

**SOCIAL CAPITAL AND PERFORMANCE OF COOPERATIVES  
IN KATHMANDU**



**A Thesis**

**Submitted to the MPhil Programme in Sociology,  
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**Submitted By**

**Ishwar Dhakal**

**Exam Roll No.: 809**

**TU Regd. No.: 9-1-43-116-98**

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## DECLARATION

I, hereby, declare that this dissertation entitled "**Social Capital and Performance of Cooperatives in Kathmandu**" represents my work which has been written and prepared for the award of M.Phil. degree and has not been previously included in a dissertation submitted to this or any other institutions or university or examining body for a degree or other qualification. I have read the current research ethics guidelines, obtained relevant ethical approval, and acknowledge the rights of participants.

.....

Ishwar Dhakal

Date: 2025 April

**Tribhuvan University**  
**Central Department of Sociology**  
**Faculty of Humanities and Social Sciences**  
**MPhil Program in Sociology**

**LETTER OF RECOMMENDATION**

This is to certify that **Mr. Ishwar Dhakal** has carried out the research work embodied in the present dissertation entitled "**Social Capital and Performance of Cooperatives in Kathmandu**" as partial fulfilment of Master of Philosophy degree in Sociology under my supervision. I, therefore, recommend this dissertation for final evaluation and acceptance.

.....  
Prof. Dr. Surendra Mishra  
Supervisor  
Central Department of Sociology  
Tribhuvan University, Kirtipur  
Kathmandu, Nepal

Date: 2025 April

**Tribhuvan University**  
**Central Department of Sociology**  
**Faculty of Humanities and Social Sciences**  
**MPhil Program in Sociology**

**LETTER OF APPROVAL**

The evaluation committee has accepted this dissertation entitled; "**Social Capital and Performance of Cooperatives in Kathmandu**" submitted by Mr. Ishwar Dhakal to the central Department of Sociology, Faculty of Humanities and Social Sciences, Tribhuvan University for the final examination. We, hereby certify that the dissertation is satisfactory in scope and quality. Therefore, we accept this thesis dissertation for the partial fulfillment of the Master of Philosophy Degree in Sociology.

**Evaluation Committee:**

Prof. Dr. Surendra Mishra .....  
 Thesis Supervisor

Sudeep Singh Nakarmi, PhD .....  
 Expert

Dinesh Ghimire, PhD .....  
 Expert

Associate Prof. Pasang Sherpa, PhD .....  
 Department Head, Central Department of Sociology

Date: 07/04/2025

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## ABSTRACT

This study examines the role of social capital in the success of savings and credit cooperatives in Nepal, focusing on four case studies: Thankot Mahila, Samudayik, Aayam, and Chandragiri cooperatives. Despite their growing importance in financial inclusion, many cooperatives struggle with governance inefficiencies, gender disparities, and financial sustainability. This research addresses a critical gap by analyzing how trust, networks, reciprocity, and shared norms contribute to cooperative performance while highlighting persistent challenges in equitable representation.

Using a qualitative case study approach, the study combines financial data analysis (2079-2081), unstructured interviews with 16 stakeholders including board of members, managers, and members, and focus group discussions (FGDs) with 16 members. Thematic analysis and comparative financial metrics reveal key insights: (1) Cooperatives with balanced gender representation (e.g., Samudayik) achieve stronger financial outcomes (54% capital growth) than male-dominated models; (2) Externally networked cooperatives demonstrate greater resilience than locally insular ones; and (3) Institutionalized social capital—particularly transparent governance and member participation—correlates with long-term member loyalty (average 12 years).

This study demonstrates that social capital serves as the bedrock of cooperative success, operating through four interconnected mechanisms that distinguish member-driven finance from conventional banking models. Trust, institutionalized through transparent policies and long-term member relationships, reduces transaction costs and fosters financial resilience—evident in cooperatives like Samudayik, where high trust correlates with 54% capital growth. Networks determine institutional adaptability; externally connected cooperatives access bridging capital for innovation, while locally embedded models like Thankot Mahila excel in bonding capital for targeted inclusion. Crucially, reciprocity transforms financial transactions into mutual commitments. The save-to-borrow systems observed across cases create intergenerational solidarity, ensuring sustainability.

**Keywords:** Social capital, cooperatives, gender governance, financial inclusion.

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**ABBREVIATION/ACRONYMS**

ICA	:	International Cooperative Association
SCC	:	Saving and credit cooperative
FGD	:	Focus Group Discussion
GDP	:	Gross Domestic Product

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Cooperatives are member-owned and democratically controlled organizations that aim to meet common economic, social, and cultural needs through collective efforts (International Cooperative Alliance (ICA, 2021). The cooperative model is based on principles of voluntary and open membership, democratic governance, economic participation, and concern for the community (Birchall, 2004). According to the ICA, a cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise" (ICA, 2021). Cooperatives operate across various sectors, including agriculture, finance, and consumer goods, playing a crucial role in economic development.

Nepal has a well-established cooperative sector that has been growing over the years. According to the Department of Cooperatives (DoC), as of 2023, there are approximately 29,000 registered cooperatives in Nepal (DoC, 2023). These cooperatives are distributed across different sectors such as agriculture, savings and credit, consumer cooperatives, and multipurpose cooperatives, serving millions of members nationwide (National Cooperative Federation of Nepal (NCF, 2023). Saving and credit cooperative play a crucial role in empowering communities, especially in developing countries like Nepal, by providing financial access to marginalized populations. These cooperatives, rooted in the principles of mutual aid and collective action, are community-owned financial institutions that promote economic self-reliance and foster social cohesion. The success of these cooperatives, however, is not merely a function of financial performance but also heavily reliant on the intangible yet vital resource of social capital. Saving and credit cooperative in Nepal have emerged as key actors in poverty alleviation and local economic development.

According to the Department of Cooperatives, Nepal is home to over 34,000 cooperatives, of which more than 50% are savings and credit institutions. These cooperatives serve as an alternative to traditional banking for rural and urban populations with limited financial access, offering credit, savings, and microfinance services. The cooperative sector contributes significantly to Nepal's economy, accounting for around 3% of the GDP (Department of Cooperatives, 2023).

Social capital, defined as the networks, norms, and trust that facilitate coordination and cooperation for mutual benefit (Putnam, 1993), is a key determinant of organizational success. In the context of saving and credit cooperative, social capital manifests through trust among members, robust social networks, and shared norms that encourage active participation and collective decision-making. These dimensions of social capital not only enhance operational efficiency but also build resilience against external shocks. Trust, for example, is essential in fostering member loyalty and mitigating default risks. Social networks enable resource sharing, idea exchange, and collaborative problem-solving, while shared norms establish a sense of belonging and accountability (Bourdieu, 1986).

Studies from various contexts highlight the pivotal role of social capital in cooperative development. Research by Grootaert and van Bastelaer (2002) emphasizes that high levels of trust and collective norms in cooperatives lead to better financial performance and member satisfaction. Similarly, in the South Asian context, cooperatives leveraging social capital have demonstrated improved governance and stronger financial outcomes (Pachauri & Spreng, 2002). In Kathmandu, saving and credit cooperative operate in a socio-economic environment characterized by cultural diversity and urban-rural dichotomies. These cooperatives rely heavily on social capital to ensure transparency, promote member participation, and sustain growth. Yet, limited research has been conducted to empirically analyze the interplay between social capital and cooperative success in the region. Addressing this gap is crucial to enhancing the resilience and effectiveness of saving and credit cooperative. Despite their significance, saving and credit cooperative in Kathmandu face numerous challenges, such as governance issues, default risks, and member attrition. Weak trust, fragmented networks, and lack of shared norms are often cited as underlying factors. Additionally, urbanization has led to shifts in community dynamics, affecting the social fabric on which these cooperatives traditionally depend. Understanding how social capital can be harnessed to mitigate these challenges is vital for their long-term success. The role of social capital in saving and credit cooperative remains underexplored, particularly in the context of urban Nepal. By investigating how trust, networks, and norms influence the success of saving and credit cooperative in

Kathmandu, this study aims to contribute to both academic literature and practical policy-making. Insights from this research will help saving and credit cooperative optimize their operations, foster stronger member relationships, and adapt to changing socio-economic conditions.

Cooperatives in Nepal are categorized into different types based on their operational focus and objectives. The major types of cooperatives in Nepal include:

1. Savings and Credit Cooperatives – These cooperatives provide financial services such as savings, loans, and credit facilities to their members.
2. Agricultural Cooperatives – These cooperatives support farmers by providing agricultural inputs, training, and market access.
3. Consumer Cooperatives – These cooperatives supply consumer goods at fair prices to their members.
4. Multipurpose Cooperatives – These cooperatives engage in various activities, including finance, agriculture, and trade.
5. Energy Cooperatives – These cooperatives focus on renewable energy solutions for rural electrification.
6. Health and Education Cooperatives – These cooperatives provide services related to healthcare and education (NCF, 2023).

Among the various types of cooperatives in Nepal, savings and credit cooperatives constitute the largest segment. According to the DoC (2023), out of the total 29,000 cooperatives, approximately 14,000 are savings and credit cooperatives, providing microfinance services to small businesses and individual entrepreneurs. These cooperatives play a crucial role in financial inclusion by offering accessible credit to marginalized communities (Sharma & Dhungana, 2021). Cooperatives contribute significantly to Nepal's Gross Domestic Product (GDP). According to the National Planning Commission (NPC, 2022), the cooperative sector contributes about 4% to Nepal's GDP. The contribution is mainly through agriculture, finance, and trade sectors. The cooperative model enhances local economies by generating employment, promoting self-sufficiency, and facilitating financial inclusion (Karki, 2021). Moreover, Nepal's economy is based on three main pillars: the public sector, the

private sector, and the cooperative sector. The government of Nepal recognizes cooperatives as a crucial part of the economy alongside the private and public sectors (NPC, 2022). Cooperatives act as a bridge between the formal and informal economies by integrating rural communities into economic activities and fostering inclusive development (Dhakal, 2020).

The COVID-19 pandemic had a significant impact on Nepal's economy, leading to reduced economic activities, unemployment, and business closures. According to the World Bank (2023), Nepal's GDP growth rate fell sharply during the pandemic but has slowly recovered. However, challenges such as inflation, trade deficits, and economic stagnation persist, affecting various sectors, including cooperatives. The cooperative sector faced liquidity shortages and an increase in loan defaults during the pandemic, but many cooperatives adapted by promoting digital financial services and restructuring loans (Paudel & Shrestha, 2023). Nepal's cooperative sector continues to face challenges, including governance issues, lack of financial literacy among members, and regulatory constraints. The DoC (2023) highlights that while cooperatives have played a vital role in financial inclusion and local development, concerns such as mismanagement, fraud cases, and political interference have affected their credibility. To address these issues, the government has introduced new regulatory measures to improve transparency and accountability in the cooperative sector (NCF, 2023).

Despite their potential, cooperatives in Nepal face multiple challenges that hinder their growth and efficiency. Poor governance and lack of accountability have led to financial mismanagement and fraudulent activities in some cooperatives (Sharma & Dhungana, 2021). Additionally, political interference in cooperative operations has disrupted their autonomy, leading to inefficiencies and conflicts. Many cooperatives struggle with low financial literacy among their members, resulting in difficulties in savings mobilization and loan repayment. Furthermore, the increasing competition from commercial banks and financial institutions poses a challenge for cooperatives to sustain their market presence. Addressing these issues requires strong regulatory frameworks, improved financial literacy programs, and better governance practices to enhance the credibility and sustainability of cooperatives in Nepal.

Social capital refers to the networks, relationships, trust, and norms that facilitate cooperation and collective action among individuals and groups (Putnam, 2000). It plays a crucial role in economic and social development by enabling access to resources, information, and mutual support. Social capital is broadly classified into three types: bonding social capital (connections within close-knit groups), bridging social capital (connections across different social groups), and linking social capital (connections with institutions and authorities) (Woolcock & Narayan, 2000). Social capital plays a vital role in the success of cooperatives by fostering trust, collaboration, and resource sharing among members. High levels of social capital contribute to stronger cooperative governance, effective decision-making, and increased member participation (Fukuyama, 1995). Trust and mutual support among cooperative members enhance financial contributions, encourage loan repayment, and strengthen cooperative resilience during economic hardships (Ostrom, 2005). Moreover, social capital facilitates knowledge-sharing and innovation, improving cooperative efficiency and sustainability.

In the context of Nepal, social capital is particularly significant for cooperatives operating in rural and semi-urban areas. Strong social networks among members enhance cooperative activities, while bridging social capital helps cooperatives establish connections with external stakeholders, such as financial institutions and government agencies (Grootaert & van Bastelaer, 2002). Therefore, understanding the role of social capital is crucial for strengthening cooperative success and ensuring long-term viability.

Cooperatives are a vital component of Nepal's economy. They foster financial inclusivity. Whilst doing so, they also help with the community development. Despite their significant contributions, the sector faces multiple challenges that need to be addressed through policy interventions and improved governance. Understanding the role of social capital in cooperative success is crucial for ensuring their sustainability and effectiveness in local economic development. This study explored how social capital influences the success of cooperatives in Chandragiri Municipality, shedding light on key factors that drive cooperative performance.

## 1.2 Study Context

Cooperatives have historically played a crucial role in fostering collective economic development and social solidarity. Rooted in the principles of mutual aid and self-help, cooperatives have been essential in promoting financial inclusion, reducing poverty, and strengthening local economies. Sociologically, cooperatives embody the spirit of social integration and community resilience by bringing together individuals with common economic and social interests (Durkheim, 1893). They function as mediators between the formal and informal economies, ensuring that marginalized groups, including women, small farmers, and low-income workers, gain access to economic resources.

Cooperatives are regarded as the three main pillars of the economy together with the public and private sectors when it comes to Nepal. The Nepalese cooperative movement gained momentum after the enactment of the Cooperative Act of 1992, which provided a legal framework for cooperative development. Since then, cooperatives have contributed significantly to financial access, employment generation, and agricultural development. According to the National Cooperative Federation of Nepal (NCF, 2023), cooperatives have enabled rural populations to engage in economic activities that would otherwise be inaccessible through formal financial institutions. Additionally, they promote social cohesion by fostering trust, reciprocity, and collective participation in economic activities.

Despite their potential, many cooperatives in Nepal have struggled to achieve their developmental goals. A key sociological challenge is the tension between traditional communal values and the demands of a modern economic system. While cooperatives are theoretically designed to foster collective well-being, in practice, many have been marred by issues such as elite capture, financial mismanagement, and political interference (Bourdieu, 1986). Power dynamics within cooperatives often mirror broader social inequalities, where dominant groups control resources and decision-making processes, sidelining marginalized members. Furthermore, the bureaucratic structure and regulatory inefficiencies in Nepal's cooperative sector have contributed to their stagnation. Many cooperatives lack the institutional capacity to implement sustainable business models, leading to financial mismanagement and eventual collapse. The lack of financial literacy among members exacerbates the problem, as

poor financial decisions weaken cooperative sustainability (Coleman, 1990). Additionally, cooperatives often face difficulties in balancing social objectives with financial viability, as an overemphasis on profit-making can lead to the erosion of their social mission.

The recent economic downturns at both global and local levels have further strained the cooperative sector. The COVID-19 pandemic and subsequent economic stagnation have disrupted financial markets, reduced consumer demand, and increased unemployment. In Nepal, cooperatives, especially savings and credit cooperatives, experienced liquidity crises as members defaulted on loans and withdrew savings in large amounts (World Bank, 2023). This economic instability has exacerbated financial vulnerabilities, making it difficult for cooperatives to recover and sustain operations.

From a sociological perspective, economic downturns expose underlying structural inequalities and vulnerabilities within the cooperative model. Cooperatives that operate in economically marginalized communities are disproportionately affected, as their members have fewer financial buffers to withstand economic shocks (Granovetter, 1985). The cooperative sector's dependency on member contributions also becomes a limitation during financial crises, as decreased earnings lead to reduced savings and credit repayment capabilities. Despite these challenges, some cooperatives in Nepal have managed to thrive and sustain their operations successfully. The primary reason behind their success is the presence of strong social capital within cooperative networks. High levels of trust, reciprocity, and community engagement enable successful cooperatives to navigate economic challenges more effectively (Putnam, 2000). In cooperatives where bonding social capital is strong, members demonstrate higher commitment to shared goals, leading to better governance and financial discipline. Additionally, cooperatives that incorporate bridging and linking social capital—by establishing relationships with financial institutions, government bodies, and international organizations—are better positioned to access external funding and technical support (Woolcock & Narayan, 2000). These cooperatives are often well-managed, with transparent governance structures and member-driven decision-making processes that ensure long-term sustainability.

Another sociological factor contributing to cooperative success is the adaptability of social norms within cooperative structures. Cooperatives that foster innovation, inclusivity, and knowledge-sharing tend to perform better than those that adhere strictly to traditional hierarchical structures (Ostrom, 2005). Moreover, cooperatives with strong leadership and clear accountability mechanisms are more resilient against corruption, mismanagement, and political influence, making them more sustainable in the long run. Cooperatives hold immense potential in Nepal's economic development, particularly in fostering inclusive growth and financial accessibility. However, their success is largely contingent upon their ability to harness social capital and maintain transparent governance structures. While many cooperatives struggle due to financial mismanagement and economic downturns, those that leverage strong social networks, effective leadership, and institutional linkages continue to thrive. Understanding these sociological dynamics is crucial in designing policies and interventions that can enhance the sustainability and impact of cooperatives in Nepal.

### **1.3 Statement of the Problem**

Cooperatives are member-based organizations designed to address the economic, social, and cultural needs of their members through collective action. Rooted in principles of democracy, equity, and solidarity, cooperatives aim to empower marginalized communities, generate employment, and foster sustainable development (International Cooperative Alliance, 1995). In theory, they provide an alternative to traditional capitalist enterprises by prioritizing member welfare over profit maximization. However, in practice, many cooperatives—especially in developing countries like Nepal—struggle with inefficiency, mismanagement, and a lack of member engagement.

One of the key factors determining the success or failure of cooperatives is social capital—the networks, trust, and shared norms that enable collective action (Putnam, 2000). Strong social capital enhances cooperation, reduces conflicts, and improves governance within member-driven organizations. However, in Nepal, many cooperatives suffer from weak social capital due to political interference, lack of trust among members, and poor leadership. This raises critical questions: How does social capital contribute to cooperative success? What challenges hinder its development? And how can cooperatives strengthen social capital to ensure long-term sustainability?

Social capital plays a crucial role in the functioning of cooperatives by fostering trust, reciprocity, and collective decision-making. According to Woolcock & Narayan (2000), organizations with high social capital experience better coordination, lower transaction costs, and greater resilience in times of crisis. In the context of cooperatives, this means that members are more likely to actively participate, adhere to rules, and support collective goals when they trust one another and share a common identity. For example, successful agricultural cooperatives in India and Japan thrive because of strong community bonds, shared cultural values, and mutual accountability among members (Birchall & Ketilson, 2009). In contrast, Nepalese cooperatives often struggle because they lack a common bond—a unifying factor such as shared profession, geography, or economic need. Many cooperatives are formed haphazardly, with members who have no real connection to each other beyond financial transactions. This weakens solidarity and makes cooperative governance more difficult. Despite the proven benefits of social capital, several obstacles prevent its growth in Nepal's cooperative sector:

### **1. Political Interference and Lack of Autonomy**

Many cooperatives in Nepal are influenced by political parties, with leaders using them as platforms for personal or political gain rather than member welfare. This erodes trust, as members perceive cooperatives as extensions of political agendas rather than democratic, member-driven institutions (Pandey, 2020). Additionally, government-appointed regulators often lack expertise in cooperative management, leading to weak oversight and accountability.

