

RELATIONSHIP BETWEEN LEADERSHIP QUALITIES  
AND PERFORMANCE OF NEPALI COOPERATIVES

Nav Raj Simkhada

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This thesis entitled *Relationship between Leadership Qualities and Performance of Nepali Cooperatives* was presented by Nav Raj Simkhada on 23 August, 2019 and approved by

.....  
Prof. Tanka Nath Sharma, PhD 23 August, 2019  
Thesis Supervisor

..... 23 August, 2019  
Assoc. Prof. Prakash C. Bhattarai, PhD  
Thesis Supervisor

..... 23 August, 2019  
Assoc. Prof. Dhanapati Subedi, PhD  
HoD, Educational Leadership/ Research Committee

..... 23 August, 2019  
Prof. Narayan Narsingh Khatri, PhD  
External Examiner

..... 23 August, 2019  
Prof. Mahesh Nath Parajuli, PhD  
Dean/ Chair of Research Committee

I understand and agree that my thesis will become part of the permanent collection of Kathmandu University Library. My signature below authorizes release of my thesis to any reader upon request for scholarly purposes.

..... 23 August, 2019  
Nav Raj Simkhada  
Degree Candidate

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## DECLARATION

I hereby declare that this thesis has not been submitted for the candidature for any other degree.

.....

23 August, 2019

Nav Raj Simkhada

Degree Candidate

## AN ABSTRACT OF THE THESIS OF

*Nav Raj Simkhada* for the degree of *Doctor of Philosophy in Education*

presented on 23 August, 2019. Title: *Relationship between Leadership Qualities and Performance of Nepali Cooperatives*

Abstract Approved

.....  
Prof. Tanka Nath Sharma, PhD

Thesis Supervisor

.....  
Assoc. Prof. Prakash C. Bhattarai, PhD

Thesis Supervisor

The role of a leader is imperative for the successful operation of an organization. Considering the important role of leadership to enhance organizational effectiveness, this study has examined the effects of leadership qualities on the performance of cooperatives in Nepal through the lens of learning from everyday life. The study developed instruments to measure leadership qualities and performance of cooperatives, and with their administration collected data to explore the role of leadership qualities and the background variables of leaders such as education, training, exposure, experience, age, and gender to the performance of cooperatives.

The study applied a contextualized leadership questionnaire and collected data on qualities of leadership in cooperative societies. The cross-sectional survey method was used to collect data from 1255 respondents from 210 cooperatives operating in 41 districts. These districts represent all geographical areas of Nepal- the Mountains, Hills, and Terai regions.

The factor analysis of the collected data determined four dimensions of leadership qualities in the context of cooperatives in Nepal: role model, team-

empowerment, performance-based rewards and skills of the sector. The study indicated that, of the four dimensions of qualities of leadership, role model and team empowerment qualities of leaders were found to be more important than performance-based rewards and leaders' skills in Nepali socio-cultural context. Nevertheless, these four qualities of leadership were found to be interlinked and one quality helped to enhance other qualities being complementary to each other.

The study has developed the ELEPHANTS rating tool to assess the performance of the cooperatives. Applying the assessment tool, the study showed that the performance of the cooperatives operating in the Terai was better than those located in Hills and Mountains; and the cooperatives managed by women outperformed the cooperatives managed by men. There was no significant difference in the performance of the cooperatives operating in rural and urban areas.

The study applied Spearman's correlation to examine the association of leadership qualities with the performance of the cooperatives. The correlation coefficients showed that performance-based rewards and leaders' skills on the subject matters had a stronger association on the performance of cooperatives than role model and team-empowerment qualities of leadership. Logistic regression analysis also supported this as the analysis indicated that performance-based rewards and leaders' skills on the subject matters had higher effects on the performance of cooperatives than role model and team-empowerment qualities. One of the explanations of this finding could be that our cultural values emphasize role models and team empowerment as important qualities of leadership, however, these qualities are little translated into practice in real life by the leaders. Furthermore, the four dimensions of leadership qualities were higher in the case of operational level leaders than policy level. This is because the operational leaders had higher educational qualifications and

experience than the policy level leaders. Besides experience, exposure visits also had a positive effect on the performance of cooperatives. The findings thus indicated learning from self-experience and other experiences (exposure) as important factors in enhancing leadership qualities and performance of cooperatives. Hence, learning from everyday life experience is an important aspect to enhance the performance of cooperatives.

The findings of the study have practical and policy level implications as well. The four dimensions of leadership qualities identified in this study will contribute the practitioners of cooperatives to adopt these qualities and increase their performance. The findings could also be useful beyond cooperatives. Organizations such as educational institutions, business enterprises and others could use these findings to devise leadership development program in order to improve organizational effectiveness. In addition, the leadership questionnaire and rating tools developed for this study could be of practical use in the cooperative and other sectors of Nepal as they share a common socio-cultural context.

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23 August, 2019

Nav Raj Simkhada

Degree Candidate

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## ABBREVIATIONS

ACCESS:	A-one Competitive Choice for Excellence in Service and Soundness
ACCU:	Asian Confederation of Credit Unions
ADB:	Asian Development Bank
ADBL:	Agricultural Development Bank Ltd.
ANOVA:	Analysis of Variance
APA:	American Psychological Association
	Assets quality, Net growth, Targeting, Self-governance.
BFI:	Banks and Financial Institutions
BoDs:	Board of Directors
CAMELS:	Capital adequacy, Asset quality, Management, Earnings, Liquidity
	Sensitivity to market
CBOs:	Community Based Organizations
CBS:	Central Bureau of Statistics
CECI:	Canadian Center for International Development and Cooperation
CMF-N:	Center for Microfinance Nepal
DoC:	Department of Cooperatives
ELEPHANTS:	Earnings, Liquidity, Efficiency, Productivity, Healthy capital
	structure, self-governance
FGD:	Focused Group Discussion
FRL:	Full Range of Leadership
FSS:	Financial Self Sufficiency
GA:	General Assembly
GDP:	Gross Domestic Product

GIZ:	German Technical Cooperation
ICA:	International Cooperative Alliance
ICURN:	International Credit Union Regulators' Network
IMF:	International Monetary Fund
KPIs:	Key Performance Indicators
LMX:	Leader Member Exchange
MoCPA:	Ministry of Cooperatives and Poverty Alleviation
NCDC:	National Cooperative Development Board
NCF:	National Cooperative Federation
NCFN:	National Cooperative Federation of Nepal
NEFSCUN:	Nepal Federation of Savings and Credit Cooperative Union
NGOs:	Non-Governmental Organizations
NRB:	Nepal Rastra Bank
OSS:	Operational Self Sufficiency
PAR:	Portfolio at Risk
PEARLS:	Protection, Effective financial structure, Assets quality, Rate of return, liquidity, Sign of growth
PhD:	Doctor of Philosophy
PROBATION:	Program for Building Absolute and Professionalization
RMDC:	Rural Microfinance Development Centre
ROA:	Return on Assets
ROE:	Return on Equity
RoSCAs:	Rotating Savings and Credit Associations
SACCOSs:	Savings and Credit Cooperative Societies
SDGs:	Sustainable Development Goals

SEE:	Secondary Education Examination
SEEP:	Small Enterprise Education Promotion
SFACLs:	Small Farmers Agriculture Cooperatives Ltd.
SFDB:	Small Farmer Development Bank
SFDP:	Small Farmers Development Program
SHGs:	Self-Help Groups
SPSS:	Statistical Package for the Social Sciences
ToR:	Terms of Reference
UNCDF:	United Nations Capital Development Fund
UNESCO:	United Nations Educational, Scientific and Cultural Organization
VABEs:	Values, assumptions, beliefs and expectations
VDCs:	Village Development Committees
VIF:	Variance Inflation Factor
WOCCU:	World Council of Credit Union

## CHAPTER I

### INTRODUCING THE RESEARCH AGENDA

In this study, I have explored the relationship between leadership qualities and the performance of cooperatives. In line with the purpose of the thesis, in this chapter, I introduce the cooperative sector in Nepal, elaborate a brief international and national history of cooperatives, outlines the determinants of success of a cooperative and discusses the roles of leadership in the performance of cooperatives. I have then discussed tools to measure leaders' qualities and performance of cooperatives. Finally, I have stated the research problems, the purpose of the study, research questions and hypotheses, rationale and delimitations of the study.

#### **Context of the Study**

The cooperative consists of a group of people working together towards achieving a common goal. It is a voluntary association of group of individuals who come together in order to meet members' needs through a jointly owned and controlled business unit. This approach has been proven to be one of the most effective means to solve common problems collectively, provide required services in a cost-effective manner and help empower the poor (Dogarawa, 2005; Olaniyan, Ero, Hay & Berge, 2016). The cooperative approach is based on the powerful idea that a group of people working together can collectively achieve goals that an individual alone cannot achieve. Such characteristic of the cooperative is defined as "all for one and one for all" (National Cooperative Federation [NCF], 2018). Solving each others' problem collectively and promoting self-help is the main philosophy and guiding principle for the successful development of the cooperative.

The International Cooperative Alliance (ICA) defined the cooperative as “an autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise” (ICA, 1995). The definition emphasizes five major characteristics of cooperatives: autonomous, voluntarily organized, having a common purpose, jointly owned and democratically controlled (NCF, 2018). A cooperative is an autonomous body as it is independent and self-governed by its own by-laws and policies formulated by the members themselves. Secondly, a cooperative is a voluntarily organized enterprise initiated by the members to fulfill their social, cultural and economic needs. It is not formed by the external bodies such as government or developmental organizations. Thirdly, there is a common purpose behind the formation of a cooperative such as work together for the benefits of one another or for other reasons. It is jointly owned as resources and capital of a cooperative comes from members as a form of savings and shares. And, last but not the least; it is a democratically controlled institution as members elect a chairperson and board directors of the cooperative. These five characteristics are the guiding principles and values for the successful operation of the cooperatives.

Although cooperative arrangements such as mutual supports, and principles of cooperation existed long before in the society, the first organized cooperative ‘the Rochdale Society of Equitable Pioneers’ began in England in 1844. The Rochdale Society was formally organized in line with the guiding principles of cooperatives. As subsequent successes of the Rochdale Pioneers, cooperative societies were established throughout the world during the nineteenth century to fulfill different needs of members.

It took more than a hundred years to initiate cooperative movement in Nepal. The first cooperative in Nepal, 'Bakhan Singh Savings and Credit Cooperative' was established in 1956 by the government to support flood victims in Chitwan district. There was no people participation while establishing the Bakhan Cooperative. The experience around the globe shows that cooperatives established by the people themselves with their active participation are successful (NCF, 2018). However, the cooperative movement in Nepal was initiated and controlled by the state until 1992 and there was a lack of fundamental understanding of cooperatives' values and principles (German Technical Cooperation [GIZ], 2015). Therefore, cooperative movement in Nepal was ineffective until 1992.

The Cooperatives' Movements internationally revealed that their success is dependent on the governance of universally accepted values and principles, and on dedicated leaders and active members (GIZ, 2015). The cooperatives that have successfully adopted internationally accepted principles in day-to-day operations are effective and cooperatives unable to operate in line with principles are ineffective or dormant (NCF, 2018; National Cooperative Development Board [NCDB], 2016). Active involvement of members and adherence of cooperative's principles in day to day operation is an important aspect for the success of a cooperative.

A major transformation in cooperatives sector took place in Nepal, when the government promulgated Cooperative Act 1992. The Act stipulated that the government no longer directly promote or manage cooperatives. It limited the government's role in providing technical support and monitoring the activities of cooperatives'. It is evident that there was an exponential growth in Nepali cooperative sector after 1992 (NCF, 2018), and as of July 2018, about 34,500 primary



cooperative societies have been formed and these cooperatives have provided services to over six million members.

The Department of Cooperative has classified these 34,500 primary cooperatives into more than 20 types based on their objectives. These categories include (a) cooperatives engaged in production activities such as milk, vegetable, fruit, coffee, tea, sugarcane, orange, honey, agriculture and herbs (b) cooperatives engaged in providing services such as health, education, transportation, communication, electricity, consumer stores and (c) financial cooperatives such as savings and credit, multipurpose and others. Cooperatives are also categorized as self-promoted (promoted by the members themselves) and promoted by development programs (Sharma, Simkhada & Shrestha, 2006). From the gender perspective, cooperatives are divided into two categories: female-managed and managed by both male and female.

Cooperatives are further classified based on working areas such as community-based and capital based (Simkhada, 2013). Cooperatives formed by community members in a certain community to fulfill common needs or improve the wellbeing of members are called community-based cooperatives. Services of these cooperatives are confined in certain geographical localities. These types of cooperatives are formed based on neighborhood ties in the communities. Only community-based cooperatives carry characteristics of cooperatives such as common purpose, jointly owned and democratically controlled and voluntarily organized entity committed to fulfill members' needs (GIZ, 2015). Such cooperatives are capable of understanding the unique needs of communities and provide services as per members' needs (Sharma et al., 2006). In the contrary, capital-based cooperatives focus on

expanding services in different communities in order to maximize profit, which is beyond the values and principles of the cooperatives.

The different types of primary cooperatives have their own district and central level apex body called federation. At least 7 and 15 primary cooperatives are needed to form district federation in remote and non-remote district respectively. There are two types of district federations: (a) Federation of single-purpose cooperatives such as savings and credit, agricultural, milk and others (b) Federation of all types of cooperatives. Above district level federation, there is a provision of central federation. At least 51 single purpose primary cooperatives or their federation is required to form the central level federation. Finally, all types of cooperatives federations (district and central federations) form one national-level federation which is called National Cooperative Federation (NCF). The cooperative Act 2017 has made the provision of organizing provincial level federation, but it is not yet materialized.

The Nepali cooperative sector today comprises National Cooperative Federation, an apex body of all types of cooperatives, 20 Central Cooperative Unions, 321 District Cooperative Unions and 34,500 primary cooperatives of various types (NCF, 2018). The sector serves around 6.3 million members and provides direct employment to about 60,000 people. Primary cooperatives have mobilized NPR 73 billion as shares, collected NPR 302 billion as savings and provided loans worth NPR 274 billion (NCF, 2018). Contributions of the cooperatives are impressive to provide financial and other services to members without access to basic services. Share of cooperatives in the financial market is 15 % and in Gross Development Production is 3% (NCF, 2013). The Government of Nepal thus has considered cooperative as one of the three pillars of economic development along with public and private sector (Department of Cooperative [DoC], 2015). The cooperatives are

considered one of the important pillars of economic development as they are capable of serving far-flung remote communities and their services are effective to help alleviate poverty. The Constitution of Nepal 2015 also recognizes important roles of cooperatives to provide cost-effective services to members and to help promote just and prosperous society.

Although the collective contribution of the cooperatives is impressive and they are considered one of the important pillars of economic development, only about half of the cooperatives are effective and others are either dormant or collapsed (GIZ, 2015). Some cooperatives are very effective to provide services to members while others are ineffective and on the verge of collapse. Among other aspects, leadership is considered the principal factor to enhance the performance of cooperatives (Batool, 2013; Dogarawa, 2012; Mohamad & Mjid, 2014). I have witnessed that both types of leaders in cooperatives such as chairpersons (policy level) and manager (operational level) played important roles for the success of a cooperative. The chairpersons are considered as policy level leaders as they are engaged in formulating policies and strategies and Managers are considered as operational level leaders as they are involved in managing day-to-day operations. This study included both types of leaders.

Both policy and operational level leaders have vital roles to adopt the good practices in day-to-day management of the cooperatives. Cooperatives with efficient leaders are successful to adopt good practices such as promotion of thrift, prudent lending, careful selection of members, and provision of training, technical supports and education to general members, staff and board of directors. Leaders' learned skills of managing from their everyday experiences or others experiences as the knowledge required for managing cooperative is not taught in the educational institutions and

there are insufficient number of trainers and training organizations in this field to provide knowledge and skills for managing cooperatives. Leaders in successful cooperatives are capable of learning from their own and from others experiences while ineffective cooperatives are unable to apply good practices of managing cooperatives (DoC, 2018; NCF, 2018). Why some cooperatives are effective to adopt good practices and operating successfully while others are ineffective, is an area still unexplored in Nepali cooperative sector.

Leadership qualities are associated with the performance of a cooperatives (Batool, 2013; Garnevska, Liub, & Mary, 2011; Mohamad & Mjid, 2014; Northouse, 2011; Razinskas, Backmann & Hoegl, 2018). In my experience as well, I have observed that leadership plays an active role to achieve objectives of the cooperatives. Furthermore, I have observed and experienced that cooperatives having visionary, educated, honest, competent and dedicated chairpersons or managers have been found to be successful. However, there are no empirical investigations that explore the relationship between leadership qualities and the performance of cooperatives in the Nepali context. Therefore, this study was undertaken to explore the relationship between leadership qualities and the performance of cooperatives. The study also evaluated the leadership qualities and the performance of cooperatives from the lens of learning from everyday life theory and explored the effective way of learning for enhancing leadership qualities and competency in cooperative management.

### **Leaders' Qualities and Performance of Cooperatives**

In the quest of exploring the relationship between leadership qualities and the performance of organizations and identifying characteristics of effective leaders, array of leadership theories such as trait theory, behavioral theory, skills approach, situational theory, transformational and transactional leadership theory and other

approaches of leadership have been emerged (Northouse, 2011). There is a debate among leadership theories on which characteristics of the leaders are more effective than others. Past studies were not conclusive regarding which leadership qualities were more effective than the other to determine the emergence and effectiveness of leadership (Yukl, 2006). Leadership characteristics effective in one context may not be effective in others. Moreover, measuring characteristics of effective and ineffective leadership are other issues in leadership studies. Despite several theories on leadership qualities such as leaders' traits, behaviours, situation and other aspects, the issue of measuring leadership qualities remains an unresolved phenomenon (Bass, 2008). To address the concern of measuring characteristics of effective and ineffective leadership, Bass and Avilo (1999) have developed the Full Range of Leadership module and the Multifactor Leadership Questionnaire (MLQ). The MLQ measures leadership qualities in a continuum of the most effective leaders to least effective ones. The full range of leadership includes ranges from passive, laissez-faire leadership to levels of transactional leadership and finally to transformational leadership. Leaders may use all these approaches depending on the situation, but they may use more of one approach than others (Bass, 2008). Effective leaders were more frequently found to be transformational; less adequate leaders were found to be laissez-faire or transactional (Northouse, 2011). Effective leaders use transformational and transactional styles suitable to characteristics of followers, types of organization and the environment.

The MLQ is internationally popular to measure characteristics of effective to ineffective leaders, but it is not intensively contextualized and applied in the Nepali context for leadership studies in general, and studies of cooperative's leaders. Moreover, the Nepali socio-cultural context will demand other qualities of leadership

besides items included in the MLQ. Therefore, it is necessary to develop different items and questionnaire to measure leadership qualities in the Nepali context. Besides questionnaire for measuring leadership qualities, there is also lack of a comprehensive tool to measure the performance of cooperatives in order to explore the relationship between leadership qualities and the performance of cooperatives. This indicates the need for developing contextualized and comprehensive tools for measuring leadership quality and the performance of cooperatives.

Dimensions and indicators for measuring organizational performance depend on types of organization such as non-profit and profit/business organizations. As cooperatives are socially oriented business organizations, the indicators used for profit organizations will be appropriate to adopt for measuring the performance of cooperatives. Carton and Hofer (2006) reviewed varieties of indicators used to measure the performance of the business organizations in research studies published between 1996 to 2000 and found no 'generally accepted' measures. Out of the 138 articles reviewed, they found 71 different indicators under nine dimensions, to measure the performance: profitability, market share, market value, growth, efficiency, liquidity, sustainability, business volume/size of the transaction and social indicators. The shares of the cooperatives are not listed in stock exchange; hence, market value of equity is not relevant to assess the performance. Business volume and size of the organization are used as control variables to account for variance in other measures and they are not used to measure the organizations' performance (Carton & Hofer, 2006). Therefore, these two dimensions do not precisely measure performance.

The organizational performance is measured in two ways: subjective or perceptual measure of effectiveness and objective measure of effectiveness (Negre & Maguire, 2002). Objective measures such as profit, sales, market share, return on

assets and equity, efficiency, portfolio quality, and productivity are more precise than subjective measures. Subjective measures such as staff motivation, compliance, satisfaction, and other evaluate the past performance as well as indicate future performance (Geyer & Steyrer, 2005). For example, satisfied employees work diligently and put in extra effort, which in turn enhances performance. The use of both measures provides a clearer picture of organizational performance and leadership effectiveness (Carton & Hofer, 2006). However, Nepali cooperative sector lacks a comprehensive tool incorporating both subjective and objective indicators (detail of performance assessment measure is discussed in Chapter V).

### **Statement of the Research Problem**

About 34,500 cooperatives and more than 200 Banks and Financial Institutions (BFIs) are providing financial services throughout Nepal; however, about 40% of households in Nepal are still out of the reach of formal financial services (Nepal Rastra Bank [NRB], 2018; NRB / United Nations Capital Development Fund [UNCDF], 2014). The vulnerable sections of the society are denied of accessible and affordable financial services of the BFIs and cooperatives. The BFIs and cooperatives are unable to tap the demand and address the needs of un-served and underserved people. It is not clear why cooperatives and BFIs are unable to cater the huge unmet demand of financial services in the communities.

The banks' services have reached 556 out of 753 municipalities (NRB, 2018) and cooperative services have reached to all municipalities (NCF, 2018). Though the numbers of registered cooperatives have reached about eight folds of the total number of the then Village Development Committees (VDCs) of Nepal and 47 folds of the total number of municipalities, the demand of financial services remains largely unmet. Cooperatives are formed to cater the needs of members in the community.

However, data show that many cooperatives are unable to effectively serve members and attract many more non-members which are currently left out.

There could be many reasons as almost half of the nation's population has not been able to get financial services. One of the important reasons for not being able to meet the unmet demands of financial services by the poor is the institutional capacity of the cooperatives. Institutional capacity of most of the cooperatives is weak and about half of all registered cooperatives are inefficient or dormant (GIZ, 2015). Some cooperatives are even involved in fraudulent activities. For example, in 2014, 130 cooperatives, mainly in the Kathmandu Valley, were declared problematic, since they allegedly misappropriated Rs. 11.41 billion in deposits of the members and the general public (Weber & Gongal, 2014). Such activities of a few cooperatives and their leaders may result in the loss of trust among members of many good performing cooperatives and can destabilize the whole financial sector (Neto & Bachmann, 2016). Besides the 130 cooperatives, there are thousands of other dormant and collapsed cooperatives. The Division Cooperative Offices (DCOs) are responsible for the supervision and regulation of cooperatives, but they lack information about cooperatives members' savings.

Some cooperatives are successful and efficient in providing services to members whether they are located in remote areas or urban areas, but others are ineffective. There could be many reasons behind the success and failure of cooperatives but very little is known about why some cooperatives are efficient and successful while others are dormant and on the verge of collapse; why some cooperatives are able to win the hearts of members and are efficient while others fail to do the same, what are the roles leadership qualities and other variables such as



education level, training, experience, and exposure visits are the shadowed part of the sector that we fail to fully understand.

Many factors determine the success and failure of cooperatives such as good governance, quality of human resources, education level of chairperson, board, staff and members, competition, demand of services but leadership is the principle factor (Dogarawa, 2012). The study conducted in China found that the success of a cooperative depends on honesty and skills of a leader (Garnevska et al., 2011; Thomas, Horton, & Riggio, 2018). Leaders are competent, dedicated and efficient in the successful cooperatives (Carton & Hofer, 2006; Negre & Maguire, 2002; Yukl 2006). In such cooperatives, leadership plays active roles for adaptation of best practices for managing cooperatives efficiently and achieving the set objectives.

Cooperative leaders (chairperson and manager) have played important roles for managing cooperatives in the professional manner (Garnevska et al., 2011; Weiss, Razinskas, Backmann, & Hoegl, 2018). Their roles are crucial for formulating vision and sharing it with team members; recruiting capable and committed human resources; motivating and capacity building of the team; provision of education and training to members; formulation and implementation of business plan; formulating policies, maintaining proper internal control system; performance evaluation and incentive system to staff; maintaining high portfolio quality; providing better services to members. Successful cooperatives can adopt good practices such as promotion of thrift, prudent lending and expansion of services, careful selection of members, training and education to members and adherence of good governance practices. These cooperatives have dedicated leader/s who learn from everyday life experience to manage organization efficiently (Jarvis, 2012). Learning from everyday life theory indicates that leaders' qualities such as listening and understanding team-member's

needs, learning from other practices and own mistakes are successful. However, these issues are not dig out in the context of cooperatives in Nepal.

The qualities of cooperatives leaders have been considered crucial determinants behind the success of the cooperatives (Garnevska et al., 2011). However, what qualities make a chairperson and manager effective is still not clear. I have witnessed that successful cooperatives have educated, experienced and ethical chairpersons. This indicates that experiences, exposure, education and training enhance leadership qualities in the cooperatives. But on the other hand, I have visited many successful cooperatives which do not have educated leaders. There is no study in Nepal that investigates the association between leadership qualities and the performance of the cooperatives. As such, a very little is known about this aspect in Nepal, and we also do not know what kind of leadership qualities make cooperatives successful and what are the key indicators to measure their performance. There is a knowledge gap on enabling and embedding factors for success and failure of cooperatives; and Nepali cooperative sector lack a comprehensive tool to measure the performance of cooperatives.

I have spent more than 25 years in this sector, and I have experienced that education, training and exposure play important roles in upgrading leadership competency and performance of cooperatives. I have worked with governmental and non-governmental organizations that have implemented many interventions to upgrade the capacity of the leaders and managers of cooperatives. Some training and education programs are successful while others are not effective to revive or restructure inefficient or dormant cooperatives and transform them as vibrant community-based organizations. The reasons why some training, capacity building and other support interventions and policies are effective whereas others are not

effective to transform weak cooperative and strengthening the sector to improve access to financial and other services, have not been comprehensively researched before. In the Nepali context, there are no researches that investigate the association between leadership qualities and performance of cooperatives, and roles of education, training and exposures to enhance the qualities and competency of leaders. Hence, this study attempts to investigate the relationship between leadership qualities and the performance of the cooperatives in Nepal.

### **Purpose of the Study**

The purpose of this study was to identify the predictive relationship between leadership qualities and the performance of the cooperatives. More specifically, the purpose of the study was to identify leadership qualities that drive the performance of cooperatives; to explore the indicators for measuring the performance of cooperatives; to examine the relationship between leadership qualities and performance of cooperatives; and finally, to explore the performance of different types of cooperatives.

### **Research Questions**

The principal research question was to investigate the effect of leadership qualities on the performance of cooperatives. Specifically, the research questions were:

1. What were the qualities of leadership in cooperatives and to what extent they differ by leadership types (policy and operational level leaders)?
2. What were the indicators to measure the performance of financial cooperatives and how the performance level differs across different types and locations of cooperatives?

3. What was the relationship between leadership qualities and the performance of cooperatives?
4. To what extent did leadership qualities and leaders' background variables such as education, training, exposure, experience, age, and gender predicted the performance of cooperatives?

### **Hypotheses**

I developed research hypotheses in line with the research questions. The research Hypotheses of the study were:

1. There is a difference between the perception of policy and operational level leaders regarding leadership qualities.
2. There is a difference in the performance of cooperatives by geographical locations, gender, and types of cooperatives.
3. There is a relationship between leadership qualities and the performance of cooperatives.
4. There is a difference in the performance of cooperatives by personal characteristics and qualities of leadership.

### **Rationale of the Study**

Despite the growth of financial institutions and cooperatives, access to financial services by these institutions is only about 60 % (NRB, 2014). Formal banking services and are not cooperatives easily accessible to the poor and vulnerable people. The poor have to depend on financial services provided by informal sources at exorbitant rates (World Bank, 2006). As such, very little is known about why financial institutions such as banks and cooperatives are unable to cater the unmet financial demands of the people especially in rural and remote areas of Nepal.

Unlike other financial institutions, community-based cooperatives are managed, capitalized and controlled by users/members, and in cooperative societies, benefits go directly to members. Global experience and experience in Nepal as well have shown that cooperative model is a cost-effective and sustainable approach to providing financial services in remote and isolated areas of Nepal with no access to formal financial services (Canadian Center for International Development and Cooperation [CECI], 1998; Olaniyan et al., 2016). Community-based cooperatives are more responsive to local needs and their services are more popular than other financial institutions. Most cooperatives have very low operating costs and charge affordable interest rates than other microfinance methodologies, and they are efficient in adapting to local needs (Simkhada, 2013). Therefore, the approach of the cooperative is more appropriate to provide financial services in rural and remote areas of Nepal.

Although the cooperative approach is considered cost effective and collective contributions of cooperatives are significant to provide services to remote communities, many cooperatives are dormant and are unable to address members' needs efficiently. There is a knowledge gap on why some cooperatives are effective to provide services to members and others are not, and what roles leadership plays to determine the success of the cooperatives. About a century has passed since the establishment of the first cooperative in Nepal, but there are virtually no studies on the proposed topics.

Many factors determine the success of the cooperatives. Garnevska, Liub and Mary (2011) found that effective leadership is one of the important elements that contribute to the success of the cooperatives. Leadership has important roles in the organization, as it is a process whereby an individual influence a group of other

individuals to achieve a common goal, and it is the responsibility of the leaders to inspire and support team members to achieve the goals set by the organization (Northouse, 2011). Leaders provide vision; they motivate, inspire and empower followers to achieve goals; and such qualities of the leaders help to enhance the employee's motivation and productivity (Bass, 1985, as cited in Goodwin, Whittington, Murray, & Nichols, 2011). However, the qualities of chairpersons and managers in effective cooperatives have not been thoroughly examined yet in the Nepali context.

Certain qualities of leadership are helpful to achieve the organizational goals effectively and efficiently and contribute to the success of an organization. Identification of qualities of effective leadership in the cooperative societies will be helpful to formulate policy and programs to adapt such qualities and enhance the performance of cooperatives. Some leaders have innate qualities but most of the leadership qualities are acquired through education, training and experience (Bass, 2008). Education, training and exposure may have great roles to adapt qualities of an effective leader especially in the community-based cooperatives formed by local people. These types of cooperatives may not have educated and trained chairpersons, board of directors, and managers to manage the organization in a professional manner. They learn by doing and through training and observation visits. Therefore, the study is helpful to assess the effectiveness of training, exposure, experience and education to enhance leadership qualities and the performance of the cooperatives. The findings of this study will help to design policy and program to enhance professional competency of leaders.

Besides identifying qualities of effective leaders, measuring performance is another concern on cooperative sector of Nepal. The performance measurement tools

are available internationally to measure the performance of banks, financial institutions and cooperatives but these tools are not adopted in the Nepali context (Simkhada, 2017). The tool developed by the study would be helpful to measure the performance of financial cooperatives, identify shortcomings and devise strategies and activities to strengthen the cooperatives.

The findings of this study would help the concerned stakeholders to formulate programs for strengthening cooperatives, provide financial and other services to those who are currently un-served or considered underserved by banks and other financial institutions and promote financial inclusion. If most of the existing cooperatives are strengthened, they can substantially contribute to improve access to financial services. The readily available affordable financial services shall contribute to alleviating poverty in the country. The findings could help the government, donors, developmental organizations, cooperatives and their networks formulate appropriate policies, strategies and interventions to strengthen the cooperative sector in Nepal and outside Nepal as well. Moreover, NCF-Nepal has proposed the cooperative development vision-2020 and strategies in the First National Cooperative Congress held on 25-27 March, 2014. Among other strategies, one is to develop and incorporate cooperative related curricula in school level education and this study helps to contribute to this vision. Therefore, the proposed topic was well worth researching.

### **Delimitations of the Study**

There could be many factors behind the success or failure of cooperatives. This study delimited to examining the relationship between leadership qualities and the performance of cooperatives and explored the effects of leadership qualities and background variables of leaders on the performance of cooperatives. The population of my study was limited to the cooperatives affiliated with Small Farmer

Development Bank and cooperatives that have completed three years of operation. I have selected the cooperatives affiliated to Small Farmer Development Bank as they are community-based cooperatives, serving the small farmers in rural communities and helping the communities that were formerly considered underserved and unserved. These cooperatives have also adopted most of the features and principles of cooperatives such as managed and controlled by members to fulfill their common needs. My research participants were chairpersons, managers, BoDs, and staff of the cooperatives. Accumulated experience and perceptions of research participants (both leaders and team members) on the leader's contribution to the performance of cooperatives were the sources of information to determine the dimensions of qualities of cooperative leaders. The performance of cooperatives was measured objectively applying the indicators identified by the Delphi technique.



## CHAPTER II

### REVIEWING THE EXISTING KNOWLEDGE

This chapter reviews, compares, contrasts, and discusses the current knowledge about leadership theories in general and cooperative leaders in particular. At the beginning of the chapter, I discuss the studies of qualities of effective leaders, followed by the cooperative movement in the world and in Nepal. I, then, discuss the existing knowledge on measuring leadership qualities and the performance of cooperatives and explore their relationship. Finally, I present the conceptual framework of my study.

#### **In Search of Qualities of an Effective Leader: Overview of Leadership Studies**

Leadership is considered as one of the pivotal determinants of a social phenomenon and organizational effectiveness (Bass, 2008; Batool, 2013; Mohamad & Mjid, 2014; Thomas et al., 2018; Weiss et al., 2018). However, there is a debate on what qualities of leadership are more helpful to transform the dormant organization into a vibrant one and enhance performance. Questions such as: What are the characteristics of successful leaders? Leaders have innate qualities or leadership qualities are acquired? What are the roles of education and training to enhance leadership qualities? Is it the characteristics of a leader or followers or situations that make an effective leader, or the combination of these factors determine the success of a leader? How do we measure the performance of a leader? Questions like these and others related to leadership have attracted the attention of researchers to conduct studies in this field. Thousands of such concerns on leadership make this field of study complicated as well as fascinating and arouses the interest of researchers and

readers alike (Goleman, 2004). In the quest of what makes a successful leader and how we measure the effectiveness of leaders, leadership has become a highly researched topic in the social sciences (Bass, 2008). There is high research in the leadership field, as this is considered the pivotal phenomena that determine the fate of an organization or consider important aspect for social change.

Leadership is required in today's global society, which consists of a diverse workforce and where there is interdependence between the jobs performed by different units (Yukl, 2006). An effective leader brings a diverse team together to accomplish various tasks. Leaders establish directions by developing a vision and align people by communicating an inspiring vision. It is the role of a leader to develop transparent and efficient work processes, recruit and guide people, and make necessary resources available to enhance organizational performance. In most cases, leadership is considered the single most crucial factor determining the success or failure of an institution, whether it is private or public one or a peoples' organization like cooperatives.

The role of a leader for promoting a just and prosperous society and achieving the organizational mission is emphasized in modern literature and in the ancient scriptures of different religions as well (Mohamad & Mjid, 2014). Philosophers and great leaders in the different era of human history have highlighted the great roles of leaders to fulfill people needs (Bass, 2008). The scriptures and human history have erudite that countries or organizations prosper if they are ruled by effective leaders (Pillai & Sivanandhan, 2015). The popular Hindu scripture such as *Vedas*, *Bhagavad Gita* and *Kautilya Arthashastra* (economics) and others have emphasized the importance of effective leaders. The Samaveda emphasized that a leader or king to be popular must possess qualities such as ethical, truthful and trustworthiness

(Shamasastri, 2013). In the *Bhagavad Gita* verse 3.21, Lord Krishna told Arjun that an effective leader had role model and exemplary qualities (Krishnakripama, 1997). Other verses of the *Bhagavad Gita* have also emphasized the different qualities of leadership. For example the Verse 3.21 says that whatever actions a great person performs, common people follow them; the verse 12.15 explains that the empowered person/great leaders are free from happiness, anger, fear, anxiety, never distress and remain calm in all situations; the Verse 3.11 of the *Bhagavad Gita* emphasize that the mutual cooperation and helps for the prosperity of both parties; the Verse 3.8 of *Bhagavad Gita* says that successful people perform superior actions diligently, laziness is the greatest enemy, by performing duties diligently, people purify mind and intellect and win the hearts of others (Krishnakripama, 1997). The *Bhagavad Gita* is considered a great source of knowledge in Hinduism. It is considered *Karma yoga* (yoga of action) which means selfless actions. The *Bhagavad Gita* has emphasized the importance of great leaders for building nations and achieving the mission.

Like the *Bhagavad Gita*, the *Kautilya Arthashastra* written by Chanakya around 4<sup>th</sup> century BC is considered as the great source of knowledge, and it tells about how to handle the day-to-day administration of the country (Pillai & Sivanandhan, 2015). The *Arthashastra* says that the king must be a role model to the society and must have ethical, selfless, confident, trustworthy qualities (Shamasastri, 2013). According to *Kautilya Arthashastra*, students need to be taught by a highly qualified teacher and should be provided with all the skills required to perform a job and to live a meaningful life. The students and youth would then provide successful leadership in different spheres of human life.

Confucius (551-479, BC) has emphasized that the successful leaders are role models of the society. According to Confucius, true leaders are motivational,

inspirational and good teacher; they do not seek to compel but speak to inspire; they do not impose their will on others; rather, they live according to core principles that attract others (Low & Zain, 2012). A successful leader must be benevolent to one's people, practices what he preaches, and the most virtuous person should rule the country. Confucius' values emphasize that a successful leader or king is exemplary; if the king is good, all citizen become good and, if he/she is bad, all citizen become bad. A good king inspires and empowers the team through his role model behaviors. Empowered and motivated team- members work diligently even in the absence of a leader, and high standard achievement is possible.

Like the Hindu scriptures and discourses, teaching of the Confucius and other values of eastern societies, the western philosophers also highlighted the importance of role model qualities of leaders. Greek and Latin myths emphasized heroic and transcendental qualities of leaders. Writings such as Plato's *Republic*, Machiavelli's *the Prince*, John Locke's *Two Treatises of Government*, and Shakespeare's *Richard, the Second* elaborated the model qualities of leaders to create just, progressive and liberal societies (Weaver, 1991, as cited in Bass, 2008). Writings and thoughts of Voltaire, Sigmund Freud, Karl Marx and Max Weber had a great impact on current quests of effective and role model leaders (Goffee & Jones, 2000). These philosophers and thinkers encouraged societies to be critical on the deeds of the ruler through their writings. During the twentieth century, impact of wartime leaders' and freedom fighters such as Hitler, Stalin, Mao, Napoleon, Winston Churchill, Gandhi, Nelson Mandela and other social and religious leaders have a great impact on the societies (Yukl, 2006). These leaders had left a legacy in human society through their charismatic characteristics. The social scientists and writers of those eras explored the

specific traits of these leaders that made them effective and successful. This is considered as the beginning of the study in leadership field.

Human history shows that leadership is considered as one of the principal factors that shape the future of the country, contribute to the healthy growth and development of an organization or convert a declining company into a prosperous one (Bass, 2008). Philosophers, Gurus, scriptures of ancient time, literature of medieval and Renaissance time and leaders in First and Second World War periods have influenced scholars on leadership studies. However, until the twentieth century, there were no systematic and scientific studies to investigate which characteristics of leaders were most influential to determine effective leadership and organizational performance (Goffee & Jones, 2000). During the 1920's researchers examined the traits and characteristics of effective leaders (Goffee & Jones, 2000; Yukl, 2006). The early leadership researchers were confident that comparing effective and ineffective leaders could identify the traits essential for leadership effectiveness. The findings showed that the level of big five traits such as neuroticism, extraversion, openness, agreeableness, conscientiousness makes a leader success or failure (Northhouse, 2011). The trait theory leadership study indicated that the effectiveness of a particular trait depends on the situation, types of followers and the external environment. Scholars did not identify universal traits important to successful leaders. The trait approach of leadership studies was not conclusive on the aspects of which traits, behaviors and skills of leaders are more important than others to enhance leadership effectiveness situation.

The situations and contexts have important roles to make a leader effective or ineffective (Quesado, Guzman, & Rodrigues, 2016)). Effective leaders have ability to understand the context and types of team members. Leaders' ability to understand

their own values, beliefs, skills and expectations, along with those of their followers, helps them shape acceptable behaviors of both parties; this is an essential part of effective leadership (Nothhouse, 2011). For instance, a leader's response to the same individual may differ accordingly in various situations; and for the same situation, the response may vary from one individual to another. Newly hired, inexperienced and confused team members need more leadership orientations than experienced, motivated, dedicated and competent members. Hence, the leaders' ability to understand the dynamics of situations and characteristics of followers, determine leadership effectiveness. The effective leaders are those who integrate task-oriented and relations-oriented approach, and they are both transactional and transformational, depending on the situation (Bass, 2008). The same set of leader's traits will not be suitable in all situations.

The studies on leadership traits indicated that effectiveness of a particular trait depends on the situation. A person does not become a leader by virtue of possession of a combination of some traits (Batool, 2013; Bolden, Gosling, Marturano, & Dennison, 2003). The traits approach of leadership research revealed that both leaders' traits and behaviors were equally important elements that determine the emergence and advancement of a leader and performance of an organization. The findings of the trait approach of research indicate that the behavior of a leaders is more important to determine organizational effectiveness than traits.

The research on leadership shifted from the trait approach to behavioral approach during the 1940's (Bass, 2008). This approach of leadership studies investigated the behaviors of a successful leaders during 1940-1970. Research findings revealed that the effectiveness of democratic and autocratic styles, and task and employee-oriented leadership behaviors, depend on the types of followers.

Therefore, by the 1960s, most researchers abandoned the quest for universal leadership traits and behaviors suitable for all situations.

Between 1960-1980, contingency theory dominated leadership studies. The studies explored the effective characteristics of leadership situation. In search of leadership effectiveness, there was an emergence of various theories, such as team leadership theory [1960-1980], servant leadership theory [1970-1980], situational leadership theory [1970-1980], leader-member exchange theory [1975], transformational leadership & Full Range of Leadership theory [1985-1990] (Northouse, 2013). Different studies on leadership contributed to the evolution of different leadership theories.

The different leadership theories discussed above indicate that patterns of behavior that are regarded as acceptable in leaders differ from time to time and from one culture to another, but there are surprising commonalities across different leadership theories (Bass, 2008). The ideal characteristics of leaders such as, taking initiative, motivation, self-confidence, integrity, ethical qualities and serving the public are evident in varying degrees across every society, culture and in all human enterprises (Bhattarai, 2015; Thomas et al., 2018; Weiss et al., 2018). However, a trait effective in one situation or context may not be effective in another (Yukl, 2006). The traits and behaviors of effective leaders prescribed by western researchers may not be applicable to eastern societies, as successful leadership is also a product of specific situations and/or socio-cultural contexts. Therefore, the effectiveness of characteristics of a leader, and the relationship between leadership qualities and organizational performance depends on the types of followers, situation, culture and society.

In the quest of identifying cross-culturally applicable and accepted attributes and behaviors of an effective leader, the researchers carried out mega study in leadership called "GLOBE" (Hughes, Gannett, & Curphy, 2008). The GLOBE study was conducted in 1993, and included 17000 managers across 92 countries, identifying 22 universally accepted attributes and behaviors of an effective leader (Hughes, Ginnett & Curphy, 2008). These 22 qualities are: trustworthy, just, honest, foresighted, planning for the future, encouraging, informed, excellence oriented, positive, dynamic, motive arouser, confidence builder, motivational, dependable, coordinator, intelligent, decisive, effective bargainer, win-win problem solver, administratively skilled, communicative and team builder. Attributes and behaviors of effective leaders identified by the "GLOBE" project are similar to the leadership qualities identified by traits and behaviors theories. However, there are certain important qualities of leadership which are not in the list of leadership qualities identified by the "GLOBE" project. For example, energy level, physical stamina and stress tolerance qualities of leadership are associated with leadership effectiveness (Bass, 1990). These attributes are required to manage hectic schedules, work long hours, handle the pressure of making vital decisions without adequate preparation, and fulfill conflicting demands of followers, clients and all other associated parties. Similarly, energy level and internal locus of control orientation of leaders have positive contribution to organizational performance. People with a strong internal locus of control believe that events in their lives are determined more by their own actions than by chance, they are intrinsically motivated to accomplish objectives and solving problems. Research has suggested that a strong internal locus of control of leaders and team members is positively associated with leadership effectiveness and organizational performance (Yukl, 2006). Moreover, effective leaders are emotionally



intelligent charismatic and transformational, understanding and relationship building, achievements oriented and have other qualities appropriate to the context which are elaborated in the following paragraph.

According to Goleman (2004), effective leaders are emotionally intelligent in addition to other qualities. According to the emotional intelligence theory, emotionally intelligent people are aware of their strengths and weaknesses and are committed to improve their weaknesses. People with high emotional maturity care for other people, are better able to resist temptations, are not prone to extreme mood swings or outbursts of anger, are less defensive to criticism and are willing to learn from their mistakes (Batool, 2013; Goleman, 2004). It is obvious that, usually, a leader with high emotional maturity maintains more cooperative relationships with subordinates, peers and superiors. Emotional intelligence is a more powerful determinant of successful leadership than technical and other competencies (Goleman, 2004). According to Goleman (2004), self-awareness, self-regulation, motivation, empathy and social skills are the five major components that determine emotional intelligence. Khadka (2015) also found that the qualities of both emotionally intelligent and transformational leaders are strongly associated with one another. Successful and effective leaders possess these qualities. Studies have found a strong correlation between emotional intelligence and transformational leadership (Harms & Credé, 2010). Emotional intelligence helps leaders understand and solve complex problems, make better decisions, adapt their behavior to changing situations and manage crises. Two-thirds of the difference between average and top performing leaders were found to be due to emotional competence.

Besides emotional competency, another quality of effective leaders is that they are farsighted. They do not act on a day-by-day basis but work farsightedly to achieve

higher organizational and individual goals. According to Badaracco and Ellsworth (1989), outstanding leaders have three principal characteristics: (1) Have strong personal integrity and authentic, which enhances trust and loyalty within the organization. (2) Maintain strong relationships with team members and enhance team spirit and collective efforts, and (3) Set attractive visions, communicating these visions and providing autonomy and authority to subordinates to perform assigned responsibilities with high standards.

Authentic and visionary leaders remain true to their core values and beliefs and behave genuinely in agreement with their inner thoughts; and these types of leaders have honest and open relationships with followers (Razinskas, Backmann, & Hoegl, 2018). Behaviours of authentic leadership reduce leaders' stress and increase their work engagement and performance (Brummelhuis, Haar, & Roche, 2014 as cited in Razinskas et al., 2018). The team members have faith in this type of leaders. Such behaviours of leaders reduce job stress, maintain a good relationship with team members and strengthen follower's commitment and increase job performance.

Another quality of an effective leader is that he/she maintains a good relationship with team members. Efficient leaders have the ability to understand their own values, assumptions, beliefs and expectations (VABEs), as well as those of their followers; they help the members of the group shape acceptable behaviors for both parties and prove themselves successful and effective leaders (Clawson, 2009). Behaviors are products of the VABEs, and without a deeper understanding of these, it is not possible to predict which behaviors are preferable or acceptable. Leaders' ability to empower, motivate and influence followers in line with the VABEs determines organizational effectiveness and performance. To be effective as a leader, it is necessary to influence people positively for carrying out requests and implementing

decisions effectively. A leader who can understand VABEs of team members can effectively influence subordinates.

Characteristics of leaders and subordinates and the VABEs determine the quality of leader-member exchange (LMX), and it is instrumental for organizational effectiveness (Graen & Uhl-Bien, 1995; Clawson, 2009). The leaders in the organizations develops a distinct relationship with each subordinate. Chances of a good relationship are higher if the subordinate is perceived to be competent by the leaders, and the subordinate's values, attitudes and personality traits are similar to those of the leaders. Researchers have found that good LMX correlates with high satisfaction, strong organizational commitment and good subordinate performance (Yukl, 2006).

An effective leader maintains a good relationship with followers, motivates them and helps them expand their potential. There may be many reasons why people become motivated and dedicated towards their work. According to Bass and Riggio (2006), people are motivated in their work if they love work; benefits packages are better than other organizations; colleagues are friendly; their work help communities; possibilities of career advancement and leader is inspirational. The perceptions, beliefs and values, and self-efficacy of an individual also motivate in the work. Behind leadership effectiveness and success of an organization, the organization requires motivated leaders and followers and an effective leader motivates his followers and help them expand their potential (Daft, 2014). Leadership has a direct influence on followers; leaders develop enabling policy and system; adopt appropriate strategies to enhance organizational performance. But the magnitude of the impact of the leaders depend on types, size and the maturity of the organization, characteristics of followers and situation, cultural context, motivational skills, and experience of

leaders (Avery, 2004). Leadership has more impact on small organizations than on big and established organizations.

As discussed above, past researches on the subject of leadership have neither been able to confirm a set of behaviors required for effective leadership, nor been able to explore the combined effect of task-oriented, relation-oriented and change-oriented behaviors to explain the effectiveness of leadership across various situations (Yukl, Gordon & Taber, 2002). Situations are important to determine leadership effectiveness. A leader may need to respond to the same follower differently in different situations and different followers differently in the same situations (Hughes, Ginnett, & Curphy, 2008). Leaders' ability to understand the dynamics of situations and characteristics of followers may determine the effectiveness of leadership. The best leaders are those who integrate task-oriented and relations-oriented approaches, and the best leaders are both transactional and transformational characteristics suitable to the situation. For example, a leader needs self-confidence to be effective in influencing others to believe in them and their proposals, but excessive self-confidence makes a leader unresponsive to negative information and insensitive to dissenting views and relentless and conflicting demands (Yukl, 2006). Therefore, leaders need skill in applying appropriate traits and abilities and to trade-offs between tasks versus people-oriented behaviors. Task-oriented behaviors mainly help them improve efficiency in the short-run while relation-oriented behaviors boost commitment, mutual trust and self-efficacy of subordinates, and, finally, this enhances organizational performance and leadership effectiveness in the long-run.

According to Bass (1990), transactional leadership is appropriate in a stable environment and large established organizations, while transformational leadership is suitable within a turbulent environment. However, this situational approach of

leadership is easy to cite; but in reality, if an organization changes its course of action according to every situation, it may never achieve the set visions. Additionally, a particular situation may be favorable to a certain group of people and actions, but unfavorable to others. According to Badaracco and Ellsworth (1989), the situational approach offers a false notion of having to adopt different behaviors depending on the context. Intensive studies are required to understand why some organizations are thriving in a context while other organizations in the same line of business, operating under same types of context, and having similar kinds of employees are on the verge of collapse.

Leadership theories and approaches discussed in above paragraphs such as trait theory, behavioral theory, skills approach, situational theory, transformational and transactional leadership theory, servant leadership theory, team leadership theory, authentic leadership theory, ethical leadership theory have their own strengths and limitations. As noted above, a particular leadership theory cannot capture different characteristics and behaviors of leadership, and one study cannot incorporate all the leadership theories to understand characteristics of leaders within high, moderately and low performing organizations. Full Range of Leadership (FRL) developed by Bass and Avilo in 1999 has attempted to measure leadership qualities along the continuum of a highly effective leaders (transformational leaders), effective leaders (transactional leaders) and ineffective leaders (laissez fair leaders). The FRL includes laissez-faire leadership, transactional leadership and transformational leadership (Bass & Riggio, 2006). Leaders may use all these approaches, but they may use more of one approach than others. Better leaders are transformational more frequently; less adequate leaders are laissez-faire or transactional.

The term transformational leadership was first coined by James Victor Downton in 1973; it was further elaborated on by MacGregor Burns in 1978, and a complete version of the model was developed by Bernard M. Bass in the mid-1980s (Northouse, 2013). According to Burns' proposition, leaders are either transformational or transactional. A transformational leader is one who raises the followers' level of consciousness regarding outcomes and processes of achieving goals. The transformational leader does not focus on an individual's self-interest but strives for the benefits of the team as a whole, which raises motivation level, morale and productivity of the followers. This type of leader encourages, motivates and build the confidence of followers to surpass their own targets, and raise awareness about the increased benefits resulting from high performance (Bass, 1985, as cited in Goodwin, Whittington, Murray, & Nichols 2011). However, Bass differs from Burns' view. According to Bass (2008), effective leaders are both transformational and transactional and also laissez-faire but may be more of one than the other. Transformational, transactional and laissez-faire dimensions of leadership characteristics constitute a continuum of the effectiveness of leadership (Bass & Avolio, 1993). Transformational and transactional leadership are positively correlated, and one added to another has an overall constructive effect on leadership outcomes.

The components of transformational leadership include: idealized influence (attribute and behavior), inspirational motivation, intellectual stimulation and individualized consideration. Idealized influence describes the high moral and ethical characters of the leaders and that they act as strong role models to the followers. The transformational leader uses charisma/idealized influence to inspire followers to transcend their own self-interests for the benefits of the organization or society

(Northouse, 2013). He/she articulates a clear and compelling vision so that everyone moves in the same direction and enhances team spirit. If organizational vision is shared, it pulls all forces together in the desired state. These types of leaders are admired, respected and trusted, and they exhibit excellent behaviors and act as role models, sacrificing their own needs to fulfill followers' needs.

The second component of transformational leadership is inspirational motivation. Inspirational motivation describes the degree to which the leaders formulate a vision that is attractive and encouraging to followers (Judge & Piccolo, 2004, as cited in Sadeghi & Pihie, 2012). The transformational leaders raise the consciousness of followers by creating inspiring visions and motivating the team members. These types of leaders communicate high expectations to followers and inspires them to commit to the organization's shared vision. He/she motivates team members to outperform set targets and go beyond self-interest for the benefits of the entire group.

