

Studies on the Opportunities and Challenges of  
Multi-Purpose Cooperative and Their Role on  
Poverty Reduction at Dangila District, (Awi  
Research proposal

For Partial Fulfillment of the MA in Rural Development

(MARD)

Submitted to: Indira Gandhi National Open University (IGNOU)

Study center: (st.Mary's University Collage), Addis Ababa,

Ethiopia

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May, 2012

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*Opportunities and Challenges of Multi-Purpose Cooperative*

*and Their Role on poverty Reduction at Dangila District,*

*(Awi zone, Amhara region)*

*BY: Andinet Dagnev Teshale*

*MAY, 2012*

## DECLARATION

I hereby declare that the dissertation entitled OPPORTUNITY AND CHALLENGES OF MULTIPURPOSE COOPERATIVE AND THEIR ROLE ON POVERTY

REDUCTION. Submitted by me for the partial fulfillment of the MA in rural development to Indira Gandhi National Open University (IGNOU) is my Owen original work and has not been submitted earlier either to IGNOU or to any other institution for the fulfillment of the requirement for any course of study. I also declare that no chapter of this manuscript in the whole or in part is lifted and incorporated in this report from any earlier work done by me or others.

**Place:** Addis Ababa, Ethiopia

**Date** \_\_\_\_\_

**Signature** \_\_\_\_\_

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## **CERTIFICATE**

This is to certify that Mr., Andinet Dagneu student of M.A. (RD) from Indira Gandhi National Open University Collage (IGNOU), New Delhi was work under my supervision and guidance for his project course for the MRDP-001. His project work entitled **OPPORTUNITY AND CHALLENGES OF MULTIPURPOSE COOPERATIVE AND THEIR ROLE ON POVERTY REDUCTION**, which he is submitting, is his genuine and original work.

~~DATE~~

**signature**

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Addis Ababa /Ethiopia.

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## **List of Acronyms**

ILO: International labor organization

SACCOS: Saving and credit cooperatives

ETB: Ethiopian Birr

GDP: Growth domestic product

ICA : International cooperative agency

GTP : Growth and transformation plan

IOFS: Investors owned firms

KCU: kageralo cooperative union

BECs : Business employment cooperatives

MOA: Ministry of agriculture

FSS: Food Security Strategy

ADLI: Agricultural development led industry

SDPRP: the sustainable development and poverty reduction program.

## **Abstract**

The study was conducted to the main objective of assessing the opportunities and challenges of multi-purpose cooperatives and their role in poverty reduction. The study was conducted in Northern Ethiopia Amhara regional state in Dangila district. Using random sampling three primary multi-purpose farmer's cooperatives were selected. The three cooperatives that the researchers selected were Affessa, Gumedri and Zeguda primary multi-purpose cooperatives. From the three samples 156 questionnaires have been administered and key informants interviewed and focus group discussion was conducted. These means 52 respondents from each sample cooperatives members were taken from the survey.

In the study in general an attempt was made to see their performance in providing input, Output market, in diversification activities, provision of credit and loan, capital accumulation, employment creation, and governance of cooperatives.

The result from the study indicate that, multi-purpose cooperatives were played a central role in providing agricultural input (fertilizers improved seeds, pesticides, etc). The economic and political situation was also supportive for the cooperatives development in the study area. However all cooperatives in study area cannot utilize these opportunities properly.

Besides cooperative were failing structural, operational, managerial problems, low members participation due to inadequately addressing of their needs and problems by their organization, lack of capital, poor performance regarding employment creation

and marketing output, limited access to technology and infrastructure were also other challenges faced.

All these limitations were mainly caused due to lack of qualified, visionary and committed leadership and low participation of members in various affairs of cooperative. Where as in order

to strengthen the cooperative to play significant role in poverty reduction, coordination and strong support from government and any considered body is essential.

# **1. Introduction**

## **1.1 Background**

Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity which means lack of basic capacity to participate effectively in society (Barbara, 2000). According to Smith, (2005).poverty means susceptibility to violence and it often implies living in marginal or fragile environments without access to clean water and sanitation. Michelle and Ruth, (2007) also described it as a means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow ones feed or a job to earn ones living not having access to credit, which also means insecurity, powerlessness and exclusion of individuals, households and communities.

Besides economic aspects, poverty is also be understood as unequal social status and inequitable social relationship, experienced as social exclusion, dependency and diminished capacity to participate or to develop meaning full connections with other people in society (Smith, 2005).

Like in many developing countries the issue of poverty is also the primary concern for Ethiopia. To overcome this, the government of Ethiopia has been exerting a strong effort through developing different strategies to build up its economy, as to feed over 80 million people.

Since the mid 1 990s the guiding economic development strongly has been the agricultural development led industry (ADLI) strategy. The essence of ADLI is that by

supporting the small holder agriculture development, capital and wealth will be created for investment and development of industry and other sector of the economy. The support for the small holder agriculture has been devised in terms of massive extension mark technology packages mainly in crop production, livestock production and land and water resource management.

The series of poverty reduction strategies plan (PRSP) in 2002 and then after have also contained agricultural development strategies as major instrument. The plan for accelerated and sustainable development to end poverty (PASDEP) (2008/6 to 2009/10) has included strategies and plans for agricultural development. The second five year development plan (SFVP) or the growth and transformation plan (GTP) also focus on agricultural development as the main pillars (MoFED, 2010).

The last five years were phenomenal for Ethiopia in terms of economic growth according to national income account figures at the Ministry of Finance and Economic Development, real GDP growth of an average rate of 11 percent per the period of 2005/06-2009/10. This is a significant leap over the 6.2 percentage average growth at the five year prior to 2005/06 with an average population growth rate at 2.8 percent in the country. The high growth in GDP translates into a comfortably high per capital income growth which had a potential at reducing poverty with significant. However this heavily depends on the quality of growth and most importantly on the nature of specific sectors which lead growth (Ethiopian Economics Association, 2011).

Agricultural development led industry (ADLI) is the poverty reduction principle adopted by Ethiopia, a low income country, to promote its national development. The initial idea at ADLI was formulated with the establishment of interim government in the early

1990's which was subsequently in stages and put into serious implementation in the early 2000.

The main motivation behind ADLI is the recognition that Ethiopia is an agrarian society in which the bulk of the population about 86 percent, resides in rural area earning a livelihood from land (Central statistics agency, 2011).

Of more importance is the modernization of agriculture such as fertilizers, in order to provide enough yields to feed the population.

In this case cooperatives have great role in providing technology, fertilizer, credit that help to enhance agricultural production.

A cooperative (also co-operative; often referred to as a co-op) is a business organization owned and operated by a group of individuals for their mutual benefit. Cooperatives are defined as the autonomous associations of persons united voluntarily to meet their common economic, Social and cultural needs.

Cooperatives may also be defined as a business owned and centered equally by the people who use its services or by the people who work there (Abebe, 2005).

When we see the origin of cooperative it dates back as far as human beings have been organizing for mutual benefit. Tribes were organized as cooperative structured allocating jobs and resources among each other only trading with external communities. Pre-industrial Europe is home to the first cooperatives from an industrial context

When we see cooperative as legal entities owned and democratically controlled by its members. Members often have a close association with the enterprise as producer or consumers of its products or services or as it employers.

Cooperatives are based on the cooperative value of self-help, self-responsibility, democracy and equity and solidarity. Cooperatives are dedicated to the value of openness, social responsibility carrying for others (<http://www.cop.org>).

Cooperatives are able to reach and give benefit to section of the population that would not normally be served by other private sector institutions or direct government programs, i.e. farmers, especially in developing countries, can be charged relatively high interest rates by commercial banks, or even not available for farmers to access. When providing loans, these banks are often mindful of high transaction costs on small loans, or may be refused credit all together due to lack of collateral. Something very acute in developing countries to provide a source of credit, farmers can group together funds that can be loaned out to members.

As Ethiopia's economy is predominantly agriculture based, improving this sector through using effective dissemination and a better productive agriculture inputs is a priority. In this regard cooperative institutes is believed to have a major role in Ethiopia as the people have a deep rooted tradition of gathering together to fulfill their socio-economic needs for instance, like in agriculture trade and many social events.

Modern form of cooperatives started in Ethiopia during the ruling era of emperor Haileselassie in 1960, which the first legislative called "farm workers cooperatives decree" was declared as decree no. 44 1960. .

During the periods (1966-1974), 154 cooperatives were established throughout the country (MOA, 1992). Since 1974, peasant associations were given legality by proclamation no. 71/1975, the cooperative proclamation no. 138/1978 was issued later in order to include other type of cooperatives like housing, thrift, credit and handicrafts etc.

All the efforts made to restructure the cooperative movement based on these proclamations were essentially towards direct control of cooperative and during them into government and political rather than socio-economic development instruments. Since 1991, the development of cooperation in the country has taken significant outturn in positive direction (Federal cooperative agency annual magazine, 2010).

Currently cooperatives have extended across the entire country, and there were 5.7 million members nationwide as of January 2010. It is estimated that above 39% of the total population is directly benefited from the activities and/or service at cooperatives (EFDR Cooperative office annual magazine, 2010).

Cooperative in Ethiopia are largely economic entities performing economic functions contributing a lot to economic department in the country and will continue to greatly contribute in the future (Federal cooperative agency annual magazine ,2010).

When there is suitable environment to cooperatives, i.e. politically and socioeconomically to organize and if they are formed voluntarily they act independently in self-help and self-responsibility manner they are able to make great roles in poverty reduction. So the study attempts to give current information and also assess the role of cooperative on poverty reduction. The result will serve as the decision making process in the current situation and also may serve as an input for further resource in cooperative sector.



## **1.2 Statement of the problem**

A cooperative is an autonomous association of person united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. The people of Ethiopia have got a very long social history of working together to fulfill their socio-economic needs.

Modern form of cooperative started in Ethiopia during the ruling era at emperor Haileselassie in 1960 (Federal cooperative agency annual magazine, 2010).

Starting from this time in Ethiopia there was a lot of measures taken by leading governments to improve status at cooperatives. Several thousands of cooperatives with individuals' membership established throughout the country. However, such societies were short lived since they were established in contravention of the universally accepted values and principles (Federal cooperative agency annual magazine, 2010).

Since 1991, the development of cooperatives in the country has taken a significant out turn or a positive direction.

In the history of cooperative movement in Ethiopia the government has taken various measures after 1995. The measures include, organizing and reorganizing different types of agricultural cooperative societies and establishing cooperative promotion bureaus in regions and also federal cooperative agency in federal level.

Besides these when we see the government policies and strategies in relation to cooperatives role and development we got the following facts.

Ethiopia's economic growth strategy, for many set forth in 1995 as the agricultural development led industrialization (ADLI) strategy gives significant emphasis on

agriculture and rural development as an engine of pre-poor growth. This strategy is part and parcel of Ethiopia poverty reduction strategies including the sustainable development and poverty reduction program. (SDPRP) approved in 2002, the 2004 Food Security Strategy (FSS) the 2006 plan for a sustained development to end poverty (PASDEP) (FDRE, 2008) and 2010 growth and transformation plan (MOFAD, September 2010).

In relation to implementing these strategies cooperatives are one of the key actors. Even if such realities there is little empirical study on opportunities and challenges that multi-purpose farmer's cooperatives may face under the current socio-economic and political environment.

Multi-purpose cooperatives are considered as institutional intervention to increase agricultural production and productivity. Multi-purpose cooperatives play a vital role in providing small holders with access to input (fertilizer, improved seed, pesticide input loan, chemicals, etc). This role necessarily link cooperatives to agricultural extension services provide at Kebele level (grass root).

Even this is also other realities in the ground, there is no adequate research work that could provide substantial findings to draw conclusion regarding the performance of cooperative in the study area.

Therefore this paper is designed to provide information on the challenges opportunities, and the role of cooperatives on poverty reduction.

### **1.3 Objective of the study**

The general objective of this study is to identify opportunities and challenges of multi-purpose cooperative and their role on poverty in reduction in case of North Western Ethiopia, Awi Zone Dangila district.

#### **Specific Objectives**

This study is aimed to;

- x identify the opportunities that helps the activities of cooperatives in the study area.
- x describe challenges of multi-purpose cooperatives in the study area.
- x assess the role of multi-purpose cooperatives in poverty reduction in selected district.
- x suggesting possible solution to challenges by farmers multi-purpose cooperatives in study area.

### **1.4 Research Questions**

The following research questions were raised to find the final results of this research paper. These research questions were the manifestation of the objectives of the research.

1. What are the opportunities that help the activities of cooperatives in the study area?

2. What are the major challenges faced by farmers multi-purpose cooperatives in the study area?
3. What are the roles of multi-purpose cooperative in poverty reduction in the study area?

### **1.5 Research significance**

The researcher believes that inadequate study in multipurpose cooperative activities in Ethiopia in general and in northern Ethiopia, Awi zone Dangila district in particular might contribute sound strategic alternatives for policy makers for those involved in cooperative institution at different level.

In adequately investigated problems that don't enable to take appropriate solution to the challenges in multi-purpose cooperative in the study area. This study done analysis on opportunities and challenges farmers' multi-purpose cooperatives particularly in Dangila district and also examined the role of multi- purpose cooperative in poverty reduction in the study area.

So the result may serve as input for further research in the cooperative industry and may stimulate theoretical and empirical interest in the movement. Moreover, it could contribute towards bridging the privilege information gap and there by enhance decision making for actors and policy makers at all level in the area.

## **1.6 Scope and limitation of the study**

The geographic scope of the study is confined to Awi zone Dangila district in three selected multipurpose cooperatives. In the district (study area) cooperative movement was began early compared to other district in Awi zone.

So besides they face experience in challenges but also data availability makes it preferable to conduct research in that geographical specific area.

It was also limited to address research objective in this thesis due to time, resource and budget constraint.

## **2. Literature Review**

The theoretical discussion part does not help to cover the full large theory of cooperative. Why cooperatives exist and what role they play in accomplishing economic benefit as well as poverty reduction, and social activities of the societies are the major area the researcher covered. Such issues have been dealt with the conceptual and analytical perspective of institutional theory aimed at eliciting collective efficiency gains of the cooperative enterprise model as a group power.

### **2.1 Cooperative concepts value and principles**

#### **2.1.1 Cooperative concept and definition**

According to the definition adopted by United State Development of Agriculture (USDA) in 1987: A cooperative is a user owned, user controlled business that benefits on the basis of use (Zeuli and Chep, 2004).

A cooperative (also co-operative; often referred to as a co-op) is a business organization owned and operated by a group of individuals for their mutual benefit. Cooperatives are defined by the International cooperative Alliances statement on the cooperative Identity as autonomous associations of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises.

A cooperative may also be defined as a business owned and controlled equally by people who use its service or by the people who work there.

When we see meaning of cooperatives as legal entities, it is a legal entity owned and democratically controlled by its members. Members often have a close association with the enterprise as producer or consumer at its product or services, or as its employees.

Although there is no universally accepted definition of cooperatives, we can say that cooperative is business, owned and democratically controlled by the people who use its service and whose benefits are derived and distributed equitably on the basis of use. So cooperatives are enterprises that put people at the center of their business and not capital. Cooperatives are business enterprises and thus can be defined in terms of their basic interest. Ownership controls a beneficiary.

### **2.1.2 Values and principle of cooperatives**

#### **9 Values of cooperatives**

Cooperatives are based on the value of self-help, self-responsibility, democracy, equality, equity and sociality. In the tradition at their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and carrying for others.

- i) **Self-help:** It means one should try to solve his problem with his own efforts, means and resources available. But self-help succeeds only up to the point. Therefore, it needs joint-effort with these who have the same problem. They can pool some problems and means. So that they become more potential. In group individuals become more powerful he learns with experience of other fellow men, this becomes mutual-self-help.
- ii) **Self-responsibility:** coupled with self-help and mutual self-help is the value of self-responsibility. Ever office-bearer, member of Board of Directors or

management must take responsibility of his personal actions, for the activity as whole and for its impact on society. Similarly each member of cooperative should realize and accept his responsibility towards cooperative and commit himself to it. A cooperative can achieve its object and progress only when everyone involved in it's functioning, including employees, feel his accountability and discharge his responsibility with commitment, dedication and sincerity of purpose. This is what the Rochdale Pioneers demonstrated and they succeeded.

- iii) **Democracy:** Democracy is a basic value of cooperatives. In the context of cooperatives, the essence of democracy is “conscious decision” based on the “freewill”. “Conscious decision” means understanding the logic or rationale of taking decisions and be aware of the possible consequence of the decisions and their impact on individual and institution. “Freewill” means no forcing of the decision from outside. “Participation” is an integral aspect of democracy. Participation includes attending general body/ board meetings, actively once opinion on various matters and issues affecting society. It also encompasses participation in strengthening internal finance and business.
  
- iv) **Equality:** Equality means equal rights and opportunities, right of participation a right to be informed, a right to be heard, a right to be involved in the decision making. Members are to be associated as equal as possible, without any kind of discrimination of gender, religion, caste, creed, race, amount of share capital contribution, deposits political affiliation, etc. That is why one member one vote is the principle, which establishes equality.



- v) **Equity:** It refers to how members are treated within a cooperative. It means that members should be treated equal in how they are rewarded for their participation in cooperative normally through patronage dividends, allocations to capital reserves in their name or reductions in charges. Equity ensures social justice.
- vi) **Solidarity:** It is an important base of cooperatives. Solidarity is collectively. Management have the responsibility to ensure that all members are treated as fairly as possible, that the general interest is always kept in mind, that there is consistent effort to deal with employees (members or non-members), as well as the non-members. It also means that a cooperative has a responsibility for the collective interest of its members. It indicates that society's financial and social assets belong to the group, being the result of joint efforts and participation. Solidarity also means that cooperatives and Co-operators stand together. They work together to present a common entity before the public and government.
- vii) **Honesty:** This is most important for survival of cooperatives. Rochdale Pioneers had a special commitment to honesty. Indeed, their identity in the market was distinguished partly because they insisted upon honest business-honest measurement, high quality and fair prices. Cooperatives ideal is honest dealing with members and non-members. Therefore, cooperatives have a bias towards openness. They regularly reveal to their members and other information relating to their performance. Scope of honesty is much wider in cooperatives than what generally is understood. For individual honesty is not

monetary honesty only, but also honest of thoughts, commitments, behavior and conduct, no hypocrisy of falsehood, no understand dealings or false promises, no dishonesty in elections. In cooperatives honesty also encompasses correct maintenance of accounts and balance sheet, correct information to members, objectivity and fairness in personal matters. It prohibits undue favors of any kind to anyone. Individuals' co-operators honesty, business honesty and managerial honesty brighten the image of cooperatives and their identity. Without honesty cooperatives have no cause to exist, no future to sustain them. Cooperatives will be in peril and danger of self-liquidation without honesty.

- viii) **Openness:** It means that cooperatives are open to members of community they serve. They have a commitment to serve and assist individuals in helping themselves.
- ix) **Social Responsibility:** In fact Social Responsibility and caring for others are overlapping concepts. It means that cooperatives should move beyond carrying for members only. They should financially assist or organize activities beneficial to the entire community. However, such activities can be taken up when cooperatives have surplus.
- x) **Caring for others:** It means take interest in and care about other people. This concept stems from humanism. Cooperatives are human by nature though their main concern is to achieve economic object.

These value concepts can be in an individual who is an altruist, pluralist, self-denials, large-hearted, broad minded and above all a humanist, whose eyes become wet seeing 34

others' sufferings, whose conscience revolts seeing others being exploited; whose heart throbs seeing the destitute and the oppressed; who gets happiness and satisfaction in helping others. To such people cooperation becomes a mission and means to solve problems and enable the weak to become collectively strong.

## **9 Principles of cooperatives:**

Cooperatives are based on the cooperatives values of "self-help, self-responsibility, democracy and equality, equity and solidarity. And have several principles.

### **1<sup>st</sup> Principle: Voluntary and open membership**

Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibility to membership, without gender, social, political or religious discrimination.

### **2<sup>nd</sup> Principle: Democratic Member Control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote), and cooperatives at other levels are also organized in a democratic manner.

### **3<sup>rd</sup> Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least of the assets is usually the common property of the cooperative. Members usually received limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surplus for any or all of the following

purposes: developing the cooperative, possibly by setting up reserves part of which at least would be indivisible; benefiting members in proportion to their transaction with the cooperative, and supporting other activities approved by the membership.

#### **4<sup>th</sup> Principle: Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external source, they do so on term that ensure democratic control by their members and maintain their cooperative autonomy.

#### **5<sup>th</sup> Principle: Education, Training and Information**

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public-particularly young people and opinion leaders-about the nature and benefits of cooperation.

#### **6<sup>th</sup> Principle: Cooperation among Cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, regional, and international structure.

