

# IMPACT OF GOOD GOVERNANCE ON PERFORMANCE OF COOPERATIVES IN NEPAL

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## *Abstract:*

*This paper examines governance practices and their impact on the performance of selected Nepalese cooperatives. In order to address the objectives of the study, 400 sample members from eighteen primary cooperatives in provinces 3 and 6 of Nepal have been identified by stratified random sampling technique to collect primary data with a semi-structured questionnaire. The collected data have been analyzed using SPSS (version 23). Statistical tools like regression, correlation and chi-square tests were applied. The findings revealed that there is significant and positive relationship between professionalization; accountability and performance of cooperatives. Similarly, there are insignificant but positive relationships between participation; transparency and performance of cooperatives. However, there is an insignificant and negative relationship between legitimacy and performance of cooperatives. In conclusion, the performance of cooperatives depends on existence of factors of good governance such as legitimacy, participation, professionalization, accountability and transparency with honesty. On the basis of the study, it is concluded that good governance in cooperatives is the single most important panacea to uplift quality of life of members through economic, social, cultural and technological change in their practical lives. The paper contributes to the literature by identifying factors of good governance for performance of cooperatives from a developing country perspective.*

*Keywords: cooperatives, economic change, good governance, Nepal, performance*

## **1. Introduction**

Good governance is at the heart of successful cooperatives (Harvey, 2017). Governance is a system and process concerned with ensuring the overall direction, supervision and accountability of an organization (Chris Cornforth Governance Overview, 2004). Governance is defined here as a means to achieve happiness of citizens to protect individuals' basic rights and liberty as well as to come up with those desired ultimate outcomes (Chandarasorn, 2014). Governance is a key determinant for growth, development and poverty reduction (Dayanandan, 2013). Governance can also be seen as the instrument of the effectiveness of a society's institutions. If the institutions are appropriate and effective, the outcome should be good governance (Duncan, 2003).

Cooperatives are superior forms of organizations with noble mission and high purposes (Alliance, 1995). Cooperatives are unique institutions that balance and negotiate relationships between members, communities, traders, the state and international commercial traders: social capital facilitates these relationships. This includes members' interests, caring for others, and the general welfare of the community. Social performance has, at its core, the idea that organizations should involve themselves in more than just an economic role in society and should not only take responsibility for its economic actions, but also accept a wider ethical responsibility for the impacts it has on the society and on the environment in which it functions (Kyazze, Nkote & Wakaisuka-Isingoma, 2017) Past experience and evidence show that cooperatives enable farmers, grass root people and less fortunate people to achieve economies of scale, bargaining power and capacity to invest in more stages of the value chain including storage, processing, marketing and distribution.

Good governance principles such as legitimacy, participation, professionalization, accountability, transparency, honesty, integrity and fairness that is normally associated with investor-owned organizations are also applicable in cooperatives. Because cooperatives have separate legal existence and governed by the board of directors elected by share members in general assembly. The participation of cooperative unions in the economic activities is affected by their management capacity, experience and access to credit. This is due to lack of good governance practices (Dayanandan, 2013). From this, it can be concluded that governance practice determines the performance of cooperatives in Nepal in general and the area of study in particular.

Kyazze, Nkote and Isingoma (2017) examined the relationship between cooperative governance and non-financial performance of cooperative societies in Uganda. The findings revealed a significant and positive relationship between monitoring rights and social performance. Besides, there is also a significant and positive relationship between innovation and social performance. However, the relationship between policy compliance and social performance is not statistically significant. In overall, there is a statistically significant and positive relationship between cooperative governance and non-financial performance of cooperatives.

Dayanandan (2013) examined the impact of governance practice on the performance of cooperatives in Halaba special district, Southern Ethiopia. The study concluded that four predictor variables such as participation, accountability, transparency and rule of law are found to be significant on the impact of cooperative performance which needs due attention of the concerned stakeholders to maintain good governance practice.

