

Cooperatives, Economic Democracy and Human Security: Perspectives from Nepal

Yuba Raj Khatiwada, Ph. D.
Governor, Nepal Rastra Bank

Cooperative movement in Nepal and elsewhere is seen with much expectation and also with some skepticism. The expectation is for an inclusive and democratic society where people are economically empowered along with political one. The skepticism is because of its loose organizational structure, weak monitoring mechanism, and political orientation. This paper is an attempt to analyze cooperatives from the political, economic, and social perspectives and highlight the socio-economic areas where they could better perform, particularly in the context of post conflict transformational Nepal. The first section of the paper delves on state polity, democracy and cooperatives. The second section discusses economic democracy and the role of cooperatives in strengthening economic democracy. The third section analyses the role of cooperatives from human security perspectives and highlights the key dimensions of human security wherein cooperatives could be instrumental to achieve them. The fourth section briefly touches upon the role of saving and credit cooperatives in financial inclusion and inclusive growth. The fifth section flags on the major issues related to the rise of cooperative movement. And, the final section concludes the paper with some observations.

A. State Polity, Democracy and Evolution of Cooperative Movement

Nepal has witnessed dramatic changes in the political system within the last few decades. Social changes have accompanied political changes. But economic development has been not only slow but also exclusionary with gender, ethnic, and regional disparity in development outcomes. We have failed to secure basic economic rights of the citizens through federal republican constitution following the Constitution Assembly election of 2008. As we are making second effort in drafting a new constitution, we are trying to ensure rights of the people to access basic goods and services like food, education, health, and clean environment. The efforts would be to take the development process close to the people through state restructuring and moving to a federal set up and with the scaled up complementary roles of the government, the cooperatives, and the private sector.

Nepal remained for long as a centralized state with service delivery being ineffective and insufficient. The multiparty democratic system of post 1990s accompanied by liberal economic system overly depended on market for the delivery of basic services to the people. As a result, it could not address exclusion and deprivation; rather inequality increased and it was embodied in the skewed distribution of productive resources including land, capital and technology. Human capital formation also took an unequal shape with poor people being denied of quality education and health care services. Difficult geography and lack of infrastructure excluded many people from the development mainstream. This became the breeding ground for civic disenchantment and armed conflict which took a big toll of people and resources for a decade. With armed conflict settled following a 12-point peace and development agreement between

the state and the rebels, we are now heading towards a credible solution to our political impasse. We are also reorienting economic policies to make them people centric and inclusive. In this process, we are redefining the roles of the state and the private sector while also fostering the third grass root actor of development, namely the cooperatives.

The message from the failures of the liberal democracy introduced in 1990 is very clear – any political system that does not deliver development to the people or delivers in the most unequal way is prone to collapse. For those of us who believe in welfare state and delivering democracy, we need to know that the system must produce high rate of economic growth while striving to ensure social justice and equity. Although a high economic growth is possible only with open economic policies and global economic integration, making the growth inclusive and ensuring equity along with social justice would demand that socially responsible institutions in the state, market, and community are evolving in the country. We are looking forward the evolution of cooperative organizations from this perspective.

In the recent years, Nepal has taken several measures to make development process people centric and ensure that all people are benefited from the development outcomes. The strategy for inclusive development has been the evolution of three-pillar economy comprising of the state, cooperatives and the private sector. The role of the government has been focused on providing universal basic social services including that in education and health, ensuring food, shelter and environmental security, and promoting social security for the vulnerable people. Cooperatives have been entrusted to organize the local marginalized, weak, and vulnerable people for their socio-economic empowerment. The private sector is given a key role in the economic growth process by providing a liberal, open and competitive business environment.

Nepal has overcome a decade long armed conflict after the 12-point Peace Accord between the government and the rebels (Maoists) was signed in 2006. But many of the economic and social transformations committed in the peace accord are yet to be achieved. Conflict in Nepal is deep rooted in extreme poverty, a feudal society, historic sense of marginalization of certain sections/ethnic groups and political-social neglect. Political, economic & social exclusion based on class, caste, gender, ethnicity, and geography have been the breeding ground for armed conflict. A weak state further ravaged by conflict and prolonged post conflict transition and a nascent market with evolving private sector have both been yet unable to deliver the basic goods and services to the people who are excluded by caste, ethnicity, gender, and geography. An unequal distribution of productive assets, resources, and opportunities has resulted in high inequality and aggravated grievances among people, resulting in a pressure for changing the economic rule of the game and the introducing new agents of economic activities. This is why cooperatives movement whether we like it or not, has evolved by leaps and bounds in the country in the last decade. Of course, an unbridled expansion has also created aberrations in the cooperative movement, indicating a need for a strong regulatory and monitoring system in place at both the state and organizational levels.

A high incidence of poverty, low level of human development, and weak human security propelled by a decade long armed conflict, rising expectation of people from the new political system –also propelled by the ambitious agenda of the political parties and rights based social

mobilization and activities of non-government organizations and civil society – have built serious pressure for the current political system to deliver jobs, justice, and inclusive development. To address this, the Interim Constitution of Nepal enshrines that the key responsibility of the state would be to ensure democracy, peace, and prosperity through forward-looking economic-social changes. The directive principles of the Interim Constitution enshrines that the responsibility of the state would be to protect the lives, property and independence of people, maintain equality, establish a just system in social, economic and political spheres including all aspects of national life, and promote a democratic system based on an open society. The Constitution also states that the fundamental objective of the State shall be to transform the national economy into an independent, self-reliant and growing economic system by preventing economic resources of the country from being concentrated only to a limited section of the society, and making arrangements for equitable distribution of economic gains based on social justice. The State commits to pursue a policy of such economic development through collective efforts of the government, the cooperatives and the private sectors. The experience of the capitalist and socialist world and the existing imbalances and exclusion in the benefits of development warrants that a third actor of development, which can address the weaknesses of both the market and the state and yet fills in the underperformance of both of them, is essential in the economic system and the same has been candidly identified in the constitution. With the enhanced role of the cooperatives in socio-economic transformation, it is expected that political democracy will be sustained, economic democracy achieved, and human security ensured for the Nepalese people, preventing the risk of social arousal and relapse of conflict in different forms and intensity.

Cooperative is not a unique system for Nepal only. There are hundreds of thousands of cooperatives in countries around the world. Over 1 billion people are member- owners of these democratic businesses. They are predominant in several areas of business in the advanced and developing world alike. In Nepal, there are about 30,000 cooperatives with a reported 45 million members. These cooperatives are involved in diverse facets of the Nepalese economy including agricultural production, dairy, manufacturing, financial services, communication, energy, education, health, and consumer service businesses of many kinds. They are already an important part of the Nepalese economy and society; they have mobilized Rs 40 billion as share and reserve capital, collected Rs 160 billion as savings, provided loan worth Rs 135 billion and created jobs for hundreds of thousands of Nepali people. An increased role of cooperatives has been making our economic system more compatible with our long-term evolution to socialism oriented democratic political system. They are becoming instrumental to reduce the severity of inequality and to promote inclusion. And, they have been emerging as sustainable social businesses. Yet, there is high expectation for their greater contribution to economic transformation, social inclusion, economic democracy and human security along with carrying a true cooperative spirit and values.

