Study the Role of Social Capital on the Efficacy of Cooperation in Malekan City's Economy

Mehdi Bina Maleki, Allahyar Pari-Yuzbashkandi, Ramin Ashugh, Shahram Nagavi

Peyam-E-Noor University, Maragheh, Iran
Abhar Branch, Islamic Azad University, Abhar, Iran

Abstract: This research evaluates the effect of social capital on cooperation efficacy in Malekan city economy. The research methodology is survey and data collection tool is questionnaire. The research statistical population is active and inactive cooperative firms on Malekan district and the sample size was estimated using the formula of class sampling and finally 49 active cooperatives and 21 inactive cooperatives have been selected as a sample size. Pearson's correlation test used for research hypotheses test and path analysis used to to show which secondary hypothesis has side has greatest effect on the efficacy of cooperations and research results in active cooperatives showed that the relationship between the amount of social capital and efficacy of cooperation was medium and the relationship is straight, i.e. by increasing one, the other also was increased and among secondary hypotheses, active presence and involvement of members and mutual trust between members and the board has greatest impact on efficacy of active cooperation. Also the research results indicate that the relationship between low levels of social capital and stagnating cooperation is medium and the relationship is straight and between secondary hypotheses, low presence and involvement of members has greatest impact on stagnating of inactive cooperations.

Key words: social capital - efficacy of cooperation – Malekan city.

Introduction and Problem Statement:

Formation of cooperation thought that is called cooperation movement is referred to a series of theoretical and historical context which is the outcome of the market system failure at the beginning of the industrial revolution and formation of the capitalist system (Zooly: 1385, 36). From this movement's viewpoint, cooperation in principle is collaboration and synergy between several people. (Taleb: 1384, 5-6), but the occurrence of such relationship and collaboration between people in a social group format, requires an element called trust; because social trust is requisite of reciprocal interactions and the most important factor that encourages people to have bilateral or multilateral relations (Mernisi 1388).

After establish and strengthen trust through common values and norms, participation of people in a form of social group, the cooperative may happen (Toosi: 1379, 50-55). Thus the concept is considered as the capital of a community. Pierre Bourdieu calls this type of capital as social capital (Bourdieu: 1386, 30).

Then in an aggregation, this capital on one hand by mutual interaction on human capital increases productivity indirectly and on the other hand by strengthening social cohesion and life satisfaction, affects social welfare and economic development. Based on the foregoing, solving Iran's economic problems and reaching a sustainable development requires the active participation of people in various economic fields (Putnam 1382).

Along this, East Azerbaijan is one of the provinces with an effective and decisive role in the country's economy and the province has cities such as Malekan which is located in the southwest of the province. Cooperation administration of the city with other governmental agencies in prone to exploitation of natural and other resources and tries to use of active participation of the city's people in various sectors of industry, mines and agriculture, etc., and handle many of the problems that public sectors of the city could not tackle them. But the major concern of the researcher is that despite the people of this city being aware of each other's position and base and follow common values and norms, however extreme individualism is increasing that is a big threat to collective identities and common values, and consequently the cooperatives of the city, because cooperatives based on principles such as mutual communication and trust, partnership, etc. (social capital) is formed. So if do not follow such principles (social capital) in the cooperatives, not only rise strong disagreement in corporatives over time and waste government facilities which paid them, but also cooperatives rather than being production source became generators of distrust sense to cooperative companies in the economic field of the city which the cost of such an event for the city's economy will be much higher and vice versa. Thus main and opening question of the research is defined as the: Social capital to what extent is effected on the efficacy of cooperation in the economy of Malekan city.

Research Objectives:

General Objective:
1. Study the role of social capital on the efficacy of cooperation on the economy of Malekan city.

Corresponding Author: Mehdi Bina Maleki, Peyam-E-Noor University, Maragheh, Iran.
**Specific Objectives:**
1. Study the role of the active presence and participation of members in cooperative on the efficacy of cooperation in the economy of Malekan city.
2. Study the role of the reciprocal relations amount between cooperative members on the efficacy of cooperation in the economy of Malekan city.
3. Study the role of the reciprocal relations amount between cooperative members and board on the efficacy of cooperation in the economy of Malekan city.
4. Study the role of the reciprocal trust amount between cooperative members on the efficacy of cooperation in the economy of Malekan city.
5. Study the role of the reciprocal trust amount between cooperative members and board on the efficacy of cooperation in the economy of Malekan city.

