

NEAR EAST UNIVERSITY  
FACULTY OF ECONOMICS & ADMINISTRATIVE SCIENCE  
GRADUATE STUDIES

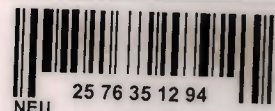


*A RESEARCH STUDY  
ON  
THE ROLE OF THE COOPERATIVES IN THE DEVELOPMENT  
OF NORTH CYPRUS AND PROPOSALS HOW TO DEVELOP THE  
COOPERATIVES*

*BY  
EMİNE SARI*

*A THESIS  
Presented to the Faculty of The Graduate Studies in the Near East  
University  
In Partial Fulfillment of requirements  
For the Master Degree Studies  
Under the supervision of Assoc.Prof.Dr.Fikret KUTSAL*

*June 99  
Lefkoşa-K.K.T.C.*





## ***CONTENTS***

- I.*** INTRODUCTION
- II.*** WHAT IS COOPERATION? AND THE ASPECTS OF COOPERATIVES.
- III.*** THE PRINCIPLES OF COOPERATIVES AND APPLICATION OF PRINCIPLES.
- IV.*** THE COOPERATIVE MOVEMENT IN NORTH CYPRUS
- V.*** THE COOPERATIVE POLICY OF NORTH CYPRUS
  - 5.1.*** The Suitability Of The Cooperatives In North Cyprus
  - 5.2.*** Cooperative Law
  - 5.3.*** The Administrative Structure Of The Cooperatives
  - 5.4.*** The Social Rights Of The Cooperative members
- VI.*** PROBLEMS OF THE COOPERATIVES
- VII.*** CONCLUSION AND PROPOSALS
- IX.*** BIBLIOGRAPHY

## *LIST OF TABLES*

<i>TABLE I</i>	<i>Comparison between cooperative and non-cooperative theories</i>
<i>TABLE II</i>	<i>Gives information about the number of credit cooperatives established and active in Cyprus since 1923</i>
<i>TABLE III</i>	<i>Gives information about the number of saving cooperatives established and active in Cyprus since 1939</i>
<i>TABLE IV</i>	<i>Gives information about the number of consumer cooperatives established and active in cyprus since 1928</i>
<i>TABLE V</i>	<i>Gives information about the number of developed cooperatives established and active in Cyprus since 1946</i>
<i>TABLE VI</i>	<i>The number of the cooperatives in different years</i>
<i>TABLE VII</i>	<i>Active cooperatives in North Cyprus</i>

## I.INTRODUCTION

The basic aims of the government of the North Cyprus is to render it self- sufficient,to increase the size of the economy by increasing the productivity of the economic sectors and by increasing the economic activities within the framework of a liberal economy.Governments give importance to Industry, Trade,Banking,Tourism and Transport sectors.

Cooperatives bring together members of different classes so it gives Cyprus people a better chance to increase the productivity of labor- force.

Up to the 1960,cooperatives in Cyprus found themselves in relatively favoured position.During the conflict years many cooperatives have experienced serious difficulties.Between the years 1963-1974 and since 1974 many things in Cyprus have been changed and cooperatives were affected.

After the war 1974 poverty and weakness joined Cyprus people in cooperative organisation,they work together both in the marketplace and in the fields.So,increased rate of living standarts,reduced the concept of "mutual help".

In North Cyprus credit cooperatives consist principally of the "Raiffeisen type"and the consumer cooperatives adhere to "Rockdale principles" from which the present international cooperative principles have evolved as in other western European countries.

In North Cyprus,the general problems of credit and consumer cooperatives are almost the same everywhere. Cooperatives in North Cyprus are almost affected by the regional conditions such as the



whether, the population, consumption habits, production capacity, marketing methods and living standards. These are quite important to determine the goals of the cooperatives but on the other hand the general principles of cooperatives must be the same everytime.

In cyprus, cooperatives are affected by some obstacles caused by the particular socio-economic base of these cooperatives such as: The cooperatives in North Cyprus are hardly able to compete in the market. Cooperatives don't contribute to the development. This means, cooperatives are not important enough to be able to influence the economic base of North Cyprus; in cooperatives the necessary infrastructure for development could not be found; individual production is preferable to collective production for cooperative members; mutual help and solidarity still do not exist; the economic forces of cooperative members are increased and the demands of consumers have changed.

