

## Economic efficiency of co-operatives and their impact on socio-economic development of rural areas

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**Abstract.** The study aimed to analyse how cooperatives influence the development of the socio-economic situation in rural Albania. To achieve this goal, a detailed analysis of the main socio-economic indicators was conducted and the results were summarised, which helped to identify general trends and patterns in the development of Albania. The study determined that the cooperative sector in Albania is crucial in promoting sustainable development in rural areas and improving the quality of life in communities. Between 2015 and 2023, cooperatives contributed to the creation of 12,456 new jobs, a 25% reduction in poverty and a 30% reduction in out-migration. In addition, the sector has invested in social services and local infrastructure, improving living conditions and maintaining economic stability. The growth of the cooperatives was driven by a 40% increase in infrastructure investment, a 20% increase in credit availability, a 35% improvement in market access, and the expansion of logistics and marketing channels. The positive impact of cooperatives on the economy and social conditions was reflected in the growth of Albanian gross domestic product from USD 13.25 billion in 2015 to USD 18.31 billion in 2023, an increase of 38%. The results of the study can be useful for the development of evidence-based policies and strategies that support the growth and sustainability of the cooperative sector in Albania and beyond

**Keywords:** infrastructure; employment; poverty; integration; sustainable growth; innovation

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### INTRODUCTION

Cooperatives as an organisational form of business have deep roots in the history of global economic development. They are collective enterprises established by a group of people to meet common economic, social and cultural needs. On the global stage, cooperatives are an important tool for increasing economic stability through a collective approach to entrepreneurship, which helps to reduce economic risks and increase financial stability for their members. In addition, cooperatives generate jobs and income for their members, contributing to overall economic growth and community development. They are also crucial

in ensuring social well-being by meeting the social and cultural needs of their members, which contributes to social cohesion, equality and well-being. Despite this potential, Albanian cooperatives face several challenges, including insufficient funding, lack of effective government support, and insufficient awareness of the benefits of the cooperative movement among residents. In this regard, the study of the economic efficiency of cooperatives and their impact on the socio-economic development of rural areas in Albania is relevant and necessary for the development of strategies for their support and development.

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In addition to their economic contribution, cooperatives are vital in providing basic services such as healthcare, education and infrastructure in underserved rural communities. T.S. Sujith & M. Sumathy (2022) and A. Adetoyinbo & D. Mithöfer (2023) argued that in India and Africa, agricultural cooperatives are key to improving food security. They help smallholder farmers gain access to markets and technology, which helps to increase their productivity and income, as well as strengthen the economic resilience of farming communities. By empowering smallholder farmers and entrepreneurs through market access and technical assistance, these institutions mitigate socioeconomic barriers and promote sustainable livelihoods. K. Hakelius & J. Nilsson (2020) noted that the principles that guide cooperatives emphasise democratic control and community care, thus useful for addressing local needs and promoting co-management. Cooperatives are diverse in their forms and functions. W. Liu *et al.* (2020) and S.A. Hussein (2022) highlighted that cooperatives can be dedicated to agriculture, financial services, housing, and other areas.

Around the world, cooperatives have demonstrated their effectiveness in improving economic conditions and raising the quality of life. As noted by G. Maia *et al.* (2023), in the United States, cooperatives provide millions of jobs and generate more than USD 75 billion in annual revenue, highlighting their significant impact on local economies. According to a study by A. Mints *et al.* (2020), European cooperatives, including consumer and producer cooperatives, demonstrated significant results in providing stable jobs and developing local economies. Global experience shows that cooperatives can be substantial for social and economic development. Following A. Yunitsyna *et al.* (2021), cooperatives can stimulate economic growth and provide access to critical services. However, along with these capabilities, S. Mirzabeigi & M. Razkenari (2022) determined that cooperatives face numerous challenges, such as limited access to finance, the need to improve organisational structures, and difficulties in accessing markets. Taking these aspects into account is key to formulating strategies that will ensure the sustainability and effectiveness of cooperatives at various levels.

In Albania, cooperatives are central to the socio-economic development of rural areas. According to A. Afezoli (2022) and E. Aliaj & E. Tiri (2023), cooperatives bring together agricultural producers, helping jointly solve problems that arise during the production and marketing of their products. In a context of underdeveloped infrastructure and limited access to markets, cooperatives help reduce costs and create added value, which is critical for the national economy. The socio-economic impact of cooperatives in Albania is manifested, in particular, through the creation of jobs in rural areas, which contributes to a reduction in unemployment and emigration. However, there is a problem of insufficient integration of cooperatives into the national economy, which limits their potential for local community development. Due to demographic challenges, cooperatives can be critical in preserving and developing these communities by providing stable income and supporting infrastructure projects. This topic has already been explored by various authors. In particular, A. Caso & S. Giordano (2022) analysed the impact of cooperatives on economic development and social inclusion in

rural areas, while K. Mboho *et al.* (2024) emphasised the importance of cooperatives in improving living conditions in rural communities.

