Determinants of Economic Wellbeing Among Cooperative Members in Rolpa District, Nepal

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Abstract

The present study has been conducted to assess the impact of cooperatives on the economic well-being of their members. The descriptive and causal-comparative study design is adopted with a deductive approach. Data were collected from a total of 404 respondents who are members of different cooperatives in Rolpa District of Nepal. This was done by using the non-probability convenience sampling method. Descriptive analysis was done for measuring the central tendencies of the variables with the help of data sourced chiefly through Likert scale surveys. The Pearson correlation and multiple linear regression models were computed in order to get a proper understanding of what factor has an influence on economic well-being. In the present case, it was found that the independent variables explained around 53.50 percent of variation in economic well-being, definitely significant in its effect.

The results exhibited a positive relationship with all the independent and dependent variables, thus offering evidence on the large share cooperatives contribute to improved economic well-being. Some of the key factors were participation by members, savings, and credit services,

provision for financial literacy training, and financial inclusion, which had a positive and statistically significant effect. On the other hand, health and social services had a positive effect but did not have a statistically significant impact on economic well-being. These results show the very relevant contributions of cooperatives in driving economic prosperity for their members.

This study concludes that cooperatives are powerful tools for effectively making positive improvements to the economic welfare of members. This gives valued insights for policymakers, cooperative organizations, researchers, and cooperative members toward better economic outcomes and critical decisions about cooperative activities in Nepal. These findings certainly provide a case for increased support and development of cooperative institutions to maximize their beneficial impact on members' economic well-being.

Keywords: *Cooperatives; cooperative landscape; econimic well-being*

Introduction

Cooperatives are associations known to make big strides in economic empowerment and community development. They are founded upon a number of principles that include self-help, self-responsibility, democracy, equality, equity, and solidarity. They are voluntary groups aimed at meeting some of the social, economic, and cultural needs of their members through operational fields such as agriculture, finance, and consumer services (Oluyombo, 2013). Altman (2015) describes Cooperatives are the voluntary networks of self-owned or self-managed businesses by individuals sharing benefits according to usage or ownership with an added focus on equity in ownership by members. One major concern of the cooperative movement is the economic well-being of its members. Knowing what drives this economic well-being will help enhance effectiveness and hence promote sustainable development.

Several factors contribute to cooperative members' economic welfare, by which they, therefore, offer lessons in management, development of policies, and growths in communities. A good cooperative management strategy, characterized by transparent decision-making, equitable dividend returns, and active member participation, is effective in the control of most cooperative affairs and determination of economic success (Birchall, 2017; Oluyombo, 2013). The influence of market conditions, government policies, and socio-economic trends in the economic well-being of cooperative members due to external factors is appreciable. It needs a careful analysis of these external conditions for an understanding of opportunities and challenges to well-being. The change in market demand, access to credit, or access to support programs that are available from governmental programs may significantly change the economic outcomes (Chambers, 2020).

Aspects of education and training provided to members are very important in their economic betterment. Education shall enable the member to acquire skills and knowledge necessary for them to manage cooperative activities effectively, make informed decisions, and adapt to changing economic environments (Shrestha, 2018). Investment in member education, therefore, yields a more resilient and economically stable membership. The other internal factors that make an impact on the cooperative's success include dedication, active participation, organizational structure, communication, and management practices by the members (Pokharel, 2009).

The Department of Cooperative Board (2023) reports that Nepal has 29,886 cooperatives with 7,307,462 active participants, highlighting the sector's significant influence on both the economy and society. Cooperatives in Nepal run on democratic principles in which the priorities are towards the meeting of member needs and community development (Mid-West University et al., 2017). They play a crucial role in creating employment, reducing poverty,

and enhancing livelihoods, particularly in marketing and commercializing agricultural products, thereby supporting farm profits. Research underscores cooperatives' impact on economic development across Nepal, promoting sustainable livelihoods, poverty reduction, and employment creation (Rai et al., 2020).

