



GOVERNANCE

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Neglect in Regulating Cooperatives Hampers the Ordinary Depositors

WEEKLY

Financial co-operatives, a crucial component of Nepal's financial infrastructure, have long played a significant role in managing a substantial volume of transactions. However, these institutions have received minimal attention from the government, despite the growing number of irregularities and challenges faced by many cooperatives.

According to data from the Department of Co-operatives, Nepal is home to approximately 29,886 registered co-operatives with a staggering 7.3 million members. These co-operatives have a combined share capital of approximately NRs. 9.41 billion, with total deposits reaching NRs. 477.96 billion and outstanding loans amounting to NRs. 426.2 billion. Shockingly, the recent declaration by the government revealed that 12 troubled co-operatives have caused losses of NRs. 10 billion for ordinary depositors. Sadly, this is just the tip of the iceberg, as numerous other co-operatives face similar difficulties.

In response to the escalating crisis, the government announced on May 9, 2023, that a working committee would be established to investigate the problems plaguing co-operatives. The committee was assigned the task of examining the past and present scenarios of co-operatives, identifying underlying issues and causes, and formulating potential solutions. It was expected to submit its comprehensive report within two months. However, one month has passed since the announcement, and neither has the working committee been fully formed nor has a single meeting been held to address the pressing concerns.

The Constitution of Nepal has decentralized the responsibility of co-operatives, assigning different levels of governance—local, provincial, and federal—depending on the size of the co-operatives. Presently, there are approximately 6,000 co-operatives under provincial governments and 40,000 under local governments. However, despite this division of responsibilities, effective oversight and regulation have been sorely lacking.

Nepal Rastra Bank, the central bank of Nepal, bears the responsibility of regulating cooperatives with a capital exceeding NRs. 500 million, as mandated by the Co-operatives Act 2074. However, it appears that the Nepal Rastra Bank has paid little attention to this crucial task. Although the need for a second-level regulatory body dedicated to handling co-operatives has been mentioned in the budget for the past three years, no concrete steps have been taken to establish such an entity.

The dire state of Nepal's financial cooperatives demands urgent attention and action from the government, regulatory bodies, and stakeholders. Robust regulatory frameworks, improved governance practices, and increased oversight mechanisms are essential to protect the interests of depositors and ensure the long-term stability of the cooperative sector. Failure to address these pressing issues promptly risks further erosion of public trust and stability within the financial system.

Read more: [Naya Patrika](#)

1.

Governance Issues of the Week

A few mistakes have been reported on the National Census 2021. The recent census mentions there are 142 castes and 124 languages in Nepal, but the previous census of 2011 only had 125 castes and 123 languages. Also, the Madhesi Commission has pointed out the recent census only includes 67 castes out of the 150 castes it had recommended.

Read more: [EKantipur](#)

2.

5,000 bicycles brought by the previous Madhesh Province government for Beti Bachao, Beti Padhao campaign, which aimed to promote girls' education by distributing bicycles, remain locked in the government's godown. The corruption charges of NRs. 11 million initially delayed the process, and now it no longer falls under the priority of the new government.

Read more: [Setopati](#)

3.

PAn 8-kilometer-long railway service connecting Bathnaha in India to Biratnagar in Nepal has started operating. The railway is anticipated to benefit more than 500 small and large-scale industries in Sunsari-Morang industrial corridor, and the daily transport cost is likely reduced by NRs. 6.048 million.

Read more: [The Kathmandu Post](#)

4.

Kathmandu Metropolitan City has released a list of 342 private schools that haven't disclosed the details of their scholarship distribution. As per the Education Rules 2002 and Metropolitan Education Act 2075, 10 percent of the total students in any school should receive scholarships. If not, the school could lose its license.

Read more: [Kantipur](#)

5.

The Security Printing Center didn't receive any budget for the fiscal year 2023-24, yet it wasn't listed among the 20 institutions that are to be eliminated or merged. The 690 million corruption charges against the former director and other irregularities have made it infamous within seven years of its establishment.

Read more: [OnlineKhabar](#)

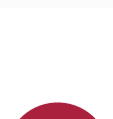
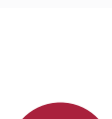
6.

An investigation by the Internal Revenue Department has uncovered fraudulent practices in the business sector. Around 1,500 firms, including 42 major taxpayers, were involved in issuing fake value-added tax (VAT) bills, resulting in businesses worth approximately 1 trillion rupees. The investigation revealed that fake VAT bills amounting to 9.93 billion rupees were issued for price escalation.

Read more: [Ukaalo](#)

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