
14. Socio-Economic Impacts of Co-operative Societies: An Empirical Study

Md. Ruhul Amin*

Mohammed Mahin Uddin**

Abstract:

A Co-operative is a unique form of business used by people and businesses for their mutual benefit. Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development. An economy based on one form of business organization alone is neither desirable nor possible in modern times. To justify their existence and fulfil their purpose, cooperatives must make a significant and unique contribution to solving some of the massive problems facing mankind today. 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.

Key words: Co-operative, Development, Society, Constrains, Constitution, Comilla.

Full Text:

1. Introduction

Today, in an era when many people feel powerless to change their lives, cooperatives represent a strong, vibrant, and viable economic alternative. Cooperatives are formed to meet peoples' mutual needs. They are based on the powerful idea that together, a group of people can achieve goals that none of them could achieve alone. For over 160 years now, cooperatives have been an effective way for people to exert control over their economic livelihoods (Agarwal, R., & Gort, M. 1996). Cooperatives are dedicated to the values of openness, social responsibility and caring for others. Such legal entities have a range of social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. Economic benefits are distributed proportionally to each member's level of participation in the cooperative, for instance, by a dividend on sales or purchases, rather than according to capital invested. Cooperatives may be classified as worker, consumer, and producer, purchasing or housing cooperatives. Co-operative-societies are organizations voluntarily owned and self controlled (non-governmental) aimed at solving the felt need of its members. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy Ahammed, Dr. Tofael (2012). There are two sources of cooperative law such as Parliament and Presidential Order. Foremost the Indian Cooperative credit Society Act passed in 1904 and it was rectified in 1911. In 1984, General Ershad government promulgated cooperative ordinance 1984 and it was in force till 2001. At present context the cooperative Societies run by the Cooperative Society Act 2001 and Cooperative Rules, 2004. The Cooperative Society had its glorious history in this Subcontinent. At the outset of 19th century the visibility of cooperative Society was seen in this subcontinent (Najamudden, G. Abukar .B.Z., Kebbe, M.G.Magati, Ukasatu, 2012). During Pakistan Period Cooperative Society passed its golden age and massively contributed on social-economical aspect of life. Earlier three decades of Bangladesh, Cooperative Societies played marvelous role in poverty reduction, employment generation, extension of small and cottage industries but in the last decades the cooperatives have lost their previous status & tradition for few causes. Even the cooperative societies are neglected and denied in national five year plans and PRSP. In spite of having a cooperative division of government but its importance is disappearing gradually. Sadar south is illustrious

upazila of Comilla district and here about 500 cooperative societies. Due to good flow of foreign remittance, political and economical consciousness, education rate, institutional facilities, high land price etc day by day various segments of cooperatives are being set up and functioned. These Cooperatives face various problems and on the contrary they have vast prospects too. In this study sadar south upazila was selected for study so that the upazila can represent the all upazilas of Bangladesh. The drawbacks, prospects of cooperatives of this upazila will be seen in the light of cooperative of whole Bangladesh. 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.

The study conducted keeping in mind several well defined objectives. The overall objectives of this research are to identify the problems and prospect of cooperative societies in Bangladesh which plays momentous role in socio-economic development of rural people. The study was conducted November, 2012 at Sadar south upazilla in Comilla district. Survey method was used in this study. We found literary more than 500 cooperatives and their beneficiaries of sadar south upazila of Comilla district and took the sample 100 (50+50) as a random basis and who are the members of different cooperatives.

2. Literature Review

Kimberly, Z. (2002) defines Cooperative Societies as a registered voluntary association of persons with membership not less than ten persons, with a common interest formed and operated along democratic principles, for the purpose of economic and social interests at least costs, to its members who contribute the capital and manage the business so established by delegating some powers to elected management. Dr. Toffael Ahmed (2012) narrated the existing problems and recommendations for the enrichment of cooperative sector in Bangladesh. But the social and economical aspects, the prospects of cooperative have not been discussed. (Kazi Khalekkuzzaman, Mohammed, 2005), they briefly discuss the objectives, types, sources of revenue of cooperative, government assistance, problems and solution have been focused. On the contrary, prospects, economical social impact of cooperative societies have not been discussed. Md. Shahin Reza (2012), narrate the problems & opportunities of marginal cooperative members.