Research Gap

Despite extensive research on cooperative economic well-being, gaps remain in understanding these dynamics in remote areas like Rolpa District. Specifically, the extent and impact of member participation in these cooperatives are underexplored, raising questions about the role of active involvement in enhancing economic outcomes. The influence of health and social services on economic well-being is also under-researched, with conflicting findings in existing literature. Furthermore, there is limited research on the utilization and effectiveness of savings and credit services in remote settings. The impact of financial literacy training on economic well-being in Rolpa's cooperatives is inadequately documented, despite its recognized importance. The role of financial inclusion in these areas requires further exploration to understand its contribution to economic prosperity. These gaps highlight a critical need for research to foster comprehensive economic development in remote areas like Rolpa.

Review of Literature

Gebeyehu and Atanaw (2018) examined the role of cooperatives in Ethiopia's socio-economic development through a national survey involving 173 cooperatives and 831 members, complemented by focus group discussions in eight regions. The research instrument employed for this study, which covered the period from 2001 to 2011, was the semi-structured questionnaire. Among other findings, it was found that cooperatives contributed immensely to the growth of the economy of the country with products, services,

and benefits such as food security, improved income, better living standards, social participation, and agricultural support. However, economic and policy challenges restricted their potential to propel socio-economic development. Popoola (2023) explored cooperatives' role in enhancing member well-being, focusing on the relationships between cooperative membership, farmers' welfare, and farm production levels among layer egg producers in southwest Nigeria. Using a multidimensional approach, data were collected from 185 poultry farmers (94 cooperators and 91 non-cooperators) randomly selected from four local government areas. The findings indicated a significant positive relationship between cooperative membership and farmers' economic welfare.

Similarly, Gasib (2019) evaluated the socio-economic status and financial and social services of four cooperatives in Tabuk City, Kalinga, Philippines, using a descriptive and empirical approach. The study analyzed financial indicators from cooperative reports and surveyed 300 members to assess the cooperatives' impact on the Philippines' Sustainable Development Goals (SDGs). The results showed significant variations in members' economic participation and emphasized cooperatives' role in community development.

Nathan (2020) investigated the impact of savings and credit cooperatives on household socio-economic well-being in Nandi County, Kenya, using a descriptive research design and a sample of 3,250 respondents. The findings revealed that savings and credit facilities significantly positively affected household socio-economic welfare. Tumwine and Shukla (2015) studied the role of savings and credit cooperatives (SACCOs) in their members' economic development, employing cross-sectional, correlational, and survey research designs. Their analysis revealed a strong and positive significant relationship between savings and credit services and cooperative members' economic development.

Mwatondo and Wekesa (2020) examined how financial literacy influences financial growth in SACCOs in Kwale County, using a descriptive survey design and data from 397 respondents. Their study found that financial knowledge, attitude, behavior, and training significantly positively impacted SACCOs' financial growth. Karki and Takagi (2024) assessed the effects of financial literacy training on rural households' financial literacy levels and decision-making in Bhojpur District, Nepal. Their findings showed a positive and significant impact of financial literacy training on cooperative members' economic well-being.

Sethi and Acharya (2018) explored the dynamic impact of financial inclusion on economic growth in both developed and developing countries, using panel data models and data on financial inclusion from 2004 to 2010. The study concluded that financial inclusion is a key driver of economic growth, confirming a positive and significant relationship between financial inclusion and economic growth across 31 countries. These discussions underscore the positive impacts of member participation, health and social services, savings and credit services, financial literacy training, and financial inclusion on cooperative members' economic well-being.