In short, cooperative theory has in former years often indulged in the avoidance of real problems and conflicts.

The essential purpose of this work is to bring about a better understanding of the current situation of the cooperatives in North Cyprus. I will try to answer the questions such as: Why cooperatives in North Cyprus are not making a contribution to development? what are their problems? why are the cooperatives neither social servants nor effective in economic life?

## II. WHAT IS COOPERATION? AND THE ASPECT OF COOPERATION.

Cooperation-It is one of the most "in" the word today. We hear about cooperation between overments, businesses, universities, govermental units and other groups that believe they can accomplish more by working with others, that they can alone.

Cooperation is not new. No doubt early man cooperated in killing large animals and in mutual protection. Records indicate cooperative efforts existed hundered of years before Christ. People tried many different forms of cooperation in the Middle-East, Europe and Asia with the first succesful consumer cooperative generally accepted as started in 1844.

Cooperation is defined as: "the association of a number of persons for their common benefit, collective action in the pursuit of common well being, especially in some industrial or business process"<sup>1</sup>.

Cooperatives are different from other types of business; they are different in structure, in the way decisions are made, in the purpose of the organization, in the distrubution of surplus. The following table illustrates some of these points:

---

<sup>1</sup> International Cooperative Association: Cooperatives Today, selected from various fields of cooperatives activities I:C:A., 1986 p.377

TABLE I. Comparison between cooperative and non-cooperative theories

FEATURE	COOPERATIVE	NON-COOP.	IMPLICATIONS FOR COOP.
PURPOSE	maximize member income	maximize returns to stockholders	profit maximizing decisions, not always the best for the member
DECISION MAKING PROCESS	democratic-one member one vote	one vote/share of common stock	members need education for decision making
DIRECTOR SELECTION	from members	inside/outside or both	directors often need training
STRUCTURE	those who own, use, control are the same people	different people	decision making
POLICY MAKING PROCEDURE	quasi public	often private	members need education for decision making
CONTRIBUTION TO OWNERS EQUITY AND DISTRIBUTION	proportional to use by current member-owners	money available to invest and proportional	members need to be educated to understand their responsibilities



N OF NET MARGINS		return on investment	
---------------------	--	-------------------------	--

*Some aspects of cooperatives are:*

### **2.1. TYPES OF HUMAN BEHAVIOR**

The sociologists have described three different types of human behavior: Cooperation conflict and competition. In conflict, the motives or actions of constantants are opposed; In competition, they may be opposed or parallel; in cooperation they are parallel and mutual.

Before, we noted that the application cooperation to an economic situation was a cooperative business. Cooperative businesses have been called many things. They have been praised and dammed equally. Those who feel that cooperatives are greet call them economic democracy. And those who damn cooperatives consider them communistic and socialistic.

Cooperation is a group of persons pursuing common economic, social and educational aims by means of a business.

### **2.2. SOCIAL AND ECONOMIC ISSUES**

Many developing countries feel that cooperatives' major purpose is social and in some cases, socialistic. Most of the developing countries of the world today use cooperatives many different economic systems. Cooperatives that forget their social responsibility are doomed to failure. This commended on the balance efficiency and democracy.

Some economists emphasise three important points about cooperatives:

1. In many cooperatives, It is a constant struggle to balance the social purpose with the economic one.



2. Cooperatives are a remarkably adaptable type of business. In fact, they are the only type of business that is accepted by so many different types of governments.

3. A cooperative is a tool and, like any tool, it has no ethics of its own. The ethics of a cooperative business are no better than the people who make up the business.

### **2.3. THEORY OF COOPERATIVE:**

According to the Boettcher there are three types of cooperatives:

1. The traditional
2. The market oriented
3. The integrated cooperative

The traditional oriented cooperative have characteristics of sociality and it is completely loyal. The member exhibits a high voluntary propensity to trade with the cooperative, managed by members and existence of cooperative depends on the members. The other two type of cooperative represent degenerated (corrupt) cooperatives of different kinds.

However, today's cooperative research is based on norms of individuality to a very high degree and also collectivity, while there is very little left of the original traits of sociality. This means that either, the member can obtain individual benefits greater than their individual contributions or their membership is forced upon them by outside agents. The ideology of equality, equity and mutual self-help is no longer recognised as a motive for membership.

From this point of view difficulties in obtaining theoretically tenable answers to the question of how members can make the cooperative work in their interests.