But to the letter the contribution, problems and prospects of cooperative has not been reflected in this article. 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 (Faruk Mohammed, Abul kashem, 1983). 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 (Gibson, 2005; and Abell, 2004). (Hussi, P., & Murphy, J. 1993) examines the difference between cooperatives and other businesses in relation to three main groups of people responsible for bringing them into existence and keeping them in operation. The three groups are: the persons who own them (the shareholders, the investors), the persons who control them (the effective decision makers) and the persons who use them (the customers). Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Ajakaiye, M. B. 1989). The process of developing and sustaining a cooperative involves the processes of developing and promoting community spirit, identity and social organization as cooperatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development (Gibson,2005). According to Bottomley T. (1989) cooperatives are specifically seen as significant tools for the creation of decent jobs and for the mobilization of resources for income generation. According to Agbo, F. U. (2000) combating exploitation, reducing disparities, improving social conditions and gender sensitivity, and helping to create a more just society with pronounced concern for environmental protection and sustainable processes of development all tend to make a cooperative a preferred and more socially desirable form of organization.

3. Scenario of Cooperative Society in Bangladesh

“Co-operative is the mid-way house between two ends capitalism and socialism.” To eradicate distress of village farmers British government permitted to launch village micro credit cooperative societies through the promulgation of cooperative Act 1904.And it was the foremost initiative for cooperative in subcontinent. A plenty of rectification, alternation and amplification was brought out in 1911.And in the Act 1911, the non agro sectors too were bucked up to be included with cooperative

sectors. In 1919 cooperative was brought out under provincial government but owing to floods, inflation, war the attempts of provincial government couldn't succeed. Bengal cooperative Act was passed in 1940 to make dynamic the cooperative sector. Due to India separation in 1947, the cooperative movement faced obstacles comprehensively. The Act was in force in whole Pakistan period and in this period revolution was occurred in cooperative sector. Even the act was unchanged till 1984 of Bangladesh period. Emphasizing the cooperative sector for socio-economical especially the agro and small business Ershad government promulgated cooperative ordinance 1984. And this was continued till 2001. After 17 years Bangladesh government newly formulated the cooperative society act 2001 and later in 2004 cooperative society rules 2004 was promulgated. Now the cooperative society Act 2001 & the Cooperative Society Rules 2004 is the legal basis for operation and formation of cooperatives of Bangladesh. And now various types of cooperatives are being set up for multipurpose goals both in towns & villages. The cooperatives finance to middle class business as well as function, land business, transformation. In spite of government less patronizing, the cooperative sector is advancing forward gradually (Ahammed, D, Tofael (2012)).

3.1 Constitutional aspect of cooperative in Bangladesh

Constitution is the apex law of the state and source of all laws, orders, acts, ordinances and base of all ideologies for development of the state. In the part of fundamental principles of state policy several well defined indicators like state operation, economical enrichment, development and philosophy of state have been cited. In article 13, principles of ownership have been enlisted and three types of ownership have been narrated. According to constitution the statement regarding ownership has been shown in below:

“The people shall own or control the instruments and means of production and distribution and with this end in view ownership shall assume the following form:

- *State ownership*: that is ownership by the state on behalf of the people through the creation of an efficient and dynamic nationalized public sector embracing the key sectors of the economy;
- *Cooperative ownership*: that is ownership by cooperative on behalf of their members within such limits as may be prescribed by law; and
- *Private ownership*: that is ownership by individuals within such limits as may be prescribed by law.

But it is a matter of repentance that the policy makers of our country had not emphasized the cooperative sector for social & economical enrichment rather the sector had been neglected and disregarded. Once upon a time they would promote only government sector. At the outset of 1980's the decentralization process has emphasized and gradually the concentration of state went to the development of private sectors. In the middle, another vital sector cooperative or cooperative ownership, production, distribution consumption loses their appeal. Currency, banking, investment, micro-macroeconomic policy has not been formulated for the improvement of cooperative sector, private sector as well as state sector. In spite of having a cooperative division of government accurate caretaking and looking after is not done. That proves the realization of importance of cooperative from the constitutional view is absent.