The third component of transformational leadership is intellectual stimulation. This includes encouragement and empowerment to be creative and innovative, as well as to be able to challenge the established system, belief, culture, and traditional assumptions of the organization or society at large (Sadeghi & Pihie, 2012). The transformational leaders encourage and supports followers to try new approaches and techniques in managing organizational problems. Followers must not be afraid to make mistakes and they have to be encouraged to think out of the box and perceive conventional problems in new accepted ways (Bass, 2008). Intellectual stimulation not only helps an individual to become innovative, but it also helps the person be more independent, productive and confident, and even contributes to the development of the future leaders. Exercising power through coercion and control creates a

negative environment and can lead people to rebel against the leaders and organization (Wheatley, 2006); on the contrary, true leaders' role is to strengthen the positive fabric of the organization and promote togetherness by intellectually stimulating followers.

The fourth and last component of transformational leadership is individualized consideration. Organizational goals cannot be achieved without active participation and contribution of followers. Therefore, leaders must listen to their followers, understand individual needs and provide support, encouragement, empowerment, mentoring and guidance to motivate and empower the team members. An organization can retain its talents if the leader pays especial attention to basic needs and offers career advancement opportunities to followers. If followers are encouraged and motivated, they perform beyond expectation. The qualities of a transformational leader help the followers/employees enhance their satisfaction, and motivation within the organization (Bass, 1985, as cited in Goodwin et al., 2011). Therefore, the individualized consideration quality makes a transformational leader more successful than other types of leaders.

Furthermore, the individualized consideration quality of transformational leader helps to understand team members' problems and enhance their motivation. It also helps leaders to recognize individual problems and gifted talents of each team-member. Behaviors such as listening to other's views, conversing, respecting one another's uniqueness are all essential to build a strong relationship. High team spirit contributes to good outcomes in an organization, and so an effective leader must create an environment that fosters camaraderie among all the team members. Positive individualized relationship with each follower creates an equitable work environment and enhances leadership effectiveness (Daft, 2014). People in the organization



become passive, if their efforts and talents go unnoticed. Therefore, a good leader-member relationship is essential for enhancing intrinsic motivation and productivity of the organization.

Individualized consideration characteristic of a transformational leader is similar to servant leadership. Both types of leaders emphasize the importance of appreciating and valuing people, listening, building trust, inspiring, mentoring and empowering followers. Transformational leaders tend to focus on achieving organizational objectives by enhancing followers' commitment, while servant leaders focus on fulfilling followers' needs and needs of the marginalized (Stone, Russell & Patterson, 2003). Servant leaders are likely to serve followers first, the organization second, and their own needs last (Graham, 1991, as cited in Sendjaya, Sarros & Santora, 2008). The emphasis of servant leaders is to serve followers, whereas the emphasis of transformational leaders is to inspire followers to pursue organizational goals. Servant leaders focus on the immediate and basic needs of followers, but transformational leaders encourage followers to exceed their personal goals and needs for the good of the organization or society (Avolio & Gardner, 2005). Unlike transformational leadership theory, which has been studied and tested rigorously, the concept of servant leadership has not been explored thoroughly (Bass 1999, as cited in Sendjaya & Sarros, 2002). Servant leadership theory is not widely used in research related to leadership.

Transformational leaders are more capable of building good relationships with followers, stimulating them to be innovative and adaptive to the changing environment, and motivating followers to achieve organizational goals efficiently. Transformational leaders who develop followers' self-efficacy can positively affect and enhance their creativity, commitment and performance (Bass, 1990, as cited in

Gumusluoglu & Ilsev, 2009). Under transformational leadership, an organization can enhance efficiency by using new technology and different raw materials, applying efficient work processes, avoiding unnecessary activities, reducing error and defective products, avoiding accidents and applying effective internal control system to minimize fraud and thefts.

The second types of leaders under FRL; the transactional leadership is an exchange between leaders and followers and leaders provide rewards based on performance (Northhouse, 2013). There are basically two approaches in transactional leadership: contingent reward and management by expectation, active and passive. Contingent Reward (CR) is an exchange between leaders and followers; the leaders reward followers in line with agreed terms and conditions. Management by expectation is a corrective criticism or reinforcement. In the active form of management by expectation, the leader takes corrective action against mistakes to improve the individual's performance; in the passive form, the leaders take corrective measures only if performance targets are not met. The third types of the leader under FRL, the laissez fair leaders neither empower followers nor consider individual needs. They are passive and ineffective leaders.

Research on the FRL model indicates that contingent reward is reasonably effective under most circumstances. However, active management by exception (carrot and stick incentive), and passive management by exception ("if it isn't broken, don't fix it") limit the maximum potential of followers (Bass, 2008). In contrast to transactional leadership, transformational leadership has a greater impact on the organization's performance, as it encourages followers to perform beyond expectations, while transactional leadership only focuses on expected outcomes. The leaders, who were described as more transformational by their subordinates, were also

rated as being more effective than transactional and laissez-faire leaders. Laissez-faire leadership describes a no-leader situation, or the leader does not express any concern regarding the organizational performance or staff behaviors. These types of leaders avoid taking on responsibility or decision-making roles. If team members are highly empowered, motivated and capable, the laissez-faire leaders may also be effective; however, I did not find any empirical evidence to substantiate this.

The studies of FRL suggest that transformational and transactional are effective leaders and laissez-faire is ineffective leader, however the effectiveness of leadership depends on individual characteristics and context. For example, the idealized influence component of transformational leadership can be used to create follower commitment for a decent cause that benefits all, or it can be used to manipulate followers for leaders' selfish purpose (Bass & Riggio, 2006). Situational variables such as culture, organization types and environment can affect the impact of transformational leadership. An effective leader may need to exhibit both transactional and transformational leadership behaviors. However, authentic transformational leadership has an impact across all cultures and organizations because these leaders have goals that transcend their own self-interests (Burns, 1978, as cited in Bass, 2008). These types of leaders work towards the common good of the followers.

Transactional leadership is practiced commonly in many organizations in which employees are promoted or rewarded on an exchange basis. The leaders pay or rewards followers in line with agreed terms and conditions. In contrast to transactional leadership, transformational leadership has greater impact on the organization's performance as transactional leadership focus on expected outcomes

while transformational leadership encourages followers to perform beyond expectation.

Although the FRL captures most of the characteristics of leadership it is not sufficient to measure leadership qualities. According to Goleman (2004), transformational and transactional are qualities essential to be a successful leader but these are insufficient; the effective leaders establish a high degree of trust with team members. Building trust among team members is an important quality of a leader. Without trust between a leader and his followers, other positive qualities of that leader become useless, and resources and time spent to enhance leadership qualities become futile (Goodwin et al., 2011). Moreover, dimensions of FRL may not be applicable to all situation and context. This indicates that the FRL is not sufficient to evaluate the qualities of effective leaders.

In the above paragraph, I have discussed past researches and gap in the field of leadership studies. In the following section, I have elaborated developing leadership qualities that help enhance organizational effectiveness and performance.

### **Learning to Lead**

Effective organizations have leaders with certain desirable qualities. Less effective organizations lack such leaders. The qualities are either inherited or learned. There are unending debates on nature versus nurture that determine the emergence and effectiveness of leadership. According to Robbins, Judge and Vohra (2012), leaders are not born; dedication, continuous efforts, empathy, ability and willingness to take responsibilities and learning from own and others' experiences makes a successful leader. Leaders of organizations with different hierarchy such as senior level, middle level and junior level and leaders in different types of organization such as military, police, educational, government, social and other types need different sets

of skills and qualities to be successful. Most of these qualities are learned from lifetime engagement and taking leadership responsibilities seriously to achieve organizational goals. Peter Jarvis named lifetime learning phenomenon as ‘Learning from everyday life’ (Jarvis, 2012). Most of us either learn from educational institutions or from everyday life experience.

Learning is a lifetime phenomenon through which people develop skills, build certain qualities and become more competent than before (Jarvis, 2012). Learning from everyday life or activities is experiential learning, and people in different occupations and leadership position learn many skills and required qualities when they perform tasks. According to Jarvis, the content of body and mind and experience of social situations transform an individual cognitively, emotionally or practically. This concern is also supported by the four pillars education model developed by the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 1996. In the four pillars of learning, the UNESCO has defined the purpose of education is learning to know, learning to do, learning to live together, and learning to be. Only theoretical knowledge and memorizing facts and figures are not enough to develop the full potential of human and to enhance leadership quality. Education that provides theoretical and practical/ vocational knowledge, and emphasizes developing social and communication skills, team work, innovative, critical thinking, understanding and appreciation of the diversity of the human race and values helps to develop just and peaceful world (UNESCO, 1996; National Planning Commission & Asian Development Bank, 2016).

The recent discourse of lifelong learning has emphasized that learning is a natural activity which continues from infancy until the end of life and learning happen outside formal educational establishments (Rogers, 2008; Trudell & Cheffy, 2019).

Only the classroom education is not enough to develop life skills and to be an effective leader or a professional. A successful leader in cooperative learns all four aspects of education as defined by UNESCO and knowledge and skills managing cooperatives from experiences and from informal ways, as there is no formal course in managing cooperatives.

The cooperative leaders learn leadership qualities from number of ways in everyday life such as transferring skills from seniors/mentorship, copying from others, vocational training, exploring new things, trial and errors and solving problems (Jarvis, 2012). Leadership qualities are also learned from attending educational courses and reading books. Knowledge gained from experience is contextualized while knowledge learned from books is based on colonized knowledge (Jarvis, 2012). The contextualize knowledge address the peoples' needs in a particular context, hence such knowledge is more effective and sustainable than colonized knowledge. Learning from experience and lifetime engagement is need-based, practical, emancipatory and anti-hegemonic and such skills are more practical and effective. The cooperatives become effective and sustainable if leaders learned required qualities for managing institution from practical experience in localize context by actively engaging in day-to-day activities and learning from mistakes and successes.

The cooperatives, educational institutions or other organizations that have passive leaders or who could not learn from others or own experience are ineffective (Jarvis, 2012). This is also applicable to individuals and society. Individuals or group of people committed to achieve certain purposes do not want to change or learn new things. For such groups, non-learning or sticking on old order is the principle of life. However, inflexibility to learn new things or fundamentalism restricts people, society and organization to prosper. Such society and nations are underdeveloped, deprived

and ineffective (Yew, 2006). Therefore, learning from everyday life, adopting efficient way performing job help improve performance and achieve higher standard results. Cooperatives promoted by the people in the community to fulfil members' needs are sustainable and effective in comparison to other development initiatives as leaders learned from lifetime engagement and learn by doing and learn by solving members' problems and concerns. Leaders in such cooperatives are motivated intrinsically as their reputation is tied with the success of cooperative (Robbins & Judge, 2013). The responsibility demands the learning of new skills once cooperatives leaders are elected or appointed, which Rogers (2008), named as task-conscious learning. The task-conscious learning is non-formal and on-the-job learning. They put entire efforts to learn leadership qualities form own and other experience and applied these qualities in day-to-day management of cooperatives.

No matter whether leaders are made or born, a successful leader learns from the experience and improves his/her competency in line with changing context. Such leaders formulate an inspiring vision, develop talented team, ensure an efficient system in place to achieve high standard results (Badaracco & Ellsworth, 1989). Leadership has important roles for achieving organizational goals effectively. An efficient leader influences a group of team members to achieve a common goal (Northhouse, 2011). It is the responsibility of the leaders to inspire and support subordinates to achieve the set goals of the organization. The prime role of a leader is to foresee future changes, build and adapt the organization to the changing environment and inspire the team to work in harmony for achieving the set goals.

### **Leadership Qualities and Organizational Effectiveness**

We can observe that some organizations are consistently among the top in the marketplace, while others struggle from crisis to crisis. The successful ones have good

leaders at every level of the organization (Tichy, 2007). The successful leaders empower the team members and enhance their competency for carrying out organizational activities effectively.

Leadership is an important factor in enhancing organizational effectiveness (Locke, 2009). Leaders establish direction by developing a vision; align people by communicating the vision and achieve goals by inspiring the subordinates. It is the role of leaders to develop an enabling policy and system, recruit a competent team and adopt appropriate strategies to enhance organizational performance (Badaracco & Ellsworth, 1989; Jowah, 2016). Leaders inspire and empower team members to outperform the set targets and achieve the vision.

Leadership is the core function of any organization and has a great impact on the performance of an organization. Effective leaders are skilled, experienced, and motivated individuals, who would do all that is necessary for the best interest of the company and stakeholders. Such leaders convert a declining company into a prosperous one (Badaracco & Ellsworth, 1989; Batool, 2013). However, the magnitude of impact depends on types, size and maturity of organization, characteristics of followers and situations, cultural context, motivational skills, and experience of the leaders (Northhouse, 2011). Leadership styles and behaviors appropriate to the types of subordinates, environment, and type of organization are also equally important for effectiveness. Often, a combination of behaviors, skills, qualities and good relationship with followers makes an effective leader (Daft, 2014). Moreover, leadership is not just the domain of people at the top, it can occur at all levels (Bass & Riggio, 2006). The teamwork of leaders at all levels collectively contributes to attaining organizational objectives.



Organizational performance and leadership effectiveness are also determined by future needs and ambitions of leaders and members. According to Maslow's hierarchy of needs theory people mainly work or get motivated to work for fulfilling two needs: lower level or basic needs [physiological, safety, and social/love and belonging] and higher needs [self-esteem and self-actualization] (Quesado et al., 2016). According to McClelland's motivational theory, three needs motivate people: need for power, need for achievement and need for affiliation (Robbins et al., 2012). These two theories indicate that the same factor of motivation does not work equally to all people. A person with a higher need for achievement obtains satisfaction from accomplishing a difficult task. Such people believe that success depends on their own effort and ability, rather than on chance factors. Persons with the need for affiliation are relation-oriented and enjoy working with a team. Persons with the need for power seek a promotion at a higher level and want more authority. When we compare effective leaders with ineffective leaders, effective leaders are people with high achievement, affiliation and power-orientation (Yukl, 2006). They are seasoned to illustrate task and relation-oriented behaviors suitable for different situations. Most of the employees working under an effective leader are self-motivated and strive for power, achievement and affiliation.

### **Women Leadership and Organizational Effectiveness**

Age-old beliefs and gender stereotyping have created barriers to women's advancement in the workplace. Society has developed an outlook that men are more qualified and capable in a leadership position than women. In 2002, only 9% of CEOs, 14% of board members, and 16% of corporate officers of fortune 500 firms were women (Barbara & Vanessa, 2005). The low number of women participations in leadership positions in different types of organizations is due to gender-based

discriminations such as gender stereotypes and role expectations. Elmuti, Jia and Davis (2009), found that about 50% of women leaders face different kind of barriers to enter in management positions and to be effective in the job. The responsibilities that women are compelled to take such as raising children and managing household works and other prejudices and stereotyping are some of the barriers for women for taking leadership roles in different organizations. Since the jobs of CEOs and managers are time-consuming, women can often not take on these positions, having to simultaneously to take care of their children and ensure household chores are completed. They could not provide time as demanded by the job. In other cases, many women are compelled to leave their job in order to care for children. However, there is a visible transformation in the past few decades and women participation in different sphere of human life is in increasing trend and we can see more than half of all college students including in technical fields are women (Barbara & Vanessa, 2005). Even in developing country like Nepal, the percentage of girl students is equal to those of boys in Secondary Education Examination (SEE) level and in other higher-level education.

Participation of women in different levels of education, professional jobs and leadership position is in increasing trend. Women leaders outperform their male counterparts in different fields and organizations, and they are more effective. In the case of cooperatives also, the performance of female managed cooperatives is better than that of male managed (GIZ, 2008). Women benefit from some positive stereotyping, such as being expected to be more considerate, reliable, hardworking, and consultative than their male counterparts. Women principals/leaders consult with different stakeholders before making decisions (Bhattarai & Maharjan, 2017). These

characteristics make women leaders more successful in their workplace than male ones.

Women leaders are more effective than male due to various reasons (Shetty, 2017). Cross-cultural researches in big five model of leadership found that women have higher neuroticism and agreeableness, and men have higher extraversion and conscientiousness (Center for Microfinance, 1999; Elmuti, Jia & Davis, 2009). The findings indicated that men tend to be more task-oriented and women tend to be more relation-oriented, social and participative. The studies revealed that relation-oriented, teamwork, transformational and participative leadership styles and leaders who provide rewards based on performance are more effective than task-oriented (Northhouse, 2013; Shetty, 2017). In the participative leadership approach such as participation in decision making, mutual trust and cooperation enhance organizational performance and leadership effectiveness. Hence, cooperatives, business firms and other organizations are more effective when women are in leadership and in other senior management positions.

Behaviours of female leaders towards team members make them effective in leadership roles. Team members consider female leaders more cooperatives and emotionally intelligent (Shetty, 2017). The study found that women leaders are more effective than men if they are rated by team members, in contrast, when self-rated men rate themselves as more effective (Paustian-Underdahl, Walker, Woehr & David, 2014). This shows that team members consider women to be more effective leaders than their male counterparts and if team members are satisfied with the leaders, organizational performance will be improved.

In the above paragraphs, I have discussed studies in leadership and relationship between leaders' qualities and organizational effectiveness; in the

following paragraphs, I discuss cooperative movement, and the relationship between leadership qualities and performance of cooperatives. I presume that without understanding cooperative's movement, the evaluation of effective qualities of leadership in cooperative is not possible.

### **Evolution of Cooperative Movement**

Cooperative movement in the world emerged to support the helpless and disadvantaged people and/or to fight against social malpractices. The main aim of the movement was to promote self-help and help the poor and the marginalized. The social activists or leaders took initiatives to establish cooperatives for fighting against the sufferings of the people. The history of the cooperatives' movement provides valuable insights into how these entities have become an important means for self-help, poverty alleviation and social empowerment over time.

Looking at the history of cooperatives, we found initiatives like cooperative during sixteen centuries in Germany and England. According to Michael, Marx and Seibel (2012), financial services in urban and rural areas of Germany started some 230 years ago as a self-help movement: with the first thrift society established in Hamburg in 1778, the first community savings bank in 1801, and the first urban and rural cooperative credit associations in 1850 and 1864, respectively. Appropriate regulations and legislation eventually turned cooperatives into savings and cooperative banks, forming a major part of the banking sector in Germany. The provision of prudential regulations played a crucial role for further development of the sector. These cooperative institutions now comprise about half of all branches/points of sale and 38% of all banking assets in Germany and seem more well off than many of the bigger national banks (Michael et al., 2012). This indicates the effectiveness of the cooperative approach even today modernized world.

Robert Owen (1771–1858) is considered the father of the cooperative movement as he initiated the concept of cooperation and helping the helpless. He was a textile manufacturer. Unlike other businesses houses, he supported cotton mills' laborers by providing education and a healthy environment to their children. He also established "villages of co-operation" where people helped each other to improve the overall well-being and eventually get rid of poverty. He tried to establish such cooperative villages in Scotland and the USA but failed.

The first recorded and successful formal consumer cooperative began in England, in 1844. This cooperative was founded by a group of 28 weavers and poor people in Rochdale, England, with the contribution of one-pound sterling, per person. The group named their cooperative Rochdale Pioneers of England. This cooperative became very successful in selling quality goods at cheaper prices to members and other customers. The subsequent success and popularity of the Rochdale Pioneers was seen in the form of the cooperative movement, and it is spread throughout England. The concept of the Rochdale cooperative gradually expanded throughout the world.

Like Rochdale in England, Franz Schulze (1809-1883) and F.W. Raiffeisen (1818-1888) pioneered the credit cooperative in Germany (NCF, 2018). Franz Schulze first established a credit committee in 1850 to provide credit to members in the urban area of Germany. This committee was transformed into a cooperative in 1852; and in 1856 he published a book called Cooperative Banking, which helped to expand the credit cooperative movement in other parts of Germany. His efforts prompted the promulgation of the Cooperative Act in Germany in 1867.

F.W. Raiffeisen (1818-1888) established an organization to assist poor farmers in 1849 in the rural area of Germany. He started the cooperative principle called "Each for All and All for Each" and emphasized for thrift and diligence, Raiffeisen, while

addressing in a meeting of 30 participants who wanted to replicate the credit union, Raiffeisen mentioned that that:

There was no magic wand that could free people from poverty without any effort from their own sides. Credit to the needy and industrious people within the community helps them improve their well-being. Working together to solve common problems of the people, promoting thrift, and avoiding unnecessary expenses helps improve the condition of the poor. As far as the material side of life is concerned, two elements are relevant to the improvement of economic conditions of the rural population: thrift and diligence. Both virtues are closely connected with each other for the future prosperity.

The success of consumer cooperatives in England and credit cooperatives in Germany encouraged initiating other types of cooperatives such as dairy cooperatives, agricultural cooperatives, marketing cooperatives and other cooperatives to promote self-help development in various sphere of life. Numerous adaptations and innovations similar to cooperatives have also sprung up around the globe, such as Rotating Savings and Credit Associations (RoSCAs), Self-Help Groups (SHGs), Community-based Organizations (CBOs) and village banks. These types of informal organizations also assisted the growth of the cooperative movement.

The idea of accomplishing more through people working together towards a common purpose or for improving socio-economic conditions of members was taken a step further on August 18, 1895, with the establishment of the International Cooperative Alliance (ICA). The ICA sought to organize the efforts of individual cooperatives at the international level. Through the exchange of information, experience and providing training, the ICA was able to make its member

organizations stronger and more effective than ever before. The other major objective of the ICA was to expand the cooperative movement throughout the world. Similarly, the World Council of Credit Union (WOCCU) officially began its operations in January 1971, to support credit union and savings and credit cooperative movements around the world. Today, WOCCU acts as the leading voice for advocacy and governance on behalf of the international credit union community. It supports the sustainable growth of financial cooperatives across the globe.

The cooperative movement in England and Germany indicated that the crux of the movement was rooted in assisting the helpless and working together to solve common problems through jointly owned, managed and capitalized organizations. Situations such as rampant poverty, exploitation, and the gap between haves and have-nots eventually compelled people to come together and work for solving common problems. Consequently, the cooperative movement flourished around the globe. Cooperative societies are considered as a vital framework for addressing many rural problems. People form cooperatives in the community to overcome individual vulnerability and powerlessness in the marketplace and the inadequacy of their personal wealth to meet their needs (Davis, 1995). Therefore, many countries in the globe consider cooperative as one of the important mechanisms to provide services in the rural and far-flung communities.

### **Development Stages of Cooperatives**

People in the community establish cooperatives to fulfill members' common needs. Membership right within the cooperative society is granted upon admission and purchase of the minimum prescribed number of shares. At the formation stage, people who trust each other become member of cooperatives. Each member is an owner and a client as well in the cooperatives. The members generally select trusted

and reputed persons of the community as a board of directors to govern the institution. The board develops rules and policies suitable to the local context and business nature of the cooperatives to maintain transparency and fairness in decision making and promote trust among members.

In the development process, a cooperative grows from a small community-based organization with homogeneity of membership to larger organization with a diversity of membership. At the beginning of the lifecycle, members trust each other and actively involved in decision making and managing cooperatives. One or more than one board member takes responsibilities to manage cooperatives. He/she works mostly on a volunteer basis and is assisted by other members. At this stage social cohesiveness, integrity, trust and self-help are important for the success of the cooperatives (Neto & Bachmann, 2016). When the cooperatives expand outreach to achieve economies of scale and financial sustainability, heterogeneity of membership and business volume demand professional and full-time manager/s. Then the power and responsibilities of managing cooperatives transfer from members to managers. Social capital does not work when cooperatives become bigger and when power is transferred from the members to the management. Once the membership size and heterogeneity of membership in cooperatives increased, members' trust and commitment to cooperatives reduce (Serigati & Furquim, 2013, as cited in Neto & Bachmann, 2016). Therefore, in the larger cooperatives, membership participation in the general assembly and decision making gradually reduced.

In the first stage of development of cooperatives, people develop trust on the basis of potential benefits and cost, which is said calculus-based trust; in the second stage, people interact and know behaviors of each other and this is called knowledge-based trust; finally, when members are committed to support and promote each other



interest which is called identity-based trust (Lewicki & Bunker, 1996 as cited in Neto, & Bachmann, 2016). The identity-based trust is considered a higher and advanced level trust. Trust is also defined as integrity trust, competence trust and benevolence trust (Mayer, Davis & Schoorman, 1995, as cited in Neto & Bachmann, 2016). The integrity trust is developed based on honesty shown by team members, while competence trust is developed based on the ability of a person. Benevolence trust is higher level trust which is developed based on competence, integrity, compassion, humanity and kindness. Hence, trust is developed and grown in different stages of development of cooperatives.

The ethical concern is very important to gain member trust towards cooperatives, and that is very important for the success of a cooperative. A successful cooperative maintains trust between management and staff, between cooperative's businesses and their members, and between cooperative and the communities (Leunens, Sanudo & Schweigert, 2016). If a cooperative loses members' trust, it negatively affects their participation in collecting fund, using services, electing leaders.

Trust promotes members' participation. Without the active participation of members, a cooperative cannot sustain in the long run. Operation of cooperatives in line with cooperative principles and values are successful to promote members' trust. Therefore, the successful cooperatives around the globe operate under the guidelines of seven widely accepted principles and cooperative' values. The principles explain the general characteristics that are common to all types of cooperatives, and include: voluntary and open membership, democratic and member-controlled, economic participation of members, autonomy and independence, education, training and information, cooperation among cooperatives and concern for the community.

The first principle is voluntary and open membership. Cooperatives are voluntary organizations, open to all people able to use services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. The second principle is democratic, and member controlled. Cooperatives are democratic organizations and democratically controlled by their members. Members participate in formulating policies and making decisions and electing the board of directors based on one member one vote. The third principle is the economic participation of members. Capital of the cooperatives mainly comes from members' contributions through shares and savings. The fourth principle is autonomy and independence. Cooperatives are autonomous organizations managed and controlled by members and governed by the by-laws and policies formulated by the members in the general assembly. The fifth principle is education, training and information. Cooperatives provide education and training to their members, elected representatives, managers and employees so that they can effectively contribute to the management of the cooperatives. The sixth principle is cooperation among cooperatives. Cooperatives can serve their members better and strengthen the cooperative movement by working together through different local, national, regional and international structures. The seventh principle is concern for the community. Cooperatives work for the sustainable development of their communities through activities and policies approved by cooperative members. The seventh principle expresses the expected relationship between the communities and cooperatives. This can be achieved by implementing various developmental programs, policy advocacy, community awareness programs and various other means.

Besides above mentioned seven principles, cooperatives are governed by certain values. These values of cooperatives are the general norms shared by

members, BoDs, managers and staff and which determine their way of thinking and acting. The values, articulated by International Cooperative Alliance (ICA) in 2002, include: self-help, self-responsibility, democracy, equality, equity and solidarity. Cooperatives embody ethical values of honesty, openness, social responsibility and caring for others. Like the principles, cooperative's values also provide guidelines for governing and electing leaders. It is the responsibility of the leaders to ensure adherence of cooperative principles and values in the daily management of the cooperatives and promote members' trust and participation (ICA, 2002). Therefore, in the successful cooperatives' leaders/chairpersons take the responsibility to protect the investment of the members and work for the benefits of the members and the society by adhering to the principles and values. Leaders establish trust among members in order to promote the principles and values of the cooperative.

Ethical concern and trust are not judged only from the perspective of transparency in management and avoidance of irregularities, but also from the perspective of value it created in members' life. Therefore, ethics of cooperatives is assessed from two perspectives: working together towards the accomplishment of shared goals and upliftment of members socio-economic conditions (Leunens et al., 2016). If members' conditions are not improved and cooperatives cannot fulfill members needs effectively, the purpose of the establishment of cooperatives cannot be justified. Therefore, the cooperatives have roles to improve socio-economic development and achievement of sustainable development goals and improve members well-being; which is discussed in the following section.

### **Contribution of Cooperatives' for Achieving Sustainable Development Goals**

A cooperative is established by the like-minded people in the community to fulfill their common social and economic needs. Unlike a private company, a

cooperative grows from community based small self-help groups to the larger organization. The purpose of forming a cooperative is to provide cost-effective and quality services to members not for profit maximization. Cooperatives mainly have a double bottom line of serving members and generating profit. Although the return of the cooperatives is lower than private firms, it has better resilience to survive in crisis (Challita, Sentis & Aurier, 2016). The cooperatives proved as a resilience financial model by surviving in the recent financial crisis (International Labor Organization, 2013, as cited in Challita et al., 2016). The cooperatives allocate most of the profit in statutory reserve and distribute only a small portion of profit to shareholders/members as a dividend. The accumulated fund enhances the efficiency and resilience of the cooperative model. The motto of principles and values of cooperatives is service maximization not for profit maximization. The cooperatives' principles, values and governing system promote self-governance, self-help, self-development and ownership. These characteristics of cooperatives have become supportive towards sustainable community development and achieving sustainable development goals (SDGs).

Out of 17 SDGs, accessible financial services and financial inclusion helps directly to achieve seven sustainable development goals (Klapper, El-Zoghbi & Hess, 2016). These seven goals are: (1) eliminating extreme poverty (2) reducing hunger and promoting food security (3) achieving good health and well-being (4) fostering quality education (5) promoting gender equality (6) promoting sustained and inclusive economic growth and (7) equitable and peaceful societies.

Easily accessible and affordable financial services such as credit, savings and insurance allow poor people to invest in income generating activities and manage emergencies. The cooperatives grant loans to members against group guarantee,

collateral of shares and savings, and also against physical collateral. Policies, savings and credit services and other services of cooperatives are tailored to meet the needs of its members, and are in line with the local context, in order to better serve the communities.

Access to credit helps farmers to purchase agricultural inputs and invest in other agri-business activities in a timely manner, which help increase food production and reduce hunger. Access to savings help the poor build savings habit, and accumulated savings can be used in emergencies, consumption smoothing and investment purpose. Savings helps to increase the capacity of the poor to absorb financial crisis. Crops and livestock insurance help farmer to protect from seasonality related risk and risk-related death of cattle. Savings and health insurance services provided by financial institution help timely curing and promote good health. If a country lacks efficient public health system and insurance, health-related shocks drain the meager resources of the poor and it pushes them into extreme poverty.

Financial services, such as saving services helps mother to save for the children education and manage other household emergencies (Prina, 2013, as cited in Lapper et al., 2016). Most of the member and client of cooperatives and microfinance institutions are women. The financial services to women help them to manage resources and promote gender equality. Services of the cooperatives have helped to bring a positive impact to communities by providing easily accessible savings, credit, insurance and money transfer service. Financial services help people to manage financial resources and promote income and well-being. Improved well-being help promote sustained, inclusive growth and positive impact in the society. Some areas of impact from cooperatives' services include: mobilization of savings, increasing output of agriculture products, supply of inputs, provision of raw material to industries,

marketing of farm products, improved level of income, as well as improved standard of living (Sharma et al., 2006). By enhancing both collective and individual ownership of capital, co-operative enterprises address the widening economic gaps prevalent in the society, created by market-led-economy (Marx & Seibel, 2012). This was the reason for initiating cooperatives even in the twenty-first century.

### **Cooperative Movement in Nepal**

The social mechanism of helping each other and mutual cooperation such as Dhukuti (Rotating Savings and Credit), Dharma Bakari<sup>1</sup>, Parma<sup>2</sup>, Guthi<sup>3</sup> are existed in Nepali society since ancient time and still prevalent in many communities (Panday, 2000; Bhattarai, 2006). To operate these setups, there are certain rules or norms which include eligibility criteria and monthly/yearly contributions to become members. The permanent residents in the community join such groups to fulfill their socio-economic needs. These traditional social mechanisms are informal organizations operated in mutual trust without written rules or norms. In the case of argument, traditional community leaders such as Mukhiya (head of the village) religious leaders such as priest of Hindu, Buddhist, and other resolve the disputes.

The traditional forms of organizations are capable to cater only very basic and limited needs of the society. Moreover, these organizations are operating with minimal rules leaving many aspects of managing organization unclear and abstract. Therefore, the traditional forms of organizations are gradually replaced and transformed into modern form of social, economic and political organizations to fulfill

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<sup>1</sup>*Dharma Bakari* is a system where communities collect grains during harvesting season and use it when needed

<sup>2</sup>*Parma* is a system where farmers join hands to help each other on rotation basis to cultivate land.

<sup>3</sup>*Guthi* is a social structure of *Newari* community. Every *Newari* family bound in one *Guthi*. It regulates and maintain social norms and disciplines. *Guthi* is needed in various rituals such as worshipping God, cremation rituals in the case of death.

the changing needs of the society. Legalized and structured organization help these organizations connect among different elements of the organization and external stakeholders (Serifi & Dasic, 2012) to fulfill the larger needs of the society. The formalization and defined structure help the organizations minimize confusion, and duplication of the work. Cooperatives are such formal organization having some features of many informal groups existed in Nepali society such as Dhukuti, Parma, Dharma Vakari, and Guthi. These mechanisms of supporting each other are similar to cooperatives and still exist in many Nepali communities (Panday, 2000; Bhattarai, 2006). However, it took more than a century to initiate formal cooperatives in Nepal.

In 1953, the Nepali Government established the Department of Cooperatives (DoC) under the Ministry of Agriculture for Planning and Development. The creation of this department marked the beginning of the cooperative movement in Nepal. Then in 1956, the first saving and credit cooperative was established in Chitwan District to help flood victims. This cooperative was called Bakhan Singh savings and credit cooperative (DoC, 2015), and was the first institutional rural credit program initiated by the Government of Nepal. Thirteen Savings and Credit Cooperatives were established in the same year to provide microcredit services to the poor and flood victims in the Rapti Valley.

Following this, due to a fundamental lack of understanding of cooperatives, the government issued different legislation to regulate and supervise the operations of cooperatives. This legislation included the Cooperative Act 1959 and Cooperative Rules 1960. Furthermore, during the 1960's, the DoC was transferred to three different Ministries. The shifting of the DoC from Ministry to Ministry further illustrates the governmental struggle to effectively use the cooperative system in the country, and the lack of understanding of crux of the movement. The cooperative

movement has started to grow and flourish when government promulgated liberal Cooperatives Act in 1992. I have classified the cooperative movement into three phases: establishment phase (1953- 1991), growth phase (1992- 2013), and consolidation phase (2014 –to date) as stated in Table 1 (detail in annex 1).

*Table 1*

*Three Phases of Evolution of Cooperatives in Nepal*

Phase	Major activities
Establishment Phase (1953- 1991)	During this phase Department of Cooperative (DoC) established under the Ministry of Agriculture in 1953 and the first cooperative called “Bakhan savings and credit cooperative” established in 1956. Transfer of DoC from one Ministry to others, renaming of cooperative as <i>Sajha</i> (Nepali term for cooperative) and control over cooperatives by the state rather than managing by people indicates government's confusion on promoting cooperative movement in Nepal. Due to mismanagement of resources and lack of technical know-how, most of the cooperatives were collapsed and people lost hard-earned savings (Out of total 4000 cooperative promoted, only about 800 survived).
Growth Phase (1992- 2013)	After the restoration of democracy in 1990, the government promulgated liberal Cooperative Act - 1992. NCF was established in 1993 as an umbrella organization of cooperatives. Central and district level cooperative unions of different types of cooperatives were established to provide training and technical services to member cooperatives. Ministry of Cooperatives and Poverty Alleviation was established in 2012 and the Ministry promulgated cooperative policy 2013. In this phase number of cooperatives have reached to 31,000.
Consolidation Phase (2014 –to date)	The Government encourages cooperative societies to amalgamate one another and discourage the establishment of new cooperatives. Due to this growth trend of cooperatives started declining. To address the prevalent issues of the sector, the government has promulgated the Cooperative Act 2017. The Act also addresses issues such as multiple membership and borrowing, fraud, lending to non-members, depoliticization and others. There are still plenty of gray areas on how cooperative sector function in the new federal structure of the country.

Source: Table generated by the author based on the literature cited above

As illustrated in Table 1, the cooperative movement in Nepal began with some problems and confusion over how the cooperatives needed to be managed. On the one hand, the government tried to manage them like government-owned enterprises, and on the other hand, many local leaders and business houses saw the cooperatives as a profitable venture and managed the organizations accordingly. Moreover,



cooperatives were not operated in line with the principles and values of cooperatives. Both these approaches largely caused the early failure of the cooperative movement in Nepal.

The principles and values of cooperative envisioned that cooperatives are independent organizations established and managed by members to fulfill their social and economic needs (Olaniyan et al., 2016). The acts, rules, policies and procedures formulated in line with principles and value of the cooperatives help grow the institutions. As defined in the rules, members elect leaders and team members to manage day-to-day activities of the cooperatives. The leaders together with team formulate visions, missions and goals, annual plan and activities, and recruit staff to implement the activities. Each cooperative need trustworthy and competent leader to ensure effective implementation of activities, compliance with rules and achieving the goals. Sustainability and effectiveness of cooperatives depend on the competence and dedication of leaders, and team members/staff. Leaders and team members in effective cooperatives have knowledge and skills to understand principles, values, rules and procedures to manage cooperatives professionally. The leaders undertake different measures to upgrade the competence of team members and retains them by providing a competitive salary and other benefits. If cooperatives cannot retain competent staff, the performance of cooperatives would deteriorate. Knowledge and skills of leaders and team members are more important than other resources for the success of an organization and a cooperative as well (Panday, 2000). Hence, developing and retaining human resources is one of the most important aspect for the success of cooperatives. Such features were not in the cooperatives established before 1993.

A major change in the sector occurred in 1992, when the government promulgated the Cooperative Act 1992 and Cooperative Rules 1993. The Cooperative Act 1992 stipulated that the government would no longer directly promote or manage cooperatives and would limit its role to support and monitor activities. As a result, the cooperative sector has flourished in Nepal after 1992. The cooperative Act and Rules have envisioned cooperatives as independent organizations to function in line with the principles and values of the sector. The Act and Rules have made provisions on aspects such as criteria for registration, authority of the registrar, governance of cooperatives, privilege provided to cooperatives, reporting requirements, qualifications of managers and office bearers, types of cooperatives and their unions, norms and standards to be maintained by the cooperatives and unions, and code of conduct.

The Cooperative Act 1992 provides leniency for the conversion of different government and non-government organizations, microcredit schemes/programs, and community-based organizations into cooperatives. For example, the Small Farmers Development Program (SFDP) was initiated in 1975 to provide financial and non-financial services in the community. This program is considered the first group guarantee credit program in Nepal and perhaps in South Asia. The program was managed by The Agricultural Development Bank Ltd. (ADBL) and was expanded to then 652 Village Development Committees (VDCs). The Cooperative Act 1992 provided the appropriate legal framework to transform ADBL-managed SFDP to community-managed Small Farmers Agriculture Cooperatives Ltd. (SFACLs). The SFACLs are considered as one of the most vibrant cooperative models suitable for the Hills, Mountains and remote areas. Various other projects implemented through donor supports and involved in social mobilization, group formation, savings mobilization

and provision of credit were converted into cooperatives. Institutionalization of such group into a cooperative has helped to expand cooperatives in rural and remote areas. The example of such projects includes: Production Credit to Rural Women program, Micro Credit Project for Rural Women, Rural Finance Nepal, Community-based Economic Development Project and others.

The Cooperative Act 1992 also provided the appropriate legal framework to establish the federations of cooperatives. The National Cooperative Federation of Nepal (NCFN) was established in June, 1993 to provide services to member cooperatives. The NCFN as an apex body of cooperatives' plays an active role in lobbying to the government for the promotion and strengthening of the cooperative sector. Other federations such as Nepal Federation of Savings and Credit Cooperative Union (NEFSCUN) was established in 1993 as a central federation of Savings and Credit Cooperative Societies (SACCOS). It is playing an active role in promoting Savings and Credit Cooperatives. Additionally, Rural Microfinance Development Centre, Center for Microfinance, Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd (hereafter called Small Farmer Development Bank), National Cooperative Bank Limited, and First Microfinance Development Bank are playing important roles to strengthen the cooperative sector in Nepal by providing wholesale credit and technical supports to the people in the communities.

Ministry of Cooperatives and Poverty Alleviation (MoCPA) was established in 2012 to address the growing needs of the sector and to contribute to poverty alleviation through cooperative societies. It formulated the Cooperative Policy-2013 to provide direction to the sector. Major objectives of the policy include: (1) Increase awareness and capacity of cooperatives through education, seminars, training and information, (2) Activate cooperatives for enhancing production including agriculture

production, (3) Develop and expand cooperative enterprises, (4) Increase the access of cooperative services for female and disadvantaged groups in order to improve their livelihoods, (5) Maintain good governance by adhering to values, principles and quality management practices, (6) Promote collaboration and cooperation among government, private sectors, development partners and cooperatives for promoting and expanding business and enterprises, and (7) Improve human resources, organizational structure and legal environment for promotion and expansion of the cooperative sector (MoCPA, 2013). The objectives provide future direction to consolidate and strengthen the cooperative sector.

The objectives stated in Cooperative Policy 2013, cover most of the areas required for strengthening the sector. These objectives will be realized only if they are supported by appropriate strategies and activities. However, the activities of MoCPA are based on past year budget or programs rather than what is required to strengthen the sector. The budget allocated to MoCPA is also less than one percent (GIZ, 2015) and among one of the lowest allocated to the Ministries. Moreover, the provisions made by the Act and Rules more than two decades ago when the sector was still in its nascent stage, may not be appropriate in the present context; therefore, it needs to be intensively revised and updated to address current issues and needs of the sector in line with international best practices (GIZ, 2015). The provision made by the Cooperative Act-1992 to penalize the cooperatives that do not comply with the rules and standards, is inadequate, considering the magnitude of problems and irregularities that exist within the sector.

The government has promulgated the new Cooperative Act in 2017 to address the current needs of the sector. The Cooperative Act- 2017, attempts to address current issues prevalent in the sector such as number of members required to form

different types of cooperatives, prohibition to be the members of more than one cooperative of same nature, penalty if cooperative fail to comply with the Act and rules. The Cooperative Act-2017 addresses some of the issues, however, the government needs to allocate enough resources to effectively regulate and supervise the cooperatives' sector and consolidate the sector.

Currently, there are 18 different types of cooperatives registered under the Department of Cooperative (DoC). However, these types are not reflected in the activities and services of cooperatives. Most of the cooperatives in Nepal, whether they are savings and credit, multi-purpose, agriculture, or other types of cooperatives, all are based on simple financial intermediation activities and are engaged in mobilizing savings and providing credit to members. If most of the cooperatives are engaged in providing financial services, categorizing cooperatives into different types does not seem logical. The Cooperative Act-2017 makes provisions to convert cooperatives based on their business types; however, it does not clarify how to deal with central and district federation of different types of cooperatives. If primary cooperatives are forced to convert based on the nature of their business, most of them need to be converted into Savings and Credit Cooperatives, because all Multipurpose Cooperatives, Small Farmer Agricultural Cooperatives and many other kinds of cooperatives, are involved in savings and credit activities.

In addition to the 18 different types, cooperatives are further categorized as rural and urban cooperatives and community-based and non-community-based cooperatives. Community-based cooperatives are established within the neighborhood/community and embody the true characteristics of cooperatives such as: self-help, members' control, members' participation in decision making and focus on social returns rather than profit maximization. The community-based and financial

cooperatives represent the sector as most of the cooperatives in Nepal are involved in providing savings and credit services and only community-based cooperatives are operating in line with the values and principles of cooperative. In the following section, I discuss leadership in community-based financial cooperatives in Nepal.

### **Leadership in Cooperative**

In Nepal, generally reputed persons in the community such as community leaders, social workers, local teachers, and retired bankers' take the initiative to form a cooperative and discusses the idea with other like-minded people. Usually, the initiator becomes the founder chairperson and other active persons serve as founder Board of Directors (BoDs) of the cooperative. The chairperson, together with the BoDs, prepares future plans of action for the development of the cooperative. The initiators/leader's roles are crucial to the development and success of a cooperative.

Formulation of vision and dedication to achieve vision, entrepreneurship quality, management skills and communication skills are essential qualities of leaders that determine the success of the cooperatives (Garnevska, Liu & Shadbolt, 2011; Jowah, 2016). A study conducted in Poland also supports this argument (Banaszak, 2008, as cited in Garnevska, Liub & Shadboltc, 2011). Zhang and Yuan (2010) found that the initiator of the cooperatives had a big impact on the success of the cooperatives (as cited in Garnevska et al., 2011). From the discussion above, it can be concluded that leaders or chairpersons have important roles for the success of the cooperatives.

In my own experience, chairperson or initiator has an important role for the success of the cooperative. I, myself, have been actively involved in the cooperative sector for the past 25 years, and have observed that, the success of cooperatives depends on the reputation, integrity, competence and dedication of the

initiator/founder or chairperson (Razinskas et al., 2018). I have seen thousands of cooperatives initiated around the same time and in similar locations, but some cooperatives are performing better than others. The difference is that effective and successful cooperatives have competent leaders and are community-based (Carvalho, 2012). People trust if they know the leader and if he/she is from the same locality. Hence, community-based cooperatives having trusted, and reputed leaders are more successful than others.

Community-based cooperatives are formed within a locality for the sole purpose of providing desired services to members, and this structure allows each member to be an owner, shareholder, as well as the user. Members are actively involved in managing the cooperative and they elect the Board of Directors (BoDs) as their representative for day-to-day functions. Either members in the general assembly or BoDs amongst themselves (as specified in the by-laws or policies of cooperative), elect a chairperson to be their leader. The board recruits a manager and staff for daily management of the cooperative. Therefore, the board and staff have more or less equal roles for the success of the cooperative, while the chairperson and manager play leadership roles within the cooperative. In the general assembly, members vote for trustworthy and capable leaders and directors to govern their cooperative. Only those chairpersons and board members who have served the cooperative honestly and successfully during their term are likely to be-elected, otherwise the assembly votes for new members (Carvalho, 2012). Therefore, there is pressure for producing good results or providing better services to members in order to be elected in the leadership position.

The Cooperative Act 2017 specifies the functions, duties and powers of the general assembly (members), board, CEO/managers and the chairperson. The

principal roles of members include: to examine and endorse the annual progress report, audit report, budget and activities presented by the board; elect the BoDs, committee and sub-committee members; pass resolution concerning amendments in the by-laws and policies; appoint an auditor and fix his/her remuneration and other functions specified in the by-laws. The act also specifies the roles of BoDs which include formulation of policies and procedures appoint managers and fixed his/her remuneration, supervise the progress and others.

According to the ICURN principle, the roles and duties of BoDs and chairperson include fiduciary, strategic, supervisory and management development. Under fiduciary duty, the board has the responsibility to safeguard the interests of all stakeholders. As such, it serves to monitor and provide confidence to the cooperative's investors (members and others), staff, customers and other key stakeholders. The board also ensures that the managers and staff are working in the best interests of the cooperative. Under strategic duty, the board is involved in setting long-term strategies of the cooperative and approving business plan presented by the management. Under supervisory duty, the board delegates the authority of daily operations to management through the CEO/manager, supervises the execution of the approved plan, and evaluates the performance of management to ensure it is in line with the plan and target. Under management development, the board undertakes the responsibilities of selection, evaluation, and training and benefits package of the CEO and senior managers and ensure appropriate arrangement for succession planning and capacity building of the staff.

In the transition from a small community-based organization to an established institution, chairperson and the board play active roles in institutional development of the cooperative and adhere to all the expected roles stated above. At the beginning,



the chairperson or one of the board members take responsibility of managing day-to-day operation of the cooperatives. The board gradually delegates authority and responsibility to the management and limits its role in core functions such as strategies and policies formulation, and supervision of activities. The manager/s and staff are responsible for the preparation of annual plans and the budget. They submit these to the board for input and get endorsed from the general assembly. They also formulate procedures for day-to-day management of the cooperatives, prepare monthly progress reports, compare it with the target and present it to the board. The manager/CEO and other staff are therefore responsible for day-to-day operation of the cooperatives.

The chairperson, board members, managers and staff of the cooperatives learn many aspects of managing cooperatives through their own experiences and from the best practices on other cooperatives in the local, national or international level. They learn the best practices of other cooperatives during exposure visits. Some of this knowledge is also learned during workshops and training sessions. I have witnessed that in most of the cases cooperative societies upgrade leadership skills and professionalism gradually when their business volume grows.

Experience of promotion and institutionalizing of cooperatives have revealed that an effective cooperative has capable and dedicated leader with a clear vision (Mohamad & Mjid, 2014). A good leader formulates an appropriate vision and motivates team members to achieve this for themselves and the society at large. The study, "In search of best practices of community-based cooperatives-Nepal", conducted by Canadian Center for International Development and Cooperation (CECI) in 1998 also confirmed that the cooperatives with a vision to grow as a sustainable community-based institution were more successful than others. It also

found that member participation was better in cooperatives that had a respected and trusted local person in the chairperson/leadership position. The study concluded that the performance of cooperatives depends on the quality of leadership and the capability of the leaders to provide proper vision to the organization. This finding was also supported by the study "A Study on Best Practices in Delivering Financial and Non-financial Services" conducted by the Center for Micro-Finance in 2003. The study concluded that cooperatives having a reputed and competent chairperson and board members are successful than others (Center for Micro-Finance, 2003).

The Cooperatives that can elect capable leaders have outperformed others that lack capable leaders. However, in some cases, reliability is more important to members than capability and members in the general assembly generally elect reliable and trusted leaders (De Masy, 1980; Lauschner & Schweinberger, 1989, as cited in Carvalho, 2012 & Razinskas et al., 2018). Moreover, democratic and member-control principle of cooperatives may not always work, as members elect trusted acquaintances and relatives rather than capable leaders, to serve as the board of directors and as chairpersons. I have also witnessed in many occasions that members elect leaders based on friendship, kinship and political ideology. This could be one of the main reasons behind the failure of many cooperatives in Nepal. Moreover, in rural and remote areas, educated and visionary people, who would be ideal as leaders/chairpersons, are not easily available. In such cases, the fate of the cooperatives' lies in the hands of the manager. If a cooperative recruit a professional and dedicated manager, chances of becoming success would be higher. Hence, not being able to elect competent and honest chairperson or not being able to recruit professional CEO and managers is one of the main reasons behind failure of many cooperatives.

Many administrative problems currently faced by the cooperatives can be resolved by maintaining professionalism during recruitment, development and promotion of managerial positions, based on established policies and procedures (Carvalho, 2012). As per the cooperative act and rules, the chairperson and BoDs formulate policies and procedures and ensure good governance in the organization. In the Nepali context, I have witnessed that cooperatives having competent and dedicated managers and staff are more successful than others. However, the chairperson or BoDs still have vital roles to play in maintaining proper internal control and supervision, evaluate performance and check for potential fraud within cooperatives, and maintain professionalism. When the business grows, its managerial complexity will also grow and require professional and competent manager/s and chairperson. In the successful cooperatives, chairperson and BoDs either enhance the capacity of existing officials or recruit competent managers.

In small organizations like cooperatives, the leaders interact directly with subordinates and motivates and rewards employees in line with their performance (Abiola, 2012). In such organization, participative leadership and motivating environment for employees are considered the most important factors for enhancing an organization's performance, and these factors are most important among other drivers of performance (Abiola, 2012). Freifeld (2012), pointed out the six components such as clarity, commitment, standards, responsibility, recognition and teamwork for enhancing the performance of a cooperative and he emphasized the responsibility of the chairperson and manager/s to adopt these best practices.

Past knowledge (as discussed above) showed relationship between leadership qualities and performance of cooperatives and leadership plays significant roles in enhancing the performance of the cooperatives. The roles of leaders are vital in

developing the system, procedures, mobilizing required resources and using these resources to achieve organizational goals. However, there still exists a knowledge gap regarding the reasons behind the success and failure of cooperatives in Nepal. There are no studies in Nepal that investigate this relationship between leadership qualities and performance of cooperatives. There is a knowledge gap on the characteristics of leaders in effective and ineffective cooperatives. This study therefore examines the relationship between independent variables (leadership qualities) and dependent variables (performance of the cooperatives). In the next section, I discuss appropriate tools to measure leadership qualities and organizational performance.

### **Measuring Organizational Performance and Leadership Qualities**

Organizational performance can be measured in two ways namely perceived/subjective measures of effectiveness and objective measures of effectiveness (Bass, 2008). Subjective measures include extra effort, satisfaction and perceived effectiveness, while objective measures include the percentage of goals achieved and are evaluate in figures and numbers. Financial figures stated in the audit report and data produced by management information system are used in objective approach, while questionnaires self-ratings, as well as ratings from superiors, peers and team members, are used in the subjective approach of performance assessment. The most commonly used measures of leader's effectiveness is the extent to which the organization has achieved its goals, and can be determined by examining net profit, sales, market shares, return on assets and investment and productivity (Yukl, 2006). In most of the cases the performance is measured in scale, number and percentage by applying organization's related indicators under different dimensions.

Cameron (1980 as cited in Carton & Hofer 2006) proposed four performance dimensions to evaluate organizational effectiveness: accomplishment of goals,

acquisition of resources, trust, and satisfaction. Accomplishment of goals and acquisition of resources can be measured objectively while trust and satisfaction are measured in the scale. Team satisfaction may be helpful to enhance performance in the future but is not considered an indicator of organizational performance. The objective approach is more precise and reliable to evaluate performance.

The selection of an appropriate approach also depends on a specific researcher's objective and selection of relevant performance variables, as well as the types of organizations being evaluated. Objective measures of effectiveness provide current status of the organization while subjective measures provide information about past performance and also indicate future potential. For example, satisfied employees work diligently and put in extra effort, which in turn increases efficiency. Prior research has shown strong associations between performance levels evaluated by subjective and objective approaches. .

