

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF DEVELOPMENT STUDIES

PERFORMANCES AND CHALLENGES OF COOPERATIVES IN ETHIOPIA:

THE CASE OF WERIE MULTIPURPOSE COOPERATIVE

UNION IN CENTRAL ZONE OF TIGRAY



BY

YEMANE TEWELDEMEDHIN

JUNE, 2010

ADDIS ABABA

26736

The
y3p3
2010

18 2966

PERFORMANCES AND CHALLENGES OF COOPERATIVES IN ETHIOPIA:

THE CASE OF WERIE MULTIPURPOSE COOPERATIVE

UNION IN CENTRAL ZONE OF TIGRAY

BY

YEMANE TEWELDEMEDHIN

ADVISOR: TEFAYE TAFESSE (Ph.D.)

A Thesis submitted to the school of Graduate Studies of Addis Ababa University in partial fulfillment of the requirements for the Degree of Master Arts in Development studies (Rural Livelihood and Development)

2673C

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**COLLEGE OF DEVELOPMENT STUDIES
(CDS)**

Title

***Performances and Challenges of Cooperatives in
Ethiopia: The Case of Werie Multipurpose
Cooperative Union in Central Zone of Tigray.***

By

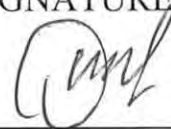
Yemane Teweldemedhin

DEVELOPMENT STUDIES

APPROVED BY THE BOARD OF EXAMINERS:

SIGNATURE

Dr. Workneh Negatu
INSTITUTE DIRECTOR



Dr. Tesfaye Tafesse
ADVISOR



Dr. Ali Hassen
INTERNAL EXAMINER



The
1/3/3
2010

Acknowledgement

Above all, I wish to state my gratefulness and special thanks to my advisor Dr. Tesfaye Tafesse for his genuine and constructive comments without which the completion of this thesis would not have been come true. I would also like to extend my sincere thanks to Ato Abraha Atsbaha, head of capacity building office of Werie-Leke Woreda, for the invaluable support in organizing my field work in the study area.

During my field work, I got a lot of support from many people. I would like to use this opportunity to thank them all. Particularly, I am grateful to the administrative staff of Werie-Leke woreda cooperative promotion office; Ato Teklay Amare, Ato Birhane Atsbaha and Ato Hagos Guesh and Ato Hailay Hailemariam for their matchless contribution in providing the necessary information relevant for the study.

Furthermore, I would like to extend my special thanks and appreciation to my family for their unreserved support and encouragement throughout the study process. I especially owe an enormous debt to my uncle Zemichael Welderufael for his moral and financial support during my study.

My last but not least words of thanks go to all my friends, especially Girmay Birhane, from whom I was fortunate enough to receive his beloved friendship and assistance which in turn gave me encouragement through the way of my study.

Table of Contents

Title	Page No
Acknowledgments	i
Table of Contents.....	ii
List of Tables	iv
List of Charts/Figures	iv
Acronyms	v
Abstract.....	vi
CHAPTER I: INTRODUCTION	
1.1. Background.....	1
1.2. Statement of the Problem.....	2
1.3. Objective of the Study	4
1.4. Significance of the Study	4
1.5. Scope of the Study	4
1.6. Organization of the thesis	5
CHAPTER II: LITERATURE REVIEW	
2.1. Cooperatives Defined	6
2.2. Values and Principles of Cooperatives	6
2.3. Some Empirical Studies on Cooperatives in Ethiopia and Worldwide	8
2.4. Financial Ratio Analysis for Cooperatives	12
2.5. Development of Cooperatives in Ethiopia.....	14
CHAPTER III:. DESCRIPTION OF THE STUDY AREA	
3.1 Location, Climate, Population and Livelihood Activities	18
3.1.1. Location and Climate	18
3.1.2. Population.....	18
3.1.3. Livelihood Activities	18
3.2. Livelihood Constraints and Coping strategies	20
3.3. Government Support Programs	21
3.4. Cooperatives in Werie- Leke Woreda	22

CHAPTER IV: SAMPLING AND METHODOLOGY

4.1. Data Sources	24
4.2. Data Collection Instruments	24
4.3. Sampling Procedure and Sample Size	25
4.4. Methods of Data Analysis	26

CHAPTER V: RESULTS AND DISCUSSIONS

5.1. Demographic and Socio-Economic Characteristics of Respondents.....	27
5.2. Trend of Membership and Financial Ratio Analysis.....	30
5.2.1 Trend of Membership	30
5.2.2 Financial Performance	32
5.3. Impact of Membership on the Life of Members.....	39
5.4. Benefit to the Surrounding Community	54
5.4.1. Some Benefits to the Surrounding Community.....	54
5.4.2. Direct and Indirect Benefits to the Surrounding Community.....	56
5.5. Challenges.....	59
5.5.1. Internal Problems.....	59
5.5.2. External Problems	64
5.5.3. Other Related Problems.....	65

CHAPTER VI: CONCLUSIONS AND RECOMMENDATIONS

6.1. Conclusion	67
6.2. Recommendation	68

References

Appendices

List of Tables

page No

Table 4.2.1- Number of members in the selected cooperatives and the size of sample drawn	25
Table 5.1.1-Age of the respondents	27
Table 5.1.2-Educational status of the respondents	28
Table 5.1.3-Marital status of the respondents	28
Table 5.1.4- Land holding size of the respondents	29
Table 5.2.1: Trend of membership of Werie Multipurpose Cooperative Union	30
Table 5.2.2- Financial ratios of Werie Multipurpose Cooperative Union.....	34
Table 5.3.1- Satisfaction being a member of the cooperatives	40
Table 5.3.2-Status of annual income of sample respondents after affiliation	41
Table 5.3.3- Status of members' living standard after affiliation	42
Table 5.3.4- Oxen ownership of members before and after membership	43
Table 5.3.5- Type of house owned by sample respondents before and after membership	45
Table 5.3.6- Number of rooms owned by respondents before and after affiliation	46
Table 5.3.7- Type of diet consumed before and after membership.....	47
Table 5.3.8- Number of Meals per day by respondents before and after membership	48
Table 5.3.9- Clothing frequency of respondents per year before & after membership	49
Table 5.3.10- Access to Education after membership to the cooperative	50
Table 5.3.11- Type of Health service used before and after membership.....	52
Table 5.3.12-Respondents' agreement/disagreement on the impact of membership on their lives	53
Table 5.4.1- Distribution of user/non-users of the Union	54
Table 5.4.2- Frequently purchased goods by non-member respondents from the Union	55
Table 5.4.3- Response of sample respondents about the benefit of WMCU to the community	56
Table 5.4.4-Paired Samples Statistics	57
Table 5.4.5- Paired samples test (t-test)	58
List of Charts/Map	
Figure 3.1.1-Map of the study area	23
Chart 5.1.1- Trend of individual members of WMCU (1996-2001 E.C).....	31

Acronyms

BoDs	Board of Directors
Coop	Cooperative
CPO	Cooperative Promotion Office
CSA	Central Statistical Agency
DESCI	Dedebit Saving and Credit Institution
FCA	Federal Cooperative Agency
FGD	Focus Group Discussion
ICA	International Cooperative Alliance
IOF	Investor Owned Firms
MoA	Ministry of Agriculture
MoARD	Ministry of Agriculture and Rural Development
PSNP	Productive Safety Net Program
UN	United Nations
USDA	United States Development Agency
WMCU	Werie Multipurpose Cooperative Union
Woreda	District

Abstract

This study is concerned with assessing the performance and challenges of Werie Multipurpose Cooperative Union (WMCU) which is found in werie –Leke woreda of Tigray Regional State of Ethiopia. The objective of the study is to assess the performances and challenges of the union in the course of development.

In this purpose, the data requirements for the study were collected from different sources. The primary data were collected from 126 member respondents of two sample primary member cooperative societies of the union and 50 randomly selected non-members from the residents of the town of Edaga-Arbi. Moreover, the study made use of documents of the Union, like financial statements and audit reports as source of secondary data. In addition to this, FGD and Key informant interviews were also important sources of secondary data. The data collected were analyzed using simple statistical analysis like frequencies, percentages, tables, financial ratio analysis and t-test with the help of a statistical package called SPSS (Statistical Package for Social Sciences).

The findings from the study revealed that trend of membership of the Union was increasing over the study period but the financial performance was inconsistent in the periods under study. Affiliation to a cooperative was found to increase the income of members and thereby contributes to the well-being of member household that was manifested in the betterment of oxen ownership, food, housing, and clothing and in terms of ability to send children to school and use modern health services. In addition, WMCU has some benefits to the community (non-members) in stabilizing the local market and cost saving. On average, a person was able to save Birr 8.17 per month given that s/he purchases the sampled items from the union instead of the private traders in the town of Edaga-Arbi.

Regarding the challenges constraining the performance of the Union, the study has pointed out that embezzlement, limitations in the capacity of Management Committee or BoDs, lack of capital, unhealthy competition from private traders, absence of education and training and lack of physical resources are the main ones.

References

- Abebe Ayele. (2005). Opportunities and challenges of cooperatives in post 1991 Ethiopia: Case study of coffee farmers' cooperative in Aleta wondo woreda, Sidama zone, M.A thesis, Addis Ababa University.
- Andrew, J. and Gallagher, J. (1997). Financial Management: Principles and practices. Prentice-hall, inc.
- Baarda, J.R. (2006). Current issues in cooperative finance and governance: Rural Development, Cooperative Programs, U.S. New York.
- Chambo, S. (2009). Agricultural cooperatives: Role in food security and Rural Development. Paper presented to Expert Group Meeting on cooperatives, New York.
- Central Statistical Agency. (2008). Statistical Report of the 2007 population and housing census, Population census Commission, UNFPA, Addis Ababa.
- Destahun Haile. (2007). Cooperative Approach to local Development: The case of coffee Cooperative Unions in Coffee growing Regions of Ethiopia, M.A Thesis, Addis Ababa University.
- Develtere et al., (2008). Cooperating out of Poverty: The Renaissance of the African Cooperative Movement, ILO/The World Bank Institute, Geneva/Washington D.C.
- Dooren, P.J. (1986). Cooperatives for developing countries: Objectives, Policies and practices of cooperatives, The Plunkket Foundation.
- FDRE (1998). Cooperative societies proclamation No. 147/1998: Addis Ababa.
- Federal Cooperative Agency (2009). Status of cooperatives in Ethiopia: (Unpublished) Addis Ababa.
- Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia (1998). Proclamation No.147/1998 Cooperative Societies Proclamation.
- Folsom, J. (2003). Measuring the Economic Impact of Cooperatives in Minnesota: Research Report.
- Kebebew Daka. (1978). Development of cooperatives in Ethiopia: Addis Ababa University, Addis Ababa.
- Krishnaswamy O.R and Klandaiswamy.(2000). Cooperation, concepts and theory: Aruda Academy, Tamilnadu.
- Liberand, B. (2007). Measuring the performance of agricultural cooperatives: Rural Business and cooperative programs, USDA, Washington, D.C.

- Mekonnen Kassa. et al. (2007). Development of saving and credit cooperatives in Ethiopia: Occasional paper No. 19, Addis Ababa.
- Mesfin Mengistu. (2007). Opportunities, performance and constraints of Farmers' cooperative unions in Ethiopia: M.A thesis, Addis Ababa University.
- Ministry of Agriculture and Rural Development. (2009). Livelihood zones of Tigray. Addis Ababa.
- Mitchell Group, Inc. (2005). Evaluation of Agricultural Cooperatives in Ethiopia (ACE). Program Activities for USAID/Ethiopia. 1816 11th Street NW, Washington DC.
- Mulu Alene. (2008). The non income dimensions and determinants of poverty of members of cooperatives: The case of central zone of Tigray, M.A thesis, Mekelle University.
- Nevue, R.P. (1985). Fundamentals of Managerial Finance, 2nd edition: South- Wester Publishing Co., Cincinnati, Ohio.
- Parnell, E. (1999). Reinventing cooperation: The challenges of the 21st century, The Plunkket Foundation.
- Ruiz-Meyer, F and van Ginneken, M. (2006). Consumer Cooperatives: An Alternative Institutional Model for Delivery of Urban Water Supply and Sanitation Services, Water Supply and Sanitation Working Notes No 5, Washington: World Bank.
- Shaw, L. (2007). Overview of Corporate Governance Issues for Cooperatives: The cooperative college, Manchester, UK.
- Spielman, J. and Bernard, T.(n.d). Sustainable livelihoods and equitable development. International Food Policy Research Institute. Addis Ababa.
- Tesfaye Asefa. (2005). Revitalizing Market-Oriented Agricultural Cooperatives in Ethiopia, ACDI-VOCA, Addis Ababa.
- Veerakumaran, G. (2007). Cooperative Theory and Practice, Mekelle University.
- Wegenie Yirko. (1989). The Development of Agricultural Producers' Cooperatives in Ethiopia, M.A Thesis, Addis Ababa University.
- Yigremew Adal. (2000). Necessity and Neglect: Local organization and Rural Development in Ethiopia. Proceedings of the 9th Annual conference on the Ethiopian Economy. Ethiopian Economic association (EEA). Addis Ababa.
- Zeuli, K. and Cropp, R. (2004). Cooperatives: Principles and Practices in the 21st Century, University of Wisconsin-Madison.

CHAPTER I: INTRODUCTION

1.1. Background of the study

Throughout human history some activities have always been undertaken by groups rather than individuals simply because this was a better and more economic way of doing things (Parnell, 1999: p.1).

The interdependent and mutual help among human beings have been the essentials of social life. History tells us that man can not successfully live by himself and for himself alone. The spirit of association is important to human progress. Since the beginning of human society man has cooperated first in foraging and then in hunting, later in agriculture and still in manufacturing. There is practically nothing which a man by himself alone can achieve but much acting together with others (Kulandaiswamy and Krishnaswamy, 2000).

When people carry out their economic activities individually, benefits dissipate and costs accumulate. The economic impact becomes insignificant and results in costs overrun (Destahun, 2007: p.28). Collective actions of cooperatives are more effective than separate actions of individuals. Through cooperatives, individual households and communities can create opportunities for themselves, find a productive work that not only facilitate their wellbeing and stability but also give them the support they need to improve their lives and remain active in civil rights and political arenas (Taimini, 2001 cited in Destahun, 2007).

Data compiled by International Cooperative Alliance (ICA) indicated that cooperatives have increasingly become the sources of secured employment and income for millions of the world's population. Over 800 million people are members of different cooperative societies in the world (ICA, 2000 cited in Mekonnen et al., 2007).

The United Nations (UN) has also estimated that in 1994, the livelihood of nearly half of the world's population, 3 billion people, was secured by cooperative enterprises (Mekonnen et al., 2007).



Likewise, the cooperative societies in Ethiopia are playing multi-functional role both in rural and urban areas. Primary cooperatives created 76,956 employment opportunities in the country (FCA, 2009). The free market economic system posed challenges of poor bargaining power and competitiveness for smallholder farmers, resource poor youth (who aim to enter into business operation) and poor consumers (due to limited financial resources, limited skill and capacity, fragmented efforts, etc.). Thus, collective efforts through cooperative organization have been chosen by many of the disadvantaged groups to increase their benefits from the liberalized market system. Cooperatives in Ethiopia are mainly economic entities performing economic functions, contributing a lot to economic development of the country and are believed to contribute more to the living standard of members and the community as a whole.

1.2. Statement of the problem

Eradicating poverty in Sub-Saharan Africa (SSA) continues to be the biggest challenge to the global community today. During the last 25 years, the number of poor people has doubled from 150 million to 300 million, with half of the population surviving on a dollar a day or less (Develtere et al., 2008).

The rural poor in developing countries are often at a competitive disadvantage in the wider economy because of persistent market, state and institutional failures. For example, smallholders may face difficulties in selling their small agricultural surpluses because of the prohibitively high transaction costs incurred in assembling, transporting and marketing their surpluses (Spielman and Bernard, n.d)

The poor in Ethiopia, especially the farmers, have low bargaining power which leads to low productivity, which, in turn, leads to low real income. The marketing facilities which contribute to the enhancement of agricultural productivity are also very limited. The majority of the smallholders sell their produce at low price. On the contrary, they purchase consumer goods and other agricultural inputs at high prices in the local market due to their low bargaining power and lack of market information. They may be unable to access the necessary public sector services needed to sustain and improve their livelihoods because the state infrastructure is insufficiently responsive to their needs.

Studies have shown that in Ethiopia where farm holdings are small, application of modern technology is very low and production is mainly of subsistence nature with low marketable surplus, cooperatives play a central role in providing smallholders with access to inputs such as fertilizer, seed, credit and chemicals.

To this end, there has been a felt need to organize cooperative societies in a new form by enacting new cooperative proclamation which suits to the current economic system of the country. Accordingly, the number of primary cooperatives increased from 19,146 in 2005 to 24,345 in 2008 and to 26,672 in 2009, while the total number of individual members of the primary cooperatives increased from 3,911,834 in 2005 to 4,767,955 in 2008, and currently reached to 5,899,761 with about 16.4 percent being female members (FCA, 2009). As of December 2007, the primary cooperatives have a total capital of Birr 835,067,162. Currently, in more than 40 percent of the rural *kebeles* one or more cooperatives are established and playing indispensable role in providing agricultural inputs (fertilizers, seed, chemical, etc.), consumer goods, saving and credit services for their members and non-members.

Despite these achievements, it seems that little attempt has been made to assess the performances achieved and challenges faced by Ethiopian cooperatives. From time to time, it is essential to check whether they are on the right track or not. It will then contribute to the understanding of factors hindering performance and development of the cooperatives and it would enable to take corrective measures. To create good performing cooperatives, it is essential to assess the performance of the already existing ones and draw practical lessons on the critical operational problems.

