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# Factors affecting performance of youth and women's agricultural cooperatives: A case of some selected cooperative societies in Eastern Cape, South Africa

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Rural youth and women are the major victims of poverty caused by deprivation. As a group, they lack access to land, financial capital and participation in decision processes in the family and community levels. One way of overcoming this challenge is through the formation of cooperative societies. As cooperative societies are saddled with the responsibility of providing needs to their members and enhance the quality of their member's livelihoods, they are however, lacking the financial muscle in providing adequate loans and access to credit which hinders their performance. This study therefore examined the impact of entrepreneurial spirit on the performance of youth and women cooperatives in Eastern Cape, South Africa. In achieving this goal, data were collected from 70 cooperators by means of the random sampling technique. Data collected using the questionnaire were analyzed using descriptive and inferential model of regression. Evidence from the study revealed that youth and women cooperators are involved in different empowerment activities. Findings also suggest that the empowerment activities have a positive influence on entrepreneurial spirit of youth and women cooperators.

**Key words:** Agricultural cooperatives, youth, women, performance, Eastern Cape.

#### INTRODUCTION

South African agriculture is of a dual nature, with a well-developed commercial sector comprising about 46,000 commercial farmers occupying 86% of agricultural land, while small-scale communal farmers occupy the remaining 14% of farmland (National Department of

Agriculture (Agricultural Statistics, 2005). According to the Nyeleti Network (2011), small-holder agriculture consists of 300 000 to 400 000 predominantly black farmers; there is however a lack of sufficient data regarding the smallholder sector, which when combined

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farm an estimated 14 million hectares of agricultural land and are concentrated principally in the former homeland areas of the country, thus marginalized into regions of poor productive land, with little or no infrastructural support, and water resources. The smallholder farmers generally have low levels of production efficiency. Smallholder farmers' production inefficiency is related to various factors, including their lack in sufficient farm management skills for example natural resource management, production and infrastructural management and other factors.

Van der Walt (2005) reveals that back in 1844 a group of 28 unemployed community members from Canada saw an opportunity to pool together their limited resources in an attempt to form a cooperative with the aim of benefiting from it and better improving their livelihoods, although this was not the first cooperative to be established but it is seen as the first modern cooperative since the current principles cooperatives were developed by this group. The current principles that guide all co-operatives were adopted by the International Co-operative Alliance (ICA) in 1963, a modification of the principles established by Rochdale and Craig (1980); advocates that the group was founded on three principles; equality, equity and mutual self-help. At the annual conference of the ICA in 1963, seven principles to govern all co-operatives were adopted.

According to Conn (2003), all co-operatives are expected to uphold each principle. Today, co-operatives are commonly defined as "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise" and this definition applies to all cooperatives regardless of type, community or membership size or geography. Although there may be a number of challenges faced by the collective operation but cooperatives may be a tool to initiate the development in rural areas.

#### Statement of the problem

Since the early 20th century, agriculture co-operatives have played an important role in the development of the commercial agriculture sector in South Africa. With government's support for commercial farmers through subsidization, co-operatives have served commercial agriculture as suppliers of inputs to farmers and as marketing agents of their commodities through various marketing. However, small-scale farmers in South Africa did not have access to the services of these co-operatives under the previous apartheid government policies, which restricted black farmers' activities to the former homelands.

According to Chibanda (2009), the governments in less-developed countries have often promoted the use of

cooperatives as organizations that could enhance the development of their small-scale farmers. Likewise in South Africa since 1994, government has been supporting the growth of cooperatives especially among historically disadvantaged black communities as a strategy to alleviate poverty and create jobs. But government did not consider the cooperatives Act of 1981 as a suitable vehicle for the development of cooperatives in the new economic and political era. As a result, a new co-operative Act was formed based on international cooperative principles.

Previous studies conducted on co-operatives in South Africa as well as in other African countries suggest that co-operatives have dismally failed because they struggled to raise adequate resources. A study conducted by Machethe (1990) on poor performing and failed cooperatives in the former homelands of South Africa suggests that members did not clearly understood the purpose of a cooperative, their obligations and rights. or how to manage their business as well. In addition Van der Walt (2005) on his study on cooperative failures in Limpopo province also indicated that poor management, lack of training, conflict among members (due mainly to poor service delivery), and lack of funds were the main causes while Van Niekerk (1988) blamed the failure of cooperatives in South Africa's communal areas largely on poor management.

