

## Impact of Cooperatives on Poverty Reduction and Sustainable Livelihoods: Insights from Bhaktapur District, Nepal

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### Abstract:

**Introduction:** Cooperatives, as organizations promoting self-reliance, good governance, and equity, aim to meet the social, cultural, and economic needs of their members through democratic ownership and control. In Nepal, cooperatives play a vital role in addressing challenges such as poverty, unemployment, and inequalities, fostering inclusive economic growth. This study focuses on filling the knowledge gap regarding the engagement and impact of cooperatives on the socio-economic and sustainable development of Bhaktapur district, shedding light on their significance in fostering sustainable livelihoods through saving and lending activities.

**Method:** A descriptive cross-sectional study involving 422 cooperative members in Bhaktapur district conducted using a semi-structured questionnaire and face-to-face interviews. Data analysis was conducted using SPSS version 20, employing univariate analysis.

**Results:** The study reveals that the majority of respondents (58.8%) are aged between 22-54 years, with a balanced representation of males (50.25%) and females (49.8%). Agriculture is the primary occupation for 69.2% of families, and cooperatives have positively impacted their socio-economic status. Satisfaction levels are high for loan and savings services, while improvements in expenditure capacity were observed in education, health, food, and other areas. However, there are areas for improvement, such as expanding compulsory saving services and enhancing member-oriented trainings.

**Conclusion:** This study provides valuable insights into the socio-demographic characteristics and impact of cooperatives on poverty reduction, sustainable livelihoods, and economic growth in Bhaktapur district, emphasizing the need to strengthen capacity, enhance engagement opportunities, and explore alternative financing options for sustainable development.

**Keyword:** Cooperatives; Bhaktapur District; Poverty Reduction; Sustainable Livelihoods

## Introduction

An organization that fosters self-reliance, good governance, equity, and transparency within the bounds of moral principles like openness, honesty, and social responsibility is referred to as a cooperative(1). In order to meet their social, cultural, and economic requirements, cooperatives are owned and controlled by an independent group of people through democratic processes(2). Cooperatives provide low-income individuals with financial and non-financial services, such as small loans, savings programs, income generation opportunities, and access to working capital, ultimately enhancing their living standards(3). Cooperatives strive to uplift rural communities by fostering cooperation, mutual support, and organizing community members into groups to pool savings for investments, engage in social activities, exchange ideas for community development, access financial resources and technical assistance, empower grassroots individuals, and establish self-sustaining local financial institutions(4,5).

Cooperatives are vital for the socio-economic upliftment of low-income countries like Nepal, addressing challenges such as poverty, unemployment, low per capita income, and inequalities, and promoting inclusive economic growth(6). Cooperative sectors have been considered as the important pillar for national economic development together with public and private sectors by the constitution(7). Nepal has a long history of informal community-based cooperatives which includes savings and credit associations known as Dhikuti, grain savings, and Labour exchanging systems such as Parma and Dharma Bhakari(8). Kathmandu, Lalitpur, Bhaktapur, and Chitwan have emerged as significant employment hubs and centers for cooperative activities, with Kathmandu and Bhaktapur districts showing the highest investment in share capital, underscoring the positive role of cooperatives in fostering sustainable livelihoods through saving and lending activities(9). This study aims to fill the information gap regarding the limited knowledge on the engagement and impact of cooperatives on the socioeconomic and sustainable development of Bhaktapur district.

## Methods

A descriptive cross-sectional study was conducted among 422 members of cooperatives from the selected cooperatives of Bhaktapur district, Nepal. The data was collected by using the semi-structured questionnaire and a face-to-face interview was conducted with the members of cooperative, after getting permission from cooperatives and individual consent. The collected data was entered into SPSS version 20 for analysis where univariate analyses was done.

