

*Full Length Research Paper*

# **Role of rural production cooperatives in developing non-oil exports of West Azerbaijan province, Iran**

**Farhad Lashgarara\* and Nina Shaddeli**

Science and Research Branch, Islamic Azad University, Tehran, Iran.

Accepted 8 July, 2011

**One of the important functions of rural production cooperation is non-oil exports that is effective in decreasing dependency to gained incomes of oil. The main purpose of this research is to study about role of rural production cooperation in development of non-oil exports in west Azerbaijan province. It is an applied research and the methodology is correlation. Questionnaire is the main instrument in this research. The population of this research is 126 people, consisting of chairman and members of rural production cooperation who were studied as survey. Statistical analysis is done with spssversion12 software. The result showed that majority of members believes that the rate of non-oil exports is in low level. Results of regression analysis showed that the supportive policies, capital of production cooperation and the faced obstacles determined 34% the development of non-oil exports.**

**Key words:** Rural production cooperation, development of non-oil exports, west Azerbaijan province.

## **INTRODUCTION**

Paying attention to the agriculture sector, according to many experts and pundits, is a critical need of the country and that agricultural sector has an important stage in the country's economy (approximately 15% of the GDP is produced in this sector). Importance of agriculture in Iran's economy is undeniably critical but, however, the production cooperatives' total share of plans approved in the central bank to provide early return facilities is only 4% (Ministry of Agriculture, 2008).

Rural production cooperatives, as one of the major institutions of crop and livestock production, improve business and, in addition to the cooperative economical prosperity and development, make suitable conditions for exporting goods and products particularly in border areas. These cooperatives are non-governmental, economical, and social organizations having a relatively specialized scientific management based on popular forces (members) and, with their seeking participation decisions through public forum and the board, are established, preserving the principle of ownership and

individual and family motivations so the needs of its members in providing inputs and production such as financial (money and capital), human (labor), inputs (water, land, fertilizer, pesticide, machinery, etc.) would be satisfied (Abdullahi, 2005).

Non-oil exports are the rural production cooperatives' important performances which is effective to reduce the dependence on oil. After the first, second, and third development plans, the country has not completely achieved the anticipated objectives concerning the non-oil exports and they still have a little share of earnings than oil exports. Seriously revising production process in order to improve export's chain has become inevitable (Tavassoli, 2005).

Non-oil goods are goods produced in rural production cooperatives, including agricultural products and crafts that can be exported abroad. Non-oil export growth is one of the effective factors in the development of the country's economy and because the Iranian economy is among the oil-reliant economies, this reliance on oil revenue has gone so far that many economists consider it as the main cause of inflation and liquidity growth. The development of non-oil exports against oil revenues' rising are considered as a strategy to reduce dependence and

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\*Corresponding author. E-mail: [f\\_lashgarara@srbiau.ac.ir](mailto:f_lashgarara@srbiau.ac.ir)

mono production economy, and rural production cooperatives are considered as one of the producer organizations in the country which can be the best way out of this process (Aran, 2005).

Various studies have been accomplished considering the importance of rural production cooperatives as an operating system with high productivity in the world. "Calculating the productivity of production factors in Hamadan province's rural production cooperatives" has been done by Rohani (1999). Results indicate that, because of the using of seeding machine, mechanization development of cooperatives, especially in rows cultivation and land leveling, and educational/promotional services by cooperatives' experts, efficiency of production factors in the cooperatives, compared with the control villages, has increased.

Nejatian (1999) studied the "factors affecting the participation of cooperatives' farmers and producers"; his assessment has partly identified problems of farmers lack of participation that include: low level of literacy and culture in the region, farmers uncertainty of finance and assigning tasks to the government, getting used to constant subsidy and assigning tasks to the government, culture's complex context and ethnic conflicts, cooperatives' objectives fading and the land ownership issue, the use of non-skilled technical staff, and lack of personnel and marketing.

In a study entitled "The role of rural production cooperatives in agricultural development, case study in Fars province" by Nikbakht (2001), research findings indicate that the studied rural production cooperatives were somewhat effective in providing infrastructure services but, in other cases of the process of agricultural production, had a little influence. Other results of this study are that these cooperatives were effective in providing input not in the after production services and had not much influence on the marketing and sale of agricultural products.