#### **7<sup>th</sup> Principle: Concern for Community**

Cooperatives work for the sustainable development of their communities though policies approved by their members.

If it is following their spirit, if the vision each principle affords, individually and collectively, ingrained in the daily activities of the cooperatives.

The principles that form the heart of cooperatives are not independent of each other. They subtly linked: when one is ignored, all are diminished. Cooperatives should not be judged exclusively on the basis of any one principle: rather, they should be evaluated how they adhere to the principles in their entity.

## **2.2 Types of cooperatives**

### **2.2.1 Types of cooperative governance**

**Retailers' cooperatives:** A retailers' cooperative (known as a secondary or marketing cooperative in some countries) is an organization which employees' economies of scale on behalf of its members do get discounts from manufacturers and to pool marketing. It is common for locally owned grocery stores, hardware stores and pharmacies. In this case members at the cooperative are business rather than individuals.

**Workers cooperatives:** A worker cooperative or producer cooperative is a cooperative that is owned and democratically controlled by its "workers-owners". There are no outside owners in a pure "workers cooperative". Only the workers own shares of the business, though hybrid forms exist in which consumers community members or capitalist investors also own some share.

**Volunteer cooperative:** A volunteer cooperative is a cooperative that is run by and for a network of volunteers, for the benefit of a defined membership or the general public, to achieve some goal.

**Social cooperative:** social cooperatives bring together providers and beneficiaries of a social service as members. Or the other types of social cooperatives are bringing together

permanent workers and previously unemployed people who wish to integrate into the labour market.

**Consumer cooperative:** A consumer cooperative is a business owned by its customers. Employees can also generally become members vote on major decisions and elect the board of directors from amongst their own number.

**Business and employment cooperative:** Business and employment cooperatives (BECs) are subset of worker cooperatives that represent a new approach to providing support for the creation of new business.

**New generation cooperative:** New generation cooperative are an adaptation of traditional cooperative structure to modern, capital intensive industries. They are sometimes described as a hybrid between traditional co-ops and limited liability companies.

### 2.2.2 Types of cooperatives

**Housing cooperatives:** It is a legal mechanism for ownership of housing where residents either own shares reflecting their equity in the cooperative's real estate, or have membership occupancy rights in a not-for-profit cooperative (non-share capital co-op) and they underwrite their housing through paying subscription or rent.

**Utility cooperative:** It is a type of consumer cooperative that is tasked with the delivery of a public utility such as electricity, water or telecommunication service to the members.

**Agriculture cooperative:** Agricultural cooperatives or farmers cooperatives are

cooperatives where farmers pool their resources for mutual economic benefits.

Agricultural cooperatives are broadly divided into agricultural service cooperatives, which provide various services to their individual farming members and agricultural production cooperatives where production resources such as land or machinery are pooled and members form jointly.

### **Credit union and cooperative banking**

Credit unions are cooperative financial instruments that are owned and controlled by their members. Credit unions provide the same financial services as banks but are considered not-for-profit organizations and adhere to cooperative principles. Credit unions originated in mid-19<sup>th</sup> century Germany through the efforts of pioneers Franz Hermann Schulz-Delitzsch and Friedrich Wilhelm Raiffeisen.

### **Federal, (secondary) Cooperatives**

In some cases, cooperative societies find it advantageous to form cooperative federations in which all the members are themselves cooperatives. Historically, these have predominantly come in the form of cooperative wholesale societies and cooperative unions. Cooperative federations are a means through which cooperative societies can fulfill the sixth Rochdale Principle, cooperation among cooperatives with the ICA noting that “cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structure.



## **9 List at cooperative federation**

**Cooperative whole sale society:** According to cooperative economist Charles wide the aim of cooperative wholesale society is to arrange “bulk purchases and if possible, organize production. The best historical examples of this were the English CWS and the Scottish, which were the forerunners to the modern cooperative group.

**Cooperative union:** A second common form of cooperative federation is a cooperative union, whose objective is “to develop the spirit of solidarity among societies “and in a word to exercise the function at a governments whose authority, it is needless to say, purely moral. Cooperative UK and the international cooperative Alliance are example of such arrangements.

### **2.3 The potential role and purpose of cooperatives**

A cooperative is an autonomous association or persons united voluntarily to meet their common economic, social and cultural needs and aspiration through a jointly owned and democratically controlled enterprise.

The cooperative movement is significant both in terms of membership and impact. The United Nations estimated in 1994 that the live hoods of nearly 3 billion people or half of the world’s population were made so cure by cooperative enterprises. Nearly 800 million individuals are members of cooperatives. They provide an estimated 100 million jobs.

The cooperative societies in Ethiopia in fact are playing multi-functional role both in rural and urban areas. The free market economic system posed a challenge of poor

bargaining power and cooperativeness for the small holder farmers, resource poor youth who aim to enter into business operation and poor consumer due to limited financial resources limited skill and capacity, fragmented efforts, etc. Thus, collective efforts through cooperative organization have been chosen by many of disadvantage groups to increase their benefits from the liberalized market system. Cooperatives in Ethiopia are largely economic entities performing economic functions, contributing a lot to economic development of the country and will continue to greatly contribute in the future.

Their ultimate aim is to bring an improvement in the living standard of their members and thereby to nations as a whole (Federal cooperative agency annual magazine, 2010).

#### **Areas of cooperative operation to members**

The relative importance of the cooperative societies in Ethiopia can be seen from different perspective including their major role:

**Input supply service,** multi-purpose primary farmers' cooperatives accounts 20% of the total cooperative established in the country almost all of them are the sole farm input suppliers to the farmers both to members and non-members in the last two decade. According to statistics by EFDRE cooperative agency, 2010 during the year 2008 up to 677, 450 and 228,750 UREA a total of 906,202 metric ton of fertilizers is imported and distributed to farmers. In this year an average cooperatives have 70% in improving and more than 80% distributing share. So cooperatives also play the overall role in seed, farm equipment and chemical suppliers to the small holder farmers.

**Output marketing:** Cooperatives have helped to improve income flow to members through bulk marketing and though negotiation due to economics of scale, better access

to market information and shortening of market chain which enables to achieve better market price for their members produce.

The cooperatives annual export amount reached above 30,000 metric ton .In year 2007/8 four unions exported a total of 36,593.36mt worth's USD 504,154,838 (Federal cooperative agency annual magazine, 2010).

**Value Addition:** currently in some cooperative have a good start in value addition activities particularly in establishing agricultural product based industries.

Some of cooperative value additional activities are:

- x Packaging of honey
- x Packed ground nuts
- x Coffee cleaning and processing, etc.

**Financial service of cooperative:** saving and credit cooperative (SACCOS) are promoting saving culture in the society. The aggregate saving mobilized by SACCOS in both urban and rural areas in year 2010 reached more than one billion ETB. The relative performance of SACCOS with respect to saving mobilization at national level much to be desired and the trend is encouraging given that these organizations are recent phenomena.

**Social service:** cooperatives also provide basic services: housing, health education water and electricity in fulfillment of the principles of concern for the community development (Status of cooperative in Ethiopia, October, 2010).

To continue the role and potential of cooperatives try to see contributions of cooperatives and social development from world perspective (Birhanu G/selassie, May 1999).

Cooperatives are economically significant in large number of countries providing food stuff financial services as well as the provision at services to consumers.

Examples of the economic significance of cooperatives can be seen the market shares they hold. In Burkina Faso, agricultural cooperatives are the largest producer of fruits and vegetables for national market and in Ivory Coast they are responsible for 77% of cotton production. In Uruguay, cooperative process 90% of national milk production and export 70% of the surplus of wheat production. In the United States, in 1998 33% of the agricultural market was comprised of cooperatives and rural electric cooperatives operated more than half of the electrical in us, providing power to more than 25 million people in 46 states. In 1997 the contribution of cooperatives to gross domestic product (GDP) in the Philippines was 16%. During the same year, cooperatives in Denmark were responsible for 94% of milk processing, 69% of farm supply and 66% of cattle sloughing. In Finland: cooperatives were responsible for 79% of agricultural and 31% of forestry production.

Cooperative creates productive employment and contributes to poverty eradication. For example according to annual publication of the federal cooperative agency, 2011 in Latin America, it is estimated that 15,000 jobs were generated by consumer cooperatives. In Brazil, the organization of Brazilian cooperatives (OCB) provided over 296,000 jobs throughout the country is 1996.

Cooperatives have created over 13.8 million jobs in India, with 92% of the jobs created though self employment through worker cooperatives. In Japan, the consumer cooperatives provide 58,281 fulltime and 95,374 part-time jobs in 1997.

In Europe, cooperatives provide employment to over 5 million individuals in 1996. In addition cooperatives promote social integration given that cooperatives are people's organizations. They respond to social challenges of their communities. Child-care and elderly care cooperatives of the disabled and other social service cooperatives are flourishing through the world. In Sweden, more 66% of private day-care centers are cooperatives.

In the United States it is estimated that over 50,000 families send their children to cooperative day-care centers.

Cooperatives promote equality and equity between women and men. Since the world summit on social development and the Beijing conference, the cooperative movement has increasingly sought to improve the status of women in cooperatives and in society. In 1995, international cooperative Alliance ICA, representing over 200 cooperative organization (which nearly 760 million individuals members) nearly 100 countries passed a resolution on gender equality on cooperatives in which the members of the ICA noted that gender equality was global priority for cooperative members.

## **2.4 Governance /Legitimacy/ of cooperative**

### **9 Organizational framework of cooperatives**

Cooperative legislation aims at providing legal framework for cooperative action and seeks to transform cooperative principles into legal norms. So that these who conform to the cooperative principles into legal norms so that those who conform to the cooperative law also conform to the principles.

Notwithstanding the fact that the cooperative laws have been promulgated originally with the intention of safe guarding cooperative character and promoting the genuine cooperative organizations, they have become instruments of state control over the cooperatives and restrain the democratic character and abrogate their autonomy.

It is a paradox that the same cooperative law, which is to meant safeguard the principles at cooperation, has done irreparable damage to the cooperative character by violating the principles of cooperation. Government regulations are necessary only in as much as they prevent perversions of cooperatives principles and to safeguard institutions from vested interests, but not to interfere with the internal affairs. The governments of many developing countries interest in the development of cooperatives within the framework of economic planning and formulate programmes of cooperative development (Dr.G.Veerakumaran, 2007).

In Ethiopia is also cooperatives organized within the framework of economic planning and formulate programmes of cooperative development.

A proclamation no 147/998 to provide for the establishment of cooperative societies had been also declared by federal government to bring all types of cooperative society's less than one umbrella later on federal cooperative commission (Federal cooperative agency) based on the proclamation no 274/2002 was estimated in 2002.

The agency activities and functions increased and changed to large extent with the passage of time since it has to carry out developmental, regulatory and creative functions for further strengthening of cooperative movement in the country (Status of cooperative in Ethiopia October, 2010). Brief details of these functions are as under:

- x Cooperative organization
- x Cooperative registration
- x Cooperative inspection
- x System development and implementation
- x Cooperative education and training
- x Cooperative audit
- x Cooperative legal service
- x Cooperative research
- x Cooperative information dissemination
- x Cooperative suspension and dissolution.

## **2.5 Opportunities of cooperatives**

Recently the government gives recognition of cooperatives role, as they play vital role in development. The importance of cooperatives social and economic development of the country has been recognized by the government of Ethiopia. The government is doing its level best to make cooperatives viable institutions.

So according to Federal cooperative agency annual magazine, 2010, various measures taken by government to improve the status or cooperatives had been considered as opportunities to the sector. That is:

9 Beyond the stated policy the detail implementation strategy were formulated.

Amendment of cooperatives proclamation N0147/191 and 402/196 and formulas were implementation by laws.

9 The cooperatives education and training is conducted in organized manner.

9 The institutions engaged in cooperatives and developments have begun strengthened on human resource, finance and materials.

## **2.6 Challenges of cooperative**

The importance of cooperatives for social and economic development of the country has been recognized by the government of Ethiopia. To this end, though long term structural, operational and managerial problems that persistently constraining cooperatives growth are not fully eliminated, the government is doing its level best to make cooperatives viable institution (Federal cooperative agency annual magazine, 2010).

Low members' participation was due to inadequately addressing of their needs and problems by their organization. Lack of capital Poor entrepreneurship skill lack of horizontal and vertical integration of cooperatives, poor project formulation and implementing capacity, poor business development support in the area of value addition weak legal, audit and inspection support and absence of reliable and up to date

Market information and networking problems with partners are some challenges faced in cooperative development in Ethiopia (Status of cooperative in Ethiopia October, 2010).



With regard to this issue the measures undertaken by the government are encountering, hence a proclamation no 147/199 1 is under implementation, cooperatives regional bureau and federal cooperative are established and functional.

Cooperatives, like other enterprises have seen their operations significantly affected by external challenges in the political and economic environment. These include the impact of structural adjustment economic liberalization, globalization, changing government policies, new trade grouping and pressures towards demutualization (Abebe, 2005).

### **Cooperative challenges**

**1. The challenge of co-operative governance:** By way of the equality principle, of the constitution of a fully empowered general assembly, of the periodic election of administrators, the democratic powers and duties of the cooperative are firmly established on the members. These features define the good governance structure of the cooperative.

Good managerial practices for this challenge are practices of information dissemination by way of internal bulletins, Internet sites, or information meetings. To these dissemination practices are added practices of transparency, whereby management displays an open attitude towards cooperative members. Practices of representativeness are also noted, which ensure that all categories of members are represented by an administrator on the board of directors. Lastly, consultation activities encompassing all members, such as internal surveys, information meetings, and the like bear witness to practices of broader participation in certain cooperatives.

As for strategic results, these various practices lead to the cooperative gaining a clearer vision of its organization and to developing an enhanced ability to make more

enlightened decisions. To members, these practices enhance the sense of belonging, and they become more inclined to involve themselves in the cooperative.

2. **The challenge of inter-cooperation.** The principle of cooperation among cooperatives bears witness to the dynamic nature of cooperative groupings (mainly into federations or confederations), maintaining a process whereby member cooperatives retain ownership of the federations.

Within this challenge, researchers identified federative practices, such as sharing not only labor, expertise, and office space, but also risk, joint purchasing, and promotion. A sub-category surfaced during the study, the practice of non-federative alliances including the development of partnerships with cooperatives from other areas of activity and with non cooperative businesses.

In terms of strategic results, all these practices contribute very decisively to the development of superior managerial and developmental abilities. For members, the practices of the inter-cooperation challenge result in a better offer of higher quality products and services.

3. **The challenge of capitalization and investment.** Through the cooperative principles of limited return on invested capital, of unassignable reserves, and of the requirement to be a user-member in order to assume a position on the board of directors, the processes of investment and capitalization offer a challenge, especially as regards sourcing.

Well-known practices are listed for this challenge, such as the practices of surplus return and share levels. Generally speaking, the more often a cooperative does not habitually return the entire amount of its capitalization surplus, and the more important its various

means of financing, the greater the cooperative's strategic results in terms of this particular challenge. Another practice identified is that of information popularization, whereby cooperative managers develop tools that more clearly explain the workings of finance to members whose grasp of the subject reputedly falls short. Concerning treatment of surplus, practices of cooperative financial diagnostics are noted, whereby cooperatives set their own financial ratio targets. Lastly, investment practices regarding annual return and various member shares complete the capitalization activities of the cooperative.

When cooperatives develop sound practices for the investment and capitalization challenge, they obtain strategic results that impact managerial autonomy, such as the ability to make decisions with consideration given to members. This further enhances their ability to ensure their own development, providing them with the required means to do so. It has further been observed that this instills members with a greater sense of ownership of and responsibility to the cooperative.

**4. The challenge of cooperative values.** The basic premise of the cooperative is to bring together people who share a common need. This done, the individuals formed into a cooperative want to build a project according to specific values, the cooperative values. This starting point requires the cooperative to develop in a way that will avoid creating discrepancies and apply cooperative values in all its dealings with interested parties.

The practices identified for this challenge extend from marketing practices that reflect cooperative values (in purchasing policies, for example, where suppliers sharing similar

values are selected) to establishing a code of ethics for all parties involved with the cooperative, to practices of announcing its values to involved parties and to the public at large. Moreover, some cooperatives exercise practices of participation that extend beyond its membership and educational practices aiming to propagate cooperative values.

**5. The challenge of the value of use.** The entire cooperative management process is geared to maximizing the relation of member use or member advantages. This feature of the cooperative identity also serves as a guide to development focused on the needs of the members of a specific area.

To begin with, training practices for staff members, as well as practices of offer differentiation for various member types, are identified. Some cooperatives have developed practices of establishing cooperative added value (in terms of pricing, quality, community involvement, democracy, etc.), and lastly, practices of establishing a profit margin ceiling are noted. These practices allow the cooperatives to improve their short-, mid- and long-term reading of the environment and needs of members. By thus placing the use relation at the heart of cooperative development, the administrators and managers acquire the reflexes and data needed to better gauge their environment. Members, for their part, see the cooperative better able to answer their changing needs.

**6. The challenge of community development.** The prime objective of a cooperative is to offer its members better services and products. Yet, along with striving to attain this objective individually and collectively, contributing to better development of the community is inherent to the nature of the cooperative. Through its membership, the

cooperative belongs to the community and traditionally returns a “social dividend” to the community.

This particular challenge gives rise to relatively advanced and widely adopted practices within the cooperatives studied. Practices of community donations are observed, as well as practices of partnership with local organizations in need of logistical support or intervention. Also, practices of policy development regarding involvement and support are created within cooperatives in order to better direct possible cooperative action.

Finally, practices of establishing funds destined for community development (social funds, environmental funds, etc.) are noted.

For the cooperative, these practices yield strategic results beyond business projects for members, results that embody its very “raison d’être” as a vehicle for development. The cooperative thus becomes important to its members on a business level and to the community on a developmental level. For members, over and above the direct use relation, the contribution of cooperatives improves their quality of life in general (support at home, improved neighborhood services, urban design and green space, etc.).

The next two cooperative challenges are special, in the sense that one is found at the very core of the model, while the other encompasses the model in its entirety.

**7. The challenge of cooperative education.** Surrounded by traditional businesses whose management tools and level of success are measured in terms of return on investment, cooperatives must substantiate their success in regard to their values and principles. As all management tools reflect the philosophy from which they originate, cooperative

managers and administrators must acquire the tools for analysis, decision-making, and implementation that mirror the cooperative identity in a broader sense than traditionally defined as cooperative education. In this particular context, the challenge exceeds the traditional scope of cooperative educational principles, becoming a prism through which are developed managerial practices.

Educational practices, mainly targeting members and administrators but also employees (especially in consumers' and producers' cooperatives) and the general public, are the most frequently observed practices in the cooperatives taking part in the study. Publicity and display practices highlighting cooperative distinctiveness are also observed, as well as information dissemination and public relations practices specifically focused on the cooperative identity.

These practices lead cooperatives to two different results. First, the cooperative can distinguish itself in the way of approaching its business through the different cooperative challenges. It can also distinguish itself in the way the cooperative communicates with its members and the community. This leads to a clear recognition of the cooperative distinctiveness by the members.

Because managers and board members have the cooperative project in mind in everyday decisions, the cooperatives have a distinctiveness that other business don't have and that competitors won't be able to copy. This is the root of any cooperative competitive advantage.

**8. The challenge of products and services.** Cooperatives are formed to address needs by the offer of products and services within the framework of cooperative development.

Therefore, cooperative products and services must reach beyond the traditional price-to-quality equation. Although this equation remains an unavoidable element of its service delivery, the cooperative must also tender cooperative added value: each of the model's challenges must tender tangible added value in the products and services of its cooperative offer. Strategically, the cooperative must offer products and services of competitive quality, at competitive rates, along with unique elements of cooperative added value.

This last challenge is thus the culmination of the cooperative's efforts; its entire legitimacy and survival as a business is condensed into the offer of a distinctive product. As such, the first seven challenges must strongly impact the cooperative product/service offer; the challenge of products and services determines whether the first seven cooperative challenges are in fact met.

## **2.7 Role of farmer's multi-purpose cooperative in the process of**

### **Poverty reduction**

#### **x Poverty Definitions and concepts**

**What does it mean to be poor? How is poverty measured?** Third World countries are often described as "developing" while the First World, industrialized nations are often "developed". What does it mean to describe a nation as "developing"? A lack of material wealth does not necessarily mean that one is deprived. A strong economy in a developed nation doesn't mean much when a significant percentage (even a majority) of the

Population is struggling to survive.

Successful development can imply many things, such as (though not limited to):

- x An improvement in living standards and access to all basic needs such that a person has enough food, water, shelter, clothing, health, education, etc;
- x A stable political, social and economic environment, with associated political, social and economic freedoms, such as (though not limited to) equitable ownership of land and property;
- x The ability to make free and informed choices that are not coerced;
- x Be able to participate in a democratic environment with the ability to have a say in one's own future; (Bergmann Barbara. "Deciding who is Poor", Dollars and Sense, march/April 2000).

