. Increase of financial performance of the both societies may change their cooperative policy and adopt Pigmy collection for the present fiscal year.

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