Jafari and Paikani (2002) in their study entitled "The role of export credit in developing non-oil exports of Iran", the most important result of this study is that granting the export credit is the most effective development lever of the export growth and, by giving priority to the export credit, the internal factors affecting non-oil exports compared with the external ones would have a lighter influence on the process of non-oil exports and, after the credit factors, improving the external factors affecting the export should be more considered.

Fallah (2006) studied the "factors affecting the participation of members in the rural production cooperatives' activities in Hashtgerd city". Lack of adequate budget and educational credit, covered villages dispersion, lack of proper transportation for cooperatives, non-participation of the cooperative's authorities for executing training classes, illiteracy and low literacy of many members, shortage of qualified training instructor, lack of the

financial and credit for cooperatives, and necessary support from the government are the main reasons and restrictions that rural cooperatives are facing.

West Azerbaijan province, because of the God-given potentialities, is one of the country's most important agricultural poles and variety of garden products such as vegetables and fruits; summer vegetables are produced in it and, after the usage for the internal needs, considerable amounts of productions are exported as various kinds of fruit juice and concentrates, tomato paste, raisins, and processed vegetables. The important point is that the share of rural production cooperatives of these exports is low including a small percentage of production and export of the province. Considering that rural production cooperatives have established more than two decades in the West Azerbaijan region, only a small part of the province's non-oil exports are performed by cooperatives (less than 5%); and considering that many regions' cooperatives (including West Azerbaijan) and their role in non-oil export development have not been studied so far, it is necessary to study the different aspects of the rural production cooperatives.

The main purpose of this is to evaluate the role of rural production cooperatives in developing non-oil exports of West Azerbaijan province. Specific objectives of the study include: a review of the personal characteristics of the cooperatives' members, evaluating cooperative members' knowledge and attitude to non-oil exports, evaluating the rate of rural production cooperatives members' of non-oil exports, evaluating the members' participation in non-oil exports, evaluating policies supporting export in rural production cooperatives, identifying the preventives of rural cooperatives activities in developing non-oil exports, and recognizing the effective factors of the cooperatives' activities in developing the non-oil exports.

## MATERIALS AND METHODS

This is an applied and non-experimental (descriptive) research. The methodology of research is correlation. Statistical population consists of board members of all units of the rural production cooperative. According to statistics obtained, the total number of rural production cooperatives in the province is 21 units; each rural production cooperative has a CEO and five board members which, totally, the studied population is 126 persons. Census methods were used for all 126 cases. The main tool used in this study is questionnaire. Questionnaire consists of seven parts of members' personal and professional characteristics, knowledge and attitude of members, members' participation, supportive policies of export, factors affecting the performance of rural production cooperatives, the barriers facing rural production cooperatives, and developing the non-oil exports.

Content and face validity were established by a panel of experts consisting of faculty members and some specialists in the Ministry of Agriculture. Minor wording and structuring of the instrument were made based on the recommendation of the panel of experts. To measure the reliability, a pilot study was conducted with 30 rural production cooperative members; computed Cronbach's alpha score was 78%, which indicated that the questionnaire was highly

**Table 1.** The attitudes member of rural cooperatives to the non-oil export (n=126).

Rate	Frequency	Percent	Cumulative percent
Very little	60	47.6	47.6
Little	46	36.5	84.1
Moderate	20	15.9	100

Mode: Very little.

reliable. In addition to field practices, by using questionnaires, reliability was gained through library studies such as documents evaluation, reading books, journals, and theses. Independent variables are the cooperative members' awareness and attitude toward non-oil exports, members' participation, supportive policies for cooperatives, capital of cooperatives, barriers facing rural production cooperatives, factors affecting the performance of rural production cooperatives, and members' personal and professional characteristics.

The dependent variable is the development of non-oil exports measured by six questions in the form of Likert scale. The data were analyzed by SPSS software.

## RESULTS

### Members' personal and professional characteristics

The average age of this study was 38.42 years; the youngest was 29 and the oldest, 61 years old. The most frequent age was 37. 120 participants were male (95.2%) and 6 (4.8%) were female. Educational degree of 51.6% of respondents was diploma, 38.1% was bachelor and higher and 10.3% was guidance.

### Cooperative members' knowledge and attitude about non-oil exports

Most members (42.9%) have a lot of knowledge about the benefits of rural production cooperatives non-oil exports. Findings show that the attitude of 43.7% of the members toward non-oil exports was moderate.