**What is poverty?** Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom. Poverty is a call to action - for the poor and the wealthy alike - a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities. Poverty is the state of being without, often associated with need, hardship and lack of resources across a wide range of circumstances (Smith Stephen, Ending global poverty, 2005).

Is it enough to blame poor people for their own predicament? Have they been lazy, made poor decisions, and been solely responsible for their plight? What about their



government? Have they pursued policies that actually harm successful development? Such causes of poverty and inequality are no doubt real. But often less discussed are deeper and more global causes of poverty.

Behind the increasing interconnectedness promised by globalization, are global decisions, policies, and practices. These are typically influenced, driven, or formulated by the rich and powerful. These can be leaders of rich countries or other global actors such as multinational corporations, institutions, and influential people.

In the face of such enormous external influence, the governments of poor nations and their people are often powerless. As a result, in the global context, a few get wealthy while the majority struggle.

Poverty is the state for the majority of the world's people and nations. Why is this? Is it enough to blame poor people for their own predicament? Have they been lazy, made poor decisions, and been solely responsible for their plight? What about their governments? Have they pursued policies that actually harm successful development? Such causes of poverty and inequality are no doubt real. But deeper and more global causes of poverty are often less discussed.

Most of humanity lives on just a few dollars a day. Whether you live in the wealthiest nations in the world or the poorest, you will see high levels of inequality (Bergmann Barbara. "Deciding who is Poor", April 2000).

x Almost half the world — over 3 billion people — live on less than \$2.50 a day.

- x The GDP (Gross Domestic Product) of the 41 Heavily Indebted Poor Countries (567 million people) is less than the wealth of the world's 7 richest people combined.
- x Nearly a billion people entered the 21st century unable to read a book or sign their names.
- x Less than one per cent of what the world spent every year on weapons was needed to put every child into school by the year 2000 and yet it didn't happen.
- x 1 billion children live in poverty (1 in 2 children in the world). 640 million live without adequate shelter, 400 million have no access to safe water, and 270 million have no access to health services. 10.6 million Died in 2003 before they reached the age of 5 (or roughly 29,000 children per day).

Poorest people will also have less access to health, education and other services. Problems of hunger, malnutrition and disease afflict the poorest in society. The poorest are also typically marginalized from society and have little representation or voice in public and political debates, making it even harder to escape poverty.

By contrast, the wealthier you are, the more likely you are to benefit from economic or political policies. The amount the world spends on military, financial bailouts and other areas that benefit the wealthy compared to the amount spent to address the daily crisis of poverty and related problems are often staggering.

Cutbacks in health, education and other vital social services around the world have resulted from structural adjustment policies prescribed by the International Monetary Fund (IMF) and the World Bank as conditions for loans and repayment. In addition,

developing nation governments are required to open their economies to compete with each other and with more powerful and established industrialized nations. To attract investment, poor countries enter a spiraling race to the bottom to see who can provide lower standards, reduced wages and cheaper resources. This has increased poverty and inequality for most people. It also forms a backbone to what we today call globalization. As a result, it maintains the historic unequal rules of trade.

### **Absolute poverty thresholds vs. relative poverty thresholds**

As explained by a National Academy of Sciences panel, "Absolute thresholds are fixed at a point in time and updated solely for price changes. In contrast, relative thresholds, as commonly defined, are developed by reference to the actual expenditures (or income) of the population." See Citro and Michael, eds., *Measuring Poverty: A New Approach* (National Academy Press, 1995), page 31, "Types of Poverty Thresholds."

Poverty is the state of human beings who are poor. That is, they have little or no material means of surviving—little or no food, shelter, clothes, healthcare, education, and other physical means of living and improving one's life. Some definitions of poverty are relative, rather than absolute, poverty reduction would not be considered to apply to measures which resulted in absolute decreases in living standards, but technically lifted people out of poverty.

**Poverty reduction measures** are those that rise, or are intended to raise, the material level of living. Of course, some people undertake voluntary poverty due to religious or philosophical beliefs. For example, Christian monks and nuns take a "vow of poverty" by which they renounce luxury. Poverty reduction measures have no role in regard to voluntary poverty.

Poverty reduction measures and other attempts to change the economies of modern hunter-gatherers are not addressed in this article. Hunter-gatherers, also called "foragers" live off wild plants and animals, for example, the Hadza people of Tanzania and the Bushmen of southern Africa. There is a special case in which their poverty relative to the developed countries is intertwined with their traditional way of life. Governmental attempts to modernize the economies of the Hadza people, the Bushmen, and other hunter-gatherers have resulted in political, legal, and cultural controversies. They have often met with failure.

Poverty occurs in both developing countries and developed countries. While poverty is much more widespread in developing countries, both types of countries undertake poverty reduction measures.

Poverty has historically been accepted as inevitable as non-industrialized economies produced very little while populations grew almost as fast making wealth scarce. Geoffrey Parker wrote that "In Antwerp and Lyon, two of the largest cities in western Europe, by 1600 three-quarters of the total population were too poor to pay taxes, and therefore likely to need relief in times of crisis. Poverty reduction, or poverty alleviation, has been largely as a result of overall economic growth. Food shortages were common before modern agricultural technology and in places that lack them today, such as nitrogen fertilizers, pesticides and irrigation methods. The dawn of industrial revolution led to high economic growth, eliminating mass poverty in what is now considered the developed world. World GDP per person quintupled during the 20th century. In 1820, 75% of humanity lived on less than a dollar a day, while in 2001, only about 20% do.

Today, continued economic development is constrained by the lack of economic freedoms. Economic liberalization requires extending property rights to the poor, especially to land. Financial services, notably savings, can be made accessible to the poor through technology, such as mobile banking. Inefficient institutions, corruption and political instability can also discourage investment. Aid and government support in health, education and infrastructure helps growth by increasing human and physical capital.

**Poverty alleviation** also involves improving the living conditions of people who are already poor. Aid, particularly in medical and scientific areas, is essential in providing better lives, such as the Green Revolution and the eradication of smallpox. Problems with today's development aid include the high proportion of tied aid, which mandates receiving nations to buy products, often more expensive, originating only from donor countries. Nevertheless, some believe (Peter Singer in his book *The Life You can save*) that small changes in the way each of us in affluent nations lives our lives could solve world poverty.

Human development is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests. People are the real wealth of nations. Development is thus about expanding the choices people have to lead lives that they value. And it is thus about much more than economic growth, which is only a means—if a very important one of enlarging people's choices.

Politics have led to dire conditions in many poorer nations. In many cases, international political interests have led to a diversion of available resources from domestic needs to

western markets. This has resulted in a lack of basic access to food, water, health, education and other important social services. This is a major obstacle to equitable development. It is also bad for economic efficiency.

While poverty alleviation is important, so too is tackling inequality. Inequality is often discussed in the context of relative poverty, as opposed to absolute poverty.

That is, even in the wealthiest countries, the poor may not be in absolute poverty (the most basic of provisions may be obtainable for many) or their level of poverty may be a lot higher than those in developing countries, but in terms of their standing in society, their relative poverty can also have serious consequences such as deteriorating social cohesion, increasing crime and violence, and poorer health.

Some of these things are hard to measure, such as social cohesion and the level of trust and comfort people will have in interacting with one another in the society. Nonetheless, over the years, numerous studies have shown that sometimes the poor in wealthy countries can be unhappier or finding it harder to cope than poor people in poorer countries.

In the context of tackling poverty then, the Overseas Development Institute (ODI) for example sees poverty reduction as a twin function of

1. The rate of growth, and
2. Changes in income distribution.

A few places around the world do see increasing rates of growth in a positive sense. But globally, there is also a negative change in income distribution. The reality unfortunately is that the gap between the rich and poor is quite wide in most places. For example:

x About 0.13% of the world's population controlled 25% of the world's assets in 2004.

x The wealthiest 20% of the world's population consumes 76.6% of the world's goods while 80% of humanity gets the remainder.

### **Cooperatives in Social Development**

The United Nations system values the important role of cooperatives in social and economic development. The World Summit for Social Development held in Copenhagen in 1995, and the General Assembly resolution 51/58 adopted in 1996, recognized the importance of cooperative in the people-centered approach to development.

The Summit agreed to “utilize and develop fully the potential and contribution of cooperatives for the attainment of social development goals, in particular the eradication of poverty, the generation of full and productive employment, and the enhancement of social integration.”(Commitment 9h)

x ***Cooperatives and poverty reduction.*** Cooperatives, as self-help organizations, contribute to the eradication of poverty through the economic and social progress of their members and employees and by stimulating the economies and enhancing the social fabric of the communities in which they operate.

x ***Cooperatives and employment generation.*** Cooperatives help to create, improve and protect the income and employment opportunities of their members by pooling the limited individual resources of members to create business enterprises that enable them to participate in production, profit-sharing, cost-saving or risk-taking activities.

- x ***Cooperatives and social integration.*** Cooperatives promote social integration and cohesion in the face of inequalities in social capabilities by empowering and giving voice to the poor as well as marginalized groups and by promoting the organization of federations and alliances.
  
- x In addition, cooperatives play an important role in an increasingly integrated global economy as well as in fostering peace building among peoples, communities and nations.
  
- x ***Cooperatives and globalization.*** Cooperatives work towards fair globalization - one that is fundamentally inclusive, sustainable and people-centered – by creating business entities that promote solidarity among peoples, greater accountability, deeper partnerships and fairer rules and standards that offers equitable opportunities for all.
  
- x ***Cooperatives and post crisis/conflict, reconstruction and reintegration in disaster areas.*** Cooperatives through their economic model which stresses self-help and mutual aid, promote local economic and social development. Cooperatives also help facilitate social and political reconciliation, and provide access to financial services and spur employment, as exemplified in their valuable role in rehabilitating survivors of the East Asian Tsunami.

## **The Role of Cooperatives in poverty reduction**

In his message on the occasion of the International Day of Cooperatives, the Secretary-General observed that: "Cooperatives are at work in almost every country and economic sector. More than 760 million people around the world are engaged in the cooperative



movement. Whether a rural cooperative in Benin, which ploughs back profits into building reservoirs and upgrading roads, or a savings and credit cooperative in Sri Lanka, providing insurance and postal services to its members, a cooperative can play a significant role in fulfilling development objectives." It is generally recognized that cooperatives respond effectively to the ever-changing needs of people. For example, in response to the effects of globalization, people continue to choose cooperatives to address their needs. In a number of countries, people are starting new cooperative enterprises in such areas as social care and information technology. Women and youth are also choosing the cooperative form to start enterprises of their own, thus creating new jobs and opportunities. The cooperative advantage extends to the users of cooperatives and indeed to the communities in which they operate. Cooperatives set industry standards by putting into practice their values and ethics. In some countries, cooperatives are seen as leaders in promoting food safety and security, and in protecting the environment. Still in others, cooperatives are building peaceful societies by promoting understanding and collaboration among people of different cultural and income backgrounds. The values of cooperation - equity, solidarity, self-help and mutual responsibility - are the cornerstones of cooperatives and should be sustained so that cooperatives can continue to respond with flexibility and innovation to changes and challenges posed by globalization which has yet to benefit that part of the world's population which lives on under \$2 a day (Armando Costa Pinto, 1996).

## **Cooperatives can play an important role in Poverty-Reduction**

A new ILO report 'Working out of Poverty' finds that most of the poorest of the poor in Asia and the Pacific live in rural areas where cooperatives can play an important role in poverty reduction efforts.

According to the International Labour Organization (ILO) report "Working out of Poverty" , the largest number of the poorest of the poor (those earning less than US\$ 1 per day) lives in Asia and the Pacific (about 800 million). Most live in rural areas where jobs are scarce and basic social services are weak. In these areas the nearest institutions for the poor are local cooperatives.

"Participation and inclusion are central to a new approach to poverty reduction. Cooperatives are an ideal instrument in such as strategy, and the ILO has long drawn on the strength of the movement" according to the report by the ILO's Director-General, Juan Somavia. "Cooperatives have proven to be a key organizational form in building new models to combat social exclusion and poverty, for example through local development initiatives."

The ILO, in tandem with the International Cooperative Alliance (ICA), has organized a regional workshop on the Role of Cooperatives in Poverty Reduction, with a particular emphasis on Poverty Reduction Strategy Papers (PRSPs).

PRSPs describes a country's macroeconomic structural and social policies and programmes to promote growth and reduce poverty, as well as external financing needs, including debt relief for heavily indebted poor countries (HIPC).

The ILO has been actively engaged in supporting the PRSP process in a number of countries in the region, including Cambodia and Nepal. More recently, the ILO has been offering similar support in Indonesia, Pakistan and Viet Nam. In all cases, the objective has been to-

- x empower social partners to influence the drafting and implementation of poverty-reduction strategies through social dialogue

- x to incorporate employment and other aspects of decent work into PRSPs, and;

- x to influence development organizations and governments involved in designing and implementing poverty-reduction strategies to embrace fundamental principles and rights at work and social protection and to listen to the voices of the social partners and like-minded stakeholders

### **x Why farmers form cooperatives**

Cooperatives as a form of business organization are distinct from the more common investors owned firms (IOFS). Both are organized as corporation. But IOFS pursue profit maximization objectives. Whereas cooperatives strive to maximize the benefits they generate for their members (which usually involves zero-profit operation). Agricultural cooperatives are therefore created in situations where farmers cannot obtain essential service from IOFS (because the provision of these service is judged to be unprofitable by the IOFS), or when IOFS provide the services at disadvantageous terms to the farmers (i.e. the services are available but the profit-motivated prices are too high for the farmers).

A practical motivation for the creation of agricultural cooperatives is related to the ability of farmers to pool production and/or resources. In many situations with agriculture it is simply too expensive for farmers to manufacture products or undertake a service. Cooperatives provide a method for farmers to join together in an association, through which a group of farmers can acquire a better outcome, typically financial than by going alone.

Farmers organizations such as farmers' unions, farmers cooperatives, farmer groups and commodity associations as well as rural finance institutions, can play a key role in the development of rural areas in developing countries as well as in fighting poverty. We consider that six main areas of intervention to be addressed by the different stakeholders in rural development and in development of agricultural cooperatives.

- x Organizational and business development
- x Gender equality
- x Market information and analysis
- x Sustainable agricultural production and climate change
- x Market access and sales
- x Financial services; and policy development advocacy. (Role in rural development and poverty reduction by Armando Costa Pinto).

## **2.8 Role of government in promoting cooperatives**

Governments have to perceive cooperative as self help organizations, democratically owned, managed and controlled by their members and play their role advocacy organization for promoting and defining the legitimate interests of their members. ILO (2000) argues that the state, without any direct or indirect intervention in cooperative and as a potential partner, must formulate and initiate a clear public policy on cooperative development, create an appropriate regulatory framework. Consistent a new paradigm shift, which emphasize privatized market oriented and limited role of the state; and in strengthen redesign and refocus cooperative development in order to make a self-financing institution.

A cooperative is an association and an enterprise farmers' cooperative need to have membership and the potential to develop economically. This means that the farmer must be able access sufficient land and affordable credit and develop knowledge and techniques. The farmer needs to access market information and network. Subsistence farming does not normally provide scope for cooperative development and contributes little to food security or poverty reduction (Birhanu G/selassie, 2008).

Differentiated strategies must be put in place to address the poverty and marginalization of subsistence farmers.

Rural poverty will not diminish dramatically as long as a developing country does not commit them to achieve better wealth distribution. In a couple of decades there will be for few people in the rural areas. However, the fight against poverty in the countryside will also very much depend on the macro economic development of the nation.

Agricultural cooperatives need to give perspective to strategic alliances between large enterprise organized in cooperatives and small holder family farmers. In such a context, the state should act as:

- x Promoter and facilitator
- x Generate policies and programs for the sector.
- x Develop infrastructure and adequate social services
- x Facilitate the modernization of cooperative laws and regulations, eliminating existing barriers to cooperative development.

Cooperative creates productive employment and contributes to poverty eradication. A recent report of the international labor office (ILO) confirms that “cooperatives to play an important role in employment promotion and poverty alleviation, both as production enterprise mainly on the self-employed and as providers of services to members”.

Although cooperatives are not instruments of employment promotion they do effectively and maintain employment in both urban and rural areas around the world and thus provide income to members and employees in the form of shares of surplus, wage and salaries of profit depending of the type of cooperative. (Birhanu G/selassie, 2008).

## **2.9 Historical development and movement of cooperatives**

**History of the cooperative movement:** cooperation dates back as far as human beings have been organizing for mutual benefit. Tribes were organized as cooperative structures, allocating jobs resource among each other, only trading with the external communities.

Pre-industrial Europe is home to the first cooperatives from an industrial context. Robert Owen (1771-1858) was a social reformer and a Pioneer of the cooperative movement.

In 1761, the Fenwick weavers' society was formed in Fenwick, East Ayrshire, and Scotland to sell discounted oatmeal to local workers. Its service expanded to include assistance with savings and loans, emigration and education.

In 1810, Welsh social reformer Robert Owen, from Newton in mid-Wales, and his partners purchased new Lanark mill from Owen's father-in-law David Dale and proceeded to introduce better labor standards including discounted retail shops where profits were passed onto his employees. Owen left Lanark to pursue other forms of cooperative organization and develop co-op ideas through writing and lecture.

The roots of the cooperative movement can be traced to multiple influences and expanded worldwide. In the Anglo sphere, post-feudal forms of cooperation between workers and owners that are expressed today as "profit-sharing and surplus sharing arrangements, existed as far back as 1775.

The cooperative movement has been globally by ideas of economic democracy. Economic democracy is a socioeconomic philosophy suggested on expansion of decision-making power from a small minority of corporate share holders to a large majority of public stake holders.

The "modern cooperative era" began in 1844, when the Rochdale equitable pioneers' society was established in Rochdale England. Its members documented the principles by which they would operate their first cooperative, implementing the central tenants around

which cooperatives are structured today. Throughout the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, cooperatives sprung up sporadically in America, particularly in times of economic hardship.

### **2.9.1 International experience**

Germany was the first country in the world to apply the principles of cooperation in the field of credit. The cooperative credit movement was started in Germany in the middle of 19<sup>th</sup> century. At that time the economic condition of Germany was extremely deplorable and the peasantry and artisans felt crushed under the heavy weight of indebtedness. Herr F.W Raiffeisen (1818-1888) and Herr Franz Schulze (1809-1883) the two pioneers in this field took initiative and started introducing various measures of relief. It was Raiffeisen, who contributed the maximum to spread the cooperative movement in Germany.

In England the cooperative movement in a real sense began with Robert Owen – a factory manager, a utopian socialist pioneer of industrial cooperation and trade unionism, and an advocate of communal living. Owen (1771-1858) envisaged villages including farm lands and small scale industry, all operated cooperatively by the citizens of the villages who would live commonly (Federal cooperative agency magazine, volume 8, 2011).

In Africa, especially in Tanzania, the Kagera cooperative union's (KCU) predecessor was the native cooperative union, founded in Bukoba, Tanzania in 1955. The main aim was to free farmers from their dependence on Asian merchants who controlled the regional coffee market.



After Tanzania achieved independence in 1964, the government encourages the creation of larger villages in order to improve access to health-services, education and clean water. At the same time, the government required all small farmers to become members at cooperative.

The cooperative movement is significant both in terms of membership and impact. The United Nations estimated in 1994 that the livelihood of nearly 3 billion people or half of the world's population were made secure by cooperative enterprises. Nearly 800 million individuals are members of cooperatives. They provide an estimated 10 million jobs. They are economically significant in a large number of countries providing food staffs, financial service as well as the provision of service to consumers.

### **2.9.2 Cooperative movement in Africa**

A cooperative society is an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which the members activity participate. This definition covers also groups and associations are less “formal” than registered cooperatives, provided these groups are based on democratic principles and pursue an economic goal. On the other hand, the definition draws a clear line between cooperatives and capital-based enterprises, community based organizations and NGOs (although cooperatives and NGOs share certain common characteristics).

In all African countries, we come across traditional forms of cooperation which have survived the impact of colonialism and the structural changes which accompanied the so-called modern society. Such traditional self-help groups may be classified into two main categories: workgroups whose members help each other in rotation or jointly carry out farming, construction and communal works, and rotating savings and credit associations whose members make regular contributions to a revolving loan fund. Such groups can be found in every country of sub-Saharan Africa, and still play a very important role (Jurgen schwettmann, 1994).

“Modern” cooperatives, i.e. those falling under the definition given above, have been introduced in Africa by colonial governments to increase cash crop production and to control (and tax) economic activity in rural areas, but also to protect farmers against exploitation from money-lenders and traders.