Godfrey Wafula Munyasia has studied "Assessment of Corporate Governance on Performance of Savings and Credit Cooperative Societies" in Kakamega country in 2016. The purpose of this study was to assess the effect of corporate governance on performance of savings and credit cooperative societies in Kakamega County. The research design adopted by the study is a descriptive survey. The population of the study is the Savings and Credit Cooperatives (SACCOs) in Kakamega County comprising heads of departments, CEOs, two members of the Board of Directors and ten members from the selected six SACCOs. A questionnaire is used to collect data from the respondents. Data analysis is done using descriptive statistics. The key idea behind a cooperative society is to pool the scarce resources, eliminate the middlemen and achieve a common goal or interest. The study recommends that

managers should continuously monitor and assess the SACCO's performance (Munyasia, 2016).

Three Assistant Lecturers of Moshi Cooperative University, Tanzania namely- Patrick, Obeid and Njau (2014) - studied the topic "Corporate Governance Practices and Performance of Cooperative Financial Institutions." The study was conducted in Kilimanjaro region. Specifically, it examined whether the cooperative financial institutions conform to corporate governance practices and establish relationship between the corporate governance practices and the performance of cooperative financial institutions. The study employed explanatory research design. Sample size was seventy respondents; however, responses were from sixty-five respondents. Both primary and secondary data were collected. Primary data were collected through questionnaires and interview and secondary through documentary review. Data were analyzed using descriptive statistics and correlation analysis to determine relationship between corporate governance and performance of cooperative financial institution. Stratified sampling was used to obtain sample which includes urban and rural SACCOS from all seven districts. Stratified was used because the characteristics of urban and rural SACCOS differs. Data were analyzed using descriptive statistics and correlation analysis to establish relationship between corporate governance and financial performance of cooperative financial institution. The study recommends that SACCOS should regularly organize business management skills training for the board members to enhance their understanding of SACCO's operations. This will improve the level of supervision and monitoring in the SACCOS (*ibid.*).

In the context of Nepal, Acharya (2009) did a research on cooperatives of Nepal on a topic "Rural Agricultural Cooperative Societies in Nepal: Performance and Member Participation." Both primary and secondary data were collected from 286 members from the 26 societies and SPSS software was used. Descriptive statistics, Chi-square test and t-test were used. The finding highlighted that member participation in a cooperative can be in several forms-it could be financial (in terms of shares, donations, debentures, deposits etc.); in business activities of buying of goods and services offered by the societies as well as selling of farm produce through the society; or in the planning, management and control of the society (Acharya, 2009).

The remainder of this paper is organized as follows: Section two describes the objectives of the paper, section three presents conceptual framework, section four entails hypotheses and propositions, section five shows the methodology adopted, section six discusses the findings and discussions and final section draws conclusions and recommendations with conclusion model.

## **2. Objectives of the Study**

The major objective of this study is to examine the impact of good governance on performance of cooperatives of Nepal. It has been divided into four specific objectives as follows:

- I) To explore the governance practices of selected primary cooperatives in the area of study.
- II) To assess the level of awareness among the members on good governance in cooperatives.

III) To examine the impact of good governance on performance of the cooperatives.

IV) To identify the factors that hinder good governance in the cooperatives of Nepal.

### 3. Conceptual Framework

The article focuses important factors of good governance like legitimacy, participation, professionalization, accountability and transparency with honesty as to what extent the cooperative members and leaders realize these pillars. The conceptual framework has been developed based on the literature review to emphasize mainly on the relationship of the independent variables with dependent variable as on Figure 1 below:

Independent variables		Mediated by	Dependent variable
Legitimacy: proclamation by law; cooperative values, norms; cooperative principles; cooperative directive; cooperative by-laws	H1		
Participation: annual general meetings; membership size; solidarity through voice; democracy; equity and equality	H2	Good governance in cooperatives	Performance of cooperative
Professionalization: predictability; effectiveness and efficiency; resource utilisation; age and education; corruption control leadership	H3		
Accountability: liability with honesty; consequences; responsiveness; double responsibility; board-member relationships	H4		
Transparency: consensus and information; education and training; notice communication; reporting to authorities; dissemination of news	H5		

**Figure 1. Conceptual Framework**

Source: Authors

### 4. Research Hypotheses

#### (I) Measuring Combined Effect

Major hypothesis: There is a statistically significant relationship between good governance

(Legitimacy+Professionalization+Participation+Accountability+Transparency) and performance of cooperatives.

