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SOCIO-ECONOMIC CONTRIBUTIONS OF NAVAJEEVAN COOPERATIVE AND ITS IMPACT ON POVERTY REDUCTION IN KAILALI DISTRICT, NEPAL

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Abstract

Cooperatives have manifested as centralized tools of promoting financial inclusion and improvement of livelihoods in developing economies. This study critically examines the socio-economic value addition of Navajeevan Cooperatives Limited (NCL) located in the Kailali district of Nepal and determines how the membership in the cooperatives alleviates poverty. Based on survey data of 405 cooperative members, the study uses descriptive statistics, reliability tests, correlation tests, cross tabulations and logistic regression to estimate the interrelationship of the variables: economic well-being, financial inclusion, social capital, credit access issues, and self-reported poverty alleviation. The results reveal that financial accessibility is widely spread, but economic well-being represents the strongest predictor of poverty alleviation ($p < 0.0001$, OR ≈ 8). The social capital has moderate impact and access to credit alone is not a significant predictor of poverty outcomes ($p = 0.2227$). The limitations to the provision of credit include strict eligibility requirements, lack of financial literacy, and geographic location. The findings highlight the fact that cooperatives produce not only multidimensional benefits, including economic, social, and institutional benefits, but that their potential to reduce poverty is fulfilled most when there is a buttressing of financial services by favourable social conditions and institutional reform. It adds to the cooperative development theory and presents policy recommendations that can strengthen cooperative governance and capacity of members in Nepal.

Keywords: Cooperatives; Poverty Reduction; Economic Well-Being; Financial Inclusion; Social Capital; Rural Livelihoods; Microfinance; Cooperative Governance; Nepal; Kailali District

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Introduction

The cooperatives have become key institutions in promoting financial inclusion, empowering livelihood security, and reducing poverty in rural South Asia. Their community-based and member-owned financial governance system helps them fill the financial gaps which commercial banks leave, particularly in remote areas where formal financial services are still in short supply (Acharya, 2014; Birchall, 2003). Here, cooperatives are the fundamental grassroots financial intermediaries in the Nepalese context, where over two-thirds of rural families may not have convenient access to formal credit and banking facilities. They organise local savings, make cheap loans, promote the growth of small enterprises and encourage community involvement in economic activities (Sharma, 2015). Although their growth has been very fast, the actual socio-economic results that cooperatives have produced have little scholarly insight. The majority of the research available focuses on descriptive indicators of performance, as opposed to empirical studies of the effects of cooperative membership on livelihood changes, economic well-being, and poverty changes.

The current study addresses this gap by considering the socio-economic effect of one such established cooperative, in this case, the Navajeevan Cooperatives Limited, that is undertaking its operations in the Kailali district. The research uses 405 members of quantitative data on four important dimensions of cooperative influence, namely livelihood improvement, financial uplift, social empowerment, and credit-access challenges. The major results demonstrate some salient trends. First, 73% of the respondents indicated that they had experienced poverty reduction, which matches with the high scales on livelihood-improvement and high scores on improved well-being. Second, the study results show that 89.4% of those interviewed indicated high accessibility to loans, but the logistic regression findings indicate that credit access is not a significant predictor of poverty alleviation ($p = 0.2227$). Rather, economic well-being turns out to be the most powerful and the most important predictor ($p < 0.0001$, OR ≈ 8), which means that the access to finances needs to be converted into productive investment, only then the poverty will be reduced significantly. Third, the cooperative has significant sociological contributions, as the social capital has a high composite score (Mean = 4.060) which denotes the high levels of trust, participations, gender inclusivity, and democratic involvement of the members. Lastly, there are still immense obstacles: 83.4% of respondents cited insufficient

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financial-literacy assistance, and 75.3% cited distance-related issues, highlighting structural impediments that undermine the developmental possibilities of cooperative credit.

The paper combines these empirical results with the relevant theoretical models, such as financial-inclusion theory, social-capital theory and integrated cooperative-development models, to examine the way and the reason why cooperative membership is a key to reducing poverty. The financial-inclusion theory underscores the inability of economic participation and economic resilience without access to affordable financial services (Ledgerwood, 2013) but this paper shows that financial access should be complemented by financial capability to be inspirational. The social-capital theory (Putnam, 1993) explains the advantages of increased trust, social networks, and collective action in increasing livelihood outcomes of the cooperative members in an indirect manner. According to the cooperative-development models, there is emphasis on the role of institutional governance, the participation of members, and long-term involvement which is highly indicated in this study where the period of membership is expressed as significantly related to poverty reduction ($p = 0.040$).

