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# COOPERATION IN THE AGRARIAN SECTOR: ASPECTS OF THE SOCIAL-ECONOMIC EFFICIENCY

**ABSTRACT:** The social-economic efficiency of cooperation based on voluntary joint action is the main argument to support this movement on current stage of development. The article highlighted some aspects of social and economic efficiency of cooperation in the agrarian sphere. To determine this effectiveness the current approaches were investigated, possibilities of their improvement were revealed.

**KEYWORDS:** agrarian sector, reform, efficiency, cooperation, integration

Dynamic and sustainable development of the national economy in the second decade of the XXI century requires special attention to priorities. These priorities and principles of the development strategy in general took its base from provisions of national leader Heydar Aliyev and President of the Republic of Azerbaijan Ilham Aliyev about the development of those ideas in a creative way. The changing world had directed the potential of the national socio-economic development strategy to be able to adequately react to the effects of globalization at the conditions of attempts to regulation. The course of development where the human factor put forward means the unity of the socio-economic processes. The social context of economic activity of the people based on the voluntary cooperation becomes an important condition of its efficiency.

As an important condition for development the matching of interests was always urgent and is at the agenda presently. The cooperative movement holding an important place in economic history covers all areas of human activity. Researchers investigating the cooperation relations mainly grouping cooperatives as follows: agriculture, manufacturing, service, consumer, credit, housing and innovation cooperatives.

Regardless of sphere of activity is a cooperation directed at fair distribution of revenues, efficient use of resources, and more flexible adaptation to market demands. Production, consumption, innovative activities as an important factor of implementation of the economic and social functions distinguished with development issues of cooperation.



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Cooperation of economic agents based on voluntary cooperation in the agricultural area besides realization of the joint venture opportunities for economic agents serves to increase their competitiveness. As a result opportunities, the subject of talks, stipulate settlement of employment problems, the development of initiatives, assists in the implementation of intellectual potential. On the other hand the cooperation creates conditions for balanced regional development, acceleration of the reforms aimed on business activity. Thus, the advantages of joint activities and interests play an important role in this context. Although at various stages of cooperation movement there were cases of preference of socio-economic functions. But the cooperative movement and its social and economic functions of the various stages were once preferable. If at the beginning of the twentieth century the matters of social function of cooperation were promoted compared to economic purposefulness even slightly but for last decades realization of business interests at cooperative level is most urgent.

The weakening trend of cooperation movement is characteristic for the period agrarian reforms. The objective reason for this is the establishment of cooperation on relations, but at the period of radical reforms the weakening of the industrial-commercial and other relations. In the first years of independence accompanied by transition to market relations from centralized economic system, severing ties with former Soviet Union, the violation of the partnership relations lasted for many years had conditioned delay of cooperation processes and weakening of integration relations. As for the subjective factors the absence of systems, costs increase of transactions so many times, etc can be cited

as an example characteristic for the beginning of radical reforms.

At conditions of continuing reforms identifying the opportunities for cooperation and implementing first of all, promoting criteria of efficiency should put forward, programs should be prepared. The experience of the post-socialist countries of Eastern Europe in this respect is noteworthy. In most of these countries, particularly in agriculture continuous projects on the promotion of pre-production and post-production cooperation have been implemented and sustained support of the European Union played a significant role in this process.

Socio-economic efficiency of cooperation, although depends on the functional purpose of this movement, the necessity to look at it from a single context is doubtless. Economic effectiveness of the joint venture and its social effects are concepts that complement each other. As is known, "the benefit is defined as a result of the material, money, social (social benefits) of activity in real terms, and the efficiency is defined as the ratio of the result, conditioned getting of benefits, to costs provided it" [1, p. 267].

It should be noted without focusing on a comparison of efficiency and effectiveness that mutual benefit of the benefit is accepted as the indicator added to results of different types of activities. However, there are certain methodological difficulties in ambiguous comparison of economic and social aspects of that indicator. In studies on aspects of socio-economic efficiency of cooperation this matter was at the focus of attention for a long time, studies have been carried out with respect to generalized indicators of economy like profit and profitability. But at the current period when intensification of inter-sectoral relations turned to objective necessity the place and role of activity integration in cooperative movement appears more urgent. In this regard, the growing attention to the agricultural and relevant areas of the service is natural.

The importance of cooperation in agriculture, the principles of its implementation and features were at the focus of attention of the economists and it is still same. "At the modern stage specialization and decentralization of agriculture production based on inter-economies cooperation and agro-industrial integration is of particular importance in the complex of measured aimed at improvement of its efficiency" [2, p. 706].