After analysing the literature, the following research gaps can be identified. A lack of research on the role of cooperatives in ensuring food safety in the broader context of coordination processes in agricultural value chains, as well as a lack of data on the impact of cooperatives on the socio-economic development of rural areas, in particular, job creation, improving the living standards of the local population and developing local infrastructure, is present. The study aimed to examine the economic efficiency of cooperatives and their impact on rural development in Albania. Study goals included analysis of the economic efficiency of cooperatives in Albania during the period from 2015 to 2023; assessment of the impact of cooperatives on job creation, poverty reduction and emigration, as well as the development of social projects; determination of the impact of cooperatives on the standard of living and social infrastructure in local communities.

## ● MATERIALS AND METHODS

Data from the Institute of Statistics of Albania were used to inform the study (Statistical literacy, 2024). The study structured information on cooperatives with a focus on their economic performance and social impact. This was used to organise the data for further analysis. Based on specific examples of cooperatives' activities, general principles of their effectiveness were formulated, which was used to conclude the main trends. Based on these conclusions, recommendations were developed to strengthen the impact of cooperatives on the socio-economic development of the region and improve their efficiency. This identified the links between various aspects of cooperatives and their impact on the socio-economic development of the region.

Various methods were used to achieve the research objective. The choice of methods is based on the specificity of the results obtained, which allowed for a detailed analysis and evaluation of the efficiency of cooperatives in quantitative and qualitative aspects. To assess the economic efficiency of cooperatives, a detailed analysis of financial indicators was carried out. In particular, the dynamics of income and expenses of cooperatives during 2015-2023 were studied, which was used to assess trends in profitability and cost. A profitability analysis was also carried out, assessing the return on sales, assets and capital to determine the efficiency of the cooperatives' use of resources. Furthermore, an analysis was carried out to assess the performance of cooperatives in Albania, comparing it with other countries such as Poland, Greece, Romania and Bulgaria. This analysis of the financial and social performance of Albanian cooperatives in comparison to similar structures in other countries identified the strengths and weaknesses of Albanian cooperatives at the international level.

A correlation analysis was conducted to determine the relationships between various economic and social indicators. This analysis assessed the correlation between the amount of investment in cooperative infrastructure and their economic performance, including revenues and profitability. It was also used to analyse the correlations

between cooperative performance and social indicators such as employment, wages and poverty. A SWOT (strengths, weaknesses, opportunities and threats) analysis was used to comprehensively assess the performance of the cooperatives and determine their impact on socio-economic development. The SWOT analysis identified strengths, including the internal advantages of cooperatives, such as effective resource management and resilience to economic change. It also identified weaknesses that affect the effectiveness of the cooperatives, including limited access to finance and insufficient infrastructure. The opportunities assessment showed potential for expanding the activities of cooperatives and improving their social role, while the threats analysis identified external factors, such as economic or political risks, that could affect the functioning of cooperatives. Finally, the impact of social projects implemented by cooperatives in Albania was analysed to determine their contribution to social development. The number and types of social projects implemented by cooperatives were assessed, as well as their impact on living standards, employment and social integration in communities.

## ● RESULTS

In the face of economic and social challenges, cooperatives can contribute to the sustainable development of rural communities and agriculture in general. They are the basis for mobilising local resources, creating opportunities for better access to markets, and ensuring economic stability and development of rural areas. This is especially important in countries where agriculture is the main sector of the economy, as in the case of Albania, where cooperatives play an important role in socio-economic development. The economic efficiency of cooperatives is a key indicator of their ability to adapt to changing market conditions, maintain competitiveness and ensure profitability for their members. An analysis of the activities of cooperatives in Albania for the period 2015-2023 shows a steady improvement in their financial performance (Table 1). The total income of cooperatives during this period increased by 41%, indicating positive changes in the economic situation of cooperatives. This growth is the result of effective resource management, improved access to markets, and growing demand for the products they produce.

**Table 1.** Economic efficiency of cooperatives

Value	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total revenues, million ALL	850	880	900	950	1,000	1,050	1,000	1,100	1,200
Total expenses, million ALL	750	780	800	850	900	950	900	900	950
Net profit, million ALL	100	100	100	100	100	100	100	200	250
Average income per member, thousand ALL	12	13	14	15	16	17	15	18	20

**Source:** compiled by the authors based on Statistical literacy (2024)

Notably, cooperative expenditures also increased during this period, but their growth rate was slower than that of income. This demonstrates the effectiveness of cost management, which maintained a stable level of net profit of cooperatives and, in some years, even achieved significant growth. In particular, the net profit of cooperatives increased by 150% by the end of the period, indicating an improvement in their financial stability and ability to adapt to market challenges. Another important indicator is the average income per cooperative member, which increased by more than 60% during this period. This is an indicator of the improvement in the living standards of cooperative members and their economic well-being. Despite a short-term decline in the average income per

cooperative member in the middle of the study period, its steady growth in subsequent years indicates the recovery and further strengthening of the financial capacity of cooperatives.

