

Farmers' Cooperative Members' Perception on Agency Problems and Its Impact on their Satisfaction in Ethiopia:

The Moderating Role of members' Participation on cooperative governance

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Abstract:

If smallholder farmers market their produce individually, they may incur significant losses from their buyers, agricultural inputs suppliers, and general service providers. However, farmers' cooperatives can solve this problem by bringing institutional change, and they are leading solutions compared to other businesses. However, the existing cooperatives still did not fill members' satisfaction according to members' expectation and Ethiopian cooperatives are not exceptional. The prior research identified different evidence for the dissatisfaction of cooperative members. Among the reasons, member perception on agency problems is one of them; even though the researchers identified such issues, the cooperatives did not treated according to their unique nature rather similarly with investor owned firms (IOFs). Therefore the purpose of this study is to reconcile these gaps; hence it explored members' perception on agency problem and its impact on cooperative members' satisfaction in Ethiopian agricultural cooperatives. The results confirm that members' satisfaction on cooperative governance has significant relationship with members' perception on agency problems in Ethiopia. This study also provides evidence that members' participation on cooperative governance moderate the relationship between perceived agency problems and cooperative members' satisfaction on their cooperative governance in Ethiopia. Agency theory was underpin to understand the concepts; this study used the explanatory approach of research and used a cross sectional design for data collection and analysis. For the purpose of this study, the sample cooperative unions and primary cooperatives were chosen purposively however the sample 201 individual members chosen randomly and it consisted of 4 cooperative unions and 67 primary cooperatives found in Ethiopia. Hierarchal multiple regressions used to analyze the quantitative data to confirm or reject the hypothesis.



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I. INTRODUCTION

1.1. Background of the research

Ethiopia's economy is based on agriculture and covers half of GDP; it also covers 83.9% of exports and 80% of job creation in the country. As a result, agricultural production in the country is significant, but most of it is produced by smallholder farmers, including exported agricultural products. Of the 51.3 million hectares of arable land in the country, 45% hectare is cultivated by smallholder farmers. Out of these small holder farms, more than 50 percent are on one hectare or less (MOA,). As a result, farmers on small and fragmented farms do not benefit from the price they receive from their buyers, agricultural inputs, and service providers in general when they sell their produce separately. Lack of information, lack of credit, high transaction costs, low capital, and other factors make farmers less profitable if they sell their produce individually. However, because agricultural cooperatives are an institutional innovation, it is only the farmers' cooperatives that can solve these listed problems that cannot be solved by other businesses (Spielman, Seyoum Taffesse, & Gabre-Madhin, 2010; Bosc et al., 2002; Rondot & Collion, 2001). Among other businesses, the volunteer farmers' cooperatives provide a variety of information for their members to form a cooperative and grow their economy. Therefore, in order for members to be profitable and increase their income, to reduce transaction cost, to get different type of service, they need to be involved or participated in both the marketing of agricultural inputs and the marketing of agricultural out puts.

Cooperatives, as self-help organizations and economic enterprises, have been contributing significantly to the growth and development of the socio-economy. Over the years, cooperatives have been working effectively to create rural-centered businesses, serve the community, and create social cohesion. With their concern for their members and the local communities, they symbolize a model of economic enterprise that places high consideration for democratic and human values and concern for the environment. As the world today challenged by increased insecurity of food supply, unstable financial systems, rapid climate change, growing inequality worldwide, and increased environmental degradation, it is increasingly undeniable to consider the model of economic enterprise that cooperatives offer. The cooperative sector, particularly in developing countries like Ethiopia, also presents itself as an essential element that can contribute to the realization of the Millennium Development Goals (MDGs) by 2015. In principle, these cooperatives are owned and democratically controlled by their members, with each making contributions for the operations of the cooperative and accepting a fair share of the associated risks and benefits (ICA, 2014). Despite their voluntary nature, the governance challenges associated with cooperatives operating effectively to attain the economic and social objectives for which they were established are as crucial for cooperatives as for any corporation, private firm, public agency, or other association. Good governance of a cooperative primarily concerns proper management. Through adherence in its operations and management to a set of agreed-upon norms and procedures, the cooperative is better managed and better able to provide the benefits that its members expect (Hannan, 2014a, 2014b). Four dimensions are commonly identified as being necessary for good governance: accountability, predictability, transparency, and participation (ADB, 1995; Brautigam, 1992). If the management capacity of an agricultural cooperative is deficient along any of these dimensions, the cooperative is unlikely to attain reliably the objectives for which its members established it. Since the 1960s as a result of comprehensive agricultural development programs in Ethiopia, formal agricultural cooperatives are growing in terms of number and membership size, including diversified agricultural activities.

Currently the number of farmer's cooperatives in Ethiopia is increasing rapidly, and accordingly, they have a great role or contribution to the agriculture sector; for example out of the total agricultural input which is distributed in the country, 98.5% is distributed by these farmers cooperatives, aggregation of small holder farmers' product and supplying it for international and national markets, agro processing, saving and credit service for their members and nonmembers are the major activities of the cooperatives. Including economic benefit different reports, such as Emana and Nigussie (2011) and FCA (2015) stated that agricultural cooperatives also perform a wide range of social activities. Cooperatives also participate in awareness creation, provision of good social protection for employees, and in creating a joint voicing mechanism for the rural and scattered people. In general cooperatives are playing social cohesion and economic empowerment role in the country and they are linking the farmers with international markets. (Ministry of Agriculture, Federal Cooperative Agency / MoA, and FCA/, 2019).

Based on this, currently, more than 21 million peoples are affiliated to different types of cooperatives. There are 89 thousand primary cooperatives, 388 cooperative unions and four cooperative federations offering various services for members and non members in the Ethiopia. The growing purpose and performance of farmer cooperatives have got much academic attention in different countries. However, the growth of farmers cooperative also results in its drawback, because the increased member size and geographical distant creates member heterogeneity. According to Ostrom and Varughese (2001), due to the size of the cooperative the interests of members differ, attaining self-governing mechanisms to common-pool resource problems is mainly challenging and it will leads to conflicts of interest between cooperative members and cooperative management team who were assigned to overlook the farmer cooperatives as the whole and finally the members dissatisfied on their cooperatives. Hence, this study examined farmers' cooperative satisfaction factors through their perception on agency problems.

1.2. Motivations of the study

Collective action groups, in particular, modern cooperatives, have gained due attention in development discourse and programs designed for poverty reduction in Ethiopia (Emana 2012). since agriculture, which is dominated by smallholder farmers, determines the growth of all other sectors and consequently of the entire economy in Ethiopia (Gebre-selassie and Bekele 2012, MoA 2012); due to this the number of farmers' cooperatives in the country are grown repeatedly; Though the current situation pointed this fact, accordingly their increased number, farmers' cooperative members are not yet satisfied on the offering services by their cooperative . (Zena Menbereleul Chernet and ,Genet Gebre Tirfe 2019 (Zena Menbereleul Chernet and ,Genet Gebre Tirfe 2019) conducted a survey research on Damota Farmers cooperative Union, it revealed that agricultural cooperatives societies in Ethiopia are incompetent to aggregate and to provide farmers agricultural product for international and national markets, because of this, members sale their product to local traders by list price; Hence different researchers particularly on the growing of cooperative in terms of size and membership, they identified different reasons for these problems. In context of the increasing distance between farmers' cooperative members and management, as well as the membership's increasing heterogeneity, they distinguished different type of principal (member)- agent(management team) problems or agency problems which can be affect principals' satisfaction.(Höhler and Kühl 2018 ,Cook and Iliopoulos, 2000; Fulton and Giannakas, 2001; Hendrikse, 2007, Gray & Duffey, 1996, Hogeland, 2006, Todd Benson,2014, Dhananjay Apparao, Elena Garnevaska, Nicola Shadbolt, 2019 . perspective to cooperative performance and the satisfaction of member, commitment, trust, , participation, and member

attitudes and expectations have gotten a lot of academic attention. Due to the changing structure and behavior of farmer cooperatives. According to Grashuis and Su,(2019). a latest empirical analysis has highlighted evidence of the relationships between trust and satisfaction (relationships) (Geyskens and Steenkamp, 2000; Lee et al., 2008; Rodriguez et al., 2006; Lee et al., 2008). Morrow et al., 2004) Hansen et al., 2002; Hansen et al., 2002, long-term commitment satisfaction (Barraud-Didier et al., 2012), Cechin et al. (2013) related involvement and communication to commitment (Arcas- Lario et al., 2014; Hernandez-Espallardo et al., 2012), According to Höhler and Kühl (2018),the increasing of organizational size and number of farmer or agricultural cooperatives result in heterogeneity in member attitudes and perceptions. As agricultural cooperatives grow in size, the connection between members and management teams in terms of meeting and dialog opportunities tends to widen. As a result, when the member group grows, it becomes more difficult for the management team to "sense" members' desires and needs and work toward maximizing the cooperative's and its members' long-term well-being (e.g. Cook and Iliopoulos, 2000; Fulton and Giannakas, 2001; Hendrikse, 2007). This trend could eventually direct to a condition where members believe management teams aren't looking out for their best interests. And it result in principal- agent relation problems or agency problems then dissatisfied cooperative members. However, the previous researches whether conducted in Ethiopia farmers' cooperative or in others, the issues of members' perception of agency problem and how it affects members' satisfaction in farmers' cooperatives are under-researched; As democratic organizations, cooperatives rely on support from their members to achieve their distinct identity. Members are an essential part of any cooperative organization, according to Hakelius (1996), and their active involvement in and loyalty to the cooperative are crucial to its success and member satisfaction. A cooperative would be no different from any other business unit if its members' involvement is limited to economic patronage only. Hence the role of members' participation on cooperative governance and its influence on the relationship between agency problem and members' trust in the management team (manager and board members) and also members commitment to their cooperative is have not been adequately dealt with. Hence this study necessary to full fill these research gaps.

