Cooperative Societies: Economic Contribution to Bangladesh

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Abstract

Co-operative is an autonomous association of persons united voluntarily which is originated and cooperated by the people of similar class or society to protect their interest and for the socio-economic development collectively. Historically, cooperative is playing the same role of protecting the low earner and developing their socio-economic condition. Social entrepreneurs are always looking for social benefits rather than profit maximization. The study has tried to identify and justify the cooperatives in introduction and literature from different perspectives and finally try to find the economic contribution to Bangladesh. The analysis has been done on collected primary data in methodological way to meet up the objectives and find the economic contribution to Bangladesh and the study ended with some recommendations to exploit the best prospects in this sector.

Key Words: Cooperative societies, Economic contribution, entrepreneurship development, employment generation

1. Introduction

Co-operative is a kind of social enterprise which is defined as co-operative Alliances’ 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. Though are very little specification and justification what is social enterprise is, it is recognized that social enterprise is intending for the social benefit rather than profitability in numerical values. Over the years, cooperative enterprises have successfully operated locally owned people businesses while also serving as catalysts for social organization and cohesion. With their concern for their members and communities, they represent a model of economic enterprise that places high regard for democratic and human values and respect for the environment. As the world today faces unstable financial systems, increased insecurity of food supply, growing inequality worldwide, rapid climate change and increased environmental degradation, it is increasingly compelling to consider the model of economic

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enterprise that cooperatives offer. The cooperative sector, especially in developing countries, also presents itself as an important element that can contribute to the realization of the Millennium Development Goals (MDGs) by 2015.

Cooperative banks in the form of credit unions, building societies and cooperative banks, by focusing primarily on the needs of their members, have displayed carefulness and avoided the unwarranted risk-taking that plagued many large global financial institutions. As cooperative banks continue to operate and provide loans to their clients and enjoy the trust and confidence of their members and depositors, they play an even more critical role as consumers and businesses face a credit crunch.

The World Bank estimates that food demand will double by 2030 as the world’s population increases by another two billion people. There is an urgent need for developing countries to increase the output of food yet, as the World Bank’s 2008 World Development Report on Agriculture for Development has shown, the rural economy has been badly neglected. One solution is to encourage farmers to mobilise collectively in agricultural and marketing cooperatives that engage in the production, processing and marketing of agricultural products and give them access to markets. Farmer cooperatives are growing in most developing countries.

As the uneven effects of globalisation have led to a rise in the unregulated informal economy, workers in the informal sector have formed shared service cooperatives and associations to assist in their self-employment. In rural areas, savings and credit cooperatives provide access to banking services which are lacking in many communities. Credit cooperatives also play an important role in the formation of small and micro businesses.

2. **Objectives of the Study**

   1. To critically analyze the evolution and the present scenario of the cooperatives in Bangladesh
   2. To study and evaluate the growth and development of cooperatives in Bangladesh;
   3. To examine the contribution of cooperatives to the national economy of Bangladesh
   4. To Find out necessary steps to take for the cooperatives development

3. **Literature review**

   Cooperatives are member-owned businesses. The simplest way to understand them is that they aggregate the market power of people who on their own could achieve little or nothing, and in so doing they provide ways out of poverty and powerlessness. The representative body for cooperatives, the International Cooperative Alliance (ICA), 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 This definition and the ICA set out seven cooperative principles: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community. The first four of these are core principles
without which a cooperative would lose its identity; they guarantee the conditions under which members own, control and benefit from the business. The education principle is really a commitment to make membership effective and so is a precondition for democratic control, while cooperation among cooperatives is really a business strategy without which cooperatives remain economically vulnerable. The last principle, concern for community, is about corporate responsibility, and it leads into other concerns that the ICA is promoting such as prevention of poverty and protection of the environment. The cooperative sector worldwide has about 800 million members in over 100 countries through the membership organizations of the ICA. Across different countries, the proportion of the cooperative membership to population varies, but can be as high as 1 in two people as in Finland and Singapore, one in three in Canada, New Zealand, Honduras, and Norway, one in four in the USA, Malaysia and Germany. Viewed in terms of households, cooperative membership represents as much as 1 in 2 households in Finland, and 1 in 3 in Japan. In terms of percentage of a country’s GDP attributable to cooperatives, the proportion is highest in Kenya at 45 per cent, New Zealand with 22 per 3 cent. Cooperatives account for 80 to 99 per cent of milk production in Norway, New Zealand and USA. They account for 71 per cent of fishery production in Korea, 40 per cent of agriculture in Brazil; 25 per cent of savings in Bolivia; 24 per cent of the health sector in Colombia; 55 per cent of the retail market in Singapore, 36 per cent in Denmark and 14 per cent in Hungary. It is estimated that cooperatives account for more than 100 million jobs around the world.

