

THE COOPERATIVES IN BULGARIA – PAST AND PRESENT

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Abstract

In Bulgaria, the emergence of modern cooperatives as a social business model dates back to the end of the 19th century. Cooperatives develop over time a variety of specific models based on their different subject of activity.

Given the wide scope of the researched topic, we limit the purpose of the scientific development to the study of the spread of cooperatives in the economic life of Bulgaria, analyzing their characteristics manifested in the current century, looking for a connection with the period of their emergence, in order to explain certain trends in their development. The methodological approach used is based on statistical groupings of a large array of official data on cooperatives registered in the Commercial Register of Bulgaria from 2005 to the current year. Selected indicators reflecting in the development of cooperatives by planning areas, economic sectors, annual revenues, etc. are established. Through the historical analysis, individual moments of the birth of the first Bulgarian cooperatives are revealed. *Results:* In Bulgaria, cooperatives were first born in the villages to meet the needs of the local population, and then cooperatives appeared in the cities. This process in our country is the opposite of other countries in Europe with a more developed market economy.; Due to the agrarian direction of development of the Bulgarian economy at the end of the 19th century, the first type of cooperatives built were agricultural credit cooperatives in the villages. Years after them, at the beginning of the 20th century, consumer cooperatives appeared, followed by the popular urban banks, as well as some professional cooperatives/associations.; In Bulgaria, the cooperative as a legal organizational form is widespread in almost all economic sectors of the national economy. Its role is dominant, however, in two sectors: A. „Agriculture, forestry and fisheries“ and G. „Trade, repair of cars and motorcycles“; The activity of the Bulgarian cooperatives is low-profit; In regional terms, the largest number of functioning cooperatives is in the South Central region, with a dominant location in the Plovdiv and Haskovo areas for almost all economic sectors, followed by the Southeast region, where the Stara Zagora area has a leading position. In the conditions of modern challenges and heterogeneous problems, the study of cooperatives in Bulgaria must continue and be upgraded in order to find answers to many questions related to their past and future development. Finding an answer to the problematic aspects in their development is important not only to enrich the theory, but also above all to support the cooperative practice in our country.

Key words: cooperatives, development, regional distribution, sector, income.

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Introduction

Modern cooperatives arose in Bulgaria in response to specific socio-economic features at the end of the 19th century. They develop over time specific models based on the different subject of activity – agricultural, consumer, credit, all-round, etc. Over the years of their development, they have had periods of considerable growth, but also of limitations and stagnation.

This is also the reason for the interest in them both from the theory and business practice. Universally acknowledged the contribution of a number of our and foreign researchers who over the years have studied the peculiarities of the cooperative and have given definitions for it, such as Pashev, (1936); Kanev, (1943); Palazov, (1946); Kanchev, (2000); Kanchev and Doitchinova, (2006); Yovkova, (2007); Alexandrov, (2007); Boevski, (1997, 2016, 2020); Kaufmann, (1907); Sombart, (1919); Baranovsky, (1921); Draheim, (1952); Botcher, (1980); Aschoff, (1995); Wilson, (2017) and many others.

The legislations in many European countries (Germany, Switzerland, Austria, Spain, Portugal, etc.), where the cooperative has traditions and is widespread in various economic sectors, consider it as a social model for doing business. (González, 2018).

From the analyzed literary and normative sources, it can be summarized that the definitions and opinions about the cooperative almost overlap. It is defined as a voluntary association of persons for mutual assistance and cooperation, assuming equal responsibilities and rights. Member-cooperators, through the establishment of a cooperative enterprise, delegate part of their functions to democratically elected governing bodies that represent them. The main purpose of the cooperative enterprise is to satisfy the needs of its members, not profit. As a result, Shaarz and Caselman (1980) refer to it as an „economic system with social content“.

The European Economic and Social Committee in 2012 – the international year of cooperatives, complements the nature of the cooperative: „manages changes in an economically efficient and socially responsible manner, contributes to social and territorial cohesion and creates innovative business models to increase its competitiveness; „That there is general consensus that cooperatives are part of the social economy“³.