2. LITRATURE RIVEW

Theoretical underpinnings

One characteristic of agricultural cooperatives is the peculiar relationship of the organization with its members, because these are simultaneously the owners, users (buyers and sellers), controllers, and beneficiaries (Nilsson, 1996). Such complexity makes it possible to study this relationship from different points of view: like Agency Theory, Transaction Costs Theory, and Rela. Agency theory perspective to corporate governance and cooperative governance Agency theory is an appropriate framework to examine the relationships in any firm and, therefore, in agricultural cooperatives. The concept on which this theory is based on the «agency relationship». This relationship is defined as «an agreement under which one or more persons (the principal/s) engage another person (the agent) to perform some service on their behalf, which involves delegating some decision making authority to the agent» (Jensen and Meckling, 1976).

If both parts of the relationship are utility maximizes, act rationally and form unbiased expectations of the impact of the agency relationships in their utility function, then agents will try to reach their objectives, which may or may not coincide with those of the principal (Barnea *et al.*, 1985). This issue will provoke agency conflicts. However, agency problems will arise when, in addition to the conflict of objectives between the principal and the agent, there

is information asymmetry between them. If a conflict of objectives takes place, but the principal has perfect information on the agent's performances, the loss of efficiency can be overcome by the principal including in the contract the performances that the agent should carry out, as well as checking if the agent has followed instructions, with the possibility of including penalties in case of breach of contract. The agency costs are the sum of (Jensen and Meckling, 1976): 1) Monitoring expenditures: the principal will limit the autonomy of the agent by installing controls, maintaining registrations, establishing budgetary limits, making direct supervision, using payment systems to condition the agent's incentives, etc. 2) Bonding costs: agents can voluntarily accept clauses in their contracts restricting their discretion; these restrictions may cause additional costs, for example, costs associated with profitable investments that may be rejected, the direct cost associated with the formalization of the contract, and so on. 3) Residual loss. As previously mentioned, the assumption of an absence of separation between ownership and control, and the fact that previous research has focused on large quoted firms, means that small attention has been given to cooperatives in the corporate governance literature. However, it cannot be assumed that there is no separation of ownership and control in a cooperative, especially when the number of members of the cooperative increases (Morales, 2004). Thus, it would appear to be a mistake to overlook the separation of ownership and control in cooperatives.

In large quoted firms, it is usually assumed that shareholders have a common objective, maximizing the firm's market value, which conflicts with maximizing the managers' utility function. However, as pointed out by Hansmann (1996), given that members in the cooperative may play different roles simultaneously (owners, buyers and sellers, controllers, and beneficiaries), they may also have very diverse objectives. Avoiding the costs derived from decision-taking in a collective way may be the main reason why members usually delegate day-to-day decisions to managers. Therefore, cooperatives face two problems. On the one hand, in most cooperatives, the administration is delegated to managers or professional agents. In another way, the multiplicity of objectives that members may have meant the objectives of the organization are not well defined, and managers' discretion increases, making it more probable that they adopt decisions that useful for themselves to the detriment of members. In addition, as pointed out by Tirole (2001) and Orellana (2002), the multiplicity of objectives makes it much more difficult to establish incentives and control mechanisms that minimize conflicts between members and managers. As previously mentioned, cooperatives can be fitted with managers and other salaried staff managers. In this case, cooperative would be classified pertaining to a dualist structure. As highlighted by Rodríguez and Mozas (2003) and Mozas (2004), the various laws pertaining to cooperatives that allow them not only to have a dualist structure but also a monist structure, characterized this last one by a lack of professional managers. In both structures, it is the members, in general assemblies, who decide on the strategies to be adopted. Further, to the general assemblies, the elected board is charged with carrying out these decisions.

However, in the monist structure, there are no professional managers to advise the elected board and the members' assembly on the advantages or disadvantages of a particular strategic decision. It is, therefore, up to the members and the elected board to manage the cooperative themselves. Following Fama and Jensen (1983), the decision process has four steps: 1) *initiation*, which is the generation of proposals for resource utilization and structuring of contracts; 2) *ratification*, that it is the choice of decision initiatives to be implemented; 3) *implementation* or execution of ratified decisions, and 4) *monitoring* or measuring the performance of decisions agents and implementation rewards.

The first and third steps are considered as *decision* management, whether the second and fourth are considered as *control* steps. The formal control of the decisions in the case of the cooperative enterprise always lies with the partners and is vested in the general assembly under the principle of democracy (one man, one vote). The first and third stages are the responsibility of the board. However, if the cooperative opts for a dual structure, management can be delegated to management, appearing an agency relationship (Salazar and Galve, 2010).

There are two main reasons why professional managers have increased their power in recent times (Chaves and Fajardo, 2004a,b). On the one hand, there are technical and economic reasons, and on the other hand, there are organizational reasons. The technical and economic reasons are due to the nature of the business activity, which makes increases the demand for professional administrators with skill and competences to run a business. The organizational reason for this phenomenon is the growing dispersion of shareholders and the fragmentation of holdings among small shareholders. Particular characteristics of social economy managers depend on two main aspects: their economic interests and their managerial culture. Focusing on their managerial culture, Davis (2004) considers two main managing types: the business school managers and the social economy managers. As pointed by Chaves and Sajardo (2004a,b), compared to business school managers: «social economy managers are characterized by being sharers and carriers of the culture of the social economy sector. They are aware of (and share) the cultural baggage of the social economy as well as its specific operational methods and social project of the social economy company in which they work. Their value system and ethics are akin to those of the social economy and conflict with those of the business school manager.

Corporate governance control mechanisms are designed to align the interests of owners and managers of firms. Problems associated with the governance of cooperatives have been tackled with less intensity and a certain delay relative to capitalist firms. Most studies on this subject agree that problems on cooperatives are more complicated due to the fact that there are more players relative to capitalist firms and, in addition, some of them assume more of a role. In fact, although some studies suggest that in the cooperatives there is no separation between ownership and control and, therefore, conflict does not exist (Hansmann, 1988), other studies such as Spear (2004a,b) put the emphasis in the limitations of the cooperative members to influence the behaviour of managers, to the point of concluding that in such companies the discretionally of the managers is larger than in capitalist firms. Literature usually classifies control mechanisms for Inc. corporations as either internal or external to the firm. Internal control mechanisms, which include the ownership structure of the firm, boards of directors, and compensation systems, are particularly important when markets, and hence external control mechanisms, are less well developed.

Focusing on cooperatives, the market for corporate control, which is the main external control mechanism, does not work due to the non-possibility of transmission of residual rights. Thus, in cooperatives, the only control mechanisms working are internal to the firm. For this reason, this classification is not usually employed in cooperatives. An alternative to that classification is the one proposed by Coque (2003, 2008), which classifies corporate governance mechanisms for cooperatives into direct and indirect mechanisms. The direct mechanisms are related to information and decision flows, including the participation in the internal organization of the cooperative through the election of the positions in the General Assembly and on the other established democratic processes, and control, both ex-ante and ex-post, to prevent managers adversely affects the interests of members. The indirect

mechanisms are related to real and financial flows; for example, to what extent members would use the services of the cooperative against the alternative use of those offered by competitors. To reduce the agency conflicts in cooperatives, it might be interesting to include external directors in the board (Fama and Jensen, 1983), create a payment system connected with member objectives (Jensen, 1994), the separation of the common capital to encourage the supervision (Jensen and Meckling, 1976), to establish a secondary market in order to increase the information about the cooperative and to facilitate the entrance and leaving of members (Easterbrook, 1984).

Cooperative Member satisfaction

According to the generally accepted definition of satisfaction in business relationships, a member's satisfaction with the co-operative is a positive affective state resulting from the appraisal of all aspects of the working relationship with the co-operative (Hansen, Morrow and Batista, 2002). The concept of satisfaction with the co-operative is consistent with measurements of the relationship's performance found in the literature (e.g. Arcas-Lario and Hernandez-Espallardo, 2003). While the empirical literature on cooperative performance is dominated by a financial perspective (Grashuis and Su, 2019), however member satisfaction is another possible indicator (Franken and Cook, 2015). Satisfaction is the product of a positive impact of the cooperative on the utility of the member, whether it is manifested by improved price, product quality, input access, or some other variable. Satisfaction is not only indicative of perceived impact in period t but also predictive of member behavior in period $t+1$. For example, Hernandez-Espallardo *et al.* (2012) and Arcas-Lario *et al.* (2014) found evidence of member satisfaction having a significant and positive relationship to the intention to continue membership, which we describe as a long-term commitment. Considering the importance of supply and equity contributions, long-term commitment to the cooperative is possibly an important indicator of its future viability or survival probability. In contrast to investor-owned firms (IOFs) that are operated in the interests of investors, cooperatives are member-owned, member-controlled and working for the benefit of producer-members (James and Sykuta 2005). Therefore, many scholars agree that the assessment of the performance of cooperatives must not be limited to a simple analysis of usual financial ratios (i.e. solvency, efficiency, liquidity and profitability) (Lerman and Parliament 1991; Pratt 1998; Hind 1998). Because such type of performance result in only economic satisfaction for cooperative members;

Economic satisfaction involves satisfaction with incentives and benefits of suppliers (Ting, 2011). The incentives and benefits include financial performance, sales goals (Geyskens *et al.*, 1999; Sanzo *et al.*, 2003; Ting, 2011), growth in the number of clients (Rodriguez *et al.*, 2006), goal achievement, partnership effectiveness, productivity and other economic rewards (Ting, 2011). The vital importance of economic satisfaction is pointed out by Coughlan *et al.* (2001) and Håkansson and Persson (2004). Coughlan *et al.* (2001, p. 202) state that, economic satisfaction is the prime reason why firms engage in exchange with other firms as , each channel member is seeking its own profit. The conceptual model in this study does not include a direct link between economic satisfaction and non-economic satisfaction. Some research supports the argument that economic satisfaction may directly and positively affect non-economic satisfaction (Rodriguez *et al.*, 2006; Farrelly and Quester, 2005). However, the research that includes mediating variables does not have a direct link to between economic satisfaction and non-economic satisfaction (Geyskens *et al.*, 1999; Jiang *et al.*, 2009). Like Nyaga *et al.* (2010), we position to trust and commitment as key mediators between agency problem and satisfaction; and we will treat economic and non- economic satisfaction as an outcome. A business relationship explained by a high level of economic satisfaction is not necessarily characterized by a high level of non-economic satisfaction, but there is a need or

requirement for some additional characteristic between them. High economic satisfaction may generate trust and commitment, but also opportunism and conflict when the level of economic satisfaction is low. This is supported by Ting (2011) who categorizes non-economic satisfaction, benevolence/integrity trust (key aspects of most trust scales) and affective/normative commitment (key aspects of most commitment scales) as variables of the process domain or social resources. In contrast, the categorization of economic satisfaction is part of the outcome domain or economic resources. Drawing from three different theories, Ting's (2011) main premise is that relationships among variables are stronger if they are from the same domain, which would support the separation of economic satisfaction from the relationship-oriented constructs of trust, commitment and non-economic satisfaction.