3.1 Co-operative in Bangladesh
Co-operative in Bangladesh has passed its century on its way. In initial stage though it functioned with agriculture only, now it is working with economic spheres. Considering its competency and effective utility in post-independent Bangladesh Co-operative Society is constitutionally recognized as on the most important sectors of the economy. Truly Co-operative is established as a social issue. And for this reason the man who contributed much is Dr. Akther Hamid Khan (Scribd). On November 06 Bangladesh observed National Co-operative Day throughout the country every year. In 39th National Cooperative Day’s inaugurating at Bangabandhu International Conference Centre in Dhaka, Prime Minister Sheikh Hasina (2010) gave her speech and directed the responsible government to finalize a national co-operative policy on an urgent basis to infuse dynamism into cooperative activities. She further added that her government will do whatever is necessary to spread the cooperative movement across the country to ensure socio-economic and cultural emancipation of the people (Sheikh Hasina, 2010).

3.2 Short history of Co-operative Society:
- According to Wales Cooperative Centre, the Shore Porters’ Society which was established in Aberdeen in 1498 claims to be one of the world’s first co-operatives society (Wales Cooperative Centre).
- In the decades followed by several co-operatives formed including the Lennoxtown Friendly Victualling Society which was founded in 1812(welcometolennoxtown.co.uk).
• In 1659 P.C. Plockboy, published a pamphlet setting out a scheme for the formation of economic association (F. A Sampson, 1906).
• The first evidential co-operative may have been founded on March 14, 1761 which was created in a barely-furnished cottage in fenwick, East Ayrshire named Frnwick Weaver’s Society. The cooperative was started when local weavers manhandled a sack of oatmeal into John Walker’s whitewashed front room and began selling the contents at a discount (pages.rediff.com).
• It is assumed that the co-operative movement in Europe was begun in the 19th century, primarily in England and France.
• Robert Owen who was a social worker reformer and believed to be the pioneer of the cooperative movement (infed.org.)
• In 1844 the Rochdale Society of Equitable Pioneers established the’ Rochdale Principles’ based on which their co-operative ran and development and resulting the growth of the modern co-operative movement Severin Carrell, 2007).