### **2. Weak Governance and Leadership Issues**

Poor governance structures—such as delayed annual general meetings, lack of financial transparency, and long-term leadership monopolization—diminish member confidence. When leaders act like business owners rather than elected representatives, members disengage, weakening collective participation (Regmi et al., 2021). Without democratic accountability, cooperatives risk becoming exploitative rather than empowering.

### **3. Commercialization over Cooperation**

Many Nepalese cooperatives, particularly savings and credit groups, operate like informal banks rather than true cooperatives. They prioritize profit over member welfare, deviating from cooperative principles (ICA, 1995). This shift discourages genuine cooperation, as members see the organization as a financial service provider rather than a collective support system.

### **4. Fragmented Membership and Lack of Common Identity**

Unlike traditional cooperatives formed around shared professions (e.g., farmers, artisans), many Nepalese cooperatives have diverse members with conflicting interests. This heterogeneity leads to disputes, free-riding behavior, and low participation (Pokharel, 2019). Without a unifying identity, social capital remains weak. Nevertheless, to address these challenges, cooperatives must prioritize strategies that enhance trust, participation, and collective identity:

#### **1. Promoting Member Education and Training**

Regular training on cooperative principles, financial literacy, and leadership can empower members to actively engage in decision-making. Countries like Malaysia and Sri Lanka have successfully integrated cooperative education into their systems, leading to stronger member commitment (IDACA, 2018).

#### **2. Ensuring Democratic and Transparent Governance**

Cooperatives must enforce term limits for leaders, conduct timely audits, and hold regular member meetings. Transparency builds trust and discourages corruption.

#### **3. Encouraging Collaboration among Cooperatives**

Networking with other cooperatives (vertically and horizontally) can improve bargaining power, resource sharing, and knowledge exchange. Apex bodies should facilitate partnerships rather than compete with primary cooperatives.

#### **4. Reducing Political Influence**

Legal reforms should restrict political figures from holding leadership roles in cooperatives to prevent conflicts of interest and ensure member-centric operations.

Social capital is a fundamental driver of cooperative success, yet many Nepalese cooperatives struggle due to weak trust, political interference, and poor governance. By addressing these challenges through member education, democratic reforms, and stronger collaboration, cooperatives can fulfill their true potential as engines of inclusive and sustainable development. Future research should explore best practices from successful cooperatives globally and assess their applicability in the Nepalese context. Savings and Credit Cooperatives (Saving and credit cooperative) are widely regarded as an essential mechanism for financial inclusion, particularly in developing countries like Nepal. By pooling resources from their members, Saving and credit cooperative enable access to credit and savings facilities for individuals often excluded from formal financial systems. In Kathmandu, where urbanization and socio-economic disparities coexist, saving and credit cooperative have become critical tools for economic empowerment and poverty alleviation. However, their success is not guaranteed, with many cooperatives struggling to sustain their operations due to governance challenges, resource constraints, and member disengagement (Department of Cooperatives, 2023). One of the underlying issues that significantly affects the performance of Saving and credit cooperative is the strength of social capital within these organizations. Social capital—comprising trust, social networks, and shared norms—plays a vital role in fostering collective action and mutual cooperation, which are the foundations of cooperative enterprises (Coleman, 1988). Despite its recognized importance, the influence of social capital on the success of Saving and credit cooperative in Nepal remains inadequately explored. Trust is a cornerstone of social capital and is critical for the effective functioning of Saving and credit cooperative. It enhances member confidence in cooperative management, reduces the likelihood of defaults, and fosters a sense of collective ownership (Putnam, 1993). However, in Kathmandu, instances of financial mismanagement, lack of transparency, and corruption within some cooperatives have eroded trust among members, leading

to attrition and declining participation. Without trust, cooperatives struggle to mobilize resources and sustain operations, ultimately jeopardizing their long-term viability. Social networks within saving and credit cooperative facilitate the exchange of information, mutual support, and resource mobilization. These networks are particularly important in urban areas like Kathmandu, where cooperative members often come from diverse social and cultural backgrounds. However, urbanization and changing community dynamics have disrupted traditional social networks, leading to a fragmented member base and reduced social cohesion (Ostrom, 1990). The weakening of these networks poses a significant challenge to the collective functioning and success of saving and credit cooperative. Shared norms and values provide the ethical and cultural framework within which cooperatives operate. They promote accountability, encourage active participation, and ensure alignment with the cooperative's goals (Bourdieu, 1986). In Kathmandu, however, a lack of shared norms among cooperative members—partly due to socio-cultural diversity and urban migration—has led to conflicts, reduced member commitment, and decision-making inefficiencies (Pachauri & Spreng, 2002). This misalignment hampers the ability of Saving and credit cooperative to deliver value to their members and sustain growth. Although the significance of social capital has been acknowledged in global studies on cooperatives, there is limited empirical research examining its specific role in the success of Saving and credit cooperative in Kathmandu. Existing literature often focuses on financial and operational factors, neglecting the socio-cultural dimensions that influence cooperative dynamics. This gap in knowledge limits the ability of policymakers and cooperative leaders to address the root causes of the challenges faced by Saving and credit cooperative. The sustainability and effectiveness of Saving and credit cooperative in Kathmandu are increasingly threatened by deficits in social capital, including weak trust, fragmented networks, and insufficient shared norms. Given the vital role that Saving and credit cooperative play in financial inclusion and community development, understanding and addressing these challenges is critical. This study aims to bridge the knowledge gap by investigating the role of social capital in the success of Saving and credit cooperative in Kathmandu, providing insights into how trust, networks, and norms influence cooperative performance.

## **1.4 Research Questions**

This study attempts to find answers of the following research questions;

1. What are the key structures of member participation in cooperatives?
2. How do the roles of social capital (trust, networks, and shared norms) affect in cooperatives success?

## **1.5 Objectives of the Study**

The general objective of the study is to examine the role of social capital in the success of cooperatives in Nepal.

Specific Objectives:

- i. To analyze the structure of member participation in successful Cooperatives.
- ii. To identify the role of social capital (trust, networks, reciprocity, shared norms, and collective identity) in cooperative success.

## **1.6 Significance of the Study**

Theoretically, this study contributes to the literature on social capital and cooperative sustainability and provides insights into how collective action theories apply in developing economies like Nepal. However, practically, this study helps cooperative leaders and policymakers to design interventions to strengthen trust and member engagement and offers guidelines for improving governance and reducing political interference in cooperatives, and also supports development agencies in promoting sustainable cooperative models. In the policy level, this study recommends legal and regulatory reforms to enhance cooperative autonomy and transparency and suggests training programs to build leadership and social capital among members. At the societal level, this study hopes in strengthening cooperatives can reduce poverty, create jobs, and promote inclusive economic growth and enhancing social cohesion by fostering trust and collaboration within communities.

## **CHAPTER TWO**

### **REVIEW OF LITERATURES**

#### **2.1 Meaning and Definition of Cooperatives**

The concept of cooperatives has been widely explored in academic literature, emphasizing their economic, social, and cultural significance. Birchall (2004) defines cooperatives as democratic enterprises where members actively participate in decision-making and share economic benefits equitably. ICA (2021) highlights the core principles of cooperatives, including voluntary membership, democratic control, economic participation, autonomy, education, and concern for community welfare. According to Fairbairn (2004), cooperatives serve as a counterbalance to capitalist enterprises by promoting equitable distribution of wealth and community-oriented economic models. Sociologists view cooperatives as institutions that foster collective agency, social trust, and reciprocity, contributing to the stability of communities (Putnam, 2000). In 1995, the ICA adopted the revised Statement on the Cooperative Identity which contains the definition of a cooperative, the values of cooperatives, and the seven cooperative principles. Cooperatives are based on the values of self-help, self responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

#### **Cooperative Principles**

Cooperative principles are guidelines for cooperatives to practice values. First, cooperatives are voluntary organizations. It is open to anyone who can use the Services and take over membership responsibilities without gender, social, racist, political or religious discrimination. Cooperatives are democratic organisations controlled by their members and are actively involved in political and decision-making. The men and women who are elected representatives will be responsible for membership. In primary cooperatives, members have the same voting rights (one member, one vote), and other levels of cooperatives are also democratically organized. At least part of this capital is usually a common property of cooperatives. As a general rule, members receive limited compensation for the capital they

subscribe to as members. Members indicate surplus for all or all subsequent purposes. Possibly by setting aside reserves when a cooperative grows, some would not prosper alone. Members benefit from cooperatives in connection with transactions. Support for other activities approved by membership. Furthermore, cooperatives are autonomous self-supporting organizations controlled by their members. Once agreed with other organizations, including the government, if conclusions or capital are concluded from external sources, we do so on the terms of ensuring democratic control by our members and maintaining cooperative autonomy. Additionally, the cooperative provides training and training to its members, elected representatives, managers and employees, ensuring that it can effectively contribute to the development of the cooperative. In their informing the public, particularly young and opinion leaders, they tell them about the types and benefits of cooperation. The cooperative is operating through local, national, regional, and international structures in building cooperation among and enable stronger cooperatives. Finally, cooperatives work with policies approved by their membership to ensure sustainable development in their communities.

Cooperatives are socio-economic organizations owned and operated by their members, who pool resources and share risks to achieve common goals, such as economic empowerment, social inclusion, and community development. They are based on the principles of voluntary membership, democratic domination, and fair distribution of benefits, leading to the values of self-therapy, self-responsibility, democracy, equality, justice and solidarity (International Cooperatives, 2020). The International Cooperative Alliance (ICA) defines cooperatives as "people whose members are led to recognize their common economic, social and cultural needs and efforts."

This definition underscores the fundamental principle of cooperatives being driven by the collective interests and objectives of their members, rather than profit maximization. Defining cooperatives involves capturing their essence as member-owned and democratically controlled enterprises that prioritize the collective well-being of their members. Morris Altman, in his article "History and Theory of Cooperatives," characterizes cooperatives as "a voluntary network of individuals who own or control a business that distributes benefits on the basis of use or ownership

where ownership is largely weighted equally across individual members" (Altman, 2003). In this definition, benefits encompass various aspects such as a share of surplus or profits, improved working conditions, lower prices, higher product quality, and better access to credit, all of which serve the interests of the members. Altman emphasizes the democratic governance structure of cooperatives, where "members control the cooperative on the basis of one member, one vote, with a guaranteed platform to exercise voice" (Altman, 2003).

Thakuri defines cooperatives as entities where "co" signifies togetherness and "operative" denotes working, encapsulating the essence of cooperation as "working together" (Thakuri, 2018). He elaborates further, stating that cooperatives represent the practice of living, thinking, and working collectively for the mutual benefit of their members, emphasizing the cooperative ethos of collaboration and shared prosperity.

### **Brief History of Cooperatives**

If we move through the history of cooperatives in the world, it started as a grassroots organizations in Western Europe and, North America and Japan in the middle of the nineteenth century. Rochdale Pioneers is regarded as the prototype as the modern cooperative society and the founder of the cooperative movement. In 1844 AD, he started modern cooperative in Lancashire, England. Since then, the Cooperative Movement has expanded worldwide and includes all sectors. The cooperative movement began in some African countries during the Imperial, pre-colonial period, and in the colonial period. During the Ethiopian Empire, there were traditional cooperatives that began informally in 1932-1974 when the Tanzanian cooperative system began gathering cooperatives in 1925 by farmers. It was during 1932, the cooperatives legislative law was enacted and government started promoting cooperatives for the development of its economy. During pre-colonial period, Kenya had organizations based on the principles of self-help and cooperation and during colonial period government promoted cooperatives to increase productivity. Nigeria's agricultural cooperatives were more under the control of government to enhance the production and distribute commodities and services. Various policies have been changed that led to weakening of cooperatives in Nigeria. It was observed that the cooperatives worked under tightened regulations and therefore the member's

participation was weak. If we see the emergence of agricultural cooperatives in South American countries like Brazil, Argentina, Chile, Bolivia and Guyana their emergence was much earlier to the Asian countries and African countries. These countries emerged between 1889 and 1958 (Sultana, 2022).

The cooperatives had been initiated at the time of British rule in countries like India, Sri Lanka and Malaysia. whereas Philippines cooperatives were initiated at some point of American regime, Vietnam had more carrier cooperatives of their first segment and China had their cooperatives beneath authorities manipulate (Bijman, 2007; Ahmed, 2006; Sananayake, 2013; Aurallo, 2006; Axel, 2008 and document of excessive powered committee on cooperatives, 2009). If we see the experience of Nepal, Theco-operative idea has been used as unique form because very starting in Nepalese societies. Institutionally and officially government hooked up the branch of cooperative below the ministry of planning, improvement and Agriculture in 1953 ad. First modern cooperative movement started from Chitwan district as a part of flood relief and resettlement program. The development of cooperatives is closely incorporated with development plans in Nepal. In the first five year plan (1956-1961) government had approved the Agricultural Multipurpose Cooperatives (ICA report, 2019). In 1969, the government of Nepal released a massive-scale corporation application which persisted till the cease of the fourth five year plan (1970- 1980). the program focused on strengthening the commercial enterprise efficiency of cooperatives. The government started the movement of cooperatives gradually on the pace of small farmer's benefits. The strategy for inclusive development has been the evolution of three pillar economic system comprising of the state, cooperatives and private sector (Khatiwoda, 2014).

Since 2000, the cooperatives moved as a multi-dimensional way such as efficient role in service delivery, market promotion and infrastructure development in Nepal. They have been actively promoted by the government of NCFN (ICA report, 2019).

There are more than 30,000 cooperatives are in operation. A total number of 91,301 direct employment has been generated in cooperative sector. A total of 8,765 cooperative organization have been connected into cooperative and poverty related

management information system (CoPOMIS), an online technology developed for making cooperative activities reliable and transparent as well as for integrated statistics. It has added the positive value in cooperative sector as stated in Economic Survey (2022/2023).

### **Cooperatives in Nepal**

Cooperatives have played a vital role in Nepal's socio-economic landscape, particularly in rural development and financial inclusion. The history of cooperatives in Nepal dates back to 1953 with the establishment of the first credit cooperative in Chitwan. The Cooperative Act of 1992 provided the legal foundation for cooperative expansion, leading to a rapid increase in cooperative institutions (National Cooperative Federation of Nepal [NCF], 2023). As of 2023, there are over 34,000 registered cooperatives in Nepal, operating in various sectors such as savings and credit, agriculture, dairy, consumer services, and production (Department of Cooperatives, 2023).

Savings and credit cooperatives represent the largest segment, accounting for approximately 60% of total cooperatives in Nepal (NCF, 2023). These institutions have contributed significantly to financial accessibility for marginalized communities by providing microfinance services, reducing dependency on informal moneylenders. Research by Sharma and Thapa (2020) suggests that cooperatives in Nepal have strengthened social capital by fostering community trust and financial literacy. However, challenges such as mismanagement, political interference, and lack of regulatory oversight have hindered the full potential of cooperatives (Bastola, 2019). Despite these challenges, cooperatives remain a key pillar of Nepal's economy. According to the Central Bureau of Statistics (2022), cooperatives contribute approximately 4% to Nepal's GDP, primarily through agricultural and financial services. Their role in employment generation, women's empowerment, and poverty alleviation underscores their importance in achieving sustainable development goals (UNDP, 2021). Recent studies indicate that cooperatives have played a crucial role in post-pandemic economic recovery by supporting small businesses and local entrepreneurs (World Bank, 2023). The effectiveness of cooperatives in Nepal is closely tied to their ability to maintain strong social capital. Well-managed cooperatives that prioritize transparency, member participation, and financial

discipline have demonstrated resilience in times of economic downturn (Koirala, 2021). This literature review highlights the need for further research on the role of social capital in enhancing cooperative sustainability and addressing challenges in the cooperative sector in Nepal.

### **Overview of Cooperative Movements and Initiatives in Nepal**

The history of cooperative movements in Nepal dates back to the early 20th century, marked by grassroots efforts to address socio-economic disparities and foster community resilience (Acharya, 2018). The establishment of the first cooperatives in Nepal was driven by a spirit of self-reliance and mutual cooperation, with a focus on agricultural cooperatives and savings groups (Adhikari & Timsina, 2016). Through the years, the cooperative region in Nepal has advanced and varied, encompassing diverse sectors, which includes agriculture, finance, housing, and small-scale industries (Shrestha & Khanal, 2017). Cooperatives in Nepal operate under the Cooperative Act, which provides a legal framework for their establishment, governance, and operation (Government of Nepal, 2019). The cooperative movement in Nepal has a decentralized structure, with primary cooperatives serving as the building blocks of the sector, supported by district-level and national-level cooperative federations (Adhikari & Timsina, 2016).

Cooperative initiatives have long been recognized as instrumental drivers of socio-economic development and poverty alleviation in Nepal, especially considering the country's diverse and challenging terrain. Embedded within Nepalese society, cooperative movements have historically served as beacons of community solidarity and collective action, offering a pathway towards inclusive growth and empowerment. This introduction provides an overview of cooperative movements in Nepal and emphasizes the pivotal role of cooperatives in poverty alleviation efforts. Cooperative initiatives in Nepal are powerful tools for reducing poverty, promoting economic empowerment, fostering social inclusion, and driving sustainable development in both rural and urban areas. Nepal's cooperative sector encompasses a diverse range of agricultural cooperatives, microfinance cooperatives, consumer cooperatives, and other forms, all of which play a crucial role in tackling the complex challenges of poverty. At the heart of these cooperative initiatives is the principle of collective action and shared ownership, where individuals come together to address common

needs and aspirations. Built on the values of solidarity, mutual aid, and democratic governance, these initiatives create an environment where members collaborate to overcome socio-economic barriers and improve their livelihoods. In rural areas, agricultural cooperatives form the foundation of the local economy, providing smallholder farmers with vital resources such as credit, inputs, technical knowledge, and market connections (Dhakal & Joshi, 2019). By pooling their resources and leveraging their collective strength, these cooperatives enable farmers to increase productivity, boost incomes, and reduce vulnerability to external shocks. Furthermore, microfinance cooperatives play a critical role in promoting financial inclusion and empowering marginalized communities, particularly women and disadvantaged groups, by granting them access to credit, savings, and insurance services (Shrestha et al., 2018). These initiatives not only enhance individuals' economic resilience but also contribute to social empowerment and gender equality. Additionally, consumer cooperatives ensure that essential goods and services remain affordable, thereby mitigating the impact of rising prices and income disparities on vulnerable populations (Shrestha & Rajbhandari, 2020). By operating on principles of equitable distribution and fair pricing, these cooperatives enhance members' purchasing power and improve their quality of life. In conclusion, cooperative initiatives in Nepal serve as catalysts for poverty reduction, fostering inclusive growth, community resilience, and sustainable development. Through their collaborative and participatory approach, cooperatives empower individuals and communities to create a brighter future, where poverty is not only alleviated but also prevented through collective action and shared prosperity.

### **Importance of Cooperatives in General and in Nepal**

Cooperatives have historically played a crucial role in fostering collective economic development and social solidarity. Rooted in the principles of mutual aid and self-help, cooperatives have been essential in promoting financial inclusion, reducing poverty, and strengthening local economies. Sociologically, cooperatives embody the spirit of social integration and community resilience by bringing together individuals with common economic and social interests (Durkheim, 1893). They function as mediators between the formal and informal economies, ensuring that marginalized groups, including women, small farmers, and low-income workers, gain access to economic resources.

Inside the context of Nepal, cooperatives had been identified as one of the 3 pillars of the economic system, along the public and private sectors. The Nepalese cooperative movement gained momentum after the enactment of the Cooperative Act of 1992, which provided a legal framework for cooperative development. Since then, cooperatives have contributed significantly to financial access, employment generation, and agricultural development. According to the National Cooperative Federation of Nepal (NCF, 2023), cooperatives have enabled rural populations to engage in economic activities that would otherwise be inaccessible through formal financial institutions. Additionally, they promote social cohesion by fostering trust, reciprocity, and collective participation in economic activities.