The implementation of given measures requires different approaches in different stages of development. As it was already mentioned at the first years of independence of Azerbaijan, issues of organization and support of the cooperation remained a little outside of attention, but in the middle of 90-es of last century, coming on the agenda of issues of the evaluation of the

agricultural potential namely in this context have been accompanied by growing attention of some researchers.

As noted in the relevant sources, positive progress achieved thanks to the measures taken, are obvious. "But despite all this, the development and operation of private organizations do not give the expected results. Therefore the main task of the future is reconstruction of the economy and more efficient development of multi type forms of economy in the republic and right justification of its production directions. In view of that while justification of production parameters of multi-type economic forms the main attention in the future should be given to the determination of its quantity, definition of the privatized land plots in them, the demand for investment, the value of capital assets and gross output" [3, p. 190].

The research has revealed a need to consider together the issues of cooperation and concentration, special attention was paid to aspects of efficiency. In this regard, taking into account the results of land reform and socio-psychological aspects in the village, activity kinds like effective forms of cooperatives are analyzed as economic opportunities.

"The present conditions are compatible with the relatively large-scale development of production cooperatives in agriculture. In significant part of those engaged in agriculture still the trend to joint economy is strong and at cases of realization of cooperative principles without distortion the cooperatives of farming and livestock production may function as efficient economic form" [4, p. 128].

Joint study of processes of cooperation, specialization and intensification is notable as an attempt to determine synergetic effect. The matter is that the urgency of assessing of synergetic effect requires the scales effect, the promotion of cooperation at present phase of development, and the coordination of the measures taken for the establishment of large farms.

"Scale effects have significant opportunities of effect on the level of specialization and intensification of agriculture. Concentration of resources on the leading sectors of the agriculture, decentralization of agricultural production allows realization of the advantages of large-scale farms on a large range. These advantages are:

- The existence of more favorable conditions for perfect machinery and equipment;
- To reduce the number of employees at the expense of minimizing manual labor;
- The effective use of material resources is related to" [5, p. 197].

The effectiveness of cooperation is reflected in various aspects. In view of agro-food complex features

the promoting of following as aspects of cooperation is appropriate:

- Increasing the efficiency of production-commercial activity;
- To gain position in the market, expansion of fight opportunities with monopoly and unfair competition attempts;
- The efficiency of cooperation as a form of labor organization;
- Efficiency of cooperation as an organizational form, increasing innovative activity and etc.

Creation of environment that can realize the given aspect of the socio-economic efficiency of cooperatives at the same level is the desired ideal but very difficult in reality. This is largely due to the fact that the promotion of cooperation in the light of set objectives is based on a variety of advantages. These advantages are conditioned of to the following factors that provide effectiveness of the cooperation:

- Independence of cooperation as a form of economy;
- The organizational form of the joint venture based on voluntariness;
- Democratic principles of governance and transparency and so on.

However, the realization of socio-economic efficiency of cooperation should be based on the concept of considering all important factors. Realization of advantages of production cooperatives based on the given factors, first of all, is accompanied by an increase in economic size. Increase in the size of the economic activity unit make urgent the establishing of more organized business regime without prejudice to collectivistic values, increase transparency in the flow of financial resources, scientific organization of labor, innovative approaches, taking into consideration the requirements of the escalating competitive environment. At the same time, thanks to the improvement of normative-legal base in the legal arena the solution of problems such the reducing of legal issues (conflicts) of cooperative relations, mitigating price disparity, etc. come to the foreground. The measures taken in the following aspects serves to the economic efficiency of production cooperatives:

- Reduction of costs. As well as the minimizing the transaction costs at inter-branch relations;
- Expansion of the activities of small farms established on voluntary basis and based on scientifically based priorities;
- Expansion of mutually beneficial cooperation between the different cooperatives, further intensification of pre and post-production cooperative relations;

- The elimination of the price disparity among industrial and agricultural products, etc.,

Before talking about the socio-economic efficiency of the consumer and the service cooperatives let's briefly review the role of cooperative relations based on cooperative ownership in formation and development of cooperative knowledge.

Cooperatives, formed in the form of associations carrying out the exchange of trade between industry and agriculture have historically operated under the name of the consumer cooperatives. Consumer cooperatives function at expense of money income received from rendering services, as well as share of cooperative members (at joining) by playing a special role in the implementation of the relations between urban and rural areas.