#### (II) Measuring Individual Effect

H1: There is a positive and statistically significant relationship between legitimacy and performance of cooperatives.

H2: There is a positive and statistically significant relationship between participation and performance of cooperatives.

H3: There is a positive and statistically significant relationship between professionalization and performance of cooperatives.

H4: There is a positive and statistically significant relationship between accountability and performance of cooperatives.

H5: There is a positive and statistically significant relationship between transparency and performance of cooperatives.

## 5. Data Collection and Methodology

This paper is based on a research conducted in province 3 and province 6 of Nepal. The area of study was selected purposively because there is highest number of primary cooperatives established in province 3 and the lowest number of cooperatives established in province 6 compared to other provinces of Nepal (Department of Cooperative, 2017). Differences between the two provinces should also become evident. Apart from that, the available report shows that the cooperatives in the provinces face governance problems. Root causes of problems in the problematic savings and credit cooperatives are as follows: impact of policy change, lack of explanation of cooperative principles, weak, inadequate and incapable cooperative management, lack of proactive in government authorities, lack of common platform between government and cooperative movement, lack of cooperative knowledge in government system, lack of business base of the cooperative unions and federation and vested interest of cooperative players (Karki, Mathema & Upreti, 2014).

**Table 1**  
**Population and Sample Size in different Strata for Quantitative Approach**

S.N	Visited Name of SACCOS	Gender/Leader	Province	District	Members/Population (N)	Questionnaire Proposed	Actual Respondent / Sample (n)
1.	Civil	Male	3	Kathmandu	2,413	32	29
2.	Jyotipunja	Male	3	Kathmandu	1,400	27	26
3.	Mahiala Prayash	Female	3	Kathmandu	2,997	25	21
4.	Sajjan Mahila	Female	3	Kathmandu	954	25	24
5.	Sumeru	Male	3	Lalitpur	16,000	35	35
6.	Gorkha	Male	3	Lalitpur	6,877	35	30
7.	Santanesh wor	Female	3	Lalitpur	1742	22	22
8.	Jagaruk Mahila	Female	3	Lalitpur	734	25	23
9.	Siddi Ganesh	Male	3	Bhaktapur	13,635	40	35
10.	Bhaktapur	Male	3	Bhaktapur	6,613	31	30
11.	Mahila Abhiyan	Female	3	Bhaktapur	967	15	15
12.	Nari Kalyan	Female	3	Bhaktapur	1,394	20	20
13.	Jana Hitkari	Male	6	Surkhet	3,600	19	18
14.	Mahila Jagriti	Female	6	Surkhet	502	16	16

15.	Banisya	Male	6	Jumla	500	17	17
16.	Durgadevi	Female	6	Jumla	300	16	16
17.	Chhaya Nath	Male	6	Mugu	300	18	13
18.	Paurakhi Mahila	Female	6	Mugu	150	15	10
<b>Total Number of Members</b>					<b>N=61,078</b>	<b>433</b>	<b>n=400</b>

Source: original research

### Sample Design

From the above table it is clear that population of the study is 61,078 members and sample size is 400 members. Stratified random sampling procedure have been followed to select the primary cooperatives and sample members. Only one type of cooperative (i.e. Saving and Credit Cooperatives) out of sixteen types of cooperatives (Department of Coopertive , 2017) have been selected for the study in order to make it more specific. Altogether, eighteen primary cooperatives, twelve from province 3 and six from province 6 have been selected for the study. Nine cooperatives under male leadership and nine cooperatives under female leadership have been selected for the study.

