

**Socio-Economic Impact of Saving and Credit Cooperative: A Case of Janahitkari  
Saving and Credit Cooperative Surkhet**

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**Abstract**

*Cooperatives have emerged as vital institutions for poverty alleviation and financial inclusion in Nepal, particularly in rural areas where agriculture remains subsistence-based and access to formal banking is limited. Savings and Credit Cooperatives bridge this gap by mobilizing savings, extending microcredit and providing skill-development opportunities. This study assesses the socio-economic impact of Janahitkari Saving and Credit Cooperative Limited in Birendranagar Municipality of Surkhet. A descriptive research design was applied using both primary and secondary data. Primary data was collected from randomly selected 368 members representing male and female equally. Data analysis employed simple statistical tools, such as number and percentage in tables. The results indicate significant economic and social improvements among cooperative members. Above three-fourths of the respondents reported increased income, while 81% improved their saving habits, reducing dependency on informal moneylenders. Social outcomes were also notable. Above four-fifths experienced enhanced social reputation, 78% gained new skills, and women, in particular, benefitted from greater decision-making power, leadership roles and financial independence. Similarly, 55% of the members secured new or improved livelihoods through cooperative-supported training. Despite these achievements, challenges persist. Around one-fourth of members failed to utilize loans productively, and landless individuals continued to face barriers due to collateral requirements. Training opportunities also remained unevenly distributed. Thus, the cooperatives are effective instruments for poverty reduction and empowerment in rural Nepal. However, reforms in inclusive lending, loan monitoring, and targeted youth- and women-focused programs are essential for maximizing their long-term developmental impact.*

**Keywords:** Co-operatives, socio-economic, income, saving and credit, rural development

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**Introduction**

In Nepal, the cooperative sector has grown significantly in recent years, with over 34,512 registered cooperatives serving approximately 6.5 million members (Department of Cooperatives, 2022). These cooperatives operate across various sectors including agriculture, finance, tourism, manufacturing and retail contributing to the country's socio-economic development. Studies indicate that cooperatives in Nepal have successfully facilitated access to microcredit, provided business training and enhanced product marketing opportunities for entrepreneurs (Adhikari, 2021). Cooperatives are self-help organizations which are professionally owned and democratically controlled by the members and attain financial and social success of its members (ICA, 2022). They are important in delivering cheap credit, education and market places to micro, small and medium-sized corporations that might be unreachable by the formal economic sector (Bharadwaj, 2020).

In Nepal, where business is a major source of livelihoods to a vast number of people, cooperatives are important in enhancing entrepreneurial cultural landscapes. In Nepal, cooperative sector development has been on a steady path associated with the desired financial institutions of the

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country including the semi-urban and rural people that are under-represented by commercial banks (Nepal Rastra Bank, 2020). Savings and Credit Cooperatives (SACCOs) have therefore become crucial instruments for mobilizing local savings and extending microloans to underserved populations. They provide flexible credit schemes, profit-sharing mechanisms, and skill development programs that empower individuals to start or expand small businesses, improve household incomes, and enhance financial literacy (Nepal Rastra Bank, 2020). The small enterprises are regarded by the traditional banking institutions as risky and restrict their lending terms highly. However, the cooperatives are more accessible source of credit. They provide saving and microloans that are structured to meet the demand of small business owners in the society so that they can invest in their businesses, increase their operations, and enhance their competitiveness (Birchall, 2004).

Among the most important contributions of cooperatives in the development of entrepreneurship is that the cooperatives are able to provide credit at a lower interest rate than that provided by commercial banks. Many traditional financial institutions impose strict collateral requirements and complex application processes making it difficult for small business owners to secure funding. Cooperatives, on the other hand, provide group-based lending models, profit-sharing schemes and flexible repayment structures, allowing entrepreneurs to invest in their businesses with reduced financial burdens (Adhikari, 2021). Furthermore, cooperatives often reinvest their earnings into community development projects creating a cycle of economic empowerment that benefits both individual entrepreneurs and the broader society.

