



AGRICULTURAL COOPERATIVES IN RURAL DEVELOPMENT AND COMBATING RURAL EXODUS IN MADAGASCAR: CHALLENGES AND OPPORTUNITIES – A REVIEW PAPER

Tolojanahary H. A.¹, Nazmoul², Rabehavana V. A.³

¹University of Mahajanga, Madagascar

²University of Antananarivo, Madagascar

³Institute of Management and Administration University, Mahajanga, Madagascar,
University of Mahajanga, Madagascar, Professor

ABSTRACT

This article reviews the implications, issues, and challenges of agricultural cooperatives in rural development and the fight against rural exodus in Madagascar, with a particular focus on the Itasy and Analamanga regions. By collectively organizing small producers and facilitating their access to markets, cooperatives strengthen the economic resilience and autonomy of rural communities. However, their impact is limited by several factors, including a lack of financing, competition with large agribusiness companies, and difficulties in retaining members. The primary objective of the study is to identify how agricultural cooperatives can promote sustainable rural development in Madagascar while overcoming these challenges. The research question focuses on how these organizations can enhance their resilience and effectiveness in an uncertain economic environment. The literature suggests that practices such as participatory governance, economic inclusion, and capacity building can improve member retention and cooperative sustainability. To maximize their potential, this study recommends strategic actions such as improving access to financing, developing institutional partnerships, and adopting technological innovations.

KEYWORDS: Agricultural cooperatives, rural development, rural exodus, Madagascar

INTRODUCTION

Madagascar's steady population growth has outpaced the available resources needed to meet the population's food demands. In addition, agricultural production has declined significantly, hindering the country's economic development. This population growth is also accompanied by significant rural-to-urban migration, which has led to overpopulation in cities, particularly Antananarivo, where demographic pressure is most intense (IOM, 2020).

Despite notable advancements in the agricultural sector, particularly in the Itasy region, a significant portion of the Malagasy population continues to live below the poverty line. Agricultural cooperatives, widely recognized for their ability to foster local development and improve living standards, have been encouraged in many developing countries (Touzard & Vandame, 2009; FAO, 2018). The effectiveness of cooperatives is defined by their capacity to achieve objectives aligned with cooperative principles (Jelocnik & al., 2017).

In Madagascar, the prevalence of informal and family-based entrepreneurial models has fostered the development of cooperative movements. Since 2010, agricultural cooperatives have gained increased promotion (Razafimanantsoa & al., 2020). Strengthened trade partnerships with foreign markets and improved access to regional and international markets have encouraged Madagascar to focus more on export-oriented products. However, the impact of cooperatives remains limited by several structural and contextual challenges, including restricted access to funding, competition from large agribusinesses, and difficulties in sustaining member engagement (Mugwagwa & al., 2021).

OBJECTIVES

This article presents a brief literature review aimed at identifying the main challenges faced by agricultural cooperatives and pinpointing the key success factors required for them to play a more effective role in rural development and the reduction of rural exodus in Madagascar. Focusing on two main regions of Madagascar—the Itasy region, where cooperative structures are more developed, and the Analamanga region, where markets are more accessible and relationships with economic actors are more favorable—it is structured around five themes: agricultural cooperatives as an organizational model, their contribution to rural development and the reduction of rural exodus, structural and financial challenges, member mobilization and engagement, and strategies for improvement to optimize their impact.

REVIEW OF LITERATURE

1. Agricultural Cooperatives: A Model of Collective Organization

The International Cooperative Alliance defines an agricultural cooperative as a collective enterprise owned and managed by farmers or agricultural producers, founded on the values of solidarity, equality, democracy, and equity (ICA, 2015). These organizations represent a model of social entrepreneurship that promotes economic autonomy and social cohesion, particularly in rural areas. By bringing producers together, cooperatives organize agricultural activities while building a resilient model for local development (Bosc & al., 2020).



Economic Benefits of Agricultural Cooperatives

According to stakeholder theory (Freeman, 1984), cooperatives create value by aligning the interests of various actors (members, clients, suppliers) and strengthening engagement around a shared mission (Ahrouch, 2011). Cooperatives enable small-scale farmers to pool their resources and access markets under more favorable conditions. By combining their production and negotiating collectively, they achieve better selling prices, thereby increasing farmers' incomes and making agriculture more attractive.

Social Cohesion and Participatory Governance

In addition to their economic benefits, cooperatives foster social cohesion by strengthening bonds between members and creating an environment of solidarity and mutual support (Kanyamurwa & Bbaale, 2021). Through participatory governance, cooperatives allow members to actively participate in decision-making processes, which enhances their sense of autonomy and belonging (Butcher & al., 2020).