Proceeding from the multifacetedness of the researched topic, we limit the purpose of the scientific development to the study of the spread/applicability of cooperatives in the economic life of Bulgaria.

In order to achieve the set goal, the following tasks are solved: to study and analyze the main moments in the birth of the first cooperatives in Bulgaria; to study and

³ The Social Economy in the European Union, 2012, European Economic and Social Committee, p. 31-32.

analyze manifested characteristics of cooperatives in the last two decades in Bulgaria; going back to the period of their emergence, to look for a connection and try to explain some trends in their development at the present time.

The methodological approach used is based on statistical groupings of a large array of official data on cooperatives registered in the Commercial Register of Bulgaria from 2005 to the current year. Selected indicators reflecting trends in the development of cooperatives by planning areas, economic sectors, annual revenues, etc. are established. Microsoft Office and a licensed version of Statistics Grad Pack under Windows are used to process the information. Through the historical analysis, individual moments of the birth of the first Bulgarian cooperatives are revealed.

The first cooperatives in Bulgaria – moments from their creation

On June 11, 1890, two school leaders T. Yonchev and T. Vlaikov founded the first agricultural credit cooperative in the village of Mirkovo, Pirdop district. The second is the agricultural credit association „Zashchita“ in the village of Lyubenova Mahala, Novozagorsko. Seven years later (1897), the agronomist N. Kardzhiev and N. Bachvarov (director of a homestead near Ruse), assisted by A. Gradev (a teacher in the village of Shtraklevo), conducted an active campaign among the population to create cooperatives. Thus, in November, the first credit union in the region appeared, and a few days later, they founded a cooperative in the village of Chervena Voda.

The Bulgarian Agricultural Bank (BZB) played a major role in the emergence of the first cooperatives in Bulgaria. A. Ivanov, head of the bank's credit department, is promoting a policy in the country for building cooperatives, on this basis „cores“ of employees are formed to popularize cooperative ideas. Due to the obstacles in the provisions of the first Commercial Law in Bulgaria and the opposition of moneylenders, the process is going slowly.

Gradually, after the appearance of the first cooperatives in the villages, such cooperatives were also built in the cities. The first urban cooperative was a consumer (bakery), established in 1899 in Plovdiv. After that, in May 1900, a consumer cooperative „Saglasie“ was established in Samokov, and in January 1901, „Bratstvo“ was established in Kazanlak. In November 1902, a consumer cooperative „Brotherhood“ was registered in Yambol. In Sofia in 1903, P. Cholakov founded a consumer cooperative „Brotherly Labor“. In the same year, a teacher's savings insurance cooperative was registered, and in November, under the leadership of A. Ivanov, the first Sofia popular bank in the country was established. In Bulgaria, 2 years later, the Official Cooperative Savings Insurance Company was registered. Thus, for ten years (1899 – 1910), according to the BZB report, information was published on 238 cooperatives established and functioning in Bulgaria (table 1).

Table 1. Number and membership an the first cooperatives in Bulgaria by years

Year	Number of cooperatives	Change in the number of cooperatives compared to 1899	Member-cooperators	Change in membership compared to 1899
1899	4		236	
1900	2	-2	234	-2
1901	2	-2	140	-126
1902	17	+ 13	683	+ 447
1903	77	+ 73	739	+ 503
1904	24	+ 20	1447	+ 1211
1905	91	+ 87	5458	+ 5222
1906	147	+ 143	11224	+ 10988
1907	238	+ 234	19422	+ 19186

Source: BZB, 1900-1910.

After the participation of A. Ivanov and H. Chakalov in the International Congress of Cooperatives in Budapest (1904), the leaders of the established cooperatives are convinced that a special law should be adopted. Thus, in 1907, the first Law on cooperatives in Bulgaria was adopted. It regulates their device and organization. Thus, a „green street“ is given for the development of the cooperative work in the country.