### **2.4. THE LOGIC OF SELF-HELP**

Cooperative societies are a special form of business organisations. However unlike other type of business organisations Cooperatives are excellent organisational forms to mobilize self-help initiatives when they small and new. But as they grow and mature these self-help characteristics are always lost. It is well known that doing things for-people extinguishes the self-help drive of people doing things to help themselves. Cooperation working together to achieve a common goal has been practised by people since cooperative movement began. Although modern-day cooperative movement is built on voluntary cooperation where individuals make a deliberate choice to cooperate in some aspect of their lives.

### ***2.5. THE LOGIC OF COOPERATION***

The logic of cooperative activity is not only meet consumer needs but also providing benefits for the members. Complexity and diversity are assumed in the logic, because no one community is exactly the same as another and no group is the same as another. The logic is that groups can provide mutual provide mutual help to each other and determine their own destinies.

Cooperative activity of federating together is not the logic of hierarchy as assumed in the bureaucratic paradigm but rather the logic of heterarchy. According to this the old paradigm assumed a hierarchy of external controls with a strong centre, but the logic of cooperation implies internal controls and self regulated groups cooperating with the centre but not dominated by it.

The third one is the cooperative movement cannot be seen as a machine which is made up of specialized parts. The logic of cooperative movement is that communities will develop cooperatives to cover their

needs. They will not exploit one another and they will function in a democratic fashion.

The logic of autonomy and voluntary democratic action means that outcomes of decisions are indeterminant. The decisions or solutions for one community may be a major problem for another. Both the solutions and the problems can best be defined by those who are involved in the community.

the causal relationships within a cooperating group in one area may be very different from that in another. Groups must understand and learn from their own context, generalizing about causal effects across cultures and societies and then without reinterpretation, application of findings into the immediate context is very difficult and irrelevant in terms of logic of cooperation.



Rochdale principles and the following principles accepted were modified internationally.

### **III. THE PRINCIPLES OF COOPERATIVES AND THE APPLICATION OF THE PRINCIPLES**

#### **3.1. The sense of cooperation:**

The sense of cooperation and active work to overcome misery and make living standards better than before would lead to ending the useless expectation from state. "By combining their efforts (in cooperative), people gain from one others ideas, talents, skills and energies. In this way, they are able to achieve things they could not do as well (or at all) alone.

"Passive behavior" means expecting help from state and other government institutions and self help is, "the individual voluntarily (the cooperative with others) decides on performing social action.

By this collective social action, it is possible to obtain the optimal utility for each individual. The idea of this collective social action was;

**"one for each, each for all"**, which is one of the main concepts of cooperative philosophy. It is defined as "mosaic, where the full effect of the work achieved only by the effects of all stones of which it is composed"

The idea of the English social reformer Robert Owen (1771-1858) formed the consumer cooperative. The Rochdale principle was of paramount importance in the formation of consumer cooperative. Although the formation of these principles was not clear for a long time, which later in Vienna I.C.A. congress once again amended.

#### **3.2. Rochdale principle in Paris in 1937:**

In Paris at the international cooperative congress in 1937 the following were designated as true.

Rochdale principles and the following principles accepted were modified internationally:

1) *"open membership."*<sup>2</sup>

cooperatives are voluntarily organisation, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2) *"Democratic control(vote member):"*<sup>3</sup>

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights and cooperatives at other levels are also organised in a democratic manner.

3) *"Member economic participation:"*<sup>4</sup>

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of the capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for and may purposes; developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

---

<sup>2</sup> op.cit. p 378

<sup>3</sup> op.cit. p 378

<sup>4</sup> op.cit. p 378

#### 4) *"Autonomy and Independence:"*<sup>5</sup>

Cooperatives are autonomous, self help organisations controlled by their members. If they enter into agreements with the other organizations, including governments, or raise capital from external sources, they do so on terms ensure democratic control by their members and maintain their cooperative autonomy.

#### 5) *"Education, Training and information:"*<sup>6</sup>

Cooperatives providing education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public-particularly young people and opinion leaders about the nature and benefits of cooperation.