Legal and normative acts regulating the activities of cooperation are prepared based on a common legislative base. The relevant normative-legal acts define economic and organizational basis of establishment and activity of cooperative societies (cooperatives) and their associations (unions) in the country. The well-known principles of establishment of production cooperatives (voluntary membership, mutual assistance, the proportional distribution of the income to activity (participation) etc.) as an economic subject conditions starting parameters of its efficiency.

The efficiency of state support of funds to consumer-oriented cooperatives for continuing of activities is the most important factors of the formation of competitive environment with regulated legal and financial aids (concessional loans).

The impact of globalization on various aspects of the process of cooperation is of great interest. First of all, it should be noted that the importance of mutually beneficial cooperation of cooperative societies of various forms become practical at the background of growing importance of their social functions. In other words, the alternation of priorities of social and economic functions that are common to the cooperative movement has special shades at the period of globalization. The realization of social and economic functions at organic unity is becoming one of features of the experience of cooperation of the era of globalization. Another feature is joining of cooperatives to the integration process more actively. It is true that such a relationship, we can say that has always existed and developed on variable rates. However, as the impact on main parameters of the economic system of realization of features of globalization gets stronger, objective difficulties encountered by the small economic subjects at entry into market encourages them on the joint activity based on integration in this or any other form.

Intensification of integration and cooperation relations increases the role of co-regulation in the activity of economic subjects. At the period of strategic importance of cooperation relations the acceleration of development of regions, implementation of the existing natural and economic potential is closely linked with the quality of mutual relations. Parameters of the quality of relations, in terms of socio-economic efficiency of cooperation: efficiency, adequacy to the ever-increasing rhythm of economic life, discipline, innovation orientation, mutual coordination of priorities, and so on should be included.

The efficiency of relations means the ability of cooperatives to ensure adequate reaction to rapidly changing environment. In order relations playing crucial role in implementation of the principles based on cooperation relations of joint activities to meet the efficiency (flexibility) requirements, first of all the legal and regulatory framework should be reinforced, the working mechanism should be formed, the modern information and communication infrastructure should be created, measures for minimizing of transaction costs like for information search and clearing agreements must be taken.

Adequacy of the increasing pace of economic life in the process of cooperation, increasing of the investment attractiveness to development of the enterprises operating in this system, in general, include comprehensive justification of perspective parameters in the preparation of strategic financial plans. The effectiveness of industrial-commercial activities and the implementation of cooperative opportunities directly depend on the level of the given adequacy.

As macro-economic factors conditioning the rate and scope of the development of cooperative relations, almost all the main characteristics of macroeconomic indicators should be considered. It is not difficult to see that such an approach has a little difference from the general process of economic analysis.

In terms of efficiency parameters of cooperation, first of all, indicators reflecting the results of economic activity should be considered. Finally those parameters express the impact of growth of production and services at the well-being of the country's population. Exactly saying as parameters reflecting socio-economic efficiency of consumer cooperation the following should be noted specifically.

The effectiveness of co-operative trade means the completeness of coverage of population's ability to meet payments by retail trade turnover. It is known that the real level of meeting the peoples' demand for products and services conditioned by their paying capability. In this respect from the other hand as a factor of forming of paying ability of the population the possibilities of economic activity and cooperation with effective means for its realization dos not play

fewer roles. World experience shows that cooperation is capable of becoming to become an important factor causing the market conjuncture. As cooperation is based on the principles of joint social activities and priorities it expands abilities to withstand the negative features of a modern market.

To produce more products on less costs, to deliver them to end-user without losses to their quantity and quality is a significant and generalized indicator of the efficiency of the economic activity of the agent. Its detailing of the effectiveness allows to make exact the socio-economic aspects of cooperation.

The integration of activities allows reducing production costs under the conditions of cooperation. Although there is no unified algorithm for the calculation of the benefits obtained through the integration of activity, to determine the possible economic benefits conditioned by the above-mentioned factors by the traditional methods by keeping the stable other terms is possible. At each stage of movement of goods to the consumer within an associative network of cooperatives the probability of losses can be determined by risk-management methods. The benefits obtained through their minimizing should be evaluated both at quantitative and qualitative aspects.

In addition to the social utility of cooperation, it should be noted that at the current level of business activity the mutually beneficial social effects and multiplicative effects conditioned by it should be under particular attention.

The advantages of mutually beneficial cooperation are reflected in the socio-economic efficiency of cooperation. Characterization of those factors in quantitative and qualitative terms requires different approaches at various stages of development. Globalization period requires regulation of the cooperative processes, promotion and more flexible management. For this purpose a system of indicators of socio-economic efficiency of cooperation is to be improved, social effects of the economic efficiency should be assessed thoroughly justified.

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