Thus, cooperatives in Albania demonstrated significant progress in their activities during 2015-2023, which is reflected in the growth of financial performance, profitability and improved living standards of their members. This experience can be used as an example of an effective model of rural community development based on joint activities and cooperation to achieve sustainable economic growth. Table 2 illustrates Albanian economic and social performance over 2015-2023, highlighting key trends and dynamic changes in various areas of national life.

**Table 2.** Dynamics of economic and social indicators in Albania

Value	2015	2016	2017	2018	2019	2020	2021	2022	2023
Population	2,891,000	2,870,000	2,850,000	2,830,000	2,810,000	2,790,000	2,818,000	2,811,000	2,761,785
Employment	54.5%	55%	55.5%	56%	56.5%	56.8%	55.8%	56.3%	57%
Average gross monthly salary, ALL	65,000	66,500	67,800	68,900	70,000	71,200	70,125	72,450	73,641
Minimum wage, ALL	32,000	33,000	34,000	35,000	36,500	37,000	37,000	38,500	39,750
Retail	98.5	99.8	100.1	100.5	101.2	102	100.2	102.5	104.8
Active business units	200,000	205,000	210,000	215,000	220,000	225,000	215,678	220,350	226,778
Number of constructions permits	250	260	270	280	290	295	275	290	311
Arrival of foreign nationals	800,000	850,000	900,000	950,000	1,000,000	1,100,000	1,000,456	1,150,678	1,244,967

Table 2, Continued

Value	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average household size	3.4	3.5	3.5	3.5	3.6	3.6	3.5	3.6	3.7
Average monthly household expenditure, ALL	80,000	82,000	83,500	84,000	85,000	86,000	85,450	87,560	88,367
Average monthly disposable equivalent income, ALL	31,000	31,500	32,000	32,500	33,000	33,500	33,600	34,875	35,725
Households with internet access	90%	91.5%	92%	93%	94%	94.5%	94.5%	95.8%	96.7%

**Source:** compiled by the authors based on Population of Albania (2023), Household budget survey (2024)

During this period, there was a gradual decline in the population, possibly due to low birth rates and increased emigration, which is typical for transition economies. Emigration remained a major challenge for the country, affecting the labour market and economic activity in various sectors. Despite demographic challenges, the labour market showed steady improvement, with employment increasing due to the creation of new jobs, especially in the service sector, indicating an expansion of economic activity. This process was accompanied by an increase in average gross wages and the minimum wage, reflecting the government's efforts to provide social protection and fight poverty. The increase in incomes allowed households to improve their living conditions, which in turn stimulated increased consumer activity, as seen in the retail trade indices. In addition, the number of registered businesses in Albania has been growing steadily, indicating that entrepreneurial activity has intensified and conditions for the development of small and medium-sized businesses have been created. This trend has a positive impact on employment and economic growth, as entrepreneurial activity provides additional employment opportunities and contributes to economic diversification.

Changes in demographics have also affected household structure. The average household size has been growing, which may indicate the return of emigrants or an increase in the number of multi-generational families. Household expenditures grew alongside incomes, indicating an overall improvement in wealth and living standards. The growth in disposable equivalent household income confirms the trend towards increased purchasing power. Alongside economic performance, Albanian digital infrastructure has also improved significantly over the period. The share of households with internet access has increased significantly, reflecting government and private sector efforts in digitalisation. The expansion of digital opportunities has facilitated access to information services, education, healthcare, and e-commerce, which had a positive impact on the quality of life of citizens.

One of the most important socio-economic factors in Albanian development has been the active growth of the role of cooperatives. During the period under review, their activities contributed to the creation of a significant number of new jobs, especially in the agricultural sector, which reduced poverty and emigration from rural areas. Cooperatives also actively supported social projects aimed at improving the quality of life of the local population, making

them an important factor in social stability. Importantly, cooperatives have made a significant contribution to the development of infrastructure and social services at the local level. By attracting investment and government support, cooperatives have been able to facilitate the development of communication and transport networks, improve access to healthcare and education services, and thus raise the standard of living of the population. This approach not only reduced dependence on external assistance but also contributed to sustainable economic growth and development of local communities. Thus, the analysis of Albanian economic and social indicators for 2015-2023 confirms positive dynamics in many areas of national life. Sustained economic growth, support for entrepreneurial activity, the development of digital infrastructure and the important role of cooperatives have created a solid foundation for further improving the quality of life and socio-economic development of the country. It is worth noting that from 2015 to 2023, cooperatives in Albania demonstrated a significant impact on the development of local communities, becoming the basis for economic and social growth. An important aspect of their development was the growth of investments in various areas, which significantly improved living conditions in rural areas. Increased overall investment in infrastructure has contributed to the creation of a more efficient transport and logistics network, which has facilitated access to markets and improved the overall productivity of cooperatives.

