



# Development and socioeconomic environment of cooperatives in Slovenia



Franci Avsec<sup>a,\*</sup>, Jernej Štromajer<sup>b</sup>

<sup>a</sup> *Zadružna zveza Slovenije (Cooperative Union of Slovenia), Miklošičeva 4, 1000 Ljubljana, Slovenia*

<sup>b</sup> *Faculty of Social Sciences, University of Ljubljana, Slovenia*

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## ABSTRACT

The financial and economic crisis as well as increasing awareness about cooperatives on the European and global level awoke interest in cooperatives and similar business models in Slovenia. Several initiatives for establishing new cooperatives have emerged in recent years. The paper analyses the recent developments of cooperatives in traditional (e.g. farmers' cooperatives) and new sectors (e.g. media, worker, local food supply, energy and housing cooperatives) through the use of a short historical survey, available statistical data and relevant changes in public policy towards cooperatives in Slovenia.

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## 1. Introduction

The aim of this contribution is a brief analysis of cooperatives and their socioeconomic environment in Slovenia to provide a general survey of this phenomenon as a whole and to offer deeper insight into some (but not all) sectors, where cooperatives have either been active already for many years or have been emerging only recently.

The history offers a lot of good and bad examples, from which one can learn for the future, but it has also left us attitudes and stereotypes that may persist for many years. As we would like to indicate these cultural and historical factors as well, a brief historical survey of the cooperative movement in Slovenia is given at the beginning.

The present state and the economic importance of cooperatives in the economy as a whole and in some characteristic sectors are analysed on the basis of available statistical data, gathered by the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), which manages the Slovenian Business Register as the central public database of all business entities and also publishes their annual reports.

The development of cooperatives is further analysed based on the overall economic development, public opinion and public

policy towards cooperatives since 1991, when Slovenia gained its independence.

The development of cooperatives is influenced by sector policies as well. Therefore, the paper also contains information on cooperatives in some sectors in which cooperatives have reached a mature phase as well as in those where they have been rediscovered.

The analysis concludes with a few final remarks that attempt to draw some experience gathered during former periods and from the present time.

## 2. A brief historical periodisation

Cooperatives in Slovenia have a long history, stretching back to the 19th century and marked by several ups and downs, interruptions and discontinuities, mostly due to changes of socioeconomic systems and the changing political demarcation of the territory during the last century and a half. Following this criterium, the historical development of cooperatives on the territory of what is now Slovenia could be roughly divided into four periods.

The first period starts in the middle of the 19th century, when credit and later also other cooperatives (like supply and marketing cooperatives of farmers and artisans, consumer cooperatives of workers and civil servants, productive and housing cooperatives of workers) emerged. In its first years, the movement had a strong national character, as cooperatives were considered by the patriotic intelligentsia, like brothers Josip (1834–1914) and Mihael

\* Corresponding author. Tel.: +386 41337218; fax: +386 2441370.

E-mail addresses: [Franci.Avsec@siol.net](mailto:Franci.Avsec@siol.net) (F. Avsec), [Jernej.Stromajer@gmail.com](mailto:Jernej.Stromajer@gmail.com) (J. Štromajer).

**Table 1**

The development of credit cooperatives affiliated to the first Slovenian cooperative union from 1884 to 1894.

Year	Credit cooperatives	Members	Shares <sup>a</sup>	Savings collected <sup>a</sup>	Volume of credits <sup>a</sup>
1884	21	7536	197,160	1,365,747	1,591,746
1894	72	36,403	618,055	8,536,131	8,565,292

Source: Schauer, 1945, p. 124 and 126.

<sup>a</sup> Austro-Hungarian guildens.

Vošnjak (1837–1920), an appropriate institutional form for gradual economic emancipation of the Slovenian nation.

In 1873, Austria legislatively regulated cooperatives as a special type of legal person with the Act on Cooperatives (Postava z dne 7. aprila 1873 od pridobilnih in gospodarstvenih društvih ali tovarištvih). This act (still valid in Austria with several subsequent amendments, Gesetz vom 9. April 1873, über Erwerbs- und Wirtschafts-genossenschaften) is based on a liberal conception of cooperatives. Thirty years later, in 1903, it was complemented by another Act prescribing the obligatory audit of all cooperatives, in principle by their unions (Zakon z dne 10. maja 1903 o pregledu pridobitnih in gospodarskih zadrug ter drugih društev).

At the initiative of Mihael Vošnjak, the first Slovenian cooperative union was founded in Celje on 18 January 1883. The union promoted the establishment of new credit cooperatives and also helped affiliated cooperatives with voluntary auditing (twenty years before the obligatory auditing of cooperatives was introduced by the Act from 1903). In the period from 1884 to 1894, the number of credit cooperatives affiliated to the union more than tripled, while their membership base and volume of activity expanded even more, as shown in Table 1.