**Results: Socio-demographic Information**

**Table 1: Socio-demographic Information of respondents**

Socio-demographic Characters (n=422)		Frequency (f)	Percent (%)
Age (years)	15-24	138	32.7
	25-54	248	58.8
	55-64	24	5.7
	Above 65	12	2.8
Sex	Male	212	50.2
	Female	210	49.8
Religion	Hindu	415	98.3
	Christian	7	1.7
Main occupation of family	Agriculture	292	69.2
	Business	74	17.5
	Job	39	9.2
	Others	17	4
Caste	Dalit	10	2.4
	Disadvantaged Janajatis	23	5.5
	Disadvantaged Non-Dalit Terai caste groups	5	1.2
	Religious Minorities	4	0.9
	Relatively advantaged Janajatis	262	62.1
	Upper caste groups	118	28
Marital status	Married	230	54.5
	Unmarried	187	44.3
	Divorced	1	0.2
	Separated	4	0.9
Educational status	Illiterate	44	10.4
	Primary level	48	11.4
	Lower secondary	31	7.3
	Secondary level	134	31.8
	Bachelor	134	31.8
	Masters and above	31	7.3
Type of family	Nuclear	247	58.5
	Joint	172	40.8
	Extended	3	0.7
Housing status	Own	382	90.5
	Rent	40	9.5
House type	Permanent (Concrete/cemented)	330	78.2
	Permanent (Mud and stone or brick)	73	17.3
	Temporary (Mud and stone)	13	3.1
	Temporary shelter	3	0.7
	Others	3	0.7
Average Monthly Family income (Rs)	Less than 10000	339	80.3
	10000-25000	70	16.6
	25000-50000	11	2.6
	50000-100000	2	0.5
Main source of family income	Salary and wages	249	59
	Income from business-non agricultural	77	18.2
	Income from business-based on agriculture	170	40.3
	Remittance	9	2.1

Table 1 shows the majority of the respondents i.e., 58.8% are 22-54 years of age, 50.25% are male, 69.2% have agriculture as a main occupation of the family, 98.3% are Hindu, 62.1% are Relatively Advantaged Janajatis, 54.5% are married, and 31.8% have bachelor level of education. Likewise, 58.5% have nuclear family, 90.5% have their own house, 78.2% have permanent (Concrete/cemented) house, 80.3% less than 10000 NPR average monthly family income, 59% have salary and wages as the main source of family income.

## Role of cooperative on poverty reduction and sustainable livelihood

**Table 2: Role of cooperative**

Characteristics (n=422)	Frequency (f)	Percent (%)	
First membership in cooperative (years)	Less than 1	29	6.9
	1-5	219	51.9
	6-10	106	25.1
	11-15	42	10
	16-20	18	4.3
	More than 20	8	1.9
Got membership in cooperative from	Buying share	103	24.4
	Parent inherited	57	13.5
	Friend request	104	24.6
	Self-decision	158	37.4
Shares in Cooperative	None	58	13.7
	100-1000	243	57.6
	1100-10000	109	25.8
	10000-25000	10	2.4
	26000-50000	2	0.5
Saving money in cooperative	Daily	42	10
	Monthly	347	82.2
	Every fifteen day	13	3.1
	Others	20	4.7
Monthly saving amount (Rs)	100-1000	226	53.6
	1000-10000	175	41.5
	10000-25000	16	3.8
	More than 25000	5	1.2
Money borrowed from cooperative	Yes	138	32.7
	No	284	67.3
Amount borrowed from cooperative (Rs)	None	284	67.3
	10000-50000	38	9
	51000-100000	47	11.1
	110000-500000	38	9
	More than 500000	15	3.6
Purpose of borrowing	Business	53	12.6
	Farming	33	7.8
	Education	19	4.5
	Health	10	2.4
	Construction of house	17	4
	Others	6	1.4
Loan Payment	Totally paid	39	9.2
	Partially paid	82	19.4
	Not at all	17	4
Changed social status after dealing with a cooperative	Very good	24	5.7
	Good	248	58.8
	Neutral	142	33.6
	Bad	7	1.7
	Very Bad	1	0.2
Expectation fulfilled from cooperative service	Yes	179	42.4
	No	75	17.8
	Some extent	86	20.4
	Not related	32	7.6
	Don't Know	50	11.8