#### 6) *"Cooperation among cooperatives:"*<sup>7</sup>

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

#### 7) *"Concern for community:"*<sup>8</sup>

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Irrespective of the people's will in any consequent application, the capitalistic economic system depends upon the power of the capitalist entrepreneur; The cooperative system has an inherent interest in the will of

---

<sup>5</sup> op.cit. p 378

<sup>6</sup> op.cit. 378

<sup>7</sup> op.cit. 378

<sup>8</sup> op.cit. 378



the people. This is the primary distinction, separating the cooperative system from other economic systems. In this sense cooperatives are try to implement and try to bring in economic life harmony the ethical principles and economic reality so can be implemented the necessary condition for development and better social economic life.

### ***3.3. INTERNATIONAL COOPERATIVE ALLIANCE IN VIENNA IN 1966***

The economic, social and political conditions of cooperatives were not in themselves sufficient. The adaptation process to change the technical conditions in economic and social structures compelled the cooperatives to reexamine the cooperative principles. Surely, this change must not have been easy. According to versions of the Rochdale principles that were adopted after congress of the international cooperative Alliance in Vienna in 1966 are classified below:

- 1) The determination of open membership basis of expanding the cooperative idea to all strata of the population because everybody being ready to accept this principles of the consumer cooperatives was entitled to become a member. However, the membership to a cooperative should be voluntarily and open to all people who want to use the service of the cooperative and are ready to assume the duties linked with membership.
- 2) Cooperatives are democratic organisations. They should be administrated by persons who were elected or nominated according to a procedure decided upon by the members, and who are accountable to the members. Members of primary cooperatives should have the same right to take part in taking designated as individual cooperatives. Their special

feature is their close connection with the members and they are often seen as part of the cooperative basis. Konsum Österreich is a primary cooperative for the whole territory of the federal Republic.

The necessary democratic ideas in these principle are equal and single vote is helping to obtain the democratic control and usefulness of cooperative organizations. With these principles cooperative organizations can be seperated from the other company.

3). There should be only a limited interest payment if there is share capital. If there is share capital, the causes of interest must be limited. All types of cooperative need at the beginning of their lives a certain amount of capital. All cooperatives need members share capital. For these reasons, just as in private companies a limited amount of profit must be distributed to the members after each period. Today the benefit of their members have to be performed in more or less the same way as business transaction of private firms. The principle economic efficiency of the cooperative enterprice is important for the effectiveness of a cooperative society. Without an economically efficient cooperative enterprise the goals of the cooperative society cannot be achieved.

4). Surplus or savings. If any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others. Based on decisions taken by the members the surplus could be used in the following manner, for example:

A. By provision for development of the business of the cooperative enterprises.

B. By provision of common services.

C.By distribution among the members in proportion to their transactions with the society.

The basis of the cooperative ideas does not include economic profit,the aim is to increase the benefits of members and to prevent their capital gaining interest.The profit gained from selling produce and the other activities of the cooperative at the end of each term will be distributed to the members according to their shopping with cooperatives.These return surely not include all the profit.Some of the profit used for developing the cooperative.

5)All cooperatives should take care of the training and information of their members,managerial employees and other staff members.The public should be informed about the objectives and purposes of the cooperative.This educational work has to cover the economic-democratic principles and methods of the cooperative movements.

Education should be the main point for powerful and successful cooperatives,to show the communities development methods and how to improve living standarts?For these reasons,the cooperatives members,leaders and directors,officers and all the people whom dealing with coops,must be educated in economic,social and democratic principles and methods used by co-operatives.

6)Cooperation and work together.The promotion,of self help in rural areas helped clear debt by linking peasant groups with co-operatives and administrative and economic units sympathetic with the self-help movement.

For developing cooperatives in the 23'rd international cooperative association,congress at Vienna in the year 1966 accepted this new



principle. All cooperative organizations actively and practically cooperate with each other at local national and international levels in order to serve the interests of their members and communities in an improved manner.

## *IV. THE COOPERATIVE MOVEMENT OF NORTH CYPRUS*

### *4.1. HISTORY OF THE COOPERATIVES "MODEL COOPERATIVE ISLAND CYPRUS"*

Cyprus was one of the first British colonies to establish an active cooperative movement in rural areas. In developing countries, there are many problems and each country tries to improve the living conditions of its population. At the beginning of the XX. century the difficulties faced by Cyprus farmers and the heavy debts money lenders reduced the profit limits of farmers. Lower incomes affected the properties of farmers, which were bought by money lenders at low prices. Simply stated the farmers were greatly exploited. In these bad conditions the first cooperative was founded in Lefkonuk village in 1909. After this successful attempt the government enacted the law governing cooperative companies and in 1917 the registration of cooperatives began. In 1923 consumer cooperatives and other various cooperatives were founded. These cooperatives serve the common good and the ideal of its population.