Sample size has been determined by using Yamane's sample selection approach (Yamane, 1967). The primary data was collected using pre-tested semi-structured questionnaire. The collected data was analyzed by using Statistical Package for Social Science (SPSS version 23) and descriptive statistics such as regression analysis, Z-test and chi-square test were used to arrive in the final conclusion.

### Model Specification

The econometric models employed in this study tries to analyze the relationship between the good governance and firm performance variables. The following regression model is used in this study to examine the empirical relationship between the effects of good governance on firm performance of Nepalese cooperative. Thus, the following model equation is designed to test the hypothesis. From the conceptual framework the function of dependent variables (i.e. firm performance) takes the following form:

More specifically, the given model has been segmented into the following models:

#### Model 1

$$Performance = b_0 + b_1legitimacy_1 + b_2participation + b_3professionalizaton + b_4accountability + b_5transparency + e$$

In the above regression model, the dependent variable is the performance indicated by the average score on performance. The impact of legitimacy, participation, professionalization, accountability and transparency on cooperative performance is tested.

## 6. Findings and Discussions

### Descriptive Statistics

The descriptive statistics of dependent variables (performance) and independent variables (legitimacy, participation, professionalization, accountability and transparency) is shown in table 2 below:

**Table 2**

**Analysis of descriptive statistics of ownership, good governance structure and performance**

	N	Minimum	Maximum	Mean	Std. Deviation
Legitimacy	400	3.20	5.00	4.4050	0.41352
Participation	400	2.50	5.00	4.2069	0.54656
Professionalization	400	3.00	5.00	4.4625	0.38960
Accountability	400	3.00	5.00	4.3608	0.46434
Transparency	400	2.67	5.00	4.3147	0.34298
Governance	400	3.01	5.00	4.3500	0.31722
Performance	400	3.01	5.00	4.3500	0.31722
In Share Capital	400	11.23	19.56	17.052	2.02064
Valid N (list wise)	400				

Source: original research

The table shows the descriptive statistics of good governance variables, share capital and cooperative performance of 18 sample cooperatives of 400 observations. Descriptive statistics includes minimum value, maximum value, mean value and standard deviation.

This table shows that response for legitimacy ranges minimum 3.20 and maximum 5 with mean 4.4050. Similarly, participation ranges minimum 2.50 and maximum 5 with mean 4.2069. Likewise, professionalization ranges from minimum 3 and maximum 5 with mean 4.4625. In the same way, accountability ranges minimum 3 and maximum value 5 with mean 4.3608 and transparency ranges minimum 2.67 and maximum 5 with mean 4.3147.

Mean of data illustrate a summary of data and standard deviation displays how well the means represent the data (Field, 2009). All the mean scores and the standard deviation range between 4.35 and 4.35; and 0.32 and 0.32 respectively. This implies that data points are close to means and therefore, calculated means highly represent the observed data.

### **Correlation analysis**

This section of the study presents the results and discussions of the correlation analysis. The correlation analysis has been carried out to investigate the direction and magnitude of the relationship of good governance variables with the performance of the cooperative. The correlation measures the strength of the linear relationship between variables. The strength of linear association between two numerical variables in a population is determined by the correlation coefficient. The Pearson correlation coefficient of different independent variables good governance with dependent variable performance for the 18 Cooperatives of the study has been presented in Table 3.

**Table 3**

**Correlation Analysis**

	Legit	Partic	Profess	Accoun	Transp	Govern	Perform	Ln share Capital
Legitimacy	1							
Participation	0.515**	1						
Professionalization	0.571**	0.451**	1					
Accountability	0.366**	0.386**	0.479**	1				
Transparency	0.298**	0.370**	0.326**	0.415**	1			
Governance	0.750**	0.783**	0.761**	0.728**	0.623**	1		
Performance	0.750**	0.783**	0.761**	0.728**	0.623**	1.000*	1	
Ln share Capital	-0.098*	0.017	0.063	-0.082	-.185**	-0.068	-0.068	1

Source: original research

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

This table reveals the Pearson correlation coefficients between different dependent and independent variables. Legitimacy, participation, professionalization, accountability, transparency, governance, performance and capital defined in the table 3. The correlation coefficients are based on the data from 18 sample cooperatives with 400 observations.