B. Cooperatives and Economic Democracy

Economic democracy proposes to shift of decision-making power from proprietary and corporate ownership to a larger group of public stakeholders that includes farmers, small

entrepreneurs, workers, suppliers, and broader range of consumers. Economic democracy is visualized against modern property relation which may externalize costs, subordinate the general well-being to private profit, and deny the polity a democratic voice in economic policy decisions. Economic democracy does not only compensate for capitalism's inherent contradiction but also fills in the democratic deficit in the institutional set up of economic decision-making. Cooperative organizations, by their very nature and principle, are suited to uphold economic democracy.

Economic democracy is described as an integral component of an inclusive democracy. An inclusive democracy aims to meet the basic political, social, cultural as well as economic rights of all citizens and secure freedom of choice. Inclusive democracy is based on the principle of meeting basic needs as a fundamental human right. As part of inclusive democracy, economic democracy is the authority of community in the economic sphere, which requires equal distribution of economic power and opportunities to ensure an inclusive and equitable economic development. No other form of organization than cooperative could be the relevant means of economic democracy in a multiparty democracy and open society.

Political democracy is almost universally valued in the present world, but the idea of economic democracy has been largely ignored in favor of a system that concentrates economic decision-making power in proportion to wealth. The result of this anti-democratic economic model exercised during the past 40 years has been an increasing disparity between rich and poor in the world, culminating into series of economic crises, inequality, exclusion and conflict. The potential role for cooperatives in our country, the organizations that are owned and democratically controlled by the people they serve, is then to ensure the Nepalese people with the basic value of economic democracy and to provide citizens with a means to effectively address the limitations of the state and weaknesses of the market to deliver development to all of us.

A cooperative is a limited liability entity organized for limited profit and socially responsible business, makes decisions on membership basis, and cares for the benefits of all of its members. Thus from economic democracy perspective, it differs from a private company that tries to ruthlessly maximize profit, protects the interest of only the investor, and monopolizes the decision-making process. As cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions, they better serve towards economic democracy. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner, unlike in corporations where strength of capital dictates the decision. Thus, cooperatives are economic democracy in practice.

Whereas the purpose of political democracy is to provide for political empowerment to all citizens, the purpose of economic democracy is to provide economic empowerment to all citizens and all local communities, and to prevent the concentration of economic power that subverts mass political and economic empowerment. As opposed to political democracy and its attempts at power control in the public sector, the concentration of economic power vis-a-vis the concept of economic democracy, has received much less attention. Economic democracy is

a system of checks and balances on economic power and support for the right of citizens to actively participate in the economy regardless of social status, race, caste, ethnicity or gender. To ensure economic empowerment, some fundamental conditions are required. They are: (i) local member control of economic decisions, made on the basis of collective necessity, (ii) democratic resource mobilization process; (iii) servicing the economic interest of members who are common people; and (iv) fair distribution of income and opportunities with a diversity of business scales and modes. Cooperative organizations, broadly meeting these conditions, are better suited to strengthen economic democracy and ultimately sustain political democracy.

As cooperatives are democratically controlled and motivated primarily with the goal of providing services to their members, not for generating abnormal profits for their owners and investors, they are much more likely to avoid the negative consequences of economic institutions primarily driven by the quest for ever-increasing profits. Such democratic business form of economic activity can provide an antidote to the current, dysfunctional economic system controlled by large corporations and monopoly capital. As the world looks to stabilize the economies and revitalize the social institutions in the wake of the recent economic crisis, cooperatives represent an approach to economic decision-making that supports political democracy and complements private sector activities rather than undermining it.

In the current corporate world, growing concentration of power held by corporations and international financial institutions is stripping societies of their ability to set economic, social, and environmental policies in the common interest. As such, the largest corporations are now bigger than the economies of most nation-states; as such 52 of the 100 largest economies in the world are now corporations. Then we can guess how they influence the economic decision making in the world. As corporations grow both in size and influence, they are increasingly able to shape the nature of the world economy and consolidate their control over productive assets and resources. While the world economy has been growing by a modest 2-3 percent annually, the largest corporations have grown at a rapid pace of around 8-10 percent each year. These corporations, along with their foreign affiliates control most of the world's industrial capacity, technological know-how, and international financial transactions. These transnational corporations are increasingly dictating the terms of trade, shaping every contour of society, and setting the rules of business everywhere. As state policies are often helpless in their presence in business, cooperative can be a cushion to protect basic economic rights of the citizens.

Cooperatives as pillars of economic democracy

Despite a bandwagon of market capitalism, cooperatives have emerged in many parts of the globe due to the distinct advantages offered by their structural organization. Although granting member-owners official democratic rights confers benefits to those in all types of cooperatives, this governance feature has offered particular advantages to those involved in production, processing or worker-owned cooperatives. From the perspective of economic theory, the primary advantage to cooperative organization stems from the incentive created for promoters to produce and innovate by the role they assume as stakeholders in the enterprise. Cooperative members who both own and manage a business are responsible for financing the purchase of inputs as well as sale of their output at the market. They share not only the risk and

responsibility, but also the benefits and profit. Motives such as group loyalty often operate to maintain continued success and improvement of such enterprises. Moreover, as self-governed organizations, cooperative businesses provide protection for their own autonomy against bureaucratic control by the state or distant parent corporations, allowing them to be more attuned to the particular needs and interests of their members and communities.

A critical advantage of cooperatives is their adaptive democratic structure, as they embody the ideals of economic democracy by harmonizing the diverse interests of owners, managers, investors, consumers, workers, and their communities. Within self-governing principle, cooperatives have to give priority to the interests of their member-owners, prompting a more equal distribution of economic resources, thereby giving all citizens a more nearly equal stake in maintaining political equality and democratic institutions. In a world of corporations becoming disproportionately powerful actors in the globalization process, cooperatives have been able to democratize business decision-making, create new incentives for owner-member responsibility and participation, and disperse more broadly the rewards of development within their communities.

Addressing the incompatibility of political and economic decision-making through cooperatives

In political democracy, citizens are supposed to be sovereign. They exercise their sovereign political power to elect their leaders or representatives through free and fair election system. However, if the citizenry is illiterate, ignorant, and economically vulnerable, election candidates can easily sabotage their sovereign power with social and economic threats or financial handouts. Such a tendency often results in buying votes with money or offering economic benefits including jobs, business support or delivery of basic needs through state coffers. When voters cannot independently make a choice of their representatives owing to economic disempowerment, this not only undermines political empowerment but also poses a threat to sustain democracy. Cooperatives, as a movement to empower people through organizing them to carry forward economic activities, financial services, and livelihood support, can make the people capable to exercise their political rights in a free and fair manner.

