

## Small and Medium Cooperatives Performance of Marketing Services in Gondar

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### ABSTRACT

The main objective was to assess performance of cooperatives in Gondar using quantitative and qualitative approaches from 379 respondents by questionnaires and FGD. Descriptive statistics, binary logistic regression, multiple logistic regression and x2test used. Participating and non-participating members were 74% and 25.86% respectively that depicted overall rising participation of individual and primary cooperatives. Constraints were limited management capacity, inadequate initial capital, poor participation, lack of transparency, failure to notify meetings, knowledge gaps, lack of equal opportunity, limitation to exercise rights, price increases for inputs, high cost of production, shortage of skilled manpower, marketing information, technology, linkage, storing and transportation facilities.

**Keywords:** Performance; Marketing Service; Small and Medium Cooperatives

### INTRODUCTION

Dooren (1986) defined cooperative as association of members either personal or corporate, which have voluntarily come together in pursuit of common economic objectives. International Cooperative Alliance (ICA), an apex organization that represents cooperatives worldwide, has also defined cooperative as: autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

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

The United Nations estimated in 1994 that livelihood of nearly 3 billion people, half of the world's population, was made secured by cooperative enterprises. These enterprises continue to play vital economic and social roles in their communities

(Edward, 2012). Cooperative marketing is the collaborative efforts of two or more companies working together in advertising and promotional efforts to reach the same goal. This is sometimes referred to as co-op advertising, but is also not limited to the advertising arena alone. Typically this is seen when a manufacturer supports efforts of a retailer, but can also be used by multiple businesses looking to pool their resources to pay costs for advertising and promotion (DiBona, 2009).

According to Alema (2008), in Amhara region there were various types of inputs distributed to the farming community, such as fertilizers, seeds, agro-chemicals, beehives, local and exotic cows, motor pumps, treadle pump, palm oil, sugar and other commodity, etc. The diversified nature of the study area is favorable for crop as well as livestock production. Subsistence type of crop livestock mixed farming is a common practice and there is no as such specialization in production. This research study focuses on analyzing performance of members of marketing services by small and medium cooperatives.

A report from Amhara cooperative promotion and input marketing division indicates that there are 11,149 different types of primary male 2,329,840 and female 901,188 total members 3,231,028 and 62 numbers of cooperatives and numbers of membership by type 2680. Secondary union cooperative

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societies in the region 1,042 are agricultural cooperatives which deal with input and output marketing of their members. The remaining 1638 cooperatives comprise of saving and credit, dairy coops, consumer cooperatives, natural resources, vegetables and fruits, seed multiplication, irrigation and other type of cooperative societies. Cooperative societies in the region have a total membership of 2,920,854 which includes 2,208,429 male and 712,425 female members with a total capital of Birr 1,429,920,394.21 saving amount 211,694,439.00 (ANRS cooperative promotion Agency, 2007).

Cooperatives have potential impact on development and poverty reduction to sustained economic growth and to making markets function better for poor people (DFID, 2010). Cooperatives play important role in food production and distribution in supporting long-term food security and moreover, they are capable to increase smallholders' yields and incomes. Cooperatives are ideal means for the improvement of livelihood of smallholders. More than 5million households are the members of these cooperatives (FCA, 2011). Production and income of farmers are dependent on the performance of cooperatives to which they belongs.

Factors affecting for poor productivity are recurrent droughts, environmental degradation, primitive cultural practices, fragmented infrastructure in quality and type. Considerable loss also occurs to produce due to poor practices of post-harvest handling and limited use of appropriate post-harvest technologies (MOFED, 2005). Cooperatives are considered as appropriate tool for development despite they are facing critical problems that retain them from their positive role. These multifaceted problems make very difficult for the overall activities of cooperatives in general and agricultural input marketing services in particular. Weedy performance of agricultural markets in Ethiopia has been portrayed in various studies as major obstacle to growth and the overall economy with inefficient marketing system, surplus resulting from increased production benefits neither farmers nor country (Dawit, 2005).