With regard to Werie Multipurpose Cooperative Union (WMCU), though the importance of research is undeniable, no empirical study has been undertaken that assesses so far about the performances achieved, benefits derived and the challenges faced.

1.3. Objective of the study

- **General objective:**

The overall objective of the study is to assess the performance and challenges of WMCU which is found in central zone of Tigray, Ethiopia.

- **Specific objectives:**

The specific objectives of the study are:

- To examine the trend of membership and financial performance of WMCU.
- To assess the impact of membership on the life of members.
- To analyze some benefits of WMCU to the community of the study area.
- To identify challenges constraining the performance of WMCU.

1.4. Scope of the study

The study is conducted on *WMCU* by taking two representative samples from its affiliates. Sampling is made based on some practical reasons from the 20 primary member cooperatives (affiliates). The selection of sample cooperatives is based on duration of membership, access to transport, size of membership and the availability of budget. Moreover, the study reviews some studies on cooperatives and it mainly focuses on the performances and challenges of *WMCU* since its establishment in 1996 E.C.

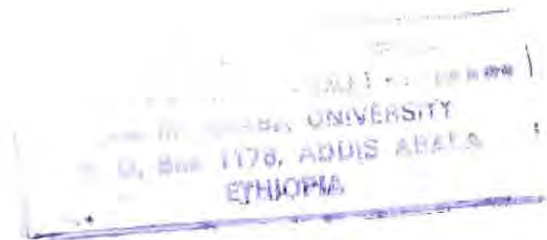
1.5. Significance of the study

Cooperatives in Ethiopia are mainly economic entities performing economic functions, contributing a lot to economic development of the country and will continue to greatly contribute in the future. Therefore, studying the performance and challenges of cooperatives in Ethiopia has paramount importance as it helps in realizing the extent to which they are performing in the improvement of the living standard of members and the community as a whole and to assess challenges that cooperatives encounter.

The finding of the study may help policy makers and practitioners in designing and implementing appropriate policies that would enhance the performance of cooperatives in Ethiopia. It may also be helpful for WMCU to take corrective measures so as to overcome the challenges constraining its performance. Furthermore, the outcome of the study will give important insight for further studies.

1.6. Organization of the study

The thesis is organized into five chapters. The first chapter deals with an introductory part, which presents the general background, statement of the problem, objectives of the study and its significance. Chapter two discusses the theoretical and empirical literatures related to the research. The third chapter deals with the description of the study area. This is followed by the discussion of the methodology used in the research in chapter four. Chapter five presents the result and discussion part of the study. Finally, the conclusion and recommendation of the study are presented in chapter six.



CHAPTER II: LITERATURE REVIEW

2.1. Cooperatives Defined

Over the years, various definitions have been given of cooperation. Among the definitions available in the cooperative literature Dooren (1986) defined cooperative as an association of members, either personal or corporate, which have voluntarily come together in pursuit of common economic objectives.

The International Cooperative Alliance (ICA), an apex organization that represents cooperatives worldwide, has also defined cooperative as: An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

In general, according to Chambo (2009), the definition of cooperatives is built on four major catch words; first, they are formed by groups of people, who have a specified need or problem. Second, the organization is formed freely by members after contributing to its assets. Thirdly, the organization formed, is governed democratically in order to achieve desired objectives on equitable norms, and fourth, it is an independent enterprise promoted, owned and controlled by people to meet their needs.

2.2. Cooperative values and principles

According to the ICA statement on the cooperative identity, 1995, cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Cooperative principles are guidelines by which cooperatives put their values into practice. According to Baarda (2006:p.6), cooperative principles are fundamental and immutable doctrine or tenet that defines and identifies distinctive characteristics of the cooperative organization. They are the settled rules of action and are identified as the coordinates that go to make a cooperative society and as such are indispensable. They were evolved out of experiments and practices, and represent the cooperative's

philosophy, evolved by Rochadale Pioneers, improved and embellished by movement and are recognized by the ICA congress. Cooperatives operate under seven principles which are formulated by the ICA in 1995. These are;

- **Voluntary and open membership**

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

- **Democratic member control**

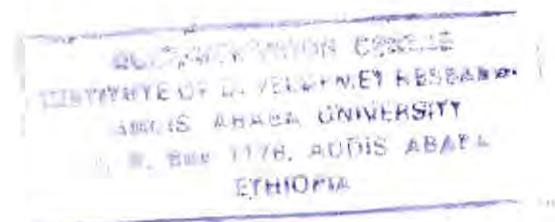
Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperative members have equal voting rights (one member one vote)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

- **Member economic participation**

Members contribute equitably, and democratically control, the capital of their cooperative. At least part of that capital is usually receiving limited compensation, if any and capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative possibly by setting up reserve, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

- **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 sources, they do so on terms that endure democratic control by their members and maintain their cooperative autonomy.



- **Education, training and information**

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

- **Cooperation among cooperatives**

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

- **Concern for the community**

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

2.3. Empirical studies on Cooperatives Worldwide

Joe Folsom (2003) conducted a study on the economic impact of cooperatives in Minnesota and indicated that cooperatives as a form of business have been a part of Minnesota's economic and cultural history. Its 1,026 cooperatives make it one of the leading states in the country with this form of business structure.

The study employed input-output method of analysis which provides some measures of quantifying economic and employment impacts of businesses. With this tool, he measured the direct effects attributable to the firm, those resulting from purchases made by the firm, and the induced effects as a result of local spending by firms attributable to the demand change resulting from the firm's actions. The study methodology measures the total impact and the impact of local ownership and single-level taxation. Revenue data collected from 311 respondents to a survey of Minnesota cooperatives was used for IMPLAN, an input-output economic analysis software tool. The value-added component within the model includes employee compensation, proprietary income, other property

income, and indirect taxes. Treating the "other property income" element as "proprietary income" determined the impact of local ownership and single level taxation. Responding cooperatives in the study represented 44 business sectors and had 943,450 members, representing an estimated 50% of the total co-operative membership. The 185 credit unions serve another 1,457,183 members.

According to the study \$ 6.07 billion in revenues generated by the 311 cooperatives and 185 credit unions result in total direct, indirect, and induced impacts of \$10.89 billion in output and total employment of 79,363. The study further pointed out that the benefits attributable to local ownership and single level taxation that increased \$600 million in output, employment of 7,725, and tax revenues of \$210.5 million.

The benefits of local ownership and single-level taxation are also attributable to business structures such as sole proprietorships with these characteristics.

In his conclusion, Folsom suggested that policy considerations should foster an environment conducive to development and investment in locally owned business enterprises, such as cooperatives.

Liebrand (2007) studied the financial performance of agricultural cooperatives in America. He noted that the task of measuring the financial performance of cooperatives is made problematic by the attributes of the cooperative form of business. Most of the commonly used financial measures give an incomplete picture of a cooperative's performance.

However, the extra value and Return on Equity approach used in his study enables a cooperative's use of member-supplied funds to be fully measured-whether member capital is earning more, or less, than it could in alternative investments. The researcher explained the value a cooperative generates over and above its expenses, including an opportunity cost for its equity capital, is termed "extra value." A positive extra value indicates that a cooperative has created value by its operations, while a negative extra value means that a cooperative has actually diminished the value of members' investment.

In this research, extra value is calculated for 65 agricultural cooperatives by subtracting an interest charge on equity from net savings and also expressed as a percentage of operating capital. Cooperative performance is examined by type of agricultural cooperative cotton, dairy, farm supply, fruit and vegetable, grain, sugar, and other-for 1992-96 and 2000-04. At least one cooperative of each type (except for sugar cooperatives) was able to show positive extra value when equity was assigned a charge 10 percent above the basic rate, while there were cooperatives of each type that showed negative extra value at the basic charge for member capital. Dairy cooperatives represented one-half of the top performers, while fruit and vegetable cooperatives represented one half of those with negative extra value in both time periods. Results showed that cooperatives of all types can be very able performers but that some cooperatives may not be fully rewarding members for the use of their equity.

Finally, the study concluded that there are likely a variety of reasons that cooperatives of one type may perform generally better or worse than another. The most obvious is that the market conditions for one particular commodity may differ from the market circumstances for another. For instance the market for tree fruit is impacted by different factors than milk markets. Farm supply operations face different operational challenges than cotton marketing. Moreover, each agricultural commodity type is subject to its own unique set of competitive and institutional factors that may impact a cooperative's ability to create value. At the same time, even within a commodity type, the market environment may vary according to the geographic region or market segment in which the cooperative operates.

Tsegay Berhane (2008) has made a study on the financial performance of cooperatives in Enderta woreda, Tigray Region using ratio analysis for three consecutive years (2003/04-2005/06).

According to the study the financial performance of the cooperatives was not highly encouraging. For instance the liquidity ratio in the three years was fluctuating and mostly it was below the norm. This shows the cooperatives' ability to meet their financial obligations within the period was not in a good position.

Moreover, the study pointed out that the solvency ratio of the cooperatives showed fluctuations over the study period. The debt-equity ratio showed, in general, the lenders' contribution was greater than the cooperatives' share capital contribution. The patron's equity to total asset ratio of the cooperatives showed more than 50 percent of the cooperatives' assets were owned by creditors even though there were fluctuations in the primary cooperatives. The fixed asset to patron's equity ratio of the cooperatives was low except in some primary cooperatives. For example, the Romanat Primary Cooperative showed 1.55 fixed asset to patrons equity ratio for the year 2004/05, and this shows for every birr in patron's equity, the cooperative had birr 1.55 in fixed assets. This indicates that there was less owner's equity available for working capital.

The inventory turnover of all the cooperatives considered in the study showed a high speed of conversion of assets in to sales. Especially, all the inventories of the primary cooperatives were sold during the specified period. But in the Enderta Union except during the first year, in the two consecutive years the inventory turnover showed low ratio and indicated greater carrying cost for rental space. The total asset turnover of Enderta Union was good, but for the primary cooperatives, there were not sufficient value of sales generated for the size of investment in assets.

With regard to the gross profit margin of the cooperatives under study, there was a positive amount at fluctuating rate. However, the researcher argues that the union's gross profit ratio showed problems of management, effectiveness in product pricing, generating sales and controlling cost of sales. The net profit margin of the cooperatives also showed positive amount in most of the cooperatives but the amount was at lower level and the *Romanat Primary Cooperative* in 2005/06, and the *Didba Primary Cooperative* in 2003/04 contributed to a loss for every birr in sales. This indicates that the management and efficiency of each unit of sales to profit was not good. The contribution of total assets to the profit of the EUAPC shows fluctuation and a decreasing rate. This shows there was inefficient utilization of assets. The profitability of the owner's share capital of the cooperatives was fluctuating from year to year. This implies the resources of the members were not used well to increase profit and achieving their objectives.

Generally, the researcher has concluded that the financial performance of the cooperatives was not highly encouraging. The liquidity position of most cooperatives under study was not able to meet their obligations.

Wegenie (1989) studied the performance of cooperatives at micro and macro level and the problems of development of cooperatives in Ethiopia. Macro level study indicated that the performance of cooperatives was poor when compared to the individual and state farms in terms of yield.

The performance evaluation of the cooperatives at the micro level was specifically directed at looking their allocation efficiency using the linear programming model. Comparison of the actual with the optimal pattern indicated sub-optimality in their cropping pattern. In all cases the result suggested a reallocation of land away from the two basic products of the region i.e. wheat and barley to other crops. Land, in his optimal solution was found to be the limiting factor in all the cooperatives and he suggested that for an appropriate land holding and land allocation policy for each of the cooperatives which take resource availability of the cooperative into account. His study also indicated input output pricing system, declining income of members, forced membership and absence of democracy in decision making process as problems in the development of cooperatives.

2.4. Financial Ratio Analysis for Cooperatives

Financial managers use ratio analysis to interpret the raw numbers on financial statements. A financial ratio is a number that expresses the value of one financial variable relative to another. To analyze the financial statements of an organization, a number of financial tools are being used. Ratio analysis is considered to be the most powerful and popular tool for practical purposes. The result of ratio analysis is more accurate and it can be used as a basis for future decisions. The financial ratios are relationships expressed in mathematical terms between figures which are connected with each other in some manner (Andrew and Gallagher, 1997).

The above authors argue that calculating an individual ratio is simple, but ratio must be analyzed carefully to effectively measure a firm's performance. Ratios are comparative

measures. Because the ratios show relative value, they allow financial analysts to compare information that could not be compared in its raw form. Ratios may be used to compare:

- One ratio to related ratio
- The firm's performance to management's goals
- The firm's past and present performance
- The firm's performance to similar firms

For instance, say a cooperative organization reaped huge revenue from one investment, but the cost of the investment is high. A financial manager could use a ratio to compare that investment to another that did not generate such high revenues but have had low cost.

Financial ratio indicates the financial position of an organization. A cooperative is deemed to be financially sound, if it is in a position to carry its business smoothly and meets all its obligations both long-term and short-term without any difficulty. The nature and classification of ratios vary from organization to organization but generally a few ratios are widely used.

Information about financial results of cooperatives is important for management decisions. The financial statement analysis has some benefits such as identifying problems, initiating timely corrective action and identifying potential opportunities. Comparison of financial documents from previous years is useful to see trends and financial measurement can be used to compare current performance to its historical as well as to compare between similar cooperative businesses.

Liquidity ratio, Leverage ratio, Activity ratio and Profitability ratios are used for this study so as to analyze the financial performance of the *Union* under study.



2.5. Development of Cooperatives in Ethiopia

Springing from modest beginning at Rochdale in England in 1884, the cooperative model has evolved to successfully accommodate a myriad of different businesses in virtually every country of Europe (Zeuli and Cropp, 2004). Other scholars like Develtere et al. (2008) also say that cooperatives, in the form that we recognize them today i.e. as an organization that is owned and run by the same group of people that also does business with the same organization and derives the benefits from this business, first appeared during the period of industrial revolution in Europe and was introduced to SSA by colonial powers as a strategic tool to group rural producers into clusters, so that essential export commodities such as coffee, cocoa and cotton, could be collected more cost-effectively.

As any other SSA country, Ethiopia has also witnessed the development of cooperatives since early times. Experience of cooperation among people residing in close neighborhoods has been a tradition of many cultures in Ethiopia. The people of Ethiopia have got a very long social history of working together to fulfill their socio-economic needs. Agriculture, Trade and Military Operations were carried out through cooperative efforts (Veerakumaran, 2007). Various communities organize traditional institutions that commonly have the objective of pooling risks and mobilize financial, material and labor resources. Mesfin (2007), for example, has noted that the traditional cooperatives were evident through the informal institutions such as *Idir*, *Equb* and *Debo*.

Develtere et al. (2008) had also pointed out that the most widespread forms of traditional cooperatives in Ethiopia were/are *Equb*, *Idir*, *Debo* and *Jige*. However, the potential of these institutions was not fully exploited mainly due to the absence of supportive policy environment and lack of adequate attention towards the role of the institutions on the part of the government and other development agents. Consequently, these institutions became victims of neglect, under utilization and poor performance (Yigremew, 2000).

Equb is a traditional rotating saving scheme while *Idir* is a social insurance system (burial society). *Debo* and *Jige* mobilize labor for peak farming seasons and labor intensive activities. Though they have not been able to adopt certain business principles like

cooperatives to promote their role in other gainful economic activities, all these institutions have maintained their services for many decades in Ethiopia.

However, the modern cooperative movement in Ethiopia is traced back to the Imperial Regime times in 1950s. The first legal frame work for cooperatives, Farm workers Decree No 44 was enacted in 1960 and the then Ministry of National Community Development was charged with the promotion and registration of cooperatives (Kebebew,1978).This proclamation was replaced by proclamation No 241/1966 which was more comprehensive proclamation in 1966 by the Imperial government. But, the movement of cooperatives during this period was not successful because the cooperatives mainly focused on high value crop growing areas. The requirement of land ownership to be a member of cooperatives and the lack of participation of educated manpower in implementing cooperative laws and policies were the main causes for the failure of cooperatives during the Imperial Regime.

Coming to power in 1974, the Military government adopted a socialist economic system and proclamation No 241/1966 was repealed and replaced by proclamation No 71/1975 with the objectives, power and duties of agricultural producers and service cooperatives were clearly stated (Mekonnen et al., 2007). It was during this time that a number of “*Ye’irsha Mahber*” was unwillingly organized in quota bases in most of the then provinces (Veerakumaran, 2007). The Cooperative Societies Proclamation No. 138/1978 was issued later in order to include other type of cooperatives like housing, thrift and credit and handicrafts. 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 rather than socio economic development instruments.

In the early 1990s there were 3,316 producers’ cooperatives and 525 service cooperatives in the country. In March 1990 the Derg Regime was forced to look into the new economic situation of the world. The policy of mixed economy was announced. Veerakumaran (2007) noted that from the very beginning full confidence and willingness were lacking in the cooperative members. Cooperatives were faced with organizational, operational, leadership as well as production and distribution problems. In a situation

where member's participation was so passive and leadership appointed by the political cadres, wastefulness and embezzlement were inevitable. The author further explained that even though, Cooperative values and principles were violated by the cooperative movement of that period; there were some positive contributions to the cooperative development of Ethiopia. The country witnessed expansion and promotion of different types of cooperatives. Introducing the distribution of consumer goods and extending agricultural credits (inputs, oxen, tractors, machinery) through cooperatives. The establishment of cooperative training center (Ardaita), government support to investment and infrastructural facilities, provision of domestic and international training was the major contributions of the regime for the development of cooperatives.