As the basic tenet of political democracy is periodic election of people's representatives to run the governments at the local and national levels through free and fair elections with each eligible citizen having the right to cast one vote, so has to be the case in economic democracy. In cooperatives, which are the primary form of economic democracy, the same basic tenet of one member, one vote applies and ensures cooperative as 'an organization that is owned and democratically controlled by the people it serves'. However, the predominant basis for making decisions in the business enterprises is 'one share of stock, one vote' implying that those with the most money invested in a business control the decision-making. Despite this apparently being an acceptable voting procedure at the level of the corporation, it has often produced unsocial consequences, especially if business decisions are inadequately regulated. This is resulting in economic exclusion, economic inequality, and exploitative labour market relations, to name a few. As we move towards economic democracy through cooperatives, we do not have to face economic exclusion, joblessness, extreme inequality, and environment

degradation. Sincerely putting responsiveness to human needs before profit as a fundamental principle of cooperatives, these democratically controlled businesses can be a solution to development challenges mentioned above.

Making our economy more democratic through cooperative is an important next step in the transition of Nepal to a truly socially democratic society. As cooperatives operate in a fundamentally different manner from investor-owned firms, they can provide better services to their members rather than profits for their investors. Aggregated at the national level, if a greater proportion of our economic behavior was based on this premise, it would mean a much less disruptive pattern of growth and development, one that allocates economic benefits more equitably and that ensures a sustainable and equitable development in the society we live in. At the moment, the relatively small share of cooperatives in the gross domestic product understates their importance in our economy. However, there are numerous examples that show how they have brought about socio economic transformation, maintained social fabric, and sustained the economy even at the time of decade long armed conflict. As such they have been instrumental in promoting human security which is discussed in the subsequent sections.

C. Cooperatives and Human Security

Human security is the protection of 'the vital core of all human lives in ways that enhance human freedoms and fulfillment'. Human security thus means protecting fundamental freedoms - protecting people from critical threats and situations that undermine their well-being. In a broader sense, it implies creating political, social, environmental, economic, and cultural systems that together give people the building blocks for survival, livelihoods, and dignity. Human security, along with ensuring absence of violent conflict - encompasses access to economic opportunity, social services like education and health care, and social protection. It is a concept that comprehensively addresses both 'freedom from fear' and 'freedom from want' and thus creates an environment for economic justice and empowerment along with poverty reduction and human development. Food, shelter, job, education, health, environment, and freedom from crime are some of the emerging dimensions of human security all over the world. As such, human security has emerged as an extension of the human development paradigm which, in its narrowest sense, encompasses income for decent living, knowledge, and a healthy life.

The current society we live in these days is marked by high incidence of absolute poverty, exclusion, inequality, high unemployment, and often conflict also for the same reason. The root of all these problems is overly dependence in either the state or the market to deliver the basic development for all including those related to human security. But, only these two actors are neither sufficient for development, nor they alone can deliver inclusive development and human security. The cooperative movement, through seeking to deliver social, economic, cultural and environmental needs of its members on a local scale, can address the issues of human security even in a capitalist system, where human security is defined as freedom from want, condition which meets the economic and social needs and rights, and freedom from fear, condition which meets opportunities for meaningful participation within a community to include civil and political needs and rights.

When people are organized for common economic benefits and greater social responsibility through cooperatives, they start enjoying freedom from fear and freedom from want at the same time. Undertaking of a diversity of social and economic functions like agriculture, dairy, livestock, education, health, housing, manufacturing, banking and insurance, and consumer co-operatives is instrumental to ensure better human security than other forms of organizations – state or private sector. IMF (2009) has concluded that cooperatives have proven to be more resilient in times of crisis than the traditional business enterprises; and, cooperatives are better suited to respond to the challenges of the increasing rates of unemployment as a result of the crisis because the profit motive is not the main driving force among cooperatives. The UN World Summit for Social Development held in Copenhagen in 1996 recognized cooperatives as major factor of economic and social development which promote the fullest possible participation in the development process of women and all population groups, including youth, older persons and people with disabilities, providing an effective and affordable mechanism for meeting people's needs for basic social services. Unfortunately, while the proponents of private enterprises and advocates of free market capitalism propose cooperatives as a means to cope with economic crisis, provide livelihood, and ensure human security during difficult times, national governments which commit for inclusive and sustainable development have taken the same as spontaneous social mobilization with no state support acknowledged to promoting and sustaining them.

Various reports confirm that cooperatives are better suited for addressing crucial aspects of human security in a global neo-liberal world due to their ownership character and global solidarity. ILO (2009) mentions that cooperatives are more resilient in times of crisis than traditional enterprises and in general more cooperatives survive and last longer than small businesses in the private sector. IMF (2007) while analyzing financial stability of 16,500 financial institutions across 29 countries comparing credit unions/cooperative banks vis-à-vis commercial and savings banks and concluded that not only were credit unions or cooperative banks more stable than commercial banks, their large presence also supported a country's financial sector stability. When financial crises lead to economic and then to social crisis, state mechanism often fails to rescue the system and people's protest can even pose a threat to political system whatever democratic it is. Cooperatives, by providing lifeline economic services even at the time of such crisis, can actually safeguard the democratic political system while also protecting human livelihood. These facts confirm that cooperatives are capable of enabling local communities throughout the world to meet their specific economic, political and social needs and rights.

How can cooperatives promote human security in Nepal?

Human security in Nepal, as elsewhere, is a situation when communities, families and individuals are secure and safe from threats to their well-being and dignity, enjoy political stability, benefit from inclusive and sustainable economic development and meet their basic economic needs such as food, shelter, basic education, primary health care, safe drinking water and sanitation facilities, and clean environment. This also demands access to resources, opportunities and business environment in which they get self or wage employment, enjoy

decent, dignified and gainful employment and social protection for those who cannot participate in the labour market for wages or livelihood.

Nepal has survived a decade long armed conflict which was mainly driven by grievance rather than greed; and, to manage the transition towards a lasting peace and shared prosperity, we need to address the root causes of the conflict, namely, exclusion, poverty, inequality and insecurity. While addressing the causes of conflict, we need to incorporate conflict sensitive programmes and policies, innovate instruments to address the grievances, and design policies and programs to strengthening conflict resolution mechanisms and capacities while also promoting human security in the same vein.

There are several channels through which cooperatives can promote human security in Nepal. Some of them are: food security, health security, housing security, energy security, environment security and social security. The following sections briefly delve into these channels.

(i) Cooperatives and Food Security

Food security is achieved when all people at all times have physical and economic access to sufficient, safe and nutritious food preferences for active and healthy life. Food security on the other hand means avoiding hunger. Agricultural cooperatives can strengthen all these aspects of food security. But on a global scale, food insecurity is looming if production and distribution is left to the divisions of multinational companies. There is strong evidence that the family farm and cooperatives can provide a decentralized system of food security and employment.

Most families in Nepal are food insecure. The Agricultural Census (2012) shows that only 40 percent of the agricultural households are fully food secure. About 37 per cent of the agricultural households face food scarcity for more than six months. Judged from the food availability perspective, Nepal has turned from food surplus to be a food deficit country since 2005. Although agricultural production has increased from 6.89 million MT in 2001 to 7.76 million MT in 2010, the same in per capita terms has declined from 297 kg per person in 2001 to 290 kg per person in 2010. This has happened at a time when the demographic transition in terms of larger chunk of the population shifting from dependent to working age population demands even more food items to consume.