The research provides a synthesised, evidence-based picture on how cooperatives influence the development of socio-economic outcomes by applying a systematic synthesising approach to statistical outcomes and theoretical insights. It shows that cooperatives have strong potential of rural development as a source of rural development, but its effectiveness is contingent on the interplay of economic, social, and institutional conditions, as opposed to access to credit. Therefore, the research also has an impact on the academic literature on the topic and policy debate because it contains recommendations on the development of cooperative systems in Nepal that are empirically based.

Literature Review

1. Cooperatives and Rural Development.

Cooperatives have traditionally been transformative actors in rural development in the sense that they are locally owned organisations that bring together resources, democratize economic membership, and strengthen collective resilience. Being member-driven organizations, they provide services that satisfy the needs of the community and make the costs of utilizing them as a transaction less (Birchall, 2003). In other developing economies, especially South Asian

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ones, cooperatives are the support of poverty eradication by increasing access to savings and credit and market connectivity (ICA, 2018).

Cooperatives in Nepal have been expanding at an alarming rate over the last few decades and have become part of the national development policies. The policies of the government put cooperatives as the third pillar of the economy, which supports the modernization of agriculture, the development of the enterprise, the empowerment of women, and social mobilization (Acharya, 2014; Sharma, 2015). However, regardless of this institutional saliency, there are still gaps in appreciating the practical socio-economic implications of cooperative membership particularly at the household level. The current study fills these gaps by looking at one cooperative, that is, Navajeevan Cooperative, to explore the ways in which cooperative functions can be translated to livelihood gains and reduction of poverty.

2. Cooperative based Financial Inclusion and Microfinance.

The literature on financial inclusion invariably emphasizes the significance of affordable, accessible, and suitable financial services in empowering households to invest in productive activities and to deal with the risks in the economy (Ledgerwood, 2013; World Bank, 2020). In rural settings, cooperatives often perform better than commercial banks by providing flexible credit conditions, community-based accountability and trust-based mechanisms to participate (Cuevas and Fischer, 2006). Microfinance theory supports that small loans can enable poor households overcome liquidity constraints thus enabling them invest in agriculture, micro-enterprises and skills training (Yunus, 1999; Armendariz and Morduch, 2010).

Nonetheless, the recent scholarship rejects the premise that access to credit is sufficient to reduce poverty. Banerjee and Duflo (2011) maintain that microcredit would fail in its impact unless borrowers have capacity, opportunity and support to give productive investments on loans. The current study supports this criticism by showing that access to credit was never a significant predictor of poverty reduction ($p = 0.2227$) but Economic Well-Being indicators had a strong predictive value ($p < 0.0001$). It is further indicated in the literature that credit performance is improved when the institutions offer financial literacy training, support in accessing markets and livelihood-specific services (Cole et al., 2011). These observations highlight the importance of considering financial inclusion as a complex process and not a one-dimensional credit intervention.

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3. Cooperative Membership and Livelihood Improvement.

The concept of livelihood improvement is holistic in that it involves the increase in income, asset accumulation, food security and resiliency to the shocks as well as well-being (Chambers and Conway, 1992). Cooperatives also help in the improvement of livelihood, by providing credit, savings opportunities, collective bargaining power and access to training and market information. Empirical research in Nepal, India and Bangladesh has shown that cooperative membership is have a positive relationship with higher earnings, agricultural productivity and household stability (Acharya, 2014; Develtere, 2008).

In addition, studies have found that a key motivational and a psychological factor in the transition of poverty is perceived livelihood improvement. Indicators of subjective well-being have a tendency to predict results of livelihood in the long term since it reflects economic benefits as well as increased sense of empowerment (Acharya, 2014). These conclusions of this paper that 73 per cent of members said their condition on poverty reduction and livelihood indicators were high with high mean scores supports the literature that cooperatives improve material conditions plus the perceived quality of life.

4. Social Capital, Empowerment and Collective Action.

The social capital theory assumes that trust, cooperation, shared norms and social networks contribute to enhancing the ability of the members to act together, share resources, and reduce risks (Putnam, 1993). Cooperatives have been seen largely as the best places to develop social capital due to their basis on democratic governance, supporting each other and engaging in activities together (Birchall and Simmons, 2004). Comparative studies in Nepal, Kenya, and the Philippines prove that the presence of a strong social capital facilitates the entrepreneurship, information sharing, and emotional strength when it comes to cooperative members (Bhattarai, 2017; Develtere, 2008).

Another important sociological aspect is gender empowerment. Cooperatives offer women space to acquire credit, leadership positions as well as decision making abilities. In the case of Kabeer (2005), he argues that empowered women are able to reinvest in the welfare of their households, thus enhancing the nutritional status, educational status and long term well-being. Here, 70.6 per cent of members stated that the cooperative encourages gender equality, which

is in agreement with evidence all over the world that shows that cooperatives have a positive link with women empowerment and community development.

