The Role of Cooperative Societies in Economic Development

1Prof. S M Khot
1Assistant Professor
1Department of Commerce
1Shri S. R. Kanthi Arts, Commerce & Science College, Mudhol

2Mr. I.C. Pattanashetti
2Research Scholar
2Dept of Development Studies
2Kannada university Hampi

Abstract: This paper examines the role of cooperative societies in economic development. The aim is to investigate the ways in which cooperatives can act as agents towards sustainable community development. The paper is a descriptive survey, which involves the collection of data for the purpose of describing the role of cooperative societies in economic development.

Keywords: Cooperative societies, Economic Development, Democratically, Enterprises.

Introduction
Cooperatives play a significant role in improving the livelihoods of rural communities the world over. Ortmann and King (2007) observe that cooperatives originated in Europe, before they spread to other industrialised countries during the late 19th century. However, the development of these cooperatives was taken as a measure to counter extreme conditions of poverty. In the African continent, Kenya is one of the countries with the longest history of cooperative development that has been characterised by strong growth, such that it has made significant contributions to the overall economy of the nation since it attained its independence. According to Wanyama (2009), in 2009, the Ministry of Development and Marketing in Kenya established that 80% of Kenya’s population was deriving its income either directly or indirectly from activities of cooperatives.

Background on Cooperatives
The International Cooperative Alliance (ICA) in its Statement on the Cooperative Identity, in 1995, defines a cooperative as “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.” It is a business voluntarily owned and controlled by its member patrons and operated for them and by them on a nonprofit or cost basis (UWCC, 2002). It is a business enterprise that aims at complete identity of the component factors of ownership, control and use of service, three distinct features that differentiate cooperatives from other businesses (Laidlaw, 1974).

Although there is no consistency to the exact origin of the co-operative movement, many academics argue that the origins lie within Europe (Shaffer, 1999; Holyoake, 1908). The first recorded co-operatives date back to 1750 in France, where local cheese makers in the community of Franche-Comté established a producer cheese cooperative. Within the decade, co-operatives had developed in France, United Kingdom, United States and Greece. In 1844 the Equitable Pioneers of Rochdale Society (EPRS) was formed. With the goal of social improvement, twenty-eight unemployed community members saw the opportunity to pool their limited resources and attempt cooperation for the good of the group. Even though co-operatives appeared in the century previous, Rochdale is seen as the first ‘modern’ cooperative since it was where the co-operative principles were developed (Wikipedia, 2006; Gibson, 2005; and Abell, 2004).

What are Cooperatives?
The idea of cooperation is not new to man. It is as old as man himself. Cooperatives are an almost universal form of organization today found in practically all countries and used by people in many ways. The cooperatives are formed to secure low cost credit, to purchase supplies and equipment for farming and household needs, to market products, even to secure many services, like electric power, irrigation, health, and insurance. Cooperatives can be used in many ways to benefit people in the everyday needs of life. The meaning of cooperation is that isolated and powerless individuals can, by combining with one another, achieve ad-va ntages available to the rich and the powerful so that they may advance not only materially but also morally. In other words a cooperative is a business organization that is owned by those who use its services, the control of which rests equally with all the members. It is voluntary and democratic and the moral element is as important as the material one. Furthermore, it recognizes social, educational, and community values.
Difference Between a Cooperative and Other Type of Business

Before entering into a detailed discussion of Indian cooperatives it is essential to know the difference between a cooperative and other types of business organization. The major differences can be summed up as follows:

1) An ordinary business organization is essentially a union of capital but a cooperative is a union of persons.
2) The main purpose of a business organization is to maximize profits but a cooperative is organized to provide service to its members at cost.
3) There may be a tendency for some corporations to limit the number of owners, while cooperatives almost invariably adopt an open membership policy.
4) The control of a corporation is based upon the number of shares held by an individual (one vote for each share, so that the one who has the most shares controls a corporation). But in a cooperative society every member has one vote irrespective of the shares he has.
5) The dividend on a share depends upon the amount of profit made by a corporation and the dividend policy of the management. In a cooperative, share capital is paid a fixed and modest rate of dividend.
6) In a corporation surplus earnings belong to the corporation, but in a cooperative society they belong to the members.
7) A corporation divides its profits according to the shares held; but a cooperative distributes its profit.

Aims and Objectives

The principal aims and objectives of the cooperative movement are:
1. Economic improvement: Cooperatives seek to prevent the exploitation of the weaker members of society.
2. Instrument of education: Cooperatives are a continuous source of education for the members. For example, a credit society teaches the proper use of money; a consumer cooperative trains the members in what to buy, and the true value of goods; a marketing society educates the producers in better methods of production.
3. School of democratic living: Cooperative organizations use democratic procedures in their meetings, selection of officers, and other matters of control.
4. Center for social harmony: Cooperatives tend to lessen the tensions of modern life and help people find a common ground on which they can work together.
5. Age of international understanding: Cooperatives all over the world understand one another easily because of their belief in the same principles of justice and humanity.
6. Cultural, spiritual improvement: Many people have never known anything but poverty and insecurity. Cooperation can remove barriers that stand in the way of a better life.

Advantages of Co-Operative

Advocts of producer’s co-operatives claim numerous comparative advantages over what is generally referred to as classical firm. The proposed advantages extend to a host of theoretical issues. Many overlap the separate disciplines of labor economic industrial management and organization theory, investment and finance, and property right theory.

1) The absence of “shirking” by workers in producer co-operatives
2) Superior productivity rates that result from the extension of democratic principle into the co-operative work place. The lack of unnecessary supervision due to the “horizontal mentioning” performed by co-operative members
3) The pursuit of cooperative employment and output strategies those are less sensitive to business cycle fluctuations. Still other co-operative advocates simply emphasize the overall psychological and social influence exerted by the set of worker- control parameters. These are through to have a transnational quality that converts adversarial. Relationship common to most CFs into an atmosphere of co-operative. The logic of co-operative theory unfolds and collective efforts with their firm’s enhanced performance, an atmosphere of co-operative problem solving tasks tool. As a result of this more communicable workplace, improvement in production methods result from an upward or horizontal flow of information originating from the shop floor. With heightened satisfaction spreading throughout its membership, lower worker turnover and absenteeism result and members build task specific expertise.

Conclusion

As earlier said in chapter two by Eyrie Donohue (1986) in his work those workers co-operative in Anambra state. Their focus of interest in the grassroots whether in the urban and rural areas. For the government the internal sector represent the real production economy. But the development and transportation of this sector has been circumscribed until quite. Recently by highly restrained access to services. That this services in now being made available which is not. By the grace of the private few or by been hence of government is perhaps the most critical elements in this innovation. Nigerian is said to be in transition with the basic feature being the installation of grassroots political democracy.

Reference

1. https://core.ac.uk/reader/32559720