In South Africa, cooperatives are seen as a means of economic development and likely to increase agricultural production. Agricultural cooperatives help in the procurement of farm inputs to their members at reasonable costs and are useful in dispensing farm products to their members at least prices. Due to the declining productivity in small holder farmers in agriculture, the government accepted the idea of using agricultural cooperatives as a means of increasing food production and security. According to Simelane (2009) this has come in form of provision of cooperatives credit, supply of inputs, group ownership and farm practice.

Although the government has been supporting with inputs and other services, the performance of cooperatives in Eastern Cape has been debatable, since the number of co-operatives that are dormant is increasing over time (DTI, 2004). There are more than 3000 registered cooperatives in the Eastern Cape, however little is known about the organisation and functioning of these cooperatives. According to a research that was done (DTI, 2004), the co-operative sector face problems like market access, training and skill, and mainly access of funds were they can expand their working technologies.

Despite the support that cooperatives receive, it does not appear that they are making a significant impact in agriculture and other sectors in the Eastern Cape Province. This is a major problem if cooperatives are to survive and fulfil their mandate or objectives. Limited research has been conducted on cooperative

performance in South Africa. Thus, this study seeks to identify factors hindering performance of cooperatives in the Eastern Cape Province. Furthermore, it seeks to make suggestions towards enhancing the development and performance of cooperatives as a whole.

The main aim of this study was to examine the impact of entrepreneurial spirit on the performance of youth and women cooperatives in Eastern Cape, South Africa and the objectives was 1) to examine the socio economic status of youth and women cooperators; 2) to identify the entrepreneurship activities that cooperatives offer to the members; 3) to assess factors affecting performance of youth and women agricultural cooperatives and 4) to give policy recommendation on the identified factors affecting cooperative performance.

Based on the topic, the overall purpose of this study was to enhance our understanding of the nature of cooperative societies and their performance. Thus, the research intended to identify the key challenges that the cooperatives face and to make conditions of eliminating them. The findings of this study will help policy makers and cooperative practitioners to see the need to support these ventures which will create employment and improve the lives of rural poor.

#### **MATERIALS AND METHODS**

#### Description of the study area

This study was undertaken in the Eastern Cape particularly in Mnquma Local municipality (Figure 1). The municipality falls in the zone of two historically conflicting races, which are the blacks and whites. The racial difference and conflict later manifested themselves in laws favoring whites to access key means of production whereas blacks were resettled in the former homeland reserves of Ciskei and Transkei with limited access to means of production (Nel and Davies, 1999). According to Nel and Davies (1999), Ciskei and Transkei reserves came to be known as "homelands". The formation of these two reserves for the resettlement of thousands of people compounded differences, particularly in terms of the small size landholdings allocated, increased rural densities and limited access to state support and infrastructure. Consequently, the former homelands characterized by extreme overcrowding and frequent environmental collapse. Land appropriation and uneven development regarding service provision characterize the municipality. According to Stats SA (2011), Mnquma Local Municipality has a population of 252 390 which is 10.7 percent of the total population of Amatole District Municipality. The municipality covers an area of 3270 square kilometers (Mnquma Municipality, 2004). The average population density is 77 persons per kilometre square (Stats SA, 2004). The majority of the population (81 percent) resides in villages, 0.1% on farms and 18.9% is in urban areas. Social services and government grants are the largest sources of cash income in the municipality, constituting 50% of the Gross Geographic Product. The main language is IsiXhosa spoken by 96.1%, followed by English 1.4%, then 2.5% other languages (Mnquma Municipality, 2004). The long term mean temperature is 18°C and annual rainfall range between from 600 mm and 800 mm, with 60 to 75% of the rainfall being received in summer (November to April) (ECDA, 2006). Summer temperatures range from 22°C in higher altitude areas to 27°C in lower altitude areas while winter temperatures range between 3 and

10°C.

