

The Economic Importance of Developing Cooperative Relations in Industrial Enterprises in the Context of Modernization of the Country's National Economy

Qosimova Hilola Jamshedovna ¹

Abstract

Modernization of the country's national economy and technical and the current state of progress in the process of technological reconstruction liberalization of the economy, the ongoing market reforms formation of a class of owners on the basis of further deepening of the population increasing general employment, stable cooperation between enterprises formation of relations and small business and private entrepreneurship in this ways to increase the role are shown.

Keywords: *industrial enterprises, small business and private entrepreneurship, specialization, cooperation, industrial cooperation.*

¹Bukhara State University, Teacher

One of the most significant challenges currently faced in the process of modernizing and restructuring the national economy of the country is to liberalize the economy by deepening market reforms, creating a class of entrepreneurs based on further intensification of privatization, increasing the overall cohesion of the population, establishing sustainable cooperative relationships between enterprises, and enhancing the role of small business and private entrepreneurship. According to the decree of the President of the Republic of Uzbekistan on "Measures to develop a program for localization of production of finished products, components, and materials on the basis of industrial cooperation, implementation and operation of the reporting system, and the establishment of a mechanism for cooperation between government management bodies and project initiators," it is emphasized that "...it is necessary to expand cooperative relationships between enterprises and actively involve small business and private entrepreneurship entities in this process. It should be noted that the development of cooperation relationships is currently an essential factor in ensuring the stability of the activities of enterprises and economic sectors, mastering new types of products, and most importantly, creating new jobs, increasing the cohesion of the population, and expanding incomes."

Cooperative production, particularly in the form of subcontracting relationships, is widely utilized in developed countries as an effective means to enhance the efficiency of industrial production and promote economic growth. Initially, subcontracting relationships played a significant role in ensuring the rapid economic development of countries such as Japan, the United States, Germany, France, Italy, Spain, and Turkey.

The modern forms and types of cooperative movements primarily originated in Europe. However, their significance lies not only in their ability to facilitate European integration but also in their contribution to initiating industrial revolutions. Although there are similarities between the economic growth of Europe in the 20th century and the current state of developing countries in the 21st century, the development experience of cooperative movements in Europe enables the analysis of mistakes made in the development of cooperatives in European countries and provides opportunities to overcome potential shortcomings. In the 1950s, consumer cooperatives in the United Kingdom were one of the most powerful cooperative movements in the world. Cooperative networks accounted for 90% of services provided in stores and one-third of supermarkets. However, this sector, which consisted of more than 1,000 cooperatives of various sizes, faced intense competition from rapidly growing private enterprises. As a result, the business model underwent changes, and by 1964, the overall number of cooperatives had declined by 22%.

There were four main reasons for this decline:

1. Historically, in older industrial areas with relatively low consumer demand, there were over 30,000 cooperative stores.
2. Weak management skills played a significant role. Many cooperative leaders lacked not only high-level expertise but also sufficient middle-level personnel.
3. The decline of the central coordination of cooperative associations that facilitated the harmonization of cooperative activities. The cooperative movement was left without effective management.
4. Intense competition led to the decline of many small cooperatives, while larger ones faced economic challenges (the number of cooperatives established in the 1990s decreased from 1,000 to around 50).

Workers' reluctance to undertake additional responsibilities, waning interest in cooperative activities, and a lack of trust in leadership were contributing factors to this decline.

During the mid-1990s, the cooperative sector in the UK regained momentum, accounting for 4% of total retail sales.

In recent years, there have been indications of a renewed development in the cooperative sector, prompting British entrepreneurs to undertake the following measures:

- Strengthening their purchasing power by buying production facilities and expanding cooperative alliances within the supply chains.
- Recognizing consumer demand, various types of convenient stores, including medium-sized and large-scale supermarkets, have been established. The retail landscape has been restructured, and direct relationships with suppliers have been established.
- Cooperative-based insurance societies have become an essential part of the banking sector's activities.
- A shift in policy focus has occurred, with cooperatives returning to their original values and operational principles. Workers' confidence in cooperatives has increased, leading to an increase in their numbers.
- The demand for professional development of managerial staff has grown.

