

Assessing Cooperative Contributions to Economic Sustainability in Karnali Province, Nepal

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Abstract

The Karnali Province, the most economically open and geographically isolated region in Nepal has seen the emergence of cooperatives as a significant institution of savings mobilization, low-cost credit and income earning potential where the traditional modes of development have proven ineffective in most instances. The survey method is used to assess the impact of cooperatives in supporting the sustainability of the economy in Karnali in this study. The quantitative data collected by means of structured questionnaires included 384 cooperative members in Surkhet districts. The results demonstrate great improvement: average household income increased by 58.9% (NPR 11,200 to NPR 17,800), savings rose by 131.4% (NPR 3,500 to NPR 8,100), the access to credit grew by 28.4-73.2% and the level of employment was improved by 46.0 to 68.0%. Many of the interviewees mentioned enhanced financial inclusion, training capacity and livelihood security. The correlation analysis showed that there were strong positive correlations between cooperative participation and economic outcomes particularly among the long-term members. The cooperative model despite the obstacles of small-size loans and technical assistance proved to be effective in facilitating the grassroot development and financial empowerment of marginalized communities. The paper finds that cooperatives can play a significant role in achieving economic sustainability in rural Nepal, and it is advisable to enhance their policy and institutional backing to create maximum impacts.

Keywords: Cooperatives, economic sustainability, financial inclusion., karnali province, rural livelihoods.

Introduction

One of the most economically vulnerable and geographically isolated provinces of the country, Karnali Province in Western Nepal, is characterized by poor infrastructure development, poor market connections, high poverty and food insecurity levels (Sharma, 2020). Standard development policies have not always worked in such an environment. Nevertheless, cooperatives have also become a beneficial institution of promoting economic sustainability in rural and unrepresented environments (Paudel, 2022). Cooperatives in

Karnali are a vital facilitator of savings mobilization, low-cost credit, and opportunities to generate income by especially the groups traditionally marginalized to formal financial systems because they are a community-based, member-owned organization (Dhakal, 2024). These institutions facilitate the investment in better seeds, livestock, and farming equipment by farmers, small-scale producers, and other entrepreneurs in the rural regions; this boosts productivity and income stability (Risal, 2021). The cooperatives also contribute to the decrease of the dependency on the middlemen with high-interest rates and exploitative practices, the members of the cooperatives have a direct connection to the fair market and the improved prices of their products (Shahi et al., 2023). Also, they provide platforms of collective marketing so that the smallholders can enjoy the economies of scale and enhance their bargaining power. Economic exclusion, migration, and underdevelopment are systemic cooperatives in an area, such as Karnali, which gives a promising avenue to localized, inclusive, and sustainable economic growth (Dhakal, 2024). The paper seeks to critically evaluate how cooperatives can promote the economic sustainability in Karnali Province through analysing the contribution of cooperatives toward income enrichment, job creation, financial inclusion and rural enterprise development (Paudel, 2022).

Methodology

Research Design

This paper has taken a quantitative approach to the problem by examining the multi-dimensional contribution of cooperatives in promotion of economic sustainability. Such approach is justified by the fact that it allows combining the generalizability of the quantitative data with the contextual insights (Creswell & Plano Clark, 2018). The change in income, access to credit, saving behavior, and household investment patterns were measured using quantitative tools and the governance practices, their relationships with the cooperative members, and their perceived challenges and benefits were examined in the context of quantitative methods.

Sampling and Study Area

The region involved in this research was the Surkhet District in Karnali Province, chosen because of its position as a cooperative center and a point of entry into the rural economic world. A purposive sample of seven cooperatives was identified in relation to service type variation, geographic distribution as well as maturity of operation. A stratified random sampling approach was used to provide a representation of the different gender, caste, age, and income groups which are some of the most important dimensions in the socio-economic fabric of Nepal. There was a total of 384 randomly selected members of stratified lists. The internal and external validity of this approach were improved, and inclusiveness was improved, particularly in women and marginalized castes (Creswell & Creswell, 2018). The adequate sample size was informed by Cochran equation and was parallel to inferential statistical standards in mixed-methods research (Singh, 2007).

Data Collection Methods

Triangulated methods were used in the study to collect multi-layered data that was rich. The main information was to be gathered using the structured questionnaires, which defined the indicators, including the income increase, credit access and participation in cooperatives. The survey was pretested on reliability and given in Nepali by the trained local enumerators. Triangulation was carried out by reviewing secondary data such as financial reports, policy documents and cooperative records. Triangulation will be used to have a more holistic approach to the relationship of cooperative sustainability (Simkhada, 2013).

Data Analysis

Data Analysis was performed using SPSS. The use of cooperative services was summarized using descriptive statistics (means, frequency, standard deviations) and correlation and regression analyses were utilized to determine the relationship between cooperative participation and economic variables. This facilitated the test of hypothesis to determine the predictive power of cooperative membership to household outcomes (Field, 2013).

Ethical Considerations

The study was conducted with ethical procedures. The participants were told about the aim of the study, and verbal/written consent was obtained. The calls were voluntary, and confidentiality and anonymity were provided by coding and safe storage. Gender sensitivity and caste sensitivity were considered in special ways through employing female enumerators and setting up a culturally fit environment to have the discussion. The questionnaires were also framed in a respectful way that would not cause distress (UNESCO, 2015). These ethical limitations guarantee the trustworthiness of the participants, as well as the reliability of the data (Israel & Hay, 2006). Ethical rigor is especially significant in research where the disadvantaged or the rural people are involved.