In the former British colonies, cooperatives were created in the 1930s according to the British-Indian pattern of cooperation and accompanied by a special cooperative act and the establishment of an implementing agency, i.e. the Registrar of Cooperatives. Later, the colonial administration undertook systematic efforts to develop cooperatives into powerful business ventures that, through a vertical structure, controlled agricultural production, marketing and processing in rural areas.

The French colonial administration introduced so-called “Societies Indigenes de Prèvoyance” in the early 1920s. These SIPs were parasratal organizations used as instruments for rural development. In 1955, the administration introduced a special act for “state-sponsored” cooperatives and established cooperative supervising authorities which, however, did not undertake cooperative development activities. \Although the

SIPs changed their names several times; they remained parastatal structures that gained little economic importance.

The situation was largely identical in the former Belgian possessions in Africa. In Lusophone Africa, the colonial administration did not promote cooperatives at all, at least not among the indigenous population.

After independence, most governments of sub-Saharan Africa laid much emphasis on cooperative development in the agricultural sector; although based on different approaches the governmental cooperative promotion efforts had often the same result: an inefficient, state-controlled cooperative movement that did not meet member needs, but became a heavy burden on the state budget. Genuine cooperatives could develop only outside the agricultural sector, where many of them achieved remarkable progress (Jurgen Shwettmann,, ILO cooperatives branch 1994).

The state-controlled “cooperatives” were severely affected by the structural adjustment programmes that many African states adopted in the mid-1980s, and by the democratic reforms carried out in the early 1990s. The “para-statal” cooperatives lost protection and support, while their members become more aware about their democratic rights. This resulted in a sharp decline in the number and turnover of “para-statal” cooperatives and emergence of a multitude of grassroots initiatives. Many African governments adopted reform programmes to create a “favorable climate” for such initiatives. Today, we witness the development of a third generation of cooperatives in Africa, after those introduced by colonial powers and those imposed by the state.

No recent, complete statistics on the cooperative movements of Africa are available. The following table is based on data collected by ILO in 30 countries between 1989 and 1996.

<b>Ata on cooperatives in 30 countries (member in millions)</b>							
<b>Agriculture</b>		<b>Consumer</b>		<b>Saving &amp; credit</b>		<b>Others</b>	
Societies	Members	Societies	Members	Societies	Members	Societies	Members
41,352	13.9	19,838	7.1	5,324	2.7	9,834	3.3

**Source: Internal ILO mission reports**

The average “cooperative density” in the 30 countries, expressed as the percentage of cooperative members in the total population, amounts to 7%. As there is usually one cooperative member per household, and assuming an average household size of six persons, the “cooperative density” exceeds 40% of the total population. The cooperative movements of Africa are therefore, despite their shortcomings and weaknesses, an important element in the societies and national economies of their respective countries.

In a number of countries in Africa, the cooperative movement has become the second largest employer, surpassed only by government. In this region, the majority at jobs have been created through the activities of agricultural cooperatives production marketing processing, etc.

### **2.9.3 Cooperative movement in Ethiopia**

It is evidence that, modern cooperative merged after the industrial revolution of 1844. This era was the cooperative to function as legal entity. But the history of cooperative was related to the time of being come to live in our world.

Modern cooperative started in Ethiopia in 1960 during the regime of Emperor Hailesilassie. Before the stated years and still today people are organized through traditional cooperatives.

The first cooperative organizations were established in Ethiopia in 1950s (Culture Et.2002:41). Some documents indicated that Ethiopian Air Line Workers saving and credit cooperative established in 1956.

The movement of cooperative in Ethiopia can be categorized under four phases.

- I. Traditional cooperative
- II. Cooperative under Hailesilassie regime (1960-1974)
- III. Derg regime (1974-1991)
- IV. Post 1991

### **I. Traditional cooperative in Ethiopia**

Ethiopia is known as a country with diversified nationalities. Each nation has its own unique culture and custom of living. Their system of living in cooperation that means; they work in group, habits of mailing commonly and living together in the nearby villages. But their system at organizing and work division are somewhat based on gender age. In spite of their wrong system at division, the contribution they have to the development is clearly defined.

There are three well known forms at the divisional cooperatives:

1, **Idir:** it is one of traditional forms of cooperatives still operating almost in all urban and rural Ethiopia .almost the majority of people especially heads of a particular family are the member of this Idir. The main objective for the establishment of this form of association (Idir) is to help a family who is the member of Idir in case of getting sorrow.

1. **Ekub:** it is the other traditional form of cooperative. The formation of ‘Ekub’ is based on the classes of men with identical earning. Any community of people who do not have permanent earning to the extent of the people with high earning can form ‘Ekube’.
2. **Debo:** it is another form of traditional form of cooperation. This is mainly a cooperation formed at rural areas where most of the peoples are farmers.

## **II. During the regime of Hailesillasié (1960-1974)**

Modern form of cooperatives started in Ethiopia during the invasion of Italy. This period was also related to the ruling era at Emperor Hailesillasié.

In 1953 the first legislative called “Form workers cooperative society Bureau” was declared for the establishment of modern cooperative society. Under this new legislative the government had plan to establish 20 cooperatives but of these only four were accomplished.

After the completion of the first five year of economic plan, the second additional year plan was drafted. In this plan the government was due attention for the establishment of cooperative, as a result the second cooperative proclamation No.241/1958 was declared. In

1967 E.C. 116 different cooperative societies were established. The movement of cooperatives during this period was not successful because:

- a. They mainly focused on high value crop areas only
- b. Land ownership to be a member of cooperative
- c. There was no educated man power in implementing cooperative law and policies.

### **III. Cooperatives movement from 1974 – 1991**

During the military regime since 1974, the peasant associations were given legality by proclamation no. 7 1/1975. In this proclamation, the objective, powers and duties of peasant associations, service cooperatives and agricultural producer cooperatives were clearly stated.

The cooperative societies proclamation no. 138/1978 was issued later in order to include other type of cooperatives like housing thrift and credit and hand crafts, etc. All the efforts made to restructure the cooperative movement based on these proclamations were essentially geared towards direct control of cooperative and turning them into government and political instruments. The cooperative during time primarily designed for the transforming the country's socio-political system to a command economy. Several thousands of cooperatives with million individual memberships established throughout the country. However, such societies were short lived since they were established in contravention of the universally accepted values and principles.

Most of the cooperatives organized during the Derg regime were failed mainly because of the following reason.

#### **A. Wrong proclamation**

B. Problem encountered in implementing the proclamation

C. Members wrong understanding on cooperatives

D. Lack of trend men power.

E. Shortage of capital in cooperatives

F. Government interference in the function of cooperatives.

#### **IV. Cooperative movements in Ethiopia Post 1991**

Since 1991, the development of cooperatives in the country has taken a significant outturn in a positive direction. But there was a gap between 1991 and 1995 in the cooperatives movement of Ethiopia. This gap was created due to the fact that the government's attention was mainly drawn towards stabilizing, bringing peace and creating administration organ. In the history of cooperative movement in Ethiopia, the government has taken serious measures after 1996. The measures include organizing and recognizing different types of agricultural cooperative societies and establishing cooperative promotion bureaus /office/ in the regions. In the federal government the cooperative promotion desk under the Prime Minister has been also established. A proclamation no. 147/1998 to provide for the establishment of cooperative societies had been also declared by all the federal government to bring all types of cooperative societies under one umbrella. Later on the federal cooperative commission (the currently federal cooperative agency) based on proclamation no 274/2002 was established in 2002. moreover to correct the short-comings in the proclamation 147/1998 amendment 402/2002 and regulation number 106/2002 become important instrumental documents in



the cooperative movement of the country as a result some improvement have been seen in cooperative societies in the country.

Cooperative societies started to:

- x Disturb input
- x Provide loan to their members
- x Unions (secondary cooperatives) were formed with the assistance of cooperative union project funded by UOCA /Ethiopia/ USAID.
- x Market member procedures in the domestic and foreign market.
- x Dividend payments were made by primary cooperatives as well as the unions.
- x Conducting cooperatives produce exhibition.
- x Entered to the banking service, etc.

The number of primary and secondary cooperatives at different types with significant increase in number beneficiaries could be achieved. Trained manpower in the sector is increasing through universities and colleges, training exposures visit and education of members by coordinated effort of the government. So in general according to the federal democratic republic of Ethiopia cooperative agency (Status of cooperative in Ethiopia October.2010) the growth of cooperative in Ethiopia is in a positive direction.

The latest cooperative proclamation No 147/98 is more comprehensive and is fully consistence with the universal cooperative principles and the ILO recommendation 193. Accordingly, the cooperative movement of the country has a three tired system (primary, secondary/ union/ and federation).

Cooperatives have extended across the entire country and there are 5.7 million members nationwide as of January, 2010. It is estimated that about 39% of the total population is directly benefited from the activities and /or services of the cooperatives.

The number of primary cooperative increased from 20,437 in 2006 to 26,672 in 2009, and to 35,527 on January 2010, while the total number of individual members of the primary cooperatives increased from 3,642,003 in 2006 to currently reach to 5,763,623 out of this 16.4% female members. Whereas January 2010, the total number of unions increased to 212 and the primary cooperatives represented by unions increased to 5,928, which makes primary cooperatives represented by unions 16%. Currently, they have a total capital of Birr 681,182,148.

One cooperative Bank namely Oromia cooperative Bank was registered in 2004 and made operational in March 2005. On June 2008, it led a paid up capital of Birr 132.9 million 73.5 1% of which is owned by 1,303 primary cooperatives.

## **3 Research Methodology**

### **3.1 Description of the study area**

The study is focused in Northern Ethiopia particularly Amhara region, AwiZone, Dangila district (Woreda).

Amhara is one of the nine ethnic divisions (kililoch) of Ethiopia, containing the homeland of the Amhara people. Previously known as Region 3, its capital is Bahir Dar.

Ethiopia's largest inland body of water, Lake Tana, which is the source of the Blue Nile river is located in Amhara, as well as the Semien Mountains National Park, which includes the highest point in Ethiopia, Ras Dashan

Based on the 2007 Census conducted by the Central Statistical Agency of Ethiopia (CSA), the Amhara Region has a population of 17,214,056 of whom 8,636,875 were men and 8,577,181 women; urban inhabitants number 2,112,220 or 12.27% of the population. With an estimated area of 159,173.66 square kilometers, this region has an estimated density of 108.15 people per square kilometer. For the entire region 3,953,115 households were counted which results in an average for the Region of 4.3 persons to a household, with urban households having on average 3.3 and rural households 4.5 people.

In the previous census, conducted 1994, the region's population was reported to be 13,834,297 of whom 6,947,546 were men and 6,886,751 women; urban inhabitants numbered 1,265,315 or 9.15% of the population.

According to the CSA, as of 2004, 28% of the total population had access to safe drinking water, of whom 19.89% were rural inhabitants and 91.8% were urban.<sup>[1]</sup> Values

for other reported common indicators of the standard of living for Amhara as of 2005 include the following: 17.5% of the inhabitants fall into the lowest wealth quintile; adult literacy for men is 54% and for women 25.1%; and the Regional infant mortality rate is 94 infant deaths per 1,000 live births, which is greater than the nationwide average of 77; at least half of these deaths occurred in the infants' first month of life.

The Wereda (Dangila district) has 171, 626 population with 918 km<sup>2</sup> area. Over 25 thousand people directly engaged in cooperative (Dangila District Administration Annual Report, 2008).

Dangila is situated in Awi zone and it is one of among eight districts in the zone. Dangila Woreda is found 35 km from zonal capital, and 85 km east from regional capital Bahirdar.

The climate is dry with annual average of that ranges, 15°C- 23°C and annual rain fall between 1500-1700MM. The study populations for the study have been the legally registered rural farmer's multi-purpose cooperatives at least they have two years period after registration. This enables to obtain adequate data, annual report plan, etc.

One of the reasons for the selection of the study area was it has long experience in cooperative movement compared to other district in zone. Other reasons were the researchers have visited the study area 3 times when he has completed his mission in his government career. The surveys were carried out in three multi-purpose cooperatives at the district out of eight.



Amhara Regional State

**Figure, 1 Map of Ethiopia and location of Amhara Regional State**

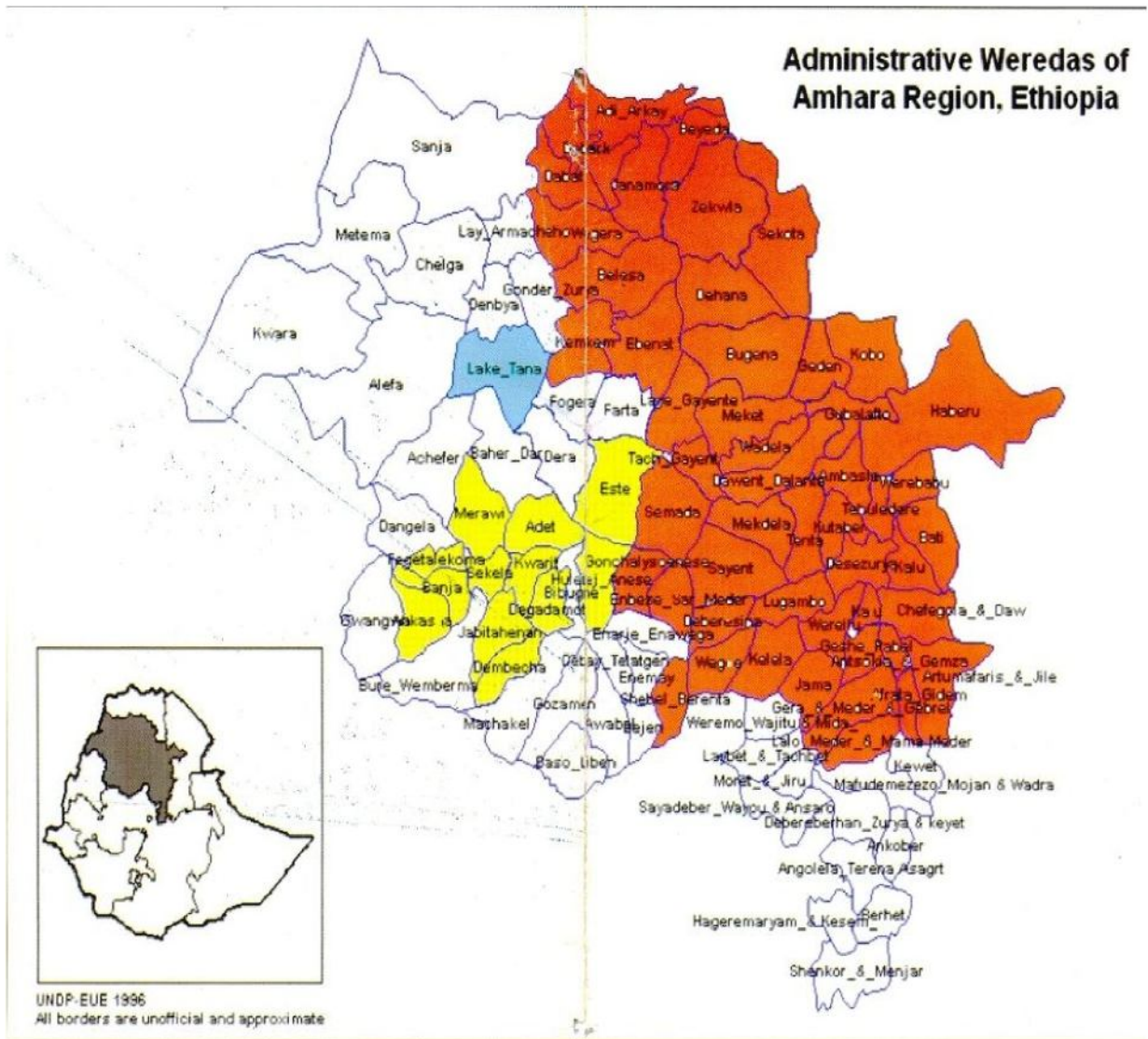
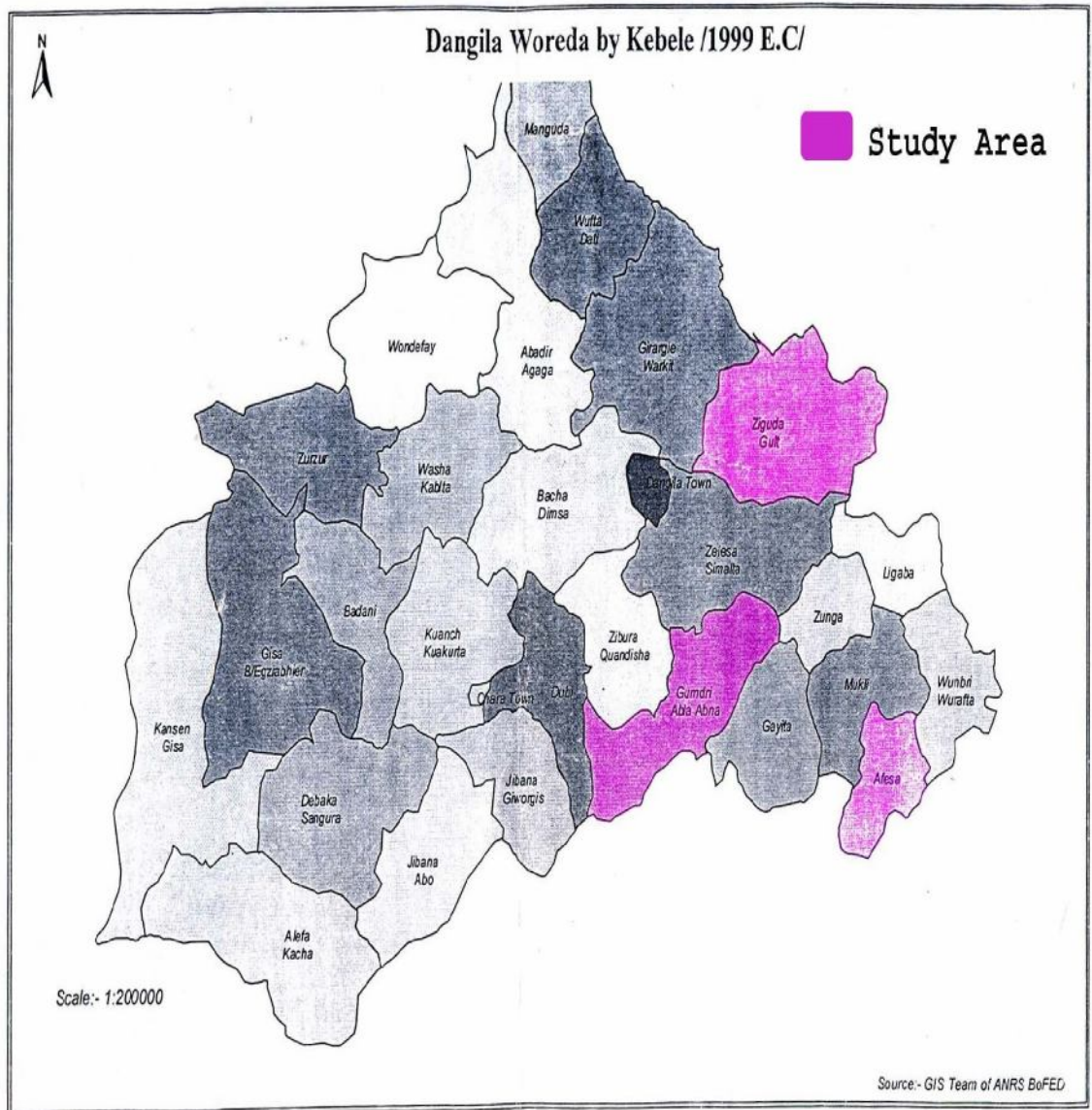


Figure2:- Map of Amhara Regional State, Ethiopia.



**Figure, 3: Administrative map of Dangila district \and location of sample cooperative**

### **3.2 Research designs and data source**

In the study both qualitative and quantitative data were collected and analyzed. Primary data were collected through household survey, cooperative members and beneficiary survey, cooperative leader's survey, the internal interviewers and direct observation technique and questioners. Secondary data were also collected from published and unpublished materials, books journals reports, maps and photographs.

### **3.3 Sampling Procedures and Sample Size**

There were eight multi-purpose cooperative and one secondary level cooperative (union) in the study area. To select the individuals and primary cooperatives simple random sampling method were used. So, among the cooperatives in district three primary multi-purpose cooperatives (Afessa, Gumedri and Zeguda) were taken for sample survey which constitutes nearly 37% of the multi-purpose cooperatives in the district.

The reason behind the selection for this sample size was that their homogeneous character, and a constraint of time and finance. These three cooperatives had 8,847 total registered members (2009 district annual report). From the three samples 156 questionnaires were administered. These means 52 respondents from each sample cooperative members were taken from the survey.