After the downfall of the Derg Regime, the Transitional Government adopted a market oriented economic system in 1991. Mekonnen et al. (2007) argue that many cooperative societies were either dissolved or ceased to operate due to:

- As most cooperative societies were formed forcefully, some took that opportunity to express their grief.
- Most of the societies' wealth were misappropriated or embezzled, and as a result they were unable to finance their business.

In 1994, the Transitional Government has issued proclamation No. 85/1994 with the objective of restructuring agricultural cooperatives to enable them contribute to the development of the national economy under a close supervision of Ministry of Agriculture (MoA) and Regional Agricultural Bureaus. The proclamation was generally featured by the principles of cooperation such as voluntary formation, business orientation and democratic member control. However the proclamation dealt only with agricultural cooperatives to the neglect of societies in other sectors. Consequently, proclamation No. 85/1994 was replaced by a more comprehensive and multi-sectoral cooperatives promotion proclamation No.147/1998 which laid the ground for the development of all kinds of cooperative societies at different levels and is comprehensive in its coverage. It provides for among other things, the objectives guiding principles formation and registration, by laws of cooperative societies amalgamation and division of

societies, rights and duties of members of a society, payment of shares, registration of members, visiting transfer of shares or benefit management bodies of cooperative societies including their powers and duties, special privileges of societies mechanism of dissolution and winding up of societies, and settlements of disputes as well as other miscellaneous provisions (proclamation No. 147/1998).

Based on this proclamation, different cooperative societies have been established including: Agricultural Cooperative Societies, Housing Cooperative Societies, Industrial and Artisans Producer's Cooperative Societies, Consumers' Cooperative Societies, Saving and Credit Cooperatives Societies, Fishery Cooperative Societies, and Mining Cooperative Societies.

CHAPTER III: DESCRIPTION OF THE STUDY AREA

3.1. Location, Climate, Population and Livelihood activities

3.1.1. Location and climate

Werie Leke woreda is found in the low lying *kola* agro ecology of Tigray National Regional State about 190 kms north-west of the city of Mekelle. It shares a border with Ahforom woreda in the North, Hawzen woreda in the East, Aduwa woreda in the West and Kolla Tembien woreda in the South.

Rainfall is an average 450 mm-500 mm per year. The woreda practices mixed farming livelihood with crop cultivation and livestock. Agricultural activities are mainly dependant on the long (*kiremti*) rains. Long cycle crops like finger millet and sorghum depend on the short (*Tsidia*) April rains to germinate. Short cycle maize, barley, wheat and *teff* are 100% dependant on the main Kiremti rainfall season from June to August.

3.1.2. Population

According to the report of the Central Statistical Agency (CSA) of the FDRE (2007), the total population of the woreda is 153,860 of which 75,848 are males and 78,373 are females. The total area of the woreda is 1257.97 square kilometers with a population density of 122.31 people per square kilometer.

3.1.3. Livelihood activities

Land cultivation is done using ox drawn plows. Sorghum and maize are the main food crops and limited amount of *teff* are cultivated for both consumption and sale. Land holdings are relatively high. But crop production is poor. There is a chronic shortage of food because of very infertile soils, erratic rainfall and high population density (MoARD, 2009)

The main livestock types are cattle and shoats (goats and sheep). Income from livestock sale is earned mainly from the sale of shoats. Demand for shoats increases during the festival season in April, September and January. Cattle herds are preferably allowed to

grow to build assets that can provide the household with a source of relatively large income in the events of a hazard. During the wet season, cattle lactate for five months. Important livestock products are butter and eggs which provide both income and food for the household. Livestock freely graze in wide plains supervised by young children. The better-off purchases crop residues to supplement available grazing land. Water for livestock consumptions is available in the *Werie River* and from the other small rivers and ponds. Livestock rearing is important for providing draft power and as an income source.

Other important economic activities are honey production and labor migration. Very poor and poor households migrate to *Humera* from August to October/November to provide weeding and harvesting labor on sesame farms. The middle and better-off are involved in honey production. Honey is produced in both traditional and modern beehives and harvested in October and November. The biggest market for honey is local market.

According to MoARD (2009), livestock are the biggest income earners on the market. Shoats are exported through *Adua* and sold in *Adigrat*. Shoa sales increase during the festival season in April (Easter/*Fasika*), September (New Year's *Meskerem*) and January (Epiphany/*Timket*). Cattle are sold in the local market throughout the year, the peak trading period occurring from June to September. Oxen are traded locally from March to June.

The primary determinant of wealth is the amount of land cultivated and livestock ownership, especially oxen for cultivation. The main crops grown are sorghum, mixed wheat and barley, *teff* and maize. The very poor, poor and middle consume green maize for approximately a half a month while the better-off consume it for about a month. The better-off cultivate more *teff* and sale a small portion of it. To increase the amount of land cultivated the middle and better-off rent in land from the very poor. A crop sharing agreement gives 50 percent of the produce from the rented land to the very poor households who rent out their land. The very poor rent out land because they do not have oxen to provide the draft power to utilize all their land- while the poor, middle and better-off each own some oxen. The biggest constraints to crop production are lack of oxen, poor soil fertility and the lack of arable land and erratic rainfall.

Livestock ownership is an important indicator of wealth. All wealth groups own some cattle, with the number of animals owned increasing by wealth group. Cattle are particularly important because they provide protection to the household in the mid to long-term as assets that can be sold in the event of a bad year, and provide access to fairly large income when other income opportunities become scarce. In addition to cattle ownership goats and sheep are an important asset for households in the *Woreda*, the number of animals again increasing by wealth group. Shoats are sold more often to provide more regular income for the household. Donkeys are important sources of labor and transport with the poor, middle and better-off wealth groups typically owning donkeys.

Consumption of livestock products contributes the source of food for the poor, middle and better-off. The main livestock products consumed are eggs, skimmed milk and butter. The very poor do not have livestock and therefore do not have livestock products to consume.

Livestock sales generate the most income in the woreda. Shoats are the most frequently sold livestock. The very poor and poor sell 3-4 shoats each, while the middle sell 4-7 and better off sell 4-12 shoats each. The middle also tends to sell 1 cattle every 4 years. All groups sell chickens. Livestock sales contribute significantly to incomes of all wealth groups. The middle earn the most from livestock sales, the difference between them and the better off is very small. The very poor and poor also have almost the same income from livestock sales.

Beehives provide honey that is sold in the local market. The poor, middle and better-off each own beehives, the number of which increases by wealth group. The middle and better-off have modern beehives which produce more honey.

3.2. Livelihood constraints and coping strategies

The main hazard in the Werie-Leke Woreda is land degradation and poor soil fertility. There is also insufficient cultivable land and grazing land. These are the main reasons for



poor crop cultivation in the woreda. Drought and erratic rainfall patterns are intermittent hazards.

The poor wealth groups primarily respond by reducing meal sizes and the frequency of meals. Intensified migration in search of labor is the last option when all options are exhausted. Household intensify migration by sending of more household members to search for labor, and they stay for longer periods (MoARD, 2009).

The better-off have larger herd sizes and increase the sales of livestock as the primary coping strategy. Livestock are allowed to grow during good years, to create room for sales in a bad year. Their secondary response strategy is intensified labor migration in the same manner as the poor households.

3.3. Government support programs

According to MoARD (2006), the household credit package was made available for the purchase of small stock, cattle and beehives in the Woreda. The loans are repaid over two years and repayment begins one year after receiving the loan. All wealth groups were provided access to loans for purchase of cattle. These loans are repaid over 3 years and beneficiaries begin repayment 2 years after receiving the loan. The beehive loans were also available for all wealth groups. The loan is repaid over 3 -5 years, and repayment begins one year after receiving the loan. All loans charge 9% annual interest rate. Repayment can be suspended in the event of a drought.

The Productive Safety Nets Program (PSNP) initiated in 2005, is designed to protect the assets of chronically food insecure. Beneficiaries of the program receive food and cash for public works projects such as road construction and soil and water conservation. Household without labor receive their entitlements in the form of direct support. PSNP activities take place between January and June. All wealth groups receive assistance from the PSNP.

3.4. Cooperatives in Werie-Leke Woreda

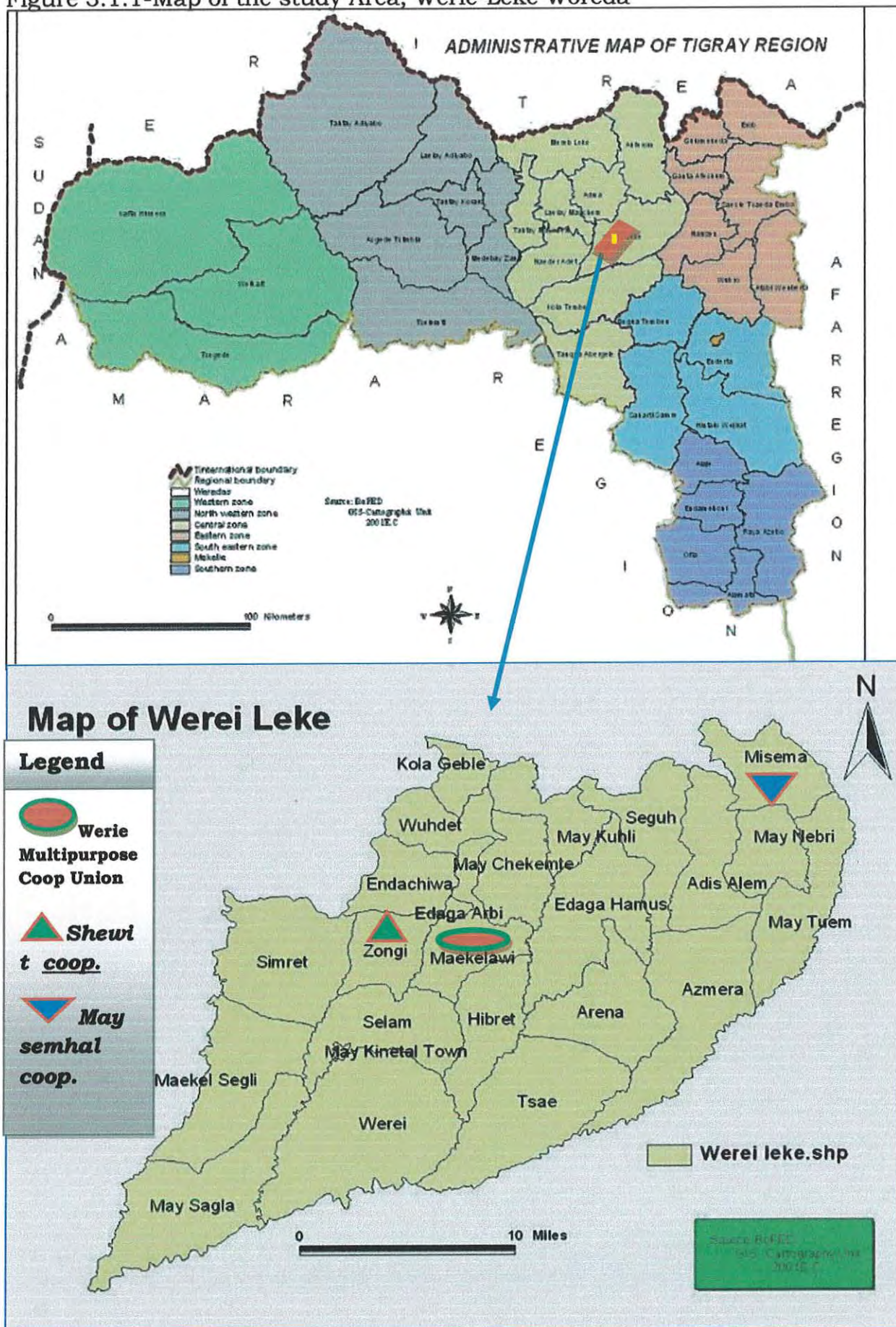
Almost all farmers of the woreda are smallholder farmers and getting agricultural inputs (like fertilizer and selected seed), credit and consumer goods at fair price is a serious challenge for them.

Due to this, there has been a felt need to organize cooperatives so as to enhance their bargaining power and get reasonable price for their produce on one hand, and to get consumer goods and agricultural inputs at fair price on the other since the issuance of the cooperatives proclamation No 147/1998 by the Federal Democratic Republic of Ethiopia (FDRE).

According to the woreda's Cooperative Promotion Office (CPO) report, the cooperative movement has recorded promising achievements since the last few years. As of June 2009, there were 80 primary cooperatives, one union and 26 multipurpose cooperatives in the Woreda. Out of them, 15 saving and credit, 15 services, 5 dairy, 7 housing, 2 Bee keeping and Honey Marketing are some of the registered primary cooperative societies in the Woreda.

Werie Multipurpose cooperative Union (*WMCU*) is the only union in the Woreda. It was established in 1996 E.C with 8 primary member cooperatives which represents 4,112 individual members, 174,000 *Birr* capital and registered under proclamation No. 147/98, which provided for the establishment of cooperatives. The union was established to solve problems collectively which an individual primary cooperative societies cannot solve individually, to help members obtain modern technologies at fair prices and to satisfy the needs of the community. As of January 2010, the number of primary member cooperatives of *WMCU* has reached 20 and all of them are multipurpose primary cooperative societies (Appendix II).

Figure 3.1.1-Map of the study Area, Werie-Leke Woreda



CHAPTER IV: METHODOLOGY

4.1. Data sources

For this study both primary and secondary data were used from various sources. Using semi-structured interview, primary data were collected from member and non-member sample respondents (Appendix I). Moreover, primary data were also collected through key informant interviews and Focus Group Discussions (FGDs).

The sources of secondary data were bylaws, management minutes, audit reports, balance sheets, income statements and other financial reports of the union.

4.2. Data collection instruments

The necessary primary data for this study were collected mainly through semi-structured questionnaire, FGDs and key informant interviews. A brief description of the FGDs, Key informant interviews and Semi-structured Questionnaires will be discussed hereunder:

i. Focus Group Discussion (FGD)

Two Focus Group Discussions (FGDs) were conducted to collect primary data. The discussion was conducted with management committees and members of the two sample primary cooperative societies consisting of 14 participants (7 participants in each FGD) to collect the primary data on the issue under study. Each FGD was composed of three management committee members and four ordinary members of the sample cooperatives. The reason for including the management committee members of the sample cooperatives is to make the discussion meaningful by providing important information since they have good understanding of some of the issues related to the research question about the union.

ii. Key informant interview (KII)

Key informant interview was conducted with six informants; two cooperative promotion officials of the *Woreda*, two Board of Directors (BoDs) of *WMCU* and one from the *Woreda's* Agriculture and Rural Development Office. The sales person of the union was

also included as key informant for this purpose as she has served the union since its establishment and acquainted with the performances and challenges of the union.

iii. Semi - Structured Questionnaire

Primary data were also collected from the randomly selected individual members of the sample cooperatives using a Semi-Structured Questionnaire prepared in *Tigrigina* (the Regional Language).

For this purpose, 8 enumerators (Grade 10 completed) participated in the primary data collection phase after they had been given one day training on the issue by the Researcher. The data collection was done under a close supervision of the Researcher.

4.3. Sampling procedure and sample size

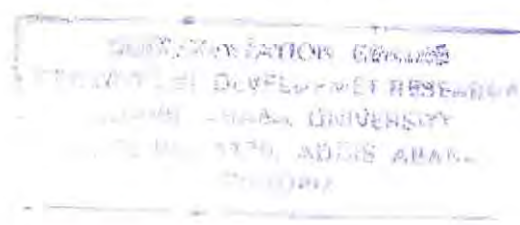
Out of the 20 primary member cooperatives which constitute *WMCU*, the sample respondents were taken from the two purposively selected cooperative societies, namely, *May semhal* and *Shewit* with 657 and 604 individual members, respectively and they are founders of the union. These two cooperatives were selected mainly based on some practical reasons like access to transport, seniority and size of membership.

Table 4.2.1: Number of members in the selected cooperatives and the size of sample drawn from each cooperative

Name of the cooperative	Male	Female	Total	Sample size at 10%
<i>May semhal</i>	523	134	657	66
<i>Shewit</i>	532	72	604	60
Total	1055	206	1261	126

Source: Documents of the union, 2010

Shewit primary cooperative society is found in *Zongi tabia* which is about 6 kilometers West of *Edaga-Arbi*, the administrative town of the woreda, and it is located on the roadside to Adwa, while *May semhal* is found 30 kilometers east of *Edaga-Arbi*. Its office



and shop is in a small town called Nebelet which has relatively better access to transportation. This cooperative society is also selected for its management committees who have good knowledge of cooperatives.

As to sampling of member respondents is concerned, proportionate simple Random sampling technique is employed using each selected primary cooperative's registry as sampling frame. So, using this method of sampling 126 individual member respondents were included in the sample.

Non-members were also included in the sample in order to assess the benefits of cooperatives for the community (non-members). For this purpose, using simple random sampling method 50 non-members who are residents of the administrative town were selected.

4.4. Methods of Data Analysis

The data collected are analyzed using simple descriptive statistical analysis with different supporting tables, charts and percentages. Financial ratio analysis is also used to analyze the data related with financial performance of the union under study (Appendix III). Moreover, a paired t-test is employed to calculate the benefit of the union to the community in cost saving. Data related with challenges of the union are analyzed qualitatively. SPSS (Statistical Package for Social Sciences), a statistical software, is used to process and cross tabulate the information.