The result shows that there is positive relationship of participation, professionalization accountability and transparency with performance. This indicates that increase in legitimacy participation, professionalization, accountability and transparency increase the performance of the Nepalese cooperative. Factor of good governance practices is positively related with performance of Nepalese cooperative indicating that increase in factor of good governance practices leads to increase in the performance.

Finally, correlation results reveal that all the hypotheses are positive and significant: legitimacy and performance (.750\*\*), participation and performance (0.783\*\*), professionalization and performance (.761\*\*), accountability and performance (.728\*\*), transparency and performance (.623\*\*); and overall cooperative governance and performance (1.000\*). This implies that all the dimensions of cooperative governance are important in predicting performance of the cooperatives.

**Regression analysis**

Having indicated the Pearson's correlation coefficient, the regression analysis has been carried out to examine the effects of good governance on performance in case of Nepalese saving and credit cooperatives. The results are presented in the table below. More specifically, Table 4 shows the regression results of legitimacy, participation, professionalization, accountability and transparency on performance.

This result is based on primary data of 18 co-operatives with 400 observations for the period of 2016/17 by using linear regression model. **The model**



is Performance =  $\alpha + \beta_1$  Legitimacy +  $\beta_2$  Participation +  $\beta_3$  Professionalization +  $\beta_4$  Accountability +  $\beta_5$  Transparency + e.

According to regression analysis output in the table 4, two variables professionalization and accountability which were included in the model have found to be significant and positive impact on the cooperative performance. Since legitimacy, participation, and transparency are insignificant variables, the other significant variables are discussed in the following paragraph. It will be interesting to shed more light on the non-significant variables in term of why and what are their implications for the performance of cooperative societies.

Table 4

**Estimated regression results of legitimacy, participation, professionalization, accountability and transparency on performance**

Model	$\beta$	Std. Error	t	P-Value
(Constant)	1.659	0.274	6.047	0.000
Legitimacy	-0.029	0.056	-0.516	0.606
Participation	0.072	0.040	1.769	0.078
Professionalization	0.303	0.060	5.013	0.000
Accountability	0.198	0.047	4.245	0.000
Transparency	0.082	0.059	1.374	0.170
R square	0.260			
Adjusted R square	0.251			
SEE	0.357			
F statistics	27.735			

Source: original research

Dependent Variable: Performance

Where,

$\beta$  = Beta Coefficient or Regression Coefficient

S.E. = Standard Error

SEE = Standard Error Estimate

Level of Significance = 5 % or 0.05

P < 0.05 is significant value.

Professionalization has positive and significant impact on cooperative performance, since P-value is 0.000 which is less than 0.05 and it is statistically significant. Also, since the P- value 0.000 is less than 0.05, accountability has significant impact on cooperative performance. The coefficient values of the accountability show that one-unit increase in accountability, the cooperative performance is expected to change by 0.198 given the other variables in the model are held constant. The positive value of regression coefficient indicates that as the professionalization of respondents' increases the cooperative will increase its performance. This will be much clear from the following table:

**Table 5**

**Data Analysis Tool: Regression and summary of its results**

Hypotheses	Statements/ Propositions	Null Hypotheses (H <sub>0</sub> )	Conclusions/ Results
H <sub>1</sub>	There is a significant relationship between legitimacy and performance of cooperatives.	There is no significant relationship between Legitimacy and Performance of cooperatives.	Rejected (0.606>0.05)
H <sub>2</sub>	There is a significant relationship between participation and performance of cooperatives.	There is no significant relationship between participation and performance of cooperatives.	Rejected (0.078>0.05)
H <sub>3</sub>	There is a significant relationship between professionalization and performance of cooperatives.	There is no significant relationship between professionalization and performance of cooperatives.	Accepted (0.000<0.05)
H <sub>4</sub>	There is a significant relationship between accountability and performance of cooperatives.	There is no significant relationship between accountability and performance of cooperatives.	Accepted (0.000<0.05)
H <sub>5</sub>	There is a significant relationship between transparency and performance of cooperatives.	There is no significant relationship between transparency and performance of cooperatives.	Rejected (0.17>0.05)
Combined Effect	There is a significant relationship between good governance variables (legitimacy, participation, Professionalization, accountability and transparency) and performance of cooperative.	There is no significant relationship between good governance variables (legitimacy, participation, professionalization, accountability and transparency) and performance of cooperatives)	R square is 0.26 which means that 26% of the total variation in performance is explained by the change in 5 independent variables such as legitimacy, participation, professionalization, accountability and transparency.