3.2 Administrative structure of cooperative in Bangladesh

The cooperative administrative structure implies two major parts like the internal professional management of cooperative and another one is regulatory bodies such as cooperative division, cooperative department, BRDB, Zila and Upazila cooperative offices. In spite of having large size of these bodies, they cannot provide standard & sufficient services to cooperatives. It cannot be blamed merely these bodies but government has not well determined plans, policies regarding cooperative sector. Owing to indifferences and negligence of LGRD & Co, the cooperative department, BRDB cannot carry out their responsibilities properly. To

cope with present context of development of this planet, government should prioritize the cooperative sector and for that the above referred two bodies should be radically changed.

Firstly, the cooperative department & BRDB have to be reconstituted under a unique organization not keep these bodies separated for assisting the cooperative.

Secondly, there would not have bureaucratic complexity in reconstituted organization rather than the body would be professional service providing. The personnel set up & functions designing would be constituted with the collaboration of expert, professional and meritorious personnel. The cooperative would not be regulated but would be self controlled. The owners will be all in all and they will be keenly accountable to their members. Government has to stop grant, donation and subsidy to cooperatives and will create chance for the cooperative so that they can be self reliant. On the contrary, government will not carry out any liability of cooperatives side by side government will not impose any condition on cooperatives.

Cooperative department is the codified organization for cooperative auditing. But it has not required skilled & sufficient manpower for auditing. In this regard, the cooperative societies can accept the assistance of a codified audit firm. For instance, NGO Affair Bureau and social welfare department don't operate audit activities of NGOs. A part form cooperative has its own bureaucracy. Cadre members enter into cooperative cadre and goes to retirement as deputy secretary from service. Such type of cadre system is obstacle for growth & development of cooperative. A professional service providing organization has to be constituted. The audit activities of cooperative sector will be accomplished by professional audit firms of home as well as abroad (Ahammed, D, Tofael (2012)).

4. Findings and analysis

4.1 Bi-data of the respondents

Table 01 revealed that 50% of the respondents fall within the age range of 20-30 years. It also showed 76% of the respondents were male. This implied that males dominate the formation of cooperatives even though there was no barrier of entry that prevents females from participating in the cooperatives and majority of them were engaged in different activities.

Table: Bi-data of the respondents

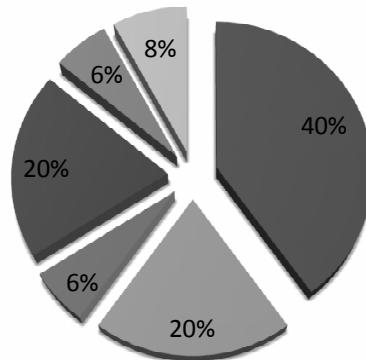
Parameter	Frequency	%
Age		
20-25	7	12
26-30	23	38
31-35	16	27
Above 35	14	23
Sex		
Male	38	76
female	12	24
Total Respondents= 50		

4.2 Nature of Savings of Beneficiaries

In our study we have found that the maximum beneficiaries chose the daily basis savings (40%). The main reason is the beneficiary groups are involve in small and medium business. It's the easiest way for them to savings. Those who have financially solvent could savings weekly (20%), fortnightly (6%), quarterly (6%), fixed (8%) and monthly (20%). We have found that the beneficiary groups chose two categories most daily basis and monthly. They thought that it is the easiest way for them to enrich their situation.