High Social Capital score (Mean=4.060) in this paper provides the empirical evidence to the theoretical arguments that the social cohesion and participatory governance are positively related to the cooperative effectiveness.

5. Problems with Cooperative Financial Systems.

Although cooperatives have positive aspects, internal and external pressures continually hinder these institutions in their efforts to effectively supply credit and to engage their members. According to literature, essential structural drawbacks are:

- complex loan procedures
- insufficient loan sizes
- governance weaknesses
- limited staff capacities
- ineffective financial literacy assistance.
- problems with geographical accessibility (Rhyne, 2001; Ledgerwood, 2013).

Such difficulties may create time wastage, discourage borrowing and limit productive investment opportunities. The distance to cooperative branches and poor transport infrastructure are still a consistent barrier in South Asian rural areas (ADB, 2019).

These concerns are verified in the current study. Moderate yet significant obstacles were reported by the members, such as complicated procedures (43%), lengthy approval times (42.2%) and intense distance barriers (75.3%). A significant institutional gap is the lack of financial literacy support (83.4%), which concurs with the findings of the entire world that financial capability is the key to credit effectiveness (Cole et al., 2011).

6. Duration of Membership, Institutional Embeddedness and Poverty Reduction.

The long-term cooperative membership tends to increase the level of familiarity with the financial systems among the members, financial discipline, and the social networks. The cooperative development theory assumes that benefits are gained as time goes on and repeated activities, trusting each other, and integrating into institutional processes enhance the gains

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(UNDP, 2014). Long-term microfinance experiments show that the ability to stay long-term helps to strengthen the economy considerably (Morduch, 1999).

These theoretical assertions, however, can be supported by this work: the length of membership had a significant correlation with the reduction of poverty ($p = 0.040$), and ten-plus years members reported that they showed the greatest gains.

Literature Gaps and Contribution of the Present Study.

The existing sources of literature present some useful information on the cooperative functions but run short on a number of aspects:

- Experimental measurements of the relationships between cooperative mechanisms and the results of poverty.
- Nepalese context-specific analyses.
- Unified analyses of economic, social and institutional factors.
- Multivariate methods of conceptualizing cooperative effect.

This study addresses these gaps by combining perception analysis, financial indices, social capital measures, challenge assessments, and regression-based poverty analysis into one comprehensive framework. By doing so, it deepens understanding of how cooperatives influence socio-economic outcomes and offers refined theoretical and policy implications for cooperative development in Nepal.

Objectives of the Study

1. To examine the socio-economic contributions of Navajeevan Cooperative Limited in terms of livelihood improvement, financial inclusion, social capital formation, and institutional support among its members in Kailali District, Nepal.
2. To empirically assess the impact of cooperative membership on poverty reduction by analysing the relative influence of economic well-being, access to credit, social capital, and duration of membership using multivariate statistical techniques.

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Methodology

Research Design

This research question assumed a quantitative, cross-sectional study to examine the socio-economic value of Navajeevan Cooperatives Ltd and its effect to the household poverty in Kailali district, Nepal. A questionnaire was put to the members of the cooperation to gather data on livelihood improvement, financial health, social capital, access to credit, and poverty. The quantitative framework was selected to make constructs objectively measurable, to test interrelationships rigorously using statistical tests, and to make generalisable conclusions.

Study Area and Population

The empirical study was located in the Kailali district that was typified by diverse types of agricultural livelihoods, scattered rural villages, and limited access to the formal banking systems. Navajeevan Cooperative serves a wide range of membership including the farmers, small-business owners, labourers, and women groups. The population under study included all the active members of the cooperatives.

Sampling and Sample Size

There were 405 recruited cooperatives members. To facilitate representative sampling, the respondents were chosen through stratified random sampling method in order to have equal representation in terms of gender, income levels, years of membership and occupational groups. The sample size meets the minimum requirement of the logistic regression and has sufficient statistical power to perform correlation and cross-tabulation analysis.

Data Collection Instrument

The idea of a structured questionnaire was developed because of the existing literature and cooperative performance indicators. The instrument included six sub sections:

1. Demographic Profile (age, gender, education, occupation, length of membership).
2. Livelihood Improvement Indicators (income, assets, food security, shock resilience).
3. Financial Well-being (savings, budget, managing debts).
4. Credit and Financial Inclusion (loan accessibility, utilisation).
5. Social Capital Constructs (trust, participation, empowerment, gender inclusion).