First, based on the principle of resource exchange, the process domain variables are social resources, and the outcome domain variables are economic resources. Manufacturers who provide suppliers with economic resources (social resources) would expect economic resources (social resources) in return. Therefore, exchanges that involve variables in the same domain would have closer associations. Second, based on the principle of mental accounting, people categorize different resources into different (mental) accounts that are not necessarily interchangeable, thus producing different effects. An example is that if a manufacturer finds that a supplier is overcharging compared to others, the manufacturer will expect a discount on the price (an economic resource) and not just an apology (a social resource). Finally, based on prospect theory, people apply different weights according to the mental value they assign to a resource. If a manufacturer is dealing with insufficient resources from a supplier, the supplier must compensate with the same resource that is lacking or a resource with comparable weight, providing the manufacturer with a fair level of utility in the relationship. In sum, all three of these theories support the position that economic satisfaction is in a distinct conceptual domain (i.e. the economic domain) and should be separated in a model that includes variables from the social domain (e.g. trust, commitment and non-economic satisfaction).

Due to this, it must be borne in mind that cooperatives should give priority to maximizing both economic and non economic satisfaction of their members, by offering a list of services that can create a state of well-being for their associates, and that the criteria of success go beyond simply optimizing profitability (Michelsen 1994). Hence, members' satisfaction with their cooperative is increasingly used by researchers as a measure of the success or performance of such organizations (Sayers et al. 1996; Hansen et al. 2002). Satisfaction influences the desire to continue as a cooperative member and thus, the survival of the cooperative as a functioning organisation (Hernández-Espallardo et al. 2013).

Opportunism behavior and cooperatives

Opportunism is an important management concept and has received great attention from researchers (Chung and Jin, 2011; Ting et al., 2007; Ono and Kubo, 2009). Opportunism is the central concept in the study of transaction costs. Transaction cost analysis holds that an individual would behave opportunistically when such behavior is both feasible and beneficial (John, 1984). The consequences of opportunism include organizational performance, overall satisfaction, relationship, commitment, functional conflict, and costs. Although opportunistic behavior may initially increase outcomes for the opportunistic party, it impedes value creation and decreases revenues for both parties in a relationship (Wathne and Heide, 2000). Opportunism exerts a negative impact on organizational performance, whether the performance measure is cost-based, revenue-based, or overall business-based (Luo, 2007a, b). Skarmeas et al. (2002) also find that a greater level of partner opportunism is related to a lower level of commitment to the bilateral relationship.

Opportunistic behavior impairs a firm's overall satisfaction (Gassenheimer et al., 1996) and trust (Jap and Anderson, 2003; Ryu et al., 2008). Conflict is usually regarded as being negatively correlated with performance because it may cause stress, anger, and frustration (Skarmeas, 2006). Yet, the conflict itself may not be bad since feelings such as stress and tension might also lead to innovation and creation (Pondy, 1992). Hence, functional conflict refers to the evaluative appraisal of a firm's recent attempts to manage disagreements (Anderson and Narus, 1990). This essentially involves situations in which conflict results would benefit both partners in the long term (Hunt, 1995). Thus, a firm characterized by a high level of opportunism tends to lack candor or honesty in exchanges (Williamson, 1985) and is not likely to cooperate with the other partner in resolving problems that, if settled, would result in a mutually beneficial relationship (Skarmeas, 2006). Transaction costs refer to expenditures related to an economic exchange (Robins, 1987). A greater level of opportunism should lead to higher transaction costs (Dahlstrom and Nygaard, 1999). Moreover, the design of governance structures is a function of the perceived probability of opportunism. Therefore, minimizing transaction costs amounts to economizing on bounded rationality while simultaneously safeguarding the transactions against opportunistic behavior. A heightened probability of opportunistic behavior entails great coordination efforts, compliance costs, and high costs for drafting, negotiating, monitoring, safeguarding, and enforcing contingent contracts, i.e., potential opportunism causes high transaction costs (Parkhe, 1993). The organizational setting – or governance structure – of the firm is expected to economize on the writing of complex (employment) contracts and the monitoring costs that are necessary to attenuate opportunism (Alchian and Demsetz, 1972). The advantages of managing opportunism internally outweigh the advantages of managing them through markets. Monitoring protects for potential costs resulting from opportunistic behavior within the firm, including moral hazard, shirking, filtering, undisclosed subgoal pursuit, distortions, and other strategic deceptions (Williamson, 1999).

Principal-agent problems in a cooperative are likely to give rise to member dissatisfaction (Ortmann and King 2007). According to the general formulation of the principal-agent model, if members are not able to monitor managers' behavior, then managers have an incentive to behave opportunistically by maximizing their own utility instead of that of the members (Russo et al. 2000). Moreover, this problem is exacerbated by the presence of information asymmetry, a characteristic that exists in the relationship between a farmer and the cooperative (Hernández-Espallardo et al. 2013). As explained above, the relationship between the member and the cooperative is often based on information asymmetry. The cooperative has information that the member does not. For example, the cooperative has information about market prices and about clients' behaviour (Borgen 2001). In this sense, Garnevskaja et al. (2011) also note that communication between members and management is important for the successful development of cooperatives. Nilsson et al. (2009) argue that to the extent that a cooperative becomes very large and develops very complex business operations, the members are no longer able to control the cooperative, and they have difficulty keeping themselves informed about the business and assessing what is happening in the firm. This hinders the participation of the partners in the governance of the cooperative, and they will probably become dissatisfied with it. Therefore, from the point of view of agency theory to the extent that partners have information about the cooperative and mechanisms of control (i.e., through the correct functioning of the General Assembly), they may prevent opportunistic behavior of members of the Board of Directors and professional managers, so that their decisions will help them to achieve their objectives. Managerial opportunism is one symptom of the agency-principal problem with managers as agents and owners as principal

Members' participation

Participation is the involvement of members in goal setting and in the decision-making activity of the cooperative. Participating in the general assembly meetings, committees' works, or as an elected leader in the board of directors and member's Involvement in the control or evaluation processes of their cooperatives (Gray and Kraenzle, 1998). Members' participation is one element of members' Involvement, which intern becomes one of the tree elements of members' commitment (loyalty, identity and Involvement) (Bijman and Verhees, 2011). The attitude and the perception of members play a substantial role in organization performance (Bhuyan, 2007). Participation may have a different meaning to different individuals. It varies from passive participation to active participation. Passive participation is where members are merely involved by being told what is happening in the organization. On the other hand, active participation is when members' by themselves take the initiative independent of management or external pressure to develop their cooperatives (Pretty et al., 1995). Members' active participation is a basis for the existence and institutional development of self-help organizations (Braverman et al., 1991). In addition, members' active participation and satisfaction is vital for the long term success of cooperatives (Bhuyan, 2007). Members differ in their willingness to participate in their cooperative's affairs. Some farmers may regularly attend general assembly meetings and participate in the board of directors. Others may not participate in any cooperative meetings, and they have good reasons for this low participation level (Cechin, 2013). The cooperatives democratic characteristic is manifested through members' active participation in making decisions and setting the policies and plans of their cooperatives. All members have equal voting right one man one vote (Zeuli and Cropp, 2004). Member participation in the governance of their organization (Gray and Kraenzle, 1998). One reason for the failure of cooperatives does not involve members in the policy formulation and decision making process (Ortmann and King, 2007a). Members' should be informed about the cooperative activities, and the information should come from a reliable source. In addition, they should attend meetings, take their turn at committee and board of directors services (Zeuli and Cropp, 2004). Members' participation may vary; they can participate by attending meetings, serving in committee's tasks, serving as the elected leader of the association, and involving in recruiting others. Cooperatives cannot continue without members' participation (Gray and Kraenzle, 1998; Österberg and Nilsson, 2009). Agrawal developed a typology of member participation with six levels, and we have adopted it by shifting from 6 to 5 levels. We have also translated the names of the different levels of participation into a scale from low to high for the sake of measuring the members' participation level with their cooperatives. Improving effective participation requires a shift from lower to higher level participation (Agarwal, 2001). All members in the cooperative have the right to get the service and benefits from their cooperative based their membership. Members also have the right to participate or involve in general assembly meetings and to vote. Besides, they have the right to be elected as a cooperative's leader and elect others. Every member has an equal vote. The participation or involvement of members in the governance of cooperatives can be seen from different perspectives. Members can participate as an elected leader/ administrator, and they can lead and control the cooperative's activities. Members can participate in the annual meeting and ensure the cooperative is functioning democratically. Moreover, they actively involved in decision-making processes (Barraud et al., 2012).