Cooperatives have often been used as tools of economic and social development by regional governments that have not allowed them to become fully autonomous, member-owned businesses, lack of capital and government encouragement. Cooperative agricultural marketing services are neglected and farmers were usually price takers due to they have poor marketing skill and limited bargaining power. So that this study was motivated to fulfill the gaps in the performance of small and medium cooperatives in marketing services.

The general objective of this study was to assess performance of small and medium cooperatives in agricultural marketing services in Gondar. Specifically,

To measure performance of small and medium cooperatives in Gondar;

To explore participation of cooperative members in marketing activities in Gondar;

To describe livelihood of members and non-member in Gondar;

To assess constraints in marketing services delivered by cooperatives in Gondar.

## RESEARCH METHODOLOGY

Research design is the master plan of a research that throws light on how the study is to be conducted. Design of this study was cross-sectional in which data were shot at a single moment and be analyzed. Questionnaire and focus group discussion were used for data gathering. A three stage random sampling procedure adopted for the selection of study areas, cooperatives and sample households.

Gondar was purposively was selected as study area due to: the area has good performance of cooperatives in marketing services; the area has more cooperatives and dependency of people on cooperatives; the target population believed to give valid and reach information. Out of 15 cooperatives, 4 cooperatives were selected using simple random sampling technique. A total of 379 cooperative members were selected through simple random sampling technique by using probability proportionate to size. Sample size for this study was determined by adapting from Yamane formula (1967) and the assumption is 95% of confidence interval is maintained. Proportion of sample size is 5% of total members of sample cooperatives. Target population in 4 small and medium cooperatives was 5% of total number of members, level of confidence 95% that corresponds to Z score of 1.96.

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{7310}{1 + 7310(0.05)^2}$$

$n=379S$ , Where,  $n$ =sample size;  $N$ =population;  $e$ =level of precision

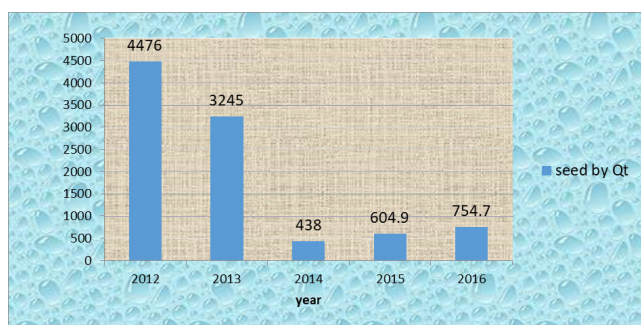
Structured questionnaires were developed for collection of primary data that was pretested and focus group discussions (FGD) was conducted in two sample cooperatives to gather qualitative data from members and non-members. Descriptive statistics were used as the first stage of the analysis to provide detailed information about each relevant variables (age, gender, member and non-member cooperatives, experience of cooperatives owner, performance of marketing). The members' household survey data was analyzed, presented and interpreted sing appropriate descriptive statistics.

Generally, the study used two broad categories of data analysis: descriptive statistics such as frequency and percentage, and econometric like chi-square, binary and multiple logistic regression models. The study also used qualitative study methods in order to analyze the data collected using focus group discussion that could help to triangulate results by considering the specific objectives.

## RESULTS AND DISCUSSIONS

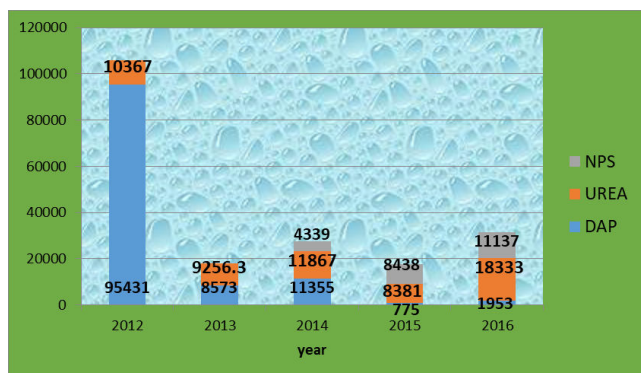
The following figure depicted the seed marketed by cooperatives was increasing at decreasing rate from 2012- 2016 due to cooperatives were getting seed supply from Bureau of agriculture input and credit department on discount basis and declined from 2013-2015 due to in 2015, cooperatives couldn't get discount and farmer members and non-members could get seed at the area with the same price. Thus, involvement of cooperatives was not worthwhile in seed distribution activity and a number of cooperatives withdrew from seed distribution business. So, volume of seed marketed by cooperatives decreased till 2015 and increased thereafter.