Objectives of the Study

The primary aim of this study was to explore the factors influencing the economic well-being of cooperative members in Rolpa District, Lumbini Province, Nepal. The specific objectives were to --

a. examine the effect of member participation on the economic well-being of members within a specific cooperative,

b. investigate the effect of health and social services on the economic well-being of members within a specific cooperative,

    c.   analyze the effect of savings and credit services on the economic well-being of members within a specific cooperative,

    d.   examine the effect of financial literacy training on the economic well-being of cooperative members, and

    e.   investigate the effect of financial inclusion on the economic well-being of cooperative members.

Research Questions

This study aims to explore the relationship between cooperatives and economic well-being by addressing the following research questions:

    a.   What is the effect of member participation on the economic well-being of members within a specific cooperative?

    b.   How do health and social services affect the economic well-being of members within a specific cooperative?

    c.   What is the effect of savings and credit services on the economic well-being of members within a specific cooperative?

    d.   How does financial literacy training impact the economic well-being of cooperative members?

    e.   What is the effect of financial inclusion on the economic well-being of cooperative members?

Working Hypothesis

The research hypothesis is a clear and testable statement suggesting an explanation for a phenomenon, guiding experiments, data collection, and conclusions. The hypotheses formulated for this study are:

H1: There is a significant effect of member participation on the economic well-being of cooperative members.

H2: There is a significant effect of health and social services on the economic well-being of cooperative members.

H3: There is a significant effect of savings and credit services on the economic well-being of cooperative members.

H4: There is a significant effect of financial literacy training on the economic well-being of cooperative members.

H5: There is a significant effect of financial inclusion on the economic well-being of cooperative members.

Conceptual Framework of the Study

Drawing from a comprehensive review of various theoretical, conceptual, and relevant insights obtained through a thorough literature review, this conceptual framework has been developed to guide the study systematically and objectively.

Figure 1

Conceptual framework of the study
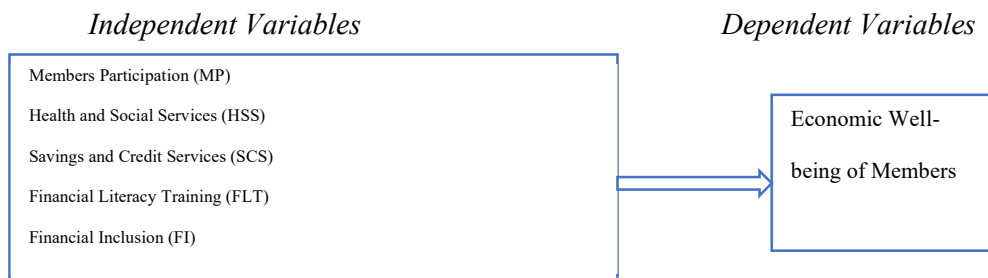
Source: (Popoola, 2023; Gasib, 2019; Nathan, 2020; Karki & Takagi, 2024; Sethi & Acharya, 2018)

As presented in the framework, the key constructs of inquiry assumed to serve as the key determinants of economic well-being in the context of membership in the cooperatives included their participation, delivery of health and social services, saving and credit services, training on raising financial literacy among the members, and financial inclusion via various decision making of the cooperatives.

Research Methodology

This study, grounded in a positivist paradigm, utilized a descriptive and causal-comparative research design with a deductive approach. To collect primary data, the researchers employed a non-probability convenience sampling method, gathering responses from 404 cooperative members in the Rolpa district of Nepal. Data collection involved multiple channels, including face-to-face interviews, email, phone interviews, and Facebook Messenger.

The study used multiple-choice questions to gather respondents' profiles and business information. To assess the independent and dependent variables, a 5-point Likert scale was employed. Given the unknown population size of cooperative members in Rolpa, the minimum required sample size was calculated using Cochran's formula.