Source: original research

## Chi-square test on Demographic and Governance Variables

Table 6

**Chi square test on Demographic and Governance variables**

Demographic factors (sig.)	Legitimacy	Participation	Professionalization	Accountability	Transparency
Gender	0.006**	0.126	0.096	0.059	0.224
Age	0.904	0.875	0.446	0.948	0.870
Education	0.974	0.319	0.624	0.123	0.795
Province	0.003**	0.002**	0.174	0.014*	0.004**
Leadership	0.000**	0.034*	0.264	0.025*	0.140

Note: \*\* significant at 1 percent level and \* at 5percent level

Source: original research

The results show that Pearson Chi-Square statistics are significant for legitimacy. This indicates that cooperative firms significantly differ in terms of legitimacy for demographic factor (gender). However, it is observed that responses by gender are identical for participation, professionalization, accountability and transparency. Similarly, the result shows that age and education do not have any significant impact on selected factors of good governance because calculated Chi-square statistics are insignificant. Nonetheless, when cooperatives firms were categorized by province, the result shows that governance practices of cooperative firms differ significantly on legitimacy, accountability, participation and transparency. The significant Chi-square statistics for these variables indicate that firms in province 3 and province 6 have different mechanisms for legitimacy, accountability, participation and transparency.

The table shows that chi-square statistics are significant for legitimacy, accountability, and participation when respondents were categorized by leadership (defined as gender of the leader). It indicates that gender of leader has significant effect on governance practices of cooperative firm. However, gender of leader does not have any effect on the level of professionalization and transparency.

### Comparison of Mean of Factors of Good Governance

It has been done to compare the savings and credit cooperatives leadership wise and province wise. In this section an attempt has been made to analyze if there are any differences between province 3 and province 6 on the level of selected variables of the study. For this purpose, this study has used Independent sample t-test by dividing the whole sample into two categories namely, province 3 and province 6.

Table 7 shows the mean differences between responses from the province 3 and province 6 on legitimacy, participation, professionalization, accountability, transparency, performance and total capital of cooperatives.

Table 7

## Group statistics by province

	Province	Mean	Std. Deviation
Legitimacy	Province 3	4.3656	0.42398
	Province 6	4.5625	0.32623
Participation	Province 3	4.2141	0.54525
	Province 6	4.1781	0.55432
Professionalization	Province 3	4.4484	0.39600
	Province 6	4.5188	0.35971
Accountability	Province 3	4.3396	0.47062
	Province 6	4.4458	0.43069
Transparency	Province 3	4.3153	0.33452
	Province 6	4.3125	0.37715
Performance	Province 3	4.4104	0.41476
	Province 6	4.3604	0.40081
Ln share capital	Province 3	17.572	1.79758
	Province 6	14.9721	1.44834

Source: original research

From table 7, the mean values of participation, performance and total capital are higher in province 3 in comparison with province 6. However, the result shows that co-operatives in province 6 are better in terms of calculated mean scores for legitimacy, professionalization and accountability. Similarly, the mean scores on the level of transparency are almost identical in both the province 3 and province 6.

Table 8 shows the differences on governance practices by leader of the cooperative firms. The selected cooperative firms are categorized into two groups on the basis gender of the leader (female leadership and male leadership).

