

Wolkite University
College of Business and Economics
MBA program



**THE ROLE OF COOPERATIVES IN ENHANCING
RURAL ECONOMIC DEVELOPMENT: THE CASE OF
SODO WEREDA, GURAGE ZONE**

A thesis is submitted to School of Graduate Studies, College of Business and Economics for the partial fulfillment of the requirement for Degree of Masters of Business Administration

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DECLARATION

I hereby declare that this thesis entitled “The Role of Cooperative in Enhancing Rural Economic
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The thesis is original and has not been submitted for the award of any degree or diploma to any
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CERTIFICATE

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Therefore, I hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

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“The Role of cooperative in enhancing Rural Economic Development: The case of SodoWereda, Gurage zone”

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ACRONYMS/ABBREVIATIONS

EPRDF=Ethiopian People Republic Democratic Front

CEE=Changing economic environment

FCA=Federal Cooperative Agency

ICA=International Cooperative Alliance

ILO=International Labor Organization

SNNPR= Southern Nations and nationalities People's Region

LED=Local Economic Development

K.M=Kilo Meter

Co-op=Cooperative

SACCO=saving and credit cooperative organization

ABSTRACT

The study was conducted in Southern Nations and nationalities People's Region, Gurage zone SodoWereda with the general objectives of to assess the role of cooperatives to enhance the economic development of the society. The researcher was used descriptive research design method to describe the role of cooperatives in the society now days. The data were collected from 391 cooperative member respondents in SodoWereda cooperative societies which are selected randomly. The major source of data for this study was the primary data which was collected from questionnaires and interview. The researcher was analysis and interpreted the data in the form of table and percentage. The finding stated that there are so many problems that hinder the role of cooperatives in enhancing economic development in the societies such as: passive participation of members, lack of trained man power, shortage of finance, and mistrust among members in the cooperatives. To reduce such problems and limitations increase members participation to create awareness among members, give training to improve their skill, selling additional issued share and minimize mistrust among members and maintain piece.

Key words: Cooperative, Economy, Development, SodoWereda

CHAPTER ONE

INTRODUCTION

1.1 Backgrounds of the study

Rural development evolves raising the socio-economic status of the rural population on sustainable base through optimum utilization of local resources both natural and human. While external help is necessary and appreciated, rural development can be achieved only when the rural people actively participate in the development process. The essence of development is not ‘providing’ but in ‘promoting’ the rural sector. The rural population should know how to sustain itself financially and gain economic independence. Also, rural development should result in greater access to the rural population to goods and services. The stress of rural development should be on self-reliance. The emphases on rural development in most developing countries are understandable. The majority of the population lives in the rural areas. As such their backwardness would be retarding growth in other sectors and in economy. The growth of towns and cities (urbanization) will be possible if it is backed by prosperity in rural areas. Rural backwardness is the major cause for the falling demand (recession) for most products (Dr. I Satya 2007).

Rural development over the years has emerged as a strategy designed to improve the economic and social life of a specific group of people the rural poor. Since the rural development is intended to reduce poverty and inequality, it requires positive changes in the rural area both quantitatively and qualitatively. Rural development requires development of rural area in such a way that each component rural life, economic, technological and natural changes in desired direction (Misra, 2002)

In the planned strategy for rural development, cooperatives have been considered as very important since the turn of this century. In spite of its weakness, the cooperatives movement is very important and imperatives as it is an excellent instrument for helping the rural poor and the common (Gupla, 1993) cooperatives provides basic infrastructure for rural development.

A cooperative as an association of persons with common need and it seeks to bring the best out of human being for the welfare of the entire community (Guspa and Ckikaya, 1993).

Cooperatives play a vital role in bringing about the rural transformation which is very important and urgent necessity. Cooperative movements were introduced as a state policy to help the rural poor and accelerate rural development. The movement has passed through several stages of development in rural social life, particularly to the needs of rural credit, supply of farm inputs and processing marketing of farm produces (Misra, 2007).

Among the institutional agencies providing credit to rural sector, cooperatives play major role. Cooperatives are one of the essential institutional infrastructure under planning and contributing to the development and modernization of agriculture. Cooperation, an economic miracle of the 19th century is not make slogan in the present era. It is one of the potential instruments to resolve socio-economic problem of mankind not by resorting to revolution but through the process of mutual and cooperative efforts emphasizing the importance of cooperation Hall and watt kind observed. In working with others for the common good, man's highest qualities are the enlisted and development, in the emplacement of these qualities the human race is improved. Thus the cooperation raises the people's standards both materially and morally because of the advantages, the root of cooperation has spread wide and deep both in the developed and developing nation (Y.Suresh Reddy and A.Readgo Reddy, 1997).

1.2 Statement of the problem

This study intends to assess the role of cooperative in different sectors of the economy in rural area. Different cooperative institutions play vital role in economic development aspects of the country.(individual institution contribute their own role to economic development).In this regard like any other institutions cooperative institutions help in the developmental process like community ,employer group of stake holders often marginalized by conventional big business and also cooperative

helps to build social ,capital various community life by developing opportunities for significant decision making and effective action at local level. Cooperative institutions encourage local and individual self-reliance and hereby offer significant alternatives to globalized investor driven business moreover, they have positive impact on the environment ,by placing emphases on structuralize such as short-term profit maximization they encourage sustainable development by helping communist build a better life from their own local resource. Additionally cooperatives have often proved to be extremely effective and cost efficient in circumstances where the form of business is found it hard to survive. Even though cooperatives have its own contribution for any economic development to attend successful scope, but most members of the cooperative will passive participation in the working process, lack of trained man power, financial limitation, existence of mistrust among members, rural peoples have low awareness towards cooperative, lack of effective management and etc. Due to these members economic achievement will be very low.

Generally, they are constraints with variety of problems that hindered their development and it is only through overcoming all stated problem that can achieve better conditions concerning the role of cooperative on economic development.

1.3 Research questions

Cooperatives contribute for economic development of Sodo wereda and the research was used the following questions like:

- ✚ What is the contribution of cooperatives to enhance economic development of the society in Sodo wereda?
- ✚ What problems are faced by cooperative members in Sodo wereda to create economic development?
- ✚ What are the consequences of the problem?

1.4 Objectives of the study

1.4.1 General Objective

The main objective of this research is to identify the role of cooperatives in enhancing the rural economic development in case of Sodo wereda.

1.4.2 Specific Objectives

The specific objectives of the study was

- To identify the importance of cooperatives in Sodo Wereda
- To assess the major cause that discourage cooperative societies in Sodo Wereda
- To identify and show the importance of active participation in cooperative
- To assess the challenges and factors of cooperatives in Sodo Wereda

1.5 Significance of the study

The study is providing the basic information for the academic, literature, cooperative, public, policy makers and helps them in planning programs aimed at supporting cooperatives in better and systematic form. The study is relevant to having general awareness about the role of cooperative in rural economic development and to have deeper understanding about their economic participation in Sodo wereda. It may also help as base for further study in the area of cooperatives role in rural development. The study may be useful to provide information regarding the role of cooperatives in rural development to different stakeholders.

1.6 Scope of the Study

In this study the researcher was carried out the role of cooperatives for the economic development of a country particularly in sod Wereda which is found in Gurage zone .It is difficult to conduct this study to all cooperatives in the country due to time, place and financial problems with this short period of time.

1.7 Limitation of the Study

The researcher was challenge by lack of cooperation on the side of few respondents in filling out and returning back questionnaires in the cooperative are among the estimated limitations that were faced the study. Moreover, more time and much fund need to be dedicate to collect data from members that register in cooperative society. The researcher noted that the study was considering a representative of a very larger population. Since the study was conduct within a short period of time, it is impossible to include all cooperative society throughout the country.

