

Determinants of Success and Coping Strategies of Collective Action in Ethiopia:- The Case of Agricultural Cooperatives

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Abstract

In Ethiopia, collective action in general and agricultural cooperatives in particular are an age-old tradition that plays an enormous roles in improving the living standard of smallholder farmers. However, there were a number of internal and external determinants that hindered their success. Thus, this review paper aimed at reviewing the major determinants of success and coping strategies of collective action with particular focus on agricultural cooperatives in Ethiopia. Result of the review revealed that the success of agricultural cooperatives were influenced by a number of internal and external determinants. Accordingly, governance, mutual trust, heterogeneity of members, education, training and distance to the nearest markets were the major internal determinants while market access, access to finance, availability of infrastructures and property rights were the major external determinants of success. Besides, realization of effective leadership, improvement of access to infrastructures, keeping of mutual trust, creating of awareness, development of financial system, enhancing access to market and securing property rights were the major coping up strategies identified. Therefore, to realize their mission and vision, agricultural cooperatives ought to incorporate those determinants and coping up mechanisms in their plan.

Keywords: Agricultural cooperatives, Collective action, Ethiopia

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INTRODUCTION

Background of the Review

Collective action is an action takes place by more than one person directed towards the achievement of specific outcome, common purpose and greater benefits through joining group (Sandler, 1992; Vermillion, 1999; and Meinzen-Dick et al. 2004). In Ethiopia collective action has a long history and a good strategy for improving the living standard of smallholder farmers (Bekele and Obsinet, 2019). Traditional forms of collective action such as ekub, rotating savings, formation of work groups such as wonfel, debo and idir are some of collective action that have been operating currently in Ethiopia (Degnet and Mekbib, 2013)

Though collective action plays a great role in combating poverty, there were a number of determinants that hinder its success. Among the major determinants of success, economic incentives and socio-cultural norms (Fikadu, 2009); rule enforcement, community participation and rent seeking behavior of government officials (Wondimagegnehu and Fikadu ,2012; Dagnet and Mekbib, 2013 and Bekele and Obsinet, 2019); income and working capital (Girma and Zegeye, Solomon and Demel, 2017; Semeneh *et al.*,2018 and Kassahun and Omer, 2019); property rights and heterogeneity of the participants (Wondimagegnehu and Fikadu ,2012 and Semeneh *et al.*,2018); asset ownership, networking, perception toward group size (Semeneh *et al.*,2018); incentives, educational status, gender, age, distance, family sizes, land holding size, awareness, and training (Girma and Zegeye, Solomon and Demel, 2017 and Kassahun and Omer, 2019) were the most important one. Besides, they also forward the important policy implications for those determinants.

Cooperatives are an autonomous association of peoples united voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ICA, 2015). Agricultural cooperatives is one of the types of cooperatives that has been established to brought sustainable development (ICA, 2015). From worldwide perspectives, it has a strong presence in processing and/or commercializing one-half of the world's food at some given stage of the value chain (Food and Agriculture Organization, 2018).

In Ethiopia, agricultural cooperatives plays an immense role in solving problems of poor farmers. It grows in terms of numbers, types, membership size and capital from time to time (Kindie and Tsegaye, 2012). However, its development is not as expected due to a number of internal and external determinants that hinder its success (Asfaw, Kifle, Ephrem and Dereje ,2015; Dejen and Matthews, 2016; Tewodros, Godadaw *et al.*, Dagne *et al.*, 2017; Tewodros and Atnafu, Bizualem and Saron; Semeneh *et al.*, Negussie *et al.*, and Zerihun and Deresse, 2018). Thus, to bring sustainable development in agricultural cooperatives it is necessary to give due attention to the determinants of success and coping strategies.

Though a lot of studies have been conducted on agricultural cooperatives on various issues at different corners of the country's, to the best of this review no similar review were conducted on the determinants of success and coping strategies of agricultural cooperatives at country at large. Hence, this paper aims at reviewing the

determinants of success and coping strategies of agricultural cooperatives in Ethiopia based on studies conducted so far.