These respondents were taken using systematic random sampling based on the list of members in 2009. This sample size (3%) is assumed to be representative, because the population is homogeneous with regard opportunities gained challenges multi-purpose farmers cooperative may face (Dangila district administration annual report ,2008).



Total of six cooperative leaders that is two respondents from each of three samples were taken from the list of the executive director of cooperative using simple random sampling. Besides this three from regional cooperative, promotion office, three from Dangila District agriculture and cooperative promotion office, two from multi-purpose secondary level cooperative experts totally eight key informants for interview were taken.

### **3.4 Data collection methods**

The data were collected using a combination of different methods as described below.

#### **3.4.1 Primary data**

##### **3.4.1.1 Survey questionnaire**

This aims to investigate information with regard to multi-purpose cooperatives role, in poverty reduction and possible opportunities and challenges in the study area from the point of community, members of cooperatives, government officials, and cooperative leaders.

##### **3.4.1.2 Key Informant Interview (KII)**

Collecting information from different stock holders is believed to increase the validity and reliability of the data. Therefore, consultation and interview with different stock holders such as government officials, cooperative leaders, and other organizations indirectly involved in multi-purpose cooperatives i.e. fertilizer importer companies.

#### **3.4.1.3 Filed Observation**

In addition to the data collection using the above techniques, filed visit in the Kebele's those multi-purpose cooperatives doing their duties i.e. at the time giving credit or distributing fertilizers to their members.

Informal discussion and interview were also conducted with the local communities, village extension agents and government officials.

#### **3.4.2 Secondary data**

The primary data collected using different techniques were backed by information from secondary sources. In each stage of the study, reviewing different literatures and documents is the basic means of information gathering. This has done through internet search or journals, books, reports, researches and other published and unpublished source. It is helpful in generating second hand information to support and complement field observation data, questionnaire and key informant interview results.

Furthermore, the researcher was used documents produced by different organizations that are working on cooperatives.

### **3.5 Data Analysis**

Data have been analyzed using descriptive statistics with the help of graphs, charts, tables and percentages. Frequency tabulation was also used for statistical description non quantifiable information from open ended questions; key informant interview and observation have been analyzed through qualitative description.

## **4. Result and Discussion**

This chapter comprises five different sections. The first section deals with some of the chain demographic information of sample house held in the study area. The second section briefly outlines the socio economic characteristics of the sample population. In section three the discussion is centered on the overall performance of the cooperatives, their opportunities, challenges facing and role in reducing poverty and improving living standard of farmer's. Section four and five covers conclusion and recommendation respectively.

The multi-purpose cooperatives were expected to play key role in delivering agricultural input provisions of credit, Provisions of consumable goods and services and assessing market for farmers output. So this chapter will show the overall performance of the cooperatives, their opportunities, challenges facing and role in reducing poverty and improving living standard of farmers in the study area.

### **4.1 Demographic characteristics of sampled household**

With an objective of identifying the opportunities and challenges of multi-purpose cooperative 156 household cooperative members in three sample multi-purpose cooperative were selected in the study area.

The gender profile of the study population indicates that majority of the respondents were males (Table 1).The reason for more number of male respondents is because of the fact that the majority of the households in Ethiopia rural community are leaded by male.

**Table 1:** -Sex status of members in three sample cooperatives at the district.

No.	Sex	Frequency	Percent
1	Male	135	86
2	Female	21	14
	<b>Total</b>	<b>156</b>	<b>100</b>

About 72% of the respondents were married 12% of them were single 11.5% of the households were divorced and the rest 4.5% were widowed (Table, 2).

**Table 2:** Marital status of sample members in three sample cooperatives

No.	Marital status	Frequency	Percent (%)
1	Married	112	72
2	Single	19	12
3	Divorced	18	11.5
4	Widow	7	4.5
	<b>Total</b>	<b>156</b>	<b>100</b>

Table 3, shows the age category at respondents. Accordingly about 9% were in the age category of 18-25 and 45.5 % were within the category of 26-35, the rest 40% and 5.5% were within the age category of 36-50 and above 50 respectively.

**Table 3,** Ages of the respondents in three sample cooperatives.

<b>No.</b>	<b>Age category</b>	<b>Frequency</b>	<b>Percent</b>
1	18-25	14	9
2	26-35	17	45.5
3	36-50	62	40
4	Above 50	9	5.5
	<b>Total</b>	<b>156</b>	<b>100</b>

The study shows that 73% of sample respondents were illiterate and the rest 27% of sample respondents were literate (Table, 4). Education plays a vital role to speed up the economic development of any nation. When we look at the educational level of respondents it was very low.

In Ethiopia, especially in rural area education infrastructure was very low. The fact in the study area was also same. There are low education facilities in the district because of that also majority of respondents were illiterate.

**Table, 4:-** Educational status of the sample farmers in the study area

<b>No.</b>	<b>Literacy level</b>	<b>Frequency</b>	<b>Percent</b>
1	Illiterate	114	73
2	Literate	42	27
	<b>Total</b>	<b>156</b>	<b>100</b>

x Illiterate - cannot be able to read & write.

x Literate - can be able to read and write.

#### **4.2 Environmental setting, land use pattern and socio-economic condition.**

The data in Table 5 indicates that bigger proportion (62.8%) of the land is a farm land suggesting that there is more opportunity to engage in farming sector than other occupation in the district. The forest land also occupied relatively bigger area than grazing land suggesting that there is more concern from both government and community to protect the environment.

**Table, 5:-** Land use pattern of Dangila district

<b>No.</b>	<b>Land use</b>	<b>Area (Hectare)</b>	<b>Percent</b>
1	Farm land	46,270	62.8
2	Forest land	12,260	16
3	Grazing land	10,473	14
4	Others	4,611.4	7.2
	<b>Total</b>	<b>73,614.387</b>	<b>100</b>

Regarding the possession of land in the study area, majority of the samples, which was about 81 % were having 1-2 hectares and about 12 % were having more than 2 hectares (Table 6). There is a general understanding that land has been distributed in the study area to all even if less in quantity and quality. According to the information gathered from the key informants this situation was created because of the government's commitment to distribute land uniformly to farmers. Even if this was considered as a good opportunity, there are however, lots of administrative matters to look at in order to improve the distribution of land to the farmers both in terms of quantity and quality.

**Table, 6:-** Possessions of land in three sample cooperatives in the study area

<b>No.</b>	<b>Land possession category (Hectare)</b>	<b>Frequency</b>	<b>Percent</b>
1	1-2	126	80.7
2	Above 2	18	11.5
3	Nil	12	8.8
	<b>Total</b>	<b>156</b>	<b>100</b>

In the study area majority of sample members which were about 95% were engaged in farming and house hold activities while 0.05% was engaged in government employee. The reason for low intake into governmental organization might be because of low educational status (Table, 7). The proportion to others like, student, private organization and employee stock made small informal business were also very much lower (Table, 7). The study indicates that the reason for these were in the study area the economy is predominately based on agriculture like any other rural area. So majority of the members in the three cooperative were engaged in farming and house hold activity.



**Table, 7:** Occupational status of sample members in Affessa, Gumedri and Zeguda MPC

<b>No.</b>	<b>Description</b>	<b>Frequency</b>	<b>Percent</b>
1	Farming and house hold	148	95
2	Student	2	1.3
3	Private organizational employee	2	1.3
4	Grazing land	2	1.3
5	Stock made small informal business	1	0.05
6	Government employee	1	0.05
7	Other	--	--
	<b>Total</b>	<b>156</b>	<b>100</b>

Majority of sample farmers, which is about 84%, that stayed in the village for ten years and above joined the cooperative while those that lived for about 1-5 years did not join the cooperatives (Table 8). The reason gathered from the respondents indicated that households that stayed in the village for few years were having little information about cooperatives or were less confident about cooperative benefit in improving the livelihood of farmers.

**Table 8:** - Period of stay in the village where sample cooperatives set.

<b>No.</b>	<b>Period of stay (year)</b>	<b>Frequency</b>	<b>Percent</b>
1	1-5	12	6
2	6-10	62	40
3	Above 10	84	54
	<b>Total</b>	<b>100</b>	<b>100</b>

### **4.3 Profile of cooperatives in the study area**

#### **4.3.1 Types of cooperative in the district**

There are various types of cooperative in the study area which includes housing cooperatives, utility cooperatives, agricultural cooperatives and credit unions and cooperative banks. There are 34 cooperatives in the district currently, of which one is a secondary level cooperative /union/ while the rest 33 are primary level cooperatives (Table, 9). Among these the credit and saving activity were having more cooperatives while the honey product selling was having smaller number of cooperatives (Table, 9).

**Table 9:** -Types of cooperative and major area of activities

<b>No.</b>	<b>Type of cooperative</b>	<b>Major area of activities</b>	<b>No. of cooperative</b>	<b>Percent</b>
1	Multi-purpose cooperatives	Input supply chain marketing supply of consumable goods	8	23.5
2	Housing cooperatives	House construction	6	17
3	Honey product selling	Purchase	1	3
4	Solar energy cooperative	Energy access	3	9
5	Credit and financial service	Credit and saving activity	16	47
	<b>Total</b>	<b>156</b>	<b>34</b>	<b>100</b>

**Source: Dangila District, office of promotion report 2010**

#### **4.3.2 Profile of sample cooperatives**

The geographic scope of the study is confined to Awi zone Dangila district in the three selected multi-purpose cooperatives (Affessa, Gumedri and Zeguda primary multi-purpose cooperatives).

In the study area cooperatives movement was begun early compared to other district in Awi Zone. All the three sample cooperatives were established before 30 years. The cooperative movements in Ethiopia have long history so in this circumstance we can say that the establishment year of sample cooperatives were encouraging.

#### **4.3.2.1 Affessa multipurpose cooperative**

Affessa multipurpose cooperative was established in 1978 and formally commenced implementing its activities during 1979. This cooperative is located in Affessa kebele 5km from Dangila district and is connected through a weather rural road. The members use carts driven by horse as a major means of transport to travel the district town. Besides, pack animals are dominantly used to transport their goods. The cooperatives provide agricultural input and output service to their member. The cooperative have management committee who is responsible for the overall operation. The management committee comprises of members such as chair person, purchaser and accountant. This specific cooperative have 3045 registered members currently. The capital of Affessa multipurpose cooperative currently is 629,162ETB birr (Table, 10).

#### **4.3.2.2 Gumedri multipurpose cooperative.**

Gumedri multipurpose cooperative was established in 1976 and formally commenced implementing its activities during 1978. This cooperative is located in Gumedri kebele 5km from Dangila district and is connected through a weather rural road.

The members use carts driven by horse as a major means of transport to travel the district town. Besides, pack animals are dominantly used to transport their goods. The cooperatives provide agricultural input and output service to their member.

The cooperative have management committee who is responsible for the overall operation. The management committee comprises of members such as chair person, purchaser and accountant. This particular cooperative is engaged in marketing of agricultural inputs such as fertilizer (DAP, UREA), improved seeds and agro chemicals to its members. Besides it is also engaged in the output\grains marketing. The cooperative also sells these to non members in the community after fulfill the members demand.

This specific cooperative have 3279 registered members currently. The capital of Gumedri multipurpose cooperative currently is 365,960 ETB birr (Table, 10).

#### **4.3.2.3 Zeguda multipurpose cooperative**

Zeguda multipurpose cooperative was established in 1978 and formally commenced implementing its activities during in same year (Table, 10). This cooperative is located in Zeguda kebele 3km from Dangila district and is connected through a weather rural road. The members use carts driven by horse as a major means of transport to travel the district town. Besides, pack animals are dominantly used to transport their goods.

The cooperatives provide agricultural input and output service to their member. The cooperative have management committee, who is responsible for the overall operation. The management committee comprises of members such as chair person, purchaser and

accountant. This specific cooperative have 2523 registered members currently. Zeguda multipurpose cooperative have 1,141,868.8 1birr capital currently (Table, 10).

**Table, 10:** Profiles of sample cooperatives.

No.	Sample cooperative	Year of establishment	Major area of activities	No. of members currently	Capital(ETB)
1	Affessa multi-purpose cooperative	1978	Input supply credit & saving	3045	629,162
2	Gumedri multi-purpose cooperative	1976	“	3279	365,960
3	Zeguda multi-purpose cooperative	1978	“	2523	1,141,868.81

**Source: Dangila District, office of promotion report 2010**

### 4.3.3 Development of cooperatives

The study shows that, the numbers of cooperative members in the sample cooperatives were increasing (Table, 11). The data in the cooperatives office indicates that in Affessa MPC the members increase in the in the rate of 9% in 2010 than 2008. This number is not significant for cooperative development regarding to their expectation, in Gumedri and Zeguda MPC the members increase in the rate of 34% and 28% in 2010 than 2008, respectively. In these two cooperatives the rates in which the increase in members were adequate in according to their expectation.

In general, the respondents from focus group discussion indicate that, the cooperative members were not increased as they expect due to poor management activity, low awareness and public relation.

**Table 11:** Number of cooperatives members in the three consecutive years.

No.	Name of cooperative	Year 2008	Year 2009	Year 2010	Rate of increase/ decrease
1	Affessa	2789	3023	3045	9%
2	Gumedri	2441	2679	3279	34%
3	Zeguda	1969	2124	2523	28%

#### **4.3.4 Composition of cooperative members**

In the study area the proportion of females was 6 % in Affessa cooperative, 7% in Gumedri and 8% in Zeguda primary multi-purpose cooperative. Even if cooperatives were believed to empower all members equally the proportion of females' member in all cooperatives in the study area were very low (Table, 12). This indicates that cooperatives should have much more work to empower all members equally. Experiences has shown that the best way to increase the participation of women in national cooperative movements is to organize cooperatives around those economic function that fall traditionally under the responsibility of women (as for example food crop marketing).

Women are generally under-represented in African cooperatives. This is mainly due to the fact that land is traditionally owned by men. As land owner, the husband –and not the wife- become the member of the cooperative, even though the wife contributes considerably to agricultural production (Employment and Cooperative in Africa, ILO, 2003).

There is a dominance of males in various socio-economic issues of community. In related to this due to inherent social values and cultural norms males are more access to various assets than females. The reflections of this also have impact in composition of members in cooperative. Cooperatives promote equality and equity between women and men. Since the world summit on social development and the Beijing conference, the cooperative movement has increasingly sought to improve the status of women in cooperatives and in society. In 1995, international cooperative Alliance ICA, representing over 200 cooperative organization (which nearly 760 million individuals members)



nearly 100 countries passed a resolution on gender equality on cooperatives in which the members of the ICA noted that gender equality was global priority for cooperative members ( International cooperative alliance ,1995).

**Table 12:** Composition of cooperative members in gender

No.	Cooperatives	Sex proportion in %				Total
		Female		Male		
1	Affessa	211	6	2325	94	3045
2	Gumedri	232	7	3047	93	3279
3	Zeguda	198	8	2325	92	2523
	<b>Total</b>	641	8	8206	92	8847

The study shows that 51% cooperative members were members more than five years and 3% of them were less than two years (Table, 13). The results from key informants indicate that the reason for majority cooperative members stay more than five years in the cooperative as membership were the households in village attract by service delivered by the cooperative especially input supply service. Besides the cooperative in the study area has long history of establishment majority members were also registered as member ship before five and above years. In addition in the study area the cooperatives were gave visible benefit to their members start from the time of establishment.

**Table 13:-** Period of stay in the cooperative as membership

No.	Period of stay (year)	Frequency	Percent
1	1-2	5	3
2	3-5	71	46
3	>5	80	51
4	Total	156	100

#### **4.4 Activities and performance**

In the study area only 39% and 29% respondents replied that they got market service and supply of consumer goods respectively. Besides only 26% and 7.7% respondents confirmed that they got saving and credit and training service, respectively. Whereas, all of sample respondents confirmed that, they got input supply service being a member of cooperative (Table, 14). Even if, service like saving and credit input supply, output marketing, supply of consumer goods, training, and creation of employment opportunity were the major service area carried out by cooperatives the study area result shows differences. Except input supply service the other service like, saving and credit, output marketing and training services were not fully performed in the study area.

Of multi-purpose cooperatives it is clear that the primary role of cooperatives is serving their members. But they have a variety of multiple roles in economic, social and



governance area. At present cooperatives in Ethiopia play vital role in put supply service, Value addition and financial service (Federal cooperative agency annual magazine, 2010).

Cooperatives play an increasingly important role in economic growth, poverty reduction and democratization in low- and middle-income countries. Lack of vital service or low levels of competition provides a business opening for cooperatives and creates opportunities to gain valuable economic and social benefits. To be effective, cooperatives need:

- x sound business practices;

- x strong membership participation;

- x support of an efficient apex organization

- x Facilitating economic and legal environment. (Measuring cooperative success, 2009).

**Table 14:** The kind of service members got from cooperatives in the study area.

No.	Kind of service	Frequency	Percent
1	Input supply	156	100
2	Saving and credit	41	26
3	Marketing service	61	39
4	Supply of consumers	45	29
5	Employment opportunities	2	1.3
6	Training	12	7.7
7	Other	-	-

Among the service delivered by the cooperative 76% of the respondents confirmed that input supply service appropriately accomplished whereas only 3% and 8% respondents stated that adequately gain employment opportunities and training service (Table, 15).

As multi-purpose cooperative in the study area of all sample cooperatives deliver input supply service saving and credit, marketing service, and supply of consumer goods. The studies clearly indicated that among the major service delivered by cooperative relatively input supply service was appropriately accomplished. On the contrary some of the respondents replied that service like supply of consumer goods and marketing service for their product was not appropriately delivered. Moreover, the information gathered from

experts stated that in study area output marketing was not considered as a part of cooperative services (Table, 15).

**Table 15:** Response for the questioner among the service carried out by your cooperative which is adequately gained?

No.	Description	Affessa cooperative	Gumed ri cooperative	Zequda cooperative	Total	Percent
1	Input supply	35	42	41	118	76
2	Supply of consumer goods	13	24	20	57	37
3	Employment opportunities	2	1	2	5	3
4	Saving and Credit	27	16	14	57	37
5	Training	3	4	6	13	8
6	Output marketing	11	24	16	51	33

#### **4.4.1 Input supply**

In the study area almost all of sample cooperatives were sole farm input supply to farmers. These cooperatives play a major role in distributed farm inputs particularly fertilizer and improved seeds (Table, 16 and17).

##### **4.4.1.1 Fertilizer supply**

The study indicated that all the sample cooperatives gave fertilizer service regularly. The figure in the Table, 16 clearly indicates that all sample cooperatives in the study area gave fertilizer like Urea and Dap regularly. The amount distributed also increase from year to year. For example, when we discussed Urea distribution, in Affessa cooperative 3,410 Dap/100 kg distributed in 2008, these were increase into 4,240 Dap/100 kg in 2010. In Gumedri cooperative 2,853 Dap/100 kg distributed in 2008, these were increase into 2,941Dap/100 kg in 2010. In Zequda cooperative 3,567 Dap/100 kg distributed in 2008, these were increase into 3,609.5 Dap/100 kg in 2010. The study confirmed that one of the important causes that have increased consumption level was cooperatives fertilizer is far better than the price of which the input could have been obtained from private dealers.

The information gathered from key informants stated that the MPCs provide agricultural inputs to their members on partial credit basis before three years ago. Recently the MPCs can't give on credit basis because of low performance of receivable.

**Table 16:-** Quantity and cost of fertilizers purchased and distinguished by sample MPCs.

No.	Cooperatives	Fertilizers					
		2008		2009		2010	
		Dap/100 kg	Urea/100 kg	Dap/100 kg	Urea/100 kg	Dap/100 kg	Urea/100 kg
1	Affessa	3,410	780	3,240	1,190	4,240	1,870
2	Gumedri	2,853	560	2,713.5	420	2,941	1,123.5
3	Zequda	3,567	5,41.5	2,554	1,092	3,609.5	2,035.5

**N.B;** The fertilizers were purchased from unions (Dangila secondary level cooperatives)

#### 4.1.1.2 Improved seeds supply

Improved seed supply is also one of the major services given by the multi-purpose primary farmer's cooperative. During the years 2008 up to 2010 5,250 metric ton improved seeds distributed to farmers (Table, 17).

The distribution of improved seeds increased from year 2008-2010. Information gathered from key informants and focus group discussion indicate that even if the amount of improved seeds distributed increase, there was a problem related to inadequacy and dalliance of improved seed delivered. In general the study confirms that in all sample cooperatives the activity related with input supply was the main focus area.