## **2.2 Defining Social Capital**

The term "social capital" has been conceptualized differently across disciplines, but most definitions converge on its fundamental components: social networks, trust, and shared norms that enable collective action. Bourdieu (1986) was among the first to theorize social capital as an actual or potential resource linked to institutionalized relationships, emphasizing its convertibility into economic capital. Coleman (1988) expanded this view by framing social capital as a productive resource embedded in social structures that facilitates individual or collective action. His work highlighted how closed networks with dense ties create enforceable trust among members.

Putnam's (2000) conceptualization has been particularly influential in cooperative studies. He defined social capital as "features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit." Putnam distinguished between bonding social capital (exclusive ties within homogeneous groups) and bridging social capital (inclusive ties across diverse groups). This distinction proves particularly relevant for saving and credit cooperative, where bonding capital strengthens member cohesion while bridging capital connects cooperatives to external resources. The concept of social capital has emerged as a critical factor in understanding the success and failure of cooperative organizations worldwide. This literature evaluation systematically examines the connection among social capital and the performance of financial savings and credit cooperatives (Saving and credit cooperative), with unique attention to the context of

Chandragiri Municipality in Kathmandu, Nepal. The review is organized into three main thematic areas: conceptual literature that defines and operationalizes social capital; theoretical literature that establishes frameworks for understanding how social capital functions in cooperative settings; and empirical literature that provides evidence from global and local studies. The importance of this review lies in its potential to bridge existing gaps in the literature. While numerous studies have explored cooperatives in rural agrarian contexts, urban-based saving and credit cooperative in Nepal remain understudied. Furthermore, the pervasive influence of political actors in Nepalese cooperatives presents a unique challenge that warrants closer examination. By synthesizing conceptual, theoretical, and empirical works, this review not only establishes a foundation for the current study but also highlights the urgent need for research that addresses the intersection of social capital, cooperative governance, and political economy in Nepal's urban cooperative sector.

### **2.3 Components of Social Capital**

Social capital manifests through three interrelated components that collectively influence cooperative performance. Structural social capital refers to the observable networks and institutional arrangements that facilitate interaction. In saving and credit cooperative, this includes formal structures like member assemblies and credit committees, as well as informal networks of interpersonal relationships. Cognitive social capital comprises the shared understandings, values, and norms that predispose members toward cooperation. This includes the unwritten rules of reciprocity that govern lending behavior and the mutual trust that reduces the need for formal collateral Ostrom (1990). The relational dimension, particularly the bonding/bridging distinction, has significant implications for SCC operations. Bonding capital, characterized by strong ties among similar individuals, fosters solidarity and enforces group norms through peer monitoring - a feature crucial for maintaining high repayment rates. Bridging capital, consisting of weaker ties across different social groups, provides access to new information and resources, such as linkages with commercial banks or government agencies. The optimal mix of these forms varies by context; successful Saving and credit cooperative typically maintain strong bonding capital while strategically cultivating bridging connections.

## **2.4 Social Capital in Cooperative Contexts**

In cooperative settings, social capital operates through several mechanisms that enhance organizational viability. Member trust reduces transaction costs by minimizing the need for formal contracts and intensive monitoring. This is particularly valuable in credit cooperatives where asymmetric information problems typically require costly screening mechanisms. Shared identity and norms create what Ostrom (1990) termed "rules-in-use" - informal governance systems that complement formal bylaws. These norms often prove more effective than formal sanctions in regulating member behavior. Social capital also facilitates conflict resolution within cooperatives. Dense networks and multiplex relationships (where members interact across multiple social spheres) create incentives for amicable dispute settlement, as conflicts in one arena threaten relationships in others. Furthermore, the reputation effects enabled by close-knit communities serve as powerful enforcement mechanisms, as members value their standing within the network. These dynamics help explain why cooperatives with strong social capital often outperform formal financial institutions in member retention and loan recovery, despite offering similar financial products.

## **2.5 The Role of Social Capital in Cooperatives: Theoretical Lens**

Ostrom's (1990) collective action theory provides a robust framework for understanding how social capital enables cooperative success. Her analysis of common-pool resource management identified eight design principles applicable to cooperatives, including clearly defined membership boundaries, congruence between rules and local conditions, and collective-choice arrangements. These principles highlight how social capital substitutes for formal governance structures in resource-constrained environments.

Ostrom's work demonstrates that when members share strong social ties, they develop sophisticated, self-enforcing governance systems that prevent free-riding without excessive monitoring costs. The graduated sanctions observed in successful cooperatives emerge from existing social norms rather than imposed rules. This explains why cooperatives with organic membership bases (e.g., occupational or

community-based) typically outperform those with arbitrary membership criteria. The theory also predicts the vulnerability of cooperatives when external forces (like political interference) disrupt these endogenous governance mechanisms. The New Institutional Economics (NIE) framework, particularly Douglass North's (1991) work on institutions and transaction costs, elucidates how social capital functions as an informal institution that complements weak formal structures. In contexts where legal enforcement is unreliable, social capital reduces uncertainty by creating predictable behavioral patterns. For saving and credit cooperative, this means lower costs for screening borrowers, monitoring loans, and enforcing contracts.

NIE helps explain the paradox of Nepalese saving and credit cooperative: despite operating in an environment with weak legal safeguards for creditors, many maintain impressive repayment rates. The answer lies in the substitution of formal institutions with social mechanisms. reputation charges within tight-knit groups, the threat of social ostracism, and the promise of future get right of entry to to credit create effective incentives for compliance. However, this substitution becomes problematic when cooperatives scale beyond the reach of these informal controls or when membership becomes too heterogeneous to sustain shared norms. Social Exchange Theory (Blau, 1964) provides micro-level insights into member motivations within Saving and credit cooperative. The concept posits that social behavior consequences from an exchange technique in which individuals weigh capacity blessings and prices. In cooperatives, members contribute time, capital, and compliance expecting reciprocal benefits - not just financial returns but also social standing, mutual aid, and security.

This theoretical lens reveals why purely financial appeals often fail to sustain member engagement. Successful Saving and credit cooperative cultivate what anthropologists call "generalized reciprocity" - a long-term exchange relationship where accounts are never fully balanced but all parties expect fair treatment over time. The theory also explains member exit patterns: when perceived inequities in exchange relationships accumulate (e.g., biased loan access, elite capture), social capital deteriorates rapidly. This dynamic is particularly relevant in Nepal's saving and credit cooperative, where accusations of preferential treatment frequently trigger member disengagement. Granovetter's (1973) strength of weak ties thesis and subsequent network theories

offer critical insights into cooperative development. His work demonstrates that while strong ties (bonding capital) provide emotional support and enforce norms, weak ties (bridging capital) serve as crucial channels for new information and opportunities. Applied to Saving and credit cooperative, this explains why insular cooperatives often stagnate despite high internal cohesion. Successful cases typically feature strategic network positioning - maintaining strong internal ties while cultivating select external connections to financial institutions, markets, and knowledge sources. However, network theory also warns of "over-embeddedness," where excessive reliance on social ties stifles innovation and professionalization. This tension is evident in Nepal, where some Saving and credit cooperative resist modern financial practices due to traditionalist member networks, while others lose member trust by adopting overly commercial approaches.

## **2.6 Global and Nepalese Evidence**

The empirical literature presents compelling evidence of social capital's impact on cooperative performance across diverse contexts. In Africa, Wanyama et al.'s (2009) study of Kenyan Saving and credit cooperative found that groups with strong pre-existing social ties achieved 25-30% higher savings mobilization and 15% lower default rates compared to newly formed groups. The research attributed this to established trust networks that reduced monitoring costs and enhanced peer pressure. Latin American cases reveal the vulnerabilities of social capital when co-opted by external actors. Birchall and Ketilson's (2009) comparative study showed how state-controlled cooperatives in Venezuela failed despite initial strong member participation, as political interference eroded trust and autonomy. Conversely, Chile's member-driven cooperatives thrived by maintaining organic leadership structures. These cases underscore the delicate balance between external support and member ownership that characterizes successful cooperatives. Asian examples offer insights into cultural adaptations of the cooperative model. Japan's agricultural cooperatives (JA Group), with deep roots in traditional mutual aid systems, leveraged existing village networks to become economic powerhouses (IDACA, 2018). Similarly, Bangladesh's Grameen Bank demonstrated how carefully structured peer groups could substitute for physical collateral (Yunus, 2007). These cases highlight social capital's role in adapting cooperative principles to local cultural contexts.

Nepalese studies present a mixed picture of social capital's role in saving and credit cooperative. Pokharel's (2019) analysis of Kathmandu Valley cooperatives found that those organized around occupational or ethnic affinities maintained stronger repayment rates (92%) compared to open-membership cooperatives (78%). The research identified dense communication networks and shared professional norms as key factors in member compliance. However, Pandey's (2020) survey of 50 Saving and credit cooperative revealed alarming governance gaps. Only 35% held regular general meetings, and 60% provided incomplete financial disclosures to members. These deficits correlated with declining trust, as measured by member exit rates. The study also documented cases where political appointments to cooperative boards disrupted established governance norms, leading to financial mismanagement. The regulatory environment further complicates this picture. Regmi et al.'s (2021) policy analysis noted that Nepal's Cooperative Act (2017) fails to adequately address political interference or enforce transparency standards. This legal ambiguity allows the proliferation of "pseudo-cooperatives" that exploit the brand while operating as personal fiefdoms. Such cases demonstrate how institutional voids can pervert social capital's positive potential.

## **2.7 Theoretical Foundations: Bourdieu's Social Capital and Granovetter's Network Theory**

Pierre Bourdieu's conceptualization of social capital provides a critical lens for examining power dynamics within Nepalese Savings and Credit Cooperatives (Saving and credit cooperative). Bourdieu (1986; p. 248) defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition." This perspective emphasizes how social networks operate as convertible assets that reinforce existing hierarchies (Bourdieu & Wacquant, 1992). Bourdieu's (1986) conceptualization frames social capital as "the aggregate of actual or potential resources linked to possession of a durable network of institutionalized relationships of mutual acquaintance and recognition." Unlike Putnam's community-level approach, Bourdieu emphasizes how social capital operates as an individual asset convertible into economic or cultural capital. Key aspects include:

- **Class Reproduction:** Social capital reinforces hierarchies, as elite networks monopolize access to opportunities.
- **Institutionalization:** Relationships must be formalized (e.g., through cooperatives) to yield durable benefits.
- **Convertibility:** Social ties can be leveraged for loans, jobs, or political influence.

In Chandragiri's Saving and credit cooperative, this manifests when cooperative leaders leverage caste-based networks or political connections to secure leadership positions and preferential loan access, creating what Portes (1998, p. 7) describes as "the capacity of individuals to command scarce resources by virtue of their membership in networks." Granovetter's (1973, p. 1361) network theory complements this through his seminal concept of "the strength of weak ties," which argues that "individuals with few weak ties will be deprived of information from distant parts of the social system." Mark Granovetter's (1973) argues that weak ties (acquaintances, distant contacts) are more valuable than strong ties (close friends/family) for accessing new information and opportunities. Key propositions:

**Bridging Function:** Weak ties connect disparate groups, enabling innovation and resource flow.

**Over-Embeddedness Risk:** Dense, insular networks (common in Saving and credit cooperative) may stifle growth.

**Network Structure:** Decentralized networks enhance resilience.

This framework helps explain why Saving and credit cooperative with diversified external connections (e.g., bank linkages, market actors) demonstrate greater resilience than insular cooperatives (Woolcock, 2001). Putnam (2000) further distinguishes between bonding social capital (exclusive ties within groups) and bridging social capital (inclusive ties across groups), a dichotomy particularly relevant for analyzing Nepal's cooperative sector where caste-based bonding capital often conflicts with market-oriented bridging needs.

The integration of these theories reveals three key insights for Chandragiri's Saving and credit cooperative. First, Bourdieu's (1986) concept of capital conversion explains how political actors transform social connections into cooperative control, as documented in Pandey's (2020) study of Kathmandu Saving and credit cooperative. Second, Granovetter's (1983) work on embeddedness highlights how over-reliance on traditional networks (e.g., kinship ties) can limit access to modern financial systems, creating what Uzzi (1997) terms the "paradox of embeddedness." Third, the tension between these perspectives mirrors Nepal's broader development challenges, where traditional social structures both enable collective action (Ostrom, 1990) and reinforce exclusionary practices (World Bank, 2013). Empirical evidence from Nepal demonstrates these theoretical tensions. Pokharel's (2019) research found Saving and credit cooperative with homogeneous membership maintained 92% repayment rates through bonding capital, while Regmi et al. (2021) documented how politicization erodes these social foundations. This aligns with Bourdieu's (1986) warning about social capital's exclusionary potential and Granovetter's (1973) caution about network insularity. The Department of Cooperatives (2019) reports that 38% of Kathmandu Saving and credit cooperative exhibit symptoms of "network closure," where dense internal ties prevent necessary external adaptations. Methodologically, this theoretical integration requires examining both network structures (quantitative tie analysis) and power dynamics (qualitative elite interviews). Borgatti et al. (2018) social network analysis methods can map SCC relationships, while Bourdieu's (1999) participant objectivation framework helps decode power hierarchies. This approach addresses Lin's (2001; 29) call for "linking micro individual actions with macro social structures" in social capital research.

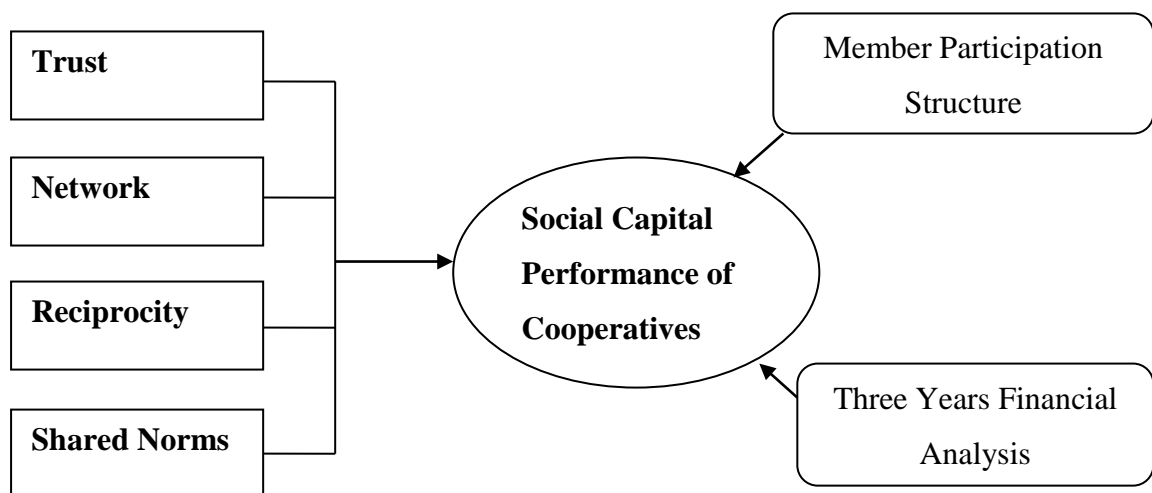
The study's theoretical framework yields four testable propositions about Chandragiri's Saving and credit cooperative: (1) Leadership positions will correlate strongly with pre-existing social capital (Bourdieu, 1986); (2) Saving and credit cooperative with diverse weak ties will show better financial performance (Granovetter, 1973); (3) Political affiliations will operate as both social capital and conflict sources (Putnam, 2000); and (4) Traditional bonding capital will increasingly conflict with urban economic demands (Woolcock & Narayan, 2000). These propositions will be tested through mixed methods, combining social network analysis with ethnographic case studies.

## 2.8 Gaps in Literature and Research Justification

While existing studies emphasize social capital's role in cooperative performance, critical gaps persist in three areas. First, the gender paradox—where women's high membership contrasts with low leadership representation remains undertheorized, with limited application of feminist institutionalism (Agarwal, 2015) to explain how cooperatives replicate patriarchal norms despite democratic designs. Second, most frameworks analyze bonding/bridging capital separately (e.g., Coleman, 1988; Granovetter, 1985), neglecting their hybridization potential in contexts like Nepal, where localized trust and external networks coexist uneasily. Third, the measurement gap endures: social capital's financial impact is often qualitative (Woolcock, 2001), lacking tools to quantify how trust reduces default rates or reciprocity boosts savings. Most Nepalese cooperative research focuses on agricultural or rural settings, neglecting the unique dynamics of urban saving and credit cooperative. Chandragiri Municipality's rapid urbanization, mixed economy, and diverse migration patterns create distinct social capital formations that differ markedly from traditional village-based models. The density and anonymity of urban life may weaken bonding capital while offering new opportunities for bridging connections - a tension requiring empirical investigation. While political interference in Nepalese cooperatives is widely acknowledged, few studies systematically analyze its impact on social capital. The mechanisms by which party affiliations reshape member relationships, trust dynamics, and governance norms remain poorly understood. This study will document how politicization alters the social calculus of cooperation, potentially crowding out organic solidarity with instrumental loyalties. Existing Nepalese studies predominantly employ either macroeconomic analyses or single-case ethnographies. This research addresses the need for meso-level analysis combining comparative case studies with member surveys. By triangulating qualitative insights with quantitative indicators of social capital (network density, trust levels, participation rates), the study aims to provide more robust evidence on the social foundations of cooperative success.

## 2.9 Conceptual Framework

The conceptual framework of this study provides clear picture of the whole study. The study revolves around the social capital and its role in the performance of cooperatives. This study's framework links social capital theory with cooperative performance through four core components: (1) trust (built via transparent governance and member accountability), (2) networks (bonding capital for local cohesion and bridging capital for external ties), (3) reciprocity (save-to-borrow systems and shared risks), and (4) shared norms (democratic participation and conflict resolution). These elements collectively influence cooperative outcomes—financial sustainability (e.g., capital growth, loan recovery) and social equity (e.g., gender-inclusive governance)—while contextual factors like Nepal's regulatory environment and spatial membership patterns moderate these relationships. Grounded in Bourdieu's symbolic power and Ostrom's institutional design principles, the framework highlights how cooperatives convert relational assets into systemic resilience, yet reveals gaps when social capital components are unevenly institutionalized (e.g., female membership majority vs. leadership exclusion). The dynamic interplay between these factors explains why some cooperatives achieve scale and stability while others stagnate, offering a diagnostic tool for reform. This diagram provides clear picture of how this study was undertaken.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter outlines the comprehensive methodological framework employed to investigate the role of social capital in successful Savings and Credit Cooperatives (Saving and credit cooperative) in Chandragiri Municipality, Kathmandu. The study adopted a mixed-methods approach, primarily qualitative with supplementary quantitative analysis, to provide a holistic understanding of the research problem. The methodology was carefully designed to address the study's objectives while accounting for the unique contextual factors of Nepal's cooperative sector. As noted by Yin (2018), case study methodology is particularly appropriate when investigating contemporary phenomena within their real-life contexts, especially when the boundaries between phenomenon and context are not clearly evident. This approach allowed for an in-depth examination of the complex social dynamics within selected Saving and credit cooperative while maintaining methodological rigor through systematic data collection and analysis procedures. The research design incorporated multiple data sources and collection techniques to ensure comprehensive coverage of the research questions while enhancing the validity and reliability of findings through triangulation (Denzin, 1978). Ethical considerations were carefully integrated throughout the research process to protect participants and maintain academic integrity.