In summary, several conclusions can be drawn:

- In Bulgaria, cooperatives were first born in the villages to meet the needs of the local population, and then cooperatives appeared in the cities. This process in our country is the opposite of other countries in Europe with a more developed market economy.;
- At the end of the 19th century, the Bulgarian intelligentsia was a staunch supporter of cooperative ideas, but the population in our country needed time and purposeful agitations to be convinced of the positivism of these ideas. The initiative to create the first Bulgarian cooperatives did not come from the population, but from progressive-minded Bulgarians (teachers, agronomists, bank employees, etc.) and the assistance of the BZB, who saw an opportunity to help and support the poor Bulgarians.;
- Due to the agrarian direction of development of the Bulgarian economy at the end of the 19th century, the first type of cooperatives built were agricultural credit cooperatives in the villages. Years after them, at the beginning of the 20th century, consumer cooperatives appeared, followed by the popular urban banks, as well as some professional cooperatives/associations.;

- A century away in time, the process of the birth of the first cooperatives in Bulgaria leaves its mark and to a certain extent has an impact on the current development of cooperatives in the country.

The cooperatives in Bulgaria – aspects of their current development

The definition given by Art. 1⁴ of the first law on cooperatives in our country is very similar to the current one in Art. 1 of the latest Law on Cooperatives (adopted December 1999, amended and supplemented fourteen times so far): „A cooperative is an association of natural persons with variable capital and with a variable number of members, which, through mutual aid and cooperation, carries out commercial activity to satisfy their economic, social and cultural interests.“

During the research period 2005 – 2023, a total of 9,037 cooperatives were registered in Bulgaria. There is a significant change in their number with a clear tendency towards an annual decrease (Fig. 1). The largest number of functioning cooperatives was in 2005 – 5,274 and the smallest in 2021 – 3,833.

The tendency to decrease the number of cooperatives, both in Bulgaria in general and by economic sectors, is largely explained by a change in their status (tables 2 and 3). As of the beginning of June 2023, there are only 2,818 cooperatives with an „active/active“ status, while 4,747 have an „inactive/inactive“ status. The relative share of the former is 31.2% of the total, and 52.5% of the latter. The number of „deleted“ cooperatives is significant – 871 (9.6%) in the Commercial Register.

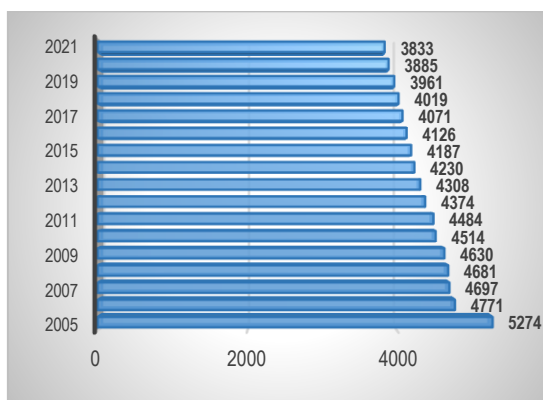


Figure 1. Number of cooperatives in Bulgaria, operating 2005 – 2021

Source: Ciela Norma and own calculations

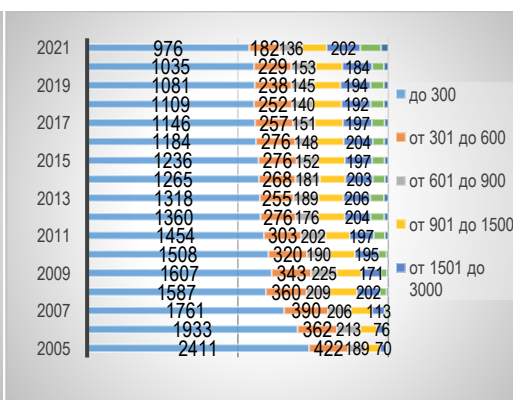


Figure 2. Grouping by annual revenues of the cooperatives in Bulgaria in thousand BGN: 2005 – 2021

Source: Ciela Norma and own calculations

⁴ „...any society composed of an indefinite number of members, which is incorporated for the purpose of developing the economic interests of its members and of promoting credit, agriculture, industry and trades by cooperative performance of works or by mutuality“.

