ABSTRACT

Micro-finance programs not only give women and men access to savings and credit, but reach millions of people worldwide bringing them together regularly in organized groups. The establishment of micro credit fund with participation of rural people would help deprived population and enhance their capacity and entrepreneurship potential. Rural credit cooperatives (RCC’s) play an important role in rural development process in Iran. This paper presents the process of rural credit cooperatives plans in Iran with particular emphasis on Mazandaran province. The goals of the proposed Rural Finance Sector plans and Development Program are to ensure sustainable access to institutional financial services for a majority of rural households. Under the pilot program, RCCs in Mazandaran were consolidated in accordance with the eighth chapter of 1350 cooperative rules.

Key words: Iran, Rural development, Credit Cooperative, Mazandaran

Introduction

It has long been recognized that social engagement is critical to motivating and improving the economic and social well-being of communities [18]. Development of agriculture and the improvement of peasant’s standard are restricted by the financial problems in Iran. The capacity of the cooperative movement for creating viable and sustainable enterprises secures productive employment and self-employment, and generates income and the payment of decent wages and salaries. Financial cooperatives provide the means for escaping from indebtedness and for effective financial management. Their provision of insurance and services for health and social care, as well as affordable and appropriate housing, and their contribution to food security are clearly major contributions to the alleviation of poverty not matter what definition you wish to apply (Chavez, 2003).

When discussing the potential of cooperatives to promote rural development through community development, income generation, empowerment of women and men and organizing people to enable them to participate in the development process, it is clear that cooperatives can and do make substantial contributions.

In recent years, an overwhelming emphasis on “access” has implied that governments and donor groups seek ways to extend (and reform) existing financial structures so that they may reach those whom have never enjoyed formal financial services before. Rural Credit Cooperatives (RCCs) have been identified as a key vehicle for the delivery of financial services to the small-scale entrepreneur/consumer.

As it was noticed, a major change in the credit system following the 1979 revolution was the abandonment of interest based credit in favor of interest-free and profit and loss sharing loans.

The word "micro credit" did not exist before the seventies. Now it has become a buzz-word among the development practitioners. In the process, the word has been imputed to mean everything to everybody. No one now gets shocked if somebody uses the term "micro credit" to mean agricultural credit, or rural credit, or cooperative credit, or consumer credit, credit from the savings and loan associations, or from credit unions, or from money lenders. When someone claims micro credit has a thousand year history, or a hundred year history, nobody finds it as an exciting piece of historical information.

In the 1970s, experimental programs in Bangladesh, Brazil, and a few other countries extended very small loans to groups of poor women
for investment in micro business. This type of micro enterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. The success of these programs further exposed the failure of early credit schemes which were provided as components of donor– supported area based development projects. In this field pioneering work by the Grameen Bank in Bangladesh, the Bangladesh Rural Advancement Committee (BRAC) and FINCA – style village banking in Latin America were instrumental in creating space for micro-credit to be treated as a sub – system in its own right within the overall financial sector of many countries.

Through the 1980s and 1990s, micro-credit programs throughout the world improved upon the original methodologies and challenged conventional wisdom about financing the poor. First, it showed that poor people, especially women, had excellent repayment rates among the better programs rates that were better than formal financial sectors of most developing countries. Second, the poor were willing and able to pay interest rates that allowed micro-credit institution to start covering their costs.

Rural financial systems in many developing economies benefited also from a general decline of government interventions and lower market entry barriers for financial institutions. Especially saving and credit cooperatives and non-governmental organizations (NGOs), previously held back by often severe restrictions, can now more easily the field of rural financial intermediation.

**Rural cooperative:**

Development is one of the main goals that all communities try to achieve in order to improve the living standards for individuals in those communities [16]. Rural cooperatives have played an important role in rural development through development of agriculture.

Rural cooperatives are generally considered as a tool for rural development. Many developed countries such an England, France, German and United Stated largely depend on incomes earned through rural cooperatives [2].

