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# COOPS IN INSPIRATION ECONOMY – RAISING THE CAPACITY OF THE POOR

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## ABSTRACT

*This paper seeks to develop a coop model that would be one of the models of inspiration economy in eliminating poverty and its related spillovers. The paper shows how the community could achieve significant socio-economic benefits from participating in the coops movement and capitalising on their intrinsic resources. A poverty elimination framework is presented in the case study and then an assessment framework to move the coops to stages of incubation, before applying methods for acceleration which is suggested at the end of this work.*

*The case study represents the experience of a focused two years project on the development of coops in one village in (Mauritania). The framework for the assessment opens the door for further studies on how to improve the coops capacity towards further self-sufficiency.*

**Key words:** Cooperatives, Coops, Poverty Elimination, Inspiration Economy.

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## 1. INTRODUCTION

Cooperatives (Coops) are open organisations to all types of collaborations with similar coops or those who can take advantage of their benefits. Both the economic and the social activities within the coop helps to build more familial and close social networks. Yaghoubzadeh (2011), Birchall (2004).

The small social networks created by coop help to bring in opportunities for the members and to bridge between the different social capital within. Gittell and Thompson (2001).

The role of coops in social structure and how it helps in creating a resilient bottom-up development is discussed. The author investigates the coop's role in enhancing 'community's capacity' and creating 'better livelihood' along with 'collective savings'. The paper also shows how this process of coops development would help the community towards neighbourhood entrepreneurship, Fairbairn et al. (2009). The role of women in cooperative societies and in

enhancing the social capital that leads to transforming people out of poverty is further investigated. Gittel and Thompson (2001), Amartya (2000).

The literature is followed by a geographically focused coop case study, representing an experience of a focused two years by the International Inspiration Economy Project (IIEP) and its poverty elimination efforts, Buheji and Korze (2020). Finally, a framework is proposed on assessing ‘Inspiration Economy Coops’ effectiveness towards this poverty elimination endeavour. Buheji (2019b)

## **2. LITERATURE REVIEW**

### **2.1 Role of Coops in Social Structure**

Cooperatives (Coops) play an important role in both developing and developed countries, as they represent a business model that promotes collaborative social change, Birchall (2004). Coops raise the capacity of the underprivileged to bring or share initiatives and social restructuring to address all symptoms of poverty. Through Coops communities could eradicate extreme poverty and bring realised changes with feasible resources.

Thus, Coops was found to improve the economic growth. These Coops are created and owned by the poor people with minimal support from social-for-profit entities or NGO’s, Yaghoubzadeh (2011). When the poor use their social ties to access outside resources, this directly reflects on community development, Woolcock and Narayan (2000).

The Coops improve the economic growth by addressing specific local challenges and opportunities while promoting economic growth in rural and remote communities. Yaghoubzadeh (2011)

### **2.2 Coops Role in Creating Bottom-up Development**

Any cooperative society (coop) works on the principle of mutual interest that target to improve its members' livelihood and welfare. Hence, an effectively managed and supervised coop could deliver services for its members while making profit from the surplus generated, Birchall (2004). The profit a coop in a poor community coop is distributed by the ratio of capital contributed by each member, which is usually their time given towards this coop, since at least one-third of the financial capital would be either from a loan or from a seed fund from an angle investor. Roberts and Sherratt (1998)

Coops in the inspiration economy are used to illustrate models that raise the capacity of the communities through being independent of extrinsic resources. Rather than being developed by extrinsic resources and external influences, Coops can be created to address the realised needs of the community, and bring the stakeholders together to realise suitable opportunities, Deller et al. (2009). This bottom-up approach is capable of inspiring the community to feel ownership of their Coops and would focus on asking for specific tangible support. Buheji and Ahmed (2019).

The other benefit of the bottom-up approach is that Coop members could see how the profits retained for their communities. Buheji (2019c)

### **2.3 Resilience of Coops**

Coop models are considered one of the means of building a resilient economy as they can be integrated into any sector, leading to diversified economic growth and flexibility, Buheji (2020). For communities lacking basic amenities or infrastructure, services Coops as local groceries stores that sell fresh products and vegetables, outlet that sells gas cylinders, or ensure delivery of items for those with low mobility; can play an important role. Coops help resource-limited communities to optimise the different forms of capital assets (human, natural, physical,

social and financial) to reach the targeted community development. Amartya (2000), Buheji (2020)

The coop participants gradually build the capacity to manage, negotiate, or control their livelihood production and develop their learning, or their ability to act collectively, or to improve their personal circumstances. Coops also create more resilience also when it comes to increasing bonds or the raise the main capital, in order to expand the type of jobs or invest in new assets or new lines of business. This eases the increases of both wealth and economic activity. A portion of Coop profits is often invested back into the community in the form of sponsoring children to go to schools, creating another Coop or initiating multi-purpose playgrounds, or enhancing community services. Buheji (2020)

#### **2.4 Coops Role in Enhancing ‘Community’s Capacity’**

When communities are kept supported only with gradual limited wealth, they start to see the importance of building on their local wealth, other than the financial one, and this could help develop their capacity towards utilising the different social, natural and human capital to develop their overall economic activity.