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6. Problems accessing credit (eligibility, repayment, distance, literacy).

The answers were recorded in terms of a 5-point Likert scale (1=Strongly Disagree, 5=Strongly Agree). The tool was pre-tested to ensure that it is clear and optimized before its actual use.

Operationalisation of Variables.

Dependent Variable:

Poverty Reduction (binary)

1 = Yes (respondent feels that there is an improvement in poverty)

0 = No

Independent Variables:

1. Economic Well-Being Composite Index (income stability, assets growth, saving, etc.).
2. Financial Index (financial discipline, planning, savings behaviour, service access).
3. Participation, trust, gender inclusivity, transparency (Social Capital Index).
4. Access to Credit (member-reported access, timeliness, adequacy).
5. Difficulty Index (complicated loans, inadequacy, time wastage, geographical obstacles, illiteracy).

Control Variables:

- Membership Duration
- Education Level
- Gender
- Age
- Occupation

Reliability and Validity

Internal consistency was determined through Cronbach Alpha. There was acceptable reliability in all the principal scales:

- Economic Well-being: $\alpha = 0.836$
- Financial Index: $\alpha = 0.750$

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- Social Capital: $\alpha = 0.694$
- Challenges Index: $\alpha = 0.724$

Grounding items in the questionnaires on well-known theoretical frameworks such as the Sustainable Livelihoods Framework and Social Capital Theory was used to strengthen construct validity.

Data Analysis Techniques

There were several analytical methods that were used in SPSS to provide a thorough interpretation:

1. Descriptive Statistics- means, frequencies and percentages to describe perceptions and demographic attributes of the members.
2. Construction of Composite Indexes Economic Well-being, Social Capital, Financial Inclusion and Challenges Indexes were constructed based on the average of constituent variables.
3. Correlation Analysis Pearson coefficients were used to test how the financial, social and economic variables were related.
4. Cross Tabulations and Chi Square Tests- looked at the relationship between variables, which are categorical (e.g., membership duration vs poverty reduction).
5. Logistic Regression Analysis- binary logistic regression was used to estimate the likelihood of poverty reduction as dependent variable and Economic Well-, access to credit-, social capital-, financial index-, and challenges index- as the independent variables holding demographic covariates. The outcome of logistic regression showed that Economic Well-being became the strongest predictor ($p < 0.0001$; OR 500) and Access to Credit did not show any significant result ($p = 0.2227$).

Ethical Considerations

The aim of the study was explained to the participants, and their involvement in the study was voluntary. The confidentiality and anonymity were strongly observed, personal identifiers were not included, and the data were used solely in academic purposes.

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Results

The chapter outlines the empirical data obtained based on the survey of 405 members of Navajeevan Cooperative Limited. These findings are structured under descriptive statistics, composite indices, correlations, cross- tabulations and logistic regression analyses, all which provide a subtle perception of socio-economic input of the cooperative and its impact on poverty alleviation among members.

1. **Demographic profile of the respondents.**

The sample of respondents also reflected the heterogeneous nature of the socio-economic range, according to the cooperative spirit of inclusivity. Agriculture, small scale trade, and wage labour were the main activities of the members, which are generally linked to rural livelihood limitations in Nepal. The tenure of the members was no more than a year up to more than a decade, allowing a solid comparative structure of new and old entrants. Such heterogeneity of the population improves sample representativeness and increases the external validity of the results in the context of the operations of the cooperative.

Table .1: Demographic profile of respondents (N = 405)

Variable	Category	Frequency	Percentage (%)
Gender	Male	199	49.1
	Female	186	45.9
	other	20	6.0
Age group	Below 25	32	7.9
	25–35	85	21.0
	36–45	119	29.4
	46–60	133	32.8
	Above 60	36	8.9
Education	No formal education	44	10.9
	Primary	67	16.5
	Secondary	91	22.5
	Higher secondary	102	25.2
	Bachelor's	60	14.8

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	Master's+	41	10.1
Occupation	Agriculture	134	33.1
	Small business	80	19.8
	Labor	77	19.0
	Service	69	17.0
	Other	45	11.1
Household monthly income	Below 10,000	145	35.8
	10,000–20,000	101	24.9
	20,001–40,000	99	24.4
	Above 40,000	59	14.6
Duration of membership	Below 2 years	51	12.6
	2–5 years	83	20.5
	6–10 years	144	35.6
	Above 10 years	127	31.4

Source: Field Data

2. **Livelihood Improvement Perception.**

It was overwhelmingly supported by the respondents that there existed a positive perception of livelihood improvement that could be attributed to cooperative membership. Core livelihood dimensions, including income stability, asset accumulation, food security and financial shock resilience, are in consistent and significantly above the scale midpoint, which indicates general contentment with the services of the cooperative.