CHAPTER V: RESULTS AND DISCUSSIONS

5.1. Demographic and socio-Economic characteristics of respondents

- Age and sex of the respondents

The age of the respondents who participated in the study ranged from 21 to above 60 years. Table 5.1.1 below depicts that 7.94 percent of the respondents fall in the age group of 21 to 30 years, showing that the participation of this age group is low; while 32.5 lie in the age group of 31 to 40 years.

Table 5.1.1-Age and sex of the respondents

Age group	Male	Female	Total	Percent
21-30	1	9	10	7.94
31-40	19	22	41	32.54
41-50	27	10	37	29.37
51-60	24	2	26	20.63
Above 60	12	0	12	9.52
Total	83	43	126	100.00

Source: Survey data, 2010

The age group 41 to 50 accounts for 29.4 percent of the respondents whereas 20 percent constitute the age group 51 to 60 years while the remaining 9.5 percent lie in the age group above 60 years.

- Educational status of the respondents

Regarding educational status, 26.98 percent of the respondents were found to be illiterate while 22.22 percent could read and write; 36.52 percent attended primary school; and 13.49 percent junior secondary school while 0.79 percent were found to have an educational level of secondary school. The survey result shows that the majority (36.51 Percent of the respondents have completed primary education while significant number of respondents were also found illiterate.

Table 5.1.2-Educational status of the respondents

Educational status	Male	Female	Total	Percent
Illiterate	20	14	34	26.98
Read and write	19	9	28	22.22
Primary school completed(1-4)	28	18	46	36.51
Junior sec. school (5-8)	16	1	17	13.49
Secondary school (9-12)	0	1	1	0.80
Total	83	43	126	100.00

Source: Survey data, 2010

- Marital status of the respondents

In terms of marital status, respondents were categorized in to four categories namely, married, unmarried, divorced and widowed. Table 5.1.3 below shows, 84.92 percent of them were found to be married; 0.8 percent (one Individual) was unmarried; 11.9 percent were divorced while 2.38 percent were widowed.

Table 5.1.3-Marital status of the respondents

Marital status	Male	Female	Total	Percent
Married	81	26	107	84.92
Unmarried	1	0	1	0.80
Divorced	1	14	15	11.90
Widowed	0	3	3	2.38
Total	83	43	126	100.00

Source: Survey data, 2010

Regarding occupation of respondents, farming is their main occupation and some were reported as engaged in petty trade in addition to farming.

- Land holding size of the respondents

Land is the most important input factor for agricultural production. It is widely acknowledged among peasants the land, its size and fertility is the most important basis for differences in production and status of wealth between households. Poor farmers point to their meager land resources when explaining their low economic status. However, empirical analysis show that land area alone failed to adequately account for differences in productivity and wealth.

Table 5.1.4 Land holding size of the respondents

Land size (hectare)	Frequency	Percentage
0 – 0.25	20	15.87
0.26 – 0. 50	30	23.81
0.51 – 0.75	48	38.10
0.76 – 1.00	28	22.22
Total	126	100.00

Source: Survey data, 2010

Farmers generally agree that land holdings are the critical resources determining productivity and wealth in comparison to other factors of production like labor and draft power. The average land holding in the study area was found to be relatively high compared to the national level. 15.87 percent of the households own 0 – 0.25 hectare, 23.81 percent own 0.26 – 0.50 hectare 38.10 own 0.51 – 0.75 hectare and the rest 22.22 percent of them own 0.76 – 1 hectare of land.



5.2. Trend of Membership and Financial performance of the union

5.2.1 Trend of Membership of the union

To assess the trend of membership and financial performance of WMCU, secondary data like membership information record and financial statements like balance sheet and income statements were used from the union's documents. Table 5.2.1 below presents the trend of membership of the union, both individuals and primary cooperatives.

Table 5.2.1: Trend of membership of Werie Multipurpose Cooperative Union

Year ¹	No. of primary coops.	Membership			Percentage		
		Male	Female	Total	% Male	% Female	Total
1996	8	3396	716	4112	82.59	17.41	100
1997	14	5415	1028	6443	84.04	15.96	100
1998	14	5415	1028	6443	84.04	15.96	100
1999	15	5733	1065	6798	84.33	15.67	100
2000	19	8026	1289	9315	86.16	13.84	100
2001	20	8460	1310	9770	86.59	13.41	100

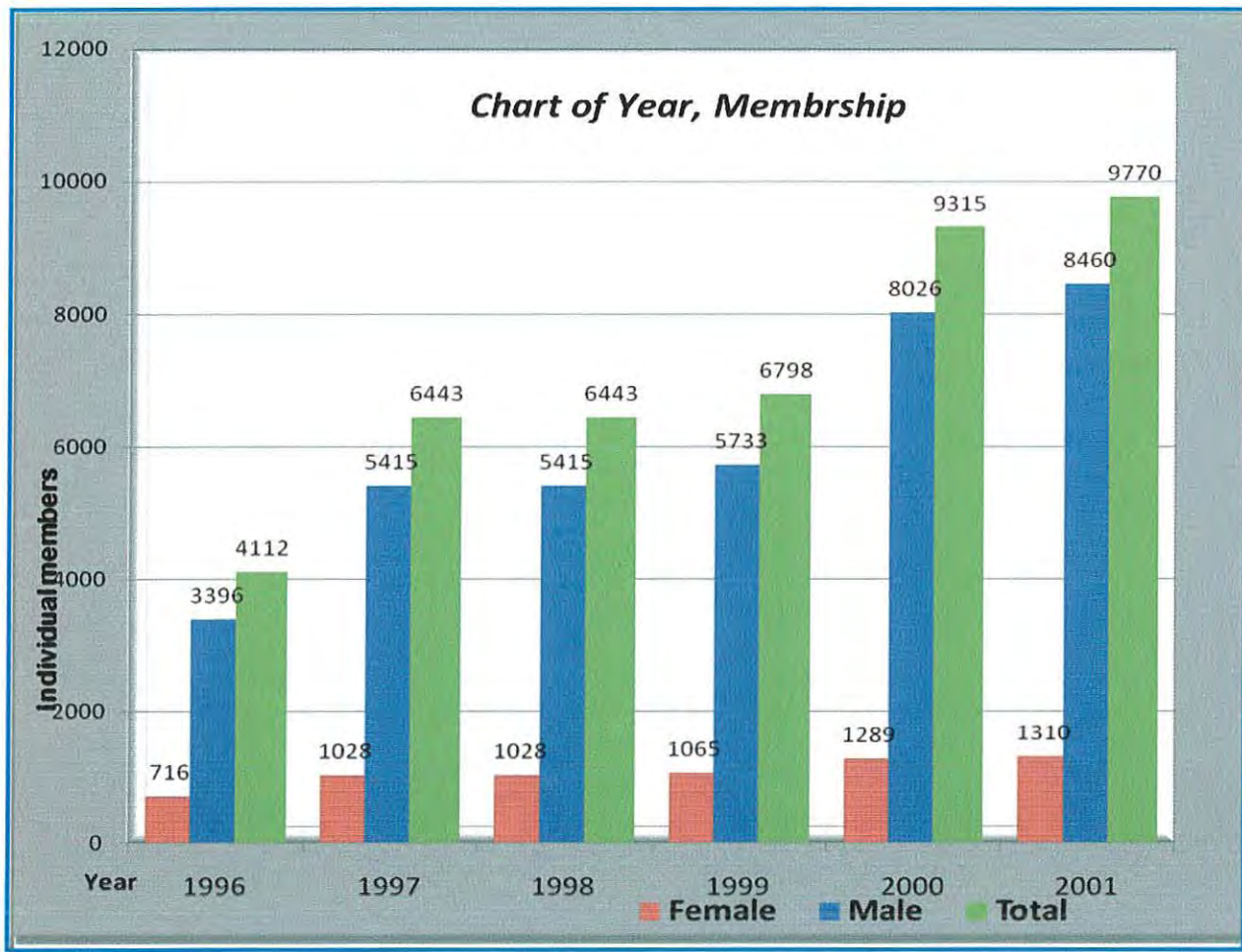
Source: Document of the *Union*

Werie Multipurpose Cooperative Union was established in 1996 E.C by 8 member primary cooperatives representing 4,112 individual members. As indicated in table 5.2.1, by seeing the benefit of cooperatives especially in getting farm inputs (fertilizer), the number of primary member cooperatives increased to 14 and individual members to 6,443 in the year 1997. In 1998, the union did not add any more members and sustained the same status of membership. Only one primary cooperative society was affiliated as a

¹ Ethiopian calendar

member of the union in 1999 having 355 individual members which raised the total individual members of the union to 6,798.

Chart 5.2.1- Trend of individual members of WMCU (1996-2001 E.C)



It was further observed that 4 primary cooperative societies joined the union in 2000 and this is attributed to the commitment of the government in promoting cooperatives, the progress of the union in its net income in the previous year's audit report which was reported as *Birr* 102,601.004 in addition to the aforementioned reason.

The last member cooperative joined the union in 2001 has added 455 individual members and the total primary member cooperatives reached 20 with 9,770 individual members.

Though the union had shown steady growth in individual membership from 1996-2001, the proportion of membership has remained male dominated with many women excluded

from participation as membership is on a household basis, typically limited to the male head. For instance, in the year 1996 from the total of 4,112 individual members only 716 (17.41) of them were women members and showed a declining trend in the subsequent years. A similar study by Linda Shaw (2007) showed that women have traditionally been excluded from membership of many cooperatives, despite making a contribution to the enterprise.

In general, the trend of membership both primary member cooperatives and individual members of WMCU has shown increasing trend and no withdrawal was registered since its establishment.

A possible explanation for the increasing trend in member cooperatives of WMCU is access to agricultural inputs - especially fertilizer, and dividend from the union.

5.2.2 Financial performance of the Union

According to Liebrand (2007), the task of measuring the financial performance of cooperatives is made problematic by the nature of the cooperative form of business. In particular, many of the commonly used financial measures do not account for the cost of using members' equity in financing a cooperative's operations.

To analyze the financial performance of a cooperative, a number of financial tools are being used out of which ratio analysis is considered to be the most powerful and popular tool for practical purposes. The result of ratio analysis is more accurate and it can be used as a basis for future decisions. The financial ratios are relationships expressed in mathematical terms between figures which are connected with each other in some manner.

Financial ratio indicates the financial position of a cooperative. A cooperative is deemed to be financially sound, if it is in a position to carry its business smoothly and meets all its obligations both long-term and short-term without any difficulty. As a result, the study has made use of financial ratios with the view to evaluate the financial performance of WMCU over the years since its inception.

Common ratios used to analyze the four areas of financial performance can be found in most basic financial textbooks and were developed to analyze a wide variety of businesses and most of these ratios are applicable to the cooperative form of businesses.

Financial ratios were calculated from the audit reports of the union (See Appendix III). The union has audited only three times since its establishment due to the presence of inadequate number of auditors in the woreda and lack of capital to hire professional auditors.

i. Liquidity ratios

Liquidity ratios measure the ability to fulfill short-term commitments with liquid assets. Such ratios are of particular interest to the cooperative's short-term creditors. These ratios compare assets that can be converted to cash quickly to fund maturing short-term obligations. The current ratio and the quick ratio are the two most commonly used measures of liquidity. For most cooperatives, these two ratios provide a good indication of liquidity.

Current ratios: The current assets are those assets, which are easily converted in to cash to meet the obligations which mature within a short period, namely a year. The results of assets to current liabilities ratio is considered one among the key factors to decide the cooperatives short- term financial policies.

The generally accepted current ratio is 2:1 (Nevue, 1985). According to Nevue, the higher the ratio the faster creditors can expect payment. A higher ratio can also indicate excess inventory, too much idle cash or a very lenient to meet current obligations.

Table 5.2.2 below outlines the financial ratios of the union computed from the audit reports available (See Appendix III for the calculation of the financial ratios used).

Table 5.2.2- Financial ratios of Werie Multipurpose Cooperative Union

Ratios	Year		
	1998	1999	2000
i. Liquidity ratio			
• Current ratio	1.41	2.97	3.69
• Quick ratio	1.06	2.41	2.65
ii. Leverage ratio			
• Total liability to patron's equity	2.34	0.32	0.25
• Owner's equity to Total assets	0.26	0.21	0.94
• Fixed Assets to patron's equity	0.05	0.37	0.33
iii. Asset management/Efficiency ratio			
• Inventory Turnover ratio	2.94	18.29	3.60
• Total assets Turnover ratio	1.18	3.55	0.86
iv. Profitability ratio			
• Gross profit margin ratio	0.12	0.08	0.12
• Net profit margin ratio	0.02	0.05	0.02

Source: Own computation, 2010

The current ratio of WMCU in the year 1998 was 1.41:1. This ratio is below the standard (i.e. 2:1) which implies insufficient liquidity in that year may be due to low margin of safety for creditors. The ratio increased to 2.97 and 3.69 in the years 1999 and 2000 respectively. The result of very high current ratio is to have an improved liquidity, greater safety of funds of short term creditors thereby reduced risk to creditors but a scarifies of profitable assets.

The very high current ratio is attributed to the decrease in total current liabilities more than the decrease in total current assets of the union in 1999. Both total current assets and total current liabilities decreased in the year 1999 but the decrease in total current liabilities was higher than that of the decrease in total current asset and the result was

higher current ratio. On the other hand, in 2000 total current asset was increased and total current liabilities decreased drastically. As a result the union has experienced the highest current ratio. In general, the current ratio of the union was fluctuating from below the accepted standard to above the desired standard due to the change in total current assets and liabilities at different rates.

Quick ratio: This is similar to the current ratio except that it excludes inventory which is generally the least liquid current assets and prepaid expenses. It measures liquidity by considering only the quick assets. The generally accepted ratio is about 1:1. A ratio much lower makes the cooperative dependent up on inventory. A ratio much higher could indicate mismanagement in the form of cash or receivables.

The quick ratio of the union in the year 1998 was 1.06 which is approximately equal to the accepted standard and indicates good performance in regard to this measure of liquidity ratio. While in the next two years, 1999 and 2000, the ratios increased to 2.41 and 2.65 which are above the generally accepted standard of quick ratio measure of liquidity. This might be due to inability to manage its cash, receivables or debt properly. This indicates that either idle cash or too low liabilities held by the union.

ii. *Leverage ratios*

Leverage ratios measure the extent of the firm's total debt burden. They reflect the cooperative's ability to meet both short and long-term debt obligations. The ratios are computed either by comparing earnings from the income statement to interest payments or by relating the debt and equity items from the balance sheet. Creditors value these ratios because they measure the capacity of the cooperative's revenues to support interest and other fixed charges, and indicate if the capital base is sufficient to pay off the debt in the event of liquidation.

In terms of debt load, the more predictable the returns of the cooperative the more debt will be acceptable, because the cooperative will be less likely to be surprised by circumstances that prevent fulfilling debt obligations.

Total liability to patrons' Equity: This ratio measures the amount of finance supplied by creditors versus the amount provided by member patrons. A ratio of over 1.1:1 and just over the ratio of 1:1 is generally accepted as a desirable objective. This ratio indicates the relative proportion of capital provided by members and creditors.

The total liability to patrons' equity ratio which is 2.34 for the year 1998 shows that creditors contributed more finance than the owners do. In the two subsequent years the ratio decreased to 0.32 and 0.25 which implies only 32 percent and 25 percent of finance of the union was supplied by creditors while the higher proportion, 68 percent and 75 percent, respectively, of finance of the union was supplied by owners of the cooperative. This indicates that at the beginning the union has started its business using more of creditors' finance and in the following years it turns to its owners' for financing.

Owners' Equity to Total assets: This ratio measures the extent to which the member patrons own all of their assets. No guideline was available regarding this ratio. Generally, the higher the ratio, the better position a cooperative is in forgetting debt financing. But a very high ratio could indicate that the cooperative is not taking advantage of its debt financing capacity.

The Owners' Equity ratio of the union understudy was 0.26, 0.21 and 0.94 in 1998, 1999 and 2000, respectively. This implies that owner members own less proportion of the union's assets in 1998 and 1999 while greater amount (94% of the union's assets) in 2000. This result implies, in the year 2000 the union did not take advantage of its debt financing capacity.

Fixed Assets to patrons Equity: This ratio measures the extent to which the member patrons' equity in the cooperative is tied in non-liquid fixed assets. In general, the higher the ratio, the fewer owners' equity is available for working capital. The lower the ratio, the more liquid the patrons' equity and the greater the protection from creditors is.

Fixed assets to patrons' equity of WMCU shows that for every *Birr* 1 in patrons' equity, the union has *Birr* 0.05, 0.37 and 0.33 in the fixed assets in the years 1998, 1999 and 2000 respectively and this shows that the union was increasing its fixed assets in the latter years than at the beginning.

iii. Activity ratios

This shows the intensity with which the firm uses assets in generating sales. These ratios indicate whether the firm's investment in current and long-term assets is too large, too small, or just right. If too large, funds may be tied up in assets that could be used more productively. If too small, the firm may be providing poor service to customers or inefficiently producing products. There are two basic approaches to the computation of activity ratios. The first looks at the average performance of the firm over the year. The second uses year-end balances in the calculations.

The first method is preferred if asset balances fluctuate significantly during the year. For example, inventory levels for most fruit and vegetable cooperatives vary significantly, depending on the time of the season. If the fiscal year ends before the harvest, when inventories are low, calculations using year-end balances will be biased and the resulting ratios will be of little value for comparing between different cooperatives. The second method is the most commonly used approach because in practice, data limitations often force outside analysts to use year-end data.