Coops could play a role in mobilising local resources into a critical mass. For example, coops are usually active in developing community well-being. Therefore, Hoyt (2004) saw that when people work together in a coop, they build up community identity, establish community norms, learn to trust each other, and commit to providing benefits for each other. Coops were found to accelerate community trust and networks, which create community economic, and social pools for talent and knowledge sharing, Majee and Hoyt (2011). Therefore, Coops improve the economic growth through their capacity to create established jobs. With Coops the beneficiaries can produce or sell from their neighbourhood rather than seeking to travel outside the mainland.

Coops usually have strong communication models; thus their capacity to solve problems and react to them are agile, besides through such communication they can extract more leaders that can lead the community in cases of emergencies or challenges.

Coops usually start around people who have specific expertise, besides addressing specific needs. Through coops network, the local people start to develop their knowledge and share the learning of the experiences developed during the business cycles. Cooperatives are an effective tool for self-help.

#### **2.5 Role of Coops in Creating Better Livelihood and Collective Savings**

Coops can secure the livelihoods through starting specific points of real transformation in which the members help the lowest-income families to determine what they need, design a solution and succeed in carrying out that solution with their own hands. Besides solving such immediate problems, Coops are energised to make people change from being dependents to being more independent and could bring in initiatives that can address their needs. Deller et al. (2009).

Filed observations show that poor people are better when they save together and use their collective savings to give each other loans for their various individual and collective needs. This type of collective savings helps them overcome many economic limitations which each family might face to meet life daily demands. The collective saving helps the Coop members to make more what they believe to be accurate decisions with greater freedom.

Profits generated from the Coop stay within the community or re-invested in the Coop again or distributed to the members. This help further collective saving, besides raising the capacity of the Coop members to build a learning cycle while ensuring that no one of them would be sleeping without enough food and secure shelter on their head.

## 2.6 Coops and Neighborhood Entrepreneurship

When Coops start to have a financial return that could establish a type of Coops finance for other micro-starters which work on sustainable financing of those like community members that cannot get a loan from the traditional banking system, Gertler (2001) , because they are run by and for people at a community level, Coops offer a safe and alternative approach for the poor to come out of the vicious cycle of poverty if they are willing to learn and be productive. Buheji and Ahmed (2019).

Buheji (2018b) seen the importance of neighbourhood in establishing a type of community that sustains itself socially, economically, and environmentally. A neighbourhood might strive towards establishing priorities, or self-established goals, which are usually based on common geography, common experiences, or common values. Buheji and Korze (2020) , Gertler (2001) .

The spirit of neighbourhood entrepreneurship that comes with the different coops local participation in the events or the processes helps to shape the community and bring low-income people into the socio-economic mainstream, Buheji (2019e). Woolcock and Narayan's (2000) see this as a type of a poverty transition model caused by the development potentials of coops businesses.

## 2.7 Women in Cooperative Societies

Coops may have a powerful role in empowering women, especially in developing countries based on values that emphasise autonomous development, equality, equity and solidarity. Through coops women create better economies of scale, instead of being produced in an isolated way. This not only enhances their bargaining power in the marketplace, but also help them develop from different quality of life perspectives, i.e. from education, health, social stability, etc. Buheji (2019a), Karimzadeh et al. (2013).

Most of the studies shows that coops foster women empowerment and enable them of secure income and self-development. Women as Coops members are usually more willing to make financial sacrifices, and patience to wait for the expected returns as the cooperative gains profitability.

In India, a cooperative bank was established by women Coops to provide affordable finance for those who are unable to access credits from banking systems. Karimzadeh et al. (2013)

## 2.8 Coops Social Capital and its Role in Transforming People out of poverty

Social capital can be defined as the collection of networks, norms, and social trust that raise the coops capacity for building bonds and bridges. From both individual member and business perspectives, cooperatives promote interaction. This interaction enables members to use their knowledge of each other and of the cooperative to engage in peer monitoring in their conduct of business. Birchall (2004)

Woolcock and Narayan (2000) showed the importance of networks in social capital bonding and bridging. In coops 'bonding stage', or horizontal social capital, refers to the strong social ties (networks, norms, and trust) that develop among like-minded or homogenous individuals or groups, Gittel and Thompson (2001). These ties most often exist between family members or within close community groups.