In the course of identifying appropriate dimensions and indicators of measuring the performance of an organization, Carton & Hofer (2006) reviewed a variety of indicators used by researchers between 1996-2001. They found 71 different variables under nine dimensions to measure performance: profitability, market share, market value, growth, efficiency, liquidity, sustainability, size of transaction and social indicators. Of the 138 articles they reviewed, 70% included profitability (return on assets and investment), 27% included growth, 18% included operational (market share and satisfaction), 17% included market value, 7% included liquidity and sustainability and 4% included other measures. This showed that profitability, growth, market share, governance, market value, sustainability, efficiency, productivity and liquidity, are the main dimensions of organizational performance. The equity shares of cooperatives are not listed in stock exchange; hence, market value of equity is not

relevant. Maintaining asset quality is crucial for the sustainability of financial institutions, and thus, is one of the most important features. Size or business volume is also used as one of the indicators to measure organizational performance; however, this is a controlled variable to account for the variance in other measures resulting from the size of the organization (Carton & Hofer, 2006).

Carton and Hofer (2006), pointed out the use of both objective and subjective indicators and recommended to use dimensions such as (a) profitability (return on assets, return on equity) (b) growth (change in assets, deposit and profit) (c) quality of the assets (delinquency rate and loan loss reserve) (d) staff productivity and efficiency (e) market penetration (f) liquidity (ability to meet its future financial obligations) (g) management and governance related indicators. These dimensions also can be used for the evaluation of the performance of cooperatives. Therefore, the review conducted by Carton & Hofer has provided the basis to adopt performance indicators suitable to organization types and context.

There are many common indicators that can be applied for all types of organizations such as sustainability, efficiency, and governance. However, organization types demand specific indicators to measure performance. For example, unlike banking and financial institutions, cooperatives are member-managed and controlled organizations. The objective of the cooperatives is to provide cost-effective and quality services to members rather than aim for profit maximization. The banks and financial cooperatives use some specific indicators such as financial structure, sufficiency, portfolio at risk and others to measure performance. Considering this fact, separate tools are required to measure performance the cooperatives. I discuss indicators of measuring the performance of cooperatives in Chapter V.

So far, I have discussed the indicators for measuring the performance of cooperatives. To explore the association and effect of leadership qualities on the performance, I need to measure the characteristics of effective and ineffective leaders in the cooperatives. Researchers in the past have applied both quantitative and qualitative methodologies for measuring qualities of leadership. Many types of leadership questionnaires are used to measure leadership qualities such as leader behavior description questionnaire, leadership skills inventory, leadership trait questionnaire, leader-member exchange- questionnaire, ethical leadership questionnaire (Northouse, 2013). These questionnaires measure only particular characteristics of a leader. To address this concern Bass and his colleague developed the Multifactor Leadership Questionnaire (MLQ) that measures leadership qualities in a continuum of most effective leaders to the least effective leaders. The MLQ includes total of seven dimensions of qualities of leadership; four dimensions of transformational leaders, two dimensions of transactional leaders and one dimension of laissez-faire leaders. But there is no contextualized questionnaire to measure the qualities of leaders working in cooperatives. Therefore, I have applied the Delphi technique and used factor analysis to determine dimensions and variables for measuring leadership qualities of cooperatives in Nepali socio-cultural context. Based on the discussion made in this Chapter, I prepare the conceptual framework showing the relationship between dependent and independent variables of my study (figure 1).

Figure 1. Conceptual Framework





As presented in the conceptual framework (figure 1), independent variables (qualities of leadership) and background variables have impact on the dependent variables (performance of an organization). Although the past studies revealed that qualities of leadership improve the performance of the organization, there was no consensus among researchers on whether the leadership is a major determinant of organizational performance, or if other elements also play important roles. Socio-economic variables such as values, culture, belief, external environment and market, past performance of the organization have impact on performance. Leaders' characteristics such as age, gender, education, training, and exposure may also affect the performance of cooperatives. Therefore, the contextual factors also need to be taken into consideration while measuring performance and explaining the relationship between leadership qualities and performance of an organization. This study had explored the dimensions of qualities effective leaders in Nepali context, attempted to develop a performance assessment tool for the financial cooperatives' in Nepal to address the current knowledge gap, and finally examined the relationship between leadership qualities and performance of an organization.

## CHAPTER III

### RESEARCH METHODOLOGY

In this chapter, I discuss my research journey and the process I apply to collect data in this research. The chapter begins with the research philosophy that I undertook, and then I justify the appropriateness of the survey method for this research. I also discuss the different nuances of the survey method that I applied within the post-positivist paradigm. I then explain the characteristics of 382 primary cooperative societies, the target population of my study. Finally, I discuss the data collection tools, data collection plan and concerns of reliability, validity and research ethics applied in this study.

#### **Philosophical Considerations**

A researcher needs to have an in-depth understanding of research philosophy and its underlying ontology, epistemology and methodology suitable to the research purpose before initiating any kind of study (Creswell, 2009). This concern is also important for me since the understanding of the underlying assumptions of research paradigms (quantitative, qualitative and pragmatist) and research philosophies help me to select appropriate methods for analyzing research problems throughout the study (Mertens, 2015). I, therefore, considered the appropriate research philosophy for my study ‘relationship between leadership qualities and performance of cooperatives’ from the beginning of this study.

In the search of relevant research philosophy and methodology for this study, I realized that there are contrasting viewpoints among researchers regarding knowing the realities post-positivists and non-positivists. The post-positivists argue that the

material world is the major ontological position, which is universal truth and can be measured precisely through experiments and surveys. On the other hand, non-positivists diverge from this view; and for them; truth is multiple and differs with time and context (Willis, 2009). Non-positivists believe that knowledge can be acquired through active interaction with participants, and that there is more than just one reality of a social concept (Cohen, Manion & Morrison, 2007). Both views have their own stances and logic and both approaches are used while conducting research. I compared the stance on research philosophy with the purpose of my study. The purpose of my study was to identify the effect of leadership qualities on the performance of cooperatives. Both leadership qualities and performance can be measured objectively and precisely. Hence, I decided that the post-positivist approach is more relevant for my study.

When the concern of post-positivism came, it was necessary for me to get clear on my ontological standpoint within it. According to Willis (2009), understanding and belief on various ontological positions reflect what can be real and what cannot; what we can know about reality and how we cannot know. My ontological standpoint is that leadership qualities and performance of cooperatives is an objective phenomenon as the relationship between leadership qualities and performance of cooperatives and effect of leadership qualities on the performance can be measured objectively and can be compared and explained precisely.

After I get clear on my ontological position, I examine the appropriate epistemology of my study. To me, epistemology is the way of knowing reality (Creswell, 2009). Identifying the reasons for efficient and inefficient cooperatives and finding the qualities of leaders that enhances the performance of cooperatives is the epistemology of this study. In other words, the epistemological stances of this

study are measuring qualities of leadership and performance of cooperatives objectively and pointing out the qualities of leaders in effective and ineffective cooperatives and comparing them objectively.

Ontological and epistemological stand of researcher indicates the appropriate research methodology (Creswell, 2009). Therefore, after clarifying ontological and epistemological standpoint, I outlined the appropriate research methodology for my study. Methodology describes, explains, and justifies the research methods used in research work (Carter & Miles, 2007). Research methods include data collection process and tools such as selecting sample from the population and applying appropriate research tools e.g. survey, experiments, narrative, and other tools to collect data to answer research question/s. In line with my ontological and epistemological stand, I applied quantitative research approach and used the survey method to examine the relationship between leadership qualities and performance of cooperatives. I measured the performance of cooperatives in ratios and qualities of leadership in the scales.

### **Research Design**

I used a cross-sectional survey method as it is widely used to examine the cause and effect relationship between leadership qualities and demographic variables with the performance of cooperatives and it is more appropriate in line with the purpose of my study (Levin & Fox, 2009). The causes and effects relationships between the dependent and independent variables help me to understand and describe a phenomenon of interrelationship between the two variables (Creswell, 2009). The study of relationship between independent and dependent variables also helped me to explore and describe the degree of association between two variables and effect on one variable to others. Therefore, my study was both explorative and descriptive in

nature; it was explorative in the sense that it investigated the relationship between leadership qualities and performance of cooperatives and also predicted the relationship between dependent and independent variables; and it was descriptive, as it explained the variables of the study and also described the performance of the cooperatives.

### **Population and Sample**

As of July, 2018, there were 34,500 primary cooperative societies covering all 77 districts of Nepal (NCF, 2018). Ideally, 34,500 cooperatives are the population of my study. However, I could not consider total number of cooperatives as population because the cooperative regulating agency, the Department of Cooperative (DoC) could not provide me the list of active and dormant or collapsed and newly formed cooperatives; and it doesn't make sense to evaluate the performance of dormant and newly formed cooperatives. District and Central Federation of cooperatives also could not provide me the complete list of the cooperatives as most of the primary cooperatives were not members of the federation.

Secondly, I have selected community-based cooperatives in my study as they have embodied the true essence of the cooperatives. These types of cooperatives have adopted the principles and values of cooperatives such as jointly owned and democratically controlled entity committed to fulfill members' common needs (GIZ, 2015). They operate under the framework of cooperative principles and they have ability to serve the un-served and underserved communities. According to my impression most of the urban based cooperatives are focused on maximizing profit and do not adhere to the principles and values of cooperatives.

Thirdly, I am interested in studying financial cooperatives, as more than 80% of cooperatives are engaged in providing financial services to members (DoC, 2016;

GIZ, 2015) and these types of cooperatives mostly represent the sector. The cooperatives that offer various savings services to members in order to build their saving habit and provide credit to members are called financial cooperatives. Promoting thrift is considered one of the important functions of a cooperative; therefore, about 80% cooperatives are engaged in providing savings and credit services, no matter what their specific types are. Besides savings and credit cooperatives, other types such as female managed, multipurpose, agricultural cooperatives are also involved in providing financial services to members.

Fourthly, I considered three years of operation as the minimum criteria for selecting cooperatives, as this allows me to compare progress over two complete fiscal years, and measure performance accordingly. Some cooperatives may not have a whole year of experience in the establishment year; therefore, three years of operation ensures me to compare progress over two complete fiscal years.

All the cooperatives affiliated with Small Farmer Development Bank (SFDB) are community-based and financial cooperatives and they have completed three years of operation. Therefore, community-based financial cooperatives that have completed at least three years of operation and are affiliated with Small Farmer Development Bank, before July 15, 2014, were population for my study. The database of Small Farmer Development Bank showed that 414 cooperatives have completed three years of operation. Out of 414 cooperatives, 382 were actively performing transactions with the bank. Therefore, these 382 cooperatives affiliated with bank and operating in 54 districts across all three geographical regions of Nepal: the Tarai, Hills and Mountains, were the target population for my study.

The sample size of my study was selected from the population (382 cooperatives) by applying the sampling formula of Yamane (1967).

$$N_0 = \frac{N}{1 + N * \alpha^2}$$

Where,

$N_0$  = Sample size

$N$  = Total population = 382

$\alpha$  = Level of significance = 0.05

$$N_0 = \frac{382}{1 + 382 * 0.05^2}$$

$N_0$  = 196 Cooperatives

I selected 216 cooperatives (10 percent more than the required sample size) to ensure enough numbers for the study. There is a practice of selecting more than double the required sample size if the researcher is not sure to collect properly filled in questionnaires and to meet the requirement of sample size (Cohen et al., 2007). In my case, I have the contact detail of all the cooperatives, and I was confident to collect most of the questionnaires from cooperatives. Therefore, I selected only 10 percent more than required sample size.

The sample size is about 57% of total 382 cooperatives. I selected sample cooperatives proportionately representing from all ten Area Offices (branches) of SFDB. To draw sample from the population, firstly I prepared the Area Offices (AOs) wise list of cooperatives. I wrote the names of cooperatives in small pieces of papers and put them in a box. I then picked the required number of samples from the box. I repeated the same process for all AOs and selected 216 cooperatives. I sent questionnaires to all these cooperatives. Although all these 216 are community based financial cooperatives, they include three distinct types: (1) Small Farmer Agricultural Cooperatives Ltd (SFACLs), (2) female- managed cooperatives and (3) savings and

credit cooperatives. The types and location of the cooperatives are mentioned in Table 2.

*Table 2*

*Types and Locations of the Selected Cooperatives for the Study*

Type of cooperative	Region			Total	
	Plains	Hills	Mountains	N	%
SFACLs	95	48	4	147	68
Female-managed	25	18	1	44	20
Savings and Credit	2	11	12	25	12
Total	122	77	17	216	
N					
	%	56	36	8	100

Table 2 indicates that the majority of the sampled cooperatives were Small Farmer Agricultural Cooperatives (68%), followed by female managed cooperatives (20%) and savings and credit cooperatives (12%). Most of the cooperatives affiliated with the SFDB are SFACLs; hence their percentage is high in the sample. Geographically, majority of the cooperatives represent from Plains (56%) as about 60% of affiliated cooperatives of Small Farmer Development Bank are located in the Plains (Terai). Moreover, about half of the population of Nepal also resides in the Plains. Therefore, sample cooperatives were mostly SFACLs from the Plains.

### **Data Collection Tools**

I used structured questionnaires to measure leadership qualities (See Annex 3 for questionnaires used in this study) and used audited financial statements and management information data to assess the performance of cooperatives. The



following section deals with the process I followed for developing leadership questionnaires and performance assessment tools used in this study.

### **Construction of Scale to Measure Leadership Qualities**

Leadership studies have used a range of questionnaires such as Leader Behavior Description Questionnaire, Leadership Skills Questionnaire, Leader-Member Exchange Questionnaire, Ethical Leadership Questionnaire, and Multifactor Leadership Questionnaire and other questionnaires to measure leadership qualities (Northhouse, 2013). These questionnaires have been used in different contexts internationally but not used in the Nepali cooperative sector. Moreover, cooperatives have distinct characteristics (Elaborated in Chapter I and II) than private and government organizations; therefore, dimensions and items of leadership qualities in the above-mentioned leadership questionnaires shall not be fully applicable in measuring attributes of cooperative leadership. The context of a cooperative demands a new set of indicators as cooperative societies may need leaders with specific skills and qualities to be effective. Therefore, I developed the questionnaire applying Delphi techniques to measure leadership qualities within the cooperatives. I elaborated the steps and justified the use of the Delphi techniques for this research below:

The Delphi is conducted to understand deep-rooted concepts or social constructs on a particular matter such as characteristics of a successful leader to achieve organizational goals or determinants of social prosperity and other issues (Keeney, Hasson & McKenna, 2011). It is a popular method to achieve consensus on important issues and complex social problems, with the help of subject experts and practitioners in the particular field (Linstone & Turoff, 2002). Delphi generally includes five steps: (a) in-depth interviews with practitioners in the field, which is called grounded, (b) Literature review (c) written interviews with practitioners and

experts on open-ended questions related to research topic, (d) development of statements on the concept (research topic) and rating of statements and (e) panel discussion with experts. Linstone and Turoff (2002) stated that the process might also vary depending on the complexity of the subject matter. For example, there may be one in-depth interview with few experts, or several in-depth interviews with numerous experts representing different professional arenas. In my study, I applied all the above-mentioned steps of the Delphi technique to identify the dimensions of leadership qualities and performance measurement indicators of the cooperative.

Identification of the research problem/s is the first and most important step in the Delphi process (Keeney et al., 2011). To understand pressing research problem/s and issues, I conducted in-depth interviews with practitioners and experts (chairpersons, managers, experts, regulators and trainers), who have been directly involved in managing, promoting and overseeing cooperatives' activities and discussed around research problems and questions. During the interviews with experts, I collected information about factors that determine success and the prospective roles of leadership. The in-depth individual interviews focused on identifying the underlying dimensions, indicators and research questions related to leadership qualities and performance of cooperatives.

Practitioners and experts suggested six open-ended questions around my research topic, which were: (a) what is your view on the roles of leadership (Chairpersons and Managers) on the performance of the cooperatives? (b) In your opinion, what is the relationship between leadership qualities and performance of cooperatives? (c) What are the major characteristics of leadership prevalent in highly effective, moderately effective and ineffective cooperative societies? (d) What are the financial indicators to measure the performance of cooperatives providing financial

services? (e) What are the management related indicators to measure the performance of cooperatives? (f) How can we measure the leadership qualities of the cooperatives? Once these questions were ready, I send invitation letters to 35 experts and practitioners explaining the Delphi process, along with a request to participate in the process. . These experts were selected applying purposive and snowball sampling techniques. The experts participated in Delphi comprised representatives from cooperative promoting organizations, training and technical support providers, wholesale credit providers/banks, regulators and donors. Out of total of 35 respondents, 17 responded through email and four provided verbal answers (face to face interviews). I read written responses several times and segregated into different dimensions and items for measuring leadership qualities and performance of the cooperatives.

The interviews with experts and literature reviews suggested 56 items under 10 dimensions of leadership qualities. I developed the identified items into statements and sent to experts and academicians for rating. I retained dimensions and items scoring high percentage rating. Keeney et al. (2011) mentioned that if 70% or more of the experts' panel agree on the importance of a statement, it is considered to have reached a consensus. In my case, I retained items having more than 70% of the total rating under strongly agree and agree categories. I removed items scoring less than 70%. I took out two dimensions and eight items related to management by expectation and laissez-faire leadership, as these dimensions and items scored below the consensus level.

I invited experts, professionals and practitioners for a panel discussion to provide their views on qualities of effective leaders, performance measurement indicators of cooperatives and association between leadership qualities and

performance of cooperatives. The panel agreed that leaders play important roles to enhance the performance of cooperatives; however, there was a lively debate on whether the chairperson or manager's role was stronger. There was consensus at the end to consider both chairperson and manager as leaders of cooperatives. The participants also indicated that currently available performance measurement tools are not complete and need revision. I took permission of the participants in the panel discussion to tape-record the inputs provided by them during the discussion. I also took the note of key points/ advice of the participants. I replayed and analyzed the recorded information and improve the statements prepared for measuring leadership qualities and indicators for measuring the performance of cooperatives.

As suggested by Linstone and Turoff (2002), I compared the indicators suggested from the field interviews (grounded) and indicators suggested by experts' interviews and panel discussions with literature and categorized them into different dimensions of leadership qualities and applied Exploratory factor analysis. The Delphi and factor analysis identified forty-eight items under eight dimensions to measure leadership qualities. The eight dimensions were: idealized influence (attribute and behaviors), vision, team-empowerment, leader-member relationship, knowledge and skills of the sector, active monitoring and performance-based incentive. I constructed the 5-point Likert scales from indicators identified from the Delphi; they include the following ranges: (1) strongly agree (2) agree (3) somewhat agree (4) disagree (5) strongly disagree.

There is ongoing debate among researchers concerning the optimum number of choices in a Likert scale. Researchers who prefer 7-point scales argue that higher points increase reliability, and other researchers argue that the number of scale points used in a Likert scale does not affect the reliability and validity of an instrument

(Mattel & Jacoby, 1971, as cited in Croasmun & Ostrom, 2011). Adequate internal consistency and reliability can be obtained with four or five-point scales (Harvey, Billings & Nilan, 1985; Hinkin & Schriesheim, 1989, as cited in Hinkin, Tracey & Enz, 1997). Croasmun and Ostrom (2011) suggests that a 5-point Likert scale meet requirement of reliability and other statistical tests.

Using a scale higher than 5-points, such as very strongly agree, strongly agree, agree, disagree, strongly disagree, very strongly disagree, etc., is awkward and confusing (Willits, Theodori & Luloff, 2016). Therefore, I prepared draft questionnaire in a 5-point Likert scale for measuring leadership qualities. I also included demographic variables in the questionnaire. I then tested these drafts questionnaire among different types of respondents representing from cooperatives' leaders, staffs, and members to check the understanding of each statement. I applied several content assessment methods such as asking questions to literate or illiterate adults and high school graduates and checking their understanding; to assess the understanding of items (Vaus, 2002). In the case of illiterate adults, I read the statement for them. In addition to this, I conducted face-to-face interviews with students, cooperatives' staff, members and leaders to check the level of clarity regarding the questionnaire. During interviews, I asked respondents to explain their understanding of each question and noted down when they comprehended an item differently than intended. I rephrased the unclear aspects of the questionnaire and administered to respondents again to recheck their understanding.

I found that the some of the items adopted Multifactor Leadership Questionnaire and other literature such as, instill pride, communicates high expectations, seek different perspectives when solving problems, talks optimistically, re-examines assumptions and individualizes attention, were not very clear to the

respondents. I rephrased them. I then pilot tested the revised questionnaires across 25 cooperatives. During pilot-test, I conducted in-person interviews most of the time and asked about their understanding. Many of the items seemed understandable to the respondents after revision.

I finalized the structured questionnaire after pilot-testing. I included demographic variables of leaders and team members such as, gender, age, ethnicity, educational qualifications, position held, experience, exposure visits, work-related training in the final version of the questionnaires. I printed structured questionnaires in four colors: white to be rated by leaders (chairpersons and managers of cooperatives), green to be rated by two board members and yellow to be rated by two staff members. The colors of the questionnaires represent the distinct purpose and avoid confusion and mistakes while filling the forms and when entering data into SPSS software. Additionally, I prepared a separate blue colored form to collect performance related information that was not included in financial statements. I collected audit reports of two fiscal years (2014/2015 and 2015/2016) from each cooperative to assess financial performance. I prepared separate envelopes for 216 cooperatives with seven sets of questionnaires to collect data. After data are collected from cooperatives, I entered data into SPSS software and ran factor analysis to explore dimensions and items of leadership qualities in the Nepali context. I have discussed the dimensions and items for measuring leadership qualities identified by the factor analysis in Chapter IV; and demographic and other variables, in Chapter VI.

In the above section, I elaborated on how I developed the questionnaire to measure leadership qualities applying Delphi technique. As the purpose of my research was to explore and describe the level of relationship between leadership

qualities and performance of cooperatives, in the next section I review the performance measurement indicators and grading of cooperatives.

### **Performance Measurement and Grading of Cooperatives**

The various types of organizations require different ratios and standards to measure performance. Prudently designed indicators, in line with organizational nature, correctly assess the strengths and vulnerabilities of financial systems and support for timely corrective measures (International Monetary Fund [IMF], 2006). Adaptation of internationally used tools, within a local context, by applying the Delphi technique helps to identify potential risks and facilitate to take timely corrective measures to avoid or minimize risks. However, the Nepali cooperative sector lacks appropriate tools to assess performance. Experts and practitioners during the Delphi process also agreed on this point and pointed out the need of developing a comprehensive performance assessment tool. Therefore, I applied the Delphi technique to develop performance assessment tool for the cooperatives.

Experts during the discussion on Delphi technique suggested to include both financial and management related ratios in the performance measurement indicators. The Delphi process (in-depth individual interviews, written answers from experts, panel discussion and pilot-testing) suggested nine performance measurement dimensions, which include 35 financial, and inclusion related ratios and 30 governance-related ratios. I used these ratios to assess the performance of cooperatives included in the pilot-test.

The pilot-test identified 32 objective indicators (out of 35) as key ratios to measure performance. The three discarded ratios were: (1) External loan to total assets (2) Repayment rate (3) Average loan balance to per-capita GDP. Data showed that most of the sampled cooperatives borrowed loan from the bank and external loan

to total assets ratio did not explain anything about performance. Repayment rate does not give information about the quality of the loan and most of the rating tools lack this information. Average loan balance to per-capita GDP is a good indicator to measure the depth of outreach, but the purpose of a cooperative is to serve members and all houses in the community, not only the poor. Hence, I dropped these three ratios.

There were a total of 30 management and governance-related indicators, out of which I dropped five and retained 25 as indicated by pilot-test. The five dropped ratios were: (1) Staff dropout rate (2) Member dropout (including passive members) rate (3) Regular saver rate (4) Attendance rate at the general assembly (5) Attendance rate at the board meeting. Information on regular saver rate and attendance rates at general assembly and board meeting did not seem reliable, as most of the cooperatives either stated 100% attendance or left the column blank; and findings revealed very negligible staff and member dropout rates. Hence, I removed these five ratios.

The Delphi process and piloting identified nine dimensions, 32 financial and inclusion and 25 management related indicators to assess the performance of financial cooperatives in the Nepali context. The nine dimensions identified by the study were: Earnings, Liquidity, Efficiency, Productivity, Healthy capital structure, Assets quality, Net growth, Targeting and Self-governance. The performance measurement tool developed for the financial cooperatives is abbreviated as 'ELEPHANTS'.

Indicators related to governance are subjective and ratings may be affected by the perception of assessor and influenced by the environment (Pokharel & Dungan, 2013); so, there are chances of high or low ratings. The participants and experts during Delphi shared that even though there are cooperatives of varying sizes and performance, they were still rated equally in the case of subjective indicators. In my study as well, many financially weak cooperatives scored low in financial and high in



management related indicators. To minimize the chances of overrating or underrating, I provided 80% weightage for financial and inclusion related indicators and 20% for management-related indicators.

I presented the weightage and scores of the ELEPHANTS rating at a meeting with selected leaders of the sampled cooperatives, the promoting organizations, wholesale lenders and experts. There were few concerns regarding the weightage provided to financial and social indicators, exclusion of repayment rate and others. I explained the rationale behind retaining and dropping certain ratios and the weightage provided to financial and social indicators. The participants of the meeting eventually accepted the grading scores and indicators included in the ELEPHANTS. I also presented findings of the study and indicators of the ELEPHANTS at the National Microfinance Summit Nepal, held during March 15-17, 2017, in Kathmandu. Most of the summit participants endorsed the dimensions, indicators and standard of each indicator to measure the performance of cooperatives. I discuss the detail of the dimensions and indicators of the ELEPHANTS rating tools in Chapter V.

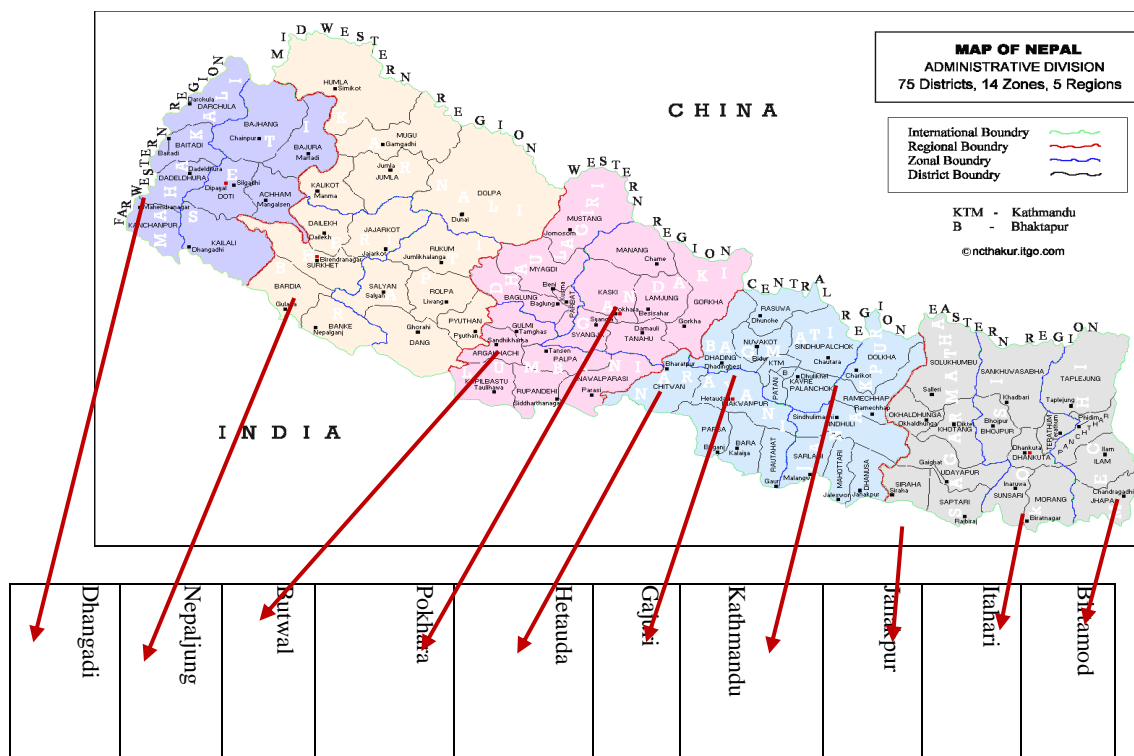
I applied these indicators across 210 sample cooperatives. I collected audited financial statements over two fiscal years (2014/2015 and 2015/2016) to calculate financial ratios. I developed a separate form to collect inclusion, governance and loan quality related information, as these information were not included in the financial statements.

### **Data Collection Techniques and Plan**

The cooperatives I selected for this study are affiliated with the SFDB. The SFDB provides services to cooperatives through ten branches called Area Offices. These Area Offices are established in the vicinity of cooperatives to provide services

in effective and efficient manner. The locations of the Area Offices are depicted in Figure 2.

Figure 2. Locations of Area Offices of Small Farmer Development Bank



Source: Adopted by author based on location of Area Offices

I prepared the tentative visit schedule and shared it with Managers of Area Offices. I revised the scheduled based on inputs provided by the Area Managers and shared the final schedules with them. I also requested Managers to inform the Chairpersons, board members and staffs of cooperatives located in the vicinity of the Area Office about my schedule and also requested them to attend the short meeting on administering the questionnaire. I visited Area Office in the pre-determined date and time. During the meeting, I explained the purpose, rationale and methodology of the study to chairpersons, managers and other officials of the cooperatives presented in the meeting. I read all the items and explained the meaning. I also explained the purpose of the different colored questionnaires. I explained that the purpose of the leader and subordinate ratings was to get self-perceptions, as well as those of others,

on the qualities of leadership. I described them that it was critical to maintain the privacy of the research respondents (not to reveal their names and information provided) and assured them that I would not reveal the names of the respondents and cooperatives while writing the thesis and presenting the findings. I requested chairpersons, managers, board members and staff of cooperatives to fill in the complete set of questionnaires at their convenient time and send them to the respective Area Office.

At the end of the meeting, I handed over the questionnaires in sealed envelopes to the officials of cooperatives presented in the meeting. Some cooperatives also volunteered to deliver questionnaires packages to the neighboring cooperatives that were not presented in the meeting. For the remaining cooperatives, I arranged appropriate means to deliver questionnaires such as delivery by hand or use of post office/courier service to deliver the questionnaires. Similarly, I visited all ten Area Offices and repeated the same process to deliver 216 packages of questionnaires, containing six sets of questionnaires to measure leadership qualities and one set to measure the performance of cooperatives.

I prepared sets of questionnaires for the different respondents of my study. The respondents consisted of chairpersons, managers, board members and staff. Chairpersons and managers were considered the leaders of cooperatives. The Chairperson has important roles to institutionalize the cooperatives at the initial stage of the development of cooperatives. He/she recruits and develops manager and other staff. Once the cooperative grows, the BoDs under the leadership of chairperson are involved in policy matters and formulation of strategies and business plan and recruiting staff for day-to-day operation of the society. In this study, I considered chairpersons as policy level leaders, and so the leadership questionnaires were rated

by the chairpersons and two of their team members (board members). The manager or CEO is responsible to mobilize human and financial resources, implementing the business plan and achieving the goals of the cooperatives. The manager is assisted by the staff. In this study, I considered managers as operational level leaders, and questionnaires were thus rated by managers and two of their team members (staff).

Leaders and subordinates/team members both filled out the questionnaires in order to provide a balanced and unbiased view (Bass, 2008). Therefore, in addition to self-ratings by the leaders, his/her team members also rated the qualities of leadership. Therefore, chairperson's qualities were rated by themselves and rated by two directors and manager's qualities were rated by himself/herself and two staff members.

I called and follow-ups through telephones, and requested respondents (chairpersons, managers, board members and staff) to fill in the questionnaires. The cooperatives collected filled in questionnaires from respondents and sent them to Area Offices. The Area Offices collected completed and sealed questionnaires from cooperatives and mailed them to me. I had arranged pre-paid mail service to dispatch all the filled -out questionnaires to me in Kathmandu. It took me about eight months to collect the questionnaires from the field and another two months to edit and enter the data into Statistical Package for the Social Science (SPSS) software. The number of questionnaires sent and received is presented in Table 3.

Table 3

*Number of Questionnaires Sent and Received*

Respondents	Number of questionnaires		
	Sent	Received	
	N	N	%
<b>Policy level</b>			
Chairpersons	216	210	97
Board members	432	417	97
Total	648	627	97
<b>Operational level</b>			
Mangers	216	209	97
Staff	432	419	97
Total	648	628	97

Out of total of 216 envelopes sent to cooperatives, I collected 214 envelopes. The four of them lacked complete information, so I removed them. As I have personally contacted the leaders of the cooperatives, the response rate is very high. A total of 210 performance measure questionnaires and two years financial statements were collected from 210 cooperatives. I collected 1255 completely filled leadership questionnaires from 210 cooperatives. The questionnaires I collected were sufficient to generalize the findings. According to researchers at least 138 samples and a response rate of 64% is needed in order to attain a confidence level of 95% and to generalize the findings (Pearson NCS, 2004 as cited in Cook, 2006). The response rate in my study was 96%, which was more than sufficient to represent the population and also to generalize the results.

### **Data Analysis and Interpretation**

In line with the purpose of my study, I collected data related to leadership qualities applying Likert scales and analyzed them applying SPSS software version 20. I collected performance related information from audited financial reports and analyzed applying Microsoft Excel 2010. I checked the filled in questionnaires related to performance and removed the incomplete one. I provided serial numbers to completely filled questionnaires. I entered the data collected (financial statements and performance related information) from the 210 cooperatives into excel sheets and calculated ratios of all indicators and their average. Based on performance, I categorized cooperatives into four grades: A, B, C, and D. I used these grades as the Small Farmer Development Bank also grades cooperatives into four categories based on performance (detail in Chapter V). I considered the average performances of the sampled cooperatives as average standards for the cooperative sector in Nepal. The average standards identified through this study were similar to the standards prescribed by other rating tools. This indicates that, the findings were valid.

I also went through the filled in questionnaires related to leadership qualities and removed those that were incomplete. I provided serial numbers to completely filled in questionnaires. I applied descriptive statistics (frequency, mean, standard deviation and correlation) to describe background variables of the respondents including gender, age, ethnicity, educational qualifications, position held, experience, exposure visits, work related training and geographical locations. I used inferential statistics to analyze and explain the relationship between dependent (performance of cooperatives) and independent and background variables (leadership qualities, age, gender, educational qualifications, experience, exposure visits, cooperative related training) and infer the findings.

Based on performance, I categorized cooperatives into two groups: high performing and low performing, to apply binary logistic regression and to assess the predictive relation of dependent variables and independent variable and background variables. The t-Test was used to determine the significance of mean difference of leadership qualities of policy level and operational level leaders. Similarly, F- test was used to test the performance of the cooperatives by regions.

### **Reliability of the Data**

In quantitative research design, the data needs to satisfy conditions of reliability to maintain consistency within the same or different groups, and at the same point or different points of time (Cohen et al., 2007). The reliability of data helps to ensure the trustworthiness of findings and generalization of the results. Hence, I decided to administer reliability test applying alpha coefficient of consistency. Best and Kahn (2006) suggested applying Cronbach's alpha coefficient among many statistical tools to measure reliability and internal consistency of data as it is (a) a widely used and popular technique to check reliability and (b) it is easy to use since it requires only a single test administration.

I used data collected during the pilot test for reliability analysis. I pilot tested the questionnaires across 25 cooperatives in five districts. I did not include these cooperatives in the survey study. I input the data collected in SPSS and tested the reliability of each dimension of leadership qualities. The result is presented in Table 4.

Table 4

*Cronbach's Alpha Coefficient*

SN	Dimension of leadership quality	Cronbach's Alpha coefficient
1	Reputed person	0.72
2	Ethical Behaviour	0.76
3	Inspiring vision	0.77
4	Intellectual stimulation	0.89
5	Individual consideration	0.80
6	Knowledge Skills of the sector	0.89
7	Contingent reward	0.83
8	Effective monitoring	0.89

As presented in Table 4, Cronbach's alpha ( $\alpha$ ) coefficient ranges from 0.72 to 0.89. Cronbach's alpha coefficient 0.67 or more is considered as the acceptable level for reliability test (Cohen et al., 2007). Since the values of all dimensions in my study were more than 0.67, the condition for reliability was satisfied.

### **Validity of the Results**

Validity is the exactness of the measure. According to Creswell (2008), validity refers to whether the questionnaire measures what it intends to measure. If the instrument used in research cannot generate valid information, the credibility of research finding is questioned. Among several types of validity, content, criterion and construct are three principal validity measures that need to be considered at the very outset of any quantitative research (Cohen et al., 2007). In the following paragraph, I explain the three types of validities and elaborated how I retained them throughout my research.



Content validity refers to the degree to which the test covers all facets of a given construct or questionnaire covers the extent and depth of the topics it was intended to cover (Huck 2012; Babbie, 2001). I applied the Delphi technique to incorporate all dimensions and items of the subject under study to ensure content validity. During this process, I reviewed relevant literature, obtained advice from subject experts and practitioners, and conducted panel discussions with experts to make sure that all the variables required to measure the research concept were included and content validity is ensured. The Delphi Technique has helped me to develop questionnaire incorporating contextual knowledge and experience of practitioners/experts in the particular field; and ensured that items included in the questionnaire covered all aspects of the study. Moreover, my 25 years of experiences in cooperatives' field have educated me about prevalent issues, problems and prospects of the sector which have also enriched content validity.

Secondly, I provided proper attention to ensure construct validity. Developing research questions, hypotheses and research tools in line with the research problem and articulating interconnection and association enhances construct validity (Huck, 2012). Explaining the concept or social constructs clearly and simplifying abstract concepts into underlying dimensions and measurable items improve construct validity. I developed a conceptual framework to explain my research topic. The conceptual framework explained how I measured leadership qualities, performance of cooperatives and indicators applied to measure leadership qualities and performance of the cooperatives. I pilot-tested and reviewed the draft questionnaire. I conducted face to face interviews to ensure understanding of the statements before finalizing. I administered a reliability test on the data collected during the pilot study to confirm construct validity.

Finally, I also ensured criterion validity in my study. Babbie (2001) stated that criterion validity ascertains the consistency between the results of various similar studies. I compared the results of my pilot study with the findings of other such studies and was found to be analogous to those of Bass (2008) and Abiola (2012). The dimensions of leadership qualities of my study were similar to transformational and transactional leadership theories, power theory and skill approach of leadership. Findings of assessment of cooperatives were also similar to the performance standard set internationally. Furthermore, I also considered the maturity of the cooperatives when deciding the target population. Based on advice from experts and practitioners during Delphi process, only cooperatives that have completed three years of operation were selected to be included in the population, because this is the minimum amount of time required to observe the maturity of community-based organizations, and to analyze performance trends. In a nutshell, I developed a contextualized and valid measure by applying Delphi technique; pilot tested the questionnaires, applied random sampling technique to select respondents from population and compared the findings with past knowledge to ensure the validity of my study.

### **Ethical Considerations**

Ethical concern must be considered throughout the entire process of the study, from research design to interpreting the findings (Clegg & Slife, 2009, as cited in Mertens, 2015); and as such, I ensured adherence to acceptable ethical practices during the course of the study. I explained the purpose and rationale of the research on the first page of each questionnaire and also described how the study and active involvement of research participants would help to strengthen the cooperative sector in Nepal. I requested research participants to fill in the questionnaires in their convenient or spare time and advised that they were not under any obligation to

complete the forms if they did not wish to. I assured the participants that their names and answers would not be disclosed; and made confident for protecting their privacy.

I followed the five guiding principles prescribed by the American Evaluation Association for maintaining ethical consideration (Mertens, 2015) in my research.

These guiding principles are as follow:

1. Systematic inquiry: I designed my research work before collecting data from the field.
2. Competency of researcher: I have been working in the cooperative sector since the last 25 years and I understand the issues and challenges of the sector. Moreover, the course work I did at the University helped me to upgrade my competence in the design, implementation and reporting of research work.
3. Integrity/Honesty: I practiced honesty and integrity throughout the entire research process.
4. Respect for people: I used polite and respectful words, showed humility and behaved humbly with research respondents while explaining the rationale of the research, conducting follow-ups, and collecting data.
5. Responsibilities for the general and public welfare: I considered the diversity of interests and values of research respondents while collecting and interpreting data.

In addition to the above-mentioned guiding principles, I considered other ethical consideration such as informed consent and anonymity while conducting the research. However, there is a practice of mentioning participants name in the research. For example, in the cases of sharing success stories, research participants felt proud to mention their names while explaining their perception or explaining factors of success. With the consent of research participants, it may be alright to mention their real names in such cases (Ntseane, 2009, as cited in Mertens, 2015). Even in such

case written consent from each research participant is required before their names can be published. Research participants prefer confidentiality and anonymity, mostly, in the cases involving deviant social behaviors (Dodd, 2009, as cited in Mertens, 2015). Whatever the nature of research agenda, researchers are not allowed to reveal participants' names without their consent. In summary, I followed appropriate guidelines, prescribed norms and practices to maintain ethical standards, by using respectful and simple wording, applying gender sensitive and diverse community language and maintaining honesty during the research process to ensure ethical concern.

### **Concluding the Chapter**

I applied the survey method to collect data for exploring the association and effect of leadership qualities on the performance of cooperatives. I sent questionnaires to 1296 randomly selected respondents and collected 1255 properly filled in questionnaires. I also collected audited financial statement and MIS data from 210 cooperatives. I collected data related to leadership qualities applying Likert scales and analyzed them applying SPSS version 20. I collected performance related information from audited financial reports and analyzed applying Microsoft Excel 2010. I applied Cronbach's alpha to assess reliability of the data collected. The alpha value ranges from 0.72 to 0.89 which is at acceptable level. To ensure content, criterion and construct validity on my study; I have developed a valid measure applying Delphi technique, pilot tested the questionnaires, applied random sampling technique and compared the findings with past knowledge. I also followed prescribed norms and practices to maintain ethical standards, by using respectful and simple wording, applying gender sensitive and diverse community language and maintaining honesty during the whole research process to ensure ethical concern in my research journey.

## CHAPTER IV

### MEASURING LEADERSHIP QUALITIES OF COOPERATIVES

In this chapter, I discuss background variables and dimensions of qualities of effective leaders in cooperative societies. The chapter begins with the description of the background variables of leaders such as gender, ethnicity, academic qualifications, age, experience, exposure visit and training. I then discuss items and the four dimensions of leadership qualities identified by Delphi and explored by factor analysis namely, role model, team-empowerment, performance-based rewards and skills of the sector. I compare these four dimensions with related leadership theories and justify why these dimensions are important qualities of leaders in cooperative societies and in our cultural context. Finally, I compare and discuss the differences between leadership qualities of policy level and operational level leaders identified by t-Test.

#### **Background Variables**

The respondents of my study were chairpersons, board members, managers and staff of 210 cooperatives. I considered chairpersons and board members as policy level leaders and managers and staff as operational level leaders as discussed in chapter I and III. I categorized background variables of the respondents into two groups: (a) demographic variables of leaders such as gender, ethnicity, and age (in Table 5) and, (b) professional qualifications of leaders such as educational qualifications, experience, exposure visits, and training attended (in Table 6).

*Table 5*  
*Background Variables (Demographic)*

Category of Variables	Policy Level		Operational Level		Total	
	N	%	N	%	N	%
<b>Gender</b>						
<i>Male</i>	359	57	325	52	684	55
<i>Female</i>	268	43	303	48	571	45
<i>Total</i>	627	100	628	100	1255	100
<b>Ethnicity</b>						
<i>Brahmans/Chhetris</i>	351	56	364	58	715	57
<i>Janajatis</i>	168	27	168	27	336	27
<i>Madhesis</i>	71	11	65	10	136	11
<i>Dalits</i>	37	6	31	5	68	5
<i>Total</i>	627	100	628	100	1255	100
<b>Age</b>						
<i>Below 30</i>	44	7	219	35	263	21
<i>30-60</i>	529	84	408	65	937	75
<i>60 and above</i>	54	9	1	0	55	4
<i>Total</i>	627	100	628	100	1255	100

Table 5 gives the details of information about gender, ethnicity and age of the policy level and operational level leaders of the selected cooperatives. The Table 5 shows that female representation in aggregation is 45%, which is lower than male representation (55%) of both operational and policy levels leadership. Whereas at the policy level of leadership, female representation in leadership is 43%, at the operational level of leadership, female representation stands at 48%. This confirms

that female representation is at a level considered satisfactory at both the managerial and operation level leadership. However, out of the total 210 cooperatives included in this study, 44 cooperatives (21%) have female only members. In such cooperatives all leaders were female. Hence, a higher number of female representations presented in Table 5 is caused by data of the cooperatives run by female. I then analyzed data splitting these 44 cooperatives managed by females. The data show that (Annex 5, Table 6) female participation in leadership in the other cooperatives is only about one-third (35%). The female representation is even lower in leadership position as only 19% chairpersons and 21% managers were female (Annex 5, Table 7).

I also disaggregated my respondents into four ethnic groups: Brahmans and Chhetris, Janajatis, Madhesis and Dalits as they are considered the major caste/ethnic groups of Nepal (Central Bureau of Statistics [CBS], 2012). The result (Table 6) shows that majority of the respondents were Brahmans and Chhetris (57%) followed by Janajatis (27%), Madhesis (11%) and Dalits (6%). This also indicates that the representation of Brahmans/Chhetris in the cooperatives (57%) is higher in comparison to their share (29 %) in the national population (CBS, 2011). The Table also confirms that there is no difference, regarding representation of caste/ethnic group in policy level and operational level leadership of the cooperatives. For example, share of policy level and operational level leaders in Brahmans and Chhetris, Janajatis, Madhesis and Dalits caste/ethnic groups were: 58% and 56%; 27% and 27%; 11% and 10%; 6% and 5% respectively.

This study took reference to Commonwealth definition of youth program which defined population between the ages of 15-59 as working age, and between the ages of 15-30 as youth (Population Education & Health Research Center, 2016). Hence, I categorized the respondents' age into three groups: 30 and below, 30-60 and

above 60 in line with the age category of the commonwealth youth program. The finding showed that only 7% of policy level leaders were below the age of 30, and only 3% chairperson were below the age of 30. On the contrary, percentage of operational level leaders below the age of 30 was 35%. This shows that policy level leaders largely represent from the older age group in comparison to operational level leaders. Remarkably, the result shows that about 84% policy level leaders were between the ages of 30-60 and 9% were above the age of 60. In the case of operational level leaders, 65 % were from the age group of 30-60 and none of them were from the age group of 60 and above. This indicates that cooperatives elect matured chairpersons and board of directors (policy level leaders) and generally recruit younger managers and staff members.

#### **Background Variables (Professional Qualifications of Leaders)**

Table 6 includes background variables related to professional qualifications of policy level and operational level leaders of the cooperatives. I included variables such as education, experience, exposure visits, and training attended in the questionnaire to evaluate professional qualifications, as these variables have an impact on the performance of cooperatives. Experts during the Delphi process also suggested that I should include these variables in the study.



Table 6

*Background Variables (Professional Qualifications of Leaders)*

Category of Variables	Policy Level		Operational Level		Total	
	N	%	N	%	N	%
Academic qualifications						
<i>Literate and Basic</i>						
<i>Education</i>	235	38	28	4	263	21
<i>Secondary Education</i>						
<i>Examination (SEE)</i>	192	30	175	28	367	29
<i>Higher Secondary (+2)</i>	126	20	280	45	406	33
<i>Graduate and above</i>	74	12	145	23	219	17
<i>Total</i>	627	100	628	100	1255	100
Experience (Years)						
<i>1-3</i>	158	25	141	22	299	24
<i>3-10</i>	331	53	278	45	609	48
<i>10 and above</i>	138	22	209	33	347	28
<i>Total</i>	627	100	628	100	1255	100
Exposure visits						
<i>Not participated in the exposure visit</i>	222	36	460	33	871	69
<i>1-3</i>	302	48	93	54	202	16
<i>3 and above</i>	103	16	75	13	182	15
<i>Total</i>	627	100	628	100	1255	100
Training						
<i>Not participated training</i>	284	45	159	25	443	35
<i>1-3</i>	218	33	249	38	448	36
<i>3 and above</i>	135	22	229	37	364	29
<i>Total</i>	627	100	628	100	1255	100

Table 6 shows that 38% of policy-level leaders were literate or had completed elementary level education and another 30 % had passed the Secondary Education Examination (SEE). The data reveals that the majority of the policy level leaders

(68%) have educational qualifications of SEE and below SEE level. On the contrary, the majority of (73%) operational level leaders had completed SEE and higher secondary, and (23%) completed the graduate level education. A very few operational level leaders have basic level education (4%) and the remaining 28% have completed SEE level education. The data clearly indicates that educational qualifications of operational level leaders (managers and staff) was higher than that of policy level (chairperson and board members) leaders. The data also show that education qualifications between chairperson and board members, and between managers and staff were similar (Annex 5, Table 8).

The striking difference of levels in education between leaders at the policy and operational levels is due to community-based cooperatives being initiated by local leaders, who often do not have a sound educational qualification (SFDB, 2011). In my experience also educated persons are hardly available to lead the cooperatives in rural areas. The data of this study also shows that only 12 % policy level leaders and 23% of operational level leaders have educational qualifications of graduate level and above.

The community-based and rural cooperatives included in this study were managed by the local people in the community, and they do not have highly educated leaders. They learn by doing and reflecting the outcomes. Experience of leaders determines the performance of cooperatives (GIZ, 2014). Therefore, I included the experience of the cooperatives' leaders in my study. Based on the data collected from the survey, I grouped the experience of cooperatives' leaders into three categories: 1-3 years, 3-10 years and 10 and above years. The data (Table 6) shows that approximately half of the policy level leaders (53%) and operational level leaders (45%) have 3-10 years of experience in the cooperative sector. Another 28 % policy

and operational level leaders have more than 10 years of experience. This reveals that the majority (76%) of leaders have more than 3 years of experience. I have witnessed that three and more years of intensive experience are enough to learn the basic concept of managing cooperatives. The finding of the study shows that most of the leaders and their team members have more than three years of experiences. Due to this reason cooperatives included in the study were performing well (more in Chapter V).

Table 6 also included the exposure visits participated by the leaders of the cooperatives. This information was examined as the visits have important roles to impart knowledge and skills for managing cooperatives. The result showed that about half of the leaders (51%) took part in 1-3 exposure visits and only 15% leaders participated in three and more visits. Interestingly, 34% leaders did not yet get any opportunity to participate in the exposure visit.

Besides exposure visits, training also play important roles to impart the knowledge and skills required to manage cooperatives. Leaders need training in cooperative management, accounting and business planning to enhance capacity for managing cooperatives professionally (Sharma et al., 2006). Data from this study revealed that only one-third of the leaders (29%) received three and more such training, and 35 % have not received any training yet.

I elaborated educational qualifications and experience; and exposure visits and training attended by the leaders as these variables contribute to enhance leadership qualities (SFDB, 2014; GIZ, 2015). I have discussed qualities of cooperatives' leaders in the following section as the primary research agenda of this study is to explore the association and effect of leadership qualities on the performance of cooperatives.

### **Exploring Dimensions of Leadership Qualities**

I used factor analysis to examine the dimensions of leadership qualities in the cooperatives. Before I used factor analysis, I applied the Delphi technique to identify dimensions and items (explained in Chapter III) of leadership qualities. In the process of Delphi, eight dimensions of leadership qualities (reputed person, ethical behaviours, inspiring vision, intellectual stimulation, individualized consideration, knowledge and skills of the sector, contingent reward and effective monitoring) were identified. These dimensions and items were used to construct questionnaire and collect data from the cooperatives.

the instrument developed through Delphi and data collected applying this instrument cannot be claimed valid until they are established by factor analysis. The factor analysis helps the researcher to identify and examine the interrelationship among large number of interrelated variables and dimensions, group them under different common dimensions and select strongly correlated variables under each dimension (Babbie, 2014). It reduces weakly or moderately correlated variables and retains only those that are fairly or strongly correlated (Foster, Barkus & Yavorsky, 2006). Factor analysis is useful in identifying valid dimensions for measuring a particular social contrast. Thus, I administered factor analysis to explore and establish dimensions of leadership qualities in the cooperatives' context. Before administering factor analysis, I considered specific conditions to be satisfied for the analysis (Foster et al., 2006; Tabachnick & Fidell, 2007; Cohen et al., 2007; Yong & Pearce, 2013). Table 7 includes two columns: conditions to be fulfilled for factor analysis and considerations and results of my study.

Table 7

*Conditions for Factor Analysis*

Conditions to be fulfilled	My considerations and results of my study
1. Data type: Interval scale or five- or seven-point Likert scale	I used the five-point Likert scale
2. Correlations of items/variables > 0.30	Correlations of all items were > 0.30
3. Sample size 100 is sufficient if the number of respondents are more than twice of items	the sample size of this study was 1255 and total items were 48.
4. Retention of items loading > 0.30	I retained items loading > 0.40
5. Retention of dimension having Eigen values > 1	I retained factors 1-4 which has Eigen values >1 (Annex 6, Table 2)
6. Retaining factor: At least three items under each factor is needed to consider a valid factor or to retain factor	In this study items under each factor were 4-9 before factor analysis and 5-13 items after analysis
7. Kaiser-Meyer- Sampling Adequacy > 0.5 and communalities of average of Extraction > 0.5	Kaiser-Meyer- Sampling Adequacy of this study was 0.985 (Annex 6, Table1) and communalities of an average of Extraction was > 0.608 (Annex 6, Table 3)

Source: Table generated by the author based on the literature reviewed

Table 7 shows that all the conditions of factor analysis were satisfied. The first condition stated in Table 7 is about, data type. It says that factor analysis can be run

only if data is collected in five or more interval scales. I applied a five-point scale, which satisfies the first condition for factor analysis. The second condition is the correlations of items/variables. All the items of my study have correlation value over 0.3. This satisfies the second condition for factor analysis. The third condition is about the minimum number of respondents ( $>100$ ) and respondent per items (more than twice of the items). Sample size of this study was 1255 and respondent per items was 26, which is enough to satisfy the third condition for factor analysis. However, there are different views on the adequate number of sample size for factor analysis. According to Cohen et al. (2007), factor analysis does not identify appropriate dimensions, or the results would be inaccurate if the sample size is small ( $<100$ ), or if respondents per variables are less than ten. Kass and Tinsley (1979) recommended having between 5 and 10 participants per variable up to a total of 300, beyond which test parameters tend to be stable regardless of the participant per variable ratio. Tabachnick and Fidell (2007) suggested that studies consisting of at least 10–15 participants per variable and 300 cases are considered a good sample size. In general, sample size 100 is considered poor, 300 are considered good and 1000 is considered excellent (Comrey & Lee, 1992, as cited in Field, 2009). In my study, the sample size was 1255 and there were 26 participants per item. Hence, the third condition of the factor analysis is satisfied.