Nature of Saving of Beneficiaries

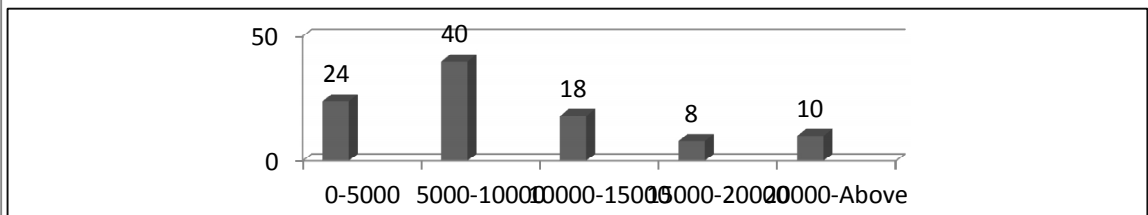
■ Daily ■ Weekly ■ Fortnightly ■ Monthly ■ Quaterly ■ Fixed



4.3 Monthly Income of Beneficiaries

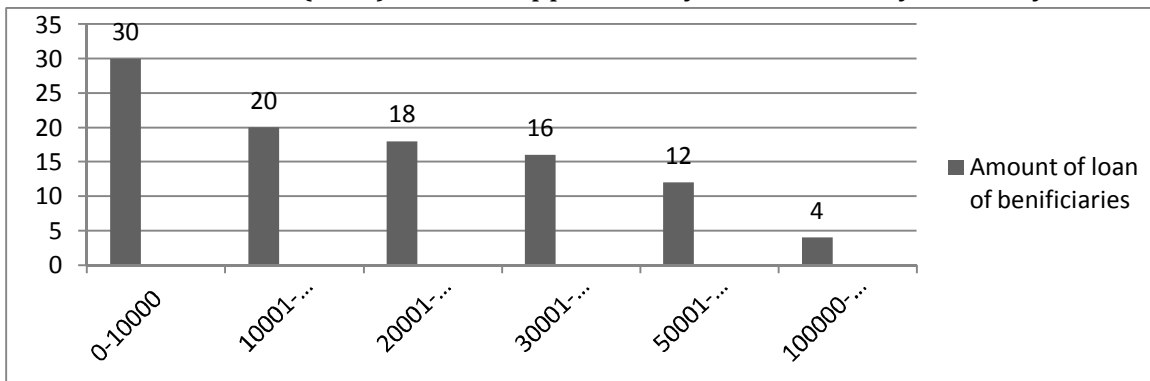
We have discussed earlier that the income level insisted the beneficiary groups for saving various amount of money. We found that those have earns maximum (0-5000) taka per month (24%) & (5000-10000) taka per month (40%) felt encourage to saving daily basis. We have also found that those who have the earning level is (10,000-20,000) per month try to saving their money weekly basis. Those who have financially solvent and earn money minimum 20000 taka (10%) chose the monthly savings way. The important thing is that income status inspire the members the ratio of savings.

Monthly income of beneficiaries



4.4 Amount of Loan of Beneficiaries received from cooperative societies

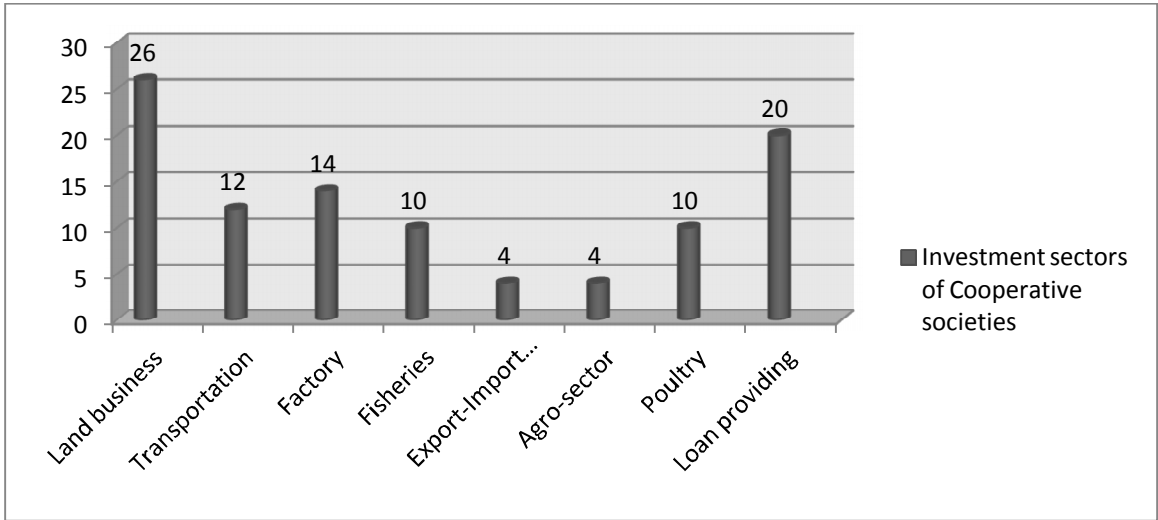
The table shows that the frequency of maximum demanding loan is 10000- 20000 tk. The causes behind is that the borrowers are involved in small and medium level business their ratio is 50%. Those who are involved in multiple businesses their borrowing level is 50000- 100000 tk. but the cooperative societies are not feel interested to given big amount of money. In our study we found that the societies feel comfort to given the small amount of loan and the ratio is 10000-30000 tk. and the ratio is maximum (68%). This is happened only for the security of money.