Inventory Turnover: Inventory turnover commonly measures the activity or liquidity of a cooperatives inventory. Put differently, it measures how quickly inventory is sold. The acceptable ratio is dependent upon the commodity being analyzed. Generally, the higher the ratio, the greater the merchandising inventory capacity of the cooperatives is. A too low inventory turnover ratio may indicate that too much capital is tied up in inventories. A too high turnover ratio may also mean that sales are being lost because the cooperative was often out of stock.

The inventory turnover ratio of 2.94 in the year 1998 shows that the union had been converting its inventory into sales (at cost) about 2.94 times in that year. In other words, the union held an average inventory for 4.08 months ($12 \text{ months} / 2.94 = 4.08 \text{ months}$). On the other hand, in 1999 the union held an average inventory for only 2.64 weeks ($12 / 18.29 = 0.66 \text{ months}$) and this was better activity ratio than the previous year. This may imply that the union was converting its inventory into sales very quickly in 1999 compared to that of 1998. The ratio has shown decrement in 2000 to 3.60.

Total Assets Turnover: The total assets turnover ratio indicates how much *Birr* in sales the cooperative squeezes out of each *Birr* it has invested in the assets. Generally, the higher a cooperative's total assets turnover ratio, the more efficiently its assets have been used.

Based on the analysis made, the total assets turnover ratio of union for the years 1998, 1999 and 2000 were found out to be 1.18, 3.55 and 0.86 respectively. This indicates that the union was producing 1.18 sales for one *Birr* of capital employed in total assets in the year 1998, 3.55 sales for one *Birr* of capital employed in total assets in 1999 and 0.86 sales for one *Birr* of capital employed in total assets in 2000. In this case the union was efficient and has registered increasing trend in using its assets in the first two years but the performance decreased in 2000. This decrease was due to the drastic decrease in net sales of the union from *Birr* 1,982,615.475 in 1999 to *Birr* 469,302.10 in 2000.

In general, the union's performance with regard to its activity ratio shows fluctuating performance in the years under study.

iv. Profitability ratios

Profitability ratios measure the success of the cooperative in earning a net return on its operations. Cooperatives must operate profitably, although their definition of profitable might differ from an Investor Owned Firms (IOF).

Patronage refund policies have a dramatic effect on cooperative profitability ratio analysis. Some cooperatives return patronage at the end of the operating year shows significant profits on the closing statements. Other cooperatives have different operational policies and may show little end-of-the-year profits. Lending institutions not familiar with these businesses may shy away from cooperatives with low reported net income. This will be especially true for pooling cooperatives that generally report a minimum amount of income at year-end.

Gross Profit Margin: Gross profit margin is calculated by subtracting the cost of goods sold from, net sales and then dividing this amount (gross margin) by net sales. The gross profit margin is an important operating ratio. A small change in the gross margin has a

tremendous impact on local savings. It indicates the cooperative's pricing policy and cost of goods offered for sale. Put differently, gross profit margin measures the percentage of each sale of *Birr* remaining after the cooperative had paid for the goods. This ratio measures how effectively the management can adjust operations to annual changes.

The Gross Profit margin ratio of *WMCU* is 12 percent, 8 percent and 12 percent, in the three years respectively. This means the union remained with 0.12 *birr*, 0.08 *birr* and 0.12 *birr* from each *birr* sales after deducting cost of goods sold from net sales in the three periods. A higher Gross profit margin is an indicator of good performance in management. The trend of gross profit of the union over the three years was fluctuating in between Birr 469,302.10 in 2000 to Birr 1,982,615.475 in 1999. The result reveals that the union was not consistent in generating Gross profit.

Net profit Margin: The net profit margin measures the percentages of each sales in *birr* remaining after all costs and expenses, including interest and taxes have been deducted.

The Net profit margin has contributed *birr* 0.02, 0.05 and 0.02 in 1998, 1999 and 2000 respectively for each *birr* sales. Like the Gross profit margin, this was also showing a fluctuating trend due to the fluctuating performance of the union and this in turn may be due to problems in product pricing, generating sales and controlling cost of sales and hence the Net profit margin fluctuates between 0.02 and 0.05 in the three years audit report.

5.3. Impact of membership on the life of members

Many scholars argue that as cooperatives are member-owned and member-controlled institutions, they play indispensable role in improving the living standard of their members. According to Chambo (2009), for example, cooperatives maintain higher levels of income, making small farmers able to construct decent houses, send their children to school and provide health insurance to sustain rural livelihoods. Furthermore, cooperatives are becoming increasingly important to individual members, the community, the business sector and the national economy as a whole in Ethiopia (Tesfaye, 2005). More than 85 percent of the total inputs which have paramount

importance for agricultural production supplied to the rural community are distributed through cooperatives.

In view of this, so as to analyze the impact of membership on their life, members were requested to tell their level of satisfaction being member of the cooperative.

Table 5.3.1- Satisfaction being a member of the cooperatives

Level of satisfaction/dissatisfaction	Frequency	Percent
Very satisfied	27	21.40
Satisfied	93	73.80
Dissatisfied	3	2.40
Very dissatisfied	3	2.40
Total	126	100.00

Source: Survey data, 2010

Table 5.3.1 above reveals that 95.2 percent of the respondents were satisfied (specifically, 73.8 satisfied and 21.4 percent of them very satisfied) with their membership in the cooperative while the rest 4.8 percent were not happy. Members have explained different reasons for their satisfaction being a member of the cooperative. Majority of them (49.2) reported that they are satisfied because their cooperatives made contribution in their production aspects, particularly, by providing agricultural inputs like fertilizer and selected seed at fair price on credit basis with small amount of down payment and the rest to be paid in the next year after harvesting their produce. In addition members were content with marketing aspects like buying their products (for instance, Natural gum and eucalyptus) at their production place and thereby save their effort in taking them to the central market.

A similar study result by Mitchell Group in Ethiopia (ACE) indicates that cooperatives are providing farmers with a source of supply for the inputs they need to carry out farm production and an attractive market channel for the sale of their products. They have a regulatory effect on both the input and product markets, setting ceiling or floor prices for inputs which they are selling and products which they are buying and during the times they are in the market. In so doing, they contribute to raising farm income, increasing

access to food and sources of protein, improving family welfare, and allowing farmers and their families to invest in the development of their farm and other business activities in which they are engaged.

Taking the above responses of members into account, they were further asked about their status of annual income after affiliation compared to before affiliation. The table below presents members' response regarding their status of annual income after affiliation.

Table 5.3.2-Status of annual income of sample respondents after affiliation

Response category	Frequency	Percent
Lower	2	1.6
Same	5	4.0
Better	93	73.8
Much better	26	20.6
Total	126	100.0

Source: Survey data, 2010

As outlined in table 5.3.2, only 4 percent of the members have not brought about a change in their annual income and few (1.6 percent) reported that have got lower income than before. But the majority (94.4 percent) of sample respondents said that their annual income has shown improvement after they joined the cooperative society relative to before their affiliation. This improvement in annual income could be attributed to improved access to agricultural inputs (fertilizer and selected seed) and other production and marketing aspects of members.

As a general fact; when income increases, household's living standard tends to improve. Having this concept in mind, members were asked about their general living standard on comparative situation of the household's current living standard with that of before affiliation to the cooperative. Hence, 92.1 percent of the respondents said that their living standard has shown improvement.

Table 5.3.3- Status of members' living standard after affiliation

Response category	Frequency	Percent
Highly improved	46	36.5
Slightly improved	70	55.6
Same	8	6.3
Deteriorated	2	1.6
Total	126	100.0

Source: Survey data, 2010

More specifically, 55.6 percent of them have shown slight improvements and 36.5 high improvements in their life. On the contrary, 6.3 and 1.6 percent of them reported that they have not seen any change or their living standard has got deteriorated, respectively, after membership. The survey revealed the majority of member respondents indicated that their living standard has shown improvement after their affiliation to the cooperative and it was important where the improvement has been observed in their life. Thus, Asset ownership (Oxen ownership), housing, food, clothing, access to education and health service were considered as indicators of their living standard comparing before and after membership.

i. Oxen ownership

In agriculture based economies like ours, oxen are fundamental means of production to earn livelihood. As oxen are important input in crop production, owning oxen facilitates the timely cultivation of farmland and contributes to increased income of the family. In addition number of oxen shows the status of wealth and economic well-being of the household in the farming community.

The results of the study indicated that of the surveyed households, 79.4 percent of them have two oxen and 19.1 percent of them have one or none before membership.

Table 5.3.4- Oxen ownership of members before and after membership

Before			After	
No. of oxen	Frequency	Percent	Frequency	Percent
0	2	1.6	0	0
1	22	17.5	7	5.6
2	100	79.4	98	77.8
3	2	1.6	19	15.1
4	0	0	2	1.6
Total	126	100.0	126	100.0

Source: Survey data, 2010

Before membership only 1.6 percent reported that they have three oxen. According to the survey result ownership of oxen by members after their affiliation has shown improvement. That is, the percentage of members owning two or more oxen has increased from 81 to 94.5 percent.

After membership, as shown in table 5.3.4 above, there was no respondent without an ox and the proportion of members with one ox decreased from 17.5 percent to 5.6 percent. The majority of the respondents (77.8 percent) have a pair of oxen which are deemed to be adequate number of oxen according to the local context to cultivate the household's farmland.

The increase in oxen ownership of members was attributed to the increase in their annual income and this in turn was due to the use of improved agricultural inputs like fertilizer and selected seed from their cooperative at the right time and fair price. Some respondents have also reasoned out that the dividend from their cooperatives has helped them to increase their income and thereby to their capacity to produce which enabled them to buy oxen. Some other members have also explained that the access to fertilizer motivated them to buy oxen. Before their cooperative has started to provide fertilizer, they were used to rent out their land due to its low productivity but after seeing the productivity of their land using fertilizer they became to understand the advantage of

oxen for the improvement of their livelihood. Consequently, some members bought oxen by taking credit from Dedebit Saving and Credit Institution (DESCI), which is a micro finance institution providing saving and credit services for the poor farmers in Tigray region.

ii. Housing

It is a general fact that a type of house owned is also another kind of asset which indicates the status of living standard of a household. Apart from serving people as shelter, a house is the most valuable asset people strive to have it. Thus, households who have better income tend to have better quality of house and more number of rooms. The findings of this study indicate that there was a significant difference in the type of house and number of rooms of the households owned before and after their affiliation to the cooperative.

Members were asked for the type of house they own as *traditional*², *modern*³ or *both*⁴ and number of rooms they have before and after membership. Most respondents replied that building one additional corrugated steel sheet roofed house (which is considered as ‘modern house’) was their most common achievement they made since they have joined the cooperative. The table below depicts the proportion of households’ type of house owned.

As can be seen from table 5.3.5, the proportion of respondents who own only traditional houses has decreased from 73.8 percent to 38.9 percent while owners of both types of houses have increased from 26.2 to 61.1 percent after membership.

² House made of mud and wood with thatched roof

³ House made of mud and wood with corrugated iron sheet

⁴ House made of mud and wood with thatched roof and House made of mud and wood with corrugated iron sheet

Table 5.3.5- Type of house owned by sample respondents before and after membership

Type of house	Before		After	
	Frequency	Percent	Frequency	Percent
Traditional	93	73.8	49	38.9
Both	33	26.2	77	61.1
Modern	0	0	0	0
Total	126	100.00	126	100.00

Source: Survey data, 2010

This implies that some members have built additional rooms as a manifestation of increased income. This is an evidence for the improvement in members' annual income and this in turn shows the improvement in their life in terms of housing.

Number of Rooms

In a given type of house, number of rooms is an important issue that should be given due attention so as to evaluate the status of the household in relation to housing status. The survey result further indicates that there was a difference in number of rooms of a given household used to own before and after membership.

In this study, according to the definition of CSA cited in Mulu (2008), a *room* is defined as a space enclosed by walls reaching from the floor to the ceiling or roof at least to a height of two meters and having an area of at least four square meters excepting for toilets and passage ways and kitchen are considered as rooms. Information on the number of rooms is intended to highlight on how densely or sparsely household members use the rooms in their dwelling.

Table 5.3.6- Number of rooms owned by respondents before and after affiliation

Before			After	
Number of rooms	Frequency	Percent	Frequency	Percent
2	21	16.7	5	4.00
3	87	69.0	51	40.50
4	16	12.7	64	50.80
5	2	1.6	6	4.80
Total	126	100.00	126	100.00

Source: Survey data, 2010

Table 5.3.6 above shows that, 16.7 percent of the total households reside in two room houses and 69 percent of the total households live in dwelling units that have three rooms and only 14.3 percent of them live in houses that have four or more rooms before membership to the cooperatives. However, after affiliation to the cooperative only 4 percent of the respondents reside in two room houses, 40.5 percent in three room houses and 55.6 percent reside in four or five room houses. Generally, members have shown better status regarding the number of rooms owned after affiliation to the cooperative.

iii. Food

As income of a household increases, the type of food consumed and its quality tends to improve and this is an indicator of status of living standard of the household. According to the culture and tradition of the Ethiopian society, the most common types of diet consumed are composed of cereal and animal products. Vegetables and fruits are rarely included.

The tendency of a household to consume animal products such as meat and milk products is a manifestation of better status of living standard and furthermore including vegetables and fruits in the diet could be a sign of diversifying the source of income of the household. For instance, members of cooperatives engage in small scheme irrigation to produce vegetables and fruits for their household consumption and for sale and this in turn results in increased income and improved well-being of the household in terms of

diet. In this study, respondents were asked about their frequently consumed type of food before and after membership.

According to the results from the analysis (Table 5.3.7), the most common type of diet frequently consumed before and after membership by respondents is a cereal and animal products.

Table 5.3.7- Type of diet consumed before and after membership

Type of diet	Before		After	
	Frequency	Percent	Frequency	Percent
Cereal products only	5	4.0	4	3.2
Cereals and animal products	67	53.2	69	54.8
Cereals, animal products, vegetables and fruits	54	42.9	53	42.1
Total	126	100.0	126	100.0

Source: Survey data, 2010

The proportion of respondents who used to consume only cereal products is almost equal before and after membership, that is 4 percent and 3.2 percent respectively. The result further indicated that the number of respondents frequently consuming cereal and animal products before and after membership was 53.2 and 54.8 percent respectively which shows the proportion of respondents including vegetables and fruits in their food stuffs have shown little increment.

The inclusion of vegetable and fruit in food stuffs increases the content of nutrients intake and balanced diet of a household and it may imply the betterment in welfare of the household regarding diet. The increase in users of vegetables and fruits in their food stuffs after membership to the cooperative, however, shows no increase (almost the same). The majority of members (54.8 percent) remain as consumers of cereal and animal products after membership. On the whole, membership to cooperative seems to have little or no impact on the type of diet members used to consume.

Number of meals per day

Meal per day is determined by the status of income of a household and it is a measure of welfare of a household. According to the Ethiopian context, a relatively better-off household eats breakfast, lunch, dinner and sometimes *meksess*⁵ per day on average while the destitute tend to eat lunch and dinner or only one of them per day.

Respondents were asked about their average number of meals consumed within 24 hours in a comparative basis before and after affiliation to the cooperative so as to evaluate their living standard with regard to meals per day.

Table 5.3.8- Number of Meals per day by respondents before and after membership

Before			After	
Meal per day	Frequency	Percent	Frequency	Percent
Lunch and dinner	7	5.6	5	4.0
Breakfast, lunch and dinner	102	81.0	102	81.0
Breakfast, lunch, <i>Meksess</i> and dinner	17	13.5	19	15.1
Total	126	100.0	126	100.0

Source: Survey data, 2010

According to table 5.3.8 above, the majority of the sample respondents (81 percent) reported that they eat breakfast, lunch and dinner before and after membership. The proportion of respondents who eat only lunch and dinner per day were 5.6 percent and 4 percent respectively and this implies that there was insignificant difference between the before and after situation. Similarly the proportion of respondents who reported as users of breakfast, lunch, meksess and dinner per day also showed insignificant increase after membership, that is, 13.5 and 15.1 percent respectively.

⁵ Meal eaten usually between lunch and dinner

According to the results from the study, it seems membership has little or no impact on number of meals consumed per day. Despite the fact that membership to cooperatives increases the income of a household, members might not want to express it in terms of increasing the number of meals per day rather they focused on other aspects of their livelihood. For instance, they might improve the quality and even quantity of their food, renovate their houses, restocking livestock, able to send their children to school or they might able to use modern health services.

iv. Clothing frequency per year

As income of a household increases, family members tend to increase their clothing frequency per year. For the purpose of this study, member respondents were asked about the average clothing frequency per year for their family members before and after membership.

On average, respondents reported that they buy clothes for their family 1.92 and 2.12 times per year before and after membership respectively. More specifically, before their affiliation to the cooperative 15.9 percent of the respondents said that they buy clothes only once, 76 percent twice and 7.9 percent thrice per year for their family members respectively. This clearly shows that majority of the respondents buy clothes for their family two times within a year.

Table 5.3.9- Clothing frequency of respondents per year before & after membership

Clothing frequency per year	Before		After	
	Frequency	Percent	Frequency	Percent
1.00	20	15.9	5	4.0
2.00	96	76.2	100	79.4
3.00	10	7.9	21	16.7
Total	126	100.0	126	100.0

Source: Survey data, 2010

On the other hand, after their affiliation 4 percent of the respondents were able to buy clothes for their family only once per year. The result further showed that 79.4 percent of them buy twice and the rest 16.7 percent thrice on average within a year.