For the past 20 years, the government, international agencies and social organizations have been focusing on women's development programs. The main priority of the Tenth Periodic Plan was poverty alleviation, empowerment and gender mainstreaming. Most of the economically disadvantage people live in rural areas and have little opportunity. Micro-finance could help poor people who have no collateral but a willingness to work and a desire to do some business activities from which he/she will acquire employment as well as income. What is more, the economic environment provides great business opportunities. Most Nepalese micro entrepreneurs are economically isolated, which means that their market is often local, small and does not offer any demand growth prospects. Commercial banks and other financial institutions normally do not like to go in that area because of the geographical constraints, underdeveloped infrastructure and other physical constraints. However, on the other hand, there is a substantial demand for micro credit in the rural areas. In this scenario, locally operating micro finance institutions in the form of saving and credit co-operatives could obviously play an important role in mobilizing local savings, extending credit as well as channeling borrowed fund/grants to the local people.

Although cooperatives have been promoted as effective mechanisms for rural development and financial inclusion, there is insufficient empirical evidence on their direct socio-economic outcomes for members in local contexts. Specifically, in Birendranagar Municipality, the extent to which Janahitkari Saving and Credit Cooperative Limited has contributed to improving members' income, savings habits, employment opportunities, and social empowerment remain unclear. Addressing this research gap is essential to understand how cooperatives can be strengthened as sustainable instruments for poverty reduction and community development.

### **Review of Literature**

The cooperative model is grounded in principles of mutual aid, democratic control and shared economic benefit emphasizing the empowerment of members through collective action (Hansmann, 1996; ICA, 2022). The theoretical basis of cooperatives aligns with social capital theory, which suggests that trust, networks and collective norms enable individuals to achieve outcomes they could not attain independently. Similarly, empowerment theory underscores how participatory structures like cooperatives enhance members' control over economic resources and social decisions leading to broader community development.

Nepal Rastra Bank (2020) highlights that cooperatives serve as alternative financial institutions for marginalized populations who are typically excluded from commercial banking systems. Birchall and Simmons (2004) found that cooperatives offer more accessible and flexible credit facilities compared to traditional banks, particularly benefiting small and medium-sized enterprises lacking collateral. Adhikari (2021) reported that cooperatives in Nepal significantly contribute to small business growth by offering microloans, business training and savings programs tailored to local needs. Similarly, Bharadwaj (2020) emphasized that cooperatives provide affordable credit, education and market access to small entrepreneurs, thereby strengthening local economic resilience. Together, these studies establish that cooperatives bridge the financial gap between formal banking systems and the underserved rural population.

Empirical evidence across different contexts supports the view that cooperatives generate both economic and social benefits. Huppi and Feder (1990) observed that rural credit cooperatives enhance members' capacity to sustain and expand their businesses by providing affordable loans and financial literacy programs. Pant and Dahal (2015) found that Savings and Credit Cooperatives (SACCOs) in rural Nepal have significantly improved members' income, savings behavior and entrepreneurship capacity. Similarly, Pokharel and Pokharel (2014) demonstrated that cooperatives promote financial inclusion by facilitating access to credit, encouraging savings and supporting local enterprises. Beyond economic gains, cooperatives foster social empowerment and inclusion. Schwetmann (2014) and ILO (2015) highlighted the cooperative model as a vehicle for promoting gender equality and community leadership among women and marginalized groups. The participatory nature of cooperatives provides members with leadership opportunities, enhances decision-making capacity and improves social standing within their communities.

Government of Nepal (2015) builds on the National Cooperative Policy by providing a detailed roadmap for the development of the cooperative sector over a ten-year period. This strategy focuses on enhancing the competitiveness of cooperatives, promoting good governance and fostering innovation and sustainability. The strategy includes specific measures to support small and medium enterprises through cooperatives such as improving access to credit, developing value chains and promoting entrepreneurship. It also emphasizes the importance of creating a conducive policy environment and strengthening institutional support for cooperatives.

Birchall and Simmons (2004) highlighted that cooperatives offer more accessible credit facilities compared to traditional banks. This is essential to the small and medium businesses that do not usually have the collateral needed in formal lending institutions. One major challenge facing the

small and medium enterprises is their access to finance and cooperatives have been proven to be useful in the provision of financial services to its members.