3.3 Threats and challenges faced by cooperatives in developing countries
The preceding optimistic view has to be tempered with awareness of the constraints that cooperatives in developing countries face. A recent study of 450 cooperatives in Tanzania and Sri Lanka reports that cooperatives lack access to loan finance to help them expand their business. Other constraints include lack of technical knowledge and access to new technology, and training in business and leadership skills; lack of access to markets beyond their locality; and lack of knowledge about opportunities for fair trade. These cooperatives are still held back by issues like over-regulation from governments and poor internal governance which can lead to lack of trust in their own elected officials22. Farmer cooperatives need assistance to improve the quality of produce for export in a global economy that puts the responsibility on producers to meet quality standards. Credit cooperatives need strengthened capacity to do banking and manage risk. The low level of participation by women is a challenge faced by many cooperatives, a problem that is worse in agricultural cooperatives compared to other types such as credit cooperatives. One way to address this problem is through setting up women’s cooperatives like the women’s cooperative banks in the South of Sri Lanka. Awareness campaigns, as in the Women’s Dairy Cooperative leadership program in India, helped double the participation rates of women.23 In addition, the challenge of low level of involvement of young people and the need to provide them with decent work could be addressed through setting up specialized youth cooperatives and running awareness campaign in existing cooperatives. In Africa, cooperatives face the specific threat from HIV/AIDS.24 The cost in human resources – loss of trained employees and committed members – adds to those imposed by the difficult business environment. In particular, credit cooperatives face increased risks from default on loans, and need to provide insurance that may, in the long run, be costly. One challenge is to meet the needs of members with HIV/AIDS and their families, and this can only be done by businesses that are sound. Nevertheless, cooperatives are an ideal setting for increasing awareness and HIV education. For instance, in India cooperative networks are being used for health education, while in Ethiopia 400 cooperatives with a total
family membership of 2.5 million are developing educational materials with help from ACDI/VOCA. In Calcutta and West Bengal the sex workers of Usha Multipurpose Cooperative Society, with more than 7,000 members, have started a microcredit scheme, help with supply and marketing of handicrafts, and a peer education program. One opportunity provided by the crisis is to develop new types of cooperatives for home care provision, such as the Soweto Home-based Care Givers Cooperative, which is supported by the Canadian cooperative movement. Civil wars and ethnic conflicts have caused major disruptions and destroyed cooperative infrastructure and social capital. Yet there is some evidence that even during conflicts cooperatives can survive. In Sri Lanka and Nepal, they have been the only independent organizations allowed by both sides in the civil war zone. In post conflict areas, cooperatives also play a crucial role in restoring both the economy and civil society. In East Timor, with help from the National Cooperative Business Association of the USA, a network of 20,000 farmers has been formed, processing one third of the coffee for export. In Rwanda, a credit union system was rebuilt by the World Council of Credit Unions without regard to ethnicity, and now there are 149 unions with nearly 400,000 members. In Bosnia cheese cooperatives, and in Montenegro dairy cooperatives, have encouraged 8 displaced refugees to return, while in El Salvador electricity cooperatives have boosted the local economy so ex-combatants can find work. Similar stories can be told of Guatemala, Lebanon, Azerbaijan, Serbia and Montenegro. There is also evidence of cooperatives bridging longstanding ethnic divides; electricity cooperatives in Bangladesh have a common membership among the 28 million users, and in India dairy cooperatives treat members of different castes as equals.

4. Methodology

This study is followed exploratory research design based on quantify and qualitative research approach. The study adopted a survey research design of all cooperative societies in Dhaka, Bangladesh to evaluate the service delivery economic contribution to the country and employment generation. The study targets a random sample and interviewed 15 societies members in Dhaka. Whereas qualitative research is an unstructured, exploratory research methodology based on small samples intended to provide insight & understanding of the problem setting (Malhotra and Dash, 2010). This research focused on different methods and least square method of trend analysis is one of them. Data required for this quantitative and qualitative analysis were collected from primary sources and secondary sources like, face to face interview, project contract and records, Data and information from secondary sources were collected by consulting various relevant journals, studies conducted by various donor and development agencies, Economic review of Bangladesh, annual reports of Cooperative authorities and the publication. The information published in the different newspapers and websites in recent times have been consulted in order to present the collected data and information were then processed, tabulated and analyzed to present the findings in a logical and objective manner. This study mainly focused on three aspects: firstly, trend analysis & prospect of the sector and secondly, contribution in economy of cooperative society and finally recommend some strategies.
5. **Rationale of the study**

This paper will be significant for stakeholder’s like- public sectors, private sectors, policy makers, analysts etc for gathering knowledge regarding cooperative society in Bangladesh.

In light of the objectives of the study, the paper has been designed to examine some important aspects like economic contribution, employment generation, investment of cooperative society in Bangladesh.

6. **Analysis & Findings**

Cooperative society is an association where the members voluntarily cooperate for mutual social, cultural and economic benefit. The study reveals the following scenarios regarding how the cooperative societies in Dhaka are operating, how the members are cooperating for their mutual benefit, how they are contributing to the socio-economic benefit of Bangladesh:

**Growth of cooperative societies**

According to the annual report 2014, available in www.scribd.com, we observed continuous growth in number of registered co-operative in last five years. In 2009-10 fiscal year number of co-operative societies was 168,184 and increase year to year in 2010-11 was 1, 75,839 at 4.56% from last year, and at present 2013-2014 the cooperative societies is 193,512

**Number of individuals as member**

In 2009-10 fiscal year number of co-operative member was 8,674,101 and increase year to year in 2010-11 was 8,954,237, in 2011-12 was 9,194,787, in 2012-13 was 9,349,557 and at present 2013-2014 the cooperative members are 10,297,081. We observe that the cooperative societies doing good and the member of the societies are increase year by year.
Cooperative societies: Growth of Capital

In 2009-10 fiscal year capital of cooperative societies was 468.8 core and slightly increase in 2010-11 reached 513.0 core and increase year to year in 2011-12 was 553.19, in 2012-13 was 624.1 core and it bump up in the year 2013-2014 and the cooperative capital is 3,083.4.

