



**ORIGINAL ARTICLE**

## **The Role of Cooperatives in the Adoption of e-commerce**

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### **ABSTRACT**

*Today remaining in competitive world in the agricultural sector is one of the challenges facing farmers. One of the strategies to stay competitive is using Internet in the marketing of agricultural products in the companies. However, there are many barriers in adoption and using internet in Iran. Cooperatives are the oldest organizations that providing services to farmers. One of these services is empowerment and educating to farmers for agriculture and horticulture marketing. This study was carried out in a descriptive method. The aim of this study was to investigate the role of cooperatives and their functions in adoption of electronic commerce. Data was collected using texts, books, articles and Internet search. Results showed that using e-commerce in SMEs enhancing the probability of exporting. As a result, it is recommended using internet to sale products and marketing in cooperatives.*

*Keywords: Adoption, Cooperative, E-Commerce, Participation, Agricultural And Horticultural Products*

Received 09.02.2015

Revised 21.03.2015

Accepted 12.04.2015

### **INTRODUCTION**

The phenomenon of globalization and e-commerce has created competitive challenges and opportunities off or small and large organizations. Cooperatives have been challenged small and medium enterprises (SME's), especially with these new opportunities. Although more than half of employment rate and added value are related to the company in this countries, but they have not involved in export activities and international business considerable (1). The most important problems and obstacles of these companies lack the adequate resources and capacity, and complications related to the provision of services in international markets. Internet suggests set of economical and affordable ways to attract foreign customers and remove the obstacles by providing services and reducing costs related to geographic area (2). The use of the Internet for e-commerce associated with some obstacles and the problems. For example, in a research study conducted by the Organization Economic Development and Cooperation, there are two main reasons that managers of cooperatives do not use the Internet in business include the following:

- They are not familiar with this technology and its benefits
- Costs and security consideration (Ibid).

Despite these difficulties, in the research conducted by an international company in the market, it was shown that the share of small firms in e-commerce improved from 17% in 1997 to 30% in 2003. Development of electronic commerce in the worldwide has increase exports. According to statistics provided by the company Forrester (2000), the rate of world exports in 2004 reached \$1.4 trillion. Export companies are increasingly trying to identify the potential of the Internet to strengthen existing export activities or finding new customers to export their products. Report of UNCTAD (2002) shows that According to research conducted in 37 developing countries 70% of them knowledge of thee-commerce strategy have been observed as a first priority for development. According to the Ministry of Commerce (2004) report, Iran country has been emphasis in this matter to reach a desired situation. The purpose of this study was to evaluate the benefits of adopting e-commerce in small and medium organizations.

### **METHODOLOGY**

This study was conducted using descriptive method. Data gathered by documents, books, dissertations and Internet search. The overall objective of this study was to investigate the role of cooperatives in the adoption of e-business. In order to achieve these overall objective, cooperatives was defined and then, types of cooperatives, their functions, the obstacles facing cooperatives for the adoption and the importance of cooperatives in adoption electronic commerce were examined. Finally, based on the results, recommendations suggested.

## RESULT

### DEFINITION OF COOPERATIVE

Cooperation and participation in Iran have the great antiquity and Participation is part of Iranian traditional culture. Words such as cooperation, Yavari, Sahra, Boneh and Shirvareh from ancient times, indicating cooperation, collaboration and the mass of the population.

These partnerships are in order to save on labor and lowering costs and eliminating waste, raise the defense in insecure areas, reducing hard work and create intimacy between people in the tribe. Participation between people leads to cooperation in livestock, pasture management, agriculture, migration and social issues among the population. Doyen has been elected from tribe and created Intellectual and practical preparation for participation between subject using his self-authority in the rural community. In fact, the cooperation sector is one of the three sectors of the economy in Iran. In 43 and 44 points of the law has stated that the country's economy is based on three public, cooperative and private sector. In order to achieve objectives such as providing economic independence, eradication of poverty and deprivation, and fulfilling human needs and provide working conditions for all in order to achieve full employment and prevent the government sector decentralization, cooperation sector has been established (5). One of the goals flaw in Iran is public participation in determining their political, economic, social and cultural fate. Cooperatives exactly step in the same direction, and have a large share in the broad public participation in social and economic affairs (6).

