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**Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.isrj.net**



Cooperative Sector and Economic Development

Dharmesh P Patel

M.A. (Ph.D. Pursuing)
Department of Economics
Shri V.R. Patel college of commerce, Mehsana, (Gujarat)
Email: pateldharmesh686@gmail.com

Abstract:

This is a descriptive paper focusing on Cooperative Sector and Economic Development. The paper has been divided in 4 parts namely -

1. Developing Countries
2. Tool for Promoting Development
3. Modernization Process
4. Training—An Important Input

Today cooperatives have made rapid progress in developing countries and are proving to be effective instruments in economic growth and for improving living standards of the masses. Their activities have become increasingly significant for such important sections of the populations as farmers, artisans, factory workers, salaried employees, fishermen and consumers in general. In developed countries, even in these fields, cooperative societies have assumed larger promotion and have expanded into regional and national federations.

Governments have given importance to cooperatives as an instrument of economic development. Especially, in developing countries, they receive public support in this task. Thus, both in developing countries and industrialized countries, a positive role is envisaged for cooperatives, in economic development. Many institutions, for economic and technical research as well as consultancy services in the cooperative field, have been created with Government support. Five-year plans mention cooperatives as one of the important means of bringing about rapid and radical changes within the economy and have provided for sizable outlays in the development of cooperatives. Cooperatives are also used to implement better reform plans with a view to modernizing, quickly, agriculture and increasing food production. This co-operative sector plays significant role in economic development of every nation.

The cooperatives first appeared in the 19th century largely as an off-shoot of the Industrial Revolution and the resulting liberalization of trade and economic activity. It is true that cooperative societies and enterprises have developed to a remarkable degree in the industrialized countries of Western Europe and the U.S.A. These are the countries of their origin. Today cooperatives have made rapid progress in developing countries and are proving to be effective instruments in economic growth and for improving living standards of the masses. Their activities have become increasingly significant for such important sections of the populations as farmers, artisans, factory workers, salaried employees, fishermen and consumers in general.

In principle, cooperative society is a free and a voluntary association functioning on democratic basis, with self-help and mutual aid to satisfy a number of economic and social needs and to provide a wide

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variety of services. Thrift, credit and investment, better farming and better business, agricultural processing, housing, production and sale of small industry products, supply of agricultural inputs and essential consumers goods through retail and wholesale trade as well as through manufacture, dairy and poultry industry, rural electrification and irrigation, fishing and forestry are some of the fields which are considered important and appropriate for cooperative activity.

In developed countries, even in these fields, cooperative societies have assumed larger promotion and have expanded into regional and national federations. The objective has been to benefit from the economies of large-scale operations and technological developments, to provide more efficient and economical service to the members and consumers at large. Number of instances are available from the cooperative sector as it is functioning in the U.K., Germany, Scandinavian countries, the U.S.A., France, Canada etc. Side by side, the cooperative structures in these countries have also functioned as promotional, supervisory and educational centres. These have helped cooperative enterprises to secure solid foundations, to keep in touch with the latest of developments and to expand in the face of competition from other forms of businesses.

The growth and expansion of cooperatives in the developed Western world have contributed to general improvements in the level of economic activity and the standards of living of the relatively weaker sections of the society. The share of consumer cooperatives in the U.K. in the national distributive trade is about 9 % and in Japan 8%. The agricultural and dairy cooperatives similarly dominate in many countries of Western Europe. In Canada and the U.S.A., the share of cooperatives is around 35% and 26%, respectively. Their share in supply of agricultural requirements is substantial. Insurance and housing have been the main business areas of cooperatives. In countries with centrally planned economies a sizeable part of the national trade is conducted by cooperatives.

1.DEVELOPING COUNTRIES :

Cooperatives were first introduced in countries like India and other parts of Asia in the early 20th century by the foreign rulers. Later they were, spread to countries of Africa and Latin America. Initially, the cooperatives were viewed mainly as instruments of social reform rather than of economic development and were viewed as agencies imposed from above in this part of the world. Rather than production, consumer and credit forms of cooperation were more emphasised by the Government sponsoring agencies.