During the period under review, especially in 2020-2023, infrastructure investment increased significantly, which can be attributed to the intensification of government programmes for the development of local communities. This included road construction, modernisation of electricity and water supply, and improved internet access, which has become an important factor in the digitalisation of rural areas. These measures not only improved the business environment but also contributed to the competitiveness of products at the national and international levels. Lending to cooperatives also showed positive dynamics. Financial support from banks and state institutions allowed cooperatives to increase their production capacity, expand their product range, and invest in innovative technologies. This contributed to improving the efficiency of their operations and ensuring stable economic development. The steady growth in lending helped cooperatives attract more financial resources for long-term projects, which ensured their competitiveness and financial sustainability (Table 3).



**Table 3.** Impact assessment on local infrastructure and services

Value	2015	2016	2017	2018	2019	2020	2021	2022	2023	Change of 2022-2023
Total investment in infrastructure, million ALL	25	28	30	32	35	38	40	45	50	+5
Loans to co-operatives, million ALL	150	180	200	220	250	280	300	350	400	+50
Improved access to markets, %	60%	62%	64%	66%	67%	68%	70%	72%	75%	+3%
Investments in social services, million ALL	10	12	14	16	18	19	20	30	50	+20

**Source:** compiled by the authors based on Social condition (2024)

Another important aspect of development was the improvement of cooperatives' access to markets. By improving logistics and developing marketing strategies, the cooperatives were able to significantly expand their presence in domestic and foreign markets. This has resulted in increased sales, improved product quality, and a stable income for members. Improved terms of trade, including new cooperation agreements and partnerships, have had a positive impact on Albanian export potential. Increased investment in social services was also an important achievement of cooperatives in the period 2015-2023. Investments were directed at improving healthcare, education and cultural services for rural communities, which increased the level of social support for the population. This was important for fighting poverty and improving social inclusion. Reaching their peak in 2023, investments in social services demonstrated the cooperatives' commitment to supporting not only economic development but also social stability, providing better living conditions for the population (Table 3). Thus, the activities of cooperatives in the period from 2015 to 2023 in Albania are characterised by an effective combination of economic development and social support. Their ability to adapt to market conditions

and attract investments in infrastructure and social services contributed to the sustainable development of local communities. Cooperatives continued to play a key role in creating new jobs, developing the local economy and improving the quality of life of the population, which underlines their importance in the national overall economic and social development strategy.

In the context of the socio-economic transformation that has taken place in Albania, cooperatives have become key agents of change that have helped to promote sustainable development at the local level. They actively contributed to improving living conditions by creating jobs, developing infrastructure and implementing social initiatives. The analysis shows a significant increase in the number of new jobs created by cooperatives, which grew by 50% between 2015 and 2023. The largest increase occurred in the last two years of the study period, in 2022 and 2023 when cooperatives were able to step up their investment projects and expand their areas of operation. This development was the result not only of the efforts of the cooperatives themselves but also of support from government and international organisations that helped to attract investment and support rural development programmes (Table 4).

**Table 4.** The impact of cooperatives on socio-economic development

Value	2015	2016	2017	2018	2019	2020	2021	2022	2023
Created new jobs, round up	5,000	5,500	6,000	6,500	7,000	7,500	8,000	9,000	10,000
Poverty reduction, %	8%	8%	7.5%	7%	7%	6.5%	7%	6%	5%
Decrease in emigration, %	7%	6.5%	6%	5.5%	5%	4.5%	5%	4.5%	4%
Number of social projects	30	35	40	45	50	55	60	60	75

