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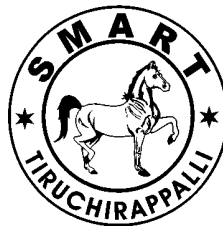
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RELEVANCE OF SOCIAL CAPITAL TO COOPERATIVES

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Introduction

The development of cooperatives is closely associated with the utilization of factors of production like land, labor, capital, and organization. In cooperatives, due importance is given to capital but at the same time, capital is not allowed to dominate other factors of production. This is explicitly practiced by means of giving “one man one vote”, greater importance in voting and decision making process. Cooperatives are also giving due importance to human resource management and human capital. When human resource management is mobilized in the form of human capital, the social capital is formed. Social capital has greater ethical and human values than other values we can find in capitalistic order of the society.

Definition

Social capital is defined as “mutual trust and how effectively people work together, e.g. transaction costs are lower because informal self-enforcement of contracts can take place without third party enforcement; since agents can save monitoring and transaction costs, social capital may also be regarded as a new production factor along with the traditional ones of human and physical capital”. (Coleman 1988).

The first use of social capital as a term was in 1916, but it was not until 1990s that the term was used regularly and continuously. While the term social capital might not have been discussed before 1990s, different terms were being applied to organized social capital

– cooperatives, friendly societies, building societies, credit unions, and voluntary agencies. Primarily, social capital is called social capital because it involves people and social interactions. Social capital also refers to intangible assets that count for most of the daily lives of people such as goodwill, sympathy, honesty, hard work, etc. Without social capital, there cannot be perfect economic growth or human wellbeing. Countries without natural resources have developed their societies only with human capital. Japan stands as the primary example. Social capital can only be interpreted as the set of norms, networks, and organizations through which people gain access to power and resources and through which decision making and policy formulation occurs. In that way, social capital of a society includes institutions, the relationships, the attitudes and values that govern interactions among people and contribute to the economic and social wellbeing of the population.

Benefits of Social Capital to Society

1. *Reducing transaction costs* – Transaction cost refers to the spending of money by the society for measures to prevent unnecessary evils. It also refers to enhancing of social capital in disadvantaged communities as a way of reducing crime reduction and correcting service costs.
2. *Promoting cooperative behavior* – Social capital enhances the spirit of cooperation among people and communities and they promote the cooperative behavior for a joint endeavor. Strong social capital can

facilitate the pooling of finances, which can be invested in projects such as schools, village enterprises, irrigation, health facilities, etc.

3. *Diffusing knowledge and innovation* – Social capital empowers the society to move towards new ideas and new knowledge. Scientists, philosophers, social workers, and cooperators are encouraged to search for new knowledge for the benefit of the advancement of the society and the economy.
4. *Enhancing personal wellbeing* – The ultimate objective of a society is to improve the wellbeing of the individual in the society. The philosophy of cooperation is one for all and all for one. Social capital is also having this philosophy in its purview.

Measurement of Social Capital

Social capital can be measured by two factors, namely, membership in voluntary organizations and participation in such organizations. We presume that membership in voluntary organizations like the cooperatives is a voluntary one without anyone's compulsion and to work for others. The philosophy of self-help through mutual help has greater relevance here. When an individual is participating more in the affairs of cooperatives and similar organizations, it can be said that the individual is contributing to the growth of such social capital.

Cooperatives and Social Capital

The cooperative movement is an important organized contributor of social capital and this has been recognized by the ILO in R 193 Promotion of Cooperatives Recommendation 2002:

I. Scope, definition, and objectives

The governing body of the ILO met in its 90th session on 3 June 2002 at Geneva and recognized the importance of cooperatives in job creation, mobilizing resources, generating investment, and their contribution to the economy. It further recognized that cooperatives in their various forms promote the fullest participation in the economic and social development of all people. Recognizing that globalization has created new and different pressures, problems, challenges, and opportunities for cooperatives, stronger forms of human solidarity at national and international levels are considered necessary to facilitate a more equitable distribution of the benefits of globalization.

