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Critical Literature Review on Agriculture Co-Operatives in Developing Countries: A Poverty Mitigation Perspective

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Abstract

Over the decades, the perception of cooperatives has revolved from that of considering them as food security agents and determinants to that of social and economic agents to cooperators, community, and national development. The study, therefore, critically reviewed the related literature on agriculture cooperatives as poverty alleviating agents. An integrated strategy in the research review approach was used to support the study. The findings revealed recent developments in cooperatives that are putting agriculture cooperatives on the map as agents of poverty eradication and social and economic development in third-world countries. Currently, there is a societal expectation that cooperatives have not only a responsibility to better the lives of the members but also the entire community and nation as a whole. The study concluded that achieving future sustainable social and economic development requires full recognition of all the key economic players in the business ecosystem. The study, therefore, recommends full support of the agriculture cooperatives if they are to play a positive and integral role in mitigating the poverty levels in third-world countries.

Keywords: Agriculture, Cooperative, Entrepreneurship, Development, Poverty.

Introduction

Zambia has a substantial number of cooperatives in the agriculture sector, account for 96.1% of the total cooperatives in the country [1]. Agriculture and agro-businesses are considered the most lucrative or profitable with potential for growth [2]. Therefore, cooperatives in the agriculture sector are largely regarded as solutions to poverty reduction, improved livelihood through food security, and directly help to address high poverty levels in rural areas [3].

Cooperatives have individual member benefits, community benefits as well as national benefits. These are well-organized entities that reach the neglected populations and act as alternatives to inclusive growth with the potential to create jobs and improve income levels [4]. They would adopt a system that promotes and supports member-controlled

economic associations based on self-help through group initiatives. Cooperatives carry a shared responsibility approach, and thus each member gets a sense of ownership. To achieve their goal, members of cooperatives pull together their ideas, skills, and resources; they also cover up for the weaknesses of the member/s through capitalizing on the strengths of other members. Membership is open as long as one desires to join. Cooperatives can also seek or receive assistance from the State and NGOs [5].

International Labour Organization [6] defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a democratically controlled and jointly owned enterprise. Put another way, and agricultural cooperatives pool production and resources of farmers and rural entrepreneurs in order to maximize the benefits for its

members. Centrally to corporations, cooperatives focus on service rather than profit. Although members receive payment for their capital contributions, it is not linked to the profitability of the cooperative; rather, it is usually held at a fixed interest rate that can be tied, by law, to a maximum permitted rate.

Cooperatives cannot be foreign to the African continent. Way back before the advent of colonialism, savings associations known by different names could be found on the continent. Examples include; sanduk in Sudan, esusu in Nigeria, ekub in Ethiopia, and chilimba (now called village banking) in Zambia. Usually, all of these consisted of a simple organizational structure where savings and credit were administered on a rotation basis by members. These associations convened in fixed intervals (weekly, fortnight, monthly), and each of the members would contribute a fixed amount. The whole amount collected would then be given out to one member according to the criteria agreed upon by all the members.

Presently, developing countries has several types of cooperatives stretching from agricultural, consumer, and housing to worker-based cooperatives. All these are managed by executive committees and have been subjected to many politics in most of these countries. The strategies of the cooperatives are seen as essential to the regeneration of many of the region's economies where adverse trade terms, foreign debt, and civil war or tribal conflicts, and rivalry have created social economic and displacements [7]. It is observed that quite a number of the cooperative societies and unions have stopped to exist or become inactive with the marketing liberalization, which was largely driven under the structural adjustment programmes of the World Bank. Besides, another main feature of the cooperative association in developing countries like Africa is the control instituted by some of the governments that deny them the flexibility to respond to the market forces as is enjoyed by their private-sector competitors.

Formal cooperatives were first introduced in sub-Saharan Africa by the colonial governments, often for promoting the production of cash crops by peasant farmers. After independence, many Sub-Saharan African governments adopted policies that further accentuated the role of cooperatives and other rural organizations in the agriculture sector. These became significant channels for government-sponsored credit input supply and marketing programs and usually had to operate under close guidance and control by the state.

Studies by World Bank show that past efforts by governments to promote efficient and sustainable growth of the cooperatives were constrained by inappropriate policies. Extensive government intervention tended to reduce member participation and militated against the objective of building self-sustaining organisations. Regulations of prices and markets frequently prevented rural organizations from becoming commercially and financially viable. A World Bank Operations and Evaluation Department (OEP) report covering the period 1965 to 1986 stated that agriculture projects, including group participation, often did not work because the groups were not committed to the project and acted more as an extension of the government than as organizations representing beneficiaries [8].

Currently, many cooperatives the world over are free (independent from the government) to diversify and exploit the existing business opportunities not only for survival and increase individual benefits but also to contribute to social and economic development.

This study aimed at reviewing the related literature on agriculture cooperatives as a poverty mitigation measure.

Problem Statement

According to the International Labour Organisation, it observed that the voices of association of people united voluntarily to cooperatives and the cooperative movement to meet their common social, economic, and

cultural aspirations are relatively not heard enough, as evidenced in the omission of cooperatives representation in 2012 SDGs evaluation at the United Nations Conference [6]. One potential reason for the invisibility of the cooperative option in the debate is a lack of understanding of the actual and potential contribution of cooperatives to sustainable development and poverty eradication, partly due to the unequal nature of literature on this subject. This article, therefore, endeavours to reduce the existing literature gap.