For data analysis, the study conducted Pearson correlation and multiple linear regression analyses, supplemented by descriptive analysis. The data were processed and analyzed using SPSS software to present the findings and determine the results.

$$n = \frac{z^2 \widehat{P}(1-\widehat{P})}{(\varepsilon)2}$$

Where, n = Sample size; ε = Desired level of precision or margin of error, ε =5% or 0.05; z = the value in the Z-table (z-value=1.96 for a confidence level of 95%); $\widehat{P}$ = Estimated desired population proportion. So, by applying the above formula, we get,

$$n = \frac{1.96^2 * 0.50(1-0.50)}{0.05^2}$$

$n = 384.16$ respondents

Considering likely non-response situations, the present researcher administered the survey to a total of 404 economically active members from cooperatives operating within the Rolpa district, Nepal, drawn from the population for the study.

In this study, the present researcher has used SPSS for analyses. The study was based on the following regression equation:

$$Y (EW) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \ldots\ldots\ldots\ldots(i)$$

Where: Y (EW) = Economic well being; β_0 = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Coefficient of regression which measures how strongly each independent variable impacts the dependent variable; X_1 = Member participation, X_2 = Health and social services, X_3 = Savings and credit services, X_4 = Financial literacy training, X_5 = Financial inclusion, ε = Error term.

Results, Discussions and Conclusions

Demographic and Business Profile of the Respondents: This section addresses the demographic and business characteristics of the respondents involved in the study. It covers details of demographic characters such as gender, age group, educational level, and marital status as well as details of business characters such as income level, employee status, and membership in cooperative.

Table 1

Demographic and Business Profiles of Respondents

		Frequency	*Percent*
Gender	Male	142	35.1
	Female	262	64.6
	Total	**404**	**100**

Age Group	16-25 years	51	12.6
	26-35 years	117	29.0
	36-45 years	160	39.6
	46-55 years	59	14.6
	55 above years	17	4.2
	Total	**404**	**100**
Educational Level	Normal Literate	252	62.4
	SLC/SEE	85	21.0
	Intermediate (+2)	45	11.1
	Bachelor Degree	14	3.5
	Masters Degree	8	2.0
	Total	**404**	**100**
Marital Status	Single	41	10.1
	Married	363	89.9
	Total	**404**	**100**
Income Level	Less than Rs. 10000	123	30.4
	Rs. 11000 - Rs.20000	163	40.3
	Rs. 21000 - Rs.30000	60	14.9
	Rs. 31000 - Rs. 40000	28	6.9
	Rs. 41000 - Rs. 50000	19	4.7
	More than Rs. 50000	11	2.7
	Total	**404**	**100**
Employee Status	Employed	64	15.8
	Self-employed	154	38.1

	Unemployed	159	39.4
	Student	18	4.5
	Retired	9	2.2
	Total	**404**	**100**
Membership in Cooperative	Less than 1 year	98	24.3
	1-5 years	190	47.0
	6-10 years	83	20.5
	More than 10 years	33	8.2
	Total	**404**	**100**

The results from the study show that out of 404 respondents, 35.1 percent are male and 64.6 percent are female. The age distribution reveals that the largest group, 39.6 percent, is aged 36-45, followed by 29.0 percent aged 26-35, 14.6 percent aged 46-55, 12.6 percent aged 16-25, and only 4.2 percent are over 55. In terms of educational attainment, 62.4 percent of respondents have basic literacy, 21.0 percent have completed SLC/SEE, 11.1 percent have an intermediate (+2) level education, 3.5 percent hold a bachelor's degree, and 2.0 percent have a master's degree. The marital status data indicates that 10.1 percent of respondents are single, while a significant majority of 89.9 percent are married.

Similarly, the findings reveal that 30.4 percent of individuals earn less than Rs. 10,000, while 40.3 percent have an income ranging from Rs. 11,000 to Rs. 20,000. Additionally, 14.9 percent fall into the Rs. 21,000 to Rs. 30,000 bracket, 6.9 percent earn between Rs. 31,000 to Rs. 40,000 and 4.7 percent earn between Rs. 41,000 to Rs. 50,000. Only 2.7 percent have incomes exceeding Rs. 50,000. Regarding employment status, 15.8 percent are employed, 38.1 percent are self-employed, 39.4 percent are unemployed, 4.5 percent are students, and 2.2

percent are retired. Participation in cooperative activities varies, with 24.3 percent of members engaged for less than a year, 47.0 percent participating for 1 to 5 years, 20.5 percent involved for 6 to 10 years, and 8.2 percent active for over 10 years.