Pant and Dahal (2015) analyzed the role of Savings and Credit Cooperatives (SACCOs) in rural Nepal to support small and medium enterprises. The study revealed that SACCOs offer key financial services including micro-loans that assist small businesses owners. They invest their businesses, buy their goods and grow more. Access to financing is more critical in the rural set up than in the city as traditional banking services are minimal in the former. Pokharel and Pokharel (2014) analyzes how cooperative societies contribute to the financial inclusion of Nepal. The study identified that cooperatives have gone a long way to facilitate access to financial services to marginalized communities. Cooperatives enable small business owners to be able to invest in their businesses through offering them with microcredit and savings services, which thereby support economic growth. Additionally, Inclusion is a priority of most of the cooperatives specially the marginalized groups including women, youth and indigenous communities. Schwettmann (2014) points out that cooperatives in Africa have been instrumental in alleviating unemployment and in empowering women entrepreneurs as strategies to give them business and financial support.

Gautam (2020) noted that although the Cooperative Act of 1992 and subsequent reforms granted cooperatives autonomy and democratic governance, development has often been quantitative rather than qualitative. Many cooperatives lack adequate monitoring, transparency, and sustainability mechanisms. Adhikari (2011) and Government of Nepal (2015) stressed the need for stronger institutional frameworks, better governance, and targeted policies to ensure the long-term viability of cooperatives. Although numerous studies have documented the general contributions of cooperatives to financial inclusion and poverty reduction, most have analyzed the sector at a national level. Very few have examined the localized socio-economic impacts of specific cooperatives on their members' livelihoods, income and empowerment. Existing research (Gautam, 2020; Adhikari, 2021) points to rapid cooperative growth but limited evidence of how these institutions translate their financial and social objectives into measurable outcomes at the community level. Therefore, this study is necessary to fill the existing research gap by assessing both the economic and social impacts of JSACCL on its members. Understanding these outcomes will provide valuable insights into how local cooperatives can serve as sustainable instruments of rural development and poverty alleviation in Nepal.

### **Methodology**

This study used the descriptive design founded on quantitative data. The study was conducted in Birendranagar Municipality of Surkhet district among the 368 members of Janahitkari Saving and Credit Cooperative Limited (JSACCL). Out of a total population of 8,621 cooperative members, 368 members were randomly selected with equal representation from both males and females, and the sample size was determined using Cochran's formula with a 95% confidence level and a 5% margin of error. The primary and secondary were collected for in depth investigation. Primary data was collected through direct personal interview individually with JSACCL members. Secondary data were collected from documents, reports, journals, annual reports of JSACCL, different books and bulletins of concerned organizations like RUFIN and ADBN. The data was analyzed both electronically and manually. The information collected from the field study was

processed manually. The information was grouped and sub grouped, and then they were classified as per the necessity to meet the objective of the study. The data were analyzed through simple statistical tools, such as number and percentage in tables.

## Results and Discussion

### Economic Improvements

A key objective of the study was to assess the extent of economic improvements experienced by cooperative members. As shown in Table 1, the majority of respondents reported an increase in both income and savings following their participation in JSACCL programs.

Table 1: *Situation of Economic Improvements of Shareholders of JSACCL (N = 368)*

Economic Indicator	Response	Frequency (n)	%
Income	Increased	280	76.1
	Decreased	26	7.1
	No Change	62	16.8
Savings	Increased	300	81.5
	Decreased	24	6.5
	No Change	44	12

Source: *Field Survey (2025)*

As illustrated in Table 1, approximately 76.1% of the respondents observed an increase in income. Similarly, 81.5% reported improved saving behaviors attributed to access to structured savings schemes and reduced dependency on local money lenders. These findings reinforce earlier studies (Adhikari, 2021; Pant & Dahal, 2015) that credit cooperatives enhance the economic capacity of rural members by providing capital access and financial discipline mechanisms.

### Social Empowerment

The research also sought to evaluate the social empowerment outcomes associated with cooperative participation. These included changes in reputation, household decision-making power and access to leadership or skill-building opportunities.

Table 2: *Situation of Social Improvement of the JSACCL Members (N = 368)*

Social Indicator	Response	Frequency (n)	%
Social Reputation	Improved	309	84
	No Change	59	16
Education Level	Improved	33	9
	No Change	335	91
Skills Acquired	Yes	287	78
	No	81	22

Source: *Field Survey (2025)*

Table 2 shows that 84% of the members stated that their social reputation improved after joining JSACCL. Nine percent of the members reported an improvement in their educational status, while 78% enhanced their skills and knowledge. Female members particularly benefitted from leadership and financial management training. Significant positive social changes were noted among

women participants, including increased decision-making power in households, respect from family members and enhanced financial independence.