The fourth condition of factor analysis is about factor loading. Factor loading is the correlation between the items and the dimensions and is denoted by the coefficient correlation value. It is the relationship between the items and dimension measuring the construct. There are different viewpoints on the minimum value of the correlation coefficient to retain the factors. Some authors such as Foster et al. (2006) recommend including items/variables having factor loading of 0.3 or higher, while

other scholars recommend retaining items with a coefficient of 0.4 or higher. Osborne and Costello (2005) consider retaining only items with 0.50 or more loading value. Based on the nature of data, the researchers have to decide the cut-off point of factor loading either 0.3 or 0.4 or 0.5. The decision on where to place the cut-off point is a matter of professional judgment when reviewing the data (Cohen et al., 2007). As suggested by Cohen et al. (2007), I decided 0.4 to be the cut-off point and suppress the items having less than 0.4 coefficient values and included items that carry a 0.4 or higher load while administering factor analysis.

In the factor loading, there is another concern of cross-loading. If an item loads at 0.32 or higher on two or more factors, it is called cross-loadings, multiple-loadings, or split loadings (Foster et al., 2006). Such variable is also called a complex variable, and depending on the design of the study, a complex variable can either be retained or dropped. Researcher need to use his/her professional judgment whether to retain or drop the complex variables (Yong & Pearce, 2013). In my study, I removed the cross-loaded or complex variables. However, as suggested by Yong & Pearce (2013), cross-loaded items having a load value of more than 0.5 were retained as they are important variables to measure the qualities of leadership in cooperatives. The factor loading value of all the items is mentioned in (Annex 6, Table 4).

The fifth condition mentioned in Table 7 state that the researcher need to consider the Eigen values while making decision on retaining the factor. The factors having Eigen values of  $>1$  are retained (Yong & Pearce, 2013). In my study, factor analysis confirmed that five dimensions have Eigen values of 1 or more (Annex 6, Table 2). These five dimensions are considered qualities of leadership in the context of cooperatives in Nepal.

The sixth criterion is about retaining number of factors. The factor having three or more items is generally retained to measure the construct. For Kline (1994), at least three variables are needed for each factor, while Tabachnick and Fidell (1996) advocated for five variables per factor (as cited in Foster et al., 2006). In my study, factor five has only two items (Annex 6, Table 4) related to leader-members' relationship and individual consideration, so I decided to drop this factor. The remaining four factors have 5 to 12 items (Annex 6 Table 4), which satisfied the condition for retaining dimensions of the leadership qualities.

The seventh criterion of factor analysis is about Kaiser-Meyer- Sampling Adequacy and communalities. According to this criterion, Kaiser-Meyer- Sampling Adequacy and communalities must be more than 0.5. The data of my study showed that Sampling Adequacy is 0.985 (Annex 6, Table 1) and communalities of average Extraction is 0.608 (Annex 6, Table 3). Hence the condition seventh of factor analysis was also satisfied.

Besides the seven criteria discussed above, the normality of data is another important condition to be fulfilled for applying factor analysis (Creswell, 2008). The finding of the normality test (Shapiro-Wilk test, Table 13) shows that the data of this study were not normally distributed. According to Osborne (2013), in social sciences research, researchers rarely get normally distributed data (non-significant result of the Shapiro-Wilk test). In such case, there is a debate whether a researcher can administer factor analysis or not. Many researchers argue that with large enough sample sizes (>300), the violation of the normality assumption does not cause major problems and the researcher can administer factor analysis and apply parametric procedures (Costello & Osborne, 2005, as cited in Yong & Pearce, 2013). Brown and Moore (2012) mentioned that normal data is not needed to run factor analysis in a



larger sample size; and factor loading is not affected even if the assumption of normality is violated. Requirement such as more than 300 sample size and 10–15 participants per variable are more important than normality of data to run a factor analysis (Field, 2009).

The discussion in the above paragraphs indicated that all the conditions of factor analysis were fulfilled. I, then, ran a factor analysis on my data to identify dimensions of leadership qualities. The factor analysis showed that the 40 items were loaded into four dimensions of quality of the leadership in cooperatives (Annex 6, Table 4).

### **Giving Names to the Dimensions of Leadership Qualities**

Once the number of dimensions and items under each dimension are identified, the next step is giving a name to each dimension which, represents the items loaded. Giving appropriate names to the dimensions identified by factor analysis is more of an art and judgmental process. There are no scientific rules for naming dimensions, except to give names that best represent the items within the factors (Yong & Pearce, 2013). It is mainly done by the researcher based on their expertise on the subject. I named the different dimensions identified by factor analysis to represent most of the items loaded under it, based on my experience and expertise within the cooperative sector and knowledge obtained from the literature. The names I provided to the four qualities of leadership in cooperative societies are: role model, team-empowerment, performance-based rewards, skills and knowledge of the sector. The four dimensions of leadership qualities are explained in the following paragraphs.

### Factor One: Role Model

Rotated component matrix of factor analysis stated in Table 8 shows that out of total of 14 items loaded in dimension one, 2 were cross loaded. Therefore, I decided to retain 12 items in factor one.

Table 8

*Rotated Component Matrix: Dimension One*

Items	Loading value				
	1	2	3	4	5
1.1. Go beyond self-interest	.712				
1.4. Display sense of confidence	.672				
1.3. Act to be respected, person of community	.666				
2.1. Adherence of code of conduct	.662				
1.5. Trusted persons of the stakeholders	.659				
1.6. Emphasize teamwork	.655				
2.5. Importance of having a collective mission	.608				
2.3. Consider ethical consequences of decisions	.605				
1.2. Instill pride to be associated	.602				
2.2. Establish culture of fairness	.596				
2.6. Enhance members' feeling of ownership	.593				
2.4. Explain importance of having sense of purpose	.586				
3.2. Articulate a compelling vision	.455	.434			
3.1. Talk optimistically about future	.432	.411			

The items shown in Table 8 contains a combination of several good values, virtues and behaviors of a role model leader. The items loaded under factor-one are: selflessness, confidence, respectful and trusted person of the community, compliance

with code of conduct/rules, promotion of team-work, collective mission, ethical value, instill pride, establish culture of fairness, purposeful, enhance ownership feeling and optimism about future. These items are related to the characteristics of an ideal person of the society; hence I named role model for this factor.

Role model is the quality of an ideal person or an effective leader who inspires team members or the general public to follow the leader's instructions (Bass, 2008; Yukl, 2006). The team members feel proud to be associated with a role model leader and they become dedicated to fulfilling the requests of a role model leader. The effective leaders act as a role model to the society or organization and become exemplary.

Many scholars emphasize that an effective leader has role model qualities. According to Zaccaro (2001), a successful leader lead by example and he/she motivates the team through articulating an inspiring vision. Bass (2008) also highlighted that an effective leader transcends followers' self-interest for the benefits of the group and raises the followers' lower level needs to higher level needs. According to him, the transformational leaders are exemplary role models, who have extraordinary effects on their followers and ultimately on the entire social, cultural, economic and political systems. Both transformational and role model leaders motivate the team members to achieve beyond targets by inspiring team members and setting noteworthy examples.

The items loaded in this factor were also related to trait theory of leadership. According to this theory, leaders having attributes such as assertiveness, emotional stability, internal locus of control orientation, cooperativeness are more successful than others (Northouse, 2013). These traits make a leader role model. The role model qualities of leaders are also related to the referent power of leadership prescribed by

power theory developed by French and Raven in 1959. According to this theory, the role model leaders hold referent power and the team members accept and admire 'role model qualities of leaders' and willingly accept the requests of the leaders. Both role model leaders and leaders with referent power show the way and let people learn by practicing what they preach. Subordinates or general public admire the characteristics of role models and try to emulate the characteristics of role model leaders; be proud to be associated with role model leaders; and be supportive with such leaders. Such characteristics make a leader effective.

### **Factor Two: Team Empowerment**

Rotated component matrix stated in Table 9 shows that out of 14 items loaded in dimension two, one item was cross loaded, and 13 items were retained.

*Table 9*

*Rotated Component Matrix: Dimension Two*

Items	Loading value				
	1	2	3	4	5
4.5. New ways of completing assignments		.659			
4.4. Seek differing perspectives while solving problems		.647			
4.3. Analyze problems from different angles		.600			
4.2. Re-examining the current assumptions		.598			
4.6. Encourage for active participation in decision making		.552			
4.9. Team empowerment		.547			
4.7. succession planning		.546			
3.3. Talk energetically about future tasks to be done		.524			
4.8. Listens others views and make decision with logics		.514			
3.4. Confidence on organizational goals achievement	.439	.493			
4.1. Inspire for innovative ideas/differing perspectives		.487			
5.3. Consider developing special capabilities of individuals		.485			
5.1. Spend time to maintain good relationship with team		.429			

Table 9 indicates that an effective leader empowers team members. Such leaders focus on capacity building of the team and motivate team members to achieve organizational goals effectively. This kind of leaders emphasize on building relationships with the team, upgrading the capacity of team members, succession planning and empowering the team to achieve challenging goals collectively. The rotated component matrix (Table 9) shows that 12 items were loaded in the Factor Two. The 12 items loaded are: maintaining good relationship with team, communicating energetically about future tasks to be done, capacity building of team, team empowerment for working collectively, encouragement for active participation in decision making, inspiration for innovative ideas/differing perspectives, re-examining current assumptions, developing new ways of performing tasks, analyze problems from different assumption and perspectives, listening to others' views and making rational decision and considering to develop special capabilities of individuals, succession planning. As the items loaded in this factor are related to capacity building, teamwork and team empowerment; I pick the terminology 'Team - Empowerment' for factor two. This factor indicates that being able to enhance capacity and encouraging the team are considered one of the major characteristics of an effective leader in cooperatives.

The characteristics of empowering leaders are related to the servant and transformational leaders. Both transformational leadership and servant leadership emphasize the importance of appreciating and valuing people's work, listening to other views, mentoring or teaching, and empowering team members (Stone, Russell & Patterson, 2003; Mohamad & Majid, 2014). Items such as a good relationship with the team, mentoring or teaching and empowering followers and capacity building of team members are related to servant leadership. Servant leaders are more likely to serve

followers first, the organization second and their own needs last (Graham, 1991, as cited in Sendjaya, Sarros & Santora, 2008). Characteristics such as energetic, inspiration for innovative ideas, re-examining current assumptions, active participation in decision-making and new ways of performing tasks, are related to transformational leaders.

According to Bass and Riggio (2006), leadership is not just the province of people at the top, it can occur at all levels. Teamwork of capable leaders at all levels collectively contributes to attaining organizational goals. Thus, capacity building and team empowerment are important characteristics of an effective leader in the context of Nepal in general and in the contest of cooperatives in particular. In Nepal, local people initiate cooperatives, and, in most cases, they lack the required skills to manage the organization professionally. Therefore, team building and upgrading capacity of team members are crucial qualities of leadership for the success of cooperatives.

### **Factor Three: Performance-based Reward**

Rotated component matrix stated in Table 10 shows that out of total 14 items loaded in dimension three, eleven items were retained, and three cross loaded items were removed.

Table 10

*Rotated Component Matrix: Dimension Three*

Items	Loading value				
	1	2	3	4	5
7.3. Provision of rewards based on performance			.689		
7.1. Market rate salary based on efforts			.662		
7.2. Delegation of accountability and authorities			.655		
7.4. Expression of satisfaction when expectations are meet			.654		
8.1. Monitoring & comparison of performance vs. target			.641		
6.9. Provide ToR to achieve goals of Coop			.636		
8.4. Keep track of all mistakes			.601		
8.2. Concentrate on irregularity and mistake while monitoring			.577		
8.5. Instruct to improve mistakes and shortcomings			.551		
8.6. Direct team attention to achieve goal			.501		
8.3. Deal with complaints and grievances		.434	.497		
6.6. Adapt of best practices of others coop		.443	.448		
6.8. Apply leadership styles suitable to situation			.435		
6.7. Ability to make timely decision		.401	.406	.400	

The factor analysis (rotated component matrix, Table 10) shows that 11 items were loaded in Factor Three. Eleven items loaded in this factor are: provision of terms of reference (ToR) to team members, delegation of accountability and authority, monitoring and comparison of the performance with target, concentration on irregularity and mistakes while monitoring, keeping track of all mistakes, expression of satisfaction if leaders' expectations are met, market rate salary, provision of

performance-based rewards, instruction to avoid mistakes and improve shortcomings, direct team attention to achieve goal, and apply leadership styles suitable to the situation. Three items, adaptation of best practices of other cooperatives, deal with complaints and grievances and ability to make timely decisions, were cross loaded, hence, and out of 14 items, only 11 were retained in this factor. The items loaded in dimension three were related to providing ToR, monitoring of performance and providing incentive based on performance. Hence, I named factor three as performance-based reward. The performance-based reward is an exchange between leaders and members (Northhouse, 2013). An effective leader provides rewards based on performance and he/she motivates team members to surpass the performance target.

Many leadership theories have emphasized the importance of performance-based rewards to achieve organizational goal effectively. According to the Leader-Member Exchange (LMX) theory, the quality of relationship between leaders and team members determine the performance of an employee and rewards to the members. Leaders provide good opportunities and support to their preferred team members based on their relationship and vice versa. A strong relationship between leaders and team members helps to promote performance, while a substandard relation invites several problems such as poor performance, absenteeism and staff drop-out.

In addition to LMX theory, the transactional leadership theory also focuses on monitoring of job performance for the smooth running of daily activities within the organization. This theory advocates to provide performance-based rewards for attaining organizational goals effectively. These types of leaders clarify job responsibilities and performance targets (Eptropaki & Martin, 2005), and places high



importance on achieving organizational objectives. The followers are rewarded for desirable behavior and performance, while non-compliance and sub-standard performance warrants punishment. Rewards can be both extrinsic (salary, benefits, promotion, rewards, vacation, involvement) and intrinsic (Encouragement and dedication to serve the society). However, more often it is extrinsic.

The performance-based reward dimension of leadership quality is also supported by the power theory of leadership. This theory highlighted that a leader has reward power, to provide incentive to the high performer and a leader has coercive power as well to punish low performer. Therefore, subordinate or team members comply with leaders' direction. The third factor of my study confirms that a successful leader effectively applies authority to reward and punish subordinates based on their performance.

#### **Factor Four: Skills**

Rotated component matrix stated in Table 11 shows that five items were loaded in dimension four. The items loaded in dimension four indicate that knowledge and skills in the concerned sector make a leader effective and successful, hence I named the factor four as leadership skills.

*Table 11*

*Rotated Component Matrix: Dimension Four*

Items	Loading value				
	1	2	3	4	5
6.1. Knowledge of coop principles, act, rules and by-laws				.741	
6.3. Knowledge of KPIs to measure performance of Coop				.722	
6.4. Linkages with stakeholders to mobilize needed resources				.632	
6.2. Appropriate policy, procedures and services				.569	
6.5. Manage conflict in timely manner				.534	

The items loaded in factor four, as shown in Table 11 are: knowledge of cooperative's principles, legal and regulation framework, knowledge of Key Performance Indicators (KPIs) to measure performance of cooperatives, linkages with stakeholders to mobilize needed resources, design and provision of appropriate services to members and ability to manage conflict in timely manner. The factor four indicates that an efficient leader possesses the basic skills required to get the job done efficiently and to instruct and guide the team members. Knowledge and skills of the related sector are considered key for an effective leader. In the case of rural and community-based cooperatives, skills and knowledge of leaders are very important as such cooperatives generally lack the competent and experienced staff and board of directors to manage the cooperatives. Leaders either have the expertise or seek external supports to guide and coach the team members.

Many scholars and leadership theories have highlighted skills of the leaders is crucial to get the job done effectively. The skill approach of leadership investigates the knowledge, skills and abilities of a leader to achieve organizational goals. The theory argued that skillful and competent leaders have more chances to be successful in the twenty-first century as people are more aware, educated and empowered; and leaders would be successful if they guide the teams skillfully.

The skills approach model developed by Robert Katz in 1955 (Yukl, 2006) is one of the most popular models. According to Katz, the taxonomy of skills includes conceptual skills, human skills and technical skills and leaders in different organizational level need different skills. According to Robert Katz, leaders at the supervisory level needs technical skills, as productivity and efficiency depend on the level of knowledge and capability of performing tasks and/or handling equipment. Middle level leaders/managers need sound human skills, as most people need

attention, care, consideration, protection and encouragement. Finally, leaders at the top need conceptual skills and clarity of vision, mission, objectives and activities of the organization. It is not possible for a leader at the top to have expertise in all organizational matters, however, conceptual clarity is required in order to understand organizational issues at hand and make the right decisions.

The skill approach of leadership is also highlighted by power theory developed by French and Raven (1959). According to them, successful leaders have expert power besides referent, reward, coercive and legitimate powers. Successful leaders are skillful/expert on how to accomplish a task and are familiar with the best ways of doing things. Yukl (2006) indicated that a leader needs a diverse abilities and skills related to organizational activities and human skills to be effective across different situations. A leader can be successful if he/she is aware of problems and prospects within the sector and knows the ways forward; otherwise, he/she would not be able to adopt appropriate strategies or may make erroneous decisions.

#### **Factor Five: Individual Consideration**

Rotated component matrix stated in Table 12 shows that 2 items were loaded in dimension five. As this factor only had two items, and there is general agreement among researchers that at least three items are needed for a valid dimension or factor (Foster et al., 2006; Yong & Pearce, 2013). Hence, I decided to discard factor five.

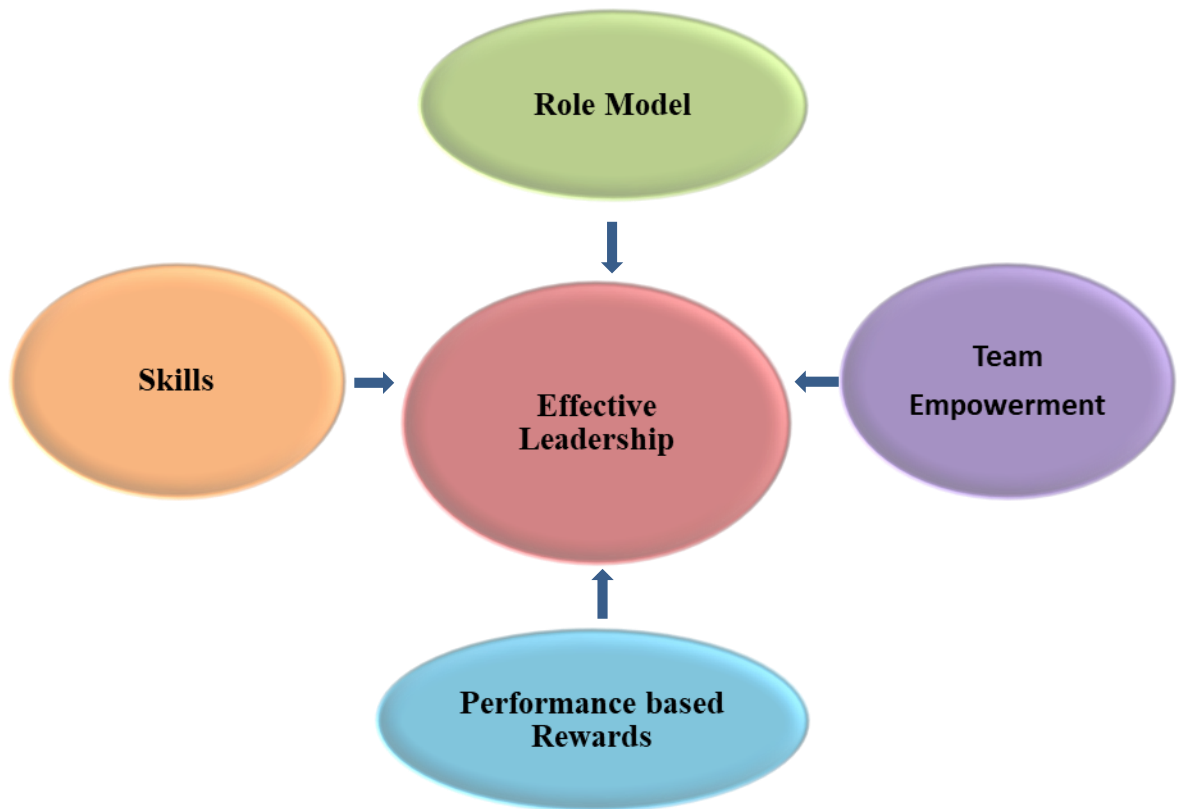
*Table 12*

*Rotated Component Matrix: Dimension Five*

Items	Loading value				
	1	2	3	4	5
5.2. Sensitive to individual problems needs of the team					.733
5.4. Listen individual grievances of team members					.531

The four-dimension of leadership qualities is presented in Figure 3.

*Figure 3. Dimensions of an Effective Leader*



Source: Developed by the author based on the factor analysis

Figure 3 shows the four dimensions of leadership qualities. This study indicated that these four leadership qualities make a leader effective in Nepali cooperative context. I compare and discuss each dimension of leadership with related leadership theories in Chapter VII (major findings and discussions)

### **Leadership Qualities across Policy Level and Operational Level Leaders**

This study revealed that a successful leader has four major qualities such as role model, team empowerment, performance-based rewards and skills in the sector. However, the magnitude of leadership qualities may vary across policy level and operational level leaders. Background variables (Table 5 and 6) also show different in

the qualifications of policy level and operational level leadership. For example, about 70% of chairpersons and board members have an education level of SEE and below. On the contrary, 96% operational level leaders have education qualifications SEE and above. Therefore, there would be a difference in the qualities of two types of leadership. To examine the difference, I applied t-test, effect size and power analysis. Before administering the t-test, effect size and power analysis, I checked whether my data allowed me to administer the parametric test or not. According to Creswell (2008), parametric tests can be applied if (a) multiple categories are developed within a scale, (b) samples are drawn randomly and (c) data satisfy normality. The first assumption was satisfied as I developed multiple items under each dimension, and I summed the items and derived scales' value. I have drawn samples randomly in this study; hence the second condition was also fulfilled. To examine whether data collected satisfy the condition of normality, I applied the Shapiro-Wilk test as this test is mostly applied to analyze normality of the data in social science (Field, 2009). The result of the normality test is presented in Table 13.

*Table 13*

*Shapiro-Wilk Normality Test*

Qualities of leader	Shapiro-Wilk		
	Normality-test Statistics	Df /Number	Sig.
Role Model	.852	1255	.000
Team Empowerment	.890	1255	.000
Performance-based Rewards	.926	1255	.000
Skills	.907	1255	.000

The Shapiro-Wilk normality test (Table 13) indicates that the significance values for all the qualities of leadership. If the Shapiro-Wilk test is significant ( $p < .05$ ), it implies that the distribution of the sample is significantly different from a normal distribution, in other words, data is not normally distributed (Field, 2009). In such a case, researchers are not advised to apply parametric test. However, other researchers disagree with this viewpoint. According to them, in the case of a large sample size and social science research, the normality test largely shows non-normality of the data even if there are minor deviations (Asghar & Saleh, 2012; Ghasemi & Zahediasl, 2012; Osborne, 2013). Many scholars such as Field (2009), Ghasemi and Zahediasl (2012) stated that satisfying conditions for normal distribution of data are rare in behavioral data and social science studies. Another concern is that, the p-value of normality tests does not show whether the deviation from normality prevents to apply parametric test.

There are several techniques to check the magnitude of deviation of data from normality. One simple technique is to examine the skew and kurtosis values. Further, Osborne (2013) suggested that the Skewness between 0.80 and 0.0 and kurtosis closer to 3.29 are better. In my study, Skewness was 0.069 and kurtosis was 3.139. This indicated that the parametric test could be applied. Moreover, with large sample sizes ( $>300$ ), violation of the normality assumption should not cause major problems and researchers can use the parametric procedures (Field, 2009). Hence, I decided to administer the parametric tests such as ANOVA (this test is administered in Chapter V) and t-Test.

I calculated the mean, standard deviation and t-test of the four dimensions of leadership qualities (Table 14). Mean and standard deviations were calculated to assess the average score and dispersion, and t-test was run to identify the significance

difference between the leadership qualities of policy and operational level leaders.

The results are presented in Table 14.

*Table 14*

*Leadership Qualities across Types of Leaders*

	Leadership Level	N	Mean	Std. Deviation	t value	P-value (Sig.2-tailed)
Role Model	Policy Level	627	4.43	0.59	3.96	0.00
	Operational Level	628	4.55	0.46		
Team Empowerment	Policy Level	627	4.29	0.67	3.54	0.00
	Operational Level	628	4.42	0.54		
Performance-based Reward	Policy Level	627	4.18	0.70	1.64	0.10
	Operational Level	628	4.24	0.59		
Skills	Policy Level	627	4.12	0.74	5.57	0.00
	Operational Level	628	4.33	0.60		

Table 14 reveals that out of four dimensions of leadership qualities, the mean value of the role model is the highest in both cases of policy and operational level leaders. This indicates that effective leaders lead by example and they act as role models for team members. The higher score indicates that team members consider that role model or leaders having qualities such as selflessness, trusted and respected person, visionary, applying team approach, abide by the rules, fairness and committed to achieve organizational mission are effective. The role model characteristic helps enhance performance. After role model, team-empowerment has the highest mean

value followed by performance-based rewards. Like in role model, mean value of the operational level leaders is higher than policy level leaders. This implies that operational level leaders have better leadership qualities and more qualified than policy level leaders.

Mean value is lowest in the case of leadership skills of policy level leaders, implying that the chairpersons of the cooperatives lack required knowledge and skills to manage the society or that policy level leaders do not have the required skills to lead an organization. Leadership studies in the past have also concluded that the lower level leaders or supervisor must be technically competent, and the higher-level leaders must have human skills and conceptual clarity to be successful (Yukl, 2006). Table 14 indicates that operational level leaders have more technical skills to manage day-to-day operation of the cooperatives than policy level leaders.

I ran t-tests to assess whether the mean difference of leadership qualities of policy and operational level leaders is significant. Results (t value and p-value) indicated that there is a significant difference in the perceptions of qualities of two types of leaders in the cooperatives. The t-value and p-value of the qualities of leadership such as role model, empowerment of team members and skills of the sector indicate that there are significant differences between the perceptions of qualities between policy level and operational level leaders. Research hypothesis (there is a difference between the perception of policy level and operational level leadership regarding leadership qualities) was accepted. However, in the case of providing performance-based rewards, difference between the perceptions of these two types of leaders was not significant. Besides t-Test, I applied effect size analysis and power analysis to further examine the effect size of the mean difference of two types leaders



in cooperatives and their power to explain the difference. The findings of effect size and power analysis are discussed below.

### **Effect Size Analysis of Mean Difference of Cooperatives' Leaders**

Besides t-Test, I applied G\*Power 3.1.9.2 software to analyze effect size and power analysis in order to further examine the difference in leadership qualities of policy level and operational level leaders of cooperatives. I applied post-hoc power analysis test (administering test after data collection) for deciding on accepting or rejecting hypotheses. The effect size ( $f^2$ ) 0.02, 0.15 and 0.35 are considered small, medium and large effect respectively (Field, 2009). Using effect size value, the G power software calculate the power in the range of 1.00 to 0. The 1.00 means 100 percent probability or chances of correctly accepting the research hypothesis and 0 means 0 percent chance of wrongly rejecting the null hypothesis. The power of  $1 - \beta$  0.80, 0.50 and 0.20 are considered high, medium, and low power respectively of accepting or rejecting the hypothesis (Hinton, 2014). The result of effect size and power analysis of qualities of policy level and operational level leaders are given in the Table 15.

*Table 15*

#### *Effect and Power Analysis of Leadership Qualities*

Effect and Power analysis	Leadership Qualities		
	Role model	Team empowerment	Leaders' skills
Alpha level ( $\alpha$ )	0.05	0.05	0.05
Effect size $f^2$	0.23	0.21	0.31
Power of $1 - \beta$	0.98	0.97	0.99

The post-hoc analysis of effect size of difference in mean of leadership qualities (Table 15) shows the medium effect ( $0.15 <$ ) and higher power ( $0.80 <$ ) to

reject the null hypothesis and accept research hypothesis. This indicates that there is difference in the leadership qualities of policy level and operational level leadership. In other words, operational level leaders are more qualified than that of policy level leaders.

### **Concluding the Chapter**

This chapter examined the qualities of an effective leader in the cooperatives in our socio-cultural context. Factor analysis indicated four dimensions of leadership qualities in Nepali cooperative context. They are role model, team empowerment, performance-based rewards and skills in the concerned sector. The study found a significant difference in the mean value of policy level and operational level leaders. The effect size and power analysis also supported that there is a significant difference in the leadership qualities of policy level and operational level leaders. The lower mean value of policy level leaders as compared to operational level leaders, and significant difference in the perception of policy and operational level leaders in the three dimensions of leadership qualities (role model, empowerment and skills of the sector) indicated that operational leaders are more qualified than those at the policy level. The study showed that chairpersons of the cooperatives lacked the required qualities to provide proper leadership for the success of the cooperatives. No significant difference in the case of providing performance-based incentive indicated that both types of leaders agree similar way that rewards help to motivate staff and to enhance the performance of cooperatives.

## CHAPTER V

### MEASURING PERFORMANCE OF COOPERATIVES

The main objectives of this study were to examine the relationship between leadership qualities and performance of cooperatives. I discussed leadership qualities in Chapter IV. In this chapter, I take up the discussion on tools for measuring the performance of cooperatives and their level of performance as well. I begin the chapter by comparing and discussing shortcomings of institutional assessment tools used in the international and national levels to evaluate the performance of financial cooperatives. Then, I discuss the tool I developed applying Delphi techniques to address current shortcomings. Finally, I present performance grades of cooperatives obtained from the application of the tool and discuss the results.

#### **Performance Assessment Tools Used Globally**

Types of organizations, their objectives and activities/services demand different ratios and standards to appraise performance (Negre & Maguire, 2002). The cooperatives included in my study were financial cooperatives. Therefore, I reviewed literature related to evaluating the performance of banks and financial cooperatives. I found three internationally recognized assessment tools: (a) PEARLS (P=Protection, E=Effective financial structure, A=Assets quality, R=Rate of return, L=liquidity and S=Sign of growth), (b) CAMELS (C=Capital adequacy, A=Asset quality, M=Management, E=Earnings, L=Liquidity and S=Sensitivity) and, (c) Micro-finance institutions appraisal tools. I found that credit unions and financial cooperatives apply PEARLS, and the banks apply CAMELS to assess the performance. In addition to these, international organizations such as United Nations Capital Development Fund

(UNCDF) Consultative Group to Assist the Poor and Small Enterprise Education Promotion have developed assessment tools to appraise the performance of Micro-finance institutions (UNCDF, 2003). These tools are also relevant to financial cooperatives as both cooperatives and Micro-finance institutions provide financial services to the poor. Hence, I briefly describe the CAMELS, PEARLS and micro-finance institutions appraisal tools in the following section before elaborating performance assessment tools practiced in Nepali cooperative sector.

The CAMELS rating tool is widely used in the banking sector around the globe. The Basel Committee on banking supervision provides a forum to discuss the key supervisory and performance assessment issues of the bank and revises the CAMELS ratios in the changing context. The CAMELS is developed to assess the performance of banks: all its ratios and standards may not be fully applicable to the cooperatives (Trivedi, 2010). Unlike in the banks, the objective of the cooperatives is to provide services to members rather than profit maximization; hence, the CAMELS ratios and standards would not be applicable in the cooperative context (Gentzoglani, 1997). However, some ratios of CAMELS can be adopted in the context of cooperative that is discussed in the later part of this chapter.

I then explored tools used to measure the performance of cooperatives and found that PEARLS monitoring system is widely used by credit unions and financial cooperatives around the globe. The PEARLS was developed by the World Council of Credit Unions (WOCCU) containing 46 quantitative/financial indicators that measure the performance of financial cooperatives (WOCCU, 2015). The PEARLS ratios are used to compare and rank cooperatives in one country or across several countries. It is primarily a management tool for the cooperative society and can also be used as a supervisory tool by a regulator. As a management tool, PEARLS signals problems to

managers before they manifest and/or become too complicated to manage. It offers indicators and standards to managers to monitor progress; and for regulators, it provides information to supervise the performance of cooperatives. The standards of PEARLS provide prudential norms to be followed by financial cooperatives. The target standard of each indicator is put forth by the WOCCU based on its' field experience of promoting and strengthening the cooperatives' sector. A financial cooperative that meets the PEARLS standards is considered as an excellent, safe and sound cooperative society.

Besides PEARLS and CAMELS, other performance assessment tools are also used internationally. For example, the United Nations Capital Development Fund (UNCDF), in the Microfinance Distance Learning Training manual (2002) has stated five key areas of performance of Microfinance Institutions (MFIs) namely outreach, productivity, efficiency, self-sufficiency and delinquency (UNCDF, 2002). These dimensions are similar to that of the 18 performance measurement indicators developed by the Small Enterprise Education Promotion (SEEP) Network in 2005 to evaluate the performance of MFIs. The Key Performance Indicators (KPIs) developed by SEEP are divided into four dimensions: (1) Profitability and Sustainability (Operational Self Sufficiency [OSS], Financial Self Sufficiency [FSS], Return on assets [ROA], Return on equity [ROE]), (2) Assets/liability management ratios (Yield on portfolio, portfolio to assets, cost of funds, debt to equity, liquidity), (3) Portfolio quality ratios (Portfolio at Risk [PAR], write-off ratio) and (4) Efficiency and productivity (Operating expense ratio, cost per active client, borrowers per loan officer, active clients per staff member, client turnover, average outstanding loan size, average loan disbursed). Microfinance institution in Nepal and other parts of the world are using the performance assessment ratios prescribed by UNCDF and SEEP.

Over the course of my study, I realized that the above-mentioned performance assessment tools have been developed in the western context. I therefore, evaluated how different ratios and standard for measuring performance are contextualized and applied by the Nepali cooperative sector in the following section.

### **Performance Assessment Tools Used in Nepali Cooperative Sector**

In the course of exploring performance assessment tools used in the Nepali cooperative sector, I realized that a single assessment tool cannot address the need of cooperatives with different objectives and activities such as producer cooperatives (agricultural, milk, honey and others), consumer cooperatives, service cooperatives (financial, health, transportation and others). Moreover, cooperatives included in my study were involved in providing financial services to members; therefore, I discuss the assessment tools applied to evaluate the performance of financial cooperatives. I reviewed the performance assessment tools used by Nepali cooperative sector to understand how internationally recognized tools such as PEARLS, CAMELS and others were adopted by financial cooperatives in the national context. While evaluating literature, I focused on PEARLS, institutions appraisal tools used by cooperative promoting agencies and monitoring tool used by the Department of Cooperatives, as these tools were more relevant for evaluating the performance of financial cooperatives.

First, I reviewed the monitoring tools developed and applied by the Department of Cooperatives (DoC)-the government entity responsible for monitoring and supervising the cooperative sector. I found that the monitoring tool/form lack many important indicators for assessing performance and checking the safety and soundness of the cooperative societies. Moreover, the DoC has been using the same monitoring forms for all types of cooperatives. As stated earlier, one monitoring tool

or performance assessment tool may not be adequate to monitor and appraise the cooperatives having different objectives and activities. Another concern is that the cooperatives registered for different purpose such as promotion of agricultural, horticultural and others are mostly engaged in providing financial services. It is not clear how DoC addresses this concern while monitoring the performance.

Besides the monitoring forms used by the DoC, I reviewed the assessment tools used by different stakeholders to evaluate the performance of cooperatives and found that the most of the agencies within the sector are using few selected indicators of PEARLS. Although PEARLS is widely used to assess the performance of financial cooperatives in Nepal, it lacks many important indicators to measure efficiency, sustainability and productivity. These ratios are considered key ratios to measure the performance of financial institutions (Micro-banking Bulletin, 2006). A productive institution maximizes services with minimal resources. Efficiency is a function of how well an institution manages available resources to maximize output (Brand, 2000). High performing organizations have higher efficiency and productivity ratios than moderately or low performing ones (Holtmann, 2001). The PEARLS also lacks ratios to measure sustainability and inclusion. Furthermore, the PEARLS lacks indicators measuring managerial aspects of cooperatives, indicating that it requires revision and updating, as without these ratios it is not possible for comprehensive appraisal of cooperatives' performance.

In addition to the above-mentioned limitations of PEARLS, I did not find any consistency among practitioners on which PEARLS ratios are important and must be included in assessing performance. For example, the Asian Confederation of Credit Unions (ACCU) has adopted 13 ratios/indicators out of 46 total ratios from PEARLS in the "A-one Competitive Choice for Excellence in Service and Soundness

(ACCESS)" tool (ACCU, 2007). Nepal Federation of Saving and Credit Cooperative Union (NEFSCUN) has included 15 ratios from PEARLS in cooperative assessment tools. Wide variances are found while adopting PEARLS among practitioners and there is no consensus on how many PEARLS ratios are necessary to determine the performance of cooperatives.

In the process of reviewing performance assessment tools for cooperatives, I further realized that there are discrepancies in providing weightage to financial and management related performance/ratios. The ACCESS tool developed by ACCU assesses four dimensions of institutional performance: financial perspective, customers' perspective, internal business perspective and learning and growth perspective (ACCESS, 2007); and these four dimensions have 87 indicators in total. Financial perspective/health is assessed by applying 13 ratios of PEARLS. The customers' perspective measures the types of products and services offered by the society to fulfill members' needs, quality of services and customer satisfaction. Internal business perspective measures policies and procedures of the cooperatives, business plan, operational efficiency and competitive position. Learning and growth perspective measures leadership, knowledge and activeness of board of directors, human resource, good governance and employee satisfaction. The financial indicators carry 40% weight and non-financial indicators carry 60%. Cooperative experts and practitioners have mentioned that scoring of non-financial indicators depends on subjective evaluation and perception of assessors. Therefore, the ACCESS grading may or may not accurately assess the cooperatives, as subjective rating may inflate or deflate the grading.

Many leading cooperatives, which are also members of Nepal Federation of Savings and Credit Cooperative Unions Ltd. (NEFSCUN), have used ACCESS to



assess the performance of the cooperatives. Rather than adopting ACCESS, the NEFSCUN has developed another performance assessment tool called 'Program for Building Absolute and Professionalization (PROBATION)'. The performance assessment dimensions of PROBATION include financial health, harmony with members, institutional development and good governance, management, planning, accountability and legitimacy (NEFSCUN, 2015). It applies 15 PEARLS ratios to measure financial health, of which 13 are similar to that of the ratios used by ACCESS, and there is an addition of two other ratios (share to total assets and liquid assets to total assets). Financial indicators carry 50% weight and other indicators the other half. Although NEFSCUN and ACCU work under the same umbrella, it is not clear why they use different performance assessment tools. Both ACCESS and PROBATION have adopted only a few financial ratios from PEARLS, which indicates that all 46 ratios of PEARLS are not important to assess the financial performance of cooperatives. Moreover, PEARLS measures only financial performance, and does not measure other important dimensions of performance such as management, human resources, staff satisfaction, services and outreach.

Aside from PEARLS, I found that some organizations working within the cooperatives sector are using other tools as well. For example, Small Farmer Development Bank, a microfinance wholesale bank with technical and financial support from German Technical Cooperation (GIZ), has developed a grading tool for Small Farmers Agricultural Cooperatives Limited (SFACLs) in 2005/6, and applied it across 145 SFACLs (GIZ, 2008). The grading tool includes 14 financial indicators. Some of these indicators are adopted from PEARLS and others are adopted from performance assessment tool developed for microfinance institutions. Out of 14 ratios developed by SFDB, two ratios: Share Investment in SFDB and repayment of loan to

SFDB, do not actually measure the performance of the cooperatives. Some SFACs, which have incurred losses, are also graded as high performing (A grade), indicating that the grading system used by SFDB need revision (Pokharel & Dhungana, 2013). Moreover, the basis for selecting financial indicators from PEARLS and other tools and providing weight to different ratios are not thoroughly explained.

The discussion so far indicates that the cooperative sector lacks a comprehensive performance assessment tool. I discussed discrepancies between ACCESS and PROBATION and limitations of PEARLS during in-depth interviews with experts. I also presented the finding of review of assessment tools used by the Nepali cooperative sector in the national seminars. The experts in the in-depth interviews and participants of the seminars also supported the shortcomings I found in performance assessment tool used by Nepali cooperative sector and agreed to the need of developing a new tool. Therefore, I decided to develop a tool for assessing the performance of the cooperatives. Before I developed the tool, I explored the best practices of developing performance appraisal tool and reviewed the already tested valid indicators by the cooperative sector in Nepal.

### **Best Practices of Developing Performance Appraisal Tools**

A critical review of performance assessment tools used by the Nepali cooperative sector revealed the inconsistency in the available tools. Moreover, these tools are not comprehensive enough to assess the performance of the cooperatives. The review also revealed that internationally recommended good practices have not been followed while developing these tools. For example, International Credit Union Regulators' Network (ICURN) has developed principles to effectively regulate and supervise financial cooperatives. The ICURN principles include responsibilities, resources and expertise of regulator for effective regulation and supervision, and

standards and norms to be adhered by the cooperatives (WOCCU, 2011). The ICURN principles are considered the guiding principles across the world for effective regulation and supervision of the cooperative sector and developing assessment tools. These principles have not been incorporated in the monitoring format developed by the DoC. Moreover, they are not even considered when formulating appropriate regulatory framework, setting minimum performance standards, allocating adequate resources (human, technical and financial), regularly monitoring and applying corrective measures for the success of the cooperative sector.

According to the ICURN principle, an appropriately designed performance assessment tool includes both management-related and financial indicators. An assessment tool that incorporates both management-related and financial indicators is helpful to report progress, evaluate target vis-a-vis achievements, compare with past performance and standards, ensure efficient use of members' investment, develop early warning system and take necessary corrective measures accurately (Kneiding & Tracey, 2009). The financial ratios provide important information for management decisions and essential indicators for a regulator to check the safety and soundness of the cooperatives' businesses. Management-related indicators such as serving the target group, financial inclusion, staff and members' satisfaction, rules of laws and internal control and others are important aspects for the long-term sustainability of the organization (Epstein & Roy, 2001). Therefore, both management and financial-related aspects affect the performance of the cooperatives and should be included in the cooperative assessment tool. The comprehensive performance tool includes both management and financial-related indicators and such institutional assessment tool helps to appraise the performance of an organization and adopt appropriate strategies for enhancing performance.

Prudently designed and measured indicators assess the strengths and vulnerabilities of financial systems and support to take timely corrective measures (IMF, 2006). Comprehensive performance assessment is needed to identify strengths and weaknesses and develop strategies for overcoming weaknesses (Rogers & Blenko, 2006). An organization can make the right decisions with compelling strategies and enhance performance if accurate and timely information on progress is available.

During the process of reviewing the performance assessment tools, I recognized that the PEARLS, CAMELS, and other tools have prescribed different ratios and standard to measure the performance of financial institutions. There are many commonalities across all of them, as well as several shortcomings. I realized that the wholesale banks, cooperatives' networks, and other organizations that promote cooperatives in Nepal, either use selected ratios of already developed tools or prepare their own tool by assembling ratios from different sources. These tools are neither discussed thoroughly with experts nor pilot-tested properly to check applicability and validity. The internationally and nationally available assessment tools are developed within different contexts and time and may not be fully applicable in current scenarios and in the cooperative context of Nepal. Moreover, one tool lacks some important ratios that another tool covers. Due to lack of a comprehensive institutional assessment and monitoring tool, very little is known about why, out of 34,500 cooperatives, some are efficient and successful while others are dormant and on the verge of collapse (GIZ, 2015). The cooperative sector in Nepal has not yet developed nationally accepted key indicators and standards for a healthy growth of the cooperatives (Simkhada, 2013). This reveals the need for developing a

comprehensive institutional assessment tool for financial cooperatives in Nepal to measure performance.

Comprehensive institutional assessment tool supports for managing organization efficiently. Kaplan (2010) has rightly mentioned that 'if you cannot measure, you cannot manage'. Adaptation of internationally accepted tools such as PEARLS, CAMEL and micro-finance institutions appraisal tools in the local context helps supervisors to identify potential risks and take timely corrective action to avoid or minimize risks. During my interaction with various stakeholders, I realized that there is a lack of effort at the national level to adapt internationally practiced tools in the Nepali context. Hence, I applied the Delphi technique to develop performance assessment tools for cooperatives in Nepal. I discuss dimensions and indicators identified during the Delphi process for assessing the performance of cooperatives in the following section.

### **Developing Indicators for Measuring Performance of Cooperatives in Nepal**

I developed an open-ended questionnaire related to performance measurement of financial cooperatives and sent questionnaires to 31 experts to get their opinions on indicators for measuring performance. These experts included people working in cooperatives, microfinance institutions, donor organizations, wholesale financial service providers and cooperatives promoting organizations. They were Chairpersons, Chief Executive Officers, Senior Managers, Managers, Trainers, Program Coordinators, Charter Accountants, and other professionals working in various organizations related to cooperatives. I collected written responses on key performance indicators to be included in the appraisal tool from 21 experts. I reviewed relevant information from literature such as institutional appraisal tools and ratios used by various agencies/financial institutions nationally and internationally,

empirical studies and research articles in the field of institutional assessment and performance measurement. I then conducted in-depth interviews and panel discussions with the experts and obtained their opinions on measuring the performance of cooperatives. I compared indicators recommended by experts with literature and categorized them into different dimensions. I, then, prepared the draft performance assessment tool.

The draft performance assessment tool includes nine dimensions to measure the performance of the cooperatives. Out of nine dimensions, seven are financial and two are management and inclusion related indicators. The cooperatives are self-managed, controlled and capitalized social enterprises; hence, non-financial and management related indicators are also equally important to measure performance. The experts, during interview and panel discussion, also strongly suggested incorporating financial and management-related indicators. The nine dimensions and ratios under each dimension are stated in Table 16. I grouped the ratios under each dimension into three categories based on their application (See Table 16): (a) Ratios adopted from PEARLS by ACCESS and PROBATION to measure the performance of the cooperatives in Nepal as they are considered key ratios to be included in the performance assessment tool, (b) Ratios used by The SFDB, which are well-tested in the cooperative sector in Nepal since last 11 years and some of these ratios are unique for measuring performance of the cooperatives (c) Ratios applied by Microfinance Institutions, which are also equally important, as the cooperative sector is also a major player in the microfinance sector. I have selected ratios under these three categories based on suggestions provided by experts during Delphi. The key areas of performance dimensions and ratios used by various assessment tools and organizations are presented in Table 16.

Table 16

*Comparison of Financial Ratios used by Different Agencies*

Key areas of performance dimensions	Performance ratios used by		
	PEARLS, ACCESS & PROBATION	SFDB	UNCDF, SEEP, CGAP
Earning and sustainability	RoE	OSS and FSS	Portfolio Yield, OSS, FSS, RoE, RoA
Liquidity	Liquid assets to total deposits Liquid assets to total assets	Liquid assets to total deposits	Liquid assets to deposits and short-term liabilities
Efficiency	Total operating Expenses to average assets		Administrative & Operating expenses ratio, cost per active client
Productivity			Per staff borrowers, savings & loan
Healthy capital structure	Ratios of Institutional capital; Share; Outstanding loan; Savings; Borrowing, and Non-earning assets	Ratio of Internal source to loan Ratio of Institutional capital to external loan	Capital adequacy, Loan portfolio to total assets, debt to equity
Assets quality	Delinquency rate Provisions for delinquent loans >12 months & 1-12 months	Repayment rate, Monthly interest paying members, Provisioning against delinquent loan	Percentage of delinquent borrowers and loan, Portfolio at Risk (PAR), write-off ratio, Provisioning against delinquent loan above 30 days
Net Growth	Growth in membership, Assets, savings, share and others	Membership, assets growth	Growth in client and assets
Targeting and Outreach		Ratio of female members	Average loan balance as % of national GDP
Self-governance	Transparency, rule of law, regularity in general and board meeting, effective internal control, strategic planning, HRM, performance evaluation, performance-based incentive, implementation of decisions, capacity building (These indicators are not included in PERLS)		

Source: Table generated by the author based on the literature review and Delphi

I included ratios used in ACCESS and PROBATION (Table 16) as they are important ratios selected from PEARLS. These are well-tested ratios and experts also recommended to incorporate them. In the review process, I found that the financial ratios used by ACCESS and PROBATION lack important ratios to measure productivity, efficiency, sustainability, targeting/inclusion and self-governance. Therefore, these ratios were also included in the assessment tool. Literature review and in-depth interviews with expert identified nine dimensions with 35 financial and objective ratios and 30 management-related ratios to measure the performance of the cooperatives. I piloted these ratios across five cooperatives; the results are discussed in the following section.

### **Piloting of the Performance Assessment Tool**

I translated the performance assessment tool into Nepali and tested it across five cooperatives in the Kathmandu Valley before applying it to a larger sample. I shared the results of the pilot with the board and staff of the cooperatives, who were satisfied with the results. I then applied the tool across 210 cooperatives included in this study. These cooperatives represent: mixed-sex (both male and female) members; female-only members; small, medium and large size; different years of experience; and across all geographical regions of Nepal (Plains, Hills and Mountains). I evaluated the performance of the cooperatives, applying 35 financial and objective ratios and 30 management-related ratios.

I analyzed the data and presented the findings at the National Microfinance Summit held on March 15-17, 2017, in Kathmandu, Nepal. Based on the findings from piloting and feedback from the summit, I also recommended key performance indicators and standards for the Nepali financial cooperative sector. These indicators can be also useful to cooperatives in other parts of the world.



The pilot-test has confirmed 32 objective ratios out of 35 and 25 management related performance areas out of 30 as key indicators to measure performance (I explained the dropouts' ratios in Chapter III) under nine dimensions of performance assessment. These nine dimensions are: Earnings, Liquidity, Efficiency, Productivity, Healthy capital structure, Assets quality, Net growth, Targeting and Self-governance. Each letter of the nine-dimension is abbreviated as ELEPHANTS. This tool is named as 'ELEPHANTS', or 'ELEPHANTS Rating Tool'. The average performance of 210 cooperatives identified by the ELEPHANTS has been considered as average standards for the cooperative sector in Nepal. The performance measurement dimensions, indicators under each dimension and minimum recommended standards are explained in the following sections.

#### **Dimension One: Earnings (Financial Sustainability and Profitability)**

The letter E in CAMELS measures earning, the letter R in PEARLS measures rate of returns and microfinance institutions use Return on Equity (RoE) and Return on Assets (RoA) to measure earnings or profitability. As earning is included in all performance assessment tools, this is considered as one of the important performance dimensions of the cooperative. Comparisons of different performance assessment tools, interviews with experts and piloting have indicated the following five indicators as the minimum required ratios to measure earnings.

Table 17

*Earnings Ratios*

Ratios	Measurement	Recommended Standards		Reference sources
		Global	Nepali Context	
Gross Margin	Yield in portfolio- Cost of fund	> 6 %	6- 8 %	SEEP
Return on assets (ROA)	Net profit/Average total assets	Market rate & above inflation rate	3-5 %	PEARLS SEEP
Return on equity (ROE)	Net profit/Average equity	Market rate and above inflation rate and more than interest paid to deposit	20 %	ACCESS, PEARLS CGAP SEEP
Operational self-sufficiency (OSS)	Financial income / Total operating expense	>120%	>130%	UNCDF SEEP SFDB
Financial self-sufficiency (FSS)	Financial income / Total operating expense + Imputed cost of capital	>100%	>110%	"

As presented in Table 17, these five ratios are considered important to measure profitability and financial sustainability. Organizational earnings need to be sufficient to pay all the required costs and generate profit for long-term sustainability. The two ratios such as return on assets and return on equity are widely used to

measure earnings. The sustainability ratios also indicate the earning capacity of an institution and included in different performance assessment tools.

Sustainability can be explained and observed from different standpoints, including through an ecological, social, institutional or financial lens. For a business entity like financial cooperative, financial sustainability is more important for long-term survival. Financial sustainability is the ability of an organization to maintain its operating costs and provide service to members/customers on a continued basis. A program is considered financially sustainable when internally generated revenues are sufficient to cover all the program-related expenses and` imputed cost of capital.