Members' Trust and Participation in the Cooperative

Trust is a "psychological situation which consists of compliant of vulnerability obtaining from the positive expectations of the intent or behaviors of the other" (Rousseau et al. 1998, 394). Members' commitment towards the cooperative can be understood in view of their dependence on the previous in terms of revenue and information. The relationship between

the member and cooperative depends on information asymmetry: the cooperative get information but the member does not: this may be about clients' behavior or market prices (Borgen 2001). Therefore it creates uncertainty about the behaviors of other parties; at this situation trust could be the decisive factor of the attitudes and behaviours of the other party (Kollock 2009; Ring and Van de Ven 1992). Hansen et al. (2002) and Morrow et al. (2004) identified agricultural cooperatives; we retain the theoretical perspective focusing on the mental and psychological processes which determine the member's decision to put his or her trust in the cooperative. The decision to grant trust depends on processes which may be both conscious and cognitive or emotional and affective (Hansen and Morrow 2003; McAllister 1995; Schaubroeck et al. 2011). For McAllister (1995), although these two parts of trust (affective and cognitive) are distinct because they have different antecedence and impacts, they are complementary of course; members may have trust on their cooperative. Because it is reliable, competent, and conscientious when making useful decisions and also because it shows goodwill, and they feel that its intentions towards them are good (Hansen and Morrow 2003).

The cognitive part of trust is based on a considered and rational analysis of the "pros and cons" of the decision to trust. This decision is made by focusing on the advantages and disadvantage in order to gains or minimize the potential losses resulting from the interaction (Colquitt et al. 2007; Erdem and Ozen 2003). Members choose to trust their cooperative by depending on what they recognized to be "the right reasons". This choice depends on the information what they got about the cooperative, and it is based on their beliefs about its reliability, competence and conscientiousness. Due to these members evaluate the cooperative's performance to satisfy their wants and to add value which can give an advantage (Theuvsen and Franz 2007). In the case of the affective component, trust is explained by emotional and affective relationships between the two parties. According to (McAllister 1995, 29), "Individuals who commit emotionally to a relationship of trust show sincere and special attention to the well-being of others". The affective component is based on a mutual generosity and feeling of goodwill, the affective closeness between the two parties. Hence, each party show willingness emotionally to a positive relationship is truly concerned about the well-being of the other party and believes that these feelings are complementary or mutual (Colquitt et al. 2007; Erdem and Ozen 2003). The affective component is, therefore, more subjective and emotional than the cognitive part. In the case of an exchange, trust is often used to show for individual's characters towards her/ his organization (Ferrin and Dirks 2003; Kramer 2009). The social exchange between two parties and non-specified common obligations which are long-term; unlike economic exchange, a formal contract is used to ensure the two parties fulfil their short-term obligations (Blau 1964). The theory of social exchange is mainly focused on Gouldner's norm of reciprocity (1960) which explain the truth of being obliged to the other party from the bagging that the latter works in favors of the former (Cropanzano and Mitchell 2005; Shore et al. 2009). Though, according to this theory, when mutually favorable measure takes place between cooperatives and member, the relation of exchange should be an end one where mutual obligations will be reinforced and considered. From the beginning the farmer is confident that the cooperative will accomplished its future tasks (providing the best advice, find the best market for the crop, etc.), he or she will act reciprocally and behave favorably towards the cooperative. American soya and corn producers, James and Sykuta (2006) identified that trust is linked to members' behavior of loyalty towards their cooperative. Trust constitutes a determining factor in their choice to sell their crop to the cooperative rather than to investor-owned firms. In addition to Nilsson et al. (2009), Österberg and Nilsson (2009) identified from samples of Swedish farmers, that trust is related to members' participative character in their cooperative's

governance. Also, Birchall and Simmons (2004) examined a model of the members' motivation to participate in the governance of their cooperative, and identified that trust has a central role in farmers' participative processes. Members' characteristics of participation in the governance of their cooperative may be displayed in various ways. A member may become an administrator of her/ his cooperative. She or he will thus participate directly in the cooperative's governance due to this, an administrator leads and controls the cooperative's strategy. He or she is the guarantor of its aim and its long-term sustainability (Siebert and Park 2010). A member may also involve more indirectly in this governance at a time of Annual General Meetings (AGM). The annual general meeting is one of the members' means of expression, ensuring that the cooperative is acting democratically based on the principle of "one man one vote". During the AGM, members' participation could be, for example, how the cooperative's spent, the election of administrators.

Nevertheless, cooperative democracy may also be participative. Members can increase their role in decision-making and in the cooperative's political life by participating in non-statutory instances (diverse commissions, section meetings, etc.). The above types of involvement are left to the discretion of each individual. There is no sanction, no control, and no reward or prize-linked to farmers' participation in the governance of their cooperative. Consequently, a member's participation in the governance of the cooperative is conceptually similar to organizational citizenship behavior of civic virtue. It is explained as an individual's mobilization and active participation in the life of his/her organization, and the truth of feeling concerned by what goes on within that organization (Organ 1988; Organ, Podsakoff, and Mackenzie 2006). It refers to responsible participation in the political life of an organization (Graham 1991; Van Dyne et al. 1994). The interest of such behaviours for the organization is that they engender better performance (Podsakoff et al. 2009; Whitman, Van Rooy, and Viswesvaran 2010). This type of character can thus encourage the success of farming cooperatives (Gray and Kraenzle 1998; Bhuyan 2007). A person spends less to safe himself from opportunistic behaviors during transactions in the case of high levels of trust. Trust between persons can be an alternative for contracts to a certain extent. According to Arrow (1972), trust is important in every transaction. Innovation in terms of new products or technology may be discouraged in a low trust group, due to managers devoting more time to preventing malfeasance by employees or members and less time to innovation (Knack and Keefer 1997). The more trust that members share, the fewer transaction costs they pay. The benefits of trust on firm performance have been widely investigated and recognized (Hansen et al. 2002, Keefer and Knack 1997). Cooperatives are characterized by dual attributes, economic attribute and a social attribute (Hendrikse 2007). Both profit maximization in the market and members' economic and noneconomic benefits are the pursuit of cooperatives. Valentinov (2004) argues that interpersonal relations between members have an essential influence on the coordination and decision-making costs of a cooperative. Trust solves problems of "common property" or vaguely defined property rights problems (Narayan and Pritchett 1997). Nilsson et al. (2012) believe that the trust that members have is the resource base of cooperatives. This trust creates possibilities to cooperate and smoothes communication and coordination within a cooperative, which reduces transaction costs and generates economic benefits.

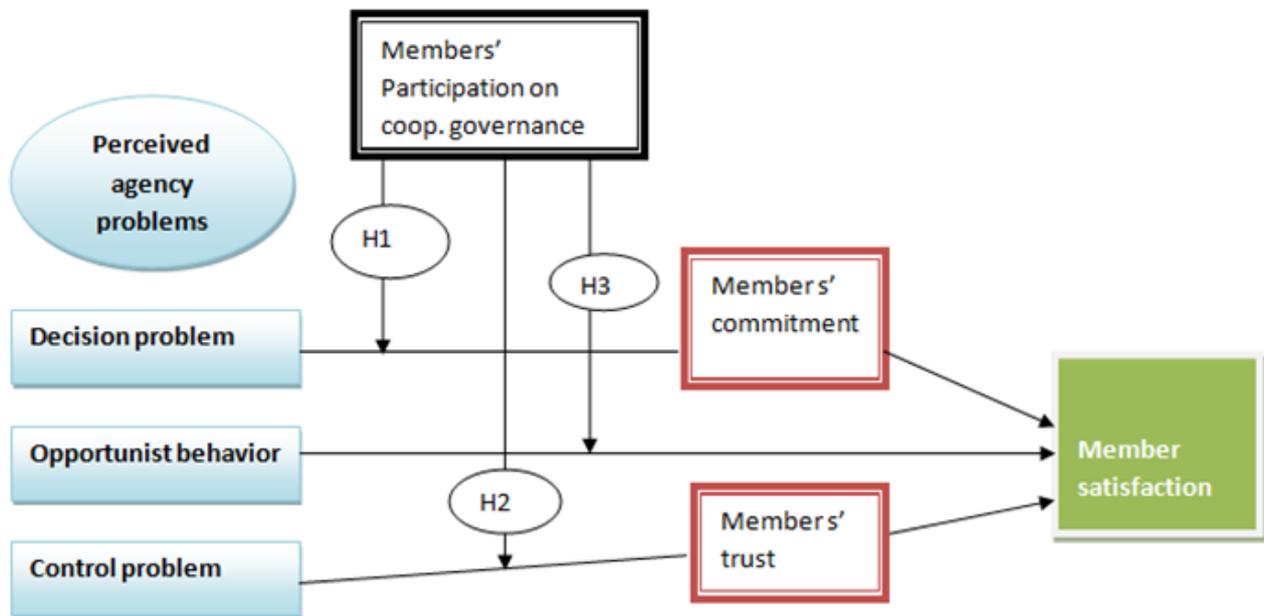
Members' participation in decision making

Cooperatives are democratic institutions; all members have an equal vote, and they meet and take decisions together by collectively involving on the issues. When members participate and express their ideas during meetings, they can improve the possibilities of shaping their cooperative towards common interest (Gray and Kraenzle, 1998). A distinguishing feature of

the cooperative form of organization is member participation in the management and control of their organization. They usually attend meetings, elect the board of directors, and participate in the decision-making process. The involvement of members is vital for the long term survival and growth of the organization (Dakurah et al., 2005). Members are more committed to implementing the decisions when they have actively participated (Borgen, 2001). When the members perceived that their idea is not valued by the management during passing decisions, they will become dissatisfied with the management of the cooperatives (Bhuyan, 2007). This shows that the involvement of members in passing decision is important for developing a sense of inclusiveness of members' idea in the decision making process and results in the commitment of members to the cooperative.

