

Mongolian cooperative Network- General Knowledge

Five Good Reasons for Cooperatives

(Source: German Technical Cooperation GTZ project "Promotion of organised self-help in rural areas", Ulaanbaatar, Mongolia, eMail fv.mueller@gtz-mongolia.org)

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1. Cooperatives are community enterprises

- Cooperatives keep economic benefits within a community. Profit is not siphoned off by outside interests, because the cooperative's members are its owners, and the cooperative exists to fill a need in a community that is not being met by other businesses.
- Agricultural cooperatives satisfy the need for supply, processing and marketing of goods.
- Consumer cooperatives provide the members with the goods and services required of the preferred quality at competitive prices.
- Workers' productive cooperatives are formed to create or maintain employment in a community.
- Housing cooperatives give low-income people the opportunity to own their own homes.
- Cooperative insurance protects individuals and small businesses from risk.
- Savings and credit cooperatives and Credits Unions serve people of limited incomes not reached by commercial banks, and extend credit to micro-entrepreneurs who otherwise might not be able to secure financing.
- Electric and telephone cooperatives meet rural peoples' needs for power and telecommunications not satisfied by private business.
- Community development cooperatives are formed for the overall development of local communities and are specially concerned with social, economic and cultural development.

2. Cooperatives promote democracy

- Cooperative members own their business. They provide share capital, elect a board of directors, and receive the benefits of ownership through better service and patronage refunds based on use.
- Cooperatives teach people outside the mainstream into a nation's economic and political life. Cooperatives teach people how to resolve problems democratically. Many individuals who received their education in democracy from cooperatives have gone on to become political leaders in their nations.
- In emerging democracies, cooperatives help throw off the shackles of a non-market economy. Their members develop the skills of entrepreneurship and learn market values.

3. Cooperatives build open markets

- As more and more governments divest state-owned enterprises, there is a danger that these monopolies may be moved intact into private hands. Cooperatives help avoid this pitfall by ensuring wide participation by the users of the former state service.
- Cooperatives spread economic power and encourage competition. They provide market leverage to small producers victimised by powerful cartels or sole-source companies. They undercut middlemen and money lenders, whose charges are often exorbitant.
- By ploughing profits back into the business, cooperatives can operate on narrower margins. Thus they help drive down unfair prices, and set a competitive range for goods and services.

4. Cooperatives raise human dignity

- Cooperatives help people escape poverty and achieve dreams, such as owning a home or giving their children an education. Since educated decision-making is essential to a cooperative's success, cooperatives also teach new skills, from adult literacy to business operations.
- Cooperatives empower individuals by giving the chance to participate in decisions which have an impact on them. Armed with the ability to effect change, members find solutions to social and economic needs.
- Cooperatives provide an organised way for low-income people to relate to sometimes distant governments and economic power structures.

5. Cooperatives are systems for development

- Cooperatives draw community businesses into regional and national networks. Local cooperatives benefit from larger business volume, operating efficiencies and professional management. The economic pyramid enables farmers to purchase supplies at volume discounts, and receive profits from value-added processing and consumer sales.
- Savings and credit cooperatives and Credit Unions pool their resources, and are able to transfer surplus savings to credit unions in lower income areas.
- Electric cooperatives join together to buy power at a lower cost. They become an engine for development, spurring the growth of enterprises not possible without reliable energy.
- Cooperative insurance companies are tied into a world-wide reinsurance network to protect against catastrophic losses. They pool groups of individuals not served by commercial companies to guard against personal and business risks.