In addition, there is geographical or regional variation in food production and availability; of the 75 districts, 53 are food insecure. The physical, financial, and social barriers govern the accessibility or ability of a household to acquire adequate food. This has resulted in continued acute malnutrition despite progress in some other social indicators. Two-fifth of the children live in acute malnutrition, which is manifested in low weight to age, low height to age, and other physical disabilities. Food insecurity has been a factor leading to inter-generational transmission of absolute poverty which could be stopped with cooperative initiatives.

In Nepal, there are 7230 cooperatives in core agriculture production. Besides, there are many cooperatives engaged in dairy, vegetable, fruit, horticulture and herbal production. Putting together, agriculture related cooperatives as of January 2014 are 9758 which account for 33 per

cent of the total cooperatives. Farmers producing crops and marketed by co-operatives are gainfully employed because they can account for their labour input by the income they earn from proper marketing. For households other than food producers, their ability to buy food is secured through the employment they get in the rural areas. It has also been evident that agricultural cooperatives have been responsible for introducing the exchange economy in remote rural area, thereby facilitating food trade and ensuring better food security. By doing so, cooperatives have not only been responsible for developing modern markets in rural areas where the co-operatives provide a ready market for farmers' crops, but also been able to reduce the transaction costs, which would otherwise hinder small farmers from market and production integration.

Agricultural cooperatives, along with ensuring food security also help to maintain higher levels of income, making small farmers able to construct decent houses, send their children to school and provide health insurance to sustain rural livelihoods. They also, have the advantage of accessing cooperative education and business development capacity building. Cooperative education enables them to participate in debates related to food production, processing, and food habits and thus better ensuring their food security.

(ii) Cooperatives and Health Security

Health security incorporates relative freedom from disease and infection and the ability to access better survival, livelihood and dignity. A people-centric approach to health, which is the essence of human security, is also a fundamental component of public health policies. Human security offers a new opportunity to re-define public health within a context of rights-based development. There is a growing trend of defining health from human rights perspectives. Health is both a direct component of human well-being and a form of human capital that increases an individual's capabilities. Better health significantly contributes to economic development and to the reduction of poverty and income inequality.

Nepal still lags behind in universal health care facilities and provisions. There have been some institutional expansions in the last decades resulting in 83 percent of urban households residing within 30 minutes of reach to the nearest health post or sub health post. However, only 21 percent of rural households are within 30 minutes reach to such facilities. Besides, perception about health services is poor, as 18 percent of households perceive their health care to be less than adequate and 79 percent reporting just adequate (CBS, 2011). The proportion of households reporting adequacy of health services increases sharply from the poorest to the richest quintile. It is a sorry state that health cooperatives are yet to evolve as universal facilities in the country.

There is a growing interest in consumer cooperatives in health care which is driven by recognition of continuing state and market failure in the provision of health services. Health cooperatives can become important institutions of basic health care and accessing health service to the poor in coming years. This is because cooperative model of enterprise - member ownership with democratic governance - lends itself well to the provision of people friendly health care.

Community health centres can develop as membership-based enterprises with a greater autonomy in governance and financing structures. Such cooperatives may be formed in particular communities on the basis of special local needs or preferred health care facility. Cooperatives may also establish a cooperative health insurance venture to provide insurance products, to which a variety of additional health services may subsequently be added. However, Nepalese cooperative movement has yet to evolve health cooperatives as important players in health care services. Of the nearly 30 thousand cooperatives at present, only 90 (0.3 per cent) are health cooperatives. Their services are very basic and health insurance schemes are very ad hoc. Regulatory and operational mechanism as well as state support system has to be set for health cooperatives to emerge as the major player of health services.

(iii) Cooperatives and Housing Security

Housing has been a basic human right and an indicator of human security. Nepal's population census of 2011 shows 85 percent of the households residing in their own house whereas 13 percent in rented, and the rest in other arrangements. In urban areas, 40 percent live in rented house. But the housing conditions are very poor for most households. Of total households living in their own houses, 44 percent live in houses with mud-bonded bricks, 19 per cent in houses of thatched/straw roof, and more than one third (38.2 percent) of the total households do not have toilet in their houses. Growing urbanization with resulting urban and semi urban slums have made housing a humanitarian issue for development actors.

Decent housing is a key component of human security as it is linked to physical protection from adverse weather condition, security from external threat, availability of basic amenities like water, latrines, and sanitation facilities, and safer indoor facility for cooking, heating, reading and learning activities. Housing, even so important, has not been a serious government agenda for universal access; neither private sector housing business is accessible to the needy poor. This is why many Nepalese are poor in housing security. Surveys (CBS, 2011) show that for 22 percent of households, their housing facility is inadequate and for 77 percent, the facility is just adequate. There is geographical, regional, spatial, and income based differentiation in housing facilities.

Housing has not been seriously taken as a state responsibility except for a small initiative of low cost housing scheme designed for the absolute poor and excluded class in a few districts of the country. There are initiatives from the non-government sector, which need to be coordinated with the local government bodies and communities. There are very few cooperatives directly dedicated to housing. Still, if we take into account the role of cooperatives in income generation of their members, in employment creation and in loan facility to construct houses, there has been some indirect contribution in housing for the poor. Cooperatives can take up this responsibility in a larger scale in coordination with the state, private sector and the community in general.

(iv) Cooperatives and Energy Security

Access to modern energy has been a basic necessity to decent living. As state has not been able to cater the energy need, we are seeking the role of cooperatives in ensuring energy security. Cooperatives possess a number of competitive advantages in generating, transmitting, distributing, and connecting energy to households. As they are often community-based enterprises, they provide democratic local control over energy resources. Evidence from World Bank, UNDP and ILO studies show that energy cooperatives are effective in addressing the need for access to modern and affordable energy, and thus they offer a successful model for rural electrification and can effectively harness locally available decentralized renewable energy. Successful decentralized energy policies have given a key role to cooperatives facilitating the participation of local actors in development planning, and helping scale up energy service delivery for the poor through energy cooperatives.

Cooperatives, as member-based organizations, are responsible to meet the economic and social needs of their members; and these needs are best served with the sustainable, equitable and judicious use of the available natural resources. As locally rooted institutions, and as enterprises operating under values and principles that include social and environmental responsibility and caring for their communities, they strive to serve members not solely in economic terms, but also in terms of the wider social, cultural and environmental benefits. While short-term economic thinking of private sector business in energy sector is often seen as the main driver of environmental destruction, cooperatives strive for longer-term benefits, making them best placed to harness the longer-term paybacks of a green economy.

Cooperatives have been key players in electricity distribution in several advanced countries. In the United States in the nineteenth century, when the electric grid only covered major towns and rural households did not have access to the emerging central systems, it was energy cooperatives that made it possible for rural households to access electricity. At present, energy cooperatives serve 12 per cent of the population and own over 40 per cent of the energy distribution network in the USA. In most industrialized countries, in response to increasingly volatile energy prices, the rising concern over climate change and the interest in energy security and energy access, the cooperative model of enterprise is experiencing a revival.