Conceptual framework

Figure.2 shows the meta-analysis framework aims to address the ongoing debate on the effect of perceived agency problems in Ethiopian cooperative and their association with members' satisfaction. This meta-analysis explores the moderating role of member participation on cooperative governance,



Source: researchers own drawing
Source: researchers own drawing

Participation decision problem and commitment

A low member participation in the governance of the cooperative leads to domination of managers in decision making processes in which the members' interests might not be the first priority (Burt & Wirth, 1990; Hind, 1997; 1999). Cooperative is collectively owned by the members, and it is jointly controlled through a democratic decision-making process. The democratic nature of the cooperative and the voice that members have in running the organisation are likely to lead to more significant member commitment (Trechter et al., 2002). The most common ways in which members can participate in the governance of the cooperative are by attending annual meetings, serving on a committee, serving on the board of directors, or (if present) serving in the member council. Members must be involved in the governance of the cooperative because when they are not involved, they can lose their cooperative identity and become less committed (Nilsson & Ollila, 2009). Participating in the whole governance process costs time and money and therefore, perhaps exceeds the benefits.

If members are not committed towards the cooperative, they can become free-riders in the sense that they have access to the products and services of the cooperative, but do not participate in the democratic process (Hakelius, 1999). Based on classic literature on organizational psychology, Österberg & Nilsson (2009) state that people more readily accept changes that have a significant effect on them, when they were offered the possibility to influence and participate in the decision-making. Therefore, if members are allowed to participate in the decision-making, they may be more committed to the cooperative and have more trust in the board of directors (Österberg & Nilsson, 2009). Members who serve or have served as a director in the board or other positions in the cooperative also tend to be more committed than members who have not (Österberg & Nilsson, 2009; Trechter et al., 2002). Members are also more willing to commit themselves to democratic control when the decisions are made by experienced and trustworthy fellow farmers (Österberg & Nilsson, 2009). Commitment from members who are active on the governing board has an impact on other members. Those members of the board who are acting in their interests and not in that of the collective create lower levels of commitment among members (Jiménez et al., 2010).

An important reason for farmers to join a cooperative is the preference that they can do business with an organization that they own and control (Fulton, 1999). If the members are not satisfied with the performance of the cooperative, they therefore usually first use their voice instead of direct exit. Fulton (1999) argues that this use of sound is, in fact, an indicator of member commitment. But, if the voice of members results in an inefficient performance of the cooperative, member commitment can decrease (Fulton, 1999). It is often difficult to organize many members with differing situations, experiences, attitudes and outlooks and convince them to voluntarily delegate power from themselves to the cooperative (Rokholt, 1999). Due to the increasing heterogeneity of members in cooperatives, the members experience a reduced feeling of control and ownership over the cooperative (Fulton et al., 2000). If a cooperative grows in size, the question remains whether it is still possible that their members govern them. In most large cooperatives the members are not involved in the daily decision-making process. The danger is that members can lose their connection with the management and board and therefore no longer feel a need to participate in the democratic process, which on its turn leads to lower commitment (Birchall & Simons, 2004). Lang & Fulton (2004) suggest that decreasing interest of members to participate in the decision-making process due to a feeling that involvement has little impact on the cooperative can be seen as an indicator of reducing member commitment. Members of cooperatives often feel unfamiliar with what their cooperative is doing, or they have the feeling that they are ignored (Bhuyan, 2007). Members can no longer understand how their cooperative is managed and why certain decisions are made (Bhuyan, 2007). Therefore the following hypothesis developed

H1, member participation in cooperative governance has the moderating role on the relation between decision problem and members commitment to their cooperative

Control problem, Participation, trust, and satisfaction

The follow-up or control problem relates to the difficulties the members face when trying to understand what is happening within the cooperative and on the markets where the cooperative acts. Member control or follow-up is traditionally manifested by the one-member one-vote system. However, participation in the governance of the cooperative is voluntary, and as cooperatives grow in size members may have less motivation to exert influence on the outcome of joint decisions and it leads to dissatisfaction of members (Nilsson *et al.*, 2012). While non-participation is an issue common to large cooperatives, participation may not necessarily assume a binary character with only participants and non-participants (Nilsson and Hendrikse, 2011). Participation is not only exercised by voting, but also attendance at

regional or annual meetings and service on boards or committees. In the empirical literature, the decision to participate or not participate in the governance of the cooperative has been related to trust (Nilsson *et al.*, 2009; Österberg and Nilsson, 2009). Trust in board directors and managers is enhanced by monitoring or even influencing their behavior, which likely constitutes a confirmation or adjustment of the alignment of individual and joint objectives. The hypothesized impact of participation on trust has two implications: active participation may facilitate an indirect effect on satisfaction via trust, and there may exist a feedback loop in which causal effects go back and forth. In addition, Arcas- Lario *et al.* (2014) also found evidence of a direct effect of participation on satisfaction, which implies the exertion of control is positively related to utility and perhaps cooperative performance as well. Hence the following hypothesizes developed

H2: members' participation in the governance of the cooperative moderate the relation between control problem and member's trust in management teams.

Opportunism, Participation and members Satisfaction

The principal-agent problem in a cooperative is likely to give rise to member dissatisfaction (Ortmann and King, 2007). According to the general formulation of the principal-agent model, if members are not able to monitor managers' behavior, then managers will have the motivation to act opportunistically by exploiting their utility instead of that of the members (Russo *et al.* 2000). Nilsson, Kihlén and Norell (2009) argue that a cooperative becomes very large and develops very complex business operations, the members are no longer able to control the cooperative, they have difficulty keeping themselves informed about the business, and what is happening in the firm. This hinders the participation of the members in the governance of the cooperative, and they will probably become dissatisfied with it. To the extent that the owners of the firm fail to exercise effective control over its managers, the managers are free to engage in self-dealing transactions and exhibit slack performance (Hansmann, 1988). Agency problems in cooperatives, which may arise from the diversity of objectives of cooperative members (principals) and Board of Directors and employed managers (co-ops), compounded by the existence of asymmetric information. It may lead cooperatives to behave opportunism that endangers the benefit of the principals (Arcas, Martín and Mínguez, 2014). Hansmann (1988) argues that there is no separation between ownership and control in cooperatives. According to international principles of cooperatives, cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. One cause for the failure of cooperatives is not involving/participating members in the policy formulation and decision-making process (Ortmann and King, 2007). Members' participation in cooperatives business is; therefore, an important issue and it must be considered in the cooperatives sector, and it is vital for the growth of cooperatives and member satisfaction (Birchall and Simmons, 2004).

Members may participate in cooperatives in different ways, which can be categorized primarily as capital participation, transaction participation/economic participation, and management participation (Shao 2014). Capital participation refers to the share capital that members hold. Economic/Transaction participation consists of the volume of products members delivered to the cooperative (if the type of cooperative is marketing cooperatives). Management participation indicates members' involvement in decision making, i.e., attending the general assembly, holding a position on the board of directors. In this study, we used members participating in the general assembly and Board of Directors (BOD) position as the measure of their participation. Participating in a general assembly means to renew member commitment of participating in the cooperative experience; voting in decisions that affect every member; and ultimately, to act in the social activity, to be an active part in building the

cooperative (Pozzobon, 2011). Voting in the General Assembly is an essential part of the democratic character of decision making in cooperatives, and most cooperatives apply the principle of 'one-member, one-vote'. In the General Assembly (GA), members elect the members of the board of directors, vote on major strategic decisions, and approve the annual financial report of the cooperative. Besides exercising their formal decision power through voting, members of a cooperative participate in the General Assembly /GA/ to become informed, to express their opinions, to share experiences and information. It is the main platform for discussions and for members to show their dissatisfaction with any policy and actions of their cooperatives (Cechin et al. 2013). Members can participate in the annual meeting and ensure the cooperative is functioning democratically. However, the level of members' participation in the general assembly may vary from member to member. Not only participating in the General Assembly, but also members can increase their role in decision-making by taking part in diverse committees and boards (Barraud et al. 2012). This way a member has an opportunity to directly influence strategies, policies and projects of the cooperative. The generation of proposals for resource utilization and the execution of ratified decisions are the responsibility of the Board of Directors (Minguez, Martin and Arcas, 2010). Member participation in the board of directors is an obligation since they are elected to do so (Österberg and Nilsson, 2009).

Members should be informed about the cooperative activities, and they should attend meetings, take their turn at committee and board of director's services (Zeuli and Cropp, 2004). Through participating in the general assembly meetings, committee's works, or as an elected leader on the board of directors, members are involved in the control, evaluation or monitoring processes of their cooperatives and thus participate in the governance of their cooperative organization (Gray and Kraenzle, 1998). Active members' participation is important for members of all types of cooperatives. First, it helps members to implement highly efficient controlling and governance mechanisms (Osterberg and Nilsson, 2009). Second, active membership creates an important competitive edge over investor-owned firms (IOFs) and consequently adds value for member-customers (Bhuyan, 2007). Third, it facilitates processes that can bring about changes in cooperatives that lead to higher levels of benefits and consequences of member commitment then member satisfaction (Abrisham, 2011; Barraud et al., 2012). A higher level of member participation may reduce agency costs, as more members monitor management (Pozzobon, 2011). Members differ in their willingness to participate in their cooperative's affairs. Some members may regularly attend general assembly meetings and participate in the board of directors. Others may not participate in any of cooperative meetings hence it gives chance for managers and board of director to decide their want instead of members' want (Cechin et al., 2013). therefore the following hypothesis developed

H3: Participation has moderating role on the relation between cooperatives opportunism and member satisfaction.

Methodology

Research Design

the current study employed a descriptive research design which is also referred as ex-post-facto research because the researcher cannot control over the variables and the researcher can only portray what has happened or what is happening (Kothari, 1990). It includes survey and fact-finding inquiries of different kinds that later be subjected to several co relational methods and comparative studies. And the study applied a cross-sectional research design to find out the association of the independent and dependent variables.

Sources of Data

According to Malhotra and Birks (2006), primary data created by a researcher for the explicit purpose to address a problem at hand whereas, secondary data as it is already gathered for an objective other than the problem at hand. Because of the availability of primary data, for this study the sources of the data were primary sources. By using structured questioners primary and relevant data collected from individual cooperative members..

The population of the study

This study considered a sample survey to obtain the desired sample. The population interest of this study was agricultural marketing cooperative unions; which were situated in three regional state of Ethiopia.