4.5 The investment sectors of Cooperative societies

The scenario of the study area is that the borrowers are mainly engaging in land business because it’s a profitable business. By concerning this societies are eagerly interested to given the loans who are interested in this sector and we are found that it’s a big ratio on our research area (26%). The second ratio (20%) shows that the peoples who are already taken the loans from various sectors like NGO, Cooperative societies, Banks etc. are paying the interest of loans. Cooperative societies provided small or medium amount of loan for them so that beneficiaries wouldn’t free from their capture. The cooperative societies also given loans in small scale business like: factory set up (14%), transportation business (12%), fisheries (10%) & poultry

business (10%). But there is not remarkable scenario is identified in Agricultural and Export-import sectors.

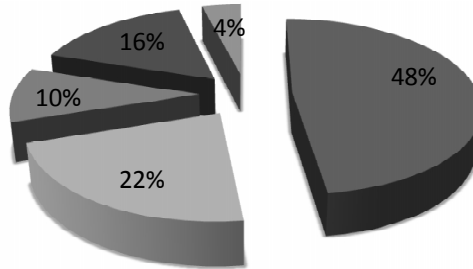


4.6 Sectors of Investment of loans by the beneficiary groups

As mentioned earlier that the beneficiary groups invested their loans in small scale of business and we found that it is the biggest portion 48%. Second largest portion (22%) are involves in medium scale business. The characteristics of these businesses are shop keepings, tea stalls, vehicle repairs, rickshaw pullers etc. The owners of larges business would not interest to taking loans from the cooperative societies but we found some owners of large scale business (10%) because of expansion of their business. We also found job seekers and unemployed persons who taken loans for self employment (16%) purposes. We think it’s a risky way that they applied because if they failed to improvement their condition they have to pay a lot.

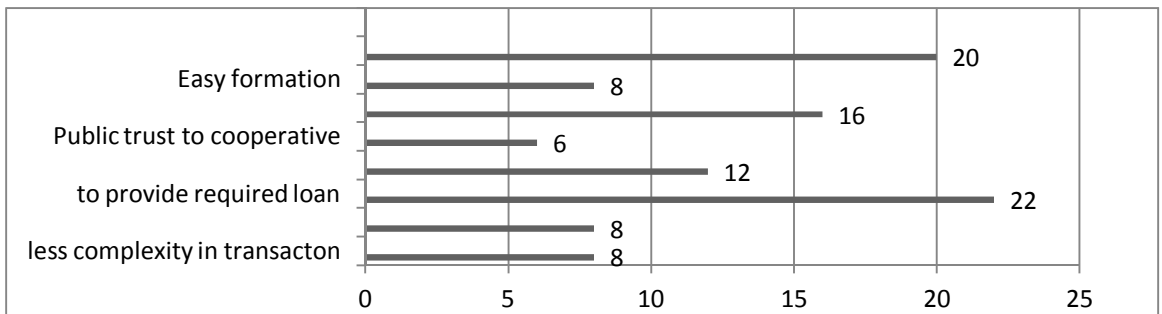
Investment scenario

■ Small business ■ Middle business ■ Large scale business ■ Self employment ■ Other purpose



4.7 Causes of popularity of Cooperative Societies

The respondents answered that easy of loan getting (22%) and easy operating systems (20%) inspired them to borrow or lending money from cooperative societies. The operating system of cooperative society is more flexible than the other financial sectors. The field officers of the cooperative societies collect the installments of payable money daily/weekly/monthly basis. The borrowers feel comfortable about this. Because of the less complexity the borrowers bear the high interest rather than the others sector which interest rate is low.