Nepal has made significant progress in access to modern energy sources. This is mainly through the expansion of both grid and off grid systems and particularly with the expansion of micro hydro and alternative energy products. There is some cooperative initiative also in this sector with 413 electricity cooperatives in operation. However, as this number is just 1.4 per cent of the existing cooperatives and as most of such cooperatives are consumer cooperatives, there is a need to develop producer cooperatives in the area of renewable energy - particularly in solar, micro-hydro, and bio-mass with the support of the government agencies responsible for energy supply.

(v) **Cooperatives and Environmental Security**

Environment matters a lot to human security. People's well-being is strongly related to the environment in terms of, among others, health, earning capacity, security, physical surroundings, energy services and decent housing. In rural areas, poor people may be particularly concerned with their access to and control over natural resources, especially in relation to food security. For poor people in urban areas, access to a clean water and environment may be a priority. As state capacity to deliver this service is constrained due to resource and governance failure, the same cannot be delivered by the private sector unless it is profitable. And, if such services are made profitable business, they are sure to be unaffordable. Cooperatives, being socially and environmentally responsible business, can help environment security to the citizens along with the partnership of the state.

Cooperatives can promote environment security through three channels: (i) organizing people and community members into cooperatives to conserve, promote and utilize the natural and environmental resources while also doing business, (ii) by engaging in green business like agriculture, plantation crops, forest based fruits and herbal products, and (iii) by setting code of conduct, self-regulation, and public accountability in lending practices of saving and credit cooperatives. While the international banking communities are embracing the new way of doing business, cooperatives everywhere and financial cooperatives in particular must also work on the environmental sustainability of business activities.

Green growth is the responsibility of all development actors including the cooperatives. Being innovative in using green technology, cooperatives may be instrumental to improve resource efficiency and coordinating the different processes responsible for green growth which helps to reduce the adversity of environmental degradation and climate change. As access to finance and green investment is vital for the successful implementation of green initiatives, this is high time for the financial institutions in general and saving and credit cooperatives in particular to move forward with green financing modality along with promoting green enterprises. As green banking has been identified as one of the major drivers of sustainable economic growth in developing countries with the issuance of guidelines and instructions on sustainable banking issues like green banking, environmental risk management, corporate social responsibilities, cooperatives need to issue such guidelines as well.

Environmental security is highly important for poverty reduction and human security. This is also for the reason that the impact of environmental degradation is higher for the poor than for the rich. The overwhelming majority of those who die each year from natural or man-made disaster are poor people. All over the world, it is poor people who generally live in ecologically fragile lands, nearest to the flooding rivers or dirty factories, busy roads and dangerous waste dumps. It is most often the most vulnerable segments of society, those people already in poverty, with little education and access to political power, who experience the brunt of environmental change. Within Nepal, a country in which 25 per cent of the population lives below the national poverty line and over 70 per cent depends on the land for their sustenance, environmental vulnerability carries a critical dimension of poverty and human security. Cooperatives being socially and environmentally responsible business can, and have to, work

towards promoting environmental security of the community they work in. They require to develop environmental codes of conduct in their business operations.

Obviously, not much contribution has been made through cooperative movement in Nepal in the front of environment and climate change adaptation. These tasks have been left to the government and community organizations like forest user groups. Poverty reduction and environment protection being the two facets of the same coin, it is time that cooperatives heavily engage in the area of environment protection and making use of it for community benefit.

(vi) Cooperatives, Employment Security and Poverty Reduction

Creating gainful employment and ensuring decent jobs is the best way to reduce poverty and empower people. The concept of decent work and the notion of inclusive economic growth resonate well with the cooperative model of economic and social development. Cooperatives, in principle, place more emphasis on job security for employee-members and employees' family members, pay competitive wages, promote additional income through profit-sharing, distribution of dividends and other benefits, and support community facilities such as health clinics and schools than do private sector businesses, and thus help to create a better production relation and avoid conventional conflicts between capital and labour

Currently, an increasing number of worker-owned cooperatives worldwide provide employment to millions of worker-owners in diverse sectors as agriculture, small businesses, health and social services, energy, education, transport, and tourism. Financial cooperatives are providing savings and credit services which also encourage the formation of new enterprises and thus create new jobs. In the agriculture sector, cooperatives can play a very significant role, given that 70 per cent of the world's poor reside in rural areas, employment growth in rural areas can be strengthened by increasing agricultural productivity, and also through the creation of non-farm employment. Cooperative can serve as an appropriate model for employment creation in this sector.

Cooperatives are also providing more quality job opportunities for youth, women, indigenous peoples, persons with disabilities and other marginalized groups. The ability of cooperatives to integrate women and youth into the workforce is particularly important, as these groups face discrimination and poor opportunities for employment. Appropriately designed cooperative enterprises and micro-finance schemes are particularly helpful for women, indigenous people, and backward communities. In light of the employment generation capacity of cooperatives, it becomes compelling for us to consider ways and means of mainstreaming the contribution of cooperatives to meeting the employment challenge facing the country today. The state and the cooperative promoters have to work closely as to how employment creation impact of cooperatives can be scaled up in order to massively generate new employment opportunities in those areas where public and private sector initiatives are weak or absent.

Poverty is often narrowly defined as a lack of essential items – such as food, clothing, water, and shelter – needed for proper living. But broadly defining, poverty is a condition

characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. If we closely look into the components of multiple poverty, they are similar to the components of evolving concept of human security.

Human insecurity aggravates poverty or deprivation. And it is the poor who are the most vulnerable and constantly face the threat of downside risks of falling in poverty. This calls for sufficient attention to the circular nature of poverty and human security linked through vulnerability. Although, reduction of poverty in Nepal is noticeable, a deeper look into it shows that a large chunk of the people is at the threshold of poverty; and is prone to fall into it with minor shocks.

Poverty is strongly linked with access to basic needs and facilities. Access to services is also an important correlate of poverty. Households that are closer to facilities are less likely to be poor than the national average. Having good access to higher secondary school, public hospital, paved roads, market centers, agricultural center, cooperative and banks have large effects on poverty. Surveys (CBS, 2011) show that if 25 per cent of the households are in absolute poverty, only 17 per cent of the households who have access to cooperatives are absolutely poor. This proportion coincides with those who have access to market centre, agricultural centre, a bank, or a paved road.

During a period of the last 15 years, accessibility has improved almost universally for all types of facilities like schools, health posts, roads, agricultural centres, banks and financial institutions, market centres, etc. The outreach is better for social services but still worse for economic and infrastructure services. Surveys (CBS, 2011) also show that 45 percent of households are within 30 minutes of access to the nearest market center while 20 per cent households have to walk 2 hours and more to reach the market. Compared to market center, access to Haat bazaar (local market that operates during certain days of the week) is much better as 64 percent of households in the country are within 30 minutes reach to the nearest Haat bazaar. However, in the rural areas, it is much farther - the mean time taken by a rural household to reach haat-bazaar is 2 hours and 16 minutes. Cooperatives can play a big role in promoting such market centers through developing small infrastructure, collecting productions and making exchange possible with basic banking and financial services like cash withdrawals, deposits and credit. The role of marketing and saving and credit cooperatives could synergize this market development process.

Agricultural cooperatives can also work as agriculture centre (Krishi Kendra) in the areas where public service in this area is absent or far-off the community. At present, only 43 percent of households in Nepal reach the nearest agriculture center within 30 minutes of walk while 34 percent have to walk more than an hour to access the facility. About one in two households in the Tarai, one in three in the hills and one in six households in the mountains region can reach the nearest agriculture center within 30 minutes.