Test of Reliability and Validity

Reliability and validity tests evaluate the quality of measurement tools. Reliability ensures consistency and stability of results over time, while validity confirms that the test accurately measures the intended concept. Together, they ensure that the data collected is dependable and accurately represents the variable of interest.

Cronbach's Alpha measures internal consistency or reliability of a set of survey or test items. Higher values indicate greater reliability.

Table 2

Test of reliability

Variables	Cronbach's Alpha
Members Participation	0.717
Health and Social Services	0.864
Savings and Credit Services	0.860
Financial Literacy Training	0.828
Financial Inclusion	0.842
Economic Well-being of Members	0.856

As the reliability coefficients against each construct considered for this study remained fairly above 0.70, the scaled instruments were reliable enough to be used as universal instruments for measuring the perception.

A normality test evaluates if a dataset follows a symmetric, bell-shaped normal distribution. While useful, results should be interpreted carefully within the study's context. Minor deviations from normality can be acceptable or have minimal impact on analysis validity, especially in large samples.

A histogram visually represents a dataset's distribution through bars, where each bar indicates the frequency of data points within a specific range or bin. The datasets displayed a

bell-shaped curve with a central peak, suggesting that the data approximates a normal distribution, an important aspect for statistical analyses.

Figure 2

Normality on Histogram
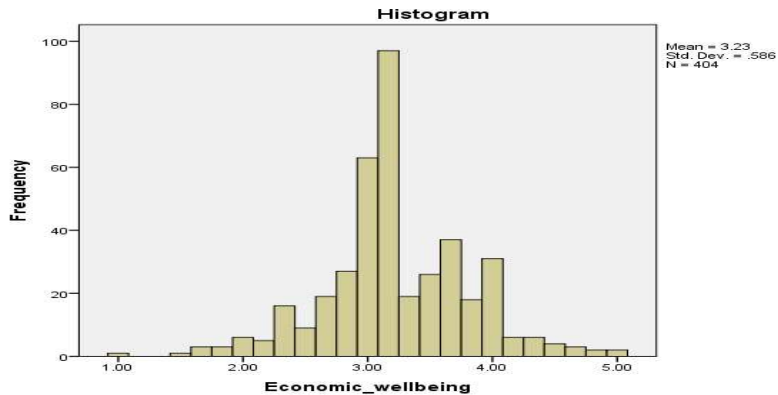
The histogram displays the distribution of "Economic well-being" scores among 404 respondents. The x-axis shows the range of scores, while the y-axis represents the frequency of respondents in each range. The data is concentrated around a score of 3, indicating that most respondents fall within this range. The mean score is 3.23, with a standard deviation of 0.586, suggesting moderate variability around the mean. The distribution is somewhat bell-shaped, indicating a tendency towards normality, though it appears slightly skewed to the right, with a longer tail extending towards higher scores.

Descriptive Statistics

Descriptive coefficients offer a summary of a particular data set, whether it's a sample from the population or the entire population. These summaries, known as descriptive statistics, fall into two categories: measurements of central tendency and measurements of variability. Central tendency metrics (like mean, median, and mode) indicate the data's typical value, while variability metrics (like range, variance, and standard deviation) describe the data's spread.