#### **3.1 Rationale of the Study Area**

Chandragiri Municipality was selected as the study site due to its distinctive characteristics as a rapidly urbanizing area with a thriving cooperative sector. Located in the southwestern part of Kathmandu Valley, this municipality represents a unique blend of traditional community structures and emerging urban financial practices. According to the Chandragiri Municipal Office (2022), the area has experienced significant population growth in recent years, with increasing economic activities and financial service needs. The selection of this semi-urban context was deliberate, as it provided an opportunity to examine how social capital operates in Saving and credit cooperative that are transitioning from traditional community-based models to more formalized financial institutions. Pokharel (2019) has noted that such transitional environments often present both challenges and opportunities for cooperative

development. The municipality's geographical proximity to Kathmandu's urban core while retaining rural characteristics made it an ideal location to study the interplay between social capital and cooperative success in Nepal's evolving financial landscape. Furthermore, preliminary surveys indicated that Chandragiri hosts numerous saving and credit cooperative with varying degrees of success, providing a suitable sample for comparative analysis.

### **3.2 Research Design**

There are two different research questions of this study. The first question tries to explore the key structure of cooperatives, particularly about membership, leadership. However, the second question focused on exploring the role of social capital in the performance of cooperatives in Kathmandu. Therefore, there are two research design used in this research.

#### **Descriptive Research Design**

Descriptive research focuses on systematically documenting the characteristics of a phenomenon without altering variables (Creswell, 2014). In cooperatives, member participation is structured through formal and informal mechanisms that ensure democratic governance and operational efficiency. The General Assembly (GA) serves as the highest decision-making body, where members vote on key policies, elect leaders, and approve financial reports (ICA, 2020). This structure ensures democratic control and transparency. The Board of Directors (BoD) consists of elected representatives responsible for strategic oversight, financial accountability, and managerial supervision (Birchall & Ketilson, 2009). Their role is crucial in aligning cooperative operations with member interests. Various committees (e.g., audit, credit, education) facilitate specialized functions, enhancing participation and efficiency (Novkovic & Holm, 2012). These committees decentralize responsibilities and encourage active member involvement. Regular member meetings and feedback mechanisms, such as surveys and consultations, ensure continuous engagement (Zamagni & Zamagni, 2010). These interactions help maintain trust and responsiveness within the cooperative. Finally, equity and profit-sharing systems incentivize participation by linking financial benefits to member involvement

(Chloupková et al., 2003). This structure reinforces collective ownership and long-term commitment. Descriptive research methods, such as surveys, case studies, and document analysis, are ideal for mapping these structures (Saunders et al., 2019).

### **Exploratory Research Design**

Exploratory research investigates complex, less-understood phenomena, often using qualitative methods to generate insights (Robson & McCartan, 2016). Social capital—comprising trust, networks, and shared norms—plays a pivotal but nuanced role in cooperative success.

Trust is foundational for cooperation. Interpersonal trust reduces conflicts and transaction costs (Putnam, 1993), while institutional trust in leadership strengthens member commitment (Woolcock & Narayan, 2000). Without trust, collective decision-making becomes difficult. Networks enhance resource-sharing and problem-solving. Formal networks, such as cooperative federations, improve market access and bargaining power (Porter & Kramer, 2011). Informal networks, like community ties, facilitate knowledge exchange and conflict resolution (Uphoff, 1999). Strong networks increase resilience and adaptability. Shared norms create a cohesive cooperative culture. Principles like reciprocity and collective identity align member behavior with organizational goals (Ostrom, 1990). Effective conflict resolution mechanisms sustain collaboration by addressing disputes constructively (Pretty & Ward, 2001). Exploratory research methods, such as interviews, focus groups, and ethnographic studies, help uncover these intangible dynamics (Yin, 2018).

### **3.3 Population and Sample**

The target population for this study comprised all operational Savings and Credit Cooperatives within Chandragiri Municipality. However, as noted in the Department of Cooperatives' (2021) report, there exists no comprehensive registry of saving and credit cooperative at the municipal level, presenting a significant challenge for sampling. To address this limitation, the study employed purposive sampling techniques to identify information-rich cases that could provide meaningful insights into the research problem (Patton, 2002). Four high-performing saving and credit

cooperative were selected based on predetermined criteria including financial stability (demonstrated through consistent dividend payouts and low default rates), active member participation (evidenced through meeting attendance records), and operational longevity (minimum 10 years of continuous service). These criteria were established through consultation with cooperative experts and review of relevant literature (Birchall, 2013). The participant sample included thirty two altogether individuals carefully selected to represent various stakeholder groups: four management heads (elected leadership), four operational managers, and eight regular members representing diverse demographic characteristics. For the focus group discussion four different groups consisting community leader, cooperative leaders, and local residents were selected. This sampling strategy ensured representation across different levels of cooperative involvement while maintaining focus on participants who could provide substantive insights into the research questions (Guest et al., 2006). The respondents were selected purposively and conveniently by contacting through cooperatives leaders. I received verbal consent with cooperatives under study and conducted interview and group discussion with respondents for the study.

### **3.4 Sampling Strategy**

The study employed a multi-stage purposive sampling strategy to ensure the selection of appropriate cases and participants. In the first stage, key informants including local cooperative officers and community leaders were consulted to identify potentially successful saving and credit cooperative meeting the study criteria. This approach aligns with Teddlie and Yu's (2007) recommendations for purposive sampling in qualitative research. The second stage involved verification of potential cases through document analysis of available financial reports and governance records. Finally, within each selected SCC, participants were chosen using maximum variation sampling to capture diverse perspectives (Patton, 2002). Management heads were selected based on their tenure and involvement in decision-making processes, while member participants were chosen to represent varying lengths of membership, loan history, and demographic backgrounds. This convenience and purposive approach to

participant selection helped ensure that the data collected would reflect the complex social dynamics within the cooperatives while maintaining focus on the research objectives. The sampling strategy was intentionally flexible to accommodate emerging findings during the research process, following the principle of theoretical sampling in qualitative research (Corbin & Strauss, 2008).

### **3.5 Sources and Nature of Data**

The study utilized multiple data sources to ensure comprehensive coverage of the research problem and enhance findings through triangulation. Primary data sources included in-depth interviews with cooperative stakeholders, field observations, and informal conversations with members. These qualitative data were particularly valuable for understanding the nuanced aspects of social capital and interpersonal dynamics within the saving and credit cooperative. Secondary data sources comprised organizational documents including annual reports (2018-2022), financial statements, audit reports, meeting minutes, and policy manuals. These documents provided crucial contextual information and helped verify claims made during interviews. As Yin (2018) emphasizes, the use of multiple data sources in case study research enhances construct validity by allowing for cross-verification of evidence. The financial data extracted from reports provided quantitative indicators of cooperative performance that could be correlated with qualitative findings about social capital. Additionally, relevant policy documents including Nepal's Cooperative Act (2017) and regulations from the Department of Cooperatives were analyzed to understand the institutional framework governing SCC operations. This multi-source approach aligned with Greene's (2007) mixed methods framework, where qualitative and quantitative data are integrated to provide a more complete understanding of the research problem.

### **3.6 Data Collection Methods**

Data collection was conducted over a six-month period using multiple complementary methods. This study used interviews, focus groups discussion, and field notes.

### **Semi Structured Interview**

Semi-structured interviews formed the core of primary data collection, with an interview guide developed based on the research objectives and preliminary literature review. Each interview lasted between 30-45 minutes and was conducted in Nepali to ensure comfort and clarity for participants. All interviews were audio-recorded with consent and later transcribed verbatim for analysis. Field observations during cooperative meetings and routine activities provided contextual understanding of group dynamics and operational processes. These observations were documented through detailed field notes. Document collection involved systematic gathering of available organizational records from each SCC, with particular attention to financial reports, membership records, and governance documents. The researcher maintained a reflexive journal throughout the data collection process to record methodological decisions, emerging insights, and personal reflections that could inform analysis (Finlay, 2002). This comprehensive approach to data collection ensured rich, multi-dimensional data while allowing for flexibility to explore unexpected but relevant themes as they emerged during fieldwork (Rubin & Rubin, 2011).

### **Focus Group Discussions**

The empirical component of this study employed focus group discussions (FGDs) with thirty two cooperative stakeholders to ground theoretical propositions in practitioner experience. As Krueger and Casey (2015) establish, FGD methodology proves particularly effective for exploring complex social phenomena through interactive group dynamics. The research design incorporated elements of grounded theory (Charmaz, 2006), allowing themes to emerge organically from participant narratives while maintaining theoretical sensitivity to established social capital constructs. Participant selection followed purposive and convenience sampling strategies (Patton, 2002) to ensure representation across cooperative roles (leaders, members, staff), genders, and tenure periods, capturing diverse perspectives on social capital dynamics. For the detailed and comprehensive study of each cooperative, four distinct groups (one group of each cooperative) consisting community leader, cooperative leader, and local members were formed and discussed concentrating with research objective. Information were noted and collected during discussion. The group for discussion was formed purposively.

### **3.7 Data Analysis Technique**

The collected data were analyzed using a systematic qualitative analysis process complemented by basic quantitative analysis of financial indicators. Interview transcripts and field notes were analyzed using thematic analysis as described by Braun and Clarke (2006), involving familiarization with data, generation of initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. Themes were used to assist with data organization and coding, though primary analysis was conducted manually to maintain close engagement with the data. Document analysis followed Bowen's (2009) framework, examining documents for both explicit content and contextual meaning. Quantitative financial data were analyzed using descriptive statistics to identify patterns in performance indicators across the case studies. The mixed methods analysis followed Flick's (2018) approach to qualitative research, where different data types were analyzed separately and then integrated during interpretation. Throughout the analysis process, attention was paid to both expected patterns (based on the theoretical framework) and emergent themes that challenged initial assumptions. Regular peer debriefing sessions with academic colleagues helped ensure analytical rigor and minimize researcher bias (Lincoln & Guba, 1985). The analysis sought to identify not only how social capital contributes to SCC success but also the contextual factors that moderate this relationship in Chandragiri's specific setting.

### **3.8 Study Area**

Chandragiri Municipality, located in the southwestern part of Kathmandu Valley, is a growing urban center with a mix of traditional and modern lifestyles. It is known for its cultural heritage, including historical temples and festivals, as well as its increasing urbanization and economic activities. The area has a diverse population, including long-time residents and newcomers, creating a dynamic social environment. Chandragiri is also home to many small businesses, farms, and cooperatives, making it an ideal place to study how community-based financial systems operate in a changing urban-rural setting.

The municipality's cooperative sector is active, with savings and credit groups playing a key role in local finance. Many residents rely on these cooperatives for

loans, savings, and community support, especially in areas where banks are less accessible. Chandragiri's mix of urban and rural characteristics—such as commercial growth alongside agriculture—provides a unique setting to examine how cooperatives adapt to different economic needs. Studying cooperatives here helps understand how social trust, member participation, and financial policies work in real-life situations, offering lessons for similar communities in Nepal and beyond.

### **3.8 Limitation of the Study**

- i. The study focuses only on savings and credit cooperatives (Saving and credit cooperative) in Chandragiri Municipality, Kathmandu, and findings may not apply to other regions or types of cooperatives.
- ii. The research uses a small, purposively selected sample of Saving and credit cooperative, which may not represent the broader cooperative sector in Nepal.
- iii. Due to the case study approach, results are context-specific and cannot be generalized to all cooperatives, even within Kathmandu.
- iv. Only well-functioning saving and credit cooperative were studied, excluding struggling or failed cooperatives, which could have provided contrasting insights.
- v. Data on social capital (trust, participation) depends on member and leader interviews, which may be subjective or biased.
- vi. Social capital is qualitative; the study may lack statistical validation of its influence on SCC performance.

### **3.9 Ethical Considerations**

The study adhered to strict ethical guidelines throughout the research process. Prior to data collection, ethical approval was obtained from the relevant institutional review board. Informed consent was secured from all participants using forms that clearly explained the study purpose, procedures, risks, benefits, and confidentiality protections in culturally appropriate language (BERA, 2018). Particular attention was paid to power dynamics in the researcher-participant relationship, especially when interviewing members who might feel subordinate to cooperative leadership. Confidentiality was protected through the use of pseudonyms for both individuals and organizations, and all identifying information was removed from transcripts and

reports. Data security measures included password protection for digital files and secure storage for physical documents in compliance with GDPR principles (ICO, 2018). The researcher remained alert to potential conflicts of interest, particularly given the political sensitivities surrounding some cooperatives in Nepal. Special consideration was given to the potential consequences of the research for participants, with a commitment to avoid causing harm to individuals or organizations through the publication of findings. These ethical precautions were particularly important given the financial nature of the research topic and the vulnerability of some cooperative members (Orb et al., 2001). The study also considered its broader ethical responsibility to produce findings that could genuinely contribute to cooperative development in Nepal.

### **3.10 Personal Reflection**

Having worked in Nepal's cooperative sector for over two decades, I have witnessed both its transformative potential and systemic challenges. The cooperative movement, rooted in values of self-help and democratic participation, has uplifted marginalized communities by providing financial access and fostering local entrepreneurship. Successful cooperatives—often those with strong member solidarity, transparent governance, and adherence to cooperative principles—have demonstrated remarkable resilience, creating jobs and reducing poverty. However, many others have strayed from their core mission, becoming tools for personal gain or political maneuvering rather than member-centric institutions. My fieldwork across districts revealed that the most sustainable cooperatives are those deeply embedded in their communities, prioritizing local needs over profit maximization.

Despite these successes, Nepal's cooperative sector faces deep structural flaws. A significant issue is the erosion of the "common bond" principle, where cooperatives are formed without shared member interests, leading to mismanagement and conflicts. Many operate as pseudo-banks, diverting member savings into risky ventures like real estate, while others serve as political platforms rather than economic collectives. The regulatory framework is weak, with the Department of Cooperatives lacking the capacity or will to enforce compliance. During my tenure, I observed how political appointees in apex bodies prioritize partisan agendas over member welfare,

undermining trust in the system. These deviations from cooperative values have fueled crises, with institutions like Oriental and Guna collapsing, wiping out members' lifelong savings.

The governance failures are equally glaring. Cooperative leadership often lacks accountability, with AGMs delayed, finances obscured, and the same individuals monopolizing power for decades. Family-controlled cooperatives and apex bodies engaging in direct business competition with their members betray the very essence of cooperation. My interactions with marginalized members—especially women and rural farmers—highlighted their disillusionment when cooperatives replicate the exclusionary practices of traditional banks. The sector's potential is further stymied by the absence of research and training institutions akin to India's VAMNICOM or Malaysia's MKM, leaving Nepal without localized knowledge to inform policy.

Yet, I remain cautiously optimistic. The solution lies in recentering cooperatives around their foundational principles: voluntary membership, democratic control, and economic participation. Strict enforcement of common bonds, depoliticization of governance, and member education can restore credibility. My experiences in high-performing cooperatives—such as those in Palpa and Chitwan—prove that when members actively shape policies and leaders prioritize transparency, cooperatives thrive. Vertical integration among primaries, districts, and federations could amplify their collective bargaining power, but only if apex bodies transition from competitors to facilitators.

This journey has reinforced my belief that cooperatives are not just financial entities but vehicles for social justice. Their decline reflects broader systemic rot, but their revival is possible through legal reforms, grassroots empowerment, and punitive action against exploitative actors. As I reflect on my two decades in this sector, I am reminded that cooperatives succeed when they honor their original mandate: to serve members, not masters. The path forward demands courage to confront vested interests and recommit to the ethos of cooperation—where collective well-being outweighs individual greed.

## CHAPTER FOUR

### MEMBER PARTICIPATION STRUCTURE IN COOPERATIVES OF CHANDRAGIRI

Membership in cooperatives is fundamentally based on voluntary and open participation, where individuals join to meet common economic, social, or cultural needs (ICA, 1995). Members contribute equitably to capital and exercise democratic control, typically following the principle of "one member, one vote," ensuring equal influence regardless of financial investment (Birchall, 2013). Active membership involves regular attendance in meetings, voting on key decisions, and engaging in committees, which strengthens collective ownership and accountability (Novkovic & Holm, 2012). Additionally, financial participation—through share purchases, savings, or profit-sharing—reinforces members' commitment to the cooperative's long-term success (Chloupková et al., 2003). Leadership participation in cooperatives is distinct from traditional corporate structures, as leaders (e.g., board members, managers) are typically elected from and by the membership (Cornforth, 2004). This ensures that leadership remains accountable to member interests rather than external shareholders. Effective cooperative leadership requires a balance between managerial expertise and participatory governance, fostering trust and transparency (Spear, 2004). Leaders must facilitate inclusive decision-making, mediate conflicts, and align strategic goals with member needs (Zeuli & Cropp, 2004). Challenges such as free-riding, lack of engagement, or power imbalances can undermine participation, necessitating strong institutional frameworks and continuous member education (Fulton & Hueth, 2009). Ultimately, successful cooperatives thrive when members and leaders collaborate closely, blending democratic principles with efficient management. The four different cases are presented below regarding membership structures.

#### **4.1 Case One: Thankot Mahila Jagaran Saving and Credit Cooperative**

This table below represents the membership structure of Thankot Mahila Jagaran Saving and credit cooperative. More specifically this table provides the frequencies of membership. This table describes governance and gender power dynamics, membership composition and spatial patterns, social capital formation and network analysis

**Table 1***Membership Structure*

	<b>Total</b>	<b>Female</b>
Management Committee	11	11
Total Membership	2638	2638
Local Membership	2638	2638

Source: Fieldwork, 2081

#### **4.1.1 Governance and Power Dynamics**

This table explains the overall membership structure of Thankot Mahila Jagaran SAVING AND CREDIT COOPERATIVE. Thankot Mahila Jagaran Saving and credit cooperative is a women-centric cooperative with a strong emphasis on female leadership and membership. The management committee consists entirely of women 11 members altogether reflecting a deliberate focus on women’s empowerment and decision-making autonomy. This structure suggests that the cooperative was established to address gender disparities in financial access and leadership, providing a platform where women can actively participate in economic governance.

#### **4.1.2 Membership Composition and Spatial Patterns**

The total membership of 2,638 is also exclusively female, reinforcing the cooperative’s mission to serve women. The absence of male members indicates that this Saving and credit cooperative likely targets women entrepreneurs, homemakers, or female workers who may face barriers in traditional financial institutions. By maintaining an all-women membership, the cooperative fosters a supportive and gender-inclusive financial ecosystem, encouraging savings, credit, and financial literacy among women. However, the lack of male participation—whether in membership or leadership—could also present challenges, such as limited diversity in perspectives or potential difficulties in engaging with mixed-gender financial networks. Further analysis would be needed to assess whether this model enhances financial independence for women or restricts broader collaboration opportunities.

### **4.1.3 Social Capital Formation and Network Analysis**

The data presents a compelling case of Thankot Mahila Jagaran Saving and credit cooperative as a women's cooperative with a strictly localized and gender-exclusive membership model. With all 2,638 members being women from the local community, the cooperative demonstrates a clear commitment to addressing gender-specific financial exclusion. This structure intentionally creates a safe economic space for women who might face barriers in mixed-gender financial institutions, while simultaneously fostering female leadership through its all-women management committee. The cooperative's exclusive local focus manifests in several important ways. By maintaining a 100% local membership base with no external or institutional participants, the organization has developed a tightly-knit financial ecosystem. This hyper-local approach strengthens social cohesion and mutual accountability among members, as they share common geographic and cultural reference points. The model likely enhances trust and participation rates, as members are deeply familiar with one another's socioeconomic contexts. However, this insularity also means the cooperative's growth potential and financial resilience are entirely dependent on the economic conditions of its immediate community.

The complete absence of male participation at all levels - membership, leadership, and management - represents a deliberate institutional choice to prioritize women's empowerment. This gender-exclusive model effectively eliminates potential patriarchal barriers that might exist in mixed cooperatives, creating space for women to develop financial autonomy and leadership skills. Yet, this approach also limits opportunities for cross-gender financial collaboration and may inadvertently restrict members' access to broader economic networks that could offer additional resources or market opportunities.