Research Objectives

The study was guided by the following objectives;

1. Establish the economic contributions of the agriculture cooperatives.

2. Analyse the role of the cooperative societies in mitigating the poverty levels in developing nations.
3. Determine the role of foreign investment in enhancing the cooperative performance in developing nations.

Methodology

The study undertook a critical review of the related literature on entrepreneurial agriculture cooperatives as poverty alleviating agents. Literature review methodology is basically anchored on three broad strategies. These are systematic, semi-systematic, and integrative strategies. Summarized in Table 1 are the three strategies in the literature review.

Table 1. Literature Review Approaches

| Approach | Systematic | Semi-systematic | Integrative |
|--------------------------|---|---|--|
| Typical purpose | To synthesize and compare evidence | Gives an overview of research area and track development over time | Critique and synthesize literature |
| Research questions | Specific | Broad | Narrow or broad |
| Search strategy | Very systematic | May or may not be systematic | Usually not systematic |
| Sample characteristics | Quantitative articles | Research articles | Research articles, books, and other published texts |
| Analysis and evaluation | Quantitative | Qualitative/quantitative | Qualitative |
| Examples of contribution | Evidence of effect inform policy and practice | State of knowledge is in themes in literature, historical overview, research agenda and the theoretical model | Taxonomy or classification, and theoretical model or framework |

Source: Adapted from Hannah Snyder (2019).

Under the right circumstances, all of these review strategies can be of substantial help to answer a specific research question. However, it is credible to note that there are several other forms of literature reviews, and features from different approaches are often combined. These approaches are quite wide, and it is essential to note that they might require further adaptation for a particular research project [7].

In this particular study, the integrative strategy was used to give the study some flexibility to accommodate some literature away from the articles.

The descriptive research design was used to describe the existing literature on agriculture cooperatives as a poverty-mitigating sector of the economy. The study revealed recent developments in cooperatives that are putting

agriculture cooperatives on the map as agents of poverty eradication and social and economic development in many third-world countries.

Although there is scanty literature on the impact of the agriculture cooperatives on poverty eradication, a few related pieces of literatures were reviewed using document analysis. Research articles, books, and other published texts by the World Cooperative Monitor reports, International Co-operative Alliance, OECD, ILO, UNDP Annual Report, USDA, and the Ministry of Commerce, Trade and Industry documents were some of the main documents reviewed in this study using purposive and random sampling techniques.

Statistics of the Cooperatives

World Statistics of the Cooperatives

World over, there are over 2.9 million cooperative societies, and this employs over 10% of the global employed population. Asia as a continent has the highest number of cooperatives, followed by Africa. However, Africa has the lowest number of employees despite having the highest number of cooperatives. This indicates that African cooperatives have relatively low worker member employees and relatively more producer members, as presented in Table 2.

Table 2. World Statistics of the Cooperatives

| | No Of Coop | Cooperative Employment | | | Total Employment (A+B+C) | User-Members (D) | Total Members (B+C+D) |
|--------------------------|------------|------------------------|--------------------|----------------------|--------------------------|------------------|-----------------------|
| | | Employees | Worker-Members (B) | Producer-Members (C) | | | |
| Europe (37) | 221,960 | 4,710,595 | 1,554,687 | 9,157,350 | 15,422,632 | 152,064,608 | 162,776,645 |
| Africa (35) | 375,375 | 1,939,836 | 37,836 | 20,410,298 | 22,387,970 | 33,638,298 | 54,086,432 |
| Asia (33) | 2,156,219 | 7,426,760 | 8,573,775 | 219,247,186 | 235,247,721 | 320,130,233 | 547,951,194 |
| America (39) | 181,378 | 1,896,257 | 982,285 | 3,237,493 | 6,116,035 | 417,580,396 | 421,800,174 |
| Oceania (12) | 2,391 | 75,438 | 0 | 147,071 | 222,509 | 30,696,144 | 30,843,215 |
| Grand Total (156) | 2,937,323 | 16,048,886 | 11,148,583 | 252,199,398 | 279,199,398 | 954,109,679 | 1,217,457,660 |

Source: Anthony Murray, 2017, ICA, 2017

Cooperative Societies in Zambia

As of 2018, Zambia had registered 1,901 cooperatives of which, 1827 are in agriculture, 36 in financial, 25 in mining, 5 in artisans, 4 in marketing, 1 in tourism, and 3 in transport. 12 cooperatives were further issued with

certificates of gold mining in the mining sector, a clear indication of significant improvement towards diversification of cooperatives to the non-agricultural cooperatives from the traditional agricultural-oriented cooperatives. This is presented in Table 3.