Coops make people with limited resources draw on the opportunities provided by closing the group membership to survive. Woolcock and Narayan (2000) seen that successful coop development comes when we reach the 'bridging stage', which simultaneously strengthen the social capital ties. In putting emphasis on social capital, human, physical and natural and environmental capitals, financial capital become less important. The mindset of the coop

members starts to flout around how to use social connections to achieve both social and economic goals. Gittell and Thompson (2001).

### **3. METHODOLOGY**

Based on the literature reviewed, a case on the experience of a focused two years project on the development of Coops in One village called Dar-Albaydha village in Nouakchott (Mauritania) are presented. The case shows how optimising the pool of Coops towards entrepreneurial neighbourhood program could help develop the Coops maturity towards another two more mature stages that is the 'stage of incubation' and the 'stage of acceleration', as per inspiration economy techniques. Buheji (2019e)

A framework is proposed for assessing the effectiveness of the 'Inspiration Economy Coops' on the targeted village community, Buheji (2019d), Zeuli et al. (2005). An assessment of the coops capacity to overcome challenges and in addressing communities needs is linked to further to the self-sufficiency theory, which is one of the theories of inspiration economy and part of its business models. Buheji (2021)

### **4. CASE STUDY**

#### **4.1 Experience of a Focused Two Years Coops in One village**

The International Inspiration Economy Project (IIEP) launched in early 2020 a one village focused coops development approach that targets to eliminate poverty, Buheji (2019b). The project Dar-Albaydha village in Nouakchott (Mauritania) targets to illustrate how inspiration economy brings in alternative development to poor communities and how well managed and supervised coops can help families to transform their lives, and even bring a better quality of life. Karimzadeh et al. (2013)

The experience of the last two years shows how coops could help to raise the capacity of the community and raise its none financial resources. The experience shows that poor communities can become more focused through focused programs that collectively address their problems relevant to education, cash, housing, family stability. Also the experience shows that coops help families to be less dependent on extrinsic finance and more dependent on the social assets within their community. Buheji (2019a)

The coops programs were found to allow the poor to be capable of learning through experimenting and forming networks with other stakeholders within their neighbourhoods. This helped to build their confidence that they could break the chain of poverty and they can develop further and claim even their basic rights as equal citizens.

#### **4.2 Optimising the Pool of Coops towards Entrepreneurial Neighborhood Program**

The growing pool of coops that were created in Dar-Albaydha village in Nouakchott provided a variety of services and products that can be categorised as entrepreneurial neighbourhood projects. These projects covered essential needs as bakery, children food, grocery, gas cylinders supply, tailoring, women hair saloon, wedding rental items, textile production, sports club, typing and photocopying services, internet access, and besides interest-free loan for coops members. Buheji (2019e)

#### **4.3 Coops Maturity towards Incubation and Acceleration**

Once the coops manage to bring the poor people in coherence together, one could start the level of bonding. In this level, incubation techniques are used to utilise the outcome of synergy in collaboration to optimise the return of the social capital. Here incubation would mean more focused mentorship uses if the coop have a homogenous group with strong familial, or social ties to be able to do things they couldn't achieve individually.

The poor can rely on the bonding of the coop in borrowing money without collateral. The strong social ties can be used as the collateral for loans to individuals in the group to finance the creation of another new small business. Burkey (1993).

Coop provide sustainable community development that enables groups to combine and share their assets to collectively improve their well-being, but are ultimately limited, as a group, in their ability to get ahead, Gertler (2001). High levels of social capital bonding in coops can't provide significant improvement in their quality of life but can make enough bridging that is necessary to lift the coop members from poverty. Woolcock and Narayan (2000).

Coops not only creates wealth, but also will remain circulating in local communities. Capital circulation in the local economy strengthens existing businesses, which in turn benefits the whole community. As the cooperative business grows, so does its capital base, including interaction among members, between members and other community members, and between the cooperative and other businesses. Burkey (1993)

The interaction within the coop creates both social and business linkages connecting both individual members and the business with other networks. The coop framework assumes that the society has a wealthy social capital that can be used where they could be at two levels, either 'bonding' or 'bridging' stages. Zeuli et al. (2005).

## **5. FRAMEWORK PROPOSED FOR 'INSPIRATION ECONOMY COOPS ASSESSMENT'**

### **5.1 Assessing Coops Capacity to Overcome Challenges and in Addressing Communities Needs**

As the network grows and coops get more resources, the community welfare would increase. Therefore, Coops requires significant commitment. This commitment process can be started by bringing together community members to identify the opportunity, build consensus on the potential for a cooperative, and develop trust among potential members.

Not all coops investments give immediate results or create a differentiated outcome on the community. Certain coops might go through a number of business challenges till they settle down and start to be profitable. Through training and interaction, coops can acquire skills and increase their ability to work, and bring social change. Roberts and Sherratt (1998).

