

Factors Influencing the Entrepreneurship in Iran's Agricultural Cooperatives

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Abstract: Managers of agricultural cooperatives were surveyed in order to explore their perception about the factors influencing the development of entrepreneurship in agricultural cooperatives in Iran. The methodology used in this study involved a combination of descriptive and quantitative research. The total population was 250 managers of agricultural cooperative in six provinces in Iran. Based on the perception of the respondents and ordinal factor analysis, the factors were categorized into eight groups, namely psychological/cognitive, education, economical, organizational, financial, personal characteristics, regulatory, and social, ordered by the magnitude of their impact.

Key words: agricultural cooperatives, entrepreneurship, Iran

INTRODUCTION

Since the establishment of the first cooperative in 150 years ago, there has been a tremendous growth in developing cooperatives throughout the world. Based on the latest statistics, approximately 800 million people are members of cooperatives in over 100 countries.

Cooperatives can accelerate the process of development and participation of rural population in their activities. In many countries, agricultural cooperatives prove to be an important model of enterprise by which small farmers can organize and optimize limited resources to increase their income (United Nations, 2007).

Even in the developed countries, the cooperatives continue to play a very important role in their economies. In the United States, agricultural cooperatives are responsible for providing farmers with about one-third of their production inputs and credit needs for both short term and long term purchases. Marketing cooperatives are responsible for marketing more than 70 percent of milk and nearly 30 percent of all other commodities.

Promoting micro and small businesses are increasingly seen as a means of generating meaningful and sustainable employment opportunities, particularly for those at the margins of the economy such as rural population. Entrepreneurship cooperatives are important instruments for helping rural population to create employment and to diversify their income sources (United Nations, 2007).

Enterprise development and particularly the promotion of small and medium enterprises have been adopted as a strategy for job creation and economic growth in a large number of countries. More awareness and knowledge about the cooperative form of enterprise, as an option to conduct business, is widely needed by the people most likely to benefit from it (Nippierd, A.B., 2002).

Entrepreneurship can be defined as the process of using private initiatives to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential (UNDP, 1999).

Voslee (1994) asserts that a conceptual understanding of entrepreneurship and its role in the process of economic development. The evidence from developing and developed countries supports the position that government should not manage development in detail (Voslee, W.B., 1994).

Wenneker and Thurik (1999) describe a model of entrepreneurship which identifies three levels at which entrepreneurship may be viewed, the individual, the firm and the region. They also identify three dimension of entrepreneurship- the condition which leads to entrepreneurship, the attributes and the impacts of entrepreneurship. In regard to individual, the conditions for entrepreneurship are culture and incentives, elements are attitudes, skills and creativity and the impacts are self realization and income (Wennekers, A.R.M. and A.R. Thurik, 1999).

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It is important to look at the development of entrepreneurship cooperatives in a systematic approach context. An effective entrepreneurship development system integrates a wide range of programs and tailors products and services to meet the diverse needs of entrepreneurs. It should be comprehensive, flexible, culturally sensitive, and integrated, and should require providers to collaborate rather than operate independently or in isolation (Dabson, B., 2005).

Empowering rural population by establishing entrepreneurship cooperatives has been recognized as an important approach in developing countries. Entrepreneurship is conducive to economic growth and the creation of employment. Many governments support the creation of entrepreneurship business, and a specific policy could be to develop the entrepreneurship cooperatives.

While entrepreneurship cooperatives are relatively new concept, but if combined with marketing and skills development training, it has potential for fostering rural development in term of employment and income generation (United Nations, 2007).

Cooperatives entrepreneurship in agricultural development contributes to the economic empowerment of poor people living in rural areas. By joining isolated and scattered resources, it can help marginalized farmers to acquire opportunities for entrepreneurship and to strengthen capacity for self-help (United Nations, 2007).

However, the research by Audretsch and Kielbach (2005) shows that the impact of entrepreneurial activity in rural West Germany was weaker in rural regions. Acs and Armington (2004) and Camp (2005) suggest that the impacts of entrepreneurship on economic growth could differ in rural locations (Audretsch, D.B. and M. Keilbach, 2005; Acs, Z. and C. Armington, 2004; Camp, S.M., 2005).