This decentralized and participatory governance model, essential in unstable economic environments, is also highlighted by Mintzberg (1994) as a key factor for ensuring the sustainability of cooperatives. Inclusive governance promotes transparency and aligns members' interests (Mugwagwa & al., 2021). However, this approach is not without challenges. Internal conflicts and power imbalances can complicate its implementation (Granovetter, 1985). To succeed, cooperatives must maintain governance structures that are equitable and adapted to their local contexts (Mugwagwa & al., 2021).

Focus of agricultural cooperatives in Madagascar

In developing countries, particularly in Africa, agricultural cooperatives are recognized as crucial actors in promoting rural development and improving the livelihoods of small-scale farmers. In Madagascar, agricultural cooperatives play a major role in rural development. Among the 2,435 cooperatives in the primary sector, 400 operate in the Itasy region (La Vérité, 2023). These cooperatives enhance smallholder productivity by facilitating access to agricultural inputs as well as processing and distribution infrastructure (Randrianasolo & al., 2020). However, the Malagasy context amplifies challenges related to participatory governance. Economic disparities and power imbalances often hinder collective decision-making (Randrianasolo & al., 2020). It is crucial to implement governance structures tailored to local realities to ensure balanced representation and strengthen member loyalty (Berkes & Ross, 2013; Mugwagwa & al., 2021). By addressing these challenges, cooperatives can become powerful drivers of inclusive and sustainable growth in Madagascar.

2. Contributions to Rural Development and Combating Rural Exodus

Agricultural cooperatives play a key role in rural development by strengthening farmers' economic autonomy, creating local jobs, and utilizing available resources (ILO, 2013; Henehan et al., 2020). According to the FAO, they can revitalize rural economies, support food security, and promote sustainability through value chains based on environmentally friendly

farming practices and the promotion of local products. This approach is particularly relevant in regions like Itasy and Analamanga, where rural migration is often seen as the only viable economic option for many inhabitants (Rakotoarisoa & al., 2018).

Contribution to Reducing Rural Migration

By improving the quality of life in rural areas and offering attractive economic opportunities, agricultural cooperatives help limit rural migration, especially among young people (Bosc & al., 2020). They stabilize rural communities by creating stable jobs and increasing members' incomes. This dynamic reduces incentives to migrate to urban centers, as highlighted by a study by Kanyamurwa and Bbaale (2021) on sub-Saharan Africa, which is also applicable to Madagascar.

Rural migration is a complex phenomenon driven by various factors such as the lack of economic opportunities, poor living conditions, insufficient infrastructure, and the low attractiveness of agricultural professions for young people (Rakotoarisoa & al., 2018). However, agricultural cooperatives, by improving income prospects and diversifying economic activities (such as agriculture, crafts, and agro-industry), can offer viable alternatives and enhance the appeal of rural areas.

Building Capabilities and Social Well-Being

According to Amartya Sen, human development is based on individuals' "capability," which is their ability to choose and undertake actions that contribute to their well-being. Agricultural cooperatives align with this vision by expanding the options available to their members and improving their economic and social well-being. By strengthening the resilience of rural communities, cooperatives enable individuals to achieve economic empowerment while consolidating local social structures (Sen, 1999).

Sustainable Impact on Rural Areas

To maximize the impact of agricultural cooperatives in rural areas, it is crucial to prioritize income diversification and the development of local value chains while addressing the specific needs of youth and the broader rural population. By fostering an inclusive and solidarity-driven approach, agricultural cooperatives can significantly enhance the economic resilience of rural communities and play a pivotal role in reducing inequalities and alleviating poverty in these regions. As such, agricultural cooperatives emerge as indispensable actors in promoting sustainable rural development and curbing rural exodus.

3. Structural and Financial Obstacles

Although agricultural cooperatives in Madagascar play a significant role in the economy, they face substantial structural challenges, particularly when it comes to securing financing. Access to funding is crucial for the success and sustainability of these cooperatives. Unfortunately, these organizations often struggle to obtain loans at competitive rates due to the reluctance of banks to finance projects they consider risky or with low short-term profitability. This issue is even more pronounced in rural areas, where financial institutions are scarce or nonexistent, further limiting access to capital.



According to Barney (1991), the availability of resources is essential for maintaining a competitive advantage and ensuring long-term organizational sustainability. In Madagascar, many cooperatives suffer from underfunding, which hinders their ability to invest in modern equipment, diversify their activities, or expand their reach. This lack of financial support also limits their capacity to adopt more efficient farming methods or increase productivity, which in turn impacts their competitiveness. Rasolofo & al. (2019), Raza and Shahzad (2022) emphasize that without sufficient financial resources, cooperatives cannot fully realize their potential or contribute effectively to the local economy.

The World Bank has noted that limited access to financing remains one of the main obstacles to the growth and development of agricultural cooperatives in many developing countries, including Madagascar. In addition, local cooperatives face intense competition from large agribusinesses, which are better funded and have stronger distribution networks. These large companies have the resources to control significant portions of the market, leaving smaller cooperatives to struggle with limited means and reach (Mugwagwa & al., 2021).