The rural cooperatives are considered to be the most important organizations that pay attention and try to support the rural development in general and the agricultural development in special through the activities and services achieved for the sake of farmers [16].

Since the establishment of the first cooperative in 150 years ago, there has been a tremendous growth in developing cooperatives throughout the world. Based on the latest statistics, approximately 800 million people are members of cooperatives in over 100 countries [8].

More awareness and knowledge about the cooperative form of enterprise, as an option to conduct business, is widely needed by the people most likely to benefit from it [17].

Cooperatives can accelerate the process of development and participation of rural population in their activities. In many countries, agricultural cooperatives prove to be an important model of enterprise by which small farmers can organize and optimize limited resources to increase their income [24].

Agriculture is vital for rural economic development and an important source of business for rural financial institutions. Capital formation is generally recognized as a necessary condition of development. Efficient financial markets play a key role in capital formation [14,21]

With rural poverty accounting for 63 percent of poverty worldwide, the importance of making microfinance services available beyond city limits is clear. The rural poor constitute both the greatest unmet need and largest unserved market for microfinance services. Providing financial services to the rural poor can address problems associated with high levels of poverty, low levels of production, and rural-urban migration. The objectives in rural microfinance are to extend the frontier of sustainable microfinance beyond urban areas by overcoming cost barriers, mitigating risk, and exploring technological and methodological innovations.

On the other hand, government efforts of targeting the poor through subsidized credit have not been successful in the past. Firstly, the cheap credit has leaked to the relatively richer rural households. Secondly, the subsidy dependence of these institutions required regular injection of government and donor funds and these institutions could not become sustainable. Thirdly and most importantly, only a fraction of the credit could flow to the women poor who are the most deprived of the poor. Hence these institutions have not been successful both in terms of outreach and sustainability.

The demand for credit in rural areas arises from agricultural investment, consumption smoothing by households, and non farm investment. These components are reflected in the demand for credit to the extent that these requirements cannot be financed from farm savings. Farm savings consists of self financed investments, bank deposits, and cash holdings. But the credit situation faces several serious problems. First, the existing institutions delivering formal credit are facing a serious financial crisis and cannot be sustained. Second, as discussed earlier, the present rural finance system does not cover adequately the smallholders, who will be very important for future growth. Third, an increase in the growth rate of agriculture will increase the demand for credit.

But while more rapid growth in agriculture raises the demand for credit, it will also raise incomes and thus the ability to self-finance. Even with this increase in own resources, the total demand
is expected to be greater. Furthermore, capital-intensive strategies to enhance agricultural productivity will create additional demand for credit.

The world rural economy has changed considerably over the last couple of decades. Many countries are going through economic transitions that are changing the rural landscape and the opportunities for investment and development. In recent years, the extensive losses of rural financial institutions and farmers’ increasing difficulties in getting loans have inspired people to reflect on the following questions. What are the real effects of government-subsidized microfinance loans provided by rural credit cooperatives (RCCs) and the poverty alleviation loans? What is the coverage of RCCs microfinance loans? Have such loans met the demands for credit of rural households? What is really needed in rural finance, an ample supply of funds or a good funding mechanism? Can the rural financial system meet the demands of rural economy in transition? Is the current supervisory framework for RCCs effective?

According to modern economists, the success of credit cooperatives results from two features of cooperatives: they can capitalize on superior information about borrowers and they can impose inexpensive but effective sanctions on defaulting borrowers. These characteristics permit cooperatives to lend to individuals that conventional banks would not want as customers and to tailor loan terms more closely to borrower’s needs [9].

