

Role Of Co-operatives In The Twenty First Century In Economic Development Of The Developing Countries

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INTRODUCTION

As we enter into the twenty-first century, we are confronted with dramatic changes which are reshaping the development environment and must find answer to many issues: the longer term implication of the East Asia crisis the experience of Saharan Africa, and the transition economies with structural reform, the fragmentation of authority in many nation states, global and regional environment pressure, the growing scarcity of basic resources and a massive increases in the world population. The most important changes that have occurred are still occurring on a world scale of a political, demographic, social, economic, ecological and technological nature.

Political Change

Structural adjustment programmes in many developing and some industrialized countries have caused hardship, especially to the lower income strata of the population. These programmes advocate liberalization in economic affairs thus providing a golden opportunity for the rich and educated people and some times also unscrupulous and powerful to profit, at the expense of the weaker section of society. During the past two decades, political liberalization has affected co-operatives in several ways. Co-operative service monopolies have collapsed due to cuts in government subsidies.

Due to new and more liberal co-operative policies newly emerging democratic co-operatives have started to take part in building a more pluralistic society. Artificially created state controlled co-operatives, which depend on foreign aid may lack the vitality and flexibility needed to adjust to new circumstances and tend to collapse or be discontinued when external assistance dries up. However, co-operatives established without government support may actually benefit from the withdrawal of public agencies from certain function e.g. taking over the function of defunct marketing channels. Co-operatives are increasingly expected to take their place along side other forms of enterprise in a competitive market place.

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Demographic Change

The world is witnessing two vastly different demographic trends. In the industrialized countries birth rates are falling and life expectancy is steadily increasing. In the developing countries the reverse trend holds true. It is estimated that over the next 50 years the world population will increase by 93 to 95 million per year, reaching 10 billion in the year 2050, as opposed to 5.5 billion in 1992. A growing population will mean growing pressures on the ecological systems in terms of land scarcity, conflicts over the use of land with rapidly growing slums and squatter settlements around cities like Lagos, Nairobi, Lusaka, Manila, Bangladesh and Rio-de Janeiro.

In industrialized countries, these demographics change prompt co-operatives to diversify their services and certain groups to establish specialized co-operatives. From the 1980's onwards, new types of co-operatives started to emerge to take care of elderly people and to provide basic services, such as health care, housing, funeral and other supportive services. In the developing countries, in order to stop mass migration to urban areas rural cooperatives have started to take part in local development initiatives aimed at creating employment in rural areas, such as rural infrastructure, re-forestation, land improvement and environmental protection.

Social Change

A decay of value system has been observed throughout the world. The world summit for social development held in 1995 in Copenhagen reported that the global wealth of nations have multiplied seven fold in the last 50 years however, at the same time within many societies both in developed and developing countries, the gap between the rich and poor had increased. Despite the fact that democratic pluralism, democratic institution and fundamental civil liberties have expanded, for too many people, particularly women and children are vulnerable to stress and deprivation, poverty, unemployment and social disintegration often result in isolation, marginalization and violence.

Among these hunger, malnutrition, illicit drug problems, organized crime, corruption, foreign occupation, armed conflicts, illicit arms trafficking, terrorism, intolerance are chronic and incitement to racial, ethnic, religious and other hatreds, xenophobia, have been endemic, communicable and chronic disease. To this end co-ordination and co-operation at a national level and especially at the regional and international levels should be further strengthened. However, despite all the precautions

taken, genuine, cost effective and well performing co-operative societies can easily be undermined when they are used as institutional structures for the delivery of project to provide goods and services to target groups as pointed out in a report of the economic and social council of the United Nations.

Economic Change

In all countries, there is growing disparity between the rich and poor. Even in rich industrialized countries an uneven distribution of wealth and growing poverty have reached to a degree that would have been unimaginable a few decades ago. The number of unemployed and homeless people is growing steadily. In the developing countries, mass poverty, high unemployment, inflation, unfavourable terms of trade for export crops and the burden of foreign debts point a bleak picture.

The developing world experienced several decades of working with state sponsored and state controlled co-operatives, which had been introduced by the colonial power as development tools and subsequently used by the government of the independent states for similar purposes. Unsuccessful and costly experiments were carried out on the basis of joint agricultural production, collectives and state farms as a way of increasing peasant production and productivity.