1.2. Objectives of the Review

The general objective of this review is to review the major determinants of success and coping strategies of collective action with focus on agricultural cooperatives in Ethiopia.

The specific objectives of the review are:

- To review the major determinants of success in agricultural cooperatives in Ethiopia
- To review the coping up strategies of agricultural cooperatives in Ethiopia

2. DETERMINANTS OF SUCCESS IN AGRICULTURAL COOPERATIVES IN ETHIOPIA

Studies conducted so far pointed out that there were a number of internal and external determinants of success that affect agricultural cooperatives in Ethiopia. Accordingly, internal determinants were determinants which are under the control of agricultural cooperatives while external determinants are those which were out of the control of agricultural cooperatives.

2.1. Internal Determinants

Cooperative governance:- Studies result revealed that accountable, participatory and transparent cooperative governance system significantly affects the success of agricultural cooperatives (Asfaw and Kifle, 2015). Studies found by Ephrem and Dereje, 2015; Dejen and Matthews, 2016; Tewodros and Dagne *et al.*, 2017 and Tewodros and Atnafu (2018) also revealed that effectiveness in governing agricultural cooperatives had a positive and statistically significant impact on success of agricultural cooperatives due to its importance in planning, organizing, directing, coordinating, motivating and controlling functions.

Trust:- Mutual trust among and between members, employees, board of directors and other management committees were another internal determinants that found to affect the success of agricultural cooperatives as identified. Studies revealed that the more trustworthy agricultural cooperatives to their members and other stakeholders, the more it would be attractive and successful (Ephrem and Dereje, 2015 and Bizualem and Saron, 2018).

Heterogeneity of groups: It is also another internal determinants that affect success of agricultural cooperatives as identified by most of the researchers. Confusion were made by scholars on this factor. Accordingly, the finding made by Ephrem and Dereje (2015) found that if groups are heterogeneous and small in size it raises opportunities for frequent interactions and reputations. Thus, it had a positive and significant impact on the success of agricultural cooperatives. Study by Semeneh *et al.*, 2018 also suggests that due to economic heterogeneity enhances the probability of participation in hazard management, it had positively and significantly influenced participation in hazard management.

Education:- It was found that education of household heads which were measured by years of schooling, improves the awareness, technical knowledge, and understanding of the members and had a positive and significant effect on the success of agricultural cooperatives (Dagne *et al.*, 2015; Dejen and Matthews, 2016 and Negussie *et al.*, 2018). The study made by Tanguy and Woldegebrail *et al.*, 2013 also confirm that the more educated the household heads, the more they motivated to participate and the more the successful the agricultural cooperatives are.

Training:- Training given to different stakeholders is also an internal determinant that affect the success of agricultural cooperatives as identified. Thus, training given to different stakeholders on various issues had a positive and significant effect on the success of agricultural cooperatives (Woldegebrail *et al.*, 2013; Dejen and Matthews, 2016; Godadaw *et al.* 2017 and Bizualem and Saron, 2018).

Distance: Distance from agricultural cooperative offices is also another internal determinants that affect success of agricultural cooperatives as identified. They found that the longer the distance from agricultural cooperative offices, the more the costs and the lower the successful they are (Ashenafi, 2016 and Musa and Hiwot, 2017). Thus, distance to cooperative offices had a negative and significant impact on agricultural cooperatives.

2.2. External Determinants

Access to market:- Access to market is an external determinant that affect success of agricultural cooperatives as identified by the researchers. Members joins cooperatives in order to ease their markets access. However, if the members are not benefited from the existing marketing system provided by agricultural cooperatives, others are not interested to become members (Woldegebrail *et al.*, 2013). Hence, if not properly solved it had a negative impact on success of agricultural cooperatives (Ephrem and Dereje, 2015 and Tewodros, 2017). Studies by Godadaw *et al.*, 2017; Bizualem and Saron, 2018; Zerihun and Deresse, 2018 and Tewodros and Atnafu, 2018 also found that if agricultural cooperatives increased their capacity in respect to market access for farmers, they would increased their business volume, financial strength and attract new members too.

