

Rural Cooperatives for Poverty Alleviation in Iran

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Abstract: This paper provides evidence on the contribution of rural cooperatives to poverty alleviation in Iran. Rural cooperatives are certainly a major contributor to poverty alleviation in many countries. But, there are a significant number of barriers to effectively using rural cooperatives as a tool for poverty alleviation in developing countries. The result of this study found that rural residents have negative perception towards contribution of rural cooperatives for poverty alleviation. They referred to the dependency of rural cooperatives to government and lack of cultural capacity for group collaboration as main barriers related poverty alleviation through rural cooperatives. The finding can assist the rural developers at the local and national level for remove this problem in face of rural cooperatives for poverty alleviation.

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Introduction

Cooperatives are the groups of people who work together voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise (Tanzanian Federation of Cooperatives, 2006). The International Cooperative Alliance (ICA) defines a cooperative 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”(ICA, 1995). A co-operative can therefore provide a hub for organizing particular local economic interests and/or for protecting common pool resources (Simmons & Birchall, 2008a). This suggests that rural cooperatives are, first and foremost, voluntary business associations formed by people of limited means through contribution of share capital that forms the basis of sharing out the profits that accrue from the business (Wanyama, Develtere, & Pollet, 2008). In developed countries rural cooperatives have significantly contributed to the mobilization and distribution of financial capital; created employment; constituted a forum for education and training; social welfare, and poverty alleviation and other socio-economic problems (Tanzanian Federation of Cooperatives, 2006). Prakash (1999: 47-48) also identifies the significance of rural co-operatives in rural development. From this point of view, Moradi (1999: 33-46) states that attacking poverty requires attacking many interrelated forces that keep poor people in a state of deprivation. Above all, it requires expanding people’s access to participation in decision-making and to

knowledge, training and markets and the other productivity resources for income generation such as land, technology, credit and information. The study actually implies the importance of people empowerment. It is reasonable since however well are the poverty alleviation programs without improving people’s capacity it will be worthless. In Iran, although, there are many cooperatives in rural area, but, it is alleged that cooperative does not play a significant role in poverty alleviation in Fars, Iran. Hence, this study attempts to shows the barriers of poverty alleviation through rural cooperatives in the study area.

Literature Review

The role and potential of co-operatives have recently started to come to the fore again in discussions about poverty alleviation (Simmons & Birchall, 2008a). From this perspective, it is evident that rural cooperatives have significantly contributed to the mobilization and distribution of financial capital by creating employment and income-generating opportunities for both their members and non-members alike, given that membership is open to all persons without ethnic, class or professional biases (Wanyama et al., 2008).

The history of co-operatives provides evidence of both success and failure in poverty alleviation. However, it is difficult to sum up the strengths and weaknesses of co-operative sectors, as these vary dramatically between types, between countries, and over time (Simmons & Birchall, 2008b).

The rural cooperatives in Iran in the recent years have diversified themselves into various areas

of socio-economic activities. For certain activities, the success of which is based on the ability of the grassroots institutions to tackle them with their participatory and people-based approach, the cooperatives are considered to have an advantage over other organizations. In Iran the rural cooperatives are considered most effective organizations in rural agriculture. Similarly, because of their vast network and reach, the rural cooperatives are considered best promoters for rural development in Iran (Aref & Sarjit, 2009).

Poverty has been defined as the “denial of opportunities and choices most basic to human development to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and respect from others” (Hirschowitz et al., 2000, p. 54). Poverty can be reduced through rural cooperatives. Cooperatives create employment opportunities in three different ways. First, they offer direct wage employment to people who work in primary and secondary cooperatives. Secondly, cooperatives offer self-employment to members, whose participation in the economic activities that they make possible substantially guarantees a decent income. Thirdly, cooperatives also indirectly employ through the spillover effects of their activities on non-members whose income-generating activities are only viable through the transactions they have with, as well as opportunities created by, cooperative ventures (Wanyama et al., 2008). Co-operatives’ main purpose is to serve the needs of their members. Co-operatives therefore become actively involved in the process of poverty alleviation where their leaders are called upon by members to do so (Simmons & Birchall, 2008a). Rural cooperatives have been cited as a goal in rural participation for rural development processes (Aref & Sarjit, 2009). Birchall (2003; 2004) developed six arguments for the potential of rural cooperatives in poverty alleviation.

- 1) Rural cooperative values and principles provide built-in advantages for poverty alleviation
- 2) The history of co-operatives in developed countries shows great achievements in poverty alleviation.
- 3) Even though there have been failures in co-operatives in developing countries these do not indicate weaknesses in the co-operative model.
- 4) The essential nature of rural cooperative form of organization is now much clearer.
- 5) The participatory development and rural cooperative development share the same underlying principles.

6) The UN’s Millennium Development Goals and the poverty alleviation strategy of the World Bank need co-operative development if they are to succeed (Simmons & Birchall, 2008b).

In despite of these potential, there is a number barriers for poverty alleviation through rural cooperative. Jamieson and Nadkarni, (2009) identified some barriers to effectively using rural cooperatives as a tool for poverty alleviation. These barriers include:

- 1) Lack of organizational capacity of rural cooperatives to respond to the opportunities provided by rural residents.
- 2) Within the developing countries there is very little recognition of the potential of rural cooperatives by aid agencies.
- 3) Lack essential market knowledge to allow local communities to develop rural cooperatives (Jamieson & Nadkarni, 2009).

The ODI lists the different types of barriers to consider in this regard (Bolwell & Weinz, 2008).