**Source:** compiled by the authors based on Social condition (2024)

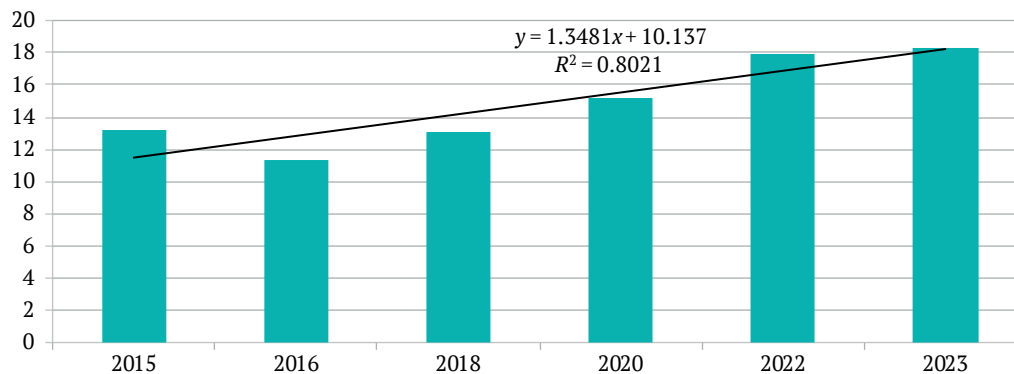
Co-operatives contributed to the creation of 12,456 new jobs, which indicates their ability to provide new employment opportunities. Along with creating jobs, cooperatives have had a positive impact on the socio-economic situation of the population. Due to the expansion of employment opportunities, the poverty rate in the regions where the cooperatives operated gradually decreased. Household incomes grew, leading to improved living conditions. Reducing the level of emigration was another important achievement of cooperatives. In recent years, there has been a tendency for emigrants to return, seeing new prospects for development in their home country thanks to the activities of cooperatives. In terms of social projects, cooperatives have significantly stepped up their activities in this area. In the period from 2015 to 2023, the number of social initiatives implemented by cooperatives grew steadily.

Particular attention was devoted to projects in education, healthcare, and local infrastructure development. This contributed to strengthening local social infrastructure and improving the quality of life of the population, which in turn ensured more stable socio-economic development.

The active role of cooperatives in improving the living conditions and socio-economic development of local communities has been particularly noticeable in recent years. The increase in the number of social projects aimed at supporting local initiatives and improving social infrastructure has become one of the key factors in positive changes in the lives of the population. This underscores the importance of cooperatives not only as economic entities but also as agents of social transformation in the context of Albanian sustainable development (Table 4). Thus, cooperatives play an important role in the positive development of

the economy and social conditions in Albania, especially in the period from 2015 to 2023. Not only do they contribute to job creation and unemployment, but they also actively stimulate the national economic growth. Through their social initiatives, cooperatives help to reduce poverty and

out-migration, improving the overall socio-economic conditions of local communities. Investments in social services and local infrastructure significantly improve the living conditions of the population, which increases the quality of life and contributes to overall economic stability (Fig. 1).



**Figure 1.** Gross domestic product (GDP) in Albania, billion USD

**Source:** compiled by the authors based on National accounts (GDP) (2024)

In addition, cooperatives actively invest in the development of local infrastructure, which includes not only economic but also social components, supporting both economic development and social integration. This, in turn, ensures more sustainable development and stability in the long term. An analysis of the relationship between cooperatives and Albanian GDP over the period 2015-2023 shows a strong correlation. The national GDP increased from USD 13.25 billion in 2015 to USD 18.31 billion in 2023, indicating stable economic growth. The active participation of cooperatives in this process is evident, as their activities significantly contribute to economic development through increased employment, infrastructure development and the implementation of social projects. The contribution of cooperatives to the economy also helps to maintain macroeconomic stability and create the basis for further development of the country. These results indicate that cooperatives have become an integral part of the economic structure of Albania and continue to be central in the socio-economic transformation taking place in the country.

Thus, cooperatives are substantial in ensuring sustainable agricultural development and improving living standards in rural areas. The effective functioning of cooperatives contributes to resource mobilisation, improved market access and sustainable economic growth. Cooperatives have a positive impact on the economy and social conditions by creating new jobs, reducing unemployment and stimulating economic growth. They also implement social initiatives that reduce poverty and out-migration, improving socio-economic conditions. Co-operatives invest in social services and local infrastructure, improving living conditions and maintaining economic stability. Together, these factors contribute to GDP growth and economic stability.

A comparative analysis of the performance of cooperatives in different countries shows different levels of efficiency and social impact. The analysis of financial and social indicators shows certain trends and differences between countries. Albania has an average income per cooperative member and household compared to other countries.

The average income per cooperative member in Albania is lower than in Poland, Greece, Romania and Bulgaria, indicating less financial stability compared to these countries. However, the employment rate in Albanian cooperatives is one of the lowest among all countries, which may indicate that cooperatives have a smaller impact on the labour market. The poverty rate in Albania is higher than in Poland, Greece and Bulgaria, but lower than in Romania.