The businesses of best coops are that those start to address the community needs while raising the ability to create a common bond with connections to both outsides and inside the community.

In order to exploit communities needs, the coop members should observe the extent of social interaction among individuals. Formal and informal associations can help mobilise communities needs and capitalise on social relationships. Transition out of poverty could be clearly seen when the Coops start to address the communities needs where essential products or services are delivered to create self-sustenance.

### **5.2 Coops Address Inspiration Economy Business Models (Incl. Self-Sufficiency)**

Coops fit exactly the aim of inspiration economy, which seeks to create differentiation through inspiration currency that promotes further independent business models that make any community in control of its fate, and less dependent on extrinsic powers. Inspiration economy theory encourages the practices of self-sufficiency, and this could be practically achieved through local control of the different main capital that constructs any business model, i.e. human capital, knowledge capital, natural capital, social capital and even the local financial capital.



## Assessment Framework for 'Community Coops' Impact on (Poverty Elimination)

**Community Targeted:** Dar-Albaydha Village in Nouakchott (Mauritania)  
**Period of Project Impact Assessment:** 2/2020 till 1/2022

### Introduction

The purpose of this assessment framework is to evaluate each Coop project impact and outcome towards community socio-economic development. Each criterion is meant to see 'qualitatively' the fitness of the coop in creating 'poverty elimination' steps on its members and the community in general. Even though this assessment framework could not be applied fully on the coops of Dar-Albaydha Village in Nouakchott, as the full cycle of three-year journey to assess the effectiveness of the journey is not yet complete, the framework was piloted on five out of 13 coops.

Each criterion that is considered to be fulfilled is counted as 1, while those not completed are calculated as 0. Accordingly, then the total weightage of all these criteria's would define which coop is leading and what are the areas of improvement for each one of them.

- 1- The Coop managed to bring about social and economic changes in the community.
- 2- The Coop does not depend entirely on financial resources.
- 3- The Coop has a clear 'return on investment'. Clearly, the invested amount will be returned with profit.
- 4- The Coop products or services are legal and does not have any conflict with any government program, and legally is viable.
- 5- The Coop can be used and documented (by video and writing) and published as a case study for poverty elimination, regardless of its successes or failures.
- 6- The Coop have been measured before and after its inception over monthly progress reports for more than 18 months to show how poverty is eliminated among its members.
- 7- The Coop members shows a clear commitment to exploring socio-economic problems within the community.
- 8- There is clarity of the stages of implementation that transformed the Coop into a success story or a reference model.
- 9- There is clarity of the challenges the Coop has managed to overcome, or have been attempted to overcome in relevance to time and circumstances.
- 10- There is clarity on how the Coop project or its members helped to inspire and empower the youth in the target community or families.
- 11- There is/are clear evidence on how did the Coop members make different attempts to solve problems, with a clear "Yes I can" message?
- 12- There is clarity on how the coop members focused on the priorities of importance to community issues?
- 13- There is clarity on the pieces of evidence with clear measurements that control the Coop future achievements?

International Inspiration Economy Project  
[www.inspirationeconomy.org](http://www.inspirationeconomy.org)



Figure 1



14- There is clarity on how does the Coop help in discovering the “core forces” of the community or project team members?  
 15- There is clarity on how does the Coop was implemented on the basis of “minimum resources” while at the same time benefiting from the partnership and “community participation”?

Name of Coop	Score of 15	Opportunities for Improvement

Figure 2

## 6. DISCUSSION AND CONCLUSION

### 6.1 The Lesson Learned out of Dar-Albaydha Village Coops in Nouakchott (Mauritania)

The learning message from the coops is that the poor can create development models and be more independent if they are given the possibilities and the chance. The poor, through the coop network, felt that they were not alone and that they have alternatives choices that they could make to face livelihood problems. Coops showed that we could eliminate poverty and make the poor deliver their own solutions to their life and livelihood challenges more effectively and efficiently, besides with high availability and on a larger scale with minimal resources, if such projects are carefully designed and closely monitored. Buheji (2019b)

### 6.2 The Challenge for Coops Governance

One of the challenging issues, as with any other business model, is the Coops governance. Therefore, mentoring, monitoring and supervision cycles must be shortened to ensure proper focus and enough engagement by all the Coop members.



### **6.3 Inspiration Economy Coops Frameworks for better Resilience Economy**

Resilience economy is based on the capacity to absorb a turbulent environment and to develop trust for unprecedented times. Coops can assist the economically disadvantaged population, toward organising themselves during a crisis and a national or global emergencies, as in the case of the COVID-19 pandemic, to address old and emerging community concerns such as the provision of health services or develop access to life or livelihood products or services.

From this work, one could conclude that coops business structures are far capable of being the potential means for bringing in low-income communities into the socio-economic mainstream than operating in these communities.

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