**Table 17:** Distribution of improved seeds in three consecutive years

No.	Cooperatives	Improved seeds per/100kg		
		2008	2009	2010
1	Affessa	180	162	210.875
2	Gumedri	177.5	152.875	163.75
3	Zeguda	162	192.625	227.875

Among the service given by cooperative according to the study input supply was given appropriately for majority of members. In the study area 76% of the respondents replied that among the services given by cooperative input supply was given appropriately (Table, 15). Whereas 24% of respondents confirm that the input supply services have a lot of shortage like inadequacy and delay.

#### **4.4.2 Output marketing**

Regarding to output marketing in all three sample cooperatives there was no any countable record regarding to these service expect marketing grain products. In Afessa MPC, purchased grains like maize, Teff and oil seeds with total amount of cost 50,880.65 ETB in 2008 were as they did not accomplished these marketing services in 2010. Zeguda MPC also purchased grains like maize, Teff and oil seeds with total amount of cost 74,786.65 ETB in 2008 were as they did not accomplished these marketing services

in 2010 (Table,18). So, the study confirms that even these grains marketing service were also not regularly accomplished.

In general cooperatives have helped to improve income flow to members through bulk marketing and through negotiations due to economies of scale, better access to market information and shortening of market chain which enables to achieve better market prices for their members produces.

However, in the study area output marketing is serious problem mentioned among the sample cooperatives. In addition, because to the sample farmers do not have enough information the product were forced to sell the product at low price in local area. Among the various products which are expected to be marketed by the cooperatives are grains like maize, milk products, honey and other agricultural outputs. However, according to the information gathered from cooperative leaders stated that there was no any countable record regarding to these service expect marketing grain products.

Information gathered from informants and focus group discussion also indicates that there were various factors for that low performance such as limited financial capacity, lack of qualified and committed leadership and lack of infrastructure facilities. The market share of cooperative is at low level it varies 2%-4%. Cooperatives grain marketing is constrained by shortage of finance poor and inadequate ware house, weak entrepreneurship skill and poor linkage with other cooperatives, etc.

**Table 18:-** Output marketing (grains)

No.	Name of Cooperatives	Grain marketing cost(ETB)			Type of grain
		2008	2009	2010	
1	Affessa	50,880.65	86,468.98	-	maize, teff, oil seeds
2	Gumedri	84,470	150,640	323,647	maize, teff, oil seeds
3	Zeguda	74,768.59	53,467.50	-	maize, teff, oil seeds

**Market failure:** Even if market failure is mainly common in rural area, particularly in study area, the respondents from FGD stated that:

- x Many low-income family
- x Potential customers spread over a wide geographical area.
- x Poor physical infrastructure that increase costs and usually results in low level of competition.
- x Isolation of local providers from national markets and markets information are the major reason for market failure.

#### **4.4.3 Supply of consumer goods**

Supplies of consumers good are also one of services delivered by multi-purpose cooperatives.

Among the respondents in sample cooperative 29% confirm that cooperatives supply consumers good like sugar, soap and feed oil in recent years (Table, 14). But this service has also so many constraints like dalliance, less amount in quantity. But, the amount of cooperatives invests on consumer goods increase in 2010.

In general, some the key informants that were interviewed stated that this was also one achievement or improvement of cooperative in the study area to diversify activities delivered to the members.

In the table, 19 clearly shows that the supply of consumer goods consumption in the study area in all sample cooperative increase. From this situation the researcher can understand that the cooperatives in the study area are one step forward to diversify the service delivered. In general, in the study area even if the service have constraints like delaines and shortage. All the three sample cooperatives delivered supply of consumers' goods like sugar, soap and oil with better price.

**Table 19: - Supply of consumer goods in the study area**

No.	Name of cooperatives	Cost of consumer goods & supply			Types of goods distributed
		2008	2009	2010	
1	Affessa	12,430	27,480	264,647.5	Sugar, food oil and soap
2	Gumedri	14,652	35,392.40	216,267.55	Sugar, food oil and soap
3	Zeguda	10,450	24,642	202,010,	Sugar, food oil, soap

**Source: Dangila District, office of promotion report 2010**

#### **4.4.4 Financial service of cooperatives**

In the study area, the information gathered from the key informants that were interviewed confirmed that the saving and credit service was delivered in all cooperatives. However, among the sample cooperatives selected Affessa multi-purpose cooperatives are the only one to facilitate credit in the last three consecutive years. Among the respondents in three sample cooperative only 37 % of respondents confirm that they got saving and credit service (Table, 15).

Multi-purpose cooperatives in the study area provide credit service to its members in the rate of 7.5 interests.

In the whole, study found that the saving and credit service in the sample cooperative is not adequate.

The demand for rural credit explodes with agricultural commercialization, but almost universally, it has not been met initially by the private sector. Investor owned business also failing to fill the needs of rural and low income people is especially dramatic in the case of financial services such as credit and saving. Micro credit has successfully taken root and grown in many countries. However, the loans are too small and the interest rates generally too high to meet the needs of small farmers. This market failure on the lending side is matched by a failure to mobilize deposit or saving. So, this market failure is potentially solved by cooperatives.

In country like Ethiopia, where the livelihood of the majority of the population depends on agriculture output of subsistence level and also where credit facilities is almost non-existent for ordinary people. Cooperative giving saving and credit are paramount importance for providing facilities for saving and existing credit.

Cooperatives have also made it possible for the poor to access reasonable price and credit and at terms and conditions that are favorable to them.

In most of cooperatives in Ethiopia a member have access to obtain a loan three to five times at her/his saving balances (Federal cooperative agency annual magazine, 2010).

The study found that the saving and credit service in the sample cooperative is not adequate.

The problem here for the low performance of cooperatives saving and credit service were limited financial capacity, lack of skilled and committed leadership, low access to technology and limited participation of members.

The study shows that all samples cooperative have low performance in delivering credit service even if poor recording financial data were big problem in order to evaluate services appropriately.

#### **4.4.5 Training**

In the study area information gathered from the respondents clearly stated that majority of the respondents 82% never got any training opportunity being a member of a cooperative (Table, 20).

The cooperatives were recognized in 1998 on the basis of cooperative proclamation within the intention to undertake various development activities. In addition they are also responsible for the training and educating of members on different development issues.

Multi-purpose cooperatives are mainly service provider cooperatives and their achievements and success are measured by the level of house hold income, profit and dividend distribution, financial capacity, employment creation, infrastructure development and the extent of local economic development.

Besides these the capacity of giving various types of training and awareness creation activity are also other certain to measure cooperative growth.

**Table 20:** -The respondents answered for question have you ever got an opportunity of training being a member of a cooperative.

No.	Description	Cooperatives			Total	Percent (%)
		Affessa	Gumedri	Zequda		
1	Yes	8	10	10	28	18
2	No	44	42	42	128	82
	Total	52	52	52	156	100

As the study confirm even if, the training service given by those sample cooperatives were not adequate some awareness creation training was conducted. In all sample cooperatives 3days training in 2008 and 5days training in 2009 was carried out to employees and management members whereas, in 2010 training was not carried out in all cooperatives due to budget shortage (Table, 21). In the whole the result shows that training service was not carried out adequately. Training and capacity building is basic to enhance cooperatives sustainable development. So government and cooperative managements need to give attention to carried out training service to their members.



**Table 21:** Training service given by the sample cooperatives.

No.	Name of cooperatives	Training carried out	Trainers number in 2008		Trainers number in 2009			Training duration	
			male	Female	total	female	Total		
1	Affessa	employee	1	1	2	2	1	3	For 3 days
		Management member	2	-	2	4	-	4	
2	Gumedri	employee	2	2	4	3	1	4	For 5 days
		Management member	3	-	3	3	1	4	
3	Zequda	employee	2	1	3	2	2	4	For 5 days
		Management member	3	1	4	2	1	3	

#### **4.4.6 Social service**

The information get from Dangila district cooperative office indicate that two sample cooperatives (Affessa and Gumedri) participate in social service area i.e. school construction and health post construction. Affessa cooperative spent 20,000 ETB for school building in 2009. The amount of aid in Gumedri cooperative for school building was 10,000 ETB in 2009 and 2010 .Where as in Zequda multi-purpose cooperative there was no any countable record in this aspect (Table, 22).

Given that cooperatives are people organization, the respond to social challenge of their communities child-care and elderly-care cooperatives, cooperatives of the disabled and other social service cooperatives are flourishing throughout the world. Cooperatives also provide basic services housing, health education, water and electricity in fulfilling of the principle of cooperatives that concern the community development.

In the study area the information gathered from respondents in focus group discussion stated that social service provision of the cooperative is at infant stage.

**Table 22:-** Cooperatives social service in the three sample cooperatives in study area

No.	Cooperatives Name	Amount of Aid in ETB			Description
		2008	2009	2010	
1	Affessa	-	20,000	-	For school building
2	Gumedri	-	10,000	10,000	For school building
3	Zeguda	-	-	-	For school building

#### **4.4.7 Profit and dividend distribution**

The sample cooperatives in the study area were profitable in some extent. Affessa cooperative was profitable in three consecutive years but it doesn't make only allocation of dividend to members. The other two cooperatives Gumedri and Zeguda multi-purpose cooperatives were profitable in 2008 and 2009. But we can't know the recent performance because they were not made financial audit (Table 23).

For a cooperative measuring business success is more complicated than for investor-owned business. For the latter, the objective is to maximize profit or rate of return on

equity. For cooperatives, the objective simply may be to give members a better price of service.

In the study area the only cooperative made profit dividend was Gumedri multi-purpose primary cooperative in 2009. The other two cooperatives in the study area the achievement was nil. This indicates that the cooperative failed to allocate profit to members due to unprofitable and dept repayment. So the cooperatives were forced to repay the debt at the new loans.

Proclamation no. 85/1994 agricultural cooperative societies in Ethiopia proclamation no. 33 states that the society may allocate the net surplus obtained for the payment of the following things in accordance with the terms and condition set forth in the by-law and plan issued from time to time by the society.

- a) for reserve
- b) for expansion of work
- c) for social service

So after deducting the amount prescribed above the remaining net surplus shall be divided to the members.

The division shall be made on the basis of the shares and amount of goods offered for the sale to the society or goods purchased from the society by members. However in the sample cooperatives the total achievement was not as such attractive.

**Table 23:-** Profit status of sample cooperatives

No.	Cooperatives Name	Profit status (3 consecutive years) in Birr		
		2008	2009	2010
1	Affessa	41,919.59	17,501.94	56,122.91
2	Gumedri	75,232.14	9,748.79	Not audited
3	Zeguda	14,372.96	Not audited	Not audited

#### **4.4.8 Role of cooperatives in employment creation**

When we see the direct employment created by cooperatives in the study area was not as such promotable. The proportion of direct employment created by Affessa, Gumedri and Zeguda MPC to members was 0.01%, 0.018% and 0.019 % respectively. This indicates that the cooperatives achievement in direct employment creation was poor.

A recent report of the international labor office (ILO) conforms that “cooperatives continue to play an important role in employment promotion and poverty alleviation both as production enterprises mainly of self employed and as provider of service to members.

Although cooperatives are not instrument of employment promotion, they do effectively create and maintain employment in both urban and rural areas around the world and thus provide income teeth members and employees in the form of shares at surplus wage and salaries or profits depending of the type of cooperative (EFCA, 2011).

In the study area even if the achievement was slightly different from one cooperative to the other, in general the information gathered from key informants stated that the problem in this area was the cooperatives do not consider employment creation as main objective.

**Table 24:** Direct employment created by the cooperatives in the study area

No.	Cooperatives Name	Direct employment created currently		Percent (%)
		Employment created	No. of members currently	
1	Affessa	6	3,045	0.01
2	Gumedri	6	3,279	0.018
3	Zeguda	5	2,523	0.019

The employees were earning a monthly salary ranging from 300-400 (0.59 to 0.78 USD per day) (Table, 25). This study found that the cooperative were not able to create high earning employment opportunities and could not use the skill of professional workers due to their inability to afford the associated demand for higher payment.

The information gathered from the respondents stated that the job opportunity created by the cooperative was low. Besides, the amount of salary being paid was very low. The salary being paid by the cooperative was not as such significant to employers in order to improve live hood.

In general cooperatives in the study area didn't consider employment creation as main objective.

**Table 25:** The amount of salary being paid by cooperative in study area

No.	Name of cooperatives	Number of employee	Average salary in ETB Birr
1	Affessa	6	350
2	Gumedri	6	400
3	Zeguda	5	350

In the study area average job created by sample cooperative was 11%. The numbers were increased in the rate of 4%. In general this figure shows even if the number of job created increase from year to year the cooperatives in the study area should have a lot of assignments to create productive employment and contribute to poverty eradication.

Cooperatives provide self employment through millions of workers-owners of production and service cooperatives. Cooperatives have created over 13.8 million jobs in India with 92% of the jobs created through self-employment through worker cooperatives.

In a number of countries in Africa the cooperative movement has become the second largest employer surpassed only by government. For example in South Africa 220,713

self employment and 58,468 salaried employments in 1996 and in the same year in Madagascar only 300 self employment opportunities were created.

#### **4.4.9. Financial capacity of cooperatives**

The study shows that it was difficult to be ensuring the cooperatives sustainability due to huge amount debt (Table, 26). In all three samples cooperatives the debt amount was higher than the cooperatives equity. In Affesa cooperative the debit amount was 58% of total capital. The debt amount was also 78% and 57% of the total capital in Gumedri and Zeguda MPC respectively.

For the cooperative to be financially stable requires different data than for determining if a cooperative is profitable.

To succeed over the long term a cooperative not only profitable and efficient but also have staying power particularly to get through hard times. In the questionnaire three questions were raised.

x What are the total assets?

x What are the total debit and total equity?

On the key measure of cooperative health is growth of total assets, the physical and financial building blocks of the business.

In this aspect the information gathered from key informant confirmed that low performance in asset growth.



Debt subtracted from asset equals equity. The ownership capital of the member's equity should be growing over time as a primary means of ensuring the cooperative sustainability. In the study area where as the cooperative debt not decreased as expected.

**Table 26:** Debit of cooperatives (equity Vs debit)

No.	Cooperatives	Total capital (Birr)	Debit (Birr)	Percent	Equity (Birr)	Percent
1	Affessa	1,108,754.42	640,488.86	57.8	468,265.54	42%
2	Gumedri	670,580.49	544,576.92	79%	126,003.57	19%
3	Zeguda	365,960.63	208,569.40	57%	157,391.23	43%

**Source:** Dangila district cooperative office report in 2009

In loan return aspect Affessa multi-purpose cooperative have good record than other than sample cooperatives Gumedri and Zeguda MPCs. In Affessa multi-purpose cooperative the loan return rate was 99.5 % and 88% in 2008 and 2009 respectively. Whereas in Gumedri cooperative the return rate was little lower than Affessa MPC 87%and 27% in 2008 and 2009 respectively. The study shows that, even if these sample cooperatives have huge amount loan, the return rate were promotable (Table, 27).

The multi-purpose cooperatives are expected to play key role in delivering agricultural inputs, provision of credit and consumable goods and service assessing market for farmers output. Besides this cooperatives have obligation to made social activity.

To perform these activity to achieve their object the cooperative need strong financial capacity. However the cooperative under this study have serious financial constraints.

So the information gathered from key respondents stated that in order to overcome these problem cooperatives were forced to take huge amount of loan from Amhara credit and saving institution.

**Table 27:** Loan returns status of sample cooperatives

No.	Cooperatives	Loan amount		Return		Return rate %	
		2008	2009	2008	2009	2008	2009
1	Affessa	640,488.86	104,620.75	104,140	564,638.70	99.5%	88%
2	Gumedri	91,620.55	544,576.92	70,620.25	145,337.8	87%	27%
3	Zeguda	73,347	208,563.40	62,982.75	149,306	86%	71%

**Source:** Dangila district cooperative office report 2009.

Regarding to the capital status in three consecutive years Affessa MPCs was in a good position were as Gumedri MPCs capital was decreased in 2010 due to unprofitability (Table, 28). But the study doesn't say anything about Zeguda MPCs because it's financial status was not audited. The cooperatives accumulated capital through member's registration fee premium contribution of members and from the operational surplus.

Whereas the accumulation of capital in those cooperative in the study area is very weak due lack of members participation poor leadership, insufficient government support etc.

**Table 28** Capital status of sample cooperatives in three consecutive years

No.	Cooperative	Capital (Birr)		
		2008	2009	2010
1	Affessa	997,670.94	1,108,754.42	1,141,868.80
2	Gumedri	624,363.70	670,580.94	629,162.57
3	Zeguda	269,107.37	365,960.63	Not audited

**Source:** Dangila district cooperative office report 2011.

#### 4.4.10 Asset building by cooperative

The cooperatives in order to achieve various activities properly they invest a lot to build assets like ware house shops and offices, etc (Table, 29). Affessa MPC cooperative invest 48,640 and 9,680 ETB in warehouse and office building. It is also 56,400 and 5,870 ETB invest by Gumedri MPC for warehouse and office building in 2009. But the study doesn't say anything about Zeguda MPCs because it's financial status was not audited. In the study area, the data from the district cooperative office annual report plus the information gathered from focus group discussion confirm that there was lot of investments carried out currently.

Even if some improvement in the area the study also confirmed that the investment capacity was undermined by various problems like financial constraint and poor management.

**Table 29:** costs of investments made by sample cooperatives in 2009

No.	Name of cooperative	Type of investment	
		Warehouse cost in (ETB)	Office cost in (ETB)
1	Affessa	48,640	9,680
2	Gumedri	56,400	5,870
3	Zeguda	-	-

#### 4.4. 11 Growth of cooperatives

Multi-purpose Cooperatives are mainly service provider cooperatives and their achievement and success are measured by the level of households income, profit and dividend distribution, financial capacity, employment creation, infrastructure development and the extent of local economic development.

In the study area that majority of the respondents (64%) who were interviewed replied that their cooperative growth was not as expected (Table, 30). The information from the key informant interview also backs these findings.

**Table 30:** A response of cooperative members on question for is your cooperative growing?

No.	Description	Cooperatives			Total	Percent (%)
		Affessa	Gumderi	Zeguda		
1	Yes	16	20	19	55	35.3
2	No	36	32	33	101	64.7

Some of the respondents they try to mention their cooperative was growing and also try to list the area in which cooperatives are growing.

The entire respondent's replied that their cooperative was growth in number of members.

For many types of cooperatives, there are advantages in membership growth. Growth in membership indicates that the word is spreading that cooperative provides desirable service on a competitive basis-it is a business success.

In addition 17% of respondents stated that their cooperative have significant change in asset accumulation, 31% of the respondents replied that the cooperative is growing in diversification of activities (Table, 31).

**Table 31:** Area which cooperative is growing

No.	Description	Cooperatives			Total	Percent
		Affessa	Gumedri	Zeguda		
1	In raising member of members	16	20	19	55	100
2	In asset accumulation	10	8	9	27	17
3	In diversification activity	14	20	15	19	31
4	Other	2	6	5	13	8

In the study, 47%, 33%, 32%, 25% and 19% respondents confirmed that poor management lack of members' motivation, low infrastructure facilities, lack of marketing, lack of government support and technology are major reasons for the poor growth of cooperatives in various dimension respectively (Table, 32).

**Table 32:** -Major problem areas of cooperatives

No.	Description	Cooperatives			Total	Percent
		Affessa	Gumedri	Zeguda		
1	Lack of members motivation	18	14	21	53	33
2	Poor management	26	21	27	74	47
3	Lack of government support	11	9	10	30	19
4	Lack of infrastructural facilities	20	14	16	50	32
5	Lack of market	14	11	14	39	25
6	Lack of technology	11	12	8	31	19.9
7	Others	2	1	-	3	0.1

#### **4.4.12 Governance of cooperative and members' participation**

There is a belief among many writers that the cooperative has to bring positive change and economic benefit for the community and reduce poverty.

In order to full fill this objective the cooperatives need full participation from members in every aspect .cooperatives attract members by providing economic services that their real incomes. Members may be drawn to a cooperative by its economic advantage, but through their participation, they expand their inclusion in economic, social and public

affairs. Democratic participation of members improves the economic functioning of the cooperatives business by incorporating their knowledge and loyalty. Cooperatives can empower relatively weak elements of society. By helping increase members income, they provide a major incentive to participate. Participation is a two-way process: an active membership contributes to the economic success of the cooperatives, and economic spurs members to be active and encourage other to join.

#### **4.4.12.1 Criteria for membership**

In the study area, majority of cooperative members (95%) confirm that ability to pay periodic payment and ability to contribute some required initial capital are the only criteria have been asked to get a cooperative membership status. In the cooperative the members are not forced to promise to sell products to cooperative or to pledge buy goods and service from the cooperative (Table, 33).

As stated in literature review part cooperatives are voluntary organizations. Open to all persons to use their services and willing to accept the responsibilities to membership without gender social, political or religious description.