Key observations include:

- Good average scores of improvements in household income, saving, and resilience.
- 73 percent of those polled stated they had lessened their poverty, and the perceived gain was significant.

These findings inform the relevant nature of the cooperative in strengthening the economic stability of members and their general welfare. The fact that the scores of high livelihood and poverty reductions that are reported are convergent indicates that the cooperative interventions are making positive, practical contributions to the welfare of households.

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Table .2: Livelihood improvement (selected items)

Statement (short)	Agree (%)	Strongly agree (%)	Combined Agree+SA (%)
Access to financial resources improved	46.7	26.4	73.1
Cooperative helped diversify income/generate new ventures	47.4	20.2	67.6
Able to acquire/improve assets	43.2	27.4	70.6
Household food security improved	41.1	13.4	54.5
Timely support for shocks	52.6	19.3	71.9
Capacity to save increased	40.5	23.5	64.0

Source: Field Data

3. Financial Contributions and Financial Index.

The average score that is 3.793 on the Financial Index signifies significant improvement in the financial position of the cooperative members. The accessibility and usefulness of the financial services provided by the cooperative was always recognised by the respondents. Major outcomes include:

- The supply of credit is high as 89.4% of the respondents said that loans were available when needed.
- According to the members, there was improved budgeting behaviour, increased savings behaviour and better financial discipline.
- There was reduced reliance on high interest informal moneylenders and this indication reflects a better financial inclusion and reduced vulnerability.

These findings confirm that Navajeevan Cooperative is a viable entity that provides reliable financial intermediary, which offers low-priced and organized services that ensure healthy financial management and economic stability among the rural families.

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Table .3: Financial upliftment (selected)

Statement	Agree (%)	Strongly agree (%)	Combined (%)
Loan facilities accessible	38.5	50.9	89.4
Interest rates are fair	41.5	24.7	66.2
Overall debt burden decreased / better debt management	40.2	20.5	60.7
Better access to range of formal services	43.2	30.4	73.6
Understanding financial planning improved	42.5	14.6	57.1
Financial discipline increased	39.5	42.5	82.0

Source: Field Data

4. **Social capital and Sociological contributions.**

The cooperative also had a high level of sociological input that is evident in the high index scores with a mean score of a Social Capital Composite of 4.060. There was high agreement among members concerning:

- Democratic governments (92.9%)
- Operation transparency and accountability.
- Daily attendance on collaborative meetings.
- Generation equality and empowerment.
- There are a high trust and social networking in the cooperative.

These results show that the cooperative is an institution that is not only a financial institution but a social platform that builds community unity, empowers members and a participatory culture. This type of sociological value is critical to the maintenance of long-term collaborative operation and the overall wellbeing of the community.

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Table .4: Sociological contributions

Statement	Agree (%)	Strongly agree (%)	Combined (%)
Fosters sense of community	46.4	44.7	91.1
Participation expanded social networks	44.9	41.2	86.1
Cooperative operates on democratic principles	18.8	74.1	92.9
Feel empowered/confident	50.4	33.3	83.7
Contributes to community socio-economic development	56.0	32.1	88.1
Promotes gender equality & women's empowerment	45.9	24.7	70.6
Perceive high transparency/accountability	40.5	44.0	84.5

Source: Field Data

5. Difficulties in Gaining Access to Credit.

Although there are positive perceptions towards financial services, the respondents noted that there are a number of moderate but significant challenges that do not allow them to fully utilise cooperative credit. Some of the leading indicators of challenges consist of:

- Tough eligibility requirements (43%).
- Insufficient loan amounts (36.8 %)
- Long approval delays (42.2 %)
- Absence of repayment flexibility (47.4%)
- Geographic distance barriers (75.3%)
- Absence of financial literacy support (83.4%)

The mean rating of the Challenges Index is 2.934, which means that credit is available, but numerous institutional and procedural obstacles reduce its performance. Specifically, the lack of sufficient financial literacy and distance-related issues among the members are shown by high percentages, which indicate that there are considerable structural gaps in the service delivery system of the cooperative.