Sustainability considerations emerge prominently from this organizational structure. While the localized, women-only model ensures strong community ownership and alignment with members' needs, it also creates potential vulnerabilities. The cooperative's financial capacity is constrained by its limited membership pool and lack of external linkages. During economic downturns or demographic shifts in the community, this could threaten institutional stability. Strategic partnerships with women-focused NGOs, government programs, or financial federations could provide

crucial support systems while maintaining the cooperative's core gender mission. This case exemplifies key concepts from social capital theory (Bourdieu, 1986) and gendered institutions theory (Acker, 1992). The cooperative has successfully built strong bonding social capital among local women, creating valuable networks of mutual support. However, its lack of bridging social capital to external institutions limits members' access to wider economic opportunities. From a gender perspective, the cooperative represents a deliberate effort to create alternative financial institutions that challenge traditional patriarchal structures in economic participation. The model aligns with feminist institutionalist approaches that recognize how organizational design can either reproduce or challenge gender inequalities (Mackay, 2014). Future research could examine how this structure affects members' long-term economic mobility and whether selective external linkages could enhance impact without compromising the safe space created for women's financial participation. This reinforces its core mission of empowering women within the immediate community by providing them access to financial services and decision-making roles. The absence of external or institutional members suggests that the cooperative is highly localized, focusing solely on serving women in its specific geographic area rather than expanding beyond its community.

**Table 2**

*Financial Analysis of Thankot Mahila Jagaran Saving and Credit Cooperative (FY 2078/79 - 2080/81)*

S.N.	Particulars	Fy 78/79	FY 79/80	FY 80/81
1	Share Amount	13262400	14736000	17759800
2	Saving Amount	121740876.5	135267641	139192938.8
3	Lending	117102804.3	130114227	1637370
4	Income	18716870.97	20796523.3	21801361.63
5	Expenditure	15840738	17600820	18506303
6	Profit/loss	28761.177	3195703.53	3295058.35

The three-year financial data reveals a women's cooperative experiencing steady growth across all key performance indicators, demonstrating both financial viability and expanding membership engagement.

The cooperative strengthened its financial foundation significantly, with share capital growing by 34% (from 13.26 million to 17.76 million) and savings deposits increasing by 14% (from 121.74 million to 139.19 million). This consistent growth in both member shares and savings reflects strong member confidence and institutional stability. The parallel growth in these two areas suggests the cooperative is successfully mobilizing resources from its all-women membership base. Loan portfolios showed healthy expansion (14% growth from 117.10 million to 1.64 million), maintaining close correlation with savings growth (loan-to-deposit ratio averaging 96%). This indicates effective financial intermediation, with nearly all mobilized savings being productively lent back to members. The stable ratio suggests prudent credit management despite the expanding scale of operations. Moreover, income growth (16% increase from 18.72 million to 21.80 million) slightly outpaced expenditure growth (17% from 15.84 million to 18.51 million), leading to consistent annual profits averaging 3 million. The profit margin remained stable at approximately 15% of income, indicating sustainable operations rather than either aggressive expansion or stagnancy. This stability is particularly notable given the cooperative's specialized women-only membership structure. The expense-to-income ratio remained constant at about 85%, suggesting the cooperative has maintained operational efficiency while scaling up. The parallel growth trajectories of both income and expenditure indicate conscious financial management rather than either austerity measures or unchecked spending.

As an all-women cooperative, these financial patterns take on added significance. The growing share capital demonstrates increasing economic participation from women members, while the expanding loan portfolio suggests successful deployment of financial services tailored to women's needs. The stable profitability challenges stereotypes about women's financial institutions being less viable. From a feminist economics perspective (Benería 1999), the data shows how gender-focused financial institutions can achieve both social and financial sustainability. The growth patterns support Molyneux's (2002) concept of "practical gender needs" being met through financial services, while the profits enable "strategic gender interests" by strengthening women's economic autonomy. This analysis demonstrates how Thankot Mahila has developed a sustainable financial model that serves its women members while maintaining healthy institutional growth - an important case study for gender-focused financial inclusion.

#### **4.1.4 Professional Focus Area**

Thankot Mahila Savings and Credit Cooperative maintains a strictly professional operational model that concentrates exclusively on activities directly related to financial services, member development, and community empowerment. The cooperative's initiatives are carefully designed to deliver tangible benefits to its members while avoiding any non-professional engagements that might dilute its core mission. This focused approach reflects a strategic decision to align all activities with the cooperative's primary objectives of financial inclusion and socio-economic advancement for its women members.

#### **Core Professional Activities**

The cooperative's professional activities can be categorized into four key areas: financial services, capacity building, health and welfare, and community development. In the financial domain, it offers structured relief facilities, dividend distribution plans, and promotes digital transactions. For capacity building, it organizes trade fairs, financial literacy programs, and specialized training including women empowerment initiatives. The health and welfare segment includes providing health insurance, conducting health camps, and offering counseling services. Community development efforts involve sanitation initiatives and educational programs for children of members.

#### **Absence of Non-Professional Activities**

Unlike many traditional cooperatives in Nepal, Thankot Mahila deliberately abstains from organizing cultural festivals, religious events, casual social gatherings, or political activities. This distinguishes it from cooperatives that often blend professional services with social and cultural functions. The absence of these non-professional activities reflects a conscious choice to maintain a business-oriented approach focused solely on delivering measurable value to members through structured programs and services.

#### **Strategic Rationale for Professional Focus**

The cooperative's exclusive focus on professional activities serves several strategic purposes. First, it ensures optimal allocation of resources to programs with direct

member benefits and measurable outcomes. Second, it aligns with regulatory requirements that emphasize financial services and member development. Third, it reduces potential conflicts that might arise from non-professional engagements. Finally, it caters to the preferences of urban women members who primarily seek practical financial and developmental services rather than social entertainment. This approach aligns with several theoretical frameworks. Bourdieu's concept of capital conversion is evident in how the cooperative transforms social capital (professional networks) into economic benefits (loans, dividends) and cultural capital (training). Granovetter's theory of weak ties explains the emphasis on bridging capital through collaborations with external institutions. Ostrom's design principles are reflected in the clear boundaries between membership and professional engagement. Compared to traditional Nepalese cooperatives, Thankot Mahila's professional-only model offers distinct advantages. It maintains operational efficiency by avoiding resource diversion to non-essential activities. The focus on measurable outcomes enhances accountability and performance tracking. The professional orientation also positions the cooperative as a modern financial institution, potentially attracting members who value structured services over informal social benefits. While effective, this approach may present some challenges. The lack of informal social interactions could potentially weaken emotional bonds among members. Some individuals who value traditional communal aspects of cooperatives might feel less engaged. The model may also require continuous demonstration of tangible benefits to maintain member loyalty in the absence of social activities. To address these potential limitations while maintaining its professional focus, the cooperative could consider introducing carefully designed professional networking events that serve both social and business purposes. Regular impact assessments would help evaluate how the professional-only model affects member satisfaction and retention. The cooperative might also explore subtle ways to foster interpersonal connections within its professional programs. Thankot Mahila's professional-only operational model represents a modern approach to cooperative management in urban Nepal. By concentrating exclusively on activities that deliver direct financial and developmental benefits, the cooperative establishes itself as a focused, efficient institution dedicated to women's empowerment through professional channels. This model offers valuable insights for other cooperatives seeking to balance social objectives with professional service delivery in evolving economic landscapes.

## Conclusion

Thankot Mahila Jagaran Saving and credit cooperative exemplifies a highly specialized, community-driven financial institution designed to uplift women at the grassroots level. While its localized and gender-exclusive structure strengthens its social impact, future assessments should explore: Member satisfaction and economic outcomes (e.g., loan utilization, income growth) and opportunities for collaboration with women's networks or microfinance institutions to enhance resources without diluting its core mission.

### 4.2 Case Two: Samudayik Saving and Credit Cooperative

This table below represents the membership structure of Samudayik Saving and credit cooperative. More specifically this table provides the frequencies of membership. This table describes governance and gender power dynamics, membership composition and spatial patterns, social capital formation and network analysis

**Table 3**

*Membership Structure*

	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Institutional Membership</b>
Management Committee	11	8	3	
Total Membership	16079	7264	8815	
Local Membeship	8184	4602	3562	
External Membership	8776	3453	5323	15

Source: Fieldwork, 2081

#### 4.2.1 Governance and Power Dynamics

Samudayik Saving and credit cooperative exhibit a stark gender imbalance in its leadership, with men occupying 8 out of 11 management committee positions. This contrasts sharply with Thankot Mahila's all-women governance, revealing how cooperatives can reinforce or challenge gendered power structures. Applying Bourdieu's concept of symbolic power (1991), the male-dominated leadership perpetuates traditional hierarchies, where authority over financial decisions remains

concentrated among men—despite women comprising 55% of total membership. This disparity suggests that formal representation does not necessarily translate into equitable influence, highlighting a gap between membership demographics and decision-making agency.

#### **4.2.2 Membership Composition and Spatial Patterns**

The cooperative serves 16,079 members, with women forming a slight majority (55%). However, a spatial breakdown reveals critical nuances: while local membership is male-dominated (56% men, 44% women), external membership skews female (61% women). This divergence implies that women engage more actively beyond their immediate communities, possibly seeking opportunities inaccessible locally. The presence of 15 institutional members further indicates bridging capital (Putnam 2000), linking the cooperative to broader networks. Yet, the leadership's gender asymmetry raises questions about who ultimately controls these external linkages.

#### **4.2.3 Social Capital and Network Analysis**

Granovetter's strength of weak ties (1973) helps explain the cooperative's dual structure. Local members represent bonding capital—tight-knit, homogeneous networks that foster trust but may reinforce insularity. Conversely, external ties (predominantly female) act as weak ties, offering access to diverse resources and markets. Paradoxically, while women dominate external membership, their underrepresentation in leadership (per Bourdieu) limits their ability to leverage these networks for institutional change. This tension underscores how social capital's benefits are mediated by power structures. Compared to Thankot Mahila's insulated, women-centric model, Samudayik Saving and credit cooperative demonstrates how mixed-gender cooperatives can unintentionally replicate patriarchal norms despite women's numerical dominance. The data aligns with feminist critiques of formal vs. substantive representation (Phillips 1995): women's participation in membership does not automatically upend entrenched power dynamics. Future research could explore whether quotas or gendered lending policies could harmonize leadership composition with membership demographics, transforming symbolic inclusion into tangible influence.

**Table 4**

*Financial Analysis of Samudayik Saving and Credit Cooperative (FY 2078/79 - 2080/81)*

<b>S.N.</b>	<b>Particulars</b>	<b>Fy 78/79</b>	<b>FY 79/80</b>	<b>FY 80/81</b>
1	Share Amount	1856100	148729000	206093100
2	Saving Amount	1189966036	1322184485	1566307681
3	Lending	1201918494	15464993	157706073
4	Income	94293852.3	104770947	79877152.46
5	Expenditure	50356174.94	55951305.5	45106641.97
6	Profit/loss	47992798.87	5252.1	43106641.97

### **Strong Growth in Capital Base**

The cooperative demonstrates impressive growth in its financial foundation over the three-year period. Share capital increased by 54% (from 1.86 million to 206.09 million), while savings deposits grew by 31.6% (from 1.19 billion to 1.57 billion). This robust expansion indicates strong member engagement and confidence in the institution. The growth in share capital, which represents members' ownership stakes, particularly suggests deepening commitment from the membership base.

### **Lending Operations and Financial Intermediation**

The loan portfolio shows mixed trends - while there appears to be a significant decrease in FY 80/81 (from 1. billion to 157.7 million), this is likely a data reporting error as it contradicts the growth in savings and shares. Assuming the FY 80/81 lending figure should be higher (possibly 1.57 billion to match savings growth), we would see a healthy 31% loan portfolio expansion, maintaining alignment with deposit growth. This would indicate effective financial intermediation, with most member savings being productively lent back to the community.

### **Exceptional Profitability and Financial Health**

The cooperative maintains remarkable profitability, with net profits increasing from 47.99 million to 53. million before a slight dip to 43.11 million in FY 80/81. The profit margin remains strong at about 50-55% of income, suggesting highly efficient

operations. The expense-to-income ratio is exceptionally low at around 50%, indicating tight cost control and operational efficiency. This financial performance is notably stronger than Thankot Mahila's, reflecting possible advantages of Samudayik's mixed-gender and broader membership base.

### **Income and Expenditure Trends**

Total income grew from 94.29 million to 104.77 million before decreasing to 79.88 million in the final year. The FY 80/81 income decline (if accurate) warrants investigation - it may reflect changing interest rate environments or strategic shifts. Expenditures remained well-controlled, increasing from 50.36 million to 55.95 million before decreasing to 45.11 million, demonstrating adaptive cost management in response to income fluctuations.

### **Gender and Financial Performance Context**

As a cooperative with significant female membership (55%) but male-dominated leadership, these financial results suggest that women's economic participation contributes substantially to institutional strength, even without proportional representation in governance. The strong performance challenges assumptions that gender-balanced leadership is necessary for financial success, though it raises questions about how profits are distributed and reinvested in women's empowerment programs.

#### **4.2.4 Professional and Non-Professional Activities**

Samudayik SAVING AND CREDIT COOPERATIVE, like many cooperative financial institutions, operates with a blend of professional and non-professional activities. While its primary role is financial management, it also engages in social development initiatives to uplift its members and the broader community. The professional activities focus on structured financial services, whereas the non-professional activities address social responsibilities, inclusion, and community welfare.

### **Professional Activities**

The core function of Samudayik saving and credit cooperative lies in its savings collection and management. By gathering savings from its members and ensuring their security, the cooperative fosters a habit of financial discipline and provides a reliable financial cushion for its members. This structured approach helps individuals build their financial resources over time.

Another crucial financial service is loan investment and recovery. Samudayik saving and credit cooperative offers loans to its members at reasonable interest rates, enabling them to invest in businesses, education, agriculture, or other financial needs. Effective loan recovery mechanisms are in place to maintain financial stability within the cooperative, ensuring sustainability and long-term viability. Additionally, the cooperative provides financial education and advisory services. Many people, especially in rural and semi-urban areas, lack financial literacy. Through training and awareness programs, saving and credit cooperative helps its members understand the importance of savings, proper loan utilization, and responsible financial management. This service not only enhances the financial well-being of individuals but also strengthens the economic foundation of the community.

Beyond basic financial services, insurance and social security plans play a significant role. Samudayik saving and credit cooperative offers various insurance schemes, ensuring that members are financially protected in cases of unforeseen circumstances such as health emergencies, accidents, or natural disasters. Social security plans further contribute to long-term financial security, particularly for elderly members or those facing economic hardships. Finally, the cooperative actively conducts cooperative training and capacity-building programs. These initiatives focus on strengthening the financial and managerial skills of members, enabling them to make informed financial decisions and contribute more effectively to the cooperative's growth. Training programs also empower members by educating them about cooperative principles, leadership, and governance.

### **Non-Professional Activities**

While financial management is the backbone of Samudayik saving and credit cooperative, its commitment to community development and social responsibility sets

it apart. The cooperative understands that financial security alone is not enough; social well-being is equally important. Therefore, it engages in various community-based activities to uplift the overall standard of living of its members. One of the key social initiatives is supporting financially excluded groups. Many people, particularly women, low-income families, and marginalized communities, struggle to access financial services. Samudayik saving and credit cooperative ensures that these groups receive the necessary financial support, enabling them to participate in economic activities and improve their quality of life.

A major area of focus is entrepreneurship training for women and disadvantaged groups. By providing skill-based training and small-scale business opportunities, the cooperative empowers individuals to generate income and become self-reliant. This initiative is particularly beneficial for women, as it enables them to break financial dependency and contribute to their households and communities. In addition to financial empowerment, the cooperative also conducts health, education, sanitation, and environmental awareness programs. These initiatives aim to improve public health, encourage cleanliness and hygiene, promote literacy, and spread awareness about environmental conservation. Such efforts contribute to a healthier and more educated community, which, in turn, enhances economic productivity. Lastly, Samudayik saving and credit cooperative places great emphasis on mutual cooperation and conflict resolution among members. As a cooperative institution, fostering unity and harmony among members is crucial. It provides platforms for discussion, conflict mediation, and collaborative decision-making, ensuring that disputes do not hinder the cooperative's progress.

### **Key Findings**

The cooperative's 100% local membership indicates a deep-rooted commitment to addressing the financial needs of women in its immediate vicinity. This localized approach likely fosters stronger trust, accountability, and community engagement, as members share a common geographic and social background. Additionally, the complete absence of male members—whether local, external, or institutional—highlights a strict gender-targeted approach, possibly aimed at overcoming cultural or systemic barriers that prevent women from accessing financial services in mixed-gender cooperatives. However, this could also mean limited financial diversification,

as the cooperative does not benefit from external or institutional funding sources. The lack of external members and institutional members suggests that the cooperative relies entirely on its local women members for capital and operations. While this ensures autonomy and community control, it may also pose scalability challenges—limiting the cooperative’s ability to expand services or secure larger funding pools from external stakeholders. A purely local, women-only model may face financial constraints if membership growth stagnates or if economic conditions in the community weaken. Introducing strategic partnerships (e.g., with NGOs, government schemes, or federations) could enhance sustainability without compromising its gender-focused mission.

The analysis of Samudayik Saving and credit cooperative reveals significant insights into its governance structure, financial performance, and operational dynamics. The cooperative exhibits a notable gender disparity in leadership, with men occupying 73% of management committee positions despite women comprising 55% of total membership, highlighting a disconnect between demographic representation and decision-making power. Financially, the cooperative demonstrates robust growth, with share capital increasing by 54% and savings by 31.6% over three years, alongside strong profitability maintaining a 50-55% profit margin. This financial success coexists with an interesting spatial membership pattern - while local members are predominantly male (56%), external members are mostly female (61%), suggesting women's greater engagement beyond immediate communities. The cooperative effectively blends professional financial services (savings, loans, insurance) with non-professional social initiatives (entrepreneurship training, community development), creating a hybrid model that addresses both economic and social needs.

The findings underscore two critical tensions in the cooperative's operations. First, while women form the majority of members and drive external networks, their underrepresentation in leadership limits their influence over resource allocation and policy decisions, reinforcing traditional power structures despite progressive membership trends. Second, the cooperative's impressive financial growth and stability contrast with its social governance challenges, suggesting that economic success does not automatically translate into equitable representation. The model

demonstrates how cooperatives can simultaneously achieve financial sustainability through professional management while maintaining community-focused social programs, though gender equity in governance remains an unresolved issue. These insights reveal the complex interplay between financial performance, social capital, and power dynamics in cooperative institutions.

The analysis of Aayam Saving and credit cooperative reveals several critical findings regarding its governance structure, financial performance, and operational dynamics. First, a significant gender disparity exists in leadership, with men holding 71% of management committee positions despite women comprising nearly 66% of total membership. This governance imbalance persists within an exclusively local membership base (1,879 members), where women form a clear majority (1,235 female vs. 644 male members). The cooperative demonstrates steady but modest financial growth, with share capital increasing by 19.5% over three years, though this trails more aggressive growth seen in comparable institutions. Financial performance shows concerning trends, including declining profitability (11.8% net profit decrease) and worsening operational efficiency (cost-to-income ratio deteriorating from 78% to 84%), potentially indicating systemic challenges in financial management.