#### Research design

The study applied a cross-sectional research design to collect data. This method was chosen because it is better and more effective for obtaining information about the current status or the immediate past of the case under study. It is also appropriate and suitable to use data collection tools such as questionnaires, interviews, focus group discussions (FGD), field observations, and document analyses. The data collection work was undertaken in 2015.

#### Sampling technique and Sample size determination

This section discusses the sampling technique and how the sample size was derived in the study. According to Mugenda and Mugenda (2003), a sample of 10 to 30% is good enough if well-chosen and if the elements in the sample are more than 30. But, in this research, a sample of 77 co-operators was chosen, from the whole population those involved in cooperative societies so that the population is fairly representative. The sample was drawn from the population with the enterprise. The sampling frames were, therefore, the list of the population that is found in Eastern Cape Province.

#### **Data collection instrument**

The study made use of the primary data which will be collected by means of semi-structured questionnaire. The data that was collected through questionnaires is made up of co-operative composition and formation, economic, institutional and governance factors affecting co-operative performance (Table 1).

Once prepared, the questionnaires were discussed with extension officers and relevant personnel; it was then be pre-tested to ensure validity and reliability of the data that is to be collected. After the approval of questionnaires, face to face interviews were conducted by the researcher with members to generate all the data that was required. The questionnaires were mainly open-ended and closed questions written in English; that allowed the respondents to elaborate and support their answers, as this was an exploratory type of research. Though they were written in English, they were not going to be posted or sent to the respondents, but they were administered by the researcher and a colleague, interpreting them in Xhosa where there was a need.

#### Data analysis

Upon the completion of data collection, two methods were used. The two methods were descriptive and multiple regression analysis. Before this, the data was firstly recorded in Microsoft Excel for ease of analysis and then it was imported to a statistical package known as SPSS v.21 for analysis. Descriptive analysis was used to describe general information about co-operatives that is the formation and registration. Regression analyses were used to test the relationship between institution, governance and economic factors on co-operative performance.

#### Descriptive analysis

Descriptive analysis was used to characterised and understand the structure of selected co-operatives. Descriptive statistics included age, gender and level of education for the leader; organisational structures and systems; and systems (business management, and development).



**Figure 1.** The Eastern Cape Province map showing the study areas. Source: Google maps, 2014.

#### Logistic regression model

In order to assess factors affecting cooperative performance, a logistic regression model was used in the following type:

Y = F ( age of respondents, gender of respondents, Household size, age of cooperative, size of a cooperative, management ability, entrepreneurship spirit).

Where, Y = Annual profit/Growth in Sale/Number of employees'.

The model is specified as:

$$Y = f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_{8,...} X_n + \mu)$$
 (1)

The equation (1) can then be specified as follows:  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \mu \tag{2}$ 

Where.

 $\begin{array}{lll} \beta_0 &= & \text{Intercept;} \;\; \beta_1, \;\; \beta_2, \;\; \dots \dots \quad \beta_8 = \; \text{Regression coefficient;} \;\; X_{1,} \;\; X_{2,} \\ &= & \text{Independent variables and} \;\; \mu = \text{error term.} \end{array}$ 

#### Definition of variables and hypotheses

In this study, performance status was taken as the dependent variable which is explained by different demographic, socioeconomic and institutional factors. Variables definition and hypothesis are given in Table 2.

#### **RESULTS AND DISCUSSION**

#### **Descriptive statistics**

## Socio economic status of youth and women cooperatives

Socio economic profile of youth and women cooperatives is displayed in Table 3. The socio economic characteristics entail the fundamental background of cooperative members. Therefore, these are characteristics set to describe the correlation of socio economic characteristics factors such as age, gender, household size, age and size of a cooperative, management ability, entrepreneurship spirit and access to credit in relation to performance.

#### Age of respondents

The household heads 'age can be used as a proxy to

Table 1. Basic information of selected cooperatives.

Cooperative type	Cooperative year of establishment	Total members at the time of the study
Vegetable cooperative 1	2003	7
Vegetable cooperative 2	2005	16
Vegetable cooperative 3	2002	6
Vegetable cooperative 4	2005	4
Vegetable cooperative 5	2004	4
Honey Bee cooperative	2012	13
Livestock cooperative	2002	13
Poultry cooperative 1	2001	8
Poultry cooperative 2	2011	6
Total		77

Source: Field survey, 2014.