Rural Credit Sources in Iran:

In Iran, various formal and informal organizations and institutions, including the Iranian agricultural bank, commercial banks, rural cooperative organizations and agricultural supporting funds are engaged with credit provision of agricultural sector. The agricultural bank is the main supplier of micro-credits to poor in the rural areas. Micro-credit in Iran began in 2002, in two small villages participating in a pilot poverty empowerment scheme. It worked by organizing low-income communities into self-help groups that are blossoming into rural cooperatives and micro-credit agencies. The program is based on the UN’s Millennium Development Goals that aims to boost rural livelihoods, among other things. The government recognized the accomplishments of the pilot program and decided to help replicate the program in several other provinces and hopes to adopt it on a national level [3].

Agricultural credit plays an important role in agricultural development. Agricultural household models suggest that farm credit is not only necessitated by the limitations of self-finance, but also by uncertainty pertaining to the level of output and the time lag between inputs and output [5]. Recent studies show the growth rate of investment in agriculture is less than other economic sector. Agricultural financing is one of the most important factors to develop rural areas in developing countries. Payment of bank credit is a way of financing. In fact, facilitation of access to credit can raise amount of productive investment. Credit has a crucial role for elimination of farmers’ financial constraints to invest in farm activities, increasing productivity and improving technologies. Generally, credit accessibility is important for improvement of quality and quantity of farm products so, that it can increase farmers’ income and avoid from rural migration. On the other hand, some policy makers believe that payment of credit with low interest rate to farmers can support them against some results of development policies that threat their welfare [11].

Like many developing countries, small enterprises and farmers in Iran suffer from a lack of access to capital. It is difficult for them to get credit from banks. The economic and agriculture diversity in the different regions of Iran require local and specialized insight into the unique problems attached to the different farming systems; livestock/poultry weight gain and cost of production standards; horticulture and field crop yield requirements; and above all, marketing and farm prices fluctuation.

Rural credit in Iran comes from two sources – formal and informal. The main sources of formal credit are the Agricultural Bank Limited, the Commercial Banks and domestic private banks. The formal lending institutions are regulated by the Central Bank of Iran that provides counter finance to the Agricultural Bank of Iran and other banks. The informal sector is highly heterogeneous in terms of the relationship between borrowers and lenders and can be grouped into many types. Friends and relatives as a group provide the bulk of credit in rural areas (others include landlords, shopkeepers, merchants, forward buyers). Informal lenders have limited loan portfolios and operate within narrow areas of influence. These formal and informal sources provide credit services that differ from each other in terms of duration and amount of loan, its use, interest rate and transaction costs.

Cooperative Sector in Iran:

A look at the history of the presence of organizations and institutions in the villages of Iran shows that cooperatives have been one of the most old-established institutions since the beginning of planning in Iran, having a direct impact on the social, economic and cultural activities of the villagers [22]. History of this presence in Iranian villages refers back to the implementation of land reform in 1960.

The first Iranian cooperatives began their work in 1974, mainly in villages. The aim of establishing these cooperatives, which used to benefit from governmental supports, was to improve the welfare of post-land-reform farmers. After Islamic
revolution, social justice was announced as being the first priority.

According to the Article 44 of the Iranian Constitution, the economy of Iran is to consist of three sectors: state, cooperative, and private; and is to be based on systematic and sound planning.

- The **state sector** is to include all large-scale industries, foreign trade, major minerals, banking, insurance, power generation, dams and large-scale irrigation networks, radio and television, post, telegraph and telephone services, aviation, shipping, roads, railroads and the like; all these will be publicly owned and administered by the State.

- The **cooperative sector** is to include cooperative companies and enterprises concerned with production and distribution, in urban and rural areas, in accordance with Islamic criteria.

- The **private sector** consists of those activities concerned with construction, agriculture, animal husbandry, industry, trade, and services that supplement the economic activities of the state and cooperative sectors.