Table 2 shows the most of the respondents i.e., 51.9% first membership in cooperative 1-5 years, 37.4% got membership in cooperative by self-decision, 57.6% have 100-1000 shares in cooperative, 82.2% monthly save money in cooperative, 53.6% monthly save 100-1000. Only, 32.7% have borrowed money from cooperative in which 11.1% have borrowed 51000-100000 NPR, 12.6% said the purpose of borrowing is business and 19.4% have partially paid the loan. Majority of the respondents i.e., 58.8% answered that their social status after dealing with a cooperative has changed and 42.4% answered that their expectation fulfilled from cooperative service.

### Expenditure capacity improved after joining co-operative

**Table 3: Improvement of expenditure capacity after joining co-operative**

Particular	Yes		No		Some extent		Not related		Don't know	
	F	%	f	%	f	%	f	%	f	%
Education	251	59.5	84	19.9	22	5.2	20	4.7	45	10.7
Health	277	65.6	75	17.8	20	4.7	15	3.6	35	8.3
Food	227	53.8	94	22.3	32	7.6	23	5.5	46	10.9
Clothes	199	47.2	127	30.1	19	4.5	32	7.6	45	10.7
Communication	181	42.9	130	30.8	25	5.9	33	7.8	53	12.6
Entertainment	168	39.8	136	32.2	26	6.2	37	8.8	55	13
Others	104	24.6	161	38.2	25	5.9	40	9.5	92	21.8

Table 3 shows that more than half of the respondents i.e., 59.5% responded that expenditure capacity improved on the education after joining co-operative, 65.6% said in health, 53.8% responded in food, 47.2% said cloths, 42.9% said in communications, 39.8% responded entertainment and 38.2% responded that expenditure capacity did not improve on the others particular subjects.

### Types of credit provided to the member of cooperatives

**Table 4: Types of credit provided**

Particular	Yes		No		Not related		Don't know	
	f	%	f	%	f	%	f	%
Compulsory saving	186	44.1	205	48.6	15	3.6	16	3.8
Saving	355	84.1	50	11.8	12	2.8	5	1.2
Loan	168	39.8	249	59	3	0.7	2	0.5
Remittance	58	13.7	284	67.3	27	6.4	53	12.6
Insurance	104	24.6	234	55.5	38	9	46	10.9
Others billing	96	22.7	250	59.2	30	7.1	46	10.9

Table 4 shows that most of the respondents i.e., 48.6% replied that they are not currently receiving compulsory saving services from the cooperative, 84.1% replied saving services,

39.8% replied loan service, 13.7% said remittance service, 24.6% replied insurance service and 22.7% said other billing services.

### Satisfaction level on various services provided by cooperative

**Table 5:Levelofsatisfaction**

Particular	Very satisfied		Satisfied		Some extent		Unsatisfied		Very unsatisfied	
	f	%	f	%	f	%	f	%	f	%
Types of loan	36	8.5	222	52.6	125	29.6	28	6.6	11	2.6
Types of saving	35	8.3	255	60.4	116	27.5	13	3.1	3	0.7
Interest rate	15	3.6	200	47.4	138	32.7	64	15.2	5	1.2
Service and other fee	17	4	168	39.8	160	37.9	69	16.4	8	1.9
Loan repays process and schedule	16	3.8	190	45	156	37	54	12.8	6	1.4
Debt collection method	13	3.1	185	43.8	156	37	64	15.2	4	0.9
Behavior and process relating to loan	14	3.3	203	48.1	136	32.2	63	14.9	6	1.4
General member oriented annual number of trainings	15	3.6	154	36.5	156	37	84	19.9	13	3.1

Table 5 shows that more than half i.e., 52.6% of the respondents are satisfied with the types of loan services currently provided by the cooperative, 60.4% are satisfied with the types of saving services, 47.4% are satisfied with the interest rate, 39.8% are satisfied with the service and other fee, 45% are satisfied with the loan repaying process, 48.1% are satisfied with the behavior and process relating to loan, 43.8% are satisfied with debt collection method, 48.1% are satisfied with the behavior and process relating to loan, and 37% are satisfied at some extent with the general member oriented annual number of trainings.