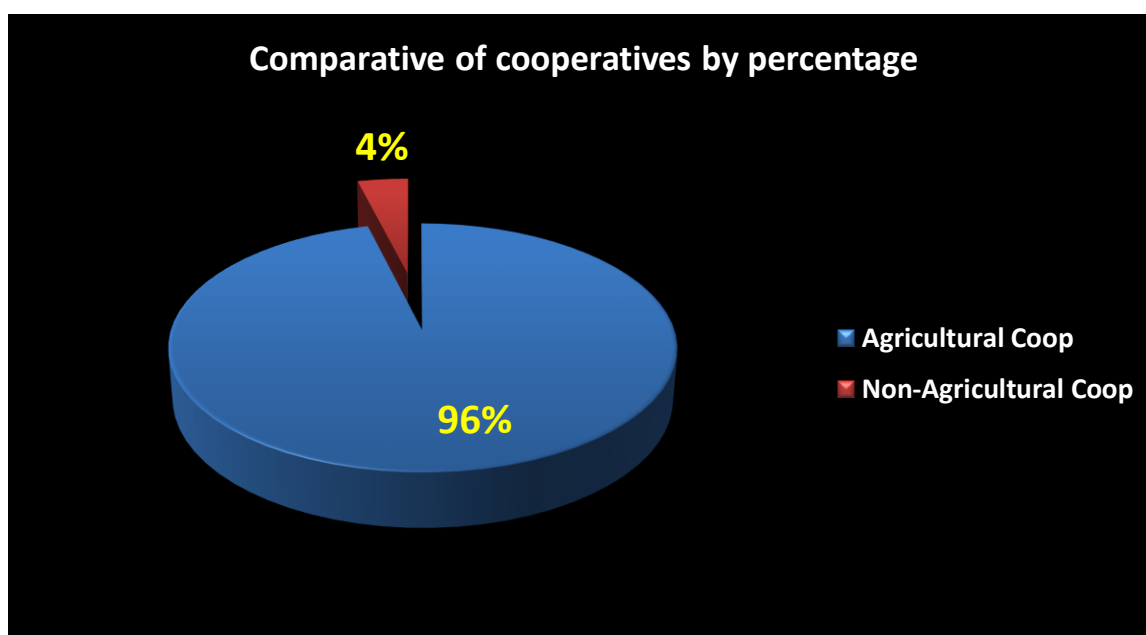
Table 3. Registered Cooperatives as at December, 2018

| Province | Agricultural | Non-agricultural | Total |
|---------------|--------------|------------------|-------------|
| Central | 151 | 7 | 158 |
| Copperbelt | 155 | 6 | 161 |
| Eastern | 468 | 19 | 487 |
| Luapula | 44 | 0 | 44 |
| Lusaka | 141 | 27 | 168 |
| Muchinga | 116 | 0 | 116 |
| Northern | 115 | 2 | 117 |
| North-Western | 45 | 4 | 49 |
| Southern | 525 | 5 | 530 |
| Western | 67 | 4 | 71 |
| Total | 1827 | 74 | 1901 |

Source: 2018 Annual Report, Ministry of Commerce, Trade and Industry (MCTI)

It is convincing that the agriculture cooperatives in Zambia are more than all the other categories of cooperatives put together,

which stand at only 4%. This is shown in figure 1.



Source: 2018 Annual Report, (MCTI)

Figure 1. Agriculture Cooperative Versus Non-Agriculture Cooperatives

Kenyan Perspective

Kenya started its cooperative journey in 1908. As of 2017, the country has a total of 22,000 registered cooperatives with a membership of over 14 million people. Co-operatives cut across all sectors of the national economy such as financial, agricultural, housing, transport, among others, with a total asset base of over

Kshs. 800 billion; with mobilized savings in excess of US\$ 6.4 billion constituting over 48% of national savings (IMF, World Bank Economic Outlook 2014), which has significantly contributed to the provision of affordable credit.

The salient challenges in the cooperative sector include the high cost of finance in Kenya, thereby making credit expensive. The

inadequate market access, indebtedness by co-operative enterprises, particularly those engaged in commodities and agricultural production, inadequate research in emerging co-operative products and services, low participation of the youth, women, and people living with disabilities, low adoption of ICT, and use of manual (paper-based) operations, lack of credible data and information and weak governance in co-operatives.

Types of Cooperatives

There are different types of Cooperatives. Discussed here are the seven types with regard to their specialization.

Producer Cooperatives

These are groups of people engaged in the agricultural fields of specialization like farming, fishing or fish farming, and forestry. Cooperative members may be farmers, landowners, or owners of fishing operations. They can cooperate by buying farm inputs, equipment, and insurance, hiring managers and sales people, marketing and advertising together, or operate storage or processing facilities or a distribution network.

Worker Cooperatives

These are firms owned by some or all of the workers. They offer workers a chance to own their own company or shares with very little financial investment, depending on the start-up capital needed. They are also becoming popular with small groups of advocates, designers and engineers, fundraisers, and various professionals.

Consumer Cooperatives

These are firms owned and managed by people who want to be buying from the cooperative. Consumers can create a cooperative to provide pretty much anything they want to be buying. Their orders may include groceries, electricity or telephone service, fuel, housing, professional care, healthcare, legal services,

financial services, or under the label of credit unions.

Credit unions

Credit unions are consumer-owned financial services cooperatives in which every depositor of a certain amount becomes a member-owner. Members attend the annual general meetings and have a vote on any elections convened by the board of directors that is typically made up of community volunteers. These have the mostly considerable expertise in relevant fields.