Access to Finance:- Access to finance is another external determinants that affects the success of agricultural

cooperatives as identified. Studies found that availability of finance determines the success of agricultural cooperatives by shifting the cash constraint outwards and enables them to make timely purchases and provisions of their inputs (Woldegebrail *et al.*, 2013; Tewodros, 2017; Zerihun and Deresse, Negussie *et al.*, and Tewodros and Atnafu, 2018).

Availability of Infrastructures: As identified, availability of infrastructures are also another external determinants that hinder the success of agricultural cooperatives. Accordingly, availabilities of transportation service, storage facilities, communication service, schools, health service and electricity were significant determinants for success of agricultural cooperatives (Muthyalu and Tanguy *et al.*, 2013; Woldegebrail *et al.*, 2013; Tewodros, 2017; Tewodros and Atnafu, 2018 and Bizualem and Saron, 2018).

Property rights:- It also an important determinant of success for agricultural cooperative as pointed out. Securing property rights to agricultural cooperatives enhance the confidence of members to participate in cooperatives activity while they prefer to move to urban areas to search for better jobs than engage in agricultural cooperatives if not secured (Broussard, 2012 and Woldegebrail *et al.*, 2013). The study by Semeneh *et al.*, 2018 also confirm that security of property right would have a significant impact on success of agricultural cooperatives. Thus, lack of clearly defined property rights for agricultural cooperatives, resulting in opportunistic behavior, bureaucratic inefficiencies, and under-investment.

3. COPING UP STRATEGIES OF AGRICULTURAL COOPERATIVES IN ETHIOPIA

Reviewing on the major determinants of success that affect agricultural cooperatives is not a sufficient conditions unless their coping up mechanisms identified were reviewed. Thus, the second objective of this review is concerned with the major coping up strategies of agricultural cooperatives in Ethiopia.

Effective leadership:- Studies conducted by Asfaw and Kifle, 2015 revealed that the presence of transparent and accountable leaders played a superior role in coping up from the determinants of success in agricultural cooperatives. Study by Ephrem and Dereje, 2015 also confirm that agricultural cooperatives would be successful if they upgrade the skills, knowledge and management capacity of their leaders either by hiring or providing short term and long-term training. Moreover, study by Dejen and Matthews, 2016 also pointed out that if leaders attract and encourage the members in decision-making in regard to cooperative affairs it were unquestionably benefit agricultural cooperatives. Furthermore, study by Tewodros and Atnafu, 2018 also confirmed that if leaders at various levels of agricultural cooperatives were accountable and transparent, they could attract non-members to the cooperatives to enhance the number and image of cooperative organizations. Thus, to improve the effectiveness and its competitiveness, agricultural cooperatives need to have leaders who focus on planning, organizing, directing, coordinating, motivating and controlling functions of cooperatives (Tewodros and Dagne *et al.*, 2017).

Improving access to infrastructures: It is another important coping up strategies as identified. Accordingly, the affordability of infrastructures likes; information services, electricity, transport, credit and schools enhances the understanding and perceptions of the rural peoples toward the cooperatives (Muthyalu and Tanguy *et al.*, 2013). Stud by Woldegebrail *et al.*, 2013 also revealed that ease availability of infrastructures leads agricultural cooperatives to easily cope up with other challenges that hinder its success. Thus, if regional government along with concerned bodies given due attention to the expansion of infrastructures by mobilizing peoples, government organization, NGO's and other stakeholders, they easily solve the problems that hinder the success of agricultural cooperatives and ensure sustainable food security (Tewodros, 2017; Tewodros and Atnafu, 2018 and Bizualem and Saron, 2018).

Maintaining mutual trust: It is also another coping up strategy as identified. Accordingly, trust among and between members, employees and cooperatives management bodies were a precondition for individuals to cooperate, got reputation and for sustainable development of agricultural cooperatives (Ephrem and Dereje, 2015). The finding of Bizualem and Saron (2018) also pointed out that trust could be realized by properly addressing the mission and vision of cooperatives, enhancing frequency of contact, effective monitoring, realizing credible commitment, creating awareness and by encouraging members to participate in decision making.