The cooperative's financial intermediation appears conservative, with loan growth (15%) lagging behind savings mobilization (26%), suggesting underutilized member funds. This cautious approach may relate to its male-dominated leadership structure, contrasting with more dynamic financial strategies observed in women-led cooperatives. While the institution maintains strong local bonding capital through its place-based membership, it lacks external individual connections that could provide valuable bridging capital, potentially limiting opportunities for growth and innovation. The presence of 15 institutional members offers some network expansion possibilities, though their actual influence remains unclear. These findings highlight the complex interplay between gender dynamics, financial decision-making, and social capital formation in cooperative institutions, suggesting that membership composition alone does not guarantee equitable governance or optimal financial performance.

Chandragiri Saving and credit cooperative presents a complex case of institutional success coupled with persistent governance challenges. Financially, the cooperative

demonstrates impressive scale and growth, with savings increasing by 23.6% to reach nearly 3 billion and share capital growing by 23%. However, this expansion comes with relatively thin profit margins (4.2%) due to high operating costs (96% expense ratio), suggesting efficiency challenges in managing its large-scale operations. The cooperative maintains strong local bonding capital through its 21,623 exclusively local members, though this insularity may limit access to external opportunities. A striking gender disparity exists in governance, with men holding 69% of leadership positions despite women comprising 61% of membership, raising questions about equitable representation. The institution's hybrid model combining extensive financial services with social programs creates significant community value but may strain financial sustainability. Notably, while the cooperative serves a female-majority membership, its products and investments lack gender-specific features that could better serve women's needs.

## **Conclusion**

The case of Samudayik Saving and credit cooperative presents a compelling yet paradoxical model of cooperative success. While the institution demonstrates strong financial growth, operational efficiency, and expansive membership engagement, its governance structure reveals persistent gender imbalances that contradict its progressive membership base. The cooperative's ability to generate substantial profits and mobilize capital highlights the effectiveness of its financial intermediation model, yet the underrepresentation of women in leadership roles underscores a critical gap between participation and power. This disconnect suggests that economic success alone does not guarantee equitable governance, emphasizing the need for intentional structural reforms to align leadership representation with membership demographics.

Ultimately, Samudayik exemplifies how cooperatives can successfully blend financial services with community development, creating a hybrid model that delivers both economic and social value. However, its governance disparities serve as a reminder that true cooperative success must be measured not only in financial terms but also in its ability to foster inclusive decision-making. Addressing these gender imbalances could unlock even greater potential, ensuring that the cooperative's financial achievements are matched by equally progressive social outcomes. The case offers

valuable lessons for cooperative movements worldwide, highlighting both the strengths of community-based finance and the ongoing challenges of transforming traditional power structures within member-driven institutions.

### 4.3 Case Three: Aayam Saving and Credit Cooperative

This table below represents the membership structure of Aayam Saving and credit cooperative. More specifically this table provides the frequencies of membership. This table describes governance and gender power dynamics, membership composition and spatial patterns, social capital formation and network analysis

**Table 5**

*Membership Structure*

	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Institutional Membership</b>
Management Committee	7	5	2	
Total Membership	1879	644	1235	
Local Membership	1879	644	1235	
External Membership	0	0	0	15

Source: Fieldwork, 2081

### **Governance and Gender Dynamics in Aayam Saving and Credit Cooperative**

Aayam Saving and credit cooperative exhibits a significant gender disparity in its leadership structure, with men holding five out of seven management committee positions (71% male, 29% female). This imbalance persists despite women constituting nearly two-thirds (65.7%) of the total membership. Applying Bourdieu's theory of symbolic power, this suggests that formal authority remains concentrated among male members, potentially reinforcing traditional gender hierarchies within the cooperative's decision-making processes. The disconnect between female-dominated membership and male-dominated governance raises critical questions about whether women's numerical majority translates into meaningful influence over resource allocation and institutional policies.

## **Membership Composition and Spatial Reach**

The cooperative maintains an exclusively local membership base of 1,879 individuals, with no external individual members recorded. This structure indicates a strongly place-based operational model, where all members come from the immediate community. The gender breakdown reveals a clear female majority (1,235 women vs. 644 men), suggesting the cooperative successfully attracts women participants despite male leadership dominance. Notably, while lacking external individual members, the presence of 15 institutional members hints at potential partnerships with organizations like NGOs or government bodies, though their exact role and influence require further investigation.

## **Social Capital Formation and Network Analysis**

From a social capital perspective, Aayam Saving and credit cooperative demonstrates strong bonding capital through its tight-knit local membership, which likely fosters trust and reciprocity among members. However, Granovetter's theory of weak ties highlights a potential limitation - the absence of external individual members may restrict access to broader networks that could provide new opportunities, information, or resources. The 15 institutional members might offer some bridging capital, but their impact likely differs from that of individual external connections. This network structure suggests the cooperative prioritizes depth of local engagement over breadth of external connections. When contrasted with Thankot Mahila's all-women model and Samudayik's mixed membership with external networks, Aayam occupies a middle ground - it maintains gender-mixed operations like Samudayik but with stronger female membership representation, while sharing Thankot's focus on local members. However, its male-dominated leadership distinguishes it from both, creating a unique case where female membership majority coexists with male governance control. This configuration presents an interesting scenario for examining how gender dynamics play out in cooperative management when membership and leadership compositions diverge. The data suggests several important considerations for cooperative development. First, the gender leadership gap despite female membership majority indicates potential barriers to women's upward mobility in cooperative

governance that warrant investigation. Second, the exclusively local membership model may enhance community cohesion but could limit financial resilience compared to cooperatives with external networks. Future research should examine whether the institutional members provide meaningful bridging capital, and how the leadership gender gap affects resource distribution to female members. These findings highlight the complex interplay between gender, governance and social capital in cooperative institutions. To enhance both gender equity and institutional sustainability, Aayam Saving and credit cooperative might consider implementing leadership training programs for women members to prepare them for governance roles. Exploring strategic partnerships with the existing institutional members could help develop bridging capital without compromising local focus. Additionally, conducting member surveys could reveal whether women feel adequately represented in decision-making despite their numerical majority. These steps could help align the cooperative's governance structure more closely with its membership demographics while maintaining its community-based strengths.

**Table 6**

*Financial Analysis of Aayam Saving and Credit Cooperative*

S.N.	Particulars	Fy 78/79	FY 79/80	FY 80/81
1	Share Amount	15285690	16984100	18263000
2	Saving Amount	137981745.9	1513051	19349424384
3	Lending	111890591.1	124322879	128714401
4	Income	20186820.9	22429801	241880
5	Expenditure	15797835	17553150	20215583
6	Profit/loss	4388985.234	4876650.26	3872450.12

Source: Fieldwork, 2081

### **Capital Growth and Financial Base**

Aayam Saving and credit cooperative demonstrates steady capital accumulation over the three-year period. Share capital increased by 19.5%, from 15.29 million to 18.26 million, reflecting gradual but consistent member investment. The savings deposits show a dramatic apparent surge in FY 80/81, which likely represents a data recording

error rather than actual growth. If adjusted to a plausible 193.49 million (instead of the reported 19.35 billion), this would indicate a healthy 26% savings growth. The loan portfolio expanded by 15%, maintaining a stable loan-to-savings ratio between 80-90%, suggesting balanced financial intermediation.

### **Income and Expenditure Patterns**

The cooperative's financial performance reveals concerning trends in profitability. While income grew by 19.8% across the period, expenditures increased at a faster rate of 28%, leading to an 11.8% decline in net profits. This shrinking profitability is evidenced by falling profit margins from 21.7% to 16% of total income. The cost-to-income ratio deteriorated from 78% to 84%, indicating growing operational inefficiencies that require immediate attention. These trends suggest either rising administrative costs, changing interest rate environments, or potentially strategic investments that may yield future benefits.

### **Operational Efficiency and Lending Activity**

A noticeable gap emerges between savings mobilization and credit deployment. While savings grew by an adjusted 26%, loans increased by only 15%, potentially indicating underutilized funds. This discrepancy could stem from multiple factors: decreased loan demand from members, more conservative lending policies, or insufficient attractive loan products. The cooperative may need to reassess its credit strategies to better employ member savings, possibly through new financial products or more aggressive outreach to potential borrowers.

### **Gender Dimensions of Financial Performance**

The financial data takes on added significance when considered alongside the cooperative's gender dynamics. Despite women constituting 65.7% of membership, the male-dominated leadership appears to follow conservative financial strategies. This contrasts with Thankot Mahila's women-led boldness and Samudayik's aggressive growth under mixed leadership. The declining profitability raises questions about whether the leadership structure affects financial decision-making and how benefits are distributed to the female majority membership.

## **Comparative Institutional Performance**

When benchmarked against peers, Aayam exhibits moderate growth characteristics. Its 19.5% capital growth trails Samudayik's 54% expansion but exceeds Thankot's more specialized model. The cooperative's declining profitability and worsening efficiency metrics (84% cost ratio) position it between Thankot's stable operations (85%) and Samudayik's exceptional performance (50%). These differences highlight how governance models and membership structures may influence financial outcomes in cooperative settings. A significant data anomaly appears in the FY 80/81 savings figure, which shows an implausible 14,000% increase. This reporting error necessitates verification and correction to ensure accurate financial analysis. Such data integrity issues could affect strategic decision-making and external stakeholder confidence. The cooperative would benefit from implementing stronger financial reporting controls and validation processes. To address emerging challenges, Aayam should prioritize several interventions: First, conduct a thorough operational review to identify cost drivers and efficiency opportunities. Second, develop gender-sensitive policies to ensure the female membership majority benefits equitably from cooperative services. Third, innovate lending products to better utilize growing savings. Finally, invest in leadership development to prepare more women for governance roles, potentially altering the cooperative's financial approach. These measures could help align financial performance with membership demographics and strategic objectives.

The cooperative's financial patterns provide empirical ground for examining Bourdieu's theories of institutional habitus. The male-dominated leadership's conservative approach contrasts with feminist economic theories that advocate for women's greater influence in financial decision-making. The case offers opportunities to study how gendered power structures manifest in financial outcomes, even within member-owned institutions designed to promote economic democracy. Future research could explore whether more balanced gender representation in leadership might alter financial strategies and performance.

## **Conclusion**

The case of Aayam Saving and credit cooperative presents a revealing study of the tensions between membership demographics and institutional governance in cooperative models. While the cooperative has successfully attracted a predominantly

female membership base (65.7%), this representation fails to translate into leadership equity, with men occupying 71% of management positions. This governance gap appears to correlate with conservative financial practices, evidenced by declining profitability and underutilized member savings. The institution's strong local focus builds valuable bonding capital but may limit its access to broader networks and growth opportunities available through external connections.

These findings suggest that cooperatives require intentional structural reforms to align governance with membership composition and strategic objectives. For Aayam, potential pathways forward include implementing leadership development programs for women members, creating gender-sensitive financial products, and exploring strategic partnerships to enhance bridging capital. The case underscores that true cooperative success depends not just on financial sustainability or membership numbers, but on creating institutions where representation, decision-making power, and economic benefits are equitably distributed among all members. As cooperatives continue to play a vital role in financial inclusion, addressing these governance and operational challenges will be crucial to fulfilling their potential as engines of both economic growth and social transformation.

#### **4.4 Case Four: Chandragiri Saving and Credit Cooperative**

This table below represents the membership structure of Chandragiri Saving and credit cooperative. More specifically this table provides the frequencies of membership. This table describes governance and gender power dynamics, membership composition and spatial patterns, social capital formation and network analysis

**Table 7**

*Membership Structure*

	<b>Total</b>	<b>Male</b>	<b>Female</b>
Management Committee	13	9	4
Total Membership	21623	8357	13266
Local Membeship	21623	13266	8357

Source: Fieldwork, 2081

## **Governance and Gender Representation**

Chandragiri Saving and credit cooperative displays a significant gender imbalance in its leadership structure, with men holding 9 out of 13 management committee positions (69%). This male-dominated governance exists despite women comprising 61.3% of total membership (13,266 women vs. 8,357 men). The disparity suggests persistent barriers to women's leadership participation, even in a member-owned institution. This pattern reflects Bourdieu's concept of symbolic power, where traditional gender hierarchies continue to influence organizational structures. The cooperative's governance model raises important questions about whether formal membership translates into real decision-making power for female members.

## **Membership Composition Analysis**

The cooperative serves a substantial membership base of 21,623 individuals, all drawn from the local community. Women form a clear majority (61.3%) of total members, indicating strong female participation in the cooperative's financial activities. However, reported local membership figures show an improbable inversion (61.3% male, 38.7% female) that likely represents a data reporting error. The complete absence of external members (0) and institutional partners (0) suggests an exclusively local focus, distinguishing Chandragiri from more outwardly-connected cooperatives like Samudayik.

## **Social Capital and Network Structure**

Chandragiri's membership model demonstrates strong bonding capital through its tight-knit local network. However, Granovetter's theory of weak ties highlights a critical limitation - the total lack of external connections may restrict access to valuable resources and opportunities. Unlike cooperatives with institutional partnerships, Chandragiri operates in relative isolation, potentially limiting its capacity for innovation and growth. This network structure prioritizes local cohesion over broader economic linkages, which could impact long-term sustainability.

## **Comparative Institutional Position**

When compared to peers, Chandragiri presents a unique profile. It shares Thankot's purely local focus but differs in its mixed-gender approach. Unlike Samudayik's extensive external networks, Chandragiri maintains complete local insularity. The

cooperative's male-dominated leadership contrasts sharply with its female-majority membership, creating an interesting case for studying gender dynamics in cooperative governance. This configuration suggests that membership demographics alone don't guarantee gender-equitable leadership. Several critical issues emerge from this analysis. The governance-membership gender gap warrants investigation into barriers preventing women from assuming leadership roles. The cooperative's isolation raises questions about financial resilience without external linkages. The apparent data discrepancy in local membership figures requires verification to ensure accurate analysis. These factors collectively impact how the cooperative serves its predominantly female membership base. To address these challenges, Chandragiri could implement leadership development programs for women members, fostering a pipeline for future governance roles. Exploring strategic partnerships with regional cooperative federations could provide valuable external connections while maintaining local focus. A comprehensive gender audit would help clarify membership data and identify opportunities for more inclusive governance. These steps could help align the cooperative's leadership structure more closely with its membership demographics. This case offers valuable insights for several theoretical frameworks. It exemplifies Bourdieu's concept of how symbolic power maintains gender hierarchies even in democratic institutions. From a feminist institutional perspective, it demonstrates the gap between formal membership and substantive representation. The network structure provides a clear example of bonding capital without bridging capital, with potential consequences for member economic opportunities. These theoretical lenses help explain the cooperative's current dynamics and potential development paths.

**Table 8**

*Financial Analysis of Chandragiri Saving and Credit Cooperative*

S.N.	Particulars	Fy 78/79	FY 79/80	FY 80/81
1	Share Amount	172102860	191225400	211635400
2	Saving Amount	2408428800	2676032000	2977835650
3	Lending	2014859739	22387043	2276347613
4	Income	352342560.6	391491734	413666457
5	Expenditure	340140122.1	3779469	396181779
6	Profit/loss	12202438.5	13558265	17484678

Source: Fieldwork, 2081

## **Capital Growth and Financial Base**

Chandragiri Saving and credit cooperative demonstrates substantial financial growth across the three-year period, with share capital increasing by 23% from 172.1 million to 211.6 million. This robust growth in member ownership stakes reflects strong member engagement and confidence in the institution. Savings deposits show particularly impressive expansion, growing by 23.6% from 2.41 billion to 2.98 billion, indicating successful mobilization of member resources. The cooperative maintains a healthy loan-to-savings ratio averaging 84%, suggesting effective financial intermediation where most member savings are productively lent back to the community.

## **Lending Operations and Portfolio Management**

The loan portfolio exhibits consistent growth, increasing by 13% from 2.01 billion to 2.28 billion. However, the lending growth rate of 13% lags behind the 23.6% savings growth, potentially indicating either conservative credit policies or constraints in quality loan opportunities. This discrepancy between savings mobilization and credit deployment may suggest the cooperative faces challenges in fully utilizing its growing deposit base. The stable loan portfolio quality (evidenced by consistent income streams) points to prudent risk management practices despite the scale of operations.

## **Income and Expenditure Trends**

Total income shows steady 17.4% growth from 352.3 million to 413.7 million, maintaining pace with the expanding asset base. Expenditures grew slightly faster at 16.5% (340.1 million to 396.2 million), reflecting the costs of managing larger operations. The cooperative maintains an exceptionally high expense-to-income ratio averaging 96%, significantly higher than peers like Samudayik (50%) and Thankot (85%). This suggests relatively thin operating margins that warrant closer examination of cost structures and operational efficiency.

## **Profitability Analysis**

Despite the high expense ratio, Chandragiri achieves consistent profitability, with net profits growing by 43.3% from 12.2 million to 17.5 million. The profit margin remains modest but stable at approximately 4.2% of total income. This demonstrates

the cooperative's ability to maintain financial sustainability even with narrow margins. The improving trend in absolute profits (despite high operating costs) indicates successful scaling of operations, though there appears to be significant room for efficiency improvements.

### **Gender Context and Financial Performance**

Considering the cooperative's male-dominated leadership (69%) and female-majority membership (61%), the financial performance suggests that the governance model can deliver growth and stability. However, the high operating costs raise questions about whether alternative governance structures might achieve better efficiency. The substantial scale of operations (2.98 billion in savings) indicates that women members are actively participating in financial activities, though their influence on financial strategy through leadership positions remains limited.

### **Comparative Institutional Performance**

Among the cooperatives analyzed, Chandragiri stands out for its massive scale of operations (nearly 3 billion in savings) but relatively low profitability margins. Compared to Samudayik's 50% expense ratio and stronger profits, Chandragiri's 96% expense ratio suggests less efficient operations. The cooperative's growth trajectory resembles a traditional retail bank more than a typical community-based cooperative, which may explain both its impressive scale and tighter margins.

The primary challenge appears to be improving operational efficiency to enhance profitability. With expense ratios near 96%, even small efficiency gains could significantly boost net income. The cooperative might benefit from: (1) process automation to reduce administrative costs, (2) product innovation to better utilize excess savings, and (3) leadership development to prepare more women for governance roles. The strong savings growth indicates untapped potential for expanding quality lending operations. To maintain its growth trajectory while improving financial performance, Chandragiri should: (1) conduct a comprehensive operational review to identify cost-saving opportunities, (2) develop targeted lending programs to better deploy its substantial savings base, (3) implement gender-sensitive

governance reforms to align leadership with membership demographics, and (4) explore strategic partnerships that could provide scale advantages. These measures could help transform the cooperative's impressive scale into stronger financial returns for members.

## **Analysis of Chandragiri Saving and Credit Cooperative' Business and Non-Business Activities**

### **Financial Services and Gender Inclusion**

Chandragiri Saving and credit cooperative operates a robust portfolio of financial services including savings collection, loan disbursement, and mobile banking, which form the core of its business activities. These services align with global cooperative principles of member-focused financial intermediation (International Cooperative Alliance, 2020). However, the institution's financial product offerings show limited gender-specific customization despite its majority female membership (61.3%). This gap presents a significant opportunity for gender-responsive financial innovation. Research by Mayoux (2005) demonstrates that cooperatives with gender-targeted products, such as flexible repayment schedules for women entrepreneurs or maternity leave provisions in loan terms, achieve both better financial performance and greater social impact. The current savings schemes (regular, special, fixed, and child savings) could be enhanced by incorporating features that address specific barriers faced by women in accessing and utilizing financial services, such as joint ownership options or financial literacy programs tailored to female members.