Empowering agricultural cooperatives by establishing entrepreneurship business has been recognized as an important approach in developing countries. Entrepreneurship is conducive to economic growth and the creation of employment (Center for Rural entrepreneurship, 2005).

An understanding of factors influencing entrepreneurial activities in agricultural cooperatives in Iran is crucial for creating the new business and encouraging the existing and new into more entrepreneurial activity. The question is what are the factors influencing the entrepreneurship in agricultural cooperatives in Iran?

The purpose of this study is twofold. First, it determines the key factors that influence entrepreneurship in the agricultural cooperatives in Iran. Second, the study examines relationship of these factors with job creation and employment sustainability in the agricultural cooperative in Iran.

Prior Research:

Existing research clearly indicated that certain regional characteristics are conducive to entrepreneurial development. Pages and Markley (2004) cited four following key factors that appear to be important:

Diverse Capital Sources

An Enabling Culture

Entrepreneurial Networks

Supportive Infrastructure/Effective Public Support (Pages, E.R. and D.M. Markley, 2004)

All entrepreneurs have grown up in a social environment and cultural attributes have shaped the individual. If this individual becomes an entrepreneur and start a business he or she is still situated in a social context which influences his/her business (Ronning, L. and E. Ljunggren, 2007).

Research has identified a positive relationship between levels of entrepreneurial activity and economic growth across countries. A similar study found that no countries with high levels of entrepreneurship experienced low levels of economic growth (Pages, E.R. and D.M. Markley, 2004).

The promotion of entrepreneurship, its role in society and the opportunities it presents for personal gain, appears to be critical for facilitating economic growth. Policies geared toward enhancing the entrepreneurial capacity of a society will have the greatest impact on the level of entrepreneurial activity (Center for Rural entrepreneurship, 2005).

The entrepreneur is also influenced by civil society. Norms and values are often part of the individual's sub consciousness. If starting a new business is unusual in a community, fewer people will think have becoming entrepreneurs compared to a community where many people start and run their own business. If an individual breaks with established practices, the social community may be more or less supportive depending on its norms and values (Ronning, L. and E. Ljunggren, 2007).

Data from a study about the role of geography and age on men's and women's attitudes toward entrepreneurship reveal that rural women favored more entrepreneurial education and believed more strongly in the importance of contributing economically to their communities than did rural men. The findings highlight the need for providing additional entrepreneurial training and assistance targeted at women, which in turn may lead to their playing a greater role in economic development (Gupta, V.K. and A.S. York, 2008)

Fostering a culture of entrepreneurship requires the sustenance of the social capital that culture identifies, whilst maximizing trading opportunities for societies to develop. Local cultural tradition is a necessary component in establishing the networking and trust that will provide the solidarity required for the emergence

of entrepreneurial activity for self-determining development (April, W.I., 2008).

In a study about entrepreneurship in the North Carolina rural areas, It was found out that the sense of isolation ranks near the top of concerns expressed by rural entrepreneurs. They believe that their community and state leaders support small business at the rhetorical level, but undertake few actions or initiative to nurture and support these companies (Pages, E.R. and D.M. Markley, 2004).

The negative attitude of farmers who were member of local food processing cooperatives in Norway about education implies a discouraging form of social capital that may inhibit entrepreneurship (Ronning, L. and E. Ljunggren, 2007). The results of a study about the interrelationships between entrepreneurship and religion show where religious salience is high, entrepreneurs will tend to use religious criteria to inform their decision making. Religious groups can also provide a resource for the generation of entrepreneurial social capital (Dodd, S.D. and G. Gotsis, 2007).

In general, more active entrepreneurs have a stronger vision and strategy toward integrated crop protection and lower levels of pesticide use and environmental burden than passive colleagues (Smit, A.B., 2004). The establishment of entrepreneurship cooperatives in Armenia resulted in improving the living conditions of rural population. In addition to job creation, the cooperatives fostered the development of decent working conditions (Altshul, G., 2002).