5. Problems of Cooperative Society functions in Bangladesh

Bangladesh is one of the poverty stricken countries of the world. Here, majority people's income is low. So the cooperative movement here should have succeeded but functionally we noticed that the cooperative societies could not see the light of success. The barriers of cooperative societies here have been shown in below:

- Lack of efficiency in management is the mentionable drawback of cooperative societies in Bangladesh. As a result cooperative could not succeed in expected level.
- Due to illiteracy of maximum people of our country do not realize the necessity of cooperative societies to meet up their fundamental needs. And they can't play effective role in operation of cooperatives.
- Lack of trust among public is the major constraint of cooperative in Bangladesh because people previously were cheated on different issues. Apart from the publicity on favor of cooperative is not mentionable.
- Majority members of cooperatives are uneducated and unskilled. So it is inevitable to provide sufficient training if we expect effective result from them. Moreover, in our country numerous barriers of training of cooperatives are observed.
- The co-operatives of our country could not get rid from nepotism and corruption. The key position holders in cooperatives emphasis on their interests and betray & cheat with the simple minded, uneducated cooperative members. Besides this, they take part in corruption in terms of loan providing.
- To smoothly run the cooperative sector, well defined policy-plan, supervision, monitoring and cordial cooperation is needed. Rather than the cooperative societies face obstacle for smooth growth & development.
- The supervision and monitoring is not held accurately by responsible bodies of government. Even, the financial audit is not edited by both external and internal teams on regular basis.

Once this is done, it is hoped that cooperatives would be able to overcome the problems and challenges facing them. It however, calls for maintaining balance between economic and social purposes, emphasizing differences, relating with other

cooperatives both at national and international levels, and maintaining a favorable public image.

6. Conclusion & Recommendations

The study showed that cooperative societies play an important role in community development. They help in improving the standard of living of their members. Basically cooperative has been evolved to meet up the fundamental needs of rural people by their accumulated savings. There is no alternative of cooperative for rural deprived, destitute and disadvantaged people and cooperative acts as social and economical weapon to protect them from market economic exploitation and from private sector. In spite of bank, insurance and share market's collapse the cooperatives is still alive and active. It would be a prospective sector to change the life style of low income people if government introduces well defined policy, programs, plan along with supervision and monitoring.

There is no chance to deny the role and necessity of cooperative societies in Bangladesh in terms of poverty alleviation, to push the low earning people to better life and to rescue them from want. Although the history of cooperative is enriched here from long times but recently due to several causes, some inconsistency in this sector is observed. In this regard, some ways have been brought forward to overcome from these miserable circumstances. Based on the findings of the research the following recommendations have been made:

- There is need for a nationwide co-operative awareness campaign emphasizing the importance of forming cooperatives with appropriate socioeconomic characteristics to ensure that such cooperatives benefit from services of development agencies created to serve them.
- Co-operative development agencies should be sited close enough to cooperative societies they serve since distance was found to have affected the access of cooperative societies in this study. In this study younger cooperatives were found to have more access to services of the bank than older ones.
- Co-operative development agencies therefore need to pay enough attention to older and successful cooperative societies in their dissemination of assistance to cooperative societies. This will tackle the problem of forming emergency cooperative societies designed to cash in on new government schemes.

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***Md. Ruhul Amin is Assistant professor in the Department of Public Administration at Comilla University, Bangladesh.**

**** Mohammed Mahin Uddin is pursuing his Master's in Social Science from the Department of Public Administration at Comilla University, Bangladesh.**