1.8 Organization of the Study

The study is divided in to five chapters. The first chapter deals with introduction which encompasses background of the study, statement of the problem, research questions, purpose of the study, significance of the study, scope of the study, limitation of the study and organization of the study. The second chapter deals with the review of related literatures on cooperatives. This part gives a highlight on the theoretical, empirical and conceptual framework of the topic under the study. The third chapter discussed research design and methodology which includes population and sampling size, data type and source, data collection instrument, data analysis technique and methods. It is also includes ethical consideration. The fourth chapter is namely the presentation, analysis and interpretation; it is carefully diagnose the data collected through questionnaire. The fifth chapter is dedicated to summary of findings, conclusions and recommendations by the researcher based on the outcomes of overall the study.

CHAPTER TWO

RELATED LITERATURE REVIEW

2. 1History of Cooperative

The origin of cooperative philosophy is found in the writings and activities of Robert Owen, Louis Blanc, Charles Fourier, and others. Its early character was revolutionary, but under the impact of such movements as Christian Socialism this aspect diminished. After some early 19th-century experiments, consumers' cooperation took permanent form with the establishment (1844) of the Pioneers in England (Berry and Roberts, 1984).

The cooperative movement has since had considerable growth throughout Great Britain and the Commonwealth, where local cooperatives have been federated into national wholesale and retail distributive enterprises and where a large proportion of the population has membership. Various examples of cooperative organization are also found in the Scandinavian countries, Israel, the People's Republic of China, Russia, and France. In the United States the cooperative movement began in the 19th cent., first among workers and then among farmers. The National Grange, a farmers' cooperative, was founded in 1867 and later exercised considerable political influence (see Granger movement). An international alliance for the dissemination of cooperative information was founded in 1895. Today the major types of cooperatives include those of farmers, wholesalers, and consumers, as well as insurance, banking and credit, and rural electrification cooperatives (the growth of the latter two facilitated by loans from the federal government). There has been increasing international collaboration among the various kinds of cooperatives and a growing trend toward the establishment of international cooperative distribution (Berry and Roberts, 1984).

2.2 Definitions of Cooperative

A cooperative institution is a voluntary association of independent economic units organized, capitalized and run by and for its members providing add/or marketing goods and services on cost-to –cost basis to their members(Hajela, 1994)..

A cooperative society has been defined as an “economic and social organization of the working people, serving not only interest of the members, but also social progress “which promotes safeguards and realizes the interest and aspiration of the working people (Hajela, 1994).

A cooperative is a form of organization where in person’s voluntary associate together as human beings on a basis of equality for the promotion of economic interest of themselves. It is the act of presents voluntarily united for utilizing reciprocally their own forces, resources or both under their mutual management to their common profit or loss(Hajela, 1994)..

A cooperative organization as economic institution which as we know is not wholly true and cooperative association is an association of firms or households for business purpose an economic institution through which economic activity is conducted in the pursuit of economic objectives(Hajela, 1994)..

Cooperative enterprises are “associations of person’s small producers or consumers which come together voluntarily to achieve some purpose by reciprocal exchange of services, through an economic enterprise working at their own risk and with resources to which all contribute” (Hajela, 1994).

2.3 Aims of Cooperative

The chief aim underlying the organization of cooperative institution is the advancement of economic interest of members and protection and maintenance of the economic independence of small producers by making up the economic deficiency

through pooling resources and thus bringing to them the economics of large –scale production(Hajela, 1994).

2.4 Objectives of Cooperative

More specifically, the objectives of most farmers' cooperatives are:

First increase the net income and standard of living of members by minimizing their cost of farm inputs and maximizing their return from marketing the farm product they produce, Second provide a needed service or to improve existing services involved in marketing products or handling supplies, or obtaining specialization business services,3rd increase the production and marketing of high quality of supplies that will produce maximum crop yields or give tock gain (Cooperative Information Report 1, section 1).

The overall objective of organizing in cooperative is to bring extended economic management, even though activities which are accomplished individually are limited. Cooperation increases the type of activities and weirst it's scope and plan for the new project so as to increase the economy of the cooperative which a direct effect on the increase of members income. The vision is improved social service is another objective. Communities living together need various social services which they cannot fir individually due to expensiveness, so people from cooperative for the fulfillment of their social needs. Although cooperative have those objectives, the attainment of them is unbelievable without the active and equitable participation of the community of members as a whole and women in particular since they are the integral part of the society (Cooperative Management and Organization, 1998)

2.5 Purpose of Cooperatives

Cooperative activity improves the market condition through influencing and promoting change in the form and structure of the market cooperative with enterprises work together to perform a restricted number of economic functions ok take which are they essentially part of the activity of the separate small and family business.

Cooperative helps to counter balance the monopolistic tendencies of market structure cooperative going to transport activities or in to the further processing of west products or unused part of the raw materials to keep down cost and increase the proceeds of sale, increase membership loyalty and thinking the cooperatives economic condition and position in short they are higher income, improved provision of services for the members and be benefits of economics of scale through under taking activities in common(Dooven,1982)

Cooperatives often become dependent or money lenders who took advantage of their financial difficulties in an attempt to discredit them in the eyes of the working people by changing his interest rate. Credit cooperative give loans primarily to individuals this naturally pended put the social stratification of the population later cooperative began to garnet loans to the population for the purpose of collecting housing construction development of few lands irrigation farming (Mac, 1983)

The positive roles of credit cooperative consists in the way their limit and often cancel out the activities money lenders many cooperatives have very limited funds to their own, so they have to seek creditors and drunken extremely short of finance, concludes shacking agreement with privet financial agencies if there is no chance of getting help from the government cooperative should agree neither to follow the practice of paying speed money, forgetting things done nor to accept the semester any service by them. They should also result pressure from politicians and bureau created for doing anything out of the way or improper program of educating the members on the value of live. Simple living and not staying away from discipline for the back of nose or any other external consideration should be conducted (Sel, 2000).

Cooperative is a user and distributed equally on the basis of each year, income received from providing goods and services to members less expenses and reasonable reserve, is returned to members on the basis of the value or quantity of business transacted with the cooperative. The cooperative provides a structure with in which the people or mental man made or natural and material including financial to achieve an end (Cooperative Information Report, 1991).

Cooperative is a business that is owned and democratically controlled by the people using in a particular community. The purpose of the cooperative is to improve the liability of community. By creating jobs, marketing the community assets and providing needed services. For example a community cooperative might create job by promoting the tourism potential of the community or by helping to create new worker cooperative and other kind of small business .it might be provide needed service, for example punning a community bus to link the village with neighboring urban centers(Bir,2000).

In many countries cooperative don't remain possible while the choice is made of either capital or a socialist course of development of particular importance is the practice of cooperative organizing collective method for carrying out individual type of work in agriculture, as well as in construction and manufacturing industry (Mac, 1983).

2.6 Principle and Characteristics of Cooperative

A cooperative as economic organization has specific objectives. These are the promotion of its members. Economic interest such as increasing production, facilitating the sale of their produce and raising their economies a cooperative is a bringing together of people each of whom has the same economic objectives. The achievement of which requires capital. The members of the cooperative unit pool in addition to their labor, the necessary capital which they save contribute all the members together are thus jointly owners' of the whole enterprise (Dooren, 1982,)

Members of the cooperative are open to all in the community, provided only that they fulfill certain conditions. Given that the capital contribute by the members was but all lunching. Pad "for the cooperative any profit made is the result of their joint efforts. Any surplus must therefore, be so divided that he who has put most effort on to the cooperative also take the large share of the profit. The effort of the cooperative are directed towards providing the members are all responsible for ensuring that the cooperatives affairs are well run, none members can be included in the circle of those

who deal with the cooperative. None members don't share in the profit made nor do they bear any part of liability for any possible loss (Dooren, 1982,).

