



## Potentialities of Cooperatives for economical development in "Las Segovias"

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### **Presentation**

The cooperative movement has been an economical agent that has principally agglutinated small agricultural and livestock producers with more emphasis since 1980s. The boom of cooperatives has since then marked a boundary in the economical dynamic of small production in "Las Segovias" This has worked as a very timid economical agent in relation to the market, keeping a closed circle of interchange among its members, with some internal weaknesses that spoil the sustainability of the economical model of self management. At external level there has been an absence of cooperative links, which weakens the extraterritorial relations and economical strength of the movement, among cooperatives when bidding the majority of agricultural and livestock producers.

Despite the efforts to create second level cooperatives like Unions of Agricultural and Livestock cooperatives, and multi-service cooperatives that guaranty a bigger territorial relation, the results have not been satisfactory, and many of them remain half the way, since the norms are more demanding.

On the other hand, the tendency to create more dynamic cooperatives has been a very big challenge for the movement. According to the available information in the present research, it is possible to identify that 20 to 30% of

multi-service and micro financial cooperatives out of the sample cooperatives taken in the late 90s have jointly developed.

The development of this sort of cooperative defines a new tendency, in economical terms, of peasants' organization. They are more demanding in their administrative processes and in the regulation of the procedures, which are still weak.

In consequence, the central problem for the consolidation of the cooperatives has been the management capacity. The dilemma between being a nonprofit cooperative organization and being an economical agent that looks for benefits through the competitiveness in the imperfect and aggressive market on which they are immerse with lots of disadvantages, has limited the enterprise vision since the basis of the cooperatives and the roll of the management has been focused in the control of incomes and expenses, and not in the actions outwards the cooperative.

ADESO "Las Segovias" has shown lots of interest in understanding the cooperative development as an option of development of the regional economy. To that end the challenge of undertaking the present research that is of great importance to search options of development of cooperative movement in Las Segovias, has been formulated.



**Methodology**

The research has been developed using non parametric statistic methods for the analysis of data. The results have been organized in two line by two column matrixes (2\*2); the lines represent the members expectancies (support and help), and the columns

represent the capacities of the cooperatives (development and assistance).

This matrix shows the intersection of the expectancies of the cooperatives and its management capacities. 4 concepts of analysis emerge out of this relationship (i) development, (ii) opportunities, (iii) no development, and (iv) risk (see chart 1)

Chart 1 classification of the states of the cooperatives			
Capacities <sup>1</sup> of cooperative organization			
Expectations		assistance	Development
	support	opportunities	development
	help	No development	risks

A non parametric analysis based on the analysis of the chart of contingency processed in SPSS is carried out in order to have a better result of the situation of the cooperatives. This analysis establishes the relation of dependence of the ranks related to the organized groups of the four cooperative states (see chart1) and the qualitative valuation on four variables that are (a) motive of affiliation in the cooperative (b) periodicity of elaboration of financial reports (c) the benefit of financial reports for the decision taking (d) intensity of the principal financial, administrative, and steps taking problems, and (e) types of training. The used indicator to measure the level of association is the index of correlation of Spearman and the levels of significance.

**Results**

The relation established between the motives that lead producers to be associated in a cooperative indicates

that 54.29% of them do it because they are looking for support. This group of producers counts on a productive potential in their farms and they enter the cooperatives searching scale economies, through the decrease of costs of reinvestments and individual services contracted in groups. The remaining 45.71% become members looking for help. They have few capacities in their production units or in their house, where they present demand of consumption only.

The situation is different and more critical in the cooperatives. 78.57% of the cooperatives are in a fragile administrative situation. They do not offer enough expectations to their associates, and only 21.43% of them have better administrative, and management perspectives. They demand better management and better results for the organization and for the members.



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The **development** is defined as the convergence of members' expectations and the ones of the cooperative. The **risk** is defined as the convergence of the low expectations of the members and the high management capacity of the cooperative. The **opportunities** represent the convergence of the high expectations of the members and the low management capacities of the cooperative. The **no development** is defined as the convergence of the low expectation of the members and the low perspectives of the cooperatives.

This situation shows that the 35.71% of the cooperatives are in a state of opportunities, and only the 18.57% is in a state of development. These processes are slow and are maintained with the efforts of the members. Then we say that 54.28% have good expectations as economical entities within the local economy; 13.153 associate members that represent 61% of the total sample. See (chart 2).

On the contrary, 42.86% of the cooperatives are in a weak state, but they hope to succeed. It is necessary to work more with this type of cooperatives in order to change towards an enterprise vision, with a more dynamic management. 2.89% are

in a state of risk These cooperative tend to fail, since the members that represent the principal strength of the organization see the cooperative like the golden egg hen, and they do not only eat the eggs, but also the hen.

Chrt2. Distribution of the state of the cooperatives in "Las Segovias" 2002. Capacity of the cooperative (%)				
Expectation.		Assistance	Development	Total
	Support	35.71	18.57	54.29
	Help	42.86	2.86	45.71
	Total	78.57	21.43	100

Source: Our own elaboration based on the data from survey Nov. 2002.

Micro- financial cooperatives are in a weak state, according to the (46.43%). The multi-service cooperatives on the contrary, share the same proportion between opportunity and weakness, (41.18%). Nevertheless micro-financial

cooperatives place 21.43% in development, and multi-service 17.65%. There is a difference of 40% in the structure of the situation between both cooperatives. The cooperatives of production concentrate 10% in state of



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risk and 20% in state of development with the same percentage of opportunity and weakness (35%). As a consequence, the cooperatives of production are facing major problems

due to very fluctuant agro climatic conditions that have strongly affected the production during the last five years. See chart 3.

Chart 3. Distribution of the state of the cooperatives in "Las Segovias" (by type).