### Discussion

This study offers valuable insights into the socio-demographic characteristics of cooperative members in Bhaktapur district, their impact on poverty reduction, credit provisions, and contribution to sustainable livelihoods. The study revealed that cooperatives have successfully attracted active participation from the productive age group (22-54 years), indicating their appeal to younger members, and demonstrated gender inclusivity with an almost equal representation of male and female members. The male participation was more frequent than female participation (10), and socio-demographic factors such as age, sex, income, occupation, and education had an influence on members' participation, with formally employed members showing higher participation rates compared to the unemployed (11).

The respondents predominantly engaged in agriculture, highlighting the vital role of cooperatives in supporting farmers and rural communities, crucial for poverty reduction. Studies have demonstrated the positive impact of agricultural cooperatives on farming practices, leading to improved livelihoods for farmers, including increased access to

capital, markets, and quality goods, as well as the equitable distribution of quality goods in urban areas through savings and investments(3,12).The study findings offer a comprehensive overview of living conditions in Bhaktapur district and identify areas where cooperatives can concentrate their efforts to enhance members' livelihoods, while providing valuable insights into cooperative membership involvement and engagement. The findings are significant to the study such as (5) and(9). While on the other hand the multipurpose cooperatives did not fully utilize their amassed equity(13).However, (14)has demonstrated that effective cooperatives have a significantly greater impact than was initially thought on the UN's MDGs.

The study findings highlight the cooperative's crucial role in promoting financial literacy, savings culture, and poverty reduction, emphasizing its potential for sustainable livelihood and economic growth, despite varying perspectives among participants.Participants acknowledged the significance of cooperatives in poverty reduction and economic growth, but varying perspectives revealed that negative perceptions among rural individuals stemmed from insufficient capacity, resource limitations, and limited engagement opportunities (15).Cooperatives are recognized as a means to promote economic growth, poverty alleviation, and community development, with different types of cooperatives, such as financial, agricultural, multipurpose, consumer, and insurance, being acknowledged for their potential contributions to the economy and society.Due to the limited credit accessible through agricultural cooperatives, many authors contend that major farmers may not join them(16–18). In contrast to findings of (19), (20)discovered in Kenya that the availability of alternative financing greatly boosts group membership.

## Conclusion

In conclusion, this study provides valuable insights into the socio-demographic characteristics of cooperative members in Bhaktapur district and their impact on poverty reduction, credit provisions, and sustainable livelihoods. The study highlights the appeal of cooperatives to younger members and their gender inclusivity, with an almost equal representation of male and female participants. The study underscores the vital role of cooperatives in supporting agriculture and rural communities, contributing to poverty reduction and improved livelihoods. The study identifies areas where cooperatives can focus their efforts to enhance members' livelihoods and emphasizes their potential for promoting financial literacy, savings culture, and economic growth. Despite varying perspectives among participants, cooperatives are recognized as a means of promoting economic growth, poverty alleviation, and community development. The study findings shed light on the challenges faced by cooperatives, such as limited credit accessibility and resource limitations, while also highlighting the potential benefits of alternative financing options for boosting membership. Hence, it is recommended

to strengthen the capacity and resources of cooperatives, enhance engagement opportunities for rural individuals, and explore alternative financing options to expand credit accessibility, thus promoting the sustainable development and impact of cooperatives in Bhaktapur district.

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