### Table 1: Credit sources for rural household in Iran

<table>
<thead>
<tr>
<th>Sources</th>
<th>Number</th>
<th>Percentage</th>
<th>Volume (million Rials)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>4622</td>
<td>80.3</td>
<td>6566</td>
<td>81.7</td>
</tr>
<tr>
<td>Agricultural Bank by farmers</td>
<td>1480</td>
<td>25.7</td>
<td>3685.8</td>
<td>45.9</td>
</tr>
<tr>
<td>Agricultural Bank by cooperatives</td>
<td>1862</td>
<td>32.4</td>
<td>664.7</td>
<td>8.3</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>992</td>
<td>17.2</td>
<td>2202.1</td>
<td>27.4</td>
</tr>
<tr>
<td>Gharzolhasanah Sandoogh</td>
<td>288</td>
<td>5</td>
<td>13.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Informal</td>
<td>1129</td>
<td>19.7</td>
<td>1468.2</td>
<td>18.3</td>
</tr>
<tr>
<td>Local traders</td>
<td>104</td>
<td>1.8</td>
<td>14.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Forward Purchasers</td>
<td>75</td>
<td>1.3</td>
<td>18.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Friends and relatives</td>
<td>852</td>
<td>14.8</td>
<td>1415</td>
<td>17.61</td>
</tr>
<tr>
<td>Other</td>
<td>98</td>
<td>1.7</td>
<td>20.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>5751</td>
<td>100</td>
<td>8034.5</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Agricultural Bank

A strict interpretation of the above has never been enforced in the Islamic Republic and the private sector has been able to play a much larger role than is outlined in the Constitution. In recent years, the role of the private sector has been further on the increase. Furthermore, an amendment of the article in 2004 has allowed 80 percent of state assets to be privatized (Note C, article 44 of Constitution).

According to Article 44 of Islamic Constitution, cooperatives were and are the second most important economic sector of the country (next to public sector). Private sector is ranked as the third one. It seems that the major aim of supporting cooperative sector was limiting the process of wealth accumulation in the hands of a small group, but not by creating a dominant public sector. So Cooperatives seemed to be the third way between capitalism and socialism [12].

The main difference between cooperatives and the state sector is that the cooperatives use a more democratic system of governance in which there is no employer employee relationship. Cooperatives are widely active in the market, where there always exist competition and investment risks. The cooperative sector in Iran covers all kinds of socio-economic activities. The sector's activities are mainly aimed to boost production and export of goods and services.

### Rural Cooperative Societies in Iran:

In Iran 22.23 million people living in 65000 villages who directly or indirectly depend on agriculture to survive, while most of them are living under poverty line. Still Iranian rural economy is dominated by agricultural sector which accounts for 27% of GDP, 22.9% of employment opportunities, 82% of food supply and 35% of non-oil exports, plus considerable raw materials for industrial use. These figures show that rural economy has an important role in national economy. To establish a sustainable economy in rural areas, almost every village needs credit, clean seeds, infrastructure and guidance in crops and livestock production. They also need farm machinery, marketing facilities, cooperatives, water supplies, education and diverse economic activities [13].

The history of Iran shows that the first cooperative law in Iran was enacted in 1925, which was amended in 1948, in 1952, and then in June 1971.

The rural cooperatives were created as apart of the Land Reform program, but they started to operate before the Land Reform implementation. These cooperatives were transformed into fully governmental organizations in other to take over the duties of landlords and Bunehs [19].

Rural cooperative societies were in practice the most accessible source of institutional credit available to peasants. These cooperative were supported to cover all the land reform beneficiaries. The number of cooperatives, however, increased slowly. There had been 8361 cooperatives serving about 30000 villages by the end of 1972. Some of these cooperatives existed only on paper and about
half of the villages can be said not to have had cooperative societies. In 1972, it was decided to consolidate the societies and consequently their number decreased to 2717 in 1973. As a result, the members of 6000 dissolved cooperatives had to rely on the bigger cooperatives which were located in large villages. In some cases, for example, peasants in twenty different villages were members of one and the same society [10]. Considering the dispersion of villages in Iran and the communication difficulties, this might in practice have deprived some members of the benefits of the societies. This may partly explain the bitterness and objections of the members of smaller cooperatives toward such a plan from its early beginning [6].