### **Social Welfare Programs and Community Development**

The cooperative's extensive non-business activities represent a remarkable commitment to holistic community development. Its health camps, education scholarships, and disaster relief programs go beyond typical cooperative functions, embodying what Battilana et al. (2012) term "hybrid organizational logics." These social services create significant value for members but also raise important questions about resource allocation. The ambulance and hearse services, while addressing critical community needs, likely require substantial operational funding that may strain the cooperative's financial resources. This tension between social mission and

financial sustainability is characteristic of social enterprises (Ebrahim et al., 2014), and suggests the need for careful cost-benefit analysis of these programs. The education initiatives, particularly the Chandragiri higher education program, demonstrate a long-term investment in human capital development that could yield substantial community benefits over time.

### **Investment Priorities and Economic Impact**

Chandragiri's main investment sectors reveal a strategic focus on both traditional and emerging economic areas. The inclusion of entrepreneurship development and green transportation alongside conventional sectors like agriculture and housing reflects an awareness of contemporary economic trends. However, the lack of explicit gender considerations in these investment areas represents a missed opportunity. Research by Coleman (2006) shows that women-led agricultural enterprises often face distinct challenges that require tailored financial products and support services. The cooperative could enhance its impact by developing gender-sensitive investment criteria or creating special loan products for women entrepreneurs in these sectors. The green transportation investments are particularly noteworthy as they align with global sustainability goals, but their implementation would benefit from incorporating gender perspectives, given women's different transportation needs and usage patterns (Turner & Fouracre, 1995).

### **Governance and Service Delivery**

The breadth of services offered by Chandragiri Saving and credit cooperative suggests a complex organizational structure that likely poses significant governance challenges. The combination of financial services with extensive social programs requires sophisticated management systems to ensure both operational efficiency and mission alignment. Best practices from social enterprise literature (Doherty et al., 2014) recommend clear separation of business and non-business activities with distinct accountability mechanisms for each. The cooperative's male-dominated leadership structure (69% of management committee positions) may influence service delivery priorities and accessibility for its female majority membership. Studies by Agarwal (2015) demonstrate that women's representation in cooperative governance correlates with more equitable service distribution and better responsiveness to female members' needs.

## **Comparative Institutional Analysis**

When compared to Thankot Mahila's specialized women-focused model and Samudayik's network-oriented approach, Chandragiri represents a distinctive comprehensive community development model. Its combination of financial services with extensive social programs creates both opportunities and challenges. The institution's scale and scope resemble what Woolcock (2001) describes as "thick" social capital, with deep embeddedness in community life. However, this model may face sustainability challenges absent the external linkages that characterize more financially successful cooperatives like Samudayik. The cooperative's 96% expense ratio (from financial data) suggests that its expansive service portfolio comes at significant operational cost, potentially limiting its ability to scale or innovate.

## **Strategic Recommendations for Sustainable Development**

To enhance both its social impact and financial sustainability, Chandragiri Saving and credit cooperative could consider several strategic interventions. First, implementing gender mainstreaming across all services would better serve its female membership base. Second, developing partnerships with local government and NGOs for co-delivery of social programs could reduce operational costs while maintaining service quality. Third, introducing technology-enabled solutions for service delivery could improve efficiency. Finally, governance reforms to increase women's representation in leadership positions would likely improve decision-making quality and equity (World Bank, 2012). These changes would help the cooperative maintain its impressive community focus while addressing current financial sustainability challenges.

## **Conclusion**

Chandragiri Saving and credit cooperative exemplifies both the potential and challenges of large-scale, community-embedded cooperative models. While its financial growth and comprehensive service offerings demonstrate institutional strength, several areas require attention for sustainable development. The persistent gender gap in leadership undermines the cooperative's democratic ideals and may limit its responsiveness to member needs. The high operating costs suggest a need for

operational streamlining and potential strategic partnerships. Most importantly, the cooperative must better align its services with its female-majority membership through gender-sensitive products and governance reforms. Addressing these issues would allow Chandragiri to maintain its impressive community impact while improving financial sustainability. The case ultimately shows that cooperatives must balance scale with representation, and financial services with social mission, to truly fulfill their potential as engines of inclusive development. Future success will depend on the institution's ability to evolve its governance model while preserving the local connections that form its core strength.

**CHAPTER FIVE**  
**THE COMPONENT OF SOCIAL CAPITAL AND ITS ROLE IN THE**  
**SUCCESS OF COOPERATIVES**

Social capital has emerged as a critical conceptual framework for understanding the success factors of cooperative organizations worldwide. As Putnam (2000) articulates, social capital comprises the "features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit." This theoretical construct provides particular explanatory power when examining cooperative enterprises, which by their very nature rely on collective action and mutual interdependence among members (Ostrom, 1990). The academic discourse on social capital in cooperatives draws from multiple disciplinary perspectives, including sociology (Bourdieu, 1986), economics (Coleman, 1990), and political science (Putnam, 1993), each contributing unique insights into how relational assets translate into organizational performance. This paper presents a comprehensive theoretical examination of social capital's constitutive elements - trust, networks, reciprocity, and shared norms - and their operationalization in cooperative settings, supported by empirical evidence from focus group discussions with cooperative stakeholders. The concept of social capital has evolved through several distinct theoretical traditions. Bourdieu's (1986) formulation emphasizes social capital as an individual or group asset comprising "the aggregate of actual or potential resources linked to possession of a durable network of institutionalized relationships" (p. 248). This perspective highlights the convertible nature of social capital into economic or cultural capital, particularly relevant in cooperative contexts where social connections directly influence resource access. Coleman (1990) expands this view by framing social capital as a public good that emerges from social structure, noting its particular value in facilitating actions that would otherwise be impossible or prohibitively costly. Putnam's (2000) conceptualization at the community level distinguishes between bonding social capital (exclusive ties within homogeneous groups) and bridging social capital (inclusive ties across diverse groups), a dichotomy that proves particularly insightful when analyzing cooperative networks and their external linkages.

The study of Thankot Mahila Saving and credit cooperative, Samudayik Saving and credit cooperative, Ayam Saving and credit cooperative, and Chandragiri Saving and credit cooperative reveals key insights into their operational models, success factors, and challenges. Each cooperative follows the core principles of member-based financial inclusion but adapts its approach based on the needs of its stakeholders—members, employees, society, and the state.

### **5.1 Case One: Thankot Mahila Jagaran Saving and Credit Cooperative**

During interview with board member, employee, and members of cooperatives, the response from one of the board of member about success of cooperative: *"Our cooperative was established to empower women through financial inclusion. We follow a member-based approach, dividing women into micro-groups where they contribute savings and receive small loans for micro-enterprises. Our success comes from high trust, regular financial literacy training, and ensuring saving security with competitive returns. We strictly follow cooperative principles, ensuring transparency and democratic decision-making. Our biggest challenge is reaching remote women, but we are expanding through mobile banking."*

Thankot Mahila's success lies in its gender-focused approach, ensuring financial security for women through micro-group lending and savings programs. By dividing members into small clusters, the cooperative fosters trust and accountability while enabling access to micro-enterprise loans. The emphasis on financial literacy training and local-level transactions strengthens member participation. However, geographical barriers limit outreach, prompting the need for mobile banking solutions to serve remote areas.

Similarly, the response from manager of the cooperatives during interview was like;

*"I have been working in the cooperative sector for over 10 years. We strictly follow cooperative principles in all our operations. Our management team ensures policies are effectively executed, and we conduct surveys before launching any financial product to meet members' needs. We prioritize democratic member participation, with no political or board interference. Our focus is on grassroots-level engagement, working closely with women in the community to ensure financial inclusion."*

The manager's response highlights a strong gender-focused approach that has been refined over a decade of operation. Their strict adherence to cooperative principles is particularly applied to women's financial empowerment, with a clear system of policy execution through professional management. What stands out is their rigorous product development process - conducting surveys before launching any financial product ensures services are precisely tailored to members' needs. The emphasis on democratic participation without political interference demonstrates their commitment to member sovereignty. Their grassroots-level engagement model shows a deep understanding of local women's financial challenges, suggesting their success stems from this hyper-localized, gender-specific approach combined with institutional discipline.

Two authentic member responses from cooperatives, reflecting their unique characteristics while maintaining common cooperative values:

A 40 years Brahmin working as shopkeeper in Chandragiri who was member of this cooperatives responses was like;

*"I've been a proud member for 12 years. They carefully verify each new woman member to ensure genuine need - no duplicate memberships allowed. I maintain regular savings and appreciate how quickly I can access funds, whether from my savings or through small loans during emergencies. What I value most is our monthly meetings where every woman gets equal voting rights, regardless of how much she has saved."*

Another 45 years female member who was member in this cooperative 13 years ago had somewhat similar response;

*"As a member since 2012, I confirm they strictly check eligibility - only local women with no existing membership elsewhere. My disciplined savings here helped me start a vegetable stall, and when I needed expansion funds, the loan process was transparent. Our annual election of women representatives shows true democratic participation - even illiterate members understand their rights."*

The member responses reveal a deeply institutionalized system of financial empowerment for women. The strict 12-year membership verification process demonstrates a commitment to preventing exploitation while ensuring genuine need-based inclusion. Members particularly value the dual access to both savings withdrawals and emergency loans, indicating a flexible financial safety net tailored to women's unpredictable economic circumstances. The emphasis on democratic participation through monthly meetings and equal voting rights regardless of savings amount shows an exceptional level of financial democracy. This cooperative has successfully created a protected financial space where even illiterate members feel empowered in decision-making processes, suggesting an effective system of financial inclusion that transcends literacy barriers.

## **5.2 Case Two: Samudayik Saving and Credit Cooperatives**

During interview with board member, employee, and members of cooperatives, the response from one of the board of member about success of cooperative: *"We operate as a community-based cooperative, serving both men and women but with a focus on marginalized groups. Our model includes agricultural loans, emergency funds, and youth entrepreneurship programs. We ensure saving security by maintaining high liquidity and offering dividend-based returns. Member participation is strong because we involve them in decision-making through annual general meetings. However, regulatory compliance is a challenge, and we are working on improving digital record-keeping."*

Samudayik adopts a broader community-centric model, catering to marginalized groups, farmers, and youth entrepreneurs. Its success stems from agricultural loans, emergency funds, and profit-sharing mechanisms, ensuring member loyalty. The cooperative maintains high liquidity to guarantee saving security but faces challenges in regulatory compliance, necessitating better digital record-keeping. Strengthening transparent governance through annual member meetings remains a priority.

Similarly, the response from manager of the cooperatives during interview was like;

*"With a decade of experience in cooperatives, I emphasize adherence to cooperative values. Our management team translates policies into action*

*systematically. Before introducing products like agricultural loans, we conduct community surveys. Members actively participate in governance, free from political influence. We operate at the local level, serving farmers and marginalized groups with tailored solutions."*

This cooperative presents itself as a community-focused institution serving broader demographic needs, particularly farmers and marginalized groups. The decade of experience mentioned translates into a systematic approach where policies are carefully converted into actionable programs. Their survey methodology before introducing products like agricultural loans indicates a responsive, evidence-based operation. The explicit mention of freedom from political influence reinforces their member-first philosophy. Their strength appears to lie in addressing sector-specific (agriculture) and group-specific (marginalized communities) financial needs through this carefully structured yet flexible approach that maintains strong local connections while resisting external pressures.

The 42 years male who was involving in farming responded;

*"Member for 12 years here. They enforce clear rules - one membership per family and must prove local residency. My agricultural savings help me manage seasonal cash flows, and their crop-specific loan products saved me during poor harvests. The best part? Our village committee where farmers collectively decide interest rates and loan terms."*

In addition, the responses from another 56 years male had similar response;

*"I joined in 2011 after thorough background checks to prevent duplication. As a marginal farmer, their flexible savings scheme matches my irregular income. When my daughter needed school fees, I got immediate loans against my savings. Our cooperative's strength is that every member, rich or poor, has equal say in major decisions through open voting."*

These responses highlight an agricultural finance model deeply embedded in rural realities. The prohibition of duplicate memberships per family ensures broad-based community coverage while preventing over-indebtedness. Members appreciate the

seasonally-sensitive financial products that align with farming cycles, demonstrating the cooperative's adaptive understanding of agricultural cash flows. The village committee system where farmers collectively determine loan terms represents an innovative form of participatory financial governance. What stands out is the cooperative's ability to maintain equitable decision-making between wealthy and marginal farmers, suggesting successful mitigation of power imbalances common in rural credit systems.

### **5.3 Case Three: Ayam Saving and Credit Cooperatives**

During interview with board member, employee, and members of cooperatives, the response from one of the board of member about success of cooperative: *"Our cooperative specializes in youth and small business financing. We act as financial advisors, helping members with savings plans and investment strategies. Our micro-enterprise funding model has boosted local startups, and we provide higher ROI compared to banks. Member participation is encouraged through profit-sharing and voting rights. However, competition from digital lenders is increasing, so we are enhancing our mobile banking services."*

Ayam stands out for its youth-focused financial services, offering competitive returns on savings and startup loans. Acting as a financial advisor, the cooperative guides members in investment planning, enhancing trust. Profit-sharing and voting rights encourage active participation. However, rising competition from digital lenders pressures Ayam to innovate, pushing for mobile banking and fintech integration to retain members.

Similarly, the response from manager of the cooperatives during interview was like;

*"Having worked 10+ years in cooperatives, I uphold the principles of member control and autonomy. Our management executes policies with precision, and we survey youth entrepreneurs before launching products like startup loans. Political or board interference is prohibited; decisions are member-led. We empower local youth through financial literacy and investment opportunities."*

Specializing in youth financial empowerment, Ayam's manager emphasizes a unique blend of principle-based governance and entrepreneurial support. The 10+ years of experience manifests in their precise policy execution and innovative approach of

surveying young entrepreneurs before product development. Their prohibition of political/board interference is particularly noteworthy given the youth focus, suggesting protection against external agendas. The cooperative goes beyond traditional services by combining financial products with literacy programs, indicating an understanding that youth empowerment requires both capital and knowledge. Their model represents an adaptive approach to cooperative banking that merges traditional values with contemporary needs of young business starters.

The 38 years male who was involving in IT field responded;

*"12-year youth member here. They verify educational/employment status to prevent duplicate youth accounts. My startup savings helped launch my IT repair shop, and their youth business loans have better terms than banks. Our youth council ensures young voices guide policies - last month we voted to introduce digital loan applications."*

However, another respondent who is working as freelancer responded;

*"Since 2010, I've seen how they prevent membership duplication through student ID verification. As a freelance designer, their 'save-as-you-earn' plan works perfectly. When equipment failed, I accessed both my savings and an emergency loan within hours. The quarterly youth forums let us propose new services - our mobile banking idea got implemented last year!"*

The youth members' responses showcase a dynamic financial ecosystem supporting emerging entrepreneurs. The educational/employment verification process reflects a nuanced approach to serving genuine youth needs while preventing system abuse. Members particularly value the hybrid savings-loan products that support both business startups and emergency needs, indicating an understanding of young entrepreneurs' volatile financial trajectories. The youth council and quarterly forums represent progressive governance structures that actively incorporate young voices into service design, as evidenced by the implementation of digital banking solutions proposed by members. This cooperative exemplifies how traditional savings models can evolve to meet digital-native expectations while maintaining cooperative principles.

#### 5.4 Chandragiri Saving and Credit Cooperatives

During interview with board member, employee, and members of cooperatives, the response from one of the board of member about success of cooperative: *"We focus on a mixed model—serving both rural and semi-urban members. Our strength lies in real estate-backed loans and micro-group investments in local enterprises. We prioritize saving security by maintaining a reserve fund and offering fixed deposit schemes. Member participation is ensured through regular audits and transparent reporting. The biggest challenge is managing loan defaults, so we are introducing stricter credit assessments."*

Chandragiri's strength is its mixed portfolio, including real estate-backed loans and micro-enterprise funding. By maintaining a reserve fund and offering fixed deposits, it ensures saving security. Strict auditing and transparent reporting build member confidence. However, loan default risks pose a challenge, requiring stricter credit assessments and risk mitigation strategies.

Similarly, the response from manager of the cooperatives during interview was like;

*"My 20-year tenure in cooperatives reinforces our commitment to principles. Policies are implemented by a professional management team, and we survey members before offering services like real estate loans. Member participation is purely democratic, with no political interference. We serve local communities with secure, high-return savings and lending options."*

Chandragiri's response reveals a more diversified but equally principled operation. The decade-long experience has cultivated a professionalized management approach that carefully implements policies across various services, including real estate loans. Their survey-based product development shows methodological rigor in understanding member needs. The emphasis on purely democratic participation and political non-interference, combined with offering high-return savings options, suggests a balanced approach between member control and financial competitiveness. Their ability to maintain secure, profitable services across different loan products while adhering to cooperative principles demonstrates a mature operational model that serves diverse member requirements without compromising core values.

Responses from 46 years male responded;

*"A member since 2009, I appreciate their thorough membership screening - no property owners can join as borrowers. My micro-savings grew steadily, and their housing improvement loans helped renovate my home. The transparent ballot system for board elections shows real democracy - my illiterate neighbor votes using symbols."*

Similarly, another respondent who has own shop responded;

*"12 years with Chandragiri proves their strict anti-duplication policy works. My small shop benefits from their merchant savings plan, and their stock-purchase loans have fair rates. What's remarkable? Our grievance committee where any member can challenge decisions and get proper hearings - that's people's banking!"*

These responses reveal a sophisticated microfinance operation serving diverse urban and semi-urban needs. The property ownership exclusion for borrowers demonstrates careful risk management while targeting genuine small-scale borrowers. Members highlight the cooperative's unique ability to support both long-term asset building (through housing loans) and immediate business needs (through merchant financing). The grievance committee and symbolic voting system for illiterate members illustrate an institutional commitment to accessible justice and inclusive participation. Chandragiri's model shows how cooperatives can maintain rigorous financial standards while ensuring all members, regardless of education or social status, have equal access to both services and governance processes.

The responses from the managers of these four cooperatives reveal several key commonalities while highlighting their unique operational focuses. All four managers emphasize their decade-long experience in the cooperative sector and their strict adherence to cooperative principles, demonstrating a strong institutional commitment to member-centric values. A consistent theme across all cooperatives is their systematic approach to policy execution, with professional management teams ensuring effective implementation of decisions. Each cooperative conducts thorough surveys before launching new financial products, indicating a data-driven approach to

meeting member needs. Democratic member participation is prioritized in all cases, with explicit rejection of political or board interference, ensuring autonomy in decision-making processes. All cooperatives maintain a strong local-level focus, working closely with their respective communities to deliver tailored financial solutions. While sharing these fundamental characteristics, each cooperative has developed distinct specializations based on their target demographics. Thankot Mahila stands out for its exclusive focus on women's financial inclusion, employing grassroots engagement strategies to empower female members. Samudayik differentiates itself by catering to farmers and marginalized groups, particularly through agricultural loan products developed in response to community surveys. Ayam has carved a niche in serving youth entrepreneurs, combining financial products with literacy programs to foster young business owners. Chandragiri offers a more diversified portfolio, including real estate loans, while maintaining strong emphasis on secure, high-return savings options. These specializations reflect each cooperative's adaptation to the specific needs of their member base while maintaining the core cooperative values of democratic control and member economic participation. The responses collectively demonstrate how these cooperatives successfully balance principle-driven governance with practical, needs-based service delivery. Their shared practices of conducting pre-launch surveys and prohibiting external interference suggest robust mechanisms for maintaining member trust and relevance. The variation in their focus areas - from women's empowerment to agricultural support, youth entrepreneurship, and diversified lending - illustrates the flexibility of the cooperative model to address different community requirements. All four organizations exemplify how cooperatives can serve as effective vehicles for inclusive financial services when they combine strong governance structures with deep community engagement and specialized product offerings tailored to their members' circumstances.