Table 2. Hypothesized relationship between the dependent variable and the expected outcome.

Response variable	Predictor variable	Expected outcomes
Profit Sales Employees	Age of the head (Actual number of years)	+
	Gender of the farming household head (Male =1, Female = 0)	+/-
	Marital status of the farming household head (Single = 1, Married = 2, Divorced = 3)	+
	Farming household size (Number of persons)	+
	Age of a cooperative	+
	Size of a cooperative	+
	Education level of the farming household head (Number of years spent at school)	+
	Leadership skills (Yes = 1, No = 2)	+
	Membership participation (Yes = 1, No= 2)	+
	Access to credit (Yes =1, No = 0)	+
	Access to training (Yes = 1, No = 0)	+
	Access to market (Yes = 1, No = 0)	+/-

Source: Authors own conceptualization.

explain the farmer's experience in farming. In other words, age of the household head is a very crucial factor since it reflects whether the household benefits from the experience of the older person or based on their decisions on the risk taking attitudes of younger farmers (Makhura et al., 2001). Age of the household head refers to the number of years a member has lived until the day of this study's interview. Following the descriptive statistics results, the average age of the respondents was 25 with a standard deviation of 4.23 and a minimum and maximum age of 20 and 33 respectively.

#### Gender

Prakash (2003) revealed that gender is an important factor due to its influence on traditional farming. However,

when it comes to farm performance it is difficult to predict. Gender of a member refers to the condition of being either male or female. Results for gender of the respondents show that 82.79% were males and 17.21% were females. This means that the overall sector cooperative sector in Eastern Cape Province is a male dominated.

#### Level of education

The level of education attained by a household head is important in farming given that it plays a crucial role in the adoption of new technologies. Also, the level of education is expected to enhance efficiency (Manciya, 2012). Similarly, according to Bembridge (1987), education contributes to the knowledge acquired by farmers which

**Table 3.** Demographic and socio economic characteristics of members.

Variable	Minimum	Maximum	Mean	Std Deviation	
Age	20	33	25	4.23	
Household size	2	21	6.73	3.04	
Education level (years)	0	17	9	3.65	
Age of cooperative	1	10	4.3	1.74	
Size of cooperative	2	16	8.6 3.21		
	Descriptio	n	Per	centage (%)	
Leadership skills	Yes			61.5	
	No			38.5	
	Agree			71.3	
Membership participation	Disagree		28.69		
Gender	Male		82.79		
Gender	Female		17.21		
	Single			27.9	
Marital Status	Married		63.9		
	Divorced		8.2		
	Yes			30.3	
Access to credit	No		69.7		
	Yes			18.9	
Access to Training	No		81.1		
	Yes			64.8	
Access to market	No			35.2	

Source: Field survey, 2014.

they can effectively put to use in their farming operations. As far as educational level of the respondents is concerned, the results show that the average educational level of the respondents is 9 with a standard deviation of 3.65 and a minimum and maximum of 0 and 17 respectively.

#### Household size

Availability of labour to carry out "labour-intensive" agricultural operations is greatly influenced by household size. The household size values have an influence on marketing since they affect consumption and production (Randela, 2005). Larger household size discourages selling because the household needs to supply household consumption before it decides to sell. It becomes even more difficult to produce and sell where the household is comprised of either very old or very young members who cannot assist with farming. In this study, household size was considered as the number of individuals who resides with the respondents. The respondents have an average family size of 6.73 and a

minimum and maximum of 2 and 21 respectively.

#### Age of cooperative

According to the data collected for this study, the response given by the respondents show that the average age of the cooperatives was 9 years and a minimum and maximum of 1 and 10 years respectively.

#### Size of cooperative

According to the data collected for this study, the response given by the respondents show that the average size of the cooperatives was 8.6 and a minimum and maximum of 2 and 16 person respectively.

#### Marital status

The marital status of household head is usually used to determine the stability of a household in African families.