„Those who have ceased economic activity“ are 443 (4.9%). 104 (1.2%) cooperatives are in liquidation proceedings. Only 33 cooperatives have the status „reorganization, form – merger and separation“.

Table 2. Status of the cooperatives in Bulgaria: 2005 – 2023

Cooperative status according to the Commercial Register	Number	Relative share, in %
Active	2818	31,2
Inactive	4747	52,5
Deleted	871	9,6
Termination of economic activity	443	4,9
In liquidation proceedings	104	1,2
Termination of liquidation proceedings	3	0,0
Continuation of business	8	0,1
Redevelopment of cooperative, form: infusion	30	0,3
Reorganization of cooperative, form: separation	3	0,03
Bankruptcy proceedings	8	0,1
Declared insolvent	1	0,01
Bankruptcy proceedings terminated	1	0,01
TOTAL	9037	100,0

Source: Ciela Norma and own calculations.

The change in the status of the cooperatives in Bulgaria reflects on the annual income from their activity (Fig. 2). It is found that the group of cooperatives with annual revenues up to BGN 300 thousand is the most numerous, followed by that with BGN 301-600 thousand. There is a tendency to decrease their number towards the end of the studied period, compared to the beginning. At the same time, the groups of cooperatives with annual revenues above BGN 6 million and from BGN 3-6 million are the smallest in number. There is a negative trend towards a gradual increase in their number at the end of the period compared to the beginning. The latter to a certain extent can be explained by the established status of „cooperative reconstruction, form: merger“ for 30 cooperatives.

Regarding the distribution of cooperatives by planning regions in the country (fig. 3), it is found that the largest number is in the South Central region – 1,609 or 17.8% of all, with the largest number in Plovdiv and Haskovska area. The South-east region follows – 1,578 units or 17.5% of all, with the leading place in the number of cooperatives being the Stara Zagora area. Third is the Southwest region, with 1,543 units registered or 17.1% of all with the largest number of cooperatives in the city of Sofia. The number of cooperatives in the Northwest and North Central regions

is almost the same, 1502 (16.6% of all) and 1494 (16.5%), respectively. Pleven area has the largest number of cooperatives, followed by Ruse area. The number of cooperatives distributed in the Northeast region is the smallest – 1311 or 14.5% of all, with the largest number of cooperatives in the Varna area. From the whole country for the period under study, the number of registered and functioning cooperatives is the smallest in Kardzhali and Smolen areas – only 98 and 129, respectively. The current regional distribution of cooperatives follows the course of the economic development of the regions in the country. Considering that in some regions, the existing traditions of cooperativism from a century ago have an influence, as a similar example is the Stara Zagora and Ruse areas.

For the researched period, cooperatives developed activity in almost all economic sectors according to KID-2008 (table 3), with the exception of O. „State administration“ and T. „Activities of households as employers“ (fig. 4 and table 3). The largest number of cooperatives – 4534 (agricultural, productive) in sector A. „Agriculture, forestry and fisheries“ – 50.2% of the total number. The number is smaller – 1443 of cooperatives (consumer) in sector G. „Trade, repair of cars and motorcycles“, which are 16% of all. Third in number – 771 pcs. are the cooperatives (consumer, TPK, productive, etc.) in sector L. „Operations with real estate or 8.5% of all.

Next are the registered cooperatives – 701 units (TPK) in sector C. „Processing industry“ or 7.8% of all. It is important that cooperatives (credit) with a share of 2.4% (213 units) of all develop activity in sector K. „Financial and insurance activities“, and some of them correspond to existing popular banks in the country since the beginning of last century. The relative share – 2.5% (228 units) of the cooperatives (TPK, consumer, comprehensive, etc.) that register and carry out activity in sector N. „Administrative and auxiliary activities“ is noticeable, as their main role is to support certain disadvantaged groups of the population and some producers (beekeepers, etc.).