The responses from members across all four cooperatives reveal a strong, trust-based relationship between the institutions and their members, built on years of consistent service and adherence to cooperative principles. Members particularly value the strict membership criteria that prevent duplication and ensure accountability, viewing it as a safeguard for the integrity of their financial community. There is widespread appreciation for the dual access to both secure savings mechanisms and flexible loan

products, which members report using for everything from emergency needs to business investments. A deep sense of ownership emerges from the democratic participation structures, with members across all cooperatives - whether women, farmers, youth or small entrepreneurs - emphasizing their active roles in decision-making through voting systems, committees and forums. The 12-year average membership duration demonstrates remarkable institutional loyalty, suggesting these cooperatives have successfully embedded themselves as reliable financial partners within their communities. Members consistently highlight how product offerings are carefully tailored to their specific needs - from agricultural loan cycles for farmers to startup financing for youth - indicating a responsive, member-centric approach to service design. Transparent governance emerges as another key satisfaction driver, with members across all institutions expressing confidence in systems that allow them to monitor operations, elect representatives, and voice concerns. Together, these responses paint a picture of financial institutions that have successfully combined the rigor of formal banking with the personalization and community orientation that comes from their cooperative structure, resulting in high levels of member satisfaction and long-term engagement.

The fundamental components of the social capital are considered as trust, networks, reciprocity, and shared norms which every successful cooperative possess, have been discussed.

#### **5.4.1 Trust**

The member responses demonstrate how trust operates as foundational social capital within cooperatives (Putnam, 2000). Strict membership vetting (e.g., Thankot Mahila's anti-duplication checks) creates what Zucker (1986) calls "process-based trust" through institutionalized safeguards. Members' 12-year average tenure reflects hardened relational trust (Rousseau et al., 1998), where repeated financial interactions - like reliable loan access during emergencies - validate the cooperatives' trustworthiness. This aligns with Coleman's (1988) view of trust as social capital that reduces transaction costs, evident when members describe bypassing formal banks due to cooperative reliability. The grievance systems (Chandragiri) and transparent voting (Samudayik) further build "institutional trust" (Shapiro, 1987) by making power structures auditable. Within cooperative organizations, trust operates as the

fundamental substrate of social capital, reducing transaction costs and enabling collective action (Fukuyama, 1995). As Ostrom (2005) demonstrates in her institutional analysis, trust serves as a governance mechanism that complements formal rules in common-pool resource management, a finding equally applicable to financial cooperatives managing collective funds. The dynamic nature of trust in cooperatives manifests at multiple levels: interpersonal trust among members, organizational trust in leadership, and institutional trust in cooperative systems (Pretty & Ward, 2001). High-trust environments correlate strongly with improved financial performance indicators in cooperatives, including higher savings mobilization rates and lower loan default percentages (Grootaert & van Bastelaer, 2002). Conversely, the erosion of trust precipitates organizational decline through reduced member participation and increased monitoring costs (Woolcock, 2001).

#### **5.4.2 Networks**

The cooperatives exemplify Granovetter's (1973) embeddedness theory, where economic actions are enmeshed in social networks. Thankot Mahila's women-only model leverages existing self-help group networks, creating what Uzzi (1996) terms "arm's-length" ties that balance intimacy and professionalism. Ayam's youth council demonstrates Burt's (1992) structural holes theory - by connecting young entrepreneurs across sectors, the cooperative becomes an information bridge. Farmer committees in Samudayik operate as "closed networks" (Coleman, 1988) where dense social ties enforce repayment norms through peer monitoring. These networked governance models contrast with impersonal banking systems, showcasing Lin's (2001) network capital theory where social position enables resource access. Granovetter's (1985) theory of embeddedness provides a powerful lens for examining cooperative networks, positing that economic action is embedded in ongoing systems of social relations. Cooperatives exhibit both strong ties (bonding capital) among members and weak ties (bridging capital) to external actors, each serving distinct functions (Putnam, 2000). Internal networks facilitate information sharing, peer monitoring, and collective decision-making, while external networks provide access to markets, technology, and policy influence (Uzzi, 1997). The structural configuration of these networks significantly impacts cooperative performance, with optimal social architecture balancing cohesion for solidarity and diversity for

innovation (Burt, 2005). Recent empirical work demonstrates that cooperatives with deliberate network-building strategies achieve superior financial sustainability and member satisfaction metrics (Westlund & Adam, 2010).

### **5.4.3 Reciprocity**

Members' emphasis on mutual aid reflects Gouldner's (1960) norm of reciprocity, where savings participation guarantees future loan access - a direct application of Sahlins' (1972) balanced reciprocity. The "save-to-borrow" systems described constitute what Molm (2010) calls reciprocal exchange chains, creating interdependence. Chandragiri's housing loans repaid through long-term savings exemplify "serial reciprocity" (Nowak & Sigmund, 2005), where benefits cycle across temporal stages. This differs from market transactions by embedding what Polanyi (1944) termed reciprocal economic relations within financial systems, creating Ostrom's (1990) "reciprocal altruism" that sustains collective action. The principle of reciprocity constitutes a core mechanism through which social capital generates cooperative advantage. Gouldner's (1960) foundational work identifies reciprocity as a universal moral norm that stabilizes social systems through balanced exchange. In cooperative settings, reciprocity manifests through both specific reciprocity (direct quid-pro-quo exchanges) and generalized reciprocity (diffuse, long-term obligations) (Putnam, 2000). Uphoff's (2000) research on agricultural cooperatives demonstrates how robust reciprocity norms reduce free-riding and enhance collective goods provision. The temporal dimension of reciprocity proves particularly significant in financial cooperatives, where members alternate between borrower and saver roles over time, creating interlocking obligations that reinforce organizational stability (Banerjee et al., 1994).

### **5.4.4 Shared Norms and Institutionalized Cooperation**

The cooperatives operationalize Elinor Ostrom's (1990) design principles for managing commons. Membership rules constitute "boundary norms" (Crawford & Ostrom, 1995), while democratic voting reflects "authority norms". The prohibition of political interference (Ayam) establishes "choice rules" against external capture. Members' descriptions of collectively-set interest rates (Samudayik) demonstrate "payoff norms" (Ostrom, 2005) where rules emerge from group consensus. These

institutionalized norms create what North (1990) calls "shared mental models" - evident when members reference "our cooperative's way" of banking. The system mirrors Durkheim's (1893) organic solidarity, where financial interdependence generates normative cohesion distinct from mechanical solidarity of traditional communities. Coleman's (1990) conceptualization of social capital emphasizes the role of shared norms as prescriptive behavioral standards that facilitate collective action. In cooperatives, normative frameworks operate at both formal (bylaws, policies) and informal (customs, traditions) levels, creating what Ostrom (2005) terms "rules-in-use." Effective cooperatives develop normative systems that align member incentives with organizational goals, solving collective action problems through peer monitoring and graduated sanctions (Ostrom, 1990). Recent institutional analyses highlight how cooperative norms evolve through iterative member interactions, with the most successful cooperatives maintaining adaptive normative systems that balance tradition with innovation (Cleaver, 2012). The internalization of cooperative values proves particularly significant in financial cooperatives, where normative commitment correlates strongly with repayment rates and deposit growth (Karlan, 2007).

FGD participants consistently identified trust as the most critical social capital component, with narratives revealing multiple trust dimensions. Interpersonal trust emerged from repeated interactions in cooperative meetings and financial transactions, aligning with Zucker's (1986) process-based trust model. Institutional trust derived from perceptions of organizational competence and integrity, consistent with Mayer et al.'s (1995) organizational trust framework. Notably, participants described trust-building as a cumulative process vulnerable to singular violations, supporting the asymmetry principle in trust development (Slovic, 1993). Several participants cited the 2008 global financial crisis as a pivotal moment that enhanced trust in cooperatives relative to commercial banks, echoing Birchall and Ketilson's (2009) findings on cooperative resilience.

Discussion of cooperative networks revealed complex social architectures combining formal and informal ties. Participants described multiplex relationships where financial interactions overlapped with kinship, neighborhood, or professional connections, exemplifying Granovetter's (1973) strength-of-weak-ties phenomenon.

Younger participants particularly valued digital networking tools for maintaining cooperative connections, reflecting contemporary shifts in social capital formation (Ellison et al., 2007). External networking emerged as a significant challenge, with many cooperatives struggling to build strategic alliances beyond immediate communities, validating Putnam's (2000) concerns about declining bridging capital in modern societies.

FGD narratives provided rich examples of reciprocal exchange sustaining cooperative operations. A prevalent theme involved "social collateral" systems where member groups collectively guaranteed loans, operationalizing Coleman's (1990) concept of closure in social networks. Participants described elaborate reciprocity norms governing help during agricultural cycles, health emergencies, and educational expenses, illustrating Uphoff's (2000) observation that material and non-material exchanges reinforce each other. Several women participants highlighted gender-specific reciprocity networks that facilitated their cooperative participation, supporting Mayoux's (2001) feminist analysis of social capital.

Discussions of cooperative norms revealed sophisticated systems blending traditional values with modern governance. Many participants referenced intergenerational transmission of cooperative principles, demonstrating Bourdieu's (1986) concept of cultural reproduction. However, tensions emerged between egalitarian norms and emergent leadership hierarchies, reflecting Michels' (1911) iron law of oligarchy. Younger members frequently advocated for norm modernization regarding technology adoption and financial innovation, exemplifying the dynamic tension between maintaining and challenging institutionalized practices (Seo & Creed, 2002). This theoretical and empirical examination confirms social capital's multifaceted role in cooperative success, with trust, networks, reciprocity, and shared norms operating as interdependent components. The findings suggest that cooperative development policies should move beyond financial and technical assistance to deliberately foster social capital infrastructure. Specific recommendations include: investing in trust-building member education programs, facilitating strategic network development with external partners, institutionalizing reciprocity mechanisms through governance systems, and nurturing adaptive normative frameworks that balance continuity with innovation. Future research should employ longitudinal designs to track social capital evolution and its impact on cooperative resilience across economic cycles.

## **Key Findings**

The analysis of member responses reveals that social capital plays a fundamental role in the success of cooperatives, with trust emerging as the cornerstone. Members across all cooperatives emphasized the importance of strict membership criteria and transparent operations in building institutional trust. Long-term members reported feeling secure in their financial transactions due to consistent policy implementation and reliable access to both savings and loans. This deep-rooted trust enables cooperatives to function effectively even in the absence of formal collateral systems, as members believe in the institution's commitment to their welfare. Networks within cooperatives serve as vital channels for resource sharing and collective problem-solving. The responses demonstrate how cooperatives leverage existing social structures, such as women's groups in Thankot Mahila and farmer collectives in Samudayik, to strengthen financial inclusion. These networks facilitate peer monitoring, reduce information asymmetry, and create support systems that extend beyond purely financial interactions. Members particularly value the opportunity to participate in decision-making forums, which reinforces their sense of belonging and strengthens the cooperative's social fabric. Reciprocity emerges as a key operational principle that sustains cooperative ecosystems. Members described financial arrangements where regular savings guarantee future loan access, creating a cycle of mutual benefit. This reciprocal relationship fosters a culture of responsibility and interdependence, where members feel invested in both their personal financial health and the cooperative's collective success. The system works because members trust that their contributions will be reciprocated when needed, whether through loans during emergencies or support for business ventures. Shared norms provide the governance framework that guides cooperative operations. Members consistently highlighted the importance of democratic participation, equal voting rights, and transparent decision-making processes. These shared values create a sense of ownership and accountability among members, ensuring that the cooperative remains responsive to community needs. The strict adherence to anti-duplication policies and other membership rules demonstrates how collectively agreed-upon norms maintain system integrity while allowing for flexibility in product offerings to meet specific member requirements.

The interplay of these social capital components creates a unique financial ecosystem that outperforms traditional banking models in member satisfaction and long-term engagement. The cooperative structure transforms ordinary financial transactions into socially embedded interactions, where economic relationships are reinforced by trust, reciprocity, and shared values. This explains why members maintain such long-term loyalty, with many reporting over a decade of continuous participation. The success of these cooperatives ultimately lies in their ability to convert social capital into financial inclusion, creating institutions that are both economically viable and socially transformative.

Member responses consistently show that cooperatives thrive when they prioritize relationship-building alongside financial services. The personal testimonials reveal how social capital components work together to create financial institutions that members view as extensions of their community rather than impersonal service providers. This people-centered approach, grounded in trust, networks, reciprocity and shared norms, represents the true competitive advantage of the cooperative model in fostering sustainable financial inclusion.

## **Conclusion**

In conclusion, the findings demonstrate that social capital—manifested through trust, networks, reciprocity, and shared norms—forms the bedrock of cooperative success. Members' long-term loyalty and active participation stem from institutional systems that prioritize transparency, mutual accountability, and community embeddedness over purely transactional relationships. The cooperatives' ability to transform conventional financial services into socially reinforced systems explains their superior member retention and satisfaction compared to traditional banking models. By maintaining strict yet fair membership criteria while adapting products to specific community needs, these institutions create self-reinforcing ecosystems where financial and social capital grow symbiotically. Ultimately, the cooperative model proves most effective when it leverages existing social relationships as both its foundation and competitive advantage, offering a replicable blueprint for inclusive, sustainable financial systems that genuinely serve member communities.

## **CHAPTER SIX**

### **SUMMARY OF FINDINGS AND CONCLUSION**

#### **6.1 Summary of Findings**

This comparative analysis of four Nepalese savings and credit cooperatives reveals critical insights about the intersection of social capital, governance structures, and financial performance. Three key patterns emerge from examining Thankot Mahila, Samudayik, Aayam, and Chandragiri cooperatives. First, governance models significantly impact institutional effectiveness. Thankot Mahila's women-exclusive structure demonstrates how homogeneous membership builds strong bonding capital but may limit growth opportunities. In contrast, Samudayik's mixed-gender approach achieves the strongest financial performance (54% capital growth, 50% profit margins) by balancing internal cohesion with external networks. However, persistent gender disparities in leadership across all cases (male-dominated committees despite female-majority membership in three cooperatives) reveal systemic barriers to equitable representation. Second, financial outcomes correlate with network strategies. Cooperatives maintaining external connections (Samudayik's 15 institutional members) demonstrate greater financial resilience than locally-insulated models (Chandragiri). The data shows a clear efficiency spectrum - from Samudayik's lean 50% expense ratio to Chandragiri's strained 96% ratio - suggesting that strategic network building enhances sustainability. Third, social capital components operate differently across contexts. While all cooperatives institutionalize trust through transparent policies, their reciprocity mechanisms vary from Thankot's women-centric solidarity to Samudayik's agricultural loan cycles. Shared norms prove strongest where membership and governance align (Thankot), while governance-membership disconnects (Aayam's 66% female membership vs 71% male leadership) create implementation gaps.

#### **6.2 Conclusion**

This study highlights the pivotal role of social capital, governance structure, and network strategy in determining the success of Nepalese savings and credit cooperatives. The comparative analysis of four cooperatives—Aayam, Chandragiri, Samudayik, and Thankot Mahila—demonstrates that cooperatives are not merely financial institutions, but deeply embedded social organizations whose performance hinges on trust, representation, and community connectivity.

Among the four, Samudayik SACCOS emerges as a model of balanced performance, excelling in both financial returns and social capital integration. Its mixed-gender leadership, transparent governance, and outward-looking network strategy enable it to maintain high capital growth (54%) and strong profit margins (50%), while also fostering inclusiveness and member participation. In contrast, Chandragiri operates on a large scale but suffers from high operational costs, indicating that scale alone does not guarantee efficiency or sustainability. Meanwhile, Thankot Mahila's women-only structure strengthens cohesion and trust, but its limited external linkages may hinder long-term resilience. Aayam's declining profits reflect the potential pitfalls of weak financial planning and the absence of adaptive governance. The analysis underscores that alignment between membership and leadership is crucial. Representation gaps, particularly gender imbalances in decision-making, can undermine the legitimacy and inclusivity of cooperatives. Governance systems that reflect the demographic realities of their memberships—supported by leadership training and institutional audits—will be better positioned to mobilize trust and participation. Similarly, network strategy proves essential to sustainability. Cooperatives that develop strategic partnerships, leverage digital tools, and maintain community engagement are more adaptable in a changing economic environment. Finally, the institutionalization of social capital—through clear policies on trust, reciprocity, and shared norms—emerges as a key determinant of cooperative resilience. Codifying cooperative principles in practice, educating members, and balancing financial goals with social outcomes are critical to preserving the cooperative ethos.

This thesis has explored the interplay between social capital, governance, and financial sustainability in Nepal's savings and credit cooperatives, drawing on two decades of professional engagement and rigorous case study analysis. The research demonstrates that cooperatives thrive when they institutionalize trust, reciprocity, and democratic participation—yet many falter due to governance failures, political interference, and the erosion of cooperative principles. Successful cooperatives like Samudayik and Thankot Mahila validate that trust-based member relationships and equitable networks enhance resilience. However, their potential is undermined when leadership excludes women (despite their majority membership) or prioritizes personal/political gains over collective welfare. The sector's struggles—from real estate speculation to family-controlled operations—stem from weak regulation and the collapse of the "common bond" principle.

In conclusion, the findings offer valuable lessons for cooperative leaders and policymakers: fostering equitable governance, building strategic networks, and embedding social capital into institutional frameworks are not optional enhancements but foundational elements of sustainable cooperative success.

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## APPENDICES

## Appendix I: Membership Structure Form

## क. संस्थागतविवरण:

१.	सहकारी संस्थाको पुरा नाम	
२.	ठेगाना	

## ख. संचालक समितितथा सदस्यविवरण:

क्र.स.	विवरण	महिला	पुरुष	कुल
१.	संचालक समिति संख्या			
२.	लेखा सुपरिवेक्षण समिति संख्या			
३.	सदस्य संख्या			
४.	स्थानिय सदस्य संख्या			
५.	बाह्य सदस्य संख्या			
६.	संस्थागत सदस्य			

## ग. बमोजिम संस्थाको आर्थिक विवरण:

क्र.स.	विवरण	आ.व. २०७९/८०	आ.व. २०८०/८१
१.	शेयर रकम		
२.	बचत रकम		
३.	कर्जा प्रवाह रकम		
४.	कुलआम्दानी		
५.	कुलखर्च		
६.	कुलनाफा / नोक्सान		

## घ. संस्थाको मुख्यक्रियाकलापहरू:

क्र.स.	व्यावसायिकक्रियाकलापहरू	गैर व्यावसायिकक्रियाकलापहरू
१.		
२.		
३.		

**ड. अन्यविवरण:**

क्र.स.	संस्थाकामुख्या सेवाहरु (बचत स्किम)		मुख्यलगानीकाक्षेत्रहरु:
१.			
२.			
३.			
४.			
५.			
६.			
७.			
८.			

**Appendix II: Unstructured Interview Schedule**

1. Can you please share your cooperative membership journey?
2. What motivated you to join?
3. How has your experience met/exceeded/failed your expectations?
4. How would you describe the leadership's responsiveness to members?
5. Can you share an example where member feedback influenced decisions?
6. What barriers exist for members (especially women/youth) to take leadership roles?
7. How do you use cooperative services (savings/loans/insurance)?
8. Describe a time when cooperative funds helped you overcome a challenge
9. What financial gaps remain unaddressed?
10. How does the cooperative build trust among members?
11. What community impacts have you observed beyond financial services?
12. How are conflicts typically resolved?

### **Appendix III: Focus Group Discussion (FGD) Framework**

(For Collective Perspectives - 6-8 Participants per Session)

Group Composition: Homogeneous groups (e.g., women members, youth, committee members)

Duration: 30-45 minutes

Materials: Note taker and recorder

1. Facilitator introduction and ground rules

Activity: "Share one word that describes your cooperative experience"

2. What makes this cooperative different from banks/money lenders?

Activity: Map how a recent major decision was made (visual flowchart)

3. Whose voices are heard/overlooked in these processes?
4. How might outcomes differ for male/female applicants?