Today, in nearly all the newly independent countries, particularly in Africa and Asia, cooperatives are looked upon as agencies of economic growth, creating wealth and employment, especially in the rural sector, to give sustenance for the huge mass of population. They are also viewed as agents of social change and reform based on new systems of land ownership and forms of community life. Many expanding urban centres are providing new opportunities to cooperative business units in the field of industries, business and service occupation.

In most of the developing countries formation and development of cooperative societies has been accepted as a national policy. Favourable climate is given for planning their development by giving them certain benefits within the law or direct Government assistance in promotion and supervision till they become self-reliant. The cooperatives are considered good in the public interest, and, therefore, international agencies have offered technical assistance and financial aid for promoting cooperative activity in many fields. Such assistance has been steadily increasing because of the conviction and evidence in industrialised countries that cooperatives favour innovation, economic growth and stability.

Cooperatives take a variety of forms and their aims and objectives are quite comprehensive. Yet they are organisations essentially concerned with attaining economic ends for their members. Thrift, investment and higher levels of business organization, production and consumption are aspects of economic activity with which cooperatives are vitally concerned as they contribute to raising of living standards of their members.

2.Tool for Promoting Development :

The importance of a cooperative societies as a tool for promoting economic development arises from the following factors: (1) Cooperative is a voluntary association of individuals combining on the basis of equality to achieve common economic ends through joint action. Members pool their ideas and abilities to seek solutions to their economic problems which are ordinarily beyond their individual capabilities. (2) It is also an undertaking and an enterprise. A cooperative mobilizes capital and resources including land, labor and skills together, to attain specific economic objectives that are usually beyond the resources of an individual person. (3) In a cooperative organization the members share the benefits in proportion to the use of its services made by them. This encourages them to be loyal to the society and to use its services as

extensively as possible. The society carries out its objectives in a manner which is socially acceptable to the community and within a structure and according to rules that promote mutual trust, confidence and good management. (4) This encourages them to participate in joint economic action. Their savings are effectively utilized and they tend to grow. Apart from this, there is a valuable educational impact on members who learn some economic facts of life.

Because of this, many Governments have given importance to cooperatives as an instrument of economic development. They unreservedly support cooperatives as a valuable means for promoting social and economic development. Especially, in developing countries, they receive public support in this task. Thus, both in developing countries and industrialized countries, a positive role is envisaged for cooperatives, in economic development. Many institutions, for economic and technical research as well as consultancy services in the cooperative field, have been created with Government support.

In certain developing countries cooperatives are being used to tackle basic problems of economic development and growth. Thus, in some countries cooperatives are assigned a distinct sector in national economic plans. In some, special ministries of cooperation have been set up either independently or in association with agriculture and food. Such developments have taken place notably in India. Her five-year plans mention cooperatives as one of the important means of bringing about rapid and radical changes within the economy and have provided for sizable outlays in the development of cooperatives. Plans are afoot for establishing and developing, apart from credit cooperatives, cooperatives of consumer, growers, small industrialists etc.

3. MODERNIZATION PROCESS :

Cooperatives are also used to implement better reform plans with a view to modernizing, quickly, agriculture and increasing food production. To stop decline in production, following drastic changes in the agrarian structure, cooperative endeavor can help a lot. The technical advantages of large-scale farming can be made available through the cooperatives to the farmer-tenants who have taken over the possession of land, previously belonging to large estates, as a result of land reform measures. There are examples of joint use of land on a planned basis with cooperative elements in the organization and operations. There are cooperatives set up for the consolidation of fragmented holding and for management of water resources through irrigation drainage, installation of tanks, wells and pumps, cutting of channels and measures for soil conservation and prevention of erosion.

Rural electrification cooperatives have been recently promoted in India, which were previously found only in economically developed countries. The well-known forms of agricultural cooperatives such as better farming, live-stock, production, dairy and poultry farming have also been conferring substantial economic advantages on the beneficiaries. They have contributed to increase in rural income. Recently, cooperative supply societies have been formulated for the large-scale purchase of feeding stuff, fertilizers, seeds and agricultural machinery. Apart from the supply functions, these cooperatives also act as amplifiers for agricultural extension services, for organized groups that are susceptible to new ideas. Then there are cooperatives operating agro-services and custom hiring centers. A combination of many of these and other functions is being conducted by multi-purpose cooperatives.