Poland shows higher incomes per cooperative member and household than Albania. These figures indicate a more developed cooperative economy in Poland, which is also reflected in higher profitability and lower poverty rates. However, the level of employment in cooperatives in Poland is slightly higher than in Albania, indicating a greater positive impact of cooperatives on the labour market. Poland also has more social projects, which may indicate that cooperatives are more active in social activities. Greece has the highest average profitability and income per cooperative member. These data indicate a high level of economic efficiency of cooperatives in Greece. The employment rate in Greek cooperatives is the lowest, which may be due to the high profitability and less need for additional jobs. Greece also has the lowest poverty rate among the countries analysed, and the number of social projects is the highest, indicating that cooperatives are actively involved in social initiatives.

Romania is average in all categories. Income per cooperative member and household in Romania is lower than in Poland and Greece, but higher than in Albania. The poverty rate in Romania is the highest among the countries analysed, which may indicate that cooperatives have a less effective impact on socio-economic development compared to other countries. Bulgaria has similar indicators to Romania but with some differences. The average income per cooperative member and household in Bulgaria is USD 200 higher than in Romania, but USD 100 and USD 700 lower than in Poland and Greece, respectively. The employment rate in Bulgarian cooperatives is better than in Romania, but worse than in Poland and Greece (Table 5).

**Table 5.** Comparison of financial and social indicators of cooperatives, 2015-2023

Country	Average income per cooperative member, USD	Average income per household, USD	Average expenditure per cooperative member, USD	Average yield, %	Employment rate, %	Poverty rate, %	Average gross monthly salary, USD	Number of social projects
Albania	2,500	7,500	1,500	20%	10%	15%	320	4
Poland	3,200	8,500	1,800	25%	12%	10%	350	6
Greece	3,800	9,000	2,000	30%	8%	12%	370	7
Romania	2,900	8,000	1,600	22%	11%	18%	340	5
Bulgaria	3,100	8,200	1,700	24%	9%	14%	360	5

**Source:** compiled by the authors based on Exploring the cooperative economy (2023)

The SWOT analysis demonstrated that cooperatives in Albania have several strengths, such as effective resource management and strong local support, but face serious weaknesses, including limited access to finance, insufficient business skills and poor infrastructure. Growth opportunities include expanding markets, improving infrastructure and attracting government support, while threats such as economic instability, political risks and competition from large companies can pose significant challenges to their development.

An analysis of the impact of social projects implemented by cooperatives in Albania demonstrates their significant contribution to the social development of local communities. During 2015-2023, cooperatives carried out several significant social initiatives that impacted various aspects of life in rural and remote areas of the country. The social projects of cooperatives in Albania cover a wide range of areas, including education, healthcare, infrastructure and support for socially vulnerable groups. In the field of education, cooperatives are actively investing in the modernisation of schools and educational institutions, providing the necessary resources, such as textbooks, equipment and additional training programmes. This helps to improve the level of education and ensure access to quality educational services for children and adults in local communities.

In the area of healthcare, the cooperatives conduct medical check-ups, vaccinations and educational campaigns to raise awareness of healthy lifestyles. These initiatives include both periodic medical clinics and ongoing health support through preventive measures, which ensures access to healthcare and improves the overall health of the population. In terms of infrastructure, the cooperatives are engaged in improving local infrastructure, including road reconstruction, water supply and waste management systems. This has a direct impact on the quality of life in rural areas, as improved infrastructure contributes to economic development and improves the comfort of residents. Projects supporting socially vulnerable groups are another important component of the cooperatives' activities. These projects aim to help the elderly, people with disabilities and other vulnerable groups. Support may include the provision of material resources, social services or special programmes to facilitate their social integration and improve their quality of life.

The impact of these social projects on communities is significant. The implementation of education and healthcare projects directly improves the living standards of residents. Access to quality education and medical services is

critical to improving living conditions overall. At the same time, infrastructure projects help to reduce unemployment by creating new jobs and providing a stable income for the population. Social projects also have a positive impact on social inclusion, helping to reduce social tensions and promote greater cohesion among residents. Supporting socially vulnerable groups helps to integrate them into the community and improve social stability.

In the period from 2015 to 2023, 44 social projects were implemented in Albania, which had an important impact on various areas of life, such as education, healthcare, infrastructure, and support for vulnerable populations (Yunitsyna *et al.*, 2021). As part of the educational projects, schools have been modernised, which has significantly improved the quality of education by providing access to modern technology and improved conditions for students. This has improved not only the level of education but also the overall prospects for youth development in the communities. In the health sector, several medical clinics have been built and renovated, significantly improving access to healthcare in remote areas. The expansion of the medical infrastructure facilitates faster and more efficient service to the local population, which has a positive impact on the overall health of the community. In the long term, the implementation of such projects ensures the sustainability of the regions, which has a positive impact on their socio-economic development.