A smaller relative share – 2.2% or 197 cooperatives – are registered and operating in sector M. „Professional activities and scientific research“. This sector includes regional cooperative unions, as well as youth, war disabled, design and other types of cooperatives.

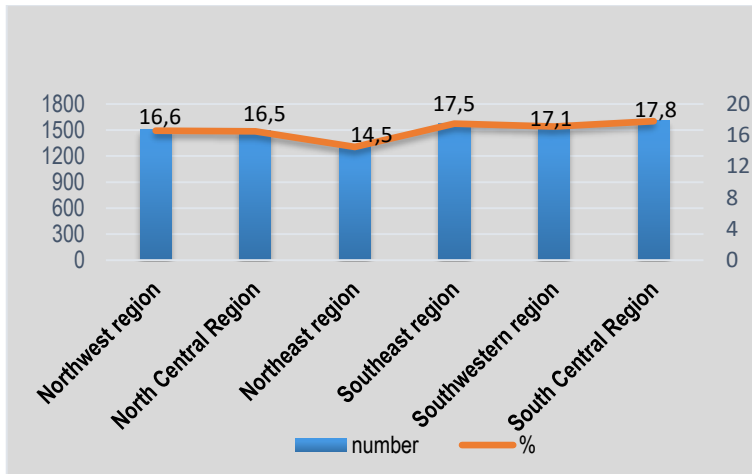


Figure 3. Regional distribution of the cooperatives in Bulgaria: 2005 – 2021

Source: Ciela Norma and own calculations

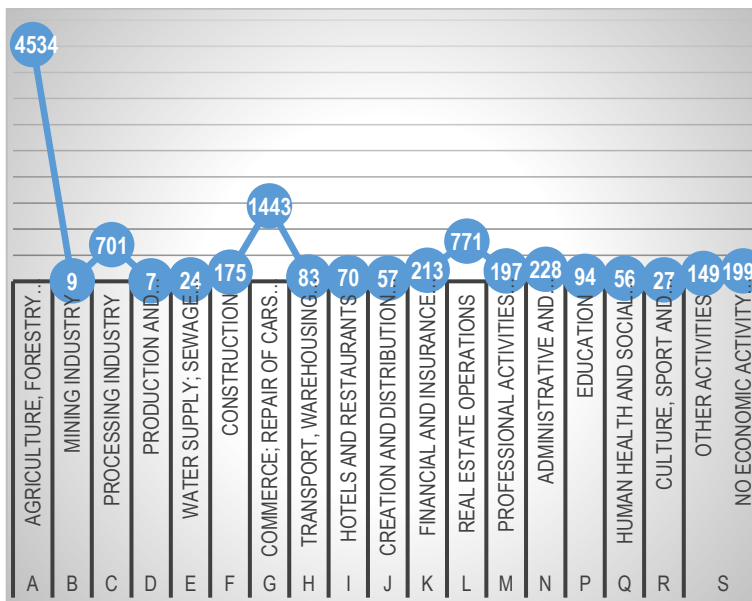


Figure 4. Grouping of cooperatives by economic activities according to KID-2008 for 2005 – 2021 (number)

Source: Ciela Norma and own calculations

There are cooperatives registered and operating in sector F. „Construction“ – 175 units or 1.9% of all; P. „Education“ – 94 items or 1% of all; Q. „Human health care and social work“ – 56 items or 0.6%; R. „Culture, sports and entertainment“ – 27

items or 0.3%. With the exception of construction in the other three sectors, cooperatives are mainly professional associations built by intellectuals (teachers, doctors, musicians, athletes, etc.), which are very similar to the ones that existed in our country, more than a century ago.

As a preferred organizational form for association, the cooperative (consumer, production, supply type, etc.) is also applied in the following sectors: H. „Transport, storage and post“ – 83 units or 0.9%; I. „Hotel and restaurant industry“ – 70 pcs. or 0.8%; J. „Creation and distribution of information and creative products; Telecommunications“ – 57 pcs. or 0.6%; B. „Extractive industry – 9 or 0.1% and S. „Other activities“ – 149 or 1.6%.