A long side attempts of radical reform such as the creation of co-operatives for the production of cash crops for export, service co-operatives for food crop production, handicrafts small scale industry saving and credit and housing co-operatives have developed, independently, slowly and sometimes with remarkable success. In a time of rapid change due to structural adjustment programmes co-operatives are seen as organization capable of cushioning the adverse social effects of some adjustment measures.

CO-OPERATIVE MOVEMENT IN NEPAL

Though co-operative was started since 1953 in democratic Nepal and still continuing, it couldn't touch the fringe of the population and almost remained only to a few well established points in the country. This slow progress of the co-operative movement in Nepal may be attributed mainly to the lack of sufficient capital and administrative difficulty in making and recovering loans, which in turn give little real chance of enforcing the statutory limitation an interest rates.

Co-operative movement in Nepal is still being continued but it has not got grand success. Now co-operative movement is one of the primary credit agencies which is popular among people because of the institutional credit agency in the field of agriculture and it is very essential for its development and which would ultimately mean the development of economy in general. Co-operative has a vital importance for an agricultural

country like Nepal. Therefore, its weakness may be brought to the light for making further improvements.

Co-operatives are very important instruments for economic, social, cultural and human advancement in developing countries like Nepal. Unless the society becomes economically better, many problems may remain intact. The solution is possible only when the agricultural development and overall economic development is enhanced through co-operatives.

The international co-operative alliance has appointed a commission in October 1964. The commission had considered the following principles necessary for effective co-operative practice.

- Voluntary membership.
- Democratic organization.
- Limited rate of interest on share capital.
- All surplus of a society must belong to the members and must be distributed in such a way that it would avoid discrimination.
- All co-operative societies should pay attention for the education of their members officers, employee's and of the general public in the principle and practice of co-operation.
- All co-operative organizations are for the best to serve the interest of their members and committees.

Co-operative society plays an important role in Nepal for overall development of the country through agricultural development and promotions of small business enterprises. The development of Nepal depends upon the development of the agriculture and small business enterprises. The development of agriculture and small business enterprises can be enjoyed by giving different facilities to the farmers and entrepreneur's through co-operatives. It can reduce the population pressure on agriculture, diverting the population towards the cottage industries and giving incentives to the farmers to establish such industries providing appropriate financial and technical assistance. So co-operative society is very important for the development of rural economy.

The Eighth Five Year Plan has recognized the role of co-operatives in the process of nation building and stated principles to foster co-operatives. Now the emphasis is on people, participation rather than government initiatives, on autonomy rather than official and on control from within rather than from outside. Within the general framework of liberal economic policies the government has pursued a policy of promoting the competitive strength of co-operatives during the Eighth Five Year Plan. The Plan is silent about the promotion and innovation of co-operative society in Nepal. No clear cut vision has been expressed in the Ninth Plan about the co-operative society.

ROLE OF CO-OPERATIVES IN ECONOMIC DEVELOPMENT OF NEPAL

The social set up of the country needs reformation. A social reformation of the rural population is of vital importance for further economic development of the country. Co-operative societies should tend to weak the hold of many undesirable social custom and habits. Social services societies are formed in many countries for the eradication of social evils, co-operative movement in the rural areas may bring about structural changes in the rural society, which is inevitable to a developing country like Nepal. Unless the habits and attitudes of people are changed, economic growth is not possible. Co-operative movement mobilizes domestic resources, it encourages saving, thrift and mutual help among co-operators. This is a great contribution towards capital formation. It is only through co-operative societies that the scattered resources can be mobilized and used to boost productive activities, without which economic growth of the country is not possible.

From all points of view co-operative system may prove to be the best method for achieving Nepal's social and economic progress. Unity and co-operation are the needs of the hour. The co-operative movement has taken almost all the westem countries of a long way ahead towards further development and prospertiy. Regarding co-operation Germany takes the lead and only a few in Nepal have realized the advantages accruing out of co-operation. The country needs a strong co-operative sector to have production and marketing orientation because Nepal lacks production and marketing momentum in all sectors; so she is getting poor, poorer everyday. Despite planning she is very poor, our poverty is to be combated with the co-operative aims and spirit.