From a regulation and supervision perspective, financial sustainability is important since it measures the economic stability of the institutions and indicates the safety of peoples' investments. Therefore, ratios to measure financial sustainability are included in the performance assessment dimension. PEARLS, ACCESS and PROBATION lack ratios to measure sustainability. Microfinance institutions have used these as one of the key ratios, and experts have also suggested including ratios for measuring sustainability. Operational Self Sufficiency (OSS) and Financial Self Sufficiency (FSS) are used to measure financial sustainability. The OSS indicates whether enough revenue has been created to cover all direct and indirect costs, while the FSS measures whether earnings are sufficient to cover all costs (direct and indirect) and to maintain the value of equity. The standards recommended for Nepali context is slightly more than that of the standards used globally. This is because, Nepali cooperatives are in the emerging stage, and return is generally higher in this stage than in the matured stage.

### Dimension Two: Liquidity

Liquidity is the extent to which an organization holds cash to meet immediate and short-term obligations and liability. Cash and bank balance and assets that can be quickly converted into cash are considered liquid assets. A higher level of liquidity is generally maintained if liabilities are typically short term and assets have a longer maturity (IMF, 2006). The ACCESS and PROBATION have mentioned that savings and credit cooperatives should maintain 15% of deposits and 1% of total assets in liquid assets. Experts during the interviews mentioned that these two ratios are sufficient to measure liquidity position of the cooperatives. Hence, the following two ratios have been used to measure the liquidity.

*Table 18*

#### *Liquidity Ratios*

Ratios	Measurement	Standards recommended		Reference sources
		Global	Nepali Context	
Liquid assets to total assets ratio (%)	Liquid assets/Total assets	1-2%	5%	PROBATION
Liquid assets to deposit ratio (%)	Liquid assets/Savings deposit	12-15%	10-15%	ACCESS PROBATION

Liquid assets do not contribute to income; however, certain level of liquidity is required for the smooth operation of activities and to minimize risks. In fact, maintaining optimal percentage of liquidity helps to enhance the performance of cooperatives. If cooperatives maintain high liquidity and cannot invest member

savings and other funds in high earning assets, they cannot pay high return on savings and shares. If all funds are invested, the cooperatives cannot fulfill withdrawal requests. the inability of the cooperatives to meet withdrawal requests of deposits spread to other members within a short period of time, putting the cooperatives at high risk. Therefore, maintaining an appropriate level of liquidity is essential for financial cooperatives and is one of the essential indicators to examine the health of cooperatives. Table 18 indicates that the standards recommended for Nepali context to maintain liquidity are similar to that of the standards used in the global context.

### **Dimension Three: Efficiency**

The efficiency ratios measure the effectiveness of an organization to provide services in a cost-effective manner. These ratios are not available in the ACCESS and PROBATION. The PEARLS, micro-banking bulletin, and microfinance institutions use the following two ratios to measure efficiency. The experts in the interview suggested including these ratios.

*Table 19*

#### *Efficiency Ratios*

Ratios	Measurement	Standards recommended		Reference sources
		Global	Nepali Context	
Administrative expenses ratio (%)	Total Administrative expense/Average Outstanding Loan	2-3%	$\% \leq 2$	UNCDF, and SEEP
Operating expenses ratio (%)	Total operating expense/Average Outstanding Loan	6-8%	$\% \leq 8 \%$	PEARLS UNCDF, and SEEP

Efficiency ratios measure how much it costs to lend one unit of currency; the lower the ratio, more efficient the institution. As presented in Table 19, administrative efficiency and operational efficiency are used to measure overall effectiveness (Brand, 2000). Total operating expenses include administrative expenses, cost of funds and loan loss provisioning. Factors such as cost of living, salary scale, economic activities, loan ceiling and average loan amount, ratio of support staff to loan officer, maturity of the organization and other factors affect the efficiency of the cooperatives. When interpreting efficiency ratios of the cooperatives, the regulating agency and board and staff of the cooperatives, should considered drivers of efficiency. Table 19 indicates that the standards recommended for Nepali context are more or less similar to that of the standards used in the global context. However, factors determining efficiency need to be considered while interpreting results with standards.

#### **Dimension Four: Productivity**

The drivers of productivity include employees' skills, commitment, capacity, and organizational system (operating procedures, software, decision making) of an institution. Infrastructure, population density, awareness and skills of clients, geography, age of the organization and other external environmental factors also affect the productivity (Holtmann, 2001). Therefore, when deciding output targets or explaining the productivity ratios, the cooperatives should consider drivers of productivity.

Productivity ratios measure the output of the cooperatives from certain amount of inputs (capital and human resources); the higher the ratios, the more productive the operations. By increasing productivity, a cooperative can lower per-unit costs, improve efficiency and provide services at a lower cost. Therefore, this is an

important ratio to be included when measuring the performance of a cooperative.

Although the ICURN suggested including this dimension in the performance assessment, the PEARLS lacks such ratio for measuring the productivity of cooperatives. Microfinance institutions have used this ratio as one of the key indicators; and the experts in the interviews also pointed out to include the following four ratios to measure the productivity of an institution.

*Table 20*

*Productivity Ratios*

Ratios	Measurement	Standards recommended		Reference sources
		Global	Nepali Context	
Member per Staff (No)	# of member /# of staff	400-500	350	WOCCU and SEEP
Borrowers per staff (No)	# of borrowers/Number of staffs	300-400	150	SEEP
Outstanding loan per staff (Rs. in millions)	Outstanding loan/# of staff	Depends on size & maturity	20-40	UNCDF
Savings per staff (Rs. in millions)	Total Savings/# of staff	Depends on maturity	10-20	SEEP

# = Number

Table 20 indicates that members/clients per staff and borrowers per staff ratios are higher in the case of globally prescribed standards than the average for the 210

sampled cooperatives in the study. The global productivity standards are recommended for microfinance institutions, and results show that these standards may not be applicable for cooperatives. The average productivity data of this study is recommended as the standard for the Nepali cooperatives for the time being and can be revised based on results obtained from the wider application of the tool.

### **Dimension Five: Healthy Financial Structure**

Financial structure demonstrates the sources and uses for funds of an organization. The organizational efficiency and earnings depend on effective mobilization of funds obtained from different sources in various income-generating activities and maintaining an appropriate mix of debt and equity. Financial cooperatives utilize most of the funds to provide loan to members. Higher use of funds to provide credit helps a cooperative to generate more income, but it may also increase risks such as credit and liquidity risks. If all funds are invested, the cooperatives lack liquid assets to meet liabilities or members' demands of personal deposits withdrawal. Therefore, the right mixes of sources and uses of funds, or effective management of assets and liability, are considered an important driver that determines the efficiency and financial health of the cooperatives. The interviews with experts and pilot-test pointed out the use of the following five ratios to measure the healthy financial structure. These indicators are also included in PEARLS, ACCESS and PROBATION.



Table 21

*Healthy Financial Structure Ratios*

Ratios	Measurement	Standard recommended		Reference sources
		Global	Nepali Context	
Ratio of outstanding loan to TA (%)	Net outstanding loan amount / Total assets (TA)	70-80 %	80-90 %	PEARLS, ACCESS, PROBATION
Ratio of deposit to TA (%)	Total Savings Deposits / TA	70-80 %	50-60 %	SEEP
Ratio of share capital to TA (%)	Total share capital / TA	10-20 %	10-20 %	
Ratio of institutional capital to TA (%)	Total institutional capital / TA	Min 10 %	10-20 %	
Ratio of Non-earning assets to TA (%)	Total Non-earning assets/ TA	Max 5%	5 %	ACCESS, PROBATION

If a cooperative generates sufficient income to cover operating costs, pay the market rate of interest on savings and dividend on shares and maintain capital adequacy, its financial structure is considered healthy. Hence, measuring the financial structure by applying the five ratios mentioned in Table 21 is important, as it decides other performance aspects of cooperatives. The tool, PEARLS, does not encourage borrowing from financial institutions and instead recommends generating most of the

funds internally. The experts and participants during the microfinance summit suggested that borrowing, and relationships with external financial institutions, help a cooperative to manage funds. However, borrowing ratio does not measure the performance of cooperatives. Therefore, I decided to drop the ratio of external borrowing to total assets.

The standards of financial structure recommended for the Nepali context (Table 21) indicates that the ratio of outstanding loan is slightly more than that of the standards used in the global context. Nepali cooperative sector does not have ample opportunities to invest in other sectors; therefore, investment in loan portfolio is higher. On the contrary, the ratio of deposit is slightly lower in Nepali context than that of the standards used in global context. This is because about 20% of the fund of cooperatives included in this study comes from external borrowing.

### **Dimension Six: Assets Quality**

Maintaining assets quality within prescribed standard ensures for long--term sustainability of cooperatives or financial institutions. Failure to control loan delinquency is probably the main reason for the downfall of a financial institution. Hence, ratios related to measuring delinquency and making adequate provisioning against delinquent loan portfolio are considered crucial indicators to assess the health of an organization.

Loan portfolio is the single largest and major income-generating asset of financial institutions. Collecting interest and principal amount as per the schedule and controlling delinquency allows an institution to continually provide credit and generate income. Assets quality also determines institutional profitability. High percentage of loan delinquency means high percentage of non-earning assets. High delinquency increases monitoring cost, as cooperatives need to conduct frequent

follow-ups of delinquent borrowers. It also increases provisioning cost, as well as resources required to take legal action against reckless borrowers. Hence, the delinquent loan must be kept to a minimum level, if not avoided completely. Based on the literature review and experts' suggestions, I included the following six ratios to measure assets quality.

*Table 22*

*Assets Quality Ratios*

Ratios	Measurement	Standard recommended		Reference
		Global	Nepali Context	
Delinquency rate (%)	Total amount of delinquent loan /Outstanding loan	5% or less <sup>4</sup>	<2%	ACCESS, PROBATION UNCDF
Portfolio at Risk (PAR) - (%)	Outstanding balance of loans, more than 30 days overdue /Outstanding loan	<5% or Industry average	<5%	UNCDF, CGAP, SEEP
Regular (monthly) interest payer (%)	Regular interest payers/Total borrowers		>95%	SFDB
Provisions for loans delinquent for more than 12 months (%)	Provisions for Loan Losses/ Loans Delinquent >12 months	100%	100%	ACCESS, PROBATION
Provisions for loans delinquent for 1-12 months (%)	Provisions for Loan Losses/ Loans delinquent 1- 12 months	35%	35%	ACCESS, PROBATION
Provisions for good loan (%)	Provisions for good loan/Current loan	1%	1%	UNCDF, CGAP, SEEP PEARLS

Analyzing delinquency and comparing standards (mentioned in Table 22) with similar institutions over several years help regulators and cooperatives understand the

<sup>4</sup>PEARLS recommends delinquency rate < 5% and ACCESS recommend that it should be < 2 of loan portfolio. The UNCDF and CGAP mentioned that the ratio should be compared with peers or with the industry average.

causes of delinquency and identify strategies to maintain credit risk at a minimum level. All financial institutions provision a certain amount against delinquent loans and maintain a reserve amount. In the case of Portfolio at Risk (PAR), most cooperatives do not calculate the PAR; however, this is one of the important ratios to assess loan quality. The experts also proposed to include PAR to measure loan delinquency. All six ratios included to measure assets quality (Table 22) have similar standard for the global and Nepali context, except delinquency rate. The prescribed delinquency rate for Nepali cooperatives context is calculated as an average rate of cooperatives under study. However, this rate is based on information provided by the cooperatives. It can be increased if portfolio report is verified by the external assessor.

I have included regular (monthly) interest payer ratio for assessing assets quality as this is one of the tested indicators applied in the Nepali cooperatives sectors. If all borrowers paid interest on monthly regular basis, it helps cooperatives lower the credit risks (SFDB, 2010). This ratio can be used as good indicators to understand the percentage of active vs. passive borrowers. This ratio can be also used as the signal of assessing the status of loan quality. The increase in the number of monthly interest payer is a good sign of sound management of cooperatives.

### **Dimension Seven: Net Growth**

The tools such as PEARLS, ACCESS and PROBATION use growth as one of the important dimensions of performance assessment of cooperatives. However, growth rates without inflation adjustment do not give any meaning or may be misleading. Therefore, I used the net growth to measure actual growth trend of cooperatives.

Higher growth rate or growth above industry average indicates that the members of cooperatives are satisfied with the staff and the services offered.

Assessing growth helps cooperatives understand the current performance and also indicates its performance in future. If the growth rate is lower than that of the prescribed rate, the organizational performance would deteriorate in future. The PEARLS uses 12 ratios, while ACCESS and PROBATION use only two indicators (growth in membership and total assets) to measure growth. All 12 ratios prescribed by PEARLS may not be needed, and only two ratios are also not sufficient to assess growth. The experts and piloting proposed the following five ratios to measure growth.

*Table 23*

*Net Growth Ratios*

Ratios	Measurement	Standard recommended		Reference/ sources
		Global	Nepali Context	
Growth in membership <sup>5</sup> (%)	Difference of Current and Last Year members (DCLY)/Last year's members	Minimum 12% or >inflation rate	20%	PEARLS, ACCESS PROBATION
Growth in Savings (%)	DCLY savings/Last year's savings	Above inflation rate	Inflation rate+20	PEARLS
Growth in assets (%)	DCLY assets/Last year's assets	Above inflation rate	Inflation rate+20	ACCESS PROBATION
Growth in institutional capital (Share and reserve) (%)	DCLY institutional capital/Last year's institutional capital	Inflation rate+ Average GDP growth rate	Inflation rate+20	PEARLS
Growth in profit (%)	DCLY profit/Last year's profit	" "	Inflation rate+20	PEARLS

As presented in Table 23, growth in membership indicates the total outreach and popularity of cooperatives services in the communities, and growth in total assets

<sup>5</sup>Growth in membership depend on size, maturity and location of the cooperative

indicates expansion of the business. I included these two ratios, as they are important indicators to measure performance of a cooperative and are also included in ACCESS and PROBATION. Growth in savings and share ratios indicates members' economic participation which is one of the principles of cooperatives and important indicators to measure the performance of cooperatives. The first four indicators to measure growth will be meaningless if a cooperative incurs loss; therefore, growth in profit ratio has also been included in the performance assessment tool.

### **Dimension Eight: Targeting and Inclusion**

Targeting is required to reach the desired population or disadvantaged communities. Different institutions such as banks, microfinance institutions, cooperatives, credit unions and Non-Governmental Organizations (NGOs) are involved in providing microfinance services to targeted communities. Among these, microfinance institutions, cooperatives, and NGOs services are targeted to the poorer segment of the communities.

Microfinance service providers have adopted many strategies such as, working in rural areas or working with the poor segment of the society, forming groups of targeted people, conducting monthly meetings, providing small loans and collecting small regular repayments to ensure that the poor are served and non-poor are excluded. Financial institutions use different targeting tools to identify and serve the poor and use different ratios to assess how well it has served the targeted clients, as well as to determine how financial inclusion is being promoted. PEARLS lacks ratios to measure targeting and financial inclusion, but these ratios are important if a cooperative claims that it is serving the poor and disadvantaged communities. The experts and practitioners during interviews and piloting put forward the following ratios to assess targeting status of a cooperative.

Table 24

*Targeting and Inclusion Ratios*

Ratios	Measurement	Standard recommended		Reference sources
		Global	Nepali Context	
Coverage ratio (%)	Total families in the operating areas/Total families covered	Not Available (NA)	More than 95%	Expert view
Female members' ratio (%)	Total female members/Total members	NA	More than 60%	SFDB
Inclusion in board (%)	Female and disadvantaged members on the board/Total board members	NA	More than 60%	Expert view

Table 24 has three ratios to measure targeting. Before pilot testing, there were four ratios. While pilot testing, many cooperatives were not comfortable calculating the ratio of average loan balance to per-capita Gross Domestic Product (GDP), as average loan balance was much higher than GDP per-capita; therefore, this ratio was discarded. As this is a very important indicator to assess targeting, further discussion is required to decide whether to include or exclude this ratio.

Out of the three ratios presented in Table 24, the coverage ratio is one of the important ratios to measure financial inclusion. Financial inclusion is possible if the cooperatives provide services to >95% of households in the working areas, or if it

serves all households in the community. The other two ratios are related to female inclusion in membership and board and inclusion of disadvantaged members on the board. The standards are suggested by the experts during interviews.

### **Dimension Nine: Self-governance**

Cooperatives are autonomous organizations managed and controlled by members. Like all other organizations, the success and performance of cooperatives depends on the competence and motivation of available human resources and efficient management. Human resources have important roles as they are required to maintain rule of law, fairness and transparency, capacity building and developing better relationship with members, employees, suppliers and communities and enhances performance (Hillman & Keim, 2001). Human resources of cooperatives include board of directors and chairpersons, committee and sub-committee members, managers/CEOs and staff, and general members.

Among different aspects of human resource management, the satisfaction of employees is the most important, as the staff members are directly involved in serving customers, suppliers and communities. The satisfaction of clients/members and retaining them is also a vital factor for the success of any organization. Satisfied clients return for services and remain over a long period of time. Studies have shown a strong positive relationship between employee satisfaction and client satisfaction (Bulgarella, 2005). Furthermore, satisfied employees display good and courteous behavior to clients. Discussions with experts and piloting indicated the following indicators and standards to assess self-governance of the cooperatives.



Table 25

*Self-governance*

SN	Indicators	Yes	Partially	No
		0.8	0.4	0
1	Appropriate information dissemination system to maintain transparency			
2	Regularity of General Assembly (GA)			
3	Attendance of at least 50% members in GA			
4	Discussion and approval of budget, activities audit report by the GA			
5	Publication and distribution of annual progress report to members			
6	Set qualifications to become a board member			
7	Regular meeting of the board (At least 12 meetings in a year)			
8	Formulation of membership, savings, loan and other policies			
9	At least 90% of members save and pay loan regularly			
10	Formulation and implementation of business plan			
11	Review of target and progress on monthly basis			
12	Terms of reference is provided to staff			
13	Evaluation of staff performance and provision of rewards			
14	Implementation of board decision			
15	Quarterly meeting and internal audit by A/C committee			
16	Knowledge and skills of A/C committee to conduct internal audit			
17	Up to date account and records of the cooperative			
18	Staff prepare monthly progress reports comparing target vs. progress			
19	Regular monthly staff meeting & discussion of progress of the cooperative			
20	Corrective implement different measures to improve weaknesses identified by the auditor or other evaluators			
21	Cooperative received the best cooperative award in the district			
22	Organization/participation of at least two trainings in a year to upgrade the capacity of board & staff			
23	Provision of financial services as per the demand of members			
24	Provision of at least two non-financial services/year from own resources or from external support			
25	Appropriate mechanism to obtain grievances of members			

The Delphi and pilot testing identified 25 indicators related to self-

governance, as presented in Table 25. The indicators are related to transparency, rule

of law, internal control, management, monitoring and progress review, linkages and human resource development.

Participants in the microfinance summit and consultation with experts during the Delphi process purposed providing less weight (less than 20%) for self-management related indicators, given the subjective nature of the evaluation.

### **Weightage of Financial and Governance Indicators**

The average performance of 210 cooperatives has been considered as the average performance standards for the cooperative sector in Nepal. The average standards identified through this study were similar to the standards prescribed by other rating tools which indicate the validity of this study. The dimensions, ratios, standards and weightage of different indicators of 'ELEPHANTS Rating Tool' for Nepali cooperative societies are presented in Table 26.

*Table 26*

#### *Standards and Weightage of Different Items of ELEPHANTS*

Dimensions	Ratios	Standards	Weightage
<i>Earning</i>	Gross Margin	> 8%	2.5
	Return on assets (ROA)	5%	2.5
	Return on equity (ROE)	20%	2.5
	Operational self-sufficiency (OSS)	>130%	2.5
	Financial self-sufficiency (FSS)	>110%	2.5
<i>Liquidity</i>	Liquid assets to total assets ratio	5%	2.5
	Liquid assets to deposit ratio	10-15%	2.5
<i>Efficiency</i>	Administrative expenses ratio (%)	$\% \leq 2$	2.5
	Operating expenses ratio (%)	$\% \leq 8 \%$	2.5
<i>Productivity</i>	Member per Staff (No)	350	2.5
	Borrowers per staff (No)	150	2.5
	Outstanding loan per staff (Rs. million)	20-40	2.5
	Savings per staff (Rs. million)	10-20	2.5

Dimensions	Ratios	Standards	Weightage
<i>Healthy Financial Structure</i>	Ratio of outstanding loan to TA (%)	80-90 %	2.5
	Ratio of deposit to TA (%)	50-60 %	2.5
	Ratio of share capital to TA (%)	10-20 %	2.5
	Ratio of institutional capital to TA (%)	10-20 %	2.5
	Ratio of Non-earning assets to TA (%)	5 %	2.5
<i>Assets quality</i>	Delinquency rate (%)	<2%	2.5
	Portfolio At Risk (PAR)- (%)	<5%	2.5
	Regular (monthly) interest payer (%)	>95%	2.5
	Provisions for loans delinquent for more than 12 months (%)	100%	2.5
	Provisions for loans delinquent 1-12 months (%)	35%	2.5
	Provisions for good loans (%)	1%	2.5
<i>Net Growth</i>	Growth in members888hip (%)	20%	2.5
	Growth in Savings (%)	Inflation rate+20%	2.5
	Growth in assets (%)	„	2.5
	Growth in institutional capital (%)	„	2.5
	Growth in profit (%)	„	2.5
<i>Targeting and inclusion</i>	Coverage ratio (%)	> 95%	2.5
	Female member ratio (%)	> 60%	2.5
	Inclusion in board (%)	> 60%	2.5
<i>Self-management</i>	Transparency, rule of law, regularity and effectiveness of general assembly and board meeting, effective internal control system, strategic planning, HRM, performance evaluation, performance-based incentive, implementation of decisions, capacity building		20
<b>Total</b>			<b>100</b>

Measurement of governance and management aspects are subjective, and so ratings may be affected by perceptions of the assessor and environmental influences.

There can be chances of high or low rating. During the interaction, participants shared that they had seen cooperatives of varying sizes and performances being rated into the

same grade in governance and management related aspects. In this study as well, many financially weak cooperatives scored high in governance and management (the governance score ranged from 28% to 100%), while the financial and inclusion score ranged from 50% to 85%. To minimize subjectivity in the rating, 80% weightage is given for financial performance, and inclusion related indicators, and 20% weightage is given to management related indicators. Details are stated in Table 27.

*Table 27*

*Weightage for Financial and Self-governance Indicators*

Rating areas	Total indicators	Value to each indicator	Total points
Financial performance and inclusion	32	2.5	80
Self-governance	25	0.8	20
Total			100

Table 27 shows that ELEPHANTS Rating Tool consists: (a) Thirty-two (32) financial and inclusion related indicators and carry 80% weight, and (b) twenty-five (25) self-governance indicators and carry 20% weight. I compared the ELEPHANTS with another study. For example, Carton & Hofer (2006) stated 71 indicators under nine dimensions to measure performance: profitability, market share, market value, growth, efficiency, liquidity, sustainability, size of the transaction and social indicators. Of the 138 articles they reviewed, 70% included profitability (RoA and RoE), 27% included growth, 18% included market share, 18% included governance, 17% included market value of the equity, 11% included efficiency, productivity and

sustainability, 7% included liquidity and 4% included other measures. This indicated that profitability, growth, market share, governance, market value, sustainability, efficiency, productivity, and liquidity, are the main dimensions of organizational performance. These dimensions are also included in the ELEPHANTS except the market value of the equity. The shares of cooperatives are not listed in the stock exchange; hence, the market value of equity is not relevant to them. Measuring assets quality was not included in the study conducted by Carton & Hofer. I included it in the ELEPHANTS as maintaining assets quality is crucial aspect for the sustainability of the financial institutions, and it is one of the important dimensions of performance assessment.

### **Assessment and Grading of Cooperatives**

I applied the ELEPHANTS Rating Tool across 210 cooperatives and graded them based on performance. The score and grading of ELEPHANTS is presented in Table 28.

*Table 28*

#### *The Score and Grading of Cooperatives*

Score	Grade	No. of Cooperatives	Percentage
75 <	A	76	36%
65-74	B	97	46%
55-64	C	36	17%
54- 45	D	1	1%
45 >	E	0	0%
Total		210	100%

Cooperatives graded under 'C' and 'D' are considered weak performing cooperatives. This study shows that about 18% of sampled cooperatives fall in this category (Table 28). Cooperatives graded under 'B' are considered good performing and graded under 'A' are considered excellent performing. Table 28 shows that 82% of cooperatives are under the category of good performing. The Small Farmer Development Bank has been grading cooperatives into 'A', 'B', 'C', and 'D' categories since 2008 (Pokharel & Dhungana, 2013). The grading of the cooperatives conducted by the bank also found higher percentage in 'A' and 'B' group and lower percentage in 'C' and 'D' group. Hence, grading results are considered reliable enough as my finding is similar to the grading of the bank.

### Performance of Cooperatives by Types

The ELEPHANTS tool was applied in 210 randomly selected cooperatives across the country representing different types of cooperatives working in different regions of the country. The results are presented in Table 29 (Types of cooperatives and their performance), Table 30 (Performance of cooperatives by regions) and Table 31 (Performance of cooperatives by working areas)

Table 29

#### *Types of Cooperatives and their Level of Performance*

Grade	Performance of cooperatives by Types								P-value
	SFACLs		SFACLs- Female		Savings and Credit		Total		
	N	%	N	%	N	%	N	%	
A	53	37	19	43	4	21	76	36	0.000
B	69	47	20	45	8	42	97	46	
C	24	15	5	12	7	37	36	17	
D	1	1	0	0	0	0	1	0	

Total	147	100	44	100	19	100	210	100
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Table 29 indicates that 37% SFACLs with both male and female members, 43% SFACLs with female only membership and managed by women and 21% Savings and Credit cooperatives obtained an 'A' grade. Results show that SFACLs managed by women had better performance, followed by SFACLs having mixed gender membership and Savings and Credit cooperatives. There is established knowledge in microfinance that women are better clients (Ledgerwood, 1999). My study indicated that women are not only better clients, but also better managers. I administered the ANOVA test to explore whether differences in the performance of cooperatives by type were statistically significant or not. The test revealed that p-value is less than the alpha value (0.05), indicating a significant difference in the performance of different types of cooperatives. The results of this study showed that, female leaders were more likely to demonstrate role model qualities, empower team members, provide performance-based rewards, have skills of the sector and positively contribute to the performance of the cooperatives than male leaders. Research hypothesis (there is difference in the performance of the cooperatives by types and gender) was accepted.

### **Performance of Cooperatives by Region**

Geographically Nepal is broadly divided into three regions: The Plains, Hills, and Mountains. Since my sample also represents all three geographical regions, I examined whether there is a statistically significant difference in the performance of cooperatives by region (Table 30).

Table 30

*Performance of Cooperatives by Regions*

Grade	Performance of cooperatives by region						p-value
	Plains		Hills		Mountains		
	N	%	N	%	N	%	
A	52	43	22	31	3	18	0.000
B	56	46	36	51	6	35	
C	14	11	12	17	8	47	
D	0	0	1	1	0	0	
Total	122	100	71	100	17	100	

As shown in Table 30, 43% of cooperatives in the Plains received an 'A' grade followed by 31% in the Hills and 18% in the Mountains. The results reveal that cooperatives in the Plains perform better than cooperatives in other regions. The ANOVA test revealed a significant difference in the performance of cooperatives by region. Research hypothesis (there is difference in the performance of cooperatives by geographical locations) was accepted. The result indicated that performance of the cooperatives is better in the Plains than in the Hills and Mountains.

#### **Performance of Cooperatives by Working Areas**

Nepal largely consists of rural and semi-urban communities. The cooperatives' services are more important in rural areas because banking services are rarely



available in these parts. I investigated to find out the impact of working area on the performance of cooperatives. The results are presented in Table 31.

*Table 31*

*Performance of Cooperatives by Working Areas*

Grade	Performance of cooperatives by working areas						p-value
	Rural		Urban		Semi-urban		
	N	%	N	%	N	%	
A	59	37	1	17	18	40	0.275
B	76	48	2	33	20	44	
C	24	15	2	33	7	16	
D	0	0	1	17	0	0	
Total	159	100	6	100	45	100	

Table 31 indicates that 37% of cooperatives in rural area, 17 % in urban area and 40% in semi-urban area obtained 'A' grades. The performance of cooperatives in rural and semi-urban areas is better than that of urban areas; however, the difference in performance is not statistically significant. Research hypothesis (there is difference in the performance of cooperatives by working areas) was rejected.

In summary, female managed and cooperatives operating in Plains areas are performing better than cooperatives that are mix-sex managed and/or based in the Mountains or in the Hills. The research hypothesis 'there is difference in the performance of cooperatives by attributes of cooperatives related elements' was accepted, as findings of performance of cooperatives by regions and types showed that there is difference in the performance of cooperatives by attributes of cooperatives related elements (Table 29 and Table 30). However, there is no difference in the performance of cooperatives located in rural and semi-urban areas and urban areas.

Ideally, population density and wellbeing status of people in urban areas is better than other areas, and cooperatives flourish in these areas. But my study did not support this notion. The reasons could be (1) Formal banking services are rarely available in rural areas and people valued cooperatives' services there (2) Many urban-based cooperatives run away with people savings and people do not trust these types of cooperatives. This was also supported by the study conducted by Weber and Gongal (2014). They reported that in 2014, 130 cooperatives, mainly in the Kathmandu Valley, were declared troublesome since they allegedly misappropriated Rs. 11.41 billion in deposits of the general public.

### **Effect Size and Power Analysis of Performance of Cooperatives**

I applied G\*Power 3.1.9.2 software to analyze effect size and power to examine the difference in the performance of cooperatives by types and cooperatives operating in different regions. The findings of the effect size and power analysis are stated in Table 32.

*Table 32*

#### *Effect Size and Power Analysis of Performance Cooperatives*

Effect and Power analysis	Performance of Cooperatives	
	By types	By regions
Alpha level ( $\alpha$ )	0.05	0.05
Effect size $f^2$	0.13	0.17
Power of $1 - \beta$	0.99	0.99

The post-hoc analysis of effect size and power analysis of the performance of cooperatives (Table 32) shows the low ( $0.15 >$ ) effect in the case of types of cooperatives and medium effect ( $0.15 <$ ) in the case of cooperatives operating in the different regions. However, power analysis shows higher power ( $0.80 <$ ) to reject the null hypothesis and accept the research hypothesis. This means that there is difference in the performance of different types of cooperatives and cooperatives operating in different regions.

### Concluding the Chapter

The business nature and organizational types demand different indicators and tools to measure performance. As cooperatives carry unique features, they demand different indicators to measure performance. Therefore, I compared performance assessment tools used by the cooperative sector in Nepal with established best practices and found that currently available tools were not contextualized for a comprehensive assessment of the performance of financial cooperatives in Nepal. Therefore, I developed the 'ELEPHANTS Rating Tool' to address current shortcomings. The 'ELEPHANTS' consists of nine performance dimensions, 32 financial and inclusion, and 25 self-governance related indicators. The indicators included in this tool allow for a comprehensive assessment of the performance of cooperatives. I then evaluated the performance of 210 cooperatives applying this tool. The findings indicated that the performance of female-led cooperatives were better than other types of cooperatives. From a regional perspective, the performance of cooperatives operating in the Plains were better than the Hills and Mountains based cooperatives. I presented these findings in a national seminar and to the leaders of cooperatives. The participants of the seminars validated the results obtained from the assessment of cooperative applying ELEPHANTS tool. The average results of these cooperatives are similar to international standards prescribed for cooperatives. This also validated the authenticity of the indicators used in the tool. I believe that the adaptation of ELEPHANTS by the sector would be helpful to assess the performance of cooperatives and devise strategies and activities to strengthen the sector.

## CHAPTER VI

### ASSOCIATION BETWEEN LEADERSHIP QUALITIES AND PERFORMANCE OF COOPERATIVES

In this chapter, I examine the association and effects of leadership qualities and background variables on the performance of cooperatives applying correlation and binary logistic regression analysis. I begin the chapter with the evaluation of the association between leadership qualities and performance of cooperatives. I then examine the conditions to be fulfilled for administering the logistic regression analysis. After this examination, I discuss the results of regression analysis. Based on the examination and discussions, finally, I explain the effect of leadership qualities and background variables on the performance of cooperatives.

#### **Association between Performance of Cooperatives and Leadership Qualities**

I discussed the qualities of leadership in Chapter IV, and the performance of cooperatives in Chapter V. The purpose of this study was to identify the relationship between leadership qualities and the performance grade of the cooperatives. Hence, I administered the correlation test to explore the relationship between cooperatives' grades and leadership qualities. The results are presented in Table 33 below.

Table 33

*Correlations between Leadership Qualities and Performance of Cooperatives*

Performance of cooperatives (Grade Value)	Leadership qualities			
	Role model	Empowerment	Reward	Leadership skills
Performance of the cooperatives	0.061*	0.086**	0.120**	0.115**

\*Correlation is significant at 0.05 levels (2-tailed); \*\*Correlation is significant at 0.01 level (2-tailed).

Table 33 reveals that there was a positive and significant correlation between the performance of cooperatives and leadership qualities. The research hypothesis of my study "there is a relationship between leadership qualities and the performance of cooperatives" was valid.

The findings showed that (Table 33) the association between (a) grade and role model was 0.061; (b) grade and empowerment was 0.086; (c) grade and reward was 0.120; and (d) grade and leadership skills was 0.115. Correlation coefficient greater than 0.6 is considered a strong association between variables, coefficient 0.4 to 0.6 is considered moderate association and coefficient less than 0.4 is considered a weak association (Levin & Fox, 2006). As correlation coefficients between the performance of cooperatives and leadership qualities of this study were less than 0.4, the association is considered weak, however, it is statistically significant. Research hypothesis (association between leadership quality and performance of the cooperatives) was accepted.

### Logistic Regression Analysis

Before administering logistic regression analysis and examining the effects of leadership qualities and background variables on the performance of cooperatives, I considered specific conditions/assumptions to be satisfied. Table 34 has two columns: conditions to be fulfilled for logistic regression analysis (Huck, 2012; Field, 2009) and considerations and results of my study.

*Table 34*

#### *Conditions for Logistic Regression Analysis*

Conditions to be fulfilled (Huck, 2012; Field, 2009)	My considerations and results of my study
1. dichotomous dependent variable	I considered the performance of cooperatives as dependent variable and coded them as dichotomous variables: (a) "1" for high performing and (b) "0" for below average performing
2. Independent variables can be measured in nominal, ordinal, interval and ratio scale	Independent variables of my studies were measured on nominal, ordinal, interval and/or ratio scale
3. Larger samples or 50 <cases per predictor	Sample size 1255 and 178 cases per predictor
4. No existence of collinearity of predictor variable	I Checked the existence of collinearity among predictor variables (leadership qualities). The result (Table 36) shows (that there is no collinearity of predictor variable.
5. Non-significant p-value form HL test	I have administered Hosmer and Lemeshow (HL) statistic test. The study (Table 37) shows non-significant p-value of all four qualities of leadership.

Source: Table generated by the author based on the literature review

Table 34 shows that conditions 1 to 3 of logistic regression analysis were satisfied as: (a) dependent variable (performance of cooperatives) of this study is coded as dichotomous variable (b) background variables and leadership qualities are measured in nominal, ordinal, interval and ratio, and (c) sample size is 1255 and there are 178 cases per predictor. I administered collinearity and Hosmer and Lemeshow (HL) statistic test to examine condition 4 and 5. I discuss the test of collinearity as well as Hosmer and Lemeshow (HL) statistic test in the following sections.

### Test of Collinearity

Condition four, as stated in Table 34 for applying regression analysis is having non-existence of collinearity or multicollinearity. Collinearity is a situation where two or more variables are very closely associated (close to 1 or -1) or if there is a perfect linear relationship between two or more predictors. In such a case, variables would not predict a correct regression model (Bowerman & O'Connell, 1990 as cited in Field, 2009). To examine the degree of association and existence of collinearity, I administered correlation analysis of four dimensions of qualities of leadership (role model, team empowerment, performance-based rewards and skills in the concerned sector). The result of correlation coefficient is presented in Table 35.

*Table 35*

#### *Correlations of four Factors of Leadership Quality*

Leadership Dimensions	Correlation			
	Role Model	Empowerment	Reward	Leadership Skills
Role Model	1			
Empowerment	0.858**	1		
Reward	0.739**	0.837**	1	
Leadership Skills	0.687**	0.758**	0.772**	1

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

Correlation coefficients indicate the strength and direction of correlation in the range of  $-1$  to  $+1$ , and coefficient  $+0.6$  or more is considered a strong positive correlation (Levin and Fox, 2009). Table 35 shows that correlation between: (a) role model and empowerment was  $0.858$ , (b) role model and reward was  $0.739$ , (c) role model and leadership skills was  $0.687$ , (d) reward and empowerment was  $0.837$  (e) leadership skills and empowerment was  $0.758$ , and (f) leadership skills and reward was  $0.772$ . The results (Table 35) indicate that all four dimensions of leadership qualities were highly and positively correlated. The strong correlation also indicates the possible problem of multicollinearity. Therefore, I decided to check the multicollinearity and tolerance level of collinearity.

There are several ways of checking the existence of multicollinearity of variables and removing problematic variables. Field (2009) mentioned that predictors having correlation coefficient close to  $1$  or  $-1$ , or above  $0.9$  are problematic variables and suggested removing such variables. My study (Table 35) shows that the correlations among all variables were less than  $0.85$ . Thus, the results indicated that multicollinearity was not a concern in my study.

Although correlations among all variables were less than  $0.85$ , it is close to  $0.9$ . Therefore, it was necessary to apply other statistical tests to measure the existence of multicollinearity. Moreover, removing the correlation coefficient above  $0.9$  as mentioned above is only a precaution for avoiding multicollinearity. It is not accurate way of predicting multicollinearity. The most accurate way of identifying subtle forms of multicollinearity is to calculate the variance inflation factor (VIF) and tolerance level of collinearity with the help of SPSS (Bowerman & O'Connell, 1990 as cited in Field, 2009). The VIF indicates whether a predictor has a strong linear



relationship with other predictor(s). Table 36 comprises VIF and tolerance level of four qualities of leadership that predict the performance of cooperative.

*Table 36*

*Variance Inflation Factor and Tolerance level of Collinearity*

Dimension of an Effective Leader	Collinearity Statistics	
	Tolerance	VIF
Role Model	0.261	3.829
Empowerment	0.167	5.994
Reward	0.255	3.926
Leadership Skills	0.359	2.787

a. Dependent Variable: Performance Grade of Cooperatives

The tolerance value below 0.1 and above 0.9 indicates a serious problem of multicollinearity (Huck, 2012; Field, 2009). As presented in Table 36, tolerance values of all four characteristics of leadership were between 0.1 and 0.9; hence, there was no problem of multicollinearity. Another way of checking the problem of multicollinearity is to check the VIF value. The VIF value greater than 10 indicates multicollinearity (Bowerman & O'Connell, 1990; Myers, 1990 as cited in Field, 2009). In my study, the highest VIF value was 5.9. Hence, this also indicates that there was no problem of multicollinearity in this study, and I can apply regression analyses using four dimensions of qualities of leadership.

### **The Hosmer and Lemeshow Statistic Test**

The fifth condition of applying logistic regression is the non-significant p-value of Hosmer and Lemeshow (HL) statistic test. The HL test is applied as an alternative to a chi-square test in logistic regression to test the fitness of model

estimates. The non-significant p-value of HL statistic test indicates the fitness of model estimates. The result of HL statistic test is presented in Table 37.

*Table 37*

*Hosmer and Lemeshow (HL) Statistic Test*

Leadership Qualities	Chi-square	Df	Sig.
Role Model	10.815	8	.212
Empowerment of the Team Members	9.591	8	.295
Performance-based Rewards	15.475	8	.051
Skills of the Sector	7.783	8	.455

H-L goodness-of-fit test statistics shows non-significant p-value (p-value  $>0.05$ ) which means there is no difference between observed and model-predicted values, implying that the model's estimates fit the data at an acceptable level and logistic regression model can be applied. Well-fitting models correctly predict the unknown value of the dependent variable from the known value of the independent variables. Table 37 shows that p-values of qualities leadership as: (a) Role Model = 0.212 (b) Team Empowerment = 0.295 (c) Performance-Based Rewards = 0.051 and (d) Leaders' skills = 0.455; which were greater than 0.05. This indicates that the model estimates fit the data, and I can apply regression analyses.

As explained in the above paragraph, all conditions of applying logistic regression model were satisfied. I can thus proceed to administering the regression analysis model to study the predictive relationship between the independent and dependent variables of my study.

## **Predictive Relationship between Leadership Qualities and Performance of Cooperatives**

I applied binary logistic regression to assess the average relationship between dependent variables (performance of cooperatives) and independent variables (leadership qualities); and to explore how leadership qualities and background variables such as age, gender, education, experience, training and exposure visit predict the performance of cooperatives. I measured the variables of this study in continuous, nominal, ordinal and nominal scale. In such case, I cannot apply the Ordinary Least Square (OLS) regression model (Modassir & Singh, 2008). In such a situation, the logistic regression model is applied to measure the average relationship between nominal and continuous or ordinal and nominal variables (Peng, Ying & Harry, 2002). Hence, I applied logistic regression model to measure whether variation in the continuous variable is due to the variation in the nominal or ordinal or continuous variable and whether the variation is significant or not. The model predicts the relationship between independent and dependent variables, and it supports to predict the unknown value of the dependent variable from the known value of the independent variable/s.

The logistic regression model is considered appropriate to analyze the relationship between a non-metric (nominal or ordinal) and dichotomous dependent variable and continuous or dichotomous independent variables to find a maximum-likelihood method, rather than the least-squares method used in linear regression (Singh, 2007). It predicts only two values, the probability of success over the probability of failure. The results of the analysis are in the form of an odds ratio, which is presented as:

Logit (P) = logit (P/1-P) =  $\beta x + \varepsilon$ ; Where,

$P$  = Likelihood of occurrence, or in my study, chances of achieving high, and low performance of the cooperatives,

$x$  = the independent variables which are leadership qualities and background variables,

$\beta$  = coefficient of corresponding independent variable/s and

$\varepsilon$  = error

In this study, I defined the performance of the cooperatives as the dependent variable and coded as dichotomous variables (high performing and average performing). I coded as "1", for the cooperatives scoring above average grade or high performing and coded as "0" for the cooperatives scoring average grade or below average grade. In the logistic regression model of this study, I considered leadership qualities (role model, team empowerment, performance-based rewards and skills of the sector) as independent variables. I considered background variables such as age, sex, education, experience, exposure visits and training as moderating variables. I applied the logistic regression to test the following research hypotheses. These hypotheses were related to research questions 3 to 4.

Hypothesis 1: Leaders with high level of role model quality are more likely to achieve high performance of the cooperatives

Hypothesis 2: Leaders with high level of empowering qualities are more likely to achieve high performance of the cooperatives

Hypothesis 3: Leaders who provide high level of performance-based rewards to subordinates are more likely to achieve high performance of the cooperatives

Hypothesis 4: Leaders with high level of skills in cooperative sector are more likely to achieve high performance of the cooperatives

Hypothesis 5: Leaders with higher age, education, experience, and leaders who attend more training and exposure visits are more likely to achieve high performance

Hypothesis 6: Leaders' gender is likely to make a difference in the performance of cooperatives

I ran the regression model to explore the predictive relationship between dependent and independent variables and to test the research hypotheses. I discuss the findings of (a) model summary, and (b) effect of leadership qualities and background variables on the performance of cooperatives in the following paragraphs.

### **Model Summary**

I applied model summary in logistic regression to explore the predictability power of leadership qualities on the performance of cooperatives. In the model summary, Nagelkerke R Square value indicates the overall predictability power of the logistic regression model applied in the study. The result of the model summary is presented in Table 38.

*Table 38*

#### *Model Summary*

Leadership Qualities	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
Role Model	1625.357	0.021	0.28
Team Empowerment	1622.134	0.023	0.32
Performance-based Rewards	1613.025	0.030	0.41
Skills	1618.181	0.026	0.36

Nagelkerke R Square value (Table 38) shows that 28%, 32 %, 41% and 36% of the variation in the dependent variable (performance of the cooperatives) is

explained by the independent variables (role model, team empowerment, performance-based rewards and skills of the leaders). The model summary table reveals moderate relationship between the prediction (dependent variable) and predictors (independent variables).

### **Effect of Role Model Quality on the Performance of Cooperatives**

I applied the logistic regression model for investigating to what extent the role model quality of leadership affects the performance of cooperatives. I used background variables: age, gender, educational qualifications, and years of experience, observation/exposure visits and cooperative related training as independent variables. The coefficient of independent variables, their prediction power and significance values are presented in Table 39.

*Table 39*

#### *Variables in the Equation*

Variables	B	S.E.	Wald	df	Sig.	Exp(B)
Role model (x <sub>1</sub> )	.125	.113	1.223	1	.026	1.133
Age (x <sub>2</sub> )	-.006	.007	.586	1	.444	.994
Gender (x <sub>3</sub> )	-.201	.131	2.353	1	.125	.818
Education (x <sub>4</sub> )	.002	.054	.001	1	.976	1.002
Experience (x <sub>5</sub> )	.020	.012	3.042	1	.081	1.021
Exposure (x <sub>6</sub> )	.026	.007	12.742	1	.000	1.027
Training days attended (x <sub>7</sub> )	-.007	.007	.862	1	.353	.993
Constant	-.872	.640	1.857	1	.173	.418

Where,

B = Regression coefficient, explains the contribution of independent variables,

SE = Standard error around the coefficient for the constant,

Wald = Regression coefficient which measure the contribution of variable/s in the model

Sig. = Significance test of the regression model

Exp (B) = Explains increase in the dependent variable by one unit increase in independent variable and

df = degrees of freedom

Wald test is used in logistic regression to examine whether the odds ratio is statistically significant or not (Huck, 2012). Variables in Table 39 reveal the odds ratio [Exp (B)] is 1.133. The model indicates that the leaders who practice high level of the role model quality is more likely to enhance the performance of the cooperatives by 1.133 times more than the leaders with low level of the same qualities. Exp (B) is interpreted in terms of the change in odds. If the value is  $>1$ , then the odds of an outcome increase; if the number is less than 1, any increase in the predictor leads to a drop in the odds' outcome or negatively contributes to the model or performance of the cooperatives. The  $p < .05$  indicates that the role model quality is a significant predictor of performance of the cooperatives; the research hypothesis (Leaders with high level of role model quality are more likely to achieve high performance of the cooperatives) was accepted. This shows that role model characters of leaders have an impact on the performance of cooperatives.

The finding of this study indicates that the background variables such as education, experience and exposure have positively contributed to the performance of the cooperatives while other background variables such as higher age, gender (male) and training days attended contributed negatively. However, the results presented in Table 39 show that background variables such as age, gender, educational qualifications, years of experience and training have insignificant predictive relation

to the performance of cooperatives, with the exception being exposure/observation visits. Research hypothesis (there is significant difference in the performance of the cooperatives by personal characteristics of leaders) was rejected. I have explained why training and other background variables were unable to bring positive changes in the performance of cooperatives in the last section of this chapter.

Table 39 reveals the model of the dependent variable and independent variables as:

$$\text{Logit (P)} = \text{Constant} + X_1 + X_2 + X_3 + X_4 + X_5 + X_6 + X_7 \dots (1)$$

Where,

$X_1$  = Role model;  $X_2$  = Age;  $X_3$  = Gender;  $X_4$  = Education;  $X_5$  = Experience;  
 $X_6$  = Exposure;  $X_7$  = Training days attended

$$\text{Logit (P)} = -0.872 + 0.125 x_1 - 0.006 x_2 - 0.201 x_3 + 0.002 x_4 + 0.020 x_5 + 0.026 x_6 - 0.007 x_7 \dots (I)$$

Equation (1) of indicates that if exposure visit is increased by one unit (one day) the odds ratio is increased by 1.026 times; which means that the performance of cooperatives is increased by 1.026 times. Educational qualifications and years of experience increase performance of cooperatives by 1.002 and 1.021 times respectively; however, the contributions of these variables were insignificant. The finding shows that male leaders, leaders with older in age and those who attended more training did not contribute to the performance, though the effects of these variables were insignificant.

### **Effect of Team Empowerment on the Performance of Cooperatives**

Like in the role model quality of leadership, I applied logistic regression to investigate the extent to which leaders' quality of team empowerment effect on the performance of cooperatives. I used background variables such as age, gender,



educational qualifications, experience, observation visits and training attended, as independent variables. The model summary result presented in Table 38 (Nagelkerke R Square) shows that 32% of the variation in dependent variables (performance of the cooperatives) is explained by the independent variables. The coefficient of the variables (B), their prediction power (Exp-B) and significance values to assess the predictive relationship between dependent and independent variables and develop the regression equation model. The variables in the equation are presented in Table 40.

*Table 40*

*Variables in the Equation*

Variables	B	S.E.	Wald	Df	Sig.	Exp(B)
Empowerment (x <sub>1</sub> )	.209	.100	4.366	1	.037	1.233
Age (x <sub>2</sub> )	-.005	.007	.546	1	.460	.995
Gender (x <sub>3</sub> )	-.203	.131	2.390	1	.122	.816
Education (x <sub>4</sub> )	.002	.054	.001	1	.977	1.002
Experience (x <sub>5</sub> )	.020	.012	2.928	1	.087	1.020
Exposure (x <sub>6</sub> )	.026	.007	12.457	1	.000	1.027
Training days attended (x <sub>7</sub> )	-.007	.007	.866	1	.352	.993
Constant	-	.587	4.340	1	.037	.294
	1.222					

Variables in the Equation (Table 40) indicate that the odds ratio = exp (B) = 1.233. The model reveals that a leader having team-empowerment quality is likely to achieve the performance of the cooperatives by 1.233 times more than the leaders who do not empower their subordinates. The  $p < .05$  indicates that the effect of empowerment was significant for enhancing the performance of the cooperatives; hence, the research hypothesis (leaders with high level of empowering qualities are

more likely to achieve high performance of the cooperatives) was accepted. This means that if the leaders spend more time on capacity building of team members and team empowerment, they help to enhance performance.

Table 40 indicates that the model of dependent variable and independent variables is as follows:

$$\text{Logit (P)} = 1.222 + 0.209x_1 - 0.005x_2 - 0.203x_3 + 0.002x_4 + 0.020x_5 + 0.026x_6 - 0.007x_7 \dots \text{ (II)}$$

The model shows that leaders having the quality to empower the team members are more likely to enhance the performance of cooperatives by 1.233 times than the leaders who do not empower the team members. Similarly, exposure visits more likely to contribute to the performance by 1.027 times. This means if exposure visit is increased by one unit (one day) the performance of cooperatives increases by 1.027 times. Except for observation visits, other background variables have insignificant predictive relation to the performance of the cooperatives. The finding of this study indicates that male leaders are less likely to empower their subordinates than female leaders, although this effect was insignificant. Similarly, age also has a negative and insignificant predictive relation to the performance of the cooperative. Background variables such as educational qualifications and experience positively contribute to the performance of the cooperatives but had insignificant predictive relation to the performance of the cooperatives.

### **Effect of Performance-based Reward on the Performance of Cooperatives**

I applied logistic regression to investigate the average relationship between dependent variables (performance of the cooperatives) and independent variables (performance-based reward, age, gender, educational qualifications, experience, observation visits and training). The result model summary or Nagelkerke R Square

(Table 38) shows that 41% of the variation in dependent variable (performance of the cooperatives) is explained by the independent variables. The coefficient of variables, their predictive power and significance values are presented in Table 41.

*Table 41*

*Variables in the Equation*

Variables	B	S.E.	Wald	Df	Sig.	Exp(B)
Reward (x <sub>1</sub> )	.348	.096	13.056	1	.000	1.416
Age (x <sub>2</sub> )	-.005	.007	.518	1	.472	.995
Gender (x <sub>3</sub> )	-.198	.132	2.245	1	.134	.821
Education (x <sub>4</sub> )	.007	.054	.018	1	.892	1.007
Experience (x <sub>5</sub> )	.020	.012	2.794	1	.095	1.020
Exposure (x <sub>6</sub> )	.025	.007	11.717	1	.001	1.026
Training days attended (x <sub>7</sub> )	-.006	.007	.726	1	.394	.994
Constant	-1.817	.574	10.013	1	.002	.163

Variables in the Equation (Table 41) reveal the odds ratio =  $\exp(B) = 1.416$ . The model indicates that, leaders who provide performance-based rewards are more likely to achieve performance of the cooperatives by 1.416 times more than the leaders who do not provide such incentives. The  $p < .05$  indicates that the effect of rewards was significant to predict the performance of the cooperatives; results have thus supported the research hypothesis (leaders that provide high level of performance-based rewards to subordinates are more likely to achieve high performance of the cooperatives). This indicates that if a leader properly evaluates the performance of team members and provides performance-based incentive, it would enhance performance.

The background variables (education, experience and exposure) have positively contributed to the performance of the cooperatives, but age, gender and training attended have insignificant impact to the performance. Table 41 reveals the model of dependent variable and independent variables as:

$$\text{Logit (P)} = -1.817 + 0.348x_1 - 0.005x_2 - 0.198x_3 + 0.007x_4 + 0.020x_5 + 0.025x_6 - 0.006x_7. \text{ (III)}$$

The above equation indicates that all other independent variables have insignificant predictive relation to the performance of the cooperatives, except for rewards and observation visits. Age, gender (male) and training had negative but insignificant predictive relation to the performance of the cooperatives. Other variables such as educational qualifications and experience of the leaders had positive but insignificant predictive relation. This is because, in the case of community-based cooperatives, honesty, integrity and trustworthiness of leaders are more important than educational qualifications and training. The findings need to dig deeper into other researches to be conducted in the future.