"Each for all and all for each"<sup>9</sup> in all of the territory. This is an ideal which in many areas is not entirely at odds with ancient tradition. An achieve cooperative department with a trained Registrar and staff for the purpose of encouraging cooperation was developed. This was supported with the advantage of an educated population and "by virtue of its close proximity to Europe, there can be an easy interchange of ideas and methods with European cooperative movements."<sup>10</sup>

It is clear that lots of things have changed and still continue to change in North Cyprus, but the basic idea of a cooperative movement still survives and is of considerable importance.

<sup>9</sup> Gorst Sheila: Cooperative Organisation In Tropical Countries. Basil Blackwell, Oxford, 1959 p.4.

<sup>10</sup> op.cit.p.8.

The main success of those years 1909-1945 was the development of credit and thrift societies, which also brought with them wine making and oil producing cooperatives as well as consumer cooperatives to the village. These societies still survive. The marketing societies are not the same as before but they still survive.

The cooperative movement originally dealt with credit and developed marketing into agricultural and later consumer cooperatives for rural development. Cyprus is an excellent example, because the rural economy was largely run on cooperative lines in these years.

The economy of Cyprus was primarily agricultural and consisted of small, mixed and often fragmented holdings. The major agricultural products were grain, olives, olive oil, citrus and other fruits, tobacco, cotton.

The first co-operative society was established in 1914, though it did not continue at the same rate over the next years.

However, by the end of the first decade, only a few societies were able to survive and in 1925 the Agricultural Bank of Cyprus and in 1927 the first Turkish cooperatives in İpsallat village were founded. Although the cooperatives were managed by Greeks and Turks together. The intention of the Agricultural Bank was to sanction loans on mortgages to farmers, through the medium of the credit societies.

By 1945 the cooperative movement had a firm base with societies and was ready to expand into the areas of agricultural marketing consumer cooperatives. The major role of the consumer cooperatives was to meet the members' demands at minimal prices and to market products. The consumer cooperatives also controlled market prices considerably.

Credit cooperatives were charged to protect farmers who were in serious debt with money lenders and also to help with agricultural resources. The cooperatives also tried to reduce the accumulation of



arrears, such as those caused by destruction of crops by natural disasters. The cooperatives also tried to reduce arrears, caused by easy credit and the investment of short term credit in long term capital expenditure by educating the officers and secretaries of the societies.

up to 1945 central finance was provided by the cooperative central bank. In succeeding years, increased demand for credit accompanied a considerable fall in deposits and the bank had to renew its arrangement for agricultural borrowing from Barclays Bank. On the trading side, the cooperative central bank supplied the farmer seed, potatoes, fertilizer etc...

#### ***4.2. ESTABLISHMENT OF THE CYPRUS TURKISH COOPERATIVE CENTRAL BANK:***

A need arose for a "Central Cooperative Bank" in 1936-7. In 1937 this bank was formed and has had a steady development ever since.

In 1959 the Cooperative Central Bank split into two parts and Cyprus Turkish Cooperative Central Bank Ltd. (COOPCB) was established as a cooperative society under the Cooperative Society Law (chapter 114). All cooperative societies in the Turkish Republic of Northern Cyprus (TRNC) may become members and shareholders under the Cooperative Society Law.

The primary objective of this bank was to provide for the credit requirements of its members (cooperative societies); although today this objective is still at the top of the COOPCB's agenda, a comprehensive range of domestic and foreign banking services are also provided by the Bank. COOPCB's activities are not limited to the banking sector. The Bank also excels in commercial & industrial fields. COOPCB makes a significant contribution to the economy of the TRNC. It also acts as the principal agent of the state (TRNC) for financial support and other services provided for

the agricultural sector through the network of rural cooperative societies. In that capacity, the bank managers various funds on behalf of the state.