The table below shows that cooperating firms having male leadership are better on most of the governance practice variables. It is observed that the mean values for legitimacy, participation, professionalization and accountability are higher in cooperative firms with male leadership. However, the cooperative firms having female leadership are found to be better in the case of transparency than the male leadership.

The result also shows that performance of the cooperative firms having male leadership is better than firms having female leadership in terms of total amount of capital and measure of the performance.

Table 8

**Group statistics by leadership**

	Leadership	Mean	Std. Deviation
Legitimacy	Male Leadership	4.4428	0.40653
	Female Leadership	4.3611	0.41833
Participation	Male Leadership	4.3186	0.52027
	Female Leadership	4.0770	0.54904
Professionalization	Male Leadership	4.5628	0.29523
	Female Leadership	4.3459	0.44985
Accountability	Male Leadership	4.4062	0.43157
	Female Leadership	4.3081	0.49572
Transparency	Male Leadership	4.3137	0.31749
	Female Leadership	4.3159	0.37128
Performance	Male Leadership	4.5310	0.33808
	Female Leadership	4.2486	0.43825
Ln share capital	Male Leadership	18.2261	1.66310
	Female Leadership	15.6874	1.46765

Source: original research

## 7. Conclusions and Recommendations

The findings obtained after so many statistical tests, it is clear that there is positive and significant impact of good governance on performance of cooperatives of Nepal. Therefore, the conceptual framework and the corresponding hypotheses of this study have been accepted and confirmed. Hence, conceptual framework does not need amendments. There is association between good governance and performance of cooperatives of Nepal.

**On the basis of above findings, the author has come to formulate a conclusive model as mentioned.**

Good Governance model in Cooperative = (L + PP + AT) H

Where the factors influencing good governance are as follows:

L = Legitimacy

P = Participation

P = Professionalization

A = Accountability

T = Transparency

H = Honesty

The above factors can be illustrated in the following figure as 10-points conclusive model as follows:

(L + PP+ AT) H = Good Governance leads to
Good Performance (G.P.) leads to
A-One Competitive Choice for Excellence in Service & Soundness (ACCESS) leads to
Increases in Trust, Confidence and Reliability leads to
. Promotes the Sustainable & Equitable Socio-Economic Development and Growth leads to
Helps Poverty Reduction/Alleviation leads to
Increase Prosperity and Happiness, Mental Peace & Level of Satisfaction leads to
Increase Quality of Life & Life Expectancy Rate leads to
Helps to increase Human Development Index (HDI)

**Figure 2. Conclusion Model: Impact of Good Governance on Performance of Cooperatives of Nepal.**

Source: original research

From the above conclusive model, it is clear that legitimacy, participation, professionalization, accountability and transparency with honesty are the most important factors of the good governance that affect the performance of cooperatives in Nepal. If the above five factors are applied honestly, it results in good performance. If the performance of the cooperatives is good, then it helps to make the cooperative ACCESS (A-one competitive choice for excellence in service and soundness).

ACCESS helps to increase, regain, recover and maintain the trust, confidence and reliability of the cooperatives which is the main problems of Nepalese cooperatives. Increase in the trust and reliability help to promote the sustainable and equitable socio-economic development and growth; and brings benefits to the members. Consequently, such sustainable development and growth helps to reduce the poverty of the members of cooperative. In another words it results in not only increasing prosperity and happiness but also the mental peace and level of satisfaction.

Such increment in happiness with satisfaction can lead to increase in quality of life and life expectancy rate. Again increment in life expectancy rate may help to increase human development index (HDI).

Finally, good governance in cooperatives can build the better nation and better world because there is chain relationship and impact as mentioned earlier. Ultimately, this could be the author’s contribution to knowledge.

After spending about 9 months in the field in the area of study for collecting primary data both quantitative and qualitative data; and thereafter analysis of the data about 3 months, the author arrived in the conclusions which could be the contribution to knowledge. The author is adding the following specific points in the ocean of knowledge of good governance in cooperatives of Nepal, as contribution to knowledge:

- 1) Legitimacy has negative impact on performance of cooperatives of Nepal.
- 2) Professionalization and accountability have not only positive but also significant association with performance of cooperatives of Nepal.
- 3) Province 6 (village) is better than province 3 (city) in terms of legitimacy, professionalization and accountability.