**Theoretical Foundations:**

**Existing Theories About Social Capital:**

A. Uphoff: To conceptualize and build a conceptual framework for social capital, he address that for better understanding of social capital, it should be divided into two related categories of phenomena: Structural and cognitive. Uphoff says that these two categories of social capital are linked at high level such that both structural or cognitive forms contribute to each other; both influences the behavior through expectation mechanism and both phenomena are conditioned by experience, culture and spirit, or mindset and other effective factors boost them. Both the structural and cognitive forms of social capital in the last analysis are the phenomena of mind (Uphoff: 1379).

B. Pierre Bourdieu: The first systematic analysis of social capital was introduced by Pierre Bourdieu. Bourdieu viewpoint about social capital is of practical perspective and is a tool to strengthen and consolidate the economic position of people and if can not cause economic capital growth, it has no application (Putnam: 1386, 30-31).

C. James Coleman: Coleman, a prominent American sociologist, was the first scholar that empirically examines the concept of social capital and pay attention to its application. In his viewpoint, social capital embodies networks based on trust and common values, and is part of the social structure that allows the agent to acquire more resources using it. (Coleman: 1377, 476)

D. Robert Putnam and Fukuyama: Most scientific effort about the concept of social capital, done by Putnam. In 1993, he used the social capital. From Putnam and Fukuyama's viewpoint, more trust between individuals and organizations, ethnic and nation, reduce many social costs and normative trade-off boost confidence and ease cooperation (Putnam: 1386, 60).

**Efficacy and theories about it:**

A. Hanan Freeman Theory: He is introduced ecology in the organizations in mid-level. He has ecological attitude and biology base and point to the topics of consistency. Hanan Freeman on organizational ecology suggests:

Those that are more compatible with the environment or position are more stable. (Class handout of doctor Samad Abedini, First Semester 1390)

B. Makalk theory: Makalk discusses on the field of groups and pursuit to compare past communities with now. From his viewpoint, there are few factors that can make human beings engage in collaboration or social life.

1. Organism limitations
2. Ecological constraints
3. Benefits and costs
4. Shackles of Sociology (ibid.)

C. Joseph Lev Poteyev theory: In his theory, focus on organism's maximum adoption with environment i.e. the organism's all effort is to be compatible with the environment, but it is possible that the organism is adapted which Merton considers it as rebellion and it may be organism that has noncompliance. This noncompliance in Merton is considered as rejection (ibid.).

D. Etzioni: This theorician is proposed the systems approach. In this approach, suggests a relations that their existence makes possible the survival of the organization and its activities and functions. (Sabouri: 1385, 163)

E. Elton Mayo: The emergence of the human relations school is associated with an American sociologist, Alton Mayo. Mayo from his tests and studies came to the conclusion that basically psychological and social factors in comparison with material factors, have more important role in enhancing the efficacy of an organization (Ibid.)

**Theories of Cooperation:**

A. Robert Owen: Robert Owen has been dubbed the father of Cooperation. Robert Owen believed that with the cooperation it's possible to supply food needs of the people on the earth. (Mehdi Taleb: 1384, 29-34)
B. Charles Fourier: Fourier sought solving economic and social problems of the society by forming cooperatives. (Ibid.)

Beside them, Louis Blanc was the proponent of the state's economy and in his plan cooperatives needs the government help and supervision, and believed that the assistance should be temporary i.e. governments should provide required finances for start of the cooperatives. The government also should appoint a temporary administrator to supervise the company and after the workers be familiar with managing the company, give them responsiblity. (Taleb-Zadeh: 1384 51-55)

**Research Theoretical Model:**

![Research Theoretical Model Diagram]

This research was designed based on the above model in two dimensions that one dimension is composed of social capital (i.e. the active presence and participation of members of cooperatives, reciprocal relationships between cooperative's members, reciprocal relationships between cooperative's members and board, reciprocal trust between cooperative's members, reciprocal trust between cooperative's members and board) and the other dimension is efficacy of the cooperation. Therefore in this research effort to evaluate and study the impact of social capital on the efficacy of cooperation in the Malekan city economy that the above model show it.

**Methods and Tools for Data Collection:**

In this research the survey method was used. Survey often starts by designating the people who are representative and indicator of the group (for instance) and designing questions that should be asked of them. In addition, it should be noticed that in the survey, it is not always necessary that individuals been the axis of study (unit of analysis) but also groups or organizations like the (cooperatives) or even the entire society can be set as study axis. In such cases, the answers of individuals of large units extracted together (or categorized) to be an indicator of that unit; however, generally the individuals are study axis (Baker: 1386, 7). Advantages of survey over other methods is in efficiency and suitable power of analysis unit features and detailed comparison of their features by using causal inference (Davos: 1386, 15). For data collection the techniques of the questionnaire and the closed question types used. Closed questions liquidate freedom and forced people to answer in a particular direction. (Sarokhani: 1387, 219)

**The Statistical Population and Sample:**

The statistical population is set of individuals who have one or more common characteristics (Saei: 1381, 26). The survey population includes all cooperative companies (active, inactive) are located in the Malekan district that according to the Bureau of Cooperative of Malekan has 277 companies in total of which 209 companies are active and 68 companies are inactive. To obtain a sample of the population, sampling method has been used. In this method, the researcher want to choose research sample in such a way that ensure there are subgroups in the same proportion in the population is existing as population representative in the sample and
this sampling type used when the population don't have homogeneous structure. In this method, the percentage of subjects who were randomly selected from each group is equal to the percentage of the same group in the population.