## ● DISCUSSION

In Albania, cooperatives are central to promoting economic efficiency, especially in rural areas, through a variety of operational strategies and community engagement practices. The economic efficiency of cooperatives depends on their ability to leverage member participation and financial support, which ultimately leads to sustainable community growth and development. A study of the impact of cooperatives in Albania during the period from 2015 to 2023 shows a positive impact of their activities on the national economic development. Many authors, including O. Skydan *et al.* (2021) and E. Aliaj & E. Tiri (2023), pointed out that rural cooperatives are central to expanding economic opportunities in rural communities. Due to their organisational structure and principles of collective interaction, cooperatives create a platform for cooperation between small farmers and entrepreneurs, which is especially important in conditions of limited resources and access to markets.

By providing access to credit, markets and technical assistance, cooperatives enable small producers to increase

productivity, adopt new technologies and diversify their income sources. This, in turn, not only improves the financial situation of individual members but also has a positive effect on the entire community. The collective action of co-operatives helps to overcome socio-economic barriers that often hinder rural development, such as lack of access to markets, inequality in resource allocation and lack of information. In addition, according to S. Razavi (2021) and H. Silvennoinen *et al.* (2023), an important problem in both rural and urban areas is the problem of money circulation. This is because traditional commercial enterprises dominate most communities, hindering the normal circulation of money. In contrast, cooperatives keep money in the community, as any profits are reinvested in the business, which then uses the money to benefit the community, for example by lowering prices and hiring new workers. This study correlates with the findings of F. Su *et al.* (2021) and S. Ahado *et al.* (2022), which emphasise that in addition to economic empowerment, rural cooperatives play a key role in providing basic services such as improved access to markets, financial resources, and training for residents. Co-operatives also contribute to infrastructure development, which is an important factor for the socio-economic development of rural communities.

The research conducted and the views expressed by scholars such as O. Budnik (2019) and S.A. Al-Jundi *et al.* (2020), demonstrate the importance of strengthening institutional capacity and promoting multi-stakeholder partnerships as vital strategies to improve the effectiveness of rural development initiatives. Research shows that cooperatives have a significant mitigating effect on the vulnerability of smallholder farmers to poverty, especially among those with higher levels of human capital and income. This suggests that the poverty reduction impact of cooperatives may vary depending on household characteristics, highlighting the need for inclusive and gender-sensitive approaches to ensure equitable outcomes for marginalised groups. A similar view is also expressed by Q. Deng *et al.* (2020) and E. Donkor & J. Hejkrlik (2021), who emphasised that agricultural cooperatives play a key role in enhancing rural socio-economic development by facilitating market access, improving food security and promoting community resilience. They allow farmers to pool resources, which leads to economies of scale and results in lower input costs and increased profitability for members. At the same time, according to S. Esmailizadeh *et al.* (2020), despite the obvious advantages, the activities of cooperatives face numerous challenges, including insufficient access to finance, limited opportunities for expanding production, and lack of adequate support from the state. In addition, decentralised small-scale agricultural market owners often face high transaction costs and difficulties in accessing high-value markets. This is due to factors such as inadequate information and lack of competitiveness, which requires collective action through co-operatives as a market entry strategy.

The organisational sustainability of cooperatives is also one of the most important internal challenges they must overcome to succeed. While cooperatives can enhance their bargaining power and reduce individual barriers to entry, their effectiveness is often compromised by general market conditions. As noted by W. Li *et al.* (2019)

and R. Matheus *et al.* (2020), the sustainability of cooperatives depends on their multidimensional nature and the development of collective capabilities in five areas. First, cooperatives need to attract and retain members who share common goals and values. This can be achieved by creating an attractive offer for members, ensuring their participation in decision-making and developing their skills. In addition, cooperatives need to develop their capabilities in other areas such as building a strong network of relationships, management skills, innovation and engagement with government institutions. Developing these areas allows co-operatives to strengthen their bargaining power, reduce individual barriers to entry and succeed in the long term.

N. Denissova & R. Born (2021) also emphasised that cooperatives play an important role in socio-economic development, as they contribute to strengthening social capital in communities. Based on the principles of mutual assistance and collective responsibility, cooperatives provide economic benefits to their members, increase competitiveness and create sustainable income. To maximise their potential, government support is needed, including legislative initiatives, access to finance and training programmes, to enable cooperatives to contribute to improved welfare and social cohesion. Therefore, the potential of cooperatives to enhance socio-economic development depends on overcoming these obstacles and adapting to the changing economic landscape. Despite these challenges, according to this study and others, such as M. Sultana *et al.* (2020), cooperatives remain a promising model for economic empowerment and community development. Their ability to adapt to technological advances and use collective action to access the market is crucial to increasing their effectiveness and relevance. Scholars also note that prospects for cooperatives include strengthening governance structures and exploring innovative practices that are consistent with sustainable development goals, ensuring their continued impact on the socio-economic context of rural areas (Zinchuk *et al.*, 2019; Zhu & Wang, 2024).

