

A Short Study on Cooperative Sector in Iran. Challenges and Issues

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Abstract: This paper aims to study the issues of cooperative sector in Iran. According to the theories, among the three sectors i.e. Public, private and cooperative sector probably cooperative sector because of participating people directly in its process, can work better for economic development and can be considered as a country economic developer example by job creation and others, **Prior Work** because Islam religion has invited people for having cooperation and also Iranian is a Muslim country then there have been a lot work on cooperative sector and this work is among the others who looks for the challenges and issues in this sector, **Approach** this paper looks for the challenges and issues of the cooperative sector in Iran to run effective cooperation, **Results** Cooperative sector in all developed and undeveloped and developing countries has its own challenges and in Iran as a fast developing country which want to speed the developing process then needs to consider the cooperative sector challenges in Iran and other countries as well, **Implications** Practitioners, academician and others who want to work on challenges and issues of cooperative sector in Iran and others. **Value** among the other important variables in economic development, cooperative has the priority because of its fast returned effects in economic development then this paper aims to study the challenges of this sector.

Keywords: Government; Public Policy; Economic Development; Iran cooperatives' need

Jel Classification: P13; P16

1. Introduction

The cooperative sector will continue to play a major role in the development of countries try to be developed or more developed ones. The notion and philosophy of co-operation is to unify the individuals and firms and small or big organizations to come together in a systematic and planed manner to achieve the desired common economic interests. According to Answers (2005) co-operation have a lot of different definitions but here is the one by the Co-operative Planning committee which defines co-operation "as a form of organization in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests" (Answers, 2005). When cooperation founds there should be collective

action of participated members and individuals in cooperation to get common goals which may not have been possible for one isolated individual (Answers, 2005).

Iranian Organizations' Practical Guides to Running Effective Cooperatives

There are many major actions Iran can take to enhance the productivity of its cooperatives, some of which are discussed below:

Adjusting Governance Policies for Enhancing More Cooperation

Iranian governance should make some policy and regulatory adjustments to help motivate citizens to establish cooperatives. In some countries, people can establish a cooperative in one day but in Iran it is a difficult and complicated process. Also, the Iranian governance structure should allocate income rights and decision rights (i.e. it determines who receives income from the use of the organization's assets and who may decide over these assets).

Informing about the Advantages of Having Good Relationship with Buyers

A cooperative is just a different organizational form for a firm, and therefore has the same roles as other privatized firms. Cooperatives should follow effective management and organizational practices and should try to keep old customers while simultaneously obtaining new ones.

Inspiring Innovation and Differentiation Morality

In the Iranian cooperative sector, members usually do not participate in the process of production R&D or other innovation-driven practices. When this is the case, the participation scale is low and cooperatives struggle more. Therefore, Iranian cooperatives should try to enhance this participation to be an innovative cooperative.

Informing Ownership and Financing Issues Among Members

From the beginning of cooperatives as an organizational form, there has been a great need for open channels of clear communication to be available regarding financial and ownership affairs.

Price Setting

Price setting and other related subjects should be carefully considered in cooperatives, just as with other firms.

Marketing and Promotion

Decisions regarding marketing a new product offering from the cooperative should flow from the cooperative's role and policies and should not be a personal decision.

Market power, or more generally market imperfection, is the most common reason for establishing a cooperative mentioned in the economics literature (e.g., LeVay, 1983; Schrader, 1989).

Considering Formal and Informal Aspects

The informal aspects of organizations have to be considered together with the formal aspects in the design of governance structures for cooperatives (Baker, e.a., 1999, 2002).

Iranian Cooperatives should be linked with Superior International Cooperatives

The main function of the cooperative is to enhance income of member-firms by providing specific services that support the activities of the members (Bijman & Hendrikse 2003). Because trust is one essential matter in every cooperative, having a relation with other superior organizations for monitoring is desirable. It is notable that Iranian organizations follow Islamic teachings and speech, which encourage a high level of compliance with organizational norms and rules. Additionally, “a cooperative may also be superior to a stock listed enterprise due to the continuous exchange of information between members, which enables them to evaluate the decisions of the professional management better than the many small shareholders of stock listed companies” (Hendrikse and Cees, 2003, p.6).

Motivating Scholars who Want to Study about Iranian Cooperatives' Challenges

Iranian scholars should note the results of much economic research when engaging in the study of cooperatives. Iranian scholars should also engage in repeated interaction between the two research communities, association and R&D sectors in the form of conferences, workshops, and joint publications. Also they should pay more attention to increase awareness of the research traditions in the disciplines which it would be of great help. Cooperative studies can hardly be based on economics alone, but it would be foolish to disregard economics. Also Iranian scholars should use multidimensional thinking or open-minded and pluralistic attitudes, which can be the necessary ingredients of success (Kalmi, 2003).

Privatizing

Privatization can be stated as the transfer of operational control of an enterprise from the government to the private sector (Bahatia & Campbell, 1998). A move towards greater privatization results in the creation of more cooperatives in a society, so it should be considered one of the aspects to driving effective cooperative formation and maintenance in a country (Noruzi & Westover, 2010, p 97).

2. Iranian Cooperative Sectors' Need

All cooperatives need some actions to be survived in today's turbulent market and Iranian co-operations' are not except from this rule the following guides will help governors in the area of cooperative sectors.

1. Creating powerful structure at all levels of Iranian cooperation especially in primary level
2. Monitoring and supervising the Iranian cooperation regularly and sometimes randomly by province and capital supervisors and monitors for the capital flow, members and staff problems.
3. Programming all Iranian corporations with unified working system for better cooperating and more effectiveness.
4. Participating members more in cooperation affairs.
5. Building sustainable managerial and observation system for cooperative sector.
6. The ownership of the cooperative members should be reserved and they could give their suggestions for development of the cooperatives
7. Other countries of cooperative sectors should not be used directly and without pilot test, because they are developed for that country and if we want to borrow we should have a pilot test on it.
8. Governors should pursue the cooperatives for being multipurpose cooperatives because it will have competitive advantages over single purpose cooperatives, again it is depending on the environment they are operating in for example it can be good in one country or region but not to be used in other country.
9. Providing self-help spirit among people to establish or refinance cooperatives.
10. Governors should try to have a good, strong, and long term partnership with the cooperatives because this relationship will have mutual but it should be built on trust.
11. Successful cooperative building programs should be done by governors to make easy establishing cooperatives.
12. Building a suitable structure vertically or horizontally for cooperatives
13. Governors should try to make a good relationship between local organizations and cooperatives and ask them to solve their bureaucratic problems fast
14. Try to get donors for NGO cooperatives (Kathmandu, 2004).

3. Results and Discussions

Due to weakening of the cooperative institutions due to their poor financial condition and lack of professional management, not having enough knowledge about cooperative, lack of adequate infrastructure, lack of capability to withstand

competition, over-dependence on government for financial assistance and restrictive provisions of cooperative law (Vinayagamoorthy, Pithadia, 2007) so the efficiency and the effectiveness of this sector got considerably reduced in the recent years. Also Iranian organization should use from the women in the cooperation sector suitably and by considering their main rule which the Islam has stated (keeping the bases of family) because as we can understand from the meaning of cooperation (working together) so women should not be taken away from this sector. Iranian cooperative sectors which want to be globalized should note the concept of co-operation emphasizes on the principles of co-operation define the basic characteristics of any co-operative organization in the world. These principles form the common thread that runs through all the co-operative societies which marginal variations (answers, 2005) and Iranian cooperatives can cooperate with other countries cooperative sectors for example Turkey, Azerbaijan and some Arabian countries because of having a common religion.

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