Retail or Purchasing Cooperatives

This is a retail or purchasing cooperative, also called a shared service cooperative. Most of these cooperatives are owned and managed by independent business owners. For example, the Agriculture Cooperative Union and some hardware stores are independently owned businesses that have formed national and international cooperatives to purchase goods and services at rates that will keep their bottom lines in murky. There are also many successful smaller operations, such as a group of independent business consultants or attorneys who want to buy office supplies, insurance, or other products and services together. What unites all of these cooperatives is that they seek to improve their efficiencies and market competitiveness by bulk buying of goods and services.

Housing Cooperatives

This type of cooperative is owned by the residents, making them a type of consumer cooperative. This can range from a single house to apartment complexes with hundreds of units and also includes co-housing projects, in which dozens of homes are cooperatively owned. Condominiums are a relative of cooperatives, although, with condos, each member owns their own unit; in a cooperative, each member owns a share of the cooperative that owns all of the property. A special type of housing cooperative is a resident-owned community of manufactured

homes, in which residents own their homes and own a share in the cooperative that owns the land and runs the park.

Complex Cases and Multi-Stakeholder Cooperatives

This is a hybrid among these types of cooperatives mentioned above. They are called “multi-stakeholder” cooperatives. Mostly, they create specific roles and rights for several types of members. For instance, this may take the form of a credit union/producer or consumer/worker hybrid cooperative. In these setups, the membership fees might differ for the two groups. This recognizes that there will likely be fewer producer members and that they potentially have more to gain and, therefore, more incentive to invest. Many times, you may also have a number of board seats reserved for each (for example, on a board of seven, there are three open memberships while two members will be elected by the credit unions and two by the producers). These types of cooperatives are more multifaceted and may experience tension among the various types of members.

Cooperatives and the MSMEs

The majority of the population in developing countries depends on smallholder farming, predominantly organized into cooperatives, for their livelihood [6]. In spite of interventions from the government and private institutions, they have generally not performed well in alleviating poverty and creating jobs. The success of the cooperatives in developing countries today largely depends on the use of innovative business models. Many research studies reveal that the changing consumer buying habits favour product-oriented and not production-oriented farmers. Hence farmers need to see themselves as suppliers of consumer products in an integrated national and world food system. This calls for high levels of entrepreneurship and innovation in cooperative societies if they are to remain an economic tool for poverty reduction. Entrepreneurial

agriculture Cooperatives need to run as Micro, Small, and Medium Enterprises (MSMEs)

In developing countries, just like in developed countries, the MSMEs sector is mostly characterised by business activities of enterprises. These have engaged in traditional industrial sectors, primarily in the production of goods and services for domestic consumption. However, the primary objective of most of the enterprise owners is to generate employment and income for personal requirements [7]. From the time the structural economic reforms were introduced, like in Zambia that had a transition to a liberalised economy in 1991, there has been increased activity in the MSMEs sector. This is also happening in many democratic countries in Africa and other continents.

MSME business activities in developing countries are largely in trading, simple manufacturing, and service provision. Manufactured products in the MSME sector include textile products, wood products, light engineering, and metal fabrication, food processing, leather products, handicrafts, and ceramics, to mention a few. Conversely, the service sector comprises restaurants, hair salons and barbershops, passenger and goods transport, simple building construction, telecommunication services, business centre services, and cleaning services. Besides, the trading sector is concentrated in consumable products, industrial products, and agricultural inputs and produce.

It is undisputable and a fact that is recognised globally that MSMEs play an important role in the economic development of many countries. The aggregate contribution of MSMEs to national development cannot be over looked. According to UNDP [9], MSMEs have the highest capital: employment ratio and are a source of income for a broader layer of the population. The development of MSMEs is viewed as one sustainable way of reducing the levels of poverty and improving the quality of life of households through wealth and job creation. The contribution of MSMEs to

employment, growth and sustainable development is a widely acknowledged fact.

MSMEs provide one of the most productive sources of employment and wealth creation and are a breeding ground for industries as they cut across all sectors of the country's economy. Most cooperative societies fall within the MSMEs sector.

Cooperatives are a form of business that benefits members, communities, and the nation in various ways. These are businesses with a minimum of ten members but no specific maximum number of members; they are voluntary businesses in nature formed by a group of people called members whose aim is to create employment for themselves. The Business Enterprise Institute (BEI) describes cooperatives as businesses owned by "member-owners," and that they are democratically controlled by their member-owners, and unlike a traditional business each member gets a voice on how the business is run. Services or goods provided by the cooperative benefit and serve the member-owners.

Entrepreneurial Cooperatives: Creating Value for Individuals and Society

The Australian economist, Kirzner, defines entrepreneurship as the competitive behaviours that drive the market process [10]. Essentially, this definition focuses attention on both the outcomes of entrepreneurship (what happens to markets and to society in general) and the process through which market change occurs (what individuals specifically do). It is also a perspective that emphasizes the discovery of entrepreneurial opportunities, as opposed to the creation of opportunities brought into existence through the actions and sense-making of entrepreneurial actors [11, 12]. The debate in between is that of objective versus subjective nature of opportunities which may be referred to as weak and strong premises of entrepreneurship, respectively [13].