The cooperative is a special form of combination of social unit and a business enterprise. As a union of people, it must be flexible organized, while the same time it must as a business act efficiently in trying to ensure good management which has large revenue and small cost. Every member of cooperative is equal. An Ach member has no vote only, irrespective of his age and the amount of capital he has contributed and without regard for the clan or tamely to which the member belongs justice and proportionality from the business of the cooperative economic relations that is proportionality in the distribution of any surplus earned. Once special characteristics of the cooperatives that shall take place only against cash payment (Dooren, 1982,)

2.7 Cooperative and Members Economic Participation

Limited Return on Share Capital:-Typically cooperatives are required to pay only a limited return on share in a conventional company, profits are distributed in proportion to the numbers of shares you not so in a cooperative. In cooperatives you are paid no more than fixed rate of interest on the money you have invested in shares. Almost cooperatives pay interest on share capital that is similar to in there strata you would get your money ordinary saving's account at bank (BIR, 2000)..

Distribution of Profit to Members :-Instead of distributed profits according to the shares owned which is what have in the conventional disinter, cooperative typically distribute profit according to have much numbers have used that business. Example a dairy cooperatives profits are distributed in proportion to the amount of milk farmer's supply to their cooperatives (BIR, 2000).

Issue Bonus Shares:-Some cooperatives when distributing profits according to use issue those payments in the form of bonus shares. Typically these shares can't be redeemed for cash immediately, but must be retained within the cooperative for an agreed period .this enables to cooperative (BIR, 2000).

Reinvest in the Cooperatives:-of course cooperatives are not obliged to distribute any profit at all. It all depends on the wishes of the members and the financial state of the business members may choose to reinvest all of them in their cooperatives usually start out a business set up by relatively poor people with very limited resources.

They are much more likely to prosper if they work closely with other cooperatives for better profit (BIR, 2000).

2.8 The Competitive Advantages of Cooperatives

Cooperatives are said to be ideal institutions as they enjoy several advantages. First they are in close touch with the members and therefore aware of their repaying capacity of each. Second they can provide strong incentives for thrift and saving promotes a feeling of responsibilities for payment. Third, they follow financial operations which are simple and not complicated since identification and similar problems don't exist. Fourth, cooperative financing is not restricted to a class it is the only means by which even the poorest the poor can hope to loans (Sundaram, 1997,).

The different varieties of cooperatives empower groups of stakeholders often marginal by conventional business. They help build social capital and various communities like, by developing opportunities for significant decision making and effective action at the local level. They provide opportunities for usual aid and cost effective service provision tailored precisely to people's need. They lead to self-conscious redesigning of organizations around user's needs. They have positive impact on the environment; by placing less emphasis on strategies such as short term profit maximization they encourage sustainable development by helping communities build better life from their own local resources. Cooperatives have own proved to be extremely efficient and cost effective in circumstances where other form of business find it hard to survive. The prim purpose of person centered business is to meet the needs of the people which use the business their needs for particular benefit and services are to be provided by a PCB are made by the users of the business. Cooperative is the self-help organization owned and controlled by the people who use its services. It has been setting for the purpose of helping its members address their

own needs and problems. They are the people who use cooperatives services on a day to day basis (BISCOE, 2000).

2.9 Problems of Cooperative Structure

The cooperative structures suffer from the number of draw backs. It has been observed that the cooperative sector being totally neglected, in fact, throttled by too much intervention. It is a case of killing with kindness of the cooperative is competing .the movement is denied of the educative process and its experience in the democratic self-government has not been acknowledged (Sundram, 1997).

2.10 Cooperative in Educational Institutions

Cooperative movement has been considered as an effective instrument for making training to students in self-help team work, decision making and management and organization of socio-economic activities. The movement has potentiality to prepare the students for their adult life it develops the habit of self-help mutual help and reduces their educational expenses by organizing student's store. Their involvement in the student cooperatives today will be highly using full for the cooperatives movement tomorrow (BEL; 2000).

2.11 Cooperative and Economic Development

Cooperative passes an important role in furthering the process of economic development in the developing economics. It helps in two ways, namely, it provides employment to the people and secondly, it increases the pace of capital information in the country.

The countries of the third world suffered from gross unemployment and under-employment chiefly because the opportunities for employment have not been fully developed in these countries. In these countries disguised unemployment is a predominant future. Cooperative joint farming societies can help in remaining this sort of unemployment in the agricultural sector, increase the productivity of land and strengthen the economy of the country. Besides, the several other services can

be providing to the rural masses through the organization of community development on the bases of cooperative principles. In rural areas small scale industries could be organized on cooperative basis while in the urban areas large-scale industries could be organized without much difficulty as has been done in Sweden, Denmark, Germany and a lot of other countries. In short cooperation can be an effective tool of economic development for the third world (Hajela, 1994).

2.12 The Socio-Economic Role of Cooperative

In the countries of Asia and Africa cooperation goes through stage of development. First there appeared the simplest form of cooperation in the exchange sphere credit and marketing cooperatives. In Asia, it was mainly credit cooperative that appeared first, and these began to stimulate the formation of marketing and other types. In Africa, marketing cooperative usually preceded credit once. This is because, as community money relation developed in the African countries, the exploitation of peasantry also increased, most of all by merchant's capital. In the countries of Asia peasants and craft men were more dependent on their creditors. Merchants (middlemen's) and money lenders (creditors) appropriated not only the entire surplus product but also the necessary product of the peasant and craft men. In order to read themselves of shacking conditions for marketing their output and obtaining credit, the peasant and craft men themselves started to join up in to cooperative. But, at the same time, representatives of merchants and financial capital began to form their own cooperative (Nnikov; 1983).

2.13 Relevance of Cooperative in Changing Economic Environment

The direction of changing economic environment is linking national economy with international economy, what is precisely called “globalization” of economy. The essential ingredients of changing economic environment (CEE) are liberalization or deregulation, privatization and mercerization. Briefly, liberalization means give freedom to various sectors and a sub-sector of economy, by withdrawing or relaxing various existing restrictive and regulatory rules and restrictive laws, control etc privatization means minimization of role of public or governmental enterprises, and encouragement to privet investment. Marketing implies no intervention of government in the market by way of administrating pricing system, Gouda, and free play of forces if demand and supply. The changing economic environment (CEE) has evoked a lot of contrivers on one amount or the other. However, change has come to stay as a result of international forces and factors. It can’t be withdrawn; at best the process may only be slowed down. Having recognized continuance of change, question is if cooperative would have relevant in the changing situation. There relevance is well established world over from the point of view of need, experience, logic and faith (Awivedi; 1996).