Figure 1: Improved seed marketing by cooperatives in Gondar



Although both private and public sector made importation of fertilizer, distribution was shifted to cooperatives and unions that had to undertake purchase and distribution to members and non-members by themselves during 2012 cropping season. Cooperative unions in Oromia, Amhara, SNNP and Tigray have started fertilizer importation. Based on Federal cooperative agency and regional cooperative bodies report, fertilizer import and distribution coverage of cooperative societies are increasing in the last two years (FCA, 2005). Volume of fertilizer distributed by cooperative societies was varied from 2012-2016, and declined in 2013 due to drought, and grew in 2015. Quantity distributed dropped down in 2012 by 47% due to cooperatives which did not repay their loan on time have withdrawn from fertilizer business.

Figure 2: Fertilizer distribution in Gondar



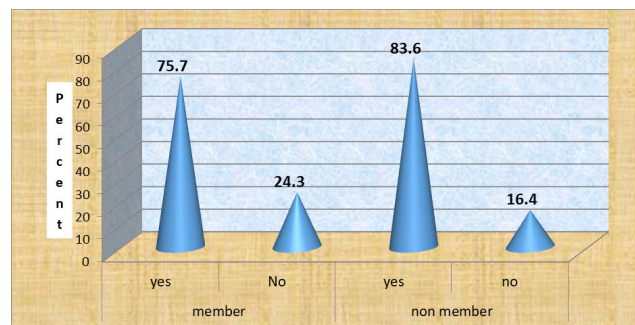
Education influences individuals, society and nation at large. To members and non-members, level of education determines levels of awareness, knowledge, understanding, perception and attitude towards what they are going to do for their institutional activities (Haileslassie, 2003). Having a better educational

background can help cooperatives to be productive for quality marketing services and how to distribute agricultural inputs and outputs to members and non-members. Majority (58.6%) of respondents are illiterate and in the study area has large family size which would expose them to household workload and shouldering of responsibilities in domestic activity. Thus, family size of respondents may be affecting their level of participation in cooperative societies.

In rural communities of most developing countries, land is important resource in production activity. It plays a crucial role in crop activity and animal rising. Land is primary resource in the production process. Summer season is the most cropping practices in the study area and lasted from June to September (MOFED, 2005). Land is the most important input factor for production and it is widely acknowledged among peasants land, its size and fertility is the most important basis for production and status of wealth between households. However, empirical analysis show that land area alone failed to adequately account for differences in productivity and wealth. Land ownership serves as good indicator of initial endowment position of members and non-members respondents in cooperative because respondent may need to purchase agricultural inputs such as fertilizers, improved seeds, agro-chemicals from cooperative society with reasonable price. Major sources of cash income were from sorghum, maize, bean, chick pea, teffee and barley. They sold some of their products right after harvest to fulfill the cash needs of household that include cost of farm inputs, social obligations and urgent family expenses by taking to the immediate nearby local markets.

Sale of traditional drinks and other sources of off-farm activities daily labour, trading, handicrafts and firewood selling is mostly practiced in most villages Gondar due to these are the main sources of off-farm activities of members and non-members. Cooperatives provide credit service to their members and non-members as commercial inputs are widely used by members and non-members. Major inputs used by respondents were commercial fertilizers, improved seeds and agro-chemicals as well as most of them apply livestock manure for land.