Therefore, an entrepreneurial cooperative is that type of cooperative that emerges as the

result of the entrepreneurship process, which could either be a total new cooperative or the transformation of an existing cooperative. This calls for entrepreneurial management, which involves the specific management behaviour that entrepreneurs engage in to drive the market process and produce innovation.

The Need for Cooperatives

Cooperatives offer farmers advantages that are difficult to achieve working individually. According to the Dunsany Group, a significant and compelling evidence exists demonstrating that cooperatives lead to a more democratized economy and society at local, national, and transnational levels apart from other benefits. Well-functioning rural cooperatives and farmers' organizations play a key role in empowering small agricultural producers [14]

The benefits of cooperatives include:

1. Farmers retain the governance of the cooperative,
2. Cooperatives reach a large number of beneficiaries and create networks of mutual support and solidarity for their members [15].
3. Farmers are able to collectively negotiate better contract terms and prices [14].
4. Better access to a wide range of resources and services [14].
5. Increased efficiency of smallholders and the efficient use of available resources by inspiring innovation, diversification and specialization in their members' businesses (United States Department of Agriculture [15].
6. Better access to markets [16].
7. Better access to financing,
8. Creation of productive employment [17].
9. Social integration, particularly for women, youth, elderly and people with disabilities [14, 18].

Cooperatives can also improve relations between farmers and government, as the government can better understand the particular

needs of groups in certain geographical areas or businesses, and therefore channel their policies to address those needs. In Israel, the partnership between the Government and the cooperative movement has been the cornerstone of their economic and social development, while in Panama, cooperatives are implementing plans and employment programs that are consistent with the strategies of the government for socio-economic development [19]. Cooperatives also contribute to local economies by spending additional income earned by members in other businesses, creating knock-on effects to the broader economy [20, 21].

Agriculture in Developing Countries: A Zambian Perspective

The agricultural sector in developing countries offers the main support for the rural economy, as evidenced by the fact that about 50% of the developing countries depend on agriculture, primarily through small-scale production for their livelihoods and employment [25]. The sector contributes mostly above 8.5 percent to the GDP and approximately 10 percent of national export earnings in many developing countries [25, 26].

Uniquely, Zambia is blessed with the natural endowments to become the breadbasket of the southern and central African region. Zambia can perform wonders with over 750,000 km² of land, massive endowments in surface and sub-surface water resources, and a population density of just 19.24 people per km². It is, therefore, undisputable that as a developing nation, growth in agricultural sector is the clearest avenue through which sustainable economic growth and poverty reduction can be achieved in Zambia.

Agriculture in Zambia can be classified into three categories. These are small holders, medium and large-scale farming. The small holders can further be classified into class A which is the smallest with 0-2 hectares of land, B are those cultivating 2-5 hectares of land, and C, which consists of those that cultivate between

5-20 hectares of land. However, the medium and large-scale farmers are just a small fraction of the farming community, but they produce various crops for both the local and international markets.

Currently, Zambia's agriculture GDP has, over the years, been sustained at above 6%. However, due to a myriad of factors, including a reduction in production due to poor rainfall, loading shedding, depreciation of the Kwacha, rising in input prices, among others, Zambia's agricultural GDP and growth rate is likely to drop to below 6%, below the CAADP targets. Consequently, if appropriate measures are put in place, such as appropriate investments, conducive and stable agricultural policies are implemented, and the business environment is improved, Zambia has the potential to transform its agricultural sector and perform above the CAADP targets.

The trend of the annual budgetary allocations to agriculture in Zambia is a matter of concern. Its allocation in 2016 was 6.5 percent of the total national budget, down from 9.5 percent in 2015. This is below the 10% CAADP's target. However, since 2003, nearly half of Zambia's budgetary allocation to agriculture has in fact, surpassed the CAADP target. However, it is important to note that this was not only peculiar to the ministries of Agriculture, Fisheries, and Livestock but other ministries as well due to a reduction in the overall government budget. Consequently, the target is reached if and when supplementary funding to output price support through the Food Reserve Agency (FRA) and input subsidies via the Farmer Input Support Program (FISP) is included in budgetary allocation analysis.

Current rural poverty estimates show that there has been a marginal decline in rural poverty by 1.3 percent from 77.9 percent in 2010 to 76.6 percent in 2015 [25]. This is despite heavy spending on FRA and FISP. Continued heavy spending on FISP and FRA has left few resources to invest in these well-recognized drivers of agricultural growth. Zambia has a

primary policy objective of achieving accelerated growth and competitiveness in the agricultural sector. However, this can only be achieved if adequate public resources are committed to catalyzing the desired growth.

Moreover, farmers need also to adopt improved agricultural technology for an economically efficient farm sector. This will increase the financial viability of farmers through improved production and productivity. In this regard, technopreneurship is the possible alternative.

Challenges Faced by Cooperatives in Developing Countries

As already stated, most cooperatives in Zambia fall in the MSME sector. Therefore, many challenges that relate to the MSME sector are identifiable to those challenges that are faced by cooperatives. Past research and studies in the MSME sector have brought to the fore challenges faced by cooperatives in developing countries, among them include; lack of finance and limited access to suitable business financing solutions, low level of financial education, high interest on bank loans, limited access to appropriate technology, lack of machinery and equipment, and inadequate business infrastructures such as roads and telecommunication facilities. Other challenges are limited technical and management skills, inadequate and unsuitable operating premises to facilitate enterprise growth and extreme competition from unregulated importation of cheap products.