Table 3

Summary of statistics for all independent and dependent variables

	N	Minimum	Maximum	Mean	S.D.
Members Participation	404	1.83	4.83	3.73	0.52
Health and Social Services	404	1.00	4.83	3.77	0.60
Savings and Credit Services	404	2.33	5.00	3.82	0.53
Financial Literacy Training	404	1.00	5.00	3.79	0.59
Financial Inclusion	404	1.67	5.00	3.86	0.51
Economic Well-being of Members	404	1.00	5.00	3.75	0.61

The results provide a summary of descriptive statistics for six variables measured among 404 participants. Each variable includes the number of observations, minimum and maximum values, the mean, and the standard deviation. Among 404 observations, participation scores range from 1.83 to 4.83, averaging 3.73 with a standard deviation of 0.52. Similarly, employment scores vary from 1.00 to 4.83, with an average score of 3.77 and a standard deviation of 0.60. Credit facility scores fall between 2.33 and 5.00, with an average of 3.82 and a standard deviation of 0.53. The scores for training facilities, range from 1.00 to 5.00, averaging 3.79 with a standard deviation of 0.59. Financial inclusion span from 1.67 to 5.00, with an average score of 3.86 and a standard deviation of 0.51. Finally, economic well-being range from 1.00 to 5.00, with an average score of 3.75 and a standard deviation of 0.61.

Correlations Analysis

This study aims to examine the complex relationships and correlation patterns among factors influencing the economic well-being of cooperative members. Correlation, a key statistical measure, helps reveal interdependencies between these factors. The correlation coefficient ranges from +1 to -1, where +1 indicates a perfect positive correlation and -1 indicates a perfect negative correlation. A value of 0 means no relationship exists between the variables. A positive correlation implies that as one variable increases, the other also increases, while a negative correlation indicates that an increase in one variable leads to a decrease in the other.

Table 4

Correlations matrix

	MP	HSS	SCS	FLT	FI	EW
MP	1	.557**	.424**	.395**	.447**	.508**
HSS		1	.569**	.420**	.526**	.470**
SCS			1	.345**	.664**	.597**
FLT				1	.515**	.416**
FO					1	.661**
EW						1

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

The result presents that the dependent variable (EW) has positive relationship with all independent variables (MP, HSS, SCS, FLT, & FI). Further, the results show that there is also a positive correlation between all independent variables (MP, HSS, SCS, FLT, & FI) each other.

Regression Analysis

Regression analysis is a statistical technique used to examine and quantify the relationship between one or more independent variables and a dependent variable. Its primary goal is to model the nature and strength of this association. This method helps researchers understand how changes in the independent variables relate to changes in the dependent variable, allowing for prediction or explanation of the dependent variable's value based on the independent variables. The regression equation identifies patterns, and trends, and estimates the impact of each independent variable. This approach is crucial in fields like economics, finance, and social sciences.

$EW = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$……………………….Model-1

Table 5

Predictors of economic well-being-model summary and ANOVA

R	R Square	Adjusted R Square	F	Sig.
.732^a	*.535*	*.529*	*90.731*	*.000^b*

a. *Dependent Variable: Economic Well-being (EW)*

b. *Predictors: (Constant), Member Participation, Health and Social Services, Savings and Credit Services, Financial Literacy Training, Financial Inclusion*

The results present the model summary of correlation coefficients (R), coefficient of determination (R-Square), and overall model fit measures between dependent and independent variables. The correlation coefficient (R) of 0.732 indicates a strong positive correlation between the dependent variable and all independent variables collectively. To provide more precise insights, the R-Square value of 0.535 reveals that 53.50 percent of the variation in economic well-being (dependent variable) is explained by predictors such as member participation, health and social services, savings and credit services, financial literacy training, financial inclusion (independent variables). The remaining 46.50 percent of variation is attributed to factors not included in the model, which are beyond the study's scope. Furthermore, the adjusted R-Square (52.90%) accounts for the variability in the dependent variable adjusted for degrees of freedom. The F-test value of 90.731 indicates the model's high significance in fitting the data, as evidenced by a p-value less than 0.05. This supports the conclusion that there is a meaningful relationship between the dependent and independent variables as analyzed in the study.