Sample frame

For convenience and availability purpose this study used purposive and random sampling technique which is a probability and non-probability sampling technique. The technique adopted to create a representative sample from sample frame/ agro processing cooperatives which are found in three regional governments, namely Amahara, Oromiya and SNNPR. Then after, a random sampling technique applied to select primary cooperatives from the selected cooperative unions and individual members from each primary cooperative.

Sample Size

Several authors recommend different ways of determining the sample size from a given population. When researchers are using multiple regressions, Tabachnick and Fidell (2007) suggested a reasonable sample size of 104 events plus the number of independent variables. And similarly to analyze this research, the researcher used multiple regression, therefore the current study applied Tabachnick and Fidell (2007) suggestion, based on this the study has a total number of seven independent variables; thus, the minimum sample based on a criterion is $104 + 7 = 110$. Furthermore, by considering the total size of the population, the researchers added a sample size of 91. Hence, sample size of the study was 201.

Data Collection Methods and Procedures

This study used a survey method consisting of a questionnaire instrument to collect data from the respondents. The main data collection instrument was a face-to-face interview schedule. This method is selected due to the reason that educational levels of respondents. The questionnaires for the interview were prepared according to the constructs that are designed in the next chapter of the study. The researchers used five-point Likert-scale type items with endpoints 'strongly agree' and 'strongly disagree' to measure the variables. The questionnaire developed first in the English language and then translated to Ethiopian local language that was easy for the respondents' understanding. A total of 201 questionnaires collected from respondents. After the entire required data collected, the data entered and coded in SPSS and STATA soft ware for data validation and analysis.

Data analysis

In this study, hierarchical regression analysis used to test the hypothesized model and estimate the influence of independent variables on the dependent variable. According to Petrocelli (2003), Hierarchical regression method is used to investigate the impact of several predictor variables in sequence such that the relative importance of a predictor evaluated on the basis of the value and it adds to the prediction of a criterion. It has been used extensively to test the relationship between dependent and independent variables and also the moderation effect. Subel test was employed to test mediation effect. (Buvik and Andersen

2015), Correlation investigation of variables in multiple regression analysis is essential as it is used to check if there is an interrelationship between the variables (Pallant, 2011).

Moderation analysis

The moderation model tests whether the prediction of a dependent variable members' satisfaction (S), from an independent variable, X, differs across levels of a third variable, Z (See Fig-). Moderator variables affect the strength and/or direction of the relation between a predictor and an outcome: enhancing, reducing, or changing the influence of the predictor.

Moderation effects are typically discussed as an interaction between factors or variables, where the effects of one variable depend on levels of the other variable in analysis. Detailed descriptions of moderator effects and a framework for their estimation and interpretation were presented in Aiken and West (1991).

Accordingly for this study the moderation effects tested with multiple regression analysis, where all predictor variables and their interaction term centered prior to model estimation to improve interpretation of regression coefficients.

A single regression equation forms the basic moderation model.

$$\text{i.e.: } S = i + B_1X + B_2Z + B_3XZ + e$$

Where: S= is members' satisfaction (dependent variable) X= represents the independent variables Z= the moderators, i= is the intercept, β_2 = the effect of Z on S, and β_3 = the effect of XZ on S, i = the intercept in the equation, and e = is the residual in the equation.

The regression coefficient for the interaction term, β_3 , will provides an estimate of the moderation effect. If β_3 is statistically different from zero, there is significant moderation of the X-S relation in the data. Plotting interaction effects aids in the interpretation of moderation to show how the slope of S on X is dependent on the value of the moderator variable.

Measures Development

For this study all the constructs operationalized as a reflective scale. The measurement scales adapted from similar previous studies and modified to the context of cooperative business organizations..

Construct Definitions and Operationalization

Dependent Variable

Members' Satisfaction

For this study the definition of satisfaction is adapted from Anderson and Narus (1984). Therefore, satisfaction is defined as "a positive affective state resulting from the appraisal of all aspect of a cooperative governance working relationship with its members".

The construct for satisfaction consists of six items based on (Glavee-Geo, 2012; Sanzo et al. 2003; Geyskens and Steenkamp, 2000) with anchor "1 = Strongly Disagree, and 5 = Strongly Agree".

Independent Variables

Members trust

Members' trust defined as, that cooperative members' feeling that they are not being exploited by cooperative management teams. A six -item statement was formulated based on (Sanzo et al. 2003; Mavondo and Rodrigo, 2001; Doney and Cannon, 1997; Morgan and Hunt, 1994; Rempel, Holmes and Zanna, 1985; and Meyer, 2014) with anchors '1 = strongly disagree and 5 = strongly agree'.

Member's commitment

commitment is opretinalized according to Fulton,1999) which is the first choice of cooperative members to patronize a cooperative even when the cooperative's service or price is not as good as that offered by an investor-owned firm (IOF)" .and the construct consists of

five- items which are adapted from Allen and Meyer's commitment scale (1996) , and the items are worded with anchor "1 =strongly agree and 5 = strongly disagree

Cooperatives' Opportunism

opportunism behavior is management team in cooperative who see a chance to gain some advantage from a situation. Opportunism items were adapted from (Glavee-Geo, 2012; Skarmeas, Katsikeas and Schlegelmilch, 2002; Gundlach, Achrol and Mentzer, 1995; Morgan and Hunt, 1994 and Provan Skinner, 1989). The construct consists of six- items, and since opportunism connote a negative phenomenon, the items are negatively worded with anchor "1 =strongly agree and 5 = strongly disagree

Members' Participation

We defined members' participation as the participation of cooperative members in their cooperative governance such as participating in general assembly and Board of Directors (BOD) position as the measure of their participation. The construct for member participation consists of seven- items with anchor "1 = Strongly Disagree, and 5 = Strongly Agree." The constructs are adapted from (Podsakoff and MacKensie, 1994; Barraud et al., 2012; Cechin et al., 2013 and Tomaquin, 2013) developed to measure civic virtue behavior.

Decision problems

decision problem operationalized as; a decision which is made by the board of director or managers without reading or considering members' wants and needs to optimizing the long-term well-being of the cooperative and its members when the member group grows three separate indicators were developed, and they measured by asking farmers to indicate the amount to which they agree, on a 1-5 Likert scale, with statements relating to these problems. In particular, three statements used which are adapted from (Karin Hakelius and Helena Hansson, 2016)

Control problem

control problem opertionalised according to (Janiros.Z,2017) definition, Hence control problem is a defect of systems, policies, procedures and process effected by the board of director, or management and other personnel because of absence of control or follow-up by members to safeguard the assets, and to achieve the objectives of the cooperatives . And by adapting (Karin Hakelius and Helena Hansson, 2016) it measured by three items with 5 likert scale measurement which are 1 strongly agree to 5 strongly disagree.

MEASUREMENTS ASSESSMENT AND DATA VALIDATION

Assessment of quality of the data used for the analysis of this study and also its credibility are presented in this section. Series of descriptive statistical analysis like missing data, the treatment of, outliers, and, homoscedasticity, normality and multicollinearity check were performed. This is to be certain that essential parametric regression statements are met so that regression analysis can be run effectively. Despite to this, results of exploratory factor analysis (EFA), scale validity and reliability check results are explained in this chapter; to know whether the variables are correlated enough or not to do factor analysis, we identified the value of Bartlett's test sphericity and Kaiser-Meyer-Olkin (KMO) tests ,hence the results were significant at $p < 0.05$ and the value of KMO was 0.791, and it presented in Table-3 and 4 Therefore, according to the result, conducting of factor analysis of the variables was acceptable or possible.

Construct Correlation, Descriptive statistics, Discriminant validity and Average Variance Extracted

Factors	1	2	3				
	satisfaction	participation	commitment	trust	opportunistic	Decision problem	Control problem
satisfaction		.626**	.506**	.731**	.331**	.525**	.524**
participation			.540**	.641**	.324**	.063	.498**
commitment				.485**	.388**	.275**	.459**
trust					.392**	.146*	.662**
opportunistic						.403**	.378**
Decision problem							.219**
Control problem							1
AVE	1.467	.531	.543				
Mean	3.1451	3.2452	3.1801	3.1650	2.3101	2.6186	3.0547
S.D	1.00862	.92056	.80175	.92421	.81736	1.01072	.94856

Source: SPSS out put

As depicted in above table the value of AVE is above 0.5 which is above the optional criteria threshold (Hair et al., 2010) hence it valid.

5.1. HYPOTHESES TESTING AND EMPIRICAL FINDINGS

Hypothesis (H1)

Members' participation on cooperative governance, decision problem and members' commitment to their cooperative:

Table1. shows the findings of moderator which was hypothesized as member participation in cooperative governance has the moderating role on the relation between decision problem and members' commitment to their cooperative; this hypothesis(H5a) corresponds to the two interaction terms between decision problem and members' participation on cooperative governance (DECPROB x PART). The result of the regression analysis for interaction term, was statistically significant (b =.148, t =9.00 and **p<0.01**). In addition to this the regression result revealed that the negative association between decision problem and members' commitment to their cooperative was statistically significance (b= -.340, t= -4.12, p= <0.01).

Furthermore the change of the coefficient of determination (DR²) is also a measure for the effect size of the moderator effect (Aguinis 2004; Jaccard et al. 1990). Hence according to the hierarchal regression result, the R² measures were also lower in the model 1 (: 0.076) compared to model 2 (R²: 0.341).therefore the effect size of the moderator effect is more pronounced due to its higher average effect size (DR² 0.266). Hence the analysis strongly supports our hypothesis (H1).