It is normally believed that married household heads tend to be more stable in farming activities than unmarried heads. If this holds true, the marital status of household heads will affect agricultural production and hence, marketing. The findings indicated the majority of 63.9% are married. The remaining 27.9% and 8.2% are respondents who are single and divorced respectively.

#### Occupation

From the study, occupation of respondents is important since income helps them to purchase some items for farming. Employment in off-farm and non-farm activities is important for diversification of sources of farm households' livelihoods (FAO, 1996). It enables households to modernize their production by giving them an opportunity to apply proper inputs and reduce the risk of food shortage during periods of drought. Occupation refers to the job by which person earns a living. The results show that 62.3% of the respondents of the study were engaged in both agriculture and non-agricultural activities followed by 27.9% and 9.8% who engaged only in agriculture and non-agricultural activities respectively. From members who engaged in both agriculture and nonagricultural activities, 65.9% of them engaged in crop farming followed by 17% who are government employees. The remaining 9.1% and 8% are respondents who engaged in trade and other activities respectively.

#### Leadership skills

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. Leadership defined as a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation. The results of good managers' leadership skills show that 61.5% of the sample respondents did not believe that their managers have good leadership skills about their cooperatives and only 38.5% of the respondents believed in good leadership of their managers.

#### Members' participation

Participation is an important indicator in improving farmers' understanding of their cooperative's organization. Member's participation is the act of taking part in any activity of the society such as attending the assembly meeting, involvement general development of business plan, election process, decision making, exercising leadership responsibilities, monitoring and evaluation of activities related to cooperatives by all members. Members were asked agree and disagree questions regarding their participation in the cooperatives

to know their participations in different activities. The results presents that 71.31% of the interviewed sample respondents agreed that they participate in the activities of the cooperatives whereas the remaining 28.69% of them said they do not participate in every activity of their specific cooperative societies.

#### Access to training

Training as one of the principle of cooperatives is described as a process of teaching and learning a skill or job. Training is defined as the systematic way of developing skills, knowledge and attitudes demanded by an individual to perform adequately a given task on the job. Cooperative training is defined as those training activities that are organized to improve job performance of the cooperative staff and of government employees engaged in support and supervision of cooperatives. The survey result indicates that from 70 respondents, only 18.9% of them are members who got training whereas 81.1% of the respondents have never got any training since they joined cooperatives. The organizations that provided training to these few members are NGOs, cooperative promotion agency and extension officers.

#### Access to market

According to the data collected for this study, the response given by the respondents show that 64.8% of them agreed that they have access to market whereas the remaining 35.2% do not have access to market. From the same result, 64.6% of the respondents who had access decide their target market to be direct consumers followed by 35.4% of the respondents whose target markets are traders respectively.

#### Access to credit

Credit is a device for facilitating transfer of purchasing power from one individual or organization to another. It provides the basis for increased production efficiency through specialization of functions within the cooperative sector. As presented in this study, the results suggest that only 30.3% of the respondents have access to credits and the remaining 69.7% of them lack access to credits. From the 37 respondents who got credits, 56.8 and 43.2% of them said they got credits from microfinance and others village financial institutions respectively.

#### Access to transportation service

The results of the respondents show that only 35.2% have access to transportation services and the remaining

Table	4.	Distribution	of	responses	by	empowerment	activities	offered	by
cooper	ativ	es.							

Empowerment activity	Mean	Decision	
Training	4.201	Agree	
Skills acquisition	3.688	Agree	
Credit service delivery	3.224	Agree	
Product input supply	3.433	Agree	
collective processing of produce	3.014	Agree	
Job opportunities for members	3.787	Agree	
Total mean	3.009	Agree	

Source: Field survey, 2014.

64.8% of the respondents lack access to transport services. From 43 respondents who have access to transportation services, 44.2% of them transport their products by person followed by 32.6 and 23.3% who use tractor and car transport.

### Empowerment activities that cooperatives offer to the members

Table 4 shows the results of the likert scale analysis. The results were deduced from 5 point scale with a weighted mean of 3.0. This means that any empowerment activity variable that is less than 3.0 was considered negative (disagree) while those above or equal to 3.0 were considered to be positive.