Moreover, recent research points to the lack of institutional and financial support as a key factor preventing cooperatives from reaching their full potential in developing countries (Kanyamurwa & Bbaale, 2021). Concerning transaction cost theory, cooperatives would greatly benefit from state assistance to overcome the high transaction costs associated with purchasing inputs and marketing products (Williamson, 1985). Raza and Shahzad (2022) argue that introducing specialized financing mechanisms, such as microcredits tailored for cooperatives, could enhance their financial resilience, enabling them to better compete and grow. Therefore, the establishment of a more supportive financial and institutional framework is essential for the success and sustainability of agricultural cooperatives in Madagascar and similar developing nations.

4. Member Retention and Engagement Challenges

Member retention is crucial to the success of cooperatives. However, maintaining member engagement is a major challenge for cooperatives. In the face of economic instability and a lack of opportunities, members may be tempted to withdraw from the cooperative in search of better prospects (March & Simon, 1958; Granovetter, 1985). According to USAID report (2024), training programs, member support services, and participatory governance can help strengthen member engagement. This volatility undermines the stability of the cooperative and prevents it from developing a sustainable growth strategy.

Moreover, Granovetter (1985) emphasizes that social networks and "social solidarity" play a fundamental role in the stability of organizations; thus, building strong relationships and a shared identity within the cooperative is essential to ensure long-term member commitment. Skills and capacity building, training and empowering members are key factors in strengthening their engagement and reducing turnover to other sectors. By enhancing their skills and valuing their

contributions, cooperatives can improve member motivation and foster a strong culture of cooperation. This approach helps them withstand external pressures, ensuring its long-term sustainability and unity. A sense of recognition and competence boosts commitment, which in turn reduces turnover and strengthens internal solidarity.

The study by Mugwagwa and al. (2021) shows that developing strong social networks and trust-based relationships within cooperatives can also play a significant role in retention. Indeed, member involvement and strengthening collective identity help limit departures and consolidate organizational cohesion (Bosc & al., 2020). Thus, implementing training and mentoring programs is crucial for strengthening resilience and ensuring long-term member engagement. According to Henehan and al. (2020), training and continuous skills improvement are effective strategies to reinforce member engagement and their sense of belonging.

5. Strategies to Strengthen Cooperatives' Role

In order to optimize the impact of agricultural cooperatives on rural development and reducing rural exodus, targeted and structured actions are essential. Rogers' theory of the diffusion of innovation (2003) provides guidelines for introducing new agricultural and technological practices that can increase productivity and make the agricultural sector more attractive to younger generations.

Additionally, forming partnerships with financial institutions and NGOs could improve access to funding for cooperatives (Drucker, 1985; Butcher & al., 2020). Agricultural cooperatives must also develop strategies to raise funds, including through participatory financing, partnerships with non-government organizations, or public grants. Besides, strengthening partnerships with governmental institutions and international organizations is crucial to facilitate access to markets and the construction of infrastructure in rural areas (Raza and Shahzad, 2022).

North (1990) emphasizes the importance of institutions for economic development: an institutional framework that supports cooperatives can transform them into drivers of local development. Moreover, the establishment of institutional support structures is essential for capacity building, thus contributing to the competitiveness of cooperatives in the face of large agro-food companies (Kanyamurwa and Bbaale, 2021).

Therefore, public policies play a central role in the development and consolidation of agricultural cooperatives. The lack of appropriate support policies, such as the establishment of favorable legal frameworks, access to financing, or improvements in rural infrastructure, is a major barrier to the effectiveness of cooperatives.

CONCLUSION

Agricultural cooperatives offer a potential solution to the challenges of rural development and rural exodus in Madagascar. However, to enhance their impact, it is crucial to address the financial, structural, and organizational barriers that hinder their effectiveness. Strategies for retaining members, improving access to financing, and fostering innovation are



essential to strengthen these cooperatives. A framework that incorporates insights from resource theory, participatory governance, innovation diffusion and capacity building could provide strong support for cooperatives, helping them fulfill their role as key drivers of rural development.