Table 1. Hierarchical regression result for the moderation effect of participation on the relation between decision problem and commitment

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. hireg commitment(decsison) ( decisionparticipation)
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Model 1:
Variables in Model:
Adding : decsison

Source	SS	df	MS	Number of obs	=	201
Model	9.71009406	1	9.71009406	F(1, 199)	=	16.26
Residual	118.850304	199	.597237708	Prob > F	=	0.0001
				R-squared	=	0.0755
				Adj R-squared	=	0.0709
Total	128.560398	200	.64280199	Root MSE	=	.77281

commitment	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
decsison	.2180037	.0540662	4.03	0.000	.1113875 .3246199
_cons	2.609241	.1517075	17.20	0.000	2.31008 2.908401

Model 2:
Variables in Model: decsison
Adding : decisionparticipation

Source	SS	df	MS	Number of obs	=	201
Model	43.8589464	2	21.9294732	F(2, 198)	=	51.26
Residual	84.7014516	198	.427785109	Prob > F	=	0.0000
				R-squared	=	0.3412
				Adj R-squared	=	0.3345
Total	128.560398	200	.64280199	Root MSE	=	.65405

commitment	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
decsison	-.3404551	.077464	-4.40	0.000	-.4932154 -.1876947
decisionparticipation	.148536	.0166248	8.93	0.000	.1157516 .1813203
_cons	2.800763	.1301716	21.52	0.000	2.544063 3.057464

R-Square Diff. Model 2 - Model 1 = 0.266 F(1,198) = 79.827 p = 0.000

Model	R2	F(df)	p	R2 change	F(df) change	p
1:	0.076	16.258(1,199)	0.000			
2:	0.341	51.263(2,198)	0.000	0.266	79.827(1,198)	0.000

Control problem, members’ participation on cooperative governance, member’s trust
 According to table.2 control problem were negatively association with members trust and it was not found to be significant (b= -0.162,t=1.30 and p=0.196), however the regression value of the interaction terms(CONPROB*PARTI) were found to be positive and significant (b=0.112, t=5.16 and p<01), As (Aguinis 2004; Baltes- Go’tz 2006) stated whether or not we find a moderating effect can be judged by the significance of the regression coefficient b3 belonging to the interaction term. Hence the proposed hypothesis(H2) ‘members’ participation in the governance of the cooperative strongly moderate the relation between control problem and member’s trust in management teams was strongly supported .

Table 2. Regression result for the moderation effect of participation on the relation between control problem and trust

```
. hireg trust ( cotrolproblem ) (participation)
```

Model 1:

Variables in Model:
Adding : cotrolproblem

Source	SS	df	MS	Number of obs	=	201
Model	90.1956434	1	90.1956434	F(1, 199)	=	154.44
Residual	116.222321	199	.584031763	Prob > F	=	0.0000
				R-squared	=	0.4370
				Adj R-squared	=	0.4341
Total	206.417964	200	1.03208982	Root MSE	=	.76422

trust	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
cotrolproblem	.7079662	.0569689	12.43	0.000	.595626 .8203065
_cons	1.086251	.1821816	5.96	0.000	.726997 1.445506

Model 2:

Variables in Model: cotrolproblem
Adding : participation

Source	SS	df	MS	Number of obs	=	201
Model	116.053319	2	58.0266594	F(2, 198)	=	127.14
Residual	90.3646455	198	.456387098	Prob > F	=	0.0000
				R-squared	=	0.5622
				Adj R-squared	=	0.5578
Total	206.417964	200	1.03208982	Root MSE	=	.67556

trust	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
cotrolproblem	.4901258	.0580836	8.44	0.000	.3755839 .6046678
participation	.4504997	.0598503	7.53	0.000	.3324738 .5685256
_cons	.2897313	.1927021	1.50	0.134	-.0902806 .6697432

R-Square Diff. Model 2 - Model 1 = 0.125 F(1,198) = 56.657 p = 0.000

Model	R2	F(df)	P	R2 change	F(df) change	p
1:	0.437	154.436(1,199)	0.000			
2:	0.562	127.144(2,198)	0.000	0.125	56.657(1,198)	0.000

Source STATA out put

H3: Participation has moderating role on the relation between cooperatives opportunism and member satisfaction.

Hypothesis (H3) corresponds to the two interaction terms between cooperatives' opportunism and members' participation on cooperative governance (OPPORxPART). As table—depicted result of the regression analysis,(b= 0.224, t=6.35; p<0.01), demonstrates that the interaction terms are significant.. The result implies that the negative association between cooperatives' opportunistic actions and members' satisfaction on cooperative governance was significantlyweakened when member's participation is high than when members' participation is low as participation in the affairs of cooperative reduces the cooperatives' opportunistic behavior. Holmbeck (2002) states that the presence of a significant interaction explains that there is a significantly different association between the dependent and independent variables across the level of the moderator. Hence the analysis strongly supports our hypothesis

Table 3. Regression result for the moderation effect of participation on the relation between opportunistic and satisfaction

```

. hireg satisfaction( opportunistic) ( oppoparticipation)

Model 1:
  Variables in Model:
  Adding              : opportunistic

Source |          SS          df          MS      Number of obs   =       201
-----|-----
Model   |    22.35214           1    22.35214      F(1, 199)       =       24.56
Residual|   181.109994        199    .910100471     Prob > F        =       0.0000
-----|-----
Total   |   203.462134        200    1.01731067     R-squared       =       0.1099
                                           Adj R-squared   =       0.1054
                                           Root MSE       =       .95399

satisfaction |          Coef.      Std. Err.      t    P>|t|     [95% Conf. Interval]
-----|-----
opportunistic |    .4090099      .0825313      4.96  0.000     .2462616   .5717581
   _cons      |    2.200248      .2021829     10.88 0.000     1.801552   2.598944

Model 2:
  Variables in Model: opportunistic
  Adding              : oppoparticipation

Source |          SS          df          MS      Number of obs   =       201
-----|-----
Model   |    68.7771244         2    34.3885622      F(2, 198)       =       50.55
Residual|   134.685009         198    .68022732     Prob > F        =       0.0000
-----|-----
Total   |   203.462134        200    1.01731067     R-squared       =       0.3380
                                           Adj R-squared   =       0.3313
                                           Root MSE       =       .82476

satisfaction |          Coef.      Std. Err.      t    P>|t|     [95% Conf. Interval]
-----|-----
opportunistic |   -.5948197      .1409099     -4.22  0.000     -.8726965  -.3169428
oppoparticipation |    .2238427      .0270953      8.26  0.000     .1704103   .2772752
   _cons      |    2.786855      .1886662     14.77 0.000     2.414802   3.158908

R-Square Diff. Model 2 - Model 1 = 0.228   F(1,198) = 68.249   p = 0.000

Model  R2      F(df)                p      R2 change  F(df) change      p
-----|-----
1:    0.110   24.560(1,199)      0.000
2:    0.338   50.555(2,198)      0.000      0.228     68.249(1,198)    0.000
    
```

Summary of Hypotheses test and results

Hypothesis	Exogenous construct	Endogenous construct	Regression weight	Significance	Finding
H1	Decision problem	commitment	0.148	0.000	Supported
H2	Opportunistic behavior	commitment	0.112	0.000	Supported
H3	Control problem	trust	0.224	0.000	Supported

Discussions

Cooperative members may play different roles at the same time, on the one hand, they are shareholders, and as such, they have capital. They can, however, be sellers, buyers, controllers, and so on, depending on the cooperative's characteristics. As a result, cooperative members can have a number of motivations for joining the organization, as well as goals that

vary from one another. however, all of these goals may no longer be accomplished in accordance to cooperative members' interest. Hence it result in conflict of interest /agency problem / among members and management team of cooperatives, then it leads to dissatisfaction of cooperative members. Due to this, previous researchers identified different findings perspective to members' perception on agency problems and it is impact (He & Sommer, 2006). Accordingly this study also tried to identify different findings about the impact of agency problems / opportunistic behavior, decision problems, control problems and more debt capital/ on members' satisfaction. As a result, agency theory is appropriate basis for studying the relationships between agricultural cooperatives and their members, and this was the method used in this paper.

Moderation

Decision problem, participation and members' commitment Once members have successfully participated, they are more committed to putting the decisions into action (Borgen, 2001). Members may become dissatisfied with cooperative management if they believe that their ideas are not heard by management when making decisions (Bhuyan, 2007). This demonstrates the importance of members' engagement or participation in making decisions in fostering a sense of inclusiveness of members' ideas in the decision-making system. Hence embers' commitment to their cooperative is a consequence of this. According to Lang & Fulton (2004), a decrease in member engagement in participating in decision-making processes due to a belief that participation has little effect on the cooperative can be seen as an indication of reduced member commitment.. Members must participate in the cooperative's governance; otherwise, they potentially lose their cooperative integrity and becoming less committed (Nilsson & Ollila, 2009). As a result, allowing members to participate in decision-making can increase their commitment to the cooperative and their trust in the board of directors (sterberg & Nilsson, 2009). Similarly the results of the meta-analysis in this study revealed that the moderating role of members' participation on the relation between decision problems and members' commitment to their cooperative was significant ($b = .148$, $t = 9.00$ and $p < 0.01$). And the effect size of the moderator effect is more pronounced due to its higher average effect size ($DR2 0.266$). Hence if cooperative members participated on cooperative governance, it increases members' commitments to their cooperative and vice- versa, and which supports the previous researchers' findings and hypothesis 51 in the study as well .