In a study of farmers in Norway, the results show that community entrepreneurship to develop weak ties that gave access to information. Community entrepreneurship also contributed to a business network with strong ties where this information could be processed and lead to learning in order to evaluate business opportunities (Ronning, L. and E. Ljunggren, 2007).

MATERIAL AND METHODS

We conducted a series of in-depth interviews with some senior experts in the Ministry of Cooperative to examine the validity of our questionnaire. A questionnaire was developed based on these interviews and relevant literature. The questionnaire included both open-ended and fixed-choice questions. The open-ended questions were used to gather information not covered by the fixed-choice questions and to encourage participants to provide feedback. A 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used as a quantitative measure.

A pilot study was conducted with 30 managers of agricultural cooperatives in the Province of Tehran who had not been interviewed before the earlier exercise of determining the reliability of the questionnaire for the study. Computed score was 86.0%, which indicated that the questionnaire was highly reliable.

The government of Iran has divided the 29 provinces in six areas and one province was selected randomly from each area. The research population included all managers of agricultural cooperatives in selected six provinces (N =1891).Using stratified sampling and the results of the pilot test, a sample of 250 cooperatives was constituted (table 1).

Table 1: Target and Sample Population

Province	Total Number of Cooperatives	Sample
Zanjan	289	38
Sistan and Balouchestan	229	31
Ghazvin	235	33
Fars	264	61
Chahar Mahal	217	28
Kermanshah	257	60
Total	1891	250

Independent variables in the study included factors (organizational, psychological/cognitive, educational, economical, personal characteristics, social and regulatory) influencing the entrepreneurship in the agricultural cooperatives. The dependent variables in this research study were the perception of agricultural cooperative managers about job creation and sustainability of employment in the cooperatives. For measurement of correlation between the independent variables and the dependent variable correlation coefficients have been utilized and include spearman test of independence. The data were also analyzed using the technique of ordinal factor analysis.

RESULTS AND DISCUSSION

The results of descriptive statistics show that the average members of cooperatives were 35 members and in the average these cooperative have been active about 9 years. The maximum year of activity for cooperative was 27 years and the minimum was 5 years.

It was reported that slightly more than 50 percent of cooperative members had bachelor degree. Approximately 23 percent of cooperatives were involved in farming, 13 percent in animal husbandry and more than 10 percent in horticultural activities.

Table 2 shows the means of managers' views about factors which influence them to establish the cooperatives. As can be seen from this table, the highest mean refers to agricultural experts (mean=4.00) and the lowest mean to relatives (mean=2.69).

Table 2: Means of respondents' views about factors which influence them to establish the cooperatives (1=strongly disagree; 5=strongly agree).

Factors	Mean and Standard Deviation	
	Mean	SD
Agricultural Experts	4.00	0.85
Friends	3.92	0.89
Successful Cooperatives	3.87	0.89
Entrepreneurs	3.41	0.99
Family	3.41	1.08
Professionals	3.41	1.01
Mass Media	2.78	1.37
Relatives	2.69	1.32

The perception of respondents about the reason for establishing the cooperatives was displayed in table 3. The highest mean refers to get financial independence (mean=4.30) and the lowest mean refers to lack of financial resources to start business individually (mean=3.28).

Table 3: Means of respondents' views about factors for establishing cooperatives (1=strongly disagree; 5=strongly agree).

	Mean	SD
Getting Financial Independence	4.30	0.73
Finding Job	4.26	0.62
Increasing Income	4.09	0.70
Creating Employment for Others	3.94	0.83
Working collectively	3.79	0.89
Introducing New Innovation	3.64	1.06
Helping the Society	3.62	1.06
Getting Help from Government	3.42	1.10
Lack of Financial Resources	3.28	1.21

Table 4 shows the grouping, arrived at by using ordinal factor analysis, of the factors into eight latent variables, namely organizational, psychological/cognitive, social, educational, financial, regulatory, and economical and those related to personal characteristics. The basic idea of factor analysis is to find a set of latent variables that contain the same information. The classical factor analysis assumes that both observed and latent variables are continuous variables but, in practice, the observed variables are often ordinal.