The most important objectives and duties of Iran Rural Cooperatives are as follows:
1. Development, linkage and transfer of data between the networks of member cooperatives
2. Accurate identification of potentials and capabilities in the agriculture sector, including poultry, animal husbandry, wheat farming, horticulture, etc.
3. Expansion of workshops and factories as well as conversion, packaging and export industries
4. Accurate information dissemination to the network with regard to the purchase and sale as well as local, regional and international marketing of agricultural products
5. Expansion of credit agencies for extending loans to members.
6. Marketing and sale of agricultural products such as onion, potatoes, cotton, saffron, barley, etc.
7. Marketing and sale of horticultural products such as apple, pistachios, almonds, grape, raisins, plum, etc.
8. Distribution of materials needed by the sector, for e.g. insecticides and chemical fertilizers
9. Distribution of modified seeds
10. Supply and distribution of essential goods and other imported products needed by members in rural areas plus distribution of such goods at convenience stores throughout the province
11. Import of agricultural products
12. Export of agricultural products
13. Participation in international exhibitions to identify new markets for agricultural products
14. Participation in specialized seminars and events
15. Collection, classification, packaging, storage, conversion, transporting, purchase and sale of goods and products of members.

**Rural Credit cooperatives in Iran:**

Although rural credit cooperatives in Iran are expected to play important roles as the basis of the rural finance, they cannot fulfill their function as expected and cannot transform themselves into organization of cooperative society. At Present, the major activity of the cooperative is to provide loans to their members. The loans are principally financed by the agricultural bank and a small share of them is provided out of the cooperatives’ own capital and reserves. But these sources are not enough to meet peasants’ credit needs.

The demand of rural households for credits can be categorized into commercial demand and social welfare demand. The former may be met by formal or informal financial service providers and the latter by government agencies.

Some cooperative organizations’ efforts have been directly involved in credit problems. They are for the purpose of enabling members to meet their basic needs. Their social responsibilities are to create communities where people can enjoy their villages by working together.

Rural financial and credit funds have been favored by politicians and planners of agricultural affairs as effective institutions in providing financial and credit services which lead to expansion and development of rural and agricultural activities [23]. Recently, establishing rural credit funds have been viewed by majority of countries, especially the third world countries as a mean for securing needed capital and credit for rural producers [4]. The same holds true for Iran, in which establishing and expanding rural credit funds is accomplished by collecting small capitals of farmers and producers. This important accomplishment not only creates spirit of cooperation in rural areas, but also plays an important role in alleviating financial needs of rural people and also expansion of agricultural production activities [15].

Recently, Iran’s government has played an important facilitating role in promoting this reform process. It has assisted local organizations to establish rural credit cooperatives in a number of villages.

**Laws and Regulations:**

The cooperative law (for rural cooperatives in Iran), enacted in 1971, officially recognizes indigenous saving and credit cooperatives as financial market intermediaries if they are locally registered. The purpose of enacting cooperative law should be to give a legal status to the cooperatives and facilitate their working. It should also ensure that cooperatives work as genuine bodies and in accordance to the universally accepted cooperative principles. The legal framework for cooperatives consists of the law, rules made under it and the byelaws adopted by the members of cooperatives in accordance to the act and rules. This together makes up procedures and rules for the organization and work of cooperatives, and protect and preserve their cooperative character. The Cooperative Law thus should facilitate the working of cooperatives and should not curtail the autonomous working of cooperatives and change their basic character. The
day-to-day working regulations should be included in the bye-laws.