### TYPES OF PRODUCTION COOPERATIVES IN IRAN AND THEIR WORKS

By virtue of point 26 of the Law on Cooperatives sector of Islamic Republic's economy and its rider, production cooperatives act in matters relating to agriculture, animal husbandry, farming and fishing, fisheries, industry, mining, construction urban, rural and tribal construction and etc (7). Production cooperatives are including 6 groups' agriculture, manufacturing, supply manufacturers, mining, hand carpet and construct cooperative. Agricultural cooperatives with 17 trends, industry with 8 trends, mining with 2 trends, hand carpet with 2 trends, Producers supply with 2 trends and construct with 2 trends constitute 33 major trends that in every tendency those include several activities like handicrafts that about 300 activities have been defined in this group. 46.45% of all cooperatives in Iran act in production cooperatives and 32.47% of the job opportunities created by these cooperatives. Today, By virtue of point 26 of the Law on Cooperatives sector of Islamic Republic's economy and its rider, Agricultural and horticulture cooperatives with 17 trends act in production cooperatives. 21.5% of cooperatives in Iran act in part of the agricultural cooperatives that are included 30,206 cooperatives. According to the notification of the General Policies of 44 point of the Law and Benefits specified of cooperatives in the cooperation organization the most advantage of reform production units in cooperative organizations are controlling regional markets by producers' cooperatives and promote products export production [7].

TABLE 1: TYPE OF ACTIVITY, NUMBER OF PRODUCTIVE COOPERATIVES AND UNION (7)

THE PERCENT OF COOPERATIVE & UNIONS IN TOTAL	THE NUMBER OF COOPERATIVE & UNIONS	THE NUMBER OF UNIONS	THE NUMBER OF COOPERATIVE	ACTIVITIES	ROW
21.5	30374	168	30206	AGRICULTURE	1
17.7	25065	62	25003	INDUSTRIAL	2
2.1	3023	53	2980	PRODUCERS SUPPLY	3
2	2807	7	2800	CONSTRUCTIVE	4
1.8	2576	27	2539	CARPET	5
1.3	1883	15	1868	MINING	6
46.4	65738	342	65396	65738 THE TOTAL OF PRODUCTION UNIONS AND COOPERATIVES	

ADOPTION

Adoption means the acceptance, the continued use of a product, service or idea. According to Rogers (1983) consumers before acceptance of a product or service are over the knowledge, persuasion, and decision making and adaptation" steps (8). Therefore, the adoption of technological innovation includes the following items:

1. Knowledge
2. Encouraging
3. Decisions
4. Run
5. Compatibility

Potential adopters before making a decision to accept or reject innovation are over certain steps. Rogers (1995), one of the scholars who have focused on the adoption process define it as the process that an individual are over from prior knowledge of innovation to shape the vision for the decision to accept or reject new ideas and compatible with the decision [9]. Innovation adoption process described by Rogers (1995) is showing Fig 1.