REFERENCES

- Ahrouch, S. (2011), "Cooperatives in Morocco: Issues and Developments. *International Review of Social Economy*, 90(322), P23.
- Barney. J. B. (1991), "Firm Resources and Sustained Competitive Advantage," *Journal of Management*, 17(1), p.p: 99-120.
- Berkes. F. & Ross. H. (2013), "Community Resilience: Toward an Integrated Approach," *Society & Natural Resources*, 26(1), p.p: 5-20.
- Bosc. P.M., Séguy. C., Sourisseau. J.-M. & Losch. B. (2020), "Agricultural Cooperatives: Key Actors in Rural Development, *International Review*," *Rural Economy*, 72(3), p.p : 123-142.
- Butcher. J., Pearson. M. & Patel. V. (2020), "Rural Cooperatives in the Global South: Enhancing Rural Development," *Journal of Development Studies*, 58(2), p.p: 189-205. DOI : 10.1080/00220388.2019.1650173
- Collins. J.C. & Porras. J.I. (1994), "Built to Last: Successful Habits of Visionary Companies," Harper Business.
- De Herde, V., Baret, P. V., & Maréchal, K. (2020), "Coexistence of cooperative models as structural answer to lock-ins in diversification pathways: the case of the Walloon dairy sector," *Frontiers in Sustainable Food Systems*, 4, 584542.
- Drucker. P.F. (1985), "Innovation and Entrepreneurship: Practice and Principles," Harper & Row.
- FAO. (2015), "Agriculture in Madagascar: Overview and Challenges," FAO Publications - <http://www.fao.org/home/fr/>
- Freeman. R. E. (1984), "Strategic Management: A Stakeholder Approach," Pitman.
- Granovetter. M. (1985), "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology*, 91(3), p.p: 481-510. DOI: 10.1086/228311
- Henehan. B., Liang. T., & Diao. W. (2020), "Cooperative Governance in Developing Countries: Challenges and Opportunities," *Agricultural Economics Review*, 58(4), p.p: 211-226.
- ICA. (1995), "Declaration: Identity of cooperative," *International Cooperative Alliance* - <https://www.ica.coop/fr>
- ILO. (2013), "Cooperatives and Rural Development," *International Labor Office*.
- IOM. (2020), *The world migration report*, International Organization for Migration, - <https://worldmigrationreport.iom.int/>
- Jeločnik, M., Kovačević, V., Subić, J. (2017), "Co-operatives as an element of entrepreneurship development in Serbian agriculture," In: *Development of entrepreneurship: Horizons of growth, proceedings, International scientific and practical conference, Stavropol State Agrarian University, Stavropol, Russia*, pp. 11-22
- Kanyamurwa, J.M., & Bbaale, E. (2021). Strengthening Cooperative Societies in Africa: Perspectives on Inclusive Development. *African Journal of Business Management*, 15(4), p.p: 118-135. DOI: 10.5897/AJBM2021.9243
- La rédaction. (2023), "Coopératives: Les voyants au vert pour les petits producteurs agricoles," *La vérité. Madagascar*. Presse.
- March, J.G., & Simon, H.A. (1958). « Organizations ». Wiley
- MIC. (2024), *Ministry of Industry and Commerce of Madagascar* - <https://www.micc.gov.mg>
- Mintzberg, H. (1994). *The Rise and Fall of Strategic Planning*. Free Press.
- Mugwagwa, T., Thompson, C., & Chingombe, A. (2021). Challenges Faced by Agricultural Cooperatives in Sub-Saharan Africa. *Journal of Rural Studies*, 84, p.p: 34-45. DOI: 10.1016/j.jrurstud.2021.03.002
- North, D. C. (1990). "Institutions, Institutional Change and Economic Performance," Cambridge University Press.
- Organisation internationale pour les migrations (OIM), 2020. 2019-2020 Intégrer la migration au développement rural et urbain - Rapport d'évaluation : Madagascar. OIM. Bruxelles.
- OIT. (2013). « Rapport sur le travail dans le monde 2013 : Restaurer le tissu économique et social ».
- Randrianasolo. H. (2021), "Dynamique des coopératives et développement rural à Madagascar," *Études Malgaches sur le Développement Rural*, 54(2), p.p: 90-105
- Rakotoarisoa. J., Randrianasolo. H. & Andrianarisoa. R. (2018), "Analyse des dynamiques rurales et de l'exode rural à Madagascar," *Etudes Malgaches sur le Développement Rural*, 52(1), p.p: 87-103.
- Raza. S. & Shahzad. A. (2022), "Financial Barriers for Agricultural Cooperatives in Developing Countries," *International Journal of Agricultural Economics*, 93(1), p.p: 1-15. DOI: 10.1002/agr.21745
- Razafimanantsoa T.D., Rakotoarivelo M., Rahelizatovo N.C., Ranaivoson R.E., Ramananarivo R. (2020), "Cooperative Members: Promising Organizational Commitments," *Research for Development*, SHS N°13 P7-28.
- Touzard. J.-M. & Vandame. R. (2009). "Cooperatives as a tool for sustainable development : the case of beekeeper cooperatives in Mexico and Guatemala," *Social economic in the world*. RECMA.
- USAID. (2024), *US Agency for International Development*, - <https://www.usaid.gov/fr>
- Williamson. O. E. (1985), "The Economic Institutions of Capitalism," Free Press
- World Bank. (20), "Agricultural," - <https://www.banquemonddiale.org/fr>