These measures indicate a resurgence of the cooperative sector, as efforts are being made to revitalize and strengthen cooperative businesses in the UK. After the dissolution of the cooperative economic system in Germany, the consumer cooperative system was fully reconstructed. This allowed cooperatives to double their market share in 1953 and increased the number of members to up to 2 million individuals. The main difference between German consumer cooperatives and their counterparts in the UK was that German legislation increased the bonus payment rate for cooperative members to up to 3%, placing greater emphasis on the cooperative business model. As a result, cooperatives played a significant role in Germany's retail sector. However, the development outcomes of these consumer cooperatives were similar. By 1965, German cooperatives controlled 8.5% of the national market, 19.5% of stores, and 31% of grocery stores.

Efforts were made to establish powerful national cooperative associations, but they were hindered by the weak central governance of cooperative unions and the lack of unity among cooperative leaders. By the mid-1970s, the cooperative situation deteriorated rapidly. Only one cooperative association was formed, but it lacked sufficient enthusiasm and support from smaller cooperative societies, failing to improve the national cooperative movement. The regional retail cooperative system suffered losses as a result. Additionally, the managers of consumer cooperatives took advantage of the lack of transparency, accountability, and oversight and began appropriating large-scale shares of their societies for themselves, converting them into joint-stock companies. The primary reason for this shift was the lack of information available to the members for many years.

This period reflects the challenges faced by the German cooperative movement after its initial success, as weaknesses in central governance and the actions of cooperative leaders hampered its progress. However, it should be noted that the German cooperative system was able to maintain a significant presence in the retail sector during this period. In Germany, with the transition of

consumer cooperatives into joint-stock companies, only 37 ordinary consumer cooperatives remained, bringing together 650,000 individuals. The most interesting aspect is that cooperators who did not join the trend towards joint-stock companies remained loyal to the cooperative ideals. For example, the Dortmund Cooperative currently has 480,000 members and controls 14% of the market in its region (one out of every two households).

In Finland, there are two national cooperative associations: the Social Democratic Movement (E-movement) and the Neutral (SOK). Both movements began developing supermarket chains ahead of their competitors. SOK expanded and became the largest owner of hotels and department stores. The E-movement, on the other hand, focused on the largest wholesale trade. Unlike in other countries, where a single national center was established, the interaction between the cooperatives in Finland was characterized by the rivalry between their leaders and the antagonistic attitudes of the Swedish and Finnish-speaking populations towards each other. Despite these ethnic and economic reasons, the merger of the E-movement and SOK resulted in the emergence of the EKA, the largest cooperative association in Finland. It should be emphasized that while the SOK group acquired small stores in rural areas, its competitors focused on developing large supermarkets in big cities. As a result, by 1997, SOK's share in the total cooperative retail sales had increased by 35%. In France, the cooperative movement had a regional character and flourished particularly in the industrially developed north. In France, cooperative retail development progressed in two main directions: consumer cooperatives, supermarkets, and small stores serving the entire population.

The main challenge of the French consumer cooperative movement was its weak management system. Similar to British cooperators, the French cooperators also showed less trust in highly educated individuals and preferred leaders with good practical skills in retail, although they lacked extensive knowledge in modern business practices compared to larger companies. This led to a lack of competitiveness against other retail companies. For example, while cooperators had 23 stores and competitors had 1,600 stores in the 1960s, cooperators had only one supermarket compared to competitors' 76 supermarkets.

Furthermore, cooperative leadership often fell into the trap of not understanding the business, failing to consider their long-term strategy, and disregarding the opinions of their members. By 1983, a small movement emerged, representing only 3% of the market share and uniting 40,000 employees. Despite officially having 1.5 million families as members of consumer cooperatives, they lacked belief in the "upper class" and were skeptical of the cooperative movement from an economic perspective.