### **Effect of Leadership Skills on the Performance of Cooperatives**

I applied the logistic regression to investigate the effect of leaders' skills on the performance of the cooperatives. I included background variables such as age, gender, educational qualifications, experience, observation visits and training attended, as independent variables to assess the relationship. Nagelkerke R Square (Table 38) shows that 31% of the variation in dependent variable (performance of the cooperatives) is explained by the independent variables. The coefficient of the variables, their predictive power and significance values are presented in Table 42.

Table 42

*Variables in the Equation*

Variables	B	S.E.	Wald	Df	Sig.	Exp(B)
Leadership skills (x <sub>1</sub> )	.259	.091	8.188	1	.004	1.296
Age (x <sub>2</sub> )	-.004	.007	.268	1	.604	.996
Gender (x <sub>3</sub> )	-.198	.132	2.259	1	.133	.821
Education (x <sub>4</sub> )	.002	.054	.001	1	.976	1.002
Experience (x <sub>5</sub> )	.018	.012	2.367	1	.124	1.018
Exposure (x <sub>6</sub> )	.026	.007	12.716	1	.000	1.027
Training days attended (x <sub>7</sub> )	-.006	.007	.826	1	.363	.994
Constant	-1.466	.563	6.770	1	.009	.231

Table 42 reveals the model of dependent variable and independent variables as:  $\text{Logit}(P) = -1.466 + 0.259x_1 - 0.004x_2 - 0.198x_3 + 0.002x_4 + 0.018x_5 + 0.026x_6 - 0.006x_7$ . (IV).

Variables in the Equation (Table 42) show the odds ratio =  $\exp(B) = 1.296$ . The p-value is  $0.004 < 0.05$ , indicating a significant effect of leadership skills (x<sub>1</sub>) on the performance of cooperatives. The model indicates that the leaders with skills in cooperative management are likely to achieve performance of the cooperatives by 1.296 times than those who lack with appropriate skills. The result thus supports the research hypothesis (leaders with high level of skills in cooperatives' sector are more likely to achieve high performance of the cooperatives). The study shows that background variables (education, experience and exposure) positively contribute to the performance of the cooperatives; other background variables (age, gender and training) do not contribute to the performance.

The findings from logistic regression reveal that male leaders are less likely to achieve performance excellence than female leaders. However, the effect was insignificant. This finding was also supported by the other finding of this study i.e. performance of women managed cooperatives were better than male managed. This indicated that male leaders were less likely to (a) demonstrate role model characteristics, (b) focus on empowering the team members (c) provide performance-based incentives. In addition to this, male leaders have less skills than female to manage cooperatives. Other studies (Sharma et al., 2006; GIZ, 2008) have also shown that cooperatives with female members and leaders are more successful than cooperatives having both male and female members.

The leaders in higher age groups have negatively contributed to the performance of cooperatives, though the contribution was insignificant. This study reveals that the older the leaders, the less educated they are. Other reasons could be (a) they were less adoptive to modern system and technology, and (b) they were less active than younger leaders. This finding is also supported by other studies. For example, the principals (school leaders) with higher age were less likely to enhance performance (Khadka, 2017). The study revealed that young leaders are more educated and active and cooperatives having such leaders were more successful.

Leaders who received more training do not have any impact on the performance, though this finding was statistically insignificant. This finding is strange; however, there are other studies that have also found that training programs were unable to bring intended results. Classroom training has been proven too often to be ineffective to impart knowledge to the officials of cooperatives, who are mostly adult and old (Sharma et al., 2006). Adults learn from practical experience in the real field. In my professional career also, I have similar experiences. I have been working

in the field of developing curricula and providing training to cooperatives for about 25 years now and, in my experience also, the training becomes ineffective due to various reasons such as: (1) The curriculum design and delivery methods were ineffective, (2) The cooperatives sent wrong persons to the training or sent the same person repeatedly in different training, or the training were irrelevant (3) Training were not need-based, (4) Training were more theoretical and there were no follow up sessions after training and supports to apply the new knowledge and skills (5) Training were provided mostly to weak-performing cooperatives (6) Daily activities of cooperatives were hampered due to absent of key position/s holders as a result of attending too many training and (7) Weaknesses from participants side e.g. low education level, older age, lack of concentration (8) Only one-third of the respondents have received job-related training and rest of them learn by doing. There could be other reasons that require deeper investigation. The little or negative effect of training on the performance of cooperatives can be eye-opening to improve in design and delivery of training sessions in the future. The findings indicate that further research is required on why training have no impact on the performance of the cooperatives.

Training have no impact; however, the exposure visits have a positive and significant impact on the performance of cooperatives. The popular saying, "Seeing is believing", is also confirmed by this study. The participants, during exposure visits, learn from the good practices of other organizations and apply those practices in their own organizations. Moreover, the opportunity for exposure visit/s also motivates the officials of cooperatives and they work diligently after returning from the visits. This helps to enhance the performance of the cooperatives.

### **Concluding the Chapter**

The correlation analysis showed that there is a significant relationship between leadership qualities and performance of the cooperative. The logistic regression analysis revealed that the leaders with high level of role model qualities, leaders who empower team members, provide performance-based incentives and have skills and knowledge on the cooperative sector, were more likely to achieve higher performance. Background variables showed mixed results while predicting the performance of the cooperatives. Male leaders, leaders older in age and leaders who attended higher number of training, were less likely to achieve higher performance, even though the findings were insignificant. The leaders with higher levels of educational qualifications were more likely to achieve higher performance, but the results were insignificant. In contrast, leaders who attended a higher number of exposure visits and have more experiences were more likely to enhance organizational performance and findings were also significant.



## CHAPTER VII

### DISCUSSIONS OF FINDINGS

In this chapter, I discuss the findings of the study that investigated the relationship and effects of leadership qualities on the performance of cooperatives. The chapter begins with the presentation of major findings of the study in response to the research questions. After presenting the major findings, I discuss the four dimensions of leadership qualities and indicators for measuring the performance of cooperatives as explored by the study. Finally, I compare and discuss the findings of the study highlighting their theoretical underpinnings.

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

This study identified four qualities of an effective leader in the cooperatives: role model, team empowerment, performance-based rewards and leadership skills in the concern sector. The role model is the most preferred quality of leadership followed by team empowerment, performance-based rewards and leadership skills respectively. The leadership qualities differed at policy and operational level leaders of the cooperatives. The operational level leaders hold more role model quality, tend to focus on empowering the team members, and were more skillful than the policy level leaders. However, in the case of providing performance-based rewards, both types of leaders agreed that an effective leader provides incentive based on task/s performed, which help enhance organizational effectiveness.

The study also showed a difference in the professional qualifications of policy and operational level leaders of the cooperatives. The operational level leaders were more qualified than the policy level leaders. The educational qualifications of

operational level leaders were higher than that of policy level leaders. For example, most of the operational level leaders had educational qualifications of SEE and above, whereas it was below SEE level educational qualifications in the case of most of the policy level leaders. In terms of job-related experience, operational level leaders had more experience than those of policy level leaders.

Besides exploring leadership qualities and professional qualifications of leaders, the study has developed comprehensive tools for assessing the performance of cooperatives. The study identified nine dimensions of performance measurement areas (Earnings, Liquidity, Efficiency, Productivity, Healthy capital structure, Assets quality, Net growth, Targeting and Self-governance). I have named these performance assessment dimensions 'ELEPHANTS Rating Tool'. The ELEPHANTS rating found that the performance of majority of cooperatives was in the category of good and excellent. The performance of only one-fifth of the cooperatives was weak.

The performance of the cooperatives was also analyzed from a perspective of (a) gender (managed by female and male), (b) types of cooperatives and (c) locale (regions, urban and rural). Findings showed that, from gender perspective, cooperatives managed by females had better performance than those managed by males; from the point of view of cooperative types, Small Farmer Agricultural cooperatives had better performance than Savings and Credit cooperatives; from the locale perspective, the cooperatives located in the Plains had better performance than those in the Hills and Mountain regions, and the cooperatives operating in rural and semi-urban areas had better performance than those in urban areas.

The study then examined the association between leadership qualities and performance of cooperatives. The finding showed a positive and significant relationship between leadership qualities and performance of cooperatives. Among

the four qualities of leadership, performance of cooperative was highly associated with performance-based rewards. This showed that performance-based rewards help to enhance the performance of cooperatives. After performance-based rewards, leadership skills had high correlation with performance followed by team empowerment. Role model quality of leadership had the lowest correlation coefficient with performance of the cooperatives.

The effect of leadership qualities was also examined in relation to the performance of the cooperatives. The findings showed that the leaders with high level of role model quality, leaders who emphasized on team empowerment, leaders who provided performance-based incentives, and those who had skills and knowledge about the cooperatives sector, were more likely to achieve higher performance of the cooperatives. The role model qualities of leaders had the lowest effect on the performance of the cooperatives than other qualities. The performance-based reward had the highest effect on the performance of the cooperatives followed by leaders' skills and team empowerment.

The findings showed that the demographic variables such as age, gender (male), educational qualifications, and training had no effect on the performance of the cooperatives. On the contrary, the experience and exposure visits have positively contributed to the performance of the cooperatives. Leaders with higher number of exposure visits were more likely to achieve higher performance of the cooperatives. Among different capacity building interventions, findings showed that cooperatives that learn from their own and others' experiences were more successful than those who did not adopt proven and successful practices of other cooperatives.

## **Discussion of Findings**

This section begins with the discussion on the qualities of the cooperatives' leaders. I then discuss indicators of assessment tool developed for evaluating the performance of the cooperatives. Finally, I discuss the level of performance of the cooperatives and effects of leadership qualities on the performance.

### **Characteristics of Leadership in Cooperatives**

The female participation in the management and leadership position of the cooperatives was lower than their composition in the membership. Female membership in the cooperatives affiliated with SFDB is 75%, however, their participation in the management level of the cooperatives (board of directors and staff) was about one-third and in leadership position, it was only one-fifth (Annex 5, Table 7). This figure is much lower than the national population of the female. In the national population, females represent 51% (Central Bureau of Statistics [CBS], 2012). The share of female leadership in the cooperatives is also lower in comparison with their representation in the local government. In the local government, female representation is 41% (Election Commission Nepal report, 2018) as there is mandatory legal provision to include a certain percentage of women in the local level election which helped increase women representation. This indicates that, without intervention at the policy level, the female participation in leadership positions cannot be increased. A study conducted on the cooperatives in Nepal found that without gender policy, it is unlikely to increase women participation in leadership position (Center for Microfinance Nepal [CMF-Nepal], 2003). Most of the cooperatives included in my study lacked gender policy, therefore, women representation in leadership position was low.

The number of women in leadership position is low not only in cooperatives in Nepal; but it is also low globally. In 2002, only 9% of CEOs, 14% of board members, and 16% of corporate officers of fortune 500 firms were women (Barbara & Vanessa, 2005). The reason for fewer women than men in leadership positions could be due to gender-based discrimination. Elmuti, Jia and Davis (2009) found that about 50% of women leaders face different kind of barriers to senior management positions. The responsibilities of raising children and managing household work are major barriers for women for taking leadership roles. However, there is a visible transformation in the past few decades (Barbara & Vanessa, 2005). Women participation in different spheres of human life is in an increasing trend including the cooperatives.

In relation to representation of ethnic groups, this study showed that the majority of the leadership positions in cooperatives were occupied by Brahmins and Chhetris followed by Janajatis, Madhesis and Dalits respectively. The representation of Brahmins/Chhetris in the leadership positions of cooperatives is higher (57%) in comparison to their population share (29 %) in the national population (CBS, 2011). The Chhetris ruled the country and Brahmins hold senior positions under the king's administration since ancient time in the history of Nepal (Bista, 1991). In those eras of history, Brahmins were appointed as the councilor by the king. Even after the restoration of democracy in Nepal, higher caste groups and empowered groups such as Brahmins, Chhetris, and Newars, hold most of the senior positions in administration, judiciary, legislature, political parties and other prestigious jobs (Baral, Hachhethu & Sharma, 2001). Besides the high representation of Brahmins, Chhetris, and Newars in formal organizations, they had intense influences on the informal organizations in communities as well. People who are rich, educated, and have good connections or networking with influential people, political parties and

higher authorities in Kathmandu are/were called Khandani (Baral, Hachhethu, Khanal, Kumar & Sharma, 2004). These types of people have good networking, access to power and resources that help them maintain prestigious status in the community, regional as well as the national level. They have a very good relationship with the governmental and non-governmental organizations working in the community and hold the leadership positions in community-based organizations like the cooperatives. Their representation in leadership positions was higher because they were in leadership position since ancient time in the communities of Nepal. This study also confirmed that Brahmins and Chhetris not only hold most of the senior and powerful positions in central and federal level government, but their representation was also higher in the leadership positions in the community-based organizations like the cooperatives as they are educated, skillful, have good networking skills and reputation.

The study showed that representation of Janajatis, Madhesis and Dalits in leadership positions of cooperatives was low. These caste groups and excluded groups lack access to and control over resources. Consequently, they are still living in poverty, and poverty rates among them continue to be higher (ADB, 2010). The study conducted by CMF-Nepal in 2003 found that cooperatives having inclusion policy and programs have better representation of disadvantaged communities in leadership position than cooperatives without such policies. This indicated that without interventions it is not possible to enhance social inclusion in management and leadership positions of the cooperatives. This further indicated that cooperatives need to devise special strategies and interventions to reach the disadvantaged communities, to enhance their access to and control over resources, to increase their participation in leadership positions and to contribute to alleviate poverty.

Representation of youth in leadership positions was lower in comparison to their share in national population. Four-fifth of the leadership positions were held by adults and older age group and only one-fifth positions were held by youth. According to the Population Education & Health Research Center (2016), the youth population between the age group of 15-30 is 28%. The participation of youth in the leadership position of cooperatives was lower than their share in the national population. This finding was also supported by other studies. For example, a study conducted in China found that members trust mature persons in leadership position than young ones (Garnevska et al., 2011). Other studies also found that members in the general assembly generally elect more reliable and trusted persons as leaders than capable persons (Carvalho, 2012). The findings of this study indicated that members prefer older people in the leadership positions because (a) they are more experienced for leadership position (b) they are considered more trustworthy and believed to safeguard members' investment in cooperatives. This indicated that cooperatives would be effective if they developed strategy and activities to upgrade the capacity of leaders/chairpersons who are more reliable and reputed in the short run and develop succession planning and hand over leadership to young generation in the long run.

### **Professional Qualifications of Leaders in the Cooperatives**

Besides personal characteristics, I included variables such as educational qualifications, experience, exposure visits and training to study the professional qualifications of the leaders. These variables were included in the study as they contributed to enhancing leadership qualities and the performance of cooperatives (SFDB, 2014). The study revealed that educational qualifications of policy level leaders were lower than that of operational level leaders. Most of the policy level leaders had educational qualifications of SEE and below SEE level. On the contrary,

most of the operational level leaders completed SEE and above SEE level education. The striking difference in educational qualifications between policy level and operational level leaders in cooperative sector is due to initiation of community-based cooperatives by local leaders, who generally do not have sound educational qualifications (SFDB, 2014). The initiator recruited educated managers and staff to handle day-to-day operations of the cooperatives.

Experiences of the leaders have important roles in the performance of cooperatives; therefore, I included this variable. Leaders in rural cooperatives learn about cooperative management by reflecting the outcomes of their day-to-day activities. The study showed that about fifty percent of the leaders in the cooperatives have more than three years of experience in the sector. The performance of cooperatives mentioned in Chapter V showed that most of them were performing well. This indicated that even the education qualifications of the cooperatives leaders were low; their experience in the sector helped enhance their performance.

Experience and learning from everyday life theory are more applicable to the community-based cooperatives. The leaders, board of directors, and staff in the community-based cooperatives and other such organizations learn management competency from experience, as there are no courses/educational institutions that offer comprehensive courses on cooperatives in Nepal. The leaders of cooperatives formulate and revise policies, products and offer services to address the needs of the members in the changing context. Besides, leaders are also engaged in solving problems arising from day-to-day operations of the cooperatives. They learn while solving problems and addressing concerns of the members. Therefore, cooperatives established with the active participation of members are successful than that of those formed by the external agencies (Sharma et al., 2006). In the case of externally



promoted cooperatives, members and leaders don't take ownership and are rather inactive in the management. Therefore, performance of such cooperatives is weak.

People in the community establish cooperatives to fulfill their economic and social needs through collective efforts. The leaders at the beginning generally don't have knowledge and skills to manage cooperatives. They learn from actively participating in the day-to-day work and reflecting experience and mistakes. Leaders learn from day-to-day experience and gradually improve competency which in turn helps enhance performance of cooperatives. The Nepali experience has shown that successful cooperatives not only learn from their experience but also learn from others experience. For example, the Small Farmer Development Bank organizes review and planning meeting every year to evaluate the performance of the cooperatives (SFDB, 2016). Leaders of the cooperatives participate in such meeting and learn from each other's experiences. Therefore, the performance of SFACLs is better than other cooperatives as it provides a forum to learn from each other's experiences.

Exposure visit is one of the effective methods of imparting knowledge, skills and learning from each other's experiences. In exposure visits, the leaders learn from others' experience and this is a faster and more effective way of learning than learning from own experience (GIZ, 2014). The exposure visits also worked as one of the effective factors for motivation. The study showed that only about fifty percent of the leaders took part in 1-3 exposure visits. Increased exposure visits in successful cooperatives is the proven and effective method to replicate good practices of those cooperatives (Michael, Marx & Seibel, 2012). The adaptation of good practices ultimately helps the low performing ones to enhance their performance. This study also indicated that there was a positive effect of the exposure visits on the performance of the cooperatives (more in logistic regression analysis section).

Knowledge and skills learned from the active involvement in the job and experience of oneself and others are more effective and practical as they address the local concerns and needs. This is also applied to cooperatives as most of the community-based cooperatives are sustainable and effective than externally implemented developmental initiatives. The community-based cooperatives at the beginning have very few members, little fund and no knowledge of managing the cooperatives. The leaders learn from day-to-day experience; and from other cooperatives during their exposure visits and increase the cooperative's business by increasing members outreach and fund.

Training is another important variable to enhance the skills and qualities of leaders and the performance of cooperatives as well. Leaders need training in management, accounting and business planning to enhance their skills in managing cooperatives professionally (Sharma et al., 2006). The study revealed that only one-third of the leaders had received such training and the remaining leaders have not received any training. Experience showed that appropriately designed complete set of training (management, accounting and business planning) in on-the-job training modality and field-based technical supports after the training help leaders and staff of the cooperatives to improve their performance. For example, the Small Farmer Development Bank has designed and implemented restructuring program for ailing cooperatives. The bank has provided classroom and field-based training and technical supports, which helped to transform the weak performing cooperatives to effective and profitable ventures (SFDB, 2011). Field-based training and technical support was successful to convert ailing cooperatives to vibrant and prosperous organizations. However, this study shows that the classroom-based training has no effect on the performance of the cooperatives. There may be some shortcomings on design and

delivery of the training and there could be many other reasons behind ineffectiveness of training interventions which need to dig out deeper in the future.

I have facilitated many training sessions on various topics of managing cooperatives. During the training the participants (cooperatives leaders) ask many questions on how to motivate people to become members and save for future, how to collect bad debts, or how to resolve conflicts in the organization and other problems arising from the course of managing cooperatives. In many times, participants are not satisfied or convinced from the prompt answers I provided. Then I gradually learned not to respond to the concerns of the participants promptly, rather, I facilitated and explored their experience. During facilitation process, I learned many things which were not found in the books or in the training manuals I developed. I learned many good practices of managing cooperatives and indicators of healthy cooperatives such as number of members and minimum fund required to achieve financial sustainability, techniques of maintaining portfolio quality and others. I also realized that cooperatives' leaders, who are often dedicated and hard working to achieve their collective goals, had many interesting experiences and innovative things to share for the successful operation of the cooperatives than the leaders in ineffective cooperatives. Nepali experience indicated that the dedication, activeness and integrity are much more important qualities of leaders than educational qualifications and many years of passive experience of holding positions but delivering very little. Another important aspect is that learning from everyday life theory is not only applicable to the cooperatives, but it is also applicable to trainers or promoters of the sector. The trainers who have experience in working with cooperatives are more effective to bring the results than those who don't. The trainers, who once worked as chairpersons or managers understand the inside dynamics of cooperatives and relate

those experiences while facilitating training sessions or they ask more critical questions which ignite lively discussions creating environment to share the experiences of participants to explore ways of managing cooperatives effectively.

### **Qualities of Leadership in Nepali Cooperatives**

The study showed that the effective leaders possess four qualities in the context of cooperatives in Nepal: role model, team empowerment, performance-based rewards, and skills and knowledge of the sector. These qualities of leadership are discussed in the following paragraphs.

#### **Role Model**

Among four qualities of leadership, role model was the most important quality of an effective leader. The leader with the role model possesses characters that set good example within the organization or in the society. This kind of leader practices what is preached and lead the organization by example. This study showed that people having desirable values, attitudes, behaviors, and qualities set by the society such as personal integrity, confidence and energetic, selflessness, self-control, visionary, complying with rules and code of conducts, respected and trusted person in the community and other qualities makes him/her role model. A role model leader inspires team members to surpass target or achieve organizational goals effectively through his/her desirable characters (Bass, 2008). The leaders having role model qualities are more likely to enhance the performance of the cooperatives. The qualities that make a leader a role model differ from society to society. Education, culture of the society and socialization have important roles to construct the values and behaviors of a person (Green, 2018) and these qualities determine what role model is and what is not. Education (both informal and formal) has great role to instill prototype of an effective leader in our mind and soul when we grow-up.

Family is the first school for children. In the family, we are taught to adopt ideal characteristics of great heroes and to be a role model in the society. Parents and grandparents at home and teachers at schools tell us legends and fables that instill ideas of what role models or heroic characters should be like into our young minds. Textbooks from schools also contain these stories. These all influence us, and we prefer the characteristics of a role model leader. In childhood, we consider our parents and teachers as role models and obey their instructions without questioning. These values (to be obedient towards teacher and parents) are taught in ancient time by *Rishis* and *Munis* (Gurus in ancient time) in *Gurukul* (Guru means teacher or scholar and kula means family or home, and Gurukul is a learning place in ancient time). The sacrifices of a student towards his/her *Guru* (e.g. story of Ekalabya and Dornacharya) are still told to children by grandparents, parents and teachers. The superior and respectable status of Guru and parents are age-old and are deeply rooted in our society and culture, though this is slowly fading away these days.

The religions and culture have a great impact on the qualities we expect from the leaders. The scriptures of different religions, philosophers and great leaders in the different era of human history have emphasized that leaders must serve as role models to society. Whether it is President or Prime Minister of the country, Chancellor or Vice-chancellor of the university, Principal of the college/school, Head-teacher, Chief Executive Officer or head of the organizations, we feel thrilled and motivated, if our leaders possess role model qualities. The scriptures and human history have elaborated that countries or organizations prosper, if they have role model leaders.

The popular Hindu scriptures like *Bhagavad Gita* and *Kautilya Arthashastra* (economics) and others have a great influence on the way we think about qualities of an effective leader and role model leader. Like the Vedas, the authorship of

the Bhagavad Gita is anonymous. The *Gita*, in today's form, is written by Adi Shankaracharya in the 8<sup>th</sup> century BC. Originally it is a discourse where Krishna [the God] provided lessons about individual duties and *Dharma* (good actions, truth and just) to Arjun [one of the great warriors of Mahavarat war- 'a symbolic war against evils and falsehood'] (Mahadevan, 2015). In the *Bhagavad Gita*, Lord Krishna acted as a role model and motivated Arjun to fight against falsehoods and unjust and reestablish the Dharma. In the verse 3.21 of Gita (*yad yad charati sreṣṭhaḥ tat tad evataro janaḥ, sa yat pramaṇam kurute lokas tad anuvartate*), Krishna told Arjun that successful leaders in society need to be role models and exemplary to onlookers. The true leaders work to set an example in the society. The common people follow the example and standard set by the great persons.

The *Kautilya Arthashastra* written by Chanakya around 4<sup>th</sup> century BC [One of the popular literatures in Hindu society] has emphasized role model as an important quality of a successful leader (Pillai & Sivanandhan, 2015). The *Kautilya Arthashastra* is considered as an archetype of leadership (king is considered leader at that time). The *Arthashastra* stated that a good king is a role model to the society and must have qualities such as ethical, selflessness, confidence, trustworthiness, and a great teacher (Shamasastri, 2013). If the king is ethical and selfless, all citizens become good.

Confucius (551-479 BC) is considered another great teacher and philosopher in Chinese societies, who has stated that the successful leaders are role models in society. His analects include different virtues and principles (called *junzi* in Chinese) that a leader needs to have. According to Confucius, true leaders stand for one's values and principles; they do not seek to compel but speak to inspire; they do not impose their will on others; rather, they live according to core principles that attract

others (Low & Zain, 2012). Analects of Confucius say that a leader must be benevolent to one's people, he/she practices what he/she preaches and the most virtuous person should rule the country, which indicated that a leader (ruler) must be a role model. Confucius' values emphasize that a successful leader or king is exemplary, if the king is good to all citizens, they become good too and if the king is bad, all citizens become notorious. Therefore, the country would prosper if the king is good.

Like in the eastern societies, Greek and Latin myths also emphasized role model leaders. The classical Greek and Roman writers during the medieval and Renaissance time elaborated the prototype of an ideal leader. Writings such as Plato's *Republic*, Machiavelli's *the Prince*, John Locke's *Two Treatises of Government*, and Shakespeare's *Richard II* had elaborated the role model qualities of leaders to create just, progressive and liberal societies (Weaver, 1991 as cited in Bass, 2008). In the era of enlightenment, writings and thought of Voltaire, Sigmund Freud, Karl Marx and Max Weber had a great impact on current quest for effective and role model leaders (Goffee & Jones, 2000). During the twentieth century, the impact of wartime leaders such as Hitler, Stalin, Mao, Napoleon, Winston Churchill, Martin Luther King, Gandhi, Nelson Mandela and other social and religious leaders had a great impact in the societies (Yukl, 2006). All these leaders were/are role model in different realms of peoples' life and they have instilled certain values in our mind.

Philosophers, Gurus, scriptures of ancient time, literature of medieval and Renaissance period and leaders in the First and Second World War have influenced scholars in leadership theories. Leadership theories emerged during and after the 20<sup>th</sup> century such as trait theory, power theory and transformational leadership theories have emphasized the importance of role model characters for the emergence and

effectiveness of leadership. The trait theory research concluded that leaders having attributes such as assertiveness, selflessness, emotional stability, internal locus of control orientation, cooperativeness, motivational, self-confident, ethical are more successful than others (Northouse, 2011; Covey, 1989). The characteristics of effective leaders identified by trait theory are also related to role model leaders identified by this study. The characteristics of role model quality of leadership are also similar to some of the qualities of power theory developed by French and Raven in 1959. According to French and Raven, the leaders acquire referent power. A leader with referent power has several good virtues and role model characters. A successful leader motivates and influences team members through his/her referent power; and referent power of the leader is more effective than legitimate and coercive powers.

Role model qualities are also the concern of transformational leadership theory. The transformational leaders in many aspects have similar characters to role model leaders (Bass, 2008). Specifically, two dimensions of transformational leadership theory such as idealized influence and inspirational motivation are related to role model characters. Both transformational and role model leaders motivate the team members to achieve beyond target by articulating inspiring vision and setting a high target (Northouse, 2013; Bass, 2008). Such qualities make leaders role model and transformational.

Leadership qualities elaborated in trait theory, power theory and transformational leadership theories, and ancient scriptures ascertain that role model is one of the important qualities of leadership in our cultural context. The socio-cultural contexts where we are brought-up and educated have instilled values that a good leader has role model characters. Our society expects that people in leadership position possess desirable attitude and behaviors or have role model characters and



such quality of leadership help organization or nation to move to the path of prosperity.

### **Team Empowerment**

Team empowerment is the second important quality of leadership identified by this study. This is an essential quality of leadership, as without the full support of competent and empowered team members; the leaders alone cannot achieve the organizational goals. Therefore, only being a role model is not sufficient to surpass performance targets or achieve organizational goals. The effective leaders empower the team members and pay adequate attention to invest in human resources development. This kind of leaders' respects differing ideas and stimulates team-members to be critical on current assumptions and always seeks for better options (Baker, 2018). Key qualities of empowering leaders identified by this study include: development of leadership at various organizational levels, succession planning, capacity building of the team, relationship building, involvement in decision-making, and team empowerment. Team empowerment is possible, if leaders invest resources and time for capacity building of the team, involve team members in decision making and provide environment to be critical.

Empowering the team members is very important in the fast-changing world and in the context of cooperatives. The leaders need to continuously invest in human resource development to adjust with the fast-changing world (Thomas, 2006). In the context of rural cooperatives, educated, skillful and empowered team members are hardly available to lead and manage the cooperatives. Therefore, an effective leader in the cooperatives needs to develop the potentiality of each team member and spends most of his/her time in capacity building and empowering the team members. This study showed that leaders with empowering qualities were more likely to enhance the

performance of cooperatives and there was a significant association between team empowerment quality of leadership and performance. Therefore, team empowerment is established as one of the important qualities of an effective leader in the context of cooperatives and other institutions globally.

Cooperatives are established to fulfill common needs of members. If a cooperative could not create the environment to get opinions of members or potential customers while designing services or electing leader/s, it cannot be successful. Like cooperatives, organizations operating in competitive global environment could not be successful if they could not exploit idea and creativity of employees at all levels of the organization (Spreitzer, 2008). Employees feel encouraged and comfortable to be critical or innovative if they are empowered.

The importance of team empowerment is also emphasized in ancient scripture and philosophers. The Bhagavad Gita verse 12.15 (*yasman nodvijate loko lokan nodvijate cha yah; harshamarsha bhayodvegair mukto yah sa cha me priyah*) says that the empowered persons have the capacity to handle different situations. They can act calmly and freely in all human emotional states such as happiness, anger, fear, anxiety, etc. Such persons/leaders are not afraid to speak the truth in front of the powerful or higher authorities for the benefits of the team and the organization. The organizations or nations with empowered leaders perform better than those without such leaders.

According to Confucius, true leaders inspire and empower people and team members, so that everyone becomes motivated and dedicated to follow the leaders' instructions and perform the task (Low & Zain, 2012). Empowered and motivated team- members work diligently even in the absence of leader, and high standard achievement is possible. On the other hand, if a leader is autocratic and use coercive

power to get the job done, team members try to escape from their own responsibilities and performance will deteriorate (Northhouse, 2013). People or team members afraid of telling the truth in front of the autocratic leaders and such circumstances can be the main causes behind the fall of a nation or an organization.

Similar to Eastern scriptures, Western philosophers, writers and influential persons of their time such as Nicolo Machiavelli, Bertrand William Russell and others emphasized the empowerment of people and the need for breaking up the status quo for the progressive society. For example, Nicolo Machiavelli in his masterpiece *The Prince* mentioned that the prince or a leader who can change the conduct in line with the times achieve constant success (Thomas, 2006). Therefore, the successful leaders educate and empower the team members to make them fit in changing environment.

Team empowerment quality of leadership is also highlighted by the most recent leadership theories such as transformational leadership and servant leadership theories. Both transformational leadership and servant leadership emphasize the importance of appreciating and valuing people's work, listening, mentoring or teaching, and empowering the team (Stone, Russell & Patterson, 2003).

Individualized consideration and intellectual stimulation dimensions of transformational leadership theory are related to team empowerment as these dimensions focus on relationship building, capacity development, and motivation of team members to successfully achieve the goal of an organization. Like transformational leaders, servant leaders focus on serving and fulfilling individuals' needs and empowering the team members.

Bass and Riggio (2006) emphasize the importance of team approach and team-empowerment. According to them " leadership is not just the province of people at the top, it can occur at all levels". Teamwork of capable leaders at all levels collectively

contributes to attaining organizational goals. Leaders at the top can become successful, only if he/she empowers team members to work collectively and if he/she is able to get full support from the team members. Team empowerment and participative leadership and delegation of responsibilities and authorities would not be suitable in all situations. Delegating responsibility and authorities may not empower team members if they lack motivation, skills and knowledge required to perform the task successfully. The best leaders are those who integrate task-oriented and relations-oriented (empowerment) approach based on situation or context (Yukl, 2006). According to the situational leadership model developed by Blanchard (1985), effective leaders apply four styles of leadership based on the situation: delegating, supporting, coaching and directing. Competent, dedicated and motivated team needs delegation of authority and accountability while less skillful and less motivated subordinates need more direction, motivation and empowerment.

### **Performance-based Rewards**

The third quality of an effective leader is that he/she provides rewards or incentives such as promotion, salary increment, sponsored tour, admiration and other types of incentives based on performance. A leader establishes a transparent system to evaluate tasks performed by each member of the organization and decides monetary benefits based on performance. The incentive works as stimuli or motivating factor for employees to increase the output of an organization.

In every winning organization, there is a system to reward individuals based on their contributions and leaders require having ability to recognize the contribution of team members (Thomas, 2006). The effective leaders institutionalize performance-based reward system in the organization by providing specific terms of reference (ToR) to team members, delegating accountability and authorities to perform job/s,

and establishing an effective monitoring system for evaluating the performance. The culture of fairness and meritocracy is the institutional culture in the organization that provides performance-based rewards. The performance-based reward is the mutual benefits for leaders and team members or organization and employees. By providing incentive, the organization accelerates productivity and profitability. The employees get more benefits by surpassing performance targets. The rewards motivate people to put more efforts in the work and improve efficiency and productivity.

The reciprocal relationship and dependency between two parties such as management and employees or man and God is also highlighted in the verse 3.11 of *Bhagavad Gita* (*devan bhavayatanena te deva bhavayantu vah; parasparam bhavayantah shreyah param avapsyatha*). The verse says that both parties (people and God) are benefited and become happy from mutual cooperation. The mutual cooperation helps the persons involved to prosper. Organizational and individual prosperity depends on the contribution of the members. If an organization does not reward the contributions of individual staff, the talented and productive staff leave the organization and this hampers organizational performance. The mutual supports and rewards accelerate the performance. Hence, the leaders who provide performance-based incentive would be effective and successful.

This dimension of leadership quality or leaders who provide rewards based on performance is also related to different leadership theories such as leader-member exchange (LMX) theory, transactional leadership theory, and power theory. In the LMX theory, Graen and Cashman (1975) suggested that exchange relationships are formed based on personal compatibility and subordinate competency and dependability. Over time, a leader is likely to establish either a high-exchange relationship or a low-exchange relationship with each subordinate. According to the

LMX theory, a supervisor provides good opportunities, incentives and supports to his/her preferred team members based on the relationship, and vice versa. The good quality relationship helps the organizations to enhance performance. On the other hand, poor quality relationship invites number of problems such as poor performance, absenteeism, staff drop-outs and others.

According to the LMX theory, an individual has his own likes and dislikes depending on his personal traits. His/her likes and dislikes determine the quality of the relationship between leaders and team members. The quality of relationship between leaders and team members determines the performance of an employee and rewards. The personal characteristics of leaders and members such as locus of control, need of power, self-esteem, organizational culture, socialization and context determine the quality of LMX and performance of an organization (Yukl, 2006). Individuals who have an internal locus of control, or who are in high need for power or who have high self-esteem are more likely to form high quality LMX and perform better job outcomes.

Beside LMX theory, the performance-based reward is also related to transactional leadership theory. The transactional leadership theory is exchange relationship between leaders and team members and rewards are provided based on performance (Bass, 2008). The characteristics of transactional leaders are similar to those of managers. The transactional leaders focus on monitoring of job performance and smooth running of day-to-day activities of the organization. This type of leaders clarifies followers' job responsibilities and performance target (Eptropaki & Martin, 2005). Under this approach of leadership, a leader rewards the followers for desirable behaviors and performance and punishes non-compliance or if the performance target does not meet leader's expectations. According to Bass (1990), in a stable

environment and large established organization transactional leadership is more appropriate, while transformational leadership is more suitable in a turbulent environment. This indicates that all role model, team-empowerment and performance-based rewards are important qualities of an effective leader.

Leaders who provide performance-based rewards are also related to power theory developed by French and Raven (1959). According to power theory, a leader has legitimate and reward power and team members comply with assigned duties in order to obtain rewards; leader has coercive power and subordinate complies to avoid punishments. Therefore, the third dimension of qualities of effective leader focuses on performance-based rewards, which is related to power theory, transactional theory and LMX theories of leadership and this quality of leadership is also highlighted in ancient scriptures.

### **Skills and Knowledge**

Finally, the fourth quality of an effective leader is that he/she has skill of the concerned sector. This study identified that effective leaders in cooperatives have skills in five areas. Firstly, an effective leader has knowledge of the cooperative's principles and legal framework. Knowledge of cooperative's principles and legal framework is needed to comply with prevailing rules and regulations and ensure good governance in day-to-day operation of the cooperatives. Without having knowledge of cooperatives regulations, a leader cannot be successful on the job. Hence, it is the first skill required to be an effective leader. Secondly, the leaders have knowledge of Key Performance Indicators (KPIs) and has skill to measure and interpret the performance of the cooperatives. Knowledge and skills of KPIs of cooperatives assist leaders to compare and evaluate: (a) current year performance of cooperatives with the previous year (b) compare performance with the industry average and standard norms set for

cooperatives. The KPIs help leaders to evaluate the performance of staff and cooperatives and plan activities to improve the performance. Thirdly, leaders have ability to establish linkages with stakeholders to mobilize needed resources. The skills and ability to establish linkages with stakeholders is needed to mobilize the necessary resources for expanding services and providing better services to members. The linkages and networking with stakeholders are also needed to enhance the capacity of human resources of cooperatives. Understanding the needs of members and designing and offering services as per members' needs is the fourth important skills that leaders need to have. If a cooperative is not able to provide services as per members need, the members' drop-out rate and delinquency rate will increase. Inability of handling delinquency has been proven the single most important reason behind the downfall of financial institutions and financial cooperatives (UNCDF, 2002). Therefore, skills in designing services as per members' needs and enhancing members' satisfaction are important skills of leadership. Finally, skill to manage conflict is important for the smooth operation of cooperatives. Conflict can occur in different levels of cooperatives such as between team members or between staff and clients or other stakeholders. If conflicts are not appropriately managed, the operation of the cooperatives will be hampered.

The skills approach of leadership argues that the knowledge, skills and abilities of a leader in the concerned sector help the organizations achieve the organizational goals effectively. An effective leader need not be highly educated and technically sound, but his/her experience and conceptual clarity of the sector and good interpersonal skills are essential to lead the organization successfully.

A successful leader has skills of performing superior actions. This is also highlighted in the Bhagavad Gita in verse 3.8 (*niyatam kuru karma twam karma jyayo*



*hyakarmanah; sharira-yatrapi cha te na prasiddhyed akarmanah*), i.e., successful people perform superior actions diligently, laziness is the greatest enemy, and work is the most trustworthy friend of humans. By performing duties diligently people purify their minds and intellect and win the heart of others. Good people or leaders in the society learn from continuous and diligent efforts in particular field. Learning from actions and experience is always better than other methods of learning. The verse of *Bhagavad Gita* is more applicable in the case of community-based cooperatives as most of the leaders in the cooperatives have lower educational qualifications and they learn about managing cooperatives from diligent actions and experience.

Like *Bhagavad Gita*, another famous scripture ‘*The Kautilya Arthashastra*’ also emphasizes the importance of skills of leaders. According to *Kautilya Arthashastra* students of the powerful and prosperous country are taught by superior and most skillful teachers. Such teachers have strong theoretical as well as practical knowledge (Pillai & Sivanandhan, 2015). Students learn better from such teachers and acquire all the skills required to get the job done. These students become crusade for the prosperity of the nation and the organization as well in the future. Like teachers, an effective leader can teach and provide proper guidance if he/she has superior skills.

The skills approach of leadership studies has explored the competence and abilities of an effective or ineffective leader. The studies have identified the specific traits and skills that predict leadership effectiveness and developed models related to importance of skills of an effective leader. Among others, the power theory of leadership, the implicit leadership theory, and the skill model are often discussed in leadership books and journals.

According to power theory of leadership developed by French and Raven, certain skills have important roles for the emergence and effectiveness of leadership.

According to this theory, a successful leader has expert power, besides referent, reward, coercive, and legitimate power. The effective leaders have skills of getting the job done efficiently and instructing and guiding team members. The successful leaders are skillful to mobilize human, financial and other resources and have knowledge about the best ways of doing things.

Implicit Leadership Theory (ILT) developed by Robert Lord and colleagues suggests that group members have different expectations and assumptions about the personal characteristics, traits, and qualities of leaders such as determined, skillful, influential, honest, caring, open to new ideas, and interested in the group work (Yukl, 2006). According to the implicit theories, team members have certain stereotypes and prototypes about the skills and behaviors of leaders. If the expectations of team members are not met by the leaders, such leaders may not be successful. Therefore, for a leader to be successful he/she needs certain required skills in the related fields.

The skills model of leadership or taxonomy of skills of leadership developed by Robert Katz in 1955 is one of the popular models. According to Katz, the taxonomy of skills includes: conceptual skills, human skills and technical skills. Leaders at the supervisory level need technical skills as productivity and efficiency matters are based on level of knowledge and skills of performing a certain task. Leaders with sound technical skills can provide correct instruction to subordinate and chances of getting the job done correctively and cost-effectively would be high. Middle level managers need more human skills as people need love, caring, consideration, protection, encouragement (HBR, 2013). An effective middle level leader/manager has ability to understand the feelings and behaviors of subordinates and ability to communicate clearly and effectively to establish effective and

cooperative relationship with team members. Social skills such as emotional intelligence, understanding, and empathy make a leader effective.

Leaders at the top level need conceptual skills. Different functions such as finance, human resources, production, marketing, research make a complete organization. A leader cannot be an expert in all matters. However, conceptual clarity of vision, goals, and activities of different departments and functions of the organization help leaders understand the issues and make the right decision. Conceptual clarity enhances analytical, creative, logical thinking and problem-solving skills of the leaders.

The technical, human and conceptual skills help for the emergence and effectiveness of leadership. However, a person does not become a leader by virtue of having the possession of some traits or skills (Bass, 2008). There is no evidence of universal traits or skills of a successful leader. Different types of organizations such as service, business, manufacturing, small and large, established and new, stable and turbulent environment required leaders with appropriate skills and traits, and possession of specific traits and skills increases the likelihood of becoming a successful leader, but they do not guarantee the emergence and effectiveness of leadership. A leader with a certain trait could be effective in one situation but ineffective in others (Sperry, 2004). Furthermore, two leaders with a different pattern of traits could be successful in the same situation. Many research studies have failed to identify specific traits or skills that distinguish leaders from non-leaders. Executives failed most often because of an interpersonal flaw rather than a technical ability (Sperry, 2004). Therefore, being skillful in a specific field does not guarantee the effectiveness of leadership. Leaders with mixed skills related to organizational activities and better human skills would be effective in all situations (Yukl, 2006). In

the case of cooperatives, human and conceptual skills of the sector are more important as this skill helps leaders establish a sound relationship with members, staff and external stakeholders such as regulators, government agencies and partners.

Maintaining a good relationship with the stakeholders helps leaders achieve the organizational goal efficiently. Therefore, staff of the cooperatives need technical skills to get the job done and leaders and managers need human and conceptual skills to maintain good relations with colleagues and members and to establish good linkages with stakeholders.

The four dimensions of leadership qualities discussed earlier are important qualities of leadership in Nepali socio-cultural context in general and cooperative context in particular. All these four qualities are needed to make a leader effective. This is also supported by the need theory of motivation. For instance, according to Maslow's hierarchy of needs theory, different factors motivate people (Robbins et al., 2012). Team members work either to fulfill basic need such as physiological, safety, and social/love and belonging needs or work to fulfill higher needs such as important self-esteem and self-actualization. Same incentive package would not motivate equally to all people.

According to McClelland's motivational theory, people work to realize their need for power, need for achievement and need for affiliation (Robbins et al., 2012). These theories indicate that some people work to fulfill basic needs and put extra efforts for getting bonus or salary increment while other work for achievement and recognition. This study showed that role model and team-empowerment characteristics of leaders are suitable and effective to motivate team members who work for fulfilling higher needs while performance-based rewards and skills of the sector would be effective for those who work for fulfilling basic needs. However, it is

difficult to label team members into two need groups: higher and basic need groups. In real life, people work for fulfilling basic needs and also expect recognition from the leaders or organization where they work. At the same time all people have aspirations of achievement and advancement in their career.

Among the four dimensions of leadership qualities discussed above, the role model is the most important quality of leadership in both policy and operational level leaders followed by team-empowerment, performance-based reward and lastly, skills. The role model is the most important characteristic of an effective leader in our socio-cultural context as our religion, culture and education system instill value that successful leaders lead by example and team members follow the characters of the leaders. However, these four dimensions of leadership qualities differ in policy level and operational level leaders. Qualities of operational level leaders are higher in comparison to the policy level leaders or operational level leaders possess more leadership qualities than that of the policy level leaders. This is because operational level leaders are more qualified in comparison to the policy level leaders in the case of cooperatives. This is because, when traditional forms of mutual cooperation are transformed into cooperatives or when leaders at communities establish cooperatives, they need educated and skillful human resources to manage formal organization. The cooperatives' leaders recruit competent staff to handle day-to-day activities of the cooperatives and also send staff and team members to the training and exposure visits to upgrade their skills. Leaders emphasize for human resources development as the success of cooperatives depend on the competency of the staff and team members; and leaders' reputation is directly linked with the success of the cooperatives. Hence, operational level leaders are more qualified and experienced than policy level leaders in the cooperatives.

The leaders' skills on the subject matter as well as the performance-based rewards offered to employees have a bigger impact on the performance of cooperatives than a leader with role model and/or team empowerment qualities. Skill model of leadership developed by Robert Katz (1974) also suggests that successful leaders at operational level need to be technically skillful while leaders at a higher-level need human and conceptual skills to be successful in the job. However, this finding is not supported by the full range of leadership model developed by Bass. According to Bass (2008), transformational leaders are successful in all conditions while transactional leaders are successful in an established organization. But in Nepali context, both policy level and operational level leaders agreed in a similar way that a successful leader is transactional or provides performance-based rewards and have skill in the concerned areas. Both types of leaders believe that performance-based rewards to team members or employees help enhance performance. Leaders in cooperatives agreed that effective leaders in cooperatives are transactional and have skill to mobilize human and other resources to cater the need of members. Transactional leaders (leader who provide performance-based rewards) are more effective than transformational (role model and empowering) leaders. This is because, in the rural cooperatives, the basic needs of the members and staff are more important than higher needs such as recognition. This is also supported by other studies as well. According to Timothy, Andy, Victoria and Idowu (2011), transactional leadership had more effect on performance than transformational leadership in small organizations. Cooperatives included in my study are community-based small organization established to fulfill members' needs in the communities.

### **Indicators for Measuring Performance of Cooperatives**

I discussed four dimensions of qualities of leadership in the section above. In order to compare the relationship between leadership qualities and performance, I have developed indicators and tools and measured the performance of the cooperatives. I have discussed performance of cooperatives in this section.

A comprehensive performance evaluation tool includes both financial and management related indicators (Carton & Hofer, 2006). Financial indicators such as profit, productivity, growth and other indicators measure current status of the cooperatives while management related indicators such as staff and members satisfaction, inclusion, MIS and transparency measure current performance as well as they help to predict future performance. For example, satisfied employees work diligently and put in extra effort, which in turn enhances performance. Use of both indicators provides a clearer picture of organizational performance (Geyer & Steyrer, 2005). Hence, an ideal assessment tool contains indicators to measure financial performance as well as managerial aspects.

The nature of organizations and their services demand differing indicators and standards for appraising performance (Negre & Maguire, 2002). In the case of appraising the performance of financial cooperatives, PEARLS and other tools are available. Although the PEARLS contain as many as 46 financial indicators, it lacks some important ratios to measure performance such as sustainability, portfolio at risk, efficiency and productivity (Brand, 2000; Holtmann, 2001; UNCDF, 2002). Moreover, there are no consistencies among practitioners and regulators on which PEARLS ratios can be considered very important for their inclusion in accessing performance. For example, the Asian Confederation of Credit Unions (ACCU) has adopted 13 indicators, and Nepal Federation of Saving and Credit Cooperative Union

(NEFSCUN) has included 15 ratios in the performance assessment tool they have developed. Both NEFSCUN and ACCU work under the same network, but they are using different number of PEARLS ratios. Moreover, they have adopted only few financial ratios from PEARLS, which indicates that all 46 ratios of PEARLS are not important. The PEARLS also lack indicators to measure members' satisfaction, services to members, inclusion and others aspects related to management and governance. This shows that cooperative sector lacks a comprehensive tool to measure performance. Moreover, internationally available performance assessment indicators and standards included in the PEARLS are developed in different contexts and may not be applicable to the context of cooperatives in Nepal.

This study has identified nine dimensions for assessing the performance of cooperatives which are: **Earnings, Liquidity, Efficiency, Productivity, Healthy capital structure, Assets quality, Net growth, Targeting and Self-governance** (abbreviated as **ELEPHANTS**). These nine dimensions have all together 32 financial and inclusion related objective indicators, and 25 self-governance related indicators. All these nine areas are important facets of performance assessment (UNCDF, 2003; SEEP, 2005; WOOCU, 2011). The first dimension of performance assessment tools evaluates earnings (financial sustainability and profitability). The assessment of earning is important as it assesses the financial stability of the institutions and safety of members' money. The second dimension of performance assessment tool measures the status of liquidity. It is important as maintaining appropriate level of liquidity is essential for meeting financial obligations and smooth operation of the cooperatives. The third dimension, 'efficiency ratios' measures how much it costs to lend one unit of currency; the lower the ratio, the more efficient the institution. Productivity, the fourth dimension, measures the output of certain inputs. If the ratio is higher, the



organizational operation is considered productive. The fifth dimension (healthy financial structure) measures sources and uses of funds. The organizational earnings depend on effective mobilization of funds in income-generating activities. The sixth dimension of performance assessment tool measures assets quality (loan portfolio). The loan portfolio is the largest single income-earning asset of financial institutions and financial cooperative as well. Collecting interest and principal amount as per the schedule of loans and controlling delinquency allows an institution to continually provide credit and generate income. Net growth (inflation-adjusted growth) measures the growth in areas of the institutions. Higher growth rate or growth above industry average indicates that the cooperative's members are satisfied with the services offered. The seventh performance assessment dimension, targeting and inclusion ratios assess how well cooperatives have served targeted clients and how it is promoting financial inclusion. The last dimension of performance assessment, self-management, measures governance and management, services of the institution, human resources and other institutional aspects. These indicators are also important as they measure good governance and management competency of the cooperatives.

The ELEPHANTS rating tool was applied across 210 cooperatives to assess their performance. The assessment results showed that the performance of the majority of the cooperatives was good. Only one-fifth of the cooperatives were weak. The standards established by the findings of the ELEPHANTS rating tool are similar to internationally prescribed standards for financial cooperatives. Thus, this tool can be considered reliable and authentic enough to apply to measure the performance of financial cooperatives across Nepal. I disaggregated and analyzed performance of cooperatives by region and rural, urban and semi-urban areas. The cooperatives operating in the Plains had better performance, followed by those in the hills and the

mountains. The performance of the cooperatives in the Mountains region was lowest in comparison to other regions. This is because the Mountain region has low population density and economic activities (Sharma et al., 2006). In the Mountains, the demand for financial services is low and cooperatives cannot increase outreach due to low density of population and difficult terrain. However, there is no difference in the performance of cooperative operating in rural, urban and semi-urban communities. Theoretically, the performance of cooperatives in urban areas would be better but in reality, the performance in rural, urban and semi-urban areas is similar. This is because the cooperative service is more important in rural areas as banking services are rarely available in these parts.

From a gender perspective, the performance of female managed cooperatives was better than male managed. There is established knowledge in microfinance that women are better clients (Ledgerwood, 1999). My study indicated that women are not only better clients, but also better managers. Women are more serious and accountable to their duties. Therefore, the performance of the cooperatives managed by women was better. Findings of earlier studies also revealed that the performance of female managed cooperatives was better than that of male managed (CECI, 2001; GIZ, 2008; SFDB 2014).

Although there are age-old beliefs and gender stereotypes against women, the performance of female leaders is better than that of male counterparts. Female principals/leaders consult with team members and stakeholders before making decisions (Bhattarai & Maharjan, 2017). These characteristics make female leaders more successful in their workplace than male leaders. Women have higher neuroticism and agreeableness than men (Elmuti, Jia & Davis, 2009). They are more relation-oriented, social and participative. Female leaders are considered more

cooperative and emotionally intelligent by the team members than their male counterparts (Paustian-Underdahl et al., 2014). Leadership characteristics such as relation-building, teamwork, supportive and participative make leaders more effective than task-oriented behaviors (Northhouse, 2013; Shetty, 2017). Participative leadership approach such as participation in decision making, mutual trust and cooperation enhance organizational performance and leadership effectiveness. Hence, cooperatives managed by females are more effective than those managed by males.

The findings indicate that increasing female representation in leadership positions would enhance the performance of cooperatives. This notion is also supported by the Hindu scripture *Manusmriti* Chapter 3 verse 56 (*Yatra naryastu pujyante ramante tatra devataḥ; Yatra itastu na pujyante sarvastatraphalaḥ kriyāḥ*). The verse says that, if women are respected, God will be satisfied and pleased. On the other hand, if they are not honored, all other sacrifices, charities and rituals would be fruitless. In my understanding, respecting women means giving them equal opportunities in different social and economic spheres and ensuring their equal representation. This study revealed that by providing equal opportunities to women, we not only promote just society but also enhance organizational performance.