Rapid expansion of cooperative organization in the last decade has made overall access to cooperative much better. Surveys (CBS, 2011) show that 54 percent of households have access

to this facility within 30 minutes of walk and 27 percent of households have to travel one hour or more to reach the nearest cooperative centre. Access in the urban areas is far better than that in the rural areas, as the mean time taken by a household in rural to reach the facility is 75 minutes whereas it is only 18 minutes for an urban household. As most of these cooperatives also provide some kind of financial services, it has overcome the limited access to other financial services like that of a commercial bank. As such, access to a commercial bank is rather low in the country; only 40 percent of households in the country can reach the nearest bank within 30 minutes. In such a situation, cooperative can be instrumental to provide basic agricultural extension services, financial services and marketing infrastructure and thus to transform the agricultural sector for poverty reduction.

(vii) Cooperatives and Social protection

Social protection programmes are essential to reduce income and social inequality and conflict potential. Social protection schemes work as cushions against crises - either financial and economic or natural disaster-related crises. They can also serve as a tool for income redistribution and reducing the intergenerational transmission of poverty, for social justice and inclusion, and for protecting people at the threshold of poverty from falling below the poverty line.

State alone is never capable of ensuring social protection, nor is private sector coverage universal and adequate. In a country like Nepal where public sector resources are limited and private sector labour market is mostly informal, most people are vulnerable to regular source of livelihood, education, health and social security. The best way to ensure universal social protection is to create gainful job opportunities, make education and health services accessible and affordable, and make provision for old age, sickness and job losses. Cooperatives, as creators of jobs, providers of micro insurance in agriculture and livestock, operators of health insurance, providers of financial safety nets, etc., can emerge as the complementary actors to provide social protection at least to the members they serve. For this, Nepalese cooperatives must work towards generating jobs, making quality education and health services accessible and affordable to their needy members, and introduce social security provisions in the business areas they operate.

D. Role of Saving - Credit Cooperatives in Financial Inclusion, Empowerment of Citizens, and Inclusive Growth

It is important to note from the very onset that over the last two decades, Nepal's financial landscape has considerably changed. The financial sector in Nepal took a momentum with the emergence of private sector in the promotion of commercial banks, development banks, finance companies and micro-finance institutions. The financial system is now offering a wide range of financial services to the people through both the formal and semi-formal financial institutions. There are 211 financial institutions with more than 2500 branches and branchless service outlets. However, most of the financial service providers are concentrated in urban areas. A few financial service providers are providing services in rural areas that too mostly in

accessible areas with limited coverage. As such only about one third of the households have access to formal financial services; and geographical concentration is still a big challenge.

With incentives and regulations of the central bank, deeper competition, reduced transactions costs, reduced barriers to entry and massive expansion in terms of geographical outreach, access to finance is increasing. The deposit accounts in the banks and financial institutions have reached to 12.1 million in 2013. But loan accounts are limited to 0.88 million only. Further, trade, real estate, and big manufacturing industry concentration in extending loans, collateral based lending practice, clumsy and illiterate client unfriendly loan governance, poor knowledge about rural economic activities, and high risk aversion have been instrumental to keep a large section of population out of financial services. The challenge to policy makers is then to develop a mechanism that allows low-cost delivery of financial services in a client friendly manner without exposing customers to unnecessary risks and costs. Saving and credit cooperatives are best-suited models of financial services in this regard. This is also the reason why they have rapidly expanded during the last few years.

Development of the micro-finance services including through cooperatives is the pressing need to promote entrepreneurship, generate self-employment, create income for the poor, ensure inclusive economic growth, reduce rural and urban poverty and empower people. In this context, saving and credit cooperatives are emerging as important players in the Nepalese financial market. As of January 2014, they have been able to mobilize more than Rs 25 billion as share capital, accumulate Rs 2.5 billion as reserve fund, collect deposit amounting to Rs 120 billion and extend loan of Rs 102 billion. In this process they have encompassed 2.3 million members -nearly half of them being women, and providing office employment to more than 30 thousand persons –women being more than men, quiet unusual in any other formal sector. The ownership of such cooperatives is highly inclusive compared with that in banking industry. As such, in the banks and financial institutions which comprise of 10 fold higher financial operation than the saving and credit cooperatives, there are only 18, 300 promoter shareholders and big 100 borrowers enjoy the same amount of credit as extended by cooperatives to millions of borrowers. This manifests how inclusive the financial services of the banks and financial institutions are compares with that of cooperatives.

Beside saving and credit cooperatives, other types of cooperatives also do some saving and credit activities; particularly the multipurpose cooperatives do provide mostly this service. If we consider saving and credit operation of all the cooperatives, the savings collected amount to Rs 160 billion and credit to Rs 135 billion. This amounts to 12 per cent of the combined deposit and 13 percent of combined credit of the commercial banks and financial institutions regulated by Nepal Rasta Bank. This substantiates the significant role played by cooperatives in the financial market.

Cooperatives have been instrumental in financial inclusion, as Agricultural Census 2012 shows that 15 per cent of the agricultural households who have access to financial services are served by cooperatives, compared to Agricultural Development Bank covering 13 per cent agricultural households and commercial banks covering just 9 percent for the households. As 40 per cent of the borrowing households still resort to relatives and local money lenders for agricultural

financing, and as borrowing households are only 22 per cent of the total agricultural households, there is much room for cooperatives to expand their business around agriculture. However, there are concerns on the sustainability of saving and credit cooperatives when they are operating with high interest regime, providing risky business loans, and dealing with clients who are either out of membership or are secondary members made solely for saving and credit purposes.

There are some serious issues in saving and credit cooperatives such as the requirement for suitable legislation for regulating such cooperatives, effective supervisory and monitoring arrangement, adhering to member based business activities, setting good governance practice, putting internal control in place, following ethical practices in business, and bridling the temptation to make and distribute undue profit. Imitation of bad banking practice and over credit concentration to risky areas such as real estate has also been a matter of concern. There is a need that cooperatives look for innovations; be smart to design products as per the needs of the people; and be ready to work with difficult geography, scattered settlement, subsistence agriculture, and socially excluded community.

E. Key Issues in Cooperative Movement in Nepal

Philosophical issue: Cooperatives are business model exercised by all kinds of political systems – be capitalist, socialist, or mixed economies. The major objective for recognizing this model is to promote participatory, inclusive, and socially responsible business and achieve sustainable development. In Nepal, there is often a philosophical argument for and against this model – those advocating free market enterprises seeing this as an unwarranted player between the state and the market, and those advocating for a state controlled economy seeing this as a bourgeoisie model of business. An encouraging fact is that at present, the large political parties carrying different economic philosophies have agreed to promote cooperatives as an important pillar of equitable and inclusive development.

Political leaders and bureaucrats are divided over strengthening the cooperatives as the third pillar of development. Cooperative movement in the past was mostly guided by the state and leadership was in elite capture. The same notion prevails among many policy makers. Often cooperative business is taken as a component of private sector business. The private sector is apparently apathetic to this movement, as it feels a threat to its business. It does not understand that cooperative business can only complement than compete with the private sector business, unless there is a strongly differentiated tax regime between these two types of business.