Type of cooperative	State of the cooperative (%)				Total
	opportunity	No development	development	Risk	
Multiple Service	41.18	41.18	17.65	0.00	100.00
Saving, credit and services	32.14	46.43	21.43	0.00	100.00
Agricultural production	35.00	35.00	20.00	10.00	100.00
forest	40.00	60.00	0.00	0.00	100.00
total	35.71	42.86	18.57	2.86	100.00

Source: Our own elaboration based on the data from survey Nov. 2002.

There are different elements that characterize the cooperatives in relation to the 5 elements formerly mentioned. Multi-service cooperatives clearly identify 3 motives of affiliation, micro-finance cooperatives associate with almost all the options shown in the

survey. In midterm they are under pressure for the transformation and diversification of their activities as a way to minimize the risks. Production and forest cooperatives are more familiar with these motives. (see chart 4).



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Motives to become a cooperative member	Type of cooperative			
	Multi-service	Micro finance	Production	Forest
Land	0.707***	0.643***	0.313	612
Diversification	0.703***	0.720***	0.569***	Nd
Commercialization	0.722***	0.907***	0.201	Nd
Reinvestments	0.091	0.535***	0.413**	0.889**
Projects	0.052	0.595***	0.599***	0.761
Credit	-0.279	-0.535*	0.464**	0.889**
Training and technical assistance	0.22	0.603***	0.664***	0.731
Support of solidarity	0.309	0.713***	0.5	0.167
Houses	0.372	-0.018	0.356	Nd

\* =10%, \*\* =5%, \*\*\* =1% according to the index of correlation of Spearman Our own  
Source: elaboration based on the data from survey Nov. 2002

Formal administration is one of the principal elements of change that can be viewed in short and mid terms for the cooperatives. All this happens due to the fact that the periodicity of financial reports is crucial in the cooperatives. In micro-finance cooperatives the majority of the calculated actions (index of correlation of Spearman) have negative sign. This shows that the importance of these reports and the state of the cooperatives have an inverse relation, this suggest that the cooperatives are writing the reports but they are not using them efficiently.

It is also possible to say that the problems are implicit since the associate members with their expectations regarding the availability of funds. On the other hand, the cooperatives of production are more specific in this relation of association (index of correlation of Spearman), they involve four indicators (see chart 5).



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Chart5 significance of the periodicity of financial reports with the states of the cooperatives according the type of cooperative "Las Segovias 2002"

Periodicity of elaboration of reports	Types of cooperatives			
	Multi-service	Microfinance	production	forest
General balance	0.223	-0.181	0.424*	0.968***
Comparative balances	0.364	0.001	0.131	0.968***
Statement of account	0.419*	-0.293	0.443**	0.968***
Available cash	0.334	-0.156	-0.191	0.612
inventories	0.616***	-0.029	-0.17	0.612
Gathering and sales on credit	0.474**	-0.65	0.27	0.968***
production	0.588***	-0.387**	0.018	0.612
Holdings in arrears	0.268	-0.047	0.673***	0.968***
Staff evaluation	0.646***	-0.122	0.023	nd
Financial indicators	0.416*	-0.018	0.395*	nd

\* =10%, \*\* =5%, \*\*\* =1% according to the index of correlation of Spearman

These reports, that are written every month, have different use in every cooperative. Multi-service cooperatives use them in just one type of decision (sales of products), Micro finance cooperatives use them in four

types of decisions (productive investments, distribution of profits, planning, and investment in other activities); the others in two and three activities. These decisions are characteristics of every cooperative (see chart 6)



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Chart6 significance of the use of reports for the decision taking with the state of the cooperative according the type of cooperative "Las Segovias 2002"				
Use for the decision taking	Multi-service	microfinance	production	forest
Productive investment	0.379	0.497***	0.378*	nd
Distribution of profits	0.149	0.494***	0.313	nd
Sales of products	0.631**	0.299	0.252	0.612
Planning	0.111	-0.389**	0.219	nd
Adjustment of activities during the year	0.128	0.004	0.17	nd
Debts payment	0.213	-0.016	0.504**	0.968***
Help for associate members	-0.149	0.074	0.279	nd
Investments in other activities	0.001	0.353*	0.457**	0.612
Technical equipment	0.396	0.12	0.129	0.968***

\* =10%, \*\* =5%, \*\*\* =1% according to the index of correlation of Spearman

## Conclusions

The situation of the cooperatives indicates the principal aspects to take into account in order to create a strategy of development for the sector; management and infrastructure strengthening together with a more productive vision of the associate members. The social organization is not only required, but also it is necessary to be aware of the risks that creating a cooperative that gathers the financial resources and expectations of the associate members mean.

The efficient management of the resources, which managers are in charge of, should be also considered (money, needs, productive capacities,

innovations, etc.) in the search of better ways to growth and development.

The matrixes in this document permit the statistical interpretation of the variables and indicators related with the state of development of the cooperatives. Having a 2.86% of risk is a situation that most be considered and, there fore it is important that managers and presidents of the organizations make a good job. On the other hand, the fact that 18.57% are in state of development shows that in intermediate states it is possible to strengthen those that show more opportunities and that are closer to development.



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In all cases the strategy has to consider a better understanding between the associate members and the management of the cooperative. Here are shown some elements to be taken into account considering the level of association with the index of correlation of Spearman.

### **Recommendations**

The intersections of variables developed here are an indicator of the strengths that the cooperatives have, and of the better ways in which they

can be used. Not all the cooperatives have the same alternatives of solution.

Their alternatives are defined by their own situations and by the external relations developed to such ends. The roll of associate members should be seen according their productive potential and not according their needs.

It is necessary to think about economical agents in order that the cooperatives and their impact in the regional economy succeed.

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