In Sweden, the cooperative movement had strong central organizations and differed in its effective coordination of the activities of member cooperatives. Its emergence coincided with competition from the ICA retail group, and the aforementioned ICA group held the largest share in the market. Therefore, the Swedish cooperative movement stood out among Western European cooperative movements due to its rapid and innovative orientation. Swedish cooperators adopted the most modern technologies, business methods, and service delivery approaches, establishing a system of supermarkets. Additionally, the widespread use of efficient refrigeration technology was linked to the leading export-oriented consumer association.

During the process of internal transformation, Swedish cooperators achieved nearly threefold growth in the number of their associations, a reduction of approximately 2.7 times in the number of stores, an increase of 1.6 million members, and an expansion of their market share by around

18%. However, like other European cooperatives, in the mid-1980s, Sweden also experienced a decline in the consumer goods and services cooperative sector due to the cooptation of cooperative leadership and the failure to consider the interests of members, which led to a waning interest in cooperatives.

To overcome these negative situations, measures were taken to democratize management, increase the benefits of members by subsidizing weak cooperatives, focus on the retail sector by forming new trading groups, ensure that cooperatives do not deviate from the principle of one member, one vote, involve members in mandatory economic participation through proportional allocation of benefits based on shares, and allocate funds to the capital of the cooperative at a predetermined percentage when distributing profits based on shares. These and other organizational, legal, and economic measures were implemented, leading to significant improvement in the cooperative movement in the country. As a result, by the mid-1990s, the number of cooperative members reached 2.2 million, the number of stores consolidated under 105 cooperatives, and the number of independent consumer cooperatives exceeded 500. Currently, the consumer cooperative movement in Sweden holds a prominent position among the top 10 influential business companies.

The development strategy of the Norwegian consumer cooperative focused on leveraging the natural advantages of cooperatives and attracting new members through guaranteed bonus payments. The Norwegian Consumer Cooperative, which consolidated over 400 cooperatives with more than 600,000 members, had a central organization similar to the association of shareholder companies. In Italy, after World War II, cooperatives were formed by Catholics and Socialists, and later by Communists and Christian Democrats. The flourishing of cooperative alliances in Italy coincided with the period of cooperatives' decline in other European countries, namely the mid-1980s. As a result, the Cooperative Union of Italy was formed, uniting 500 consumer cooperatives with 1.8 million members. Currently, most supermarkets in Italy are cooperative-owned.

The development of the cooperative movement in the country had its distinctive features:

- The presence of a national alliance of cooperatives and mutual aid funds associated with Communists and Socialists (Reds).
- The Confederation of Italian Cooperatives associated with Catholics (Blues).
- The General Association of Italian Cooperatives associated with Republicans and Social Democrats (Greens), fostering cooperation and collaboration among various types and forms of cooperatives due to the expansion of the economic and social environment.

In addition, limitations on the total share capital (2 million lire), the absence of a minimum number of members for establishment (open-door principle), one vote per member regardless of their share capital, and legal guarantees provided by the social system also characterized the activities of cooperatives in Italy.

The cooperative movement in Switzerland serves as an example of the "non-classical" development of the consumer cooperative. The legislation does not hinder the opening of new branches, and the cooperative movement develops primarily through the expansion of new stores and self-service systems. In the 1960s, there were 486 registered primary societies with over 4 million members and more than 2,000 stores. In the 1970s, Swiss cooperators shifted away from receiving dividends and adopted a policy of low prices. Consumer cooperatives grew larger, and

by 1983, their number reached 41. As a result of mergers and both vertical and horizontal integration, the turnover of Swiss cooperatives increased by 45% for each store. G. Damveyler, the founder of the Swiss consumer cooperative, started his activity by developing small-scale stores. He established a large-scale retail network using his own brand and expanded the sale of fruits, beverages, yogurts, cakes, and similar food products. G. Damveyler also became involved in political activities and took over the management of the company "Migras." By that time, the cooperative's capital had reached 13.5 million francs, and by the 1970s, the cooperative had its own bank and 20 factories employing 28,000 workers. It is worth noting that in Austria, the Netherlands, and Belgium, consumer cooperatives have been "absorbed" by entrepreneurial pressure and now operate not as cooperatives but as joint-stock companies.