The Role of Foreign Investment in Agriculture Cooperatives

When operating as a business venture, it must be envisaged that foreign investors can be attracted to invest in the activities or businesses of cooperatives. On the other hand, when the cooperative reaches a certain maturity and size, it can also become an investor. It is the first case that provides an interesting example of how governments can promote investment in

cooperatives as a tool for agricultural development.

The central characteristic of successful cooperatives is organization. This includes organizing the interests of farmers or entrepreneurs, ensuring a strong level of participation of members, and finding the correct management strategy. This is crucial to attracting foreign investment. Well-organized cooperatives upgrade the skills of their members, offering investors a more sophisticated and reliable market [27].

Cooperatives bring together dispersed producers and entrepreneurs in the agriculture sector to create economies of scale for their members. They form interdependent units where the output of one (seeds, chemicals, and fertilizers, for example) is the input of another (the farmer, for example). The cooperatives thus provide reliable partners or suppliers for foreign investors and growth prospects for the rural economy. When analyzing the opportunities and risks of investing in a country's agricultural sector, the presence of cooperatives in the sector's value chain lowers the perception of risk for investors and reflects a stronger economy. For example, when an investor invests in agricultural production, the existence of seed suppliers in a cooperative, or of processing cooperatives, lowers the investor's perception of risk of seed shortages or of potential buyers for the investor's agricultural goods.

A recent World Bank and UN Conference on Trade and Development (UNCTAD) of 39 large-scale agricultural investment projects found projects where investors had successfully contracted without growers who were part of cooperatives. Cooperatives were generally encouraged by investors because they facilitated the contract process and logistical arrangements so that, instead of dealing with large numbers of farmers, investors could deal with one cooperative, which made the process easier to manage. Those who are part of cooperatives are

particularly vocal about the advantageous access to credit schemes, as well as the ability to get better deals on agrochemicals and fertilizers and sell their products to major buyers.

Furthermore, in working within a value chain of cooperatives, foreign investors have collaborated in upgrading members' skills as well as taking advantage of their local integration to channel their efforts to help the community as a whole. For example, Nestlé's International Coconuts Initiative project in the Ivory Coast works with cooperatives to minimize the risks of child labour [28].

Cooperatives can also create linkages to other investment opportunities. In Zambia, for example, a cooperative of farmers producing sugarcane formed a partnership with a processing company that gives farmers shares in the company and representation on its board. These inclusive investment models combine the strengths of the investor, bringing capital, technology, and expertise in management and marketing with those of local farmers who provide labour, land, traditional know-how, and knowledge of local conditions.

Finally, there is also the opportunity of investing in cooperatives. The investor can become a member of the cooperative through its local business. On the other hand, an investor can also make a capital investment in a cooperative. Many cooperatives, after reaching economies of scale, have accepted the investment of non-member capital, transforming themselves from member organizations to investor-driven enterprises. Generally, in this situation, the investor has minimal or no voting rights.

The Role of Governments in Cooperative Development

The key success factor of the cooperatives is in the drive and motivation of its members, i.e., their entrepreneurship and organizational ability [29]. However, the government plays an important supporting role in terms of providing information and creating a sound legal

environment. But its involvement must be limited and targeted to the needs of cooperatives members should retain ownership and management.

Experience shows that cooperatives created from the bottom up, through initiatives in rural areas, have been more successful than those created through government programs. In Nigeria and Tanzania, post-independence, government food buying bodies bought all cereals from cooperatives. However, following liberalization policies in the late 1980s, these bodies were disbanded, and most cooperatives were unable to survive in the open market.

In the Iranian county of Marvdasht, one of the reasons for the failure of cooperatives was the strong interference of the government with little involvement of farmers in decision-making.

Governments should confine their role to registration, dissolution, and liquidation of cooperatives and enforcement of cooperative laws. They should avoid interfering in the cooperative's internal affairs [30]. The areas of support include human resource development, research and management consultancy, accountancy and auditing, information technology, laws and taxation, and relations with the private sector. Education and training before and after forming a cooperative is crucial for farmers and entrepreneurs to make informed decisions. The government should, however, be providing the cooperative with an enabling environment to pursue its objectives.

Canada and United States have stories of profitable cooperatives because of government subsidies to the sector. However, subsidies are not a condition for success. For example, New Zealand has a positive history in cooperatives without government subsidies but with more flexible legislation than other jurisdictions, enabling innovation in cooperative design [31].

In addition, farmers in cooperatives still need to access sufficient land, infrastructure, affordable credit, information and networks in order to succeed in business. Cooperative cannot always cover these needs. The government and

financial sector play a key role in attending to these problems. With tax incentives and concessions, governments can encourage particular investment, for example, in innovation.

The Legal Frameworks make cooperatives benefit from a flexible, cooperative law, single taxation scheme, and clearly defined competition rules [23]. These aims can be achieved through different types of legislation.

Regulations consider international principles and follow the current International Labour Organisation (ILO) Guidelines for Cooperative Legislation, UN Guidelines aimed at creating a supportive environment for the development of cooperatives, 2001, and the 5 principles of the International Cooperative Alliance (ICA). In South Africa, for example, national legislation is strongly based on international principles of cooperatives. Denmark and Ireland have developed a large number of cooperatives without using specific cooperative laws. However, in general, a comprehensive law provides greater legal security.

