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# Self-Owned Economic Common Enterprises (S.E.CO). Zvi Galor (February 2003).

### Keywords:

*Co-operatives, micro-credit, Essential Triangle of Production.*

### Note:

This article describes how the failures of cooperatives in the past have tarnished this important tool of development, yet the basic notions that it represented can still be effective. The author presents a new type of socio-economic organization, the Self-Owned Economic Common Enterprises (S.E.CO), which contains the original basic ideas of a true cooperative, plus new elements which could prove to be successful in assisting poverty alleviation in the future.

### Countries:

Self-Owned Economic Common Enterprises (S.E.CO)

By Zvi Galor

February 2003

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### Introduction

In many countries, cooperatives used to be one of the major tools for development. However, cooperatives failed in various forms and ways, either by ignorant government officers or by cooperative corrupted leadership. Cooperatives were never the ownership of their members, and have not served as a tool, in most cases, to alleviate their members' economic and social situation. Cooperatives became a synonym of failure. For those who sought means of development and could have become members of a cooperative, the word cooperative was enough to dissuade them from these projects.

This paper intends to present a new type of socio-economic organization, the Self-Owned Economic Common Enterprises (S.E.CO), which contains the basic ideas of a true cooperative, and new elements, which contribute to future success of the S.E.CO in poverty alleviation.

### Real Cooperative – the S.E.CO

It is important to emphasize that the cooperative is not a goal in itself, but only a tool for implementing a goal. The cooperative, a true one, is probably one of the only means by which poor individuals can escape their poverty and go on to develop themselves, their families, and their countries.

When individuals recognize that alone they cannot achieve their goals, they become ready to give up a part of their individualism and instead most importantly decide to collaborate and to cooperate with others who have the same needs and come to realize that alone, they would not be able to reach what they want to. So, together they become members of this special group of people, where they together are striving to get what they want to achieve, and they can't get it by working alone. The most important goal of people who have reached this insight is to get the best and most economical services that they can get out of the new created organization, the S.E.CO, or in other words, the real cooperative, they have established.

In a consumer real cooperative, members seek to buy the best quality goods for their families and homes at the lowest possible prices. In a producers real cooperative, they will seek the highest possible

valuation of their own work and of the goods they produce themselves.

### The Components of the S.E.CO

The structure of the real cooperative consists of two major parts. Figuratively speaking, the cooperative serves its members by standing firmly on two legs, and with both it serves best the members.

#### A. The First Leg

The first leg is the members' full ownership of the cooperative. Each member is the owner of his own equal share in the cooperative's total fixed assets, and the total fixed assets of the members are equivalent to the total fixed assets of the cooperative. Each member owns an equivalent, single share of the cooperative no more or no less, and he or she acquires this share through cash payments or through credit provided to him by the cooperative itself.

The number of shares is exactly the same as the number of the cooperative's members. The share's value is always kept and safeguard in its real value, and this value can go up or down from one day to the next, depending on the total assets value of the cooperative, and the number of members in the cooperative, as the number of members in the cooperative. Members buy their shares at a price that reflects the share's real value.

Members pay for their share a price that reflects the real value of the fixed assets of the cooperative.

New members pay for their share a price that reflects the real value of the fixed assets of the cooperative.

#### B. The Second Leg

The second leg expresses the relationship of the member with its real cooperative. It describes and explains the cost of member participation. Member joins a cooperative to get the best possible service at the lowest possible cost. The purpose of the real cooperative is to render the best possible service at the lowest possible cost to its members.

In a producer cooperative, the members produce in the framework of the cooperative. They may do it individually, or on a common basis. The cooperative markets their produce. The money the cooperative gets is allocated to members according to their participation in the production sold. The cooperative will deduct from this payment the cost of the operation of the cooperative.

The cooperative will forward to its members the whole fund, which remains, without leaving anything to the cooperative.

In the consumer cooperative, the members are looking to be able to purchase their needs, generally their household needs, at the lowest possible selling price to members, and at the best possible quality. As we said, the cooperative will render to its members the best possible service at the lowest possible cost. The selling price to members will be calculated on the basis of the costs paid by the cooperative on all purchased items, goods, and services, to be sold to members, and the total cost of the operations of the cooperative. In this way the selling price to members would be the lowest possible.

In the saving and credit cooperative the members are looking to be able to save their money at a real rate of interest which will be at least at the level of the local inflation, and by so doing will safeguard the real value of their money. The rate of interest should always be higher than offered by commercial banks on fixed deposits. In this cooperative the members are looking as well to be able to obtain credit from the cooperative, at the lowest possible rate of interest. The rate of interest on credit should be competitive (lower) to that chargeable at commercial banks.

These few examples are showing the basic and fundamental components of any sort of real cooperative, such as supply of inputs, marketing, transport, construction and housing.

### Further Components of the S.E.CO.

The following description shows us an example of the S.E.CO in the sphere and field of activities of the credit and finance.

1. The MicroCredit enterprise belongs to its members, and provides them the best possible service at

the lowest possible cost.

2. The MicroCredit enterprise allows its members-owners to save their money at a competitive rate of interest, the highest possible one. A rate of interest which takes into consideration the rate of annual inflation in the given country where this enterprise exists, as well as to be higher than that offered by any other financial institution for fixed deposits. It allows them to obtain credit when necessary, at a competitive rate of interest, the lowest possible one.

3. The MicroCredit enterprise exists to serve its members at best possible way. This means, no profit, no surplus. The enterprise would function on the basis that its total income would cover its operational expenses plus the interest paid to members on their deposits. Exactly.

4. The MicroCredit enterprise is aimed at the provision of credit to income generating projects. Not exclusively, but mainly. This credit is part of the 'Essential Triangle of Production' (EPT), where the production process is inside a triangle. The triangle is composed of the savings and credit side, the supply of inputs side and the marketing side. The connection existing on the angle between the marketing side and the credit supply side, conditions the rate of success of the income-generating project.

#### The Way To Go

The cooperative movement worldwide is facing many difficulties ensuring that their enterprises remain sustainable. The approach presented in this paper gives hope to many poor people in various countries everywhere that they can get out from the vicious circle of poverty towards a new situation where they are a fully productive member of their own community and civil society as a whole.