2.14 Difference between Cooperative and Other Form of Enterprises

In schematic form, difference between enterprises which are run as cooperative and those which are not can be presented as follows.

| | |
|--|--|
| Cooperatives | Individual private enterprises |
| Primarily an association of members and members business. | Business or company the limited company is an association based on capital in the form of share. |
| The property of the members whose interests it exists to promote (members' interests) | It is the property of an individual person (the entrepreneur or of the shareholders) |
| Provides service to its member-patrons | The private business/company provides its service for its customers/purchasers, who are largely not its owners. |
| Its primary aim is to provide its members with the best possible service at the lowest possible cost/price | Its objective is to produce return on investment (profit maximization). |
| There is only restricted payment of interest on issue share capital. Surpluses are divided in proportion to the members' transaction with their cooperative (the | In principle there is a payment of an unlimited dividend up on share capital (in the case of limited company). In the case of private business all the profit accrues directly to the owner. |

| | |
|---|---|
| <p>proportionality principle as a basis for claims up on the profit also frequently serves as that for a duty to participate in the capital)</p> | <p>Profit is distributed in the proportion to the member's shares owned by the shareholders.</p> |
| <p>Shares are exclusively in the hands of members, membership being restricted to those with potential; an interest or who are potential clients. Shares are not freely transferable; there is no creation of speculative rate of exchange.</p> | <p>Shares are freely transferable at the market rate (speculation is thus possible).</p> |
| <p>There is democratic control in principle on the basis of one member, one vote. (A possible variation on this is the use of more or less weighted voting procedures. The weighting reflecting the amount of use made of the service of the cooperative)</p> | <p>There is no equality of control voting power is based on the number of shares which the holder possesses at the particular moment.</p> |
| <p>Trading policy is in principle directed towards promoting rather interest of the members/customers, frequently endeavoring to achieve self-help.</p> | <p>Trading policy can conflict with the interest of the customers/purchaser, it that should be in the shareholder's interests.</p> |
| <p>Cooperative frequently strives to respond to non-material</p> | <p>The upholding of social and educational values in the interests</p> |

| | |
|---|---|
| social and educational values. | of third parties is not part of the job of cooperative enterprises even though that can sometimes happen. |
| The member shareholders take an active part in the running of the cooperative as customers, participants, providers, users and so on in other words as clients. | Shareholders are an ominous (in the case of the limited company) and are frequently incapable of participating either in the company's activities (because they live too far away) or as customers users of the company (because of the dependent upon individual or business needs) it is only in the non-man business that the manner is active in the business as an entrepreneur manager. |

Source (R.C Bulivedi, 1986)

2.15 Benefits Of Cooperative System

The cooperative system is expected to render the following benefits to the economy and the society:

Greater purchasing power to customer by lowering the price of the goods, Greater accumulation of funds for funding future investment and expansion, Standardization of methods of operations and promotion of efficiency, Simplification of distribution process and elimination of middlemen profit, Simplification of economic progress, and achieving economic equilibrium between supply and demand, since production is undertaken for meeting exact demand and Sending of social over economic order by giving premium on moral and human values (Rishasiwaim&Kulandaiswamy, 2000).

2.16 limitations of cooperative system

The first major limitation to the possibilities of universal application of the cooperative principles is those areas of economic activities which don't lend themselves to small scale operation such as electricity generation projects mines, railways etc.

Secondly, the restrictive feature inherent in cooperative principles is another limitation. The principle of cooperation describes the properties of a particular type of human association which at the same time is also an economic enterprise. They don't attempt to describe the economic system as a whole. In other words the principle of cooperation is germane to a micro approach and not to a macro approach.

The third limitation of cooperative approach is the basis of relationship among cooperative enterprise. Whether the relationship between other enterprise and cooperative system will be based on profit or service ,the theoretical implication the cooperative system has not been worked out in greater detail through leading

cooperative at various times and in various countries have expressed their faith in the creation of an economic system based on cooperative ideology, namely cooperative common wealth (ibid).

2.17 Cooperative legislation

Cooperative development in Ethiopia has been guided by a deliberate legislative framework. To this effect, the first legislation on cooperatives was issued in 1960 (FCA, 2005). This law was amended in 1966 into a Cooperative Proclamation (Proclamation No. 241/1966). In 1995, Ethiopia paid special attention to the development of agricultural cooperatives and issued specific legislation on agricultural cooperatives (Proclamation No. 85/1995). This proclamation outlined the rules and regulations for formation, membership, governance and dissolution of agricultural primary cooperatives in Ethiopia (Bezabih, 2009).

In 2002, the Cooperatives' Commission Establishment Proclamation (No. 274/2002) created the institutional framework for promoting and supporting the cooperative movement in Ethiopia. This legislation was further developed in 2004 with the issuance of the Cooperative Society Proclamation (No. 147/1998). This Proclamation conforms to the now universal ICA cooperative principles and the ILO Promotion of cooperative Recommendation (2002) (No. 193). It clearly sets out general provisions for registration of cooperatives, legal form of registered cooperatives, rights and duties of members, governance and management of cooperatives, special privileges of primary cooperatives, assets and funds of primary cooperatives, audit and inspection, dissolution of cooperatives and other miscellaneous provisions (Bezabih, 2009).

Regional states of the Federal Democratic Republic of Ethiopia have also enacted their own proclamations for the promotion of cooperatives. Three of the nine regions of Ethiopia, namely the Southern Nations and nationalities People's Region (SNNPR), Tigray and Amhara have enacted their own cooperative proclamations.

The Oromia Cooperatives Promotion Commission was established with Proclamation (No. 15/1997) to promote and support cooperative movement in Oromia National Regional State (Bezabih, 2009).

2.18 Historical Development of Cooperatives in Ethiopia

The historical development of cooperatives in Ethiopia is briefly discussed under three perspectives. These are

- (i) During the imperial regime,
- (ii) During the military rule, and
- (iii) Under the present government.

Cooperatives during the Imperial Regime (Before 1974)

In Ethiopia, successive regimes, starting from the Imperial period to the EPRDF government, gave due recognition to the role of coops and made deliberate effort to promote the same. However, the principles and approaches followed were markedly different, reflecting the political thinking and ideology of the regimes. In its Five Year Development Plan, the Imperial regime envisaged an important role for coops in transforming small holding agriculture. Thus, it set the stage by providing the first legal framework (the Farmer Workers Cooperative Decree No. 44 later replaced by the Cooperative Societies Proclamation No. 241/1966). The legal framework was relatively comprehensive and contained most of the essential contents of the legal framework issued more than three decades later in 1998 and coops were rightly viewed as primarily voluntary undertakings. However, success was limited during the period (Kifle, 2015).

Cooperatives in the Military Regime (1974-1991)

The Military regime, which viewed coops as a key instrument to build a socialist economy pursued the cooperatives agenda more aggressively. The approach followed combined coercion with extensive support including priority access to resources, goods and services (such as land, irrigation, bank loans at lower interstate, capital goods, inputs and extension services, and consumer goods). Whereas number of coops and membership size was relatively large, it is not regarded as a particular success for a number of reasons (for details see Partners Consultancy and Information Services, 2006). Coops were so unpopular that following the demise of the Derg regime in 1992 most of them disappeared quickly. What is worse is that they dissolved in such a disorderly manner (e.g. bank loans and other obligations were not settled; no distribution of assets between members; etc.) that it created a lasting suspicion and distrust of cooperatives the stigma of which is haunting cooperatives until today. In an

attempt for a fresh start with promotion of cooperatives, the incumbent government issued a new legal framework (Proclamation No. 147/1998 and 402/2004). In addition to being comprehensive it incorporated universally accepted principles of cooperatives (Kifle, 2015).

In the history of cooperative movement in Ethiopia, the government has taken serious measures after 1996. The measures include, organizing and reorganizing different types of agricultural cooperatives and establishing Cooperative Promotion Bureaus in regions. At the Federal structure the government has been established the cooperative promotion desk under the Prime Minister office. A proclamation No. 147/1998 to provide for the establishment of cooperative societies had also declared by the Federal Government to bring all types of cooperative societies under one umbrella. The Federal Cooperative Commission (currently Federal Cooperative Agency) based on proclamation No. 274 / 2002 was established in 2002. More over to correct the short comings in the proclamation 147/1998 and amendment 402/2004 and regulation number 106/2002 became an important instrumental document in the cooperative movement of the country (Kifle, 2015).