Another approach being used is to create specific laws and codes on cooperatives; for example, the Multi-State Cooperatives Act, 2002, of India, the Canada Cooperative Act, 2010, and the Cooperatives Code of the Philippines. Most Latin American countries have specific cooperative laws. Some have a combination of laws like Argentina's Cooperatives Law (No. 20,337) and the Law for the creation of an Education and Promotion Fund for Cooperatives. One of the most recent laws is the Cooperative Organizations Law in Mexico (2012) that now exempts cooperatives from commercial laws, protects new labour rights, and prevents the use of cooperatives to evade social, labour, and tax obligations.

At the regional level, European Union Regulation 1435/2003 on the Statute for a European Cooperative Society came into force as applicable to all member States in 2006, creating a new type of cooperative. These cross-border cooperatives need at least two EU

member countries and make reference to national cooperatives laws. In South America, the Mercosur Common Cooperative Statute follows the same path [32]. In Latin America, the Framework Law for Cooperatives in Latin America 2009 has been created as a guide for policy-makers.

Whichever form the law takes, it needs to be clear about the process for becoming incorporated and registered as a cooperative (in order to give confidence to those doing business with them) as well as the process for liquidation and dissolution. At the same time, legislation should be flexible enough to allow cooperatives to organize and work in an autonomous manner and to accommodate different sizes of cooperatives. Italy and Cameroon, for example, have strong laws to regulate large cooperatives but which allow for simplified procedures for small ones.

Regarding processes around drafting legislation, participation and consultation of cooperatives is essential. For example, notes from the Canadian government in 1996, indicate that the federal cooperative law of Canada was enacted after extensive nationwide consultation.

In Zambia, the cooperative registration supervision was initially the responsibility of Agriculture until 2015, when it was taken to the Ministry of Commerce, Trade and Industry. This was meant to bring the needed realization that cooperatives are a form of legal business and can operate under a business model. This requires that cooperatives need to undergo the same registration procedures just like any business in developed and developing countries [33].

Results

The findings of the study reveal that areas of cooperative Registration process and requirements are not adequately addressed by the existing literature. These are also not adequately addressed or made uniformed by the International Cooperative Alliance. Each country has its own requirements and process.

However, the study reveals that many developing countries include the following;

1. The By-Laws.
2. Minutes of the first meeting suggesting to form the cooperative society.
3. Membership of between 5 to 10 members as a requirement for cooperative registration.
4. List of members and their national identifications.
5. The application forms.
6. The business plan (this was option in many countries).
7. The strategic plan (this was option in many countries).

However, many cooperative societies are hurriedly organised due to political influence and fail to perform and play a critical role in poverty mitigation.

In general, the study reveals that cooperatives are generally saving many lives and strongly alleviating the poverty levels in many developing countries. The International Cooperative Alliance recommends that every country needs to be submitting statistics of the

economic impact the cooperatives are making in each country. However, many countries do not submit, making the quantification of the economic contribution quite difficult.

Economic Contribution of the Cooperatives

Despite the agriculture cooperative being second to industry and service cooperatives in terms of quantities and number of employees, they contributed a bigger portion of 39.34 billion British Pounds towards the total annual turnover, only second to consumer cooperatives. With supportive strategic goals, cooperatives can be one of the solutions to help the less privileged in society and help reduce the gap between the wealth and the poor. This is evidenced by the overwhelming rate of the annual turnover of **424.99 billion British Pounds** in European cooperatives. Europe as a continent has over 180,000 cooperative enterprises with more than 140 million cooperators. Table 2 shows the European annual turnover of the cooperatives by sector.

Table 3. Economic Contribution of the Cooperatives

| Sector | Percentage of coops | Percentage by employees | Annual turn over |
|--------------------------|----------------------------|--------------------------------|------------------------------|
| Agriculture | 30.36% (51,392) | 14.16% | 39.34 billion |
| Industry & service | 36.60% (61,964) | 27.53% (1,313,696) | 9.65 billion |
| Housing & infrastructure | 22.19% (37,570) | 2.29% | 2.51 billion |
| Banking | 2.48% | 19% (867,345) | - |
| Insurance | 0.01% | 0.83% | 6.69 billion |
| Consumer | 6.82% | 11% | 102.6 billion |
| Pharmacy | 0.45% | 0.06% | 0.09 billion |
| Renewable energy | 0.74% | 0.02% | 0.11 billion |
| Retail | 22.19% | 24% (1,142,658) | 264 billion |
| Total | 100% | | 424.99 billion pounds |

Source: International Cooperative Alliance (2016)

At the global level, entrepreneurial cooperative societies play a critical role in the agriculture sector and contribute positively to the social and economic development of the nation. For example, in Denmark's agriculture sector, Danish farmers successfully responded to international trade dilemmas using cooperatives

that innovatively transitioned grain production to livestock production and now supply butter and bacon for overseas markets.

In El Salvador, cooperatives innovatively participate in the coffee market and are agents of local development in providing their members

more than economic benefits, contributing to the basic needs of the community.