The results indicate that the grand mean of 3.009, implying that most of co-operators agreed that indeed cooperative societies offer the above mentioned empowerment activities. Some of these activities include training (4.201); skills acquisition (3.688); job opportunity to members (3.787); product input supply (3.433); credit service delivery (3.224) and collective processing of produce (3.014). These results are in line with those of Smith and Wills (2012) findings that youth and women join cooperative societies so they can have access to credit, training and other socio economic empowerment activities.

#### **Econometric model results**

#### Factors affecting cooperative performance

Logistics regression model was used to identify factors affecting cooperative performance. The model was estimated using STATA (version 13). The variables such as age of household head, gender, household size, age of cooperative, size of a cooperative, leadership skills, member participation, access to credit, training and market were discussed in the previous section and were considered and tested for their significance. The

multinomial logistic results of the factors affecting cooperative performance are presented in Table 5. The results show the estimated coefficients and exponential betas of independent variables in the model. Chi-square values for the three models illustrates that they adequately describes the data. Also, R<sup>2</sup> shows about 56% of the variations.

The variables that predict annual growth in profit include membership participation and gender of household head although it had a negative impact. The model explains 15% of the variation in annual growth profit. This model results imply that, women cooperatives will reduce the odds of having high profits by 0.40 times as compared to male counterparts. Membership participation on the other hand had a positive impact on annual growth in profit and it increases the odds by 1.17 times.

#### **Conclusions**

The purpose of this study was to assess factors affecting performance of youth and women cooperatives in South Africa. Cooperative performance was measured using profit, sales and number of employees. The results from data analysis indicated certain factors which are critical to the success of cooperative performance. These factors include household size, cooperative size. Most of the cooperatives were found to be at the start-up stage mainly due to lack of access to financial services, poor infrastructure, lack of access to extension services and poor training.

#### Recommendations

Based on the literature reviewed and also the results obtained, it suggests that the success of cooperatives depends on a series of factors which include the provision of farm inputs, access to financial service and socio-economic factors. Therefore, the following recommendations which are not exhaustive but crucial

Variables	Annual growth in profit		Annual growth in sales		Growth in number of employees	
	В	Exp (B)	В	Exp (B)	В	Exp (B)
Intercept	-1.17	0.31	-1.12	0.33	-1.30	0.27
Age of household Head	0.02	1.02	0.02	1.02	-0.05	0.95**
Gender	-0.92	0.40*	-0.57	0.56	-0.32	0.72
Household size	0.10	1.10	0.14	0.14*	0.04	1.04
Age of cooperative	-0.04	0.96	-0.01	0.99	0.003	1.00
Size of a cooperative,	-0.06	0.94	-0.05	0.95	0.22	1.24*
Leadership skills	0.004	1.00	0.01	1.01	0.001	1.00
Membership participation	0.16	1.17*	0.14	1.15*	0.24	1.27**
Access to credit	-0.39	0.68	-0.11	0.89	-1.15	0.32**
Access to training	0.04	0.01*	0.05	0.33*	0.14	0.31*
-2 log likelihood	27	71.90	27	75.92	269.03	
chi-square	2	4.75	2	4.87	6	8.49
Negelkerke R	0.	.326	0.	.351	0.561	

Table 5. Logistic Regression results of the impact of various explanatory variables on cooperative performance.

Source: Results from SPSS (Version 20) generated from field survey, 2014.

are made in order to improve the performance of cooperatives in Eastern Cape Province:

- 1. The cooperative societies should integrate adult education as part of their empowerment programmes. This will boost the literacy level of youth and women cooperators and increase their chances of getting social and economic inclusion.
- 2. Cooperatives should seek more innovating programmes either by government or private organizations that will boost their economic status.
- 3. The extension services in the study are is unavailable. Therefore there is great need to enhance the capacity of agricultural extension personnel through addressing the following areas: mobility, communication, training, incentives and operational resources for efficient dissemination of information on new technologies such as the mechanization programme. This will then lead to increase in production of co-operatives.

#### **CONFLICT OF INTERESTS**

The authors have not declared any conflict of interests in this article.

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<sup>\*,\*\*,\*\*\*</sup> refers to significance at 10, 5, and 1% level, respectively.

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