Figure 3: Access to credit service



Association between participation and non-participation and socio-economic and demographic characteristics. There was no significant association between participation and non-participation of sex (p=.974), age (p=.107), marital status (p=.09), education (p=.709), religion (p=.604), family size (p=.448), on-farm income(p=.404), off-farm income (p=.576), annual income (p=.573), annual expenditure (p=.85), land holding (p=.089),

own land (p=.839), rent in (p=.191), livestock (p=.262), use agricultural input (p=.375), fertilizer (p=.626), improved seed (p=.966), agro-chemicals (p=.692), sales (p=.787), marketing services (p=.424), dividend payment (p=.771), access to credit (p=.624) and credit to significant changes of living standard (p=.932) whilst the rest associated with participation and non-participation. There is significant association between participation and non-participation and rent out. Accordingly, 0-0.5 and 0.75-1hectares land with large farm size used more cooperative than those with smaller farm size. Land ownership serves as good indicator of initial endowment position of participation and non-participation respondents in cooperative due to respondent may need to purchase inputs such as fertilizers, improved seeds, agro-chemicals from cooperative society with reasonable price statically significant at (p<0.05)

Joining cooperative 1970-1981 members are more experienced and participated than non-participated members and those new members are between 2001-2009 year of joining less experienced and knowhow about cooperatives activity and statically significant at (p<0.01). Respondents who are paid 15-22 birr the variable shareholding had influenced the participation of farmer members in agricultural input marketing by cooperatives positively were expected. This implies that as number of shareholding of farmer members increases level of participation in cooperative affairs such as input marketing services increases. The larger the shareholding the greater will be the sense of ownership by cooperative members which leads for more participation and the result was statically significant at (p<0.05).

Distance from cooperative office influenced participation in input marketing services by cooperatives positively indicated that short category was 0-0.4km and significant at 1% probability. It was expected that farmers, who are relatively nearer to cooperative office, have the chance to participate more in marketing activities of cooperative. However, model resulted that farmers who live far-away from cooperative office were increase their probability to participate in input marketing services by cooperatives. This implies farmer members at relatively distant location have less alternative marketing agents as compared to those who live near the cooperative which are influenced by other private marketing agents.

Contact with management committee who said yes are more participated members other than non-participated members, those indicates that to gain knowledge about purpose of cooperative activities to aware the whole performance of cooperative society and statically significant at (p<0.01). Participate in cooperative management/decision making process, members were more participated about cooperative society while increase the skill of marketing services and statically significant at (p<0.01).

A binary and multivariate logistic regression was performed to see influence of participating and non-participating. Results from logistic regression showed that for participating and non-participating is determined by rent out, year of joining cooperatives, number of shareholding, distance from multipurpose cooperative office, contact with management committee and participate in cooperative management/decision making process were significantly associated with participating

and non-participating. After controlling for possible cofounders, result of multivariate analysis revealed that only rent out, year of joining cooperatives, number of shareholding, distance from cooperative office, contact with management committee and participate in cooperative management/decision making process was statistically significant influencing of participating and non-participating.

Rent out 0-0.5 and 0.75-1hectares land with large farm size less than 0.75-1hectares land used more cooperative than those with smaller farm size (AOR=2.524; 95% [CI=1.038-6.136]. Members whose year of joining cooperatives 2001-2009 new members were no more likely information about cooperative background than old ones (AOR=1.738, 95% [CI=.898-3.365]. Members who were 5-6 birr shareholding was not enough to increase cooperatives capital (AOR=.044; 95% [CI=.004-.513], With regard to influencing of participating and non-participating, members' were 0.5-1km likely long distances were a negative implication of the distance of multipurpose cooperatives (AOR=2.269; 95% [CI=1.075-4.790]. Management committee, who said no were poor participation of cooperative affairs in the determinant factors of (AOR=3.504; 95% [CI=1.598-7.685]. Members participate in different issues then to develop skill, knowledge, and attitudinal mind in influencing factors of participating and non-participating, members were (AOR=.0339; 95% [CI=.179-.647].