2.19 Cooperatives Movement in SNNPR Ethiopia

SNNPR has a long history of cooperative movement in Ethiopia, which has been characterized by strong growth, thus making a significant contribution to the overall economy of the region and the country as well. Like the federal government, regional government is also recognized cooperatives as a major contributor to the rural and agricultural development. Different types of cooperatives are established in every corner of the region. From the total population of the region 17 million, nearly 30.3% of the people participated and benefited directly or indirectly from cooperatives type of business (Nuredin, 2015).

SNNPR government also gave due attention for the establishment of cooperatives. Accordingly the region formulated cooperative proclamation along with federal government, also organizational structure to promote cooperatives established up to village level.

Due to this, until June 2011, about 8,872 (out of which 2,420 are saving and credit

cooperatives) primary cooperatives were established with a membership of male 693,898 (76.8%), female 209,861(23.2%) totally 903,759. In addition, 44 cooperative unions were organized, comprising about 1,003 primary cooperatives as members. Also 13 cooperative unions and 2 primary cooperatives together established regional farmer's cooperative federation. Overall, dominantly these cooperatives are engaged in agricultural input-output marketing, saving and credit cooperatives (Nuredin, 2015).

2.20 Cooperative Structure

Cooperative policies and strategies are designed by the FCA and approved or enacted by the appropriate legislative body. The policies define how the cooperatives are organized and supported by cooperative promotion institutions. Though functionally they stand as independent institutions, cooperative organizations are closely linked with the supporting government cooperative institutions. The level of organizational hierarchy varies across regions. The figure below shows the common organizational hierarchy of cooperative organizations and the supporting government structures at different levels.

- ❖ First level/primary cooperatives;
- ❖ Second level/cooperative unions;
- ❖ Third level/federation of cooperatives;
- ❖ Fourth level/ confederation of cooperatives.

However, only three of these hierarchies are currently functional. The confederation has yet to be established. The cooperative federations are established at regional levels and form the basis for establishment of the confederation. Once the confederation is established it will further develop partnerships among cooperative unions and primary cooperatives, in order to enhance the coordination of import/export activities. It will be an advocator for cooperatives, participate in policy dialogue and represent cooperatives in national and international forums. It will not be involved in usual cooperative business activities (Bezabih, 2009).

2.21 Cooperatives and Local Economic Development

Cooperatives by their nature are a critical tool for local economic development. Mensah et al. appropriately note that LED is founded on the belief that problems facing communities such as unemployment, poverty job loss, environmental degradations, and loss of community control can best be addressed by community-led grassroots, integrated approaches.²⁸ Cooperatives therefore form a very important component of local government's LED facilitation work in South Africa. From a theoretical standpoint, cooperatives provide an avenue by which local development can be facilitated. Firstly cooperatives act as an agent of community economic development by creating room for the direct involvement of communities and their leaders in the fight against poverty. (African Studies, 2014)

CHAPTER THREE

METHODS OF THE STUDY

3.1 INTRODUCTION

In this chapter, it has been discussed about the steps of the research process. By seeing methodology, one can get preview of the case and the way of analyzing. The following points are described the research design and methodology. These are; research design which includes quantitative method of data analysis, sampling and sampling techniques, instruments of data collection, sources of data collection, method and techniques of analysis and ethical consideration. In order to achieve the objectives of the study, the researcher is used the conceptual frame work to assess the role of cooperative on economic development of Sodo Wereda, to examine the role of cooperative to enhance economic development of cooperative members. The purpose is, therefore, in this research highlight to investigate and give answer to the research questions posed in chapter one. Hence the study of research methodology signifying quantitative method of data analysis was applied as the sources are available in numeric forms.

3.2. Description of the Study Area

Sodo wereda is found in southern nation's nationalities and peoples region in Guragezone at the eastern part. It is 103k.m from the capital city of Ethiopia and 121k.m far from Wolkite which is the capital town of Gurage zone. The location of the wereda is located Oromiya regional state at the northern, eastern and western parts and also Miskanworeda is located at the south-western direction.

The total land surface of Sodo wereda is 88,553.3 hectare. The total population of this wereda is 212,813 from this 108,091 are female and 104,722 are male. There are 58 kebele administrations with 54 rural kebele contains total population 178,665 and 4 urban kebele contains total population 34,148. (Source Sodo wereda finance and economy development office)

There are 131 cooperative societies in Sodo wereda with total members of 17,853 from this 12,925 are male and 4,928 are female members. These cooperatives have approximately 20,159,388 birr capital.

3.3. Research Design

To achieve the aims of this research distributive method of research design was used. The methodology used Survey method for the research in line with the objectives. Based on this, the researcher prepared questionnaires for members to investigate the role of cooperative in enhancing economic development. The questionnaires also included close-ended questions. Structured questionnaire for cooperative members prepared in this study for the collection of data from respondents. After the data was gathering from the data sources, the data was prepared for analysis and discussion. Then data analysis and discussion are following. Finally, based on the discussion and the analysis, conclusion and recommendation was draw.

3.4 Data Source

3.4.1 Primary Data Source

The researcher was used the following primary data sources, which is available to the study like Survey methods, Questionnaires and Interview.

3.4.2 Secondary Data Source

Secondary data is a data which collected from different published and unpublished documents prepared and filed in to the cooperative societies and library like, Books, Unpublished documents, Published studies on cooperative societies.

3.5 Sampling Design

3.5.1 Study Population

The study aims to examine the general approach of role of cooperatives in enhancing rural economic development in Sodo Wereda. There are 131 cooperatives and 17,853 members throughout the Wereda.

Out of these, the targeted respondents for this study were members register in the cooperatives. So, the relevant information was secured from purposively selected cooperatives. Sample cooperatives were selected due to their greater importance and provided valuable and relevant information to the study. The members from selected cooperatives have at least two years working experience after registration. The researcher had got better information from their experience of economic growth.

3.5.2 Sample and Sampling Technique

Based on Sodo Wereda cooperatives distribution the researcher was used stratified random sampling techniques (dividing the population into homogeneous subgroups and then using a simple random sample in each subgroup). The number of members in selected cooperative ranges from 50 and above members, whereas cooperatives with number of members ranging from 10 to 49 are exclude from the sample. Thus, a proportional simple random sampling method was used to select members from cooperatives. Research generalize ability is highly affected by sample size. Hence determining the number of representative sample size is a pivotal concern of every researcher to a given population. In this study, sample size was determined based on Yamane (1967) sample size formula.

Sample Size (n) = No of members in given cooperative

$$n = \frac{N}{1 + Ne^2}$$

Finally the researcher randomly selected individual respondents with the experience of registration above two years from each selected sample cooperative.

$$n = 17,853 / 1 + 17,853(0.05)^2 = 391.23 \sim 391 \text{ cooperatives}$$

Where,

n=sample size,

N= population size,

e=error limit (5%)

3.6 Methods of Data Collection

Primary data were collected through carefully prepared and organized questionnaire. This primary data were also collected through interview (working directly with the respondents and telephone interview) with selected respondents' such as, the management body of the wereda, managers and members of the cooperatives. However, secondary data source were be obtained from library and other published and unpublished found from the wereda as well as the managements of the cooperative societies.