The Cooperative Laws, as stated above, consists of a Cooperative Act, enacted by the legislature of the country; subsidiary to the Act, in some countries, rules framed by the Government; and bye-laws as adopted by the members and registered under the Act. In case of conflict among the three i.e. Act, Rules and Bye-Laws, the Act is supreme, followed by the Rules, and then Bye-Laws. The Act should include the basic provisions relating to the principles, membership, registration requirements, management pattern, arbitration, liquidation, etc. The best law is that which is simple and brief, which can be understood by the common man, and which does not need plethora of sub-rules. Working details should be left to the members, to be included in the bye-laws.

The important provisions of the law are examined under the following headings:

a. Cooperative definitions, objects and cooperative principles
b. Registration
c. Membership
d. Management
e. Funds/Capital
f. Facilities and Concessions
g. Disputes
h. Penalties
i. Winding up
j. Rule-making power

The Investigated Province:

Mazandaran is one of the most densely populated provinces in Iran and wealthy regarding diverse natural resources also gross reservoir of Caspian oil & natural gas. The province's four largest counties are Sari, Babol, Amol, and Qaemshahr (All situated on the Mid-East).

It has a diverse nature & climate including plains, prairies, forests and jungles ranges from the sandy beaches to the rugged and snowcapped Alborz sierra. Mount Damavand, the highest peak & volcano throughout Middle-East and Western Asia, is located in the southern part of this province.

A major producer of farm fish all around of Iran and the neighboring regions, Mazandaran is the leading economic base of agriculture & fish productions in Iran.

Mazandaran has a very rich history. Its human habitation of the area dates back to at least 75,000 years ago. It is one of the most important historical sites of Iran and has played an important role in cultural flourishing and urban development of the region.

Rice, grain, fruits, cotton, tea, tobacco, sugarcane, and silk are produced in the lowland strip along the Caspian shore. Oil wealth has stimulated industries in food processing, cement, textiles, cotton, and fishing (caviar)

Fig. 1: Mazandaran Province

Pilot program:

The goals of the proposed Rural Finance Sector Restructuring and Development Program are to ensure sustainable access to institutional financial services for a majority of rural households. Specific objective is to support a sustainable financial cooperative system for providing affordable services, primarily to the middle and lower segments of the rural finance market for a significant income expansion impact and rural development. Increased financial intermediation will provide opportunities to clients to increase incomes and employment and improve their quality of life through access to strengthen and responsive financial cooperative system. It can be realized from figure 2, in order to leading a successful financial system (crediting) for the investors as well as the welfare of their
communities, the production stage must be followed by the Credit and saving stage, and then the Supply of inputs stage, and completed by the Marketing stage [7].

With the establishment and operation of these units since the start of this project in 2007 until the end of January 2010, the number of rural cooperatives credit units has increased from 5 units to 62 units in the province. These units has deposit over 616 million rials.

The Solving of financial problems such as the needs for agricultural production and commercial operations (planting and harvesting), increasing of credit resources for rural needs, lower cost loans, directing resources toward the production of commercial banks, eliminating of credit sources from the budget and building capacity for the economy, increasing the investment and liquidity and strengthen financial resources of the network is the most important goals of this project.

We can express the main problems and their solutions in Mazandaran cooperatives at table 2:

Table 2: The main problems and their solutions in Mazandaran cooperatives.