Besides members contribute equitably to and democratically the capital to their cooperatives (ILO, 2003).



**Table 33: -Criteria for membership**

<b>No.</b>	<b>Description</b>	<b>Frequency</b>	<b>Percent (%)</b>
1	Ability to make periodic payment.	156	100
2	Willingness to make periodic contribution.	148	95
3	Promise to buy goods and service	-	-
4	Promise to sell product to cooperative	-	-

In the study area for the majority members (96%) the farmer initiated to be a member was to get access to input supply.

In addition, to get access to credit /loans and to get output market was also another factor initiated 64.5 percent and 70.5 percent of members in the sample study area respectively. Rather only 14 percent of respondents being a member of a cooperative to get employment opportunities (Table, 34).

Cooperatives are business operations that attract members based on the essential products and services they provide at competitive and affordable cost.

In general, the study found that the cooperatives must be sure to deliver input supply service because majority members being a member of a cooperative to gain agricultural input service.

**Table 34: - Factors initiated to be a cooperative member.**

No.	Description	Cooperatives			Total	Percent (%)
		Affessa	Gumedri	Zeguda		
1	To get access to employment	11	7	4	22	14
2	To get access to credit	30	32	39	101	64.7
3	To get access to periodic dividend	11	16	21	48	30.7
4	To get access output market	36	41	33	110	70.5
5	To get access input supply	52	50	49	151	96
6	Other	-	-	-	-	-

#### **4.4.12.2 Members participation**

In the study area among the respondents 83% confirm that they feel their contribution to the development of the cooperative was hardly makes any difference at all. Only 2.3% Of respondents states that they feel that their participation makes to great extent some contribution to the development of cooperative (Table, 35). These indicate that there was low members participation for cooperative development in the study area.

Business success is not the only measure of success membership participation and governance, and how the cooperative meets social objectives are also clear indicators of success

The members' participation and governance are clear indicators of cooperatives long term business success as well as how it meets social objectives.

If members are to contribute to the efficiency of cooperatives, they must know what is going on and have an opportunity to contribute (Employment and cooperative in Africa, 2003).

Consequently, attendance at the annual meeting is a key measure. In addition members' participation is higher if they understand their role and how to fulfill it. This is done through annual training program that teach members responsibility.

**Table 35:** Response for question, to what extent do you feel that your participation makes contribution to the development of your cooperative?

No.	Description	Frequency	Percentage (%)
1	To great extent	4	2.3
2	To some extent	19	14.7
3	Hardly makes any difference at all	129	83

In Afessa MPC, the average attendance of annual meeting in 2010, were 56% only whereas in Gumedri and Zequda MPC the average attendance of annual meeting in 2010, were 43% and 42% respectively (Table, 36). First, the participation of members starts when their attendance in annual meeting is regular. But in the study area the fact is far from this point (Table, 36). Besides the information gathered from the key informants/ management committee also backs this finding. The study also confirmed that the cooperative leaders have poor contribution to enhance members' participation. In general, as the result stated above in the study area the members' participation was not as such satisfactory, even if the members join the cooperatives willingly.

**Table 36:** Average attendance of members at annual meeting in 2010

No.	Name of cooperative	Average attendance in percent
1	Affessa	56
2	Gumedri	43
3	Zequda	42

**Source:** Dangila District cooperatives' promotion office report in 2010

Regarding to membership democratic aspect the study was show that almost all of the respondents strongly agree with that they become a member of a cooperative willingly (Table, 37) .No one responds become a member without their willingness. These indicate that the sample cooperatives in the study fully practice among principle of cooperative which stated that membership of cooperative is willingly. A cooperative is an autonomous association of persons united voluntarily to meet their common social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ILO, 2003).

**Table 37:** -Become a member of a cooperative willingly.

No.	Level of agreement	Frequency	Percentage
1	Strongly agree	31	19.8
2	Agree	125	80
3	Disagree	-	-

In this regard, majority of respondents (66.6%) in the study area stated that their cooperative was strongly participatory in any decision making activity (Table, 38).

Cooperatives are autonomous, self-help organization controlled by their members. If they enter into agreements with other organization including governments, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy (ILO, 2003).

**Table 38:** The nature of meeting and decision making

No.	Description	Frequency	Percentage
1	Participatory	104	66.6
2	Partially participatory	52	33.4
3	Not participatory	-	-

As the result stated above even if, the decision making was Participatory the study confirm that the members can't use this opportunity because of low regular attendance in meetings held by cooperatives (Table, 39). Only 16% respondents stated that they always attend the meeting held by the cooperative. Were as, 45% of the respondents confirm that they really attend the meeting held by the cooperative. These finding clearly shows that there was low members participation in decision making activates.

**Table 38:** Answer for respondents for question, how often do you attend the meeting held by the cooperative?

No.	Description	Frequency	Percentage
1	Always	26	16
2	Sometimes	61	39
3	Rarely	68	45

#### **4.4.13. Problems of cooperative**

Cooperatives play an increasingly important role in economic growth, poverty reduction and democratization, in low and middle income countries. Lack of vital services or low level of competition provides a business opening for cooperatives and creates opportunities to gain valuable economic and social benefits.

The importance of cooperatives for social and economic development of the country has been recognized by the government of Ethiopia. To this end, through long term structural, operational and managerial problems that persistently constraining cooperatives growth are not fully eliminated (status of cooperative in Ethiopia, 2010).

To be effective cooperative need sound business practice, strong membership participation support of an efficient apex organization that provide over sight and services and a facilitating economic and legal environment.

In the study a response both from sample members and key informants confirmed that their cooperative faced several problems.

Among those major cooperatives structural problems include:-

- x Low members' loyalty (low members participation due to inadequately addressing of their needs and problems by their organization.
- x Lack of capital
- x Poor entrepreneurship skills
- x Lack of horizontal and vertical integration of cooperatives.
- x Lack of competent managers and promotion.
- x Poor business development support in the area of value addition.
- x Weak legal, audit and inspection support absence of reliable and up to date market information, etc.

Members' participation and government are clear indicators of cooperative long term business success as well as how it meets social objectives.



However the study shows contribution of members to cooperative is totally low.

If members are to contribute to the efficiency of the cooperative, they must know what is going on and have an opportunity to contribute.

Consecutively, attendance of the annual meeting is a key measure. In addition member's participation is higher if they understand their role and how to fulfill it. In the study area the fact was far from it.

**Cooperative management:** For successful business strong management is irreplaceable. In the early stage of cooperative development, members may be inexperienced and unsure of their role. There also may be a shortage of people with the management skill necessary for a successful cooperative.

The cooperative in the study area have big problem related with leadership. The problem was caused because of the rural area have shortage of skilled and educated man power. The respondents interviewed from focus group discussion confirmed that lack of skilled and motivated leadership was the major factor hindered cooperatives development in the study area.

The study also shows that the support of government and other concern body like NGO to improve management skill was not as expected. But this means not totally neglected by the government. In regard to technical support, in order to empower the cooperative leaders and staff and to compensate their skill limitation some training programs were arranged (Table, 21).

**Government support:** governments can help cooperatives spread from grass roots, local organization to a national network by providing organizational expertise and a large infusion of capital. Foreign aid donors can contribute their expertise to this process.

Once a government has played a role in establishing a cooperative movement, it should step aside to allow the cooperative to become fully members owned and financed (CHF International, 2004).

Cooperatives development projects carried out by governments or multi and bilateral donors should focus on strengthening the technical capacity of local cooperative support organizations. In many African countries, a large number of such support organization are involved in the promotion of cooperatives or similar organizations without having the appropriate technical capacity to do so. This often results in the failure of the cooperative societies and leads the frustration among the beneficiaries (Employment and cooperative in Africa, ILO, 2003).

In the study area the government support was not as expected, even if the total policy and frame works is supportive.

Cooperatives need the right environment with good policy and to have such kind of environment, there must be a positive relation between cooperatives and the state.

The study shows that government (Dangila district cooperative office) provides some technical and financial assistance to cooperatives.

Among these, training and advice, loan and credit service/ access from government banks and inspection service are the major ones.

In general regarding to government support we can say that it was not adequate for over all development of cooperatives in the study area.

**Infrastructural facilities:** For over all cooperatives growth well structured infrastructural facilities have great role that is better road, electricity and communication particularly internet access, etc.

However, the study shows that poor infrastructural facilities in the area were major problem hindered cooperatives development. To be specific the information gathered from the focus group discussion confirmed that in Affessa kebele in which Affessa multi-purpose cooperative were situated the head facility is not appropriate even for car transport. In summer the problem was so vast it is difficult to transport inputs like fertilizers and improved seeds from cooperative unions to MPC that directly distribute to framers.

In other two samples cooperatives (Gumedri and Zeguda) the road facility have little difference than Affessa cooperative, because those cooperatives laid down on the main road from regional capital Bahr Dar to Addis Ababa.

As we stated so far, cooperative often are the only available option for saving highly profitable markets for small scale producers. Plus, cooperative can manage the related problem of perishable products that require cooling and cold storage, both of demand electricity. Lack of rural electrification is striking case of market failure with neither investor-owned companies nor the government willing to operate systems in rural areas.

Regarding to the electricity facilities in the study area almost there is similar situation in all sample cooperatives. Even if, some improvements currently in this sector rural electrification was remain the main problem in the study area.

The situation was almost similar in all sample cooperatives regarding to communication and infrastructure.

In general regarding to infrastructural facilities, the study shows that even if there was some improvement currently the impact is not as such for over all cooperative development.

**Marketing failure:** Even if market failure is mainly common in rural area, particularly in study area, the respondents from FGD stated that:

- x Many low-income family
- x Potential customers spread over a wide geographical area.
- x Poor physical infrastructure that increase costs and usually results in low level of competition.
- x Isolation of local providers from national markets and markets information are the major reason for market failure.

In addition, cooperatives must led by visionary and motivated leadership and also increase members' participation by adequately addression of their needs and problems by their organization.

#### **4.5 Role of cooperatives**

Cooperatives play an increasingly important role in economic growth, poverty reduction and democratization, in low and middle income countries. Lack of vital services or low level of competition provides a business opening for cooperatives and creates opportunities to gain valuable economic and social benefits. In low-income countries, often with 60 to 90 percent of population living in rural areas, agriculture represents a major share of gross national product and provides the bulk of employment. Rapid commercialization of small holder agriculture promotes the growth of national income and employment. Commercialization of small holder agriculture requires massive expansion of wide range of services, including finance, product marketing, and supply of production inputs and electricity distribution. Cooperative plays a key role in assuring efficient, competitive delivery of such services. As agriculture expands, it derives the demand for a large, rural, non formal sector. This sector can encompass a high proportion of the poor, who also begin to demand similar services (measuring cooperative success, 2008)

It is also clear that the primary role at cooperative is serving their members but they have a variety of multiple roles in economic, social and governance.

Multi-purpose cooperatives play a central role in providing small holders with access to input (fertilizers, improved seed, pesticide, input loan, chemicals, etc).

In all three cooperatives the study confirmed that the supplies of such inputs fertilizer, improved seeds, farm equipment and chemicals through cooperatives have created better access opportunities and economic scale benefit to the members.

This activity carried out properly helps the farmers improving the productivity and income level, which in turn had improved the livelihood of farmers and also contribute in some extent to reduce poverty at same time.

However, the infrastructure problem (road, transportation, communication) in area hinders the provision of inputs effectively and efficiently.

Globalization has vastly increased markets for high value, labor intensive perishable commodities such as fruits and vegetables. Unfortunately, small farmers, who make up the vast majority of producers in low and middle income countries, have difficulty meeting the needs of these markets. Cooperatives bring small farmers together and encourage economics of scale, participant loyalty, and foster the discipline needed to meet sanitary standards and other requirements of export markets (measuring cooperative success, 2004).

Output markets were serious problems in the study area. In relation to this in the study area infrastructural facilities is low these leads to sample farmers do not have enough information when to sell the product they were forced to sell the product at low price in local area. These limitations were mainly caused due to problem of qualified and committed leadership, limited financial capital and lack of well infrastructural facilities.

The demand for rural credit explodes with agricultural commercialization, but almost universally, it has not been met initially by the private sector. Investor owned business also failing to fill the needs of rural and low income people is especially dramatic in the case of financial services such as credit and saving. Micro credit has successfully taken root and grown in many countries. However, the loans are too small and the interest rates generally too high to meet the needs of small farmers. This market failure on the lending side is matched by a failure to mobilize deposit or saving. So, this market failure is potentially solved by cooperatives.

In a country like Ethiopia, where the livelihood of the majority of the population depends on agriculture output of subsistence level and also where credit facilities almost non-existent for ordinary people cooperative giving saving and credit are paramount important for providing facilities for saving and extending credit. In the study result also indicate that shortage of finance capacity and lack of skilled and committed leadership leads the credit and saving service poor. However because the argument stated so far the credit and saving service help the households to improve livelihood.

The improving saving culture leads the farmers to create self-employment opportunities and there by enable them (rural poor) to diversify their income through efficient and effective utilization of the available resource.

Agricultural and supply cooperative are due to historical reason, by far the most important type of cooperative in Africa. Agricultural and supply cooperative provide farmers with agricultural inputs and sell their crops to local whole-sellers, marketing boards or overseas customers. Still, there is no doubt that genuine agricultural

cooperatives can play a valuable role in creating self-employment in rural areas. Cooperative creates productive employment and contributes to poverty eradication. A recent report of the international labor office (ILO) confirms that “cooperatives to play an important role in employment promotion and poverty alleviation, both as production enterprise mainly on the self-employed and as providers of services to members” (Birhanu G/selassie, 2008).

But, the direct employment and self employment opportunities created by cooperatives in the study area were not as such promotable. These limitations were mainly caused due to problem of qualified and committed leadership, limited financial capital and lack of well infrastructural facilities.

Supplies of consumers good are also one of services delivered by multi-purpose cooperatives. In the study area even if the services have also so many constraints like delaines and shortage, the entire three cooperatives have delivered supply of consumers goods like sugar, soap and food oil with better price. These also help farmers to increase the live hood.

Given that cooperatives are people organization, the respond to social challenge of their communities child-care and elderly-care cooperatives, cooperatives of the disabled and other social service cooperatives are flourishing throughout the world. Cooperatives also provide basic services housing, health education, water and electricity in fulfilling of the principle of cooperatives that concern the community development. In developing countries, where many of institution responsible for social services may be completely lacking or deficient, members may seek these services from their cooperative.



In the study area the information gathered from respondents in focus group discussion stated that social service provision of the cooperative is at infant stage.

Multi-purpose cooperatives are mainly service provider cooperatives and their achievements and success are measured by the level of house hold income, profit and dividend distribution, financial capacity, employment creation, infrastructure development and the extent of local economic development.

Besides these the capacity of giving various types of training and awareness creation activity are also other certain to measure cooperative growth. The cooperatives were recognized in 1998 on the basis of cooperative proclamation within the intention to undertake various development activities. In addition they are also responsible for the training and educating of members on different development issues.

In the study area information gathered from the respondents clearly stated that majority of the respondents never got any training opportunity being a member of a cooperative.

The investment made by the cooperatives will benefit members in long term. However, in the study area the cooperatives capital accumulation and investment made by cooperative was not as such satisfactory. All the cooperatives have more investment in their respective union on warehouse and retail shop building only. Besides this all three cooperatives have made some contribution for various socio-economic infrastructure i.e. bridge, school and health post building. In general these investments should have impact on poverty reduction in long term.

#### **4.6 Opportunities of cooperative**

The relation between state and cooperatives is great significant to the development of cooperative movement. With regard to this issue the state has the responsibility to formulate policies that encourage the growth and development of cooperatives. The government should also support the development initiative of cooperatives through open and competitive policy and suitable operating environment. However, even when government plays a catalytic role, the cooperatives quickly should become member owned (displacing the government capital with their own) and member operated (member elected and controlled management committee). Governments have played important role initiating cooperatives, but have been slow in turning them over to member ownership and control. This has generally proved detrimental to the growth of the cooperative movement.

In this regard there are various good opportunities in the study area. For instance growth and transformation plan design in 2010 clearly stated that, to implement the GTP cooperative are one of the key actors. The government has assigned cooperatives with responsibility of improving small holder productivity and promoting small holders commercialization. In addition with regard to this issue the measures undertaken by the government are encouraging hence a proclamation no 147/199 1 is under implementation cooperatives regional bureau and federal cooperatives were established.

In general, the socio-economic environment in the region, and the legal frame work were support cooperative development. The governments have great imitative to support in training and consultation and finance were considered as the huge opportunities by cooperatives in the study area.

At this time the initiative by the government are extends in order to realize the plans of the government. In order to achieve these and to guide volunteers to be productive in their cooperatives, trained manpower with adequate knowledge, skill and attitude is required. Hence, one new degree programme was launched in cooperative stream.

Besides the government were train the agricultural extension workers in grass root (kebele level) was also another opportunity to enhance cooperatives.

To conclude, the government of Ethiopia had already paved the way for better cooperative development in the country through creating legal basis and expansion of human resource development at higher institution level. Therefore, it is high time to the cooperative bureaus, cooperative experts, higher institutions and cooperative staff to maximize the existing policy environment to the advantage of cooperative development so that members will benefit from it and cooperatives can contribute to the social and economic development of the nation

In the study area also even if these opportunities were existed none of the three cooperatives fully utilize the opportunities.

#### **4.7 Challenges of cooperatives**

The cooperative movement in the country faced a number of problems in the different systems of the country. The importance of cooperatives for social and economic development of the country has been recognized by the government of Ethiopia. To this end, though long term structural, operational and managerial problems that persistently constraining cooperatives growth are not fully eliminated, the government is doing its level best to make cooperatives viable institution (Status of cooperative in Ethiopia October, 2010).

Members' participation was low due to inadequately addressing of their needs and problems by their organization. Lack of capital, Poor entrepreneurship skill, lack of horizontal and vertical integration of cooperatives, poor project formulation and implementing capacity, poor business development support in the area of value addition, weak legal, audit and inspection support and absence of reliable and up to date market information and networking problems with partners are some challenges faced in cooperative development in Ethiopia (Status of cooperative in Ethiopia October, 2010).

In the study area, among several challenges faced the major ones was lack of professional and motivated managers. The three sample cooperatives in the study area don't have professional managers due to three reasons. The viability of the cooperative is not always ensured due to low organization technical supports and follows up by the concerned bodies. Besides the low level of educational and entrepreneurship skill, and poor salary and incentives were also mentioned.

Lack of long term credit hinders the investment of cooperatives in different projects that would have economic benefit to members. At same time the members' economic and low financial power to strength their cooperative society is very week. So they were suffering in shortage of capital.

The infrastructure problem (road, transportation, bank, etc) in the area hinders provision of inputs, consumer goods and marketing). For over all cooperatives growth well structured infrastructural facilities have great role that is better road, electricity and communication particularly internet access, etc.

However, the study shows that poor infrastructural facilities in the area were major problem hindered cooperatives development

The importance of cooperatives for social and economic development of the country has been recognized by the government of Ethiopia. Even if these were considered as a good opportunity, in the study area those three cooperative were not use this opportunity properly.

The other challenges were the members participation in various affairs of their cooperatives was not to the expectation. For instance, member's participation in making investment in their cooperative was poor. The low attendance in cooperatives annual meeting also supports this conclusion. This was due to various reasons i.e. absence of meaningful dividend incentives, low self and direct employment opportunities created by cooperatives.

In the study area the only cooperative made profit dividend was Gumedri MPC in 2009.

The other two cooperatives in the study area the achievement was nil. These indicate that

the cooperative failed to allocate profit to members due to unprofitability and debt repayment.

The direct employment and self employment created by cooperative in the study area were not as such promotable due to inadequate governmental institution support and absence of efficient and capable management.

Market failure has also a common phenomenon in all three sample cooperatives.

Marketing failure is particularly common in rural areas with money low income families, potential customers spread over a wide geographic area, poor physical infrastructure and isolation of local providers from national markets and market information.

In general, in the study area output market was a serious problem mentioned among the sample farmers. In addition because to sample farmers do not have enough information when to sell the product they were forced to sell the product at low price in local area.

On the key measure of cooperative health is growth of total assets, the physical and financial building blocks of the business. In this aspect the study confirm that there were low performances in asset growth because of inefficient leadership and management.

Regarding to diversifying activities there were good opportunity because the government have good policy regarding to cooperative development. Besides, socio-economic situation in state is open and suitable for investment. Regardless of the above mentioned

Opportunities, the cooperatives couldn't utilize the opportunities. They were made only little effort to diversify the activities i.e., only on the activities like supply of consumers goods, invest on retail shops, etc.

Governments can help cooperatives spread from grass roots, local organizations to a national network by providing organizational expertise and a large infusion of capital, foreign aid donors can contribute their expertise to this process.