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Table .5: Challenges accessing credit

Challenge statement	% Agree	% Strongly agree	Combined (%)
Loan application too complex	12.8	7.9	20.7
Eligibility criteria too strict	26.7	16.3	43.0
Amount of credit insufficient	23.7	13.1	36.8
Loan approval takes too long	28.4	13.8	42.2
Difficulty understanding terms & T&C	18.5	10.4	28.9
Lack of flexibility in repayment	30.6	16.8	47.4
Perceived favouritism	10.9	12.3	23.2
Geographic distance / access issues	17.8	57.5	75.3
Insufficient financial literacy focus	12.8	70.6	83.4
Staff not always helpful/transparent	10.4	15.3	25.7

Source: Field Data

Composite Indices Summary

An overview of the composite indices gives a multidimensional perspective of cooperative influence:

Mean	Score	Interpretation
Economic Wellbeing	3.516	Moderate-High wellbeing.
Financial Index	3.793	strong financial upliftment.
Social Capital	4.060	very strong social cohesion
Challenges Index	2.934	Slight to no major barriers.

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These scores provide emphasis on the contributions that the cooperative makes to the field on both economic, financial, and social levels, and also some of the existing challenges that might restrict the optimum benefits that can be achieved by its members.

Correlation Analysis

Pearson correlation coefficients demonstrate that there are a number of statistically significant correlations between significant constructs:

- Economic Wellbeing × Financial Index: r = 0.740 (strong positive)
- Economic Wellbeing x Social Capital: r = 0.624 (moderate strong positive)
- Poverty Reduction × Economic Wellbeing: r = 0.432 (moderate positive)
- Challenges Index × Economic Wellbeing: negative correlation, which is an indication that an increase in barriers lowers wellbeing.

These relationships imply that a better financial management and social cohesion is closely connected with better financial wellbeing, which further correlates with the perceived poverty reduction by the members. On the other hand, difficulties in accessing credit have adverse consequences on the economic results.

Cross-Tabulation Analysis

1. **Membership Duration and Poverty Reduction.**

The results of cross-tabulation show that there is a considerable correlation between the period of membership and poverty alleviation (p = 0.040). Those members who said that they had over a decade of collaborative involvement indicated that the level of reduction of poverty was the greatest and it supports the idea that cooperative benefits are received over time and explains the significance of long-term cooperation.

Table .6: Membership Duration × Poverty Reduction

Membership Duration	**PR = 0**	**PR = 1**	**Total**
0.0 (Under 2 yrs)	21	30	51
1.0 (2–5 yrs)	25	58	83
2.0 (6–10 yrs)	35	109	144
3.0 (10+ yrs)	27	100	127
Total	**108**	**297**	**405**

Source: Field Data

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2. **Economic Wellbeing and Poverty Reduction.**

There was a very important relationship ($p < 0.001$). The more economically well, the members were much more likely to report increases in poverty reduction and this validates the pivotal position of wellbeing gains in poverty transitions.

Table .7: Economic Wellbeing Level × Poverty Reduction

EW Level	PR = 0	PR = 1	Total
Low	63	15	78
Moderate	21	56	77
High	21	225	246
Total	**105**	**296**	**401**

Source: Field Data

3. **Poverty Reduction and Access to credit.**

The relationship was not found to be significant ($p = 0.190$). Although credit was highly accessible, credit alone was not the determinant of the poverty outcome, implying that credit has to be used in an effective manner to deliver economic gains.

Table .8: Access to Credit × Poverty Reduction

Access Level	PR = 0	PR = 1	Total
Low Access	15	19	34
High Access	89	273	362
Total	**104**	**292**	**396**

Source: Field Data

Significant Predictor

Economic Wellbeing

$p < 0.0001$

Odds Ratio = 8.0

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The interpretation of this trend is that more economically well members were eight times more likely to report that they reduced poverty.

Non-Significant Predictors

- Access to Credit ($p = 0.2227$)
- Social Capital ($p = 0.081$)
- Financial Index (marginal, non-significant)
- Challenges Index ($p = 0.114$)

Model Summary

- Pseudo-$R^2 = 0.373$
- Model χ^2 significant

These findings support the fact that the key mechanism by which cooperative membership affects the outcomes of poverty is economic wellbeing.

Summary of Key Results

- The members feel that their livelihoods have improved significantly due to the cooperative level of engagement.
- There is good financial inclusion but credit is not a way of alleviating poverty.
- The level of social capital is extremely high which contributes to trust, empowerment and cohesion.
- Credit effectiveness is undermined by structural issues especially in lack of financial literacy and distance.
- Economic wellbeing is the only factor that was found to be very empowering towards reduction of poverty.
- The length of membership improves accumulation benefits as long-term members have much improved outcomes.

These results furnish a theoretical basis of the developmental role of the cooperative in the discussion chapter that follows.