Spearman coefficient was employed for measurement of relationships between the perception of managers of cooperatives about job creation and sustainability of employment in the cooperatives and factors which influencing the entrepreneurship in cooperatives. Table 3 displays the results which show that there were relationship between perception of respondents about job creation by cooperatives and the economical, psychological/cognitive, educational, financial and factors related to personal characteristics. The findings also indicated that there was no relationship between social, regulatory and organizational factors and perception of respondents about role of cooperatives in creating job.

Spearman coefficient was also employed for measurement of relationships between the perceptions of respondents about sustainability of employment in the cooperatives and factors which influencing the entrepreneurship in cooperatives. Table 6 shows that there was relationship between economical, psychological/cognitive, social, financial and factors related to personal characteristics and employment sustainability in cooperatives.

Discussion:

As the ordinal factor analysis showed, the factors were categorized into eight groups, namely psychological/cognitive, education, economical, organizational, financial, personal characteristics, regulatory, and social, ordered by their impact.

The findings show that psychological/cognitive factors are the most important, a result that echoes of Pages and Markley (2004) and Ronning and Ljunggren (2007).

Table 4: Classification of Factors that Influence the Entrepreneurship in Cooperatives by Using Ordinal Factor Analysis

Category	Variables	Variance by Factor
Organizational	Using expertise to work in cooperatives; Considering entrepreneurial characteristics in attracting new members, Priority to job creation strategies in cooperatives; Emphasize on hierarchical considerations; Balance between authority and responsibility; Existing the defined organizational relations.	8.530
Psychological/Cognitive	hardworking; Risk prone; Self reliance; Progressive; Accepting responsibility; Integrity; Accepting failures; Mutual Trust; Satisfaction about collective work; Positive attitude about entrepreneurship;	18.057
Financial	Program-oriented budgeting; quick allocation Of budget; Using new techniques in budgeting; Appropriate distribution of financial resources.	7.313
Educational	Using entrepreneurship magazines; Holding Training classes; Holding short term skill Development classes; Using educational Packages; Using e-learning methods; Training by successful entrepreneurs; Access to computers; Establishing relation with other cooperatives	17.600
Economical	Satisfaction from income; Competition in market; Access to economical information; High interest rate; Lack of financial capitals and Fluctuation of agricultural production prices	9.062
Social	Participation in decision making; Interested in Working collectively; Relationship with other Members; Relationship with executive members	3.980
Regulatory	Clear business, custom and trade regulations; Clear taxation and economical regulations; Participation in political activities; Rapid changes Regulations; Complex rules and regulations; Instability in policies in agriculture and cooperative sectors	5.311
Related to Personal Characteristics	Entrepreneurship experience; Unsatisfied about job; Educational level; Financial situation of family	4.244
Total		% 74.097

Table 5: Correlation measures between independent variables and job creation

Independent variables	Dependent Variable	r	Sig.
Economical factors	Job Creation	-0.194	0.018*
Psychological/cognitive factors	Job	0.141	0.026*
Social factors	Job	0.096	0.198
Educational factors	Job	0.052	0.048*
Regulatory factors	Job	-0.123	0.097
Organizational factors	Job	-0.113	0.129
Financial factors	Job	0.147	0.048*
Factors related to personal Characteristics	Job Creation	0.149	0.044*

** $p < 0.01$, * $p < 0.05$.

Table 6: Correlation measures employment between independent variables and sustainability of Employment

Independent variables	Dependent Variable	r	Sig.
Economical factors	Employment Sustainability	-0.156	0.050*
Psychological/cognitive	Employment Sustainability	0.254	0.001**
Social factors	Employment Sustainability	0.304	0.000**
Educational factors	Employment Sustainability	- 0.005	0.949
Regulatory factors	Employment Sustainability	0.127	0.087
Organizational factors	Employment Sustainability	-0.114	0.855
Financial factors	Employment Sustainability	0.150	0.043*
Factors related to personal Characteristics	Employment Sustainability	0.340	0.000**

** $p < 0.01$, * $p < 0.05$.

Educational factors are always potentially playing an important role in the entrepreneurial activities in cooperatives. Ronning and Ljunggren, (2007) maintain that farmers in Norway had negative attitude about education and any cooperatives, in order to fulfill its function, has to overcome educational challenges along with other challenges because these are the main constraints in developing entrepreneurship among cooperative members.