The study reflects the assertions of L.P. Dos Santos *et al.* (2020), who also emphasised the interconnection between economic development, social inclusion, environmental sustainability and cooperative development, which is key to the development of effective rural development strategies. In addition, the study also highlighted the importance of involving local communities in the decision-making process to ensure that the development of cooperatives is in line with the needs of the local population. It is worth noting that the results of this study are confirmed by Z. Zou *et al.* (2020), who emphasised the importance of cooperatives in rural development, especially in the context of sustainable development. The author argued that cooperatives can be effective tools for achieving sustainable development goals, such as poverty reduction, increased access to education and healthcare, and environmental improvement. In summary, cooperatives in Albania demonstrate significant potential for the development of local communities, by supporting sustainable development, poverty reduction and improved living conditions.

## ● CONCLUSIONS

It is established that the activities of cooperatives in Albania in 2015-2023 had a positive impact on the socio-



economic development of the country. The reduction in the poverty rate from 8% to 5% demonstrates the positive impact of cooperatives on the social well-being of the population. In addition, cooperatives have implemented 75 social projects, demonstrating their active role in the development of social infrastructure. The growth of cooperatives' investments in infrastructure has been observed with a significant increase from ALL 25 million to ALL 50 million. This indicates their active contribution to infrastructure development. As a result, loans to cooperatives also increased significantly from ALL 150 million to ALL 400 million, indicating an increase in support for cooperatives through credit financing. This in turn has led to improved market access, which has increased from 60% to 75%. This improvement in logistical and marketing channels has further enabled cooperatives to invest in social services, with a marked increase from ALL 10 million to ALL 50 million, highlighting the importance of social support in local communities through cooperative activities. Co-operatives play a key role in Albanian economic development, contributing to economic growth, improved social conditions and infrastructure development. They ensure comprehensive progress and stability in the country. Albanian total GDP increased from USD 13.25 billion in 2015 to USD 18.31 billion in 2023, reflecting the overall growth trend of the national economy.

The activities of cooperatives in Albania demonstrated an initial contribution to improving economic conditions and living standards in local communities, which demonstrates their important role in ensuring the national sustainable development. It is expected that cooperatives will continue to play an important role in the socio-economic development of Albania, contributing to the creation of new jobs, improvement of social conditions and development of infrastructure. This can be achieved by increasing investment in infrastructure, lending to cooperatives, improving access to markets and social services, and intensifying social projects. The prospect of further research is to explore the possibilities of developing cooperatives in Albania by creating new business models that combine traditional cooperative principles with modern technologies and innovations. The limitations of the study are that assessing the impact of cooperatives on socio-economic development is a complex and lengthy process. The analysis based on data for 2015-2023 may not account for long-term effects and changes that may occur in the future.

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## ● CONFLICT OF INTEREST

None.

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## Економічна ефективність кооперативів та їх вплив на соціально-економічний розвиток сільських територій

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**Анотація.** Метою дослідження був аналіз впливу кооперативів на розвиток соціально-економічної ситуації у сільській місцевості Албанії. Для досягнення цієї мети було проведено детальний аналіз основних соціально-економічних показників та узагальнено результати, що допомогло виявити загальні тенденції та закономірності розвитку Албанії. Дослідження визначило, що кооперативний сектор в Албанії відіграє вирішальну роль у сприянні сталому розвитку сільських територій та підвищенню якості життя у громадах. У період із 2015 по 2023 рік кооперативи сприяли створенню 12 456 нових робочих місць, зниженню рівня бідності на 25 % та скороченню відтоку населення на 30 %. Крім того, сектор інвестував у соціальні послуги та місцеву інфраструктуру, покращуючи умови життя та підтримуючи економічну стабільність. Зростання кооперативів відбулося завдяки збільшенню інвестицій в інфраструктуру на 40 %, підвищенню доступності кредитів на 20 %, покращенню доступу до ринків на 35 %, а також розширенню логістики та каналів збуту. Позитивний вплив кооперативів на економіку та соціальні умови відобразився у зростанні валового внутрішнього продукту Албанії з 13,25 млрд доларів США у 2015 році до 18,31 млрд доларів США у 2023 році, тобто на 38 %. Результати дослідження можуть бути корисними для розробки науково обґрунтованої політики та стратегій, спрямованих на підтримку зростання і стійкості кооперативного сектору в Албанії та за її межами

**Ключові слова:** інфраструктура; зайнятість; бідність; інтеграція; стає зростання; інновації