Organizational factors can cause failures and reduce the chances of success for poverty alleviation (Bolwell & Weinz, 2008). In this sense, rural cooperatives may be more difficult to achieve than other activities in developing countries. Barriers are generally similar in these communities, but a few factors tend to be more pronounced among these communities: Lack of formal education and lack of planning (Bushell & Eagles, 2007, p. 154). As a consequence, community facilities and services may be unacceptable for rural cooperatives. Hence building capacity in rural communities is necessary for stakeholders involved in rural cooperatives development (Bushell & Eagles, 2007).

Methods

This study is based on quantitative method to investigate the barriers of rural cooperatives related to poverty alleviation. Focus group discussion (FGD) was performed to collect data from rural residents in ten villages in Fars province, Iran. FGD was used for obtaining a better understanding of participants’ attitudes (Aref, 2010b). There is no consensus among researchers on the optimal number of participants in FGD. But the ideal number in each FGD is six to ten. All respondents were male. Seventy two people were participated in FGD. They ranged in age from 29 - 78 years. The researcher explained to them the objectives of the study. The researchers examined, categorized participants responses from each focus group of villagers that were recorded in video tapes.

Table 1: Barriers of poverty alleviation through rural cooperatives

Barriers	Description
Lack of human capital	Low literacy and poor job skills.
Gender norms and constraints	Beliefs that women should not work.
Lack of social capital	Poor communities are often not represented in economic planning.
Lack of financial capital	Lack of micro credit, or revolving loan facilities.
Location	Many poor people may live remote from places
Lack of land ownership and tenure	Many poor countries have no effective rights of land ownership
lack of planning gain	Developments set up in remote rural areas
Low capacity	Poor communities may be unaware of cooperatives' role
Lack of pro-active government support for involvement by the poor	Rural cooperatives not included in development strategies, market facilities not provided, education levels low.

Source: Methodology for PPT case studies (2002)

Result and Discussion

According to the collected baseline data, farming was the most common occupation in the villages. There were overall 75 participants with an average of 58 years old. All participants; were males. They were chosen because of their engagement in agricultural activities. The questions were asked about to contribution of rural cooperative in poverty alleviation and barriers of poverty alleviation in terms of rural cooperative.

In terms of contribution of rural cooperatives on poverty alleviation most of the participants had an overall negative perception towards rural cooperatives on poverty alleviation. They believe that rural cooperatives does not have important role in their villages especially on poor people. The authors' observation also confirmed this argument. The findings showed that rural cooperatives in their villages are without any certain planning for poverty alleviation. In this way the respondent in FGD referred to variety barriers for poverty alleviation in their villages. The study refers to some common barriers which have been discussed in majority of FGD groups:

1) Lack of participation: Rural participation in rural cooperatives planning and decision making is not considered. Decisions making in rural cooperatives policy are mostly made by government. In fact the lack of really local residential involvement in the decision-making and unable rural power that exist to create a decision making for development cooperatives for poverty alleviation. The World Bank (1993) recognized lack of active participation as a reason for failure of many development attempts in developing countries (Aref, 2010a). Hence, the findings showed the lack of participation is a barrier for poverty alleviation through rural cooperatives.

2) Lack of resources: Most participants in FGD groups mentioned to lack of resource in the villages as main obstacles to rural cooperatives for poverty alleviation. These findings are supported by Atkisson et al., (2003) which referred to certain limitations such as lack of resources and planning as a common problems for development in third world countries.

3) Lack of independently: Involving the government to provide funding for rural cooperatives was other barrier.

4) Lack of cooperatives leaders' knowledge: The participants in all groups mentioned that the cooperatives leaders are without adequate knowledge for manage the cooperatives.

5) Lack of collaboration' cultures: FGD respondents believed the lack of culture of collaboration among local people was behind the failure investment for poverty alleviation. The individualism is the one feature of Iranian culture. Hence, in this situation the collaboration in cooperatives cannot be success.

5) Lack of awareness about role of cooperatives: The people through FGD though the role of cooperatives is to distribution of some goods between rural residents. Hence, they weren't aware about role of cooperatives. It also can have an effect on the apathy regards rural residents' participation in rural cooperatives.

Through the findings of this study these barriers were identified: Lack of resources, lack of collaboration culture, lack of cooperatives leaders' knowledge, dependently of cooperatives to government, were an important element contributing to limited rural cooperatives for poverty alleviation. As have been mentioned by Jamieson and Nadkarn (2009), the rural cooperatives has some barriers related to poverty alleviation in Asian countries. Hence this argument has been confirmed by this

study. According to the findings, the level of contribution of rural cooperatives in poverty alleviation in Iran is weak. In considering the application of rural cooperatives in poverty alleviation, the role of the rural leaders deserves consideration. Important role of leaders with respect to rural cooperatives would include facilitating; encourage participants, encouraging learning, and developing local skills in rural areas.

Conclusion

The purpose of this article has been to demonstrate the contribution of rural cooperatives to poverty alleviation in Iran. Overall the findings indicated that residents have negative attitude towards contribution of rural cooperatives for poverty alleviation. They referred to government policy and lack of organizational capacity as main barriers related poverty alleviation through rural cooperatives. Clearly, the described barriers may not be only specific to rural cooperatives strategy; some of them may also be considered as common general problems of rural cooperatives in other communities in Iran. Hence, it should be accepted that these barriers may be an extension of the prevailing social, political and economic structure in Iran, which have prevented communities from achieving a higher level of development. To avoid breakdowns, people's participation need to be constantly encouraged. Various methods could be applied to foster participation such as decentralization of local government. Since the government has important role in poverty reduction and rural development, it must create the basic conditions that facilitate and stimulate economic growth and development in rural areas. It also must create a favorable climate for investment and transparent economic and agricultural policies for farmers. The findings of this study can be useful for academics, researchers and all stakeholders involved in designing, assessing or promoting rural cooperatives projects which are in any way associated with general development goals.

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