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Discussion

1. **Livelihood Perceptions**

The ability of the cooperative to improve access to productive resources, increase asset accumulation and resilience of households can be identified by the strong perception of livelihood improvement by members. Members noted increases in income, savings and food security which shows that cooperative membership helps in diversification and stabilisation of rural livelihoods. The results coincide with the Sustainable Livelihoods Framework, which assumes that an increase in the availability of financial, social, and human capital helps the households to become less vulnerable and develop long-term wellbeing. That 73 percent of respondents had reported poverty reduction, is a further indication that the cooperative was successful in promoting livelihood security.

2. **Financial Upliftment**

The central role of the cooperative in promoting the financial inclusion is emphasized by high financial access and greater financial discipline. Mean score of the Financial Index (3.793) indicates that there are significant changes in the budgets, saving behaviour and dependency on formal financial services. However, the findings of the logistic regression evidence that the access to credit alone does not significantly predict poverty reduction ($p = 0.2227$). This observation is congruent with other microfinance studies in the world because it has been argued that credit only helps to reduce poverty when it is coupled with the ability to invest, an enabling market environment and sufficient financial literacy (Banerjee and Duflo, 2011). Their financial upliftment is therefore, not only a question of the members getting credit but how they can put them into productive use.

3. **Contributions of social capital.**

Social capital was identified to be one of the most powerful sociological resources of the cooperative with a high composite score of 4.060. Members indicated that there were high levels of trust, transparency, participation and gender inclusiveness which have been demonstrated to contribute to improved collective decision-making and community cohesion. Democratic governance which is reported by 92.9% of the respondents strengthens the participatory culture and strengthens institutional legitimacy. This fact aligns with the social

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capital theory (Putnam, 1993) that suggests that networks and trust are available to enable cooperation, share information and solve problems. The cooperative indirectly promotes economic well-being and resilience by enhancing the empowerment and social connection, although social capital was not statistically significant as a direct determinant of the reduction of poverty.

4. Problems Constraining the use of credit.

Although the cooperative has been involved in positive contribution, there are a number of structural issues that limit the effectiveness of credit. The score on the Challenges Index (2.934) implies the moderate yet significant barriers. It is important to note that 83.4% of the respondents mentioned lack of sufficient financial literacy support, which shows significant institutional void. Having no ability to comprehend the terms of loans, budget financial resources, or find lucrative investments, members can use credit incompletely or inadequately. Also, 75.3% of them were experiencing distance related difficulties indicating geographic impediments widespread in rural Nepal. These limits water down the effect of access to finance hence the lack of a linear relationship between access to credit and poverty reduction. The need to deal with such challenges is in the strengthening of poverty-reduction capabilities of the cooperative.

5. Economic Well-Being as the Exonerating Agent.

The most significant empirical conclusion of the research is that it is the economic well-being rather than credit access which predicts the poverty decrease ($p < 0.0001$, OR 0.8). This finding shows that families move out of poverty when financial assets are converted into physical gains in terms of income security, assets, and financial stability. It helps to uphold multidimensional poverty models (Alkire and Foster 2011) that state that decimation of poverty comes about due to enhancement in economic, social, and capability aspects. The past accumulating impacts of financial discipline, productive investment and household resource management are summarized by economic well-being, making it the primary channel by which cooperative membership manipulates the outcome of poverty.

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6. **The Period of Membership is important.**

Long-term membership was also found to have a significant association with the reduction of poverty ($p = 0.040$), and long-term members reported the highest changes. This observation complies with cooperative development literature that focuses on the fact that the gains of cooperation increase with time due to more exposure to financial systems, enhanced trust, and better financial behaviour (UNDP 2014; Morduch 1999). The members who have been long-term will tend to acquire financial skills, enhance their social networks as well as make the best use of cooperative services. Compounding quality of cooperative benefits emphasizes the significance of retention and constant interaction.

7. **Coordinated Change Processes.**

The paper illustrates that cooperative influence does not exist in a vacuum but exists in mechanisms that are interrelated. These pathways include:

- Credit → Investment → Income

It is only through coupled credit and financial capacity and opportunity in the market that productive investment is facilitated.

- Social Capital → Empowerment → Resilience

Confidence, involvement and empowerment are the elements that increase the confidence of the members, their decision-making skills and the capacity to cope.

- Membership Duration → Skills → Financial Discipline

The impacts of long-term engagement are improved financial literacy, loan management, and behavioural change.

According to these mechanisms poverty reduction is not only a systemic product but also requires the concurrent operation of the economic, social and institutional factors. The cooperatives do not only facilitate development through the provision of credit, but they also influence an enabling ecosystem that facilitates long-lived transformation.

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Policy Implications

In accordance with the empirical results, the following policy actions are suggested to facilitate the cooperative development and increase the poverty -reduction results:

1. Enhance financial literacy programmes.

Carry out systematic training on budgeting and management of loans and investment planning in order to enhance credit use.