<table>
<thead>
<tr>
<th>Row</th>
<th>Cooperatives’ problems and issues</th>
<th>solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of coordination and correspondence between provinces’ capacity and the establishment of the cooperatives</td>
<td>Studying the whole aspects of provinces’ capacity and the regions’ talent before establishing the cooperatives</td>
</tr>
<tr>
<td>2</td>
<td>Lack of precise control by the banks on accomplished cost’s trend in cooperatives Lack of enough support and absence of appropriate solution of administrations for cooperatives to continue their activities</td>
<td>Precise controls by the banks while dedicating the loans And loan’s stage repayment regarding to project’s physical development Cooperative’s permanent support and guidance and control, and create the frontier markets in order to recognize and present the domestic production to the other countries and to create suitable domestic and international market to export commodities and to create comprehensive fields to present technical and engineering services</td>
</tr>
<tr>
<td>3</td>
<td>Managers’ low level of knowledge</td>
<td>The applying and compulsory training to cooperatives’ managers and inspectors in order to get more acquaintances to their duties</td>
</tr>
<tr>
<td>4</td>
<td>Not allocating the needed loan to applicant cooperatives Not to issue authorization to some service cooperatives such as credit and not to issue the grade to qualified cooperatives by programming manager</td>
<td>Regular programming for dedicating the facilities to qualified cooperatives by injecting the cash flow</td>
</tr>
<tr>
<td>5</td>
<td>Existence of doubled bureaucracy in the administrations Lack of appropriate land/ lack of sale support/ expensive pesticides/ environmental disagreement with establishing animal husbandry cooperatives</td>
<td>To issue authorization and facilitating and making it transparent for service cooperatives and to issue the grade to qualified cooperatives and not to impose trifle severity</td>
</tr>
<tr>
<td>6</td>
<td>Not to issue justification and not completing the credits’ application files for cooperatives in the province of established cooperatives</td>
<td>Eliminating dispersed and trifile bureaucracy and the cooperation among the responsible of such governmental administrations and to present services Providing an appropriate land by responsible administrations, and supporting products’ sale, environmental cooperation in the case of establishing animal husbandry cooperatives and presenting appropriate solution</td>
</tr>
<tr>
<td>7</td>
<td>To issue justification by the administrations in related province</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Not to issue activity authorization in the name of cooperatives by ministry of industry, mine and trade</td>
<td>To issue justification in the name of cooperatives without mentioning the manger’s name because of repetitive change of director’s name</td>
</tr>
</tbody>
</table>
Conclusion:

Cooperatives in Iran particularly in the rural areas have up till now been enjoying Govt. support and protection in the shape of subscription to share capital, preference in the matter of grant of licenses, reservation of certain products for co-ops, etc. These props are being gradually withdrawn and co-ops have to face competition not only from the private sector but also from the NGOs in micro finance and poverty alleviation activity and from Multinational Corporations in the field of agricultural and industrial production and consumer retail trade. On the other hand, the relationship between a well-developed financial sector and economic growth and poverty alleviation is well-established. The relationship is not merely one of correlation, but causal. There are robust evidences that countries with better developed financial systems experience faster reductions in income inequality and faster rates of poverty alleviation. Thus the development of an efficient financial system should be at the center of a pro-poor development strategy. Therefore, so many plans and restructuring programs are being implemented for the well being of credit cooperatives within the past 3-4 years.

In order to build a diversified and competitive rural financial market, there is a need to broadly rethink rural financial reform and development strategies. The restructuring program would require the government to inject new capital. The government is increasingly demonstrating its willingness to take the lessons of past reforms, and it's recognition of the importance of better understanding and protection in the shape of subscription to share capital, preference in the matter of grant of licenses, reservation of certain products for co-ops, etc. These props are being gradually withdrawn and co-ops have to face competition not only from the private sector but also from the NGOs in micro finance and poverty alleviation activity and from Multinational Corporations in the field of agricultural and industrial production and consumer retail trade. On the other hand, the relationship between a well-developed financial sector and economic growth and poverty alleviation is well-established. The relationship is not merely one of correlation, but causal. There are robust evidences that countries with better developed financial systems experience faster reductions in income inequality and faster rates of poverty alleviation. Thus the development of an efficient financial system should be at the center of a pro-poor development strategy. Therefore, so many plans and restructuring programs are being implemented for the well being of credit cooperatives within the past 3-4 years.

In order to build a diversified and competitive rural financial market, there is a need to broadly rethink rural financial reform and development strategies. The restructuring program would require the government to inject new capital. The government is increasingly demonstrating its recognition of the importance of better understanding the lessons of past reforms, and its willingness to take a more comprehensive approach to future reforms.

References