3.7 Methods of Data Analysis

Data processing consists of a number of closely related operations: the first one was editing for checking the data collected to detect and/or correct errors or omissions. Moreover, the collected questionnaires are verified carefully for the completeness of the responses. Finally, the data summarized and arranged in a compact form for further analysis. The data analysis was done after collecting all the data from the respondents. Thus, the analysis of the study was consistent with the objective of the research. Moreover, the data gathered through distributing the structured questionnaires was analyzing using IBM SPSS statistics 20 software. Accordingly, the researcher analysis quantitative data using both descriptive and inferential statistics methods (Frequency, Percentage, mean, standard deviation, and regression). The average value had less than 2.50 is poor, between 2.51 to 3.00 is satisfactory, between 3.01 to 4.00 is moderate and between 4.01to 5.00 is strong/highest value. This standard developed based on reviewed literatures.

3.8 Ethical Consideration

The study gave due consideration to ethical issues such as confidentiality and anonymity. Therefore, the participants are first communicated as to the purpose and significance of the study and that their responses were used only for academic purpose and kept confidential. They are also assured that their name and their organization identity are remaining anonymous. They have taken this for guarantee and took part in the study voluntarily.

CHAPTER FOUR

RESULTS, DISCUSSIONS AND INTERPRETATION

4. Analyses of Questionnaires

The analysis of **Questionnaires** data indicates the response ratio of the respondents. The analysis is based on the collected data and it presents by using tabular and percentage form as shown the table below.

4.1 Age of respondents

Table 1 age ratio of respondents

| Age | Numbers of respondent | Percentage (%) |
|----------------|-----------------------|----------------|
| 14-30 years | 39 | 10 |
| 31-44 years | 98 | 25 |
| 45-65 years | 195 | 50 |
| Above 66 years | 59 | 15 |
| Total | 391 | 100 |

(Source data) survey result, 2018

According to the collected data which shows in the above table half of the respondents (50%) ranges between the age 45-65 years, 25% of them ranges between the age of 31-44 years, 10% of the them ranges between 14-30 years and the remaining 15% of the respondents range above 66 years.

Generally, the minimum age requirement which allows to be registered under the cooperative society is 14 years old. According to the cooperative proclamation No 49/98 a person who wants to be a member of cooperative attain the age 14 years and above unless, he/she can't become a member of cooperative society. Also the minimum number of members to establish one cooperative society is 10 members.

4.2 Sex of respondents

Table 2 sex ratio of respondent members

| Sex | Numbers of respondent | Percentage (%) |
|--------------|-----------------------|----------------|
| Male | 292 | 74.68 |
| Female | 99 | 25.32 |
| Total | 391 | 100 |

Source: survey result, 2018

According to the collected data 74.68% of the respondents are male members and the remaining 25.32% of the respondents are female members of the cooperative society. This data shows that the majority of the cooperative members are male members and the participation of females in the cooperative is lower compared with males.

4.3 Educational levels of the respondents

Table 3 level of Education

| Educational levels | Numbers of respondent | Percentage (%) |
|---------------------------|-----------------------|----------------|
| Illiterate | 87 | 22.25 |
| Primary School Complete | 79 | 20.20 |
| Secondary school complete | 58 | 14.84 |
| Certificate graduate | 56 | 14.32 |
| Diploma graduate | 71 | 18.16 |
| Degree & above graduate | 40 | 10.23 |
| Total | 391 | 100 |

Source: survey result, 2018

From the collected sample data 22.25% of the respondents are illiterate members, 20.20% of them had been attending primary school, 14.84% of them had been attending secondary school, 14.32% of them are Certificate graduate, 18.16% of them are Diploma graduate and the remaining 10.23% of them are Degree & above graduate.

Generally, since the societies are found in the rural areas and the majority of the cooperative members are farmers they are illiterate members. Around 28.39 % of the members have been attend their Diploma graduate and Degree & above this shows that cooperative helps to create emplacement opportunity to graduated societies rather than waiting work from the government.

4.4 Employment ratio

Table 4 employment ratio

| Are you employed in the cooperative? | Number of respondents | Percentage (%) |
|--------------------------------------|-----------------------|----------------|
| yes | 79 | 20.20 |
| No | 312 | 79.80 |
| Total | 391 | 100 |

Source: survey result, 2018

From the above table, according to the respondent 79.80% of them are the cooperatives members and the remaining 20.20% of the respondents are employees of the cooperatives in deferent levels.

Generally, the percentage ratio of the respondents' shows that the majority of the respondents are unemployed or members (79.80%) and cooperative contributes employment opportunity for the societies without the members.

4.5 Membership ratio

Table 5 Membership ratio

| Are you the funding members of the cooperative? | Number of respondents | Percentage (%) |
|---|-----------------------|----------------|
| yes | 257 | 65.70 |
| No | 134 | 34.30 |
| Total | 391 | 100 |

Source: survey result, 2018

From the above table, according to the respondent 65.70% of them are funding members of the cooperatives and the remaining 34.30% of the respondents are non-funding members of the cooperative.

Generally, the percentage ratio of the respondents shows that the majority of the members in the societies are the funding members of the cooperative. 34.30% are non-funding members of the cooperative. These types of members are joining in the cooperative after the establishment of the cooperatives through paying the registration fee. The registration fee is varying from cooperative societies and it depends on the decisions made by the general assembly it is not fixed amount.

4.6 Analysis of Member's Economy

The analysis of member's economy is indicating the economic performance of the members and societies as a whole. This analysis is presenting based on the collected data from the respondents and presented by using tabular and percentage forms as shown in the following table.

4.7 Member's source of finance

Table 6 Source of Finance

| Where do you get the finance to strengthen your cooperative? | Number of respondents | Percentage (%) |
|--|-----------------------|----------------|
| Long term loan | 63 | 16.12 |
| Short term loan | 51 | 13.04 |
| Government assistance support | 40 | 10.23 |
| Members share dividend | 237 | 60.61 |
| Total | 391 | 100 |

Source: survey result, 2018

The above table implements that the source of finance of the Member's as a whole. Based on the collected data 60.61% of the respondents said that the main source of finance for their cooperative is members share dividend, 16.12% of them said that their source of finance is coming from long term loan, 13.04% of the respondents said that their source of finance is coming from and the remaining 10.23 of the respondents said that the source of finance for their cooperative is getting from Government assistance support.

Generally, the collected data shows that the source of finance to Member's is coming from their share dividend that means from their profit 70% are dividing to the members as a dividend and the remaining 30% of their dividend is save as a capital to expand and solve the financial problem of the cooperative.

4.8 Major services delivered by the cooperative

Table 7 services delivered by the cooperatives

| What are the major services delivered by your cooperatives to increase member's economy? by | Number of respondents | Percentage (%) |
|---|-----------------------|----------------|
| Importing agricultural inputs(fertilizer, seed & chemicals) | 138 | 35.30 |
| Providing machinery renting service | 20 | 5.12 |
| Purchase agricultural products from members at competitive price & offer dividend on share capital to their members | 142 | 36.30 |
| Provide transportation, storage, credit & facilitation of training | 91 | 23.28 |
| Total | 391 | 100 |

Source: survey result, 2018

According to the above data 36.30% of the respondents said that their cooperative provide service to the Member's by Purchase agricultural products from members at competitive price & offer dividend on share capital to their members, 35.30% of the respondents implies that their cooperative provide service to the Member's by Importing agricultural inputs (fertilizer, seed & chemicals), 23.28% of them implies that the cooperative provides service by facilitate and Provide transportation, storage, credit & facilitation of training to the members and the remaining 5.12% of them said that their cooperative is providing machinery renting service with reasonable price.

Generally, the cooperative provides and delivers various services which helps to encourage the Member's economy. Basically Purchase agricultural products from members at competitive price & offer dividend on share capital to their members and importing agricultural inputs (fertilizer, seed & chemicals) are playing a major role to encourage the Member's economy because almost all the members of the societies are farmers.