#### ***4.3.DEVELOPMENT OF COOPERATIVES IN CYPRUS:***

In Cyprus, the cooperative movement was destroyed by conflicts in 1963 and 1974. After the wars the state of the emigrants from Southern Cyprus was miserable and only with cooperation could something be done for these people. The financial weakness of the farmers and the semi-siege Cyprus, migrant cooperatives lack of inspectors, absence of communication networks and information for their members reduced the number of cooperatives and increased the number of inactive cooperatives. The demands of the consumers, under such bad conditions could only be realized with mutual help and solidarity. In 1975 cooperatives are charged by government to meet consumer needs and to re-establish social and economic life. In those days farmers planted together, worked together and marketed together. Mutual help was evident to a high degree.

On the other hand the needs of consumers led to the foundation of Development cooperatives, especially to cover the various needs of consumers, such as social residences, consumption of goods etc.

Since 1974 lots of emigrant cooperatives have not been able to survive and have become inactive. In the course of the time the number of the cooperatives declined.

**TABLE II:** Gives information about the number of credit cooperatives established and active in Cyprus since 1923.

**CREDIT COOPERATIVES:**

YEAR	ESTABLISH	NO-ACTIVE	ACTIVE
1923	1	1	-
1927	4	2	2
1928	21	7	14
1929	6	3	3
1930	2	1	1
1931	1	-	1
1937	1	-	1
1938	20	4	16
1939	18	5	13
1940	4	2	2
1941	2	-	2
1943	12	4	8
1944	8	4	4
1946	1	1	-
1949	2	1	1
1950	1	1	-
1952	2	2	-
1953	1	-	1
1954	1	-	1
1955	2	1	1
1956	1	1	-
1957	1	1	-
1958	5	2	3
1959	28	20	8
1960	14	9	5
1961	7	3	4
1962	6	6	-
1963	3	2	1
1964	1	-	1
1971	1	1	-
1974	1	-	1
1983	1	-	1
TOTAL	179	84	95





**TABLE III:** Gives information about the number of saving cooperatives established and active in Cyprus since 1939

**SAVING COOPERATIVES:**

YEAR	ESTABLISH	NO-ACTIVE	ACTIVE
1939	2	-	2
1943	1	-	1
1944	1	-	1
1945	1	-	1
1958	2	-	2
1959	1	-	1
1960	6	1	5
1961	2	-	2
1962	2	1	1
1968	1	1	-
1970	1	-	1
1971	1	-	1
1972	1	-	1
1978	1	-	1
1979	1	-	1
1982	2	-	2
1983	1	-	1
1988	1	-	1
1989	1	1	-
1990	1	-	1
1991	1	1	-
1993	1	-	1
1998	1	-	1
TOTAL	33	5	28

**TABLE V:** Gives information about the number of developed cooperatives established and active in Cyprus since 1946.

**DEVELOPED COOPERATIVES:**

YEAR	ESTABLISH.	NO-ACTIVE	ACTIVE
1946	1	-	1
1948	1	1	-
1951	1	-	1
1953	2	2	
1956	3	3	-
1958	2	2	-
1959	2	1	1
1960	2	2	-
1961	2	1	1
1962	5	5	-
1963	9	5	4
1968	1	-	1
1970	3	1	2
1971	4	3	1
1973	1	1	-
1974	11	3	8
1975	67	20	47
1976	24	10	14
1977	6	4	2
1978	4	1	3
1979	1	1	-
1980	1	1	-
1981	2	-	2
1982	6	5	1
1983	4	3	1
1985	2	1	1
1986	2	1	1
1990	1	1	-
1991	1	1	-
1992	1	-	1
1993	2	2	-
1995	4	1	3
1996	1	-	1
1997	1	-	1
TOTAL	180	82	98

A total 217 cooperatives are acting in the TRNC according to the Turkish Registrar Of Cooperative Societies. A significant contribution to the country's total agricultural production is made by the agricultural cooperative sector.

TABLE VII: Active cooperatives in North Cyprus.

(included rural and urban areas)

Name	Credit	Cons.	Saving B.	Develop.	Total
Nicosia	28	6	18	36	88
Famagusta	44	20	2	47	113
Kyrenia	15	5	3	18	41

S:Explanation of the Ministry of Cooperatives and Rural Affairs, dep, 1991.

As can be seen above most of the active cooperatives are founded in Famagusta. The number of the credit and development cooperatives is considerable. However the effective role of the consumer cooperatives is reduced with time. Distribution of the active cooperatives in cities and in rural areas is not enough to covers the needs of people. The decreasing number of active cooperatives is not accidental. The inactive credit cooperatives leads to financial difficulties for consumer cooperatives and reducing the number of active consumer cooperatives in the market.