A simple observation of the results revealed that the tendency of increasing in clothing frequency per year after affiliation to the cooperative was likely unsatisfactory though there was slight improvement compared to before situation.

v. Education

Education is one of the measures of living standard of a household in particular and the community in general. The more educated members of a household, the better their living standard would be and status of education in turn is a function of income. If the income of a family cannot afford the educational expenses, children will not attend school and remain illiterate. In addition to this, some people may not have awareness about education and keep their children at home to help them in the farm activities and other household chores.

Regarding education, respondents were asked about their current ability to send their children to school relative to before their affiliation to the cooperative to rate as better, no change/same or decreased.

Table 5.3.10- Access to Education after membership to the cooperative

Response category	Frequency	Percent
Better	85	67.5
Same	37	29.4
Decreased	4	3.2
Total	126	100.0

Source: Survey data, 2010

According to the responses of respondents (table 5.3.10), 67.50 percent of them claimed that they acquired better capacity to send their children to school after membership while

29.40 percent has not brought any change and the rest 3.2 percent reported that their capacity to send their children to school has decreased.

The conclusion from the above discussion is that majority of the respondents have shown better capacity to send their children to school after affiliation to the cooperative though the reason was not only attributed to membership.

vi. Access to health

Health is also another indicator of living standard and the type of health service used is directly affected by level of education and income of a household. People with low income and low literacy rate tend to use traditional health services due to inability to afford the expense of modern health service or lack of awareness.

Households may use *traditional*, *modern* or *both* types of health services based on their income, awareness and access to the health services. Thus, the overall tendency of respondents to use these different types of health services comparing before and after membership was assessed. Using modern health services indicates better income and improved status of living standard. Table 5.3.11 below depicts the types of health services used.

According to the data collected regarding the type of health service used, respondents argued that they use traditional, modern and/ or both before and after membership. Before they joined the cooperative 23, 25.4 and 51.6 percent of them were using traditional, modern and both types of health services respectively. As can be clearly observed from table 5.3.11, after affiliation to the cooperative some members shift from using traditional to modern health services. This is a manifestation of increased income or increased awareness of the households about the importance of modern health services. Awareness about using modern health service is also due to increased access to education for their children after membership.

Table 5.3.11- Type of Health service used before and after membership

Type of health service	Before		After	
	Frequency	Percent	Frequency	Percent
Traditional	29	23.0	13	10.3
Modern (health center, clinic)	32	25.4	90	71.4
Both	65	51.6	23	18.3
Total	126	100.0	126	100.0

Source: Survey data, 2010

From the study, it was possible to learn that cooperatives contribute to the improvement of life of their members in terms of asset ownership, quality of house, type of diet, clothing, access to education and modern health services. In line with this, the impact of membership on the life of members is assessed using the aforementioned variables and in almost all the variables members have shown modest improvements after membership.

Nevertheless, one can argue: was the improvement in these indicators of living standards really brought about due to their affiliation to the cooperative? In fact, there are factors other than membership which can affect these variables through time and the writer believes it would have been good to make a comparison with that of non-members' life and further with 'non-member and non-users' of services of any cooperative in the same locality so as to elucidate the doubt and make the study more plausible. However, because of time and budget constraints, it was unlikely possible to do so. Instead, members were inquired about their general point of view regarding the impact of membership on their life to increase the validity of the information. Hence, respondents were asked whether these changes/improvements on their life are attributed to membership or not.

Table 5.3.12- Respondents' agreement/disagreement on the impact of membership on their lives

Response category	Frequency	Percent
Yes	84	66.7
No	16	12.7
Not sure	26	20.6
Total	126	100.0

Source: Survey data, 2010

In confirmation with the whole story mentioned above, majority of the respondents (66.7 percent of them) have responded that improvements on their life after they have joined the cooperative were really resulted from membership benefits like access to agricultural inputs such as fertilizer and selected seed at fair price and right time. This implies that agricultural inputs have paramount importance in the productivity of farmers and contributes to the increased income of the household which brings about improvement on their life.

On the contrary, 12.7 percent of the respondents disagreed with the contribution of the cooperative on their life. Despite the fact that members get some benefits from their cooperative, they argued that improvements on their life after membership are credited to other factors such as the Productive Safety Net Program (PSNP) and access to other sources of credit like DESCI which helped them diversify their source of income, for instance, practicing small scale irrigation schemes and animal fattening activities. The rest 20.6 percent of them were not sure about the real contribution of the cooperative on their life and they reasoned out that they cannot calculate the net impact of the cooperative.

On the whole, it is plausible to assert that membership to cooperatives has positive impact on the life of members and membership and living standards of households are most likely positively related according to this study.

5.4. Benefits of the Union to the surrounding community

Cooperatives have long been recognized to play important roles in society that translates into the improvement of living conditions of their members, particularly the low-income earning cadres of the population, as well as the society at large (Develtere et al., 2008).

5.4.1 Some Benefits to the surrounding community

To identify reasons why non-member respondents did not join any cooperative society earlier, they were asked why they did not do so. 44 percent of them have replied that they have no information about how to get membership in cooperative and lack of knowhow about the prerequisites for membership while significant number of respondents (26 percent) said that there was no perceived advantage of membership in cooperatives. 24 percent of them reported that they do not have interest to work in groups and the rest 6 percent reasoned out other personal reasons for not joining any cooperative society.

From the above discussion, one can conclude that the surrounding community has limited awareness about cooperatives.

The data from the field survey further revealed that non-members were found to be users and non-users of products/goods of the union. Table 5.4.1 below presents the proportion of users and non-users.

Table 5.4.1- Distribution of user/non-users of the Union

Distribution of user/non-user	Frequency	Percent
User	39	78.0
Non-user	11	22.0
Total	50	100.0

Source: Survey data, 2010

According to the survey result, the majority of the respondents (78 percent) of them were reported as users of products/goods from the union while 22 percent of them were found to be non-users. Being user or non-user may be affected by many factors. Most users said that as there was slight difference in prices charged between the private traders and the union (as consumers are price sensitive), they resorted to the union for purchasing

consumer goods for their consumption or for retail selling. Furthermore, users explained that they do not hesitate about the quality of goods /products of the union and the measurement used.

On the other hand, the main reasons cited by non-users as to why they do not purchase products/goods from the union were inconvenient location of the union, lack of product diversity and insignificant difference in prices between prices charged by private traders and the union. They argued that the location of the union is not convenient for most of residents of the town to purchase consumer goods which are important for immediate use like sugar, coffee, spaghetti, macaroni and detergents. During the interview one non-user respondent said, “We can’t send our children to the union’s shop to buy consumer goods as it is far from our home, instead we use from nearby private shop though the price charged is higher than that of the union’s price.”

As a principle, cooperatives must be alert and responsive to the changing demand of their members and non-members too. However, non-users pointed out that the union does not have diversified products that fit their demand and most of the time the mode of transaction seems in bulk but consumers prefer retail mode to bulk since they have limited capacity to purchase in bulk.

Users were further asked about goods that they purchase frequently from the union.

Table 5.4.2- Frequently purchased goods by non-member respondents from the union

Goods frequently purchased	Frequency	Percent
Sugar	4	8.0
Coffee	6	12.0
Sugar and coffee	16	32.0
Detergent	1	2.0
<i>Teff</i>	12	24.0
None	11	22.0
Total	50	100.0

Source: Survey data, 2010

As outlined in table 5.4.2 above, out of the total sample respondents, the majority (52 percent) responded that they purchase the fast moving goods; sugar, coffee or both most frequently while 24 percent of them were used to buy cereal crops like *teff* for their household consumption. The rest 22 percent were reported as non-users and used to buy these products from private traders in the market and only one individual responded that s/he used to buy detergents from the union. This implies that the union is not providing diversified products/services to the surrounding community.

5.4.2 Direct and indirect benefits of the Union to the surrounding community

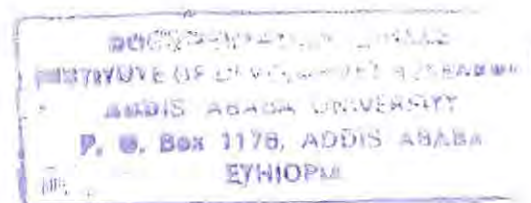
According to USDA's Cooperative Information Report, benefits of cooperatives to the community and even to members are difficult to measure. Some benefits to members are tangible or direct as in the case of net margins or savings. Others are intangible or indirect such as cooperatives' effect on market price levels, quality, and service. Thus, cooperatives have direct and indirect benefits to the surrounding community and most of these benefits are evaluated in economic terms but some also may be social benefits.

Asked about the benefits that they get from WMCU, 70 percent of the sample respondents responded that they are benefiting from the union.

Table 5.4.3- Response of respondents about the benefit of WMCU to the community

Response category	Frequency	Percent
Lower price	23	46.0
Quality goods	9	18.0
Good approach of sales person	2	4.0
Correct measurement	1	2.0
No benefit	6	12.0
I do not know	9	18.0
Total	50	100.0

Source: Survey data, 2010



Out of them 46 percent have said that they get relatively lower price benefit compared to the price charged by private traders, 18 percent, 4 percent and 2 percent reported that quality goods, good approach of sales person of the union and correct measurement respectively (Table 5.4.3). Among the rest 30 percent of the sample respondents 18 percent view the union as no benefit and 12 percent have no awareness whether it has benefit or not.

From the above discussion, it can be argued that the contribution of the union is significant in providing indirect benefits through its effect on local prices for consumer goods and other services by introducing competition into the marketing system by providing products/goods at cost to members and non-members. This leads to pricing adjustment by other local private traders; thus the real benefit may be their day-to-day impact on market prices. Had it not been the case, local traders would have increased the price of goods to maximize their profit margin.

As the union is not that much well equipped with well trained sales person and seems in its infancy stage, much difference is not expected regarding the sales person's hospitality, quality of goods and measurement from that of private traders in the town of Edaga-Arbi. Hence, the point of emphasis is on whether users are getting real advantage of reduced prices from the union compared to private traders' or not.

For this purpose, a paired t-test analysis which is used to test observations related in some way was found appropriate to look into the difference between the average cost paid to private traders and the union by taking the cost of some consumer goods like sugar, coffee, spaghetti, macaroni, soap and table salt purchased by sample respondents within a month.

Table 5.4.4-Paired Samples Statistics

	Mean	N	St.dev
Trader	75.8333	6	58.34524
Union	67.6667	6	53.02327

Table 5.4.5- Paired samples test (t-test)

Paired differences					
Paired comparison	Mean	St.dev	Std. Error mean	95% CI of differences	
				Lower	Upper
Trader-Union	8.16667	6.40052	2.61300	1.4497	14.8836

Source: Own computation, 2010

According to the results of the t-test (table 5.4.5), on average a person spends *Birr* 75.83 if s/he buys the sample items from traders and *Birr* 67.67 if s/he buys from the union for the sample items considered. The test further shows that there is a significant difference between the total costs paid to traders and the union. If an individual uses the sampled items from the union instead of from traders, s/he saves *Birr* 8.17 (75.83-67.67). Moreover, the 95% CI of the mean shows one can achieve a cost saving advantage of *Birr* 14.88 (maximum) and *Birr* 1.45 (Minimum) per month if s/he purchases these sample items from the union.

In this regard, it can be argued that WMCU has significant contribution to the surrounding community in terms of cost saving and spillover effect.

Respondents were requested to give their suggestions that WMCU should take in to consideration so as to improve its performance. The majority of the sample respondents suggested that the union should provide demand-oriented and diversified products. Recently, the union is rendering limited services; providing mostly consumer goods for the surrounding community. Furthermore, they pointed out that it should provide diversified products that satisfy different interests of the community. Some also opined on the location of the union's shop. It is located in an inconvenient location for most of the residents of the town of *Edaga-Arbi*.

5.5. Challenges of Werie Multipurpose Cooperative Union

Embezzlement, low standards of performance, mismanagement, corruption and lack of financial capital have been reported as common features of cooperative enterprises in several areas and Werie Multipurpose Cooperative Union is not exceptional.

To assess the challenges of the union, Focus Group Discussion (FGD) and key informant interviews were employed. To this end, two Focus Group Discussions were conducted with 14 selected individuals from each sampled primary cooperatives (*Shewit and May semhal*). Key informant interview was also conducted with concerned bodies as mentioned so far in the methodology part. The discussion came out with a wide range of information about the challenges impeding the performance of the cooperative *union* under study.

According to the results of the Focus Group Discussion and key informants interview, there are many problems constraining the development of the union and adversely affect its performance. For simplicity of analysis the problems are classified in to three major categories: internal problems, external problems and other related problems.

5.5.1 Internal problems

While assessing the internal problems of the union, it became important to look into the constituents of the internal organization. General Assembly, BoDs and Employees are the main internal constituents of the union. General Assembly is the supreme Body of the cooperative and all the other bodies are responsible and accountable to it and this was clearly set forth in the by-law of the union. Management board members are responsible for supervising employees, it is important for them to be well-trained to make sure that the staff is executing in daily operations the policies mandated to them by the General Assembly.

Whether a cooperative is successful or not often depends on the effectiveness of the management in all managerial aspects. Cooperatives should employ well trained human resources in order to meet the challenges of stiff competition in the market. In order to attract competent staff, cooperatives should offer attractive terms and conditions of

employment. Regular training courses should be given to improve managerial skills of the Management Committee and employees to enable them discharge their responsibilities effectively.

The results of the FGD revealed that embezzlement, limitations in the capacity of Management bodies, lack of capital and lack of physical resources were mentioned as major internal problems constraining performance of the union. Moreover, it was indicated that most of these problems are interrelated and inherent in most primary member cooperative societies.

a. Embezzlement/Misappropriation

Literally, embezzlement is taking for personal use money or property that has been given on trust by others, without their knowledge or permission.

Contrary to the values of cooperative (honesty), Werie Multipurpose Cooperative Union remains a victim of this type of malpractices. For example, the serious case reported was the one committed by the ex- cashier of the union.

The Focus Group Discussion revealed that the cashier has inflicted a loss of *Birr* 140,000 on the union at its infancy stage. He withdrew the money from the bank account of the union in Commercial Bank of Ethiopia (CBE) in an illegal way for his personal use. After a thorough investigation, he was found guilty of the crime and the matter has got legal decision in a court. Moreover, key informants also argue that they still hesitate about the proper control mechanism to protect the union from adverse consequences of wrongful acts that could be committed by employees or BoDs. The follow-up mechanism of BoDs for employees' activities seems laissez-faire and employees in turn tend to show low performance.

b. Limitations on the capacity of Management Bodies

The organizational structure of cooperatives is made up of three tiers: the General Assembly, BoDs and employees. Each structure has explicitly specific duties and responsibilities stated in the by-law of the union. The board is delegated by the General Assembly which is responsible for the management, specific operating policies, and

supervision of business performance. The General Meeting of Members makes policy through the annual meetings. In the annual meetings, the members exercise control over the cooperatives. According to the by-law, members, at least, were expected to involve in one annual meeting.

However, the union was usually unable to run the meeting due to lack of willingness of members and lack of boards to notify the annual meeting ahead of time. Besides, the union suffers from capacity limitations related with capacity to undertake timely market assessment, lack of training for the management and employees, delay on supply of farm inputs to member cooperatives, lack of periodic reports for members that has a contribution for members' confidence over the union, poor performance of the management bodies due to limited knowledge about cooperatives.

To prosper, cooperatives must be organized, well-financed, well-managed, and well-governed by committed members, BoDs and employees. They must be progressive, adapting to changing business climates, and responsive to their members' changing needs. Moreover, successful cooperatives are normally those able to attract capable and committed, employees, board members, achieve a high degree of participation, isolate their decisions from political influence and maintain an environment in which cooperative values thrive (Ruiz-Meyer and van Ginneken, 2006).

However, Key informant interviews argued that from inside the cooperative union itself, WMCU has faced the challenges of leadership, management and general governance problems. Obviously, liberalization needs a new type of leadership and managerial capacity. Apart from legislative setbacks, cooperatives came to face the realities of markets in that they needed entrepreneurial leaders and managers. But to date, WMCU has not yet cultivated the right leadership and qualified management due to lack of appropriate incentives to attract well qualified employees.

The absence of clear and distinct roles for paid management and boards was also cited as major problem during the discussion. Recently, many young cooperative professionals are available in the market but the union is not recruiting them as managers and accountants. This was further explained that the union lacks capacity to pay for qualified

supervision of business performance. The General Meeting of Members makes policy through the annual meetings. In the annual meetings, the members exercise control over the cooperatives. According to the by-law, members, at least, were expected to involve in one annual meeting.

However, the union was usually unable to run the meeting due to lack of willingness of members and lack of boards to notify the annual meeting ahead of time. Besides, the union suffers from capacity limitations related with capacity to undertake timely market assessment, lack of training for the management and employees, delay on supply of farm inputs to member cooperatives, lack of periodic reports for members that has a contribution for members' confidence over the union, poor performance of the management bodies due to limited knowledge about cooperatives.

To prosper, cooperatives must be organized, well-financed, well-managed, and well-governed by committed members, BoDs and employees. They must be progressive, adapting to changing business climates, and responsive to their members' changing needs. Moreover, successful cooperatives are normally those able to attract capable and committed, employees, board members, achieve a high degree of participation, isolate their decisions from political influence and maintain an environment in which cooperative values thrive (Ruiz-Meyer and van Ginneken, 2006).

However, Key informant interviews argued that from inside the cooperative union itself, WMCU has faced the challenges of leadership, management and general governance problems. Obviously, liberalization needs a new type of leadership and managerial capacity. Apart from legislative setbacks, cooperatives came to face the realities of markets in that they needed entrepreneurial leaders and managers. But to date, WMCU has not yet cultivated the right leadership and qualified management due to lack of appropriate incentives to attract well qualified employees.