It is established that for the period under study there is a group of cooperatives (199 units or 2.2% of all) in our country that do not indicate the type of economic activity, but they cannot be referred to sector S. „Other activities“.

Based on the analysis, several main conclusions can be drawn:

- In Bulgaria, the cooperative as a legal organizational form is widespread in almost all economic sectors of the national economy. Its role is dominant, however, in two sectors: A. „Agriculture, forestry and fisheries“ and G. „Trade, repair of cars and motorcycles“. To a large extent, this is the result of the specifics of the sectors, but also of the existing cooperative traditions.;
- The number of operating/active cooperatives in all economic sectors in the country is gradually decreasing. The most significant decrease is more than four times in sector A. „Agriculture, forestry and fisheries“. By the middle of the current year, more than ½ of the cooperatives registered during the research period have the status „inactive“;
- The activity of the Bulgarian cooperatives is low-profit. The group with annual revenues of up to BGN 300,000 is significant in terms of numbers compared to the others, although there is a tendency towards a decrease in their number at the end of the period, compared to 2005, and a slight increase in the number of higher income groups of cooperatives.;
- In regional terms, the largest number of functioning cooperatives is in the South Central region with a dominant location in the Plovdiv and Haskovo areas for almost all economic sectors, followed by the Southeast region, where the Stara Zagora area has a leading position.

Table 3. Grouping of the cooperatives in Bulgaria by type of activity according to the KID-2008 for the period 2005 – 2021

Code	Economic sector	Total number	Share of the total	Number of active	Share of the number of active
A	Agriculture, forestry and fisheries	4534	50,2	1074	38,1
B	Mining industry	9	0,1	2	0,1
C	Processing industry	701	7,8	201	7,1
D	Production and distribution of electrical and thermal energy and gaseous fuels	7	0,1	2	0,1
E	Water supply; Sewage Services, Waste Management and Remediation	24	0,3	8	0,3
F	Construction	175	1,9	34	1,2
G	Trade, repair of cars and motorcycles	1443	16,0	473	16,8
H	Transport, warehousing and mail	83	0,9	20	0,7
I	Hotels and restaurants	70	0,8	17	0,6
J	Creation and distribution of information and creative products; Telecommunications	57	0,6	17	0,6
K	Financial and insurance activities	213	2,4	79	2,8
L	real estate operations	771	8,5	509	18,1
M	Professional activities and scientific research	197	2,2	68	2,4
N	Administrative and auxiliary activities	228	2,5	45	1,6
P	Education	94	1,0	14	0,5
Q	Human health and social work	56	0,6	16	0,6
R	Culture, sport and entertainment	27	0,3	6	0,2
S	Other activities	149	1,6	53	1,9
	The economic activity is not specified	199	2,2	180	6,4
	TOTAL	9037	100,0	2818	100,0

Source: Ciela Norma and own calculations

Conclusion

In the conditions of modern challenges and heterogeneous problems, the study of cooperatives in Bulgaria must continue and be upgraded in order to find answers to many questions related to their past and future development. As an organizational form of association, they have had and continue to have a major role in the production, processing and trade of many products in the country. Finding an answer to

the problematic aspects in their development is important not only to enrich the theory, but above all to support the cooperative practice in our country.

Combining in the study of cooperatives, their past – from the appearance of the first ones in our country to their current state – is a complex scientific approach. However, it allows to clarify the influence of main factors (social, economic, political, etc.), which explain the presence of some and the absence of other characteristics and problems of modern Bulgarian cooperatives.

In unison with what was presented above, we conclude with the thought of Ilia Pavlov – one of the researchers of the cooperative theory and the Bulgarian cooperative practice, expressed about eight decades earlier, but still relevant today:

„The modern cooperative is a product of the economic and social conditions of more recent times, so, look at it, connecting them with the history of the cooperative movement, and we will arrive at the most correct conclusion“

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