In the United States, a South Dakota soybean farmers' cooperative opened a processing plant to add value to their production. This is being entrepreneurial. A Missouri corn growers' cooperative was able to enter the ethanol business. Further, An Iowa Farmers' Cooperative improved their methods of pork production to become financially profitable. All these innovative cooperatives are adding value to the economic development of the nation [22], [23].

In India, after independent, milk procurement and marketing in urban areas was a problem. Producers in Kaira went on strike against their milk procurer and formed a cooperative, which transformed into a model known as AMUL. The AMUL model is a three-tiered structure with a village-level cooperative, a district-level union, and a state-level federation that ensures a direct link from the producers to the consumers with producers controlling procurement instead of middlemen. This model organized milk marketing in India and has improved not only the business of producers but also the quality of milk arriving to consumers.

In Kenya, Githunguri Dairy Cooperative Society has survived a series of liberalization measures and was able to continue attracting finance. This is a farmer's association that was established in 1961. Its Management training, business plans, education and outreach, innovation as well as good farming practices made the difference. In 2008, the cooperative joined the top three milk processors in Kenya, and a savings and credit cooperative were established to ease financial management [23].

In Malawi, the Malawi Lake Basin Program consists of a consortium of the Farmers' Union of Malawi (FUM), the Malawi Union of Savings and Credit Cooperatives (MUSCCO), National Smallholder Farmers' Association of Malawi (NASFAM), and the Swedish Cooperative Centre. Each organization has one vote in the board and brings its specific experience to the

program, including agriculture, financial services, marketing, and organizational. The program has been innovative in its approach to poverty reduction in Malawi, and it is contributing positively to economic development [6].

Finally, in Zambia, the Organic Producers and Processors Association of Zambia (OPPAZ) contributed to poverty alleviation among smallholder organic farmers by raising their incomes through the premium generated from the sale of organic products. These results partially came from farmers in the cooperative adopting organic farming technologies with production volumes sharply increasing for most organic products. Through their innovation, many farmers improved the quality of production and gained organic certifications.

Agricultural cooperatives have always played a fundamental role in the development of the rural sector and in promoting food security. This is evidenced by the Food and Agriculture Organisation [15], which indicates that in Brazil, 37 percent of agricultural gross domestic product (GDP) is produced through cooperatives. Besides, in Egypt, 4 million farmers earn their income through cooperative membership, and the equivalent figure is 900,000 in Ethiopia. In India, 16.5 million litres of milk are collected every day from 12 million farmers in dairy cooperatives, while in Europe, agricultural cooperatives have an overall market share of about 60 percent. These include the processing and marketing of agricultural commodities and about 50 percent of the supply of inputs" [24].

Discussion

Studies reveal that agricultural cooperatives impressively contribute to poverty reduction by offering an inclusive and democratic avenue for economic growth. Cooperative societies are key economic players for improving food security. The challenge is to build self-reliant organizations that operate efficiently within a market economy and contribute to improving incomes, creating employment opportunities,

integrating small producers, and facilitating cooperatives to operate under a business model.

The central characteristic of cooperative organization is crucial in attracting foreign investment. Foreign investments give the desirable competitive edge to agriculture cooperatives, boost their capital and bring the much-needed skill sets to the entire cooperative management. Clustering smallholder farmers and agriculture entrepreneurs and improving their capacities offer investors a more refined and reliable market to invest in. Therefore, appropriate policy and legal frameworks need to be considered for successful agricultural cooperatives. The government can act as a promoter and facilitator by generating policies and programs to support cooperatives, develop adequate infrastructure and social services, and eliminate any barriers to cooperative development. Further, entrepreneurship training, financial controls, as well as enhancing management skills, communication with the Board, and general membership can help propel cooperatives to greater heights which will eventually reduce the poverty levels in developing countries.

Conclusion

The cooperative society is as good as its registration process. Every member of the community has a role to play in its well-being. In the same line, every cooperative is born with a role to play in alleviating the poverty levels and add a distinguished value to the general well-being of the members and the nation at large. This common understanding must be fundamental from cooperative registration to evaluation. These must centre on entrepreneurship and innovation. Cooperatives must greatly contribute to poverty reduction and demonstrated some notable levels of entrepreneurship and innovation. Foreign investment is slowly coming in, but more promotions can help a lot and supplement the

governments' efforts in improving the well-being of the agriculture cooperative societies. However, cooperative societies remain more united associations in alleviating the poverty levels in rural areas and contributing exceptionally to the social and economic development of the nations.

The study recommends that governments should be encouraged to be open and publish the statistics of agriculture cooperatives and the impact they are making in alleviating the poverty levels and social and economic contributions. Policies should be developed with careful consideration of all the stakeholders and should attract foreign investments. However, the government plays an important supporting role in terms of providing information and creating a sound legal environment, but its involvement must be limited and targeted to the needs of cooperatives while members retain full ownership and management of the cooperatives.

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Conflict of Interest

It is important to disclose any conflict of interest that may have influenced either the conduct or the presentation of this paper, including academic interests and rivalries and any personal, religious, or political convictions relevant to the topic at hand. The study basically reviewed the related literature on the topic at hand using secondary sources. The study took the neutral step, and the researcher acknowledged the works used in the study and presents the findings without any biases.

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