Cooperative societies: Growth of Savings

In 2009-10 fiscal year savings of cooperative societies was 3,469.3 core and slightly increase in 2010-11 reached 3,822.5 core and increase year to year in 2011-12 was 3,946.4, in 2012-13 was 3,970.2 core and it bump up in the year 2013-2014 and the cooperative savings is 5,511.1 core.

Cooperative societies: Growth of Reserve Fund

In 2009-10 fiscal year reserve fund of co-operative societies was 107.7 core and slightly increase in 2010-11 reached 126.2 core and in crease year to year in 2011-12 was 136.8, in 2012-13 was 146.5 core and in the year 2013-2014 and the reserve fund is 274.5 core.
Cooperative societies: Investment

In 2009-10 fiscal year investment of co-operative societies was 4887.22 core and slightly increase in 2010-11 reached 5377.52 core and increase year to year in 2011-12 was 5658.65, in 2012-13 was 5721.93 core and in the year 2013-2014 and the investment is 9901.53 core.

Cooperative societies: Growth of Operation Capital

In 2009-10 fiscal year operation capital of co-operative societies was 4887.22 core and slightly increase in 2010-11 reached 5377.52 core and increase year to year in 2011-12 was 5658.65, in 2012-13 was 5721.93 core and it bump up in the year 2013-2014 and the cooperative operation capital is 9901.53.

Cooperative societies: Growth of Loan Disbursement

In 2009-10 fiscal year loan disbursement of co-operative societies was 698.7 core and slightly increase in 2010-11 reached 913.45 core and in crease year to year in 2011-12 was 553.19, in 992.97 was 1144.67 core and it bump up in the year 2013-2014 and the cooperative loan disbursement is 1203.89.
Cooperative Societies: Economic Contribution to Bangladesh

A co-operative society has three types of employees. Direct involve with Cooperative societies operation, Cooperative societies project employees, Cooperative societies investment project and entrepreneurs development. A total employment has 485,000. Most of the employees are become entrepreneur’s development phase. A total Entrepreneur are 347,605 which is 72% of the employment generated from cooperative societies.

As per our study we found that the cooperative society’s contribution to the economy to the country in 2013-2014 as follows:

<table>
<thead>
<tr>
<th>Factors</th>
<th>Unit</th>
<th>Measure (App)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Investment to Projects</td>
<td>Tk (core)</td>
<td>9901.53</td>
</tr>
<tr>
<td>2. Loan Disbursement for Business Growth</td>
<td>Tk (core)</td>
<td>1203.89</td>
</tr>
<tr>
<td>3. Entrepreneurship Development</td>
<td>person</td>
<td>347,605</td>
</tr>
<tr>
<td>4. Employment Generation</td>
<td>person</td>
<td>485,000</td>
</tr>
</tbody>
</table>
7. **Recommendation**

The following issues could be considering for the development of the cooperative societies during the International Year of Cooperatives:

- People’s and policymakers’ should be aware of the importance of Cooperatives economy contribution;
- Government should take some initiative for better and positive work environment for Cooperatives; Proper education and training for development of management and business skill can strengthen the members to maintain the sector in a sustainable way
- Arrange some skill development training especially for Cooperatives workers for increasing efficiency;
- Cooperatives societies can play an important role in the social and economic development of Bangladesh if the government takes immediate measures to solve the above problems.
- Need for information to be made available in the form of basic statistics on the cooperative sector and Relevant advisory services and assistance in arranging finances will help the cooperatives to protect themselves from financial problems.

Convince government officials to include Cooperatives in economic measurements of the nation economy contribution (employment generation and investment to the projects), and to incorporate an understanding of Cooperatives value when looking at programs to assist Cooperatives is an investment in the economic wellbeing of the country.

8. **Conclusion**

Cooperatives can ensure the fullest possible participation in the economic and social development of all people. It should be considered as a powerful business model in the developing country like Bangladesh. It might be a strong tool for poverty reduction in the ground level of mass people. The government should ensure that the concerned authority is performing their role to develop this sector in giving priority.

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