

The Effect of Cooperatives on Economic Development in Case of Ethiopia

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1. Introduction

1.1 Back ground of the study

A Co-operative is a unique form of business used by people and businesses for their mutual benefit. Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development. An economy based on one form of business organization alone is neither desirable nor possible in recent our modern world. To justify their existence and fulfill their purpose, cooperatives must make a significant and unique contribution to solving some of the massive problems facing mankind today in bringing up their economic status. This paper therefore, examines the impact of cooperatives in economic development. The aim is to investigate the ways in which cooperatives can act as the third economic sector of our planet and the part played by it towards sustainable economic development.

Cooperative is a business model where individuals collectively own and control a particular business with primary aim of gaining social and economic inclusion in a particular economic system. Meanwhile, International Cooperative Alliance (ICA) cited in Onyima and Okoro (2009) 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 enterprise.

According Osterberg cited in Taiwo (2012), the principle of democracy has been a core element of cooperative business ever since the inception of the cooperative business model. Cooperative society is democratic in the sense that every member are given equal opportunity to participate in all the dealings and activities of the cooperative society. These activities might include participation in decision making process; attendance to cooperative meetings, patronizing the cooperative shop, be part of committee, sub-committee or the executives; as well as carrying out any task or responsibilities been given to as a cooperative member. Members' involvement is very crucial to the effective performance of cooperative society which is also pertinent to their goal attainment. In the view of Rajesh, Raju, Reddy, Scrthvasan and Sninani (2002) they believed that members' participation in cooperative activities both in terms of quantity and quality can enhance the perception and control members exert on the cooperative performance. They further stated that, the investment of members through their share capital, patronage, dues and fines, governance and other social activities could be at various levels, which are expected that each of these will have differing effects on cooperative performance; on cooperatives control; on the culture of cooperative as well as cooperative system. Such as, effect on control is expected to directly drive the perception of members on the performance of cooperative and indirectly enhance cooperative performance through greater usages of the cooperative by the members. Enhanced cooperative performance in turn would satisfy members and the cooperative will hopeful be completed as such satisfied members would place more stakes with the cooperatives (Rajesh et al as 2002).

1.2 Statement of the problem

Achieving the peak of economy is not the sole responsibility of private and government businesses. Cooperatives also play a vital role as a third sector of economy. A cooperative is a unique form of business used by people and businesses for their mutual benefit. Cooperatives are the third sector of world economy following the government and private sectors. Starting a cooperative requires considerable time, energy, commitment, and technical resources. Recognition of a common need is fundamental to the formation and successful operation of a cooperative. In order to achieve their maximum strength and effectiveness, cooperatives act as a distinct sector within the national economy of any country. As business organizations, cooperatives are partly private, partly public, but essentially different from both private enterprise and public enterprise.

They are a "middle way", an economic sector in their own right. Cooperatives must play the role of a *Third Force*, an alternative and countervailing power to both Big Business and Big Government. A cooperative is a business enterprise in which the elements of ownership, control and use of service are united in one group of persons. The distinguishing feature of cooperative business is its dual nature as economic enterprise and social organization. An economy based on one form of business organization alone is neither desirable nor possible in modern times. The best economic order is achieved through a mixed economy. To justify their existence and

fulfill their purpose, cooperatives must make a significant and unique contribution to solving some of the massive problems facing mankind today. Governments are expected to provide a supportive policy, legal and institutional framework, provide support measures based on activities, provide oversight on terms equivalent to other forms of enterprise and social organization, adopt measures to improve access to finance for disadvantaged groups, and topically, to promote the formalization of the informal economy. This support contribute significantly to improving cooperative performance by facilitating access of cooperatives to support services, productions, and marketing and particularly support to cooperative human resource development that contribute lots to the economic development of not only Ethiopia but also to the any given nations.

The purpose of this study will be to provide a better understanding by assessing the impact of cooperatives on economic development In case of West Shewa Zone Cooperative Unions, Oromia Region, Ethiopia. Special attention will be given to reduction in unemployment and market stabilization, international import and exports, savings and monetary circulations. The most important concern and basis for this study are Agricultural cooperative unions; Ambo farmer's cooperative union, cooperative bank of oromia, Ambo consumers cooperative union in west Shewa, oromia region of Ethiopia.

1.3 Objective of the study

1.3.1 General Objective

The main objective of the study will be: To assess the impact of cooperatives in economic development in case of West Shewa Zone Cooperative Unions, Oromia Region, Ethiopia.

1.3.2 Specific Objectives

- To understand the level of cooperatives in contributing to economic development.
- To evaluate how cooperatives play part in unemployment reductions.
- To examine the role played by cooperatives in market stabilizations.
- To identify cooperatives role in generating hard currency.
- To understand the role cooperatives played in international market.
- To identify the level at which members getting services and supplies from their cooperatives economically.

1.4 Research questions

- What is the level of cooperatives in contributing to economic development?
- How cooperatives play part in unemployment reductions?
- What is the role played by cooperatives in market stabilizations?
- What are the roles cooperatives played in international market (import export and hard currency generation)?
- How members getting services and supplies from their respective cooperatives economically.

1.4.1 Hypotheses

Hypotheses.1

There is bold contribution of cooperatives for economic development of a given country

Hypotheses.2

Cooperatives are playing significant role in reducing unemployment.

Hypotheses.3

Cooperatives have crucial role in generating hard currency through import and exports.

Hypotheses.4

Cooperatives have significant role in balancing income and stabilizing of local market.

Hypotheses.5

Cooperatives influence economy by contributed resources and skills.

1.5 Significance of the Problem/Study

The study of impact of cooperatives in economic development will get paramount importance in Ethiopia economy markets for different reasons.