1. It is recognized that cooperatives operate in all sectors of the economy. This recommendation applies to all types and forms of cooperatives.
2. The promotion and strengthening of the identity of cooperatives should be encouraged on the basis of cooperative values of self-help, self-responsibility, democracy, equality, and solidarity, as well as ethical values of honesty, openness, social responsibility, and caring for others.
3. Measures should be adopted to promote the potential of cooperatives in all countries irrespective of their level of development, in order to assist them and their membership to
 - a. create and develop income generating activities and sustainable decent employment
 - b. develop human resource capacities and knowledge of the values, advantages, and benefits of the cooperative movement through education and training

- c. develop their business potential, including entrepreneurial and managerial capabilities
 - d. strengthen their competitiveness and gain access to markets and to institutional finance
 - e. increase savings and investment
 - f. improve social and economic wellbeing, taking into account the need to eliminate all forms of discrimination
 - g. contribute to sustainable human development, and
 - h. establish and expand viable and dynamic sector of the economy, which includes cooperatives that responds to social and economic needs of the community.
- d) facilitate the membership of cooperatives in cooperative structures responding to the needs of cooperative members, and
 - e) encourage the development of cooperatives as autonomous and self-managed enterprises, particularly in areas where cooperatives have an important role to play or provide services that are not otherwise provided.

II. Policy framework and role of governments

A balanced society necessitates the existence of strong public and private sectors as well as strong cooperatives, mutual and other social and non-governmental sectors. It is in this context that governments should provide a supportive policy and legal framework for the cooperatives in order to

- a) establish an institutional framework with the purpose of allowing for the registration of cooperatives in as rapid, simple, affordable, and efficient a manner as possible,
 - b) promote policies aimed at allowing the creation of appropriate reserves, part of which at least could be indivisible and solidarity funds within cooperatives,
 - c) provide for the adoption of measures for the oversight of cooperatives, on terms appropriate to their nature and functions, which respect their autonomy, and are in accordance with the national law and practice and which are no less favorable than those applicable to other forms of enterprise and social organization,
- III.*** Cooperatives should be treated in accordance with national law and practice and on terms of no less favorable than those accorded to other forms of enterprise and social organization. Government should introduce support measures, where appropriate, for the activities of cooperatives that meet specific social and public policy outcomes, such as employment promotion or the development of activities benefiting disadvantaged groups or regions. Such measures could include among others and in so far as possible, tax benefits, loans, grants, access to public works, and special procurement provisions.
- IV.*** National policies should notably
 - a) promote the ILO fundamental labor standards and the ILO declaration on fundamental principles and rights at work, for all workers in cooperatives
 - b) promote gender equality in cooperatives
 - c) promote measures to ensure that best labor practices are followed in cooperatives including access to relevant information
 - d) develop technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential, and general economic and social policy skills of members, workers and managers and improve their access to information and communication technologies

- e) promote education and training in cooperative principles and practices at all levels of national education and training systems and in the wider society
 - f) promote the adoption of measures that provide for safety and health in the workplace
 - g) provide for training and other forms of assistance to improve the level of productivity and competitiveness of cooperatives and the equality of goods and services they produce
 - h) facilitate access of cooperatives to credit
 - i) facilitate access of cooperatives to markets
 - j) promote the dissemination of information on cooperatives, and
 - k) seek to improve national statistics on cooperatives with a view to the formulation and implementation of development policies.
- iv. assist and participate in the setting up of new cooperatives with a view to the creation or maintenance of employment, including in cases of proposed closures of enterprises
 - v. assist and participate in programs for cooperatives aimed at improving their productivity
 - vi. promote equality of opportunity in cooperatives
 - vii. promote the exercise of the rights of worker-members of cooperatives, and
 - viii. undertake any other activities for the promotion of cooperatives including education and training.

V. Role of employers' and workers' organizations and cooperative organizations and relationship between them

- a) Employers' organizations should consider the extension of membership to cooperatives wishing to join them and provide appropriate support service on the same terms and conditions applying to other members.
- b) Workers' organizations should be encouraged to
 - i. advise and assist workers in cooperatives to join workers' organizations
 - ii. assist their members to establish cooperatives, including with the aim of facilitating access to basic goods and services
 - iii. participate in committees and working groups at the local, national and international levels that consider economic and social issues having an impact on cooperatives

Conclusion

In the event of globalization and competition, cooperatives have to improve their operational efficiency. This is possible by means of consolidating their human resources and physical resources. These two resources could be mobilized and utilized properly by means of social capital. Social capital creates a bond of unity among diversity and can be channeled for the promotion of the cooperatives and the welfare of the society. Due to changes in global perspectives of competition, cooperatives have to take care of their operational efficiency and member unity. Social capital is a process of mobilizing members' unity.

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