4.9 Contributions of cooperative

Table 8 Contributions of Cooperative

| What are the contributions/benefits of cooperative for your economic development? | Numbers of respondent | Percentage (%) |
|---|-----------------------|----------------|
| Employment creation | 226 | 57.80 |
| Revenues generation | 86 | 22 |
| Investment creation | 79 | 20.20 |
| Total | 391 | 100 |

Source: survey result, 2018

According to the collected data 57.80% of the respondents said that cooperative contributes its role by creating employment opportunity to the society, 22% of them said that cooperative plays its role by creating investment opportunity to the societies and the remaining 20.20% of the respondents said that cooperative plays a vital role for its society by generating revenues’.

Generally, cooperative plays a vital role for economic development of the societies and members through employment creation, revenue generation and investment creation opportunity to the members as well as the societies as a whole.

4.10 Profitability

Table 9 profit

| Is your society profitable? | Number of respondents | Percentage (%) |
|-----------------------------|-----------------------|----------------|
| yes | 331 | 84.65 |
| No | 60 | 15.35 |
| Total | 391 | 100 |

Source: survey result, 2018

From the above table, according to the respondent 84.65% of them said that their cooperatives are profitable and the remaining 15.35% of the respondents said that even though there are cooperative societies, they are not profitable as well.

Generally, the percentage ratio of the respondents shows that the majority of the members in the societies are changing their income from low level to medium and high level. This increment implies that the members of the societies are changing their income and living standard.

4.11 Why the society is profitable?

Table 10 why the society is profitable

| What makes the society profitable? | Number of respondents | Percentage (%) |
|------------------------------------|-----------------------|----------------|
| Strong management | 117 | 30 |
| Stoke holders& government support | 78 | 20 |
| Active participation of members | 196 | 50 |
| Total | 391 | 100 |

Source: survey result, 2018

According to the above table ,20% of the respondents said that cooperatives are profitable due to strong management ,30% of the respondents said that cooperatives are profitable due to good stake holders and government support assistance and the

majority of the respondents (50%) said that societies are profitable due to active participation of members.

Generally, the major reason which makes the cooperative societies profitable includes good stake holders and government support& assistance and active participations of members. Stake holders and government support plays a great role to improve profit of the societies by providing short term loan, long term loan and other technical supports to the members. Active participation of members in the society is also the backbone of the cooperative society to make more profit. Members of the society are actively participating to enhance the profitability of the society. It is the main activity in the society to improve the profit. But there is no strong management strong and active participation of member's insufficient supports from the government& stokes holders. 70% of the respondents agree that there is management problems and lack of trained and educated man power in most cooperatives.

4.12 Cooperative and living standards of the society

Table 11 living standards of the society

| To what extent cooperative contributes to improve the living standards of the members? | Number of respondents | Percentage (%) |
|--|-----------------------|----------------|
| Marketing of agricultural inputs & products | 289 | 73.90 |
| Involving in exporting & marketing activities | 43 | 11 |
| Involving in financial transaction & capital development | 59 | 15.10 |
| Total | 391 | 100 |

Source: survey result, 2018

The above table implies that 73.90% of the respondent said that the establishment of cooperative institution in the rural area has high contribution on Marketing of agricultural inputs & products to the members and society, 15.10% of them said that the establishment of cooperative institution has contribution on Involving in financial transaction & capital development to the society and the remaining 11% the respondents said that the establishment of cooperative institution has contribution on Involving in exporting & marketing activities to the society. But, the establishment of cooperative institution has no negative contribution on the living standards of the society.

Generally, the sample data implies that the majority of the respondents believe that the establishment of cooperative institution has a major role to change the living standards of the rural society and to enhance their social as well as economic aspects by Marketing of agricultural inputs & products as a whole. This changes the living standard of the cooperative members and societies. It also creates positive awareness towards cooperative institution in the rural society.

4.13 Level of member's satisfaction

Table 12 Level of satisfaction

| What is your level of satisfaction from the cooperative institution? | Number of respondents | Percentage (%) |
|--|-----------------------|----------------|
| I have High satisfaction level | 217 | 55.50 |
| I have Medium satisfaction level | 119 | 30.43 |
| I have Low satisfaction level | 55 | 14.07 |
| I have no satisfaction level | - | - |
| Total | 391 | 100 |

Source: survey result, 2018

According to the collected data 55.50% of the respondents said that they get high level of satisfaction from their cooperative institutions, 30.43% of the respondents said that they get medium level of satisfaction from their cooperative institutions and the remaining 14.07% of the respondents said that they get low level of satisfaction from

their cooperative institutions. But, no members said that cooperative institutions have negative level of satisfaction at all.

Generally, the response of the respondent implies that cooperative institution creates high level of satisfaction on the societies and it helps to expand cooperative throughout the rural and urban societies. The Satisfaction levels of members have high value to persuade other non-members to establish their own cooperative to enhance their economy. This satisfaction of members in any level of the cooperative society specially, economic satisfaction played a vital role in cooperative institution.

4.14 Members participation

Table 13 participation

| How members actively participate in cooperative to increase their economy? By | Number of respondents | Percentage (%) |
|---|-----------------------|----------------|
| Participating in necessary meeting & voting | 209 | 53.45 |
| Participating in training & development program | 43 | 11 |
| Producing agricultural good & supply to the society | 99 | 25.32 |
| Purchasing additional share | 40 | 10.23 |
| Total | 391 | 100 |

Source: survey result, 2018

According to the above data 10.23% of the respondents said that they actively participate in the cooperative by purchasing additional shares, 11% of them said that

they participate by taking different training and development programs, 25.32% of them said that they participate by providing agricultural products to the society and the remaining 53.45% of the respondents said that they participate in the necessary meeting and voting programs.

Generally cooperative form of business organization is a form of business organization whose primary objective is to rendered service to their members rather than maximizing profit. Members are actively participating by produced agricultural products to increase their economy. The prime motive of cooperative forms of business organization is producing agricultural goods and services to the members and supplies it using reasonable price because profit is not the prime motives of cooperatives. Members also participate in their cooperative to enhance their economy by purchasing additional share, taking training and development programs and actively participating in the necessary meeting& voting. Cooperatives have general assembly once a year, but they prepare other necessary meeting if it is urgent and special condition and also there is one member one vote principle in the cooperative voting & election period.

4.15 Factors That Affect the Economic Participation

Table 14 Factors Affect Economic Participation

| What are the factors that affect the economic participation of members? | Number of respondents | Percentage (%) |
|---|-----------------------|----------------|
| Passive participation of members | 79 | 20.20 |
| Financial limitation | 134 | 34.27 |
| Mistrust among members | 59 | 15.10 |
| Lack of awareness | 119 | 30.43 |
| Total | 391 | 100 |

Source: survey result, 2018

According to the collected data, 20.20% of the respondents said that the economic participation of the members as affecting by passive participation of members, 30.43% of them said that it affects by lack of awareness towards cooperatives, 34.27% of them

also said that economic participation of the members limited by financial limitation and the remaining 15.10% of the respondent said that it affects by mistrust among members in the society.

Generally, although cooperative institutions are satisfying and members can change the living standard of them and enhance the incomes there are so many factors that affect economic participation of cooperatives from this factors lack of awareness towards the cooperative and financial limitations are the major factors. Since there is no educated and knowledgeable man power it is difficult to participate and enhance the economy.