Thus for example, if a group compose 8% of the population, same group composes 8% of the sample (Baker: 1386, 155-157).

Based on the foregoing and in accordance with the following tables, researcher want to compare different subgroups of active and inactive cooperation; therefore to determine statistical sample, categorized sampling formula i.e. \( \frac{n}{N} \) is used (Ibid).

### Indicators reliability:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of items</th>
<th>Cronbach's alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Social capital</td>
<td>22</td>
<td>74</td>
</tr>
<tr>
<td>2 - Participation of members</td>
<td>4</td>
<td>72</td>
</tr>
<tr>
<td>3 – Members' reciprocal relationship</td>
<td>4</td>
<td>72</td>
</tr>
<tr>
<td>4 - Members and board reciprocal relationship</td>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td>5 – Members reciprocal trust</td>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td>6 - Members and board reciprocal trust</td>
<td>6</td>
<td>74</td>
</tr>
</tbody>
</table>

According to the results obtained from alpha coefficient, it can be said that reliability of items corresponding to the measured variables are acceptable.

### Research Findings:

The results of the research hypothesis about active and inactive cooperatives using Pearson's test is as follows.

1. There is relationship between stakeholders' involvement levels in the cooperative and efficacy of cooperation in Malekan city's economy. According to test results, in active cooperatives the Pearson correlation coefficient between these two variables is equal to 0.32; therefore at confidence interval 0.95 level of significance sig = 0.00 research hypothesis h1 confirmed. The relationship intensity is medium and its direction is straight, i.e. with active presence and participation of members, efficacy of cooperative increase. Thus there are people in Malekan city's active cooperatives who have history of activity and membership in different groups and the collaborate and participate easier in a group and also encourage other members of the company to more participation and collaboration. This participation creates opportunities in the cooperative to solve difficulties and open closed borders in fresh ways. This is Putnam theory that said existence of features within the group enables participants to work together more effectively (Putnam 1368, 60).

In inactive cooperatives, the Pearson correlation coefficient between these two variables is 0.33; therefore at confidence interval 0.95 significance level sig = 0.00 research hypothesis was confirmed. The relationship intensity is medium and its direction is straight, i.e. with low presence and participation of members, efficacy of cooperative decrease.

2. There is the relationship between the reciprocal relations of the cooperative's members and cooperation efficacy in the Malekan city's economy. According to test results, in active cooperatives, the Pearson correlation coefficient between these two variables is equal to 0.16. Therefore at interval 0.95 significance level sig = 0.00 research hypothesis was confirmed. Although the relationship is weak, but its direction is straight. In active cooperatives of Malekan city, people make relationship and set up cooperatives that have the least difference with them that this creates a feeling of the unity and a congestion of relations between active cooperatives and finally increase efficacy of the cooperative (Sabouri 1385, 163).

In inactive cooperatives, Pearson correlation coefficient between these two variables is equal to 0.25; Therefore at interval 0.95 significance level sig = 0.01, research hypothesis was confirmed. Although the relationship is weak, but its direction is straight, i.e. by decreasing one, another decreases.

In inactive cooperatives of Malekan city, there are tremendous disagreements among members that have a significant role in the stagnation of the cooperation which itself indicates that the disagreements between the cooperative members is at the maximum level that created such a problem. It is the theory of Atzioby (Sabouri 1385, 163).

3. There is the relationship between members and board of cooperative reciprocal relations and cooperative's efficacy at Malekan city's economy.

In active cooperation, according to test results, the Pearson correlation coefficient between these two variables is equal to 0.23, so at interval 0.95 level of significance sig = 0.00 research hypothesis was confirmed. Although the relationship strength is weak but its direction is straight i.e. at Malekan city's active cooperatives, relationships between members and board of has been good enough that creates more unity feeling between members and board that following cooperative efficacy. In inactive cooperative, Pearson correlation coefficient between these two variables is equal to 0.29, therefore at interval 0.95 significance level sig = 0.00 research
hypothesis was confirmed. Relationship strength is weak and its direction is straight i.e. with one decrease, the other also decreases.