**Table 1:** Factors for participating and non-participating (N=379)

Predictor variables	Non-participant	Participant(N=281)	COR(95%CI)	AOR(95%CI)
	(N=98)			
	0	1		
Rent out	62	180	1	1
0-0.5 hectare	23	83	2.085(0.966-4.502)	2.524(1.038-6.136)
0.75-1 hectare	13	18	2.725(1.160-6.402)	2.713(1.011-7.283)
Greater than 1h				
Year of joining cooperative	15	107	1	1
1970-1981	17	37	4.487(2.295-8.771)	3.630(6.062-8.943)
1982-1993	25	74	1.382(0.688-2.705)	1.827(449-7.425)
1994-2000	41	63	1.879(1.029-3.432)	1.738(898-3.365)
2001-2009				
Number of shares held	17	90	1	1
5-6	3	17	2.431(1.339-4.413)	.044(0.004-513)
6.50-10	12	34	2.631(745-9.295)	1.033(145-7.347)
11-14	66	140		
15-22				

			1.315(.0640-2.705)	.657(.151-2860)
Distance from cooperative office in	20 40 38	66 156 59	2.069(1.083-3.954) 2.430(1.419-4.163) 1	2.269(1.075-4.790) 2.271(1.241-4.155) 1
0-0.4km				
0.5-1km				
2 and above km				
Contact with management committee	78 20	262 19	3.781(1.905-7.504) 1	3.504(1.598-7.685) 1
Yes				
No				
Participate in cooperative management/ decision making process	30 68	31 251	.292(.165-518) 1	.0339(.179-647) 1
No				
Yes				

To assess performance of cooperatives, FGD and key informant interviews were employed. A focus group discussion was conducted with 7 selected individuals from each sampled primary cooperatives. Discussion came out with a wide range of information about impeding performance of cooperative members. Organizational structure of cooperatives is made up of 4 tiers: General Assembly, BoDs, controlling committee and employees. Each structure has explicitly specific duties and responsibilities stated in the by-law of cooperative. The board is delegated by General Assembly which is responsible for management, specific operating policies, and supervision of business performance.

However, primary cooperatives were usually unable to run meeting due to lack of willingness of members and lack of boards to notify annual meeting ahead of time. Besides, primary cooperatives suffers from capacity limitations related with capacity to undertake timely market assessment, lack of training for management and employees, delay on supply of farm inputs to member cooperatives, lack of periodic reports for members that has contribution for members' confidence over the cooperative, poor performance of management bodies due to limited knowledge about cooperatives. To prosper, cooperatives must be organized, well-financed, well-managed, and well-governed by committed members, BoDs and employees. They must be progressive, adapting to changing business climates, and responsive to their members' changing needs. Moreover, successful cooperatives are normally those able to attract capable and committed, employees, board members, achieve a high

degree of participation, isolate their decisions from political influence and maintain an environment in which cooperative values thrive to this member.

Adequate capital is one of the fundamental requisites for sound business operations of cooperatives. Members of a cooperative should provide capital to purchase inputs it's used. Since the cooperative exists to deliver benefits to its members, each member should contribute to capital in direct proportion to usage of services the cooperative provides. Lack of education and training is one of the seven ICA principles of cooperatives and development of sustainable member-owned cooperatives mainly depends on the members having basic understanding about the activities of their cooperatives. This can also be put into practice through education and training. Absence of education and training in a cooperative is therefore one of the obstacles constraining its performance. It was pointed out that cooperative performance in providing the necessary education and training to individual members, management committee members and employees was very limited.

FGD participants exposed that members of primary cooperatives are not interested in attending training due to lack of awareness about the benefits of training, lower literacy rate of members and time limitation for they have other activities to be performed on daily basis. Thus, primary cooperatives availed minimal education and training opportunities to members and non-members of primary cooperatives on regular basis. It was further discussed that though it was not geared to problem solving, it is, however, incontestable that the primary cooperatives has tried its level best in conducting some trainings; for instance, training on credit repayment for the management committees of the primary member cooperatives and technical training for natural gum producing cooperatives. However, this one time and shallow training made little or no difference in the performance of member cooperatives.

