ABSTRACT

Farmers’ cooperatives are considered social capital dependent organization. Fostering the development of social capital and its maintenance would help improve the performance of farmers’ cooperatives. Multiple case studies of agriculture cooperatives from Western Hills of Nepal were carried out to explore what prompts the building of the social capital and what factors influence the maintenance of this capital in farming communities. Finding shows that ‘extension and rural development intervention’, ‘access to external supports and benefits’, and ‘existing economic potential’ in the form of market-oriented vegetable production were the drivers of social capital building. Similarly, ‘leadership’, ‘good governance’, and ‘members’ commitment’ influenced maintenance of social capital within the framework of case study cooperatives. The finding concluded that channelizing extension services through cooperatives had a strong bearing on social capital building and that internal dynamics of cooperatives were critical in the maintenance of social capital. Some policy implications are given.

Keywords: Agricultural Cooperatives, Drivers, Extension, Leadership, Rural Livelihood, Smallholders

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1. INTRODUCTION

Good balance between endowment and utilization of natural, physical, financial, human and social capitals is considered essential for the sustainability of rural livelihoods (De Haan, 2000). De Haan asserts that with low endowments of physical assets and resources, and a relatively poor state of human resource development, poor and marginal people rely heavily on their stock of social capital in order to manage their living. Social capital is of particular importance for poor and marginalized people as it is one assured form of capital on which they can draw to mobilize other forms of capitals to lead a satisfactory livelihood (Mubangizi, 2003).

Smallholder farmers of developing countries have been confronting the various problems associated with market failures including difficulty in market access, unfavorable terms of trade imposed by upstream and downstream trading partners, high transaction costs, and inherently low resource endowment. These problems have been limiting the capability and incentive of such farmers to participate in product markets. To overcome these problems, smallholder farmers may band together to form an agricultural cooperative and involve in collective activities designed for mutual benefits (Markelova & Mwangi, 2010). Social capital is considered to be essential for the formation of a farmers’ cooperatives and its continued operation (Valentinov, 2004).

However, there seems a dearth of literature on how social capital is built and maintained within the framework of farmers’ cooperatives. Specifically, little is known about what prompts the building of social capital building and what affects its maintenance and sustained utilization. Taking the cases of four agriculture cooperatives operating in rural Nepal this paper aims to (1) shed light on impetus or factors that prompt the building of social capital in agriculture cooperatives, and (2) explore the factors that influence the maintenance of social capital.

1.1. Role of Social Capital in Agricultural Cooperatives

Although no universally acceptable single definition of social capital is available the core idea behind the social capital is ‘relationship matters’ or ‘social networks have value’ (Field, 2008). Social capital is generally defined as the network and norms that facilitate certain action of mutual benefits for the members of the particular social network. It is about the membership of social networks, and a set of shared values governing the interpersonal relationship among the members of the network. Social capital theory has gained increasing acceptance as a robust basis for researching social phenomena. Renowned social scientist Robert D. Putnam defined social capital as the ‘features of social life- networks, norms and trust- that enable participants to act together more effectively to pursue shared objectives (Putnam, 1995: 664-665).

Social capital has been much appreciated in the literature to have positive impacts in the progress of any society. Social capital facilitates co-operation by lowering the costs of working together: it helps in lowering transactions costs and increasing the ability to exploit economies of scale in the community, ensuring improved access to information and services from external organisations and providing greater influence over policies and legislation (DFID, 1999). Social capital can also help transform the prospects for agricultural development and more generally helps alleviate poverty for individuals and for countries as a whole (Grootaert & van Bastelaer, 2001).

Cooperatives can be seen as a response to the failure of markets and the governments to provide goods and services to the common people in effective and efficient manner (Calkins & Ngo, 2010). By organizing into a cooperative, farmers receive the advantages of group activities; they can capture economies of scale in purchasing or marketing products that would
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