OBSTACLES TO THE DEVELOPMENT OF CO-OPERATIVES IN NEPAL

Misconceptions Among Policy Makers And Planners

Many co-operative members and the general public still often perceive co-operatives as being state controlled or state sponsored, economically inefficient and socially defunct organizations, which put the interest of either the state or paid professional managers before those for their members. In order to overcome these prejudices more publicity must be given to the positive examples of co-operatives working in the interest of and to the satisfaction of their members. The liberalization and globalization of market has made it almost inevitable that co-operatives seek to achieve a scale of operation that is economically competitive for members clearly cannot benefit from their co-operative unless it is economically efficient.

Economic Effects

The early phase of structural adjustment had a considerable impact upon many co-operatives. Unemployment increased in many countries, often making it difficult for members of saving and credit co-operatives to meet their financial obligation. In addition inflationary tendencies made credit expensive and endangered repayments while causing negative interest rates on savings and decrease in available loans, they also resulted in unreliable accounting and financial reporting.

The purchasing power of the population usually declined dramatically while food prices soared. Consumer co-operatives suffered the most from this situation. Many agricultural marketing and supply co-operatives lost their monopolistic status which had previously granted them in a certain economic success. Apart from the suddenness with which they were exposed to competition from private and foreign supplies agricultural co-operatives also suffered severely from increased input prices, transport costs and unreliable access to credit. As a result some producers situated far from market were discouraged to produce. While there were others for whom the only marketing agent was a co-operative.

In any case, in order to meet the challenge ahead, co-operatives have to enhance their business skills make sure they have access to market information required to prepare to collaborate sufficiently well with other market participants. There is another side to the coin, for privatization highlights the role of co-operatives in providing regular employment, paid employment, income generation, human resource development and improved social conditions. Co-operative movement in many countries have undergone to a change or are in the process of restructuring in order to adjust to a situation in which they face tense competition and in which the state can no longer afford financial support or even extension services to promote co-operatives.

The development of a truly autonomous and self reliant co-operative sectors means that there must be room for experiments and mistakes. In order to reverse the negative trends produced by too much state interventions in co-operative affairs, it must be accepted that co-operatives form an integral part of overall socio-economic and political development and they need structural support.

Competitiveness

We need to appreciate that co-operatives are private self-help organizations and that in order to be competitive and provide long term economic and social advantages, they have to be simultaneously efficient in three different areas : towards their clients/members they must deliver the envisaged services, institutionally they must be both economically viable and socially effective, towards their external/member, financiers they

must provide confidence, because unless they also satisfy their interest they will be unable to obtain the necessary funding. Being efficient in these three areas implies different things depending upon the environment or sector concerned.

Advantage Of Co-operatives In Social Terms

Co-operatives are largely dependent on the membership of natural person and thus usually locally bound, owned, directed and controlled. Co-operatives are the first to face the needs of the local population, are responsible and hopefully accountable to them and can rely on the knowledge of local circumstances as well develop potentials in planing their actions. This seem to be one of the prime reasons which render them uniquely effective for the privatization of public services and as suppliers of local infrastructure. Co-operatives installa high level of identification of the group with the organizational aims, promote local knowledge and understanding of democratic process.

Co-operatives cannot run away merely because the capital employed can earn more elsewhere, thus giving local citizens a good measures of certainty in their own economic planning. Co-operatives bring members closer to their aims even if or particularly when environmental condition have changed to their disadvantage. Apart from these direct advantages co-operatives are also seen to have indirect and longer term social and economic effects, which influence entrepreneurial attitudes and environmental conditions.

CONCLUSION

Co-operatives as privately owned member organizations, recognize their need to function within a competitive environment and sustain their identity having distinctive role both as a economic enterprises within the civil society. The most appropriate ways in which government may in future provide a positive framework in which co-operatives can grow and prosper need to be found. Government may consider adopting policies that will stimulate the growth and expansions of co-operatives whilst respecting their integrity and their right to self- determination, recognizing the special nature of co-operatives as a self-help enterprises.

Co-operatives are probably best promoted by providing them with a favourable climate in which they develop. It is advocated that co-operatives should be placed in a position where they can perceive the new environment not as a threat but as an opportunity. Creating employment opportunities through co-operative business enterprises by advising government on policy issues regarding co-operatives in order to create a favourable climate for co-operative development and carrying out studies on the role of co-operatives in poverty alleviation and in bettering

the socio-economic conditions of particularly disadvantaged groups such as indigenous and tribal people, the disable and unemployed youth are favourable policies to promote co-operatives.

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