### Members' participation

Most members (38.9%) stated a moderate and 25.4% stated a low participation in cooperatives.

### Supportive policies for rural production cooperatives

1.61% of the respondents believed that policies are inadequate, and only 6.3% believed that they are adequate.

### Barriers facing rural production cooperatives

According to the barriers facing rural production cooperatives and their negative effects on the cooperatives'

non-oil exports, 46.8% of the members considered these barriers at a very high level, but in order to prioritize the barriers facing rural production cooperatives, it is seen that the main obstacle facing rural production cooperatives in developing the non-oil exports is the weakness in processing the agricultural products which is at the top priority. Also, lack of agricultural experts at the company, changes in government financial policies, and instability of regulations governing the exports are the next priorities, respectively.

### Developing the non-oil export

Table 1 illustrates the amount of non-oil exports development of the rural production cooperatives. As shown, 47.6% of members, the highest rate, believed that non-oil exports development of the rural production cooperatives is at low level and 15.9% believed that it is at a moderate level.

### Factors affecting the cooperative's performance

45.2% of the respondents believed that the effect of these factors on the cooperatives' performance is at a high level. But based on prioritizing the affecting factor on rural production cooperatives' performance, the most important factor is agricultural machinery, which, having the most average, is the top priority. Loans to cooperatives and management priorities are the next priorities, respectively.

### Identifying factors affecting the activities of rural production cooperatives in developing non-oil exports

In this study, the multiple stepwise regression analysis was used to identify factors affecting the activities of rural production cooperatives in developing non-oil exports. Correlation analysis results (Table 2) show that education, knowledge, and factors affecting the activities of rural production cooperatives have a significant positive relationship with developing the non-oil exports at a 95% level. Barriers facing rural production cooperatives have a significant negative relationship with developing the non-oil exports at a 95%. Supportive policies for rural production cooperatives and capital of rural production

**Table 2.** Pearson correlation between factors with non-oil export.

Research variable	r	P
Educational level	0.177*	0.034
Member knowledge	0.188*	0.021
Member attitude	0.063	0.554
Member participation	0.078	0.334
Factors affecting the activities	0.214*	0.038
Supportive policies	0.430**	0.000
Barriers of cooperatives	-0.460*	0.008
Cooperatives capital	0.663**	0.000

\*\*p < 0.01; \*p < 0.05.

**Table 3.** Multiple regression analysis.

Variable	B	Beta	Sig.
Constant	3.54	-	0.000
Supportive policies (×1)	0.326	0.435	0.002
capital of cooperatives (×2)	0.267	0.331	0.008
Barriers facing cooperatives (×3)	- 0.241	- 0.293	0.042

R<sup>2</sup> = 0.34.

cooperative development have a significant positive relationship with developing the non-oil experts at a 99%.

In order to explain the variance of non-oil export development as shown in Table 3, at the first step, supportive policies for rural production cooperatives variable were entered the analysis. Results showed that the variable with a determination coefficient of 0.3 has played the most important role in the non-oil exports development. In other words, about 30% of the variance of non-oil export development is related to supportive policies for non-oil exports. At the second step, after the supportive policies, capital of cooperatives' variable was entered into the equation. Determination coefficient was 0.32. According to the results, supportive policies for non-oil exports and capital of cooperatives' variables explained about 32% of the non-oil development variance. Finally, at the third step, barriers facing rural production cooperatives' variable was entered multiple stepwise regression analysis. Determination coefficient was 0.34. Generally, supportive policies for non-oil exports, capital of cooperatives, and barriers facing rural production cooperatives' variables explained about 34% of the non-oil development variance. According to the Table 3, multiple regression linear equations are:

$$Y = 3.54 + 0.326(\times 1) + 0.267(\times 2) - 0.241(\times 3)$$

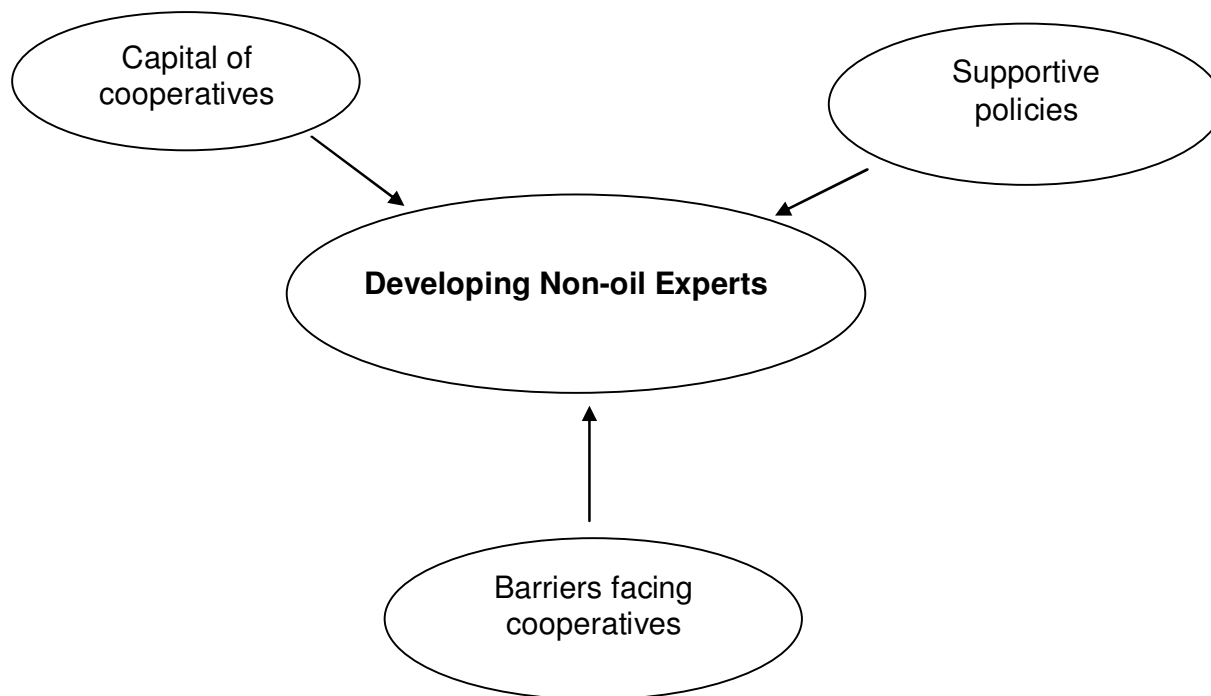
$$Y = 0.435(\times 1) + 0.331(\times 2) - 0.293(\times 3)$$

Figure 1 shows collections of determining and effective factors in developing non-oil experts.

## DISCUSSION AND SUGGESTIONS

This study which is aimed to identify the role of rural production cooperatives in developing the non-oil exports show that most cooperative members believe that the rate of non-oil export development in the rural production cooperatives is very little. Results also show that the supportive policies for non-oil exports, capital of cooperatives, and barriers facing rural production cooperatives are the most important factors affecting the non-oil export development, while supportive policies for non-oil exports have the most influence on the development of non-oil exports. A study conducted by Bani Lashaky (2004) shows that rising of capital in the cooperative has a positive effect on the cooperatives' performance which is confirmed by this study, too. Nejatiyan's (1999) study results showed that supportive policies for cooperatives influence the cooperatives' performance which is also approved by this study. In order to support the rural production cooperatives:

- i. Allocating a part of the funds of the Ministry of Cooperation for the exporters,
- ii. Manufacturing sector and business sector policies synchronization,
- iii. Decision making, setting the prospect, and offering solutions by policy makers such as ministry of agriculture and ministry of commerce to develop the non-oil exports, and determining the appropriate tariff in the time they needed are suggested.



**Figure 1.** Influencing factors on developing non-oil experts.

In order to improve the financial support for rural production cooperatives, introducing the rural production cooperatives to all financial institutions and financial-credit institutions including the credit fund of the country is suggested.

According to the effect of cooperatives' capital on the non-oil export development, allocating adequate share of public budget credits of the country to rural cooperatives is suggested to increase the cooperatives capitals.

Granting enough long-term facilities with low interest to cooperatives, promoting the financial aspects and domestic resources through increasing the capital of the cooperative members, collecting and equipping the members little savings in a form of local rustic loan fund under the cooperatives' cover (micro-credit approach) are recommended

Guarantying members, by the cooperatives, for getting the banks and financial institutions' credits and loans, providing appropriate conditions for cooperatives to use the other cooperatives' credit and facilities, and using the cooperative fund's credits are factors strengthening the rural production cooperatives.

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