Control problem, participation and members' trust in their management team

Regarding the moderating role of participation on the relation between control problem and members' trust in management team, we find that the hierarchal regression result for the moderation effect of participation on the relation between control problem and trust was statistically significant ($b=0.112$, $t=5.16$ and $p=<01$). Unlike private, governmental, or non-profit organisations, Around the world, all cooperatives follow the same seven rules, one of which is democratic member control. Cooperatives are democratic associations governed by their members, who play an active role in policy and decision-making. according to the democratic member control principle of cooperatives (ICA, 1995). Rather than the one-vote-per-share system used by most corporations, the organization's control is established in terms of a one-member/one- vote system. Cooperatives are distinguished from other corporate groups by their members' engagement and participation in the organization's operations. Attending meetings, voting to elect board members or being elected to the board, and participating in decision-making are all important practices for the organization's long-term survival.. and sets cooperatives distinguishes from other businesses.. All these involvements or participations create the ground for members to control their cooperatives,

however, due to the growth of the cooperative, it may not be easy for members to involve or participate on each activity, due to this the cooperative management team works according to their own interest rather than the principal or the members' want. Therefore it leads to the occurrence of agency problem / control problem/. In line with this, Previous research on agricultural cooperatives has revealed the value of members' participation in the cooperative's existence as well as members' trust in the cooperative's managers. (Habtamu Mekonnen (2014); James and Sykuta 2005; Barraud-Didier et al. 2012; Habtamu Mekonnen (2014), Habtamu Mekonnen (2014), Habtamu Mekonnen (2014), Habtamu Mekonnen (2014), Hence if members participate in the life of cooperative, it avoids agency problems which may occurred because of control problems and it helps for members to trust their management team. Thus the result of the meta-analysis supports the proposed hypothesis (H2) in the current study and the finding of the previous researchers as well.

Members' satisfaction, opportunism, and participation

The aim of this hypothesis was to see whether members' participation had a moderating impact on the relationship between cooperative opportunism and member satisfaction. The interaction effect was significant at ($b= 0.224, t=6.35; p<0.01$), according to the hierarchical regression results, proving that the relation between members' satisfaction on their cooperative governance and cooperative opportunism moderated by members' participation on cooperative governance. According to Jensen and Meckling (1976), the members must develop control systems to ensure that agents act in the members'/principal's best interests. Members must have processes in place to secure from opportunistic management team actions, skilled administrators management team or directors hence they able to be more satisfied with their cooperative governance. Members' participation in cooperative management by frequent attendance at meetings and actively participating in the election of competent directors has been pointed to be effective methods for members to exert their influence on cooperative governance. Because since the general assembly meets only once a year to make different decisions. Members are free to explain themselves when the cooperatives doing meeting main objective cooperative society meeting is to evaluate the overall activity such as the implementation of the past year plan, and future business planning make decisions about dividend and fund accumulation and allocations, budget approving, board election, operations, Members have an access or chance to ask questions and make recommendations at the annual meeting. It allows management to clarify and analyze operational procedures while also listening to member feedback. It is a legal obligation to hold a general assembly (annual meeting). The Ethiopian Cooperative Society Proclamation No. 147/1998 mandates the holding of a general assembly meeting, which is the cooperative's supreme organ. According to Russo et al., (2000), managers' control is oppositely proportional with members' participation on cooperative governance. As a result, highly participant members on cooperative's general assembly and decision-making, the less the managers act opportunistically. As a result, there are less agency problems caused by management team opportunistic actions, and members are more satisfied with their cooperative's governance. Despite opportunism's negative impact; active members' participation is critical to the cooperative's relationship with its members. When a cooperative's members are actively involved or participate cooperative governance activities, it is more likely to succeed and cooperative officers are less opportunistic in their actions, it gives a chance to increase positive outcomes by reducing the negative outcomes. Additionally, if members participate successfully it decreases opportunism's adverse impact on member satisfaction. As a result, members' participation acts as a buffer against cooperative officials' opportunism. When members' participation is strong, the buffering effect is greater. Therefore improving of cooperative members to be strong participation in

their cooperative governance is an important issue. In addition to this, to reduce managers' opportunistic activity and thereby improve members' satisfaction with their cooperative governance. Based on this, the change in coefficient of determination (DR2) is an indicator of the moderator's effect size (Aguinis 2004; Jaccard et al. 1990). Similarly, the result of the regression in the current study revealed that the moderating effect size (DR2) of the moderator participation was significant and strong (0.228). Hence it supports the previous researchers' findings and the hypothesis (H3) in the study.

Conclusion

This study combined insights into agency problems (principal-agent relationship problems) with the aim of determining whether and how cooperative members' perceptions of agency problems shape their satisfaction with the governance system of agricultural cooperatives. The probability of conflict exists if both the agent and the principal are wealth maximizers (as we think all logical people are). The agent has the ability and will take steps to increase his or her own resources, which may or may not be in the best interests of the principal. If the interests of management vary from those of the owners (shareholder capital maximization), the agency problem is there. In the current research, this aspect is explored from the perspective of Ethiopian farmer cooperatives. In this study the decision problems, control problems, opportunistic behavior, and were all taken into consideration as agency problems. Despite these, testing of moderating role of members' participation on the relation between agency problems and members' satisfaction on their cooperative governance were the thematic area. The results thus indicate that the moderator (members' participation on cooperative governance) had a significant role on the relation between agency problems and members' satisfaction on their cooperative governance. The moderating effect of members' participation was significant on each proposed hypothesis, which was Of course, by participating in the cooperative's governance, cooperative members have a greater say in the results of management team decisions, reducing the risk of agency issues.

Board director elections, membership access rules, capital acquisition, mergers, equity retirements, and any other plan by board directors and managers are examples of such decisions. Members will vote on such decisions to increase their satisfaction or utility, assuming rationality. However, regardless of the outcome of decisions, participation itself can boost utility if voting and monitoring are seen as good member behavior. Regardless of the motive, the end result suggests that participation in cooperative governance should be promoted. Cooperatives, on the other hand, may be able to recognize different barriers to participation, such as lack of experience, infrastructure, transportation, or general exclusivity, in order to promote member control. linked to Arcas-Lario et al (2014) findings.

Contributions of this study

Theoretically

The argument in this study was that farmers' cooperative members' perceptions of agency problems were major determinants of farmers' viewpoint about agricultural cooperatives and that they therefore also shaped their attitude to cooperatives. As suggested by agency theory, it is important that members have mechanisms in order to protect themselves from the opportunist behavior/agency problems / of management team, so that they can reach a higher level of satisfaction with the cooperative. Information, control and trust are shown to be good mechanisms for this purpose. As a consequence of these results, management team of cooperatives should take appropriate decisions to develop these aspects. Even though the theory pointed these facts, but to the best of our knowledge, these have not been integrated with the reducing of agency problems in cooperative society through members' participation

on cooperative governance or the increasing of agency problems in the cooperative because of absence of members' participation on cooperative governance, have not been explored in – depth in the previous literature relating to agency problems impact on cooperative members' satisfaction. However, the current study identified the moderator 'members' participation on cooperative governance'. Hence by integrating insights from agency problems with satisfaction research, this study contributed novel information about how member's satisfaction in agricultural cooperatives is shaped by their perception of agency problems.

Empirically

The existing research has emphasized a bunch of important factors on principal-agent relation problems or agency problems perspective to investor owned firms (IOFs), but limited papers have been conducted perspective to farmers' cooperatives and they treated cooperative members' satisfaction by decomposing in to economic and non-economic aspects of the constructs in business relationships (Lee *et al.*, 2008; Rodriguez *et al.*, 2006; Geyskens and Steenkamp, 2000). Accordingly this study distinguished cooperative members' satisfaction on their cooperative governance by integrating agency problems. Beside to this, the current study investigated whether members' satisfaction and agency problems are moderated by members' participation on cooperative governance. Cooperative members may participate in cooperatives in different ways; however, the role of members' participation in cooperative governance had not been examined in- depth by previous studies specially by relating the role of participation on agency problems impact on members trust, commitment, and satisfaction. (Henry A Dakurah, Ellen Goddard and Nicholas Osuteye, 2005; Valérie Barraud-Didier, Marie-Christine Henninger, Asâad El Akremi, 2018). Subsequently, this study identified the moderating role of members' participation in cooperative governance and its role on the relation between agency problem, and members' trust in management team including members' commitment to their cooperative.

Therefore the current study contributed to the position member participation, differently in relation to satisfaction in previous studies.

Managerially

The members' satisfaction from belonging to a cooperative is an appropriate measure of the success of the member-cooperative relationship, as it supports the desire of members to continue in the cooperative and, thus, the survival of the cooperative. For this reason, the current study was focused on the identification of factors in terms of principal -agent relationship problems or agency problems those can be influence members' satisfaction on their cooperatives governance. Hence the finding of the current study revealed that members' satisfaction was influenced by their perception of agency problems It means that if members perceived agency problems in their cooperative, their trust in their management team and their commitment to their cooperative will be affected and finally their continuation in their cooperative will be under question. As a consequence of these results, the cooperative might not be sustained, however 'the finding of this study pointed that if members participate on cooperative governance, and the impact of agency problem is reduced Therefore the management team or the board of directors and managers should take appropriate decisions to develop members participation, then it helps to reduce principal (members)-agent (management team) relationship problems or agency problem. Hence the finding of this research can be important for the management team or the board of directors and managers of agricultural cooperatives in developing governance system and information channels in cooperatives and ultimately they can reduce agency problems and conflict of interest in their cooperatives.

Limits of Study and Future Avenues of Research

There are also some gaps in this study that need to be resolved in future studies. The effect of the agency problem on member satisfaction in cooperative governance is not exclusive to agricultural marketing cooperatives. It does, however, occur in other forms of cooperatives. Savings and credit cooperatives, consumer cooperatives, and others, for example, can encounter principal-agent relationship problems or agency problems. However, this research only looked at one form of cooperative: agricultural marketing cooperatives. As a result, this suggests that there is need for further research into other sectors. Another limitation was that, due to COVID 19 and due to the rule of law enforcement in the country, the geographical scope of the research was limited to only three regional governments in Ethiopia. As a result, the sample was taken only from these locations, and the sample's representativeness may not be satisfactory; thus, researchers should expand their research into other parts of the country. Agency problem might arise between agent (management team) and principals (members) and it has impact on both parties' satisfaction, i.e. principals' (members') satisfaction and agents' (management teams'); however, this study has focused only on principals' (members') satisfaction, though the impact of agency problem on managers' or management team satisfaction was not addressed by the current study. Therefore, researchers can further study this limitation. The results of this analysis did not separately display the effect of agency problems on social and economic satisfaction. As a result, other researchers can investigate two-sided satisfaction in cooperatives' business relationships with their members.

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