2. Expand the size of loans available and ease the process.

Members claim that there is lack of adequate amount of loans and complicated processes reforms must enhance the sufficiency of loans and minimize delays in the bureaucracy.

3. Offer repayment systems that are flexible.

The addition of seasonal, income based, or grace period repayment would assist members with uneven cash flows.

4. Enhance management and professionalism among the staff.

Trust and institutional legitimacy will be strengthened by improving governance, training the staff, and communication.

5. Enhance the accessibility of branches and mobile banking facilities.

Geographical obstacles will require distance branches, online channels or call centres of mobile banking, particularly to isolated households.

6. Incentivize a longer-term membership.

The sustained engagement and maximisation of cumulative benefits can be promoted through reward systems (e.g. lowered interest rates, loyalty points or higher loan ceilings).

Such policy interventions may contribute to cooperative performance and its development to any great extent.

Theoretical Contributions

The paper contributes to the cooperative development theory and rural finance literature in several ways:

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- Without capability-building, the access to credit is inadequate.

The insignificant impact of the credit on poverty alleviation contradicts the common microfinance beliefs and promotes the significance of financial skills and productive investment ability.

- The social capital boosts economic outcomes in an indirect manner.

High social capital does not directly foresee poverty alleviation but enhances empowerment, decision-making and information flow, which contribute to economic well-being.

- The well-being of members is a structural determinant of the length of membership.

The cumulative character of benefits of cooperative membership illustrated by the importance of long-term membership supports longitudinal views of cooperative theory.

- Multidimensional well-being forecasts the results of poverty.

Multidimensional frameworks of poverty are supported by the predictive strength of economic well-being, which implies that poverty alleviation is achieved by equally enhancing income, resilience, and financial behaviour, as well as subjective well-being.

In general, the paper has shown that cooperatives are complex development systems, with financial, social, and institutional elements operating in a synergistic manner to form the patterns of livelihood. These theoretical findings enrich the existing models by emphasizing nonlinear and multidimensional dynamics in which cooperatives affect poverty mitigation.

Conclusion

This paper examined the socio-economic impacts of Navajeevan Cooperative Limited and analysed its impacts on livelihood improvement and reduction of poverty among rural families in the Kailali District in Nepal. Based on the results of the analysis using the quantitative data of 405 cooperative members, it is stated that, although the cooperative significantly contributes to the enhancement of financial inclusion, social wellbeing, and livelihood security, the means in which these benefits generate the decline of poverty are intricate and interconnected.

The results indicate that economic well-being is the strongest and statistically significant predictor of reducing poverty; the members who demonstrated higher levels of economic

stability were eight times more likely to report perceived change in their poverty status. However, unlike the current theoretical beliefs in the microfinance sector, access to credit was not a strong indicator of poverty alleviation, despite the high levels of accessibility and satisfaction of the members with the loan services. These findings underscore the need to go beyond credit-based models to promote approaches that can bolster financial ability, effective investment opportunities, and robustness of households.

In addition, the paper highlights the five salient sociological features of the cooperative; namely, high tendency of trust, transparency, democratic processes and gender empowerment. Even though these social-capital indicators do not directly trigger poverty alleviation directly, they form the institutional and social structures that enable economic change. Not less importantly, the membership period proved to be a strong predictor of the outcome of poverty alleviation, which supported the view that cooperative benefits accrue with an extended period of membership, the presence of a high level of financial discipline, escalating social involvement, and greater awareness of the workings of cooperatives.

Still, there is a chain of structural obstacles limiting the overall effectiveness of collaborative provision. According to the members, limitations surrounding the effectiveness of credit interventions include shortcomings in financial literacy support, poor loan disbursements, delays in the processes, and geographic dislocation. These institutional weaknesses can only be corrected in order to enhance the cooperative developmental influence.

On the whole, the study provides new empirical data concerning the nature of how cooperatives influence socio-economic performances in rural Nepal. It operationalizes cooperatives as systems of integrated development whereby financial access, social empowerment, institutional governance and member participation come together to shape livelihood trajectories. The outcomes contribute to the cooperative development theory by highlighting the leadership of economic wellbeing, the mediating role of social capital, and the accruing nature of cooperative gains.

In a bid to encourage the use of cooperatives in rural development, the empirical evidence given herein highlights the need to have policies that combine financial services with capacity building, governance reforms, and inclusive participation in a synergistic manner. The improvement of these dimensions will enable such cooperatives as Navajeevan to realize all

the potential they possess in terms of poverty reduction and to play a more active role in rural development becoming more sustainable.

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Conflict of Interest

The authors declare that there is no conflict of interest.

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