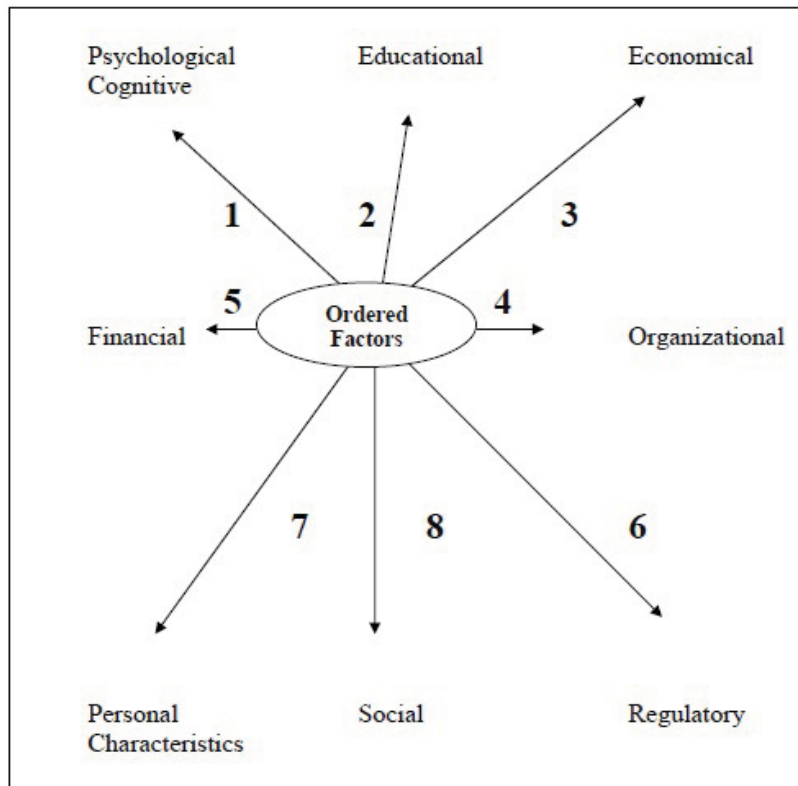


Fig. 1: Conceptual Framework

The findings reflect an important fact, namely that entrepreneurship would have a positive impact on economic situation of rural population. In this regard, a sound regulatory and policy environment is a necessary prerequisite for enhancing the capacity of cooperatives. This has been pointed out by several authors including Pages and Markley (2004) and Smit (2004).

The results of the study also point to the relationship between social and cultural factors and development of entrepreneurship in cooperatives, a finding in accordance with the findings of the studies by Dodd and Gotsis (2007) and Pages and Markley(2004).

Conclusion:

Entrepreneurship has a tremendous potential to help in improving the living conditions of rural population in Iran Agricultural cooperatives now has the opportunity to play a major role in this process by enhancing entrepreneurship.

The development of entrepreneurship cooperatives result in creating more jobs and employment sustainability could be achieved over time. Therefore, certain special factors in developing entrepreneurship among cooperative members should be identified and need to be carefully examined.

Innovative strategies need to be developed that cater specifically to rural areas. The burden of developing entrepreneurship for cooperatives rural areas should not be only on governments, and it is important to enlist NGOs and the private sector to participate in developing entrepreneurship in rural Iran.

However, a large proportion of the rural population in Iran is yet to benefit from entrepreneurship. Agricultural cooperatives in Iran needs to provide training in entrepreneurship to their members and non-members, to make rural population more aware of the benefits of entrepreneurship, and to address the policy and regulatory issues that impact on developing entrepreneurship in the cooperatives.

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