In the second phase of this period, under the influence of the Christian social movement led by Dr. Janez Ev. Krek (1865–1917), smaller but more numerous credit cooperatives according to the Raiffeisen model became a mass movement.

Krek planned the development of cooperatives in three stages. The first stage was the establishment of credit cooperatives that were really successful in providing members with access to credit due to their small, easily surveyable business territory, where members knew each other and were therefore willing to be jointly and severally liable for the cooperative. Business was done in the domestic Slovene language and the work of functionaries was unpaid. The second stage in this plan was the development of other types of cooperatives, especially marketing and supply cooperatives that would protect farmers from the market unbalances. These cooperatives emerged later, being less numerous and less successful than those in the credit sector, as they required market oriented production and more skilful management. The final stage in Krek's vision of cooperative development involved cooperatives as self-managed professional organisations of peasantry, but this stage presupposed political reforms and never became a reality.

Nevertheless, the cooperative movement developed at astonishing speed: the Cooperative union in Ljubljana, where Krek was first a member and later the president of the board, increased its membership from 90 cooperatives to 575 twelve years later, as shown in Table 2.

**Table 2**

Cooperatives affiliated with Cooperative union in Ljubljana, in 1900, 1901 and 1912.

Year	Credit cooperatives		All cooperatives	
	Number	Membership	Number	Membership
1900	58	n.a.	90	n.a.
1901	104	27,309	157	38,685
1912	405	115,114	575	137,444

Source: Lukan (1989), p. 86.

**Table 3**

Number of cooperatives on Slovenian territory (within the Yugoslav state) at the end of 1918, 1930 and 1937.

Year	1918	1930	1937
Credit cooperatives	416	507	539
All cooperatives	730	1209	1677

Source: Valenčič (1939), p. 459.

The second period began in 1918 with the emergence of the State of Slovenes, Croats and Serbs, which was united with the Kingdom of Serbia and became the Kingdom of Serbs, Croats and Slovenes in the same year. It was later (in 1929) renamed the Kingdom of Yugoslavia. This period lasted from the end of the First until the end of the Second World War. The first years of this period saw the consolidation of the cooperative movement with the newly established cooperative banks and apex organisations on the state level. Cooperative law in the entire state was unified in 1937 by the Act on Economic Cooperatives (Zakon o gospodarskih zadrugah, 1937), which introduced a more socially oriented concept of cooperatives with indivisible reserves, limited remuneration on shares and prevalent, if not exclusive, business with members. The economic crisis in 1930 seriously affected farmers. Therefore, the government provided for reduction of farmers' debts to financial institutions, including credit cooperatives, which transferred a part of their corresponding claims to the Privileged Agrarian Bank, while the rest of the claim had to be written off (Maček, 1989, p. 437). During the whole period between the world wars, the number of cooperatives increased and cooperatives also emerged in new sectors (for instance, electricity and water-supply cooperatives) (Table 3).

After the Second World War and the radical change of the socioeconomic system in the Federal People's Republic of Yugoslavia, a collectivistic conception of cooperatives as "organisations of the working people" was enforced. Credit cooperatives in Slovenia, as the backbone of the former system, were wound up and their property was nationalised. In the first years after the war, newly established cooperatives played a large role in the renovation of the country and providing supplies for it. However, the policy soon focused on cooperatives as a tool for socialisation of small producers in agriculture and craft. The political campaign for setting up so called agricultural working cooperatives (1948–1953) according to the Soviet example and according to a special Act (Temeljni, 1949) failed; these cooperatives were wound up, while the land and other assets were returned to farmers. Thus, the major part of agricultural land and forests remained in private ownership. However, the administrative pressure brought a long lasting, bad image of cooperatives among the rural population (Mioković & Šljukić, 2012). This failure was one of the main political motives for the replacement of state and cooperative ownership with social ownership and the self-management system in 1953 through the Federal Constitutional Act (Ustavni, 1953).

The self-management system improved the autonomy of economic organisations, widened the participation of employees, farmers and other working people on the decision making process and gradually introduced several elements of a market economy.

The Regulation regarding agricultural cooperatives from 1954 (Uredba, 1954) defined the property of a cooperative as "social ownership" that "should not in any case be taken from the cooperative" (Art. 11), while the idea of self-management was close to traditional governance of cooperatives. These steps towards economic liberalisation enabled rather strong development of multipurpose agricultural cooperatives that provided farmer members with various services: inputs supply, marketing of agricultural products and rendering other services (for instance, with agricultural machinery, etc.).

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