The absence of clear and distinct roles for paid management and boards was also cited as major problem during the discussion. Recently, many young cooperative professionals are available in the market but the union is not recruiting them as managers and accountants. This was further explained that the union lacks capacity to pay for qualified

personnel. This has put more strains on the implementation of good governance programs of transparency, accountability and member participation for the development and expansion of the cooperative union. For instance, until recently the union was managed by an appointive manager (appointed by the woreda cooperative Promotion Office) and he was paid salary by the government.

On the whole, the result from the FGD reveals that the union has been guided and supervised by the *Woreda Cooperative Promotion Office (CPO)*. This intervention/assistance was due to the inability of the union to hire qualified employees by its own because of capital problem. The intervention/assistance has, however, been decreasing over the last few years from close guidance and supervision to minimal government intervention/assistance. For instance, this year-2002 E.C- the union hired its own degree level full-time manager, who is management by profession, on competitive basis. But still little is understood by the union about the appropriate person for the managerial position of the cooperative union. The participants of the FGD contend that, though the manager's efficiency and effectiveness has not been yet evaluated, his educational background and work experience seems little relevant for the position.

c. Lack of financial capital

Adequate capital is one of the fundamental requisites for the sound business operations of cooperatives' business. From the standpoint of ownership, there are two kinds of capital - equity capital and debt capital.

Equity capital is provided by the member owners of the business. In the balance sheet it is referred to as the net worth. It is the equity that the owners have in the business- the *birr* left when the total liabilities are subtracted from the total assets. Ideally the members of a cooperative should provide the capital to finance its operations. Since the cooperative exists to deliver benefits to its members, each member should contribute to capital in direct proportion to usage of the services the cooperative provides.

However with regard to *WMCU*, participants of the FGD confirmed that due to the inherent characteristics of cooperatives, members of the cooperative union are resource poor farmers who may not be able to contribute an amount great enough for the capital of

the union by buying additional shares. This problem stems, in part, from low productivity of members (farmers) due to high price of agricultural inputs, lack of modern agricultural technology, fragmented land holdings and erratic rainfall.

Debt capital is also another source of capital for cooperatives. Due to lack of collateral, the union is not able to get credit from formal micro finance institutions or banks. Aid/donation from governmental and non-governmental organizations is also source of capital for cooperatives. But unfortunately, *WMCU* is not destined to get this kind of opportunity so as to enhance its financial capital.

d. Pricing problems

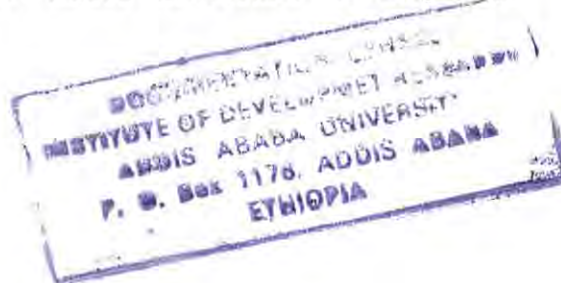
According to principles of marketing, pricing efficiency is a form of marketing efficiency and concerned with the ability of the marketing system to allocate resources and coordinate the entire marketing process in accordance with consumer directives.

It was observed that market instability, lack of appropriate and periodic market price assessment, Poor access to market price information from government institutions and Problem in making timely price decisions are main problems of the union. As market price has fluctuating characteristics, there should be revision according to the existing market price. However, there are times that the union's price becomes higher than existing market price due to absence of revising the price of products/ and this results in handling these products for longer time in the store until the right price will be fixed by the concerned bodies of the union.

e. Lack of physical resources and poor recording system

A simple observation of the researcher shows that *WMCU* has no its own office and warehouse. It operates in a rented office and store and pays more than *Birr* 500 per month for the rent.

Regarding the important office equipments and furniture like chairs, tables, file-cabinets, shelves, computers and other equipments is concerned; the union is not well equipped to perform its activities properly. Employees use shared file-cabinets to keep their



documents and other essential properties of the union including the stamp/seal. Different records of members are not kept properly in a safe place.

Because of lack of computer in the office, important financial and other data of the union are recorded manually and kept in disordered manner. This kind of traditional record keeping system often results in unreliable data and members as well as other users of the information may not be confident about its accuracy.

With the aforementioned reasons and other problems, WMCU lacks appropriate recording system and thus one may argue that this is due to lack of capacity to purchase the important office equipments.

5.5.2 External problems

Cooperatives work in an environment where most profit oriented private enterprises compete for each other. The situation of members and the place where they are located have vital role in either impairing their movement or enhancing their performances. The stiff competition in the external environment is beyond the control of cooperative members as well as boards and seems unhealthy competition.

a. Unhealthy competition from private traders

Cooperatives are usually formed as a response to market failures, to counterbalance monopolistic tendencies in the market. The way they interact with private business in the market is an important aspect of their function, particularly in market situation characterized by imperfect competition (Milford, 2004 cited in Abebe, 2005).

Healthy market competition is not harmful for cooperatives, but some private traders' outlook towards the cooperative union is mainly a hostile attitude. FGD participants and the key informant interview results revealed that there are private traders who perceive the existence of the union as a threat to their market share and profitability. One of the Key informants has asserted the reason as:

"The union provides consumer goods for the surrounding community at slightly lower price than that of the private traders' price and as a result some consumers resort to the union's shop. Thus, private traders perceive that their market share is decreasing and they point their finger at the union for this threat."

5.5.3 Other related problems

a. Lack of Education and Training

Education and training is one of the seven ICA principles of cooperatives and the development of sustainable member-owned cooperatives mainly depends on the members having a basic understanding about the activities of their cooperatives. This can also be put into practice through education and training. The absence of education and training in a cooperative is therefore one of the obstacles constraining its performance.

With regard to WMCU, it was pointed out that its performance in providing the necessary education and training to individual members, management committee members and employees was very limited. Furthermore, Focus Group Discussion participants revealed that members of primary cooperatives are not interested in attending training due to lack of awareness about the benefits of training, lower literacy rate of members and time constraint for they have other agricultural activities to be performed on daily basis. Thus, the union availed minimal education and training opportunities to members of primary member cooperatives on regular basis.

It was further discussed that though it was not geared to problem solving, it is, however, undeniable that the union has tried its level best in conducting some trainings; for instance, training on credit repayment for the management committees of the primary member cooperatives and technical training for natural gum producing cooperatives. However, this one time and shallow training made little or no difference in the performance of member cooperatives.

b. Lack of Infrastructural facilities

Infrastructural facilities including transportation, communication, marketing infrastructure and linkage with financial institutions are important facilities which can greatly affect the participation of members in the affairs of their cooperative and the overall performance of the union.

In this context, the overall infrastructural facilities to reach primary member cooperatives in *Werie-Leke Woreda* tend to be deficient. For timely delivery of merchandise and agricultural inputs, there are no feeder roads connecting the *tabias* (primary member cooperative societies) with the *Woreda* where the Werie Multipurpose Cooperative Union is found. As mentioned earlier the union is established to, among others, supply consumer goods and agricultural inputs to member cooperatives which are found in different corners of the *Woreda*. But recently the union is not performing as promised and this may be mainly attributed to transportation problem. Primary member cooperatives are complaining about the transportation cost they incur in transporting the merchandise goods from the union to their store. For most member cooperatives, agricultural inputs like fertilizer and consumer goods are transported to their store using pack animals, especially donkeys, as means of transportation.

During the Focus Group Discussion conducted with *May semhal* primary coop society, one of the sample primary member cooperatives, one participant blames the performance of the union in this respect as:

"We purchase consumer goods in bulk from the union to get reduced price than private traders', nothing else, but we incur cost of transportation from the union to our store which is more than the price advantage we get. So why do we incur additional cost? We have better buy from nearby private traders."

Basically members should be users, owners and controllers of their cooperatives. However, in WMCU it was discovered that some of its primary member cooperatives were purchasing merchandise goods from private traders because of the aforementioned reasons.

CHAPTER VI: CONCLUSIONS AND RECOMMENDATIONS

6.1. Conclusion

Cooperatives are established for the benefit of members in particular and for the community in general and their performance depends mainly on members' participation. Regarding the trend of membership of Werie Multipurpose Cooperative Union, there was an overall increasing trend of both individual members and primary member cooperatives over the study period. This increasing trend of membership is attributed to the promotional efforts of the *Woreda's* Cooperative Promotion Office in organizing cooperatives as part of the government's strategy for poverty reduction. Moreover, lower prices of agricultural inputs and dividend were also important pull factors for attracting new members to the union.

Financial ratio analysis of the union showed inconsistent, rather fluctuating liquidity performance for the consecutive three years under study. For instance, the current ratio in its first year audit report was below the standard (less than 2:1) while in the following two years it was raised above the accepted standard and the same scenario was observed for the quick ratio. On the other hand, its financial performance with regard to leverage ratio, activity ratio and profitability ratio was relatively better but still fluctuations were observed.

With regard to impact of membership on their welfare, it was found that membership to cooperatives has an impact on income, asset ownership, health and education affairs of members. More specifically, in terms of oxen ownership, farmers used to own better number of oxen after affiliation. In addition to this members have shown improvements in housing condition and ability to send their children to school and tendency to use modern health services which are indicators of improved welfare of members.

On the other hand, the study revealed that membership has little or no contribution in improving meal per day of members. When their income increases, members may not use more than the regular meals per day rather they may improve the quality of their food. Besides, members may invest in other aspects of their livelihoods such as restocking and building new houses or renovating the existing ones.

As cooperatives are not only to benefit members but also non-members or the community as a whole, the union was found useful for the surrounding community directly or indirectly. Indirectly, the union stabilizes the market by providing products/goods at fair price and this in turn leads to price adjustment by private traders in the local market. Directly, it provides quality products/goods at prices lower than that of the private traders'. Hence, it was discovered that when a person purchases sample items from the union instead of the traders, s/he would save *birr* 8.17 per month on average. So, this is a significant cost saving for those who use services of the union.

Finally, the study identified the main challenges constraining the performance of the union. Despite its moderate achievements, the union faced various challenges constraining its progress. Embezzlement, limitations in the capacity of Management Committees or BoDs, lack of capital, pricing problems, lack of physical resources, unhealthy competition from private traders and absence of education and training were identified as the main challenges.

6.2. Recommendations

Though Werie Multipurpose Cooperative Union has shown an overall moderate performance in the trend of its membership over the study period, more is expected from the union in promoting new members so as to strengthen its financial base and thereby to benefit its members as well as non-members by providing necessities at fair price. For this purpose, responsible bodies of the sector, especially from the government side, should make effective promotional efforts to inculcate the spirit of cooperation among the public.

With regards to financial performance of the union, due attention should be given in setting targets/standard ratios to measure its performance which enables it as well as analysts and researchers to evaluate its strengths and weaknesses.

More importantly, continuous and intensive education/trainings should be given for the cooperative leaders at all levels and the capacity of employees requires the attention of government officials and other concerned bodies. Most of the currently assigned

cooperative management committees have low educational status, so that measures must be undertaken to improve their qualifications. The training has to be accompanied by career development schemes so as to increase their motivation. The employees should undergo practical on the job training in cooperatives so as to be acquainted with the day-to-day problems of the union. Besides, there should be a clear cut division of legal responsibilities between the BoDs and paid employees by adhering to the by-law of the *Union*.

Particularly, the following points need due attention so as to enhance the performance of *WMCU* as well as its affiliates.

- ❖ The union should manage its assets and liabilities in an effective manner. It should keep optimal level of assets and liabilities. If it is not able to do so, it may become less liquidable to meet its current obligations and thus invites the risk of bankruptcy. Maintaining optimal level of assets and liabilities can be achieved through employing professionals and by providing continuous training to the management bodies of the union.
- ❖ Governmental and non-governmental organizations as well as cooperatives themselves in the *Woreda* should improve the marketing infrastructures such as rural feeder roads so as to facilitate the timely delivery of important agricultural inputs and other merchandizes to the primary member cooperatives.
- ❖ The union should provide diversified and demand-driven products using effective pricing for members and non-members so as to compete the stiff competitions from private traders.
- ❖ Moreover, government assistance seems to create a sense of dependency and this tends to reduce the members' sense of ownership of the cooperative. Lack of sense of ownership greatly affects the participation of members in the affairs of the cooperative. Thus, government's intervention or assistance should be tailored to the legitimate support such as education and training, budget planning, audit services, preparation of financial reports, legal services and creating favorable conditions of access to credit from government financial institutions.

e) Income statement, 2000

Werie Multipurpose Cooperative Union,plc

Income statement

For the year 2000 E.C, ending, Hidar 1/2000 E.C

Sales

• Merchandise	339067.75
• Agricultural inputs	6766.15
• Eucalyptus	61575.00
• Grains	43779.70
• Honey	<u>18113.50</u>
Total sales	469302.10

Purchases

• Beginning inventory	99580.52
• Merchandise	379828.88
• Agricultural inputs	-
• Eucalyptus	41675.00
• Grains	4636.80
• Honey	<u>-</u>
Total purchase	<u>426140.68</u>
• Cost of goods available for sale	525721.20
• Ending inventory	<u>(114413.765)</u>

Cost of goods sold (CGS)	<u>411307.435</u>
--------------------------	-------------------

Gross profit	55994.665
--------------	-----------

Administrative expenses

- | | |
|-----------------------|---------------|
| • Freight cost | 14588.00 |
| • Salary | 15202.18 |
| • Per diem | 9395.50 |
| • House rent | 6400.00 |
| • Wages exp. | 2676.00 |
| • Transportation cost | 809.00 |
| • Depreciation exp. | 11835.10 |
| • Miscellaneous exp. | 2371.00 |
| • Stationery | <u>852.92</u> |

Total operating expenses	<u>64129.70</u>
--------------------------	-----------------

Operating	(6135.035)
-----------	------------

Other revenues

- | | | |
|--------------------|---------------|----------|
| • Interest revenue | 24580.00 | |
| • Rent revenue | 3600.00 | |
| • Registration fee | <u>500.00</u> | 28680.34 |

Other expenses

- | | | |
|--------------------------|----------|--------------------|
| • Interest expense | 8319.325 | |
| • Service(court) expense | 3688.75 | <u>(12008.075)</u> |

Net profit	<u>10,537.23</u>
-------------------	-------------------------

f) Balance sheet, 2000

Werie Multipurpose cooperative Union, Plc

Balance sheet

Hidar 1/2000 E.C

1. Assets

1.1. Current Assets

• Cash on hand	4583.308	
• Cash in DESCI	92303.81	
• Cash in documents	10100.00	
• Cash in CBE	1237.00	
• Uncollected receivable	167545.375	
• A/R	8991.50	
• Interest receivable	2153.33	
• Inventory(Ending)	114413.765	
• Office furniture	1678.46	
• Other current assets	<u>482.00</u>	
Total current assets		403489.298

1.2. Fixed Assets

• Office equipments	4200.00	
• Accumulated depreciation	(1387.17)	2812.83
• Service equipments	275.00	

- Accumulated depreciation (20.63) 254.37
- Store equipments 4064.00
- Accumulated depreciation (1378.91) 2685.09
- Guard's house 382.30
- Accumulated depreciation (98.76) 283.54
- Building 149500.00
- Accumulated depreciation (10589.58) 138910.42

Total fixed assets **144946.25**

Total current and fixed assets 548435.548

2. Liabilities

- A/P 876.93
- Interest payable 941.41
- Dividend payable 6652.78

Total current liabilities 8471.12

Long term liabilities 100785.92

Total liabilities (current) 109257.03

3. Capital

- Shares 105000.00
- Donation 217500.00
- Reserve fund 37481.758
- Un paid dividend 79196.76

Total capital 439178.518

Total liabilities and capital 548435.548

❖ Calculation of Financial Ratios

i. Liquidity ratios:

1. Current ratio = Current Asset ÷ Current Liability

(1998): $545199.13 \div 387345.78 = 1.41$

(1999): $402690.809 \div 135555.871 = 2.97$

(2000): $403489.298 \div 109257.03 = 3.69$

2. Quick ratio = (Current Asset – Inventory) ÷ Current Liability

(1998): $(545,199.13 - 135,182.39) \div 387345.78 = 1.06$

(1999): $(402690.809 - 76357.835) \div 135555.871 = 2.41$

(2000): $(403489.298 - 11413.765) \div 109257.03 = 2.65$

ii. Leverage ratios

1. Total liability to patrons Equity = Total liability ÷ Total capital

(1998): $387,345.78 \div 165,851.31 = 2.34$

(1999): $135,555.871 \div 423,641.288 = 0.32$

(2000): $109257.03 \div 439178.518 = 0.25$

2. Owner's Equity = Total capital ÷ Sales

(1998): $165851.31 \div 651010.80 = 0.26$

(1999): $423641.288 \div 1982615.475 = 0.21$

(2000): $439178.518 \div 469302.10 = 0.94$

3. Fixed Assets to Patron's Equity = Fixed Assets ÷ Total capital

(1998): $7997.98 \div 165851.31 = 0.05$

(1999): $156506.35 \div 423641.288 = 0.37$

(2000): $144946.25 \div 439178.518 = 0.33$

iii. Activity ratios

1. Inventory Turnover Ratio = Cost of Goods Sold (CGS) ÷ Ending Inventory

(1998): $576418.58 \div 196192.95 = 2.94$

(1999): $181743.21 \div 99580.52 = 18.29$

(2000): $411307.435 \div 114413.765 = 3.60$

2. Total Assets Turnover = Net Sales ÷ Total Assets

(1998): $651010.80 \div 553197.11 = 1.18$

(1999): $1982615.475 \div 559197.158 = 3.55$

(2000): $469302.10 \div 548435.548 = 0.86$

iv. Profitability ratios:

1. Gross profit margin = (Sales – CGS) ÷ Sales = GP ÷ Sales

(1998): $7459.24 \div 651010.95 = 0.12$

(1999): $160872.265 \div 1982615.475 = 0.08$

(2000): $55994.665 \div 469302.10 = 0.12$

2. Net profit Margin = Net profit ÷ Sales

(1998): $9504.11 \div 651010.95 = 0.02$

(1999): $102601.004 \div 1982615.475 = 0.05$

(2000): $10537.23 \div 46930.10 = 0.02$

Appendix III: Financial statements of *Werie Multipurpose Coop. Union*

a) *Income statement, 1998*

Werie Multipurpose Cooperative Union, plc

Income statement

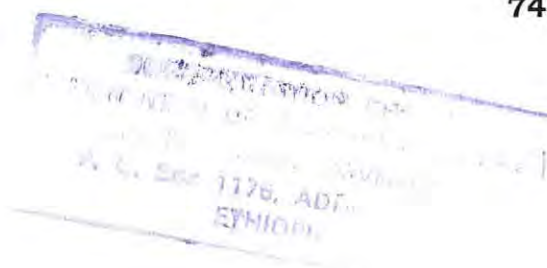
For the year 1997 E.C, ending May 10/1998 E.C

Sales:

• Merchandise	403250.35
• Eucalyptus	119117.00
• Inputs	87676.70
• Crop	40562.75
• Hide	<u>384.00</u>
Total sales	651010.80

Purchase:

• Merchandise	504954.51
• Eucalyptus	92810.00
• Inputs	96718.00
• Crop	64617.00
• Honey	13164.00
• Hide	<u>384.00</u>
Total purchase	772611.51
Cost of goods available for sale	772611.51
Less: Ending inventory	<u>196192.95</u>
Cost of goods sold	<u>576418.56</u>
Gross profit	74592.24



Administrative expenses

• Transport	38112.08
• Per diem	19151.25
• Labor	4026.01
• Store rent	2496.00
• Tax	2301.83
• Salary	7334.25
• Stationery	1183.40
• Accumulated depreciation cost	773.32
• Telephone bill	<u>506.95</u>

Total Administrative expenses (75867.11)

Loss from operations /1274.87/

Other revenues

• Registration fee	6500.00	
• Interest	6312.51	
• Punishment	124.10	
• Miscellaneous	<u>62.00</u>	12998.61

Other expenses

• Interest expense	790.78		
• Miscellaneous	<u>1428.85</u>	<u>(2219.63)</u>	<u>10778.98</u>

Net profit 9504.11

b) Balance sheet, 1998

Werie Multipurpose Cooperative Union, plc

Balance sheet

For the month May 10/1998 E.C

1. Assets

1.1. Current Assets

• Cash on hand	12675.00	
• Cash in DECSI	129669.17	
• Cash in CBE	39977.50	
• Cash in Document	72831.50	
• A/R	90318.81	
• Inventory(Ending)	135182.39	
• Grain	34165.42	
• Agricultural inputs	13674.00	
• Honey	13171.14	
• Stationery	2705.70	
• Other current assets	<u>828.50</u>	
Total current Assets		545199.13

1.2. Fixed assets

• Office Equipments	4200.00	
• Accumulated depreciation	<u>372.17</u>	3827.83

• Store equipments	4064.00	
• Accumulated depreciation	<u>396.78</u>	3667.22
• Hide stretching	127.00	
• Guard's house	382.30	
• Accumulated depreciation	<u>6.37</u>	<u>375.93</u>
Total fixed assets		<u>7997.98</u>
Total current and fixed assets		553197.11
2. Liabilities		
• A/P (Agriculture Office)	55800.00	
• A/P (CBE)	31000.00	
• A/P (Primary coops.)	14893.00	
• A/P (patronage dividend)	<u>6652.78</u>	
Total liabilities (current)		<u>387345.78</u>
3. Capital		
• Share	95000.00	
• Gift	68000.00	
• Reserve fund	<u>2851.31</u>	
Total capital		<u>165851.31</u>
Total liability and capital		<u><u>553197.11</u></u>

c) Income statement, 1999

Werie Multipurpose Cooperative Union, plc

Income statement

For the year 1998 E.C, ending Ginbot 30/1999 E.C

Sales

• Merchandise	704246.655
• Agricultural inputs	1023782.035
• Crop	91420.260
• Honey	2165.00
• Natural gum	<u>161001.525</u>
Total sales	1982615.475

Purchases

• Beginning inventory	196192.95	
• Purchase merchandise	552132.17	
• Agricultural inputs	975224.47	
• Purchase of grain	63798.00	
• Purchase of gum	<u>133976.14</u>	
• Goods, inputs, grains, gum and honey available for sale	1921323.73	
• Ending inventory		<u>(99580.52)</u>
• Cost of Goods Sold (CGS)		<u>1821743.21</u>
• Gross profit		160872.265

Administrative Expenses

• Transportation	8556.70	
• Per diem	6962.00	
• Salary	9925.29	
• House Rent	4666.00	
• Labor	3365.65	
• Miscellaneous	5147.93	
• Depreciation	864.63	
• Freight cost	<u>24687.00</u>	
Total administrative expenses		<u>64175.20</u>
• Operating income		96697.065

Other Revenues

• Interest income	24865.739	
• Registration fee	500.00	
• Miscellaneous	<u>300.00</u>	25365.739

Other expenses

• Interest expense	19062.95	
• Miscellaneous expense	<u>398.85</u>	<u>19461.80</u>

Net Profit **102601.004**

d) Balance sheet, 1999

Werie multipurpose cooperative union,Plc

Balance sheet

Ginbot 30/1999 E.C

1. Assets

1.1. Current Assets

• Cash on hand	93.85	
• Cash in DESCI	72001.79	
• Cash in document	400.00	
• Cash in CBE	1977.00	
• Uncollected Receivable	139646.275	
• A/R	76357.835	
• Interest receivable	9766.869	
• Inventory(Ending)	57290.38	
• Grain in store	26437.50	
• Agricultural inputs in store	4570.65	
• Honey in store	11281.99	
• Stationery	2167.67	
• Other current assets	<u>698.50</u>	
Total current assets		402690.809

1.2. Fixed assets

- Office equipments 4200.00
- Accumulated depreciation (792.17) 3407.83
- Store equipment 4064.00
- Accumulated depreciation (803.18) 3260.82
- Building 149,500.00
- Guard's house 382.30
- Accumulated depreciation (44.60) 337.70

Total Fixed Assets **156506.35**

Total current and fixed assets 559197.158

2. Liabilities

Current liabilities

- A/P 275.34
- Dividend payable 6652.78
- Interest payable 9274.83
- Other A/Ps 119352.921

Total current liabilities **135555.871**

3. Capital

- Share 100000.00
- Donation 217500.00
- Reserve 34320.588
- Un paid dividend 71820.70

Total capital 423641.288

Total liabilities and capital 559197.159

APPENDICES

APPENDIX I: Interview schedule

A. For Members

Interview schedule prepared for assessing performances and challenges of Werie Multipurpose Cooperative Union in Tigray, Ethiopia.

I. Member's information

1. Name: _____
2. Age: a. <20 b. 21– 30 c. 31– 40 d. 41– 50 e. 50-60 e. 60⁺
3. Sex: a. Male b. Female
4. Marital status: a. Married b. Unmarried c. Divorced d. Widowed
5. Main occupation: a. Farming b. Trade c. civil servants
d. other _____
6. Educational status: a. Illiterate b. Read and write
c. Primary school (1-4) d. junior secondary school (5-8)
e. Secondary school (9-10) f. Preparatory (11-12) g. College diploma
h. University degree and above
7. Family size _____
8. Your residence (*Tabia*) _____
- 8.1. Farm size in hectares _____
- 8.2. Livestock ownership _____

II. Membership information

9. Name of your Cooperative society: _____
10. *Tabia* your cooperative is found _____
11. Duration of membership in the cooperative.
a. < 4years b. 4-6 yrs c. 6-8 yrs d. >8 years
12. How did you become a member of the coop?
 - a. own interest
 - b. Awareness by promoters
 - c. Seeing the service of the cooperative
 - d. Influenced by neighbors
 - e. Forced by *Tabia* administrators
 - f. Other, specify _____

III. Member satisfaction

13. Satisfaction being a member of the cooperative.

- a. Very satisfied
- b. Satisfied
- c. Dissatisfied
- d. Very dissatisfied

14. Sources of satisfaction:

A. Production aspects

- a. Lower input prices
- b. Better access to inputs
- c. Increased use of fertilizer
- d. Increased use of selected seeds
- e. Better access to credit services

B. Marketing aspects

- a. Secured market
- b. Better output price
- c. Reduced transportation cost
- d. Better storage facilities
- e. Correct measurement
- f. Demand oriented

C. Other aspects

- a. Better saving habit
- b. Better social relationship
- c. Better awareness to democracy
- d. Better perception to education

15. Status of annual income after affiliation as compared to before affiliation:

- a. Lower b. Better
- b. Same c. Much better

16. If your income is reduced, reasons:

- a. _____
- b. _____
- c. _____

17. Reasons for increasing annual income:

- a. Lower input price
- b. Higher output price
- c. Dividend
- d. Employment in cooperative
- e. Shift to more profitable business
- f. New non-farm business

18. Do you use fertilizer on your farm? a. yes b. No

19. If yes, where do you get it from?

- a. Development agents
- b. Private traders
- c. Cooperatives
- d. Non Governmental Organizations(NGOs)

20. Your overall current living standard compared to before affiliation

- a. Highly Improved b. Slightly improved
- b. Slightly improved c. Same d. Deteriorated

21. Mention some of the changes/improvements that you have seen in your life after you became a member.

- a. _____
- b. _____
- c. _____

IV. Living conditions of members

22. Living conditions *before* affiliation:

A. Food

I. Type of food (Interns of cereals, crops, vegetables and animal products consumed):

- a. Cereals and Crops only
- b. cereals, crops, and animal products
- c. Cereals, crops, animal products, vegetables and fruits

II. Meals per day/Eating frequency

- a. Lunch and dinner only
- b. Breakfast, lunch and dinner c. Breakfast, lunch, *Meksess* and dinner

B. Clothing I. Type of cloth

- a. _____
- b. _____
- c. _____

II. Clothing frequency per year:

- a. once
- b. 2 times
- c. 3 times d. more than 3times

C. Housing I. Type: a. Modern/steel corrugated sheets roofing

b. Traditional/*Hidmo* c. *both*

II. Number of Rooms _____

D. Is there any health center near your residence (Within 5 Kms)? a. Yes b. No

E. Health service used: a. Traditional b. Modern (clinic, hospital) c. both

G. Is there any school near your residence (Within 5 Kms)? a. Yes b. No

H. Number of school-aged children: _____

I. Number of learning children _____

J. Oxen ownership:

- d. No
- e. 1 ox
- f. 2 oxen
- g. 3 oxen e. More than 3 oxen

23. *Living conditions after affiliation*

A. *Food*

I. Type of food (Interns of cereals, crops, vegetables and fruits and animal products consumed):

- a. Cereals and Crop products only
- b. cereals, crops, and animal products
- c. Cereals, crops, animal products, vegetables and fruits

II. Meals per day

- c. Lunch and dinner only
- d. Breakfast, lunch and dinner
- e. Breakfast, lunch, *Meksess* and dinner

B. Clothing I. Type of cloth

- a. _____
- b. _____
- c. _____

II. Clothing frequency per year:

- a. once
- b. 2 times
- c. 3 times d. more than 3 times

C. Housing

I. Type of house

- a. Modern/steel corrugated sheets roofing
- b. Traditional/*Hidmo* c. *both*

II. Number of Rooms _____

D. Is there any health center near your residence (Within 5 Kms)?

- a. Yes b. No

E. Health service used: a. Traditional b. Modern (clinic, hospital) c. both

G. Is there any school near your residence (Within 5 Kms)? a. Yes b. No

H. Number of school-aged children: _____

I. Number of learning children _____

J. Oxen ownership:

- d. No
- e. 1 ox
- f. 2 oxen
- g. 3 oxen e. More than 3 oxen

24. Do you agree that all the changes in your living standard are brought about being member of the coop?

- a. Agree b. Disagree c. Not sure

24.1. If disagree, specify the reasons:

- a. _____
- b. _____
- c. _____

25. Overall satisfaction with your cooperative performance

- a. Satisfied b. Dissatisfied

25.1. Reasons _____

26. Will you continue with your membership in the future?

- a. Yes b. No

27. If yes, reasons: a. _____

b. _____

28. If no, reasons: a. _____

b. _____

B. For Non-Members

I. Personal information

1. Name: _____

2. Age (years): a. < 25 b. 26– 36 c. 37– 47 d. 48– 58 e. 59⁺

3. Sex: a. Male b. Female

4. Marital status: a. Married b. Single c. Divorced d. Widowed

5. Your residence (*Tabia*): _____

6. Occupation: a. Farmer b. Civil servant c. Trader d. other _____

7. Family size _____

8. Educational level attained:

a. Illiterate b. Read and write c. Primary school (1-4)

d. Junior secondary school (5-8) e. Secondary school (9-10)

f. Preparatory (11-12) g. College diploma h. University degree and above

II. Relation and awareness about the Cooperative Union

9. Reason for not becoming a member of a cooperative

a. No perceived benefit

b. lack of information

c. Lack of interest to work in group

d. Others(specify) _____

10. Do you know the presence of werie Multipurpose Cooperative Union in your surrounding? a. Yes b. No

11. If yes, do you use services of the union? A. Yes b. No

12. What products /goods do you buy from the Union and at what price in comparison to traders' price per month?

S. No	Items/Goods	From traders(Birr/Kg) or per item	From WMCU (Birr/Kg or item
1			
2			
3			
4			

13. What advantages do you get from the union?

- a. Lower prices
- b. Correct measurement
- c. Quality products/unadulterated goods
- d. Good approach of sales person
- e. Others(specify)_____

14. In your opinion, do you believe that the union is useful for the surrounding community?

- a. Yes
- b. No

15. If yes, in what aspects? _____

16. For the future, do have a plan to be a member of cooperatives?

- a. Yes
- b. No

17. Generally, what areas of the union's activities need improvement for the future?

- a. _____
- b. _____
- c. _____

C. Checklist for Focus Group Discussion

1. Major challenges constraining the performance of Werie Multipurpose Coop. Union.
2. Contribution of the union to the community in general and members in particular.
3. Provision of Services by the union to the community.
4. Quality of products and price of the union compared to private traders'.
5. Government assistance/intervention to the Union.
6. Education and training for members and non-members.
7. Members' participation in the affairs of the Union.
8. Members' satisfaction/happiness by the performance of the union.
9. Living conditions of individual members before and after membership in the union.
10. Suggestions for future actions so as to enhance the performance of werie Multipurpose Cooperative Union.

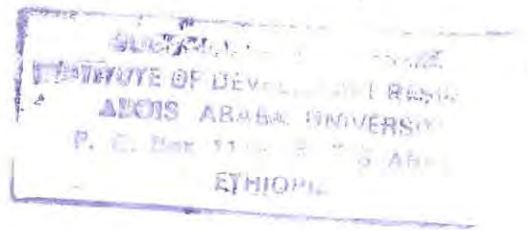
D. Interview guide for key informants

1. Organizational strength and weakness of Werie Multipurpose Cooperative union.
2. Embezzlement and other malpractices committed by management bodies of the union.
3. Competence of management bodies/ BODs of the Union.
4. Does the Union have a competitive advantage over its competitors? How?
5. Perception of the community towards Werie Multipurpose coop. Union.
6. Women participation in the cooperative as members.
7. Sustainability of the union and its contribution in improving the living standard of members.
8. General suggestion on the performance of the Union.

Appendix II-List of primary member coops. Of WMCU, year of membership

Name of primary member cooperative	Type of coop	Year of joining the union(E.C)	Number of shares	Members		
				Male	Female	Total
Maysemhal	Multipurpose	1996	2	523	134	657
Kokebe Tsibah	Multipurpose	1996	2	770	142	912
Fre-Kalsi	Multipurpose	1996	2	661	83	744
Mussie	Multipurpose	1996	2	18	2	20
Tsinaat	Multipurpose	1996	2	42	7	49
Simret	Multipurpose	1996	1	532	218	750
Shewit	Multipurpose	1996	1	532	72	604
W.T. Ararbo	Multipurpose	1996	2	318	60	378
MidnfaE MaEtot	Multipurpose	1997	1	332	45	377
Biherawi	Multipurpose	1997	1	606	28	634
Arena	Multipurpose	1997	1	385	29	414
Limaat	Multipurpose	1997	1	222	32	254
Fre siwaat	Multipurpose	1997	1	412	21	433
Hayelom	Multipurpose	1997	1	62	157	219
MiEbale	Multipurpose	1999	1	316	37	353
Dedebit	Multipurpose	2000	1	449	63	512
Senay Timnit	Multipurpose	2000	1	367	46	413
Selam	Multipurpose	2000	1	629	68	697
Masho	Multipurpose	2000	1	848	47	895
Wuhdet	Multipurpose	2001	1	434	21	455
Total			26	8458	1312	9770

Source: Documents of the Union



Declaration

I, the undersigned, declare that the thesis is my original work, has not been presented for a degree in any other university and that all sources of material used for the thesis have been duly acknowledged.

Declared by:

Yemane T Medhin
Yemane

Candidate

Confirmed by:

Tesfaye Tefesse
Tefesse

Advisor