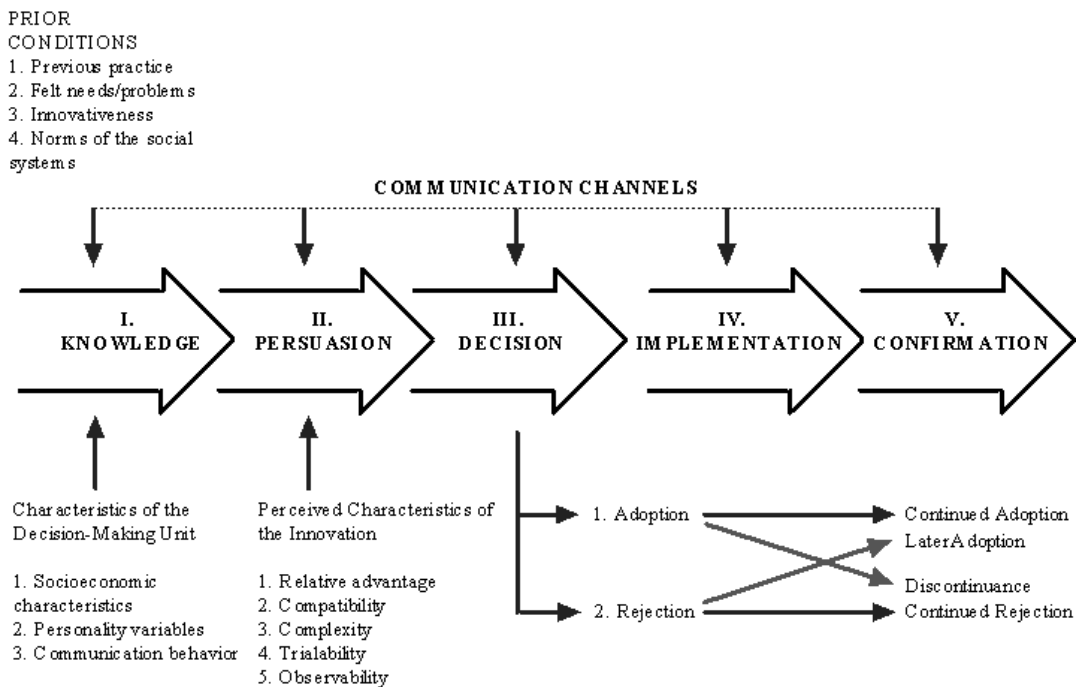


Fig1. A model of stages in the innovation decision process (9)

COOPERATIVES AND E-COMMERCE ADOPTION

Today the number of cooperative that provide products, services and information via email is growing rapidly at the world wide. The reason of 20-35% of the companies that have created a website is ability to reach new customers. The Canadian Federation of Independent business survey shows that SMEs in Canada are looking to exploit the Internet as a business tool. In the first half of 1999, 61% of businesses were connected to the Internet, which is almost twice the amount compared to the previous year. Companies often (each80%) use the Internet for e-mail and access to the business information but the advanced use of the Internet is at a lower level:

18% of companies are used a website for marketing and communications with remote areas, While 24 to31percentofsmall and medium businesses are more active than larger firms in the financial transactions via the Internet. Several studies show that information systems can be used to add value to the company. Heels and Duncobe (2001) refers to the way that firms in developing countries can create business by using information technology and information systems (2). Domaracki (2001)explains how differences in technology between large corporations do and small businesses are surmountable, and the gap becomes to bridge (2).Shopping by internet in the United Kingdom has grown almost 3 times faster than retail and online shopping in the United States. The recent study of the government point to appearance failure companies in successful implementation e-commerce. To check the online business in the UK, a study was conductedon12,000small and medium businesses in the UK and found that a relatively small number of

companies have taken considerable benefits from e-commerce and many companies have turned to the implementation of electronic commerce (10). The findings of this report indicate that:

- The great majority of companies (an average of about 66/69% across sectors), are placed at Level 1 or 2 on the adoption of e-commerce. Levels include: 1) e-mail 2) Website 3) E-commerce 4) E-Business 5) the evolved organization
- The primary technical focus on the use of external-mail and Web site information brochures such as data communication and information exchange;
- Only 20% of companies do online transactions;
- There is little evidence of complete acceptance of e-business.

Export small and medium enterprises must tend to attract Internet (11). Devins (1994) found that successful SMEs, to certain innovative activities including export. Hence, the SMEs that those are more innovative more likely to export and new technologies such as the Internet are more likely to accept (12). Poon and Swatman (1997) determined that business to local markets earn lower benefits than business with larger companies (13). Despite this expansion, it is reasonable to propose to exporters and international traders to use the internet. Traditionally, small businesses that wish to export are faced with a number of internal and external barriers. Experimental studies on the adoption of e-commerce in SMEs has been done (15). The results show that the full implementation of e-business solutions, still have not reached puberty in the most SMEs.

## CONCLUSION

E-commerce exchange between customers, partners and vendors, while e-business also includes operational elements that can be used in your businesses-commerce as business tool, has affected every part of the business model. All individuals involved in the business, such as competitors, customers, suppliers and government with e-commerce is affected. For the development of e-commerce framework supporting from information technology infrastructures is required. The following suggestions are offered:

- Because Internet skills and knowledge are the most important factors in the use of the Internet, training courses are recommended to use the Internet. Also employing experts for help users when they face with difficulties in using the Internet has a great effect.
- Improvement in communication channels to increase the penetration of the Internet and increasing connection speeds and available on the website by the in ability to filter out the site and remove barriers such as lack of Internet connection and high costs is recommended.
- Giving computer, installing appropriate systems of electricity and allocation of loans by the government to facilitate conditions for the use of Internet can be encouraged farmers and gardeners to use the Internet in business and marketing. So preparing infrastructure to using the Internet in the cooperatives is recommended.

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#### CITATION OF THIS ARTICLE

Masoomah S, Farhad L, Seyed M M, Maryam O, Najaf A .The Role of Cooperatives in the Adoption of e-commerce. Bull. Env. Pharmacol. Life Sci., Vol 4 [5] April 2015: 79-83