#### **Association between Performance of the Cooperatives and Leadership Qualities**

The study showed a positive and significant correlation between leadership qualities and the performance of cooperatives. The leadership qualities such as role model, team-empowerment, reward and skill enhance the performance of cooperatives significantly. The association was highest in performance-based rewards followed by leaders' skills among four qualities of leadership. This indicated that performance-based rewards and skills of a leader help enhance the performance of cooperatives. This also pointed out that by investing in human resource development

or recruiting more skillful managers and leaders and providing performance-based rewards, a cooperative can improve its performance. The highest mean value of role model and team-empowerment indicates that these are preferable qualities of leadership; however, the association between these qualities of leadership was lowest with the performance of cooperatives than the other two qualities of leadership. As explained earlier, our cultural values and mindset expect that successful leaders are role model and empower the team. However, my study does not substantiate this as these qualities are little practiced in our day-to-day life.

### **Effect of Leadership Qualities on the Performance of Cooperatives**

The four dimensions of qualities of leadership identified by this study had positive effects on the performance of cooperatives. Leaders, who practice a high level of role model quality, empower team members, provide performance-based rewards, and have skills in managing a cooperative, are more likely to enhance the performance of the cooperatives than the leaders with low level of such qualities. Among the four qualities of leadership, the role model is considered to be the most important characteristic of an effective leader. However, the role model quality of leadership has less effect on the performance of the cooperatives than the other characteristics of leadership. This is because the leaders of cooperatives were unable to translate the role model quality as envisioned by our culture and values. Therefore, this quality has less effect on the performance of the cooperatives.

The team empowerment had more predictive power to explain the performance of the cooperatives than the role model quality of leaders. Only being a role model is not sufficient to achieve high performance standard especially in the context of community-based cooperatives in Nepal. Without the full support from competent team members, leaders alone cannot achieve the organizational goals. As

education qualifications and other skills of the team members of the cooperatives are low, they need to put much effort in capacity building and team empowerment such as: development of leadership in each level of organization, succession planning and empowerment. However, team empowerment had less predictive power to explain performance than skill of the sector and performance-based reward.

As stated in the above paragraphs, the role model and team empowerment are considered important qualities of leaders in the socio-cultural context where cooperatives operate. However, these two dimensions are not much influential to enhance the performance of the cooperatives. The cultural values of Nepali societies are embedded in such a way that team members expect their leaders as role model and empowering. The leaders and team members in cooperatives develop these values and beliefs when they are socialized and educated in the society. However, the role model and empowering qualities of leadership envisioned by Nepali culture are not translated into practice. Day-to-day activities of the communities are influenced by Western values and cooperatives leaders are unable to demonstrate the role model and empowering qualities in practice. Therefore, the effects of these two qualities of leadership on the performance are lower than rewards and leadership skills.

The performance-based reward had the highest effect on the performance of the cooperatives. This showed that in the cooperative context, leaders who provide performance-based rewards would be more effective than leaders who are role model, who empower the team and have skills of the sector. People working in small organizations like cooperatives expect immediate benefits/rewards from the work or they get motivated if their lower level needs are fulfilled or if the salary provided by the cooperatives is sufficient to manage their basic needs. Therefore, cooperatives to be effective need to provide ToR to each employee; evaluate performance and provide

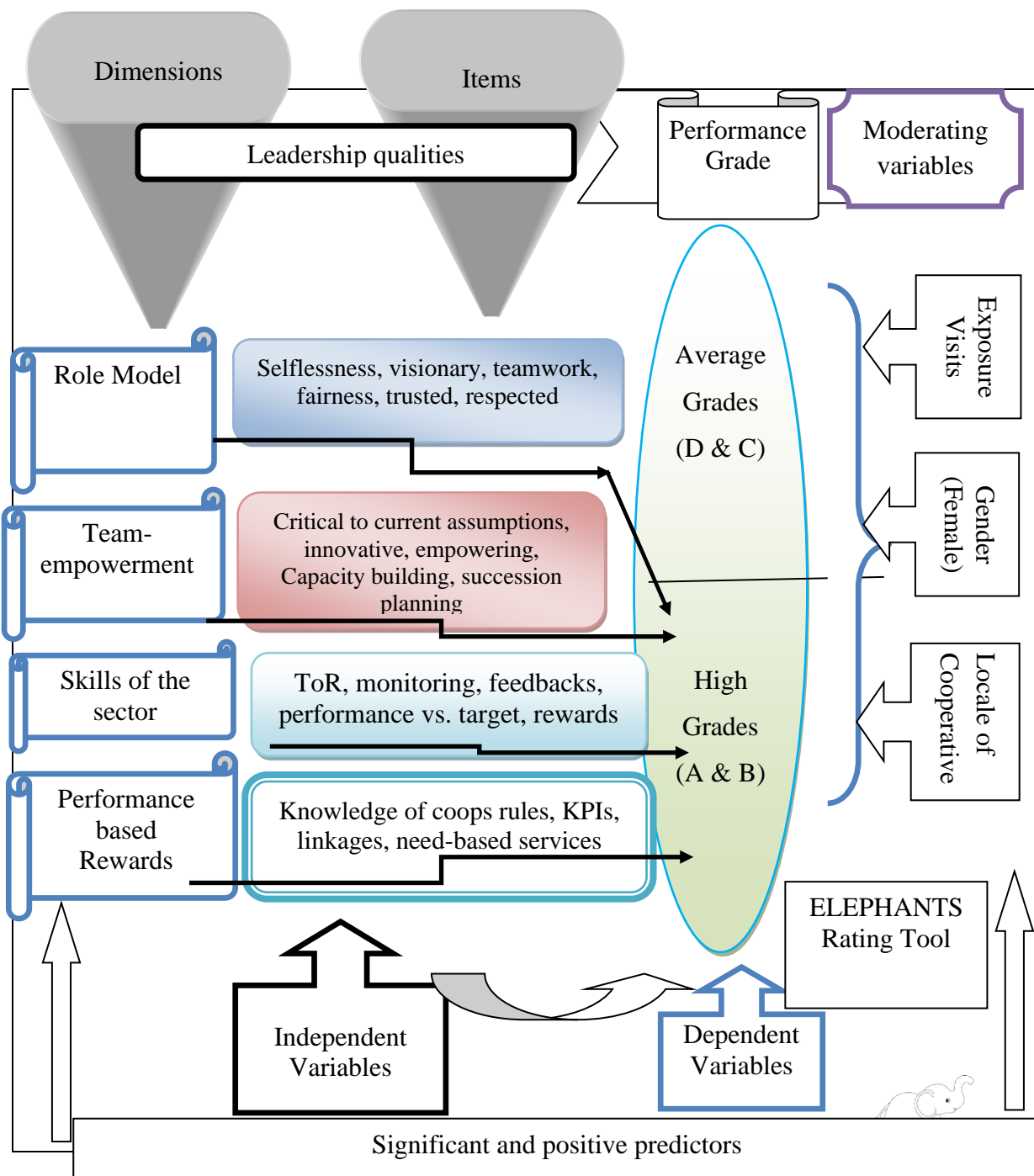
incentive based on performance. When the business size and profit increase, cooperatives need to gradually increase benefits package to the staff in order to enhance their performance which in turn increases the performance of the cooperative.

Skills of the leaders in the organization's sector is the fourth dimension of an effective leader. The effect of skills on the performance of cooperatives was the second highest among the four qualities of leadership. This indicates that the skills of a leader help to guide team members and enhance the performance of an organization. The board and management of rural cooperatives are not adequately qualified. Therefore, either leaders had skills to coach team or obtain supports from experts to upgrade the skills. The cooperatives therefore can improve its performance by investing in human resource development or recruiting more skillful managers.

All four qualities are important for leadership effectiveness; however, leadership skills are very important qualities than other two qualities such as role model and empowerment. Cooperatives are community-based organizations managed by the members. People need management skills to perform the job or to manage cooperatives in professional manner. It is the responsibility of the founders of cooperatives to build the capacity of the team members (Zhang & Yuan, 2010). In the successful cooperatives, the leaders coach team or explore external supports to upgrade the capacity of the team. Leaders in the successful cooperatives develop linkages with supporting organizations in order to mobilize technical and financial resources. If the performance of the cooperative deteriorates or the cooperative collapses, the leaders' reputation is damaged within the community. Therefore, leaders put full efforts to upgrade their skills and team members' competence which enhance the performance of the cooperatives.

Among other interventions of capacity building, the study showed that exposure visit is most effective to enhance skills of leaders and team members. Based on the findings of this study, I have presented the model of leadership qualities and performance of cooperatives in figure 4.

Figure 4. Model of Leadership Qualities and Performance of Cooperatives



Source: Developed by the author based on findings of the study

The figure 4 shows that leadership qualities such as role model, team-empowerment, knowledge and skills of the sector and performance-based rewards and moderating variables such as female leaders, exposure visits and locale affect the performance of cooperatives. Research in corporate leadership revealed that 82 percent of companies with strong leadership displayed above average revenue growth (Phillips & Schmidt, 2004). The model depicted in figure 4 also shows that leadership is one of the important factors that determine the performance of an organization or cooperatives

Great leaders like Mahatma Gandhi, Nelson Mandela, and Winston Churchill have great characteristics that have influenced the society. These leaders are considered role models in society and have empowering qualities which made them successful in their missions (Taffinder, 2007). The model of this study also showed that role model and team empowerment are important qualities of leadership in our socio-cultural context. I have placed role model and team empowerment at the top of the list as these qualities of leadership are considered more important qualities of effective leaders than others in our society.

Exemplary qualities of empowering and role models' leaders make them successful on the job (Kaiser, Hogan, and Craig, 2008). However, according to Fisher and Sharp (2009), being nice or role model is good but some of the nicest leaders in the organization are sometime the least effective at getting the job done. According to them, leaders having ability to collaborate with others for getting the job done and providing incentive based on outputs become efficient and successful. Just having role model and team empowerment is not sufficient for leadership effectiveness. Leadership effectiveness is the result of three major variables: Leadership skills suitable to the task, relationship between leaders and followers and the power inherent



in the leader's positions to provide rewards (Baral et al., 2004). Leaders having conceptual clarity about the tasks and power to assign tasks to team members and authority to provide incentive are more effective. The leaders who provide performance-based incentive are more effective than leaders having the qualities of role model and empowering team members. Role model is the preferred quality of leadership; however, it has low effect on the performance of cooperatives.

The performance-based reward is not only an effective strategy of leadership in Nepali context; it is effective in other cultural settings as well. For example, a study conducted to investigate the effects of leadership style on organizational performance in small scale enterprises in Nigeria found that transactional leadership had more effect on performance than transformational leadership (Timothy et al., 2011). Transactional leaders build relationships with team members and provide contingent rewards. This type of leadership is more effective than transformational leadership, especially in small organizations. A leader cannot be an expert in every field; hence, collaborating with colleagues is needed to achieve the organizational goals. Therefore, leaders' skills and contingent rewards have more effect on organizational performance than transformational leadership in the case of small and stable organizations.

Cooperatives are similar to small enterprises in many aspects. Cooperatives are community-based small organizations owned and managed by people and we cannot expect that cooperatives have transformational or role model leaders. Moreover, staff working with cooperatives are not skillful and need more coaching, instruction and reward rather than just motivation and empowerment. Motivation and inspiration become effective if staffs are highly skilled and professional (Bass, Avolio, Jung & Berson, 2003). Leaders who provide performance-based rewards and

possess skill in the cooperative sector are more effective than leaders who have role model and empowering qualities (transformational leaders).

Role model and team-empowerment are important qualities of leaders, however, in the case of community-based cooperatives, performance-based rewards and skills of leadership are more effective. This is because our culture has emphasized that role model and team-empowerment are important qualities of leadership. Hindu scriptures such as the *Bhagavad Gita* and the teachings of Vedas or Confucius or Chanakya and others have emphasized that successful leaders are role model to the society and have empowering qualities. Heroic and role model qualities of leadership are deep-rooted in our culture, values and belief systems. However, these belief systems, and values are not translated into action. Our day-to-day life and activities are influenced or encroached by the Western culture. We preach the richness of our culture but adopt western practices. There are gaps in what we preach and what we practice. Therefore, role model and team-empowerment qualities are considered essential qualities of leadership; however, this study found that the effect of these qualities was low on the performance of the cooperatives. On the contrary, performance-based rewards and leadership skills are not considered as important as role model and team-empowerment but have highest effect on organizational performance.

The effect of four qualities of leadership on organizational performance showed varying results. However, these four qualities have a high degree of positive association, indicating that one quality helps to enhance others qualities. For example, fairness and ethical behaviors are some of the important qualities that make a leader a role model. These are also essential qualities to assess the performance of team members and provide rewards based on outputs. If leaders are biased and unethical,

performance-based rewards would not work. Therefore, all four qualities of leadership collectively make a leader effective.

Besides qualities of leadership, background variables such as education, experience and exposure visit positively contributed to the performance of cooperatives while other background variables such as higher age, gender (male) and training days attended contributed not so positively. Except exposure/observation visits, other variables such as age, gender, educational qualifications, and training have insignificant effect on the performance of cooperatives. Exposure visits have positive impact on the performance of cooperatives. The popular saying, "Seeing is believing" is also confirmed by this study. The participants, during exposure visits, would be influenced by the good practices of other organizations and apply those practices in their own organizations, and this helps them increase their performance. Moreover, the opportunity for exposure visit/s also acts as a motivator. This study found that, the performance the cooperatives is better which have more experienced leaders and who participated in more numbers of exposure visits than other background variables.

From the standpoint of types of cooperatives, female-managed cooperatives have better performance than male-managed. From the perspective of geographical locations, cooperatives located in Plains have better performance than located in Hills and Mountainous regions. Similarly, cooperatives operating in rural and semi-urban areas have better performance than those operating in urban areas though the differences are not significant. This is because the cooperative service is more important in rural areas because banking services are rarely available in these parts.

## CHAPTER VIII

### CONSPECTUS, CONCLUSIONS AND IMPLICATIONS

I discussed dimensions of leadership qualities and performance of cooperatives in chapters IV and V. I compared and explained the relationship between leadership qualities and performance of cooperatives in chapter VI. I then discussed the effects of leadership qualities and background variables on the performance of cooperatives in chapter VII. I begin this chapter presenting the synopsis of my study followed by conclusions and implications of the study.

#### **Conspectus of the Study**

Leadership is considered as one of the key factors that contributes to the healthy growth of an organization or it helps convert declining company into a prosperous one. However, varying perspectives and discourses are found among scholars on characteristics of an effective leader. Leadership characteristics effective in one type of organizations and situations may not be suitable to others. The leadership qualities suitable to manage multi-national corporations may not be appropriate to manage small organizations like cooperatives. Nature of cooperatives may demand leaders with different characteristics and qualities to be successful. However, no or very little studies have explored the relationship between leadership qualities and performance of cooperatives along with effect of leadership qualities and background variables on the performance of cooperatives in Nepali socio-cultural context. Cooperative sector in Nepal has little or no knowledge on qualities of an effective leader that help enhance performance. Moreover, there is also a lack of contextualized tool to measure leadership qualities and performance of cooperatives.

Hence, in this study, I developed instruments to measure the leadership qualities and performance of cooperatives in order to identify the relationship between leadership qualities and performance of the cooperatives. In the study, I sought to answer the following four research questions: (a) what are the qualities of leadership in cooperatives and to what extent they differ by leadership types (policy and operational level leaders)? (b) What are the indicators to measure the performance of financial cooperatives and how do their performance level differ across types of cooperatives? (c) What is the relationship between leadership qualities and the performance of cooperatives? (d) To what extent leadership qualities and leaders' background variables such as education, training, exposure, experience, age, and gender predict the performance of cooperatives? I conducted this study in community-based financial cooperatives to explore the answers to the above-mentioned research questions. I selected community-based cooperatives for the study, as they follow the cooperatives principles and values such as members managed, and capitalized entity establish to promote self-help.

Existing knowledge suggests that effective leadership is one of the important elements that contributes to the success of a cooperative (Thomas et al., 2018). Leadership has important roles in the organization, as it is a process whereby an individual influence a group of individuals to achieve a common goal, and it is the responsibility of the leaders to inspire and support team members to achieve the goals set by the organization (Northouse, 2011). Leaders provide vision, motivate, inspire and empower followers to achieve goals; and such qualities of the leaders help to enhance the employee's motivation and performance. However, Nepali cooperative sector lacks study that explored the qualities of leaders (chairpersons and managers)

that help improve the performance and role of education, training and exposure to enhance leadership qualities and performance of the cooperatives.

Measuring performance of cooperatives is another concern in the cooperative sector of Nepal. The performance measurement tools are available internationally to measure performance of the cooperatives, but these tools are not adapted in the Nepali context. Therefore, in this study I have developed performance assessment tool for Nepali cooperative sector.

I applied quantitative research design under post-positivist philosophical stance to explore answers to the research questions and used survey research and deductive approach for testing the research hypotheses. The study included 210 randomly selected cooperatives. I evaluated their performance of these cooperatives applying audited financial statement of July 2013 and 2014. The leadership questionnaires were rated by the leaders and their team members to get a balanced view of leadership qualities. The respondents of the study consisted of leaders (Chairpersons and Managers) and their team members (board and staff).

During data collection, I assured the participants that their privacy would be protected. I followed principles prescribed by the American Evaluation Association for maintaining ethical consideration. I collected 1255 properly filled in leadership questionnaires from 210 cooperatives, out of total 1296 questionnaires sent to the respondents. I applied Cronbach's alpha to measure the reliability of data and applied validity criteria to ensure the exactness of the measure. In line with the purpose of this study, I evaluated the performance of cooperatives applying the ELEPHANTS tool and categorized them into four grades: A, B, C, and D based on their performance. I then explored the dimensions of leadership qualities. The study identified four dimensions of leadership qualities, they were role model, team- empowerment,

performance-based rewards and skills in the sector. Among these four qualities, the role model is the most important quality of leadership at both policy and operational level leaders followed by team-empowerment, performance-based reward and, leadership skills. In comparison to policy level leaders, operational level leaders hold more quality.

I then examined the association between leadership qualities and performance of cooperatives and the effect of leadership qualities and demographic variables on the performance of cooperatives. The finding showed a positive and significant relationship and effect of leadership qualities on the performance of cooperatives. The leaders with high level of role model quality, who emphasize on team empowerment, provide performance-based incentives, and have skills and knowledge about the cooperative sector were more likely to achieve higher performance of the cooperatives. The effect of exposure visits had a positive and significant impact on the performance. However, the other background variables of leaders had insignificant impact on the performance of the cooperatives.

### **Conclusions**

This study indicated that currently used performance assessment tools by the cooperatives sector in Nepal are not comprehensive enough to measure the performance of the cooperatives. I, therefore, developed a performance assessment tool for the cooperatives consisting of nine dimensions during the journey of this study. They are earnings, liquidity, efficiency, productivity, healthy capital structure, assets quality, net growth, targeting and self-governance. The nine dimensions are abbreviated as ELEPHANTS. The ELEPHANTS rating tool is considered appropriate as it covers all the aspects to measure the institutional health of a cooperative. This

tool is capable for comprehensive assessment of the performance and to device appropriate strategies to strengthen the cooperatives.

I then investigated the qualities of leaders in the cooperatives. This study, based on the findings, concludes that effective leaders in cooperatives have four principal qualities: role models, team empowerment, performance-based rewards and skills of the sector. All these four qualities are important to enhance the performance of cooperatives in Nepali context; however, these qualities differ by types of leadership. Operational level leaders have high qualities in comparison to the policy level leaders in all three dimensions of quality of leadership except performance-based rewards. This is because operational level leaders are more qualified and have more experience than that of policy level leaders.

Out of these four qualities of leadership, the role model and team empowerment are more important qualities in our socio-cultural context. Our cultural values are embedded in our mindset in such a way that we expect our leaders to be role models and empowering. These qualities of leadership are deeply rooted in our society, culture and mindset. Our social values determine the beliefs we set and our expectation on the qualities of an effective leader. However, the findings of this study indicate that the role model and team empowerment qualities of the leaders are not much influential to enhance performance of the cooperatives. Although the leaders and their team members consider the qualities of role model and team empowerment as important qualities of leadership; in practice, the leaders with these qualities are unable to demonstrate the expected performance of the cooperatives. This is because our culturally instilled values emphasize that successful leaders are role models and empower the team. However, behaviors and activities of cooperative leaders are more influenced by external factors. Therefore, the effects of these two qualities of



leadership on performance are lower than other two qualities such as leaders' skills and performance-based rewards.

The leaders' skills on the subject matters have higher impact on the performance of cooperatives than that of role model and team-empowerment. This is because when cooperatives are formalized in the communities and outreach and business volume of the cooperatives increased, the complexity of managing formal and larger institution demand more skills. When informal mechanism like *Dhukuti*, *Parma* or savings groups are formalized as cooperatives to serve the growing needs of the members, leaders and team members need skills of managing organizations professionally. Leaders in the successful cooperatives are capable of mobilizing financial and technical resources for enhancing the capacity of the team members and managing organizations proficiently. If leaders are unable to upgrade the competence of team, the performance of cooperatives deteriorates and the leaders lose reputation. Therefore, to save their reputation, leaders mobilize resources to upgrade the skills of the team members. This is very vital in the cooperatives. When cooperatives are modernized, the traditional knowledge and skills are not enough to manage formal organizations. Both leaders and team members need exposures, capacity-building and coaching to make them fit and keep them in the job.

Besides the capacity building of the team, leaders who provide incentives based on performance are successful to enhance the performance of cooperatives. The performance-based rewards system has the highest influence on the performance of cooperatives among other qualities. This affirms that if a leader works for fulfilling extrinsic or basic needs and intrinsic or higher needs of the team, the performance of cooperative gets better. In the effective cooperatives, leaders gradually increase the benefits package of the team members in line with the growth in business volume and

profit. When business volume and profit are meager, cooperatives provide low benefits packages to staff. When business volume and profit increased, the effective cooperatives gradually increase salary and benefits packages to motivate and retain the good staff. The staff put extra efforts, if their basic and higher needs are fulfilled. This shows that an effective and successful cooperative provides salary and other extrinsic and intrinsic benefits based on the performance of the team members.

Although four dimensions of leadership qualities have a varied effect on performance, they are interrelated, and one quality enhances the other. Role model leaders, for instance have characters such as trustworthiness and fairness, which are essential qualities for unbiased evaluation of performance of team members and provide rewards based on performance. Furthermore, role model and team-empowerment characteristics help leaders to motivate the team members, who have aspiration for higher needs. Performance-based rewards and skills of the sector help leaders to motivate those who work for fulfilling the basic needs. Therefore, all four qualities together make a leader effective and successful in the work.

Besides the effect of leadership qualities on the performance of cooperatives, the effectiveness of cooperatives also differs based on gender of the leaders and locations. For example, cooperatives managed by women have better performance than those managed by men, and cooperatives located in rural areas have better performance than those located in the urban areas. In the cooperatives, women proved themselves better leaders than their male counterparts. The characteristics of female leaders such as agreeableness, teamwork, and relation-building make them more effective and successful in their workplace than their counterparts. Besides gender, other demographic variables of leaders such as age, education, experience have no effect on the performance of cooperatives.

Cooperatives operating in rural and semi-urban areas and urban areas have a similar level of performance. The cooperative services are more important in rural areas because banking services are rarely available in these parts and people value the services of cooperatives. Moreover, rural cooperatives also provide other services besides financial ones such as drinking water, environment protection, income generation, women empowerment and so on for improving the socio-economic conditions of the members. Besides services, rural cooperatives are established in the communities and members actively participate in different activities and events of the cooperatives and they have feeling of ownership. Therefore, there is no difference in the performance of rural and urban cooperatives, although rural cooperatives are operating in the remote areas and serving to the disadvantaged communities. However, cooperatives operating in the plain have better performance than those of operating in the hills and mountains as plains have better economic opportunities.

Among different interventions, exposure visit is more powerful to upgrade capacity and enhance the performance of the cooperatives. Exposure visits enable them to learn from other experiences and adopt proven practices. Learning from everyday life theory also emphasized that copying other practices, experiences and know-how are effective and the quickest way of learning. Cooperatives' leaders who learn from other cooperatives during exposure visits and apply their learnings in day-to-day management are sure to succeed in their performance.

### **Implications**

The conclusions drawn based on the findings of this study can be helpful to policy makers and practitioners to formulate policies and programs for enhancing leadership qualities and strengthening cooperatives in Nepal. The findings can also be helpful for a comprehensive assessment of the cooperatives and devise strategies to

overcome current shortcomings of the sector. Therefore, in this section, I discuss the implications of the study for cooperatives and educational leaders, policy makers, and future research.

### **Implications for Cooperatives' Leaders**

A leader to be effective in the cooperative has four qualities: role model, team-empowerment, providing performance-based rewards, and skills and knowledge of the field. These qualities of leadership help enhance the performance of the cooperatives. The role model quality of leaders inspires team members from his/her desirable behavior that enhances the performance of the cooperatives. Secondly, empowering qualities of leader inspire and educate the team to make them competent in the job and obtain full support of the team members for achieving the organizational goals effectively. The third quality of leadership, performance-based reward helps, motivate team members by recognizing and rewarding their contribution to the organization. Last but not the least, an effective leader possesses required knowledge and skills of the field to manage the cooperatives. The knowledge generated from this study can inform the cooperatives' leaders on how their leadership qualities can be improved in all four dimensions so that he/she can be an effective leader. Workshops and seminars aiming at enhancing leadership qualities can improve organizational performance. Moreover, the leadership qualities identified by this study can be used by the cooperative sector as a guideline for electing/recruiting leaders or developing competencies of the existing leaders.

Besides the above mentioned four qualities of leadership, cooperatives managed by women are more effective than managed by men. The characteristics of female leaders such as agreeableness, teamwork, and relation-building, providing performance-based rewards make them more effective and successful in their

workplace than their male counterparts. Hence, workshops designed for cooperatives' leaders need to address concern of strengthening the quality of female leaders and enhancing their participation in competing for leadership position.

This study has contributed to the cooperative sector by developing the ELEPHANTS rating tool to evaluate the performance of the cooperatives. The tool assesses the performance of the cooperatives in nine different dimensions which cover all the areas of organizational health and provide complete information about the institution. This tool addresses the shortcomings of currently used tools by ensuring the complete evaluation of the cooperatives and to devising appropriate strategies and activities for strengthening the sector.

### **Implications for Educational Leaders**

The four dimensions of leadership qualities explored by this study in our socio-cultural context would also be applicable to educational leaders as these qualities will help enhance the performance of educational institutions as well. If principals/head teachers and other teachers have role model qualities, students learn the same values from them. This helps enhance the performance of both the school and the students. Secondly, if the principal has empowering quality it helps to encourage teachers and students and enhance the performance of the school. Thirdly, the performance-based rewards help to motivate the teachers and students as well. If school recognizes the contribution of teacher and students, and motivates them to work hard for further improvement of their performance. Finally, the skill is one of the important qualities of an effective educational leader. An effective educational leader has knowledge and skills to coach the teachers and maintain a good relationship with all stakeholders of schools such as educational administrators, parents, teachers, students and communities in order to obtain their supports for

achieving excellent results. All four qualities of leadership are important qualities and collectively accelerate the performance of educational institutions in our socio-cultural context. The knowledge generated from this study can be applied to improve leadership qualities and competence of educational leaders by organizing workshops and seminars. Besides the four dimensions of quality of leadership, the performance of female leaders is recognized to be better than that of male. Educational institutions can enhance their performance by recruiting female principals / head-teachers and teachers or by adopting some of the noble characteristics of female teachers by male teachers as well.

### **Implications for Policy**

The principles, acts, rules, by-laws and policies govern cooperative societies. Based on the rules of cooperatives, the general assembly elects Board of Directors (BoDs) and chairperson. The chairpersons, in consultation with the board, recruit manager/s and staff for daily management of the cooperatives. The rules related to cooperatives specify the functions, duties and powers of the general assembly (members), BoDs, chairperson, managers and staff. But the regulations lack specific criteria for electing/recruiting qualified chairperson, BoDs and manager with required leadership qualities. This study can be helpful to develop policy and criteria for electing/recruiting person with four dimensions of leadership qualities in the positions of chairperson and manager.

As the study showed that the performance of cooperatives managed by female- was better than those managed by male. However, the participation of female in leadership position is very low. Gender policy to enhance female participation in the leadership position would be helpful to increase the percentage of female leaders and the performance of cooperatives. Participation of youth and disadvantaged

communities in the leadership position is also low. Hence, it is also necessary to develop and implement the inclusion policy to enhance leadership skills and participation of these communities in the leadership position.

Another important concern of this study is application of the ELEPHANTS tool for a comprehensive evaluation of the performance of the cooperatives. The incorporation of the ELEPHANTS tool in monitoring and evaluation policy and procedures of cooperatives facilitates for in-depth evaluation of performance and formulates appropriate strategies to strengthen the cooperatives.

### **Implications for Future Research**

In fact, there was no comprehensive study in the Nepali cooperative sector that explored the relationship between leadership qualities and performance of the cooperatives. Neither there are studies that evaluated the effect of leadership qualities and leaders' background variables such as education, training, exposure, experience, age, and gender on the performance of the cooperatives. This study serves as a reference for the future research in the cooperative sector of Nepal. The future research could address some of the following issues that were not addressed by this study.

The study delimited the types of cooperatives by selecting cooperatives affiliated with the Small Farmer Development Bank. Although the sampled cooperatives represent all geographical locations of Nepal and most of the different types of cooperatives, there are still many other types of cooperatives which were not included in this study. Incorporation of different types of cooperatives in the future research activities ensures the validity of the findings.

Secondly, the study explored four dimensions of leadership qualities in Nepali cooperative context: role model, team empowerment, performance-based rewards and

skills in the sector. These four dimensions have a total of 40 items that make a leader effective in community-based cooperatives. The items/indicators for measuring leadership qualities were developed based on the study conducted with primary cooperative societies. The application of the tool across other types of cooperatives and organizations can help improve the items for measuring leadership qualities in Nepali as well as another context. Similarly, the indicators of the ELEPHANTS rating tool and standards prescribed by the study might not be applicable to all types of cooperatives. Future research in this area helps to address this limitation by incorporating more samples covering all types of cooperatives.

Thirdly, this study showed that training activities, specially classroom-based training have little impact on the performance of cooperatives. There could be many reasons behind this finding. This is required to be researched thoroughly in the future to explore why some trainings are effective while others are not. Furthermore, the study also revealed that participation of youth, disadvantaged groups and women in the leadership position of the cooperatives is low in comparison to their share in national population. There could be many barriers behind the low participation of these groups. Future research is needed to dig deeper to identify the reasons behind their low participation in the leadership position of the cooperatives.

### **Concluding the Chapter**

This study explored four dimensions of leadership qualities in our socio-cultural context. They are role model, team-empowerment, performance-based rewards and skills of the sector. These leadership qualities are strongly interrelated and overlap to a considerable extent. If a leader, for instance, does not have skills to empower, inspire and guide the team and provide incentive and other rewards based on their performance, he/she cannot retain competent staff; the performance of the



cooperative would deteriorate. The role model qualities of leaders inspire team members to work hard for surpassing the target. Team empowerment is necessary for developing a competent team and achieving common goals. These four qualities make a leader successful and effective. However, the study found varying degrees of the effect of leadership qualities on the performance of the cooperatives. Leaders who provide performance-based rewards and having skills in the cooperative sectors are more effective than leaders who have role model and empowering qualities. In the small local organization like cooperatives, leaders will be effective if they have skill to mobilize human and financial resources and if they provide rewards and benefits based on performance.

Besides leadership qualities, the study has also explored the ELEPHANTS rating tool to fill the current gap of contextualized and comprehensive tool to assess the performance of the cooperatives. The ELEPHANTS tool is appropriate for a comprehensive assessment of cooperatives and to devise appropriate strategy to strengthen the sector.

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## ANNEXES

**Annex I: The Three Phases of Evolution of Cooperative in Nepal**

Phase	Major activities
Establishment Phase (1953- 1991)	<p>During this phase Department of Cooperative (DoC) established under the Ministry of Agriculture in 1953 and the first cooperative called “Bakhan savings and credit cooperative” established in 1956. Government has promulgated cooperative Act and Rules to regulate the sector in 1961. Transfer of DoC from one Ministry to others and control over cooperatives by the state rather than managing by people indicates government's confusion on promoting cooperative movement in Nepal. Cooperatives were renamed as Sajha in 1984 and cooperative Act and Rules were changed as Sajha Society Act- 1984 and Sajha Society Rules-1986. Although the country already has cooperative Act and Rules, the rationale of promulgating Sajha Society Act is not justifiable. Due to mismanagement of resources and lack of technical knowhow, most of the Sajha Societies were collapsed. During this phase (almost 40 years) the achievement of cooperative sector was meager. People lost hard earned money saved with Sajha Societies (cooperatives). The Sajha Societies lost the trust of people, and this became one of the key challenges to expand cooperative movement after 1992. Out of total approximately 4000 Sajha promoted, only about 800 survived by 1992, and those who survived were institutionally weak.</p>

Growth Phase (1992- 2013)	<p>After restoration of democracy in 1990, government promulgated liberal Cooperatives Act - 1992 and Rules -1993. The Act provides autonomy to function cooperatives in line with principles and values. NCF was established in 1993 as an umbrella organization of cooperatives. Central and district level cooperative unions of different types of cooperatives were established to provide training and technical services to member cooperatives. Rural Self-Reliant Fund, Central financing facility of Nepal Federation of Savings and Credit Cooperative Union, Sana Kisan Bikas Bank Limited, National Cooperative Bank Limited and other wholesale banks and facilities were established to provide financial and capacity building supports to cooperatives. Ministry of Cooperatives and Poverty Alleviation was established in 2012 and the Ministry promulgated cooperative policy -2013 to provide overall directions to the sector. This era of cooperative movement is named as growth phase, as we have witnessed the establishment of more than 31,000 cooperatives.</p>
Consolidation Phase (2014 –to date)	<p>The Government encourages cooperative societies to amalgamate one another and discourage establishment of new cooperatives. Due to this growth trend of cooperatives started declining after 2013 (DoC, 2014). To address the prevalent issues of the sector, government has promulgated new Cooperatives Act in 2017. The Act strengthens authority of Department of Cooperatives to penalize cooperatives that do not comply with Cooperative Act, directives and other laws of the country. The Act also addresses many other issues such as multiple membership, multiple borrowing, charging exorbitant interest rate, fraud, lending to non-members and others. It is expected that effective implementation of Act helps strengthen the sector. However, the local and provincial level government lacks technical expertise, human and financial resources to manage mushrooming cooperatives. Saving cooperative from politicization is another concern for strengthening sector. There are plenty of gray areas on how cooperative sector function in the changing political context and new structure of GoN.</p>

Source: Table generated by author based on the literature cited above

### Annex 2: Highlights of the Evolution of Cooperative in Nepal

Year	Event
1953	Department of Cooperatives (DoC) established under the Ministry of Agriculture.
1956	First savings and credit cooperative “Bakhan” established in Chitwan district
1959	Cooperative Act Promulgated
1961	Cooperative Rules Promulgated Establishment of cooperative development fund Establishment of Sajha Society
1962	Cooperative Training Center established DoC transferred to the Ministry of Panchayat Establishment of cooperative bank
1966	DoC transferred to the Ministry of Land Reform and Agriculture
1967	Conversion of cooperative bank into Agricultural Development Bank (ADB)
1969	Management of cooperatives shifted to Agricultural Development Bank
1977	Sajha Cooperatives Financial and Administrative Regulation enacted
1978	Sajha programs started in 30 districts and transformation of Sajha management, from ADB, to the managing committee of cooperatives
1984	Enhancement of Sajha Society Act-1984, to make the cooperative development campaign effective.
1985	Conversion of DoC into Sajha Development Department and conversion of Cooperative Training Centre (CTC) into Sajha Development Training Centre
1986	Sajha Sanstha Rules Approved
1992	Cooperative Act ratified Conversion of Sajha Development Department into DoC Conversion of Sajha Development Training Centre into CTC Conversion of Sajha Development Sections into District Cooperative Offices
1993	Cooperative Rules ratified
1993	National Cooperative Federation established
1993	Central Consumer Cooperative Union formed
1993	Central Milk Producers Union formed
1994	Nepal Federation of Savings and Credit Unions (NEFSCUN) established

	(informally established in 1988)
1998	Rural Microfinance Development Centre (RMDC)
2000	The Ministry of Agriculture transformed into the Ministry of Agriculture and Cooperatives
2000	Center for Microfinance (CMF)
2001	Sana Kisan Bikas Bank Limited (SKBBL)
2003	National Cooperative Bank Limited
2012	Promulgation of cooperative standard
2012	Establishment of Ministry of Cooperatives and Poverty Alleviation
2013	Promulgation of cooperative policy

Source: NCF, 2015

### Annex 3: Leadership Questionnaire, 2016

(FOR LEADERS OF COOPERATIVES- CHAIRPERSONS AND MANAGERS)

नेतृत्वका गुणहरू मापनका प्रश्नावालीहरू

सहकारी संस्थाका अध्यक्ष र व्यवस्थापकका लागि

#### उत्तरदाताहरूका लागि विनम्र अनुरोध

सहकारी संस्थाको प्रगतिमा नेतृत्वको भूमिका बिषयको यस अध्ययनमा यहाँको सहभागिताको लागि धेरै धन्यवाद छ । नेतृत्व मापनसँग सम्बन्धित हरेक प्रश्नावली वा बुँदाहरूमा १ देखि ५ सम्मका अंक मध्य कुनै एकमा चिन्ह लगाउनु अघि तपाइले आफ्नो संस्था संचालनको क्रममा देखाएको व्यवहार, भावी सोच, समर्पण, तपाइको टिमको उत्प्रेरणा गर्ने क्षमता , सहकारी क्षेत्रमा तपाइको ज्ञान र तपाइको अन्य गुणहरू प्रति गम्भीरता पूर्वक मनन गरेर मात्र चिन्ह लगाउनुहोला । तपाइको सही मूल्याकनबाट प्राप्त हुने सूचनाले नेपालको सहकारी क्षेत्रको विकासमा ठोस योगदान पुग्न जाने छ भन्ने विश्वास लिएको छु । साथै तपाइले प्रदान गर्नुहुने उत्तरहरू गोप्य रहने छन् र अध्ययन प्रयोजनका लागि मात्र प्रयोग गरिने छ भन्ने विश्वास दिलाउन चाहन्छु ।

नवराज सिम्खडा

पीएच.डी. विद्यार्थी, काठमाडौं विश्वविद्यालय

खण्ड क : उत्तरदाताको परिचय

१. उत्तरदाताको नाम : -----
२. उमेर:-----
३. लिंग : महिला पुरुष
४. बैवाहिक स्थिति : विवाहित अविवाहिता एकल
५. शैक्षिक योग्यता: निरक्षर  साक्षर माध्यमिक
- एसएलसिआइ.ए/+२बिएएम.एएम.फिलपीएच.डी.
६. शैक्षिक योग्यता +२ वा सो भन्दा माथि भए मुख्य विषय के थियो विज्ञान व्यवस्थापन अन्य(खुलाउने)---
७. मुख्य पेशा: कृषि व्यापार जागिर अन्य (खुलाउने)-----
८. जाती : ब्रामण/क्षेत्री जनजाती दलित अन्य (खुलाउने)-----
९. संलग्न साना किसान सहकारी सस्थाको नाम र ठेगाना : -----
- १०.सहकारी संस्थाको कार्यक्षेत्र गाउँ शहर अर्धशहर
११. सहकारी सस्थामा यहाँको पद: -----
१२. सहकारी सस्थामा संलग्नअनुभव वर्ष: -----
- १३.पदाधिकारी/कर्मचारीको रुपमा कार्यरत अनुभव वर्ष: -----
१४. सहकारी संस्थामा नेतृत्वको (अध्यक्ष वा व्यवस्थापक) रुपमा कार्यरत अनुभव वर्ष: -----
१५. सहकारी व्यवस्थापन/नेतृत्व विकास सम्बन्धि लिएको तालिमको विवरण

तालिमको नाम	तालिम अवधि

१६. सफल सहकारी सस्थामा गरेको अबलोकन भ्रमण संख्या: -----जम्मा भ्रमण दिन: -----
१७. मोबाइल/टेलिफोन नं: -----

### खण्ड ख: नेतृत्वका गुण /शैली मापन

नेतृत्वका गुण/शैली मापनका विभिन्न बुँदाहरूमा आफूलाई ठीक लागेको अंकमा चिन्ह लगाई दिनुहोला। कोष लाई प्रतिनिधित्व गर्ने नम्बरहरू तल उल्लेख भए बमोजिमको हुनेछ। यस अध्ययनमा नेतृत्व भन्नाले संस्थाको अध्यक्ष र प्रबन्धक लाई बुझाउँछ ।

१. पूर्ण असहमत	२. असहमत	३. ठिकठिके	४. सहमत	५. पूर्ण सहमत
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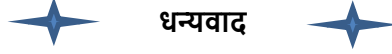
अनुकरणीय गुणहरूको प्रभाव	दर्जा (Scale)				
	१	२	३	४	५
१.१. म व्यक्तिगत स्वार्थ त्यागी संस्थाको हितको लागि समर्पित छु ।	१	२	३	४	५
१.२. अरुलाई म सँग सम्बन्धित हुँदा गौरवान्वित हुने अवस्था सिर्जना गर्दछु ।	१	२	३	४	५
१.३. म आफ्ना व्यवहारहरूबाट समाजको आदरणीय व्यक्ति बन्न अग्रसर रहन्छु ।	१	२	३	४	५
१.४. म टिमका सदस्यहरू समक्ष आत्मविश्वासका साथ प्रस्तुत हुन्छु ।	१	२	३	४	५
१.५. म संस्थाको सरोकारवालाहरू सँग विश्वसनीय कायम राख्न प्रयास रत रहन्छु ।	१	२	३	४	५
१.६. म संस्था संचालनमा एकलभन्दा टिम कार्यमा जोड दिन्छु ।	१	२	३	४	५
<b>अनुकरणीय व्यवहारहरूबाट प्रभाव</b>					
२.१. म संस्थाको आचारसंहिताको पालनामा प्रयासरत रहन्छु ।	१	२	३	४	५
२.२. म संस्थामा भेदभाव रहित संस्कार स्थापना गर्न सचेत रहन्छु ।	१	२	३	४	५
२.३. म निर्णय गर्दा नैतिक मूल्यमान्यताहरूमा पर्न जाने असर प्रति सदैव सचेत रहन्छु ।	१	२	३	४	५
२.४. म संस्थाको भावी लक्ष्यहरूको महत्व बारेमा टिममा जानकारी गराउँछु ।	१	२	३	४	५
२.५. संस्थाको साझा लक्ष्य प्राप्त गर्न म सामूहिक भावनामा जोड दिन्छु ।	१	२	३	४	५
२.६. म सदस्यहरूमा आफ्नो संस्थाप्रति अपनत्वको भावना वढाउन जोड दिन्छु ।	१	२	३	४	५
<b>प्रेरणादायक दृष्टिकोण</b>					
३.१. म भविष्यको बारेमा उत्साही भएर आफ्ना कुरा राख्दछु ।	१	२	३	४	५
३.२. म सशक्त दूरगामी लक्ष्य प्रस्तुत गरि टिमलाई उत्प्रेरित गर्दछु ।	१	२	३	४	५
३.३. पुरा गर्नु पर्ने लक्ष्यहरूको बारेमा म उत्साह पूर्ण ढंगले टिममा छलफल गर्दछु ।	१	२	३	४	५
३.४. भविष्यमा हासिल हुने उपलब्धिहरू बारेमा म टिम समक्ष विस्वास व्यक्त गर्दछु।	१	२	३	४	५
<b>बौद्धिक उत्प्रेरणा</b>					
४.१. म नविन र फरक विचारहरू व्यक्त गर्न अरुलाई प्रेरित गर्दछु ।	१	२	३	४	५
४.२. म वर्तमान मान्यताहरूको समालोचात्मक विश्लेषण गर्न टिमलाई उत्साहित गर्दछु ।	१	२	३	४	५
४.३. म नयाँ दृष्टिकोणहरूबाट समस्याहरूको विश्लेषण गर्नु पर्दछ भन्ने मान्यता राख्दछु ।	१	२	३	४	५
४.४. म नयाँ तौरतरिका/प्रविधि अबलम्बन गरि समस्याहरू हल गर्न प्रेरित गर्दछु ।	१	२	३	४	५
४.५. म नयाँ तौरतरिका/प्रविधि अबलम्बन गरि कार्य सम्पादन गर्न प्रेरित गर्ने गर्दछु।	१	२	३	४	५
४.६. म निर्णय कार्यमा टिमको सक्रिय सहभागिताकोलागि प्रोत्साहित गर्दछु ।	१	२	३	४	५
४.७. म दोस्रो पुस्ताको नेतृत्व विकासको लागि पूर्वतयारीका साथ काम गर्न जोड दिन्छु ।	१	२	३	४	५

४.८. म अरुको विचारहरु ध्यानपूर्वक सुनेर आफ्नो तर्कहरु साथ निर्णय दिने गर्छु ।	१	२	३	४	५
४.९. म टिमको शसक्तिकरणमा जोड दिन्छु ।	१	२	३	४	५
टिमका सदस्यहरूसँग व्यक्तिगत सम्बन्ध					
५.१. म टिमका सदस्यहरूसँग सौहार्द सम्बन्ध कायम गर्न तत्पर रहन्छु ।	१	२	३	४	५
५.२. म टिमका सदस्यहरुको व्यक्तिगत आवश्यकता वारे ध्यान दिन्छु ।	१	२	३	४	५
५.३. म टिमका प्रत्येक सदस्यहरुको विशेष क्षमता बिकासमा जोड दिन्छु ।	१	२	३	४	५
५.४. म टिमका सदस्यहरुको गुनासाहरु बारे चासो दिन्छु ।	१	२	३	४	५
सहकारी ब्यबस्थापन वारे ज्ञान					
६.१. मलाई सहकारी सिद्धान्त, ऐन/नियम र विनियमको वारेमा ज्ञान छ ।	१	२	३	४	५
६.२. म समय सापेक्ष नीति, नियम, पद्धति, सेवाहरु निर्माण गर्न तत्पर छु ।	१	२	३	४	५
६.३. म संस्थाको प्रगति मापन गर्ने वित्तीय र गैर-वित्तीय सूचकहरु वारे जानकार छु ।	१	२	३	४	५
६.४. म सम्बन्धित निकायहरूसँग सम्बन्ध कायम गरि स्रोत परिचालन गर्ने क्षमतावान छु ।	१	२	३	४	५
६.५. म समयमा नै द्वन्द्व व्यवस्थापन गर्ने सक्षम छु ।	१	२	३	४	५
६.६. म अन्य संस्थाहरुको असल अभ्यासहरु आफ्नो संस्थामा लागुगर्न तयार रहन्छु।	१	२	३	४	५
६.७. म समयमानै निर्णय गर्ने प्रयासरत रहन्छु ।	१	२	३	४	५
६.८. म समय-परिवेश अनुसार नेतृत्व शैली अवलम्बन गर्दछु ।	१	२	३	४	५
६.९. मैले संस्थाको लक्ष्य प्राप्त हुनेगरी कर्मचारी सेवा सर्तहरु तोकेको छु ।	१	२	३	४	५
कामको आधारमा पुरस्कार वा दण्ड					
७.१. मैले कामको आधारमा उचित सुबिधा दिने व्यवस्था मिलाएको छु ।	१	२	३	४	५
७.२. मैले कर्मचारी र पदाधिकारीहरुमा जिम्मेवारी र अधिकार प्रत्यायोजन गरेको छु ।	१	२	३	४	५
७.३. मैले कार्य प्रगतिको आधारमा पुरस्कार वा दण्ड को व्यवस्था मिलाएको छु ।	१	२	३	४	५
७.४. म तोकिएको लक्ष्य हासिल गर्न सफल कर्मचारी/पदाधिकारी प्रति सन्तुष्टि जाहेर गर्ने गर्दछु ।	१	२	३	४	५
प्रभावकारी अनुगमन					
८.१. मैले नियमित अनुगमन गरी लक्ष्य र प्रगति को तुलना गर्ने व्यवस्था मिलाएको छु ।	१	२	३	४	५
८.२. म अनुगमनको सिलसिलामा गल्ती कमजोरीहरुका वारेमा ध्यान दिने गर्छु ।	१	२	३	४	५
८.३. अनुगमनको सिलसिलामा टिमका सदस्यहरुको गुनासाहरुका वारेमा म विशेष ध्यान दिने गर्छु ।	१	२	३	४	५
८.४. मैले भए/गरेका गल्ती कमजोरीहरुका अभिलेख राखने व्यवस्था मिलाएको छु ।	१	२	३	४	५
८.५. म गल्ती सुधारका लागि समयमानै सुझाव दिने गर्छु ।	१	२	३	४	५
८.६. म संस्थाको लक्ष्य प्राप्तिका लागि वेला बेलामा टिमको ध्यानाकर्षण गर्ने गर्दछु ।	१	२	३	४	५

९. तपाइको विचारमा सहकारी संस्थाको सफलतामा सबैभन्दा महत्त्वपूर्ण भूमिका कसको हुनेछ:

अध्यक्ष  व्यवस्थापक  कर्मचारी  संचालक  अन्य (खुलाउने)-----





धन्यवाद

**Annex 3: Leadership Questionnaire, 2016**  
(FOR BOARD MEMBERS)

नेतृत्वका गुणहरू मापनका प्रस्नावलीहरू

सहकारी संस्थाका संचालकका लागि

उत्तरदाताहरूका लागि विनम्र अनुरोध

सहकारी संस्थाको प्रगतिमा नेतृत्वको (अध्यक्षको) भूमिका बिषयको यस अध्ययनमा यहाँको सहभागिताको लागि धेरै धन्यवाद छ । नेतृत्व मापनसँग सम्बन्धित हरेक प्रस्नावली वा बुँदाहरूमा १ देखि ५ सम्मका अंक मध्य कुनै एकमा चिन्ह लगाउनु अघि तपाईंको संस्थाको अध्यक्षले संस्था संचालनको क्रममा देखाएको व्यवहार र निजको भावी सोच, उत्प्रेरणा गर्ने क्षमता, सहकारी सम्बन्धित ज्ञान र अन्य व्यक्तिगत गुणहरू प्रति गम्भीरता पूर्वक मनन गरेर मात्र चिन्ह लगाउनुहोला । तपाईंको सही मूल्यांकनबाट प्राप्त हुने सूचनाले नेपालको सहकारी क्षेत्रको विकासमा ठोस योगदान पुग्न जाने छ भन्ने विश्वास लिएको छु । साथै तपाइले प्रदान गर्नुहुने उत्तरहरू गोप्य रहने छन् र अध्ययन प्रयोजनका लागि मात्र प्रयोग गरिने छ भन्ने विश्वास दिलाउन चाहन्छु ।

नवराज सिम्खडा

पीएच.डी. विद्यार्थी, काठमाडौं विश्वविद्यालय

खण्ड क : उत्तरदाताको परिचय

१. उत्तरदाताको नाम : -----
२. उमेर:-----
३. लिंग :  महिला  पुरुष
४. बैबाहिक स्थिति :  बिबाहित  अबिबाहित  एकल
५. शैक्षिक योग्यता:  निरक्षर  साक्षर  माध्यमिक  एसएलसि  आइ.ए./+२  बिए  एम.ए  एम.फिल  पीएच.डी.
६. शैक्षिक योग्यता +२ वा सो भन्दा माथि भए मुख्य विषय के थियो  विज्ञान  व्यवस्थापन  अन्य(खुलाउने)---
७. मुख्य पेशा:  कृषि  व्यापार  जागिर  अन्य (खुलाउने)-----
८. जाती :  ब्रामण/क्षेत्री  जनजाती  दलित  अन्य (खुलाउने)-----
९. संलग्न साना किसान सहकारी सस्थाको नाम र ठेगाना : -----
१०. सहकारी सस्थाको कार्यक्षेत्र  गाउँ  शहर  अर्धशहर
११. सहकारी सस्थामा यहाँको पद: -----
१२. सहकारी सस्थामा संलग्न अनुभव वर्ष: -----
१३. पदाधिकारी/कर्मचारीको रुपमा कार्यरत अनुभव वर्ष: -----
१४. सहकारी सस्थामा नेतृत्वको (अध्यक्ष वा व्यवस्थापक) रुपमा कार्यरत अनुभव वर्ष: -----
१५. सहकारी व्यवस्थापन/नेतृत्व विकास सम्बन्धि लिएको तालिमको विवरण

तालिमको नाम	तालिमअवधि

१६. सफल सहकारी सस्थामा गरेको अबलोकन भ्रमण संख्या: -----जम्मा भ्रमण दिन: -----

१७. मोबाइल/टेलिफोन नं: -----

### खण्ड ख: नेतृत्वका गुण /शैली मापन

नेतृत्वका गुण/शैली मापनका विभिन्न बुँदाहरूमा आफुलाई ठीक लागेको अंकमा चिन्ह लगाईदिनुहोला। कोस्ट लाई प्रतिनिधित्व गर्ने नम्बरहरू तल उल्लेख भए बमोजिमको हुनेछ।"संस्थाको अध्यक्ष"भन्नाले तपाईं आवद्ध संस्थाको अध्यक्षलाई बुझाउछ ।