Institutional limitation: The interim Constitution vows cooperative as one of the three pillars of economic development. Institution building, particularly amending existing Cooperatives Act, legislating new laws to better govern saving and credit cooperatives, strengthening regulatory offices, and prudent monitoring are lacking. The role of newly established Ministry of Cooperatives and Poverty Reduction is unclear; as it seems that the Ministry is mandated to do everything for poverty reduction rather than focusing its role in poverty reduction through the promotion of cooperatives.

After the restoration of multiparty democracy, an institutional, legal and regulatory framework for cooperatives has been in place. Constitution of Cooperatives Board, National Federation of Cooperatives, and Ministry of Cooperatives, formulation of national cooperatives policy, and Committees formed to address cooperative issues are some of them. Still, there are legal and regulatory limitations to promote cooperative business in a healthy manner. Anecdotal cases of fraud, irregularities, misappropriation, and concentration on easy business have given a wrong message about cooperative movement. While there is capacity constraint in the regulator and supervisor of cooperative business, there is equally lack of knowledge and sense of responsibility among the cooperative managers to carry the business in the true spirit of cooperatives.

Elite captures: Cooperatives are expected to organize the voiceless and dis-empowered people for addressing their economic and social problems. Several concessions and operational freedom have been provided by the government to expand this movement. Millions of common Nepalese people are organized in this movement. However, the movement has faced aberration because of some elites being able to enter the business and run economic activities for making undue profit through a largely unregulated business environment. Besides, people organized in the cooperative movement are not all belonging to the lowest echelon of the society, nor they are from the hard core poor or from the remote areas of the country. Urban and non-member based activities of saving and credit cooperatives are often taken as its manifestation. The challenge then is to ensure that more people who suffer from social or geographical exclusion, deprivation, and dis-empowerment are mobilized through this movement.

Capacity Constraints: Cooperatives are needed for those who are otherwise incapable to raise their livelihood through new business enterprise or economic activity, have less access to resources and opportunities, and possess no or lower voice in community social and economic decision making. Once they are organized through cooperatives, they require literacy, orientation to business activities or enterprises, skill enhancement to undertake business enterprise, financial literacy to keep accounts and to understand financial terminologies, knowledge of information technology to use it in business, and physical infrastructure to run the enterprises. Their capacity currently being enhanced through cooperative spirit has a limitation. State's role in this capacity development is a must if we really want cooperative to be one strong pillar of the country's development.

Donor indifference: The achievements made with various forms of cooperatives in employment creation, income generation, and poverty reduction is clearly acknowledged at national and international levels. Yet the development potential of cooperatives has not been properly recognized and mainstreamed by key external development partners into their inclusive growth, poverty reduction, trade and development, and social protection strategies. It is flagged that the conspicuous silence about their potential role in socio-economic development is observable due to the apparent lack of knowledge about cooperatives by policy experts in the leading development organizations such as IMF, World Bank, WTO, OECD, ADB, UNCTAD, UNDP, and other UN agencies, especially the ones focusing on LDCs and Developing Countries.

A review of the Diagnostic Trade Integration Studies (DTIS) and the Poverty Reduction Strategy Papers (PRSP) of LDCs has found an overall neglect of cooperatives. Mainstreaming cooperatives into the national development strategies of Nepal's development partners is very scanty. As such, those partners who campaign inclusive growth, equality, and empowerment mostly miss this grass root organization as a working partner. As the contributions of cooperatives are not publicly and internationally recognized, often times, cooperatives are seen as 'invisible citizens' compared to the public and private sector organizations (Saner et al 2012). This is the case for Nepal as well where NGOs are better treated as development partners than cooperatives.

Most donor agencies supporting Nepal's development are either ignorant or indifferent to cooperative movement. Some would see this as a political agenda while others see this a movement against market led development strategy. This is the reason why donors often chose NGOs than cooperatives to work at the grass root level. As cooperatives are more responsible to the society and community, it is necessary that grass root level development interventions supported by the donors be carried through cooperative organizations as well. If capacity constraint among the cooperatives has been an obstacle in this step, donor support and government programs will have to be extended in building their capacity.

Ethical questions: We understand that business ethics are moral principles that guide the way a business behaves. Acting in an ethical way involves distinguishing between 'right' and 'wrong' and then making the 'right' choice. While it is relatively easy to identify unethical business practices, it is not always easy to create similar hard-and-fast definitions of good ethical practice. Making normal profit through cooperative is not unethical, but doing the same in an immoral way is unethical. A cooperative must make some profit for its sustainability, for return to its shareholder members, to develop capacity to undertake social responsibility, and to motivate its employees. But returns for cooperative shareholders' capital should not be achieved at the expense of social, environmental and moral considerations. In the present day world, many companies including some cooperatives maximize profits unethically via unhealthy business practices. Such unethical business practices can lead to a loss of trust and respect to cooperative business from the society.

Our cooperatives must have the following ethical values: (i) they must have openness- as nobody's perfect, and they should not hide what they are not; (ii) they must exercise honesty- they should demonstrate that they are honest about what they do and the way they do it; (iii) they must have sincere social responsibility- they have to take responsibility for their own community, and work together to improve it; and (iv) they should be caring for others- they have to regularly undertake social services, work for environment protection, and fund charities and local community initiatives to demonstrate their responsibility to the society.

There is a tendency to run commercial and profit only business under the cooperative set up. The ICA's (2012) blueprint tacitly acknowledges that cooperatives have to have greater clarity as to how they are doing more socially responsible business. Nepalese cooperatives have to prove it even more. Cooperatives have to trace their origins and success to their ability to achieve an economically efficient solution to moral problems. As lure for money, conflict of

interest between institution owners and borrowers, opaque business practice, opportunistic behavior, and excessive risk taking also due to perverse incentive system make cooperatives a morally problematic business. This is something cooperative business must avoid and offer an effective solution to today's moral problem in business and financial relationship.

F. Concluding Observations

Poverty, inequality and exclusion are key challenges to sustain democracy and maintain peace and social harmony in a post conflict situation of Nepal. Escaping poverty and exclusion depends on improving personal and community capabilities through higher access to resources, institutions services, and opportunities along with social protection scheme in place. Poor health, illiteracy, inadequate schooling, social exclusion, powerlessness and gender discrimination contribute to poverty. And, poverty has not only exposed people to vulnerability and to human insecurity, it has also impeded the exercise of sovereign political power of the citizens. There is high expectation from cooperatives to deliver this development and democratic deficit and also fill in the economic democratic deficit. This can be done by creating a synergy among the production, processing, marketing, distribution and financial service roles of the cooperatives, complemented by the government and the private sector in these areas.