4. There is a relationship between member's reciprocal trust and cooperative efficacy in Malekan city's economy. According to test results, in active cooperatives the Pearson correlation coefficient between these two variables is equal to 0.25; therefore at interval 0.95 significance level $\text{sig} = 0.00$ research hypothesis was confirmed. Although the relationship strength is weak, but its direction is straight. In other words, in Malekan city's active cooperatives, members felt that the board involved them in important collective decisions or actions. Existing of such sense of trust increases members' confidence to the board. It is Alton Mayo viewpoint that says psychological factors fundamentally have more important role in increasing the efficacy of an organization (Sabouri, 1385, 115).

In inactive cooperative, Pearson correlation coefficient between these two variables is equal to 0.33; therefore at interval 0.95 significance level $\text{sig} = 0.01$ research hypothesis was confirmed. The relationship intensity is medium, but its direction is straight, i.e. the lack of trust between cooperative's members and the board in Malekan city inactive cooperatives cause to don't give each other the opportunity to resolve the disagreements and conflicts that reduce the efficacy of the cooperative which is Fukuyama's viewpoint about trust radius, that this radius limitations make obstacle to development and modernization of organizations.

6. Finally, the researcher introduce these five sub-hypotheses as social capital and refers to it as the main hypotheses that there is relationship between social capital amount and efficacy of cooperation in Malekan district's economy. In active cooperative, according to test results, the Pearson correlation coefficient between these two variables is equal to 0.38, therefore at interval 0.95 significance level $\text{sig} = 0.00$ research hypothesis was confirmed. The relationship intensity is medium, but its direction is straight. In other words, between assumptions of social capital, participation of members with a standardized coefficient of 0.25 and the reciprocal trust between members and board with standardized coefficient of 0.15, respectively have the greatest impact on the cooperation efficacy in Malekan district economy. This proposition was emphasized before in Isa Ebrahimizadeh article entitled "The role and importance of social capital in urban economy dynamism" (Case study: Zahedan). He knows social capital necessary for economic private sector growth dynamism and finally the city's economy, as in the case of active cooperatives in the Malekan city after execution of subsidies fully show itself: The cooperatives which with participation of all the members and with more trust in their internal structure, meet savings, reduces production wastes and use new technology, could adapt themselves to some extent after the implementation of subsidies and remain on the list of active cooperatives. This is same ad theory of Makalk, Levpotyv, Hanan Freeman on organizational adaptation (Dr. Samad Abedini handouts: First Semester 1390).

According to test results, in inactive cooperatives the Pearson correlation coefficient between these two variables is equal to 0.43; Therefore at interval 0.95 significance level $\text{sig} = 0.00$ hypothesis of social capital, low participation of members, beta 0.18 has the greatest impact on cooperative stagnating. This proposition previously have been approved by Asadollah Naqdi in the research entitled "Social capital and its role in economic activities with view to Hamedan province" and he said that low level of social capital lead to increase norm-breaking and offenses and thereby increases production cost and economic activities.

This is also fully approved at Malekan district; because companies that are considered as inactive cooperative in the city is companies that could not observe in their structure cost savings, reduce production waste and etc. which causes production costs increase and finally stagnating of cooperatives.

In order to better analyze research findings, path analysis was used that obtained final model is as follows:

---

266
In active cooperatives path analysis, active participation of members with beta=25%, trust between members and board with beta=15%, respectively and directly have largest impact on the efficacy of cooperation in Malekan city's economy. Other variables are indirectly affect cooperation efficacy in the city's economy.

And the final model obtained from path analysis of inactive cooperation is as follows:

**Practical Suggestions:**
1. Malekan city's active cooperatives establish proper staff evaluation system in different sectors; because otherwise active people encouragement and unworthy people punishment would be impossible which itself reduce the trust of unworthy people and reduce the cooperative's efficacy. So it is necessary to establish accurate system for monitoring and tracking tasks in cooperative. Certainly if employees feel that there is no supervision on their work and nobody track their good and the bad works, gradually tend to work less and their efficiency will be decreased.
2. Participating members of the cooperatives in decision-making and the freedom of opinion expression, elimination of any discrimination in the cooperative, giving members the freedom to choose board members; because manager and the employees relations improvement and use proper humanistic relationships, is very effective in increasing collective activities.
3. Members are encouraged to participate in team work; being present at public sessions; enhance managers commitment to cooperative in such a way that beside doing assigned tasks with interest, ready to do their tasks at unofficial hours.
4. Provide proper, useful, accurate and transparent information about the goals and policies of the cooperative to members and inform members about taken decisions reasons.
5. Give opportunities to staff and members to get involved in cooperative administration and create a team to receive staff opinions is one of the best plans to increase their motivation and commitment to work environment and efficacy of the cooperative.

**REFERENCES**