## SUMMARY:

BETWEEN 1923-1998 YEARS:

ESTABLISHED TOTAL COOPERATIVES	505
UN-ESTABLISHED COOPERATIVE	51
NO-ACTIVE COOPERATIVE	272
ACTIVE COOPERATIVE (TODAY)	233

TABLE VI:

THE NUMBER OF THE COOPERATIVES IN DIFFERENT YEARS:

YEARS	Credit Unions	Consumer Coop.	Saving Coop.	Develop. & Other coop	Total
1991	89	27	27	95	238
1992	96	21	22	83	212
1993	83	18	23	92	216
1994	88	15	24	88	215
1995	88	15	24	90	217
1998	95	12	28	95	233

*\*As of jan 31,1998<sup>11</sup>*

As shown above, the increase in the number of the development cooperatives has been considerable. In time consumer cooperatives become inactive. Credit cooperatives have also declined but, credit capacity has increased. Since 1974 development cooperatives have played an effective role in socio-economic life. Schools saving schemes strive to promote saving habits.

<sup>11</sup> Interview with Hüseyin SARI, Nicosia, 1998

Increasing credit capacity is useful for cooperative members and increases the cooperatives services to members. The need for social housing for cooperative members and increases the cooperatives services to members.

On the other hand the effective role of the cooperative has been reduced by delay in payments to the banks and to the farmers, by the lack of the concern, the lack of the management and administration skills, through the inadequate information given to the members, lack of the marketing research, absence of diversification of the economic base, migration to urban areas and unsuitable projects. Many people don't want to work in the agricultural sector, because of these difficulties but rather want to work in the social services. Due to this preference, agriculture, animal husbandry, geen housing, etc. works have declined.

The number of consumer cooperatives in Cyprus has decreased and the difficulties of consumer cooperatives have been increased by lower income members. Credit selling is only available to the lower income members.

In TRNC the agricultural sector and the cooperatives occupy an important place in the country's economy. Although the agricultural sector's share in the Gross Domestic Product (GDP) has been decreasing every year as other sectors-industrial, tourism, education, have been developing, it is still of major importance as being the economy's backbone, especially when it's contribution to employment, exports and supply of raw agricultural sector and the cooperatives occupy an importance place in the country' economy. Although the agricultural sector's share in the GDP (gross Domestic Product) has been decreasing every year.

## ***V. THE COOPERATIVE POLICY OF TURKISH REPUBLIC OF NORTHERN CYPRUS***

The cooperative societies play an important role in the economic, social and cultural development of Cyprus. However, since the war of 1974 there has been a fall in their membership and they have not been able to operate at the desired level. For this reason some of them remained idle while others have fallen to the position of being wound up.

After 1983 establishment of new cooperative societies and the winding up proceedings were accelerated. Owing to the shortage of personnel and technical shortcomings, the cooperative societies have not been able to fulfil their main duty. The cooperative is an association for the purpose of joint trading, originating from the weak.

The co-operative societies law is amended to suit present day conditions for the purpose of enabling the cooperative societies to function more effectively. The cooperatives aim is to encourage people to do things for themselves, to become origins of action with the knowledge, skills and confidence to solve their own problems. An attempt is also made to eliminate marketing problems by use of cooperatives. The benefit from cooperative societies as a balancing factor in the marketing of agricultural products and other consumer goods. Producers and consumers are protected by cooperatives. The cooperative are a balancing factor in the economy, hindering people who try to gain unfair profit in market.

Cooperatives were founded to answer several problems in Cyprus; however, although they played an important role in the economic



and cultural development of the people, but small-scale production and low capacity product have reduced the effective role of the cooperative in the market. Owing to this reason productivity of cooperatives were remained inadequate. Cooperatives have an important role in product consumption and marketing of the products.

Training of personel and cooperative members will increase productivity.

### ***5.1: THE SUITABILITY OF THE COOPERATIVES IN NORTH CYPRUS:***

In cyprus, the suitability of the cooperatives that is the contribution of the cooperatives to national economic development in North Cyprus can be shown with the following list of characteristics: (from the explanation of the ministry of cooperatives and rural affairs)

“A) Cooperatives are unions of producers who come together by their own will according to the basis of equality to arrive at a common goal.”<sup>12</sup>

“B) They are not only a union but also a base.”<sup>13</sup>

“C) Everybody who enters into membership of a cooperative has equal rights. Each member will make use of the cooperative according to his own needs. The relation of the individual with the co-operative and other members is to be one of trust and confidence.”<sup>14</sup>

“D) Directing income towards common activities and the training of members by direct participation in the economic activities enables the members to gain experience and knowledge.”<sup>15</sup>

---

<sup>12</sup> Explanation of the Ministry of Cooperative and Rural Affairs in Cyprus (issue of 1983)

<sup>13</sup> op.cit.