Building awareness : Studies by Ashenafi, 2016 and Bizualem and Saron, 2018 found that providing awareness about importance of cooperatives that has been disseminated through mass media would play a great role in motivating farmers to agricultural cooperatives. Studies by Woldegebrail *et al.*, Dagne *et al.*, 2013 and Dejen and Matthews, 2016 also pointed out that arranging various programs that create awareness to members and other stakeholders would enhance the success of agricultural cooperatives. Besides, studies by Godadaw *et al.*, 2017 and Negussie *et al.*, 2018 also revealed that agricultural cooperatives perform more if their management bodies give due attention in creating awareness about the benefits and philosophy of agricultural cooperatives to their members, employees and general public through short term and long term well programmed training and education. Moreover, according to the finding made by Tanguy and Woldegebrail *et al.*, 2013 and Godadaw *et al.*, 2017 agricultural cooperatives would be successful if their organizations, government and other concerned bodies gave priority to awareness initiatives through awareness promoter public meetings, discussion and workshops.

Improving financial system:- It is also another coping strategy as identified by most of the researchers. Even

though finance is the backbone of development for agricultural cooperatives, they were not in a position to get access from financial institutions due to collateral problems (Woldegebrial *et al.*,2013 and Tewodros, 2017). Besides, the current situation clearly revealed that cooperative is not in a position to collect sufficient capital from their members mainly due to capital base and low income of members (Negussie *et al.*,2018). Thus, to realize its mission and vision solving financial problem is a must for any type of agricultural cooperatives (Zerihun and Deresse, 2018). Study by Tewodros and Atnafu, 2018 also revealed that financial problems were conquered through designing and promoting implemented policies and strategies that enhances the financial strength of agricultural cooperatives.

Improving market access:- As pointed out, improving access to market is another coping strategies. Thus, to enhance business volume and attract new members too, agricultural cooperatives should take an appropriate measures in improving market access through various advertizing mechanisms and strengthening links with other collective actions (Woldegebrial *et al.*, 2013; Tewodros; Ephrem and Dereje,2015; 2017; Godadaw *et al.* 2017; Bizualem and Saron, 2018; Zerihun and Deresse ,2018 and Tewodros and Atnafu, 2018).

Securing property rights:- It is also another coping strategies of determinants of success as identified. Since security of property rights had a significant impact on performance of agricultural cooperatives, movement away from the existing insecure system towards a more stable and secured system is important. Thus, government must sought ways to provide better security of property rights to agricultural cooperatives (Broussard, 2012; Woldegebrial *et al.*,2013 and Semeneh *et al.*,2018).

4. CONCLUDING REMARKS

This review paper aimed at reviewing the major determinants of success and coping strategies of collective action in Ethiopia with particular focus on agricultural cooperatives. Accordingly, among determinants identified by researchers and academicians in affecting collective action, economic incentives, socio-cultural norms, rule enforcement, community participation, rent seeking, asset ownership, networking, perception toward group size, nature of property rights, heterogeneity of the participants, incentives, educational status, gender, age, distance, family sizes, land holding size, awareness, and training were the most influential determinants that affect success of collective action in Ethiopia.

Agricultural cooperatives forms of collective action is not a new phenomenon rather, it is an age-old tradition that runs through the history of mankind. It can be considered as an alternative means of improving the wellbeing of the agrarian community. However, its roles were limited by a number of internal and external determinants. Accordingly, internal determinants were governance, mutual trust, heterogeneity and homogeneity of members, education, training and distance to the nearest market while external determinants were market access, access to finance, availability of infrastructures and property rights.

The second part of the review were concerned with the review of the major coping up strategies that enhance the success of agricultural cooperatives. Accordingly, effective leadership, improving access to infrastructures, maintaining mutual trust, improving awareness creation, improving financial system, improving market access and securing property rights were the most important coping strategies from the determinants.

Hence, efforts have to be made to identify another major determinants and coping up mechanisms to tackle any determinant that hinder the development of agricultural cooperatives.

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