4.16 Challenges of Cooperative to Deliver & Sell Product to Members

Table 15 Challenges of Cooperative

| What are the main challenges that face in your cooperative when you deliver & sell your product to members? | Number of respondents | Percentage (%) |
|---|-----------------------|----------------|
| Lack of transportation | 117 | 30 |
| Lack of market share relationship | 137 | 35 |
| Lack of warehouse to store inventory | 78 | 20 |
| Lack of product knowledge | 59 | 15 |
| Total | 391 | 100 |

Source: survey result, 2018

According to the above table ,35% of the respondents said that Lack of market share relationship is a main challenges that face in cooperatives when they deliver & sell their products to the members and the societies,30% of the respondents said that Lack of transportation is a main challenges that face in cooperatives when they deliver & sell their products to the members and the societies,20% of the respondents said that Lack of warehouse to store inventory is a challenges that face in cooperatives when they deliver & sell their products and the remaining 15% of the respondents said that Lack of product knowledge is also the other challenges.

Generally, Lack of market share relationship is the major challenges. The members have no fair market relationships to sell the products with competitive price. Lack of transportation is also the other challenge. Even though cooperatives have significance role in the economy there is no transportation facility to deliver the product in the market, low market relationships to sell the products, Insufficient warehouse to store inventory until they sell it and sometimes there is poor product knowledge among members that means they have no deepest knowledge about what kind of product have more market demand or not.

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CHAPTER FIVE

5. SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 INRODUCTION

In this study, the study attempted to assess the role of cooperatives in enhancing the rural economic development, to evaluate its effectiveness of cooperatives to improve the economic growth .The study addressed to point out an alternative training and development methods improve effectiveness of cooperatives in Sodo Wereda and improve member's participation and awareness creation.

5.2 SUMMARY OF MAJOR FINDINGS

- ❖ According to the cooperative proclamation No49/98 the minimum age requirement to be registered under the cooperative society is14 years and the minimum number of members to establish one cooperative society is 10 members.
- ❖ The majority of the cooperative members are male members and the participation of females in the cooperative is lower compared with males.
- ❖ Even though, the majority of the cooperative members are farmers and illiterate members, cooperative helps to create emplacement opportunity to graduated societies rather than waiting work from the government.
- ❖ 34.30% of members are joining in the cooperative after the establishment of the cooperatives through paying the registration fee. The registration fee is varying from cooperative societies and it depends on the decisions made by the general assembly.
- ❖ Members share dividend is the main source of finance to the cooperatives. from their profit 70% are dividing to the members as a dividend and the remaining 30% of their dividend is save as a capital to expand and solve the financial problem of the cooperative.

- ❖ Purchase agricultural products from members at competitive price & offer dividend on share capital to their members and importing agricultural inputs (fertilizer, seed & chemicals) are a major service delivered by the cooperatives to encourage the Member's economy.
- ❖ Cooperative plays a vital role for economic development of the societies and members through employment creation, revenue generation and investment creation opportunity to the members.
- ❖ The major reason which makes the cooperative societies profitable includes good stake holders and government support & assistance and active participations of members, but, there is no strong management and active participation of members insufficient support from the government and stake holders. 70% of the respondents agree that there is management problems and lack of trained and educated man power in most cooperatives.
- ❖ Cooperative institution has a major role to change the living standards of the rural society and to enhance their social as well as economic aspects by Marketing of agricultural inputs & products.
- ❖ The satisfaction of members in any level of the cooperative society specially, economic satisfaction played a vital role in cooperative institution.
- ❖ The prime motive of cooperative forms of business organization is producing agricultural goods and services to the members and supplies it using reasonable price because profit is not the prime motives of cooperatives.
- ❖ Factors that affect economic participation of cooperatives from this factors lack of awareness towards the cooperative and financial limitations are the major factors.
- ❖ Even though cooperatives have significance role in the economy there is no transportation facility to deliver the product in the market, low market relationships to sell the products, Insufficient warehouse to store inventory until they sell it and sometimes there is poor product knowledge among members that means they have no deepest knowledge about what kind of product have more market demand or not.

- ❖ The major reason that initiates members to establish cooperative includes Cooperatives exist to meet their members' needs, are owned and controlled by their members, Decisions made democratically by the membership, Profits are returned to members and contribute to the economic stability of their communities.
- ❖ The management commutes trays to solve the challenges that face in their cooperative by giving training, facilitating workshops, recruiting educated employees etc. But there are some irregularities and the commutes itself is not well organized and have no knowledge of cooperative business transaction.
- ❖ There are no cooperative unions and sufficient supports from the concerned bodies to strength the cooperatives.

5.3 CONCLUSIONS

The importance of cooperatives for social and economic development in Sodo Wereda has been recognized by the society. As a result, the Government has been committed to the promotion of cooperative development through its cooperative support institutions. These efforts have seen a steady increase in the number of cooperatives in Sodo Wered in the recent years. However, the level of support has been inadequate as demonstrated by the effort to increase the number of primary cooperatives and unions without giving due attention to improving their Functionality and technical viability. Without doubt, globalization has created new and different pressures, problems, challenges and opportunities for cooperatives. Continuing with a 'business as usual' approach will have repercussions for the vibrancy of many cooperatives in Sodo wereda. The time requires a new mind set, quality leadership, modern cooperative management and modern financial management techniques in order to ensure cooperatives are sustainable and able to meet their multiple objectives.

All stakeholders in cooperative development in Sodo wereda should not only focus on increasing the number of cooperatives, but should also give due attention to enhancing cooperative functionality and technical viability. Coordination among stakeholders involved in cooperative promotion is necessary.

The capacity to do this should be strengthened across the wereda.

Involvement of cooperatives in new product processing and marketing lines should be encouraged. This will enable them to be more active in the value chain and increase their market shares and surplus margins.

Given the diverse range of activities that cooperatives are engaged in and the variation of these activities by regions, cooperative may have trouble providing a representative and coherent voice for their members. This calls for the formation of cooperative unions. All stakeholders should give the necessary support required for the realization of cooperative unions and seek to replicate this model within their own wereda.

The cooperative movement has been facing critical shortage of skilled human resources. The institutions supporting cooperatives in Ethiopia suffer from frequent structural changes. This affects the performance of cooperatives and the data management system. Overcoming these problems will enhance the role of cooperatives in economic and social development.

5.4 RECOMMENDATION

- ✓ Strong support is needed for the formation and operation of cooperative unions. Continued capacity building work is needed, particularly through training. Material and technical supports are also necessary to put the cooperatives on a promising growth path. With the formation of cooperative unions, cooperative organizations can be built. Efforts being made to support cooperatives should be consolidated.
- ✓ An in-depth study to understand the contributions of the different stakeholders and the economic and social contribution of cooperatives is necessary.
- ✓ Statistics of cooperatives across wereda could lead one to understand that the number of cooperatives, especially SACCOs established in rural areas, is smaller than they are in reality. Extra effort should be made to establish and strengthen rural cooperatives with priority given to cooperatives that can engage in value addition to livestock products and provision of services to the community.
- ✓ Moreover, many primary cooperatives are usually managed by cooperative management committees that lack modern cooperative management skills. It is, therefore, important to build the capacity of primary cooperative management committees and their staff. Moreover, awareness creation for policy makers and officer's of government cooperative institutions at different levels should be given emphasis so as to effectively promote and develop cooperatives.
- ✓ Partnership among higher institutions involved in teaching cooperative issues and cooperatives should be established and strengthened to overcome the human resources limitations.
- ✓ Universities and colleges should also be involved in applied cooperative development research, in order to find innovative ways of enhancing cooperative functioning. Emphasis should be given to promote participation of the youth and women in the cooperative movement. The participation of women and youth can be increased through awareness creation programmers'.

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