Once a government has played a role in establishing a cooperative movement, it should step aside to allow the cooperative to become fully members owned and financed (CHF international 2004).

In the study area the result indicated that government provided some technical and financial assistance to cooperatives. But the finding indicates that government support was not as sure enough for the development of the cooperatives.

So in general the study found that inadequate governmental institutions support and members participation, absence of efficient and skilled management, limited financial capacity and access to modern technology. Poor infrastructure facilities are major challenges faced in all three cooperatives. Besides that, there was also big shortage regarding to utilize maximum potential in every aspect.

To be effective cooperatives need sound business practice, strong membership participation, support of an efficient organization that provide over service and a facilitating economic and legal environment.

To conclude, in the study area major cooperatives structural, operational and managerial problems /challenges include /.

- x Low member's loyalty (low members participation) due to inadequately addressing of their needs and problems by their organization.

- x Lack of capital.

- x Lack of compact managers.
- x Poor entrepreneurship skills.
- x Poor business development support in the area of value addition.
- x Weak government support (legal, audit, inspection).
- x Absence of reliable and up to date market information and net working problem with partners.
- x Poor infrastructural facilities in the area, etc.



## **5. Conclusion and Recommendation**

### **5.1. Conclusion**

Cooperatives are an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspiration through a jointly and democratically controlled enterprise.

To conclude, cooperative have by laws which are the requirements of the state. The bylaws clearly indicated the responsibilities, the right and duties of members, the power, responsibilities and duties of management bodies, condition for withdrawal and dismissal from membership, etc. objectives and activities of the organization and allocation and distribution of dividend to the members.

The result in the study indicated that the three cooperatives were not appropriately run according to their laws. The socio-economic environment in the region, the cooperatives national proclamation and legal frame work supports cooperative development. But in the study area the cooperatives where not utilize properly these opportunity.

Agricultural input supplies are major service delivered by the cooperatives in the study area. The study confirms that the activity carried out properly helps the farmers improving the productivity and income level, which in turn had improved the livelihood of farmers and also contribute in some extent to reduce poverty at sometime.

However, the infrastructure problem (road, transportation, communication) in area hinders the provision of inputs effectively and efficiently.

In regard to output marketing, cooperatives helped to improve income flow to members through bulk marketing and through negotiations due to economic of scale, better access

to market information and shorting at market chain which enables to achieve better price for their members produces.

Even if output marketing was constrained by shortage of finance, weak entrepreneurship skill, poor linkage with other cooperatives, the cooperative involvement in market was at growing stage in study area. Almost in all three samples MPC collect marketable grain surplus of members and sold at competitive market price. This was also help the households improve their income

The proper credit and saving service help the local house holders to improve the live hood. However because of low financial capacity and lack of skilled and committed leadership the credit and saving service were poor. In three cooperatives in the study area the average credit given to their members in the last three consecutive years was only in Affessa MPC.

The investment made by the cooperatives will benefit members in the long terms. However in the study area all the three cooperatives capital accumulation and investment made by cooperatives was not as such satisfactory. All the cooperatives have made investment in their respective union on were house and retail shops building only.

The cooperatives investments achievements were low when it's compared to the expectation. This was also due to inefficient leadership and low member's participation.

In the study area the only cooperative made profit dividend was Gumedri MPC in 2009, the other cooperatives in the study area the achievement was nil. These indicate that the

cooperative failed to allocate profit to members due to unprofitability and debt repayment.

There is a belief among many writers that the cooperative has to bring positive change and economic benefit for the community and reduce poverty.

In order to full fill this objective the cooperatives need full participation from members in every aspect .cooperatives attract members by providing economic services that their real incomes. Members may be drawn to a cooperative by its economic advantage, but through their participation, they expand their inclusion in economic, social and public affairs.

Members' participation and government are clear indicators of cooperative long term business success as well as how it meets social objectives.

However the study shows contribution of members to cooperative is totally low. If members are to contribute to the efficiency of the cooperative, they must know what is going on and have an opportunity to contribute.

The study also confirmed that the cooperative leaders have poor contribution to enhance members' participation.

One of the key members of cooperatives health is growth of total assets, the physical and financial building blocks of the business. In this aspect the study can confirm that, there were low achievement in asset growth in all sample cooperatives due to in efficient leadership and management.

In general, for successful business strong management is irreplaceable. In the early stage of cooperative development, members may be inexperienced and unsure of their role.

There also may be a shortage of people with the management skill necessary for a successful cooperative.

The cooperative in the study area have big problem related with leadership. The problem was caused because of the rural area have shortage of skilled and educated man power. The respondents interviewed from focus group discussion confirmed that lack of skilled and motivated leadership was the major factor hindered cooperatives development in the study area.

The leadership problem was more serious in all three sample cooperatives. These leaders were inefficient due to low educational background and entrepreneurship skill, inadequate skill and low motivation towards cooperative growth.

In addition, the government support to enhance the leader capacity was not satisfactory. Cooperative creates productive employment and contributes to poverty eradication. A recent report of the International Labor Office (ILO) confirms that “cooperatives to play an important role in employment promotion and poverty alleviation, both as production enterprise mainly on the self-employed and as providers of services to members”.

However, the direct employment and self employment created by cooperatives in the study area were not as such promotable due to low governmental institution support and absence of efficient and capable management.

The current government policy and the socio-economic environment in the area were considered as a good opportunity for those multi-purpose cooperative in the study area. In some extent also the households improve their attitude towards cooperative and able to

consider as beneficiary organization. Due to this in the study area the number of cooperative members increases.

Growth in membership indicates that the word is spreading that the cooperative provides desirable service in a competitive basis-it is a business success. More members also mean more business, which spreads out over head, increases competitiveness and benefit to members.

Besides the members as well as the households were beneficiaries by using improved agricultural input, technology and market for their product in nearby area in better price. In addition cooperative members can get credit and loan service in some extent. In the study area, credit and saving is one of major service provided by the cooperatives and have enabled a good number of members loan service for various service hindering activities. The volume of loan service increased from year to year partly due to increase in membership size and partly due to the availability of loans.

However, the potential of the MPCs in creating dependable financial services from members was hindered by lack of access to adequate credit services, lack of qualified and committed leadership that can mobilize financial resource, lack of training and inadequate member's participation.

The supply of consumers' goods like sugar, soap and food oil by cooperatives currently was also other benefits in addition to direct and self employment opportunity they gained. They will also benefit by the investment made by the cooperative in the long run.

But the problem here was none of the sample cooperatives utilize the existed opportunity.

Besides the study shows that inadequate governmental institution support, low members participation, absence of efficient and skilled management, limited financial capacity and access to modern technology, poor infrastructure facilities were major challenges faced.

In general the cooperatives in the study were served their members and other local community in various ways. That is input supply (fertilizer, technology, improved seeds), output marketing, saving and credit service, supply of consumer goods, training/ awareness creation/ social service, etc.

In undergoing those activities, they should able to mobilize the society in development activities.

Besides, they can create self employment and job opportunities for their members. However, the direct employment and self employment created by cooperatives in the study area were not as such promotable'

It can conclude that even if there were various problems and challenges faced in the cooperatives in the study area, they were played non-replicable role in improve the live hoods of the households at same time it can help to increase members income and to reduce poverty in some extent.

The study confirms that the role and contribution of multi-purpose cooperatives in improving the livelihood of cooperative members and reducing poverty was not as such satisfactory. The total performance of the cooperatives was totally less than the expectation.

So in general so much has to be done to utilize the opportunity and to ensure the realization of the development of cooperatives.

## **5.2. Recommendation**

There is a belief among many writers that the cooperative has to bring positive change and economic benefit for the community and reduce poverty.

A cooperative is an association and an enterprise farmers' cooperative need to have membership and the potential to develop economically. This means that the farmer must be able access sufficient land and affordable credit and develop knowledge and techniques. The farmer needs to access market information and network. Subsistence farming does not normally provide scope for cooperative development and contributes little to food security or poverty reduction (Birhanu G/selassie, 2008).

The cooperatives in the study area were faced various problems that hinder their growth and development.

In the study found that inadequate governmental institutional support, low members participation of efficient and skilled management, limited financial capacity and access to modern technology, poor infrastructural facilities are major challenges faced.

To be effective cooperatives needs sound business practice, strong membership participation, support of efficient apex organizations that provide over sight service and a facilitating economic and legal environment.

In the early stages of cooperative development, members may be inexperienced unsure of their role. There also may be a shortage of people with management skills necessary for successful cooperative. This is particularly in tradition-bound rural areas with low rate of formal education and generally poor health care and education systems. These factors can

determine managerial success or failure even cooperative with basically sound business may fail. In these situations, an apex organization can provide much need support.

The cooperatives in the study area have big problem related with leadership. The problem was caused because of the rural area have shortage of skilled and educated man power. The respondents interviewed from focus group discussion confirmed that lack of skilled and motivated leadership was the major factor hindered cooperatives development in the study area.

In the study area to increase the cooperative effectiveness the leader's quality was irreplaceable. To improve the leader's performance government multi-dimensional support was very essential, governments can help cooperatives spread from grass root, local organizations to a national network by providing organizational expertise and a large infusion of capital, foreign aid and donors can contribute their expertise to this process.

The government should provide more technical assistance i.e., training, legal and audit support to the cooperatives. To improve the leader's performance staff first relevant and adequate training should be given. Furthermore they have to be supported by professional managers and workers' in order to implement cooperatives vision and provide more efficient service to their members and users.

Besides more support in capacity building governments intervention in assisting cooperatives in the area of improving members loyalty and participation and also more effort need in publicize the cooperatives activities and develop community recognition.



Support in creating and strengthening organizational integration (horizontal integration) among different cooperatives and strong support is essential for the formation and operation of cooperative federations

Efficient performance of cooperatives depends up on active members' participation, committed leadership and well trained and motivated staff. To increase member's participation restoring people's (members) confidence on this institution through lunching advocacy work using mass media and experience sharing activities in various sectors should be important.

To be effective cooperatives need strong membership participation. So the cooperatives in the study area will give special focus to increase the member's loyalty (participation). Adequately addressing their need and problem by their organization is vital. The members loyalty increase when the cooperative could deliver as they expected i.e., regular profit dividend, training, appropriate input supply, etc.

Here more effort would essential in publicize the cooperatives activity and develop community recognition. Cooperatives are first and foremost business operations that attract members based on the essential products and services they provide at competitive and affordable cost. They often move in which investors owned firms are not offering those services. If the cooperatives is run by government bureaucrats with little interest or even corrupt, then the business will fail and the members will drift away. Thus the member's success must be those of business success. So to attract members to increase members' participation the first measure is cooperatives business success.

Cooperatives were suffered in shortage of capital to solve this government involvement in diversifying other income option should critical.

Besides, the government should have invested a lot in infrastructure and communication sector to get timely, accurate and reliable market information.

Diversification of source income of cooperatives members and promoting local employment opportunity are vital to improve the livelihood of the members' as well as the community. Hence, to boost the operational capacity of cooperatives solving human, financial, technical, and technological problems is a requisite. The tendency of restricting or prohibiting the diversification of activities of the multi-purpose cooperatives would undermine their capacity to generate adequate capital.

To succeed, cooperatives need good roads, electricity, and communication, particularly internet access. In general, cooperatives do not start where there is poor infrastructure, but this also creates an opportunity for them to step in. If governments, both national and foreign, are contemplating cooperative development, they need to take infrastructure into consideration

To conclude, the government of Ethiopia had already paved the way for better cooperative development in the country through creating legal basis and expansion of human resource development at higher institution level. Therefore, it is high time to the cooperative bureaus, cooperative expertise, higher institutions and cooperative staff to maximize the existing policy environment to the advantage of cooperative development. So, the members in the study area will benefit from it and cooperatives can constitute to the social and economic development at the nation.

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*Dear Sir/ Madam; -----*

I am conducting a study on “opportunity and challenges of multi-purpose cooperatives and their role on poverty reduction at Dangila district (Awi zone, Amhara region).

In this context I request you to kindly fill up this questionnaire and return to me at your earliest. I assure you that the information given by you will be kept confidential and will be used only to prepare my dissertation for MA in Rural Development of Indira Gandhi National Open University.

*Yours Sincerely*

*Andenet Dagneu*



F Other /Specify -----

1.6 Possession of land

F Nil

F Above 2 hectare

F 1-2 hectare

1.7 Period of stay in the village

F 1-5 years

F above F

6-10years

1.8 What is your status in your cooperative?

F Member only

F Committee member

F Employee in the cooperative

F other

**2. Issue related to general activities at cooperative.**

2.1 What kind of service did you get from your cooperative? (Multiple answers are possible).

F Saving and credit

F Marketing service for your production

F Supply of consumer goods F

Input supply

F Employment opportunities F

Training

F Other /Specify/

2.2 Period of stay in the cooperative as membership. F

Less than 2 years (0-2 years)

F 2-5 years

F > 5 years

2.3 Do you agree that you become member of the cooperative willingly?

F Strongly agree

F Agree

F Disagree

2.4 What factor initiated to be a member (multiple answers are possible)?

F To get access to employment

F To get access to credit /loans

F To get access to periodic dividend F

To get access output market

F To get access input supply

F Other /explain/ \_\_\_\_\_

2.5 What kind of service did you expect from the cooperative?

---

---

2.6 What are the criteria you have been asked to get a cooperative membership status  
(multiple answers are possible)?

F Ability to pay periodic payment

F Ability to contribute some required initial capital.

F Pledge to buy goods and service from the cooperative.

F Promise to sell products to / through cooperative.



F Other /Specify/ \_\_\_\_\_

2.7 How often do you attend the meeting held by cooperative?

F Always

F Sometimes

F Rarely

2.8 What is the nature of meeting?

F Participatory

F Partially participatory

F Not participatory

2.9 What is the nature of decision making in annual cooperative meeting?

F Prompt

F Slow

F Very slow

2.10 As you are a cooperative member can you participate in the election of the leaders of cooperative?

F Yes

F No

2.11 If your answer to the question 2.10 above is “Yes”, is the participation democratic?

F To great extent

F To some extent

F Hardly

2.12 Do you think the cooperative is growing? F

Yes

F No

2.13 If your answer to question 2.12 is “yes” in what terms do you believe it is growing (multiple answers are possible)?

F In raising number of members

F In asset accumulation

F In diversification activities

F Others /explain/ \_\_\_\_\_

2.14 If your answer to question no. 2.13 is “No”, what do you think is the reason (multiple answer is possible).

F Lack of member’s motivation

F Poor management

F Lack of government support

F Lack of infrastructure facilities

F Lack of market

F Lack of technology

F Others (Specify) \_\_\_\_\_ .

2.15 What are the major problems faced by your cooperative?

---

---

2.16 Please, indicate the remedial actions you suggest to overcome the problems you have identified above.

---

---

2.17 Among the service carried out by your cooperative what is appropriately or adequately gained (multiple answers are possible)? F

Input supply

F Supply of consumer goods

F Employment opportunities

F Saving and credit

F Training

F Others/ specify:

2.18 Do you think that the major service carried out by your cooperative done properly?

F Yes

F No

2.19 If the service are not properly carried out what are the reasons?

---

---

2.20 To what extent do you feel that your participation makes some contribution to the development of your cooperative?

F To great extent F To some extent

F Hardly makes any difference at all.

2.21. Have you ever got an opportunity of training being a member of a cooperative? F

Yes

F No

2.22 If your answer to question 2.21 is “Yes”, do you agree that the training you have got significant impact on your live hood?

F Strongly agree

F Agree

F Disagree

2.23 Does your cooperative provide credit service to its members? F

Yes

F No

2.24 If your answer to question no. 2.23 is “Yes” to what extent does your cooperative provide the amount of money requested?

F To great extent F

To some extent F

Hardly

2.25 Does your cooperatives are engaged activities related to supply of agricultural inputs and consumable goods?

F Yes

F No

2.26. If your answer to above question 2.25 is “Yes” are you satisfied by service given by your cooperative?

F Satisfied

F Not satisfied

2.27 For the products that your cooperative currently provides to market compare the access and quality of market service provided by your cooperative related to other alternative marketing options?

F High

F Better

F No other options

F Low

F The same as others

2.28 If your cooperative actively involves various activities that helped the local community in improving the livelihood, so is there any improvement in your livelihood after being membership?

F Yes

F No

2.29 If your answer to above question 2.28 is “No”, please explain the reason?

---

---

2.30. As your observation how far you believe the performance of the leaders capable to achieve objectives of cooperative?

F To some extent

F Great extent

F Hardly any

2.31. According to your opinion which group of community do you think become a member of cooperative most of the time?

F Low income group

F Middle income group

F High income

F People from any income group

*Annexure I* **B. QUESTIONNAIRE FOR COOPERATIVE LEADERS/  
MANAGEMENT**

**COMMITTEE**

1. What are the main objectives of your cooperative -----  
-----?

2. What kind of service does your cooperative give (Multiple answers are possible)

F Input supply (technology, fertilizers)

F Output marketing

F Training & consultation

F Saving & credit                      F other /specify -----

3. Do you believe that your cooperatives are achieving the objectives those listed above?

F Yes    F No

4. If your answer to the above question is 'No' what is your reason -----  
-----  
-----

5. If your answer to the above question is 'Yes' what is the evidence -----  
-----

6. How often the meeting of cooperatives with members takes place?

F Annually

F Monthly

F Semi annually

F quarterly

7. To what extent do you think your management is participatory?

F To some extent

F To great extent

F Hardly

8. What is the percentage of average attendance?

9. To what extent do you think member's contribution to the cooperative?

F To some extent

F To great extent

F Hardly

10. What kind of measure does your cooperative take to enhance member's participation-----

-----

?

11. As your observation what are the major problems faced to your cooperative? (Multiple answers are possible)

F Lack of support

F Lack of coordination between management committee

F Less involvement of members

F Management problems

F Low infrastructure facilities

F Low awareness/knowledge leaders (cooperative)

12. For the problems that you listed above what will be the remedial solution to overcome it

----- ?

13. ----- P

lease list down the current opportunities for your cooperative-----

----- ?



14. Are you satisfied with support given by government officials -----  
----- ?

15. If your answer is less satisfied what is your suggestion to improve the support given  
by government officials  
-----?

16. Is your cooperative members' number increase currently (use last three  
consecutive years data)?     F Yes   F No

17) If your answer to question number 16 is No what is the reason-----  
----- ?

18) What kind of measures did you take to increase members in number -----  
-----?

19) Do you believe your cooperative play great role in poverty reduction -----  
----- ?

20) Do you think how much your cooperative helped the local community in improving  
the livelihood  
----- ?

21). If the major problem faced to your cooperative is leadership what remedial action do  
you take to improve it -----  
----- ?

**A) Check list for interview (with primary cooperative leaders).**

1. When your cooperative established?
2. What are the main objectives of your cooperative?
3. What service does your cooperative give for its members?

4. How many members registered in your cooperative?
5. How was the participation of members?
6. Does your cooperative conduct annual meeting regularly?
7. How often the meeting of cooperatives does take place?
8. What is percentage of average attendance?
9. To what extent do you think your management participatory
  - x To great extent
  - x To some extent
  - x Hardly
10. How did you evaluate the contribution of members to cooperative activities?
11. How is your cooperative managed?
12. Do you satisfy by the incentives you got from your cooperative?
13. Do you think that your cooperative achieve their major objective?
14. What are the responsibilities and duties of your management committee?
15. What types of relation do you have with government officials?
16. Your cooperative has got any support from government officials?
17. Are your cooperatives satisfied with support given by government officials?
18. If you are not satisfied what type of support did you expect?
19. Please indicate the major problems you observe in your cooperative in general.
20. What kind of measure did you take to overcome the problems you have indicated in above?
21. What are your suggestions for cooperatives to overcome the challenges they face and to strength their role in poverty reduction in general?

## **B) Guide for group discussion with key informants**

1. The general objective of cooperatives.
2. Rule and regulation of cooperative
3. Function of cooperative
4. Organizational structure of cooperatives
5. Powers, duties, accountability and transparencies of the cooperatives management and other decision making bodies.
6. Rights and duties of member's in cooperative
  - x Cooperative registration
  - x Guiding principle of cooperatives
7. Cooperative role in poverty reduction
8. Major opportunities of cooperative.
9. Major challenges of cooperative.
10. Government responsibility to promote cooperatives.
11. Service given by cooperative society. F Accessing input market (e.g. fertilizers improved seeds, credit service, etc).
  - F Marketing access to output at any time and place with fair price
  - F To get access to technology
  - F To get access to employment opportunities
  - F Marketing access to consumer goods/ coffee, sugar, salt, soap

F Creation of opportunities to capital accumulation enhance member saving and investing local resource mobilization

F The adequacy, quality and convenience of service provide by cooperative mode of benefit distribution.