१. पूर्ण असहमत	२. असहमत	३. ठिकैठिकै	४. सहमत	५. पूर्ण सहमत
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अनुकरणीय गुणहरूको प्रभाव	दर्जा (Scale)				
	१	२	३	४	५
१.१. हाम्रो संस्थाको अध्यक्षले व्यक्तिगत स्वार्थ नराखी संस्थाको हितको लागि समर्पित हुनुहुन्छ ।	१	२	३	४	५
१.२. संस्थाको अध्यक्षसँग सम्बन्धित रहँदा म गौरवान्वित महसुस गर्दछु ।	१	२	३	४	५
१.३. आफना व्यवहारबाट समाजको आदरणीय व्यक्तिको रूपमा स्थापित हुन हाम्रो संस्थाको अध्यक्ष सधैं प्रयासरत हुनुहुन्छ ।	१	२	३	४	५
१.४. हाम्रो संस्थाको अध्यक्ष आफ्ना टिम समक्ष आत्मविश्वासका साथ प्रस्तुत हुनुहुन्छ ।	१	२	३	४	५
१.५. हाम्रो संस्थाको अध्यक्ष सरोकारवालाहरूसँग सदैव विश्वसनीयता कायम राख्न प्रयास गर्नुहुन्छ ।	१	२	३	४	५
१.६. हाम्रो संस्थाको अध्यक्ष संस्था संचालनमा एकलभन्दा टिमकार्यलाई जोड दिनु हुन्छ ।	१	२	३	४	५
<b>अनुकरणीय व्यवहारहरूबाट प्रभाव</b>					
२.१. अध्यक्ष संस्थाको आचारसंहिताको पालना गर्ने प्रयासरत रहनुहुन्छ ।	१	२	३	४	५
२.२. हाम्रो संस्थाको अध्यक्षले भेदभाव रहित संस्कार स्थापना गर्न कोशिश गर्नुहुन्छ।	१	२	३	४	५
२.३. हाम्रो संस्थाको अध्यक्षले निर्णय गर्दा नैतिक मूल्यमान्यताहरूमा पर्न जाने असर प्रति सदैव सचेत रहनुहुन्छ।	१	२	३	४	५
२.४. हाम्रो अध्यक्षले संस्थाको भावी लक्ष्यहरूको महत्व वारेमा टिममा जानकारी गराउन सदैव प्रयासरत रहनुहुन्छ।	१	२	३	४	५
२.५. सामुहिक भावना प्रबर्द्धन गरी संस्थाको साझा लक्ष्य प्राप्त गर्न हाम्रो अध्यक्षले सदैव जोड दिनुहुन्छ ।	१	२	३	४	५
२.६. हाम्रो संस्थाको अध्यक्षले सदस्यहरूमा आफ्नो संस्थाप्रति अपनत्वको भावना वढाउन जोड दिनुहुन्छ ।	१	२	३	४	५
<b>प्रेरणा दायक दूर-दृष्टिकोण</b>					
३.१. हाम्रो संस्थाको अध्यक्षले भविष्यको बारेमा उत्साही भएर आफ्नो विचार राखनुहुन्छ ।	१	२	३	४	५
३.२. हाम्रो संस्थाको अध्यक्षले भविष्यको बारेमा सशक्त दृष्टिकोण प्रस्तुत गरि टिमलाई उत्प्रेरित गराउनु हुन्छ ।	१	२	३	४	५

३.३. हाम्रो संस्थाको अध्यक्षले भविष्यमा पुरागर्नु पर्ने लक्ष्यहरूको बारेमा उत्साहपूर्ण ढंगले छलफल गर्नुहुन्छ ।	१	२	३	४	५
३.४. हाम्रो संस्थाको अध्यक्षले भविष्यमा हासिल हुने उपलब्धिहरू वारेमा सदैव विस्वास व्यक्त गर्नुहुन्छ ।	१	२	३	४	५
<b>वौद्धिक उत्प्रेरणा</b>					
४.१. हाम्रो संस्थाको अध्यक्षले नविन र फरक विचारहरू व्यक्त गर्न सवैलाई प्रेरित गर्नुहुन्छ ।	१	२	३	४	५
४.२. हाम्रो संस्थाको अध्यक्षले वर्तमान मान्यताहरूको समालोचनात्मक विश्लेषण गर्न टिमलाई उत्साहित गर्नुहुन्छ ।	१	२	३	४	५
४.३. हाम्रो संस्थाको अध्यक्षले नयाँ दृष्टिकोणहरूबाट समस्याहरूको विश्लेषण गर्नु पर्दछ भन्ने मान्यता राख्नुहुन्छ ।	१	२	३	४	५
४.४. हाम्रो संस्थाको अध्यक्षले नयाँ तौरतरिका/प्रविधि अबलम्बनगरि समस्याहरू हल गर्न प्रेरित गर्नुहुन्छ ।	१	२	३	४	५
४.५. हाम्रो संस्थाको अध्यक्षले नयाँ तौरतरिका/प्रविधि अबलम्बन गरि कार्य सम्पादन गर्न प्रेरित गर्नुहुन्छ ।	१	२	३	४	५
४.६. हाम्रो संस्थाको अध्यक्षले निर्णय कार्यमा सक्रिय सहभागिताको लागि टिमलाई प्रोत्साहित गर्नुहुन्छ ।	१	२	३	४	५
४.७. दोस्रो पुस्ताको नेतृत्व विकासको लागि पूर्वतयारीका साथ काम गर्न हाम्रो संस्थाको अध्यक्षतत्पर रहनुहुन्छ।	१	२	३	४	५
४.८. हाम्रो संस्थाको अध्यक्षले अरुको विचारहरू ध्यानपूर्वक सुनेर आफ्नो तर्कहरू साथ निर्णय दिनुहुन्छ ।	१	२	३	४	५
४.९. हाम्रो संस्थाको अध्यक्षले टिमको शसक्तिकरणमा जोड दिनुहुन्छ ।	१	२	३	४	५
<b>टिमका सदस्यहरूसँग व्यक्तिगत सम्बन्ध</b>					
५.१. हाम्रो संस्थाको अध्यक्षले टिमका सदस्यहरूसँग सौहार्द सम्बन्ध कायम गर्न तत्पर रहनुहुन्छ ।	१	२	३	४	५
५.२. हाम्रो संस्थाको अध्यक्षले टिमका सदस्यहरूको व्यक्तिगत आवश्यकता वारे ध्यान दिनुहुन्छ ।	१	२	३	४	५
५.३. हाम्रो संस्थाको अध्यक्षले टिमका प्रत्येक सदस्यहरूको विशेष क्षमता विकासमा जोड दिनुहुन्छ ।	१	२	३	४	५
५.४. हाम्रो संस्थाको अध्यक्षले टिमका सदस्यहरूका गुनासाहरू बारे चासो दिनुहुन्छ ।	१	२	३	४	५
<b>सहकारी ब्यबस्थापन वारे ज्ञान</b>					
६.१. हाम्रो संस्थाको अध्यक्षलाई सहकारी सिद्धान्त, ऐन/नियम र विनियमको वारेमा ज्ञान छ ।	१	२	३	४	५
६.२. हाम्रो संस्थाको अध्यक्षले समय सापेक्ष नीति, नियम, पद्धती, सेवाहरू निर्माण गर्न तत्पर रहनुहुन्छ।	१	२	३	४	५
६.३. हाम्रो संस्थाको अध्यक्षलाई संस्थाको प्रगति मापन गर्ने वितीय र गैर-वितीय सूचकहरू वारे जानकारी छ ।	१	२	३	४	५

६.४. हाम्रो संस्थाको अध्यक्षसँग सम्बन्धित निकायहरूसँग सम्बन्ध कायमगरि स्रोत परिचालन गर्ने क्षमता छ ।	१	२	३	४	५
६.५. हाम्रो संस्थाको अध्यक्षसमयमा नै द्वन्द्व व्यवस्थापन गर्न सक्षम हुनुहुन्छ ।	१	२	३	४	५
६.६. हाम्रो संस्थाको अध्यक्षले अन्य संस्थाहरूको असल अभ्यासहरू आफ्नो संस्थामा लागु गर्न तत्पर हुनुहुन्छ ।	१	२	३	४	५
६.७. हाम्रो संस्थाको अध्यक्ष समयमानै निर्णय गर्न प्रयासरत रहनुहुन्छ ।	१	२	३	४	५
६.८. हाम्रो संस्थाको अध्यक्षले समय-परिवेश सुहाउँदो नेतृत्व शैलीको प्रयोग गर्नुहुन्छ ।	१	२	३	४	५
६.९. हाम्रो संस्थाको अध्यक्षले सस्थाको लक्ष्य प्राप्त हुनेगरी कर्मचारी सेवा सर्तहरू तोक्नु भएको छ ।	१	२	३	४	५
<b>कामको आधारमा पुरस्कार वा दण्ड</b>					
७.१. हाम्रो संस्थाको अध्यक्षले कामको आधारमा उचित सुविधा दिने व्यवस्था मिलाउनु भएको छ ।	१	२	३	४	५
७.२. हाम्रो संस्थाको अध्यक्षले कर्मचारी र पदाधिकारीहरूमा जिम्मेवारी र अधिकार प्रत्यायोजन गर्नु भएको छ ।	१	२	३	४	५
७.३. हाम्रो संस्थाको अध्यक्षले कार्यप्रगतिको आधारमा पुरस्कार वा दण्डको व्यवस्था मिलाउनु भएको छ ।	१	२	३	४	५
७.४. हाम्रो संस्थाको अध्यक्षले तोकिएको लक्ष्यहासिलगर्नसफलकर्मचारी/पदाधिकारीप्रतिसन्तुष्टिजाहेरगर्नुहुन्छ ।	१	२	३	४	५
<b>प्रभावकारी अनुगमन</b>					
८.१. हाम्रो संस्थाको अध्यक्षले नियमित अनुगमन गरी लक्ष्य र प्रगतिको तुलना गर्ने व्यवस्था मिलाउनु भएको छ ।	१	२	३	४	५
८.२. हाम्रो संस्थाको अध्यक्षले अनुगमनको सिलसिलामा गलति कमजोरीहरूका वारेमा विशेष ध्यान दिनुहुन्छ ।	१	२	३	४	५
८.३. अनुगमनको सिलसिलामा सदस्यहरूको गुनासाहरूका वारेमा हाम्रो संस्थाको अध्यक्षले विशेष ध्यान दिनुहुन्छ ।	१	२	३	४	५
८.४. हाम्रो संस्थाको अध्यक्षले भए/गरेका गलति कमजोरीहरूका अभिलेख राख्ने गर्नु भएको छ ।	१	२	३	४	५
८.५. हाम्रो संस्थाको अध्यक्षले गलति सुधारका लागि समयमानैसु झावदिने गर्नुहुन्छ ।	१	२	३	४	५
८.६. हाम्रो संस्थाको अध्यक्षले लक्ष्य प्राप्तिका लागि वेलाबेलामा टिमको ध्यानाकर्षण गर्नुहुन्छ ।	१	२	३	४	५

९. तपाइको बिचारमा सहकारी सस्थाको सफलतामा सबैभन्दा महत्वपूर्ण भूमिका कसको हुनेछ

अध्यक्ष व्यवस्थापक कर्मचारी संचालक अन्य (खुलाउने)-----



धन्यवाद



### Annex 3: Leadership Questionnaire, 2016

(FOR STAFF)

नेतृत्वका गुणहरू मापनका प्रश्नावलीहरू

सहकारी संस्थाका कर्मचारीका लागि

उत्तरदाताहरूका लागि विनम्र अनुरोध

सहकारी संस्थाको प्रगतिमा नेतृत्वको (प्रबन्धकको) भूमिका विषयको यस अध्ययनमा यहाँको सहभागिताको लागि धेरै धन्यवाद छ । नेतृत्व मापनसँग सम्बन्धित हरेक प्रश्नावली वा बुँदाहरूमा १ देखि ५ सम्मका अंक मध्य कुनै एकमा चिन्ह लगाउनु अघि तपाईंको संस्थाको प्रबन्धकले संस्था संचालनको क्रममा देखाएको व्यवहार, भावीसोच, उत्प्रेरणा गर्ने क्षमता, सहकारी सम्बन्धित ज्ञान र अन्य व्यक्तिगत गुणहरू प्रति गम्भीरता पूर्वक मनन गरेर मात्र चिन्ह लगाउनुहोला । तपाईंको सही मूल्यांकनबाट प्राप्त हुने सूचनाले नेपालको सहकारी क्षेत्रको विकासमा ठोस योगदान पुग्न जाने छ भन्ने विश्वास लिएको छु । साथै तपाईंले प्रदान गर्नुहुने उत्तरहरू गोप्य रहने छन् र अध्ययन प्रयोजनका लागि मात्र प्रयोग गरिने छ भन्ने विश्वास दिलाउन चाहन्छु ।

नवराज सिम्खडा

पीएच.डी. विद्यार्थी, काठमाडौं विश्वविद्यालय

### खण्ड क : उत्तरदाताको परिचय

१. उत्तरदाताको नाम : -----
२. उमेर:-----
३. लिंग : महिला पुरुष
४. बैबाहिक स्थिति : बिबाहित अबिबाहित एकल
५. शैक्षिक योग्यता:निरक्षर साक्षर माध्यमिक एसएलसि आइ.ए/+२बिएएम.एएम.फिलपीएच.डी.
६. शैक्षिक योग्यता +२ वा सो भन्दा माथि भए मुख्य विषय के थियो विज्ञान व्यवस्थापन अन्य(खुलाउने)---
७. मुख्य पेशा: कृषि व्यापार जागिर अन्य (खुलाउने)-----
८. जाती : ब्रामण/क्षेत्री जनजाती दलित अन्य (खुलाउने)-----
९. संलग्न साना किसान सहकारी सस्थाको नाम र ठेगाना : -----
- १०.सहकारी सस्थाको कार्यक्षेत्र गाउँ शहर अर्धशहर
११. सहकारी सस्थामा यहाँको पद: -----
१२. सहकारी सस्थामा संलग्नअनुभव वर्ष: -----
- १३.पदाधिकारी/कर्मचारीको रुपमा कार्यरतअनुभव वर्ष: -----
१४. सहकारी सस्थामा नेतृत्वको (अध्यक्ष वा प्रबन्धक) रुपमाकार्यरतअनुभव वर्ष: -----
१५. सहकारी व्यवस्थापन/नेतृत्व विकास सम्बन्धि लिएको तालिमको विवरण

तालिमको नाम	तालिम अवधि

१६. सफल सहकारी सस्थामा गरेको अबलोकन भ्रमण संख्या: -----जम्मा भ्रमण दिन: -----

१७. मोबाइल/टेलिफोननं: -----

### खण्ड ख: नेतृत्वका गुण /शैली मापन

नेतृत्वका गुण/शैली मापनका विभिन्न बुँदाहरूमा आफुलाई ठीक लागेको अंकमा चिन्ह लगाईदिनुहोला।  
कोष्ठ लाई प्रतिनिधित्व गर्ने नम्बरहरू तल उल्लेख भए बमोजिमको हुनेछ।" हाम्रो संस्थाको  
प्रवन्धक"भन्नाले तपाईं कार्यरत संस्थाको प्रवन्धकलाई बुझाउछ ।

१. पूर्ण असहमत	२. असहमत	३. ठिकठिके	४. सहमत	५. पूर्ण सहमत
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अनुकरणीय गुणहरूको प्रभाव	दर्जा (Scale)				
	१	२	३	४	५
१.१. हाम्रो संस्थाको प्रवन्धकले व्यक्तिगत स्वार्थ नराखी सस्थाको हितको लागि समर्पित हुनुहुन्छ।	१	२	३	४	५
१.२. संस्थाको प्रवन्धक सँग सम्बन्धित रहँदा म गौरवान्वित महसुस गर्दछु ।	१	२	३	४	५
१.३. आफ्ना व्यवहारबाट समाजको आदरणीय व्यक्तिको रूपमा स्थापित हुन हाम्रो संस्थाको प्रवन्धकसधै प्रयासरत हुनुहुन्छ ।	१	२	३	४	५
१.४. हाम्रो संस्थाको प्रवन्धक आफ्ना सहयोगी टिम समक्ष आत्मविश्वासका साथ प्रस्तुत हुनुहुन्छ ।	१	२	३	४	५
१.५. हाम्रो संस्थाको प्रवन्धक सरोकारवालाहरूसँग सदैव विश्वसनीयता कायम राख्न प्रयास गर्नुहुन्छ ।	१	२	३	४	५
१.६. हाम्रो संस्थाको प्रवन्धक संस्था संचालनमा एकलभन्दा टिम कार्यलाई जोड दिनु हुन्छ ।	१	२	३	४	५
<b>अनुकरणीय व्यवहारहरु बाट प्रभाव</b>					
२.१. प्रवन्धकले संस्थाको आचारसंहिताको पालना गर्न प्रयासरत रहनुहुन्छ ।	१	२	३	४	५
२.२. हाम्रो संस्थाको प्रवन्धकले भेदभाव रहित संस्कार स्थापना गर्न कोशिश गर्नुहुन्छ	१	२	३	४	५
२.३. हाम्रो संस्थाको प्रवन्धकले निर्णय गर्दा नैतिक मूल्यमान्यताहरूमा पर्न जाने असर प्रति सदैव सचेत रहनुहुन्छ।	१	२	३	४	५
२.४. हाम्रो प्रवन्धकले सस्थाको भावी लक्ष्यहरूको महत्त्व वारेमा टिममा जानकारी गराउन सदैव प्रयासरत रहनुहुन्छ।	१	२	३	४	५
२.५. सामुहिक भावना प्रबर्द्धन गरी संस्थाको साझा लक्ष्य प्राप्त गर्न हाम्रो प्रवन्धकले सदैव जोड दिनुहुन्छ ।	१	२	३	४	५
२.६. हाम्रो संस्थाको प्रवन्धकले सदस्यहरूमा आफ्नो संस्थाप्रति अपनत्वको भावना वढाउन जोड दिनुहुन्छ ।	१	२	३	४	५
<b>प्रेरणादायक दूरदृष्टिकोण</b>					
३.१. हाम्रो संस्थाको प्रवन्धकले भविष्यको बारेमा उत्साही भएर आफ्नो विचार राखनुहुन्छ ।	१	२	३	४	५
३.२. हाम्रो संस्थाको प्रवन्धकले भविष्यको बारेमा सशक्त दृष्टिकोण प्रस्तुत गरि टिमलाई उत्पेरित गराउनु हुन्छ ।	१	२	३	४	५
३.३. हाम्रो संस्थाको प्रवन्धकले भविष्यमा पुरागर्नु पर्ने लक्ष्यहरूको बारेमा उत्साहपूर्ण	१	२	३	४	५



ढंगले छलफल गर्नुहुन्छ ।					
३.४. हाम्रो संस्थाको प्रवन्धकले भविष्यमा हासिल हुने उपलब्धिहरूको वारेमा सदैब विस्वास व्यक्त गर्नुहुन्छ ।	१	२	३	४	५
<b>वौद्धिक उत्प्रेरणा</b>					
४.१. हाम्रो संस्थाको प्रवन्धकले नविन र फरक विचारहरू व्यक्त गर्न सवैलाई प्रेरित गर्नुहुन्छ ।	१	२	३	४	५
४.२. हाम्रो संस्थाको प्रवन्धकले वर्तमान मान्यताहरूको समालोचनात्मक विश्लेषण गर्न टिमलाई उत्साहित गर्नुहुन्छ ।	१	२	३	४	५
४.३. हाम्रो संस्थाको प्रवन्धकले नयाँ दृष्टिकोणहरूबाट समस्याहरूको विश्लेषण गर्नु पर्दछ भन्ने मान्यता राखनुहुन्छ ।	१	२	३	४	५
४.४. हाम्रो संस्थाको प्रवन्धकले नयाँ तौरतरिका/प्रविधि अबलम्बन गरि समस्याहरू हल गर्न प्रेरित गर्नुहुन्छ ।	१	२	३	४	५
४.५. हाम्रो संस्थाको प्रवन्धकले नयाँ तौरतरिका/प्रविधि अबलम्बन गरि कार्य सम्पादन गर्न प्रेरित गर्नुहुन्छ ।	१	२	३	४	५
४.६. हाम्रो संस्थाको प्रवन्धकले निर्णय कार्यमा सक्रिय सहभागिताको लागि टिमलाई प्रोत्साहित गर्नुहुन्छ ।	१	२	३	४	५
४.७. दोस्रो पुस्ताको नेतृत्व विकासको लागि पूर्वतयारीका साथ काम गर्न हाम्रो संस्थाको प्रवन्धक तत्पर रहनुहुन्छ ।	१	२	३	४	५
४.८. हाम्रो संस्थाको प्रवन्धकले अरुको विचारहरू ध्यानपूर्वक सुनेर आफ्नो तर्कहरू साथ निर्णय दिनुहुन्छ ।	१	२	३	४	५
४.९. हाम्रो संस्थाको प्रवन्धकले टिमको शसक्तिकरणमा जोड दिनुहुन्छ ।	१	२	३	४	५
<b>टिमका सदस्यहरूसँग व्यक्तिगत सम्बन्ध</b>					
५.१. हाम्रो संस्थाको प्रवन्धकले टिमका सदस्यहरूसँग सौहार्द सम्बन्ध कायम गर्न तत्पर रहनुहुन्छ ।	१	२	३	४	५
५.२. हाम्रो संस्थाको प्रवन्धकले टिमका सदस्यहरूको व्यक्तिगत आवश्यकता वारे ध्यान दिनुहुन्छ ।	१	२	३	४	५
५.३. हाम्रो संस्थाको प्रवन्धकले टिमका प्रत्येक सदस्यहरूको विशेष क्षमता विकासमा जोड दिनुहुन्छ ।	१	२	३	४	५
५.४. हाम्रो संस्थाको प्रवन्धकले टिमका सदस्यहरूका गुनासाहरू वारे चासो दिनुहुन्छ ।	१	२	३	४	५
<b>सहकारी ब्यबस्थापन वारे ज्ञान</b>					
६.१. हाम्रो संस्थाको प्रवन्धकलाई सहकारी सिद्धान्त, ऐन/नियम र विनियमको वारेमा ज्ञान छ ।	१	२	३	४	५
६.२. हाम्रो संस्थाको प्रवन्धकले समय सापेक्ष नीति, नियम, पद्धती, सेवाहरू निर्माण गर्न तत्पर रहनुहुन्छ ।	१	२	३	४	५
६.३. हाम्रो संस्थाको प्रवन्धकलाई संस्थाको प्रगति मापन गर्ने वित्तीय र गैर-वित्तीय सूचकहरू वारे जानकारी छ ।	१	२	३	४	५

६.४. हाम्रो संस्थाको प्रवन्धकसँग सम्वन्धित निकायहरूसँग सम्बन्ध कायमगरि स्रोत परिचालन गर्ने क्षमता छ ।	१	२	३	४	५
६.५. हाम्रो संस्थाको प्रवन्धक समयमानै द्वन्द्व व्यवस्थापन गर्न सक्षम हुनुहुन्छ ।	१	२	३	४	५
६.६. हाम्रो संस्थाको प्रवन्धकले अन्य संस्थाहरुको असल अभ्यासहरु आफ्नो सस्थामा लागु गर्न तत्पर हुनुहुन्छ।	१	२	३	४	५
६.७. हाम्रो संस्थाको प्रवन्धक समयमानै निर्णय गर्न प्रयासरत रहनुहुन्छ ।	१	२	३	४	५
६.८. हाम्रो संस्थाको प्रवन्धकले समय-परिवेश सुहाउँदो नेतृत्व शैलीको प्रयोग गर्नुहुन्छ	१	२	३	४	५
६.९. हाम्रो संस्थाको प्रवन्धकले सस्थाको लक्ष्य प्राप्त हुनेगरी कर्मचारी सेवा सर्तहरु तोक्नु भएको छ ।	१	२	३	४	५
<b>कामको आधारमा पुरस्कार वा दण्ड</b>					
७.१. हाम्रो संस्थाको प्रवन्धकले कामको आधारमा उचित सुबिधा दिने व्यवस्था मिलाउनु भएको छ ।	१	२	३	४	५
७.२. हाम्रो संस्थाको प्रवन्धकले कर्मचारी र पदाधिकारीहरुमा जिम्मेवारी र अधिकार प्रत्यायोजन गर्नु भएको छ ।	१	२	३	४	५
७.३. हाम्रो संस्थाको प्रवन्धकले कार्यप्रगतिको आधारमा पुरस्कार वा दण्डको व्यवस्था मिलाउनु भएको छ।	१	२	३	४	५
७.४. हाम्रो संस्थाको प्रवन्धकले तोकिएको लक्ष्यहासिलगर्नसफलकर्मचारी/पदाधिकारीप्रतिसन्तुष्टिजाहेरगर्नुहुन्छ।	१	२	३	४	५
<b>प्रभावकारी अनुगमन</b>					
८.१. हाम्रो संस्थाको प्रवन्धकले नियमित अनुगमन गरी लक्ष्य र प्रगतिको तुलना गर्ने व्यवस्था मिलाउनु भएको छ।	१	२	३	४	५
८.२. हाम्रो संस्थाको प्रवन्धकले अनुगमनको सिलसिलामा गल्ति कमजोरीहरुका वारेमा बिशेष ध्यान दिनुहुन्छ ।	१	२	३	४	५
८.३. अनुगमनको सिलसिलामा टिम सदस्यहरुको गुनासाहरुका वारेमा संस्थाको प्रवन्धकले विशेष ध्यान दिनुहुन्छ ।	१	२	३	४	५
८.४. हाम्रो संस्थाको प्रवन्धकले भए/गरेका गल्ति कमजोरीहरुका अभिलेख राख्ने गर्नु भएको छ ।	१	२	३	४	५
८.५. हाम्रो संस्थाको प्रवन्धकले गल्ति सुधारका लागि समयमानै सुझाव दिने गर्नुहुन्छ	१	२	३	४	५
८.६. हाम्रो संस्थाको प्रवन्धकले लक्ष्य प्राप्तिका लागि वेलाबेलामा टिमको ध्यानाकर्षण गर्नुहुन्छ ।	१	२	३	४	५

९. तपाइको बिचारमा सहकारी सस्थाको सफलतामा सबैभन्दा महत्वपूर्ण भूमिका कसको हुन्छ

अध्यक्ष प्रवन्धक कर्मचारी संचालक अन्य (खुलाउने)-----



धन्यवाद



#### Annex 4: Institutional Assessment Questionnaire, 2016

#### सहकारी सस्थाका विवरण (असार मसान्त ०७२ )

क: सस्थाको परिचय

१. सहकारी सस्थाको नाम र ठेगाना : -----
२. सम्पर्क मोबाइल/टेलिफोन नं: -----
३. सस्था स्थापना मिति: -----
४. कुल सदस्य संख्या: आ.व०७०/०७१----- आ.व०७१/०७२ -----
५. महिला सदस्य संख्या: -----
६. जनजाती सदस्य संख्या: -----
७. दलित सदस्य संख्या: -----
८. मधेसी सदस्य संख्या: -----
९. सदस्य साक्षरता प्रतिशत: -----
१०. ऋणी सदस्य संख्या: -----
११. सन्चालक समिति सदस्य संख्या: -----
१२. सन्चालक समितिमा महिला सदस्य संख्या: -----
१३. सन्चालक समितिमा दलित र जनजाती सदस्य संख्या: -----
१४. सन्चालक समितिमा मधेसी सदस्य संख्या: -----
१५. कर्मचारी संख्या: -----
१६. महिला कर्मचारी संख्या: -----
१७. आफ्नै भवन : भएनभएको
१८. सस्थाको मुख्य कार्यक्षेत्र: नगरपालिकागाविसरनगरपालिकादुवैगाविस
१९. सेवा पुरयाएको मुख्य कार्यक्षेत्रको घरधुरी संख्या: -----
२०. जिल्ला सदमुकाम वाट सस्थाको मुख्य कार्यक्षेत्र सम्मको दुरी (किमिमा): -----
२१. राजमार्गबाट सस्थाको मुख्यकार्य क्षेत्रसम्मको दुरी (किमिमा) : -----

ख: सस्थाको वित्तीय बिबरण

१. आ.व०७०/०७१२०७१/०७२को वासलात

२. आ.व०७०/०७१२०७१/०७२को नाफा नोक्सान विवरण

ग: ऋण बिबरण (०७२ असारको )

०७२ असारको कुल लगानीमा रहेको ऋण (रु ०००)	
एक वर्ष भन्दा कम अवधि भाखा नाघेको ऋण रकम (रु ०००)	
एक वर्ष भन्दा वढी अवधि भाखा नाघेको ऋण रकम (रु ०००)	
पुनर्संरचना गरिएको ऋण रकम (रु ०००)	
किस्ता भाखा नाघेको ऋणको तिर्न बाकी सावा रकम (रु ०००)	
भाखा पुगी उठ्नुपर्ने सावा रकम (रु ०००)	
उठेको सावा रकम (रु ०००)	

घ: कर्मचारी र सदस्यहरुको सन्तुष्टि

आ.व ०७१/०७२ मा संस्था छोड्ने कर्मचारी संख्या	
आ.व ०७१/०७२ मा संस्था छोड्ने र निष्क्रिय रहेको सदस्य संख्या	
आ.व ०७१/०७२ मा नियमित वचत गर्ने सदस्य संख्या	
आ.व ०७१/०७२ मा नियमित व्याज र किस्ता तिर्ने ऋणी संख्या	
आ.व ०७१/०७२ को साधारण सभामा उपस्थिति सदस्य संख्या	
आ.व ०७१/०७२ को संचालक समितिको बैठकहरुमा उपस्थित संचालक सदस्य संख्या	

ड : सुशासन (उपुक्त कोष्टमा ठीक [ ✓ ] चिन्ह लगाउनुहोस)

विवरण	छ	छैन	आंशिक	रुजु/ अध्ययन गर्ने कागजात
सबै सदस्य हरूले देख्ने गरि नागरिक बडा पत्र राखिएको छ				संस्थाको नागरिक बडापत्र
साधारण सभा नियमित रूपमा आयोजना गर्ने गरिन्छ				साधारण सभा पुस्तिका
साधारण सभाबाट वार्षिक वजेट र कार्यक्रम स्वीकृत गराई लागु गर्ने गरिन्छ				" "
लेखा परिक्षण प्रतिवेदन साधारण सभामा छलफल गरि पास गर्ने गरिन्छ				" "
वार्षिक प्रगति पुस्तिका प्रकाशन गरि सदस्यहरूमा वितरण गर्ने गरिन्छ				प्रगति पुस्तिका
संचालक समितिको लागि निश्चित योग्यता निर्धारण गरिएको छ				विनियम र नीतिहरू
संचालक समितिको बैठक विनियम अनुसार नियमित रूपमा वस्ने गरेको छ				" "
संस्था संचालनमा आवश्यक नीतिहरू (सदस्य, संचालक, वचत, ऋण, कर्मचारी, वित्त)तर्जुमा गरी लागु गरिएको छ				" "
संस्थाको ब्यबसायिक योजना तर्जुमा गरी लागु गरिएको छ				ब्यबसायिक योजना
संचालक समितिको बैठकमा संस्थाको लक्ष र प्रगतिको वारेमा छलफल गर्ने गरिन्छ				संचालक बैठक पुस्तिका
कर्मचारीहरूलाई सेवाको सर्तहरू तोकिएको छ				" "
कर्मचारीहरूको कार्य प्रगतिको मुल्याकन गरी पुरस्कार र दण्डको उचित व्यवस्था गरिएको छ				" "
संचालक समितिको बैठकको निर्णयहरू प्रभावकारी ढङ्गबाट कार्यान्वयन गर्ने गरिन्छ				" "
लेखा सुपरिवेक्षण समितिको बैठक विनियम अनुसार त्रैमासिक रूपमा बसी आन्तरिक लेखा परिक्षण गर्ने गरिन्छ				लेखा सुपरिवेक्षण समितिको बैठक पुस्तिका र प्रतिवेदन
लेखा सुपरिवेक्षण समितिको पदाधिकारी हरूमा आन्तरिक लेखा परिक्षण गर्न सक्ने क्षमता छ				" "
कर्मचारीहरूको नियमित मासिक बैठक वस्ने गरिन्छ				कर्मचारी बैठक पुस्तिका

संस्थाको लेखा दुरुस्त राखने गरेको छ				लेखा विवरण
लक्ष र प्रगतिको विश्लेषण गरी मासिक प्रगति विवरणको तयारी गर्ने गरिन्छ				मासिक प्रगति विवरण
संस्थाको प्रगति वारेमा कर्मचारीहरूको मासिक बैठकमा छलफल गरी उचित निर्णय लिने गरिन्छ				कर्मचारी बैठक पुस्तिका
लेखा परीक्षकले औलाएको त्रुटीहरू सुधार गर्न आवश्यक कदम चालिएको				कर्मचारी बैठक पुस्तिका
संस्थाले आफ्नो क्षेत्रमा उत्कृष्ट सहकारी पुरस्कार प्राप्त गरेको छ				पुरस्कार प्रमाणपत्र
संचालक र कर्मचारीहरूको क्षमता अभिवृद्धिका लागि वर्षमा कम्तिमा दुईवटा तालिमको आयोजना/सहभागिता गर्ने गरिएको छ				बैठक पुस्तिका
<b>सदस्यहरूलाई सेवा (उपुक्त कोष्टमा ठीक [ √ ] चिन्ह लगाउनुहोस)</b>				
सदस्यहरूको माग अनुसार विभिन्न प्रकारका वित्तीय सेवाहरू प्रदान गरिएको छ				सेवाका प्रकारहरू
अन्य संस्थाहरूसँग समन्वय गरि वा आफ्नै स्रोत वाट सदस्य र समुदायलाई कम्तिमा वर्षमा दुईवटा गैह्र-वित्तीय सेवाहरू प्रदान गर्ने गरिएको छ				अन्य संस्थाहरूसंगको सम्झौता, प्रगति विवरण
सदस्यहरूलाई सेवा दिने र गुनासो सुन्ने प्रभावकारी तौरतरिकाको व्यवस्था गरिएको छ				अवलम्बन गरिएको तरिका

## वीत्तीय विश्लेषण

सूचक	नतिजा	माप	E	D	C	- B	B	A	A+
<b>नाफा र वित्तीय दिगोपना (Earnings)</b>			0	0.25	0.5	1.0	1.5	2.0	2.5
१. मारजिन (Margin)		≤ 8%	<3%	>3.5%	>4%	>5%	>6%	>7%	≤ 8%
२. सेयरपूँजीमा प्रतिफल दर		20%	<6%	<8%	<10%	<12%	<15%	<18%	>20%
३. सम्पतिको प्रतिफल दर		5%	<2%	>2.5%	>3%	>3.5%	>4%	>4.5%	5%
४. सञ्चालन स्वक्षमता		130%	<105%	<110%	<115%	<120%	<125%	<130%	>130%
५. वित्तीय स्वक्षमता		110%	<85%	<90%	<95%	<100%	<105%	<110%	>110%
<b>तरलता (Liquidity)</b>									
६. कुल सम्पतिमा तरलता दर		5%	<0.5%, >5%	<1%	<2%	<3%	<4%	<5%	5%
७. कुल वचतमा तरलता दर		10%	<5% >11	<6%	<7%	<8%	<9%	<10%	10-11%
<b>प्रभावकारिता (Efficiency)</b>									
८. कुल सञ्चालन खर्चको अनुपात		% ≤ 8	>11%, <7	>10.5 %	>10%	>9.5%	>9%	>8.5%	% ≤ 8%
९. प्रसाशनिक खर्चको अनुपात		% ≤ 2	>4.5%, <1 .5	>4%	>3.5%	>3%	>2.5%	>2%	≤2%
<b>उत्पादकत्व (Productivity)</b>									
१०. प्रति कर्मचारी सदस्य संख्या		350	<250	<270	<290	<310	<330	<350	>350
११. प्रति कर्मचारी ऋणी संख्या		150	<100	<110	<120	<130	<140	<150	>150
१२. प्रति कर्मचारी ऋण रकम(Rs Mil)		>30	<10	<15	<20	<25	<28	<30	>30
१३. प्रति कर्मचारी वचत रकम(Rs Mil)		>15	<5	<7.5	<10	<12.5	<14	<15	>15
<b>प्रभावकारी वित्तीय ढाँचा (Healthy Financial Structure)</b>									
१४. लगानीमा रहेको ऋणको अनुपात		80-90 %	<50% >90%	<60%	<65%	<70%	<75%	<80%	80-90%
१५. वचतको अनुपात		50-60 %	<25%	<30%	<35%	<40%	<45%	<50%	>50-60%
१६. सेयरको अनुपात		10-20 %	<5%	<6%	<7%	<8%	<9%	<10%	>10%
१७. संस्थागत पूँजीको अनुपात		10-20 %	<5%	<6%	<7%	<8%	<9%	<10%	>10%
१८. आयआर्जन नगर्ने सम्पतिको अनुपात		<5%	>10%	<10%	<9%	<8%	<7%	<6%	<5%

सम्पत्तिको गुणस्तर (Assets Quality)									
१९. भाखा नाघेको ऋणअनुपात		<2%	>6%	<6%	<5%	<4%	<3%	<2%	<1%
२०. जोखिममा रहेको ऋण		<5%	>10%	<10%	<9%	<8%	<7%	<6%	<5%
२१. मासिक ब्याज तिर्ने सदस्यको दर		100%	<75	>75	>80	>85	>90	>95	100%
२२. एक वर्ष भन्दा बढी अवधि भाखा नाघेको ऋणमा जोखिम कोषको अनुपात दर		100%	<75	<80	<85	<90	<95	<100	>100
२३. एक वर्ष भन्दा कम अवधि भाखा नाघेको ऋणमा जोखिमकोषको अनुपात दर		35%	<20	<25	<28	<30	<32	<35	>35
२४. असल ऋणमा जोखिम कोषको दर		1%	<0.7	>0.75	>0.8	>0.85	>0.9	>0.95	>1
खुद वृद्धि (Net Growth)									
२५. सदस्यमा वृद्धि दर		20%	<10%	<12%	<14%	<16%	<18%	<20%	>20%
२६. वचतमा वृद्धि दर		Inflation rate+20	<10%	<12%	<14%	<16%	<18%	<20%	>20%
२७. सेयर पूँजीमा वृद्धि दर			<10%	<12%	<14%	<16%	<18%	<20%	>20%
२८. कुल सम्पत्तिमा वृद्धि दर			<10%	<12%	<14%	<16%	<18%	<20%	>20%
२९. नाफामा वृद्धि दर			<10%	<12%	<14%	<16%	<18%	<20%	>20%
लक्षित वर्गमा पहुँच (Targeting)									
३०. पहुँच दर		>95%	<70%	<75%	<80%	<85%	<90%	<95%	>95%
३१. महिला सदस्य दर		> 60%	<45%	<50%	<55%	<60%	<65%	<70%	>70%
३२. सन्चालक समितिमा लक्षित वर्गको पहुँच (महिला र पिछडिएका वर्ग)		> 60%	<45%	<50%	<55%	<60%	<65%	<70%	>70%
जम्मा (३२ X २.५) =		80							



### Annex 5: Tables of Background Variables

Table 1

#### *Ethnicity and Position of Respondent*

Caste	Position of respondent							
	Chairperson		Board member		Manager/CEO		Staff	
	No	%	No	%	No	%	No	%
Brahmans/ Chhetris	125	59	226	54	128	61	236	56
Janajatis	31	15	77	18	31	15	82	20
Dalits	7	3	18	4	8	4	18	4
Madhises	27	13	44	11	26	12	39	9
Tharus/Chaudharis	20	10	52	13	16	8	44	11
Total	210	100	417	100	209	100	419	100

Table 2

#### *Experience of Respondents*

Experience (Year)	Experience in Cooperatives		Experience in management		Experience in Leadership	
	N	%	N	%	N	%
1-3	185	14	299	24	141	10
3-5	261	21	265	21	110	9
5-10	315	25	344	27	146	12
10-15	245	20	189	15	84	7
15 and above	229	20	158	13	51	4
No experience	0	0	0	0	723	58
Total	1255	100.0	1255	100.0	1255	100

Table 3

*Training and Exposure Visits*

Training exposure visits attended	Frequency	Percent
Yes	593	47
No	662	53
Total	1255	100.0

Table 4

*Participation in Training and Exposure Visit by Different Official of Cooperatives*

Training types	Participation in training and exposure by different position of cooperatives (%)							
	Chairperson		Manager		Board member		Staff	
	Yes	No	Yes	No	Yes	No	Yes	No
Management	77	33	86	14	54	46	46	54
Account	34	66	79	21	23	77	63	37
Business plan	14	86	30	70	5	95	8	92
Observation	81	19	77	33	56	44	62	38

Table 5

*Observation Tour Participated by Different Positions*

Positions	Observation tour participated by different positions					
	Frequency of tour					
	1-2 tours		3-4 tours		5 and above tours	
	No	%	No	%	No	%
Chairperson	90	43	46	22	35	17
Manager/CEO	84	40	36	17	41	20
Board member	163	39	40	10	31	7
Staff	199	47	39	9	21	5
Total	536	43	161	13	128	10

Table 6

*Female Participation in Mix-sex Managed Cooperative*

Types of Cooperatives	Female		Male	
	N	%	N	%
SFACLs	308	35	569	65
Savings and Credit	34	30	80	60
Total	342	35	649	65

Table 7

*Female Participation in Different Position of Cooperatives*

Types of Cooperatives		Chairperson		Board member		Manager/CEO		Staff		Total		
		Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Total
SFACL	No.	30	117	105	186	34	111	139	155	308	569	877
	%	20	80	36	64	23	77	47	53	35	65	100
Women Coop	No.	41	3	83	5	34	11	71	16	229	35	264
	%	93	7	94	6	76	24	82	18	87	13	100
Other Coop	No.	0	19	9	29	4	15	21	17	34	80	114
	%	0	100	24	76	21	79	55	45	30	70	100
Total	No.	71	139	197	220	72	137	231	188	571	684	1255
	%	34	66	47	53	34	66	55	45	45	55	100

Table 8

*Academic Qualifications of Different Position of Cooperatives*

Position	Chairperson		Board member		Manager/CEO		Staff	
	N	%	N	%	N	%	N	%
High School and below	68	32	167	40	0	0	28	7
SLC	72	34	120	29	38	18	137	33
IA/12 class	44	22	82	20	110	53	170	40
BA and above	26	12	48	11	61	29	84	20
Total	210	100	417	100	209	100	419	

Table 9  
*Age of Respondents*

Age	Frequency	Percent
0-20	7	.6
20-30	256	20.4
30-40	379	30.2
40-50	381	30.4
50-60	177	14.1
60 and above	55	4.4
Total	1255	100.0

Table 10  
*Position and Age of Respondents*

Positions		Age group						Total
		0-20	20-30	30-40	40-50	50-60	60 and above	
Chairperson	No.	0	6	36	79	63	26	210
	%	0	3	17	38	30	12	100
Board member	No.	0	38	125	143	83	28	417
	%	0	9	30	34	20	7	100
Manager/CEO	No.	1	48	73	77	10	0	209
	%	0	23	35	37	5	0	100
Staff	No.	6	164	145	82	21	1	419
	%	1	39	35	20	5	0	100

### Annex 6: Tables of Factor Analysis

Table 1

#### *KMO and Bartlett's Test*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.985
	Approx. Chi-Square	42199.209
Bartlett's Test of Sphericity	Df	1128
	Sig.	.000

Table 2

#### *Eigenvalues -Total Variance Explained*

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	23.821	49.626	49.626	23.821	49.626	49.626	8.575	17.864	17.864
2	2.170	4.521	54.147	2.170	4.521	54.147	7.381	15.376	33.240
3	1.151	2.398	56.545	1.151	2.398	56.545	7.072	14.734	47.974
4	1.027	2.140	58.685	1.027	2.140	58.685	4.333	9.026	57.001
5	1.010	2.104	60.789	1.010	2.104	60.789	1.818	3.789	60.789
6	.888	1.850	62.640						
7	.807	1.680	64.320						
8	.742	1.545	65.865						
9	.721	1.502	67.367						
10	.653	1.361	68.728						

Extraction Method: Principal Component Analysis.

Table 3

*Communalities*

	Initial	Extraction
1.1. Go beyond self-interest	1.000	.570
1.2. Instill pride to be associated	1.000	.583
1.3. Act to be respected person of community	1.000	.599
1.4. Display sense of confidence	1.000	.598
1.5. Trusted persons of the stakeholders	1.000	.587
1.6. Emphasize for teamwork	1.000	.580
2.1. Adherence of code of conduct	1.000	.590
2.2. Establish culture of fairness	1.000	.502
2.3. Consider ethical consequences of decisions	1.000	.574
2.4. Explain importance of having sense of purpose	1.000	.590
2.5. Importance of having a collective mission	1.000	.599
2.6. Enhance members' feeling of ownership	1.000	.558
3.1. Talk optimistically about future	1.000	.565
3.2. Articulate a compelling vision	1.000	.609
3.3. Talk energetically about future tasks to be done	1.000	.645
3.4. Confidence on organizational goals achievement	1.000	.609
4.1. Inspire for innovative ideas/differing perspectives	1.000	.578
4.2. Re-examining the current assumptions	1.000	.667
4.3. Analyze problems from different angles	1.000	.658
4.4. Seek differing perspectives while solving problems	1.000	.668
4.5. New ways of completing assignments	1.000	.666
4.6. Encourage for active participation in decision making	1.000	.607
4.7. succession planning	1.000	.539
4.8. Listens others views and make decision with logics	1.000	.561
4.9. Team empowerment	1.000	.587
5.1. Spend time to maintain good relationship with team	1.000	.532
5.2. Sensitive to individual problems needs of the team	1.000	.674

5.3. Consider developing special capabilities of individuals	1.000	.605
5.4. Listen individual grievances of team members	1.000	.548
6.1. Knowledge of coop principles, act, rules and by-laws	1.000	.716
6.2. Appropriate policy, procedures and services	1.000	.693
6.3. Knowledge of KPIs to measure performance of Coop	1.000	.728
6.4. Linkages with stakeholders to mobilize needed resources	1.000	.630
6.5. Manage conflict in timely manner	1.000	.593
6.6. Adapt of best practices of others coop	1.000	.600
6.7. Ability to make timely decision	1.000	.608
6.8. Apply leadership styles suitable to situation	1.000	.592
6.9. Provide ToR to achieve goals of Coop	1.000	.553
7.1. Market rate salary based on efforts	1.000	.598
7.2. Delegation of accountability and authorities	1.000	.635
7.3. Provision of rewards based on performance	1.000	.628
7.4. Expression of satisfaction when expectations are meet	1.000	.635
8.1. Monitoring and comparison of the performance vs. target	1.000	.652
8.2. Concentrate on irregularity and mistake while monitoring	1.000	.621
8.3. Deal with complaints and grievances	1.000	.579
8.4. Keep track of all mistakes	1.000	.580
8.5. Instruct to improve mistakes and shortcomings	1.000	.649
8.6. Direct team attention to achieve goal	1.000	.641

Extraction Method: Principal Component Analysis.

Total of Extraction = 29.179; Average of Extraction = 0.608

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Table 4

*Rotated Component Matrix (Highlighted items were removed)*

<i>Role model</i>	Components/Dimensions	
1.1. Go beyond self-interest	.712	
1.4. Display sense of confidence	.672	
1.3. Act to be respected, person of community	.666	
2.1. Adherence of code of conduct	.662	
1.5. Trusted persons of the stakeholders	.659	
1.6. Emphasize for teamwork	.655	
2.5. Importance of having a collective mission	.608	.402
2.3. Consider ethical consequences of decisions	.605	
1.2. Instill pride to be associated	.602	
2.2. Establish culture of fairness	.596	
2.6. Enhance members' feeling of ownership	.593	
2.4. Explain importance of having sense of purpose	.586	
<b>3.2. Articulate a compelling vision</b>	<b>.455</b>	<b>.434</b>
<b>3.1. Talk optimistically about future</b>	<b>.432</b>	<b>.411</b>
<i>Team empowerment</i>		
4.5. New ways of completing assignments	.659	
4.4. Seek differing perspectives while solving problems	.647	
4.3. Analyze problems from different angles	.600	
4.2. Re-examining the current assumptions	.598	
4.6. Encourage for active participation in decision making	.423	.552
4.9. Team empowerment	.547	
4.7. succession planning	.546	
3.3. Talk energetically about future tasks to be done	.498	.524
4.8. Listens others views and make decision with logics	.415	.514
<b>3.4. Confidence on organizational goals achievement</b>	<b>.439</b>	<b>.493</b>
4.1. Inspire for innovative ideas/differing perspectives	.487	
5.3. Consider developing special capabilities of individuals	.485	
5.1. Spend time to maintain good relationship with team	.429	



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***Reward and punishment***

7.3. Provision of rewards based on performance	.689		
7.1. Market rate salary based on efforts	.662		
7.2. Delegation of accountability and authorities	.655		
7.4. Expression of satisfaction when expectations are meet	.654		
8.1. Monitoring and comparison of the performance vs. target	.641		
6.9. Provide ToR to achieve goals of Coop	.636		
8.4. Keep track of all mistakes	.601		
8.2. Concentrate on irregularity and mistake while monitoring	.577		
8.5. Instruct to improve mistakes and shortcomings	.551		
8.6. Direct team attention to achieve goal	.468	.501	
<b>8.3. Deal with complaints and grievances</b>	<b>.434</b>	<b>.497</b>	
<b>6.6. Adapt of best practices of others coop</b>	<b>.443</b>	<b>.448</b>	
6.8. Apply leadership styles suitable to situation	.435		
<b>6.7. Ability to make timely decision</b>	<b>.401</b>	<b>.406</b>	<b>.400</b>
<b><i>Leadership skills</i></b>			
6.1. Knowledge of coop principles, act, rules and by-laws	.741		
6.3. Knowledge of KPIs to measure performance of Coop	.722		
6.4. Linkages with stakeholders to mobilize needed resources	.632		
6.2. Appropriate policy, procedures and services	.569		
6.5. Manage conflict in timely manner	.534		
<b>5.2. Sensitive to individual problems needs of the team</b>	<b>.733</b>		
<b>5.4. Listen individual grievances of team members</b>	<b>.541</b>		

Total items = 48; Cross-loaded = 8 (In bold)

### **Annex 7: Terminologies**

Asset-liability management	The joint planning and management of assets and liabilities so that maturities, liquidity and interest rates will produce a desired level of income
Assets quality	Percentage of loan that is current or not delinquent
Audit	An examination of the books and records of an organization.
Audited financial statement	The report and financial statement prepared by auditors after examination of the books and records. The financial statement include: Income statement, balance sheet, cash flow and supporting documents
Balance sheet	List of assets and liabilities showing net worth or deficit amount on a given date.
Budget	Financial forecasting of an organization for a future time period.
Bylaws	The rules developed by the members of the cooperatives society which provide guideline to govern the society.
Capital	Represents net worth of the cooperatives. Net worth can be measured by deducting liabilities from assets.
Cash flow	The difference between the cash inflow and the cash outflow within an institution.
Collateral	Physical assets pledged to ensure loan repayment and subject to seizure upon default. In cooperatives and microfinance both physical assets and group guarantee (social capital) are kept as the collateral against loan
Community Based Cooperatives	The cooperatives formed in the certain localities covering different settlements to serve the member of the community is called community-based cooperatives

Cost of funds	The expenses or price paid by an organization to the funds collected from different sources
Credit	Loan provided to the borrowers.
Credit history	A record of a borrower's debt payments
Credit risk	The possibility of non-payment of loan by a borrower
Debt	An accounting entry that increases liability and decreases assets accounts
Debt-equity ratio	Total amounts of debts divided by equity
Delinquent	A credit account that is past due without a satisfactory repayment arrangement
Dimension	Each social construct or belief has different underlying facets which is called dimension
Earnings ratio	Earnings ratio include ROA, ROE and self-sufficiency
Efficiency	Cost per unit or ratio of cost and business volume. Lower the ratio higher the efficiency
Equity	Represents what members own and is measured by the excess of assets over the liabilities. This includes member capital shares, reserves and undivided earnings.
Financial margin	The difference between interest income and expenses
Financial self-sufficiency	The ability of an organization /cooperative to generate enough income to pay all direct expenses, indirect cost and cost of growth.
Financial structure	Percentage of an organization's different sources of funds that make up total capital. Right mix of capital is considered healthy financial structure

Fiscal year	Financial year used by governments for accounting, taxing and budget purposes
Fixed assets	Non-income-earning assets, including land, buildings, furniture and equipment
Inflation	A substantial rise in prices and volume of money resulting in a decrease in the value of the money
Item	Each dimension of social construct is measure by different indicators which is called item
Liquidity	Ability to meet both short term and long-term demand for funds
Liquidity management	The process of ensuring sufficient fund to meet demand for funds
Loan delinquency	Borrower failing to pay loan as per loan schedule
Loan portfolio	Total amounts of loans an organization currently maintains
Loan Yield	The interest earned on a loan
Member shares	Share or capital the members have invested in cooperatives
Net Growth	Actual growth minus the current inflation rate
Net Income	Difference between total expense and total income
Operational level leader	Managers and staff of the cooperatives
Penetration ratio	The ratio of members to potential members
Policy level leader	The board under the leadership of chairperson are involved in policy matters. The chairperson is considered policy level leader
Productivity	Productivity is output from certain amount of inputs. The

organizational operation is considered productive if the ratios is higher

Reserves	There are different reserves in cooperatives. Statutory reserves are maintained by cooperatives as required by law which is 25% of the net profit. Other reserves are loan loss reserve, bad debt reserve and reserve against long term liabilities
Self-management	Autonomous, self-control and governed
Spread	The difference between the interest rate paid on savings and interest earned on loans
Targeting	The selection of potential customers to whom an organization wishes to reach. In microfinance, the targeting means reaching to the poorest or unreached section of the society