4) Province 3 is better than province 6 in terms of participation and transparency.

5) Cooperatives operated under female leadership are better than cooperatives operated under male leadership in terms of transparency.

6) The above key findings of the research are important and useful to the government authorities, politicians, economists, analysts, policy makers, auditors, policy implementers, legislative parliament, executive, and judiciary, managers of the cooperatives, members, cooperative unions, teachers, trainers, and new researchers.

## **8. Conclusions**

The major conclusion of this study is that good governance significantly impact the performance of cooperatives in Nepal. Good governance is one of the most essential parts in cooperatives of Nepal. There is positive and significant relationship between good governance and performance of the cooperatives. However, there is negative relationship as well between good governance and performance of the cooperatives. Legitimacy, participation, professionalization, accountability and transparency are the main pillars of governance that could be practiced in cooperatives of Nepal. The integration of good governance in cooperative management intends to improve its services delivery methods.

The study also concludes that the cooperatives operated under female leadership are more transparent than the cooperatives operated under male leadership. Similarly, the cooperatives of province 6 are better than the cooperatives of province 3 in terms of legitimacy, professionalization and accountability. Good governance is therefore, very important for the sustainability of cooperatives for the reasons: to prevent fraud and mismanagement, promote sound decision making, avoid costly fine, create and maintain a positive corporate image, attract retain financing and investment. In this study, effort has been made to look into the management board and individual members' contribution in practicing governance issues and impacts of such practices on performance of cooperatives.

### **Recommendations**

Based on the results and findings of the study, the followings recommendations are forwarded:

1) The study found a positive and significant impact of good governance on performance of cooperatives of Nepal. Thus, the cooperatives willing to increase its performance should improve its good governance practices.

2) The study revealed a negative impact of legitimacy on performance of cooperatives. Therefore, the cooperatives willing to increase its performance should decrease its legitimacy.

3) The study observed a positive impact of professionalization on performance of cooperatives of Nepal. Hence the cooperatives willing to increase its performance should increase its professionalization.

4) The study showed positive impact of accountability on performance of cooperatives of Nepal. Thus, the cooperatives willing to increase its performance should increase its accountability.

### **Beneficiary of the Findings/ Results**

The findings mentioned above will be beneficial to various stakeholders of the cooperatives because it helps in their decision making in various ways. The main beneficiaries are as follows:

**1) Government/Policy Maker of the cooperatives:** The above findings are beneficial to the policy maker of the cooperatives such as Ministry of Cooperatives, Cooperative Development Board and other concerned stakeholders.

**2) Executive Body:** The above findings are important and useful to the executive level of the cooperative especially Department of cooperatives and Division Cooperative Offices throughout the country for implementing the policies prepared by the ministry of cooperatives.

**3) Cooperative Training Centers:** The above findings are useful to the National Cooperative Training Centre and its branches all over the Nepal.

**4) Pressure Group:** The above findings are equally important to the National Cooperative Federation of Nepal, District cooperative Unions and other various unions who have the significant role in the cooperative movement. Because it helps to make them various decisions.

**5) Primary Cooperatives:** The findings are of the research is important and useful to all the stakeholders of the primary cooperatives such as board of directors, account committee, credit sub-committee, education sub-committee, advisory committee and members for practicing good governance and making best performance in their cooperatives.

**6) New Researchers:** This research and findings is useful for those who are interested in research in the field of cooperatives. For new comers it can be the guideline and stepping stone because they can have a look and get some ideas and follow the same process. This will provide them with significant benefits.

**7) Management:** These results and findings are equally beneficial for all the managers of the cooperatives in order to enhance the performance of the cooperatives because it helps them to make appropriate decisions in time. It helps the managements to save their time, money and energy; and finally achieve their vision, mission, goals and objectives.

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