In developing countries where it is a common experience that prices of basic commodities tend to fluctuate and terms of trade are often deteriorating, cooperative marketing and processing assume a vital role, specially for small holders producing commodities for different markets. Cooperatives free the small-holders from the clutches of the exploitative middle-men, by organizing them into cooperatives, and help them to secure a fair return for their efforts. The cooperative also ensures standardization and control of the product prior to sale and export. Marketing cooperatives in India have been handling agricultural crops such as coffee, cotton, jute, rubber, tobacco, sugarcane, oilseeds, etc. and have extended their operations to cover processing activities also.

Agricultural credit cooperatives were the fore-runners and most outstanding form of cooperative activity in developing countries like India. The rural credit cooperative makes it possible for the farmers to borrow at a reasonable rate of interest, short-term loans for the purchase of seeds and fertilizers, as also for providing subsistence to the workers and families until the harvest time. Thereafter, through the linking of credit with marketing, loans are recovered from the crop sale proceeds. A well managed society is always engaged in productive operations and earns its own returns, a part of which is passed on to the members. The credit cooperatives have facilitated this process and through their federal structure, large amount of capital has been invested in agricultural development and development of other activities. They have provided the foundation to the cooperative movement in the country and have acted as agency for educating the rural people in the use of economic resources. They have inculcated the practice of thrift and mobilised savings that are eventually invested in production, supply, marketing and processing business.

Thrift and credit unions are also to be found amongst the urban groups which are enabled to meet sudden and unexpected needs through provident loans. They also contribute to economic development through capital accumulation.

Cooperative housing, consumers cooperatives, dairy coops, fishermen's cooperatives, industrial cooperatives, etc. are other forms of cooperative organization that are assuming importance in the concerned fields of economic development and exhibit great potentiality for the future. For their growth and development in the context of technological developments considerable advice and assistance will be required from external sources and it is coming on a progressively increasing scale from various agencies external to cooperatives from within and outside the country. It is, however, true that these resources fall considerably short of the demands and requirements of the developing countries.

4. TRAINING—AN IMPORTANT INPUT :

The deliberate push to economic development through cooperatives, necessitates organized training for the officials and the executives and workers of the cooperative organization and members' education programmes for the office-bearers, policy makers and the members of the general body. Huge investments that are being made in the cooperative sector on preferential basis should ensure proper utilization and management of scarce resources. Training and education, therefore, logically and inevitably become an integral part of the whole plan of development through cooperatives. Training and education is an important input of development yet it is sadly neglected and given almost the last place.

Expeditious progress on right lines, taking advantage of technological developments, is possible through training and education in organization and management of functions and operations of cooperatives. The developing countries have formulated plans and programmes for training the officials of the cooperatives and for educating the members and office-bearers. There exists, in a country like India, a three tier structure for training. The cooperative training centre at the district level numbering about 80, provide training for the secretaries of village level primaries, supervisors and junior inspectors of the department and financing organization. Then there are about state level cooperative training colleges imparting training to intermediate level, employees and officers of the cooperative organizations, mostly functioning at the district and state level. In addition, there is a national institute of cooperative management for providing training in management and development processes to the senior officers of the department and executives of large-sized cooperative business organizations and their federations operating at the district, state and national levels.

Training programmes are conducted in the functional areas of management such as, those relating to organization and management of finance, marketing, production, personnel etc. There are specific programmes conducted for different sectors of the movement such as banking cooperatives, marketing cooperatives, consumer cooperatives, industrial cooperatives, processing cooperatives etc. Further, the whole process of cooperative development is facilitated by offering services in the field of research and consultancy. In all these areas focus is on the preservation and promotion of cooperative character in management of business of cooperative organization, side by side, introducing the needed sophistication in their business operations. The impact of training and education can only be seen over a period of time because it is more in the nature of investment. It cannot be denied that these programmes will certainly lead to increased capacity and improved efficiency of cooperatives. Financially, these programmes are today supported, in most cases, by the Government of the country. Yet, in recent times, there is an increased awareness seen on the part of large cooperative business organizations in regard to the desirability of training and, education programmes. There is increased response noticed of such cooperatives to the paid courses conducted by the training organizations. Some of them are organizing their own training colleges also. It can be concluded, fairly accurately, that the impact of training and education programmes would certainly be reflected eventually in the expeditious development and growth of individual cooperative organizations and of the cooperative sector at large.

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