Results and Discussion

Economic Changes After Cooperative Membership

The results show that it has astonishingly increased the key economic indicators following cooperative participation. There was an increment in the average household income by 58.9 to an average household income of NPR 17,800 which is a monthly income. Similarly, the savings of the household too rose over 20 times at 131.4% on the march of joining into cooperatives. There was also an increment in access to credit which increased to 73.2% compared to 28.4% which shows an increment of 44.8% points. The rates of employment increased up to 68.0% against 46.0%, implying that there were increased prospects of livelihood. All these developments suggest that cooperatives in Karnali Province have been very important towards the sustainability of the economy within the region, by enhancing the income levels, financial inclusion and even job opportunities among the members of the cooperatives.

Table 1: Economic Impact of Cooperative Membership

Economic Indicator	Mean (Before)	Mean (After)	Mean Difference (%)
Monthly Household Income (NPR)	11,200	17,800	+58.9%
Household Savings (NPR)	3,500	8,100	+131.4%
Access to Credit (%)	28.4	73.2	+44.8 pp
Employment Rate (%)	46.0	68.0	+22.0 pp

(Source: Fieldwork, 2025)

Participation Rates in Cooperative Services

It was observed that there was high response rate on cooperative services and this indicated presence of intensive engagement between the members. The most frequent service was savings accounts 87.1% of the respondents had one. The next was access to loans at 77.9% since cooperatives has a role of financial support. The majority (58.6%) of the respondents were involved in skills training that is a very important component of capacity building. The 45.7% agricultural support was a measure of the sectoral currency of the cooperatives in the rural livelihoods. The most inactive marketing assistance (38.6% of respondents) demonstrated the prospect of additional outreach. These figures denote the multi-dimensional service provision by cooperatives to enhance the economy.

Table 2: Participation in Cooperative Services

Service Type	N	Valid Percent
Savings Account	610	87.1%
Loan Access	545	77.9%
Skills Training	410	58.6%
Agricultural Support	320	45.7%
Marketing Assistance	270	38.6%

(Source: Fieldwork, 2025)

Members' Perceived Benefits of Cooperative Involvement

Cooperative impact was overwhelmingly reported with a positive impression which was overwhelmingly significant as suggested by the respondents. An enormous majority (85.3%) answered that their income had increased due to their being mentioned in cooperation. Better saving and better access to loans had been expressed by 79.6% and 83.1% respectively. The importance of the training programs was realized by the members with 66.4% indicating the presence of skill development as the reason. Funny enough, 59.2% believed that cooperatives had empowered women. However, 40.8% disagreed with the thought that gender sensitive programming could be done. These responses affirm that cooperatives are doing well economically and empowering socially but certain things like empowering women could require more institutional attention to enable inclusive effects.

Table 3: Perceived Benefits of Cooperative Membership

Benefit Reported	Agree (Valid %)	Disagree (Valid %)
Increased Income	85.3%	14.7%
Improved Saving Habits	79.6%	20.4%
Better Access to Loans	83.1%	16.9%
Skill Development	66.4%	33.6%
Women Empowerment	59.2%	40.8%

(Source: Fieldwork, 2025)

Correlation Between Cooperative Participation and Economic Outcomes

The participation in cooperation is positively correlated with the economic results with a high degree of correlation which is proved by means of statistical analysis. The years of membership had a strong relationship with income ($r = 0.62$), savings ($r = 0.55$), and access to credit ($r = 0.48$), and this indicates that the years of engagement are useful. The correlations of participation in training with other variables were also very high particularly with credit access ($r = 0.52$) and income ($r = 0.47$). The results of attendance in meetings showed moderate but acceptable results on all indicators. It was less related to gender and the significant correlation with savings was not high ($r = 0.22$). Such results suggest that the level and the permanence of collaborative involvement prompt measurable alterations in the domestic economic states.

Table 4: Correlation Between Participation and Economic Outcomes

Variable	Income	Savings	Access to Credit	Employment
Years of Membership	0.62**	0.55**	0.48**	0.46**
Participation in Training	0.47**	0.38**	0.52**	0.41**
Meeting Attendance	0.44**	0.40**	0.35**	0.30**
Gender (Female = 1)	0.10	0.22*	0.19*	0.08

Note: * $p < 0.05$, ** $p < 0.01$

(Source: Fieldwork, 2025)

Conclusions

The paper employed quantitative research to establish the contribution of cooperatives in economic sustainability in Karnali Province. Statistical findings were of high transformations in the levels of household income, savings, credit and employment accessibility following coop participation. Cooperative model has proven to be pertinent and functional as over 85% of the members have testified to increase in income and over 80% to enhanced access to credit and altered saving habits, as a measure to structural economic marginalization in Karnali. The statistical analysis, coupled with thematic insight, indicated that there exist very strong correlations between active cooperative involvement (e.g., training, meeting attendance) and positive economic outcome. This brings out the worth of time and intensity of activity. Also, purposive sampling, triangulation of data source and ethical rigor were employed in such a way that other voices especially those of women and marginalized groups were listened to and respected. In general, the findings prove that cooperatives play a

transformative role in advancing the local economic resilience and inclusion in rural Nepal. Therefore, the policy measures must support collaborative development, capacity building and inclusive governance in the effort of sustaining and enhancing such influences both within Karnali and beyond. Cooperatives remain a grassroots tool of providing equitable and context-based economic growth in the most susceptible regions of Nepal.

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