- ✓ It provides material direction for preparing strategic plans that address the objectives of Ethiopian economic growth.

- ✓ It contributes to the principles of sustainable development, and corporate profitability.
- ✓ Contributes ways and menses to the market stabilization and balance of wealth among the reaches and the poor's by mobilizing resources from excess to the deficit areas.

Moreover, the results of this research will go a long way to help well organized economic development in the country which is used to realize the vision of building strong economy via growth and modernization that is going to be realized when there is an increase in GNP, Per Capita income, national efficiency and employment by channeling resources from surplus unit to deficit units in the country economy. This will enhance strategy formulation to improve the practice of cooperatives in economy market. The other beneficiaries of the research are cooperative societies, households, firms, economy regulators and it is believed that the study will shed light for further and depth future researcher in the same area.

1.6 scope of the study

This study is going to be done in West Shewazone of Oromia region cooperatives specifically by considering farmers' cooperative, cooperative bank and consumers cooperative.

2. Research design and Methodological Approaches

2.1 Selection of the study area

Ethiopia was selected for this study purposively by researcher for reasons. The data for the research consumption were collected from the oromia cooperative bank, Ambo consumer's cooperatives and Ambo farmer's cooperatives. For this particular research, quantitative type of study approach will be used. The research will use both primary data sources directly from respondents and secondary data sources from the written materials

Regarding the sampling technique, Multi stage sampling techniques will be adopted, namely, selection of the study area, sample districts, sample cooperative found under union and sample representative respondents. For the selection of sample districts the scholar will employ simple random sampling technique which gives equal chance of being included in the sample for all districts residing in the zone under study. Sample size of the study will be taken by the help of Kothari formula to give equal chance to all population of the study area. For selection of individual respondents from the sampled societies, probability sampling (systematic random sampling) is selected based on the concept of randomization.

2.2 Data analysis Approach

The data needed to measure member's involvement in employed cooperatives business will be analyzed by using descriptive statistics and The one-way multivariate analysis of variance (one-way MANOVA) to determine whether there are any differences between independent groups on more than one continuous dependent variable. The study will be quantitative study at all and will be subject to standard analysis using the statistical package for social science (SPSS, Version 21).

2.3 SWOT analysis

As the study will be Quantitative study analysis of the internal, controllable aspects (i.e., Strengths and Weaknesses) with the external, uncontrollable situational factors (i.e., Opportunities and Threats) and then aggregating the numeric scoring of the actions of the study might take to reach its goals and objectives. The internal and external challenges will be evaluated to understand the surroundings to help the research with the ground reality.

2.4 Strength in pursuing research

The scholar's interest, experience, language capability, mental readiness and capability of the scholar to use internets and reference materials are important strength to undertake a dissertation research. In addition to this, different research activities conducted as BA degree MBA fulfillment as well as researches conducted with co-researches have provided a good base for the forthcoming dissertation research.

The dissertation research concerned the main important body of cooperative business (members) impact to economic development which enables to show the future direction of cooperatives in the area of study and how the study support feature scholars to do further research on the area.

2.5 Weakness in pursuing research

Naturally individuals have some limitations on some specific performances which impact the quality of activities undertaken by a candidate in particular time. The scholar has some limitations to undertake scientific research work; lack of deep understanding of statistical tools like-econometric models, insufficient research experience undertaken previously,

financial constraints and late/biased reaction of sample respondents

2.6 Opportunity in pursuing research

The scholar has an ample opportunity to undertake a scientific dissertation research: those opportunities might be; practical long year work experience on both governmental and non-governmental organizations, availability of well experienced staff members at host university who can provide proper guidance and friends who can ideally support the work, research experience from BA and MBA papers and the scholars exposure to participate on different research reviews at Ambo university. Hence, the scholar has sufficient background to handle the dissertation research well in a given time.

2.7 Threats in pursuing research

The scholar was self-sponsor. For this reason no sufficient budget available to accomplish the research work and also for transportation around study area or data collection and capability of the researcher might be factors which negatively affect the quality of the dissertation research.

2.8 Organization of the study

The research report will be organized in five chapters.

- Chapter one contains background of the study, statement of the problem, objective of the study, basic research question, significance of the study, scope/delimitation of the study, the design & methodology of the research; the population and sampling technique, the types of data, data collection tools, procedure of data collection and methods of data analysis..
- Chapter two contains review of related literature.
- Chapter three presents, findings, analysis of data, and discussion of the study.
- Chapter four covers the conclusion which is derived from the findings and limitations of the study which could have effect on conclusion; finally the researcher comes up with practical recommendation.

3. Recommendations

This study will show that cooperative societies play an important role in economic development. They help in improving the standard of living of their members. Basically cooperative has been evolved to meet up the fundamental needs of people by their cumulative skill and resource contributions. There is no alternative of cooperative for deprived, indigent and disadvantaged people and cooperative acts as social and economic weapon to protect them from market economic exploitation. It would be a prospective sector to change the life style of low income people if government introduces well defined policy, programs, plan along with supervision and monitoring. There is no chance to deny the role and necessity of cooperative societies in Ethiopia in terms of poverty alleviation, unemployment reduction, to push the low earning people to better life and to rescue them from want. Although the history of cooperative is enriched here from long times but recently due to several causes, some inconsistency in this sector is observed. In this regard, some ways have been brought forward to overcome from these miserable circumstances. Based on the findings of the research the following recommendations have been made: There is need for a nationwide co-operative awareness campaign emphasizing the importance of forming cooperatives with appropriate socioeconomic characteristics to ensure that such cooperatives benefit from services of development agencies created to serve them. Government Co-operative offices should be sited close enough to cooperative societies they serve since distance was found to have affected the access of cooperative societies in this study. Such initiation pushes up cooperatives to contribute for economic development.

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