Despite a progress in poverty reduction after the restoration of democracy in 1990, the outcome has been highly unequal across regions and social groups. There is vast difference in the living standards of the people across rural and urban areas, across geographical regions, and across social groups. As political, economic, and social power continues to be concentrated in the urban elites, and given the patriarchic and caste-based society, majority of the population residing in remote areas, women and disadvantaged minorities have continuously been marginalized from their share of development benefits and continue to face human insecurity. Overly entrusting the weak institutions of the state to deliver these developments in a short span of time or expecting a profit seeking and socially less responsible private sector for the same would also be a tall order. In a mixed economic system intending to develop institutions towards a socialistic economy, there is hope in cooperative institutions and this should not fade due to their mismanagement and the movement being captured by the elites and well-to-do persons of the society.

Development with participation and inclusion of all the stakeholders is a key to poverty reduction and the promotion of human security. Inclusion is a necessary condition for egalitarian development but it must be followed by equity. Inclusion should also promote economic empowerment, ensure human security and reduce disparity. But we should understand that market or private sector which works under efficiency ground does not necessarily ensure inclusion. Nor we can accomplish it in the short run without the support of development partners. Therefore, national development strategy of the government and development cooperation strategies of the development partners have to recognize the role of cooperatives in achieving inclusive growth and empowering people in political, social and economic fronts. Cooperatives as social businesses can take up this responsibility and thus help promote inclusive development. This will definitely strengthen the republican democracy evolving in the political spectrum.

References

1. AAFP (2011), **Health Care Cooperatives: Definitions and State Examples**, American Academy of Family Physicians staff, Government Relations Division, Washington, DC
2. Alema'n, Jose´ A. (2011) **Cooperative Institutions and Inequality in the OECD: Bringing the Firm Back In**, Fordham University Social Science Quarterly, Volume 92, Number 3.
3. Altman, Morris (2011), **Is there a Cooperative Advantage? Experimental Evidence on Economic and Social Variables as Determinants of Demand**, School of Economics & Finance, Victoria University of Wellington.
4. CBS (2011a), **Poverty in Nepal**, Central Bureau of Statistics, National Planning Commission, Government of Nepal.
5. CBS (2011b), **Nepal Living Standard Survey, Volume I and II**, Central Bureau of Statistics, National Planning Commission, Government of Nepal.
6. CBS (2013), **National Sample Census of Agriculture Nepal 2011/12, National Report**, National Planning Commission Secretariat, Central Bureau of Statistics Kathmandu, Nepal.
7. Ekberg, Espen (2008), **Consumer co-operatives and the transformation of modern food retailing, A comparative study of the Norwegian and British Consumer Co-operatives, 1950-2002**, Dissertation submitted for the degree Philosophiae Doctor (PhD), University of Oslo.
8. FAO (2004), **Food Insecurity and Vulnerability in Nepal: Profiles of Seven Vulnerable Groups**. ESA Working Paper No. 04-10. Rome: Food Security and Agricultural Projects Analysis Service, Food and Agriculture Organisation.
9. FAO (2012), **Agricultural cooperatives and their importance in improving food security**, World Food Day 2012, Osijek, Croatia Stjepan Tanić, FAO Regional office for Europe and Central Asia.
10. Fontene, Wim and Daniel C. Hardy (2011), **Cooperative Banking and Ethics**, Ethical Perspectives 18, no 4, European Centre for Ethics, K.U. Leuven.
11. House of Commons (2012), **Mutual and cooperative approaches to delivering local services Fifth Report of Session 2012–13**, House of Commons, Communities and Local Government Committee United Kingdom.
12. ICA (2010), **“Global300 Report 2010: The world’s major co-operatives and mutual businesses”**, International Co-operative Alliance in <http://2012.coop/sites/default/files/attachments>.
13. ICA (2012), **Blueprint for Cooperative Decade**, in <http://www.ica.coop>.
14. ILO (2009), **Resilience of the Cooperative Business Model in Times of Crisis**, International Labour Organization, Geneva.
15. ILO (2013), **ILO COOP NEWS** No. 4, 2013 in http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_184623/lang--en/index.htm
16. ILO (2013), **Providing clean energy and energy access through cooperatives**, International Labour Organization, Geneva.
17. IMF (2007), **IMF (2007), Cooperative Banks and Financial Stability**, IMF Working Paper, WP/07/2.
18. IMF (2009), **Crisis and Recovery**, World Economic Outlook, April 2009.
19. Ivanovski, Stefan (2012), **Challenges of the Cooperative Movement In Addressing Issues of Human Security In the Context of a Neoliberal World: the Case of Argentina**, Bucknell University, Bucknell Digital Commons, http://digitalcommons.bucknell.edu/honors_theses.
20. Johannisova, Nadia and Stephan Wolf (2012), **Economic democracy: A path for the future?** www.elsevier.com/locate/futures.
21. Lacono, Sandrine Lo and Emma Allen (2011), **The cooperative model for the delivery of home based care services for people living with HIV 2011**, Coop AFRICA Working Paper No.19 with ILO/AIDS
22. Lehmer, Aaron G. (2003), **The Promise of Economic Democracy in Practice:**
23. Mishra, Brajesh (2013), **Economic Implication of Cooperative movement in Nepal**, Kathmandu.
24. NADEAU, E. G. (2012), **The Cooperative Solution: How the United States can tame recessions, reduce inequality, and protect the environment**, a study sponsored by the Association of Cooperative Educators Funded by the Cooperative Foundation.
25. Nannyonjo, Justine (2013), **Enabling Agricultural Cooperatives through Public Policy and the State**, United Nations Research institute for social Development.

26. Saner, Raymond, Lichia Yiu, Mario Filadoro (2012), **Cooperatives for Inclusive Growth**, CSEND Policy Brief Nr. 101 ISSN 2235- 8048, Geneva.
27. SHIMIZU, Toshio (2009), **My observation on cooperative sector in Nepal**, JICA SV. NCF/N, Presentation made in cooperative conference, Kathmandu.
28. UN (2009), **United Nations Expert Group Meeting on Cooperatives in world in Crisis**, New York.
29. Upreti Bishnu Raj, Rajan Bhattarai and Geja Sharma Wagle (ed.) (2013) **Human Security in Nepal: Concepts, Issues and Challenges Published by Nepal Institute for Policy Studies and South Asia Regional Coordination Office of NCCR (North-South) Kathmandu.**
30. USDA (1990), **Cooperative Benefits and Limitations, Farmer Cooperatives in the United States**, Cooperative Information Report 1 Section 3, United States Department of Agriculture, Rural Business -Cooperative Service, USA.
31. Victoria, Queen and M.K. Ingale, "**Role of Cooperatives in Inclusive Growth – Comparative study of success of AMUL & Lijjat Papad in India.**" Gaeddu College of Business Studies, Gedu, Bhutan.
32. Wim, Fonteyne (2007), **Cooperative Banks in Europe--Policy Issues**, IMF working Paper, International Monetary Fund, Washington DC.
33. World Bank (2009), **Agricultural Insurance Feasibility Study for Nepal** THE WORLD BANK, South Asia Office.
34. World Bank (2009), **Feasibility Study of Agricultural Insurance in Nepal** ISDR and World Bank Finance and Private Sector Development Unit, South Asia Region Global Facility for Disaster Reduction and Recovery.
35. WSSD (1996), **World Summit for Social Development**, Copenhagen: United Nations.

(Paper presented at 1st National Cooperative Congress, March 27, 2014, Kathmandu, Nepal)