Table 6

Coefficients for predictors of economic well-being and VIF test

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	VIF

	B	Std. Error	Beta			
(Constant)	0.631	0.134		4.716	0.000	
MP	0.201	0.041	0.216	4.946	0.000	1.618
HSS	0.016	0.036	0.022	0.454	0.650	1.988
SCS	0.186	0.039	0.241	4.770	0.000	2.158
FLT	0.048	0.036	0.056	1.343	0.010	1.478
FI	0.367	0.049	0.392	7.547	0.000	2.281

a. Dependent Variable: Economic Well-being (EW)

The results show that if one unit increases in member participation, health and social services, savings and credit services, financial literacy training, financial inclusion, the economic well-being increased by 0.201, 0.016, 0.186, 0.048 and 0.367 respectively. There is significant positive effect of member participation, savings and credit services, financial literacy training, and financial inclusion on economic well-being since, P values (Sig. 0.000, 0.000, 0.010 & 0.000) are less than level of significance (0.05). Similarly, health and social services has insignificant positive effect on economic well-being because the P value (Sig. 0.650) is more than level of significance (0.05). Moreover, the individual values of VIF (Variance Inflation Factor) are below 5, indicating that multicollinearity is not a concern in the data. This confirms that the data is robust and does not suffer from high inter-correlations among the independent variables.

Summary of Hypothesis

Table 7

Hypothesis testing summary

Hypothesis	P-value	Decision
H_1: There is significant effect of member participation on the economic well-being of cooperative members.	0.000	Accepted

H_2: There is significant effect of health and social services on the economic well-being of cooperative members.	0.650	Rejected
H_3: There is significant effect of savings and credit services on the economic well-being of cooperative members.	0.000	Accepted
H_4: There is significant effect of financial literacy training on the economic well-being of cooperative members.	0.010	Accepted
H_5: There is significant effect of financial inclusion on the economic well-being of cooperative members.	0.000	Accepted

The findings summarize the hypothesis testing results. The second hypothesis (H2) was rejected, indicating an insignificant positive impact on economic well-being, as its p-value exceeded the significance level of 0.05. Conversely, the other hypotheses (H1, H3, H4, and H5) were supported, demonstrating a significant positive effect on economic well-being, as their p-values were below the 0.05 threshold.

Discussions

The findings revealed that member participation has a significant positive effect on the economic well-being of cooperative members, aligning with the results of Popoola (2023). Additionally, while health and social services showed a positive effect on economic well-being, this effect was not statistically significant, which contrasts with the findings of Gasib (2019), who reported a significant positive impact.

The study also indicated that savings and credit services significantly and positively influence the economic well-being of cooperative members, consistent with the findings of Nathan (2020) and Tumwine & Shukla (2015). Furthermore, financial literacy training was found to have a significant positive impact on economic well-being, corroborating the studies by Mwatondo & Wekesa (2020) and Karki & Takagi (2024). Lastly, financial inclusion was

shown to significantly and positively affect the economic well-being of cooperative members, in line with the findings of Sethi & Acharya (2018).

Conclusions

The objective of this study was to assess the impact of cooperatives on the economic well-being of members in the Rolpa district. Using multiple linear regression, it was determined that 53.50% of the variation in the dependent variable is explained by the independent variables. The findings indicate that cooperative activities have a significant positive effect on the economic development of members. The study concludes that cooperatives are effective instruments for enhancing economic well-being, with key factors such as member participation, savings and credit services, financial literacy training, and financial inclusion contributing significantly. However, health and social services were found to have an insignificant impact.

Cooperatives have evolved to address poverty alleviation, recognizing that economically disadvantaged individuals face not only financial challenges but also a lack of essential business skills and market knowledge. Cooperatives help bridge this gap, and members utilizing non-financial services experience greater economic development compared to those relying solely on financial services. Additionally, business performance has improved over time, with active participation in cooperative activities leading to better economic well-being than mere opportunistic engagement.

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