### Employment and Skill Development

Cooperative participation led to new income-generating activities among members. As shown in Table 3, more than half of the respondents reported improved employment conditions, with women benefitting notably from training in agriculture, tailoring and small-scale businesses.

Table 3: *Employment Outcomes of JSACCL Members (N = 368)*

Employment Status	Frequency (n)	%
Gained Employment	202	54.9
No Change	166	45.1

Source: *Field Survey (2025)*

Table 3 shows that the majority (54.9%) of the participants secured employment or self-employment opportunities after joining the cooperative. Training in vegetable farming, animal husbandry, plumbing and leadership significantly contributed to self-employment. These results are consistent with Huppi and Feder (1990), who emphasized the capacity of cooperatives to foster microenterprise development through access to finance and technical support.

### Loan Utilization

The respondents utilized loans for a variety of purposes ranging from business investment to housing, farming and education.

Table 4: *Situation of Loan Utilization by the JSACCL Share Holders (N = 368)*

Purpose	Frequency (n)	%
Business Investment	85	23.1
Land/Housing Purchase	63	17.1
Farming Activities	44	12
Education/Others	63	17.1
Not Utilized	92	25
Animal Husbandry	21	5.7

Source: *Field Survey (2025)*

Table 4 shows that 75% of the members utilized loans, the members utilized loans for diverse purposes. 23.1% of them invested in business, 17.1% in land and housing, 12% in farming activities and a smaller proportion in animal husbandry and education. However, around 25% of the members had not used the loan facilities primarily due to lack of collateral or other constraints. These findings imply that the cooperative should implement more inclusive lending and awareness programs that echo the similar observations by Nepal Rastra Bank (2020).

### Household and Community Impact

The JSACCL served all 16 wards in the municipality of Birendranagar, and households represented a range of castes and backgrounds. Members noted positive engagement in the community, a better ability to manage finances in the home and greater shared solidarity.

The results of the present study have been consistent with the evidence across the globe on socially transformative impacts of micro finance institutions and cooperative societies in poverty alleviation efforts and social empowerment. The combination of access to credit and training programs that is used by the JSACCL has been found very effective. The provisions of inclusivity, skill and gender equality have also empowered men as well as women within the organization cutting on the need to rely on the informal money lenders and the sustainability of financial practices. Significantly, the empowerment of the women is one of the key products of this intervention. In addition to the economic benefits, women members not only improved their self-worth but also leadership, and social rank in their families and local communities as is the case widely seen in microfinance impact studies across the world.

### **Conclusion**

The savings and credit cooperatives have enhanced both the economic and social aspects of rural living. The nature of cooperatives implies a combination of financial resources with community-related values, thereby making them more qualified to fill in the flaws left by mainstream banks. The findings of this study indicate evident gains made by the members in terms of income, ability to save, job opportunities and recognition of members in the society. A considerable percentage of the members also indicated an increased income level and a better sense of financial control and thus the need to avoid using moneylenders who can enjoy oppressive moneylending rates. On the same note, availability to structured savings plans has been promoting long-term monetary planning by households. The JSACCL has contributed not only through improvement of economic performance but also through their social empowerment especially women. The members, especially women, gained access to positions of leadership, control in household decision-making, and training on skills that are useful in local markets. These experiences did not only make them more financially independent but they also gained status in their families and communities. The accommodative nature of the cooperative has also facilitated in their support of social harmony, gender equality and caste gaps in the community.

Development of jobs in activities supported in cooperatives like farming, cutting, rearing, and little business retention and administration has greatly increased self-sufficiency amongst the members. This can be linked to wider evidence across the world that cooperatives are effective instruments in poverty alleviation and sustainable livelihoods development. Nevertheless, there were challenges observed in the study. Part of loans could not be used effectively, or were used in non-productive ways and this may sap the long-term benefits. Likewise, the landless and property-less members are still unable to access cooperative loans particularly because of the need to provide collateral. The disparity in the access to the training can also be explained by the under representative targeting and inclusivity of the capacity-building programs. Although the JSACCL has demonstrated positive impacts by lowering poverty levels and improving social empowerment, there is still the need to further institutionalize it and implement a strategic intervention. Mechanisms that the cooperative can incorporate to make better use of credit should include but are not restricted to group-based credit, micro-collaterals, loan monitoring mechanisms and specialized business advisory. Increasing funding towards women entrepreneurship, mentorship among young people and

technology-oriented training has the potential to fill gaps and equip members to support any new economic opportunities.

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