## CONCLUSIONS AND RECOMMENDATIONS

Cooperatives are established for the benefit of members in particular and for the community in general and their performances depend mainly on members' participation. There was an overall increasing participation of both individual members and primary member cooperatives. This increasing participation of membership is attributed to the promotional efforts of Gondar in organizing cooperatives as part of the government's strategy for poverty reduction. Moreover, lower prices of inputs, credit provision and dividend payments were also important pull factors for attracting new members.

As cooperatives are not only to benefit members but also non-members or the community as a whole, primary cooperative was found useful for surrounding community directly or indirectly. This is a significant cost saving for those who use services of cooperatives. Descriptive statistics were also used for analyzing the data in addition to the bivariate analysis. P-value was used to compare participated and non-participated members the values of the 1% categorical and examine existence of statistically significant between participants and non-participants in input

and output marketing by cooperatives. P-value showed statistically significant in the rent out, year of joining cooperatives, shareholding, distance of cooperative office from household, contact of management committee members, and participate in cooperative management/decision making process between two groups (participant and non-participant) at less or equal to 1% probability level. Logistic analysis revealed that independent variables (rent out, year of joining cooperatives, shareholding, distance of cooperative office from household, contact of management committee members, and participate in cooperative management/decision making process) were the significant determinants of participant and non-participant. The study identified main constraining factors of performance of cooperatives.

Despite its moderate achievements, primary cooperative society faced with various constraining in its progress. Limited capacity of BoDs and management, inadequate initial capital, poor participation of members, lack of transparency and accountability, failure to notify annual meetings, knowledge about duties and responsibilities, equal opportunity in passing decision, and limitation to exercise their right.

Based on findings, the following recommendations are suggested: government should make effective promotional efforts to say over and over the spirit of cooperation among the public. Attention should be given in setting standards of inputs to measure its performance as well as analyst and researcher to evaluate its strengths and weaknesses of primary cooperatives.

Change in standard of living due to year of joining a cooperative was influenced negatively to participation of members, this would be due to the inactive development of cooperatives and poor service rendering while the members who changed their living standard demands better service and need to expand their business activities to better business thinking or entrepreneur. So that cooperatives should improve their service rendering and diversified their business activities in addition to the distribution of inputs.

One of the major problems facing cooperatives was lack of enough capital, lack of government encouragements, lack of awareness, lack of sense of ownership and low participation of members to management system. Regional and zonal government need to make a pivotal role as it was understandable that, cooperatives were organized by members for their participation and non-participation of members.

Continuous and intensive education/trainings should be given for the cooperative leaders at all levels and the capacity of employees requires the attention of government officials. The training has to be accompanied by career development schemes so as to increase their motivation. Employees should undergo practical on the job training in cooperatives so as to be acquainted with the day-to-day problems. Besides, there should be a clear cut division of legal responsibilities between BoDs and paid employees by adhering to the by-law of cooperatives.

Income generation activities like saving, skill training should established like saving at household level, skill training on non-farm agricultural activities and credit scheme for purchasing

small livestock to improve family income for members and non-members.

Cooperatives should be increased the number of members by using different motivational factors such as to purchase cereals, pulses and other cash crops, professions of credit service to the members and to increase members capital by dividend payment on time after auditing.

Participation of members in marketing service was negatively affected by distances and this may be due to the fact that cooperative members who live far from cooperative office and marketing center were far located to obtain training. To support these members, offices of agriculture and natural resource, cooperative promotion should give attention to upgrade their technical and managerial knowledge through short term and long term training program in order to integrate members into the commercial agricultural economy.

Management bodies of cooperatives should be improved limitation on capacity of management bodies, lack of capital, and shortage of store, inadequate supply of commodities, linkage from other cooperatives and unions, government encouragements, to develop the sense of ownership members and quick feedback to the members and lack of physical resources.

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