<sup>14</sup> op.cit.

<sup>15</sup> op.cit.

“E)The cooperative plays a role in introducing new ideas and techniques to small communities and there by helps to develop of an enterpreneural spirit.”<sup>16</sup>

### **5.2. THE COOPERATIVE LAW:**

According to the Cooperative Law the personal active participation of the 12 persons is of the primary importance for the foundation of cooperative. All rights of the membership to the person, who is being a cooperative member, will be given and the amount of subscribed share capital is not important for the full membership. As dedicated in Cooperative Law. “The minimum financial contribution is made every member enjoys full membership rights. Any additional amount of capital that the member may have contributed to the cooperative, this will be enough to become full membership.”<sup>17</sup>

On the otherhand joining or leaving cooperative societies is free. Equal status of all members of a co-operative society is considered an essential element of democratic management and control.

The cooperative society is non-capital gains created organisation, this means cooperative society working with capital, not for capital.

The duty of every cooperative society to submit it's bye-law and amendments thereof to the registering for approval which will be refused if the by-laws are not in conformity with the law.

The law can leave it to the bye-laws of each society to determine whether a fixed rate of interest shall be paid or dividend. The law provide that share capital can only receive a fixed but limited rate of interest.

---

<sup>16</sup> op. cit.

<sup>17</sup> S.P.O: The cooperative Law, Nicosia, 1983

The distribution of the economic results by providing in the law that fixed percentages of the net surplus have to be caaried annually to the reserve fund or have to be used for payment of dividnt on share capital to transactions with the cooperative enterprise.No part of the reserve fund shall be distributed among the members.

### ***5.3.THE ADMINISTRATIVE STRUCTURE OF THE COOPERATIVES:***<sup>18</sup>

#### ***5.3.1.THE GENERAL MEETING:***

It is formed by all cooperative members and each member has only one vote.The number of shares of the cooperative members in general meetings is not important,rich and poor members have the same status in the general meeting and cases of injustice are solved in general meeting.If the decision of the board of directors is not just,the case of any member can be assesed once again in the general meeting.

#### ***5.3.2.THE BOARD OF DİRECTORS:***

In administrative maters all judgements are made and carried out by the board of directors.Almost in each village credit and consumer and development cooperatives give services to people.The board of directors is choosen by cooperative members for three years in each village and works autonomously in this region.However the cooperative land office must certify all changes in the administrative structure.

#### ***5.3.3.THE INSPECTION OFFICERS:***

---

<sup>18</sup> Interview,Hüseyin SARI,Nicosia,1998



Inspection officers are appointed by the government and the registrar is the first person who deals with these people and he has two chief inspectors, one is in Famagusta and one is in Nicosia, they make the general inspection but all inspectors inspect the cooperatives, strike a balance and make accounting checks and also study ways of increasing efficiency.

#### ***5.3.4. THE COOPERATIVE RURAL AFFAIRS DEPARTMENT:***

If any structural variation is requested, the cooperative rural affairs department certifies it or refuses it. In administrative matter, the board of directors is free to decide, but if the judgement changes the structure, it must be certified by the rural affairs department. If the selected project is a normal agricultural project then the board of directors can certify it, if not the project must be certified by the Cooperative Rural Affairs Department.

#### ***5.3.5. THE REGISTRAR:***

Registrar is the first person in the cooperative, he is able to change the Board Of Directors or Secretary or any others. He certifies, the foundation and refinement decisions of a cooperative. The inspection of all offices are done by his staff. The registrar certifies all projects and judgements that change the structure in a cooperative.

#### ***5.4. THE SOCIAL RIGHTS OF COOPERATIVE MEMBERS AND FARMERS:***

The members of the farmer's corporation have the status of farmer, otherwise they are not officially accepted as farmer's. The members of the farmers corporation have the rights to social insurance, other farmers have difficulties in obtaining this right. The relation with the cooperatives