In developed countries, industrial cooperatives, particularly in the textile industry, are a natural means of increasing the effectiveness of cooperative production relations and ensuring economic growth.

In the 1980s, in Japan, small companies employing auxiliary subcontracting accounted for 65% of the total number of business entities in the cooperative sector, while in the electronics industry, this figure reached 86%, indicating its significant role. Today, in the industrial cooperatives of the Far East countries, there are nearly 400,000 registered enterprises that provide employment for more than 5 million people. Approximately 15% of the total output of the Far East is produced through cooperative relations. In establishing small business cooperative relations, there are two different models found in scientific literature: the American model and the Japanese model. The American model primarily emphasizes the market for developed subcontracting relations, where the main criterion for selecting subcontractors is their proposed price. This system is beneficial for the development of small businesses and private entrepreneurship, as well as promoting innovative activities of subcontracting firms and facilitating easy and convenient leasing relations for firms entering cooperatives. The relationship between subcontractors and manufacturers is limited to a specific order and does not imply long-term prospects. The availability of a wide range of offers from manufacturers enables the buyer to choose the most convenient option for fulfilling their order. Typically, a large automobile manufacturer has around 2,000 to 2,500 subcontractors. Major American automotive giants like Chrysler, Ford, and General Motors usually produce about 37-40% of the components in their own plants, while the remaining components are supplied through subcontracting agreements.

The Japanese model of developing cooperative relationships focuses on working in harmony with the strengths and technology of the companies. In Japan, advanced subcontracting relationships have been developed, where a buyer provides orders to multiple manufacturers who, in turn, collaborate with smaller subcontractors. Large Japanese automobile manufacturers have an average of 300-400 subcontractors. Long-term direct partnership relations are established with the first-tier suppliers. Automotive giants like Nissan and Toyota produce around 2% of the components themselves and place orders for the remaining components. The main criterion for selecting manufacturers is not the price but rather the quality, technical compatibility of the parts, and the trustworthiness of the partners. World experts have concluded that by analyzing the two models of industrial cooperation mentioned above, the Japanese automobile industry gains a profit of 300-600 US dollars per vehicle produced, compared to the US automobile industry, and these figures are considered favorable for Japanese companies and confirmed by their activities.

In our opinion, in order to develop the automotive industry in Uzbekistan, it is necessary to adapt and implement the favorable aspects of both the American and Japanese models that are specific to our national economy. However, this should be done while considering the capabilities and technological level of the companies, ensuring a strong manufacturing and technological integration between major buyers and smaller manufacturers, and emphasizing continuous collaboration, providing technical, technological, and financial support for component production, and implementing quality control. The key is to adopt the Japanese model that emphasizes direct involvement, mutual cooperation, and shared responsibility between the buyer and manufacturer, ultimately leading to localized production of components.

Used literature:

1. Message from the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis. <http://uza.uz/oz/politics/zbekiston-respublikasi-prezidenti-shavkat-mirziyevning-oliasy-28-12-2018>
2. Message of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis. <http://uza.uz/oz/politics/zbekiston-respublikasi-prezidenti-shavkat-mirziyevning-oliasy-28-12-2018>
3. Formation of a cooperative fund for agriculture and mechanisms of its distribution, Kasimova Hilola Jamshedovna ,page-50
4. Jamshedovna Q. H., Farhodovna T. A. Creating a Favorable Investment Environment for Attracting Foreign Investments to the Economy //Central Asian Journal of Innovations on Tourism Management and Finance. – 2023. – T. 4. – №. 6. – C. 104-109.
5. Jamshedovna K. H. The Role of Corporate Governance in Bank Management //EUROPEAN JOURNAL OF BUSINESS STARTUPS AND OPEN SOCIETY. – 2022. – T. 2. – №. 11. – C. 32-36.